

What Soaring Stock Performance in 2021!

ADD | Fair Value: €5.62 (€3.96) | Current Price: €4.86 | Upside: 15.6%

€ Million	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E	FY24E
Total Revenues	14.3	22.5	25.2	26.3	33.7	45.9	51.5	56.5
EBITDA	1.6	2.6	2.9	5.0	6.9	9.0	10.4	11.7
margin	11.5%	11.4%	11.5%	19.1%	20.4%	19.5%	20.2%	20.7%
Net Profit Adj.	0.5	0.3	0.0	1.8	3.4	4.1	5.3	6.6
margin	3.7%	1.4%	-0.1%	7.0%	10.0%	9.0%	10.2%	11.8%
EPS Adj.	0.03	0.02	0.00	0.11	0.18	0.21	0.27	0.34

Source: Company data, KT&Partners' estimates

Note: Data include shares to be issued as payment in kind following Imageware Group and ICT Lab Srl acquisitions

Digital solutions and as-a-service business model are paying off. 1H21 financial results confirm the growth path of DIG-IT, also driven by the switch towards digital as-a-service solutions, leading to higher recurring revenue (ARR at €7.7mn vs €5.1mn) and margins. EBITDA grew at a higher pace than revenues (+33% YoY vs +28% YoY), reaching an EBITDA margin of 23% in 1H21 (vs 22% in 1H20). Looking at the bottom line, net income after minorities adjusted recorded a remarkable +54% YoY, reaching €1.9mn. The higher profitability has also allowed DIG-IT to improve its NFP – from €1.4mn in FY20 to €0.3mn – notwithstanding the €2.4mn CapEx (including M&A) and NWC increase following business expansion and €0.9mn cash out related to tax liabilities.

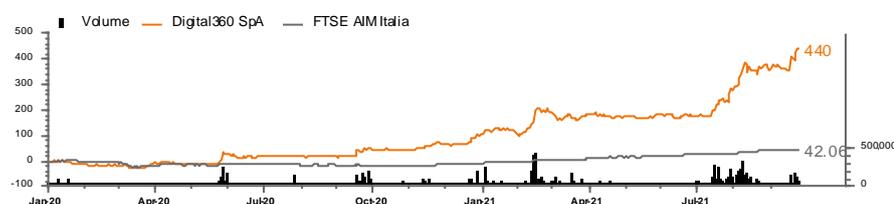
Two new M&As to foster growth. In September 2021, DIG-IT announced that it had signed two binding agreements (the closing of these is scheduled for the end of October 2021) for the acquisition of a 51% stake in: i) Imageware Group – a marketing and communication agency (FY20 revenues at ca. €6mn with an EBITDA margin of 10%) – and ii) ICT Lab Srl – an advisory firm for the digital transformation of PA (€1.4mn of FY20 revenues with an EBITDA margin of 20%). The acquisitions will allow DIG-IT to enrich its Demand Generation and Advisory offers, enlarge its client base and leverage on cross-selling activities. Since the beginning of the year, DIG-IT has signed four binding M&A agreements (two of which have been already closed: Innovation Post and CTMobi), more than half of those recorded since IPO (7).

A strong stock and liquidity performance. Since the IPO in 2017, DIG-IT's market capitalization has soared by +368%. The value created is ca. €65mn, of which 81% was generated in January–September 2021. Looking at stock liquidity, by comparing the January–September periods of 2021 and 2020, we note that the average volume and turnover increased by +262% and +978%, respectively.

Estimate update. We revised our estimates to factor in 1H21 results and the acquisitions of Imageware Group and ICT Lab. We now expect revenues to increase at a CAGR20–24 of 21%, reaching €56.5mn in 2024. On the profitability side, we anticipate a FY21 EBITDA of €6.9mn, growing at a CAGR20–24 of 23.5%, with EBITDA margin reaching 20.7% in FY24. Finally, we foresee net income adjusted to grow at a CAGR 20–24 of 37.8%, amounting to €6.6mn in FY24, and net cash position to turn positive in 2022, reaching €17mn in FY24.

Valuation. According to our valuation – based on both DCF and multiple methods – we obtain an average equity value of €104.97mn or €5.62ps, implying an upside of +15.6% on the current price (+47.1% above our previous fair value).

