

# Digital360

Sector: Technology



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## FY22 in line, now it's time for smooth integration

Digital360 leverages the internally developed largest Italian B2B online tech community in order to provide both custom and standardized demand generation and advisory / coaching services.

### Solid FY22 preliminary figures, in line with estimates

Digital360 has unveiled some FY22 preliminary data, both on a pro-forma and like-for-like basis, that are bang in line with Value Track estimates and, in our view, pretty solid, highlighting a ca. 10% y/y organic growth and the material contribution of acquired assets that led DIG to nearly double its size. More in details, preliminary data released for FY22 outline Pro-Forma Revenues at ca. €77mn, (+85% y/y, Like-For-Like ones at ca. €45.5mn), Pro-Forma EBITDA at ca. €14mn (Like-For-Like EBITDA at ca. €8.4mn) vs. €8mn in FY21 PF, and Net Debt at €14mn vs. Net Cash at €3.1mn as of end of December 2021, after ca. €20mn M&A cash-out.

### Three more M&A deals in Latam

In the latest weeks DIG has announced three further M&A deals, all regarding the expansion of the Demand Generation business unit in LATAM. Overall, the three acquired companies should add some €3mn revenues and €0.5mn EBITDA to DIG figures. Total cash out for the acquired stakes (two at 51%, one at 100%) stand at ca. €1.1mn.

### #23 Acquisitions: P&L up, Cash Flow down

The integration of the #23 companies acquired by DIG over the last two years will require some time to be optimized, with FY23 being the first full year of joint operations. Despite this, we see the Group as well structured to handle the new wave of organic growth that should be triggered by this increased volume of business. For 2023E-2024E, we now forecast:

- ◆ Value of Production at ca. €104mn in 2024E, ca. 43% CAGR<sub>21A-24E</sub> a;
- ◆ EBITDA at €21mn in 2024E, i.e. EBITDA margin getting back to 20%;
- ◆ Net Debt at €9.1mn in 2024E, affected by (i) higher-than-expected M&A deferred payments, (ii) the cash-out required by recent M&A deals and (iii) adverse NWC requirements.

### Fair Equity Value at €6.00 p/s (unchanged)

We are confirming Digital360 fair equity value p/s at €6.00, with peers' upward rerating being offset by higher debt forecasts. At fair value, DIG would trade at 9.4x EV/EBITDA, 10.9x EV/EBITA, 16.6x P/E Adj. 2023E. Much higher upside is, in our view, to be gained in the next two years as long as visibility on the smooth achievement of our 2024 estimates increases.

**Fair Value (€)** 6.00  
**Market Price (€)** 4.80  
**Market Cap. (€m)** 98.6

| KEY FINANCIALS (€mn) | 2021A | 2022E | 2023E |
|----------------------|-------|-------|-------|
| VALUE OF PRODUCTION  | 36.0  | 57.0  | 90.9  |
| EBITDA               | 6.9   | 10.0  | 17.5  |
| EBIT ADJ. (*)        | 5.0   | 7.9   | 15.1  |
| NET PROFIT ADJ. (*)  | 3.2   | 4.8   | 7.4   |
| EQUITY               | 16.4  | 23.9  | 30.5  |
| NET FIN. POS.        | 3.1   | -14.0 | -15.4 |
| EPS ADJ (€)(*)       | 0.17  | 0.23  | 0.36  |
| DPS (€)              | 0.00  | 0.00  | 0.00  |

Source: Digital360 (2021A), Value Track (2022E-23E estimates)  
 (\*) Adjusted for Goodwill Amortization

| RATIOS & MULTIPLES    | 2021A | 2022E | 2023E |
|-----------------------|-------|-------|-------|
| EBITDA MARGIN (%)     | 20.2  | 18.1  | 19.6  |
| EBITA MARGIN (%)      | 14.5  | 14.2  | 16.9  |
| NET DEBT / EBITDA (x) | nm    | 1.4   | 0.9   |
| NET DEBT / EQUITY (x) | nm    | 0.6   | 0.5   |
| EV/SALES (x)          | 2.6   | 1.6   | 1.3   |
| EV/EBITDA (x)         | 14.6  | 8.0   | 6.1   |
| EV/EBITA (x)          | 18.5  | 9.2   | 7.0   |

Source: Digital360 (2021A), Value Track (2022E-23E estimates)

### STOCK DATA

|                    |                 |
|--------------------|-----------------|
| FAIR VALUE (€)     | 6.00            |
| MARKET PRICE (€)   | 4.80            |
| SHS. OUT. (m)      | 20.6            |
| MARKET CAP. (€m)   | 98.6            |
| FREE FLOAT (%)     | 27.8            |
| AVG. -20D VOL. (#) | 11,068          |
| RIC / BBG          | DIG.MI / DIG.IM |
| 52 WK RANGE        | 3.99-4.80       |

Source: Stock Market Data



## Business Description

Digital360 is an Italian based B2B “Match-Making Platform” whose aim is to establish profitable connections between entrepreneurs and public administration demanding digital solutions on one side and digital / tech vendors eager for prospect clients on the other one.

The company operates through two main business units: Demand Generation and Advisory & Coaching, providing both custom and engineered/standardized services. Digital360 is currently evolving both divisions toward a “Digital-as-a-service” business model, based on annual or multiyear subscriptions and leading to recurring revenue.

