

Italy – Digital

Move to innovative “As-A-Service” business model

7th May 2019

FY-18 RESULTS RELEASE

RIC: DIGT.MI
BBG: DIG IM

DIGITAL360 reported FY-18 results, revenues in line with CFO estimates. Top line grew thanks both to the contribution of the 3 acquired companies and organic growth. The transformation of the offer towards new innovative “As-A-Service” business models will contribute positively in the next years, also thanks to a higher percentage of recurring revenues.

Rating:

Buy

Price Target:

€ 1.70 (€ 1.60)

Upside/(Downside): 58.9%

Last Price: € 1.07

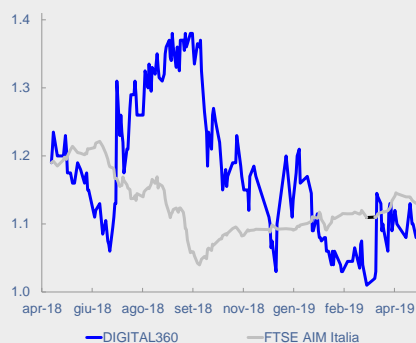
Market Cap.: € 17.2

1Y High/Low: € 1.38/€ 0.99

Free Float: 21.9%

Major shareholders:

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



Stock price performance

	1M	3M	12M
Absolute	1.9%	0.0%	-10.8%
Rel.to AIM Italia	-1.5%	0.9%	-5.4%
Rel.to peers	-1.5%	-12.5%	-24.0%

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Buy reiterated, new PT of € 1.70/s (€ 1.60/s), 58.9% upside

Following the publication of FY-18 results, we have left our estimates basically unchanged, apart for: 1) a slight increase in the top line, 2) the fine tuning of cost structure and 3) the enlargement in operating working capital, which leads to slightly worse Net Financial Position estimates. We have also introduced 2021 estimates. The combined result is a PT of € 1.70/s (€ 1.60/s), based on a multiple comparison, corroborated by the DCF. Appealing 58.9% upside: Buy reiterated.

Revenues up 57.2% to € 22.5m, +21% organic growth

Revenues increased by 57.2% to € 22.5m, in line with our estimates, thanks to solid organic growth (+21%) and the contribution of the 3 recently acquired companies. In particular, the Advisory&Coaching business unit recorded a massive increase, equal to +78% YoY, mainly thanks to organic growth, while the Demand Generation business unit grew by 45% YoY, driven by the acquisitions made during 2018.

EBITDA at € 2.6m and NFP reached € 4.6m, 1.8x EBITDA

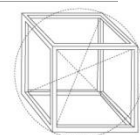
EBITDA was € 2.6m, 11.4% margin, increased by 56.6% YoY, slightly lower than our estimates, also because of one-off costs related to the change in business model. The increase was driven by positive contribution of the new companies but also thanks to a mid-single digit growth like for like (+6%). EBIT adjusted increased by 50.8%, reaching € 1.1m. With the same perimeter EBIT adj. fell by 27% respect to € 756k in 2017, because of higher D&A, mainly related to intangible assets (investments for new innovative “As-A-Service” business models). Net Profit adjusted was € 0.6m, 2.6% margin. Net Financial Position grew to € 4.6m from € 2.6m at Dic-17, because of investments (€ 2.2m) and acquisitions (€ 1.3m) realised during 2018. Net Equity reached € 8.6m (€ 7.8m at the end of 2017), as a consequence of the € 0.9m capital increase closed in 1H-18.

New innovative “As-A-Service” business model

The investment plan carried out in 2018 was based on technological platforms innovation, in order to develop the new business model. In detail, 1) Development of new CMS, CRM and marketing automation tools; 2) New web portals and renewal of existing ones; 3) A new Digital Marketing & Sales Engine model according to an “As-A-Service” approach; 4) A new Advisory “As-A-Service” model. The new “As-A-Service” approach, based on monthly fees, will bring more recurring revenues over time, improving turnover visibility. In addition, thanks to the contribution of the companies acquired during 2018, DIGITAL360 will be able to integrate its business model with new activities which are highly complementary with those already provided by the group, laying the foundations for important future developments.

DIGITAL360, key financials and ratios

€ k	2017	2018	2019e	2020e	2021e
Sales	14,320	22,513	26,381	30,208	34,139
EBITDA	1,640	2,569	3,181	4,008	5,039
EBIT	283	390	702	1,329	1,837
EBIT adj.	756	1,144	1,456	2,083	2,591
Net profit	50	(436)	(159)	200	806
Net profit adj.	523	318	596	954	1,560
NFP (cash)/debt	2,570	4,566	7,049	6,162	5,919
EPS adjusted € cent	3.15	1.87	3.43	5.50	8.99
EPS adj. growth	-9.6%	-40.5%	83.1%	60.1%	63.6%
DPS ord. €/s	0.00	0.00	0.00	0.00	0.00
Free Cash Flow Yield	-10.6%	-23.5%	-5.4%	5.1%	1.4%
PER x	34.0	58.3	31.2	19.5	11.9
PCF x	12.2	9.9	7.4	6.0	4.3
EV/Sales x	1.47	1.11	1.04	0.88	0.77
EV/EBITDA x	12.1	9.5	8.4	6.5	5.1
EV/EBIT x	69.9	62.5	38.2	19.5	14.0



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 toward 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.

