

EQUITY RESEARCH

UNIDATA S.P.A

RESULTS REVIEW

Press release

BUY

TP 6.0€

Up/Downside: 67%

A Good Start

Yesterday after market close, Unidata S.p.A. released its Q1 2024 results landing in line with our estimates. Revenue showed double-digit growth (+11%) to reach €25.3m, driven by organic growth and steady progress for JVs. The group's fiber optic network has increased by approximately 350 km to reach 7,150 km. Our Buy recommendation as well as our TP are both reiterated.

Over the first 3M of 2024, the group posted a strong double-digit revenue increase (+11% vs. the previous year) to reach €25.3m (vs. €22.9m), in line with our estimates (+10%). The Service division saw its revenue increase by +22% over the entire Q1, benefiting from solid organic growth in fiber, data center, cloud and IoT solutions. In fact, the group's direct customer base grew by +6% during the quarter, reaching 24,585 active B2B and B2C customers. On the other hand, Infrastructure revenue increased by +19% mainly thanks to IRU sales, Indefeasible Right of Use contracts to other operators and work linked to the Unifiber and Unitirreno JVs.

In 2023, the integration of TWT Group caused the group's EBITDA margin to fall to 24% in 2023 (vs. 32% in 2022). In Q1 2024, the group regained around 4 percentage points, the EBITDA margin having increased to 27.7%, not very far from the levels of FY 2022. The latter benefited from an optimized customer mix (increase in Average Revenue per User - ARPU for B2B clients) and progress related to their JV projects. Work related to their JVs (submarine cables and infrastructure deployment) in turn increased its net debt to €53.1m (vs. €47.9m for FY 2023).

Looking ahead, we see the group continuing its momentum, as it currently has a strong project pipeline thanks to its JVs (Unifiber, Unitirreno and Unicenter) as well as a significant IoT smart meter pipeline (an additional €20m since the start of 2023). In fact, over FY 2024, we estimate a significant improvement in EBITDA margin (+3 percentage points) to reach 27%, as well as revenue growth of +16%. Therefore, we reiterate our Buy recommendation and TP of €6. At our price target, the stock would trade at around 7x EV/EBIT 2025E, which represents a significant discount to other telco peers, for a company with national reach, a fiber network proprietary optics and a solid project pipeline.

Key data

Price (€)	3.6
Industry	Telecommunications
Ticker	UD-IT
Shares Out (m)	30.887
Market Cap (m €)	111.2
Next event	H1 24 - 10/09

Source: FactSet

Ownership (%)

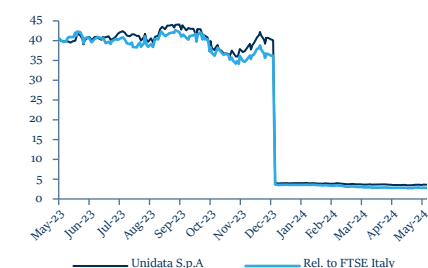
Uninvest S.r.l.	55.0
Upperhand S.r.l.	6.2
Free float	38.8

Source: TPICAP Midcap estimates

EPS (€)	12/24e	12/25e	12/26e
Estimates	0.42	0.48	0.54
Change vs previous estimates (%)	0.00	0.00	0.00

Source: TPICAP Midcap estimates

Performance (%)	1D	1M	YTD
Price Perf	-0.8	2.0	-8.6
Rel FTSE Italy	-1.3	-1.2	-21.1



Source: FactSet

TP ICAP Midcap Estimates	12/23	12/24e	12/25e	12/26e	Valuation Ratio	12/24e	12/25e	12/26e
Sales (m €)	93.3	108.5	122.9	132.4	EV/Sales	1.6	1.3	1.2
Current Op Inc (m €)	12.3	20.3	23.2	25.3	EV/EBITDA	5.8	4.8	4.1
Current op. Margin (%)	13.2	18.7	18.9	19.1	EV/EBIT	8.4	7.1	6.1
EPS (€)	0.22	0.42	0.48	0.54	PE	8.7	7.5	6.6
DPS (€)	0.00	0.01	0.01	0.01	Source: TPICAP Midcap			
Yield (%)	0.1	0.2	0.3	0.3				
FCF (m €)	1.4	-12.5	6.3	12.0				

