

Italy – Digital

Massive contribution of acquisitions – vigorous organic growth

8th November 2018

H1-18 RESULTS RELEASE

RIC: DIGIT.MI
BBG: DIG IM

In first half of the year, the company delivered a good set of results, not only due to the acquisition boost, but also thanks to the very healthy organic growth in revenues (up 32% YoY). Excluding the goodwill amortisation, adjusted EBIT almost tripled and adjusted net profit grew by 63.5%.

Rating:

Buy

Price Target:

€ 1.60

Upside/(Downside): 35.6%

Last Price: € 1.18

Market Cap.: € 19.0

1Y High/Low: € 1.38/€ 1.02

Free Float: 21.9%

Major shareholders:

Andrea Rangone	23.9%
Mariano Corso	12.2%
Alessandro Perego	12.2%



Stock price performance

	1M	3M	12M
Absolute	-3.7%	-5.6%	-6.4%
Rel.to FTSE AIM	-0.6%	0.1%	-0.4%
Rel.to Peers	-7.5%	1.8%	-1.5%

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Buy confirmed, PT of € 1.60/s, 35.6% upside

Following the publication of H1-18 results, we have left our estimates almost unchanged, apart for the enlargement in operating working capital, which lead to slightly worse Net Financial Position estimates. We updated DCF valuation criteria bringing the Free Risk Rate up-to-date. The combined result is a PT unchanged at € 1.60/s, based on a multiple comparison, 35.6% upside. The valuation via the DCF methodology, has been heavily penalised by the sharp increase in the free risk rate from 1.80% to 3.40% also on the back of the huge weight of terminal value on total EV, i.e. 98%. We believe IPO resources are being employed to create value for shareholders, not yet shown in the figures: our estimates do not take into consideration additional external growth. Buy recommendation confirmed.

Revenues up 72%, +32% on a like-for-like basis

Revenues increased by 72% to € 11.9m, thanks to the consolidation of Effettodominio, (innovative digital agency), IQ Consulting (Industry 4.0, Supply Chain Management) and ServicePRO (complex large events). Net of these three acquisitions, the organic growth showed a notable increase of 32%. The Advisory business unit, which supports digital transformation for enterprises and Public Administration, grew by 106%. The Demand Generation business unit, which focuses on communication, marketing and lead generation activities, increased by 57%.

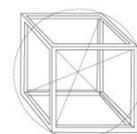
Very healthy profitability growth

The change in perimeter boosted the EBITDA, which more than doubled to € 1.5m; organically, the like-for-like increase was +23%. The new companies acquired were accretive from day one. Excluding the goodwill amortisation, EBIT adjusted almost tripled to € 0.9m and adjusted net profit grew by 63.5%. The relevant reported growth led to an increase in operating working capital, that in addition to significant capital expenditures linked also to M&A for a total consideration of € 3.0m, leading consequently to an increase in Net Financial Position to € 3.5m from € 2.6m at end-17.

Opportunities from internal and external growth

Concerning internal growth drivers, in H1-18 the management invested in the development of new Matchmaking platforms (content management, customer relationship management, marketing automation) and new vertical portals such as CyberSecurity360, Industry4Business, and Digital360Hub. Regarding external growth opportunities, the reference market is huge, growing and fragmented. Digital360 aims to generate additional business from the vast quantity of smaller and more numerous corporations and public administration and digital providers, to the benefit of volumes and scale even if with a smaller single ticket.

