

Poker of M&A in November to Boost Business Growth

ADD | Fair Value: €6.36 (€6.30) | Current Price: €4.35 | Upside +46.2%

€ Millions	FY18A	FY19A	FY20A	FY21A	FY22E	FY22E PF	FY23E	FY24E
Total Revenues	22.5	26.4	26.3	34.4	57.3	76.9	83.2	92.1
EBITDA	2.6	4.0	5.0	6.9	10.5	14.7	16.2	18.4
margin	11.4%	15.3%	19.1%	20.2%	18.4%	19.1%	19.5%	20.0%
Net Profit Adj.	0.3	1.1	1.8	3.2	5.0	6.6	7.4	8.4
margin	1.4%	4.1%	7.0%	9.2%	8.7%	8.6%	8.9%	9.1%
EPS Adj.	0.02	0.07	0.11	0.17	0.24	0.36	0.36	0.41
NFP	4.6	6.3	1.4	(3.1)	10.8		4.4	(7.8)

Source: Company data, KT&Partners' estimates

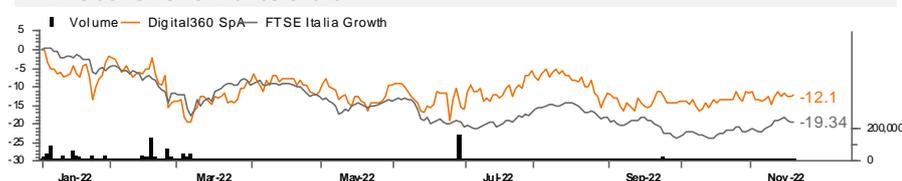
DIG-IT is the YTD's most active buy-side M&A company on the Euronext Growth Milan.

On November 14th, 2022, DIG-IT closed the acquisition of Meridiana and Inside Comunicazione (Inside), which it had already announced on July 25th and November 7th, respectively. Moreover, on November 17th, 2022, the Group announced the closing of Impacto Tic and Netmedia, that together with X3 Media and Xona will allow the Group to penetrate LATAM countries, replicating the successful business model already adopted in Italy. Since the beginning of 2022, DIG-IT has completed ten M&As – eighteen since the IPO – representing the most active buy-side M&A company on the EGM stock market. The outstanding deal-making activities carried out by DIG-IT's top management have enabled the Group to foster its business growth through external lines. The acquisition of a 51% stake in Meridiana Italia will allow DIG-IT to strengthen its Advisory & Coaching BU, as the newly acquired company a firm is specialized in technical project management support for PAs, generating €4.8mn of revenue in FY21 with an EBITDA margin adjusted of 16.7%. The deal consideration of €3.3mn or 11.9x EV/EBITDA includes €0.6mn payment in kind through 130,893 DIG-IT shares valued at €4.70ps at the closing. The Group will reinforce its Demand Generation BU through the acquisition of: i) a 51% stake in Inside for a total deal consideration of €2.2mn (of which €0.2mn will be paid in kind through 42,533 DIG-IT shares valued at €4.70ps at the closing) or 5.2x EV/EBITDA. In FY21, Inside – a communications agency specialized in digital solutions to support B2B marketing (MarTech) – generated €2.8mn of revenues with a remarkable EBITDA margin of 28.3% in FY21; ii) a stake of 51% in Impacto Tic – a Colombian firms specialized in digital contents, generating €0.2mn of revenues in FY21 – for a total deal consideration of €0.2mn or 5.6x EV/EBITDA; and iii) a 51% stake in Netmedia for a total deal consideration of €0.4mn or 5.5x EV/EBITDA. Netmedia is a leading online publisher on digital transformation based in Mexico, which generated €0.6mn of revenues with an EBITDA margin of 15% in FY21.

