

INTRED

Speeding Up

16 septembre 2021

BUY

Target Price : €24.0

Upside : +26%

A serious competitive advantage...

Intred is an Italian telecom operator that mainly provides ultra-broadband (FTTH) services to businesses and consumers in Lombardy. After a successful change of business model in 2010, the company now operates its own fiber optic network which allows it to post high profitability (EBITDA margin >40%). Intred has differentiated itself by focusing on peripheral areas, neglected by the major operators, to rapidly gain market share (c.10% in Brescia).

...to capitalize on favorable structural trends

While Italy is more than 4 years behind France in terms of Ultra Broadband (FTTH) subscriptions, the story is already written and the Italian peninsula's catch-up seems to be only a matter of time. New consumer (Cloud Gaming, Smart home, Video Streaming...) and business (Cloud, IoT, Cybersecurity...) habits, accelerated by the Covid-19 pandemic, will support FTTH demand which is expected to grow by +36% per year until 2026 (vs. average +20% in Europe). The *Banda Ultralarga* plan, which aims to cover the national territory with a 1 Gbit/s fiber network by 2026, will further stimulate the deployment of fiber infrastructure in Italy.

A new structuring contract and important synergies...

The government contract won by Intred, which includes the provision of FTTH connection to all school sites in the region (4,592 schools), is a real Game Changer for the company's future development. This €40 million, 5-year agreement will allow the Group to finance the deployment of its network throughout the Lombard territory and thus double its current size (+5k to 6k km of cable). In addition, Intred also intends to capitalize on the acquisition of QCOM (end of 2020) to generate significant commercial synergies. Finally, the company is expected to launch a mobile offering in the near future to capture new market share and support its brand awareness.

...which should translate into +14.7% EPS CAGR 20-25E

We estimate that the Group should be able to generate EPS CAGR growth of +14.7% over the period 2020-2025E driven by (i) the continued transition of ADSL subscriptions to FTTH, (ii) the acquisition of new business and residential customers, (iii) the roll-out of the fiber optic network related to the Infratel contract (>4,500 schools covered by 2023), the launch of the mobile offer, and (iv) the activation of the Italian recovery plan (PNRR).

Our valuation points to a 26% upside potential

Our DCF valuation indicates a target price of €24.0 per share, which implies a 26% upside potential. The stock is currently trading at c.13.5x EV/EBITDA FY22, which we believe represents an attractive entry point. Over the longer term, Intred's customer base and proprietary network are attractive assets in a market consolidation scenario. We initiate our coverage on Intred with a Buy rating.

Market Data	
Industry	Telecom Services
Share Price (€)	19.0
Market Cap (€M)	300.4
Market Segment	AIM Italia
Bloomberg	ITD IM

Ownership Structure	
Founders & Management	65.7%
Free Float	25.0%
Treasury shares	0.7%

€M (31/12)	2020	2021E	2022E	2023E
Sales (€M)	35.4	41.5	50.9	54.2
Growth	70.2%	17.2%	22.7%	6.4%
EBITDA	14.0	16.6	20.5	21.9
EBIT Margin	39.5%	39.9%	40.2%	40.5%
Net Income	6.1	7.6	9.4	9.5
EPS €	0.39	0.48	0.59	0.60
EPS growth	41%	24%	25%	0%
Dividend	0.00	0.00	0.00	0.00
Yield	0.0%	0.0%	0.0%	0.0%
FCFF	2.4	-3.1	-8.8	-7.6
ROIC	18.2%	17.2%	15.1%	11.9%
EV/EBITDA (x)		18.1	14.6	13.7
EV/EBIT (x)		28.6	23.0	22.9
PE (x)		39.7	31.9	31.8
Net debt	-0.4	2.7	11.5	19.1
Gearing net	0%	1%	4%	6%

Midcap estimates

Upcoming Event	
29th September 2021	H1 2021

Contact	
Analyst	Alessandro Cuglietta
Email	acuglietta@midcapp.com
Phone	+33 (0)1 78 95 71 64





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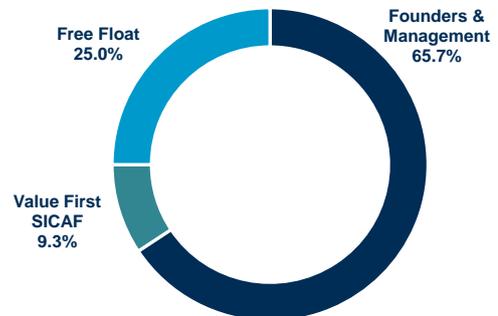


Overview

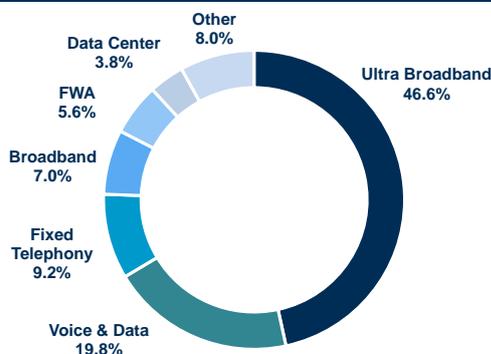
Description

Intred, founded in 1996, is a telecommunications and internet services operator which operates its own fiber optic network infrastructure. Headquartered in Brescia, the company provides broadband, ultra-broadband, mobile, fixed-line, cloud and complementary services to businesses and consumers. With a fiber network of more than 4,200 km, Intred offers state-of-the-art services to more than 43,000 users in the dynamic Lombardy region.

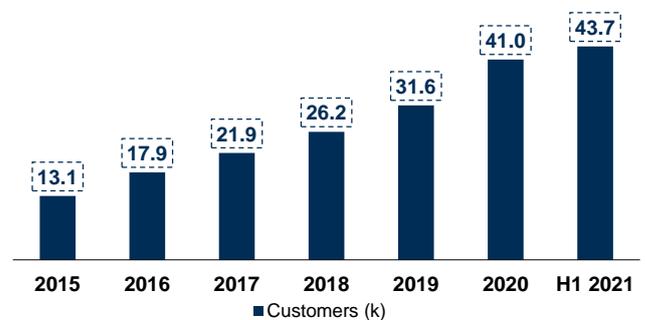
Shareholder structure



FY20 revenues breakdown by product



Evolution of the customer base (in thousands)



SWOT Analysis

Strengths

- A family-owned company with 25 years of experience
- A proprietary fiber optic network
- A local presence in a rich and promising area
- A fragmented (42,000 customers) and loyal customer base (churn rate <5%)
- Excellent revenue visibility (>90% recurring) and strong cash generation
- High barriers to entry (investments, reputation, know-how...)
- High profitability (>40% EBITDA margin) and negative net debt

Opportunities

- A large addressable market with a pool of 800k businesses and 4.5M households
- Exponential adoption of FTTH in Italy, which is lagging behind in fiber deployment
- Continued geographic expansion in the Lombardy region
- Launch of mobile offering in 2021 to fuel cross-selling and ARPA growth
- Continued network deployment through Infratel contract to cover more than 4,500 schools
- Massive Italian government stimulus package (>€40bn for digitalization)
- External growth via M&A

Weaknesses

- A medium-sized company compared to the telecom majors
- Absent from the mobile market, although an offer is expected to be launched in late 2021
- Substantial investments to support growth

Threats

- Competition from incumbent telecom operators despite differences in positioning (geographical and customer typology)
- Tightening of the regulatory framework
- Competition from 5G as an alternative connection method



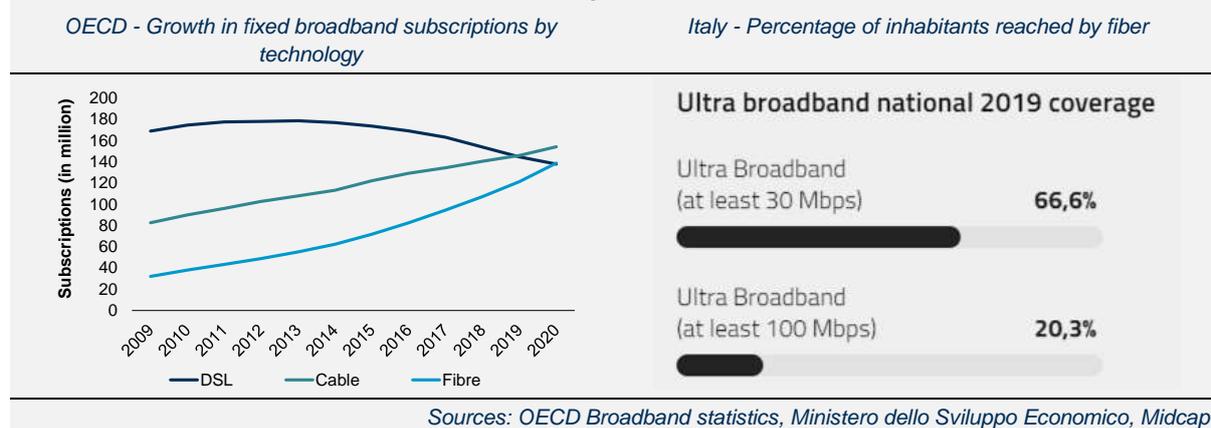
Sector and Company Overview

The telecommunications sector in Italy

Telecommunications play an extremely important role in our societies in terms of economic and social development. Since the birth of industry in the 1830s with the invention of the telegraph, technological advances have profoundly changed the daily lives of individuals and businesses. Each new invention - the telephone, the radio, the television, the computer, the smartphone - has increased the quantity and speed at which we exchange data remotely, whether by text, voice or image.

Telecoms play a central role in the digitalization of the economy, which has accelerated since the Covid-19 pandemic. With the exponential growth of digital uses such as 4K video streaming, cloud gaming, IoT, cloud or even big data, the demand for very high-speed connections has intensified. Fiber optics is thus becoming an essential element in the digital transition of companies that have to deal with the multiplication of data and the evolution of consumer behavior. In 2020, very high-speed fiber exceeded DSL (copper) for the first time in the 38 OECD countries in terms of subscriptions.

Fiber now exceeds DSL in number of subscriptions



Italy's ultra-broadband strategy, launched by the government in 2015, aims to develop a network throughout the country in order to create telecom infrastructures in line with the objectives of the European digital agenda. The mission of Infratel Italia S.p.A., a government company, is to implement the ultra-broadband network development programs under the *Banda Ultralarga* (BUL) plan.

