

Italy – Digital

Another earnings surprise leads to a further re-rating

19th July 2021

PRELIMINARY H1-21 RESULTS

RIC: DIGT.MI
BBG: DIG IM

DIGITAL360 announced preliminary interim results, with soaring top line and a more than proportional EBITDA margin progression to an outstanding record high of 23%. The group is ready to benefit from rising digitalization needs and further external growth opportunities.

Rating:

Buy

Price Target:

€ 4.40 (€ 4.00)

Upside/(Downside): 52.8%

Last Price: € 2.88

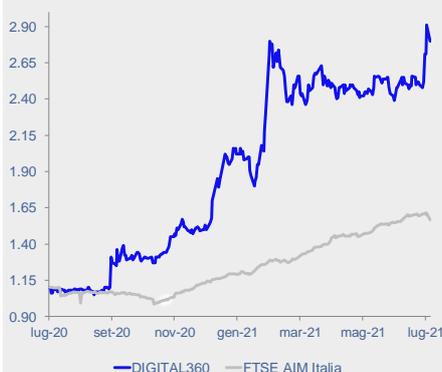
Market Cap.: € 52.9m

1Y High/Low: € 3.02/€ 1.00

Free Float: 26.3%

Major shareholders:

Andrea Rangone 21.2%
Mariano Corso 10.5%
Alessandro Giuseppe Perego 10.3%



Stock price performance

	1M	3M	12M
Absolute	16.1%	14.7%	164.2%
Rel.to AIM Italia	7.5%	15.1%	118.9%
Rel.to peers	9.4%	6.6%	27.9%

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Upgrade in estimates and PT: buy recommendation reiterated

H1-21 preliminary 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. Outstanding interim preliminary performance, compared to our FY-21 growth and profitability assumptions, prompted us to upgrade estimates: we revised our EBITDA and Net Profit adj. estimates by 6.3% and 11.7% on average in 2021-23. In addition, we factored in the latest minority buy-outs and the recent acquisition of CTMobi, with an impact on both shareholders equity and the number of shares. We updated our valuation criteria: as a combined result, we upgraded our PT to € 4.40/s from € 4.00. We reiterate our Buy rating, 53% upside to PT.

Rising top line with recurring revenues at 50% of total and...

H1-21 revenues exceeded € 16.2m, up more than 28% vs. € 12.7m reported last year. The achievement is even more outstanding if we consider that the business unit related to the organisation of in-person physical events was not yet fully operational due to pandemic restrictions. The portion of annual recurrent revenues soared by more than 50% in the first half of 2021, reaching € 7.7m vs. € 5.1m achieved in the same period last year, and totalling some 50% of total. This increase was due to a greater number of clients (from 172 to 234) and a rise in average ticket prices (from € 30k to € 33k).

...more than proportional progression of EBITDA, with margin at record level

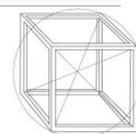
Profitability grew much more than proportionately to top line: EBITDA soared by more than 32% to € 3.7m vs. € 2.8m in the same period of last year. EBITDA margin exceeded 23%. The reason behind this record level can be explained, on the one hand, by the scale effect stemming from the rising portion of the lucrative as-a-service sales, represented by recurring revenues which soared more than 50% totalling some 50% of total. On the other hand and to a lesser extent, the business stemming from the unit involved in the organisation of physical events and characterised by a lower margin compared to the group's average was quite lower than in the past.

The best is yet to come, in addition to further M&A

The group is well-positioned to benefit from 1) the acceleration of the domestic digital market indisputably driven by the pandemic emergency and 2) the NRRP (National Recovery and Resilience Plan) which will allocate a sizeable amount of financial resources for the digital transformation of enterprises and public administrations. The group is able to leverage this environment thanks to 1) a range of innovative services, 2) its competitive positioning and 3) the strategic proprietary assets and solutions recently developed. Last but not least, the sound balance-sheet profile allows DIGT to seize additional external growth opportunities in order to expand its coverage both in terms of services and of geographical areas.

