

Italy – IT Services

Transformative acquisition with significant potential synergies

1st August 2024

H1-24 PREL. RESULTS – M&A

RIC: DGV.MI
BBG: DGV IM

DGV reported H1-24 preliminary figures which show high-single-digit growth and a good CF generation. The management is confident of returning to double-digit growth in H2, thus meeting the consensus estimates. Moreover, thanks to the acquisition of Italtel, DGV aims to become an undisputed leader in the domestic infrastructure ICT sector and the strong presence of Italtel in a few foreign countries might generate synergistic opportunities.

Rating:

Buy

Price Target:

€ 93.00

Upside/(Downside): 69.1%

Last Price: € 55.00

Market Cap.: € 553.6m

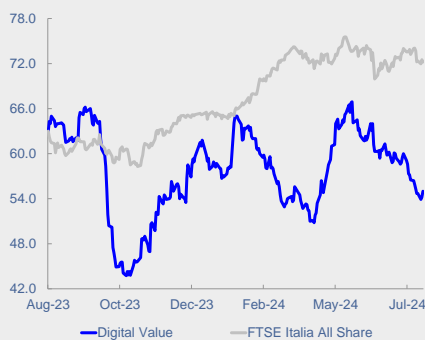
1Y High/Low: € 68.10 / € 42.70

Avg. Daily Turn. (3M, 6M): € 632k, € 607k

Free Float: 37.6%

Major shareholders:

DV Holding 62.0%



Stock price performance

| | 1W | 3M | 12M |
|---------------------------------|-------|-------|--------|
| Absolute | -8.5% | -6.0% | -12.7% |
| Rel.to FTSE IT All Share | -8.2% | -6.0% | -27.3% |
| Rel.to Peers | -4.2% | -3.2% | -13.0% |

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Estimates, Rating and PT unchanged pending deal closing and full H1-24 results

H1-24 preliminary revenues represent ca. 48% of our FY-24 forecast of € 940m (+11% YoY organically, thus excluding Infordata) while H1-23 contributed 49% to FY-23 turnover, hence showing a tiny slowdown in revenue growth compared to our projections due to a few contingent situations. Nevertheless, the management is confident of recovering the historical growth trend in H2. Moreover, DGV signed a binding agreement to acquire Italtel: the deal will allow DGV to strengthen its competitive positioning among large corporations and the PA by enriching its offer with distinctive technological skills and several qualified professionals, which are a scarce resource on the market. The acquisition of Italtel follows that of Infordata announced in April: overall, the two companies add over € 400m turnover to DGV. Pending the release of full H1-24 results on 25th September and the closing of the Italtel's acquisition we have left our estimates unchanged. Rating and PT confirmed.

H1-24 revenues up by 8.3% YoY coupled with strong cash generation

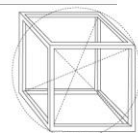
In H1-24, total revenues came in at € 450.0m, up by 8.3% YoY, outperforming once again the reference market, which is expected to grow by 5-6%. In terms of business lines: Digital Business Transformation totalled € 124.8m, up by 9.7% YoY, thanks to Cloud solutions and software platforms, as well as system integration activities and cybersecurity services; Next Generation Data Centre grew by 10.4% YoY to € 245.1m, accounting for ca. 55% of the total; Smart Workplace Transformation remained broadly stable YoY at € 80m. In terms of reference market, the Public Administration contributed 58.5% of the total, followed by Industry (19.1%), Finance and Insurance (12.6%) and Telco & Media (9.8%). As of Jun-24, NFP was € 37.5m cash, showing a strong cash generation of € 13.6m compared to year-end 2023 and a remarkable improvement compared to net debt of € 30.4m at Jun-23.

Acquisition of € 300m turnover with 10% EBITDA margin post synergies

DGV signed a binding offer to acquire 100% of Italtel for € 120m from Nextalia SGR (71.4%) and Clessidra Capital (28.6%), corresponding to 10x EV/EBITDA₂₃. Nonetheless, the ongoing turnaround process will lead Italtel to an EBITDA margin of 7/8% before integration synergies. In 2024, Italtel expects to grow over 10%, exceeding € 300m of turnover, hence the multiple declines to ca. 6x EV/EBITDA_{24e}. Italtel is a multinational group operating in the ICT sector and it is specialised in the design, development and implementation of innovative technological solutions aimed at large accounts and the PA. In addition to its strong know-how as an Advanced System Integrator, Italtel is able to provide its customers with engineering and software development capabilities as well as advanced managed services. Following an arrangement procedure ending in H1-22, FY-23 was the first year of full operation of the new company, which reported revenues of € 270.0m (46% of which abroad) with adj. EBITDA of € 11.1m, 4.1% margin (+56% YoY). NFP was € 7.9m cash.

