

Italy – Digital

The virtuous circle of the business model continues to yield results

23rd September 2021

H1-21 RESULTS RELEASE

RIC: DIGT.MI
BBG: DIG IM

DIGITAL360 announced 1) interim results, with soaring top line and a more than proportional EBITDA margin progression to an outstanding record high of 23% and 2) two acquisitions to take place in a couple of days. The group is well positioned to benefit from rapidly rising digitalisation needs and further external growth opportunities.

Rating:

Buy

Price Target:

€ 5.50 (€ 4.40)

Upside/(Downside): 15.8%

Last Price: € 4.75

Market Cap.: € 88.2m

1Y High/Low: € 4.93/€ 1.20

Avg. Daily Turn. (3M, 6M): € 333k, € 218k

Free Float: 26.3%

Major shareholders:

Andrea Rangone	21.2%
Mariano Corso	10.5%
Alessandro Giuseppe Perego	10.3%



Stock price performance

	1M	3M	12M
Absolute	12.3%	90.0%	280.0%
Rel.to AIM Italia	5.6%	16.0%	211.7%
Rel.to peers	9.2%	76.9%	74.8%

Analysts:

Luca Arena
+39 02 30343 395
luca.arena@cfosim.com

Gianluca Mozzali
+39 02 30343 396
gianluca.mozzali@cfosim.com

Upgrade in estimates and PT: buy recommendation reiterated

H1-21 outstanding performance was driven by 1) the investments made in the last few years aimed at the development of innovative and scalable subscription services which generate recurring revenues; and 2) a wider range of services offered to support the digital transformation of companies and public administrations. Our new estimates factor in the two recently announced acquisitions of Imageware and ICT LAB. As a result, we revised our EBITDA and Net Profit adj. estimates by 12.8% and 7.4% on average for 2021-23. We also updated our valuation criteria by bringing the free risk rate up to date. As a combined result, we upgraded our PT to € 5.50/s from € 4.40: the above two acquisitions will definitely generate value for shareholders. Buy rating reiterated.

Revenues up by almost 30%, recurring revenues at 50% of total by now...

H1-21 revenues totalled € 16.2m, up more than 28% vs. € 12.7m reported last year. The achievement is even more significant if we consider that the business unit related to the organisation of in-person physical events was not yet fully operational due to pandemic restrictions. The portion of annual recurring revenues soared by more than 50% in the first half of 2021, reaching € 7.7m vs. € 5.1m achieved in the same period last year, and amounting to some 50% of total. This increase was due to a greater number of clients (from 172 to 234) and a rise in average ticket prices (from € 30k to € 33k).

...more than proportional progression of EBITDA, with margin at record level

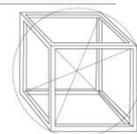
Profitability grew much more than proportionately to top line: EBITDA soared by more than 32% to € 3.7m vs. € 2.8m in the same period of last year. EBITDA margin exceeded 23%. EBIT reached € 2.3m, 14.1% margin, up almost 50% YoY, EBIT adjusted totalled € 2.8m, 17.5% on total revenues. Net Profit Adjusted was € 1.9m vs. € 1.5m in the same period of last year. As a consequence of high cash flow generation, NFP almost zeroed reaching € 0.3m (debt) vs. € 1.4m at Dec-20 and € 3.6m of the same period of last year. This result is even more positive considering: 1) € 2.4m capex (of which € 1.4m for M&A), 2) € 0.9m IRES and IRAP taxes (almost negligible in H1-20) and 3) the inevitable increase in trade receivables and payables brought in by soaring volumes.

Two acquisitions in a couple of days, Imageware and ICT LAB and others on the radar

Imageware is a PR, marketing and communications agency. The acquisition will allow DIGITAL360 to: 1) expand its customer portfolio in the ICT sector; 2) exploit significant operational and strategic synergies and 3) broaden its service portfolio. ICT LAB offers consultancy services to PAs to boost their innovation and digitisation process. This move completes the range of services already offered to PAs, thus expanding the addressable market and the range of consulting and training services. The sound balance-sheet profile allows DIGT to seize additional external growth opportunities in order to expand its coverage both in terms of services and of geography.

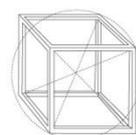
DIGITAL360, key financials and ratios

€ k	2019	2020	2021e	2022e	2023e
Sales	25,245	26,344	35,379	46,364	51,763
EBITDA	2,530	5,102	6,875	8,813	10,665
EBIT	81	2,518	3,740	4,858	6,824
EBIT adj.	1,215	3,193	4,494	5,813	7,779
Net profit	(821)	1,071	2,116	2,612	3,859
Net profit adj.	313	1,745	2,870	3,566	4,813
NFP (cash)/debt	6,335	1,368	464	(342)	(5,576)
EPS adjusted € cent	1.63	9.11	14.98	18.61	25.12
EPS adj. growth	-8.2%	457.2%	64.5%	24.2%	35.0%
DPS ord. €/s	0.00	0.00	0.00	0.00	0.00
Free Cash Flow Yield	-5.3%	26.5%	-3.2%	0.6%	5.9%
PER x	49.7	9.9	30.7	24.7	18.3
PCF x	9.6	4.7	16.8	13.4	11.5
EV/Sales x	0.87	0.71	2.51	1.89	1.60
EV/EBITDA x	8.7	3.7	12.9	10.0	7.7
EV/EBIT x	18.0	5.8	19.7	15.1	10.6





