

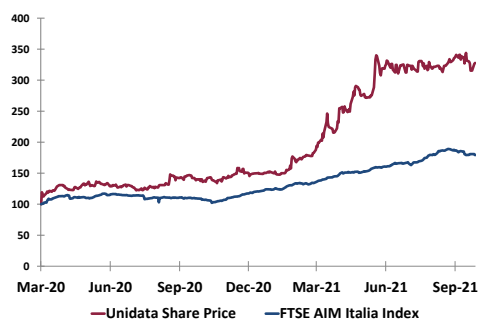


## OUTPERFORM

Current Share Price (€): 42.60

Target Price (€): 52.68

### 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 (€)        | 42.6              |
| Date of Price          | 12/10/2021        |
| Shares Outstanding (m) | 2.4               |
| Market Cap (€m)        | 104.3             |
| Market Float (%)       | 18.3%             |
| Daily Volume           | 2,350             |
| Avg Daily Volume YTD   | 1,718             |
| Target Price (€)       | 52.68             |
| Upside (%)             | 24%               |
| Recommendation         | OUTPERFORM        |

### Share price performance

|                         | 1M    | 3M    | IPO  |
|-------------------------|-------|-------|------|
| Unidata - Absolute (%)  | 0%    | 1%    | 228% |
| FTSE AIM Italia (%)     | -5%   | 7%    | 79%  |
| Range H/L (€) since IPO | 44.70 | 13.00 |      |
| YTD Change (€) / %      | 23.20 | 48%   |      |

Source: S&P Capital IQ

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## H1 2021 sales and EBITDA +59% and +49% YoY. Further growth of number of customers (+12%) and fiber km (+22%) along H1 2021

### Current trading: stock price rose outperforming the AIM Italia Index

Unidata share price gained 228% since IPO, outperforming the AIM Italia index, which rose 79% in the same period. Along 2021 share price increased by +120% (vs AIM Italia Index + 48%). The Company has recently launched an own shares purchase plan.

### Confirmed brilliant financials

H121 total revenues to €14.2m vs H120 €9.0m (+59% YoY). H121 EBITDA was €3.7m (+49% compared to €2.5m in H120), with margin at 26.2% (27.9% in H120). H121 EBIT margin at 10.8% vs 11.2% in H120. Net income at €3.0m, compared to €0.6m in H120. Net Equity was €24.5m vs €21.4m at year end 2020, while net cash was €1.4m vs €2.5m at year end 2020.

### Fiber network and customers substantial growth

As of June 2021, fiber km and total number of customers were 3,656 and 10,661 respectively (+22% and +12% vs December 2020).

### Outlook

The Fiber to The Home (FTTH) network growth in Italy was confirmed (+54.8% YoY growth rate as of March 2021, the highest among the different kinds of Italian broadband and ultrabroad band fixed lines) and expected to continue. Thanks to: i) the strategic partnership with Open Fiber, the leading telecommunications operator for the development of fiber optic infrastructure; and ii) the 30% stake owned in Unifiber, Unidata perspectives in the medium run confirm positive. Based on the confirmed positive outlook for Fiber to the Home (FTTH) network development in the medium term, we confirm our estimates except for deferred tax update.

### Target Price €52.68 per share (from €47.04), OUTPERFORM rating confirmed

Our new target price is estimated at €52.68 per share (from €47.04) in our prior note), with a potential upside of +24% with respect to current share price. Our OUTPERFORM rating is confirmed.

### Key financials and estimates

|                        | ITA GAAP | ITA GAAP | IAS   | IAS   | IAS   | IAS   | IAS   |
|------------------------|----------|----------|-------|-------|-------|-------|-------|
| €m                     | 2017     | 2018     | 2019  | 2020  | 2021E | 2022E | 2023E |
| <b>Revenues</b>        | 10.6     | 11.5     | 13.2  | 23.4  | 30.1  | 35.4  | 41.7  |
| YoY %                  | -        | 8.5%     | 14.4% | 77.4% | 28.5% | 17.5% | 17.8% |
| <b>EBITDA</b>          | 3.1      | 3.8      | 5.2   | 8.6   | 11.5  | 13.7  | 16.5  |
| Margin                 | 29.4%    | 33.2%    | 39.0% | 36.8% | 38.3% | 38.8% | 39.5% |
| <b>EBIT</b>            | 1.8      | 2.3      | 2.1   | 4.9   | 6.4   | 7.7   | 10.6  |
| Margin                 | 16.7%    | 20.0%    | 15.8% | 20.9% | 21.3% | 21.8% | 25.5% |
| <b>Net Income</b>      | 1.2      | 1.6      | 1.4   | 3.4   | 6.2   | 5.4   | 7.5   |
| <b>Net Debt (Cash)</b> | 0.2      | 1.1      | 4.5   | (2.5) | (1.5) | (1.4) | (5.1) |
| <b>Equity</b>          | 4.1      | 5.7      | 12.3  | 21.4  | 27.7  | 33.1  | 40.6  |

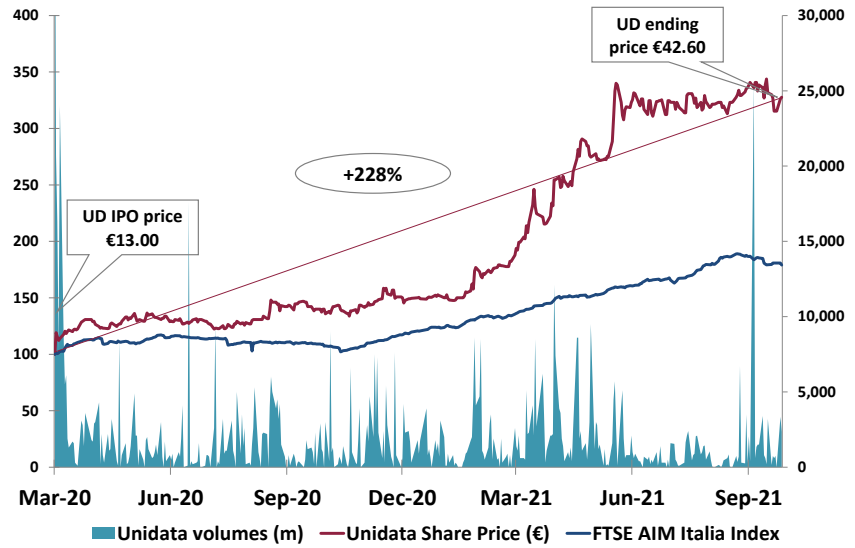
Source: Company data 2017-20A, EnVent Research 2021-23E

