

Digital360

Sector: Technology



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Hard work is paying off

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.

FY22 figures: EBITDA Pro-forma at €14.3mn

Digital360 has disclosed the full set of FY22 financial results that it anticipated back in February and that were bang in line with Value Track estimates. We remind **EBITDA at €9.7mn** (17.1% EBITDA Margin) and **EBITDA Pro-Forma at €14.3mn** (+79% y/y).

Among the details lately disclosed, we underline the **Annual Recurring Revenues** increasing from €10.5mn in FY21 to **€17.1mn** in FY22, i.e. +62% y/y, with ca. €4mn brought in by M&A and solidly at 20% of Total Revenues. Also, number of subscriptions surged by 74 units up to 370.

Internationalization project well on track

During FY22 Conference Call, the management underlined that thanks to the heavy M&A activity finalized in FY21 and FY22, the Group totalled ca. 24% of its 2022 Pro-Forma Demand Generation Revenues outside Italy, with figures likely to rise thanks to the expected rapid development of acquired subsidiaries.

Noteworthy, DIG has become the largest player of the LATAM region in only one year, and in 2023 it will focus on the integration of recently acquired companies. However, further M&A abroad is not excluded, also in other regions, but always with the target to be leader in the addressed markets.

Forecasts 2023E-24E confirmed

We are maintaining unchanged our 2023E-24E estimates, already fine-tuned back in February.

We note that the €100mn revenue target is getting closer and closer, and might be achieved already as of 2023FY (on a pro-forma basis) if some more M&A deals will be finalized.

Fair Equity Value at €6.00 p/s, much higher upside in 2024

We are confirming Digital360 fair equity value p/s at €6.00.

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 (€)	4.83
Market Cap. (€m)	99.3

KEY FINANCIALS (€mn)	2022A	2023E	2024E
VALUE OF PRODUCTION	59.7	90.9	104.3
EBITDA	9.7	17.5	21.0
EBIT ADJ. (*)	6.9	15.1	18.5
NET PROFIT ADJ. (*)	3.5	7.4	9.7
EQUITY	26.8	33.3	41.8
NET FIN. POS.	-14.4	-15.4	-9.1
EPS ADJ (€)(*)	0.17	0.36	0.47
DPS (€)	0.00	0.00	0.00

Source: Digital360 (2021A), Value Track (2023E-24E estimates)
(*) Adjusted for Goodwill Amortization

RATIOS & MULTIPLES	2022A	2023E	2024E
EBITDA MARGIN (%)	17.1	19.6	20.5
EBITA MARGIN (%)	12.2	16.9	18.0
NET DEBT / EBITDA (x)	1.5	0.9	0.4
NET DEBT / EQUITY (x)	0.5	0.5	0.2
EV/SALES (x)	2.6	1.6	1.3
EV/EBITDA (x)	15.3	8.1	6.2
EV/EBITA (x)	21.5	9.3	7.0

Source: Digital360 (2021A), Value Track (2023E-24E estimates)

STOCK DATA

FAIR VALUE (€)	6.00
MARKET PRICE (€)	4.83
SHS. OUT. (m)	20.6
MARKET CAP. (€m)	99.3
FREE FLOAT (%)	27.8
AVG. -20D VOL. (#)	5160
RIC / BBG	DIG.MI / DIG IM
52 WK RANGE	3.90-5.20

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	2022A	2023E	2024E
Total Revenues from Sales	34.4	56.4	89.2	102.6
Chg. % YoY	nm	64.0%	58.1%	15.0%
Value of Production	36.0	59.7	90.9	104.3
Chg. % YoY	nm	65.8%	52.3%	14.8%
EBITDA	6.9	9.7	17.5	21.0
EBITDA Margin (% of Total Revenues)	20.2%	17.1%	19.6%	20.5%
EBIT	3.6	4.6	11.1	14.4
EBIT Margin (% of Total Revenues)	10.5%	8.2%	12.4%	14.1%
Net Profit	1.8	1.3	3.4	5.6
Chg. % YoY	nm	-28.3%	nm	65.9%
Net Profit Adjusted	3.2	3.5	7.4	9.7
Chg. % YoY		11.9%	nm	30.0%
Net Financial Position	3.1	-14.4	-15.4	-9.1
Net Fin. Pos. / EBITDA (x)	nm	1.5	0.9	0.4
Net Investments	-3.2	-7.5	-3.5	-3.7
OpFCF b.t.	7.7	1.2	11.3	16.9
OpFCF b.t. as % of EBITDA	110.4%	12.1%	64.3%	80.6%

