

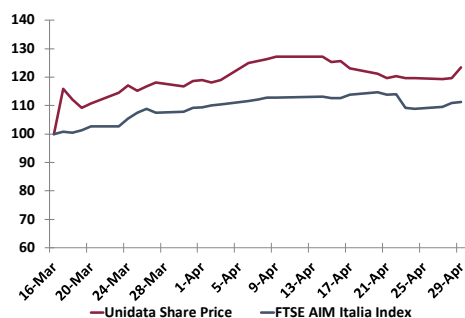


OUTPERFORM

Current Share Price (€): 16.50

Target Price (€): 19.95

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 (€)	16.50
Date of Price	29/04/2020
Shares Outstanding (m)	2.4
Market Cap (€m)	40.2
Market Float (%)	18.0%
Daily Volume	1,200
Avg Daily Volume YTD	n.a.
Target Price (€)	19.95
Upside (%)	21%
Recommendation	OUTPERFORM

Share price performance

	1M	3M	1Y
Unidata - Absolute (%)	8%	n.a.	n.a.
FTSE AIM Italia (%)	3%	-14%	-25%
1Y Range H/L (€)		17.00	13.37
YTD Change (€) / %		n.a.	n.a.

Source: S&P Capital IQ

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Ultra-broadband fiber pioneer expanding network

We initiate coverage of Unidata: **OUTPERFORM** rating, Target Price €19.95 per share.

Unidata, listed on AIM Italia in March 2020, is a local provider of ultra-broadband connectivity services to corporate and residential customers. With 2,250 km of FTTH optic fiber network covering Rome and province, Unidata reaches over 6,500 customers and is working to expand its coverage and customers. Unidata is integrating into its offer communication and cloud computing services through a proprietary data center.

Key growth drivers and industry partnerships

Unidata has been among the first movers in the realization of fiber networks in wide and densely populated *black* and *grey* areas (where FTTH additional coverage is planned) in Rome. Unidata has entered into a partnership with a large infrastructure developer to increase optic fiber coverage of the Rome and surrounding urban area.

Fiber network projects drive a quantum leap program

FY19 Revenues were €13.2m in 2019, +15% YoY, driven by Fiber & Networking unit (80% of sales). Reported EBITDA was €4.6m (35% margin), from €3.8m in 2018 (33% margin), +21% YoY. EBIT was €2.4m (18% margin) and net income €1.7m (13% margin), +6% YoY. Trade working capital was €9m (68% of sales). Fiber Indefeasible Rights of Use (IRU) projects have generated deferred income for €16.3m, a rising of trade receivables to €11.2m, from €4.5m in 2018, and capital expenditure of €7.8m. Net financial debt was €0.6m.

Ultrabroadband and cloud vital since the "stay home"

Since Covid-19 outbreak, network utilization and cloud services are under increasing demand. Unidata too has recorded a traffic increase and demand for upgrades to FTTH, crucial to avoid data overload.

Target Price €19.95 per share, OUTPERFORM recommendation

Our analysis of the industry perspective, driven by the Italian and European optic fiber full coverage initiative, and Unidata steady performance lead us to assume continuing progress on network and customer base, while the optic fiber infrastructure is a permanent competitive advantage and a barrier to entry for competitors. In the short-term, investments into fiber will increase market share and support the service offering to a larger potential customer base. On a longer horizon, partnerships will sustain a further network expansion. Our valuation indicates a Target Price per share of €19.95, +53% on the IPO price of €13.00, with a potential upside of 21% on the current share price. As a consequence, we initiate the coverage of Unidata with an 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

1. INVESTMENT CASE

Company

Unidata SpA is an Italian local provider of ultra-broadband connectivity services to corporate and residential customers, with 2,250 km of FTTH optic fiber network covering Rome and province and over 6,500 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 during the last three years increased from 5,000 to over 6,500. 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.

2. PROFILE

Local provider of ultra-broadband connectivity

Unidata is a telecom operator providing ultra-broadband, advanced connectivity, integrated communication, and cloud computing services.























The Company was founded in 1985 as hardware provider, in 1994 became an Internet Service Provider and has become a telecom operator since 2002. In 2017 Unidata was awarded with the licenses for the 26GHz frequency broadband in Lazio region. Unidata can be considered among the first movers in the optic fiber (Fiber-To-The-Home - FTTH) and radio (Fixed Wireless Access - FWA) infrastructure in Rome area. Unidata has over 2,250 km of FTTH optic fiber network covering Rome and province, for more than 50,000 real estate units and over 6,500 customers (Source: Company data).

Unidata has a staff of over 70 people.

Key milestones	
1985	Foundation, as hardware provider
1994	Internet Service Provider
1999	Acquisition by British group Cable&Wireless, Italian branch
2002	Proprietary optic fiber infrastructure Founding shareholders acquire the Company from Cable&Wireless
2003	Data center
2017	Licenses for the 26GHz frequency broadband in Lazio region Cloud services Elite program of Borsa Italiana; Innovative SME status
2018-19	Partnership with leading telco operator for the development of optic fiber infrastructure
2020	Listed on AIM Italia
	Launch of HD video conferences platform UniMeeting

Source: Company data

Service portfolio

	Fiber & Networking	Cloud & IOT
Business & PA 	 Gigafiber Business  GigaWave  Voce  Wi-Fi  Connectivity & VPN  Professional Services	 UniCloud  Hosting  Colocation  Unimedia  Professional services
Wholesale 	 Fiber Resources  Connectivity capacity  Internet transit  VoIP	 Colocation
Consumer 	 Gigafiber Home  Vdsl  Wireless	

Source: Company data

Fiber & Networking

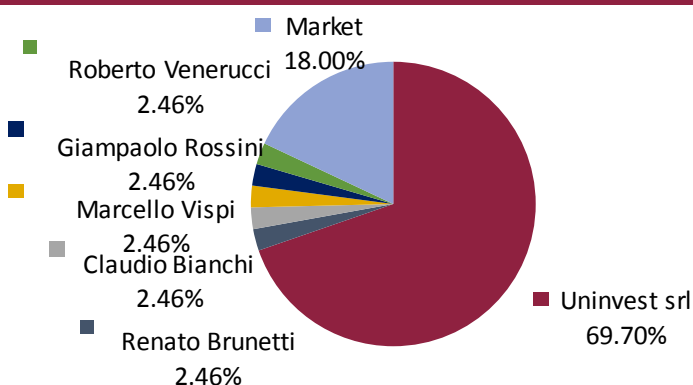
- 2,250 km of optic fiber (55% owned; 45% in Indefeasible Right of Use -IRU)
- About 50 Points of Presence for FTTH and 100 for FWA
- Corporate (80% of revenues) and residential customers
- Over 70% fiber network

Cloud & Data center

- Proprietary data center
- 800 sqm extension of the data center, 55% of potential capacity
- Reliability features according to the TIER III and TIER IV levels (large businesses and corporations)
- Co-location, hosting, virtualization, and cloud (IaaS, SaaS) services

Unidata has an internal call center for customer care.

