

Italy – IT Services
Resilient business profile, top-notch results

 1st April 2020

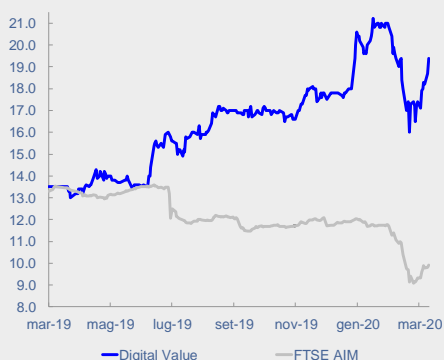
FY-19 RESULT RELEASE

 RIC: DGV.MI
 BBG: DGV IM

An excellent set of results, better than our forecasts. Margin grew much more than proportionately to top line; operating CF is massive. The group is one year in advance compared to consensus in terms of top line and profitability. In this market turmoil, DGV represents a virtuous resilient value stock.

Rating:
Buy
Price Target:
€ 27.70 (€ 21.20)
Upside/(Downside): 42.8%
Last Price: € 19.40
Market Cap.: € 192.0
1Y High/Low: € 21.80/€ 13.00
Free Float: 25.3%
Major shareholders:

DV Holding 67.2%


Stock price performance

	1W	3M	12M
Absolute	0.5%	9.0%	43.7%
Rel.to AIM Italia	10.3%	24.5%	68.5%
Rel.to Peers	22.3%	36.5%	59.6%

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Top notch results, resilient investment case: Buy reiterated

DGV reached our 2020 expectations in 2019. We believe FY-20 figures might be hit by a certain slowdown in growth and impacted by a less favourable mix, namely an increase of hardware technology sales share. The result is a 7% EBITDA increase in 2020-21. We have also introduced 2022 estimates. Since 1) operating in a crucial sector in this context and not directly impacted by the tight restrictions, 2) focusing on large accounts and 3) operating medium term contracts, DGV should be less impacted by the current situation compared to other stocks. We have updated our PT to € 27.70 (€ 21.20) now based on DCF rather than on a market multiple comparison, to better factor in the medium-long term value of the stock. CFO Sim reiterates the Buy: in this market turmoil, DGV represents a resilient player even if short term volatility remains high and visibility low.

FY-19 revenues up 22.6%, significantly outperforming the market

FY-19 revenues were up 22% to € 365m, better than our € 329m projection, exceeding our FY-20 € 364m estimate too. This feat implies a brutal acceleration in H2-19 vs H1-19. Once again DGV largely outperformed the reference market, anticipated up 3-4% in 2019. DGV focuses on large accounts and PA. This segment represents more than 50% of current IT demand in Italy, showing progressive polarisation of IT spending in Italy as well as in the main advanced economies and offers the fastest growth rates, superior to the market.

1Y in advance on EBITDA target

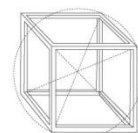
EBITDA grew much more than proportionately compared to top line and totalled € 31.9m, 8.8% margin, up 32.9% YoY. This figure largely exceeded our € 28.1m estimate, as a result of a lower than expected of services and personnel increase. The systems integrator business is characterised by a high degree of variable costs, and in DGV's case this represented 95% of the total costs in 2019: operating leverage is therefore nearly absent. The expansion of profitability was mainly driven by price increase and a better mix rather than cost savings. EBIT reached € 27.1m, 7.4% margin. Net profit was € 19.0m up 28.3%.

Generous cash flow generation

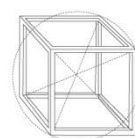
NFP was € 28.0m cash from € 31.8m cash in 2018 after OCF of € 31.2m and € 34.4m capex. Investments mainly refer to the acquisition of hardware and equipment installed at customers and intended to provide services in favour of the latter against long-term service fees. This opportunity aroused from a couple of tier-1 customers. These contracts create 1) multi-year relations with clients, 2) provide the client with a vast array of services, 3) increase margins, and 4) a better positioning to offer additional new services over the course of the relationship. Operating cash flow and Capex largely exceeded our forecasts.

Digital Value, key financials and ratios

€ m	2018	2019	2020e	2021e	2022e
Sales	296.2	363.2	396.9	439.9	489.8
EBITDA	24.0	31.9	33.6	39.7	45.5
EBIT	21.5	27.1	28.6	34.6	40.1
Net profit	14.8	19.0	19.1	21.6	25.2
NFP (cash)/debt	(31.8)	(28.0)	(48.1)	(68.4)	(88.6)
EBITDA margin	8.1%	8.8%	8.5%	9.0%	9.3%
EBIT margin	7.2%	7.5%	7.2%	7.9%	8.2%
EPS FD	1.48	1.90	1.92	2.17	2.53
EPS FD growth	37.3%	28.3%	0.8%	13.2%	16.5%
DPS ord. €/s	-	-	0.58	0.66	0.76
Dividend Yield	-	-	3.0%	3.4%	3.9%
ROCE	34.9%	27.5%	24.3%	25.8%	26.3%
NWC/Sales	-25.5%	-29.4%	-28.7%	-27.1%	-25.7%
Free Cash Flow Yield FD	18.0%	-1.7%	10.5%	13.6%	13.9%
PER FD x	13.1	6.4	10.1	8.9	7.7
EV/Sales FD x	0.13	0.26	0.37	0.28	0.21
EV/EBITDA FD x	1.6	2.9	4.3	3.2	2.3
EV/EBIT FD x	1.7	3.4	5.1	3.6	2.6



Income statement (€ m)	2018	2019	2020e	2021e	2022e
Sales	296.2	363.2	396.9	439.9	489.8
Value of Production	298.1	364.8	398.1	440.9	490.8
Raw material and processing	(226.1)	(280.7)	(306.5)	(337.7)	(375.5)
Services	(33.9)	(38.2)	(41.8)	(45.9)	(50.6)
Personnel expenses	(13.2)	(13.6)	(15.3)	(16.8)	(18.3)
Other opex	(0.9)	(0.4)	(0.8)	(0.9)	(1.0)
EBITDA	24.0	31.9	33.6	39.7	45.5
D&A	(2.6)	(4.9)	(5.1)	(5.1)	(5.4)
EBIT	21.5	27.1	28.6	34.6	40.1
Financials	(1.0)	(0.3)	(1.0)	(1.0)	(1.0)
Re/(Devaluation) of financial assets	(0.0)	0.0	0.0	0.0	0.0
Extraordinary	0.0	0.0	0.0	0.0	0.0
Pre-Tax profit	20.5	26.8	27.6	33.6	39.1
Income taxes	(5.7)	(7.6)	(8.3)	(11.8)	(13.7)
Minorities	0.0	(0.2)	(0.2)	(0.2)	(0.2)
Net Profit	14.8	19.0	19.1	21.6	25.2
Net Profit Adjusted	14.8	19.0	19.1	21.6	25.2
Balance sheet (€ m)	2018	2019	2020e	2021e	2022e
Net Working Capital	(75.9)	(107.4)	(114.2)	(119.4)	(126.0)
Net Fixed Assets	17.8	47.9	59.8	71.7	83.3
Equity Investments	0.0	0.0	0.0	0.0	0.0
Other M/L Term A/L	76.9	101.1	95.0	83.9	77.4
Net Invested Capital	18.8	41.6	40.6	36.2	34.7
Net Financial Debt	(31.8)	(28.0)	(48.1)	(68.4)	(88.6)
Minorities	0.0	0.2	0.3	0.5	0.7
Group's Shareholders Equity	50.6	69.4	88.4	104.1	122.6
Financial Liabilities & Equity	18.8	41.6	40.6	36.2	34.7
Cash Flow statement (€ m)	2018	2019	2020e	2021e	2022e
Total net income	14.8	19.0	19.1	21.6	25.2
Depreciation	2.6	4.9	5.1	5.1	5.4
Other non-cash charges	(42.2)	(24.2)	6.1	11.1	6.5
Cash Flow from Oper. (CFO)	(24.8)	(0.4)	30.3	37.9	37.1
Change in NWC	58.0	31.5	6.8	5.2	6.6
FCF from Operations (FCFO)	33.2	31.2	37.1	43.1	43.7
Net Investments (CFI)	1.4	(34.4)	(17.0)	(17.0)	(17.0)
Free CF to the Firm (FCFF)	34.6	(3.2)	20.1	26.1	26.7
CF from financials (CFF)	(34.7)	17.5	0.0	(5.7)	(6.5)
Free Cash Flow to Equity (FCFE)	(0.1)	14.2	20.1	20.3	20.2
Financial ratios	2018	2019	2020e	2021e	2022e
EBITDA margin	8.1%	8.8%	8.5%	9.0%	9.3%
EBIT margin	7.2%	7.5%	7.2%	7.9%	8.2%
Net profit margin	5.0%	5.2%	4.8%	4.9%	5.1%
Tax rate	27.8%	28.5%	30.0%	35.0%	35.0%
Op NWC/Sales	-25.5%	-29.4%	-28.7%	-27.1%	-25.7%
Interest coverage x	0.05	0.01	0.03	0.03	0.02
Net Debt/EBITDA x	(1.32)	(0.88)	(1.43)	(1.72)	(1.95)
Debt-to-Equity x	(0.63)	(0.40)	(0.54)	(0.66)	(0.72)
ROIC	78.7%	45.6%	47.1%	59.8%	72.6%
ROCE	34.9%	27.5%	24.3%	25.8%	26.3%
ROACE	28.0%	33.8%	26.4%	27.5%	28.0%
ROE	29.2%	27.3%	21.6%	20.8%	20.6%
Payout ratio	0.0%	0.0%	30.0%	30.0%	30.0%
Per share figures	2018	2019	2020e	2021e	2022e
Number of shares # m	9.90	9.90	9.90	9.90	9.90
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 €	1.48	1.90	1.92	2.17	2.53
EPS adjusted FD €	1.48	1.90	1.92	2.17	2.53
EBITDA €	2.41	3.20	3.38	3.98	4.57
EBIT €	2.15	2.71	2.87	3.47	4.02
BV €	5.08	6.98	8.90	10.49	12.37
FCFO €	3.33	3.13	3.72	4.32	4.38
FCFF €	3.47	(0.32)	2.01	2.61	2.68
FCFE €	(0.01)	1.43	2.01	2.04	2.02
Dividend €	0.00	0.00	0.58	0.66	0.76



