

UNIDATA

Sector: Telecoms

BUY

Price: Eu48.80 - Target: Eu65.00

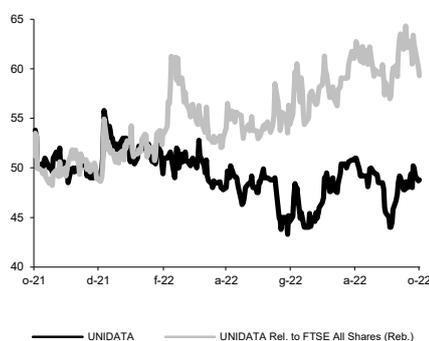
From a Regional Telco to A Diversified Infrastructure Player

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Next Event

3Q Results Out 27 October

UNIDATA - 12M Performance



Stock Data

Reuters code: UD.MI
 Bloomberg code: UD:IM

Performance	1M	3M	12M
Absolute	7.3%	4.9%	-4.7%
Relative	1.2%	1.7%	13.0%
12M (H/L)	55.80/43.30		
3M Average Volume (th):	0.70		

Shareholder Data

No. of Ord shares (mn):	3
Total no. of shares (mn):	3
Mkt Cap Ord (Eu mn):	124
Total Mkt Cap (Eu mn):	124
Mkt Float - Ord (Eu mn):	30
Mkt Float (in %):	23.7%
Main Shareholder:	
Uninvest (Brunetti/Vispi/Bianchi)	69.0%

Balance Sheet Data

Book Value (Eu mn):	34
BVPS (Eu):	13.32
P/BV:	3.7
Net Financial Position (Eu mn):	-4
Enterprise Value (Eu mn):	128

Unidata today: a regional FTTH player with big ambitions in adjacent segments. With a track record in the ITC industry going back 37 years, Unidata (UD) is an Italian telecoms operator that mainly provides UBB, Cloud, and IoT services to businesses/public sector administrations/retail consumers in the Rome area. It has a cutting edge FTTH network that covers over 4,900km, connecting 250k households in strategic districts, of which c.80% on proprietary infrastructure and the remaining 20% available indirectly through IRUs with other wholesale providers. Since 2018 UD has invested over Eu54mn to build, develop and strengthen the network, reinforcing its footprint in a high-potential area, i.e. the largest and most complex market for public sector and residential clients, making UD's infrastructure a non-replicable asset with no risk of infrastructure competition due to high deployment costs for any competitor. In FY21 the company reached Eu37mn of sales (2019-21 CAGR +67%) and Eu14mn in EBITDA (+65% CAGR), a solid margin of c.38%, and 1H22 results continued the very healthy trajectory, reinforcing visibility on business plan targets.

2022-24 estimates: our estimates are broadly in line with current business plan targets, pointing at net revenues of Eu65.2-79.2mn (our estimate Eu70.8mn) and EBITDA of Eu19.1-23.3mn (our estimate Eu22.7mn) in 2024, after c.Eu40mn of cumulative 2022-24 CapEx (our estimate Eu45mn). We expect UD to provide more visibility on medium-term targets and the 3 newly-announced initiatives with its next business plan update, while our FY23 NFP does not yet envisage any of the cash-in from the planned rights issue.

Eu50mn rights issue to reshape business profile: the company recently announced 3 co-investment initiatives (Unifiber, Unicenter, Unitirreno), which should grant further upside on our estimates. UD will play a key industrial role for the rollout and management of greenfield infrastructure (extension of FTTH network in Lazio region, a Tier IV datacentre in Rome and a submarine cable between Sicily and Genoa, respectively). The smart co-investment model will provide greater financial flexibility to UD, with the chance to monetise or gain control of the asset at a later stage. These initiatives involve a Eu25-31mn commitment by UD, financed through a rights issue of up to Eu50mn to be executed by YE23, which will also provide additional firepower for M&A, organic infrastructure development or to increase the scope of current financing projects/JVs. The company also plans to migrate to the STAR segment in 2023.

We initiate coverage with a BUY rating and Eu65 TP based on fully-diluted shares after the warrant exercise. Our DCF valuation leads to a target price of Eu65 per share, which implies >30% upside potential, before including further value creation from the 3 co-investment projects. The stock is currently trading at c.10-11x EV/EBIT '23E (in our view, this is a more meaningful metric to capture D&A associated with different investment profiles), which we believe represents an attractive entry point (Italian peers trading at c.14x). We appreciate Unidata's business model as it offers a very attractive risk-return profile thanks to: a) a proprietary network with a focus on future-proof FTTH technology (no risk of disruptive change and limited CapEx in the long run) and first-mover advantage in Rome, a highly strategic location; b) strong visibility on IRR (upfront CapEx with guaranteed returns); c) presence of a key anchor client, the state-owned company OF, targeting faster and deeper FTTH coverage of Italy; d) downside protection (visible and recurring revenue streams, low churn); e) supportive regulatory framework (NRRP boost).

Key Figures & Ratios	2020A	2021A	2022E	2023E	2024E
Sales (Eu mn)	23	37	46	56	72
EBITDA Adj (Eu mn)	9	14	15	18	23
Net Profit Adj (Eu mn)	3	8	6	8	11
EPS New Adj (Eu)	1.385	3.182	2.263	3.213	4.347
EPS Old Adj (Eu)	1.385	3.182	1.956	2.846	4.291
DPS (Eu)	0.000	0.100	0.100	0.161	0.217
EV/EBITDA Adj	4.6	6.7	8.6	7.1	5.7
EV/EBIT Adj	8.0	10.4	15.8	11.2	8.3
P/E Adj	35.2	15.3	21.6	15.2	11.2
Div. Yield	0.0%	0.2%	0.2%	0.3%	0.4%
Net Debt/EBITDA Adj	-0.4	0.2	0.2	0.2	0.2

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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 2.5% and a risk premium of 5.0% are being used.

Frequency of research: quarterly.

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A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

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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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BUY:	22.13 %
OUTPERFORM:	48.36 %
NEUTRAL:	27.87 %
UNDERPERFORM	01.64 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (52 in total) is as follows:

BUY:	38.46 %
OUTPERFORM:	50.00 %
NEUTRAL:	11.54 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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