

# DIGI

**Recommendation: Accumulate**

**Target price (12M): RON 39**

EUR million	2021 Q2	2020 Q2	vs 2020 (%)
Revenues	354	310	+14
EBITDA	129	111	+16
EBIT	37	38	-2
Net profit	34	15	+132
Netdebt [EUR m]	1,064	1,054	
EBITDA margin	36	36	
Netdebt/EBITDA	2.5	2.5	



Share price close as of 13/08/2021	RON 37	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

## Strong growth continues

- DIGI's net profit arrived to EUR 34 million (+132 y-o-y) and its EBITDA to EUR 129 million (+16% y-o-y) in line with expectation. Our forecast for FY profit and EBITDA stand at EUR 97 m and EUR 511 m, while H1 profit and EBITDA reached EUR 49m and EUR 251 m respectively.
  - Key positives:
    1. RGU growth maintained (+13% y-o-y; +5% q-o-q) reached the highest quarterly additions (+772k) – see our charts below.
  - Key negatives:
    1. RGU declined in Hungary (-2% q-o-q) implying that HU mgmt's focus has shifted to the due diligence because of the potential sale.
    2. Spain's growth came at the expense of EBITDA margin 14% vs 15% a quarter ago.
- **Underlying trends:** Growth trajectory was continued in Q2 which translated into higher EBITDA (+16% y-o-y) and even higher profit (+132% y-o-y) which was further supported by gain on FX and low effective tax rate. ARPU levels remained stable across the countries. As a result of flat ARPU and strong RGU growth, revenue increased by 14% on a yearly basis fuelled mainly by Spain (+29% y-o-y) and Romania (+15% y-o-y). Despite the strong growth in Spain, EBITDA margin fall in the country because of marketing campaign that put pressure on EBITDA but mgmt. expects margin to recover going forward.
- No news on the 4IG's transaction.
- We expect Investors to focus on the news about the divestment of the Hungarian subsidiary of DIGI which should be valued at 6-7x EV/EBITDA implying an equity value of EUR 300-400 million (representing only 12% of group's EBITDA) vs. Group's market cap of EUR 735 million.
- In light of the recent development we see no reasons to change our recommendation and TP.

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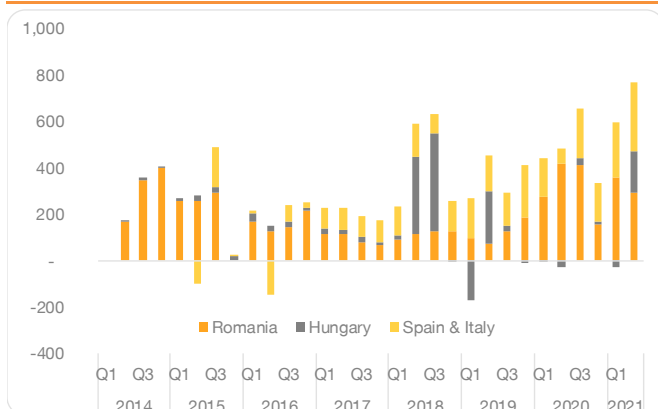
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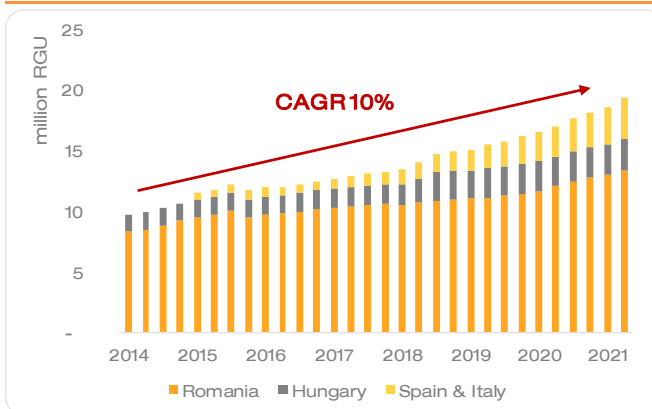
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RGU growth breakdown [quarterly]



source: Concorde, DIGI

RGU growth absolute levels



source: Concorde, DIGI

- Net debt moderated to EUR 1.064bn vs. EUR 1.054 bn last year with which net debt to EBITDA arrived to 2.5x (calculated with pre IFRS 16 number). Going forward mgmt. intends to steer the Group's net debt to EBITDA level towards 2x area.

