

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

Stock performance	1M	3M	6M	1Y
absolute	-14,38%	-11,35%	-20,89%	-31,88%
to FTSE Italia Growth	-11,75%	-9,91%	-6,46%	-12,49%
to Euronext STAR Milan	-11,93%	-5,61%	0,25%	-1,07%
to FTSE All-Share	-14,97%	-12,27%	-6,76%	-13,36%
to EUROSTOXX	-14,23%	-12,28%	-9,08%	-15,50%
to MSCI World Index	-7,96%	-5,97%	0,26%	-9,36%

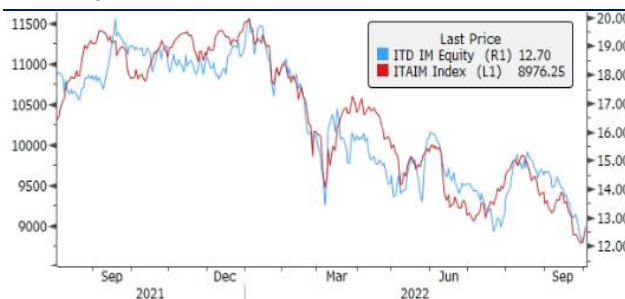
Stock Data	
Price	€ 12,50
Target price	€ 25,30
Upside/(Downside) potential	102,4%
Bloomberg Code	ITD IM EQUITY
Market Cap (€m)	198,32
EV (€m)	192,91
Free Float	30,18%
Share Outstanding	15.865.300
52-week high	€ 20,20
52-week low	€ 12,00
Average daily volumes (3m)	1.950

Key Financials (€m)	FY21A	FY22E	FY23E	FY24E
VoP	41,2	47,8	54,5	62,5
EBITDA	17,6	20,1	22,9	26,3
EBIT	11,8	13,3	15,3	17,8
Net Profit	8,6	9,7	11,0	12,8
EPS (€)	0,54	0,61	0,69	0,81
EBITDA margin	42,8%	41,9%	42,0%	42,1%
EBIT margin	28,6%	27,7%	28,1%	28,5%
Net Profit margin	20,9%	20,3%	20,2%	20,5%

Main Ratios	FY21A	FY22E	FY23E	FY24E
EV/EBITDA (x)	10,9	9,6	8,4	7,3
EV/EBIT (x)	16,4	14,6	12,6	10,8
P/E (x)	23,0	20,4	18,0	15,5

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Stocks performance vs FTSE Italia Growth



1H22A Results

The VoP in 1H22A amounted to € 23.35 million, with a sales revenues value of € 22.95 million, registering a growth of 20.7% compared to 1H21A (€ 19.34 million). EBITDA, equal to € 9.59 million, recorded an increase of 22.4% compared to € 7.83 million in 1H21A. The EBITDA Margin, equal to 41.1%, also increased compared to the figure for the first half of last year (40.5%). EBIT amounted to € 6.03 million (€ 5.27 million in 1H21A) with an EBIT margin of 25.8%. Net profit amounted to € 4.27 million, up compared to the figure as of 30/06/2022 (€ 3.79 million). The NFP as of 30 June 2022 amounted to € 9.59 million of debt.

