

INTRED	<i>Italy</i>	<i>Euronext Growth Milan</i>	<i>Tlc</i>
Rating: BUY (unch.)	Target Price: € 25,30 (prev. €24,00)	Update	Risk: Medium

Stock performance	1M	3M	6M	1Y
absolute	2,95%	-18,23%	-16,71%	7,90%
to FTSE Italia Growth	-0,35%	-8,89%	-13,08%	-12,88%
to Euronext STAR Milan	1,93%	-3,33%	-9,92%	-2,12%
to FTSE All-Share	0,52%	-8,70%	-14,87%	6,19%
to EUROSTOXX	0,38%	-8,69%	-14,77%	9,21%
to MSCI World Index	-0,18%	-12,54%	-18,86%	1,62%

Stock Data

Price	€ 15,70
Target price	€ 25,30
Upside/(Downside) potential	61,1%
Bloomberg Code	ITD IM EQUITY
Market Cap (€m)	248,85
EV (€m)	243,45
Free Float	30,17%
Share Outstanding	15.850.500
52-week high	€ 20,20
52-week low	€ 13,00
Average daily volumes (3m)	7.765

Key Financials (€m)	FY21A	FY22A	FY23E	FY24E
VoP	41,2	47,8	54,5	62,5
EBITDA	17,6	20,5	23,5	27,0
EBIT	11,8	13,7	15,9	18,5
Net Profit	8,6	10,1	11,7	13,6
EPS (€)	0,54	0,63	0,73	0,85
EBITDA margin	42,8%	42,9%	43,1%	43,2%
EBIT margin	28,6%	28,7%	29,2%	29,6%
Net Profit margin	20,9%	21,0%	21,4%	21,7%

Main Ratios	FY21A	FY22A	FY23E	FY24E
EV/EBITDA (x)	13,8	11,9	10,4	9,0
EV/EBIT (x)	20,6	17,8	15,3	13,2
P/E (x)	28,9	24,8	21,4	18,4

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Stocks performance relative to FTSE Italia Growth



FY21A Results

The VoP stands at € 41.24 million, compared to a value of € 36.39 million in 2020 and € 41.50 million estimated in our previous report. EBITDA, equal to € 17.64 million, recorded an increase of 26.1% compared to € 13.99 million in 2020 and is also growing compared to our expectations of € 16.75 million. EBIT amounted to € 11.79 million (€ 8.13 million in FY20A) after amortization and depreciation of € 5.85 million. Net profit amounted to € 8.62 million (€ 6.11 million in 2020A), up compared to the € 7.75 million expected. The NFP is cash positive and equal to € 5.41 million, compared to a cash positive value on December 31, 2020 equal to € 0.43 million.

Estimates update

In the light of the results published in the annual report for 2021A, we modify our previous estimates both for the current year and for the coming years. In particular, we estimate 2022E value of production equal to € 47.80 million and EBITDA of € 20.50 million, corresponding to a marginality of 42.9%. For subsequent years, we expect the value of production to increase up to € 70.50 million (CAGR 21A-25E: 14.34%) in 2025E, with EBITDA of € 30.60 million (corresponding to an EBITDA margin of 43.4%), up from € 17.64 million in 2021A (corresponding to an EBITDA margin of 42.8%).

Valuation Update

We have conducted the valuation of Intred equity value based on the DCF methodology and market multiples of a comparable companies sample. The DCF method (which also includes a specific risk of 1.0% for prudential purposes in the calculation of the WACC) provides an equity value of € 430.9 million. The equity value of Intred using the market multiples is equal to € 371.1 million. The result is an average equity value of approx. € 401.0 million. The target price is, therefore, € 25.30 (prev. € 24.00), BUY rating and MEDIUM risk.

