EQUITY RESEARCH
Italy | Technology

EQUITA

DIGITAL VALUE

2H22 results

BUY *(Unchanged)*

Target: **€ 92** *(prev. 98)*

Risk: High

STOCK DATA	
Price € (as of 24 March 2023)	67.7
Bloomberg code	DGV IM
Market Cap. (€ mn)	675
Free Float	35%
Shares Out. (mn)	10.0
52-week range	53.9 - 95
Daily Volumes ('000)	5.2

PERFORMANCE	1M	3M	12M
Absolute	-5.6%	0.9%	8.1%
Rel. to FTSE all shares	-0.1%	-8.0%	-35.0%

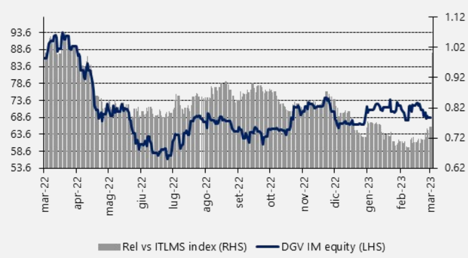
MAIN METRICS	2022	2023E	2024E
Revenues	709	830	927
EBITDA	74	88	99
Net income	34	44	51
Adj. EPS - € cents	341	446	516
DPS ord - € cents	85	111	129

MULTIPLES	2022	2023E	2024E
P/E adj	19.9 x	15.2 x	13.1 x
EV/EBITDA	9.3 x	7.6 x	6.6 x

REMUNERATION	2022	2023E	2024E
Div. Yield ord	1.3%	1.6%	1.9%
FCF yield	2.8%	3.1%	4.0%

INDEBTEDNESS	2022	2023E	2024E
NFP	16	29	45
ND/EBITDA	n.m.	n.m.	n.m.
Interests cov	43 x	59 x	66 x

PRICE ORD LAST 365 DAYS



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SOLID 2H22 RESULTS POINTING TO A STRONG FY23 AS WELL

2H22 results were better than expected at operating level, with EBITDA margin at historic high 10.5% and significant improvement in NWC. No guidance was provided on FY23, but management remains confident in a +15/20% yoy growth also in 2023, in line with our expectations. Given the very resilient business outlook, combined with the improvement posted in operating margins and NWC management, we reiterate our positive view on the stock. We set our TP at €92ps (prev. €98ps) – implied 2023-24E PE adj. 21x-18x – as a result of estimates' update (EPS adj. -7%, on average in 2023-24E) to account for higher capex/D&A and interest expenses.

■ 2H22 results better at operating and NWC level

- **Revenues: €371.2mn (+23% yoy) vs. €369.7mn exp.;**
- **EBITDA: €38.9mn (+22% yoy) vs. €36.9mn exp.;**
- **Net Income: €17.1mn (+3% yoy) vs. €20.3mn exp.;**
- **NFP: €16mn vs. €40mn exp. (€24mn reclassified)**

2H22 results were better than expected at operating level (EBITDA margin at 10.5% vs. 10.0% expected). NFP was worse due to: i) reclassified FY21 NFP (€16mn additional financial debt previously classified as long-term trade payable); ii) additional €10mn capex on behalf of tier 1 clients. On the other hand, NWC dynamics have improved. Net income was also below our estimates mainly due to higher D&A and non-recurring costs (>€1mn), as well as slightly higher interest payments. For the first time, the company also announced dividend distribution of €0.85ps based on FY22 results (1.2% dvd yield, 25% payout on FY22 Net Income), willing to signal company`s confidence in solid cash flow generation.

■ Feedback from the call: positive outlook for FY23

- **FY23**: management is confident of **revenue and EBITDA growth by approx. +15/20% yoy** (in line with our estimates of revenues +17% yoy and EBITDA +20% yoy); the first 2 months of 2023 are in line with expectations for FY23.
- **Operating margins**: the company aims **to maintain an EBITDA margin >10% yoy** in 2023 (vs. our 10.6%), also considering a higher contribution of value-added services.
- The company expects **normalization of capex** in 2023 and beyond in a **range of €15-20mn per year (vs. €26mn in 2022).**
- **The improvement in NWC is structural**, due to a higher share of services in the DGV offering and better management of the trade receivable/payable cycle.