Estimates revision. Following the acquisition of Inside, Impacto Tic and Netmedia (our previous estimates already included the contribution of Meridiana), we revised upward our 2022–24 estimates. We now expect total revenues to increase at a CAGR21–24 of 38.9% (ca. +2.7pp vs our previous estimates), reaching €92.1mn in 2024. We also expect that the new acquisitions will positively impact on the Group's profitability, leading the EBITDA margin to reach 20% by FY24. In absolute terms, we now anticipate EBITDA to grow almost at the same pace as revenues with a CAGR21–24 of 38.4% (+3.8pp vs our previous research), reaching €18.4mn in FY24E. On the capital structure side, we now expect a net debt position of €10.8mn in FY22E, factoring in the M&A cash-out. We expect that the NFP will gradually improve to a net cash position of €7.8mn by FY24E.

Valuation update. Following estimate revisions, we updated our valuation – based on both DCF and multiple methods – which returns an equity value of €130.66mn or €6.36ps, implying an upside of +46.2% on the current price.

YTD Relative Performance Chart



Research Update

November 22, 2022 – 7.00h

Equity Research Team
connect@ktepartners.com

Federica FIORENZA
ffiorenza@ktepartners.com
 +39 340 5372563

Gabriele TRAPANI
gtrapani@ktepartners.com
 +39 366 7703290

Market Data

Main Shareholders	
Andrea Rangone	19.5%
Mariano Corso	10.0%
Alessandro Giuseppe Perego	9.6%
Mkt Cap (€ mn)	89.4
EV (€ mn)	109.5
Shares issued (mn)	20.6
Free Float (%)	28.0%

Market multiples	2021A	2022E	2023E
EV/EBITDA			
Digital360	15.8x	10.4x	6.7x
Comps Median	18.7x	15.8x	14.3x
Digital360 vs Median	-16%	-34%	-53%
P/E			
Digital360	26.1x	17.9x	12.0x
Comps Median	30.2x	24.4x	20.3x
Digital360 vs Median	-14%	-27%	-41%

Stock Data

52 Wk High (€)	5.08
52 Wk Low (€)	3.53
Avg. Daily Trading 90d	2,279
Price Change 1w (%)	17.05
Price Change 1m (%)	18.14
Price Change YTD (%)	2.42

