

Italy – IT Services

Remarkable FY-21 results, organic growth exceeded 20%

1st April 2022

FY-21 RESULTS RELEASE

RIC: DGV.MI
BBG: DGV IM

A soaring set of results, better than our forecasts, also 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 huge cash pile allows DGV to seize significant external growth opportunities.

Rating:

Buy

Price Target:

€ 120.00 (€ 122.00)

Upside/(Downside): 36.4%

Last Price: € 88.00

Market Cap.: € 884.5m

1Y High/Low: € 120.40/€ 45.80

Avg. Daily Turn. (3M, 6M): € 1,153k, € 1,389k

Free Float: 35.3%

Major shareholders:

DV Holding 64.7%



Stock price performance

	1W	3M	12M
Absolute	6.7%	-22.8%	87.6%
Rel.to FTSE IT Growth	10.5%	-23.7%	103.5%
Rel.to Peers	1.0%	-10.7%	63.5%

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Estimates fine tuned, Buy recommendation confirmed

Once again, DGV's results show organic double-digit top line growth and a more-than-proportional profitability progression, exceeding consensus expectations. DGV will be able to intercept the megatrend related to the acceleration of the digitisation process also driven by the massive impact of the Recovery Fund. DGV aims to consolidate its role as a trusted, large Hyper Value-Added Reseller, fostering the adoption of the newest technologies, allowing for the scouting of the 'best-of-breed' in the most innovative global vendors' offering. All this is provided via an integrated two-sided platform approach which creates a bond with customers and vendors, increasing the value for all stakeholders. Estimates fine-tuned, DCF-based PT broadly unchanged at € 120.00/s (€ 122.00/s): Buy reiterated.

Top line was up 26%, in a year still impacted by the pandemic

FY-21 revenues up more than 26% to € 558m, up 23.6% organic, slightly better than our € 543m projection. This achievement implies a consolidation of the growth in H2-21 vs H1-21: according to our calculation, sales soared 30.2% in H2-21 vs. 21.7% in H1-20. Once again DGV largely outperformed the reference market, which is anticipated to be up 7-8% in the same period. DGV focuses on Top Customers (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 and offers the fastest growth rates, above the market.

EBITDA reached almost € 58m, 10.3% margin

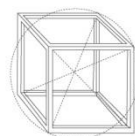
Profitability rose more than proportionately to top line: EBITDA grew 26.7% to 57.5m, 10.3% margin, better than our € 55.8m forecast, as a result of a higher top line and lower-than-expected increase in services costs. EBIT totalled € 44.5m, up 30.9% YoY, margin of 8.0%, better than our € 41.2m forecast. The systems integrator business is characterised by a high degree of variable costs. For DGV, variable costs accounted for almost 95% of total costs in 2021: operating leverage is therefore almost absent. The improvement of profitability was mainly driven by a price increase and a better mix rather than by cost savings. Net profit came in at € 30.1m, 5.4% margin, up 25.0% YoY, better than our € 28.1m assumption, as a result of a higher EBITDA, lower financial charges and a more favourable tax rate.

Cash pile stands at € 21m: M&A firepower is huge

NFP was cash positive by € 21.3m, down from € 32.9m in 2020 after operating cash flow of € 15.4m and capex of € 31.8m (€ 18.1m and € 13.0m in 2020, respectively). Investments mainly refer to the acquisition of hardware and equipment, installed at the customers' premises and intended for the provision of services to the latter against payment of long-term service fees (On Premises Infrastructure as a Service). In particular, this opportunity arose from a few contracts with large Tier-1 customers. Capex also includes € 8.5m consideration for the acquisition of 51% of TT Tecnosistemi.

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	0.6%	-1.9%	3.1%	5.3%	7.1%
PER x	10.5	29.1	23.3	18.5	14.8
EV/Sales x	0.50	1.55	1.20	0.97	0.77
EV/EBITDA x	4.9	15.0	11.7	9.3	7.1
EV/EBIT x	6.5	19.4	14.9	11.2	8.3



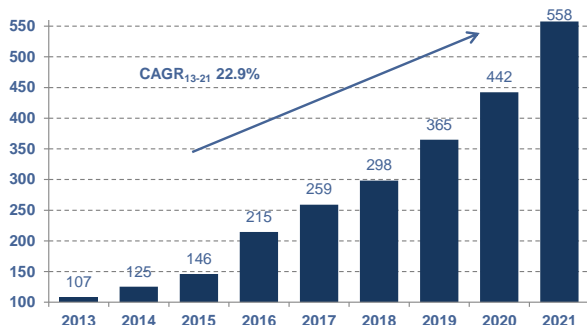
The company at a glance

Digital Value originates from the combination of two domestic IT system integrators, Itaware 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 2019 and the most promising segment in the IT services arena in terms of growth.

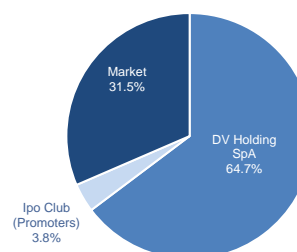
The group boasts key expertise in network infrastructure and data centres, security, network testing and monitoring, workstation management, Help Desk, data management and analysis, ERP systems management, retail applications, information systems, on-premise support and governance, outsourcing and cloud.

