Milan, 14 May 2024

Italian Equity Research – 1Q24 Results

UNIDATA

BUY

Sector: Telecoms

Price: Eu3.60 - **Target: Eu7.00**

Solid Start to the Year Setting a High Bar for Profitability

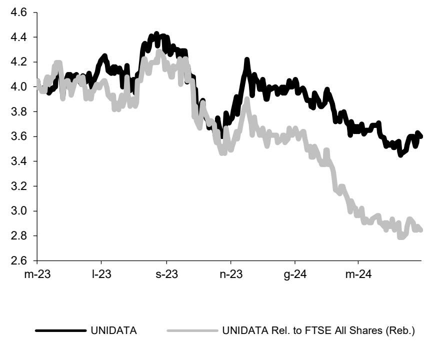
Giorgio Tavolini +39-02-77115.279
giorgio.tavolini@intermonte.it
Andrea Randone: +39-02-77115.364
andrea.randone@intermonte.it

Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2024E	**2025E**	**2026E**
Chg in Adj EPS	0.0%	0.0%	0.0%

Next Event

2Q24 Results out 11 September

UNIDATA - 12M Performance



Stock Data			
Reuters code:			UD.MI
Bloomberg code:			UD IM
Performance	**1M**	**3M**	**12M**
Absolute	2.0%	-8.9%	-7.7%
Relative	-1.1%	-20.2%	-33.3%
12M (H/L)			4.43/3.45
3M Average Volume (th):			10.42

Shareholder Data	
No. of Ord shares (mn):	31
Total no. of shares (mn):	31
Mkt Cap Ord (Eu mn):	111
Total Mkt Cap (Eu mn):	111
Mkt Float - Ord (Eu mn):	43
Mkt Float (in %):	38.8%
Main Shareholder:	
Uninvest (Brunetti/Vispi/Bianchi)	55.0%

Balance Sheet Data	
Book Value (Eu mn):	76
BVPS (Eu):	2.46
P/BV:	1.5
Net Financial Position (Eu mn):	-46
Enterprise Value (Eu mn):	157

Results comfortably beat forecasts (top line/EBITDA +€1mn above our estimates) and showed double-digit growth in both turnover (+11%) and EBITDA (+32%), with profitability peaking in 1Q (27.7%, +4.3pp YoY) driven by execution of high-margin projects that began in 1Q. These numbers bode well for the coming quarters and our FY estimates (currently targeting 13% top line growth and a 26.3% margin), although we would not expect any meaningful changes to current expectations.

- **1Q24 results.** Sales came at €25.3mn (our exp. €24.3mn), up 11% YoY (our exp. 6%) compared to the 1Q23 pro-forma figure (assuming TWT consolidated from 1 January 2023). Within the mix, revenues from Services were up 22% (essentially driven by PA +€3mn) while Infrastructure revenues fell 19% (IRU accounted as a straight infrastructure sale). Adj. EBITDA stood at €7.0mn (our exp. €5.8mn), up 32% YoY pro-forma, with a 27.7% margin (+4.4pp YoY, our exp. 24.0%), driven by execution of high-margin projects that began in 1Q. Adj. EBIT of €4.4mn (our exp. €3.2mn), was up 29% YoY, with a 17.4% margin (our exp. 13%) and pre-tax profit came to €3.3mn (our exp. €2.4mn, 1Q23: €3.1mn), a 12.9% margin. Industrial CapEx of €2.2mn (our exp. €3.5mn) and €1.4mn of financial investments (our exp. €1.5mn) led to net debt of €53.1mn (our exp. €54.0mn) up QoQ (€48mn as at the end of 2023). Direct customers increased by 6% to c.24.58k (our exp. 24.3k, FY23: 23.1k), while the fibre network extended to c.7,150km (our exp. 6,500km, FY23: over 6,200km).
- **Unitirreno almost ready to go.** Last week, Unidata announced that the new Unitirreno fibre submarine cable that will connect Mazara del Vallo to Genoa, with a hub close to Roma-Fiumicino, is close to becoming available after it obtained a landfall permit. The subsea infrastructure is the first of its kind to achieve full use of fibre repeaters and cables. CEO Brunetti had already indicated that Unitirreno is the Unidata project that is closest to completion. With conclusion of the planning and authorisation stage, Unitirreno should be ready to start laying cable and activating infrastructure between early and mid-2025. The JV with Azimut foresees a €90mn investment (of which €36mn financed with equity) and an IRR of ~11%. In September 2023, Unidata paid €6.5mn for its stake in Unitirreno (33.3%). The investment could rise to €18mn, should Unidata increase its stake to 51%.
- **BUY confirmed; target still €7.0. No change in estimates.** 1Q results have strengthened visibility on current consensus FY estimates, especially on margins. This prompts us to remain positive on the stock and confirm our DCF-based TP of €7.0, which implies c. 95% upside from the current market price. The stock is trading at c.5.3x EV/EBITDA'25E (in line with the telco sector) and at our TP it would trade at 8x (not far from the 7.8x offered by Fastweb for Vodafone Italy). UD's business model offers a very attractive risk-return profile thanks to: a) a proprietary network based on future-proof FTTH technology (no risk of disruptive change and limited long-term CapEx) and first-mover advantage in Rome, a highly strategic location; b) significant opportunities from TWT (expansion to Lombardy, diversification and commercial synergies); c) great visibility on IRR (guaranteed returns on CapEx); d) downside protection (visible and recurring revenue, low churn); e) a supportive regulatory framework (NRRP boost).

Key Figures & Ratios	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Sales (Eu mn)	51	93	114	126	137
EBITDA Adj (Eu mn)	16	24	30	35	39
Net Profit Adj (Eu mn)	8	8	12	15	17
EPS New Adj (Eu)	0.243	0.264	0.379	0.478	0.566
EPS Old Adj (Eu)	0.243	0.264	0.379	0.478	0.566
DPS (Eu)	0.100	0.010	0.017	0.022	0.026
EV/EBITDA Adj	9.9	7.2	5.3	4.3	3.5
EV/EBIT Adj	15.0	12.4	8.1	6.5	5.2
P/E Adj	14.8	13.6	9.5	7.5	6.4
Div. Yield	2.8%	0.3%	0.5%	0.6%	0.7%
Net Debt/EBITDA Adj	0.6	2.0	1.5	1.1	0.6

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium of 5.5% are being used.
Frequency of research: quarterly.
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BUY: stock expected to outperform the market by over 25% over a 12 month period;
OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;
NEUTRAL: stock performance expected at between +10% and – 10% compared to the market over a 12 month period;
UNDERPERFORM: stock expected to underperform the market by between –10% and -25% over a 12 month period;
SELL: stock expected to underperform the market by over 25% over a 12 month period.
Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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OUTPERFORM:	46.22 %
NEUTRAL:	27.73 %
UNDERPERFORM	00.84 %
SELL:	00.00 %

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UNDERPERFORM	00.00 %
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Emittente	%	Long/Short

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