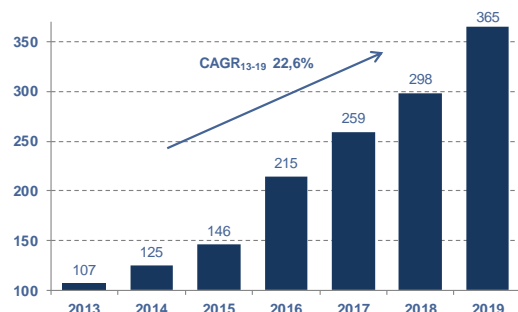
The company at a glance

Digital Value originates from the combination of two domestic IT systems 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 an offer of customised solutions and services. Headquartered in Milan, DGV (Digital Value) focuses on large accounts, firms with more than 500 employees, accounting for more than 50% of total IT spending in Italy in 2019 and the most promising segment in the IT service arena in terms of growth.

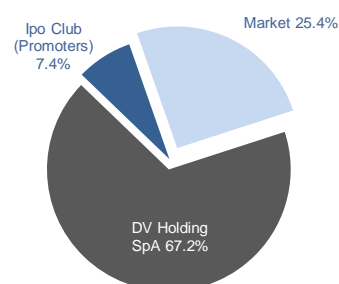
The group boasts key expertise in network infrastructure and data centres, security, network testing and monitoring, workstation management, Help Desk, data management and analysis, ERP systems management, retail applications, information systems on premise support and governance, outsourcing and cloud. According to Simi elaborations and based on 2019 CFO estimates, DGV is the 10th player in the IT provider industry in Italy.

With 197 employees DGV reported 2019 Total Revenues of € 364.8m, EBITDA of € 31.9m (8.8% margin), € 19.0m Net Profit and a Net Financial Position of € 28.0m (cash positive). With Working Capital structurally negative, ROE of 27.3% and ROCE of 27.5%, DGV has a well-balanced and lucratively allocated capital structure. Currently 100% of the business is generated in Italy.

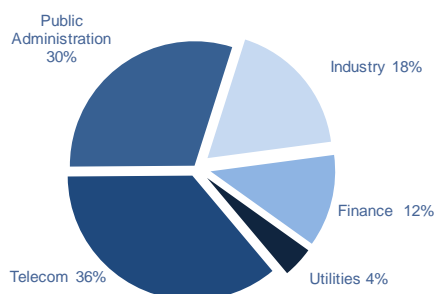
2013-19 top line progression



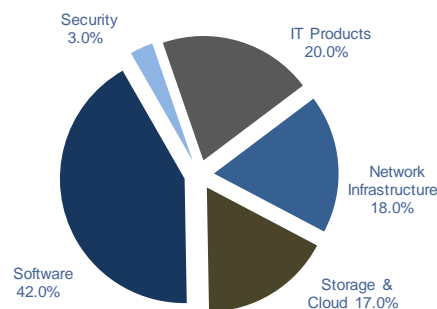
Fully diluted shareholders structure



FY-19 top line breakdown by sector



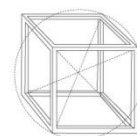
FY-19 top line breakdown by products



Peers 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	2.25	2.15	2.00	12.6	12.0	11.1	15.3	14.5	13.2
Alten SA	0.76	0.67	0.58	7.0	5.9	5.0	8.5	7.1	5.7
Altran Technologies SA	1.53	1.39	1.25	9.6	8.5	7.3	13.5	11.7	9.8
Atos SE	0.57	0.54	0.45	3.9	3.6	2.9	6.1	5.5	4.4
Aubay SA	0.55	0.49	0.74	5.9	4.8	6.9	5.4	5.4	8.1
Capgemini SE	0.91	0.86	0.73	6.0	5.5	4.8	7.5	6.9	5.9
Computacenter PLC	0.32	0.31	0.30	8.2	7.7	7.5	11.1	10.3	10.2
Devoteam SA	0.52	0.43	0.39	4.7	3.6	3.3	5.5	4.2	3.8
Econocom Group SE	0.23	0.22	n.a.	3.8	3.3	n.a.	5.3	4.9	n.a.
Indra Sistemas SA	0.54	0.49	0.43	4.9	4.2	3.6	7.5	6.1	5.4
Reply SpA	1.52	1.33	1.17	10.0	8.4	7.4	12.4	10.3	9.1
SeSa SpA	0.31	0.28	0.25	6.0	5.3	4.7	8.6	7.6	6.6
Sopra Steria Group SA	0.55	0.49	0.42	5.1	4.2	3.3	7.4	5.9	4.7
Tieto Oyj	1.13	1.10	1.07	7.6	6.8	6.5	10.7	9.5	9.1
Median	0.56	0.52	0.58	6.0	5.4	5.0	8.0	7.0	6.6
Digital Value SpA*	0.37	0.28	0.21	4.3	3.2	2.3	5.1	3.6	2.6

Source: CFO Sim, Thomson Reuters Eikon. * FD multiples



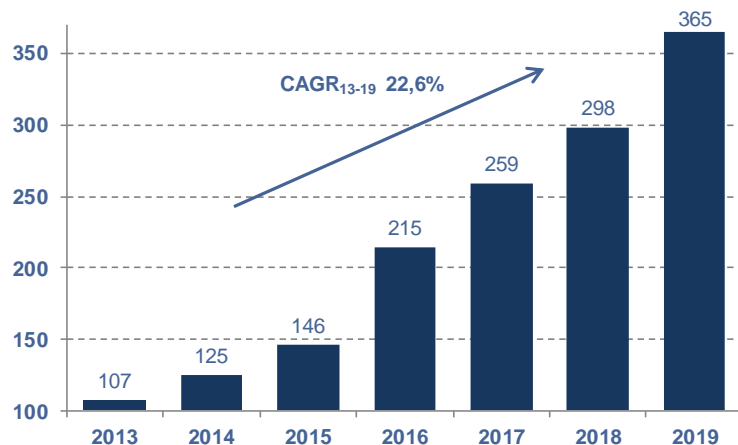
Digital Value in a nutshell

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The group boasts key expertise in **network infrastructure and data centres, security, network testing and monitoring, workstations management, Help Desk, data management and analysis, ERP systems management, retail applications, information systems on premise support and governance, outsourcing and cloud.** According to Simi elaborations and based on 2019 CFO estimates, DGV is the 10th player in the IT provider industry in Italy.