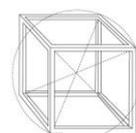
DIGITAL360, key financials and ratios

€ k	2019	2020	2021e	2022e	2023e
Sales	25,245	26,344	33,304	37,237	41,264
EBITDA	2,530	5,102	6,595	7,522	9,111
EBIT	81	2,518	3,460	4,010	5,714
EBIT adj.	1,215	3,193	4,214	4,764	6,468
Net profit	(821)	1,071	2,022	2,486	3,655
Net profit adj.	313	1,745	2,777	3,240	4,409
NFP (cash)/debt	6,335	1,368	80	(2,806)	(7,782)
EPS adjusted € cent	1.65	9.21	14.57	16.91	23.01
EPS adj. growth	-7.7%	457.2%	58.2%	16.0%	36.1%
DPS ord. €/s	0.00	0.00	0.00	0.00	0.00
Free Cash Flow Yield	-5.3%	26.5%	-1.8%	4.9%	9.4%
PER x	49.7	9.9	19.1	16.3	12.0
PCF x	9.6	4.7	10.3	8.8	7.5
EV/Sales x	0.87	0.71	1.59	1.35	1.09
EV/EBITDA x	8.7	3.7	8.0	6.7	5.0
EV/EBIT x	18.0	5.8	12.6	10.5	7.0





Income statement (€ k)	2019	2020	2021e	2022e	2023e
Value of Production	25,245	26,344	33,304	37,237	41,264
Services	(14,220)	(12,860)	(17,385)	(19,438)	(21,540)
Personnel expenses	(8,617)	(8,299)	(9,258)	(10,203)	(10,531)
Other opex	(1,290)	(1,364)	(1,032)	(1,154)	(1,279)
EBITDA	2,530	5,102	6,595	7,522	9,111
EBITDA adj.	2,910	5,022	6,595	7,522	9,111
D&A	(2,449)	(2,584)	(3,135)	(3,513)	(3,397)
EBIT	81	2,518	3,460	4,010	5,714
EBIT adj.	1,215	3,193	4,214	4,764	6,468
Financials	(341)	(82)	(270)	(185)	(91)
Re/(Devaluation) of financial assets	0	(11)	0	0	0
Extraordinary	0	0	0	0	0
Pre-Tax profit	(260)	2,426	3,190	3,824	5,623
Income taxes	(183)	(857)	(1,116)	(1,338)	(1,968)
Minorities	(378)	(497)	(51)	0	0
Net Profit	(821)	1,071	2,022	2,486	3,655
Net Profit adj.	313	1,745	2,777	3,240	4,409
Balance sheet (€ k)	2019	2020	2021e	2022e	2023e
Net Working Capital	6,255	6,794	9,018	10,069	11,222
Net Fixed Assets	9,796	8,978	10,791	10,278	8,381
Equity Investments	134	123	123	123	123
Other M/L Term A/L	(932)	(3,424)	(7,051)	(7,707)	(8,284)
Net Invested Capital	15,254	12,471	12,880	12,763	11,442
Net Financial Position	6,335	1,368	80	(2,806)	(7,782)
Minorities	772	1,261	0	0	0
Group's Shareholders Equity	8,147	9,842	12,800	15,569	19,224
Financial Liabilities & Equity	15,254	12,471	12,880	12,763	11,442
Cash Flow statement (€ k)	2019	2020	2021e	2022e	2023e
Total net income	(821)	1,071	2,022	2,486	3,655
Depreciation	2,449	2,584	3,135	3,513	3,397
Other non-cash charges	770	3,153	1,055	656	577
Cash Flow from Oper. (CFO)	2,398	6,808	6,212	6,654	7,629
Change in NWC	(1,347)	(539)	(2,224)	(1,051)	(1,153)
FCF from Operations (FCFO)	1,051	6,269	3,988	5,603	6,476
Net Investments (CFI)	(1,869)	(1,464)	(4,947)	(3,000)	(1,500)
Free CF to the Firm (FCFF)	(818)	4,806	(959)	2,603	4,976
CF from financials (CFF)	920	(474)	2,247	(1,717)	(2,000)
Free Cash Flow to Equity (FCFE)	102	4,331	1,288	887	2,976
Financial ratios	2019	2020	2021e	2022e	2023e
EBITDA margin	10.0%	19.4%	19.8%	20.2%	22.1%
EBIT margin	0.3%	9.6%	10.4%	10.8%	13.8%
Net profit margin	-3.3%	4.1%	6.1%	6.7%	8.9%
Tax rate	-70.3%	35.3%	35.0%	35.0%	35.0%
Op NWC/Sales	24.8%	25.8%	27.1%	27.0%	27.2%
Interest coverage x	4.23	0.03	0.08	0.05	0.02
Net Debt/EBITDA x	2.50	0.27	0.01	(0.37)	(0.85)
Debt-to-Equity x	0.78	0.14	0.01	(0.18)	(0.40)
ROIC	-5.4%	8.6%	15.7%	19.5%	31.9%
ROCE	0.4%	13.2%	15.5%	17.2%	22.8%
ROACE	0.5%	13.6%	16.7%	17.6%	23.6%
ROE	-10.1%	10.9%	15.8%	16.0%	19.0%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Per share figures	2019	2020	2021e	2022e	2023e
Number of shares # m	18.15	18.15	18.37	18.37	18.37
Number of shares Fully Diluted # m	18.94	18.94	19.16	19.16	19.16
Average Number of shares Fully Diluted # m	18.94	18.94	19.05	19.16	19.16
EPS stated FD € cent	(4.33)	5.65	10.62	12.97	19.08
EPS adjusted FD € cent	1.65	9.21	14.57	16.91	23.01
EBITDA € cent	133.55	269.38	346.15	392.57	475.47
EBIT € cent	4.25	132.95	181.60	209.25	298.19
BV € cent	470.88	586.17	668.02	812.52	1,003.27
FCFO € cent	55.47	330.98	209.34	292.42	337.97
FCFF € cent	(43.21)	253.72	(50.32)	135.86	259.69
FCFE € cent	5.36	228.67	67.62	46.27	155.31
Dividend € cent	0.00	0.00	0.00	0.00	0.00



