

INTRED

Sector: Telecoms

BUY

Price: Eu10.60 - Target: Eu17.20

Powering Up Profitability: 50% the New Gold Standard

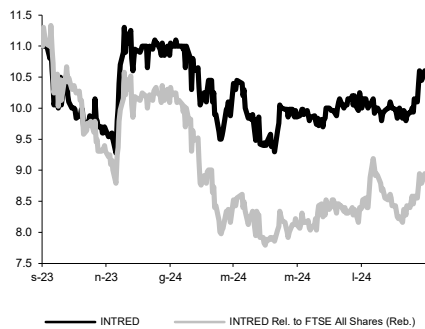
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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 16.50 to 17.20		
	2024E	2025E	2026E
Chg in Adj EPS	9.5%	8.6%	10.7%

 Next Event: 3Q24 Results out 5 November

INTRED - 12M Performance



Stock Data

Reuters code:	INTD.MI		
Bloomberg code:	ITD IM		
Performance	1M	3M	12M
Absolute	6.0%	6.0%	-2.3%
Relative	5.5%	6.2%	-20.5%
12M (H/L)	11.30/9.28		
3M Average Volume (th):	2.65		

Shareholder Data

No. of Ord shares (mn):	16
Total no. of shares (mn):	16
Mkt Cap Ord (Eu mn):	168
Total Mkt Cap (Eu mn):	168
Mkt Float - Ord (Eu mn):	51
Mkt Float (in %):	30.2%
Main Shareholder:	
DM Holding S.r.l.	60.3%

Balance Sheet Data

Book Value (Eu mn):	61
BVPS (Eu):	3.81
P/BV:	2.8
Net Financial Position (Eu mn):	-28
Enterprise Value (Eu mn):	197

- A Perfect Mix: Profitability Surge and Strong FCF.** INTRED's new strategic plan centres on long-term shareholder value creation through three key pillars: expanding the cash-generating FTTH network, enhancing market positioning via the acquisition of Connecting Italia, and diversifying revenue streams by investing in datacentres. The new plan envisages €80mn of CapEx in 2024-27, of which €13mn related to the construction of a DC facility in Brescia, which will start contributing to revenues from 2028. Top line growth is expected to remain at high single-digit levels, driven by the existing business, despite a declining contribution from School Tenders. On the other hand, the EBITDA margin should structurally reach c.50% (up from the current 42-44%). EBITDA improvement, combined with lower School Tender investments, should drive strong FCF generation in 2026 with a significant improvement in the NFP, which will tend to zero in 2028.
- Life after School Tender: conservative targets with massive upside from potential renewals.** The School Tender has driven an expected IRR of over 30% for INTRED over the 2021-2049 period, expanding its regional coverage, enhancing its reputation, and allowing it to establish long-term relationships with schools, thereby reinforcing its market presence and improving future opportunities. The key question, effectively addressed by INTRED's management, is the company's strategy post-School Tender completion. The new 4-year EBITDA targets, with a double-digit CAGR, are conservatively based on the assumption that no schools will remain as INTRED customers once the tender concludes. However, in a more optimistic scenario where 100% of the schools continue as clients, the EBITDA upside would become significant from 2027, providing a substantial buffer to the company's targets.
- Datacentre opportunity, a perfect fit with INTRED's strategy.** With the Italian DC market expected to grow at a CAGR of >14%, reaching €3.7bn by 2029, and Lombardy holding the largest market share, INTRED is well placed to capitalise on the opportunity, diversifying revenue sources and strengthening its market presence. The company plans to invest a relatively small €13mn between 2025 and 2026 (an initial module of c.1.5MW capacity) to meet increasing demand for data storage and processing. The investment is expected to deliver positive EBITDA by 2027 and exceed CapEx by 2029, with an expected IRR >20% through 2036, assuming two-thirds of the investment is covered by bank financing.
- Change in estimates.** We are rephasing our estimates to feature the new 2024-27 outlook, assuming i) a 7.5% top line CAGR (tgt: high single-digit) to €68mn in FY27 (tgt. €67-73mn); ii) an 11% EBITDA CAGR (tgt: double digit) to c.€34mn in FY27 (tgt €34-36mn) driving c.50% profitability in FY27 (our exp. 50.1%). Net debt expected to peak in FY25 (our exp. €34mn, 1.3x leverage) to reflect the €13mn DC CapEx, then come down to c.€8mn in FY27 (0.3x EBITDA).
- BUY confirmed, new TP €17.2 (from €16.50).** Based on our new estimates we are raising our DCF-based TP from €16.5 to €17.2, offering upside of over 60%. The new BP outlines a clear development trajectory rooted in the existing business, effectively addressing market concerns about the completion of School Tenders while introducing new avenues of differentiation in adjacent sectors. Notably, the DC opportunity stands out, requiring no significant CapEx outlays, being perfectly synergistic with INTRED's operations, and offering high long-term revenue visibility, strong profitability once capacity saturation is reached, and an IRR in the low 20s. Additional upside could come from potential M&A activity, as the company holds valuable assets, such as a proprietary network and a well-established, loyal customer base, positioning it advantageously in a market consolidation scenario.

Key Figures & Ratios	2023A	2024E	2025E	2026E	2027E
Sales (Eu mn)	51	58	60	64	68
EBITDA Adj (Eu mn)	23	24	27	31	34
Net Profit Adj (Eu mn)	8	7	8	10	12
EPS New Adj (Eu)	0.516	0.447	0.496	0.616	0.732
EPS Old Adj (Eu)	0.516	0.408	0.457	0.556	
DPS (Eu)	0.100	0.112	0.124	0.135	0.146
EV/EBITDA Adj	9.4	8.1	7.6	6.3	5.2
EV/EBIT Adj	16.6	16.9	15.6	12.0	9.6
P/E Adj	20.6	23.7	21.4	17.2	14.5
Div. Yield	0.9%	1.1%	1.2%	1.3%	1.4%
Net Debt/EBITDA Adj	0.9	1.2	1.3	0.8	0.2

