

Italy – Digital

Resilient As-A-Service business model

29<sup>th</sup> April 2020

FY-19 RESULTS RELEASE

RIC: DIGT.MI  
BBG: DIG IM

FY-19 results came broadly in line with CFO SIM estimates. Top line growth was driven by the new innovative As-A-Service business model, which brings a higher portion of recurring revenues. In the current turmoil DIGITAL360 benefits from the increasing demand of digital services, feeding domestic digital innovation needs.

Rating:

**Buy**

Price Target:

**€ 1.20**

Upside/(Downside): 50.9%

Last Price: € 0.80

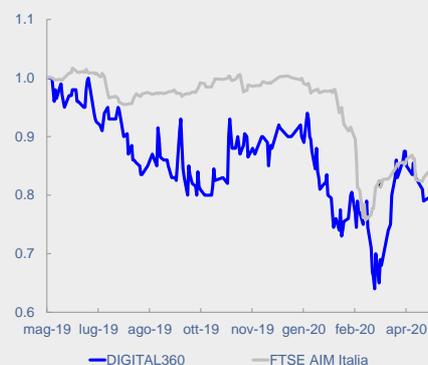
Market Cap.: € 12.9

1Y High/Low: € 1.20/€ 0.64

Free Float: 22.3%

Major shareholders:

Andrea Rangone 23.7%  
Mariano Corso 12.1%  
Alessandro Giuseppe Perego 12.1%



Stock price performance

	1M	3M	12M
Absolute	-7.6%	-3.0%	-25.7%
Rel.to AIM Italia	-0.5%	-1.6%	-0.6%
Rel.to peers	-14.9%	15.9%	4.7%

Analysts:

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

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

**PT at € 1.20/s confirmed, 50.9% upside. Buy reiterated**

Following the publication of 2019 results and the current unexpected social economic scenario, we have updated our model, factoring in: 1) a top line decline in 2020 stemming from lower YoY revenues for Demand Generation BU (a few physical events converted into virtual), counterbalanced by certain cost savings (personnel and services); 2) a WC enlargement (DSO increase); 3) broadly unchanged projections for 2021. The result is a 11.0%, 11.5% and 28.4% average downgrade of 2020-21 Revenues, EBITDA and Net Profit adj. estimates respectively. We have also introduced 2022 estimates. The combined result is a PT of € 1.20/s (unchanged), based on a multiples comparison, corroborated by the DCF. Buy reiterated, 50.9% upside. The recent rising demand in digital services stemming from the lockdown caused by the COVID-19 spread (for example virtual conference, webinar, e-learning and online workshop), definitely represents an opportunity for DIGITAL360.

**Top line reached € 25.2m, up 12% YoY entirely organic**

Revenues grew by 12% to € 25.2m, entirely organic. The increase is attributable to: 1) Advisory&Coaching division, supporting companies and P.A. in their digital transformation, up 19% YoY; the Advisory&Coaching As-A-Service generated 46 subscriptions in 2019 (mainly DPOaaS), corresponding to € 1.3m annual recurring revenues; 2) Demand Generation division, offering communication, content marketing, events and lead generation services to technology companies, suppliers of digital innovation, up 7% YoY; in 2019 the division sold 67 digital marketing & sales engines, stemming from the new innovative As-A-Service approach, for a total € 3.0m annual recurring revenues (avg. price € 45k).

**Adj. EBITDA margin at 11.5%, broadly in line with previous year**

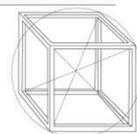
EBITDA was € 2.5m, 10.0% margin (11.4% in FY-18), broadly unchanged in absolute terms YoY. The decrease in margin was largely due to one-off costs related to the change in business model. Adj. EBITDA increased 13% YoY. EBIT declined to € 81k vs. € 390k in 2018, mainly due to the increase in D&A stemming from the investments for the business model change. EBIT adj. for goodwill amortisation and the aforementioned one-off costs was € 1.2m, up 9% YoY. Adj. Net Profit is positive for € 0.72m, up 23% YoY. NFP was € 6.3m debt (€ 4.6m in FY-18), after 1) almost zero operating cash flow, 2) capex for € 1.9m and 3) the repayment of a Vendor Loan for € 1.15m.

**Consolidation of the new innovative “As-A-Service” business model**

The strategic plan of DIGITAL360 for 2020 is to focus on the development of further “As-A-Service” solutions: since they are based on monthly fees, the group will be able to increase the share of recurring revenues, improving the turnover visibility. In addition, the integration process of the companies acquired continues, coupled with the scouting of innovative small tech companies and start-ups.

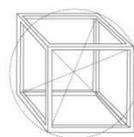
**DIGITAL360, key financials and ratios**

€ k	2018	2019	2020e	2021e	2022e
Sales	22,513	25,245	23,432	31,070	35,007
EBITDA	2,569	2,530	2,813	4,350	5,102
EBIT	390	81	51	1,219	1,980
EBIT adj.	1,144	1,215	805	1,973	2,734
Net profit	(436)	(821)	(457)	484	1,040
Net profit adj.	318	313	297	1,238	1,794
NFP (cash)/debt	4,566	6,335	6,664	7,256	4,942
EPS adjusted € cent	1.87	1.79	1.70	7.07	10.25
EPS adj. growth	-40.8%	-4.1%	-5.0%	316.2%	45.0%
DPS ord. €/s	0.00	0.00	0.00	0.00	0.00
Free Cash Flow Yield	-20.9%	-4.0%	-2.5%	-4.6%	15.7%
PER x	60.8	49.7	43.5	10.5	7.2
PCF x	11.1	9.6	5.6	3.6	3.1
EV/Sales x	1.09	0.88	0.85	0.66	0.52
EV/EBITDA x	9.3	8.7	7.0	4.6	3.5
EV/EBIT x	20.9	18.0	24.3	10.2	6.5