Note: 2021 and 2022 are based on reported data

Key Figures – Digital 360 Group

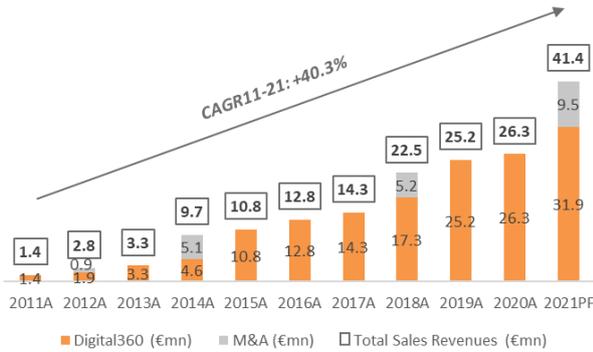
	Current price (€)	Fair Value (€)	Sector							Free Float (%)
	4.35	6.36	Digital							28.0%
Per Share Data	2017A	2018A	2019A	2020A	2021A	2022E	2023E	2024E	2025E	
Total shares issued (mn)	16.26	16.26	16.26	16.31	18.98	20.55	20.55	20.55	20.55	
Total shares issued diluted (mn)	16.26	16.26	16.26	16.31	18.98	20.55	20.55	20.55	20.55	
Total shares outstanding (mn)	16.26	16.23	16.23	16.27	18.92	20.41	20.41	20.41	20.41	
EPS adjusted	0.03	0.02	0.07	0.11	0.17	0.24	0.36	0.41	0.48	
EPS diluted	0.03	0.02	0.07	0.11	0.17	0.24	0.36	0.41	0.48	
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.	
Profit and Loss (EUR million)										
Revenues	14.3	22.5	26.4	26.3	34.4	57.3	83.2	92.1	100.7	
EBITDA	1.6	2.6	4.0	5.0	6.9	10.5	16.2	18.4	20.7	
EBIT Adj.	0.8	1.1	2.4	3.3	5.0	8.0	13.3	14.9	17.3	
EBT Adj.	0.5	0.8	1.6	3.2	4.7	7.6	12.7	14.5	17.0	
Taxes	(0.0)	(0.2)	(0.2)	(0.9)	(1.3)	(1.5)	(2.7)	(3.2)	(4.0)	
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	5.4	9.0	10.3	12.1	
Net Income attributable to the Group Adj.	0.5	0.3	1.1	1.8	3.2	5.0	7.4	8.4	9.8	
Balance Sheet (EUR million)										
Total fixed assets	7.1	10.5	9.9	9.1	15.1	39.5	36.2	32.4	28.7	
Net Working Capital (NWC)	4.0	3.7	5.6	3.4	1.3	5.6	12.1	13.6	15.2	
Provisions	(0.7)	(1.0)	(1.0)	(1.3)	(3.1)	(4.3)	(6.1)	(8.1)	(10.2)	
Total Net capital employed	10.3	13.2	14.5	11.2	13.3	40.7	42.1	37.9	33.7	
Net financial position/(Cash)	2.6	4.6	6.3	1.4	(3.1)	10.8	4.4	(7.8)	(21.7)	
Group Shareholder's Equity	7.8	8.2	7.4	8.6	14.6	23.1	28.1	34.1	41.6	
Minorities	0.0	0.4	0.8	1.3	1.7	6.8	9.6	11.5	13.7	
Total Shareholder's Equity	7.8	8.6	8.1	9.8	16.4	29.9	37.7	45.6	55.3	
Cash Flow (EUR million)										
Net operating cash flow	-	2.3	3.7	4.1	5.4	8.9	13.4	15.1	16.6	
Change in NWC	-	0.3	(1.9)	2.2	2.1	(3.0)	(0.7)	(1.5)	(1.6)	
Capital expenditure	-	(5.6)	(1.9)	(1.7)	(9.2)	(30.5)	(8.9)	(3.0)	(3.0)	
Other cash items/Uses of funds	-	0.3	(0.0)	0.3	1.8	1.3	1.8	1.9	2.1	
Free cash flow	-	(2.7)	(0.1)	4.9	0.0	(23.3)	5.6	12.4	14.1	
Enterprise Value (EUR million)										
Market Cap	20.0	19.3	15.6	17.3	60.3	89.4	89.4	89.4	89.4	
Minorities	0.0	0.4	0.8	1.3	1.7	6.8	9.6	11.5	13.7	
Net financial position/(Cash)	2.6	4.6	6.3	1.4	(3.1)	10.8	4.4	(7.8)	(21.7)	
Enterprise value	22.6	24.3	22.7	20.0	59.0	107.0	103.4	93.1	81.5	
Ratios (%)										
EBITDA margin	11.5%	11.4%	15.3%	19.1%	20.2%	18.4%	19.5%	20.0%	20.5%	
EBIT margin Adj.	5.3%	5.1%	9.0%	12.5%	14.5%	14.0%	15.9%	16.2%	17.2%	
Gearing - Debt/equity	33.1%	55.7%	85.9%	15.9%	-21.0%	46.8%	15.5%	-22.7%	-52.0%	
Interest cover on EBIT	28.3%	23.7%	14.4%	2.5%	6.3%	5.6%	4.0%	3.0%	1.7%	
NFP/EBITDA	1.57x	1.78x	1.57x	0.27x	-0.44x	1.02x	0.27x	-0.42x	-1.05x	
ROCE	7.3%	8.7%	16.4%	29.3%	37.4%	19.7%	31.5%	39.4%	51.4%	
ROE	6.8%	3.9%	14.7%	21.4%	21.6%	21.5%	26.4%	24.6%	23.7%	
EV/Sales	7.65x	4.86x	4.15x	4.16x	3.18x	1.91x	1.32x	1.19x	1.09x	
EV/EBITDA	66.79x	42.64x	27.15x	21.79x	15.76x	10.38x	6.74x	5.95x	5.30x	
P/E	n.m.	n.m.	n.m.	38.46x	26.08x	17.90x	11.98x	10.55x	9.02x	
Free cash flow yield	0.0%	-3.0%	-0.1%	5.6%	0.0%	-26.5%	6.4%	14.1%	16.0%	
Growth Rates (%)										
Sales	n.a.	57.2%	17.1%	-0.1%	30.6%	66.4%	45.3%	10.7%	9.3%	
EBITDA	n.a.	56.6%	57.0%	24.6%	38.2%	51.8%	54.0%	13.3%	12.3%	
EBIT Adj.	n.a.	50.7%	107.1%	38.8%	51.3%	61.4%	65.3%	12.3%	16.1%	
Net Income Adj.	n.a.	-39.5%	241.4%	69.4%	71.4%	57.2%	49.3%	13.6%	17.0%	