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

Investment case

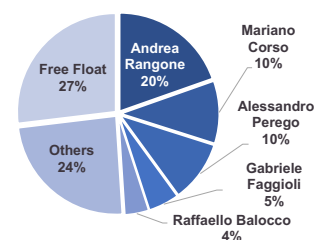
Strengths / Opportunities

- ◆ 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

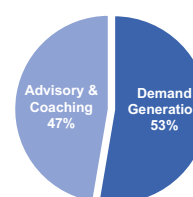
- ◆ Lower size if compared to competitors;
- ◆ Business model fine tuning implies an execution risk and may require additional managerial / technical capabilities, as well as additional funding.

Shareholders Structure



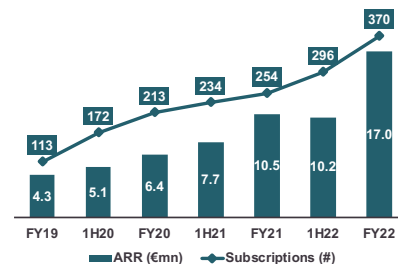
Source: Digital360

FY22 Revenues by Business Unit



Source: Digital360

ARR – Annual Recurring Revenues



Source: Digital360, Value Track Analysis

Stock multiples @ €6.00 Fair Value

Multiples (x, %)	2023E	2024E
EV / SALES (x)	1.9	1.5
EV / EBITDA (x)	9.4	7.3
EV / EBITA (x)	14.9	10.7
EV / CE. (x)	3.4	3.0
OpFCF Yield (%)	6.8	11.0
P / E Adj. (x)	16.6	12.7
P / BV (x)	5.1	4.2
EV / EBITA (x)	10.9	8.3

Source: Value Track

FY22 financials confirm preliminary data

Digital360 has disclosed the full set of FY22 financial results that it anticipated back in February with the release of Sales, EBITDA and Net Financial Position. We remind that we already commented such preliminary figures in our equity research published back as of February 22nd, so for more details please have a look at that report.

However, for the sake of clarity we summarize FY22 key financials as follows:

- ◆ **Total Revenues from Sales at €56.4mn**, i.e. +64% y/y vs. €34.4mn in FY21;
- ◆ **Total Revenues from Sales Pro-Forma at €76.6mn**, i.e. +85% y/y vs €41.4mn in FY21;
- ◆ **EBITDA at €9.7mn** (17.1% EBITDA Margin) vs. €6.9mn in FY21 (20.2% EBITDA Margin);
- ◆ **EBITDA Pro-Forma at €14.3mn** vs. €8mn in FY21, i.e. +79% y/y,
- ◆ **Net Debt at €14.4mn** 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.

Pro-Forma figures include the 12 months contribution of the #15 companies acquired throughout the year, while consolidated financials are based on pro-rata temporis accounting.

On a **like-for-like** basis (same perimeter of 31/12/2021), DIG recorded a 10% y/y growth at top line (FY22 **Total Revenues from Sales at €45.5mn** vs. €41.4mn in FY21) and a 5% growth at **EBITDA** level (FY22 **at €8.4mn** vs. €8.0mn in FY21). Therefore, acquired companies contributed with €31.1mn and €5.9mn to DIG pro-forma Revenues and EBITDA.

Digital360: FY21-FY22 Key Financials

(IT GAAP, €mn)	FY21	FY22	y/y	FY21PF	FY22PF	y/y
Total Revenues from Sales	34.4	56.4	64%	41.4	76.6	85%
EBITDA	6.9	9.7	39%	8.0	14.3	79%
<i>EBITDA Margin (%)</i>	20.2%	17.1%	-300bps	19.3%	18.7%	-60bps
Net Financial Position	3.1	-14.4	-17.4	3.1	-14.4	-17.4

Source: Digital360, Value Track Analysis

Actual results were bang in line with Value Track estimates. However, consolidated EBITDA came out a bit shorter than expected, 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.

