

## Italy – IT Services

## Soaring FY-21 revenues, in line with forecast

27<sup>th</sup> January 2022

### FY-21 REVENUES RELEASE

RIC: DGV.MI  
BBG: DGV IM

Digital Value reported rising revenues with significant market share gain. Its acceleration in the digitisation process, cash flow generation capabilities and huge cash pile available to seize significant external growth opportunities, represent robust value drivers for the stock, looking even more appealing after the recent share weakness.

#### Rating:

**Buy**

#### Price Target:

**€ 122.00**

Upside/(Downside): 35.3%

Last Price: € 91.80

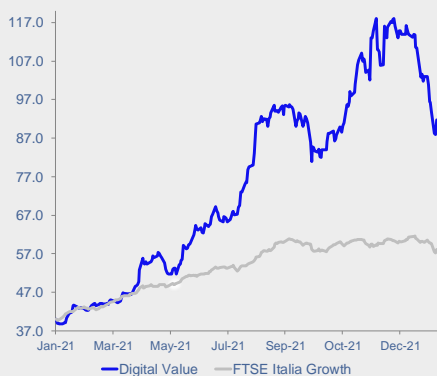
Market Cap.: € 920.3M

1Y High/Low: € 120.40/€ 37.00

Free Float: 35.3%

#### Major shareholders:

DV Holding 64.7%



#### Stock price performance

	1W	3M	12M
<b>Absolute</b>	-20.2%	3.7%	129.5%
<b>Rel.to AIM Italia</b>	-16.4%	2.8%	145.4%
<b>Rel.to Peers</b>	-10.8%	6.2%	90.0%

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#### Recent share weakness represents a buying opportunity, PT offers 35.3% upside

Digital Value reported rising FY-21 sales in line with expectation, with significant market share gains. The investment case remains rock solid: with its 450 certifications, 30-year seniority in the business, a customer portfolio including over 2,000 names and the status of a listed company, DGV is well positioned to continue to outperform the market and benefit from the future implementation of the Recovery Plan in Italy. The recent share weakness was driven by inflation fears, uncertainty related to the current geopolitical situation in Ukraine and, last but not least, a profit taking wave on those sectors/stocks that performed extremely well in 2021. The current share price represents an opportunity for buying into a fairly cheap, growing, cash-flow generative, resilient player with further upside potential arising from a second round of M&As, whose magnitude might be considerable. Estimates remain unchanged: strong Buy recommendation is reiterated, 35.3% upside.

#### FY-21 revenues up 23.0% once again beating the market

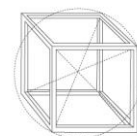
Digital Value reported FY-21 revenues up by 23% YoY to € 544m, up by € 102m, in line with our € 543m estimate. This achievement entails acceleration of growth in H2-21 vs H1-21: according to our elaboration, sales soared 24% in H2-21 vs. 22% in H1-21. It is worth mentioning that these results were not impacted by the NRRP (National Recovery and Resiliency Plan) yet. Since its listing in 2018 DGV almost doubled its turnover thanks to its positioning in those areas with the highest value added and the greatest future prospects of the Italian ICT market. In addition, DGV focuses on Top Clients, representing more than 50% of domestic IT demand and offering the fastest growth rates, superior to the market. Once again, the company largely outperformed the reference market, which was anticipated to increase in mid/low-single digits.

#### Next generation data centers remain the key business area for DGV

The Next Generation Data Center business unit, which represents the enabling infrastructure for IT projects and solutions, accounted for 48% of total revenues. In this context, a few enabling cloud projects dedicated to TELCO customers and Central Public Administration bodies, as well as storage and backup services for large Italian corporations, are worthy of mention. The other two business units, Digital Business Transformation and Smart Workspace Transformation, accounted for approximately 25% and 27% of total revenues, respectively. With regard to the 'Digital Business Transformation' projects relating to end-to-end information processing, technological solutions for PaaS or SaaS cloud services and data integration events represent the business unit's main activities. This area is the most future-proof, since is able to intercept any new trend in the ICT field. As for the latter, workstation digitisation projects are confirmed as key activities in the educational and large business segments.

#### Digital Value, key financials and ratios

€ m	2019	2020	2021e	2022e	2023e
Sales	363.2	440.6	541.6	698.9	835.2
EBITDA	31.9	45.4	55.8	71.2	90.5
EBIT	27.1	34.0	41.2	52.2	74.6
Net profit	19.0	24.1	28.1	35.8	51.4
NFP (cash)/debt	(28.0)	(32.9)	(47.1)	(104.0)	(170.6)
EBITDA margin	8.8%	10.3%	10.3%	10.2%	10.8%
EBIT margin	7.5%	7.7%	7.6%	7.5%	8.9%
EPS FD	1.90	2.42	2.82	3.59	5.16
EPS FD growth	28.3%	27.0%	16.6%	27.4%	43.6%
DPS ord. €/s	-	0.00	0.00	0.00	0.00
ROCE	27.5%	25.0%	24.7%	25.5%	28.8%
NWC/Sales	-29.4%	-20.7%	-16.0%	-14.3%	-13.3%
Free Cash Flow Yield FD	-0.4%	0.6%	1.5%	6.2%	7.2%
PER FD x	6.4	10.5	32.7	25.7	17.9
EV/Sales FD x	0.26	0.50	1.61	1.17	0.90
EV/EBITDA FD x	2.9	4.9	15.6	11.5	8.3
EV/EBIT FD x	3.4	6.5	21.2	15.6	10.1