€ k	2016	2017	2017 PF	2018e	2019e	2020e
Sales	12,789	14,320	19,249	22,210	25,029	28,080
EBITDA	1,681	1,640	2,527	2,833	3,616	4,169
EBIT	603	283	814	710	1,143	1,711
EBIT adj.	1,043	756	1,342	1,459	1,892	2,460
Net profit	139	50	354	(79)	144	584
Net profit adj.	579	523	1,104	670	893	1,333
NFP (cash)/debt	4,802	2,570	3,912	4,499	3,984	3,282
EPS adjusted € cent	3.48	3.15	6.36	3.94	5.14	7.68
EPS adj. growth	80.0%	-9.6%	82.6%	25.2%	30.5%	49.3%
DPS ord. €/s	0.00	0.00	0.00	0.00	0.00	0.00
Free Cash Flow Yield	-13.3%	-9.6%	n.a.	-16.2%	2.7%	-4.6%
PER x	33.9	37.5	18.5	30.6	22.9	15.4
PCF x	15.6	13.5	9.2	9.3	7.3	6.2
EV/Sales x	1.93	1.60	1.33	1.23	1.07	0.82
EV/EBITDA x	14.2	13.1	10.2	9.3	7.1	5.3
EV/EBIT x	39.5	76.2	31.5	37.0	22.5	13.0



Massive profitability growth in H1-18

The company delivered a good set of results, not only due to the acquisition boost, also thanks to the healthy organic growth in revenues (up 32% YoY). Excluding the goodwill amortisation, adjusted EBIT almost tripled and adjusted net profit grew by 63.5%.

Table 1 – Digital 360, H1-18 results summary

€ k	H1-18	H1-17	% YoY
Total revenues	11,887	6,910	72.0
Services	(6,461)	(3,491)	
Personnel expenses	(3,346)	(2,093)	
Other opex	(583)	(627)	
EBITDA	1,497	698	114.4
% margin	12.6	10.1	
D&A	(987)	(608)	
EBIT	510	91	462.6
% margin	4.3	1.3	
Financials	(126)	(65)	
Re/(Devaluation) of financial assets	(50)	0	
Extraordinary	0	0	
Pre-Tax profit	334	26	n.m.
% margin	2.8	0.4	
Income taxes	(292)	(138)	
Tax rate	87.4%	526.1%	
Minorities	(213)	1	
Net Profit	(171)	(110)	n.m.
% margin	(1.4)	(1.6)	
Goodwill amortisation	(380)	(238)	
EBIT adjusted	890	329	170.8
% margin	7.5	4.8	
Net Profit adjusted	209	128	63.5

Source: Company data

Revenues increased by 72% to € 11.9m, thanks to the consolidation of Effetodomino (innovative digital agency), IQ Consulting (Industry 4.0, Supply Chain Management) and ServicePRO (complex large events). Excluding these three acquisitions, **organic growth showed a notable increase of 32%**.

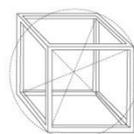
The **Advisory business unit**, which supports digital transformation for enterprises and Public Administration, grew by 106%. The **Demand Generation** business unit, which focuses on communication, marketing and lead generation activities, increased by 57%.

The change in perimeter boosted the **EBITDA, more than doubled to € 1.5m**. Organically, the like-for-like increase was +23%. The new companies acquired were accretive from day one.

Digital360 reports results according to the Italian GAAP accounting standard. In order to make the results reported by Digital360 more comparable with those of its peers, we adjusted EBIT and Net Profit by the amount of the goodwill amortisation. Excluding the goodwill amortisation, **EBIT adjusted almost tripled to € 0.9m and adjusted net profit grew by 63.5%**.

The vibrant growth pace led to an increase in net operating working capital which in addition to € 3.0m cash-out for investments led to an increase in **Net Financial Position** from € 2.6m FY-17 to € 3.5m in H1-18.

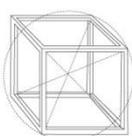
In H1-18, **management invested in the development of new Matchmaking platforms** (content management, customer relationship management, marketing automation) **and new vertical portals** such as CyberSecurity360, Industry4Business, and Digital360Hub.



Recent development

In the last couple of months, Digital360 launched a few new specific business lines, able to contribute to sustain growth and margins in the medium term.

