



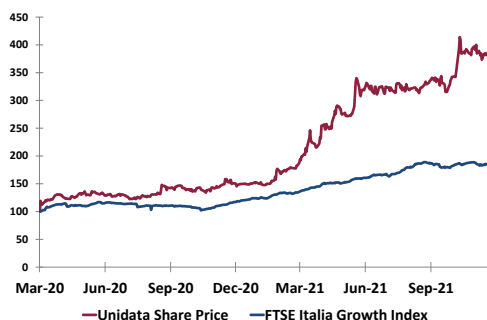
## 2021E outlook and 2022-24E guidelines depict a bold step up

### OUTPERFORM

Current Share Price (€): 49.60

Target Price (€): 61.32

#### 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	Euronext Growth Milan
Share Price (€)	49.60
Date of Price	06/12/2021
Shares Outstanding (m)	2.5
Market Cap (€m)	122.2
Market Float (%)	18.3%
Daily Volume	200
Avg Daily Volume YTD	1,777
Target Price (€)	61.32
Upside (%)	24%
Recommendation	OUTPERFORM

#### Share price performance

	1M	3M	IPO
Unidata - Absolute (%)	-2%	16%	282%
FTSE Italia Growth (%)	-1%	-2%	85%
Range H/L (€) since IPO	53.80	13.00	
YTD Change (€) / %	30.20	156%	

Source: S&P Capital IQ

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#### 2021E KPIs over our estimates, targeting double revenues within 2024

Unidata presented to investors 2022-24E Business Plan guidelines and disclosed 2021E KPIs, along with 2024E key financial targets. FY21 total revenues are expected at €37.1m (+58% vs FY20 and close to our 2023E last estimate), FY21 EBITDA €10.5m (vs €8.6m in FY20, +22% YoY), FY21 equity expected at €27.9m (vs €21.4m as of FY20), FY21 net financial debt expected at €3.2m from €2.5m cash at 2020 year-end after IPO. Own fiber optic increase over 2020 is 30%.

#### 2024E financial targets (low-high scenario)

- Total revenues range €64-79m, overall doubling 2021E €37m figure
- EBITDA margin around 30% average
- Equity in the range €52-55m, also close to doubling 2021E figure
- Net cash in the range €3.0-4.0m

#### Market opportunities keep being appealing

We recall our analyses on the industry perspective and Unidata growth potential, driven by the Italian and European fiber optic full coverage initiative, reinforced and refueled by the infrastructure financing additional funds dedicated to digitalization projects. Unidata revenue performance above our estimates makes us increasingly confident on the management assumptions of continuing progress on network and customer base. The fiber infrastructure growing investments are strengthening the competitive advantage already in place and furtherly raise the barrier to entry for competitors. On the closer horizon, partnerships are actually sustaining the network expansion as expected, as indicated by the capex forecasted at €39m ca. along 2022-24E, consistent with €13m ca. in 2021. Fiber optic with its fast and predictable payback will continue to be the largest contributor to Unidata value perspective.

#### Updated estimates, €61.32 target price (from €52.68), OUTPERFORM rating confirmed

We keep appreciating Unidata quality of earnings, coming from a backlog of recurring revenues and medium run further investment perspectives, which also support the reliability of management vision on business growth. Consistently, confident on management scenarios and targets as achievable, we restated our estimates and value assessment. The updated target price has been estimated at €61.32 per share (from €52.68 in our prior note). Given the 24% upside potential on current share price, we confirm the OUTPERFORM rating on the stock.

#### Key financials and estimates

€m	ITA GAAP 2017	ITA GAAP 2018	IAS 2019	IAS 2020	IAS 2021E	IAS 2022E	IAS 2023E	IAS 2024E
<b>Total Revenues</b>	10.6	11.5	13.2	23.4	37.1	47.0	59.5	72.9
YoY %	-	8.5%	14.4%	77.4%	58.5%	26.4%	26.7%	22.6%
<b>EBITDA</b>	3.1	3.8	5.2	8.6	10.5	13.8	17.6	21.5
<i>Margin</i>	29.4%	33.2%	39.0%	36.8%	28.2%	29.4%	29.6%	29.5%
<b>Net Debt (Cash)</b>	0.2	1.1	4.5	(2.5)	3.2	2.6	(0.8)	(3.5)
<b>Equity</b>	4.1	5.7	12.3	21.4	27.9	32.8	40.7	51.7

