

## EQUITY RESEARCH

**INTRED**  
 RESULTS REVIEW  
 Press release

BUY

TP 18.0€

Up/Downside: 70%

## New strategic plan

**Intred's management presented yesterday in Milan their new 2024-2027 Strategic Plan and H1 2024 results. By the end of 2027, the group aims to invest €80M and increase their EBITDA margin to 50% !**

As previously announced in August, the group saw their total revenues increase +6.4% YoY to €26.3M across the H1 2024. Including their recently acquired Connecting Italia S.r.l., the total revenues amount to €27.5M (+12.1% YoY). This strong growth was primarily driven by fibre optic connectivity revenues, which rose +13.3% YoY (the group's core business), also benefitting from an increasing fibre optic infrastructure, which now spans over 13 000 km (vs 11 700 km at FY 2023). This in turn reflected positively on the group's recurring revenue, which now accounts for 87% of the total (vs 85.3% at Q1 2024). A key takeaway from this publication concerns the group's EBITDA, amounting to €11.5M (+6.7% YoY), implying a 43.6% EBITDA margin (vs 43.5% at H1 2023), well above our initial estimates (41.5%). In line with expectations, the net income slightly decreased to €3.5M (vs €3.9M at H1 2023), due to a heavier cost structure and D&A following approximately €49.7M in CAPEX over the past 18 months. A weaker YoY net profit and higher investments in turn increased the group's net debt position to €27.4M (vs €20.9M at FY 2023).

Going forward, as aforementioned, the management also presented their new 2024-2027 Strategic Plan. In a nutshell, the group aims to foster growth via (i) investments in the core business (€80M cumulative), and (ii) increasing their Data Centre activities. With the latter, the management aims to interconnect Data Centres with their proprietary fibre network, with a particular focus on infrastructure technology and not real estate (as opposed to competitors), aiming for an IRR above 20%. By 2027, the management is aiming for €67-73M in revenues and an EBITDA margin at 50%, approximately 540 bps higher than FY 2023. This significant margin improvement will be driven by their core business (FTTH connectivity) and the optimisation of Connecting Italia S.r.l., with Data Centres expected to strongly contribute starting from 2027.

Moreover, in terms of investments, the management aims to deploy approximately €80M across the strategic plan horizon (of which 70% for FTTH expansion). This in turn will further deteriorate their net debt position, which, according to the management, will reach its peak in 2025, then gradually decrease due to lower investments. Overall, we believe these results are attainable and positively view the management's decision to increase their Data Centre activity. Our estimates are already broadly in line with the management's objectives, however we have raised our EBITDA estimates across the horizon to account for a higher concentration on FTTH. Following the update of our estimates, we hereby confirm our Buy recommendation and TP of €18.

## Key data

Price (€)	10.6
Industry	Telecommunications
Ticker	ITD-IT
Shares Out (m)	15.865
Market Cap (m €)	168.2
Average trading volumes (k shares / day)	3.193
Next event	Q3 - 05/11/24
Source:	FactSet

## Ownership (%)

DM Holding	60.4
Value First SICAV	9.4
Free float	30.2

Source: TPICAP Midcap estimates

EPS (€)	12/24e	12/25e	12/26e
Estimates	0.44	0.50	0.58
Change vs previous estimates (%)	0.00	0.29	2.81

Source: TPICAP Midcap estimates

Performance (%)	1D	1M	YTD
Price Perf	0.0	6.0	-3.6
Rel FTSE Italy	-0.5	4.8	-15.8



Source: FactSet

TP ICAP Midcap Estimates	12/23	12/24e	12/25e	12/26e	Valuation Ratio	12/24e	12/25e	12/26e
Sales (m €)	50.5	58.7	64.3	69.5	EV/Sales	3.3	3.0	2.6
Current Op Inc (m €)	12.7	11.1	12.5	13.8	EV/EBITDA	8.0	7.0	6.2
Current op. Margin (%)	25.1	18.9	19.4	19.9	EV/EBIT	17.5	15.2	13.3
EPS (€)	0.52	0.44	0.50	0.58	PE	24.2	21.2	18.4
DPS (€)	0.07	0.06	0.06	0.07				
Yield (%)	0.6	0.5	0.6	0.7				
FCF (m €)	-8.5	-1.3	5.5	7.2				

