

Italy – Digital

Remarkable interim results require a substantial re-rating

23<sup>rd</sup> September 2020

H1-20 RESULTS RELEASE

RIC: DIGIT.MI  
BBG: DIG IM

H1-20 results unveiled a massive increase in profitability driven by a favourable revenue mix: the lockdown period boosted the demand for digital events and services together with a decrease in revenues stemming from physical events. Furthermore, the group showed a rising portion of lucrative as-a-service turnover. Business momentum remains strong.

Rating:

**Buy**

Price Target:

**€ 2.40 (€ 1.70)**

Upside/(Downside): **92.0%**

Last Price: € 1.25

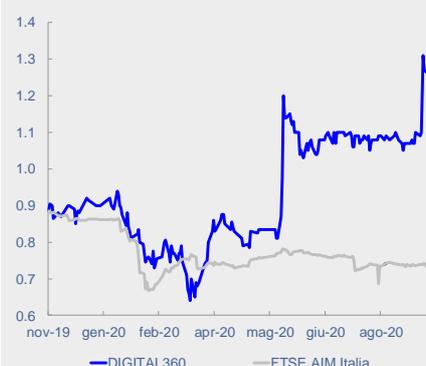
Market Cap.: € 20.4

1Y High/Low: € 1.31/€ 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
<b>Absolute</b>	<b>15.7%</b>	<b>20.2%</b>	<b>37.4%</b>
<b>Rel.to AIM Italia</b>	<b>-1.9%</b>	<b>15.2%</b>	<b>54.5%</b>
<b>Rel.to peers</b>	<b>19.5%</b>	<b>16.9%</b>	<b>42.5%</b>

Analysts:

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

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

**New PT of € 2.40/s (€ 1.70/s) offers 92.0% upside - BUY**

Interim results came in tremendous. The outstanding performance was achieved thanks to 1) the investments made in the last few years aimed at the development of innovative, scalable subscription services (Digital As-A-Service) which generate recurring sales; and 2) a wider range of services offered to support the digital transformation of companies and public administrations. We have upgraded our estimates: sales have been revised upwards and a rising portion of lucrative as-a-service sales have prompted improved margins. We revised sales and EBITDA estimates by 5.7% and 21.9% on average in 2020-22. Our new PT stands at € 2.40/s (€ 1.70). Buy reiterated, PT offers 92% upside: business and earnings momentum remain strong.

**Sales down by 5.1% due to lower physical events...**

Total revenues were € 12.7m, down by 5.1% YoY, as a result of lower sales stemming from the organisation of physical events during the lockdown period caused by the pandemic. Conversely, the increasing demand for digital transformation, from smart-working to distance learning, from e-commerce to virtual events, was an incredible opportunity for the group: in H1-20 DIGITAL360 boosted the sales of innovative, scalable and more lucrative products and services. As of Jun-20, Digital-As-A-Service products and services were sold to 172 clients (+52% YoY) for a total Annual Recurring Revenues of € 5.1m (+19% YoY).

**... which drove profitability: EBITDA almost doubled YoY**

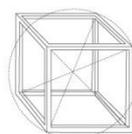
EBITDA totalled € 2.8m, 22.2% margin, almost doubled vs. H1-19. Profitability improvement was driven by 1) lower costs stemming from physical events organisation and 2) an increasing portion of revenues related to innovative, scalable and more lucrative products and services. DIGITAL360's financial results are drawn up according to the Italian GAAP accounting standards. In order for DIGITAL360's results to be more comparable with those of its peers, we adjusted EBIT and Net Profit by the amount of goodwill amortisation. Excluding goodwill amortisation, EBIT was € 1.9m, 15.2% margin, vs. € 0.7m in H1-19. Net Profit adjusted totalled € 1.2m, 9.8% margin. Net Financial Position improved to € 3.6m from € 6.3m at the end of Dec-19, thanks to € 2.7m of FCF. Capex in H1-20 totalled € 0.9m.

**Business momentum remains strong**

The rising demand for digital services as a result of the pandemic (virtual conferences, webinars, e-learning and online workshops) definitely represents an opportunity for DIGITAL360. Network 360 represents the largest domestic grid of newspapers and B2B portals dedicated to digital transformation and innovation for managers, professionals, policy makers, politicians, tech companies, start-ups. The traffic generated by the Network 360 activities is a catalyst for accessory services of the Demand Generation BU.

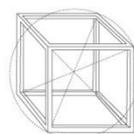
**DIGITAL360, key financials and ratios**

€ k	2018	2019	2020e	2021e	2022e
Sales	22,513	25,245	25,442	33,140	37,108
EBITDA	2,569	2,530	4,068	5,347	6,313
EBIT	390	81	1,351	2,212	3,179
EBIT adj.	1,144	1,215	2,105	2,966	3,933
Net profit	(436)	(821)	469	1,092	1,774
Net profit adj.	318	313	1,223	1,846	2,528
NFP (cash)/debt	4,566	6,335	3,496	3,134	133
EPS adjusted € cent	1.87	1.79	6.99	10.54	14.44
EPS adj. growth	-40.8%	-4.1%	290.6%	50.9%	36.9%
DPS ord. €/s	0.00	0.00	0.00	0.00	0.00
Free Cash Flow Yield	-20.9%	-4.0%	12.8%	1.8%	13.3%
PER x	60.8	49.7	16.7	11.1	8.1
PCF x	11.1	9.6	6.4	4.8	4.2
EV/Sales x	1.06	0.87	0.94	0.71	0.55
EV/EBITDA x	9.3	8.7	5.9	4.4	3.3
EV/EBIT x	20.9	18.0	11.4	7.9	5.2