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INTRED – Key Figures						
Profit & Loss (Eu mn)	2022A	2023A	2024E	2025E	2026E	2027E
Sales	46	51	58	60	64	68
EBITDA	20	23	24	27	31	34
EBIT	12	13	12	13	16	18
Financial Income (charges)	0	-1	-1	-2	-2	-2
Associates & Others	0	0	0	0	0	0
Pre-tax Profit	12	12	10	11	14	17
Taxes	-4	-3	-3	-3	-4	-5
Tax rate	28.8%	28.9%	30.0%	30.0%	30.0%	30.0%
Minorities & Discontinued Operations	0	0	0	0	0	0
Net Profit	9	8	7	8	10	12
EBITDA Adj	20	23	24	27	31	34
EBIT Adj	12	13	12	13	16	18
Net Profit Adj	9	8	7	8	10	12
Per Share Data (Eu)	2022A	2023A	2024E	2025E	2026E	2027E
Total Shares Outstanding (mn) - Average	16	16	16	16	16	16
Total Shares Outstanding (mn) - Year End	16	16	16	16	16	16
EPS f.d	0.546	0.516	0.447	0.496	0.616	0.732
EPS Adj f.d	0.546	0.516	0.447	0.496	0.616	0.732
BVPS f.d	3.022	3.463	3.810	4.195	4.686	5.282
Dividend per Share ORD	0.070	0.100	0.112	0.124	0.135	0.146
Dividend per Share SAV	0.000	0.000	0.000	0.000	0.000	0.000
Dividend Payout Ratio (%)	12.8%	19.4%	25.0%	25.0%	22.0%	20.0%
Cash Flow (Eu mn)	2022A	2023A	2024E	2025E	2026E	2027E
Gross Cash Flow	16	18	20	22	24	27
Change in NWC	6	4	7	1	1	4
Capital Expenditure	-39	-31	-28	-27	-13	-13
Other Cash Items	0	0	0	0	0	0
Free Cash Flow (FCF)	-16	-9	-2	-4	12	19
Acquisitions, Divestments & Other Items	0	0	-4	0	0	0
Dividends	-1	-1	-2	-2	-2	-2
Equity Financing/Buy-back	0	0	0	0	0	0
Change in Net Financial Position	-6	-9	-7	-6	10	16
Balance Sheet (Eu mn)	2022A	2023A	2024E	2025E	2026E	2027E
Total Fixed Assets	89	109	129	142	141	138
Net Working Capital	-27	-32	-38	-40	-40	-45
Long term Liabilities	-2	-2	-2	-2	-2	-2
Net Capital Employed	60	76	89	101	99	92
Net Cash (Debt)	-12	-21	-28	-34	-24	-8
Group Equity	48	55	61	67	74	84
Minorities	0	0	0	0	0	0
Net Equity	48	55	61	67	74	84
Enterprise Value (Eu mn)	2022A	2023A	2024E	2025E	2026E	2027E
Average Mkt Cap	234	190	168	168	168	168
Adjustments (Associate & Minorities)	0	0	0	0	0	0
Net Cash (Debt)	-12	-21	-28	-34	-24	-8
Enterprise Value	246	211	197	203	193	176
Ratios (%)	2022A	2023A	2024E	2025E	2026E	2027E
EBITDA Adj Margin	43.1%	44.6%	42.0%	44.5%	48.2%	50.1%
EBIT Adj Margin	26.4%	25.1%	20.0%	21.5%	25.2%	27.1%
Gearing - Debt/Equity	24.0%	38.0%	46.6%	51.4%	32.6%	9.4%
Interest Cover on EBIT	nm	11.0	7.9	7.7	7.8	10.8
Net Debt/EBITDA Adj	0.6	0.9	1.2	1.3	0.8	0.2
ROACE*	25.8%	18.7%	14.1%	13.7%	16.1%	19.2%
ROE*	19.7%	15.9%	12.3%	12.4%	13.9%	14.7%
EV/CE	5.2	3.1	2.4	2.1	1.9	1.9
EV/Sales	5.3	4.2	3.4	3.4	3.0	2.6
EV/EBITDA Adj	12.4	9.4	8.1	7.6	6.3	5.2
EV/EBIT Adj	20.2	16.6	16.9	15.6	12.0	9.6
Free Cash Flow Yield	-9.6%	-5.1%	-1.0%	-2.5%	7.1%	11.0%
Growth Rates (%)	2022A	2023A	2024E	2025E	2026E	2027E
Sales	11.7%	9.6%	14.9%	3.8%	5.5%	6.2%
EBITDA Adj	12.6%	13.5%	8.2%	10.0%	14.3%	10.4%
EBIT Adj	3.1%	4.2%	-8.4%	11.6%	23.7%	14.2%
Net Profit Adj	0.6%	-5.6%	-13.3%	11.0%	24.0%	18.9%
EPS Adj	0.6%	-5.6%	-13.3%	11.0%	24.0%	18.9%
DPS	16.7%	42.9%	11.8%	11.0%	9.2%	8.1%

*Excluding extraordinary items Source: Intermonte SIM estimates

New Business Plan

- A Perfect Mix: Profitability Surge and Strong FCF.** INTRED's new strategic plan centres on long-term shareholder value creation through three key pillars: expanding the cash-generating FTTH network, enhancing market positioning via the acquisition of Connecting Italia, and diversifying revenue streams by investing in datacentres. The new plan envisages €80mn of CapEx in 2024-27, of which €13mn related to the construction of a DC facility in Brescia, which will start contributing to revenues from 2028. Top line growth is expected to remain at high single-digit levels, driven by the existing business, despite a declining contribution from School Tenders. On the other hand, the EBITDA margin should structurally reach c.50% (up from the current 42-44%). EBITDA improvement, combined with lower School Tender investments, should drive strong FCF generation in 2026 with a significant improvement in the NFP, which will tend to zero in 2028.

INTRED: Financial Targets 2024-27 – P&L

C. Mn

	2023	2024E	2025E	2026E	2027E	CAGR 2023-2027E
Value of Production	50.5	56-58			67-73	High single Digit
EBITDA	22.5	24-25			34-36	Double digit
EBITDA margin	44.6%	42-44%			50%	

↑ ↑

Source: Company presentation

INTRED: Financial Targets 2024-27 – EBITDA & Capex

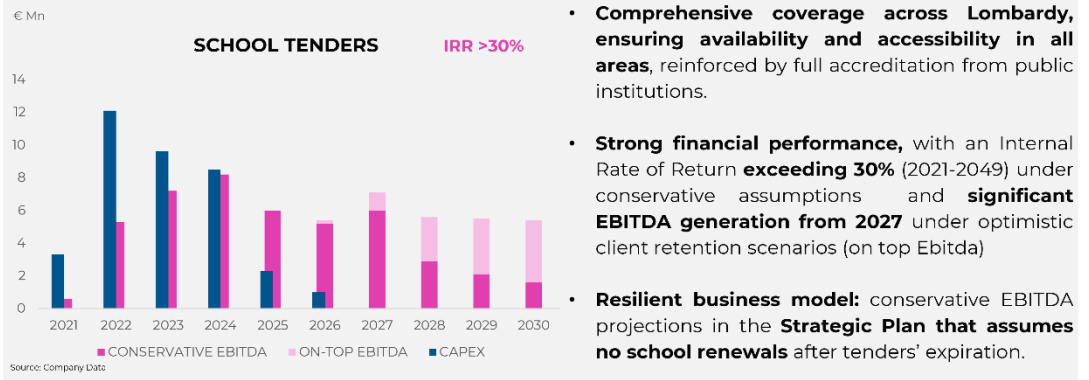
€ Mn

	2023	2024E	2025E	2026E	2027E	
EBITDA	22.5	24-25			34-36	
CAPEX	31.0	↓	↑	↓	↓	
EBITDA – CAPEX	(8.5)	—	—	+	++	
Net Financial Position	20.9	—	—	+	++	

Source: Company presentation

- Life after the School Tenders: conservative targets with massive upside from potential renewals.** The School Tender has driven an expected IRR of over 30% for INTRED over the 2021-2049 period, expanding its regional coverage, enhancing its reputation, and allowing it to establish long-term relationships with schools, thereby reinforcing its market presence and improving future opportunities. The key question, effectively addressed by INTRED's management, is the company's strategy post-School Tender completion. The new 4-year EBITDA targets, with a double-digit CAGR, are conservatively based on the assumption that no schools will remain as INTRED customers once the tender concludes. However, in a more optimistic scenario where 100% of the schools continue as clients, the EBITDA upside would become significant from 2027, providing a substantial buffer to the company's targets.