Source: TPICAP Midcap

Consensus FactSet - Analysts:2	12/24e	12/25e	12/26e
Sales	57.9	64.4	71.5
EBIT	11.3	13.0	15.3
Net income	7.0	8.1	9.9

Analyst

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**FINANCIAL DATA**

<b>Income Statement</b>	<b>12/21</b>	<b>12/22</b>	<b>12/23</b>	<b>12/24e</b>	<b>12/25e</b>	<b>12/26e</b>
Sales	41.2	46.1	50.5	58.7	64.3	69.5
Changes (%)	13.2	11.7	9.6	16.3	9.5	8.0
Gross profit	24.7	27.8	30.6	34.7	37.9	41.0
% of Sales	59.8	60.3	60.6	59.0	59.0	59.0
<b>EBITDA</b>	<b>17.6</b>	<b>19.9</b>	<b>22.5</b>	<b>24.4</b>	<b>27.0</b>	<b>29.7</b>
% of Sales	42.8	43.1	44.6	41.5	42.0	42.7
<b>Current operating profit</b>	<b>11.8</b>	<b>12.2</b>	<b>12.7</b>	<b>11.1</b>	<b>12.5</b>	<b>13.8</b>
% of Sales	28.6	26.4	25.1	18.9	19.4	19.9
Non-recurring items	0.0	0.0	-0.0	0.0	0.0	0.0
EBIT	11.8	12.2	12.7	11.1	12.5	13.8
Net financial result	-0.1	0.0	-1.2	-1.5	-1.5	-1.1
Income Tax	-3.3	-3.5	-3.3	-2.7	-3.1	-3.5
<b>Net profit, group share</b>	<b>8.6</b>	<b>8.7</b>	<b>8.2</b>	<b>6.9</b>	<b>7.9</b>	<b>9.1</b>
EPS	0.54	0.55	0.52	0.44	0.50	0.58
<b>Financial Statement</b>	<b>12/21</b>	<b>12/22</b>	<b>12/23</b>	<b>12/24e</b>	<b>12/25e</b>	<b>12/26e</b>
Goodwill	9.2	9.2	0.0	0.0	0.0	0.0
Tangible and intangible assets	48.1	79.4	109.4	121.5	125.6	129.2
Right of Use	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets	0.0	0.0	0.0	0.0	0.0	0.0
Working capital	-21.0	-27.2	-31.7	-34.8	-35.9	-36.9
Other Assets	0.2	0.0	0.0	3.3	3.3	3.3
<b>Assets</b>	<b>36.5</b>	<b>61.3</b>	<b>77.8</b>	<b>89.9</b>	<b>93.0</b>	<b>95.5</b>
Shareholders equity group	40.3	48.0	55.0	61.6	69.3	78.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
LT & ST provisions and others	1.6	1.8	1.9	1.9	2.0	1.9
Net debt	-5.4	11.5	20.9	26.5	21.8	15.6
Other liabilities	0.0	0.0	0.0	0.0	0.0	0.0
<b>Liabilities</b>	<b>36.5</b>	<b>61.3</b>	<b>77.8</b>	<b>89.9</b>	<b>93.1</b>	<b>95.5</b>
Net debt excl. IFRS 16	-5.4	11.5	20.9	26.5	21.8	15.6
Gearing net	-0.1	0.2	0.4	0.4	0.3	0.2
Leverage	-0.3	0.6	0.9	1.1	0.8	0.5
<b>Cash flow statement</b>	<b>12/21</b>	<b>12/22</b>	<b>12/23</b>	<b>12/24e</b>	<b>12/25e</b>	<b>12/26e</b>
CF after elimination of net borrowing costs and taxes	14.2	16.8	15.8	17.3	19.5	22.8
$\Delta$ WCR	13.2	6.5	4.3	3.1	1.1	1.0
Operating cash flow	27.4	23.3	20.1	20.4	20.6	23.8
Net capex	-20.5	-39.3	-31.0	-24.7	-18.0	-18.8
FCF	7.2	-16.0	-8.5	-1.3	5.5	7.2
Acquisitions/Disposals of subsidiaries	0.0	0.0	0.0	-3.3	0.0	0.0
Other investments	-0.0	0.0	0.3	0.0	0.0	0.0
Change in borrowings	0.0	19.2	-0.4	0.0	0.0	0.0
Dividends paid	0.0	-1.0	-1.1	-1.0	-0.9	-1.0
Repayment of leasing debt	0.0	0.0	0.0	0.0	0.0	0.0
Equity Transaction	0.0	0.0	0.0	0.0	0.0	0.0
Others	1.3	0.0	-0.1	0.0	0.0	0.0
Change in net cash over the year	8.3	2.3	-12.0	-8.5	1.7	4.0
ROA (%)	9.9%	7.0%	6.1%	4.9%	5.2%	5.6%
ROE (%)	20.7%	18.1%	14.9%	11.3%	11.4%	11.7%
ROCE (%)	23.4%	14.1%	11.6%	8.9%	9.7%	10.4%

