

Digital360

Sector: ICT



Analysts

Marco Greco

+39 02 80886654

marco.greco@value-track.com

Pietro Nargi

pietro.nargi@value-track.com

Digital-as-a-Service boosting FY20 financials

Digital360 leverages the internally developed largest Italian B2B online tech community in order to provide both custom and standardized demand generation and advisory / coaching services.

Preliminary 2020 figures better than expected

DIG360 preliminary (unaudited) FY20 financial figures are definitely better than our expectations, (lastly updated back in September 2020):

- ◆ Sales up ca. +5% y/y with a sharp acceleration in 2H (we calculate an implied +17% y/y in the second part of the year);
- ◆ EBITDA higher than €5mn (doubled y/y) with EBITDA margin that we calculate higher than 19% (ca. +900bps y/y);
- ◆ Cash conversion after tax close to 100% leading Net Debt at €1.5mn (vs. €6.3mn in Dec'19).

We believe these brilliant figures to be the result of both a short-term driver, i.e. Covid-19 outbreak accelerating the need for digital transition, and of a medium-term one, i.e. the successful take up of *Digital-as-a-Service* business, with Annualized Recurring Revenues now at ca. €6.8mn, (+58% y/y according to our model), and subscriptions doubled y/y at ca. 225.

2021E-23E estimates revised upwards

We are revising upwards our 2021E-'23E estimates factoring a more successful business model fine tuning towards Digital-as-a-Service activities:

- ◆ We expect Revenues to reach ca. €42mn in 2023E, 17% CAGR20-23E. More important, we estimate the incidence of recurring revenues to become higher and higher, with ARR (on annual basis) moving from €6.8mn as of Dec'20 to €17mn at the end of 2023E;
- ◆ EBITDA to increase up to €8.3mn by 2023E (19% CAGR), with margin steadily growing up to the 20% threshold;
- ◆ Net Financial Position expected to turn positive by 2022E.

Fair Value at €3.10 per share (from €2.20)

Since our Initiation of coverage July'20, DIG360 share price has increased by ca. 90%, but it is still trading at undemanding market multiples, i.e. 5.7x EV/EBITDA'21E on a fully diluted basis, and implying a material discount vs. both domestic and international peers.

We calculate an updated short-term **fair equity value at €3.10**, (up from previous €2.20), equal to 9.1x and 7.1x EV/EBITDA 2021E-22E respectively. As the company successfully finalizes the transition to "Digital-as-a-service" business model, our medium-term fair value could incorporate further upside.

Fair Value (€) **3.10**

Market Price (€) **2.03**

Market Cap. (€m) **33.1**

KEY FINANCIALS (€mn)	2019	2020E	2021E
VALUE OF PRODUCTION	26.7	27.6	33.0
EBITDA	2.5	5.0	5.9
EBIT ADJ. (*)	0.9	3.1	3.8
NET PROFIT ADJ. (*)	0.3	1.9	2.4
EQUITY	8.1	9.5	10.2
NET FIN. POS.	-6.3	-1.5	-1.0
EPS ADJ (€)(*)	0.02	0.12	0.15
DPS (€)	0.00	0.00	0.00

Source: Digital360 (2019), Value Track (2020E-21E estimates)

(*) Adjusted for Goodwill Amortization

RATIOS & MULTIPLES	2019	2020E	2021E
EBITDA MARGIN (%)	10.1	19.1	18.8
EBIT ADJ. MARGIN. (%) (*)	3.5	11.6	11.9
NET DEBT / EBITDA (x)	2.2	0.3	0.2
NET DEBT / EQUITY (x)	0.8	0.2	0.1
EV/SALES (x) (**)	1.0	1.4	1.1
EV/EBITDA (x) (**)	9.9	7.2	5.8
EV/EBIT ADJ. (x) (**)	nm	9.2	6.4

Source: Digital360 (2019), Value Track (2020E-21E estimates)

(*) Adjusted for Goodwill Amortization (**) Fully diluted

STOCK DATA

FAIR VALUE (€)	3.10
MARKET PRICE (€)	2.03
SHS. OUT. (m)	16.3
MARKET CAP. (€m)	33.1
FREE FLOAT (%)	25.8%
AVG. -20D VOL. (#)	33.140
RIC / BBG	DIG.MI / DIG.IM
52 WK RANGE	0.64 – 2.08

Source: Stock Market Data



Business Description

Digital360 is an Italian based B2B “Match-Making Platform” whose aim is to establish profitable connections between entrepreneurs and public administration demanding digital solutions on one side and digital / tech vendors eager for prospect clients on the other one.

The company operates through two main business units: Demand Generation and Advisory & Coaching, providing both custom and engineered/standardized services. Digital360 is currently evolving both divisions toward a “Digital-as-a-service” business model, based on annual or multiyear subscriptions and leading to recurring revenue.

Key Financials

€mn	2019A	2020E	2021E	2022E
Total Revenues	25.0	26.0	31.4	36.0
Chg. % YoY	13.5%	4.3%	20.5%	14.7%
EBITDA	2.5	5.0	5.9	7.1
EBITDA Margin (%)	10.1%	19.1%	18.8%	19.8%
EBIT	0.1	2.3	3.0	4.1
EBIT Margin (%)	0.3%	8.9%	9.5%	11.5%
Net Profit	-0.8	1.1	1.7	2.6
Chg. % YoY	88.4%	-238.4%	46.4%	56.9%
Adjusted Net Profit	0.3	1.9	2.4	3.4
Chg. % YoY	7.8%	nm	27.5%	38.6%
Net Fin. Position	-6.3	-1.5	-1.0	1.8
Net Fin. Pos. / EBITDA (x)	2.5	0.3	0.2	n.m.
Net Investments	-1.9	-1.7	-2.3	-2.4
OpFCF b.t.	-1.2	5.8	3.0	4.4
OpFCF b.t. as % of EBITDA	-66.6%	99.4%	34.1%	42.5%

Source: Digital360 (historical figures), Value Track (estimates)

Investment case

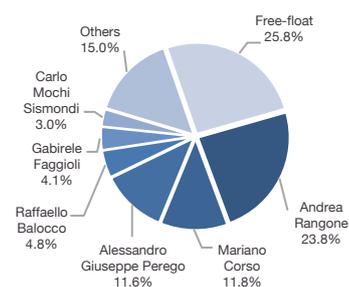
Strengths / Opportunities

- ◆ Exposure to a fast-growing and resilient reference market;
- ◆ Largest Italian tech community to be commercially exploited;
- ◆ Deep knowledge of the tech space to unlock future growth opportunities;
- ◆ Outstanding track record in the M&A field.