1. Economics & Financials

Table 1 – Economics & Financials

INCOME STATEMENT (€/mIn)	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Revenues	35,45	40,46	47,00	54,00	62,00	70,00
Other Revenues	0,94	0,78	0,80	0,50	0,50	0,50
Value of Production	36,39	41,24	47,80	54,50	62,50	70,50
COGS	0,28	0,89	0,50	0,50	0,50	0,50
Use of assets owned by others	9,35	9,14	10,70	12,20	14,10	15,90
Services	5,51	5,53	6,35	7,30	8,30	9,30
Employees	6,49	7,01	8,80	9,90	11,25	12,70
Other Operating Expenses	0,77	1,04	0,95	1,10	1,35	1,50
EBITDA	13,99	17,64	20,50	23,50	27,00	30,60
<i>EBITDA Margin</i>	<i>38,4%</i>	<i>42,8%</i>	<i>42,9%</i>	<i>43,1%</i>	<i>43,2%</i>	<i>43,4%</i>
D&A	5,86	5,85	6,80	7,60	8,50	8,80
EBIT	8,13	11,79	13,70	15,90	18,50	21,80
<i>EBIT Margin</i>	<i>22,3%</i>	<i>28,6%</i>	<i>28,7%</i>	<i>29,2%</i>	<i>29,6%</i>	<i>30,9%</i>
Financial Management	0,06	0,15	0,05	0,05	0,05	0,05
EBT	8,18	11,95	13,75	15,95	18,55	21,85
Taxes	2,07	3,32	3,70	4,30	5,00	6,00
Net Income	6,11	8,62	10,05	11,65	13,55	15,85
BALANCE SHEET (€/mIn)	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Fixed Assets	42,76	57,42	74,50	82,00	85,50	88,70
Account receivable	5,41	7,75	8,80	10,00	11,30	12,40
Inventories	0,00	1,19	0,50	0,50	0,50	0,50
Account payable	7,66	17,12	23,00	25,00	23,00	21,00
Operating Working Capital	(2,2)	(8,2)	(13,7)	(14,5)	(11,2)	(8,1)
Other receivable	2,52	2,66	2,70	2,80	2,95	3,10
Other payable	9,56	15,45	18,00	18,00	17,00	16,00
Net Working Capital	(9,3)	(21,0)	(29,0)	(29,7)	(25,3)	(21,0)
Severance Indemnities & Other Provisions	1,60	1,56	1,90	2,20	2,50	2,80
NET INVESTED CAPITAL	31,87	34,89	43,60	50,10	57,75	64,90
Share Capital	10,00	10,00	10,00	10,00	10,00	10,00
Reserves	16,19	21,67	29,43	38,47	48,96	61,15
Net Income	6,11	8,62	10,05	11,65	13,55	15,85
Equity	32,30	40,29	49,48	60,12	72,51	87,00
Cash & Cash Equivalent	6,83	15,33	9,43	12,02	15,51	22,60
Short Term Debt to Bank	1,48	6,30	1,25	1,00	0,75	0,50
M/L Term Debt to Bank	4,92	3,63	2,30	1,00	0,00	0,00
Net Financial Position	(0,43)	(5,41)	(5,88)	(10,02)	(14,76)	(22,10)
SOURCES	31,87	34,89	43,60	50,10	57,75	64,90
CASH FLOW (€/mIn)	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
EBIT	8,13	11,79	13,70	15,90	18,50	21,80
Taxes	2,07	3,32	3,70	4,30	5,00	6,00
NOPAT	6,06	8,47	10,00	11,60	13,50	15,80
D&A	5,86	5,85	6,80	7,60	8,50	8,80
Change in receivable	0,20	(2,34)	(1,05)	(1,20)	(1,30)	(1,10)
Change in inventories	0,35	(1,19)	0,69	0,00	0,00	0,00
Change in payable	0,50	9,46	5,88	2,00	(2,00)	(2,00)
Change in others	1,34	5,75	2,51	(0,10)	(1,15)	(1,15)
<i>Change in NWC</i>	<i>2,39</i>	<i>11,68</i>	<i>8,03</i>	<i>0,70</i>	<i>(4,45)</i>	<i>(4,25)</i>
Change in provisions	(0,12)	(0,04)	0,34	0,30	0,30	0,30
OPERATING CASH FLOW	14,19	25,95	25,17	20,20	17,85	20,65
Capex	(20,6)	(20,5)	(23,9)	(15,1)	(12,0)	(12,0)
FREE CASH FLOW	(6,43)	5,45	1,29	5,10	5,85	8,65
Financial Management	0,06	0,15	0,05	0,05	0,05	0,05
Change in Debt to Bank	3,68	3,52	(6,37)	(1,55)	(1,25)	(0,25)
Change in Equity	(1,82)	(0,63)	(0,86)	(1,01)	(1,17)	(1,36)
FREE CASH FLOW TO EQUITY	(4,51)	8,50	(5,90)	2,60	3,49	7,10