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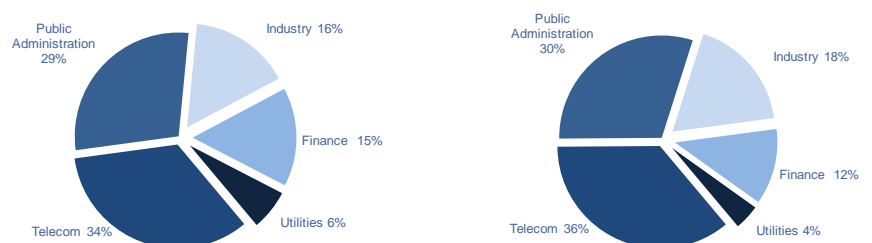
Chart 1 – Digital Value, 2013-19 top line progression



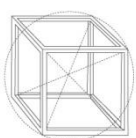
Source: Company data

DGV has almost 2,500 customers, distributed mainly in 5 sectors: Public Administration, Telecom, Industry, Finance and Utilities. **The group has more than 450 technical and technological certifications**, a key requirement for properly competing in this rather concentrated and unavoidably furtherly consolidating industry.

Chart 2 – Digital Value, 2018 and 2019 top line breakdown by sectors



Source: Company data



The Digital Value listing

Digital Value was listed on AIM Italia (Alternative Investment Market) on **8 November 2018 at € 10.0/share**, corresponding to a market **capitalization post money of € 89.1m** (including the Price Adjustment Shares held by Digital Value core shareholders, see details below). **The IPO was concretised via a Club Deal**, with IPO Club as anchor investor: it is an innovative Italian alternative closed investment fund, reserved and managed by Azimut and is dedicated to medium-term investments in development projects. The € 22.5m **rights issue proceeds financed the creation of DGV, via the integration of Itaware and ITD Solution.**

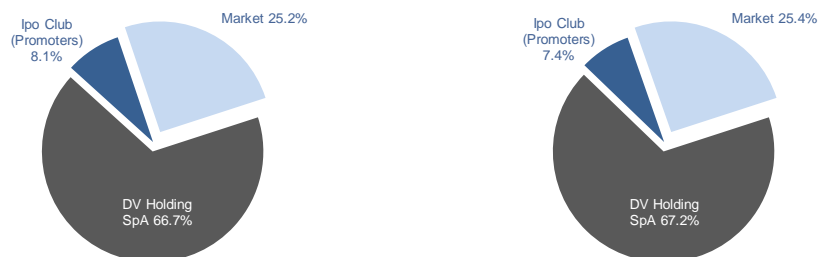
Noteworthy, amongst **Digital Value Holding** shareholders, in addition to founders and senior management of Itaware and ITD Solutions (79.8% Alessandro Rossi, 5.7% Riccardo Benedini and 5.7% Carlo Brigada), **Sesa holds 6.0% of the holding company.** Sesa is a listed (STAR segment of Borsa Italiana, market capitalisation of some € 400m) leading domestic player in the value-added IT solutions sector for business and professional segment, focused on SME, with sales in excess of € 1.3bn and over 1,600 employees. **Alessandro Fabbroni, Sesa CEO, is a DGV board member.**

Table 1 – Digital Value, shareholder structure

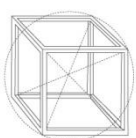
Shareholders	Issued number of shares		Fully diluted number of shares	
	#	%	#	%
DV Holding SpA	6.652	67.2%	6.652	66.7%
Ipo Club (Promoters)	0.736	7.4%	0.808	8.1%
Market	2.509	25.4%	2.509	25.2%
Total	9.898	100.0%	9.970	100.0%

Source: Company data

Chart 3 – Digital Value, shareholder structure, current and fully diluted



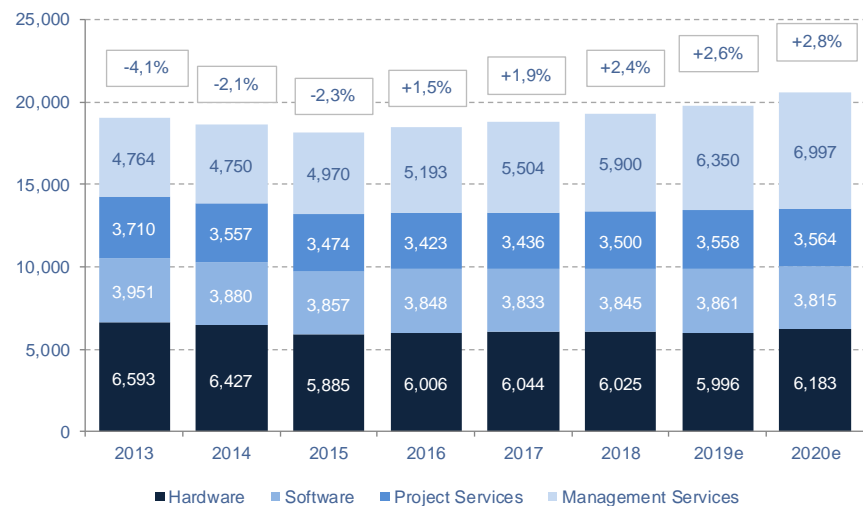
Source: Company data



The reference market & competitive positioning

DGV operates in the Information Technology Provider sector in Italy. After several years of structural weakness, starting in 2007 and ending in 2015, **the reference market reversed the trend in 2016 with accelerating growth rates.** The growth here is more than double GDP growth and concentrated in the same areas characterising IT spending growth worldwide. The driver is technological innovation, i.e. 1) digital transformation, 2) managed and security services and 3) the cloud. The market is characterised by a progressive adoption of the modality 'technology as a service' (that is why the Project Services segment is estimated to show an 8.3% CAGR₁₇₋₂₀) and the switch from hardware and software to Cloud services, at infrastructure and application levels.

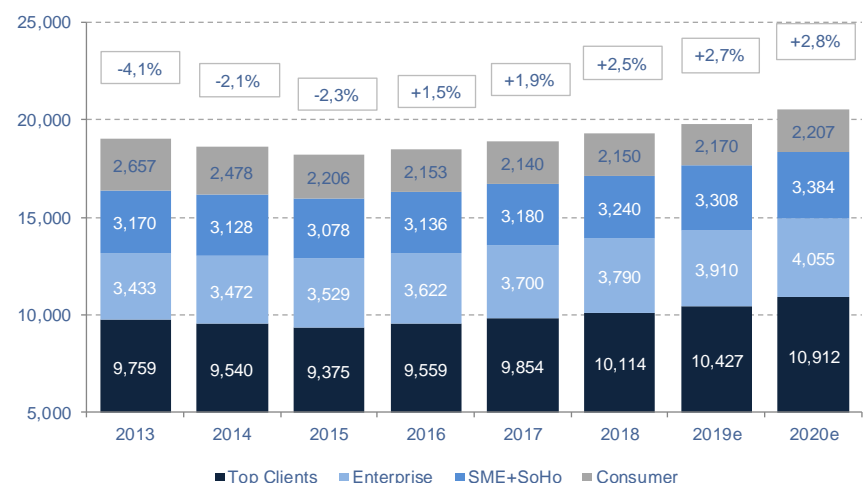
Chart 4 – Digital Value, IT Provider market in Italy by sector, 2013-20e, € m



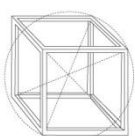
Source: CFO SIM elaboration on Sirmi data pre Covid-19

DGV focuses on Top Clients (firms and public entities totalling more than 500 employees). **It represents 53% of current Information Technology demand in Italy**, showing progressive polarization of IT spending in Italy as well as in the main advanced economies, and **presents the fastest growth rates** within the industry, superior to the market (3.5% CAGR₁₇₋₂₀ vs. 3.0%).

