

Growing at Double-DIGIT(AL) Pace

ADD | Fair Value: €5.87 (€5.87) | Current Price: €4.61 | Upside: +27.4%

€ Million	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
Total Revenues	22.5	26.4	26.3	34.4	47.2	53.2	58.5
EBITDA	2.6	4.0	5.0	6.9	9.1	10.7	12.1
margin	11.4%	15.3%	19.1%	20.2%	19.4%	20.2%	20.7%
Net Profit Adj.	0.3	1.1	1.8	3.2	4.2	5.4	6.7
margin	1.4%	4.1%	7.0%	9.2%	8.8%	10.1%	11.5%
EPS Adj.	0.02	0.07	0.11	0.17	0.22	0.28	0.35
NFP	4.6	6.3	1.4	(3.1)	(6.3)	(13.0)	(20.7)

Source: Company data, KT&Partners' estimates

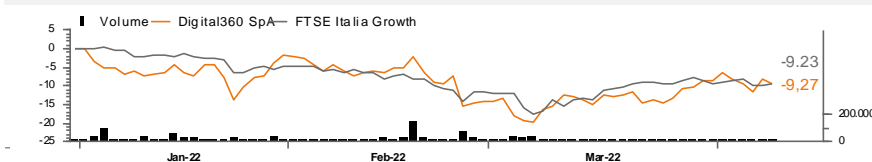
FY21 Financial Results in Line with Preliminary Data. As reported by DIG-IT preliminary FY21 results, the Company registered a strong organic and inorganic growth. Looking at pro-forma data, Group's total revenues came in at €41.4mn, of which €9.5mn was the full contribution from companies acquired in 2021. Demand Generation BU accounted for ca. 60% of total revenues, while Advisory BU amounted for €16.4mn. The Company achieved a remarkable growth of recurrent customers with 255 projects (+19.7 YoY) and ca. €8.5mn of ARR (+33% YoY). FY21 EBITDA amounted to €8mn (of which €1.5mn was the contribution from M&A), with an EBITDA margin of 19.3%. Net income adjusted by D&As related to goodwill of acquired companies stood at €3.9mn, ca. 11% below our preliminary estimates due to higher operating D&As, financials expenses and taxes. Outstanding operating cash flow generation was recorded, leading NFP improving by €4.5mn reaching a net cash position of €3.1mn (or at -0.4x NFP/EBITDA) from €1.4mn net debt, despite ca. €5.5mn of CAPEX (including intangible investments and M&A investments netted by the amount of deal transactions paid in kind). NFP was also positively impacted by the closing of the fourth conversion period of the five-year convertible bond that led to a cash-in of €0.8mn. Focusing on reported FY21 results, the Group's posted total revenues at €34.4mn, +30.6% compared to FY20. FY21 EBITDA went from €5mn in FY20 to €6.9mn (+38.2% YoY) with EBITDA margin up by +1.1pp YoY to 20.2%. Looking at the bottom line, net income adjusted grew by +71.4% to €3.2mn in FY21.

Italian digital market performance in 2021. The persistence of the pandemic has highlighted the need to boost the process of digital transformation of private businesses and PAs. According to Anitec-Assinform, in FY21 the digital market in Italy grew by +5.5%, recovering from the slowdown recorded in 2020. In the coming years, the growth of the Italian digital market could be also fostered by government funds related to the *Piano Nazionale di Ripresa e Resilienza* (PNRR).

Estimate revision. We left our topline and EBITDA estimates unchanged, while we slightly revised downward our EBIT and net income projections to consider higher than expected D&As, financial costs and taxes. We anticipate revenue to grow at +14.2% CAGR21-24, reaching €58.5mn also factoring the acquisition of Xona. We estimate EBITDA margin to go from 19.4% in FY22 (almost in line with FY21 data) to 20.7% in FY24. We now foresee FY22E net income adjusted attributable to the Group at €4.2mn (8.8% net margin) with a value of €6.7mn in FY24E (11.5% net margin), growing at 20.8% CAGR21-24. Lastly, we believe that the Company will leverage on its strong cash net cash position over the length of the plan to capture new M&A opportunities.

Fair value confirmed at 5.87ps. We confirm our valuation – based on both DCF and multiple methods – which returns an equity value of €115.47mn or €5.87ps, implying an upside of +27.4% on the current price.

YTD Relative Performance Chart



Research Update

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Market Data

Main Shareholders			
Andrea Rangone			20.5%
Mariano Corso			10.1%
Alessandro Giuseppe Perego			10.0%
Mkt Cap (€ mn)			90.6
EV (€ mn)			88.2
Shares issued (mn)			19.7
Free Float (%)			28.0%

Market multiples	2021	2022	2023
EV/EBITDA			
Digital360	12.6x	9.6x	8.2x
Comps Average	20.0x	17.6x	17.8x
Digital360 vs Average	-37%	-45%	-54%
P/E			
Digital360	27.6x	21.6x	16.9x
Comps Average	33.0x	26.4x	22.4x
Digital360 vs Average	-16%	-18%	-25%

Stock Data

52 Wk High (€)	5.28
52 Wk Low (€)	2.36
Avg. Daily Trading 90d	16,832
Price Change 1w (%)	1.98
Price Change 1m (%)	11.57
Price Change YTD (%)	-6.65

