

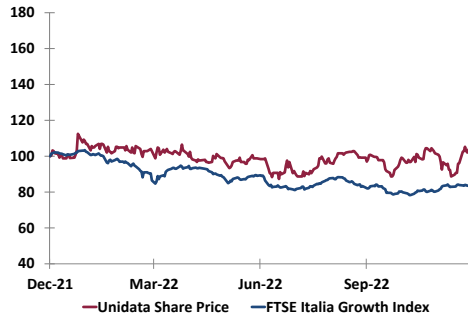


## OUTPERFORM

**Current Share Price (€): 52.80**

**Target Price (€): 70.00**

### Unidata - 1Y Performance



Source: S&P Capital IQ - Note: 06/12/2021=100

### Company data

ISIN number	IT0005338840
Bloomberg code	UD IM
Reuters code	UD.IM
Industry	Telecommunication
Stock market	Euronext Growth Milan
Share Price (€)	52.80
Date of Price	05/12/2022
Shares Outstanding (m)	2.5
Market Cap (€m)	134.0
Market Float (%)	23.9%
Daily Volume	130
Avg Daily Volume YTD	1,031
Target Price (€)	70.00
Upside (%)	33%
Recommendation	OUTPERFORM

### Share price performance

	1M	3M	1Y
Unidata - Absolute (%)	5%	10%	6%
FTSE Italia Growth (%)	4%	2%	-16%
1Y Range H/L (€)	55.80	43.30	
YTD Change (€) / %	-3.00	-5%	

Source: S&P Capital IQ

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## A further step in the transition path to prominent national telco

### Acquisition of TWT Group, bringing in €60m revenues, 33k customers, a Data Center and widening geographical presence

Unidata announced the acquisition of 100% of TWT Group, ICT player providing B2B/White Label connection and communication services, 33,000 customers, nationwide. FY22E financials of the target are: €59m revenues, €7m EBITDA and €14m circa net cash.

### Deal rationale: critical mass in the transition to a national infrastructure champion

Unidata will expand its B2B connectivity services and geographical presence, by adding the prosperous Lombardy and a reseller network to its infrastructure program and customer portfolio. Synergies are expected from data access and software creation costs.

### Transaction values

Deal consideration (EV) of €58m implies 2022E EV/REV 1x and EV/EBITDA 8.4x multiples, lower than Unidata current market multiples (2022E EV/REV 3.0x and EV/EBITDA 9.0x). In view of our recurring assessment of Unidata valuation metrics and of the present under-rating turmoil, we regard the transaction financial terms as consistent with the value profile that we attribute to Unidata. TWT recurring revenues, proprietary data center and platform, asset light business perspective look as key grounds to envisage a complementary deal also from the risk-return point of view.

### Current trading and 2022E KPIs': robust organic growth

Unidata unveiled Q3 22 €14.5m revenues (+71% vs Q3 21); 9/2022 customers # 15k vs 11k as to 9/2021, + 26%; fiber network extension at 5,200 km vs 3,904 at 9/2021; Net Debt €5.8m vs €4.0m at 6/2022. 2022E revenues are anticipated at €51.8m (vs €37m in FY21, +37% YoY), €15.1m EBITDA (+22% YoY), implies a 29% margin (vs 38% in FY21).

### 2025E targets: combined revenues around €130m

Unidata also confirmed its 2023-24E guidelines and announced 2025E revenues and EBITDA targets, in a stand-alone and a combined Unidata+TWT scenario. As to combined figures, 2025E revenues are estimated in the range €128-134m (almost 2.5x the 2022E €51.8m figure), while EBITDA would be in the range €34-36m (EBITDA margin 26-27%).

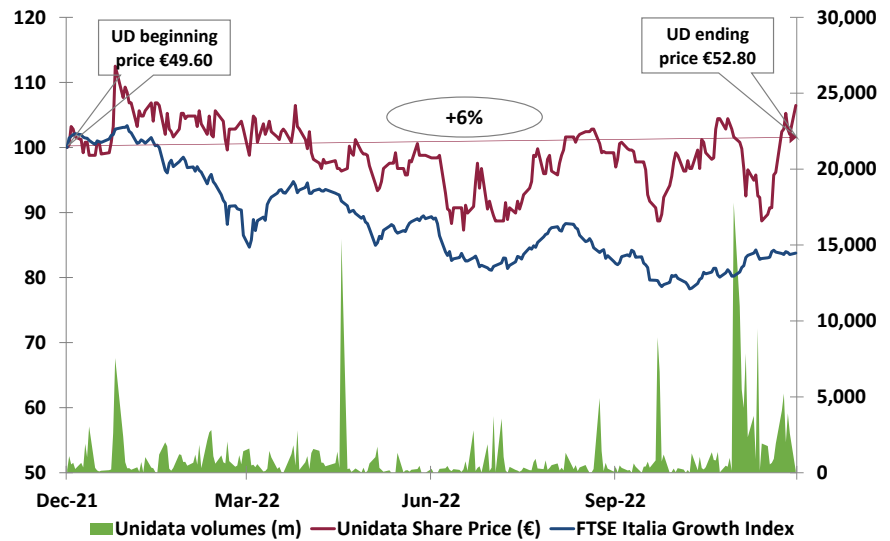
### Target Price €70 per share and OUTPERFORM rating confirmed

We see the TWT deal consistent with Unidata overall growth plan and a step forward revenue diversification. We also assess 2025E targets as congruous with the deal potential and initial payback of planned infrastructure investments (Unicenter, Unifiber, Unitirreno). Our updated estimates and the value range resulting from the market-based valuations of TWT deal terms confirm in the conservative side our last target price at €70 per share, a 33% upside potential on current share price. Unidata is currently trading at 3.0x 2022E EV/Revenues vs 3.1x Italian peers median. We confirm the OUTPERFORM stock rating.

