

Italy – Digital

FY-21 showed outstanding organic growth and strategic M&A deals

17th February 2022

FY-21 PRELIMINARY RESULTS

RIC: DIGT.MI
BBG: DIG IM

DIGITAL360 has announced FY-21 preliminary results characterised by double digit organic growth coupled with a more than proportional progression in terms of EBITDA. Cash flow generation was remarkably above expectations. The recently acquired companies definitely expanded the group's dimension and reinforced its competitive positioning.

Rating:

Buy

Price Target:

€ 6.20 (€ 5.50)

Upside/(Downside): 31.9%

Last Price: € 4.70

Market Cap.: € 88.8m

1Y High/Low: € 5.28/€ 2.28

Avg. Daily Turn. (3M, 6M): € 105k, € 166k

Free Float: 28.0%

Major shareholders:

Andrea Rangone	20.5%
Mariano Corso	10.1%
Alessandro Giuseppe Perego	10.0%



Stock price performance

	1M	3M	12M
Absolute	-1.1%	3.5%	67.9%
Rel.to FTSE IT Growth	3.3%	9.1%	35.1%
Rel.to peers	-1.1%	17.3%	48.0%

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New PT at € 6.20/s (€ 5.50), 31.9% upside: Buy recommendation reiterated

Following the 2021 preliminary results, CFO SIM has updated its model factoring in: 1) an improvement in FY-21 NFP as a consequence of the underestimated net cash position of the companies acquired coupled with a better-than-expected cash flow generation; 2) the consolidation of XONA, a marketing agency operating in LATAM acquired in Jan-22; 3) an increase in D&A stemming from the acquisition campaign; 4) the cash in stemming from the highly likely conversion of the residual bonds. The combined result is an average 2.8% and 1.2% increase in revenues and EBITDA, respectively, and an average 6.5% decline in EBIT in 2022-23. NFP forecast has significantly improved on the back of the aforementioned reasons. Moreover, we updated our DCF valuation criteria by bringing the free risk rate up to date and by postponing the first year of estimates to 2022. As a combined result, we upgraded our PT to € 6.20/s (€ 5.50), 31.9% upside to current price levels. Buy reiterated.

FY-21 pro forma turnover and EBITDA at € 41m and € 8m, respectively

In order to provide the market with a comprehensive overview of the new group following the recent acquisitions, DIGITAL360 elaborated 2021 pro forma figures, namely consolidating for 12 months all the companies acquired during FY-21. It is worth noting that CFO SIM's forecasts for FY-21 include in the P&L revenues and margins of the companies acquired in 2021 for 3 months, thus we are not able to properly compare our consolidated projections with the figures announced by the company. Pro forma revenues totalled € 41.0m compared to € 26.3m reported in FY-20, and EBITDA stood at € 8.0m, c. 20% margin.

Revenues rose organically by c. 20% while EBITDA by c. 30%. Net cash above € 3.0m

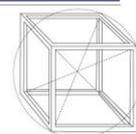
Organically, revenues grew by c. 20% YoY to about € 31.5m, thanks to the increasing demand for digital transformation in Italy both by businesses and the public administration. In particular, the Covid-19 pandemic exacerbated the need for digital events, remote selling, remote working, distance learning and e-commerce. EBITDA rose by c. 30% YoY to about € 6.6m, 21.0% margin. On a like-for-like basis, revenues and EBITDA are broadly in line with our organic assumptions. Net cash is anticipated to be in excess of € 3.0m, declining from € 1.4m debt at the end of 2020. The substantial difference with respect to our forecast of € 0.4m debt is mainly ascribable to higher-than-expected 1) net cash position of the companies acquired and 2) cash flow generation.

Growing digital market and expansion in LATAM among the main growth drivers

We believe the group is definitely well-positioned to benefit from 1) the acceleration of the domestic digital market and 2) the National Recovery and Resilience Plan which will allocate a sizeable amount of financial resources for the digital transformation of enterprises and the public administration. In addition, the recently acquired companies definitely enlarged the group's dimension, reinforcing its competitive positioning and opening up new opportunities abroad, mainly in LATAM and in Spanish speaking countries.

