

Italy – Digital

Sector re-rating and solid business conditions leads to an update

26th June 2020

COMPANY FLASH

RIC: DIGT.MI
BBG: DIG IM

The virus spread prompted to a massive increase in demand of digital services. Robust stock/sector performance and the remarkable acceleration in business generation for DIGITAL360, are harbingers of solid perspectives.

Rating:

Buy

Price Target:

€ 1.70 (€ 1.20)

Upside/(Downside): 58.9%

Last Price: € 1.07

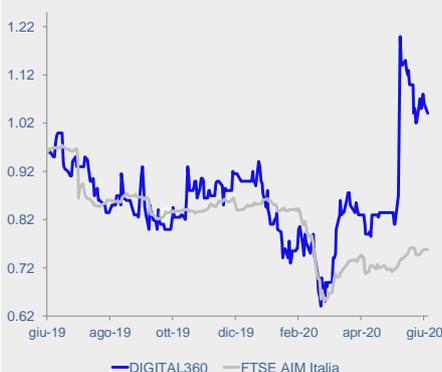
Market Cap.: € 18.7

1Y High/Low: € 1.25/€ 0.64

Free Float: 22.3%

Major shareholders:

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



Stock price performance

	1M	3M	12M
Absolute	6.7%	40.5%	6.1%
Rel.to AIM Italia	3.3%	30.2%	27.3%
Rel.to peers	1.7%	7.3%	-14.9%

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COVID-19, a game changer towards digital transformation

The Covid-19 crisis and its first social and economic consequences have pushed everyone - from small to large companies, from the public sector to workers and consumers - towards a digital transformation. From teleworking to distance learning, from e-commerce to virtual events, people are now experiencing the potential of digital technologies in everyday life like never before. The crisis offers the opportunity to accelerate the digital transformation. Digital will become the main element to foster the Southern European recovery, and empowering citizens and SMEs, particularly in the traditional sectors, is key to boosting productivity and enhancing the competitiveness of economies.

Remarkable acceleration of visitors and digital events in 4M-20 in the Network 360...

In this context, DIGITAL360 network, comprised of 56 digital assets (sites, portals, web channels and newsletters) is experiencing a massive increase of visitors and digital events. In Apr-20 the Network 360 realised over 4.5m visitors, up 219% YoY and over 60 digital events organised in the first 4M-20, up 200% YoY. In particular, the following services were enhanced: webinars, streaming events, digital communication campaigns, online lead generation, completely remote legal advisory services, audits, compliance and cybersecurity, fast enabling services for smart working through emergency kits, distance learning services. The Network 360 represents the largest domestic network of newspapers and B2B portals devoted to digital transformation and entrepreneurial innovation, dedicated to managers, professionals, policy makers, politicians, tech companies & start-ups.

...translates into higher business generation

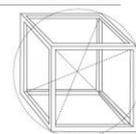
The traffic generated by the Network 360 activities is a catalyst for accessory services of the Demand Generation BU. On the back of this enduring increased level of activity, we fine-tuned our estimates: sales have been slightly revised upwards chiefly in the Demand Generation BU. A more efficient labour management and the rising portion of the lucrative as-a-service sales, prompt to better slightly margins. As a result, we revised our sales and EBITDA estimates by 1.3% and 6.9% on average in 2020-22. In addition, we factored in the recent € 244k capital gain stemming from the sale of a minority stake in SATA. A more favourable WC management prompt to an improvement in NFP.

Sector re-rating sustains valuation: new PT of € 1.70 (€ 1.20), Buy reiterated

In the last 3M, peers median stock performance is impressive: up 33.3% i.e. 1.8x and 2.3x the EUROSTOXX and the FTSE Italia All Share, respectively. This is also evidence of the recent rising demand in digital services stemming from COVID19 spread lockdown. The upgrade of our PT to € 1.70/s from € 1.20, based on multiples comparison, is mainly driven by sector re-rating rather than estimates fine-tuning (60-40). We reiterate our Buy rating with 58.9% upside to PT: the current scenario definitely represents an opportunity for DIG.