## Market update: stable and outperforming Italia Growth Index

LTM overperforming Italia Growth Index (+6% vs -16%), with Unidata trading price in the range €43.30-55.80

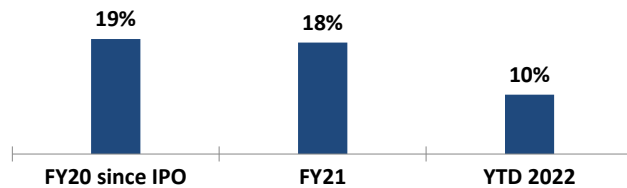
### Unidata - 1Y share price performance and trading volumes



Source: EnVent Research on S&P Capital IQ - Note: 06/12/2021=100

### Unidata - Liquidity analysis and velocity turnover

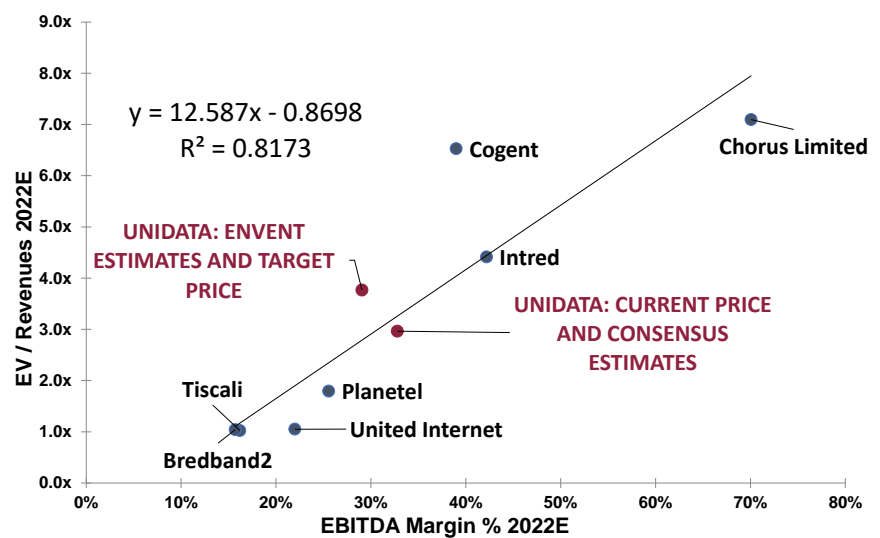
Lower velocity turnover in 2022 so far vs 2020 (after IPO) and 2021



Source: EnVent Research on S&P Capital IQ - Note: Velocity turnover on total shares: ratio of total traded shares to total ordinary shares in a given period

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

Unidata stand-alone position with updated target price and estimates

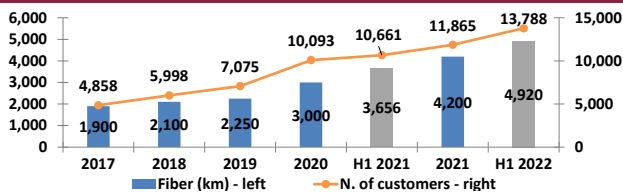


Source: EnVent Research on S&P Capital IQ, December 2022

## Investment case

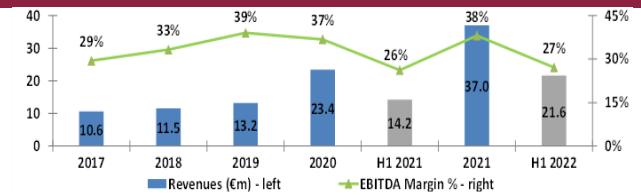
Unidata, listed on Euronext Growth Milan, is an Italian provider of ultra-broadband connectivity services to corporate and residential customers, with over 5,200 km of FTTH fiber optic network covering Rome and province and nearly 15,000 customers. Almost 80% of the infrastructure is owned, while the rest is available indirectly through Indefeasible Right of Use (IRU) agreements, a telco lease contract where other operators purchase the infrastructure right of use. Unidata and the key anchor client Open Fiber (state-owned entity) will develop further FTTH coverage through IRU agreement for additional 200,000 real estate units. Unifiber (Unidata 30% stake) plan is FTTH coverage of 193,000 households and 8,000 offices. Unidata will invest in a Tier IV level green data center in Rome through Unicenter (25% stake) and in Uinterreno (main shareholder together with an Italian infrastructure fund and other investors) to develop 890km submarine fiber optic in the Tyrrhenian Sea. Unidata provides integrated communication and cloud computing services through a proprietary data center. Service portfolio includes IaaS and SaaS cloud, co-location hosting services and Cyber Security. The TWT planned deal will add an ICT player providing B2B/White Label connection and communication services, with 33,000 customers, and nearly €60m revenues, mainly in Northern Italy.

**Company FTTH fiber optic network and customers**



Source: Company data

**Historical Revenues and EBITDA**



Source: Company data

Note: 2017-18 ITA GAAP, since 2019 IAS compliant financials

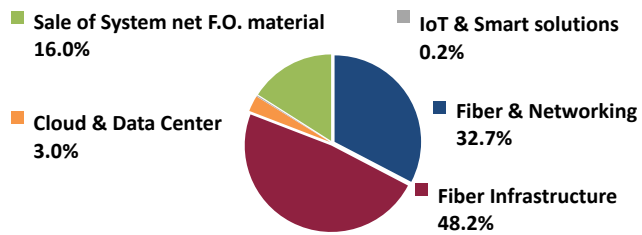
## Industry and Company drivers

- Connectivity and convergence of new technologies (broadband, cloud, IoT and AI), uniform broadband technology equipping Italy and 5G's expected rapid rollout
- Infrastructure investment track record, short payback period and capex funding almost entirely represented by the operating cash flow
- Fiber infrastructure as a competitive advantage and a barrier to entry
- Customers increase and service portfolio diversification
- Proprietary 800sqm data center used to offer public, private and hybrid cloud, co-location for disaster recovery and hosting services
- Industry partnerships

## Challenges

- Competition and consequent pressure on prices by a small number of large national along with many small local/regional players
- Churn rate and its consequences on the growth pace of customers

**2021 Sales breakdown**



Source: Company data

**TWT Group deal, 2022E outlook 2025E targets**

**TWT Group deal**

Unidata announced a binding agreement for the purchase of the entire share capital of the TWT Group, Italian ICT player focused on B2B connection and communication services, with circa 3,000 direct and 30,000 indirect (through 370 resellers) customers, a Tier 3+ data center located at the TWT headquarters in Milan (3,400 square meters) and a proprietary fiber optic network (about 100 km) in the Milan area.