## Key Financials

| Key Financials (€mn)                | 2021A       | 2022E        | 2023E        | 2024E        |
|-------------------------------------|-------------|--------------|--------------|--------------|
| <b>Total Revenues from Sales</b>    | <b>34.4</b> | <b>55.4</b>  | <b>89.2</b>  | <b>102.6</b> |
| Other Revenues                      | 1.6         | 1.7          | 1.7          | 1.7          |
| <b>Value of Production</b>          | <b>36.0</b> | <b>57.0</b>  | <b>90.9</b>  | <b>104.3</b> |
| <b>EBITDA</b>                       | <b>6.9</b>  | <b>10.0</b>  | <b>17.5</b>  | <b>21.0</b>  |
| EBITDA Margin (% of Total Revenues) | 20.2%       | 18.1%        | 19.6%        | 20.5%        |
| <b>EBIT</b>                         | <b>3.6</b>  | <b>5.0</b>   | <b>11.1</b>  | <b>14.4</b>  |
| EBIT Margin (% of Total Revenues)   | 10.5%       | 9.1%         | 12.4%        | 14.1%        |
| <b>Net Profit</b>                   | <b>1.8</b>  | <b>1.4</b>   | <b>3.4</b>   | <b>5.6</b>   |
| Chg. % YoY                          | -513.9%     | -22.1%       | nm           | 65.8%        |
| <b>Net Profit Adjusted</b>          | <b>3.2</b>  | <b>4.8</b>   | <b>7.4</b>   | <b>9.7</b>   |
| Chg. % YoY                          | nm          | 50.7%        | 56.4%        | 30.0%        |
| <b>Net Financial Position</b>       | <b>3.1</b>  | <b>-14.0</b> | <b>-15.4</b> | <b>-9.1</b>  |
| Net Fin. Pos. / EBITDA (x)          | nm          | 1.4          | 0.9          | 0.4          |
| Net Investments                     | -3.2        | -4.5         | -3.5         | -3.7         |
| <b>OpFCF b.t.</b>                   | <b>7.6</b>  | <b>-1.2</b>  | <b>10.8</b>  | <b>16.8</b>  |
| OpFCF b.t. as % of EBITDA           | 109.7%      | -12.3%       | 61.8%        | 80.1%        |

Source: Digital360 (historical figures), Value Track (estimates), (\*)Like-for-Like data

## Investment case

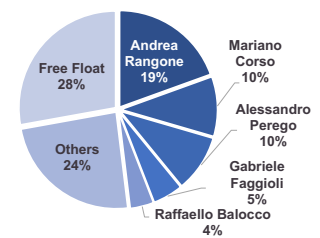
### Strengths / Opportunities

- ◆ Exposure to a fast-growing and resilient reference market;
- ◆ Largest Italian tech community to be commercially exploited;
- ◆ Deep knowledge of the tech space to unlock future growth opportunities;
- ◆ Outstanding track record in the M&A field.

### Weaknesses / Risks

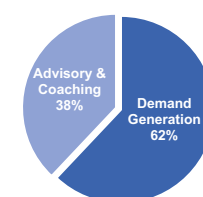
- ◆ Lower size if compared to competitors;
- ◆ Business model fine tuning implies an execution risk and may require additional managerial / technical capabilities, as well as additional funding.

## Shareholders Structure



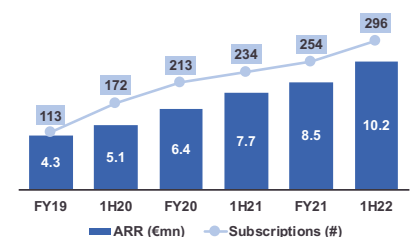
Source: Digital360

## Revenues by Business Unit



Source: Digital360 (1H22)

## ARR – Annual Recurring Revenues



Source: Digital360, Value Track Analysis

## Stock multiples @ €6.00 Fair Value

| Multiples (x, %) | 2022E | 2023E |
|------------------|-------|-------|
| EV / SALES (x)   | 1.8   | 1.5   |
| EV / EBITDA (x)  | 9.4   | 7.3   |
| EV / EBITA (x)   | 14.8  | 10.6  |
| EV / CE. (x)     | 3.6   | 3.2   |
| OpFCF Yield (%)  | 7.7   | 12.2  |
| P / E Adj. (x)   | 16.6  | 12.8  |
| P / BV (x)       | 5.0   | 4.1   |
| EV / EBITA (x)   | 10.9  | 8.3   |

Source: Value Track

## FY22 Preliminary in line with estimates

Digital360 has unveiled some preliminary data for FY22, namely Revenues, EBITDA and Net Financial Position, both on a pro-forma basis (i.e. including for 12 months the contribution of the #14 companies acquired throughout the year) and on a like-for-like one (i.e. with the same perimeter as of 31/12/2021).

Overall, FY22 preliminary figures are bang in line with Value Track estimates and, in our view, pretty solid, highlighting not only the organic growth but also the material contribution of acquired businesses, that we calculate (on a 12 months basis) at €31mn revenues and ca. €5.5mn EBITDA.

