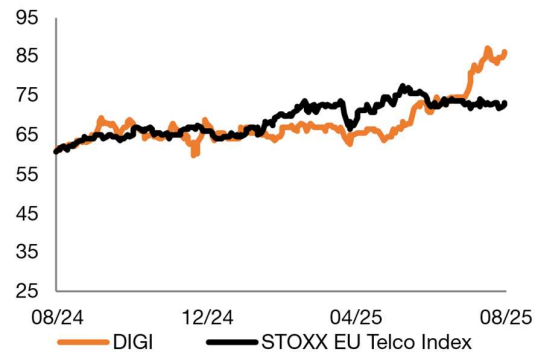


DIGI Communication

Recommendation: Neutral (prev. BUY)

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

EUR mn	Q2 2024	Q2 2025	Change YoY
Revenues	473	547	15.8%
Adj. EBITDA	170	168	-1.2%
EBIT	54	31	-42.1%
Net Profit	25	-1	-103.6%
Net debt	1,440	1,503	4.4%
Adj. EBITDA margin	35.9%	30.0%	-5.8%pt
Net debt to TTM EBITDA	2.2	2.2	-1.9%
Total RGUs (ths)	25,534	29,788	16.7%
ARPU – Romania (EUR)	4.4	4.4	0.0%
ARPU - Spain (EUR)	8.8	8.1	-8.0%



Share price close as of 13/05/2025	RON 85.7	Bloomberg	DIGI RO
Number of shares [mn]	95.4	Reuters	DIGI.BX
Market cap. [RON bn/EUR bn]	8.0/1.6	Free float	35.3%
Daily turnover 12M [EUR million]	0.3	52-week range	RON 60 - 87

RGU growth is inevitable, profitability needs to improve

DIGI has reported its Q2 results today morning. While the revenue growth remained solid, supported by the continued strong customer base expansion on key markets, net profit to owners disappointed in this quarter as well which came in at EUR -0.9mn, 104% down YoY.

Conference call takeaways:

- The recently launched operations in Portugal and Belgium are in line with mgmt. expectations. Growth somewhat slowed in Q2, DIGI is working on to increase sales and distribution channels.
- Profitability decreased in Spain due to higher costs of migration from MVNO to MVO status and price actions. DIGI expects the transition will result in EUR 20-30mn additional EBITDA in this year.
- Group level profitability is expected to improve in H2 and EBITDA to be in-line or somewhat higher for FY2025 than in 2024. Decrease in profitability was driven by the higher costs and lower ARPU in Spanish segment as well as the higher costs related to the launch of Portugese operation. The consolidation of Belgian operation is expected to have a negative EUR 10-20mn EBITDA impact too.
- CapEx/Sales was 41% in Q2, and it is expected to reach EUR 800-810mn from EUR 750mn guided earlier due to acquisition of assets from Telekom Romania and the consolidation of Belgium operation.
- On the Telekom Romania acquisition, the competition authority authorized the transaction subjects to a few actions and the final approval from ANCOM. DIGI did not share the expected date of close.

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Group level revenues in the second quarter increased by 16% YoY and 3% QoQ, driven by the continued growth of customer base in all market. Revenues in Romania was up by 6% YoY and 1% QoQ, while Spain continued to post strong increase where revenues came in 19% higher YoY and accounted for close to 42% of group revenues. DIGI's smaller markets such as Portugal and Italy contributed EUR 26mn overall to the EUR 547mn group level revenues, however the underlying RGU base showed some improvement over the year. Other income was EUR 12.3mn in Q2 (up by 583% YoY) mainly driven by the sale of FTTH network in Spain. OPEX came in 23% higher YoY to EUR 516mn following the increase in underlying revenues. Material increase was seen for costs related to fixed services and in electricity costs which increased by close to 50% YoY. **EBITDA increased by 5% YoY (-7% QoQ) to EUR 178mn, while Adjusted EBITDA was lower by 1% YoY and QoQ as well due to the loss of EUR 15mn in the Portugal segment.** In Romania, Adj. EBITDA reached EUR 142mn (+10% YoY, +2% QoQ) while in the Spanish operation it decreased by 3% YoY (+4% QoQ) to EUR 42mn given some cost pressure on the operating level. **On the Adj. EBITDA margin front, Romania remained strong and continues to deliver above group level margin which reached close to 49% (1.8%pt higher YoY).** On the other side, the margin of the Spanish operation decreased by 4.2%pt YoY and by 0.4%pt QoQ to 18.4%. The Other segment which includes the Italian operation showed some improvement margin wise, though it is still negative at the EBITDA level. **Group level Adj. EBITDA margin was 30% in Q2, 5.8%pt lower YoY and 0.8%pt lower QoQ.** EBIT came in 42% lower YoY to EUR 31mn due to the higher growth in the operating expenses. Net finance costs increased to record high levels of EUR 45mn which weighed on this quarter's profitability. The increased financial expenses were a result of higher interest payments on the elevated debt level, and the negative impacts of the FX and valuation of derivative assets. Profit for the period came in at EUR 1.6mn (-94% YoY and -81% QoQ), though the share of NCI was EUR 2.5mn out of that.