- **New line of services in Blockchain** – from advisory to publishing with a dedicated portal and specific events. According to the IDC (Worldwide Semi-annual Blockchain Spending Guide of the International Data Corporation) the **blockchain sector has reached \$ 2.1bn worldwide, more than doubled YoY from \$ 945m in 2017**, with a projected CAGR₁₇₋₂₁ of 37.2%. Blockchain technology has introduced a real digital revolution: the related number of projects rose +73% in 2017, still concentrated in the financial sector, but with increasing importance in logistics, utilities, food, insurance, healthcare, telco and media. The recently launched online newspaper Blockchain4Innovation.it has a community of more than 60k actors amongst firm decision makers. In addition the company has introduced a set of periodic events with the Blockchain Business Revolution brand (more than 300 professionals in the first edition, more than 700 in the 2018 event). Moreover, via P4I-Partner4Innovation, Digital360 is able to propose its clients the skills required to benefit from the application of this new disruptive technology in several fields.
- **GDPR audit and control practice** - The new European regulation on personal data protection introduces new competencies for the management of information assets. Digital360 set up a new advisory area specialised in internal audit activities related to the management of a new service called "Data Protection Officer (DPO) as a service". The group provides an innovative solution to public and private organisations to identify suitable persons for the role of Data Protection Officer. P4I-Partner4Innovation is launching "DPO as a service", providing companies with a team of multidisciplinary resources able to tackle all the tasks associated with this role with professionalism and expertise.
- **Digital Customer Experience** – it is an advisory area fully dedicated to surveying and designing the User and Customer Experience of public and private companies. Via its subsidiary Partner4Innovation, the company provides an innovative solution to organisations for the redesign of their digital strategy, by analysing the interaction between their platforms and their users and customers.



Estimates, valuation and risks

We have left our estimates almost unchanged, apart for the aforementioned increase in operating working capital, which led to slightly worse Net Financial Position estimates. We updated DCF valuation criteria bringing the Free Risk Rate up-to-date. The combined result is a **PT unchanged at € 1.60/s** FD, based on a multiple comparison. The valuation via the DCF methodology, has been heavily penalised by the sharp increase in the free risk rate from 1.80% to 3.40% also on the back of the huge weight of terminal value on total EV, i.e. 98%.

The reference market is huge, growing and fragmented. Digital360 aims to generate additional business from the vast quantity of smaller and more numerous corporations and public administration and digital providers, to the benefit of volumes and scale even if with a smaller single ticket.

The effectiveness of group strategy is confirmed and management is always seeking small new acquisitions. We believe **IPO resources are being employed to create value for shareholders**, not yet shown in the figures: our estimates do not take into consideration additional external growth. **Buy recommendation confirmed.**

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 a really 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 seven 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 company, the lower the margins' is not true: the higher EBITDA margins come from J2 Global and Relx NV, 40.3% and 32.3% with a market capitalization of € 3.0bn and € 34.2bn respectively. Digital360 presents lower than average profitability but by far the highest growth perspectives compared to the peer median.

Applying to Digital360 metrics the 25% discounted peer median multiples for EV/Sales, EV/EBITDA and PER **we attain an equity valuation of Digital360 of € 1.60/s, realised using 2018 and 2019 estimates and multiples, with a 35.6% upside to current prices.**

Table 2 - Digital 360, peer group summary table

€ m	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA %	Sales CAGR ₁₆₋₁₉	EBITDA CAGR ₁₆₋₁₉	EBIT CAGR ₁₆₋₁₉	EPS CAGR ₁₇₋₁₉	NFP FY1	NFP/EBITDA FY1
Forrester Research Inc	689	313	39	12.3%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Gartner Inc	11,582	3,405	627	18.4%	15.7%	36.0%	77.5%	15.2%	1,852	3.0
j2 Global Inc	3,283	1,055	428	40.5%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Quinstreet Inc	751	420	42	10.0%	15.3%	49.1%	n.a.	34.4%	(39)	n.m.
Relx NV	34,750	8,520	2,755	32.3%	3.7%	5.0%	6.3%	5.0%	39	0.0
TechTarget Inc	493	107	27	25.0%	14.8%	n.a.	n.a.	n.a.	(4)	n.m.
Walters Kluwer NV	14,111	4,313	1,178	27.3%	1.9%	2.7%	8.0%	6.6%	1,956	1.7
Median	3,283	1,055	428	25.0%	14.8%	20.5%	8.0%	10.9%	39	1.7
Digital360	19	22	3	12.8%	25.2%	36.5%	82.2%	41.1%	4	1.6