Income statement (€ k)	2018	2019	2020e	2021e	2022e
Value of Production	22,513	25,245	25,442	33,140	37,108
Services	(12,959)	(14,220)	(13,484)	(17,995)	(20,113)
Personnel expenses	(6,899)	(8,617)	(7,750)	(9,036)	(9,866)
Other opex	(1,430)	(1,290)	(1,272)	(1,723)	(1,893)
EBITDA	2,569	2,530	4,068	5,347	6,313
EBITDA adj.	2,569	2,910	4,068	5,347	6,313
D&A	(2,179)	(2,449)	(2,716)	(3,135)	(3,134)
EBIT	390	81	1,351	2,212	3,179
EBIT adj.	1,144	1,215	2,105	2,966	3,933
Financials	(271)	(341)	(309)	(307)	(222)
Re/(Devaluation) of financial assets	(50)	0	250	0	0
Extraordinary	0	0	0	0	0
Pre-Tax profit	69	(260)	1,292	1,905	2,956
Income taxes	(244)	(183)	(517)	(762)	(1,183)
Minorities	(260)	(378)	(306)	(51)	0
Net Profit	(436)	(821)	469	1,092	1,774
Net Profit adj.	318	313	1,223	1,846	2,528
Balance sheet (€ k)	2018	2019	2020e	2021e	2022e
Net Working Capital	4,908	6,255	4,737	6,268	6,967
Net Fixed Assets	10,341	9,796	8,852	8,417	6,983
Equity Investments	137	134	134	134	134
Other M/L Term A/L	(1,827)	(932)	(532)	(848)	(1,056)
Net Invested Capital	13,559	15,254	13,190	13,971	13,028
Net Financial Position	4,566	6,335	3,496	3,134	133
Minorities	394	772	1,078	1,129	1,129
Group's Shareholders Equity	8,598	8,147	8,616	9,708	11,765
Financial Liabilities & Equity	13,559	15,254	13,190	13,971	13,028
Cash Flow statement (€ k)	2018	2019	2020e	2021e	2022e
Total net income	(436)	(821)	469	1,092	1,774
Depreciation	2,179	2,449	2,716	3,135	3,134
Other non-cash charges	1,516	970	(93)	367	208
Cash Flow from Oper. (CFO)	3,259	2,598	3,092	4,594	5,116
Change in NWC	(1,698)	(1,347)	1,519	(1,532)	(699)
FCF from Operations (FCFO)	1,561	1,251	4,611	3,062	4,417
Net Investments (CFI)	(5,608)	(1,869)	(1,772)	(2,700)	(1,700)
Free CF to the Firm (FCFF)	(4,047)	(618)	2,839	362	2,717
CF from financials (CFF)	3,864	720	0	0	(1,717)
Free Cash Flow to Equity (FCFE)	(183)	102	2,839	362	1,001
Financial ratios	2018	2019	2020e	2021e	2022e
EBITDA margin	11.4%	10.0%	16.0%	16.1%	17.0%
EBIT margin	1.7%	0.3%	5.3%	6.7%	8.6%
Net profit margin	-1.9%	-3.3%	1.8%	3.3%	4.8%
Tax rate	355.4%	-70.3%	40.0%	40.0%	40.0%
Op NWC/Sales	21.8%	24.8%	18.6%	18.9%	18.8%
Interest coverage x	0.70	4.23	0.23	0.14	0.07
Net Debt/EBITDA x	1.78	2.50	0.86	0.59	0.02
Debt-to-Equity x	0.53	0.78	0.41	0.32	0.01
ROIC	-3.2%	-5.4%	3.6%	7.8%	13.6%
ROCE	2.4%	0.4%	7.4%	11.3%	16.0%
ROACE	2.6%	0.5%	7.5%	11.7%	16.1%
ROE	-5.1%	-10.1%	5.4%	11.2%	15.1%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Per share figures	2018	2019	2020e	2021e	2022e
Number of shares # m	16.26	16.26	16.26	16.26	16.26
Number of shares Fully Diluted # m	17.51	17.51	17.51	17.51	17.51
Average Number of shares Fully Diluted # m	17.06	17.51	17.51	17.51	17.51
EPS stated FD € cent	(2.55)	(4.69)	2.68	6.24	10.13
EPS adjusted FD € cent	1.87	1.79	6.99	10.54	14.44
EBITDA € cent	150.52	144.48	232.32	305.40	360.57
EBIT € cent	22.83	4.60	77.18	126.35	181.56
BV € cent	513.63	509.43	553.71	618.98	736.47
FCFO € cent	91.48	71.43	263.37	174.89	252.30
FCFF € cent	(237.14)	(35.32)	162.14	20.68	155.21
FCFE € cent	(10.71)	5.80	162.14	20.68	57.15
Dividend € cent	0.00	0.00	0.00	0.00	0.00



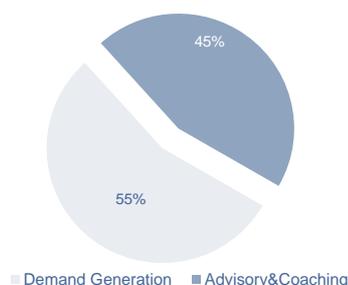
## The company at a glance

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 for the demand for and supply of digital innovation. The firm operates in two business units: 1) Demand Generation - focusing on tech providers and, 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, assets and know how.