In more details the set of preliminary data released for FY22 outlines:

- ◆ **Pro-Forma Revenues at ca. €77mn**, i.e. +85% y/y vs. €41.4mn in FY21 PF;
- ◆ **Like-For-Like Revenues** (same perimeter of 31/12/2021) **at ca. €45.5mn (+10% y/y)**;
- ◆ **Pro-Forma EBITDA at ca. €14mn** vs. €8mn in FY21 PF, i.e. EBITDA Margin PF at ca. 18% vs. ca. 19% in FY21PF;
- ◆ **Like-For-Like EBITDA at ca. €8.4mn** vs. €8mn in FY21, i.e. +5% y/y, burdened by the focus of more senior executives towards the integration of acquisitions and by the additional costs related to the strengthening of corporate management;
- ◆ **Net Debt at €14mn** vs. Net Cash at €3.1mn in FY21, after ca. €20mn M&A cash-out and without including deferred payments on already finalized acquisitions (ca. €7mn) nor put & call options.

### Digital360: FY22P Key Financials vs. Value Track Estimates

| (IT GAAP, €mn)                | VT 2022E     | DIG 2022P    | Change (%)  |
|-------------------------------|--------------|--------------|-------------|
| Revenues from Sales Pro-Forma | 76.4         | 77.0         | +0.7%       |
| EBITDA Pro-Forma              | 14.0         | 14.0         | 0.0%        |
| EBITDA Margin Pro-Forma (%)   | 18.3%        | 18.1%        | -20bps      |
| <b>Net Financial Position</b> | <b>-13.5</b> | <b>-14.0</b> | <b>-0.5</b> |

Source: Digital360, Value Track Analysis

Looking at FY22 figures on a semester-by-semester basis, we note how 2H22P exhibit a better profile than 1H22 in terms of Revenues (€43.2mn vs. €33.8mn) but recorded a lower EBITDA. The decline in margins should be temporary and abated once newly acquired companies will be fully integrated.

### Digital360: FY21-FY22P Key Financials by Semester

| (IT GAAP, €mn)                | 1H21        | 2H21       | FY21       | 1H22       | 2H22P        | FY22P        |
|-------------------------------|-------------|------------|------------|------------|--------------|--------------|
| Revenues from Sales Pro-Forma | 16.2        | 25.2       | 41.4       | 33.8       | 43.2         | 77.0         |
| y/y (%)                       |             |            |            | 108%       | 72%          | 86%          |
| EBITDA Pro-Forma              | 3.7         | 4.3        | 8.0        | 7.1        | 6.9          | 14.0         |
| y/y (%)                       |             |            |            | 92%        | 60%          | 75%          |
| EBITDA Margin Pro-Forma (%)   | 23%         | 17%        | 19%        | 21%        | 16%          | 18%          |
| y/y (bps)                     |             |            |            | -179bps    | -111bps      | -114bps      |
| <b>Net Financial Position</b> | <b>-0.3</b> | <b>3.1</b> | <b>3.1</b> | <b>2.4</b> | <b>-14.0</b> | <b>-14.0</b> |

Source: Digital360, Value Track Analysis

## LATAM expansion keeps going

Back in 2022 Digital360 has started an ambitious path of internationalization in Spain and Latin America, with several companies joining the Group. Such path is continuing also in 2023, with three further M&A deals announced, all regarding the expansion of the Demand Generation business unit in LATAM. As a result, out of the 23 M&A deals announced by DIG in the latest two years, eight are concerning Latam based companies.

Hereby, it follows some details on the more recent deals announced.

### Ycon

#### Profile

On December 30<sup>th</sup>, DIG signed the acquisition for the 100% of Ycon SAS (“Ycon”), Argentina-based company specialized in the production of high-quality editorial contents and communication campaigns with the aim of supporting their B2B clients in improving their image and market positioning.

Currently, Ycon annual turnover is ca. €150k.

#### Terms of the Deal

The **100% stake** of Ycon was acquired for a total consideration of **US\$130k plus a potential earnout** depending on 2023-24 financial results. We calculate DIG to have finalized the deal at ca. 0.8x EV/Sales FY0.

The entrepreneur Pedro Ylarri will continue to be in the company management for at least four years.

#### Deal Rationale

With Ycon, Digital360 continues the expansion in Argentina following the acquisition of Xona. The aim is once again to replicate the development model already successfully tested in Italy in a new favourable and highly fragmented market, combining digital publishing assets with SalesTech and MarTech technology platforms.

### Editorial Microbyte (“EMB”)

#### Profile

On February 13<sup>th</sup>, 2023, DIG finalized the acquisition of 51% stake in Editorial Microbyte Ltda (“EMB”), Chilean based publisher of digital innovation contents with over 40 years of history. EMB also organizes events and provides marketings services, while being very well positioned in Chile's B2B ICT and digital innovation communities, especially in the manufacturing, mining and energy industries, sectors of great importance in the Chilean economy. In FY21, EMB recorded €700k Revenues and €170k EBITDA, with a Net Cash Position of ca. €200k.

#### Terms of the Deal

The **51% stake** of EMB was acquired for a total consideration of **US\$552k**, plus the pro-quota Net Cash (US\$50k). We calculate deal multiples at ca. **1.2x EV/Sales and 4.8x EV/EBITDA 2021**.

The agreement between the parties includes an active involvement of current shareholders and management for at least other three years, and envisages Put/Call for the remaining 49% at a price to be established based on the EBITDA of EMB in 2024 and 2025, in addition to the NFP, and starting from the approval date of the financial statements for the year ending 31/12/2025.

#### Deal Rationale

With EMB, Digital360 enters the Chilean market by acquiring a highly experienced and recognized digital innovation content publisher, organizer of communication events and B2B marketing agency, expanding even more its offer and customer base in the LATAM region.