DIGITAL360, key financials and ratios

€ k	2019	2020	2021e	2022e	2023e
Value of Production	25,245	26,344	35,379	47,692	53,158
EBITDA	2,530	5,102	6,875	8,934	10,772
EBIT	81	2,518	3,134	4,441	6,523
EBIT adj.	1,215	3,193	4,484	5,791	7,873
Net profit	(821)	1,071	1,734	2,324	3,601
Net profit adj.	313	1,745	3,084	3,674	4,951
NFP (cash)/debt	6,335	1,368	(3,093)	(5,624)	(11,554)
EPS adj. FD € cent	1.80	9.97	16.59	18.69	25.18
EPS adj. FD growth	-4.1%	454.5%	66.5%	12.6%	34.8%
DPS ord. €/s	0.00	0.00	0.00	0.00	0.00
Free Cash Flow Yield	-5.3%	26.5%	1.2%	1.1%	6.7%
PER x	49.7	9.9	28.9	24.2	18.0
PCF x	9.6	4.7	16.3	13.1	11.3
EV/Sales x	0.87	0.71	2.43	1.75	1.46
EV/EBITDA x	8.7	3.7	12.5	9.3	7.2
EV/EBIT x	18.0	5.8	19.2	14.4	9.8



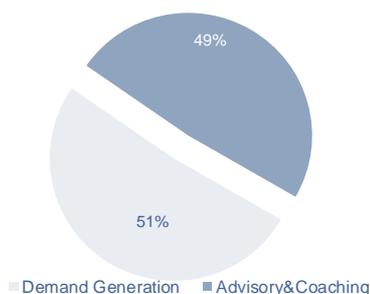
The company at a glance

DIGITAL360 is a leading Italian B2B player in the digital innovation arena, offering support to firms and the public administration 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 the public administration 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 adjusted net profit 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 its 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	20.5%	3.9
Mariano Corso	10.1%	1.9
Alessandro Giuseppe Perego	10.0%	1.9
Raffaello Balocco	4.1%	0.8
Gabriele Faggioli	5.3%	1.0
Other <4.0%	22.0%	4.2
Free Float	28.0%	5.3
Total	100.0%	19.0

Source: company data

Peer group absolute performance

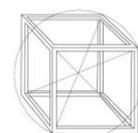
	1D	1W	1M	3M	6M	YTD
Booz Allen Hamilton Holding	0.4	(2.1)	(15.0)	(16.7)	(7.5)	(12.8)
Future PLC	(3.4)	(4.7)	(17.1)	(18.6)	(29.1)	(28.1)
Gartner Inc	0.4	(1.5)	6.5	(11.0)	(1.3)	(10.8)
HubSpot Inc	(2.4)	3.8	19.8	(35.3)	(16.3)	(17.7)
Informa PLC	(0.6)	8.2	9.0	22.3	12.1	20.0
Relx PLC	(0.6)	(2.2)	0.0	(3.4)	4.2	(5.9)
ServiceNow Inc	(0.1)	(3.8)	13.4	(13.7)	1.5	(9.0)
TechTarget Inc	0.2	(13.0)	(5.5)	(27.7)	6.0	(16.7)
Wolters Kluwer NV	(0.9)	(2.2)	(4.8)	(11.8)	(9.6)	(16.0)
Peers median	(0.6)	(2.2)	0.0	(13.7)	(1.3)	(12.8)
DIGITAL360 SpA	0.0	2.2	(1.1)	3.5	13.8	(5.2)

Source: Thomson Reuters Eikon

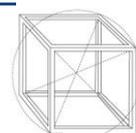
Peers group multiples table

Price & EV multiples x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3	PER FY1	PER FY2	PER FY3
Booz Allen Hamilton Holding Corp	1.44	1.33	1.24	12.9	12.2	11.5	17.3	16.4	15.2
Future PLC	4.45	4.01	3.51	12.5	11.1	9.4	16.8	15.4	14.2
Gartner Inc	4.98	4.42	3.95	24.3	21.6	19.2	41.3	35.5	30.7
HubSpot Inc	14.52	11.23	8.91	n.s.	n.s.	57.1	208.4	144.2	96.3
Informa PLC	5.95	4.94	4.10	23.5	17.7	12.8	38.3	27.0	18.9
Relx PLC	6.19	5.76	5.43	16.7	15.1	14.2	23.0	20.9	19.4
ServiceNow Inc	15.49	12.13	9.49	49.6	38.4	28.2	77.1	62.4	46.2
TechTarget Inc	7.57	6.35	5.47	19.2	15.5	12.4	29.0	23.7	20.1
Wolters Kluwer NV	5.25	4.99	4.76	16.8	15.8	14.7	26.1	24.5	23.2
Median	5.95	4.99	4.76	18.0	15.6	14.2	29.0	24.5	20.1
DIGITAL360 SpA	2.43	1.75	1.46	12.5	9.3	7.2	28.9	24.2	18.0
Premium/(discount) to median	(59.2)	(64.9)	(69.3)	(30.5)	(40.3)	(49.2)	(0.3)	(1.1)	(10.7)