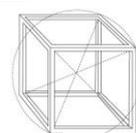
DIGITAL360, key financials and ratios

€ k	2018	2019	2020e	2021e	2022e
Sales	22,513	25,245	23,812	31,450	35,387
EBITDA	2,569	2,530	3,072	4,614	5,374
EBIT	390	81	311	1,483	2,252
EBIT adj.	1,144	1,215	1,065	2,237	3,006
Net profit	(436)	(821)	(172)	647	1,208
Net profit adj.	318	313	582	1,401	1,962
NFP (cash)/debt	4,566	6,335	5,213	5,651	3,490
EPS adjusted € cent	1.87	1.79	3.32	8.00	11.21
EPS adj. growth	-40.8%	-4.1%	85.8%	140.8%	40.1%
DPS ord. €/s	0.00	0.00	0.00	0.00	0.00
Free Cash Flow Yield	-20.9%	-4.0%	6.4%	-2.5%	10.8%
PER x	60.8	49.7	30.0	12.5	8.9
PCF x	11.1	9.6	6.7	4.6	4.0
EV/Sales x	1.06	0.87	0.95	0.73	0.59
EV/EBITDA x	9.3	8.7	7.4	5.0	3.9
EV/EBIT x	20.9	18.0	21.3	10.3	7.0





Income statement (€ k)	2018	2019	2020e	2021e	2022e
Total revenues	22,513	25,245	23,812	31,450	35,387
Services	(12,959)	(14,220)	(12,859)	(17,612)	(19,817)
Personnel expenses	(6,899)	(8,617)	(7,750)	(8,925)	(9,754)
Other opex	(1,430)	(1,290)	(1,191)	(1,572)	(1,769)
EBITDA	2,569	2,530	3,072	4,614	5,374
EBITDA adj.	2,569	2,910	3,072	4,614	5,374
D&A	(2,179)	(2,449)	(2,761)	(3,131)	(3,122)
EBIT	390	81	311	1,483	2,252
EBIT adj.	1,144	1,215	1,065	2,237	3,006
Financials	(271)	(341)	(318)	(320)	(239)
Re/(Devaluation) of financial assets	(50)	0	250	0	0
Extraordinary	0	0	0	0	0
Pre-Tax profit	69	(260)	243	1,163	2,013
Income taxes	(244)	(183)	(109)	(465)	(805)
Minorities	(260)	(378)	(306)	(51)	0
Net Profit	(436)	(821)	(172)	647	1,208
Net Profit adj.	318	313	582	1,401	1,962
Balance sheet (€ k)	2018	2019	2020e	2021e	2022e
Net Working Capital	4,908	6,255	5,583	7,452	8,410
Net Fixed Assets	10,341	9,796	9,035	8,603	7,181
Equity Investments	137	134	134	134	134
Other M/L Term A/L	(1,827)	(932)	(486)	(787)	(994)
Net Invested Capital	13,559	15,254	14,266	15,402	14,731
Net Financial Position	4,566	6,335	5,213	5,651	3,490
Minorities	394	772	1,078	1,129	1,129
Group's Shareholders Equity	8,598	8,147	7,975	8,621	10,112
Financial Liabilities & Equity	13,559	15,254	14,266	15,402	14,731
Cash Flow statement (€ k)	2018	2019	2020e	2021e	2022e
Total net income	(436)	(821)	(172)	647	1,208
Depreciation	2,179	2,449	2,761	3,131	3,122
Other non-cash charges	1,516	970	(140)	353	207
Cash Flow from Oper. (CFO)	3,259	2,598	2,449	4,131	4,537
Change in NWC	(1,698)	(1,347)	672	(1,869)	(958)
FCF from Operations (FCFO)	1,561	1,251	3,121	2,262	3,578
Net Investments (CFI)	(5,608)	(1,869)	(2,000)	(2,700)	(1,700)
Free CF to the Firm (FCFF)	(4,047)	(618)	1,121	(438)	1,878
CF from financials (CFF)	3,864	720	0	0	(1,717)
Free Cash Flow to Equity (FCFE)	(183)	102	1,121	(438)	162
Financial ratios	2018	2019	2020e	2021e	2022e
EBITDA margin	11.4%	10.0%	12.9%	14.7%	15.2%
EBIT margin	1.7%	0.3%	1.3%	4.7%	6.4%
Net profit margin	-1.9%	-3.3%	-0.7%	2.1%	3.4%
Tax rate	355.4%	-70.3%	45.0%	40.0%	40.0%
Op NWC/Sales	21.8%	24.8%	23.4%	23.7%	23.8%
Interest coverage x	0.70	4.23	1.02	0.22	0.11
Net Debt/EBITDA x	1.78	2.50	1.70	1.22	0.65
Debt-to-Equity x	0.53	0.78	0.65	0.66	0.35
ROIC	-3.2%	-5.4%	-1.2%	4.2%	8.2%
ROCE	2.4%	0.4%	1.8%	8.0%	12.4%
ROACE	2.6%	0.5%	1.8%	8.2%	12.3%
ROE	-5.1%	-10.1%	-2.2%	7.5%	11.9%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Per share figures	2018	2019	2020e	2021e	2022e
Number of shares # m	16.26	16.26	16.26	16.26	16.26
Number of shares Fully Diluted # m	17.51	17.51	17.51	17.51	17.51
Average Number of shares Fully Diluted # m	17.06	17.51	17.51	17.51	17.51
EPS stated FD € cent	(2.55)	(4.69)	(0.98)	3.69	6.90
EPS adjusted FD € cent	1.87	1.79	3.32	8.00	11.21
EBITDA € cent	150.52	144.48	175.48	263.55	306.94
EBIT € cent	22.83	4.60	17.77	84.69	128.63
BV € cent	513.63	509.43	517.07	556.92	642.08
FCFO € cent	91.48	71.43	178.28	129.20	204.39
FCFF € cent	(237.14)	(35.32)	64.05	(25.01)	107.29
FCFE € cent	(10.71)	5.80	64.05	(25.01)	9.23
Dividend € cent	0.00	0.00	0.00	0.00	0.00





