

M&A Poker to Foster Business Growth

ADD | Fair Value: €6.35 (€5.87) | Current Price: €4.37 | Upside: +45.4%

€ Millions	FY18A	FY19A	FY20A	FY21A	FY22E	FY22E PF	FY23E	FY24E
Total Revenues	22.5	26.4	26.3	34.4	56.2	67.6	73.2	81.1
EBITDA	2.6	4.0	5.0	6.9	10.4	12.7	14.0	15.9
margin	11.4%	15.3%	19.1%	20.2%	18.5%	18.8%	19.1%	19.5%
Net Profit Adj.	0.3	1.1	1.8	3.2	5.1	6.1	7.0	8.0
margin	1.4%	4.1%	7.0%	9.2%	9.1%	9.0%	9.6%	9.8%
EPS Adj.	0.02	0.07	0.11	0.17	0.27	0.37	0.37	0.42
NFP	4.6	6.3	1.4	(3.1)	3.4	3.4	(1.9)	(12.7)

Source: Company data, KT&Partners' estimates

1H22 preliminary financial results. DIG-IT's strategy to consolidate its market positioning also by M&As is paying off, confirming the remarkable growth path shown in 2021. Indeed, unaudited 1H22 reported sales revenues (including the contribution of companies acquired in 2021) came in at €24.5mn, ca. +50% YoY and 2.6% above our estimates. We note that our previous estimates also include the contribution of Xona, whose closing is expected in the next months. Therefore, without considering the contribution of Xona, 1H22 sales were +5.4% above our estimates. Including the pro-forma contribution of companies acquired in 2022 of €9.3mn, DIG-IT's sales revenues reached €33.8mn. 1H22 report EBITDA stood at €4.9mn (almost in line with our estimates) with an EBITDA margin of 20.2% in 1H22 (ca. 1pp below our estimates). Considering the pro-forma contributions of recently acquired companies, EBITDA reached €6.9mn with a margin of 20.5% of EBITDA margin (higher than reported value by 0.3pp, also thanks to the positive contribution of Cryptonet Labs). On the capital structure side, the cash generation power and the POC conversion allow DIG-IT to maintain a net cash position of €2mn, notwithstanding the cash-out from CapEx (including M&A) and vendor loans related to 2021 M&As.

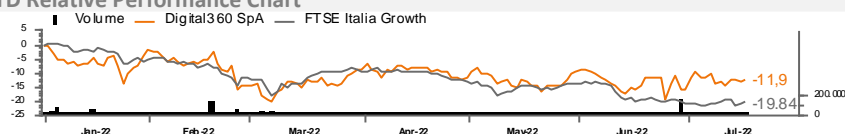
€ Millions	1H21	Preliminary 1H22	Change	1H22E	Preliminary vs Expected
Reported Sales Revenue	16.2	24.5	51.2%	23.9	2.6%
Sales Revenue from 2022 M&A		9.3		9.5	-2.4%
PF Sales Revenue	16.2	33.8	108.6%	33.4	1.1%
Reported EBITDA	3.7	4.9	32.0%	5.1	-2.2%
EBITDA from 2022 M&A		2.0		1.4	39.2%
PF EBITDA	3.7	6.9	85.4%	6.5	7.0%
Reported EBITDA margin (on sales revenue)	23.1%	20.2%	-2.9%	21.1%	-1.0%
PF EBITDA margin (on sales revenue)	23.1%	20.5%	-2.6%	19.4%	1.1%

Fostering business growth through four new M&As. After the announcement of the acquisition of Xona in February 2022, DIG-IT's management keeps showing strong deal-making activity, announcing: i) the acquisition of a 7.0% stake in Business Publications Spain (BPS) – a firm specialized in ICT and content creation focused on digital innovation – for a total consideration of €1.19mn or at 5.6x EV/EBITDA (based on FY21 data); ii) the acquisition of 51% stake of Methodos Group – a firm specialized in change management – for €4.6mn or at 5.9x EV/EBITDA (based on FY21); iii) a binding agreement for the acquisition of 51% stake in Del Monte & Partner Comunicazione, a firm specialized in MarTech and SalesTech; and iv) the acquisition of 75% stake in Cryptonet Labs – a firm specialized in cybersecurity – for a total consideration of €11.2mn or at 9.5x EV/EBITDA.

Estimate revision. Following latest M&As and 1H22 preliminary financial results, we updated our 2022-2024 estimates. We now expect total revenues to increase at a CAGR21-24 of 33.1% (ca. +13.8pp vs our previous estimates), reaching €81.1mn in 2024. On the profitability side, we expect EBITDA to grow at a CAGR21-24 of 31.7% (11.3pp above our previous research), reaching €15.9mn in FY24 with a margin of 19.5%. On the capital structure side, we now expect a net debt position of €3.4mn in FY22E to gradually improve, reaching a net cash position of €12.7mn in FY24E.

