

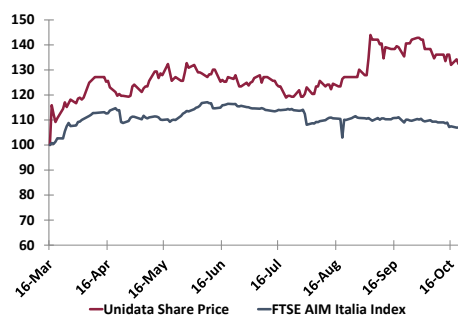


OUTPERFORM

Current Share Price (€): 17.70

Target Price (€): 22.68

Unidata - Performance since IPO



Source: S&P Capital IQ - Note: 16/03/2020=100

Company data

ISIN number	IT0005338840
Bloomberg code	UD IM
Reuters code	UD.IM
Industry	Telecommunication
Stock market	AIM Italia
Share Price (€)	17.70
Date of Price	20/10/2020
Shares Outstanding (m)	2.4
Market Cap (€m)	43.2
Market Float (%)	18.0%
Daily Volume	9,000
Avg Daily Volume YTD	n.a.
Target Price (€)	22.68
Upside (%)	28%
Recommendation	OUTPERFORM

Share price performance

	1M	3M	1Y
Unidata - Absolute (%)	16%	11%	n.a.
FTSE AIM Italia (%)	-4%	-6%	-17%
1Y Range H/L (€)	19.25	13.37	
YTD Change (€) / %	n.a.	n.a.	n.a.

Source: S&P Capital IQ

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H1 2020 revenues up 37%, share price close to our previous target, room for upside

Current trading: stock price rose outperforming the AIM Italia Index

Unidata share price gained 36% since IPO, outperforming the AIM Italia index, which rose 7% in the same period.

H1 2020 revenues up 37%, EBIT and net income in line with FY19

H1 2020 revenues were €8.8m, vs. €6.4m in H1 2019 (+37%). EBITDA increased by 26% to €2.6m, with 30% margin, consistently with H1 2019. In the same period, EBIT was €1.3m from €1.2m. Net income was €0.9m, from €0.8m in H1 2019.

On the balance sheet side, trade working capital was €2.1m as of end of June, confirming that 2019 year-end receivables balance was due to a temporary accounting event. The deferred income from Fiber Indefeasible Rights of Use (IRU) projects increased from €16.3m to €18.9m, with capex of €7m (Capex/Revenues 80%). Net cash was €9.3m, of which €5.3m coming from IPO proceeds, vs. net debt of €0.6m in FY19.

Unidata and CEBF for a €40m fiber development project in Lazio region

In September 2020, Unidata signed an agreement with Connecting Europe Broadband Fund (CEBF), an European fund invested by premier public and private European investors, among which European Investment Bank, European Commission through the Connecting Europe Facility and Cassa Depositi e Prestiti and managed by CUBE IM. The newly established newco Unifiber will invest into FTTH development for grey areas in the Lazio region. According to the project, the network would reach around 100,000 families and 5,000 companies for a total investment of €40m in the coming years. Unidata, which owns 30% of the newco, will invest €3.5m and will be entitled for the execution and maintenance of the fiber network development.

Target Price €22.68 per share (from €19.95), OUTPERFORM rating confirmed

The FTTH market is attracting substantial investments on the long-term horizon, especially after COVID-19 lockdown, with businesses and families increasing their broadband appetite. Unidata's expansion of network coverage is supported by the IRU projects coupled with the agreement with CEBF. We confirm our view of growth and cash generation potential. Our valuation indicates a Target Price per share of €22.68, +74% on the IPO price of €13.00, with a potential upside of 28% on the current share price. As a consequence, we confirm our OUTPERFORM rating.

Key financials and estimates

€m	2017	2018	2019	2020E	2021E	2022E
Revenues	10.6	11.5	13.2	15.9	18.8	21.7
YoY %	-	8.5%	14.5%	20.1%	18.7%	15.0%
EBITDA	3.1	3.8	4.6	5.8	7.0	8.2
Margin	29.4%	33.2%	35.1%	36.8%	37.4%	37.9%
EBIT	1.8	2.3	2.4	2.7	2.5	3.7
Margin	16.7%	20.0%	18.4%	17.0%	13.0%	17.2%
Net Income	1.2	1.6	1.7	1.9	1.7	2.6
Net Debt (Cash)	0.2	1.1	0.6	(8.4)	(13.0)	(16.6)
Equity	4.1	5.7	7.4	15.0	16.8	19.4

