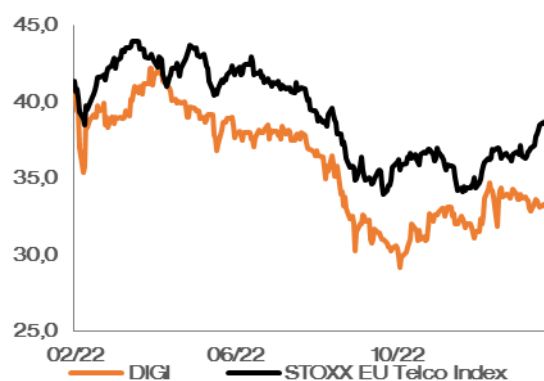


DIGI

Recommendation: **BUY**

Target price (12M): **RON 47**

EUR million	2022 Q4	2021 Q4	vs 2021 (%)
Revenues	385	410	-6%
EBITDA	134	138	-3%
EBIT	31	64	-52%
Net profit	na.	34	
Net debt	1.007	1.336	-25%
EBITDA margin	35%	34%	
Net debt/EBITDA	2,35	3,00	



Share price close as of 02/03/2023	RON 33	Bloomberg	DIGI.RO
Market cap [RON mn/EUR mn]	3.5 /700	Free float	20%
Daily turnover 12M [EUR million]	0.1	52 week range	HUF 26-38

Q4: No major news, no intention to introduce inflation indexation

DIGI reported its Q4 prelim. results on 28th February, with EBITDA and profit before tax arrived to EUR 127m (-8% y-o-y) and EUR 26 m (+24% y-o-y) respectively because of the deconsolidation of Hungarian operation. FY EBITDA reached EUR 506m in line with our FY expectation. DIGI managed to organically grow enough to almost replace the missing EBITDA from the divested Hungarian operation.

DIGI is due to present its full FY22E results on 31 May 2023.

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Budapest

1. Key positives:

- Group ARPU increased to EUR 5.8 from EUR 5.7 as the weight of Spain is getting higher where the ARPU is ca double than in Romania.

2. Key negatives:

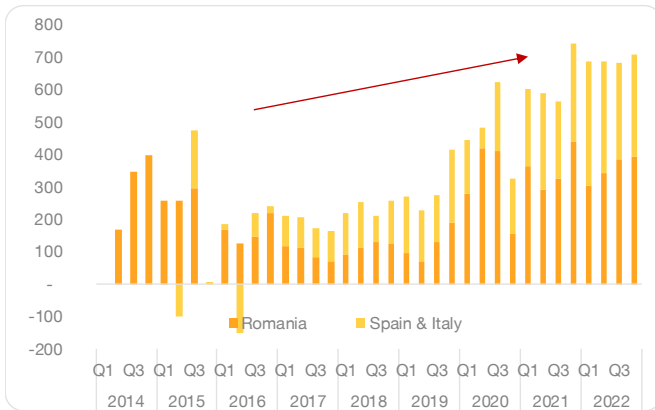
- No plans for inflation indexation

Underlying trends: RGU growth continued, DIGI added similar amount of RGU's in Q4 (708k vs. 685k) than in Q3, but that of Spain's RGU grew by ca. 312k. As for ARPU, group ARPU increased slightly on a yearly basis as the weight of Spain in total RGU grew and this lifts average ARPU level. This is interesting as both ARPU levels of the main countries are trending lower: RO ARPU -4% y-o-y, ES ARPU -1% y-o-y