Income statement (€ k)	2019	2020	2021e	2022e	2023e
Value of Production	25,245	26,344	35,379	46,364	51,763
Services	(14,220)	(12,860)	(18,857)	(24,897)	(26,994)
Personnel expenses	(8,617)	(8,299)	(9,258)	(12,051)	(13,483)
Other opex	(1,290)	(1,364)	(1,415)	(1,947)	(2,122)
EBITDA	2,530	5,102	6,875	8,813	10,665
EBITDA adj.	2,910	5,022	6,875	8,813	10,665
D&A	(2,449)	(2,584)	(3,135)	(3,955)	(3,841)
EBIT	81	2,518	3,740	4,858	6,824
EBIT adj.	1,215	3,193	4,494	5,813	7,779
Financials	(341)	(82)	(272)	(198)	(102)
Re/(Devaluation) of financial assets	0	(11)	0	0	0
Extraordinary	0	0	0	0	0
Pre-Tax profit	(260)	2,426	3,468	4,661	6,723
Income taxes	(183)	(857)	(1,214)	(1,631)	(2,353)
Minorities	(378)	(497)	(138)	(418)	(511)
Net Profit	(821)	1,071	2,116	2,612	3,859
Net Profit adj.	313	1,745	2,870	3,566	4,813
Balance sheet (€ k)	2019	2020	2021e	2022e	2023e
Net Working Capital	6,255	6,794	9,561	12,459	13,970
Net Fixed Assets	9,796	8,978	10,997	12,043	10,077
Equity Investments	134	123	123	123	123
Other M/L Term A/L	(932)	(3,424)	(4,613)	(6,050)	(6,459)
Net Invested Capital	15,254	12,471	16,069	18,575	17,711
Net Financial Position	6,335	1,368	464	(342)	(5,576)
Minorities	772	1,261	1,399	1,817	2,327
Group's Shareholders Equity	8,147	9,842	14,205	17,100	20,959
Financial Liabilities & Equity	15,254	12,471	16,069	18,575	17,711
Cash Flow statement (€ k)	2019	2020	2021e	2022e	2023e
Total net income	(821)	1,071	2,116	2,612	3,859
Depreciation	2,449	2,584	3,135	3,955	3,841
Other non-cash charges	770	3,153	1,327	1,854	920
Cash Flow from Oper. (CFO)	2,398	6,808	6,578	8,421	8,620
Change in NWC	(1,347)	(539)	(2,767)	(2,898)	(1,511)
FCF from Operations (FCFO)	1,051	6,269	3,811	5,523	7,109
Net Investments (CFI)	(1,869)	(1,464)	(5,154)	(5,000)	(1,875)
Free CF to the Firm (FCFF)	(818)	4,806	(1,343)	523	5,234
CF from financials (CFF)	920	(474)	2,247	(1,717)	(2,000)
Free Cash Flow to Equity (FCFE)	102	4,331	904	(1,194)	3,234
Financial ratios	2019	2020	2021e	2022e	2023e
EBITDA margin	10.0%	19.4%	19.4%	19.0%	20.6%
EBIT margin	0.3%	9.6%	10.6%	10.5%	13.2%
Net profit margin	-3.3%	4.1%	6.0%	5.6%	7.5%
Tax rate	-70.3%	35.3%	35.0%	35.0%	35.0%
Op NWC/Sales	24.8%	25.8%	27.0%	26.9%	27.0%
Interest coverage x	4.23	0.03	0.07	0.04	0.01
Net Debt/EBITDA x	2.50	0.27	0.07	(0.04)	(0.52)
Debt-to-Equity x	0.78	0.14	0.03	(0.02)	(0.27)
ROIC	-5.4%	8.6%	13.2%	14.1%	21.8%
ROCE	0.4%	13.2%	15.7%	19.3%	24.9%
ROACE	0.5%	13.6%	17.4%	19.8%	25.9%
ROE	-10.1%	10.9%	14.9%	15.3%	18.4%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Per share figures	2019	2020	2021e	2022e	2023e
Number of shares # m	18.37	18.37	18.37	18.37	18.37
Number of shares Fully Diluted # m	19.16	19.16	19.16	19.16	19.16
Average Number of shares Fully Diluted # m	19.16	19.16	19.16	19.16	19.16
EPS stated FD € cent	(4.28)	5.59	11.04	13.63	20.14
EPS adjusted FD € cent	1.63	9.11	14.98	18.61	25.12
EBITDA € cent	132.02	266.28	358.78	459.93	556.58
EBIT € cent	4.20	131.43	195.18	253.55	356.15
BV € cent	465.47	579.44	814.35	987.23	1,215.27
FCFO € cent	54.83	327.18	198.86	288.23	371.00
FCFF € cent	(42.71)	250.81	(70.09)	27.29	273.15
FCFE € cent	5.30	226.04	47.17	(62.31)	168.78
Dividend € cent	0.00	0.00	0.00	0.00	0.00



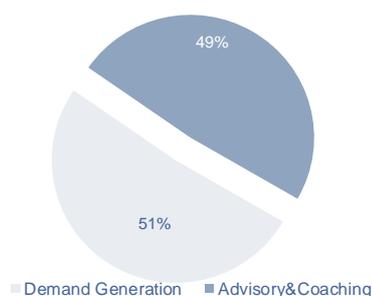
The company at a glance

DIGITAL360 is a leading Italian B2B player in the digital innovation arena, offering support to firms and public administrations in understanding and implementing digital innovation processes. Established in 2012, the company runs a match-making platform for the demand for and supply of digital innovation. The firm operates two business units: 1) Demand Generation - focusing on tech providers and supporting them in marketing and lead generation activities, through a unique model, based on a *Digital Marketing & Sales Engine* approach; and 2) Advisory&Coaching - aimed at companies and public administrations via a unique business model based on engineered methodologies, data, assets and know-how.

The group has grown significantly in recent years: turnover CAGR₁₁₋₂₀ is 39%, boosted by acquisitions, 9 companies between 2012 and 2019, generating additional sales for total revenues of € 11.2m. In the same period, EBITDA soared from € 0.2m to € 5.0m, 43% CAGR. 2020 revenues totalled € 26.3m, up 4.4% YoY, EBITDA adj. reached € 5.0m, 19.1% margin and net profit adjusted came in at € 1.7m, 6.6% of sales. Net Financial Position reached € 1.4m, 0.3x EBITDA and 0.1x Shareholders' Equity. Currently, 100% of its business is generated in Italy. 51% of 2020 sales were generated by the Demand Generation unit, the remainder came from the Advisory & Coaching business unit.