According to the latest data collected by the Italian Ministry of Economic Development, the deployment of the fiber optic network is lagging behind its initial objectives, which were to reach 100 Mbps coverage for 85% of the population by 2020 and at least 30 Mbps coverage for the entire population. In fact, at the end of 2019, 66.6% of residences have network coverage of at least 30 Mbit/s and only 20.3% have 100 Mbit/s coverage. In May 2021, the Italian government adopted a new plan to cover the national territory with a 1 Gbit/s fiber network by 2026. At the end of March 2021, only 55% of families are covered by a network offering a speed higher than 100 Mbps and less than 23% by a network capable of providing a download speed of 1 Gbps. Thus, the potential for network development in Italy is substantial and offers significant growth opportunities for industry players.

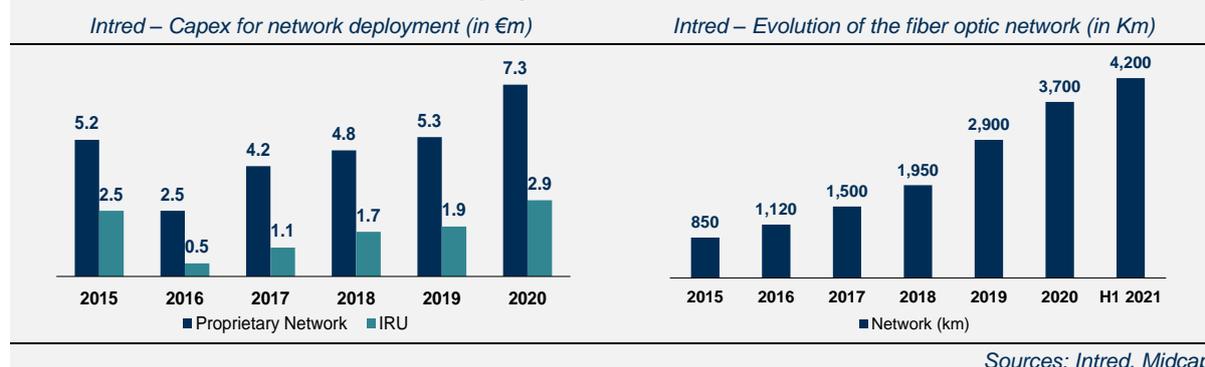


Intred - Overview

Intred, established in 1996, is a telecommunications and internet services operator with its own fiber optic network infrastructure. Based in Brescia, the company provides broadband, ultra-broadband, mobile, fixed telephony, cloud services and complementary services to companies and individuals.

At its inception, Intred operated primarily as a reseller, relying on the network infrastructure of other operators such as Telecom Italia. In 2010, the Group undertook a radical change of business model by building its own fiber network in Brescia. This investment had an immediate impact on the Group's revenues and profitability (EBITDA >40%). Since 2015, Intred has invested more than €45M in the deployment of its network, which by the end of June 2021 will extend over 4,200km in Lombardy.

Intred has invested €45 million to deploy its fiber network since 2015



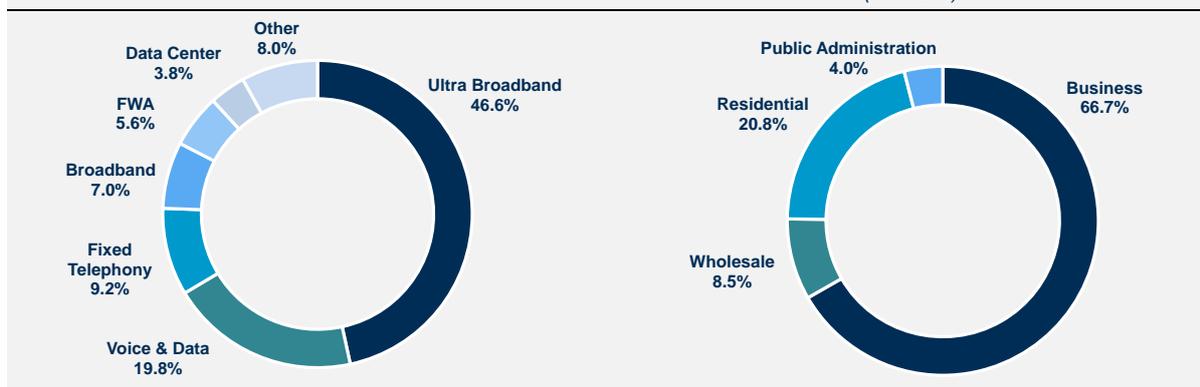
Thanks to its state-of-the-art infrastructure, Intred is gaining market share in the very dynamic Lombardy region (1/5 of Italy's GDP) by focusing on peripheral areas ("white zones"), which have been neglected by the main telecom operators. The Group offers a complete range of Internet and fixed telephony solutions:

- **Broadband - ADSL/HDSL:** the most widespread connection method in Italy allowing download speeds of up to 20 Mbps
- **Ultra-Broadband - Fiber to The Cabinet (FTTC):** a new generation connection that brings the optical fiber to the sub-distributor located less than 300m from the homes/businesses where it is possible to connect via copper cable. The FTTC allows to reach a connection speed from 30 Mbit/s to 100 Mbit/s.
- **Ultra-Broadband - Fiber to The Home (FTTH):** the fiber is deployed to the home or business premises and allows access to a speed ranging from 100 Mbit/s to 1 Gbit/s. This connection method is preferred by companies that need a very stable connection and to manage a large amount of data.
- **Fixed Wireless Access (FWA):** This wireless connection method provides broadband access via local equipment enabled by the mobile network. FWA provides access to up to 200Mbps for residents and businesses that cannot benefit from a cable connection.
- **Fixed telephony:** Intred offers fixed telephony to companies and residents.
- **Data center:** offers companies the possibility to host their data in the cloud via a dedicated or collocated data center. Intred also offers cybersecurity services that were developed by the company QCOM, acquired in 2020.
- **Ancillary services:** various non-strategic and low-revenue services that are being phased out (websites, web marketing, hardware sales, etc.).

The FTTH business offer is Intred's primary source of revenue

Intred – Breakdown of revenues by type of service (2020)

Intred – Breakdown of revenues by type of customer (H1 2021)



Sources: Intred, Midcap

Ultra-Broadband (FTTH/FTTC) is the Group's primary source of revenue and its main growth driver. In 2020, Ultra-Broadband revenues were up by 26%, while Broadband (ADSL) and FWA were down by -11% and -6%. Voice & Data (+24%) and Fixed-line telephony (+17%) sales, which accounted for 19.8% and 9.2% of revenues in 2020, contributed positively to the company's growth.

Nearly two-thirds of the company's revenues come from sales of offers dedicated to businesses. However, the strongest growth will be in sales to residentials, which are expected to increase by around +20% by the end of June 2021, compared with +4% for B2B sales.

In addition, Intred signed a partnership agreement with Vodafone Italia in 2020 to launch a mobile offer via this operator's network. Vodafone's mobile network is reputed to be the best on the market in terms of connection speed and coverage. Intred will thus expand its range by offering mobile services to residentials and businesses from the second half of 2021. We believe that the mobile offer will increase Intred's visibility and awareness in the region and attract new customers to its internet offer.

Competitive landscape

Since the deregulation of the telecom sector at the end of the 1990s, many new players have entered the market offering internet, fixed and mobile services via the leasing of the incumbents' network infrastructure. The telecom market in Italy is today fragmented and highly competitive.

The main operators in the market, TIM (Telecom Italia), Vodafone, WindTre and Fastweb, have established themselves throughout the country via solid network infrastructures and offer a wide range of services. Also noteworthy is the presence of Iliad, which has been tackling the Italian market since 2018 with a mobile offer at a discounted price. The latter partnered in August 2021 with Telecom Italia, shortly after a separate deal with Fastweb, to co-invest in fiber. However, we see neither the arrival of Iliad nor the strong presence of incumbents as a real threat to Intred, which is focusing its investments on white areas, not addressed by the latter.

On the other hand, the market is made up of small local operators present in different regions of Italy. Our comparative study shows that Intred is one of the leading players in the market in terms of revenue and profitability. Planetel and Mynet, also positioned in Lombardy, are however smaller and less profitable than Intred.



Intred has a leading position in its target market

List of local operators with their own fiber optic infrastructure

Company	Region	Sales	EBITDA margin	Offer	Coverage
INTRED CONNESSI SGRUPPO	Lombardy (Brescia, Bergamo, Milano...)	35.4 M€	39.5%	Fiber, Landlines, Voice & Data Residential & Business	Fiber optic network of 4 200km 43 000 customers
ACANTHO	Emilia Romagna	65 M€	23%	Fiber, Landlines, Voice & Data Residential & Business	Fiber optic network of 4 200km
Planetel	Bergamo, Verona, Brescia, Mantua	20 M€	17.8%	Fiber, Landlines, Voice & Data Residential & Business	Fiber optic network of 1 430km 22 000 customers
Mynet	Veneto, Lombardy, Trento	15 M€	25%	Fiber, Landlines, Voice & Data Residential & Business	Fiber optic network of 27 000km
interplanet	Vicenza, Veneto	7 M€	24%	Fiber, Landlines, Voice & Data Residential & Business	Fiber optic network: 16 500 km (target)
terrecablato	Tuscany	6 M€	n.a.	Fiber, Landlines, Voice & Data Residential & Business	Fiber optic network: 750 km

Sources: Companies, Midcap

It should also be noted that several local players operate in the FWA market in the same geographic area as Intred. However, we do not consider these operators to be a threat to the company. Although FWA is an alternative to fiber connection, it is generally only used by smaller companies that do not have access to cable connection.

Geographical positioning of local players.

Local operators with a fiber optic network

Local operators with an FWA network



Sources: Companies, Midcap

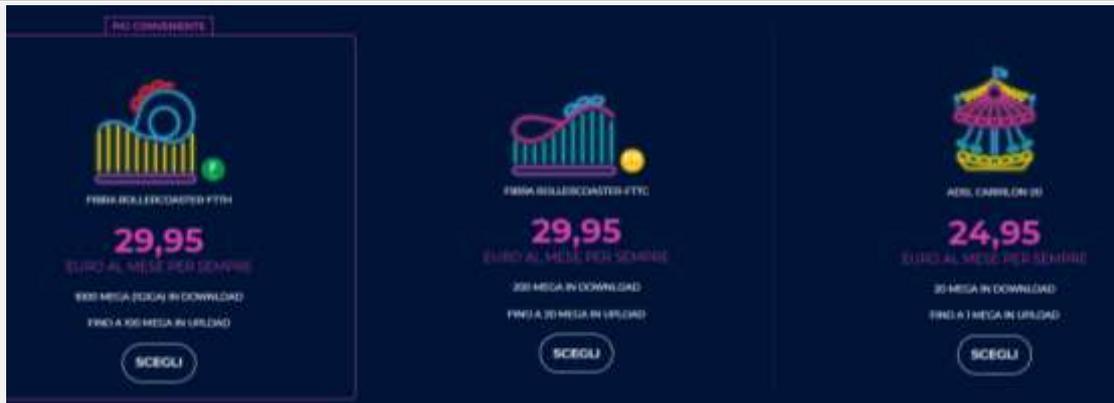
Group's prices are in line with those of its competitors, who offer a subscription at around €29.90 for a FTTH fiber residential offer. The strong market demand for fiber connections should enable operators to maintain current price levels.