With its 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

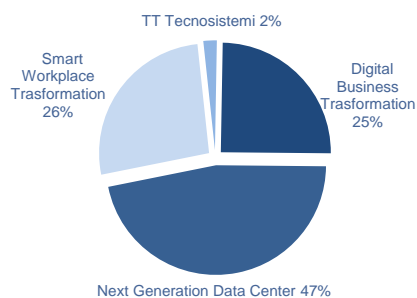


Shareholder structure

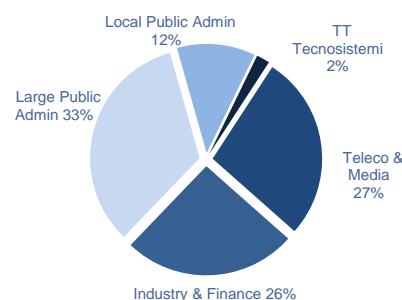


Free Float is 35.3%, including IPO Club

FY-21 top line breakdown by line of business



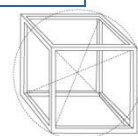
...and by industry verticals



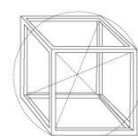
Peer group multiples table

EV multiples x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3	EBIT FY1	EBIT FY2	EBIT FY3
Accenture PLC	3.47	3.13	2.84	18.8	16.8	15.1	22.9	20.4	18.3
Alten SA	1.34	1.19	1.04	10.9	9.7	8.5	13.3	11.7	10.2
Afos SE	0.38	0.37	0.31	4.0	3.5	2.7	11.0	8.2	5.7
Aubay SA	1.40	1.26	1.15	11.5	10.5	9.4	13.4	12.2	11.1
Bechtle AG	1.04	0.94	0.86	13.9	12.5	11.1	18.0	16.1	14.2
Capgemini SE	1.88	1.70	1.52	12.1	10.6	9.2	15.6	13.5	11.6
CDW Corp	1.26	1.17	1.13	14.5	13.4	12.8	15.5	14.3	13.9
Computacenter PLC	0.46	0.43	0.42	9.2	8.7	8.3	12.4	11.7	10.9
Econocom Group SE	0.38	0.35	0.29	5.6	5.2	4.4	7.0	6.5	5.5
Indra Sistemas SA	0.57	0.52	0.42	5.3	4.7	3.6	7.4	6.4	5.0
Reply SpA	3.10	2.74	2.38	18.4	16.3	14.5	22.5	19.8	17.5
Sesa SpA	0.94	0.82	0.72	13.3	11.2	9.6	18.7	15.6	13.1
Sopra Steria Group SA	0.76	0.70	0.70	6.4	5.8	5.4	9.7	8.4	7.6
TietoEVRY Corp	1.17	1.10	1.05	6.7	6.2	5.9	9.9	8.8	8.4
Median	1.11	1.02	0.95	11.2	10.1	8.9	13.4	11.9	11.0
Digital Value SpA	1.20	0.97	0.77	11.7	9.3	7.1	14.9	11.2	8.3

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



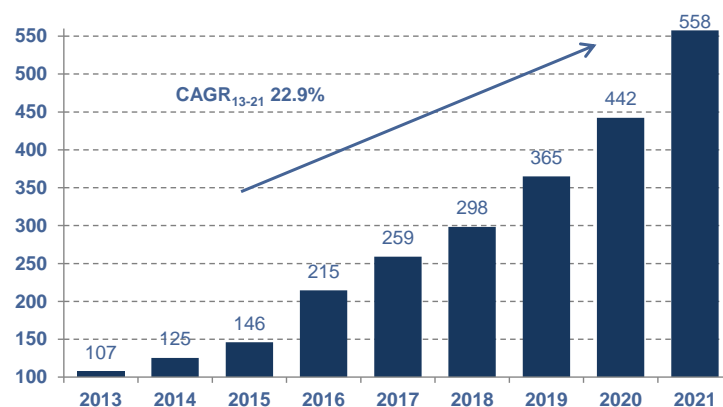
Digital Value in a nutshell

Digital Value originates from the combination of two domestic IT systems integrators, Itaware 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**, companies with more than 500 employees, accounting for more than 50% of the total IT spending in Italy in 2020 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, workstations 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 € 557.8m, EBITDA of € 57.5m (10.3% margin), € 30.1m Net Profit and a Net Financial Position of € 21.3m (cash positive). With structurally not very significant Working Capital, ROE of 23% and ROCE of 20%, **DGV has a well-balanced and lucratively allocated capital structure.** Currently, 100% of the business is generated in Italy.

Chart 1 – Digital Value, 2013-21 top line progression



Source: Company data

DGV has **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), **30-year seniority** in the business, a **customer portfolio including over 2,000 names** and the **status of a listed company**.

DGV aims to consolidate its role as a trusted, large domestic player, fostering the adoption of the newest technologies, allowing the scouting of the 'best-of-breed' in the most innovative global vendors' offering. All this provided via an **integrated two-sided platform approach** which creates a bond with customers and vendors, increasing the value for all stakeholders.

The group's mission is to become the key player in the domestic ICT market for the **design and the implementation of the most appropriate solutions offered by the largest and most complete digital technologies providers.**

DGV's paradigm is to consolidate its positioning as a **Hyper Value-Added Reseller**, enhancing the customer's infrastructures and platforms, thanks to: 1) **highly skilled technical and commercial professionals**; 2) specific **multi-vendor/multi-cloud/multi-security approach**, 3) **One-stop-shop in the supply chain for large private customers**, leveraging public sector experiences.

That is why, DGV is well-positioned to continue **outperforming the reference market and to play an active role in the sectoral consolidation process.**

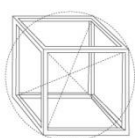
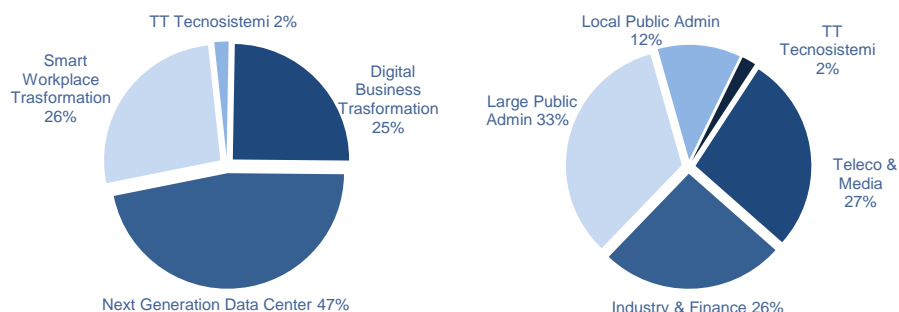


Chart 2 – Digital Value, 2021 top line breakdown by line of business & industry



Source: Company data

The Digital Value listing

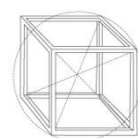
Digital Value was listed on Euronext Growth Milan on **8 November 2018 at € 10.0/share**, corresponding to a **post-money market capitalisation of € 89.1m** (including the Price Adjustment Shares held by Digital Value's core shareholders). **The IPO was carried out via a Club Deal**, where IPO Club acted as anchor investor. IPO Club is an Italian innovative closed-end Alternative Investment Fund, reserved for institutional investors and managed by Azimut. The fund invests in medium-term development projects. The € 22.5m **rights issue proceeds financed the creation of DGV, via the integration of Itaware and ITD Solution.**

Digital Value Holding's shareholders include, in addition to the founders and senior management of Itaware and ITD Solutions (79.8% Massimo Rossi, 4.7% Riccardo Benedini and 4.8% Carlo Brigada), Sesa, which holds 6.0% of the holding company (i.e. some 4.0% of DGV). Sesa is a listed company (Euronext STAR Milan, mkt cap of € 2.4bn) and a leading domestic player in the value-added IT solutions sector for businesses and professionals.