Chart 5 – Digital Value, IT Provider market in Italy by client type, 2013-20e, € m

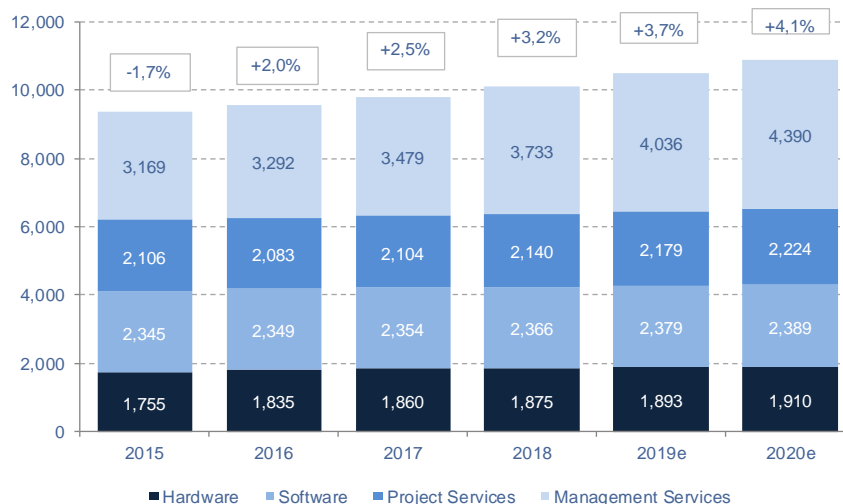


Source: CFO SIM elaboration on Sirmi data pre Covid-19



That said, within the Top Client sector, **the total addressable market for DGV is worth € 8.3bn** in 2019 and comprises the Hardware, Software and Management Service segments. DGV in this context, has a **market share of some 4.0%**.

Chart 6 – Digital Value, IT spending Top Client segment, 2015-2020e, € m



Source: CFO SIM elaboration on Sirmi data pre Covid-19

The market is rather concentrated: the top five players hold 56% of the total, the top ten actors total 80% of the market. **The other smaller players are struggling** in a sector where size is increasingly more and more important.

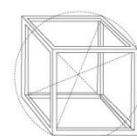
Table 2 – Digital Value, 2019e Italian IT provider market competitive landscape

	#	Sales, € m	YoY	Market Share
Accenture	1	1,495	6.8%	18.7%
Engineering	2	959	9.0%	12.0%
Telecom Italia - IT business	3	860	4.2%	10.8%
Reply	4	630	7.7%	7.9%
SIA	5	508	4.1%	6.4%
DXC Technology CSC - HP	6	551	7.5%	6.9%
Almaviva IT division	7	389	5.4%	4.9%
Econocom	8	394	8.8%	4.9%
Capgemini	9	318	6.1%	4.0%
Digital Value	10	311	15.1%	3.9%
NTT Data Italia	11	308	5.2%	3.9%
Cedacri	12	294	5.0%	3.7%
Var Group (Sesa)	13	320	20.0%	4.0%
Lutech	14	285	16.3%	3.6%
Leonardo	15	220	-1.3%	2.8%
Altran	16	234	5.5%	2.9%
Matcmind	17	245	16.7%	3.1%
Lombardia Informatica	18	217	3.4%	2.7%
Dedagroup	19	207	4.1%	2.6%
Atos	20	194	3.7%	2.4%

Source: Sirmi estimates Jun-19

The table above shows the ranking of IT business application providers in Italy. Each player has a specific market positioning and therefore the competition is fragmented. For instance, Accenture is focused on IT consulting, SIA on e-money, Almaviva on back office services and Var Group (SeSa) is dedicated to the enterprise and SME segments.

Size is becoming a barrier to entry to potential newcomers. A sufficient size to properly reassure customers and provide a guarantee is becoming one of the main key factors required in the sector:



- Plentiful and comprehensive **employee certifications**.
- **References, track record**. It is necessary to produce documentation about the size of revenue breakdown by technology, solutions and architectures achieved in the last three years.
- Indicators of **balance sheet solidity**.

The price-based discrimination is increasingly diminishing in importance to the benefit of the technical proposal based on technology and architecture solutions. Generally, price weighs 30% in the decision-making process to entrust the work. The preponderant part is determined by the technical score obtained by the offer.

DGV with **450 technical and technological certifications** (in the Data Center and Hybrid Cloud, Networking and Intelligence Networks, Infrastructure software, ICT Security - Cybersecurity and Digital Transformation fields), with a **three-decade seniority** in the business, a **customer portfolio in excess of 2,000** names and the **status of a listed company**, DGV is well positioned to continue **to outperform the reference market and to play an active role in the sectoral consolidation process**.

Management developed distinctive skills in managing complex IT projects and solutions for customers belonging to strategic sectors for the Italian economy and for the competitiveness of the country. Within the Top Client segment, Digital Value focuses on industrial sectors with greater investment capacity, such as

- **Telecom & Utilities** (40% of 2019 sales), DGV is a reference partner for the main TLC and Utilities operators operating on the Italian market. TLC and Utilities companies play an increasingly central role in the offer of integrated IT and TLC services with sizeable future investment pipelines.
- **Public Administration** (36%), DGV is a key sponsor via the participation in tenders and bids issued by Consip (central purchases office of Italian public administration) thanks to a dedicated Finance & Legal team with a solid track record.
- **Finance** (12%), a promising market segment both as increasing share of wallet and in expanding the current customer base.
- **Industrial sectors** (18%) DGV is a supportive partner of the main Italian players active in the large account industry segment (automotive, defense, transport) that have growing investment needs in ICT solutions, IT Services and Business Applications

Table 3 – Digital Value, 2019 turnover by client

€ m	#	Sales, € m	% on total	% progressive
TIM	1	101	28%	28%
Poste	2	31	9%	36%
Sogei	3	17	5%	41%
Atos Italia	4	22	6%	47%
CHN Industrial	5	19	5%	52%
IBM Italia	6	13	4%	56%
Banca d'Italia	7	12	3%	59%
Ministry of Justice	8	12	3%	63%
Eni	9	11	3%	65%
Ministry of Interior	10	6	2%	67%
Amplifon	11	4	1%	68%
Integrapp	12	3	1%	69%
Bechtle Logistik	13	3	1%	70%
Other	14	110	30%	100%
Total		365	100%	

Source: CFO Sim elaboration on company data

DGV presents a client portfolio that is not overly concentrated: the top five clients account for 52% of 2019 top line, the top ten reached 67%. Below this, a plethora of customers with a minor weight on the business represent 33% of revenues. DGV boasts long-lasting relationships with its current clients and is active engaged in advanced talks with new potential customers.



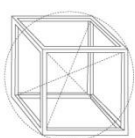
IPO rationale

DGV originates from the integration of **two leading Italian System Integrators: Italtware Srl and ITD Solutions Spa.**

- **Italtware** – based in Rome, established more than 30 years ago, the firm focuses on Technology Solutions and Managed Services for **Public Administration** and large industrial groups (>500 employees), mainly **Telecom**. With more than 2,000 customers and 400 technological certifications, sales CAGR has been in excess of 20% in the last few years, solidly outperforming the market, up by some 3.0% in the same period. Sales, EBITDA, Net Profit and Net Financial Position in 2017: € 185m, € 12.1m (6.6% margin), € 8.3m and € 7.3m (cash positive).
- **ITD Solutions** – based in Milan, established more than 30 years ago, the firm focuses on private large groups (>500 employees) mainly in **Manufacturing** and **Finance**. ITD solutions has more than 200 customers and has been awarded with more than 40 certified technological partnerships. Sales, EBITDA, Net Profit and Net Financial Position in 2017: € 83m, € 6.3m (7.6% margin), € 2.1m and € 6.8m (debt, 1.1x EBITDA).

The combined entity, **Digital Value, consolidates and magnifies all these skills, track record, achievements and expertise.** Sales, EBITDA, Net Profit and Net Financial Position in 2019: € 362m, € 31.9m (8.8% margin), € 19.0m and € 28m cash positive. In this context, DGV is the 10th player in the domestic IT provider arena. DGV has developed a **solid ecosystem consisting of the main technology suppliers** that allows the group to propose **effective and customised solutions via its network of highly skilled experts** distributed throughout the country with which DGV is able to **manage every phase of the lifecycle of an ICT project.**

- **DGV can now boast an even more complete and integrated offer** in the field of IT Solutions and Services, with areas of differentiating specialisations and high growth potential (Big Data Analytics, Networking and Security, Hybrid Cloud, Managed Services and Business Applications).
- **Focus remains on the Large Users segment** (Top Clients, organisations with more than 500 employees) in the **Telecom & Media, PAs, Utilities and Manufacturing** sectors and, with an increasing future relevance, **Banks and Insurance**, to which DGV proposes itself as a reference partner for projects and services in Data Center, Cloud, Networking and Security and Digital Workplace.
- **Enlarged size embodies higher critical mass**, even more effective **solidity and business credentials** to further penetrate existing and new potential customers and segments.
- Stronger balance sheet solidity allows **significant firepower to play a primary role in the definite further consolidation process** of the sector.



