

Digital360

Sector: Technology



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So far no signs of outlook deterioration

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.

1H22 Financials in line with our FY estimates

Digital360 (D360) released the full set of 1H22 financials, slightly better than the preliminary ones unveiled back in July, and in line with our FY estimates:

- ◆ **Total Revenues at €24.5mn**, +51% y/y (Demand Generation +66% y/y, Advisory +32% y/y) boosted by both organic growth (+21% y/y on a l-f-l basis) and M&A impact;
- ◆ **EBITDA at €5.0mn** (€3.7mn in 1H21), EBITDA Margin at 20.5%;
- ◆ **Net Cash Position at €2.4mn** vs. €3.1mn of December 2021, following more than €5.0mn of CapEx and Financial Investments.

Worthy to note, 1H22 recurring revenues (ARR) were up +33% y/y at **€10.2mn**, some 40% of total revenue.

Risk ahead mitigated by P.A. and secular trends

During the post release conference call D360 stated that 2022 budget is already secured, while 2023 doesn't show signs of slowdown yet. Indeed, Public Administration contracts are multi-annual (and NRRP ensures more and more new business), while backlog related to private customers is strongly up thanks to secular drivers such as digital transformation and cybersecurity protection. At the same time, the focus on M&A is still strong, with 10 deals in the pipeline, the majority in Spanish speaking countries.

Unchanged 2022E-24E forecasts, but for recent M&A

We're maintaining unchanged our "organic" 2022E-24E estimates, while adding the contribution of recently acquired Meridiana and X3 Media. As an effect, in 2024E we now forecast Value of Production exceeding the €90mn level, EBITDA at ca. €19mn, Adj. Net Profit at ca. €9mn, and Net Debt substantially at break-even despite minorities squeeze out expenses.

Fair value updated at €5.75 p.s. (from €5.54)

We update D360 fair equity value p.s. at €5.75 (up from €5.54), with the increase being some 70% driven by the additional value generated by latest M&A deals, and the remaining 30% by a marginal rerating of Italian Peers' multiples.

At fair value, the stock would trade at 8.7x EV/EBITDA, 10.1x EV/EBITA, 16.4x P/E Adj., based on 2023E figures.

Fair Value (€)	5.75
Market Price (€)	4.20
Market Cap. (€m)	85.6

KEY FINANCIALS (€mn)	2021A	2022E	2023E
VALUE OF PRODUCTION	36.0	56.0	80.1
EBITDA	6.9	10.5	16.2
EBITA (*)	5.0	8.4	13.8
NET PROFIT ADJ. (*)	3.2	5.1	7.1
EQUITY	16.4	24.0	29.8
NET FIN. POS.	3.1	-9.1	-5.3
EPS ADJ (€)(*)	0.17	0.25	0.35
DPS (€)	0.00	0.00	0.00

Source: Digital360 (2021A), Value Track (2022E-23E estimates)
(*) Before goodwill amortization

RATIOS & MULTIPLES	2021A	2022E	2023E
EBITDA MARGIN (% VoP)	20.2	19.3	20.6
EBITA MARGIN (% VoP)	13.8	14.9	17.2
NET DEBT / EBITDA (x)	-0.4	0.9	0.3
NET DEBT / EQUITY (x)	-0.2	0.4	0.2
EV/SALES (x)	2.4	2.1	1.4
EV/EBITDA (x)	12.1	11.0	6.7
EV/EBITA (x)	16.9	13.8	7.9

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

STOCK DATA

FAIR VALUE (€)	5.75
MARKET PRICE (€)	4.20
SHS. OUT. (m)	20.4
MARKET CAP. (€m)	85.6
FREE FLOAT (%)	28.2
AVG. -20D VOL. (#)	45,212
RIC / BBG	DIG.MI / DIG.IM
52 WK RANGE	3.99-5.18

Source: Stock Market Data



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
Total Revenues	34.4	54.3	78.4	88.6
Chg. % YoY	52.7%	58.0%	44.4%	12.9%
EBITDA	6.9	10.5	16.2	19.1
EBITDA Margin (%)	20.2%	19.3%	20.6%	21.5%
EBIT	3.6	5.5	10.0	12.7
EBIT Margin (%)	10.5%	10.1%	12.7%	14.4%
Net Profit	1.8	1.7	3.3	5.1
Chg. % YoY	-513.9%	-4.6%	90.5%	54.9%
Adjusted Net Profit	3.2	5.1	7.1	8.9
Chg. % YoY	nm	60.7%	40.6%	25.3%
Net Fin. Position	3.1	-9.1	-5.3	1.4
Net Fin. Pos. / EBITDA (x)	nm	0.9	0.3	nm
Net Investments	-3.2	-3.0	-3.5	-3.7
OpFCF b.t.	7.6	7.0	11.0	14.7
OpFCF b.t. as % of EBITDA	109.7%	66.6%	67.9%	76.9%

Source: Digital360 (historical figures), Value Track (estimates), (*)Like-4-Like data

Investment case

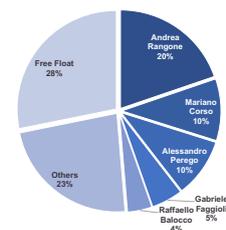
Strengths / Opportunities

- ◆ 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

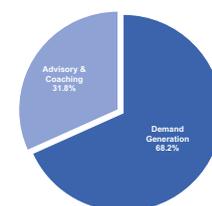
- ◆ Lower size if compared to competitors;
- ◆ Business model fine tuning implies an execution risk and may require additional managerial / technical capabilities, as well as additional funding.