Estimates update

In the light of the results published in the half-yearly report for 1H22A, we modify our previous estimates both for the current year and for the coming years. In particular, we estimate FY22E value of production equal to € 47.80 million and EBITDA of € 20.05 million, corresponding to a marginality of 41.9%. For subsequent years, we expect the value of production to increase up to € 70.50 million (CAGR 21A-25E: 14.34%) in FY25E, with EBITDA of € 29.75 million (corresponding to an EBITDA margin of 42.2%), compared to € 17.64 million in FY21A (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 in the calculation of the WACC includes for prudential purposes also a specific risk of 1.0%) provides an equity value of € 490.9 million. The equity value of Intred using the market multiples is equal to €311.8 Mln. The result is an average equity value of approx. € 401.4 million. The target price is, therefore, € 25.30 (prev. € 25.30), 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	1,00	1,00	1,00	1,00
Use of assets owned by others	9,35	9,14	10,60	12,20	14,10	15,90
Services	5,51	5,53	6,40	7,30	8,30	9,40
Employees	6,49	7,01	8,80	10,00	11,40	12,90
Other Operating Expenses	0,77	1,04	0,95	1,10	1,40	1,55
EBITDA	13,99	17,64	20,05	22,90	26,30	29,75
<i>EBITDA Margin</i>	<i>38,4%</i>	<i>42,8%</i>	<i>41,9%</i>	<i>42,0%</i>	<i>42,1%</i>	<i>42,2%</i>
D&A	5,86	5,85	6,80	7,60	8,50	8,80
EBIT	8,13	11,79	13,25	15,30	17,80	20,95
<i>EBIT Margin</i>	<i>22,3%</i>	<i>28,6%</i>	<i>27,7%</i>	<i>28,1%</i>	<i>28,5%</i>	<i>29,7%</i>
Financial Management	0,06	0,15	0,15	0,00	0,00	0,00
EBT	8,18	11,95	13,40	15,30	17,80	20,95
Taxes	2,07	3,32	3,70	4,30	5,00	6,00
Net Income	6,11	8,62	9,70	11,00	12,80	14,95
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	14,50	16,00	18,00	20,00
Inventories	0,00	1,19	1,00	0,50	0,50	0,50
Account payable	7,66	17,12	15,00	17,00	19,50	22,00
Operating Working Capital	(2,2)	(8,2)	0,5	(0,5)	(1,0)	(1,5)
Other receivable	2,52	2,66	4,50	2,80	2,95	3,10
Other payable	9,56	15,45	16,00	18,00	19,00	21,00
Net Working Capital	(9,3)	(21,0)	(11,0)	(15,7)	(17,1)	(19,4)
Severance Indemnities & Other Provisions	1,60	1,56	1,90	2,20	2,50	2,80
NET INVESTED CAPITAL	31,87	34,89	61,60	64,10	65,95	66,50
Share Capital	10,00	10,00	10,00	10,00	10,00	10,00
Reserves	16,19	21,67	29,43	38,16	48,06	59,58
Net Income	6,11	8,62	9,70	11,00	12,80	14,95
Equity	32,30	40,29	49,13	59,16	70,86	84,53
Cash & Cash Equivalent	6,83	15,33	11,78	14,06	19,91	29,03
Short Term Debt to Bank	1,48	6,30	12,80	10,00	8,00	6,00
M/L Term Debt to Bank	4,92	3,63	11,45	9,00	7,00	5,00
Net Financial Position	(0,43)	(5,41)	12,47	4,94	(4,91)	(18,03)
SOURCES	31,87	34,89	61,60	64,10	65,95	66,50
CASH FLOW (€/mIn)	FY21A	FY22E	FY23E	FY24E	FY25E	
EBIT	11,79	13,25	15,30	17,80	20,95	
Taxes	3,32	3,70	4,30	5,00	6,00	
NOPAT	8,47	9,55	11,00	12,80	14,95	
D&A	5,85	6,80	7,60	8,50	8,80	
Change in receivable	(2,34)	(6,75)	(1,50)	(2,00)	(2,00)	
Change in inventories	(1,19)	0,19	0,50	0,00	0,00	
Change in payable	9,46	-2,12	2,00	2,50	2,50	
Change in others	5,75	-1,29	3,70	0,85	1,85	
<i>Change in NWC</i>	<i>11,68</i>	<i>-9,97</i>	<i>4,70</i>	<i>1,35</i>	<i>2,35</i>	
Change in provisions	(0,04)	0,34	0,30	0,30	0,30	
OPERATING CASH FLOW	25,95	6,72	23,60	22,95	26,40	
Capex	(20,5)	(23,9)	(15,1)	(12,0)	(12,0)	
FREE CASH FLOW	5,45	(17,16)	8,50	10,95	14,40	
Financial Management	0,15	0,15	0,00	0,00	0,00	
Change in Debt to Bank	3,52	14,33	(5,25)	(4,00)	(4,00)	
Change in Equity	(0,63)	(0,86)	(0,97)	(1,10)	(1,28)	
FREE CASH FLOW TO EQUITY	8,50	(3,55)	2,28	5,85	9,12	