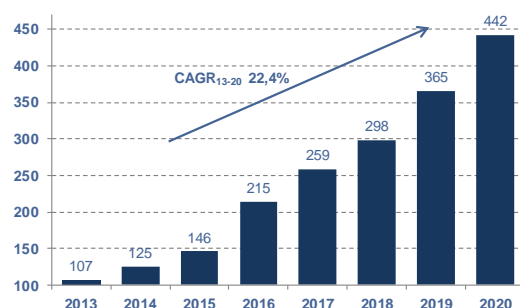
## The company at a glance

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 an offer of customised solutions and services. Headquartered in Milan, DGV (Digital Value) focuses on large accounts, i.e. 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 services arena in terms of growth.

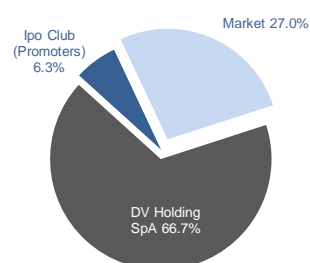
The group boasts key expertise in network infrastructure and data centres, security, network testing and monitoring, workstation management, Help Desk, data management and analysis, ERP systems management, retail applications, information systems, on-premise support and governance, outsourcing and cloud.

With its 193 employees, DGV reported 2020 Total Revenues of € 442.3m, EBITDA of € 45.4m (10.3% margin), Net Profit of € 24.1m and a Net Financial Position of € 32.9m (cash positive). With structurally negative Working Capital which aims to support growth, ROE of 25.7% and ROCE of 25.0%, DGV has a well-balanced and lucratively allocated capital structure. Currently, 100% of its business is generated in Italy.

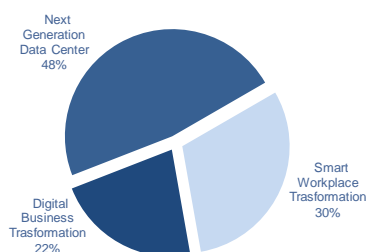
## 2013-20 top line progression



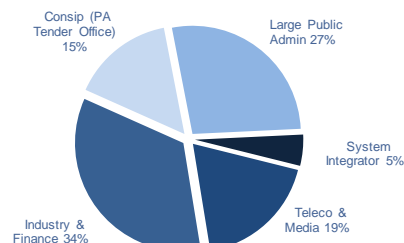
## Fully diluted shareholder structure



## FY-20 top line breakdown by line of business



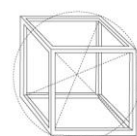
## FY-20 top line breakdown by industry



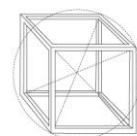
## Peer group multiples table

EV multiples x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3	EBIT FY1	EBIT FY2	EBIT FY3
Accenture PLC	3.53	3.20	2.90	18.9	17.1	15.3	23.0	20.7	18.5
Alten SA	1.65	1.46	1.32	13.6	11.8	10.6	17.2	14.5	12.8
Atos SE	0.42	0.41	0.38	4.8	3.9	3.2	13.6	8.9	7.1
Aubay SA	1.37	1.34	1.24	11.3	11.1	10.3	13.6	13.3	12.3
Bechtle AG	1.05	0.93	0.84	15.6	14.2	12.9	20.1	18.4	16.5
Capgemini SE	2.07	1.84	1.66	13.2	11.6	10.2	18.0	15.3	13.3
CDW Corp	1.53	1.29	1.21	18.1	14.5	13.1	19.3	15.9	14.3
Computacenter PLC	0.45	0.42	0.39	8.8	8.3	7.7	11.9	11.2	10.4
Econocom Group SE	0.34	0.33	0.37	4.9	4.7	5.3	6.7	6.4	7.2
Indra Sistemas SA	0.62	0.55	0.51	5.9	5.1	4.5	8.3	7.1	6.2
Reply SpA	3.62	3.09	2.70	20.9	18.0	15.8	25.7	21.9	19.1
Sesa SpA	1.02	0.90	0.79	14.6	12.4	10.6	20.5	17.2	14.5
Sopra Steria Group SA	0.78	0.70	0.64	6.8	5.9	5.3	10.5	8.8	7.7
TietoEVRY Corp	1.29	1.24	1.17	6.8	7.0	6.5	9.8	10.3	9.4
<b>Median</b>	<b>1.17</b>	<b>1.08</b>	<b>1.01</b>	<b>12.2</b>	<b>11.3</b>	<b>10.2</b>	<b>15.4</b>	<b>13.9</b>	<b>12.5</b>
<b>Digital Value SpA</b>	<b>1.61</b>	<b>1.17</b>	<b>0.90</b>	<b>15.6</b>	<b>11.5</b>	<b>8.3</b>	<b>21.2</b>	<b>15.6</b>	<b>10.1</b>