■ Change in estimates: 2023-24E EPS adj. -7% on avg. TP €92ps (prev. €98ps)

After 2H22 results, we **fine-tuned our model (2023-24E EPS adj. -7% on avg.,)** to account for **higher capex/D&A** related to tier 1 customer investments, as well as a **slight increase in financial expenses**. On 2023E, our estimates now envisage revenues at €830mn (+17% yoy), EBITDA at €88mn (+20% yoy), Net Income adj. at €44mn (+27% yoy) and positive NFP at €29mn. We also trimmed the **TP to €92ps from €98ps**, **with implied 2023-24E PE adj. 21x-18x.**

■ Investment case: BUY confirmed

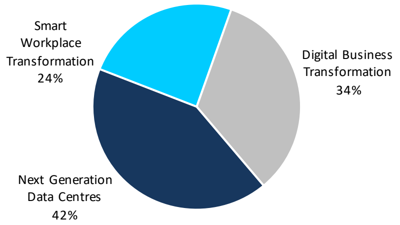
- **Double-digit organic growth in both top-line and operating margins in 2022-25E with CAGR of +13% in revenues, +14% in EBITDA and 19% in NI adj.;**
- **Exposure to Italian Recovery Fund**, with >€50bn of funds dedicated to digitalization in 2021-2026;
- **Maintenance of >10% EBITDA margin**, even in an inflationary environment;
- **Potential for further margin expansion** (not included in current estimates), due to further acceleration of offerings in value-added services;
- **Track record in M&A**, as evidenced by double digit revenue growth in TTTecnosistemi (acquired in late 2021) and improvement in EBITDA margin (from approx. 6/7% in 2021 to almost 10%, closer to DGV levels);
- **Diversification of customers**, by addressing new client sector verticals;
- **Significant improvement in NWC**, thanks to better trade receivables/payable cycle management, and increased services component within the offering.

MAIN FIGURES € mn	2020	2021	2022	2023E	2024E	2025E
Revenues	**442**	**558**	**709**	**830**	**927**	**1,010**
Growth	21%	26%	27%	17%	12%	9%
EBITDA	**45**	**57**	**74**	**88**	**99**	**110**
Growth	42%	27%	28%	20%	12%	11%
EBIT	**34**	**45**	**51**	**64**	**74**	**85**
Growth	26%	31%	15%	26%	16%	14%
Profit before tax	**34**	**43**	**48**	**63**	**73**	**83**
Growth	25%	29%	10%	31%	16%	14%
Net income	**24**	**30**	**34**	**44**	**51**	**58**
Growth	27%	25%	13%	31%	16%	14%
Adj. net income	**24**	**30**	**34**	**44**	**51**	**58**
Growth	27%	25%	13%	31%	16%	14%
MARGIN	**2020**	**2021**	**2022**	**2023E**	**2024E**	**2025E**
Ebitda Margin	10.3%	10.3%	10.4%	10.6%	10.7%	10.8%
Ebit margin	7.7%	8.0%	7.2%	7.8%	8.0%	8.4%
Pbt margin	7.6%	7.8%	6.8%	7.6%	7.9%	8.2%
Ni rep margin	5.4%	5.4%	4.8%	5.4%	5.6%	5.8%
Ni adj margin	5.4%	5.4%	4.8%	5.4%	5.6%	5.8%
SHARE DATA	**2020**	**2021**	**2022**	**2023E**	**2024E**	**2025E**
EPS - € cents	252	302	341	446	516	587
Growth	27.0%	20%	13%	31%	16%	14%
Adj. EPS - € cents	252	302	341	446	516	587
Growth	27.0%	20%	13%	31%	16%	14%
DPS ord - € cents	0	0	85	111	129	147
BVPS - €	9	12	16	19	23	31
VARIOUS - € mn	**2020**	**2021**	**2022**	**2023E**	**2024E**	**2025E**
Capital employed	63	128	151	175	199	214
Free Cash Flow	5	-12	19	21	27	44
Capex	13	27	32	20	21	22
Overall Working Capital	12	41	48	76	104	123
INDEBTNESS - €mn	**2020**	**2021**	**2022**	**2023E**	**2024E**	**2025E**
NFP	33	5	16	29	45	76
D/E	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
ND/EBITDA	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Interests cov	99.9 x	79.7 x	43.0 x	58.9 x	65.9 x	73.0 x
MARKET RATIOS	**2020**	**2021**	**2022**	**2023E**	**2024E**	**2025E**
P/E	15.9 x	22.4 x	19.9 x	15.2 x	13.1 x	11.5 x
P/E adj	15.9 x	22.4 x	19.9 x	15.2 x	13.1 x	11.5 x
PBV	4.1 x	5.5 x	4.3 x	3.5 x	2.9 x	2.4 x
P/CF	10.8 x	15.7 x	12.0 x	9.9 x	8.9 x	8.1 x
EV FIGURES	**2020**	**2021**	**2022**	**2023E**	**2024E**	**2025E**
EV/Sales	0.8 x	1.2 x	1.0 x	0.8 x	0.7 x	0.6 x
EV/EBITDA	8.1 x	12.1 x	9.3 x	7.6 x	6.6 x	5.7 x
EV/EBIT	10.8 x	15.6 x	13.4 x	10.4 x	8.8 x	7.4 x
EV/CE	5.8 x	5.4 x	4.5 x	3.8 x	3.3 x	2.9 x
REMUNERATION	**2020**	**2021**	**2022**	**2023E**	**2024E**	**2025E**
Div. Yield ord	0.0%	0.0%	1.3%	1.6%	1.9%	2.2%
FCF yield	1.3%	-1.8%	2.8%	3.1%	4.0%	6.5%
ROE	29.6%	27.7%	24.1%	25.3%	24.1%	22.8%
ROCE	45.8%	32.9%	26.0%	28.0%	28.2%	29.1%