Source: CFO Sim, Thomson Reuters Eikon

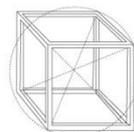


Table 3 - Digital 360, peer group EV & price multiple table

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.	29.9	25.5	n.a.
Gartner Inc	3.95	3.49	3.0	21.4	19.1	16.1	38.1	33.5	28.7
j2 Global Inc	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	12.1	11.1	n.a.
Quinstreet Inc	1.70	1.45	1.2	16.9	12.3	9.90	25.7	19.1	14.2
Relx NV	4.08	3.92	3.8	12.6	12.0	10.3	18.5	17.5	16.8
TechTarget Inc	4.58	4.05	n.a.	18.4	14.4	n.a.	33.5	24.1	n.a.
Wolters Kluwer NV	3.73	3.53	3.3	13.6	12.8	11.7	21.2	19.8	18.6
Median	3.95	3.53	3.1	16.9	12.8	11.0	25.7	19.8	17.7
Digital360 SpA	1.06	0.92	0.79	8.3	6.4	5.3	28.4	21.3	14.2
Prem/(disc) to median	(73.2)	(74.0)	(74.8)	(50.9)	(50.3)	(51.6)	10.5	7.2	(19.5)

Source: CFO Sim, Thomson Reuters Eikon

Table 4 - Digital 360, 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
Median peers	3.95	3.53	3.15	16.9	12.8	11.0	25.7	19.8	17.7
Digital 360 metrics	22,210	25,029	28,080	2,833	3,616	4,169	670	893	1,333
NFP	4,499	3,984	3,282	4,499	3,984	3,282			
Put & call adjustments	2,761	2,761	0	2,761	2,761	0			
Digital 360 Equity Value (€ k)	58,462	59,432	63,041	28,640	27,951	31,230	12,891	13,286	17,695
# shares FD m	17.4	17.4	17.4	17.4	17.4	17.4	17.4	17.4	17.4
Digital 360 Equity Value €/s FD €	3.37	3.42	3.63	1.65	1.61	1.80	0.74	0.77	1.02

Source: CFO Sim, Thomson Reuters Eikon

DCF

In the valuation via the DCF method explicit estimates until 2022 and long term growth of 2.5% were used. Cash flows were discounted back at an weighted average cost of capital calculated according to the following parameters:

Table 5 - WACC derived from:

Interest costs, pre-tax	2.5%
Tax rate	45.0%
Int. costs, after taxes	1.4%
Risk premium, incl. small size premium	9.0%
Risk-free (10Y Gov. Bond 2W average)	3.40%
Beta levered (x)	0.80
Required ROE	10.6%

Source: CFO Sim

Table 6 - Digital 360, DCF model

€ k	2018e	2019e	2020e	2021e	2022e	Term. Val.
EBIT	710	1,143	1,711	2,481	3,473	
Tax rate	55.0%	54.0%	43.0%	43.0%	43.0%	
Operating profit (NOPAT)	320	526	975	1,414	1,980	
Change working capital	(2,732)	(138)	(375)	(50)	(5)	
Depreciation	2,123	2,473	2,458	2,500	1,100	
Investments	(3,430)	(1,850)	(3,428)	(1,100)	(1,100)	
Free Cash Flows	(3,720)	1,011	(370)	2,764	1,975	38,139
Present value	(3,678)	927	(315)	2,181	1,446	27,920
WACC	7.8%	7.8%	7.8%	7.8%	7.8%	
Long-term growth rate	2.5%					

Source: CFO Sim

The balance sheet structure adopted for WACC calculation, is based on an optimal financial leverage 70-30 equity-debt balance vs. 85-15 current situation.