Table 1 – Digital Value, shareholder structure

Shareholders	#	%
DV Holding SpA	6.452	64.7%
Free Float o/w	3.517	35.3%
Ipo Club (Promoters)	0.377	3.8%
Total	9.970	100.0%

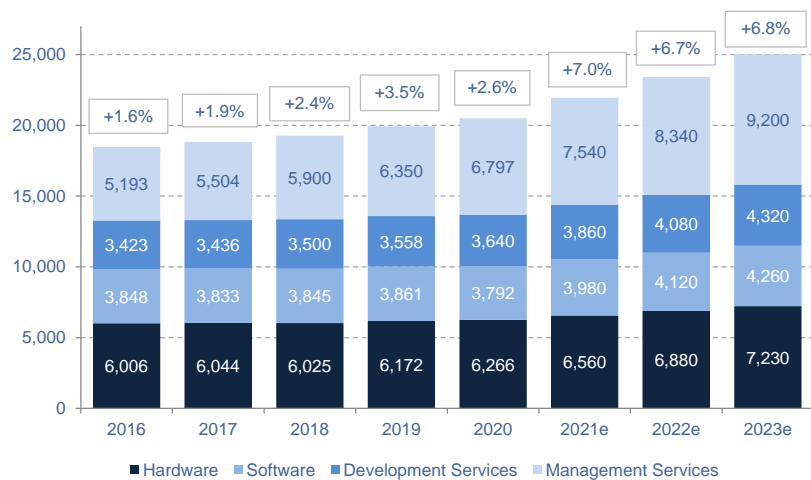
Source: Company data



The reference market & competitive positioning

DGV operates in the Information Technology Provider sector in Italy. After several years of structural weakness, started in 2007 and ended in 2015, **the reference market reversed its trend in 2016 with accelerating growth rates.** Growth here has more than doubled GDP growth and has been concentrated in those areas where IT spending has been rising worldwide. The driver is technological innovation, i.e. 1) digital transformation, 2) managed and security services and 3) cloud. The market is characterised by the progressive adoption of the 'technology as a service' approach (that is why the Development Services segment is estimated to show a 5.9% CAGR₂₀₋₂₃) and by a switch from hardware and software to Cloud services, at infrastructural and application levels.

Chart 3 – Digital Value, IT Provider market in Italy by sector, 2016-23e, € m



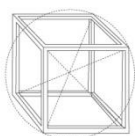
Source: CFO Sim elaboration on Simi data - Jan-22

DGV focuses on Top Customers (companies and public entities totalling more than 500 employees). **It represents more than 50% of the current Information Technology demand in Italy**, showing progressive polarisation of IT spending in Italy as well as in the main advanced economies, and **presents the fastest growth rates** within the industry. According to Digital Value's management, within the Top Customer segment, **DGV's total addressable market is worth some € 16.5bn** in 2020 and comprises Infrastructure Hardware Infrastructure Software and Services. DGV in this context has a **market share of some 5.0%**.

Furthermore, the gap between the domestic market and the rest of the world can be closed thanks to the huge resources stemming from the **National Recovery and Resiliency Plan**. In particular, about **€ 40bn will be dedicated to the digital transformation of businesses and the public administration, almost € 30bn of which should be invested by 2024**. The report "Il Digitale in Italia 2021" outlines **two scenarios** with regard to the impact of the NRRP on the digital economy in Italy: in the **best-case scenario**, the Italian digital economy is expected to grow with a **CAGR₂₁₋₂₄ of 6.9%** while in the **worst-case scenario** with a **CAGR₂₁₋₂₄ of 6.0%**.

The market is rather concentrated: the top five players hold more than 50% of the total, the top ten actors total 80% of the market. **The other smaller players are struggling** in a sector where size is becoming more and more important. Size is becoming a barrier to potential newcomers. A sufficient size to properly reassure customers and provide a guarantee is becoming one of the key factors required in the sector due to:

- Plentiful and comprehensive **employee certifications**.
- **References, track record**. It is necessary to produce documentation about the amount of revenues - broken down by technology, solution and architecture - achieved in the last three years.
- Indicators of **balance-sheet solidity**.



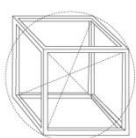
Price-based discrimination is increasingly diminishing in importance compared to the benefit of technical proposals based on technology and architecture solutions. Generally, price weighs 30% in the decision-making process for assigning the work. The preponderant part is determined by the technical score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

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

- **Telecom & Media** (27% of 2021 sales), DGV is a reference partner for the main TLC and Media companies operating in the Italian market. They play a key role in offering integrated IT and TLC services with sizeable future investment pipelines.
- **Large and Local Public Administrations** (45%), DGV is a key sponsor via the participation in tenders and bids issued by Consip (central procurement department of the Italian Public Administration sector) thanks to a dedicated Finance & Legal team with a solid track record.
- **Industry & Finance** (26%), DGV is a supportive partner of the main Italian players in the large accounts segment (automotive, defence, transport) as well as in finance. These are promising areas, with growing investment needs in ICT solutions, IT Services and Business Applications.

DGV presents a customer portfolio that looks rather over-concentrated, but only at first sight. However, it has to be noted that group's top customer is Consip, the Central Procurement Department of the Italian Public Administration sector, which embodies a great number of legal entities.



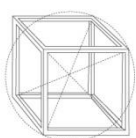
IPO rationale

DGV originates from the integration of two leading Italian Systems Integrators: Italware Srl and ITD Solutions Spa.

- **Italware** – based in Rome, established more than 30 years ago, the company focuses on Technology Solutions and Managed Services for the **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. In 2017, Sales, EBITDA, Net Profit and Net Financial Position were, respectively, € 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 company focuses on large private 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. In 2017, Sales, EBITDA, Net Profit and Net Financial Position were, respectively, € 83m, € 6.3m (7.6% margin), € 2.1m and € 6.8m (debt, 1.1x EBITDA).