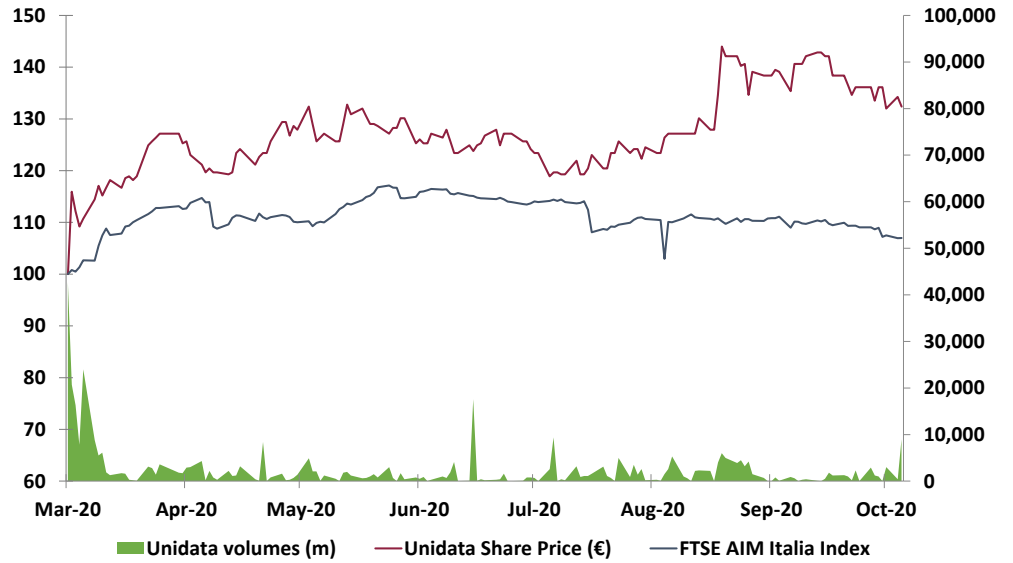
Source: Company data 2017-19A, EnVent Research 2020-22E

Market update

Unidata - Share price performance and trading volumes since IPO

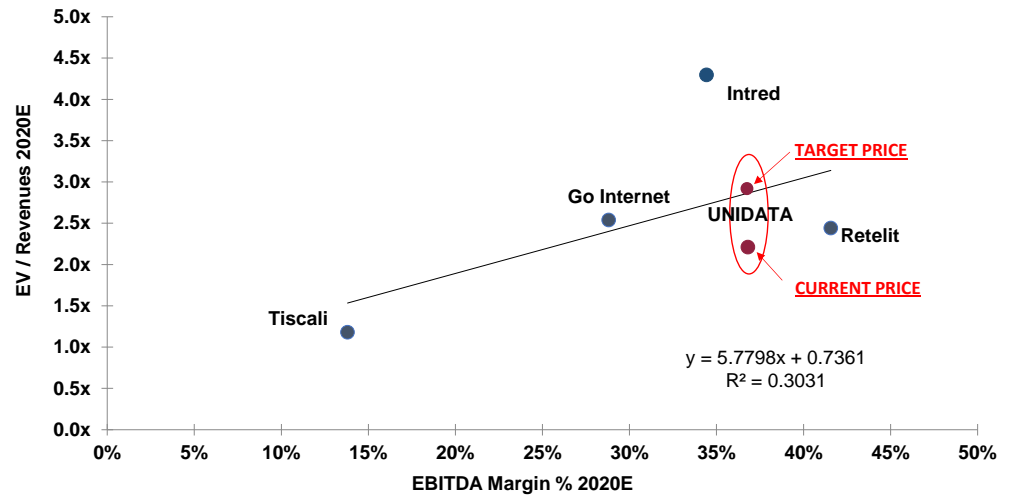
Unidata shares since IPO traded in the range €19.25-13.37, with beginning price at €13.37 and ending at €17.70, 36% increase

The AIM Italia Index increased by 7%



Source: EnVent Research on S&P Capital IQ - Note: 16/03/2020=100

Peer group - Regression analysis and Unidata target positioning



Source: EnVent Research on S&P Capital IQ, October 2020

H1 2020: Revenues up by 37%, with EBIT and net income in line with 2019

H1 2020 revenues were €8.8m, vs. €6.4m in H1 2019 (+37%), driven by the fiber & networking division which accounts for 78% of total revenues. EBITDA, fueled by IRU projects progress, increased by 26% to €2.6m, with 30% margin, consistently with H1 2019. In the same period, EBIT was €1.3m from €1.2m in H1 2019, while net income was €0.9m from €0.8m.

