

Italy – IT Services

The stock is no longer rated due to the ongoing investigations

17th October 2024

FLASH NOTE

RIC: DGV.MI
BBG: DGV IM

Massimo Rossi, Chairman, CEO and major shareholder of Digital Value, is involved in an under-investigation criminal proceeding concerning alleged corruption related to the stipulation of supply contracts by companies of the group. Digital Value is also investigated under Legislative Decree 231/2001, together with its subsidiaries Dimira Srl, ITD Solution SpA and Italware Srl.

Rating:

Not Rated

Price Target:

-

Upside/(Downside): -

Last Price: € 12.50

Market Cap.: € 126.3M

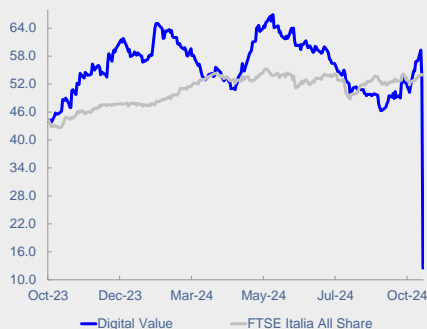
1Y High/Low: € 68.10 / € 10.00

Avg. Daily Turn. (3M, 6M): € 657k, € 670k

Free Float: 37.6%

Major shareholders:

DV Holding 62.0%



Stock price performance

	1W	3M	12M
Absolute	-74.4%	-78.2%	-71.8%
Rel.to FTSE IT All Share	-77.3%	-78.7%	-93.8%
Rel.to Peers	-73.8%	-70.5%	-68.5%

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Previous Rating and PT are no longer valid

On October, 15th, Digital Value SpA was investigated under Legislative Decree 231/2001, in addition to its subsidiaries Dimira Srl, ITD Solution SpA and Italware Srl, and subjected to a search by the Guardia di Finanza on behalf of the Public Prosecutor's Office at the Court of Rome. This follows the inclusion of Massimo Rossi, Chairman, CEO and major shareholder of the group, in an under-investigation criminal proceeding concerning alleged corruption related to the stipulation of supply contracts by companies of the group. Digital Value communicated that it started the appropriate internal investigations and is confident that the ongoing investigations will clarify the matter. Moreover, the company stated that is at the complete disposal of the judicial authorities to provide any necessary information.

Due to ongoing investigations and uncertainty about Digital Value's responsibility, CFO SIM's previous Rating and PT are no longer valid, as we are currently unable to express a view on the stock.

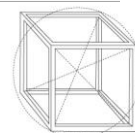
The BoD appointed Paolo Vantellini as Chairman and Riccardo Benedini as CEO

On October 16th, Digital Value announced it had received Massimo Rossi its irrevocable resignation with immediate effect from its role as member of the Board of Directors, CEO and Chairman of the company. As a consequence, Massimo Rossi no longer holds any position within Digital Value SpA and its subsidiaries.

Digital Value's Board of Directors has appointed Paolo Vantellini as Chairman and Riccardo Benedini as CEO. Moreover, the Board of Directors has co-opted Laura Cappiello as an Independent Director to replace Maria Grazia Filippini who resigned. Finally, the Board of Directors has appointed Maurizio Brun as the group's commercial director.

Digital Value, key financials and ratios

€ m	2022	2023	2024e	2025e	2026e
Total Revenues	708.5	847.4	992.5	1,462.6	1,569.8
EBITDA	73.6	90.5	105.0	140.0	156.8
EBIT	51.1	61.0	59.4	80.1	96.8
Net profit	33.9	38.4	37.6	52.2	64.4
NFP (cash)/debt	(16.4)	(23.9)	100.9	64.8	0.4
EBITDA margin	10.4%	10.7%	10.6%	9.6%	10.0%
EBIT margin	7.2%	7.2%	6.0%	5.5%	6.2%
EPS	3.49	3.94	3.75	5.18	6.39
EPS growth	14.3%	12.8%	-4.8%	38.1%	23.3%
DPS ord. €/s	0.85	0.95	0.94	1.30	1.60
ROCE	19.7%	19.3%	16.9%	20.3%	21.7%
NWC/Sales	4.9%	1.4%	3.1%	2.2%	2.2%
Free Cash Flow Yield	12.2%	15.0%	-96.6%	36.1%	61.4%
PER x	21.2	15.7	3.4	2.4	2.0
EV/Sales x	1.02	0.70	0.23	0.13	0.08
EV/EBITDA x	9.8	6.5	2.2	1.4	0.8
EV/EBIT x	14.1	9.7	3.8	2.4	1.3





