

# Digital360

Sector: Technology



## Analysts

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# M&A platform scalability confirmed

Digital360 leverages the internally developed largest Italian B2B online tech community in order to provide both custom and standardized demand generation and advisory / coaching services.

## M&A deals reshaping Digital360 profile

In the latest few weeks Digital360 has signed several M&A deals, both in Italy and abroad, adding companies active in Advisory & Coaching and Demand Generation businesses but also in the Cybersecurity services area, thus further demonstrating the “platform scalability” of D360 business model.

With these latest deals, we estimate D360 to have added to its consolidation perimeter at least €19mn Revenues and €3.8mn EBITDA (20% EBITDA margin). The average FYo EV/EBITDA deal multiple stands in the 7.0x region (6.0x if we do not take the cybersecurity deal into accounting) pointing out at highly value accretive deals and strong management execution ability.

## €15mn EBITDA in 2023E, 3x vs. 2020A

We’re maintaining unchanged our “organic” pre M&A 2022E-23 estimates, while adding to Digital360 consolidation perimeter the companies acquired in latest couple of months. As an effect, in 2023E we now forecast:

- Revenue from Sales exceeding the €70mn level;
- EBITDA at €15mn, (3x vs 2020FY);
- Adj. Net Profit post minorities at ca. €6.7mn;
- Net Debt at ca. €6.2mn, ca. 0.4x Net Debt / EBITDA ratio, leaving wide room for further M&A deals.

On a 12 months consolidation pro-forma basis, in 2022E we expect D360 to record some €64mn revenues and €12.2mn EBITDA.

## 1H22E preview. Another semester of strong growth

Digital360 is expected to announce some preliminary (unaudited) 1H22 key figures somewhen between July 11<sup>th</sup>-22<sup>nd</sup>. We expect them to highlight strong y/y growth performance: 1) Total Revenues at ca. €21.1mn, up ca. +30% y/y; 2) EBITDA growing substantially in line (+29% y/y) at ca. €4.8mn.

Again, on a 2022E pro-forma basis, we would expect Digital360 in 1H22 to post some €31mn revenues and €6.7m EBITDA.

## Fair Value at €5.54 (from €5.37)

Based on updated Digital360 estimates leads to an updated €5.54 fair value (up from previous €5.37, as €0.44 p.s. value creation from recent M&A activity is partially offset by the derating of market and peers’ multiples) that we deem appropriate given Digital360 competitive positioning and business profile (now also with a higher weight of cybersecurity activities).

Assuming a 10.0x EV/EBITDA “fair” exit multiple, and a two-years holding period, we calculate 35% annual IRR, implying a “exit” €8.0 per share value.

**Fair Value (€)** **5.54**

**Market Price (€)** **4.40**

**Market Cap. (€m)** **89.3**

KEY FINANCIALS (€mn)	2021A	2022E	2023E
VALUE OF PRODUCTION	36.0	55.1	73.9
EBITDA	6.9	10.0	15.0
EBIT ADJ. (*)	5.0	7.8	12.7
NET PROFIT ADJ. (*)	3.2	4.8	6.7
EQUITY	16.4	24.1	26.3
NET FIN. POS.	3.1	-5.6	-6.2
EPS ADJ (€)(*)	0.17	0.23	0.33
DPS (€)	0.00	0.00	0.00

Source: Digital360 (2021), Value Track (2022E-23E estimates)

(\*) Adjusted for Goodwill Amortization

RATIOS & MULTIPLES	2021A	2022E	2023E
EBITDA MARGIN (%)	20.2	18.5	20.8
EBIT ADJ. MARGIN. (%) (*)	14.5	14.7	17.5
NET DEBT / EBITDA (x)	-0.4	0.6	0.4
NET DEBT / EQUITY (x)	-0.2	0.2	0.2
EV/SALES (x)	3.0	1.7(**)	1.5
EV/EBITDA (x)	15.0	9.3(**)	7.4
EV/EBITA (x)	20.2	11.2(**)	8.6

Source: Digital360 (2021), Value Track (2022E-23E estimates)

(\*) Adjusted for Goodwill Amortization

(\*\*) On 2022PF figures

STOCK DATA	
FAIR VALUE (€)	5.54
MARKET PRICE (€)	4.40
SHS. OUT. (m)(*)	20.3
MARKET CAP. (€m)	89.3
FREE FLOAT (%)	28.0
AVG. -20D VOL. (#)	8,692
RIC / BBG	DIG.MI / DIG.IM
52 WK RANGE	2.44 – 5.28

Source: Stock Market Data

(\*) post M&A deals



## Business Description

Digital360 is an Italian based B2B “Match-Making Platform” whose aim is to establish profitable connections between entrepreneurs and public administration demanding digital solutions on one side and digital / tech vendors eager for prospect clients on the other one.