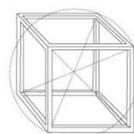


Table 7 – Digital 360, DCF per share derived from:

€ k	
Total EV present value € k	28,481
	<i>thereof terminal value</i>
	98.0%
NFP last reported	(3,500)
Put & call	(2,761)
Pension last reported	(699)
Equity value € k	21,522
# shares FD m	17.4
Equity value €/s FD	1.20
<i>% upside/(downside)</i>	<i>1.7%</i>

Source: CFO Sim

The application of the model produces an equity value of € 17.4m, which means € **1.20/s**. The valuation via the DCF methodology, has been **heavily penalised by the sharp increase in the free risk rate from 1.80% to 3.40%** since our latest publication on Digital360, also on the back of the huge weight of terminal value on total EV, i.e. 98%.

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value per share of between € 1.03–1.52 (perpetuity range of between 1.75% and 3.25%), while 2) compared to changes in the free risk rate produces an equity value/s of € 1.06–1.46 (free risk range of between 4.15% and 2.65%) and 3) compared to changes in the risk premium, including small size premium results into an equity value/s of € 0.97-1.61 (risk premium range of between 7.5% and 10.5%)

Table 8 – Digital 360, 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	561	561	561	561	561	561	561
PV of terminal value	24,284	25,392	26,599	27,920	29,372	30,974	32,753
Total value	24,845	25,953	27,160	28,481	29,933	31,535	33,314
NFP last reported	(3,500)	(3,500)	(3,500)	(3,500)	(3,500)	(3,500)	(3,500)
Put & call	(2,761)	(2,761)	(2,761)	(2,761)	(2,761)	(2,761)	(2,761)
Pension last reported	(699)	(699)	(699)	(699)	(699)	(699)	(699)
Equity value € k	17,886	18,994	20,201	21,522	22,974	24,576	26,355
# shares FD m	17.4	17.4	17.4	17.4	17.4	17.4	17.4
Equity value €/s FD	1.03	1.09	1.16	1.20	1.32	1.42	1.52

Source: CFO Sim

Table 9 – Digital 360, equity value sensitivity to changes in free risk rate

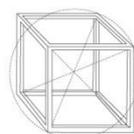
€ k	2.65%	2.90%	3.15%	3.40%	3.65%	3.90%	4.15%
Present value of CF	624	602	582	561	540	520	500
PV of terminal value	31,619	30,297	29,067	27,920	26,848	25,843	24,900
Total value	32,243	30,900	29,649	28,481	27,388	26,363	25,400
NFP last reported	(3,500)	(3,500)	(3,500)	(3,500)	(3,500)	(3,500)	(3,500)
Put & call	(2,761)	(2,761)	(2,761)	(2,761)	(2,761)	(2,761)	(2,761)
Pension last reported	(699)	(699)	(699)	(699)	(699)	(699)	(699)
Equity value € k	25,284	23,941	22,690	21,522	20,429	19,404	18,441
# shares FD m	17.4	17.4	17.4	17.4	17.4	17.4	17.4
Equity value €/s FD	1.46	1.38	1.31	1.20	1.18	1.12	1.06

Source: CFO Sim

Table 10 – Digital 360, 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	661	627	594	561	528	496	464
PV of terminal value	34,226	31,873	29,785	27,920	26,245	24,733	23,361
Total value	34,888	32,501	30,379	28,481	26,773	25,229	23,825
NFP last reported	(3,500)	(3,500)	(3,500)	(3,500)	(3,500)	(3,500)	(3,500)
Put & call	(2,761)	(2,761)	(2,761)	(2,761)	(2,761)	(2,761)	(2,761)
Pension last reported	(699)	(699)	(699)	(699)	(699)	(699)	(699)
Equity value € k	27,929	25,541	23,420	21,522	19,814	18,270	16,866
Equity value €/s FD	17.4	17.4	17.4	17.4	17.4	17.4	17.4
Source: CFO Sim	1.61	1.47	1.35	1.20	1.14	1.05	0.97

Source: CFO Sim



Peer stock 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 **above the IPO price**, and reached 1Y maximum of € 1.38/s on 28-Sep and a minimum of € 1.02 on 06-Jul. The stock outperformed the peer median and indexes in the last 6M.