## Market update

YTD outperforming AIM Italia Index (+ 120% vs + 48%)

Unidata shares since IPO traded in the range €13.00-44.70, with beginning price at €13.00 and ending at €42.60, +228% increase

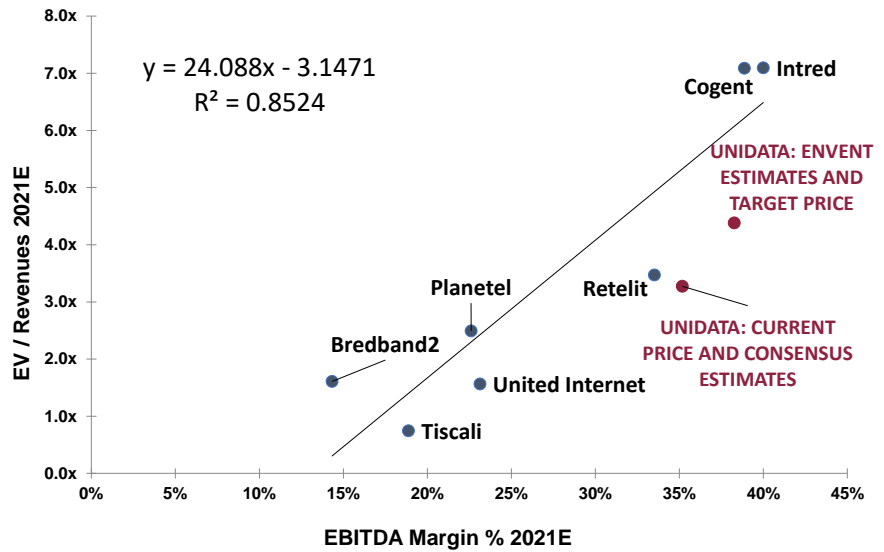
### Unidata - Share price performance since IPO



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

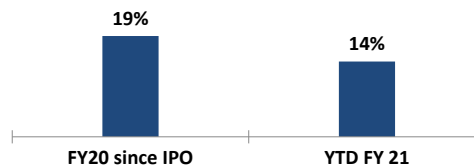
Room for getting closer to average multiples

### Peer group - Regression analysis and Unidata target positioning



Source: EnVent Research on S&P Capital IQ, October 2021

### Unidata - Liquidity analysis and velocity turnover



Source: EnVent Research on S&P Capital IQ, October 2021

## H1 2021 vs H1 2020: Revenues up by 59%, EBITDA +49%

H1 2021 highlights:

- Revenues €14.2m (vs €9.0m in H1 2020, +59%)
- EBITDA €3.7m (vs €2.5m in H1 2020, +49%)
- EBIT €1.5m (vs €1.0m in H1 2020, +53%)
- Net Income €3.0m (vs €0.6m in H1 2020, +370% also considering the impact of a change in tax regulations which allowed to decrease €1.8m deferred taxes)
- Capex €5.7m (vs €10.6m for the entire FY 2020)
- Net Equity €24.5m (vs €21.4m at year end 2020)
- Net Cash €1.4m (vs €2.5m net cash at year end 2020)

### Total sales breakdown, H1 21 vs H1 20 (€m)

| €m                                    | H1 2020    | 2020        | H1 2021     | H121vsH120<br>% YoY |
|---------------------------------------|------------|-------------|-------------|---------------------|
| <b>Total Fiber Optic revenues</b>     | <b>6.0</b> | <b>16.1</b> | <b>7.8</b>  | <b>30.7%</b>        |
| Total revenues connectivity and voice | 1.3        | 1.8         | 2.9         | 129.9%              |
| Total Datacenter & Cloud              | 0.6        | 1.1         | 0.5         | -15.7%              |
| Total IoT & Smart solutions           | 0.0        | 0.2         | 0.0         | 1.6%                |
| Various services and customer support |            | 0.7         |             | n.a.                |
| Sale of System net F.O. material      | 0.9        | 2.8         | 2.4         | 174.4%              |
| <b>Total Sales</b>                    | <b>8.8</b> | <b>22.7</b> | <b>13.7</b> | <b>55.7%</b>        |

Source: Company data

### Profit and Loss

| €m                               | H1 2020      | 2020          | H1 2021       |
|----------------------------------|--------------|---------------|---------------|
| Sales                            | 7.9          | 19.9          | 11.3          |
| Sale of System net F.O. material | 0.9          | 2.8           | 2.4           |
| Other income                     | 0.2          | 0.7           | 0.5           |
| <b>Total Revenues</b>            | <b>9.0</b>   | <b>23.4</b>   | <b>14.2</b>   |
| YoY %                            |              | 77.4%         | 58.6%         |
| Direct cost of sales             | (1.3)        | (4.1)         | (3.8)         |
| Personnel                        | (1.4)        | (2.9)         | (1.7)         |
| Services                         | (3.4)        | (6.5)         | (4.3)         |
| Other operating costs            | (0.4)        | (1.3)         | (0.7)         |
| <b>Operating costs</b>           | <b>(6.5)</b> | <b>(14.8)</b> | <b>(10.5)</b> |
| <b>EBITDA</b>                    | <b>2.5</b>   | <b>8.6</b>    | <b>3.7</b>    |
| Margin                           | 27.9%        | 36.8%         | 26.2%         |
| D&A                              | (1.5)        | (3.7)         | (2.185)       |
| <b>EBIT</b>                      | <b>1.0</b>   | <b>4.9</b>    | <b>1.5</b>    |
| Margin                           | 11.2%        | 20.9%         | 10.8%         |
| Interest                         | (0.1)        | (0.1)         | (0.1)         |
| Exchange gain (loss)             | 0.0          | 0.0           | 0.0           |
| <b>EBT</b>                       | <b>0.9</b>   | <b>4.8</b>    | <b>1.5</b>    |
| Margin                           | 10.6%        | 20.4%         | 10.4%         |
| Income taxes                     | (0.3)        | (1.4)         | 1.5           |
| <b>Net Income (Loss)</b>         | <b>0.6</b>   | <b>3.4</b>    | <b>3.0</b>    |
| Margin                           | 7.1%         | 14.5%         | 21.0%         |

