

**Italy – Digital**
**Top-notch 2020 preliminary results call for a further stock re-rating**

 12<sup>th</sup> February 2021

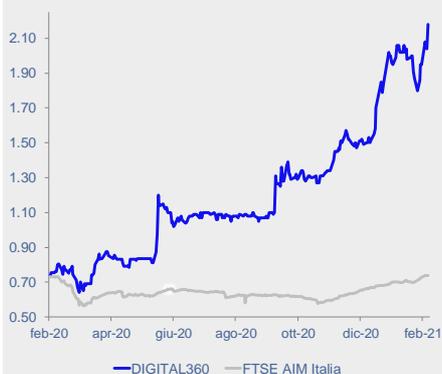
**PRELIMINARY FY-20 RESULTS**

 RIC: DIGT.MI  
 BBG: DIG IM

DIGITAL360 has announced terrific FY-20 preliminary results, well above expectations, almost one year in advance in terms of profitability. Cash flow generation was remarkably abundant. In a challenging environment, characterised by increasing demand for digital transformation, the group was able to exploit its unique competitive positioning.

**Rating:**
**Buy**
**Price Target:**
**€ 3.10 (€ 2.40)**
**Upside/(Downside): 42.2%**
**Last Price: € 2.18**
**Market Cap.: € 35.6**
**1Y High/Low: € 2.24/€ 0.64**
**Free Float: 25.8%**
**Major shareholders:**

Andrea Rangone	23.8%
Mariano Corso	11.8%
Alessandro Giuseppe Perego	11.6%


**Stock price performance**

	1M	3M	12M
<b>Absolute</b>	5.8%	55.7%	198.6%
<b>Rel.to AIM Italia</b>	6.7%	9.1%	197.5%
<b>Rel.to peers</b>	-3.5%	40.5%	61.9%

**Analysts:**

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

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

**Estimates and PT upgrade, 42.2% upside, Buy reiterated**

Following the 2020 preliminary results release, CFO SIM has upgraded its model factoring in a 16% and 64% rise in EBITDA and Net Profit in 2020-22, on average, including a strengthening of the operating structure in 2021 in order to properly cope with huge development opportunities in the next years. Net Financial Position is anticipated to turn positive in 2022, as a consequence of a generous FCF generation thanks to a better WC management too. The balance sheet solidity reached allows the group to consider another round of external growth opportunities, adding further appeal to the stock. PT jump to € 3.10/s (€ 2.40), as a result of the increase in projections and the valuation criteria update. We reiterate our Buy rating, 42.2% upside to current price levels.

**Sales up by 5% to € 26.5m, better than CFO SIM estimate**

FY-20 preliminary results came in remarkable in absolute terms and also when compared to the CFO SIM estimates. Total revenues grew by 5% YoY to € 26.5m, higher than our estimate of € 25.1m, thanks to a business acceleration in the second half of the year. The increase was driven by the sales of innovative, scalable and more lucrative products and services in both the Demand Generation and Advisory&Coaching business units, which more than counterbalanced the decrease in revenues stemming from physical events.

**EBITDA in excess of € 5.0m, more than doubled YoY**

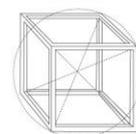
EBITDA exceeded € 5.0m, more than doubling compared to € 2.5m in FY-19, higher than CFO SIM estimate of € 4.1m and close to FY-21 projection of € 5.3m. Profitability improvement was achieved thanks to a more favourable revenue mix, with a larger portion of innovative, scalable and lucrative products as well as lower costs stemming from physical events organisation. NFP dropped to € 1.5m from € 6.3m in FY-19, lower than our € 3.5m estimates thanks to a massive CF generation of € 4.9m stemming from an efficient WC management too. FY-20 NFP is even better than our FY-21 assumption.

**Business as well as earnings momentum remains strong**

The COVID-19 pandemic boosted the digital transformation process of Italian companies and public administration. Thus, the rising demand for digital events and services (virtual conferences, webinars, e-learning, online workshops, remote selling, smart working and e-commerce) 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, and start-ups. The traffic generated by the Network 360 activities is a catalyst for accessory services of the Demand Generation BU. In this framework, DIGITAL360 is now unquestionably well positioned to benefit from the strong business momentum.

