

Italy – IT Services

Well on track to reach our FY-22 numbers

13th September 2022

H1-22 RESULTS RELEASE

RIC: DGV.MI
BBG: DGV IM

As has always happened since its listing, DGV's results offer a solid organic double-digit top line increase, outperforming the reference market, and a more-than-proportional profitability progression. The company is well on track to reach FY-22 consensus.

Rating:

Buy

Price Target:

€ 100.00 (120.00)

Upside/(Downside): 48.1%

Last Price: € 67.50

Market Cap.: € 667.6m

1Y High/Low: € 120.40/€ 53.90

Avg. Daily Turn. (3M, 6M): € 448k, € 633k

Free Float: 35.3%

Major shareholders:

DV Holding 64.7%



Stock price performance

	1W	3M	12M
Absolute	-2.3%	10.7%	-28.5%
Rel.to FTSE IT Growth	1.5%	9.8%	-12.6%
Rel.to Peers	5.0%	5.4%	-18.3%

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The stock to take on the ongoing digitisation process in Italy: Buy reiterated

Following soaring H1-22 results, DGV is more than well on track to reach FY-22 consensus estimates, as the business in the first half of the year usually accounts for some 46/47% of the FY numbers. On average, contract duration is increasing, extending, to a certain extent, business visibility. In addition, the numbers entail a bolder presence in the promisingly lucrative Industry and Finance vertical. We fine-tuned our model, factoring slightly higher D&A, mainly due to the acceleration of the roll out of some capex (IAAS on premise) for a couple of key customers. As a consequence and following the update in the valuation criteria, new PT stands at € 100.00/s (€ 120.00), 48.1% upside, primarily as a result of the sharp increase in the free risk rate from 1.05% to 2.46% (200d moving average) since our last publication. Buy rating reiterated.

Interim revenues up 31.5%, once again consistently beating the market

H1-22 turnover rose 31.5% YoY to € 337.2m. Sales were up 20.4% on a pro-forma basis, i.e. including TT Tecnosistemi, acquired in Nov-21. H1-22 is the seventh consecutive growing semester, offering a 21.1% CAGR₁₉₋₂₂. Telco & Media accounted for 34.3% of total, Industry and Finance 32.2%, Large Public Admin 23.1% and Local Public Admin 10.4%. The recently acquired TT Tecnosistemi recognised € 28.2m turnover, up 17.8% vs. H1-21, doubling the historical CAGR of the company, leveraging up-selling and cross-selling activities with the rest of the group.

Profitability grew more than top line: EBITDA margin up 30bps

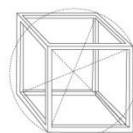
Profitability rose more than proportionately to top line: EBITDA was up 35.3% to € 34.7m, 10.3% margin (10.0% in H1-21). Taking into consideration pro-forma data, i.e. including TT Tecnosistemi, EBITDA grew by 25.3% from € 27.7m. The more-than-proportional profitability progression compared to top line is due to a few aspects: 1) a more favourable revenue mix, 2) cost control discipline (on time purchasing and inventory management and tight SG&A control), 3) inflationary effect on purchasing 'shared' with vendors/customers, with only a marginal effect on margins, and 4) salary increase under control.

Cash pile stands at € 21m and leaves room for massive M&A firepower

After D&A up from € 5.2m to € 10.1m, mainly as a result of 1) investments made during 2021 and linked to a few on-premise infrastructure as a service projects and 2) D&A stemming from the consolidation of TT Tecnosistemi, EBIT reached € 24.6m, 7.3% margin, vs. € 20.5m and 8.0% margin in the same period of last year. Net profit was € 16.9m up 24.3%. NFP was € 20.9m (cash positive) compared with € 27.8m in H1-21 and € 21.3m in Dec-21, despite strong revenues growth and the TT Tecnosistemi participation increase.

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	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	0.8%	-2.5%	2.2%	7.8%	9.4%
PER FD x	10.5	21.9	19.3	15.1	11.9
EV/Sales FD x	0.50	1.16	0.90	0.71	0.54
EV/EBITDA FD x	4.9	11.2	8.9	6.8	5.0
EV/EBIT FD x	6.5	14.5	12.3	8.9	6.2



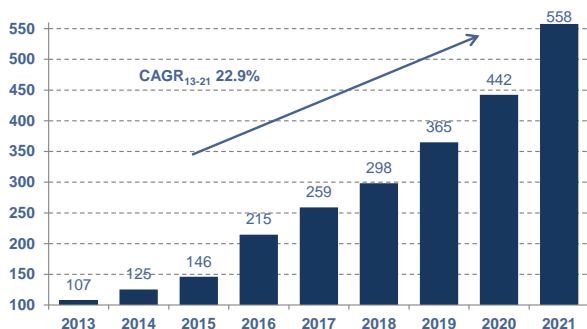
The company at a glance

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.

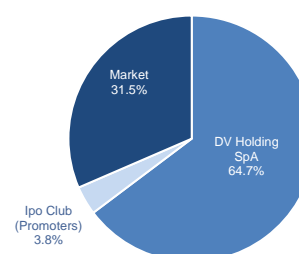
The group boasts key expertise in network infrastructure and data centres, security, network testing and monitoring, workstation management, Help Desk, data management and analysis, ERP systems management, retail applications, information systems, on-premise support and governance, outsourcing and cloud.