Source: Company data

Direct cost of sales proportion increase due to fiber materials purchased and resold to customers

H1 2021 Income taxes include a €1.8m decrease of deferred taxes by new rules

**Other assets and liabilities  
decrease due to deferred taxes  
update**

### Balance Sheet

| €m                                      | 2020          | H1 2021       |
|---|---------------|---------------|
| Inventary                               | 1.0           | 1.4           |
| Trade receivables                       | 14.0          | 9.7           |
| Trade payables                          | (8.6)         | (7.1)         |
| Trade Working Capital                   | 6.4           | 4.0           |
| Deferred income by IRU & others         | (12.8)        | (12.2)        |
| Other assets (liabilities)              | (9.1)         | (6.7)         |
| <b>Net Working Capital</b>              | <b>(15.5)</b> | <b>(14.9)</b> |
| Intangible assets                       | 8.1           | 8.5           |
| Property, plant and equipment           | 26.0          | 29.2          |
| Equity investments and financial assets | 1.4           | 1.3           |
| <b>Non-current assets</b>               | <b>35.5</b>   | <b>39.0</b>   |
| <b>Net Invested Capital</b>             | <b>19.0</b>   | <b>23.1</b>   |
| <b>Net Debt (Cash)</b>                  | <b>(2.5)</b>  | <b>(1.4)</b>  |
| <b>Equity</b>                           | <b>21.4</b>   | <b>24.5</b>   |
| <b>Sources</b>                          | <b>19.0</b>   | <b>23.1</b>   |

Source: Company data

**Changes of equity (net of period  
income) along H1 21 mainly due  
to IAS application impact on  
reserves**

### Cash Flow

| €m   | 2020       | H1 2021      |
|--|------------|--------------|
| <b>EBIT</b>                                      | <b>4.9</b> | <b>1.5</b>   |
| Current taxes                                    | (1.4)      | 1.5          |
| D&A  | 3.7        | 2.2          |
| Provisions                                       | 0.2        | (0.1)        |
| <b>Cash flow from P&amp;L operations</b>         | <b>7.4</b> | <b>5.2</b>   |
| Trade Working Capital                            | 2.5        | 2.4          |
| Deferred income by IRU & others                  | (0.9)      | (0.6)        |
| Other assets and liabilities                     | 3.9        | (2.4)        |
| Capex  | (10.6)     | (5.7)        |
| <b>Cash flow after working capital and capex</b> | <b>2.2</b> | <b>(1.1)</b> |
| Interest   | (0.1)      | (0.1)        |
| Investments and financial assets                 | (0.9)      | (0.0)        |
| Exchange gain (loss)                             | 0.0        | 0.0          |
| IPO Proceeds/share capital increase              | 5.7        | 0.1          |
| Dividends  | 0.0        | 0.0          |
| <b>Net cash flow</b>                             | <b>6.9</b> | <b>(1.1)</b> |
| Net (Debt) Cash - Beginning                      | (4.5)      | 2.5          |
| Net (Debt) Cash - End                            | 2.5        | 1.4          |
| <b>Change in Net (Debt) Cash</b>                 | <b>6.9</b> | <b>(1.1)</b> |

Source: Company data

### Ratio analysis

| KPIs                               | 2020  | H1 2021 |
|------------------------------------|-------|---------|
| ROE                                | 16%   | 24%     |
| ROS (EBIT/Revenues)                | 21%   | 22%     |
| ROIC (NOPAT/Invested Capital)      | 26%   | 13%     |
| DSO                                | 179   | 101     |
| DPO                                | 215   | 120     |
| DOI                                | 15    | 18      |
| TWC/Revenues                       | 27%   | 14%     |
| Capex/Revenues                     | -45%  | -40%    |
| Net Debt / EBITDA                  | -0.3x | -0.2x   |
| Net Debt / Equity                  | -0.1x | -0.1x   |
| Net Debt / (Net Debt+Equity)       | -0.1x | -0.1x   |
| Cash flow from operations / EBITDA | 86%   | 139%    |
| FCF / EBITDA                       | 26%   | neg.    |

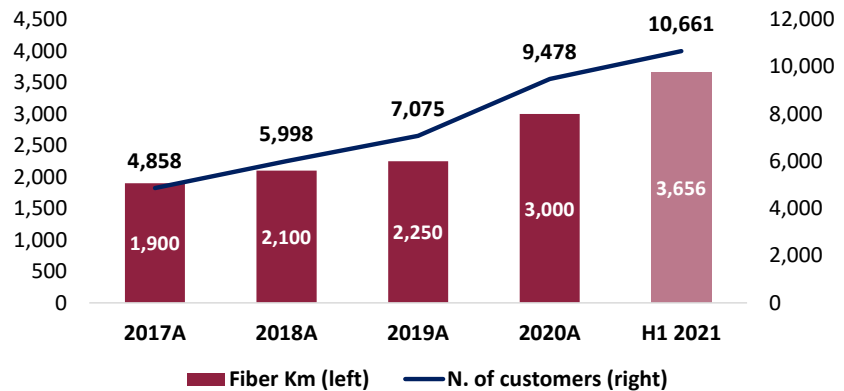
Source: Company data - Note: H1 KPIs calculated on LTM economics

## Business update

As of June 2021, fiber km and total number of customers were 3,656 and 10,661 respectively (+ 22% and + 12% vs December 2020).