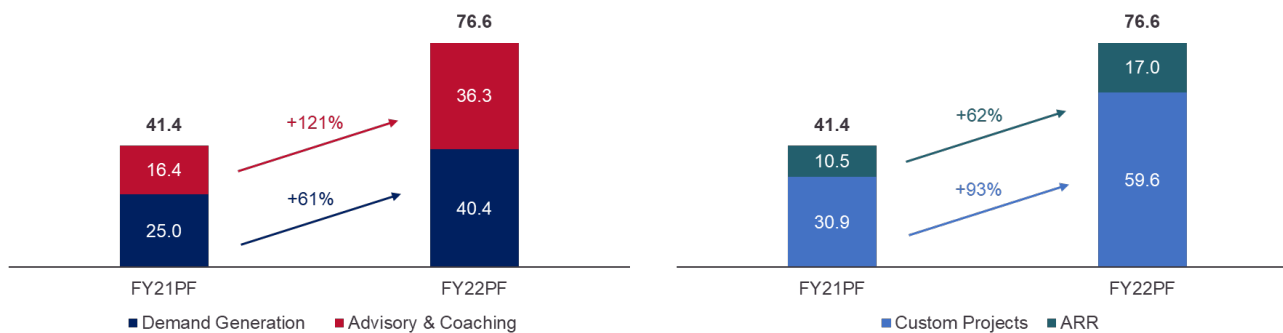
Digital360: FY22 Key Financials vs. Value Track Estimates

(IT GAAP, €mn)	DIG 2022A	VT 2022E	A / E
Total Revenues from Sales	56.4	55.4	+1.8%
Total Revenues from Sales Pro-Forma	77.6	76.4	+1.6%
EBITDA	9.7	10.0	-3.0%
<i>EBITDA Margin (%)</i>	17.1%	18.1%	-100bps
EBITDA Pro-Forma	14.3	14.0	+2.1%
<i>EBITDA Margin Pro-Forma (%)</i>	18.7%	18.3%	+40bps
Net Financial Position	-14.4	-14.0	-0.4

Source: Digital360, Value Track Analysis

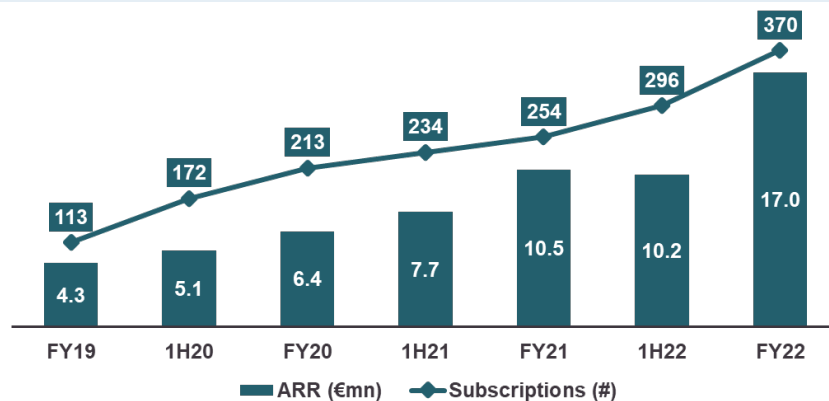
Both business units recorded tremendous growth rate, with **Advisory & Coaching** closing the gap vs. **Demand Generation**, more than doubling y/y and getting to 47% of Total Revenues vs. 40% in FY21. This was achieved also thanks to the stronger contribution of acquired subsidiaries to this business unit (Methodos, Meridiana, Cryptonet). Another positive note was **Annual Recurring Revenues** increasing from €10.5mn in FY21 to **€17.1mn** in FY22, i.e. +62% y/y, with ca. €4mn brought in by M&A and solidly at 20% of Total Revenues. Also, number of subscriptions surged by 74 units up to 370.

Digital360: Total Revenues from Sales Pro-Forma breakdown by Business Unit (lhs) and Recurrence (rhs)



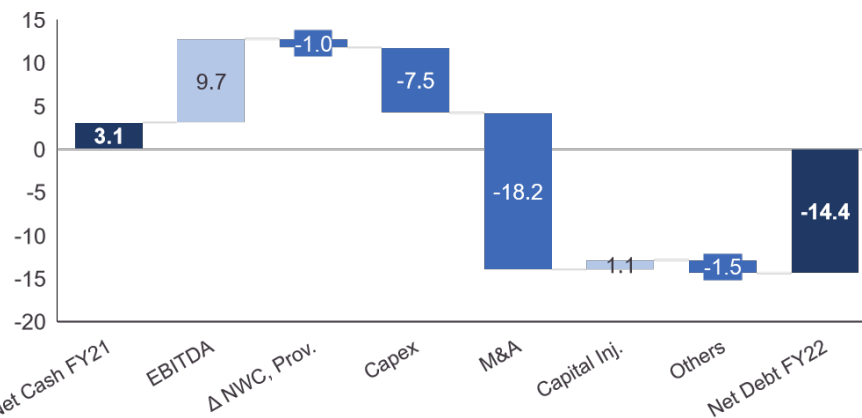
Source: Digital360, Value Track Analysis

