

## M&A Strategy is Paying Off

ADD | Fair Value: €6.30 (€6.35) | Current Price: €4.26 | Upside: 47.8%

€ Millions	FY18A	FY19A	FY20A	FY21A	FY22E	FY22E PF	FY23E	FY24E
Total Revenues	22.5	26.4	26.3	34.4	56.9	72.7	78.5	86.8
EBITDA	2.6	4.0	5.0	6.9	10.5	13.6	15.0	16.9
margin	11.4%	15.3%	19.1%	20.2%	18.4%	18.7%	19.1%	19.5%
Net Profit Adj.	0.3	1.1	1.8	3.2	4.9	6.2	6.9	7.8
margin	1.4%	4.1%	7.0%	9.2%	8.6%	8.6%	8.7%	9.0%
EPS Adj.	0.02	0.07	0.11	0.17	0.24	0.33	0.33	0.38
NFP	4.6	6.3	1.4	(3.1)	8.6		2.6	(8.9)

Source: Company data, KT&Partners' estimates

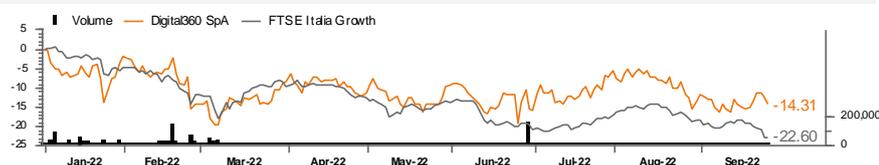
**1H22 audited financial results.** Digital360 (DIG-IT) is enjoying the benefits coming from the M&A strategy – one of DIG-IT's main growth pillars – aimed at enhancing and expanding its offering in ConsulTech, Cybersecurity, Change Management and Digital Transformation. Looking at the 1H22 pro-forma figures, the top line doubled compared to 1H21, reaching €33.8mn of sales revenues (including ca. €14mn of M&A contributions). EBITDA amounted to €7.1mn (of which ca. €3mn were M&A contributions), with an EBITDA margin of 20.9%. Focusing on the reported data, the financial results confirmed the business growth path begun in 2021. DIG-IT's 1H22 sales revenues increased by +51.2% YoY, reaching €24.5mn (vs €16.2mn in 1H21), including €4.9mn of M&A contributions and €10.2mn of ARR generated by 296 clients. Looking at BUs, Demand Generation (+65.7% YoY to €15.2mn) – mainly benefitting from M&As – growing at a higher pace than Advisory (+32.2% YoY to €9.3mn). On the profitability side, we note a decreasing EBITDA margin of 20.4% (-2.7pp YoY) with EBITDA growing at a slower pace than revenue (+33.6% YoY), mainly due to the weaker profitability of the new companies acquired. Looking at the bottom line, by adjusting for D&A related to M&As, EBIT and net income came in at €3.8mn (+34.8% YoY) and €2.2mn (+14.6% YoY), respectively. On the capital structure side, the cash generation power and the POC conversion allowed DIG-IT to maintain a net cash position of €2.4mn, notwithstanding the cash-out from CapEx (including M&A) and vendor loans related to M&As.

**Back in business after the summer.** In September 2022, DIG-IT has continued its M&As activity, announcing: i) the signing of a binding agreement for the acquisition of a 75% stake in Meridiana Italia – a firm specialized in technical project management support for PAs, generating €4.8mn of revenue in FY21 with an EBITDA margin adjusted of 16.7% – for a deal consideration of €3.3mn plus 51% of Meridiana's NFP at the closing (scheduled by November 2022); and ii) the acquisition of a 51% stake of X3 Media – a firm based in Bogotá and specialized in MarTech and SalesTech – for €0.2mn.

**Estimates revision.** Following the announcement of the latest M&As, we revised upward our 2022–24 estimates. We now expect total revenues to increase at a CAGR21–24 of 36.2% (ca. +3pp vs our previous estimates), reaching €86.8mn in 2024. On the profitability side, we expect EBITDA to grow at a CAGR21–24 of 34.6% (2.9pp above our previous research), reaching €16.9mn in FY24E with a margin of 19.5%. On the capital structure side, we now expect a net debt position of €8.6mn in FY22E to gradually improve, reaching a net cash position of €8.9mn by FY24E.

**Valuation update.** Following estimate revisions, we updated our valuation – based on both DCF and multiple methods – which returns an equity value of €129.17mn or €6.30ps, implying an upside of +47.8% on the current price. We note that, despite estimates upward revision, the valuation has been negatively impacted by higher market parameters due to macroeconomics uncertainties.

### YTD Relative Performance Chart



## Research Update

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### Market Data

Main Shareholders	
Andrea Rangone	19.5%
Mariano Corso	10.0%
Alessandro Giuseppe Perego	9.6%
Mkt Cap (€ mn)	87.4
EV (€ mn)	85.2
Shares issued (mn)	20.5
Free Float (%)	28.0%

Market multiples	2021A	2022E	2023E
EV/EBITDA			
Digital360	15.1x	10.0x	7.0x
Comps Median	17.5x	15.0x	14.1x
Digital360 vs Median	-14%	-33%	-50%
P/E			
Digital360	25.5x	17.6x	12.6x
Comps Median	28.0x	22.4x	19.9x
Digital360 vs Median	-9%	-21%	-36%

### Stock Data

52 Wk High (€)	5.28
52 Wk Low (€)	3.53
Avg. Daily Trading 90d	6,937
Price Change 1w (%)	25.71
Price Change 1m (%)	21.66
Price Change YTD (%)	6.45