INTRED: School Tenders: base case: no school remains Intred's customers after the tender's conclusion

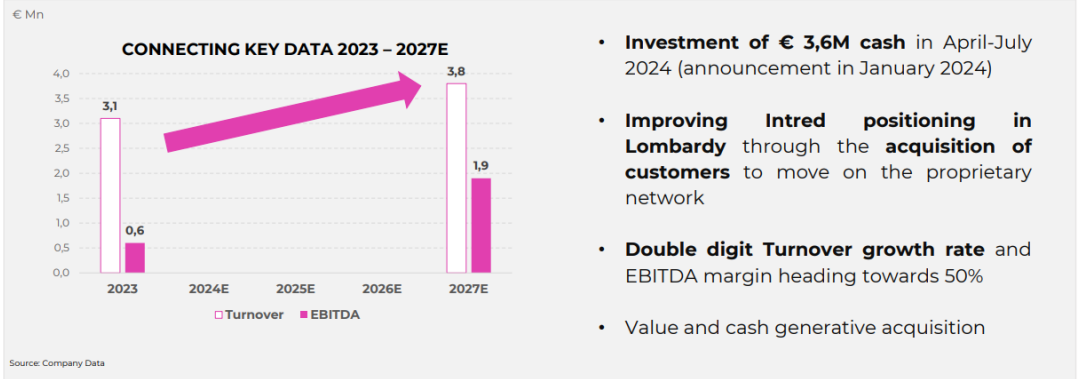


- **Comprehensive coverage across Lombardy, ensuring availability and accessibility in all areas**, reinforced by full accreditation from public institutions.
- **Strong financial performance**, with an Internal Rate of Return **exceeding 30%** (2021-2049) under conservative assumptions and **significant EBITDA generation from 2027** under optimistic client retention scenarios (on top Ebitda)
- **Resilient business model**: conservative EBITDA projections in the **Strategic Plan that assumes no school renewals** after tenders' expiration.

Source: Company presentation

■ **Connecting Italia integration**: company targeting a double-digit turnover growth rate and EBITDA margin heading towards 50% (€1.9mn EBITDA by 2027, >3x vs 2023). **M&A continues to be a priority for INTRED.**

INTRED: Connecting Italia, positioning and returns

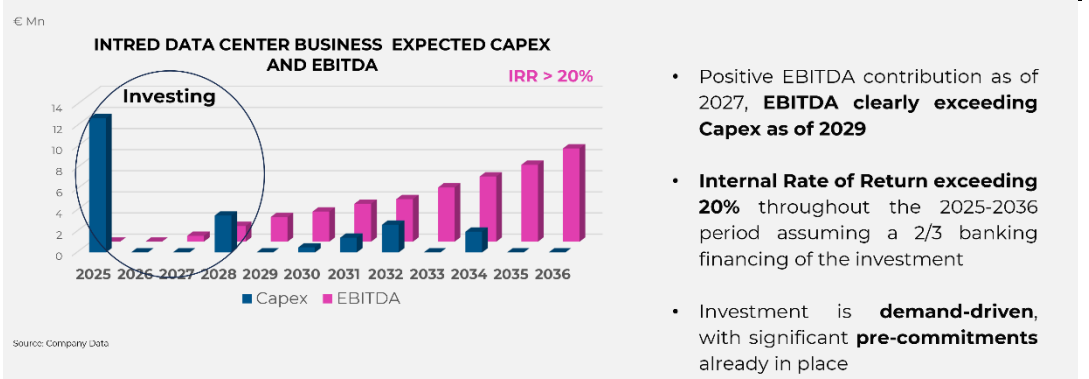


- **Investment of € 3,6M cash** in April-July 2024 (announcement in January 2024)
- **Improving Intred positioning in Lombardy** through the **acquisition of customers** to move on the proprietary network
- **Double digit Turnover growth rate** and EBITDA margin heading towards 50%
- Value and cash generative acquisition

Source: Company presentation

■ **Datacenter opportunity, a perfect fit with INTRED's strategy.** With the Italian DC market expected to grow at a CAGR of >14%, reaching €3.7bn by 2029, and Lombardy holding the largest market share, INTRED is well placed to capitalise on the opportunity, diversifying revenue sources and strengthening its market presence. The company plans to invest a relatively small €13mn between 2025 and 2026 (an initial module of c.1.5MW capacity) to meet increasing demand for data storage and processing. The investment is expected to deliver positive EBITDA by 2027 and exceed CapEx by 2029, with an expected IRR >20% through 2036, assuming two-thirds of the investment is covered by bank financing.

INTRED: Datacenter: Expected Capex and EBITDA



- Positive EBITDA contribution as of 2027, **EBITDA clearly exceeding Capex as of 2029**
- **Internal Rate of Return exceeding 20%** throughout the 2025-2036 period assuming a 2/3 banking financing of the investment
- Investment is **demand-driven**, with significant **pre-commitments** already in place

Source: Company presentation

■ The dividend payout in the 2024-2027 period will be consistent with what has been implemented by the company so far (we currently foresee a payout in the low 20s); the strong cash generation expected as of 2026 could also allow a more generous policy, if it is deemed to be in shareholders' best interest.

2024-27 Company targets and our estimates

INTRED: 2024-27E Company Targets and our estimates

	2023A	2024 tgt			2027 tgt			CAGR'24-27	
		min	max	Est.	min	max	Est.	tgt	Est.
revenues	50.5	56	58	58.0	67	73	67.5	high 1-digit	7.5%
EBITDA	22.5	24	25	24.4	34	36	33.8	2-digit	10.7%
margin	44.6%	42%	44%	42.0%	~ 50%	~ 50%	50.1%		
	2021-23A							2024-27E	
Cum. Capex	90							80	81.5

Source: Company targets, Intermonte Estimates (E)

1H24 results

On 2nd August, Intred reported consolidated 1H turnover of Eu27.5mn (+12.1% YoY including Eu1.6mn from Connecting Italia, and +5.6% excluding). For the rest of the P&L the company only released standalone figures excluding Connecting Italia, as it had not yet been absorbed by INTRED, but 2024 results will be released on a consolidated basis.

