

Italy – IT Services

Gilt-edged interim turnover, well on track for FY target

4th August 2022

H1-22 REVENUES RELEASE

RIC: DGV.MI
BBG: DGV IM

Once again, DGV reported rising revenues with significant market share gain thanks to DGV's competitive positioning in the Infrastructure ICT and Managed Service segments based on a wide array of technological solutions and partnerships with global vendors in addition to relevant professional skills. The ongoing acceleration in the digitisation process still represents a robust value driver.

Rating:

Buy

Price Target:

€ 120.00

Upside/(Downside): 89.3%

Last Price: € 63.40

Market Cap.: € 632.1m

1Y High/Low: € 120.40/€ 53.90

Avg. Daily Turn. (3M, 6M): € 603k, € 765k

Free Float: 35.3%

Major shareholders:

DV Holding 64.7%



Stock price performance

	1W	3M	12M
Absolute	9.7%	-17.0%	-20.8%
Rel.to FTSE IT Growth	13.5%	-17.9%	-4.9%
Rel.to Peers	1.5%	-14.9%	-14.8%

Analysts:

Luca Arena
+39 02 30343 395
luca.arena@cfosim.com

Gianluca Mozzali
+39 02 30343 396
gianluca.mozzali@cfosim.com

Luca Solari
+39 02 30343 397
luca.solari@cfosim.com

Top-notch H1-22 preliminary revenues - Positive stance reiterated

Digital Value reported a rising H1-22, more than well on track to reach our FY-22 estimate, since usually turnover in the first half of the year accounts for some 46/47% of the FY number. On average, contract duration is increasing, extending, to a certain extent, business visibility. In addition, the numbers entail a bolder presence in the promising lucrative Industry and Finance vertical. The investment case has proven rock solid: with its 450 certifications, 30-year seniority in the business, a well-balanced customer portfolio including over 2,000 names and the status of a listed company, DGV is well positioned to continue outperforming the market and benefit from the future implementation of the Recovery Plan in Italy. Estimates, valuation and recommendation confirmed. DGV reports full H1-22 results on 7-Sep.

Interim preliminary revenues up 31.5%, once again beating the market

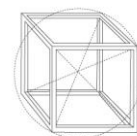
H1-22 preliminary turnover rose 31.5% YoY to € 337.2m. Sales were up 20.3% on a pro-forma basis, i.e. including TT Tecnosistemi, acquired in Nov-21, in H1-21 figures. H1-22 is the seventh consecutive growing semester, offering a 21.1% CAGR₁₉₋₂₂. Sales are broadly in line in terms of reference markets, Telco & Media accounted for 34.3% of total, Industry and Finance 32.2%, Large Public Admin 23.1% and Local Public Admin 10.4%. The recently acquired TT Tecnosistemi recognised € 28.2m turnover, up 17.8% vs. H1-21, doubling the historical CAGR of the company, leveraging up-selling and cross-selling activities with the rest of the group. It is worth mentioning that interim top line numbers were only marginally enhanced by the potential incremental impact of the National Recovery and Resilience Plan (Piano Nazionale di Ripresa e Resilienza - PNRR).

Next generation data centers remain the key business area for DGV

The Digital Business Transformation business unit realised € 112.3m, up 59.3% YoY and represented the main growth driver for DGV, totalling 33.3% of total revenues. This business unit includes Edge Computing activities, Big Data analytics and Cloud and Software Platforms delivered in PAAS-SAAS mode, in addition to Secure Integration and Video Communication services. Next Generation Data Center activities represent DGV's 'core business' and generated turnover to the tune of € 142.7m, up 5.0% YoY broadly in line with the reference market, totalling 42.3% of total revenues. The business segment includes the recurring part of the group's revenues as well as the evolution of activities related to physical and virtual Data Center infrastructures, Evolved Networks and their security. Smart Workplace Transformation solutions reached € 82.2m, up 11.2% YoY. The business unit represented 24.4% of H1-22 top line and supports and implements the digital transformation of its customers' workstations and personal productivity, including end-point security.