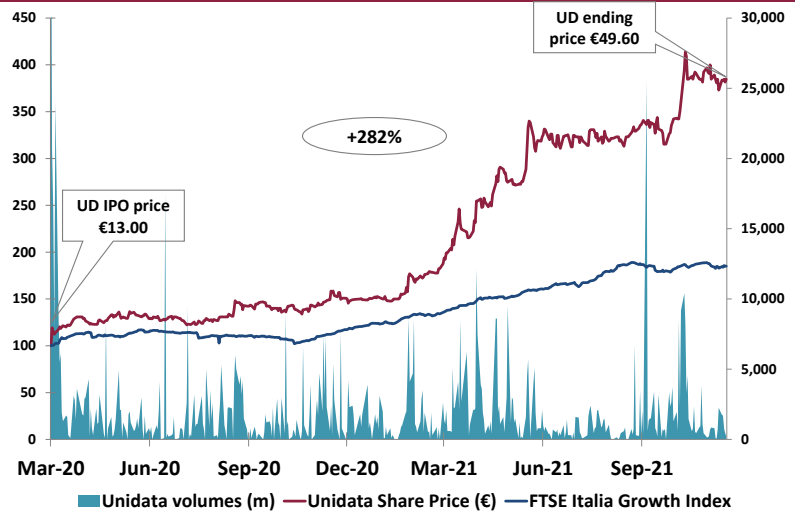
Source: Company data 2017-20 and 2021E, EnVent Research 2022-24E

## Market update: outperformance

YTD outperforming Italia Growth Index (+156% vs +53%)

Trading price range since IPO €13.00-53.80, with beginning price at €13.00 and ending at €49.60, +282% increase

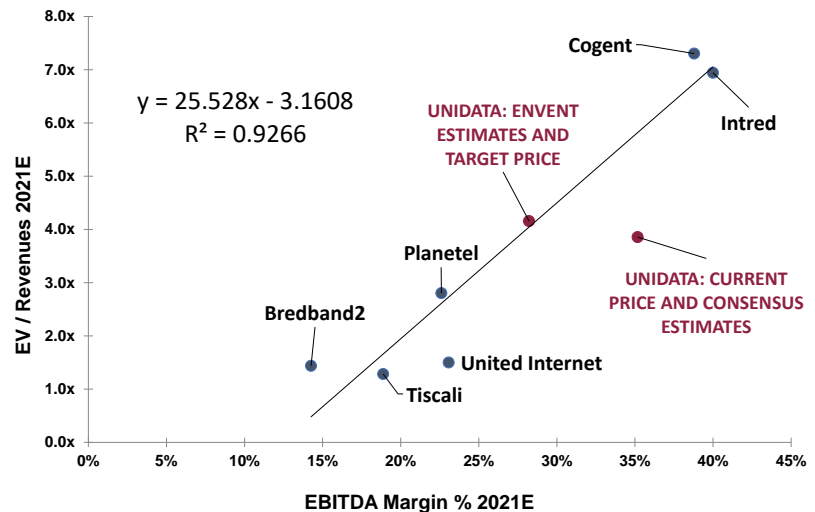
### Unidata - Share price performance since IPO



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

Unidata position with updated target price and estimates

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



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

## 2022-24E guidelines, disclosure of 2021E and 2024E main KPIs

### 2021E KPIs:

From 2021....

Operating margin influenced by a different accounting on materials, with no effect on profitability

- Total revenues €37.1m (vs €23.4m in FY20, +58% YoY)
- EBITDA €10.5m (vs €8.6m in FY20, +22% YoY)
- EBITDA margin 28.2% (vs 36.8% in FY20). The lower margin is only apparent, being relative to higher revenues following the accounting of both cost and revenue in place of net margin
- Capex €12.6m (vs €10.6m in FY20)
- Equity €27.9m (vs €21.4m at year-end 2020)

- Net financial debt €3.2m (vs €2.5m net cash at year-end 2020)