Source: Intred and Integrae SIM estimates

1.1 FY21A Results

Table 2 – Actual VS Estimates FY21A

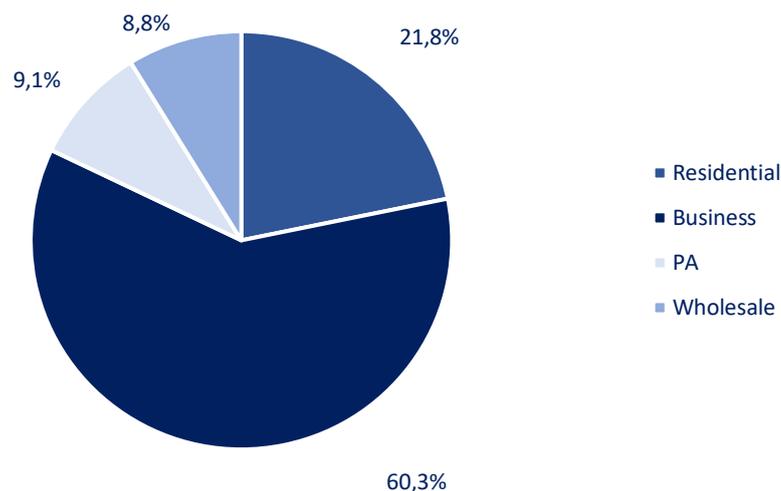
(€/mln)	VoP	EBITDA	EBITDA %	EBIT	Net Income	NFP
FY21A	41,2	17,6	42,8%	11,8	8,6	(5,4)
FY21E	41,5	16,8	40,4%	10,5	7,8	(7,1)
Change	-0,6%	5,3%	2,4%	12,8%	11,2%	N/A

Source: Integrae SIM

Through a press release, the Company, commenting on the annual results, declares: "2021 is closed with a very positive result both in terms of revenues and marginality. The objectives we have achieved, in a very difficult year, still strongly conditioned by the continuing effects of the Covid-19 pandemic, are a source of great satisfaction for Intred. During 2021, we managed with great commitment on everyone's part to work on all the projects, in particular on the Schools Call on which we focused most of our resources, thus managing to connect numerous schools in the Lombardy Region, in line with the plan shared with Infratel. Thanks to the development of synergies and an efficiency process, we were able to fully reap the benefits of the acquisition of QCOM, thus exceeding pre-pandemic marginality. The first months of the fiscal year make us confident in achieving growth objectives for the current year, thanks to the continuation of the activations envisaged by the Schools Call and the potential connected to the Call in terms of expansion in the reference areas."

The value of production stands at € 41.24 million, compared to a value of € 36.39 million in 2020 and € 41.50 million estimated in our previous report. Organic growth was due to sales of ultra-wideband connections (+31.0%) and sales of voice and data services (+13.0%). As expected, based on corporate strategies aimed at encouraging customers to switch to fiber-optic connections, broadband connections show a decrease (-20.0%). Also significant is the reduction in ancillary services (-12%), within which one-off ex-Qcom services no longer strategic for the Company are concentrated.