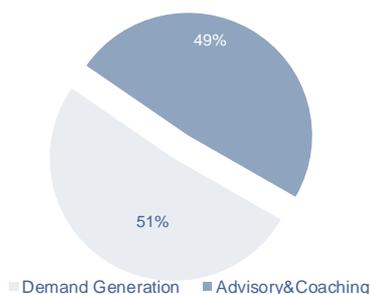
The company at a glance

DIGITAL360 is a leading Italian B2B player in the digital innovation arena, offering support to firms and public administrations in 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 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 CAGR₁₁₋₂₀ is 39%, boosted by acquisitions, 9 companies between 2012 and 2019, generating additional sales for total revenues of € 11.2m. In the same period, EBITDA soared from € 0.2m to € 5.0m, 43% CAGR. 2020 revenues totalled € 26.3m, up 4.4% YoY, EBITDA adj. reached € 5.0m, 19.1% margin and net profit adjusted came in at € 1.7m, 6.6% of sales. Net Financial Position reached € 1.4m, 0.3x EBITDA and 0.1x Shareholders' Equity. Currently, 100% of business is generated in Italy. 51% of 2020 sales were generated by the Demand Generation unit, the remainder came from the Advisory & Coaching business unit.

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

2020 revenues breakdown by BU



2011-2020 revenues and EBITDA growth



Shareholder structure

	%	# m
Andrea Rangone	21.2%	3.886
Mariano Corso	10.5%	1.921
Alessandro Giuseppe Perego	10.3%	1.895
Raffaello Balocco	4.3%	0.785
Gabriele Faggioli	5.5%	1.004
Other <4.0%	22.0%	4.050
Free Float o/w	26.3%	4.827
Total	100.0%	18.368

Source: Company data

Peer group absolute performance

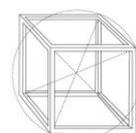
	1D	1W	1M	3M	6M	YTD
Booz Allen Hamilton Holding	0.1	0.7	3.3	5.6	(3.0)	2.6
Future PLC	(0.8)	2.5	6.4	37.9	78.4	82.5
Gartner Inc	(0.2)	(1.4)	8.7	32.0	57.9	58.2
HubSpot Inc	1.6	(7.2)	(5.7)	7.4	45.5	41.2
Informa PLC	0.4	(3.5)	(6.1)	(17.8)	(8.8)	(10.7)
Relx PLC	1.0	2.4	7.1	6.2	12.6	14.7
ServiceNow Inc	(0.3)	(1.8)	4.2	(0.1)	8.3	1.1
TechTarget Inc	(1.5)	(7.3)	2.4	(6.1)	2.8	19.2
Wolters Kluwer NV	0.8	4.9	9.8	18.2	29.6	31.5
Peers median	0.1	(1.4)	4.2	6.2	12.6	19.2
DIGITAL360 SpA	6.3	15.2	16.1	14.7	42.6	56.5

