

DHH

Sector: Cloud Computing / Internet infrastructure



2024 ok! 2025 onwards to benefit from AI hype and Digital Reshoring

DHH S.p.A. aims to position itself as a relevant player in the evolution of global internet infrastructure through the integration of next-generation technology and artificial intelligence. Based in Europe, the company leverages open-source technologies to enhance digital connectivity across various industries and regions.

FY24: EBITDA Rep. +15.4% y/y (32.3% Margin), €3.4mn FCF

DHH FY24 results are solid and substantially in line with expectations. We highlight DHH's steady growth, high-quality recurring revenues (~94%), solid margins, and strong cash generation. Some numbers:

- ◆ **Revenue from Sales at €35.9mn** (+7% y/y, all-organic), with softer 4Q trends at Seeweb offset by Connesi (+15% y/y) and other units;
- ◆ **Reported EBITDA at €12.0mn** (+15.4% y/y, +4.3% y/y on Adjusted basis), with EBITDA Margin at 32.3% of VoP, up some +230bps;
- ◆ **Reported EBIT up to €6.8mn** (+39.9% y/y, +13.0% y/y Adj.), supported by higher EBITDA and ca. €300k lower D&A expenses;
- ◆ **FCF at €3.4mn**, resulting in Net Debt of ca. €3.1mn, mainly attributable to different accounting treatment for leases and IRUs.

Fine-tuning of 2025E-27E forecasts

We are fine tuning downwards our 2025E forecasts, due to full year negative impact of higher software license costs, and to the absence of M&A deals so far. In 2025E-27E we now expect: 1) VoP to reach ca. €61.5mn (18.3% CAGR24A-27E, ~10% organic + targeted M&A); 2) EBITDA and EBIT margins gradually falling to 30.6% and 17.7% by 2027E; 3) ca. €50mn cumulated EBITDA more than offsetting >€25mn cumulated capex and €12mn M&A cash out, leading Net Debt close to break-even by 2027E.

Capturing the momentum of AI hype and Digital Reshoring

We flag that DHH is optimally positioned, in our view, to exploit the opportunities provided by **two noteworthy macro-trends**: 1) the rising demand, coming from enterprises, for flexible high-performance AI infrastructure-as-a-Service; 2) the necessity, for European countries, to foster a “digital reshoring” wave aimed at gaining back sovereignty not only in the Defence sector but also in the ICT one.

In terms of valuation, we're maintain unchanged DHH fair equity value in absolute terms, but the dilution coming from stock option exercise lead **DHH fair value per share at €28.5** (down from €29.3 p/s in Sept' 24). At fair value, DHH would trade at 10.9x-8.8x EV/EBITDA 2025E-26E, vs. Peers trading at 15.2x-13.5x respectively.

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Fair Value (€) **28.5**

Market Price (€) **22.0**

Market Cap. (€mn) **115.2**

KEY FINANCIALS (€mn)	2024	2025E	2026E
REVENUES	37.1	44.6	55.9
EBITDA	12.0	14.0	17.5
EBIT	6.8	8.4	10.2
NET PROFIT	3.6	4.5	5.5
EQUITY	28.2	32.9	38.7
NET FIN. POS.	-3.1	-4.3	-6.0
ADJ. EPS (€)	0.71	0.86	1.06
DPS (€)	0.0	0.0	0.0

Source: DHH Group (2024), Value Track (2025E-26E)

RATIOS & MULTIPLES	2024	2025E	2026E
EBITDA MARGIN (%)	32.3	31.4	31.2
EBIT MARGIN (%)	18.3	18.8	18.3
NET DEBT / EBITDA (x)	0.3	0.3	0.3
NET DEBT / EQUITY (x)	0.1	0.1	0.2
EV/SALES (x) (*)	3.1	2.6	2.1
EV/EBITDA (x) (*)	9.7	8.4	6.9
EV/EBIT (x) (*)	17.2	14.1	11.7

Source: DHH Group (2024), Value Track (2025E-26E)

(*) EV adjusted for peripherals and treasury shares

STOCK DATA	
FAIR VALUE (€)	28.5
MARKET PRICE (€)	22.0
SHS. OUT. (m)	5.2
MARKET CAP. (€m)	115.2
FREE FLOAT (%)	24.2
AVG. -20D VOL. (#)	710
RIC / BBG	DHH.MI / DHH IM
52 WK RANGE	14.0-30.0

Source: Stock Market Data



Business Description

DHH S.p.A. is dedicated to reshaping internet infrastructure through the integration of next-generation technology and artificial intelligence. Based in Europe, the company leverages open-source technologies to enhance digital connectivity across various industries and regions. With a commitment to continuous research and open innovation, DHH aligns technological progress with stringent data privacy standards. This approach promotes technological excellence while safeguarding individual privacy, aiming to position the company as a relevant player in the evolution of global internet infrastructure.