Digital Value, key financials and ratios

| € m | 2022 | 2023 | 2024e | 2025e | 2026e |
|----------------------|--------|--------|---------|---------|---------|
| Total Revenues | 708.5 | 847.4 | 1,050.3 | 1,144.9 | 1,236.2 |
| EBITDA | 73.6 | 90.5 | 105.7 | 120.5 | 133.7 |
| EBIT | 51.1 | 61.0 | 66.7 | 80.5 | 93.7 |
| Net profit | 33.9 | 38.4 | 43.6 | 53.5 | 63.1 |
| NFP (cash)/debt | (16.4) | (23.9) | (28.3) | (67.9) | (114.9) |
| EBITDA margin | 10.4% | 10.7% | 10.1% | 10.5% | 10.8% |
| EBIT margin | 7.2% | 7.2% | 6.4% | 7.0% | 7.6% |
| EPS | 3.49 | 3.94 | 4.35 | 5.31 | 6.26 |
| EPS growth | 14.3% | 12.8% | 10.5% | 22.1% | 17.9% |
| DPS ord. €/s | 0.85 | 0.95 | 1.09 | 1.33 | 1.57 |
| ROCE | 19.7% | 19.3% | 18.7% | 20.1% | 20.8% |
| NWC/Sales | 4.9% | 1.4% | 1.7% | 1.7% | 1.6% |
| Free Cash Flow Yield | 2.8% | 3.4% | 1.3% | 9.1% | 10.9% |
| PER x | 21.2 | 15.7 | 12.7 | 10.3 | 8.8 |
| EV/Sales x | 1.02 | 0.70 | 0.50 | 0.42 | 0.36 |
| EV/EBITDA x | 9.8 | 6.5 | 5.0 | 4.0 | 3.3 |
| EV/EBIT x | 14.1 | 9.7 | 7.9 | 6.0 | 4.7 |



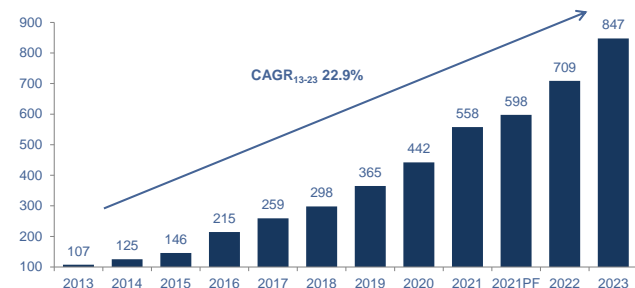
The company at a glance

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.

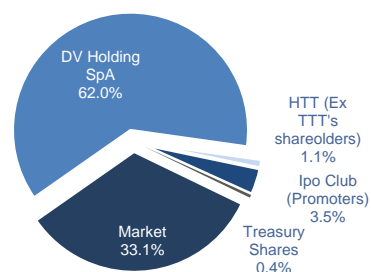
The group boasts key expertise in network infrastructure and data centres, security, network testing and monitoring, workstation management, Help Desk, data management and analysis, ERP systems management, retail applications, information systems, on-premise support and governance, outsourcing and cloud.