Source: Company data and Equita SIM estimates

BUSINESS DESCRIPTION

REVENUES BREADKDOWN BY BUSINESS LINE



Digital Value is a leading player in the ICT Value Chain in Italy, acting as **a highly specialized Value-Added Reseller of IT products and services to large corporate accounts and public sector entities.** More specifically, DGV activities can be summarized as follows: **i) advisory activity** - help clients understand and design their IT needs; **ii) distribution and value-added-reselling activity** - find and resell to clients the most suitable IT technology or services; **iii) system integration activity** - implement and integrate those technologies within clients' IT infrastructures; iv) **IT service activity** - provide maintenance and upgrade services on installed technology.

The company has split its business into **3 divisions**: **i) Next Generation Data Centers (42% of 2022 revenues); ii) Smart Workplace Transformation (24% of 2022 revenues); iii) Digital Business Transformation (34% of 2022 revenues)**. **In terms of value proportion, DGV's main strengths include a multi-brand and best-of-breed technological offering**, also holding **>450 vendor certifications.** Another reason for DGV's success is its **long-term relationships with top clients, ensuring revenue stability.** It is worth mentioning the high client concentration (**top 1 client represents approx. 20/25% of revenues** and top 10 clients approx. 60/70% of revenues). However, to improve this weakness, the company is undergoing a gradual client diversification process.

The company was created in 2018 following the combination of the two separate entities, Italware and ITD Solutions. The **original founders** (Massimo Rossi, Carlo Brigada and Riccardo Benedini) are still **part of DGV's management team and shareholding** through the **vehicle, DV Holding (which owns 65% of Digital Value).** Although it has a short track-record as a single company, Digital Value has experienced astonishing growth over the past few years: **2018-22 revenue CAGR of +24%, +32% EBITDA CAGR and +24% NI adj. CAGR, maintaining a positive NFP.**

SWOT ANALYSIS

Strengths	Weaknesses
- Multi-brand and best-of-breed offering - Strong relationship with vendors, with >450 top vendor certifications - Solid client base with long-lasting relationships - Exposure to large accounts	- High client concentration - No geographical diversification (Italy only) - Unpredictability of capex - Volatile NWC dynamics - Limited track record as a single company
Opportunities	**Threats**
- Exposure to Italian Recovery Fund (NRRP) - M&A opportunities in a fragmented market - New verticals to be addressed soon - Start using indirect channels to grow faster	- Slowdown in demand for digitalization - Prolonged supply chain disruption - Shortage of skilled personnel - M&A execution risk - Key people leaving the company