Table 11 - Digital 360, peer group absolute performance

	1D	1W	1M	3M	6M	YTD	1Y
Forrester Research Inc	3.9	7.0	2.9	(4.8)	1.5	(2.5)	(3.4)
Gartner Inc	2.4	(1.3)	(0.7)	5.3	9.0	18.2	23.6
j2 Global Inc	1.7	4.6	3.8	(11.0)	(12.9)	1.5	2.3
Quinstreet Inc	5.6	9.9	32.9	33.2	36.7	108.6	88.8
Relx NV	1.5	3.1	4.2	(7.7)	(6.8)	(14.5)	(12.1)
TechTarget Inc	(0.2)	0.5	5.8	(29.6)	(6.5)	46.8	62.7
Wolters Kluwer NV	0.8	0.6	1.2	(7.4)	11.6	16.0	19.0
Peers median	1.7	3.1	3.8	(7.4)	1.5	16.0	19.0
Digital360 SpA	0.0	1.7	(3.7)	(5.6)	0.0	(6.9)	(6.4)

Source: Thomson Reuters Eikon

Table 12 – Digital 360 relative performances

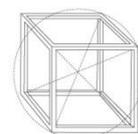
	1D	1W	1M	3M	6M	YTD	1Y
To Peers median	(1.7)	(1.3)	(7.5)	1.8	(1.5)	(22.9)	(25.4)
To MSCI World Index	(1.6)	(1.4)	(3.5)	(1.8)	1.2	(6.0)	(8.3)
To EUROSTOXX	(1.2)	0.2	(3.1)	1.9	9.3	0.1	3.3
To FTSE Italia All Share	(1.4)	(0.8)	(2.8)	5.0	19.1	4.2	8.8
To FTSE STAR Italia	(2.3)	(1.7)	(1.6)	5.3	14.0	2.1	6.1
To FTSE AIM Italia	(0.6)	0.1	(3.6)	(1.2)	2.8	(3.5)	(0.4)

Source: Thomson Reuters Eikon

Risks

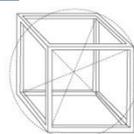
The principal investment **risks** in Digital360 include:

- 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.





