

Digital Value



MEDIOBANCA
SECURITIES

15 December 2021

Technology Services

HYB

Change in Estimates

Price: € 117.00 Target price: € 133.50 (from € 76.00)

Outperform

Digital transformation supports EPS growth

Leading Italian digital enabler with focus on Telco, Large Corporations and PA

Digital Value is a leading digital enabler active in Italy. Its core offering focuses on IT infrastructure and business application services, boasting a strong set of partnerships and strategic alliances with the key global digital players, which grants to customer the access to the best of breed and newest technologies available in the market. Know-how developed through the >30-year experience, certified workforce skills and strong focus on customer needs are among the key factors supporting the high competitiveness of its business model, which have allowed Digital Value to develop long-lasting client relationships through the years across a well-balanced mix of vertical end-markets, including Telco, Large Corporations and PA.

Acceleration in digital transformation to offer rising growth opportunities

The Italian IT market is estimated to be worth around €20bn and its growth is seen accelerating to high-single-digit over '21-23E, with Italy's recovery plan representing an additional growth support over the medium term. In this context, Digital Value's strategy aims at capitalising the growing opportunities offered by digital transformation, further enhancing its competitive positioning while taking advantage of the newest digital trends. The entrance into new verticals may represent an additional growth opportunity, with Banking & Securities, Utilities and Transportation being the key targeted areas. In this context, M&A may speed up the organic development process, with Digital Value potentially relying on an estimated firepower of >€150m to finance new M&A deals.

We assume a 19% organic sales CAGR over 2020-23E

We project a 19% organic CAGR over 2020-23E, without considering any acceleration in market growth trend deriving from the NextGenEU program, which, thus, may represent a key source of upside risk on future growth assumptions. On profitability, we project EBITDA margin to remain broadly stable at c.10%. At the bottom line, we forecast a 25% EPS CAGR over the same period. On cash generation, we assume a temporary build up in NWC to support the strong growth profile in '21E, chiefly due to the recent award of sizeable multi-year contracts. Going forward, we expect the growing trend in EBITDA coupled with NWC efficiencies to translate into rising FCF over 22-23E, further enlarging M&A firepower, as we project the company to reach a €102m net cash position in '23E.

Robust organic momentum with recovery plan and M&A options: Outperform

We reaffirm the Outperform rating on Digital Value with a new TP of €133.5/share (from previous €76.0/share), obtained as the average of a DCF (7.7% WACC; 2.5% g) and peers' multiple on '23E EV/EBIT. DGV enjoys a solid competitive positioning in the Italian IT landscape and we expect it to be among the main beneficiaries of the upcoming boost in demand driven by NextGenEU program. In this context, we conservatively do not factor into our estimates any visible intake acceleration from future recovery plan contracts, as well as continuation of the M&A campaign, which should be seen as an upside to our forecasts. YTD, DGV shares steadily re-rated, as investors appreciated the robust track record in terms of organic growth and the supportive newsflow on recovery plan implementation. Yet, trading at 16x '23E EV/EBIT, we still see value in the stock, as we believe that current multiples do not fairly reflect the solid organic growth prospects ahead.

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This research report was previously notified to company Digital Value with the exclusive purpose of verifying factual accuracy

	2020	2021E	2022E	2023E
EPS Adj (€)	2.42	3.01	3.86	4.71
DPS (€)	0	0	0	0
BVPS (€)	9.38	12.39	16.26	20.97
EV/Ebitda(x)	5.0	21.1	16.4	13.1
P/E adj (x)	10.7	38.9	30.3	24.8
Div.Yield(%)	0.0%	0.0%	0.0%	0.0%
OpFCF Yield(%)	2.2%	-2.8%	3.1%	5.4%

Market Data

Market Cap (€m)	1,166
Shares Out (m)	10
DGV Holding (%)	65%
Free Float (%)	33%
52 week range (€)	118.00-34.50
Rel Perf vs DJGL Italy DJ Total Market Italy (%)	
-1m	13.9%
-3m	24.3%
-12m	171.0%
21dd Avg. Vol.	16,891
Reuters/Bloomberg	DGV.IM / DGV IM

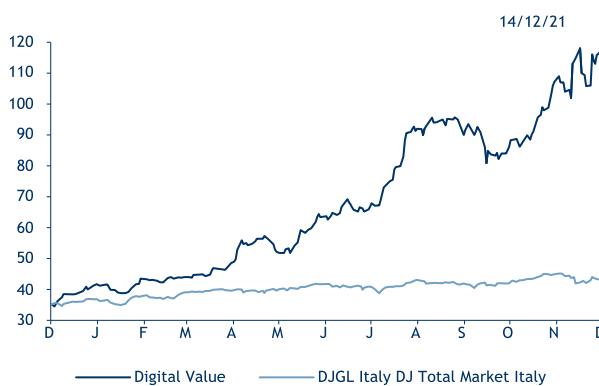
Source: Mediobanca Securities

Valuation Matrix

Profit & Loss account (€ m)	2020	2021E	2022E	2023E	Multiples	2020	2021E	2022E	2023E
Turnover	442	540	682	791	P/E Adj.	10.7	38.9	30.3	24.8
Turnover growth %	21.2%	22.0%	26.4%	16.0%	P/CEPS	5.2	26.7	21.3	18.4
EBITDA	45	55	69	81	P/BV	2.7	9.4	7.2	5.6
EBITDA margin (%)	10.3%	10.2%	10.1%	10.3%	EV / Sales	0.5	2.2	1.7	1.3
EBITDA growth (%)	42.1%	20.9%	25.1%	18.3%	EV/EBITDA	5.0	21.1	16.4	13.1
Depreciation & Amortization	-11	-13	-14	-14	EV/EBIT	6.7	27.5	20.5	15.9
EBIT	34	42	55	67	EV/Cap. Employed	2.9	8.1	7.5	7.5
EBIT margin (%)	7.7%	7.8%	8.1%	8.5%	Yield (%)	0.0%	0.0%	0.0%	0.0%
EBIT growth (%)	25.7%	24.0%	30.4%	21.7%	OpFCF Yield(%)	2.2%	-2.8%	3.1%	5.4%
Net Fin.Income (charges)	-0	-0	-0	-0	FCF Yield (%)	-3.6%	-2.9%	2.8%	4.9%
Non-Operating Items	0	0	0	0					
Extraordinary Items	0	0	0	0					
Pre-tax Profit	34	42	55	66					
Tax	-9	-12	-15	-19					
Tax rate (%)	28.1%	28.0%	28.0%	28.0%					
Minorities	-0	-0	-1	-1					
Net Profit	24	30	39	47					
Net Profit growth (%)	27.0%	24.5%	28.4%	22.0%					
Adjusted Net Profit	24	30	39	47					
Adj. Net Profit growth (%)	27.0%	24.5%	28.4%	22.0%					

Balance Sheet (€ m)	2020	2021E	2022E	2023E	Key Figures & Ratios	2020	2021E	2022E	2023E
Working Capital	28	72	81	74	Avg. N° of Shares (m)	10	10	10	10
Net Fixed Assets	51	71	70	69	EoP N° of Shares (m)	10	10	10	10
Total Capital Employed	79	143	151	143	Avg. Market Cap. (m)	257	1,166	1,166	1,166
Shareholders' Funds	94	124	162	209	Enterprise Value (m)	226	1,160	1,125	1,067
Minorities	0	9	9	10	Adjustments (m)	2	2	2	2
Provisions	18	20	23	25	Labour Costs/Turnover	3%	3%	3%	3%
Net Debt (-) Cash (+)	33	9	43	102	Depr.&Amort./Turnover	3%	2%	2%	2%
					Turnover / Op.Costs	1.1	1.1	1.1	1.1
Cash Flow (€ m)	2020	2021E	2022E	2023E	Gearing (Debt / Equity)	-35%	-7%	-25%	-46%
Cash Earnings	50	44	55	63	EBITDA / Fin. Charges	-99.9	-120.8	-151.1	-178.8
Working Capital Needs	-32	-45	-8	7	Net Debt / EBITDA	-0.7	-0.2	-0.6	-1.3
Capex (-)	-13	-32	-12	-12	Cap.Employed/Turnover	18%	27%	22%	18%
Financial Investments (-)	-0	0	0	0	Capex / Turnover	3%	6%	2%	2%
Dividends (-)	0	0	0	0	Pay out	0%	0%	0%	0%
Other Sources / Uses	0	9	0	0	ROE	26%	24%	24%	22%
Ch. in Net Debt (-) Cash (+)	5	-24	35	58	ROCE (pre tax)	43%	29%	36%	47%
					ROCE (after tax)	31%	21%	26%	34%

Source: Mediobanca Securities



Source: Mediobanca Securities

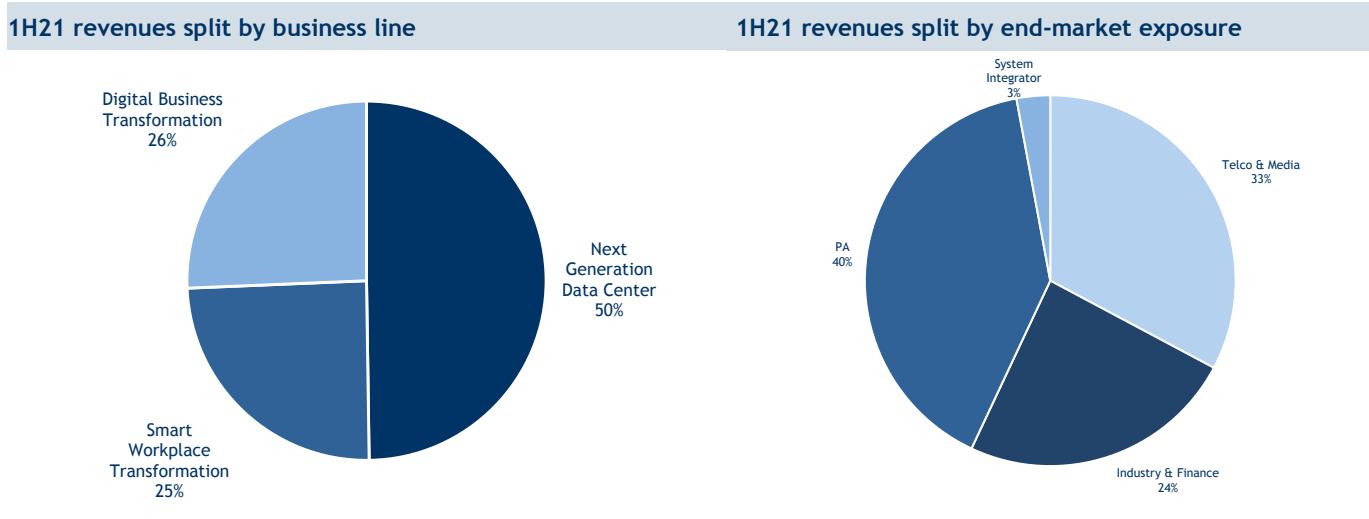
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EXECUTIVE SUMMARY

Leading player specialised in IT infrastructure with focus on Telco, PA and Large Corporations

Digital Value is a leading digital enabler active in Italy. The company is the combination of two mid-size domestic players, namely Italware and ITD Solutions, which joined forces with the IPO in 2018. Its core offering focuses on IT infrastructure and business application services, which can boast a multitude of strong relationships with key global IT vendors, certified skills with multi-brand/vendor solutions that grant the supply of the newest technologies available in the market. In terms of vertical markets addressed, Digital Value has a balanced exposure within Telco, Large Corporations and Public Administration.

