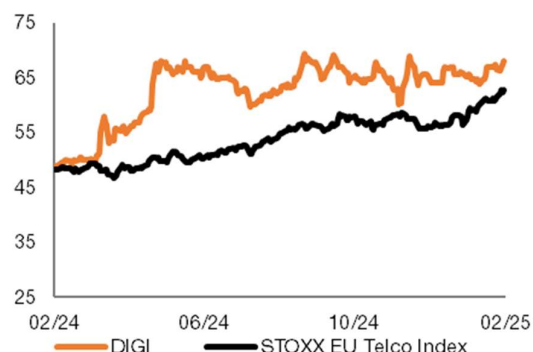


DIGI Communication

Recommendation: **BUY**

Target price (12m ex-div): **RON 84 (unch.)**

EUR mn	Q4 2023	Q4 2024	Change YoY
Revenues	452	514	13.9%
EBITDA	161	174	8.2%
EBIT	53	52	-3.0%
Net Profit	52	N/A	N/A
Net debt	1,623	1,361	-16.2%
EBITDAaL margin	31.3%	28.0%	-3.3%
Net debt to TTM EBITDA	2.7	1.3	-53.8%
Total RGUs (ths)	23,864	27,789	16.4%
ARPU – Romania (EUR)	4.5	4.4	-2.2%
ARPU - Spain (EUR)	9.3	8.7	-6.5%



Share price close as of 28/02/2025	RON 68	Bloomberg	DIGI RO
Number of shares [mn]	95.2	Reuters	DIGI.BX
Market cap. [RON bn/EUR bn]	6.5/1.3	Free float	35.1%
Daily turnover 12M [EUR million]	0.3	52-week range	RON 48 - 69

Solid performance in Q4, new markets are on track

DIGI posted its key numbers today morning, however detailed report hasn't been published yet. Revenues increased by 14% YoY and came in at EUR 1.925bn which was boosted by additional EUR 407mn from the sale of its Spanish FTTH network in Q3, hence total revenues were EUR 2.33bn, 37% higher YoY.

Revenues in Romania reached EUR 296mn in Q4 (+12% YoY), Spain added EUR 211mn (+20% YoY) in revenues while Other segment, including the newly launched Portugal operation reached EUR 22mn in Q4, up by 113% YoY and 243% QoQ. OPEX increased by 67% YoY in Q4, mainly driven by network expansion, customer base growth and the launch in Portugal also increased the costs. In Q4 EBITDA reached EUR 174mn, 8.2% higher YoY and 69% lower QoQ, while EBITDAaL came in at EUR 144mn, up by 2% YoY and -4% QoQ. Both EBITDA and EBITDAaL margins hit the lowest level in this year, due to the costs associated with expansion and certain inflationary pressures. EBITDA margin was 33.8% (1.8%pt lower YoY), while EBITDAaL decreased to 28% from 31.3% YoY.

For the full year of 2024, Adjusted EBITDA reached EUR 685mn in 2024 which shows a 16% increase YoY, EBITDA margin arrived at 35.4%, 0.8%pt higher than last year. Adjusted EBITDAaL arrived at 580mn, 14% higher YoY. EBITDAaL margin slightly increased by 0.2%pt to 30%. Net financial costs decreased by 15% to EUR 62mn, primarily driven by the valuation of a derivative financial asset which resulted in EUR 10.7mn financial income. Overall, Q4 results were in line with previous quarters, however full year EBITDA was boosted by the Spanish sale.

Group level net debt decreased by 16% YoY and stand at EUR 1.36bn, net debt to EBITDA ratio decreased to 1.3x from 2.7x a year ago. CAPEX/Sales ratio reached 63% in Q4 mainly due to the completion of Nowo acquisition. For the full year, CAPEX reached EUR 896mn (+23% YoY), 46% of total sales. CAPEX without the acquisition was EUR 775mn and DIGI forecast it to be around the same level in 2025. Solely based on EBITDA and the increased CAPEX level, FCF were around EUR -120mn.