TWT 2021 consolidated revenues were €58.7m circa, of which: 39% Voice Trading, 32% Connectivity, Voice 25%, Cloud & Data Center 2%, other 2%), with net cash at year end 2021 equal to €13.9m circa.

TWT Group 2022E revenues are expected at the same level - close to €60m - of the previous year, with €6.9m EBITDA and €14m net cash circa.

Deal closing is expected by mid-February 2023 and the consideration (Enterprise Value) is €58.0m. Implied multiples are 2022E EV/REV 1x and EV/EBITDA 8.4x, lower than Unidata current market multiples (2022E EV/REV 2.9x and EV/EBITDA 8.7x). Expected net cash at closing is €10.1m, gross of potential €9m escrow. The acquisition will be funded with available cash and bank loans (a pool of banks is ready to fund the transaction), while one of TWT Group key shareholders committed herself to reinvest €8.0m in Unidata new shares.

Through TWT Group, Unidata will expand and develop its connectivity services provision, targeting corporate customers with innovative ICT solutions (VoIP solutions, cloud-based services, housing and hosting services thanks to proprietary data centers). The Company will be also able to leverage on the target resellers channel and on customers' resellers proprietary platform, which is assessed by Unidata as one of a kind in the industry. Synergies are expected also from data access and software creation costs, thanks to Voisoft, a company part of TWT Group, focused on ICT software development.

As to current TWT Group Voice trading business line, Unidata will continue voice traffic qualifying as "value", while voice traffic qualifying as "basic", with limited profitability, is not considered consistent with the ongoing strategy.

The acquisition will allow Unidata to increase its market share and geographical presence, qualifying the Company as a national player now operating not only in

**B2B connection and communication services provider, with 33,000 customers nationwide**

**Deal details**

**Deal rationale**

Lazio and Apulia but also in other regions, mainly in Lombardy and in the northern Italy, the most developed areas of the country. TWT deal appears consistent with positioning Unidata as a large integrated operator, expanding its business beyond proprietary optical fiber and its customer portfolio from the traditional corporate/wholesale catchment area also to White Label/B2B

### 2022E selected financials and 2025E targets

Unidata also disclosed expected 2022 revenues and EBITDA Margin, confirmed its 2023-24 guidelines and selected 2025E targets.

The 2025E targets take into account the doubling of Unifiber investment as well as the TWT Group deal.

Main pillars of the strategy for the next years will be:

- Organic growth opportunities as to new infrastructure, access and VoIP services
- Development of value added business sectors (Cloud, Datacenter, IoT&Smart Solutions, Cyber Security)
- Other partnership and M&A opportunities
- Earnings retention to fund growth

#### 2022E KPIs:

#### From 2022....

- Revenues €51.8m (vs €37.0m in FY21, +37% YoY)
- EBITDA €15.1m (vs €14.1m in FY21, +22% YoY)
- EBITDA Margin around 29% (vs 38% circa in FY21).

#### ....to 2025E stand-alone....

#### 2025E stand-alone financial targets (low-high scenario):

- Revenues in the range €72-75m, with Services (including Consumers, Business, Wholesale and P.A. clients' revenues) growing more than all other business lines, from 2022E €13.7m to 2025E €29.4-30.8m
- EBITDA in the range €23-25m (EBITDA Margin in the range 32-33%)

#### ....and 2025E Unidata+TWT Group

#### 2025E Unidata+TWT Group consolidated financial targets (low-high scenario):

- Revenues in the range €128-134m
- EBITDA in the range €34-36m (EBITDA Margin in the range 26-27%)

### Current trading

The Company unveiled also some Q3 22 KPIs':

- €14.5 Revenues (€8.5m as to Q3 21, + 71%)
- 14,934 customers (vs 11,865 as to Q3 21, + 26%)
- 5,200 Km Optical Fiber network (vs 3,904 as to Q3 21)
- Net Debt €5.8m (vs €4.0m as of June 2022)
















## Industry outlook

Italy is experiencing an increasing digitalization trend which is expected to continue in the next years. Notwithstanding a significant step up in the last years, the comparison with other EU countries still shows gaps: according to the Digital Economy and Society Index, FTTH network penetration and take-up rates in Italy are still below other EU countries (20% and 9% respectively vs. EU average of 48% and 31%). As a consequence, the FTTH Council Europe estimates the number of FTTH subscribers in Italy to grow up to 11.4m by 2027, recording a 27% 2022-27E CAGR. Driven by corporate digitalization, even cloud solutions and datacenter infrastructures sectors growth rate are expected solid, with cloud computing growing at 2022-25E 24.5% CAGR, while smart cities, smart buildings, smart grids and smart agriculture are the drivers of the 8.8% 2021-25E CAGR for IoT/Smart solutions industry (source: Confindustria)..

## Company outlook

The planned investments of Unifiber, Unicenter and Unitirreno together with the expected launch of Cyber security services and the full exploitation of Cloud&Data Center and IoT&Smart Solutions business lines fit Unidata strategy to match the ongoing market opportunities. The TWT group deal looks as a key step to evolve Unidata profile from a regional infrastructure company to a national integrated player in the TLC/ICT sector, with a diversification and completion of services provision, customer base and geographical presence, with improvement of visibility and stability of future revenues.