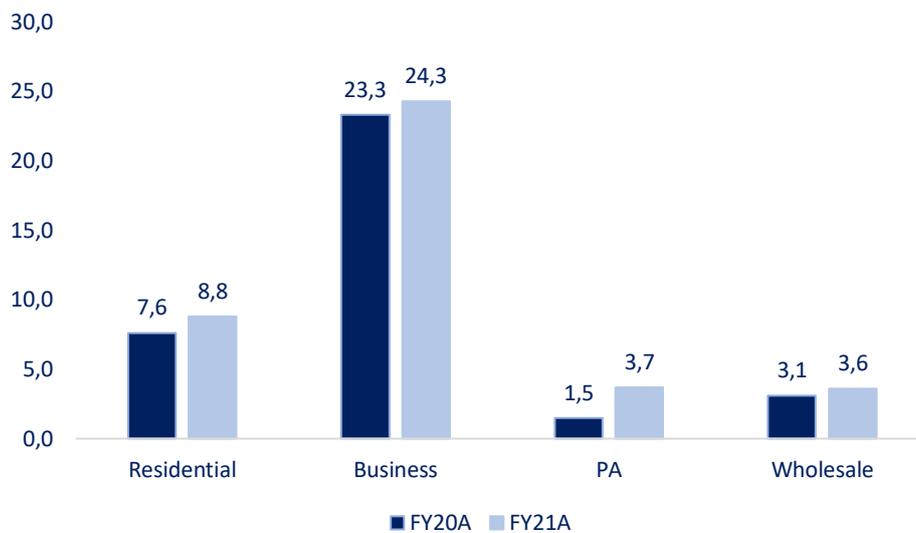
Chart 1 – Revenues Breakdown by Type of Customer



Source: Intred

The revenues have the following breakdown by customer type: 21.8% residential market, 60.3% professional market, 9.1% PA, and 8.8% wholesale.

Chart 2 – Revenues Breakdown by Type of Customer 2020-2021



Source: Intred

In terms of the type of customer, the category with the highest growth rate was that of the P.A. (+152.0%), mainly thanks to the effects of the Schools Call which alone is worth € 2.1 million. The growth of the residential sector and the Wholesale sector was also positive, increasing by 17% and 13% respectively compared to FY20A. On the other hand, the growth of the professional sector is more limited, due to the limitations imposed by Covid-19 and the disposal of services previously offered by QCOM, which are no longer strategic for Intred today.

EBITDA, equal to € 17.64 million, recorded a significant increase of 26.1% compared to € 13.99 million in 2020 and is also growing compared to our expectations of € 16.75 million. Also, the EBITDA Margin, equal to 42.8%, increased compared to 38.4% in 2020 and exceeds our previous estimates, equal to 40.4%.

EBIT amounted to € 11.79 million (€ 8.13 million in FY20A) after amortization and depreciation of € 5.85 million. The value of EBIT exceeds our expectations, amounting to € 10.45 million. Consequently, the EBIT margin, equal to 28.6%, also shows an increase compared to last year (22.3% on 31/12/2020).

Net profit amounted to € 8.62 million (€ 6.11 million in 2020A), up compared to the € 7.75 million expected.

A significant part of the total investment of Inred is attributable to the development of the backhauling and fiber-optic access network in the FTTH mode in Lombardy. Thanks to the Schools Call, the extension of the network has almost doubled, from 3,700 km in 2020 to 7,300 km in 2021. Regarding the investments dedicated to the network, 75% share of the total was attributable to the investments in tangible fixed assets and 25% of the total was attributable to the investments in intangible fixed assets (mainly IRU).

The NFP, despite investments for the year 2021 of € 20.5 million, is cash positive and equal to € 5.41 million, compared to a cash positive value on December 31, 2020, equal to € 0.43 million.