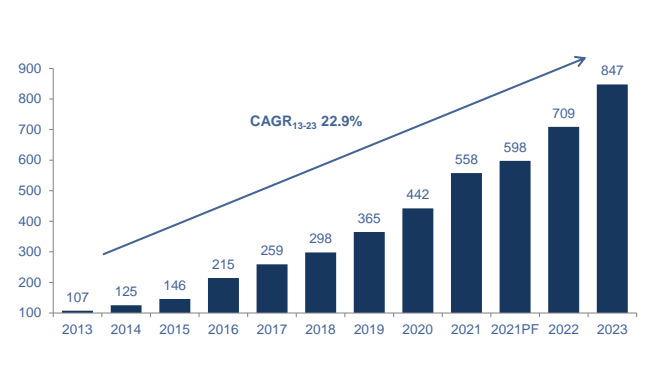
The company at a glance

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, Digital Value focuses on large accounts, i.e. companies with more than 500 employees, and the most promising segment in the IT services arena in terms of growth.

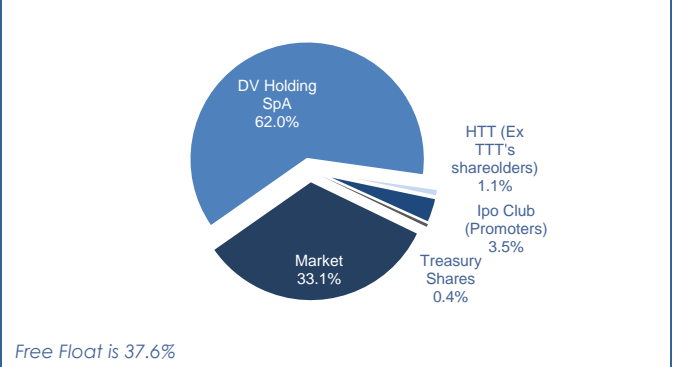
The group boasts key expertise in network infrastructure and data centres, security, network testing and monitoring, workstation management, Help Desk, data management and analysis, ERP systems management, retail applications, information systems, on-premise support and governance, outsourcing and cloud.

With over 400 employees, Digital Value reported 2023 Total Revenues of € 847.4m, EBITDA of € 90.5m (10.7% margin), Net Profit of € 38.4m and Net Cash of € 23.9m. With ROE of 20% and ROCE of 19%, Digital Value has a well-balanced and lucratively allocated capital structure. Currently, 100% of the business is generated in Italy.