Source: Thomson Reuters Eikon

Peer 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	1.64	1.54	1.46	15.5	14.4	13.5	21.3	19.8	18.4
Future PLC	6.96	5.72	5.20	21.4	17.0	15.1	29.1	24.0	21.7
Gartner Inc	5.26	4.56	4.06	23.3	23.9	21.0	39.6	41.7	35.4
HubSpot Inc	21.08	16.47	13.00	n.s.	n.s.	85.1	321.6	217.7	148.4
Informa PLC	4.85	3.75	3.15	17.9	11.7	9.1	27.5	15.8	12.5
Relx PLC	6.25	5.77	5.53	17.2	15.5	14.4	23.6	21.2	19.7
ServiceNow Inc	18.77	14.72	11.60	62.6	49.0	36.3	99.0	75.8	58.9
TechTarget Inc	8.43	7.16	6.22	24.7	21.2	17.1	32.1	30.4	27.3
Wolters Kluwer NV	5.67	5.46	5.22	18.4	17.5	16.1	29.3	27.7	26.3
Median	6.25	5.72	5.22	19.9	17.3	16.1	29.3	27.7	26.3
DIGITAL360 SpA	1.59	1.35	1.09	8.0	6.7	5.0	19.1	16.3	12.0
Premium/(discount) to median	(74.5)	(76.5)	(79.0)	(59.5)	(61.4)	(69.2)	(34.9)	(41.0)	(54.3)

Source: CFO Sim, Thomson Reuters Eikon



Booming preliminary H1-21 results

DIGITAL360 announced outstanding preliminary interim results, with soaring top line and a more than proportional EBITDA margin progression to an outstanding historic high of 23%. Recurring revenues reached almost 50% of total with an increase of more than 50% YoY.

Table 1 – DIGITAL360, H1-21 preliminary results

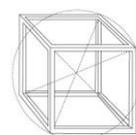
€ m	H1-21	H1-20	% YoY
Revenues	16.2	12.7	28
EBITDA	3.7	2.8	32
% margin	23.0	22.2	

Source: Company data

H1-21 revenues totalled € 16.2m, up more than 28% vs. € 12.7m reported last year. The achievement is even more significant if we consider that the business unit related to the organisation of in-person physical events was not yet fully operational due to pandemic restrictions. The portion of **annual recurring revenues soared more than 50% in the first half of 2021, reaching € 7.7m** vs. € 5.1m of the same period of last year and achieving some 50% of total. This increase was due to a greater number of clients (from 172 to 234) and a rise in average ticket prices (from € 30k to € 33k).

Profitability grew much more than proportionately to top line: EBITDA soared by more than 32% to € 3.7m vs. € 2.8m in the same period of last year. **EBITDA margin exceeded 23%**.

The reason behind this record level can be explained, on the one hand, by the positive effect stemming from the **rising portion of the lucrative as-a-service sales**, represented by the recurrent revenues which soared more than 50% totalling some 50% of total. On the other hand, the business stemming from the unit involved in the organisation of physical events and characterised by a lower margin compared to the group's average was quite lower than in the past.



Recent developments: a few M&As

During H1-21, the group exercised the **purchase options on the residual stake** of two companies already owned at 51%, whose acquisition was announced in 2018:

- 1) ServicePro, a “full service” marketing agency specializing in the realisation of complex events and management of demand and lead generation campaigns;
- 2) IQ Consulting, an academic spin-off operating in the fields of Industry 4.0 and Supply Chain Management.

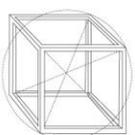
In 2020, ServicePro totalled revenues to the tune of € 3.6m and achieved EBITDA of approximately € 1.0m, 27% margin. The price paid for 49% of the remaining share capital was calculated on the basis of the average 2018-20 EBITDA and amounted to € 4.0m cash, o/w € 1.3m postponed to 2022. Contextually, ServicePro sellers invested € 1.5m in a reserved capital increase of Digital360, at € 2.7/s, thus subscribing 607,287 new ordinary shares (3.4% of the share capital after the capital increase), subjected to a three-year lock-up period.

IQ Consulting reached revenues of € 1.4m and € 0.4m EBITDA, corresponding to an EBITDA margin of some 30%. The price paid for 49% of the share capital not yet held, was calculated on 2019-20 average EBITDA and totalled € 402k, cash. At the same time, the IQC Sellers invested all the proceeds by subscribing a reserved capital increase at € 2.47/s corresponding to 162,832 new DIGITAL360 ordinary shares (0.9% of the share capital after the capital increase).

