

Italy – IT Services

There is still a long way to run!

6th August 2021

H1-21 RESULT RELEASE

RIC: DGV.MI
BBG: DGV IM

Once again, DGV's results offer a solid organic top line double-digit rise and a more-than-proportional profitability progression. It is time to try incorporating a preliminary rudimentary impact of the Recovery Fund in our estimates and valuation: still a strong buy.

Rating:

Buy

Price Target:

€ 115.00 (€ 68.00)

Upside/(Downside): 30.4%

Last Price: € 88.20

Market Cap.: € 873.0m

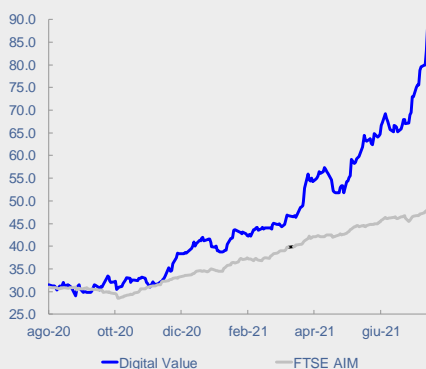
1Y High/Low: € 88.50/€ 28.00

Avg. Daily Turn. (3M, 6M): € 752k, € 742k

Free Float: 27.0%

Major shareholders:

DV Holding 66.7%



Stock price performance

	1M	3M	12M
Absolute	33.2%	56.1%	209.5%
Rel.to AIM Italia	37.0%	55.2%	225.4%
Rel.to Peers	25.9%	45.9%	172.0%

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New estimates and PT leave further room to stock growth

Once again, DGV's results show organic double-digit top line growth and a more-than-proportional profitability progression. With its 450 certifications, 30-year seniority in the business, a customer portfolio including over 2,000 names and the status of a listed company, DGV is well positioned to continue to outperform the market. The order backlog in excess of € 300m offers a fairly good short-/medium-term visibility and is based on, and sustained by, long-term relationships with customers. In these market conditions, DGV represents a cheap, growing, cash-flow generative, resilient player with further upside potential arising from M&As, whose magnitude might be considerable. Our estimates do not take into account any external growth opportunity, but they try to incorporate a rudimentary impact of the Recovery Plan as of 2022. New DCF-based PT stands at € 115.00/s (€ 68.00): Buy reiterated.

Resilient business profile, poised to benefit from the Recovery Fund

DGV will be able intercept the megatrend related to the acceleration in the digitisation process also driven by the massive impact of the Recovery Fund, being its second most important pillar with € 46bn out of € 210bn. DGV aims to consolidate its role of a trusted, large Hyper Value-Added Reseller, fostering the adoption of the newest technologies which allow the scouting of the 'best-of-breed' solutions in the offering of the most innovative global vendors. All of this is provided via an integrated two-sided platform approach which directly connects DGV with its clients and vendors, increasing the value for all stakeholders.

Revenues soared 21.7% to € 256.4m

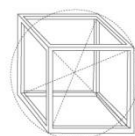
In a semester still characterised by a few uncertainties related to the pandemic in Italy, DGV recorded consolidated revenues of € 256.4m, up by 21.7% YoY. Turnover seasonality is almost absent in the business, with H1 sales usually totalling 47-48% of the full-year figures. The bulk of the sector covered by DGV's clients was slightly impacted by the COVID effect: DGV largely outperformed the reference market, which we estimate up by 3-4% in H1-21.

EBITDA margin at 10.0% of sales and net cash at € 27.8m

EBITDA was up 26.8% to € 25.6m, 10.0% margin (9.6% in H1-20). The more-than-proportional profitability progression compared to top line is due to: the volume effect on purchasing (DGV goes directly to suppliers disintermediating vendors), the price increase and a better mix. The system integration business is characterised by a high degree of variable costs (95% of DGV's total costs): operating leverage is therefore nearly absent. After D&A, almost unchanged YoY, EBIT reached € 20.5m, 8.0% margin, vs. € 15.2m and 7.2% margin in H1-20. Net profit was € 13.6m, up 28.9%. NFP was € 27.8m (cash positive) compared with € 11.7m in H1-20 and € 32.9m in Dec-20.

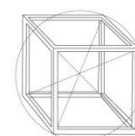
Digital Value, key financials and ratios

€ m	2019	2020	2021e	2022e	2023e
Sales	363.2	440.6	541.6	650.7	782.9
EBITDA	31.9	45.4	55.8	69.2	86.2
EBIT	27.1	34.0	41.2	51.9	71.9
Net profit	19.0	24.1	28.1	35.6	49.6
NFP (cash)/debt	(28.0)	(32.9)	(65.1)	(112.7)	(176.7)
EBITDA margin	8.8%	10.3%	10.3%	10.6%	11.0%
EBIT margin	7.5%	7.7%	7.6%	8.0%	9.2%
EPS FD	1.90	2.42	2.82	3.57	4.97
EPS FD growth	28.3%	27.0%	16.6%	26.5%	39.4%
DPS ord. €/s	-	0.00	0.00	0.00	0.00
Dividend Yield	-	-	-	-	-
ROCE	27.5%	25.0%	24.7%	25.3%	28.0%
NWC/Sales	-29.4%	-20.7%	-16.0%	-14.1%	-13.2%
Free Cash Flow Yield FD	-0.4%	0.6%	3.7%	5.5%	7.3%
PER FD x	6.4	10.5	31.3	24.7	17.7
EV/Sales FD x	0.26	0.50	1.50	1.18	0.90
EV/EBITDA FD x	2.9	4.9	14.6	11.1	8.1
EV/EBIT FD x	3.4	6.5	19.8	14.8	9.8