Shareholders Structure



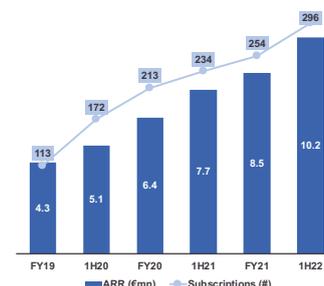
Source: Digital360

Revenues by Business Unit



Source: Digital360 (FY20)

ARR – Annual Recurring Revenues



Source: Digital360, Value Track Analysis

Stock multiples @ €5.75 Fair Value

	2022E	2023E
EV / SALES (x)	2.7	1.8
EV / EBITDA (x)	14.0	8.7
EV / EBIT (x)	28.6	14.1
EV / CE. (x)	4.4	4.0
OpFCF Yield (%)	5.3	9.2
P / E Adj. (x)	23.1	16.4
P / BV (x)	5.6	4.8
EV / EBITA (x)	17.5	10.1

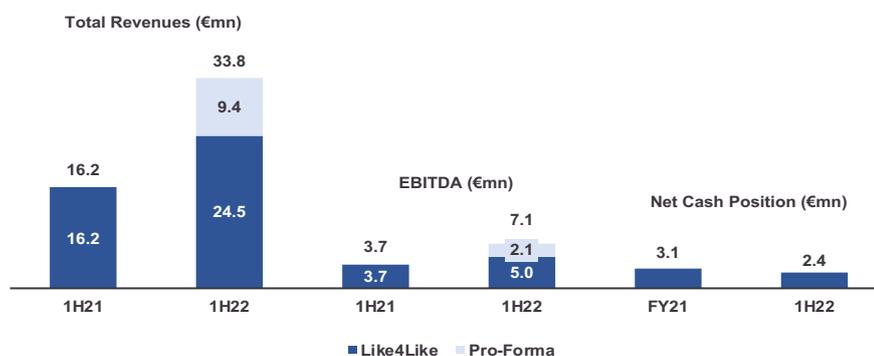
Source: Value Track

1H22 Financials in line with FY estimates

Digital360 released the full set of 1H22 financials that turned out slightly better than the preliminary results anticipated back in July. Despite macro and geopolitical uncertainties, the Group did not report negative consequences on the business, but rather continued its extremely positive organic growth path further boosted by the M&A deals finalized in 2H21-1H22. More in details:

- ◆ **Total Revenues at €24.5mn** (€33.8mn Pro Forma if we include all M&A deals finalized so far on 12 months basis) vs. €16.2mn, i.e. +51% y/y (+108% PF y/y);
- ◆ **EBITDA at €5.0mn** (€7.1mn PF) vs. 3.7mn, and EBITDA Margin at 20.5% (20.9% PF), losing some bps y/y (but exceeding FY21 20.2%) due to the lower profitability of some of the consolidated subsidiaries (e.g. Imageware, ICT Lab) and some non-recurring M&A fees;
- ◆ **EBIT Adj. at €3.8mn** (€5.6mn PF) and **Net Profit Adj. at €2.6mn** (€3.8mn PF), growing in line with EBITDA with respect to 1H21;
- ◆ **Net Cash Position at €2.4mn** vs. €3.1mn of December 2021, following more than €5.0mn of CapEx and Financial Investments.

Digital360: Key Financials 1H21-1H22



Source: Digital360, Value Track Analysis

We note that 1H22 financials benefitted from the full six months consolidation of subsidiaries acquired in 2H21 (Innovation Post, Service Pro, IQ Consulting, CTMobi, Imageware, ICT Lab) and from the *pro-rata temporis* contribution of 1H22 acquisitions (Corecube, Digital Sales, BPS and Del Monte).

Pro-Forma data is a simulation of the full 6 months contribution of all the above-mentioned companies together with Xona (agreement reached in January 2022 but deal not finalized yet).

Digital360: Key Financials 1H21-1H22

(IT GAAP, €mn)	1H21	1H22 L4L	y/y (% , bps)	1H22 PF	y/y (% , bps)
Total Revenues	16.2	24.5	51%	33.8	108%
EBITDA	3.7	5.0	35%	7.1	88%
EBITDA Margin (%)	23.1%	20.5%	-260bps	20.9%	-220bps
EBIT Adj. (*)	2.8	3.8	35%	5.6	99%
EBIT Margin Adj. (%)	17.5%	15.6%	-190bps	16.6%	-90bps
Net Profit Adj. (*)	1.9	2.6	34%	3.8	99%
Net Cash Position	3.1 (**)	2.4	n.m.	2.4	n.m.

Source: Digital360, Value Track Analysis, (*) Adjusted for Goodwill Amortization, (**) Referring to FY21

As far as the Top Line is concerned, Digital360 recorded **Total Revenues for €24.5mn** in 1H21. Adding tax credits and other Revenues, Value of Production amounted to €25.9mn (€35.3mn PF).