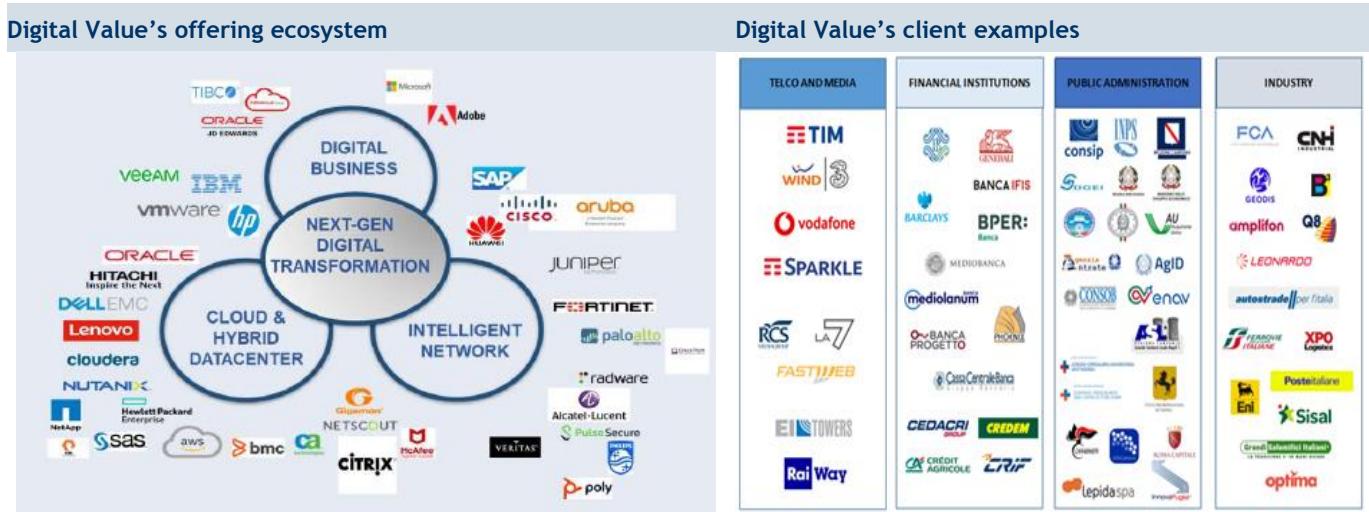


Source: Mediobanca Securities, Company data

Source: Mediobanca Securities, Company data

Business model: a one-stop-shop partner for customers' digital needs

Digital Value operates as a one-stop shop partner for enabling the digital transformation across customers' business models. The company has developed a strong set of partnerships and strategic alliances with the reference global digital players, which grants to customer the access to the best of breed and newest technologies available in the market. Know-how developed through the >30-year experience, highly skilled and certified workforce and strong focus on customer needs are among the key factors supporting the high competitiveness of its business model, which have allowed Digital Value to develop long-lasting client relationships through the years across a well-balanced mix of vertical end-markets.



Source: Mediobanca Securities. Company data

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Outperform

Recovery plan implementation may boost Italian IT sector growth

The Italian IT market is estimated to be worth around €20bn. Compared to the other European Countries, the Italian market has historically shown a lower penetration in terms of IT spending on GDP. After the 2.6% YoY increase reported in 2020, the Italian IT market growth is seen accelerating to high-single-digit over '21-23E, with growth supported by IT services segment. In this context, cloud technologies are seen far outpacing the rest of IT market, with an estimated 3Y CAGR of 20% and with their adoption rate seen jumping to 53% from current 34%. Beyond these trends, the implementation of Italy's recovery plan, which devotes c.€50bn over 2021-26 period to support digital transformation, may provide a boost to sector's growth.

The competitive landscape of the IT services market is highly fragmented, as it is served by >100 players, with top-10 companies holding a joint market share of less than 25% and top-100 accounting for almost half of the market. In this context, Digital Value has an estimated market share in the high-single digit region within the vertical end-market addressed.

2020-23E Italian IT market trend (€bn)



2017-23E Italian cloud computing market (€bn)



Source: Sirmi

Source: Sirmi

Strategy relying on a mix of organic developments and M&A

For the future, we expect Digital Value strategy to aim at capitalising the growing opportunities offered by the structural trend of digital transformation. While at this stage it is too early to assess the potential impact of IT market acceleration driven by NextGenEU investment program, we expect Digital Value to be among the main beneficiaries of this boost in demand, considering its strong track record already achieved in the field of PA. Beyond the positive market outlook, we expect Digital Value's strategic actions to be aimed at further enhancing its competitive positioning while taking advantage of the newest digital trends within IT infrastructure segment, such as Hybrid Cloud, Edge Computing and Cybersecurity. The entrance into new verticals of the IT services market may represent an additional growth opportunity, with Banking & Securities, Utilities and Transportation being the key targeted areas. In this context, M&A may speed up the organic development process, with Digital Value potentially relying on an estimated firepower of >€150m to finance new consolidation opportunities.

Digital Value

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Main pillars of Digital Value strategy

Strengthen group's positioning in the current verticals served through its multivendor offering

Catch sector's growth offered by the latest digital trends

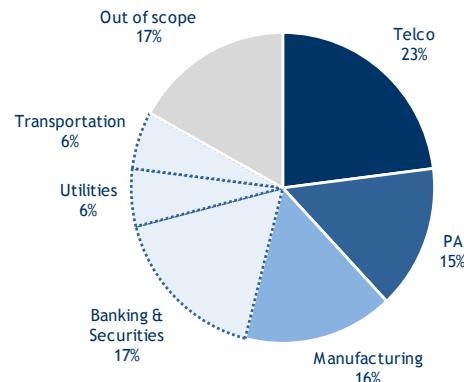
Exploit the acceleration in PA digitalization offered by NextGenEU opportunity

Expansion into new vertical end-markets

M&A to speed up the organic development process

Source: Mediobanca Securities

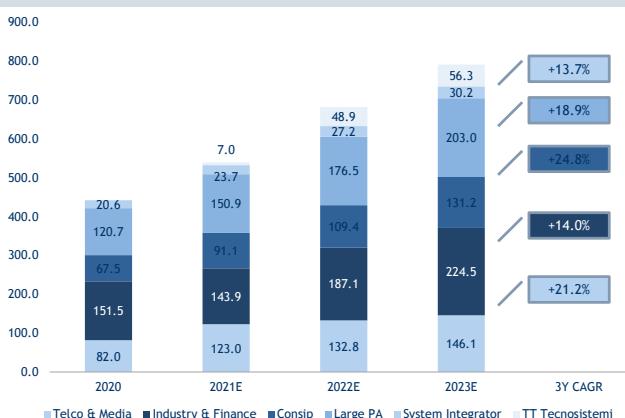
Addressable verticals (%)


Source: Mediobanca Securities, Company data

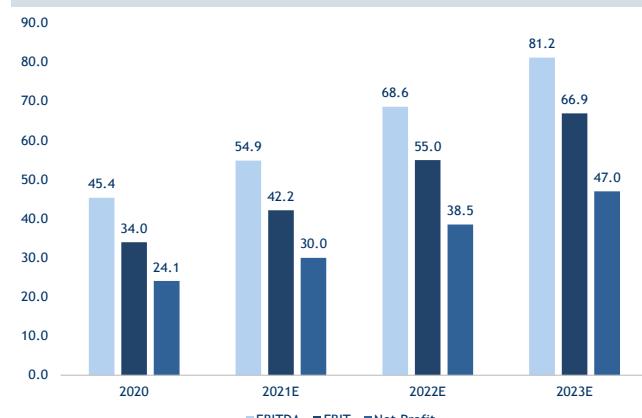
FY21-23E estimates: digital transformation to fuel a 19% organic sales CAGR

We expect Digital Value to keep growing at a sustained double-digit organic rate, with the company seen well-positioned to capitalise the strong underlying trends in digital transformation. We project Digital Value's revenues to grow at a 19% organic CAGR over 2020-23, outperforming the reference market. We do not factor in any acceleration in market growth trend deriving from the implementation in NextGenEU investment program, which, thus, may represent a key source of upside risk on future growth assumptions. On profitability, we project EBITDA margin to remain broadly stable at c.10%. At the bottom line, we forecast a 25% EPS CAGR over the same period. On cash generation, we assume a temporary build up in NWC to support the strong growth profile in '21E, chiefly due to the recent award of sizeable multi-year contracts. Going forward, we expect the growing trend in EBITDA coupled with NWC efficiencies to translate into rising FCF over 22-23E, further enlarging M&A firepower, as we project the company to reach a €102m net cash position in '23E.

FY20-23E sales by vertical end-markets (€m)


Source: Mediobanca Securities

FY20-23E P&L highlights (€m)


Source: Mediobanca Securities

Price: € 117.00

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Outperform

Outperform confirmed, new TP of €133.5/share from €76.0/share)

We confirm the Outperform rating on Digital Value with a new TP of €133.5/share (from previous €76.0/share), which we have obtained as the simple average of a DCF-based valuation (7.7% WACC; 2.5% g) and a relative valuation based on '23E EV/EBIT peers' multiples.

Digital Value boasts a proven solid competitive positioning within the Italian IT sector and we believe that it is well positioned to benefit from the upcoming boost in digital transformation driven by NextGenEU investment program in the coming years. In this context, we conservatively do not factor into our growth estimates any intake acceleration from future recovery plan contracts, which should be seen as an upside to our current forecasts.