DIGITAL360 was listed on 13th June 2017 at € 1.15 per share, corresponding to a market capitalisation of € 17.7m. The offer encompassed a capital increase of € 4.0m on offer to professional and retail investors, with a portion reserved to employees. In addition, a convertible bond of € 2.0m was issued: 5-year duration, 4.5% coupon and € 1.60 strike.

2020 revenues breakdown by BU



2011-2020 revenues and EBITDA growth



Shareholder structure

	%	# m
Andrea Rangone	21.2%	3.886
Mariano Corso	10.5%	1.921
Alessandro Giuseppe Perego	10.3%	1.895
Raffaello Balocco	4.3%	0.785
Gabriele Faggioli	5.5%	1.004
Other <4.0%	22.0%	4.050
Free Float o/w	26.3%	4.827
Total	100.0%	18.368

Source: Company data

Peer group absolute performance

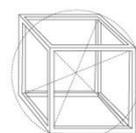
	1D	1W	1M	3M	6M	YTD
Booz Allen Hamilton Holding	0.4	(2.7)	(3.7)	(10.1)	(1.7)	(10.1)
Future PLC	0.5	1.7	(4.6)	16.4	95.4	112.9
Gartner Inc	2.9	(0.1)	3.0	32.9	74.8	97.6
HubSpot Inc	2.4	4.7	3.8	20.4	62.4	79.5
Informa PLC	3.0	7.8	2.9	7.5	(2.6)	1.0
Relx PLC	0.3	2.8	2.8	15.3	23.7	24.2
ServiceNow Inc	1.3	1.6	6.7	20.4	40.3	20.4
TechTarget Inc	1.2	(0.4)	13.1	13.1	26.0	47.4
Wolters Kluwer NV	(0.9)	0.5	(0.5)	15.1	33.7	39.4
Peers median	1.2	1.6	2.9	15.3	33.7	39.4
DIGITAL360 SpA	6.0	15.3	12.3	90.0	97.9	158.2

Source: Thomson Reuters Eikon

Peer group multiples table

Price & EV multiples x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3	PER FY1	PER FY2	PER FY3
Booz Allen Hamilton Holding Corp	1.49	1.40	1.32	13.8	13.0	12.2	18.9	17.5	16.1
Future PLC	7.82	6.06	5.56	22.8	18.7	16.6	31.6	26.3	24.2
Gartner Inc	6.15	5.35	4.83	24.1	27.4	24.6	38.7	47.6	40.9
HubSpot Inc	25.84	20.03	15.78	n.s.	n.s.	112.6	396.0	266.4	185.7
Informa PLC	5.43	4.29	3.65	20.3	13.2	10.4	31.5	18.5	14.4
Relx PLC	6.72	6.13	5.82	18.3	16.4	15.1	25.5	22.6	20.9
ServiceNow Inc	22.46	17.64	13.78	69.5	55.9	42.5	113.8	89.3	70.0
TechTarget Inc	9.63	8.23	6.97	26.2	21.8	18.0	37.1	33.2	27.9
Wolters Kluwer NV	5.85	5.61	5.35	18.8	17.9	16.5	29.5	28.0	26.4
Median	6.72	6.06	5.56	21.6	18.3	16.6	31.6	28.0	26.4
DIGITAL360 SpA	2.51	1.89	1.60	12.9	10.0	7.7	30.7	24.7	18.3
Premium/(discount) to median	(62.7)	(68.7)	(71.3)	(40.2)	(45.5)	(53.3)	(2.8)	(11.6)	(30.5)

Sources: CFO Sim, Thomson Reuters Eikon



H1-21 results

DIGITAL360 announced outstanding interim results, with soaring top line and a more than proportional EBITDA margin progression to an outstanding historic high of 23%. Recurring revenues reached almost 50% of total with an increase of more than 50% YoY.

Table 1 – DIGITAL360, H1-21 results

€ m	H1-21	H1-20	% YoY
Total revenues	16,231	12,720	27.6
Increase in finished products	706	683	
Value of Production	16,937	13,403	26.4
Services	(7,002)	(5,888)	
Personnel expenses	(5,676)	(4,095)	
Other opex	(516)	(595)	
EBITDA	3,744	2,824	32.6
% margin	23.1	22.2	
D&A	(1,460)	(1,274)	
EBIT	2,283	1,550	47.3
% margin	14.1	12.2	
Financials	(129)	(142)	
Re/(Devaluation) of financial assets	(7)	213	
Pre-Tax profit	2,148	1,621	32.5
% margin	13.2	12.7	
Income taxes	(779)	(547)	
Tax rate	36.3%	33.8%	
Minorities	0	(216)	
Net Profit	1,369	858	59.5
% margin	8.4	6.7	
Goodwill amortisation	(545)	(387)	
EBIT adj.	2,828	1,937	46.0
% margin	17.4	15.2	
Net Profit adj.	1,914	1,246	53.7
% margin	11.8	9.8	
Net Financial Position *	315	1,368	(77.0)
Net Equity *	12,708	9,842	29.1

Source: Company data. NFP and Net Equity compared to FY-20 figures

H1-21 revenues totalled € 16.2m, up more than 28% vs. € 12.7m reported last year. The achievement is even more significant if we consider that the business unit related to the organisation of in-person physical events was not yet fully operational due to pandemic restrictions. The portion of **annual recurring revenues soared more than 50% in the first half of 2021, reaching € 7.7m** vs. € 5.1m of the same period of last year and achieving some 50% of total. This increase was due to a greater number of clients (from 172 to 234) and a rise in average ticket prices (from € 30k to € 33k).