We believe that the arrival of new players is highly unlikely given the high barriers to entry (capex, customer base, reputation, etc.). Iliad's entry into the Italian fiber market should not impact current pricing levels, especially since the price of a FTTH fiber subscription in Italy is one of the cheapest in Europe. As a result, we expect that there will be no price war in this market in the medium term and that the company's growth will be supported by the deployment of its network and the launch of new offers.



Pricing in line with the market standard

Intred – List of internet residential offers



.Sources: Intred

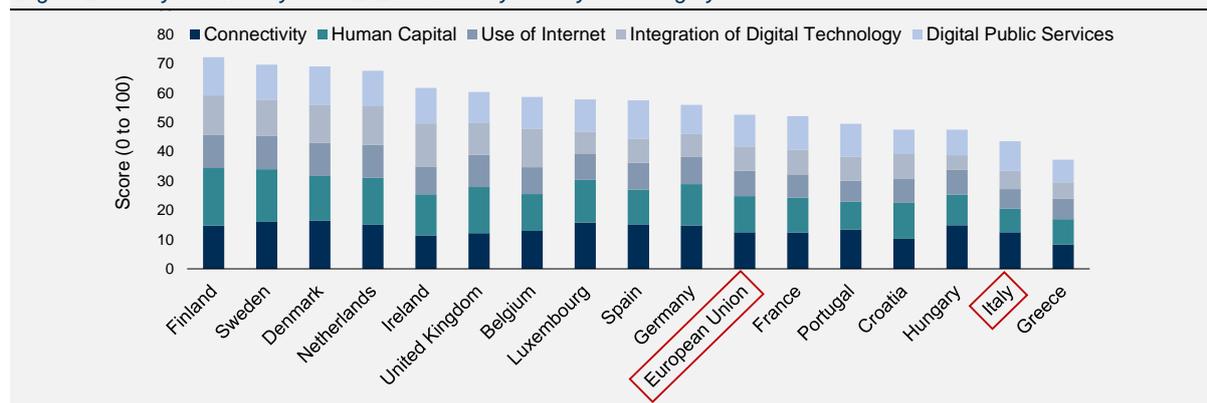
It is worth noting that Intred, thanks to the deployment of its proprietary network, is able to gain market share in areas that are poorly served by competing operators. This allows it to post a churn rate (loss of customers) of less than 5%.

Market outlook

According to the European Commission's Digital Economy and Society Index (DESI), although Italy is the 3rd largest economy in Europe, it is among the least digitalized countries. The same study indicates that at the end of 2019 only 13% of households had a connection with a speed higher than 100 Mbps in Italy compared to 26% in the European Union. While fiber penetration in Italy lags behind its European neighbors, the country could well catch up in the coming years thanks to massive public investment.

Italy is one of the least digitalized countries in Europe

Digital Economy and Society Index 2020 – Score by country and category



Sources: European Commission - DESI Index 2020, Midcap

Italy is one of the countries that will benefit the most from the European funds allocated under the Next Generation EU recovery plan. Among the €209 billion allocated to Italy, more than €46 billion will be dedicated to the digitalization of the economy and should accelerate the growth of the telecom sector. According to the Bank of Italy's report published last July, the National Recovery and Resilience Plan (NRRP) will contribute a cumulative +2pp to Italian GDP from 2021 to 2023. The latter is expected to grow by 5.1% in 2021, 4.4% in 2022 and 2.3% in 2023.

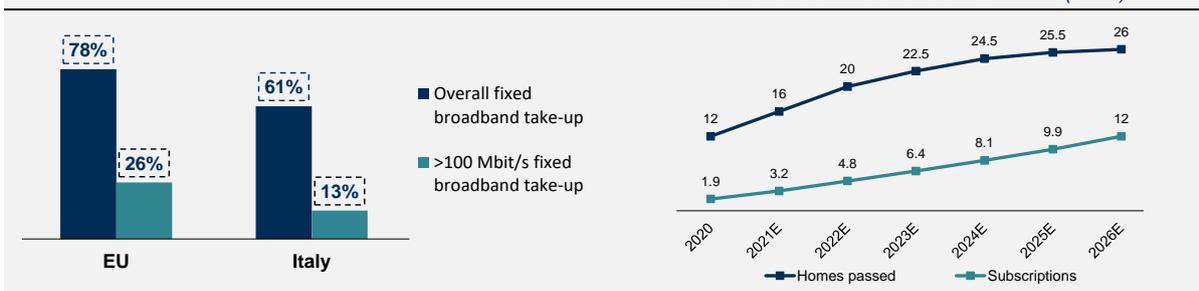


Telecommuting and the need for robust connectivity during the Covid-19 pandemic have led to an increase in fiber subscriptions across Europe. We anticipate that new consumer (Cloud Gaming, Smart home, Video Streaming...) and enterprise (Cloud, IoT, Cybersecurity...) habits will support the demand for Ultra Broadband connection in the coming years. IDATE anticipates a CAGR growth of +36% in the number of FTTH subscriptions over the period 2020-2026, which is one of the fastest growth rates in Europe (average of 20%).

Italy is poised to narrow the gap with other European countries in terms of FTTH

DESI – Adoption du haut débit fixe (% des ménages)

IDATE – Prévisions des abonnements et du nombre de maisons raccordées à la FTTH en Italie (en M)



Sources: DESI 2020, IDATE – May 2021, Midcap

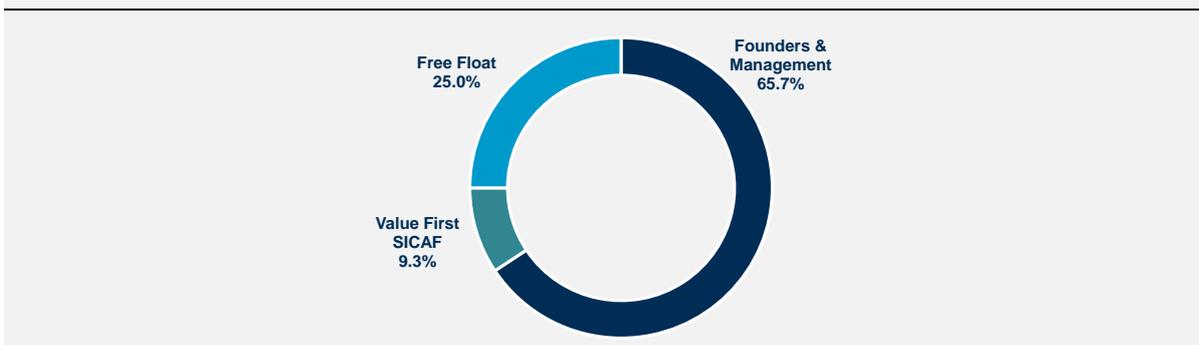
History and listing

Intred is a medium-sized telecommunications operator founded in 1996 in Milan by 3 partners. In 1997, Daniele Peli, one of the founders, bought out his partners' shares and has since become the Group's President and majority shareholder. The company began to expand in Brescia, and then in the neighboring cities of Bergamo and Mantua. In 2010, the Group undertook a radical change of business model by deciding to build its own fiber optic network. This has allowed Intred to accelerate its growth and significantly improve its profitability. Initially aimed at businesses, its offer was extended to individuals in 2012 via the EIR brand, which enabled it to record very strong growth in subscriptions.

Following a successful placement (oversubscribed 2.5x), Intred went public on the AIM segment of Borsa Italiana in July 2018 to finance its growth. In 2020, the Group completed an important transaction by acquiring 100% of QCOM for €10.2m. QCOM, based in Bergamo, operates as a fiber optic reseller to 4,300 customers in geographical areas that are highly complementary with Intred's network. Thus, after having invested more than €45 million, Intred operates by the end of June 2021 a fiber optic network of more than 4,200km and serves more than 43,000 business and private customers in the Lombardy region.

Intred – A strong majority owner

Shareholder structure



Source: Intred

Intred – Stock market performance

Closing price history for 1 year (in €)



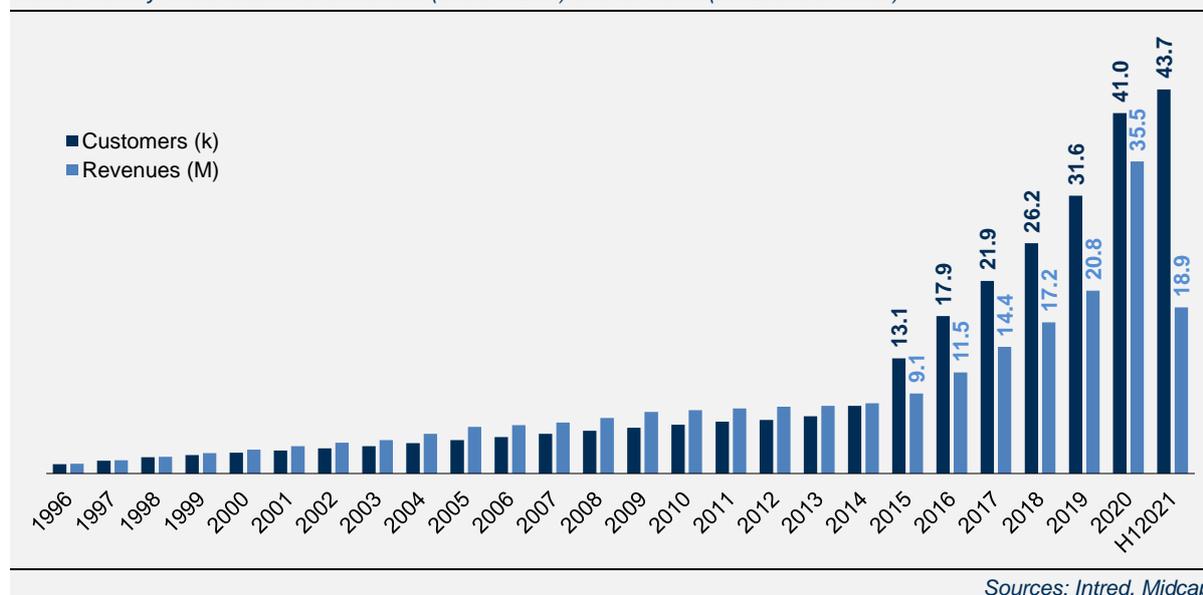
A Competitive Advantage to Surf on Favorable Structural Trends

A successful shift in business model

After several years of steady growth as a reseller, Intred took a strategic turn in its development by deciding in 2010 to build its own fiber network. These heavy investments quickly paid off as they allowed the company to boost its growth and significantly increase its profitability. As a result, from 2015 to 2020, the Group posted a CAGR growth in its customer base of +25.6% and a CAGR growth in its revenues of +31.3%. The company's margin growth is equally impressive as its EBITDA margin has increased from 19% in 2014 to nearly 40% in 2020. Since 2015, Intred has invested more than €45M in the deployment of its network, which by the end of June 2021 will cover more than 4200km in Lombardy.