Weaknesses / Risks

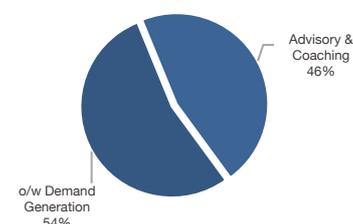
- ◆ Lower size if compared to competitors;
- ◆ Business model fine tuning implies an execution risk and may require additional managerial / technical capabilities, as well as additional funding.

Shareholders Structure



Source: Digital360

FY19 Sales by business line



Source: Digital360

ARR – Annual Recurring Revenues



Source: Digital360, Value Track

Stock multiples @ €3.10 Fair Value(*)

	2021E	2022E
EV / SALES (x)	1.7	1.4
EV / EBITDA (x)	9.1	7.1
EV / EBIT (x)	17.9	12.2
EV / Cap. Empl. (x)	4.8	4.6
OpFCF Yield (%)	6.4	9.7
P / E Adj. (x)	22.2	16.0
P / BV (x)	4.5	3.7
EV / EBIT ADJ. (x)	14.2	10.2

Source: Value Track (*) fully diluted

Preliminary 2020 figures better than expected

DIG360 has released some preliminary (unaudited) FY20 financial figures, which came in definitely better than our expectations, (lastly updated back in September 2020). Indeed:

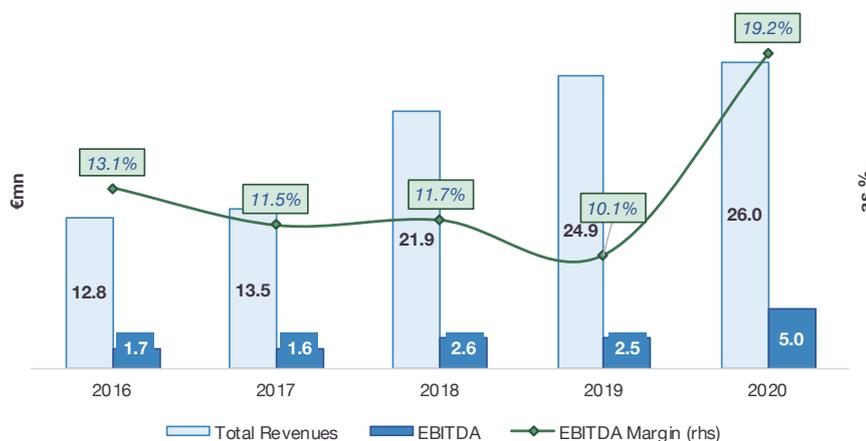
- ◆ **Revenues up ca. +5% y/y** (we calculate at ca. €26mn), with a sharp acceleration in 2H (we calculate an implied +17% y/y in the second part of the year) fostered by the increasing number of subscriptions (ca. 2x y/y according to our model);
- ◆ **EBITDA at ca. €5.0mn (ca. 2x y/y)**, with EBITDA margin that we calculate higher than 19% (up ca. 900bps y/y if compared with 10.1% recorded back in FY19), due to the combined effect of:
 - i) Different revenue mix, with higher incidence of “as-a-service” business, by nature featured by better profitability ratios;
 - ii) Lower incidence of direct costs on sales mostly driven by the noteworthy reduction of physical events due to covid-19 outbreak;
 - iii) Indirect costs optimization.
- ◆ **Close to 100% after tax cash conversion ratio**, driving Net Debt down at €1.5mn (€6.3mn in Dec’19, €3.6mn in Jun’20), confirming once again the unlocked business scalability and the successful strategy put in place so far.

Digital360: 2020A preliminary figures vs. 2019A and vs. Value Track estimates 2020E

(€mn)	2019A	2020A	Δ(% ,€mn)	2020E - VT	A/E- Δ(% ,€mn)
Total Revenues	25.0	ca. 26	+5.0%	24.5	ca. +6%
EBITDA	2.5	ca. 5	ca. 2x	4.2	ca. +19%
EBITDA Margin (%)	10.1%	>19%	ca.+900bps	17.2%	ca. +180bps
Net Debt	6.3	ca. 1.5	ca. -4.8	3.5	ca. -2.0
FCF/EBITDA (%)	<0	Close to 100%	nm	67.1%	ca. +300bps

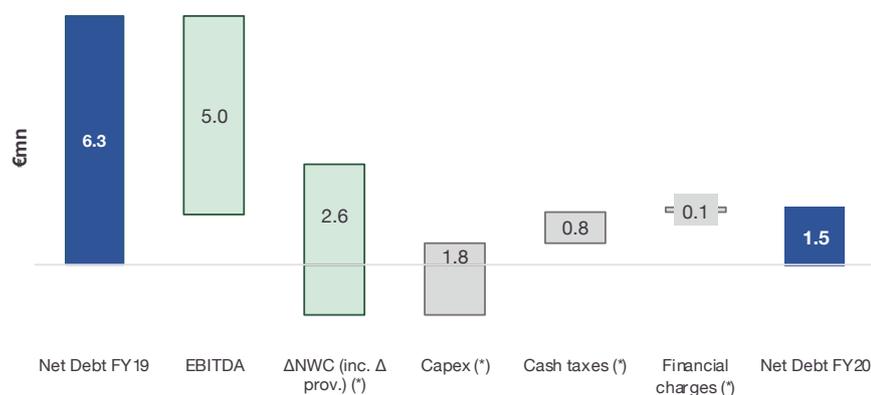
Source: Value Track Analysis

Digital360: FY2020E Revenues, EBITDA and EBITDA margin at all-time high



Source: Value Track Analysis

Digital360: Strong cash generation in FY2020E



Source: Value Track Analysis (*) Value Track estimate

Digital-as-a-Service definitively taking off

The brilliant industrial and financial stance that Digital360 is currently facing is the result, in our view, of both short and medium term drivers:

- ◆ Short term driver: Covid-19 outbreak accelerating the need for digital transition;
- ◆ Medium term driver: successful transition towards *Digital-as-a-Service* business model.

Covid-19 outbreak accelerating the need for digital transition

Covid-19 outbreak has prompted corporate clients' needs to accelerate their digital transformation journey / to preserve their business activities and Digital360 is optimally placed in order to satisfy such needs. Indeed, we underline that in 2020 DIG360 **organized #580 digital events**, attended by +130k managers and professionals, a huge number, if compared to roughly #100 digital events organized in 2019.