The recent acquisition of TTT enabled DGV to strengthen its positioning in central Italy and cover new industrial segments. We believe that a continuation in the value-accretive M&A campaign may provide further upside, considering DGV option to exploit its unlevered balance sheet to consolidate the Italian IT infrastructure segment.

Since the start of the year, DGV shares steadily re-rated as investors appreciated the robust track record in terms of organic growth and the supportive newsflow on recovery plan implementation. Yet, trading at 16x '23E EV/EBIT, we still see value in the stock, as we believe that current multiples do not fairly reflect the solid organic growth prospects ahead. Therefore, we reaffirm the Outperform rating on the name.

Recap of TP calculation

	€/share
DCF	134.9
Multiples	132.1
TP	133.5

Source: Mediobanca Securities

SWOT ANALYSIS

Strengths

- ◆ Leading positioning in the Italian IT services market
- ◆ Strategic alliances and certified skills with key global IT vendors
- ◆ Rich product offering with multivendor/brand technologies
- ◆ Exposure to vertical markets with a high level of IT investments, such as telco, utilities, banks and large industrial corporations
- ◆ Integrated logistic platform and large coverage of the Italian territory
- ◆ Wide customer base

Weaknesses

- ◆ Dependence on key people in the management team
- ◆ Significant exposure to single country (Italy)

Opportunities

- ◆ Acceleration in digital transformation of PA potentially driven by an effective implementation of NextGenEU program
- ◆ Investments in new emerging technologies of digital transformation, including hybrid cloud, edge computing and cybersecurity
- ◆ Expansion in new vertical end-markets
- ◆ Acceleration in the M&A campaign

Threats

- ◆ Potential rise in competition from large global players putting pressure on margins
- ◆ Low availability of IT product due to the ongoing chip shortages potentially slowing down market growth
- ◆ Resurgence in Covid-19 pandemic potentially delaying firms' IT investment decisions

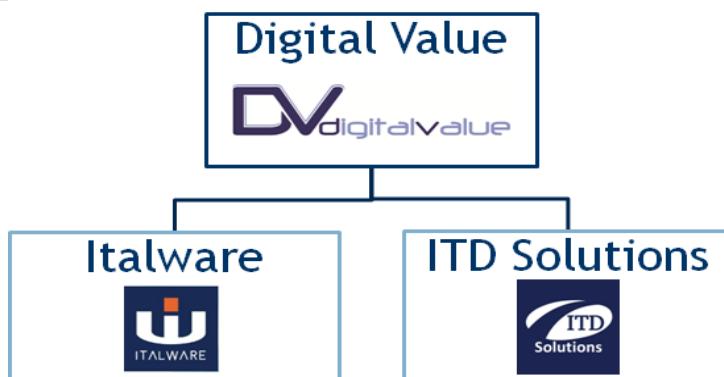
LEADING ITALIAN DIGITAL ENABLER

Digital Value is a leading digital enabler active in Italy. The company is the combination of two mid-size domestic players, namely Italware and ITD Solutions, which joined forces with the IPO in 2018. Its core offering focuses on IT infrastructure and business application services, which can boast a multitude of strong relationships with key global IT vendors and certified skills with multi-brand/vendor solutions that grant the supply of the newest technologies available in the market. In terms of vertical markets addressed, Digital Value has a balanced exposure within Telco, Large Corporations and Public Administration.

Digital Value is an IT services firm specialised in offering system integration services. Its business is focused on the design and implementation of solutions based on new technologies. A 30-year expertise led the company to be one of the reference operators of the Italian IT market with more than 2,000 customers served, 26 partnerships with key IT vendors, around 450 technical certifications and 265 employees.

The group is the combination of two mid-size domestic players, namely Italware and ITD Solutions, which joined forces with the IPO. Digital Value is headquartered in Milan and Rome and operates across the whole country through 6 branches that grant strong client proximity. Since 2018 Digital Value's shares are listed on Euronext's Milan Stock Exchange. After the strong price performance recorded, DGV's shares entered the MSCI World Small Cap index in December '21.

Digital value - Group structure



Source: Company website, Mediobanca Securities

Within the broad spectrum of IT services, Digital Value's core offering focuses on infrastructure and application segments. The company supplies solutions for networking, data centres and hybrid cloud, security, network testing and monitoring, workstation management, data management and analytics, ERP systems management and other business applications.

Technological solutions provided by DV



Source: Mediobanca Securities, Company website

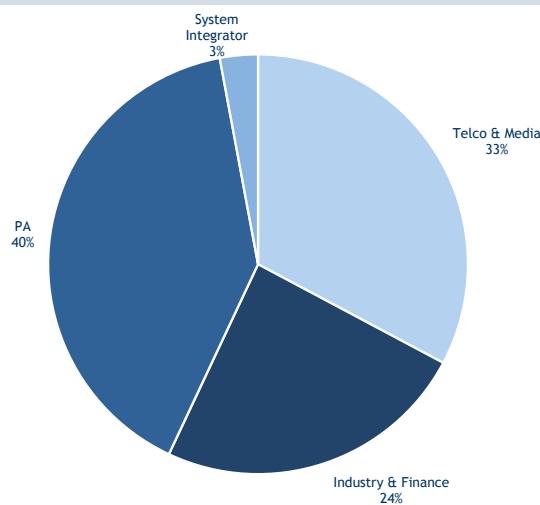
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Outperform

In terms of end-market exposure, Digital Value's solutions address the following verticals: i) **Telco & Media**, playing a central role in offering IT and integrated services; ii) **Large Corporation**, providing ICT Solutions and Business Applications for large corporations active in the Italian space; iii) **Public Administration**, having achieved a strong track-record in the supply of IT services to PA through CONSIP tender participation; and iv) **System Integrator**, supplying specific solutions for other IT players.

1H21 revenue breakdown by verticals



Source: Mediobanca Securities, Company data

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Outperform

Core offering focused on IT infrastructure

Digital Value operates in the IT services business. Its core offering mainly focuses on infrastructure and business applications segments.

In the infrastructure segment, which accounts for most of the annual turnover, the company supplies solutions for networking, data centers, cloud, smart workspace, and security. Importantly, visibility of this stream of revenues is quite high, as around half of the annual turnover is regulated by either multi-year projects or contracts renewed on an annual basis. As regards the offering in the business application segment, Digital Value provides IT services mainly related to ERP and other specific solutions.

Services provided within these two segments can be distinguished into recurrent and non-recurrent, as detailed in the table below.

IT service offering

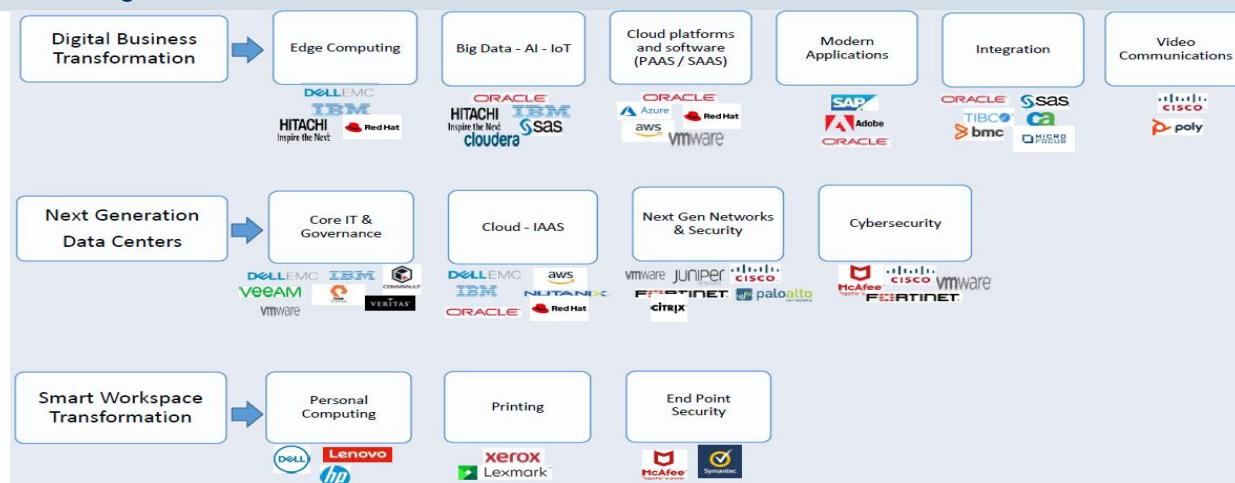
	Infrastructure	Applications
Non Recurrent	Architecture, projects, migrations	Application design, software package integration, tailored developments
Recurrent	Managed services, outsourcing, service desk, hosting, cloud computing, Cyber security	Support and Third-Party Application Maintenance

Source: Mediobanca Securities

Digital Value's offering is split into the following three business lines:

- **Digital Business Transformation (c.26% of annual turnover):** the unit encompasses systems for digital business transformation based on special technologies (i.e. Big data, IoT) that are supplied together with a strong expertise in application development and integration of vertical solutions;
- **Next Generation Data Centers (c.50% of annual turnover):** it is the business line including solutions for the development of IT infrastructure projects, envisaging the supply of Cloud/IaaS solutions, networking, and cybersecurity products.
- **Smart Workspace Transformation (c.25% of annual turnover):** the line of business consists in products, services and infrastructures used to provide E2E solutions for public and private companies, asking for workforce organization service.