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.

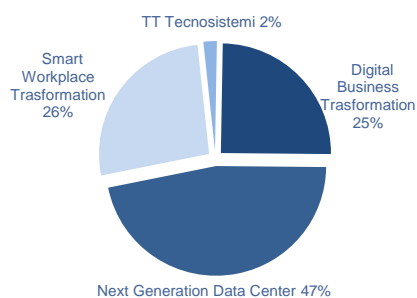
2013-21 top line progression



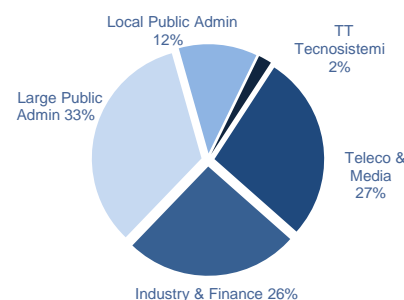
Shareholder structure



FY-21 top line breakdown by line of business



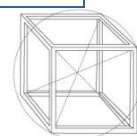
...and by industry verticals



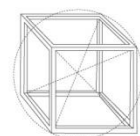
Peer group multiples table

EV multiples x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3	EBIT FY1	EBIT FY2	EBIT FY3
Accenture PLC	2.86	2.62	2.37	15.4	14.2	12.9	18.8	16.9	15.2
Alten SA	1.16	1.02	0.90	9.5	8.4	7.4	11.5	10.0	8.8
Atos SE	0.27	0.29	0.29	3.3	3.3	2.8	12.9	19.1	8.7
Aubay SA	1.09	0.98	0.88	8.8	7.9	7.1	10.6	9.5	8.5
Bechtle AG	0.89	0.81	0.73	11.1	10.3	9.3	14.5	13.3	11.9
Capgemini SE	1.57	1.42	1.23	10.0	8.9	7.5	13.4	11.7	10.0
CDW Corp	1.20	1.12	1.03	13.7	12.7	11.5	14.8	13.6	12.3
Computacenter PLC	0.35	0.32	0.29	6.7	6.2	5.5	8.9	8.1	7.3
Econocom Group SE	0.31	0.27	0.24	4.5	3.9	3.5	6.1	5.0	4.5
Indra Sistemas SA	0.44	0.39	0.31	4.1	3.6	2.8	5.6	4.8	3.7
Reply SpA	2.32	2.03	1.74	13.8	12.2	10.7	16.6	14.7	12.7
Sesa SpA	0.66	0.57	n.a.	8.9	7.5	n.a.	12.4	10.3	n.a.
Sopra Steria Group SA	0.62	0.56	0.49	5.3	4.6	3.9	7.8	6.7	5.6
TietoEVRY Corp	1.23	1.16	1.11	7.8	6.9	6.5	11.3	9.7	9.0
Median	0.99	0.90	0.88	8.9	7.7	7.1	11.9	10.1	8.8
Digital Value SpA	0.90	0.71	0.54	8.9	6.8	5.0	12.3	8.9	6.2

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)	(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



H1-22 results

Digital Value reported a rising H1-22, more than well on track to reach FY-22 consensus estimates, since turnover in the first half of the year usually accounts for some 46/47% of the FY number. On average, contract duration is increasing, extending, to a certain extent, business visibility. In addition, the numbers entail a bolder presence in the promising lucrative Industry and Finance vertical.

Table 1 – Digital Value, H1-22 results

€ m	H1-22	H1-21	% YoY
Total Revenues	337.2	256.4	31.5
Raw material and processing	(256.4)	(205.1)	
Services	(33.9)	(18.6)	
Personnel expenses	(11.6)	(6.8)	
Other opex	(0.5)	(0.2)	
EBITDA	34.7	25.6	35.4
% margin	10.3	10.0	
D&A	(10.1)	(5.2)	
EBIT	24.6	20.5	20.3
% margin	7.3	8.0	
Financials	0.0	(0.3)	
Extraordinary	(0.6)	(0.3)	
Pre-Tax profit	24.0	19.9	20.9
% margin	7.1	7.8	
Income taxes	(7.3)	(6.2)	
Tax rate	30.2%	31.3%	
Minorities	0.1	(0.1)	
Net Profit	16.9	13.6	24.3
% margin	5.0	5.3	
NFP (cash)/debt	(20.9)	(27.8)	24.9

Source: Company data, CFO SIM

H1-22 turnover rose 31.5% YoY to € 337.2m. Sales were up 20.4% on a pro-forma basis, i.e. including TT Tecnosistemi, acquired in Nov-21, in H1-21 figures. H1-22 is the seventh consecutive growing semester, offering a 21.1% CAGR₁₉₋₂₂. Sales are broadly in line in terms of reference markets contribution, Telco & Media accounted for 34.3% of total, Industry and Finance 32.2%, Large Public Admin 23.1% and Local Public Admin 10.4%. The recently acquired TT Tecnosistemi recognised € 28.2m turnover, up 17.8% vs. H1-21, doubling the historical CAGR of the company, leveraging up-selling and cross-selling activities with the rest of the group. It is worth mentioning that interim top line numbers were only marginally enhanced by the potential incremental impact of the National Recovery and Resilience Plan (Piano Nazionale di Ripresa e Resilienza - PNRR).