Digital Value, key financials and ratios

€ m	2020	2021	2022e	2023e	2024e
Sales	440.6	555.9	698.9	813.5	947.8
EBITDA	45.4	57.5	71.2	85.2	102.5
EBIT	34.0	44.5	56.1	70.2	87.5
Net profit	24.1	30.1	37.9	47.7	59.7
NFP (cash)/debt	(32.9)	(21.3)	(48.7)	(95.2)	(158.4)
EBITDA margin	10.3%	10.3%	10.2%	10.5%	10.8%
EBIT margin	7.7%	8.0%	8.0%	8.6%	9.2%
EPS FD	2.42	3.05	3.81	4.79	5.99
EPS FD growth	27.0%	26.3%	24.7%	25.8%	25.1%
DPS ord. €/s	0.00	0.00	0.00	0.00	0.00
ROCE	25.0%	19.9%	21.0%	22.0%	22.7%
NWC/Sales	2.2%	7.5%	8.3%	7.9%	7.0%
Free Cash Flow Yield FD	0.8%	-2.6%	4.3%	7.4%	10.0%
PER FD x	10.5	20.8	16.7	13.2	10.6
EV/Sales FD x	0.50	1.10	0.83	0.66	0.50
EV/EBITDA FD x	4.9	10.6	8.2	6.3	4.6
EV/EBIT FD x	6.5	13.7	10.4	7.6	5.4



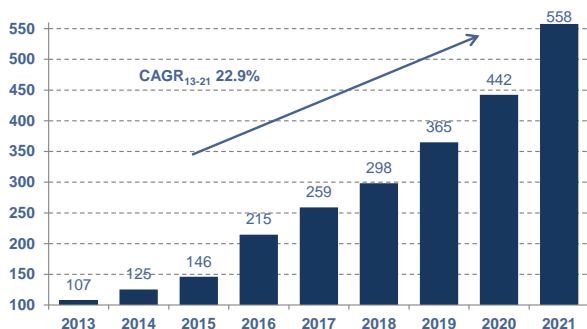
The company at a glance

Digital Value originates from the combination of two domestic IT system integrators, Italtware and ITD Solutions, with more than 30 years of experience in the field. The group supports the digital transformation of its customers through customised solutions and services. Headquartered in Milan, DGV (Digital Value) focuses on large accounts, i.e. companies with more than 500 employees, accounting for more than 50% of total IT spending in Italy in 2021 and the most promising segment in the IT services arena in terms of growth.

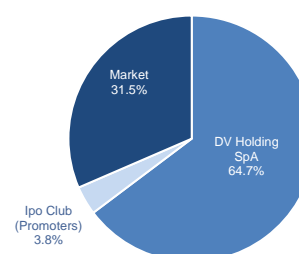
The group boasts key expertise in network infrastructure and data centres, security, network testing and monitoring, workstation management, Help Desk, data management and analysis, ERP systems management, retail applications, information systems, on-premise support and governance, outsourcing and cloud.

With its 326 employees, DGV reported 2021 Total Revenues of € 558m, EBITDA of € 57m (10.4% margin), Net Profit of € 30m and a Net Financial Position of € 21m (cash positive). With structurally not very significant Working Capital which aims to support growth, ROE of 23% and ROCE of 20%, DGV has a well-balanced and lucratively allocated capital structure. Currently, 100% of its business is generated in Italy.