Overview of Digital Value's three business lines



Source: Company presentations

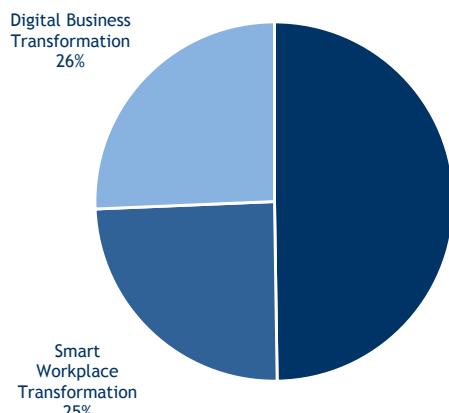
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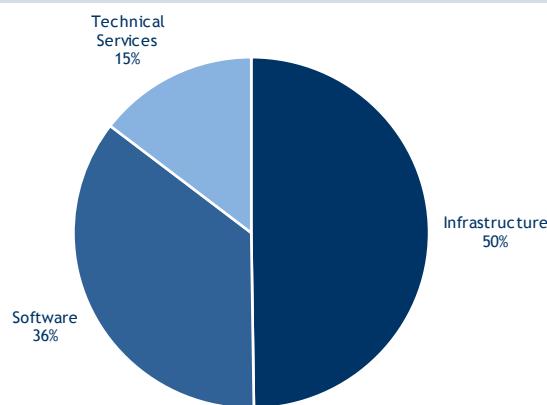
Outperform

1H21 revenues split by business line



Source: Mediobanca Securities, Company data

FY20* revenues split by Activity



Source: Mediobanca Securities, Company data, *1H21 breakdown not available

BUSINESS MODEL: ONE-STOP-SHOP PARTNER FOR CUSTOMERS' DIGITAL NEEDS

Digital Value operates as a one-stop shop partner for enabling the digital transformation across customers' business models. The company has developed a strong set of partnerships and strategic alliances with the reference global digital players, which grants to customer the access to the best of breed and newest technologies available in the market. Know-how developed through the >30-year experience, highly skilled and certified workforce and strong focus on customer needs are among the key factors supporting the high competitiveness of its business model, which have allowed Digital Value to develop long-lasting client relationships through the years across a well-balanced mix of vertical end-markets.

Main points of Digital Value business model are the following:

- ◆ **Strategic alliances and certified skills with multi-brand/vendor solutions to offer the Best of Breed technologies-** Through the years, Digital Value has developed strong relationships and certified skills with the main global digital players active in the IT infrastructure segment, which has granted the integration of the newest available technologies from different vendors in Digital Value's offering. This provides Digital Value with valuable competitive advantage, as it can offer to customer to "best of breed" technologies. As of today, the company has in place 26 partnerships with key IT vendors and CSP, including Cisco, Fortinet, IBM, Microsoft, Oracle, SAP and others.

Digital Value's offering ecosystem and strategic alliances



Source: Mediobanca Securities, Company website

- ◆ **Client-centric approach and adoption of a "dual-side" platform** Digital Value adopts a client-centric approach, with the company's sales force overseeing the whole process of client portfolio development. The usual steps the management of a new project include i) Analysis of client need, ii) Comparison of possible solutions, iii) Project and design, iv) Execution and implementation, v) maintenance services, vi) performance assessment. The company operates through a "dual side" platform that enables to conjugate its certification skills with multi-brand/vendor, multi-cloud and multi-security technologies and the deep knowledge of customer IT infrastructure to supply the most suitable and easy-to-implement solution for any customer needs.

Wide network across Italy Digital Value's role in the IT Market has a solid positioning inside Italian borders. The group has a wide coverage of the Italian territory thanks to five operational centres and 265 FTEs. These are in Milan (the HQ of the group) and Modena, serving the northern part of Italy, and Naples and Rome, which serve central and southern Italy. An additional site is in Avellino and is specialised in the development of Soft Lab. More recently, the acquisition of TT Tecnosistemi strengthened its presence in some industrial districts located in central Italy.

Domestic Footprint



Source: Company website, Mediobanca Securities

- ◆ **Long-standing relationships with clients across different verticals** - Through the years, the strong value of the offering has allowed Digital Value to establish a high degree of customer loyalty, with some notable >20-year commercial relationships achieved with primary clients. Furthermore, the company has a balanced exposure to vertical markets addressed, including Telco and Utilities, Public Administration, Financial Institutions, and Industrial player.

Client example

TELCO AND MEDIA	FINANCIAL INSTITUTIONS	PUBLIC ADMINISTRATION	INDUSTRY

Source: Mediobanca Securities, Company presentation

REFERENCE MARKET: DIGITAL TRANSFORMATION SUPPORTING SECULAR GROWTH

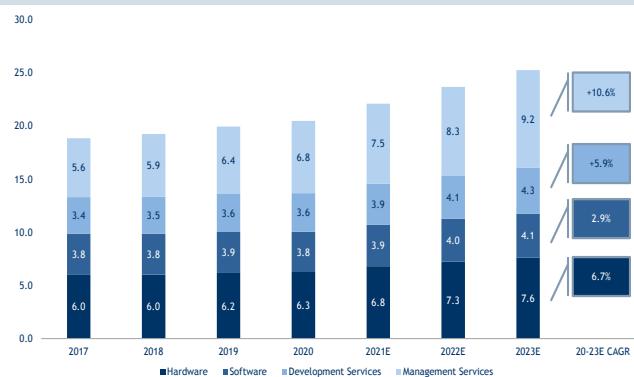
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The competitive landscape of the IT services market is highly fragmented, as it is served by >100 players, with top-10 companies holding a joint market share of less than 25% and top-100 accounting for almost half of the market. In this context, Digital Value has an estimated market share in the high-single digit region within the vertical end-market addressed.

According to Sirmi, the Italian IT market has an estimated value of €20bn and it is seen growing at a high-single-digit pace over 2020-23. Three main segments constitute the general market structure: i) hardware market (€6.3bn value), ii) software market (€3.8bn value), and iii) IT Services Market (€10.4bn value).

Over the past years, the Italian IT Market showed a structural under penetration with respect to other European countries (Spain, France, Germany, and UK) in terms of IT spending on GDP.

2020-24E Italian IT market trend (€bn)



IT spending on GDP across Europe



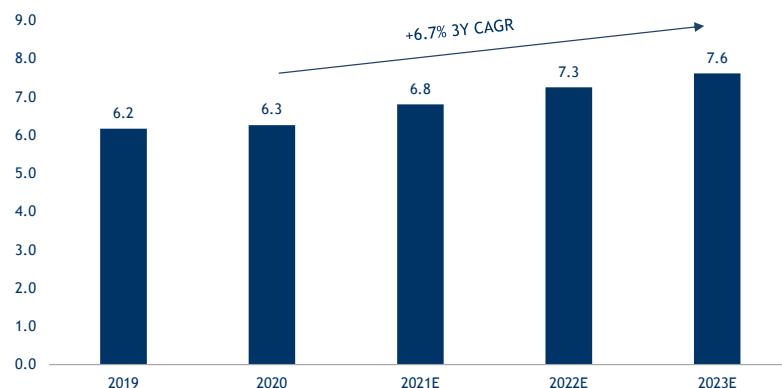
Source: Sirmi (September 2021)

Source: Digital Value on several sources

I. IT Hardware market seen growing at a 6.7% 3Y CAGR

According to Sirmi, the Italian hardware market is worth c.€6bn and grew at 1.2% CAGR over the past three years. When looking at the expectations, numbers for the Italian HW market forecast an acceleration in the growth pace in the upcoming years, projecting a 6.7% CAGR for 2020-23E with market value seen reaching €7.6bn in 2023E.

2020-23E Italian IT hardware market (€bn)

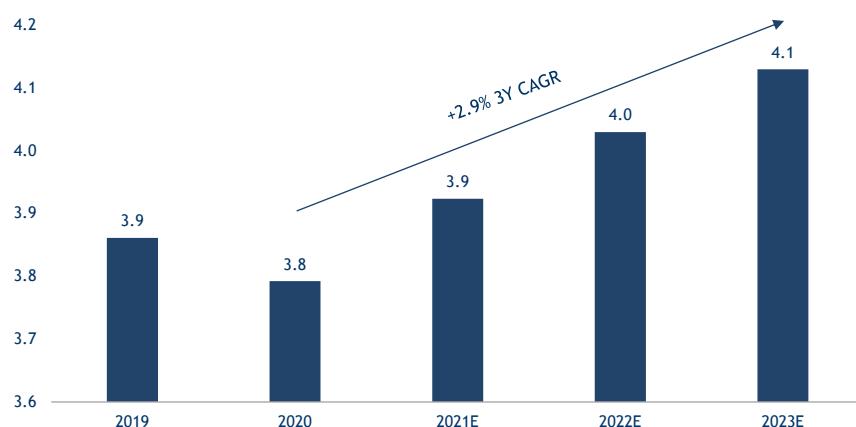


Source: Mediobanca Securities, Sirmi (September 2021)

II. IT software market seen growing at a 2.9% 3Y CAGR

According to Sirmi, from 2017 to 2020 the Italian software market remained broadly stable at €3.8bn. In the coming three years, expectations for the Italian software market point at a +2.9% CAGR, with its value forecasted to reach €4.1bn in 2023E.

2020-23E Italian IT software market (€bn)



Source: Mediobanca Securities, Sirmi (September 2021)

III. IT Services market seen growing at 9.0% 3Y CAGR

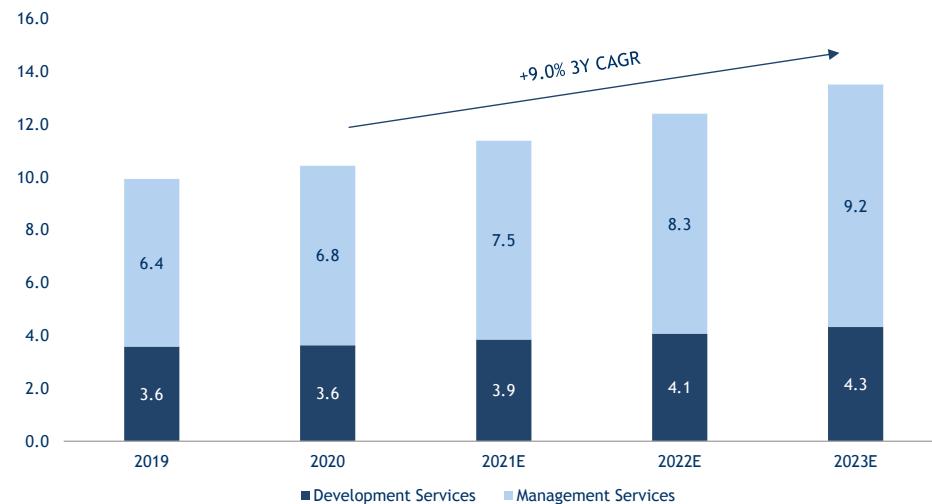
According to Sirmi, the Italian IT services market is worth €10.4bn and can be split into: i) Development Services (€3.6bn) and ii) Management Services (€6.8bn). Over the past three years the Italian IT services market outpaced both hardware and software segments, recording a 5.1% CAGR supported by Management Services (+7% over 2017-20). Going forward, the market is expected to accelerate its growth pace up to 2023. In particular, the market Italian is seen reaching €13.5bn in 2023E, implying an estimated CAGR of 9.0% CAGR over the period. In terms of sub-segments, growth is expected to be underpinned by Management Services (+11%), which should outpace Development Services (+6%).