Relative Performance Chart since January 2020



Research Update

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Market Data			
Main Shareholders			
Andrea Rangone			20.80%
Mariano Corso			10.28%
Alessandro Giuseppe Perego			10.15%
Mkt Cap (€ mn)			90.8
EV (€ mn)			93.6
Shares Issued (mn)			18.7
Free Float (%)			26.8%
Market multiples			
	2021	2022	2023
EV/EBITDA			
Digital360	11.4x	8.7x	7.5x
Comps Average	20.9x	18.8x	17.0x
Digital360 vs Average	-46%	-54%	-56%
P/E			
Digital360	26.9x	23.1x	18.1x
Comps Average	31.4x	28.1x	24.6x
Digital360 vs Average	-14%	-18%	-26%
Stock Data			
52 Wk High (€)			4.95
52 Wk Low (€)			1.20
Avg. Daily Trading 90d			75,939
Price Change 1w (%)			7.07
Price Change 1m (%)			6.04
Price Change YTD (%)			138.59

Note: Data include shares to be issued as payment in kind following Imageware Group and ICT Lab Srl acquisitions

Key Figures – Digital 360 Group

	Current price (€)	Fair Value (€)	Sector					Free Float (%)
	4.86	5.62	Digital					26.8%
Per Share Data	2017A	2018A	2019A	2020A	2021E	2022E	2023E	2024E
Total shares issued (mn)	16.26	16.26	16.26	16.31	18.68	19.66	19.66	19.66
Total shares outstanding (mn)	16.26	16.23	16.23	16.27	18.63	19.61	19.61	19.61
EPS	0.03	0.02	(0.00)	0.11	0.18	0.21	0.27	0.34
Dividend per share (ord)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Dividend payout ratio (%)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Profit and Loss (EUR million)								
Revenues	14.3	22.5	25.2	26.3	33.7	45.9	51.5	56.5
EBITDA	1.6	2.6	2.9	5.0	6.9	9.0	10.4	11.7
EBIT Adj.	0.8	1.1	1.2	3.3	4.6	6.1	7.8	9.9
EBT Adj.	0.5	0.8	0.5	3.2	4.5	6.0	7.7	9.9
Taxes	(0.0)	(0.2)	(0.2)	(0.9)	(1.1)	(1.5)	(2.0)	(2.6)
Tax rate	22%	355%	-70%	35%	29%	29%	29%	29%
Net Income Adj.	0.5	0.6	0.3	2.3	3.4	4.5	5.8	7.3
Net Income attributable to the Group Adj.	0.5	0.3	0.0	1.8	3.4	4.1	5.3	6.6
Balance Sheet (EUR million)								
Total fixed assets	7.1	10.5	9.9	9.1	14.3	12.5	10.8	9.9
Net Working Capital (NWC)	4.0	3.7	5.6	3.4	5.7	10.3	11.5	12.9
Provisions	(0.7)	(1.0)	(1.0)	(1.3)	(2.0)	(3.0)	(4.1)	(5.3)
Total Net capital employed	10.3	13.2	14.5	11.3	18.0	19.8	18.2	17.5
Net financial position/(Cash)	2.6	4.6	6.3	1.4	0.4	(3.8)	(10.2)	(17.3)
Total Shareholder's Equity	7.8	8.6	8.1	9.8	17.6	23.6	28.5	34.9
Cash Flow (EUR million)								
Net operating cash flow	-	2.3	3.2	4.1	5.8	7.4	8.4	9.1
Change in NWC	-	0.3	(1.9)	2.2	(3.1)	(1.5)	(0.9)	(1.4)
Capital expenditure	-	(5.6)	(1.9)	(1.7)	(6.8)	(5.7)	(2.2)	(1.8)
Other cash items/Uses of funds	-	0.3	0.0	0.3	0.1	1.6	1.1	1.2
Free cash flow	-	(2.7)	(0.5)	4.9	(4.1)	1.8	6.4	7.0
Enterprise Value (EUR million)								
Market Cap	20.0	19.3	15.6	79.3	90.8	95.6	95.6	95.6
Minorities	0.0	0.4	0.8	1.3	2.5	3.6	4.1	4.8
Net financial position/(Cash)	2.6	4.6	6.3	1.4	0.4	(3.8)	(10.2)	(17.3)
Enterprise value	22.6	24.3	22.7	81.9	93.6	95.4	89.4	83.0
Ratios (%)								
EBITDA margin	11.5%	11.4%	11.5%	19.1%	20.4%	19.5%	20.2%	20.7%
EBIT margin Adj.	5.3%	5.1%	4.9%	12.5%	13.7%	13.2%	15.2%	17.6%
Gearing - Debt/equity	33.1%	55.7%	85.9%	15.9%	2.5%	-18.9%	-42.0%	-57.5%
Interest cover on EBIT	28.3%	23.7%	27.4%	2.5%	3.0%	1.4%	0.8%	0.3%
NFP/EBITDA	156.7%	177.8%	217.7%	27.2%	5.5%	-42.0%	-98.4%	-148.1%
ROCE	7.3%	8.7%	8.6%	29.2%	25.7%	30.6%	42.8%	56.6%
ROE	6.8%	3.9%	-0.5%	21.5%	22.3%	20.7%	21.6%	22.1%
EV/Sales	5.36x	3.41x	3.04x	2.96x	2.32x	1.70x	1.51x	1.38x
EV/EBITDA	47.54x	30.35x	26.79x	15.51x	11.36x	8.70x	7.50x	6.67x
P/E	n.m.	n.m.	n.m.	42.93x	26.86x	23.09x	18.09x	14.35x
Free cash flow yield	0	-0.2	0.0	0.4	-0.3	0.1	0.5	0.5
Growth Rates (%)								
Sales	n.a.	57.2%	12.1%	4.4%	27.7%	36.5%	12.2%	9.6%
EBITDA	n.a.	56.6%	13.3%	72.7%	36.6%	30.5%	16.0%	12.5%
EBIT Adj.	n.a.	50.7%	8.8%	164.4%	40.1%	31.7%	28.7%	27.1%
Net Income Adj.	n.a.	-39.5%	-111.6%	n.m.	83.0%	22.4%	27.6%	26.1%