Key Financials

€mn	2024	2025E	2026E	2027E
Total Revenues	37.1	44.6	55.9	61.5
Chg. % YoY	7.2%	20.2%	25.4%	9.9%
EBITDA	12.0	14.0	17.5	18.8
EBITDA Margin (%)	32.3%	31.4%	31.2%	30.6%
EBIT	6.8	8.4	10.2	10.9
EBIT Margin (%)	18.3%	18.8%	18.3%	17.7%
Net Profit Reported	3.6	4.5	5.5	5.9
Chg. % YoY	63.2%	24.4%	23.5%	6.8%
Net Profit Adjusted	3.6	4.5	5.5	5.9
Chg. % YoY	8.4%	24.4%	23.5%	6.8%
Net Fin. Position	-3.1	-4.3	-6.0	-0.9
Net Fin. Pos. / EBITDA (x)	0.3	0.3	0.3	0.0
Capex	-6.8	-7.3	-8.4	-9.4
OpFCF b.t.	5.6	7.3	10.0	9.8
OpFCF b.t. as % of EBITDA	46.3%	52.4%	57.0%	52.0%

Source: DHH Group (historical figures), Value Track (estimates)

Investment case

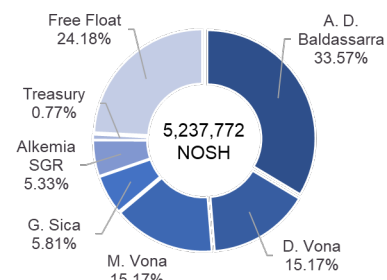
Strengths / Opportunities

- ◆ Excellent geographic footprint, market leader in Croatia and Slovenia
- ◆ Exposed to macro-trends such as AI hype and European Digital Reshoring
- ◆ Outstanding track record in digital business and M&A activities
- ◆ High profitability ratios, sound Free Cash Flow generation deriving from subscription-based recurring revenues business model

Weaknesses / Risks

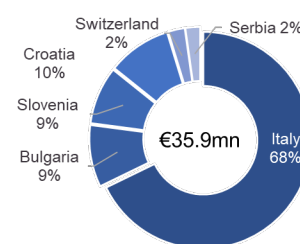
- ◆ Much lower size if compared to US tech giants
- ◆ Highly competitive market with several players

Shareholders Structure



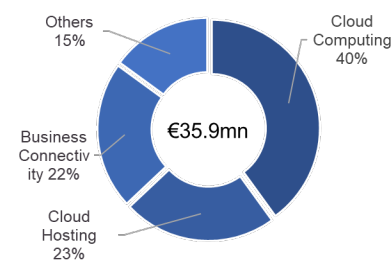
Source: DHH Group

Sales b.down by country (2024)



Source: DHH Group

Sales b.down by segment (2024)



Source: DHH Group

Stock multiples @ €28.5 Fair Value

	2025E	2026E
EV / SALES (x)	3.4	2.7
EV / EBITDA (x)	10.9	8.8
EV / EBIT (x)	18.1	15.1
EV / Cap. Empl. (x)	4.1	3.4
OpFCF Yield (%)	7.0	9.3
P / E Adj. (x)	33.3	26.9
P / BV (x)	4.7	4.0
Cash Div. Yield. (%)	0.0	0.0

Source: Value Track

FY24's Financials

DHH FY24 results are solid and substantially in line with expectations. Key points to underline are:

- ◆ **High incidence of recurring revenues** – The majority of DHH's solutions are offered on a subscription basis, involving recurring payments (monthly or annual fees), which leads to a more predictable revenue stream. Currently, recurring revenue accounts for 94% of the total, with nearly all solutions featuring automatic renewals;
- ◆ **Strong client retention with long revenue periods** – The Group exhibits an extremely low churn rate, resulting in a high customer retention rate of ca. 90%. Indeed, customers tend to stay with DHH for years, beyond the original contract duration, as result of the extremely low churn rate which by nature features DHH's products;
- ◆ **Easily scalable business** – Cloud services, along with other products offered by the company, enable revenue growth to be expanded while keeping operational cost increases to a minimum. Most of these services are recurring, provided on a one-to-many basis, with customers charged in advance for their subscriptions;
- ◆ **Strong cash flow generation** – As a result of the paid in advance As-a-Service business model.

FY24 Results

Key numbers of FY24 results – which are largely in line with our expectations – are as follows:

- ◆ **Value of Production at €37.1mn** (vs. €34.6mn in FY23), i.e., all-organic growth of +7% year-on-year. Although Seeweb's 4Q24 performance was weaker than expected, with single-digit growth below its historical trend due to some key clients being acquired through M&A deals – some by DHH competitors – this was partially offset by more dynamic growth in the Balkan region and beyond. Notably, Connesi, the group's 2nd-largest company, posted a strong +15%, while Webtasy, Plus, and Artera achieved an avg. growth of +10% y/y;
- ◆ **Reported EBITDA up +15.4% y/y, at around €12.0mn**, with an **EBITDA Margin at 32.3%** of VoP – an improvement of 230 basis points y/y – driven in part by a lower impact from stock-option plans and effective operational management;
- ◆ **Reported EBIT up +38.9% y/y, at approximately €6.8mn**, supported by higher EBITDA and ca. €300k lower D&A expenses, due to the completion of certain operating lease agreements;
- ◆ **OpFCF b.t. at ca. €5.6mn**, representing roughly 46% of EBITDA, negatively burdened by €6.8mn capex but positively affected by NWC management;
- ◆ **FCF at €3.4mn**, resulting in **Net Debt of ca. €3.1mn** - mainly attributable to different accounting treatment for leases and IRUs – well under control (Net Debt / EBITDA at ca. 0.25x).