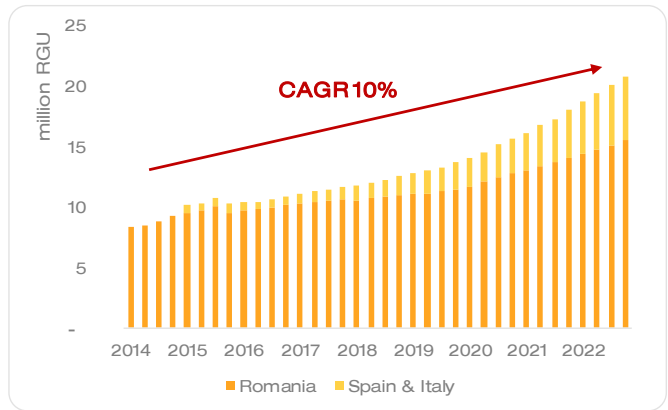
Share price development: DIGI's share price has not materially moved in 2023 while the STOXX EU Telco Index has advanced by ca 10%. In our view market favours telco companies that was/is able to pass through the inflation to costumers such as MTEL as the name has gained 16% YTD. As long as DIGI will not share larger portion of its CF with investors, or introduce an inflation clause to its services, we believe DIGI's share price will only lag to its peers and the share price will not necessarily reflect the true value of the company.

UNABATED GROWTH WHICH PROPORTION IS HIGHER AND HIGHER

DIGI - RGU growth breakdown [quarterly]



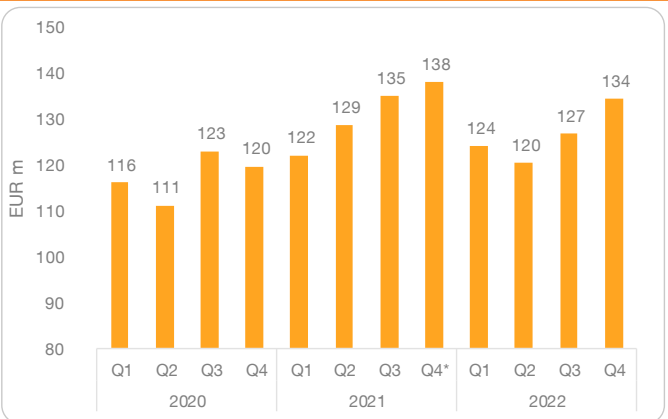
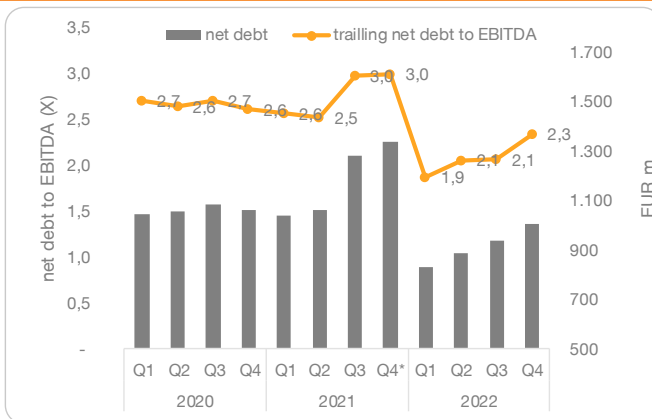
DIGI - RGU growth absolute levels



source: Concorde, DIGI

- **Net debt** increased by ca. EUR 70m to EUR 1,007m on the back of 5G spectrum spending leading net debt to EBITDA climbed to 2.3x. DIGI acquired spectrum in the Romanian 5G auction spending EUR 45m or ca. 11% of the total EUR 432m. Compared to the Hungarian 5G auction that occurred two years ago it was cheaper by 40%. - There was no competition in the auction, as DT's subsidiary did not join the auction. All of the bidders received their allocation at their first bid.

Development of net debt & organic growth almost replaced the Hungarian EBITDA



source: Concorde, DIGI

- **Conference call takeaways:**
 - **CAPEX: EUR 550m and 2023 EUR 550m.** The breakdown of the CAPEX shifts towards Western EU countries from Romania. DIGI has already started to build out mobile and fixed line network in Portugal in cooperation with Cellnex (mobile tower)
 - **They might refinance the 2025 bond market,** it depends on the market environment but they are open to it and once they see a window of opportunity they might take it.
 - On dividend they would like to pay at least the same amount as last year – given the flattish EBITDA and CAPEX, this is a fair assumption.
 - **AGAIN they try to avoid price increases** even at the expense of margins. They will try to rationalize, cut cost, and invest in renewable energy to offset the negative effect of energy price.
 - In Portugal DIGI is building their own mobile and fix network, and in the meantime they cooperate with Cellnex to put DIGI's mobile equipment to Cellnex's towers. In Belgium it is too early to tell anything. In Portugal they intend to start providing services in the next 12months, while in Belgium they are only planning the construction the network.