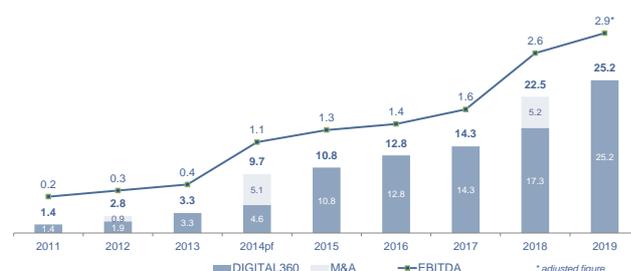
The group has grown significantly in recent years: turnover CAGR<sub>11-19</sub> is 44%, boosted by acquisitions, 9 companies between 2012 and 2019, adding a total of € 11.2m revenues. In the same period, EBITDA soared from € 0.2m to € 2.9m, 44% CAGR. 2019 revenues totalled € 25.2m, up 12.1% YoY, EBITDA adj. reached € 2.9m, 11.5% margin and net profit adjusted came in at € 0.3m, 1.2% of 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 unit, the remainder came from the Advisory & Coaching business unit.

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

## 2019 revenues breakdown by BU



## 2011-2019 revenues and EBITDA growth



## Shareholder structure

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

Source: Company data

## Peer group absolute performance

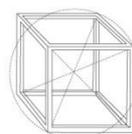
	1D	1W	1M	3M	6M	YTD
Booz Allen Hamilton Holding	2.0	4.2	1.1	9.2	38.2	22.8
Future PLC	3.2	0.7	29.5	48.4	113.6	30.3
Gartner Inc	0.2	(5.6)	(4.1)	3.7	38.2	(17.8)
HubSpot Inc	(0.9)	(0.1)	(1.4)	24.8	118.1	78.0
Informa PLC	(1.5)	(9.0)	(10.1)	(24.3)	(14.9)	(57.8)
Relx PLC	(0.8)	(6.1)	(2.0)	(11.6)	6.7	(10.9)
ServiceNow Inc	1.9	(0.7)	2.8	17.4	73.0	66.7
TechTarget Inc	5.6	2.1	4.8	38.5	111.1	58.0
Wolters Kluwer NV	(0.8)	(0.4)	1.9	3.3	26.4	10.4
<b>Peers median</b>	<b>0.2</b>	<b>(0.4)</b>	<b>1.1</b>	<b>9.2</b>	<b>38.2</b>	<b>22.8</b>
<b>DIGITAL360 SpA</b>	<b>(0.8)</b>	<b>14.7</b>	<b>15.7</b>	<b>20.2</b>	<b>68.9</b>	<b>38.9</b>

Source: Thomson Reuters Eikon

## 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	1.71	1.59	1.47	16.9	15.5	14.1	24.2	22.0	20.0
Future PLC	5.89	4.29	3.94	20.5	16.0	14.1	27.5	22.6	20.6
Gartner Inc	3.41	2.98	2.64	20.7	18.7	16.1	40.5	36.6	28.8
HubSpot Inc	14.82	12.22	9.72	n.s.	n.s.	67.6	283.3	190.9	123.4
Informa PLC	4.18	3.13	2.63	18.7	10.1	7.7	32.1	14.1	9.6
Relx PLC	5.28	4.86	4.59	15.3	13.7	12.6	20.7	18.4	17.0
ServiceNow Inc	20.26	16.00	12.44	63.6	51.3	39.0	103.9	82.0	61.0
TechTarget Inc	8.08	7.31	n.a.	25.3	21.5	n.a.	40.2	33.0	35.3
Wolters Kluwer NV	4.68	4.55	4.37	15.8	15.4	14.4	25.1	24.3	23.0
<b>Median</b>	<b>5.28</b>	<b>4.55</b>	<b>4.16</b>	<b>19.6</b>	<b>15.8</b>	<b>14.3</b>	<b>32.1</b>	<b>24.3</b>	<b>23.0</b>
<b>DIGITAL360 SpA</b>	<b>0.94</b>	<b>0.71</b>	<b>0.55</b>	<b>5.9</b>	<b>4.4</b>	<b>3.3</b>	<b>16.7</b>	<b>11.1</b>	<b>8.1</b>
Premium/(discount) to median	(82.2)	(84.4)	(86.7)	(70.0)	(72.1)	(77.2)	(48.0)	(54.5)	(64.9)

Source: CFO Sim, Thomson Reuters Eikon



## Strong demand for digital services boosts FCF generation

DIGITAL360 reported brilliant 2020 interim results, showing a massive increase in profitability thanks to a favourable revenue mix: the lockdown caused by the COVID-19 pandemic boosted demand for digital events and services together with a decrease in revenues stemming from physical events. Furthermore, the group showed a rising portion of lucrative as-a-service sales.