Income statement (€ k)	2018	2019	2020e	2021e	2022e
Total revenues	22,513	25,245	23,432	31,070	35,007
Services	(12,959)	(14,220)	(12,653)	(17,399)	(19,604)
Personnel expenses	(6,899)	(8,617)	(7,837)	(9,025)	(9,864)
Other opex	(1,430)	(1,290)	(1,172)	(1,553)	(1,750)
EBITDA	2,569	2,530	2,813	4,350	5,102
EBITDA adj.	2,569	2,910	2,813	4,350	5,102
D&A	(2,179)	(2,449)	(2,761)	(3,131)	(3,122)
EBIT	390	81	51	1,219	1,980
EBIT adj.	1,144	1,215	805	1,973	2,734
Financials	(271)	(341)	(325)	(328)	(246)
Re/(Devaluation) of financial assets	(50)	0	0	0	0
Extraordinary	0	0	0	0	0
Pre-Tax profit	69	(260)	(274)	891	1,734
Income taxes	(244)	(183)	123	(356)	(693)
Minorities	(260)	(378)	(306)	(51)	0
Net Profit	(436)	(821)	(457)	484	1,040
Net Profit adj.	318	313	297	1,238	1,794
Balance sheet (€ k)	2018	2019	2020e	2021e	2022e
Net Working Capital	4,908	6,255	6,749	8,609	9,249
Net Fixed Assets	10,341	9,796	9,035	8,603	7,181
Equity Investments	137	134	134	134	134
Other M/L Term A/L	(1,827)	(932)	(485)	(788)	(996)
Net Invested Capital	13,559	15,254	15,433	16,559	15,569
Net Financial Position	4,566	6,335	6,664	7,256	4,942
Minorities	394	772	1,078	1,129	1,129
Group's Shareholders Equity	8,598	8,147	7,690	8,174	9,497
Financial Liabilities & Equity	13,559	15,254	15,433	16,559	15,569
Cash Flow statement (€ k)	2018	2019	2020e	2021e	2022e
Total net income	(436)	(821)	(457)	484	1,040
Depreciation	2,179	2,449	2,761	3,131	3,122
Other non-cash charges	1,516	970	(141)	354	208
Cash Flow from Oper. (CFO)	3,259	2,598	2,164	3,969	4,370
Change in NWC	(1,698)	(1,347)	(493)	(1,861)	(640)
FCF from Operations (FCFO)	1,561	1,251	1,671	2,108	3,731
Net Investments (CFI)	(5,608)	(1,869)	(2,000)	(2,700)	(1,700)
Free CF to the Firm (FCFF)	(4,047)	(618)	(329)	(592)	2,031
CF from financials (CFF)	3,864	720	0	0	(1,717)
Free Cash Flow to Equity (FCFE)	(183)	102	(329)	(592)	314
Financial ratios	2018	2019	2020e	2021e	2022e
EBITDA margin	11.4%	10.0%	12.0%	14.0%	14.6%
EBIT margin	1.7%	0.3%	0.2%	3.9%	5.7%
Net profit margin	-1.9%	-3.3%	-1.9%	1.6%	3.0%
Tax rate	355.4%	-70.3%	45.0%	40.0%	40.0%
Op NWC/Sales	21.8%	24.8%	28.8%	27.7%	26.4%
Interest coverage x	0.70	4.23	6.34	0.27	0.12
Net Debt/EBITDA x	1.78	2.50	2.37	1.67	0.97
Debt-to-Equity x	0.53	0.78	0.87	0.89	0.52
ROIC	-3.2%	-5.4%	-3.0%	2.9%	6.7%
ROCE	2.4%	0.4%	0.3%	6.7%	11.3%
ROACE	2.6%	0.5%	0.3%	6.9%	11.1%
ROE	-5.1%	-10.1%	-5.9%	5.9%	11.0%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Per share figures	2018	2019	2020e	2021e	2022e
Number of shares # m	16.26	16.26	16.26	16.26	16.26
Number of shares Fully Diluted # m	17.51	17.51	17.51	17.51	17.51
Average Number of shares Fully Diluted # m	17.06	17.51	17.51	17.51	17.51
EPS stated FD € cent	(2.55)	(4.69)	(2.61)	2.76	5.94
EPS adjusted FD € cent	1.87	1.79	1.70	7.07	10.25
EBITDA € cent	150.52	144.48	160.64	248.48	291.40
EBIT € cent	22.83	4.60	2.93	69.62	113.09
BV € cent	513.63	509.43	500.83	531.36	606.95
FCFO € cent	91.48	71.43	95.42	120.41	213.09
FCFF € cent	(237.14)	(35.32)	(18.81)	(33.80)	115.99
FCFE € cent	(10.71)	5.80	(18.81)	(33.80)	17.93
Dividend € cent	0.00	0.00	0.00	0.00	0.00





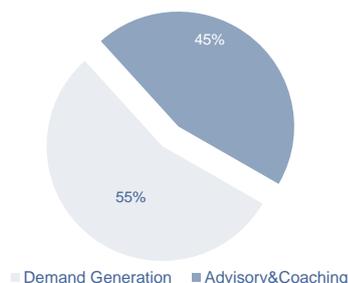
### The company at a glance

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

The group has grown significantly in recent years: turnover CAGR<sub>11-19</sub> is 44%, boosted by acquisitions, 9 companies between 2012 and 2019, adding a total of € 11.2m revenues. In the same period, EBITDA soared from € 0.2m to € 2.9m, 44% CAGR. 2019 revenues totalled € 25.2m, up 12.1% YoY, EBITDA adj. reached € 2.9m, 11.5% margin and net profit adjusted came in at € 0.3m, 1.2% on sales. Net Financial Position reached € 6.3m, 2.2x EBITDA adj. and 0.9x Shareholders Equity. Currently 100% of business is generated in Italy. 55% of 2019 sales were generated by the Demand Generation division, the remainder came from the Advisory&Coaching business unit.

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

### 2019 revenues breakdown by BU



### 2011-2019 revenues and EBITDA growth



### Shareholder structure

	%	# m
Andrea Rangone	23.7%	3.8
Mariano Corso	12.1%	2.0
Alessandro Giuseppe Perego	12.1%	2.0
Raffaello Balocco	4.8%	0.8
Gabriele Faggioli	4.1%	0.7
Carlo Mochi Sismondi	3.9%	0.6
Other <3.5%	17.0%	2.8
<b>Free Float o/w</b>	<b>22.3%</b>	<b>3.6</b>
<b>Total</b>	<b>100.0%</b>	<b>16.3</b>

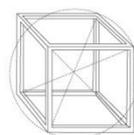
### Peer group absolute performance

	1D	1W	1M	3M	6M	YTD
Forrester Research Inc	1.4	12.0	20.3	(16.9)	1.6	(15.7)
Gartner Inc	0.7	13.0	15.2	(29.0)	(20.9)	(25.5)
j2 Global Inc	0.0	7.8	2.9	(22.8)	(19.5)	(17.8)
Quinstreet Inc	7.6	17.8	21.1	(29.9)	(24.7)	(36.3)
Relx PLC	2.2	3.0	6.6	(14.3)	(4.0)	(9.7)
TechTarget Inc	1.7	4.1	7.4	(18.9)	(8.3)	(15.2)
Wolters Kluwer NV	1.0	1.2	5.1	(2.2)	3.9	3.8
<b>Peers median</b>	<b>1.4</b>	<b>7.8</b>	<b>7.4</b>	<b>(18.9)</b>	<b>(8.3)</b>	<b>(15.7)</b>
<b>DIGITAL360 SpA</b>	<b>0.6</b>	<b>(4.2)</b>	<b>(7.6)</b>	<b>(3.0)</b>	<b>(3.6)</b>	<b>(11.7)</b>

### Peers group multiples table

Price & EV multiples x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3	PER FY1	PER FY2	PER FY3
Forrester Research Inc	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	18.8	14.1	n.a.
Gartner Inc	2.9	2.5	2.3	19.7	15.7	14.0	38.0	28.2	23.6
j2 Global Inc	3.0	2.5	2.5	7.5	6.3	6.3	11.0	10.3	9.9
Quinstreet Inc	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	15.8	11.5	8.2
Relx PLC	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	21.2	19.5	n.a.
TechTarget Inc	4.1	3.6	n.a.	13.2	10.9	n.a.	33.7	25.0	19.0
Wolters Kluwer NV	4.2	4.0	3.9	14.4	13.8	12.8	22.9	21.6	21.2
<b>Median</b>	<b>3.5</b>	<b>3.1</b>	<b>2.5</b>	<b>13.8</b>	<b>12.3</b>	<b>12.8</b>	<b>21.2</b>	<b>19.5</b>	<b>19.0</b>
<b>DIGITAL360 SpA</b>	<b>0.8</b>	<b>0.6</b>	<b>0.5</b>	<b>7.0</b>	<b>4.6</b>	<b>3.5</b>	<b>43.5</b>	<b>10.5</b>	<b>7.2</b>
<i>Premium/(discount) to median</i>	<i>(76.3)</i>	<i>(78.9)</i>	<i>(79.5)</i>	<i>(49.6)</i>	<i>(62.4)</i>	<i>(72.6)</i>	<i>105.2</i>	<i>(46.4)</i>	<i>(62.1)</i>