Valuation update. Following estimate revisions, we updated our valuation – based on both DCF and multiple methods – which returns an equity value of €129.23mn or €6.35ps, implying an upside of +45.4% on the current price (+8.2% above our previous fair value). We note that, despite estimates, upward revision the valuation has been negatively impacted by a reduction by higher market parameters.

YTD Relative Performance Chart



Research Update

July 19, 2022 – 7.00h

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Market Data

Market Data	
Main Shareholders	
Andrea Rangone	19.7%
Mariano Corso	10.1%
Alessandro Giuseppe Perego	9.7%
Mkt Cap (€ mn)	88.9
EV (€ mn)	83.2
Shares issued (mn)	20.3
Free Float (%)	28.0%

Market multiples	2021A	2022E	2023E
EV/EBITDA			
Digital360	14.6x	9.7x	7.2x
Comps Median	19.2x	16.1x	13.6x
Digital360 vs Median	-24%	-40%	-47%
P/E			
Digital360	26.2x	17.2x	12.6x
Comps Median	30.5x	23.3x	20.1x
Digital360 vs Median	-14%	-26%	-38%

Stock Data

52 Wk High (€)	5.28
52 Wk Low (€)	2.70
Avg. Daily Trading 90d	7,989
Price Change 1w (%)	18.65
Price Change 1m (%)	25.42
Price Change YTD (%)	6.45