Shareholders



Source: Company data

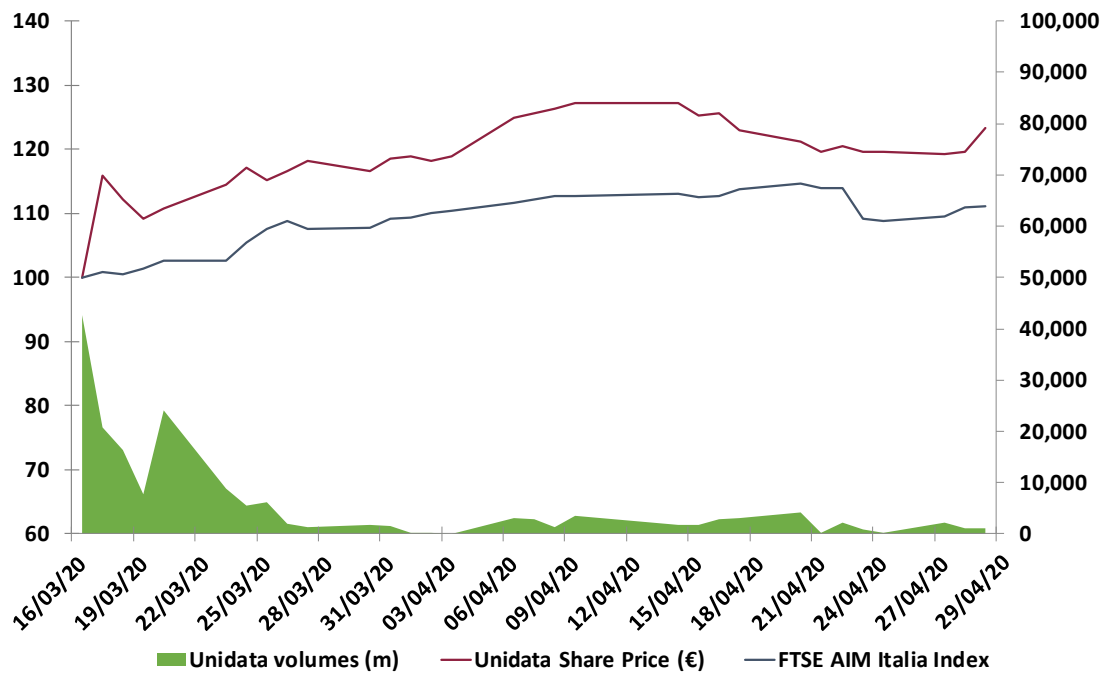
Unidata IPO and stock market performance on AIM Italia

Unidata on AIM Italia

Stock market	AIM Italia
Bloomberg code	UD IM
Reuters code	UD.IM
IPO date	16/03/2020
Offer Price (€)	13.00
Money raised (€m)	5.7
Market Cap at IPO (€m)	31.7
Free float at IPO	18.0%
Ordinary shares - ISIN number	IT0005338840
Shares outstanding	2,439,100
Current Share Price (€)	16.50
Current Market Cap (€m)	40.2
Warrants - ISIN number	IT0005402968
Warrants outstanding	439,100
Current Warrant Price (€)	0.33

Source: Company data and S&P Capital IQ, update: 29/04/20

Share price performance and volumes since IPO



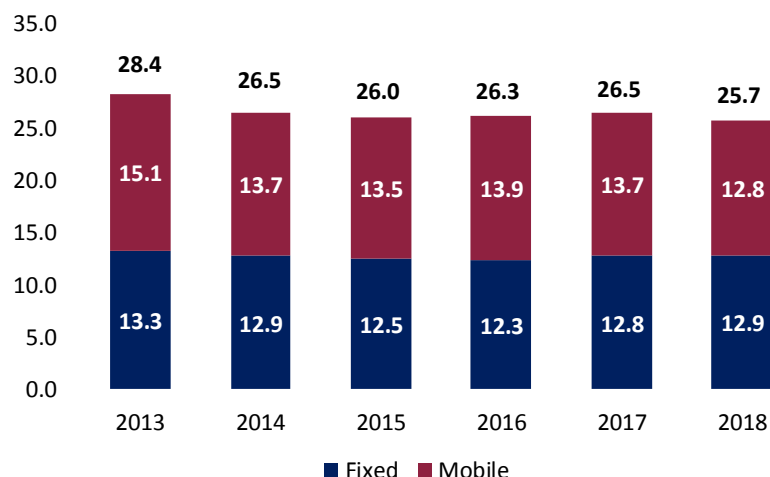
Source: S&P Capital IQ, update: 29/04/20

3. MARKET TRENDS AND OUTLOOK

Italian telco overview

According to a report from Agcom (Autorità per le garanzie nelle comunicazioni), the telco market in Italy reached over €25bn in 2018, -2.9% YoY, driven by a 6.5% drop in the mobile segment and a flat trend of fixed network.

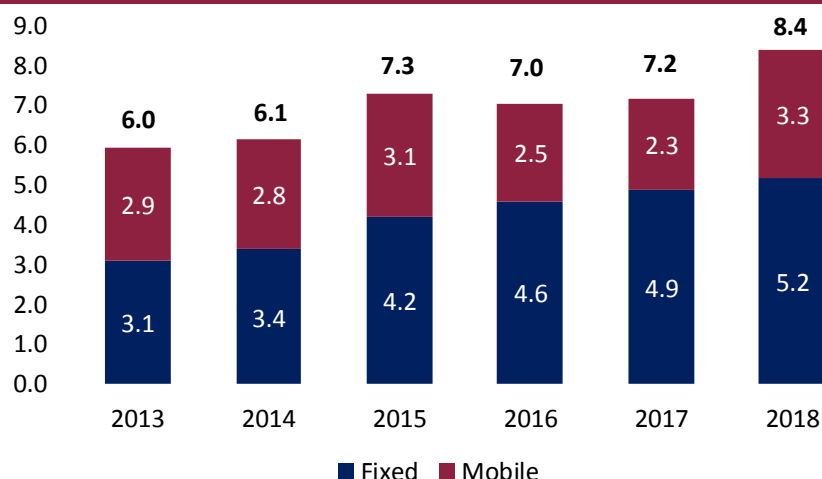
Network expense of business and retail customers (€bn)



Source: Agcom, *Relazione annuale sull'attività svolta e sui programmi di lavoro*, 2019

The fixed network takes the investments lead with more than €5bn in 2018, +6% YoY, while mobile had €3bn investments in the same period, +41% YoY, explained by 5G infrastructure technology kick off.