- o Romanian telco market is maturing hence growth rate will slow, the strongest segment remains to be the mobile. In Spain, 38% RGU growth rate will not be possible to repeat but double digit growth rate is feasible.
- o **EBITDA'23 growth** will not be able to grow in tandem with revenue, as cost pressure will be present. They did not give a guidance, but hinted a low one digit number

PROFIT AND LOSS AND KPI'S

[EUR mn]	2022					Difference			
	Q4*	Q1	Q2	Q3	Q4	Y-o-Y	Q -o- Q		
Revenue	410	361	370	385	385	-6%	4%		
-Romania	251	244	246	250	253	1%	2%		
-Hungary	48					-100%			
-Spain	105	111	118	128	144	37%	8%		
-Italy & Netherland & Portu	7	7	6	7	8	20%	16%		
OPEX	-	237	-	341	-	339	-	209	-1%
DD&A	-	81	-	91	-	81	-		-11%
EBIT	64	43	29	46	31				57%
EBITDA	138	124	120	127	134	-3%	5%		
EBITDAa1	123				107	-13%			
Financial income	0	0	0	0	0	119%	200%		
Financial expense	- 14	- 20	- 17	- 21	-	-100%	22%		
Net finance cost	- 25	- 20	- 17	- 21	- 5	-80%	21%		
Profit before tax	21	23	12	21	26	24%	78%		
Tax	- 13	4	- 8	4	n.a		-149%		
Profit	34	27	4	25	n.a	#####	606%		
EBITDA margins	34%	34%	33%	33%	35%				

KPI's	2021	2022				Difference	
	Q4*	Q1	Q2	Q3	Q4	Y-o-Y	Q -o- Q
RGU							
Romania	14.072	14.377	14.720	15.106	15.502	10%	3%
Hungary	2.447	-					
Spain & Italy	3.941	4.322	4.669	4.968	5.280	34%	6%
Total RGU	20.460	18.699	19.389	20.074	20.782	2%	4%
ARPU							
-Romania	4,8	4,6	4,6	4,6	4,6	-4%	-4%
-Hungary	5,9						
-Spain	9,7	9,7	9,5	9,5	9,6	-1%	-1%
Trailing 12m EBITDA	446	431	455	429	428	6%	-3%
net debt	1.336	833	887	938	1.007	-27%	-38%
trailing net debt to EBITDA	3,00	1,87	2,06	2,06	2,35	-27%	-38%

Source: DIGI, Concorde

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Rating	Trigger
Buy	Total return is expected to exceed 20% in the next 12 months
Accumulate	Total return is expected to be in the range of 10-20%
Neutral	Total return is expected to be in the range of 10%-(-10%)
Reduce	Total return is expected to be in the range of -10-(-20%)
Sell	Total return is expected to be lower than -20%
Under Revision	The stock is put Under Revision if the covering analyst considers new information may change the valuation materially and if this may take more time.
Coverage in transition	Coverage in transition rating is assigned to a stock if there is a change in analyst.

Securities prices:

Prices are taken as of the previous day’s close on the home market unless otherwise stated.

Valuations and risks:

Analysis of specific risks to set stock target prices highlighted in our investment case(s) are outlined throughout the report. For details of methodologies used to determine our price targets and risks related to the achievement of the targets referred to in the main body of the report or at [Rating Methodology](https://www.con.hu/wp-content/uploads/2016/04/Methodology_concorde_research.pdf?tstamp=201710021038) on our website, visit (https://www.con.hu/wp-content/uploads/2016/04/Methodology_concorde_research.pdf?tstamp=201710021038)

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