Note: 2021 and 2022 are based on reported data

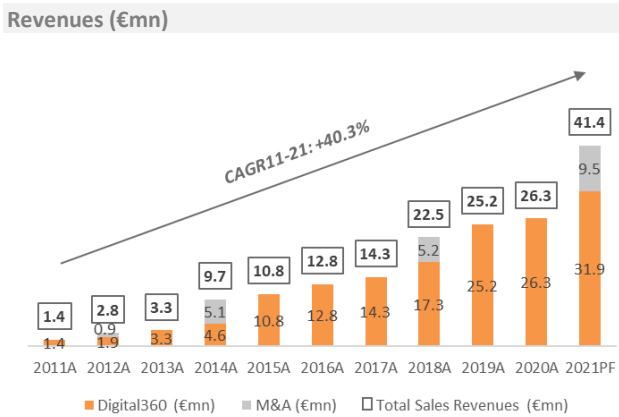
Key Figures – Digital 360 Group

	Current price (€)	Fair Value (€)	Sector							Free Float (%)
	4.37	6.35	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	20.34	20.34	20.34	20.34	
Total shares outstanding (mn)	16.26	16.23	16.23	16.27	18.92	20.20	20.20	20.20	20.20	
EPS adjusted	0.03	0.02	0.07	0.11	0.17	0.27	0.37	0.42	0.50	
EPS diluted	0.03	0.02	0.07	0.11	0.17	0.25	0.35	0.40	0.47	
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	56.2	73.2	81.1	88.9	
EBITDA	1.6	2.6	4.0	5.0	6.9	10.4	14.0	15.9	17.9	
EBIT Adj.	0.8	1.1	2.4	3.3	5.0	8.2	11.8	13.4	15.9	
EBT Adj.	0.5	0.8	1.6	3.2	4.7	7.8	11.3	12.9	15.6	
Taxes	(0.0)	(0.2)	(0.2)	(0.9)	(1.3)	(1.6)	(2.4)	(2.9)	(3.6)	
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	5.5	8.0	9.2	11.1	
Net Income attributable to the Group Adj.	0.5	0.3	1.1	1.8	3.2	5.1	7.0	8.0	9.5	
Balance Sheet (EUR million)										
Total fixed assets	7.1	10.5	9.9	9.1	15.1	30.7	27.5	24.1	21.1	
Net Working Capital (NWC)	4.0	3.7	5.6	3.4	1.3	3.2	10.1	11.7	13.5	
Provisions	(0.7)	(1.0)	(1.0)	(1.3)	(3.1)	(4.3)	(6.0)	(7.7)	(9.7)	
Total Net capital employed	10.3	13.2	14.5	11.2	13.3	29.6	31.7	28.0	24.9	
Net financial position/(Cash)	2.6	4.6	6.3	1.4	(3.1)	3.4	(1.9)	(12.7)	(24.7)	
Group Shareholder's Equity	7.8	8.2	7.4	8.6	14.6	22.6	27.5	33.3	40.7	
Minorities	0.0	0.4	0.8	1.3	1.7	3.7	6.2	7.4	8.9	
Total Shareholder's Equity	7.8	8.6	8.1	9.8	16.4	26.2	33.6	40.7	49.6	
Cash Flow (EUR million)										
Net operating cash flow	-	2.3	3.7	4.1	5.4	8.6	11.4	12.9	14.2	
Change in NWC	-	0.3	(1.9)	2.2	2.1	(2.3)	(3.3)	(1.6)	(1.8)	
Capital expenditure	-	(5.6)	(1.9)	(1.7)	(9.2)	(19.5)	(5.6)	(2.0)	(2.0)	
Other cash items/Uses of funds	-	0.3	(0.0)	0.3	1.8	1.3	1.6	1.8	1.9	
Free cash flow	-	(2.7)	(0.1)	4.9	0.0	(11.9)	4.2	11.0	12.2	
Enterprise Value (EUR million)										
Market Cap	20.0	19.3	15.6	17.3	60.3	88.9	88.9	88.9	88.9	
Minorities	0.0	0.4	0.8	1.3	1.7	3.7	6.2	7.4	8.9	
Net financial position/(Cash)	2.6	4.6	6.3	1.4	(3.1)	3.4	(1.9)	(12.7)	(24.7)	
Enterprise value	22.6	24.3	22.7	20.0	59.0	95.9	93.1	83.6	73.1	
Ratios (%)										
EBITDA margin	11.5%	11.4%	15.3%	19.1%	20.2%	18.5%	19.1%	19.5%	20.1%	
EBIT margin Adj.	5.3%	5.1%	9.0%	12.5%	14.5%	14.6%	16.2%	16.5%	17.8%	
Gearing - Debt/equity	33.1%	55.7%	85.9%	15.9%	-21.0%	14.9%	-7.1%	-38.1%	-60.7%	
Interest cover on EBIT	28.3%	23.7%	14.4%	2.5%	6.3%	5.3%	4.2%	3.1%	1.8%	
NFP/EBITDA	156.7%	177.8%	157.0%	27.2%	-44.3%	32.4%	-13.9%	-80.0%	-138.1%	
ROCE	7.3%	8.7%	16.4%	29.3%	37.4%	27.8%	37.3%	47.7%	63.7%	
ROE	6.8%	3.9%	14.7%	21.4%	21.6%	22.8%	25.6%	24.0%	23.4%	
EV/Sales	7.06x	4.49x	3.84x	3.84x	2.94x	1.80x	1.38x	1.25x	1.14x	
EV/EBITDA	61.69x	39.38x	25.08x	20.13x	14.56x	9.74x	7.24x	6.38x	5.65x	
P/E	n.m.	n.m.	n.m.	38.63x	26.20x	17.20x	12.55x	11.05x	9.25x	
Free cash flow yield	0.0%	-3.2%	-0.1%	5.9%	0.0%	-14.3%	5.0%	13.3%	14.7%	
Growth Rates (%)										
Sales	n.a.	57.2%	17.1%	-0.1%	30.6%	63.5%	30.1%	10.9%	9.6%	
EBITDA	n.a.	56.6%	57.0%	24.6%	38.2%	49.4%	34.7%	13.5%	12.8%	
EBIT Adj.	n.a.	50.7%	107.1%	38.8%	51.3%	65.3%	43.8%	13.0%	18.7%	
Net Income Adj.	n.a.	-39.5%	241.4%	69.4%	71.4%	62.6%	37.0%	13.6%	19.4%	

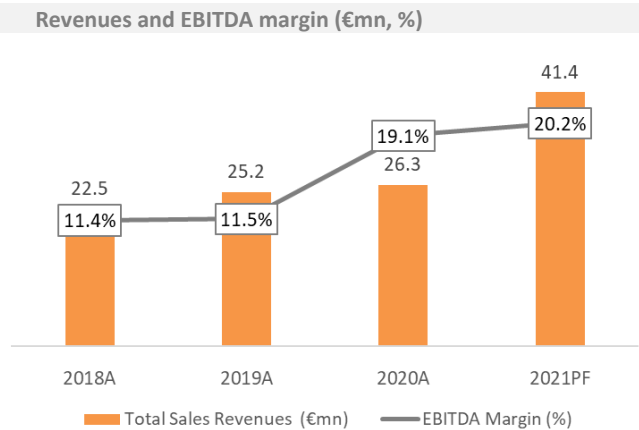
Source: Company data, KT&Partners' elaborations