The company operates through two main business units: Demand Generation and Advisory & Coaching, providing both custom and engineered/standardized services. Digital360 is currently evolving both divisions toward a “Digital-as-a-service” business model, based on annual or multiyear subscriptions and leading to recurring revenue.

## Key Financials

€mn	2021A	2022E	2023E	2024E
<b>Total Revenues</b>	<b>34.4</b>	<b>53.4</b>	<b>72.2</b>	<b>81.7</b>
Chg. % YoY	52.7%	55.3%	35.2%	13.1%
<b>EBITDA</b>	<b>6.9</b>	<b>10.0</b>	<b>15.0</b>	<b>17.7</b>
EBITDA Margin (%)	20.2%	18.5%	20.8%	21.7%
<b>EBIT</b>	<b>3.6</b>	<b>6.0</b>	<b>10.3</b>	<b>12.9</b>
EBIT Margin (%)	10.5%	11.2%	14.3%	15.8%
<b>Net Profit</b>	<b>1.8</b>	<b>2.4</b>	<b>4.4</b>	<b>6.1</b>
Chg. % YoY	-513.9%	33.8%	80.7%	40.0%
<b>Adjusted Net Profit</b>	<b>3.2</b>	<b>4.8</b>	<b>6.7</b>	<b>8.5</b>
Chg. % YoY	nm	50.9%	40.9%	26.0%
<b>Net Fin. Position</b>	<b>3.1</b>	<b>-5.6</b>	<b>-6.2</b>	<b>-3.7</b>
Net Fin. Pos. / EBITDA (x)	nm	0.6	0.4	0.2
Net Investments	-3.2	-3.0	-3.0	-3.2
<b>OpFCF b.t.</b>	<b>7.6</b>	<b>6.5</b>	<b>10.4</b>	<b>13.6</b>
OpFCF b.t. as % of EBITDA	109.7%	65.6%	69.3%	77.0%

Source: Digital360 (historical figures), Value Track (estimates)

## Investment case

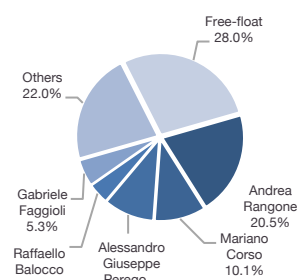
### Strengths / Opportunities

- ◆ Exposure to a fast-growing and resilient reference market;
- ◆ Largest Italian tech community to be commercially exploited;
- ◆ Deep knowledge of the tech space to unlock future growth opportunities;
- ◆ Outstanding track record in the M&A field.

### Weaknesses / Risks

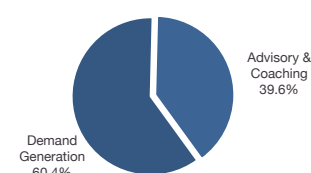
- ◆ Lower size if compared to competitors;
- ◆ Business model fine tuning implies an execution risk and may require additional managerial / technical capabilities, as well as additional funding.

## Shareholders Structure



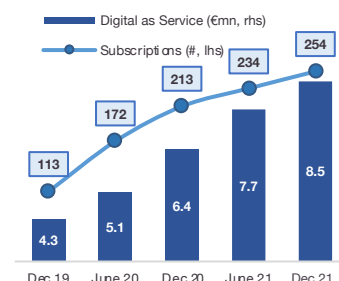
Source: Digital360

## FY21 Sales by business line



Source: Digital360

## ARR – Annual Recurring Revenues



Source: Digital360, Value Track

## Stock multiples @ €5.54 Fair Value

Nosh FD	2023E	2024E
EV / SALES (x)	1.8	1.5
EV / EBITDA (x)	8.8	7.2
EV / EBIT (x)	12.8	9.9
EV / CE. (x)	4.1	3.7
OpFCF Yield (%)	7.9	10.7
P / E Adj. (x)	16.8	13.3
P / BV (x)	4.4	3.6
EV / EBIT ADJ. (x)	10.4	8.4

Source: Value Track

## M&A deals reshaping Digital360 profile

In the latest few weeks DIG has signed several M&A deals, both in Italy and abroad, adding companies active in both Advisory & Coaching and Demand Generation businesses, but also in the Cybersecurity services area (CryptoNet Labs).