1.2 FY22E – FY25E Estimates

Table 3 – Estimates Updates FY22E-25E

€/mln	FY22E	FY23E	FY24E	FY25E
VoP				
New	47,8	54,5	62,5	70,5
Old	50,3	58,3	68,3	75,3
Change	-5,0%	-6,5%	-8,5%	-6,4%
EBITDA				
New	20,5	23,5	27,0	30,6
Old	20,9	24,8	29,6	33,3
Change	-1,7%	-5,2%	-8,8%	-8,1%
EBITDA %				
New	42,9%	43,1%	43,2%	43,4%
Old	41,5%	42,5%	43,3%	44,2%
Change	1,4%	0,6%	-0,1%	-0,8%
EBIT				
New	13,7	15,9	18,5	21,8
Old	12,9	16,3	20,8	24,3
Change	6,6%	-2,5%	-11,1%	-10,3%
Net Income				
New	10,1	11,7	13,6	15,9
Old	9,5	12,1	15,3	18,1
Change	5,8%	-3,3%	-11,1%	-12,2%
NFP				
New	(5,9)	(10,0)	(14,8)	(22,1)
Old	(13,9)	(21,8)	(26,6)	(34,4)
Change	N/A	N/A	N/A	N/A

Source: Integrae SIM

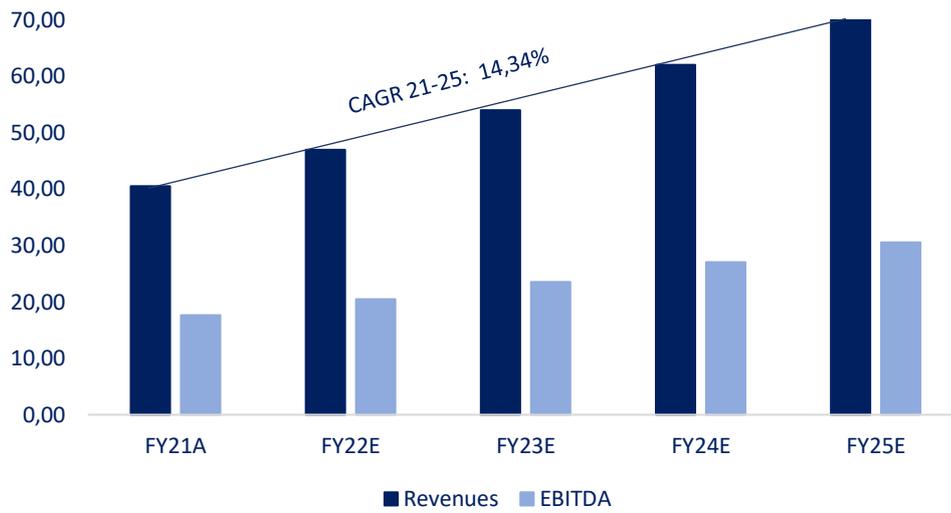
In the light of the results published in the annual report for 2021A, we modify our previous estimates both for the current year and for the coming years.

In particular, we estimate 2022E value of production equal to € 47.80 million and EBITDA of € 20.50 million, corresponding to a marginality of 42.9%. For subsequent years, we expect the value of production to increase up to € 70.50 million (CAGR 21A-25E: 14.34%) in 2025E, with EBITDA of € 30.60 million (corresponding to an EBITDA margin of 43.4%), up from € 17.64 million in 2021A (corresponding to an EBITDA margin of 42.8%).

Regarding the estimated investments, we expect Capex 2022E-2025E to be equal to approximately € 63.00 million.