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

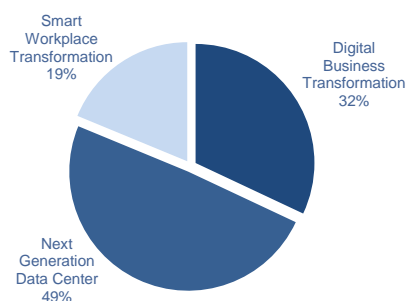


Shareholder structure

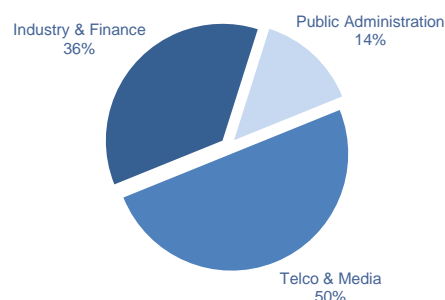


Free Float is 37.6%

FY-23 top line breakdown by line of business



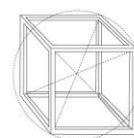
...and by industry verticals



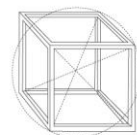
Peer group multiples table

| EV multiples x | Sales FY1 | Sales FY2 | Sales FY3 | EBITDA FY1 | EBITDA FY2 | EBITDA FY3 | EBIT FY1 | EBIT FY2 | EBIT FY3 |
|--------------------------|-------------|-------------|-------------|------------|------------|------------|-------------|------------|------------|
| Accenture PLC | 3.13 | 2.96 | 2.75 | 16.8 | 15.4 | 14.0 | 20.0 | 19.0 | 17.2 |
| Alten SA | 0.77 | 0.68 | 0.63 | 7.2 | 6.0 | 5.3 | 9.2 | 7.5 | 6.8 |
| Atos SE | 0.30 | 0.35 | 0.40 | 3.6 | 3.5 | 3.7 | -14.1 | 8.6 | 8.8 |
| Aubay SA | 1.09 | 1.08 | 0.71 | 10.4 | 9.9 | 6.4 | 12.5 | 11.9 | 7.7 |
| Bechtle AG | 0.77 | 0.70 | 0.62 | 9.8 | 8.9 | 7.9 | 13.0 | 11.6 | 10.4 |
| Capgemini SE | 1.46 | 1.33 | 1.19 | 9.4 | 8.3 | 7.2 | 11.9 | 10.4 | 9.1 |
| CDW Corp | 1.57 | 1.46 | 1.33 | 15.8 | 14.3 | 13.0 | 16.6 | 15.1 | 13.8 |
| Computacenter PLC | 0.43 | 0.40 | 0.36 | 8.1 | 7.5 | 6.8 | 10.4 | 9.5 | 8.6 |
| Econocom Group SE | 0.17 | 0.15 | 0.12 | 3.1 | 2.8 | 2.1 | 4.5 | 3.8 | 2.8 |
| Indra Sistemas SA | 0.68 | 0.60 | 0.54 | 6.2 | 5.3 | 4.6 | 7.7 | 6.6 | 5.6 |
| Reply SpA | 1.97 | 1.74 | 1.51 | 12.3 | 10.8 | 9.3 | 15.0 | 13.1 | 11.2 |
| Sesa SpA | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Sopra Steria Group SA | 0.68 | 0.62 | 0.57 | 5.7 | 5.1 | 4.6 | 7.7 | 6.9 | 6.2 |
| Tietoenvy Oyj | 1.05 | 1.02 | 0.95 | 6.7 | 6.3 | 6.0 | 10.0 | 8.9 | 8.4 |
| Median | 0.77 | 0.70 | 0.63 | 8.1 | 7.5 | 6.4 | 10.4 | 9.5 | 8.6 |
| Digital Value SpA | 0.50 | 0.42 | 0.36 | 5.0 | 4.0 | 3.3 | 7.9 | 6.0 | 4.7 |