The following table summarizes Unidata current service offer, ARPU and churn rate

		OFFERINGS						Clients Number	ARPU	Churn rate
		Fiber & Networking	Cloud & Datacenter	IoT & Smart Solution	Infrastructure Development	Cyber Security	Managed Services			
C U S T O M E R S	P.A. & BUSINESS 							~2,000	€504	P.A. ~13% Business ~12%
	WHOLESALE 							~13	€2,500	
	CONSUMERS 							~11,000	€23	~12%

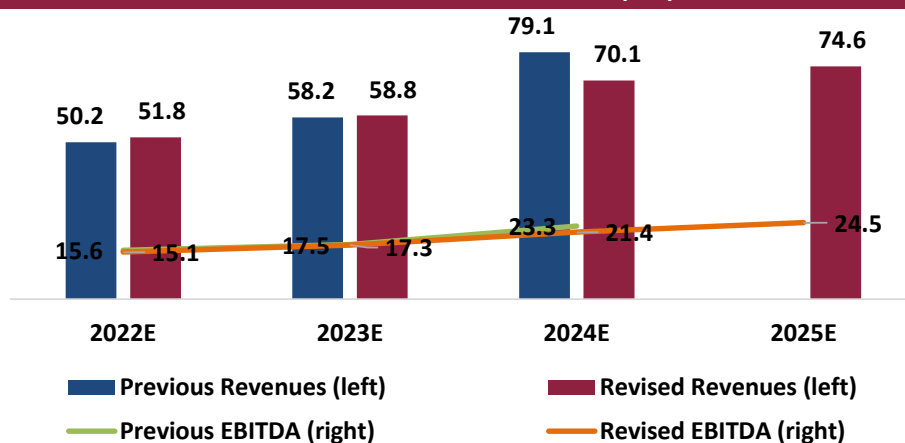
Source: Company data

## Estimates revision

We assess management 2025E targets consistent with Unidata planned evolution. Consequently, we update our estimates to factor in the expected 2022 performance and to extend projections to 2025. We currently continue to focus on Unidata stand-alone projections, while balance sheet detailed information necessary to estimate consolidated figures are not yet available.

### Change in estimates

#### Previous vs. Revised Revenues and EBITDA estimates (€m)



€m	Revised				Previous				Change %			
	2022E	2023E	2024E	2025E	2022E	2023E	2024E	2025E	2022E	2023E	2024E	2025E
<b>Revenues</b>	51.8	58.8	70.1	74.6	50.2	58.2	79.1	n.a.	3%	1%	-11%	n.a.
<b>EBITDA</b>	15.1	17.3	21.4	24.5	15.6	17.5	23.3	n.a.	-3%	-1%	-8%	n.a.
<i>Margin</i>	29%	29%	31%	33%	31%	30%	30%	n.a.				
<b>EBIT</b>	9.7	11.9	15.0	18.5	10.2	12.1	17.0	n.a.	-5%	-1%	-11%	n.a.
<i>Margin</i>	19%	20%	21%	25%	20%	21%	21%	n.a.				
<b>Net Income</b>	6.6	6.5	7.4	10.3	7.0	8.2	11.8	n.a.	-6%	-20%	-37%	n.a.
<b>Net (Debt) Cash</b>	(8.7)	(46.2)	(55.9)	(59.5)	(10.1)	22.6	17.7	n.a.				
<i>Net Debt / EBITDA</i>	0.6x	2.7x	2.6x	2.4x	0.6x	cash	cash	n.a.				

Source: EnVent Research

## Unidata stand-alone financial projections

### Profit and Loss

€m	ITA GAAP	ITA GAAP	IAS	IAS	IAS	IAS	IAS	IAS
	2017A	2018A	2020A	2021A	2022E	2023E	2024E	2025E
<b>Total Revenues</b>	<b>10.6</b>	<b>11.5</b>	<b>23.4</b>	<b>37.0</b>	<b>51.8</b>	<b>58.8</b>	<b>70.1</b>	<b>74.6</b>
YoY %	-	8.5%	77.4%	57.9%	40.1%	13.4%	19.2%	6.4%
Direct cost of sales	(1.8)	(1.5)	(4.1)	(7.6)	(12.3)	(13.1)	(15.7)	(15.9)
Personnel	(1.9)	(2.0)	(2.9)	(3.4)	(4.1)	(4.4)	(4.7)	(5.0)
Services	(3.0)	(3.1)	(6.5)	(11.0)	(17.8)	(21.0)	(24.7)	(25.4)
Other operating costs	(0.9)	(1.1)	(1.3)	(0.9)	(2.6)	(2.9)	(3.5)	(3.7)
<b>Operating charges</b>	<b>(7.5)</b>	<b>(7.7)</b>	<b>(14.8)</b>	<b>(22.9)</b>	<b>(36.8)</b>	<b>(41.5)</b>	<b>(48.6)</b>	<b>(50.1)</b>
<b>EBITDA</b>	<b>3.1</b>	<b>3.8</b>	<b>8.6</b>	<b>14.1</b>	<b>15.1</b>	<b>17.3</b>	<b>21.4</b>	<b>24.5</b>
Margin	29.4%	33.2%	36.8%	38.1%	29.1%	29.5%	30.6%	32.8%
D&A	(1.4)	(1.5)	(3.7)	(5.0)	(5.4)	(5.4)	(6.4)	(6.0)
<b>EBIT</b>	<b>1.8</b>	<b>2.3</b>	<b>4.9</b>	<b>9.1</b>	<b>9.7</b>	<b>11.9</b>	<b>15.0</b>	<b>18.5</b>
Margin	16.7%	20.0%	20.9%	24.6%	18.7%	20.2%	21.5%	24.8%
Interest	(0.0)	(0.0)	(0.1)	(0.3)	(0.5)	(2.7)	(4.5)	(4.0)
<b>EBT</b>	<b>1.8</b>	<b>2.3</b>	<b>4.8</b>	<b>8.8</b>	<b>9.2</b>	<b>9.2</b>	<b>10.6</b>	<b>14.5</b>
Margin	16.5%	19.7%	20.4%	23.8%	17.7%	15.6%	15.1%	19.5%
Income taxes	(0.5)	(0.7)	(1.4)	(1.0)	(2.6)	(2.7)	(3.1)	(4.2)
<b>Net Income</b>	<b>1.2</b>	<b>1.6</b>	<b>3.4</b>	<b>7.8</b>	<b>6.6</b>	<b>6.5</b>	<b>7.4</b>	<b>10.3</b>
Net Income Margin	11.4%	13.9%	14.5%	21.2%	12.7%	11.1%	10.6%	13.8%