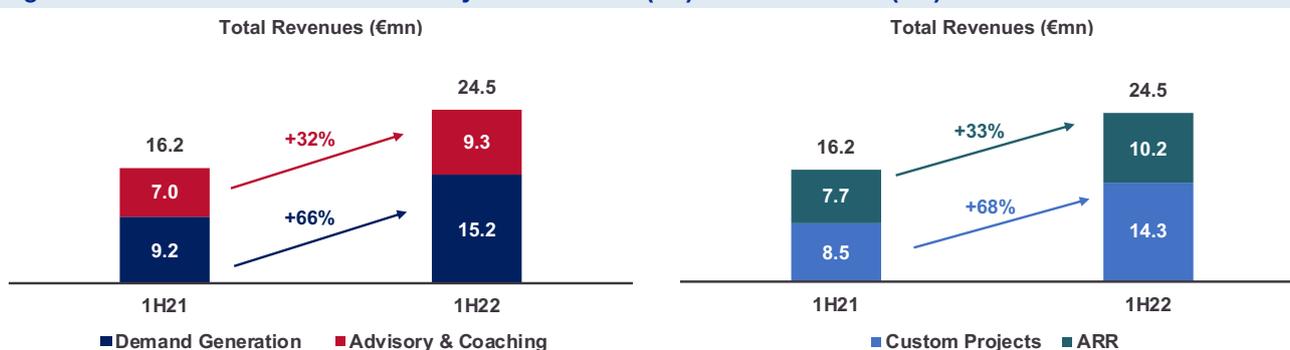
Organically, Total Revenues were up +21% y/y from €16.2mn to €19.6mn (hence, companies acquired in 2H21-1H22 contributed with ca. €4.9mn to the total reported data).

In terms of Sales breakdown, **Demand Generation** was up a significant +66% y/y to €15.2mn (now weighting for ca. 62% of Total Revenues), also positively impacted by the greater weight of acquisitions (e.g., Imagewear), while **Advisory** was up +32% y/y to €9.3mn.

Recurring *Digital-as-a-Service* revenues (**ARR**) stood at **€10.2mn** vs. €8.5mn FY21 and €7.7mn 1H21 (+33% y/y), while number of subscriptions got to 296 (+62 net adds y/y), also thanks to the integration of new subsidiaries such as Digital Sales and Del Monte.

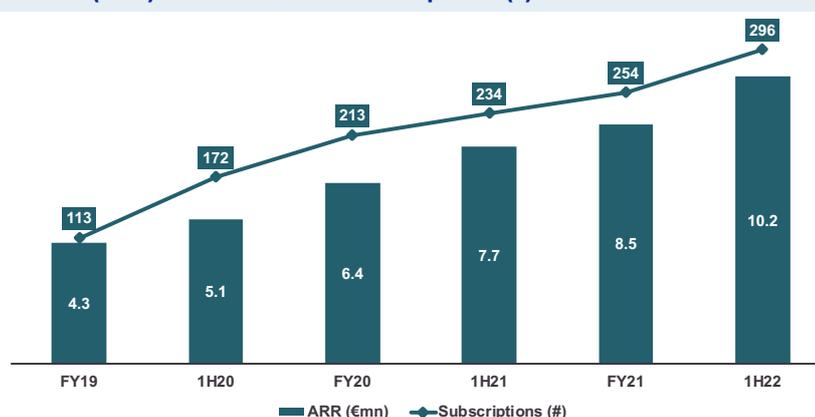
We underline that 2H22 acquisitions should strongly push ARR in the coming months, given the recurrent nature of their business.

Digital360: Total Revenues breakdown by Business Unit (lhs) and Recurrence (rhs)



Source: Digital360, Value Track Analysis

Digital 360: ARR (€mn) and Number of Subscriptions (#)



Source: Digital360, Value Track Analysis

EBITDA, EBIT Adj. and Net Profit Adj. increased by ca. 35% y/y (2x y/y PF), with EBITDA margin down by ca. 260bps due to the current lower profitability of some subsidiaries and because of some M&A fees.

Net Financial Position was impacted by €3.9mn cash-out for acquisitions and €1mn-€2mn of CapEx, only partially setoff by operating activities and the €1.1mn capital injection relative the convertible bond. However, Net Cash worsened by only €0.7mn to €2.4mn as of 1H22.