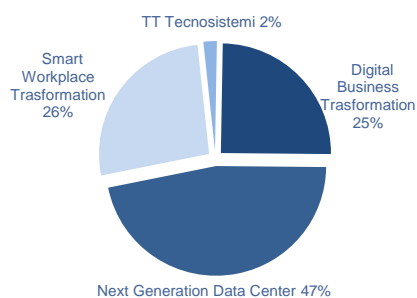
2013-21 top line progression



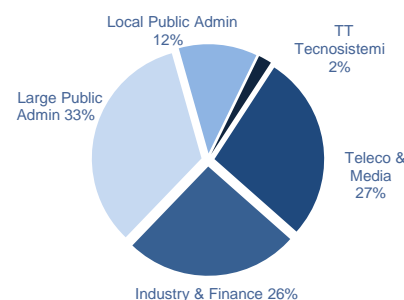
Shareholder structure



FY-21 top line breakdown by line of business



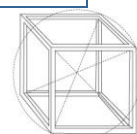
...and by industry verticals



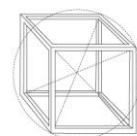
Peer group multiples table

EV multiples x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3	EBIT FY1	EBIT FY2	EBIT FY3
Accenture PLC	3.05	2.78	2.52	16.3	15.0	13.6	20.0	18.0	16.3
Alten SA	1.20	1.05	0.93	9.8	8.6	7.7	11.8	10.3	9.1
Atos SE	0.29	0.31	0.32	3.6	3.5	3.0	12.8	16.2	8.4
Aubay SA	1.16	1.05	0.94	9.4	8.4	7.6	11.3	10.1	9.1
Bechtle AG	0.94	0.84	0.75	11.8	10.6	9.5	15.4	13.8	12.3
Capgemini SE	1.65	1.49	1.30	10.6	9.4	7.9	14.2	12.4	10.5
CDW Corp	1.25	1.18	1.09	14.3	13.3	12.2	15.4	14.2	13.0
Computacenter PLC	0.40	0.37	0.34	8.0	7.5	6.9	10.6	10.0	9.1
Econocom Group SE	0.34	0.30	0.26	4.9	4.4	3.9	6.5	5.7	4.9
Indra Sistemas SA	0.48	0.42	0.35	4.5	3.8	3.1	6.1	5.1	4.2
Reply SpA	2.45	2.17	1.85	14.6	13.0	11.4	17.8	15.8	13.5
Sesa SpA	0.73	0.63	n.a.	9.8	8.3	n.a.	13.5	11.2	n.a.
Sopra Steria Group SA	0.69	0.62	0.55	5.9	5.1	4.4	8.9	7.5	6.3
TietoEVRY Corp	1.24	1.18	1.13	7.9	7.0	6.5	11.4	9.9	9.1
Median	1.05	0.94	0.93	9.6	8.3	7.6	12.3	10.7	9.1
Digital Value SpA	0.83	0.66	0.50	8.2	6.3	4.6	10.4	7.6	5.4

Source: CFO Sim, Thomson Reuters Eikon



Income statement (€ m)	2020	2021	2022e	2023e	2024e
Sales	440.6	555.9	698.9	813.5	947.8
Value of Production	442.3	557.8	700.3	815.2	949.7
Raw material and processing	(342.7)	(434.6)	(538.9)	(627.7)	(731.3)
Services	(40.2)	(47.8)	(65.1)	(76.6)	(89.3)
Personnel expenses	(13.6)	(17.4)	(23.7)	(24.1)	(24.8)
Other opex	(0.3)	(0.5)	(1.4)	(1.6)	(1.9)
EBITDA	45.4	57.5	71.2	85.2	102.5
D&A	(11.4)	(13.0)	(15.1)	(15.0)	(15.0)
EBIT	34.0	44.5	56.1	70.2	87.5
Financials	(0.5)	(0.7)	(1.0)	(1.0)	(1.0)
Re/(Devaluation) of financial assets	0.0	0.0	0.0	0.0	0.0
Extraordinary	0.0	(0.4)	0.0	0.0	0.0
Pre-Tax profit	33.6	43.4	55.1	69.2	86.5
Income taxes	(9.4)	(12.8)	(16.5)	(20.8)	(25.9)
Minorities	(0.0)	(0.5)	(0.6)	(0.7)	(0.8)
Net Profit	24.1	30.1	37.9	47.7	59.7
Net Profit Adjusted	24.1	30.4	37.9	47.7	59.7
Balance sheet (€ m)	2020	2021	2022e	2023e	2024e
Net Working Capital	9.8	41.8	58.2	64.6	66.8
Net Fixed Assets	50.2	69.4	67.3	65.3	63.3
Equity Investments	0.4	0.4	0.4	0.4	0.4
Other M/L Term A/L	0.5	(3.7)	(7.5)	(10.7)	(14.3)
Net Invested Capital	60.9	107.9	118.4	119.6	116.2
Net Financial Debt	(32.9)	(21.3)	(48.7)	(95.2)	(158.4)
Minorities	0.2	5.5	6.1	6.8	7.7
Group's Shareholders Equity	93.5	123.7	161.0	208.0	266.9
Financial Liabilities & Equity	60.9	107.9	118.4	119.6	116.2
Cash Flow statement (€ m)	2020	2021	2022e	2023e	2024e
Total net income	24.1	30.1	37.9	47.7	59.7
Depreciation	11.4	13.0	15.1	15.0	15.0
Other non-cash charges	(0.2)	4.3	3.8	3.2	3.6
Cash Flow from Oper. (CFO)	35.3	47.4	56.9	65.9	78.3
Change in NWC	(17.1)	(32.0)	(16.4)	(6.4)	(2.1)
FCF from Operations (FCFO)	18.1	15.4	40.5	59.5	76.2
Net Investments (CFI)	(13.0)	(31.8)	(13.0)	(13.0)	(13.0)
Free CF to the Firm (FCFF)	5.1	(16.4)	27.5	46.5	63.2
CF from financials (CFF)	13.3	55.3	4.5	4.8	5.0
Free Cash Flow to Equity (FCFE)	18.4	38.9	32.0	51.2	68.2
Financial ratios	2020	2021	2022e	2023e	2024e
EBITDA margin	10.3%	10.3%	10.2%	10.5%	10.8%
EBIT margin	7.7%	8.0%	8.0%	8.6%	9.2%
Net profit margin	5.5%	5.4%	5.4%	5.9%	6.3%
Tax rate	28.1%	29.5%	30.0%	30.0%	30.0%
Op NWC/Sales	2.2%	7.5%	8.3%	7.9%	7.0%
Interest coverage x	0.01	0.02	0.02	0.01	0.01
Net Debt/EBITDA x	(0.72)	(0.37)	(0.68)	(1.12)	(1.54)
Debt-to-Equity x	(0.35)	(0.17)	(0.30)	(0.46)	(0.59)
ROIC	39.6%	27.9%	32.1%	39.9%	51.4%
ROCE	25.0%	19.9%	21.0%	22.0%	22.7%
ROACE	29.0%	24.7%	22.9%	24.0%	24.8%
ROE	25.8%	24.4%	23.6%	22.9%	22.4%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Per share figures	2020	2021	2022e	2023e	2024e
Number of shares # m	9.97	9.97	9.97	9.97	9.97
Number of shares Fully Diluted # m	9.97	9.97	9.97	9.97	9.97
Average Number of shares Fully Diluted # m	9.97	9.97	9.97	9.97	9.97
EPS stated FD €	2.42	3.02	3.81	4.79	5.99
EPS adjusted FD €	2.42	3.05	3.81	4.79	5.99
EBITDA €	4.55	5.77	7.14	8.54	10.28
EBIT €	3.41	4.47	5.63	7.04	8.78
BV €	9.40	12.95	16.76	21.55	27.54
FCFO €	1.82	1.55	4.06	5.96	7.64
FCFF €	0.51	(1.65)	2.75	4.66	6.34
FCFE €	1.84	3.90	3.21	5.14	6.84
Dividend €	0.00	0.00	0.00	0.00	0.00