2H22 RESULTS BETTER AT OPERATING LEVEL AND NWC

- **Revenues: €371.2mn (+23% yoy) vs. €369.7mn expected;**
- **EBITDA: €38.9mn (+22% yoy) vs. €36.9mn expected;**
- **Net Income: €17.1mn (+3% yoy) vs. €20.3mn expected;**
- **NFP: €16mn vs. €40mn exp. (€24mn reclassified).**

2H22 results were better than expected at operating level (EBITDA margin at 10.5% vs. 10.0% expected). **NFP was worse** due to: i) **reclassified FY21 NFP** by including additional €16mn debt, as a consequence of long-term vendor financing reclassified as financial debt vs. previous trade payable; ii) **additional €10mn capex investment on behalf of tier 1 clients** (in our understanding, most of those are one-off capex). On the other hand, **NWC dynamics seem to have improved**, thanks to a better trade receivable/payable management and higher contribution of services to company's revenues. **Net income was also below our estimates mainly due to higher D&A (linked to higher capex)** and non-recurring costs (>€1mn recorded under EBIT), as well as **slightly higher interest payments.**

For the first time, DGV also announced **dividend distribution of €0.85ps** based on FY22 results (1.2% dvd yield, 25% payout on FY22 Net Income), willing to signal company`s confidence in solid cash flow generation.

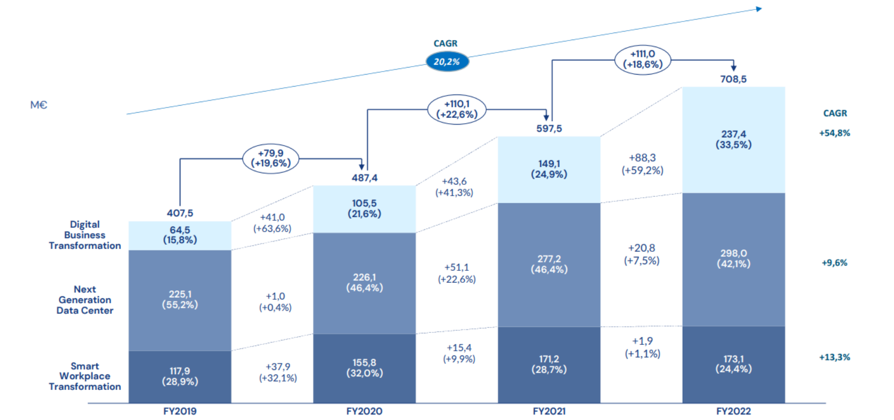
FEEDBACK FROM THE CALL: POSITIVE OUTLOOK FOR FY23

Management conveyed positive indications on business outlook. Main highlights:

- **FY23**: management is confident of **revenue and EBITDA growth of approx. +15/20% yoy (in line with our estimates of revenues +17% yoy and EBITDA +20% yoy); the first 2 months of 2023 are in line with expectations for FY23.**
- Operating margins: the company aims to maintain an **EBITDA margin >10% yoy in 2023 and beyond**, including also a higher contribution of value-added services. This is also **in line with our estimates of EBITDA margin slightly increasing to 10.6% in 2023E**.
- After the accounting adjustment on NFP, **no further accounting adjustments/ revisions are planned as of today.**
- The company expects **normalization of capex in 2023 and beyond in the range of €15-20mn per year** (**we now estimate ca. €17/18mn capex per year vs. precious estimate at €15mn**).
- **The improvement in NWC is structural**, due to a higher share of services in the DGV offering and better management of the accounts receivable/payable cycle.