In such a way, DIG360 has generated a sort of emergency kit, allowing customers to re-organize all their physical events into virtual ones and allowing them not to halt communication & marketing activities, as well as to explore new business tools. Worthy to note, the better than expected cash generation that DIG360 achieved in 2020 was for a great part driven by faster and smoother invoice collection, a sign that products / solutions provided by DIG360 are now the "priority" need for many Italian corporates.

Digital-as-a-Service increasing market penetration

We believe that it is achieving critical mass the transition towards a highly profitable *Digital-as-a-Service* business model. Indeed, DIG360 portfolio of solutions to be billed on a recurring basis (i.e. based on annual or multi-year subscriptions) is progressively growing both in terms of products offered and active clients and, as a consequence, Annual Recurring Revenues (ARR).

Products development

We remind that in the latest few months DIG360 has launched additional as-a-service products such as: 1) *IT Sourcing Manager as a Service*, (customer support during the entire life cycle of the IT solutions- and services-related contracts) and; 2) *Inside Sales as a Service*, (professional specialized in turning online generated leads into business engagements).

Annual Recurring Revenue (ARR) and Active clients

Annual Recurring Revenue are sharply increasing (we estimate ca. €6.8mn, +58% y/y based on our model), with both *Demand Generation as a Service* and *Advisory as a Service* business lines growing at healthy pace, in particular we highlight:

- ◆ **Digital Marketing & Sales Engine** is the best-selling subscription-based service (included in the *Demand Generation as a Service* area). It operates as an “extension” of the company’s marketing department, thus allowing client to manage all digital marketing activities and generation commercial opportunities in an integrated way.

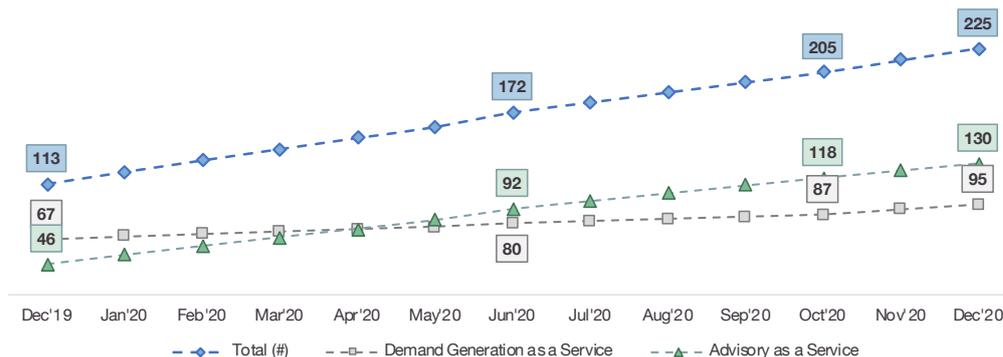
This service grew consistently in 2020, with #95 clients in Dec’20 (#67 in Dec’19, i.e. +42% y/y), achieving an ARR of €4.1mn (+37% y/y), and corresponding to an ARPU of ca. €43K.

- ◆ Other best-selling subscriptions-based services are **Data Protection Officer (DPO)** and **Chief Information Security Officer (CISO)**, both included in the *Advisory as a Service* area, and allowing customers to outsource to DIG360 the entire management of activities related to the protection of personal data (GDPR) and IT security respectively.

Overall, we estimate roughly #130 subscriptions and ca. €2.7mn ARR at the end of Dec’20, sharply growing y/y (#46 clients and €1.3mn ARR in Dec’19).

Latest available data released by management in Oct’20, refer to #118 subscriptions and €2.4mn ARR.

Digital360: Number of subscriptions-based solutions (#) across 2020



Source: Value Track Analysis

Digital360: ARR (€mn) path across 2020



Source: Value Track Analysis

Estimates update

We are revising upwards our 2021E-'23E estimates as a consequence of the more successful business model fine tuning towards Digital-as-a-Service activities. More in details:

- ◆ **Revenues from Sales revised upwards** on average mid-single digit in 2021E-23E, fuelled by the increasing demand for digital transformation and the successful scale-up of SaaS solutions;
- ◆ **EBITDA revised up more than proportionally**, at €5.9mn and €7.1mn in 2021E-22E, +13% and +11% above our previous estimates, while it is revised mid-single digit in 2023E up to €8.3mn. This is the result of SaaS business scalability together with lower incidence of indirect costs;
- ◆ **Adjusted Net Profit** revised up even more, ca. +24.5% on average in 2021E-22E, thanks to basically unchanged D&A and tax rate, and a slight improvement in net financial charges;
- ◆ **Net Debt achieving break-even earlier**, as result of higher earnings and more favourable Working Capital dynamics.

Digital360: New vs. Old 2021E-23E forecasts

(IT GAAP, €mn)	2021E			2022E			2023E		
€mn	Old	New	Δ (%)	Old	New	Δ (%)	Old	New	Δ (%)
Revenues from Sales	30.1	31.3	+4.2%	34.6	35.9	3.7%	40.2	41.5	3.2%
EBITDA	5.2	5.9	+12.9%	6.4	7.1	+11.0%	7.9	8.3	4.9%
EBITDA Margin (%)	17.3%	18.8%	+150bps	18.5%	19.8%	+130bps	19.7%	20.0%	+32bps
EBIT	2.2	3.0	+34.4%	3.3	4.1	+27.2%	4.7	5.2	12.6%
Net Profit	1.2	1.7	+41.7%	1.9	2.6	+34.0%	2.9	3.4	+13.9%
Adj. Net Profit	2.0	2.4	+25.0%	2.7	3.4	+24.2%	3.7	4.1	+11.0%
OpFCF after tax	1.0	2.0	nm	2.7	3.0	+13.5%	3.4	3.6	+5.0%
Net Financial Position	-3.0	-1.0	nm	-0.6	1.8	nm	2.6	5.2	nm

Source: Value Track Analysis

That said, our new 2021E-'23E forecasts can be summarized as follows:

1. **Revenues from Sales.** We expect Revenues to reach ca. €42mn in 2023E, 17% CAGR_{20-23E} driven by ca. #500 clients' net adds in 2021-23 period. More important, we estimate the incidence of recurring revenues to become higher and higher, with ARR (on annual basis) moving from €6.8mn as of Dec'20 to ca. €17mn at the end of 2023E. On the other side, custom projects are expected to still play a relevant role, albeit their weight on sales is seen to progressively decrease.