Profitability grew much more than proportionately to top line: EBITDA soared by more than 32% to € 3.7m vs. € 2.8m in the same period of last year. **EBITDA margin exceeded 23%**. The reason behind this record level can be explained, on the one hand, by the positive effect stemming from the **rising portion of the lucrative as-a-service sales**, represented by recurrent revenues which soared more than 50% achieving some 50% of total. On the other hand, the business stemming from the unit involved in the organisation of physical events and characterised by a lower margin compared to the group's average was quite lower than in the past. **EBIT reached € 2.3m, 14.1% margin**, up almost 50% YoY, EBIT adjusted totaled € 2.8m, 17.5% on total revenues. **Net Profit Adjusted was € 1.9m** vs. € 1.5m in the same period of last year.

As a consequence of high cash flow generation, NFP almost zeroed reaching € 0.3m (debt) vs. € 1.4m at Dec-20 and € 3.6m of the same period of last year. This result is even more positive considering that in the first half of 2021 the group: 1) spent € 2.4m on capex (of which € 1.4m for M&A), 2) paid a total amount of € 0.9m for IRES and IRAP taxes (almost negligible in H1-20) and 3) absorbed the inevitable increase in trade receivables and payables brought in by soaring volumes.



Recent developments: M&As in H1-21

During H1-21, the group exercised the **purchase options on the residual stake** of two companies already owned at 51%, whose acquisition was announced in 2018:

- 1) ServicePro, a “full service” marketing agency specializing in the organisation and implementation of complex events and management of demand and lead generation campaigns;
- 2) IQ Consulting, an academic spin-off operating in the fields of Industry 4.0 and Supply Chain Management.

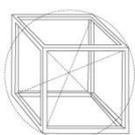
In 2020, ServicePro totalled revenues to the tune of € 3.6m and achieved EBITDA of approximately € 1.0m, 27% margin. The price paid for 49% of the remaining share capital was calculated on the basis of the average 2018-20 EBITDA and amounted to € 4.0m cash, o/w € 1.3m postponed to 2022. At the same time, ServicePro sellers invested € 1.5m in a reserved capital increase of Digital360, at € 2.7/s, thus subscribing 607,287 new ordinary shares (3.4% of the share capital after the capital increase), subjected to a three-year lock-up period.

IQ Consulting reached revenues of € 1.4m and € 0.4m EBITDA, corresponding to an EBITDA margin of some 30%. The price paid for 49% of the share capital not yet held was calculated on 2019-20 average EBITDA and totalled € 402k cash. At the same time, the IQC Sellers invested all the proceeds by subscribing a reserved capital increase at € 2.47/s corresponding to 162,832 new DIGITAL360 ordinary shares (0.9% of the share capital after the capital increase).

In addition, last 23-Jun, **DIGITAL360 announced the acquisition of a 100% stake in CTMobi**, for € 690k, including the NFP, corresponding to some 6.5x EBITDA. The price will be paid partly in cash and partly through the assignment of newly issued shares. Up to 50% of the price will be paid via the assignment of newly issued ordinary shares of DIGITAL360, with a 48M lock-up, the number of which will be determined on the basis of the average price of Digital360 shares on the AIM Italia market during the 3 months preceding the closing date. The remainder will be paid in cash.

Based in Catania, in the Sicily region, CTMobi provides cloud-based solutions, User Interface & Experience Design services as well as advisory in the development of Cloud architectures. In 2020, CTMobi reached revenues of around € 450k with an EBITDA of some € 70k and a positive NFP for approximately € 220k.

CTMobi has been a technological partner of DIGITAL360 for over six years and has developed some of its key technological platforms. The internalisation of CTMobi's skills will enable DIGITAL360 to have a stronger presence in the technology industry, boosting the group's development strategies.



September shopping 1#2: the Imageware acquisition

Imageware is a PR, marketing and communications agency operating via three areas: 1) **public relations and social media**; 2) **development of communications projects** and 3) **organisation of physical and digital events**. The company, characterised by a strong specialisation in the ICT market, boasts remarkable customers from various sectors, both private companies and organizations as well as institutional bodies.

Imageware achieved **sales of over € 8m in 2019 and some € 6m in 2020**, as a result of the impossibility of organising physical events due to the pandemic. The decrease is in fact entirely attributable to the event planning business. However, the reduction in top line was not reflected in a drop in margins: **EBITDA grew from € 0.5m in 2019 to € 0.6m in 2020**.

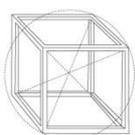
The deal consideration for 51% of Imageware totals € 2.5m, including the NFP, which as of end-20 was positive (cash) for € 2.5m. The price will be paid as follows:

- 1) € 1.1m cash at the closing, expected by Oct-21;
- 2) up to a maximum of € 0.4m, at the sole discretion of DIGITAL360, through the assignment to the sellers of newly issued DIGITAL360 ordinary shares, the number of which will be determined on the basis of the average price of Digital360 shares during the 3M period prior to the closing date. Alternatively, the amount could also be partially paid in cash within 3 months of closing;
- 3) € 1.0m in cash, paid half within six months of closing date and the remainder within twelve months of closing date.

The agreement provides, starting from 2024, a Put & Call agreement for the residual 49% of Imageware. The price will be calculated on the basis of the **average EBITDA achieved in 2021, 2022 and 2023 multiplied by 5**, in addition to the NFP. The implicit multiple of the total acquisition is some 5.0x EBITDA₂₀.

The acquisition is anticipated to allow DIGITAL360 to:

- 1) **expand its customer portfolio by** adding important names in the technology sector and companies that promote digital transformation and sustainability;
- 2) **exploit significant operational and strategic synergies** in communications, event management and lead generation activities, and
- 3) **broaden its service portfolio namely by including** public relations activities.