Price: € 117.00

Target price: € 133.50 (from € 76.00)

Outperform

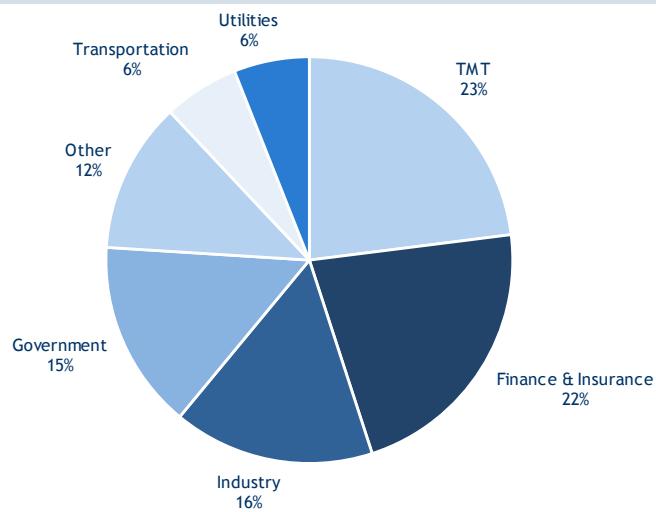
2020-23E Italian IT services market (€bn)



Source: Mediobanca Securities, Sirmi (September 2021)

Looking at the verticals composing the Italian IT services market, TMT, Finance & Insurance are the two largest segments, accounting for 23% and 22%, respectively of the total market. Manufacturing sector and Public Administration are other two sizeable segments, accounting for 16% and 15% respectively, followed by Transportation and Utilities, both accounting for 6% share of the total.

Italian IT Services Market by verticals



Source: Mediobanca Securities, Company data, Gartner analysis

Price: € 117.00

Target price: € 133.50 (from € 76.00)

Outperform

Cloud computing market seen growing at 20% 3Y CAGR

In this context, Cloud computing market is seen largely outperforming the rest of the Italian IT market. According to Sirmi, the market is worth around €3.4bn and it grew at a 22% CAGR over the past three years. Going forward, its growth pace should remain close to 20%, with the market seen reaching €6.0bn in 2023E. At the same time, the adoption rate of cloud technologies (SaaS, PaaS and IaaS) should grow considerably, reaching c.53% from current c.34%.

2017-23E Italian Cloud Computing market (€bn)



Source: Sirmi (May 2021)

2017-23E Cloud technologies adoption rate (%)



Source: Sirmi (May 2021)

Recovery plan may boost sector's growth prospects

The implementation of Italy's recovery plan may accelerate the digital transformation across the country, given a further support to sector's growth over the 2021-26 period. The final version of the plan devotes c.€40bn of resources to investments in digitalization, which rise to €49bn if including also the c.€9bn ad-hoc additional fund financed through national deficit.

The ambition behind the plan is to fill the gap with other countries by leveraging on the RRP and guidelines set forward by the EU Digital Compass, accelerating to meet 2030 targets ahead of schedule (by 2026): (i) 70% adoption rate of digital identity, (ii) 70%-of the population digitally skilled; (iii) grant 75% of PA access to cloud services; (iv) supply 80% of public services online; (v) grant 100% of families and firms access to ultra-broadband connection.

Measures included in the plan can be broken-down in the following three areas: i) digitalisation of PA, which includes investments in digital infrastructure, technological upgrades, development of IT skills and cybersecurity; ii) innovation in the manufacturing sector, mainly including investment in 4.0 technologies; and iii) development of ultra-fast connection network.

Price: € 117.00

Target price: € 133.50 (from € 76.00)

Outperform

Breakdown of investments in digitalisation included in Italy's recovery plan

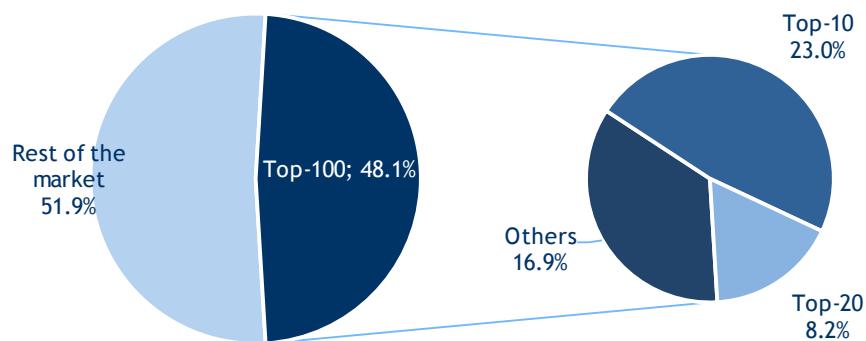
Key investments	NRRP	React-EU	Ad-hoc fund	Total resources
(A) Digitalisation, innovation and security of PA	9.8		1.4	11.2
1. PA Digitalisation	6.1			
1.1 Digital Infrastructure	0.9			
1.2 Cloud migration	1.0			
1.3 Data and interoperability	0.7			
1.4 Digital services and digital citizenship	2.0			
1.5 Cybersecurity	0.6			
1.6 Digitalisation of large Central Administration	0.6			
1.7 Basic digital skills	0.2			
2. PA Innovation	1.3			
2.1 Single recruitment portal	0.0			
2.2 Digitalisation task force, monitoring and performance	0.7			
2.3 Skills and administration capacity	0.5			
3. Innovation of judicial system	2.3			
3.1 Strengthening of Trial Office and overcoming disparities among courts	2.3			
3.2 Strengthening of Trial Office for administrative justice	0.0			
(B) Digitalisation, innovation and competitiveness of manufacturing sector	23.9	0.8	5.9	30.6
1.1 Transition 4.0	13.4			
1.2 Innovation and technology of microelectronics	0.3			
1.3 Ultra-fast networks, ultra-fast wideband and 5G	6.7			
1.4 Satellite technologies and Space Economy	1.5			
1.5 Industrial supply chain policies and internationalisation	2.0			
(C) Tourism and Culture 4.0	6.7	0.0	1.5	8.1
TOTAL (A+B+C)	40.3	0.8	8.7	49.9

Source: Italy's Recovery Plan (April '21)

Highly fragmented market

Digital Value operates in the domestic system integration market. According to a recent survey published by consulting company IDC, the Italian IT services sector was worth c.€17bn in 2019. The market is highly fragmented, as it served by >100 players including large multinational companies as well as small local actors. According to IDC data, in 2019 top-10 players held a joint market share of less than 25%, while top-100 player accounted for almost half of the market. In this context, Digital Value has an estimated market share in the high-single digit region within the vertical end-market addressed.

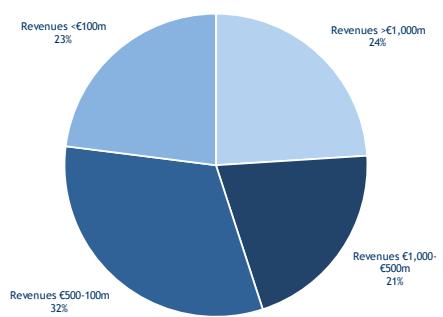
Italian IT Services competitive landscape



Source: IDC elaborations for Datamanager (2020)

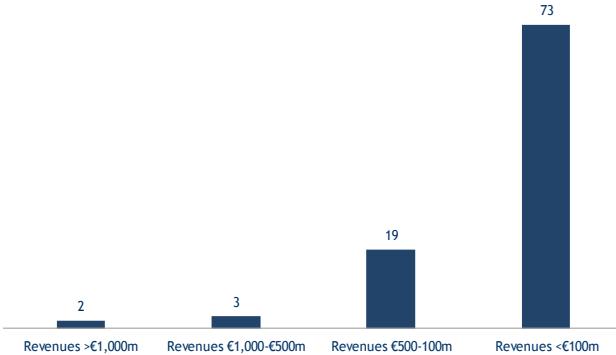
When looking at the size of the players active in the market, the survey shows that, within the top-100 landscape, c.€24% of the market is made of 2 players with revenues >€1bn, c. 21% of the market consists in 3 players with revenues in the range of €500m-€1bn, c.32% of the market is made of 19 companies with revenues in the range of €100-500m, while the remaining portion (23%) is made of 73 players with revenues <€100m.

Italian IT Services market composition by players' size



Source: IDC elaborations for Datamanager (2020)

Italian IT Services market composition by players' size



Source: IDC elaborations for Datamanager (2020)

Price: € 117.00

Target price: € 133.50 (from € 76.00)

Outperform

STRATEGY RELYING ON A MIX OF ORGANIC DEVELOPMENTS AND M&A

For the future, we expect Digital Value strategy to aim at capitalising the growing opportunities offered by the structural trend of digital transformation. While at this stage it is too early to assess the potential impact of IT market acceleration driven by NextGenEU investment program, we expect Digital Value to be among the main beneficiaries of this boost in demand, considering its strong track record already achieved in the field of PA. Beyond the positive market outlook, we expect Digital Value's strategic actions to be aimed at further enhancing its competitive positioning while taking advantage of the newest digital trends within IT infrastructure segment, such as Hybrid Cloud, Edge Computing and Cybersecurity. The entrance into new verticals of the IT services market may represent an additional growth opportunity, with Banking & Securities, Utilities and Transportation being the key targeted areas. In this context, M&A may speed up the organic development process, with Digital Value potentially relying on an estimated firepower of >€150m to finance new consolidation opportunities.

