

Italy – IT Services

Robust organic growth driven by the NGDC and the PA

27th September 2023

H1-23 RESULTS RELEASE

RIC: DGV.MI
BBG: DGV IM

Digital Value reported soaring interim results, showing an outstanding growth path: the group reported double-digit growth for nine semesters in a row, the last five of which at a rate of over 20%. The Public Administration confirms itself as the main ICT spender in Italy, also thanks to the initial NRRP funds.

Rating:

Buy

Price Target:

€ 91.00 (€ 96.50)

Upside/(Downside): 56.1%

Last Price: € 58.30

Market Cap.: € 582.3m

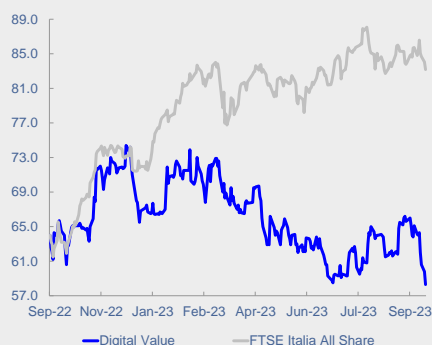
1Y High/Low: € 74.50 / € 56.80

Avg. Daily Turn. (3M, 6M): € 400k, € 390k

Free Float: 35.3%

Major shareholders:

DV Holding 64.7%



Stock price performance

	1W	3M	12M
Absolute	-6.0%	-0.9%	-8.9%
Rel.to FTSE IT All Share	-2.8%	-2.5%	-38.9%
Rel.to Peers	0.4%	4.2%	-16.5%

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Estimates revised: new DCF-based PT of € 91.00/s (€ 96.50), Buy reiterated

DGV registered double-digit growth in revenues and EBITDA, thanks to the strong contribution from its core business, i.e. Next Generation Data Centre, prompted by the acceleration of NRRP-funded digitalisation projects. Following the release of H1-23 results, we have updated our model in order to factor in: 1) higher than expected capex linked to on-premise IaaS projects on the back of the two important deals signed in H1-23; 2) increasing financial charges due to several rate hikes as of the beginning of the year; 3) broadly unchanged assumptions with regard to top line growth and EBITDA. The combined result is an average 8.9% and 10.6% decline in EBIT and Net Profit, respectively, in 2023-25. As a consequence of the estimates revision and the updated valuation criteria, the new DCF-based PT is € 91.00/s (€ 96.50), 56.1% upside. Still a Buy.

Revenues up by 23% to € 415m driven by the Next Generation Data Centre segment

Total revenues were up by 23.2% YoY to € 415.5m. Next Generation Data Centre soared by 55.6% YoY to € 222.1m, confirming itself as the group's core business. The business line, which accounts for most of Digital Value's recurring revenues, benefitted from strong demand for digital infrastructures to enable customers to digitalise their activities. Digital Business Transformation reported € 113.8m, up by 1.3% YoY, primarily driven by Secure Integration and Cybersecurity services, along with Cloud and Software platforms delivered as-a-Service. Smart Workplace Transformation totalled € 79.6m, broadly in line with H1-22 (-€ 2.6m, or down by 3.2%) despite a declining reference market.

EBITDA of € 45m, 10.8% margin, +50bps YoY

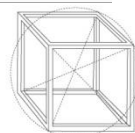
EBITDA was € 44.9m, 10.8% margin (€ 34.7m, 10.3% margin in H1-22). EBITDA margin increased by 50bps thanks to a greater focus on more lucrative contracts as well as a careful monitoring of operating costs and overheads, partially offset by increased spending in order to strengthen the group's technical and commercial capabilities. EBIT totalled € 28.1m, 6.8% margin (€ 24.6m, 7.3% margin in H1-22) after D&A increased to € 16.8m (€ 10.1m in H1-22), as a result of 1) the significant one-off capex performed in the last years in order to provide some key customers with on-premise IaaS solutions with multi-year contracts, along with 2) a refresh of the installed base at two primary industrial customers. It is worth noting that, this kind of renewal is typical of the on-premise IaaS contracts and takes place on average every three years.

NFP reached € 30.4m debt as a consequence of huge investments in IaaS projects

Net Profit was € 17.1m (€ 16.9m in H1-22), on the back of 1) increased financial charges, 2) non-recurring expenses related to the uplisting on Euronext Milan, and 3) a broadly stable tax rate. NFP rose to € 30.4m debt from € 16.4m cash in FY-22, due to 1) an increase in Op. NWC by about € 20m, 2) capex of € 41.3m and 3) dividend payments of € 8.5m.

Digital Value, key financials and ratios

€ m	2021	2022	2023e	2024e	2025e
Total Revenues	557.8	708.5	820.8	951.1	1,073.5
EBITDA	57.5	73.6	86.7	102.9	118.6
EBIT	44.5	51.1	53.9	65.2	78.3
Net profit	30.1	33.9	34.1	43.3	52.8
NFP (cash)/debt	(4.9)	(16.4)	(0.7)	(42.5)	(91.0)
EBITDA margin	10.3%	10.4%	10.6%	10.8%	11.0%
EBIT margin	8.0%	7.2%	6.6%	6.9%	7.3%
EPS	3.05	3.49	3.50	4.34	5.30
EPS growth	26.3%	14.3%	0.2%	24.1%	22.1%
DPS ord. €/s	0.00	0.85	0.86	1.09	1.33
ROCE	18.6%	19.7%	18.6%	20.1%	21.3%
NWC/Sales	7.5%	4.9%	6.5%	6.2%	6.4%
Free Cash Flow Yield	-2.8%	2.6%	-1.2%	8.6%	10.2%
PER x	23.3	21.2	16.7	13.5	11.0
EV/Sales x	1.27	1.02	0.71	0.57	0.46
EV/EBITDA x	12.3	9.8	6.7	5.2	4.1
EV/EBIT x	15.8	14.1	10.8	8.3	6.3