Source: Company data 2017-21A, EnVent Research 2022-25E

Interest increase from 2023E due to TWT Group deal acquisition financing

€40m share capital increase in 2023E and new bank debt (€60m circa) to fund capex and financial investments which reach €84m in 2023E and over €95m in 2025E

### Balance Sheet

€m	ITA GAAP	ITA GAAP	IAS	IAS	IAS	IAS	IAS	IAS
	2017A	2018A	2020A	2021A	2022E	2023E	2024E	2025E
Inventory	0.6	1.3	1.0	2.1	2.4	2.3	2.3	2.5
Trade receivables	3.8	4.5	14.0	18.4	21.1	21.6	23.3	24.0
Trade payables	(3.1)	(4.0)	(8.6)	(15.5)	(19.8)	(20.3)	(21.5)	(20.2)
Trade Working Capital	1.3	1.8	6.4	4.9	3.8	3.5	4.1	6.2
Deferred income by IRU & others	(4.2)	(4.9)	(17.0)	(11.3)	(9.3)	(7.3)	(5.3)	(3.3)
Other assets (liabilities)	(0.5)	(0.7)	(4.9)	(5.6)	(7.3)	(7.1)	(6.3)	(6.3)
<b>Net Working Capital</b>	<b>(3.4)</b>	<b>(3.8)</b>	<b>(15.5)</b>	<b>(12.0)</b>	<b>(12.8)</b>	<b>(10.8)</b>	<b>(7.6)</b>	<b>(3.4)</b>
Intangible assets	4.3	4.3	8.1	9.9	9.5	9.2	10.1	11.4
Property, plant and equipment	4.0	6.8	26.0	33.1	39.3	47.8	55.1	57.8
Investments and financial assets	0.1	0.1	1.4	1.3	10.0	84.0	89.8	95.6
<b>Non-current assets</b>	<b>8.4</b>	<b>11.2</b>	<b>35.5</b>	<b>44.3</b>	<b>58.8</b>	<b>140.9</b>	<b>155.0</b>	<b>164.8</b>
Provisions	(0.6)	(0.6)	(1.1)	(1.1)	(1.3)	(1.4)	(1.5)	(1.6)
<b>Net Invested Capital</b>	<b>4.4</b>	<b>6.8</b>	<b>19.0</b>	<b>31.3</b>	<b>44.7</b>	<b>128.7</b>	<b>145.9</b>	<b>159.8</b>
<b>Net Debt (Cash)</b>	<b>0.2</b>	<b>1.1</b>	<b>(2.5)</b>	<b>2.2</b>	<b>8.7</b>	<b>46.2</b>	<b>55.9</b>	<b>59.5</b>
<b>Equity</b>	<b>4.1</b>	<b>5.7</b>	<b>21.4</b>	<b>29.0</b>	<b>36.1</b>	<b>82.6</b>	<b>90.0</b>	<b>100.3</b>
<b>Sources</b>	<b>4.4</b>	<b>6.8</b>	<b>19.0</b>	<b>31.3</b>	<b>44.7</b>	<b>128.7</b>	<b>145.9</b>	<b>159.8</b>

Source: Company data 2017-21A, EnVent Research 2022-25E

Sustained capex program and equity investments (Unicenter, Unifiber, Unitirreno and TWT Group), with highest impact in 2023E

These stand-alone cash flow projections do not factor in TWT cash performance

### Cash Flow

€m	IAS	IAS	IAS	IAS	IAS	IAS
	2020A	2021A	2022E	2023E	2024E	2025E
<b>EBIT</b>	<b>4.9</b>	<b>9.1</b>	<b>9.7</b>	<b>11.9</b>	<b>15.0</b>	<b>18.5</b>
Current taxes	(1.4)	(1.0)	(2.6)	(2.7)	(3.1)	(4.2)
D&A	3.7	5.0	5.4	5.4	6.4	6.0
<b>Cash flow from P&amp;L operations</b>	<b>7.4</b>	<b>13.1</b>	<b>12.7</b>	<b>14.7</b>	<b>18.4</b>	<b>20.4</b>
Trade Working Capital	2.5	1.4	1.2	0.2	(0.5)	(2.2)
Deferred income by IRU & others	2.2	(5.7)	(2.0)	(2.0)	(2.0)	(2.0)
Other assets and liabilities	0.8	0.7	1.7	(0.2)	(0.7)	0.0
Capex	(9.9)	(13.9)	(11.2)	(13.6)	(14.6)	(10.0)
<b>Operating cash flow after working capital/capex</b>	<b>3.0</b>	<b>(4.3)</b>	<b>2.4</b>	<b>(0.9)</b>	<b>0.5</b>	<b>6.2</b>
Interest	(0.1)	(0.3)	(0.5)	(2.7)	(4.5)	(4.0)
Investments and financial assets	(0.9)	0.1	(8.8)	(73.9)	(5.8)	(5.8)
Dividends adn other net equity changes	0.0	(0.2)	0.0	0.0	0.0	0.0
Paid-in capital	0.0	0.0	0.4	40.0	0.0	0.0
Capex - IPO cost	(0.8)	0.0	0.0	0.0	0.0	0.0
IPO proceeds	5.7	0.0	0.0	0.0	0.0	0.0
<b>Net cash flow</b>	<b>6.9</b>	<b>(4.7)</b>	<b>(6.4)</b>	<b>(37.5)</b>	<b>(9.8)</b>	<b>(3.6)</b>
Net Debt (Beginning)	(4.5)	2.5	(2.2)	(8.7)	(46.2)	(55.9)
Net Debt (End)	2.5	(2.2)	(8.7)	(46.2)	(55.9)	(59.5)
<b>Change in Net Debt (Cash)</b>	<b>6.9</b>	<b>(4.7)</b>	<b>(6.4)</b>	<b>(37.5)</b>	<b>(9.8)</b>	<b>(3.6)</b>