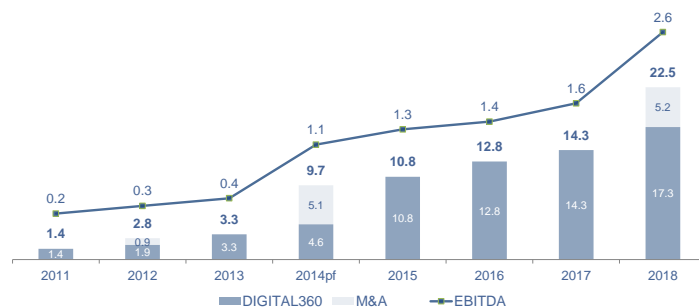
Chart 1 – DIGITAL360, 2018 – 2017 revenues breakdown by BU



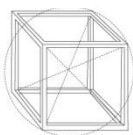
Source: Company data

The group has grown significantly in recent years: **turnover CAGR₁₁₋₁₈ is 49%, boosted by acquisitions, 9 companies in rapid succession between 2012 and 2018**, adding a total of € 11.2m revenues. In the same period, **EBITDA soared from € 0.2m to € 2.6m, 44% CAGR**. FY-18 revenues totalled € 22.5m, up 57.2% YoY, EBITDA reached € 2.6m, 11.5% margin and net profit adj. came in at € 0.6m, 2.6% on sales. Net Financial Position reached € 4.6m, 1.8x EBITDA and 0.6x Shareholders Equity. **Currently 100% of business is generated in Italy**. 57% of 2018 sales were generated by the Demand Generation division, the remainder came from the Advisory&Coaching business unit.

Chart 2 – DIGITAL360, 2011 – 2018 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 some ten start-ups.**

DIGITAL360 major shareholders are Andrea Rangone with a 23.9% stake, Mariano Corso and Alessandro Perego with a 12.2% interest each and other professionals with relevant experience in digital transformation. The free float is 21.9%

2. The DIGITAL360 listing

DIGITAL360 was listed last 13th 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.

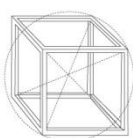
The pre-IPO shareholders will have a 36-month lock-up period, as well as the key employee share subscribers.

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

Table 1 – DIGITAL360, updated shareholder structure (May-19)

	Issued Number of Shares			Fully Diluted Number of Shares		
	%	# m	€ m	%	# m	€ m *
Andrea Rangone	23.9%	3.850	4.1	22.2%	3.850	6.2
Mariano Corso	12.2%	1.968	2.1	12.1%	2.097	3.4
Alessandro Giuseppe Perego	12.2%	1.968	2.1	12.1%	2.097	3.4
Raffaello Balocco	4.9%	0.782	0.8	4.8%	0.829	1.3
Other <4%	24.9%	4.003	4.2	23.6%	4.103	6.6
Free Float o/w	21.9%	3.519	3.7	25.2%	4.375	7.0
Convertible bond new	-	-	-	4.9%	0.845	1.4
Total	100.0%	16.092	17.0	100.0%	17.353	27.8

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 currently at some € 30bn in Italy** (Assintel 2019) and 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 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 2018 the IoT market was valued at some € 5.0bn, +35% YoY, the cloud market was worth € 2.3bn, + 19% YoY, the analytics market was some € 1.4bn, +26% YoY, information security and privacy market values € 1.2bn, +9% YoY and the ecommerce business to consumer market € 27.4bn up 16% vs. 2017. **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.

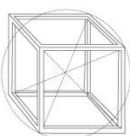
In this context, **DIGITAL360 offers firms and PAs willing to introduce digital innovation a clear view of what to do and a way to find appropriate providers.** Additionally, **DIGITAL360 helps digital innovation suppliers** (IT vendors, system integrators, software houses, startups...) **to meet new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

3.2. The reference market: Advisory&Coaching division

In 2018 the Italian Advisory and Management Consulting market was seen to increase by 8.3%, broadly in line vs. the 7.8% increase reported in 2017. In particular, **the specific reference market for DIGITAL360**, i.e. the area of support to Digital Transformation, represents the fastest growing segments with the share of consulting activities focused on this segment growing from an estimated 40% in 2014 to some 96% in 2018 for large players, from 25% to some 60% in middle companies, from 14% to some 32% in small companies (source: assoconsult 2018). Two main drivers of this 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 2 types of services: Custom projects and Engineered 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 allow 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

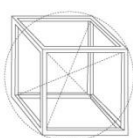
Via the Demand Generation business unit, DIGITAL360 supports tech providers in marketing and lead generation activities. In 2018 the innovative *Digital Marketing & Sales Engine* approach was developed, integrating publishing and technological assets together with multidisciplinary skills, in order to manage client marketing and lead generation activities end-to-end. Thanks to the "Engine" the strategy of this business area is increasingly **moving toward the offering of recurrent "As-A-Service" solutions**. In 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 seamlessly 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 two 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 is 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.