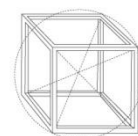
Table 2 – Digital Value, H1-22 top line by Line of Business

€ m	H1-22	H1-21	% YoY	% on tot. 22	% on tot. 21
Digital Business Trasformation	112.3	70.5	59.3	33.3	25.2
Next Generation Data Center	142.7	135.9	5.0	42.3	48.5
Smart Workplace Trasformation	82.2	73.9	11.2	24.4	26.4
Total	337.2	280.3	20.3	100.0	100.0

Source: Company data

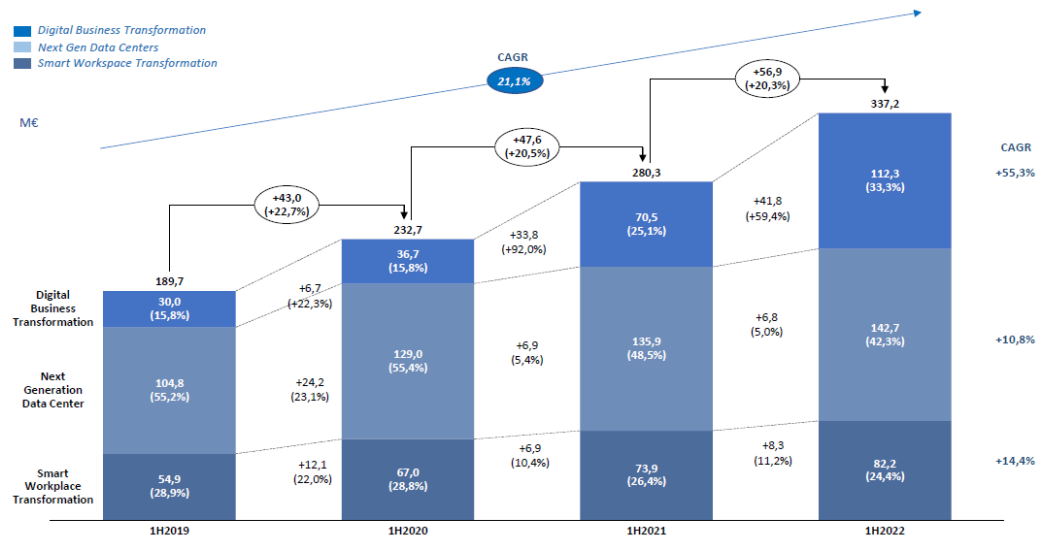
The **Digital Business Transformation** business unit made € 112.3m, up 59.3% YoY and represented the main growth driver for DGV, totalling 33.3% of total revenues. This business unit includes Edge Computing activities, Big Data analytics and Cloud and Software Platforms delivered in PAAS-SAAS mode, in addition to Secure Integration and Video Communication services.

Next Generation Data Center activities represent DGV's 'core business' and generated turnover to the tune of € 142.7m, up 5.0% YoY broadly in line with the reference market, totalling 42.3% of total revenues. The business segment includes the recurring part of the group's revenues as well as the evolution of activities related to physical and virtual Data Center infrastructures, Evolved Networks and their security.



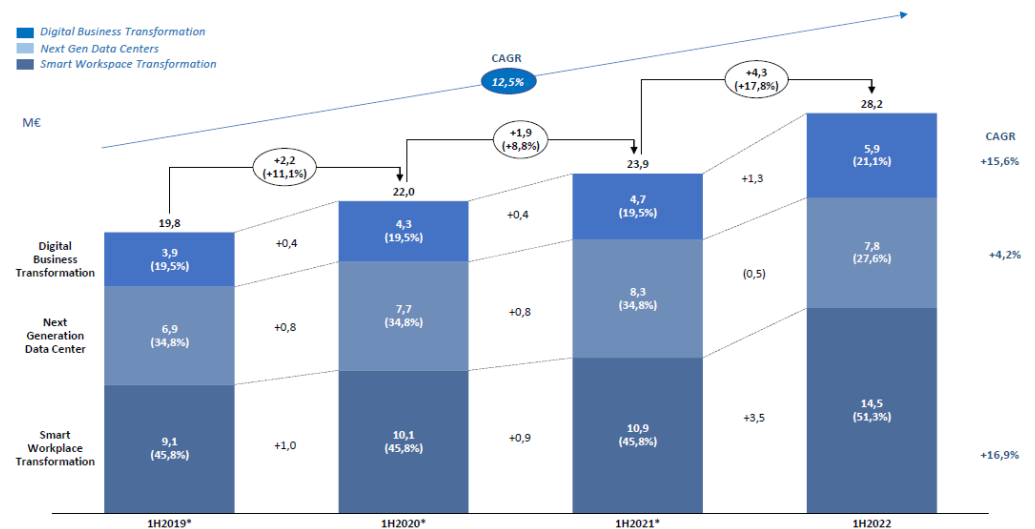
Smart Workplace Transformation solutions reached € 82.2m, up 11.2% YoY. The business unit represented 24.4% of H1-22 top line and supports and implements the digital transformation of its customers' workstations and personal productivity, including end-point security.