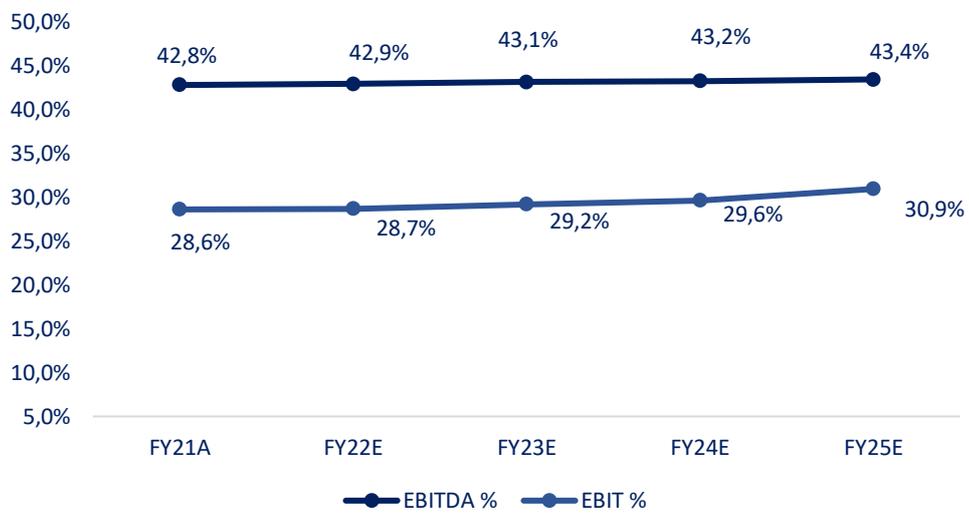
Regarding Balance Sheet, for the years of the plan, we estimated dividends corresponding to a payout ratio of about 10%. We also estimate a cash positive NFP of € 22.10 million for the FY25E.