....to 2024

**2024E financial targets (low-high scenario):**

- Total revenues in the range €64.2-79.2m
- EBITDA margin above 29%
- Equity in the range €51.7-54.7m
- Net cash in the range €2.9-4.0m
- Fiber&Networking and Fiber Infrastructure Development expected to have respectively a share of 43% and 36% of 2024E high scenario total revenues (vs 15% and 53% circa in 2021E) with 2024E EBITDA margin targets for these two business units between 37-40% and 15-20% respectively
- €39m ca. cumulative capex along 2022-24E

**Outlook and change in estimates**

Unidata business model, based on the development of proprietary fiber optic infrastructure, implies a high visibility of recurring revenues and availability of know-how and resources to meet growth opportunities. The recent history has shown solid financials, repeated growth performances and ability to attract prominent financial partners. To date we have been and continue to be fairly confident with management scenarios and as such we update our estimates to factor in the expected 2021 performance, shift forward the overall growth rates envisaged in our prior notes, and extend projections to 2024.

€m	Revised				Previous				Change %			
	2021E	2022E	2023E	2024E	2021E	2022E	2023E	2024E	2021E	2022E	2023E	2024E
<b>Revenues</b>	37.1	47.0	59.5	72.9	30.1	35.4	41.7	n.a.	23%	33%	43%	n.a.
<b>EBITDA</b>	10.5	13.8	17.6	21.5	11.5	13.7	16.5	n.a.	-9%	1%	7%	n.a.
<i>Margin</i>	28%	29%	30%	29%	38%	39%	39%	n.a.				
<b>EBIT</b>	5.1	7.1	11.2	15.5	6.4	7.7	10.6	n.a.	-21%	-8%	5%	n.a.
<i>Margin</i>	14%	15%	19%	21%	21%	22%	26%	n.a.				
<b>Net Income</b>	6.4	4.9	7.9	11.0	6.2	5.4	7.5	n.a.	3%	-9%	5%	n.a.
<b>Net (Debt) Cash</b>	(3.2)	(2.6)	0.8	3.5	1.5	1.4	5.1	n.a.				
<i>Net Debt / EBITDA</i>	0.3x	0.2x	cash	cash	cash	cash	cash	n.a.				

Source: EnVent Research

## Financial projections

### Profit and Loss

€m	ITA GAAP	ITA GAAP	IAS	IAS	IAS	IAS	IAS	IAS
	2017A	2018A	2019A	2020A	2021E	2022E	2023E	2024E
Sales	10.2	11.3	12.8	19.9	31.2	40.1	51.7	64.4
Sale of System net F.O. material			0.0	2.8	6.0	6.9	7.8	8.5
Other income	0.4	0.3	0.4	0.7	0.0	0.0	0.0	0.0
<b>Total Revenues</b>	<b>10.6</b>	<b>11.5</b>	<b>13.2</b>	<b>23.4</b>	<b>37.1</b>	<b>47.0</b>	<b>59.5</b>	<b>72.9</b>
YoY %	-	8.5%	14.4%	77.4%	58.5%	26.4%	26.7%	22.6%
Direct cost of sales	(1.8)	(1.5)	(1.2)	(4.1)	(9.7)	(11.6)	(14.2)	(17.1)
Personnel	(1.9)	(2.0)	(2.1)	(2.9)	(4.2)	(5.9)	(8.2)	(11.2)
Services	(3.0)	(3.1)	(4.5)	(6.5)	(10.9)	(13.3)	(16.2)	(19.4)
Other operating costs	(0.9)	(1.1)	(0.3)	(1.3)	(1.9)	(2.3)	(3.3)	(3.6)
<b>Operating charges</b>	<b>(7.5)</b>	<b>(7.7)</b>	<b>(8.1)</b>	<b>(14.8)</b>	<b>(26.7)</b>	<b>(33.1)</b>	<b>(41.8)</b>	<b>(51.4)</b>
<b>EBITDA</b>	<b>3.1</b>	<b>3.8</b>	<b>5.2</b>	<b>8.6</b>	<b>10.5</b>	<b>13.8</b>	<b>17.6</b>	<b>21.5</b>
Margin	29.4%	33.2%	39.0%	36.8%	28.2%	29.4%	29.6%	29.5%
D&A	(1.4)	(1.5)	(3.1)	(3.7)	(5.4)	(6.7)	(6.4)	(6.0)
<b>EBIT</b>	<b>1.8</b>	<b>2.3</b>	<b>2.1</b>	<b>4.9</b>	<b>5.1</b>	<b>7.1</b>	<b>11.2</b>	<b>15.5</b>
Margin	16.7%	20.0%	15.8%	20.9%	13.7%	15.1%	18.8%	21.3%
Interest	(0.0)	(0.0)	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)
<b>EBT</b>	<b>1.8</b>	<b>2.3</b>	<b>2.0</b>	<b>4.8</b>	<b>4.9</b>	<b>6.8</b>	<b>11.0</b>	<b>15.3</b>
Margin	16.5%	19.7%	14.9%	20.4%	13.2%	14.6%	18.5%	21.0%
Income taxes	(0.5)	(0.7)	(0.6)	(1.4)	1.5	(1.9)	(3.1)	(4.3)
<b>Net Income</b>	<b>1.2</b>	<b>1.6</b>	<b>1.4</b>	<b>3.4</b>	<b>6.4</b>	<b>4.9</b>	<b>7.9</b>	<b>11.0</b>
Net Income Margin	11.4%	13.9%	10.6%	14.5%	17.3%	10.5%	13.3%	15.1%