Income statement (€ k)	2016	2017	2018e	2019e	2020e
Total revenues	12,789	14,320	22,210	25,029	28,080
Services	(7,043)	(7,347)	(12,604)	(14,118)	(16,209)
Personnel expenses	(3,559)	(4,375)	(5,257)	(5,582)	(5,775)
Other opex	(507)	(958)	(1,516)	(1,713)	(1,927)
EBITDA	1,681	1,640	2,833	3,616	4,169
D&A	(1,078)	(1,357)	(2,123)	(2,473)	(2,458)
EBIT	603	283	710	1,143	1,711
EBIT adjusted	1,043	756	1,459	1,892	2,460
Financials	(120)	(215)	(226)	(135)	(149)
Re/(Devaluation) of financial assets	(57)	0	0	0	0
Extraordinary	0	0	0	0	0
Pre-Tax profit	425	68	484	1,008	1,562
Income taxes	(282)	(15)	(266)	(544)	(671)
Minorities	(4)	(3)	(297)	(320)	(306)
Net Profit	139	50	(79)	144	584
Net Profit adjusted	579	523	670	893	1,333
Balance sheet (€ k)	2016	2017	2018e	2019e	2020e
Net Working Capital	3,148	3,210	5,942	6,080	6,455
Net Fixed Assets	6,032	6,869	7,930	7,307	7,193
Equity Investments	288	182	182	182	182
Other M/L Term A/L	(1,021)	96	(649)	(216)	195
Net Invested Capital	8,447	10,357	13,405	13,353	14,024
Net Financial Position	4,802	2,570	4,499	3,984	3,282
Minorities	5	8	305	625	931
Group's Shareholders Equity	3,640	7,779	8,600	8,744	9,811
Financial Liabilities & Equity	8,447	10,357	13,405	13,353	14,024
Cash Flow statement (€ k)	2016	2017	2018e	2019e	2020e
Total net income	139	50	(79)	144	584
Depreciation	1,078	1,357	2,123	2,473	2,458
Other non-cash charges	253	(1,336)	1,043	(113)	(105)
Cash Flow from Oper. (CFO)	1,470	71	3,086	2,503	2,938
Change in NWC	(1,048)	(62)	(2,732)	(138)	(375)
FCF from Operations (FCFO)	422	9	354	2,365	2,562
Net Investments (CFI)	(2,936)	(1,765)	(3,184)	(1,850)	(2,343)
Free CF to the Firm (FCFF)	(2,514)	(1,756)	(2,830)	515	219
CF from financials (CFF)	1,621	3,577	1,959	(1,050)	483
Free Cash Flow to Equity (FCFE)	(893)	1,821	(870)	(535)	702
Financial ratios	2016	2017	2018e	2019e	2020e
EBITDA margin	13.1%	11.5%	12.8%	14.4%	14.8%
EBIT margin	4.7%	2.0%	3.2%	4.6%	6.1%
Net profit margin	1.1%	0.4%	-0.4%	0.6%	2.1%
Tax rate	66.3%	21.9%	55.0%	54.0%	43.0%
Op NWC/Sales	24.6%	22.4%	26.8%	24.3%	23.0%
Interest coverage x	0.20	0.76	0.32	0.12	0.09
Net Debt/EBITDA x	2.86	1.57	1.59	1.10	0.79
Debt-to-Equity x	1.32	0.33	0.52	0.46	0.33
ROIC	1.6%	0.5%	-0.6%	1.1%	4.2%
ROCE	6.4%	2.1%	4.5%	7.7%	10.6%
ROACE	7.1%	2.5%	4.9%	7.5%	11.0%
ROE	3.8%	0.6%	-0.9%	1.6%	6.0%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Per share figures	2016	2017	2018e	2019e	2020e
Number of shares # m	15.37	15.37	16.09	16.09	16.09
Number of shares Fully Diluted # m	16.62	16.62	17.35	17.35	17.35
Average Number of shares Fully Diluted # n	16.62	16.62	16.99	17.35	17.35
EPS stated FD € cent	0.84	0.30	(0.47)	0.83	3.36
EPS adjusted FD € cent	3.48	3.15	3.94	5.14	7.68
EBITDA € cent	101.11	98.65	166.78	208.37	240.27
EBIT € cent	36.28	17.03	41.82	65.87	98.60
BV € cent	219.34	468.51	513.20	539.92	619.06
FCFO € cent	25.37	0.54	20.85	136.31	147.67
FCFF € cent	(151.25)	(105.65)	(166.59)	29.70	12.62
FCFE € cent	(53.74)	109.56	(51.24)	(30.81)	40.47
Dividend € cent	0.00	0.00	0.00	0.00	0.00



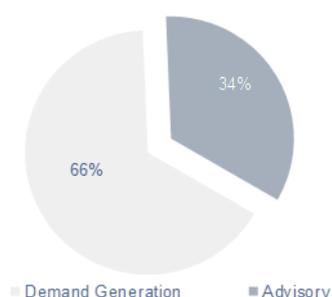
The company at a glance

Digital360 is a leading Italian B2B player in the digital innovation arena, offering editorial content, communication and marketing services, lead generation, events, advisory and coaching support. 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 - editorial content, communication and marketing services, lead generation, events and webinars, in digital innovation; and 2) Advisory - advisory and coaching services supporting digital innovation of firms and PAs.