Chart 3 – VoP and EBITDA FY21A-25E



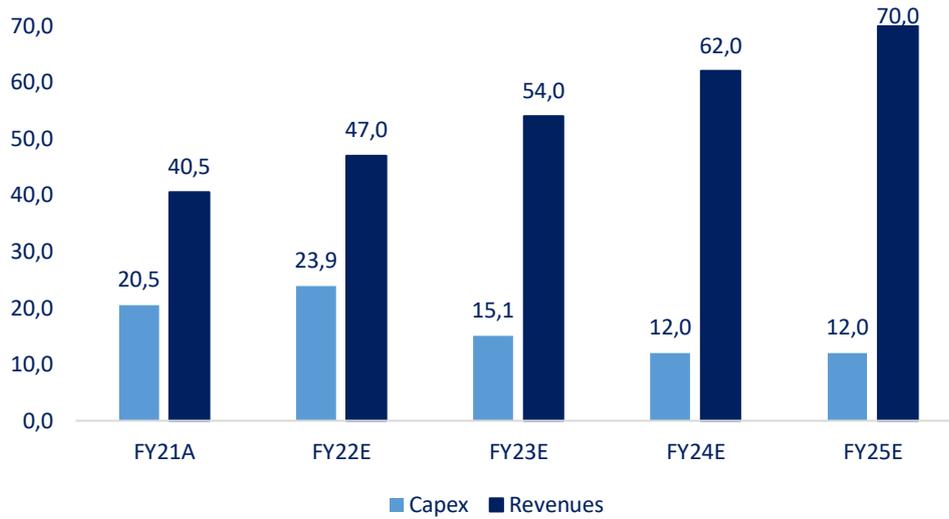
Source: Integrae SIM

Chart 4 – Margin FY21A-25E



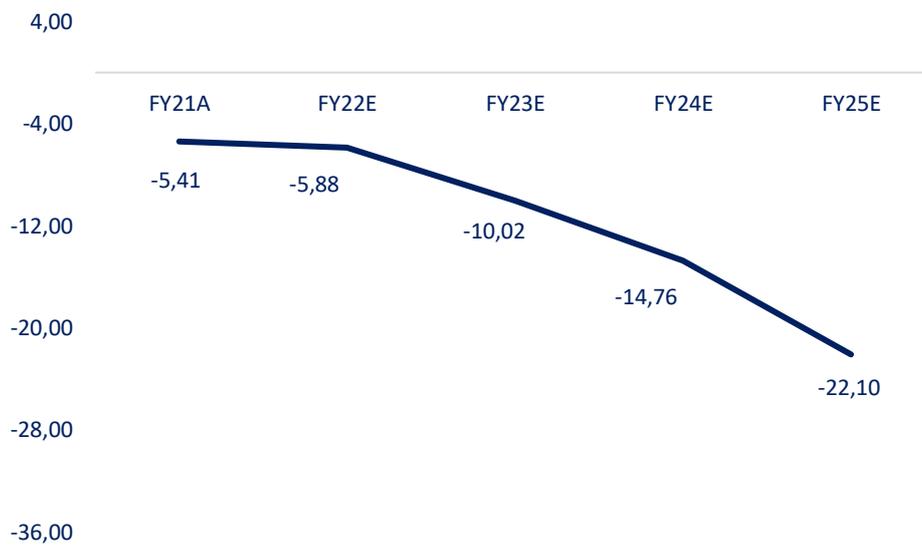
Source: Integrae SIM

Chart 5 – Capex FY21A-25E



Source: Integrae SIM

Chart 6 – NFP FY21A-25E



Source: Integrae SIM

2. Valuation

We have conducted the valuation of Intred equity value based on the DCF methodology and market multiples of a comparable companies sample.

2.1 DCF Method

Table 4 – WACC

WACC		4,85%
Risk Free Rate	0,80% α (specific risk)	1,00%
Market Premium	6,42% Beta Adjusted	0,55
D/E (average)	11,11% Beta Relevered	0,59
Ke	5,31% Kd	1,00%

Source: Integrae SIM

For prudential purposes, we have included a specific risk of 1.0%. The result is a WACC of 4.85%.

Table 5 – DCF Valuation

DCF Equity Value		430,9
FCFO actualized	54,1	13%
TV actualized DCF	371,3	87%
Enterprise Value	425,5	100%
NFP (FY21A)	(5,4)	

Source: Integrae SIM

With the above data and taking as a reference our estimates and assumptions, the result is an equity value of € 430.9 million.

Table 6 – Equity Value – Sensitivity Analysis

€/mln	WACC	WACC				
		3,8%	4,3%	4,8%	5,3%	5,8%
Growth Rate (g)	2,5%	1191,5	858,8	668,0	544,3	457,8
	2,0%	886,1	688,9	561,2	471,8	405,7
	1,5%	710,7	578,7	486,3	418,1	365,6
	1,0%	596,8	501,4	430,9	376,7	333,8
	0,5%	517,0	444,1	388,2	343,9	308,0
	0,0%	457,9	400,1	354,3	317,2	286,5
	-0,5%	412,4	365,1	326,7	295,1	268,5

Source: Integrae SIM

2.2 Market multiples

Our panel is made up of companies operating in the same sector as Intred. These companies are the same ones used for the calculation of Beta for the DCF method. The Panel is composed of:

2.2.1 Panel Composition

Cogent Communications Holdings provides Internet access services and Internet Protocol communications services. It also offers Internet access and data transport through its fiber-optic network, IP data network, ethernet transport, and co-location services.

WIIT SpA is a cloud computing company in the Italian market, specializing in the offering of solutions of Private Cloud, Hosted Private Cloud solutions for critical applications, Public Cloud, and Hybrid Cloud applications, as well as advanced cybersecurity solutions.

ELISA Oyi (Finland) operates in telecommunications, IT, communications, and online services. It operates through the Consumer Customers and Corporate Customers segments. The Consumer Customers segment provides consumers and households with telecommunications services, such as voice and data services. The Corporate Customers segment offers customers voice and data services, IT and communication solutions, and contact center services.

Chorus Limited (New Zealand) operates as a telecommunications company. It offers a national network of fiber optic cables and copper cables that connect homes and businesses and also provides backhaul and co-location services to retail service providers. The company also provides fixed-line communications infrastructure services to retail service providers.

