

## INITIATION OF COVERAGE



### Fair Value: €1.60

Kevin TEMPESTINI

+39.02.83424007

[ktempestini@ktepartners.com](mailto:ktempestini@ktepartners.com)

Giancarlo DI VONA

+39.02.83424008

[gdivona@ktepartners.com](mailto:gdivona@ktepartners.com)

Federica FIORENZA

+39.02.83424008

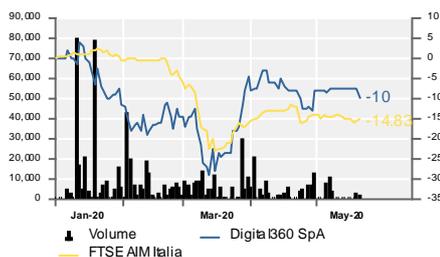
[ffiorenza@ktepartners.com](mailto:ffiorenza@ktepartners.com)

Francesco Perrotta

+39.02.83424008

[fperrotta@ktepartners.com](mailto:fperrotta@ktepartners.com)

Relative Performance Chart YTD



#### Market Data:

Current Price (€)	0.81
Fair Value (€)	1.60
Market Cap (€mn)	13.17
52 Wk High (€)	1.17
52 Wk Low (€)	0.64
Free Float (%)	24.6
Avg. Daily Trading 90d	4758
Price Change 1w (%)	-2.99
Price Change 1m (%)	-2.41
Price Change YTD (%)	-10.00
EV/EBITDA 2020E	5.80
EV/EBITDA 2021E	4.41
P/E 2020E	10.81
P/E 2021E	7.42

## D360: the Italian Innovation Ecosystem!

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

**Snapshot of the market.** According to IDC (March 2019), global spending on digital transformation technologies and solutions will reach \$2.3tn in 2023, growing at pace of 17.1% CAGR 2019-23. The Italian ICT market was worth €31bn in 2019 (+2.3% YoY) with an expected CAGR19-22 of 1.3%. In detail, the IT sector (+ 4%YoY) is expected to reach €26bn by 2022, mainly driven by software solutions growth. We think that COVID-19 represents a paradigm shift in the Italian adoption of digital technologies. The pandemic has made clear the benefits coming from digital transformation. Indeed, digital solutions such as webinars, smart working, and e-learning have allowed citizens, enterprises, and PA to continue their activities during the lockdown. We think DIG is well positioned in this new environment, as confirmed by the three-fold increase in monthly visitors to the company's portals in April and by the significant increase in the number of organized webinars and digital events. Therefore, we expect a significant increase and long-lasting adoption of the newly developed as-a-service solutions.

**Group historical figures.** Over the period 2012-19, DIG experienced a steady growth path. Revenue grew at a CAGR2012-19 of 37%, hitting €25.2mn in FY19 (+12.1%YoY). In order to further boost its business, DIG has also reshaped its business by developing a more standardized and replicable offering to be provided on an ongoing basis ("as-a-service"). FY19 EBITDA grew by 13.3%YoY to €2.9mn with a margin of 11.5%. Looking at the bottom line, DIG closed FY19 with a net income adjusted after minorities of €0.3mn. FY19 net financial position stood at €6.3mn (2x EBITDA).

**Strategy.** Company future growth will be achieved through three main pillars: i) acquisition of new clients (SMEs) targeting engineered solutions and consolidation of large and middle tech companies; ii) technological development to enhance DIG's offer; and iii) scouting among small companies and startups that provide niche and unique solutions.

**Future estimates.** We expect, on a stand-alone basis, revenue to grow at a CAGR 2019-24E of 11.2%, reaching €42.9mn in FY24. Growth estimates also take into consideration a higher demand for as-a-service solutions boosted by the positive impact of COVID19 on digital services and ICT business. EBITDA projections embody this view. In detail, EBITDA displays a CAGR 2019-24E of 18.8% to €6.9mn in 2024, thanks to the development of engineered solutions which generate economies of scale. On the bottom line, we forecast net income adjusted to reach €3.6mn by 2024, growing at a CAGR2019-24 of 64.1%.

**Valuation.** Our valuation - based on both DCF and a market multiples model - returns an average equity value of €26.05mn or €1.60ps, showing a potential upside of 97.8% on the current market price.

€ Million	Total Revenues	EBITDA	EBITDA Margin	EBIT Adj.	Net Profit Adj.	EPS
2017A	14.3	1.6	11.5%	0.8	0.5	0.0
2018A	22.5	2.6	11.4%	1.1	0.3	0.0
2019A	25.2	2.9	11.5%	1.2	0.3	0.0
2020E	24.5	3.5	14.3%	1.7	1.2	0.1
2021E	31.8	4.6	14.5%	2.3	1.8	0.1
2022E	35.6	5.4	15.1%	2.8	2.1	0.1
2023E	39.6	6.2	15.7%	4.6	3.4	0.2
2024E	42.9	6.9	16.1%	4.9	3.6	0.2

Source: Company data, KT&Partners' estimates

## DIG - Key Figures

	Current price (€)	Fair Value (€)	Sector						Free Float (%)
	0.81	1.60	Digital						24.6
Per Share Data	2017A	2018A	2019A	2020E	2021E	2022E	2023E	2024E	
Total shares issued (mn)	16.26	16.26	16.26	16.26	16.26	16.26	16.26	16.26	
Total shares outstanding (mn)	16.26	16.23	16.23	16.22	16.22	16.22	16.22	16.22	
EPS	0.03	0.02	0.02	0.07	0.11	0.13	0.21	0.22	
Dividend per share (ord)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Dividend pay out ratio (%)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Profit and Loss (EUR million)									
Revenues	14.3	22.5	25.2	24.5	31.8	35.6	39.6	42.9	
EBITDA	1.6	2.6	2.9	3.5	4.6	5.4	6.2	6.9	
EBIT Adj.	0.8	1.1	1.2	1.7	2.3	2.8	4.6	4.9	
EBT Adj.	0.5	0.8	0.9	1.5	2.2	2.7	4.5	4.8	
Taxes	(0.0)	(0.2)	(0.2)	(0.2)	(0.4)	(0.5)	(1.1)	(1.2)	
Tax rate	22%	355%	227%	29%	29%	29%	29%	29%	
Net Income Adj.	0.5	0.6	0.7	1.3	1.8	2.1	3.4	3.6	
Net Income attributable to the Group Adj.	0.5	0.3	0.3	1.2	1.8	2.1	3.4	3.6	
Balance Sheet (EUR million)									
Total fixed assets	7.1	10.5	9.9	9.2	9.1	7.7	7.2	6.3	
Net Working Capital (NWC)	4.0	3.7	5.6	6.6	8.8	10.1	11.3	12.4	
Provisions	(0.7)	(1.0)	(1.0)	(1.5)	(2.2)	(2.9)	(3.7)	(4.6)	
Total Net capital employed	10.3	13.2	14.5	14.3	15.8	14.9	14.8	14.1	
Net financial position/(Cash)	2.6	4.6	6.3	5.5	6.0	3.7	1.1	(2.5)	
Group Shareholder's Equity	7.8	8.2	7.4	7.9	8.9	10.2	12.9	15.7	
Minorities	0.0	0.4	0.8	0.9	0.9	0.9	0.9	0.9	
Total Shareholder's Equity	7.8	8.6	8.1	8.8	9.8	11.1	13.7	16.6	
Cash Flow (EUR million)									
Net operating cash flow	-	2.3	1.9	3.2	4.2	4.8	5.1	5.7	
Change in NWC	-	0.3	(1.9)	(1.0)	(2.2)	(1.2)	(1.3)	(1.0)	
Capital expenditure	-	(5.6)	(1.9)	(1.9)	(3.0)	(1.9)	(1.9)	(1.9)	
Other cash items/Uses of funds	-	0.3	0.0	0.5	0.7	0.7	0.8	0.9	
Free cash flow	-	(2.6)	(1.9)	0.8	(0.4)	2.4	2.8	3.7	
Enterprise Value (EUR million)									
Market Cap	20.0	19.3	15.6	13.2	13.2	13.2	13.2	13.2	
Minorities	0.0	0.4	0.8	0.9	0.9	0.9	0.9	0.9	
Net financial position/(Cash)	2.6	4.6	6.3	5.5	6.0	3.7	1.1	(2.5)	
Enterprise value	22.6	24.3	22.7	19.5	20.1	17.8	15.1	11.6	
Ratios (%)									
EBITDA margin	11.5%	11.4%	11.5%	14.3%	14.5%	15.1%	15.7%	16.1%	
EBIT margin Adj.	5.3%	5.1%	4.9%	6.9%	7.3%	8.0%	11.7%	11.5%	
Gearing - Debt/equity	33.1%	55.7%	85.9%	69.4%	67.7%	36.6%	8.4%	-15.7%	
Interest cover on EBIT	28.3%	23.7%	0.0%	9.2%	6.7%	5.5%	3.4%	3.2%	
NFP/EBITDA	156.7%	177.8%	217.7%	156.3%	130.4%	69.8%	17.4%	-35.7%	
ROCE	7.3%	8.7%	8.6%	11.9%	14.7%	19.1%	31.2%	34.9%	
ROE	6.8%	3.9%	4.1%	15.4%	19.9%	20.8%	26.4%	23.0%	
EV/Sales	1.36x	0.87x	0.77x	0.83x	0.64x	0.57x	0.51x	0.47x	
EV/EBITDA	12.43x	7.94x	7.01x	5.80x	4.41x	3.80x	3.28x	2.96x	
P/E	25.01x	41.30x	43.29x	10.81x	7.42x	6.17x	3.87x	3.64x	
Free cash flow yield	0	-0.1	-0.1	0.0	0.0	0.1	0.1	0.2	
Growth Rates (%)									
Sales	n.a.	57.2%	12.1%	-3.0%	29.7%	11.9%	11.4%	8.4%	
EBITDA	n.a.	56.6%	13.3%	20.7%	31.6%	16.1%	15.9%	10.8%	
EBIT Adj.	n.a.	50.7%	8.8%	36.6%	37.0%	21.7%	63.0%	6.5%	
Net Income Adj.	n.a.	-39.5%	-4.6%	300.4%	45.6%	20.2%	59.5%	6.3%	

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## Investment Case

***The main Italian innovation ecosystem.*** Today DIG is recognized as a B2B innovation expert thanks to the reputation of its founders, who are among the top Italian *key opinion leaders* on innovation. DIG's value proposition is to spread knowledge, content, and good technological practices among all the actors within the business ecosystem: corporates, public administrations, tech providers, institutions, policy makers, etc.

***Outstanding management and proven expertise.*** DIG was born from the idea of a group of professors and researchers of the Politecnico di Milano that were among the founders of the "Osservatori Digital Innovation", the largest research center in Italy focused on digital transformation. Currently, the management team is composed of committed and highly skilled professionals.

***Engineered services to scale up the business.*** DIG has traditionally offered customized services through its two business units: i) the Demand Generation unit, which provides digital marketing and lead-generation services and organizes events focused on digital topics; and ii) the Advisory & Coaching unit, which provides advisory services supporting clients in innovating and digitalizing their business. More recently, DIG has engineered its services with the aim of developing a more standardized and replicable offering to be provided on an ongoing basis ("as-a-service"). This approach will drive recurring revenue and it will allow DIG to scale its offer to Italian SMEs.

***The right positioning to face Covid-19 acceleration.*** Since its establishment, DIG's ecosystems and primarily its founding team have been investing and working on the evangelization of the positive contribution to the Italian economy by digital innovation. Over time, the company has expanded its customer base, which ranges from big corporates to public administrations. Since the IPO, DIG has also approached SMEs mainly thanks to the development of engineered and as-a-service solutions. In Italy, however, notwithstanding different Government actions - such as Industry 4.0 and *Agenda Digitale*, just to name the most recent - there has been always friction on the adoption of digital technologies, especially among SMEs. The COVID-19 pandemic has made it clear that digital transformation is not just a marginal improvement to the economic and operational profile of a business but is an essential element. We think that COVID-19 represents a paradigm shift in the Italian adoption of digital technologies. DIG is therefore well positioned for this new environment, which is confirmed by the three-fold increase in monthly visitors to the company portals in April and the significant increase in the number of organized webinars and digital events. Therefore, we expect a significant increase and long-lasting adoption of the newly developed as-a-service solutions.

***Statement of risks.*** DIG being dependent on a key sector expert as its CEO could be seen as a potential risk; this is mitigated through the creation of a diversified team in term of skills and background, the appointment of heads of division with precise responsibilities, and by creating a company culture which increases the commitment of every employee. M&As are a key element in DIG's strategy. This strategic option entails execution and operating risks, even though the company already has a good track record on external growth. The company's small size and positioning in a fast-growing and highly competitive market could represent another risk. However, to remain competitive, the company's strategy entails new future investment in platforms and other

verticals that will allow it to enrich its offering. At the same time, its small size can represent an opportunity to better approach smaller clients, facing less competition from large players which are mainly focused on big clients.

