

Teleunit SpA

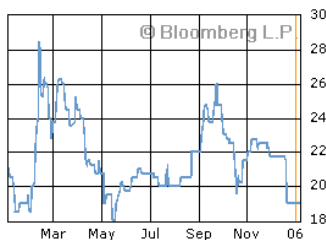
Outperforming the UK alternative telcos?

Date: 5th January 2006
Price: 19p

Listing Details

Country	UK
Sector	Telecoms Services
Code	TLU
Mkt Cap	£36m
Listing	AIM
52 week high	29p
52 week low	18p

Share Price Graph



Source: Bloomberg

Business

Teleunit SpA offers telecommunications services in Italy, including fixed-line telephone, premium access numbers and prepaid international calling cards in Italy, together with wireless local loop broadband voice and data services.

Company Contact Details

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Key Financials

€'000	Half Year to 6/2005	Half Year to 6/2004	Full Year to 12/2004
Turnover	40,113	24,953	60,767
Operating profit	1,975	2,582	6,954
Pre-tax profit	2,537	2,583	5,634
Earnings	1,818	2,063	4,804
EPS (basic) €	0.0097	0.01414	0.0289
EPS (diluted) €	0.0096	0.01413	0.0288
Net assets	25,951	24,095	22,128
Net debt	(10,694)	(3,055)	(8,099)

Source: Company

- Teleunit was the first Italian company to complete a primary listing in London. It was floated on AIM in May 2004. Subsequently, the shares have performed somewhat disappointingly, despite substantially higher turnover, a positive operating cash flow and a pronounced net cash position. It is likely that the various problems faced by some of the UK's leading alternative telcos – Kingston, Thus – and by the unquoted Energis and Your have adversely impacted Teleunit's share rating.
- After all, Teleunit's interim results last September showed a healthy increase in turnover from €25 million in 2004 to over €40 million in 2005. The key driver has been the premium access business, which provided turnover of €32 million – this business was launched in 2002. Going forward, this segment should also benefit from the acquisition of a 30% stake in Starline.
- Teleunit is confident that further development of its ADSL-linked VoIP telephone and data service will boost its relatively modest fixed-line revenues. Progress is also being made in growing the wholesale business, which was launched in 2004.
- For the future, the wireless local loop opportunities in Tuscany offer real potential for Teleunit. Given that the prosperous region of Tuscany is the favoured location for Italian business, Teleunit's strategy of developing its proprietary radio-wave network is soundly based. Trials are currently underway with Wi-Max technology. In any event, Teleunit has already activated seven base stations that were installed previously in the region.

- Unlike many telcos, Teleunit currently holds a substantial net cash balance; it also has a positive cash flow at operating level. Moreover, compared with the UK where British Telecom – without a mobile business - is seeking vigorously to win back lost customers, Telecom Italia is less aggressive in this respect. After all, most of the latter's EBITDA growth depends on its very successful and – now fully integrated - TIM mobile business.

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