

Italy – Digital

Organic growth, strategic M&As and outstanding CF generation

29th March 2022

FY-21 RESULTS RELEASE

RIC: DIGT.MI
BBG: DIG IM

DIGITAL360 reported soaring results characterised by double digit organic growth coupled with a more than proportional progression in terms of EBITDA and a remarkable cash flow generation. 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.

Rating:

Buy

Price Target:

€ 6.20

Upside/(Downside): 39.6%

Last Price: € 4.44

Market Cap.: € 84.3m

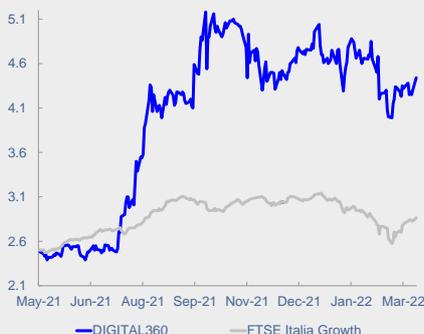
1Y High/Low: € 5.28/€ 2.36

Avg. Daily Turn. (3M, 6M): € 92k, € 130k

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	4.0%	-6.5%	80.5%
Rel.to FTSE IT Growth	0.5%	0.5%	55.9%
Rel.to peers	1.2%	5.1%	62.8%

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Estimates, Rating and PT confirmed

In 2021, DIGITAL360 unveiled outstanding performance both in terms of organic growth and cash flow generation. Following the FY-21 results release, we left our estimates broadly unchanged as they were updated 17-Feb-22 following the announcement of 2021 preliminary results. We have also introduced projections for 2024. Moreover, we updated our DCF valuation criteria by bringing the free risk rate up to date as well as the appraisal of DIGITAL360 through the market multiples approach. As a combined result, we kept our Rating and PT on the stock unchanged. We believe that DIGITAL360 is definitely well-positioned to benefit from 1) the acceleration of the domestic digital market indisputably driven by the pandemic and 2) the National Recovery and Resilience Plan (NRRP) which will allocate a sizeable amount of financial resources to the digital transformation of enterprises and the public administration.

FY-21 pro-forma revenues at € 41.4m. Recurring revenues at € 8.5m (20% of total)

Total revenues were € 34.4m, up by 30.5% YoY, thanks to both organic growth and the consolidation of the companies acquired in 2021, which contributed € 2.5m to the consolidated turnover. Thus, organically, DIGITAL360 grew by c. 20% YoY to € 31.9m, thanks to the increasing demand for digital transformation in Italy both by businesses and the public administration. In particular, the 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. FY-21 pro-forma revenues totalled € 41.4m. At the end of 2021, Annual Recurrent Revenues stemming from the "Digital-As-A-Service" solutions were € 8.5m, +33% compared to € 6.4m at the end of 2020. The increase was due to a greater number of clients (from 213 to 254) and a rise in avg. ticket prices (from € 30k to € 33.5k).

Pro-forma EBITDA was € 8.0m, 19% margin

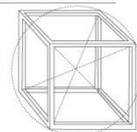
EBITDA totalled € 6.9m, 20.1% margin, compared to € 5.0m, 19.1% margin, reported in 2020. Organically, EBITDA rose by c. 29% to € 6.5m, 20.4% margin. EBIT was € 3.6m, 10.5% margin (€ 2.6m, 9.6% margin in 2020), better than our € 3.1m projection. EBIT adjusted for goodwill amortisation rose to € 5.0m from € 3.3m in 2020. Adj. Net Profit was € 3.1m, broadly in line with our estimate. On a pro-forma basis, EBITDA was € 8.0m (19% margin) while Adj. EBIT and Net Profit reached € 5.8m and € 3.9m, respectively.

Net Cash at € 3.1m leaves room for seizing significant M&A opportunities

Net Financial Position came in at € 3.1m cash, improving from € 1.4m debt at the end of 2020. It is worth remembering that the NFP at end-21 includes the residual amount of the convertible bond, i.e. € 1.1m, which will expire in Jun-22. As of today the conversion is highly likely, as the bond is heavily "in the money" (exercise price at € 1.60/share).

DIGITAL360, key financials and ratios

€ k	2020	2021	2022e	2023e	2024e
Value of Production	26,344	34,384	47,695	53,159	58,785
EBITDA	5,026	6,900	8,932	10,787	12,617
EBIT	2,518	3,623	4,471	6,553	8,678
EBIT adj.	3,290	4,975	5,823	7,904	10,029
Net profit	1,071	1,804	2,300	3,577	4,862
Net profit adj.	1,762	3,155	3,652	4,929	6,214
NFP (cash)/debt	1,368	(3,079)	(5,692)	(11,521)	(18,626)
EPS adj. FD € cent	10.07	16.98	18.57	25.07	31.60
EPS adj. FD growth	n.m.	68.7%	9.4%	35.0%	26.1%
DPS ord. €/s	0.00	0.00	0.00	0.00	0.00
Free Cash Flow Yield	26.0%	-2.7%	1.4%	6.9%	8.4%
PER x	9.8	19.1	23.1	17.1	13.6
PCF x	4.8	11.9	12.5	10.8	9.6
EV/Sales x	0.71	1.66	1.65	1.37	1.12
EV/EBITDA x	3.7	8.3	8.8	6.7	5.2
EV/EBIT x	5.7	11.5	13.5	9.2	6.5



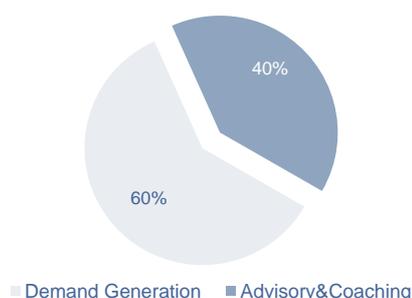
The company at a glance

DIGITAL360 is a leading Italian B2B player in the digital innovation arena, offering support to companies 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 company 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 CAGR_{11-21PF} is 40% (organic CAGR₁₁₋₂₁ is 37%), boosted by acquisitions, 13 companies between 2012 and 2021, generating additional sales of almost € 21m. In the same period, EBITDA soared from € 0.2m to € 8.0m (on a pro-forma basis), 45% CAGR. In 2021, revenues totalled € 34.4m, up 30.5% YoY, EBITDA reached € 6.9m, 20.2% margin and adjusted net profit came in at € 3.1m, 9.2% of sales. Net Financial Position reached € 3.1m cash. Currently, 100% of DIGITAL360's business is generated in Italy. 60% of FY-21 pro-forma sales were generated by the Demand Generation business 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.