Income statement (€ m)	2019	2020	2021e	2022e	2023e
Sales	363.2	440.6	541.6	650.7	782.9
Value of Production	364.8	442.3	542.9	652.0	784.5
Raw material and processing	(280.7)	(342.7)	(416.9)	(497.5)	(597.8)
Services	(38.2)	(40.2)	(54.3)	(65.2)	(78.4)
Personnel expenses	(13.6)	(13.6)	(14.8)	(18.8)	(20.5)
Other opex	(0.4)	(0.3)	(1.1)	(1.3)	(1.6)
EBITDA	31.9	45.4	55.8	69.2	86.2
D&A	(4.9)	(11.4)	(14.6)	(17.4)	(14.4)
EBIT	27.1	34.0	41.2	51.9	71.9
Financials	(0.3)	(0.5)	(1.0)	(1.0)	(1.0)
Re/(Devaluation) of financial assets	0.0	0.0	0.0	0.0	0.0
Extraordinary	0.0	0.0	0.0	0.0	0.0
Pre-Tax profit	26.8	33.6	40.2	50.9	70.9
Income taxes	(7.6)	(9.4)	(12.1)	(15.3)	(21.3)
Minorities	(0.2)	(0.0)	(0.0)	(0.0)	(0.0)
Net Profit	19.0	24.1	28.1	35.6	49.6
Net Profit Adjusted	19.0	24.1	28.1	35.6	49.6
Balance sheet (€ m)	2019	2020	2021e	2022e	2023e
Net Working Capital	(107.4)	(91.4)	(86.9)	(91.9)	(103.2)
Net Fixed Assets	47.9	50.2	48.5	44.2	42.8
Equity Investments	0.0	0.4	0.4	0.4	0.4
Other M/L Term A/L	101.1	101.7	94.6	92.0	90.2
Net Invested Capital	41.6	60.9	56.7	44.7	30.2
Net Financial Debt	(28.0)	(32.9)	(65.1)	(112.7)	(176.7)
Minorities	0.2	0.2	0.2	0.3	0.3
Group's Shareholders Equity	69.4	93.5	121.6	157.1	206.6
Financial Liabilities & Equity	41.6	60.9	56.7	44.7	30.2
Cash Flow statement (€ m)	2019	2020	2021e	2022e	2023e
Total net income	19.0	24.1	28.1	35.6	49.6
Depreciation	4.9	11.4	14.6	17.4	14.4
Other non-cash charges	(24.2)	(1.3)	7.1	2.6	1.8
Cash Flow from Oper. (CFO)	(0.4)	34.1	49.8	55.6	65.7
Change in NWC	31.5	(16.0)	(4.6)	5.0	11.3
FCF from Operations (FCFO)	31.2	18.1	45.3	60.6	77.0
Net Investments (CFI)	(34.4)	(13.0)	(13.0)	(13.0)	(13.0)
Free CF to the Firm (FCFF)	(3.2)	5.1	32.3	47.6	64.0
CF from financials (CFF)	17.5	13.3	2.0	2.1	2.2
Free Cash Flow to Equity (FCFE)	14.2	18.4	34.3	49.7	66.3
Financial ratios	2019	2020	2021e	2022e	2023e
EBITDA margin	8.8%	10.3%	10.3%	10.6%	11.0%
EBIT margin	7.5%	7.7%	7.6%	8.0%	9.2%
Net profit margin	5.2%	5.5%	5.2%	5.5%	6.3%
Tax rate	28.5%	28.1%	30.0%	30.0%	30.0%
Op NWC/Sales	-29.4%	-20.7%	-16.0%	-14.1%	-13.2%
Interest coverage x	0.01	0.01	0.02	0.02	0.01
Net Debt/EBITDA x	(0.88)	(0.72)	(1.17)	(1.63)	(2.05)
Debt-to-Equity x	(0.40)	(0.35)	(0.54)	(0.72)	(0.86)
ROIC	45.6%	39.6%	49.5%	79.6%	164.0%
ROCE	27.5%	25.0%	24.7%	25.3%	28.0%
ROACE	33.8%	29.0%	27.2%	27.9%	31.1%
ROE	27.3%	25.8%	23.1%	22.6%	24.0%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Per share figures	2019	2020	2021e	2022e	2023e
Number of shares # m	9.90	9.90	9.90	9.90	9.90
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 €	1.90	2.42	2.82	3.57	4.97
EPS adjusted FD €	1.90	2.42	2.82	3.57	4.97
EBITDA €	3.20	4.55	5.60	6.94	8.65
EBIT €	2.71	3.41	4.13	5.20	7.21
BV €	6.98	9.40	12.22	15.79	20.76
FCFO €	3.13	1.82	4.54	6.08	7.73
FCFF €	(0.32)	0.51	3.24	4.77	6.42
FCFE €	1.43	1.84	3.44	4.99	6.65
Dividend €	0.00	0.00	0.00	0.00	0.00