**Table 1 – DIGITAL360, H1-20 results summary**

€ k	H1-20	H1-19	% YoY
<b>Total revenues</b>	<b>12,720</b>	<b>13,407</b>	<b>(5.1)</b>
Increase in finished products	683	728	
<b>Value of Production</b>	<b>13,403</b>	<b>14,135</b>	<b>(5.2)</b>
Services	(5,888)	(7,793)	
Personnel expenses	(4,095)	(4,369)	
Other opex	(595)	(500)	
<b>EBITDA</b>	<b>2,824</b>	<b>1,473</b>	<b>91.8</b>
% margin	22.2	11.0	
D&A	(1,274)	(1,167)	
<b>EBIT</b>	<b>1,550</b>	<b>306</b>	<b>407.2</b>
% margin	12.2	2.3	
Financials	(142)	(151)	
Re/(Devaluation) of financial assets	213	12	
Extraordinary	0	0	
<b>Pre-Tax profit</b>	<b>1,621</b>	<b>166</b>	<b>876.4</b>
% margin	12.7	1.2	
Income taxes	(547)	(224)	
Tax rate	33.8%	135.0%	
Minorities	(216)	(323)	
<b>Group Net Profit</b>	<b>858</b>	<b>(381)</b>	<b>325.5</b>
% margin	6.7	(2.8)	
Goodwill amortisation	(387)	(392)	
<b>EBIT adj.</b>	<b>1,937</b>	<b>698</b>	<b>177.7</b>
% margin	15.2	5.2	
<b>Group Net Profit adj.</b>	<b>1,246</b>	<b>11</b>	<b>n.m.</b>
% margin	9.8	0.1	

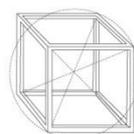
Source: Company data

**Total revenues were € 12.7m, down by 5.1% YoY, as a result of lower sales stemming from the organisation of physical events** during the lockdown period caused by the COVID-19 pandemic. On the other hand, the increasing demand for digital transformation, from smart-working to distance learning, from e-commerce to virtual events, was an incredible opportunity for the group: in H1-20 DIGITAL360 boosted the sales of innovative, scalable and more lucrative products and services. As of 30<sup>th</sup> June 2020, **Digital-As-A-Service** products and services were sold to **172 clients** (+52% YoY) for a total **Annual Recurring Revenues of € 5.1m** (+19% YoY).

**EBITDA totalled € 2.8m, 22.2% margin**, almost doubled vs. H1-19. Profitability improvement was driven by 1) lower costs of physical events organisation and 2) an increasing portion of revenues related to innovative, scalable and more lucrative products and services.

DIGITAL360's financial results are drawn up according to the Italian GAAP accounting standards. In order for DIGITAL360's results to be more comparable with those of its peers, we adjusted EBIT and Net Profit by the amount of goodwill amortisation. Excluding goodwill amortisation, **EBIT was € 1.9m**, 15.2% margin, vs. € 0.7m in H1-19. **Group Net Profit adjusted totalled € 1.2m**, 9.8% margin.

**Net Financial Position improved to € 3.6m** from € 6.3m at the end of Dec-19, thanks to € 2.7m of FCF. Capex in H1-20 totalled € 0.9m.



## Estimates, valuation & risks

**Interim results came in tremendous** in absolute terms and also when compared to the CFO SIM FY-20 estimates: **more than 90% of our FY EBITDA projection was achieved in the first half of the year.** The outstanding performance was driven by 1) the **investments** made in the last few years aimed at the development of innovative and scalable subscription services (Digital As-A-Service) which generate recurring revenues; and 2) a wider range of services offered **to support the digital transformation** of companies and public administrations.

We recently said that the rising demand for digital services as a result of the lockdown caused by the COVID-19 spread (for example virtual conferences, webinars, e-learning and online workshops) **definitely represents an opportunity for DIGITAL360.** 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-ups. 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, corroborated by the H1-20 results, **we have upgraded our estimates:** sales have been revised upwards and efficient labour management and a rising portion of lucrative as-a-service sales have prompted improved margins. As a result, **we revised our sales and EBITDA estimates by 5.8% and 21.9% on average in 2020-22. NFP new estimates are improved in 2020-22,** as a consequence of a more generous FCF generation as well as better WC management.

**Table 2 – DIGITAL360, 2020e new/old estimates**

€ k	New	Old	% Diff.	€ m Diff.
<b>Net Sales</b>	<b>25,442</b>	<b>23,812</b>	6.8	<b>1,630</b>
<b>EBITDA</b>	<b>4,068</b>	<b>3,072</b>	32.4	<b>995</b>
% margin	16.0	12.9		
<b>EBIT</b>	<b>2,105</b>	<b>1,065</b>	97.6	<b>1,040</b>
% margin	8.3	4.5		
<b>Net Profit</b>	<b>1,223</b>	<b>582</b>	110.2	<b>641</b>
% margin	4.8	2.4		
<b>Y/E net debt (net cash)</b>	<b>3,496</b>	<b>5,213</b>	(32.9)	<b>(1,717)</b>

Source: CFO Sim

**Table 3 – DIGITAL360, 2021e new/old estimates**

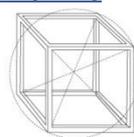
€ k	New	Old	% Diff.	€ m Diff.
<b>Net Sales</b>	<b>33,140</b>	<b>31,450</b>	5.4	<b>1,690</b>
<b>EBITDA</b>	<b>5,347</b>	<b>4,614</b>	15.9	<b>733</b>
% margin	16.1	14.7		
<b>EBIT</b>	<b>2,966</b>	<b>2,237</b>	32.6	<b>729</b>
% margin	9.0	7.1		
<b>Net Profit</b>	<b>1,846</b>	<b>1,401</b>	31.8	<b>445</b>
% margin	5.6	4.5		
<b>Y/E net debt (net cash)</b>	<b>3,134</b>	<b>5,651</b>	(44.5)	<b>(2,517)</b>