2021PF revenues breakdown by BU



2011-2021PF 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

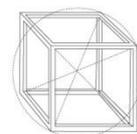
	1D	1W	1M	3M	6M	YTD
Booz Allen Hamilton Holding	0.8	3.8	9.9	5.6	11.6	4.6
Future PLC	0.3	0.6	(2.5)	(30.0)	(29.4)	(32.4)
Gartner Inc	0.4	(0.0)	5.8	(11.6)	(5.9)	(11.3)
HubSpot Inc	6.1	5.4	(6.2)	(27.1)	(30.6)	(25.3)
Informa PLC	(0.1)	0.6	(0.2)	15.4	6.6	14.9
Relx PLC	1.7	1.5	2.8	(1.2)	9.1	(2.4)
ServiceNow Inc	3.7	2.3	0.5	(12.1)	(10.3)	(10.2)
TechTarget Inc	2.5	(2.4)	2.9	(17.6)	(8.7)	(15.7)
Wolters Kluwer NV	(0.1)	(0.8)	5.4	(5.9)	4.0	(7.6)
Peers median	0.8	0.6	2.8	(11.6)	(5.9)	(10.2)
DIGITAL360 SpA	3.3	1.4	4.0	(6.5)	(14.3)	(10.5)

Source: Thomson Reuters Eikon

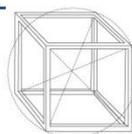
Peers group multiples table

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	1.68	1.56	1.45	15.1	14.4	13.4	21.0	19.8	18.3
Future PLC	4.23	3.81	3.33	11.9	10.5	8.9	15.9	14.7	13.5
Gartner Inc	4.93	4.38	4.07	24.1	21.4	19.8	41.0	35.2	31.7
HubSpot Inc	12.98	9.99	7.94	n.s.	n.s.	51.0	186.7	128.2	84.3
Informa PLC	4.39	3.81	3.07	16.5	12.4	9.2	26.6	18.5	14.9
Relx PLC	6.46	6.01	5.62	17.3	15.8	14.7	24.3	21.9	20.3
ServiceNow Inc	15.40	12.06	9.55	48.3	37.4	28.4	78.1	60.6	47.2
TechTarget Inc	7.94	6.68	5.76	20.2	16.3	13.1	30.1	24.8	21.1
Wolters Kluwer NV	5.39	5.16	4.86	17.1	16.0	14.6	27.2	25.3	23.4
Median	5.39	5.16	4.86	17.2	15.9	14.6	27.2	24.8	21.1
DIGITAL360 SpA	1.65	1.37	1.12	8.8	6.7	5.2	23.1	17.1	13.6
Premium/(discount) to median	(69.5)	(73.5)	(77.0)	(48.8)	(57.6)	(64.5)	(15.1)	(31.2)	(35.9)

Sources: CFO Sim, Thomson Reuters Eikon



Income statement (€ k)	2020	2021	2022e	2023e	2024e
Value of Production	26,344	34,384	47,695	53,159	58,785
Services	(12,860)	(16,461)	(24,324)	(27,111)	(29,393)
Personnel expenses	(8,299)	(11,352)	(14,009)	(14,942)	(16,423)
Other opex	(1,441)	(1,240)	(1,574)	(1,595)	(1,764)
EBITDA	5,026	6,900	8,932	10,787	12,617
EBITDA adj.	4,946	6,900	8,932	10,787	12,617
D&A	(2,508)	(3,277)	(4,461)	(4,235)	(3,939)
EBIT	2,518	3,623	4,471	6,553	8,678
EBIT adj.	3,290	4,975	5,823	7,904	10,029
Financials	(82)	(313)	(238)	(209)	(174)
Re/(Devaluation) of financial assets	(11)	(7)	0	0	0
Extraordinary	0	0	0	0	0
Pre-Tax profit	2,426	3,304	4,233	6,344	8,504
Income taxes	(857)	(1,335)	(1,482)	(2,220)	(2,976)
Minorities	(497)	(165)	(451)	(546)	(666)
Net Profit	1,071	1,804	2,300	3,577	4,862
Net Profit adj.	1,762	3,155	3,652	4,929	6,214
Balance sheet (€ k)	2020	2021	2022e	2023e	2024e
Net Working Capital	6,794	6,503	9,806	11,419	12,888
Net Fixed Assets	8,978	14,923	15,583	12,848	10,409
Equity Investments	123	134	134	134	134
Other M/L Term A/L	(3,424)	(6,505)	(8,763)	(9,347)	(9,954)
Net Invested Capital	12,471	15,056	16,760	15,055	13,478
Net Financial Position	1,368	(3,079)	(5,692)	(11,521)	(18,626)
Minorities	1,261	1,747	2,198	2,745	3,410
Group's Shareholders Equity	9,842	16,388	20,254	23,831	28,693
Financial Liabilities & Equity	12,471	15,056	16,760	15,055	13,478
Cash Flow statement (€ k)	2020	2021	2022e	2023e	2024e
Total net income	1,071	1,804	2,300	3,577	4,862
Depreciation	2,508	3,277	4,461	4,235	3,939
Other non-cash charges	3,153	2,266	2,834	1,131	1,272
Cash Flow from Oper. (CFO)	6,732	7,347	9,595	8,942	10,073
Change in NWC	(539)	292	(3,304)	(1,613)	(1,469)
FCF from Operations (FCFO)	6,193	7,639	6,291	7,329	8,604
Net Investments (CFI)	(1,464)	(9,239)	(5,120)	(1,500)	(1,500)
Free CF to the Firm (FCFF)	4,729	(1,600)	1,171	5,829	7,104
CF from financials (CFF)	(474)	7,921	(434)	0	0
Free Cash Flow to Equity (FCFE)	4,255	6,322	738	5,829	7,104
Financial ratios	2020	2021	2022e	2023e	2024e
EBITDA margin	19.1%	20.1%	18.7%	20.3%	21.5%
EBIT margin	9.6%	10.5%	9.4%	12.3%	14.8%
Net profit margin	4.1%	5.2%	4.8%	6.7%	8.3%
Tax rate	35.3%	40.4%	35.0%	35.0%	35.0%
Op NWC/Sales	25.8%	18.9%	20.6%	21.5%	21.9%
Interest coverage x	0.03	0.09	0.05	0.03	0.02
Net Debt/EBITDA x	0.27	(0.45)	(0.64)	(1.07)	(1.48)
Debt-to-Equity x	0.14	(0.19)	(0.28)	(0.48)	(0.65)
ROIC	8.6%	12.0%	13.7%	23.8%	36.1%
ROCE	13.2%	12.2%	13.7%	17.9%	20.6%
ROACE	13.6%	14.8%	14.3%	18.9%	22.0%
ROE	10.9%	11.0%	11.4%	15.0%	16.9%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Per share figures	2020	2021	2022e	2023e	2024e
Number of shares # m	16.26	18.68	18.98	18.98	18.98
Number of shares Fully Diluted # m	17.51	19.66	19.66	19.66	19.66
Average Number of shares Fully Diluted # m	17.51	18.59	19.66	19.66	19.66
EPS stated FD € cent	6.12	9.71	11.70	18.19	24.73
EPS adjusted FD € cent	10.07	16.98	18.57	25.07	31.60
EBITDA € cent	287.07	371.28	454.26	548.63	641.67
EBIT € cent	143.84	194.96	227.40	333.27	441.34
BV € cent	634.16	922.30	1,141.89	1,351.60	1,632.74
FCFO € cent	353.72	411.02	319.96	372.73	437.61
FCFF € cent	270.13	(86.09)	59.56	296.44	361.32
FCFE € cent	243.03	340.13	37.51	296.44	361.32
Dividend € cent	0.00	0.00	0.00	0.00	0.00