Source: Intred and Integrae SIM estimates

1.1 1H22A Results

Table 2 – 1H22A vs 1H21A

(€/mIn)	VoP	EBITDA	EBITDA %	EBIT	Net Income	NFP
1H22A	23,3	9,6	41,1%	6,0	4,3	9,6
1H21A	19,3	7,8	40,5%	5,3	3,8	(5,4)*
Change	20,7%	22,4%	0,6%	14,5%	12,5%	N/A

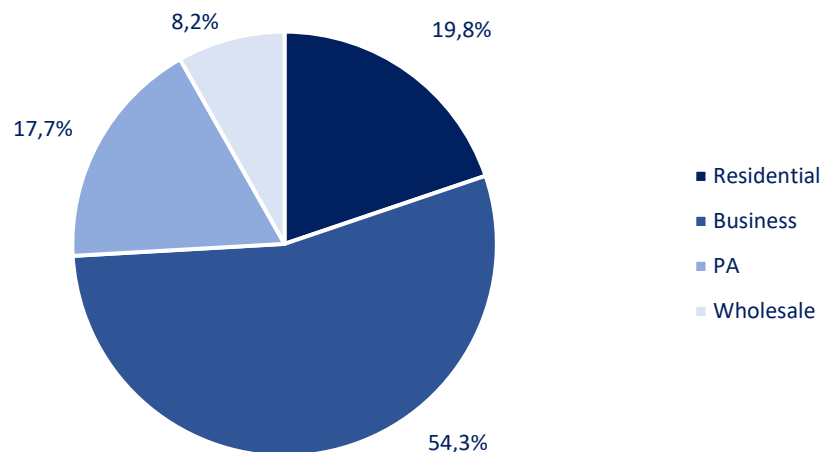
*NFP as of 31/12/2021

Source: Integrae SIM

Through a press release, the Company, commenting on the half-yearly results, states: *“The positive data of this year-half prove the validity of our business model. The strategic choice to create a widespread network throughout the Lombardy region, confirmed by the strong acceleration of investments, has proved successful and is achieving the objectives set. With the recent signing of the second School Call, we expect a further increase in the regional network, greater capillarity, and a consequent greater sales opportunity in the richest and most populous territory of our country. With these scenarios, we hope to continue the growth of the first half of the year also in the second part of the year.”*

The value of production for 1H22A amounted to € 23.35 million, with a sales revenues value of € 22.95 million, registering a growth of 20.7% compared to 1H21A (€ 19.34 million). These improved results were obtained on the services with recurring fees, which represent 86.0% of turnover, with a growth of 11.0%. Revenues from "one-off" products and services also increased by 194.0% to € 3.20 million, mainly due to the effect of the School Call. The increase in turnover was mainly driven by sales of fiber optic connections (FTTH), which amounted to approximately € 13.20 million, an increase of 47.0% compared to the same period of the previous half-year.

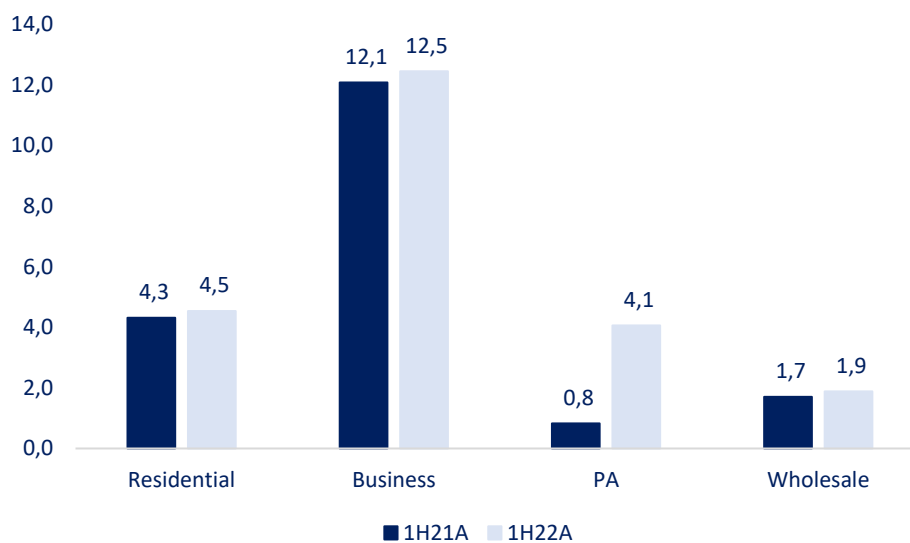
Chart 1 – Revenues Breakdown by Type of Customer