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FINANCIAL DATA

Income Statement	12/21	12/22	12/23	12/24e	12/25e	12/26e
Sales	37.0	51.3	93.3	108.5	122.9	132.4
Changes (%)	57.9	38.8	81.6	16.3	13.3	7.8
Gross profit	17.5	20.3	32.7	38.6	44.5	48.9
% of Sales	47.2	39.5	35.0	35.6	36.2	36.9
EBITDA	14.1	16.2	22.4	29.4	34.0	37.6
% of Sales	38.1	31.6	24.0	27.1	27.7	28.4
Current operating profit	9.1	10.7	12.3	20.3	23.2	25.3
% of Sales	24.6	20.9	13.2	18.7	18.9	19.1
Non-recurring items	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	9.1	10.7	12.3	20.3	23.2	25.3
Net financial result	-0.3	-0.1	-3.0	-2.5	-2.6	-2.0
Income Tax	-1.0	-3.1	-2.5	-5.0	-5.8	-6.5
Net profit, group share	7.8	7.5	6.7	12.9	14.9	16.8
EPS	3.20	2.96	0.22	0.42	0.48	0.54
Financial Statement	12/21	12/22	12/23	12/24e	12/25e	12/26e
Goodwill	0.0	0.0	37.5	37.5	37.5	37.5
Tangible and intangible assets	33.7	39.4	77.2	84.5	92.1	96.8
Right of Use	9.3	9.3	9.8	8.6	7.4	6.2
Financial assets	1.1	3.5	9.4	9.4	9.4	9.4
Working capital	-1.3	1.1	-8.9	10.4	12.5	13.8
Other Assets	0.4	3.6	5.1	5.1	5.1	5.1
Assets	43.2	56.9	130.1	155.5	164.0	168.8
Shareholders equity group	29.0	36.9	64.6	77.3	91.9	108.4
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
LT & ST provisions and others	0.0	0.0	0.0	0.0	0.0	0.0
Net debt	2.2	8.6	47.2	59.8	53.8	42.1
Other liabilities	12.0	11.4	18.3	18.3	18.3	18.3
Liabilities	43.2	56.9	130.1	155.5	164.0	168.8
Net debt excl. IFRS 16	-3.1	3.8	42.4	55.0	48.9	37.3
Gearing net	0.1	0.2	0.7	0.8	0.6	0.4
Leverage	0.2	0.5	2.1	2.0	1.6	1.1
Cash flow statement	12/21	12/22	12/23	12/24e	12/25e	12/26e
CF after elimination of net borrowing costs and taxes	13.3	13.1	18.2	21.9	25.7	29.1
Δ WCR	-4.7	-6.3	0.7	-19.2	-2.2	-1.3
Operating cash flow	8.6	6.8	18.9	2.7	23.5	27.9
Net capex	-13.9	-11.2	-17.5	-15.2	-17.2	-15.9
FCF	-5.3	-4.4	1.4	-12.5	6.3	12.0
Acquisitions/Disposals of subsidiaries	0.0	0.0	-46.7	0.0	0.0	0.0
Other investments	0.0	-2.1	-5.2	0.0	0.0	0.0
Change in borrowings	1.1	11.1	36.9	0.0	0.0	0.0
Dividends paid	0.0	-0.2	-0.3	-0.1	-0.3	-0.3
Repayment of leasing debt	1.6	-0.6	-0.2	0.0	0.0	0.0
Equity Transaction	0.0	0.0	0.0	0.0	0.0	0.0
Others	-0.3	0.4	14.5	0.0	0.0	0.0
Change in net cash over the year	-2.9	4.2	0.4	-12.6	6.1	11.7
ROA (%)	10.0%	7.4%	3.6%	6.2%	6.6%	6.8%
ROE (%)	27.0%	20.3%	10.4%	16.6%	16.2%	15.5%
ROCE (%)	25.6%	23.7%	10.0%	13.9%	11.0%	11.6%