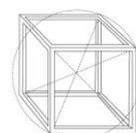
**DIGITAL360, key financials and ratios**

€ k	2018	2019	2020e	2021e	2022e
Value of Production	22,513	25,245	26,478	34,212	38,211
EBITDA	2,569	2,530	5,078	6,001	7,069
EBIT	390	81	2,362	2,866	3,935
EBIT adj.	1,144	1,215	3,116	3,620	4,689
Net profit	(436)	(821)	1,081	1,492	2,237
Net profit adj.	318	313	1,836	2,246	2,991
NFP (cash)/debt	4,566	6,335	1,521	616	(2,932)
EPS adj. FD € cent	1.87	1.79	10.48	12.83	17.08
EPS adj. FD growth	-40.8%	-4.1%	486.2%	22.3%	33.2%
DPS ord. €/s	0.00	0.00	0.00	0.00	0.00
Free Cash Flow Yield	-20.9%	-4.0%	12.9%	2.5%	9.2%
PER x	60.8	49.7	19.4	15.8	11.9
PCF x	11.1	9.6	9.4	7.7	6.6
EV/Sales x	1.06	0.87	1.40	1.06	0.85
EV/EBITDA x	9.3	8.7	7.3	6.0	4.6
EV/EBIT x	20.9	18.0	11.9	10.0	7.0





Income statement (€ k)	2018	2019	2020e	2021e	2022e
Value of Production	22,513	25,245	26,478	34,212	38,211
Services	(12,959)	(14,220)	(13,769)	(18,406)	(20,328)
Personnel expenses	(6,899)	(8,617)	(7,750)	(9,258)	(10,203)
Other opex	(1,430)	(1,290)	(1,059)	(1,540)	(1,719)
EBITDA	2,569	2,530	5,078	6,001	7,069
EBITDA adj.	2,569	2,910	5,078	6,001	7,069
D&A	(2,179)	(2,449)	(2,716)	(3,135)	(3,134)
EBIT	390	81	2,362	2,866	3,935
EBIT adj.	1,144	1,215	3,116	3,620	4,689
Financials	(271)	(341)	(299)	(295)	(207)
Re/(Devaluation) of financial assets	(50)	0	250	0	0
Extraordinary	0	0	0	0	0
Pre-Tax profit	69	(260)	2,313	2,571	3,728
Income taxes	(244)	(183)	(925)	(1,028)	(1,491)
Minorities	(260)	(378)	(306)	(51)	0
Net Profit	(436)	(821)	1,081	1,492	2,237
Net Profit adj.	318	313	1,836	2,246	2,991
Balance sheet (€ k)	2018	2019	2020e	2021e	2022e
Net Working Capital	4,908	6,255	3,404	4,818	5,446
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)	(562)	(904)	(1,126)
Net Invested Capital	13,559	15,254	11,828	12,465	11,437
Net Financial Position	4,566	6,335	1,521	616	(2,932)
Minorities	394	772	1,078	1,129	1,129
Group's Shareholders Equity	8,598	8,147	9,228	10,720	13,240
Financial Liabilities & Equity	13,559	15,254	11,828	12,465	11,437
Cash Flow statement (€ k)	2018	2019	2020e	2021e	2022e
Total net income	(436)	(821)	1,081	1,492	2,237
Depreciation	2,179	2,449	2,716	3,135	3,134
Other non-cash charges	1,516	970	(63)	393	222
Cash Flow from Oper. (CFO)	3,259	2,598	3,735	5,020	5,593
Change in NWC	(1,698)	(1,347)	2,851	(1,414)	(628)
FCF from Operations (FCFO)	1,561	1,251	6,586	3,606	4,964
Net Investments (CFI)	(5,608)	(1,869)	(1,772)	(2,700)	(1,700)
Free CF to the Firm (FCFF)	(4,047)	(618)	4,813	906	3,264
CF from financials (CFF)	3,864	720	0	0	(1,717)
Free Cash Flow to Equity (FCFE)	(183)	102	4,813	906	1,548
Financial ratios	2018	2019	2020e	2021e	2022e
EBITDA margin	11.4%	10.0%	19.2%	17.5%	18.5%
EBIT margin	1.7%	0.3%	8.9%	8.4%	10.3%
Net profit margin	-1.9%	-3.3%	4.1%	4.4%	5.9%
Tax rate	355.4%	-70.3%	40.0%	40.0%	40.0%
Op NWC/Sales	21.8%	24.8%	12.9%	14.1%	14.3%
Interest coverage x	0.70	4.23	0.13	0.10	0.05
Net Debt/EBITDA x	1.78	2.50	0.30	0.10	(0.41)
Debt-to-Equity x	0.53	0.78	0.16	0.06	(0.22)
ROIC	-3.2%	-5.4%	9.1%	12.0%	19.6%
ROCE	2.4%	0.4%	12.5%	13.8%	18.4%
ROACE	2.6%	0.5%	12.8%	14.5%	18.7%
ROE	-5.1%	-10.1%	11.7%	13.9%	16.9%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Per share figures	2018	2019	2020e	2021e	2022e
Number of shares # m	16.31	16.31	16.31	16.31	16.31
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)	6.18	8.52	12.77
EPS adjusted FD € cent	1.87	1.79	10.48	12.83	17.08
EBITDA € cent	150.52	144.48	290.06	342.73	403.74
EBIT € cent	22.83	4.60	134.91	163.68	224.73
BV € cent	513.63	509.43	588.69	676.80	820.72
FCFO € cent	91.48	71.43	376.15	205.95	283.54
FCFF € cent	(237.14)	(35.32)	274.93	51.74	186.44
FCFE € cent	(10.71)	5.80	274.93	51.74	88.39
Dividend € cent	0.00	0.00	0.00	0.00	0.00