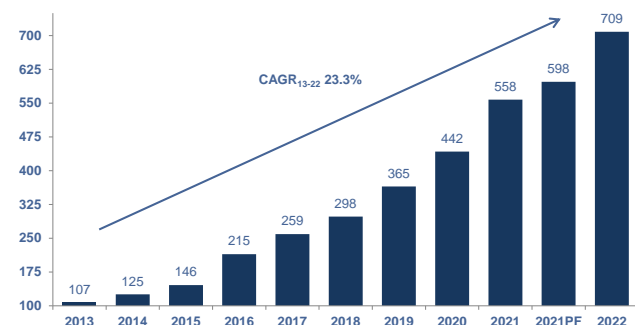
The company at a glance

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, DGV (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.

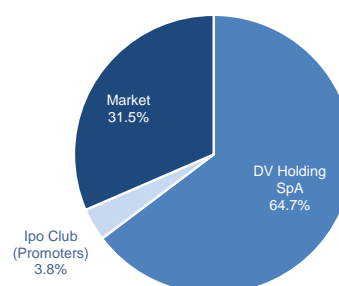
The group boasts key expertise in network infrastructure and data centres, security, network testing and monitoring, workstation management, Help Desk, data management and analysis, ERP systems management, retail applications, information systems, on-premise support and governance, outsourcing and cloud.

With over 400 employees, DGV reported 2022 Total Revenues of € 708.5m, EBITDA of € 73.6m (10.4% margin), € 33.9m Net Profit and a Net Financial Position of € 16.4m (cash positive). With ROE of 22% and ROCE of 20%, DGV has a well-balanced and lucratively allocated capital structure. Currently, 100% of the business is generated in Italy.

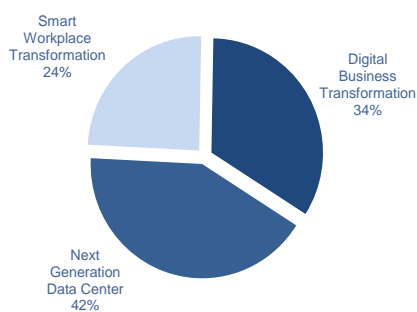
2013-22 top line progression



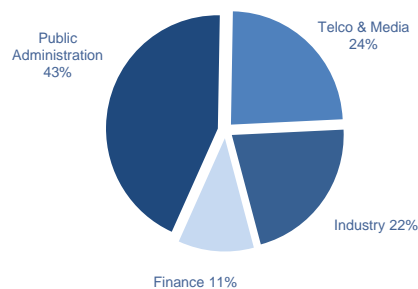
Shareholder structure



FY-22 top line breakdown by line of business



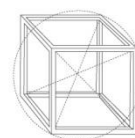
...and by industry verticals



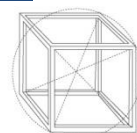
Peer group multiples table

EV multiples x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3	EBIT FY1	EBIT FY2	EBIT FY3
Accenture PLC	3.08	2.90	2.68	16.7	15.5	13.9	20.3	19.0	17.0
Alten SA	0.94	0.82	0.74	7.9	6.7	6.0	10.0	8.3	7.3
Atos SE	0.27	0.29	0.29	3.0	3.1	2.6	12.0	6.9	5.8
Aubay SA	0.89	0.84	0.61	7.8	7.3	5.3	9.2	8.5	6.1
Bechtle AG	0.83	0.75	0.69	10.9	9.9	9.0	14.3	12.8	11.6
Capgemini SE	1.33	1.18	1.04	8.5	7.5	6.4	11.0	9.5	8.2
CDW Corp	1.46	1.37	1.25	15.3	14.2	12.9	16.1	15.0	13.8
Computacenter PLC	0.39	0.38	0.35	7.8	7.1	6.6	10.3	9.4	8.6
Econocom Group SE	0.22	0.17	0.12	3.3	2.5	1.7	4.7	3.5	2.7
Indra Sistemas SA	0.56	0.51	0.46	5.4	4.7	4.2	7.0	6.0	5.3
Reply SpA	1.33	1.14	0.97	8.8	7.4	6.3	10.8	9.0	7.6
Sesa SpA	0.41	0.36	0.30	5.6	4.8	4.0	7.5	6.3	5.3
Sopra Steria Group SA	0.73	0.65	0.58	6.3	5.4	4.5	8.8	7.3	6.3
Tietoenvy Oyj	1.06	0.98	0.93	6.6	5.9	5.6	9.8	8.5	7.7
Median	0.86	0.79	0.65	7.8	6.9	5.8	10.1	8.5	7.5
Digital Value SpA	0.71	0.57	0.46	6.7	5.2	4.1	10.8	8.3	6.3