Growth boosted by the development of the fiber optic network

Intred - History of the number of customers (in thousands) and revenues (in millions of euros)



Maximize ROI by focusing on a strategic geographic area

Intred is strategically positioned in the city of Brescia, in Lombardy, where it concentrates most of its investments. Lombardy, with Milan as its capital, is the richest and most productive region in Italy. It generates more than a fifth of Italy's GDP and has the second highest level of GDP per capita behind the province of Bolzano.

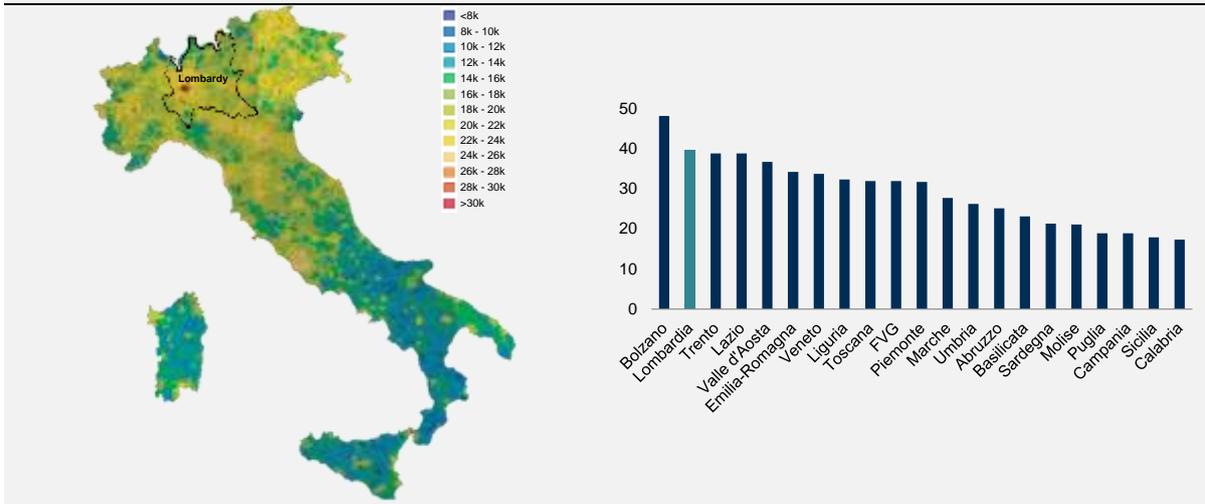
It has a population of over 10 million (1/6 of the Italian population) and over 800,000 companies (source: ISTAT). Moreover, Brescia is the second most important city in Lombardy with more than 100,000 companies (13% of Lombardy), behind Milan which has more than 300,000 (38%). In order to become the leader in fiber optics in the peripheral areas of the region, Intred has dedicated its investments to the deployment of FTTH, starting with the neighboring cities with the highest concentration of companies and inhabitants (Bergamo, Milan, Como, Monza...).



Lombardy has the second highest GDP/capita in Italy

Italy – GDP/capita (in €k)

Italy – GDP/capita per region (en k€)



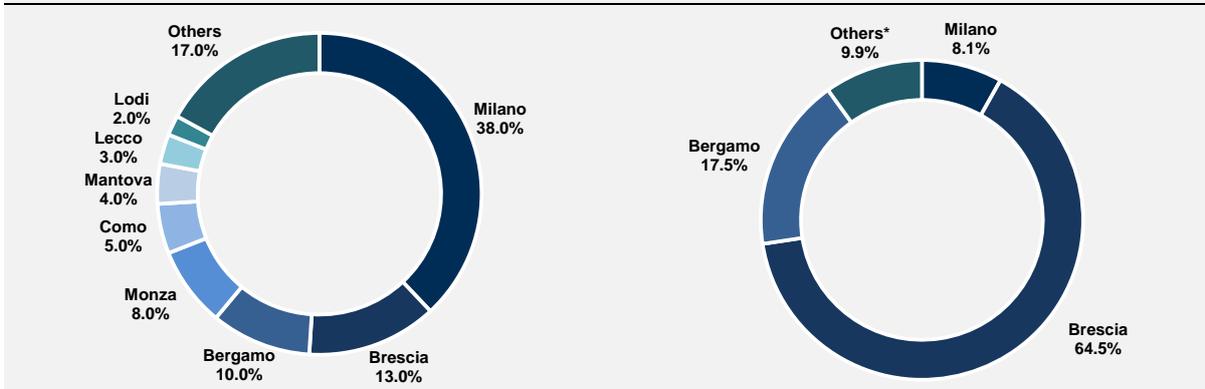
Sources: MEF, ISTAT, Midcap

By concentrating its network deployment in this geographic area, Intred maximizes its return on investment by optimizing the use of its resources. For example, the Group launches highly targeted marketing campaigns, which allows it to increase its awareness. This has also allowed the company to quickly promote its retail offering and drive growth while leveraging its existing infrastructure.

Strategic positioning in the cities with the most companies

Lombardy – Share of companies in the region by city

Intred – Breakdown of 2020 revenues by city



Sources: ISTAT 2020, Intred, Midcap

*Monza (1,6%), Como (1%), Cremona (1%), Varese (1%), Lecco (1%), Mantova (0,6%), Pavia (0,4%), Lodi (0,3%), Sondrio (0,1%) et Autres (2,9%)

We estimate that the company has a 10% market share of internet connections in Brescia (all types). At the end of June 2021, Intred addresses a customer base of almost 43,000, of which approximately 30,000 are residential and 10,000 are business. While FTTH adoption is only about 10% in Lombardy at the end of 2020 (source: AGCOM), Intred's core business still has significant growth potential.



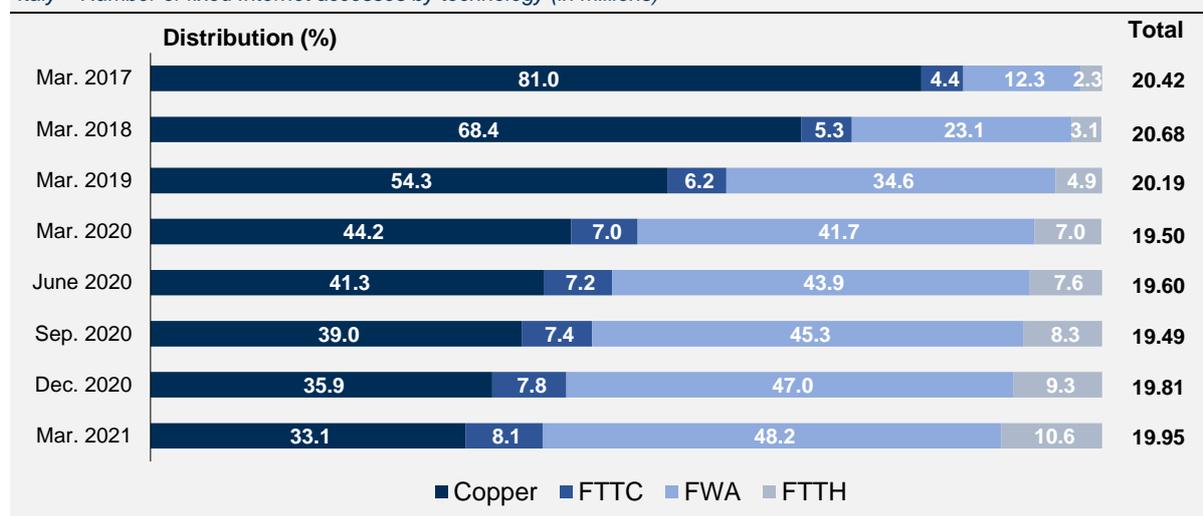
A very promising long-term trend

With the exponential growth of digital practices, Intred benefits from a very favorable underlying trend. While Italy lags behind its European neighbors, fiber is gaining market share every year over other connection methods. The State has thus intensified its investments in digital technology through its Banda Ultralarga plan, which aims to cover the national territory with a 1 Gbit/s fiber network by 2026. The €46 billion of the PNNR allocated to the digitalization of the economy will support the dynamics of the telecom sector in Italy.

According to the latest AGCOM data, only 30% of Italian families are covered by a FTTH fiber network, compared to an EU average of 33%. At the end of 2020, Italy had only 1.82 million FTTH accesses compared to 7.12 million for VDSL (from 20 to 200 Mbps). However, the number of FTTH accesses shows a +48.6% growth compared to 2019 against a -21.8% drop for VDSL. Although the number of FTTH accesses is growing rapidly, adoption remains low in Italy. At the end of 2019, the IDATE institute announced an FTTH penetration rate of only 4% among Italian families compared to around 10% for the European average.

FTTH accesses are growing strongly but the penetration rate remains low

Italy – Number of fixed Internet accesses by technology (in millions)



Sources: AGCOM, Midcap

This structural delay is partly explained by the digital habits of Italians. The 2020 DESI study found that 17% of the population has never used the Internet, twice the EU average. Also, only 42% of people aged 16 to 74 have "basic digital skills" compared to 58% for the EU according to the same report.

