

# INTRED

Sector: Telecoms

**BUY**

Price: Eu11.00 - Target: 15.50

## First-Mover Advantage on Fibre in Wealthiest Italian Region

**Giorgio Tavolini +39-02-77115.279**

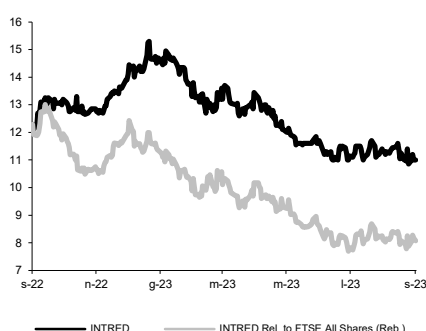
giorgio.tavolini@intermonte.it

**Andrea Randone: +39-02-77115.364**

andrea.randone@intermonte.it

**Next Event**

3Q Results Out 7 November

**INTRED - 12M Performance**

**Stock Data**

Reuters code: INTD.MI

Bloomberg code: ITD IM

Performance	1M	3M	12M
Absolute	-2.7%	-6.0%	-10.6%
Relative	-0.1%	-6.4%	-46.7%
12M (H/L)	15.30/10.85		
3M Average Volume (th):	4.45		

**Shareholder Data**

No. of Ord shares (mn):	16
Total no. of shares (mn):	16
Mkt Cap Ord (Eu mn):	175
Total Mkt Cap (Eu mn):	175
Mkt Float - Ord (Eu mn):	53
Mkt Float (in %):	30.2%
Main Shareholder:	
DM Holding S.r.l.	60.3%

**Balance Sheet Data**

Book Value (Eu mn):	53
BVPS (Eu):	3.34
P/BV:	3.3
Net Financial Position (Eu mn):	-21
Enterprise Value (Eu mn):	196

- Leadership built on a proprietary network in Lombardy.** Brescia-based and founded in 1996, INTRED offers UBB connectivity to businesses and residential clients, leveraging on its proprietary cutting-edge network (>10,600km, total investment of >€120mn to date) in the extremely vibrant Lombardy region (1/5 of Italy's GDP). By providing its services to SMEs (53% of 1H23 sales), residential (19%), wholesale (8%) and public-sector clients (21%), INTRED makes full use of its network. The Group has been listed on EGM since July 2018 (IPO price €2.27) and currently employs c.180 skilled people. In February 2020, INTRED secured further expansion thanks to the acquisition of QCOM (80 employees, 4.3k business clients) for c.€10mn.
- Key competitive advantage is basis for seizing favourable structural trends.** In 2010, management decided to create a proprietary network, starting from the province of Brescia and then moving to other cities, focusing on rural areas ignored by the major telecom providers. This has ended up being a crucial competitive advantage, enabling INTRED to compete on pricing and service quality, reaching best-in-class profitability (>40%) thanks to customer base expansion (>47k customers at 1H23). Moreover, the company is well positioned to exploit favourable structural trends: Italy's UBB take-up rate is among the lowest in Europe, including for SMEs, offering INTRED first-mover advantage by taking fibre to areas with high concentrations of SMEs, and to benefit from public funds (NRRP) for the digital sector.
- School tenders as a strong accelerator of growth.** Further upside should come from the two Infratel School Tenders awarded in 2021–2022, expected to be worth c.€60mn in total, and involving the connection of >5.2k schools in the coming years. This should offer INTRED a great chance to expand its network into new cities (like Milan) and commercial districts.
- A track record of outstanding success.** The top line grew organically from €9.1mn in FY15 to €45.5mn in FY22, a 26% CAGR. The launch of a residential offering has enabled exploitation of favourable operating leverage on fixed expenses associated with the current private network. The adj. EBITDA margin on total revenues increased from 18.7% in FY14 to 43.1% in FY22 and 43.5% in 1H23. Given the high revenue visibility (85% of invoices paid well ahead within 30 days of billing) and the nature of fees (>90% of turnover is recurring), INTRED has a compelling risk/return profile.
- 2023-26 estimates: short-term commercial and network investment to support long-term growth.** We project a 11% sales CAGR, driven by +33% growth in the public sector (School Tenders) and ongoing best-in-class profitability (42-43%) despite higher commercial investments to support brand and future top-line growth (acceleration of fibre take-up), partly mitigated by lower network costs (reducing reliance on the incumbent's last mile due to faster and deeper rollout of proprietary network). Near term, we assume bottom-line trends burdened by higher D&A for the CapEx cycle (€28-30mn peak in FY23) and by the increase in financial expenses.
- Initiating coverage with a BUY recommendation and a €15.5 DCF-based TP with >40% upside.** We appreciate INTRED's business model as it offers a very attractive risk-return profile thanks to: a) a proprietary network focused on future-proof UBB technology (no risk of disruptive change and limited long-term CapEx) and first-mover advantage in Lombardy, a highly strategic location (1/5 of Italy's GDP) with strong presence of SMEs; b) footprint expansion from School Tenders and new commercial investment cycle to support long-term growth and a faster take-up rate. c) strong visibility on IRR (upfront CapEx with guaranteed returns) with downside protection (visible and recurring revenue streams, low churn); d) a supportive regulatory framework (NRRP); e) long term optionality offered by attractive assets (proprietary network, well-established and loyal customer base) in a potential market consolidation scenario.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	41	46	49	55	61
EBITDA Adj (Eu mn)	18	20	21	23	26
Net Profit Adj (Eu mn)	9	9	6	6	8
EPS New Adj (Eu)	0.543	0.546	0.386	0.406	0.480
EPS Old Adj (Eu)	0.544	0.547	0.429	0.455	0.524
DPS (Eu)	0.060	0.070	0.042	0.045	0.053
EV/EBITDA Adj	14.1	12.4	9.1	9.1	8.2
EV/EBIT Adj	21.1	20.2	19.6	19.9	16.0
P/E Adj	20.3	20.1	28.5	27.1	22.9
Div. Yield	0.5%	0.6%	0.4%	0.4%	0.5%
Net Debt/EBITDA Adj	-0.3	0.6	1.0	1.6	1.6

