



Digital Value

Sponsored Research

Italy | Technology

Analysar

22 September 2023

Buy

Recommendation unchanged

Share price: EUR 62.00

closing price as of 21/09/2023

Target price: EUR 110.00

Target Price unchanged

Upside/Downside Potential 77.4%

Reuters/Bloomberg

DGV.MI/DGV IM

Market capitalisation (EURm) 618

Current N° of shares (m) 10

Free float 35%

Daily avg. no. trad. sh. 12 mth (k) 5

Daily avg. trad. vol. 12 mth (k) 779.04

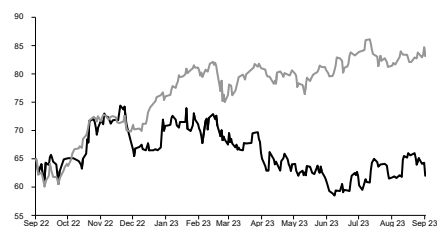
Price high/low 12 months 74.40 / 58.50

Abs Perfs 1/3/12 mths (%) 0.49/2.31/-4.62

Key financials (EUR)	12/22	12/23e	12/24e
Sales (m)	709	827	930
EBITDA (m)	74	86	98
EBITDA margin	10.4%	10.4%	10.5%
EBIT (m)	51	64	73
EBIT margin	7.2%	7.8%	7.8%
Net Profit (adj.)(m)	35	42	48
ROCE	21.3%	24.5%	26.8%
Net debt/(cash) (m)	(16)	(37)	(69)
Net Debt/Equity	-0.1	-0.2	-0.3
Debt/EBITDA	-0.2	-0.4	-0.7
Int. cover(EBITDA/Fin. int)	43.0	22.3	28.0
EV/Sales	0.9	0.7	0.6
EV/EBITDA	8.8	6.8	5.6
EV/EBITDA (adj.)	8.8	6.8	5.6
EV/EBIT	12.7	9.0	7.6
P/E (adj.)	19.0	14.8	12.9
P/BV	4.2	3.3	2.7
OpFCF yield	1.3%	4.8%	7.3%
Dividend yield	1.4%	1.7%	1.9%
EPS (adj.)	3.51	4.18	4.80
BVPS	15.73	19.07	22.83
DPS	0.85	1.04	1.20

Shareholders

DV Holding 65%;



Source: FactSet

— DIGITAL VALUE — FTSE Italy All Share (Rebased)

Analyst(s)

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H1 2023: nominal debt increase after two big contracts

The facts: publication of H1 2023 results.

Our analysis: DV had published the H1 2023 revenues, along with divisional detail, in early August. That release was better than our expectations, driven by a strong surprise from “Next Gen Data Center”. Based on this top-line development, the final P&L result came out broadly as expected with EBITDA margin better than our full year projection. DV disclosed that out of EUR 12.2m Y/Y EBITDA growth, EUR 8.1m came from higher revenues, EUR 4m from Mix impact against a negative EUR 1.9m impact from labour cost (half of this related to the rent of a branch of bankrupt company). Seen in other terms, the increased service components pushed the product GM up by 8pp to 32%, while the proportion of external services increased by 7.8pp to 17.8%: EBIT and Net Income grew however less than the EBITDA line due to higher D&A and increased cost of debt. The main focus of investors and the object of a deep explanation by management involved the change in Net Financial Position, which unexpectedly turned negative after EUR -46.8m Net Cash Flow (incl. EUR 8.5m dividend payment). The EUR 26.3m Operating Free Cash Flow in turn reflects EUR 41m capex and EUR 29.9m WCR. DGV said that two deals impacted the Opex and WCR for a total of EUR 41.1m so that the “Underlying” opFCF would be positive EUR 14.4m. DGV explained that the reported Capex includes EUR 20m related to new Data Center for a railway operator, accounted in the B/S in virtue of IFRS 16 requirement but sterilized on a cash basis by a corresponding leasing. On the other hand, a large contract with a defense group for DC to be installed in war ships in H2 23/28 created around EUR 25m increase in receivables which was matched by bank financing in amount and payment instalments.

DGV results 2022/23

	H1 2022	YY	H2 2022	YY	FY 2022a	H1 2023	Y/Y
Total Turnover	337.2	31.5%	371.4	23.2%	708.5	415.5	23.2%
EBITDA	34.7	35.4%	38.9	22.1%	73.6	44.9	29.4%
Margin	10.3%	0.3%	10.5%	-0.1%	10.4%	10.8%	0.5%
D&A	-10.1	94.3%	-11.4	64.0%	-21.5	-16.8	67.3%
Other provisions	0.0	nm	-1.0	23.5%	-1.0	0.0	nm
Adj EBIT	24.6	20.3%	26.4	9.9%	51.1	28.1	14.0%
Margin	7.3%	-0.7%	7.1%	-0.9%	7.2%	6.8%	-0.5%
Net Income	16.9	24.3%	17.1	3.2%	34.0	17.1	1.2%
Capex	-8.6	72.0%	-17.6	58.6%	-26.2	-41.3	380%
Net Debt (cash)	-20.9	-24.9%	-16.4	-22.8%	-16.4	30.4	nm

Source: Company Data

Conclusion & Action: the EBITDA performance is satisfying, while EBIT and Net Income reflect the impact of increased investments on D&A and financial charges. The large and unexpected change in NFP should not concern at this point since it mainly reflects large contracts, which gave the opportunity to strengthen relationships with key clients and provide longer term visibility. The impact on gross cash is negligible while the nominal impact on reported net debt should be absorbed as the contract gets executed in the next semesters.