Source: CFO Sim, Refinitiv Eikon



Income statement (€ m)	2021	2022	2023e	2024e	2025e
Sales	555.9	706.2	819.1	949.2	1,071.4
Total Revenues	557.8	708.5	820.8	951.1	1,073.5
Raw material and processing	(434.3)	(506.3)	(562.2)	(651.5)	(735.3)
Services	(48.2)	(105.3)	(145.3)	(168.3)	(190.0)
Personnel expenses	(17.4)	(22.3)	(25.8)	(27.4)	(28.5)
Other opex	(0.5)	(1.1)	(0.8)	(1.0)	(1.1)
EBITDA	57.5	73.6	86.7	102.9	118.6
D&A	(13.0)	(22.5)	(32.8)	(37.8)	(40.3)
EBIT	44.5	51.1	53.9	65.2	78.3
Financials	(0.7)	(1.7)	(4.1)	(3.2)	(2.7)
Re/(Devaluation) of financial assets	0.0	(0.4)	0.0	0.0	0.0
Extraordinary	(0.4)	(1.0)	(1.0)	0.0	0.0
Pre-Tax profit	43.4	48.0	48.8	62.0	75.6
Income taxes	(12.8)	(13.9)	(14.6)	(18.6)	(22.7)
Minorities	(0.5)	(0.1)	(0.1)	(0.1)	(0.1)
Net Profit	30.1	33.9	34.1	43.3	52.8
Net Profit Adjusted	30.4	34.8	34.9	43.3	52.8
Balance sheet (€ m)	2021	2022	2023e	2024e	2025e
Net Working Capital	41.8	34.8	53.6	59.2	68.2
Net Fixed Assets	69.4	80.0	98.2	80.4	60.2
Equity Investments	0.3	0.2	0.2	0.2	0.2
Other M/L Term A/L	12.8	26.4	30.7	35.8	40.5
Net Invested Capital	124.3	141.4	182.6	175.6	169.1
Net Financial Debt	(4.9)	(16.4)	(0.7)	(42.5)	(91.0)
Minorities	5.5	0.9	1.0	1.1	1.2
Group's Shareholders Equity	123.7	156.9	182.4	217.0	258.8
Financial Liabilities & Equity	124.3	141.4	182.6	175.6	169.1
Cash Flow statement (€ m)	2021	2022	2023e	2024e	2025e
Total net income	30.1	33.9	34.1	43.3	52.8
Depreciation	13.0	22.5	32.8	37.8	40.3
Other non-cash charges	(12.4)	(1.2)	(4.3)	(5.0)	(4.7)
Cash Flow from Oper. (CFO)	30.7	55.2	62.5	76.0	88.4
Change in NWC	(15.5)	(4.0)	(18.7)	(5.6)	(9.0)
FCF from Operations (FCFO)	15.3	51.2	43.8	70.4	79.4
Net Investments (CFI)	(31.6)	(35.9)	(51.0)	(20.0)	(20.0)
Free CF to the Firm (FCFF)	(16.4)	15.4	(7.2)	50.4	59.4
CF from financials (CFF)	55.2	(12.9)	(3.6)	(8.6)	(10.9)
Free Cash Flow to Equity (FCFE)	38.9	2.5	(10.8)	41.8	48.5
Financial ratios	2021	2022	2023e	2024e	2025e
EBITDA margin	10.3%	10.4%	10.6%	10.8%	11.0%
EBIT margin	8.0%	7.2%	6.6%	6.9%	7.3%
Net profit margin	5.4%	4.8%	4.1%	4.6%	4.9%
Tax rate	29.5%	29.1%	30.0%	30.0%	30.0%
Op NWC/Sales	7.5%	4.9%	6.5%	6.2%	6.4%
Interest coverage x	0.02	0.03	0.08	0.05	0.03
Net Debt/EBITDA x	(0.08)	(0.22)	(0.01)	(0.41)	(0.77)
Debt-to-Equity x	(0.04)	(0.10)	(0.00)	(0.20)	(0.35)
ROIC	24.2%	24.0%	18.6%	24.7%	31.2%
ROCE	18.6%	19.7%	18.6%	20.1%	21.3%
ROACE	23.7%	20.5%	19.6%	21.2%	22.6%
ROE	24.4%	21.6%	18.7%	19.9%	20.4%
Payout ratio	0.0%	25.0%	25.0%	25.0%	25.0%
Per share figures	2021	2022	2023e	2024e	2025e
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 #	9.97	9.97	9.97	9.97	9.97
EPS stated FD €	3.02	3.41	3.42	4.34	5.30
EPS adjusted FD €	3.05	3.49	3.50	4.34	5.30
EBITDA €	5.77	7.38	8.69	10.32	11.90
EBIT €	4.47	5.12	5.41	6.54	7.86
BV €	12.95	15.83	18.39	21.87	26.08
FCFO €	1.53	5.14	4.39	7.06	7.96
FCFF €	(1.64)	1.54	(0.73)	5.05	5.95
FCFE €	3.90	0.25	(1.08)	4.19	4.86
Dividend €	0.00	0.85	0.86	1.09	1.33



H1-23 results

For the ninth consecutive semester, Digital Value registered double-digit growth in revenues and EBITDA, thanks to the strong contribution from its core business, i.e. Next Generation Data Centre, prompted by the acceleration of digitalisation projects related to the Recovery Fund, mainly driven by the Public Administration. Digital Value is more than well on track to reach our FY-23 revenues and EBITDA forecasts while capex, D&A and financial charges came in significantly higher than expected.