Digital360: Digital-as-a-Service Revenues and Subscriptions evolution



Source: Digital360, Value Track Analysis

Digital360: Restated Cash Flow Statement FY21-FY22



Source: Digital360, Value Track Analysis

Messages from FY22 Conference Call

After the release of FY22 figures, Digital360 has hosted a webinar, confirmed the Group strategic directions and highlighted for the first time the financial results achieved at international level.

DIG will now focus on the integration of recently acquired companies, but further M&A is not excluded to keep pursuing international expansion.

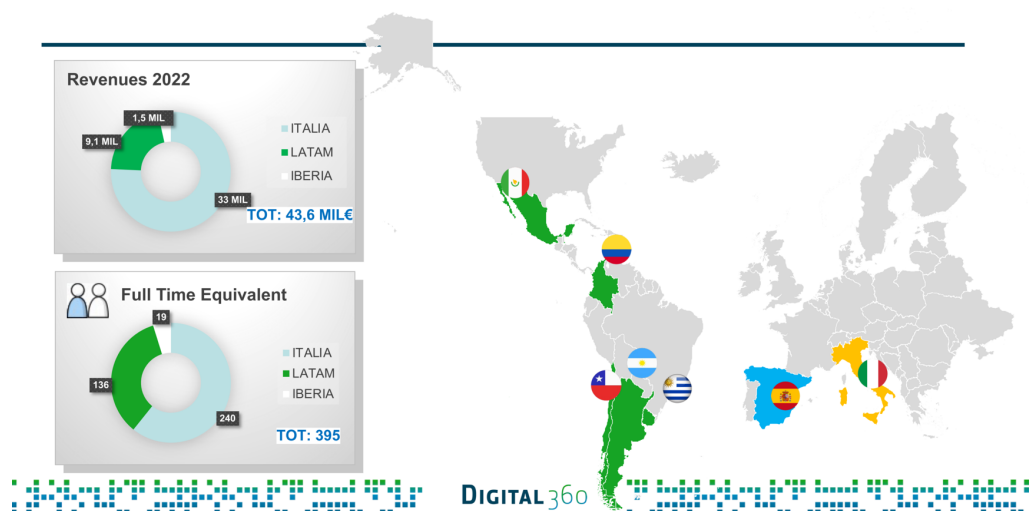
Digital360: Strategic Directions

- SD1** Investments in our strategic assets (Knowledge, Content, Technology, Data assets)
- SD2** Subscription services
- SD3** M&A
- SD4** Internationalization
- SD5** Empowerment of managerial structure & corporate staff
- SD6** Benefit Company & Sustainability

Source: Digital360

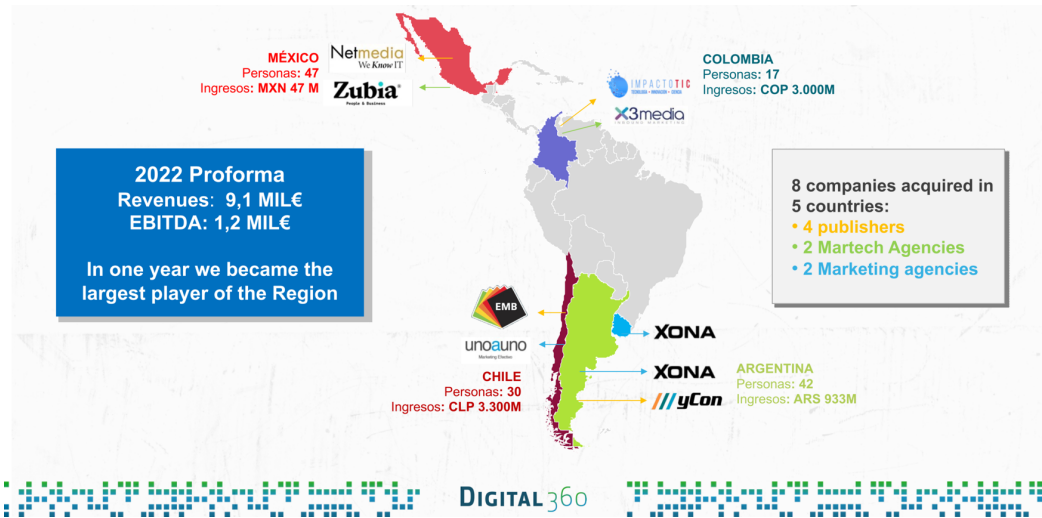
The internationalization strategy started to bear its fruit after the acquisition of 8 companies in 5 LATAM countries. Indeed, the LATAM region contributed for ca. €9.1mn Revenues in 2022 on a Pro-Forma basis (and also considering Uno a Uno and EMB acquisitions that occurred in February 2023): in only one year, DIG has become the largest player of the region. Adding Revenues from Spain, the Group totaled ca. 24% of its Pro-Forma Demand Generation Revenues outside Italy, with figures likely to rise thanks to the expected rapid development of acquired subsidiaries.

