Intermonte

Milan, 15 March 2023

Italian Equity Research – FY22 Results

UNIDATA

BUY

Sector: Telecoms

Price: Eu39.20 - **Target: Eu64.00**

Strong Execution, Clear Strategy, More Opportunities Ahead

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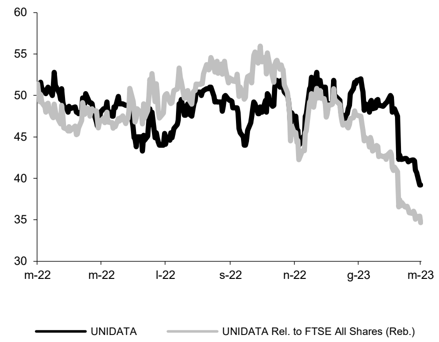
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2023E	**2024E**	**2025E**
Chg in Adj EPS	-0.1%	-3.8%	-3.0%

Next Event
AGM 18 Apr. / 1Q23 KPIs 9 May

UNIDATA - 12M Performance



Stock Data			
Reuters code:			UD.MI
Bloomberg code:			UD IM
Performance	**1M**	**3M**	**12M**
Absolute	-21.3%	-20.5%	-23.7%
Relative	-18.7%	-29.3%	-36.8%
12M (H/L)			52.80/39.20
3M Average Volume (th):			2.34

Shareholder Data	
No. of Ord shares (mn):	3
Total no. of shares (mn):	3
Mkt Cap Ord (Eu mn):	121
Total Mkt Cap (Eu mn):	121
Mkt Float - Ord (Eu mn):	47
Mkt Float (in %):	38.8%
Main Shareholder:	
Uninvest (Brunetti/Vispi/Bianchi)	55.0%

Balance Sheet Data	
Book Value (Eu mn):	46
BVPS (Eu):	15.00
P/BV:	2.6
Net Financial Position (Eu mn):	-50
Enterprise Value (Eu mn):	172

- **Final FY22 results.** Final results were +7-9% better than preliminary FY22 figures and our expectations, mainly due to higher margins (31.6% vs. prelim. 29%) despite the widely-expected YoY dilution from the push on construction of the Unifiber network. All KPIs showed healthy growth, confirming the solidity of the company's business model, which should be boosted by 3 medium term strategic initiatives (Unifiber, Unitirreno and Unicenter) on top of the value creation from the TWT purchase (already in our estimates). Looking at key financials, the top line was €51.3mn (+39% YoY) vs. the preliminary figure of €51.8mn (+40% YoY), underpinned by Services (58% of total), Infra development (29%), managed services (8%) and other revenues (5%). Looking at Services revenues: Fiber&Ntw (+17% YoY) was driven by new contracts, Wholesale (up 39%) by IRUs granted to other operators, Datacenter&Cloud grew to €1.5mn (+38% YoY) and IoT&Smart Solution sales almost doubled, although the contribution is not yet meaningful. EBITDA was €16.2mn (+15% YoY, +7% vs. prelim. figure at €15.1mn) despite the increase in production costs (+29% YoY, construction of Unifiber network), and labour (+20% YoY, new recruits). The positive surprise also translated to EBIT (€10.7mn. +18% YoY, +6% vs. our exp.) and net profit (€7.5mn, +25% YoY excluding last year's tax benefit for €1.8mn, +9% vs. our exp.), while net debt was €8.5mn, marginally better than the prelim. figure (€8.9mn), up from €5.8mn as at end-September due to the €2.8mn advance payment for the TWT acquisition. DPS was €0.10, in line with our expectation.
- **Conference call feedback.** TWT: management is confident of extrapolating further synergies once it has a clear understanding of the acquired assets and can start selling fiber in Milan (leveraging TWT's network of 370k resellers); opportunity to upgrade TWT datacentre to TierIV with negligible CapEx. New initiatives: the next milestones in UD's investment contributions: c.€3.8mn in Unifiber in 2023, €5.8mn in Unicenter in 2H23, €6mn in Unitirreno between 2023 and 2024. No meaningful contribution to UD expected from Unitirreno or Unicenter until 2025. M&A: after TWT, selective focus on small targets that are a good fit.
- **Updated estimates.** FY23-25 estimates confirmed, while embedding c.€16mn in payment milestones related to new initiatives, leading to higher debt of €51mn in 2023 and higher financial charges in FY24/25 (2024/25 EPS cut by 3-4%).
- **BUY confirmed; target still €64.** We confirm our DCF-based target price at €64, implying over 60% upside from the current market price. The stock is trading at c.10x EV/EBIT '23E, which we believe represents an extremely attractive entry point (Italian peer Intred is trading at c.16x) ahead of the forthcoming transfer to the STAR segment. We appreciate the business model as it offers a very attractive risk-return profile thanks to: a) a proprietary network focused 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 (footprint expansion to Lombardy, more diversified customer base and commercial upselling synergies); c) strong visibility on IRR (upfront CapEx with guaranteed returns); d) the presence of an anchor client in the form of state-owned OF, targeting faster and deeper FTTH coverage of Italy; e) downside protection (visible and recurring revenue streams, low churn); f) a supportive regulatory framework (NRRP boost).

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	37	51	112	124	132
EBITDA Adj (Eu mn)	14	16	25	29	35
Net Profit Adj (Eu mn)	8	8	10	12	15
EPS New Adj (Eu)	3.182	2.956	3.128	3.881	4.802
EPS Old Adj (Eu)	3.182	2.703	3.133	4.033	4.952
DPS (Eu)	0.100	0.100	0.156	0.194	0.240
EV/EBITDA Adj	6.7	8.2	6.8	5.7	4.7
EV/EBIT Adj	10.4	12.4	9.8	8.1	6.8
P/E Adj	12.3	13.3	12.5	10.1	8.2
Div. Yield	0.3%	0.3%	0.4%	0.5%	0.6%
Net Debt/EBITDA Adj	0.2	0.5	2.0	1.5	1.2