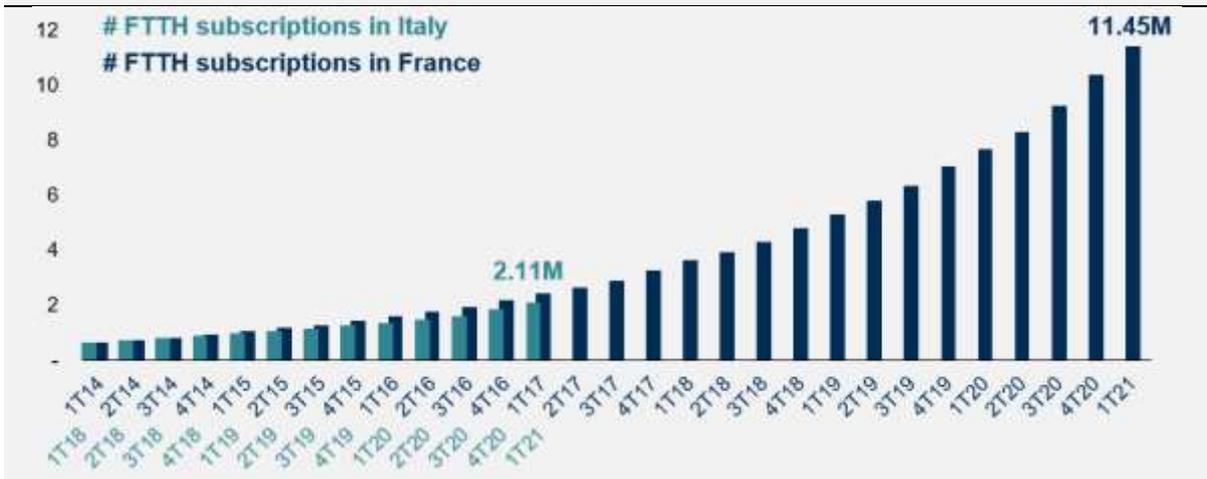
While European countries like France are far ahead in the deployment of fiber, we believe that Italy has not yet reached its peak. In France, 2/3 of the inhabitants are already eligible for fiber optics while in Italy only 30% of families are eligible (source: AGCOM).

If we superimpose the number of FTTH subscriptions in these two countries, we see that Italy is about 4 years behind France. Thus, story seems to be written and it is only a matter of time before Italy catches up with its subscriptions. The growth potential of the Italian market seems far from exhausted and should carry Intred's activity over the next 10 years.



An already written story

Number of FTTH subscriptions in France and Italy (in millions)



Sources: ARCEP, AGCOM, Midcap



Strong Growth Prospects and a Healthy Financial Position

A large addressable market

Intred's core target is the VSEs/SMEs in the Lombardy region, i.e. almost 800,000 companies. In addition, competitive pressure is relatively low because the major operators are concentrating their investments on the deployment of fiber in the major cities and are mainly targeting large companies. In the B2C business, the roll-out of fiber to the home in Lombardy should continue to support the company's growth. While less than 5% of Italian families have an FTTH connection, we believe that the Group's business still has plenty of room to grow.

This strong growth is naturally accompanied by significant investment in the roll-out of the fiber network through the construction of new FTTH connection points and the acquisition of Indefeasible Rights of use (IRU). IRUs are irrevocable contracts signed between operators to acquire temporary (long-term) ownership of fiber connection cables. This allows operators to provide a service to their customers without having to build the network infrastructure.

To this end, Intred has signed several key contracts:

- **15-year IRU with TIM S.p.A. (November 2018):** acquisition of the IRU for 500km of dark fiber allowing Intred to expand in 90 municipalities in Lombardy, specifically in Milan, Monza, Brianza, Lecco and Bergamo.
- **5-year IRU with Open Fiber (February 2019):** €3m agreement allowing Intred to use Open Fiber's FTTH GPON network to connect over 70,000 real estate units in the city of Brescia.
- **15-year IRU with GTT and Retelit (July 2019):** acquisition of the IRU for 300km of dark fibre in the provinces of Milan, Monza, Brianza, Pavia and Como.
- **Bilateral framework agreement with TIM S.p.A. (November 2020):** agreement until 2025 that defines the modalities of mutual and shared use of infrastructure in order to effectively extend the territorial coverage of both operators without requiring new civil works that would unnecessarily duplicate existing facilities.
- **3-year IRU with TIM S.p.A. (December 2020):** Intred acquired the IRU for almost 1,000km of dark fiber for €3m to accelerate the development of its network.
- **3-year IRU with TIM S.p.A. (July 2021):** This contract allows Intred to acquire up to €12m of dark fiber in order to be able to respond to the successful tender for the coverage of schools in Lombardy.

A new structuring agreement

In February 2021, the Group won a tender from Infratel for the provision of an ultra-high-speed connection (1 Gbit/s) to all school sites in the Lombardy region, i.e. 4,592 schools. This is a key contract for the future development of Intred, which will benefit from approximately €40 million to finance the deployment of this network throughout the region. In addition to demonstrating the high quality of Intred's services (it received the highest score in the tender), this 5-year agreement will enable it to reach the entire Lombard territory and to propose its business and residential offers to many new potential clients.

In detail, the contract provides for the activation of connections in schools according to the following schedule:



- 1,122 schools by December 2021 (25%)
- 2 735 schools by April 2022 (60%)
- 3 761 schools by April 2023 (82%)
- 4 592 schools by April 2024 (100%)

Thus, we estimate that by the end of this contract, between 5,000 and 6,000km of additional cable will be deployed by Intred in the region, more than double the amount at the end of 2020. It should be noted that the company plans to acquire long-duration IRUs in order to respond more effectively to this contract.

Upcoming launch of a mobile offer

In order to be able to offer the full range of telecom services, Intred will launch in H2 2021 a mobile offer for business and private customers as a Mobile Virtual Network Operator (MVNO) through a partnership with Vodafone Italia. In this way, Intred will benefit from the quality of the latter's network (the best mobile network in terms of download speed) to promote its own mobile offer. This is again a crucial step in the development of Intred as a TLC operator. From a profitability point of view, the launch of this offer is not expected to impact the current profitability of the Group but will stimulate topline growth through increased ARPA.

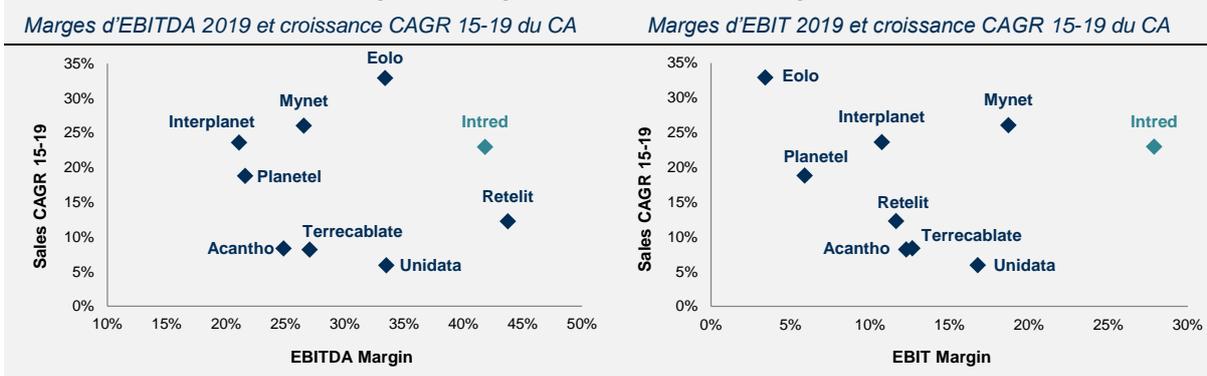
Commercial and cost synergies with QCOM

Intred completed a major external growth operation in 2020 by acquiring QCOM for €10.2m, representing an EV/EBITDA multiple of 5.7x. This great deal allowed the company to expand its activities in geographical areas where it had little presence until now. Indeed, QCOM is a telecom services reseller based in Bergamo that addresses a customer base of over 4,300 companies, specifically in the cities of Bergamo, Cremona, Milan, Monza and Varese. This acquisition consolidates the Group's position in the region and offers significant business synergy opportunities. Intred will be able to 1) improve the Group's profitability by addressing QCOM's customer base with its own network infrastructure and 2) cross-sell.

A very profitable business model

Thanks to a solid business model, Intred boasts high quality fundamentals. Like the major telecom operators, Intred has high profitability with an EBITDA margin of around 40%, which puts the Group at the top end of the market compared to local operators that generate margins ranging from around 20% to 40%. This is even more evident when comparing their operating (EBIT) margins as Intred performs best with an EBIT margin of 28% in 2019.

Intred affiche une rentabilité parmi les plus élevées chez les opérateurs locaux



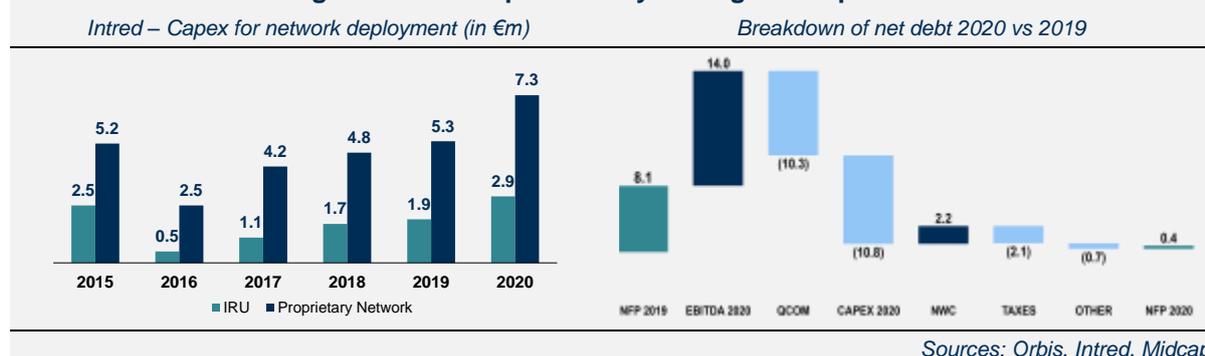
Source : Orbis, Midcap



The nature of the company's business also allows it to have very good visibility on its future revenues. Indeed, more than 90% of the Group's revenues are recurrent and the annual churn rate is less than 5%.

On the other hand, the Group has to make heavy material and immaterial investments (IRU) in order to finance its growth. Intred has invested around €45m since 2015 in building its fiber network to reach more customers. Even so, Intred has managed to maintain negative debt at €0.4m while comparable companies in the sector have average leverage (net debt/EBITDA) of over 2x according to FactSet data.

Intred has one of the highest levels of profitability among local operators



Finally, the Group also benefits from excellent visibility on its revenues thanks to a business model that is essentially based on the sale of monthly subscriptions. Intred is paid by its customers on average within 30 days (DSO <36 days) and pays its suppliers within 60 to 90 days.