Table 1 – Digital Value, H1-23 results

€ m	H1-23	H1-22	% YoY
Revenues	415.5	336.4	23.5
Increase in finished products	0.0	0.0	
Other revenues	0.1	0.7	
Total Revenues	415.5	337.2	23.2
Raw material and processing	(282.3)	(256.4)	
Services	(74.4)	(33.9)	
Personnel expenses	(13.7)	(11.6)	
Other opex	(0.2)	(0.5)	
EBITDA	44.9	34.7	29.4
% margin	10.8	10.3	
D&A	(16.8)	(10.1)	
EBIT	28.1	24.6	14.0
% margin	6.8	7.3	
Financials	(2.3)	(0.5)	
Extraordinary	(0.9)	(0.1)	
Pre-Tax profit	24.9	24.0	3.6
% margin	6.0	7.1	
Income taxes	(7.8)	(7.3)	
Tax rate	31.1%	30.2%	
Minorities	(0.1)	0.1	
Net Profit	17.1	16.9	1.3
% margin	4.1	5.0	
NFP (cash)/debt *	30.4	(16.4)	n.m.

Source: Company data, CFO SIM *compared to FY-22

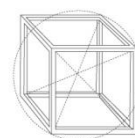
Total revenues were up by 23.2% YoY to € 415.5m (+ € 78.3m), representing the ninth consecutive semester featuring double-digit growth. The group further consolidated its leading position in light of its unparalleled ability to intercept investment opportunities in key reference markets. It also benefitted from a strong acceleration of NRRP-funded projects, especially with respect to the Public Administration.

Table 2 – Digital Value, H1-23 top line by Line of Business

€ m	H1-23	H1-22	% YoY	% on tot. 23	% on tot. 22
Next Generation Data Centre	222.1	142.7	55.6	53.4	42.3
Digital Business Transformation	113.8	112.3	1.4	27.4	33.3
Smart Workplace Transformation	79.6	82.2	(3.2)	19.2	24.4
Total	415.5	337.2	23.2	100.0	100.0

Source: Company data

- **Next Generation Data Centre soared by 55.6% YoY to € 222.1m** (+ € 79.4 m), confirming itself as the group's core business. The business line, which accounts for most of Digital Value's recurring revenues, benefitted from **strong demand for digital infrastructures** to enable customers to digitalise their activities. Notably, the group provides its customers with physical and virtual Data Centre Infrastructures, also delivered in IaaS (Infrastructure as-a-Service) mode, where the group has invested a considerable amount of resources over the past years.
- **Digital Business Transformation reported € 113.8m, up by 1.3% YoY** (+ € 1.5m), primarily driven by Secure Integration and Cybersecurity services, along with Cloud and Software platforms delivered as-a-Service.



- **Smart Workplace Transformation totalled € 79.6m**, broadly in line with H1-22 (- € 2.6m, or down by 3.2%) despite a declining reference market.

In terms of main reference markets, **the Public Administration contributed € 222.9m** (53.6% of total), almost doubling YoY as a result of a **strong acceleration of NRRP-funded projects**. Industry rose by 40.6% YoY (€ 93.7m compared to € 66.7m in H1-22), while Finance (€ 32.0m vs € 41.9m in H1-22) suffered from the postponement of a significant tender to H2-23, but **the overall backlog significantly improved as DGV secured medium-long term contracts with top-tier financial institutions**. Finally, Telco & Media (€ 66.9m vs € 115.6m in H1-22) declined by 42.1% YoY as a consequence of a contingent market situation affecting a major customer, although it is expected to catch up in H2-23.

Table 3 – Digital Value, H1-23 top line by Industry Vertical

€ m	H1-23	H1-22	% YoY	% on tot. 23	% on tot. 22
Telco & Media	66.9	115.6	(42.1)	16.1	34.3
Industry	93.7	66.7	40.6	22.6	19.8
Finance	32.0	41.9	(23.6)	7.7	12.4
Public Administration	222.9	113.0	97.3	53.6	33.5
Total	415.5	337.2	23.2	100.0	100.0

Source: Company data

EBITDA was € 44.9m, 10.8% margin (€ 34.7m, 10.3% margin in H1-22). EBITDA margin increased by 50bps thanks to a greater focus on more lucrative contracts as well as a careful monitoring of operating costs and overheads, partially offset by increased spending in order to strengthen the group's technical and commercial capabilities.

EBIT totalled € 28.1m, 6.8% margin (€ 24.6m, 7.3% margin in H1-22) after D&A increased to € 16.8m (€ 10.1m in H1-22), as a result of 1) the significant one-off capex performed in the last years in order to provide some key customers with on-premise Infrastructure-as-a-Service solutions with multi-year contracts (capex of € 26.2m in FY-22 and € 41.3m in H1-23), along with 2) a refresh of the installed base at two primary industrial customers. It is worth noting that, this kind of refresh is typical of the on-premise IaaS contracts and takes place on average every three years.

To better illustrate the first point, Digital Value leverages its strong balance sheet to selectively offer IaaS solutions, namely hardware and equipment installed at customers' premises and intended for the provision of services to the latter against payment of long-term service fees. These so-called 'special deals' allow **Digital Value to secure multi-year contracts with top-tier strategic customers**, thus considerably enhancing the overall business visibility. Additionally, during the term of the agreement, DGV is **best positioned to provide a wide range of upselling value-added services** (mainly design, integration, customisation, or maintenance), further strengthening ties with customers. Furthermore, in order to neutralise the impact on cash-flow, **Digital Value fully matches the collection of fees from customers with the cash outflows associated with the repayment of the loan contracted to finance the investment**.