Note: 2021 and 2022 are based on reported data

## Key Figures – Digital 360 Group

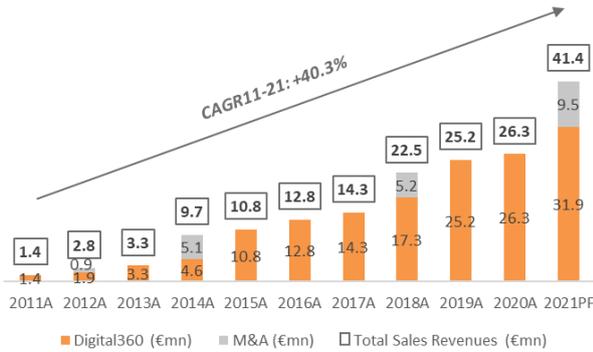
	Current price (€)	Fair Value (€)	Sector							Free Float (%)
	4.26	6.30	Digital							28.0%
Per Share Data	2017A	2018A	2019A	2020A	2021A	2022E	2023E	2024E	2025E	
Total shares issued (mn)	16.26	16.26	16.26	16.31	18.98	20.52	20.52	20.52	20.52	
Total shares issued diluted (mn)	16.26	16.26	16.26	16.31	18.98	20.52	20.52	20.52	20.52	
Total shares outstanding (mn)	16.26	16.23	16.23	16.27	18.92	20.37	20.37	20.37	20.37	
EPS adjusted	0.03	0.02	0.07	0.11	0.17	0.24	0.33	0.38	0.45	
EPS diluted	0.03	0.02	0.07	0.11	0.17	0.24	0.34	0.38	0.46	
Dividend per share (ord)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Dividend pay out ratio (%)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
<b>Profit and Loss (EUR million)</b>										
Revenues	14.3	22.5	26.4	26.3	34.4	56.9	78.5	86.8	94.9	
EBITDA	1.6	2.6	4.0	5.0	6.9	10.5	15.0	16.9	19.0	
EBIT Adj.	0.8	1.1	2.4	3.3	5.0	8.0	12.0	13.4	15.9	
EBT Adj.	0.5	0.8	1.6	3.2	4.7	7.5	11.5	13.0	15.6	
Taxes	(0.0)	(0.2)	(0.2)	(0.9)	(1.3)	(1.5)	(2.4)	(2.9)	(3.6)	
Tax rate	0.2	3.6	0.2	0.4	0.4	0.3	0.3	0.3	0.3	
Net Income Adj.	0.5	0.6	1.5	2.3	3.3	5.3	8.1	9.2	11.1	
Net Income attributable to the Group Adj.	0.5	0.3	1.1	1.8	3.2	4.9	6.9	7.8	9.3	
<b>Balance Sheet (EUR million)</b>										
Total fixed assets	7.1	10.5	9.9	9.1	15.1	36.7	33.6	30.1	26.9	
Net Working Capital (NWC)	4.0	3.7	5.6	3.4	1.3	5.5	11.0	12.0	12.7	
Provisions	(0.7)	(1.0)	(1.0)	(1.3)	(3.1)	(4.3)	(6.0)	(7.9)	(9.9)	
Total Net capital employed	10.3	13.2	14.5	11.2	13.3	37.8	38.6	34.2	29.7	
Net financial position/(Cash)	2.6	4.6	6.3	1.4	(3.1)	8.6	2.6	(8.9)	(22.2)	
Group Shareholder's Equity	7.8	8.2	7.4	8.6	14.6	22.9	27.6	33.2	40.3	
Minorities	0.0	0.4	0.8	1.3	1.7	6.2	8.4	9.8	11.6	
Total Shareholder's Equity	7.8	8.6	8.1	9.8	16.4	29.2	36.0	43.0	51.9	
<b>Cash Flow (EUR million)</b>										
Net operating cash flow	-	2.3	3.7	4.1	5.4	8.8	12.4	13.9	15.3	
Change in NWC	-	0.3	(1.9)	2.2	2.1	(2.3)	(0.8)	(1.0)	(0.8)	
Capital expenditure	-	(5.6)	(1.9)	(1.7)	(9.2)	(28.2)	(7.7)	(3.0)	(3.0)	
Other cash items/Uses of funds	-	0.3	(0.0)	0.3	1.8	1.3	1.7	1.9	2.0	
Free cash flow	-	(2.7)	(0.1)	4.9	0.0	(20.4)	5.5	11.8	13.5	
<b>Enterprise Value (EUR million)</b>										
Market Cap	20.0	19.3	15.6	17.3	60.3	87.4	87.4	87.4	87.4	
Minorities	0.0	0.4	0.8	1.3	1.7	6.2	8.4	9.8	11.6	
Net financial position/(Cash)	2.6	4.6	6.3	1.4	(3.1)	8.6	2.6	(8.9)	(22.2)	
Enterprise value	22.6	24.3	22.7	20.0	59.0	102.3	98.4	88.4	76.8	
<b>Ratios (%)</b>										
EBITDA margin	11.5%	11.4%	15.3%	19.1%	20.2%	18.4%	19.1%	19.5%	20.1%	
EBIT margin Adj.	5.3%	5.1%	9.0%	12.5%	14.5%	14.0%	15.3%	15.5%	16.8%	
Gearing - Debt/equity	33.1%	55.7%	85.9%	15.9%	-21.0%	37.6%	9.6%	-26.7%	-55.0%	
Interest cover on EBIT	28.3%	23.7%	14.4%	2.5%	6.3%	5.6%	4.4%	3.2%	1.8%	
NFP/EBITDA	1.57x	1.78x	1.57x	0.27x	-0.44x	0.82x	0.18x	-0.52x	-1.17x	
ROCE	7.3%	8.7%	16.4%	29.3%	37.4%	21.1%	31.0%	39.4%	53.6%	
ROE	6.8%	3.9%	14.7%	21.4%	21.6%	21.5%	24.9%	23.5%	23.1%	
EV/Sales	7.33x	4.66x	3.98x	3.98x	3.05x	1.84x	1.34x	1.21x	1.11x	
EV/EBITDA	64.00x	40.86x	26.02x	20.88x	15.10x	10.02x	7.01x	6.20x	5.51x	
P/E	n.m.	n.m.	n.m.	37.66x	25.54x	17.64x	12.65x	11.14x	9.32x	
Free cash flow yield	0.0%	-3.1%	-0.1%	5.7%	0.0%	-23.9%	6.4%	13.9%	15.9%	
<b>Growth Rates (%)</b>										
Sales	n.a.	57.2%	17.1%	-0.1%	30.6%	65.4%	38.0%	10.6%	9.3%	
EBITDA	n.a.	56.6%	57.0%	24.6%	38.2%	50.8%	42.8%	13.2%	12.4%	
EBIT Adj.	n.a.	50.7%	107.1%	38.8%	51.3%	59.9%	50.7%	12.1%	18.5%	
Net Income Adj.	n.a.	-39.5%	241.4%	69.4%	71.4%	55.9%	39.5%	13.6%	19.6%	

Source: Company data, KT&Partners' elaborations

Note: 2021 and 2022 implied multiples are based on reported data.