The combined entity, **Digital Value, consolidates and magnifies the skills, track record, achievements and expertise of the two merged companies**. Sales, EBITDA, Net Profit and Net Financial Position in 2021 were, respectively, € 557.8m, € 57.5m (10.3% margin), € 30.1m and € 21.3m cash positive. 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 boast an even more complete and integrated offer** in the field of IT Solutions and Services, with areas of different specialisations and high growth potential (Big Data Analytics, Networking and Security, Hybrid Cloud, Managed Services and Business Applications).
- **Focus is still on the Large Users segment** (Top Customers, organisations with more than 500 employees) in the **Telecom & Media, PA and Industry** sectors and, with an increasing future relevance, **Banks** and **Insurance**, to which DGV puts itself forward as a reference partner for projects and services in Data Centers, 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.
- Greater balance-sheet solidity allows **significant firepower to play a primary role in the further consolidation process** of the sector.



Business model

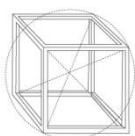
DGV has developed a business model based on a salesforce overseeing comprehensive customer portfolio development, with **specific solution units for every business area** able to provide adequate services and solutions. **DGV boasts consolidated partnerships with key reference industry actors** and a **team of skilled and geographically widespread professionals**. Customer needs require marked, specific expertise 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 companies. 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 are 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 within the group.
- **Solution design** – the best solution for customer needs is then designed by way of a technology integrator, via the skills expressed by DGV solution units.
- **Solution implementation** - the adopted solution is then implemented and tested on the customer's infrastructure in accordance with the customer's needs.
- **Solution installation** - DGV finally installs the solution offered on the customer's systems.
- **Solution operation** – DGV constantly monitors possible malfunctions and provides ordinary solution maintenance, procedure fault resolution, solution updates and improvements.
- **KPI check** – a complete KPI analysis report is provided to the customer's top management structure.

As of 2019, DGV experienced a different contract approach with a few tier-1 customers, the so-called '**on-premises infrastructure as a service**'. DGV purchases the technologies and installs them on the customer's premises. The company offers the customer hardware and service in a multi-year contract. This innovative approach, if on the one hand **increases the business capital intensity to a certain extent**, on the other hand, it allows DGV to 1) have **long-standing relationships** with tier1 customers, 2) provide the customer with a **vast array of services**, 3) **increase its returns** relating to the customers, and 4) improve its 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 challenge to continue fostering 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 vs others.
- **Opportunities:** elements that the project could use to its advantage.
- **Threats:** elements in the environment that could cause harm 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 60s/70s using Fortune 500's data.

S.W.O.T. ANALYSIS

STRENGTHS

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

WEAKNESSES

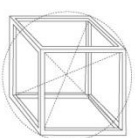
- ❑ Rather high **customer concentration in TLC, Media and PA sectors**
- ❑ Decisions are **in the hands of few key important people**, even though DGV is becoming increasingly structured with new senior management hiring

OPPORTUNITIES

- ❑ Further **consolidation opportunities** in the domestic market
- ❑ **Penetration of new markets segment:** Automotive and Finance

THREATS

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



FY-21 results

A soaring set of results, better than our forecasts. Margin grew much more than proportionately to top line. Operating Cash Flow was entirely absorbed by IT acquisition and capex with the aim of fostering growth and development for the next few years. The huge cash pile allows DGV to seize significant external growth opportunities.

Table 2 – Digital Value, FY-21 results

€ m	2021	2020	% YoY	2021e	% diff.
Revenues	555.9	440.6	26.2	541.6	2.6
Increase in finished products	0.0	0.0		0.0	
Other revenues	1.9	1.7		1.2	
Total Revenues	557.8	442.3	26.1	542.9	2.7
Raw material and processing	(434.6)	(342.7)		(416.9)	
Services	(47.8)	(40.2)		(54.3)	
o/w third party services	(40.0)	(31.7)		(48.3)	
Personnel expenses	(17.4)	(13.6)		(14.8)	
Other opex	(0.5)	(0.3)		(1.1)	
EBITDA	57.5	45.4	26.7	55.8	3.0
% margin	10.3	10.3		10.3	
D&A	(13.0)	(11.4)		(14.6)	
EBIT	44.5	34.0	30.9	41.2	8.1
% margin	8.0	7.7		7.6	
Financials	(0.7)	(0.5)		(1.0)	
Re/(Devaluation) of financial assets	0.0	0.0		0.0	
Extraordinary	(0.4)	0.0		0.0	
Pre-Tax profit	43.4	33.6	29.4	40.2	8.0
% margin	7.8	7.6		7.4	
Income taxes	(12.8)	(9.4)		(12.1)	
Tax rate	29.5%	28.1%		30.0%	
Minorities	(0.5)	(0.0)		(0.0)	
Net Profit	30.1	24.1	25.0	28.1	7.2
% margin	5.4	5.4		5.2	
NFP (cash)/debt	(21.3)	(32.9)	35.3	(47.1)	(54.9)
Op NWC	41.8	9.8		(86.9)	
Op NWC/Sales	7.5%	2.2%		-16.0%	
ROE	23.3%	25.7%		23.1%	
ROCE	19.9%	25.0%		24.7%	

Source: Company data, CFO SIM

Digital Value reported **FY-21 Total Revenues up more than 26% to € 558m**, slightly better than our € 543m projection. This achievement implies a consolidation of the growth in H2-21 vs H1-21: according to our calculation, sales soared 30.2% in H2-21 vs. 21.7% in H1-20. Once again DGV largely outperformed the reference market, which is anticipated to be up 7-8% in the same period. DGV focuses on Top Customers (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, above the market.

Table 3 – Digital Value, FY-21 top line by Industry Vertical

€ m	2021	2020	% YoY	% on tot 21	% on tot 20
Teleco & Media	152.7	127.3	20.0	27.4	28.8
Industry & Finance	142.8	127.7	11.9	25.6	28.9
Large Public Admin	186.7	158.2	18.0	33.5	35.8
Local Public Admin	64.5	29.1	121.8	11.6	6.6
IT Tecnosistemi	10.8	-	-	1.9	-
Total	557.8	442.3	26.2	100.0	100.0