1. DIGITAL360 in a nutshell

Headquartered in Milan, **DIGITAL360 is a leading Italian B2B player in the digital innovation arena**, offering support to companies and the public administration in understanding and implementing digital innovation processes. Established in 2012, the company **runs a match-making platform for digital innovation demand** (companies and the public administration, potential buyers of digital innovations, over 4.0m actors) **and offer** (more than 90,000 technology providers such as IT vendors, system integrators, start-ups, etc.). The company originates from its founding members' (i.e. professors and researchers from the Politecnico di Milano) combined experience - in digital innovation research and advisory. The company operates two business units:

- **Demand Generation** (60% of FY-21PF turnover) focuses on tech providers, supporting them in marketing and lead generation activities, through a unique model, based on a *Digital Marketing & Sales Engine* approach. **The strategy is increasingly moving towards the offer of recurrent “As-A-Service” solutions**, based on DIGITAL360's properties and assets or on customer assets (i.e. corporate portals, Websites). In this way, DIGITAL360 aims to become a **value-added partner** for its customers' marketing and lead generation activities.
- **Advisory&Coaching** (40% of FY-21PF turnover) is aimed at companies and the public administration via a unique business model based on **engineered methodologies, data, assets and know-how**. DIGITAL360 offers three types of service: custom projects, engineered services and subscription-based solutions (“As-A-Service”).

Chart 1 – DIGITAL360, 2011 – 2021PF revenues and EBITDA growth (€ m)



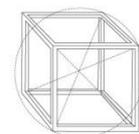
Source: Company data

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 in addition to a convertible bond of € 2.0m, with 5-year duration, 4.5% coupon and € 1.60 strike price. Moreover, a 520k share green-shoe (or over-allotment) option was granted.

The group has grown significantly in recent years: **turnover CAGR_{11-21PF} is 40%, boosted by acquisitions, 14 companies between 2012 and 2021**, generating additional sales for total revenues of almost € 21m. In the same period, **EBITDA soared from € 0.2m to € 8.0m** (on a pro-forma basis). Following the M&A activity, the consolidation scope includes the holding company DIGITAL360, ICT&S, FPA, P4i, IQ Consulting, ServicePro, CTMobi, Imageware, ICT Lab, Corecube, Xona and Digital Sales. In addition, **DIGITAL360 holds equity investments in 10 companies most of them start-ups**.

FY-21 pro-forma revenues totalled € 41.4m with EBITDA equal to € 8.0m, c. 20% margin. Net Financial Position improved to € 3.1m cash at the end of 2021 from € 1.4m debt in FY-20, thanks to significant cash flow generation.

Currently, 100% of business is generated in Italy. Nevertheless, the acquisition of XONA, a marketing agency operating in LATAM, definitely opened up new opportunities abroad, mainly in LATAM and in Spanish speaking countries.



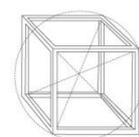
2. Recent M&A activity

DIGITAL360 acquired **seven new companies in 2021-22 period**:

- **Innovation Post** is a leading online magazine dedicated to digital innovation in the manufacturing sector, mainly focusing on the Industry 4.0 niche. **In Mar-21, DIGITAL360 bought 90% of the company for € 180k**, to be paid in cash in two equal instalments, the first at the closing date and the second by Jun-22.
- **CTMobi** provides cloud-based solutions, User Interface & Experience Design services as well as advisory in the development of Cloud architectures. In 2020, CTMobi reached sales of € 450k with EBITDA equal to € 70k and a positive NFP for € 220k. **In Jun-21, DIGITAL360 acquired 100% of the company for € 690k**, including the NFP, corresponding to some **6.5x EV/EBITDA**. The price was paid 50% in cash and the remainder through the assignment of newly issued DIGT shares.
- **Imageware** is a PR, marketing and communications agency. In 2020, the company totalled € 6m in sales compared to € 8m in 2019 as a result of the impossibility of organising physical events due to the pandemic. EBITDA was € 0.6m (vs € 0.5m in 2019). Net cash stood at € 2.5m. **In Oct-21, DIGITAL360 bought 51% of Imageware for € 2.5m**, including the NFP, by paying € 1.1m cash at the closing date, € 0.4m through newly issued DIGT shares and the remaining € 1.0m in two cash instalments in 2022. The agreement provides, **starting from 2024, a Put & Call option** on the residual 49% of the company, which will be valued 5x the average 2021-22-23 EBITDA, in addition to the NFP. Overall, the implicit acquisition multiple should be some **5.0x EV/EBITDA**.
- **ICT Lab** offers consultancy services to the Public Administration with regard to innovation and digitisation. The business model is characterised by a high visibility stemming from multi-year contracts. In 2020, ICT Lab totalled revenues of € 1.4m with an EBITDA margin of some 20.0%. **In Oct-21, DIGITAL360 acquired 51% of the company for € 1.5m**, excluding the NFP, paid as follows: 1) € 750k at the closing date, partly cash and the remainder in DIGT shares and 2) € 750k cash, half of which by May-22 and the remainder by Jan-23. The purchasing agreement envisages a price adjustment mechanism on the back of 2021-22-23 EBITDA. As a result, we estimate that the acquisition multiple should stand in the region of **5.0x EV/EBITDA**.
- **Corecube**, headquartered in Milan, is focused on the planning of training programs for professionals who also need to keep up to date with the requirements of their professional bodies. In Dec-21, **DIGITAL360 bought 75% of the company for € 7,500**. The agreement includes a **Put & Call option mechanism on the remaining 25%** of Corecube, which will be valued on the basis of FY-24 results.
- **XONA** is a marketing agency based in Buenos Aires, with over 20 years of experience in the tech industry in LATAM, working with the main ICT vendors. XONA has sales of \$ 1.3m and EBITDA of \$ 0.1m, 7.7% margin. Despite the persistence of the pandemic, XONA's business is developing well in 2022. **In Jan-22, DIGITAL360 acquired 51% of XONA for € 395k cash**, corresponding to **8.7x EV/EBITDA**, assuming a neutral NFP. A Put & Call option has been set on the remaining 49%.
- **Digital Sales** is a start-up specialised in MarTech and SalesTech solutions based on the HubSpot's software platform. **In Feb-22, DIGITAL360 bought 51% of the company for € 150k**, excluding the NFP, in addition to a price adjustment mechanism based on 2023-24 EBITDA. Furthermore, a Put & Call option has been set on the remaining 49%. The price will be based on the average 2023-24 EBITDA in addition to the NFP.

Moreover, in May-21, DIGITAL360 exercised the purchase options on the residual stake of two companies already owned at 51%, whose acquisition was announced in 2018:

- The acquisition of **49% of ServicePro for € 4.0m cash**, o/w € 1.3m postponed to 2022. The sellers reinvested in DIGITAL360 € 1.5m via a reserved capital increase at € 2.70/s.
- The acquisition of **49% of IQ Consulting for € 402k cash**. The sellers reinvested all the proceeds in DIGITAL360 via a reserved capital increase at € 2.47/s.