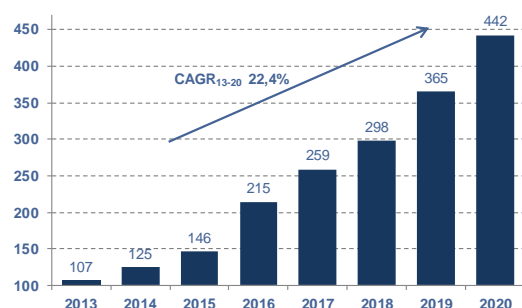
The company at a glance

Digital Value originates from the combination of two domestic IT system integrators, Italware and ITD Solutions, with more than 30 years of experience in the field. The group supports the digital transformation of its customers through an offer of customised solutions and services. Headquartered in Milan, DGV (Digital Value) focuses on large accounts, i.e. firms with more than 500 employees, accounting for more than 50% of total IT spending in Italy in 2019 and the most promising segment in the IT service arena in terms of growth.

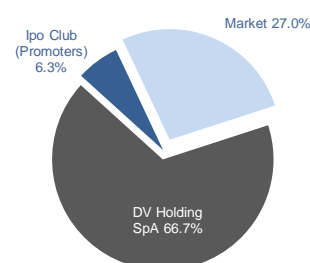
The group boasts key expertise in network infrastructure and data centres, security, network testing and monitoring, workstation management, Help Desk, data management and analysis, ERP systems management, retail applications, information systems, on-premise support and governance, outsourcing and cloud.

With its 193 employees, DGV reported 2020 Total Revenues of € 442.3m, EBITDA of € 45.4m (10.3% margin), Net Profit of € 24.1m and a Net Financial Position of € 32.9m (cash positive). With structurally negative Working Capital which aims to support growth, ROE of 25.7% and ROCE of 25.0%, DGV has a well-balanced and lucratively allocated capital structure. Currently, 100% of its business is generated in Italy.

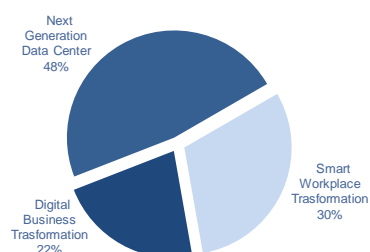
2013-20 top line progression



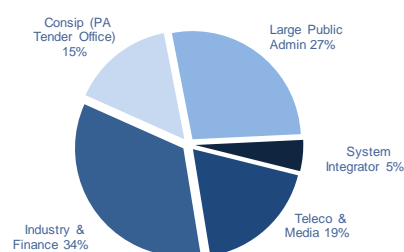
Fully diluted shareholder structure



FY-20 top line breakdown by line of business



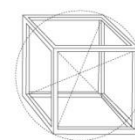
FY-20 top line breakdown by industry



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	4.08	3.69	3.34	21.7	19.5	17.4	27.0	24.1	21.7
Alten SA	1.67	1.51	1.35	15.4	13.0	11.3	21.1	17.0	14.2
Atos SE	0.44	0.33	0.31	4.0	2.7	2.4	8.2	5.5	4.5
Aubay SA	1.24	1.13	1.03	10.3	9.4	8.6	12.5	11.3	10.3
Bechtle AG	3.51	3.18	2.92	55.3	50.5	46.2	73.3	66.1	59.5
Capgemini SE	2.04	1.85	1.69	13.1	11.8	10.5	17.6	15.3	13.4
CDW Corp	1.46	1.39	1.31	17.4	16.8	15.4	18.8	17.8	16.8
Computacenter PLC	0.49	0.46	0.43	10.4	9.8	9.2	13.8	13.0	12.1
Devoteam SA	1.21	1.08	0.96	10.1	9.0	7.9	12.0	10.5	9.2
Econocom Group SE	0.30	0.27	0.23	4.4	4.0	3.5	5.9	5.3	4.5
Indra Sitemas SA	0.62	0.56	0.51	6.1	5.1	4.5	9.0	7.4	6.4
Replay SpA	3.78	3.33	2.94	23.1	20.4	17.9	27.9	24.1	20.9
Sesa SpA	1.01	0.88	0.76	15.2	12.7	10.7	22.2	18.2	15.3
Sopra Steria Group SA	0.84	0.76	0.72	7.4	6.4	5.8	11.8	9.8	8.8
TietoEVRY Corp	1.42	1.37	1.29	7.6	7.4	6.9	11.2	10.4	9.6
Median	1.24	1.13	1.03	10.4	9.8	9.2	13.8	13.0	12.1
Digital Value SpA*	1.50	1.18	0.90	14.6	11.1	8.1	19.8	14.8	9.8

Source: CFO Sim, Thomson Reuters Eikon. * FD multiples



Rock solid interim numbers

Once again, DGV's results show a solid organic top line double-digit rise and a more-than-proportional EBITDA progression; margin stands at 10.0% vs. 9.6% last year. Thanks to its focus on large clients, DGV was able once again to outperform the market in a very particular period, still somewhat impacted by the pandemic.