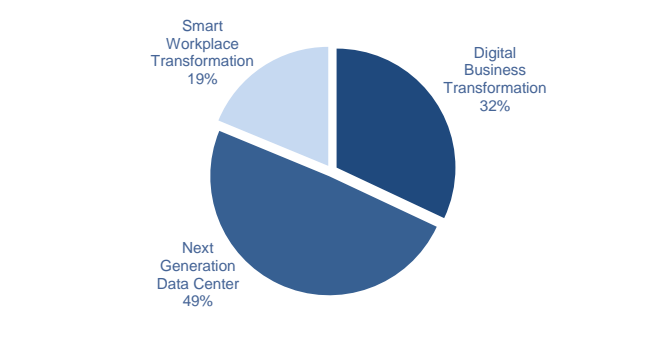
2013-23 top line progression



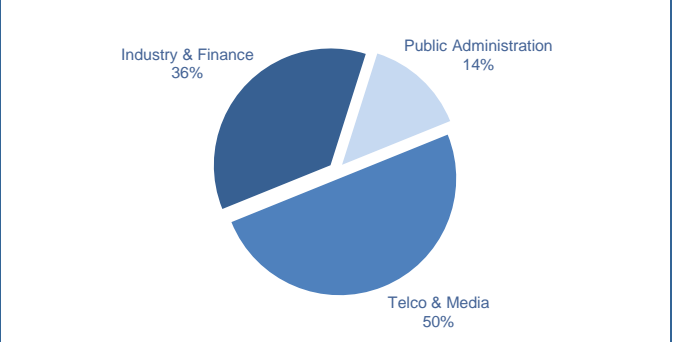
Shareholder structure



FY-23 top line breakdown by line of business



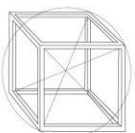
...and by industry verticals



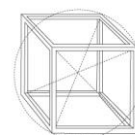
Peer group multiples table

EV multiples x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3	EBIT FY1	EBIT FY2	EBIT FY3
Accenture PLC	3.58	3.32	2.98	18.6	17.1	15.5	22.9	20.9	18.6
Alten SA	0.68	0.62	0.53	6.5	5.6	4.5	8.1	6.9	5.7
Atos SE	0.38	0.40	0.46	4.9	3.8	3.8	12.8	10.7	10.2
Aubay SA	0.89	0.82	0.73	8.5	7.5	6.5	10.3	9.0	7.8
Bechtle AG	0.70	0.63	0.57	8.9	8.0	7.2	12.0	10.6	9.4
Capgemini SE	1.47	1.34	1.21	9.4	8.4	7.4	11.7	10.4	9.3
CDW Corp	1.62	1.52	1.41	16.1	15.0	13.9	17.1	15.8	14.7
Computacenter PLC	0.35	0.32	0.28	6.7	6.1	5.4	8.7	7.8	6.9
Econocom Group SE	0.17	0.15	0.13	3.1	2.7	2.2	4.4	3.7	3.0
Indra Sistemas SA	0.62	0.54	0.48	5.6	4.7	4.1	6.9	5.8	5.0
Reply SpA	2.11	1.89	1.66	12.9	11.5	10.1	15.8	14.0	12.1
Sesa SpA	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Sopra Steria Group SA	0.75	0.69	0.64	6.3	5.6	5.2	8.4	7.4	6.9
Tietoenvy Oyj	0.99	0.97	0.91	6.4	6.0	5.6	9.8	8.7	8.3
Median	0.75	0.69	0.64	6.7	6.1	5.6	10.3	9.0	8.3
Digital Value SpA	0.23	0.13	0.08	2.2	1.4	0.8	3.8	2.4	1.3