### Unidata fiber network and customer growth

**2017-H1 2021 Km of fiber +16% CAGR; customer base increased by 19% CAGR in the same period**



Source: Company data

## Own shares purchase plan

Following shareholders agreements resolution in May 2021, the Company launched an own shares purchase plan in September 2021. At October 8<sup>th</sup> 2021, the number of own shares purchased was 4,100 (corresponding to 0.17% of total shares).

## Outlook: investments into fiber infrastructure advances

Along March 2020-March 2021, fixed lines based on Fiber to The Home (FTTH) technology in Italy increased by +54.8% YoY by number of accesses (2.1m in March 2021), the highest growth rate among the different kinds of Italian broadband and ultrabroad band fixed lines (source: Communication Markets Monitoring System - Italian Telecommunication Supervisory Authority). In the medium run, this trend is expected to be confirmed, with great benefit for players like Unidata active in the fiber network development. The Company will further leverage on: i) its strategic partnership with Open Fiber, the leading telecommunications operator for the development of fiber optic infrastructure in Italy; and ii) the 30% stake owned in Unifiber, the company which will invest into fiber development for grey areas in the Lazio region and will be funded also by Connecting Europe Broadband Fund (CEBF) an European fund managed by CUBE IM and invested by major European institutional investors.

## Change in estimates

Due to the confirmed positive outlook in the medium run, we maintain our 2021-23 projections unchanged, apart from immaterial adjustments and the effect of

€1.8m deferred taxes decrease on: i) 2021E Net Income; and ii) 2021-23E other assets and liabilities evolution.

About own shares purchase plan, we assume that acquisitions and disposals along the 18 months started in may 2021 may be substantially neutral with respect to our previous estimated evolution of Unidata financials along 2021-23E.

## Financial projections

### Profit and Loss

| €m                               | ITA GAAP     | ITA GAAP     | IAS          | IAS           | IAS           | IAS           | IAS           |
|----------------------------------|--------------|--------------|--------------|---------------|---------------|---------------|---------------|
|                                  | 2017A        | 2018A        | 2019A        | 2020A         | 2021E         | 2022E         | 2023E         |
| Sales                            | 10.2         | 11.3         | 12.8         | 19.9          | 26.4          | 31.5          | 37.6          |
| Sale of System net F.O. material |              |              | 0.0          | 2.8           | 2.9           | 3.1           | 3.2           |
| Other income                     | 0.4          | 0.3          | 0.4          | 0.7           | 0.8           | 0.8           | 0.9           |
| <b>Total Revenues</b>            | <b>10.6</b>  | <b>11.5</b>  | <b>13.2</b>  | <b>23.4</b>   | <b>30.1</b>   | <b>35.4</b>   | <b>41.7</b>   |
| YoY %                            | -            | 8.5%         | 14.4%        | 77.4%         | 28.5%         | 17.5%         | 17.8%         |
| Direct cost of sales             | (1.8)        | (1.5)        | (1.2)        | (4.1)         | (5.6)         | (6.7)         | (8.0)         |
| Personnel                        | (1.9)        | (2.0)        | (2.1)        | (2.9)         | (3.3)         | (3.7)         | (4.0)         |
| Services                         | (3.0)        | (3.1)        | (4.5)        | (6.5)         | (8.5)         | (9.9)         | (11.5)        |
| Other operating costs            | (0.9)        | (1.1)        | (0.3)        | (1.3)         | (1.2)         | (1.4)         | (1.7)         |
| <b>Operating charges</b>         | <b>(7.5)</b> | <b>(7.7)</b> | <b>(8.1)</b> | <b>(14.8)</b> | <b>(18.6)</b> | <b>(21.7)</b> | <b>(25.2)</b> |
| <b>EBITDA</b>                    | <b>3.1</b>   | <b>3.8</b>   | <b>5.2</b>   | <b>8.6</b>    | <b>11.5</b>   | <b>13.7</b>   | <b>16.5</b>   |
| Margin                           | 29.4%        | 33.2%        | 39.0%        | 36.8%         | 38.3%         | 38.8%         | 39.5%         |
| D&A                              | (1.4)        | (1.5)        | (3.1)        | (3.7)         | (5.1)         | (6.0)         | (5.8)         |
| <b>EBIT</b>                      | <b>1.8</b>   | <b>2.3</b>   | <b>2.1</b>   | <b>4.9</b>    | <b>6.4</b>    | <b>7.7</b>    | <b>10.6</b>   |
| Margin                           | 16.7%        | 20.0%        | 15.8%        | 20.9%         | 21.3%         | 21.8%         | 25.5%         |
| Interest                         | (0.0)        | (0.0)        | (0.1)        | (0.1)         | (0.3)         | (0.2)         | (0.2)         |
| <b>EBT</b>                       | <b>1.8</b>   | <b>2.3</b>   | <b>2.0</b>   | <b>4.8</b>    | <b>6.2</b>    | <b>7.5</b>    | <b>10.4</b>   |
| Margin                           | 16.5%        | 19.7%        | 14.9%        | 20.4%         | 20.4%         | 21.2%         | 25.0%         |
| Income taxes                     | (0.5)        | (0.7)        | (0.6)        | (1.4)         | 0.1           | (2.1)         | (2.9)         |
| <b>Net Income</b>                | <b>1.2</b>   | <b>1.6</b>   | <b>1.4</b>   | <b>3.4</b>    | <b>6.2</b>    | <b>5.4</b>    | <b>7.5</b>    |
| Net Income Margin                | 11.4%        | 13.9%        | 10.6%        | 14.5%         | 20.7%         | 15.2%         | 18.0%         |