Source: Company data, KT&Partners' elaborations

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

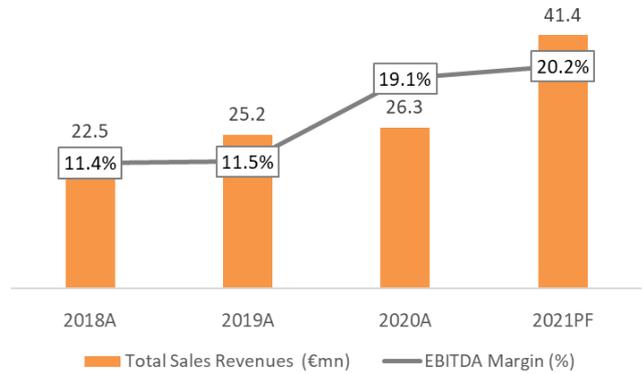
Key Charts

Revenues (€mn)



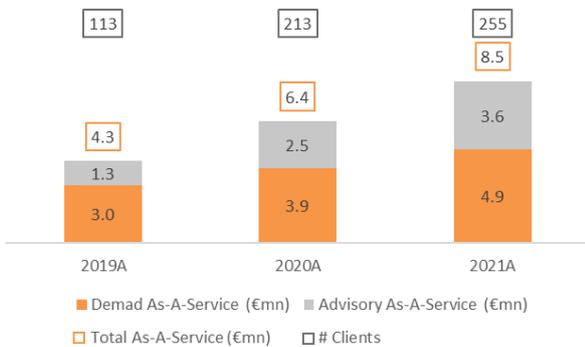
Source: Company data, KT&Partners' elaboration

Revenues and EBITDA Margin (€mn, %)



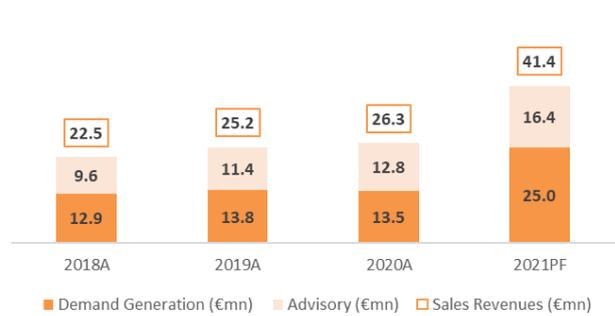
Source: Company data, KT&Partners' elaboration

Annual Recurring Revenues (€mn)



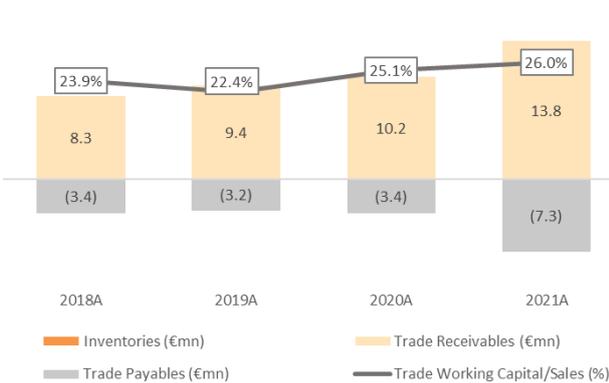
Source: Company data, KT&Partners' elaboration

Sales Revenues by BU (€mn, %)