1H24 “standalone” results were a touch above our estimates:

- Revenues Eu25.9mn (+5.6% YoY)
- Adj. EBITDA Eu11.5mn (our exp. Eu11.1mn)
- Adj. EBITDA margin 43.6% (our exp. 42.9%)
- Adj. net profit Eu3.5mn (our exp. Eu3.1mn)
- Net debt Eu27.4mn (our exp. Eu29.8mn)

For Connecting Italia:

- Revenues Eu1.5mn (our exp. Eu1.6mn)
- Adj. EBITDA Eu0.28mn (our exp. 0.3mn)
- Adj. EBITDA margin 18.4% (our exp. 18.8%)
- Net Cash Position Eu0.7mn (our exp. Eu0.5mn)

INTRED segments and KPIs:

- Sales to the public sector delivered the fastest growth, rising 4.5%, driven by School Tenders worth €5.3mn (20.5% of total revenue). The professional sector grew 18.3% to €15.4mn, and wholesale by 11.9% to €2.1mn.
- The churn rate remains strong at 4.6%, reflecting high customer loyalty.
- In 1H24, the company's fibre optic network expanded from 11,700 km to nearly 13,000 km, a 10.1% increase.
- As at 30 June 2024, over 3,900 schools had been activated under School Tenders: 3,500 from the first Tender (88.4% of the total) and over 400 from the second (11.6%), with total 1H revenue of €4.4mn.

Change in Estimates

We are rephasing our estimates to factor in the new 2024-27 outlook, assuming i) a 7.5% Voé CAGR (tgt: high single-digit) reaching €68mn in FY27 (tgt. €67-73mn); ii) an 11% EBITDA CAGR (tgt: double digit) to c.€34mn in FY27 (tgt €34-36mn) driving c.50% profitability in FY27 (our exp. 50.1%). Net debt expected to peak in FY25 (our exp. €34mn, 1.3x leverage) to reflect the €13mn DC CapEx, then come down to c.€8mn in FY27 (0.3x EBITDA).

INTRED - Changes to FY24-27 Estimates: P&L

Eu mn	Actuals			New Estimates				Old Estimates				New vs Old (%)			
	'21A	'22A	'23A	'24E	'25E	'26E	'27E	'24E	'25E	'26E	'27E	'24E	'25E	'26E	'27E
Net Revenues	40.5	45.5	50.1	57.5	59.7	63.0	66.9	57.5	64.3	72.1	79.0	0%	-7%	-13%	-15%
YoY growth	14.1%	12.5%	10.0%	14.9%	3.8%	5.5%	6.2%	14.8%	11.9%	12.1%	9.5%				
VoP	41.2	46.1	50.5	58.0	60.2	63.6	67.5	58.0	64.9	72.8	79.7	0%	-7%	-13%	-15%
YoY growth	13.3%	11.7%	9.6%	14.9%	3.8%	5.5%	6.2%	14.8%	11.9%	12.1%	9.5%				
Adj. EBITDA	17.6	19.9	22.5	24.4	26.8	30.6	33.8	23.5	26.6	30.4	33.4	4%	1%	1%	1%
YoY growth	26.1%	12.6%	13.5%	8.2%	10.0%	14.3%	10.4%	4.3%	13.3%	14.3%	9.9%				
as % of VoP	42.8%	43.1%	44.6%	42.0%	44.5%	48.2%	50.1%	40.5%	41.0%	41.8%	42.0%				
EBITDA	17.6	19.9	22.5	24.4	26.8	30.6	33.8	23.5	26.6	30.4	33.4	4%	1%	1%	1%
D&A	(5.8)	(7.7)	(9.9)	(12.8)	(13.9)	(14.6)	(15.5)	(12.8)	(14.3)	(16.0)	(17.5)				
EBIT	11.8	12.2	12.7	11.6	13.0	16.0	18.3	10.7	12.3	14.4	15.9	8%	5%	11%	15%
as % of VoP	28.6%	26.4%	25.1%	20.0%	21.5%	25.2%	27.1%	18.5%	19.0%	19.8%	20.0%				
net fin.exp.	0.2	0.0	(1.2)	(1.5)	(1.7)	(2.1)	(1.7)	(1.5)	(2.0)	(1.8)	(1.4)				
PBT	11.9	12.2	11.5	10.1	11.3	14.0	16.6	9.3	10.4	12.6	14.5	9%	9%	11%	14%
as % of VoP	29.0%	26.4%	22.8%	17.5%	18.7%	22.0%	24.6%	16.0%	16.0%	17.3%	18.2%				
Net income	8.6	8.7	8.2	7.1	7.9	9.8	11.6	6.5	7.3	8.8	10.2	9%	9%	11%	14%
as % of VoP	20.9%	18.8%	16.2%	12.2%	13.1%	15.4%	17.2%	11.2%	11.2%	12.1%	12.7%				
Adj. Net income	8.6	8.7	8.2	7.1	7.9	9.8	11.6	6.5	7.3	8.8	10.2	9%	9%	11%	14%
NOSH (mn)	15.9	15.9	15.9	15.9	15.9	15.9	15.9	15.9	15.9	15.9	15.9				
Adj. EPS (€)	€ 0.54	€ 0.55	€ 0.52	€ 0.45	€ 0.50	€ 0.62	€ 0.73	€ 0.41	€ 0.46	€ 0.56	€ 0.64	9%	9%	11%	14%
EPS (€)	€ 0.54	€ 0.55	€ 0.52	€ 0.45	€ 0.50	€ 0.62	€ 0.73	€ 0.41	€ 0.46	€ 0.56	€ 0.64	9%	9%	11%	14%
DPS (€)	€ 0.06	€ 0.07	€ 0.10	€ 0.11	€ 0.12	€ 0.14	€ 0.15	€ 0.10	€ 0.11	€ 0.12	€ 0.13	9%	9%	11%	14%
payout	11%	13%	19%	25%	25%	22%	20%	25%	25%	22%	20%				
Capex	(20.5)	(39.3)	(31.1)	(28.1)	(27.5)	(13.2)	(12.7)	(27.0)	(18.0)	(15.1)	(15.0)	4%	53%	-13%	-15%
as % of VoP	49.7%	85.3%	61.5%	48.5%	45.6%	20.8%	18.8%	46.6%	27.8%	20.8%	18.8%				
Net Debt/(cash)	(5.4)	11.5	20.9	28.2	34.3	24.3	7.9	32.7	29.9	20.4	7.9	(4.5)	4.4	3.9	(0.0)
ND/EBITDA	-0.3x	0.6x	0.9x	1.2x	1.3x	0.8x	0.2x	1.4x	1.1x	0.7x	0.2x				

Source: Intermonte SIM (E), Company Data (A)