Source: Company data, KT&Partners' elaborations

Note: Data include shares to be issued as payment in kind following Imageware Group and ICT Lab acquisitions and POC conversion.

1H21 Financials Results

DIG-IT's 1H21 sales revenues were up by +28.0% YoY, reaching €16.2mn (vs €12.7mn in 1H20). Business growth is enjoying a more widespread awareness of the benefits coming from digital solutions. Indeed, innovation is a critical asset for companies, and all sectors, including the more traditional ones, have accelerated their digital transformation process over the last year and a half. This trend is expected to continue in the coming years, also thanks to stimuli from the PNRR (*Piano Nazionale di Rilancio e Resilienza*). In this framework, DIG-IT has proved to be well positioned, addressing market demand, and seizing new opportunities.

Looking at the business divisions, after a weak 1H20, the Demand Generation business unit grew by +44.9% YoY to €9.2mn, beating the 1H19 level and accounting for 57% of sales revenues. The remarkable growth recorded also benefitted from a strong increase in engineered (standard and more scalable) solutions provided on an ongoing basis (as-a-service) with ARR increasing to €4.8mn (vs €3.5mn). Physical events are still not back to normal, whereas digital events increased by +254.6% YoY to 390.

The Advisory business unit increased as well (+11% YoY), although at lower pace compared to Demand Generation, reaching €7mn. ARR from advisory as-a service went from €1.6mn in 1H20 to €2.9mn in 1H21, with 127 projects sold (vs 92 in 1H20).

On the profitability side, we note a record EBITDA margin of 23.1% (+0.9pp YoY) with EBITDA growing at a higher pace than revenue (+32.6% YoY). This is the result of: i) a better revenue mix with an increasing incidence of the as-a-service business, which is leading to higher recurring revenue and thus marginality; and ii) a higher incidence of digital vs physical events, leading to a lower incidence of service costs (from 46.3% in 1H20 to 43.1% in 1H21).

Looking at the bottom line, DIG-IT's EBIT and net income after minorities showed a double-digit growth of +47.3% YoY and +59.5% YoY, amounting to €2.3mn and €1.4mn, respectively. By adjusting for D&A related to M&As, EBIT and net income came in at €2.8mn (+47.4% YoY) and €1.9mn (+53.5% YoY), respectively.

During the first six months of the year, DIG-IT's PFN went from €1.4mn in FY20 to €0.3mn in 1H21, despite €2.4mn CapEx (including M&A) and NWC increase following business expansion and €0.9mn related to tax liabilities.