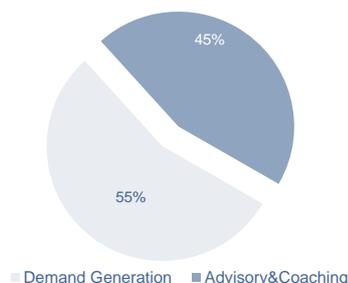
The company at a glance

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 CAGR₁₁₋₁₉ is 44%, boosted by acquisitions, 9 companies between 2012 and 2019, adding a total of € 11.2m revenues. In the same period, EBITDA soared from € 0.2m to € 2.9m, 44% CAGR. 2019 revenues totalled € 25.2m, up 12.1% YoY, EBITDA adj. reached € 2.9m, 11.5% margin and net profit adjusted came in at € 0.3m, 1.2% on sales. Net Financial Position reached € 6.3m, 2.2x EBITDA adj. and 0.9x Shareholders Equity. Currently 100% of business is generated in Italy. 55% of 2019 sales were generated by the Demand Generation division, the remainder came from the Advisory & Coaching business unit.

DIGITAL360 was listed on the 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.

2019 revenues breakdown by BU



2011-2019 revenues and EBITDA growth



Shareholder structure

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

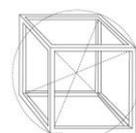
Peer group absolute performance

	1D	1W	1M	3M	6M	YTD
Booz Allen Hamilton Holding	0.1	2.6	4.9	26.6	12.4	12.5
Future PLC	4.1	1.9	1.9	44.0	(13.7)	(12.1)
Gartner Inc	0.0	0.0	0.9	33.3	(20.5)	(20.7)
HubSpot Inc	1.0	5.1	18.8	74.7	43.3	42.6
Informa PLC	(1.3)	(3.3)	8.1	12.5	(45.0)	(44.2)
Relx PLC	0.7	2.0	1.7	20.7	(0.2)	0.7
ServiceNow Inc	(0.5)	0.6	5.3	47.4	41.1	42.0
TechTarget Inc	(1.0)	(3.0)	11.3	52.5	9.3	14.1
Wolters Kluwer NV	1.1	3.5	3.6	22.4	5.1	6.9
Peers median	0.1	1.9	4.9	33.3	5.1	6.9
DIGITAL360 SpA	0.0	(1.0)	6.7	40.5	13.7	15.6