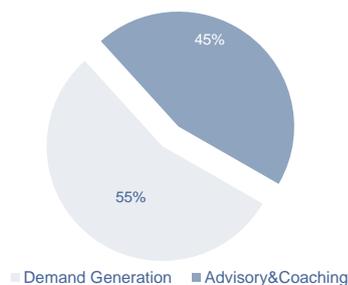
## The company at a glance

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	23.8%	3.9
Mariano Corso	11.8%	1.9
Alessandro Giuseppe Perego	11.6%	1.9
Raffaello Balocco	4.8%	0.8
Gabriele Faggioli	4.1%	0.7
Carlo Mochi Sismondi	3.0%	0.5
Other <3.5%	15.0%	2.5
<b>Free Float o/w</b>	<b>25.8%</b>	<b>4.2</b>
<b>Total</b>	<b>100.0%</b>	<b>16.3</b>

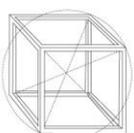
## Peer group absolute performance

	1D	1W	1M	3M	6M	YTD
Booz Allen Hamilton Holding	0.5	2.1	(8.6)	(2.9)	(2.5)	(4.2)
Future PLC	1.8	1.5	5.1	(9.3)	26.0	7.0
Gartner Inc	(1.7)	13.3	9.3	15.2	38.1	12.8
HubSpot Inc	0.2	7.0	5.8	22.7	65.4	6.8
Informa PLC	0.7	(3.2)	(6.4)	(8.6)	20.4	(7.4)
Relx PLC	2.9	(1.8)	(0.2)	0.5	3.3	1.8
ServiceNow Inc	1.3	2.2	13.0	17.1	38.0	7.1
TechTarget Inc	(2.7)	14.3	38.8	65.2	140.6	58.5
Wolters Kluwer NV	0.8	(0.9)	(0.8)	(6.7)	(2.0)	0.1
<b>Peers median</b>	<b>0.7</b>	<b>2.1</b>	<b>5.1</b>	<b>0.5</b>	<b>26.0</b>	<b>6.8</b>
<b>DIGITAL360 SpA</b>	<b>6.9</b>	<b>11.8</b>	<b>5.8</b>	<b>55.7</b>	<b>100.0</b>	<b>18.5</b>