Source: CFO Sim, Refinitiv Eikon



| Income statement (€ m) | 2022 | 2023 | 2024e | 2025e | 2026e |
|--|-------------|-------------|--------------|--------------|--------------|
| Revenues | 706.2 | 846.5 | 1,049.3 | 1,143.7 | 1,235.0 |
| Total Revenues | 708.5 | 847.4 | 1,050.3 | 1,144.9 | 1,236.2 |
| Raw material and processing | (507.3) | (570.6) | (698.5) | (759.0) | (818.4) |
| Services | (104.2) | (160.6) | (193.3) | (210.7) | (227.5) |
| Personnel expenses | (22.3) | (25.0) | (51.8) | (53.5) | (55.4) |
| Other opex | (1.1) | (0.7) | (1.1) | (1.1) | (1.2) |
| EBITDA | 73.6 | 90.5 | 105.7 | 120.5 | 133.7 |
| D&A | (22.5) | (29.5) | (39.0) | (40.0) | (40.0) |
| EBIT | 51.1 | 61.0 | 66.7 | 80.5 | 93.7 |
| Financials | (1.7) | (4.6) | (4.1) | (3.7) | (3.2) |
| 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 | 62.6 | 76.8 | 90.5 |
| Income taxes | (13.9) | (16.9) | (18.8) | (23.0) | (27.2) |
| Minorities | (0.1) | (0.2) | (0.3) | (0.3) | (0.3) |
| Net Profit | 33.9 | 38.4 | 43.6 | 53.5 | 63.1 |
| Net Profit Adjusted | 34.8 | 39.2 | 43.6 | 53.5 | 63.1 |
| Balance sheet (€ m) | 2022 | 2023 | 2024e | 2025e | 2026e |
| Net Working Capital | 34.8 | 11.5 | 17.5 | 18.9 | 20.0 |
| Net Fixed Assets | 80.0 | 109.5 | 129.5 | 126.5 | 123.5 |
| Equity Investments | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| Other M/L Term A/L | 26.4 | 43.3 | 53.9 | 58.8 | 63.5 |
| Net Invested Capital | 141.4 | 164.5 | 201.1 | 204.3 | 207.2 |
| Net Financial Debt | (16.4) | (23.9) | (28.3) | (67.9) | (114.9) |
| Minorities | 0.9 | 1.1 | 1.4 | 1.7 | 2.0 |
| Group's Shareholders Equity | 156.9 | 187.3 | 228.0 | 270.5 | 320.2 |
| Financial Liabilities & Equity | 141.4 | 164.5 | 201.1 | 204.3 | 207.2 |
| Cash Flow statement (€ m) | 2022 | 2023 | 2024e | 2025e | 2026e |
| Total net income | 34.0 | 38.6 | 43.8 | 53.8 | 63.4 |
| Depreciation | 22.5 | 29.5 | 39.0 | 40.0 | 40.0 |
| Other non-cash charges | (1.3) | (14.9) | (10.6) | (4.9) | (4.7) |
| Cash Flow from Oper. (CFO) | 55.2 | 53.2 | 72.3 | 88.9 | 98.6 |
| Change in NWC | (4.0) | 23.3 | (6.0) | (1.4) | (1.1) |
| FCF from Operations (FCFO) | 51.2 | 76.5 | 66.3 | 87.5 | 97.5 |
| Net Investments (CFI) | (35.9) | (57.6) | (59.0) | (37.0) | (37.0) |
| Free CF to the Firm (FCFF) | 15.3 | 19.0 | 7.3 | 50.5 | 60.5 |
| CF from financials (CFF) | (12.8) | 14.4 | (2.9) | (11.0) | (13.4) |
| Free Cash Flow to Equity (FCFE) | 2.5 | 33.4 | 4.4 | 39.5 | 47.1 |
| Financial ratios | 2022 | 2023 | 2024e | 2025e | 2026e |
| EBITDA margin | 10.4% | 10.7% | 10.1% | 10.5% | 10.8% |
| EBIT margin | 7.2% | 7.2% | 6.4% | 7.0% | 7.6% |
| Net profit margin | 4.8% | 4.5% | 4.1% | 4.7% | 5.1% |
| Tax rate | 29.1% | 30.4% | 30.0% | 30.0% | 30.0% |
| Op NWC/Sales | 4.9% | 1.4% | 1.7% | 1.7% | 1.6% |
| Interest coverage x | 0.03 | 0.08 | 0.06 | 0.05 | 0.03 |
| Net Debt/EBITDA x | (0.22) | (0.26) | (0.27) | (0.56) | (0.86) |
| Debt-to-Equity x | (0.10) | (0.13) | (0.12) | (0.25) | (0.36) |
| ROIC | 24.0% | 23.3% | 21.7% | 26.2% | 30.4% |
| ROCE | 19.7% | 19.3% | 18.7% | 20.1% | 20.8% |
| ROACE | 20.5% | 21.2% | 19.8% | 21.3% | 22.0% |
| ROE | 21.6% | 20.5% | 19.1% | 19.8% | 19.7% |
| 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 | 4.35 | 5.31 | 6.26 |
| EPS adjusted FD € | 3.49 | 3.94 | 4.35 | 5.31 | 6.26 |
| EBITDA € | 7.38 | 9.08 | 10.55 | 11.96 | 13.27 |
| EBIT € | 5.12 | 6.12 | 6.65 | 7.99 | 9.30 |
| BV € | 15.83 | 18.90 | 22.77 | 27.02 | 31.97 |
| FCFO € | 5.14 | 7.68 | 6.61 | 8.68 | 9.68 |
| FCFF € | 1.54 | 1.90 | 0.73 | 5.01 | 6.00 |
| FCFE € | 0.25 | 3.35 | 0.44 | 3.92 | 4.67 |
| Dividend € | 0.85 | 0.95 | 1.09 | 1.33 | 1.57 |