Digital360: International Presence (Demand Generation BU)



Source: Digital360

Digital360: LATAM Presence



Source: Digital360

Digital360: Foreign Subsidiaries

- XONA** Marketing agency based in Buenos Aires, with a specific focus on the Tech market
- X3media** Agency specialising in Martech and Salestech based in Colombia in Bogotá, platinum partner of Hubspot (leading software company in the MarTech world and listed on Nasdaq)
- IMPACTOTIC** Publisher of the reference portal in Colombia on topics related to information and communication technologies and digital innovation
- Netmedia** Mexico's leading publisher of online content in the area of information and communication technologies and digital transformation, a well-known reality in the entire LATAM region
- Zubia** Mexican digital marketing agency, partner Hubspot and specialising in Martech and Salestech
- yCon** Argentinian company specialising in the production of high-quality editorial content and communication campaigns, which supports its B2B clients in improving their image and commercial positioning in the target market
- bps** Company specialising in the production of content on digital innovation and information and communication technologies (ICT) and owns a number of portals that represent an important reference in Spain for managers, entrepreneurs and professionals dealing with these issues from a professional point of view
- EMB** Publisher in the digital innovation sector with the best positioning in Chile. In addition to publishing activities, EMB organises events and offers marketing services (acquired 2023)
- unoauno** Grupo Uno a Uno, present in the Chilean market for over 20 years, is made up of 3 agencies, focused on the organisation of presental and virtual events and Digital Marketing (acquired 2023)

Source: Digital360

Forecasts 2023E-24E

Since FY22 was full in line with our forecasts, we are maintaining unchanged our estimates for 2023E-24E, already fine-tuned back in February. We note that the €100mn revenue target is getting closer and closer, and might be achieved already as of 2023FY (on a pro-forma basis) if some more M&A deals will be finalized.

Digital360: P&L 2022A-24E

(IT GAAP, €mn)	2022A	2022PF	2023E	2024E
Total Revenues from Sales	56.4	76.6	89.2	102.6
Capitalized Dev. Costs & R&D Tax Credits	3.2	5.2	1.7	1.7
Value of Production	59.7	81.8	90.9	104.3
Opex	-50.0	-67.5	-73.4	-83.3
EBITDA	9.7	14.3	17.5	21.0
<i>EBITDA Margin (% of Tot. Revenues)</i>	<i>17.1%</i>	<i>18.7%</i>	<i>19.6%</i>	<i>20.5%</i>
D&A (ex. Goodwill Amortization)	-2.8	-3.2	-2.4	-2.5
EBIT Adj. (*)	6.9	11.1	15.1	18.5
Goodwill Amortization	-2.2	-3.6	-4.1	-4.1
EBIT	4.6	7.5	11.1	14.4
<i>EBIT Margin (% of Tot. Revenues)</i>	<i>8.2%</i>	<i>9.8%</i>	<i>12.4%</i>	<i>14.1%</i>
Net Profit	1.3	4.4	3.4	5.6
Net Profit Adj. (*)	3.5	7.9	7.4	9.7

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	2022A	2023E	2024E
Net Fixed Assets	15.1	41.9	46.6	48.3
Net Working Capital	1.3	4.3	9.2	10.0
Provisions	3.1	5.1	7.1	7.4
Total Capital Employed	13.3	41.2	48.7	50.9
Group Net Equity	16.4	26.8	33.3	41.8
Net Fin. Pos. [Net debt (-)/ Cash (+)]	3.1	-14.4	-15.4	-9.1