September shopping 2#2: the ICT LAB acquisition

The company, founded in 2015 and based in Rome, offers **consultancy services to Public Administration entities** aimed at accompanying them in their **innovation and digitisation process**. The business model is characterised by a **high visibility stemming from multi-year contracts** and generated revenues to the tune of € 1.4m in 2020 with a top-notch **EBITDA margin of some 20.0%**.

DIGITAL360's acquisition of a 51% stake in of ICT LAB will be completed in two phases:

1) **25.5% will be paid in cash (€ 750,000), plus € 81,600 for positive NFP (cash)** and it will be adjusted on the basis of FY-21 NFP. The closing date is expected by October and the payment of this first tranche will be performed as follows:

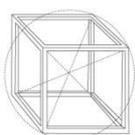
- I. € 327,000 at the time of transfer of the shares, in cash or by assignment of newly issued DIGITAL360 ordinary shares, the number of which will be determined on the basis of the average price of the shares on the AIM Italia market during the 3 months prior to the closing date;
- II. € 279,600 in cash at closing date;
- III. € 225,000 within 12 months of the closing date.

2) **25.5% will be paid in cash (€ 750,000)**, in addition to the pro-quota of the NFP at end-21, by May-22, half of which will be paid by May-22 and the remainder by end of Jan-23.

The overall price paid for the 51% of ICT LAB totals € 1.5m (excluding the NFP). The purchasing agreement envisages a price adjustment mechanism on the back of 2021-22-23 EBITDA. As a result, we estimate that the implicit acquisition multiple should stand in the region of 5x.

Also in the case of ICT LAB, as of 2024a **Put & Call** Option agreement is provided for with regard to the residual 49% of the company. The price will be calculated according to same criteria, on the **average EBITDA achieved in 2021, 2022 and 2023**.

This move completes the range of services already offered to Public Administrations, thus expanding the addressable market potential and the range of consulting and training services. **The segment has significant room for growth and development**, also taking into consideration the **PNRR and the related massive investments** needed for the digital transformation of the PA sector.



Estimates, valuation & risks

H1-21 outstanding performance was driven by 1) the **investments** made in the last few years aimed at the development of innovative and scalable subscription services (Digital As-A-Service) which generate recurring revenues; and 2) a wider range of services offered **to support the digital transformation** of companies and public administrations. **Our new estimates factor in the two recently announced acquisitions of Imageware and ICT LAB**, both consolidated for 3M in 2021. As a result, **we revised our EBITDA and Net Profit adj. estimates by 12.8% and 7.5% on average in 2021-23.**

Table 2 – DIGITAL360, 2021e new/old estimates

€ k	New	Old	% Diff.	€ m Diff.
Value of Production	35,379	33,304	6.2	2,075
EBITDA	6,875	6,595	4.2	280
% margin	19.4	19.8		
EBIT adj.	4,494	4,214	6.6	280
% margin	12.7	12.7		
Net Profit adj.	2,870	2,777	3.4	94
% margin	8.1	8.3		
Y/E net debt (net cash)	464	80	n.m.	384

Sources: Company data, CFO Sim

Table 3 – DIGITAL360, 2022e new/old estimates

€ k	New	Old	% Diff.	€ m Diff.
Value of Production	46,364	37,237	24.5	9,127
EBITDA	8,813	7,522	17.2	1,291
% margin	19.0	20.2		
EBIT adj.	5,813	4,764	22.0	1,049
% margin	12.5	12.8		
Net Profit adj.	3,566	3,240	10.1	326
% margin	7.7	8.7		
Y/E net debt (net cash)	(342)	(2,806)	n.m.	2,465

Sources: Company data, CFO Sim

Table 4 – DIGITAL360, 2023e new/old estimates

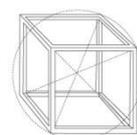
€ k	New	Old	% Diff.	€ m Diff.
Value of Production	51,763	41,264	25.4	10,499
EBITDA	10,665	9,111	17.1	1,554
% margin	20.6	22.1		
EBIT adj.	7,779	6,468	20.3	1,311
% margin	15.0	15.7		
Net Profit adj.	4,813	4,409	9.2	404
% margin	9.3	10.7		
Y/E net debt (net cash)	(5,576)	(7,782)	(28.4)	2,207

Sources: Company data, CFO Sim

We updated also our valuation criteria by bringing the free risk rate up to date. As a combined result, **we upgraded our PT to € 5.50/s** from € 4.40: **these two acquisitions will definitely generate value for shareholders.** PT is calculated on the fair value based on the DCF model (70%) and on that obtained through the multiples comparison method (30%), in order to mitigate the underlying massive volatility amongst peers which might penalise the assessment of DIGITAL360.

The group is well-positioned to benefit from 1) **the acceleration of the domestic digital market** indisputably driven by the pandemic emergency and 2) **the National Recovery and Resilience Plan (NRRP)** which will allocate a sizeable amount of financial resources for the digital transformation of enterprises and public administrations. The group is able to leverage this environment thanks to 1) **a range of innovative services**, 2) **its competitive positioning** and 3) the **strategic proprietary assets and solutions** recently developed. **In addition, the M&A scouting continues**, with potential additional moves in Spanish speaking countries and/or in adjacent areas.

We reiterate our Buy rating, 15.8% upside to PT.



Market multiples

We conducted an analysis on a cluster of 9 foreign companies operating in the digital and advisory arena. Size, profitability and growth rates vary a lot within the sample.

In this case, the equation 'the larger the size, the lower the margins' is not true: the highest EBITDA margins come from TechTarget (36.8%), Relx PLC (36.7%), and Future PLC (34.3%) and, with a market capitalization of € 2.0bn, € 50.2bn and € 5.2bn, respectively. **DIGITAL360 presents lower-than-average profitability but higher growth potential compared to the peer median.**

Booz Allen Hamilton Holding Corp provides management and technology consulting services to the US government in the defence, intelligence, and civil markets. The company offers economic and business analysis, information technology, intelligence and operations analysis, modelling and simulation, organisation, and other consulting services.