H1-24 preliminary results

Digital Value reported H1-24 preliminary figures which show **high-single-digit revenue growth and a good cash flow generation**. The Next Generation Data Centre division continued to drive sales growth, followed by a good performance of the Digital Business Transformation division and a stable performance concerning the Smart Workplace Transformation business.

H1-24 preliminary revenues represent ca. 48% of our FY-24 forecast of € 940m (+11% YoY organically, thus excluding Infordata) while H1-23 contributed 49% to FY-23 turnover, hence showing a tiny slowdown in revenue growth compared to our projections due to a few contingent situations. Nevertheless, the management is confident of recovering the historical growth trend in the second half of the year.

Table 1 – Digital Value, H1-24 preliminary revenues by line of business

| € m | H1-24 | H1-23 | % YoY | H2-24 _e | H2-23 | % YoY | 2024 _e * | 2023 | % YoY |
|--------------------------|--------------|--------------|------------|--------------------|--------------|-------------|---------------------|--------------|-------------|
| Digital Business Transf. | 124.8 | 113.8 | 9.7 | 173.3 | 157.2 | 10.2 | 298.1 | 271.0 | 10.0 |
| Next Gen. Data Centre | 245.1 | 222.1 | 10.4 | 234.8 | 195.2 | 20.3 | 479.9 | 417.3 | 15.0 |
| Smart Workplace Transf. | 80.1 | 79.6 | 0.6 | 82.2 | 79.5 | 3.4 | 162.3 | 159.1 | 2.0 |
| Total Revenues | 450.0 | 415.5 | 8.3 | 490.2 | 431.8 | 13.5 | 940.3 | 847.4 | 11.0 |
| % of FY | | | | | | | | | |
| Digital Business Transf. | 41.9 | 42.0 | | 58.1 | 58.0 | | 100.0 | 100.0 | |
| Next Gen. Data Centre | 51.1 | 53.2 | | 48.9 | 46.8 | | 100.0 | 100.0 | |
| Smart Workplace Transf. | 49.4 | 50.0 | | 50.6 | 50.0 | | 100.0 | 100.0 | |
| Total Revenues | 47.9 | 49.0 | | 52.1 | 51.0 | | 100.0 | 100.0 | |

Source: Company data, CFO SIM estimates *excluding Infordata

Total revenues came in at € 450.0m, up by 8.3% YoY, outperforming once again the reference market, which is expected to grow by 5-6%. In terms of business lines:

- **Digital Business Transformation totalled € 124.8m, up by 9.7% YoY**, thanks to Cloud solutions and software platforms, as well as system integration activities and cybersecurity services.
- **Next Generation Data Centre grew by 10.4% YoY to € 245.1m**, accounting for ca. 55% of the total.
- **Smart Workplace Transformation remained broadly stable YoY at € 80m**.

Table 2 – Digital Value, H1-24 preliminary revenues by industry verticals

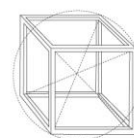
| € m | H1-24 | H1-23 | % YoY |
|-----------------------|--------------|--------------|------------|
| Telco & Media | 44.0 | 66.9 | (34.2) |
| Industries | 85.7 | 93.7 | (8.5) |
| Finance & Insurance | 56.9 | 32.0 | 77.8 |
| Public Admin | 263.4 | 222.9 | 18.2 |
| Total Revenues | 450.0 | 415.5 | 8.3 |

Source: Company data

Concerning reference markets, the Public Administration contributed 58.5% of the total, followed by Industries (19.1%), Finance and Insurance (12.6%) and Telco & Media (9.8%).