**DISCLAIMER (for more details go to [DISCLAIMER](#))**

**IMPORTANT DISCLOSURES**

The reproduction of the information, recommendations and research produced by Intermonte SIM contained herein and of any its parts is strictly prohibited. None of the contents of this document may be shared with third parties without authorisation from Intermonte.

This report is directed exclusively at market professional and other institutional investors (Institutions) and is not for distribution to person other than "Institution" ("Non-Institution"), who should not rely on this material. Moreover, any investment or service to which this report may relate will not be made available to Non-Institution.

The information and data in this report have been obtained from sources which we believe to be reliable, although the accuracy of these cannot be guaranteed by Intermonte. In the event that there be any doubt as to their reliability, this will be clearly indicated. The main purpose of the report is to offer up-to-date and accurate information in accordance with regulations in force covering "recommendations" and is not intended nor should it be construed as a solicitation to buy or sell securities.

This disclaimer is constantly updated on Intermonte's website [www.intermonte.it](http://www.intermonte.it) under LEGAL INFORMATION. Valuations and recommendations can be found in the text of the most recent research and/or reports on the companies in question. For a list of all recommendations made by Intermonte on any financial instrument or issuer in the last twelve months consult the [PERFORMANCE](#) web page.

Intermonte distributes research and engages in other approved activities with respect to Major U.S. Institutional Investors ("Majors") and other Qualified Institutional Buyers ("QIBs"), in the United States, via Brasil Plural Securities LLC under SEC 15a-6 guidelines. Intermonte is not registered as a broker dealer in the United States under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and is not a member of the Securities Investor Protection Corporation ("SIPC"). Brasil Plural Securities LLC is registered as a broker-dealer under the Exchange Act and is a member of SIPC.

**ANALYST CERTIFICATION**

For each company mentioned in this report the respective research analyst hereby certifies that all of the views expressed in this research report accurately reflect the analyst's personal views about any or all of the subject issuer (s) or securities. The analyst (s) also certifies that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation or view in this report.

The analyst (s) responsible for preparing this research report receive(s) compensation that is based upon various factors, including Intermonte's total profits, a portion of which is generated by Intermonte's corporate finance activities, although this is minimal in comparison to that generated by brokerage activities.

Intermonte's internal procedures and codes of conduct are aimed to ensure the impartiality of its financial analysts. The exchange of information between the Corporate Finance sector and the Research Department is prohibited, as is the exchange of information between the latter and the proprietary equity desk in order to prevent conflicts of interest when recommendations are made.

The analyst responsible for the report is not a) a resident of US; b) an associated person of a U.S. broker-dealer; c) supervised by a supervisory principal of a U.S. broker-dealer. This Research Report is distributed in the U.S. through Brasil Plural Securities LLC, 545 Madison Avenue, New York 10022.

**GUIDE TO FUNDAMENTAL RESEARCH**

The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium of 5.5% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the S&P500 Index, most of those on the MIBEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

Explanation of our ratings system:

BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

NEUTRAL: stock performance expected at between +10% and -10% compared to the market over a 12 month period;

UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

**CURRENT INVESTMENT RESEARCH RATING DISTRIBUTIONS**

Intermonte SIM is authorised by CONSOB to provide investment services and is listed at n° 246 in the register of brokerage firms.

As at 30 June 2023 Intermonte's Research Department covered 118 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	24.79 %
OUTPERFORM:	52.99 %
NEUTRAL:	20.51 %
UNDERPERFORM	01.71 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (48 in total) is as follows:

BUY:	38.78 %
OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

**CONFLICT OF INTEREST**

In order to disclose its possible conflicts of interest Intermonte SIM states that:

Within the last year, **Intermonte SIM** managed or co-managed/managed or is co-managing an offering with firm commitment underwriting of the securities of the following Companies: Civitanavi Systems, GPI.