## 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	1.62	1.52	1.43	15.2	14.4	13.5	21.6	20.7	19.1
Future PLC	4.14	3.81	3.52	14.8	13.1	11.3	20.7	18.8	17.2
Gartner Inc	3.95	3.43	2.97	22.6	19.4	16.6	42.8	34.8	29.9
HubSpot Inc	21.66	17.64	14.09	n.s.	n.s.	106.6	352.3	281.3	188.7
Informa PLC	5.77	4.62	3.75	28.3	15.5	11.1	58.1	23.0	14.4
Relx PLC	5.49	5.04	4.95	15.3	13.6	13.5	21.2	19.0	17.7
ServiceNow Inc	19.58	15.39	11.89	63.9	49.8	37.1	104.2	79.3	60.8
TechTarget Inc	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	64.6	57.9	62.8
Wolters Kluwer NV	4.43	4.37	4.21	14.9	14.7	13.8	23.3	22.9	21.7
<b>Median</b>	<b>4.96</b>	<b>4.49</b>	<b>3.98</b>	<b>15.3</b>	<b>14.7</b>	<b>13.7</b>	<b>42.8</b>	<b>23.0</b>	<b>21.7</b>
<b>DIGITAL360 SpA</b>	<b>1.40</b>	<b>1.06</b>	<b>0.85</b>	<b>7.3</b>	<b>6.0</b>	<b>4.6</b>	<b>19.4</b>	<b>15.8</b>	<b>11.9</b>
Premium/(discount) to median	(71.8)	(76.5)	(78.5)	(52.1)	(58.9)	(66.2)	(54.8)	(31.0)	(45.2)

Source: CFO Sim, Thomson Reuters Eikon



## FY-20 Preliminary Results

DIGITAL360 has announced terrific FY-20 preliminary results, well above expectations, almost one year in advance in terms of profitability. Cash flow generation was remarkably abundant, well above expectations. The COVID-19 pandemic boosted the digital transformation process of Italian companies and public administration, increasing the demand for digital events, remote selling, smart working, distance learning and e-commerce. In this framework, DIGITAL360 was able to exploit its competitive positioning and is unquestionably well positioned to benefit from the strong business momentum.

**Table 1 – DIGITAL360, FY-20 preliminary results**

€ k	2020	2019	% YoY	2020e	% diff
<b>Total revenues</b>	~ 26,500	25,245	5.0	25,081	5.7
<b>EBITDA</b>	~ 5,000	2,530		4,068	22.9
% margin	~ 18.9	10.0		16.2	
<b>NFP</b>	~ 1,500	6,335		3,496	(57.1)

Source: Company data, CFO SIM estimates

**Total revenues grew by 5% YoY to € 26.5m**, higher than our estimate of € 25.1m, thanks to a business acceleration in the second half of the year. The increase was driven by the sales of innovative, scalable and more lucrative products and services in both the Demand Generation and Advisory&Coaching business units, which more than counterbalanced the decrease in revenues stemming from physical events.

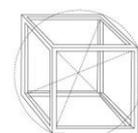
**EBITDA exceeded € 5.0m, more than doubling** compared to € 2.5m in FY-19, higher than CFO SIM estimate of € 4.1m and close to the FY-21 projection of € 5.3m. Profitability improvement was achieved thanks to a more favourable revenue mix, with a larger portion of innovative, scalable and lucrative products as well as lower costs stemming from physical events organisation.

**Net Financial Position dropped to € 1.5m** from € 6.3m in FY-19, lower than our € 3.5m estimates thanks to a massive CF generation of € 4.9m stemming from an efficient WC management too. FY-20 NFP is even better than our FY-21 assumption. The group's balance sheet solidity allows it to consider another round of external growth opportunities.

## Estimates, valuation & risks

**FY-20 preliminary results came in remarkable** in absolute terms and also when compared to the CFO SIM FY-20 estimates, both in terms of profitability and cash flow generation. 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, and start-ups. The traffic generated by the Network 360 activities is a catalyst for accessory services of the Demand Generation BU.