Main pillars of Digital Value strategy

Strengthen group's positioning in the current verticals served through its multivendor offering

Catch sector's growth offered by the latest digital trends

Exploit the acceleration in PA digitalization offered by NextGenEU opportunity

Expansion into new vertical end-markets

M&A to speed up the organic development process

Source: Mediobanca Securities

We expect Digital Value's strategy to be based on the following pillars:

- ◆ **Strengthen group's positioning in the current verticals served** Digital Value is quickly adopting a platform approach to the VAR role for enhancing value creation and strengthening its competitive edge in the domestic market. Through its *Hyper-VAR* model, Digital Value aims at becoming a trusted partner in the large account segment able to read the customer needs. In particular, the company can leverage its multivendor portfolio, strategic alliances with top IT vendors, integrated logistic platform and wide sales network to design/deliver the best state-of-the-art technological offering.
- ◆ **Catch sector's growth offered by the latest digital trends of *Hybrid Cloud, Edge Computing, and Cybersecurity*** - We expect Digital Value to capitalise on the latest emerging digital trends in IT infrastructure architecture, including *Hybrid Cloud, Edge Computing*. At the same time, growth in cloud solutions should come along with a growing customers' need for security-related products, with VARs' capability to deliver both best in class international solutions and certified sovereign solutions seen increasingly becoming a crucial competitive factor.
- ◆ **Exploit the acceleration in PA digital transformation offered by NextGenEU opportunity** - While at this stage it is too early to assess the potential impact of a IT market acceleration driven by NextGenEU investment program, we expect Digital Value to be among the main

Price: € 117.00

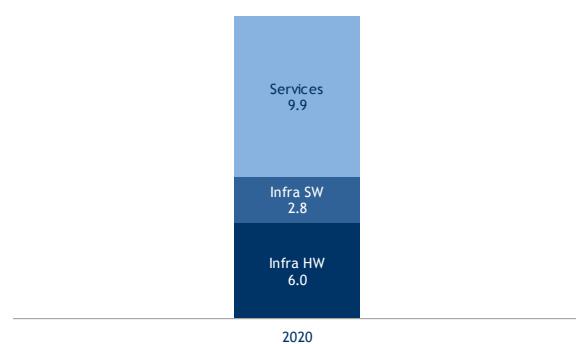
Target price: € 133.50 (from € 76.00)

Outperform

beneficiaries of this boost in demand, considering its strong track record already achieved in the field of PA.

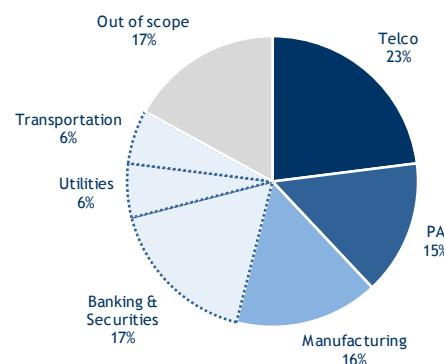
- ◆ **Expansion into new verticals to add c.€5.4bn of addressable market-** Digital Value's addressable market (including infrastructure HW, SW and Services) is worth c.€19bn, out of which large account, the segment targeted by DV, should account for 40-45% of the total market. Based on the current scope of operations, Digital Value's vertical markets addressed (Telco, PA, Manufacturing) cover only 54% of the total market. Going forward, the management plans to exploit its know-how developed to expand business operations in new promising vertical end-markets. In this context, key targeted segments include Banking & Securities, Utilities and Transportations, which jointly account for a 29% share of the market (c.€5.4bn).

Addressable IT market value (€bn)



Source: Company presentation

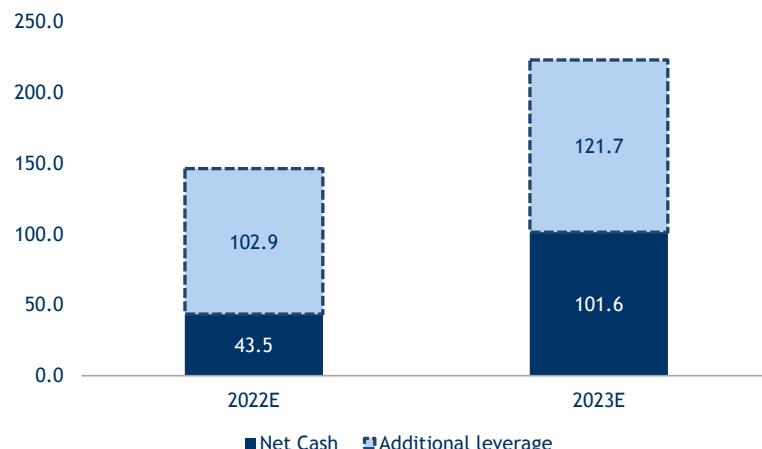
Addressable verticals (%)



Source: Company presentation

- ◆ **M&A to speed up the organic development process** - We expect M&A activities to play a central role in speed up Digital Value's organic growth prospects, with the company potentially exploiting its unlevered balance sheet to support value accretive deals. In line with the past acquisition of Dmira and TT Tecnosistemi, we expect M&A to be instrumental to achieve the following goals: i) enrich the product portfolio and add new skilled FTEs; ii) speed up the entry into new verticals, and iii) strengthen DV presence on the Italian territory. Assuming a theoretical maximum leverage of 1.5x NFP/EBITDA, we estimate a potential firepower in excess of €150m to finance new M&A deals over FY22-23E.

Potential M&A firepower in FY22-23E (€m)



Source: Mediobanca Securities

FY21-23E ESTIMATES: DIGITAL TRANSFORMATION TO FUEL A 19% ORGANIC SALES CAGR

We expect Digital Value to keep growing at a sustained double-digit organic rate, with the company seen well-positioned to capitalise the strong underlying trends in digital transformation. We project Digital Value's revenues to grow at a 19% organic CAGR over 2020-23, outperforming the reference market. We do not factor in any acceleration in market growth trend deriving from the implementation of NextGenEU investment program, which, thus, may represent a key source of upside risk on future growth assumptions.

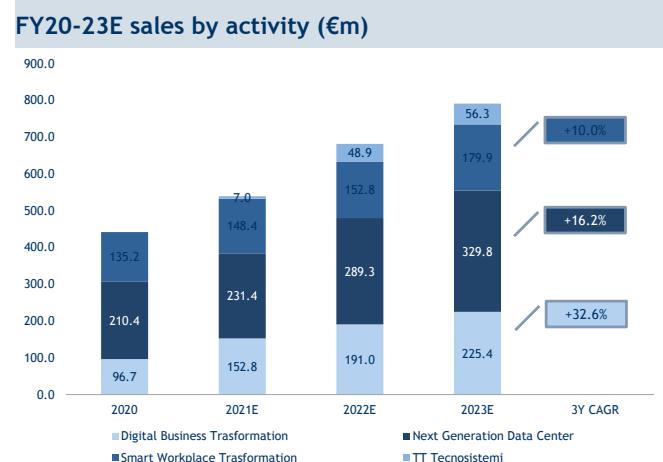
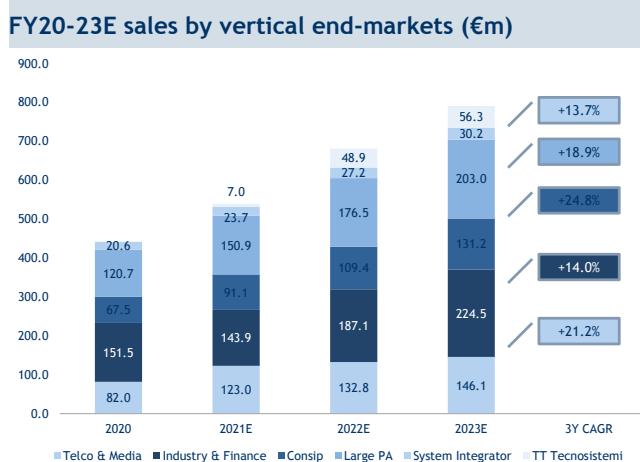
On profitability, we project EBITDA margin to remain broadly stable at c.10%. At the bottom line, we forecast a 25% EPS CAGR over the same period. On cash generation, we assume a temporary build up in NWC to support the strong growth profile in '21E, chiefly due to the award of sizeable multi-year contracts. Going forward, we expect the growing trend in EBITDA coupled with NWC efficiencies to translate into rising FCF over 22-23E, further enlarging M&A firepower, as we project the company to reach a €102m net cash position in '23E.

FY21-23E sales seen growing at a high-teen CAGR

We expect Digital Value's growth prospects to be in line with the strong performances recorded in the past years, with the company fully exploiting the structural growth trend of digital transformation and with its strategy granting an outperformance vs the reference market. Over FY21-23E, we project revenues to growth at a 21% CAGR (of which 19% organic) to reach €791m, with growth seen at 22%/26%/16% (20%/19%/16% organic) in FY21E/22E/23E. In terms of vertical end-markets, we assume the following dynamics:

- ◆ Telco & Media is seen growing at 21% 3Y CAGR, with sales seen reaching €146m in FY23E;
- ◆ Industry & Finance is seen growing at 14% 3Y CAGR, with sales seen reaching €225m in FY23E;
- ◆ Consip is seen growing at 25% 3Y CAGR, with sales seen reaching €131m in FY23E;
- ◆ Large PA is seen growing at 19% 3Y CAGR, with sales seen reaching €203m in FY23E;
- ◆ System Integrator is seen growing at 14% 3Y CAGR, with sales seen reaching €30m in FY23E;
- ◆ In our estimates we also include the latest acquisition of TT Tecnosistemi (€45m revenues recorded in '20). Assuming a consolidation from November '21, we estimate a €7m sales contribution for FY21E, before growing to €49m in FY22E and €56m in FY23E.

In terms of activity, we assume the following dynamics: i) Digital Business Transformation should be the fastest growing sector (+33% 3Y CAGR), followed by ii) Next Generation Data Center (+16% 3Y CAGR) and iii) Smart Workplace Transformation (+10% 3Y CAGR).



Source: Mediobanca Securities

Source: Mediobanca Securities

Price: € 117.00

Target price: € 133.50 (from € 76.00)

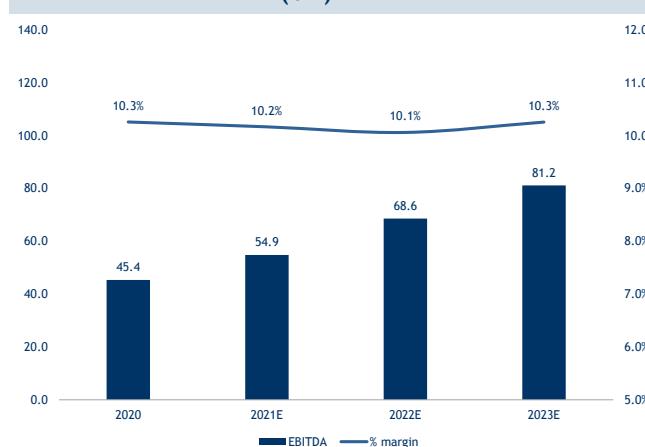
Outperform

25% EPS 3Y CAGR

We project Digital Value's EBITDA to grow at 21% CAGR over the FY21-23E to reach €81m in FY23E. The margin is seen broadly flat at 10.3%, assuming a slight margin dilution in FY21-22E due to TT Tecnosistemi consolidation, which should normalise in FY23E thanks to efficiencies.