Currently more than 50% of revenues come from engineered projects, granting higher margins than traditional customised projects. At the same time, this leads to a reduction in the risk of not obtaining planned project performance. DIGITAL360 advisory services are organised in 9 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 **large significantly fragmented market**. The competitive environment differs between the two business units, Demand Generation and Advisory. More generally, DIGITAL360 distinctive competitive advantages are:

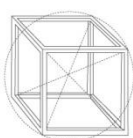
- **Expertise, experience and reputation** in the digital innovation market, coupled with unique competencies and methodologies;
- **Ability to effectively interact digital transformation into B2B** traditional channel communication, events, lead generation and advisory;
- **Track record in the acquisition 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:



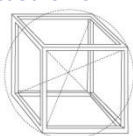
- **Generalist editors**, offering marketing and advertising services to large digital companies for solutions and event organisation. Generally based on a traditional magazine structure, with partial and bolt-on presence in digital innovation and entrepreneurship themes. It is difficult for them to 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

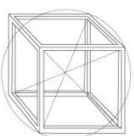
DIGITAL360 operates in the **in the digital innovation market**, the largest generalist market from which every firm and PA entity is either purchasing or will have to purchase from in the immediate future, **valued at some € 30bn in Italy** and characterised by high-single-digit steady growth and by 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 FY-18 DIGITAL360 purchased 3 companies (Effetodomino, ServicePro and IQConsulting), which will be gradually integrated in 2019. Furthermore the scouting of innovative small companies and startups 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 2018: 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

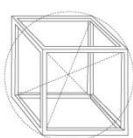
- ❑ Current exposure just to **domestic market**, heavy dependence on one single country
- ❑ Limited **size** in the international competitive arena
- ❑ Few key relevant people represent **vital asset** for the company

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-18 Results

DIGITAL360 reported FY-18 results, revenues in line with CFO estimates. Top line grew thanks both to the contribution of the 3 companies acquired and organic growth. The transformation of the offer towards new innovative "As-A-Service" models contributed positively, also thanks to a higher percentage of recurring revenues.

Table 2 – DIGITAL360, FY-18 results

€ k	2018	2017	% YoY	2018e	% Diff.
Total revenues	22,513	14,320	57.2	22,210	1.4
Services	(12,571)	(7,347)		(12,604)	
Personnel expenses	(5,935)	(4,375)		(5,257)	
Other opex	(1,439)	(958)		(1,516)	
EBITDA	2,569	1,640	56.6	2,833	(9.3)
% margin	11.4	11.5		12.8	
D&A	(2,179)	(1,357)		(2,123)	
EBIT	390	283	37.7	710	(45.1)
% margin	1.7	2.0		3.2	
Financials	(271)	(215)		(226)	
Re/(Dev.) of fin. assets	(50)	0		0	
Extraordinary	0	0		0	
Pre-Tax profit	69	68	1.5	484	(85.8)
% margin	0.3	0.5		2.2	
Income taxes	(244)	(15)		(266)	
Tax rate	n.m.	21.9%		55.0%	
Minorities	(260)	(3)		(297)	
Net Profit	(436)	50	n.m.	(79)	n.m.
% margin	(1.9)	0.4		(0.4)	
Goodwill amortisation	754	473		749	
EBIT adjusted	1,144	756	51.3	1,459	(21.6)
% margin	5.1	5.3		6.6	
Net Profit adjusted	318	523	(39.2)	670	(52.5)
% margin	1.4	3.7		3.0	

Source: Company data, CFO Sim estimates

Revenues increased by 57.2% to € 22.5m, thanks to double digit organic growth (+21%) and the contribution of the 3 companies acquired. In particular, the **Advisory&Coaching** business unit recorded a huge increase, equal to **+78% YoY**, mainly thanks to organic growth, while the **Demand Generation** business unit **grew by 45% YoY**, driven by the acquisitions made during 2018.

EBITDA was € 2.6m, 11.4% margin, up 56.6% YoY, slightly lower than our estimates, also because of one-off costs related to the change in business model (i.e. in 2H-18 the boost of new innovative services produced higher operating costs, fully counterbalanced in the first months of 2019 with the closing of all printed newspapers, which will produce significant cost savings for 2019-20). The increase was driven by the positive contribution of the new companies but also thanks to a mid-single digit organic growth (+6%).

EBIT adjusted increased by 50.8%, reaching € 1.1m. With the same perimeter EBIT adj. fell by 27% with respect to € 756k in 2017, because of higher D&A mainly related to intangible assets (investments for new innovative "As-A-Service" models). **Net Profit adjusted** was € 0.6m, 2.6% margin.

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, EBIT and Net Profit are been adjusted by the amount of the goodwill amortisation.

Net Financial Position grew to € 4.6m from € 2.6m at Dic-17, as a consequence of the investments (€ 2.2m) and the acquisitions realized during 2018 (€ 1.3m). Net Equity reached € 8.6m (€ 7.8m at the end of 2017), mainly thanks to the € 0.9m capital increase closed in H1-18.