Key Figures – Digital 360 Group

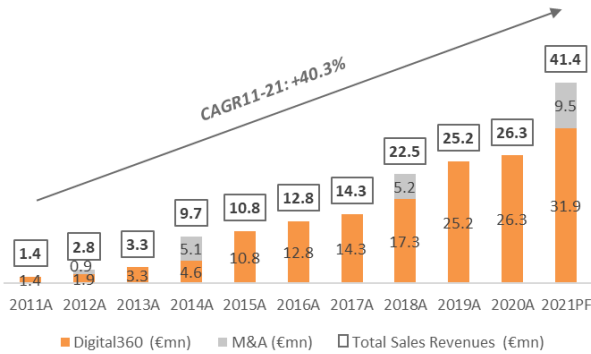
	Current price (€)	Fair Value (€)	Sector							Free Float (%)
	4.61	5.87	Digital							28.0%
Per Share Data	2017A	2018A	2019A	2020A	2021A	2022E	2023E	2024E	2025E	
Total shares issued (mn)	16.26	16.26	16.26	16.31	18.98	18.98	18.98	18.98	18.98	
Total shares issued diluted (mn)	16.26	16.26	16.26	16.31	18.98	19.66	19.66	19.66	19.66	
Total shares outstanding (mn)	16.26	16.23	16.23	16.27	18.92	19.58	19.58	19.58	19.58	
EPS adjusted	0.03	0.02	0.07	0.11	0.17	0.22	0.28	0.35	0.39	
EPS diluted	0.03	0.02	0.07	0.11	0.17	0.21	0.27	0.34	0.38	
Dividend per share (ord)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Dividend pay out ratio (%)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Profit and Loss (EUR million)										
Revenues	14.3	22.5	26.4	26.3	34.4	47.2	53.2	58.5	63.2	
EBITDA	1.6	2.6	4.0	5.0	6.9	9.1	10.7	12.1	13.3	
EBIT Adj.	0.8	1.1	2.4	3.3	5.0	6.5	8.3	10.4	11.4	
EBT Adj.	0.5	0.8	1.6	3.2	4.7	6.4	8.2	10.3	11.4	
Taxes	(0.0)	(0.2)	(0.2)	(0.9)	(1.3)	(1.4)	(2.0)	(2.6)	(2.9)	
Tax rate	0.2	3.6	0.2	0.4	0.4	0.3	0.3	0.3	0.3	
Net Income Adj.	0.5	0.6	1.5	2.3	3.3	4.5	5.8	7.3	8.1	
Net Income attributable to the Group Adj.	0.5	0.3	1.1	1.8	3.2	4.2	5.4	6.7	7.4	
Balance Sheet (EUR million)										
Total fixed assets	7.1	10.5	9.9	9.1	15.1	14.2	12.2	10.9	9.4	
Net Working Capital (NWC)	4.0	3.7	5.6	3.4	1.3	5.8	7.1	8.3	9.4	
Provisions	(0.7)	(1.0)	(1.0)	(1.3)	(3.1)	(3.9)	(5.0)	(6.2)	(7.6)	
Total Net capital employed	10.3	13.2	14.5	11.2	13.3	16.2	14.3	12.9	11.3	
Net financial position/(Cash)	2.6	4.6	6.3	1.4	(3.1)	(6.3)	(13.0)	(20.7)	(29.4)	
Group Shareholder's Equity	7.8	8.2	7.4	8.6	14.6	19.6	23.9	29.6	36.0	
Minorities	0.0	0.4	0.8	1.3	1.7	2.9	3.4	4.0	4.7	
Total Shareholder's Equity	7.8	8.6	8.1	9.8	16.4	22.5	27.3	33.6	40.7	
Cash Flow (EUR million)										
Net operating cash flow	-	2.3	3.7	4.1	5.7	7.7	8.7	9.5	10.4	
Change in NWC	-	0.3	(1.9)	2.2	2.1	(2.2)	(0.9)	(1.2)	(1.2)	
Capital expenditure	-	(5.6)	(1.9)	(1.7)	(9.2)	(6.1)	(2.2)	(1.8)	(1.8)	
Other cash items/Uses of funds	-	0.3	(0.0)	0.3	1.8	1.5	1.1	1.2	1.3	
Free cash flow	-	(2.7)	(0.1)	4.9	0.3	0.8	6.8	7.7	8.7	
Enterprise Value (EUR million)										
Market Cap	20.0	19.3	15.6	17.3	60.3	90.6	90.6	90.6	90.6	
Minorities	0.0	0.4	0.8	1.3	1.7	2.9	3.4	4.0	4.7	
Net financial position/(Cash)	2.6	4.6	6.3	1.4	(3.1)	(6.3)	(13.0)	(20.7)	(29.4)	
Enterprise value	22.6	24.3	22.7	20.0	59.0	87.2	81.0	73.9	66.0	
Ratios (%)										
EBITDA margin	11.5%	11.4%	15.3%	19.1%	20.2%	19.4%	20.2%	20.7%	21.0%	
EBIT margin Adj.	5.3%	5.1%	9.0%	12.5%	14.5%	13.8%	15.7%	17.8%	18.1%	
Gearing - Debt/equity	33.1%	55.7%	85.9%	15.9%	-21.0%	-32.2%	-54.5%	-70.0%	-81.7%	
Interest cover on EBIT	28.3%	23.7%	14.4%	2.5%	6.3%	2.0%	1.3%	0.7%	0.3%	
NFP/EBITDA	156.7%	177.8%	157.0%	27.2%	-44.3%	-69.0%	-121.7%	-170.9%	-221.1%	
ROCE	7.3%	8.7%	16.4%	29.3%	37.4%	40.2%	58.4%	80.7%	101.1%	
ROE	6.8%	3.9%	14.7%	21.4%	21.6%	21.3%	22.4%	22.6%	20.5%	
EV/Sales	6.13x	3.90x	3.33x	3.33x	2.55x	1.86x	1.65x	1.50x	1.39x	
EV/EBITDA	53.50x	34.15x	21.75x	17.45x	12.63x	9.60x	8.18x	7.23x	6.59x	
P/E	n.m.	n.m.	n.m.	40.76x	27.64x	21.61x	16.87x	13.45x	12.22x	
Free cash flow yield	0.0%	-23.4%	-0.6%	43.0%	2.9%	7.3%	59.8%	67.8%	76.3%	
Growth Rates (%)										
Sales	n.a.	57.2%	17.1%	-0.1%	30.6%	37.3%	12.5%	10.0%	8.1%	
EBITDA	n.a.	56.6%	57.0%	24.6%	38.2%	31.6%	17.3%	13.1%	9.7%	
EBIT Adj.	n.a.	50.7%	107.1%	38.8%	51.3%	30.9%	27.8%	25.1%	9.8%	
Net Income Adj.	n.a.	-39.5%	241.4%	n.m.	71.4%	32.4%	28.1%	25.3%	10.1%	