Investments into fixed assets (€bn)

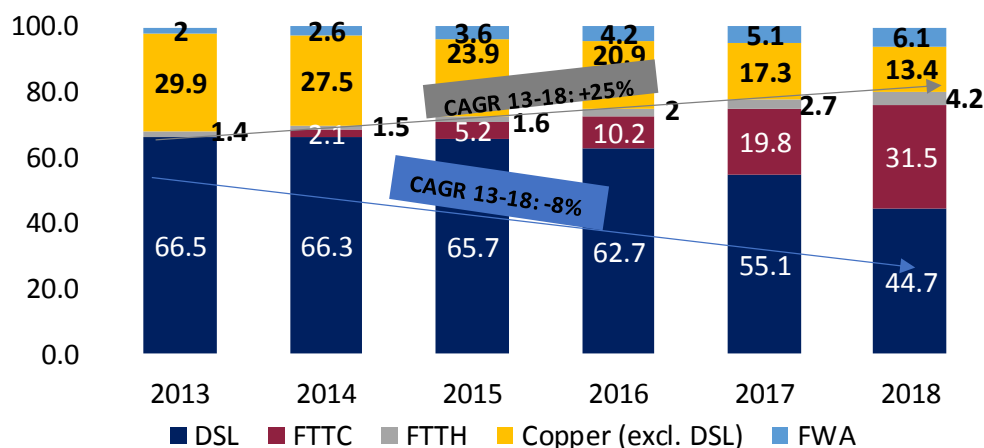


Source: Agcom, *Relazione annuale sull'attività svolta e sui programmi di lavoro*, 2019

Agcom states that in 2018 the access through fixed network were over 20m in Italy, of which more than 7m through ultrabroadband fiber (38%). Compared to 2017, the

access through fiber network has increased by around 70% and kept increasing by 12% in H1 2019 to 8.6m access. Other network services such as broadband (<30 Mbps) and voice services declined in the last years from 18m access in 2016 to 11.2m in H1 2019 (-62%).

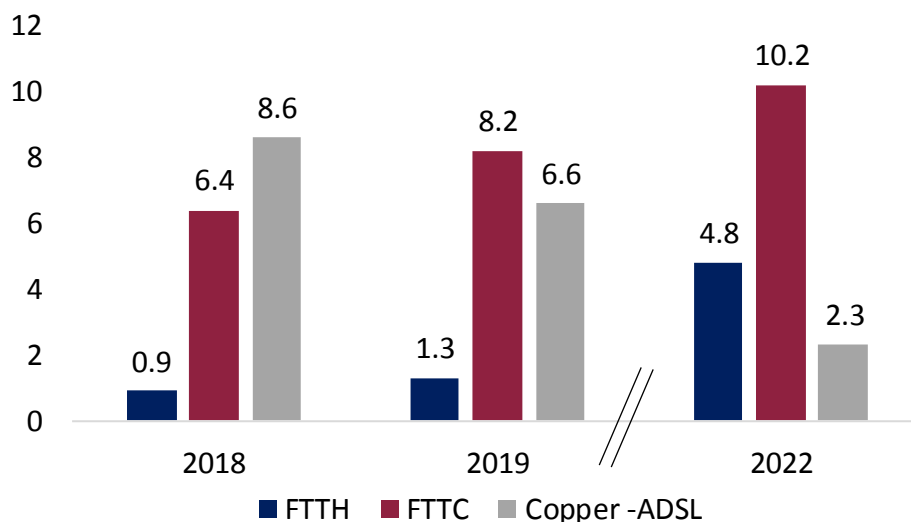
Access to fixed network by technology (%)



Source: Agcom, *Relazione annuale sull'attività svolta e sui programmi di lavoro*, 2019

For the period 2019-22, the access to fixed networking is projected to increase, according to Agcom. This is true for FTTC and FTTH, rising respectively for the period 2019-22 by 24% and 249%, reaching a combined access of 15m, while there would be a drop in Copper - ADSL technology by 65% for the same period (from 6.6m to 2.3m).

Access by technology (units, m)



Source: Agcom, *Relazione annuale sull'attività svolta e sui programmi di lavoro*, 2019

The addressable market in the greater area of Rome

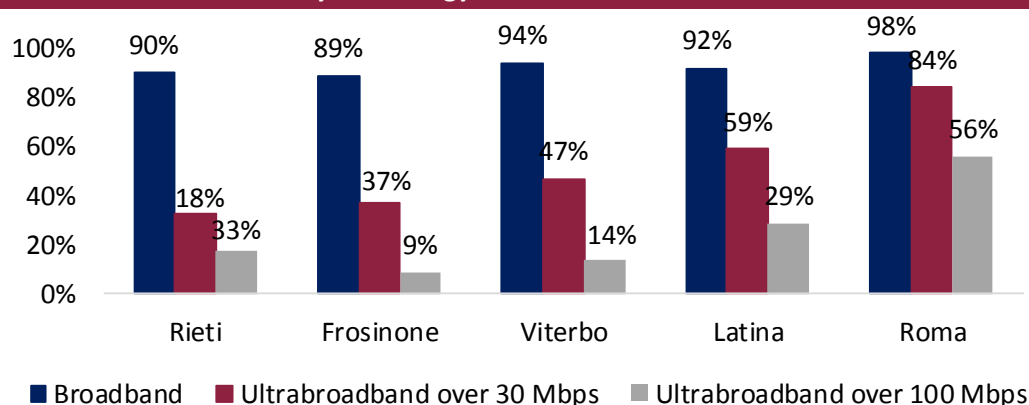
According to Istat, the greater metropolitan area of Rome has more than 4m inhabitants, the largest in Italy, followed by Milan with around 3m. Companies within the Rome area are over 300,000 and real estate units are 2.3m, of which 1.9m

residential units.

Lazio region is covered by ultrabroadband for 75% (vs. Italian average of 67%), of which ultrabroadband of >100 Mbps is available for 46% of families (vs. 35% in Italy).

According to Agcom, areas outside Rome city have low ultrabroadband coverage, moving from 9% in Frosinone to 29% in Latina. Only 14% of families have access to very high speed ultrabroadband (FTTH, >500 Mbps), while 25% at lower than 30 Mbps and 28% in the range of 30-100 Mbps.