Source: Company data 2017-20A, EnVent Research 2021-23E

### Balance Sheet

| €m                               | ITA GAAP     | ITA GAAP     | IAS           | IAS           | IAS           | IAS          | IAS          |
|----------------------------------|--------------|--------------|---------------|---------------|---------------|--------------|--------------|
|                                  | 2017A        | 2018A        | 2019A         | 2020A         | 2021E         | 2022E        | 2023E        |
| Inventory                        | 0.6          | 1.3          | 1.4           | 1.0           | 1.7           | 1.9          | 2.3          |
| Trade receivables                | 3.8          | 4.5          | 11.1          | 14.0          | 15.1          | 17.7         | 19.5         |
| Trade payables                   | (3.1)        | (4.0)        | (3.7)         | (8.6)         | (10.2)        | (9.6)        | (8.5)        |
| Trade Working Capital            | 1.3          | 1.8          | 8.9           | 6.4           | 6.6           | 10.1         | 13.3         |
| Deferred income by IRU & others  | (4.2)        | (4.9)        | (13.7)        | (12.8)        | (11.8)        | (10.9)       | (10.0)       |
| Other assets (liabilities)       | (0.5)        | (0.7)        | (5.2)         | (9.1)         | (7.2)         | (7.0)        | (7.4)        |
| <b>Net Working Capital</b>       | <b>(3.4)</b> | <b>(3.8)</b> | <b>(10.0)</b> | <b>(15.5)</b> | <b>(12.5)</b> | <b>(7.9)</b> | <b>(4.1)</b> |
| Intangible assets                | 4.3          | 4.3          | 7.6           | 8.1           | 7.8           | 7.3          | 6.8          |
| Property, plant and equipment    | 4.0          | 6.8          | 19.6          | 26.0          | 30.7          | 32.1         | 32.9         |
| Investments and financial assets | 0.1          | 0.1          | 0.5           | 1.4           | 1.4           | 1.4          | 1.4          |
| <b>Non-current assets</b>        | <b>8.4</b>   | <b>11.2</b>  | <b>27.7</b>   | <b>35.5</b>   | <b>39.9</b>   | <b>40.9</b>  | <b>41.1</b>  |
| Provisions                       | (0.6)        | (0.6)        | (0.9)         | (1.1)         | (1.2)         | (1.4)        | (1.5)        |
| <b>Net Invested Capital</b>      | <b>4.4</b>   | <b>6.8</b>   | <b>16.8</b>   | <b>19.0</b>   | <b>26.1</b>   | <b>31.6</b>  | <b>35.5</b>  |
| <b>Net Debt (Cash)</b>           | <b>0.2</b>   | <b>1.1</b>   | <b>4.5</b>    | <b>(2.5)</b>  | <b>(1.5)</b>  | <b>(1.4)</b> | <b>(5.1)</b> |
| <b>Equity</b>                    | <b>4.1</b>   | <b>5.7</b>   | <b>12.3</b>   | <b>21.4</b>   | <b>27.7</b>   | <b>33.1</b>  | <b>40.6</b>  |
| <b>Sources</b>                   | <b>4.4</b>   | <b>6.8</b>   | <b>16.8</b>   | <b>19.0</b>   | <b>26.1</b>   | <b>31.6</b>  | <b>35.5</b>  |

Source: Company data 2017-20A, EnVent Research 2021-23E

## Cash Flow

| €m   | 2020A      | 2021E        | 2022E        | 2023E       |
|--|------------|--------------|--------------|-------------|
| <b>EBIT</b>  | <b>4.9</b> | <b>6.4</b>   | <b>7.7</b>   | <b>10.6</b> |
| Current taxes  | (1.4)      | 0.1          | (2.1)        | (2.9)       |
| D&A  | 3.7        | 5.1          | 6.0          | 5.8         |
| <b>Cash flow from P&amp;L operations</b>                   | <b>7.4</b> | <b>11.8</b>  | <b>11.8</b>  | <b>13.7</b> |
| Trade Working Capital                                      | 2.5        | (0.2)        | (3.5)        | (3.2)       |
| Deferred income by IRU & others                            | (0.9)      | (0.9)        | (0.9)        | (0.9)       |
| Other assets and liabilities                               | 3.9        | (1.9)        | (0.2)        | 0.3         |
| Capex  | (9.9)      | (9.5)        | (7.0)        | (6.0)       |
| <b>Operating cash flow after working capital and capex</b> | <b>3.0</b> | <b>(0.7)</b> | <b>0.2</b>   | <b>3.9</b>  |
| Interest   | (0.1)      | (0.3)        | (0.2)        | (0.2)       |
| Investments and financial assets                           | (0.9)      | 0.0          | 0.0          | 0.0         |
| Dividends  | 0.0        | 0.0          | 0.0          | 0.0         |
| Paid-in capital  | 0.0        | 0.0          | 0.0          | 0.0         |
| Capex - IPO cost   | (0.8)      | 0.0          | 0.0          | 0.0         |
| IPO proceeds   | 5.7        | 0.0          | 0.0          | 0.0         |
| <b>Net cash flow</b>                                       | <b>6.9</b> | <b>(0.9)</b> | <b>(0.1)</b> | <b>3.7</b>  |
| Net Debt (Beginning)                                       | (4.5)      | 2.5          | 1.5          | 1.4         |
| Net Debt (End)   | 2.5        | 1.5          | 1.4          | 5.1         |
| <b>Change in Net Debt (Cash)</b>                           | <b>6.9</b> | <b>(0.9)</b> | <b>(0.1)</b> | <b>3.7</b>  |