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
Booz Allen Hamilton Holding Corp	1.56	1.46	1.35	15.5	14.3	13.0	22.3	20.1	17.9
Future PLC	4.11	2.87	2.61	15.0	11.4	9.9	21.3	16.7	15.3
Gartner Inc	3.21	2.76	2.47	20.4	17.0	15.5	38.3	32.0	25.5
HubSpot Inc	10.90	8.92	6.94	113.7	74.5	49.0	213.9	130.3	75.2
Informa PLC	4.08	3.15	2.91	14.7	9.1	8.3	22.3	12.4	10.8
Relx PLC	5.51	5.15	4.88	15.8	14.4	13.3	21.6	19.6	18.4
ServiceNow Inc	17.08	13.36	10.12	55.0	43.9	33.2	91.4	70.9	53.3
TechTarget Inc	5.61	5.04	n.a.	18.3	14.9	n.a.	32.5	25.8	26.3
Wolters Kluwer NV	4.37	4.19	4.05	15.0	14.4	13.5	23.9	22.6	22.0
Median	4.28	4.10	3.42	15.6	14.2	13.2	23.4	22.1	21.5
DIGITAL360 SpA	0.95	0.73	0.59	7.4	5.0	3.9	30.0	12.5	8.9
Premium/(discount) to median	(77.8)	(82.1)	(82.7)	(52.8)	(64.6)	(70.4)	28.2	(43.6)	(58.7)

Source: CFO Sim, Thomson Reuters Eikon



Estimates, valuation & risks

The recent rising demand in digital services stemming from the lockdown caused by the COVID-19 spread (for example virtual conference, webinar, e-learning and online workshop), **definitely represents an opportunity for DIGITAL360**. In this context, the group network, comprised of 56 digital assets (sites, portals, web channels and newsletters) is experiencing a massive increase of visitors and digital events. **In Apr-20 the Network 360 realised over 4.5m visitors, up 219% YoY and over 60 digital events organised in the first 4M-20, up 200% YoY**. In particular, the following services were enhanced: webinars, streaming events, digital communication campaigns, online lead generation, completely remote legal advisory services, audits, compliance and cybersecurity, fast enabling services for smart working through emergency kits, distance learning services. The Network 360 represents today the largest domestic network of newspapers and B2B portals dedicated to digital transformation and entrepreneurial innovation for managers, professionals, policy makers, politicians, tech companies, start-up.

The traffic generated by the Network 360 activities is a catalyst for accessory services of the Demand Generation BU. On the back of this enduring increased level of activity, **we have fine-tuned our estimates**: sales has been slightly revised upwards chiefly in the Demand Generation BU. A more efficient labour management and the rising portion of the lucrative as-a-service sales, prompt to improved margins. As a result, **we revised our sales and EBITDA estimates by 1.3% and 6.9% on average in 2020-22**. In addition, we factored in the recent € 244k capital gain stemming from the sale of a minority stake in SATA. **NFP new estimates are improved by 24.4% on average in 2020-22**, as a consequence of a more favourable WC management too.

In the last 3M, peers median stock performance is impressive: up 33.3% i.e. 1.8x and 2.3x the EUROSTOXX and the FTSE Italia All Share, respectively. This is also evidence of the recent rising demand in digital services stemming from COVID19 spread lockdown. **The upgrade of our PT to € 1.70/s from € 1.20**, based on multiples comparison, **is mainly driven by sector re-rating** rather than estimates fine-tuning (60-40).

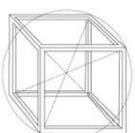
We reiterate our Buy rating, 59% upside to PT.