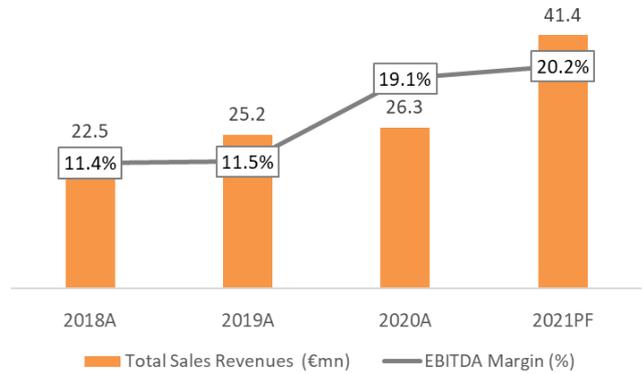
## Key Charts

Revenues (€mn)



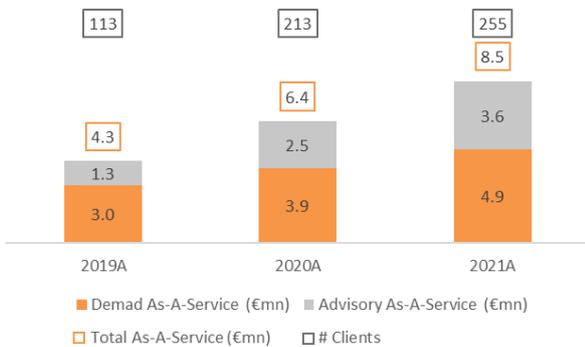
Source: Company data, KT&Partners' elaboration

Revenues and EBITDA Margin (€mn, %)



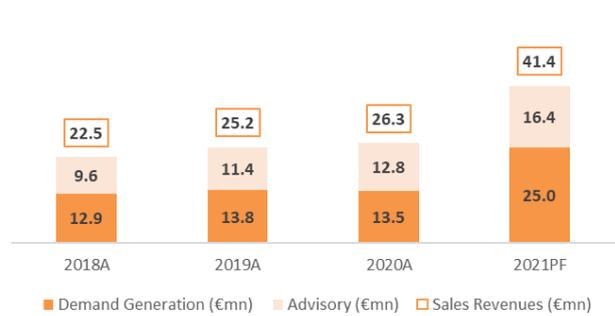
Source: Company data, KT&Partners' elaboration

Annual Recurring Revenues (€mn)



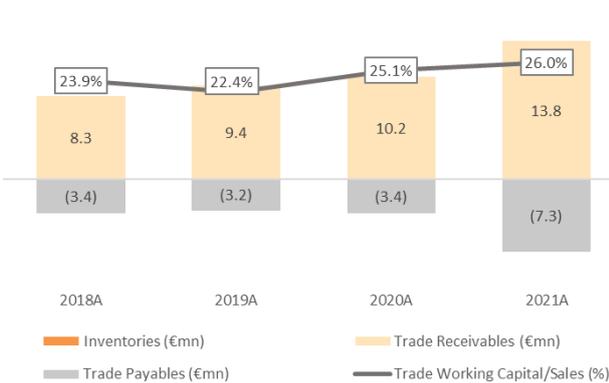
Source: Company data, KT&Partners' elaboration

Sales Revenues by BU (€mn, %)



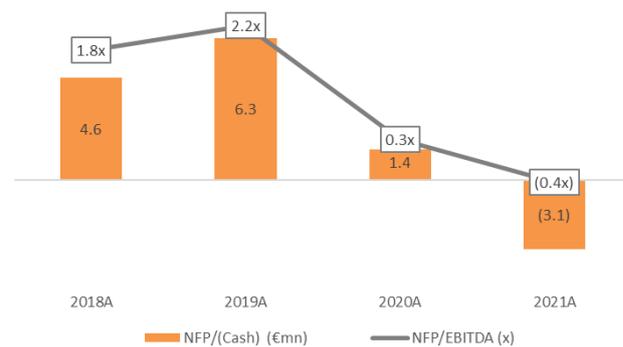
Source: Company data, KT&Partners' elaboration

Trade Working Capital (€mn, %)



Source: Company data, KT&Partners' elaboration

NFP/(Cash) and NFP/EBITDA (€mn, x)



Source: Company data, KT&Partners' elaboration

## Overview

### Company description

Digital360 (DIG-IT) is the main Italian innovation ecosystem, which aims to spread digital transformation knowledge, content, and good practice among all the actors in the business environment: corporations, public administration, tech providers, institutions, and policy-makers.

DIG-IT is an innovative Italian SME that operates through two business units: i) the Demand Generation unit that helps “tech providers” to enhance their market positioning by providing digital marketing and lead-generation services and by organizing events focused on digital topics; and ii) the Advisory & Coaching unit that provides advisory services to “tech buyers,” supporting them in innovating and digitalizing their business. Consultancy services cover different topics like cybersecurity, the General Data Protection Regulation (GDPR), Industry 4.0, open innovation, MarTech, smart working, change management, and digital legal, and they are aimed at to large enterprises, SMEs, and PA.