## Company Overview

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

The ecosystem is based on two pillars:

1. Strong reputation and knowledge base thanks to the outstanding academic background of the company founders and the proven know-how of the company's key people and managers;
2. The largest online and offline community of all the actors involved in digital innovation and hi-tech entrepreneurship:
  - a. 15,000 content produced annually on cybersecurity, cloud, blockchain and other innovation topics; 50+ online websites. DIG's network is a key reference point on digital innovation topics, confirmed by the three-fold increase in monthly visitors that has occurred post-COVID-19, reaching 4.5mn.
  - b. 640+ events in 2019, attended by 75,000 participants and 2,000 white papers, downloaded by 30,000 people.

DIG operates through two business units:

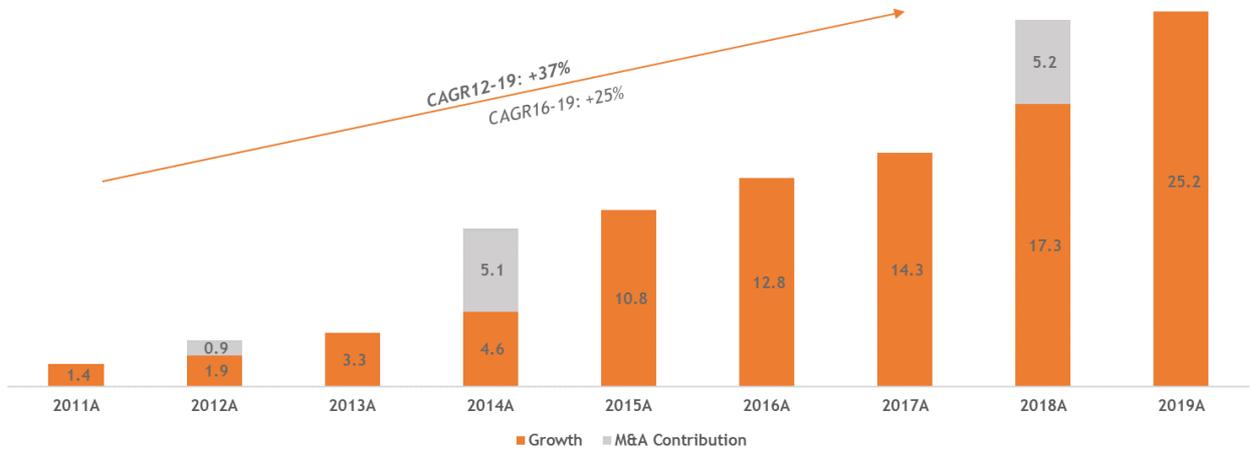
- the **Demand Generation** unit which helps “*tech providers*” to enhance their market positioning by providing *digital marketing* and *lead-generation* services and by organizing *events* focused on digital topics;
- the **Advisory & Coaching** unit which provides advisory services to “*tech buyers*”, supporting them in innovating and digitalizing their business. Consultancy services cover different topics like cybersecurity, the General Data Protection Regulation (GDPR), Industry 4.0, open innovation, MarTech, smart working, digital legal and they are addressed to large enterprises, SMEs, and PA.

The aforementioned business units are backed by the two digital platforms called “**Engine**” and “**Tools**” which, by engineering the company offer, allow DIG to provide standard services to SMEs. Engineered services are offered on an as-a-service basis with recurring revenues. The two platforms have been developed with the aim of scaling the company offer to Italian SMEs, filling the innovation gap between Italian big-mid companies, PA, and SMEs.

In the years since it listed on the AIM Italia Market in 2017, DIG has kept financing its internal and external growth by: i) investing in new technologies and services; and ii) acquiring three companies which have allowed it to consolidate its market share in both the digital marketing and the advisory fields.

Over the 2012-19 period, the company carried out nine acquisitions and grew at CAGR<sub>2012-19</sub> of 37%. DIG closed the financial year 2019 with €25.2mn revenues (+12.1%YoY), confirming the growth path of the Group, which over the last three years registered an annual growth of 25%. FY19 EBITDA reached €2.9mn (+13.3%YoY), whereas FY19 EBIT stands at €0.5mn (+18.2%YoY). By adjusting for D&A related to acquisitions made in the previous years, FY19 EBIT Adj. was €1.2mn (+8.8%YoY), increasing the EBIT margin to 4.9% from 1.8%.

Performance over the 2011-19 period



Source: Company data

## Group's History

DIG was founded in 2012 by professors and researchers of the Politecnico di Milano, who founded the “Osservatori Digital Innovation”, the largest research center in Italy focused on digital transformation. The founders shared the vision that digital transformation would be the engine of economic growth and the key for modernizing business and public administration processes. Therefore, DIG was founded to implement this vision and build an ecosystem centered on content and solutions. In order to fill the digital transformation gap mainly present among Italian SMEs, DIG developed engineered services offered on an as-a-service basis.

Digital360 was established in 2012, by incorporating two companies that were founded a few years earlier: **ICT&Strategy Srl (ICT&S)** and **Partners4Innovation Srl (P4I)**. ICT&S was a marketing, event and demand generation agency based on an editorial network dedicated to digital topics. On the other hand, P4I was an advisory company supporting enterprises and public administrations to pursue digital innovation.

In the following years, DIG experienced a growth path by internal and external routes, showing great ability in M&A deal-making and execution.

In **2014**, DIG acquired:

- i) **ISL Srl and CorICT** then merged into P4I and ICT&S, respectively. The first one was acquired with the aim of enriching the advisory unit with legal, contract and compliance digital practices, while the other one allowed them to bring into DIG360's ecosystem one of the main Italian publishers on digital economy and innovation, “CorCom”;

During **2015**, DIG acquired:

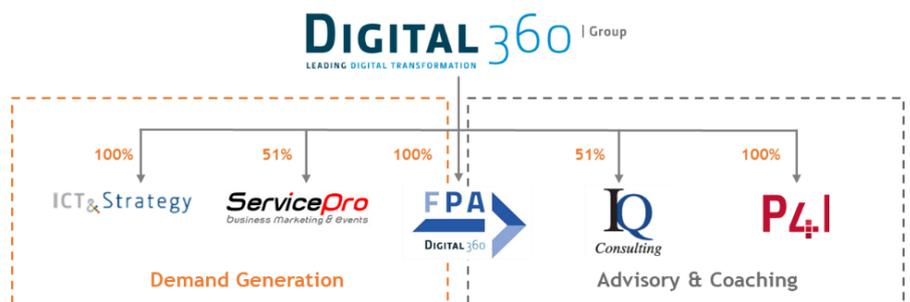
- ii) **Forum PA** which provides demand generation and advisory services to public administration. Based in Rome, with 30 years' experience, it organizes one of the most important events dedicated to the innovation of PA (Forum PA). The latest FORUM PA edition (the 30<sup>th</sup>) saw the participation of the Prime Minister Giuseppe Conte and other ten ministers and it was attended by 18k participants from both the public and private sectors;
- iii) **Next Editore S.r.l.** (then merged in ICT&S), which incorporates **ZeroUno**, a multichannel platform (journal, website, and events) covering ICT and digital innovation topics, to strengthen the Company's position in the community of Chief Information Officers and IT Managers.
- iv) **Startupbusiness S.r.l.**, the main Italian website for the startup ecosystem and **Level Marketing S.r.l.**, a contact center specialized in user profiling, which further merged with ICT&S.

On June 2017, DIG listed on the AIM Italia Market - with a capitalization of €17.7mn and a capital raising of €4mn - with the aim of further boosting its business. At the IPO date the Group also issued a €2mn convertible bond. The IPO's proceeds have been deployed to expand DIG's strategic assets (technological platforms, online content, and portals etc.) and engineer its services through the development of the “Engine” and “Tools” platforms. In this way, DIG will also be able to address its offer to Italian SMEs by adopting an as-a-service approach with monthly recurring revenues.

During 2018, DIG, also thanks to the IPO's proceeds, acquired majority stakes in:

- **Effettodomino Srl (100%)** - a marketing automation and lead-generation services provider - for a total consideration of €650k. Effettodomino was then merged into ICT&S with the aim of enhancing marketing offering with inbound techniques;
- **Service Pro Italy Srl (51%)**, for a transaction value of €2.1mn. It is a “full service” marketing agency specialized in the organization of events and management of demand/lead-generation campaigns mainly aimed at big tech companies;
- **IQ Consulting Srl (51%)**, an academic spin-off from the University of Brescia which provides consultancy in the Industry 4.0 and supply chain field. The transaction value was €400k and it was reinvested in DIG through an AUCAP reserved for IQ Consulting’s shareholders.

**DIG Today - Group Structure**

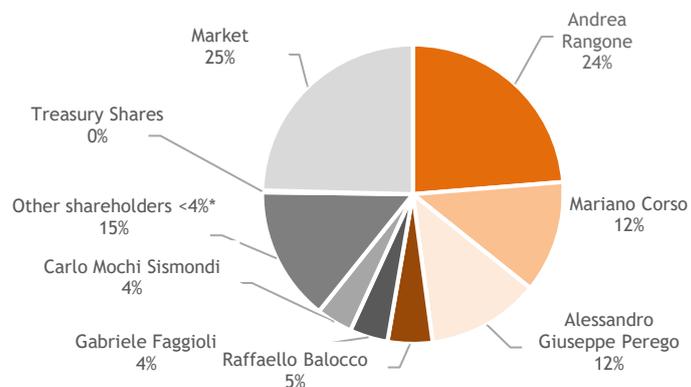


Source: Company presentation

**Ownership**

DIG’s founders are also Group shareholders: Andrea Rangone (DIG’s President) is the main shareholder with a 23.7% stake; Mariano Corso (Scientific Director at P4I) and Alessandro Giuseppe Perego own 12.1% each; Raffaello Balocco (DIG’s CEO) holds a stake of 4.8%; Gabriele Faggioli (DIG’s CEO) owns the 4%; Carlo Mochi Sismondi (Chairman at Forum PA) holds a 3.9% stake. The remaining share (24.6%) is held by the market (excluding 0.21% of treasury shares and the total share of 15% held by other founders/shareholders with a stake below 4%).

**Share Capital**



Source: Company data

## Key People

DIG is run by professionals with considerable experience in the ICT sector.



### Andrea Rangone - Chairman and Co-Founder

Co-founder, former Chief Executive Officer and Chairman since 2020. He is also Professor of Strategy & Marketing and Digital Business at Politecnico di Milano. A graduate in Management Engineering, he previously was:

- Coordinator and founder of Digital Innovation Observatories of the Politecnico di Milano School of Management;
- Director of Master and Executive courses at MIP, Politecnico di Milano Business School;
- Author of several academic articles on Strategy and Management of the ICT sector and Digital business.

He is founder of and investor in several startup companies active in the digital sector.



### Raffaello Balocco - CEO

Co-founder and CEO of DIG. Raffaello Balocco is also associate Professor at Politecnico di Milano. A graduate in Management Engineering from Politecnico di Milano, previously he was:

- Director of the international MBA of MIP (Politecnico di Milano Business School);
- Co-founder of Digital Innovation Observatories and of MIP School of Management;
- Member of the digital innovation scientific committee of Politecnico di Milano, with focus on SME and Tech Companies;
- In charge of the communication strategy of the MIP School of Management since 2016.



### Gabriele Faggioli - CEO

DIG's CEO since May 2020, a BoD member since 2014, and CEO at Partners4Innovation since 2016. Gabriele Faggioli is also:

- Adjunct Professor at Politecnico di Milano Business School;
- Senior Advisor at Digital Innovation Observatories;
- Chairman at Clusit (Italian Information Security Association);
- Member of the Expert Group on Cloud Computing Contracts set up by the European Commission.

A graduate in Law, he is an expert in legal, compliance and ICT contracts.



#### Umberto Bertelè - Executive Director and Co-Founder

Umberto Bertelè has been Chairman of DIG from 2015 to 2020. In May 2020, he was appointed DIG's honorary president. He is also an Emeritus Professor of Strategy and Chairman of the Digital Innovation Observatories at Politecnico di Milano. He graduated cum laude in Engineering, and previously was:

- Chairman at MIP (2004-11), the Politecnico di Milano Business School;
- Chairman at TAV (1998-2007), Treno Alta Velocità (High Speed Rail);
- Director at many companies active in the industrial, banking/financial (i.e. Borsa Italiana - the Italian Stock Exchange - and Winterthur Assicurazioni), public transport (i.e. ATM, Azienda Trasporti Milanesi), and ICT sectors (i.e. BravoSolution);
- Member of the internal control committee at the Italian Treasury (1997-2001);
- Economic expert in official Italian delegations attending GATT, OCSE and G-7 events;
- Prefectural commissioner for the Darsena (Milan Dockyard) at the time of the Expo.



#### Carlo Mochi Sismondi - Executive Director and Chairman at FPA

Carlo Mochi Sismondi is a member of DIG's BoD. He has also run ForumPA since 1989, initially as Director and then as Chairman. He has collaborated with 18 governments and 15 different ministers. Carlo also carries out teaching activities at universities and PA schools. After graduating in Business Management, he also achieved a Philosophy degree.



#### Pierluigi Negro - Executive Director

CEO and Chairman of ServicePro Italy Srl. Pierluigi Negro has more than 30 years' experience within the IT sector along with multinational companies such as HP, IBM, Trend Micro, and others where he covered the Managing Director position. He is considered an expert on topics such as sales strategy and go-to-market models. Pierluigi holds a degree in Business Administration from Bocconi University in Milan.