Sources: CFO Sim, Thomson Reuters Eikon



Income statement (€ k)	2019	2020	2021e	2022e	2023e
Value of Production	25,245	26,344	35,379	47,692	53,158
Services	(14,220)	(12,860)	(18,857)	(25,611)	(27,695)
Personnel expenses	(8,617)	(8,299)	(9,258)	(12,289)	(13,840)
Other opex	(1,290)	(1,364)	(1,415)	(2,003)	(2,126)
EBITDA	2,530	5,102	6,875	8,934	10,772
EBITDA adj.	2,910	5,022	6,875	8,934	10,772
D&A	(2,449)	(2,584)	(3,740)	(4,493)	(4,249)
EBIT	81	2,518	3,134	4,441	6,523
EBIT adj.	1,215	3,193	4,484	5,791	7,873
Financials	(341)	(82)	(254)	(171)	(142)
Re/(Devaluation) of financial assets	0	(11)	0	0	0
Extraordinary	0	0	0	0	0
Pre-Tax profit	(260)	2,426	2,880	4,270	6,381
Income taxes	(183)	(857)	(1,008)	(1,494)	(2,233)
Minorities	(378)	(497)	(138)	(451)	(546)
Net Profit	(821)	1,071	1,734	2,324	3,601
Net Profit adj.	313	1,745	3,084	3,674	4,951
Balance sheet (€ k)	2019	2020	2021e	2022e	2023e
Net Working Capital	6,255	6,794	8,603	11,399	12,766
Net Fixed Assets	9,796	8,978	9,177	9,804	7,055
Equity Investments	134	123	123	123	123
Other M/L Term A/L	(932)	(3,424)	(4,613)	(6,226)	(6,626)
Net Invested Capital	15,254	12,471	13,290	15,100	13,319
Net Financial Position	6,335	1,368	(3,093)	(5,624)	(11,554)
Minorities	772	1,261	1,399	1,850	2,397
Group's Shareholders Equity	8,147	9,842	14,984	18,874	22,476
Financial Liabilities & Equity	15,254	12,471	13,290	15,100	13,319
Cash Flow statement (€ k)	2019	2020	2021e	2022e	2023e
Total net income	(821)	1,071	1,734	2,324	3,601
Depreciation	2,449	2,584	3,740	4,493	4,249
Other non-cash charges	770	3,153	1,327	2,064	947
Cash Flow from Oper. (CFO)	2,398	6,808	6,801	8,881	8,797
Change in NWC	(1,347)	(539)	(1,809)	(2,796)	(1,367)
FCF from Operations (FCFO)	1,051	6,269	4,992	6,085	7,429
Net Investments (CFI)	(1,869)	(1,464)	(3,939)	(5,120)	(1,500)
Free CF to the Firm (FCFF)	(818)	4,806	1,053	965	5,929
CF from financials (CFF)	920	(474)	3,408	(434)	0
Free Cash Flow to Equity (FCFE)	102	4,331	4,461	532	5,929
Financial ratios	2019	2020	2021e	2022e	2023e
EBITDA margin	10.0%	19.4%	19.4%	18.7%	20.3%
EBIT margin	0.3%	9.6%	8.9%	9.3%	12.3%
Net profit margin	-3.3%	4.1%	4.9%	4.9%	6.8%
Tax rate	-70.3%	35.3%	35.0%	35.0%	35.0%
Op NWC/Sales	24.8%	25.8%	24.3%	23.9%	24.0%
Interest coverage x	4.23	0.03	0.08	0.04	0.02
Net Debt/EBITDA x	2.50	0.27	(0.45)	(0.63)	(1.07)
Debt-to-Equity x	0.78	0.14	(0.21)	(0.30)	(0.51)
ROIC	-5.4%	8.6%	13.0%	15.4%	27.0%
ROCE	0.4%	13.2%	12.8%	16.4%	21.1%
ROACE	0.5%	13.6%	14.4%	17.2%	22.5%
ROE	-10.1%	10.9%	11.6%	12.3%	16.0%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Per share figures	2019	2020	2021e	2022e	2023e
Number of shares # m	16.26	16.26	18.68	18.98	18.98
Number of shares Fully Diluted # m	17.51	17.51	19.66	19.66	19.66
Average Number of shares Fully Diluted # m	17.42	17.51	18.59	19.66	19.66
EPS stated FD € cent	(4.71)	6.12	9.33	11.82	18.32
EPS adjusted FD € cent	1.80	9.97	16.59	18.69	25.18
EBITDA € cent	145.18	291.43	369.90	454.36	547.84
EBIT € cent	4.62	143.84	168.65	225.86	331.75
BV € cent	509.43	634.16	833.20	1,054.01	1,264.97
FCFO € cent	60.30	358.08	268.61	309.48	377.85
FCFF € cent	(46.97)	274.49	56.68	49.08	301.56
FCFE € cent	5.83	247.39	240.03	27.03	301.56
Dividend € cent	0.00	0.00	0.00	0.00	0.00