Future PLC is a special interest media company with locations in the United States, United Kingdom and Australia. The company produces special interest magazines, websites, and events, with portfolios in the computing, games, music, automotive, sports, crafts, and leisure sectors.

Gartner Inc. provides research and analysis in the computer hardware, software, communications, and related information technology industries. The company's business segments include research, consulting, measurement, events, and executive programs.

HubSpot Inc. provides a cloud-based marketing and sales software platform. The company offers integrated applications that help in lead generation and social marketing.

Informa PLC provides business intelligence and academic publishing services. The company offers information in the finance and insurance, maritime transport, trade, law and tax, telecommunication, media, commodity, energy, and biomedical and pharmaceutical markets. Informa provides its information through newspapers, magazines, electronic media, books, and journals.

Relx PLC is a global provider of information and analytics for professional and business customers across industries. The group serves customers in more than 180 countries and has offices in about 40 countries.

ServiceNow Inc. provides enterprise information technology (IT) management software. The company designs, develops, and produces pre-packaged computer software, cloud services, and an IT service management platform. ServiceNow serves customers throughout the United States.

TechTarget Inc. operates a portfolio of industry-specific portals. The company focuses on portals that deliver resources to information technology professionals within specific vertical market segments.

Wolters Kluwer NV is a global information services and solutions provider. The company provides its services to professionals in the health, tax and accounting, risk and compliance, finance, and legal sectors.

By applying the 35% discounted median peer EV/EBITDA multiples to the DIGITAL360 metrics we attain an **equity valuation of DIGITAL360 of € 5.60/s** (€ 4.40), using 2022 and 2023 estimates and multiples to better factor in the two recently announced acquisitions (21-22 in our previous report), with 17.9% upside to current prices.

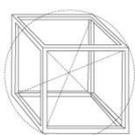




Table 5 - DIGITAL360, peer group summary table

€ m	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA %	Sales CAGR ₂₀₋₂₃	EBITDA CAGR ₂₀₋₂₃	EBIT CAGR ₂₀₋₂₃	EPS CAGR ₂₁₋₂₃	NFP FY1	NFP/EBITDA FY1
Booz Allen Hamilton Holding Corp	9,067	7,212	775	10.7%	6.5%	7.2%	7.2%	8.1%	1,645	2.1
Future PLC	5,217	697	239	34.3%	36.9%	43.7%	58.6%	14.4%	239	1.0
Gartner Inc	22,659	3,936	1,006	25.6%	14.1%	18.6%	24.3%	-2.8%	1,553	1.5
HubSpot Inc	28,616	1,077	130	12.1%	33.6%	n.m.	n.m.	46.0%	(785)	n.m.
Informa PLC	9,716	2,147	574	26.7%	17.2%	38.9%	n.m.	47.7%	1,946	3.4
Relx PLC	50,204	8,561	3,144	36.7%	7.2%	10.7%	17.2%	10.5%	7,291	2.3
ServiceNow Inc	112,331	4,934	1,595	32.3%	27.9%	78.8%	127.8%	27.5%	(1,522)	n.m.
TechTarget Inc	2,099	225	83	36.8%	33.9%	68.0%	74.2%	15.2%	72	n.a.
Wolters Kluwer NV	25,345	4,707	1,460	31.0%	3.3%	3.6%	6.7%	5.8%	2,175	1.5
Median	22,659	3,936	775	31.0%	17.2%	28.7%	24.3%	14.4%	1,553	1.8
DIGITAL360 SpA	88	35	7	19.4%	25.3%	27.9%	34.6%	29.5%	0	0.1

Sources: CFO Sim, Thomson Reuters Eikon

Table 6 - DIGITAL360, peer group EV & price multiple table

x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3	PER FY1	PER FY2	PER FY3
Booz Allen Hamilton Holding Corp	1.49	1.40	1.32	13.8	13.0	12.2	18.9	17.5	16.1
Future PLC	7.82	6.06	5.56	22.8	18.7	16.6	31.6	26.3	24.2
Gartner Inc	6.15	5.35	4.83	24.1	27.4	24.6	38.7	47.6	40.9
HubSpot Inc	25.84	20.03	15.78	n.s.	n.s.	112.6	396.0	266.4	185.7
Informa PLC	5.43	4.29	3.65	20.3	13.2	10.4	31.5	18.5	14.4
Relx PLC	6.72	6.13	5.82	18.3	16.4	15.1	25.5	22.6	20.9
ServiceNow Inc	22.46	17.64	13.78	69.5	55.9	42.5	113.8	89.3	70.0
TechTarget Inc	9.63	8.23	6.97	26.2	21.8	18.0	37.1	33.2	27.9
Wolters Kluwer NV	5.85	5.61	5.35	18.8	17.9	16.5	29.5	28.0	26.4
Median	6.72	6.06	5.56	21.6	18.3	16.6	31.6	28.0	26.4
DIGITAL360 SpA	2.51	1.89	1.60	12.9	10.0	7.7	30.7	24.7	18.3
Premium/(discount) to median	(62.7)	(68.7)	(71.3)	(40.2)	(45.5)	(53.3)	(2.8)	(11.6)	(30.5)

Sources: CFO Sim, Thomson Reuters Eikon

Table 7 - DIGITAL360, equity value assessment 1#2

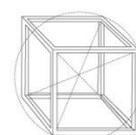
x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3	PER FY1	PER FY2	PER FY3
Median peers	6.72	6.06	5.56	21.6	18.3	16.6	31.6	28.0	26.4
DIGITAL360 metrics	35,379	46,364	51,763	6,875	8,813	10,665	2,870	3,566	4,813
NFP	464	(342)	(5,576)	464	(342)	(5,576)			
Put & call adjustments	6,124	6,124	6,124	6,124	6,124	6,124			
DIGITAL360 Equity Value (€ k)	147,853	176,748	186,494	89,757	99,051	114,481	58,957	64,865	82,451
# shares FD m	19.1	19.1	19.1	19.1	19.1	19.1	19.1	19.1	19.1
DIGITAL360 Equity Value FD €/s	7.73	9.24	9.75	4.69	5.18	5.98	3.08	3.39	4.31