#### Mariano Corso - Scientific Advisor and Co-Founder

Scientific Advisor of DIG's **Advisory business unit**. Mariano Corso is also Professor of "Leadership and Innovation" at the Politecnico di Milano School of Management. A Doctor of Philosophy in Management Engineering from Politecnico di Milano, he is also:

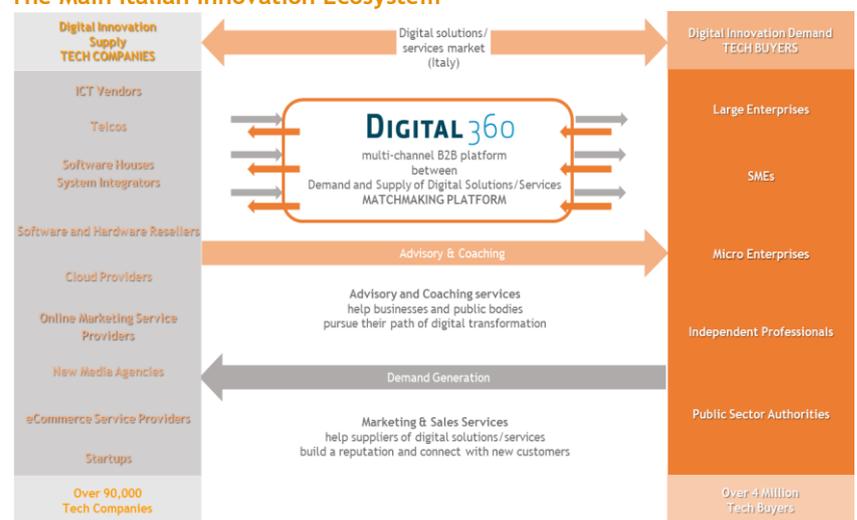
- Co-founder of the Digital Innovation Observatories and responsible for many observatories, including Smart Working, HR Innovation Practice, Digital Agenda, Digital Innovation in Healthcare, Cloud, and ICT As-a-Service;
- Co-founder of the Digital Business-Innovation Academy;
- Founder and Scientific Director at P4I, the Advisory company of DIG Group.

## Business Model

### Digital360: The Main Italian Innovation Ecosystem

Over the years, DIG has built a strong reputation, becoming a reference point in the Digital Innovation sector thanks to the strong and proven expertise of its founders and managers. DIG has become a point of reference for all the actors interested in digital transformation: corporates, public administrations, tech providers, institutions, policy makers, etc. DIG spreads good practice, experience, and digital innovation know-how through: i) **NetworkDigital360** based on content, websites, and events; and ii) a team of **over 200 experts in all dimensions of digital innovation**.

#### The Main Italian Innovation Ecosystem



Source: Company presentation

### Business Units

DIG's services are provided through the Demand Generation and the Advisory business units which in 2019 generated 54% and 46% of total sales, respectively. DIG's offer entails customized services and more recently also engineered services, characterized by higher scalability and replicability.

#### Demand Generation (€13.4mn FY19 Sales)

Through its "Demand Generation" business unit, DIG helps tech providers - namely ITC vendors, software houses, system integrators, startups etc. - to increase their brand awareness, market positioning, and to generate new sales opportunities.

DIG provides: i) **Content & Digital Marketing** - SEO and social media-oriented communication services based on storytelling and original content; ii) **Events** of all formats (i.e. webinars, online meetings, conferences, workshops etc.); and iii) **Lead Generation**, based on gated content (e.g. white papers) and marketing automation.

"Demand Generation" services are offered leveraging on **NetworkDigital360**, the most important Italian online network of editorial content, websites and newsletters dedicated to digital transformation themes. It aims at **attracting tech buyers, providing them digital innovation content, and connecting**

them with IT vendors. To date, DIG boasts a team of ca. 40 journalists and content specialists who produce about 15,000 articles annually on all topics related to digital innovation (cybersecurity, cloud, blockchain, digital marketing, Industry 4.0, GDPR, smart working, etc.). It is very likely that someone searching for a tech solution will land on DIG’s pages as DIG ranks first in Google’s search engine for ca. 75,000 tech keywords. At the end of April 2020, around 4.5mn unique visitors per month read the 50+ DIG websites and newsletters. Visitors are reached by targeted sponsored content and communications. Furthermore, users - after a quick registration - can access gated content like white papers, webinars, and events. DIG collects users’ data and if users’ behavior signals a purchase intention, the lead-generation team reaches out them to get information about their objectives/investment plans and put them in contact with tech providers. In 2019, DIG profiled ca. 124k users through events, webinars, and white papers.

Key Numbers and Main Websites and Events



Source: Company website and presentation

To date, DIG has addressed its offer mainly to medium and large tech providers like Cisco, IBM, Oracle, Fastweb, TIM etc.

Tech Providers



Source: Company’s Presentation

Demand Generation As-A-Service. At the end of 2018, DIG launched the *Digital Marketing and Sales “Engine”* approach with the aim of providing digital marketing and lead-generation services on a recurrent basis (Demand Generation As-A-Service). The Engine model foresees the management of marketing and sales activities on behalf of tech companies not only on DIG’s websites but also on tech providers’ blogs. To do that, DIG “shares” a multidisciplinary team (Content, SEO, Social Media, Marketing Automation, and Communication Specialists) which operates as an “extension” of the

client’s marketing division. These services generate a monthly revenue stream and are particularly scalable to SMEs for whom it could be more profitable to outsource their digital communication, marketing, and lead-generation activities.

In 2019, the Group launched 67 “Engine” projects for an annual (recurrent) value of €3.0mn.

**The Digital Marketing & Sales “Engine”**



Source: Company presentation

**Advisory & Coaching (€11.4mn FY19 Sales)**

The “Advisory & Coaching” business aims at supporting companies (from large to small and medium enterprises) and public administrations in undertaking a digital transformation process. DIG provides practices and methodologies for a wide range of application areas such as information and cybersecurity, GDPR, smart working, Industry 4.0, MarTech, etc.

The “Advisory & Coaching” offering includes:

- **Customized** services solving specific clients’ needs;
- **Engineered** services. They are characterized by: i) a higher level of standardization; ii) higher replicability than traditional consultancy services; and iii) the possibility of being provided remotely, in some cases, through digital channels as they are based on engineered data and know-how.

**Advisory & Coaching Practices**

IT Government	Digital Customers Experience	Legal	Information & Cyber Security
Smart Working & HR Trasformation	Digital Open Innovation	Smart Operations	Source-to Pay & B2b Trasformation
Healthcare Innovation	Data Driven Innovation	Sport Innovation	Audit & Control Compliance

Source: Company presentation

Advisory & Coaching clients are players belonging to different end-markets, ranging from the Industrial to the Financial/Insurance sectors, passing through the Energy sector.

Advisory & Coaching Clients



Source: Company presentation

**Advisory As-A-Service.** Recently, the Group has developed a unique advisory service model called “Advisory Engine” with the aim of:

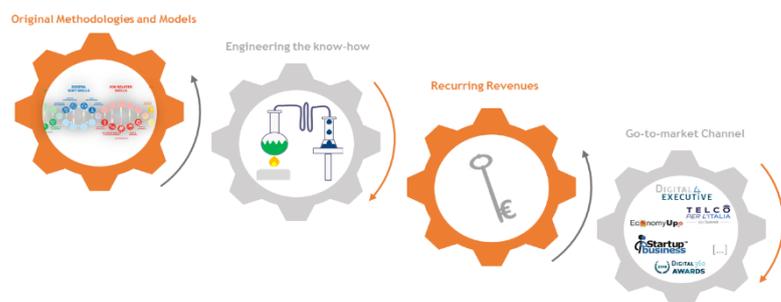
- i. providing advisory services on an **ongoing basis**, resulting in monthly recurring revenue;
- ii. overcoming the limits of the scalability and cost of classic consulting models;
- iii. expanding its offer to Italian SMEs which may not have the financial resources to hire specialized professionals - like the innovation manager, the chief digital officer, the Industry 4.0 expert and chief data officer - to conduct their digital transformation process. By adopting the model of advisory “as-a-service”, DIG wants to provide these professionals to Italian SMEs, ensuring a high-quality advisory service at advantageous costs.

In 2018, the Group launched its first as-a-service advisory practice - **Data Protection Officer As-a-Service** - aimed at exploiting opportunities arising from GDPR. The GDPR required every organization to introduce the role of Data Protection Officer (DPO), who is responsible for overseeing a company’s data protection strategy and its implementation to ensure compliance with the new data protection requirements. DIG’s advisory services allow companies, and above all SMEs, to have the specialists required for GDPR compliance with important advantages in terms of cost savings. In 1H19, the Group also launched its first software tool - co-developed with a software house - to support advisory services: **GRC360**. It is a simple and complete software solution to meet the needs of data protection, delivered as-a-service and suitable for all types of organizations.

In 2019, 46 advisory as-a-service projects were launched with an annual (recurrent) value of €1.3mn.

Furthermore, the advisory team and its key people can enjoy a high level of visibility on the websites and events offered by the Group, generating a steady stream of prospects.

Advisory & Coaching As-A-Service



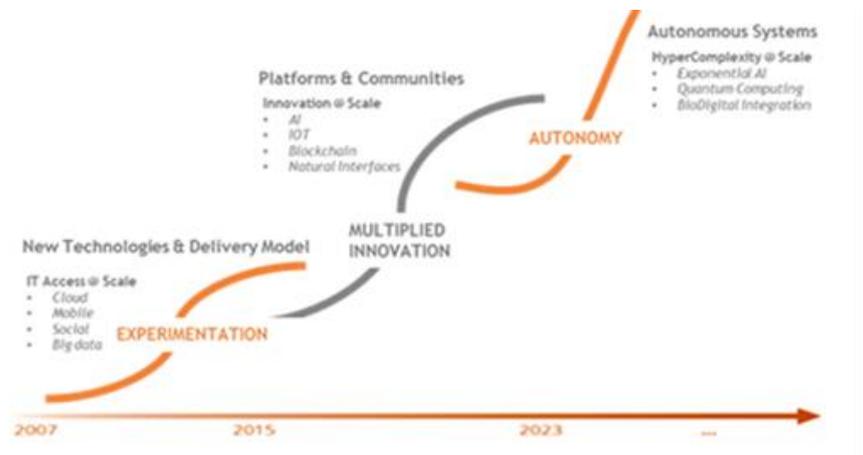
Source: Company presentation

## Market Overview and Positioning

### Global Market

The global economy is undertaking a new industrial revolution where the main innovation taking place is represented by digital transformation (DX) of businesses. Companies are increasingly investing in the so-called 3rd Platform which is based on the Cloud, Social Media, Big Data, and Mobility technologies. The 3rd Platform represents the basis for the development of new technologies like innovation accelerators (Artificial Intelligence, Internet of Things, Blockchain, and Natural Interfaces). According to IDC, the evolution of the 3rd Platform is leading to the so-called “Augmented Humanity” where human intelligence will be augmented by machine logic. This is possible thanks to the adoption of Autonomous Systems like Exponential AI, Big Data Integration, and Quantum Computing technologies.

### 3<sup>rd</sup> Platform Evolution

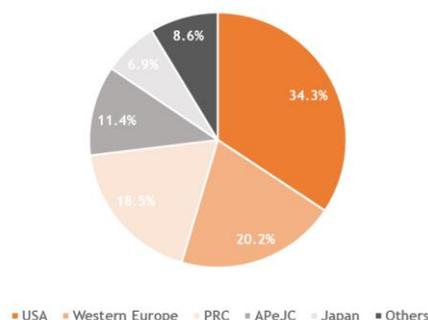


Source: IDC - March 2019

Companies are pushed to adopt new organizational models which require new management figures to address the internal and external digital transformation. IDC estimated that at the end of 2018 40% of companies decided to have a digital team or a manager to lead their digital strategy.

According to IDC, the spending on technologies and services which will enable the business transformation is projected to reach \$2.3tn in 2023, growing at a CAGR 2019-23 of 17.1%.

### Market Share by Region - 2019



Source: IDC, October 18<sup>th</sup>, 2019

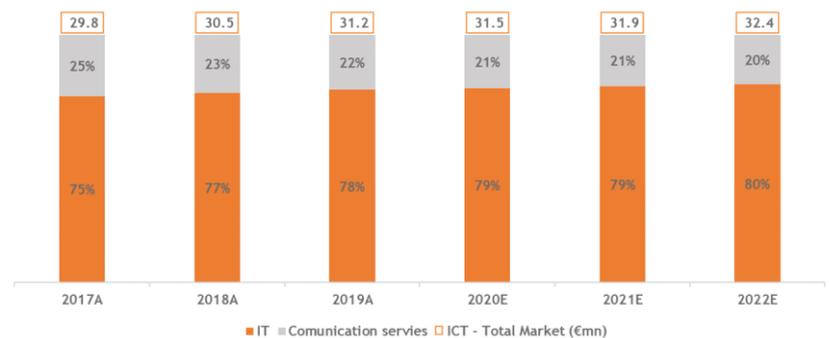
In 2019, the United States will lead the transformation with one-third of forecasted spending (34.3%). Western Europe ranks second by DX spending (20.2%), followed by China, which is expected to be the second-largest market after the US in 2023. Sectors which will register major growth in digital spending will be the Financial sector services with a +19% CAGR2019-23, followed by the Distribution & Service and Public sectors, which will record a CAGR2019-23 of 18% and 17.1% respectively.