Source: Company data

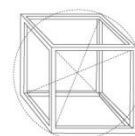


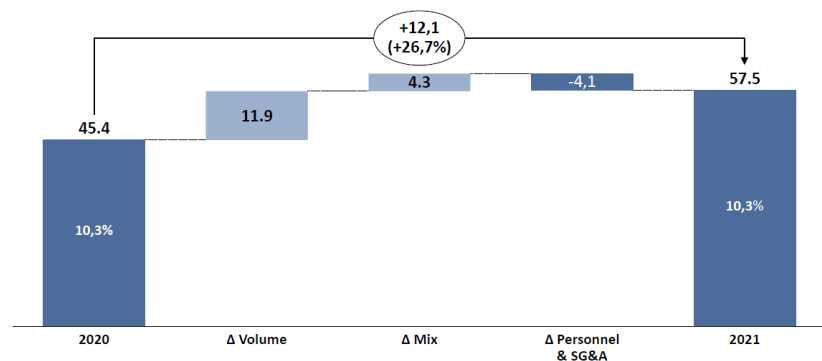
Table 4 – Digital Value, FY-21 top line by Line of Business

€ m	2021	2020	% YoY	% on tot 21	% on tot 20
Digital Business Trasformation	139.0	96.7	43.7	24.9	21.9
Next Generation Data Center	260.0	210.4	23.6	46.6	47.6
Smart Workplace Trasformation	148.0	135.2	9.5	26.5	30.6
TT Tecnosistemi	10.8	-	-	1.9	-
Total	557.8	442.3	26.1	100.0	100.0

Source: Company data

Profitability rose more than proportionately to top line: **EBITDA grew 26.7% to 57.5m**, 10.3% margin, better than our € 55.8m forecast, as a result of a higher top line and **lower-than-expected increase in services costs**. EBIT totaled € 44.5m, up 30.9% YoY, margin of 8.0%, better than our € 41.2m forecast.

Chart 4 – Digital Value, FY-21 EBITDA Bridge



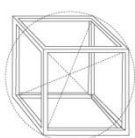
Source: Company data

The systems integrator business is characterised by a high degree of variable costs. For DGV, variable costs accounted for almost 95% of total costs in 2021: operating leverage is therefore almost absent. The improvement in profitability was mainly driven by a price increase and a better mix rather than by cost savings. **Net profit came in at € 30.1m, 5.4% margin, up 25.0% YoY, better than our € 28.1m assumption**, as a result of a higher EBITDA, lower financial charges and a more favourable tax rate.

Net Financial Position was cash positive by € 21.3m, down from € 32.9m in 2020 after operating cash flow of € 15.4m and capex of € 31.8m (€ 18.1m and € 13.0m in 2020, respectively). Investments mainly refer to the acquisition of hardware and equipment, installed at customers' premises and intended for the provision of services to the latter against payment of long-term service fees (**On Premises Infrastructure as a Service**). In particular, this opportunity arose from a few contracts with large tier-1 customers. These contracts are expected to create 1) multi-year relations with top-tier customers, 2) provide customers with a vast array of services, 3) increase the returns related to these customers, and 4) a better positioning to offer additional/new services to the customer during the course of the relationship. Capex also includes € 8.5m consideration for the acquisition of 51% of TT Tecnosistemi.

Operating cash flow came in lower than our forecasts, as a result of WC resource absorption, driven by an increase in receivables, from 96 to 155 days. According to the company, this increase refers to credits relating to a few projects paid in the first weeks of 2022.

If we consider **pro-forma 2021 figures, i.e. including TT Tecnosistemi for 12M, consolidated revenues totalled € 597.5m and EBITDA reached € 61.2m, 10.3% margin**.



Estimates, Valuation & risks

The company's 2021 results clearly proved that **the segment in which DGV operates is resilient** to such a difficult scenario. The pandemic had contributed to revealing many of the technological and innovation gaps in the digitisation levels of companies and the PA. DGV, thanks to **its wide array of offers developed together with the best technological partners and its exposure towards large customers** (companies and PA), is very well-positioned to benefit from the digitalisation trend. Last but not least, digitalisation is the second most important pillar of the **Italian Recovery Fund** (Piano Nazionale di Ripresa e Resilienza), which accounts for some **€ 46bn of a total of € 210bn**. This should be a game changer, a tremendous boost to the group's reference market over the next years.

Backlog currently covers approximately 80% of FY-22 top line, offering fairly good visibility, and is based on, and supported by, long-term relationships with customers.

Following the publication of FY-21 results, **we have fine-tuned our projections**, and introduced 2024 figures.

Table 5 – DGV, 2022e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Value of Production	700.3	700.3	0.0	0.0
EBITDA	71.2	71.2	0.0	0.0
% margin	10.2	10.2		
EBIT	56.1	52.2	7.4	3.9
% margin	8.0	7.5		
Net Profit	37.9	35.8	5.9	2.1
% margin	5.4	5.1		
Y/E net debt (net cash)	(48.7)	(104.0)	(53.2)	55.3

Source: CFO Sim

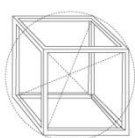
Table 6 – DGV, 2023e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Value of Production	815.2	836.9	(2.6)	(21.7)
EBITDA	85.2	90.5	(5.9)	(5.3)
% margin	10.4	10.8		
EBIT	70.2	74.6	(5.8)	(4.3)
% margin	8.6	8.9		
Net Profit	47.7	51.4	(7.2)	(3.7)
% margin	5.9	6.1		
Y/E net debt (net cash)	(95.2)	(170.6)	(44.2)	75.4

Source: CFO Sim

Since our last update, we have updated our valuation criteria, bringing the free risk rate up-to-date and postponing the first estimated year to 2022: the combined result is a **DCF-based PT broadly unchanged at € 120.00/s (€ 122.00), 36.4% upside potential**.

CFO Sim reiterates the Buy rating on the shares: in this complex scenario, DGV represents a cheap, growing, cash-flow generative, safe, resilient player with upside potential arising from the active leading role it can play in this **unavoidably consolidating arena**. On the back of its extremely solid balance-sheet and 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 2026 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 7 - 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 200d simple moving average)	1.05%
Beta levered (x)	1.00
Required ROE	10.0%

Source: CFO Sim, Thomson Reuters Eikon

Risk premium at 9.0% factors in the minute size of the company and basically all the concerns and disquiet that an investor might have related to the EGM market segment. **Beta has been assumed conservatively at 1.00x.**

The WACC is computed by using 20:80% debt/equity balance-sheet structure, thus taking into account some leverage required for the likely acquisition campaign.