Chart 1 – Digital Value, consolidated turnover by Line of Business



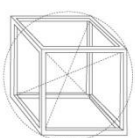
Source: Company data

Chart 2 – TT Tecnosistemi, turnover by Line of Business



Source: Company data

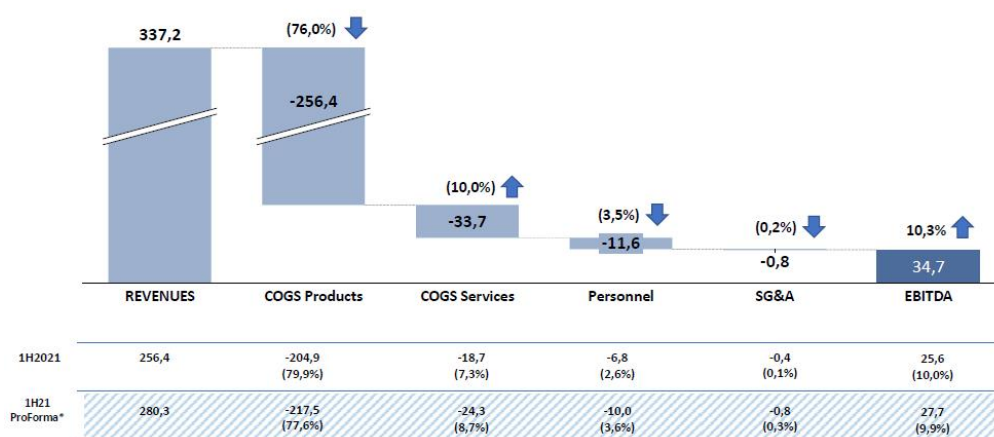
Profitability rose more than proportionately to top line: **EBITDA was up 35.3% to € 34.7m, 10.3% margin** (10.0% in H1-21). Taking into consideration the pro-forma number, i.e. including TT Tecnosistemi acquired in Nov-21, EBITDA grew by 25.3% from € 27.7m, margin up 40bps.



In our view, the more-than-proportional profitability progression compared to top line is due to a few aspects:

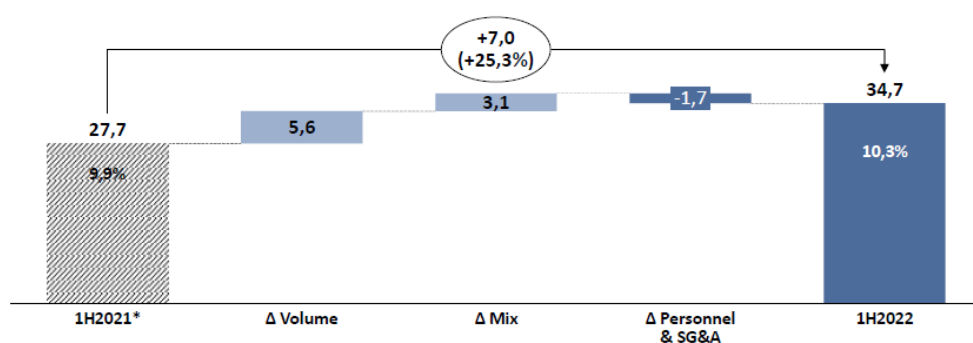
- 1) a better revenue mix,
- 2) cost control discipline (on time purchasing and inventory management and tight SG&A control),
- 3) inflationary effect on purchasing 'shared' with vendors and customers, with only a minor effect on margins,
- 4) salary increase under control.

Chart 3 – Digital Value, EBITDA bridge



Source: Company data

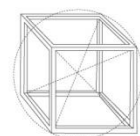
Chart 4 – Digital Value, pro-forma EBITDA bridge



Source: Company data

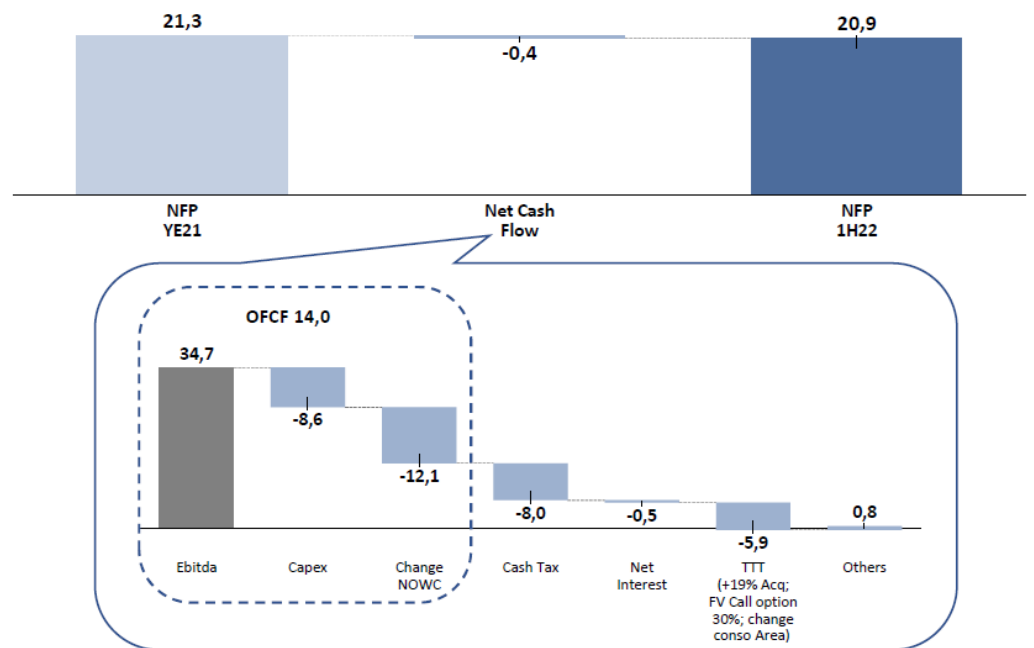
The system integration business is characterised by a high degree of variable costs, and in DGV's case these account for 93% of total costs in H1-22: operating leverage is therefore nearly absent.