1H2021 Income Statement

€ Millions	1H16	1H17	1H18	1H19	1H20	1H21	YoY %
Demand Generation	4.8	5.2	7.5	8.3	6.4	9.2	44.9%
Advisory	1.3	1.4	4.3	5.1	6.3	7.0	11.0%
Sales Revenues	6.1	6.6	11.8	13.4	12.7	16.2	28.0%
<i>Growth %</i>		8.0%	80.0%	13.3%	-5.3%	28.0%	
Other Revenues	0.2	0.4	0.1	0.0	0.1	0.0	-55.7%
Total Revenues	6.2	6.9	11.9	13.4	12.7	16.2	27.6%
<i>Growth %</i>		11.0%	72.0%	12.8%	-5.1%	27.6%	
Products and Raw materials	0.0	0.0	(0.0)	(0.0)	(0.0)	(0.0)	7.7%
Gross Profit	6.2	6.9	11.9	13.4	12.7	16.2	27.6%
Cost of Services	(3.4)	(3.5)	(6.5)	(7.6)	(5.9)	(7.0)	18.9%
Rental Costs	(0.4)	(0.5)	(0.3)	(0.4)	(0.4)	(0.3)	-23.0%
Personnel Expenses	(1.9)	(2.1)	(3.3)	(3.9)	(3.4)	(5.0)	45.6%
Other Operating Expenses	(0.1)	(0.1)	(0.2)	(0.1)	(0.2)	(0.2)	5.6%
EBITDA	0.4	0.7	1.5	1.5	2.8	3.7	32.6%
<i>EBITDA margin</i>	6.8%	10.1%	12.6%	11.0%	22.2%	23.1%	0.9%
D&A and Provisions	(0.5)	(0.6)	(1.0)	(1.2)	(1.3)	(1.5)	14.6%
EBIT	(0.0)	0.1	0.5	0.3	1.6	2.3	47.3%
<i>EBIT margin</i>	-0.8%	1.3%	3.9%	2.3%	12.2%	14.1%	1.9%
EBIT Adj	0.1	0.3	0.9	0.7	1.9	2.8	47.4%
<i>EBIT Adj margin</i>	1.7%	4.8%	7.6%	5.2%	14.9%	17.3%	2.3%
Financial Income and Expenses	(0.1)	(0.1)	(0.1)	(0.1)	0.1	(0.1)	-281.6%
Extraordinary items	-	-	-	-	-	(0.0)	
EBT	(0.1)	0.0	0.3	0.2	1.6	2.1	32.5%
Taxes	(0.1)	(0.1)	(0.3)	(0.2)	(0.5)	(0.8)	42.3%
<i>Tax Rate</i>	-74.9%	526.1%	87.5%	135.0%	33.8%	36.3%	
Net Income	(0.2)	(0.1)	0.0	(0.1)	1.1	1.4	27.5%
<i>Net margin</i>	-2.9%	-1.6%	0.4%	-0.4%	8.4%	8.4%	0.0%
Net Income Adj	(0.0)	(0.1)	0.4	0.3	1.5	1.9	30.8%
<i>Net margin</i>	-0.4%	-1.8%	3.5%	2.5%	11.5%	11.8%	0.3%
Minorities	-	(1.3)	0.2	0.3	0.2	-	
Net Income attributable to the Group	(0.2)	1.2	(0.2)	(0.4)	0.9	1.4	59.5%
<i>Net margin</i>	-2.9%	17.8%	-1.4%	-2.8%	6.7%	8.4%	1.7%
Net Income attributable to the Group Adj.	(0.0)	(0.3)	0.2	0.0	1.2	1.9	53.5%
<i>Net margin</i>	-0.4%	-4.8%	1.7%	0.1%	9.8%	11.8%	2.0%

Source: Company data, KT&Partners' elaborations

Two New M&As to be Added to the Hunt List

In September 2021, DIG-IT's management announced the acquisition of 51% stakes in Imageware Group and ICT Lab, which are expected to be closed by the end of October 2021. We note that a 25.5% stake in ICT Lab will be acquired in 2021 and the remaining 25.5% in 2022.