The **investment plan carried out in 2018** was based on a technological platforms innovation, **in order to develop the new “As-A-Service” business model**. In detail:

- Development of the **technological platforms**: Content Management System – CMS, Customer Relationship Management – CRM, marketing automation, etc.
- **New web portals** (CyberSecurity360, Industry4Business, Digital360Hub, Riskmanagement360) and renewal of existing ones (Digital4, EconomyUp, ForumPA).
- A new **Digital Marketing & Sales Engine** model according to a “As-A-Service” approach, which will bring recurring revenues through the time.
- A new **Advisory “As-A-Service”** model: provides advisory services and supports customers on an ongoing basis, by leveraging the engineering and systematisation of knowledge.

During 2018, consistent to the strategy announced at the time of the IPO, the company also boosted its growth via three bolt-on acquisitions:

- **Effetodomino** - last Nov-18 DIGITAL360 acquired the minority stake (49%) of this innovative **digital agency and lead generation player**, established in 2015 with the aim of supporting companies in the evolution of marketing and sale processes via the implementation of digital strategies. This acquisition allows the enlargement and enrichment of the group online selling proposition.

DIGITAL360 in Jan-18 paid € 350k EV, cash, o/w € 250k at the closing and € 100k within 12M for 51% (paid in the first months of 2019). In Nov-18 the remaining 49% of the company was acquired by DIGITAL360 for € 300k cash. **In Dic-18 Effetodomino was merged in ICT&Strategy (fully owned by DIGITAL360).**

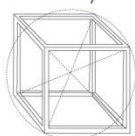
- **IQ Consulting** – in Mar-18, DIGITAL360 purchased 51% with an option for the remainder. IQ Consulting is an academic spin-off active in the **fields of Industry 4.0 and Supply Chain Management**. Thanks to the integration with the DIGITAL360 Advisory team, this acquisition reinforces group skills in the Smart Supply Chain Management and Smart Operations segments, a key aspect for the digital transformation process.

The company paid the 51% stake in shares, via a reserved right issue for a total EV consideration of € 400k. The remaining 49% will be purchased at 2020-21 multiple on sales and EBITDA, cash up to € 250k and for the remaining in cash and/or shares. IQ consulting has turnover of some € 700k and an EBITDA close to € 100k.

- **ServicePRO** – also in Mar-18 DIGITAL360 announced the acquisition of a 51% stake, with an option for the remainder, of this marketing agency. ServicePRO targets **large technological solution vendors and is specialised in the realisation of complex medium-large events** and in the management of demand and lead generation campaigns. The move generates immediate synergies in terms of market positioning and selling proposition.

DIGITAL360 purchased 51% of ServicePRO for € 2.3m EV, o/w € 1.55m cash at the closing date and € 750k cash in Feb-19. Following the publication of FY-20 results, DIGITAL360 will purchase the residual 49% at a certain multiple on EBITDA 18-19-20. ServicePRO in 2018 had revenues of € 3.9m and an EBITDA margin to the tune of 18.0% in 2018.

Thanks to these acquisitions DIGITAL360 will be able to integrate its business model with new activities which are highly complementary with those already provided, laying the foundations for an important development in the future. In particular the new companies strength the skill and the market positioning of DIGITAL360 in the field of 1) “*marketing automation*” and new inbound marketing services, 2) digital transformation and Industry 4.0 and 3) the management of demand and lead generation campaigns.



9. Estimates, valuation & risks

The company delivered a solid set of results, with revenues in line with our projections, driven by the contribution of the 3 companies acquired as well as solid organic growth. The offer transformation towards new innovative “As-A-Service” models will contribute positively, also thanks to a higher percentage of recurring revenues. On the back of the publication of 2018 results, we have updated our model. We have left our estimates basically unchanged, apart for 1) a slight increase in the top line, 2) the fine tuning of cost structure and 3) the enlargement in operating working capital, which lead to slightly worse Net Financial Position estimates. We have also introduced 2021 estimates.

Moreover, we updated DCF valuation criteria bringing the Free Risk Rate up-to-date. The combined result is a **new PT of € 1.70/s of (€ 1.60) FD**, based on a multiple comparison and corroborated by the DCF. **The 58.9% current upside to PT allows confirmation of a Buy recommendation.**

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.

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 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 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, 40.9% and 32.5% with a market capitalization of € 3.8bn and € 39.7bn respectively. **DIGITAL360 presents lower than average profitability but by far higher 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 € 1.70/s**, realised using 2019 and 2020 estimates and multiples, with an 58.9% upside to current prices.