With these latest deals, we estimate Digital360 to have added to its consolidation perimeter at least:

- ◆ €19mn Revenues;
- ◆ €3.8mn EBITDA (20% EBITDA margin).

According to our calculations and estimates, summing up all 2021-22 M&A deals announced so far should lead to ca €43mn cash absorption (out of which some 50% equally split in 2023E-2026E years in order to squeeze out minorities), and ~1.7mn new shares issued, with a pro-quota 7.0x EV/EBITDA acquisitions multiple, (6.0x if we do not take CryptoNet Labs into accounting) pointing out at highly value accretive deals and strong management execution ability.

### Digital360: M&A deals FY21 and 2022 YTD

Target	Business Profile	Ann. Date	Acq. Stake (%)	Acq. Value (€mn)	Rev.FY0 (€mn)	EBITDAFY0 (€mn)	NFPFY0 (€mn)	EV/EBITDA (x)
Service Pro	B2B marketing	06/05/21	49% (***)	4.03	3.60	1.0	1.3(*)	4.5
IQ Consulting	Supply chain management	06/05/21	49% (***)	0.40	1.40	0.40	0.2*	1.0
IP S.r.l.	Digital media property focused on "Industria 4.0"	15/03/21	100%	0.18	0.18(*)	0.04*	0.0*	5.0
CTMobi Srl.	Software house Cloud solutions	23/06/21	100%	0.69	0.45	0.07	0.2	6.7
Imageware	Marketing & Communication firm	17/09/21	51%	4.60	6.00	0.60	2.5	4.0
ICT LAB Srl	Digital Transformation advisory to P.A.	21/09/21	51%	1.98	2.00	0.60	0.24(*)	4.4
Corecube	Training courses for professionals / P.A.	09/12/21	75%	0.075	n.m.	n.m.	n.m.	n.m.
Digital Sales	MarTech e SalesTech	22/02/22	51%	0.15	n.m.	n.m.	n.m.	n.m.
XONA	Martech Agency in LATAM	25/02/22	51%	0.395	0.6	0.1	0.0(*)	8.7
BPS	ICT Content production Spain	14/06/22	70%	1.19	1.40	0.25	0.3	5.6
Methodos	Consultech (change management advisory)	27/06/22	51%	4.81(**)	9.0	1.50	0.0	7.5
Del Monte	MarTech & SalesTech solutions	28/06/22	51%	ca. 0.45	1.1	0.10	-0.5	8.5
CryptoNet Labs	Cybersecurity services	30/06/22	75%	ca.10.7	2.8	1.35	1.5	9.5
<b>Total</b>					<b>29.1</b>	<b>6.0</b>	<b>5.8</b>	
<b>Total pro-quota</b>				<b>ca. 27.6</b>	<b>16.0</b>	<b>3.5</b>	<b>3.4</b>	<b>ca. 7.0</b>

Source: Source: Digital360, Value Track Analysis (\*) ValueTrack estimates (\*\*) €4.26 + max €1.1mn earn out (VT est. 50%)

(\*\*\*) Minorities squeeze out with DIG moving its stake to 100%

Here follows a brief profile of the latest acquisitions announced back in June.

## CryptoNet Labs s.r.l. ("CryptoNet")

### Profile

CryptoNet is a young company, established in 2017 and in a phase of very strong growth, active in the field of active and passive systems for Cybersecurity, offering services, consultancy and technological platforms for the monitoring and defence of corporate data and information.

### Deal rationale

The acquisition is aimed at strengthening D360 offer in the cybersecurity field already provided through its wholly-owned subsidiary Partners4Innovation (P4I). Worthy to note, CryptoNet has been already collaborating with D360 for some time in the past.

## Del Monte & Partners Comunicazione s.r.l. ("Del Monte")

### Profile

Del Monte is a company that has specialised in digital solutions to support B2B marketing and sales (MarTech and SalesTech). It is one of the first Italian partners of Hubspot, the world's leading software company in this field and listed on the Nasdaq.

### Deal rationale

With Del Monte's acquisition, the largest Italian hub, focused on Martech and Salestech B2B based on the Hubspot platform, is born, which can already count on Annual Recurrent Revenues of more than €6.4mn with 274 implemented platforms and more than 280 Hubspot certifications acquired.

## Methodos Group (Methodos)

### Profile

Methodos' is a long-established company active in organisational consultancy, specializing in management of organisational and cultural change in companies. Methodos has recently expanded its business perimeter through its subsidiaries Digital Attitude and Accompany, which manage software platforms supporting behavioural changes and digital transformation, respectively.