Digital360: Digital as a Service Business – key highlights 2020E-23E

KPIs	2020E	2021E	2022E	2023E	CAGR _{19A-22E}
Clients – net adds (#)	112	140	160	198	20.9%
Total Clients – EoP (#)	225	365	525	722	15.0%
ARPU (€)	30,220	27,400	24,800	23,400	-8.7%
ARR (€mn)	6.8	10.0	13.0	16.9	34.7%

Source: Value Track Analysis

As far breakdown is concerned, we expect both business divisions to steadily grow at double-digit speed 2021E-onwards, with incidence on Sales to be almost similar by 2023E.

Digital360: Sales Breakdown 2020E-23E

(IT GAAP, €mn)	2020E	2021E	2022E	2023E	CAGR _{19A-22E}
Demand Generation	14.0	16.6	18.7	21.3	15.0%
<i>As % of Sales</i>	53.9%	53.1%	52.1%	51.4%	
Advisory & Coaching	12.0	14.7	17.2	20.2	18.9%
<i>As % of Sales</i>	46.1%	46.9%	47.9%	48.6%	
Revenue from Sales	26.0	31.3	35.9	41.5	16.9%

Source: Value Track Analysis

2. **EBITDA**, expected to come at €5.9mn and €7.1mn in 2021E-22E. We hint a slight EBITDA margin reduction at 18.8% in 2021E, driven by “in presence” events back again, followed by steady expansion up to 20% by 2023E.
3. **Adj. Net Profit** (gross of goodwill amortization related to past M&A deals) to €4.1mn in 2023E, thus implying 30% CAGR₂₀₋₂₃;
4. **Net Financial Position expected to turn positive (Net Cash) by 2022** and to reach €5.2mn as of 2023E, as a result of the healthy free-cash flow generation, leaving room for potential M&A. We also assume the buy-out of minority stakes in ServicePro and IQ Consulting to occur in 2021E, for a total cash consideration of ca. €1.2mn-€1.5mn.

Digital360: P&L 2019A-23E

(IT GAAP, €mn)	2019A	2020A/E	2021E	2022E	2023E
Total Revenues	25.0	26.0	31.4	36.0	41.6
Direct Costs	-20.9	-19.3	-23.6	-26.8	-30.8
Gross Profit	4.0	6.7	7.8	9.2	10.8
Gross Margin	16.1%	25.9%	24.7%	25.5%	26.0%
Other Income	1.7	1.5	1.6	1.7	1.7
Structure Costs	-3.2	-3.3	-3.5	-3.7	-4.2
EBITDA	2.5	5.0	5.9	7.1	8.3
EBITDA Margin (%)	10.1%	19.1%	18.8%	19.8%	20.0%
D&A	-2.4	-2.7	-2.9	-3.0	-3.1
EBIT	0.1	2.3	3.0	4.1	5.2
<i>EBIT Margin (%)</i>	0.3%	8.9%	9.5%	11.5%	12.6%
Net financial charges	-0.4	-0.1	-0.2	-0.2	-0.2
Taxes	-0.2	-0.8	-1.0	-1.4	-1.7
Minorities	-0.4	-0.2	-0.1	0.0	0.0
Net Profit (Loss)	-0.8	1.1	1.7	2.6	3.4
Net Profit Adjusted	0.3 (*)	1.9	2.4	3.4	4.1

Source: Value Track Analysis

Digital360: Balance Sheet 2019A-23E

(IT GAAP, €mn)	2019A	2020A/E	2021E	2022E	2023E
Net Fixed assets	9.8	9.0	8.5	7.9	7.3
Operating WC	6.3	4.6	5.6	6.5	7.5
Others Cur. Assets (Liabilities)	-0.7	-1.1	-1.1	-1.3	-1.3
Net Working Capital	5.6	3.5	4.5	5.2	6.2
Provisions	1.0	1.5	1.8	2.2	2.7
Total Capital Employed	14.5	11.0	11.2	11.0	10.9
Group Net Equity	8.1	9.5	10.2	12.8	16.1
Net Fin. Pos. [Net debt (-)/ Cash (+)]	-6.3	-1.5	-1.0	1.8	5.2

Source: Value Track Analysis

Digital360: Cash Flow Statement 2019A-23E

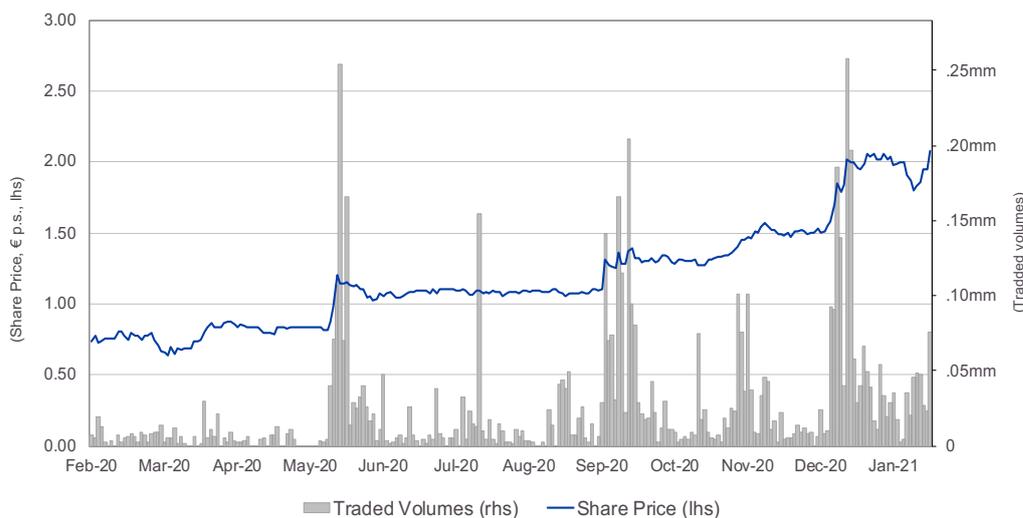
(IT GAAP, €mn)	2019A	2020A/E	2021E	2022E	2023E
EBITDA	2.5	5.0	5.9	7.1	8.3
NWC requirements	-1.9	2.0	-1.0	-1.1	-1.0
Capex (not incl. Fin. Inv.)	-1.9	-1.7	-2.3	-2.4	-2.5
<i>o/w Organic Capex</i>	-0.4	-0.3	-0.8	-0.9	-1.0
<i>Capitalized costs</i>	-1.4	-1.5	-1.5	-1.5	-1.5
Change in provisions	0.0	0.5	0.4	0.4	0.5
OpFCF b.t.	-1.2	5.8	3.0	4.4	5.3
Cash Taxes	-0.5	-0.8	-1.0	-1.4	-1.7
OpFCF a.t.	-1.7	5.0	2.0	3.0	3.6
Fin. Investments	0.3	0.0	-1.3	0.0	0.0
Net Financial Charges	-0.4	-0.1	-0.2	-0.2	-0.2
Change in Net Fin. Pos.	-1.8	4.8	0.5	2.9	3.4