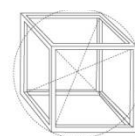
Net Profit was € 17.1m, 4.1% margin, broadly in line with € 16.9m reported in H1-22, on the back of 1) increased financial charges, 2) non-recurring expenses related to the uplisting on Euronext Milan, and 3) a broadly stable tax rate.

Net Financial Position rose to € 30.4m debt from € 16.4m cash at year-end 2022, as a consequence of 1) an increase in Op. NWC by about € 20m, 2) capex of € 41.3m (almost entirely related to the previously mentioned IaaS projects) and 3) dividend payments of € 8.5m.

Table 4 – Digital Value, H1-23 Op. Net Working Capital

€ m	H1-23	FY-22	Δ
Inventories	246.2	234.9	11.3
Receivables	195.5	162.9	32.7
Payable	(386.6)	(362.9)	(23.7)
Op. Net Working Capital	55.1	34.8	20.2

Source: Company data



Estimates, Valuation & Risks

Digital Value reported soaring interim results, showing an **outstanding growth path**: the group reported **double-digit growth for the ninth semesters in a row**, the last five of which at a rate of over 20%. The Public Administration confirms itself as the main ICT spender in Italy, also thanks to the initial NRRP funds.

Following the release of H1-23 results, **we have updated our model** in order to factor in: 1) higher than expected capex linked to on-premise IaaS projects on the back of the two important deals signed in H1-23; 2) increasing financial charges due to several rate hikes as of the beginning of the year; 3) broadly unchanged assumptions with regard to top line growth and profitability in terms of EBITDA. **The combined result is an average 8.9% and 10.6% decline in EBIT and Net Profit, respectively, in 2023-25.**

Table 5 – Digital Value, 2023e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Total Revenues	820.8	818.2	0.3	2.5
EBITDA	86.7	85.5	1.4	1.2
% margin	10.6	10.4		
EBIT	53.9	57.4	(6.2)	(3.5)
% margin	6.6	7.0		
Net Profit	34.1	38.0	(10.4)	(4.0)
% margin	4.1	4.6		
NFP (cash)/debt	(0.7)	(37.2)	(98.1)	36.5

Source: CFO Sim

Table 6 – Digital Value, 2024e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Total Revenues	951.1	949.8	0.1	1.3
EBITDA	102.9	102.1	0.8	0.8
% margin	10.8	10.8		
EBIT	65.2	72.1	(9.6)	(6.9)
% margin	6.9	7.6		
Net Profit	43.3	48.2	(10.3)	(5.0)
% margin	4.6	5.1		
NFP (cash)/debt	(42.5)	(77.5)	(45.1)	35.0

Source: CFO Sim

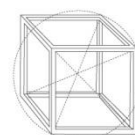
Table 7 – Digital Value, 2025e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Total Revenues	1,073.5	1,073.1	0.0	0.4
EBITDA	118.6	118.0	0.5	0.6
% margin	11.0	11.0		
EBIT	78.3	88.0	(11.0)	(9.7)
% margin	7.3	8.2		
Net Profit	52.8	59.4	(11.1)	(6.6)
% margin	4.9	5.5		
NFP (cash)/debt	(91.0)	(127.9)	(28.8)	36.9

Source: CFO Sim

As a consequence of the estimates revision and the updated valuation criteria, bringing the free risk rate up to date, the **new DCF-based PT is € 91.00/s (€ 96.50), 56.1% upside potential.**

CFO SIM reiterates the Buy rating on the shares: in this complex scenario, DGV represents a 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 2027 and long-term growth of 2.0%. Cash flows are discounted back at a weighted average cost of capital calculated according to the following parameters:

Table 8 - WACC derived from:

Interest costs, pre-tax	3.0%
Tax rate	30.0%
Int. costs, after taxes	2.1%
Risk premium, incl. small size premium	9.0%
Risk-free (10Y Gov. Bond 200d simple moving average)	4.20%
Beta levered (x)	1.00
Required ROE	13.2%

Source: CFO Sim, Refinitiv Eikon

Risk premium at 9.0% factors in the minute size of the company and basically all the small capitalisation-related concerns and disquiet that an investor might have. The **risk-free rate at 4.20%** (previously 4.00%) corresponds to the 200-day moving average of the 10Y Italian Government Bond yield. **Beta has been assumed 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 9 - Digital Value, DCF model

€ m	2023e	2024e	2025e	2026e	2027e	Term. Val.
EBIT	53.9	65.2	78.3	101.8	132.0	
Tax rate	30.0%	30.0%	30.0%	30.0%	30.0%	
Operating profit (NOPAT)	37.7	45.6	54.8	71.3	92.4	
Change working capital	(18.7)	(5.6)	(9.0)	(4.5)	(0.0)	
Depreciation	32.8	37.8	40.3	28.1	16.0	
Investments	(51.0)	(20.0)	(20.0)	(18.0)	(16.0)	
Free Cash Flows	0.8	57.7	66.1	76.9	92.4	1,049.2
Present value	0.7	50.6	52.2	54.8	59.3	673.2
WACC	11.0%	11.0%	11.0%	11.0%	11.0%	
Long-term growth rate	2.0%					

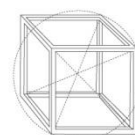
Source: CFO Sim

Table 10 – Digital Value, DCF derived from:

€ m	
Total EV present value € m	890.9
thereof terminal value	75.6%
NFP last reported (debt)/cash	16.4
Pension provision last reported	(1.7)
Equity value € m	905.6
#m shares (excl. treasury shares)	9.95
Equity value €/s	91.00
% upside/(downside)	56.1%

Source: CFO Sim

By applying our DCF model, we obtained an equity value of € 905.6m for Digital Value, € 91.00/s (€ 96.50/s), 56.1% upside.