3.1. The reference market: the Demand Generation division

According to the Assoinform report "Il Digitale in Italia 2021", **in 2021, the Italian digital economy is expected to grow by 5.5% to € 75.4bn** from € 71.5bn reported in 2020. Furthermore, the market is expected to grow at a **5.0% CAGR₂₁₋₂₄ reaching € 87.3bn in 2024** (excluding the potential impact of the National Recovery and Resiliency Plan). The market is characterised by steady mid-single-digit growth and a permanent information asymmetry between demand and offer of digital innovation. The digital economy market comprises devices & systems, software & ICT solutions, ICT services, network services and content & digital advertising. ICT services is the segment which is expected to grow the most in 2021-24 period (7.7% CAGR₂₁₋₂₄), followed by devices & systems (7.1% CAGR₂₁₋₂₄), content & digital advertising (6.8% CAGR₂₁₋₂₄), software & ICT solutions (6.7% CAGR₂₁₋₂₄) and network services (-2.0% CAGR₂₁₋₂₄).

The reference market is a growing arena with expected further acceleration in coming years, also considering that the gap between the domestic market and the rest of the world can be closed thanks to the huge resources stemming from the **National Recovery and Resiliency Plan**. In particular, about **€ 40bn will be dedicated to the digital transformation of businesses and the public administration, almost € 30bn of which should be invested by 2024**. The report "Il Digitale in Italia 2021" outlines **two scenarios** with regard to the impact of the NRRP on the digital economy in Italy: in the **best case scenario**, the Italian digital economy is expected to grow with a **CAGR₂₁₋₂₄ of 6.9%** while in the **worst case scenario** with a **CAGR₂₁₋₂₄ of 6.0%**.

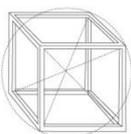
In this context, **DIGITAL360 offers companies and the public administration willing to introduce digital innovation a clear view of what to do and means of finding appropriate providers**. Additionally, **DIGITAL360 helps digital innovation suppliers** (IT vendors, system integrators, software houses, startups, etc.) **to meet new customers**.

3.2. The reference market: the Advisory&Coaching division

In 2021, the Italian Advisory and Management Consulting market is anticipated to grow by 8.5% YoY to € 5.0bn. In 2020, the market declined by 4.2% to € 4.6bn because of the Covid-19 emergency (vs. 7.8% and 8.6% increase in 2019-18, respectively). The multiple consulting areas made up the market as follows: Information Technology for 23.7% of total, Strategy for 17.0%, Operations for 13.7%, Risk & Compliance for 13.0%, Finance for 12.9%, Human Resources & Change Management for 7.7%, Marketing for 6.1% and Education for 4.6% (source: assoconsult 2021). **Digital transformation consultancy is the specific reference market for DIGITAL360** and includes several of the aforementioned consulting areas, namely IT, Operations, Strategy, Finance, Marketing, etc. Furthermore, two main growth drivers are:

- **Companies' growing awareness** of the potentially disruptive impact of digital innovation trends such as Remote Working, Big Data, Artificial Intelligence, Digital Marketing, Omnichannel customer experience, Industry 4.0 and Cyber Security.
- **Requirement to comply with regulations**, such as GDPR (General Data Protection Regulation) and PSD2 (Payment Services Directive), at a national and international level.

The Covid-19 pandemic accelerated the demand for digital transformation, increasing the share of consulting expenses dedicated to digitalisation both by large companies and SMEs, which in the past did not have the vision and opportunity to access management consulting services. In order to meet this emerging demand, however, advisory companies will have to move from traditional, people-based models to knowledge asset-based logics, where the supplier's ideas, frameworks, templates and tools are as compressed as possible and transferred by technological means. This allows companies to address a new and potentially large and fast-growing market with new innovative services. Advisory models, such as those offered by DIGITAL360, based on engineered methodologies, grant access to a value-added service even for a few thousand euros. **The potential market component of online advisory services can be estimated at some additional € 750m** (CFO estimate).



4. Business model

DIGITAL360 offers support to companies and the public administration in understanding and implementing digital innovation processes, by running **a match-making platform** for the **demand for and supply of digital innovation**. The company operates two BUs:

- **Demand Generation:** focuses on tech providers and supports them in marketing and lead generation activities, through a unique model, based on *Digital Marketing & Sales Engine* approach. The model integrates publishing and technological assets together with multidisciplinary skills, in order to manage customers' marketing and lead generation activities.
- **Advisory&Coaching:** is aimed at companies and the public administration via a unique business model based on engineered methodologies, data, assets and know-how. DIGITAL360 offers three types of services: Custom projects, Engineered services and Subscription-based services.

Since 2018, DIGITAL360 has developed an **"As-A-Service" approach in both BUs**, based on the sharing of specialist teams in order to provide customers with services on an ongoing basis, through the support of digital and cloud platforms. This new business model allows the group to increase its percentage of recurring revenues thanks to monthly fees. Furthermore, the group strategically decided to close all its printed newspapers and to solely focus on digital content.

4.1. The Demand Generation division

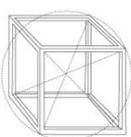
Via the Demand Generation business unit, DIGITAL360 supports tech providers in marketing and lead generation activities. In 2018, the innovative *Digital Marketing & Sales Engine* approach was developed, integrating publishing and technological assets together with multidisciplinary skills, in order to manage client marketing and lead generation activities end-to-end. Thanks to the "Engine", the strategy of this business area is increasingly **moving towards offering recurrent "As-A-Service" solutions**. This way, DIGITAL360 aims to become a **value-added partner** for its clients, providing them with a multidisciplinary team able to operate as an "addendum" to their marketing department. Specifically, the "Engine" allows companies to:

- **produce seamless communication flow**, based on storytelling, SEO positioning, social amplification and digital PR, using both outbound (DIGITAL360 network) and inbound (clients' web property) content marketing.
- **generate seamlessly profiled contacts and strong sales opportunities**, leveraging Marketing Automation and gated content, such as white papers, reports, infographics, webinars. All this content can be consulted only via registration.

4.2. The Advisory&Coaching division

DIGITAL360 offers **advisory and coaching services to a plethora of corporations and the public administration looking for digital innovation**. Thanks to the significant experience gained by key management, the business model here is based on **the development, engineering and enhancement of knowledge methodologies, data and assets** allowing clients to overcome scalability limits and costs of classical consulting models.

These tools cover the main ranges of activity and most vertical areas, i.e. ICT Governance & Organisation, Remote Working & Workspace Innovation, and Information Security. Based on the degree of personalisation and depending on the subjects, the customers' specific requests and the level of engineering required, we may classify the projects into three typologies:



- **Customised Projects** are based on the specific needs of clients requiring the development of tailor-made solutions and methodologies. The project opportunity assessment and its pricing are fixed, taking into consideration not only the resources required, but also the know-how arising from developing new custom methodologies.
- **Engineered Projects** are projects characterised by a high degree of standardisation, requiring the application of previously developed tools and methodologies. The pricing is based on relatively standard parameters and takes into account the interest in consolidating, improving or spreading the methodologies used and any need for specific customisation.
- **Subscription-based services (Advisory As-A-Service)**, based on annual or long-term renewable contracts, allowing the group to generate recurring revenues. These are advisory services or innovative tools offered on an ongoing basis to customers, such as Data Protection Officer As-A-Service, GDPR As-A-Service and GRC360, a software solution able to meet the needs of Data Protection.

DIGITAL360's advisory services are organised into several key competence areas: 1) Digital Government; 2) Agile IT Governance; 3) Digital Legal; 4) Cyber Security; 5) Audit & Compliance; 6) Smart Working; 7) Open Innovation; 8) Smart Operations; 9) Digital Marketing.