Source: Company data 2020-21A, EnVent Research 2022-25E



## Ratio analysis

KPIs	ITA GAAP	ITA GAAP	IAS	IAS	IAS	IAS	IAS	IAS
	2017A	2018A	2020A	2021A	2022E	2023E	2024E	2025E
ROE	29%	28%	16%	27%	18%	8%	8%	10%
ROS (EBIT/Revenues)	17%	20%	21%	25%	19%	20%	21%	25%
EBIT/Invested Capital	41%	34%	26%	29%	22%	9%	10%	12%
DSO	107	86	110	102	100	95	90	90
DPO	165	119	118	139	135	120	110	110
DOI	20	42	15	20	17	14	12	12
TWC/Total Revenues	12%	16%	27%	13%	7%	6%	6%	8%
Capex/Revenues	n.a.	37%	42%	38%	22%	23%	21%	13%
Net Debt / EBITDA	0.1x	0.3x	-0.3x	0.2x	0.6x	2.7x	2.6x	2.4x
Net Debt / Equity	0.1x	0.2x	-0.1x	0.1x	0.2x	0.6x	0.6x	0.6x
Net Debt / (Net Debt+Equity)	0.1x	0.2x	-0.1x	0.1x	0.2x	0.4x	0.4x	0.4x
Cash flow from P&L operations / EBIT	na	na	86%	93%	85%	85%	86%	83%
FCF / EBITDA	na	na	35%	-31%	16%	-5%	2%	25%
Earnings per Share, basic (€)	na	na	1.34	3.09	2.59	2.56	2.93	4.07

Source: Company data 2017-21A, EnVent Research 2022-25E.

## Valuation

We have updated our DCF valuation and market multiples, duly considering the impact of TWT Group transaction, the change of estimates and other updated information.

### Discounted Cash Flows

As to DCF methodology, the lack of full information regarding the impact of TWT deal on consolidated balance sheet and cash flows could cause proximate projections and resulting values.

Therefore, we prefer to follow an alternative path: stand-alone projections and adjustment to consider TWT Group deal effects.

Since the resulting cash flows are not able to take account of the potential of TWT transaction on Unidata revenues, margins and cash flows, we currently adjust the Company cash out represented by the estimated €68.1m to be paid to TWT shareholders at closing (February 2023). With this reversal adjustment, we avoid the stand-alone projections intrinsic mismatch between the absence of extra margins and cash flows deriving from TWT and full impact of the deal consideration.

Updated assumptions:

- Risk free rate: 3.7% (Italian 10-year government bonds interest rate – last 30 days average. Source: Bloomberg, December 2022)
- Market return: 11.9% (last 30 days average. Source: Bloomberg, December 2022)
- Market risk premium: 8.3%
- Beta: 0.8 (on the back of peer market data)
- Cost of equity: 10.3%
- Cost of debt: 4.0%
- Tax rate: 24% IRES
- 30% debt/(debt + equity) as target capital structure
- WACC calculated at 8.1%, according to above data
- Perpetual growth rate at 3.5%

- Terminal Value assumes a 30% EBITDA Margin on €80m Revenues (vs €75m circa in 2025E, last year of projections)

### DCF Valuation

€m	2022E	2023E	2024E	2025E	Perpetuity
<b>Total revenues</b>	<b>51.8</b>	<b>58.8</b>	<b>70.1</b>	<b>74.6</b>	<b>80.0</b>
<b>EBITDA</b>	<b>15.1</b>	<b>17.3</b>	<b>21.4</b>	<b>24.5</b>	<b>24.0</b>
<i>Margin</i>	29.1%	29.5%	30.6%	32.8%	30.0%
<b>EBIT</b>	<b>9.7</b>	<b>11.9</b>	<b>15.0</b>	<b>18.5</b>	<b>17.0</b>
<i>Margin</i>	18.7%	20.2%	21.5%	24.8%	21.3%
Taxes	(2.7)	(3.3)	(4.2)	(5.2)	(4.7)
<b>NOPAT</b>	<b>7.0</b>	<b>8.6</b>	<b>10.8</b>	<b>13.3</b>	<b>12.3</b>
D&A	5.4	5.4	6.4	6.0	7.0
Provisions	0.2	0.1	0.1	0.1	0.0
<b>Cash flow from P&amp;L operations</b>	<b>12.6</b>	<b>14.1</b>	<b>17.3</b>	<b>19.4</b>	<b>19.3</b>
Trade Working Capital	1.2	0.2	(0.5)	(2.2)	(0.2)
Deferred income by IRU & others	(2.0)	(2.0)	(2.0)	(2.0)	0.0
Other assets and liabilities	1.7	(0.2)	(0.7)	0.0	0.0
Capex	(11.2)	(13.6)	(14.6)	(10.0)	(7.0)
Equity investments and financial assets	(8.8)	(73.9)	(5.8)	(5.8)	0.0
<b>Yearly Unlevered Free Cash Flows</b>	<b>(6.5)</b>	<b>(75.4)</b>	<b>(6.4)</b>	<b>(0.5)</b>	<b>12.0</b>
<b>- H1 Unlevered Free Cash Flows</b>	<b>1.0</b>				
<b>Free Cash Flows to be discounted</b>	<b>(5.4)</b>	<b>(75.4)</b>	<b>(6.4)</b>	<b>(0.5)</b>	<b>12.0</b>
WACC	8.1%				
Long-term growth (G)	3.5%				
<b>Discounted Cash Flows</b>	<b>(5.2)</b>	<b>(67.1)</b>	<b>(5.2)</b>	<b>(0.4)</b>	
Sum of Discounted Cash Flows	(78.0)				
<b>Terminal Value</b>					<b>269.7</b>
Discounted TV	205.2				
Adjustment: Cash out for TWT deal	68.1				
<b>Enterprise Value</b>	<b>195.3</b>				
Net Cash (Debt) as of 30/06/22	(4.0)				
Cash from warrant exercise Nov 22	1.2				
Net Cash (Debt)	(2.8)				
<b>Equity Value</b>	<b>192.6</b>				
<b>Equity Value per share (€)</b>	<b>75.87</b>				

Source: EnVent Research

### Market multiples

We scouted for telco players comparable to Unidata as to:

- Provision of broadband connectivity services
- Fiber infrastructure development
- End-markets: B2B and B2C

Unidata is currently in view of a deep change, not comparable to telco players with revenues coming mostly from connectivity services and not yet a major infrastructure player. As to the market multiple application, we split our panel between domestic and international players. Among international players, some have a very significant share of revenues deriving from connectivity services rather

than from infrastructures development and we therefore consider their cluster as less suitable for multiples application.