The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value/s of € 83.62-100.22/s (perpetuity range between 1.00% and 3.00%), while 2) if compared to changes in the free risk rate, it produces an equity value/s of € 84.62-98.37/s (free risk range between 5.00% and 3.40%) and 3) compared to changes in the risk premium, including the small-size premium, results in an equity value/s of € 76.51-111.84/s (risk premium range between 11.00% and 7.00%).

Table 11 – 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	217.6	217.6	217.6	217.6	217.6	217.6	217.6	217.6	217.6
PV of terminal value	599.8	616.8	634.6	653.4	673.2	694.2	716.4	740.0	765.0
Total value	817.5	834.4	852.2	871.0	890.9	911.9	934.1	957.6	982.7
NFP last reported	16.4	16.4	16.4	16.4	16.4	16.4	16.4	16.4	16.4
Pension provision last reported	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)
Equity value	832.2	849.1	866.9	885.7	905.6	926.5	948.7	972.3	997.3
Equity value/share €	83.62	85.33	87.12	89.01	91.00	93.11	95.34	97.71	100.22

Source: CFO Sim

Table 12 – Digital Value, equity value sensitivity to changes in free risk rate

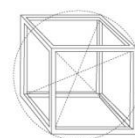
€ m	3.40%	3.60%	3.80%	4.00%	4.20%	4.40%	4.60%	4.80%	5.00%
Present value of CF	221.2	220.3	219.4	218.5	217.6	216.8	215.9	215.0	214.1
PV of terminal value	743.0	724.5	706.8	689.7	673.2	657.4	642.1	627.4	613.2
Total value	964.2	944.8	926.2	908.2	890.9	874.2	858.0	842.4	827.4
NFP last reported	16.4	16.4	16.4	16.4	16.4	16.4	16.4	16.4	16.4
Pension provision last reported	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)
Equity value	978.9	959.5	940.9	922.9	905.6	888.8	872.7	857.1	842.1
Equity value/share €	98.37	96.42	94.55	92.74	91.00	89.32	87.70	86.13	84.62

Source: CFO Sim

Table 13 – 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	226.8	224.4	222.1	219.9	217.6	215.4	213.3	211.2	209.1
PV of terminal value	871.5	813.9	762.2	715.5	673.2	634.7	599.5	567.3	537.6
Total value	1,098.2	1,038.3	984.3	935.4	890.9	850.2	812.8	778.4	746.7
NFP last reported	16.4	16.4	16.4	16.4	16.4	16.4	16.4	16.4	16.4
Pension provision last reported	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)
Equity value	1,112.9	1,053.0	999.0	950.1	905.6	864.9	827.5	793.1	761.4
Equity value/share €	111.84	105.82	100.39	95.48	91.00	86.91	83.16	79.70	76.51

Source: CFO Sim



Market multiples

We conducted an analysis on a cluster of 14 companies operating in the digital IT systems integration segment:

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 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.

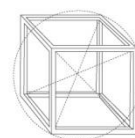
Computacenter – UK: it is a leading independent provider of IT infrastructure services, supporting users and their business in the digital world. The company advises organisations on IT strategy, implements the most appropriate technology, optimises their performance, and manages customers' infrastructures.

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.

Tietoevry – 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 (18.4% 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 14 - Digital Value, peer group summary table

€ m	Country	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA %	Sales CAGR ₂₂₋₂₅	EBITDA CAGR ₂₂₋₂₅	EBIT CAGR ₂₂₋₂₅	EPS CAGR ₂₃₋₂₅	NFP FY1	NFP/EBITDA
Accenture PLC	USA	195,214	60,632	11,144	18.4%	3.7%	8.3%	4.8%	7.3%	(8,766)	n.m.
Alten SA	France	4,257	4,169	495	11.9%	8.4%	7.7%	7.2%	13.5%	(357)	n.m.
Atos SE	France	696	11,012	981	8.9%	-0.7%	10.3%	41.0%	27.5%	2,282	2.3
Aubay SA	France	513	542	62	11.4%	5.2%	5.7%	5.1%	8.8%	(31)	n.m.
Bechtle AG	Germany	5,456	6,478	495	7.6%	8.0%	7.0%	7.8%	9.4%	(70)	n.m.
Capgemini SE	France	28,530	22,776	3,547	15.6%	5.5%	8.4%	8.8%	9.9%	1,684	0.5
CDW Corp	USA	25,394	20,870	1,995	9.6%	2.9%	6.0%	9.0%	9.3%	5,106	2.6
Computacenter PLC	UK	3,594	8,364	418	5.0%	5.9%	5.3%	6.4%	5.0%	(340)	n.m.
Econocom Group SE	France	452	2,912	196	6.7%	4.9%	12.3%	4.2%	8.9%	195	1.0
Indra Sistemas SA	Spain	2,421	4,134	428	10.4%	5.4%	7.5%	9.0%	9.7%	(99)	n.m.
Reply SpA	Italy	3,089	2,140	325	15.2%	10.7%	11.2%	12.6%	13.0%	(244)	n.m.
Sesa SpA	Italy	1,493	3,259	243	7.5%	9.2%	13.5%	15.4%	9.9%	(142)	n.m.
Sopra Steria Group SA	France	3,829	5,703	658	11.5%	7.1%	9.1%	12.0%	12.4%	343	0.5
Tietoevry Oyj	Finland	2,458	2,880	465	16.1%	2.0%	0.7%	2.9%	6.6%	591	1.3
Median		3,341	4,936	480	10.9%	5.5%	8.0%	8.3%	9.5%	(50)	1.1
Digital Value SpA	Italy	582	819	87	10.6%	14.9%	17.3%	15.3%	24.5%	(1)	n.m.