DIG-IT became listed on Euronext Growth Milan (EGM) on June 13<sup>th</sup>, 2017, with an IPO market capitalization of €17.7mn and ca. €4.1mn of capital raised with the aim of further boosting its business. At the IPO date, the Group also issued a €2mn convertible bond. The IPO’s proceeds have been deployed to expand DIG’s strategic assets (technological platforms, online content, and portals, etc.) and engineer its services through the development of the “Engine” and “Tools” platforms.

### Investment case

- **The main Italian innovation ecosystem.** Today, DIG is recognized as a B2B innovation expert thanks to the reputation of its founders, who are among the top Italian key opinion leaders on innovation.
- **M&As are a key element in DIG’s strategy.** DIG-IT is active in a large and fragmented market that offers external lines growth opportunities. Since the IPO, DIG-IT has showed great ability in M&A deal-making and execution, carrying out 14 deals (of which 5 were closed in 2021, 6 have already been closed in 9M22, and 2 are to be closed in the next few months).
- **Engineered services to scale up the business.** DIG has engineered its services with the aim of developing a more standardized and replicable offering to be provided on a recurring basis (“as-a-service”).

### Recent developments

- **Market snapshot.** According to the Anitec-Assinform report on the digital market in Italy (July 2022), the digital market grew strongly (although somewhat less than Italian GDP) in 2021 with +5.3%, will settle at +3.6% growth in 2022 and 4.2% in 2023, and then grow at a higher pace in 2024–25 (+6%) also thanks to PNRR funds. We note that there are other markets predicting double-digit growth, such as Cybersecurity, AI, and MarTech.
- **Fostering business growth through four new M&As.** After the announcement of the acquisition of Xona in February 2022, DIG-IT’s management keeps showing strong deal-making activity, announcing: i) the acquisition of a 70% stake in Business Publications Spain (BPS) – a firm specialized in ICT and content creation focused on digital innovation – for a total consideration of €1.19mn or at 5.6x EV/EBITDA (based on FY21 data); ii) the acquisition of a 51% stake in Methodos Group – a firm specialized in change management – for €4.6mn or at 5.9x EV/EBITDA (based on FY21); iii) a binding agreement for the acquisition of a 51% stake in Del Monte & Partner Comunicazione, a firm specialized in MarTech and SalesTech; and iv) the acquisition of a 75% stake in Cryptonet Labs – a firm specialized in cybersecurity – for a total consideration of €11.2mn or at 9.5x EV/EBITDA.
- **POC conversion and new debt capital to support growth.** Following the last exercise period of the convertible bond, the company benefited from a cash-in of ca. €1.1mn. Furthermore, DIG-IT has subscribed to a €14mn financing agreement with Illimity to boost the company’s growth and optimize DIG-IT’s capital structure, leveraging on the high cash generation power.

## 1H22 Financial Results

DIG-IT is enjoying the benefits coming from the M&A strategy – one of DIG-IT's main growth pillars – by acting as market consolidator. The new acquisitions are thought to enhance the service offering in ConsulTech, Cybersecurity, Change Management, and Digital Transformation, also allowing the companies to better seize the opportunities offered from the PNRR.

Looking at the pro-forma figures, DIG-IT's 1H22 pro-forma top-line was doubled compared to 1H21, reaching €33.8mn of sales revenues, including ca. €14mn of M&A contributions. EBITDA amounted to €7.1mn in 1H22 (of which €3mn were M&A contributions), with an EBITDA margin of 20.9%. EBIT adjusted and net income adjusted doubled compared to the previous half, reaching €5.6mn and €3.8mn, respectively.

Focusing on the reported data, the financial results confirmed the business growth path begun in 2021. DIG-IT's 1H22 sales revenues increased by +51.2% YoY, reaching €24.5mn (vs €16.2mn in 1H21).

The remarkable topline growth also benefitted from a strong increase in engineered solutions (standard and more scalable) provided on an ongoing basis (as-a-service) with annual recurrent revenue (ARR) from subscription-based services amounting to ca. €10.2mn (+33% YoY), based on 296 customers thanks to new acquisitions closed in 1H22. We also note that Cryptonet Labs and Methodos Group are not considered in the previous amount because the deal was closed on July, therefore the increase in ARR will be tangible by the second half of the year.

Looking at the business divisions, the Demand Generation business unit continued its double-digit growth at +65.7% YoY to €15.2mn, thanks to new acquisitions which also led to a higher weight of the Demand Generation BU (62%) on the total revenues. The Advisory business unit increased as well (+32.2% YoY), reaching €9.3mn.

On the profitability side, we note a decreasing EBITDA margin of 20.4% (-2.7pp YoY), with EBITDA growing at a slower pace than revenue (+33.6% YoY), mainly attributable to the weaker marginality of the newly acquired companies than Digital360 Group. We note a 5.7pp higher incidence of costs of services (almost 48.9% of total revenues) only partially offset by 2.8% lower incidence of personnel costs (ca. 27.8% of total revenues). Furthermore, it is worth pointing out that, looking at the organic growth, the Group's EBITDA grew by ca. +10% YoY despite huge investments to improve the organizational structure.

Looking at the bottom line, DIG-IT's EBIT and net income after minorities showed a growth of +35.1% YoY and +6.1% YoY, amounting to €3.1mn and €1.8mn, respectively. By adjusting for D&A related to M&As, EBIT and net income came in at €3.8mn (+34.8% YoY) and €2.2mn (+14.6% YoY), respectively.

During the first six months of the year, DIG-IT's PFN was still cash-positive, reaching €2.4mn in 1H22 from €3.1mn in FY21, also benefitting from €1.1mn cash-in following convertible bond conversion and despite ca. €4.5mn CapEx (including M&A) and €1.8mn in vendor loan payments related to M&As.