Our Forecasts Explained

Key takeaways from H1 results

Revenues for the first half of the year came to €18.9 million, up 9% thanks to the strong momentum of ultra-broadband connection sales, which rose by 19%. Voice & Data services were up 14% to €3.7m. Broadband and FWA offers continued their anticipated decline of -16% and -1%. In terms of geography, the city of Brescia was the most dynamic (+12%) with the province of Lecco (+65%).

At the end of June 2021, the optical fiber network exceeded 4,200km (+28% yoy) and the number of customers reached 43,700 (+13% yoy). Thus, the H1 results confirm the very strong momentum of the business and the success of the Group's strategy.

Strategy should translate into +14,7% EPS CAGR 20-25E

In an environment taking into account an acceleration of the digitalization of the economy and a powerful increase in the adoption of fiber, we estimate that the Group should be able to generate a CAGR growth of EPS of +14.7% over the period 2020-2025E, driven by (i) the continued transition of ADSL subscriptions to FTTH (ii) the acquisition of new business and residential customers, (iii) the deployment of the network related to the Infratel contract (>4,500 schools covered by 2023), the launch of the mobile offer and (iv) the activation of the Italian recovery plan (PNRR). Our forecasts take into account a stable churn around 4%.

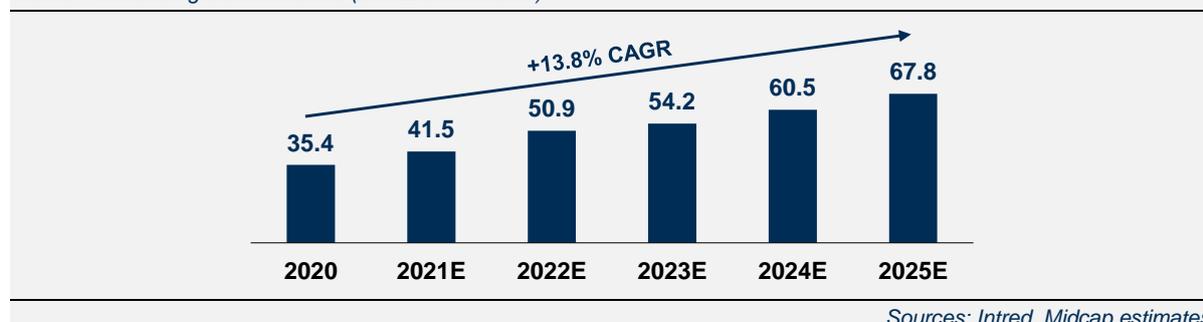
In detail, we believe that FTTH and FTTC fiber offers will be the main growth drivers, while ADSL/VDSL and FWA should continue to decline as customers gradually transition to ultra-broadband offers. We anticipate CAGR growth for ultra-broadband of nearly +17% over 2020-2025E, compared to a decline in CAGR of -8% for broadband and -3% for FWA.

Our forecasts include the contribution of the Infratel contract for fiber coverage of schools, which should result in an increase of around €4m in revenues in 2021 and €9m per year until 2025.

It should be noted that this contract includes one-off revenues (una tantum) paid according to the progress of activations. The year 2022 will benefit the most from this, which explains the small increase in sales between 2022 and 2023.

Strong growth expected to be driven by FTTH and FTTC

Intred – Revenue growth forecasts (in millions of euros)

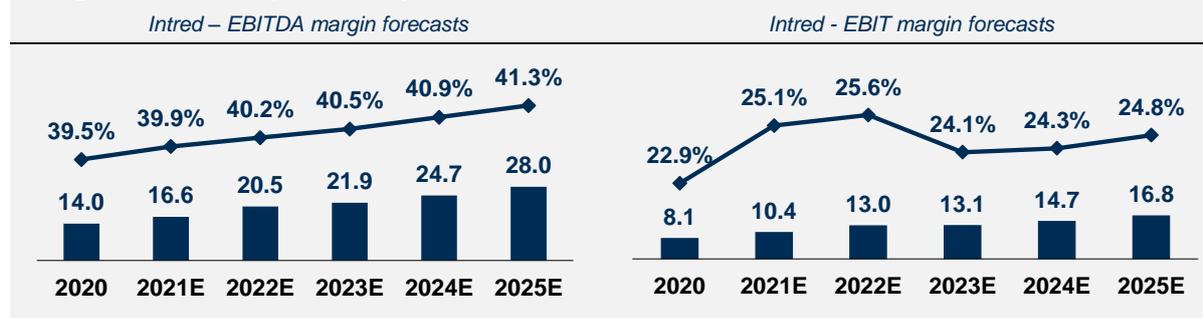


Profitability should remain at its current level

Costs are expected to grow slightly slower than revenue growth and the EBITDA margin is expected to gradually improve as a result of business growth and a favorable product mix. Already operating at high standards, the Group's profitability should subsequently remain at EBITDA margin levels of between 40% and 43%.

D&A is expected to increase slightly due to higher Capex related to the Infratel contract and then normalize.

A slight increase in profitability

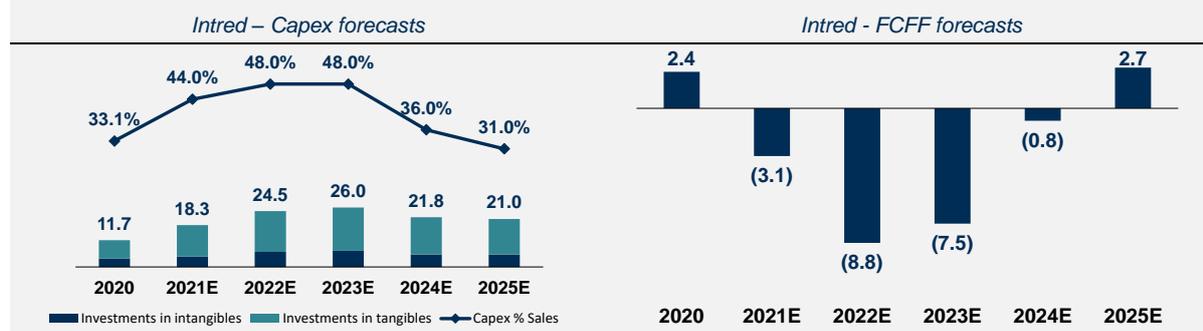


Sources: Intred, Midcap estimates

Capex, WCR and FCFE forecasts

After an increase in Capex due to the needs of the Infratel contract, it should stabilize at around 30% of revenues (25% IRU and 75% own network). With the objective of constantly deploying the fiber network in order to benefit from the market dynamics, we expect the Group to reinvest most of the cash flow generated by its activity each year. Thus, we expect FCFE (Operating Cash Flow - Capex) to fall in the next few years and then return to positive territory from 2025.

A one-off increase in investment set to normalize



Sources: Intred, Midcap estimates

We expect working capital to remain relatively stable at around -3% of sales with trade receivables collected within 30 days (DSO 36 days) and trade payables paid within 60 to 90 days.



Valuation and Sensitivity Analysis

Summary

- Our DCF valuation indicates a target price of €24.0 per share, which implies a potential upside of 26%.
- Secondly, we present the multiples of the comparable for information purposes only. Given Intred's growth profile, which is more akin to a developing company, we do not include peers in our valuation. The vast majority of companies in the telecom sector are mature companies.

26% upside potential

Valuation summary and implied multiples

Valuation	Price/share	Coefficient	Implied Multiples	2021E	2022E	2023E
DCF valuation	€ 24	100%	EV/Sales	9.2x	7.5x	7.0x
			EV/EBITDA	23.0x	18.6x	17.4x
			EV/EBIT	36.6x	29.3x	29.2x
Target price	€ 24		P/E	50.5x	40.5x	40.3x

Source: Midcap

Our DCF valuation model is based on the following assumptions

- Revenues of €67.8m in 2025E, with a growth rate of around 12% per year until 2030E and a long-term growth rate of 2%.
- EBITDA of €28.0m in 2025E and a long-term margin of 43% in 2030E.
- Capex at 31% of sales in 2025E and around 15.0% in the normative.
- Stable WCR at -3.0% of sales.
- Tax rate in line with the Italian rate at 27.9%.
- A discount rate of 6.2% based on a risk-free rate of -0.5% (3-month BTP), a market beta of 0.5 (3-year median of peers), a liquidity risk premium of 3% and a market risk premium of 7.0%.

Number of shares & Bridge

As of 31 December 2020, the company's capital was divided into 15,851,500 shares. The Group does not hold any treasury shares. Intred has approved a stock grant program over the period 2021-2023 for a maximum total of 100,000 new shares. We take into account in our valuation the issue of these 100,000 shares, which has a negligible effect (dilution >1%).

Equity bridge

Intred – Equity bridge 2020 and forecast for 2021

Equity Bridge	2020	2021E
Market capitalization	284.5	284.5
Preferred stocks		
Minorities		
Net financial debt (incl. Leases)	(0.4)	2.3
Equity investments in unconsolidated companies		
Provisions pensions obligations		
Bridge	(0.4)	2.3
Enterprise Value	284.1	286.8

Sources : Intred, estimations Midcap



Intred – DCF and assumptions

DCF Valuation - FCFF (All figures in K EUR millions)	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Sales	41.5	50.9	54.2	60.5	67.8	76.0	85.1	95.3	106.8	119.6
% YoY	17.2%	22.7%	6.4%	11.6%	12.1%	12.1%	12.0%	12.0%	12.0%	12.0%
Adjusted EBITDA	16.6	20.5	21.9	24.7	28.0	31.6	35.7	40.3	45.5	51.4
% margin	39.9%	40.2%	40.5%	40.9%	41.3%	41.6%	42.0%	42.3%	42.6%	43.0%
Depreciation & Amortisation	6.1	7.5	8.9	10.1	11.2	12.4	13.7	15.1	16.5	18.1
% of Sales	14.8%	14.6%	16.4%	16.6%	16.5%	16.3%	16.1%	15.8%	15.5%	15.1%
EBIT	10.4	13.0	13.1	14.7	16.8	19.2	22.0	25.2	29.0	33.3
EBIT Margin	25.1%	25.6%	24.1%	24.3%	24.8%	25.3%	25.9%	26.5%	27.2%	27.9%
Marginal tax rate	27.9%	27.9%	27.9%	27.9%	27.9%	27.9%	27.9%	27.9%	27.9%	27.9%
NOPAT	7.5	9.4	9.4	10.6	12.1	13.8	15.9	18.2	20.9	24.0
Add: D&A	6.1	7.5	8.9	10.1	11.2	12.4	13.7	15.1	16.5	18.1
Capital Expenditures	18.3	24.5	26.0	21.8	21.0	22.5	24.0	25.6	27.1	18.1
% of Sales	44.0%	48.0%	48.0%	36.0%	31.0%	29.6%	28.2%	26.8%	25.4%	15.1%
NWC	(2.6)	(1.4)	(1.6)	(1.9)	(2.3)	(2.5)	(2.7)	(3.0)	(3.3)	(3.6)
% of Sales	(6.3%)	(2.8%)	(3.0%)	(3.2%)	(3.4%)	(3.3%)	(3.2%)	(3.1%)	(3.1%)	(3.0%)
Increase (decrease) in NWC	(1.5)	1.2	(0.2)	(0.3)	(0.4)	(0.2)	(0.2)	(0.3)	(0.3)	(0.3)
% of Sales	(3.6%)	2.3%	(0.3%)	(0.5%)	(0.5%)	(0.3%)	(0.3%)	(0.3%)	(0.3%)	(0.3%)
Unlevered Free Cash Flow	(3.1)	(6.8)	(7.5)	(0.8)	2.7	4.0	5.8	8.0	10.6	24.3
WACC	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%
Discount Period	0.31	1.31	2.31	3.31	4.31	5.31	6.31	7.31	8.31	9.31
Discount Factor	98%	92%	87%	82%	77%	73%	69%	65%	61%	57%
Present Value of Free Cash Flow	(3.1)	(8.1)	(6.6)	(0.7)	2.1	2.9	4.0	5.2	6.5	14.0