Sources: CFO Sim, Thomson Reuters Eikon

Table 8 - DIGITAL360, equity value assessment 2#2

x	FY1	FY2	FY3
Equity Value (EV/EBITDA, € k)	89,757	99,051	114,481
€/ share FD	4.69	5.18	5.98
Average FY2-FY3	5.60		
% upside/(downside)	17.9%		

Sources: CFO Sim, Thomson Reuters Eikon



DCF

In the valuation via the DCF method explicit estimates until 2025 and a long-term growth of 2.5% were used. Cash flows were discounted back at a weighted average cost of capital calculated according to the following parameters:

Table 9 - WACC derived from:

Interest costs, pre-tax	2.5%
Tax rate	35.0%
Int. costs, after taxes	1.6%
Risk premium, incl. small size premium	9.0%
Risk-free (10Y Gov. Bond 200 days simple moving average)	0.71%
Beta levered (x)	0.98
Required ROE	9.5%

Source: CFO Sim

Table 10 - DIGITAL360, DCF model

€ k	2021e	2022e	2023e	2024e	2025e	Term. Val.
EBIT	3,740	4,858	6,824	8,530	10,663	
Tax rate	35.0%	35.0%	35.0%	35.0%	35.0%	
Operating profit (NOPAT)	2,431	3,158	4,436	5,545	6,931	
Change working capital	(2,767)	(2,898)	(1,511)	(500)	(500)	
Depreciation	3,135	3,955	3,841	2,670	1,500	
Investments	(6,654)	(5,000)	(1,875)	(1,500)	(1,500)	
Free Cash Flows	(3,855)	(785)	4,891	6,215	6,431	141,499
Present value	(3,784)	(719)	4,181	4,958	4,787	105,334
WACC	7.2%	7.2%	7.2%	7.2%	7.2%	
Long-term growth rate	2.5%					

Source: CFO Sim

The balance sheet structure adopted for the WACC calculation is based on an optimal financial leverage ratio of 70:30 equity-debt.

Table 11 – DIGITAL360, DCF derived from:

€ k	
Total EV present value € k	114,756
	<i>thereof terminal value</i>
	91.8%
NFP last reported - FY-20	(1,368)
Put & call	(6,124)
Pension last reported - FY-20	(1,229)
Equity value € k	106,034
# shares FD m (ex. treasury shares)	19.1
Equity value €/s FD	5.50
<i>% upside/(downside)</i>	<i>15.8%</i>

Source: CFO Sim

The application of the model produces an **equity value of € 106.0m, i.e. € 5.50/s (€ 4.40) for DIGITAL360.**

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value of between **€ 4.74 – 6.65 (perpetuity range of between 1.75% and 3.25%)**, while, 2) when compared to changes in the free risk rate, it produces an equity value of **€ 4.87 – 6.33 (free risk range of between 1.46% and 0.00%)** and, 3) if compared to changes in the risk premium, including small size premiums, it results in an equity value of **€ 4.34 – 7.42 (risk premium range of between 10.50% and 7.50%)**.

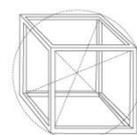


Table 12 – DIGITAL360, equity value sensitivity to changes in terminal growth rate

€ k	1.75%	2.00%	2.25%	2.50%	2.75%	3.00%	3.25%
Present value of CF	9,422	9,422	9,422	9,422	9,422	9,422	9,422
PV of terminal value	90,063	94,660	99,725	105,334	111,578	118,574	126,465
Total value	99,485	104,082	109,147	114,756	121,001	127,996	135,887
NFP last reported	(1,368)	(1,368)	(1,368)	(1,368)	(1,368)	(1,368)	(1,368)
Put & call	(6,124)	(6,124)	(6,124)	(6,124)	(6,124)	(6,124)	(6,124)
Pension last reported	(1,229)	(1,229)	(1,229)	(1,229)	(1,229)	(1,229)	(1,229)
Equity value € k	90,764	95,361	100,426	106,034	112,279	119,275	127,165
# shares FD m	19.1	19.1	19.1	19.1	19.1	19.1	19.1
Equity value €/s FD	4.74	4.98	5.25	5.50	5.87	6.23	6.65

Source: CFO Sim

Table 13 – DIGITAL360, equity value sensitivity to changes in free risk rate

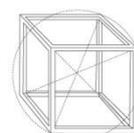
€ k	0.00%	0.21%	0.46%	0.71%	0.96%	1.21%	1.46%
Present value of CF	9,629	9,568	9,495	9,422	9,350	9,279	9,208
PV of terminal value	120,277	115,492	110,211	105,334	100,815	96,618	92,710
Total value	129,906	125,060	119,706	114,756	110,165	105,897	101,918
NFP last reported	(1,368)	(1,368)	(1,368)	(1,368)	(1,368)	(1,368)	(1,368)
Put & call	(6,124)	(6,124)	(6,124)	(6,124)	(6,124)	(6,124)	(6,124)
Pension last reported	(1,229)	(1,229)	(1,229)	(1,229)	(1,229)	(1,229)	(1,229)
Equity value € k	121,185	116,338	110,984	106,034	101,444	97,176	93,197
# shares FD m	19.1	19.1	19.1	19.1	19.1	19.1	19.1
Equity value €/s FD	6.33	6.08	5.80	5.50	5.30	5.08	4.87