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Total RGUs reached 27.8mn subscribers (+16.4% YoY) and the group level ARPU decreased to EUR 5.7, EUR 0.1 lower than in 2023. In Romania Pay TV RGUs increased by 3.3% YoY, internet and mobile subscribers increased by 7 and 13% YoY, respectively. Fixed-line telephony RGUs decreased by 4.6% YoY. ARPU shows a 2% decrease YoY and reached EUR 4.4. In Spain Fixed internet RGUs increased by 42% to 1.95mn, Mobile RGU were up by 26% to 5.86mn, fixed telephony customers also increased by 41% YoY to 626k. During 2024, Spanish ARPU decreased by EUR 0.6. Italian segment also performed well, DIGI added 70k customers while ARPU decreased by EUR 0.5 to EUR 5.7. DIGI also shared the KPIs of its new Portugal operation which added 676k subscribers to the group and ARPU is at EUR 7.6. Management expects that ARPU will decrease in Portugal as the migration of Nowo customers continue.

Opinion: KPIs are mostly in line with our expectations. We expect that further RGU growth will drive revenues and EBITDA further in the upcoming years. Management expects some positive improvement in EBITDA margin. Successful launch in Portugal and Belgium are expected to provide additional customers, however decreasing ARPUs erode the growth potential in profitability. Increased CAPEX level could decrease the cash generation potential of the group without further improvement in profitability, however EUR 250mn proceeds are still expected from the Spanish fiber transaction in the next 2.5 years.

We reiterate our Buy recommendation and maintain our TP of RON 84 per share.

QUARTERLY RESULTS [EUR MILLION]

[EUR mn]	2023	2024				Difference	
	Q4	Q1	Q2	Q3	Q4	YoY	QoQ
Revenue	451.6	446.7	472.9	490.6	514.4	13.9%	4.8%
-Romania	265.1	260.7	274.2	281.3	295.8	12%	5.2%
-Spain	176.0	177.5	191.7	202.8	211.0	20%	4.0%
-Others	10.5	7.1	7.1	6.5	22.3	113%	243.1%
OPEX	-294.8	-283.7	-304.5	-315.3	-492.0	66.9%	56.0%
DD&A	19.8	-113.3	-116.0	-118.3			
EBIT	53.3	49.7	54.3	447.1	51.7	-3.0%	-88.4%
EBITDA	160.9	163.1	170.2	565.4	174.0	8.2%	-69.2%
EBITDAaI	141.4	139.9	144.7	150.8	144.2	2.0%	-4.4%
Financial income	0.8	2.6	2.2	5.5			
Financial expense	-10.2	-21.5	-22.2	-20.9			
Net finance cost	-9.5	-18.9	-20.0	-15.4	-7.7	-18.9%	-50.0%
Profit before tax	43.9	30.0	34.0	431.7	44.1	0.5%	-89.8%
Tax	8.6	-4.4	-5.3	-88.9		-100.0%	-100.0%
Profit	52.4	25.6	28.8	342.8		-100%	-100%
EBITDA margins	35.6%	36.5%	36.0%	115.2%	33.8%	-1.8%pt	-81.4%pt
EBITDAaI margins	31.3%	31.3%	30.6%	30.7%	28.0%	-3.3%pt	-2.7%pt

KPI's	2023	2024				Difference	
	Q4	Q1	Q2	Q3	Q4	YoY	QoQ
RGU							
Romania	16,963	17,266	17,561	17,886	18,183	7.2%	1.7%
Spain & Italy	6,481	7,027	7,517	7,941	8,440	30.2%	6.3%
Others	420	435	456	475	490	16.7%	3.2%
Portugal					676		
Total RGU	23,864	24,728	25,534	26,302	27,789	16.4%	5.7%
ARPU							
-Romania	4.5	4.4	4.4	4.5	4.4	-2.2%	-2.2%
-Spain	9.3	8.8	8.8	8.7	8.7	-6.5%	0.0%
-Others	6.2	5.9	5.6	5.6	5.7	-8.1%	1.8%
-Portugal					7.6		
Trailing 12m EBITDA	591	621	645	1,060	1,073	81.5%	1.2%
Net debt	1,623	1,695	1,863	1,340	1,361	-16.2%	1.6%
Net debt to Trailing 12m EBITDA	2.7	2.7	2.9	1.3	1.3	-53.8%	0.3%
CAPEX / Sales	42.8%	36.3%	43.1%	32.0%	63.0%	20.2%pt	31.0%pt

Source: DIGI, Concorde Research

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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.

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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. (https://www.con.hu/wp-content/uploads/2016/04/Methodology_concorde_research.pdf?tstamp=201710021038)

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