Source: Intred

The revenues have the following breakdown by customer type: 19.8% residential market, 54.3% business market, 17.7% PA, and 8.2% Wholesale.

Chart 2 – Revenues Breakdown by Type of Customer 1H21A vs 1H22A



Source: Intred

In terms of the type of customer, the category with the highest growth rate was that of the P.A. (+384.0%), mainly thanks to the effects of the School Call which alone is worth € 3.30 million and to which significant resources have been dedicated, leading to the activation of over 1,700 schools as of 30 June 2022. The growth of the professional, residential and Wholesale sectors was also positive, increasing by 3.0%, 5.0%, and 10.0% respectively compared to 1H21A.

EBITDA, equal to € 9.59 million, recorded a significant increase of 22.4% compared to € 7.83 million in 1H21A. The EBITDA Margin, equal to 41.1%, also increased compared to the figure for the first half of last year (40.5%).

EBIT amounted to € 6.03 million (€ 5.27 million in 1H21A), after amortization and depreciation of € 3.55 million, with an EBIT margin of 25.8%. Net Income amounted to € 4.27 million, up compared to the figure as of 30/06/2022 (€ 3.79 million).

In the first half of the year 2022, investments amounted to € 18.60 million, mainly focused on the development of the backhauling network and access to optical fiber in FTTH mode in the territory of Lombardy. The strong acceleration of investments was necessary to comply with the commitments related to the Schools Call, which can then be used to activate connections for other users of the local PA, for business and residential customers. In addition, the proprietary fiber optic network increased to over 8,400 km compared to 7,300 km as of 31 December 2021, increasing by 15.0%.

The NFP on 30 June 2022 amounted to € 9.59 million of debt, a worsening compared to the value on 30 December 2021 (cash positive € 5.41 million).

1.2 FY22A – FY25E Estimates

Table 3 – Estimates Updates FY22A-25E

€/mln	FY22E	FY23E	FY24E	FY25E
VoP				
New	47,8	54,5	62,5	70,5
Old	47,8	54,5	62,5	70,5
Change	0,0%	0,0%	0,0%	0,0%
EBITDA				
New	20,1	22,9	26,3	29,8
Old	20,5	23,5	27,0	30,6
Change	-2,2%	-2,6%	-2,6%	-2,8%
EBITDA %				
New	41,9%	42,0%	42,1%	42,2%
Old	42,9%	43,1%	43,2%	43,4%
Change	-0,9%	-1,1%	-1,1%	-1,2%
EBIT				
New	13,3	15,3	17,8	21,0
Old	13,7	15,9	18,5	21,8
Change	-3,3%	-3,8%	-3,8%	-3,9%
Net Income				
New	9,7	11,0	12,8	15,0
Old	10,1	11,7	13,6	15,9
Change	-3,5%	-5,6%	-5,5%	-5,7%
NFP				
New	12,5	4,9	(4,9)	(18,0)
Old	(5,9)	(10,0)	(14,8)	(22,1)
Change	N/A	N/A	N/A	N/A