2.2.2 Multiples Method

Table 7 – Market Multiples

Company Name	EV/EBITDA (x)			EV/EBIT (x)			P/E (x)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Cogent Communications Holdings	15,7	14,4	13,2	30,5	27,1	23,3	60,6	47,2	37,4
WIIT SpA	8,3	7,7	7,2	16,6	12,9	11,1	20,1	15,6	15,0
Elisa Oyj	20,9	17,8	16,3	36,5	29,1	25,1	57,4	44,2	36,7
Chorus Limited	13,4	12,9	12,5	21,3	20,3	19,4	23,3	22,3	21,1
Peer median	14,5	13,7	12,9	25,9	23,7	21,3	40,4	33,2	28,9

Source: Infinancials

Table 8 – Market Multiples Valuation

€/mln	2022E	2023E	2024E
Enterprise Value (EV)			
EV/EBITDA	298,2	321,7	347,6
EV/EBIT	355,0	377,2	394,8
P/E	405,6	386,8	391,5
Equity Value			
EV/EBITDA	304,1	331,7	362,4
EV/EBIT	360,9	387,3	409,5
P/E	405,6	386,8	391,5
Average	356,8	368,6	387,8

Source: Integrae SIM

The equity value of Intred, using the multiple markets EV/EBITDA, EV/EBIT, and P/E is **equal to € 371.1 million**.

2.3 Equity Value

Table 9 – Equity Value

Average Equity Value (€/mln)	401,0
Equity Value DCF (€/mln)	430,9
Equity Value multiples (€/mln)	371,1
Target Price (€)	25,30

Source: Integrae SIM

The result is an average equity value of € 401.0 million. **The target price is, therefore, € 25.30 (prev. € 24.00). We confirm BUY rating and MEDIUM risk.**

Table 10 – Target Price Implied Valuation Multiples

Multiples	FY21A	FY22E	FY23E	FY24E
EV/EBITDA	22,4x	19,3x	16,8x	14,7x
EV/EBIT	33,6x	28,9x	24,9x	21,4x

Source: Integrae SIM

Table 11 – Current Price Implied Valuation Multiples

Multiples	FY21A	FY22E	FY23E	FY24E
EV/EBITDA	13,8x	11,9x	10,4x	9,0x
EV/EBIT	20,6x	17,8x	15,3x	13,2x

Source: Integrae SIM

Disclosure Pursuant to Delegated Regulation UE n. 2016/958 and Consob Regulation n. 20307/2018

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The table below, shows INTEGRAE SIM's recommendation, target price and risk issued during the last 12 months:

Date	Price	Recommendation	Target Price	Risk	Comment
02/10/2020	8,94	Buy	11,50	Medium	Update
08/04/2021	14,35	Buy	19,85	Medium	Update
07/05/2021	15,70	Buy	19,85	Medium	Flash Note
16/07/2021	16,30	Buy	19,85	Medium	Flash Note
06/10/2021	18,95	Buy	24,00	Medium	Update
14/02/2022	16,80	Buy	24,00	Medium	Flash Note

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Equity Total Return (ETR) for different risk categories			
Rating	Low Risk	Medium Risk	High Risk
BUY	ETR >= 7.5%	ETR >= 10%	ETR >= 15%
HOLD	-5% < ETR < 7.5%	-5% < ETR < 10%	0% < ETR < 15%
SELL	ETR <= -5%	ETR <= -5%	ETR <= 0%
U.R.	Rating e/o target price Under Review		
N.R.	Stock Not Rated		

Valuation methodologies (long term horizon: 12 months)

The methods that INTEGRAE SIM SpA prefers to use for value the company under analysis are those which are generally used, such as the market multiples method which compares average multiples (P/E, EV/EBITDA, and other) of similar shares and/or sectors, and the traditional financial methods (RIM, DCF, DDM, EVA etc). For financial securities (banks and insurance companies) Integrae SIM SpA tends to use methods based on comparison of the ROE and the cost of capital (embedded value for insurance companies).

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