Table 3 - DIGITAL360, peer group summary table

€ m	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA %	Sales CAGR ₁₈₋₂₁	EBITDA CAGR ₁₈₋₂₁	EBIT CAGR ₁₈₋₂₁	EPS CAGR ₁₉₋₂₁	NFP FY1	NFP/EBITDA FY1
Forrester Research Inc	838	421	44	10.5%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Gartner Inc	12,939	3,753	659	17.6%	10.6%	15.4%	25.8%	18.1%	1,733	2.6
j2 Global Inc	3,793	1,152	471	40.9%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Quinstreet Inc	640	415	41	9.9%	15.7%	49.8%	n.a.	25.5%	(39)	n.m.
Relx PLC	39,676	8,019	2,604	32.5%	0.5%	0.7%	-1.3%	4.9%	6,377	2.4
TechTarget Inc	435	118	32	27.3%	18.9%	33.1%	39.4%	23.7%	(4)	n.m.
Wolters Kluwer NV	17,207	4,535	1,279	28.2%	4.7%	8.2%	12.6%	5.1%	1,954	1.5
Median	3,793	1,152	471	27.3%	10.6%	15.4%	19.2%	18.1%	1,733	2.4
DIGITAL360	17	26	3	12.1%	14.9%	25.2%	31.3%	61.8%	7	2.2

Source: CFO Sim, Thomson Reuters Eikon

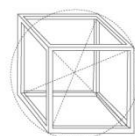


Table 4 - DIGITAL360, peer group EV & price multiple table

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.	31.7	32.9	n.a.
Gartner Inc	3.91	3.43	3.0	22.3	19.4	16.7	40.2	34.3	28.8
j2 Global Inc	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	12.8	12.0	n.a.
Quinstreet Inc	1.45	1.23	1.0	14.6	10.6	8.12	22.1	17.2	14.0
Relx PLC	5.74	5.42	5.3	17.7	16.5	14.8	21.9	20.7	19.9
TechTarget Inc	3.66	3.32	2.4	13.4	11.3	9.8	29.5	23.3	19.3
Wolters Kluwer NV	4.23	4.02	3.8	15.0	14.0	11.7	23.5	22.4	21.3
Median	3.91	3.43	3.0	15.0	14.0	11.7	23.5	22.4	19.9
DIGITAL360 SpA	0.92	0.77	0.68	7.6	5.8	4.6	28.9	18.1	11.0
Prem/(disc) to median	(76.5)	(77.4)	(77.3)	(49.1)	(58.4)	(60.8)	23.1	(19.3)	(44.6)

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
Median peers	3.91	3.43	2.98	15.0	14.0	11.7	23.5	22.4	19.9
DIGITAL360 metrics	26,381	30,208	34,139	3,181	4,008	5,039	596	954	1,560
NFP	7,049	6,162	5,919	7,049	6,162	5,919			
Put & call adjustments	2,553	2,553	2,553	2,553	2,553	2,553			
DIGITAL360 Equity Value (€ k)	67,738	68,894	67,844	26,138	33,495	35,797	10,497	16,015	23,330
# shares FD m	17.3	17.3	17.3	17.3	17.3	17.3	17.3	17.3	17.3
DIGITAL360 Equity Value €/s FD €	3.91	3.98	3.92	1.51	1.93	2.07	0.61	0.92	1.35

Source: CFO Sim, Thomson Reuters Eikon

9.2. DCF

In the valuation via the DCF method explicit estimates until 2023 and a 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 6 - 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)	2.50%
Beta levered (x)	0.80
Required ROE	9.7%

Source: CFO Sim

Table 7 - DIGITAL360, DCF model

€ k	2019e	2020e	2021e	2022e	2023e	Term. Val.
EBIT	702	1,329	1,837	2,755	4,270	
Tax rate	55.0%	45.0%	40.0%	40.0%	40.0%	
Operating profit (NOPAT)	316	731	1,102	1,653	2,562	
Change working capital	(1,567)	(1,003)	(1,061)	(900)	(300)	
Depreciation	2,479	2,679	3,203	2,000	500	
Investments	(1,500)	(1,000)	(2,620)	(550)	(500)	
Free Cash Flows	(273)	1,407	624	2,203	2,262	49,571
Present value	(261)	1,255	519	1,710	1,639	35,911
WACC	7.2%	7.2%	7.2%	7.2%	7.2%	
Long-term growth rate	2.5%					

Source: CFO Sim

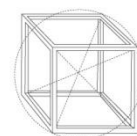


Table 8 – DIGITAL360, DCF derived from:

Total EV present value € k	40,773
<i>thereof terminal value</i>	88.1%
NFP last reported	(4,566)
Put & call	(2,553)
Pension last reported	(993)
Equity value € k	32,661
# shares FD m	17.3
Equity value €/s FD	1.90
<i>% upside/(downside)</i>	77.6%

Source: CFO Sim

The application of the model produces an **equity value of DIGITAL360 of € 1.90/s.**

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value of between **€ 1.59-2.30 (perpetuity range of between 1.75% and 3.25%)**, while 2) compared to changes in the free risk rate produces an equity value of **€ 2.21-1.63 (free risk range of between 1.75% and 3.25%)** and 3) compared to changes in the risk premium, including small size premium results into an equity value of **€ 2.44-1.50 (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	4,863	4,863	4,863	4,863	4,863	4,863	4,863
PV of terminal value	30,722	32,284	34,006	35,911	38,031	40,405	43,082
Total value	35,584	37,147	38,868	40,773	42,894	45,268	47,944
NFP last reported	(4,566)	(4,566)	(4,566)	(4,566)	(4,566)	(4,566)	(4,566)
Put & call	(2,553)	(2,553)	(2,553)	(2,553)	(2,553)	(2,553)	(2,553)
Pension last reported	(993)	(993)	(993)	(993)	(993)	(993)	(993)
Equity value € k	27,472	29,035	30,756	32,661	34,781	37,156	39,832
# shares FD m	17.3	17.3	17.3	17.3	17.3	17.3	17.3
Equity value €/s FD	1.59	1.68	1.78	1.90	2.01	2.14	2.30