Source: Value Track Analysis

Confirmed Investment thesis, revised valuation

Since our Initiation of coverage published back in July’20, DIG360 share price has increased by ca. 90%, thus the stock has undergone a positive “deserved” performance in the latest months. We also noticed that impressive performance was also sustained by a steady increase in trading volumes – they moved from an average of #7K in 2019 up to #20K as of 2020, and roughly #50K in Jan’21 – highlighting investors’ higher appetite for DIG360 equity story.

Digital360: y/y share price performance close to 150%, driven by higher volumes



Source: Value Track Analysis

We confirm our positive feeling on DIG360, thus we believe the company is well-equipped to underpin further business expansion by the subscription-based model. The switch towards Digital as a Service is still at early stage, and the company relies on several strengths to unlock business scalability, as reported in the table below.

Digital360: Investment highlights

Deep knowledge in the tech field	<ul style="list-style-type: none"> • Leading position in Italy: relying on the largest community of tech users & buyers • High skilled professionals with strong track record in the tech space • Proprietary solutions • High barriers to entry
Growing Digital as a Service business model	<ul style="list-style-type: none"> • Strong subscription growth: ARR from €0mn to ~€7mn in just two years, 2x y/y recurring customers in 2020 • Predictable, highly recurring revenue stream • Launch of new proprietary solutions on “as a Service” model • Still at early-stage with: ARR at 27% of Sales (on annual basis)
Favourable market dynamics	<ul style="list-style-type: none"> • Exposure to a growing & resilient market demand: • Covid-19 is further accelerating SMEs digital transformation needs
Margin expansion & strong cash generation	<ul style="list-style-type: none"> • Expanding Gross Margins • EBITDA on incremental Sales to grow 2-digit. • Low Capex requirements, lead to a sound EBITDA to cash conversion, in the 50%-60% region

Source: Value Track Analysis

Fair value up at €3.10 per share (on a fully diluted basis)

Taking into account strong business momentum, and update estimates, we believe that at current €2.0 market price, the stock is still trading at undemanding valuation, 5.7x EV/EBITDA 2021E (on a fully diluted basis), thus implying a material discount vs. both domestic and international peers.

We calculate an **updated DCF based fair equity value per share at €3.10**, definitely up vs our previous €2.20 (+41%). At fair value, the stock would trade at 9.1x and 7.1x EV/EBITDA 2021E-22E respectively. We are aware that business model transition to as a Service business model featured by recurring revenue and high scalability, would inevitably lead to some multiple rerating, thus we hint further upside potential on our fair equity value.

As already shown in our previous equity notes, we run a simple **IRR Analysis** to calculate such potential upside coming from the unlocked business scalability.

Digital360: Sensitivity of implicit stock trading multiples based on €2.70 – €3.50 share price range (fully diluted)

(€ per share)	EV / Sales (x)		EV / EBITDA (x)		EV / EBIT ADJ. (x) (*)		P / E (x) (*)	
	2021E	2022E	2021E	2022E	2021E	2022E	2021E	2022E
€2.70	1.5	1.2	7.9	6.1	12.3	8.8	19.3	13.9
€2.90	1.6	1.3	8.5	6.6	13.3	9.5	20.7	15.0
€3.10	1.7	1.4	9.1	7.1	14.2	10.2	22.2	16.0
€3.30	1.8	1.5	9.7	7.5	15.1	10.9	23.6	17.0
€3.50	1.9	1.6	10.3	8.0	16.0	11.6	25.0	18.1

Source: Value Track Analysis (*) Ex-Goodwill amortization

Discounted Cash Flow Model

Our update **DCF calculations**, based on revised estimates and fully diluted number of shares (i.e. assuming the full conversion of convertible bonds), gives us a **€3.10 fair equity value per share** (or €55mn equity value). We calculate a rolling WACC which progressively converges to 10.4.% cost of equity from 2022E as the NFP becomes positive, taking into account a 2.0% risk-free rate, 6.0% ERP (Source: Damodaran, Jan'21) and an additional 2.5% market risk premium to factor AIM Italia stock market lower liquidity.

Digital360: DCF model

	€mn
PV of future Cash flow FY 2020E-2029E	25.7
PV of Terminal Value with PGR at 2%	29.0
Fair Enterprise Value	54.7
Net Fin. Position 2020A (*)	0.4
Minorities / Peripheral assets	-1.2
Fair Equity Value	54.2
Fully diluted number of shares	17.5
Fair Equity value per share (€)	3.10

Source: Value Track Analysis (*) assuming the full conversion of in-the-money convertible bonds

IRR Analysis

Updating our IRR analysis, under the assumption of **10.0x EV/EBITDA** exit multiple and 2-year holding period, we calculate an annualized **45% IRR** (gross of tax), below the 70% we calculated in the update post 1H20 results, as result of the positive recent performance of DIG360 shares.

Sensitivity tables reported below show how the IRR, CoC multiples and price to exit change as time and exit market multiple vary. To this point, we believe DIG360 business scalability deserves some multiple expansion: if the company definitely realizes its business fine-tuning towards SaaS model, through a year-on-year steady growth in ARR and number of subscriptions – as successfully made across 2020 – the stock might undergo a massive rerating. That's why, we believe medium-term valuation would entail further upside potential.