Source: CFO Sim

**Table 4 – DIGITAL360, 2022e new/old estimates**

€ K	New	Old	% Diff.	€ m Diff.
<b>Net Sales</b>	<b>37,108</b>	<b>35,387</b>	4.9	<b>1,721</b>
<b>EBITDA</b>	<b>6,313</b>	<b>5,374</b>	17.5	<b>939</b>
% margin	17.0	15.2		
<b>EBIT</b>	<b>3,933</b>	<b>3,006</b>	30.8	<b>927</b>
% margin	10.6	8.5		
<b>Net Profit</b>	<b>2,528</b>	<b>1,962</b>	28.9	<b>566</b>
% margin	6.8	5.5		
<b>Y/E net debt (net cash)</b>	<b>133</b>	<b>3,490</b>	(96.2)	<b>(3,356)</b>

Source: Company data, CFO Sim



In the last 6M, the **peer group median stock performance has been impressive**: up 38.2% i.e. 2.0x and 3.1x the EUROSTOXX and the FTSE Italia All Share, respectively. However, **volatility within the sample has remained quite high with swinging stock performances**, also in the case of the DIGITAL360 shares. As the H1-19 results were released, **we increased the discount applied to the peer multiple median from 25% to 35% on the back of an increased execution risk** stemming from the change in the business model. Now the H1-20 results clearly confirm the success of the changed business model. However, we leave that discount unchanged on the back of the relevant stock volatility.

**We upgrade our PT to € 2.40/s from € 1.70**, as a result of the increase in projections and the valuation criteria update. It is now based on DCF and multiple comparison rather than only on the latter, 70-30% weighted in order to further mitigate the underlying massive volatility amongst peers which might penalise the assessment of DIGITAL360.

**We reiterate our Buy rating, 92% upside to PT.**

## Market multiples

We conducted an analysis on a cluster of 9 foreign companies operating in the digital and advisory arena. 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, ServiceNow Inc. and TechTarget, 34.5% the first and 31.9% both the other two firms, with a market capitalization of € 35.9bn, € 77.1bn and € 970m respectively. **DIGITAL360 presents lower than average profitability but higher growth potential compared to the peer median.**

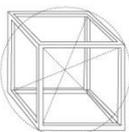
**Booz Allen Hamilton Holding Corp** provides management and technology consulting services to the US government in the defence, intelligence, and civil markets. The company offers economic and business analysis, information technology, intelligence and operations analysis, modelling and simulation,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

By applying the 35% discounted median peer EV/EBITDA multiples to the DIGITAL360 metrics we attain an **equity valuation of DIGITAL360 of € 2.80/s** (€ 1.70), realised using 2020 and 2021 estimates and multiples, with a 124% upside to current prices.

**Table 5 – DIGITAL360, peer group summary table**

€ m	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA %	Sales CAGR <sub>19-22</sub>	EBITDA CAGR <sub>19-22</sub>	EBIT CAGR <sub>19-22</sub>	EPS CAGR <sub>20-22</sub>	NFP FY1	NFP/EBITDA FY1
Booz Allen Hamilton Holding Corp	10,286	6,822	690	10.1%	4.3%	5.3%	5.7%	10.1%	1,347	2.0
Future PLC	2,028	358	103	28.7%	25.0%	38.4%	51.2%	15.5%	78	0.8
Gartner Inc	9,659	3,287	541	16.5%	3.2%	9.1%	11.5%	18.6%	1,536	2.8
HubSpot Inc	10,983	701	77	11.0%	20.1%	-316.0%	-236.0%	51.5%	(588)	n.m.
Informa PLC	5,952	1,858	416	22.4%	-7.1%	-8.0%	2.2%	82.6%	1,823	4.4
Relx PLC	35,897	8,153	2,809	34.5%	-0.5%	0.1%	4.5%	10.2%	7,124	2.5
ServiceNow Inc	77,102	3,727	1,188	31.9%	23.5%	91.8%	243.0%	30.5%	(1,602)	n.m.
TechTarget Inc	970	116	37	31.9%	5.9%	n.a.	n.a.	6.7%	(29)	n.m.
Wolters Kluwer NV	19,697	4,641	1,374	29.6%	1.9%	1.4%	4.9%	4.4%	2,007	1.5
<b>Median</b>	<b>10,286</b>	<b>3,287</b>	<b>541</b>	<b>28.7%</b>	<b>4.3%</b>	<b>3.4%</b>	<b>5.3%</b>	<b>15.5%</b>	<b>1,347</b>	<b>2.2</b>
<b>DIGITAL360 SpA</b>	<b>20</b>	<b>25</b>	<b>4</b>	<b>16.0%</b>	<b>13.7%</b>	<b>35.6%</b>	<b>47.9%</b>	<b>43.8%</b>	<b>3</b>	<b>0.9</b>