## 1H2022 Consolidated Income Statement

€ Millions	1H16	1H17	1H18	1H19	1H20	1H21	1H22	YoY %
Demand Generation	4.8	5.2	7.5	8.3	6.4	9.2	15.2	65.7%
Advisory	1.3	1.4	4.3	5.1	6.3	7.0	9.3	32.2%
<b>Sales Revenues</b>	<b>6.1</b>	<b>6.6</b>	<b>11.8</b>	<b>13.4</b>	<b>12.7</b>	<b>16.2</b>	<b>24.5</b>	<b>51.2%</b>
<i>Growth %</i>		8.0%	80.0%	13.3%	-5.3%	28.0%	51.2%	
Other Revenues	0.2	0.4	0.1	0.0	0.1	0.0	0.0	17.3%
<b>Total Revenues</b>	<b>6.2</b>	<b>6.9</b>	<b>11.9</b>	<b>13.4</b>	<b>12.7</b>	<b>16.2</b>	<b>24.5</b>	<b>51.1%</b>
<i>Growth %</i>		11.0%	72.0%	12.8%	-5.1%	27.6%	51.1%	
Products and Raw materials	0.0	0.0	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	121.5%
<b>Gross Profit</b>	<b>6.2</b>	<b>6.9</b>	<b>11.9</b>	<b>13.4</b>	<b>12.7</b>	<b>16.2</b>	<b>24.5</b>	<b>51.1%</b>
Cost of Services	(3.4)	(3.5)	(6.5)	(7.6)	(5.9)	(7.0)	(12.0)	71.3%
Rental Costs	(0.4)	(0.5)	(0.3)	(0.4)	(0.4)	(0.3)	(0.4)	31.2%
Personnel Expenses	(1.9)	(2.1)	(3.3)	(3.9)	(3.4)	(5.0)	(6.8)	37.2%
Other Operating Expenses	(0.1)	(0.1)	(0.2)	(0.1)	(0.2)	(0.2)	(0.3)	47.6%
<b>EBITDA</b>	<b>0.4</b>	<b>0.7</b>	<b>1.5</b>	<b>1.5</b>	<b>2.8</b>	<b>3.7</b>	<b>5.0</b>	<b>33.6%</b>
<i>EBITDA margin</i>	6.8%	10.1%	12.6%	11.0%	22.2%	23.1%	20.4%	-2.7%
D&A and Provisions	(0.5)	(0.6)	(1.0)	(1.2)	(1.3)	(1.5)	(1.9)	31.3%
<b>EBIT</b>	<b>(0.0)</b>	<b>0.1</b>	<b>0.5</b>	<b>0.3</b>	<b>1.6</b>	<b>2.3</b>	<b>3.1</b>	<b>35.1%</b>
<i>EBIT margin</i>	-0.8%	1.3%	3.9%	2.3%	12.2%	14.1%	12.6%	-1.5%
<b>EBIT Adj</b>	<b>0.1</b>	<b>0.3</b>	<b>0.9</b>	<b>0.7</b>	<b>1.9</b>	<b>2.8</b>	<b>3.8</b>	<b>34.8%</b>
<i>EBIT Adj margin</i>	1.7%	4.8%	7.6%	5.2%	14.9%	17.5%	15.6%	-1.9%
Financial Income and Expenses	(0.1)	(0.1)	(0.1)	(0.1)	0.1	(0.1)	(0.2)	65.5%
Extraordinary items	-	-	-	-	-	(0.0)	-	
<b>EBT</b>	<b>(0.1)</b>	<b>0.0</b>	<b>0.3</b>	<b>0.2</b>	<b>1.6</b>	<b>2.1</b>	<b>2.9</b>	<b>33.7%</b>
Taxes	(0.1)	(0.1)	(0.3)	(0.2)	(0.5)	(0.8)	(1.0)	34.1%
<i>Tax Rate</i>	-74.9%	526.1%	87.5%	135.0%	33.8%	36.3%	36.4%	
<b>Net Income</b>	<b>(0.2)</b>	<b>(0.1)</b>	<b>0.0</b>	<b>(0.1)</b>	<b>1.1</b>	<b>1.4</b>	<b>1.8</b>	<b>33.5%</b>
<i>Net margin</i>	-2.9%	-1.6%	0.4%	-0.4%	8.4%	8.4%	7.5%	-1.0%
<b>Net Income Adj</b>	<b>(0.0)</b>	<b>(0.1)</b>	<b>0.4</b>	<b>0.3</b>	<b>1.5</b>	<b>1.9</b>	<b>2.6</b>	<b>34.3%</b>
<i>Net margin</i>	-0.4%	-1.8%	3.5%	2.5%	11.5%	11.8%	10.5%	-1.3%
Minorities	-	(1.3)	0.2	0.3	0.2	-	0.4	
<b>Net Income attributable to the Group</b>	<b>(0.2)</b>	<b>1.2</b>	<b>(0.2)</b>	<b>(0.4)</b>	<b>0.9</b>	<b>1.4</b>	<b>1.5</b>	<b>6.1%</b>
<i>Net margin</i>	-2.9%	17.8%	-1.4%	-2.8%	6.7%	8.4%	5.9%	-2.5%
<b>Net Income attributable to the Group Adj.</b>	<b>(0.0)</b>	<b>(0.3)</b>	<b>0.2</b>	<b>0.0</b>	<b>1.2</b>	<b>1.9</b>	<b>2.2</b>	<b>14.6%</b>
<i>Net margin</i>	-0.4%	-4.8%	1.7%	0.1%	9.8%	11.8%	8.9%	-2.8%

Source: Company data

## Achieving the Eight M&As of the Year

After strong deal-making activity in the past few months, DIG-IT has announced two other binding agreements, strengthening both the Advisory and Demand Generation BUs.