Table 1 – Digital Value, H1-21 results summary

€ m	H1-21	H1-20	% YoY
Total Revenues	256.4	210.6	21.7
Raw material and processing	(205.1)	(166.2)	
Services	(18.6)	(17.4)	
Personnel expenses	(6.8)	(6.5)	
Other opex	(0.2)	(0.2)	
EBITDA	25.6	20.2	26.8
% margin	10.0	9.6	
D&A	(5.2)	(5.1)	
EBIT	20.5	15.2	34.9
% margin	8.0	7.2	
Financials	(0.3)	(0.2)	
Extraordinary	(0.3)	0.0	
Pre-Tax profit	19.9	14.9	33.0
% margin	7.8	7.1	
Income taxes	(6.2)	(4.4)	
Tax rate	31.3%	29.5%	
Minorities	(0.1)	(0.0)	
Net Profit	13.6	10.5	28.9
% margin	5.3	5.0	
NFP (cash)/debt	(27.8)	(11.7)	137.5

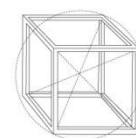
Sources: Company data, CFO SIM

In a semester still characterised by a few uncertainties related to the pandemic in Italy, Digital Value recorded **consolidated revenues of € 256.4m, up by 21.7% YoY**. Revenue seasonality is almost absent in the business, with H1 sales usually totalling 47-48% of the full-year figures. The bulk of the sector covered by DGV's customers was slightly impacted by the COVID effect: DGV largely outperformed the reference market, which we estimate up 3-4% in the same period.

The 'Next Generation Data Center' business line, which represents the enabling infrastructure for IT projects and solutions, accounted for 50% of total revenues. In this context, a few cloud enabling projects dedicated to TELCO customers and Central Public Administration bodies, as well as storage and backup services for large Italian corporations, are worthy of mention. The other two business units 'Digital Business Transformation' and 'Smart Workspace Transformation' accounted for approximately 25% of total revenues each. As for the latter, workstation digitisation projects are confirmed as key activities in the educational and large business segments. With regard to the 'Digital Business Transformation' projects relating to end-to-end information processing, technological solutions for PasS or SaaS cloud services and data integration events represent the business unit's main activities.

EBITDA was up 26.8% to € 25.6m, 10.0% margin (9.6% in H1-20). In our view, the more-than-proportional profitability progression compared to top line is due to a few aspects: **the volume effect on purchasing** (in some cases DGV goes directly to suppliers disintermediating vendors), **the price increase and a better mix**. **The system integration business is characterised by a high degree of variable costs**, and in DGV's case these account for 95% of total costs in H1-21: **operating leverage is therefore nearly absent**.

After D&A, almost unchanged YoY, EBIT reached € 20.5m, 8.0% margin, vs. € 15.2m and 7.2% margin in the same period of last year. **Net profit was € 13.6m up 28.9%**. NFP was € 27.8m (cash positive) compared with € 11.7m in H1-20 and € 32.9m in Dec-20.



Estimates, Valuation & risks

The company's H1-21 results undoubtedly showed that **the segment in which DGV operates is resilient**. The pandemic contributed to revealing many of the technological and innovation gaps in the digitisation areas of firms and PAs. The group will be able to intercept the megatrend related to **the acceleration in the digitisation process also driven by the massive impact of the Recovery Fund**, being its second most important pillar with € 46bn out of € 210bn. DGV aims to consolidate its role of a trusted, large Hyper Value-Added Reseller, fostering the adoption of the newest technologies which allow the scouting of the 'best-of-breed' solutions in the offering of the most innovative global vendors. All of this is provided via an integrated two-sided platform approach which directly connects DGV with its customers and vendors, increasing the value for all stakeholders.

On the back of H1-21 results, **we have fine-tuned our 2021 estimates and tried incorporating the impact of the Italian Recovery Plan on 2022-23 figures**. It is quite tricky to appraise its effect on DGV's numbers. Let's try to look at it from a different view point: **there is no tangible reason why DGV's growth should slowdown** compared to the 2019-21 period. That is to say, it is reasonable to expect the group's top line to continue to grow by some 20% per annum in 2022-23 too. Even more so if we consider the potential boost provided by the Italian Recovery Plan.

We have lifted our 2021-23 top line assumptions, maintaining EBITDA margins unchanged in the period. **The result in 2021-23 is an average upgrade of 8.3% and 10.4% in sales and Net Profit**, respectively.