Penetration rate in Lazio by technology



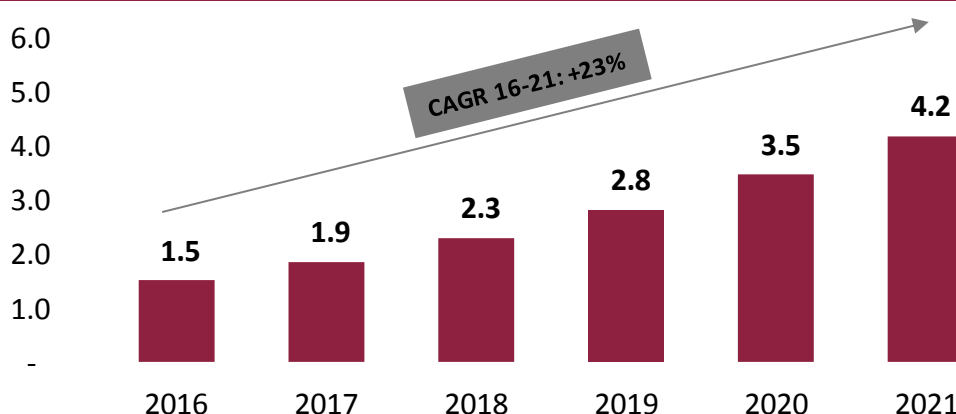
Source: Agcom, *Broadband Map*, 2019

Cloud and IoT: technologies at a fast pace growth

In 2018, according to Assinform, cloud services increased by 23.5% YoY, with a major increase in the public cloud. Private cloud reached around €550m in the same period, +12% YoY.

IoT services also recorded a positive trend, with a rise of around 20% in 2018, reaching a value of around €3bn.

Cloud services value (€bn)



Source: Assinform, *Il digitale in Italia*, 2019

4. COMPETITION

Nationwide competitors

The telecommunications market in Italy is characterized by intense competition featuring four major operators (TIM, Vodafone, Wind Tre, Fastweb) who have largely been focused on customer acquisition through aggressive pricing and increasingly through data packages.

Grey areas coverage

Italy is still far behind with FTTH fiber networking compared to other European countries. Therefore, the fiber network market has still room for growth, especially within *grey areas*, those zones that are not reached yet by fiber providers, given the lower density of buildings but high potential customer concentration for the presence of business areas and suburban centers. In order to reach *grey areas*, investments into infrastructure are required to reach uncovered zones with fiber cables. Fiber networking operators must sustain high capital expenditure to penetrate *grey and white areas* and to expand customer portfolio. Therefore, operators who have a large proprietary fiber network have a competitive advantage to reach customers directly or provide the infrastructure to other operators by IRU contracts.

Over 50 local operators in partnership with OpenFiber

Within the Open Fiber project, which has set the target to cover over 270 cities by 2023 in Italy (Source: OpenFiber.it), several small-mid operators came up with their proprietary fiber network in regional areas. There are over 50 operators across Italy in partnership with OpenFiber, each specialized in different locations and areas aiming to develop optical fiber network.

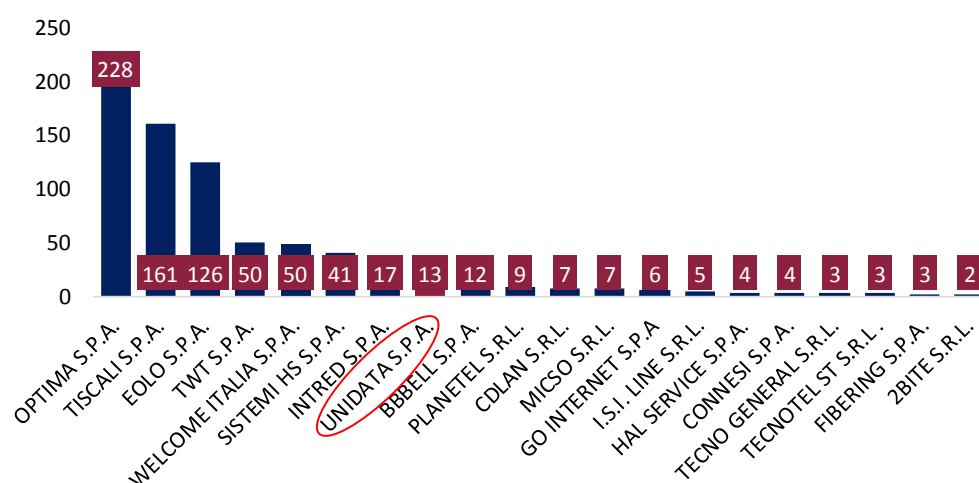
Competition drivers for fiber infrastructure developers

The main competitive factors in the telco industry, especially within fiber networking, are prices, service performance and high level of capital expenditure to build an extended proprietary network.

Top 20 OpenFiber partners by Revenues, 2018

Company name	HQ	Revenues (€m)	EBITDA (€m)	EBITDA Margin	Net Income (€m)
OPTIMA S.P.A.	Napoli	228.1	24.2	10.6%	1.7
TISCALI S.P.A.	Cagliari	161.1	21.8	13.5%	(40.5)
EOLO S.P.A.	Varese	125.5	43.9	35.0%	2.8
TWT S.P.A.	Milano	50.3	3.3	6.5%	0.8
WELCOME ITALIA S.P.A.	Lucca	49.5	13.8	27.8%	5.4
SISTEMI HS S.P.A.	Torino	40.5	3.1	7.7%	2.0
INTRED S.P.A.	Brescia	17.2	6.8	39.6%	3.2
UNIDATA S.P.A.	Roma	13.2	4.6	35.1%	1.7
BBBELL S.P.A.	Torino	11.9	1.6	13.4%	0.1
PLANETEL S.R.L.	Bergamo	8.8	1.8	20.4%	0.6
CDLAN S.R.L.	Milano	7.4	1.9	25.6%	0.3
MICSO S.R.L.	Pescara	7.1	2.2	30.7%	0.6
GO INTERNET S.P.A.	Perugia	6.0	0.4	5.9%	(1.5)
I.S.I. LINE S.R.L.	Cuneo	4.5	1.7	37.6%	0.1
HAL SERVICE S.P.A.	Vercelli	3.9	0.7	18.1%	0.3
CONNESI S.P.A.	Perugia	3.7	0.8	22.0%	0.2
TECNO GENERAL S.R.L.	Fermo	3.5	0.5	13.5%	0.0
TECNOTEL ST S.R.L.	Perugia	3.1	0.6	19.1%	0.1
FIBERING S.P.A.	Milano	2.6	0.3	10.8%	0.1
2BITE S.R.L.	L'Aquila	2.2	0.9	42.2%	0.7