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Methodology

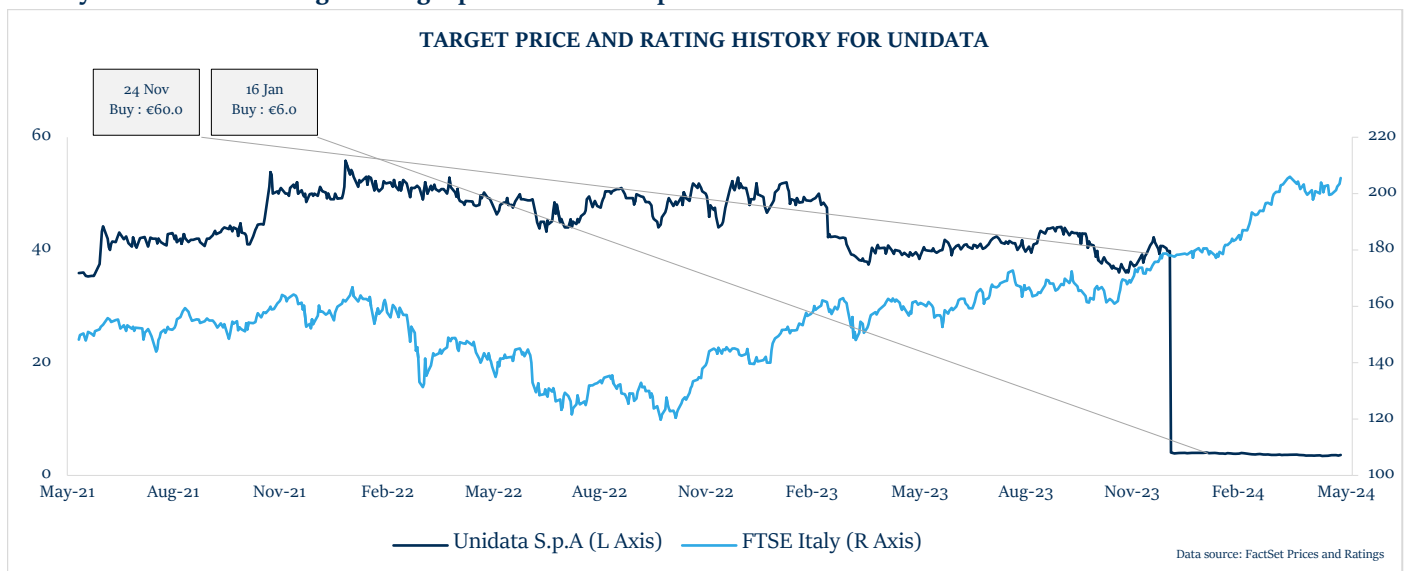
This Report may mention evaluation methods defined as follows:

1. DCF method: discounting of future cash flows generated by the company's operations. Cash flows are determined by the analyst's financial forecasts and models. The discount rate used corresponds to the weighted average cost of capital, which is defined as the weighted average cost of the company's debt and the theoretical cost of its equity as estimated by the analyst.
2. Comparable method: application of market valuation multiples or those observed in recent transactions. These multiples can be used as references and applied to the company's financial aggregates to deduce its valuation. The sample is selected by the analyst based on the characteristics of the company (size, growth, profitability, etc.). The analyst may also apply a premium/discount depending on his perception of the company's characteristics.
3. Assets and liabilities method: estimate of the value of equity capital based on revalued assets adjusted for the value of the debt.
4. Discounted dividend method: discounting of estimated future dividend flows. The discount rate used is generally the cost of capital.
5. Sum of the parts: this method consists of estimating the various activities of a company using the most appropriate valuation method for each of them, then realizing the sum of the parts.

Conflict of Interests between TP ICAP Midcap and the Issuer

G. Midcap and the Issuer have agreed to the provision by the former to the latter of a service for the production and distribution of the investment recommendation on the said Issuer: Unidata S.p.A

History of investment rating and target price – Unidata S.p.A



Distribution of Investment Ratings

Rating	Recommendation Universe*	Portion of these provided with investment banking services**
Buy	81%	64%
Hold	15%	54%
Sell	2%	33%
Under review	1%	100%

Midcap employs a rating system based on the following:

Buy: Expected to outperform the markets by 10% or more over a 6 to 12 months horizon.

Hold: expected performance between -10% and +10% compared to the market over a 6 to 12 months horizon.

Sell: Stock is expected underperform the markets by 10% or more over a 6 to 12 months horizon.

The history of ratings and target prices for the Issuers covered in this report are available on request at <https://researchtpicap.midcapp.com/en/disclaimer>.

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