Source: CFO Sim, Thomson Reuters Eikon



## 1. DIGITAL360 in a nutshell

Headquartered in Milan, **DIGITAL360 is a leading Italian B2B player in the digital innovation arena**, offering support to firms and public administrations for understanding and implementing digital innovation processes. Established in 2012, the company **runs a matchmaking platform between digital innovation demand** (firms and public administration, potentially buyers of digital innovations, over 4.0m actors) and offer (more than 90,000 technology providers such as IT vendor, system integrator, start-up, etc.). The firm originates from the combined experience of its founding members – professors and research workers from Milan Polytechnic – in research and advisory on digital innovation. The firm operates two BUs:

- **Demand Generation** – focuses on tech providers, supporting them in marketing and lead generation activities, through a unique model, based on a *Digital Marketing & Sales Engine* approach. **The strategy is increasingly moving towards the offer of recurrent “As-A-Service” solutions**, based on DIGITAL360 properties and assets or on customers assets (i.e. corporate portals, Web sites). In this way, DIGITAL360 aims to become a **value-added partner** for customers' marketing and lead generation activities.
- **Advisory&Coaching** – is aimed at companies and public administrations via a unique business model based on **engineered methodologies, data, assets and know-how**. DIGITAL360 offers 2 types of services: Custom projects and Engineered services.

Chart 1 – DIGITAL360, 2019 – 2018 revenues breakdown by BU



Source: Company data

The group has grown significantly in recent years: **turnover CAGR<sub>11-19</sub> is 44%, boosted by acquisitions, 9 companies in rapid succession between 2012 and 2019**, adding a total of € 11.2m revenues. In the same period, **EBITDA soared from € 0.2m to € 2.9m, 44% CAGR**.

FY-19 revenues totalled € 25.2m, up 12.1% YoY, EBITDA adj. reached € 2.9m, 11.5% margin and net profit adj. came in at € 0.3m, 1.2% on sales. Net Financial Position reached € 6.3m, 2.2x EBITDA adj. and 0.9x Shareholders Equity.

**Currently 100% of business is generated in Italy.** 55% of 2019 sales were generated by the Demand Generation division, the remainder came from the Advisory&Coaching business unit.

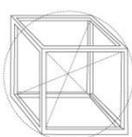


Chart 2 – DIGITAL360, 2011 – 2019 revenues and EBITDA growth (€ m)



Source: Company data

Following the recent M&A activity, the consolidation perimeter includes the holding company DIGITAL360, ICT&S, FPA, P4i, IQ Consulting and ServicePro. In addition, **DIGITAL360 holds participations in ten start-ups.**

## 2. The DIGITAL360 listing

DIGITAL360 was listed last 13<sup>th</sup> June 2017 at € 1.15 per share, corresponding to a market capitalisation of € 17.7m.

The offer encompassed **a capital increase of € 4.0m** on offer to professional and retail investors, with a portion reserved to employees (with a 20% discount to the offer price). In addition, a **convertible bond of € 2.0m** was issued: 5-year duration, 4.5% coupon and strike price € 1.60. Moreover, a 520k share overallotment green-shoe option was provided.

DIGITAL360 major shareholders are Andrea Rangone with a 23.7% stake, Mariano Corso and Alessandro Perego with a 12.1% interest each and other professionals with relevant experience in digital transformation. The free float is 22.3%.

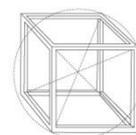
The pre-IPO shareholders will have a 36-month lock-up period, as well as the key employee share subscribers.

The following table and chart show the shareholder structure of DIGITAL360 before and after the convertible bond conversion.

Table 1 – DIGITAL360, current shareholder structure

	Issued Number of Shares			Fully Diluted Number of Shares		
	%	# m	€ m	%	# m	€ m *
Andrea Rangone	23.7%	3.850	3.1	22.0%	3.850	6.2
Mariano Corso	12.1%	1.968	1.6	12.0%	2.097	3.4
Alessandro Giuseppe Perego	12.1%	1.968	1.6	12.0%	2.097	3.4
Raffaello Balocco	4.8%	0.782	0.6	4.7%	0.829	1.3
Gabriele Faggioli	4.1%	0.662	0.5	3.9%	0.692	1.1
Carlo Mochi Sismondi	3.9%	0.637	0.5	3.6%	0.637	1.0
Other <3.5%	17.0%	2.768	2.2	16.2%	2.838	4.5
<b>Free Float o/w</b>	<b>22.3%</b>	<b>3.622</b>	<b>2.9</b>	<b>25.5%</b>	<b>4.467</b>	<b>7.1</b>
Convertible bond new shares	-	-	-	4.8%	0.845	1.4
<b>Total</b>	<b>100.0%</b>	<b>16.258</b>	<b>12.9</b>	<b>100.0%</b>	<b>17.508</b>	<b>28.0</b>

Source: Company data, \* stock price at € 1.60



### 3.1. The reference market: Demand Generation division

DIGITAL360 operates in the **in the Information & Communication Technology market (ICT), valued at some € 31.0bn in Italy in 2019 and anticipated to grow by 0.9% YoY in 2020, totalling € 31.5bn** (Assintel Report 2020). Furthermore, the Assintel Report estimated the ICT market to reach **€ 32.4bn in 2022 (CAGR<sub>18-22</sub> 1.6%)**. The market is characterised by steady single-digit growth and by a permanent information asymmetry between demand and offer of digital innovation (e-commerce, Cloud, Internet for Things, Mobile app...). The ICT market comprises of hardware and ICT infrastructure, software and ICT solutions, ICT cloud, TLC services. The market swells to € 70bn in Italy if you consider also other items such as e-commerce and digital contents & advertising. The most promising segments are Internet of Things, Cyber Security, Cloud, Big Data and Analytic Solutions, that is to say the catalysts of the digital economy.

According to data from the "Osservatori Digital Innovation" from Politecnico di Milano - School of Management, several "vertical" digital markets have been growing fast in the last year, within overall digital innovation and digital economy market. Just to mention some examples, in 2019 the IoT market was valued at some € 6.2bn, +24% YoY, the cloud market was worth € 2.8bn, + 18% YoY, the analytics market was some € 1.7bn, +23% YoY, information security and privacy market values € 1.3bn, +11% YoY and the ecommerce business to consumer market € 31.6bn up 15% vs. 2018. **The reference market is a growing arena with expected further acceleration** in coming years, also considering the gap between the domestic market and the rest of the world: as a percentage of GDP the digital economy in Europe is currently 50% higher than in Italy.