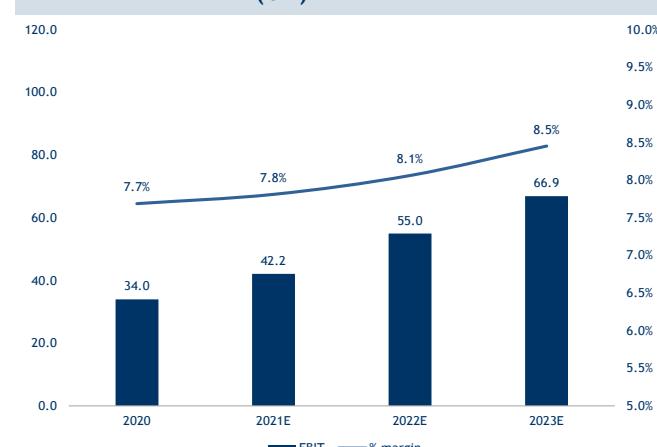
Looking at EBIT, we estimate D&A to slightly grow from €13m in FY21E to €14m in FY23E, while keeping the incidence on sales stable at c.2%. This should translate into a EBIT 3Y CAGR of 25%, with the margin seen growing from 7.8% in FY21E to 8.5% in FY23E.

FY20-23E EBITDA trend (€m)



Source: Mediobanca Securities

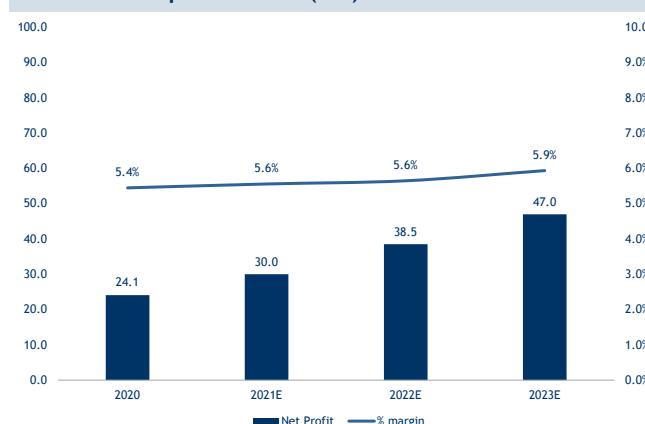
FY20-23E EBIT trend (€m)



Source: Mediobanca Securities

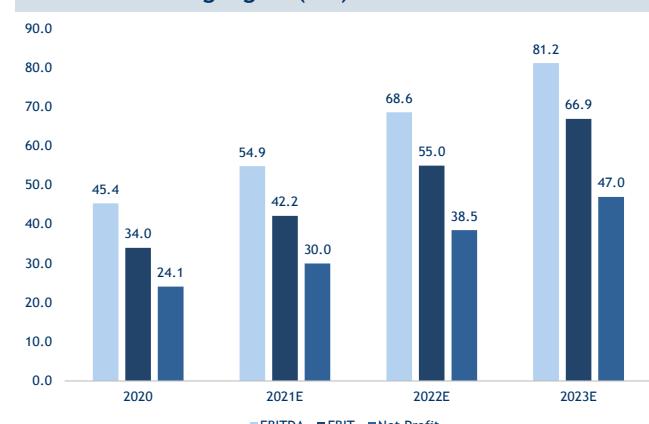
Below EBIT level, we assume net financial costs to affect only marginally Digital Value's P&L, as we project average net financial expenses of c.€0.5m/year. With reference to taxes, we project c.28% as normalised tax rate level over the next three years. Overall, we project net profit to grow at a 25% CAGR over the next 3 years to reach €47m in FY23E.

FY20-23E net profit trend (€m)



Source: Mediobanca Securities

FY20-23E P&L highlights (€m)



Source: Mediobanca Securities

Strong cash generation despite temporary NWC absorption

In '21E we assume a temporary build up in NWC, mainly to reflect higher inventory level and prepaid expenses related to the recent award of multi-year contracts. In particular, we are now assuming NWC on sales incidence to increase from 6% in 2020 to 13% in '21E, before normalising to 9% in '23E.

FY20-23E NWC trend (€m)

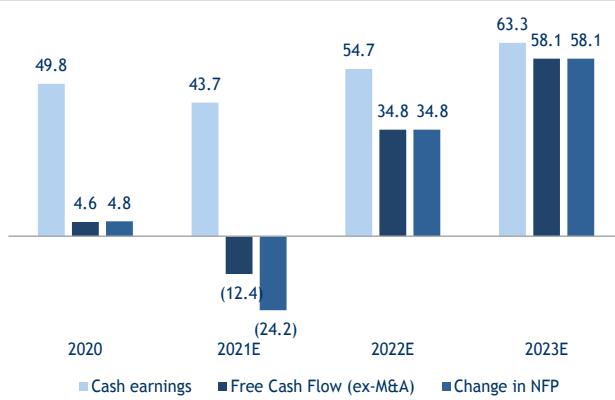
	2020	2021E	2022E	2023E
Inventories	50.1	75.5	92.1	102.9
Trade Receivables	96.2	118.7	150.0	174.1
Trade Payables	(222.2)	(271.1)	(342.7)	(397.6)
Trade WC	(75.9)	(76.9)	(100.6)	(120.7)
as % of sales	(17.2%)	(14.2%)	(14.7%)	(15.2%)
Other pre-paid expenses	109.7	156.5	191.0	205.8
Other liabilities	(5.9)	(7.2)	(9.5)	(11.1)
NWC	27.9	72.4	80.8	74.0
as % of sales	6.3%	13.4%	11.9%	9.4%

Source: Mediobanca Securities

We estimate recurring capex to remain stable at c. €12m/year, or c. 2% of sales. In line with the past, we do not assume any dividend cash-out over the next three years. We include into our estimates the €8.5m cash-out for the acquisition of TT Tecnositemi announced in November '21.

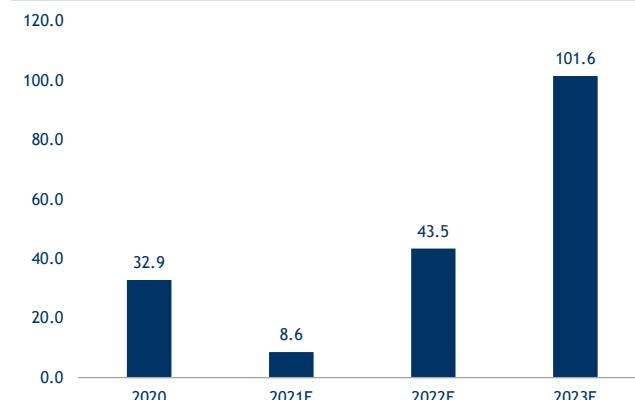
We estimate FCF (before M&A) to grow from €12m absorption in FY21E to €58 in FY23E, reflecting growth in EBITDA and NWC normalisation. Overall, we project Digital Value to reach a net cash position of €8.6m in YE21E, down from €33m reported in YE20, before growing to €44m and €102m in FY22-23E.

FY20-23E cash generation trend (€m)



Source: Mediobanca Securities

FY20-23E net cash position trend (€m)



Source: Mediobanca Securities



Digital Value

Price: € 117.00

Target price: € 133.50 (from € 76.00)

Outperform

Summary of the main changes in FY21-23E

€m	FY21E			FY22E			FY23E		
	New	Old	% chg.	New	Old	% chg.	New	Old	% chg.
Total sales	539.6	549.4	-1.8%	682.0	649.8	4.9%	791.4	743.9	6.4%
EBITDA	54.9	56.4	-2.7%	68.6	67.3	1.9%	81.2	77.0	5.3%
EBITDA margin	10.2%	10.3%		10.1%	10.4%		10.3%	10.4%	
EBIT	42.2	43.2	-2.4%	55.0	53.4	2.9%	66.9	62.9	6.4%
EBIT margin	7.8%	7.9%		8.1%	8.2%		8.5%	8.5%	
Net profit	30.0	30.7	-2.4%	38.5	38.1	1.1%	47.0	44.9	4.7%
Net Debt/(Cash)	(8.6)	(53.5)		(43.5)	(88.1)		(101.6)	(129.2)	

Source: Mediobanca Securities

Price: € 117.00

Target price: € 133.50 (from € 76.00)

Outperform

OUTPERFORM CONFIRMED, NEW TP OF €133.5/SHARE

We confirm the Outperform rating on Digital Value with a new TP of €133.5/share (from previous €76.0/share), which we have obtained as the simple average of a DCF-based valuation (7.7% WACC; 2.5% g) and a relative valuation based on '23E EV/EBIT peers' multiples.

Digital Value boasts a proven solid competitive positioning within the Italian IT sector and we believe that it is well positioned to benefit from the upcoming boost in digital transformation driven by NextGenEU investment program in the coming years. In this context, we conservatively do not factor into our growth estimates any intake acceleration from future recovery plan contracts, which should be seen as an upside to our current forecasts.

The recent acquisition of TTT enabled DGV to strengthen its positioning in central Italy and cover new industrial segments. We believe that a continuation in the value-accretive M&A campaign may provide further upside, considering DGV option to exploit its unlevered balance sheet to consolidate the Italian IT infrastructure segment.

Since the start of the year, DGV shares steadily re-rated as investors appreciated the robust track record in terms of organic growth and the supportive newsflow on recovery plan implementation. Yet, trading at 16x '23E EV/EBIT, we still see value in the stock, as we believe that current multiples do not fairly reflect the solid organic growth prospects ahead. Therefore, we reaffirm the Outperform rating on the name.

Recap of TP calculation

	€/share
DCF	134.9
Multiples	132.1
TP	133.5

Source: Mediobanca Securities

DCF analysis points to €134.9/sh target price

Our DCF analysis is based on the following assumptions:

- ◆ A WACC of 7.7%, which is the result of: 1) a risk free rate of 4.0%; 2) an equity risk premium of 4.0%; 3) a beta of 1.0 and a target leverage ratio of 5% and a net cost of debt of 1.9%;
- ◆ A terminal growth rate of 2.5%;
- ◆ We considered T+7 as the reference year for computing the terminal value of our model. We assumed a medium/long term sales CAGR of 7% with an exit level of EBITDA margin close to 11%: while we acknowledge that the group might overstep this target, we await more evidence of the execution of the group's growth strategy before assuming an exit margin above current levels.