### Deal rationale

With this acquisition, D360 expands its presence in the ConsulTech market, to support organisational change and digital transformation in organisations, a market that is growing strongly due in part to the pandemic and the post-emergency economic recovery and renewal plans (PNRR).

## Business Publications Spain S.L. (BPS)

### Profile

Spanish based company producing content on digital innovation and information and communication technologies (ICT) and owning a number of portals representing an important reference in Spain for managers, entrepreneurs and professionals dealing with these issues.

BPS offers a wide range of services including events, webinars, content, communication campaigns and lead generation programmes.

### Deal rationale

Deal aimed at entering the rapidly growing Spanish Demand Generation market, and at paving the way for Latam expansion

## 2022E-23E estimates revision

We're maintaining unchanged our "organic" pre M&A 2022E-23E estimates.

On the contrary, the inclusion in Digital360 consolidation perimeter of companies acquired in latest couple of months materially affects 2022E ("pro-rata temporis") and 2023E financials, not only in terms of additional revenues and EBITDA, but also for one off M&A expenses (advisory, legal and so on), additional goodwill amortisation, and deal cash out.

### Digital360: New vs. Old 2022E-23E forecasts

(IT GAAP, €mn)	2022E			2023E		
€mn	Old	New	Δ (%)	Old	New	Δ (%)
<b>Revenues from Sales</b>	<b>44.0</b>	<b>53.3</b>	<b>21.1%</b>	<b>50.6</b>	<b>72.1</b>	<b>42.3%</b>
o/w M&A impact	--	9.3	nm	--	21.5	nm
Organic	44.0	44.0	0.0%	50.6	50.6	0.0%
Other Revenues	1.8	1.8		1.8	1.8	
<b>Value of Production</b>	<b>45.8</b>	<b>55.1</b>	<b>20.3%</b>	<b>52.4</b>	<b>73.9</b>	<b>40.8%</b>
<b>EBITDA pre M&amp;A costs</b>	<b>8.4</b>	<b>10.5</b>	<b>24.5%</b>	<b>10.1</b>	<b>15.0</b>	<b>48.6%</b>
EBITDA Margin (% Sales)	19.0%	19.5%	56bps	19.9%	20.8%	90bps
<b>EBITDA post M&amp;A costs</b>	<b>na</b>	<b>10.0</b>		<b>10.1</b>	<b>15.0</b>	<b>48.6%</b>
EBIT	5.0	6.0	20.2%	6.4	10.3	61.0%
Net Profit	3.0	2.4	-19.3%	4.1	4.4	7.4%
<b>Adj. Net Profit (bef. gwill amort.)</b>	<b>4.3</b>	<b>4.8</b>	<b>9.8%</b>	<b>5.4</b>	<b>6.7</b>	<b>24.1%</b>
<b>Net Financial Position</b>	<b>3.0</b>	<b>-5.6</b>	<b>-8.6</b>	<b>6.9</b>	<b>-6.2</b>	<b>-13.1</b>

Source: Value Track Analysis

As an effect, as far as 2022E-23E years are concerned we now forecast:

- ◆ **Revenue from Sales exceeding the €70mn level as of 2023E**, driven by organic growth and by upselling / cross selling synergies with the acquired companies;
- ◆ **EBITDA achieving the €15mn threshold by 2023E**, with EBITDA margin getting back above 20% of revenues already as of 2023E;
- ◆ **Adjusted Net Profit at ca. €6.7mn in 2023E**;
- ◆ **Net Debt Position at ca. €6.2mn in 2023E**, ca. 0.4x Net Debt / EBITDA ratio, leaving wide room for further M&A deals.

We note that on a 2022E pro-forma basis, i.e. assuming that all recent acquisitions are consolidated line by line for 12 months already in 2022FY, we expect Digital360 to post some €64mn revenues and €12.2mn EBITDA.

