UNIDATA

BUY

Sector: Telecoms

Price: Eu3.69 - **Target: Eu7.00**

After a Transformational Year, Focus Moves to BP Execution

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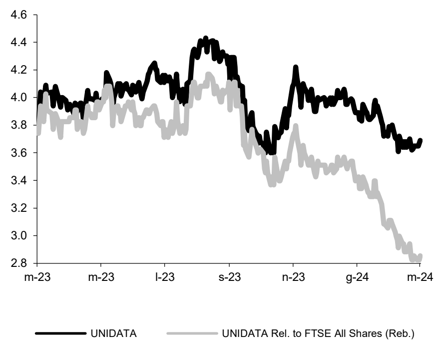
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 6.50 to 7.00
	2024E	**2025E**	**2026E**
Chg in Adj EPS	-3.7%	-1.2%	-1.0%

Next Event
AGM: 10 May 2024; 1Q24 13 May 2024

UNIDATA - 12M Performance



Stock Data			
Reuters code:			UD.MI
Bloomberg code:			UD IM
Performance	**1M**	**3M**	**12M**
Absolute	-2.9%	-6.3%	-8.7%
Relative	-8.3%	-20.1%	-34.8%
12M (H/L)			4.43/3.60
3M Average Volume (th):			11.97

Shareholder Data	
No. of Ord shares (mn):	31
Total no. of shares (mn):	31
Mkt Cap Ord (Eu mn):	114
Total Mkt Cap (Eu mn):	114
Mkt Float - Ord (Eu mn):	44
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):	160

- **FY23 results.** Final results broadly in line with preliminaries published 13 February and stronger than targets provided in November, while bottom line (€6.7mn, our exp. €9.0mn) was hit by higher D&A (+€2mn vs our exp) associated with the ongoing CapEx cycle. Top line up 82% to €93.3mn (tgt: ~€90mn) thanks to consolidation of TWT Group in the perimeter (from 1 March) and good standalone organic growth. On this point, we flag that TWT merged into Unidata S.p.A during the year and the company has begun generating cross-selling synergies; it is therefore extremely challenging to extrapolate the standalone growth by simply removing the €38mn contribution from TWT sales, especially after the cleanup of €17mn from voice trading services (business with negligible profitability). Excluding €2.0mn extraordinary costs relating to TWT acquisition and STAR listing, adj. EBITDA came to €24.4mn (tgt. ~€24mn) with a 26.1% margin, while adj. EBIT was €14.4mn (15.3% margin). During the year the company invested €27mn, of which €3.6mn in intangible assets, €14.0mn in tangibles (mainly connected to infrastructure), and €9.4mn in financial fixed assets (Unifiber and Unitirreno). Net debt increased to €47.9mn (our exp. €48.1mn) mainly due to the TWT acquisition, reaching pro forma leverage of 1.8x. Symbolic DPS proposed at €0.01 (in line).
- **Positive feedback from conference call.** Management shared some positive hints on FY24 outlook, expecting to keep similar profitability as in FY23 on a pro forma basis (at c. 26%) and to improve net debt YoY in line with BP deleverage trajectory (€24mn by 2026, 0.6x EBITDA), despite slightly higher CapEx (€18m vs our initial estimate of €15mn). On strategic initiatives, the company is still experiencing some delays with Unicenter, but is showing very good progress on IoT tenders/#Roma5G/Unifiber/Unitirreno.
- **Change in estimates.** We revise FY24-25 top line to reflect continuing clean-up of low margin activities, leading to improving margins (26.3% in FY24, 27.5% in FY25) well on track to reach FY26 target (29% with €130-140mn sales and €37-41mn EBITDA). At the same time, higher D&A and net financial expenses lead to adj. EPS cuts of -4%/-1%/-1% for FY24/25/26. We now expect net debt improving to €46mn as at YE24 (1.5x) and reaching €25mn as at YE26 (0.6x), broadly in line with company target.
- **BUY confirmed; target increased at €7.0 (from €6.5).** The company has successfully closed a transformational year, with the incorporation of TWT and the transfer to the STAR segment and is well placed to continue along the path traced, fuelling the top-line growth trend in business and consumer segments, also thanks to a new brand identity. This prompts us to remain positive on the stock and, factoring in a lower WACC (now 8.8% from 9.2%), we improve our DCF-based TP to €7.0 (from €6.5), which implies c. 90% upside from the current market price. The stock is trading at c.5.5x EV/EBITDA'24E (in line with the telco sector) and at our TP it would trade at 8x (not far off 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	0.311	0.393	0.484	0.571
DPS (Eu)	0.100	0.010	0.017	0.022	0.026
EV/EBITDA Adj	9.9	7.2	5.3	4.4	3.6
EV/EBIT Adj	15.0	12.4	8.2	6.6	5.3
P/E Adj	15.2	14.0	9.7	7.7	6.5
Div. Yield	2.7%	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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- 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)

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

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OUTPERFORM:	51.02 %
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UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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