Imageware Group has been acquired for €5mn (or 4.2x EV/EBITDA), gross of net cash position of €2.5mn. €400k of the deal consideration will probably be paid in kind through DIG-IT's new shares, while the remaining €2.1mn will be paid in cash. Both parties have the option (call/put) for the remaining 49% for a strike price that is based on the average EBITDA x5 in FY21, FY22 and FY23 plus the NFP. The target is one of the most prestigious and competent Italian PR, marketing and communications agencies. It operates in three main areas of activities: i) Public Relations and social media; ii) creativity and communication projects; and iii) organization of physical and digital events. The acquisition will allow DIG-IT to expand its customer portfolio within the ICT market, leverage on cross-selling activities to further boost growth and exploit operational synergies. Imageware Group achieved aggregate revenues of more than €8mn in FY19, which declined to approximately €6mn during FY20. Nevertheless, the reduction in turnover volumes did not lead to a decrease in margins, with EBITDA increasing from approximately €0.5mn in FY19 to over €0.6mn in FY20.

ICT Lab is an Italian SME specialized in consulting services aimed at accompanying the technology innovation of PA. This fits in with DIG-IT's existing product offering and will allow DIG-IT to further penetrate the PA. In FY20, the company reached €1.37mn of revenues with an EBITDA of €0.25mn and a net cash position of €0.15mn. Having been acquired for €1.58mn (or 5.8x EV/EBITDA), 20.7% of the deal consideration has been paid in kind through DIG-IT shares. The residual deal value of €1.25mn, plus NFP in FY21, will be paid in cash. The remaining 49% could be acquired from 2024 through call/put with the strike price determined on the average of the EBITDA in FY21, FY22 and FY23.

Leveraging on net proceeds deriving from the IPO, the cash in from new AUCAP and DIG-IT's cash generation power, DIG has carried out seven M&As since IPO (four YTD).

Change in Estimates

We revised our estimates to factor in 1H21 results and the acquisitions of Imageware Group and ICT Lab that will be closed by the end of October 2021. We point out that we revised the 1H21 revenue and profitability estimates to include the two-months contribution from Imageware Group, whereas we consider the contribution from ICT Lab among minorities as the acquisition of the remaining 25.5% will be completed in 2022. Our forecast from 2022 onward includes the full-year contribution of the two companies.

We now anticipate total revenues to increase at a CAGR20–24 of 21% (vs +14.1% CAGR20–24 in our previous research), going from €33.7mn in 2021 to €56.5mn in 2024, leveraging on a wider offer and cross-selling activities with the clients of the newly acquired companies.

On the profitability side, we adjusted our FY21 EBITDA projections to take into account: i) the positive impact of a lower incidence of costs related to physical events, as we expect they will not come back to normal before 2022; and ii) the two-months contribution from Imageware Group. We now anticipate FY21 EBITDA to be €6.9mn with an EBITDA margin of 20.4%. We expect EBITDA to grow in absolute terms from €9mn in 2022 to €11.7mn in 2024. We revised downward our previous FY22 EBITDA margin projection as we expect it will be negatively impacted by the lower profitability of Imageware Group. We now forecast FY22 EBITDA margin to stand at 19.5% (40bps lower than our previous estimates) and we expect it will increase to 20.7% in FY24 thanks to cost synergies.

On the bottom line, we now foresee net income adjusted to grow at a CAGR20–24 of 37.8%, amounting to €6.6mn in 2024.

Finally, we now expect a FY21 net financial position of €0.4mn (vs -€0.6mn of our previous research) to consider the cash out following the acquisitions of Imageware Group and ICT Lab and the cash absorption deriving from ca. €1.6mn of payments related to tax liabilities. In FY22 we forecast a net cash position of €3.8mn – also assuming €1.56mn of cash in from the conversion of deep in the money outstanding convertible bond – reaching €17.3mn by FY24.