Digital360: IRR sensitivity to time to exit and to EV/EBITDA exit multiple

Annualized IRR (gross of tax, %)		Time to exit (years)		
		1yy	2yy	3yy
EV / EBITDA Exit Multiple (x)	8.0x	32%	30%	27%
	9.0x	49%	38%	32%
	10.0x	66%	45%	36%
	11.0x	82%	52%	40%
	12.0x	99%	58%	44%

Source: Value Track Analysis

Digital360: CoC sensitivity to time to exit and to EV/EBITDA exit multiple

Cash on Cash multiple (x)		Time to exit (years)		
		1yy	2yy	3yy
EV / EBITDA Exit Multiple (x)	8.0x	1.3x	1.7x	2.1x
	9.0x	1.5x	1.9x	2.3x
	10.0x	1.7x	2.1x	2.5x
	11.0x	1.8x	2.3x	2.8x
	12.0x	2.0x	2.5x	3.0x

Source: Value Track Analysis

Digital360: Price-to-exit sensitivity to time to exit and to EV/EBITDA exit multiple

Price to exit (€)		Time to exit (years)		
		1yy	2yy	3yy
EV / EBITDA Exit Multiple (x)	8.0x	2.64	3.38	4.11
	9.0x	2.98	3.78	4.58
	10.0x	3.31	4.19	5.06
	11.0x	3.65	4.60	5.54
	12.0x	3.98	5.00	6.01

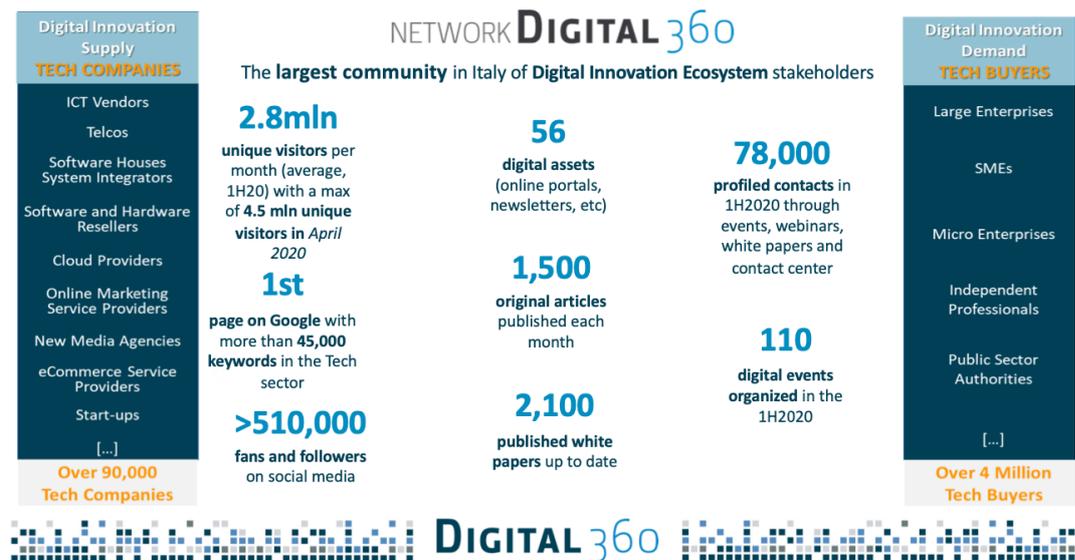
Source: Value Track Analysis

Appendix- DIG360 business profile at a glance

Leading digital transformation player in Italy

Digital360 has established itself as the perfect tech-focused B2B match-making platform by bootstrapping the largest Italian ecosystem dedicated to Digital Innovation topics, mostly centered on **NetworkDigital360**, a network that currently consists of 56 digital assets (online portals and newsletters) and more than 2.5mn single visitors per month (all-time high record, achieved in April'20 4.5mn), ranking among the first results on the main search engines for more than 45,000 keywords.

Digital360: The largest community in Italy of tech users & buyers



Source: Digital360

Digital360 Group is currently structured along two main business units: Demand Generation and Advisory & Coaching Business Units. The following legal entities are active in the **Demand Generation BU**:

- ◆ **ICT&Strategy**, which offers marketing, lead generation services and involved in the organization of events or webinars on digital transformation issues;
- ◆ **ServicePro**, held at 51%, a full-service marketing agency involved in organizing complex events and management of demand and lead generation campaigns on behalf of IT vendors.

On the other side, within the **Advisory & Coaching BU** the following subsidiaries are active:

- ◆ **Partners4Innovation** which offers enterprises and Public Administration coaching and advisory services on digital solutions to optimize their business processes and services;
- ◆ **IQ Consulting**, held at 51%, is a University of Brescia spin-off focused on Industry 4.0 and supply chain management.

Across both business divisions there is **FPA** which supports Public Administration in the implementation of technological solutions and in the organization of events to the provisioning of research and training services.

Closing the gap (information asymmetries) between IT vendors and IT buyers

Digital360 was born from the visionary ideas to exploit the **information gap that characterizes the technology sector** with medium and small companies, on one side, facing the task of making complex ICT purchase decisions and ICT vendors, struggling to get in touch with prospect clients.

On the offer side of the market, Digital360 supports tech vendors with a series of multi-disciplinary services:

- ◆ **Customized Projects**, one-off projects which combine a multitude of services from storytelling to digital advertising as well as the organization of physical and digital events;
- ◆ **Digital Marketing & Sales**, a range of standard Catalogue services and innovative marketing automation tools which track web visitors and direct them towards content to suit their preferences.

On the demand side, Digital360 has positioned itself as a valuable provider of digital innovation Advisory and Coaching services for customers such as SMEs and Public Administration, developing a portfolio of solutions diversifies according to the level of customization required:

- ◆ **Custom projects**, solutions tailored on meet clients' needs and mainly reserved to large and medium-size clients;
- ◆ **Engineered Services**, with a high level of standardization and lower costs, dedicated to small and medium business;
- ◆ **Advisory As-A-Services** consistent with new company strategy focused on an ongoing basis service.

Digital360: B2B match-making platform



Source: Digital360

Further acceleration in the business transitions towards and “as-a-Service” model

Since 2018 Digital360 has started refining its business model, in order to capitalize on the highly valuable community it has gathered in the latest years, by creating a new kit of engineered and standardized solutions named “**Demand Generation As-a-Service**” and “**Advisory & Coaching As-a-Service**” and supplied on an ongoing base (SaaS) with annual or multi-year subscriptions.

The goal is to progressively focus on the provision of services / solutions to be billed with **recurring fees**, and this offer has been packaged under a so-called “**Digital-as-a-Service**” model.

Such a business model extension is taking place through the following main steps:

- ◆ **Engineering / standardization of solutions:** they are characterized by higher scalability, dramatically reducing direct costs of the traditional business. This allows reducing selling price and targeting smaller companies as potential clients.
- ◆ **Commercialization of solutions on “as-a-service” revenue model** through the supply on an ongoing base and annual or multi-year subscriptions.