Table 2 – Digital Value, 2021e new/old estimates

€ m	New	Old	% Diff.	€ m	Diff.
Value of Production	542.9	530.3	2.4		12.6
EBITDA	55.8	55.2	1.0		0.6
% margin	10.3	10.4			
EBIT	41.2	40.6	1.4		0.6
% margin	7.6	7.7			
Net Profit	28.1	27.7	1.5		0.4
% margin	5.2	5.2			
Y/E net debt (net cash)	(65.1)	(62.6)	4.1		(2.6)

Sources: Company data, CFO Sim

Table 3 – Digital Value, 2022e new/old estimates

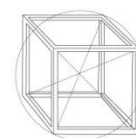
€ m	New	Old	% Diff.	€ m	Diff.
Value of Production	652.0	602.8	8.2		49.3
EBITDA	69.2	63.8	8.5		5.4
% margin	10.6	10.6			
EBIT	51.9	46.4	11.7		5.4
% margin	8.0	7.7			
Net Profit adj.	35.6	31.7	12.0		3.8
% margin	5.5	5.3			
Y/E net debt (net cash)	(112.7)	(102.8)	9.7		(9.9)

Sources: Company data, CFO Sim

Table 4 – Digital Value, 2023e new/old estimates

€ m	New	Old	% Diff.	€ m	Diff.
Value of Production	784.5	685.4	14.5		99.1
EBITDA	86.2	75.6	14.0		10.6
% margin	11.0	11.0			
EBIT	71.9	61.3	17.3		10.6
% margin	9.2	8.9			
Net Profit	49.6	42.1	17.6		7.4
% margin	6.3	6.1			
Y/E net debt (net cash)	(176.7)	(154.1)	14.7		(22.6)

Sources: Company data, CFO Sim



We have also updated the DCF valuation criteria by increasing the medium-/ long-term growth assumptions and upgrading the terminal growth rate (g) to 2.0% from 1.0%, to factor in the group's better substantiated growth projections.

As a consequence, **our new DCF PT stands at € 115.00 (€ 68.00), 30.4% upside.**

CFO Sim reiterates the Buy rating on the shares: in these market conditions, DGV represents a fairly cheap, 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 2025 and a long-term growth of 2.0% (previously 1.0%). Cash flows are discounted back at a weighted average cost of capital calculated according to the following parameters:

Table 5 - 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 Moving Average)	0.71%
Beta levered (x)	1.00
Required ROE	9.7%

Sources: CFO Sim, Thomson Reuters Eikon

Risk premium at 9.0% factors in the minute size of the company and basically all the AIM Italia market segment's related concerns and disquiet that an investor might have. **Beta has been assumed conservatively at 1.00x**. The WACC is computed by using a 20:80 debt/equity balance-sheet structure, thus taking into account some leverage required for a potential acquisition campaign.

Table 6 - Digital Value, DCF model

€ m	2021e	2022e	2023e	2024e	2025e Term. Val.	
EBIT	41.2	51.9	71.9	88.8	106.7	
Tax rate	30.0%	30.0%	30.0%	30.0%	30.0%	
Operating profit (NOPAT)	28.8	36.3	50.3	62.2	74.7	
Change working capital	(4.6)	5.0	11.3	1.0	(0.1)	
Depreciation	14.6	17.4	14.4	8.2	2.0	
Investments	(13.0)	(13.0)	(13.0)	(7.5)	(2.0)	
Free Cash Flows	25.9	45.7	63.0	63.9	74.6	1,257.2
Present value	25.1	41.0	52.3	49.1	53.0	894.1
WACC	8.1%	8.1%	8.1%	8.1%	8.1%	
Long-term growth rate	2.0%					

Source: CFO Sim

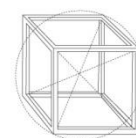


Table 7 – Digital Value, DCF derived from:

€ m	
Total EV present value € m	1,114.6
thereof terminal value	80.2%
NFP last reported	32.9
Pension provision last reported	(1.1)
Equity value € m	1,146.3
#m shares fully diluted	9.97
Equity value €/s	115.00
% upside/(downside)	30.4%

Source: CFO Sim

By applying our DCF model we obtained an equity value of € 1,146.3m for Digital Value, 115.00/s fully diluted, 30.4% upside.

The following tables illustrate that sensitivity, 1) compared to changes in the terminal growth rate, produces an equity value/s of between € 101.50-133.77/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 € 103.96-126.97/s (free risk range between 1.51% and 0.00%) and, 3) if compared to changes in the risk premium, including small size premiums, it results in an equity value/s of € 90.92-156.39/s (risk premium range between 11.00% and 7.00%).

Table 8 – Digital Value, equity value sensitivity to changes in terminal growth rate

€ m	0.00%	0.25%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%	2.00%
Present value of CF	220.5	220.5	220.5	220.5	220.5	220.5	220.5	220.5	220.5
PV of terminal value	759.7	789.6	821.7	856.4	894.0	934.8	979.3	1,028.0	1,081.5
Total value	980.1	1,010.0	1,042.2	1,076.9	1,114.5	1,155.3	1,199.8	1,248.4	1,301.9
NFP last reported	32.9	32.9	32.9	32.9	32.9	32.9	32.9	32.9	32.9
Pension provision last reported	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)
Equity value	1,011.9	1,041.7	1,073.9	1,108.6	1,146.3	1,187.0	1,231.5	1,280.2	1,333.7
Equity value/share €	101.50	104.49	107.72	111.20	115.00	119.06	123.52	128.41	133.77