## Focus on the Italian Market

### ICT Market

The Italian ICT market was worth €31bn in 2019, increasing by 2.3% with respect to 2018. Over the period 2019-22, it is expected to grow at a CAGR19-22 of 1.3%, reaching €32.4bn. The market is divided into the IT and Telecommunication industries that in 2019 accounted for 77% and 23%, respectively. In 2019, the IT sector grew by ca. 4%YoY - mainly thanks to the software segment - and it is expected to reach €26bn by 2022.

#### Italian ICT Market (€bn)



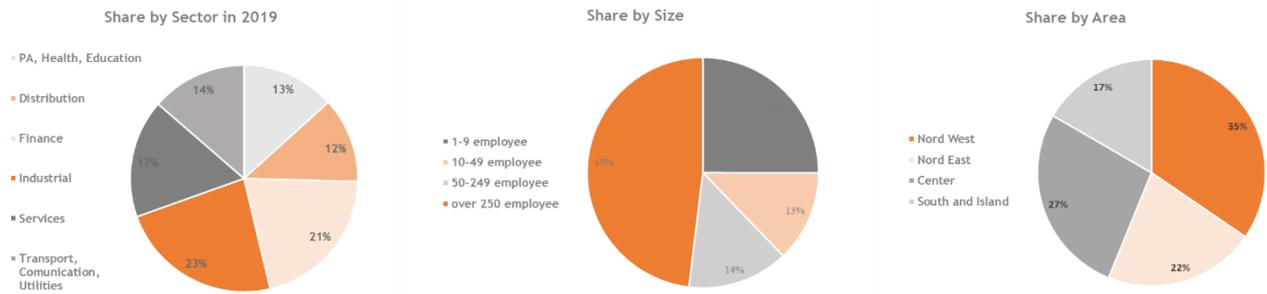
Source: Assintel Report 2020

Lombardia and Lazio are expected to be the main regions for ICT spending, together accounting for 40% of the 2020E national spending. In 2020, the North-West is expected to represent the main area in term of planned investment spending (€11bn), accounting for ca. 35% of national spending, followed by the Central area (27%), North-East (21%), and South and Islands (5%).

ICT spending varies according to company size. In 2020, large companies (+250 employees) and companies with fewer than ten employees are expected to be the main spending contributors, accounting for 48% and 25%, respectively. Medium companies with between 50 and 250 employees will represent 14% of 2020E total spending, whereas small companies with 10 to 49 employees are expected to invest ca. 13%.

Looking at spending by sector, in 2020 Manufacturing is projected to be the main sector with 23% of ICT investments. The Financial sector is expected to invest ca. 21% of 2020E national spending, followed by the Services industry (17%). The Transport, Communication and Utilities sectors, along with the Financial and Public sectors, are expected to invest ca. 14%, 13% and 12%, respectively.

Italian ICT Market - Details by Sector, Companies Size and Area



Source: Assintel Report 2020

The market overview also shows that Italian companies (SMEs included) are investing in disrupting technologies rather than simply maintaining the tech status quo. Looking at 2019 data, spending on emerging technologies grew exponentially:

- i) + 24% Internet of Things (€15.6bn);
- ii) +39.1% Artificial Intelligence (expected value of €0.4bn);
- iii) +160.5% Augmented and Virtual Reality solutions (expected value of €0.2bn);
- iv) +116.2% Wearable devices (expected value of €0.1bn).

The growth of the Third Platform "pillars" also continues: 2019 Italian spending in Public Cloud services is expected to grow by +26.1% to €2bn, whereas Big Data & Analytics solutions are estimated to increase by +7.6% to €2.1bn.

Consultancy Sector

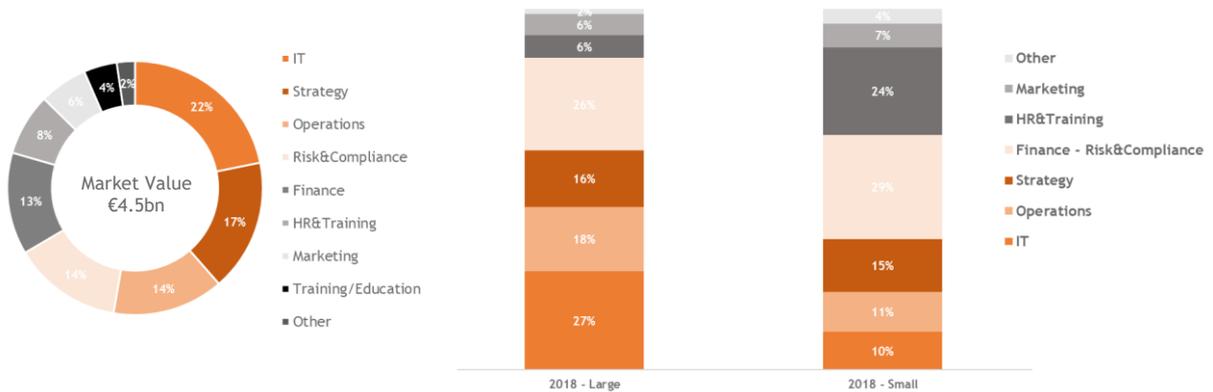
The digital transformation - with changing technologies and business models - has increased the importance of consultancy companies to support economic growth.

The Management Consulting industry is characterized by high growth and it is key for developing a healthy economy and supporting growth in different sectors. The Italian Management Consultancy market was worth €4.5bn in 2018 and it is highly fragmented: there are 23,000 companies which engage 45,000 employees. The industry could be divided into:

- Large consultancy companies which account for 55% of the market;
- Small consultancy companies (98% of Italian enterprises, in this sector) which account for 45% of the market.

Looking at the specialization areas of Management Consulting, the main focuses are: a) the IT (21.8%), b) Strategy (16.8%), and c) Operations (14.1%). An analysis of *Assoconsult* shows that there is a relationship between a consultancy company's area of specialization and its size. In 2018, for large companies the three main specialties were: i) IT (27%), ii) Finance (26%), and iii) Operations (18%); meanwhile for small cap the first area of specialization was Finance (29%), followed by HR & Training (24%), and Strategy (15%).

Management Consulting Market by Specialization Areas - Revenue of Large and Small Consulting Companies by Specialization Area

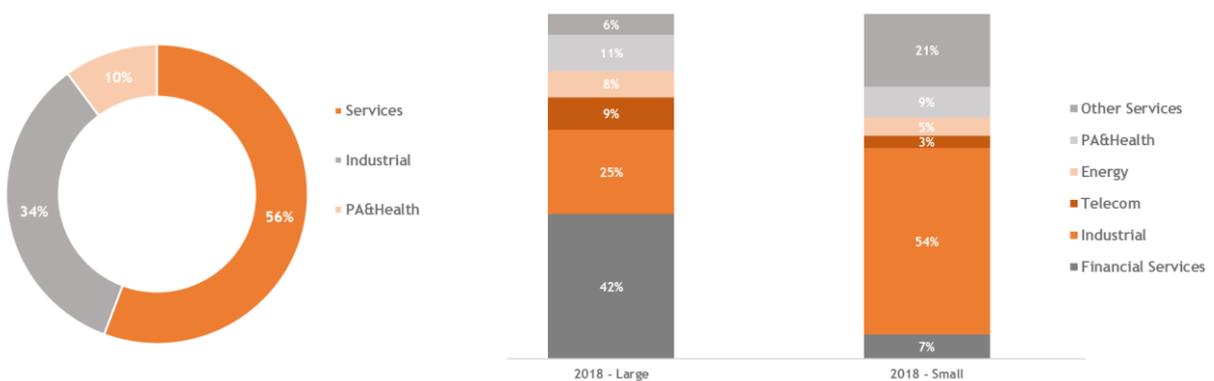


Source: Assoconsult - 2018-19

Assoconsult's analysis also showed a relationship between the size of consultancy companies and the client/sector served. In fact, large companies are mostly focused on Financial Services (41.9%) and on the Industrial sector (24.6%), while small consultancy firms focus on the Industrial sector (54.3%), followed by Other Services (21.1%).

Among the markets served in 2018, the Services and Industrial sectors showed the highest spending on consultancy services with a share of 55.7% and 34.2%, respectively. The remaining share of 10.1% was invested by the PA & Health sector. Over the period 2010-18, the consultancy spending of the Service, Industrial, and PA&Health sectors grew at a CAGR of 7.3%, 7.5% and 1.7%, respectively.

Management Consulting Market by Sector - Revenue of Large and Small Consulting Companies by Sector



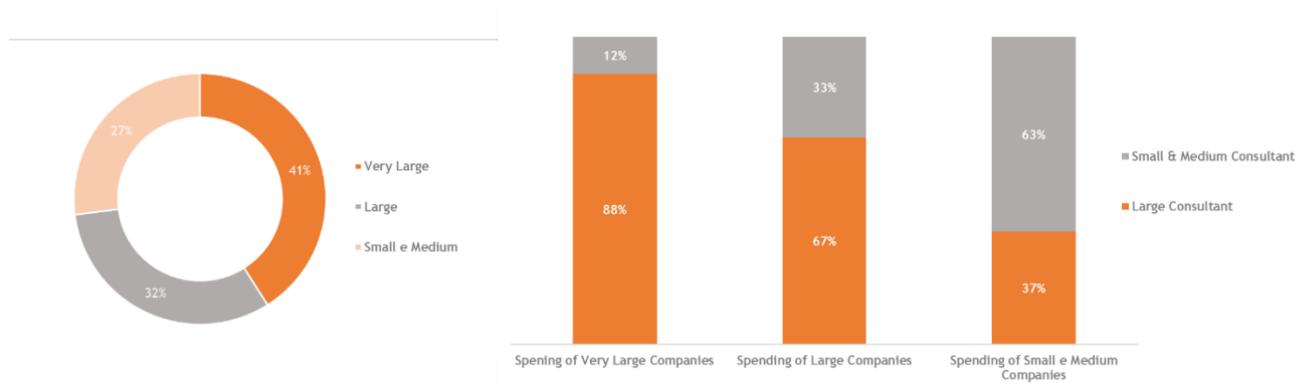
Source: Assoconsult - 2018-19

Looking at the private sector, in 2018 private clients bought consultancy services for €3.3bn of which:

- 41% was spent by very large companies (over €500mn);
- 32% was spent by large companies (between €50mn and €500mn);
- 27% was spent by small and medium companies (less than €50mn).

Furthermore, very large and large companies tend to buy from large consultancy firms (87.9% and 67%, respectively), whereas small clients prefer to buy from small and medium consultancy businesses (63% of services bought).

**The Private Sector's Management Consulting Spending in 2018**



Source: Assoconsult - 2018-19

## Positioning and Competitive Environment

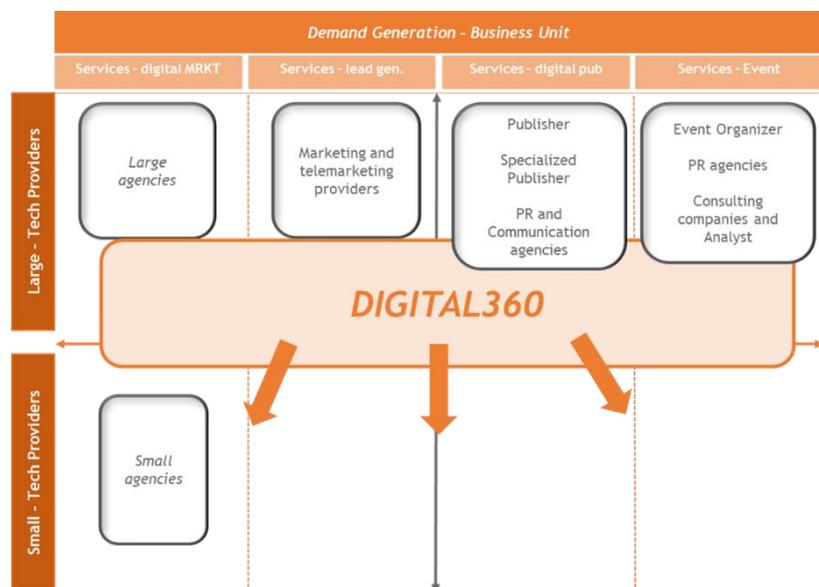
To date, DIG has addressed its offer mainly to medium and large tech providers and tech buyers. Thanks to the “Engine” Demand Generation model and Engineered Advisory Services, the Group aims at further expanding its offer to Italian SMEs. SMEs represent 98% of the Italian market.<sup>1</sup> Up to now, few of DIG’s competitors have addressed their services to these enterprises. In order to study DIG’s positioning, we analyzed the two business units within two different competitive environments.

The Demand Generation unit offers services to tech providers with the aim of increasing their market share and visibility. For this business unit, we consider two variables: i) the size of providers, and ii) the type of services offered.