FY-21 Preliminary Results

DIGITAL360 has announced FY-21 preliminary results characterised by double digit organic growth coupled with a more than proportional progression in terms of EBITDA. Cash flow generation was remarkably above expectations. The recently acquired companies definitely expanded the group's dimension and reinforced its competitive positioning in both Demand Generation and Advisory & Coaching business units.

In order to provide the market with a comprehensive overview of the new group following the recent acquisitions, DIGITAL360 elaborated 2021 pro forma figures, namely consolidating for 12 months all the companies acquired during FY-21. Furthermore, the company stated revenues and EBITDA growth rates also on a like-for-like basis.

Table 1 – DIGITAL360, FY-21 preliminary results

€ k	2021	2020	% YoY	CFO 2021e	% Diff.
Total revenues Pro Forma	~ 41,000	26,344	56.0	-	-
EBITDA Pro Forma	~ 8,000	5,102	60.0	-	-
% margin	~ 20.0	19.4			
Total Revenues Like-for-Like	~ 31,500	26,344	~ 20.0	33,304	~ (5.0)
EBITDA Like-for-Like	~ 6,600	5,102	~ 30.0	6,595	~ 1.0
% margin	~ 21.0	19.4		19.8	
NFP (cash)/debt	> (3,000)	1,368	n.m.	464	n.m.

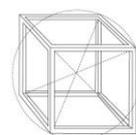
Sources: Company data, CFO SIM estimates

FY-21 pro forma revenues totalled **€ 41.0m** compared to € 26.3m reported in FY-20. **Organically, DIGITAL360 grew by c. 20.0% YoY** to about € 31.5m, thanks to the increasing demand for digital transformation in Italy both by businesses and the public administration. In particular, the Covid-19 pandemic exacerbated the need for digital events, remote selling, remote working, distance learning and e-commerce. In this framework, DIGITAL360 was able to take advantage of its competitive positioning and to benefit from the strong business momentum.

Pro forma EBITDA stood at **€ 8.0m (c. 20% margin)**, while on a **like-for-like basis EBITDA rose by c. 30.0% YoY** to about € 6.6m, 21.0% margin.

It is worth noting that CFO SIM's forecasts for FY-21 include in the P&L revenues and margins of the companies acquired in 2021 for 3 months, thus we are not able to properly compare our consolidated projections with the figures announced by the company. Nevertheless, **on a like-for-like basis revenues and EBITDA are broadly in line with our organic assumptions.**

Net Financial Position is anticipated to be in excess of € 3.0m cash, improving from € 1.4m debt at the end of 2020. The substantial difference with respect to our forecast of € 0.4m debt is mainly ascribable to higher-than-expected 1) net cash position of the companies acquired and 2) cash flow generation.



Estimates, valuation & risks

FY-21 preliminary results unveiled an **outstanding performance both in terms of organic growth and cash flow generation**. In 2021, DIGITAL360 definitely benefited from the rising demand of digital innovation boosted by the Covid-19 pandemic thanks to 1) the investments made in the last few years aimed at the development of innovative and scalable subscription services (Digital As-A-Service) and 2) a wide portfolio of solutions able to support the digital transformation of companies and the public administration.