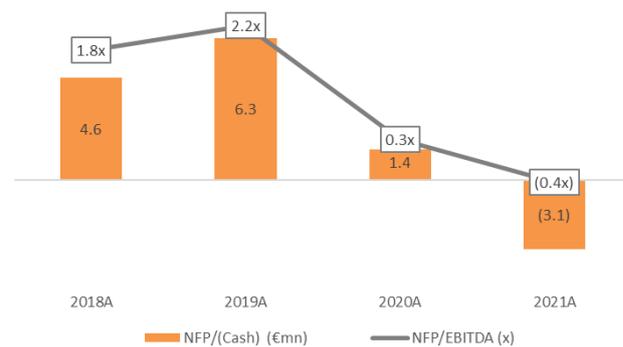
Source: Company data, KT&Partners' elaboration

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 13th, 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 19 deals (of which 5 were closed in 2021, 10 have already been closed in 11M22 and one is expected to be closed in the next month).
- **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.

Change in Estimates

We updated our estimates to factor in a two-month contribution from Inside, Impacto Tic and Netmedia for FY22E and the full-year contribution from 2023 onward. We note that our previous estimates already included the two-month contribution of Meridiana. We now anticipate total revenues to increase at a CAGR21–24 of 38.9% (+2.7pp vs our previous research), going from €34.4mn in 2021 to €92.1mn in 2024.

On the profitability side, we left unchanged our forecast on the FY22E reported EBITDA margin because of its irrelevant contribution during the year, while we increased our expectation of the FY22E pro-forma EBITDA margin to 19.1%, from 18.7% in our previous research. We now expect EBITDA margin to improve to 20% in FY24E thanks to economies of scale and business synergies (+0.5pp with respect to our previous forecast). We expect EBITDA to grow in absolute terms from €10.5mn in 2022 (€14.7mn on pro-forma basis) to €18.4mn in 2024 (+38.4% CAGR2021–24 or ca. 3.8pp above our previous estimates).

On the bottom line, following the business profitability improvement, we revised upward the projections on net income adjusted. We still expect that it will grow at almost the same pace as EBITDA with a CAGR21–24 of 38.7% (vs +35.2pp CAGR21–24 of our previous projections), amounting to €8.4mn in 2024.

Finally, we now expect a FY22E net debt position of €10.8mn, mainly factoring in €1.8mn of CapEx (including the M&As cash-out of Inside, Impacto Tic and Netmedia). We now forecast FY23E NFP at €4.4mn, also considering the cash-out for the vendor loans payment and earn out related to M&A acquisitions, reaching a net cash position of €7.8mn by FY24E.

Change in Estimates

€ Millions	2021A	2021A PF	2022E	2022E	2022E PF	Change	2023E	2023E	Change	2024E	2024E	Change	CAGR	CAGR
	Actual	Actual	Old	New	New	on reported	Old	New		Old	New		2021-24 Old	2021-24 New
Total Revenues	34.4	41.4	56.9	57.3	76.9	0.6%	78.5	83.2	5.9%	86.8	92.1	6.1%	36.2%	38.9%
YoY Change (%)	30.6%	57.2%	65.4%	66.4%	85.8%		38.0%	8.2%		10.6%	10.7%			
EBITDA	6.9	8.0	10.5	10.5	14.7	0.7%	15.0	16.2	8.5%	16.9	18.4	8.7%	34.6%	38.4%
YoY Change (%)	38.2%	59.3%	49.4%	51.8%	110.9%		9.9%	10.8%		13.5%	13.3%			
EBITDA Margin	20.2%	19.3%	18.4%	18.4%	19.1%		19.1%	19.5%		19.5%	20.0%			
EBIT adjusted	5.0	6.1	8.0	8.0	12.1	0.9%	12.0	13.3	10.7%	13.4	14.9	10.9%	39.3%	44.2%
YoY Change (%)	51.3%	84.9%	59.9%	61.4%	99.6%		50.7%	9.3%		12.1%	12.3%			
Net Income adjusted	3.2	3.8	4.9	5.0	6.6	0.8%	6.9	7.4	8.0%	7.8	8.4	8.0%	35.2%	38.7%
YoY Change (%)	71.4%	107.7%	55.9%	57.2%	73.7%		39.5%	11.5%		13.6%	13.6%			
NFP	-	3.1	8.6	10.8		2.2	2.6	4.4	1.7	8.9	7.8	1.1		

Source: Company data, KT&Partners' elaborations

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

Note: We note that FY22 pro-forma results include a full-year contribution by 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 €6.16ps;
2. DCF analysis based on WACC of 10.1% and 2% perpetual growth, which returns a value of €6.56ps.