Competitors change in relation to services offered. As for digital marketing, the company faces competition from both large and small companies. With regard to lead generation, DIG’s competitors are medium and large companies which could also provide publishing services, using a model similar to DIG’s own. The publishing segment is comprised of large players which own websites, digital newspapers, or specialized magazines. On the events front, DIG faces the competition of event organizers and PR agencies which mostly target large clients.

The competitive environment is characterized by a high concentration of large competitors with high specialization and expertise. Furthermore, there is lower competition between small providers and the large ones.

### Market Positioning - By Demand Generation Unit



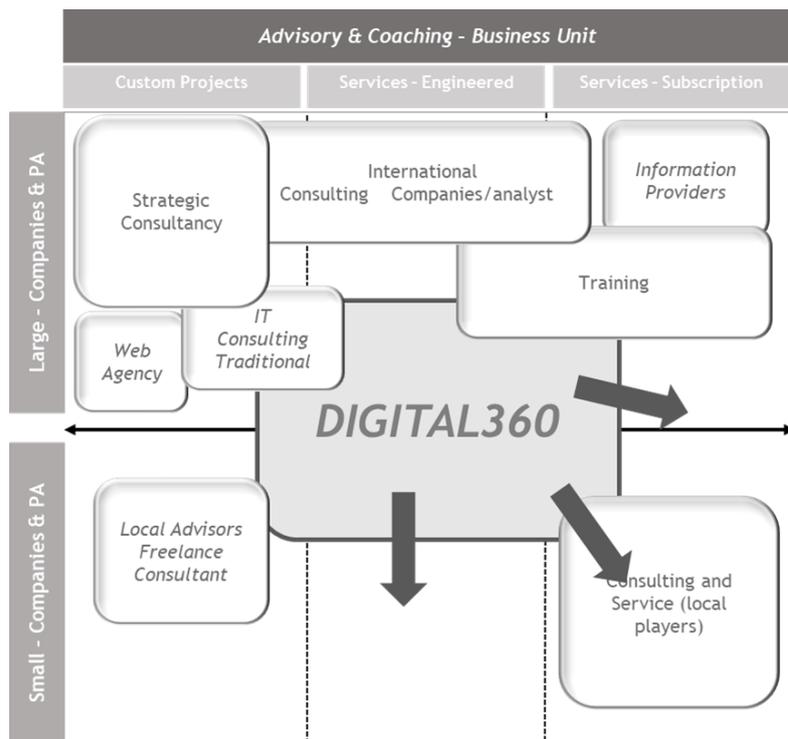
Source: KT&Partners’ elaboration

<sup>1</sup> Source: Assoconsult – 2018-19

The Advisory & Coaching unit offers consulting services to tech buyers, supporting their processes and business digital transformation. The competitive environment was analyzed by taking into consideration: i) the size of clients served; and ii) the type of services offered.

The consultancy sector is mostly covered by large consultancy firms which differentiate by activities (Strategy, General Consulting, and IT). The competition is higher between medium and large clients, while small companies are covered by local and specialized advisors/consultants.

**Market Positioning - Advisory & Coaching Unit**



Source: KT&Partners' elaboration

## Historical Financials

Over the 2016-18 period, DIG registered: i) increasing revenues experiencing a CAGR of 33%; ii) growing EBITDA that went from €1.7mn in FY16 to €2.6mn in FY18; and iii) good cash generation which led NFP to €5mn in 2018.

The key financials are the following:

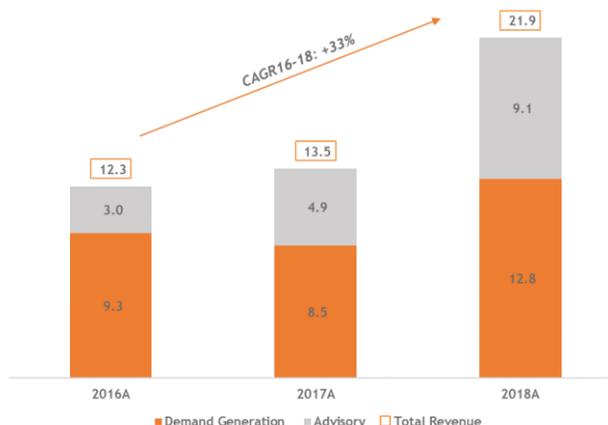
- FY18 revenue at €22.5mn vs €12.8mn in FY16, +32.6% CAGR2016-18;
- FY18 EBITDA at €2.6mn vs €1.7mn in FY16, +23.2% CAGR2016-18;
- FY18 EBIT adj. at €1.1mn vs €1.0mn in FY16, +5.3% CAGR2016-18;
- FY18 net financial position at €5mn vs €6mn in FY15.

## Sales Breakdown

DIG's sales reached €22.5mn in 2018, growing at a CAGR2016-18 of 32.6%. Looking at the two business units, over the period 2016-18 the advisory business has increased its incidence on total revenues from 24% in 2016 to 42% in 2018, also thanks to the three recent acquisitions. Demand Generation grew to €12.8mn in FY18 with a 17.3% CAGR2016-18. FY18 Advisory's sales reached €9.1mn, experiencing a growth of 83.7% vs 2017 mainly thanks to:

- the development of: i) engineered services related to hot topics like GDPR, cybersecurity, Industry 4.0; and ii) customized projects for key clients;
- the launch of "as-a-service" solutions - based on recurring fees.

## Sales Breakdown by Business Units (€mn)



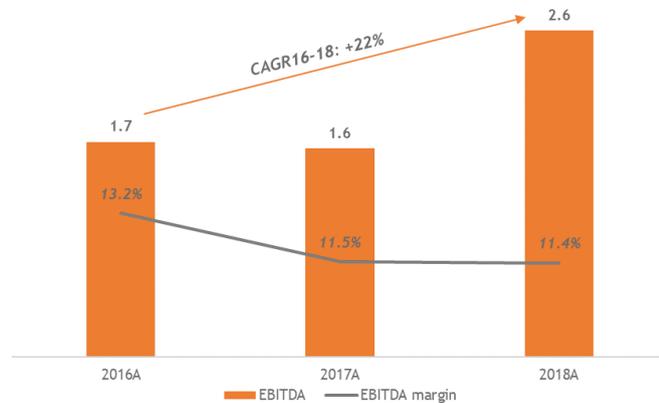
Source: Company data

## Profitability Analysis

DIG's EBITDA reached €2.6mn in 2018 (+56.6% YoY), growing at 23.2% CAGR2016-18 thanks to general business growth and the three recently acquired companies. Over the 2016-18 period, the Group's EBITDA margin went from 13.2% in 2016 to 11.4% in 2018. This is mainly due to higher costs following: i) the latest M&A carried out during the period; and ii) a slowdown in traditional activities (printed newspaper) as a result of a change in the Group's strategy aimed at dismissing them in favor of innovative Demand

Generation services characterized by recurring revenues. In detail, the incidence of cost of services went from 51.3% in FY16 to 57.6% in FY18, whereas the incidence of other operating expenses rose to 3.2% in FY18 from 2.2% in FY16.

**DIG' EBITDA and EBITDA Margin (€mn, %)**



Source: Company data

FY18 EBIT stood at €0.39mn, growing by 37.7% with respect to 2017. It would have been better considering the adjustment for the effect of consolidation of Group accounting. Indeed, FY18 EBIT adjusted was €1.14mn (+50.7% with respect to 2017), resulting in an EBIT adjusted margin of 5.1%.

**Consolidated Income Statement**

€ millions	FY16	FY17	FY18
Demand Generation	9.3	8.5	12.8
Advisory&Coaching	3.0	4.9	9.1
<b>Sales Revenues</b>	<b>12.3</b>	<b>13.5</b>	<b>21.9</b>
<i>Growth %</i>		9.3%	62.5%
Other Revenues	0.5	0.9	0.6
<b>Total Revenues</b>	<b>12.8</b>	<b>14.3</b>	<b>22.5</b>
<i>Growth %</i>		11.9%	57.2%
Cost of Services	(6.6)	(7.3)	(12.6)
Rental Costs	(0.7)	(0.7)	(0.7)
Personnel Expenses	(3.6)	(4.4)	(5.9)
Other Operating Expenses	(0.3)	(0.3)	(0.7)
<b>EBITDA</b>	<b>1.7</b>	<b>1.64</b>	<b>2.6</b>
<i>EBITDA margin</i>	13.2%	11.5%	11.4%
<i>Growth %</i>		-3.1%	56.6%
D&A and Provisions	(1.0)	(1.4)	(2.2)
<b>EBIT</b>	<b>0.7</b>	<b>0.28</b>	<b>0.39</b>
<i>EBIT margin</i>	5.5%	2.0%	1.7%
<i>Growth %</i>		-59.6%	37.7%
<b>EBIT Adj.</b>	<b>1.03</b>	<b>0.76</b>	<b>1.14</b>
<i>EBIT margin adj.</i>	8.1%	5.3%	5.1%
<i>Growth %</i>		-26.4%	50.7%
Financial Income and Expenses	(0.1)	(0.2)	(0.3)
Extraordinary items	(0.1)	0.0	(0.1)
<b>EBT</b>	<b>0.5</b>	<b>0.1</b>	<b>0.1</b>
Taxes	(0.3)	(0.0)	(0.2)
<i>Tax Rate</i>	53.8%	21.9%	355.4%
<b>Net Income</b>	<b>0.2</b>	<b>0.05</b>	<b>(0.2)</b>
<i>Net margin</i>	1.9%	0.4%	-0.8%
<i>Growth %</i>			
<b>Net Income Adj.</b>	<b>0.6</b>	<b>0.53</b>	<b>0.58</b>
<i>Net margin adj.</i>	4.5%	3.7%	2.6%
Minorities	(0.0)	0.0	0.3
<b>Net Income attributable to the Group</b>	<b>0.3</b>	<b>0.1</b>	<b>(0.4)</b>
<i>Net margin to the Group</i>	2.0%	0.4%	-1.9%
<b>Net Income attributable to the Group Adj</b>	<b>0.6</b>	<b>0.5</b>	<b>0.3</b>
<i>Net margin to the Group adj.</i>	4.6%	3.7%	1.4%

Source: Company data

**Capital Structure Analysis**

In 2018, fixed assets stood at €10.5mn - an increase of €3mn vs 2017 - and they were mainly composed of intangible assets, reflecting the company's capital-light business model.

Trade working capital (TWC) went from €3mn in FY17 to €5mn in FY18, mainly as consequence of a €3mn increase of trade receivables with respect to FY17.

The company enjoys a stable capital structure with total shareholder's equity almost twice DIG's NFP. At the end of 2018, NFP was €5mn or 2x 2018 EBITDA.

#### Consolidated Balance Sheet

€ millions	FY16A	FY17A	FY18A
Goodwill	3.0	3.4	5.7
Intangible	2.2	3.4	4.1
Tangible	0.1	0.1	0.5
Financial Assets	0.3	0.2	0.1
<b>Fixed Assets</b>	<b>5.5</b>	<b>7.1</b>	<b>10.5</b>
Trade receivables	4.8	5.2	8.3
Inventory	0.0	0.0	0.0
Trade Payables	(1.6)	(2.0)	(3.4)
<b>Trade Working Capital</b>	<b>3.1</b>	<b>3.2</b>	<b>4.9</b>
Other assets and liabilities	(0.5)	0.8	(1.2)
<b>Net Working Capital</b>	<b>2.6</b>	<b>4.0</b>	<b>3.7</b>
<b>Other Provisions</b>	<b>(0.6)</b>	<b>(0.7)</b>	<b>(1.0)</b>
<b>Net Capital Employed</b>	<b>7.6</b>	<b>10.3</b>	<b>13.2</b>
Group shareholders' equity	1.6	7.8	8.2
Minority shareholders' equity	0.2	0.0	0.4
<b>Total shareholders' equity</b>	<b>1.9</b>	<b>7.8</b>	<b>8.6</b>
Short-term debt / Cash (-)	2.4	(0.6)	(0.1)
Long-term liabilities	3.3	3.2	4.6
<b>Net Financial Position</b>	<b>5.7</b>	<b>2.6</b>	<b>4.6</b>
<b>Sources</b>	<b>7.6</b>	<b>10.3</b>	<b>13.2</b>

Source: Company data

## FY19 Results

During 2019, the company registered total revenues of €25.2mn (+12.1% vs FY2018), confirming the growth path of the two business units: the Demand Generation unit was up by 4.6%YoY to €13.4mn, whereas the Advisory unit grew by +25.7%YoY to €11.4mn.

EBITDA was slightly lower than FY2018 at €2.5mn (-1%). The slight decrease of EBITDA margin was mainly due to the dismissal of traditional services (printed newspaper) and business repositioning to boost the growth of Engine services. These factors impacted DIG's top line and led to one-off extraordinary costs. EBITDA adjusted amounted to €2.9mn, with an EBITDA margin of 11.5%.

EBIT was €500k with an EBIT margin of 1.8%. EBIT adjusted stood at €1.2mn with a margin of 4.9%. On the bottom line, the company reached -€0.1mn, while the net income adjusted for extraordinary costs, linked to business restructuring of its subsidiary ICT & Strategy, was €0.7mn with a margin of 2.7%. Net income adjusted after minorities came in at €0.3mn, in line with the previous year.

