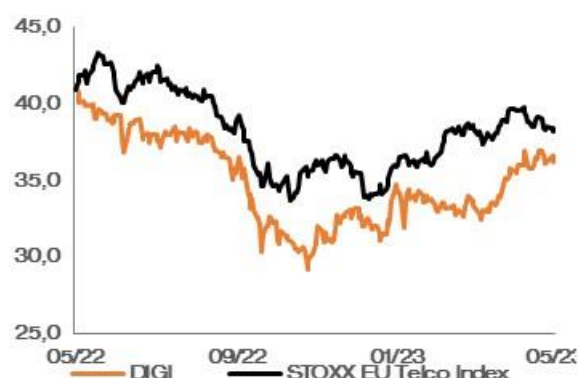


DIGI

Recommendation: **BUY**

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

EUR million	2023 Q1	2022 Q1*	vs 2022 (%)
Revenues	395	353	12%
EBITDA	134	124	7%
EBIT	33	40	-17%
Net profit	11	15	-29%
Net debt	947	765	24%
EBITDA margin	34%	35%	
Net debt/ EBITDA	2,21	1,87	



Share price close as of 15/05/2023	RON 36	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

Q1: ARPU decrease was needed to maintain RGU growth

DIGI reported its Q1 results. Compared to the restated Q1 figures, Revenue arrived +12% yoy but lower than expected by 2.5% or ca EUR 10 m to EUR 394m which was a result of lower Group ARPU in our view. EBITDA and net profit arrived to EUR 133.7 (+7% yoy) and EUR 11 million (-29% yoy).

Senior Equity Analyst

Gaál Gellért
+361 489 2228
g.gaal@con.hu

55-61 Alkotás Street,
Budapest
www.con.hu

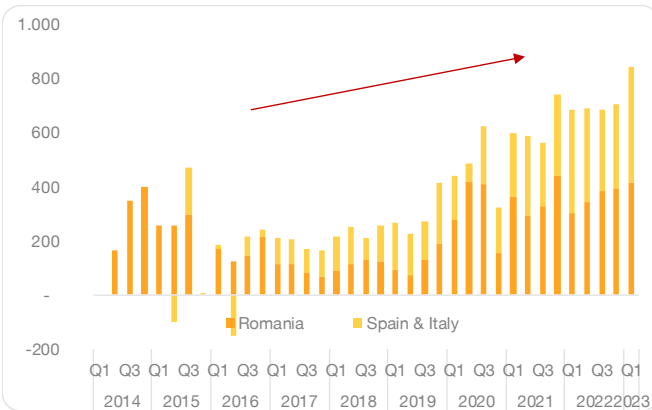
- Key positives:**
 - EBITDA growth is maintained +7% yoy (Spain's EBITDA grew by 51% yoy).
- Key negatives:**
 - Still no plans for inflation indexation – as long as they could maintain a reasonable EBITDA growth in Romania (+2% yoy) prices stays the same.
 - Price erosion in Spain (-4% qoq)

Underlying trends: RGU growth continued (Q1: +4% qoq; '22Q4: 3.5% qoq), however lower ARPU (-6% qoq) was needed to maintain that pace. DIGI added slightly more RGU's in Q1: 844 vs 708k than in Q4. This was enough to keep Group Sales at the dynamic of 10% yoy (RO: +4%yoy; ES: +29%yoy). On EBITDA level, Group EBITDA advanced by 7% yoy, fuelled by Spain +51% yoy followed by RO + 2% yoy. Operating expenses grew by 14% yoy, as DD&A and employee expenses jumped by +19% yoy and 23% yoy respectively, taking its toll on net profit that fall to EUR 11m (-29% yoy).

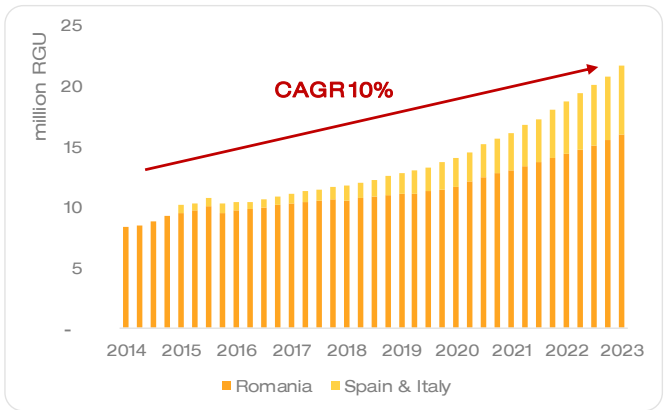
Opinion: Optically, it does not look good that DIGI needed to decrease ARPU (-6% qoq) in both of the countries in order to maintain growth at a time when other listed operators (HU) are able to adjust ARPU by the inflation. In that sense DIGI has not become a "real asset" though it could indeed change easily. Nevertheless, DIGI remains a long duration equity asset in our view, as the company is in heavy investment cycle in Portugal, Spain and in Belgium in which the earnings would arrive a few years later (expect in Spain where EBITDA has grown at a decent pace lately).