At divisional level, the "Digital Business Transformation" business unit (e.g., providing IaaS/SaaS services and products – 34% of group's 2022 sales) was the main driver of 2022 growth, and is expected to post double digit growth also in 2023 (although at a slightly slower pace than in 2022, posting >+50% yoy growth). On the other hand, "Smart Workplace Transformation" (e.g., resale and maintenance services on PCs, printing devices, etc. – 24% of group's sales) was the division suffering some sluggishness in 2022 (with 2H22 posting -8% yoy), mainly due to a normalization period after the spike for ICT devices witnessed over the 2022-2021 Covid period. In 2023 management expects to achieve a modest single-digit growth, despite a still sluggish overall market. As for "Next Generation Data Center" (42%), the company expects a solid growth in 2023.

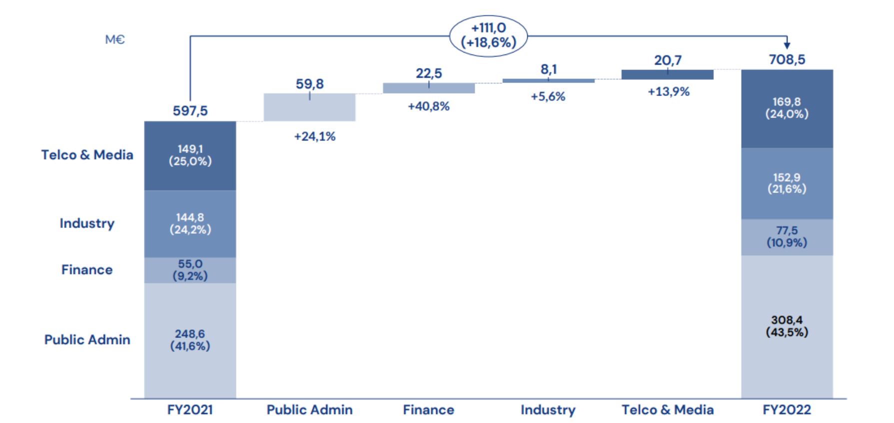
DIGITAL BUSINESS TRANSFORMATION TO DRIVE GROWTH ALSO IN 2023



Source: Company Presentation

In terms of client diversification, in 2022 the company was focused on developing some "promising" verticals, such as Finance sector clients and Utilities/Transportations (included in the "Industry" vertical). **DGV plans to increase its market share in the Finance and Utilities sectors further in 2023 and beyond**, given the propensity of such sectors to digitalization (for the traditional finance/banking sector is very important to innovate their ICT infrastructure and processes in order to mitigate the fintech competition; on the other side, for utilities/transportation sector digitalization goes hand-in-hand with the "electrification" and smart grid process). We believe that entering new sector verticals will allow both **to speed up growth and to further diversify the customer base (currently top 1 client – a telco player - accounts for >20% of revenues)**.

NEW CLIENT SECTOR VERTICALS TO ACCELERATE GROWTH AND DIVERSIFY CLIENT BASE



Source: Company Presentation

- Finally, **another driver of growth is for sure the spending in digital transformation by Public Administration**, both in the form of traditional IT spending and via Recovery Fund Projects. Some of the most recent PA projects won by DGV are summarized in the following table. We **listed projects won over the last 18 months**, since those projects generate revenues in the next 24/36 months after being awarded. Main highlights and assumptions:
- We estimate that DGV was awarded approx. **€714mn PA contracts in the period September 2021 and March 2023**;
- **We estimate that those €714mn can be reasonably split as follows: approx. €188mn in 2022, €238mn in 2023 (covering almost 30% of 2023E estimated revenues), €238mn in 2024 (26% of 2024E estimated revenues), €50mn in 2025 (5% of 2025E estimated revenues).**
- it is worth noting that for most of the projects DGV is the sole winner of the contracts, while for some contracts (usually the one with larger size) there is more than one winner, meaning that the amount is to be split among several parties. In such cases, we assumed that DGV is awarded contracts for approx. 15% of the entire amount.

- Most of the contracts have a duration of 24/36 months (also including any related maintenance services), with few expectations envisaging either shorter (minimum 12 months) or longer (up to 60 months) durations.
- For estimation purposes, we assumed an average contract duration of 36 months; we assumed implementation and revenue generation by contracts within 2/3 months form the final awarding (e.g., we assume a contract awarded in October 2022 to start generating revenue by January 2023).