Note: 2021 and 2022 implied multiples are based on reported data

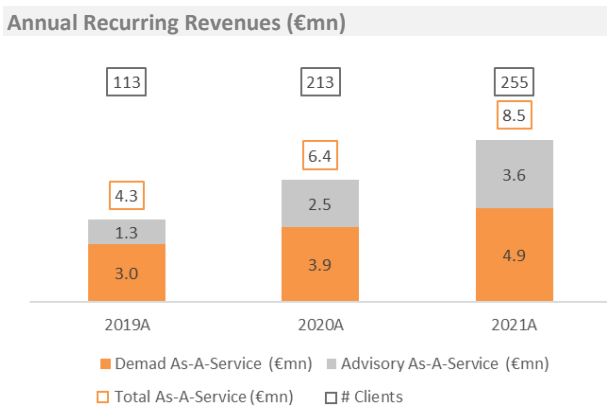
Key charts



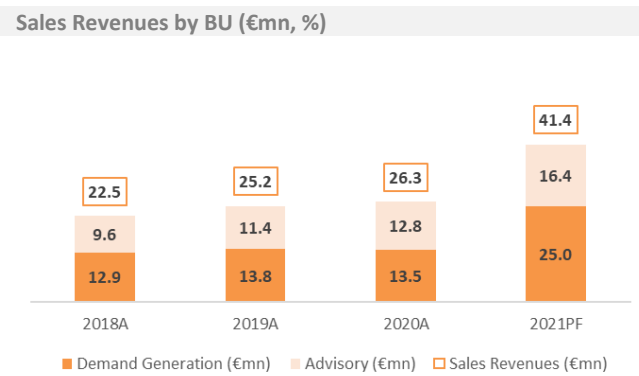
Source: Company data, KT&Partners' elaboration



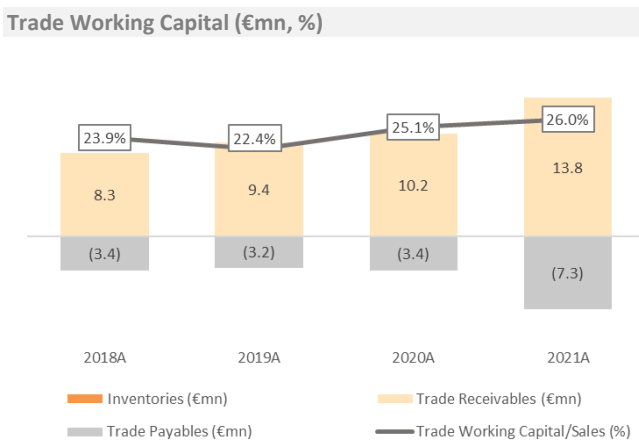
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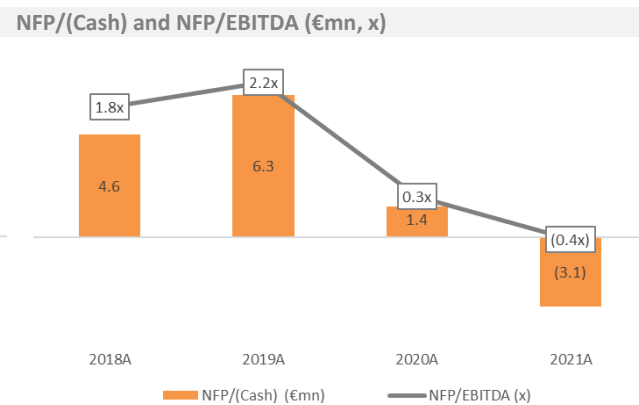
Source: Company data, KT&Partners' elaboration



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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: corporations, public administration, tech providers, institutions, and policy makers.

DIG-IT is an innovative Italian SME that operates through two business units: i) the Demand Generation unit that 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 that 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, change management, and digital legal, and they are addressed to large enterprises, SMEs, and PA.

DIG-IT became 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 that offers external lines growth opportunities. Since IPO, DIG-IT has showed great ability in M&A deal-making and execution, carrying out fourteen deals (of which five were in 2021, 4 already closed in 7M22, and one to be closed in the next months).
- **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

- **POC conversion and new debt capital to support growth.** Following the last exercise period of the convertible bond, the Company benefited from a cash-in of ca. €1.1mn. Furthermore, DIG-IT has subscribed a €14mn financing agreement with Illimity to boost the company’s growth and optimize DIG-IT’s capital structure, leveraging on the high cash generation power.
- **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.
- **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.