## FY19 Income Statement

€ millions	FY18	FY19A
Demand Generation	12.8	13.4
Advisory&Coaching	9.1	11.4
<b>Sales Revenues</b>	<b>21.9</b>	<b>24.9</b>
Other Revenues	0.6	0.4
<b>Total Revenues</b>	<b>22.5</b>	<b>25.2</b>
Growth %	57.2%	12.1%
Products and Raw materials	(0.0)	(0.0)
<b>Gross Profit</b>	<b>22.5</b>	<b>25.2</b>
Gross Margin	100.0%	99.9%
Cost of Services	(13.0)	(13.8)
Rental Costs	(0.7)	(0.8)
Personnel Expenses	(5.5)	(7.2)
Other Operating Expenses	(0.7)	(0.5)
<b>EBITDA</b>	<b>2.6</b>	<b>2.9</b>
EBITDA margin	11.4%	11.5%
Growth %	56.6%	13.3%
D&A and Provisions	(2.2)	(2.4)
<b>EBIT</b>	<b>0.4</b>	<b>0.5</b>
EBIT margin	1.7%	1.8%
Growth %	37.7%	18.2%
<b>EBIT Adj.</b>	<b>1.1</b>	<b>1.2</b>
EBIT margin adj.	5.1%	4.9%
Growth %	50.7%	8.8%
Financial Income and Expenses	(0.3)	0.0
Extraordinary items	(0.1)	(0.4)
<b>EBT</b>	<b>0.1</b>	<b>0.1</b>
Taxes	(0.2)	(0.2)
Tax Rate	355.4%	227.0%
<b>Net Income</b>	<b>(0.2)</b>	<b>(0.1)</b>
Net margin	-0.8%	-0.4%
<b>Net Income Adj.</b>	<b>0.6</b>	<b>0.7</b>
Net margin adj.	2.6%	2.7%
Minorities	0.3	0.4
<b>Net Income attributable to the Group</b>	<b>(0.4)</b>	<b>(0.5)</b>
Net margin to the Group	-1.9%	-1.9%
<b>Net Income attributable to the Group Adj.</b>	<b>0.3</b>	<b>0.3</b>
Net margin to the Group adj.	1.4%	1.2%
<b>EPS</b>	<b>0.0</b>	<b>0.0</b>

Source: Company data

In FY19, DIG invested €1.3mn in R&D (of €1.9mn total investment in FY2019) of which €0.3mn was capitalized. Despite the investments, assets slightly decreased to €9.9mn with respect to FY18 as a result of high amortizations.

Net working capital increased by €1.8mn mainly due to the increase in trade receivables. Growth of receivables is linked to the growing business. NFP went from €4.6mn in FY18 to €6.3mn in FY19, mainly due to vendor loan payments.

#### FY19 Balance Sheet

€ millions	FY18A	FY19A
Goodwill	5.7	4.9
Intangible	4.1	4.4
Tangible	0.5	0.5
Financial Assets	0.1	0.1
<b>Fixed Assets</b>	<b>10.5</b>	<b>9.9</b>
Trade receivables	8.3	9.4
Inventory	0.0	0.0
Trade Payables	(3.4)	(3.2)
<b>Trade Working Capital</b>	<b>4.9</b>	<b>6.3</b>
Other assets and liabilities	(1.2)	(0.7)
<b>Net Working Capital</b>	<b>3.7</b>	<b>5.6</b>
<b>Other Provisions</b>	<b>(1.0)</b>	<b>(1.0)</b>
<b>Net Capital Employed</b>	<b>13.2</b>	<b>14.5</b>
Group shareholders' equity	8.2	7.4
Minority shareholders' equity	0.4	0.8
<b>Total shareholders' equity</b>	<b>8.6</b>	<b>8.1</b>
Short-term debt / Cash (-)	(0.1)	1.1
Long-term liabilities	4.6	5.2
<b>Net Financial Position</b>	<b>4.6</b>	<b>6.3</b>
<b>Sources</b>	<b>13.2</b>	<b>14.5</b>

Source: Company data

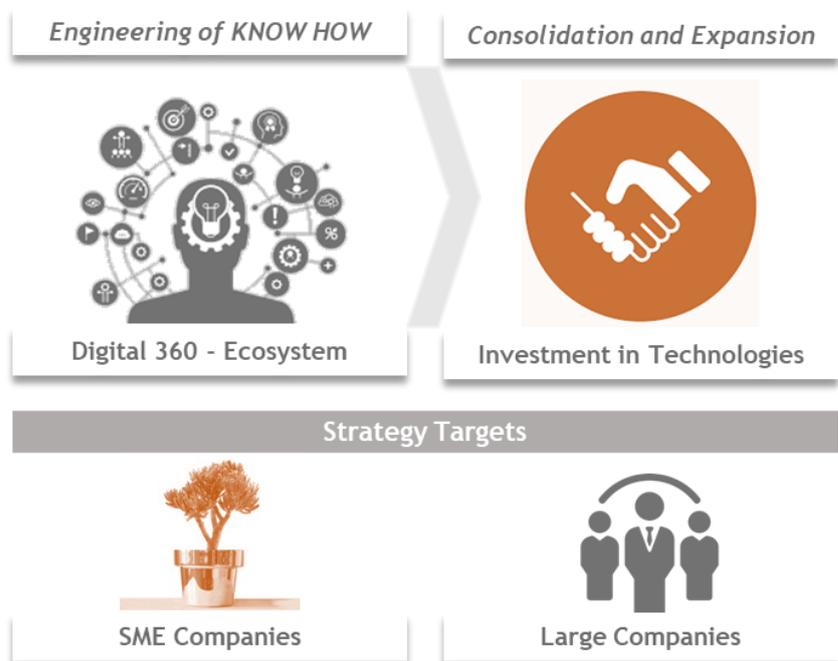
## Company Strategy

The company strategy focuses on further penetration of the SMEs segment through engineered services and solutions, while consolidating relationships with existing mid and large clients by enriching its offer with new technological assets.

Therefore, the company strategy is based on the following pillars:

- Acquisition of new SMEs through engineered solutions**  
 Customer expansion is based on the engineering and standardization of those processes and services which otherwise would be inaccessible to smaller companies due to their complexity and cost. Furthermore, DIG could benefit from partnership with small players to reach new small clients;
- Further development of its ecosystem**  
 The company is planning to invest in new technological platforms with the aim of enhancing its ecosystem and providing a more valuable offer.
- External growth**  
 Scouting of innovative small companies and startups which could add new know-how, expertise and solutions to DIG's portfolio.

### Business Strategy - New Targeting and Better Relationship



Source: KT&Partners' elaboration

## Future Financials

### Deconstructing Forecast

Analyzing DIG’s business model and company strategy, we built our forecast on the period 2020E-24E. The expected growth is mainly associated with: a) sales growth based on the “as-a-service” offer; and b) sales consolidation on the large and mid-size enterprise segment. Our estimates integrate the COVID-19 impact, which is affecting the global economy with a general economic slowdown but on the other hand has boosted requests for digital and ICT services.

It is important to note that our forecasts are on a stand-alone basis.

Starting from the top line, we expect revenues to grow with a CAGR2019A-24E of 11.2%, reaching €42.9mn at the end of the period.

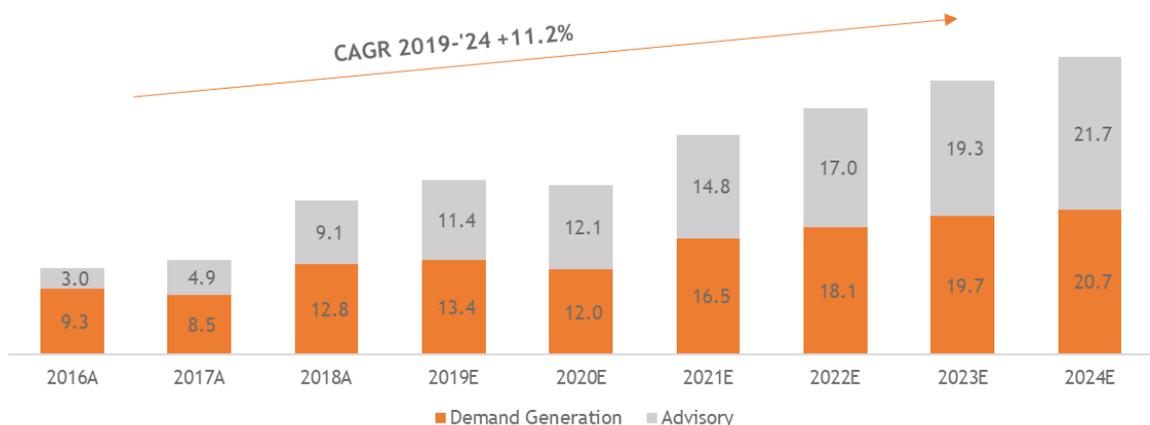
The key growth drivers that we included in our forecast for both the Demand Generation and Advisory & Coaching business units are:

- I. **Further expansion of small enterprises** thanks to the development of the new engineered solutions and services, generating monthly fees and ensuring DIG has a constant revenues stream;
- II. **Consolidation of large clients** leveraging on strong market reputation and an improved “ecosystem” enriched through new verticals and technological platforms.

In detail, according to our estimates:

- **The Demand Generation** business unit will reach €20.7mn of revenues in 2024E with a CAGR of 9.1% over the period 2019A-24E.
- **The Advisory & Coaching** business unit will grow at a CAGR 2019A-24E of 13.7%, reaching €21.7mn at the end of the period.

### 2016-24E Revenues by Business Unit (€mn)



Source: Company data and KT&Partners’ elaboration

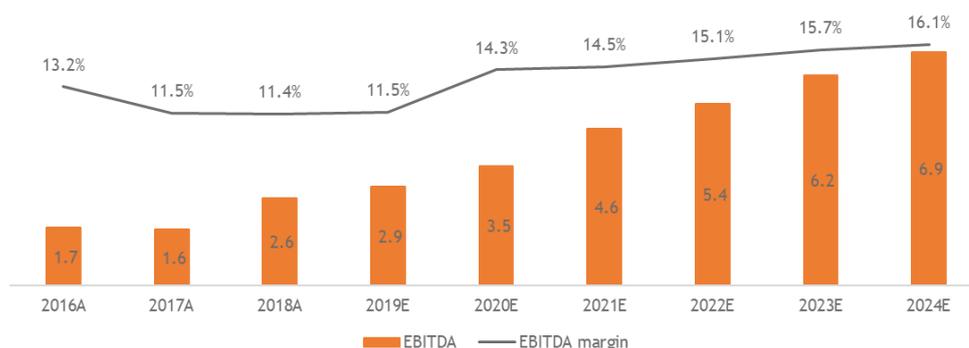
Consolidated Income Statement (€mn) 2018A-24E