- **Demand Generation:**
  - Digital360 continues its international expansion path in LATAM. Indeed, on September 15<sup>th</sup>, 2022, DIG-IT acquired a 51% stake in X3 Media for a total consideration of €0.2mn. The agreement provides for put & call options to buy or sell the remaining 49%, starting with the approval of the 2025 financial statements, at a price based on X3 Media's EBITDA in 2024 and 2025. X3 Media is an SME based in Bogotá, specialized in the market for the digital transformation of marketing and sales processes (MarTech and SalesTech). In Latin America, MarTech and SalesTech are becoming increasingly important, partly because of the acceleration resulting from the pandemic period, which has prompted B2B companies to digitally rethink key marketing- and sales-related processes. Part of the previous BoD will be retained in the company to facilitate the integration and the creation of synergies with the Group.
- **Advisory & Coaching:**
  - On July 25<sup>th</sup>, 2022, DIG-IT signed a binding agreement for the acquisition of a 51% stake in Meridiana Italia (Meridiana) for a consideration composed of a fixed price of €3.3mn plus 51% of Meridiana's NFP at the closing. The deal is expected to be closed during November 2022. Meridiana is specialized in technical assistance to PA clients, for the design, management, evaluation, and monitoring of programs and projects under European and national structural funds. The company is based in Potenza and had 20+ employees in 2021. In FY21, Meridiana posted €4.7mn of Value of Production, €0.8mn of EBITDA adjusted (ca. 17% of EBITDA margin adjusted), and a net debt position of €0.8mn. In the first half of 2022, Meridiana presented unaudited financial results with €2.8mn of sales revenues, €0.6mn of EBITDA and almost €1mn of NFP improvement thanks to the operating cash flow generated over the period. Thanks to the acquisition of Meridiana, DIG-IT has strengthened its presence in the world of consulting services, supporting PAs innovation and digital transformation, an area already covered by the Group through the companies FPA, ICT LAB PA and some practices of Partners4Innovation. Last but not least, DIG-IT will leverage on Meridiana's know-how to better seize PNRR opportunities.

It is worth pointing out that to integrate the newly acquired companies in LATAM (X3 Media and Xona), Digixem360 SA, based in Uruguay, was established. The company, wholly owned by the Digital360 Group, will represent the hub of LATAM activities and will take care of their commercial, editorial, and operational coordination, maximizing synergies with the activities carried out in Italy and guaranteeing to the acquired companies the use of the technological platforms developed by Digital360 to scale-up the business.

## Change in Estimates

We updated our estimates to factor in the M&A contributions of Meridiana and X3 Media.

We now anticipate total revenues to increase at a CAGR21–24 of 36.2% (+3pp vs our previous research), going from €34.4mn in 2021 to €86.8mn in 2024.

On the profitability side, we slightly revised downward our FY22E EBITDA margin projection mainly to factor in the lower profitability of the newly acquired companies. We now forecast FY22E EBITDA margin to stand at 18.4% or 18.7% on reported and pro-forma basis (almost 0.1pp lower our previous research) and we expect it will increase to 19.5% in FY24E thanks to economies of scale and business synergies (in line with to our previous forecast). We expect EBITDA to grow in absolute terms from €10.5mn in 2022 (€13.6mn on pro-forma basis) to €16.9mn in 2024 (+34.6% CAGR2021–24 or ca. 2.9pp above our previous estimates).

On the bottom line, we slightly adjusted downward the projections on net income adjusted due to higher CapEx. However, we still expect that it will grow at a higher pace than EBITDA with a CAGR21–24 of 35.2% (vs +36.2pp CAGR21–24 of our previous projections), amounting to €7.8mn in 2024.

Finally, we now expect a FY22E net debt position of €8.6mn mainly factoring in €3.5mn of CapEx (including the M&As cash-out of Meridiana and X3 Media). We now forecast FY23E NFP at €2.6mn, also considering the cash-out for the vendor loans payment related to M&A acquisitions, reaching a net cash position of €8.9mn by FY24E.

### Change in Estimates

€ Millions	2021A	2021A PF	2022E	2022E	2022E PF	Change on reported	2023E	2023E	Change	2024E	2024E	Change	CAGR	
	Actual	Actual	Old	New	New		Old	New		Old	New		2021-24 Old	2021-24 New
<b>Total Revenues</b>	34.4	41.4	56.2	56.9	72.7	1.2%	73.2	78.5	7.3%	81.1	86.8	7.0%	33.1%	36.2%
YoY Change (%)	30.6%	57.2%	63.5%	65.4%	75.6%		30.1%	8.1%		10.9%	10.6%			
<b>EBITDA</b>	6.9	8.0	10.4	10.5	13.6	0.9%	14.0	15.0	7.0%	15.9	16.9	6.8%	31.7%	34.6%
YoY Change (%)	38.2%	59.3%	49.4%	50.8%	95.2%		9.9%	10.3%		13.5%	13.2%			
EBITDA Margin	20.2%	19.3%	18.5%	18.4%	18.7%		19.1%	19.1%		19.5%	19.5%			
<b>EBIT adjusted</b>	5.0	6.1	8.2	8.0	11.0	-3.2%	11.8	12.0	1.4%	13.4	13.4	0.6%	39.0%	39.3%
YoY Change (%)	51.3%	84.9%	65.3%	59.9%	81.6%		43.8%	8.6%		13.0%	12.1%			
<b>Net Income adjusted</b>	3.2	3.8	5.1	4.9	6.2	-4.1%	7.0	6.9	-2.3%	8.0	7.8	-2.4%	36.2%	35.2%
YoY Change (%)	71.4%	107.7%	62.6%	55.9%	62.8%		36.9%	10.3%		13.6%	13.6%			
<b>NFP</b>	-	3.1	3.4	8.6		5.2	3.3	2.6	6.0	14.1	8.9	5.2		

Source: Company data, KT&Partners' elaborations

Note: We note that FY21 pro-forma results include a full-year contribution of companies acquired in 2021.

Note: We note that FY22 pro-forma results include a full-year contribution of companies acquired in 2022.

## Valuation

Following the projections of DIG-IT'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 €5.58ps;
2. DCF analysis based on WACC of 9.5% and 2% perpetual growth, which returns a value of €7.01ps.

The average of the two methods yields a fair value of €6.30ps or an equity value of €129.17mn.