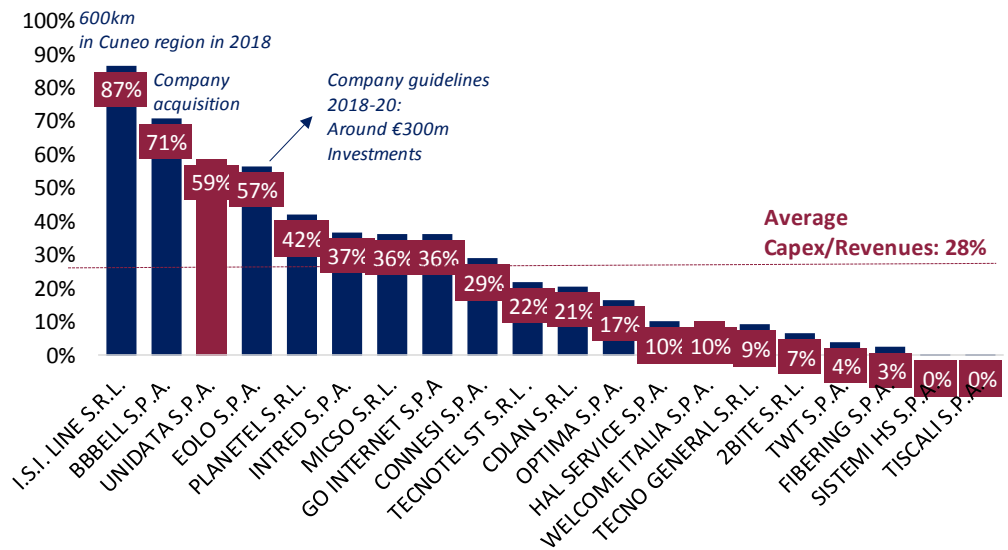
Source: Aida on 2018 dataset, 2019 Company data

Revenues (€m)


Source: Aida on 2018 dataset, 2019 Company data

Capex drives growth among competitors to increase coverage areas

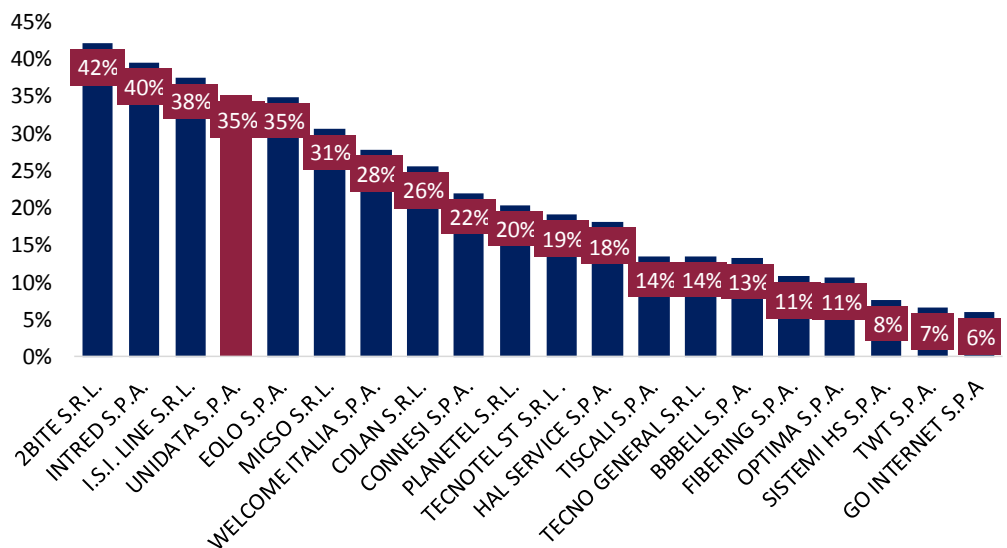
Capex/Revenues



Source: Aida on 2018 dataset, 2019 Company data

High variance among different business models

EBITDA Margin

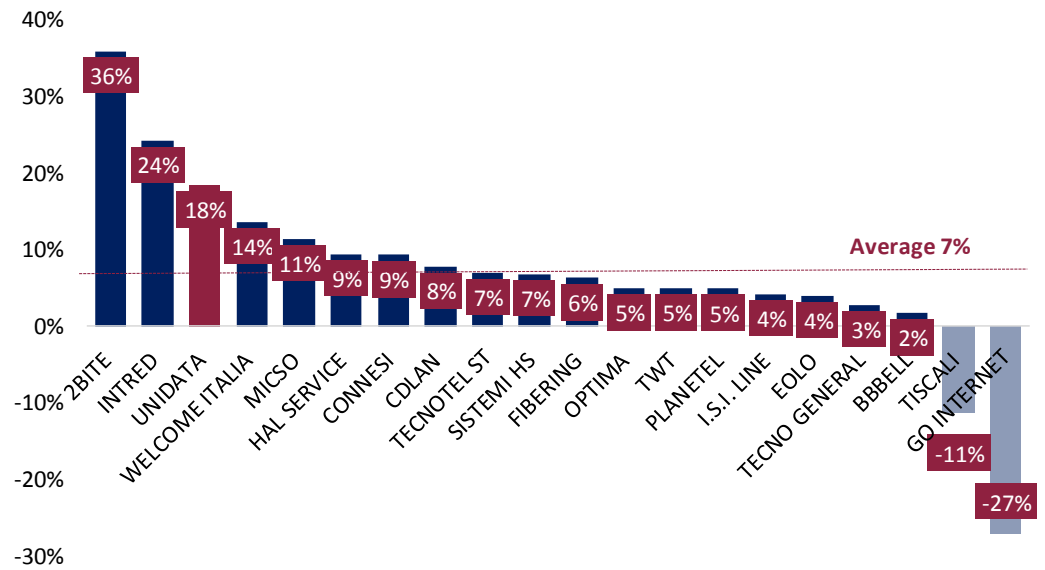


Source: Aida on 2018 dataset, 2019 Company data

D&A from capitalized costs and Investments accounts for around 2/3 of EBITDA on average