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### Methodology

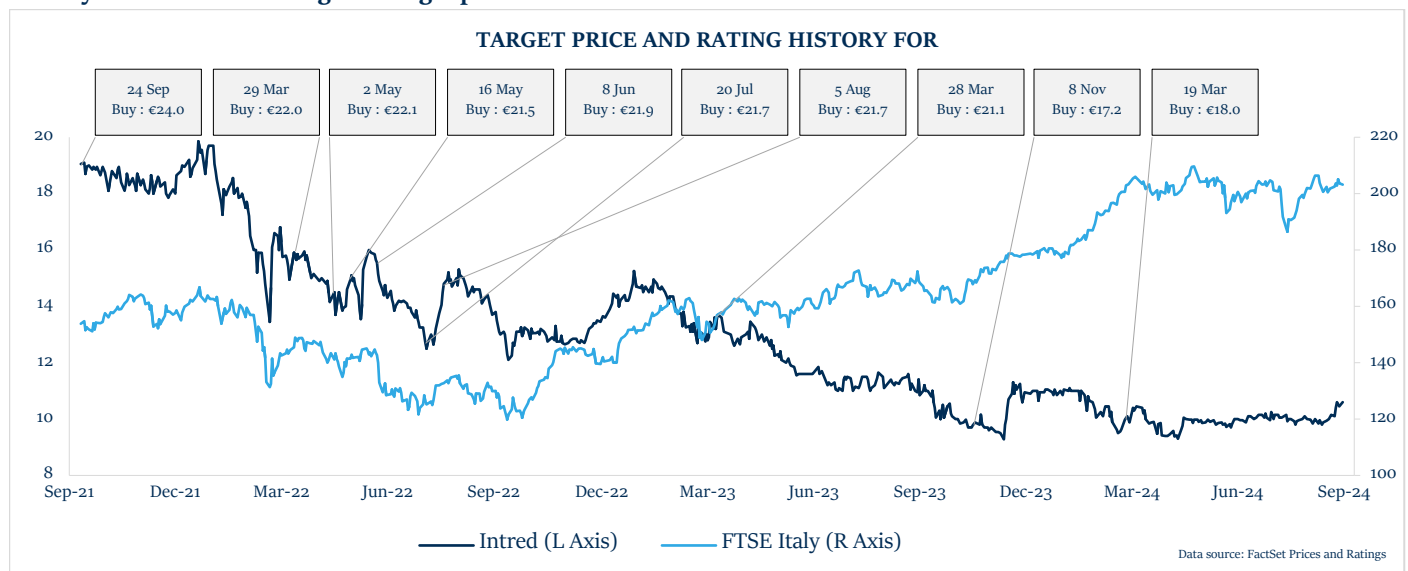
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1. DCF method: discounting of future cash flows generated by the company's operations. Cash flows are determined by the analyst's financial forecasts and models. The discount rate used corresponds to the weighted average cost of capital, which is defined 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.
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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: Intred

### History of investment rating and target price – Intred



**Distribution of Investment Ratings**

Rating	Recommendation Universe*	Portion of these provided with investment banking services**
Buy	80%	65%
Hold	17%	67%
Sell	2%	0%
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.

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