5. The competitive arena

The company operates within a **largely fragmented market**. The competitive environments of the two business units (Demand Generation and Advisory&Coaching) differ from one another. More generally, DIGITAL360's distinctive competitive advantages are:

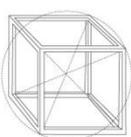
- **Expertise, experience and reputation** in the digital innovation market, coupled with unique skills and methodologies;
- **Ability to effectively interact digital transformation into B2B** traditional channel communication, events, lead generation and advisory;
- **Track record in the acquisition and integration** of other players in a fragmented fast-growing arena;
- Motivated, experienced, multidisciplinary, skilled **professionals** from a variety of sectors;
- **Scalable business** model, both organically and via acquisitions.

5.1 The Demand Generation division

DIGITAL360 is one of the few domestic players integrating all its three business areas (content, premium services and lead generation) into a single effective business model.

The group boasts 1) **an integrated positioning on the entire range of services**, which is at the base of the innovative *Digital Marketing & Sales Engine* approach. Thanks also to the integrated platform, the "Engine" allows for the production of synergies between different services; 2) **unique editorial capacity and online placement**, thanks to a multidisciplinary team composed of best-in-class journalists specialising in digital innovation, digital economy and entrepreneurship and thanks to a significant network of key opinion leaders and strong links with the university world.

The main competitors in the **Demand Generation Business Unit** can be categorised on the basis of two variables: 1) the prevalent client profiles, that is to say large or smaller digital innovation vendors and 2) the services offered, namely marketing and advertising, events and webinars and lead generation. Accordingly, we highlight the following competitor categories:



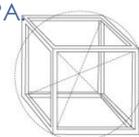
- **Generalist editors**, offering marketing and advertising services to large digital companies for solutions and event organisation. Generally based on a traditional magazine structure, with partial and bolt-on presence in digital innovation and entrepreneurship themes. It is difficult for them to match specific and vertical B2B targets.
- **B2B Vertical publishers**, medium-large sized players, focused on vertical paper magazines for specific professional categories, and the organisation of events, however with low propensity to provide digital services.
- **PR and traditional communication agencies**, usually based on non-directly managed newspapers and with tiny exposure to digital innovative channels.
- **Organizers of trade fairs and events**, focused on the organisation of physical mono or multi-sponsor events, with a barely scalable business model. They create significant profile contact databases, but with minor ability to use alternative revenue streams enabling a proper valuation of this asset;
- **Analysts**, ICT specialised research companies focused on selling reports and organising workshops and events;
- **Tele-marketing and tele-selling agencies**, focused on lead generation activities based on contact centres.
- **Digital marketing agencies**, focused on brand development and lead generation.

5.2. The Advisory&Coaching division

This division's competitive context can be analysed on the basis of two aspects: the services offered (custom made or engineered-online) and the focus on the size of the corporate clients (small-medium companies and the PA and large corporations and the PA). According to this reading, the key players offering advisory services can be categorised into four types.

- **Traditional strategic consulting players**, generally large international players, focused on custom advisory services for large clients, not offering implementation services. Amongst the most relevant, *BCG, Deloitte, Bain & Company, McKinsey & Company*.
- **Traditional ICT consultants**, combining skills related to client business processes together with technological expertise dedicated to large corporate and public sector markets with custom-type projects. *IBM, Reply, Engineering, Accenture*.
- **Methodology-based actors**, characterised by their already implemented methodology and data-based approach, but featuring a predominant focus on large companies and a wide array of assets stemming from their international business experience. The key weakness is represented by the rather limited customisation approach to adapt to the specific requirements of the Italian market, with the risk of losing effectiveness against the needs of domestic companies. *IDC Consulting, Gartner*.
- **Local advisers and consultants**, rather small local entrepreneurial or professional entities operating in the small business market, but generally not structured and without engineering models and tools.

In this context, some international players are trying to increase their offer, organisational modelling and pricing standardisation, in order to widen their market to medium-sized business and the PA. DIGITAL360, thanks to its **engineered more-standardised approach, already reaches medium-sized businesses and the PA**. In the near future, with the introduction of Online Advisory Services, the company will further strengthen its positioning, extending its offer to the vast market of smaller businesses and the PA.



6. Strategy

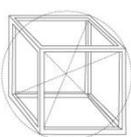
DIGITAL360 operates in the **in the digital innovation market**, the largest generalist market from which every company and PA body is either purchasing or will have to purchase in the immediate future. It is **valued at some € 38bn in Italy** and characterised by high-single-digit steady growth and by a permanent information asymmetry. **The digital economy in Italy is growing intensely**: the penetration of ICT in Italy is 50% lower than the EU28 average.

The reference market is huge, growing and fragmented. The DIGITAL360 strategy is based on the following pillars:

- **Focus on the development of “As-A-Service” packaged solutions**, with recurring revenues based on monthly fee, started in 2018 with the launch of the Digital Marketing & Sales Engine and the first Advisory As-A-Service offers, particularly interesting for SMEs.
- **M&A activity**: since the beginning of 2021, DIGITAL360 has acquired 7 companies (Innovation Post, CTMobi, Imageware, ICT Lab, Corecube, XONA and Digital Sales), which will be gradually integrated during 2022. Furthermore, **the scouting of innovative small companies and start-ups continues**, both in Italy and abroad, with a particular focus on Spanish speaking countries. In the demand generation business possible targets are, for instance, communities, content factories, digital marketing companies, whilst for the advisory division ideal additional fields are data science, cyber security, ICT governance professionals or teams.
- **Investment in the integrated technology platform**, which comprises the content management system, customer relationship management, marketing automation, business intelligence, graph DB, software events, etc.

DIGITAL360 aims to generate additional business from the vast quantity of smaller and more numerous corporations and the public administration, to **the benefit of volumes and scale** even if with a smaller single ticket.

In addition, possible upsides for the longer term not factored into our projections may bring in **supplementary value to DIGITAL360 shareholders**. So far, the group has profiled, some over 100,000 contacts in 2021: the **e-commerce of profiled leads could contribute to making contact with new potential customers**.



7. SWOT Analysis

The SWOT analysis, also known as SWOT Matrix, is a structured planning method used to evaluate the strengths, weaknesses, opportunities and threats involved in a project or in a business venture. A SWOT analysis can be carried out for a product, place, industry or person. It involves specifying the objective of the business venture or project and identifying the internal and external factors that are favourable and unfavourable to achieving that objective.

- **Strengths:** characteristics of the business or project that give it an advantage over others.
- **Weaknesses:** characteristics that place the business or project at a disadvantage relative to others.
- **Opportunities:** elements that the project could use to its advantage.
- **Threats:** elements in the environment that could cause harm or be detrimental for the business or project.

The technique is credited to Albert Humphrey, who led a research project at Stanford University between the 60s/70s using Fortune 500 data.