PUBLIC ADMINISTRATION CONTRACTS WON OVER LAST 18 MONTHS

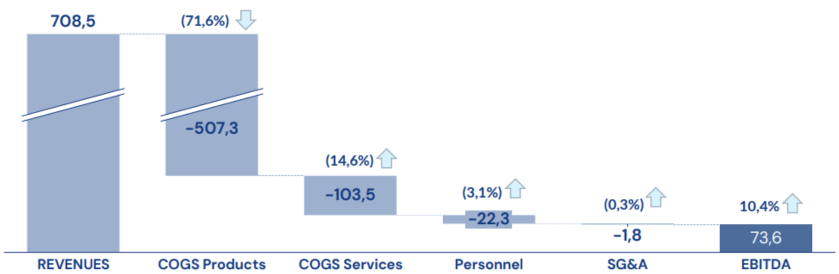
Contract awarded	Total amount €mn	2022 €mn	2023 €mn	2024 €mn	2025 €mn	Contract description
14/03/2023	0.9		0.3	0.3	0.3	Resale of DELL systems for Ministry of Education
24/02/2023	15.6		5.2	5.2	5.2	Resale/leasing of printing devices and related services
16/02/2023	a portion of 267 (we assume 15%)		13.4	13.4	13.4	Framework agreement for resale of PCs and mobile workstations for PA entities
15/02/2023	22.9		7.6	7.6	7.6	Framework agreement for resale of PCs and mobile workstations for PA entities
02/12/2022	a portion of 170 (we assume 15%)		8.5	8.5	8.5	Supply of CRM SaaS products
17/10/2022	42.0		14.0	14.0	14.0	Resale and maintenance services of server technology
06/10/2022	3.3		1.1	1.1	1.1	Maintenance of CA/Briadcom SW licences
13/07/2022	79.3	26.4	26.4	26.4		Resale of PC Desktops & Workstations
30/06/2022	a portion of 68 (we assume 15%)	3.4	3.4	3.4		Supply of BU SaaS services
21/06/2022	55.5	18.5	18.5	18.5		Supply of Vmware products and services
16/06/2022	9.7	3.2	3.2	3.2		Maintenance of CA/Briadcom SW licences
10/06/2022	4.4	1.5	1.5	1.5		Mainframe storage systems
29/03/2022	7.7	2.6	2.6	2.6		Maintenance services of BMC SW licences
02/03/2022	a portion of 585.3 (we assume 15%)	29.3	29.3	29.3		Framework agreement for maintenance of IP systems and workstations
24/11/2021	273.0	91.0	91.0	91.0		Oarcle IaaS/PaaS services/products
29/09/2021	36.6	12.2	12.2	12.2		Supply, deployment and management of infrastructure technologies
Total PA backlog end March 2023	**714**	**188**	**238**	**238**	**50**	
Total PA backlog end 2022	**447**					
Total Revenues (estimate)			**830**	**927**	**1,010**	
Revenues covered (estimate) %			**29%**	**26%**	**5%**	

Source: Equita SIM elaboration on Consip data

Finally, moving to profitability, it is worth noting that **value-added** services (including co-design of clients' ICT infrastructure, more sophisticated system integration and maintenance activities, etc.) **are becoming a more significant contributor to DGV** stream of revenues, also helping **improve operating margins and NWC management** (since services are paid by clients almost immediately – 30-days cycle on average – after DGV performs the required services).

This fact is indeed witnessed also by the **costs structure of the company, that in 2022 posted a significant decrease in "products" COGS (from approx. 80% of total costs in past years to approx. 70% of total costs in 2022), combined with a higher contribution of third-party services/services COGS. We believe this trend is going to continue in coming years.**

HIGHER SHARE OF SERVICE REVENUES IMPLIES HIGHER operating MARGINS AND BETTER NWC DYNAMICS



Source: Company Presentation

CHANGE IN ESTIMATES

After 2H22 results, **we fine-tuned our model (2023-24E EPS adj. -7% on average) to account for higher capex/D&A** related to tier 1 customer investments, as well as a **slight increase in financial expenses**. On 2023E, our estimates now envisage revenues at €830mn (+17% yoy), EBITDA at €88mn (+20% yoy), NI adj. at €44mn (+31% yoy) and positive NFP at €29mn.
We now estimate 2022-25E CAGR growth of: +13% in revenues, +14% in EBITDA, +19% in Net Income adj.. We highlight this growth is fully organic.