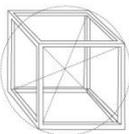
In this context, **DIGITAL360 offers firms and PAs willing to introduce digital innovation a clear view of what to do and a way to find appropriate providers**. Additionally, **DIGITAL360 helps digital innovation suppliers** (IT vendors, system integrators, software houses, startups...) **to meet new customers**.

### 3.2. The reference market: Advisory&Coaching division

In 2019 the Italian Advisory and Management Consulting market was seen to increase by 7.9%, broadly in line vs. the 8.6% increase reported in 2018 and 7.8% in 2017. In detail, the multiple consulting areas accounted as follow: Information Technology for 21.8% of total, Strategy for 16.8%, Operations for 14.1%, Risk & Compliance for 13.8%, Finance for 13.0%, Human Resources & Change Management for 7.9%, Marketing for 6.1% and Education for 4.2% (source assoconsult 2019). The **digital transformation consultancy is the specific reference market for DIGITAL360** and includes several of the aforementioned consulting areas, namely IT, Operations, Strategy, Finance, Marketing, etc. Furthermore, two main drivers of growth within the consulting market are:

- **Growing companies' awareness** of the potential disruptive impact of digital innovation trends such as Big Data, Artificial Intelligence, Digital Marketing, Omnichannel customer experience, Industry 4.0 and Cyber Security.
- **Need to adapt to compliance regulations** such as GDPR (General Data Protection Regulation) and PSD2 (Payment Services Directive) emerging at a national and international level.

This trend is expected to continue in the next few years, increasing the share of consulting expenses dedicated to digital transformation by large companies, and enlarging the potential market towards medium and small companies that in the past did not have the vision and opportunity to access management consulting services. In order to meet this emerging demand however, advisory companies will have to move from traditional, people based models to knowledge asset-based logics, where supplier ideas, frameworks, templates and tools are as condensed as possible and conveyed via technology. This allows the addressing of a new and potentially large and fast growing market with new innovative services. Advisory models, such as those offered by DIGITAL360, based on engineered methodologies, allow access to a value-added service even for a few thousand euros. **The potential market component of online advisory services can be estimated at some additional € 750m** (CFO estimate).



## 4. Business model

DIGITAL360 offers support to firms and public administrations for understanding and implementing digital innovation processes, running **a match-making platform between digital innovation demand and offer**. The firm operates two BUs:

- **Demand Generation:** focuses on tech providers, supporting them in marketing and lead generation activities, through a unique model, based on *Digital Marketing & Sales Engine* approach. The model integrates publishing and technological assets together with multidisciplinary skills, in order to manage costumers' marketing and lead generation activities.
- **Advisory&Coaching:** is aimed at companies and public administrations via a unique business model based on engineered methodologies, data, asset and know-how. DIGITAL360 offers three types of services: Custom projects, Engineered services and Subscription-based services.

**Starting from 2018 DIGITAL360 developed an "As-A-Service" approach in both BUs**, based on the sharing of specialist teams in order to provide the customers with services on ongoing basis, all supported by digital and cloud platforms. This new business model allows the group to increase the percentage of recurring revenues thanks to monthly fees. Furthermore, the group decided strategically to close all printed newspapers, focusing on digital contents.

### 4.1. Demand Generation division

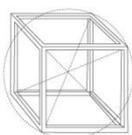
Via the Demand Generation business unit, DIGITAL360 supports tech providers in marketing and lead generation activities. In 2018 the innovative *Digital Marketing & Sales Engine* approach was developed, integrating publishing and technological assets together with multidisciplinary skills, in order to manage client marketing and lead generation activities end-to-end. Thanks to the "Engine" the strategy of this business area is increasingly **moving towards the offering of recurrent "As-A-Service" solutions**. This way, DIGITAL360 aims to become a **value-added partner** for the clients, providing them with a multidisciplinary team able to operate as an "addendum" of their marketing department. In detail the "Engine" allows to:

- **produce seamless communication flow**, based on storytelling, SEO positioning, social amplification and digital PR, using both outbound (DIGITAL360 network) and inbound (clients' web property) content marketing.
- **produce seamlessly profiled contacts and strong sales opportunities**, leveraging Marketing Automation and gated content, such as white paper, report, infographics, webinar. All this content can be consulted only via registration.

### 4.2. Advisory&Coaching division

DIGITAL360 offers **advisory and coaching services to a plethora of corporations and public administration looking for digital innovation**. Thanks to the significant experience gained by key management, the business model here is based on **the development, engineering and enhancement of knowledge methodologies, data and assets** allowing the surpassing of scalability limits and costs of classical consulting models.

These tools cover the main ranges of activity and most vertical areas, i.e. ICT Governance & Organisation, Smart Working & Workspace Innovation and Information Security. According to the degree of personalisation and depending on the subjects, customer specific requests and the level of engineering required, we classify the projects into three typologies:



- **Customised Projects** are based on the specific needs of clients requiring the development of tailor-made solutions and methodologies. The project opportunity assessment and its pricing are fixed, taking into consideration not only the resources required, but also knowhow arising from developing new custom methodologies.
- **Engineered Projects** are projects characterised by a high degree of standardisation, requiring the application of previously developed tools and methodologies. The pricing is based on relatively standard parameters and takes into account the interest in consolidating, improving or disseminating the methodologies used and any need for specific customization.
- **Subscription-based services (Advisory As-A-Service)**, based on annual or long-term renewable contracts, allowing the group to generate recurring revenues. These are advisory services or innovative tools offered on an ongoing basis to customers, such as Data Protection Officer As-A-Service, GDPR As-A-Service and GRC360, a software solution able to meet the needs of Data Protection.

DIGITAL360 advisory services are organised in several key competence areas: 1) Digital Government; 2) Agile IT Governance; 3) Digital Legal; 4) Cyber Security; 5) Audit & Compliance; 6) Smart Working; 7) Open Innovation; 8) Smart Operations; 9) Digital Marketing.

## 5. Segment competitive arena

The firm operates in a **largely fragmented market**. The competitive environment differs between the two business units, Demand Generation and Advisory. More generally, DIGITAL360 distinctive competitive advantages are:

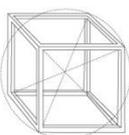
- **Expertise, experience and reputation** in the digital innovation market, coupled with unique competencies and methodologies;
- **Ability to effectively interact digital transformation into B2B** traditional channel communication, events, lead generation and advisory;
- **Track record in the acquisition and integration** of other players in a fragmented fast-growing arena;
- Motivated, experienced, multidisciplinary **professionals and skills** from a variety of sectors;
- **Scalable business** model, both organically and via acquisitions.

### 5.1 Demand Generation division

**DIGITAL360 is one of the few domestic players integrating all its three business areas (content, premium services and lead generation) into a single effective business model.**

The group boasts 1) **an integrated positioning on the entire range of services**, which is at the base of the innovative *Digital Marketing & Sales Engine* approach. Thanks also to the integrated platform, the “Engine” allows production of synergies between different services; 2) **unique editorial capacity and online placement**, thanks to a multidisciplinary team composed of best-in-class journalists on digital innovation, digital economy and entrepreneurship and thanks to a significant network of key opinion leaders and strong links with the university world.