INTRED - Changes to FY24-27 Estimates: FCF and Net Debt Evolution

Eu mn	Actuals			New Estimates				Old Estimates				New vs Old (%)			
	'21A	'22A	'23A	'24E	'25E	'26E	'27E	'24E	'25E	'26E	'27E	'24E	'25E	'26E	'27E
Net income	8.6	8.7	8.2	7.1	7.9	9.8	11.6	6.5	7.3	8.8	10.2	0.6	0.6	0.9	1.5
D&A	5.8	7.7	9.9	12.8	13.9	14.6	15.5	12.8	14.3	16.0	17.5	0.0	(0.4)	(1.4)	(2.0)
NWC & Other	11.6	6.5	4.4	6.5	1.4	0.8	4.1	1.6	0.9	1.6	1.7	5.0	0.5	(0.8)	2.4
FCFO	26.1	22.9	22.5	26.4	23.2	25.2	31.3	20.8	22.5	26.4	29.4	5.6	0.7	(1.3)	1.9
Capex (net of disposals)	(19.8)	(39.0)	(31.1)	(28.1)	(27.5)	(13.2)	(12.7)	(27.0)	(18.0)	(15.1)	(15.0)	(1.1)	(9.5)	1.9	2.3
EFCF	6.3	(16.1)	(8.6)	(1.7)	(4.3)	11.9	18.6	(6.2)	4.5	11.3	14.4	4.5	(8.7)	0.6	4.2
Rights issue /IPO	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend cashed-in	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends paid	(0.6)	(1.0)	(1.1)	(1.6)	(1.8)	(2.0)	(2.1)	(1.6)	(1.6)	(1.8)	(1.9)	-	(0.2)	(0.2)	(0.2)
M&A	-	-	-	(4.0)	-	-	-	(4.0)	-	-	-	-	-	-	-
Buyback	-	-	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-
Other	(11.5)	11.0	0.4	-	-	-	-	-	-	-	-	-	-	-	-
Net Cash Flow	(5.8)	(6.1)	(9.4)	(7.3)	(6.1)	10.0	16.4	(11.8)	2.8	9.5	12.4	4.5	(8.9)	0.5	4.0
Opening ND /(Cash)	(0.4)	5.4	11.5	20.9	28.2	34.3	24.3	20.9	32.7	29.9	20.4	-	(4.5)	4.4	3.9
Change	5.8	6.1	9.4	7.3	6.1	(10.0)	(16.4)	11.8	(2.8)	(9.5)	(12.4)	(4.5)	8.9	(0.5)	(4.0)
Closing Net Debt /(Cash)	5.4	11.5	20.9	28.2	34.3	24.3	7.9	32.7	29.9	20.4	7.9	(4.5)	4.4	3.9	(0.0)

Source: Intermonte SIM (E), Company Data (A)

2024-27 Estimates

INTRED - 2024-27 Estimates: Revenue Split by Client, and P&L

Revenue split by Client (Eu mn)	FY20A	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E	FY27E
Business	23.3	24.4	25.1	26.4	27.7	28.8	30.5	32.7
YoY growth	0.0%	4.8%	3.0%	5.0%	5.0%	4.0%	6.0%	7.0%
as % of sales	65.8%	60.3%	55.2%	52.7%	48.2%	48.3%	48.5%	48.8%
Wholesale	3.1	3.6	3.8	3.9	4.0	4.1	4.4	4.6
YoY growth	0.0%	13.4%	7.4%	2.2%	3.0%	3.0%	5.0%	5.0%
as % of sales	8.8%	8.8%	8.4%	7.8%	7.0%	6.9%	6.9%	6.8%
Residential	7.6	8.8	9.1	9.2	9.5	9.8	10.1	10.4
YoY growth	0.0%	16.6%	2.7%	1.7%	3.0%	3.0%	3.0%	3.0%
as % of sales	21.3%	21.8%	19.9%	18.4%	16.5%	16.4%	16.0%	15.5%
PA	1.5	3.7	7.5	10.6	13.3	13.7	14.5	15.5
YoY growth	0.0%	152.4%	104.0%	41.3%	25.3%	3.0%	6.0%	7.0%
as % of sales	4.1%	9.1%	16.5%	21.2%	23.1%	22.9%	23.0%	23.2%
Connecting Italia					3.0	3.3	3.5	3.5
Net revenues	35.4	40.5	45.5	50.1	57.5	59.7	63.0	66.9
YoY growth	70.2%	14.1%	12.5%	10.0%	14.9%	3.8%	5.5%	6.2%
P&L (Eu mn)	FY20A	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E	FY27E
Net revenues	35.4	40.5	45.5	50.1	57.5	59.7	63.0	66.9
YoY growth	70.2%	14.1%	12.5%	10.0%	14.9%	3.8%	5.5%	6.2%
Other income	0.9	0.8	0.6	0.4	0.5	0.5	0.6	0.6
Value of Production	36.4	41.2	46.1	50.5	58.0	60.2	63.6	67.5
YoY growth	71.7%	13.3%	11.7%	9.6%	14.9%	3.8%	5.5%	6.2%
Raw Mat	(0.3)	(2.1)	(0.9)	(2.3)	(1.7)	(3.0)	(3.2)	(3.4)
as % of VoP	0.8%	5.0%	1.9%	4.6%	3.0%	5.0%	5.0%	5.0%
Services	(5.5)	(5.5)	(6.7)	(8.0)	(9.6)	(10.5)	(11.4)	(12.2)
as % of VoP	15.2%	13.4%	14.5%	15.9%	16.5%	17.5%	18.0%	18.0%
Network rentals	(9.3)	(9.1)	(9.2)	(9.2)	(9.4)	(8.5)	(7.7)	(6.9)
as % of VoP	25.7%	22.2%	20.0%	18.2%	16.2%	14.2%	12.2%	10.2%
Changes in inventory	-	1.2	(0.8)	(0.5)	(1.7)	(1.8)	(1.9)	(2.0)
as % of VoP	0.0%	-2.9%	1.7%	1.0%	3.0%	3.0%	3.0%	3.0%
Sundry OpEx	(0.8)	(1.0)	(0.7)	0.2	(3.0)	(1.3)	(0.3)	(0.9)
as % of VoP	2.1%	2.5%	1.6%	-0.3%	5.3%	2.1%	0.5%	1.3%
Personnel expense	(6.5)	(7.0)	(7.9)	(8.1)	(8.2)	(8.3)	(8.3)	(8.4)
as % of VoP	17.8%	17.0%	17.2%	16.0%	14.1%	13.7%	13.1%	12.5%
EBITDA	14.0	17.6	19.9	22.5	24.4	26.8	30.6	33.8
YoY growth	60.6%	26.1%	12.6%	13.5%	8.2%	10.0%	14.3%	10.4%
as % of VoP	39.5%	43.6%	43.1%	44.6%	42.0%	44.5%	48.2%	50.1%
Adj. EBITDA	14.0	17.6	19.9	22.5	24.4	26.8	30.6	33.8
YoY growth	60.6%	26.1%	12.6%	13.5%	8.2%	10.0%	14.3%	10.4%
as % of VoP	38.4%	42.8%	43.1%	44.6%	42.0%	44.5%	48.2%	50.1%
D&A	(5.9)	(5.8)	(7.7)	(9.9)	(12.8)	(13.9)	(14.6)	(15.5)
as % of VoP	16.1%	14.2%	16.7%	19.5%	22.0%	23.0%	23.0%	23.0%
EBIT	8.1	11.8	12.2	12.7	11.6	13.0	16.0	18.3
YoY growth	41.1%	45.1%	3.1%	4.2%	-8.4%	11.6%	23.7%	14.2%
as % of VoP	22.3%	28.6%	26.4%	25.1%	20.0%	21.5%	25.2%	27.1%
Adj. EBIT	8.1	11.8	12.2	12.7	11.6	13.0	16.0	18.3
YoY growth	41.1%	45.1%	3.1%	4.2%	-8.4%	11.6%	23.7%	14.2%
as % of VoP	22.3%	28.6%	26.4%	25.1%	20.0%	21.5%	25.2%	27.1%
Net Financial Expenses	0.1	0.2	0.0	(1.2)	(1.5)	(1.7)	(2.1)	(1.7)
PBT	8.2	11.9	12.2	11.5	10.1	11.3	14.0	16.6
Current/deferred tax/assets	(2.1)	(3.3)	(3.5)	(3.3)	(3.0)	(3.4)	(4.2)	(5.0)
tax rate	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Net profit/(loss)	6.1	8.6	8.7	8.2	7.1	7.9	9.8	11.6
YoY growth	41.3%	41.1%	0.6%	-5.6%	-13.3%	11.0%	24.0%	18.9%
as % of VoP	16.8%	20.9%	18.8%	16.2%	12.2%	13.1%	15.4%	17.2%
Adj. Net profit	6.1	8.6	8.7	8.2	7.1	7.9	9.8	11.6
YoY growth	41.3%	41.1%	0.6%	-5.6%	-13.3%	11.0%	24.0%	18.9%
as % of VoP	16.8%	20.9%	18.8%	16.2%	12.2%	13.1%	15.4%	17.2%