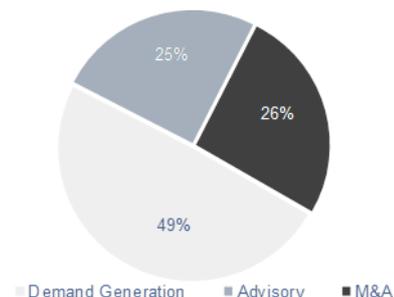
The group has grown significantly in recent years: pro-forma turnover CAGR₁₁₋₁₇ is 56%, boosted by acquisitions, 6 companies between 2012 and 2014 (adding € 6.0m revenues) and 3 acquisitions in Q1-18 (included in 2017 pro-forma data adding € 5.0m turnover). In the same period, taking into consideration 2017 pro-forma figures, EBITDA soared from € 0.2m to € 2.5m, 53% CAGR. Digital360 provided FY-17 pro-forma figures, reflecting the inclusion in the scope of consolidation of the three companies acquired in the course of Q1-18. Turnover grew 50% to € 19.2m, o/w 25.8% stemming from M&A, i.e. € 5.0m. EBITDA pro-forma totalled € 2.5m, 13.1% margin: the acquisition had an accretive impact on consolidated EBITDA margin. EBIT reached 4.2% on revenues, if adjusted for the goodwill amortisation, EBIT adj. amounted to € 1.6m, 8.1% margin. Bottom line came at € 354k, and adjusted for the goodwill amortisation (including the recent acquisitions), it reached € 1.1m. NFP including the first outlay related to the acquisitions was € 3.9m, 1.5x EBITDA pro-forma. Currently 100% of business is generated in Italy. 66% of 2017 sales was generated by the Demand Generation division, with more than 440 clients. The remainder came from the Advisory business unit, with some 140 customers.

Digital 360 was listed on 13 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.

2017 revenues reported and...



...pro-forma breakdown by BU



Shareholder structure

	%	# m
Andrea Rangone	23.9%	3.850
Mariano Corso	12.2%	1.968
Alessandro Giuseppe Perego	12.2%	1.968
Raffaello Balocco	4.9%	0.782
Other <4%	24.9%	4.003
Free Float	21.9%	3.519
Total	100.0%	16.092

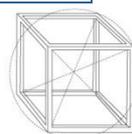
Peer group absolute performance

	1D	1W	1M	3M	6M	YTD
Forrester Research Inc	3.9	7.0	2.9	(4.8)	1.5	(2.5)
Gartner Inc	2.4	(1.3)	(0.7)	5.3	9.0	18.2
j2 Global Inc	1.7	4.6	3.8	(11.0)	(12.9)	1.5
Quinstreet Inc	5.6	9.9	32.9	33.2	36.7	108.6
Relx PLC	1.5	3.1	4.2	(7.7)	(6.8)	(14.5)
TechTarget Inc	(0.2)	0.5	5.8	(29.6)	(6.5)	46.8
Wolters Kluwer NV	0.8	0.6	1.2	(7.4)	11.6	16.0
Peers median	1.7	3.1	3.8	(7.4)	1.5	16.0
Digital360 SpA	0.0	1.7	(3.7)	(5.6)	0.0	(6.9)

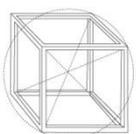
Peers group multiples table

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.	29.9	25.5	n.a.
Gartner Inc	3.95	3.49	3.0	21.4	19.1	16.1	38.1	33.5	28.7
j2 Global Inc	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	12.1	11.1	n.a.
Quinstreet Inc	1.70	1.45	1.2	16.9	12.3	9.90	25.7	19.1	14.2
Relx PLC	4.08	3.92	3.8	12.6	12.0	10.3	18.5	17.5	16.8
TechTarget Inc	4.58	4.05	n.a.	18.4	14.4	n.a.	33.5	24.1	n.a.
Wolters Kluwer NV	3.73	3.53	3.3	13.6	12.8	11.7	21.2	19.8	18.6
Median	3.95	3.53	3.1	16.9	12.8	11.0	25.7	19.8	17.7
Digital360 SpA	1.06	0.92	0.79	8.3	6.4	5.3	28.4	21.3	14.2
Premium/(discount) to median	(73.2)	(74.0)	(74.8)	(50.9)	(50.3)	(51.6)	10.5	7.2	(19.5)

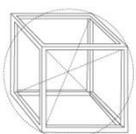
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DATE	TARGET PRICE	RATING
08/11/2018	€1.60	BUY
18/04/2018	€1.60	BUY
13/10/2017	€1.35	NEUTRAL

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