The main competitors in the **Demand Generation Business Unit** can be categorised on the basis of two variables: 1) the prevalent client profile, that is to say large or smaller digital innovation vendor and 2) services offered, namely marketing and advertising, events and webinars and lead generation. Accordingly we highlight the following competitor categories:



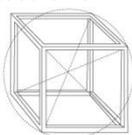
- **Generalist editors**, offering marketing and advertising services to large digital companies for solutions and event organisation. Generally based on a traditional magazine structure, with partial and bolt-on presence in digital innovation and entrepreneurship themes. It is difficult for them to match specific and vertical B2B targets.
- **Vertical publishers B2B**, medium-large sized players, focused on vertical paper magazines for specific professional categories, and the organization of events, however with a low propensity to provide digital services.
- **PR and traditional communication agencies**, usually based on not directly managed newspapers and with tiny exposure to digital innovative channels.
- **Organizers of trade fairs and events**, focused on physical event organisation, mono or multi-sponsor, with a barely scalable business model. They create significant profile contact databases, but with minor ability to use other sources of alternative revenue enabling a proper valuation of this asset;
- **Analysts**, ICT specialised research companies focused on selling reports and organising workshops and events;
- **Tele-marketing and tele-selling agencies**, focused on lead generation activities based on contact centres.
- **Digital marketing agencies**, focused on brand development and lead generation.

## 5.2. Advisory&Coaching division

**Advisory competitive context** can be analysed on the basis of two aspects: the service offered (custom made or engineered-online) and the focus on the size of the corporate clients (small-medium firms and PAs and large corporations and PAs). According to this reading, the key players offering advisory services can be categorised into four types.

- **Traditional strategic consulting players**, generally large international players, focused on custom advisory services for large clients, not offering implementation services. Amongst the most relevant, *BCG, Deloitte, Bain & Company, McKinsey & Company*.
- **Traditional ICT consultants**, combining skills related to client business processes together with technological expertise dedicated to large corporate and public sector markets with custom-type projects. *IBM, Reply, Engineering, Accenture*.
- **Methodology-based actors**, characterised by their already implemented methodology and data-based approach, but featuring a predominant focus on large companies and a wide array of assets stemming from their international business experience. The key weakness is represented by the rather limited customisation approach to adapt to the specific requirements of the Italian market, with the risk of losing effectiveness against the needs of domestic firms. *IDC Consulting, Gartner*.
- **Local advisers and consultants**, rather small local entrepreneurial or professional entities running within the small business market, but generally not structured and without engineering models and tools.

In this context, some international players are trying to increase offer, organisational modelling and pricing standardisation, in order to widen their market to medium-sized business and public administration segments. DIGITAL360, thanks to its **engineered more-standardised approach, already reaches medium-sized businesses and PAs**. In the near future, with the introduction of Online Advisory Services, the company will further strengthen its positioning, extending its offer to the vast market of smaller businesses and PAs.



## 6. Strategy

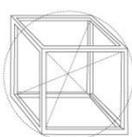
DIGITAL360 operates in the **in the digital innovation market**, the largest generalist market from which every firm and PA entity is either purchasing or will have to purchase from in the immediate future, **valued at some € 31bn in Italy** and characterised by high-single-digit steady growth and by a permanent information asymmetry. **The digital economy in Italy is growing intensely**: the penetration of ICT in Italy is 50% lower than the EU28 average.

The reference market is huge, growing and fragmented. The DIGITAL360 strategy is based on the following pillars:

- **Focus on the development of “As-A-Service” packaged solutions**, with recurring revenues based on monthly fee, started in 2018 with the launch of the Digital Marketing & Sales Engine and of the first Advisory As-A-Service offers, particularly interesting for SMEs.
- **M&A activity**: in 2018 DIGITAL360 purchased 3 companies (Effettodomino, ServicePro and IQConsulting), which has been gradually integrated in 2019. Furthermore, the scouting of innovative small companies and start-ups continues. In the demand generation business possible prey are for instance **communities, content factories, digital marketing** whilst for the advisory division, ideal additional fields are **data science, cyber security, ICT governance** skills or teams.
- **Investments in the integrated technology platform**, namely the content management system, the customer relationship management, the marketing automation, the business intelligence, the graph DB, the software events, etc.

DIGITAL360 aims to generate additional business from the vast quantity of smaller and more numerous corporations and public administration, to **the benefit of volumes and scale** even if with a smaller single ticket.

In addition, possible upsides for the longer term and not factored into our projections, can bring in **supplementary value to DIGITAL360 shareholders**. The group has profiled so far, some 124,000 contacts in 2019: the **ecommerce of profiled leads could contribute to making contact with new potential customers**.



## 7. SWOT Analysis

The SWOT analysis, also known as SWOT Matrix, is a structured planning method used to evaluate the strengths, weaknesses, opportunities and threats involved in a project or in a business venture. A SWOT analysis can be carried out for a product, place, industry or person. It involves specifying the objective of the business venture or project and identifying the internal and external factors that are favourable and unfavourable to achieve that objective.

- **Strengths:** characteristics of the business or project that give it an advantage over others.
- **Weaknesses:** characteristics that place the business or project at a disadvantage relative to others.
- **Opportunities:** elements that the project could exploit to its advantage.
- **Threats:** elements in the environment that could cause trouble or be detrimental for the business or project.

The technique is credited to Albert Humphrey, who led a research project at Stanford University between the 60's/70's using Fortune 500 data.

### S.W.O.T. ANALYSIS

#### STRENGTHS

- ❑ **Leading position** in a large, growing and fragmented market
- ❑ Substantial cash flow generation and sound balance sheet allow **external growth opportunities**
- ❑ Modest **Capex requirement**

#### WEAKNESSES

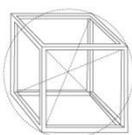
- ❑ Current exposure just to **domestic market**, heavy dependence on one single country
- ❑ Limited **size** in the international competitive arena
- ❑ Few key relevant people represent **vital asset** for the company

#### OPPORTUNITIES

- ❑ Consolidation **opportunities** in domestic market
- ❑ Relevant additional **growth potential stemming from** online lead/advisory sales
- ❑ Foreign market **expansion**

#### THREATS

- ❑ Expansion via external growth might erode **marginality** to a certain extent
- ❑ **Execution risk** of such an innovative business model



## 8. FY-19 Results

FY-19 results show a 12% top line growth, driven by the new innovative As-A-Service business model, which will bring also a higher portion of recurring revenues. Margins were affected by one-off costs and higher D&A related to the offer transformation towards the new innovative model. Results came in broadly in line with our forecasts.