€ millions	FY16	FY17	FY18	FY19A	FY20E	FY21E	FY22E	FY23E	FY24E	CAGR 19A-24E
Demand Generation	9.3	8.5	12.8	13.4	12.0	16.5	18.1	19.7	20.7	9.1%
Advisory&Coaching	3.0	4.9	9.1	11.4	12.1	14.8	17.0	19.3	21.7	13.7%
<b>Sales Revenues</b>	<b>12.3</b>	<b>13.5</b>	<b>21.9</b>	<b>24.9</b>	<b>24.1</b>	<b>31.3</b>	<b>35.1</b>	<b>39.0</b>	<b>42.3</b>	<b>11.2%</b>
Other Revenues	0.5	0.9	0.6	0.4	0.4	0.5	0.5	0.6	0.6	11.2%
<b>Total Revenues</b>	<b>12.8</b>	<b>14.3</b>	<b>22.5</b>	<b>25.2</b>	<b>24.5</b>	<b>31.8</b>	<b>35.6</b>	<b>39.6</b>	<b>42.9</b>	<b>11.2%</b>
Growth %		11.9%	57.2%	12.1%	-3.0%	29.7%	11.9%	11.4%	8.4%	
Products and Raw materials	0.0	0.0	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	
<b>Gross Profit</b>	<b>12.8</b>	<b>14.3</b>	<b>22.5</b>	<b>25.2</b>	<b>24.5</b>	<b>31.8</b>	<b>35.6</b>	<b>39.6</b>	<b>42.9</b>	<b>12.0%</b>
Gross Margin	100.0%	100.0%	100.0%	99.9%	100.0%	100.0%	100.0%	100.0%	100.0%	
Cost of Services	(6.6)	(7.3)	(13.0)	(13.8)	(12.8)	(16.8)	(18.7)	(20.8)	(22.5)	
Rental Costs	(0.7)	(0.7)	(0.7)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	
Personnel Expenses	(3.6)	(4.4)	(5.5)	(7.2)	(6.9)	(9.0)	(10.0)	(11.0)	(11.9)	
Other Operating Expenses	(0.3)	(0.3)	(0.7)	(0.5)	(0.5)	(0.7)	(0.8)	(0.8)	(0.9)	
<b>EBITDA</b>	<b>1.7</b>	<b>1.6</b>	<b>2.6</b>	<b>2.9</b>	<b>3.5</b>	<b>4.6</b>	<b>5.4</b>	<b>6.2</b>	<b>6.9</b>	<b>18.8%</b>
EBITDA margin	13.2%	11.5%	11.4%	11.5%	14.3%	14.5%	15.1%	15.7%	16.1%	
Growth %		-3.1%	56.6%	13.3%	20.7%	31.6%	16.1%	15.9%	10.8%	
D&A and Provisions	(1.0)	(1.4)	(2.2)	(2.4)	(2.6)	(3.1)	(3.3)	(2.4)	(2.8)	
<b>EBIT</b>	<b>0.7</b>	<b>0.3</b>	<b>0.4</b>	<b>0.5</b>	<b>0.9</b>	<b>1.5</b>	<b>2.0</b>	<b>3.8</b>	<b>4.1</b>	<b>55.1%</b>
EBIT margin	5.5%	2.0%	1.7%	1.8%	3.7%	4.9%	5.8%	9.7%	9.6%	
Growth %		-59.6%	37.7%	18.2%	98.9%	68.7%	32.7%	87.1%	7.9%	
<b>EBIT Adj.</b>	<b>1.0</b>	<b>0.8</b>	<b>1.1</b>	<b>1.2</b>	<b>1.7</b>	<b>2.3</b>	<b>2.8</b>	<b>4.6</b>	<b>4.9</b>	<b>31.6%</b>
EBIT margin adj.	8.1%	5.3%	5.1%	4.9%	6.9%	7.3%	8.0%	11.7%	11.5%	
Growth %		-26.4%	50.7%	8.8%	36.6%	37.0%	21.7%	63.0%	6.5%	
Financial Income and Expenses	(0.1)	(0.2)	(0.3)	0.0	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	
Extraordinary items	(0.1)	0.0	(0.1)	(0.4)	0.0	0.0	0.0	0.0	0.0	
<b>EBT</b>	<b>0.5</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.8</b>	<b>1.4</b>	<b>1.9</b>	<b>3.7</b>	<b>4.0</b>	<b>118.2%</b>
Taxes	(0.3)	(0.0)	(0.2)	(0.2)	(0.2)	(0.4)	(0.5)	(1.1)	(1.2)	
Tax Rate	53.8%	21.9%	355.4%	227.0%	29.0%	29.0%	29.0%	29.0%	29.0%	
<b>Net Income</b>	<b>0.2</b>	<b>0.1</b>	<b>(0.2)</b>	<b>(0.1)</b>	<b>0.5</b>	<b>1.0</b>	<b>1.3</b>	<b>2.6</b>	<b>2.8</b>	<b>n.m.</b>
Net margin	1.9%	0.4%	-0.8%	-0.4%	2.2%	3.1%	3.8%	6.6%	6.6%	
<b>Net Income Adj.</b>	<b>0.6</b>	<b>0.5</b>	<b>0.6</b>	<b>0.7</b>	<b>1.3</b>	<b>1.8</b>	<b>2.1</b>	<b>3.4</b>	<b>3.6</b>	<b>39.6%</b>
Net margin adj.	4.5%	3.7%	2.6%	2.7%	5.4%	5.6%	6.0%	8.6%	8.4%	
Minorities	(0.0)	0.0	0.3	0.4	0.1	-	-	-	-	
<b>Net Income attributable to the Group</b>	<b>0.3</b>	<b>0.1</b>	<b>(0.4)</b>	<b>(0.5)</b>	<b>0.4</b>	<b>1.0</b>	<b>1.3</b>	<b>2.6</b>	<b>2.8</b>	<b>n.m.</b>
Net margin to the Group	2.0%	0.4%	-1.9%	-1.9%	1.8%	3.1%	3.8%	6.6%	6.6%	
<b>Net Income attributable to the Group Adj.</b>	<b>0.6</b>	<b>0.5</b>	<b>0.3</b>	<b>0.3</b>	<b>1.2</b>	<b>1.8</b>	<b>2.1</b>	<b>3.4</b>	<b>3.6</b>	<b>64.1%</b>
Net margin to the Group adj.	4.6%	3.7%	1.4%	1.2%	5.0%	5.6%	6.0%	8.6%	8.4%	
EPS	n.m.	0.0	0.0	0.0	0.1	0.1	0.1	0.2	0.2	64.1%

Source: Company data and KT&Partners' elaboration

We expect that in FY20 the impact of topline reduction will be counterbalanced by cost savings in personnel and services, allowing EBITDA margin to increase by 2.8pp YoY. On the five-year forecast, EBITDA is expected to reach €6.9mn in 2024E, with a CAGR2019A-24E of 18.8%, higher than revenues growth thanks to the expansion of the “as-a-service” approach that should guarantee recurring revenues with limited growth of people and other operative costs. Meanwhile EBITDA margin will improve to 16.1% in FY24.

EBITDA Forecast (€mn) 2016A-24E



Source: Company data and KT&Partners' elaboration

Looking at **EBIT**, we foresee a CAGR 2019-24E of 55.1% reaching €4.1mn in 2024, thanks to DIG's low CAPEX investments for the coming years.

On the bottom line, **net income** is expected to amount to €2.8mn at the end of 2024, reaching a net margin of 6.6%. This is the result of low net financial expenses. While considering the adjustment for the effect of consolidation of Group accounting, net income is expected to reach €3.6mn in FY24, representing a net margin of 8.4%.

**Net working capital** is expected to follow the growth of the company in the next few years, reaching €13.1mn in 2024. To be prudential, we also forecast an increase in DSO to take into consideration a possible worsening of the quality of credit in a COVID-19 world.

Capex is expected to be in the region of €2mn per year, mainly related to development of new technologies and platforms. In FY21, we expect higher investment resulting from the acquisition of the remaining stake in ServicePro and IQ Consulting.

We expect the company to reach a **net cash position** of €2.5mn in 2024, thanks to the company's cash generation positively influenced by low investments needed.

Consolidated Balance Sheet (€mn) 2018A-24E

€ millions	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E	FY24E
Fixed Assets	5.5	7.1	10.5	9.9	9.2	9.1	7.7	7.2	6.3
Trade receivables	4.8	5.2	8.3	9.4	10.5	13.6	15.2	16.9	18.3
Inventory	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade Payables	(1.6)	(2.0)	(3.4)	(3.2)	(3.2)	(4.0)	(4.4)	(4.9)	(5.3)
Trade Working Capital	3.1	3.2	4.9	6.3	7.3	9.5	10.8	12.0	13.1
Other assets and liabilities	(0.5)	0.8	(1.2)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)
Net Working Capital	2.6	4.0	3.7	5.6	6.6	8.8	10.1	11.3	12.4
Other Provisions	(0.6)	(0.7)	(1.0)	(1.0)	(1.5)	(2.2)	(2.9)	(3.7)	(4.6)
<b>Net Capital Employed</b>	<b>7.6</b>	<b>10.3</b>	<b>13.2</b>	<b>14.5</b>	<b>14.3</b>	<b>15.8</b>	<b>14.9</b>	<b>14.8</b>	<b>14.1</b>
Total shareholders' equity	1.9	7.8	8.6	8.1	8.8	9.8	11.1	13.7	16.6
Short-term debt / Cash (-)	2.4	(0.6)	(0.1)	1.1	0.3	0.8	(1.4)	(4.1)	(7.6)
Long-term liabilities	3.3	3.2	4.6	5.2	5.2	5.2	5.2	5.2	5.2
Net Financial Position	5.7	2.6	4.6	6.3	5.5	6.0	3.7	1.1	(2.5)
<b>Sources</b>	<b>7.6</b>	<b>10.3</b>	<b>13.2</b>	<b>14.5</b>	<b>14.3</b>	<b>15.8</b>	<b>14.9</b>	<b>14.8</b>	<b>14.1</b>

Source: Company data and KT&Partners' elaboration

## Valuation

Following the projections of DIG's future financials, we carried out the valuations of the company by applying the DCF and market multiples methods:

1. EV/EBITDA and P/E multiples which returns a value of €1.66ps;
2. DCF analysis based on WACC of 11.1% and 2% perpetual growth, returns a value of €1.54ps.

The average of the two methods yields a fair value of €1.60ps or an equity value of €26.05mn.

## Peer Comparison

We carried out an in-depth analysis of potential public companies that could be considered as peers of DIG, taking into account its two business units together with its growth profile and the profitability structure.

We built an 11-company sample which includes:

- **Booz Allen Hamilton Holding Corporation Class A (BAH-US):** listed on NYSE with a market capitalization of €9.6bn. BAH-US engages in the provision of management and technology consulting services. It offers analytics, digital solutions, engineering, and cyber expertise. In FY18, BAH-US reached €5.8bn of revenues.
- **Gartner, Inc. (IT-US):** listed on NYSE with a market capitalization of €9.5bn. IT-US Gartner, Inc. is a research and advisory company, which delivers technology-related insights to its clients to help them with decision-making. It operates through the following segments: Research, Consulting and Conferences. The Research segment gives advice on the mission-critical priorities of leaders. The Consulting segment offers customized solutions to unique client needs through on-site, day-to-day support, and proprietary tools for measuring and improving IT performance. The Conferences segment involves business professionals across the organization. In FY19, BAH-US reached €3.8bn of revenues.
- **HubSpot, Inc. (HUBS-US):** listed on NYSE with a market capitalization of €7.6bn. It provides a cloud-based marketing and sales software platform that enables businesses to deliver an inbound experience. In FY19, HUBS-US reached €0.6bn of revenues.
- **ServiceNow, Inc. (NOW-US):** listed on NYSE with a market capitalization of €66.9bn. NOW-US engages in the provision of enterprise cloud computing solutions. It offers customer and facilities service management, orchestration core, service mapping, cloud and portfolio management, edge encryption, performance analytics, service portal design, visual task boards, and configuration management databases. In FY19, NOW-US reached €3.1bn of revenues.
- **TechTarget, Inc. (TTGT-US):** listed on NASDAQ with a market capitalization of €0.7bn. TTGT-US engages in the provision of online content for buyers of enterprise information technology products and

services. It also offers purchase-intent marketing and sales services for enterprise technology vendors. Its product portfolio includes demand generation, brand consideration, sales enablement, and marketing intelligence. In FY19, TTGT-US reached €0.1bn of revenues.

- **RELX PLC (REL-GB):** listed on the London Stock Exchange with a market capitalization of €40.4bn. REL-GB engages in provision of information and analytics solutions for professional and business customers across industries. It operates through the following business segments: Scientific, Technical & Medical; Risk & Business Analytics; Legal; and Exhibitions. In FY19, REL-GB reached €8.9bn of revenues.
- **Wolters Kluwer NV (WKL-NL):** listed on the Euronext Stock Exchange with a market capitalization of €18.3bn. WKL-NL engages in the provision of information, software solutions, and services for professionals in the health, tax and accounting, finance, risk and compliance, and legal sectors. It operates through the following segments: Health; Tax and Accounting; Governance, Risk and Compliance; and Legal and Regulatory. In FY19, REL-GB reached €4.1bn of revenues.
- **Future plc (FUTR-GB):** listed on the London Stock Exchange, with a market capitalization of ca. €1.2bn. FUTR-GB engages in the publishing of special-interest consumer magazines and websites and the operation of events in the areas of technology; games and entertainment; music; knowledge; creative and photography; field sports; and home interest. It operates through the UK and US segments. In FY19, the company's revenues reached €251mn.
- **Informa Plc (INF-GB):** listed on the London Stock Exchange, with a market capitalization of ca. €7.3bn. INF-GB is a holding company, which engages in the provision of international business-to-business events, academic publishing, and information services. It operates through the following segments: Global Exhibitions, Academic Publishing, Business Intelligence, and Knowledge and Networking. In FY19, the company's revenues reached €3.3bn.
- **Techedge SpA (EDGE-IT):** listed on the Milan Stock Exchange, with a market capitalization of ca. €107mn. EDGE-IT provides business solutions and services worldwide which help companies exploit digital technologies to improve their business. The company serves the automotive, consumer goods, energy and utilities, services, and manufacturing industries. In FY18, the company's revenues reached €180mn.
- **Be, Think, Solve, Execute S.p.A. (BET-IT):** listed on the Milan Stock Exchange, with a market capitalization of ca. €0.14bn. BET-IT engages in ICT consulting in the Financial Services sector. It operates through the following business segments: Business Consulting, ICT Solutions, and ICT Professional Services. The company was founded in 1987 and is headquartered in Rome, Italy. In FY18, the company's revenues reached €149mn.

We analyzed the peer companies by considering their marginalities and historical growth rates and compared their average results to DIG's historical and expected financials. As expected for a company in an expansion phase, the peer companies have a level of EBITDA marginality which is higher than DIG: the average EBITDA margin in 2019 recorded by the peers was 19.4%, whereas DIG's EBITDA margin was 11.5%.