On the balance sheet side, trade working capital was €2.1m as of end of June. The significant decrease from 2019 year-end balance of €9m confirms that 2019 year-

end receivables abnormal balance was due to a temporary accounting event. Deferred income related to fiber network Indefeasible Rights of Use (IRU) projects increased from €16.3m to €18.9m, with capex of €7m (Capex/Revenues 80%). Net cash was €9.3m, of which €5.3m coming from IPO proceeds, vs. net debt of €0.6m in FY19. Shareholders' equity was €14m.

H1 2020 Fiber & Networking sales increased by 31% on H1 2019

Profit and Loss

€m	H1 2019	H1 2020
Fiber & Networking	5.2	6.8
Cloud and DataCenter	1.0	0.8
IoT	0.0	0.9
Other income	0.1	0.1
Total Revenues	6.4	8.8
YoY %	-	37.1%
Direct cost of sales	(0.9)	(1.3)
Personnel	(1.0)	(1.3)
Services	(1.9)	(2.7)
Leases	(0.3)	(0.4)
Other operating costs	(0.2)	(0.4)
Operating costs	(4.3)	(6.1)
EBITDA	2.1	2.6
Margin	32.8%	30.1%
D&A	(0.9)	(1.4)
EBIT	1.2	1.3
Margin	18.5%	14.4%
Interest	(0.0)	0.0
Exchange gain (loss)	(0.0)	(0.0)
EBT	1.2	1.3
Margin	18.3%	14.5%
Income taxes	(0.3)	(0.4)
Net Income (Loss)	0.8	0.9
Margin	12.9%	10.1%

Source: Company data

Deferred income by IRU & others increased to €18.9m in H1 2020

Balance Sheet

€m	2019	H1 2019	H1 2020
Inventory	1.4	1.2	1.2
Trade receivables	11.2	4.7	6.0
Trade payables	(3.7)	(3.4)	(5.1)
Trade Working Capital	9.0	2.5	2.1
Deferred income by IRU & others	(16.3)	(6.6)	(18.9)
Other assets (liabilities)	(0.8)	(1.6)	(0.3)
Net Working Capital	(8.2)	(5.7)	(17.1)
Intangible assets	4.4	4.3	5.0
Property, plant and equipment	12.4	9.6	17.4
Equity investments and financial assets	0.1	0.1	0.1
Non-current assets	16.8	14.1	22.5
Net Invested Capital	8.0	7.7	4.7
Bank debt	2.2	3.3	1.6
Other financial debt	0.2	0.3	0.0
Marketable securities	(0.1)	(0.1)	(0.1)
Cash and equivalents	(1.7)	(2.4)	(10.8)
Net Debt (Cash)	0.6	1.1	(9.3)
Shareholders' Equity	7.4	6.6	14.0
Minority interests	0.0	0.0	0.0
Equity	7.4	6.6	14.0
Sources	8.0	7.7	4.7

Source: Company data

Cash flow of the period benefited from the non-recurring receivables collection from the high 2019 receivables balance, in addition to IPO proceeds

Cash Flow	
€m	H1 2020
EBIT	1.3
Current taxes	(0.4)
D&A	1.4
Provisions	0.0
Cash flow from P&L operations	2.3
Trade Working Capital	6.8
Capex	(7.0)
Deferred income by IRU & others	2.6
Other assets and liabilities	(0.5)
Cash flow after working capital and capex	4.2
Interest	0.0
IPO Proceeds	5.7
Net cash flow	9.9
Net (Debt) Cash - Beginning	(0.6)
Net (Debt) Cash - End	9.3
Change in Net (Debt) Cash	9.9