Price: € 117.00

Target price: € 133.50 (from € 76.00)

Outperform

Digital Value - DCF-based valuation (€m)

DFC	2022E	2023E	2024E	2025E	2026E	2027E	2028E	TV
NOPLAT	39.6	48.2	56.4	64.4	71.4	77.0	81.3	
D&A ex-IFRS16	12.4	13.0	13.2	13.3	13.4	13.6	13.7	
Operating Cash Flow	52.0	61.2	69.6	77.7	84.8	90.6	95.0	
Capex/Acquisitions	-11.5	-12.0	-12.0	-12.0	-13.4	-13.6	-13.7	
Change in NWC	-8.4	6.8	8.8	10.1	-1.0	-3.9	-3.0	
Cash flow to firm	32.1	56.0	66.4	75.7	70.4	73.1	78.3	1,544.6
Time adjustment	1	2	3	4	5	6	7	7
Discount factor	1.00	0.93	0.86	0.80	0.74	0.69	0.64	0.64
Discounted cash flow to firm	32.1	52.0	57.2	60.6	52.3	50.4	50.2	990.0

Source: Mediobanca Securities

Digital Value - summary DCF

(€m)	
Perpetual growth rate (%)	2.5%
WACC (%)	7.7%
Terminal value end of projection period	1,544.6
Discounting rate of terminal value	0.64
Discounted terminal value	990.0
Cumulated DFOCF	355.0
Enterprise Value	1,344.9
NFP (ex-IFRS 16)	10.7
Minorities	(8.7)
Pensions Liabilities	(2.1)
Equity Value	1,344.8
Value per share (€)	134.9

Source: Mediobanca Securities

The sensitivity of our DCF analysis to different long term growth rates and different WACC levels is provided below.

DCF sensitivity to WACC and g

		Terminal growth rate						
		1.00%	1.50%	2.00%	2.50%	3.00%	3.50%	4.00%
WACC	6.2%	133.4	144.4	158.0	175.2	197.8	228.9	274.1
	6.7%	124.9	133.9	144.9	158.6	175.9	198.6	229.8
	7.2%	117.6	125.3	134.4	145.5	159.2	176.6	199.4
	7.7%	111.5	118.1	125.7	134.9	146.0	159.8	177.3
	8.2%	106.2	111.9	118.5	126.2	135.4	146.5	160.4
	8.7%	101.7	106.6	112.3	118.9	126.6	135.9	147.1
	9.2%	97.6	102.0	106.9	112.6	119.3	127.1	136.3

Source: Mediobanca Securities

Peers multiples analysis points to €132.1/sh target price

We have identified a group of European listed peers active in the system integration segment. In our view, these players can be taken as a reasonable valuation benchmark for Digital Value considering 1) the exposure to the strong underlying trend in digital transformation and 2) the similarity of their business models. An overview of the panel is provided below.

Overview of Digital Value's peers					
Company	Country	2020 Sales (€m)	Employees	Business mix (% of sales)	Geographic exposure (% of sales)
Computacenter	UK	6,483	>16k	Technology sourcing (77%), Services (23%)	UK (30%), Germany (29%), North America (29%), France (10%), International (3%)
Bechtle	GER	5,819	12.2k	IT System House & Managed Services (63%), IT e-commerce (37%)	Germany (67%), International (33%)
Softcat	UK	1,378	1.7k	Software (43%), Hardware (48%), Services (9%)	-
SeSa	ITA	2,037	3.6k	VAD (74%), SSI (33%) Business Services (3%)	-
REPLY	ITA	1,250	>9.5k	-	-

Source: Mediobanca Securities, companies' data

Regarding the business mix of the selected peers, we would flag that:

- ◆ **Size** - In terms of turnover size, all the players have a larger size compared to Digital Value, with annual turnover included in the €1-5bn range;
- ◆ **Offering portfolio** - All the players taken into consideration enjoy a nice portfolio diversification in terms of solutions offered across the digital transformation value chain;
- ◆ **International presence** - With the only exception of SeSa, which, like Digital Value focuses its operations on its domestic market, the companies included in the panel have a diversified exposure across different markets

Besides, a comparison of main P&L and balance sheet items of SeSa with respect to the two selected peer panels highlights the following:

- ◆ **Growth prospects above peers** - On average, the cluster show a high-single-digit growth prospects over 21-23E, supported by the solid underlying sector growth trends. Compared to the cluster, our growth assumptions on DGV (+21% o/w 19% organic) imply a marked outperformance
- ◆ **Higher profitability** - Digital Value has a profitability that is above peers' average, showing margins higher than the whole peers' panel with the only exception of Reply and Softcat
- ◆ **Unlevered balance sheet in line with most of the peers** - Digital Value shows an unlevered balance sheet, which is in line with most of the peers included in the panel

Price: € 117.00

Target price: € 133.50 (from € 76.00)

Outperform

Peers' financial highlights

Company	CCY	Market cap (€m)	Sales CAGR 3Y	EBITDA CAGR 3Y	EBITDA margin %		EBIT margin %		D/EBITDA FY1
Computacenter	EUR	4,167	8.8%	8.4%	5.1%	5.0%	3.8%	3.7%	-0.7
Bechtle	EUR	8,039	9.2%	9.6%	6.7%	6.6%	5.2%	5.1%	0.3
Softcat	GBP	4,338	7.3%	6.6%	10.2%	10.2%	9.7%	9.8%	-0.8
Reply (MBe)	EUR	6,659	15.0%	15.4%	16.9%	16.8%	13.8%	13.9%	-1.0
SeSa (MBe)	EUR	2,820	12.1%	19.6%	7.2%	7.3%	5.1%	5.4%	-0.8
Median			9.2%	9.6%	7.2%	7.3%	5.2%	5.4%	

Source: Mediobanca Securities, Refinitiv, prices as 08 December 2021

Within the selected panel, multiples range between 9x and 24x 2023E EV/EBITDA, 12x and 25x 2023E EV/EBIT and between 20x and 34x 2023E P/E.

Peers' main trading multiples

Company	EV/Sales			EV/EBITDA			EV/EBIT			P/E		
	FY1	FY2	FY3	FY1	FY2	FY3	FY1	FY2	FY3	FY1	FY2	FY3
Computacenter	0.5	0.5	0.4	9.8	9.4	8.7	13.4	12.8	11.8	20.5	20.4	19.7
Bechtle	1.3	1.1	1.0	19.0	17.5	15.9	24.6	22.6	20.4	34.6	32.5	29.5
Softcat	2.9	2.7	2.5	28.4	26.2	23.8	29.9	27.4	25.0	38.0	35.9	33.9
REPLY (MBe)	4.4	3.8	3.3	26.1	22.5	19.6	32.0	27.2	23.3	44.8	39.4	34.4
SeSa (MBe)	1.1	0.9	0.8	14.8	12.6	10.7	20.8	17.1	14.1	33.6	29.2	25.3
Median (SSI)	1.3	1.1	1.0	19.0	17.5	15.9	24.6	22.6	20.4	34.6	32.5	29.5

Source: Mediobanca Securities, Refinitiv, prices as of 08 December 2021

Importantly, to prevent distortions in our valuation from the presence of outliers in the panel, we base our peer multiples valuation on median multiples. In order to better reflect Digital Value's strong growth profile, we take as a reference 2023E EV/EBIT consensus multiples, on which we believe to be fair to apply 10% discount to reflect DGV's lower size compared to the cluster.

Summary of our peer's multiple valuation

	2023E
DGV EBIT (€m)	66.9
Peers' multiple	20.4
% discount	10%
Fair Multiple	18.3
EV	1,226
NFP	101.6
Minorities	(8.7)
Provisions	(2.1)
Equity Value	1,317
Value per share (€)	132.1

Source: Mediobanca Securities

Price: € 117.00

Target price: € 133.50 (from € 76.00)

Outperform

To sum up, our TP of €133.5/share considers the simple average of i) DCF valuation (€134.9/share TP, with 8.0% WACC and g 2.5%), and ii) peers' multiples based on '23E EV/EBIT (€132.1/share).

Recap of TP calculation

	€/share
DCF	134.9
Multiples	132.1
TP	133.5

Source: Mediobanca Securities

Price: € 117.00

Target price: € 133.50 (from € 76.00)

Outperform

SUMMARY OF FINANCIALS

P&L (€m)	2020	2021E	2022E	2023E
Sales	442.3	539.6	682.0	791.4
EBITDA	45.4	54.9	68.6	81.2
% margin	10.3%	10.2%	10.1%	10.3%
Depreciation & Provisions	(11.4)	(12.7)	(13.6)	(14.2)
EBIT	34.0	42.2	55.0	66.9
% margin	7.7%	7.8%	8.1%	8.5%
Net Financial Interest	(0.5)	(0.5)	(0.5)	(0.5)
Other Financials	0.0	0.0	0.0	0.0
Earning Before Tax (EBT)	33.6	41.7	54.5	66.5
Extraordinary Items	0.0	0.0	0.0	0.0
Tax	(9.4)	(11.7)	(15.3)	(18.6)
Tax rate	28%	28%	28%	28%
Minorities	(0.0)	(0.0)	(0.7)	(0.9)
Net Profit (reported)	24.1	30.0	38.5	47.0

Source: Mediobanca Securities

B/S (€m)	2020	2021E	2022E	2023E
Fixed Assets	50.6	70.9	70.0	69.0
Trade WC	(75.9)	(76.9)	(100.6)	(120.7)
Other Current Assets	109.7	156.5	191.0	205.8
Total Assets	84.4	150.5	160.4	154.1
Shareholders' equity	93.5	123.5	162.1	209.1
Minorities	0.2	8.7	9.5	10.3
NFP	(32.9)	(8.6)	(43.5)	(101.6)
Other liabilities	5.9	7.2	9.5	11.1
Provisions	17.6	19.8	22.8	25.2
Total Equity and Liabilities	84.4	150.5	160.4	154.1

Source: Mediobanca Securities

Digital Value



MEDIOBANCA
SECURITIES

Price: € 117.00

Target price: € 133.50 (from € 76.00)

Outperform

Cash flow statement (€m)	2020	2021E	2022E	2023E
Cash earnings	49.8	43.7	54.7	63.3
NWC changes	(32.2)	(44.6)	(8.4)	6.8
Capex	(13.0)	(11.5)	(11.5)	(12.0)
FCF	4.6	(12.4)	34.8	58.1
M&A	0.0	(20.3)	0.0	0.0
Dividends	0.0	0.0	0.0	0.0
Others	0.2	8.5	0.0	0.0
Change in NFP	4.8	(24.2)	34.8	58.1

Source: Mediobanca Securities

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