UNABATED GROWTH WHICH PROPORTION IS HIGHER AND HIGHER

DIGI - RGU growth breakdown [quarterly]



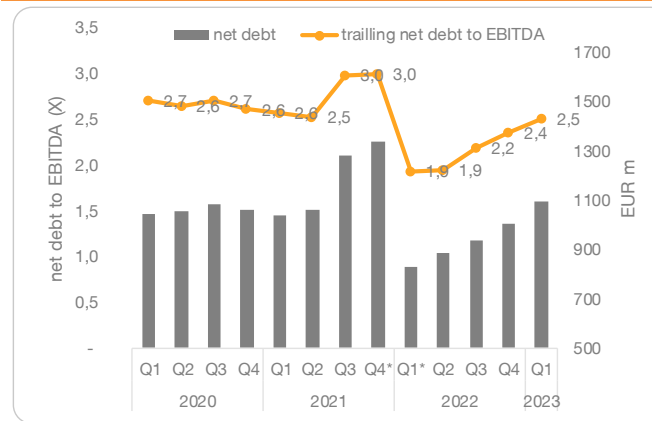
DIGI - RGU growth absolute levels



source: Concorde, DIGI

Net debt increased a little by ca. EUR 86m to EUR 1,093m as CAPEX spending was accelerated in Spain and Portugal (Q1:CAPEX / sales jumped to 40% vs. FY22: 37%).

Development of net debt & EBITDA



source: Concorde, DIGI

Conference call takeaways:

- CAPEX: 2023 EUR 550m, but might be revised to EUR 600m. Portuguese and Spanish spending have and expected to accelerate.
- DIGI intends to remain below 3x. Net debt to EBITDA, however for a short period of time they could go above 3x. As of now DIGI's net debt to EBITDA is standing at the level of 2.5x
- No new guidance on Portugal – 2024Q1 they would like to start operation. Too early to talk on Belgium.

PROFIT AND LOSS AND KPI'S

[EUR mn]	2022				2023	Difference	
	Q1*restated	Q2	Q3	Q4	Q1	Y-o-Y	Q-o-Q
Revenue	361	370	385	385	398	10%	3%
-Romania	237	246	250	260	246	4%	-6%
-Spain	111	118	128	144	143	29%	0%
-Italy & Netherland & Portugal	6	6	7	9	6	3%	-31%
OPEX	- 236	- 341	- 339	- 210	- 265	12%	26%
DD&A	- 85	- 91	- 81	-	- 101	19%	
EBIT	40	29	46	35	33	-17%	-6%
EBITDA	124	120	127	134	134	7%	-1%
EBITDAal	106	101	107	115	113	7%	-2%
Financial income	0	0	0	0	1	#####	197%
Financial expense	- 20	- 17	- 21	- 5	- 18	-10%	262%
Net finance cost	- 20	- 17	- 21	- 5	- 17	-17%	239%
Profit before tax	19	12	21	30	16	-17%	-46%
Tax	- 4	- 8	4	n.a	5	#####	
Profit	15	4	25	n.a	11	-29%	
EBITDA margins	34%	33%	33%	35%			

KPI's	2022				2023	Difference	
	Q1*	Q2	Q3	Q4	Q1	Y-o-Y	Q-o-Q
RGU							
Romania	14.377	14.720	15.106	15.502	15.916	11%	3%
Spain & Italy	4.322	4.669	4.968	5.280	5.710	32%	8%
Total RGU	18.699	19.389	20.074	20.782	21.626	16%	4%
ARPU	-8,6%	3,7%	3,5%	3,5%			
-Romania	4,6	4,6	4,6	4,6	4,5	-2%	-2%
-Spain	9,7	9,5	9,5	9,6	9,3	-4%	-3%
Group	6,6	6,6	6,6	6,6	6,2	-6%	-6%
Trailing 12m EBITDA	431	455	429	428	436	6%	-3%
net debt	833	887	938	1.007	947	-27%	-38%
trailing net debt to EBITDA	1,93	1,95	2,18	2,35	2,17	-25%	-36%

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?timestamp=201710021038) on our website, visit (https://www.con.hu/wp-content/uploads/2016/04/Methodology_concorde_research.pdf?timestamp=201710021038)

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