Source: CFO Sim, Thomson Reuters Eikon



Income statement (€ m)	2019	2020	2021e	2022e	2023e
Sales	363.2	440.6	541.6	698.9	835.2
Value of Production	364.8	442.3	542.9	700.3	836.9
Raw material and processing	(280.7)	(342.7)	(416.9)	(538.9)	(640.6)
Services	(38.2)	(40.2)	(54.3)	(70.0)	(83.7)
Personnel expenses	(13.6)	(13.6)	(14.8)	(18.8)	(20.5)
Other opex	(0.4)	(0.3)	(1.1)	(1.4)	(1.7)
EBITDA	31.9	45.4	55.8	71.2	90.5
D&A	(4.9)	(11.4)	(14.6)	(19.0)	(16.0)
EBIT	27.1	34.0	41.2	52.2	74.6
Financials	(0.3)	(0.5)	(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	26.8	33.6	40.2	51.2	73.6
Income taxes	(7.6)	(9.4)	(12.1)	(15.4)	(22.1)
Minorities	(0.2)	(0.0)	(0.0)	(0.0)	(0.0)
Net Profit	19.0	24.1	28.1	35.8	51.4
Net Profit Adjusted	19.0	24.1	28.1	35.8	51.4
Balance sheet (€ m)	2019	2020	2021e	2022e	2023e
Net Working Capital	(107.4)	(91.4)	(86.9)	(100.5)	(110.9)
Net Fixed Assets	47.9	50.2	66.5	60.6	57.6
Equity Investments	0.0	0.4	0.4	0.4	0.4
Other M/L Term A/L	101.1	101.7	94.6	93.1	91.4
Net Invested Capital	41.6	60.9	74.7	53.6	38.5
Net Financial Debt	(28.0)	(32.9)	(47.1)	(104.0)	(170.6)
Minorities	0.2	0.2	0.2	0.3	0.3
Group's Shareholders Equity	69.4	93.5	121.6	157.4	208.8
Financial Liabilities & Equity	41.6	60.9	74.7	53.6	38.5
Cash Flow statement (€ m)	2019	2020	2021e	2022e	2023e
Total net income	19.0	24.1	28.1	35.8	51.4
Depreciation	4.9	11.4	14.6	19.0	16.0
Other non-cash charges	(24.2)	(1.3)	7.1	1.6	1.7
Cash Flow from Oper. (CFO)	(0.4)	34.1	49.8	56.3	69.1
Change in NWC	31.5	(16.0)	(4.6)	13.6	10.4
FCF from Operations (FCFO)	31.2	18.1	45.3	69.9	79.5
Net Investments (CFI)	(34.4)	(13.0)	(31.0)	(13.0)	(13.0)
Free CF to the Firm (FCFF)	(3.2)	5.1	14.3	56.9	66.5
CF from financials (CFF)	17.5	13.3	2.0	2.1	2.2
Free Cash Flow to Equity (FCFE)	14.2	18.4	16.3	59.0	68.8
Financial ratios	2019	2020	2021e	2022e	2023e
EBITDA margin	8.8%	10.3%	10.3%	10.2%	10.8%
EBIT margin	7.5%	7.7%	7.6%	7.5%	8.9%
Net profit margin	5.2%	5.5%	5.2%	5.1%	6.2%
Tax rate	28.5%	28.1%	30.0%	30.0%	30.0%
Op NWC/Sales	-29.4%	-20.7%	-16.0%	-14.3%	-13.3%
Interest coverage x	0.01	0.01	0.02	0.02	0.01
Net Debt/EBITDA x	(0.88)	(0.72)	(0.84)	(1.46)	(1.88)
Debt-to-Equity x	(0.40)	(0.35)	(0.39)	(0.66)	(0.82)
ROIC	45.6%	39.6%	37.6%	66.8%	133.6%
ROCE	27.5%	25.0%	24.7%	25.5%	28.8%
ROACE	33.8%	29.0%	27.2%	28.1%	32.1%
ROE	27.3%	25.8%	23.1%	22.8%	24.6%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Per share figures	2019	2020	2021e	2022e	2023e
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 €	1.90	2.42	2.82	3.59	5.16
EPS adjusted FD €	1.90	2.42	2.82	3.59	5.16
EBITDA €	3.20	4.55	5.60	7.14	9.08
EBIT €	2.71	3.41	4.13	5.24	7.48
BV €	6.98	9.40	12.22	15.81	20.97
FCFO €	3.13	1.82	4.54	7.01	7.98
FCFF €	(0.32)	0.51	1.43	5.71	6.67
FCFE €	1.43	1.84	1.63	5.92	6.90
Dividend €	0.00	0.00	0.00	0.00	0.00



## ANALYST CERTIFICATION

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

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DATE	TARGET PRICE	RATING
27/01/2022	€122.00	BUY
09/11/2021	€122.00	BUY
06/08/2021	€115.00	BUY
20/05/2021	€68.00	BUY
09/04/2021	€68.00	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.