Valuation		
	Equity Value €mn	Value per share €
DCF	143.79	7.01
EV/EBITDA	134.45	6.55
P/E	94.67	4.61
<i>Average - Multiples</i>	<i>114.56</i>	<i>5.58</i>
<b><i>Average - DCF &amp; Multiples</i></b>	<b><i>129.17</i></b>	<b><i>6.30</i></b>

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 2021, 2022, 2023, and 2024 data.

### Peers Comparison: Market Multiples 2021–24

Company Name	Exchange	Market Cap	EV/SALES 2021	EV/SALES 2022	EV/SALES 2023	EV/SALES 2024	EV/EBITDA 2021	EV/EBITDA 2022	EV/EBITDA 2023	EV/EBITDA 2024	EV/EBIT 2021	EV/EBIT 2022	EV/EBIT 2023	EV/EBIT 2024	P/E 2021	P/E 2022	P/E 2023	P/E 2024
Booz Allen	NYSE	12,712	1.9x	1.6x	1.5x	1.4x	17.1x	15.0x	14.1x	13.2x	19.7x	18.0x	16.3x	14.6x	24.1x	21.2x	19.0x	17.0x
Gartner, Inc.	NYSE	22,523	6.3x	4.5x	4.1x	3.7x	25.6x	19.4x	19.1x	17.3x	33.9x	25.7x	24.4x	21.6x	36.9x	30.4x	29.9x	26.3x
TechTarget, Inc.	NASDAQ	1,738	8.2x	5.6x	4.9x	4.3x	n.m	13.6x	11.7x	10.1x	n.m	15.5x	13.4x	11.4x	n.m	22.7x	19.9x	16.6x
RELX PLC	London	47,244	6.5x	5.9x	5.4x	5.1x	18.5x	15.7x	14.4x	13.5x	25.8x	18.6x	16.8x	15.7x	28.0x	22.1x	19.9x	18.3x
Wolters Kluwer NV	Euronext Amsterdam	25,257	5.7x	5.1x	4.9x	4.6x	17.9x	15.3x	14.4x	13.6x	24.7x	19.5x	18.3x	17.4x	35.0x	25.0x	22.7x	20.8x
Future plc	London	1,809	3.4x	2.6x	2.4x	2.3x	10.2x	7.1x	6.7x	6.3x	14.3x	7.7x	7.2x	6.8x	21.7x	8.3x	7.8x	7.3x
Informa Plc	London	8,541	4.2x	3.4x	3.0x	2.8x	16.2x	13.4x	10.0x	8.7x	n.m	15.5x	11.3x	9.6x	n.m	22.4x	14.7x	12.2x
Average peer group		17,118	5.2x	4.1x	3.7x	3.5x	17.6x	14.2x	12.9x	11.8x	23.7x	17.2x	15.4x	13.9x	29.2x	21.7x	19.1x	16.9x
Median peer group		12,712	5.7x	4.5x	4.1x	3.7x	17.5x	15.0x	14.1x	13.2x	24.7x	18.0x	16.3x	14.6x	28.0x	22.4x	19.9x	17.0x
Digital360	Milan	87	3.1x	1.8x	1.3x	1.2x	15.1x	10.0x	7.0x	6.2x	29.0x	18.3x	11.8x	10.1x	25.5x	17.6x	12.6x	11.1x

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 2022, 2023 and 2024.

### EV/EBITDA Multiple Valuation

Multiple Valuation (€mn)	2022E	2023E	2024E
EV/EBITDA Comps	15.0x	14.1x	13.2x
Digital360 EBITDA	10.48	14.96	16.94
<b>Enterprise value</b>	<b>156.8</b>	<b>210.5</b>	<b>223.0</b>
FY21 NFP Adjusted	11.7	11.7	11.7
FY21 Minorities Adjusted	5.8	5.8	5.8
<b>Equity Value</b>	<b>139.3</b>	<b>193.0</b>	<b>205.5</b>
Average Equity Value		179.3	
Liquidity Discount		25%	
<b>Equity Value Post-Discount</b>		<b>134.4</b>	
Number of shares (thousand)		20.5	
<b>Value per Share €</b>		<b>6.55</b>	

### P/E Multiple Valuation

Multiple Valuation (€mn)	2022E	2023E	2024E
P/E Comps	22.4x	19.9x	17.0x
Digital360 Group Net Income Adj.	4.92	6.86	7.79
<b>Equity Value</b>	<b>110.0</b>	<b>136.5</b>	<b>132.2</b>
Average Equity Value		126.2	
Liquidity Discount		25%	
<b>Equity Value Post-Discount</b>		<b>94.7</b>	
Number of shares (thousand)		20.5	
<b>Value per Share €</b>		<b>4.61</b>	

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

Note: FY21 NFP has been adjusted by the net cash-out from the 2022 M&A and the cash-in from the exercise of convertible bond.

## DCF Model

We have also conducted our valuation using a four-year DCF model, based on a 11.3% 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 ca. 3.3% (Italian 10y BTP), ca. 5.1% equity risk premium for mature market (ca. +0.3pp and ca. +0.1pp vs our previous research given the current market scenario, respectively), and an unchanged premium for size and liquidity of 2.1%. We, therefore, obtained 9.5% WACC (ca. 0.3pp compared to our previous research).

We discounted 2022E–25E 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	2022E	2023E	2024E	2025E
<b>EBIT</b>	<b>5.73</b>	<b>8.90</b>	<b>10.35</b>	<b>12.83</b>
Taxes	(1.66)	(2.58)	(3.00)	(3.72)
D&A	4.74	6.07	6.59	6.21
Change in Net Working Capital	(2.31)	(0.85)	(0.96)	(0.76)
Change in Funds	1.27	1.70	1.85	2.00
<b>Net Operating Cash Flow</b>	<b>7.78</b>	<b>13.23</b>	<b>14.84</b>	<b>16.56</b>
Capex	(28.19)	(7.75)	(3.02)	(3.02)
<b>FCFO</b>	<b>(20.42)</b>	<b>5.48</b>	<b>11.81</b>	<b>13.53</b>
<b>g</b>	<b>2.0%</b>			
<b>Wacc</b>	<b>9.5%</b>			
FCFO (discounted)	(19.94)	4.89	9.62	10.07
Discounted Cumulated FCFO	4.64			
TV	184.10			
TV (discounted)	136.96			
<b>Enterprise Value</b>	<b>141.60</b>			
FY21 NFP Adjusted	(8.0)			
FY21 Minorities Adjusted	5.8			
<b>Equity Value</b>	<b>143.79</b>			
Current number of shares (mn)	20.5			
<b>Value per share (€)</b>	<b>7.01</b>			

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

Note: FY21 NFP has been adjusted by €3.8mn AUCAP subscribed by the newly acquired companies and by €1.1mn following the exercise of convertible bond.