Source: CFO Sim, Thomson Reuters Eikon

**Table 6 – DIGITAL360, peer group EV & price multiple table**

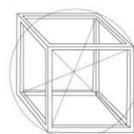
x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3	PER FY1	PER FY2	PER FY3
Booz Allen Hamilton Holding Corp	1.71	1.59	1.47	16.9	15.5	14.1	24.2	22.0	20.0
Future PLC	5.89	4.29	3.94	20.5	16.0	14.1	27.5	22.6	20.6
Gartner Inc	3.41	2.98	2.64	20.7	18.7	16.1	40.5	36.6	28.8
HubSpot Inc	14.82	12.22	9.72	n.s.	n.s.	67.6	283.3	190.9	123.4
Informa PLC	4.18	3.13	2.63	18.7	10.1	7.7	32.1	14.1	9.6
Relx PLC	5.28	4.86	4.59	15.3	13.7	12.6	20.7	18.4	17.0
ServiceNow Inc	20.26	16.00	12.44	63.6	51.3	39.0	103.9	82.0	61.0
TechTarget Inc	8.08	7.31	n.a.	25.3	21.5	n.a.	40.2	33.0	35.3
Wolters Kluwer NV	4.68	4.55	4.37	15.8	15.4	14.4	25.1	24.3	23.0
<b>Median</b>	<b>5.28</b>	<b>4.55</b>	<b>4.16</b>	<b>19.6</b>	<b>15.8</b>	<b>14.3</b>	<b>32.1</b>	<b>24.3</b>	<b>23.0</b>
<b>DIGITAL360 SpA</b>	<b>0.94</b>	<b>0.71</b>	<b>0.55</b>	<b>5.9</b>	<b>4.4</b>	<b>3.3</b>	<b>16.7</b>	<b>11.1</b>	<b>8.1</b>
Premium/(discount) to median	(82.2)	(84.4)	(86.7)	(70.0)	(72.1)	(77.2)	(48.0)	(54.5)	(64.9)

Source: CFO Sim, Thomson Reuters Eikon

**Table 7 – 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
<b>Median peers</b>	<b>5.28</b>	<b>4.55</b>	<b>4.16</b>	<b>19.6</b>	<b>15.8</b>	<b>14.3</b>	<b>32.1</b>	<b>24.3</b>	<b>23.0</b>
DIGITAL360 metrics	25,442	33,140	37,108	4,068	5,347	6,313	1,223	1,846	2,528
NFP	3,496	3,134	133	3,496	3,134	133			
Put & call adjustments	1,683	1,683	1,683	1,683	1,683	1,683			
<b>DIGITAL360 Equity Value (€ k)</b>	<b>82,087</b>	<b>93,226</b>	<b>98,457</b>	<b>46,686</b>	<b>49,994</b>	<b>56,845</b>	<b>25,530</b>	<b>29,173</b>	<b>37,841</b>
# shares FD m	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5
<b>DIGITAL360 Equity Value FD €/s</b>	<b>4.70</b>	<b>5.33</b>	<b>5.63</b>	<b>2.67</b>	<b>2.86</b>	<b>3.25</b>	<b>1.46</b>	<b>1.67</b>	<b>2.17</b>

Source: CFO Sim, Thomson Reuters Eikon



**Table 8 – DIGITAL360, equity value assessment 2#2**

x	FY1	FY2	FY3
Equity Value (EV/EBITDA, € k)	46,686	49,994	56,845
€ / share FD	2.67	2.86	3.25
Average FY1-FY2	2.80		
% upside/(downside)	124.0%		

Source: CFO Sim, Thomson Reuters Eikon

## DCF

In the valuation via the DCF method explicit estimates until 2024 and 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 9 – WACC derived from:**

Interest costs, pre-tax	2.5%
Tax rate	45.0%
<b>Int. costs, after taxes</b>	<b>1.4%</b>
Risk premium, incl. small size premium	9.0%
Risk-free (10Y Gov. Bond 200 days simple moving average)	1.35%
Beta levered (x)	0.98
<b>Required ROE</b>	<b>10.2%</b>

Source: CFO Sim

**Table 10 – DIGITAL360, DCF model**

€ k	2020e	2021e	2022e	2023e	2024e	Term. Val.
EBIT	1,351	2,212	3,179	4,132	4,959	
Tax rate	40.0%	40.0%	40.0%	40.0%	40.0%	
<b>Operating profit (NOPAT)</b>	<b>811</b>	<b>1,327</b>	<b>1,907</b>	<b>2,479</b>	<b>2,975</b>	
Change working capital	1,519	(1,532)	(699)	(500)	(500)	
Depreciation	2,716	3,135	3,134	2,500	1,500	
Investments	(2,000)	(2,700)	(1,700)	(1,500)	(1,500)	
<b>Free Cash Flows</b>	<b>3,046</b>	<b>231</b>	<b>2,643</b>	<b>2,979</b>	<b>2,475</b>	<b>50,463</b>
Present value	2,987	210	2,241	2,350	1,816	37,014
WACC	7.5%	7.5%	7.5%	7.5%	7.5%	
<b>Long-term growth rate</b>	<b>2.5%</b>					

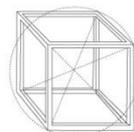
Source: CFO Sim

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

**Table 11 – DIGITAL360, DCF derived from:**

€ k	
Total EV present value € k	46,618
thereof terminal value	79.4%
NFP last reported	(6,335)
Put & call	(1,683)
Pension last reported	(980)
Equity value € k	<b>37,620</b>
# shares FD m	17.5
<b>Equity value €/s FD</b>	<b>2.20</b>
% upside/(downside)	76.0%

Source: CFO Sim



The application of the model produces an **equity value of DIGITAL360 of € 2.20/s.**

The following tables illustrate that sensitivity, 1) compared to changes in the terminal growth rate, produces an equity value of between **€ 1.86 – 2.54 (perpetuity range of between 1.75% and 3.25%)**, while, 2) when compared to changes in the free risk rate, it produces an equity value of **€ 1.91 – 2.45 (free risk range of between 2.10% and 0.60%)** and, 3) if compared to changes in the risk premium, including small size premium, it results in an equity value of **€ 1.71 – 2.82 (risk premium range of between 10.50% and 7.50%)**.