Sources: CFO Sim, Refinitiv Eikon

Table 15 - Digital Value, peer group EV multiple table

x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
Accenture PLC	3.08	2.90	2.68	16.7	15.5	13.9
Alten SA	0.94	0.82	0.74	7.9	6.7	6.0
Atos SE	0.27	0.29	0.29	3.0	3.1	2.6
Aubay SA	0.89	0.84	0.61	7.8	7.3	5.3
Bechtle AG	0.83	0.75	0.69	10.9	9.9	9.0
Capgemini SE	1.33	1.18	1.04	8.5	7.5	6.4
CDW Corp	1.46	1.37	1.25	15.3	14.2	12.9
Computacenter PLC	0.39	0.38	0.35	7.8	7.1	6.6
Econocom Group SE	0.22	0.17	0.12	3.3	2.5	1.7
Indra Sistemas SA	0.56	0.51	0.46	5.4	4.7	4.2
Reply SpA	1.33	1.14	0.97	8.8	7.4	6.3
Sesa SpA	0.41	0.36	0.30	5.6	4.8	4.0
Sopra Steria Group SA	0.73	0.65	0.58	6.3	5.4	4.5
Tietoevry Oyj	1.06	0.98	0.93	6.6	5.9	5.6
Median	0.86	0.79	0.65	7.8	6.9	5.8
Digital Value SpA	0.71	0.57	0.46	6.7	5.2	4.1
% premium/(discount)	(17.5)	(27.6)	(29.3)	(14.1)	(24.3)	(28.5)

Sources: CFO Sim, Refinitiv Eikon

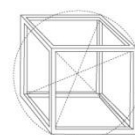


Table 16 - Digital Value, peer group EV/EBIT & price multiple table

X	EBIT FY1	EBIT FY2	EBIT FY3	PER FY1	PER FY2	PER FY3
Accenture PLC	20.3	19.0	17.0	27.8	26.0	24.1
Alten SA	10.0	8.3	7.3	13.7	11.9	10.7
Atos SE	12.0	6.9	5.8	2.5	2.4	1.5
Aubay SA	9.2	8.5	6.1	13.5	12.5	11.4
Bechtle AG	14.3	12.8	11.6	20.6	18.7	17.2
Capgemini SE	11.0	9.5	8.2	14.1	12.9	11.7
CDW Corp	16.1	15.0	13.8	20.4	19.0	17.1
Computacenter PLC	10.3	9.4	8.6	15.7	15.1	14.3
Econocom Group SE	4.7	3.5	2.7	4.3	4.0	3.6
Indra Sistemas SA	7.0	6.0	5.3	10.9	9.9	9.1
Reply SpA	10.8	9.0	7.6	16.8	14.6	13.2
Sesa SpA	7.5	6.3	5.3	12.6	11.2	10.4
Sopra Steria Group SA	8.8	7.3	6.3	11.0	9.6	8.7
Tietoevry Oyj	9.8	8.5	7.7	9.7	9.0	8.6
Median	10.1	8.5	7.5	13.6	12.2	11.1
Digital Value SpA	10.8	8.3	6.3	17.1	13.5	11.0
% premium/(discount)	6.6	(2.4)	(15.9)	25.4	10.3	(0.3)

Sources: CFO Sim, Refinitiv Eikon

By applying the peer group EV/EBITDA and EV/EBIT multiple median to DGV's metrics, we attain an **equity value of DGV of € 694.7m, or € 69.70/s**. We have used 2023-24-25 estimates and multiples (10-40-50 weighted, respectively), **in order to consider higher-than-peer median growth**.

Table 17 - Digital Value, equity assessment, 1#3

€ m	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
Median Peers (x)	0.86	0.79	0.65	7.8	6.9	5.8
DGV metric	819.1	949.2	1,071.4	86.7	102.9	118.6
NFP	0.7	42.5	91.0	0.7	42.5	91.0
DGV Equity Value	705.7	788.0	785.9	678.0	755.8	777.9
DGV Equity Value €/s	70.80	79.00	78.80	68.00	75.80	78.00
% upside/(downside)	21.4	35.5	35.2	16.6	30.0	33.8

Sources: CFO Sim, Refinitiv Eikon

Table 18 - Digital Value, equity assessment, 2#3

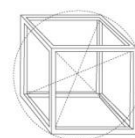
€ m	EBIT FY1	EBIT FY2	EBIT FY3	PER FY1	PER FY2	PER FY3
Median Peers (x)	10.1	8.5	7.5	13.6	12.2	11.1
DGV metric	53.9	65.2	78.3	34.1	43.3	52.8
NFP	0.7	42.5	91.0			
DGV Equity Value	546.3	595.6	675.0	464.3	528.1	583.9
DGV Equity Value €/s	54.80	59.70	67.70	46.60	53.00	58.60
% upside/(downside)	(6.0)	2.4	16.1	(20.1)	(9.1)	0.5

Sources: CFO Sim, Refinitiv Eikon

Table 19 - Digital Value, equity assessment, 3#3

€ m	FY1	FY2	FY3
EV/EBITDA	678.0	755.8	777.9
EV/EBIT	546.3	595.6	675.0
Weighting	10.0%	40.0%	50.0%
Equity Value	694.7		
Per share €/s	69.70		
% upside/(downside)	19.6%		

Sources: CFO Sim, Refinitiv 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 14 companies operating in the digital IT systems integration segment.