Following the 2020 preliminary results release, CFO SIM has upgraded its model factoring in a **16% and 64% rise in EBITDA and Net Profit in 2020-22**, on average, including a strengthening of the operating structure in 2021 in order to properly cope with huge development opportunities in the next years. Net Financial Position is anticipated to turn positive in 2022, as a consequence of a generous FCF generation thanks to a better WC management too.

**Consequently, we upgrade our PT to € 3.10/s from € 2.40**, as a result of the increase in projections and the valuation criteria update. It is based on DCF and multiple comparison, 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, 42.2% upside to current price levels.** Business momentum, as well as earnings momentum, remains strong. The group's balance sheet solidity allows it to consider another round of external growth opportunities, adding appeal to the stock.

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

€ k	New	Old	% Diff.	€ m Diff.
<b>Net Sales</b>	<b>26,478</b>	<b>25,442</b>	4.1	<b>1,036</b>
<b>EBITDA</b>	<b>5,078</b>	<b>4,068</b>	24.9	<b>1,011</b>
% margin	19.2	16.0		
<b>EBIT</b>	<b>3,116</b>	<b>2,105</b>	48.0	<b>1,011</b>
% margin	11.8	8.3		
<b>Net Profit</b>	<b>1,836</b>	<b>1,223</b>	50.1	<b>612</b>
% margin	6.9	4.8		
<b>Y/E net debt (net cash)</b>	<b>1,521</b>	<b>3,496</b>	(56.5)	<b>(1,975)</b>

Source: CFO Sim

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

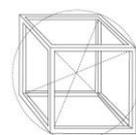
€ k	New	Old	% Diff.	€ m Diff.
<b>Net Sales</b>	<b>34,212</b>	<b>33,140</b>	3.2	<b>1,072</b>
<b>EBITDA</b>	<b>6,001</b>	<b>5,347</b>	12.2	<b>654</b>
% margin	17.5	16.1		
<b>EBIT</b>	<b>3,620</b>	<b>2,966</b>	22.0	<b>654</b>
% margin	10.6	9.0		
<b>Net Profit</b>	<b>2,246</b>	<b>1,846</b>	21.7	<b>400</b>
% margin	6.6	5.6		
<b>Y/E net debt (net cash)</b>	<b>616</b>	<b>3,134</b>	(80.4)	<b>(2,518)</b>

Source: CFO Sim

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

€ k	New	Old	% Diff.	€ m Diff.
<b>Net Sales</b>	<b>38,211</b>	<b>37,108</b>	3.0	<b>1,103</b>
<b>EBITDA</b>	<b>7,069</b>	<b>6,313</b>	12.0	<b>756</b>
% margin	18.5	17.0		
<b>EBIT</b>	<b>4,689</b>	<b>3,933</b>	19.2	<b>756</b>
% margin	12.3	10.6		
<b>Net Profit</b>	<b>2,991</b>	<b>2,528</b>	18.3	<b>463</b>
% margin	7.8	6.8		
<b>Y/E net debt (net cash)</b>	<b>(2,932)</b>	<b>133</b>	n.m.	<b>(3,065)</b>

Source: Company data, CFO Sim



## 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, TechTarget and ServiceNow Inc., 36.0%, 32.4% and 30.6% respectively, with a market capitalization of € 40.2bn, € 2.2bn and € 94.9bn 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 help its customers 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, commodity, 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 € 3.00/s (€ 2.80)**, realised using 2020 and 2021 estimates and multiples, with a 37.6% upside to current prices.

