

## Italy – IT Services

## Solid preliminary results, slightly better than expectations

2<sup>nd</sup> February 2023

### FY-22 REVENUES RELEASE

RIC: DGV.MI  
BBG: DGV IM

DGV once more delivered rising revenues driven by the outstanding performance of the Digital Business Transformation division, which now accounts for more than one-third of top line. Moreover, the significant commercial efforts made in order to gain new key customers in the Finance segment are starting to payoff. In 2023, DGV is ready to embrace the intensification of the launch of projects related to the NRRP.

#### Rating:

**Buy**

#### Price Target:

**€ 100.00**

Upside/(Downside): 40.8%

Last Price: € 71.00

Market Cap.: € 699.7M

1Y High/Low: € 98.80/€ 53.90

Avg. Daily Turn. (3M, 6M): € 335k, € 320k

Free Float: 35.3%

#### Major shareholders:

DV Holding 64.7%



#### Stock price performance

	1W	3M	12M
<b>Absolute</b>	4.9%	10.9%	-25.1%
<b>Rel.to FTSE IT Growth</b>	8.7%	10.0%	-9.2%
<b>Rel.to Peers</b>	-1.8%	-5.2%	-13.0%

#### Analysts:

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

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

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

#### Rising preliminary revenues indorse the positive stance on the stock

Digital Value posted solid FY-22 preliminary sales figures, confirming its operating trend according to which the second half of the year contributes about 52%-53% of full year numbers. DGV demonstrated the capacity to properly navigate the harsh 2022 economic environment characterised by soaring inflation and, to a lesser extent, prolonged shortages of certain key hardware components in light of its leadership positioning as a Hyper-VAR player boasting long-lasting experience in the delivery of digitalisation projects. Moreover, key certifications with global vendors, such as the CSP (Oracle Cloud Solution Provider) obtained in Dec-22 allow the company to stand out from the competition. Overall, we believe in 2023 DGV is well-positioned to further gain market share in promising verticals and to benefit from the acceleration of projects linked to the Recovery Plan, especially in the Public Administration sector. Estimates, valuation and PT confirmed. Digital Value will unveil complete FY-22 results on 29 March.

#### FY-22 preliminary revenues came in at € 706.9m, up 18.3% with respect to PF FY-21

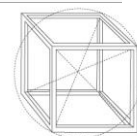
Preliminary revenues for FY-22 totalled € 706.9m, slightly better compared to our € 700.3m projection. If compared to FY-21 pro-forma revenues of € 597.5m, which comprise TT Tecnosistemi for 12 months, DGV grew 18.3% YoY. With regard to the main markets served by the group, Public Administration accounted for 43.9% of the total, which benefited from certain tailwinds linked to a few NRRP-funded projects. Telco & Media accounted for 24.0%, Industry for 21.1% while Finance contributed 11.0%, showing a remarkable progression YoY on the back of the group's commercial efforts to strengthen its positioning in an industry characterised by large investments in ICT and digitalisation.

#### Digital Business Transformation Business line soared 60.4% YoY

Digital Business Transformation business line rose more than 60% YoY from € 149.1m to € 239.1m, now weighing more than one-third of the company's total revenues (33.8%). Once again, the business line represented the main growth driver for the company thanks to its deep technological know-how and expertise with regard to Big Analytics, Edge Computing, as well as Software and Cloud Platform provided via PaaS and SaaS mode, in addition to Video Communication services. Next Generation Data Center, which constitutes the core-business of the group as well as the most recurring part of revenues, came in at € 296.1m, growing 6.8%, accounting for 41.9% of the total. NG-DC's main activities comprise data management on both physical and virtual Data Center infrastructures, including their overall security. Smart Workplace Transformation, engaged in the implementation of the digital transformation of its customers' workstations and personal productivity, remained basically unchanged YoY at € 171.7m, contributing 24.3% of FY-22 top line.