Market multiples

We conducted an analysis on a cluster of 9 companies operating in the digital and advisory arena, all foreign companies. We made a few changes in the list compared to our previous report, updating with names more similar to the transformed business profile of Digital360. Size, profitability and growth rates 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 Relx PLC and ServiceNow Inc., 35.0% and 31.0% with a market capitalization of € 40.9bn and € 67.6bn respectively. **DIGITAL360 presents lower than average profitability but higher growth perspectives compared to the peer median.**

Booz Allen Hamilton Holding Corp provides management and technology consulting services to the US government in the defence, intelligence, and civil markets. The company offers economic and business analysis, information technology, intelligence and operations analysis, modelling and simulation, organisation, and other consulting services.



Future PLC is a special interest media company with locations in the United States, United Kingdom and Australia. The company produces special interest magazines, websites, and events, with portfolios in the computing, games, music, automotive, sports, crafts, and leisure sectors.

Gartner Inc. provides research and analysis on the computer hardware, software, communications, and related information technology industries. The company's business segments includes research, consulting, measurement, events, and executive programs.

HubSpot Inc. provides a cloud-based marketing and sales software platform. The company offers integrated applications that helps in lead generation and social marketing.

Informa PLC provides business intelligence and academic publishing services. The company offers information in the finance and insurance, maritime transport, trade, law and tax, telecommunication, media, commodities, energy, and biomedical and pharmaceutical markets. Informa provides its information through newspapers, magazines, electronic media, books, and journals.

Relx PLC is a global provider of information and analytics for professional and business customers across industries. The group serves customers in more than 180 countries and has offices in about 40 countries.

ServiceNow Inc. provides enterprise information technology (IT) management software. The company designs, develops, and produces pre-packaged computer software, cloud services, and IT service management platform. ServiceNow serves customers throughout the United States.

TechTarget Inc. operates a portfolio of industry-specific portals. The company focuses on portals that deliver resources to information technology professionals within specific vertical market segments.

Wolters Kluwer NV is a global information services and solutions provider. The company provides its services to professionals in the health, tax and accounting, risk and compliance, finance, and legal sectors.

Applying to DIGITAL360 metrics the 35% discounted peer median multiples for EV/EBITDA we attain an **equity valuation of DIGITAL360 of € 1.70/s** (€ 1.20), realised using 2020 and 2021 estimates and multiples, with an 59% upside to current prices.

Table 1 - DIGITAL360, peer group summary table

€ m	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA %	Sales CAGR ₁₉₋₂₂	EBITDA CAGR ₁₉₋₂₂	EBIT CAGR ₁₉₋₂₂	EPS CAGR ₂₀₋₂₂	NFP FY1	NFP/EBITDA FY1
Booz Allen Hamilton Holding Corp	9,762	7,156	720	10.1%	6.2%	7.1%	7.5%	11.6%	1,426	2.0
Future PLC	1,376	356	98	27.4%	25.3%	36.3%	48.0%	17.8%	89	0.9
Gartner Inc	9,634	3,534	557	15.8%	6.2%	11.1%	15.1%	22.6%	1,717	3.1
HubSpot Inc	8,722	746	72	9.6%	23.5%	n.s.	n.s.	68.7%	(592)	n.m.
Informa PLC	7,919	2,371	657	27.7%	-3.2%	-3.1%	8.1%	43.7%	1,764	2.7
Relx PLC	40,861	8,689	3,041	35.0%	1.1%	1.8%	6.2%	8.2%	7,043	2.3
ServiceNow Inc	67,629	3,864	1,199	31.0%	26.1%	93.0%	247.2%	31.0%	(1,648)	n.m.
TechTarget Inc	725	124	38	30.6%	6.6%	27.8%	n.a.	11.2%	(29)	n.m.
Wolters Kluwer NV	18,894	4,789	1,397	29.2%	3.4%	2.5%	5.6%	4.2%	2,015	1.4
Median	9,634	3,534	657	27.7%	6.2%	7.1%	7.8%	17.8%	1,426	2.1
DIGITAL360 SpA	17	24	3	12.9%	11.9%	28.6%	35.3%	83.6%	5	1.7