M&A Poker in June

June was a warm month for M&As activity, with 4 new M&As announced, confirming that M&A is a key element in DIG's strategy to boost the company's growth in Italy and abroad:

- **Demand Generation:**
 - On June 14th, 2022, DIG-IT had acquired a 70% stake in Business Publications Spain (BPS) for a total consideration of €1.19mn or at 5.6x EV/EBITDA (based on FY21 data), of which €0.79mn of the deal consideration has been paid entirely in cash and the residual will be paid within 12 months. BPS is a Spanish SME based in Madrid, specialized in ICT and in contents creation focused on digital innovation. The company acts as a reference player in Spain for managers, entrepreneurs, professionals, and those who need new competitive positioning and lead generation programs to further boost the business. In FY21, BPS reported €1.4mn of revenues, with an EBITDA margin of ca. 17.9% and a net cash position of €0.3mn. The international expansion path has begun at the beginning of 2022 through the establishment of Digital360 Iberia, aiming to replicate in LATAM countries and Spain the business successfully experimented in Italy, and the announcement of the acquisition of Xona. The LATAM and Spanish markets are characterized by a wide presence of SMEs and a delay in the digitalization of both private enterprises and PA. For this purpose, the acquisition of BPS will enable DIG-IT to penetrate the Spanish market with the aim to replicate the same business model applied in Italy. The target will maintain part of the previous BoD to facilitate the integration and the creation of synergies with the group. Furthermore, to execute the expansion plan, Tommaso Prenchusi and Massimo D'Angelo – two Italian managers who moved to Spain many years ago and have a deep knowledge of the country and its dynamics, and who have gained a long and consolidated experience in the world of online content and digital marketing – have been appointed CEO and Managing Director of DIGITAL360 Iberia, respectively.
 - On June 28th, 2022, DIG-IT signed a binding agreement for the acquisition of a 51% stake in Del Monte & Partner Comunicazione. DIG-IT has already subscribed a €0.24mn AUCAP carried out by the target, acquiring a 35.3% stake (8.2x EV/EBITDA). The residual 15.5% will be purchased following 2022 results (price fixed between €0.18mn and €0.25mn). Del Monte & Partners Comunicazione is an Italian SME based in Milan, specialized in marketing and digital innovation solutions to boost enterprises' business. The company acts as a digital agency and diamond partner of Hubspot to offer innovative B2B solutions that allow improvement in marketing and sales processes under the banner of digital transformation. In 2021, Del Monte & Partners generated €1.1mn of sales with an EBITDA of ca. €120k. Through the acquisition of Del Monte & Partners Comunicazione, DIG-IT aimed at strengthening its demand-generation market positioning in Italy, creating the largest Italian hub focused on Martech and Salestech B2B based on the Hubspot platform. The target already today can count on Annual Recurrent Revenues (ARR) of +€6.4mn with 274 implemented platforms, competence center consisting of +80 specialists, and with more than 280 Hubspot certifications acquired.
- **Advisory & Coaching:**
 - On July 5th, 2022, DIG-IT acquired a 51% stake in Methodos Group for a total consideration of €4.6mn, or at 5.9x EV/EBITDA (based on FY21), of which €0.57 was paid in kind with 120,284 DIG-IT's shares valued at €4.70ps. Methodos Group, with its two subsidiaries Accompany and Digital Attitude, is a firm based in Milan, specialized in change management with emphasis on organizational and cultural change and also powered by proprietary software platforms, supporting the behavioral changeset and the digital

- transformation. In 2021, the acquired group counts almost 60 employees; furthermore, they reported €9mn of revenues, €1.5mn of EBITDA (ca. 16.7% of EBITDA margin), and break-even NFP at the end of April 2022. Thanks to Methodos acquisition, DIG-IT will create a new Italian hub for innovation in human resource and organizational models, also for grasping PNRR's opportunities. The as-a-service offering will be enhanced through the SaaS platform of digital coaching (*Habit-Inspiring Platform*), thanks to Digital Attitude – a subsidiary held by Methodos. DIG-IT will also leverage on the synergies between the other firms of the group such as Partners4Innovation;
- On July 14th, 2022, DIG-IT acquired a 75% stake in Cryptonet Labs for a total amount of €11.2mn and it will be paid in two steps: i) €8.6mn (including 70% of NFP as of May 2022) already paid at the closing, of which €2.5mn was paid in kind with 534,389 DIG-IT's shares valued at €4.70ps; and iii) €2.6 (including the residual 30% of NFP) will be paid in cash within 12 months from the closing. Based in Milan, Cryptonet Labs is an Italian start-up founded in 2017, active in the cybersecurity market. It specializes in the implementation of active and passive systems for cybersecurity, with an offering that includes services, consulting, and technology platforms for corporate data protection. The company reached €2.8mn of FY21 revenues, FY21 EBITDA of €1.35mn (or 47% of EBITDA margin), and a net cash position of ca. 2mn as of May 2022. Cryptonet Labs acquisition will allow DIG-IT to strengthen the consultech offering with a new cybersecurity hub based on SaaS platforms, generating an expected turnover of €5.5mn in 2022 (+25% YoY), of which almost 50% is from recurring revenues related to such subscription services as "*CISO-as-a-service*."