Terminal Value Calculation:	
Perpetuity Growth Rate	2.0%
Terminal Year Free Cash Flow	24.3
Terminal Value	626.5
TV as a % of EV	96%
Terminal EBIT Multiple	18.8 x
Terminal FCF Multiple	25.7 x
Discount Factor	58%
NPV of Terminal Value	365.4

Cumulative NPV of Free Cash Flow	16.5
NPV of Terminal Value	365.4
Enterprise Value	381.9
Less : Bridge	(0.4)
Equity Value	382.3
Shares Outstanding (fully diluted)	16.0
Price Per Share	24.0

WACC CALCULATION	
Risk-free rate (BTP 3 Months)	-0.5%
Liquidity risk premium	3.0%
Beta	0.5 x
Equity premium	7.0%
Cost of equity	6.0%
Interest rate	0.0%
Tax rate	27.9%
Cost of debt (after tax)	0.0%
% equity	100.0%
% debt	0.0%
WACC	6.0%

Sources: Intred, Midcap

Sensitivity analysis - Price per share (in €)

Price (€)	WACC	WACC				
		5.0%	5.5%	6.0%	6.5%	7.0%
Perpetuity growth rate	1.0%	26.0	22.2	19.2	16.7	14.7
	1.5%	29.7	25.0	21.3	18.4	16.1
	2.0%	34.7	28.5	24.0	20.5	17.7
	2.5%	41.7	33.3	27.4	23.0	19.7
	3.0%	52.2	40.0	32.0	26.3	22.1
	24					

Source: Midcap

Peers multiples

Our sample of peers is composed of companies in the European telecom sector, but there are differences in positioning between them.

EBIT and EBITDA margins estimated by analysts' consensus

Company Name	Ticker	Country	Market Value (M€)		EBITDA margin			EBIT margin		
			Equity	EV	2021E	2022E	2023E	2021E	2022E	2023E
Retelit S.p.A.	LIT-IT	Italy	477	620	33%	34%	36%	14%	16%	18%
Telecom Italia S.p.A.	TIT-IT	Italy	8,044	35,489	41%	43%	43%	13%	16%	16%
Vodafone Group Plc	VOD-GB	United Kingdom	38,425	94,914	34%	34%	35%	12%	14%	15%
Iliad	ILD-FR	France	10,848	21,985	36%	36%	37%	13%	14%	16%
Orange SA	ORA-FR	France	25,212	70,133	30%	31%	31%	13%	13%	14%
Deutsche Telekom AG	DTE-DE	Germany	84,516	257,469	37%	38%	39%	13%	15%	17%
Telefonica SA	TEF-ES	Spain	23,485	75,934	53%	35%	35%	36%	12%	13%
Elisa Oyj Class A	ELISA-FI	Finland	9,150	10,113	36%	36%	37%	22%	23%	23%
Royal KPN NV	KPN-NL	Netherlands	11,734	18,514	49%	48%	49%	28%	19%	21%
Swisscom AG	SCMN-CH	Switzerland	25,628	33,727	39%	39%	39%	18%	18%	18%
Telenor ASA	TEL-NO	Norway	20,532	33,008	45%	46%	46%	20%	23%	24%
Telia Company AB	TELIA-SE	Sweden	14,921	24,270	36%	36%	36%	18%	14%	15%
Telenet Group Holding NV	TNET-BE	Belgium	3,556	8,809	52%	53%	53%	25%	26%	26%
freenet AG	FNTN-DE	Germany	2,808	3,615	17%	17%	17%	10%	11%	11%
Tele2 AB Class B	TEL2.B-SE	Sweden	8,829	11,880	39%	41%	42%	18%	21%	23%
Teleste Oyj	TLT1V-FI	Finland	105	116	11%	11%	11%	5%	6%	7%
Eutelsat Communications SA	ETL-FR	France	2,275	5,031	76%	76%	75%	31%	32%	33%
Unidata S.P.A.	UD-IT	Italy	106	97	32%	36%	36%	17%	18%	17%

Mean	39%	38%	39%	18%	17%	18%
Median	37%	36%	37%	17%	16%	17%
Harmonic Mean	32%	32%	33%	15%	15%	16%

Intred SpA - MCP Estimates vs. Peers' average	39.9%	40.2%	40.5%	25.1%	25.6%	24.1%
	3.1%	5.0%	4.5%	37.8%	48.4%	33.6%

Sources: FactSet, Midcap

Thus, we compare the EV/EBIT and P/E multiples below based on analysts' estimates.

EV/EBIT and P/E multiples based on analyst's consensus

Company Name	Ticker	Country	Market Value (M€)		EV/EBIT			P/E		
			Equity	EV	2021E	2022E	2023E	2021E	2022E	2023E
Retelit S.p.A.	LIT-IT	Italy	477	620	23.5 x	19.7 x	16.4 x	27.8 x	21.5 x	17.2 x
Telecom Italia S.p.A.	TIT-IT	Italy	8,044	35,489	17.4 x	14.1 x	13.3 x	13.5 x	8.5 x	7.3 x
Vodafone Group Plc	VOD-GB	United Kingdom	38,425	94,914	16.6 x	15.0 x	13.7 x	13.5 x	11.5 x	9.9 x
Iliad	ILD-FR	France	10,848	21,985	21.7 x	19.0 x	16.9 x	21.1 x	17.2 x	14.6 x
Orange SA	ORA-FR	France	25,212	70,133	13.2 x	12.5 x	12.0 x	9.5 x	8.7 x	8.2 x
Deutsche Telekom AG	DTE-DE	Germany	84,516	257,469	18.1 x	16.0 x	13.9 x	15.7 x	14.1 x	12.0 x
Telefonica SA	TEF-ES	Spain	23,485	75,934	5.5 x	17.5 x	17.1 x	7.1 x	10.5 x	10.1 x
Elisa Oyj Class A	ELISA-FI	Finland	9,150	10,113	23.4 x	22.1 x	21.1 x	25.6 x	24.3 x	23.0 x
Royal KPN NV	KPN-NL	Netherlands	11,734	18,514	12.0 x	18.3 x	16.7 x	20.3 x	18.3 x	16.2 x
Swisscom AG	SCMN-CH	Switzerland	25,628	33,727	18.3 x	18.4 x	18.3 x	16.8 x	18.3 x	18.1 x
Telenor ASA	TEL-NO	Norway	20,532	33,008	14.8 x	12.9 x	12.3 x	17.6 x	15.7 x	14.8 x
Telia Company AB	TELIA-SE	Sweden	14,921	24,270	15.5 x	20.9 x	19.4 x	21.5 x	19.4 x	17.7 x
Telenet Group Holding NV	TNET-BE	Belgium	3,556	8,809	13.3 x	12.8 x	12.5 x	9.4 x	9.3 x	8.9 x
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Tele2 AB Class B	TEL2.B-SE	Sweden	8,829	11,880	24.8 x	21.6 x	19.5 x	21.7 x	20.1 x	18.8 x
Teleste Oyj	TLT1V-FI	Finland	105	116	15.9 x	11.4 x	9.7 x	19.8 x	13.7 x	11.5 x
Eutelsat Communications SA	ETL-FR	France	2,275	5,031	13.7 x	13.4 x	13.2 x	7.7 x	9.0 x	8.5 x
Unidata S.P.A.	UD-IT	Italy	106	97	17.5 x	15.7 x	14.9 x	27.1 x	24.3 x	23.0 x

Mean	16.6 x	16.3 x	15.2 x	17.1 x	15.3 x	14.0 x
Median	16.3 x	15.9 x	14.4 x	17.2 x	14.9 x	13.3 x
Harmonic Mean	14.9 x	15.6 x	14.6 x	14.5 x	13.6 x	12.4 x

Intred SpA - MCP Estimates vs. Peers' average	26.5 x	21.3 x	21.2 x	36.8 x	29.5 x	29.4 x
	59.4%	30.2%	39.5%	114.8%	92.7%	111.0%

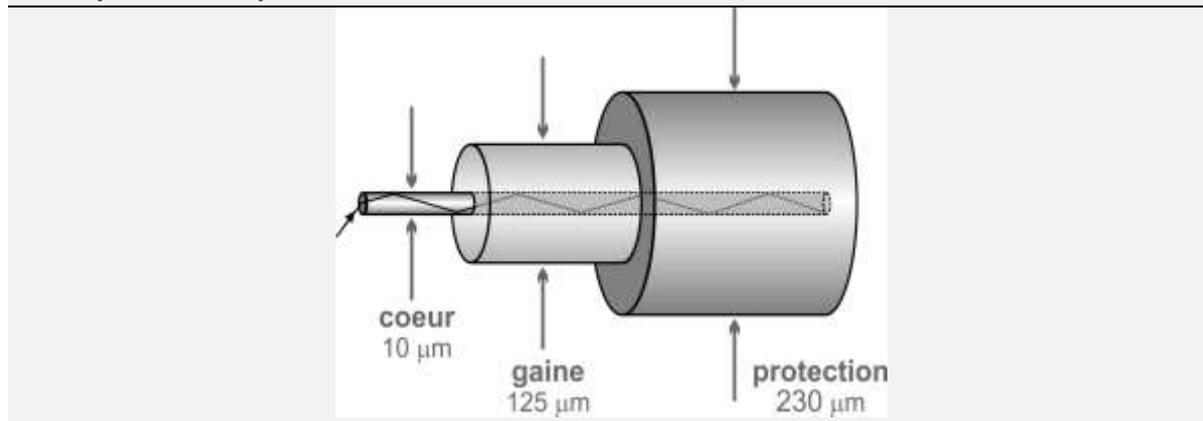
Sources: FactSet, Midcap

General Information on Optical Fiber

Description

Optical fiber is used for a variety of purposes such as fiber optics, lighting or digital data transmission. It is a glass or plastic wire, consisting of a core surrounded by a cladding, which exploits the refracting properties of light: the light beam enters at one end and propagates to the other along a zigzag path.