In addition, last 23-Jun, **DIGITAL360 announced the acquisition of the 100% stake of CTMobi**, for € 690k, including the NFP, corresponding to some 6.5x EBITDA. The price will be paid partly in cash and partly through the assignment of newly issued shares. Up to 50% of the price will be paid via the assignment of newly issued ordinary shares of DIGITAL360, with a 48M lock-up, the number of which will be determined on the basis of the average price of Digital360 shares on the AIM Italia market during the 3 months preceding the closing date. The remainder will be paid in cash.

Based in Catania, in the Sicily region, CTMobi provides cloud-based solutions, User Interface & Experience Design services as well as advisory in the development of Cloud architectures. In 2020, CTMobi reached revenues of around € 450k with an EBITDA of some € 70k and a positive NFP for approximately € 220k.

CTMobi has been a technological partner of DIGITAL360 for over six years and has developed some of its key technological platforms. The internalisation of CTMobi's skills will enable DIGITAL360 to have a stronger presence in the technology industry, boosting the group's development strategies.



Estimates, valuation & risks

H1-21 preliminary 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. Interim preliminary performance, compared to our FY-21 growth and profitability assumptions, prompted us to upgrade estimates: **we revised our EBITDA and Net Profit adj. estimates by 6.3% and 11.7% on average in 2021-23**. In addition, we factored in the latest minority buy-outs and the recent acquisition of CTMobi, with an impact on shareholders equity and the number of shares.

Table 2 – DIGITAL360, 2021e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Value of Production	33,304	34,212	(2.7)	(908)
EBITDA	6,595	6,001	9.9	594
% margin	19.8	17.5		
EBIT adj.	4,214	3,620	16.4	594
% margin	12.7	10.6		
Net Profit adj.	2,777	2,259	22.9	518
% margin	8.3	6.6		
Y/E net debt (net cash)	80	616	(87.0)	(536)

Source: Company data, CFO Sim

Table 3 – DIGITAL360, 2022e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Value of Production	37,237	38,211	(2.5)	(974)
EBITDA	7,522	7,069	6.4	453
% margin	20.2	18.5		
EBIT adj.	4,764	4,684	1.7	80
% margin	12.8	12.3		
Net Profit adj.	3,240	3,001	8.0	239
% margin	8.7	7.9		
Y/E net debt (net cash)	(2,806)	(2,932)	(4.3)	125

Source: Company data, CFO Sim

Table 4 – DIGITAL360, 2023e new/old estimates

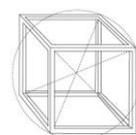
€ m	New	Old	% Diff.	€ m Diff.
Value of Production	41,264	42,305	(2.5)	(1,041)
EBITDA	9,111	8,887	2.5	224
% margin	22.1	21.0		
EBIT adj.	6,468	6,632	(2.5)	(164)
% margin	15.7	15.7		
Net Profit adj.	4,409	4,225	4.4	184
% margin	10.7	10.0		
Y/E net debt (net cash)	(7,782)	(7,297)	6.6	(485)

Source: Company data, CFO Sim

We updated our valuation criteria, by bringing the free risk rate up-to-date. As a result, **we upgraded our PT to € 4.40/s** from € 4.00. It is based on DCF and multiple comparison, 70-30% weighted in order to mitigate the underlying massive volatility amongst peers which might penalise the assessment of DIGITAL360.

The group is well-positioned to benefit from 1) **the acceleration of the domestic digital market** indisputably driven by the pandemic emergency and 2) **the National Recovery and Resilience Plan** which will allocate a sizeable amount of financial resources for the digital transformation of enterprises and public administrations. The group is able to leverage this environment thanks to 1) **a range of innovative services**, 2) **its competitive positioning** and 3) the **strategic proprietary assets and solutions** recently developed.

We reiterate our Buy rating, 53% 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 (36.4%), ServiceNow Inc. (30.1%) and TechTarget (33.5%), with a market capitalization of € 40.5bn, € 78.4bn and € 1.6bn, 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 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 € 4.40/s** (€ 3.60), realised using 2021 and 2022 estimates and multiples, with more than 50.0% upside to current prices.