Table 8 - Digital Value, DCF model

€ m	2022e	2023e	2024e	2025e	2026e	Term. Val.
EBIT	56.1	70.2	87.5	105.0	122.9	
Tax rate	30.0%	30.0%	30.0%	30.0%	30.0%	
Operating profit (NOPAT)	39.3	49.2	61.2	73.5	86.1	
Change working capital	(16.4)	(6.4)	(2.1)	1.0	(0.0)	
Depreciation	15.1	15.0	15.0	8.5	2.0	
Investments	(13.0)	(13.0)	(13.0)	(7.5)	(2.0)	
Free Cash Flows	25.0	44.7	61.1	75.5	86.1	1,389.3
Present value	23.5	38.9	49.1	56.0	58.9	950.7
WACC	8.3%	8.3%	8.3%	8.3%	8.3%	
Long-term growth rate	2.0%					

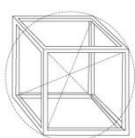
Source: CFO Sim

Table 9 – Digital Value, DCF derived from:

€ m	
Total EV present value € m	1,177.0
thereof terminal value	80.8%
NFP last reported (debt)/cash	21.3
Pension provision last reported	(1.7)
Equity value € m	1,196.6
#m shares	9.97
Equity value €/s	120.00
% upside/(downside)	36.4%

Source: CFO Sim

By applying our DCF model, we obtained an equity value of € 1,196.6m for Digital Value, € 120.00/s (€ 122.0/s), 36.4% upside.



The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value/s of € 106.19-139.07/s (perpetuity range between 0.00% and 2.00%), while 2) if compared to changes in the free risk rate, it produces an equity value/s of € 108.45-134.23/s (free risk range between 1.85% and 0.25%) and 3) compared to changes in the risk premium, including the small-size premium, results in an equity value/s of € 94.62-162.81/s (risk premium range between 11.00% and 7.00%).

Table 10 – 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	226.3	226.3	226.3	226.3	226.3	226.3	226.3	226.3	226.3
PV of terminal value	812.7	843.6	876.6	912.3	950.7	992.3	1,037.5	1,086.7	1,140.5
Total value	1,039.0	1,069.8	1,102.9	1,138.5	1,177.0	1,218.6	1,263.7	1,313.0	1,366.8
NFP last reported	21.3	21.3	21.3	21.3	21.3	21.3	21.3	21.3	21.3
Pension provision last reported	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)
Equity value	1,058.6	1,089.5	1,122.5	1,158.2	1,196.6	1,238.2	1,283.4	1,332.6	1,386.4
Equity value/share €	106.19	109.28	112.60	116.17	120.00	124.20	128.73	133.67	139.07

Source: CFO Sim

Table 11 – Digital Value, equity value sensitivity to changes in free risk rate

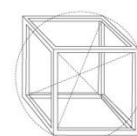
€ m	0.25%	0.45%	0.65%	0.85%	1.05%	1.25%	1.45%	1.65%	1.85%
Present value of CF	230.5	229.5	228.4	227.3	226.3	225.2	224.2	223.2	222.2
PV of terminal value	1,088.0	1,050.8	1,015.6	982.3	950.7	920.7	892.3	865.2	839.4
Total value	1,318.6	1,280.3	1,244.0	1,209.6	1,177.0	1,146.0	1,116.5	1,088.4	1,061.6
NFP last reported	21.3	21.3	21.3	21.3	21.3	21.3	21.3	21.3	21.3
Pension provision last reported	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)
Equity value	1,338.2	1,299.9	1,263.6	1,229.2	1,196.6	1,165.6	1,136.1	1,108.0	1,081.2
Equity value/share €	134.23	130.38	126.74	123.30	120.00	116.91	113.96	111.14	108.45

Source: CFO Sim

Table 12 – 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	237.2	234.4	231.6	228.9	226.3	223.7	221.1	218.6	216.2
PV of terminal value	1,366.3	1,237.4	1,127.5	1,032.9	950.7	878.6	814.9	758.2	707.5
Total value	1,603.5	1,471.7	1,359.2	1,261.9	1,177.0	1,102.3	1,036.0	976.8	923.7
NFP last reported	21.3	21.3	21.3	21.3	21.3	21.3	21.3	21.3	21.3
Pension provision last reported	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)
Equity value	1,623.1	1,491.3	1,378.8	1,281.5	1,196.6	1,121.9	1,055.6	996.4	943.3
Equity value/share €	162.81	149.59	138.30	128.54	120.00	112.53	105.88	99.95	94.62

Source: CFO Sim



Market multiples

We conducted an analysis on a cluster of 15 companies operating in the digital IT systems integration segment, adding Bechtle AG and CDW Corp compared to our previous sample, whose business model is very similar to that of DGV:

Accenture – USA: it is a multinational organisation offering management and strategic consulting services as well as technology services and outsourcing solutions in a vast array of industries.

Alten – France: it operates in engineering and technology consulting, and provides support for its customers' development strategies in the fields of innovation, R&D and IT systems.

Atos – France: it is a global leader in digital transformation. A 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.

Aubay – France: it is a digital services company and operates in high added-value markets, 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.

Bechtle – Germany: it is a digital service company, with 80 houses in Germany, Austria and Switzerland as well as 24 e-commerce companies in 14 European countries. It offers a blend of direct IT product sales and extensive systems integration services. Backed by extensive experience and expertise in future-proof IT architecture, Bechtle values traditional infrastructures just as highly as current trends like digitalisation, cloud computing, modern workplace, security and IT-as-a-Service.

Capgemini – France: the company provides 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.

CDW Corp – USA: it is a leading multi-brand provider of information technology solutions to business, government, education and healthcare customers in the US, the UK and Canada. Founded in 1984, it employs approximately 10,000 coworkers. Its broad array of products and services range from hardware and software to integrated IT solutions such as security, cloud, hybrid infrastructure and digital experience.

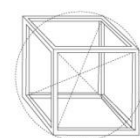
Computacenter – UK: it is a leading independent provider of IT infrastructure services, supporting users and their business in the digital world. The company advises organisations on IT strategy, implements the most appropriate technology, optimises their performance, and manages customers' infrastructures.

Econocom – France: it helps companies and public organisations in their digital transformation process. It sustains them in getting the most out of digital processes by having them focus on users as the starting point of their digital transformation.

Indra Sistemas – Spain: it is a global technology and consulting company. It provides proprietary solutions in specific segments, such as Transport and Defence, Digital Transformation Consultancy and Information Technology in Spain and Latin America.

Reply – Italy: it is a highly specialised group, supporting leading industrial companies 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.