After D&A up from € 5.2m to € 10.1m, mainly as a result of 1) investments made during 2021 and linked to a few on-premise infrastructure as a service projects and 2) D&A stemming from the consolidation of TT Tecnosistemi, **EBIT reached € 24.6m, 7.3% margin**, vs. € 20.5m and 8.0% margin in the same period of last year. **Net profit was € 16.9m up 24.3%**.



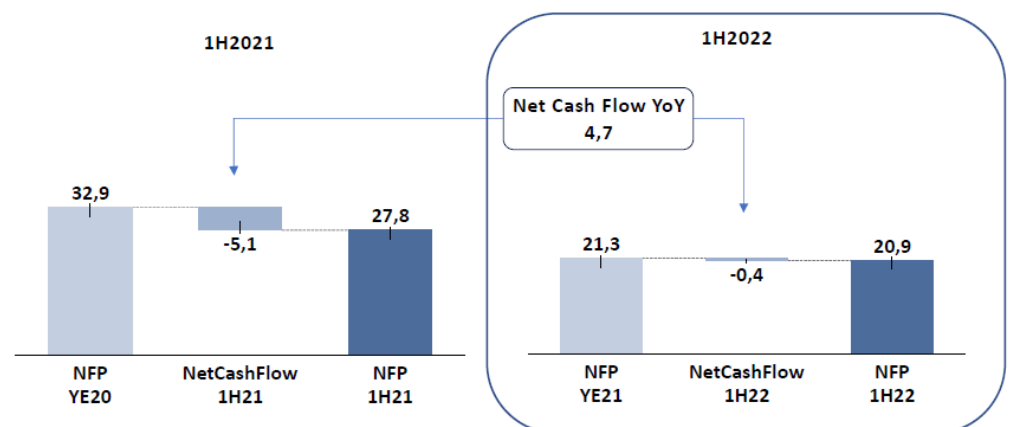
NFP was € 20.9m (cash positive) compared with € 27.8m in H1-21 and € 21.3m in Dec-21, despite strong revenues growth and the TT Tecnosistemi participation increase.

Chart 5 – Digital Value, Net Financial Position and Net Cash Flow

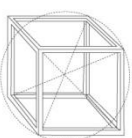


Source: Company data

Chart 5 – Digital Value, Net Financial Position and Net Cash Flow H1-22 vs. H1-21



Source: Company data



Estimates, Valuation & risks

Soaring H1-22 results are more than **well on track to reach FY-22 consensus** estimates, since turnover in the first half of the year usually accounts for some 46/47% of the FY number. On average, contract duration is increasing, extending, to a certain extent, business visibility. In addition, the numbers entail a bolder presence in the promisingly lucrative Industry and Finance vertical.

On the back of interim figures, **CFO finetunes numbers**, factoring slightly higher D&A, mainly due to the acceleration of the roll out of some capex (IAAS on premise) for a couple of key customers. **The result is unchanged EBITDA and a decline of 8.0% on average in Net Profit in 2022-2024.**

It should be noted that as of 2019, DGV experienced a different contract approach with a few tier-1 customers, the so-called 'on-premise infrastructure as a service'. DGV purchases the technologies and installs them at the customer's premises. The company offers the customer hardware and services in a multi-year contract. While this innovative approach, on the one hand, increases the business capital intensity to a certain extent, on the other hand, it allows DGV to 1) foster **long-standing relationships** with tier1 customers, 2) provide customers 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 during 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.

Table 3 – 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	51.2	56.1	(8.6)	(4.8)
% margin	7.3	8.0		
Net Profit	34.6	37.9	(8.9)	(3.4)
% margin	4.9	5.4		
Y/E net debt (net cash)	(35.8)	(48.7)	(26.5)	12.9

Source: CFO Sim

Table 4 – DGV, 2023e new/old estimates

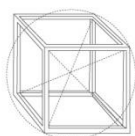
€ m	New	Old	% Diff.	€ m Diff.
Value of Production	815.2	815.2	0.0	0.0
EBITDA	85.2	85.2	0.0	0.0
% margin	10.4	10.4		
EBIT	65.4	70.2	(6.9)	(4.8)
% margin	8.0	8.6		
Net Profit	44.3	47.7	(7.1)	(3.4)
% margin	5.4	5.9		
Y/E net debt (net cash)	(88.1)	(95.2)	(7.5)	7.1