Source: Integrae SIM

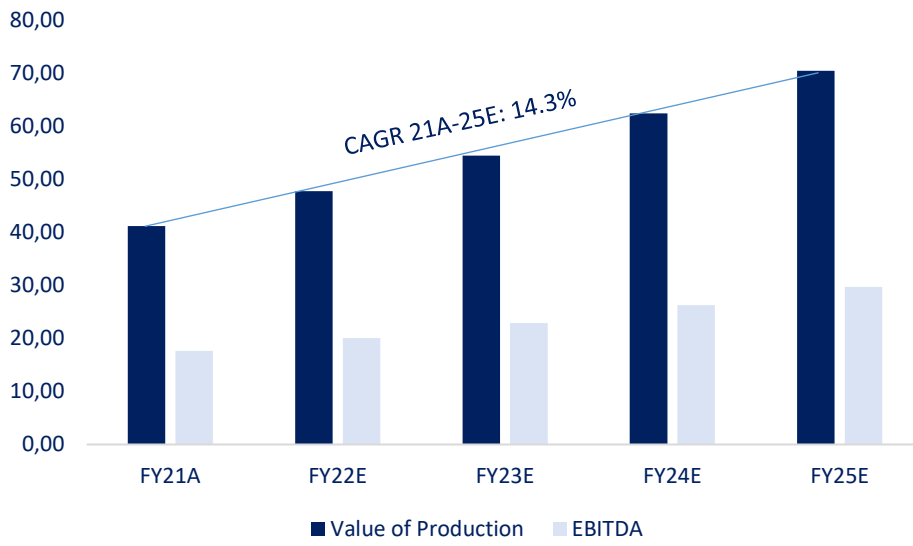
In light of the results published in the half-yearly report for 1H22A, we modify our previous estimates both for the current year and for the coming years.

In particular, we estimate the FY22E value of production equal to € 47.80 million and an EBITDA of € 20.05 million, corresponding to a marginality of 41.9%. For subsequent years, we expect the value of production to increase up to € 70.50 million (CAGR 21A-25E: 14.34%) in FY25E, with EBITDA of € 29.75 million (corresponding to an EBITDA margin of 42.2%), compared to € 17.64 million in FY21A (corresponding to an EBITDA margin of 42.8%).

Regarding the estimated investments, we expect Capex FY22E-FY25E to be equal to approximately € 63.00 million.

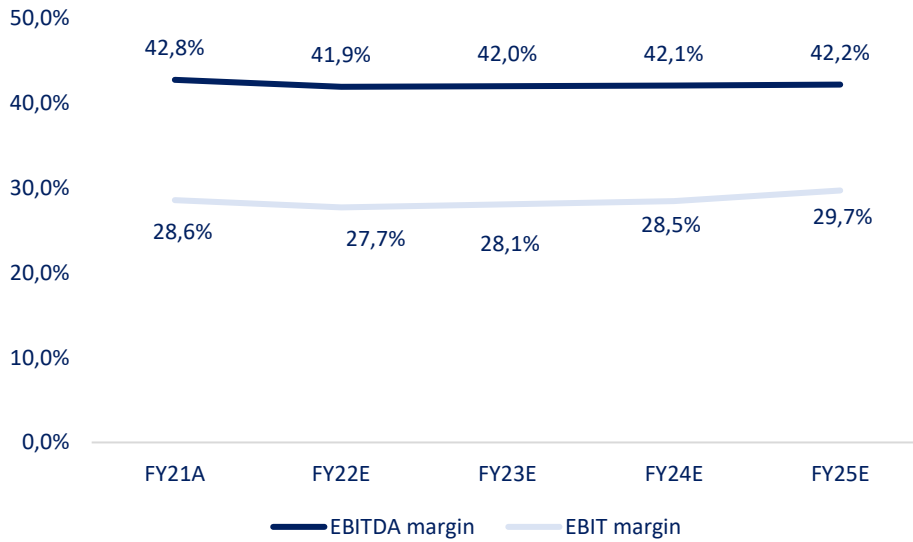
In terms of the Balance Sheet, we estimate an NFP for FY25E cash positive and equal to € 18.03 million.