Digital360: P&L 1H21-1H22

(IT GAAP, €mn)	1H21	1H22	y/y (%)
Total Revenues	16.2	24.5	51%
Value of Production	16.9	25.9	53%
COGS	-7.5	-12.7	
Labour Costs	-5.7	-8.2	
EBITDA	3.7	5.0	35%
<i>EBITDA Margin (%)</i>	23.1%	20.5%	-260bps
D&A (ex-Goodwill Amortization)	-0.9	-1.2	
EBIT Adj. (i.e. EBITA)	2.8	3.8	35%
<i>EBIT Margin Adj. (%)</i>	17.5%	15.6%	-190bps
Goodwill Amortization	-0.5	-0.7	
EBIT	2.3	3.1	36%
<i>EBIT Margin (%)</i>	14.1%	12.6%	-145bps
Net Financial Charges	-0.1	-0.2	
Taxes	-0.8	-1.0	
Minorities	0.0	-0.4	
Net Profit	1.4	1.5	7%
Net Profit Adj.	1.9	2.6	34%

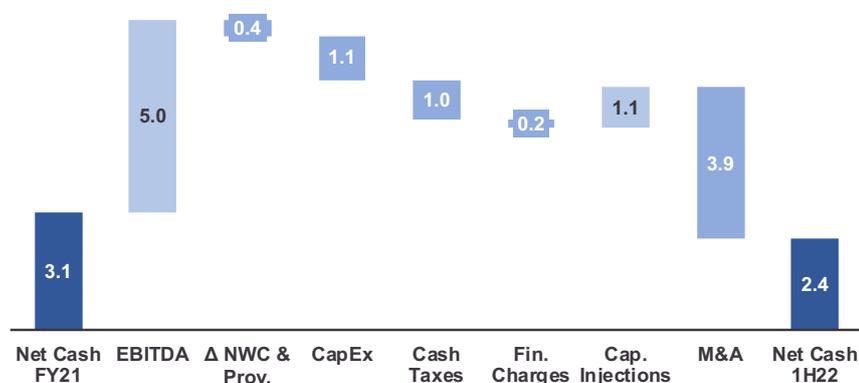
Source: Digital360, Value Track Analysis

Digital360: Balance Sheet FY21-1H22

(IT GAAP, €mn)	FY21	1H22
Net Fixed Assets	15.1	18.0
Net Working Capital	1.3	2.0
Provisions	3.1	3.3
Total Capital Employed	13.3	16.7
Group Net Equity	16.4	19.1
Net Financial Position [Net debt (-)/ Cash (+)]	3.1	2.4

Source: Digital360, Value Track Analysis

Digital 360: Restated Cash Flow Statement FY21-1H22



Source: Digital360, Value Track Analysis

Messages from 1H22 conference call

After the release of 1H22 figures, D360 has hosted a webinar to shed some more color on next to come strategic directions and growth drivers.

Management didn't disclose anything new compared to what already highlighted in the recent past but provided a useful recap confirming the Group focus on scouting new opportunities to increase its international footprint, while continuing to boost its financials thanks to the integration and synergies of new subsidiaries. Find here below the slides summarizing all the strategic guidelines.

Digital360: Growth Drivers

Growth Drivers

ITALY

Organic Growth

- ✓ Growth in current businesses (strong **market traction**)
- ✓ **Entry into new correlated businesses** (e.g. in DG Business Unit, other B2B industries; in A&C, new practices)

M&A

- ✓ DG: acquisitions of B2B publishers, Martech providers, Marketing agencies, etc.
- ✓ A&C: acquisitions of Advisory and Technology companies

INTERNATIONAL

focus on DG in Spain and Latam so far

- ✓ **Acquisitions** of Publishers, Martech agencies, traditional Marketing & Events agencies (with focus on ICT market)
- ✓ **Boost of their organic growth** based on our *Knowledge* and *Technology* assets (and local development of *Content* and *Data* assets)
- ✓ Leverage on **our top clients's presence in Spain e Latam** (Tech Giants)
- ✓ Future opportunity to exploit the local presence to launch also **A&C services**

Source: Digital 360

Digital360: Strategic directions

Strategic directions

SD1 Investments in our strategic assets (Knowledge, Content, Technology, Data assets)

SD2 Subscription services

SD3 M&A

SD4 Internationalization

SD5 Empowerment of managerial structure

SD6 Benefit Company

Source: Digital 360

Out of the above highlighted strategic guidelines, a spotlight has been centered 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 next to come M&A driven growth abroad in all Spanish speaking countries.

Please refer to our previous equity research reports to get more details on the value creation opportunity deriving from these strategies.

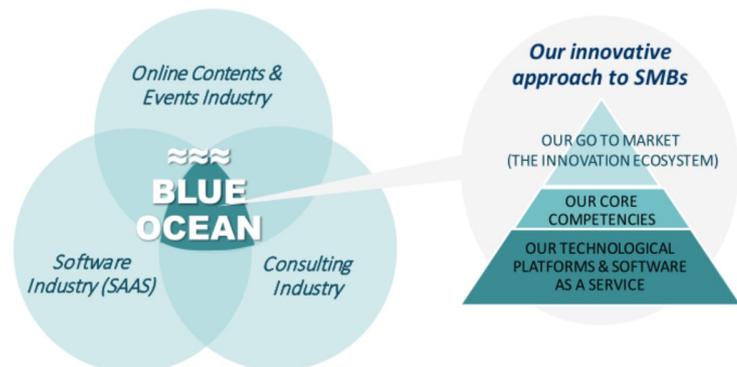
Digital360: Focus on DaaS business



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-as-a-service platforms
- promoted and sold through our community (innovation ecosystem)



Source: Digital 360

Digital360: Focus on internationalization strategy

SD4 - Internationalization

- ✓ An in-depth analysis of the international scenario carried out last year 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!)
 - many similarities with Italy: culture, industrial tissue (role of SMBs), digital maturity, etc.
 - 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 in Italy, can play an important role of aggregation and consolidation in these markets, becoming the reference player in the whole region for all global ICT Vendor, in the logic of one-stop-shop
- ✓ Three companies already acquired Xona, BPS – Business Publications Spain, X3 Media
- ✓ Important pipeline of target companies (10)

Source: Digital 360

Forecasts 2022E-24E

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

On the contrary, the inclusion in Digital360 consolidation perimeter of Meridiana and X3 Media (more details on the deal in the appendix) affects 2022E ("pro-rata temporis") and 2023E financials, not only in terms of additional revenues and EBITDA, but also for some additional one-off expenses (advisory, legal and so on), additional goodwill amortization, and deal cash out.