## Uno a Uno

### Profile

On February 13<sup>th</sup>, 2023, DIG signed the acquisition of a 51% stake in Uno a Uno Group (“Uno a Uno”), Chilean group with over 20 years of history, consisting of three companies, i.e. Uno a Uno and Clue (organizers of in-presence and virtual events), and Tree Digital (provider of digital marketing services). In FY21, Uno a Uno recorded €1mn Revenues with ca. 10% EBITDA margin and a Net Cash Position of ca. €300k.

### Terms of the Deal

The **51% stake** of Uno a Uno was acquired for a total consideration of **€317k**, plus the pro-quota Net Cash at closing. Thus, we calculate DIG to have finalized the deal at ca. **0.3x EV/Sales and 3.2x EV/EBITDA 2021**.

The agreement between the parties includes an active involvement of current shareholders and management for at least other three years.

The agreement also envisages Put/Call for the remaining 49% at a price to be established based on the EBITDA of Uno a Uno in 2024 and 2025, in addition to the NFP, and starting from the approval date of the financial statements for the year ending 31/12/2025.

### Deal Rationale

With the closing of Uno a Uno, Digital360 counts #8 acquisitions finalized in the LATAM region, sign of a rapid and efficient expansion in terms of geographical coverage and technological skills in Spanish speaking countries, positioning one step closer to become a new LATAM market leader able to provider a complete offer of marketing and lead generation services to international tech players.

*See in the Appendix our recap on Digital360 M&A track record of the last two years.*

## Forecasts 2022E-24E

After the release of FY22 preliminary data, we are maintaining unchanged our estimates for 2022E “pro-rata temporis” Revenues at €55.4mn, while adjusting EBITDA for ca. €0.7mn due to additional M&A one-off expenses (advisory, legal and so on).

For 2023E-2024E, our estimates now incorporate:

- ◆ **P&L** benefitting from the inclusion of Ycon, EMB and Uno a Uno by ca. 3%-4% in 2023E-24E, with operating profitability stable in percentage terms vs. our old forecasts ( due to (i) initial low weight on Sales and (ii) rapid escalation towards Group margins). At bottom line, the consolidation of these new subsidiaries should be offset by higher goodwill amortization and minorities (reducing year by year after buy-out of remaining stakes);
- ◆ **Balance Sheet / Cash Flow Statement** affected by (i) higher-than-previously forecasted deferred payments for the last installments of FY22 acquisitions, (ii) the cash-out required by Ycon, EMB and Uno a Uno deals (ca. €1.1mn) and (iii) adverse Net Working Capital requirements as a consequence of the very much changed and enlarged Group perimeter.

The integration of the #23 companies acquired by DIG over the last two years should require some time to be optimized, with FY23 being the first full year of joint operations. However, we believe that the Group is now well structured to handle the new wave of organic growth that should be triggered by this increased volume of business.

### Digital360: New vs. Old 2022E-24E Forecasts

| (IT GAAP, €mn)            | 2022E |       |         | 2023E |       |        | 2024E |       |       |
|---------------------------|-------|-------|---------|-------|-------|--------|-------|-------|-------|
|                           | Old   | New   | Δ (%)   | Old   | New   | Δ (%)  | Old   | New   | Δ (%) |
| Total Revenues from Sales | 55.4  | 55.4  | 0.0%    | 86.4  | 89.2  | 3.3%   | 98.3  | 102.6 | 4.4%  |
| EBITDA                    | 10.7  | 10.0  | -6.3%   | 17.0  | 17.5  | 2.9%   | 20.2  | 21.0  | 4.0%  |
| EBITDA Margin (%)         | 19.3% | 18.1% | -120bps | 19.7% | 19.6% | -10bps | 20.5% | 20.5% | 0bps  |
| EBIT Adj. (*)             | 8.6   | 7.9   | -7.9%   | 14.6  | 15.1  | 3.4%   | 17.7  | 18.5  | 4.5%  |
| EBIT Adj. Margin (%)      | 15.5% | 14.2% | -130bps | 16.9% | 16.9% | 0bps   | 18.0% | 18.0% | 0bps  |
| EBIT                      | 5.7   | 5.0   | -11.8%  | 10.8  | 11.1  | 2.8%   | 13.8  | 14.4  | 4.4%  |
| EBIT Margin (%)           | 10.3% | 9.1%  | -120bps | 12.5% | 12.4% | -10bps | 14.1% | 14.1% | 0bps  |
| Net Profit                | 1.8   | 1.4   | -23.4%  | 3.4   | 3.4   | -0.8%  | 5.6   | 5.6   | -0.2% |
| Net Profit Adj. (*)       | 5.2   | 4.8   | -8.3%   | 7.3   | 7.4   | 2.4%   | 9.5   | 9.7   | 2.0%  |
| Net Financial Position    | -13.5 | -14.0 | -0.5    | -8.9  | -15.4 | -6.5   | -2.6  | -9.1  | -6.5  |

Source: Value Track Analysis, (\*) Adjusted for Goodwill Amortization and one-off expenses due to M&A

As an effect, as far as 2022E-24E years are concerned, we now forecast:

- ◆ **Value of Production at ca. €104mn in 2024E**, growing at ca. 43% CAGR<sub>21A-24E</sub>;
- ◆ **EBITDA at €21mn in 2024E**, with EBITDA margin getting back to 20% also thanks to a fast ramp-up of LATAM-acquired subsidiaries, converging towards DIG historical profitability;
- ◆ **Net Profit Adj. at €9.7mn in 2024E**, assuming €4.1mn of Goodwill Amortization;
- ◆ **Net Debt at €9.1mn in 2024E**, including €8.1mn of deferred payments for already finalized acquisitions and ca. €4.5mn of potential cash-out for minorities buy-out.