Source: CFO Sim

Table 5 – DGV, 2024e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Value of Production	949.7	949.7	0.0	0.0
EBITDA	102.5	102.5	0.0	0.0
% margin	10.8	10.8		
EBIT	82.7	87.5	(5.5)	(4.8)
% margin	8.7	9.2		
Net Profit	56.3	59.7	(5.7)	(3.4)
% margin	5.9	6.3		
Y/E net debt (net cash)	(151.1)	(158.4)	(4.6)	7.2

Source: CFO Sim



As a consequence of the estimates fine-tuning and, above all, following the update in the valuation criteria, new PT stands at € 100.00/s (€ 120.00), 48.1% upside, primarily as a result of the sharp increase in the free risk rate from 1.05% to 2.46% (200d moving average) since our last publication.

CFO Sim reiterates the Buy rating on the shares.

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 6 - 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)	2.46%
Beta levered (x)	1.00
Required ROE	11.5%

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 7 - Digital Value, DCF model

€ m	2022e	2023e	2024e	2025e	2026e	Term. Val.
EBIT	51.2	65.4	82.7	99.5	117.0	
Tax rate	30.0%	30.0%	30.0%	30.0%	30.0%	
Operating profit (NOPAT)	35.9	45.8	57.9	69.7	81.9	
Change working capital	(30.8)	(2.0)	(3.7)	1.0	(0.0)	
Depreciation	20.0	19.8	19.9	10.9	2.0	
Investments	(13.0)	(13.0)	(13.0)	(7.5)	(2.0)	
Free Cash Flows	12.0	50.5	61.0	74.1	81.9	1,121.6
Present value	11.7	44.9	49.5	55.0	55.6	760.9
WACC	9.4%	9.4%	9.4%	9.4%	9.4%	
Long-term growth rate	2.0%					

Source: CFO Sim

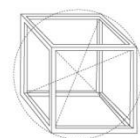


Table 8 – Digital Value, DCF derived from:

€ m	
Total EV present value € m	977.7
<i>thereof terminal value</i>	77.8%
NFP last reported (debt)/cash	21.3
Pension provision last reported	(1.7)
Equity value € m	997.3
#m shares	9.97
Equity value €/s	100.00
% upside/(downside)	48.1%

Source: CFO Sim

By applying our DCF model, we obtained an equity value of € 997.3m for Digital Value, € 100.00/s (€ 120.0/s), 48.1% upside.

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value/s of € 90.34-112.74/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 € 91.91-109.70/s (free risk range between 3.26% and 1.66%) and 3) compared to changes in the risk premium, including the small-size premium, results in an equity value/s of € 81.90-128.17/s (risk premium range between 11.00% and 7.00%).

Table 9 – Digital Value, equity value sensitivity to changes in terminal growth rate

€ m	1.00%	1.25%	1.50%	1.75%	2.00%	2.25%	2.50%	2.75%	3.00%
Present value of CF	216.8	216.8	216.8	216.8	216.8	216.8	216.8	216.8	216.8
PV of terminal value	664.3	686.2	709.6	734.4	760.9	789.3	819.7	852.4	887.5
Total value	881.1	903.0	926.4	951.2	977.7	1,006.1	1,036.5	1,069.1	1,104.3
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	900.7	922.6	946.0	970.8	997.3	1,025.7	1,056.1	1,088.7	1,123.9
Equity value/share €	90.34	92.55	94.89	97.38	100.00	102.88	105.93	109.21	112.74

Source: CFO Sim

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

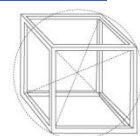
€ m	1.66%	1.86%	2.06%	2.26%	2.46%	2.66%	2.86%	3.06%	3.26%
Present value of CF	220.3	219.4	218.5	217.7	216.8	215.9	215.1	214.2	213.3
PV of terminal value	853.7	828.9	805.2	782.5	760.9	740.3	720.5	701.6	683.4
Total value	1,074.0	1,048.3	1,023.7	1,000.2	977.7	956.2	935.5	915.7	896.7
NFP last reported	21.3	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	1,093.6	1,067.9	1,043.3	1,019.8	997.3	975.8	955.2	935.4	916.3
Equity value/share €	109.70	107.11	104.65	102.29	100.00	97.88	95.81	93.82	91.91

Source: CFO Sim

Table 11 – 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	225.8	223.5	221.2	219.0	216.8	214.6	212.5	210.4	208.3
PV of terminal value	1,032.4	951.1	879.8	816.9	760.9	710.9	666.0	625.4	588.5
Total value	1,258.2	1,174.5	1,101.0	1,035.8	977.7	925.5	878.5	835.8	796.9
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	1,277.8	1,194.2	1,120.6	1,055.5	997.3	945.2	898.1	855.4	816.5
Equity value/share €	128.17	119.78	112.40	105.87	100.00	94.80	90.08	85.80	81.90

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, both of which have a business model 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 modernisation 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 co-workers. 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.