Business model

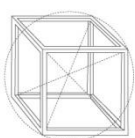
DGV has developed a business model based on sales force overseeing client portfolio development in a transversal way, with **specific solution units for every business area** able to provide adequate services and solutions. **DGV boasts consolidated partnerships with key reference industry actors** and a **team of skilled and geographically widespread** professionals. Customer needs require a marked, specific professionalism and the aptitude to integrate complex technological solutions. As a result, DGV can face every project with a really integrated array of business solutions and partners.

- **Vendors** – IT technology (hardware and software) producers and developers, with their own brands, mainly large global firms. DGV has long term relationships with them.
- **Technology distributors** – they purchase from vendors and sell to systems integrators providing solutions together with integrated logistics, financing and pre/post sales services.
- **Service Partners** – operators that offer IT services used by DGV in its selling proposition.

With this value structure, **DGV acts throughout the entire value chain**, providing innovative technology and solutions to its customers. The business model of the group is based on:

- **Customer needs analysis** – the dedicated team collects customer characteristics and business requirements, latent and explicit, independently from the technology that will be used. Every single step and event is carefully analysed and scheduled.
- **Analysis of different possible solutions** – in this phase, every different solution is carefully analysed, both in terms of market and tailor-made solutions, using the existing project capabilities internal to the group.
- **Solution design** – the best solution for the customer needs is then designed acting as a technology integrator, via the competencies expressed by DGV solution units.
- **Solution implementation** – the adopted solution is then implemented and tested on customer infrastructure in accordance to customer needs.
- **Solution installation** – DGV finally installs the solution offered on customer systems.
- **Solution operation** – DGV constantly monitors possible malfunctions, provides ordinary solution maintenance, procedure fault resolution, solution updates and improvements.
- **KPI check** – a complete KPI analysis report is provided to the client's top management structure.

In 2019 DGV experienced with a couple of tier-1 clients, a different contract approach, the so called '**on premises infrastructure as a service**'. DGV purchases the technologies and installs them on the customer premises. The company offers the client hardware and service in a multi-year contract. This innovative approach, if from one side **increases to a certain extent the capital intensity** of the business; on the other side, it allows DGV to 1) have **plurennial relationship** with tier1 customers, 2) provide the client with a **vast array of services**, 3) **increase the returns** related from the clients, and 4) have a better positioning to offer **additional new services** to the customers in the long-term relationship. It is not really a change in the business model, it is an opportunistic selected challenge to continue to feed growth and margins in the medium long term.



SWOT Analysis

The SWOT analysis, also known as SWOT Matrix, is a structured planning method used to evaluate the strengths, weaknesses, opportunities and threats involved in a project or in a business venture. A SWOT analysis can be carried out for a product, place, industry or person. It involves specifying the objective of the business venture or project and identifying the internal and external factors that are favourable and unfavourable to achieve that objective.

- **Strengths:** characteristics of the business or project that give it an advantage over others.
- **Weaknesses:** characteristics that place the business or project at a disadvantage relative to others.
- **Opportunities:** elements that the project could exploit to its advantage.
- **Threats:** elements in the environment that could cause trouble or be detrimental for the business or project.

The technique is credited to Albert Humphrey, who led a research project at Stanford University between the 60's/70's using Fortune 500 data.

S.W.O.T. ANALYSIS

STRENGTHS

- ❑ Focus on Top Clients (>500 employees) **the fastest growing segment** of the market
- ❑ **Complete technological solution portfolio** from major global IT vendors
- ❑ **Solid balance sheet**, skilled and **motivated team**, copious technical **certifications and competences**

WEAKNESSES

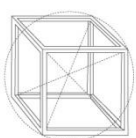
- ❑ Rather marked **customer concentration in TLC, utilities and PA**
- ❑ DGV has been **only recently established** as a combination of two firms
- ❑ Decisions are **concentrated in few key relevant people**

OPPORTUNITIES

- ❑ Further **consolidation opportunities** in the domestic market
- ❑ **New market segment** solidier penetration: Automotive and Finance
- ❑ Stronger **selling and cost synergies** arising from the combined group

THREATS

- ❑ Larger global players might **intensify competition** to grab market share
- ❑ 100% of turnover in Italy: **exposure vs. one single country**



Recent results: FY-19 numbers

An excellent set of results, better than our forecasts. Margin grew much more than proportionately to top line. Operating Cash Flow was entirely absorbed by capex with the aim of feeding development and next year number progression. The group is one year in advance vs. our projections in terms of top line and profitability.

Table 4 – Digital Value, FY-19 results

€ m	2019	2018	% YoY	2019e	% diff.
Revenues	364.8	298.1	22.4	328.5	11.0
EBITDA	31.9	24.0	32.9	28.1	13.7
% margin	8.8	8.1		8.5	
EBIT	27.1	21.5	26.1	23.9	13.4
% margin	7.4	7.2		7.3	
Net Profit	19.0	14.8	28.3	14.9	27.7
% margin	5.2	5.0		4.5	
NFP	(30.8)	(31.8)	(3.2)	(31.2)	(1.1)
EBITDA excl. IFRS 16	31.2	24.0	30.0	27.1	15.4
% margin	8.6	8.1		8.2	
NFP excl. IFRS 16	(28.0)	(31.8)	(12.0)	(32.8)	(14.7)

Source: Company data, CFO SIM

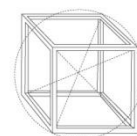
Digital Value reported **FY-19 revenues up more than 22%** to € 365m, better than our € 329m projection, exceeding our FY-20 € 364m estimate too. This achievement implies a brutal acceleration in H2-19 vs H1-19: according to our elaboration, sales soared 26.5% in H2-19 vs. 18.1% in H1-19. Once again DGV largely outperformed the reference market, which is anticipated up 3-4% in the same period. DGV focuses on Top Clients (namely Large Accounts and PA). This segment represents more than 50% of current IT demand in Italy, showing progressive polarisation of IT spending in Italy as well as in the main advanced economies and offers the fastest growth rates, superior to the market.

EBITDA grew much more than proportionately compared to top line and totaled € 31.9m, 8.8% margin, up 32.9% YoY. This figure largely exceeded our € 28.1m estimate, as a result of a **lower than expected of services and personnel cost increase**. Excluding IFRS 16 effect EBITDA soared 30.0% to € 31.2m and compares with our € 27.1m forecast. **The systems integrator business is characterised by a high degree of variable costs**, for DGV variable costs represent 95% of total costs in 2019: operating leverage is therefore almost absent. The improvement of profitability was mainly driven by price increase and a better mix rather than cost savings. EBIT reached € 27.1m, 7.4% margin vs. CFO SIM € 23.9m projection. Net profit totalled € 19.0m up 28.3% YoY and 27.7% better than our € 14.9m forecast as a result of a higher EBITDA, lower financial charges and a more favourable tax rate.

Net Financial Position was € 30.8m cash from € 31.8m cash in 2018 after operating cash flow of € 31.2m and € 34.4m capex. Investments mainly refer to the acquisition of hardware and equipment installed at customers and intended to provide services in favour of the latter against long-term service fees (**On Premises Infrastructure as a Service**). In particular, this opportunity aroused from a couple of contracts with tier-1 large customer. These contracts are anticipated to create 1) multi-year relations with top-tier customers, 2) provide the client with a vast array of services, 3) increase the returns related from the clients, and 4) a better positioning to offer additional new services to the customers during the course of the relationship.

Operating cash flow and Capex largely exceeded our forecasts. The former as a result of WC resource release, driven by a massive increase in payables, from 278 to 290 days. The latter is an evidence of the two aforementioned contracts: the group sustains investments on behalf of its clients also with the aim of enlarging customer loyalty and to satisfy their needs.

On the back of the current uncertainties linked to the COVID19 spread, **no dividend will be distributed**, vs. our € 0.45/s expectation.