Source: Company data, KT&Partners' elaborations

Note: We note that, in FY22 we consider the number of shares and cash-in from the conversion of the outstanding convertible bond.

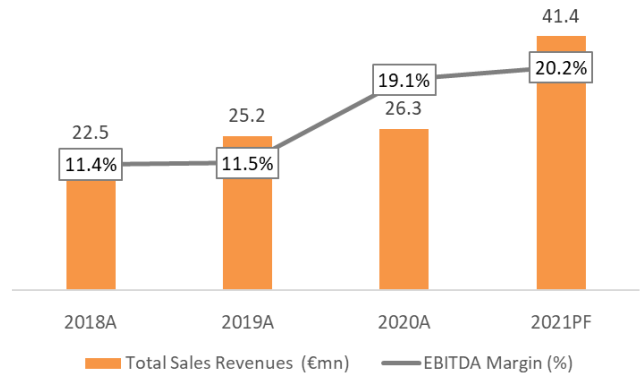
Key charts

Revenues (€mn)



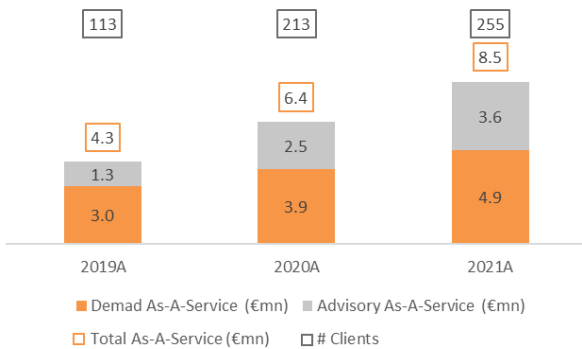
Source: Company data, KT&Partners' elaboration

Revenues and EBITDA margin (€mn, %)



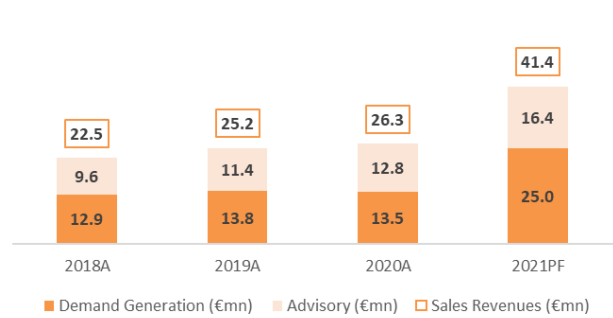
Source: Company data, KT&Partners' elaboration

Annual Recurring Revenues (€mn)



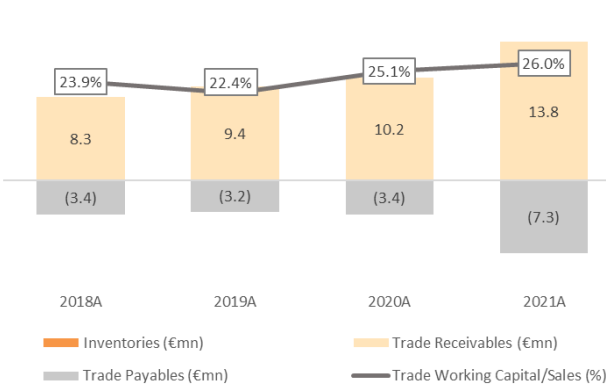
Source: Company data, KT&Partners' elaboration

Sales Revenues by BU (€mn, %)



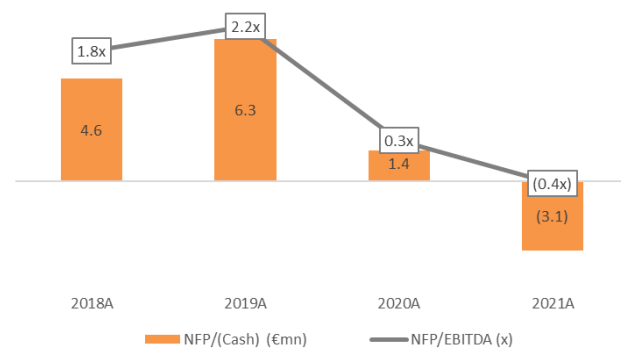
Source: Company data, KT&Partners' elaboration

Trade Working Capital (€mn, %)



Source: Company data, KT&Partners' elaboration

NFP/(Cash) and NFP/EBITDA (€mn, x)



Source: Company data, KT&Partners' elaboration

Overview

Company description

Digital360 (DIG-IT) is the main Italian innovation ecosystem which aims to spread digital transformation knowledge, content, and good practice among all the actors in the business environment: corporates, public administrations, tech providers, institutions, and policy makers.