Chart 3 – VoP and EBITDA FY21A-25E



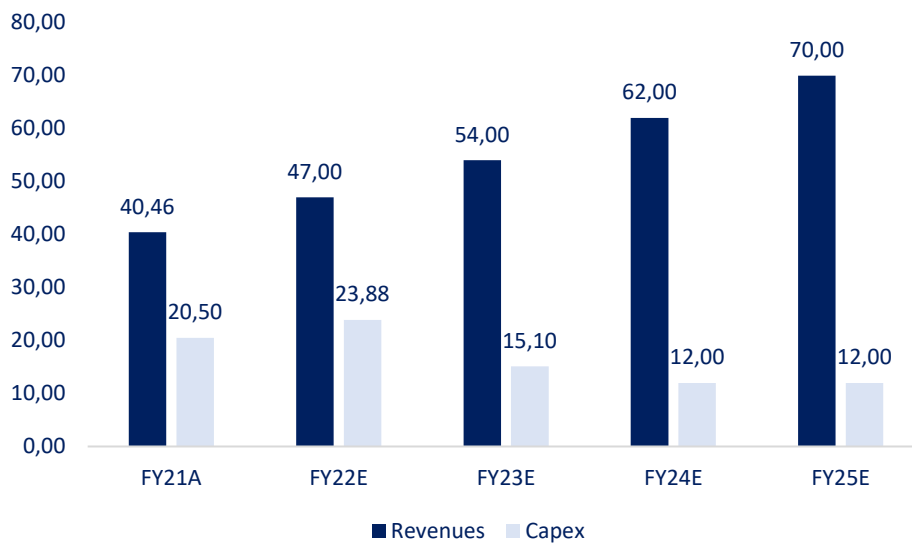
Source: Integrae SIM

Chart 4 – Margin FY21A-25E



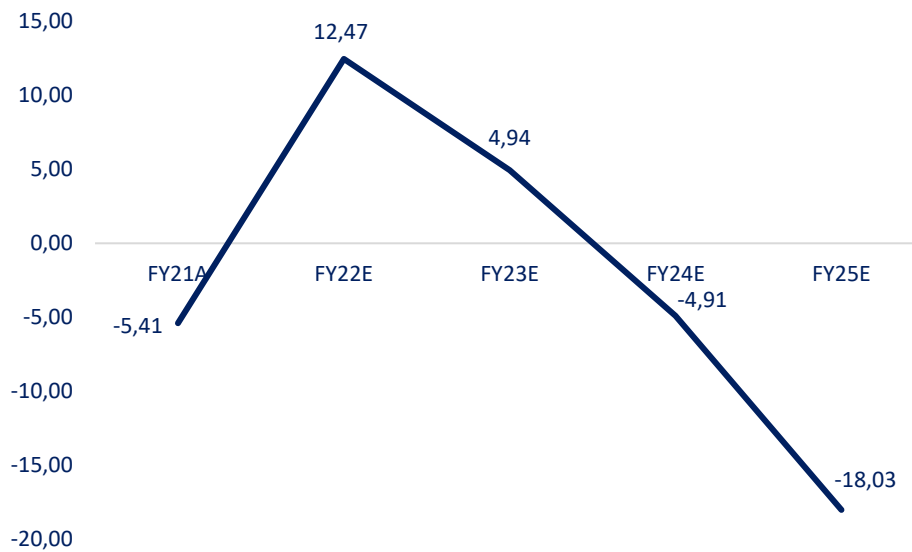
Source: Integrae SIM

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		6,56%
Risk Free Rate	2,18% α (specific risk)	1,00%
Market Premiun	9,08% Beta Adjusted	0,63
D/E (average)	42,86% Beta Relevered	0,83
Ke	8,91% Kd	1,50%

Source: Integrae SIM

For prudential purposes, we have included a specific risk of 1%. This results in a WACC of 6.56%.

Table 5 – DCF Valuation

DCF Equity Value		490,9
FCFO actualized	69,9	14%
TV actualized DC	415,6	86%
Enterprise Value	485,5	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 € 490.9 million**.