**Intermonte SIM** has provided in the last 12 months / provides / may provide investment banking services to the following companies: Aedes, Cy4Gate, Esprinet, GPI, Greenthesis (formerly Ambientthesis), Growens, Illimity Bank, Maire Tecnimont, SAES Getters, Tinexta, Unidata and WIIT.

**Intermonte SIM is acting as counterparty to WIIT Fin S.r.l. in connection with call and put options having WIIT S.p.A. shares and dividends as reference underlying.**

**Intermonte SIM** is Specialist and/or Corporate Broker and/or Sponsor and/or Broker in charge of the share buy back activity of the following Companies: Abitare In, Aedes, Alkemy, Anima Holding, Antares Vision, Aquafil, Avio, Azimut Holding, Banca Ifis, Banca Sistema, Cellularelina, Civitanavi Systems, Cyberoo, Cy4gate, DeA Capital, Datrix, EL.En, Eles, Elica, Emak, Esprinet, Expert AI, Fimit - Fondo Alpha, Fine Foods, Franchi Umberto Marmi, Gefran, Go Internet, GPI, Greenthesis (formerly Ambientthesis), Gruppo Fos, GVS, IEG, Iervolino & Lady Bacardi Entertainment, IndelB, Intred, Luve, Matica Fintec, Notorious Pictures, Next Re SiliQ, Orner, Pharamnutra, Reevo, Relatech, Reply, Revo Insurance, Sababa Security, Saes Getters, Salcef, Sciuker Frames, Seco, Servizi Italia, Sesa, Seri Industrial, Somec, Talea, Tamburi, Tinexta, Tesmec, The Italian Sea Group, TXT, Unidata, Webuild and WIIT.

**Intermonte SIM** has a contractual commitment to act as liquidity provider on behalf of third parties for the following company: Banca Sistema.

**Intermonte SIM** performs as a market maker for the following companies: A2A, Anima, Atlantia, Autogrill, Azimut Holding, BAMI, Banca Generali, Banca Mediolanum, Brembo, Buzzi, CNHI, Enel, ENI, Exor, Fineco, FCA, FTMB, Generali, Italgas, Iren, Intesa Sanpaolo, Leonardo, Mediobanca, Moncler, Mediaset, Pirelli&C, Prysmian, Poste, Ferrari, Saipem, Snam, STM, Tenaris, Telecom Italia, Telecom Italia sav, Terna, UBI, Unicredit, Unipol, UnipolSai.

**Intermonte SIM**, Intermonte SIM, through Websim, which constitute the digital division of Intermonte, acts as a Financial Content Provider on the following companies: Abitare In, Alkemy, Banca Sistema, Bifire S.P.A., B&C Speakers, Cleanbnb, Comer Industries, Crowdfundme, Cy4gate, Cyberoo, Digital Bros, Digital Magics, Doxee, Ediliziacrobatica Spa, Eles, Elica, Emak, Esi, Esprinet, Eviso, Fae Technology, Fiera Milano, Finanza.Tech, First Capital, Fope, FOS, Franchi Umberto Marmi, Giglio Group, Go Internet, GPI, Iervolino & Lady Bacardi Entertainment, Intercos, Intred, Iscc Fintech, Lindbergh, Lventure Group, Maps, Masi Agricola, Matica Fintec, Neodecortech, Nhoa, Notorious Pictures, Orsero Group, Osai Automation System, Racing Force Group, Relatech, Reti, Salcef Group, Sciuker Frames, Sebino, SGCompany, Solid World Group, Spindox Digital Soul, Supplymecapital, Tamburi, Tesmec, The Italian Sea Group, Tinexta, Tps Group, Trendevce, Tribuo, Ulisse Biomed, Vantea Smart, Wiit. Intermonte SIM SpA holds net long or short positions in excess of 0.5% of the overall share capital in the following issuers:

Emittente	%	Long/Short

**© Copyright 2023 by Intermonte SIM - All rights reserved**

It is a violation of national and international copyright laws to reproduce all or part of this publication by email, xerography, facsimile or any other means. The Copyright laws impose heavy liability for such infringement. The Reports of Intermonte SIM are provided to its clients only. If you are not a client of Intermonte SIM and receive emailed, faxed or copied versions of the reports from a source other than Intermonte SIM you are violating the Copyright Laws. This document is not for attribution in any publication, and you should not disseminate, distribute or copy this e-mail without the explicit written consent of Intermonte SIM.

INTERMONTE will take legal action against anybody transmitting/publishing its Research products without its express authorization.

INTERMONTE Sim strongly believes its research product on Italian equities is a value added product and deserves to be adequately paid.

Intermonte Sim sales representatives can be contacted to discuss terms and conditions to be supplied the INTERMONTE research product.

INTERMONTE SIM is MIFID compliant - for our Best Execution Policy please check our Website [MIFID](#)

Further information is available