Estimates, Valuation & risks

COVID-19 will certainly have a **significant impact on production, trade and consumption**. The damage caused by the epidemic will be **serious and widespread** and a serious and massive reconstruction plan will be needed. In the current emergency, many gaps have emerged in firms' level of digitisation. DGV, thanks to its wide array of offer developed together with the best technological partners, is very well positioned to benefit from the trend of digitalisation empowerment. Order portfolio offers a fairly good short-term visibility and is based on and sustained by long-term relationships with customers.

In addition, since 1) operating in a crucial sector in this context (digitalisation needs, and demand remain) and is not directly impacted by the productive, commercial and logistic tight restrictions, 2) focusing on large account and 3) operating in some cases medium term contracts, **DGV should be less impacted by the current situation** compared to other stocks and **should offer to a certain extent resiliency to portfolios**.

Following the publication of FY-19 results, **we have updated our model**, on the back of higher top line and profitability improvement vs. our projections. DGV reached our 2020 expectations in 2019. We believe **FY-20 figures might be hit by a certain slowdown** in growth and impacted by a **less favourable mix**, namely an increase of hardware technology sales share (items required to facilitate smart-working) characterised by lower margins compared to high value-added services and solutions. The result is a 7% EBITDA increase in 2020-21. We have also introduced 2022 estimates.

We have updated our PT to € 27.70 (€ 21.20) now based on DCF rather than on a market multiple comparison, to better factor in the medium-long term value of the stock. The beginning of COVID-19 irrepressible contagion in China caused market nervousness and volatility: in the last 3M peers median stock performance plummeted by 27.5%, FTSE AIM Italia by 15.5% and EUROSTOXX by 24.9%.

CFO Sim confirms the Buy rating on the stock: in this market turmoil, DGV represents a resilient player even if volatility remains high and visibility low in the short term.

We believe DGV is a strong value investment opportunity. In an industry characterised by projected **firm long-term growth**, DGV is a **fast growing highly cash generative player**, with upside potential arising from the active leading role it can play in this **unavoidably consolidating arena**. On the back of the extremely solid balance sheet and the massive cash flow generation capability, **the magnitude of a possible move might be considerable**. Our estimates do not take into account any external growth opportunity.

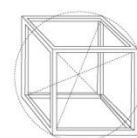
DCF

In the valuation via the DCF method, we assess explicit estimates until 2024 and cautious long-term growth of 1.0%. Cash flows are discounted back at a weighted average cost of capital calculated according to the following parameters:

Table 5 - WACC derived from:

Interest costs, pre-tax	2.0%
Tax rate	30.0%
Int. costs, after taxes	1.4%
Risk premium, incl. small size premium	9.0%
Risk-free (10Y Gov. Bond 2W average)	1.80%
Beta levered (x)	1.00
Required ROE	10.8%

Source: CFO Sim, Thomson Reuters Eikon



Risk premium at 9.0% factors in the minute size of the company and basically all AIM Italia market segment related concerns and disquiets that an investor might have. **Beta has been assumed conservatively at 1.00x**. The WACC is accordingly computed cautiously using 100% equity balance sheet current structure.

Table 6 - Digital Value, DCF model

€ k	2020e	2021e	2022e	2023e	2024e	Term. Val.
EBIT	28.6	34.6	40.1	41.3	42.6	
Tax rate	30.0%	35.0%	35.0%	35.0%	35.0%	
Operating profit (NOPAT)	20.0	22.5	26.1	26.9	27.7	
Change working capital	6.8	5.2	6.6	2.0	0.0	
Depreciation	5.1	5.1	5.4	2.5	2.0	
Investments	(17.0)	(17.0)	(17.0)	(10.0)	(2.0)	
Free Cash Flows	14.9	15.8	21.0	21.4	27.7	285.1
Present value	13.8	13.2	15.9	14.5	17.0	175.2
WACC	10.8%	10.8%	10.8%	10.8%	10.8%	
Long-term growth rate	1.0%					

Source: CFO Sim

Table 7 – Digital Value, DCF derived from:

€ m	
Total EV present value € m	249.5
<i>thereof terminal value</i>	70.2%
NFP last reported	28.0
Pension provision last reported	(1.3)
Equity value € m	276.3
#m shares fully diluted	9.97
Equity value €/s	27.70
% upside/(downside)	42.8%

Source: CFO Sim

The result of our DCF model set up an equity value of € 276.3m for Digital Value, 27.70/s fully diluted, 42.8% upside.

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value/s of between **€ 25.93-29.90/s (perpetuity range between 0.00% and 2.00%)**, while 2) compared to changes in the free risk rate produces an equity value/s of **€ 25.23-30.77/s (free risk range between 2.80% and 0.80%)** and 3) compared to changes in the risk premium, including small size premium results into an equity value/s of **€ 23.18-34.61/s (risk premium range between 11.00%% and 7.00%)**.

Table 8 – Digital Value, equity value sensitivity to changes in terminal growth rate

€ m	0.00%	0.25%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%	2.00%
Present value of CF	74.3	74.3	74.3	74.3	74.3	74.3	74.3	74.3	74.3
PV of terminal value	157.4	161.5	165.9	170.4	175.2	180.2	185.5	191.1	197.0
Total value	231.7	235.9	240.2	244.7	249.5	254.6	259.9	265.4	271.4
NFP last reported	28.0	28.0	28.0	28.0	28.0	28.0	28.0	28.0	28.0
Pension provision last reported	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)
Equity value	258.5	262.6	267.0	271.5	276.3	281.3	286.6	292.2	298.1
Equity value/share €	25.93	26.34	26.78	27.23	27.70	28.22	28.75	29.31	29.90

Source: CFO Sim

Table 9 – Digital Value, equity value sensitivity to changes in free risk rate

€ m	0.80%	1.05%	1.30%	1.55%	1.80%	2.05%	2.30%	2.55%	2.80%
Present value of CF	76.3	75.8	75.3	74.8	74.3	73.9	73.4	72.9	72.5
PV of terminal value	203.7	195.9	188.6	181.7	175.2	169.0	163.2	157.6	152.3
Total value	280.0	271.7	263.9	256.5	249.5	242.9	236.5	230.5	224.8
NFP last reported	28.0	28.0	28.0	28.0	28.0	28.0	28.0	28.0	28.0
Pension provision last reported	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)
Equity value	306.7	298.5	290.7	283.3	276.3	269.6	263.3	257.3	251.5
Equity value/share €	30.77	29.94	29.16	28.42	27.70	27.05	26.41	25.81	25.23

Source: CFO Sim

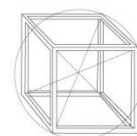


Table 10 – Digital Value, equity value sensitivity to changes in risk premium

€ m	7.00%	7.50%	8.00%	8.50%	9.00%	9.50%	10.00%	10.50%	11.00%
Present value of CF	78.3	77.3	76.3	75.3	74.3	73.4	72.5	71.6	70.7
PV of terminal value	240.0	220.7	203.7	188.6	175.2	163.2	152.3	142.5	133.6
Total value	318.3	298.0	280.0	263.9	249.5	236.5	224.8	214.1	204.3
NFP last reported	28.0	28.0	28.0	28.0	28.0	28.0	28.0	28.0	28.0
Pension provision last reported	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)
Equity value	345.1	324.7	306.7	290.7	276.3	263.3	251.5	240.8	231.1
Equity value/share €	34.61	32.57	30.77	29.16	27.70	26.41	25.23	24.16	23.18

Source: CFO Sim

Market multiples

We conducted an analysis on a cluster of 14 companies operating in the digital IT system integrators segment.

Accenture – USA, multinational offering management and strategic consulting services, technology services and outsourcing solutions in a vast array of industries. Market capitalisation is € 98.0bn, turnover FY1 € 40.9bn, and EBITDA FY1 is € 7.3bn (17.9% margin).

Alten – France, operates in engineering and technology consulting, provides support for its clients' development strategies in the fields of innovation, R&D and IT systems. Market capitalisation is € 2.2bn, turnover FY1 € 2.7bn, and EBITDA FY1 is € 293m (10.9% margin).

Altran Technologies – France, it is a multinational consulting firm operating in different fields of engineering. It provides services to aerospace, automotive, energy, rail, finance, healthcare and TLC. Market capitalisation is € 3.8bn, turnover FY1 € 3.3bn, and EBITDA FY1 is € 526m (15.8% margin).