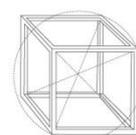
**Table 2 – DIGITAL360, FY-19 results**

€ k	2019	2018	% YoY	2019e	% Diff.
<b>Total revenues</b>	<b>25,245</b>	<b>22,513</b>	<b>12.1</b>	<b>26,012</b>	<b>(3.0)</b>
Raw material and processing	(14)	(8)		0	
Services	(14,220)	(12,959)		(14,895)	
Personnel expenses	(8,617)	(6,899)		(6,825)	
Other opex	(1,290)	(1,430)		(1,680)	
<b>EBITDA</b>	<b>2,530</b>	<b>2,569</b>	<b>(1.5)</b>	<b>2,612</b>	<b>(3.2)</b>
% margin	10.0	11.4		10.0	
D&A	(2,449)	(2,179)		(2,529)	
<b>EBIT</b>	<b>81</b>	<b>390</b>	<b>(79.3)</b>	<b>84</b>	<b>(3.6)</b>
% margin	0.3	1.7		0.3	
Financials	(341)	(271)		(322)	
Re/(Devaluation) of financial assets	0	(50)		0	
Extraordinary	0	0		0	
<b>Pre-Tax profit</b>	<b>(260)</b>	<b>69</b>	<b>(478.3)</b>	<b>(238)</b>	<b>(9.3)</b>
% margin	(1.0)	0.3		(0.9)	
Income taxes	(183)	(244)		(131)	
Tax rate	n.s.	n.s.		n.s.	
Minorities	(378)	(260)		(288)	
<b>Net Profit</b>	<b>(821)</b>	<b>(436)</b>	<b>88.4</b>	<b>(657)</b>	<b>(25.0)</b>
% margin	(3.3)	(1.9)		(2.5)	
One-off items	380	-		-	
<b>EBITDA adj.</b>	<b>2,910</b>	<b>2,569</b>	<b>13.3</b>	-	-
% margin	11.5	11.4		-	
Goodwill amortisation	754	754		784	
<b>EBIT adj.</b>	<b>1,215</b>	<b>1,144</b>	<b>6.2</b>	<b>868</b>	<b>40.0</b>
% margin	4.8	5.1		3.3	
<b>Net Profit adj.</b>	<b>313</b>	<b>318</b>	<b>(1.6)</b>	<b>127</b>	<b>146.7</b>
% margin	1.2	1.4		0.5	

Source: Company data, CFO SIM estimates

**Revenues grew by 12% to € 25.2m**, entirely organic (vs. € 22.5m in FY-18). The increase in revenues is attributable to:

- **Advisory&Coaching** business unit, supporting companies and P.A. in their digital transformation path, **up 19% YoY**; the Advisory & Coaching As-A-Service generated 46 subscriptions in 2019 (mainly DPOaaS), corresponding to € 1.3m annual recurring revenues.
- **Demand Generation** division, offering communication, content marketing, events and lead generation services to technology companies, suppliers of digital innovation, **up 7% YoY**; in 2019 the division sold 67 digital marketing & sales engines, stemming from the new innovative As-A-Service approach, for a total € 3.0m annual recurring revenues (average price € 45k).

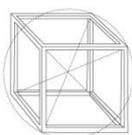


**EBITDA was € 2.5m, 10.0% margin** (11.4% in FY-18), broadly unchanged in absolute terms YoY. The decrease in margin was largely due to one-off costs related to the change in business model (Digital As-A-Service). Adjusted EBITDA increased 13% YoY.

EBIT declined to € 81k vs. € 390k in 2018, mainly because of the increase in D&A stemming from the investments related to the change in business model. **EBIT adjusted for goodwill amortisation and the aforementioned one-off costs was € 1.2m, up 9% YoY.**

Net Profit stood at € 821k negative (€ 436k negative in FY-18). **Adj. Net Profit is positive for € 0.72m, up 23% YoY.**

**Net Financial Position was € 6.3m debt** (€ 4.6m in FY-18), after 1) almost zero operating cash flow, 2) capex for € 1.9m and 3) the repayment of a Vendor Loan for € 1.15m.



## 9. Estimates, valuation & risks

The company delivered a good set of results, broadly in line in line with our projections, driven by the new innovative As-A-Service business model, which brings also a higher portion of recurring revenues.

The current necessary severe restrictions on people mobility in order to contain the dramatic rapid expansion of COVID-19 will certainly have a **significant impact on global economy**. The damage caused by the epidemic will be **serious and widespread**.

Nonetheless, the recent **increasing demand in digital services** stemming from the lockdown caused by the COVID-19 spread, namely virtual conferences, webinars, e-learning, smart-working and online workshops, definitely **represents an opportunity for the group**. Noteworthy, during March 2020 the **DIGITAL360 network reached its historical record of monthly visitors: 4.3 million people (+189% vs. Mar-19)**, with over 500k pages read concerning smart working.

Furthermore, **in 2020 the two main physical annual events organised by the group**, usually in May (Forum PA) and in November (ServicePro), **will take place virtually**. This means lower YoY revenues for Demand Generation business unit but lower variable costs too, allowing DIGITAL360 to preserve margins. As a consequence, **we have updated our model**, factoring in: 1) a top line decline in 2020 stemming from the aforementioned revenues loss, counterbalanced by a certain cost savings, namely personnel and services; 2) a WC enlargement, namely increase in DSO; 3) broadly unchanged projections for 2021, supported by a likely gradual return to normal coupled with the increasing demand of digital services. The result is a **11.0%, 11.5% and 28.4% average downgrade of 2020-21 Revenues, EBITDA and Net Profit adj. estimates respectively**. We have also introduced 2022 estimates.

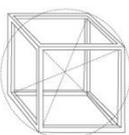
Moreover, we updated DCF valuation criteria bringing the Free Risk Rate up to date. The combined result is a **PT of € 1.20/s (unchanged) FD**, based on a multiple comparison and corroborated by the DCF. **Buy recommendation confirmed**.

The reference market is huge, fragmented and also in the current situation growing. DIGITAL360 aims to generate additional business from the vast quantity of corporations' public administrations and digital providers, to the benefit of volumes and scale even if with a smaller single ticket.

### 9.1. Market multiples

We conducted an analysis on a cluster of 16 companies operating in the digital and advisory arena, 7 of which are domestic. Subsequently, to put together an appropriate and significant sample, we completed a comparability analysis based on a few qualitative and quantitative factors. At the end of this process, we have encompassed 7 firms in the sample, all foreign companies. Size, profitability and growth profile vary a lot within the sample.

In this case, the equation 'the larger the size, the lower the margins' is not true: the highest EBITDA margins come from J2 Global and Relx PLC, 39.3% and 32.3% with a market capitalization of € 3.5bn and € 41.1bn respectively. **DIGITAL360 presents lower than average profitability but higher growth perspectives compared to the peer median**.



Applying to DIGITAL360 metrics the 35% discounted peer median multiples for EV/Sales, EV/EBITDA and PER we attain an **equity valuation of DIGITAL360 of € 1.20/s**, realised using 2020 and 2021 estimates and multiples, with an 50.9% upside to current prices.