Source: CFO Sim, Thomson Reuters Eikon

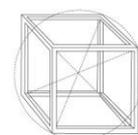


Table 2 - DIGITAL360, peer group EV & price multiple table

x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3	PER FY1	PER FY2	PER FY3
Booz Allen Hamilton Holding Corp	1.56	1.46	1.35	15.5	14.3	13.0	22.3	20.1	17.9
Future PLC	4.11	2.87	2.61	15.0	11.4	9.9	21.3	16.7	15.3
Gartner Inc	3.21	2.76	2.47	20.4	17.0	15.5	38.3	32.0	25.5
HubSpot Inc	10.90	8.92	6.94	113.7	74.5	49.0	213.9	130.3	75.2
Informa PLC	4.08	3.15	2.91	14.7	9.1	8.3	22.3	12.4	10.8
Relx PLC	5.51	5.15	4.88	15.8	14.4	13.3	21.6	19.6	18.4
ServiceNow Inc	17.08	13.36	10.12	55.0	43.9	33.2	91.4	70.9	53.3
TechTarget Inc	5.61	5.04	n.a.	18.3	14.9	n.a.	32.5	25.8	26.3
Wolters Kluwer NV	4.37	4.19	4.05	15.0	14.4	13.5	23.9	22.6	22.0
Median	4.28	4.10	3.42	15.6	14.2	13.2	23.4	22.1	21.5
DIGITAL360 SpA	0.95	0.73	0.59	7.4	5.0	3.9	30.0	12.5	8.9
Premium/(discount) to median	(77.8)	(82.1)	(82.7)	(52.8)	(64.6)	(70.4)	28.2	(43.6)	(58.7)

Source: CFO Sim, Thomson Reuters Eikon

Table 3 - DIGITAL360, equity value assessment 1#2

x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3	PER FY1	PER FY2	PER FY3
Median peers	4.28	4.10	3.42	15.6	14.2	13.2	23.4	22.1	21.5
DIGITAL360 metrics	23,812	31,450	35,387	3,072	4,614	5,374	582	1,401	1,962
NFP	5,213	5,651	3,490	5,213	5,651	3,490			
Put & call adjustments	1,683	1,683	1,683	1,683	1,683	1,683			
DIGITAL360 Equity Value (€ k)	59,338	76,509	73,561	24,336	35,119	40,817	8,844	20,114	27,477
# shares FD m	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5
DIGITAL360 Equity Value FD €/s	3.39	4.38	4.21	1.39	2.01	2.34	0.51	1.15	1.57

Source: CFO Sim, Thomson Reuters Eikon

Table 4 - DIGITAL360, equity value assessment 2#2

x	FY1	FY2	FY3
Equity Value (EV/EBITDA, € k)	24,336	35,119	40,817
€ / share FD	1.39	2.01	2.34
Average FY1-FY2	1.70		
% upside/(downside)	58.9%		

Source: CFO Sim, Thomson Reuters Eikon

DCF

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

Table 5 - WACC derived from:

Interest costs, pre-tax	2.5%
Tax rate	45.0%
Int. costs, after taxes	1.4%
Risk premium, incl. small size premium	9.0%
Risk-free (10Y Gov. Bond 200 days simple moving average)	1.33%
Beta levered (x)	0.80
Required ROE	8.5%

Source: CFO Sim

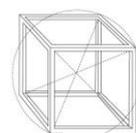


Table 6 - DIGITAL360, DCF model

€ k	2020e	2021e	2022e	2023e	2024e	Term. Val.
EBIT	311	1,483	2,252	2,928	3,513	
Tax rate	45.0%	40.0%	40.0%	40.0%	40.0%	
Operating profit (NOPAT)	171	890	1,351	1,757	2,108	
Change working capital	672	(1,869)	(958)	(500)	(500)	
Depreciation	2,761	3,131	3,122	2,500	1,500	
Investments	(2,000)	(2,700)	(1,700)	(1,500)	(1,500)	
Free Cash Flows	1,605	(547)	1,815	2,257	1,608	42,718
Present value	1,554	(498)	1,554	1,817	1,217	32,332
WACC	6.4%	6.4%	6.4%	6.4%	6.4%	
Long-term growth rate	2.5%					

Source: CFO Sim

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

Table 7 – DIGITAL360, DCF derived from:

€ k	
Total EV present value € k	37,987
thereof terminal value	85.1%
NFP last reported	(6,335)
Put & call	(1,683)
Pension last reported	(980)
Equity value € k	28,989
# shares FD m	17.5
Equity value €/s FD	1.70
% upside/(downside)	58.9%

Source: CFO Sim

The application of the model produces an **equity value of DIGITAL360 of € 1.70/s.**

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value of between **€ 1.35 – 2.12 (perpetuity range of between 1.75% and 3.25%)**, while 2) compared to changes in the free risk rate produces an equity value of **€ 1.40 – 2.00 (free risk range of between 2.08% and 0.58%)** and 3) compared to changes in the risk premium, including small size premium results into an equity value of **€ 1.27 – 2.26 (risk premium range of between 10.50% and 7.50%)**.

Table 8 – 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	5,645	5,645	5,645	5,645	5,645	5,645	5,645
PV of terminal value	26,880	28,492	30,300	32,342	34,667	37,339	40,440
Total value	32,525	34,137	35,945	37,987	40,312	42,983	46,085
NFP last reported	(6,335)	(6,335)	(6,335)	(6,335)	(6,335)	(6,335)	(6,335)
Put & call	(1,683)	(1,683)	(1,683)	(1,683)	(1,683)	(1,683)	(1,683)
Pension last reported	(980)	(980)	(980)	(980)	(980)	(980)	(980)
Equity value € k	23,527	25,139	26,947	28,989	31,314	33,985	37,086
# shares FD m	17.5	17.5	17.5	17.5	17.5	17.5	17.5
Equity value €/s FD	1.35	1.44	1.54	1.70	1.79	1.94	2.12

Source: CFO Sim

Table 9 – DIGITAL360, equity value sensitivity to changes in free risk rate

€ k	0.58%	0.83%	1.08%	1.33%	1.58%	1.83%	2.08%
Present value of CF	5,724	5,697	5,671	5,645	5,619	5,593	5,567
PV of terminal value	38,282	36,102	34,132	32,342	30,710	29,216	27,843
Total value	44,006	41,799	39,803	37,987	36,329	34,809	33,410
NFP last reported	(6,335)	(6,335)	(6,335)	(6,335)	(6,335)	(6,335)	(6,335)
Put & call	(1,683)	(1,683)	(1,683)	(1,683)	(1,683)	(1,683)	(1,683)
Pension last reported	(980)	(980)	(980)	(980)	(980)	(980)	(980)
Equity value € k	35,007	32,801	30,804	28,989	27,331	25,811	24,412
# shares FD m	17.5	17.5	17.5	17.5	17.5	17.5	17.5
Equity value €/s FD	2.00	1.88	1.76	1.70	1.56	1.48	1.40

Source: CFO Sim

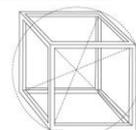


Table 10 – DIGITAL360, equity value sensitivity to changes in risk premium

€ k	7.50%	8.00%	8.50%	9.00%	9.50%	10.00%	10.50%
Present value of CF	5,771	5,729	5,686	5,645	5,604	5,563	5,523
PV of terminal value	42,782	38,708	35,274	32,342	29,810	27,602	25,661
Total value	48,554	44,437	40,961	37,987	35,414	33,165	31,183
NFP last reported	(6,335)	(6,335)	(6,335)	(6,335)	(6,335)	(6,335)	(6,335)
Put & call	(1,683)	(1,683)	(1,683)	(1,683)	(1,683)	(1,683)	(1,683)
Pension last reported	(980)	(980)	(980)	(980)	(980)	(980)	(980)
Equity value € k	39,556	35,439	31,963	28,989	26,415	24,167	22,185
Equity value €/s FD	17.5	17.5	17.5	17.5	17.5	17.5	17.5
Source: CFO Sim	2.26	2.03	1.83	1.70	1.51	1.38	1.27

Source: CFO Sim

Peer stocks performance

DIGITAL360 was listed on the AIM Italia (Alternative Investment Market) on 13-Jun-17 at € 1.15/share, corresponding to a market capitalisation post money of € 17.7m. DIGITAL360 now trades **below the IPO price**, and reached a 1Y maximum of € 1.25/s on 1-Jun-20 and a minimum of € 0.64 on 12-Mar-20. The stock in the last 1-3-6 months outperformed vs peers median and indexes.