Source: Company data 20A, EnVent Research 2021-23E

## Ratio analysis

| KPIs                                   | ITA GAAP | ITA GAAP | IAS   | IAS   | IAS   | IAS   | IAS   |
|--|----------|----------|-------|-------|-------|-------|-------|
|  | 2017A    | 2018A    | 2019A | 2020A | 2021E | 2022E | 2023E |
| ROE                                    | 29%      | 28%      | 11%   | 16%   | 23%   | 16%   | 19%   |
| ROS (EBIT/Revenues)                    | 17%      | 20%      | 16%   | 21%   | 21%   | 22%   | 26%   |
| ROIC (NOPAT/Invested Capital)          | n.a.     | 0%       | 0%    | 19%   | 25%   | 18%   | 22%   |
| DSO                                    | 107      | 117      | 252   | 179   | 150   | 150   | 140   |
| DPO                                    | 165      | 208      | 185   | 215   | 200   | 160   | 120   |
| DOI                                    | 20       | 42       | 39    | 15    | 20    | 20    | 20    |
| TWC/Revenues                           | 12%      | 16%      | 67%   | 27%   | 22%   | 28%   | 32%   |
| Capex/Revenues                         | n.a.     | 37%      | 106%  | 42%   | 32%   | 20%   | 14%   |
| Net Debt / EBITDA                      | 0.1x     | 0.3x     | 0.9x  | -0.3x | -0.1x | -0.1x | -0.3x |
| Net Debt / Equity                      | 0.1x     | 0.2x     | 0.4x  | -0.1x | -0.1x | 0.0x  | -0.1x |
| Net Debt / (Net Debt+Equity)           | 0.1x     | 0.2x     | 0.3x  | -0.1x | -0.1x | 0.0x  | -0.1x |
| Cash flow from P&L operations / EBITDA | na       | na       | na    | 86%   | 102%  | 86%   | 83%   |
| FCF / EBITDA                           | na       | na       | na    | 35%   | -6%   | 1%    | 23%   |
| Earnings per Share (€)                 | na       | na       | na    | 1.38  | 2.55  | 2.20  | 3.07  |

Source: Company data 2017-20A, EnVent Research 2021-23E.

Due to changes from ITA GAAP to IAS, some ratios before 2019 not comparable to 2020A-2023E figures

## Valuation

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

### Discounted Cash Flows

Updated assumptions:

- Risk free rate: 1.2% (Italian 10-year government bonds interest rate - 3Y average. Source: Bloomberg, October 2021)
- Market return: 12.4% (3Y average. Source: Bloomberg, October 2021)
- Market risk premium: 11.2%
- Beta: 0.8 (rounded mean value of selected comparable companies. Source:

Bloomberg 2years, October 2021)

- Cost of equity: 10.4%
- Cost of debt: 3.0%
- Tax rate: 24% IRES
- 30% debt/(debt + equity) as target capital structure
- WACC calculated at 8.0%, according to above data
- Perpetual growth rate at 2.0%
- Terminal Value assumes a 35% EBITDA margin

### DCF Valuation

| €m                                       | 2020A        | 2021E        | 2022E        | 2023E        | Perpetuity   |
|--|--------------|--------------|--------------|--------------|--------------|
| <b>Revenues</b>                          | <b>23.4</b>  | <b>30.1</b>  | <b>35.4</b>  | <b>41.7</b>  | <b>35.0</b>  |
| <b>EBITDA</b>                            | <b>8.6</b>   | <b>11.5</b>  | <b>13.7</b>  | <b>16.5</b>  | <b>12.3</b>  |
| <i>Margin</i>                            | <i>36.8%</i> | <i>38.3%</i> | <i>38.8%</i> | <i>39.5%</i> | <i>35.0%</i> |
| <b>EBIT</b>                              | <b>4.9</b>   | <b>6.4</b>   | <b>7.7</b>   | <b>10.6</b>  | <b>9.3</b>   |
| <i>Margin</i>                            | <i>20.9%</i> | <i>21.3%</i> | <i>21.8%</i> | <i>25.5%</i> | <i>26.4%</i> |
| Taxes                                    | (1.4)        | 0.0          | (2.2)        | (3.0)        | (2.6)        |
| <b>NOPAT</b>                             | <b>3.5</b>   | <b>6.4</b>   | <b>5.6</b>   | <b>7.7</b>   | <b>6.7</b>   |
| D&A                                      | 3.7          | 5.1          | 6.0          | 5.8          | 3.0          |
| Provisions                               | 0.2          | 0.2          | 0.1          | 0.1          | 0.0          |
| <b>Cash flow from P&amp;L operations</b> | <b>7.5</b>   | <b>11.7</b>  | <b>11.7</b>  | <b>13.6</b>  | <b>9.7</b>   |
| Trade Working Capital                    | 2.5          | (0.2)        | (3.5)        | (3.2)        | 2.1          |
| Deferred income by IRU & others          | (0.9)        | (0.9)        | (0.9)        | (0.9)        | 0.0          |
| Other assets and liabilities             | 3.9          | (1.9)        | (0.2)        | 0.3          | 0.0          |
| Capex                                    | (10.6)       | (9.5)        | (7.0)        | (6.0)        | (3.0)        |
| Equity investments and financial assets  | (0.9)        | 0.0          | 0.0          | 0.0          | 0.0          |
| <b>Yearly Unlevered Free Cash Flows</b>  | <b>1.4</b>   | <b>(0.7)</b> | <b>0.1</b>   | <b>3.8</b>   | <b>8.8</b>   |
| <b>- H1 Unlevered Free Cash Flows</b>    |              | <b>1.3</b>   |              |              |              |
| <b>Free Cash Flows to be discounted</b>  | <b>1.4</b>   | <b>0.5</b>   | <b>0.1</b>   | <b>3.8</b>   | <b>8.8</b>   |
| WACC                                     | 8.0%         |              |              |              |              |
| Long-term growth (G)                     | 2.0%         |              |              |              |              |
| <b>Discounted Cash Flows</b>             |              | <b>0.5</b>   | <b>0.1</b>   | <b>3.1</b>   |              |
| Sum of Discounted Cash Flows             | 3.7          |              |              |              |              |
| <b>Terminal Value</b>                    |              |              |              |              | <b>150.2</b> |
| Discounted TV                            | 123.9        |              |              |              |              |
| <b>Enterprise Value</b>                  | <b>127.7</b> |              |              |              |              |
| Net Cash as of 30/06/21                  | 1.4          |              |              |              |              |
| <b>Equity Value</b>                      | <b>129.0</b> |              |              |              |              |