SeSa – Italy: it is a reference strategic partner and service integrator of IT Global Vendors. It is also leader in Italy in the distribution of value-added IT solutions for enterprises, including the sector's leading brands, particularly those in the business segments.



Sopra Steria Group – France: it is an information technology consultancy company. The primary business areas 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, application maintenance and outsourcing services, and operation of professional processes.

Tieto – Finland: it is an IT software and services company providing IT and product engineering services. The company provides services to financial services, public, healthcare & welfare, industrial and consumer services industries.

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 (18.5% margin). The least profitable is Computacenter with a 5.0% EBITDA margin. Within the sample, **DGV is the second smallest group** in terms of sales and EBITDA in absolute terms and shows an EBITDA margin broadly aligned to 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's profitability is in line with European best-in-class companies.

Table 13 - Digital Value, peer group summary table

€ m	Country	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA %	Sales CAGR ₂₁₋₂₄	EBITDA CAGR ₂₁₋₂₄	EBIT CAGR ₂₁₋₂₄	EPS CAGR ₂₂₋₂₄	NFP FY1	NFP/EBITDA
Accenture PLC	USA	201,891	56,120	10,391	18.5%	16.1%	20.8%	17.2%	10.8%	(6,963)	n.m.
Alten SA	France	4,772	3,374	415	12.3%	10.6%	n.a.	n.a.	9.0%	(252)	n.m.
Atos SE	France	2,766	10,939	1,026	9.4%	1.5%	n.a.	n.a.	33.2%	1,337	1.3
Aubay SA	France	803	511	62	12.1%	7.3%	9.1%	8.4%	11.7%	(89)	n.m.
Bechtle AG	Germany	6,504	6,083	456	7.5%	9.6%	8.1%	9.1%	10.2%	(152)	n.m.
Capgemini SE	France	35,196	19,997	3,122	15.6%	8.2%	11.5%	13.3%	11.6%	2,439	0.8
CDW Corp	USA	21,817	21,772	1,884	8.7%	10.1%	13.2%	14.5%	7.7%	5,507	2.9
Computacenter PLC	UK	4,283	8,440	423	5.0%	4.1%	3.5%	4.4%	4.6%	(385)	n.m.
Econocom Group SE	France	906	2,628	175	6.7%	2.8%	2.2%	3.2%	6.8%	85	0.5
Indra Sistemas SA	Spain	1,799	3,516	379	10.8%	4.0%	9.9%	9.6%	10.7%	220	0.6
Reply SpA	Italy	5,658	1,727	290	16.8%	12.9%	10.2%	10.6%	10.8%	(307)	n.m.
Sesa SpA	Italy	2,328	2,331	165	7.1%	12.7%	23.8%	24.5%	17.0%	(133)	n.m.
Sopra Steria Group SA	France	3,497	4,979	589	11.8%	5.5%	5.2%	12.0%	14.8%	272	0.5
TietoEVRY Corp	Finland	2,882	2,864	496	17.3%	2.6%	8.2%	14.4%	8.0%	461	0.9
Median		3,890	4,247	439	11.3%	7.8%	9.5%	11.3%	10.8%	(2)	0.8
Digital Value SpA	Italy	885	699	71	10.2%	19.5%	21.3%	25.3%	25.4%	(49)	n.m.

Sources: CFO Sim, Thomson Reuters Eikon

Table 14 - Digital Value, peer group EV multiple table

x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
Accenture PLC	3.47	3.13	2.84	18.8	16.8	15.1
Alten SA	1.34	1.19	1.04	10.9	9.7	8.5
Atos SE	0.38	0.37	0.31	4.0	3.5	2.7
Aubay SA	1.40	1.26	1.15	11.5	10.5	9.4
Bechtle AG	1.04	0.94	0.86	13.9	12.5	11.1
Capgemini SE	1.88	1.70	1.52	12.1	10.6	9.2
CDW Corp	1.26	1.17	1.13	14.5	13.4	12.8
Computacenter PLC	0.46	0.43	0.42	9.2	8.7	8.3
Econocom Group SE	0.38	0.35	0.29	5.6	5.2	4.4
Indra Sistemas SA	0.57	0.52	0.42	5.3	4.7	3.6
Reply SpA	3.10	2.74	2.38	18.4	16.3	14.5
Sesa SpA	0.94	0.82	0.72	13.3	11.2	9.6
Sopra Steria Group SA	0.76	0.70	0.70	6.4	5.8	5.4
TietoEVRY Corp	1.17	1.10	1.05	6.7	6.2	5.9
Median	1.11	1.02	0.95	11.2	10.1	8.9
Digital Value SpA	1.20	0.97	0.77	11.7	9.3	7.1
% premium/(discount)	8.1	(5.0)	(19.4)	4.8	(8.2)	(20.0)

Sources: CFO Sim, Thomson Reuters Eikon

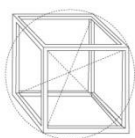


Table 15 - Digital Value, peer group EV/EBIT & price multiple table

X	EBIT FY1	EBIT FY2	EBIT FY3	PER FY1	PER FY2	PER FY3
Accenture PLC	22.9	20.4	18.3	32.0	28.6	26.0
Alten SA	13.3	11.7	10.2	19.8	18.1	16.7
Atos SE	11.0	8.2	5.7	9.7	6.7	5.5
Aubay SA	13.4	12.2	11.1	22.3	21.0	17.8
Bechtle AG	18.0	16.1	14.2	26.1	23.9	21.5
Capgemini SE	15.6	13.5	11.6	20.6	18.3	16.5
CDW Corp	15.5	14.3	13.9	19.0	17.3	16.4
Computacenter PLC	12.4	11.7	10.9	19.5	18.9	17.8
Econocom Group SE	7.0	6.5	5.5	10.5	9.8	9.2
Indra Sistemas SA	7.4	6.4	5.0	10.5	9.4	8.5
Reply SpA	22.5	19.8	17.5	33.4	29.9	27.2
Sesa SpA	18.7	15.6	13.1	30.3	25.6	22.2
Sopra Steria Group SA	9.7	8.4	7.6	13.1	11.6	9.9
TietoEVRY Corp	9.9	8.8	8.4	11.4	10.2	9.8
Median	13.4	11.9	11.0	19.7	18.2	16.6
Digital Value SpA	14.9	11.2	8.3	23.3	18.5	14.8
% premium/(discount)	11.6	(5.9)	(24.7)	18.6	1.8	(10.9)

Sources: CFO Sim, Thomson Reuters Eikon

Italtware 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 companies and has to continue building a solid track record with investors. We believe **DGV stock still deserves a certain discount to peer median not only due to the company's small size but also due to the lack of ample stock liquidity** on the back of the EGM listing.