Table 11 - DIGITAL360, peer group absolute performance

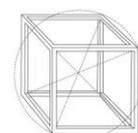
	1D	1W	1M	3M	6M	YTD	1Y
Booz Allen Hamilton Holding Corp	0.1	2.6	4.9	26.6	12.4	12.5	21.0
Future PLC	4.1	1.9	1.9	44.0	(13.7)	(12.1)	25.1
Gartner Inc	0.0	0.0	0.9	33.3	(20.5)	(20.7)	(24.5)
HubSpot Inc	1.0	5.1	18.8	74.7	43.3	42.6	31.1
Informa PLC	(1.3)	(3.3)	8.1	12.5	(45.0)	(44.2)	(41.4)
Relx PLC	0.7	2.0	1.7	20.7	(0.2)	0.7	(1.4)
ServiceNow Inc	(0.5)	0.6	5.3	47.4	41.1	42.0	41.9
TechTarget Inc	(1.0)	(3.0)	11.3	52.5	9.3	14.1	42.4
Wolters Kluwer NV	1.1	3.5	3.6	22.4	5.1	6.9	6.8
Peers median	0.1	1.9	4.9	33.3	5.1	6.9	21.0
Digital360 SpA	0.0	(1.0)	6.7	40.5	13.7	15.6	6.1

Source: Thomson Reuters Eikon

Table 12 – DIGITAL360 relative performances

	1D	1W	1M	3M	6M	YTD	1Y
To Peers median	(0.1)	(2.9)	1.7	7.3	8.6	8.7	(14.9)
To MSCI World Index	(0.8)	(1.7)	0.9	12.2	18.6	20.7	3.5
To EUROSTOXX	(1.6)	(2.1)	(1.1)	18.6	25.5	26.7	10.1
To FTSE Italia All Share	(1.8)	(2.0)	(3.9)	23.1	30.6	31.2	13.0
To FTSE STAR Italia	(1.1)	(2.7)	2.9	14.9	22.4	23.7	2.7
To FTSE AIM Italia	(0.0)	(1.4)	3.3	30.2	23.4	25.5	27.3

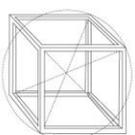
Source: Thomson Reuters Eikon



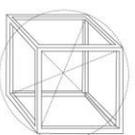
9.4. Risks

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

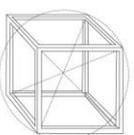
- Risks linked to the algorithm used by the search engines;
- Risks related to personal data collection, holding and treatment;
- Risks due to ICT malfunctions;
- Risks connected to the relevant technological evolution;
- Risks due to relevant competition in the reference market;
- Impact on economics 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 relevant people.



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ANALYST CERTIFICATION

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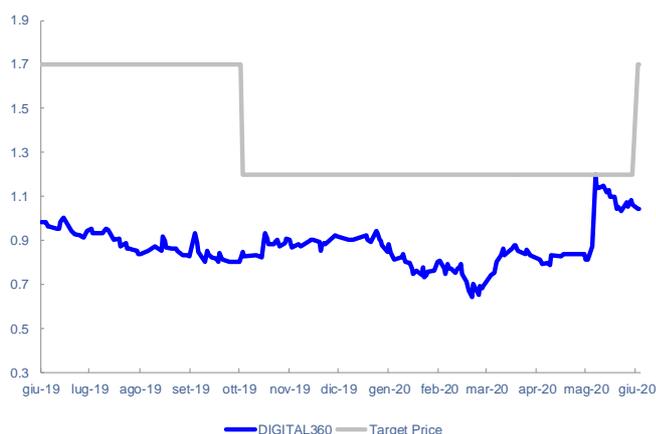
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DATE	TARGET PRICE	RATING
26/06/2020	€1.70	BUY
29/04/2020	€1.20	BUY
23/10/2019	€1.20	BUY

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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.