| <b>DCF - Implied multiples</b> | <b>2020A</b> | <b>2021E</b> | <b>2022E</b> | <b>2023E</b> |
|--------------------------------|--------------|--------------|--------------|--------------|
| EV/Revenues                    | 5.4x         | 4.2x         | 3.6x         | 3.1x         |
| EV/EBITDA                      | 14.8x        | 11.1x        | 9.3x         | 7.8x         |
| EV/EBIT                        | 26.1x        | 19.9x        | 16.5x        | 12.0x        |
| P/E                            | 38.0x        | 20.7x        | 23.9x        | 17.2x        |

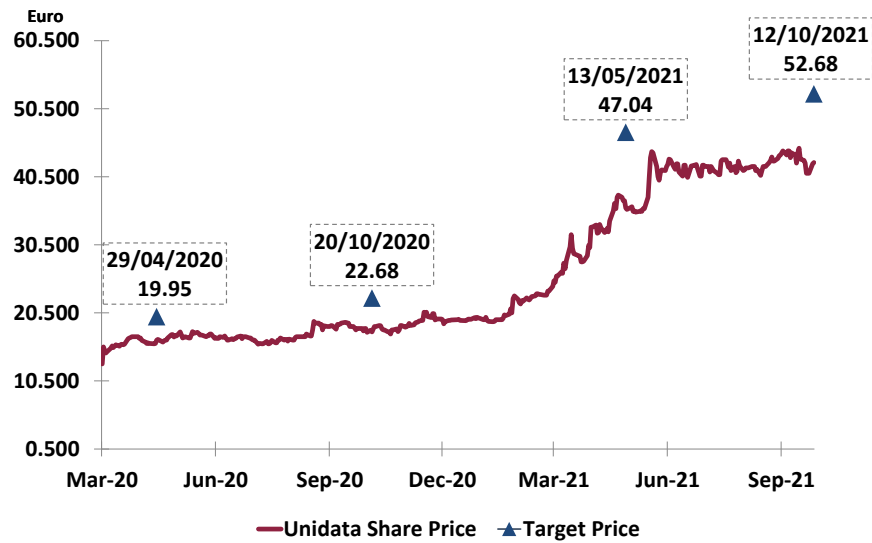
| <b>Current market price - Implied multiples</b> | <b>2020E</b> | <b>2021E</b> | <b>2022E</b> | <b>2023E</b> |
|---|--------------|--------------|--------------|--------------|
| EV/Revenues                                     | 4.4x         | 3.4x         | 2.9x         | 2.5x         |
| EV/EBITDA                                       | 11.9x        | 8.9x         | 7.5x         | 6.2x         |
| EV/EBIT   | 20.9x        | 16.0x        | 13.3x        | 9.6x         |
| P/E   | 30.6x        | 16.6x        | 19.3x        | 13.8x        |

Source: EnVent Research



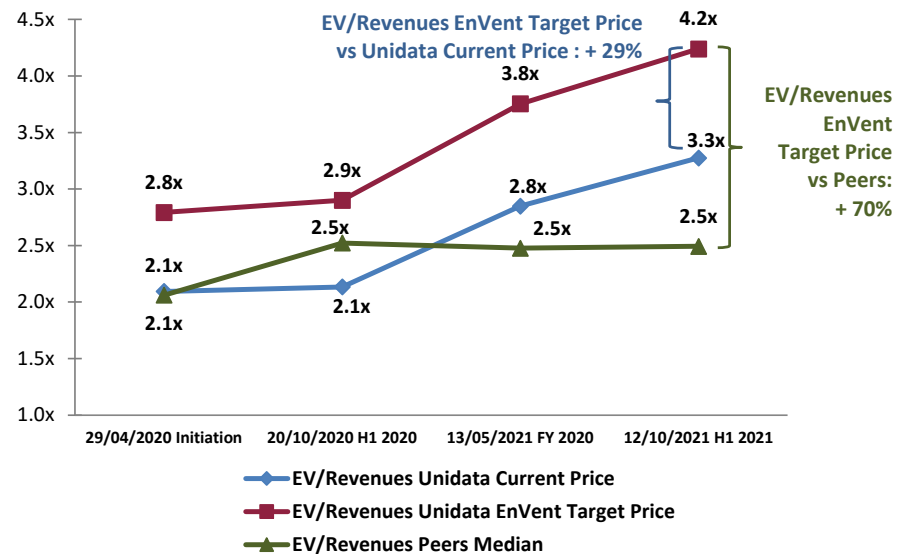
## Target Price

### Unidata Share Price vs. EnVent Target Price



Source: EnVent Research

### Unidata implied EV/Revenues vs. industry median multiples



Source: EnVent Research

Note: EV/Revenues refers to multiples estimated for the year end following the research update

The DCF model applied to our estimates yields a target price of €52.68 per share from €47.04 of our previous note, with a potential upside of 24% on the current share price. As a consequence, we confirm our OUTPERFORM rating on the stock.