Source: Company data

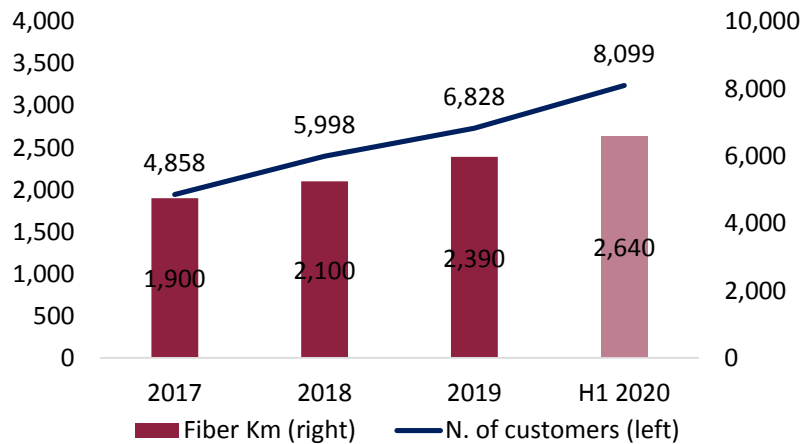
Ratio analysis	
KPIs	H1 2020
ROE	6%
ROS	19%
ROIC	27%
DSO	101
DPO	157
DOI	25
TWC/Revenues	31%
NWC/Revenues	-250%
Capex/Revenues	-80%
Net Debt / EBITDA	-3.5x
Net Debt / Equity	-0.7x
Net Debt / (Net Debt+Equity)	-2.0x
Cash flow from operations / EBITDA	86%
FCF / EBITDA	158%

Source: Company data - Note: H1 KPIs calculated on LTM economics

Business update

2017-H1 2020 Km of fiber +14% CAGR; customer base increased by 23% CAGR in the same period

Unidata fiber network and customer growth



Source: Company data

CEBF and Unidata team up for a fiber development project

In September 2020, Unidata signed an agreement with Connecting Europe Broadband Fund (CEBF), an European fund managed by CUBE IM and invested by European Commission through the Connecting Europe Facility, European Investment Bank, Cassa Depositi e Prestiti (Italy), Caisse Des Depots (France), KfW (Germany) and other institutional investors. The project will be executed by a newco named Unifiber which will invest into FTTH development for grey areas in the Lazio region. According to the project, the network would reach around 100,000 families and 5,000 companies for a total investment of €40m in the coming years. Unidata, which owns 30% of the newco, will invest €3.5m and will be engaged for the development and maintenance of the fiber network.

IoT advances with new project in Bari

Unidata is developing the setup of a monitoring and video surveillance system in Bari for €3.5m. The project will last 9 months.

Outlook: investments into fiber infrastructure advances

The H1 2020 figures confirm a positive view for the mid-term horizon, supported by current broadband appetite in the Italian optic fiber market. Unidata's deferred income, generated mainly by IRU projects, increased by €2.6m to €18.9m in H1 2020, while investments into fiber network development for the RM-fiber projects were €3.6m, out of €16.5m that we assumed for the period 2020-21E.

In H1 2020, revenues from all business units rose, coupled with the increase of business and retail customers by respectively 4.3% and 17.7% compared to FY19, bringing total customers above 8,000.

The Unidata's network fiber development is expanding the Company's market positioning in the Lazio region and further into Italy and will also be boosted by

agreements such as the one with CEBF. In this framework of programmed continuing growth, we maintain our projections unchanged.

Financial projections

Profit and Loss

€m	2017	2018	2019	2020E	2021E	2022E
Sales	10.2	11.3	12.8	15.5	18.4	21.2
Other income	0.4	0.3	0.4	0.4	0.4	0.4
Total Revenues	10.6	11.5	13.2	15.9	18.8	21.7
YoY %	-	8.5%	14.5%	20.1%	18.7%	15.0%
Direct cost of sales	(1.8)	(1.5)	(1.2)	(1.7)	(2.3)	(2.8)
Personnel	(1.9)	(2.0)	(2.1)	(2.3)	(2.4)	(2.6)
Services	(3.0)	(3.1)	(4.3)	(5.1)	(5.9)	(6.9)
Other operating costs	(0.9)	(1.1)	(1.0)	(1.0)	(1.1)	(1.2)
Operating charges	(7.5)	(7.7)	(8.6)	(10.0)	(11.8)	(13.5)
EBITDA	3.1	3.8	4.6	5.8	7.0	8.2
Margin	29.4%	33.2%	35.1%	36.8%	37.4%	37.9%
D&A	(1.4)	(1.5)	(2.2)	(3.1)	(4.6)	(4.5)
EBIT	1.8	2.3	2.4	2.7	2.5	3.7
Margin	16.7%	20.0%	18.4%	17.0%	13.0%	17.2%
Interest	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
EBT	1.8	2.3	2.4	2.7	2.4	3.7
Margin	16.5%	19.7%	18.0%	16.7%	12.8%	16.9%
Income taxes	(0.5)	(0.7)	(0.7)	(0.7)	(0.7)	(1.0)
Net Income	1.2	1.6	1.7	1.9	1.7	2.6
Net Income Margin	11.4%	13.9%	12.8%	12.0%	9.2%	12.2%