### Digital360: P&L 2021A-24E

| (IT GAAP, €mn)                            | 2021A        | 2022E        | 2023E        | 2024E        |
|---|--------------|--------------|--------------|--------------|
| <b>Total Revenues from Sales</b>          | <b>34.4</b>  | <b>55.4</b>  | <b>89.2</b>  | <b>102.6</b> |
| Capitalized Dev. Costs & R&D Tax Credits  | 1.6          | 1.7          | 1.7          | 1.7          |
| <b>Value of Production</b>                | <b>36.0</b>  | <b>57.0</b>  | <b>90.9</b>  | <b>104.3</b> |
| Costs of Goods Sold                       | -17.7        | -30.3        | -55.7        | -83.3        |
| Labour Costs                              | -11.4        | -16.8        | -17.7        | 0.0          |
| <b>EBITDA</b>                             | <b>6.9</b>   | <b>10.0</b>  | <b>17.5</b>  | <b>21.0</b>  |
| <i>EBITDA Margin (% of Tot. Revenues)</i> | <i>20.2%</i> | <i>18.1%</i> | <i>19.6%</i> | <i>20.5%</i> |
| D&A (ex. Goodwill Amortization)           | -2.0         | -2.1         | -2.4         | -2.5         |
| <b>EBIT Adj. (*)</b>                      | <b>5.0</b>   | <b>7.9</b>   | <b>15.1</b>  | <b>18.5</b>  |
| Goodwill Amortization                     | -1.4         | -2.9         | -4.1         | -4.1         |
| <b>EBIT</b>                               | <b>3.6</b>   | <b>5.0</b>   | <b>11.1</b>  | <b>14.4</b>  |
| <i>EBIT Margin (% of Tot. Revenues)</i>   | <i>10.5%</i> | <i>9.1%</i>  | <i>12.4%</i> | <i>14.1%</i> |
| Net Financial Charges                     | -0.3         | -0.2         | -0.1         | 0.0          |
| Taxes                                     | -1.3         | -2.2         | -4.4         | -6.0         |
| Minorities                                | -0.2         | -1.2         | -3.1         | -2.8         |
| <b>Net Profit</b>                         | <b>1.8</b>   | <b>1.4</b>   | <b>3.4</b>   | <b>5.6</b>   |
| <b>Net Profit Adj. (*)</b>                | <b>3.2</b>   | <b>4.8</b>   | <b>7.4</b>   | <b>9.7</b>   |

Source: Digital360, Value Track Analysis, (\*) Adjusted for Goodwill Amortization and one-off expenses due to M&A

### Digital360: Balance Sheet 2021A-24E

| (IT GAAP, €mn)                                | 2021A       | 2022E        | 2023E        | 2024E       |
|---|-------------|--------------|--------------|-------------|
| Net Fixed Assets                              | 15.1        | 33.0         | 37.7         | 39.3        |
| Net Working Capital                           | 1.3         | 8.7          | 12.0         | 12.8        |
| Provisions                                    | 3.1         | 3.7          | 3.9          | 4.2         |
| <b>Total Capital Employed</b>                 | <b>13.3</b> | <b>37.9</b>  | <b>45.9</b>  | <b>48.0</b> |
| Group Net Equity                              | 16.4        | 23.9         | 30.5         | 38.9        |
| <b>Net Fin. Pos. [Net debt (-)/ Cash (+)]</b> | <b>3.1</b>  | <b>-14.0</b> | <b>-15.4</b> | <b>-9.1</b> |

Source: Digital360, Value Track Analysis

### Digital360: Cash Flow Statement 2021A-24E

| (IT GAAP, €mn)                  | 2021A      | 2022E        | 2023E       | 2024E       |
|---------------------------------|------------|--------------|-------------|-------------|
| <b>EBITDA</b>                   | <b>6.9</b> | <b>10.0</b>  | <b>17.5</b> | <b>21.0</b> |
| Δ NWC (inc. Δ Prov.)            | 3.9        | -6.7         | -3.2        | -0.5        |
| CapEx (not incl. Fin. Inv.)     | -3.2       | -4.5         | -3.5        | -3.7        |
| Cash Taxes                      | -1.3       | -2.2         | -4.4        | -6.0        |
| <b>OpFCF a.t.</b>               | <b>6.3</b> | <b>-3.5</b>  | <b>6.4</b>  | <b>10.8</b> |
| Financial Investments           | -5.8       | -18.4        | -7.7        | -4.5        |
| Net Financial Charges           | -0.3       | -0.2         | -0.1        | 0.0         |
| Δ Equity                        | 4.3        | 5.0          | 0.0         | 0.0         |
| <b>Δ Net Financial Position</b> | <b>4.4</b> | <b>-17.1</b> | <b>-1.4</b> | <b>6.3</b>  |

Source: Digital360, Value Track Analysis



## Valuation

We are confirming Digital360 **fair equity value p/s at €6.00**, as a result of the value creation of recent M&A deals (Ycon, EMB, Uno a Uno) and peers' partial rerating being offset by higher debt forecasts.