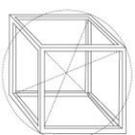




Table 5 - DIGITAL360, peer group summary table

€ 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	9,495	6,539	695	10.6%	2.8%	4.4%	5.0%	6.3%	1,100	1.6
Future PLC	2,081	499	139	28.0%	12.1%	14.8%	24.8%	9.6%	(15)	n.m.
Gartner Inc	13,312	3,626	634	17.5%	11.0%	11.9%	14.5%	19.8%	1,007	1.6
HubSpot Inc	16,037	713	84	11.8%	21.3%	-312.3%	-233.0%	36.6%	(594)	n.m.
Informa PLC	8,716	1,874	381	20.3%	-7.1%	-8.2%	1.7%	101.0%	2,095	5.5
Relx PLC	40,248	8,604	3,097	36.0%	6.4%	7.6%	17.9%	9.6%	6,989	2.3
ServiceNow Inc	94,902	4,727	1,448	30.6%	26.2%	75.2%	126.3%	30.9%	(2,330)	n.m.
TechTarget Inc	2,173	185	60	32.4%	20.2%	n.a.	n.a.	1.4%	n.a.	n.a.
Wolters Kluwer NV	18,496	4,640	1,380	29.7%	1.4%	1.2%	5.3%	3.5%	2,042	1.5
<b>Median</b>	<b>13,312</b>	<b>3,626</b>	<b>634</b>	<b>28.0%</b>	<b>11.0%</b>	<b>6.0%</b>	<b>9.9%</b>	<b>9.6%</b>	<b>1,053</b>	<b>1.6</b>
<b>DIGITAL360 SpA</b>	<b>36</b>	<b>26</b>	<b>5</b>	<b>19.2%</b>	<b>14.8%</b>	<b>40.9%</b>	<b>56.9%</b>	<b>27.6%</b>	<b>2</b>	<b>0.3</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	1.62	1.52	1.43	15.2	14.4	13.5	21.6	20.7	19.1
Future PLC	4.14	3.81	3.52	14.8	13.1	11.3	20.7	18.8	17.2
Gartner Inc	3.95	3.43	2.97	22.6	19.4	16.6	42.8	34.8	29.9
HubSpot Inc	21.66	17.64	14.09	n.s.	n.s.	106.6	352.3	281.3	188.7
Informa PLC	5.77	4.62	3.75	28.3	15.5	11.1	58.1	23.0	14.4
Relx PLC	5.49	5.04	4.95	15.3	13.6	13.5	21.2	19.0	17.7
ServiceNow Inc	19.58	15.39	11.89	63.9	49.8	37.1	104.2	79.3	60.8
TechTarget Inc	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	64.6	57.9	62.8
Wolters Kluwer NV	4.43	4.37	4.21	14.9	14.7	13.8	23.3	22.9	21.7
<b>Median</b>	<b>4.96</b>	<b>4.49</b>	<b>3.98</b>	<b>15.3</b>	<b>14.7</b>	<b>13.7</b>	<b>42.8</b>	<b>23.0</b>	<b>21.7</b>
<b>DIGITAL360 SpA</b>	<b>1.40</b>	<b>1.06</b>	<b>0.85</b>	<b>7.3</b>	<b>6.0</b>	<b>4.6</b>	<b>19.4</b>	<b>15.8</b>	<b>11.9</b>
Premium/(discount) to median	(71.8)	(76.5)	(78.5)	(52.1)	(58.9)	(66.2)	(54.8)	(31.0)	(45.2)

Source: CFO Sim, Thomson Reuters Eikon

Table 7 - DIGITAL360, equity value assessment 1#2

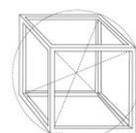
x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3	PER FY1	PER FY2	PER FY3
<b>Median peers</b>	<b>4.96</b>	<b>4.49</b>	<b>3.98</b>	<b>15.3</b>	<b>14.7</b>	<b>13.7</b>	<b>42.8</b>	<b>23.0</b>	<b>21.7</b>
DIGITAL360 metrics	26,478	34,212	38,211	5,078	6,001	7,069	1,836	2,246	2,991
NFP	1,521	616	(2,932)	1,521	616	(2,932)			
Put & call adjustments	1,683	1,683	1,683	1,683	1,683	1,683			
<b>DIGITAL360 Equity Value (€ k)</b>	<b>82,131</b>	<b>97,589</b>	<b>100,103</b>	<b>47,136</b>	<b>54,879</b>	<b>63,988</b>	<b>51,098</b>	<b>33,512</b>	<b>42,203</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>5.58</b>	<b>5.73</b>	<b>2.70</b>	<b>3.14</b>	<b>3.66</b>	<b>2.92</b>	<b>1.92</b>	<b>2.41</b>