Digital360: New vs. Old 2022E-24E forecasts

(IT GAAP, €mn)	2022E			2023E		
	Old	New	Δ (%)	Old	New	Δ (%)
Revenues from Sales	53.3	54.2	16.9%	72.1	78.3	8.6%
o/w M&A impact	9.3	10.2	9.7%	21.5	27.8	29.3%
Organic	44.0	44.0	0.0%	50.6	50.6	0.0%
Other Revenues	1.8	1.8	0.0%	1.8	1.8	0.0%
Value of Production	55.1	56.0	16.3%	73.9	80.1	8.4%
EBITDA before non-recurring costs	10.5	11.0	10.0%	15.0	16.2	8.0%
<i>EBITDA Margin (%)</i>	19.5%	20.2%	70bps	20.8%	20.6%	-20bps
EBITDA post- non-recurring costs	10.0	10.5	5.0%	15.0	16.2	8.0%
EBIT (post Goodwill amortization)	6.0	5.5	-8.3%	10.3	10.0	-2.9%
Net Profit	2.4	1.7	-29.2%	4.4	3.3	-25.0%
Net Profit Adj.	4.8	5.1	6.3%	6.7	7.1	6.0%
Net Financial Position	-5.6	-9.1	-3.5	-6.2	-5.3	0.9

Source: Value Track Analysis

As an effect, as far as 2022E-24E years are concerned we now forecast:

- ◆ **Value of Production exceeding the €90mn level as of 2024E**, driven by organic growth and by upselling / cross selling synergies with the acquired companies;
- ◆ **EBITDA at ca. €19mn in 2024E**, with EBITDA margin getting back above 20% of revenues already as of 2023E;
- ◆ **Adjusted Net Profit at ca. €8.9mn in 2024E**;
- ◆ **Net Debt Position at ca. €5.3mn in 2023E**, ca. 0.3x 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 forecast Digital360 to post some €68.2mn Revenues and €13.4mn EBITDA.

Digital360: P&L 2021A-24E

(IT GAAP, €mn)	2021A	2022E	2023E	2024E
Revenues from Sales	33.7	54.2	78.3	88.5
Other Revenues	0.7	0.1	0.1	0.1
Total Revenues from Sales	34.4	54.3	78.4	88.6
Capitalized Dev. Costs & R&D Tax Credits	1.6	1.7	1.7	1.7
Value of Production	36.0	56.0	80.1	90.3
COGS	-17.7	-28.2	-46.2	-71.2
Labour Costs	-11.4	-16.8	-17.7	0.0
EBITDA	6.9	10.5	16.2	19.1
<i>EBITDA Margin (% of Tot. Revenues)</i>	<i>20.2%</i>	<i>19.3%</i>	<i>20.6%</i>	<i>21.5%</i>
D&A (ex. Goodwill Amortization)	-2.0	-2.1	-2.4	-2.5
EBIT Adj. (i.e. EBITA)	5.0	8.4	13.8	16.6
Goodwill Amortization	-1.4	-2.9	-3.9	-3.9
EBIT	3.6	5.5	10.0	12.7
<i>EBIT Margin (% of Tot. Revenues)</i>	<i>10.5%</i>	<i>10.1%</i>	<i>12.7%</i>	<i>14.4%</i>
Net Financial Charges	-0.3	-0.2	-0.1	0.0
Taxes	-1.3	-2.4	-4.0	-5.4
Minorities	-0.2	-1.2	-2.5	-2.2
Net Profit (Loss)	1.8	1.7	3.3	5.1
Net Profit Adj.	3.2	5.1	7.1	8.9

Source: Digital360, Value Track Analysis

Digital360: Balance Sheet 2021A-24E

(IT GAAP, €mn)	2021A	2022E	2023E	2024E
Net Fixed Assets	15.1	34.4	34.7	34.6
Net Working Capital	1.3	2.4	4.3	5.3
Provisions	3.1	3.7	3.9	4.2
Total Capital Employed	13.3	33.2	35.1	35.7
Group Net Equity	16.4	24.0	29.8	37.2
Net Fin. Pos. [Net debt (-)/ Cash (+)]	3.1	-9.1	-5.3	1.4