Change in Estimates															
€ Millions	2020	2021E	2021E	Change	2022E	2022E	Change	2023E	2023E	Change	2024E	2024E	Change	CAGR	
	Actual	Old	New		2020-24 Old	2020-24 New									
Total Revenues	26.3	32.7	33.7	2.9%	37.1	45.9	23.9%	41.3	51.5	24.9%	44.6	56.5	26.6%	14.1%	21.0%
YoY Change (%)	4.4%	24.1%	27.7%		13.4%	36.5%		11.3%	12.2%		8.1%	9.6%			
EBITDA	5.0	6.4	6.9	6.8%	7.4	9.0	21.3%	8.3	10.4	24.6%	9.1	11.7	28.2%	16.1%	23.5%
YoY Change (%)	72.7%	27.8%	36.6%		15.0%	30.5%		13.0%	16.0%		9.4%	12.5%			
EBITDA Margin	19.1%	19.6%	20.4%		19.9%	19.5%		20.2%	20.2%		20.5%	20.7%			
EBIT adjusted	3.3	4.5	4.6	3.4%	4.9	6.1	24.4%	5.9	7.8	32.4%	7.4	9.9	34.0%	22.5%	31.8%
YoY Change (%)	164.4%	35.5%	40.1%		9.3%	31.7%		21.0%	28.7%		25.6%	27.1%			
Net Income adjusted	1.8	3.4	3.4	-0.5%	3.8	4.1	8.8%	4.5	5.3	16.2%	5.6	6.6	18.1%	32.2%	37.8%
YoY Change (%)	506.7%	84.0%	83.0%		11.9%	22.4%		19.5%	27.6%		24.0%	26.1%			
NFP	1.4	-0.6	0.4	-164%	3.4	3.8	10.3%	8.4	10.2	22.3%	14.0	17.3	23.9%		

Source: Company data, KT&Partners' elaborations

Valuation

Following the projections of DIG's future financials, we carried out the valuations of the Company by applying the DCF and market multiples methods.

1. EV/EBITDA and P/E multiples, which returns a value of €5.41ps;
2. DCF analysis based on WACC of 7.7% and 2% perpetual growth, which returns a value of €5.83ps.

The average of the two methods yields a fair value of €5.62ps or an equity value of €104.97mn.

Our valuation is based on 18.7mn of shares, including shares to be issued as payment in kind following the acquisition of Imageware Group and ICT Lab Srl.

Estimates Revision

	Equity Value €mn	Value per share €
DCF	108.84	5.83
EV/EBITDA	119.02	6.37
PE	83.20	4.45
<i>Average - Multiples</i>	<i>101.11</i>	<i>5.41</i>
<i>Average - DCF & Multiples</i>	<i>104.97</i>	<i>5.62</i>

Source: Company data, FactSet, KT&Partners' estimates

Market Multiples Valuation

Following the comparables analysis, we proceeded with the definition of market multiples of the peer group, focusing on 2020, 2021 and 2022 data.

Peers Comparison: Market Multiples 2020–22

Company Name	Exchange	Market Cap	EV/SALES 2020	EV/SALES 2021	EV/SALES 2022	EV/EBITDA 2020	EV/EBITDA 2021	EV/EBITDA 2022	EV/EBIT 2020	EV/EBIT 2021	EV/EBIT 2022	P/E 2020	P/E 2021	P/E 2022
Booz Allen	NYSE	9,134	1.7x	1.6x	1.5x	16.4x	14.5x	13.5x	17.4x	16.8x	15.1x	18.0x	18.8x	17.0x
Gartner, Inc.	NYSE	23,187	7.0x	6.4x	5.6x	n.m	25.1x	29.3x	n.m	33.9x	n.m	n.m	41.6x	48.5x
HubSpot, Inc.	NYSE	29,380	37.4x	26.7x	20.8x	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m
ServiceNow, Inc.	NYSE	112,687	28.2x	22.4x	17.9x	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m
TechTarget, Inc.	NASDAQ	2,163	17.4x	10.1x	8.7x	n.m	26.8x	23.0x	n.m	39.4x	27.7x	n.m	42.3x	36.8x
RELX PLC	London	49,572	7.1x	6.7x	6.1x	21.4x	18.0x	16.2x	33.2x	22.4x	19.8x	35.9x	25.3x	22.2x
Wolters Kluwer NV	Euronext Amsterdam	25,049	5.9x	5.7x	5.5x	19.0x	18.1x	17.2x	27.0x	22.2x	21.0x	35.1x	29.4x	27.3x
Future plc	London	5,253	14.3x	7.9x	5.9x	n.m	22.9x	18.5x	n.m	25.5x	20.5x	n.m	29.6x	26.5x
Informa Plc	London	9,690	6.4x	5.7x	4.6x	30.3x	21.2x	14.0x	n.m	27.7x	16.7x	n.m	32.7x	18.4x
<i>Average peer group</i>		<i>29,568</i>	<i>13.9x</i>	<i>10.4x</i>	<i>8.5x</i>	<i>21.7x</i>	<i>20.9x</i>	<i>18.8x</i>	<i>25.9x</i>	<i>26.8x</i>	<i>20.1x</i>	<i>29.7x</i>	<i>31.4x</i>	<i>28.1x</i>
<i>Median peer group</i>		<i>23,187</i>	<i>7.1x</i>	<i>6.7x</i>	<i>5.9x</i>	<i>20.2x</i>	<i>21.2x</i>	<i>17.2x</i>	<i>27.0x</i>	<i>25.5x</i>	<i>20.2x</i>	<i>35.1x</i>	<i>29.6x</i>	<i>26.5x</i>
Digital360	Milan	79	3.0x	2.3x	1.7x	15.5x	11.4x	8.7x	169.3x	31.0x	20.4x	42.9x	26.9x	23.1x