The average of the two methods yields a fair value of €6.36ps or an equity value of €130.66mn.

Valuation		
	Equity Value €mn	Value per share €
DCF	134.84	6.56
EV/EBITDA	146.00	7.10
P/E	106.97	5.21
<i>Average - Multiples</i>	<i>126.49</i>	<i>6.16</i>
<i>Average - DCF & Multiples</i>	130.66	6.36

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	13,684	2.0x	1.8x	1.7x	1.6x	18.2x	16.5x	15.6x	14.3x	20.9x	18.8x	17.7x	16.1x	26.4x	24.4x	22.1x	19.8x
Gartner, Inc.	NYSE	25,755	7.2x	5.5x	5.1x	4.6x	29.4x	22.0x	23.1x	21.3x	39.0x	28.5x	29.7x	27.0x	42.4x	33.7x	35.6x	31.4x
TechTarget, Inc.	NASDAQ	1,297	6.3x	4.9x	4.7x	4.2x	30.1x	12.0x	11.8x	10.3x	n.m	13.4x	13.4x	11.4x	n.m	19.4x	19.5x	16.1x
RELX PLC	London	50,344	6.9x	6.0x	5.4x	5.1x	19.5x	15.9x	14.3x	13.4x	27.2x	18.8x	16.8x	15.7x	30.2x	22.9x	20.3x	18.6x
Wolters Kluwer NV	Euronext Amsterdam	26,331	5.9x	5.2x	5.0x	4.8x	18.6x	15.8x	14.8x	13.9x	25.7x	20.1x	18.8x	17.8x	37.2x	26.4x	24.0x	22.2x
Future plc	London	2,110	3.8x	2.8x	2.6x	2.5x	11.5x	7.8x	7.3x	6.8x	16.2x	8.5x	7.9x	7.4x	25.2x	9.3x	8.8x	8.2x
Informa Plc	London	9,720	4.8x	3.8x	3.3x	3.0x	18.7x	14.7x	11.3x	9.6x	n.m	17.1x	12.7x	10.7x	n.m	24.8x	16.8x	13.6x
Average peer group		18,463	5.3x	4.3x	4.0x	3.7x	20.8x	15.0x	14.0x	12.8x	25.8x	17.9x	16.7x	15.2x	32.3x	23.0x	21.0x	18.5x
Median peer group		13,684	5.9x	4.9x	4.7x	4.2x	18.7x	15.8x	14.3x	13.4x	25.7x	18.8x	16.8x	15.7x	30.2x	24.4x	20.3x	18.6x
Digital360	Milan	89	3.2x	1.9x	1.3x	1.2x	15.8x	10.4x	6.7x	6.0x	30.2x	19.3x	11.0x	9.5x	26.1x	17.9x	12.0x	10.5x

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	15.8x	14.3x	13.4x
Digital360 EBITDA	10.55	16.24	18.40
Enterprise value	166.5	232.2	245.7
FY21 NFP Adjusted	13.3	13.3	13.3
FY21 Minorities Adjusted	6.8	6.8	6.8
Equity Value	146.4	212.0	225.6
Average Equity Value		194.7	
Liquidity Discount		25%	
Equity Value Post-Discount		146.0	
Number of shares (thousand)		20.6	
Value per Share €		7.10	

P/E Multiple Valuation

Multiple Valuation (€mn)	2022E	2023E	2024E
P/E Comps	24.4x	20.3x	18.6x
Digital360 Group Net Income Adj.	4.96	7.41	8.42
Equity Value	120.8	150.7	156.4
Average Equity Value		142.6	
Liquidity Discount		25%	
Equity Value Post-Discount		107.0	
Number of shares (thousand)		20.6	
Value per Share €		5.21	