#### Digital Value, key financials and ratios

€ 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
EBITDA	45.4	57.5	71.2	85.2	102.5
EBIT	34.0	44.5	51.2	65.4	82.7
Net profit	24.1	30.1	34.6	44.3	56.3
NFP (cash)/debt	(32.9)	(21.3)	(35.8)	(88.1)	(151.1)
EBITDA margin	10.3%	10.3%	10.2%	10.5%	10.8%
EBIT margin	7.7%	8.0%	7.3%	8.0%	8.7%
EPS FD	2.42	3.05	3.47	4.45	5.65
EPS FD growth	27.0%	26.3%	13.5%	28.3%	27.0%
DPS ord. €/s	0.00	0.00	0.00	0.00	0.00
ROCE	25.0%	19.9%	19.5%	20.9%	22.1%
NWC/Sales	2.2%	7.5%	10.4%	9.2%	8.3%
Free Cash Flow Yield FD	0.7%	-2.3%	2.1%	7.5%	9.0%
PER FD x	10.5	23.0	20.2	15.8	12.4
EV/Sales FD x	0.50	1.22	0.95	0.75	0.58
EV/EBITDA FD x	4.9	11.8	9.3	7.2	5.4
EV/EBIT FD x	6.5	15.2	13.0	9.4	6.6



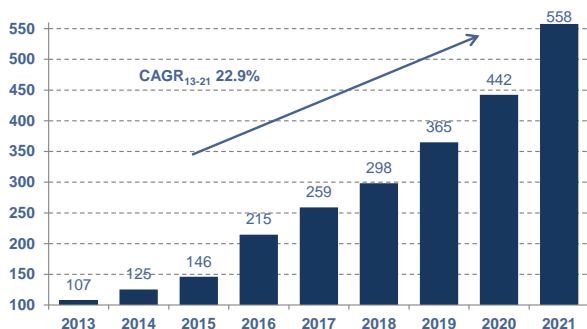
## The company at a glance

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

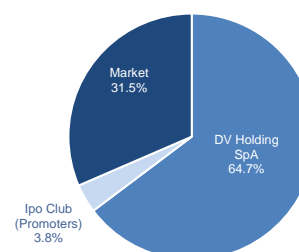
The group boasts key expertise in network infrastructure and data centres, security, network testing and monitoring, workstation management, Help Desk, data management and analysis, ERP systems management, retail applications, information systems, on-premise support and governance, outsourcing and cloud.

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

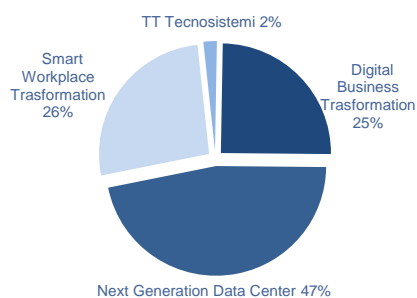
## 2013-21 top line progression



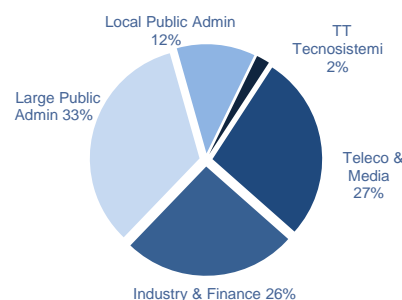
## Shareholder structure



## FY-21 top line breakdown by line of business



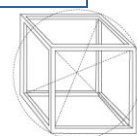
## ...and by industry verticals



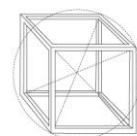
## Peer group multiples table

EV multiples x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3	EBIT FY1	EBIT FY2	EBIT FY3
Accenture PLC	2.75	2.54	2.29	14.8	13.5	12.1	18.0	16.4	14.5
Alten SA	1.22	1.08	0.98	9.7	8.9	8.0	11.7	10.7	9.6
Atos SE	0.30	0.35	0.34	4.0	4.5	3.5	13.0	10.4	9.2
Aubay SA	1.19	1.09	1.01	10.0	9.3	8.6	11.9	11.0	10.2
Bechtle AG	0.80	0.73	0.65	10.1	9.4	8.3	13.2	12.1	10.7
Capgemini SE	1.51	1.38	1.21	9.7	8.8	7.6	12.9	11.5	9.9
CDW Corp	1.21	1.17	1.05	13.6	13.2	11.4	14.5	14.0	12.0
Computacenter PLC	0.42	0.38	0.35	7.8	7.2	6.7	9.4	8.8	8.1
Econocom Group SE	0.30	0.26	0.24	4.4	3.9	3.5	5.8	4.9	4.3
Indra Sistemas SA	0.55	0.50	0.43	5.3	4.7	4.0	7.1	6.3	5.3
Reply SpA	2.30	1.95	1.68	13.9	12.1	10.4	16.7	14.6	12.4
Sesa SpA	0.63	0.55	0.46	8.9	7.4	6.0	12.6	10.2	8.2
Sopra Steria Group SA	0.65	0.58	0.52	5.7	4.9	4.2	8.2	7.1	6.1
Tietoenvy Oyj	1.31	1.25	1.19	8.2	7.5	7.1	12.1	10.8	10.1
<b>Median</b>	<b>0.99</b>	<b>0.91</b>	<b>0.81</b>	<b>9.3</b>	<b>8.2</b>	<b>7.3</b>	<b>12.3</b>	<b>10.7</b>	<b>9.7</b>
<b>Digital Value SpA</b>	<b>0.95</b>	<b>0.75</b>	<b>0.58</b>	<b>9.3</b>	<b>7.2</b>	<b>5.4</b>	<b>13.0</b>	<b>9.4</b>	<b>6.6</b>