Source: CFO Sim

Table 9 – Digital Value, equity value sensitivity to changes in free risk rate

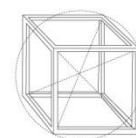
€ m	0.00%	0.11%	0.31%	0.51%	0.71%	0.91%	1.11%	1.31%	1.51%
Present value of CF	223.6	223.1	222.2	221.3	220.5	219.6	218.7	217.8	217.0
PV of terminal value	1,010.5	990.2	956.3	924.3	894.0	865.3	838.1	812.3	787.7
Total value	1,234.1	1,213.4	1,178.5	1,145.6	1,114.5	1,084.9	1,056.8	1,030.1	1,004.7
NFP last reported	32.9	32.9	32.9	32.9	32.9	32.9	32.9	32.9	32.9
Pension provision last reported	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)
Equity value	1,265.8	1,245.1	1,210.3	1,177.4	1,146.3	1,116.6	1,088.5	1,061.9	1,036.4
Equity value/share €	126.97	124.89	121.40	118.09	115.00	112.00	109.19	106.51	103.96

Source: CFO Sim

Table 10 – 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	229.5	227.2	224.9	222.7	220.5	218.3	216.1	214.0	211.9
PV of terminal value	1,297.9	1,171.3	1,064.5	973.0	894.0	825.0	764.4	710.6	662.7
Total value	1,527.4	1,398.6	1,289.4	1,195.7	1,114.5	1,043.3	980.5	924.7	874.7
NFP last reported	32.9	32.9	32.9	32.9	32.9	32.9	32.9	32.9	32.9
Pension provision last reported	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)
Equity value	1,559.1	1,430.3	1,321.1	1,227.4	1,146.3	1,075.0	1,012.2	956.4	906.4
Equity value/share €	156.39	143.46	132.51	123.12	115.00	107.83	101.53	95.93	90.92

Source: CFO Sim



Market multiples

We conducted an analysis on a cluster of 15 companies operating in the large digital IT system 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 clients' 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 modernization 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 services firm, with 80 offices in Germany, Austria and Switzerland as well as 24 e-commerce companies in 14 European countries. It combines direct IT product sales with extensive system 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, and 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 firm advises organisations on IT strategy, implements the most appropriate technology, optimises their performance, and manages customers' infrastructures.

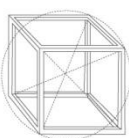
Devoteam – France: the group offers IT consulting services as well as system integration, project management, cyber security and outsourcing solutions.

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, which 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 firms 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, system integration services 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.

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 (18.8% margin). The least profitable is Computacenter with a 4.7% 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 with the group 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 system integrators, DGV's profitability is in line with European best-in-class companies.

Table 11 - Digital Value, peer group summary table

€ m	Country	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA %	Sales CAGR ₂₀₋₂₃	EBITDA CAGR ₂₀₋₂₃	EBIT CAGR ₂₀₋₂₃	EPS CAGR ₂₁₋₂₃	NFP FY1	NFP/EBITDA
Accenture PLC	USA	180,414	42,510	7,989	18.8%	10.7%	16.8%	12.5%	10.0%	(6,997)	n.m.
Alten SA	France	4,709	2,721	296	10.9%	10.7%	22.4%	29.7%	15.3%	(152)	n.m.
Atos SE	France	4,301	11,056	1,225	11.1%	0.6%	-2.5%	-3.6%	25.3%	608	0.5
Aubay SA	France	633	464	56	12.1%	6.6%	9.6%	9.0%	6.6%	(57)	n.m.
Bechtle AG	Germany	22,465	6,376	405	6.4%	9.2%	8.4%	10.3%	10.8%	(83)	n.m.
Capgemini SE	France	31,993	17,614	2,738	15.5%	7.9%	10.1%	12.5%	13.6%	3,996	1.5
CDW Corp	USA	22,151	17,154	1,439	8.4%	8.1%	6.8%	14.9%	7.1%	2,911	2.0
Computacenter PLC	UK	3,942	7,462	351	4.7%	9.3%	3.8%	5.8%	3.2%	(289)	n.m.
Devoteam SA	France	1,117	796	95	12.0%	6.0%	2.7%	11.9%	10.4%	(156)	n.m.
Econocom Group SE	France	827	2,675	182	6.8%	4.3%	4.5%	6.7%	10.1%	(19)	n.m.
Indra Sistemas SA	Spain	1,552	3,235	331	10.2%	4.5%	33.4%	71.7%	14.2%	458	1.4
Reply SpA	Italy	5,782	1,458	239	16.4%	12.6%	12.2%	15.0%	13.1%	(265)	n.m.
Sesa SpA	Italy	2,396	2,298	153	6.7%	13.0%	21.6%	20.5%	18.1%	(73)	n.m.
Sopra Steria Group SA	France	3,484	4,629	524	11.3%	5.8%	9.4%	16.1%	15.9%	390	0.7
TietoEVRY Corp	Finland	3,457	2,834	528	18.6%	2.2%	2.3%	5.4%	4.5%	574	1.1
Median		3,942	3,235	351	11.1%	7.9%	9.4%	12.5%	10.8%	(57)	1.2
Digital Value SpA*	Italy	880	543	56	10.3%	21.1%	23.9%	28.3%	32.8%	(65)	n.m.