Atos – France, Atos is a global leader in digital transformation. European leader in Cloud, Cybersecurity and High-Performance Computing, Atos provides end-to-end Orchestrated Hybrid Cloud, Big Data, Business Applications and Digital Workplace solutions through its Digital Transformation Factory, as well as transactional services through Worldline, the European leader in the payment industry. Market capitalisation is € 6.8bn, turnover FY1 € 11.8bn, and EBITDA FY1 is € 1.7bn (14.6% margin).

Aubay – France, Aubay is a digital services company and operates in markets with high added value, in France and elsewhere in Europe. From advice to all kinds of technological projects, Aubay accompanies the transformation and modernization of information systems in all sectors, including industry, R&D, telecommunications and infrastructure, and specifically major banks and insurance companies. Market capitalisation is € 266m, turnover FY1 € 428m, and EBITDA FY1 is € 40m (9.4% margin).

Capgemini – France, company providing IT consulting, outsourcing and professional services including application lifecycle services, big data analytics, supply chain management in several sectors including aerospace and defence, automotive, finance, industrial production, oil and gas, TLC. Market capitalisation is € 13.1bn, turnover FY1 € 11.8bn, and EBITDA FY1 is € 1.7bn (14.6% margin).

Computacenter – UK, Computacenter is a leading independent provider of IT infrastructure services, enabling users and their business in a digital world. The firm advises organisations on IT strategy, implements the most appropriate technology, optimises their performance, and manages customers' infrastructures. Market capitalisation is € 1.8bn, turnover FY1 € 5.4bn, and EBITDA FY1 is € 21.m (3.9% margin).

Devoteam – France, group offers IT consulting services, system integration, project management, cyber security and outsourcing solutions. Market capitalisation is € 491m, turnover FY1 € 782m, and EBITDA FY1 is € 85m (10.9% margin).

Econocom – France, it helps companies and public organisations in their digital



transformation transition process. It sustains to get the most out of digital by focusing on users as the starting point for their digital transformation. Market capitalisation is € 356m, turnover FY1 € 2.9bn, and EBITDA FY1 is € 179m (6.1% margin).

Indra Sistemas – Spain, Indra Sistemas is a global technology and consulting company. It provides proprietary solutions in specific segments such as in Transport and Defence markets and in Digital Transformation Consultancy and Information Technologies in Spain and Latin America. Market capitalisation is € 1.3bn, turnover FY1 € 3.3bn, and EBITDA FY1 is € 362m (11.0% margin).

Reply – Italy, Reply is a highly specialised group, supporting leading industrial firms in defining and developing business models to optimise and integrate processes, applications and devices, using new technology and communication paradigms, such as Big Data, Cloud Computing, Digital Communication, Internet of Things, Mobile and Social Networking. Market capitalisation is € 2.1bn, turnover FY1 € 1.2bn, and EBITDA FY1 is € 188m (15.3% margin).

SeSa – Italy, Sesa is a reference strategic partner and service integrator of the IT Global Vendors, leader in Italy in distribution of value-added IT solutions for enterprises, integrating sector's leading value-added brands, particularly those active in the business segments. Market capitalisation is € 613m, turnover FY1 € 1.8bn, and EBITDA FY1 is € 94m (5.2% margin).

Sopra Steria Group – France, It is an information technology consultancy. The primary business areas of the company include consulting services, systems integration and solutions, integration of ERP solutions, implementation of application solutions, as well as subcontracting solutions for providing technical support to users and application maintenance and outsourcing services and operation of professional processes. Market capitalisation is € 2.1bn, turnover FY1 € 4.6bn, and EBITDA FY1 is € 491m (10.7% margin).

Tieto – Finland, It is an IT software and service company providing IT and product engineering services. The company provides services to financial services, public, healthcare & welfare, industrial and consumer services industries. Market capitalisation is € 2.4bn, turnover FY1 € 2.9bn, and EBITDA FY1 is € 434m (15.0% margin).

Size and profitability vary a lot within the sample, as well as expected growth rates. Accenture is the largest player in the sample in terms of size and offers the highest EBITDA margin (17.9% margin). The least profitable is Computacenter with a 3.9% EBITDA margin. Within the sample, **DGV is the smallest group** in terms of sales and EBITDA in absolute terms and shows an EBITDA margin lower than the peer median. However, **it offers higher projected growth, both in terms of top line and margins compared to the peer median.** If we look at pure systems integrators, DGV profitability is in line with European best in class.

Table 11 - Digital Value, peer group summary table

€ m	Country	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA %	Sales CAGR ₁₈₋₂₁	EBITDA CAGR ₁₈₋₂₁	EBIT CAGR ₁₈₋₂₁	EPS CAGR ₁₉₋₂₁	NFP FY1	NFP/EBITDA
Accenture PLC	USA	97,966	40,849	7,296	17.9%	4.6%	8.8%	5.9%	6.2%	(6,132)	n.m.
Alten SA	France	2,228	2,683	293	10.9%	4.4%	n.a.	n.a.	12.9%	(182)	n.m.
Altran Technologies SA	France	3,835	3,326	526	15.8%	5.0%	12.5%	15.1%	17.1%	1,238	2.4
Atos SE	France	6,752	11,752	1,720	14.6%	2.2%	4.8%	14.7%	8.6%	(63)	n.m.
Aubay SA	France	266	428	40	9.4%	0.8%	n.a.	n.a.	7.8%	(30)	n.m.
Capgemini SE	France	13,068	14,628	2,220	15.2%	4.2%	10.2%	8.6%	8.8%	235	0.1
Computacenter PLC	UK	1,837	5,413	213	3.9%	-1.9%	-4.8%	-1.7%	1.6%	(88)	n.m.
Devoteam SA	France	491	782	85	10.9%	4.7%	4.4%	7.6%	19.3%	(86)	n.m.
Econocom Group SE	France	356	2,919	179	6.1%	n.a.	n.a.	n.a.	n.a.	317	1.8
Indra Sistemas SA	Spain	1,327	3,288	362	11.0%	3.5%	7.1%	8.7%	18.8%	456	1.3
Reply SpA	Italy	2,087	1,233	188	15.3%	7.9%	6.8%	7.4%	11.3%	(209)	n.m.
SeSa SpA	Italy	613	1,822	94	5.2%	11.8%	20.9%	15.7%	11.8%	(50)	n.m.
Sopra Steria Group SA	France	2,056	4,572	491	10.7%	4.1%	13.3%	16.6%	20.2%	444	0.9
Tieto Oyj	Finland	2,346	2,891	434	15.0%	20.0%	20.9%	27.8%	10.0%	931	2.1
Median		2,071	3,104	328	11.0%	4.4%	8.8%	8.7%	11.3%	(40)	1.5
Digital Value SpA	Italy	192	397	34	8.5%	10.5%	12.6%	14.0%	14.8%	(48)	n.m.

Source: CFO Sim, Thomson Reuters Eikon

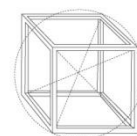


Table 12 - Digital Value, peer group EV multiple table

X	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
Accenture PLC	2.25	2.15	2.00	12.6	12.0	11.1
Alten SA	0.76	0.67	0.58	7.0	5.9	5.0
Altran Technologies SA	1.53	1.39	1.25	9.6	8.5	7.3
Atos SE	0.57	0.54	0.45	3.9	3.6	2.9
Aubay SA	0.55	0.49	0.74	5.9	4.8	6.9
Capgemini SE	0.91	0.86	0.73	6.0	5.5	4.8
Computacenter PLC	0.32	0.31	0.30	8.2	7.7	7.5
Devoteam SA	0.52	0.43	0.39	4.7	3.6	3.3
Econocom Group SE	0.23	0.22	n.a.	3.8	3.3	n.a.
Indra Sistemas SA	0.54	0.49	0.43	4.9	4.2	3.6
Reply SpA	1.52	1.33	1.17	10.0	8.4	7.4
SeSa SpA	0.31	0.28	0.25	6.0	5.3	4.7
Sopra Steria Group SA	0.55	0.49	0.42	5.1	4.2	3.3
Tieto Oyj	1.13	1.10	1.07	7.6	6.8	6.5
Median	0.56	0.52	0.58	6.0	5.4	5.0
Digital Value SpA*	0.37	0.28	0.21	4.3	3.2	2.3
% premium/(discount)	(34.7)	(45.0)	(63.0)	(27.7)	(41.8)	(53.5)