## Digital360: P&amp;L 2021A-24E

(IT GAAP, €mn)	2021A	2022E	2023E	2024E
Value of Production	36.0	55.1	73.9	83.4
COGS	-17.7	-27.9	-41.1	-65.7
Labour Costs	-11.4	-16.8	-17.7	0.0
<b>EBITDA before M&amp;A costs</b>	<b>6.9</b>	<b>10.4</b>	<b>15.0</b>	<b>17.7</b>
<b>EBITDA Margin (% of Sales)</b>	<b>20.2%</b>	<b>19.5%</b>	<b>20.8%</b>	<b>21.7%</b>
EBITDA Reported	6.9	10.0	15.0	17.7
D&A (ex. Goodwill Amortization)	-2.0	-2.1	-2.4	-2.5
<b>EBITA</b>	<b>5.0</b>	<b>7.8</b>	<b>12.7</b>	<b>15.2</b>
Goodwill Amortization	-1.4	-1.8	-2.4	-2.4
<b>EBIT</b>	<b>3.6</b>	<b>6.0</b>	<b>10.3</b>	<b>12.9</b>
<i>EBIT Margin (% of Sales)</i>	<i>10.5%</i>	<i>11.2%</i>	<i>14.3%</i>	<i>15.8%</i>
Net financial charges	-0.3	-0.2	-0.1	0.0
Taxes	-1.3	-2.2	-3.7	-5.0
Minorities	-0.2	-1.1	-2.1	-1.8
<b>Net Profit (Loss)</b>	<b>1.8</b>	<b>2.4</b>	<b>4.4</b>	<b>6.1</b>
<b>Net Profit Adjusted</b>	<b>3.2</b>	<b>4.8</b>	<b>6.7</b>	<b>8.5</b>

Source: Value Track Analysis (\*) Like-for-Like basis

## Digital360: Balance Sheet 2020A-24E

(IT GAAP, €mn)	2021A	2022E	2023E	2024E
Net Fixed assets	15.1	31.0	32.3	33.1
Net Working Capital	1.3	2.8	4.0	4.9
Provisions	3.1	4.2	3.7	3.7
<b>Total Capital Employed</b>	<b>13.3</b>	<b>29.7</b>	<b>32.5</b>	<b>34.3</b>
Group Net Equity	16.4	24.1	26.3	30.6
<b>Net Fin. Pos. [Net debt (-)/ Cash (+)]</b>	<b>3.1</b>	<b>-5.6</b>	<b>-6.2</b>	<b>-3.7</b>

Source: Value Track Analysis

## Digital360: Cash Flow Statement 2020A-24E

(IT GAAP, €mn)	2021A	2022E	2023E	2024E
<b>EBITDA Reported</b>	<b>6.9</b>	<b>10.0</b>	<b>15.0</b>	<b>17.7</b>
ΔNWC (inc. Δ prov.)	3.9	-0.5	-1.6	-0.9
Capex (not incl. Fin. Inv.)	-3.2	-3.0	-3.0	-3.2
Cash Taxes	-1.3	-2.2	-3.7	-5.0
<b>OpFCF a.t.</b>	<b>6.3</b>	<b>4.3</b>	<b>6.7</b>	<b>8.7</b>
Fin. Investments	-5.8	-16.9	-7.2	-6.2
Net Financial Charges	-0.3	-0.2	-0.1	0.0
Change in Equity	4.3	4.1	0.0	0.0
<b>Change in Net Fin. Pos.</b>	<b>4.4</b>	<b>-8.7</b>	<b>-0.6</b>	<b>2.5</b>

Source: Value Track Analysis (\*) Like-for-Like basis

## 1H22E preview

Digital360 is expected to announce its preliminary (unaudited) 1H22 Total Revenues and EBITDA figures somewhere between July 11<sup>th</sup>-22<sup>nd</sup>.

We expect these 1H22E figures to highlight strong y/y growth performance:

- ◆ Total Revenues at ca. €21.1mn, up ca. +30% y/y, driven by a further increase in SaaS subscriptions, higher volumes in both Demand Generation and Advisory & Coaching activities, and by the inclusion in consolidation perimeter of Imageware and ICT Lab;
- ◆ EBITDA growing substantially in line (+29% y/y) at ca. €4.8mn, with EBITDA margin at ca. 22.9%, positively benefitting from the transition towards Digital as a Service business model, but also burdened by Imageware lower profitability and by some M&A non recurring costs.

### Digital360: 1H21 preliminary figures vs. 1H20A

(€mn)	1H21	1H22E	y/y (%mn)
Total Revenues	16.2	ca. 21.1	ca. +30%
<b>EBITDA</b>	<b>3.74</b>	<b>ca. 4.83</b>	ca. +29%
<i>EBITDA Margin (%)</i>	23.0%	ca. 22.9%	ca. -10bps

Source: Digital360, Value Track Analysis

We note that on a 2022E pro-forma basis, i.e. assuming that all recent acquisitions are consolidated line by line for 12 months already in 2022FY, in 1H22E we would expect Digital360 to post some:

- ◆ €31mn revenues;
- ◆ €6.7m EBITDA.