**At fair value**, Digital360 would trade at **9.4x EV/EBITDA, 10.9x EV/EBITA, 16.6x P/E Adj. 2023E**. As far as EV/EBITA and P/E, the multiples that in our view are most appropriate for Digital360, we note that at fair value the company would still trade at ca. 15% discount to peers.

### Digital360: Multiples Sensitivity at Various Stock Price Levels

| Price p/s<br>€ | EV/Sales   |            | EV/EBITDA  |            | EV/EBITA    |            | P/E Adj.    |             |
|----------------|------------|------------|------------|------------|-------------|------------|-------------|-------------|
|                | 2023E      | 2024E      | 2023E      | 2024E      | 2023E       | 2024E      | 2023E       | 2024E       |
| €4.50          | 1.5        | 1.2        | 7.6        | 5.9        | 8.8         | 6.6        | 12.4        | 9.6         |
| €5.00          | 1.6        | 1.3        | 8.2        | 6.3        | 9.5         | 7.2        | 13.8        | 10.6        |
| €5.50          | 1.7        | 1.4        | 8.8        | 6.8        | 10.2        | 7.8        | 15.2        | 11.7        |
| <b>€6.00</b>   | <b>1.8</b> | <b>1.5</b> | <b>9.4</b> | <b>7.3</b> | <b>10.9</b> | <b>8.3</b> | <b>16.6</b> | <b>12.8</b> |
| €6.50          | 1.9        | 1.6        | 10.0       | 7.8        | 11.6        | 8.9        | 18.0        | 13.8        |
| €7.00          | 2.0        | 1.7        | 10.6       | 8.3        | 12.2        | 9.4        | 19.3        | 14.9        |
| €7.50          | 2.1        | 1.8        | 11.2       | 8.8        | 12.9        | 10.0       | 20.7        | 15.9        |

Source: Value Track Analysis

### Digital360: Italian EGM listed Peers

| Company                | EV/Sales (x) |            | EV/EBITDA (x) |            | EV/EBIT (x)    |                | P/E (x)     |             |
|------------------------|--------------|------------|---------------|------------|----------------|----------------|-------------|-------------|
|                        | 2023E        | 2024E      | 2022E         | 2023E      | 2022E          | 2023E          | 2022E       | 2023E       |
| Growens                | 0.3          | 0.2        | 8.8           | 7.0        | nm             | nm             | nm          | nm          |
| Cyberoo                | 3.7          | 2.3        | 6.3           | 3.5        | 7.4            | 3.9            | 12.3        | 7.1         |
| CY4Gate                | 2.8          | 2.4        | 8.5           | 7.3        | 11.4           | 9.7            | 17.2        | 15.2        |
| Unidata                | 1.5          | 1.3        | 6.6           | 5.5        | 9.5            | 7.9            | 12.1        | 9.5         |
| Doxee                  | 2.4          | 1.9        | 10.1          | 6.8        | 17.9           | 10.8           | 24.9        | 15.5        |
| Vantea Smart           | 0.8          | 0.5        | 6.8           | 3.5        | 10.3           | 4.5            | 13.2        | 6.3         |
| Reevo                  | 2.9          | 2.2        | 10.6          | 7.8        | 15.3           | 11.6           | 25.6        | 20.7        |
| Almawave               | 2.3          | 1.9        | 11.4          | 7.5        | 19.4           | 11.2           | 23.9        | 15.5        |
| DHH                    | 2.3          | 2.0        | 7.6           | 6.5        | 13.3           | 10.5           | 20.1        | 16.8        |
| <b>Total Average</b>   | <b>2.1</b>   | <b>1.6</b> | <b>8.5</b>    | <b>6.2</b> | <b>13.1</b>    | <b>8.8</b>     | <b>18.7</b> | <b>13.3</b> |
| <b>Total Median</b>    | <b>2.3</b>   | <b>1.9</b> | <b>8.5</b>    | <b>6.8</b> | <b>12.4</b>    | <b>10.1</b>    | <b>18.7</b> | <b>15.4</b> |
| <b>DIG @ Mkt Price</b> | <b>1.6</b>   | <b>1.3</b> | <b>8.0</b>    | <b>6.1</b> | <b>9.2 (*)</b> | <b>7.0 (*)</b> | <b>13.3</b> | <b>10.2</b> |
| Discount % vs. Avg.    | -26%         | -24%       | -6%           | 0%         | -29%           | -20%           | -29%        | -23%        |
| Discount % vs. Med.    | -32%         | -35%       | -6%           | -9%        | -25%           | -31%           | -29%        | -34%        |

Source: Market Consensus, Value Track Analysis, (\*) EV/EBITA (i.e. before goodwill amortization)

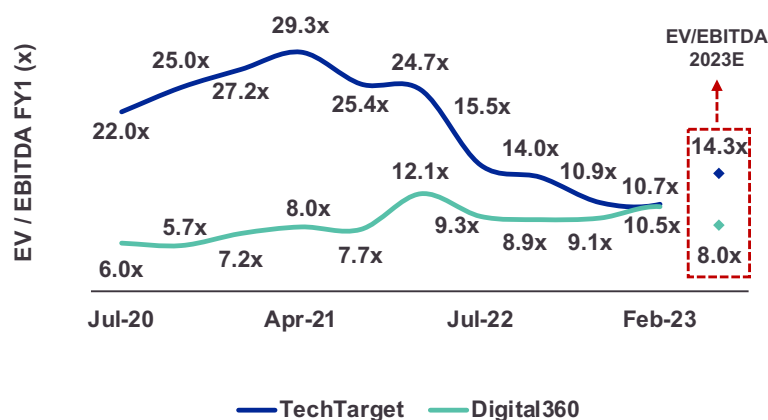


## Cross check with TechTarget

As usual, we find useful to cross check Digital360 stock market valuation with TechTarget, an American player with a business model really close to Digital360 and by far, the most comparable one.