The decline in Telco & Media is due to the reduction of investments by the major telecommunication providers (i.e. TIM because of the focus on the disposal of its network in H1-24 and Fastweb and Vodafone which are involved in their merger) while the public administration segment was negatively impacted by the approximately two-months stop of purchasing by Consip because of the renewal of its board of directors.

As of the end of June 2024, **NFP was € 37.5m cash**, showing a strong cash generation of € 13.6m compared to year-end 2023 (net cash of € 23.9m) and a remarkable improvement compared to net debt of € 30.4m reported as of the end of June 2023. It is worth remembering that in July, after the end of the first semester, Digital Value paid € 9.5m of dividends.



Acquisition of Italtel

Digital Value announced it has signed a **binding offer to acquire 100% of Italtel SpA for € 120m**. The deal will allow Digital Value to **strengthen its competitive positioning among large corporations and the Public Administration** by enriching its offer with distinctive technological skills and several qualified professionals, which are a scarce resource on the market.

Digital Value will acquire 100% of Italtel SpA for € 120m from Nextalia SGR (71.38%) and Clessidra Capital (28.62%) in **two tranches: 1) € 90m at the closing date; 2) € 30m on June 20, 2025**. The deal is subjected to i) the approval of the antitrust authority, ii) the golden power procedure, and iii) the obtainment of dedicated credit lines.

The price agreed corresponds to approximately 10x EV/EBITDA₂₃ but the ongoing turnaround process will lead Italtel to an EBITDA margin of 7/8% before integration synergies with Digital Value (vs the current 4%). Moreover, **in 2024, Italtel expects to grow over 10% YoY, exceeding € 300m of turnover**, therefore the acquisition multiple declines to approximately **6x EV/EBITDA_{24e}**.

Table 3 – Digital Value, Italtel 2023-22 results*

| € m | 2023 | 2022 | % YoY |
|------------------------|--------------|--------------|---------------|
| Revenues | 270.0 | 194.2 | 39.0 |
| Adj. EBITDA | 11.1 | 7.1 | 56.0 |
| % margin | 4.1 | 3.7 | |
| Net Profit | (6.1) | (5.6) | (8.1) |
| % margin | (2.3) | (2.9) | |
| NFP debt/(cash) | (7.9) | (4.6) | (69.7) |

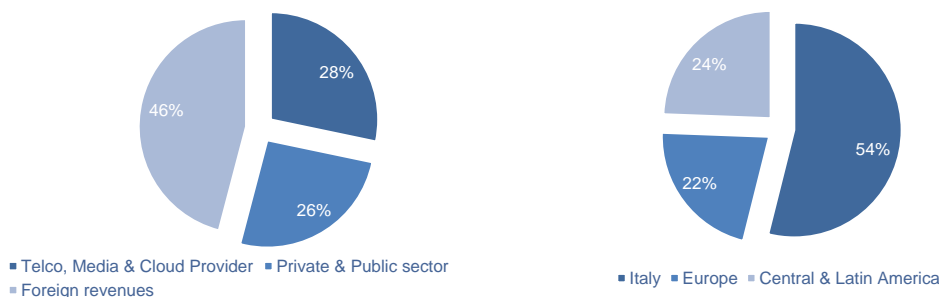
Source: Italtel FY-23 Financial Statement

* Excluding the Ultra Broad Band business unit sold in November 2023

Following an arrangement procedure ending in H1-22, FY-23 was the first year of full operation of the new company. In 2023, Italtel reported **revenues of € 270.0m** (€ 123.9m of which was realised abroad), with **adjusted EBITDA of € 11.1m, 4.1% margin**, up by 56% compared to FY-22PF. The latter is calculated by excluding non-recurring items concerning the disposal of an operating facility and the business unit dedicated to the ultra-broadband activity, the outsourcing of some ICT services via the disposal of the related business unit and the expenses related to the launch of a rationalisation plan. As a consequence, in 2023 Italtel's **bottom line was negative by € 6.1m**.

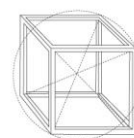
NFP was € 7.9m cash, with cash and cash equivalents amounting to € 44.6m: in 2023, Italtel repaid € 11m of debt related to the arrangement procedure (in addition to € 31m already paid in 2022). In Q1-24, Italtel repaid an additional tranche of € 11m and the remaining € 11m will be paid by the end of 2024.