### Peers Comparison - Profitability

Company Name	EBITDA Margin				EBIT Margin				Net Margin			
	2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022
Booz Allen Hamilton Holding Corporatio	10.2%	10.2%	10.3%	10.1%	9.1%	9.2%	9.3%	9.2%	5.9%	6.0%	6.2%	n.a.
Gartner, Inc.	16.0%	16.4%	16.1%	16.6%	8.9%	9.1%	10.2%	11.5%	5.5%	7.1%	7.3%	7.9%
HubSpot, Inc.	neg	8.7%	10.9%	11.1%	neg	4.5%	6.7%	7.8%	neg	4.8%	6.7%	7.6%
ServiceNow, Inc.	11.9%	30.1%	30.2%	31.1%	1.2%	23.2%	24.0%	25.5%	18.1%	19.2%	19.9%	21.3%
TechTarget, Inc.	20.7%	30.7%	33.2%	n.a.	17.0%	16.4%	20.0%	n.a.	12.6%	11.3%	14.5%	n.a.
RELX PLC	35.9%	35.2%	36.5%	36.9%	27.2%	31.0%	32.0%	32.4%	19.1%	21.5%	22.6%	23.1%
Wolters Kluwer NV	22.7%	29.2%	29.6%	30.1%	12.5%	22.3%	22.8%	23.2%	16.1%	13.3%	13.6%	14.4%
Future plc	20.5%	26.7%	24.9%	26.1%	13.5%	23.1%	21.3%	22.2%	3.4%	6.2%	26.9%	22.9%
Informa Plc	35.1%	30.3%	34.5%	35.1%	21.1%	23.3%	30.6%	31.2%	11.7%	9.6%	11.4%	27.7%
Techedge S.p.A	9.1%	10.7%	n.a.	n.a.	6.1%	8.1%	n.a.	n.a.	8.5%	5.9%	6.4%	8.0%
Be Shaping the Future SpA	12.4%	17.1%	17.4%	17.9%	6.6%	10.3%	10.9%	11.7%	4.3%	4.2%	6.7%	6.7%
<b>Peers Average</b>	<b>19.4%</b>	<b>22.3%</b>	<b>24.4%</b>	<b>23.9%</b>	<b>12.3%</b>	<b>16.4%</b>	<b>18.8%</b>	<b>19.4%</b>	<b>10.5%</b>	<b>9.9%</b>	<b>12.9%</b>	<b>15.5%</b>
<b>Digital360</b>	<b>11.5%</b>	<b>14.3%</b>	<b>14.5%</b>	<b>15.1%</b>	<b>1.5%</b>	<b>1.9%</b>	<b>2.9%</b>	<b>4.3%</b>	<b>1.2%</b>	<b>5.0%</b>	<b>5.6%</b>	<b>6.0%</b>

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

According to our forecast, DIG's revenues will grow at 8.0% CAGR over the 2019-22 period, while its peers revenues will grow on average at 15.5% CAGR2019-22. We also expect EBITDA to grow at a CAGR19-22 of 22.6%, outperforming its peer average (17.5%).

### Peers Comparison - Sales (€mn) and Sales CAGR (%)

Company Name	Sales		YoY 18-19	Sales			CAGR 2019-'22
	2018	2019		2020	2021	2022	
Booz Allen Hamilton Holding Corporatio	5,792	6,803	17.5%	7,293	7,786	8,290	6.8%
Gartner, Inc.	3,370	3,793	12.6%	3,509	4,015	4,557	6.3%
HubSpot, Inc.	435	603	38.7%	737	891	1,120	22.9%
ServiceNow, Inc.	2,211	3,092	39.8%	3,971	4,938	6,201	26.1%
TechTarget, Inc.	103	120	16.4%	123	136	n.a.	n.a.
RELX PLC	8,468	8,975	6.0%	8,819	9,334	9,763	2.8%
Wolters Kluwer NV	3,828	4,144	8.3%	4,817	4,940	5,110	7.2%
Future plc	97	147	n.m.	251	365	488	49.2%
Informa Plc	2,006	2,678	33.5%	3,294	2,423	3,002	3.9%
Techedge S.p.A	142	180	26.9%	202	231	n.a.	n.a.
Be Shaping the Future SpA	128	145	13.7%	149	165	175	6.4%
<b>Peers Average</b>	<b>2,416</b>	<b>2,789</b>	<b>15.4%</b>	<b>3,015</b>	<b>3,202</b>	<b>4,301</b>	<b>15.5%</b>
<b>Digital360</b>	<b>22.5</b>	<b>25.2</b>	<b>12.1%</b>	<b>25.2</b>	<b>24.5</b>	<b>31.8</b>	<b>8.0%</b>

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

Peers Comparison - EBITDA (€mn) and EBITDA CAGR (%)

Company Name			YoY 17-18	EBITDA			CAGR 2019-'22
	2018	2019		2020	2021	2022	
Booz Allen Hamilton Holding Corporation	589.4	691.2	17.3%	745.2	805.4	837.2	6.6%
Gartner, Inc.	527.7	605.6	14.8%	576.5	648.2	754.4	7.6%
HubSpot, Inc.	-21.0	-14.9	-29.3%	64.1	97.5	124.5	-303.0%
ServiceNow, Inc.	90.5	368.7	n.m.	1,194.2	1,492.2	1,928.1	n.m.
TechTarget, Inc.	17.9	24.8	38.1%	37.7	45.0	n.a.	n.a.
RELX PLC	3,014.4	3,222.3	6.9%	3,108.6	3,409.1	3,603.4	3.8%
Wolters Kluwer NV	873.0	940.0	7.7%	1,408.1	1,464.2	1,538.4	17.8%
Future plc	9	20	n.m.	51	97	122	n.m.
Informa Plc	667	898	34.7%	1,156	733	1,037	4.9%
Techedge S.p.A	12	16	36.6%	18	25	32	24.8%
Be Shaping the Future SpA	14	14	-2.3%	18	28	31	31.2%
<b>Peers Average</b>	<b>527</b>	<b>617</b>	<b>17.1%</b>	<b>762</b>	<b>804</b>	<b>1,001</b>	<b>17.5%</b>
<b>Digital360</b>	<b>2.6</b>	<b>2.9</b>	<b>13.3%</b>	<b>3.51</b>	<b>4.62</b>	<b>5.37</b>	<b>22.6%</b>

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

Market Multiples Valuation

Following the comparables analysis, we proceeded with the definition of market multiples of the peer group, focusing on 2019, 2020 and 2021 data.

Peers Comparison - Market Multiples 2019-21

Company Name	Exchange	Market Cap	EV/SALES			EV/EBITDA			EV/EBIT			P/E 2019	P/E 2020	P/E 2021
			2019	2020	2021	2019	2020	2021	2019	2020	2021			
Booz Allen Hamilton Holding Corporation Class A	NYSE	9,595	1.6x	1.5x	1.4x	16.1x	14.9x	13.8x	18.0x	16.6x	15.4x	24.1x	21.8x	19.4x
Gartner, Inc.	NYSE	9,476	3.2x	3.4x	3.0x	19.9x	20.9x	18.6x	35.6x	37.6x	29.5x	46.8x	38.5x	32.4x
HubSpot, Inc.	NYSE	7,594	12.1x	9.9x	8.2x	n.m.								
ServiceNow, Inc.	NYSE	66,866	21.4x	16.7x	13.4x	n.m.								
TechTarget, Inc.	NASDAQ	656	5.5x	5.4x	4.9x	26.8x	17.6x	14.7x	32.6x	33.0x	24.5x	44.8x	27.4x	22.1x
RELX PLC	London	40,351	5.3x	5.4x	5.1x	14.8x	15.3x	14.0x	19.5x	17.4x	15.9x	23.9x	20.9x	18.7x
Wolters Kluwer NV	Euronext Amsterdam	18,308	4.9x	4.2x	4.1x	21.4x	14.3x	13.7x	38.7x	18.7x	17.8x	27.3x	22.7x	21.3x
Future plc	London	1,195	4.9x	3.4x	2.5x	24.1x	12.7x	10.2x	36.5x	14.7x	11.9x	n.m.	19.7x	16.2x
Informa Plc	London	7,261	3.2x	4.4x	3.5x	9.2x	14.5x	10.2x	15.3x	18.8x	11.6x	23.6x	16.0x	10.8x
Techedge S.p.A	Milan	107	0.5x	0.5x	n.a.	5.8x	4.3x	3.4x	8.7x	5.8x	4.1x	10.0x	8.3x	5.8x
Be Shaping the Future SpA	Milan	142	1.0x	0.9x	0.9x	8.1x	5.3x	4.9x	15.4x	8.8x	7.9x	22.6x	13.5x	11.8x
<b>Average peer group</b>		<b>14,686</b>	<b>5.8x</b>	<b>5.1x</b>	<b>4.7x</b>	<b>16.2x</b>	<b>13.3x</b>	<b>11.5x</b>	<b>24.5x</b>	<b>19.0x</b>	<b>15.4x</b>	<b>27.9x</b>	<b>21.0x</b>	<b>17.6x</b>
<b>Median peer group</b>		<b>7,594</b>	<b>4.9x</b>	<b>4.2x</b>	<b>3.8x</b>	<b>16.1x</b>	<b>14.5x</b>	<b>13.7x</b>	<b>19.5x</b>	<b>17.4x</b>	<b>15.4x</b>	<b>24.0x</b>	<b>20.9x</b>	<b>18.7x</b>
<b>Digital360</b>	Milan	<b>13</b>	<b>0.8x</b>	<b>0.8x</b>	<b>0.6x</b>	<b>7.0x</b>	<b>5.8x</b>	<b>4.4x</b>	<b>44.0x</b>	<b>22.1x</b>	<b>13.1x</b>	<b>43.3x</b>	<b>10.8x</b>	<b>7.4x</b>

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

We based our valuation upon a size/liquidity discount of 25%, and our estimates of DIG's EBITDA and net income adjusted for 2020 and 2021.

**Valuation - EV/EBITDA**

Multiple Valuation (€mn)	2020E	2021E
EV/EBITDA Comps	13.3x	11.5x
Digital360 EBITDA	3.51	4.62
<b>Enterprise value</b>	<b>46.8</b>	<b>53.2</b>
FY19 NFP	6.3	6.3
<b>Equity Value</b>	<b>40.5</b>	<b>46.8</b>
Average Equity Value	43.7	
Liquidity Discount	25%	
<b>Equity Value Post-Discount</b>	<b>32.7</b>	
Number of shares (thousand)	16.3	
<b>Value per Share €</b>	<b>2.01</b>	

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

**Valuation - P/E**

Multiple Valuation (€mn)	2020E	2021E
P/E Comps	21.0x	17.6x
Digital360 Net Income Adj.	1.22	1.77
<b>Equity Value</b>	<b>25.5</b>	<b>31.2</b>
Average Equity Value	28.4	
Liquidity Discount	25%	
<b>Equity Value Post-Discount</b>	<b>21.3</b>	
Number of shares (thousand)	16.3	
<b>Value per Share €</b>	<b>1.3</b>	

**DCF Model**

We have also conducted our valuation using a five-year DCF model, based on 13.2% cost of equity, 5.5% cost of debt and a target capital structure of 70% equity and 30% of debt. The cost of equity is a function of the risk-free rate of 1.65% (Italian 10y BTP), 6.03% equity risk premium (Damodaran for the mature market) and a premium for size and liquidity of 6.27%. We, therefore, obtained 11.1% WACC.

We discounted 2019E-24E annual cash flows and considered a terminal growth rate of 2%; then we carried out a sensitivity analysis on the terminal growth rate (+/- 0.25%) and on WACC (+/- 0.25%).

**Valuation - DCF Model**

€ millions	2020E	2021E	2022E	2023E	2024E
EBIT	0.92	1.54	2.05	3.83	4.14
Taxes	(0.27)	(0.45)	(0.59)	(1.11)	(1.20)
D&A	2.60	3.08	3.32	2.38	2.76
Change in Net Working Capital	(1.04)	(2.24)	(1.23)	(1.26)	(1.03)
Change in Funds	0.51	0.66	0.74	0.82	0.88
<b>Net Operating Cash Flow</b>	<b>2.71</b>	<b>2.60</b>	<b>4.28</b>	<b>4.66</b>	<b>5.54</b>
Capex	(1.87)	(3.02)	(1.89)	(1.89)	(1.89)
<b>FCFO</b>	<b>0.85</b>	<b>(0.42)</b>	<b>2.39</b>	<b>2.77</b>	<b>3.66</b>
g	2.0%				
Wacc	11.1%				
FCFO (discounted)	0.79	(0.36)	1.81	1.89	2.25
Discounted Cumulated FCFO	6.39				
TV	40.76				
TV (discounted)	25.04				
<b>Enterprise Value</b>	<b>31.43</b>				
FY19 NFP	6.33				
<b>Equity Value</b>	<b>25.10</b>				
Current number of shares (k)	16.3				
<b>Value per share (€)</b>	<b>1.54</b>				

Source: KT&Partners' estimates

Sensitivity Analysis - on Growth Rate and WACC

€ millions	WACC					
	11.6%	11.4%	11.1%	10.9%	10.6%	
Terminal growth Rate	1.5%	22.0	22.8	23.7	24.6	25.6
	1.8%	22.6	23.4	24.4	25.3	26.4
	2.0%	23.2	24.1	25.1	26.1	27.2
	2.3%	23.9	24.9	25.9	26.9	28.1
	2.5%	24.6	25.6	26.7	27.8	29.0

Source: KT&Partners' estimates

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# KT&PARTNERS

Via della Posta, 10 - Piazza Affari, 20123 Milano - Italy  
Tel: +39.02.83424007 Fax: +39.02.83424011  
[segreteria@ktepartners.com](mailto:segreteria@ktepartners.com)