Source: Company data 2017-19A, EnVent Research 2020-22E

Balance Sheet

€m	2017	2018	2019	2020E	2021E	2022E
Inventory	0.6	1.3	1.4	1.7	2.0	2.3
Trade receivables	3.8	4.5	11.2	9.0	8.2	7.2
Trade payables	(3.1)	(4.0)	(3.7)	(4.4)	(5.3)	(6.2)
Trade Working Capital	1.3	1.8	9.0	6.3	4.9	3.4
Deferred income by IRU & others	(4.2)	(4.9)	(16.3)	(23.4)	(31.2)	(28.6)
Other assets (liabilities)	(0.5)	(0.7)	(0.8)	(0.8)	(1.0)	(1.1)
Net Working Capital	(3.4)	(3.8)	(8.2)	(17.9)	(27.3)	(26.4)
Intangible assets	4.3	4.3	4.4	5.1	4.8	4.3
Property, plant and equipment	4.0	6.8	12.4	20.0	27.0	25.6
Investments and financial assets	0.1	0.1	0.1	0.1	0.1	0.1
Non-current assets	8.4	11.2	16.8	25.2	31.8	30.0
Provisions	(0.6)	(0.6)	(0.6)	(0.7)	(0.7)	(0.8)
Net Invested Capital	4.4	6.8	8.0	6.6	3.8	2.9
Net Debt (Cash)	0.2	1.1	0.6	(8.4)	(13.0)	(16.6)
Equity	4.1	5.7	7.4	15.0	16.8	19.4
Sources	4.4	6.8	8.0	6.6	3.8	2.9

Source: Company data 2017-19A, EnVent Research 2020-22E

Cash Flow

€m	2018	2019	2020E	2021E	2022E
EBIT	2.3	2.4	2.7	2.5	3.7
Current taxes	(0.7)	(0.7)	(0.7)	(0.7)	(1.0)
D&A	1.5	2.2	3.1	4.6	4.5
Cash flow from P&L operations	3.1	4.0	5.1	6.4	7.2
Trade Working Capital	(0.6)	(7.1)	2.7	1.4	1.5
Deferred income by IRU & others	0.7	11.4	7.1	7.8	(2.6)
Other assets and liabilities	0.2	0.1	0.0	0.2	0.2
Capex	(4.3)	(7.8)	(10.7)	(11.2)	(2.7)
Operating cash flow after working capital and capex	(0.8)	0.5	4.1	4.6	3.6
Interest	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Investments and financial assets	(0.0)	(0.0)	0.0	0.0	0.0
Capex - IPO cost	0.0	0.0	(0.8)	0.0	0.0
IPO proceeds	0.0	0.0	5.7	0.0	0.0
Net cash flow	(0.8)	0.5	9.0	4.6	3.6
Net Debt (Beginning)	(0.2)	(1.1)	(0.6)	8.4	13.0
Net Debt (End)	(1.1)	(0.6)	8.4	13.0	16.6
Change in Net Debt (Cash)	(0.8)	0.5	9.0	4.6	3.6

Source: Company data 2017-19A, EnVent Research 2020-22E

Ratio analysis

KPIs	2017	2018	2019	2020E	2021E	2022E
ROE	29%	28%	23%	13%	10%	14%
ROS (EBIT/Revenues)	17%	20%	18%	17%	13%	17%
ROIC (NOPAT/Invested Capital)	n.a.	24%	22%	29%	47%	93%
DSO	107	117	254	170	130	100
DPO	165	208	170	170	170	170
DOI	20	42	39	39	39	39
TWC/Revenues	12%	16%	68%	40%	26%	16%
Capex/Revenues	n.a.	37%	59%	67%	60%	13%
Net Debt / EBITDA	0.1x	0.3x	0.1x	n.m.	n.m.	n.m.
Net Debt / Equity	0.1x	0.2x	0.1x	-0.6x	-0.8x	-0.9x
Cash flow from P&L operations / EBITDA	n.a.	82%	86%	88%	91%	88%
FCF / EBITDA	n.a.	-21%	11%	71%	66%	44%
Earnings per Share (€)	0.50	0.66	0.69	0.78	0.71	1.08