TechTarget historically trades at premium vs. Digital360 on FY1 multiples, but apparently such premium is entirely shrunk in the latest few months, as TechTarget has announced 2023 guidance deeply down y/y. Indeed, looking at FY23 current consensus estimates, the discount is still pretty wide.

### TechTarget vs Digital360: EV/EBITDA FY1 Historical Evolution (\*)



Source: Market Consensus, Value Track Analysis, (\*) D360 EBITDA on Pro Forma basis including all M&A deals on 12 months basis

## IRR Analysis cross check

In 2024E, we believe DIG should achieve a relevant size with ca. €100mn Revenues and over €20mn EBITDA after the synergic integration of new targets.

Assuming a 10.0x FY1 EV/EBITDA “fair” exit multiple, and a two-years holding period, we calculate an **annualized 35% IRR (gross of tax)**, corresponding to €180mn “exit” Equity Value, i.e. ca. **€8.7 per share**. This value, actualized at DIG 10.7% WACC returns a fair equity value of €7.1 p/s.

For the sake of completeness, we calculate that the current market price equals €5.9 market price as of 2024 year-end (and discounted today at DIG WACC), implying a 7.2x exit multiple in 2024.

### Digital360: IRR from investing today with exit at 10x EV/EBITDA in 2024E

| (€mn)  | 2024E        |
|--|--------------|
| EBITDA (€mn)   | 21.0         |
| Exit EV/EBITDA Multiples (x, FY1) in September 2024                        | 10.0x        |
| <b>Implied “exit” Enterprise value (€mn)</b>                               | <b>210.0</b> |
| Net Financial Position 2024E adjusted for future minorities cash out (€mn) | -30.4        |
| <b>Equity Value (€mn)</b>  | <b>179.6</b> |
| Number of shares (mn)(post minorities squeeze out)                         | 20.6         |
| <b>Equity Value p/s at exit (€)</b>  | <b>8.74</b>  |
| <b>Annualized IRR</b>  | <b>35%</b>   |

Source: Value Track Analysis

## Appendix – M&A at a glance

### Acquisitions/agreements since March 2021

1. **Service Pro Srl** (49%), full-service marketing agency involved in the organization of events and management of demand and lead generation;
2. **IQ Consulting Srl** (49%), university spin-off focused on Industry 4.0 and supply chain management;
3. **Innovation Post Srl** (100%), online news media;
4. **CTMobi Srl** (100%), software house specialized in the development of cloud solutions and AWS Services;
5. **Imagewear** (51%), marketing and communication agency, which focuses on the PR and social media, creativity and communication projects, and organization of physical and digital events;
6. **ICT Lab** (51%), specialized in the advisory for PA digital transformation, likely to benefit from the PNRR and other investments regarding the PA digitalization over the next years;
7. **Corecube** (75%), company active in the design of training courses for professionals;
8. **Digital Sales Srl** (51%), start-up providing B2B MarTech and SalesTech solutions;
9. **Xona** (51%), martech agency based in Buenos Aires operating with major LATAM-focused ICT vendors, providing a wide offer of marketing services, including communication, PR. Digital and physical events organization;
10. **Business Publications Spain S.L.** (“BPS”, 70%), Spanish company producing content on digital innovation and ICT, offering a wide range of services including events, webinars, communication campaigns and lead generation programs;
11. **Gruppo Methodos** (51%), long-established company active in management of organizational and cultural change in companies. Also expanded its business with software platforms supporting behavioral changes and digital transformation;
12. **Del Monte & Partners** (51%), company specialized in B2B MarTech and SalesTech digital solutions. It is one of the first Italian partners of Hubspot, the world's leading software company in this field and listed on the Nasdaq;
13. **CryptoNet Labs Srl** (75%), young company active in the field of active and passive systems for Cybersecurity, offering services, consultancy and technological platforms for the monitoring and defense of corporate data and information;
14. **Meridiana Italia Srl** (51%), consulting company for PA digital transformation. More specifically, Meridiana supports organizations and institutions in the design, management, evaluation and monitoring of programs and projects using European and national structural funds;
15. **X3Media** (51%), Colombian agency specialized in MarTech and SalesTech solutions;
16. **Inside Comunicazione** (51%), Italian communications agency specialized in B2B MarTech digital solutions;
17. **Impacto** (51%), Colombian reference portal on topics related to ICT and digital innovation;
18. **Netmedia**(51%), Mexican leading online publisher of content in the area of ICT and digital transformation;
19. **SmartOperations** (100%), spin-off of the University of Florence and advisory company that develops technical solutions to support customers on their journey towards digital transformation;
20. **Zubia** (51%), Mexico City-based digital marketing agency specialized in MarTech and SalesTech solutions;
21. **Ycon** (100%), Argentina-based company specialized in the production of high-quality editorial contents and communication campaigns;

- 22. EMB** (51%), reference publisher of digital innovation content and organizer of communication events and provider of marketing services to Chile's B2B ICT and digital innovation communities;
- 23. Uno a Uno** (51%), Chilean group consisting of three companies, i.e. Uno a Uno and Clue (organizers of in-presence and virtual events), and Tree Digital (provider of digital marketing services).