S.W.O.T. ANALYSIS

STRENGTHS

- ❑ **Leading position** in a large, growing and fragmented market
- ❑ Substantial cash flow generation and sound balance sheet allow **external growth opportunities**
- ❑ Modest **Capex requirement**

WEAKNESSES

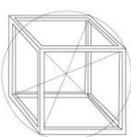
- ❑ Current exposure solely to **domestic market**, heavy dependence on one single country
- ❑ Limited **size** in the international competitive arena

OPPORTUNITIES

- ❑ Consolidation **opportunities** in the domestic market
- ❑ Relevant additional **growth potential stemming from** as-a-service solutions sales
- ❑ Expansion into foreign markets (i.e. Spanish-speaking countries)

THREATS

- ❑ Expansion via external growth might erode **marginality** to a certain extent
- ❑ **Prolonged** impact of the pandemic



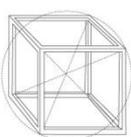
8. ESG Profile

DIGITAL360 **set out on its path to sustainability in 2021 becoming a Benefit Company** and stated that it will publish the Impact Report drawn up in accordance with **GRI (Global Reporting Initiative) standards** in 2022. Among the common benefit goals included in the corporate purpose, the company will firmly focus on spreading digital culture in order to accelerate digital innovation via its ESG dedicated websites, as well as promoting a more inclusive labour market with proper initiatives. Moreover, DIGITAL360 operates with a solid governance framework and has appointed a DPO (Data Protection Officer) to ensure an appropriate compliance level to GDPR.

Chart 2 – DIGITAL360, ESG Profile

<p>E Environmental</p>	<ul style="list-style-type: none"> ❑ Online magazine dedicated to ESG issues ❑ <u>Advisory services</u>: DIGITAL360 is launching a new set of ESG advisory services aimed at supporting the sustainability transition of Italian companies ❑ <u>ESG rating</u> assigned by Refinitiv
<p>S Social</p>	<ul style="list-style-type: none"> ❑ <u>'Al lavoro 4.0 (At Work 4.0) project'</u>: aimed at making the labour market more inclusive, the programme offers about 400 hours of free training to young people who are not working or studying (so-called NEETs - Not in Education, Employment or Training). The courses, held mainly by university lecturers and business managers, are strongly rooted in the new professional needs arising from the evolution of 'Industry 4.0'. At the end of the course, there is a 300-hour internship provided by various companies operating in the Lombardy region willing to offer different types of job placement. ❑ <u>Whistleblowing Procedure</u>
<p>Governance</p>	<ul style="list-style-type: none"> ❑ Benefit Corporation since 2021 ❑ Publication of the Impact Report in 2022 (based on FY-21) ❑ Organisational Model pursuant to Legislative Decree no. 231/2001 ❑ Appointment of a DPO (Data Protection Officer) and adoption of a set of policies and procedures for data security ❑ Code of Ethics, compliance with which is monitored by a supervisory body ❑ List voting: 10% ❑ 7 members in the BoD, 1 Independent Director

Source: CFO Sim analysis on company data



9. FY-21 Results

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

The figures are broadly in line with our estimates, which were updated last 17-Feb-22 following the announcement of 2021 preliminary results.

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. On a pro-forma basis, FY-21 figures are the following:

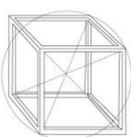
- **Total Revenues: € 41.4m**
- **EBITDA: € 8.0m, 19% margin**
- **Adjusted EBIT: € 5.8m, 14% margin**
- **Adjusted Net Profit: € 3.9m, 9% margin**

Table 1 – DIGITAL360, FY-21 results

€ k	2021	2020	% YoY	2021e	% Diff.
Total revenues	34,384	26,344	30.5	35,379	(2.8)
Increase in finished products	1,600	1,306		1,061	
Value of Production	35,984	27,650	30.1	36,440	(1.3)
Raw material and processing	(30)	(24)		(35)	
Services	(16,461)	(12,860)		(18,857)	
Personnel expenses	(11,352)	(8,299)		(9,258)	
Other opex	(1,240)	(1,441)		(1,415)	
EBITDA	6,900	5,026	37.3	6,875	0.4
% margin	20.1	19.1		19.4	
D&A	(3,277)	(2,508)		(3,740)	
EBIT	3,623	2,518	43.9	3,134	15.6
% margin	10.5	9.6		8.9	
Financials	(313)	(82)		(254)	
Re/(Devaluation) of financial assets	(7)	(11)		0	
Pre-Tax profit	3,304	2,426	36.2	2,880	14.7
% margin	9.6	9.2		8.1	
Income taxes	(1,335)	(857)		(1,008)	
Tax rate	40.4%	35.3%		35.0%	
Minorities	(165)	(497)		(138)	
Net Profit	1,804	1,071	68.5	1,734	4.0
% margin	5.2	4.1		4.9	
Goodwill amortisation	1,352	772		1,350	
EBIT adj.	4,975	3,290	51.2	4,484	10.9
% margin	14.5	12.5		12.7	
Net Profit adj.	3,155	1,762	79.0	3,084	2.3

Source: Company data, CFO SIM estimates

Total revenues were € 34.4m, up by 30.5% YoY, thanks to both organic growth and the consolidation of the companies acquired in 2021, which contributed € 2.5m to the consolidated turnover. Thus, **organically, DIGITAL360 grew by c. 20% YoY** to € 31.9m, 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.



At the end of 2021, the **Annual Recurrent Revenues – ARR** stemming from the “**Digital-As-A-Service**” solutions were **€ 8.5m, up by 33%** compared to € 6.4m at the end of 2020 and even higher than the € 7.7m in H1-21. The increase was due to a greater number of clients (from 213 to 254) and a rise in average ticket prices (from € 30k to € 33.5k). The top-selling service is Digital Marketing & Sales Engine (“Demand Generation As A Service”), with 113 clients and an ARR of € 4.9m (up by 25% YoY) and an Average ticket price of € 43k, broadly in line compared to the previous year.

EBITDA totalled € 6.9m, 20.1% margin, compared to € 5.0m, 19.1% margin, reported in 2020. On a **like-for-like basis, EBITDA rose by c. 29% YoY** to € 6.5m, 20.4% margin.

EBIT was € 3.6m, 10.5% margin (€ 2.6m, 9.6% margin in 2020), better than our € 3.1m projection as a result of lower than expected D&A. EBIT adjusted for goodwill amortisation rose to € 5.0m from € 3.3m in 2020. **Adjusted Net Profit was € 3.1m**, broadly in line with our estimate.

Net Financial Position came in at € 3.1m cash, improving from € 1.4m debt at the end of 2020. It is worth remembering that the NFP at end-21 includes the residual amount of the convertible bond, i.e. € 1.1m, which will expire in Jun-22. As of today the conversion is highly likely, as the bond is heavily “in the money” (exercise price at € 1.60/share).

10. Estimates, valuation & risks

DIGITAL360 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 FY-1 results release, **we left our estimates broadly unchanged** as they were updated last 17-Feb-22 following the announcement of 2021 preliminary results. We have also introduced projections for 2024.