**Table 3 - DIGITAL360, peer group summary table**

€ m	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA %	Sales CAGR <sub>19-22</sub>	EBITDA CAGR <sub>19-22</sub>	EBIT CAGR <sub>19-22</sub>	EPS CAGR <sub>20-22</sub>	NFP FY1	NFP/EBITDA FY1
Forrester Research Inc	610	429	57	13.3%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Gartner Inc	9,459	3,886	569	14.7%	8.3%	14.3%	14.9%	26.9%	1,761	3.1
j2 Global Inc	3,469	1,350	531	39.3%	7.2%	9.3%	10.9%	5.4%	538	1.0
Quinstreet Inc	466	470	45	9.6%	12.4%	66.1%	95.1%	39.0%	n.a.	n.a.
Relx PLC	41,113	8,532	2,757	32.3%	n.a.	n.a.	-1.9%	n.a.	n.a.	n.a.
TechTarget Inc	563	129	40	31.0%	10.9%	n.a.	24.9%	33.1%	(38)	n.m.
Wolters Kluwer NV	18,435	4,838	1,413	29.2%	3.9%	3.4%	6.9%	3.9%	1,966	1.4
<b>Median</b>	<b>3,469</b>	<b>1,350</b>	<b>531</b>	<b>29.2%</b>	<b>8.3%</b>	<b>11.8%</b>	<b>12.9%</b>	<b>26.9%</b>	<b>1,150</b>	<b>1.4</b>
<b>DIGITAL360 SpA</b>	<b>13</b>	<b>23</b>	<b>3</b>	<b>12.0%</b>	<b>11.5%</b>	<b>26.3%</b>	<b>31.1%</b>	<b>145.6%</b>	<b>7</b>	<b>2.4</b>

Source: CFO Sim, Thomson Reuters Eikon

**Table 4 - DIGITAL360, peer group EV & price multiple table**

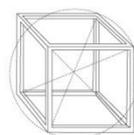
x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3	PER FY1	PER FY2	PER FY3
Forrester Research Inc	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	18.8	14.1	n.a.
Gartner Inc	2.89	2.52	2.30	19.7	15.7	14.0	38.0	28.2	23.6
j2 Global Inc	2.97	2.48	2.49	7.5	6.3	6.3	11.0	10.3	9.9
Quinstreet Inc	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	15.8	11.5	8.2
Relx PLC	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	21.2	19.5	n.a.
TechTarget Inc	4.09	3.63	n.a.	13.2	10.9	n.a.	33.7	25.0	19.0
Wolters Kluwer NV	4.22	4.04	3.88	14.4	13.8	12.8	22.9	21.6	21.2
<b>Median</b>	<b>3.53</b>	<b>3.08</b>	<b>2.49</b>	<b>13.8</b>	<b>12.3</b>	<b>12.8</b>	<b>21.2</b>	<b>19.5</b>	<b>19.0</b>
<b>DIGITAL360 SpA</b>	<b>0.84</b>	<b>0.65</b>	<b>0.51</b>	<b>7.0</b>	<b>4.6</b>	<b>3.5</b>	<b>43.5</b>	<b>10.5</b>	<b>7.2</b>
Prem/(disc) to median	(76.29)	(78.87)	(79.49)	(49.55)	(62.41)	(72.65)	105.19	(46.42)	(62.09)

Source: CFO Sim, Thomson Reuters Eikon

**Table 5 - DIGITAL360, peer group EV & price multiple table**

x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3	PER FY1	PER FY2	PER FY3
<b>Median peers</b>	<b>3.53</b>	<b>3.08</b>	<b>2.49</b>	<b>13.8</b>	<b>12.3</b>	<b>12.8</b>	<b>21.2</b>	<b>19.5</b>	<b>19.0</b>
DIGITAL360 metrics	23,432	31,070	35,007	2,813	4,350	5,102	297	1,238	1,794
NFP	6,664	7,256	4,942	6,664	7,256	4,942			
Put & call adjustments	1,683	1,683	1,683	1,683	1,683	1,683			
<b>DIGITAL360 Equity Value (€ k)</b>	<b>45,380</b>	<b>53,194</b>	<b>50,040</b>	<b>16,909</b>	<b>25,982</b>	<b>35,866</b>	<b>4,098</b>	<b>15,696</b>	<b>22,180</b>
# shares FD m	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5
<b>DIGITAL360 Equity Value €/s FD €</b>	<b>2.60</b>	<b>3.04</b>	<b>2.86</b>	<b>0.97</b>	<b>1.49</b>	<b>2.05</b>	<b>0.23</b>	<b>0.90</b>	<b>1.27</b>

Source: CFO Sim, Thomson Reuters Eikon



## 9.2. DCF

In the valuation via the DCF method explicit estimates until 2024 and a long-term growth of 2.5% were used. Cash flows were discounted back at a weighted average cost of capital calculated according to the following parameters:

**Table 6 - WACC derived from:**

Interest costs, pre-tax	2.5%
Tax rate	45.0%
<b>Inf. costs, after taxes</b>	<b>1.4%</b>
Risk premium, incl. small size premium	9.0%
Risk-free (10Y Gov. Bond 200 days simple moving average)	1.28%
Beta levered (x)	0.80
<b>Required ROE</b>	<b>8.4%</b>

Source: CFO Sim

**Table 7 - DIGITAL360, DCF model**

€ k	2020e	2021e	2022e	2023e	2024e	Term. Val.
EBIT	51	1,219	1,980	2,574	3,089	
Tax rate	45.0%	40.0%	40.0%	40.0%	40.0%	
<b>Operating profit (NOPAT)</b>	<b>28</b>	<b>731</b>	<b>1,188</b>	<b>1,544</b>	<b>1,853</b>	
Change working capital	(493)	(1,861)	(640)	(500)	(500)	
Depreciation	2,761	3,131	3,122	2,500	1,500	
Investments	(2,000)	(2,700)	(1,700)	(1,500)	(1,500)	
<b>Free Cash Flows</b>	<b>296</b>	<b>(698)</b>	<b>1,970</b>	<b>2,044</b>	<b>1,353</b>	<b>36,295</b>
Present value	284	(630)	1,673	1,632	1,016	27,256
WACC	6.3%	6.3%	6.3%	6.3%	6.3%	
<b>Long-term growth rate</b>	<b>2.5%</b>					

Source: CFO Sim

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

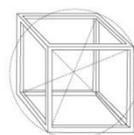
**Table 8 – DIGITAL360, DCF derived from:**

€ k	
Total EV present value € k	31,231
	<i>thereof terminal value</i>
NFP last reported	87.3%
Put & call	(6,335)
Pension last reported	(1,683)
Equity value € k	(980)
# shares FD m	<b>22,233</b>
<b>Equity value €/s FD</b>	17.5
<b>% upside/(downside)</b>	<b>1.30</b>
	63.5%

Source: CFO Sim

The application of the model produces an **equity value of DIGITAL360 of € 1.30/s.**

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value of between **€ 1.01 – 1.67 (perpetuity range of between 1.75% and 3.25%)**, while 2) compared to changes in the free risk rate produces an equity value of **€ 1.57 – 1.05 (free risk range of between 0.53% and 2.03%)** and 3) compared to changes in the risk premium, including small size premium results into an equity value of **€ 1.79 – 0.94 (risk premium range of between 7.50% and 10.50%)**.