Following the 2021 preliminary results, **CFO SIM has updated its model factoring in:** 1) an improvement in FY-21 Net Financial Position as a consequence of the underestimated net cash position of the companies acquired coupled with a better-than-expected cash flow generation; 2) the consolidation of XONA, a marketing agency operating in LATAM acquired at the beginning of 2022; 3) an increase in D&A stemming from the acquisition campaign (including goodwill amortisation); 4) the cash in stemming from the highly likely conversion of the residual bonds in FY-22. **The combined result is an average 2.8% and 1.2% increase in revenues and EBITDA and an average 6.5% decline in EBIT in 2022-23.** Furthermore, **Net Financial Position forecast has significantly improved** on the back of the aforementioned reasons.

Table 2 – DIGITAL360, 2021e new/old estimates

€ k	New	Old	% Diff.	€ k Diff.
Total revenues	35,319	35,319	0.0	0
EBITDA	6,875	6,875	0.0	0
% margin	19.5	19.5		
EBIT adj.	4,484	4,494	(0.2)	(10)
% margin	12.7	12.7		
Net Profit adj.	3,084	2,870	7.4	214
% margin	8.7	8.1		
Y/E net debt (net cash)	(3,093)	464	n.m.	(3,557)

Source: CFO Sim

Table 3 – DIGITAL360, 2022e new/old estimates

€ k	New	Old	% Diff.	€ k Diff.
Total revenues	47,632	46,304	2.9	1,329
EBITDA	8,934	8,813	1.4	121
% margin	18.8	19.0		
EBIT adj.	5,791	5,813	(0.4)	(21)
% margin	12.2	12.6		
Net Profit adj.	3,674	3,566	3.0	108
% margin	7.7	7.7		
Y/E net debt (net cash)	(5,624)	(342)	n.m.	(5,283)

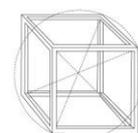
Source: CFO Sim

Table 4 – DIGITAL360, 2023e new/old estimates

€ k	New	Old	% Diff.	€ k Diff.
Total revenues	53,098	51,703	2.7	1,395
EBITDA	10,772	10,665	1.0	107
% margin	20.3	20.6		
EBIT adj.	7,873	7,779	1.2	95
% margin	14.8	15.0		
Net Profit adj.	4,951	4,813	2.9	138
% margin	9.3	9.3		
Y/E net debt (net cash)	(11,554)	(5,576)	n.m.	(5,978)

Source: CFO Sim

We also updated our DCF valuation criteria by bringing the free risk rate up to date and by postponing the first year of estimates to 2022. As a combined result, **we upgraded our PT to € 6.20/s (€ 5.50)**. PT is calculated by weighting 70% the fair value based on the DCF model and 30% that obtained through the multiples comparison method, in order to mitigate the underlying massive volatility amongst peers which might penalise the assessment of DIGITAL360. **We reiterate our Buy rating, 31.9% upside to PT.**



The group is definitely 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 (NRRP)** which will allocate a sizeable amount of financial resources for the digital transformation of enterprises and the public administration. The group is able to leverage this environment thanks to i) a range of innovative services, ii) its competitive positioning, iii) the strategic proprietary assets and solutions developed and iv) a strong management team recently reinforced with some key managers. In addition, the recently acquired companies definitely expanded the group's dimension, reinforcing its competitive positioning and opening up new opportunities abroad, mainly in LATAM and Spanish speaking countries.

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 TechTarget (39.4%), Relx PLC (37.2%), and Future PLC (35.7%) and, with a market capitalisation of € 2.1bn, € 52.1bn and € 3.9bn, 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.

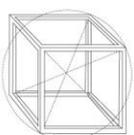
Gartner Inc. provides research and analysis in the computer hardware, software, communications, and related information technology industries. The company's business segments include research, consulting, measurement, events, and executive programs.

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 € 5.10/s** (€ 5.60), evidence of a certain retracement of the share prices within the peer sample. In the appraisal of DIGITAL360 2022 and 2023 estimates and multiples were used, in order to better factor in the recently announced acquisitions.