Source: Digital360, Value Track Analysis

Digital360: Cash Flow Statement 2021A-24E

(IT GAAP, €mn)	2021A	2022E	2023E	2024E
EBITDA	6.9	10.5	16.2	19.1
Δ NWC (inc. Δ Prov.)	3.9	-0.5	-1.7	-0.7
CapEx (not incl. Fin. Inv.)	-3.2	-3.0	-3.5	-3.7
Cash Taxes	-1.3	-2.4	-4.0	-5.4
OpFCF a.t.	6.3	4.6	6.9	9.3
Fin. Investments	-5.8	-21.4	-3.0	-2.5
Net Financial Charges	-0.3	-0.2	-0.1	0.0
Change in Equity	4.3	4.7	0.0	0.0
Change in Net Fin. Pos.	4.4	-12.2	3.8	6.7

Source: Digital360, Value Track Analysis

Fair value p.s. at €5.75

Following 1H22 results and our estimates revision based on the inclusion of Meridiana and X3 Media in DIG360 consolidation perimeter, we are updating our **fair equity value p/s at €5.75** (from €5.54), implying a ca. 35% upside vs. current market price. At fair value, we note that DIG360 would trade at 8.7x EV/EBITDA, 10.1x EV/EBITA, 16.4x P/E Adj., based on 2023E figures.

Digital360: Italian EGM-listed Peers

	EV/Sales		EV/EBITDA		EV/EBIT		P/E Adj.	
	2022E	2023E	2022E	2023E	2022E	2023E	2022E	2023E
Total Average	2.3	1.8	10.4	8.0	16.4	11.2	24.2	16.9
Total Median	2.4	2.0	10.5	7.6	16.1	10.3	23.3	15.0
DIG360 @ Mkt Price	1.7(*)	1.4	8.6(*)	6.7	13.8(**)	7.9(**)	16.9	12.0
Discount % vs. Avg.	-28%	-22%	-17%	-16%	-16%	-30%	-30%	-29%
Discount % vs. Med.	-30%	-31%	-18%	-12%	-14%	-24%	-28%	-20%

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

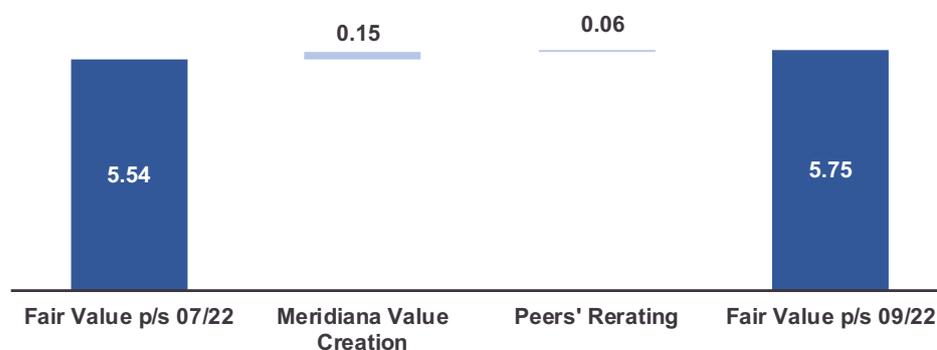
Digital360: Multiples sensitivity at various stock price levels

Price 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
€4.30	1.4	1.1	6.8	5.3	8.0	6.1	12.3	9.8	1.7	8.8
€4.80	1.5	1.2	7.5	5.8	8.7	6.7	13.7	11.0	1.8	9.5
€5.30	1.6	1.3	8.1	6.4	9.5	7.3	15.1	12.1	2.0	10.3
€5.75	1.7	1.4	8.7	6.9	10.1	7.9	16.4	13.1	2.1	11.0
€6.30	1.9	1.6	9.3	7.4	11.0	8.6	18.0	14.4	2.3	11.8
€6.80	2.0	1.7	10.0	8.0	11.7	9.2	19.4	15.5	2.4	12.6
€7.30	2.1	1.8	10.6	8.5	12.4	9.8	20.9	16.7	2.6	13.3

Source: Value Track Analysis

We underline that the 21bps fair value increase is 70% driven by the value generated by Meridiana and X3 Media deals, while the remaining 30% is due to a marginal rerating of Italian Peers' multiples.

Digital360: "New" vs. "Old" Fair Value p/s



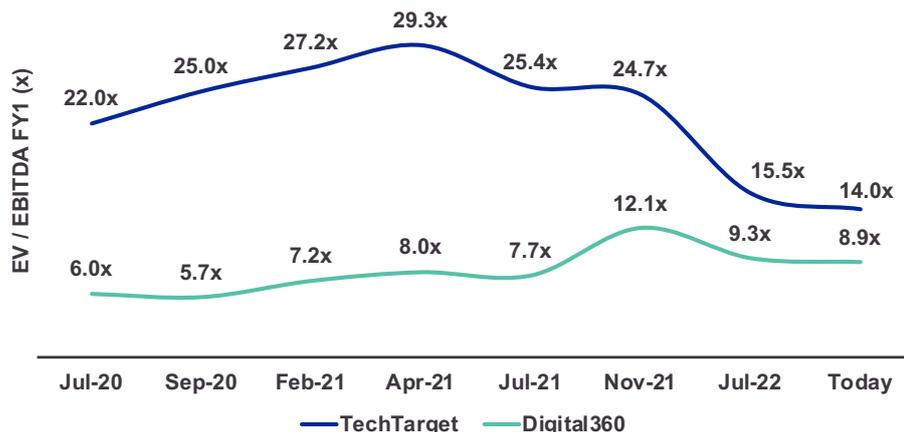
Source: Value Track Analysis

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 premium vs. Digital360 but we note that such premium is shrinking (also compared to last July) and ideally, as long as Digital 360 expansion in foreign markets continues, it should keep shrinking even more.