By applying the peer group EV/EBITDA and EV/EBIT multiple median, discounted by 10.0% to DGV's metrics, we attain an **equity value of DGV of € 918.5m, or € 92.10/s**. We have used 2022-23-24 estimates and multiples (10-40-50 weighted, respectively), **in order to consider higher-than-peer median growth**.

Table 16 - Digital Value, equity assessment, 1#3

€ m	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
Median Peers (x)	1.11	1.02	0.95	11.2	10.1	8.9
DGV metric	698.9	813.5	947.8	71.2	85.2	102.5
NFP	48.7	95.2	158.4	48.7	95.2	158.4
DGV Equity Value	744.3	842.8	969.7	766.4	869.1	975.1
DGV Equity Value €/s	74.70	84.50	97.30	76.90	87.20	97.80
% upside/(downside)	(15.1)	(4.0)	10.6	(12.6)	(0.9)	11.1

Sources: CFO Sim, Thomson Reuters Eikon

Table 17 - Digital Value, equity assessment, 2#3

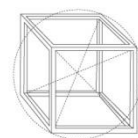
€ m	EBIT FY1	EBIT FY2	EBIT FY3	PER FY1	PER FY2	PER FY3
Median Peers (x)	13.4	11.9	11.0	19.7	18.2	16.6
DGV metric	56.1	70.2	87.5	37.9	47.7	59.7
NFP	48.7	95.2	158.4			
DGV Equity Value	722.9	850.0	1,025.9	671.2	782.3	893.3
DGV Equity Value €/s	72.50	85.30	102.90	67.30	78.50	89.60
% upside/(downside)	(17.6)	(3.1)	16.9	(23.5)	(10.8)	1.8

Sources: CFO Sim, Thomson Reuters Eikon

Table 18 - Digital Value, equity assessment, 3#3

€ m	FY1	FY2	FY3
EV/EBITDA	766.4	869.1	975.1
EV/EBIT	722.9	850.0	1,025.9
Weighting	10.0%	40.0%	50.0%
Equity Value	918.5		
Per share €/s	92.10		
% upside/(downside)	4.7%		

Sources: CFO Sim, Thomson Reuters Eikon



Peer stock performance

Digital Value was listed on Euronext Growth Milan on **8 November 2018 at € 10.0/share**, corresponding to a market **post-money capitalisation of € 89.1m** (including the Price Adjustment Shares held by Digital Value's core shareholders, see details above). Adopting the same approach used in setting up the peer sample for assessing DGV's value, we defined a panel of 15 companies operating in the digital IT systems integration segment. **DGV outperformed peers and indexes** in 1M and 6M.

Table 19 - Digital Value, peer group absolute performance

%	1D	1W	1M	3M	6M	YTD	1Y
Accenture PLC	(0.4)	3.7	5.7	(18.5)	5.4	(18.7)	22.1
Alten SA	(0.7)	0.0	4.8	(12.3)	8.2	(13.2)	37.4
Atos SE	(5.3)	(6.9)	(9.5)	(33.6)	(46.3)	(33.8)	(62.8)
Aubay SA	0.5	2.2	18.3	0.0	23.3	(4.2)	39.2
Bechtle AG	0.0	0.0	0.0	(30.7)	(34.9)	(30.7)	(21.2)
Capgemini SE	1.1	6.7	10.1	(6.1)	12.4	(6.0)	39.6
CDW Corp	0.0	1.7	2.6	(12.3)	(1.7)	(12.6)	7.9
Computacenter PLC	0.6	0.3	12.1	0.8	8.2	1.1	24.1
Devoteam SA	0.0	0.0	0.1	27.3	53.2	81.0	71.9
Econocom Group SE	(0.2)	1.5	13.4	10.1	21.2	10.6	23.8
Indra Sistemas SA	(1.6)	1.2	6.2	6.1	8.8	6.1	34.8
Reply SpA	(1.4)	1.8	5.7	(16.1)	(5.9)	(16.1)	39.0
Sesa SpA	(3.2)	(1.2)	5.7	(14.1)	(4.7)	(14.1)	43.0
Sopra Steria Group SA	(0.9)	2.5	9.4	6.0	5.2	7.2	18.5
TietoEVRY Corp	(0.7)	(1.9)	3.9	(12.2)	(7.2)	(12.2)	(8.6)
Median	(0.4)	1.2	5.7	(12.2)	5.4	(12.2)	24.1
Digital Value SpA	(4.3)	(3.3)	6.7	(22.8)	4.0	(22.8)	87.6

Source: Thomson Reuters Eikon

Table 20 - Digital Value, relative performances

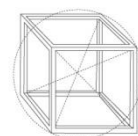
%	1D	1W	1M	3M	6M	YTD	1Y
to MSCI World Index	(2.9)	(3.7)	2.9	(17.1)	2.5	(17.3)	79.0
to EUROSTOXX	(3.1)	(4.4)	1.9	(13.5)	8.2	(13.6)	87.0
to FTSE Italia All Share	(3.2)	(5.8)	2.2	(14.0)	7.2	(14.0)	85.8
to FTSE Italia STAR	(2.6)	(5.2)	3.3	(7.7)	11.9	(7.7)	75.6
to FTSE Italia Growth	(3.1)	(3.3)	10.5	(23.7)	18.9	(6.9)	103.5
to Peer Median	(4.0)	(4.4)	1.0	(10.7)	(1.4)	(10.7)	63.5

Source: Thomson Reuters Eikon

Risks

The principal investment **risks associated with** 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 the P&L account and balance sheet profiles triggered by a sharp decline in local and global economic growth;
- Profit margin dilution stemming from a potential acquisition campaign;
- The departure of one, or a few of, key people.



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DATE	TARGET PRICE	RATING
01/04/2022	€120.00	BUY
27/01/2022	€122.00	BUY
09/11/2021	€122.00	BUY
06/08/2021	€115.00	BUY
20/05/2021	€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% range identified using the preceding criteria.

The rating is determined on the basis of the **expected absolute return over a 12-month period** and not on the basis of the estimated outperformance or underperformance relative to a market index. Thus, the rating can be directly linked to the estimated percentage difference between current and target prices. 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.