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	8,667	7,307	813	11.1%	7.8%	8.2%	8.0%	6.5%	1,840	2.3
Future PLC	3,955	977	349	35.7%	15.1%	20.0%	27.9%	8.7%	394	1.1
Gartner Inc	21,565	4,617	944	20.5%	11.6%	6.0%	4.3%	15.9%	1,426	1.5
HubSpot Inc	22,704	1,510	190	12.6%	27.7%	n.m.	n.m.	47.1%	(784)	n.m.
Informa PLC	11,089	2,163	548	25.3%	16.4%	33.5%	n.m.	42.3%	1,781	3.2
Relx PLC	52,051	9,525	3,542	37.2%	7.6%	10.3%	15.9%	8.8%	6,949	2.0
ServiceNow Inc	103,912	6,502	2,033	31.3%	24.5%	73.9%	128.5%	29.2%	(3,189)	n.m.
TechTarget Inc	2,077	275	108	39.4%	42.3%	86.1%	94.0%	19.9%	7	0.1
Wolters Kluwer NV	22,810	4,750	1,489	31.3%	4.0%	4.3%	8.0%	6.2%	2,142	1.4
Median	21,565	4,617	813	31.3%	15.1%	15.2%	15.9%	15.9%	1,426	1.5
DIGITAL360 SpA	89	35	7	19.4%	26.4%	28.3%	35.1%	26.7%	(3)	n.m.

Sources: 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	1.44	1.33	1.24	12.9	12.2	11.5	17.3	16.4	15.2
Future PLC	4.45	4.01	3.51	12.5	11.1	9.4	16.8	15.4	14.2
Gartner Inc	4.98	4.42	3.95	24.3	21.6	19.2	41.3	35.5	30.7
HubSpot Inc	14.52	11.23	8.91	n.s.	n.s.	57.1	208.4	144.2	96.3
Informa PLC	5.95	4.94	4.10	23.5	17.7	12.8	38.3	27.0	18.9
Relx PLC	6.19	5.76	5.43	16.7	15.1	14.2	23.0	20.9	19.4
ServiceNow Inc	15.49	12.13	9.49	49.6	38.4	28.2	77.1	62.4	46.2
TechTarget Inc	7.57	6.35	5.47	19.2	15.5	12.4	29.0	23.7	20.1
Wolters Kluwer NV	5.25	4.99	4.76	16.8	15.8	14.7	26.1	24.5	23.2
Median	5.95	4.99	4.76	18.0	15.6	14.2	29.0	24.5	20.1
DIGITAL360 SpA	2.43	1.75	1.46	12.5	9.3	7.2	28.9	24.2	18.0
Premium/(discount) to median	(59.2)	(64.9)	(69.3)	(30.5)	(40.3)	(49.2)	(0.3)	(1.1)	(10.7)

Sources: 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	5.95	4.99	4.76	18.0	15.6	14.2	29.0	24.5	20.1
DIGITAL360 metrics (€ k)	35,379	47,692	53,158	6,875	8,934	10,772	3,084	3,674	4,951
NFP (€ k)	(3,093)	(5,624)	(11,554)	(3,093)	(5,624)	(11,554)			
Put & call adjustment (€ k)	4,441	4,441	4,441	4,441	4,441	4,441			
DIGITAL360 Equity Value (€ k)	135,516	155,853	171,445	79,046	92,009	106,247	58,042	58,504	64,804
# shares FD m	19.6	19.6	19.6	19.6	19.6	19.6	19.6	19.6	19.6
DIGITAL360 Equity Value FD €/s	6.91	7.95	8.74	4.03	4.69	5.42	2.96	2.98	3.31

Sources: CFO Sim, Thomson Reuters Eikon

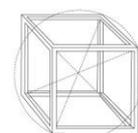


Table 8 - DIGITAL360, equity value assessment 2#2

X	FY1	FY2	FY3
Equity Value (EV/EBITDA, € k)	79,046	92,009	106,247
€ / share FD	4.03	4.69	5.42
Average FY2-FY3 €/s	5.10		
% upside/(downside)	8.5%		

Sources: CFO Sim, Thomson Reuters Eikon

DCF

In the valuation via the DCF method, explicit estimates until 2026 and a long-term growth of 2.5% were used. Cash flows were discounted back at a weighted average cost of capital calculated in accordance with 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)	0.94%
Beta levered (x)	0.98
Required ROE	9.8%

Source: CFO Sim

Risk premium at 9.0% factors in the minute size of the company and basically all the concerns and disquiet that an investor might have with regard to the Euronext Growth Milan market. The WACC is computed by using a sustainable 30:70% debt/equity balance-sheet structure.