## Sensitivity Analysis

€ Millions		WACC				
		10.0%	9.7%	9.5%	9.2%	9.0%
Terminal growth Rate	1.5%	125.1	129.7	134.6	139.8	145.4
	1.8%	128.9	133.8	139.0	144.6	150.5
	2.0%	133.1	138.3	143.8	149.7	156.0
	2.3%	137.5	143.0	148.9	155.2	161.9
	2.5%	142.2	148.0	154.3	161.0	168.3

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 ca. €12.5bn. BAH-US engages in the provision of management and technology consulting services. It offers analytics, digital solutions, engineering, and cyber expertise. In FY21, BAH-US reached €7.9bn of revenues.
- **Gartner, Inc. (IT-US):** listed on NYSE with a market capitalization of €22.5bn. 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 FY21, IT-US reached €4bn of revenues.
- **TechTarget, Inc. (TTGT-US):** listed on NASDAQ with a market capitalization of ca. €1.7bn. 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 FY21, TTGT-US reached €0.2bn of revenues.
- **RELX PLC (REL-GB):** listed on the London Stock Exchange with a market capitalization of €47.2bn. 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 FY21, REL-GB reached €8.4bn of revenues.
- **Wolters Kluwer NV (WKL-NL):** listed on the Euronext Stock Exchange with a market capitalization of €25.3bn. 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 FY21, WKL-NL reached €4.8bn of revenues.
- **Future plc (FUTR-GB):** listed on the London Stock Exchange, with a market capitalization of €1.8bn. 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 FY21, FUTR-GB's revenues reached €695mn.
- **Informa Plc (INF-GB):** listed on the London Stock Exchange, with a market capitalization of €8.5bn. 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 FY21, INF-GB's revenues reached €2.1bn.

We analyzed the peer companies by considering their average revenue and EBITDA growth and compared them to DIG-IT's historical and expected financials. By looking at 2019–21 revenue growth, the peers' average experienced a CAGR19–21 of +0.7% while DIG-IT's revenues registered a CAGR19–21 of 14.2%, higher than comparable growth. Over the 2021–24 period, DIG-IT's sales are expected to grow at a 36.2% CAGR vs 11.1% average of the peer's average (+3.1pp and +0.6pp compared to our previous research, respectively). Looking at EBITDA, Digital360 registered a CAGR19–21 of 31.2%, outperforming the peers' average by ca. +31.3pp. According to our financial projection, DIG-IT's EBITDA shows an expected 34.6% CAGR21–24, compared with expected growth of the peers' average of +12.6% (+2.9pp and +0.2pp compared to our previous research, respectively).

#### Peers Comparison – Sales and EBITDA Growth 2019–24

Company Name	Sales						CAGR 2019-'21	CAGR 2021-'24
	2019	2020	2021	2022	2023	2024		
Booz Allen	6,718	6,448	7,922	9,371	9,997	10,660	8.6%	10.4%
Gartner, Inc.	3,793	3,596	4,005	5,585	6,126	6,840	2.8%	19.5%
TechTarget, Inc.	120	130	223	327	372	419	36.5%	23.4%
RELX PLC	8,975	7,998	8,429	9,325	10,109	10,707	-3.1%	8.3%
Wolters Kluwer NV	4,612	4,603	4,771	5,319	5,573	5,825	1.7%	6.9%
Future plc	251	387	695	917	967	1,005	66.5%	13.1%
Informa Plc	3,294	1,868	2,093	2,535	2,910	3,163	-20.3%	14.8%
<b>Peers Average</b>	3,966	3,576	4,020	4,768	5,151	5,517	<b>0.7%</b>	<b>11.1%</b>
<b>Digital360</b>	26	26	34	57	79	87	<b>14.2%</b>	<b>36.2%</b>

Company Name	EBITDA						CAGR 2019-'21	CAGR 2021-'24
	2019	2020	2021	2022	2023	2024		
Booz Allen	725	689	886	1,014	1,078	1,152	10.5%	9.2%
Gartner, Inc.	606	665	987	1,303	1,324	1,462	27.7%	14.0%
TechTarget, Inc.	25	26	46	133	155	180	36.8%	n.m.
RELX PLC	3,222	2,660	2,976	3,495	3,824	4,079	-3.9%	11.1%
Wolters Kluwer NV	1,408	1,422	1,514	1,765	1,871	1,990	3.7%	9.5%
Future plc	51	108	229	329	350	372	n.m.	17.6%
Informa Plc	1,156	389	538	650	869	1,004	-31.8%	23.1%
<b>Peers Average</b>	1,028	851	1,025	1,241	1,353	1,463	<b>-0.1%</b>	<b>12.6%</b>
<b>Digital360</b>	4	5	7	10	15	17	<b>31.2%</b>	<b>34.6%</b>

Source: FactSet, KT&Partners' elaboration

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KT&PARTNERS RELEASED DIGITAL360 EQUITY RESEARCH UPDATE ON 07/19/2022, WITH A FAIR VALUE OF €6.35ps.

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IN THIS STUDY DCF AND MULTIPLE VALUATION MODELS HAVE BEEN USED. RECOMMENDATIONS FOLLOW THE FOLLOWING RULES:

- 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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