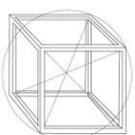




Table 5 - DIGITAL360, peer group summary table

€ m	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA %	Sales CAGR ₂₀₋₂₃	EBITDA CAGR ₂₀₋₂₃	EBIT CAGR ₂₀₋₂₃	EPS CAGR ₂₁₋₂₃	NFP FY1	NFP/EBITDA FY1
Booz Allen Hamilton Holding Corp	10,278	7,225	765	10.6%	6.6%	7.0%	7.0%	7.5%	1,598	2.1
Future PLC	4,464	678	220	32.5%	30.9%	38.6%	52.4%	15.9%	249	1.1
Gartner Inc	18,474	3,729	841	22.5%	12.1%	15.9%	20.1%	5.9%	1,133	1.3
HubSpot Inc	22,149	1,017	127	12.4%	30.6%	-400.3%	-263.7%	47.2%	(702)	n.m.
Informa PLC	8,593	2,164	587	27.2%	18.1%	38.9%	-397.6%	48.3%	1,903	3.2
Relx PLC	46,564	8,645	3,148	36.4%	7.0%	10.2%	16.5%	9.4%	7,466	2.4
ServiceNow Inc	93,056	4,854	1,456	30.0%	26.6%	76.2%	125.1%	29.7%	(1,963)	n.m.
TechTarget Inc	1,680	207	71	34.2%	29.1%	58.5%	64.9%	8.5%	67	n.a.
Wolters Kluwer NV	24,310	4,661	1,440	30.9%	2.7%	3.2%	5.8%	5.6%	2,114	1.5
Median	18,474	3,729	765	30.0%	18.1%	15.9%	16.5%	9.4%	1,133	1.8
DIGITAL360 SpA	53	33	7	19.8%	16.1%	21.3%	26.5%	26.0%	0	0.0

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	1.64	1.54	1.46	15.5	14.4	13.5	21.3	19.8	18.4
Future PLC	6.96	5.72	5.20	21.4	17.0	15.1	29.1	24.0	21.7
Gartner Inc	5.26	4.56	4.06	23.3	23.9	21.0	39.6	41.7	35.4
HubSpot Inc	21.08	16.47	13.00	n.s.	n.s.	85.1	321.6	217.7	148.4
Informa PLC	4.85	3.75	3.15	17.9	11.7	9.1	27.5	15.8	12.5
Relx PLC	6.25	5.77	5.53	17.2	15.5	14.4	23.6	21.2	19.7
ServiceNow Inc	18.77	14.72	11.60	62.6	49.0	36.3	99.0	75.8	58.9
TechTarget Inc	8.43	7.16	6.22	24.7	21.2	17.1	32.1	30.4	27.3
Wolters Kluwer NV	5.67	5.46	5.22	18.4	17.5	16.1	29.3	27.7	26.3
Median	6.25	5.72	5.22	19.9	17.3	16.1	29.3	27.7	26.3
DIGITAL360 SpA	1.59	1.35	1.09	8.0	6.7	5.0	19.1	16.3	12.0
Premium/(discount) to median	(74.5)	(76.5)	(79.0)	(59.5)	(61.4)	(69.2)	(34.9)	(41.0)	(54.3)

Source: CFO Sim, Thomson Reuters Eikon

Table 7 - DIGITAL360, equity value assessment 1#2

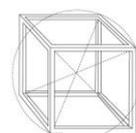
x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3	PER FY1	PER FY2	PER FY3
Median peers	6.25	5.72	5.22	19.9	17.3	16.1	29.3	27.7	26.3
DIGITAL360 metrics	33,304	37,237	41,264	6,595	7,522	9,111	2,777	3,240	4,409
NFP	80	(2,806)	(7,782)	80	(2,806)	(7,782)			
Put & call adjustments	1,683	1,683	1,683	1,683	1,683	1,683			
DIGITAL360 Equity Value (€ k)	133,527	139,535	145,984	83,399	85,470	101,253	52,881	58,326	75,338
# shares FD m	19.1	19.1	19.1	19.1	19.1	19.1	19.1	19.1	19.1
DIGITAL360 Equity Value FD €/s	6.98	7.29	7.63	4.36	4.47	5.29	2.76	3.05	3.94

Source: CFO Sim, Thomson Reuters Eikon

Table 8 - DIGITAL360, equity value assessment 2#2

x	FY1	FY2	FY3
Equity Value (EV/EBITDA, € k)	83,399	85,470	101,253
€ / share FD	4.36	4.47	5.29
Average FY1-FY2	4.40		
% upside/(downside)	52.8%		

Source: CFO Sim, Thomson Reuters Eikon



DCF

In the valuation via the DCF method explicit estimates until 2025 and a long-term growth of 2.5% were used. Cash flows were discounted back at a weighted average cost of capital calculated according to the following parameters:

Table 9 - WACC derived from:

Interest costs, pre-tax	2.5%
Tax rate	35.0%
Inf. costs, after taxes	1.6%
Risk premium, incl. small size premium	9.0%
Risk-free (10Y Gov. Bond 200 days simple moving average)	0.86%
Beta levered (x)	0.98
Required ROE	9.7%

Source: CFO Sim

Table 10 - DIGITAL360, DCF model

€ k	2021e	2022e	2023e	2024e	2025e	Term. Val.
EBIT	3,460	4,010	5,714	6,857	8,228	
Tax rate	35.0%	35.0%	35.0%	35.0%	35.0%	
Operating profit (NOPAT)	2,249	2,606	3,714	4,457	5,348	
Change working capital	(2,224)	(1,051)	(1,153)	(500)	(500)	
Depreciation	3,135	3,513	3,397	2,448	1,500	
Investments	(4,947)	(3,000)	(1,500)	(1,500)	(1,500)	
Free Cash Flows	(1,787)	2,068	4,458	4,905	4,848	104,320
Present value	(1,732)	1,868	3,754	3,851	3,548	76,355
WACC	7.3%	7.3%	7.3%	7.3%	7.3%	
Long-term growth rate	2.5%					

Source: CFO Sim

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

Table 11 – DIGITAL360, DCF derived from:

€ k	
Total EV present value € k	87,646
	<i>thereof terminal value</i>
	87.1%
NFP last reported - FY-20	(1,368)
Put & call	(1,683)
Pension last reported - FY-20	(1,229)
Equity value € k	83,365
# shares FD m (ex. treasury shares)	19.1
Equity value €/s FD	4.40
% upside/(downside)	52.8%

Source: CFO Sim

The application of the model produces an **equity value of € 4.40/s for DIGITAL360.**

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value of between **€ 3.79 – 5.14 (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 **€ 3.87 – 4.96 (free risk range of between 1.61% and 0.11%)** and, 3) if compared to changes in the risk premium, including small size premiums, it results in an equity value of **€ 3.49 – 5.70 (risk premium range of between 10.50% and 7.50%)**.

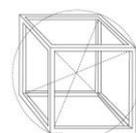


Table 12 – DIGITAL360, equity value sensitivity to changes in terminal growth rate

€ k	1.75%	2.00%	2.25%	2.50%	2.75%	3.00%	3.25%
Present value of CF	11,290	11,290	11,290	11,290	11,290	11,290	11,290
PV of terminal value	65,486	68,765	72,371	76,355	80,781	85,726	91,287
Total value	76,776	80,055	83,661	87,646	92,071	97,016	102,577
NFP last reported	(1,368)	(1,368)	(1,368)	(1,368)	(1,368)	(1,368)	(1,368)
Put & call	(1,683)	(1,683)	(1,683)	(1,683)	(1,683)	(1,683)	(1,683)
Pension last reported	(1,229)	(1,229)	(1,229)	(1,229)	(1,229)	(1,229)	(1,229)
Equity value € k	72,495	75,774	79,380	83,365	87,791	92,735	98,296
# shares FD m	19.1	19.1	19.1	19.1	19.1	19.1	19.1
Equity value €/s FD	3.79	3.96	4.15	4.40	4.59	4.85	5.14

Source: CFO Sim

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

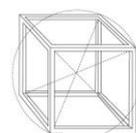
€ k	0.11%	0.36%	0.61%	0.86%	1.11%	1.36%	1.61%
Present value of CF	11,489	11,422	11,356	11,290	11,225	11,160	11,096
PV of terminal value	87,708	83,618	79,846	76,355	73,117	70,105	67,297
Total value	99,197	95,040	91,202	87,646	84,342	81,265	78,393
NFP last reported	(1,368)	(1,368)	(1,368)	(1,368)	(1,368)	(1,368)	(1,368)
Put & call	(1,683)	(1,683)	(1,683)	(1,683)	(1,683)	(1,683)	(1,683)
Pension last reported	(1,229)	(1,229)	(1,229)	(1,229)	(1,229)	(1,229)	(1,229)
Equity value € k	94,916	90,760	86,921	83,365	80,061	76,984	74,112
# shares FD m	19.1	19.1	19.1	19.1	19.1	19.1	19.1
Equity value €/s FD	4.96	4.74	4.54	4.40	4.18	4.02	3.87