The main benefit of SaaS model relies on the higher revenue visibility and predictability. Moreover, revenues are billed earlier than the service provisioning, boosting cash generation. Finally, SaaS business model definitively reduces client churn rates;

- ◆ **Portfolio extension with proprietary solutions:** company now starting to commercialize more and more proprietary solutions with the aim to offer a more efficient, flexible and affordable service to its clients while gaining a much higher profitability (Gross Margin of proprietary solution achievable higher than 80% level).

Among the proprietary products launched we remind the following ones:

- **MarTech360**, marketing automation software platform;
- **GRC360**, platform fulfilling obligations regarding the protection of personal data;
- **360DigitalSkill**, an online learning platform to raise awareness on all aspects related to the ongoing digital transformation;
- **IT Sourcing Manager**, to support customers during the entire life cycle of the IT solutions- and services-related contracts;
- **Inside Sales**, a professional specialized in turning online generated leads into business engagements.
- ◆ **Widening of reference market towards additional “verticals”:** over the last couple of years, Digital360 decided to widen its offer also to other sectors, like energy and transportation, to improve their online positioning as well as identify business opportunities.

An example comes in by the new online portal ESG360 entirely dedicated to the ESG field, aimed at stimulating and increasing knowledge of the benefits and opportunities related to ESG word.