## M&A Recap

In less than two years, we estimate D360 to have added to its consolidation perimeter some **€22.1mn Revenues** and **€4.5mn EBITDA** (20% EBITDA margin). We calculate that all 2021-22-23 M&A deals announced so far are worth ca €35mn value (plus future cash out to squeeze out minorities in 2023E-2026E), partly financed in cash and partly in new shares issued, with a **pro-quota 6.9x EV/EBITDA acquisitions multiple**, pointing out at highly value accretive deals.

### Digital360: M&A FY21, FY22 and 2023 YTD

| Target                 | Signing Date | Closing Date   | Stake (%) | Equity Value (100%) | Revenues FY0 (€mn) | EBITDA FY0 (€mn) | NFP FY0 (€mn) | EV/EBITDA (x) |
|------------------------|--------------|----------------|-----------|---------------------|--------------------|------------------|---------------|---------------|
| Innovation Post        | 15-03-21     | 15-03-21       | 100%      | 0.2                 | 0.2 (*)            | 0.04 (*)         | 0.0 (*)       | 5.0 (*)       |
| Service Pro            | 06-05-21     | 06-05-21       | 49% (**)  | 8.2                 | 3.6                | 1.0              | 2.7 (*)       | 5.5           |
| IQ Consulting          | 06-05-21     | 06-05-21       | 49% (**)  | 0.8                 | 1.4                | 0.4              | 0.2 (*)       | 1.6           |
| CTMobi                 | 23-06-21     | 12-07-22       | 100%      | 0.7                 | 0.5                | 0.1              | 0.2           | 6.7           |
| Imageware              | 17-09-21     | 14-10-21       | 51%       | 4.9                 | 6.0                | 0.6              | 2.5           | 4.0           |
| ICT Lab                | 21-09-21     | 14-10-21 (***) | 51%       | 3.9                 | 2.0                | 0.6              | 0.5           | 5.6           |
| Corecube               | 09-12-21     | 13-01-22       | 75%       | 0.0                 | n.m.               | n.m.             | n.m.          | n.m.          |
| Digital Sales          | 22-02-22     | 22-02-22       | 51%       | 0.4                 | n.m.               | n.m.             | n.m.          | n.m.          |
| Xona                   | 25-02-22     | 07-12-22       | 51%       | 0.8                 | 1.2                | 0.1              | 0.0 (*)       | 8.7           |
| BPS                    | 14-06-22     | 14-06-22       | 70%       | 1.7                 | 1.4                | 0.3              | 0.3           | 5.6           |
| Methodos               | 27-06-22     | 05-07-22       | 51%       | 9.4                 | 9.0                | 1.5              | 0.0           | 6.3           |
| Del Monte              | 28-06-22     | 28-06-22       | 51%       | 0.9                 | 1.1                | 0.1              | -0.5          | 13.9          |
| CryptoNet Labs         | 30-06-22     | 13-07-22       | 75%       | 12.8                | 2.8                | 1.4              | 0.0 (*)       | 9.5           |
| Meridiana Italia       | 25-07-22     | 14-11-22       | 51%       | 6.5                 | 4.7                | 0.8              | -0.8          | 9.1           |
| X3 Media               | 15-09-22     | 15-09-22       | 51%       | 0.4                 | 0.4                | 0.0              | 0.0           | 20.0          |
| Inside Comunicazione   | 07-11-22     | 14-11-22       | 51%       | 4.4                 | 2.8                | 0.8              | 0.3           | 5.1           |
| Impacto                | 17-11-22     | N/A            | 51%       | 0.5                 | 0.2                | 0.0              | 0.1           | n.m.          |
| Netmedia               | 17-11-22     | N/A            | 51%       | 1.1                 | 0.6                | 0.1              | 0.3           | 9.3           |
| SmartOperations        | 28-11-22     | N/A            | 100%      | 0.5                 | 0.3                | 0.1              | 0.2           | 5.6           |
| Zubia                  | 12-12-22     | 12-12-22       | 51%       | 0.6                 | 0.8                | 0.0              | -0.2          | nm            |
| Ycon                   | 30-12-22     | 30-12-22       | 100%      | 0.1                 | 0.2                | 0.0              | 0.0           | nm            |
| EMB                    | 13-02-22     | 13-02-22       | 51%       | 1.0                 | 0.7                | 0.2              | 0.2           | 4.8           |
| Uno a Uno              | 13-02-22     | 13-02-22       | 51%       | 0.6                 | 1.0                | 0.1              | 0.3           | 3.2           |
| <b>Total</b>           |              |                |           | <b>60.3</b>         | <b>40.7</b>        | <b>11.5</b>      | <b>6.2</b>    | <b>4.7</b>    |
| <b>Total Pro-Quota</b> |              |                |           | <b>34.7</b>         | <b>22.1</b>        | <b>4.5</b>       | <b>3.4</b>    | <b>6.9</b>    |

Source: Digital360, (\*) Value Track Estimates, (\*\*) Minorities squeeze out with DIG moving its stake to 100%, (\*\*\*) 25.5% on 14-10-21 and other 25.5% on 26-04-22

Digital360: Gruppo

# DIGITAL360

ITALIA



INTERNAZIONALE



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