DIG-IT is an innovative Italian SME that operates through two business units: i) the Demand Generation unit which helps “tech providers” to enhance their market positioning by providing digital marketing and lead-generation services and by organizing events focused on digital topics; ii) the Advisory & Coaching unit which provides advisory services to “tech buyers”, supporting them in innovating and digitalizing their business. Consultancy services cover different topics like cybersecurity, the General Data Protection Regulation (GDPR), Industry 4.0, open innovation, MarTech, smart working, digital legal and they are addressed to large enterprises, SMEs, and PA.

DIG-IT went listed on Euronext Growth Milan (EGM) on June 13th, 2017, with an IPO market capitalization of €17.7mn and ca. €4.1mn of capital raised with the aim of further boosting its business. At the IPO date the Group also issued a €2mn convertible bond. The IPO’s proceeds have been deployed to expand DIG’s strategic assets (technological platforms, online content, and portals etc.) and engineer its services through the development of the “Engine” and “Tools” platforms.

Investment case

- **The main Italian innovation ecosystem.** Today DIG is recognized as a B2B innovation expert thanks to the reputation of its founders, who are among the top Italian key opinion leaders on innovation.
- **M&As are a key element in DIG’s strategy.** DIG-IT is active in a large and fragmented market which offers external lines growth opportunities. Since IPO, DIG-IT has showed great ability in M&A deal-making and execution, carrying out nine deals (of which five in 2021).
- **Engineered services to scale up the business.** DIG has engineered its services with the aim of developing a more standardized and replicable offering to be provided on a recurring basis (“as-a-service”).

Recent developments

- **M&A to enter LATAM countries.** On January 25th, 2022, DIG-IT announced the signing of a binding agreement for the acquisition of a 51% stake in “Xona” (Emprendimientos Aereos Srl) for €0.4mn. The company is a marketing and lead generation agency based in Buenos Aires, generating FY21 revenues of ca. \$1.3mn with an EBITDA margin of 7.7%. Thanks to this acquisition, DIG-IT is entering the LATAM area, a huge and highly fragmented market, with the aim of acting as a consolidator. The acquisition follows the launch of InnovaciónDigital360.com, the new Spanish portal focused on digital innovation themes for Latin American countries and Spain.
- **New capital resources are supporting business growth.** Following convertible bond conversion, in 2021 DIG-IT cashed in €0.8mn. We note that the CB plan is scheduled to expire on June 13th, 2022, and we may expect the full conversion of the residual 687 bonds – as the option is deep in the money – for a cash-in of ca. €1.1mn.
- **Social inclusion projects to promote Benefit Company status.** DIG has adopted the status of a Benefit Company, formalizing its commitment to sustainable economic growth and an inclusive labor market, spreading a greater digital culture and the promotion of digital innovation.

FY21 Financial Results

DIG-IT is surfing the next digital transformation wave in Italy by consolidating its business through organic and external lines (five acquisitions in FY21 and one in 2022).

Looking at pro-forma figures, DIG-IT posted unaudited results in line with our estimates made after the preliminary FY21 announcement, except for EBIT and Net Income adjusted. Considering the top line, the Group's total revenues came in at €41.4mn (+1% above our estimates mainly due to higher other revenues related to non-recurring grants), including €9.5mn of M&A contributions. EBITDA amounted to €8mn in FY21 (of which €1.5mn of M&A contributions), with an EBITDA margin of 19.3%. EBIT adjusted stood at €5.8mn, -2% lower compared to our preliminary estimates due to higher operating D&As. Net Income adjusted came -11% below our preliminary estimates amounting to €3.9mn, also due to higher financial expenses and taxes.

FY21 Pro-Forma Income Statement (€mn)

€ Millions	2021A PF	2021E PF	A vs E %
	Actual	Expected	
Total Revenues	41.4	41.0	1.0%
EBITDA	8.0	8.0	0.0%
<i>EBITDA Margin</i>	<i>19.3%</i>	<i>19.5%</i>	<i>-0.2%</i>
EBIT adjusted	5.8	5.9	-2.5%
<i>EBIT adjusted Margin</i>	<i>14.0%</i>	<i>14.5%</i>	<i>-0.5%</i>
Net Income adjusted	3.9	4.4	-11.4%
<i>Net Income adjusted Margin</i>	<i>9.4%</i>	<i>10.7%</i>	<i>-1.3%</i>

Source: Company data

Focusing on reported FY21 results, the Group's posted total revenues at €34.4mn, +30.6% compared to FY2020. The technological disruption is leading a strong demand for digital and remotely deliverable services in both the Demand Generation and Advisory & Coaching business units:

- **Demand Generation** has recorded a bright growth of all digital services. Digital events soared to 820 from 580 in FY20 (100 in FY19), offsetting the decrease in revenues from physical events. Demand Generation As-A-Service solutions grew as well also thanks to the launch of new platforms (i.e. MarTech). As a result, the number of customers increased from 90 in FY20 to 113 customers, generating Annual Recurring Revenues (ARR) of €4.9mn (+26% YoY) with an average price of €43k;
- **Advisory & Coaching** expanded its services offering with two new practices (ESG and Space Economy). Moreover, the BU strengthened its customized services for PAs through the acquisition of ICT LAB. "Advisory As-A-Service" has led the growth of the BU in FY21 with 142 projects sold (vs 123 in FY20), generating €3.5mn of ARR (+40% YoY).

Looking at profitability, FY21 EBITDA margin improved by +1.1pp thanks to lower incidence of cost of services (-1pp YoY), rental costs (-0.8pp YoY) and other operating expenses (-1.2pp), despite higher incidence of labor costs (+1.9pp YoY). As a result, EBITDA FY21 increased to €6.9mn (from €5.0mn in 2020), almost in line with our projections made after the preliminary announcement, with a margin of 20.2%.

FY21 EBIT stood at €3.6mn with a margin of 10.5% (9.6% in FY20). EBIT adjusted reached €5mn, +6.2% above our previous estimates mainly due to higher D&As related to the goodwill of companies acquired in FY21, with a margin of 14.5%.

Looking at the bottom line, net income grew by +25.6% to €2mn in FY21 and 23.6% lower than expected mainly due to higher D&As, financial expenses and taxes. Net income adjusted after minorities went from €1.8mn in 2020 to €3.2mn in 2021.

Finally, outstanding operating cash flow generation was recorded over the period with €9.4mn (or 150% OCF/EBITDA). NFP improved going from €1.4mn to a net cash position of €3.1 (or at -0.4x NFP/EBITDA), despite ca. €5.5mn of CAPEX (including intangible investments and M&A investments netted by the amount of deal transactions paid in kind). NFP was also impacted by the closing of the fourth conversion period of the five-year convertible bond, which led to a conversion of 292,000 shares for a total amount of €0.8mn.

FY21 Reported Income Statement (€mn)

€ Millions	FY18A	FY19A	FY20A	FY21A	YoY %	FY21E Preliminary	A vs E % Preliminary
Sales Revenues	21.9	25.9	26.1	33.7	29.0%	32.9	2.4%
Other Revenues	0.6	0.4	0.2	0.7	204%	0.3	183%
Total Revenues	22.5	26.4	26.3	34.4	30.6%	33.1	3.8%
<i>Growth %</i>	<i>57.2%</i>	<i>17.1%</i>	<i>-0.1%</i>	<i>30.6%</i>		<i>25.8%</i>	
Products and Raw materials	(0.0)	(0.0)	(0.0)	(0.0)	28%	(0.0)	66%
Cost of Services	(13.0)	(13.8)	(12.9)	(16.5)	28%	(15.0)	10%
Rental Costs	(0.7)	(0.8)	(0.8)	(0.7)	-7%	(0.8)	-8%
Personnel Expenses	(5.5)	(7.2)	(7.0)	(9.8)	40%	(9.9)	-1%
Other Operating Expenses	(0.7)	(0.5)	(0.7)	(0.5)	-28%	(0.8)	-37%
EBITDA	2.6	4.0	5.0	6.9	38.2%	6.8	2.8%
<i>EBITDA margin</i>	<i>11.4%</i>	<i>15.3%</i>	<i>19.1%</i>	<i>20.2%</i>	<i>1.1%</i>	<i>20.4%</i>	<i>0%</i>
D&A and Provisions	(2.2)	(2.4)	(2.5)	(3.3)	33%	(3.0)	11%
EBIT	0.4	1.6	2.5	3.6	43.9%	3.8	-3.6%
<i>EBIT margin</i>	<i>1.7%</i>	<i>6.0%</i>	<i>9.6%</i>	<i>10.5%</i>	<i>1.0%</i>	<i>11.3%</i>	<i>-1%</i>
EBIT Adj	1.1	2.4	3.3	5.0	51.3%	4.7	6.2%
<i>EBIT Adj margin</i>	<i>5.1%</i>	<i>9.0%</i>	<i>12.5%</i>	<i>14.5%</i>	<i>2.0%</i>	<i>14.1%</i>	<i>0%</i>
Financial Income and Expenses	(0.3)	(0.3)	(0.1)	(0.3)	283%	(0.1)	165%
Extraordinary items	(0.1)	(0.4)	(0.0)	(0.0)		(0.0)	0%
EBT	0.1	0.9	2.4	3.3	36.2%	3.6	-9.0%
Taxes	(0.2)	(0.2)	(0.9)	(1.3)	56%	(1.1)	
<i>Tax Rate</i>	<i>355.4%</i>	<i>21.2%</i>	<i>35.3%</i>	<i>40.4%</i>		<i>29.0%</i>	
Net Income	(0.2)	0.7	1.6	2.0	25.6%	2.6	-23.6%
<i>Net margin</i>	<i>-0.8%</i>	<i>2.6%</i>	<i>6.0%</i>	<i>5.7%</i>	<i>-0.2%</i>	<i>7.8%</i>	<i>-2%</i>
Net Income Adj	0.6	1.5	2.3	3.3	42.0%	3.5	-5.3%
<i>Net Adj margin</i>	<i>2.6%</i>	<i>5.6%</i>	<i>8.9%</i>	<i>9.7%</i>	<i>0.8%</i>	<i>10.6%</i>	<i>-1%</i>
Minorities	0.3	0.4	0.5	0.2		0.0	
Net Income attributable to the Group	(0.4)	0.3	1.1	1.8	68.5%	2.6	-29.4%
<i>Net margin</i>	<i>-1.9%</i>	<i>1.1%</i>	<i>4.1%</i>	<i>5.2%</i>	<i>1.2%</i>	<i>7.7%</i>	<i>-2%</i>
Net Income attributable to the Group Adj.	0.3	1.1	1.8	3.2	71.4%	3.5	-9.4%
<i>Net Adj margin</i>	<i>1.4%</i>	<i>4.1%</i>	<i>7.0%</i>	<i>9.2%</i>	<i>2.2%</i>	<i>10.5%</i>	<i>-1%</i>