Source: CFO Sim, Refinitiv Eikon



Income statement (€ m)	2022	2023	2024e	2025e	2026e
Revenues	706.2	846.5	991.5	1,461.1	1,568.2
Total Revenues	708.5	847.4	992.5	1,462.6	1,569.8
Raw material and processing	(507.3)	(570.6)	(665.0)	(965.3)	(1,036.1)
Services	(104.2)	(160.6)	(188.6)	(234.0)	(251.2)
Personnel expenses	(22.3)	(25.0)	(33.0)	(121.9)	(124.3)
Other opex	(1.1)	(0.7)	(1.0)	(1.3)	(1.4)
EBITDA	73.6	90.5	105.0	140.0	156.8
D&A	(22.5)	(29.5)	(45.6)	(60.0)	(60.0)
EBIT	51.1	61.0	59.4	80.1	96.8
Financials	(1.7)	(4.6)	(5.4)	(5.0)	(4.3)
Re/(Devaluation) of financial assets	(0.4)	0.1	0.0	0.0	0.0
Extraordinary	(1.0)	(1.1)	0.0	0.0	0.0
Pre-Tax profit	48.0	55.5	54.0	75.1	92.5
Income taxes	(13.9)	(16.9)	(16.2)	(22.5)	(27.7)
Minorities	(0.1)	(0.2)	(0.2)	(0.4)	(0.4)
Net Profit	33.9	38.4	37.6	52.2	64.4
Net Profit Adjusted	34.8	39.2	37.6	52.2	64.4
Balance sheet (€ m)	2022	2023	2024e	2025e	2026e
Net Working Capital	34.8	11.5	30.3	32.7	34.3
Net Fixed Assets	80.0	109.5	242.9	222.9	203.0
Equity Investments	0.2	0.2	0.2	0.2	0.2
Other M/L Term A/L	26.4	43.3	50.8	75.5	81.1
Net Invested Capital	141.4	164.5	324.3	331.3	318.5
Net Financial Debt	(16.4)	(23.9)	100.9	64.8	0.4
Minorities	0.9	1.1	1.4	1.7	2.1
Group's Shareholders Equity	156.9	187.3	222.0	264.7	316.0
Financial Liabilities & Equity	141.4	164.5	324.3	331.3	318.5
Cash Flow statement (€ m)	2022	2023	2024e	2025e	2026e
Total net income	34.0	38.6	37.8	52.5	64.7
Depreciation	22.5	29.5	45.6	60.0	60.0
Other non-cash charges	(1.3)	(14.9)	(7.6)	(24.7)	(5.6)
Cash Flow from Oper. (CFO)	55.2	53.2	75.9	87.9	119.1
Change in NWC	(4.0)	23.3	(18.8)	(2.3)	(1.7)
FCF from Operations (FCFO)	51.2	76.5	57.1	85.6	117.5
Net Investments (CFI)	(35.9)	(57.6)	(179.0)	(40.0)	(40.0)
Free CF to the Firm (FCFF)	15.3	19.0	(121.9)	45.6	77.5
CF from financials (CFF)	(12.8)	14.4	(2.9)	(9.5)	(13.1)
Free Cash Flow to Equity (FCFE)	2.5	33.4	(124.8)	36.1	64.4
Financial ratios	2022	2023	2024e	2025e	2026e
EBITDA margin	10.4%	10.7%	10.6%	9.6%	10.0%
EBIT margin	7.2%	7.2%	6.0%	5.5%	6.2%
Net profit margin	4.8%	4.5%	3.8%	3.6%	4.1%
Tax rate	29.1%	30.4%	30.0%	30.0%	30.0%
Op NWC/Sales	4.9%	1.4%	3.1%	2.2%	2.2%
Interest coverage x	0.03	0.08	0.09	0.06	0.04
Net Debt/EBITDA x	(0.22)	(0.26)	0.96	0.46	0.00
Debt-to-Equity x	(0.10)	(0.13)	0.45	0.24	0.00
ROIC	24.0%	23.3%	11.6%	15.8%	20.2%
ROCE	19.7%	19.3%	16.9%	20.3%	21.7%
ROACE	20.5%	21.2%	17.8%	21.5%	23.0%
ROE	21.6%	20.5%	16.9%	19.7%	20.4%
Payout ratio	25.0%	24.7%	25.0%	25.0%	25.0%
Per share figures	2022	2023	2024e	2025e	2026e
Number of shares # m	9.97	9.97	10.08	10.08	10.08
Number of shares Fully Diluted # m	9.97	9.97	10.08	10.08	10.08
Average Number of shares Fully Diluted # m	9.97	9.97	10.02	10.08	10.08
EPS stated FD €	3.41	3.85	3.75	5.18	6.39
EPS adjusted FD €	3.49	3.94	3.75	5.18	6.39
EBITDA €	7.38	9.08	10.48	13.90	15.56
EBIT €	5.12	6.12	5.93	7.95	9.61
BV €	15.83	18.90	22.17	26.45	31.57
FCFO €	5.14	7.68	5.69	8.49	11.66
FCFF €	1.54	1.90	(12.17)	4.52	7.69
FCFE €	0.25	3.35	(12.45)	3.58	6.39
Dividend €	0.85	0.95	0.94	1.30	1.60



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DATE	TARGET PRICE	RATING
17/10/2024	-	NOT RATED
07/10/2024	€94.00	BUY
01/08/2024	€93.00	BUY
06/03/2024	€93.00	BUY
01/02/2024	€91.00	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.