Source: Company data 2017-20A, EnVent Research 2021-24E

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

2021E Income taxes after a one-off €1.8m decrease of deferred taxes

### Balance Sheet

€m	ITA GAAP	ITA GAAP	IAS	IAS	IAS	IAS	IAS	IAS
	2017A	2018A	2019A	2020A	2021E	2022E	2023E	2024E
Inventory	0.6	1.3	1.4	1.0	2.5	2.6	2.4	3.0
Trade receivables	3.8	4.5	11.1	14.0	21.8	22.8	22.9	23.1
Trade payables	(3.1)	(4.0)	(3.7)	(8.6)	(14.3)	(15.5)	(17.4)	(18.1)
Trade Working Capital	1.3	1.8	8.9	6.4	10.1	9.8	7.9	8.0
Deferred income by IRU & others	(4.2)	(4.9)	(13.7)	(12.8)	(11.8)	(10.9)	(10.0)	(9.1)
Other assets (liabilities)	(0.5)	(0.7)	(5.2)	(9.1)	(8.6)	(9.0)	(10.1)	(10.6)
<b>Net Working Capital</b>	<b>(3.4)</b>	<b>(3.8)</b>	<b>(10.0)</b>	<b>(15.5)</b>	<b>(10.4)</b>	<b>(10.1)</b>	<b>(12.2)</b>	<b>(11.7)</b>
Intangible assets	4.3	4.3	7.6	8.1	7.5	6.8	5.9	6.1
Property, plant and equipment	4.0	6.8	19.6	26.0	33.8	39.0	47.0	55.4
Investments and financial assets	0.1	0.1	0.5	1.4	1.6	1.9	2.1	2.4
<b>Non-current assets</b>	<b>8.4</b>	<b>11.2</b>	<b>27.7</b>	<b>35.5</b>	<b>42.9</b>	<b>47.6</b>	<b>55.1</b>	<b>63.9</b>
<b>Provisions</b>	<b>(0.6)</b>	<b>(0.6)</b>	<b>(0.9)</b>	<b>(1.1)</b>	<b>(1.6)</b>	<b>(2.1)</b>	<b>(3.0)</b>	<b>(4.1)</b>
<b>Net Invested Capital</b>	<b>4.4</b>	<b>6.8</b>	<b>16.8</b>	<b>19.0</b>	<b>31.0</b>	<b>35.4</b>	<b>39.8</b>	<b>48.2</b>
<b>Net Debt (Cash)</b>	<b>0.2</b>	<b>1.1</b>	<b>4.5</b>	<b>(2.5)</b>	<b>3.2</b>	<b>2.6</b>	<b>(0.8)</b>	<b>(3.5)</b>
<b>Equity</b>	<b>4.1</b>	<b>5.7</b>	<b>12.3</b>	<b>21.4</b>	<b>27.9</b>	<b>32.8</b>	<b>40.7</b>	<b>51.7</b>
<b>Sources</b>	<b>4.4</b>	<b>6.8</b>	<b>16.8</b>	<b>19.0</b>	<b>31.0</b>	<b>35.4</b>	<b>39.8</b>	<b>48.2</b>