5 companies have double-digit margin

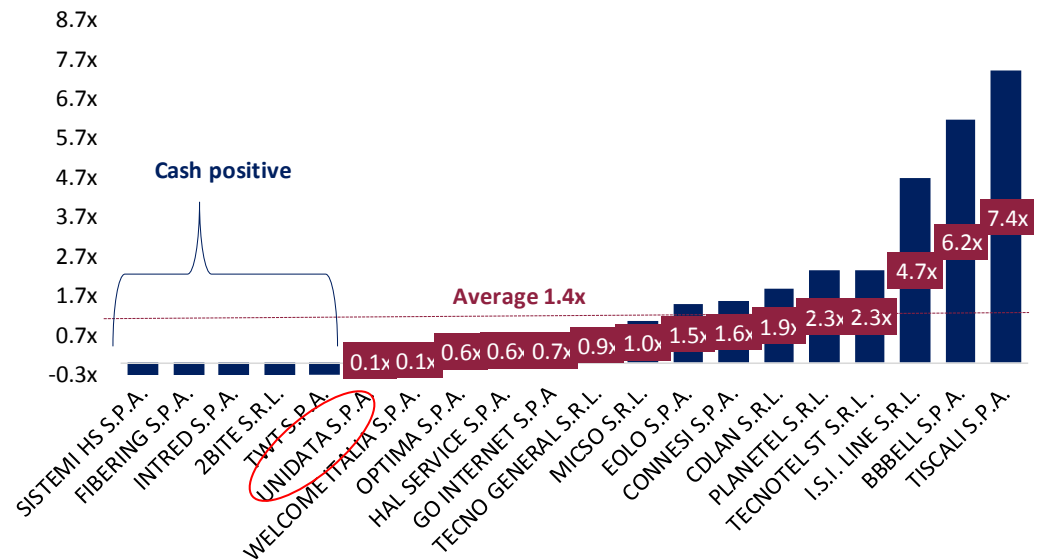
EBIT Margin



Source: Aida on 2018 dataset, 2019 Company data

5 companies are cash positive

Net Debt/EBITDA



Source: Aida on 2018 dataset, 2019 Company data

5. MARKET METRICS

Market value of comparable listed companies

Key selection factors:

- Providers of broadband connectivity services
- End-markets: B2B and B2C
- Geographical scope: Domestic and International

Industry players segmentation and comparability

Within the wider telecommunications ecosystem, we have selected the Italian and International listed companies as benchmarks matching the aforementioned factors.

Profiles

Domestic

Intred

Provider of ultrabroadband connectivity to corporates and residential customers with around 2,400km fiber network and more than 25,000 customers in Lombardy region.
2019 Revenues: €21m

GO Internet

Internet service provider in the Marche and Emilia Romagna regions in Italy. It offers Internet and voice connection services using WiMAX/LTE wireless technologies, and telephone services through the VoIP protocol. The company also offers ultra-broadband connections to business and retail customers.
2018 Revenues: €6.6m (2019E Revenues: €8m)

Tiscali

Alternative telecommunications and multimedia services provider to households and companies in Italy. It offers broadband, mobile telephony services, and value-added services, as well as digital media and online advertising services.
2018 Revenues: €165m (2019E Revenues: €146m)

Retelit

Offers infrastructure services that include indefeasible rights of use (IRU), or rental of one or more fiber pairs and infrastructure ducts that run along highways and national roads to reach various principal urban areas. It also provides data center services. It owns approximately 12,500 kilometers of fiber optics, 9 metropolitan networks, and 15 data centers in Italy. The company serves other operators and service providers, b2b customers, as well as the public sector.
2019 Revenues: €77m

International

United Internet (Germany)

Broadband and mobile access products, including home networks, online storage, telephony, video-on-demand, IPTV, data and network solutions for small and medium-sized enterprises; infrastructure services for large corporations.

2019 Revenues: €5.1bn

Bredband2 i Skandinavien (Sweden)

Mobile broadband, router, telephony, antivirus, and TV services. It provides fiber connection to approximately 240,000 broadband customers.

2019 Revenues: €64m

CenturyLink (USA)

Provider of various communications services to residential, business, wholesale, and governmental customers in the United States and internationally. The company also provides broadband services.

2019 Revenues: €19.9bn

Cogent Communications (USA)

Provides high-speed Internet access, private network, and data center colocation space services primarily to small and medium-sized businesses, communications service providers, and other bandwidth-intensive organizations in North America, Europe, Asia, Australia, and Brazil.

2019 Revenues: €473m

Zayo Group (USA)

Fiber-to-the-towers and small cells that permit direct fiber connections to cell towers, small cells, hub sites, and mobile switching centers.

2018 Revenues: €2.4bn

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
Italian Telco peers																
Intred	3.8x	2.9x	2.5x	2.2x	9.3x	8.5x	6.7x	5.6x	13.9x	14.9x	11.0x	8.7x	20.9x	22.2x	16.3x	12.9x
Go Internet	2.9x	2.5x	1.9x	na	7.3x	6.1x	3.9x	na	na	na	na	na	neg	neg	nm	nm
Retelit	3.4x	1.3x	1.2x	1.2x	7.4x	4.4x	3.8x	3.5x	20.8x	12.4x	9.4x	8.1x	23.7x	18.3x	13.2x	11.4x
Average	3.3x	2.2x	1.9x	1.7x	8.0x	6.3x	4.8x	4.6x	17.4x	13.6x	10.2x	8.4x	22.3x	20.3x	14.8x	12.1x
Median	3.4x	2.5x	1.9x	1.7x	7.4x	6.1x	3.9x	4.6x	17.4x	13.6x	10.2x	8.4x	22.3x	20.3x	14.8x	12.1x
International Telco peers																
United Internet	1.5x	1.5x	1.4x	1.4x	6.4x	6.1x	5.7x	6.0x	10.3x	9.8x	8.7x	10.3x	12.2x	12.1x	11.7x	13.1x
Bredband2 i Skandinavien	1.1x	1.1x	1.0x	0.9x	10.5x	9.5x	8.8x	8.1x	15.6x	13.4x	11.8x	10.6x	24.1x	20.8x	18.3x	16.3x
CenturyLink	2.2x	2.1x	2.1x	2.2x	5.4x	5.0x	5.1x	5.2x	12.6x	11.6x	11.8x	12.9x	9.9x	7.1x	6.7x	7.3x
Cogent Communications	6.9x	7.8x	7.3x	6.7x	18.4x	20.7x	18.7x	16.2x	36.9x	37.9x	32.7x	24.2x	n.a.	78.4x	61.8x	45.7x
Average	2.9x	3.1x	3.0x	2.8x	10.2x	10.3x	9.6x	8.9x	18.8x	18.2x	16.2x	14.5x	15.4x	29.6x	24.6x	20.6x
Median	1.9x	1.8x	1.8x	1.8x	8.4x	7.8x	7.3x	7.0x	14.1x	12.5x	11.8x	11.8x	12.2x	16.4x	15.0x	14.7x
Full sample																
Average	3.1x	2.7x	2.5x	2.4x	9.2x	8.6x	7.6x	7.4x	18.3x	16.6x	14.2x	12.5x	18.2x	26.5x	21.3x	17.8x
Median	2.9x	2.1x	1.9x	1.8x	7.4x	6.1x	5.7x	5.8x	14.8x	12.9x	11.4x	10.4x	20.9x	19.6x	14.8x	13.0x