## Fair value at €5.54 (from €5.37)

Based on updated Digital360's estimates and on Italian EGM listed Peers' multiples we calculate that Digital360 is trading at ca. 20% discount vs. Peers (see Appendix for details on Peers' multiples), a discount that we don't view as appropriate given Digital360 competitive positioning and business profile (now also with a higher weight of cybersecurity activities). Simply assuming D360 to trade in line with Peers on 2023E figures would lead to an **updated €5.54 fair value** (up from previous €5.37).

We note that:

- ◆ At fair value D360 would trade at 8.8x EV/EBITDA, 10.4x EV/EBITA, 16.8x P/E 2023E;
- ◆ The value creation from recent M&A activity stands, in our calculation, at ca. €0.44 p.s., while the derating of market and peers' multiples abates the previous fair value by ca. €0.27 p.s..

### Digital360: Italian EGM listed Peers

	EV/Sales		EV/EBITDA		EV/EBIT		P/E	
	2022E	2023E	2022E	2023E	2022E	2023E	2022E	2023E
<b>Total Average</b>	<b>2.5</b>	<b>1.9</b>	<b>10.3</b>	<b>7.4</b>	<b>16.7</b>	<b>12.4</b>	<b>26.2</b>	<b>19.4</b>
<b>Total Median</b>	<b>2.7</b>	<b>2.2</b>	<b>9.8</b>	<b>7.2</b>	<b>16.0</b>	<b>10.3</b>	<b>22.6</b>	<b>17.0</b>
<b>DIG @ Mkt price</b>	<b>1.7(*)</b>	<b>1.5</b>	<b>9.3(*)</b>	<b>7.3</b>	<b>14.2(**)</b>	<b>8.6(**)</b>	<b>18.7</b>	<b>13.3</b>
Discount % vs. avg.	-15%	-19%	9%	-2%	-15%	-31%	-28%	-31%
Discount % vs. med.	-23%	-30%	5%	1%	-11%	-17%	-17%	-22%

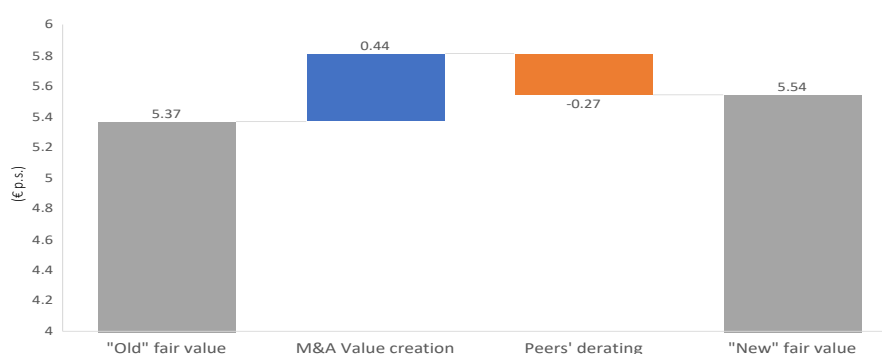
Source: Market Consensus, Value Track analysis (\*) Based on 2022PF figures (\*\*) EV/EBITA (i.e. before goodwill amortization)

### D360: Multiples sensitivity at various stock price levels

P.S.	EV/Sales		EV/EBITDA		EV/EBITA		P / E Adj.		EV/Sales	EV/EBITDA
	2023E	2024E	2023E	2024E	2023E	2024E	2023E	2024E	2022PF	2022PF
€4.40	1.5	1.2	7.3	5.9	8.6	6.8	13.3	10.6	1.7	9.3
€4.77	1.6	1.3	7.8	6.3	9.2	7.3	14.4	11.5	1.8	9.8
€5.14	1.7	1.4	8.3	6.7	9.8	7.8	15.5	12.3	2.0	10.4
<b>€5.54</b>	<b>1.8</b>	<b>1.5</b>	<b>8.8</b>	<b>7.2</b>	<b>10.4</b>	<b>8.4</b>	<b>16.8</b>	<b>13.3</b>	<b>2.1</b>	<b>11.0</b>
€5.91	1.9	1.6	9.3	7.6	11.0	8.8	17.9	14.2	2.2	11.6
€6.28	2.0	1.7	9.8	8.0	11.6	9.3	19.0	15.1	2.3	12.3
€6.65	2.1	1.8	10.3	8.4	12.2	9.8	20.1	16.0	2.4	12.9