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

| Unidata Price per Share          | €          |
|----------------------------------|------------|
| <b>Target Price</b>              | 52.68      |
| Current Share Price (12/10/2021) | 42.60      |
| <b>Premium (Discount)</b>        | <b>24%</b> |

Source: EnVent Research

## Annex

### Peer Group - Market Multiples

| Company   | EV/Revenues |             |             | EV/EBITDA    |              |              | EV/EBIT      |              |              | P/E           |              |              |
|---|-------------|-------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|--------------|--------------|
|   | 2020        | 2021E       | 2022E       | 2020         | 2021E        | 2022E        | 2020         | 2021E        | 2022E        | 2020          | 2021E        | 2022E        |
| <b>Italian Telco peers</b>  |             |             |             |              |              |              |              |              |              |               |              |              |
| Intred  | 4.3x        | 7.1x        | 5.8x        | 11.6x        | 17.7x        | 14.4x        | 20.7x        | 28.3x        | 22.6x        | 24.9x         | n.a.         | n.a.         |
| Go Internet   | 3.2x        | n.a.        | n.a.        | 24.0x        | n.a.         | n.a.         | neg          | n.a.         | n.a.         | neg           | n.a.         | n.a.         |
| Tiscali   | 1.7x        | 0.7x        | 0.7x        | neg          | 3.9x         | 3.4x         | neg          | neg          | neg          | neg           | n.a.         | n.a.         |
| Retelit   | 3.1x        | 3.5x        | 3.3x        | 13.5x        | 10.4x        | 9.6x         | 33.9x        | 30.6x        | 25.7x        | 23.5x         | 29.1x        | 23.6x        |
| Planetel  | 1.6x        | 2.5x        | 2.1x        | 9.2x         | 11.0x        | 8.3x         | 35.8x        | 38.2x        | 17.9x        | 25.7x         | 57.9x        | 24.8x        |
| <b>Average</b>  | <b>2.8x</b> | <b>3.5x</b> | <b>3.0x</b> | <b>14.6x</b> | <b>10.8x</b> | <b>8.9x</b>  | <b>30.1x</b> | <b>32.4x</b> | <b>22.1x</b> | <b>24.7x</b>  | <b>43.5x</b> | <b>24.2x</b> |
| <b>Median</b>   | <b>3.1x</b> | <b>3.0x</b> | <b>2.7x</b> | <b>12.6x</b> | <b>10.7x</b> | <b>8.9x</b>  | <b>33.9x</b> | <b>30.6x</b> | <b>22.6x</b> | <b>24.9x</b>  | <b>43.5x</b> | <b>24.2x</b> |
| <b>International Telco peers</b>                                    |             |             |             |              |              |              |              |              |              |               |              |              |
| United Internet   | 1.6x        | 1.6x        | 1.5x        | 8.3x         | 6.7x         | 6.6x         | 12.3x        | 11.0x        | 10.5x        | 22.2x         | 12.7x        | 12.2x        |
| Bredband2   | 1.9x        | 1.6x        | 1.5x        | 19.1x        | 11.2x        | 9.6x         | 35.4x        | 22.7x        | 15.8x        | 47.5x         | 18.9x        | 17.5x        |
| Cogent  | 6.5x        | 7.1x        | 6.7x        | 18.8x        | 18.2x        | 16.8x        | 33.5x        | 36.6x        | 31.4x        | 440.9x        | 66.9x        | 52.1x        |
| <b>Average</b>  | <b>3.3x</b> | <b>3.4x</b> | <b>3.2x</b> | <b>15.4x</b> | <b>12.1x</b> | <b>11.0x</b> | <b>27.1x</b> | <b>23.4x</b> | <b>19.2x</b> | <b>170.2x</b> | <b>32.9x</b> | <b>27.3x</b> |
| <b>Median</b>   | <b>1.9x</b> | <b>1.6x</b> | <b>1.5x</b> | <b>18.8x</b> | <b>11.2x</b> | <b>9.6x</b>  | <b>33.5x</b> | <b>22.7x</b> | <b>15.8x</b> | <b>47.5x</b>  | <b>18.9x</b> | <b>17.5x</b> |
| <b>Full sample</b>  |             |             |             |              |              |              |              |              |              |               |              |              |
| <b>Average</b>  | <b>3.0x</b> | <b>3.4x</b> | <b>3.1x</b> | <b>14.9x</b> | <b>11.3x</b> | <b>9.8x</b>  | <b>28.6x</b> | <b>27.9x</b> | <b>20.7x</b> | <b>97.4x</b>  | <b>37.1x</b> | <b>26.0x</b> |
| <b>Median</b>   | <b>2.5x</b> | <b>2.5x</b> | <b>2.1x</b> | <b>13.5x</b> | <b>11.0x</b> | <b>9.6x</b>  | <b>33.7x</b> | <b>29.4x</b> | <b>20.3x</b> | <b>25.3x</b>  | <b>29.1x</b> | <b>23.6x</b> |
| <b>UNIDATA - Current price and Consensus Estimates</b>              | <b>2.0x</b> | <b>3.3x</b> | <b>2.9x</b> | <b>6.4x</b>  | <b>9.3x</b>  | <b>7.9x</b>  | <b>10.2x</b> | <b>17.2x</b> | <b>15.0x</b> | <b>13.9x</b>  | <b>20.7x</b> | <b>21.2x</b> |
| <b>UNIDATA - EnVent Research Target Price and Updated Estimates</b> | <b>5.4x</b> | <b>4.2x</b> | <b>3.6x</b> | <b>14.8x</b> | <b>11.1x</b> | <b>9.3x</b>  | <b>26.1x</b> | <b>19.9x</b> | <b>16.5x</b> | <b>38.0x</b>  | <b>20.7x</b> | <b>23.9x</b> |

Source: S&P Capital IQ, October 2021

## INVESTMENT CASE

### Company

Unidata SpA is an Italian local provider of ultra-broadband connectivity services to corporate and residential customers, with over 3,500 km of FTTH optic fiber network covering Rome and province and over 10,000 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.

### 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 years has up to almost 11,000. 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.

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 owns 30% of Unifiber.

## 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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|------------|----------------|------------------|-----------------|
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| 20/10/2020 | OUTPERFORM     | 22.68            | 17.70           |
| 13/05/2021 | OUTPERFORM     | 47.04            | 35.90           |
| 12/10/2021 | OUTPERFORM     | 52.68            | 42.60           |

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