Source: CFO Sim

Table 14 – DIGITAL360, equity value sensitivity to changes in risk premium

€ k	7.50%	8.00%	8.50%	9.00%	9.50%	10.00%	10.50%
Present value of CF	9,856	9,709	9,565	9,422	9,282	9,143	9,007
PV of terminal value	140,882	126,957	115,272	105,334	96,780	89,346	82,827
Total value	150,738	136,666	124,837	114,756	106,062	98,489	91,834
NFP last reported	(1,368)	(1,368)	(1,368)	(1,368)	(1,368)	(1,368)	(1,368)
Put & call	(6,124)	(6,124)	(6,124)	(6,124)	(6,124)	(6,124)	(6,124)
Pension last reported	(1,229)	(1,229)	(1,229)	(1,229)	(1,229)	(1,229)	(1,229)
Equity value € k	142,017	127,945	116,116	106,034	97,341	89,768	83,113
Equity value €/s FD	19.1	19.1	19.1	19.1	19.1	19.1	19.1
Source: CFO Sim	7.42	6.69	6.07	5.50	5.09	4.69	4.34

Source: CFO Sim



Peer stocks performance

DIGITAL360 was listed on AIM Italia (Alternative Investment Market) on 13-Jun-17 at € 1.15/share, corresponding to a post-money market capitalisation of € 17.7m. DIGITAL360 now trades **well above the IPO price**, and reached a 1Y maximum price of € 4.93/s on 22-Sep-21 and a minimum level of € 1.20 on 27-Oct-20. The stock has consistently outperformed its peer group median and the indexes, over the last 3, 6,12 months and YTD.

Table 15 - DIGITAL360, peer group absolute performance

	1D	1W	1M	3M	6M	YTD	1Y
Booz Allen Hamilton Holding Corp	0.4	(2.7)	(3.7)	(10.1)	(1.7)	(10.1)	(10.3)
Future PLC	0.5	1.7	(4.6)	16.4	95.4	112.9	95.8
Gartner Inc	2.9	(0.1)	3.0	32.9	74.8	97.6	149.8
HubSpot Inc	2.4	4.7	3.8	20.4	62.4	79.5	152.1
Informa PLC	3.0	7.8	2.9	7.5	(2.6)	1.0	53.1
Relx PLC	0.3	2.8	2.8	15.3	23.7	24.2	31.1
ServiceNow Inc	1.3	1.6	6.7	20.4	40.3	20.4	40.8
TechTarget Inc	1.2	(0.4)	13.1	13.1	26.0	47.4	111.2
Wolters Kluwer NV	(0.9)	0.5	(0.5)	15.1	33.7	39.4	34.1
Peers median	1.2	1.6	2.9	15.3	33.7	39.4	53.1
Digital360 SpA	6.0	15.3	12.3	90.0	97.9	158.2	280.0

Source: Thomson Reuters Eikon

Table 16 – DIGITAL360 relative performances

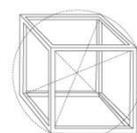
	1D	1W	1M	3M	6M	YTD	1Y
To Peers median	4.8	13.7	9.4	74.7	64.3	118.8	226.9
To MSCI World Index	5.2	17.0	13.9	87.5	86.8	143.9	248.8
To EUROSTOXX	5.0	15.3	13.5	87.3	88.5	141.4	247.4
To FTSE Italia All Share	4.6	15.4	13.5	87.2	90.6	141.2	243.3
To FTSE STAR Italia	4.8	14.1	11.1	77.3	69.1	118.2	217.9
To FTSE AIM Italia	5.6	16.0	12.5	75.9	65.3	104.5	211.7

Source: Thomson Reuters Eikon

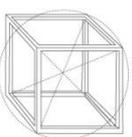
Risks

The principal investment **risks** associated with DIGITAL360 include:

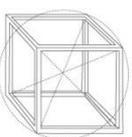
- Risks linked to the algorithm used by search engines;
- Risks related to personal data collection, holding and processing;
- Risks due to ICT malfunctions;
- Risks connected to significant technological evolution;
- Risks due to weighty competition in the reference market;
- Impact on P&L account and balance sheet profiles triggered by a sharp decline in local and global economic growth;
- Profit margin dilution stemming from the acquisition campaign;
- Departure of key people



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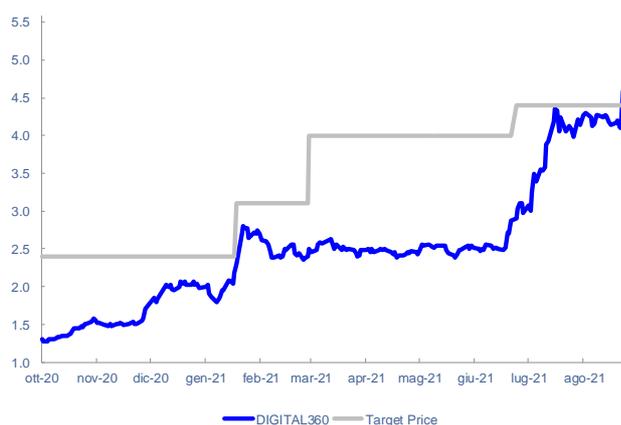
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DATE	TARGET PRICE	RATING
23/09/2021	€5.50	BUY
19/07/2021	€4.40	BUY
25/03/2021	€4.00	BUY
12/02/2021	€3.10	BUY
23/09/2020	€2.40	BUY

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RATING SYSTEM

- a **BUY** rating is assigned if the target price is at least 15% higher than the market price;
- a **SELL** rating is assigned if the target price is at least 15% lower than the market price;
- a **NEUTRAL** rating is assigned if the difference between the current price and target price lies within the +/- 15% bands identified using the preceding criteria.

The rating is determined on the basis of the **expected absolute return 12 months forward** and not on the basis of the estimated out/underperformance relative to a market index. Thus, the rating can be directly linked with the estimated percentage difference between current price and target price. The prices of the financial securities mentioned in the report (also used for the calculation of market capitalisation and market multiples) are the reference prices of the stock market trading day preceding the publication date of the report, otherwise stated.