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 12.2% 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 (Italian 10y BTP) of ca. 3.97% (ca. +0.6pp vs our previous research given the current market scenario), 5.13% equity risk premium for mature market, and an unchanged premium for size and liquidity of 2.05%. We, therefore, obtained 10.1% WACC (ca. +0.6pp 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
EBIT	5.68	9.92	11.56	13.96
Taxes	(1.65)	(2.88)	(3.35)	(4.05)
D&A	4.87	6.32	6.84	6.70
Change in Net Working Capital	(3.04)	(0.66)	(1.54)	(1.59)
Change in Funds	1.28	1.78	1.95	2.10
Net Operating Cash Flow	7.15	14.49	15.47	17.13
Capex	(30.50)	(8.86)	(3.02)	(3.02)
FCFO	(23.35)	5.63	12.44	14.11
g	2.0%			
Wacc	10.1%			
FCFO (discounted)	(23.11)	5.06	10.15	10.45
Discounted Cumulated FCFO	2.55			
TV	176.73			
TV (discounted)	130.87			
Enterprise Value	133.42			
FY21 NFP Adjusted	(8.2)			
FY21 Minorities Adjusted	6.8			
Equity Value	134.84			
Current number of shares (mn)	20.6			
Value per share (€)	6.56			

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

Note: FY21 NFP has been adjusted by €4mn AUCAP subscribed by the newly acquired companies and by €1.1mn following the exercise of convertible bond.

Sensitivity Analysis

€ Millions		WACC				
		10.6%	10.4%	10.1%	9.9%	9.6%
Terminal growth Rate	1.5%	118.1	122.2	126.7	131.3	136.3
	1.8%	121.6	126.0	130.6	135.6	140.8
	2.0%	125.3	129.9	134.8	140.1	145.6
	2.3%	129.2	134.1	139.3	144.9	150.8
	2.5%	133.4	138.6	144.1	150.0	156.3

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. €13.7bn. 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 €25.8bn. 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. €1.3bn. 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 €50.3bn. 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 €26.3bn. 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 €2.1bn. 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 €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 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 38.9% CAGR vs 11% average of the peer's average (+2.7pp and +0.4pp 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 38.4% CAGR21–24, compared with expected growth of the peers' average of +13.2% (+3.8pp and +0.6pp 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	8,840	9,491	10,117	8.6%	8.5%
Gartner, Inc.	3,793	3,596	4,005	5,236	5,696	6,363	2.8%	16.7%
TechTarget, Inc.	120	130	223	286	296	330	36.5%	14.0%
RELX PLC	8,975	7,998	8,429	9,760	10,774	11,421	-3.1%	10.7%
Wolters Kluwer NV	4,612	4,603	4,771	5,365	5,636	5,876	1.7%	7.2%
Future plc	251	387	695	946	999	1,046	66.5%	14.6%
Informa Plc	3,294	1,868	2,093	2,668	3,056	3,347	-20.3%	16.9%
Peers Average	3,966	3,576	4,020	4,729	5,135	5,500	0.7%	11.0%
Digital360	26	26	34	57	83	92	14.2%	38.9%

Company Name	EBITDA						CAGR 2019-'21	CAGR 2021-'24
	2019	2020	2021	2022	2023	2024		
Booz Allen	725	689	886	974	1,033	1,124	10.5%	8.3%
Gartner, Inc.	606	665	987	1,320	1,254	1,358	27.7%	11.2%
TechTarget, Inc.	25	26	46	116	118	135	36.8%	n.m.
RELX PLC	3,222	2,660	2,976	3,645	4,064	4,351	-3.9%	13.5%
Wolters Kluwer NV	1,408	1,422	1,514	1,780	1,903	2,014	3.7%	10.0%
Future plc	51	108	229	340	362	387	n.m.	19.1%
Informa Plc	1,156	389	538	681	888	1,046	-31.8%	24.8%
Peers Average	1,028	851	1,025	1,265	1,374	1,488	-0.1%	13.2%
Digital360	4	5	7	11	16	18	31.2%	38.4%

Source: FactSet, KT&Partners' elaboration

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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

KT&PARTNERS

Via della Posta, 10 – Piazza Affari, 20123 Milano – Italy
Tel: +39.02.83424007 Fax: +39.02.83424011
segreteria@ktepartners.com