Table 10 - DIGITAL360, DCF model

€ k	2022e	2023e	2024e	2025e	2026e	Term. Val.
EBIT	4,441	6,523	8,836	10,603	12,194	
Tax rate	35.0%	35.0%	35.0%	35.0%	35.0%	
Operating profit (NOPAT)	2,887	4,240	5,743	6,892	7,926	
Change working capital	(2,796)	(1,367)	(1,393)	(946)	(500)	
Depreciation	4,493	4,249	3,792	2,646	1,500	
Investments	(5,120)	(1,500)	(1,500)	(1,500)	(1,500)	
Free Cash Flows	(536)	5,621	6,643	7,092	7,426	157,908
Present value	(505)	4,927	5,425	5,396	5,265	111,963
WACC	7.3%	7.3%	7.3%	7.3%	7.3%	
Long-term growth rate	2.5%					

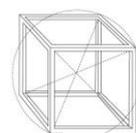
Source: CFO Sim

Table 11 – DIGITAL360, DCF derived from:

€ k	
Total EV present value € k	132,471
	<i>thereof terminal value</i>
	84.5%
NFP FY-21 adjusted for bond conversion	4,666
Put & call	(4,441)
Pension last reported	(1,229)
Equity value € k	131,468
# shares FD m	19.6
Equity value €/s FD	6.70
% upside/(downside)	42.6%

Source: CFO Sim

By applying our DCF model we attained an **equity value of € 131.5m**, which corresponds to **€ 6.70/s** (€ 5.50).



The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value of € 5.90 – 7.81 (perpetuity range between 1.75% and 3.25%), while, 2) compared to changes in the free risk rate, it produces an equity value of € 6.01 – 7.58 (free risk range between 1.69% and 0.19%) and, 3) compared to changes in the risk premium, including small size premiums, it results in an equity value of € 5.45 – 8.64 (risk premium range 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	20,508	20,508	20,508	20,508	20,508	20,508	20,508
PV of terminal value	96,178	100,945	106,182	111,963	118,375	125,530	133,564
Total value	116,687	121,454	126,691	132,471	138,884	146,038	154,072
NFP FY-21 adj. for bond conv.	4,666	4,666	4,666	4,666	4,666	4,666	4,666
Put & call	(4,441)	(4,441)	(4,441)	(4,441)	(4,441)	(4,441)	(4,441)
Pension last reported	(1,229)	(1,229)	(1,229)	(1,229)	(1,229)	(1,229)	(1,229)
Equity value € k	115,683	120,450	125,687	131,468	137,880	145,035	153,069
# shares FD m	19.6	19.6	19.6	19.6	19.6	19.6	19.6
Equity value €/s FD	5.90	6.14	6.41	6.70	7.03	7.40	7.81

Source: CFO Sim

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

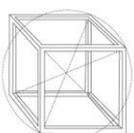
€ k	0.19%	0.44%	0.69%	0.94%	1.19%	1.44%	1.69%
Present value of CF	20,859	20,741	20,624	20,508	20,393	20,279	20,166
PV of terminal value	128,683	122,664	117,107	111,963	107,187	102,742	98,596
Total value	149,542	143,405	137,732	132,471	127,580	123,022	118,762
NFP FY-21 adj. for bond conv.	4,666	4,666	4,666	4,666	4,666	4,666	4,666
Put & call	(4,441)	(4,441)	(4,441)	(4,441)	(4,441)	(4,441)	(4,441)
Pension last reported	(1,229)	(1,229)	(1,229)	(1,229)	(1,229)	(1,229)	(1,229)
Equity value € k	148,538	142,402	136,728	131,468	126,577	122,018	117,759
# shares FD m	19.6	19.6	19.6	19.6	19.6	19.6	19.6
Equity value €/s FD	7.58	7.26	6.97	6.70	6.46	6.22	6.01

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	21,203	20,968	20,736	20,508	20,284	20,063	19,845
PV of terminal value	149,185	134,680	122,433	111,963	102,914	95,021	88,079
Total value	170,389	155,647	143,169	132,471	123,198	115,083	107,923
NFP FY-21 adj. for bond conv.	4,666	4,666	4,666	4,666	4,666	4,666	4,666
Put & call	(4,441)	(4,441)	(4,441)	(4,441)	(4,441)	(4,441)	(4,441)
Pension last reported	(1,229)	(1,229)	(1,229)	(1,229)	(1,229)	(1,229)	(1,229)
Equity value € k	169,385	154,644	142,166	131,468	122,194	114,080	106,920
# shares FD m	19.6	19.6	19.6	19.6	19.6	19.6	19.6
Equity value €/s FD	8.64	7.89	7.25	6.70	6.23	5.82	5.45

Source: CFO Sim



Peer stock performance

DIGITAL360 was listed on Euronext Growth Milan 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 € 5.28/s on 05-Oct-21 and a minimum level of € 2.28 on 25-Mar-21. The stock has consistently outperformed its peer group median and indices, over the last 3, 6, and 12 months.