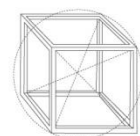
Computacenter – UK: it is a leading independent provider of IT infrastructure services, supporting users and their business in the digital world. The company advises organisations on IT strategy, implements the most appropriate technology, optimises their performance, and manages customers' infrastructures.

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 12 - 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	184,570	61,613	11,412	18.5%	19.1%	22.8%	20.4%	10.4%	(8,341)	n.m.
Alten SA	France	4,412	3,637	445	12.2%	13.2%	10.9%	12.6%	7.4%	(197)	n.m.
Atos SE	France	1,082	11,023	898	8.1%	-0.2%	11.0%	68.4%	35.8%	1,901	2.1
Aubay SA	France	652	515	64	12.3%	7.5%	9.0%	7.7%	7.3%	(89)	n.m.
Bechtle AG	Germany	5,376	5,802	465	8.0%	8.5%	7.3%	8.2%	7.9%	(198)	n.m.
Capgemini SE	France	31,264	21,567	3,377	15.7%	10.7%	14.1%	13.9%	10.3%	2,672	0.8
CDW Corp	USA	23,761	24,544	2,145	8.7%	15.5%	19.1%	21.1%	9.5%	5,716	2.7
Computacenter PLC	UK	3,088	7,890	413	5.2%	2.2%	1.7%	2.3%	3.4%	(318)	n.m.
Econocom Group SE	France	662	2,568	177	6.9%	3.6%	3.2%	4.3%	7.6%	131	0.7
Indra Sistemas SA	Spain	1,434	3,640	393	10.8%	5.2%	9.4%	10.9%	9.1%	175	0.4
Reply SpA	Italy	4,472	1,814	305	16.8%	14.3%	11.9%	13.2%	11.0%	(269)	n.m.
Sesa SpA	Italy	1,903	2,667	197	7.4%	11.3%	19.0%	20.2%	15.8%	(148)	n.m.
Sopra Steria Group SA	France	2,966	5,030	597	11.9%	5.4%	4.0%	10.3%	9.6%	171	0.3
TietoEVRY Corp	Finland	3,078	2,899	455	15.7%	2.7%	7.1%	13.7%	8.8%	480	1.1
Median		3,083	4,335	450	11.3%	8.0%	10.2%	12.9%	9.3%	21	0.8
Digital Value SpA	Italy	668	699	71	10.2%	19.5%	21.3%	22.9%	27.7%	(36)	n.m.

Table 13 - Digital Value, peer group EV multiple table

x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
Accenture PLC	2.86	2.62	2.37	15.4	14.2	12.9
Alten SA	1.16	1.02	0.90	9.5	8.4	7.4
Atos SE	0.27	0.29	0.29	3.3	3.3	2.8
Aubay SA	1.09	0.98	0.88	8.8	7.9	7.1
Bechtle AG	0.89	0.81	0.73	11.1	10.3	9.3
Capgemini SE	1.57	1.42	1.23	10.0	8.9	7.5
CDW Corp	1.20	1.12	1.03	13.7	12.7	11.5
Computacenter PLC	0.35	0.32	0.29	6.7	6.2	5.5
Econocom Group SE	0.31	0.27	0.24	4.5	3.9	3.5
Indra Sistemas SA	0.44	0.39	0.31	4.1	3.6	2.8
Reply SpA	2.32	2.03	1.74	13.8	12.2	10.7
Sesa SpA	0.66	0.57	n.a.	8.9	7.5	n.a.
Sopra Steria Group SA	0.62	0.56	0.49	5.3	4.6	3.9
TietoEVRY Corp	1.23	1.16	1.11	7.8	6.9	6.5
Median	0.99	0.90	0.88	8.9	7.7	7.1
Digital Value SpA	0.90	0.71	0.54	8.9	6.8	5.0
% premium/(discount)	(8.9)	(20.5)	(37.9)	(0.1)	(11.5)	(29.4)

Sources: CFO Sim, Thomson Reuters Eikon

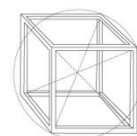


Table 14 - Digital Value, peer group EV/EBIT & price multiple table

X	EBIT FY1	EBIT FY2	EBIT FY3	PER FY1	PER FY2	PER FY3
Accenture PLC	18.8	16.9	15.2	26.8	24.1	22.0
Alten SA	11.5	10.0	8.8	16.8	15.3	14.5
Atos SE	12.9	19.1	8.7	6.2	4.3	3.3
Aubay SA	10.6	9.5	8.5	17.3	16.2	15.1
Bechtle AG	14.5	13.3	11.9	21.3	19.8	18.3
Capgemini SE	13.4	11.7	10.0	16.7	15.1	13.7
CDW Corp	14.8	13.6	12.3	17.9	16.5	15.0
Computacenter PLC	8.9	8.1	7.3	14.1	13.8	13.2
Econocom Group SE	6.1	5.0	4.5	7.0	6.4	6.0
Indra Sistemas SA	5.6	4.8	3.7	7.8	7.3	6.6
Reply SpA	16.6	14.7	12.7	25.3	22.6	20.5
Sesa SpA	12.4	10.3	n.a.	19.9	17.1	14.8
Sopra Steria Group SA	7.8	6.7	5.6	10.3	9.6	8.6
TietoEVRY Corp	11.3	9.7	9.0	12.3	11.2	10.4
Median	11.9	10.1	8.8	16.7	15.2	14.1
Digital Value SpA	12.3	8.9	6.2	19.3	15.1	11.9
% premium/(discount)	3.2	(12.6)	(29.0)	15.5	(0.9)	(16.1)