Source: CFO Sim

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

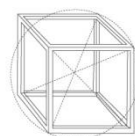
€ k	1.75%	2.00%	2.25%	2.50%	2.75%	3.00%	3.25%
Present value of CF	4,948	4,919	4,891	4,863	4,835	4,807	4,780
PV of terminal value	41,386	39,410	37,591	35,911	34,354	32,908	31,561
Total value	46,333	44,329	42,482	40,773	39,189	37,715	36,341
NFP last reported	(4,566)	(4,566)	(4,566)	(4,566)	(4,566)	(4,566)	(4,566)
Put & call	(2,553)	(2,553)	(2,553)	(2,553)	(2,553)	(2,553)	(2,553)
Pension last reported	(993)	(993)	(993)	(993)	(993)	(993)	(993)
Equity value € k	38,221	36,217	34,370	32,661	31,076	29,603	28,229
# shares FD m	17.3	17.3	17.3	17.3	17.3	17.3	17.3
Equity value €/s FD	2.21	2.09	1.98	1.90	1.79	1.71	1.63

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	4,999	4,953	4,907	4,863	4,818	4,775	4,731
PV of terminal value	45,345	41,768	38,650	35,911	33,485	31,324	29,386
Total value	50,344	46,721	43,558	40,773	38,304	36,098	34,117
NFP last reported	(4,566)	(4,566)	(4,566)	(4,566)	(4,566)	(4,566)	(4,566)
Put & call	(2,553)	(2,553)	(2,553)	(2,553)	(2,553)	(2,553)	(2,553)
Pension last reported	(993)	(993)	(993)	(993)	(993)	(993)	(993)
Equity value € k	42,232	38,608	35,446	32,661	30,191	27,986	26,005
Equity value €/s FD	17.3	17.3	17.3	17.3	17.3	17.3	17.3
Source: CFO Sim	2.44	2.23	2.05	1.90	1.74	1.62	1.50

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 capitalization post money of € 17.7m. DIGITAL360 now trades **below the IPO price**, and reached a 1Y maximum of € 1.38/s on 24-Sep-18 and a minimum of € 0.99 on 26-Mar-19. The stock in the last 6 months underperformed vs peers median and indexes.

Table 12 - DIGITAL360, peer group absolute performance

	1D	1W	1M	3M	6M	YTD	1Y
Forrester Research Inc	(1.0)	0.5	3.4	12.5	24.1	14.0	23.1
Gartner Inc	0.9	2.4	3.1	12.7	14.7	26.3	31.3
j2 Global Inc	(0.2)	(0.8)	(1.3)	14.1	25.4	25.6	3.5
Quinstreet Inc	(0.4)	(1.2)	8.0	(25.7)	(16.6)	(11.3)	17.3
Relx PLC	(0.9)	(0.8)	3.4	0.4	12.8	9.9	4.5
TechTarget Inc	(0.7)	6.7	5.6	20.9	(13.8)	44.4	(16.6)
Wolters Kluwer NV	0.2	(1.0)	1.0	12.4	22.8	19.0	35.1
Peers median	(0.4)	(0.8)	3.4	12.5	14.7	19.0	17.3
DIGITAL360 SpA	(1.8)	0.0	1.9	0.0	(9.3)	(10.1)	(10.8)

Source: Thomson Reuters Eikon

Table 13 – DIGITAL360 relative performances

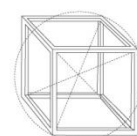
	1D	1W	1M	3M	6M	YTD	1Y
To Peers median	(1.4)	0.8	(1.5)	(12.5)	(24.0)	(29.1)	(28.1)
To MSCI World Index	(1.3)	0.4	1.3	(6.3)	(15.5)	(25.1)	(14.5)
To EUROSTOXX	(0.7)	1.5	1.8	(8.1)	(15.6)	(24.9)	(6.9)
To FTSE Italia All Share	(0.2)	1.5	3.7	(8.7)	(19.6)	(26.3)	1.3
To FTSE STAR Italia	0.1	1.1	2.9	(6.8)	(18.5)	(26.7)	(3.3)
To FTSE AIM Italia	(1.5)	0.9	0.5	(3.9)	(7.4)	(16.5)	(5.4)

Source: Thomson Reuters Eikon

9.4. Risks

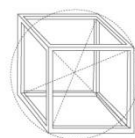
The principal investment **risks** in DIGITAL360 include:

- 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.