Source: Company data 2017-20A, EnVent Research 2021-24E

Sustained capex program, in line with past years investments which showed short payback periods and high returns

## Cash Flow

€m	IAS	IAS	IAS	IAS	IAS
	2020A	2021E	2022E	2023E	2024E
<b>EBIT</b>	<b>4.9</b>	<b>5.1</b>	<b>7.1</b>	<b>11.2</b>	<b>15.5</b>
Current taxes	(1.4)	1.5	(1.9)	(3.1)	(4.3)
D&A	3.7	5.4	6.7	6.4	6.0
<b>Cash flow from P&amp;L operations</b>	<b>7.4</b>	<b>12.5</b>	<b>12.5</b>	<b>15.4</b>	<b>18.3</b>
Trade Working Capital	2.5	(3.7)	0.2	2.0	(0.2)
Deferred income by IRU & others	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)
Other assets and liabilities	3.9	(0.5)	0.4	1.1	0.5
Capex	(9.9)	(12.6)	(11.2)	(13.6)	(14.6)
<b>Operating cash flow after working capital and</b>	<b>3.0</b>	<b>(5.2)</b>	<b>1.1</b>	<b>3.9</b>	<b>3.1</b>
Interest	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)
Investments and financial assets	(0.9)	(0.3)	(0.3)	(0.3)	(0.3)
Dividends	0.0	0.0	0.0	0.0	0.0
Paid-in capital	0.0	0.0	0.0	0.0	0.0
Capex - IPO cost	(0.8)	0.0	0.0	0.0	0.0
IPO proceeds	5.7	0.0	0.0	0.0	0.0
<b>Net cash flow</b>	<b>6.9</b>	<b>(5.7)</b>	<b>0.6</b>	<b>3.5</b>	<b>2.7</b>
Net Debt (Beginning)	(4.5)	2.5	(3.2)	(2.6)	0.8
Net Debt (End)	2.5	(3.2)	(2.6)	0.8	3.5
<b>Change in Net Debt (Cash)</b>	<b>6.9</b>	<b>(5.7)</b>	<b>0.6</b>	<b>3.5</b>	<b>2.7</b>

Source: Company data 2020A, EnVent Research 2021-24E

## Ratio analysis

KPIs	ITA GAAP	ITA GAAP	IAS	IAS	IAS	IAS	IAS	IAS
	2017A	2018A	2019A	2020A	2021E	2022E	2023E	2024E
ROE	29%	28%	11%	16%	23%	15%	19%	21%
ROS (EBIT/Revenues)	17%	20%	16%	21%	14%	15%	19%	21%
ROIC (NOPAT/Invested Capital)	n.a.	0%	0%	19%	18%	14%	20%	23%
DSO	107	117	252	179	175	145	115	95
DPO	165	208	185	215	190	170	155	135
DOI	20	42	39	15	25	20	15	15
TWC/Revenues	12%	16%	67%	27%	27%	21%	13%	11%
Capex/Revenues	n.a.	37%	106%	42%	34%	24%	23%	20%
Net Debt / EBITDA	0.1x	0.3x	0.9x	-0.3x	0.3x	0.2x	0.0x	-0.2x
Net Debt / Equity	0.1x	0.2x	0.4x	-0.1x	0.1x	0.1x	0.0x	-0.1x
Net Debt / (Net Debt+Equity)	0.1x	0.2x	0.3x	-0.1x	0.1x	0.1x	0.0x	-0.1x
Cash flow from P&L operations / EB	na	na	na	86%	119%	90%	87%	85%
FCF / EBITDA	na	na	na	35%	-50%	8%	22%	14%
Earnings per Share (€)	na	na	na	1.38	2.61	2.00	3.21	4.48

Source: Company data 2017-20A, EnVent Research 2021-24E.