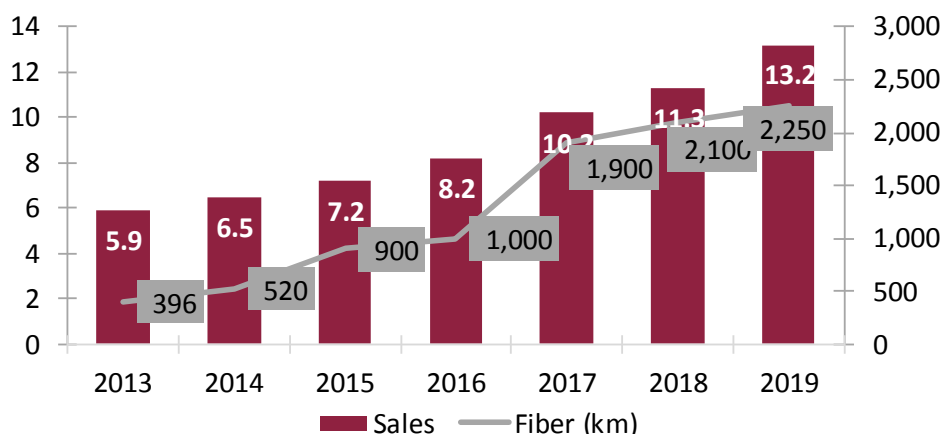
Source: EnVent Research on S&P Capital IQ, April 2020

6. FINANCIAL ANALYSIS AND PROJECTIONS

Long track record in the broadband fiber networking

Over the last seven years, sales for Unidata grew at a double-digit rate. Doubling of revenues has been achieved thanks to proprietary fiber investments, networking a wide portion of the Rome area.

7Y Historical performance



Source: Company data

Sound P&L metrics, with profitability in line with peers

Unidata reported sales of €13.2m in 2019, +15% YoY, driven by Fiber & Networking unit which accounts for over 80% of sales, mainly from business customers.

Operating costs were €8.6m, up by 11% YoY, driven by services (+26%). Reported EBITDA was €4.6m (35% margin), from €3.8m in 2018 (33% margin), +21% YoY. EBIT was €2.4m (18% margin), after €2.2m D&A. Net Income was €1.7m (13% margin), +6% YoY.

On the balance sheet side, trade receivables rose to €11.2m, from €4.5m in 2018, due to non-recurring billings in the last part of the year. The increase is higher than sales increase because of the accounting of most IRU revenues as deferred income. Trade working capital was €9.0m (68% of sales). Other liabilities were €17.1m, of which €16m deferred income, from €4.9m in 2018. Property, plant, and equipment increased to €12.4m (vs €6.8m in 2018), intangible assets were stable at €4.4m.

At year-end 2019 net financial debt was €0.6m (vs €1.1m in 2018).

Net debt breakdown: €2.2m bank debt, €0.2m other financial debt, €0.1m marketable securities and €1.7m cash. Net debt to EBITDA ratio was 0.1x, compared to 0.3x in 2018. Equity was €7.4m, from €5.7m in 2018.

Increased cash generation

Cash flow from P&L operations was 86% of EBITDA in 2019. Capital expenditure was €7.8m (59% of sales vs 37% in 2018), above the average of comparable industry peers which is in the region of 30%. Cash flow after working capital and capex was positive for €0.5m (vs. negative €0.8 in 2018).

Present businesses and business development

Fiber & Networking	Cloud & Data center
<ul style="list-style-type: none"> • 2,250 Km optic fiber (53% owned) with about 50 PoP • About 100 PoP for fixed wireless services (FWA) • Connectivity and Internet access services • Real or virtual private networks • National license Voice telephony in VoIP technologies • Virtual switchboard and unified communication services • Wholesale supply of optic fiber and connectivity 	<ul style="list-style-type: none"> • Maximum reliability (with typical features of the TIER III and TIER IV levels) • 800 sqm extension of the data center, 55% of potential capacity • Co-location for disaster recovery • ISO 9001 and ISO 27001 • Co-location, hosting, virtualization and cloud services (IaaS and SaaS)

Source: Company data

Network extension (24 months)

1) RM-Fiber: Partnership with a player operating within the national optical fiber program to connect *market failure areas*. The partnership consists of two agreements lasting each 15 years with the intent to expand their ultra-broadband fiber network to reach additional 200,000 real estate units (around 5x its current market share). The additional fiber will generate IRU contracts with the partner and availability for Unidata of broadband to provide its customer services.

2) Long-term investment with a European institutional fund to install FTTH infrastructure in *grey areas*. According to preliminary negotiations the target is to invest in FTTH networks to reach around 100,000 households and 5,000 business customers.

Key growth drivers

- Own fiber network in a wide *black and grey area* in Rome, suitable for substantial expansion
- Long-term agreements with industry investors
- Loyal business customer base
- Development of advanced services

Estimates

Our analysis of the industry and Unidata performance through the years leads to continuity assumptions on the customer base and fiber development. In the short-term, investments into fiber cables will increase market share as infrastructure coverage and support the service offering to a larger potential customer base in the *grey areas*. On a longer horizon, partnerships under development are expected to sustain a further optical fiber network expansion, reaching both business and retail customers.

We have estimated revenues based on the assumption of customers growth consistent with the relevant network under management and the RM-Fiber projects. Costs, working capital dynamics, level of capex and cash flow generation have been estimated under assumptions which consider historical financial indicators and ratios and factor-in ongoing RM-Fiber project.

Revenues recognition and related asset depreciation of first and second phase of IRU contracts fiber-laying will be deferred along the contractual period, as provided by relevant accounting principles.

Assumptions

Main assumptions for RM-Fiber project	<ul style="list-style-type: none"> - €25m revenues and cost disbursements within 2021 - Accounting of revenues, depreciation and related gross tax charges deferred during contractual lifetime of 15Y - 20% margin on the project
Revenues	<ul style="list-style-type: none"> - Fiber & Networking incl. RM-Fiber: +22% YoY in 2020E, +18% in 2021E, +14% in 2022E - Cloud & Data center: 17% of total revenues in 2020E, 18% 2021E, 19% in 2022E - Other income stable at €0.4m in 2020-22E
Operating charges	<ul style="list-style-type: none"> - Direct costs 14-18% of sales in 2020-22E - Personnel +7% YoY in 2020-21E, +8% in 2022E - Leases 4% of sales in 2019-22E, in line with historical level - Services of 41-46% of sales in 2020-22E - Other operating at 6% of revenues in 2020-21E, 5% in 2022E
Income taxes	<ul style="list-style-type: none"> - Corporate tax (IRES): 24% - Regional tax (IRAP): 3.90%
Working Capital	<ul style="list-style-type: none"> - Trade working capital: <ul style="list-style-type: none"> - DOI 39 - DSO 170 in 2020E in line with previous year, 130 in 2021E and 100 in 2022E - DPO 170 - Other assets (liabilities) consistent with historical level at 6% of sales
Capex	<ul style="list-style-type: none"> - Intangible assets after €0.8m of IPO costs in 2020E are kept consistent with the historical level - PPE as maintenance and improvement of the existing equipment - RM-Fiber capex for €16.5m in 2020-21E - €0.8m IPO costs
Financial debt	<ul style="list-style-type: none"> - Stable financial debt, historical level
Equity	<ul style="list-style-type: none"> - No dividend distribution - €5.7m IPO proceeds

Source: EnVent Research

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 2018-19A, 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

Normalized cash flow
€2-3m

Consistency of ratios
with industry

7. VALUATION

Key valuation issues and metrics

The valuation of Unidata connectivity and other services to customers has been performed through DCF, market multiples and regression analysis 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 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.