TechTarget vs Digital360: EV/EBITDA FY1 historical evolution (*)



Source: Market Consensus, Value Track Analysis

(*) D360 EBITDA on Pro Forma basis including all M&A deals on 12 months basis

IRR Analysis cross check

Assuming a 10.0x FY1 EV/EBITDA “fair” exit multiple, and a two-years holding period, we calculate an **annualized 40% IRR (gross of tax)**, corresponding to an “exit” €177mn Equity Value, i.e. ca. **€8.7 per share**.

Digital360: IRR from investing today with exit at 10x EV/EBITDA in 2024E

(€mn)	2024E
EBITDA (€mn)	19.1
Exit EV/EBITDA Multiples (x, FY1) in September 2024	10.0x
Implied “exit” Enterprise value (€mn)	190.7
Net Financial Position 2024E adjusted for future minorities cash out (€mn)	-13.6
Equity value (€mn)	177.1
Number of shares (mn)(post minorities squeeze out)	20.4
Equity value per share at exit (€)	8.69
Annualized IRR	40%

Source: Value Track Analysis

Appendix - Recap on M&A

With latest 12 months deals, we estimate D360 to have added to its consolidation perimeter some:

- ◆ **€18.4mn Revenues;**
- ◆ **€3.9mn EBITDA (21% EBITDA margin).**

We calculate that all 2021-22 M&A deals announced so far are worth ca €31mn value (plus future cash out to squeeze out minorities in 2023E-2026E years), partly financed in cash and partly in new shares issued, with a **pro-quota 7.2x EV/EBITDA acquisitions multiple**, (6.4x if we do not take CryptoNet Labs into accounting) pointing out at highly value accretive deals.

Digital360: M&A deals FY21 and 2022 YTD

Target	Business Profile	Signing Date	Closing Date	Acq. Stake (%)	Acq. Value (€mn)	Rev.FY0 (€mn)	EBITDAFY0 (€mn)	NFPFY0 (€mn)	EV/EBITDA (x)
Service Pro	B2B marketing	06-05-21	06-05-21	49% (**)	4.03	3.6	1.0	1.3(****)	2.7
IQ Consulting	Supply chain management	06-05-21	06-05-21	49% (**)	0.4	1.4	0.4	0.2*	0.5
IP S.r.l.	Digital media, Industry 4.0	15-03-21	15-03-21	100%	0.18	0.18(*)	0.04*	0.0*	5.0
CTMobi Srl.	Software house Cloud sol.	23-06-21	12-07-21	100%	0.69	0.45	0.07	0.2	6.7
Imageware	Marketing & Communicat.	17-09-21	14-10-21	51%	4.6	6.0	0.6	2.5	4.0
ICT LAB Srl	Dig. Transf. advisory P.A.	21-09-21	14-10-21 (*)	51%	1.98	2.0	0.6	0.24(****)	4.4
Corecube	Training courses for P.A.	09-12-21	13-01-22	75%	0.075	n.m.	n.m.	n.m.	n.m.
Digital Sales	MarTech & SalesTech	22-02-22	22-02-22	51%	0.15	n.m.	n.m.	n.m.	n.m.
XONA	MarTech, LATAM	25-02-22	N/A	51%	0.395	0.6	0.1	0.0(****)	8.7
BPS	ICT Content, Spain	14-06-22	14-06-22	70%	1.19	1.4	0.25	0.3	5.6
Methodos	ConsultTech	27-06-22	05-07-22	51%	4.81(****)	9.0	1.5	0	7.5
Del Monte	MarTech & SalesTech	28-06-22	28-06-22	51%	ca. 0.45	1.1	0.1	-0.5	8.5
CryptoNet Labs	Cybersecurity services	30-06-22	13-07-22	75%	ca.10.7	2.8	1.35	1.5	9.5
Meridiana Italia	Dig. Transf. advisory P.A.	25-07-22	N/A	51%	3.3	4.70	0.80	0.17	8.1
X3Media	MarTech & SalesTech	15-09-22	N/A	51%	0.2	0.35	0.02	0.0	10.2
Total						34.1	6.8	5.0	
Total Pro-Quota					ca. 31.1	18.6	3.9	3.0	ca. 7.2

Source: Digital360, Value Track Analysis, (*) 25.5% on 14-10-21 and other 25.5% on 26-04-22,

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

(***) €4.26 + max €1.1mn earn out (VT est. 50%), (****) Value Track Estimates

Digital360: Finalized M&A Deals

DIGITAL360

Demand Generation Business Unit

Advisory & Coaching Business Unit

Source: Digital 360

Here follows a brief profile of the latest acquisitions/agreements from March 2021:

1. **Service Pro Srl** (49%), full-service marketing agency involved in the organization of events and management of demand and lead generation. The company recorded €3.6mn revenues and €1.4mn EBITDA (27% EBITDA Margin) in 2020A;
2. **IQ Consulting Srl** (49%), university spin-off focused on Industry 4.0 and supply chain management, with €1.4mn revenues and €0.4mn EBITDA (EBITDA Margin ~30%) in 2020A;
3. **Innovation Post Srl** (100%), online news media already owned at 10%, for a total consideration of €180K to be paid in two cash tranches (at closing, and the second one in June 2022);
4. **CTMobi Srl** (100%), software house specialized in the development of cloud solutions and AWS Services. In FY20, the company achieved ca. €450K revenues, €70K EBITDA.;
5. **Imagewear** (51%), a marketing and communication agency, which focuses on the PR and social media, creativity and communication projects, and organization of physical and digital events. Imageware Group achieved revenues at ca. €6mn in FY20 and ca €0.6mn EBITDA;
6. **ICT Lab** (51%), a company which specializes in the advisory for digital transformation of the PA, likely to benefit from the PNRR and other investments regarding the PA digitalization over the next years. ICT Lab has recorded €1.4mn revenues (we expect some €2mn revenue in 2021E) and ~20% EBITDA Margin in FY20;
7. **Corecube** (75%), company active in the design of training courses for professionals;
8. **Digital Sales Srl** (51%), start-up providing B2B MarTech and SalesTech solutions;
9. **Xona** (51%), martech agency based in Buenos Aires operating with major LATAM-focused ICT vendors, providing a wide offer of marketing services, including communication, PR. Digital and physical events organization. Xona closed FY21 with ca. \$1.3mn Revenues and \$0.1mn EBITDA;
10. **Business Publications Spain S.L.** ("BPS", 70%), Spanish company producing content on digital innovation and ICT, offering a wide range of services including events, webinars, communication campaigns and lead generation programs. FY21 Revenues at €1.4mn, EBITDA at €0.25mn;
11. **Gruppo Methodos** (51%), long-established company active in management of organizational and cultural change in companies. Also expanded its business with software platforms supporting behavioral changes and digital transformation. FY21 Revenues at €9.0mn, EBITDA at €1.5mn;
12. **Del Monte & Partners** (51%), company specialized in digital solutions to support B2B 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. FY21 Revenues at €1.1mn, EBITDA at €0.1mn;
13. **CryptoNet Labs Srl** (75%), young company active in the field of active and passive systems for Cybersecurity, offering services, consultancy and technological platforms for the monitoring and defense of corporate data and information. FY21 Revenues at €2.8mn, EBITDA margin at 47%;
14. **Meridiana Italia Srl** (51%), consulting company for digital transformation of PA. More specifically, Meridiana supports organizations and institutions in the design, management, evaluation and monitoring of programs and projects using European and national structural funds. FY21 VoP amounted to €4.7mn and EBITDA Adjusted of €0.8mn and Net Debt of €0.8mn. Digital is set to acquire Meridiana in November for €3.3mn, cash and maximum €0.62mn in paper;
15. **X3Media** (51%), Colombian agency specialized in MarTech and SalesTech solutions based in Bogota with FY21 Revenues of €350k and EBITDA of ca. €20k. DIG30 acquired X3Media in September in €204k all-cash deal, with a Put & Call option for the remaining 49% exercisable after FY25 approval at a price depending on FY24E-25E EBITDA.

Appendix – Peer’s Multiples

Digital360: Italian EGM listed Peers

Company	EV/Sales (x)		EV/EBITDA (x)		EV/EBIT (x)		P/E (x)	
	2022E	2023E	2022E	2023E	2022E	2023E	2022E	2023E
Growens	0.7	0.6	14.1	9.2	nm	nm	nm	nm
Cyberoo	3.7	2.2	8.6	nm	11.8	4.4	18.3	7.4
CY4Gate	3.2	2.4	11.9	7.7	17.6	10.5	24.1	15.4
Neosperience	1.2	0.9	4.1	nm	10.6	5.8	17.4	9.8
Relatech	1.5	1.2	7.8	5.8	11.6	8.9	15.4	12.4
Unidata	2.4	1.9	8.2	6.3	16.1	10.1	23.3	14.5
Doxee	2.4	2.0	12.1	7.6	nm	16.9	nm	23.5
Vantea Smart	1.2	0.9	10.5	6.5	12.9	7.8	18.2	11.2
Reevo	4.0	3.2	14.9	11.6	25.3	18.1	46.4	35.1
Almawave S.p.A.	2.4	2.0	12.9	10.0	23.7	17.0	28.1	20.9
DHH	2.9	2.2	9.5	7.1	18.3	12.3	26.5	19.1
Total Average	2.3	1.8	10.4	8.0	16.4	11.2	24.2	16.9
Total Median	2.4	2.0	10.5	7.6	16.1	10.3	23.3	15.0
DIG @ Mkt price	1.7(*)	1.4	8.6(*)	6.7	13.8(**)	7.9(**)	16.9	12.0
<i>Discount % vs. avg.</i>	-28%	-22%	-17%	-16%	-16%	-30%	-30%	-29%
<i>Discount % vs. med.</i>	-30%	-31%	-18%	-12%	-14%	-24%	-28%	-20%

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

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