Income statement (€ k)	2017	2018	2019e	2020e	2021e
Total revenues	14,320	22,513	26,381	30,208	34,139
Services	(7,347)	(12,571)	(14,730)	(17,414)	(19,991)
Personnel expenses	(4,375)	(5,935)	(6,789)	(6,857)	(6,926)
Other opex	(958)	(1,430)	(1,681)	(1,929)	(2,184)
EBITDA	1,640	2,569	3,181	4,008	5,039
D&A	(1,357)	(2,179)	(2,479)	(2,679)	(3,203)
EBIT	283	390	702	1,329	1,837
EBIT adj.	756	1,144	1,456	2,083	2,591
Financials	(215)	(271)	(414)	(409)	(408)
Re/(Devaluation) of financial assets	0	(50)	0	0	0
Extraordinary	0	0	0	0	0
Pre-Tax profit	68	69	288	920	1,428
Income taxes	(15)	(244)	(158)	(414)	(571)
Minorities	(3)	(260)	(288)	(306)	(51)
Net Profit	50	(436)	(159)	200	806
Net Profit adj.	523	318	596	954	1,560
Balance sheet (€ k)	2017	2018	2019e	2020e	2021e
Net Working Capital	3,210	4,908	6,476	7,478	8,539
Net Fixed Assets	6,869	10,341	9,362	7,683	7,100
Equity Investments	182	137	137	137	137
Other M/L Term A/L	96	(1,827)	196	492	627
Net Invested Capital	10,357	13,559	16,171	15,790	16,404
Net Financial Position	2,570	4,566	7,049	6,162	5,919
Minorities	8	394	682	989	1,040
Group's Shareholders Equity	7,779	8,598	8,440	8,640	9,446
Financial Liabilities & Equity	10,357	13,559	16,171	15,790	16,404
Cash Flow statement (€ k)	2017	2018	2019e	2020e	2021e
Total net income	50	(436)	(159)	200	806
Depreciation	1,357	2,179	2,479	2,679	3,203
Other non-cash charges	(1,336)	1,516	(585)	11	(84)
Cash Flow from Oper. (CFO)	71	3,259	1,735	2,889	3,925
Change in NWC	(62)	(1,698)	(1,567)	(1,003)	(1,061)
FCF from Operations (FCFO)	9	1,561	168	1,887	2,863
Net Investments (CFI)	(1,765)	(5,608)	(1,500)	(1,000)	(2,620)
Free CF to the Firm (FCFF)	(1,756)	(4,047)	(1,332)	887	244
CF from financials (CFF)	3,577	3,864	1,850	0	0
Free Cash Flow to Equity (FCFE)	1,821	(183)	518	887	244
Financial ratios	2017	2018	2019e	2020e	2021e
EBITDA margin	11.5%	11.4%	12.1%	13.3%	14.8%
EBIT margin	2.0%	1.7%	2.7%	4.4%	5.4%
Net profit margin	0.4%	-1.9%	-0.6%	0.7%	2.4%
Tax rate	21.9%	355.4%	55.0%	45.0%	40.0%
Op NWC/Sales	22.4%	21.8%	24.5%	24.8%	25.0%
Interest coverage x	0.76	0.69	0.59	0.31	0.22
Net Debt/EBITDA x	1.57	1.78	2.22	1.54	1.17
Debt-to-Equity x	0.33	0.53	0.84	0.71	0.63
ROIC	0.5%	-3.2%	-1.0%	1.3%	4.9%
ROCE	2.1%	2.4%	3.6%	6.7%	8.9%
ROACE	2.5%	2.6%	3.9%	6.8%	9.1%
ROE	0.6%	-5.1%	-1.9%	2.3%	8.5%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Per share figures	2017	2018	2019e	2020e	2021e
Number of shares # m	15.37	16.09	16.09	16.09	16.09
Number of shares Fully Diluted # m	16.62	17.35	17.35	17.35	17.35
Average Number of shares Fully Diluted # n	16.62	16.99	17.35	17.35	17.35
EPS stated FD € cent	0.30	(2.57)	(0.91)	1.15	4.64
EPS adjusted FD € cent	3.15	1.87	3.43	5.50	8.99
EBITDA € cent	98.65	151.20	183.29	230.97	290.41
EBIT € cent	17.03	22.94	40.44	76.59	105.84
BV € cent	468.51	518.24	525.70	554.85	604.24
FCFO € cent	0.54	91.90	9.66	108.72	165.00
FCFF € cent	(105.65)	(238.23)	(76.79)	51.09	14.04
FCFE € cent	109.56	(10.76)	29.83	51.09	14.04
Dividend € cent	0.00	0.00	0.00	0.00	0.00



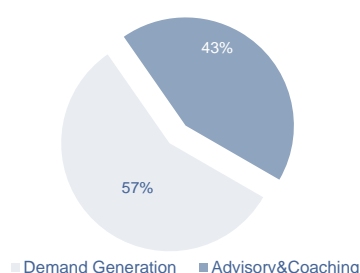
The company at a glance

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.