Source: Value Track analysis

### Digital360: "New" vs. "old" fair value



Source: Value Track Analysis

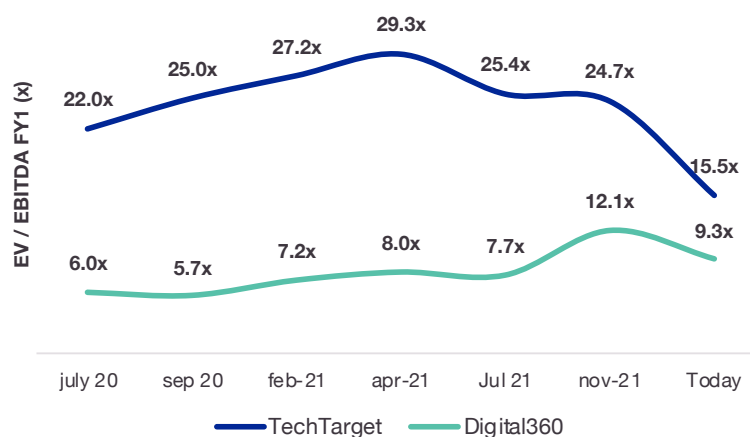


## Cross check with TechTarget

As usual, we find useful to cross check Digital360 stock market valuation with TechTarget, an American player with a business model really close to Digital360 and by far, the most comparable one.

TechTarget historically trades at massive premium vs. Digital360 but we note that such premium is shrinking and ideally, as long as Digital 360 expansion in foreign markets continues, it should keep shrinking.

### TechTarget vs Digital360: EV/EBITDA FY1 historical evolution



Source: Market Consensus, Value Track analysis

## IRR Analysis cross check

Assuming a 10.0x EV/EBITDA “fair” exit multiple, and a two-years holding period, we calculate an **annualized 35% IRR (gross of tax)**, corresponding to €162mn Equity Value, i.e. **€8.0 per share**.

### Digital360: IRR from investing today with exit at 10x EV/EBITDA in 2022

(€mn)	2024E
EBITDA (€mn)	17.7
Exit Market Multiples EV/EBITDA (x, 1 year forward) in July 2024	10.0x
<b>Implied Enterprise value (€mn)</b>	<b>177.2</b>
Net Financial Position 2024E adjusted for minorities cash out (€mn)	-14.7
<b>Equity value (€mn)</b>	<b>162.5</b>
Number of shares (mn)(post minorities squeeze out)	20.3
<b>Equity value per share at exit (€)</b>	<b>8.0</b>
<b>Annualized IRR</b>	<b>35%</b>

Source: Value Track Analysis

## Appendix 1: 2022E-23E multiples of Italian EGM listed Peers

Digital360: Italian EGM listed Peers

	EV/Sales		EV/EBITDA		EV/EBIT		P/E	
	2022E	2023E	2022E	2023E	2022E	2023E	2022E	2023E
Growens	0.7	0.6	9.8	7.2	nm	19.7	nm	32.7
Cyberoo	3.7	2.2	8.6	3.8	11.8	4.4	18.3	7.4
CY4Gate	3.2	2.3	11.7	7.6	17.4	10.3	23.7	15.2
Neosperience	1.5	1.1	5.8	4.0	16.0	7.7	25.8	10.9
Relatech	1.2	1.1	6.0	5.0	8.9	7.6	12.0	9.6
Unidata	2.7	2.2	9.4	7.4	16.9	12.5	21.0	26.5
Doxee	3.4	2.7	13.8	9.2	nm	16.8	45.9	24.3
Vantea Smart	1.3	0.9	11.4	7.0	14.0	8.5	19.7	12.2
Reevo	4.0	3.1	14.4	10.8	23.7	17.4	40.2	30.6
Almawave S.p.A.	2.8	2.4	14.9	12.1	28.7	22.0	33.4	26.9
DHH	2.5	2.1	7.5	6.0	13.3	9.8	21.5	17.0
<b>Total Average</b>	<b>2.5</b>	<b>1.9</b>	<b>10.3</b>	<b>7.4</b>	<b>16.7</b>	<b>12.4</b>	<b>26.2</b>	<b>19.4</b>
<b>Total Median</b>	<b>2.7</b>	<b>2.2</b>	<b>9.8</b>	<b>7.2</b>	<b>16.0</b>	<b>10.3</b>	<b>22.6</b>	<b>17.0</b>
<b>DIG @ Mkt price</b>	<b>1.7(*)</b>	<b>1.5</b>	<b>9.3(*)</b>	<b>7.3</b>	<b>14.2(**)</b>	<b>8.6(**)</b>	<b>18.7</b>	<b>13.3</b>
Discount % vs. avg.	-15%	-19%	9%	-2%	-15%	-31%	-28%	-31%
Discount % vs. med.	-23%	-30%	5%	1%	-11%	-17%	-17%	-22%

Source: Market Consensus, Value Track analysis (\*) Based on 2022PF figures (\*\*) EV/EBITA (i.e. before goodwill amortization)

## Appendix 2: Recap of Digital360 strategic directions 2022E onwards

Find here below some slides summarizing all Digital360 strategic guidelines for the next future.