Source: Intermonte SIM (E), Company actual (A)

INTRED - 2024-27 Estimates: CapEx, FCF and Balance Sheet

CapEx (Eu mn)	FY20A	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E	FY27E
IRU (intangible)	2.9	4.9	11.0	3.5	4.2	4.1	2.0	1.9
as % of net sales	8.2%	12.1%	24.2%	7.1%	7.3%	6.9%	3.2%	2.9%
Proprietary Network (tangible)	7.3	14.9	28.0	27.5	23.9	10.3	11.2	10.8
Capex (Eu mn)	10.2	19.8	39.0	31.1	28.1	27.5	13.2	12.7
as % of net sales	28.8%	48.9%	85.7%	62.1%	48.9%	46.0%	21.0%	19.0%

FCF (Eu mn)	FY20A	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E	FY27E
Net income	6.1	8.6	8.7	8.2	7.1	7.9	9.8	11.6
D&A	5.9	5.8	7.7	9.9	12.8	13.9	14.6	15.5
NWC & Other	3.0	11.6	6.5	4.4	6.5	1.4	0.8	4.1
FCFO	15.0	26.1	22.9	22.5	26.4	23.2	25.2	31.3
Capex (net of disposals)	(10.2)	(19.8)	(39.0)	(31.1)	(28.1)	(27.5)	(13.2)	(12.7)
EFCF	4.8	6.3	(16.1)	(8.6)	(1.7)	(4.3)	11.9	18.6
Rights issue /IPO	-	-	-	-	-	-	-	-
Dividend cashed-in	-	-	-	-	-	-	-	-
Dividends paid	(0.5)	(0.6)	(1.0)	(1.1)	(1.6)	(1.8)	(2.0)	(2.1)
M&A	(10.2)	-	-	-	(4.0)	-	-	-
Buyback	-	-	-	(0.0)	-	-	-	-
Other	(1.8)	(11.5)	11.0	0.4	-	-	-	-
Net Debt change (- incr/+ decr)	(7.7)	(5.8)	(6.1)	(9.4)	(7.3)	(6.1)	10.0	16.4
Opening Net Debt /(Cash)	(8.1)	(0.4)	5.4	11.5	20.9	28.2	34.3	24.3
Change	7.7	5.8	6.1	9.4	7.3	6.1	(10.0)	(16.4)
Closing Net Debt /(Cash)	(0.4)	5.4	11.5	20.9	28.2	34.3	24.3	7.9

Balance Sheet (Eu mn)	FY20A	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E	FY27E
CURRENT ASSETS	7.9	11.5	17.3	15.7	14.5	13.3	13.0	10.9
CURRENT LIABILITIES	(17.2)	(32.5)	(44.6)	(47.4)	(52.8)	(53.0)	(53.5)	(55.5)
NET WORKING CAPITAL	(9.3)	(21.0)	(27.2)	(31.7)	(38.2)	(39.7)	(40.4)	(44.6)
Intangible fixed assets	17.9	21.6	30.1	30.8	28.6	25.8	20.5	14.6
- goodwill	9.2	8.5	7.9	7.9	7.9	7.9	7.9	7.9
- other intangible assets	8.7	13.0	22.2	22.9	20.7	17.9	12.6	6.7
Property, plant and equipment	24.7	35.7	58.4	78.7	100.2	116.6	120.5	123.6
Financial fixed assets	0.1	0.2	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL FIXED ASSETS	42.8	57.4	88.6	109.5	128.8	142.4	141.0	138.2
Post-employment benefits	(1.6)	(1.6)	(1.8)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)
Provisions for risks and charges	(0.0)	(0.0)	(0.0)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
NET CAPITAL EMPLOYED	31.9	34.9	59.5	75.9	88.7	100.9	98.7	91.8
Share capital	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Reserves	16.2	21.7	29.3	36.9	43.5	48.8	54.7	62.4
Profit (loss) for the year	6.1	8.6	8.7	8.2	7.1	7.9	9.8	11.6
Negative reserve for shares in portfolio	-	-	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
EQUITY	32.3	40.3	48.0	55.0	60.5	66.6	74.4	83.9
NET DEBT	(0.4)	(5.4)	11.5	20.9	28.2	34.3	24.3	7.9
TOTAL SOURCES	31.9	34.9	59.5	75.9	88.7	100.9	98.7	91.8

Source: Intermonte SIM (E), Company actual (A)

DCF Valuation

On our new FCF estimates, we are raising our target price from €16.5 to €17.2, offering >60% upside on current prices.