Chart 1 – Digital Value, Italtel FY-23 revenue* breakdown by industry and geography



Source: Italtel FY-23 Financial Statement

* Excluding the Ultra Broad Band business unit sold in November 2023



Italtel is a **multinational group operating in the Information & Communication Technology (ICT) sector** and it specialises in the design, development and implementation of innovative technological solutions aimed at large accounts and public administration entities. Italtel's customers operate in different industries, such as Telco, Media & Tower Company, Central and Local Public Administration, Banking & Insurance, Energy & Utilities, Healthcare, and Manufacturing. In addition to its strong know-how as an **Advanced System Integrator**, namely integrating and managing technologies from several vendors (over 60), Italtel is able to provide its customers **with engineering and software development capabilities as well as advanced managed services** through an international network of Digital Operation Centres in Italy, Spain and Brazil.

Italtel operates **14 offices in 7 countries**, namely 3 in **Italy** (Milan, Rome and Palermo), as well as **Spain, Germany, France, Peru, Brazil, and Colombia** and employs 1,200 people, 600 of which are engineers with over 1,000 personal certifications (including Cisco, Fortinet, Microsoft, VmWare, Juniper, AWS, and Checkpoint).

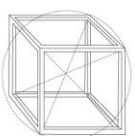
The **turnaround process** started in the second half of 2022 laid the foundation for the **recovery of profitability and sustainable growth**, whose first effects are already visible in FY-23 results. Italtel's stand-alone action plan will allow the company to reach an **EBITDA margin of 7-8% in a 2/3-year time frame**, relying on:

- ✓ A **progressive disintermediation of purchases**, buying directly from vendors and taking advantage of economy of scale thanks to increasing volumes.
- ✓ The **disposal of no longer core activities**: 1) in April 2023, the sale of the **operating facility in Carini (Palermo)** to Hightel Towers; 2) in November 2023, the sale to Fibermind (Maticmind group) of the **Ultra Broad Band business unit**, which in the last years experienced declining turnover and profitability as well as high working capital needs.
- ✓ The **outsourcing of some ICT services** via the disposal of the related business unit (assets and people) to a leading ICT company and the signing of a 5-year service agreement.
- ✓ The launch of a **rationalisation plan** with a structured program of staff renewal and **training courses** to update the technical, commercial and managerial skills of the employees in agreement with trade unions.

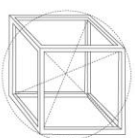
Moreover, **Digital Value expects to take advantage of additional synergies following the integration of Italtel**, which will allow Italtel to **achieve a 10% EBITDA margin**, reasonably in 2-3 years, thanks to:

- ✓ The insourcing of networking services and the exploitation of managed services offered by Italtel.
- ✓ Cross-selling opportunities by working on the existing customer bases with a unique point of contact.
- ✓ Up-selling opportunities by leveraging on Italtel's expertise in networking, design, managed services and system integration.
- ✓ Cost-synergies by rationalising selling, general & administrative staff.

Thanks to the acquisition of Italtel, Digital Value aims to become an undisputed leader in the domestic infrastructure ICT sector by leveraging on Italtel's know-how, technical certifications and engineering ability to design, develop and implement innovative technological solutions. Furthermore, the strong presence of Italtel in a few foreign countries might generate **synergistic opportunities in the international markets**.



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| DATE | TARGET PRICE | RATING |
|------------|--------------|--------|
| 01/08/2024 | €93.00 | BUY |
| 06/03/2024 | €93.00 | BUY |
| 01/02/2024 | €91.00 | BUY |
| 27/09/2023 | €91.00 | BUY |
| 04/08/2023 | €96.50 | BUY |

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- a **SELL** rating is assigned if the target price is at least 15% lower than the market price;
- a **NEUTRAL** rating is assigned if the difference between the current price and target price lies within the +/- 15% bands identified using the preceding criteria.

The rating is determined on the basis of the **expected absolute return 12 months forward** and not on the basis of the estimated out/underperformance relative to a market index. Thus, the rating can be directly linked with the estimated percentage difference between current price and target price. The prices of the financial securities mentioned in the report (also used for the calculation of market capitalisation and market multiples) are the reference prices of the stock market trading day preceding the publication date of the report, otherwise stated.