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 € 735.9m, or € 73.80/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 15 - Digital Value, equity assessment, 1#3

€ m	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
Median Peers (x)	0.99	0.90	0.88	8.9	7.7	7.1
DGV metric	698.9	813.5	947.8	71.2	85.2	102.5
NFP	35.8	88.1	151.1	35.8	88.1	151.1
DGV Equity Value	660.1	743.9	899.5	605.0	677.2	809.7
DGV Equity Value €/s	66.20	74.60	90.20	60.70	67.90	81.20
% upside/(downside)	(1.9)	10.5	33.6	(10.1)	0.6	20.3

Sources: CFO Sim, Thomson Reuters Eikon

Table 16 - Digital Value, equity assessment, 2#3

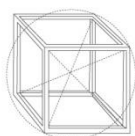
€ m	EBIT FY1	EBIT FY2	EBIT FY3	PER FY1	PER FY2	PER FY3
Median Peers (x)	11.9	10.1	8.8	16.7	15.2	14.1
DGV metric	51.2	65.4	82.7	34.6	44.3	56.3
NFP	35.8	88.1	151.1			
DGV Equity Value	586.6	684.9	805.8	520.3	606.2	716.3
DGV Equity Value €/s	58.80	68.70	80.80	52.20	60.80	71.80
% upside/(downside)	(12.9)	1.8	19.7	(22.7)	(9.9)	6.4

Sources: CFO Sim, Thomson Reuters Eikon

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

€ m	FY1	FY2	FY3
EV/EBITDA	605.0	677.2	809.7
EV/EBIT	586.6	684.9	805.8
Weighting	10.0%	40.0%	50.0%
Equity Value	735.9		
Per share €/s	73.80		
% upside/(downside)	9.3%		

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). 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 18 - Digital Value, peer group absolute performance

%	1D	1W	1M	3M	6M	YTD	1Y
Accenture PLC	1.6	3.9	(7.8)	6.8	(4.0)	(28.8)	(13.6)
Alten SA	1.2	6.3	(4.2)	19.3	(2.9)	(18.5)	(6.4)
Atos SE	5.8	(7.7)	(16.2)	(47.7)	(62.3)	(73.7)	(78.1)
Aubay SA	(1.2)	1.7	(7.3)	5.2	(9.2)	(20.9)	1.0
Bechtle AG	0.0	0.0	(15.1)	(15.0)	(21.9)	(45.8)	(46.9)
Capgemini SE	1.9	4.6	(3.2)	7.9	2.5	(15.2)	(3.6)
CDW Corp	1.3	5.5	(2.1)	10.5	6.7	(13.2)	(10.2)
Computacenter PLC	0.7	(8.0)	(14.8)	(4.7)	(16.9)	(24.5)	(26.1)
Econocom Group SE	0.7	(1.3)	(7.3)	(15.0)	(19.3)	(17.8)	(8.0)
Indra Sistemas SA	2.1	6.4	(3.4)	(21.5)	(14.5)	(14.0)	(7.5)
Reply SpA	1.9	4.3	(12.4)	14.9	(15.4)	(32.6)	(30.9)
Sesa SpA	3.0	2.4	(7.5)	3.9	(14.0)	(28.6)	(28.4)
Sopra Steria Group SA	2.9	4.9	(7.0)	(2.2)	(6.1)	(7.6)	(14.8)
TietoEVRY Corp	1.6	2.7	(1.1)	15.5	7.7	(4.7)	(8.1)
Median	1.6	3.3	(7.3)	4.6	(11.6)	(19.7)	(11.9)
Digital Value SpA	0.0	(0.4)	(2.3)	10.7	(16.9)	(40.8)	(28.5)

Source: Thomson Reuters Eikon

Table 19 – Digital Value, relative performances

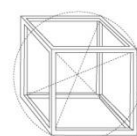
%	1D	1W	1M	3M	6M	YTD	1Y
to MSCI World Index	(1.3)	(5.2)	2.0	3.8	(13.1)	(24.9)	(15.6)
to EUROSTOXX	(2.0)	(4.9)	1.2	7.7	(13.8)	(25.0)	(14.9)
to FTSE Italia All Share	(2.2)	(5.5)	(0.2)	8.0	(12.9)	(23.0)	(15.5)
to FTSE Italia STAR	(1.3)	(3.0)	6.1	10.0	(3.0)	(11.3)	(1.8)
to FTSE Italia Growth	(0.3)	(1.7)	1.5	9.8	(2.0)	(24.9)	(12.6)
to Peer Median	(1.6)	(3.2)	5.0	5.4	(7.7)	(22.3)	(18.3)

Source: Thomson Reuters Eikon

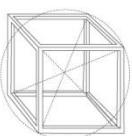
Risks

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
13/09/2022	€100.00	BUY
04/08/2022	€120.00	BUY
01/04/2022	€120.00	BUY
27/01/2022	€122.00	BUY
09/11/2021	€122.00	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.