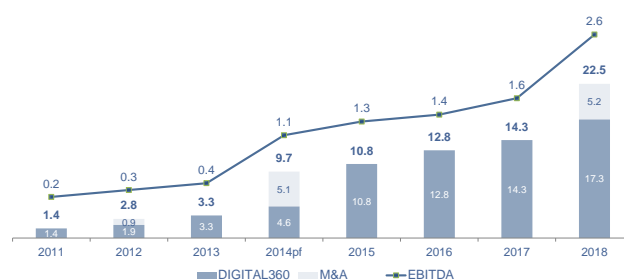
The group has grown significantly in recent years: turnover CAGR₁₁₋₁₈ is 49%, boosted by acquisitions, 9 companies between 2012 and 2018, adding a total of € 11.2m revenues. In the same period, EBITDA soared from € 0.2m to € 2.6m, 44% CAGR. 2018 revenues totalled € 22.5m, up 57.2% YoY, EBITDA reached € 2.6m, 11.5% margin and net profit adjusted came in at € 0.6m, 2.6% on sales. Net Financial Position reached € 4.6m, 1.8x EBITDA and 0.6x Shareholders Equity. Currently 100% of business is generated in Italy. 57% of 2018 sales were generated by the Demand Generation division, the remainder came from the Advisory&Coaching business unit.

DIGITAL360 was listed on the 13th 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.

2018 revenues breakdown by BU



2011-2018 revenues and EBITDA growth



Shareholder structure

	%	# m
Andrea Rangone	23.9%	3.8
Mariano Corso	12.2%	2.0
Alessandro Giuseppe Perego	12.2%	2.0
Raffaello Balocco	4.9%	0.8
Other <4%	24.9%	4.0
Free Float	21.9%	3.5
Total	100.0%	16.1

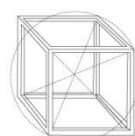
Peer group absolute performance

	1D	1W	1M	3M	6M	YTD
Forrester Research Inc	(1.0)	0.5	3.4	12.5	24.1	14.0
Gartner Inc	0.9	2.4	3.1	12.7	14.7	26.3
j2 Global Inc	(0.2)	(0.8)	(1.3)	14.1	25.4	25.6
Quinstreet Inc	(0.4)	(1.2)	8.0	(25.7)	(16.6)	(11.3)
Relx PLC	(0.9)	(0.8)	3.4	0.4	12.8	9.9
TechTarget Inc	(0.7)	6.7	5.6	20.9	(13.8)	44.4
Wolters Kluwer NV	0.2	(1.0)	1.0	12.4	22.8	19.0
Peers median	(0.4)	(0.8)	3.4	12.5	14.7	19.0
DIGITAL360 SpA	(1.8)	0.0	1.9	0.0	(9.3)	(10.1)

Peers group multiples table

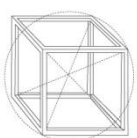
Price & EV multiples x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3	PER FY1	PER FY2	PER FY3
Forrester Research Inc	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	31.7	32.9	n.a.
Gartner Inc	3.9	3.4	3.0	22.3	19.4	16.7	40.2	34.3	28.8
j2 Global Inc	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	12.8	12.0	n.a.
Quinstreet Inc	1.5	1.2	1.0	14.6	10.6	8.1	22.1	17.2	14.0
Relx PLC	5.7	5.4	5.3	17.7	16.5	14.8	21.9	20.7	19.9
TechTarget Inc	3.7	3.3	2.4	13.4	11.3	9.8	29.5	23.3	19.3
Wolters Kluwer NV	4.2	4.0	3.8	15.0	14.0	11.7	23.5	22.4	21.3
Median	3.9	3.4	3.0	15.0	14.0	11.7	23.5	22.4	19.9
DIGITAL360 SpA	0.9	0.8	0.7	7.6	5.8	4.6	28.9	18.1	11.0
<i>Premium/(discount) to median</i>	<i>(76.5)</i>	<i>(77.4)</i>	<i>(77.3)</i>	<i>(49.1)</i>	<i>(58.4)</i>	<i>(60.8)</i>	<i>23.1</i>	<i>(19.3)</i>	<i>(44.6)</i>

Source: CFO Sim, Thomson Reuters Eikon

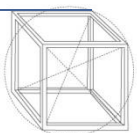




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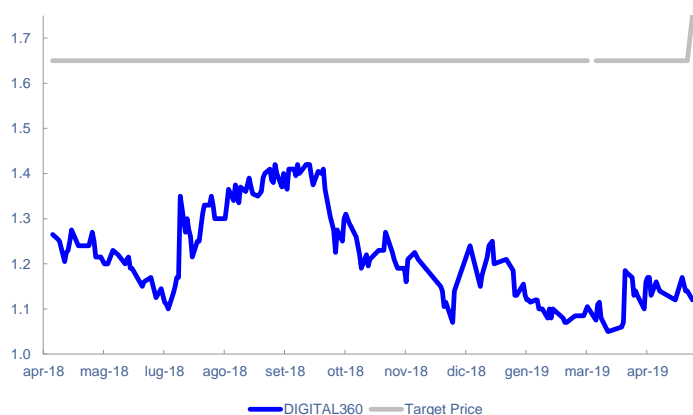
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DATE	TARGET PRICE	RATING
07/05/2019	€1.70	BUY
08/11/2018	€1.60	BUY
18/04/2018	€1.60	BUY
13/10/2017	€1.35	NEUTRAL

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- a **SELL** rating is assigned if the target price is at least 15% lower than the market price;
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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.