Source: Company data

Change in Estimates

On the back of FY21 pro-forma revenues in line with our estimates made after the preliminary results, we left unchanged our 2022-2024 top-line expectations. We believe that the company will be able to capture the opportunity in the Italian digital market coming from the PNRR. Our topline projections also include the contribution from Xona (M&A announced in Jan 2022).

We anticipate total revenues to increase at a CAGR21–24 of 14.2%, going from €34.4mn in 2021 to €58.5mn in 2024.

Looking at profitability, we have left unchanged our expectations for EBITDA for the length of the plan. However, we have slightly revised our EBIT adjusted 2022-2024 estimates to factor higher than expected FY21 operating D&As. We now anticipate FY22E EBIT adjusted at €6.5mn, growing to €10.4mn with 20.3% of CAGR2021-24.

About the bottom line, we lowered our estimates also factoring higher financial expenses and taxes. We now foresee FY22E net income adjusted attributable to the Group at €4.2mn (8.8% net margin) with a value of €6.7mn in FY24E (11.5% net margin), growing by +20.8% CAGR2021-24.

Lastly, we expect FY22E a net cash position of €6.3mn (€0.5mn lower below previous estimates due to higher financial expenses and taxes), also considering: i) the cash-out for the acquisition of Xona; and ii) the potential cash-in of €1.1 following the conversion of the residual 687 bonds scheduled to expire on June 13th, 2022.

Key financial indicators can be summed up as follows:

- FY22E Total Revenues at €47.2, reaching €58.5mn in FY24E (14.2% CAGR21A-24E);
- FY22E EBITDA at €9.1mn, reaching €12.1mn in FY24E (14.9% CAGR21A-24E);
- FY22E EBIT adjusted at €6.5mn, reaching €10.4mn in FY24E (20.3% CAGR21A-24E);
- FY22E Net Income adjusted attributable to the Group at €4.2mn, reaching €6.7mn in FY24E (20.8% CAGR21A-24E);
- FY22E net cash at €6.3mn, reaching a net cash position of €20.7mn in FY24E.

Change in Estimates																		
€ Millions	2021A	2021E PF	2022E	2022E	Change	2023E	2023E	Change	2024E	2024E	Change	CAGR	CAGR					
	Actual	Actual	Old	New		Old	New		Old	New				Old	New	2021-24 Old	2021-24 New	
Total Revenues	34.4	41.4	47.2	47.2	0.0%	53.2	53.2	0.0%	58.5	58.5	0.0%	14.2%	14.2%					
YoY Change (%)	30.6%	57.2%	14.1%	14.1%		12.5%	12.5%		10.0%	10.0%								
EBITDA	6.9	8.0	9.1	9.1	0.0%	10.7	10.7	0.0%	12.1	12.1	0.0%	14.9%	14.9%					
YoY Change (%)	38.2%	59.3%	14.2%	14.2%		17.3%	17.3%		13.1%	13.1%								
EBITDA Margin	20.2%	19.3%	19.4%	19.4%		20.2%	20.2%		20.7%	20.7%								
EBIT adjusted	5.0	5.8	6.6	6.5	-0.6%	8.4	8.3	-0.7%	10.6	10.4	-1.8%	20.8%	20.3%					
YoY Change (%)	51.3%	76.0%	13.3%	12.5%		27.9%	27.8%		26.5%	25.1%								
Net Income adjusted	3.2	3.7	4.5	4.2	-8.2%	5.7	5.4	-6.8%	7.2	6.7	-6.6%	22.9%	20.8%					
YoY Change (%)	71.4%	99.0%	24.1%	14.0%		26.3%	28.1%		25.1%	25.3%								
NFP	-	3.1	-	6.8	-	6.3	0.5	-	13.2	-	13.0	0.2	-	20.7	-	20.7	-	0.1

Source: Company data, KT&Partners' elaborations

Note: We note that FY21 pro-forma results include full-year contribution of companies acquired in 2021.

Note: We note that, as in our previous forecast, in FY22 we consider the cash-in from the conversion of the outstanding convertible bond.

Valuation

Following the projections of DIG's future financials, we carried out the valuations of the company by applying the DCF and market multiples methods.

1. EV/EBITDA and P/E multiples, which returns a value of €5.63ps;
2. DCF analysis based on WACC of 8.6% and 2% perpetual growth, which returns a value of €6.11ps.