Table 2 – DIGITAL360, 2022e new/old estimates

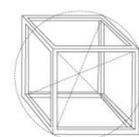
€ k	New	Old	% Diff.	€ k Diff.
Value of Production	47,695	47,692	0.0	2
EBITDA	8,932	8,934	(0.0)	(2)
% margin	18.7	18.7		
EBIT adj.	5,823	5,791	0.5	32
% margin	12.2	12.1		
Net Profit adj.	3,652	3,674	(0.6)	(22)
% margin	7.7	7.7		
Y/E net debt (net cash)	(5,692)	(5,624)	1.2	(68)

Source: CFO Sim

Table 3 – DIGITAL360, 2023e new/old estimates

€ k	New	Old	% Diff.	€ k Diff.
Value of Production	53,159	53,158	0.0	1
EBITDA	10,787	10,772	0.1	16
% margin	20.3	20.3		
EBIT adj.	7,904	7,873	0.4	31
% margin	14.9	14.8		
Net Profit adj.	4,929	4,951	(0.5)	(23)
% margin	9.3	9.3		
Y/E net debt (net cash)	(11,521)	(11,554)	(0.3)	32

Source: CFO Sim



We also updated our DCF valuation criteria by bringing the free risk rate up to date as well as the appraisal of DIGITAL360 through the market multiples approach. As a combined result, **we left the PT unchanged at € 6.20/s**. 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, 39.6% upside to current price levels.**

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.

10.1. 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 (37.4%), and Future PLC (35.7%) and, with a market capitalisation of € 2.2bn, € 54.4bn and € 3.7bn, 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.

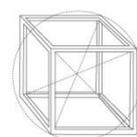
Future PLC is a special interest media company with locations in the United States, United Kingdom and Australia. The company produces special interest magazines, websites, and events, with portfolios in the computing, games, music, automotive, sports, crafts, and leisure sectors.

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 € 5.60/s** (€ 5.10). In the appraisal of DIGITAL360 2022 and 2023 estimates and multiples were used, in order to better factor in the recently announced acquisitions.

Table 4 - DIGITAL360, peer group summary table

€ m	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA %	Sales CAGR ₂₁₋₂₄	EBITDA CAGR ₂₁₋₂₄	EBIT CAGR ₂₁₋₂₄	EPS CAGR ₂₂₋₂₄	NFP FY1	NFP/EBITDA FY1
Booz Allen Hamilton Holding Corp	10,764	7,522	837	11.1%	8.9%	9.5%	9.0%	7.2%	1,840	2.2
Future PLC	3,758	980	350	35.7%	15.1%	20.0%	27.9%	8.7%	391	1.1
Gartner Inc	22,237	4,807	982	20.4%	11.6%	6.0%	5.9%	13.7%	1,446	1.5
HubSpot Inc	21,331	1,581	199	12.6%	29.2%	n.m.	n.m.	48.8%	(809)	n.m.
Informa PLC	10,566	2,585	687	26.6%	14.7%	25.1%	n.m.	33.6%	787	1.1
Relx PLC	54,381	9,494	3,552	37.4%	7.8%	10.5%	16.4%	9.4%	6,974	2.0
ServiceNow Inc	106,168	6,689	2,132	31.9%	25.1%	74.7%	129.7%	28.7%	(3,189)	n.m.
TechTarget Inc	2,181	276	108	39.4%	14.8%	47.2%	65.3%	19.3%	7	0.1
Wolters Kluwer NV	25,124	5,028	1,589	31.6%	5.1%	6.5%	9.3%	7.7%	2,004	1.3
Median	21,331	4,807	837	31.6%	14.7%	15.3%	16.4%	13.7%	787	1.3
DIGITAL360 SpA	84	48	9	18.7%	19.6%	22.3%	26.3%	30.4%	(6)	n.m.

Sources: CFO Sim, Thomson Reuters Eikon

Table 5 - 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	1.68	1.56	1.45	15.1	14.4	13.4	21.0	19.8	18.3
Future PLC	4.23	3.81	3.33	11.9	10.5	8.9	15.9	14.7	13.5
Gartner Inc	4.93	4.38	4.07	24.1	21.4	19.8	41.0	35.2	31.7
HubSpot Inc	12.98	9.99	7.94	n.s.	n.s.	51.0	186.7	128.2	84.3
Informa PLC	4.39	3.81	3.07	16.5	12.4	9.2	26.6	18.5	14.9
Relx PLC	6.46	6.01	5.62	17.3	15.8	14.7	24.3	21.9	20.3
ServiceNow Inc	15.40	12.06	9.55	48.3	37.4	28.4	78.1	60.6	47.2
TechTarget Inc	7.94	6.68	5.76	20.2	16.3	13.1	30.1	24.8	21.1
Wolters Kluwer NV	5.39	5.16	4.86	17.1	16.0	14.6	27.2	25.3	23.4
Median	5.39	5.16	4.86	17.2	15.9	14.6	27.2	24.8	21.1
DIGITAL360 SpA	1.65	1.37	1.12	8.8	6.7	5.2	23.1	17.1	13.6
Premium/(discount) to median	(69.5)	(73.5)	(77.0)	(48.8)	(57.6)	(64.5)	(15.1)	(31.2)	(35.9)

Sources: CFO Sim, Thomson Reuters Eikon

Table 6 - 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	5.39	5.16	4.86	17.2	15.9	14.6	27.2	24.8	21.1
DIGITAL360 metrics (€ k)	47,695	53,159	58,785	8,932	10,787	12,617	3,652	4,929	6,214
NFP (€ k)	(5,692)	(11,521)	(18,626)	(5,692)	(11,521)	(18,626)			
Put & call adjustment (€ k)	4,441	4,441	4,441	4,441	4,441	4,441			
DIGITAL360 Equity Value (€ k)	168,505	185,337	199,900	100,936	118,526	134,288	64,502	79,589	85,392
# 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	8.59	9.45	10.20	5.15	6.05	6.85	3.29	4.06	4.36

Sources: CFO Sim, Thomson Reuters Eikon

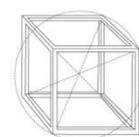


Table 7 - DIGITAL360, equity value assessment 2#2

X	FY1	FY2	FY3
Equity Value (EV/EBITDA, € k)	100,936	118,526	134,288
€ / share FD	5.15	6.05	6.85
Average FY1-FY2 €/s	5.60		
% upside/(downside)	26.1%		

Sources: CFO Sim, Thomson Reuters Eikon

10.2. 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 8 - 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)	1.05%
Beta levered (x)	0.98
Required ROE	9.9%

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 9 - DIGITAL360, DCF model

€ k	2022e	2023e	2024e	2025e	2026e	Term. Val.
EBIT	4,471	6,553	8,678	10,413	11,975	
Tax rate	35.0%	35.0%	35.0%	35.0%	35.0%	
Operating profit (NOPAT)	2,906	4,259	5,641	6,769	7,784	
Change working capital	(3,304)	(1,613)	(1,469)	(984)	(500)	
Depreciation	4,461	4,235	3,939	2,719	1,500	
Investments	(5,120)	(1,500)	(1,500)	(1,500)	(1,500)	
Free Cash Flows	(1,057)	5,381	6,611	7,004	7,284	152,544
Present value	(1,001)	4,747	5,430	5,357	5,188	108,646
WACC	7.4%	7.4%	7.4%	7.4%	7.4%	
Long-term growth rate	2.5%					

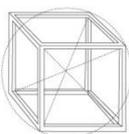
Source: CFO Sim

Table 10 – DIGITAL360, DCF derived from:

€ k	
Total EV present value € k	128,367
	<i>thereof terminal value</i>
	84.6%
NFP FY-21 adjusted for bond conversion	4,645
Put & call	(4,441)
Pension last reported	(2,355)
Equity value € k	126,217
# shares FD m	19.6
Equity value €/s FD	6.40
% upside/(downside)	44.1%

Source: CFO Sim

By applying our DCF model we attained an **equity value of € 126.2m**, which corresponds to **€ 6.40/s** (€ 6.70).