Table 20 - Digital Value, peer group absolute performance

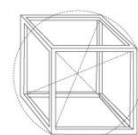
%	1D	1W	1M	3M	6M	YTD	1Y
Accenture PLC	(2.0)	(2.1)	(4.0)	3.3	12.9	16.4	20.6
Alten SA	(2.2)	(5.2)	(5.1)	(11.5)	(13.8)	5.0	9.5
Atos SE	(6.6)	(11.2)	(11.8)	(50.3)	(51.5)	(30.8)	(16.8)
Aubay SA	(0.3)	(1.2)	(7.8)	(11.9)	(17.5)	(21.0)	(5.6)
Bechtle AG	0.0	0.0	5.0	19.0	14.1	36.0	12.3
Capgemini SE	(1.0)	(1.5)	(2.8)	(2.8)	0.9	5.2	5.8
CDW Corp	(2.3)	(4.0)	(3.5)	12.7	7.8	12.1	26.5
Computacenter PLC	(1.9)	2.4	18.7	14.0	23.1	32.7	29.3
Econocom Group SE	(1.4)	(10.5)	(10.3)	(7.4)	(14.7)	(11.6)	(5.6)
Indra Sistemas SA	(1.3)	(3.1)	4.7	22.1	11.8	28.5	72.5
Reply SpA	(4.7)	(5.8)	(11.5)	(17.2)	(25.2)	(23.0)	(23.3)
Sesa SpA	(3.1)	(4.6)	(8.8)	(13.0)	(18.5)	(17.1)	(12.0)
Sopra Steria Group SA	(0.4)	(2.4)	(7.6)	6.8	(1.6)	31.7	44.6
Tietoenvy Oyj	(1.3)	(3.7)	(8.6)	(17.2)	(25.3)	(21.9)	(9.3)
Median	(1.6)	(3.4)	(6.4)	(5.1)	(7.7)	5.1	7.6
Digital Value SpA	(2.5)	(8.9)	(6.0)	(0.9)	(13.6)	(12.6)	(8.9)

Source: Refinitiv Eikon

Table 21 - Digital Value, relative performances

%	1D	1W	1M	3M	6M	YTD	1Y
to MSCI World Index	(1.3)	(5.3)	(1.6)	1.8	(18.8)	(21.9)	(27.0)
to EUROSTOXX	(1.6)	(6.2)	(1.5)	2.3	(12.5)	(19.2)	(27.9)
to FTSE Italia All Share	(1.5)	(6.4)	(2.8)	(2.5)	(18.8)	(28.9)	(38.9)
to FTSE Italia STAR	(1.4)	(4.9)	3.2	10.3	0.7	(1.6)	(8.6)
to FTSE Italia Growth	(1.4)	(6.4)	0.1	6.4	(3.2)	(2.9)	(2.9)
to Peer Median	(0.9)	(5.5)	0.4	4.2	(5.9)	(17.7)	(16.5)

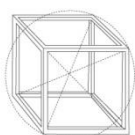
Source: Refinitiv Eikon



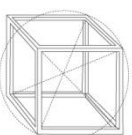
Risks

The principal investment **risks associated with** Digital Value include:

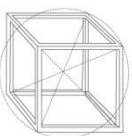
- risks linked to the postponement of some key projects;
- risks due to competition in some segments, which might put margins or top line developments under pressure in the short term.
- impact on the P&L account and balance sheet profiles triggered by a sharp decline in local and global economic growth;
- profit margin dilution stemming from a potential acquisition campaign;
- the departure of one, or a few of, key people.



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ANALYST CERTIFICATION

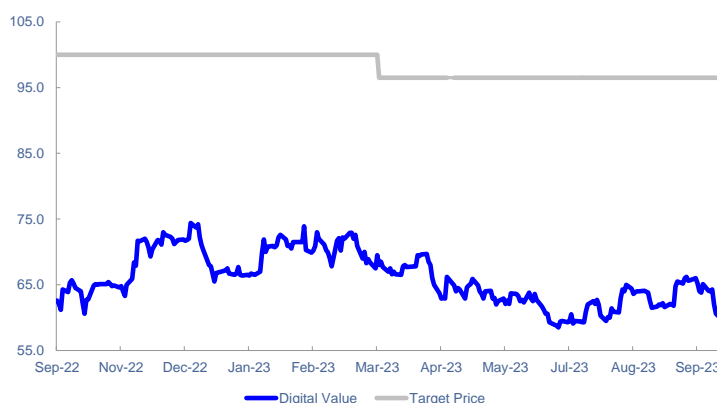
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DATE	TARGET PRICE	RATING
27/09/2023	€91.00	BUY
04/08/2023	€96.50	BUY
22/03/2023	€96.50	BUY
02/02/2023	€100.00	BUY
13/09/2022	€100.00	BUY

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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.