Discounted Cash Flows

Main assumptions:

- Risk free rate: 1.8% (Italian 10-year government bonds interest rate - 3Y average. Source: Bloomberg, April 2020)
- Market return: 13.3% (3Y average. Source: Bloomberg, April 2020)
- Market risk premium: 11.5%
- Beta: 0.8 (Median of selected comparable companies. Source: Bloomberg, February 2020)
- Cost of equity: 11%
- Cost of debt: 2.5%
- Tax rate: 24% IRES
- 20% debt/(debt + equity) as target capital structure
- WACC calculated at 9.2%, according to above data
- Perpetual growth rate at 2.0%
- Terminal Value assumes a 30% EBITDA margin

DCF

€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>	<i>33.2%</i>	<i>35.1%</i>	<i>36.8%</i>	<i>37.4%</i>	<i>37.9%</i>	<i>30.0%</i>
EBIT	2.3	2.4	2.7	2.5	3.7	4.1
<i>Margin</i>	<i>20.0%</i>	<i>18.4%</i>	<i>17.0%</i>	<i>13.0%</i>	<i>17.2%</i>	<i>18.7%</i>
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	9.2%					
Long-term growth (G)	2.0%					
Discounted Cash Flows			3.1	3.9	2.8	
Sum of Discounted Cash Flows	9.7					
Terminal Value						41.3
Discounted TV	34.6					
Enterprise Value	44.3					
Net Debt as of 31/12/19	(0.6)					
Net IPO proceeds 2020	4.9					
Equity Value	48.7					

DCF - Implied multiples	2018	2019	2020E	2021E	2022E
EV/Revenues	3.8x	3.4x	2.8x	2.4x	2.0x
EV/EBITDA	11.6x	9.6x	7.6x	6.3x	5.4x
EV/EBIT	19.2x	18.2x	16.4x	18.0x	11.9x
P/E	30.4x	28.7x	25.4x	28.0x	18.4x

Source: EnVent Research

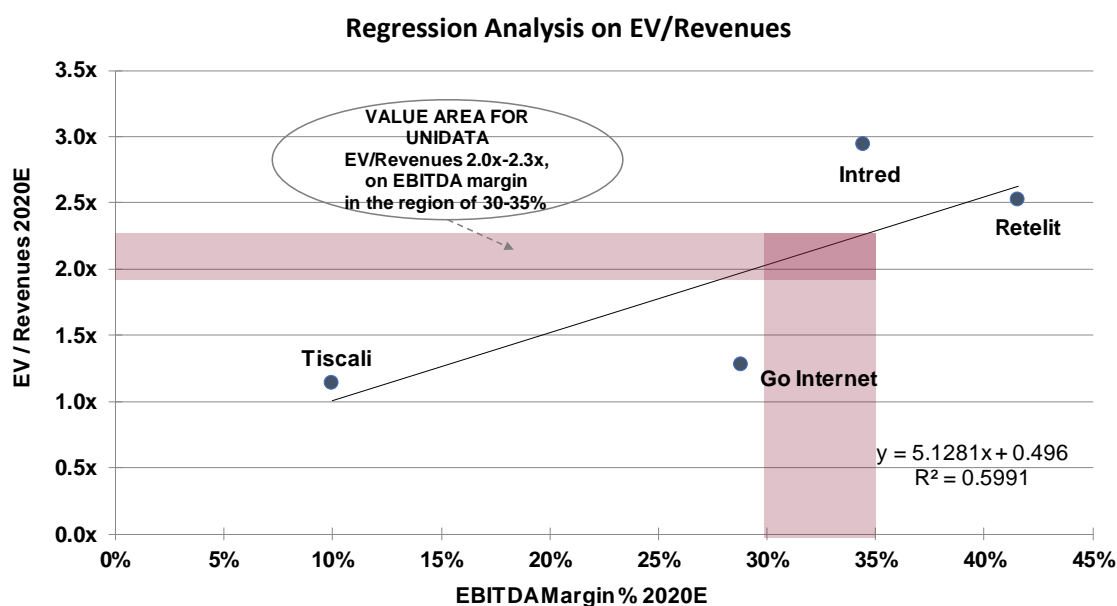
Multiples application

€m					
Unidata		Multiple	EV	Net Cash	Equity Value
2019A Revenues	13.2	3.4x	44.4	4.3	48.7
2020E Revenues	15.9	2.5x	40.0	4.3	44.3
Mean					46.5
2019A EBITDA	4.6	7.4x	34.2	4.3	38.5
2020E EBITDA	5.8	6.1x	35.4	4.3	39.8
Mean					39.1
2019A EBIT	2.4	17.4x	42.2	4.3	46.5
2020E EBIT	2.7	13.6x	36.8	4.3	41.1
Mean					43.8
2019A Net Income	1.7	22.3x			37.8
2020E Net Income	1.9	20.3x			38.8
Mean					38.3

Source: EnVent Research

Valuation area derived from regression analysis

Our regression analysis combining EV/Revenues and EBITDA margin shows a fair R2 and represents the summary of the assumption of the embedded values implied by EV/Revenues multiples of the peers.



Source: EnVent Research on S&P Capital IQ data

Target Price

The DCF model applied to our estimates yields a target price of €19.95 per share, +53% on the IPO price of €13.00 and with a potential upside of 21% on the current share price.

We initiate coverage of Unidata with an OUTPERFORM rating on the stock.

We note that the substantial size of the network extension projects and improved service offer indicate room for further upside in the short/mid-term.

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

Unidata Price per Share	€
Target Price	19.95
Current Share Price (29/04/2020)	16.50
Premium (Discount)	21%

Source: EnVent Research

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Rating rationale:

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UNDERPERFORM: stocks are among the least attractive in a peer group;

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NOT RATED: no rating or target price assigned.

The stock price indicated is the reference price on the day indicated as “Date of Price” in the table on the front page of this publication.

DETAILS ON STOCK RECOMMENDATION AND TARGET PRICE

Date	Recommendation	Target Price (€)	Share Price (€)
29/04/2020	OUTPERFORM	19.95	16.50

ENVENTCM RECOMMENDATION DISTRIBUTION (April 29th, 2020)

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