INTRED – DCF model (WACC still at 8.8%, g still 1.5%)

(Eu mn)	'24E	'25E	'26E	'27E	'28E	'29E	'30E	'31E	'32E	'33E	'34E	TV
VoP	57.5	59.7	63.0	66.9	70.4	74.1	77.2	80.6	84.0	86.9	90.0	91.3
YoY growth	14.9%	3.8%	5.5%	6.2%	5.2%	5.2%	4.3%	4.4%	4.2%	3.5%	3.5%	1.5%
Adj. EBITDA	24.4	26.8	30.6	33.8	35.5	37.5	39.2	41.0	42.9	44.5	46.2	45.6
as % of VoP	42.4%	44.9%	48.6%	50.5%	50.4%	50.6%	50.8%	50.9%	51.1%	51.2%	51.4%	50.0%
D&A	(12.8)	(13.9)	(14.6)	(15.5)	(16.3)	(17.1)	(17.8)	(18.6)	(19.3)	(20.0)	(20.6)	(7.3)
EBIT	11.6	13.0	16.0	18.3	19.2	20.3	21.3	22.5	23.6	24.6	25.6	38.3
as % of VoP	20.2%	21.7%	25.4%	27.3%	27.2%	27.4%	27.6%	27.8%	28.0%	28.3%	28.5%	42.0%
Taxes	(2.8)	(3.1)	(3.8)	(4.4)	(4.6)	(4.9)	(5.1)	(5.4)	(5.7)	(5.9)	(6.1)	(9.2)
tax rate	24%	24%	24%	24%	24%	24%	24%	24%	24%	24%	24%	24%
Change in WC	6.5	1.4	0.8	4.1	1.6	1.5	1.2	1.3	1.3	1.1	1.1	-
Capex	(28.1)	(27.5)	(13.2)	(12.7)	(10.6)	(11.1)	(9.8)	(9.3)	(8.6)	(7.8)	(7.0)	(7.3)
as % of VoP	48.9%	46.0%	21.0%	19.0%	15.0%	15.0%	12.8%	11.5%	10.3%	9.0%	7.8%	8.0%
Unlevered FCF	0.0	(2.3)	14.3	20.8	22.0	23.0	25.4	27.7	29.9	31.9	34.2	29.1
TV												395
year	0	1	2	3	4	5	6	7	8	9	10	10
Disc. Factor	1.00	0.92	0.84	0.78	0.71	0.65	0.60	0.55	0.51	0.47	0.43	0.43
Disc. Flows		(2.1)	12.1	16.2	15.7	15.0	15.3	15.3	15.2	14.9	14.7	169.3

Sum of FCF'25-34E	132.2
Terminal value	169.3
Total EV	301.5
Net Cash (Debt) at YE24	(28.2)
Minorities	0.0
treasury shares	0.0
Equity Value	273.3
current NOSH (mn)	15.9
Target Price (Eu)	17.2
current price (Eu)	10.6
upside vs current price	62%

Source: Intermonte SIM

INTRED - DCF Sensitivity to WACC (%) and g (%)

		g										
		1.0%	1.1%	1.2%	1.3%	1.4%	1.5%	1.6%	1.7%	1.8%	1.9%	2.0%
WACC	7.8%	19.5	19.7	19.9	20.1	20.3	20.6	20.8	21.0	21.3	21.5	21.8
	8.0%	18.8	19.0	19.2	19.4	19.6	19.8	20.0	20.2	20.5	20.7	20.9
	8.2%	18.2	18.4	18.5	18.7	18.9	19.1	19.3	19.5	19.7	19.9	20.1
	8.4%	17.6	17.8	17.9	18.1	18.3	18.4	18.6	18.8	19.0	19.2	19.4
	8.6%	17.0	17.2	17.3	17.5	17.6	17.8	18.0	18.1	18.3	18.5	18.7
	8.8%	16.5	16.6	16.8	16.9	17.1	17.2	17.4	17.5	17.7	17.9	18.0
	9.0%	16.0	16.1	16.2	16.4	16.5	16.6	16.8	16.9	17.1	17.3	17.4
	9.2%	15.5	15.6	15.7	15.9	16.0	16.1	16.3	16.4	16.5	16.7	16.8
	9.4%	15.0	15.1	15.2	15.4	15.5	15.6	15.7	15.9	16.0	16.1	16.3
	9.6%	14.6	14.7	14.8	14.9	15.0	15.1	15.2	15.4	15.5	15.6	15.8
9.8%	14.1	14.2	14.3	14.5	14.6	14.7	14.8	14.9	15.0	15.1	15.3	

Source: Intermonte SIM

Peer multiples

We refer to peer multiples as a sanity check for our DCF model and purely for information purposes. Indeed, we believe the company is more similar to an emerging firm, considering the high potential for growth and ongoing network expansion, while the telecom sector is typically characterised by well-established companies operating in a mature business.

INTRED - Peer Valuation Multiples

Company	Currency	Price	Mkt. Cap (Eu mn)	Abs. Perf. (%)				EV/Sales (x)			EV/EBITDA (x)			EV/EBIT (x)			Adj. PE (x)			Div. Yield (%)		
				1m	3m	6m	Ytd	'24E	'25E	'26E	'24E	'25E	'26E	'24E	'25E	'26E	'24E	'25E	'26E	'24E	'25E	'26E
Intred SpA (@mkt price, our est.)	EUR	10.6	169	6%	6%	7%	-4%	3.0	2.9	2.8	7.2	6.6	5.8	15.1	13.6	11.1	23.8	21.4	17.2	1.1%	1.2%	1.3%
Intred SpA (@mkt price, cons.)	EUR	10.6	169	6%	6%	7%	-4%	3.4	3.0	2.4	8.3	7.1	5.5	17.5	15.0	11.0	24.1	20.8	17.1	0.8%	0.8%	0.9%
Unidata (@mkt price, our est.)	EUR	3.65	113	5%	-4%	0%	-7%	1.5	1.3	1.0	5.8	4.7	3.7	9.3	7.1	5.2	11.1	8.2	6.3	0.4%	0.4%	0.4%
Planetel S.p.A.	EUR	4.88	33	0%	-2%	-9%	-7%	0.8	0.8	0.7	3.3	2.9	2.5	6.6	5.0	3.9	11.8	8.1	6.0	0.0%	0.0%	0.0%
Convergenze SpA Societa Benefit	EUR	1.61	12	-3%	-12%	12%	17%	0.7	0.6	0.5	4.3	3.4	2.6	9.5	6.8	4.5	12.7	8.8	5.8	0.0%	0.0%	0.0%
Italian Regional FTTH players - Median								0.8	0.8	0.7	4.3	3.4	2.6	9.3	6.8	4.5	11.8	8.2	6.0	0.0%	0.0%	0.0%
United Internet AG	EUR	19.18	3,683	0%	-5%	-9%	-18%	1.2	1.2	1.1	5.7	5.1	4.5	10.5	9.0	7.6	13.4	8.9	7.5	2.6%	2.7%	3.6%
Chorus Limited	NZD	8.70	2,126	11%	17%	14%	12%	6.4	6.5	6.4	9.2	9.3	9.0	27.0	26.1	22.0	n.m.	136.1	59.3	5.5%	6.6%	6.8%
WideOpenWest, Inc.	USD	5.18	394	-8%	2%	67%	28%	2.2	2.4	2.5	5.1	5.2	5.2	35.5	31.0	29.3	n.m.	n.m.	n.m.	0.0%	0.0%	0.0%
Bredband2 i Skandinavien AB	SEK	2.02	171	-2%	-2%	14%	34%	1.1	1.0	1.1	6.7	6.0	6.0	13.4	11.3	10.4	14.1	12.4	11.3	5.4%	6.4%	7.4%
Intl. Regional FTTH players - Median								1.7	1.8	1.8	6.2	5.6	5.6	20.2	18.7	16.2	13.8	12.4	11.3	4.0%	4.6%	5.2%
Average Selected Peers								1.3	1.3	1.2	5.2	4.5	4.1	14.7	12.7	10.4	12.8	10.3	8.7	2.0%	2.3%	2.6%