Sources: CFO Sim, Thomson Reuters Eikon

Table 12 - Digital Value, peer group EV multiple table

x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
Accenture PLC	4.08	3.69	3.34	21.7	19.5	17.4
Alten SA	1.67	1.51	1.35	15.4	13.0	11.3
Atos SE	0.44	0.33	0.31	4.0	2.7	2.4
Aubay SA	1.24	1.13	1.03	10.3	9.4	8.6
Bechtle AG	3.51	3.18	2.92	55.3	50.5	46.2
Capgemini SE	2.04	1.85	1.69	13.1	11.8	10.5
CDW Corp	1.46	1.39	1.31	17.4	16.8	15.4
Computacenter PLC	0.49	0.46	0.43	10.4	9.8	9.2
Devoteam SA	1.21	1.08	0.96	10.1	9.0	7.9
Econocom Group SE	0.30	0.27	0.23	4.4	4.0	3.5
Indra Sistemas SA	0.62	0.56	0.51	6.1	5.1	4.5
Reply SpA	3.78	3.33	2.94	23.1	20.4	17.9
Sesa SpA	1.01	0.88	0.76	15.2	12.7	10.7
Sopra Steria Group SA	0.84	0.76	0.72	7.4	6.4	5.8
TietoEVRY Corp	1.42	1.37	1.29	7.6	7.4	6.9
Median	1.24	1.13	1.03	10.4	9.8	9.2
Digital Value SpA*	1.50	1.18	0.90	14.6	11.1	8.1
% premium/(discount)	21.0	4.1	(12.9)	40.4	12.7	(11.0)

Sources: CFO Sim, Thomson Reuters Eikon. * multiples are fully diluted

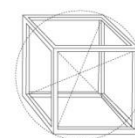




Table 13 - Digital Value, peer group EV/EBIT & price multiple table

X	EBIT FY1	EBIT FY2	EBIT FY3	PER FY1	PER FY2	PER FY3
Accenture PLC	27.0	24.1	21.7	37.7	33.9	31.2
Alten SA	21.1	17.0	14.2	28.7	24.7	21.6
Atos SE	8.2	5.5	4.5	10.1	7.8	6.4
Aubay SA	12.5	11.3	10.3	20.0	18.9	17.6
Bechtle AG	73.3	66.1	59.5	105.5	95.0	86.0
Capgemini SE	17.6	15.3	13.4	23.3	19.9	18.0
CDW Corp	18.8	17.8	16.8	24.3	23.1	21.2
Computacenter PLC	13.8	13.0	12.1	21.7	21.1	20.4
Devoteam SA	12.0	10.5	9.2	23.7	21.5	19.4
Econocom Group SE	5.9	5.3	4.5	11.0	9.7	9.0
Indra Sistemas SA	9.0	7.4	6.4	11.6	9.9	8.9
Reply SpA	27.9	24.1	20.9	40.9	36.6	32.0
Sesa SpA	22.2	18.2	15.3	33.4	27.8	24.0
Sopra Steria Group SA	11.8	9.8	8.8	15.9	13.4	11.8
TietoEVRY Corp	11.2	10.4	9.6	12.5	11.8	11.4
Median	13.8	13.0	12.1	23.3	21.1	19.4
Digital Value SpA*	19.8	14.8	9.8	31.3	24.7	17.7
% premium/(discount)	42.7	13.5	(18.9)	34.2	17.0	(8.7)

Sources: CFO Sim, Thomson Reuters Eikon. * multiples are fully diluted

Italware 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 firms and has to continue in building a solid track record with investors. We believe **DGV stock still deserves a certain discount to peer median not only due to the firm's small size but also due to the lack of ample stock liquidity** on the back of the AIM Italia listing.

By applying the peer group EV/EBITDA and EV/EBIT multiple median, discounted by 10.0% (it was 30.0% in the previous update) to DGV's metrics, we attain an **equity value of DGV of € 808.5m, or € 81.10/s**. We have used 2021-22-23 estimates and multiples (10-40-50 weighted, respectively), **in order to consider higher- than-peer median growth**.

Table 14 - Digital Value, equity assessment, 1#3

€ m	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
Median Peers (x)	1.24	1.13	1.03	10.4	9.8	9.2
DGV metric	541.6	650.7	782.9	55.8	69.2	86.2
NFP	65.1	112.7	176.7	65.1	112.7	176.7
DGV Equity Value	670.5	775.6	903.0	587.1	725.1	887.6
DGV Equity Value €/s (FD)	67.30	77.80	90.60	58.90	72.70	89.00
% upside/(downside)	(23.7)	(11.8)	2.7	(33.2)	(17.6)	0.9

Sources: CFO Sim, Thomson Reuters Eikon

Table 15 - Digital Value, equity assessment, 2#3

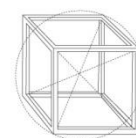
€ m	EBIT FY1	EBIT FY2	EBIT FY3	PER FY1	PER FY2	PER FY3
Median Peers (x)	13.8	13.0	12.1	23.3	21.1	19.4
DGV metric	41.2	51.9	71.9	28.1	35.6	49.6
NFP	65.1	112.7	176.7			
DGV Equity Value	578.5	720.4	956.9	589.6	676.6	866.8
DGV Equity Value €/s (FD)	58.00	72.30	96.00	59.10	67.90	86.90
% upside/(downside)	(34.2)	(18.0)	8.8	(33.0)	(23.0)	(1.5)