The average of the two methods yields a fair value of €5.87ps or an equity value of €115.5mn.

Estimates Revision

	Equity Value €mn	Value per share €
DCF	120.23	6.11
EV/EBITDA	134.53	6.84
P/E	86.88	4.42
<i>Average - Multiples</i>	<i>110.70</i>	<i>5.63</i>
<i>Average - DCF & Multiples</i>	<i>115.47</i>	<i>5.87</i>

Source: Company data, FactSet, KT&Partners' estimates

Market Multiples Valuation

Following the comparables analysis, we proceeded with the definition of market multiples of the peer group, focusing on 2021, 2022 and 2023 data.

Peers Comparison: Market Multiples 2021–23

Company Name	Exchange	Market Cap	EV/SALES 2021	EV/SALES 2022	EV/SALES 2023	EV/EBITDA 2021	EV/EBITDA 2022	EV/EBITDA 2023	EV/EBIT 2021	EV/EBIT 2022	EV/EBIT 2023	P/E 2021	P/E 2022	P/E 2023
Booz Allen	NYSE	10,889	1.7x	1.6x	1.5x	15.4x	14.7x	13.7x	17.5x	16.4x	15.3x	21.1x	19.3x	17.3x
Gartner, Inc.	NYSE	22,679	6.2x	5.1x	4.6x	25.2x	25.5x	22.5x	33.4x	34.1x	29.6x	34.5x	40.8x	34.6x
HubSpot, Inc.	NYSE	19,163	17.0x	11.8x	9.2x	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m
ServiceNow, Inc.	NYSE	94,836	18.8x	13.8x	11.1x	n.m	n.m	33.9x	n.m	n.m	n.m	n.m	n.m	n.m
TechTarget, Inc.	NASDAQ	2,066	9.7x	7.5x	6.6x	n.m	19.1x	16.0x	n.m	21.9x	18.0x	n.m	30.4x	25.4x
RELX PLC	London	56,431	7.5x	6.6x	6.2x	21.3x	17.5x	16.2x	29.8x	20.8x	19.1x	32.8x	24.5x	22.1x
Wolters Kluwer NV	Euronext Amsterdam	26,015	5.8x	5.5x	5.2x	18.3x	16.7x	15.9x	26.6x	21.1x	19.9x	35.4x	27.2x	25.1x
Future plc	London	3,468	5.4x	3.8x	3.7x	16.2x	10.8x	10.2x	22.8x	12.2x	11.5x	41.4x	14.8x	14.0x
Informa Plc	London	10,840	6.0x	5.0x	4.4x	23.2x	18.6x	14.1x	n.m	22.7x	15.8x	n.m	27.6x	18.3x
Average peer group		27,376	8.7x	6.7x	5.8x	20.0x	17.6x	17.8x	26.0x	21.3x	18.5x	33.0x	26.4x	22.4x
Median peer group		19,163	6.2x	5.5x	5.2x	19.8x	17.5x	15.9x	26.6x	21.1x	18.0x	34.5x	27.2x	22.1x
Digital360	Milan	91	2.6x	1.9x	1.7x	12.7x	9.6x	8.2x	24.3x	17.2x	12.8x	27.6x	21.6x	16.9x

Source: Company data, FactSet, KT&Partners' estimates

We based our valuation upon a size/liquidity discount of 25%, and our estimates of DIG's EBITDA and net income adjusted for 2022 and 2023.

EV/EBITDA Multiple Valuation

Multiple Valuation (€mn)	2022E	2023E
EV/EBITDA Comps	17.6x	17.8x
Digital360 EBITDA	9.14	10.72
Enterprise value	160.5	191.1
FY21 NFP Adjusted	-4.2	-4.2
FY21 Minorities	1.7	1.7
Equity Value	162.9	193.5
Average Equity Value	178.2	
Liquidity Discount	25%	
Equity Value Post-Discount	134.5	
Number of shares (thousand)	19.7	
Value per Share €	6.84	

Source: Company data, FactSet, KT&Partners' estimates

Note: FY21 NFP has been adjusted by €1.1mn cash-in from the exercise of convertible bond

P/E Multiple Valuation

Multiple Valuation (€mn)	2022E	2023E
P/E Comps	26.4x	22.4x
Digital360 Group Net Income Adj.	4.18	5.35
Equity Value	110.3	119.9
Average Equity Value	115.1	
Liquidity Discount	25%	
Equity Value Post-Discount	86.9	
Number of shares (thousand)	19.7	
Value per Share €	4.42	

DCF Model

We have also conducted our valuation using a four-year DCF model, based on a 10.2% cost of equity, 4.5% cost of debt and a target capital structure of 77% equity and 23% debt. The cost of equity is a function of the risk-free rate of 2.2% (Italian 10y BTP), 4.6% equity risk premium for mature market (+0.1pp vs our previous research given the current market scenario) and a premium for size and liquidity of 2.1%. We, therefore, obtained 8.6% WACC.

We discounted 2022E–25E annual cash flows and considered a terminal growth rate of 2%; then we carried out a sensitivity analysis on the terminal growth rate (+/– 0.25%) and on WACC (+/– 0.25%).