Source: Company data 2017-19A, EnVent Research 2020-22E

Valuation

The valuation of Unidata connectivity and other services to customers has been performed through DCF considering:

- Connectivity to business and home customers
- RM-Fiber projects
- Internet of Things services project - not factored in

IRU contracts provide for billing to the contractor during construction and deferral of related revenues along contractual life. Costs are also deferred as depreciation of the PPE account in the contractual period. As a consequence, revenues concur to EBITDA, while directly related costs are recognized after EBITDA. Both figures do not imply cash in and out since disbursements and collection are supposed to

EBITDA adjustment

happen during network development.

We estimate an overall adjustment for the EBITDA of €0.8m in 2020, €1.5m in 2021 and €2m in 2022, in order to show a direct matching of revenues and costs

Discounted Cash Flows

Updated assumptions:

- Risk free rate: 1.7% (Italian 10-year government bonds interest rate - 3Y average. Source: Bloomberg, October 2020)
- Market return: 13.0% (3Y average. Source: Bloomberg, October 2020)
- Market risk premium: 11.3%
- Beta: 0.8 (Median of selected comparable companies. Source: Bloomberg, October 2020)
- Cost of equity: 10.8%
- Cost of debt: 2.5%
- Tax rate: 24% IRES
- 20% debt/(debt + equity) as target capital structure
- WACC calculated at 9.0%, according to above data
- Perpetual growth rate at 2.0%
- Terminal Value assumes a 30% EBITDA margin

DCF Valuation						
€m	2018	2019	2020E	2021E	2022E	Perpetuity
Revenues	11.5	13.2	15.9	18.8	21.7	22.1
EBITDA	3.8	4.6	5.8	7.0	8.2	6.6
<i>Margin</i>	33.2%	35.1%	36.8%	37.4%	37.9%	30.0%
EBIT	2.3	2.4	2.7	2.5	3.7	4.1
<i>Margin</i>	20.0%	18.4%	17.0%	13.0%	17.2%	18.7%
Taxes	(0.6)	(0.7)	(0.8)	(0.7)	(1.0)	(1.2)
NOPAT	1.7	1.8	1.9	1.8	2.7	3.0
D&A	1.5	2.2	3.1	4.6	4.5	2.5
Provisions	(0.0)	0.0	0.0	0.0	0.1	0.0
Cash flow from P&L operations	3.2	4.0	5.1	6.4	7.2	5.5
Trade Working Capital	(0.6)	(7.1)	2.7	1.4	1.5	(0.1)
Deferred income by IRU & others	0.7	11.4	7.1	7.8	(2.6)	0.0
Other assets and liabilities	0.2	0.1	0.0	0.2	0.2	0.0
Capex	(4.3)	(7.8)	(11.5)	(11.2)	(2.7)	(2.5)
Unlevered free cash flow	(0.8)	0.5	3.4	4.6	3.6	2.9
WACC	9.0%					
Long-term growth (G)	2.0%					
Discounted Cash Flows			3.2	4.1	2.9	
Sum of Discounted Cash Flows	10.2					
Terminal Value						42.6
Discounted TV	35.9					
Enterprise Value	46.0					
Net Cash as of 30/06/20	9.3					
Equity Value	55.3					

DCF - Implied multiples	2018	2019	2020E	2021E	2022E
EV/Revenues	4.0x	3.5x	2.9x	2.4x	2.1x
EV/EBITDA	12.0x	9.9x	7.9x	6.5x	5.6x
EV/EBIT	20.0x	18.9x	17.0x	18.7x	12.4x
P/E	34.6x	32.7x	28.9x	31.9x	20.9x

Source: EnVent Research

Target Price

The DCF model applied to our estimates yields a target price of €22.68 per share from €19.95 of our previous note, with a potential upside of 28% on the current share price. As a consequence, we confirm our OUTPERFORM rating on the stock.

Unidata Price per Share	€
Target Price	22.68
Current Share Price (20/10/2020)	17.70
Premium (Discount)	28%

Source: EnVent Research

Please refer to important disclosures at the end of this report.