The deals executed since IPO are thirteen out of fourteen transactions announced. DIG-IT's M&A strategy aimed at boosting Company business growth by:

- Acting as consolidator of SME on highly fragmented markets;
- Bringing inside the group a huge human capital, offering to targets win-win conditions.

Finally, to support the external growth, DIG-IT has been leveraging on the €1mn cash-in from the last exercise of the convertible bond, €14mn loan from Illimity, and on its internal sources given DIG-IT's cash generation power and treasury shares.

Change in Estimates

We updated our estimates to factor in:

- a. 1H22 preliminary results. We align our 2022 projections to company's preliminary data, slightly revising upward organic growth and lowering profitability;
- b. M&A contributions of: i) BPS; ii) Methodos Group; iii) Del Monte & Partners Comunicazione; and iv) Cryptonet Labs.

We now anticipate total revenues to increase at a CAGR21–24 of 33.1% (+13.8pp vs our previous research), going from €34.4mn in 2021 to €81.1mn in 2024.

On the profitability side, we slight revised downward our FY22E EBITDA margin projection mainly to factor in higher costs to strengthen company's workforce due to the international expansion path and M&A transaction costs that will be partly offset by the positive contribution of new acquisitions. We now forecast FY22E EBITDA margin to stand at 18.5% or 18.8% on pro-forma basis (ca. 90bps or ca. 53bps lower than our previous estimates, respectively) and we expect it will increase to 19.5% in FY24E (ca. -1.2pp compared to our previous forecast). We expect EBITDA to grow in absolute terms from €10.4mn in 2022 (€12.7mn on pro-forma basis) to €15.9mn in 2024 (+31.7% CAGR2021–24 or ca. 11.3pp above our previous estimates).

On the bottom line, we now foresee net income adjusted to grow at a CAGR21–24 of 36.3% (vs +28.6% CAGR21–24 of our previous projections), amounting to €8.0mn in 2024.

Finally, we now expect a FY22 net debt position of €3.4mn (vs €6.3mn of net cash position of our previous research) mainly factoring in the ca. €1mn cash-in following the exercise of the convertible bond in May 2022 and ca. €11mn of the M&As cash-out (netted by ca. €3mn of AUCAP). Thanks to the DIG-IT cash generation power, we now forecast a come back to a net cash position at €1.9mn by FY23E also considering the cash-out for the M&A acquisitions, reaching €12.7mn by FY24E.

Change in Estimates

€ Millions	2021A	2021E PF	2022E	2022E	2022E PF	Change Data Reported	2023E	2023E	Change	2024E	2024E	Change	CAGR			
	Actual	Actual	Old	New	New		Old	New		Old	New		2021-24 Old	2021-24 New		
Total Revenues	34.4	41.4	47.2	56.2	67.6	19.1%	53.2	73.2	37.7%	58.5	81.1	38.8%	19.3%	33.1%		
EBITDA	6.9	8.0	9.1	10.4	12.7	13.5%	10.7	14.0	30.4%	12.1	15.9	30.8%	20.4%	31.7%		
EBITDA Margin	20.2%	19.3%	19.4%	18.5%	18.8%		20.2%	19.1%		20.7%	19.5%					
EBIT adjusted	5.0	6.1	6.5	8.2	10.6	26.3%	8.3	11.8	42.0%	10.4	13.4	28.3%	27.9%	39.0%		
Net Income adjusted	3.2	3.8	4.2	5.1	6.1	22.9%	5.4	7.0	31.4%	6.7	8.0	19.1%	28.6%	36.3%		
NFP	-	3.1	-	6.3	3.4	9.7	-	13.0	-	1.9	11.1	-	20.7	-	12.7	8.0

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.

Note: We note that FY22 pro-forma results include full-year contribution of companies acquired in 2022.

Valuation

Following the projections of DIG-IT'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 €5.66s;
2. DCF analysis based on WACC of 9.2% and 2% perpetual growth, which returns a value of €7.04ps.

The average of the two methods yields a fair value of €6.35ps or an equity value of €129.23mn.

Valuation		
	Equity Value €mn	Value per share €
DCF	143.27	7.04
EV/EBITDA	130.73	6.43
P/E	99.64	4.90
<i>Average - Multiples</i>	<i>115.18</i>	<i>5.66</i>
<i>Average - DCF & Multiples</i>	<i>129.23</i>	<i>6.35</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, 2023, and 2024 data.