Source: Company data, FactSet, KT&Partners' estimates

We based our valuation upon a size/liquidity discount of 25%, and our estimates of DIG's EBITDA and net income adjusted for 2021 and 2022.

EV/EBITDA Multiple Valuation

Multiple Valuation (€mn)	2021E	2022E
EV/EBITDA Comps	20.9x	18.8x
Digital360 EBITDA	6.86	8.96
Enterprise value	143.8	168.5
FY20 NFP	-2.6	-2.6
Equity Value	146.3	171.0
Average Equity Value	158.7	
Liquidity Discount	25%	
Equity Value Post-Discount	119.0	
Number of shares (thousand)	18.7	
Value per Share €	6.4	

P/E Multiple Valuation

Multiple Valuation (€mn)	2021E	2022E
P/E Comps	31.4x	28.1x
Digital360 Net Income Adj.	3.37	4.13
Equity Value	105.9	116.0
Average Equity Value	110.9	
Liquidity Discount	25%	
Equity Value Post-Discount	83.2	
Number of shares (thousand)	18.7	
Value per Share €	4.5	

Source: Company data, FactSet, KT&Partners' estimates

Note: Data include NFP Adjusted for shares to be issued as payment in kind following Imageware Group and ICT Lab acquisition.

DCF Model

We have also conducted our valuation using a five-year DCF model, based on a 9.0% cost of equity, 4.5% cost of debt and a target capital structure of 77% equity and 23% debt. The cost of equity is a function of the risk-free rate of 0.7% (Italian 10y BTP), 5.4% equity risk premium (Damodaran for the mature market) and a premium for size and liquidity of 2.05% (-1.95pp vs our previous research given higher market capitalization). We, therefore, obtained 7.7% WACC.

We discounted 2021E–24E annual cash flows and considered a terminal growth rate of 2%; then we carried out a sensitivity analysis on the terminal growth rate (+/– 0.25%) and on WACC (+/– 0.25%).

DCF Valuation				
€ Millions	2021E	2022E	2023E	2024E
EBIT	3.82	5.22	6.93	9.05
Taxes	(1.11)	(1.51)	(2.01)	(2.62)
D&A	3.05	3.74	3.46	2.65
Change in Net Working Capital	(3.11)	(1.54)	(0.91)	(1.42)
Change in Funds	0.74	0.99	1.09	1.18
Net Operating Cash Flow	3.39	6.89	8.56	8.83
Capex	(6.84)	(5.73)	(2.15)	(1.83)
FCFO	(3.45)	1.16	6.41	7.00
g		2.0%		
Wacc		7.7%		
FCFO (discounted)	(3.38)	1.06	5.41	5.49
Discounted Cumulated FCFO	8.58			
TV	124.59			
TV (discounted)	97.70			
Enterprise Value	106.27			
FY20 NFP Adjusted	(2.6)			
Equity Value	108.84			
Current number of shares (k)	18.7			
Value per share (€)	5.83			

Source: Company data, FactSet, KT&Partners' estimates

Note: Data include NFP Adjusted for shares to be issued as payment in kind following Imageware Group and ICT Lab acquisition.