DISCLAIMER

THIS DOCUMENT IS PREPARED BY VALUE TRACK S.R.L. THIS DOCUMENT IS BEING FURNISHED TO YOU SOLELY FOR YOUR INFORMATION ON A CONFIDENTIAL BASIS AND MAY NOT BE REPRODUCED, REDISTRIBUTED OR PASSED ON, IN WHOLE OR IN PART, TO ANY OTHER PERSON. IN PARTICULAR, NEITHER THIS DOCUMENT NOR ANY COPY THEREOF MAY BE TAKEN OR TRANSMITTED OR DISTRIBUTED, DIRECTLY OR INDIRECTLY, INTO CANADA OR JAPAN OR AUSTRALIA TO ANY RESIDENT THEREOF OR INTO THE UNITED STATES, ITS TERRITORIES OR POSSESSIONS. THE DISTRIBUTION OF THIS DOCUMENT IN OTHER JURISDICTIONS MAY BE RESTRICTED BY LAW AND PERSONS INTO WHOSE POSSESSION THIS DOCUMENT COMES SHOULD INFORM THEMSELVES ABOUT, AND OBSERVE, ANY SUCH RESTRICTION. ANY FAILURE TO COMPLY WITH THESE RESTRICTIONS MAY CONSTITUTE A VIOLATION OF THE LAWS OF ANY SUCH OTHER JURISDICTION. THIS DOCUMENT DOES NOT CONSTITUTE OR FORM PART OF, AND SHOULD NOT BE CONSTRUED AS, AN OFFER, INVITATION OR INDUCEMENT TO SUBSCRIBE FOR OR PURCHASE ANY SECURITIES, AND NEITHER THIS DOCUMENT NOR ANYTHING CONTAINED HEREIN SHALL FORM THE BASIS OF OR BE RELIED ON IN CONNECTION WITH OR ACT AS AN INVITATION OR INDUCEMENT TO ENTER INTO ANY CONTRACT OR COMMITMENT WHATSOEVER. THIS DOCUMENT HAS NOT BEEN PUBLISHED GENERALLY AND HAS ONLY BEEN MADE AVAILABLE TO INSTITUTIONAL INVESTORS. IN MAKING AN INVESTMENT DECISION, POTENTIAL INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COMPANY AND ITS GROUP INCLUDING THE MERITS AND RISKS INVOLVED. THIS DOCUMENT IS FOR DISTRIBUTION IN OR FROM THE UNITED KINGDOM ONLY TO PERSONS WHO: (I) HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS FALLING WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (AS AMENDED, THE “**FINANCIAL PROMOTION ORDER**”), (II) ARE PERSONS FALLING WITHIN ARTICLE 49(2)(A) TO (D) (“HIGH NET WORTH COMPANIES, UNINCORPORATED ASSOCIATIONS ETC.”) OF THE FINANCIAL PROMOTION ORDER, (III) ARE OUTSIDE THE UNITED KINGDOM, OR (IV) ARE PERSONS TO WHOM AN INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITY (WITHIN THE MEANING OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000) IN CONNECTION WITH THE ISSUE OR SALE OF ANY SECURITIES MAY OTHERWISE LAWFULLY BE COMMUNICATED OR CAUSED TO BE COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS “**RELEVANT PERSONS**”). THIS DOCUMENT IS DIRECTED ONLY AT RELEVANT PERSONS AND MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS DOCUMENT RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. IN ITALY THIS DOCUMENT IS BEING DISTRIBUTED ONLY TO, AND IS DIRECTED AT QUALIFIED INVESTORS WITHIN THE MEANING OF ARTICLE 100 OF LEGISLATIVE DECREE NO. 58 OF 24 FEBRUARY 1998, AS AMENDED, AND ARTICLE 34-TER, PARAGRAPH 1, LETTER B), OF CONSOB REGULATION ON ISSUERS NO. 11971 OF MAY 14, 1999, AS SUBSEQUENTLY AMENDED (THE “**ISSUERS’ REGULATION**”) PROVIDED THAT SUCH QUALIFIED INVESTORS WILL ACT IN THEIR CAPACITY AND NOT AS DEPOSITARIES OR NOMINEES FOR OTHER SHAREHOLDERS, SUCH AS PERSONS AUTHORISED AND REGULATED TO OPERATE IN FINANCIAL MARKETS, BOTH ITALIAN AND FOREIGN, I.E.: A) BANKS; B) INVESTMENT FIRMS; C) OTHER AUTHORISED AND REGULATED FINANCIAL INSTITUTIONS; D) INSURANCE COMPANIES; E) COLLECTIVE INVESTMENT UNDERTAKINGS AND MANAGEMENT COMPANIES FOR SUCH UNDERTAKINGS; F) PENSION FUNDS AND MANAGEMENT COMPANIES FOR SUCH FUNDS; G) DEALERS ACTING ON THEIR OWN ACCOUNT ON COMMODITIES AND COMMODITY-BASED DERIVATIVES; H) PERSONS DEALING EXCLUSIVELY ON THEIR OWN ACCOUNT ON FINANCIAL INSTRUMENTS MARKETS WITH INDIRECT MEMBERSHIP OF CLEARING AND SETTLEMENT SERVICES AND THE LOCAL COMPENSATORY AND GUARANTEE SYSTEM; I) OTHER INSTITUTIONAL INVESTORS; L) STOCKBROKERS; (2) LARGE COMPANIES WHICH AT INDIVIDUAL COMPANY LEVEL MEET AT LEAST TWO OF THE FOLLOWING REQUIREMENTS: – BALANCE SHEET TOTAL: 20,000,000 EURO, – NET REVENUES: 40,000,000 EURO, – OWN FUNDS: 2,000,000 EURO; (3) INSTITUTIONAL INVESTORS WHOSE MAIN ACTIVITY IS INVESTMENT IN FINANCIAL INSTRUMENTS, INCLUDING COMPANIES DEDICATED TO THE SECURITISATION OF ASSETS AND OTHER FINANCIAL TRANSACTIONS (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS “**RELEVANT PERSONS**”). ANY PERSON WHO IS NOT A RELEVANT PERSON SHOULD NOT ACT OR RELY ON THIS DOCUMENT OR ANY OF ITS CONTENTS. THIS DOCUMENT IS NOT ADDRESSED TO ANY MEMBER OF THE GENERAL PUBLIC IN ITALY. UNDER NO CIRCUMSTANCES SHOULD THIS DOCUMENT CIRCULATE AMONG, OR BE DISTRIBUTED IN ITALY TO (I) A MEMBER OF THE GENERAL PUBLIC, (II) INDIVIDUALS OR ENTITIES FALLING OUTSIDE THE DEFINITION OF “QUALIFIED INVESTORS” AS SPECIFIED ABOVE OR (III) DISTRIBUTION CHANNELS THROUGH WHICH INFORMATION IS OR IS LIKELY TO BECOME AVAILABLE TO A LARGE NUMBER OF PERSONS. THIS DOCUMENT IS BEING DISTRIBUTED TO AND IS DIRECTED ONLY AT PERSONS IN MEMBER STATES OF THE EUROPEAN ECONOMIC AREA (“**EEA**”) WHO ARE “QUALIFIED INVESTORS” WITHIN THE MEANING OF ARTICLE 2(1)(E) OF THE PROSPECTUS DIRECTIVE (DIRECTIVE 2003/71/EC), (“**QUALIFIED INVESTORS**”). ANY PERSON IN THE EEA WHO RECEIVES THIS DOCUMENT WILL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT IT IS A QUALIFIED INVESTOR. ANY SUCH RECIPIENT WILL ALSO BE DEEMED TO HAVE REPRESENTED AND AGREED THAT IT HAS NOT RECEIVED THIS DOCUMENT ON BEHALF OF PERSONS IN THE EEA OTHER THAN QUALIFIED INVESTORS OR PERSONS IN THE UK, ITALY AND OTHER MEMBER STATES (WHERE EQUIVALENT LEGISLATION EXISTS) FOR WHOM THE INVESTOR HAS AUTHORITY TO MAKE DECISIONS ON A WHOLLY DISCRETIONARY BASIS. THE COMPANY, VALUE TRACK S.R.L. AND THEIR AFFILIATES, AND OTHERS WILL RELY UPON THE TRUTH AND ACCURACY OF THE FOREGOING REPRESENTATIONS AND AGREEMENTS. ANY PERSON IN THE EEA WHO IS NOT A QUALIFIED INVESTOR SHOULD NOT ACT OR RELY ON THIS DOCUMENT OR ANY OF ITS CONTENTS. THE EXPRESSION “PROSPECTUS DIRECTIVE” MEANS DIRECTIVE 2003/71/EC (AND AMENDMENTS THERETO, INCLUDING THE 2010 PD AMENDING DIRECTIVE, TO THE EXTENT IMPLEMENTED IN THE RELEVANT MEMBER STATE), AND INCLUDES ANY RELEVANT IMPLEMENTING MEASURE IN THE RELEVANT MEMBER STATE AND THE EXPRESSION “2010 PD AMENDING DIRECTIVE” MEANS DIRECTIVE 2010/73/EU. **DIGITAL360 SPA (THE “COMPANY”) IS A RESEARCH CLIENT OF VALUE TRACK S.R.L.** HOWEVER ANY FORECASTS, OPINIONS AND EXPECTATIONS CONTAINED HEREIN ARE ENTIRELY THOSE OF VALUE TRACK S.R.L. AND ARE GIVEN AS PART OF ITS NORMAL RESEARCH ACTIVITY AND SHOULD NOT BE RELIED UPON AS HAVING BEEN AUTHORISED OR APPROVED BY ANY OTHER PERSON. VALUE TRACK S.R.L. HAS NO AUTHORITY WHATSOEVER TO MAKE ANY REPRESENTATION OR WARRANTY ON BEHALF OF THE COMPANY, ITS SHAREHOLDERS, ANY OF ITS ADVISORS, OR ANY OTHER PERSON IN CONNECTION THEREWITH. WHILE ALL REASONABLE CARE HAS BEEN TAKEN TO ENSURE THAT THE FACTS STATED HEREIN ARE ACCURATE AND THAT THE FORECASTS, OPINIONS AND EXPECTATIONS CONTAINED HEREIN ARE FAIR AND REASONABLE, VALUE TRACK S.R.L. HAS NOT VERIFIED THE CONTENTS HEREOF AND ACCORDINGLY NONE OF VALUE TRACK S.R.L., THE COMPANY, ITS SHAREHOLDERS, ANY ADVISORS TO THE COMPANY OR ITS SHAREHOLDERS OR ANY OTHER PERSON IN CONNECTION THEREWITH NOR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS OR EMPLOYEES, SHALL BE IN ANY WAY RESPONSIBLE FOR THE CONTENTS HEREOF AND NO RELIANCE SHOULD BE PLACED ON THE ACCURACY, FAIRNESS, OR COMPLETENESS OF THE INFORMATION CONTAINED IN THIS DOCUMENT. NO PERSON ACCEPTS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM THE USE OF THIS DOCUMENT OR OF ITS CONTENTS OR OTHERWISE ARISING IN CONNECTION THEREWITH. TO THE EXTENT PERMITTED BY LAW AND BY REGULATIONS, VALUE TRACK S.R.L. (OR ITS OFFICERS, DIRECTORS OR EMPLOYEES) MAY HAVE A POSITION IN THE SECURITIES OF (OR OPTIONS, WARRANTS OR RIGHTS WITH RESPECT TO, OR INTEREST IN THE SHARES OR OTHER SECURITIES OF) THE COMPANY AND MAY MAKE A MARKET OR ACT AS A PRINCIPAL IN ANY TRANSACTIONS IN SUCH SECURITIES.