### Digital360: Strategic directions (1/2)

#### SD1 Investments in

- ✓ **core competencies** in digital innovation (knowledge, engineered know-how, etc.)
- ✓ **content assets** (portals, SEO, social networks, etc.) to develop our **community**
- ✓ **technological platforms** (AI, RPA, Analytics, CRM, Martech, Digital Events, HRTech, etc.)
- ✓ **data collection, qualification & enrichment**

#### SD2 Subscription services

- ✓ Focus on the development of **Subscription Services**, with **recurrent revenues** in both business units: our **Blue Ocean strategy**

#### SD3 M&A

- **15 companies already acquired & integrated**
- Several companies in the scouting pipeline in Italy, Spain, Latam
- **Experienced M&A team & very standardised process**

Source: Digital 360

### Digital360: Strategic directions (2/2)

#### SD4 Internationalization

- ✓ focus on the first geopolitical area (**Spain** and Spanish speaking **Latam**) and **first company acquired**
- ✓ **Important pipeline** of target companies

#### SD5 Empowerment of managerial structure

- ✓ Enzo Greco: **Group General Manager**
- ✓ Simone Battiferri: **Latam Director**
- ✓ Spain Country Manager: coming soon

#### SD6 Benefit Company

- ✓ To strengthen our commitment to pursue objectives of common good, related to develop a **greater digital culture** and the promotion of **digital innovation as a lever for sustainable & inclusive economic growth**

Source: Digital 360

Out of the above highlighted strategic guidelines, a spotlight need to be centred on the two development strategies that, in our view, are cornerstone to D360 equity story, i.e.

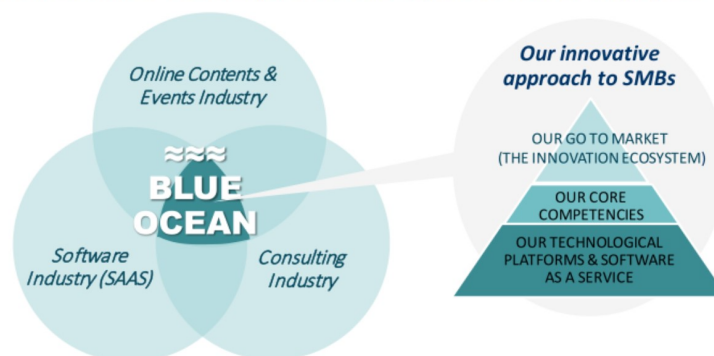
- ◆ the further take up of recurring business (DaaS) and;
- ◆ the M&A driven growth abroad in all Spanish speaking countries.

### Digital360: Focus on DaaS business

 **Our Goal: support SMBs in undertaking digital transformation, by outsourcing ICT-intensive processes which, otherwise, would require rare and expensive internal employees**

A new interpretation of 3 traditional industries to support the digital transformation of SMBs (a huge potential market in Italy)

- with «subscription-based» professional services
- supported by software-a-service platforms
- promoted and sold through our community (innovation ecosystem)



Source: Digital 360

### Digital360: Focus on internationalization strategy

An **in-depth analysis** of the **international scenario** carried out in last months by a **dedicated DIGITAL360 task force** has, highlighted interesting business development opportunities in some of the Group's strategic areas of activity

The analysis has shown the high **attractiveness of the geopolitical area including Spain and Latam**, for a number of reasons:

- **overall area addressable with one single spanish speaking team** (content is king in the business of Demand Generation!)
- **significant growth** rates in all local markets based on **digital technology** as a result of the cultural impact of the pandemic and the significant financial resources coming in to relaunch the economy and its digitalization
- **favourable competitive context**: fragmented, without dominant player on the market

**DIGITAL360**, for the experience gained during these years, represents an **entrepreneurial entity** particularly suited to **play important games** in these markets both through acquisitions and organic growth.

Source: Digital 360

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