Peers Comparison: Market Multiples 2021–24

Company Name	Exchange	Market Cap	EV/SALES 2021	EV/SALES 2022	EV/SALES 2023	EV/SALES 2024	EV/EBITDA 2021	EV/EBITDA 2022	EV/EBITDA 2023	EV/EBITDA 2024	EV/EBIT 2021	EV/EBIT 2022	EV/EBIT 2023	EV/EBIT 2024	P/E 2021	P/E 2022	P/E 2023	P/E 2024
Booz Allen	NYSE	11,852	1.8x	1.6x	1.5x	1.4x	15.8x	14.5x	13.6x	12.8x	18.2x	16.5x	15.3x	14.2x	22.3x	20.6x	18.4x	16.6x
Gartner, Inc.	NYSE	19,232	5.4x	4.1x	3.7x	3.3x	22.0x	18.9x	17.5x	15.8x	29.2x	25.4x	22.7x	19.9x	30.2x	29.4x	27.0x	24.2x
TechTarget, Inc.	NASDAQ	1,750	8.2x	5.8x	5.1x	4.6x	n.m	14.4x	12.3x	10.7x	n.m	16.4x	13.9x	12.0x	n.m	23.3x	20.1x	17.2x
RELX PLC	London	52,205	7.1x	6.2x	5.8x	5.4x	20.0x	16.6x	15.3x	14.2x	27.9x	19.5x	17.8x	16.9x	30.5x	22.9x	20.6x	18.9x
Wolters Kluwer NV	Euronext Amsterdam	26,089	5.8x	5.3x	5.1x	4.9x	18.4x	16.1x	15.2x	14.6x	25.4x	20.2x	19.0x	18.1x	35.7x	26.6x	24.3x	22.3x
Future plc	London	2,484	4.3x	3.1x	2.9x	2.8x	13.1x	8.7x	8.1x	7.6x	18.4x	9.5x	8.9x	8.7x	30.6x	11.1x	10.4x	9.7x
Informa Plc	London	9,203	5.4x	4.3x	3.8x	3.5x	20.8x	16.6x	12.5x	10.8x	n.m	19.3x	14.0x	12.0x	n.m	23.6x	15.4x	12.5x
Average peer group		17,545	5.4x	4.4x	4.0x	3.7x	18.4x	15.1x	13.5x	12.3x	23.8x	18.1x	15.9x	14.5x	29.9x	22.5x	19.5x	17.3x
Median peer group		11,852	5.4x	4.3x	3.8x	3.5x	19.2x	16.1x	13.6x	12.8x	25.4x	19.3x	15.3x	14.2x	30.5x	23.3x	20.1x	17.2x
Digital360	Milan	89	2.9x	1.8x	1.4x	1.2x	14.6x	9.7x	7.2x	6.4x	27.9x	16.7x	11.5x	9.8x	26.2x	17.2x	12.6x	11.0x

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, 2023 and 2024.

EV/EBITDA Multiple Valuation

Multiple Valuation (€mn)	2022E	2023E	2024E
EV/EBITDA Comps	16.1x	13.6x	12.8x
Digital360 EBITDA	10.38	13.98	15.86
Enterprise value	167.3	190.0	202.4
FY21 NFP Adjusted	10.5	10.5	10.5
FY21 Minorities	1.7	1.7	1.7
Equity Value	155.0	177.7	190.2
Average Equity Value		174.3	
Liquidity Discount		25%	
Equity Value Post-Discount		130.7	
Number of shares (thousand)		20.3	
Value per Share €		6.43	

P/E Multiple Valuation

Multiple Valuation (€mn)	2022E	2023E	2024E
P/E Comps	23.3x	20.1x	17.2x
Digital360 Group Net Income Adj.	5.13	7.03	7.99
Equity Value	119.5	141.3	137.8
Average Equity Value		132.8	
Liquidity Discount		25%	
Equity Value Post-Discount		99.6	
Number of shares (thousand)		20.3	
Value per Share €		4.90	

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

Note: FY21 NFP has been adjusted by the net cash-out from the 2022 M&A and the cash-in from the exercise of convertible bond.

DCF Model

We have also conducted our valuation using a four-year DCF model, based on a 10.9% 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 ca. 3% (Italian 10y BTP), ca. 5% equity risk premium for mature market (ca. +0.7pp and +0.3pp vs our previous research given the current market scenario, respectively), and an unchanged premium for size and liquidity of 2.1%. We, therefore, obtained 9.2% WACC (+0.6pp compared to our previous research).