Due to changes from ITA GAAP to IAS, some ratios before 2019 not comparable to 2020A-2024E figures

## Valuation

### Discounted Cash Flows

Updated assumptions:

- Risk free rate: 1.1% (Italian 10-year government bonds interest rate - 3Y average. Source: Bloomberg, December 2021)
- Market return: 12.3% (3Y average. Source: Bloomberg, December 2021)
- Market risk premium: 11.2%
- Beta: 0.8 (rounded mean value of selected comparable companies. Source: Bloomberg 2years, December 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 7.9%, according to above data
- Perpetual growth rate at 2.0%
- Terminal Value assumes a 30% EBITDA margin

### DCF Valuation

€m	2020A	2021E	2022E	2023E	2024E	Perpetuity
<b>Total revenues</b>	<b>23.4</b>	<b>37.1</b>	<b>47.0</b>	<b>59.5</b>	<b>72.9</b>	<b>74.3</b>
<b>EBITDA</b>	<b>8.6</b>	<b>10.5</b>	<b>13.8</b>	<b>17.6</b>	<b>21.5</b>	<b>22.3</b>
<i>Margin</i>	36.8%	28.2%	29.4%	29.6%	29.5%	30.0%
<b>EBIT</b>	<b>4.9</b>	<b>5.1</b>	<b>7.1</b>	<b>11.2</b>	<b>15.5</b>	<b>15.3</b>
<i>Margin</i>	20.9%	13.7%	15.1%	18.8%	21.3%	20.6%
Taxes	(1.4)	0.4	(2.0)	(3.1)	(4.3)	(4.3)
<b>NOPAT</b>	<b>3.5</b>	<b>5.5</b>	<b>5.1</b>	<b>8.1</b>	<b>11.2</b>	<b>11.0</b>
D&A	3.7	5.4	6.7	6.4	6.0	7.0
Provisions	0.2	0.5	0.6	0.8	1.1	0.0
<b>Cash flow from P&amp;L operations</b>	<b>7.5</b>	<b>11.4</b>	<b>12.4</b>	<b>15.3</b>	<b>18.2</b>	<b>18.0</b>
Trade Working Capital	2.5	(3.7)	0.2	2.0	(0.2)	(0.2)
Deferred income by IRU & others	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)	0.0
Other assets and liabilities	3.9	(0.5)	0.4	1.1	0.5	0.0
Capex	(10.6)	(12.6)	(11.2)	(13.6)	(14.6)	(7.0)
Equity investments and financial assets	(0.9)	(0.3)	(0.3)	(0.3)	(0.3)	0.0
<b>Yearly Unlevered Free Cash Flows</b>	<b>1.4</b>	<b>(6.6)</b>	<b>0.7</b>	<b>3.6</b>	<b>2.8</b>	<b>10.9</b>
<b>Free Cash Flows to be discounted</b>			<b>0.7</b>	<b>3.6</b>	<b>2.8</b>	<b>10.9</b>
WACC			7.9%			
Long-term growth (G)			2.0%			
<b>Discounted Cash Flows</b>			<b>0.7</b>	<b>3.1</b>	<b>2.2</b>	
Sum of Discounted Cash Flows		6.0				
<b>Terminal Value</b>						<b>186.5</b>
Discounted TV		148.3				
<b>Enterprise Value</b>		<b>154.3</b>				
Net Cash (Debt) as of 31/12/21 (proxy)		(3.2)				
<b>Equity Value</b>		<b>151.1</b>				

<b>DCF - Implied multiples</b>	<b>2020A</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
EV/Revenues	6.6x	4.2x	3.3x	2.6x	2.1x
EV/EBITDA	17.9x	14.7x	11.2x	8.8x	7.2x
EV/EBIT	31.5x	30.4x	21.8x	13.8x	10.0x
P/E	44.6x	23.5x	30.7x	19.1x	13.7x

<b>Current market price - Implied multiples</b>	<b>2020E</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>	<b>2023E</b>
EV/Revenues	5.4x	3.4x	2.7x	2.1x	1.7x
EV/EBITDA	14.5x	12.0x	9.1x	7.1x	5.8x
EV/EBIT	25.6x	24.7x	17.7x	11.2x	8.1x
P/E	36.0x	19.0x	24.8x	15.4x	11.1x

Source: EnVent Research

## Target Price

Our valuation model applied to the updated estimates yields a target price of €61.32 per share, from €52.68 of our previous note, with a potential upside of 24% on the current share price. As a consequence, we confirm the OUTPERFORM rating on the stock.