Source: Digital360, Value Track Analysis

Digital360: Cash Flow Statement 2021A-24E

(IT GAAP, €mn)	2021A	2022A	2023E	2024E
EBITDA	6.9	9.7	17.5	21.0
Δ NWC (inc. Δ Prov.)	3.9	-1.0	-2.7	-0.4
CapEx (not incl. Fin. Inv.)	-3.2	-7.5	-3.5	-3.7
Cash Taxes	-1.3	-1.4	-4.4	-6.0
OpFCF a.t.	6.3	-0.2	6.8	10.9
Others (inc. Financial Investments)	-5.8	-17.7	-7.8	-4.6
Net Financial Charges	-0.3	-0.6	-0.1	0.0
Δ Equity	4.3	1.1	0.0	0.0
Δ Net Financial Position	4.4	-17.4	-1.0	6.3

Source: Digital360, Value Track Analysis

Valuation

We confirm Digital360 **fair equity value p/s at €6.00**.

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 trade at ca. 10% discount to peers.

Digital360: Multiples Sensitivity at Various Stock Price Levels

Price p/s €	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
€6.00	1.8	1.5	9.4	7.3	10.9	8.3	16.6	12.7
€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
Cyberoo	4.0	2.6	6.8	3.8	8.0	4.2	13.2	7.6
CY4Gate	2.7	2.3	8.1	7.0	10.9	9.3	16.5	14.6
Unidata	1.3	1.1	5.8	4.8	8.4	6.9	10.0	7.8
Doxee	2.3	1.8	9.4	6.3	16.6	10.0	23.0	14.3
Vantea Smart	0.6	0.4	5.2	2.6	7.8	3.3	10.0	4.8
Reevo	2.8	2.1	10.2	7.5	14.7	11.2	24.8	20.1
Almawave	2.3	1.9	11.4	7.6	19.6	11.3	24.1	15.6
DHH	2.3	2.0	7.6	6.5	13.3	10.5	20.1	16.8
Total Average	2.1	1.6	8.1	5.9	12.4	8.3	17.7	12.7
Total Median	2.3	1.9	8.1	6.5	12.1	9.6	18.3	14.4
DIG @ Mkt Price	1.6	1.3	8.1	6.2	9.3	7.0	13.3	10.3
Discount % vs. Avg.	-23%	-21%	-1%	5%	-25%	-16%	-25%	-19%
Discount % vs. Med.	-31%	-34%	-1%	-4%	-23%	-27%	-27%	-29%

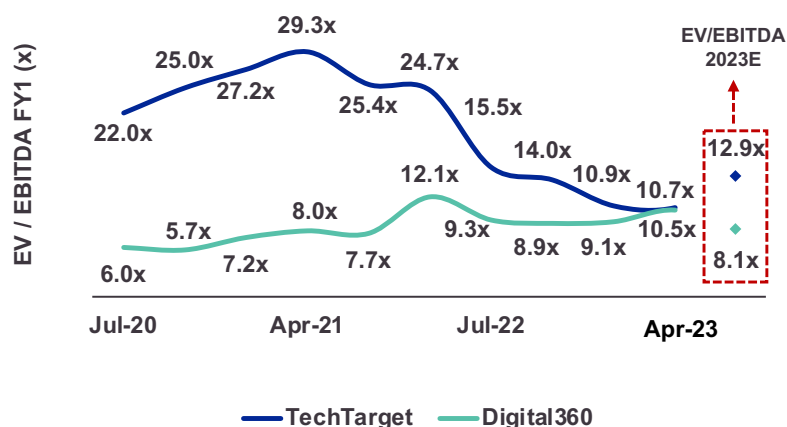
Source: Market Consensus, Value Track Analysis, (*) EV/EBITA (i.e. before goodwill amortization)

Cross check with TechTarget

TechTarget is an American player with a business model really close to Digital360 and by far, the most comparable listed company.

TechTarget historically trades at premium vs. Digital360 on FY1 multiples, but apparently such premium is entirely shrunk in the latest few months. However, 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 34% 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 €5.95 market price as of 2024 year-end (and discounted today at DIG WACC), implying a 7.3x 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, FY0) in April 2025	10.0x
Implied “exit” Enterprise value (€mn)	210.0
Net Financial Position 2024E adjusted for future minorities cash out (€mn)	-31.0
Equity Value (€mn)	179.0
Number of shares (mn)(post minorities squeeze out)	20.6
Equity Value p/s at exit (€)	8.71
Annualized IRR	34%

Source: Value Track Analysis

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