**Table 12 – 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	9,604	9,604	9,604	9,604	9,604	9,604	9,604
PV of terminal value	31,974	33,502	35,175	37,014	39,046	41,302	43,822
<b>Total value</b>	<b>41,578</b>	<b>43,106</b>	<b>44,779</b>	<b>46,618</b>	<b>48,650</b>	<b>50,906</b>	<b>53,426</b>
NFP last reported	(6,335)	(6,335)	(6,335)	(6,335)	(6,335)	(6,335)	(6,335)
Put & call	(1,683)	(1,683)	(1,683)	(1,683)	(1,683)	(1,683)	(1,683)
Pension last reported	(980)	(980)	(980)	(980)	(980)	(980)	(980)
<b>Equity value € k</b>	<b>32,580</b>	<b>34,108</b>	<b>35,781</b>	<b>37,620</b>	<b>39,652</b>	<b>41,908</b>	<b>44,428</b>
# shares FD m	17.5	17.5	17.5	17.5	17.5	17.5	17.5
<b>Equity value €/s FD</b>	<b>1.86</b>	<b>1.95</b>	<b>2.05</b>	<b>2.20</b>	<b>2.27</b>	<b>2.40</b>	<b>2.54</b>

Source: CFO Sim

**Table 13 – DIGITAL360, equity value sensitivity to changes in free risk rate**

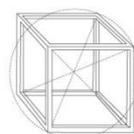
€ k	0.60%	0.85%	1.10%	1.35%	1.60%	1.85%	2.10%
Present value of CF	9,710	9,675	9,639	9,604	9,569	9,534	9,499
PV of terminal value	42,203	40,342	38,617	37,014	35,522	34,129	32,825
<b>Total value</b>	<b>51,913</b>	<b>50,016</b>	<b>48,256</b>	<b>46,618</b>	<b>45,091</b>	<b>43,663</b>	<b>42,325</b>
NFP last reported	(6,335)	(6,335)	(6,335)	(6,335)	(6,335)	(6,335)	(6,335)
Put & call	(1,683)	(1,683)	(1,683)	(1,683)	(1,683)	(1,683)	(1,683)
Pension last reported	(980)	(980)	(980)	(980)	(980)	(980)	(980)
<b>Equity value € k</b>	<b>42,915</b>	<b>41,018</b>	<b>39,258</b>	<b>37,620</b>	<b>36,093</b>	<b>34,665</b>	<b>33,326</b>
# shares FD m	17.5	17.5	17.5	17.5	17.5	17.5	17.5
<b>Equity value €/s FD</b>	<b>2.46</b>	<b>2.35</b>	<b>2.25</b>	<b>2.20</b>	<b>2.07</b>	<b>1.98</b>	<b>1.91</b>

Source: CFO Sim

**Table 14 – 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	9,815	9,744	9,673	9,604	9,535	9,468	9,401
PV of terminal value	48,489	44,050	40,270	37,014	34,183	31,698	29,502
<b>Total value</b>	<b>58,304</b>	<b>53,794</b>	<b>49,943</b>	<b>46,618</b>	<b>43,718</b>	<b>41,166</b>	<b>38,903</b>
NFP last reported	(6,335)	(6,335)	(6,335)	(6,335)	(6,335)	(6,335)	(6,335)
Put & call	(1,683)	(1,683)	(1,683)	(1,683)	(1,683)	(1,683)	(1,683)
Pension last reported	(980)	(980)	(980)	(980)	(980)	(980)	(980)
<b>Equity value € k</b>	<b>49,306</b>	<b>44,795</b>	<b>40,945</b>	<b>37,620</b>	<b>34,720</b>	<b>32,168</b>	<b>29,905</b>
Equity value €/s FD	17.5	17.5	17.5	17.5	17.5	17.5	17.5
<b>Source: CFO Sim</b>	<b>2.82</b>	<b>2.56</b>	<b>2.34</b>	<b>2.20</b>	<b>1.99</b>	<b>1.84</b>	<b>1.71</b>

Source: CFO Sim



## Peer stocks performance

DIGITAL360 was listed on AIM Italia (Alternative Investment Market) on 13-Jun-17 at € 1.15/share, corresponding to a post-money market capitalisation of € 17.7m. DIGITAL360 now trades **above the IPO price** and reached a 1Y maximum price of € 1.31/s on 21-Sep-20 and a minimum price of € 0.64 on 12-Mar-20. The stock outperformed the peer median and indexes.