The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value of € 5.67 – 7.49 (perpetuity range between 1.75% and 3.25%), while, 2) compared to changes in the free risk rate, it produces an equity value of € 5.77 – 7.27 (free risk range between 1.80% and 0.30%) and, 3) compared to changes in the risk premium, including small size premiums, it results in an equity value of € 5.24 – 8.28 (risk premium range between 10.50% and 7.50%).

Table 11 – 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	19,721	19,721	19,721	19,721	19,721	19,721	19,721
PV of terminal value	93,521	98,095	103,114	108,646	114,774	121,598	129,247
Total value	113,242	117,816	122,835	128,367	134,495	141,320	148,968
NFP FY-21 adj. for bond conv.	4,645	4,645	4,645	4,645	4,645	4,645	4,645
Put & call	(4,441)	(4,441)	(4,441)	(4,441)	(4,441)	(4,441)	(4,441)
Pension last reported	(2,355)	(2,355)	(2,355)	(2,355)	(2,355)	(2,355)	(2,355)
Equity value € k	111,091	115,666	120,685	126,217	132,345	139,169	146,817
# shares FD m	19.6	19.6	19.6	19.6	19.6	19.6	19.6
Equity value €/s FD	5.67	5.90	6.16	6.40	6.75	7.10	7.49

Source: CFO Sim

Table 12 – DIGITAL360, equity value sensitivity to changes in free risk rate

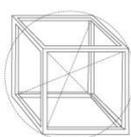
€ k	0.30%	0.55%	0.80%	1.05%	1.30%	1.55%	1.80%
Present value of CF	20,054	19,942	19,831	19,721	19,612	19,503	19,396
PV of terminal value	124,571	118,845	113,553	108,646	104,086	99,838	95,871
Total value	144,625	138,788	133,384	128,367	123,698	119,341	115,267
NFP FY-21 adj. for bond conv.	4,645	4,645	4,645	4,645	4,645	4,645	4,645
Put & call	(4,441)	(4,441)	(4,441)	(4,441)	(4,441)	(4,441)	(4,441)
Pension last reported	(2,355)	(2,355)	(2,355)	(2,355)	(2,355)	(2,355)	(2,355)
Equity value € k	142,475	136,637	131,233	126,217	121,548	117,191	113,116
# shares FD m	19.6	19.6	19.6	19.6	19.6	19.6	19.6
Equity value €/s FD	7.27	6.97	6.69	6.40	6.20	5.98	5.77

Source: CFO Sim

Table 13 – 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	20,381	20,158	19,938	19,721	19,508	19,297	19,090
PV of terminal value	144,016	130,268	118,626	108,646	100,003	92,447	85,791
Total value	164,397	150,425	138,563	128,367	119,510	111,745	104,881
NFP FY-21 adj. for bond conv.	4,645	4,645	4,645	4,645	4,645	4,645	4,645
Put & call	(4,441)	(4,441)	(4,441)	(4,441)	(4,441)	(4,441)	(4,441)
Pension last reported	(2,355)	(2,355)	(2,355)	(2,355)	(2,355)	(2,355)	(2,355)
Equity value € k	162,247	148,275	136,413	126,217	117,360	109,594	102,731
# shares FD m	19.6	19.6	19.6	19.6	19.6	19.6	19.6
Equity value €/s FD	8.28	7.56	6.96	6.40	5.99	5.59	5.24

Source: CFO Sim



10.3. 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 € 2.36 on 22-Apr-21. The stock has consistently outperformed its peer group median and indices over the last 12 months.

Table 14 - DIGITAL360, peer group absolute performance

	1D	1W	1M	3M	6M	YTD	1Y
Booz Allen Hamilton Holding Corp	0.8	3.8	9.9	5.6	11.6	4.6	11.2
Future PLC	0.3	0.6	(2.5)	(30.0)	(29.4)	(32.4)	37.3
Gartner Inc	0.4	(0.0)	5.8	(11.6)	(5.9)	(11.3)	59.6
HubSpot Inc	6.1	5.4	(6.2)	(27.1)	(30.6)	(25.3)	11.9
Informa PLC	(0.1)	0.6	(0.2)	15.4	6.6	14.9	4.7
Relx PLC	1.7	1.5	2.8	(1.2)	9.1	(2.4)	29.7
ServiceNow Inc	3.7	2.3	0.5	(12.1)	(10.3)	(10.2)	17.7
TechTarget Inc	2.5	(2.4)	2.9	(17.6)	(8.7)	(15.7)	17.3
Wolters Kluwer NV	(0.1)	(0.8)	5.4	(5.9)	4.0	(7.6)	31.6
Peers median	0.8	0.6	2.8	(11.6)	(5.9)	(10.2)	17.7
Digital360 SpA	3.3	1.4	4.0	(6.5)	(14.3)	(10.5)	80.5

Source: Thomson Reuters Eikon

Table 15 – DIGITAL360 relative performances

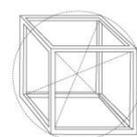
	1D	1W	1M	3M	6M	YTD	1Y
To Peers median	2.4	0.7	1.2	5.1	(8.4)	(0.3)	62.8
To MSCI World Index	2.8	(0.3)	1.2	(1.1)	(13.2)	(5.2)	71.7
To EUROSTOXX	2.7	1.4	4.9	2.8	(7.3)	(0.8)	79.4
To FTSE Italia All Share	2.6	(0.2)	6.7	3.0	(8.3)	(0.6)	78.9
To FTSE Italia STAR	3.3	1.6	5.2	8.2	(2.6)	5.3	69.0
To FTSE Italia Growth	1.9	0.0	0.5	0.5	(8.6)	(2.1)	55.9

Source: Thomson Reuters Eikon

10.4. 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



ANALYST CERTIFICATION

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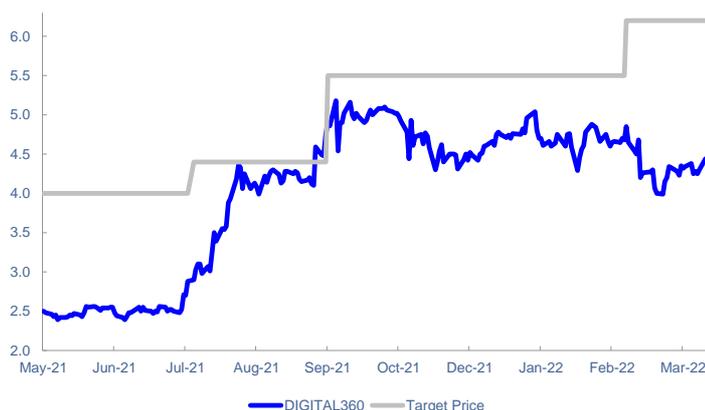
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DATE	TARGET PRICE	RATING
29/03/2022	€6.20	BUY
17/02/2022	€6.20	BUY
26/01/2022	€5.50	BUY
23/09/2021	€5.50	BUY
19/07/2021	€4.40	BUY
25/03/2021	€4.00	BUY

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- 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.