Annex

Peer Group - Market Multiples

Company	EV/Revenues				EV/EBITDA				EV/EBIT				P/E			
	2019	2020E	2021E	2022E	2019	2020E	2021E	2022E	2019	2020E	2021E	2022E	2019	2020E	2021E	2022E
UNIDATA	n.a.	2.2x	1.8x	1.6x	n.a.	5.9x	4.9x	4.2x	n.a.	12.8x	14.1x	9.3x	n.a.	23.0x	25.3x	16.6x
Italian Telco peers																
Intred	3.8x	4.3x	3.6x	3.2x	9.3x	12.5x	9.8x	8.2x	13.9x	21.8x	16.1x	12.8x	20.9x	29.8x	21.8x	17.2x
Go Internet	2.9x	2.4x	1.8x	na	7.3x	5.9x	3.8x	na	na	na	na	na	neg	neg	nm	nm
Retelit	3.4x	2.5x	2.4x	2.3x	7.4x	8.8x	7.5x	7.0x	20.8x	24.6x	18.7x	16.1x	23.7x	30.4x	21.9x	18.8x
Average	3.3x	3.1x	2.6x	2.8x	8.0x	9.1x	7.1x	7.6x	17.4x	23.2x	17.4x	14.4x	22.3x	30.1x	21.9x	18.0x
Median	3.4x	2.5x	2.4x	2.8x	7.4x	8.8x	7.5x	7.6x	17.4x	23.2x	17.4x	14.4x	22.3x	30.1x	21.9x	18.0x
International Telco peers																
United Internet	1.5x	1.6x	1.5x	1.5x	6.4x	6.8x	6.7x	6.6x	10.3x	10.8x	11.0x	11.3x	12.2x	14.3x	14.7x	15.2x
Bredband2 i Skandinavien	1.1x	1.4x	1.3x	1.3x	10.5x	12.0x	11.2x	10.7x	15.6x	16.3x	14.8x	13.9x	24.1x	24.0x	22.0x	20.3x
Cogent Communications	6.9x	6.4x	6.0x	5.6x	18.4x	16.9x	15.6x	14.0x	36.9x	31.9x	28.0x	22.9x	n.a.	70.1x	52.7x	44.8x
Average	3.2x	3.1x	3.0x	2.8x	11.8x	11.9x	11.2x	10.5x	20.9x	19.7x	17.9x	16.0x	18.1x	36.1x	29.8x	26.8x
Median	1.5x	1.6x	1.5x	1.5x	10.5x	12.0x	11.2x	10.7x	15.6x	16.3x	14.8x	13.9x	18.1x	24.0x	22.0x	20.3x
Full sample																
Average	3.3x	3.1x	2.8x	2.8x	9.9x	10.5x	9.1x	9.3x	19.5x	21.1x	17.7x	15.4x	20.2x	33.7x	26.7x	23.3x
Median	3.1x	2.5x	2.1x	2.3x	8.3x	10.4x	8.7x	8.2x	15.6x	21.8x	16.1x	13.9x	22.3x	29.8x	21.9x	18.8x

Source: S&P Capital IQ, October 2020

1. INVESTMENT CASE

Company

Unidata SpA is an Italian local provider of ultra-broadband connectivity services to corporate and residential customers, with over 2,500 km of FTTH optic fiber network covering Rome and province and over 8,000 customers. Over half of the infrastructure is owned by the Company, while the rest is available indirectly through Indefeasible Right of Use (IRU) agreements, a type of telco lease contract where other operators purchase the infrastructure right of use. Unidata has an ongoing partnership with a domestic infrastructure developer for the further optic fiber coverage of the Rome and surrounding urban area through two IRU long-term agreements (up to 15 years) to reach up to additional 200,000 real estate units (RM-Fiber). Unidata is expanding its offer into integrated communication and cloud computing services through a proprietary data center which offers IaaS and SaaS cloud, co-location, and hosting services.

2019 Revenues: €13.2m, +15% YoY

Drivers

Industry drivers

Connectivity and convergence of emerging technologies. In Huawei's Global Connectivity Index 2019 study, most of the countries in the rankings saw their scoring improved, based on indicators that cover five technology enablers: foundation, broadband, cloud, Internet of Things, Artificial Intelligence. Emerging technologies such as broadband, cloud, IoT and AI are converging, disrupting established business models and accelerating economic growth.