Sensitivity Analysis						
€ Millions	Terminal growth Rate	WACC				
		8.2%	8.0%	7.7%	7.5%	7.2%
	1.5%	92.5	96.4	100.6	105.1	110.0
	1.8%	95.9	100.0	104.5	109.4	114.8
	2.0%	99.5	104.0	108.8	114.1	120.0
	2.3%	103.4	108.3	113.5	119.3	125.7
	2.5%	107.7	113.0	118.7	125.0	132.0

Source: KT&Partners' estimates

Appendix

Peer Comparison

We carried out an in-depth analysis of potential public companies that could be considered as peers of DIG, taking into account its two business units together with its growth profile and the profitability structure.

We built a nine-company sample, which includes:

- **Booz Allen Hamilton Holding Corporation Class A (BAH-US):** listed on NYSE with a market capitalization of €9.1bn. BAH-US engages in the provision of management and technology consulting services. It offers analytics, digital solutions, engineering, and cyber expertise. In FY20, BAH-US reached €7bn of revenues.
- **Gartner, Inc. (IT-US):** listed on NYSE with a market capitalization of €23.2bn. IT-US Gartner, Inc. is a research and advisory company, which delivers technology-related insights to its clients to help them with decision-making. It operates through the following segments: Research, Consulting and Conferences. The Research segment gives advice on the mission-critical priorities of leaders. The Consulting segment offers customized solutions to unique client needs through on-site, day-to-day support, and proprietary tools for measuring and improving IT performance. The Conferences segment involves business professionals across the organization. In FY20, IT-US reached €3.6bn of revenues.
- **HubSpot, Inc. (HUBS-US):** listed on NYSE with a market capitalization of €29.4bn. It provides a cloud-based marketing and sales software platform that enables businesses to deliver an inbound experience. In FY20, HUBS-US reached €0.8bn of revenues.
- **ServiceNow, Inc. (NOW-US):** listed on NYSE with a market capitalization of €112.7bn. NOW-US engages in the provision of enterprise cloud computing solutions. It offers customer and facilities service management, orchestration core, service mapping, cloud and portfolio management, edge encryption, performance analytics, service portal design, visual task boards, and configuration management databases. In FY20, NOW-US reached €3.9bn of revenues.
- **TechTarget, Inc. (TTGT-US):** listed on NASDAQ with a market capitalization of €2.2bn. TTGT-US engages in the provision of online content for buyers of enterprise information technology products and services. It also offers purchase-intent marketing and sales services for enterprise technology vendors. Its product portfolio includes demand generation, brand consideration, sales enablement, and marketing intelligence. In FY20, TTGT-US reached €0.1bn of revenues.
- **RELX PLC (REL-GB):** listed on the London Stock Exchange with a market capitalization of €49.6bn. REL-GB engages in provision of information and analytics solutions for professional and business customers across industries. It operates through the following business segments: Scientific, Technical & Medical; Risk & Business Analytics; Legal; and Exhibitions. In FY20, REL-GB reached €8.9bn of revenues.
- **Wolters Kluwer NV (WKL-NL):** listed on the Euronext Stock Exchange with a market capitalization of €25.0bn. WKL-NL engages in the provision of information, software solutions, and services for professionals in the health, tax and accounting, finance, risk and compliance, and legal sectors. It operates through the following segments:

Health; Tax and Accounting; Governance, Risk and Compliance; and Legal and Regulatory. In FY20, **WKL-NL** reached €4.6bn of revenues.

- **Future plc (FUTR-GB):** listed on the London Stock Exchange, with a market capitalization of €5.3bn. FUTR-GB engages in the publishing of special-interest consumer magazines and websites and the operation of events in the areas of technology; games and entertainment; music; knowledge; creative and photography; field sports; and home interest. It operates through the UK and US segments. In FY20, FUTR-GB's revenues reached €387mn.
- **Informa Plc (INF-GB):** listed on the London Stock Exchange, with a market capitalization of €9.7bn. INF-GB is a holding company, which engages in the provision of international business-to-business events, academic publishing, and information services. It operates through the following segments: Global Exhibitions, Academic Publishing, Business Intelligence, and Knowledge and Networking. In FY20, INF-GB's revenues reached €1.9bn.

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- ADD – FOR A FAIR VALUE > 15% ON CURRENT PRICE
- HOLD – FOR A FAIR VALUE <15% o >-15% ON CURRENT PRICE
- REDUCE – FOR A FAIR VALUE < -15% ON CURRENT PRICE

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