Source: Intermonte SIM for INTRED and Unidata, FactSet Consensus

INTRED in Brief

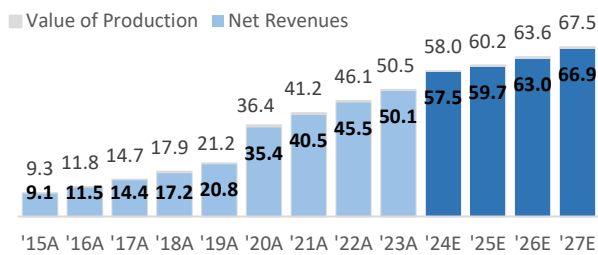
Company description

Based in Brescia and founded in 1996, **INTRED** offers UBB connectivity to businesses and residential clients, leveraging on its proprietary cutting-edge network (13,000km) in the extremely vibrant Lombardy region (1/5 of Italy's GDP). By providing its services to SMEs (53% of FY23 sales), residential (18%), 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 personnel. INTRED secured further expansion thanks to the acquisitions of QCOM (Feb'20, €10mn cashout, 4.3k business clients) and Connecting Italia (Jan'24, €4mn cashout, 2k business clients).

Strengths/Opportunities

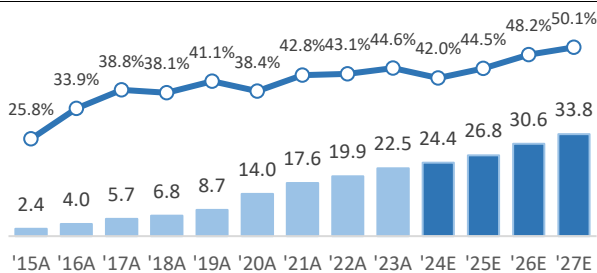
- Upside from school tender renewals and datacentre project
- Proprietary fibre network with a focus on future-proof FTTH technology
- Strategic location in an affluent and thriving area: significant market share in areas of Brescia (>15%) and Bergamo (>7%) and great presence in Lombardy with a large addressable market
- A highly fragmented (>48k customers as of FY23) and loyal customer base (churn rate c.4%)
- High profitability (c.45% EBITDA margin in FY23) and high entry barriers (investment, reputation, know-how)

INTRED – Value of Production (Eu mn)



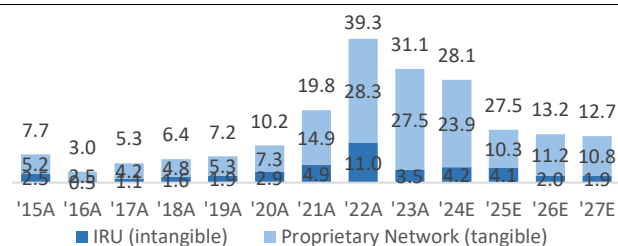
Source: Intermonte SIM (E), Company actual (A)

INTRED – EBITDA (Eu mn) and Margin on Sales (%)



Source: Intermonte SIM (E), Company actual (A)

INTRED – CapEx Trend (Eu mn)



Source: Intermonte SIM (E), Company actual (A)

Management

CEO and Chairman: Daniele Peli
GM: Egon Zanagnolo
CFO: Filippo Leone
Network Development: R. Boron

Next BoD renewal: Spring, 2027
BoD independent members: /7
BoD women: 3/7

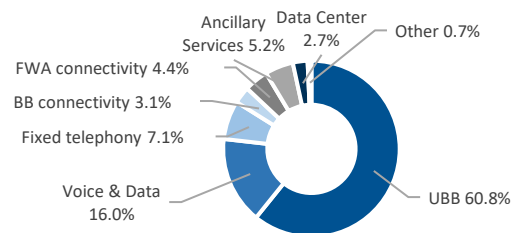
Shareholders

DM Holding S.r.l.	60.3%
o/w Daniele Peli	67%
o/w Marisa Prati	33%
Value First Sicav	9.4%
Market	30.3%

Weaknesses/Threats

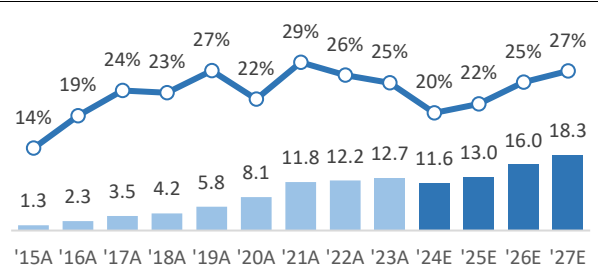
- A medium-sized company contending with telecom giants in a fiercely competitive and dynamic market
- SMEs typically more heavily penalised in the event of an economic downturn than large corporates
- Limited footprint with regional exposure to Lombardy
- Keeping up with the rate of business growth and innovation may require additional investment
- Failure to efficiently deploy capital or increase commercial take-up on proprietary infrastructure
- Risks associated with dependence on the services and infrastructure of other operators (TIM a major supplier)

INTRED – FY23 Revenue Breakdown by Activity (%)



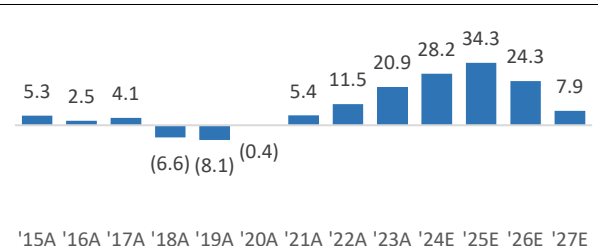
Source: Intermonte SIM (E), Company actual (A)

INTRED – EBIT (Eu mn) and Margin on Sales (%)



Source: Company Data (A), Intermonte Estimates (E)

INTRED – Net Debt/(Cash) Evolution (Eu mn)



Source: Company Data (A), Intermonte Estimates (E)

DETAILS ON STOCKS RECOMMENDATION			
Stock NAME	INTRED		
Current Recomm:	BUY	Previous Recomm:	BUY
Current Target (Eu):	17.20	Previous Target (Eu):	16.50
Current Price (Eu):	10.60	Previous Price (Eu):	10.05
Date of report:	25/09/2024	Date of last report:	05/08/2024