### PROFIT AND LOSS AND KPI'S

[EUR mn]	2020					2021		Difference	
	Q2	Q3	Q4	Q1	Q2	Y-o-Y	Q-o-Q	Y-o-Y	Q-o-Q
<b>Revenue</b>	<b>310</b>	<b>328</b>	<b>331</b>	<b>340</b>	<b>354</b>	<b>14%</b>	<b>4%</b>		
-Romania	189	202	204	210	216	15%	3%		
-Hungary	51	49	48	48	49	-3%	1%		
-Spain	66	72	75	78	85	29%	9%		
-Italy	6	6	6	6	6	0%	7%		
OPEX	- 268	- 279	- 286	- 308	- 318	18%	3%		
DD&A	- 74	- 75	- 75	- 90	- 92	25%	2%		
<b>EBIT</b>	<b>38</b>	<b>48</b>	<b>45</b>	<b>32</b>	<b>37</b>	<b>-2%</b>	<b>14%</b>		
<b>EBITDA</b>	<b>111</b>	<b>123</b>	<b>120</b>	<b>122</b>	<b>129</b>	<b>16%</b>	<b>5%</b>		
-Romania	87	94	100	102	102	18%	0%		
-Hungary	15	14	14	9	16	2%	76%		
-Spain	14	16	14	12	12	-12%	1%		
-Italy	- 0	- 1	- 1	- 0	- 1	300%	300%		
Financial income	5	-	2	0	11	106%	3533%		
Financial expense	- 18	- 20	- 11	- 26	- 12	-30%	-53%		
<b>Net finance cost</b>	<b>- 12</b>	<b>- 20</b>	<b>- 12</b>	<b>- 26</b>	<b>- 1.4</b>	<b>-89%</b>	<b>-95%</b>		
Profit before tax	25	28	33	6	35	39%	453%		
Tax	- 11	- 11	- 1	- 8	- 1	-91%	-113%		
<b>Profit</b>	<b>15</b>	<b>18</b>	<b>32</b>	<b>14</b>	<b>34</b>	<b>132%</b>	<b>144%</b>		
<b>EBITDA margins</b>	<b>36%</b>	<b>38%</b>	<b>36%</b>	<b>36%</b>	<b>36%</b>	<b>-3%</b>			
-Romania	46%	47%	49%	49%	47%	0.4	1.5		
-Hungary	30%	28%	28%	18%	32%	1.7	6.6		
-Spain	21%	22%	19%	15%	14%	-	15.0		
-Italy	-5%	-9%	-20%	-5%	-20%	-			
KPI's	2020					2021		Difference	
	Q2	Q3	Q4	Q1	Q2	Y-o-Y	Q-o-Q	Y-o-Y	Q-o-Q
<b>RGU</b>									
Pay TV	5,363	5,577	5,666	5,798	5,883	10%	1%		
Fixed internet and data	4,045	4,223	4,266	4,437	4,612	14%	4%		
Mobile	6,017	6,227	6,438	6,457	7,054	17%	9%		
Fixed-line telephony	1,717	1,773	1,766	1,752	1,754	2%	0%		
<b>Total RGU</b>	<b>17,142</b>	<b>17,800</b>	<b>18,136</b>	<b>18,444</b>	<b>19,303</b>	<b>13%</b>	<b>5%</b>		
<b>ARPU</b>									
-Romania	-	4.8	4.9	4.8	4.8				
-Hungary	-	5.6	5.9	5.8	5.8				
-Spain	-	10.1	9.9	9.5	9.5				
Trailing 12m EBITDA	399	400	407	405	422				
net debt	1,054	1,082	1,061	1,039	1,064				
trailing net debt to EBITDA	2.64	2.71	2.61	2.57	2.52				

Source: DIGI, Concorde

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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%
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