CHANGE IN ESTIMATES

Group/€ mn	2022	2023E Prev.	2023E Curr.	% change	2024E Prev.	2024E Curr.	% change	2025E Prev.	2025E Curr.	% change
Revenues	**706.9**	**829.3**	**829.6**	**0.0%**	**928.6**	**926.7**	**-0.2%**	**n.a.**	**1,010.1**	**n.a.**
change YoY	27%	17%	17%		12%	12%			9%	
Organic revenues	**649.9**	**829.3**	**829.6**	**0.0%**	**928.6**	**926.7**	**-0.2%**	**n.a.**	**1,010.1**	**n.a.**
change YoY	19%	28%	26%		12%	12%			9%	
M&A	**56.9**	**.0**	**.0**		**.0**	**.0**		**n.a.**	**.0**	**n.a.**
change YoY	n.a.	n.a.	n.a.		n.a.	n.a.			n.a.	
Total Costs	**(635.2)**	**(742.4)**	**(741.3)**	**-0.1%**	**(830.9)**	**(827.9)**	**-0.4%**	**n.a.**	**(900.5)**	**n.a.**
change YoY	27%	17%	17%		12%	12%			9%	
EBITDA	**71.7**	**86.9**	**88.3**	**1.5%**	**97.8**	**98.8**	**1.1%**	**n.a.**	**109.6**	**n.a.**
change YoY	25%	21%	20%		12%	12%			11%	
margin %	10.1%	10.5%	10.6%		10.5%	10.7%			10.8%	
D&A and Proovisions	(18.8)	(17.7)	(24.0)		(17.7)	(24.5)		n.a.	(25.0)	
EBIT	**52.9**	**69.3**	**64.3**	**-7.2%**	**80.1**	**74.4**	**-7.1%**	**n.a.**	**84.6**	**n.a.**
change YoY	19%	31%	26%		16%	16%			14%	
margin %	7.5%	8.4%	7.8%		8.6%	8.0%			8.4%	
EBT	**52.3**	**68.4**	**62.8**	**-8.2%**	**79.0**	**72.9**	**-7.8%**	**n.a.**	**83.1**	**n.a.**
change YoY	20%	31%	31%		15%	16%			14%	
margin %	7.4%	8.3%	7.6%		8.5%	7.9%			8.2%	
Net Income of the Group	**37.1**	**48.1**	**44.4**	**-7.7%**	**55.1**	**51.4**	**-6.7%**	**n.a.**	**58.5**	**n.a.**
change YoY	23%	30%	31%		15%	16%			14%	
margin %	5.3%	5.8%	5.4%		5.9%	5.6%			5.8%	
Net Income adj. of the Group	**37.1**	**48.1**	**44.4**	**-7.7%**	**55.1**	**51.4**	**-6.7%**	**n.a.**	**58.5**	**n.a.**
change YoY	n.a.		27%			16%			14%	
margin %	5%	6%	5%		6%	6%			6%	
NF Position reported	**40.0***	**63.3**	**28.9**		**93.7**	**44.6**		**n.a.**	**75.7**	

Source: Equita SIM estimates and company data
**€24mn after reclassification of €16mn from commercial debt to financiald ebt*

VALUATION

After the 2H22 results w**e have trimmed our TP to €92ps from €98ps (implied 2023-24E PE adj. 21-18x), mainly to account for the change in estimates**.