DCF Valuation				
€ Millions	2022E	2023E	2024E	2025E
EBIT	5.12	6.90	8.99	10.01
Taxes	(1.49)	(2.00)	(2.61)	(2.90)
D&A	4.02	3.83	3.15	3.30
Change in Net Working Capital	(2.21)	(0.88)	(1.19)	(1.20)
Change in Funds	1.49	1.13	1.23	1.32
Net Operating Cash Flow	6.94	8.97	9.56	10.53
Capex	(6.12)	(2.15)	(1.83)	(1.83)
FCFO	0.82	6.82	7.74	8.70
g	2.0%			
Wacc	8.6%			
FCFO (discounted)	0.77	5.91	6.18	6.40
Discounted Cumulated FCFO	19.26			
TV	134.08			
TV (discounted)	98.54			
Enterprise Value	117.80			
FY21 NFP Adjusted	(4.2)			
FY21 Minorities	1.7			
Equity Value	120.23			
Current number of shares (mn)	19.7			
Value per share (€)	6.11			

Source: Company data, FactSet, KT&Partners' estimates

Note: FY21 NFP has been adjusted by €1.1mn cash-in from the exercise of convertible bond

Sensitivity Analysis

€ Millions	WACC					
	9.1%	8.9%	8.6%	8.4%	8.1%	
Terminal growth Rate	1.5%	105.2	108.9	112.9	117.1	121.7
	1.8%	108.3	112.2	116.4	121.0	125.9
	2.0%	111.5	115.7	120.2	125.1	130.4
	2.3%	115.0	119.5	124.3	129.6	135.3
	2.5%	118.8	123.6	128.8	134.4	140.6

Source: KT&Partners' estimates

Appendix

Peer Comparison

We carried out an in-depth analysis of potential public companies that could be considered as peers of DIG, taking into account its two business units together with its growth profile and the profitability structure.

We built a nine-company sample, which includes:

- **Booz Allen Hamilton Holding Corporation Class A (BAH-US):** listed on NYSE with a market capitalization of €10.9bn. BAH-US engages in the provision of management and technology consulting services. It offers analytics, digital solutions, engineering, and cyber expertise. In FY21, BAH-US reached €7.7bn of revenues.
- **Gartner, Inc. (IT-US):** listed on NYSE with a market capitalization of €22.7bn. IT-US Gartner, Inc. is a research and advisory company, which delivers technology-related insights to its clients to help them with decision making. It operates through the following segments: Research, Consulting and Conferences. The Research segment gives advice on the mission-critical priorities of leaders. The Consulting segment offers customized solutions to unique client needs through on-site, day-to-day support, and proprietary tools for measuring and improving IT performance. The Conferences segment involves business professionals across the organization. In FY21, IT-US reached €4bn of revenues.
- **HubSpot, Inc. (HUBS-US):** listed on NYSE with a market capitalization of €19.2bn. It provides a cloud-based marketing and sales software platform that enables businesses to deliver an inbound experience. In FY21, HUBS-US reached €1.1bn of revenues.
- **ServiceNow, Inc. (NOW-US):** listed on NYSE with a market capitalization of €94.8bn. NOW-US engages in the provision of enterprise cloud computing solutions. It offers customer and facilities service management, orchestration core, service mapping, cloud and portfolio management, edge encryption, performance analytics, service portal design, visual task boards, and configuration of management databases. In FY21, NOW-US reached €5bn of revenues.
- **TechTarget, Inc. (TTGT-US):** listed on NASDAQ with a market capitalization of €2.1bn. TTGT-US engages in the provision of online content for buyers of enterprise information technology products and services. It also offers purchase-intent marketing and sales services for enterprise technology vendors. Its product portfolio includes demand generation, brand consideration, sales enablement, and marketing intelligence. In FY21, TTGT-US reached €0.2bn of revenues.
- **RELX PLC (REL-GB):** listed on the London Stock Exchange with a market capitalization of €56bn. REL-GB engages in provision of information and analytics solutions for professional and business customers across industries. It operates through the following business segments: Scientific, Technical & Medical; Risk & Business Analytics; Legal; and Exhibitions. In FY21, REL-GB reached €8.4bn of revenues.
- **Wolters Kluwer NV (WKL-NL):** listed on the Euronext Stock Exchange with a market capitalization of €26bn. WKL-NL engages in the provision of information, software solutions, and services for professionals in the health, tax and accounting, finance, risk and compliance, and legal sectors. It operates through the following segments:

Health; Tax and Accounting; Governance, Risk and Compliance; and Legal and Regulatory. In FY21, **WKL-NL** reached €4.8bn of revenues.

- **Future plc (FUTR-GB):** listed on the London Stock Exchange, with a market capitalization of €3.5bn. FUTR-GB engages in the publishing of special-interest consumer magazines and websites and the operation of events in the areas of technology; games and entertainment; music; knowledge; creative and photography; field sports; and home interest. It operates through the UK and US segments. In FY21, FUTR-GB's revenues reached €695mn.
- **Informa Plc (INF-GB):** listed on the London Stock Exchange, with a market capitalization of €10.8bn. INF-GB is a holding company, which engages in the provision of international business-to-business events, academic publishing, and information services. It operates through the following segments: Global Exhibitions, Academic Publishing, Business Intelligence, and Knowledge and Networking. In FY21, INF-GB's revenues reached €2.1bn.

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- HOLD – FOR A FAIR VALUE <15% o >-15% ON CURRENT PRICE
- REDUCE – FOR A FAIR VALUE < -15% ON CURRENT PRICE

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