Source: CFO Sim, Thomson Reuters Eikon. * multiples are fully diluted

Table 13 - Digital Value, peer group EV/EBIT & price multiple table

X	EBIT FY1	EBIT FY2	EBIT FY3	PER FY1	PER FY2	PER FY3
Accenture PLC	15.3	14.5	13.2	21.6	20.9	19.2
Alten SA	8.5	7.1	5.7	11.9	10.8	9.4
Altran Technologies SA	13.5	11.7	9.8	17.6	14.9	12.9
Atos SE	6.1	5.5	4.4	7.6	6.9	6.4
Aubay SA	5.4	5.4	8.1	12.4	10.3	10.6
Capgemini SE	7.5	6.9	5.9	11.4	10.4	9.6
Computacenter PLC	11.1	10.3	10.2	16.5	16.3	16.0
Devoteam SA	5.5	4.2	3.8	12.7	9.9	8.9
Econocom Group SE	5.3	4.9	n.a.	5.1	4.6	n.a.
Indra Sistemas SA	7.5	6.1	5.4	9.6	7.9	6.8
Reply SpA	12.4	10.3	9.1	19.2	17.0	15.5
SeSa SpA	8.6	7.6	6.6	15.2	13.6	12.2
Sopra Steria Group SA	7.4	5.9	4.7	9.4	7.8	6.5
Tieto Oyj	10.7	9.5	9.1	11.1	9.6	9.2
Median	8.0	7.0	6.6	12.1	10.3	9.6
Digital Value SpA*	5.1	3.6	2.6	10.1	8.9	7.7
% premium/(discount)	(36.5)	(48.4)	(60.5)	(16.7)	(13.5)	(20.1)

Source: CFO Sim, Thomson Reuters Eikon. * multiples are fully diluted

Italware and ITD Solutions have shown a solid growth trend and a lucrative profitability profile since their establishment, over 30 years ago. We believe DGV bases its roots on two well-known, successful and reliable firms and has to build a solid track record with investors. We believe **DGV stock deserves a discount to peers median not only due to the firm's small size but also due to the lack of decent stock liquidity** on the back of the AIM Italia listing.

Applying a 30% discount to peer multiples on peer average median for EV/EBITDA and EV/EBIT to DGV metrics we attain an **equity value of DGV of € 183.1m, or € 18.40/s**, broadly in line with current market value as a result of the **sharp peer stock price retrenchment** since the start of the COVID-19 spread, using 2020-21-22 estimates and multiples (20-70-10 weighted, respectively), **in order to consider in the valuation part of the upside stemming from the higher than peer median growth perspectives.**

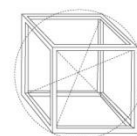


Table 14 - Digital Value, equity assessment, 1#3

€ m	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
Median Peers (x)	0.56	0.52	0.58	6.0	5.4	5.0
DGV metric	363.2	396.9	439.9	31.9	33.6	39.7
NFP	28.0	48.1	68.4	28.0	48.1	68.4
DGV Equity Value	170.6	191.7	246.5	161.6	175.6	205.9
DGV Equity Value €/s (FD)	17.10	19.20	24.70	16.20	17.60	20.70
% upside/(downside)	(11.9)	(1.0)	27.3	(16.5)	(9.3)	6.7

Source: CFO Sim, Thomson Reuters Eikon

Table 15 - Digital Value, equity assessment, 2#3

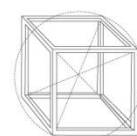
€ m	EBIT FY1	EBIT FY2	EBIT FY3	PER FY1	PER FY2	PER FY3
Median Peers (x)	8.0	7.0	6.6	12.1	10.3	9.6
DGV metric	27.1	28.6	34.6	19.0	19.1	21.6
NFP	28.0	48.1	68.4			
DGV Equity Value	179.6	188.1	228.5	161.3	138.3	145.4
DGV Equity Value €/s (FD)	18.00	18.90	22.90	16.20	13.90	14.60
% upside/(downside)	(7.2)	(2.6)	18.0	(16.5)	(28.4)	(24.7)

Source: CFO Sim, Thomson Reuters Eikon

Table 16 - Digital Value, equity value assessment, 3#3

€ m	FY1	FY2	FY3
EV/EBITDA	161.6	175.6	205.9
EV/EBIT	179.6	188.1	228.5
Weighting	20.0%	70.0%	10.0%
Equity Value	183.1		
Per share FD €/s	18.40		
% upside/(downside)	-5.2%		

Source: CFO Sim, Thomson Reuters Eikon



Peer stock performance

Digital Value was listed on the AIM Italia (Alternative Investment Market) on **8 November 2018 at € 10.0/share**, corresponding to a market **capitalisation post money of € 89.1m** (including the Price Adjustment Shares held by Digital Value core shareholders, see details above). Adopting the same approach used in setting up the peer sample for assessing the value of DGV, we defined a panel of 14 firms operating in the digital IT systems integrators segment. **DGV consistently outperformed peers and indexes** in the period analysed.

Table 17 - Digital Value, peer group absolute performance

%	1D	1W	1M	3M	6M	YTD	1Y
Accenture PLC	(3.9)	4.1	(10.4)	(22.5)	(13.9)	(22.5)	(7.4)
Alten SA	2.7	6.1	(33.9)	(41.8)	(36.6)	(41.8)	(33.2)
Altran Technologies SA	3.3	2.9	2.8	5.2	3.1	5.2	49.6
Atos SE	2.9	8.8	(8.2)	(16.9)	(4.4)	(16.9)	(5.5)
Aubay SA	2.4	14.2	(28.6)	(39.9)	(41.6)	(39.9)	(35.2)
Capgemini SE	(1.3)	7.0	(19.3)	(29.3)	(28.5)	(29.3)	(29.9)
Computacenter PLC	2.5	18.0	(14.7)	(19.3)	10.4	(19.3)	28.0
Devoteam SA	3.0	5.9	(28.3)	(37.8)	(24.2)	(37.8)	(40.0)
Econocom Group SE	2.8	(11.9)	(41.4)	(40.4)	(37.9)	(40.4)	(60.5)
Indra Sistemas SA	0.7	2.0	(26.3)	(26.3)	(5.1)	(26.3)	(24.4)
Reply SpA	7.7	13.1	(16.5)	(19.8)	(1.3)	(19.8)	(2.7)
SeSa SpA	7.8	3.8	(18.5)	(17.1)	(1.5)	(17.1)	38.6
Sopra Steria Group SA	11.1	13.6	(29.9)	(30.3)	(12.8)	(30.3)	(5.6)
Tieto Oyj	4.9	4.5	(24.3)	(28.6)	(18.1)	(28.6)	(27.8)
Median	2.8	6.0	(21.8)	(27.5)	(13.3)	(27.5)	(15.9)
Digital Value SpA	3.7	8.4	0.5	9.0	14.8	9.0	43.7

Source: Thomson Reuters Eikon

Table 18 – Digital Value, relative performances

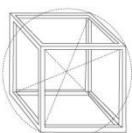
%	1D	1W	1M	3M	6M	YTD	1Y
to MSCI World Index	4.7	2.1	15.5	30.4	29.0	30.4	56.8
to EUROSTOXX	2.5	5.4	18.5	33.9	34.9	33.9	62.1
to FTSE Italia All Share	2.6	7.5	21.9	36.5	37.0	36.5	64.9
to FTSE STAR Italia	2.1	6.0	19.2	34.1	30.9	34.1	60.9
to FTSE AIM Italia	2.5	4.8	10.3	24.5	29.9	24.5	68.5
to Peer Median	0.9	2.4	22.3	36.5	28.1	36.5	59.6

Source: CFO Sim

Risks

The principal investment **risks** in Digital Value include:

- Risks linked to the postponement of some key projects;
- Risks due to competition in some segments, which might put margins or top line developments under pressure in the short term.
- Impact on economics and balance sheet profile triggered by a deep decline in local and global economic growth;
- Dilution on profitability stemming from a potential acquisition campaign;
- The departure of one of few key relevant people.



ANALYST CERTIFICATION

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DATE	TARGET PRICE	RATING
01/04/2020	€27.70	BUY
25/09/2019	€21.20	BUY
17/05/2019	€21.20	BUY
25/03/2019	€21.20	BUY

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- 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.