We have then applied Italian Telco peers market multiples to the disclosed aggregate Unidata+TWT Group 2022E Revenues and EBITDA figures.

Company	EV/Revenues			EV/EBITDA			EV/EBIT			P/E		
	2021A	2022E	2023E	2021A	2022E	2023E	2021A	2022E	2023E	2021A	2022E	2023E
<b>Italian Telco peers</b>												
Intred	8.1x	4.4x	3.9x	16.7x	10.5x	9.1x	25.0x	16.4x	14.6x	34.8x	22.0x	19.8x
Planetel	3.0x	1.8x	1.3x	14.9x	7.0x	5.3x	52.0x	15.1x	10.8x	59.5x	19.3x	n.a.
<b>Average</b>	<b>5.6x</b>	<b>3.1x</b>	<b>2.6x</b>	<b>15.8x</b>	<b>8.7x</b>	<b>7.2x</b>	<b>38.5x</b>	<b>15.8x</b>	<b>12.7x</b>	<b>47.1x</b>	<b>20.7x</b>	<b>19.8x</b>
<b>Median</b>	<b>5.6x</b>	<b>3.1x</b>	<b>2.6x</b>	<b>15.8x</b>	<b>8.7x</b>	<b>7.2x</b>	<b>38.5x</b>	<b>15.8x</b>	<b>12.7x</b>	<b>47.1x</b>	<b>20.7x</b>	<b>19.8x</b>
<b>International Telco peers</b>												
United Internet	1.6x	1.1x	1.0x	8.3x	4.8x	4.6x	11.6x	7.8x	7.8x	15.7x	8.7x	8.8x
Chorus Limited	6.8x	7.1x	6.9x	11.4x	10.1x	10.0x	28.4x	28.8x	28.0x	64.8x	61.5x	56.5x
Bredband2	1.5x	1.0x	1.0x	15.6x	6.6x	6.3x	24.2x	16.9x	14.5x	25.5x	20.0x	16.0x
Cogent	7.6x	6.5x	6.2x	21.5x	16.7x	15.6x	38.7x	33.5x	29.8x	70.2x	101.1x	56.3x
<b>Average</b>	<b>4.4x</b>	<b>3.9x</b>	<b>3.8x</b>	<b>14.2x</b>	<b>9.6x</b>	<b>9.1x</b>	<b>25.7x</b>	<b>21.8x</b>	<b>20.0x</b>	<b>44.0x</b>	<b>47.8x</b>	<b>34.4x</b>
<b>Median</b>	<b>4.2x</b>	<b>3.8x</b>	<b>3.6x</b>	<b>13.5x</b>	<b>8.4x</b>	<b>8.2x</b>	<b>26.3x</b>	<b>22.9x</b>	<b>21.3x</b>	<b>45.1x</b>	<b>40.8x</b>	<b>36.1x</b>
<b>Full sample</b>												
<b>Average</b>	<b>4.8x</b>	<b>3.7x</b>	<b>3.4x</b>	<b>14.7x</b>	<b>9.3x</b>	<b>8.5x</b>	<b>30.0x</b>	<b>19.8x</b>	<b>17.6x</b>	<b>45.1x</b>	<b>38.8x</b>	<b>31.5x</b>
<b>Median</b>	<b>4.9x</b>	<b>3.1x</b>	<b>2.6x</b>	<b>15.3x</b>	<b>8.6x</b>	<b>7.7x</b>	<b>26.7x</b>	<b>16.7x</b>	<b>14.5x</b>	<b>47.1x</b>	<b>21.0x</b>	<b>19.8x</b>

Source: EnVent Research

For the methodology application, we focus on the aggregate Unidata+TWT Group estimated value.

We adjust the TWT Group revenues to be consistent with the perspective of disregarding Voice traffic, qualified as “basic” since poorly profitable, while continuing “value” voice traffic (5% of FY21 €23m TWT Voice trading revenues). Accordingly, we adjust downward TWT revenues for the multiples application.

Moreover, in order to estimate the Equity Value, we shall consider the two companies net debt/cash and the cash out for the TWT acquisition.

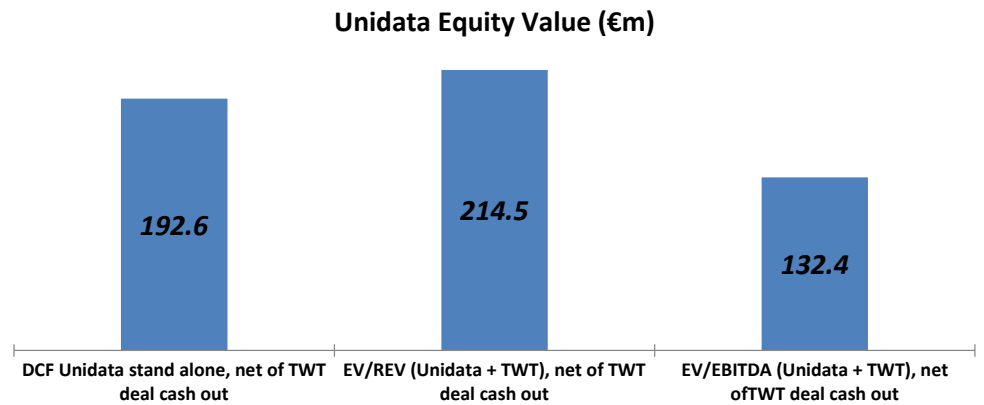
#### Multiples application – Unidata+TWT aggregated value