Source: CFO Sim, Thomson Reuters Eikon

Table 8 - DIGITAL360, equity value assessment 2#2

x	FY1	FY2	FY3
Equity Value (EV/EBITDA, € k)	51,098	54,879	63,988
€/ share FD	2.92	3.14	3.66
Average FY1-FY2 €/s	3.00		
% upside/(downside)	37.6%		

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)	1.05%
Beta levered (x)	0.98
<b>Required ROE</b>	<b>9.9%</b>

Source: CFO Sim

**Table 10 - DIGITAL360, DCF model**

€ k	2020e	2021e	2022e	2023e	2024e	Term. Val.
EBIT	2,362	2,866	3,935	5,115	6,138	
Tax rate	40.0%	40.0%	40.0%	40.0%	40.0%	
<b>Operating profit (NOPAT)</b>	<b>1,417</b>	<b>1,719</b>	<b>2,361</b>	<b>3,069</b>	<b>3,683</b>	
Change working capital	2,851	(1,414)	(628)	(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>4,985</b>	<b>741</b>	<b>3,166</b>	<b>3,569</b>	<b>3,183</b>	<b>67,664</b>
Present value	5,027	696	2,772	2,912	2,419	51,435
WACC	7.3%	7.3%	7.3%	7.3%	7.3%	
<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.

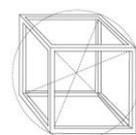
**Table 11 – DIGITAL360, DCF derived from:**

€ k	
Total EV present value € k	65,261
	<i>thereof terminal value</i>
	78.8%
NFP last reported	(6,335)
Put & call	(1,683)
Pension last reported	(980)
Equity value € k	<b>56,263</b>
# shares FD m	17.5
<b>Equity value €/s FD</b>	<b>3.20</b>
% upside/(downside)	46.8%

Source: CFO Sim

The application of the model produces an **equity value of DIGITAL360 of € 3.20/s.**

The following tables illustrate that sensitivity, 1) compared to changes in the terminal growth rate, produces an equity value of between **€ 2.80 – 3.79 (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 **€ 2.87 – 3.65 (free risk range of between 1.80% and 0.30%)** and, 3) if compared to changes in the risk premium, including small size premium, it results in an equity value of **€ 2.60 – 4.17 (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	13,826	13,826	13,826	13,826	13,826	13,826	13,826
PV of terminal value	44,185	46,375	48,780	51,435	54,380	57,666	61,355
<b>Total value</b>	<b>58,011</b>	<b>60,201</b>	<b>62,606</b>	<b>65,261</b>	<b>68,206</b>	<b>71,492</b>	<b>75,181</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>49,013</b>	<b>51,203</b>	<b>53,608</b>	<b>56,263</b>	<b>59,208</b>	<b>62,494</b>	<b>66,183</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>2.80</b>	<b>2.93</b>	<b>3.07</b>	<b>3.20</b>	<b>3.39</b>	<b>3.58</b>	<b>3.79</b>

Source: CFO Sim

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

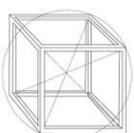
€ k	0.30%	0.55%	0.80%	1.05%	1.30%	1.55%	1.80%
Present value of CF	13,940	13,902	13,864	13,826	13,789	13,752	13,715
PV of terminal value	58,829	56,168	53,711	51,435	49,320	47,352	45,514
<b>Total value</b>	<b>72,769</b>	<b>70,070</b>	<b>67,575</b>	<b>65,261</b>	<b>63,109</b>	<b>61,103</b>	<b>59,229</b>
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>63,771</b>	<b>61,072</b>	<b>58,577</b>	<b>56,263</b>	<b>54,111</b>	<b>52,105</b>	<b>50,230</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>3.65</b>	<b>3.49</b>	<b>3.35</b>	<b>3.20</b>	<b>3.10</b>	<b>2.98</b>	<b>2.87</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	14,051	13,975	13,900	13,826	13,753	13,681	13,610
PV of terminal value	67,882	61,478	56,066	51,435	47,428	43,928	40,847
<b>Total value</b>	<b>81,933</b>	<b>75,453</b>	<b>69,967</b>	<b>65,261</b>	<b>61,181</b>	<b>57,609</b>	<b>54,457</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>72,935</b>	<b>66,455</b>	<b>60,968</b>	<b>56,263</b>	<b>52,183</b>	<b>48,611</b>	<b>45,459</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>4.17</b>	<b>3.80</b>	<b>3.49</b>	<b>3.20</b>	<b>2.99</b>	<b>2.78</b>	<b>2.60</b>