ANALYST CERTIFICATION

This publication was prepared by Corporate Family Office SIM S.p.A. ("CFO SIM"), namely by **LUCA ARENA**, Head of the Equity Research Department, **GIANLUCA MOZZALI** and **LUCA SOLARI**, Equity Analysts. This is to certify that the views expressed on the companies mentioned in this document reflect the analysts' personal opinions and no direct or indirect remuneration has been, or will be, received by the analysts further to the views expressed herein.

DISCLAIMER

This document has been drafted by CFO SIM, authorised by the Bank of Italy to provide investment services.

CFO SIM does not have a specific interest in either the issuer, the financial instruments or the transactions covered by the analysis.

The news and data used in this document come from information supplied to the public by the company concerned and/or from other documentation of public domain. CFO SIM is not liable for the accuracy, completeness, exactitude and impartiality of such news and data. This document has been drafted autonomously and independently and without the collaboration of the company analysed or of any company linked to the latter by shareholdings or control. This document has been prepared by the financial analysts of the Equity Research Department of CFO SIM, whose names are indicated therein. Luca Arena and Gianluca Mozzali are ordinary members of the Italian Association of Financial Analysts (AIAF). In no case can the company and the analysts, as authors of this document be held liable (culpably or otherwise) for damage stemming from use of the information or opinions set out therein. The purpose of this document is solely informative. The document cannot be reproduced directly or indirectly and redistributed to third parties, nor can it be published, either totally or in part, for any reason whatsoever. This document is not an invitation to purchase, nor is it intended to solicit the purchase or sale of the securities in question. The recipients of this document are formally bound to observe the constraints indicated above.

CFO SIM wishes to provide ongoing coverage of the stocks mentioned in this document, with a frequency depending on circumstances considered to be important (corporate events and changes of recommendation, etc.). CFO SIM acts as a Euronext Growth Advisor, Specialist and Corporate Broker for Digital Value stock, listed on EGM. The next table shows the ratings issued on the stock in the last 12 months.



DATE	TARGET PRICE	RATING
04/08/2022	€120.00	BUY
01/04/2022	€120.00	BUY
27/01/2022	€122.00	BUY
09/11/2021	€122.00	BUY
06/08/2021	€115.00	BUY

This document is distributed via electronic mail and fax as from the date indicated in the document itself and addressed to some 300 Italian and non-Italian professional investors. The document is available in electronic format at CFO SIM's Internet site, to Italian and non-Italian institutional investors, and/or in Borsa Italiana's Internet site.

RATING SYSTEM

- a **BUY** rating is assigned if the target price is at least 15% higher than the market price;
- a **SELL** rating is assigned if the target price is at least 15% lower than the market price;
- a **NEUTRAL** rating is assigned if the difference between the current price and target price lies within the +/-15% bands identified using the preceding criteria.

The rating is determined on the basis of the **expected absolute return 12 months forward** and not on the basis of the estimated out/underperformance relative to a market index. Thus, the rating can be directly linked with the estimated percentage difference between current price and target price. The prices of the financial securities mentioned in the report (also used for the calculation of market capitalisation and market multiples) are the reference prices of the stock market trading day preceding the publication date of the report, otherwise stated.