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	6.05	8.82	10.36	12.86
Taxes	(1.75)	(2.56)	(3.00)	(3.73)
D&A	4.33	5.16	5.51	5.03
Change in Net Working Capital	(2.31)	(3.27)	(1.58)	(1.84)
Change in Funds	1.27	1.63	1.78	1.92
Net Operating Cash Flow	7.58	9.78	13.06	14.25
Capex	(19.53)	(5.60)	(2.02)	(2.02)
FCFO	(11.95)	4.18	11.04	12.22
g	2.0%			
Wacc	9.2%			
FCFO (discounted)	(11.48)	3.68	8.89	9.01
Discounted Cumulated FCFO	10.10			
TV	172.88			
TV (discounted)	127.51			
Enterprise Value	137.61			
FY21 NFP Adjusted	(7.4)			
FY21 Minorities	1.7			
Equity Value	143.27			
Current number of shares (mn)	20.3			
Value per share (€)	7.04			

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

Note: FY21 NFP has been adjusted by €3.3mn AUCAP subscribed by the newly acquired companies and by €1.1mn following the exercise of convertible bond.

Sensitivity Analysis

€ Millions	WACC					
	9.7%	9.5%	9.2%	9.0%	8.7%	
Terminal growth Rate	1.5%	125.2	129.7	134.4	139.5	144.9
	1.8%	128.9	133.7	138.7	144.1	149.9
	2.0%	132.9	137.9	143.3	149.0	155.2
	2.3%	137.1	142.5	148.2	154.3	160.9
	2.5%	141.6	147.3	153.4	160.0	167.2

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 ca. €11.9bn. 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 €7.9bn of revenues.
- **Gartner, Inc. (IT-US):** listed on NYSE with a market capitalization of €19.2bn. 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.
- **TechTarget, Inc. (TTGT-US):** listed on NASDAQ with a market capitalization of ca. €1.8bn. 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 €52.2bn. 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 €26.1bn. 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 €2.5bn. 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 €9.2bn. 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.

We analyzed the peer companies by considering their average revenue and EBITDA growth and compared them to DIG-IT's historical and expected financials. By looking at 2019–21 revenue growth, the peers' average experienced a CAGR19–21 of +0.7% while DIG-IT's revenues registered a CAGR19–21 of 14.2%, higher than comparable growth. Over the 2021–24 period, DIG-IT's sales are expected to grow at a 33.1% CAGR vs 10.5% average of the peer's average. Looking at EBITDA, Digital360 registered a CAGR19–21 of 31.2%, outperforming the peers' average by ca. +31.4pp. According to our financial projection, DIG-IT's EBITDA shows an expected 31.7% CAGR21–24, compared with expected growth of the peers' average of +12.4%.

Peers Comparison – Sales and EBITDA Growth 2019–24

Company Name	Sales						CAGR 2019-'21	CAGR 2021-'24
	2019	2020	2021	2022	2023	2024		
Booz Allen	6,718	6,448	7,922	8,934	9,551	10,167	8.6%	8.7%
Gartner, Inc.	3,793	3,596	4,005	5,271	5,909	6,530	2.8%	17.7%
TechTarget, Inc.	120	130	223	313	359	399	36.5%	21.4%
RELX PLC	8,975	7,998	8,429	9,604	10,315	10,947	-3.1%	9.1%
Wolters Kluwer NV	4,612	4,603	4,771	5,221	5,459	5,714	1.7%	6.2%
Future plc	251	387	695	963	1,028	1,065	66.5%	15.3%
Informa Plc	3,294	1,868	2,093	2,611	2,937	3,184	-20.3%	15.0%
Peers Average	3,966	3,576	4,020	4,703	5,080	5,430	0.7%	10.5%
Digital360	26	26	34	56	73	81	14.2%	33.1%

Company Name	EBITDA						CAGR 2019-'21	CAGR 2021-'24
	2019	2020	2021	2022	2023	2024		
Booz Allen	725	689	886	964	1,031	1,098	10.5%	7.4%
Gartner, Inc.	606	665	987	1,152	1,243	1,377	27.7%	11.8%
TechTarget, Inc.	25	26	46	127	148	171	36.8%	n.m.
RELX PLC	3,222	2,660	2,976	3,595	3,909	4,211	-3.9%	12.3%
Wolters Kluwer NV	1,408	1,422	1,514	1,724	1,823	1,905	3.7%	8.0%
Future plc	51	108	229	345	374	395	n.m.	19.9%
Informa Plc	1,156	389	538	674	895	1,038	-31.8%	24.5%
Peers Average	1,028	851	1,025	1,226	1,346	1,456	-0.1%	12.4%
Digital360	4	5	7	10	14	16	31.2%	31.7%

Source: FactSet, KT&Partners' elaboration

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

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