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

Unidata Price per Share	€
<b>Target Price</b>	61.32
Current Share Price (02/12/2021)	49.60
<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	6.9x	5.7x	11.6x	17.4x	14.1x	20.7x	27.7x	22.2x	24.9x	n.a.	n.a.
Go Internet	4.0x	n.a.	n.a.	neg	n.a.	n.a.	neg	n.a.	n.a.	neg	n.a.	n.a.
Tiscali	1.7x	1.3x	1.2x	neg	6.8x	5.9x	neg	neg	neg	neg	n.a.	n.a.
Planetel	1.8x	2.8x	2.4x	10.5x	12.4x	9.3x	35.8x	43.0x	20.1x	25.7x	65.9x	28.2x
<b>Average</b>	<b>2.9x</b>	<b>3.7x</b>	<b>3.1x</b>	<b>11.1x</b>	<b>12.2x</b>	<b>9.8x</b>	<b>28.2x</b>	<b>35.3x</b>	<b>21.2x</b>	<b>25.3x</b>	<b>65.9x</b>	<b>28.2x</b>
<b>Median</b>	<b>2.9x</b>	<b>2.8x</b>	<b>2.4x</b>	<b>11.1x</b>	<b>12.4x</b>	<b>9.3x</b>	<b>28.2x</b>	<b>35.3x</b>	<b>21.2x</b>	<b>25.3x</b>	<b>65.9x</b>	<b>28.2x</b>
<b>International Telco peers</b>												
United Internet	1.6x	1.5x	1.5x	8.3x	6.5x	6.3x	12.3x	10.5x	10.1x	22.2x	13.2x	12.6x
Bredband2	1.9x	1.4x	1.3x	19.1x	10.1x	8.0x	35.4x	23.3x	15.5x	47.5x	16.9x	14.5x
Cogent	6.5x	7.3x	7.0x	18.8x	18.8x	17.6x	33.5x	38.2x	33.9x	440.9x	96.4x	59.5x
<b>Average</b>	<b>3.3x</b>	<b>3.4x</b>	<b>3.2x</b>	<b>15.4x</b>	<b>11.8x</b>	<b>10.6x</b>	<b>27.1x</b>	<b>24.0x</b>	<b>19.8x</b>	<b>170.2x</b>	<b>42.1x</b>	<b>28.8x</b>
<b>Median</b>	<b>1.9x</b>	<b>1.5x</b>	<b>1.5x</b>	<b>18.8x</b>	<b>10.1x</b>	<b>8.0x</b>	<b>33.5x</b>	<b>23.3x</b>	<b>15.5x</b>	<b>47.5x</b>	<b>16.9x</b>	<b>14.5x</b>
<b>Full sample</b>												
<b>Average</b>	<b>3.1x</b>	<b>3.5x</b>	<b>3.2x</b>	<b>13.7x</b>	<b>12.0x</b>	<b>10.2x</b>	<b>27.5x</b>	<b>28.5x</b>	<b>20.4x</b>	<b>112.2x</b>	<b>48.1x</b>	<b>28.7x</b>
<b>Median</b>	<b>1.9x</b>	<b>2.2x</b>	<b>1.9x</b>	<b>11.6x</b>	<b>11.2x</b>	<b>8.7x</b>	<b>33.5x</b>	<b>27.7x</b>	<b>20.1x</b>	<b>25.7x</b>	<b>41.4x</b>	<b>21.4x</b>
<b>UNIDATA - Current price and Consensus Estimates</b>	<b>2.0x</b>	<b>3.9x</b>	<b>3.4x</b>	<b>6.4x</b>	<b>11.0x</b>	<b>9.3x</b>	<b>10.2x</b>	<b>20.2x</b>	<b>17.6x</b>	<b>13.9x</b>	<b>20.7x</b>	<b>25.0x</b>
<b>UNIDATA - EnVent Research Target Price and Updated Estimates</b>	<b>6.6x</b>	<b>4.2x</b>	<b>3.3x</b>	<b>17.9x</b>	<b>14.7x</b>	<b>11.2x</b>	<b>31.5x</b>	<b>30.4x</b>	<b>21.8x</b>	<b>44.6x</b>	<b>23.5x</b>	<b>30.7x</b>

Source: S&P Capital IQ, December 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.

**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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Date	Recommendation	Target Price (€)	Share Price (€)
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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
06/12/2021	OUTPERFORM	61.32	49.60

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