**Table 9 – DIGITAL360, equity value sensitivity to changes in terminal growth rate**

€ k	1.75%	2.00%	2.25%	2.50%	2.75%	3.00%	3.25%
Present value of CF	3,976	3,976	3,976	3,976	3,976	3,976	3,976
PV of terminal value	22,618	23,985	25,520	27,256	29,234	31,511	34,158
<b>Total value</b>	<b>26,593</b>	<b>27,960</b>	<b>29,495</b>	<b>31,231</b>	<b>33,210</b>	<b>35,486</b>	<b>38,134</b>
NFP last reported	(6,335)	(6,335)	(6,335)	(6,335)	(6,335)	(6,335)	(6,335)
Put & call	(1,683)	(1,683)	(1,683)	(1,683)	(1,683)	(1,683)	(1,683)
Pension last reported	(980)	(980)	(980)	(980)	(980)	(980)	(980)
<b>Equity value € k</b>	<b>17,595</b>	<b>18,962</b>	<b>20,497</b>	<b>22,233</b>	<b>24,212</b>	<b>26,488</b>	<b>29,135</b>
# shares FD m	17.5	17.5	17.5	17.5	17.5	17.5	17.5
<b>Equity value €/s FD</b>	<b>1.01</b>	<b>1.08</b>	<b>1.17</b>	<b>1.30</b>	<b>1.39</b>	<b>1.52</b>	<b>1.67</b>

Source: CFO Sim

**Table 10 – DIGITAL360, equity value sensitivity to changes in free risk rate**

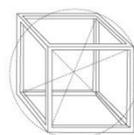
€ k	0.53%	0.78%	1.03%	1.28%	1.53%	1.78%	2.03%
Present value of CF	4,047	4,023	3,999	3,976	3,952	3,929	3,906
PV of terminal value	32,335	30,469	28,784	27,256	25,863	24,588	23,418
<b>Total value</b>	<b>36,382</b>	<b>34,492</b>	<b>32,783</b>	<b>31,231</b>	<b>29,815</b>	<b>28,517</b>	<b>27,324</b>
NFP last reported	(6,335)	(6,335)	(6,335)	(6,335)	(6,335)	(6,335)	(6,335)
Put & call	(1,683)	(1,683)	(1,683)	(1,683)	(1,683)	(1,683)	(1,683)
Pension last reported	(980)	(980)	(980)	(980)	(980)	(980)	(980)
<b>Equity value € k</b>	<b>27,384</b>	<b>25,494</b>	<b>23,785</b>	<b>22,233</b>	<b>20,817</b>	<b>19,519</b>	<b>18,326</b>
# shares FD m	17.5	17.5	17.5	17.5	17.5	17.5	17.5
<b>Equity value €/s FD</b>	<b>1.57</b>	<b>1.46</b>	<b>1.36</b>	<b>1.30</b>	<b>1.19</b>	<b>1.12</b>	<b>1.05</b>

Source: CFO Sim

**Table 11 – DIGITAL360, equity value sensitivity to changes in risk premium**

€ k	7.50%	8.00%	8.50%	9.00%	9.50%	10.00%	10.50%
Present value of CF	4,091	4,052	4,013	3,976	3,938	3,901	3,865
PV of terminal value	36,195	32,700	29,761	27,256	25,095	23,214	21,561
<b>Total value</b>	<b>40,285</b>	<b>36,752</b>	<b>33,775</b>	<b>31,231</b>	<b>29,033</b>	<b>27,115</b>	<b>25,426</b>
NFP last reported	(6,335)	(6,335)	(6,335)	(6,335)	(6,335)	(6,335)	(6,335)
Put & call	(1,683)	(1,683)	(1,683)	(1,683)	(1,683)	(1,683)	(1,683)
Pension last reported	(980)	(980)	(980)	(980)	(980)	(980)	(980)
<b>Equity value € k</b>	<b>31,287</b>	<b>27,754</b>	<b>24,776</b>	<b>22,233</b>	<b>20,035</b>	<b>18,117</b>	<b>16,428</b>
Equity value €/s FD	17.5	17.5	17.5	17.5	17.5	17.5	17.5
<b>Source: CFO Sim</b>	<b>1.79</b>	<b>1.59</b>	<b>1.42</b>	<b>1.30</b>	<b>1.15</b>	<b>1.04</b>	<b>0.94</b>

Source: CFO Sim



### 9.3. Peer stocks performance

DIGITAL360 was listed on the AIM Italia (Alternative Investment Market) on 13-Jun-17 at € 1.15/share, corresponding to a market capitalisation post money of € 17.7m. DIGITAL360 now trades **below the IPO price**, and reached a 1Y maximum of € 1.20/s on 30-Apr-19 and a minimum of € 0.64 on 12-Mar-20. The stock in the last 6 months outperformed vs peers median and indexes.

**Table 12 - DIGITAL360, peer group absolute performance**

	1D	1W	1M	3M	6M	YTD	1Y
Forrester Research Inc	1.4	12.0	20.3	(16.9)	1.6	(15.7)	(30.7)
Gartner Inc	0.7	13.0	15.2	(29.0)	(20.9)	(25.5)	(27.3)
j2 Global Inc	0.0	7.8	2.9	(22.8)	(19.5)	(17.8)	(12.3)
Quinstreet Inc	7.6	17.8	21.1	(29.9)	(24.7)	(36.3)	(33.0)
Relx PLC	2.2	3.0	6.6	(14.3)	(4.0)	(9.7)	0.3
TechTarget Inc	1.7	4.1	7.4	(18.9)	(8.3)	(15.2)	34.0
Wolters Kluwer NV	1.0	1.2	5.1	(2.2)	3.9	3.8	8.5
<b>Peers median</b>	<b>1.4</b>	<b>7.8</b>	<b>7.4</b>	<b>(18.9)</b>	<b>(8.3)</b>	<b>(15.7)</b>	<b>(12.3)</b>
<b>DIGITAL360 SpA</b>	<b>0.6</b>	<b>(4.2)</b>	<b>(7.6)</b>	<b>(3.0)</b>	<b>(3.6)</b>	<b>(11.7)</b>	<b>(25.7)</b>

Source: Thomson Reuters Eikon

**Table 13 – DIGITAL360 relative performances**

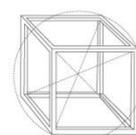
	1D	1W	1M	3M	6M	YTD	1Y
To Peers median	(0.8)	(12.0)	(14.9)	15.9	4.7	4.0	(13.4)
To MSCI World Index	0.6	(8.9)	(16.8)	11.7	5.7	2.5	(18.7)
To EUROSTOXX	(0.9)	(9.4)	(13.5)	17.5	14.1	8.8	(9.6)
To FTSE Italia All Share	(1.0)	(11.0)	(11.7)	23.0	18.0	12.9	(6.8)
To FTSE STAR Italia	0.4	(6.2)	(21.5)	12.2	2.5	3.1	(17.9)
To FTSE AIM Italia	(0.5)	(1.6)	(9.1)	12.0	10.3	2.6	(0.6)

Source: Thomson Reuters Eikon

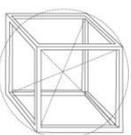
### 9.4. Risks

The principal investment **risks** in DIGITAL360 include:

- Risks linked to the algorithm used by the search engines;
- Risks related to personal data collection, holding and treatment;
- Risks due to ICT malfunctions;
- Risks connected to the relevant technological evolution;
- Risks due to relevant competition in the reference market;
- Impact on economics and balance sheet profile triggered by a deep decline in local and global economic growth;
- Dilution on profitability stemming from the acquisition campaign;
- The departure of one of few key relevant people.



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## ANALYST CERTIFICATION

This publication was prepared by **LUCA ARENA**, Head of the Equity Research Department of "Corporate Family Office SIM S.p.A." ("CFO SIM") and **GIANLUCA MOZZALI**, Equity Analyst of CFO SIM. This is to certify that the views expressed on the companies mentioned in this document reflect the analysts' personal opinions and that no direct or indirect recompense has been, or will be, received by the analyst further to the views expressed herein.

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DATE	TARGET PRICE	RATING
29/04/2020	€1.20	BUY
23/10/2019	€1.20	BUY
07/05/2019	€1.70	BUY

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

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