**Table 15 – DIGITAL360, peer group absolute performance**

	1D	1W	1M	3M	6M	YTD	1Y
Booz Allen Hamilton Holding Corp	2.0	4.2	1.1	9.2	38.2	22.8	25.0
Future PLC	3.2	0.7	29.5	48.4	113.6	30.3	42.7
Gartner Inc	0.2	(5.6)	(4.1)	3.7	38.2	(17.8)	(11.2)
HubSpot Inc	(0.9)	(0.1)	(1.4)	24.8	118.1	78.0	75.6
Informa PLC	(1.5)	(9.0)	(10.1)	(24.3)	(14.9)	(57.8)	(56.3)
Relx PLC	(0.8)	(6.1)	(2.0)	(11.6)	6.7	(10.9)	(9.7)
ServiceNow Inc	1.9	(0.7)	2.8	17.4	73.0	66.7	76.2
TechTarget Inc	5.6	2.1	4.8	38.5	111.1	58.0	65.9
Wolters Kluwer NV	(0.8)	(0.4)	1.9	3.3	26.4	10.4	11.7
<b>Peers median</b>	<b>0.2</b>	<b>(0.4)</b>	<b>1.1</b>	<b>9.2</b>	<b>38.2</b>	<b>22.8</b>	<b>25.0</b>
<b>Digital360 SpA</b>	<b>(0.8)</b>	<b>14.7</b>	<b>15.7</b>	<b>20.2</b>	<b>68.9</b>	<b>38.9</b>	<b>37.4</b>

Source: Thomson Reuters Eikon

**Table 16 – DIGITAL360 relative performances**

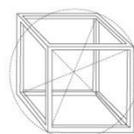
	1D	1W	1M	3M	6M	YTD	1Y
To Peers median	(1.0)	15.1	14.6	11.0	30.7	16.0	12.4
To MSCI World Index	(1.4)	17.4	19.0	15.4	34.4	39.5	30.5
To EUROSTOXX	(1.0)	19.1	19.9	22.7	50.0	52.2	45.4
To FTSE Italia All Share	(1.3)	19.7	21.0	24.4	56.4	58.1	50.5
To FTSE STAR Italia	(1.3)	17.4	14.9	12.9	34.2	40.4	26.7
To FTSE AIM Italia	(1.9)	15.2	16.6	25.6	64.5	53.7	54.5

Source: Thomson Reuters Eikon

## Risks

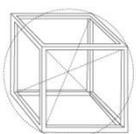
The principal investment **risks** associated to DIGITAL360 include:

- Risks linked to the algorithm used by search engines;
- Risks related to personal data collection, holding and processing;
- Risks due to ICT malfunctions;
- Risks connected to significant technological evolution;
- Risks due to weighty competition in the reference market; idem
- Impact on P&L account and balance sheet profiles triggered by a deep decline in local and global economic growth;
- Dilution on profitability stemming from the acquisition campaign;
- Departure of key people.





This page has been intentionally left blank



## ANALYST CERTIFICATION

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

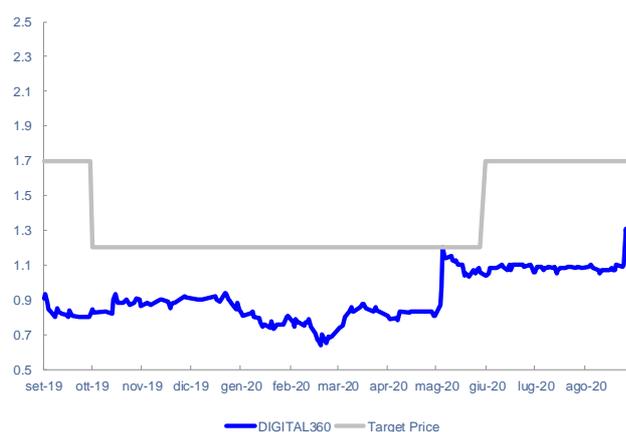
## DISCLAIMER

This document has been drafted by CFO SIM, authorised by the Bank of Italy to provide investment services.

CFO SIM does not have a specific interest in either the issuer, the financial instruments or the transactions covered by the analysis.

The news and data used in this document come from information supplied to the public by the company concerned and/or from other documentation of public domain. CFO SIM is not liable for the accuracy, completeness, exactitude and impartiality of such news and data. This document has been drafted autonomously and independently and without the collaboration of the company analysed or of any company linked to the latter by shareholdings or control. This document has been prepared by the financial analysts of the Equity Research Department of CFO SIM, whose names are indicated therein. The analyst is an ordinary member of the Italian Association of Financial Analysts (AIAF). In no case can the company and the analysts, as authors of this document be held liable (culpably or otherwise) for damage stemming from use of the information or opinions set out therein. The purpose of this document is solely informative. The document cannot be reproduced directly or indirectly and redistributed to third parties, nor can it be published, either totally or in part, for any reason whatsoever. This document is not an invitation to purchase, nor is it intended to solicit the purchase or sale of the securities in question. The recipients of this document are formally bound to observe the constraints indicated above.

CFO SIM wishes to provide ongoing coverage of the stocks mentioned in this document, with a frequency depending on circumstances considered to be important (corporate events and changes of recommendation, etc.). CFO SIM acts as a Nominated Adviser, Specialist and Corporate Broker for DIGITAL360 stock, listed on AIM Italia. The next table shows the ratings issued on the stock in the last 12 months.



DATE	TARGET PRICE	RATING
23/09/2020	€2.40	BUY
22/06/2020	€1.70	BUY
29/04/2020	€1.20	BUY
23/10/2019	€1.20	BUY

This document is distributed via electronic mail and fax as from the date indicated in the document itself and addressed to some 300 Italian and non-Italian professional investors. The document is available in electronic format at CFO SIM's Internet site, to Italian and non-Italian institutional investors, and/or in Borsa Italiana's Internet site.

## RATING SYSTEM

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

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