Net debt increased by 4% YoY and 11% QoQ to EUR 1.5bn, resulting in a 2.2x net debt to T12m EBTIDA ratio which is fairly stable on YoY base, however increased by 12% QoQ due to new financing obtained in the quarter. **CAPEX reached EUR 226mn and CAPEX/Sales ratio was 41% in Q2. DIGI guides that it will reach EUR 800-810mn by year end.**

Total RGUs approaching to 30m and currently stands at 29.8m, 17% higher YoY. In Romania, mobile subscribers continue to deliver double-digit growth which increased by 13% YoY, while Pay TV, fixed internet showed a moderate 3 and 7% YoY growth. Fixed-line telephone continued to decrease by close to 5% YoY and segment level ARPU remained at EUR 4.4. **In Spain, the customer base expanded by 29% YoY and remained very strong across all service lines.** Fixed internet RGUs up by 35% YoY, mobile RGUs increased by 24% and fixed line telephone customers expanded by 33%. ARPU in Spain further decreased in Q2 to EUR 8.1 (down by 8% YoY and 1% QoQ) due to price actions taken. In Portugal, DIGI could expand its customer base by 5% QoQ, mainly driven by mobil RGU growth of 8%. ARPU in Portugal continued to decrease to EUR 7.1 (-8% QoQ) which is expected to further decrease as the migration of Nowo customers continues.

Opinion: The underlying trend showcased by revenue and RGU growth remained solid in the second quarter as well. Although higher expenses weighed on the operative results as well as higher interest expenses resulted in a somewhat disappointing net profit. Given the strong increase in share price in the recent period, we would expect some pullback from current levels.

The underlying trends are broadly in-line with our forecast therefore we maintain our TP of RON 84 per share, but change our recommendation to Neutral given the recent rally in share price.

QUARTERLY RESULTS [EUR MILLION]

[EUR mn]	2024			2025		Difference		2025	
	Q2	Q3	Q4	Q1	Q2	YoY	QoQ	Q2 Cons.	Fact vs. Cons.
Revenue	472.9	490.6	515.6	529.5	547.3	15.8%	3.4%	548.0	-0.1%
Romania	274.2	281.3	282.8	287.2	290.1	5.8%	1.0%		
Spain	191.7	202.8	210.0	216.4	228.3	19.1%	5.5%		
Others	7.1	6.5	22.6	25.8	26.0	266.5%	0.8%		
Other income	1.8	390.2	13.8	23.5	12.3	583.0%	-47.5%		
OPEX	-418.6	-43.5	-469.5	-483.0	-515.9	23.3%	6.8%	-380.0	35.8%
DD&A	-116.0	-118.3	-134.3	-144.9	-146.7	26.5%	1.2%	-135.1	8.6%
EBIT	54.3	447.1	46.2	46.4	31.4	-42.1%	-32.3%	33.0	-4.6%
EBITDA	170.2	565.4	180.5	191.3	178.1	4.7%	-6.9%	168.0	6.0%
Adjusted EBITDA	170.2	177.3	169.7	170.5	168.1	-1.2%	-1.4%		
-Romania	128.7	131.3	137.6	139.0	141.7	10.1%	1.9%		
-Spain	43.3	50.0	41.8	40.6	42.1	-2.9%	3.7%		
-Portugal			-15.6	-8.7	-15.2		74.3%		
-Others	-1.8	-4.0	5.8	-0.3	-0.5	-74.8%	54.5%		
Financial income	2.17	5.54	14.34	5.10	2.0	-9.7%	-61.5%		
Financial expense	-22.18	-20.90	-21.69	-31.19	-47.1	112.3%	50.9%		
Net finance cost	-20.0	-15.4	-7.4	-26.1	-45.1	125.5%	72.9%	-42.1	7.2%
Profit before tax	34.1	431.7	38.8	20.3	-13.7	-140.1%	-167.2%	5.8	-334.8%
Tax	-5.3	-88.9	-11.3	-11.6	15.3	-389.8%	-231.7%	-4.3	-455.5%
Profit for the period	28.8	342.8	27.5	8.7	1.6	-94.4%	-81.4%	1.5	6.4%
Non-controlling interest	4.1	23.3	4.3	2.8	2.5	-38.1%	-9.8%		
Profit to the owners	24.7	319.6	23.2	5.9	-0.9	-104%	-115%		
EBITDA margin	35.9%	64.2%	34.1%	34.6%	31.8%	-4.0%pt	-2.8%pt		
Adj. EBITDA margin	35.9%	20.1%	32.1%	30.8%	30.0%	-5.8%pt	-0.8%pt		

KPI's	2024			2025		Difference	
	Q2	Q3	Q4	Q1	Q2	YoY	QoQ
RGUs							
Romania	17,561	17,886	18,183	18,498	18,821	7.2%	1.7%
Spain & Italy	7,517	7,941	8,440	9,075	9,666	28.6%	6.5%
Portugal			676	755	789	N/A	4.5%
Others	456	475	490	501	512	12.3%	2.2%
Total RGUs	25,534	26,302	27,789	28,829	29,788	16.7%	3.3%
ARPU							
-Romania	4.4	4.5	4.4	4.4	4.4	0.0%	0.0%
-Spain	8.8	8.7	8.7	8.2	8.1	-8.0%	-1.2%
-Portugal			7.6	7.7	7.1	N/A	-7.8%
-Others	5.6	5.6	5.7	5.4	5.6	0.0%	3.7%
Trailing 12m Adj. EBITDA	645	634	680	688	686	6.4%	-0.3%
Net debt	1,440	899	1,303	1,350	1,503	4.4%	11.3%
Net debt to Trailing 12m EBITDA	2.2x	1.4x	1.9x	2.0x	2.2x	-1.9%	11.7%
CAPEX / Sales	43.1%	31.0%	70.6%	30.6%	41.1%	-2.0%pt	10.6%pt

Source: DIGI, Concorde Research

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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%
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:

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