Source: CFO Sim



## Peer stock 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 **well above the IPO price** and reached a 1Y maximum price of € 2.24/s on 11-Feb-21 and a minimum price of € 0.64 on 12-Mar-20. The stock consistently 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	0.5	2.1	(8.6)	(2.9)	(2.5)	(4.2)	8.1
Future PLC	1.8	1.5	5.1	(9.3)	26.0	7.0	55.3
Gartner Inc	(1.7)	13.3	9.3	15.2	38.1	12.8	18.8
HubSpot Inc	0.2	7.0	5.8	22.7	65.4	6.8	132.8
Informa PLC	0.7	(3.2)	(6.4)	(8.6)	20.4	(7.4)	(35.1)
Relx PLC	2.9	(1.8)	(0.2)	0.5	3.3	1.8	(10.5)
ServiceNow Inc	1.3	2.2	13.0	17.1	38.0	7.1	71.5
TechTarget Inc	(2.7)	14.3	38.8	65.2	140.6	58.5	249.4
Wolters Kluwer NV	0.8	(0.9)	(0.8)	(6.7)	(2.0)	0.1	(0.8)
<b>Peers median</b>	<b>0.7</b>	<b>2.1</b>	<b>5.1</b>	<b>0.5</b>	<b>26.0</b>	<b>6.8</b>	<b>18.8</b>
<b>Digital360 SpA</b>	<b>6.9</b>	<b>11.8</b>	<b>5.8</b>	<b>55.7</b>	<b>100.0</b>	<b>18.5</b>	<b>198.6</b>

Source: Thomson Reuters Eikon

**Table 16 – DIGITAL360 relative performances**

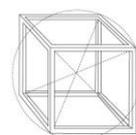
	1D	1W	1M	3M	6M	YTD	1Y
To Peers median	6.2	9.7	0.7	55.2	74.0	11.7	179.9
To MSCI World Index	6.8	9.5	3.6	44.9	82.9	14.4	183.0
To EUROSTOXX	7.2	10.9	5.2	49.1	89.0	15.6	200.3
To FTSE Italia All Share	6.6	9.8	2.7	43.4	85.1	13.4	204.4
To FTSE STAR Italia	6.5	7.6	(0.1)	37.3	74.2	10.3	178.2
To FTSE AIM Italia	6.7	9.1	0.3	32.2	82.2	10.2	197.5

Source: Thomson Reuters Eikon

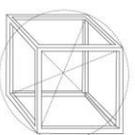
## Risks

The principal investment **risks** associated with 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;
- 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



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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.

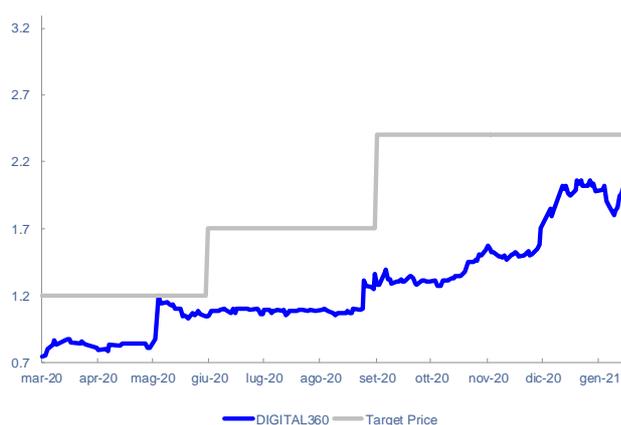
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DATE	TARGET PRICE	RATING
12/02/2021	€3.30	BUY
23/09/2020	€2.40	BUY
22/06/2020	€1.70	BUY
29/04/2020	€1.20	BUY
23/10/2019	€1.20	BUY

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- 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.