Source: CFO Sim, Refinitiv 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)	(20.0)	(19.8)	(19.9)
EBIT	34.0	44.5	51.2	65.4	82.7
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	50.2	64.4	81.7
Income taxes	(9.4)	(12.8)	(15.1)	(19.3)	(24.5)
Minorities	(0.0)	(0.5)	(0.6)	(0.7)	(0.8)
Net Profit	24.1	30.1	34.6	44.3	56.3
Net Profit Adjusted	24.1	30.4	34.6	44.3	56.3
Balance sheet (€ m)	2020	2021	2022e	2023e	2024e
Net Working Capital	9.8	41.8	72.6	74.6	78.4
Net Fixed Assets	50.2	69.4	62.4	55.6	48.8
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	127.9	120.0	113.3
Net Financial Debt	(32.9)	(21.3)	(35.8)	(88.1)	(151.1)
Minorities	0.2	5.5	6.1	6.8	7.7
Group's Shareholders Equity	93.5	123.7	157.6	201.2	256.7
Financial Liabilities & Equity	60.9	107.9	127.9	120.0	113.3
Cash Flow statement (€ m)	2020	2021	2022e	2023e	2024e
Total net income	24.1	30.1	34.6	44.3	56.3
Depreciation	11.4	13.0	20.0	19.8	19.9
Other non-cash charges	(0.2)	4.3	3.8	3.2	3.6
Cash Flow from Oper. (CFO)	35.3	47.4	58.3	67.3	79.8
Change in NWC	(17.1)	(32.0)	(30.8)	(2.0)	(3.7)
FCF from Operations (FCFO)	18.1	15.4	27.5	65.3	76.0
Net Investments (CFI)	(13.0)	(31.8)	(13.0)	(13.0)	(13.0)
Free CF to the Firm (FCFF)	5.1	(16.4)	14.5	52.3	63.0
CF from financials (CFF)	13.3	55.3	4.5	4.8	5.0
Free Cash Flow to Equity (FCFE)	18.4	38.9	19.1	57.1	68.0
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%	7.3%	8.0%	8.7%
Net profit margin	5.5%	5.4%	4.9%	5.5%	5.9%
Tax rate	28.1%	29.5%	30.0%	30.0%	30.0%
Op NWC/Sales	2.2%	7.5%	10.4%	9.2%	8.3%
Interest coverage x	0.01	0.02	0.02	0.02	0.01
Net Debt/EBITDA x	(0.72)	(0.37)	(0.50)	(1.03)	(1.47)
Debt-to-Equity x	(0.35)	(0.17)	(0.23)	(0.44)	(0.59)
ROIC	39.6%	27.9%	27.0%	37.0%	49.7%
ROCE	25.0%	19.9%	19.5%	20.9%	22.1%
ROACE	29.0%	24.7%	21.1%	22.7%	24.0%
ROE	25.8%	24.4%	21.9%	22.0%	21.9%
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	3.47	4.45	5.65
EPS adjusted FD €	2.42	3.05	3.47	4.45	5.65
EBITDA €	4.55	5.77	7.14	8.54	10.28
EBIT €	3.41	4.47	5.14	6.56	8.29
BV €	9.40	12.95	16.42	20.87	26.52
FCFO €	1.82	1.55	2.76	6.55	7.62
FCFF €	0.51	(1.65)	1.46	5.25	6.32
FCFE €	1.84	3.90	1.91	5.72	6.82
Dividend €	0.00	0.00	0.00	0.00	0.00



## ANALYST CERTIFICATION

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DATE	TARGET PRICE	RATING
02/02/2023	€100.00	BUY
13/09/2022	€100.00	BUY
04/08/2022	€120.00	BUY
01/04/2022	€120.00	BUY
27/01/2022	€122.00	BUY

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- 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.