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	11,685	11,551	11,420	11,290	11,163	11,037	10,913
PV of terminal value	101,664	91,785	83,461	76,355	70,222	64,876	60,179
Total value	113,348	103,337	94,881	87,646	81,384	75,913	71,092
NFP last reported	(1,368)	(1,368)	(1,368)	(1,368)	(1,368)	(1,368)	(1,368)
Put & call	(1,683)	(1,683)	(1,683)	(1,683)	(1,683)	(1,683)	(1,683)
Pension last reported	(1,229)	(1,229)	(1,229)	(1,229)	(1,229)	(1,229)	(1,229)
Equity value € k	109,067	99,056	90,600	83,365	77,103	71,632	66,811
Equity value €/s FD	19.1	19.1	19.1	19.1	19.1	19.1	19.1
Source: CFO Sim	5.70	5.18	4.74	4.40	4.03	3.74	3.49

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 **well above the IPO price**, and reached a 1Y maximum price of € 3.02/s on 15-Jul-21 and a minimum level of € 1.00 on 02-Sep-20. The stock has outperformed its peer group median and the indexes, over the last 3, 6, 12 months and YTD.

Table 15 - DIGITAL360, peer group absolute performance

	1D	1W	1M	3M	6M	YTD	1Y
Booz Allen Hamilton Holding Corp	0.1	0.7	3.3	5.6	(3.0)	2.6	26.2
Future PLC	(0.8)	2.5	6.4	37.9	78.4	82.5	161.3
Gartner Inc	(0.2)	(1.4)	8.7	32.0	57.9	58.2	103.5
HubSpot Inc	1.6	(7.2)	(5.7)	7.4	45.5	41.2	160.3
Informa PLC	0.4	(3.5)	(6.1)	(17.8)	(8.8)	(10.7)	12.6
Relx PLC	1.0	2.4	7.1	6.2	12.6	14.7	14.3
ServiceNow Inc	(0.3)	(1.8)	4.2	(0.1)	8.3	1.1	34.4
TechTarget Inc	(1.5)	(7.3)	2.4	(6.1)	2.8	19.2	113.8
Wolters Kluwer NV	0.8	4.9	9.8	18.2	29.6	31.5	27.8
Peers median	0.1	(1.4)	4.2	6.2	12.6	19.2	34.4
Digital360 SpA	6.3	15.2	16.1	14.7	42.6	56.5	164.2

Source: Thomson Reuters Eikon

Table 16 – DIGITAL360 relative performances

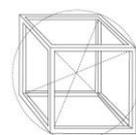
	1D	1W	1M	3M	6M	YTD	1Y
To Peers median	6.2	16.6	11.9	8.5	29.9	37.4	129.8
To MSCI World Index	6.9	16.1	13.7	12.3	31.2	44.1	132.1
To EUROSTOXX	6.7	16.0	16.5	13.4	31.0	43.2	141.3
To FTSE Italia All Share	6.6	16.3	17.9	14.1	31.1	44.1	141.4
To FTSE STAR Italia	6.3	15.4	15.9	5.2	18.0	30.9	108.7
To FTSE AIM Italia	7.5	15.1	13.3	3.9	8.1	19.2	118.9

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 sharp decline in local and global economic growth;
- Profit margin dilution stemming from the acquisition campaign;
- Departure of key people



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.

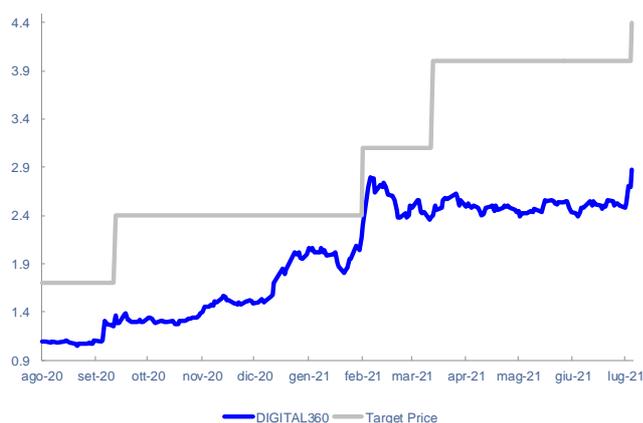
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DATE	TARGET PRICE	RATING
19/07/2021	€4.40	BUY
25/03/2021	€4.00	BUY
12/02/2021	€3.10	BUY
23/09/2020	€2.40	BUY
22/06/2020	€1.70	BUY

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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.