Description of an optical fiber



Source: Internet

It offers a much higher data rate than the traditional copper network and thus allows for a faster connection.

There are 3 different types of connection:

- **Fiber to the home (FTTH)**, where the internet connection is exclusively in fiber. This is the fastest connection method.
- **Fiber to the last amplifier (FTTLA)**, where the internet connection is both fiber and copper. The fiber part stops at a cabinet in the street or a box in a building and the rest of the connection is copper.
- **Fiber to the building (FTTB or FTTC)**, where the internet connection is also both fiber and copper. In this case, the fiber part stops at the foot of the building and the rest of the connection is copper.

Market

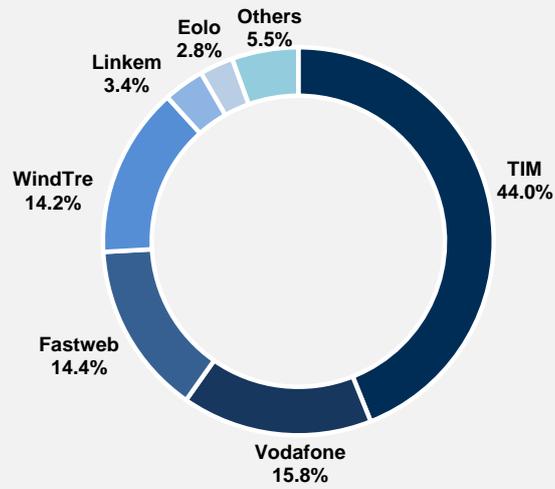
As of March, the fixed line market represents 19.95 million lines and is segmented into 4 categories:

- Copper: 33.1%.
- FWA (Fixed Wireless Access): 48.2
- FTTC (Fiber to the Cabinet): 8.1
- FTTH (Fiber to the Home): 10.6%.

In Italy, the majority of the Telco market share is held by 4 players in the sector: Tim, Vodafone, Fastweb and Wind Tre, which together hold 88.4% of the market.

Telecom Italia dominates the Internet connection market by far

Italy – Internet connection market share at the end of March 2021



Sources: AGCOM, Midcap

Company Description

Relevant information

Intred S.P.A. is an Italian company active in the telecommunications sector as a business-to-business provider. It operates through four segments: Internet, Internet and telephone, telephone and data center.

Intred has chosen to concentrate its activities in a localized geographical area in order to optimize all operational efforts and better manage infrastructure investments, thanks to the rational use of deployed resources and the careful profiling of the company's target user base. As a result, it has a 4,200km fiber optic network and offers state-of-the-art services to over 43,000 users in the highly dynamic Lombardy region.

Board of Directors

	DANIELE PELI President and CEO		ADALBERTO SALVI Director
	MARISA PRATI Director		RENZO TORCHIANI Director
	GIULIA PELI Director		ALESSANDRO TRIBOLDI Independent director
	FABIO MASSIMO ERRI Director		

Source: Intred

Management Team

				
	Daniele Peli CEO - Amministratore Delegato vedi profilo >			
				
Renato Biron Responsabile Sviluppo Infrastrutture di rete vedi profilo >	Marco Efram Carellini CTO - Direttore Tecnico vedi profilo >	Cinzia Della Torre Responsabile Affari Legali e Regolamentari vedi profilo >	Filippo Leone CFO - Responsabile Amministrazione e Finanze vedi profilo >	
				
	Roberta Peli Responsabile Risorse Umane e Servizio Clienti vedi profilo >	Egon Zanagnoli COO - Direttore Commerciale e Marketing vedi profilo >		

Source: Intred



Financial Data (1/2)

Compte de résultat, bilan & tableau de flux

Income statement							
€M	2017	2018	2019	2020	2021E	2022E	2023E
Revenues	14.4	17.2	20.8	35.4	41.5	50.9	54.2
<i>Change</i>	25.3%	19.4%	21.1%	70.2%	17.2%	22.7%	6.4%
Other revenues	0.4	0.7	0.4	0.9			
Value of Production	14.8	17.9	21.2	36.4	41.5	50.9	54.2
	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
COGS	(6.8)	(8.5)	(9.2)	(15.9)	(17.9)	(22.0)	(23.5)
Gross Profit	8.0	9.4	12.0	20.5	23.6	28.9	30.7
Personnel	(2.3)	(2.6)	(3.3)	(6.5)	(7.1)	(8.5)	(8.8)
External charges							
Other revenues and expenses							
EBITDA reported	5.7	6.8	8.7	14.0	16.6	20.5	21.9
<i>% of revenue</i>	39.6%	39.6%	41.8%	39.5%	39.9%	40.2%	40.5%
Net depreciation, Amortisation and provisions	(2.2)	(2.6)	(3.0)	(5.9)	(6.1)	(7.4)	(8.8)
EBIT	3.5	4.2	5.8	8.1	10.5	13.1	13.1
<i>% of revenue</i>	24.5%	24.4%	27.6%	22.9%	25.3%	25.6%	24.2%
Financial result	(0.1)	(0.0)	0.1	0.1			
Income tax	(0.9)	(0.9)	(1.5)	(2.1)	(2.9)	(3.6)	(3.7)
<i>Tax rate</i>	26.9%	22.8%	25.9%	25.3%	27.9%	27.9%	27.9%
Net income	2.5	3.2	4.3	6.1	7.6	9.4	9.5
Minority							
Net income group share	2.5	3.2	4.3	6.1	7.6	9.4	9.5
Balance sheet							
€M	2017	2018	2019	2020	2021E	2022E	2023E
Intangible fixed assets	3.7	4.9	6.2	8.7	11.6	16.0	20.4
Tangible fixed assets	14.4	17.0	20.0	24.7	34.0	46.6	59.4
Financials assets							
Current assets	5.3	5.0	5.1	8.4	5.5	7.6	7.9
Cash	1.1	9.7	10.0	6.8	2.2	8.4	0.8
Assets	24.5	36.5	41.2	57.9	62.5	87.8	97.7
Shareholder's equity	9.4	22.7	26.7	32.3	39.9	49.3	58.7
Provisions	0.5	0.6	0.6	1.6	1.6	1.6	1.6
Financial debt	5.2	3.1	1.8	6.4	4.9	19.9	19.9
Other non-current liabilities							
Current liabilities	9.5	10.3	12.2	17.7	16.3	17.2	17.6
Liabilities	24.6	36.6	41.3	58.0	62.7	88.0	97.9
Cash-flow statement							
€M	2017	2018	2019	2020	2021E	2022E	2023E
Operating cash-flow	4.8	5.9	7.2	12.8	13.6	16.8	18.3
ΔNWC	(0.9)	1.1	1.8	2.2	1.5	(1.2)	0.2
Cash-flow from operating activities	3.9	7.0	9.0	15.0	15.1	15.6	18.5
CAPEX	(5.5)	(6.4)	(7.2)	(11.7)	(18.3)	(24.5)	(26.0)
FCF	(1.6)	0.7	1.9	3.3	(3.1)	(8.8)	(7.6)
Net acquisition of financial assets							
Cash-flow from investing activities	(5.5)	(6.4)	(7.2)	(22.2)	(18.3)	(24.5)	(26.0)
Capital increase		10.0					
Change in borrowings	0.8	(2.1)	(1.3)	4.6	(1.5)	15.0	
Cash-flow from financing activities	0.8	7.9	(1.6)	4.1	(1.5)	15.0	
Change in cash	(0.8)	8.6	0.3	(3.1)	(4.6)	6.2	(7.6)

Sources: Intred, Midcap estimates

Financial Data (2/2)

Ratio

KEY RATIOS	2017	2018	2019	2020	2021E	2022E	2023E
Revenue growth	25.3%	19.4%	21.1%	70.2%	17.2%	22.7%	6.4%
Reported EBITDA margin	39.6%	39.6%	41.8%	39.5%	39.9%	40.2%	40.5%
Adjusted EBITDA margin	39.6%	39.6%	41.8%	39.5%	39.9%	40.2%	40.5%
EBIT margin	24.5%	24.4%	27.6%	22.9%	25.3%	25.6%	24.2%
Net margin	17.6%	18.7%	20.8%	17.2%	18.2%	18.5%	17.4%
Reported EPS	0.0	0.2	0.3	0.4	0.5	0.6	0.6
Dividend per share	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividende Yield					0.0%	0.0%	0.0%
NWC as a % of Revenue	-2.5%	-6.5%	-6.0%	-3.2%	-6.3%	-2.8%	-3.0%
DIO	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	0.0	0.0	0.0
DSO	86.8	69.9	58.9	46.3	34.3	32.4	32.4
DPO	221.9	202.5	209.6	150.7	125.3	116.7	116.4
FCF	(1.6)	0.7	1.9	3.3	(3.1)	(8.8)	(7.6)
FCF yield	0%	0%	0%	0%			
Conversion rate (FCF/EBITDA)	-28%	10%	21%	23%	-19%	-43%	-34%
CAPEX/Sales	38.2%	37.0%	34.4%	33.1%	44.0%	48.0%	48.0%
ROE	31.1%	20.0%	17.5%	20.7%	21.0%	19.1%	16.1%
ROA	11.2%	10.5%	11.1%	12.3%	12.5%	10.7%	9.7%
ROCE (after tax)	18.5%	19.6%	22.4%	18.2%	17.2%	15.1%	11.9%
Gearing, net				-0.1%	0.9%	3.8%	6.4%
Financial leverage	71.6%	-96.8%	-93.5%	-3.0%	0.2x	0.6x	0.9x
EV/Sales					7.2x	5.9x	5.5x
EV/EBITDA					18.1x	14.6x	13.7x
EV/EBIT					28.6x	23.0x	22.9x
PE					39.7x	31.9x	31.8x

Sources: Intred, Midcap estimates



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