Table 6 – Equity Value – Sensitivity Analysis

€/mIn		WACC				
		5,6%	6,1%	6,6%	7,1%	7,6%
Growth Rate (g)	2,5%	879,4	745,3	644,5	565,9	503,0
	2,0%	766,9	663,0	582,1	517,3	464,3
	1,5%	682,2	598,7	532,0	477,4	431,9
	1,0%	616,0	547,2	490,9	444,0	404,4
	0,5%	562,9	504,9	456,6	415,8	380,9
	0,0%	519,4	469,6	427,5	391,6	360,5
	-0,5%	483,0	439,7	402,6	370,5	342,6

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:

Table 7 – Market Multiples

Company Name	EV/EBITDA (x)			EV/EBIT (x)			P/E (x)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Retelit S.p.A.	14,1	13,1	12,1	27,7	24,5	21,4	84,1	45,0	37,8
WIIT SpA	12,3	10,5	9,3	23,3	18,0	15,4	26,5	21,1	16,2
Elisa Oyj	11,8	11,5	11,1	18,6	17,9	17,0	20,3	19,4	18,5
Chorus Limited	8,4	8,3	8,2	23,3	21,7	21,5	54,4	46,8	43,3
Peer median	12,1	11,0	10,2	23,3	19,8	19,2	40,5	33,0	28,2

Source: Infincials

Table 8 – Market Multiples Valuation

€/mIn	2022E	2023E	2024E
Enterprise Value (EV)			
EV/EBITDA	242,0	251,2	268,1
EV/EBIT	308,5	303,6	342,2
P/E	392,4	363,2	360,3
Equity Value			
EV/EBITDA	229,5	246,3	273,0
EV/EBIT	296,1	298,6	347,1
P/E	392,4	363,2	360,3
Average	306,0	302,7	326,8

Source: Integrae SIM

The equity value of Intred using the market multiples EV/ EBITDA, EV/EBIT, and P/E is **equal to € 311.8 million.**

2.3 Equity Value

Table 9 – Equity Value

Average Equity Value (€/mln)	401,4
Equity Value DCF (€/mln)	490,9
Equity Value multiples (€/mln)	311,8
Target Price (€)	25,30

Source: Integrae SIM

The result is an average equity value of € 401.4 million. **The target price is, therefore, € 25.30 (prev. €25.30). We confirm BUY rating and MEDIUM risk.**

Table 10 – Target Price Implied Valuation Multiples

Multiples	FY21A	FY22E	FY23E	FY24E
EV/EBITDA	22,5x	19,7x	17,3x	15,1x
EV/EBIT	33,6x	29,9x	25,9x	22,2x
P/E	46,6x	41,4x	36,5x	31,4x

Source: Integrae SIM

Table 11 – Current Price Implied Valuation Multiples

Multiples	FY21A	FY22E	FY23E	FY24E
EV/EBITDA	10,9x	9,6x	8,4x	7,3x
EV/EBIT	16,4x	14,6x	12,6x	10,8x
P/E	23,0x	20,4x	18,0x	15,5x

Source: Integrae SIM

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06/10/2021	18,95	Buy	24,00	Medium	Update
14/02/2022	16,80	Buy	24,00	Medium	Flash Note
04/04/2022	15,70	Buy	25,30	Medium	Update
06/05/2022	13,90	Buy	25,30	Medium	Flash Note
30/05/2022	15,85	Buy	25,30	Medium	Flash Note
15/06/2022	14,75	Buy	25,30	Medium	Flash Note
04/08/2022	14,20	Buy	25,30	Medium	Flash Note

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Rating system (long term horizon: 12 months)

The BUY, HOLD and SELL ratings are based on the expected total return (ETR – absolute performance in the 12 months following the publication of the analysis, including the ordinary dividend paid by the company), and the risk associated to the share analyzed. The degree of risk is based on the liquidity and volatility of the share, and on the rating provided by the analyst and contained in the report. Due to daily fluctuations in share prices, the expected total return may temporarily fall outside the proposed range

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)

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