Table 15 - DIGITAL360, peer group absolute performance

	1D	1W	1M	3M	6M	YTD	1Y
Booz Allen Hamilton Holding Corp	0.4	(2.1)	(15.0)	(16.7)	(7.5)	(12.8)	(8.9)
Future PLC	(3.4)	(4.7)	(17.1)	(18.6)	(29.1)	(28.1)	45.6
Gartner Inc	0.4	(1.5)	6.5	(11.0)	(1.3)	(10.8)	66.8
HubSpot Inc	(2.4)	3.8	19.8	(35.3)	(16.3)	(17.7)	2.9
Informa PLC	(0.6)	8.2	9.0	22.3	12.1	20.0	19.8
Relx PLC	(0.6)	(2.2)	0.0	(3.4)	4.2	(5.9)	21.3
ServiceNow Inc	(0.1)	(3.8)	13.4	(13.7)	1.5	(9.0)	0.9
TechTarget Inc	0.2	(13.0)	(5.5)	(27.7)	6.0	(16.7)	(16.4)
Wolters Kluwer NV	(0.9)	(2.2)	(4.8)	(11.8)	(9.6)	(16.0)	23.3
Peers median	(0.6)	(2.2)	0.0	(13.7)	(1.3)	(12.8)	19.8
Digital360 SpA	0.0	2.2	(1.1)	3.5	13.8	(5.2)	67.9

Source: Thomson Reuters Eikon

Table 16 – DIGITAL360 relative performances

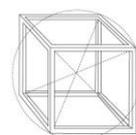
	1D	1W	1M	3M	6M	YTD	1Y
To Peers median	0.6	4.3	(1.1)	17.3	15.1	7.5	48.0
To MSCI World Index	(0.2)	4.2	0.2	8.5	14.4	0.1	59.6
To EUROSTOXX	0.0	3.7	1.9	9.5	16.5	(1.0)	57.8
To FTSE Italia All Share	(0.0)	2.6	0.5	7.0	12.3	(3.4)	52.9
To FTSE Italia STAR	0.3	3.2	5.4	16.1	21.8	8.0	52.5
To FTSE Italia Growth	(0.5)	3.4	3.3	9.1	15.6	1.5	35.1

Source: Thomson Reuters Eikon

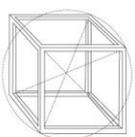
Risks

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 heavy 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



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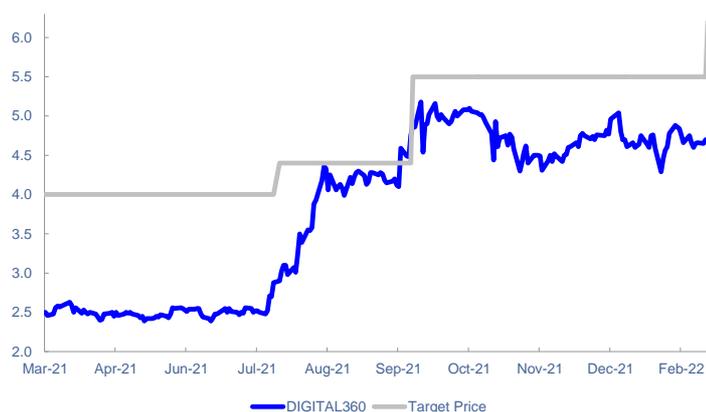
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DATE	TARGET PRICE	RATING
17/02/2022	€6.20	BUY
26/01/2022	€5.50	BUY
23/09/2021	€5.50	BUY
19/07/2021	€4.40	BUY
25/03/2021	€4.00	BUY
12/02/2021	€3.10	BUY
23/09/2020	€2.40	BUY

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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% range identified using the preceding criteria.

The rating is determined on the basis of the **expected absolute return over a 12-month period** and not on the basis of the estimated outperformance or underperformance relative to a market index. Thus, the rating can be directly linked to the estimated percentage difference between current and target prices. 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.