€m							
Aggregate Unidata+TWT Group		Italian Telco peers	EV	Unidata Net Cash/ (Debt)	TWT Net Cash/ (Debt)	Adjustment for acquisition cash out	Equity Value
<b>2022E Revenues*</b>	88.7	3.1x	275.3	(2.8)	10.1	(68.1)	<b>214.5</b>
<b>2022E EBITDA</b>	22.1	8.7x	193.1	(2.8)	10.1	(68.1)	<b>132.4</b>

\*Unidata+TWT aggregate revenues less €22m (“basic” Voice trading TWT revenues)

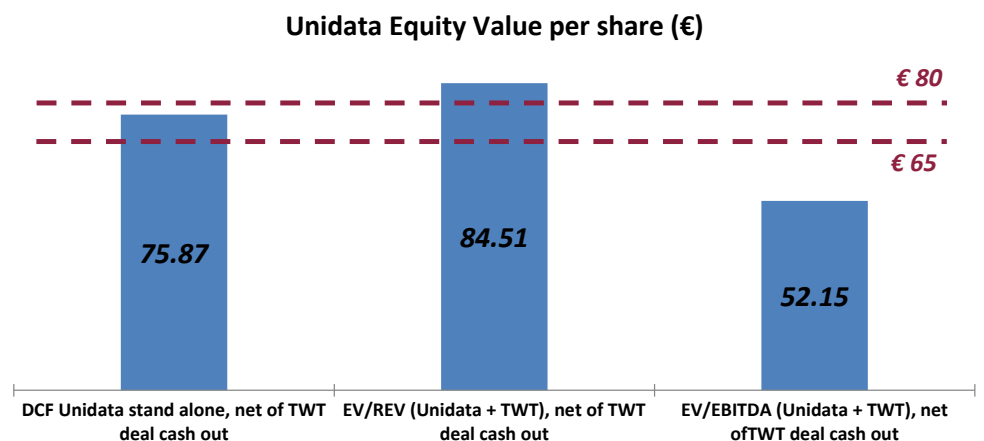
Source: EnVent Research

## Target Price



Source: EnVent Research

We continue to observe a significant market volatility, currently determining a lower than usual reliability of market multiples. For Unidata investment case we note a too wide range of values assessed through multiples, together with the recent derating of most stocks and market multiples. This suggests us to expect a potential upside from the predictable multiples readjustment, while the new business mix and synergies resulting from TWT deal will be exploited after the integration. Therefore, we are cautious about directly reflecting the values resulting from current multiples and we attribute a higher relevance to fundamentals. We also observe that the terms of the acquisition look consistent with TWT assessment and potential, and that the valuation range supports an upside perspective which includes our current TP. Consequently, we confirm our previous note €70.00 Target Price, implying a 33% upside potential on Unidata current stock price, and the OUTPERFORM rating.



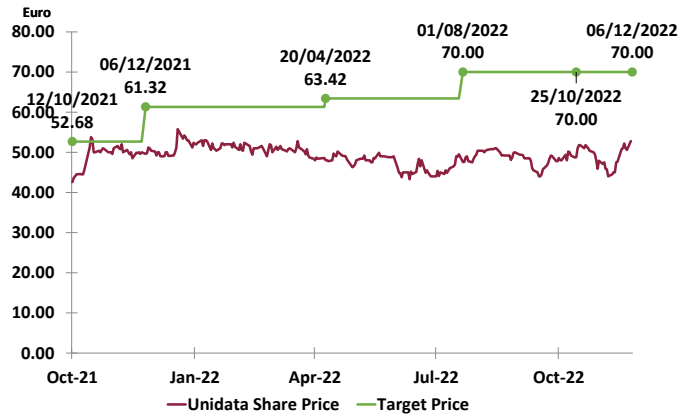
Source: EnVent Research

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Unidata Price per Share	€
<b>Target Price</b>	70.00
Current Share Price (05/12/2022)	52.80
<b>Premium (Discount)</b>	<b>33%</b>

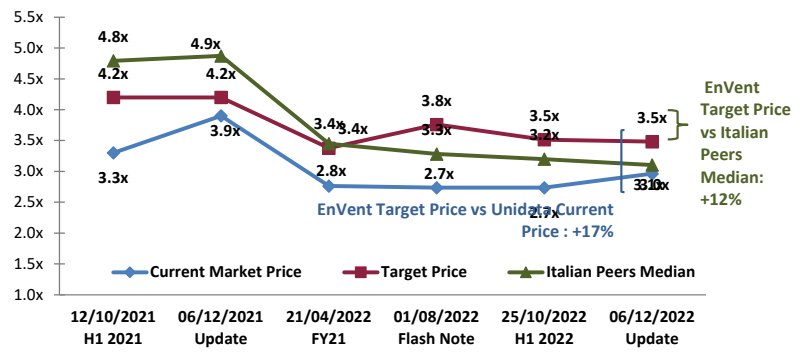
Source: EnVent Research

### Unidata Share Price vs EnVent Target Price



Source: EnVent Research on S&P Capital IQ, 06/12/2022

### Implied EV/Sales vs industry median multiples



Source: EnVent Research on S&P Capital IQ, 06/12/2022

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The stock price indicated in the report is the last closing price on the day of production.

Date and time of Production: 05/12/2022 h. 6.35pm

Date and time of Distribution: 06/12/2022 h. 8.00pm

#### DETAILS ON STOCK RECOMMENDATION AND TARGET PRICE

Date	Recommendation	Target Price (€)	Share Price (€)
29/04/2020	OUTPERFORM	19.95	16.50
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
20/04/2022	OUTPERFORM	63.42	48.00
01/08/2022	OUTPERFORM	70.00	49.50
25/10/2022	OUTPERFORM	70.00	48.70
06/12/2022	OUTPERFORM	70.00	52.80

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