Sources: CFO Sim, Thomson Reuters Eikon

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

€ m	FY1	FY2	FY3
EV/EBITDA	587.1	725.1	887.6
EV/EBIT	578.5	720.4	956.9
Weighting	10.0%	40.0%	50.0%
Equity Value	808.5		
Per share FD €/s	81.10		
% upside/(downside)	-8.0%		

Sources: CFO Sim, Thomson Reuters Eikon



Peer stock performance

Digital Value was listed on AIM Italia (Alternative Investment Market) on **8 November 2018 at € 10.0/share**, corresponding to a **post-money market 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 firms operating in the digital IT systems integration segment. **DGV consistently outperformed peers and indexes** in the period analysed.

Table 17 - Digital Value, peer group absolute performance

%	1D	1W	1M	3M	6M	YTD	1Y
Accenture PLC	1.1	0.6	3.6	10.0	26.6	22.6	40.1
Alten SA	0.4	3.5	20.9	35.3	50.9	48.0	102.4
Atos SE	(0.4)	(5.1)	(24.0)	(29.1)	(40.8)	(47.7)	(47.4)
Aubay SA	0.8	(2.1)	6.2	16.5	26.1	39.4	37.8
Bechtle AG	0.0	5.0	(0.3)	(0.3)	(0.7)	(0.7)	2.9
Capgemini SE	(0.5)	4.4	14.9	23.5	49.7	49.4	69.0
CDW Corp	1.3	4.1	7.8	10.4	27.1	44.6	63.3
Computacenter PLC	0.4	2.6	2.2	4.3	18.3	11.8	35.5
Devoteam SA	5.8	19.9	19.2	22.5	32.7	43.9	37.0
Econocom Group SE	(4.4)	(5.4)	11.1	7.7	22.3	39.9	48.6
Indra Sistemas SA	1.3	(0.1)	16.2	6.4	17.8	25.9	35.9
Reply SpA	0.4	5.1	6.9	37.3	45.1	62.1	75.1
Sesa SpA	1.8	4.0	8.4	29.3	51.0	50.1	133.5
Sopra Steria Group SA	(0.2)	2.2	2.1	11.7	21.9	28.3	29.8
TietoEVRY Corp	(0.7)	3.0	9.9	3.3	4.4	8.6	14.4
Median	0.4	2.8	7.4	10.2	24.2	33.9	37.5
Digital Value SpA	6.3	11.9	33.2	56.1	125.6	129.1	209.5

Source: Thomson Reuters Eikon

Table 18 - Digital Value, relative performances

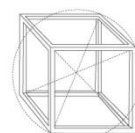
%	1D	1W	1M	3M	6M	YTD	1Y
to MSCI World Index	5.7	11.5	30.6	51.0	113.1	113.8	177.8
to EUROSTOXX	5.8	10.6	28.8	50.8	111.3	111.7	179.3
to FTSE Italia All Share	5.6	11.2	29.0	50.9	112.4	112.6	178.7
to FTSE STAR Italia	5.9	8.9	27.3	39.4	97.7	96.3	153.4
to FTSE AIM Italia	5.4	9.5	37.0	55.2	140.5	145.0	225.4
to Peer Median	5.9	9.1	25.9	45.9	101.4	95.2	172.0

Source: CFO Sim

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.



ANALYST CERTIFICATION

This publication was prepared by **LUCA ARENA**, Head of the Equity Research Department of "Corporate Family Office SIM S.p.A." ("CFO SIM") and **GIANLUCA MOZZALI**, Equity Analyst of CFO SIM. This is to certify that the views expressed on the companies mentioned in this document reflect the analysts' personal opinions and that no direct or indirect recompense has been, or will be, received by the analyst further to the views expressed herein.

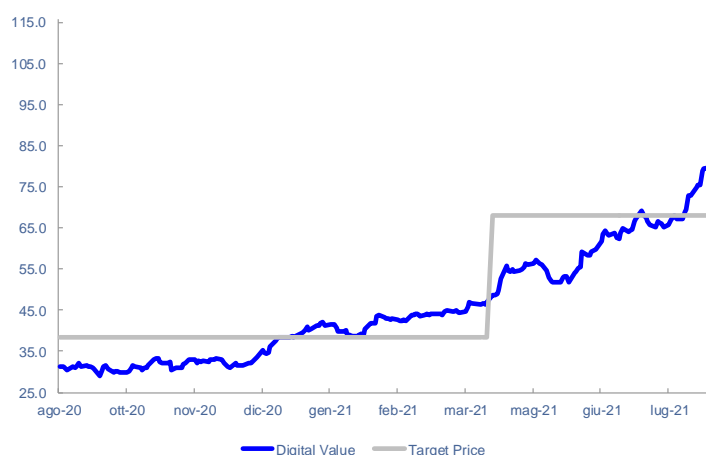
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DATE	TARGET PRICE	RATING
06/08/2021	€115.00	BUY
20/05/2021	€68.00	BUY
09/04/2021	€68.00	BUY
10/08/2020	€38.40	BUY

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RATING SYSTEM

- ☐ 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.