Broadband evolution calls for new expansion cycles in Europe. According to the European Commission, 99.9% of EU households had access to fixed or mobile broadband access technologies at the end of June 2018. The availability of fixed broadband services in the EU reached 96.7% households. Next Generation Access technologies call for continuous investment even in well-covered areas, that is becoming the rule and a recurring driver for infrastructure investment in the industry. Next Generation Access services were available to 83.1% of EU households. Rural broadband coverage continued to be lower than national coverage across EU Member States. 87.4% of rural EU homes were passed by at least one fixed broadband technology and just 52.3% had access to high-speed next generation services. Overall DSL remained the dominant fixed access technology in EU, passing 92.2% of homes. These gaps will continue to be created and closed-off periodically. (Source: European Commission, *Broadband coverage in Europe 2018*)

Broadband in Italy. By 2022 Italy will be equipped with nationwide outlaid uniform broadband technology, closing off the competition gap with major industrial economies. The Open Fiber wholesale-only venture of Italian utility Enel and state-owned lender CDP is running its plan to invest €6.5bn to build out a Fiber-To-The-Home network in 270 major cities

rolling out broadband cable, in areas witnessing digital divide, all over the country (Source: OpenFiber.it).

5G's rapid rollout. Huawei expects a spike in global growth if the introduction of 5G follows the patterns of previous wireless networks. It took seven years for 3G to reach 10% of the global market and six years for 4G; Huawei estimates 5G to reach the 10% tipping point in four years (Source: Huawei, *Global Connectivity Index*, 2019). 5G starts with some advantages: 5G-ready devices, semiconductors, and routers already available. According to European Commission, a commercial rollout of the next-generation wireless network technology in at least one major city in each European Union member state is expected by 2020.

Internet of Things riding the wave. Internet of Things connects devices such as everyday consumer objects and industrial equipment into the internet, enabling information gathering and management of devices via software increasing efficiency, allowing for new services, and achieving health, safety, or environmental benefits. IoT is emerging as the third wave of internet development, impacting individuals' lives, workplace productivity and overall consumption.

The Cloud: a cutting-edge industry. Cloud services provide IT resources from remote sources and bring them directly to the user. Cloud computing adoption has been increasing rapidly, with spending expected to grow at over 6x the rate of general IT spending through 2020, according to McKinsey. However, despite overall increased cloud investment, enterprise cloud adoption is maturing slowly and the average enterprise has achieved less than 20% public or private cloud adoption, as such, room for growth is still huge (Source: McKinsey, *Cloud adoption to accelerate IT modernization*, 2018).

Company drivers

Scalable and repeatable business model, short payback period. Revenues are driven by the proprietary infrastructure and number of customers. Network expansion drives access to subscriber growth and additional revenues. According to management, the initial investment for the roll-out of the infrastructure network has a payback period of 2 years, after that cash generation becomes significant. The optic fiber infrastructure is a permanent competitive advantage and a barrier to entry for competitors.

Visibility of revenues. Unidata has a visible and recurring revenue stream coming from ultra-broadband fiber to corporate customers. In addition, also the IRU agreements provide high visibility of the top-line, given that these long-term agreements generally last a minimum of fifteen years.

Growing customer base and focused service portfolio. The number of customers over the last four years has increased from 5,000 to over 8,000. The customer base is diversified across SMEs, Public Administration, Wholesale and Retail customers. The service portfolio is made of integrated communication and cloud services.

Proprietary data center for cloud services. Unidata owns a 800sqm data center (current use at 55% of potential capacity) used to offer public, private and hybrid cloud, co-location for disaster recovery and hosting services.

Investments rationale to keep up with technology developments. The telco industry requires a constant amount of investments in infrastructure. Unidata has a sound track record of infrastructure investment to gain additional market share whose financing has been covered by the operating cash flow.

Industry partnerships. Unidata has entered into a partnership with a network developer for the further optic fiber coverage of the Rome and surrounding urban area, targeting to reach additional 200,000 real estate units.

Another partnership is under negotiation with a European institutional fund for the realization of open-access FTTH assets in so called grey areas (where FTTH additional coverage is planned), reaching 100,000 households and 5,000 offices.

Challenges

Market competitiveness and barriers to entry. The fragmented competitive arena, populated by a small number of large national players, together with many small local/regional players, is a permanent feeder of fierce competition and pressure on prices.

The number of customers and churn rate may fluctuate and cause volatility. The customer base is Unidata's most valuable asset which can increase its value and turnover over time, but it has also the potential to cause greater risk and volatility. A possible risk resides in the rate at which Unidata can attract and retain customers.

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20/10/2020	OUTPERFORM	22.68	17.70

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