DGV PE MULTIPLE VALUATION

		Sensitivity		
(A) Target PE adj. multiple	20 x	16 x	20 x	24 x
(B) Adj. Net Income 2023	44	44.4	44.4	44.4
(C) (A) x (B) Total Equity Value (EUR mn)	**891**	**713**	**891**	**1,070**
(D) Distributed dividends	8.5	8.5	8.5	8.5
(E) (C) + (D) Total Stock Value (EUR mn)	**900**	**722**	**900**	**1,078**
(F) Discount (1+ke)	1.0	1.0	1.0	1.0
(G) (E) / (F) Total Equity Value (EUR mn)	**916**	**734**	**916**	**1,097**
(I) # shares (mn)	10	10.0	10.0	10.0
(L) Target (€ PS)	**92**	**74**	**92**	**110**
Implied PE adj. 2022E	27 x			
Implied PE adj. 2023E	21 x			
Implied PE adj. 2024E	18 x			
Implied EV/EBITDA adj. 2022E	13 x			
Implied EV/EBITDA adj. 2023E	10 x			
Implied EV/EBITDA adj. 2024E	9 x			
Current price (€)	**68**			
Potential upside	**36%**			

Source: Equita SIM estimates

STATEMENT OF RISKS

The main factors that could negatively affect our positive view on DGV are the following:

- Slowdown in demand for digitalization
- Client concentration (Top 1 client accounts for approx. 20/25% of revenues)
- Margin squeeze due to strong bargaining power of vendors and/or large clients
- Unpredictability of capex on behalf of clients
- Volatile NWC dynamics (i.e., extensive use of factoring and vendor financing)
- Prolonged supply chain disruption
- Shortage of skilled personnel
- Limited track-record as a single company (DGV born in 2018 from the integration of 2 separate firms)
- M&A execution risk

P&L	2020	2021	2022	2023E	2024E	2025E
Revenues	**442**	**558**	**709**	**830**	**927**	**1,010**
Growth	21%	26%	27%	17%	12%	9%
Total opex	-397	-500	-635	-741	-828	-901
Growth	19%	26%	27%	17%	12%	9%
EBITDA	**45**	**57**	**74**	**88**	**99**	**110**
Growth	42%	27%	28%	20%	12%	11%
Margin	10%	10%	10%	11%	11%	11%
Depreciation& amortization	-10	-12	-21	-23	-23	-24
Provisions	-1	-1	-1	-1	-1	-1
Depreciation&provision	**-11**	**-13**	**-23**	**-24**	**-24**	**-25**
EBIT	**34**	**45**	**51**	**64**	**74**	**85**
Growth	26%	31%	15%	26%	16%	14%
Margin	8%	8%	7%	8%	8%	8%
Total financial expenses	**0**	**-1**	**-2**	**-2**	**-2**	**-2**
Non recurring pre tax	0	0	-1	0	0	0
Profit before tax	**34**	**43**	**48**	**63**	**73**	**83**
Growth	25%	29%	10%	31%	16%	14%
Taxes	**-9**	**-13**	**-14**	**-18**	**-21**	**-24**
Tax rate	24%	36%	9%	31%	16%	14%
Minoritiy interests	**0**	**0**	**0**	**0**	**0**	**-1**
Non recurring post tax	0	0	0	0	0	0
Net income	**24**	**30**	**34**	**44**	**51**	**58**
Growth	27%	25%	13%	31%	16%	14%
Margin	5%	5%	5%	5%	6%	6%

CF Statement	2020	2021	2022	2023E	2024E	2025E
Cash Flow from Operations	37	44	57	69	76	84
(Increase) Decrease in OWC	-19	-29	-5	-28	-28	-18
(Purchase of fixed assets)	-13	-27	-32	-20	-21	-22
(M&A)	0	-4	-4	0	0	0
(Other net investments)	0	0	0	0	0	0
(Distribution of dividends)	0	0	0	-8	-11	-13
(Buy Back)	0	0	0	0	0	0
Rights issue	0	0	0	0	0	0
Other	0	-12	-4	0	0	0
(Increase) Decrease in Net Debt	**5**	**-28**	**12**	**12**	**16**	**31**

Source: Company data and Equita SIM estimates

INFORMATION PURSUANT TO EU REGULATION 2016/958 supplementing Regulation EU 596/2014 (c.d. MAR)

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Date	Rec.	Target Price (€)	Risk	Comment
May 23, 2022	BUY (n.a.)	95 (n.a.)	High	Initiation of coverage

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