DHH: 2023 – 2024 Key Financial Items

(€mn)	2023	2024A	y/y (%)	2024E	Chg. (%)
Value of Production	34.6	37.2	7.2%	38.4	-3.3%
Adj. EBITDA (*)	11.5	12.0	4.3%	12.6	-4.8%
Adj. EBIT (*)	6.0	6.8	13.0%	7.3	-7.1%
Adj. Net Profit (*)	3.3	3.6	8.4%	4.1	-12.0%
EBITDA Reported	10.4	12.0	15.4%	12.6	-4.8%
EBIT Reported	4.9	6.8	38.9%	7.3	-7.1%
Net Profit Reported	2.2	3.6	63.2%	4.1	-12.0%
Net Fin. Position [Net debt (-) / Cash (+)]	-6.5	-3.1	3.4	-2.0	-1.1

Source: DHH, Value Track analysis, (*) Gross of Stock Option Plan charge and of any other extraordinary costs

VoP up +7% y/y I-f-I, basically in line with our expectation

FY24 Revenues from Sales came in at €35.9mn, +6.6% y/y, while Value of Production was up ca. +7.2% y/y. We note: i) +5% rise in the Cloud Computing segment, contributing €14.2mn to total revenue (40% of total) and supported by the new products' double/triple digit growth (i.e., AI infrastructure, video streaming for municipalities, Kubernetes service, all together accounting over €1.0mn revenues); ii) +7% growth in the Cloud Hosting segment, accounting for 23% of total; iii) +9% increase in the Business Connectivity segment, contributing 22% of total.

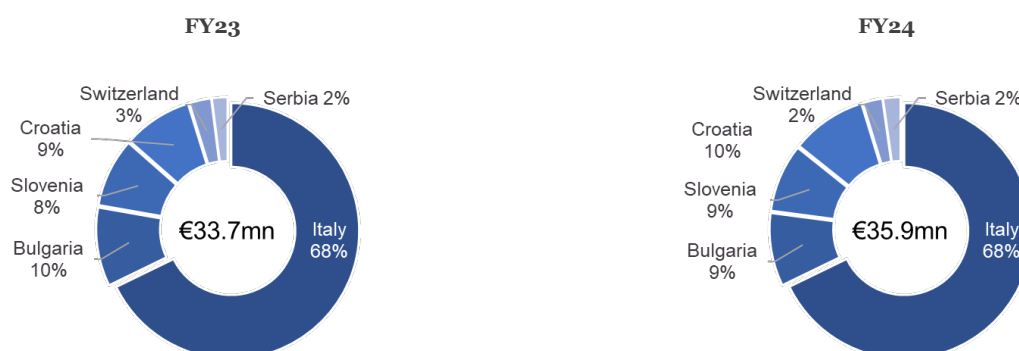
DHH Group: FY23 – FY24 Revenue from Sales by Business Segments (*)

(€mn)	1H23	2H23	FY23	1H24	2H24	FY24	y/y (%)
Cloud Computing	6.4	7.1	13.5	7.0	7.2	14.2	5.0%
As a % of Total Revenues	39%	41%	40%	39%	40%	40%	//
Cloud Hosting	4.0	3.8	7.9	4.3	4.1	8.4	7.0%
As a % of Total Revenues	24%	22%	23%	24%	23%	23%	//
Business Connectivity	3.6	3.8	7.3	3.9	4.1	8.0	9.0%
As a % of Total Revenues	22%	22%	22%	22%	23%	22%	//
Others	2.5	2.5	5.0	2.8	2.5	5.3	6.6%
As a % of Total Revenues	15%	14%	15%	15%	14%	15%	//
Total Revenues from Sales	16.5	17.2	33.7	18.0	17.9	35.9	6.6%

Source: DHH Group, Value Track analysis, (*) Categorization changed in January 2024: Cloud Computing (formerly IaaS and SaaS), Cloud Hosting (formerly PaaS), Business Connectivity (formerly Internet Access); other categories remain unchanged

Among the various geographies, Switzerland emerged as the strongest performer, achieving an impressive +11% organic growth (but “only” €0.9mn). Croatia followed closely with the same growth rate, contributing €3.4mn in revenue. Italy, the company's largest market, also delivered a solid performance, with sales climbing +10% year-on-year to reach €24.3mn (up from €22.9mn). Slovenia maintained positive momentum, albeit at a slightly slower pace, with a high single-digit growth of +8%. On the other hand, Bulgaria (Evolink) lagged behind in terms of organic growth, posting only a modest +2% increase, sales still reached €3.3mn, reflecting a stable performance overall.

DHH Group: FY23 – FY24 Net Sales by geography (%)



Source: DHH, Value Track Analysis

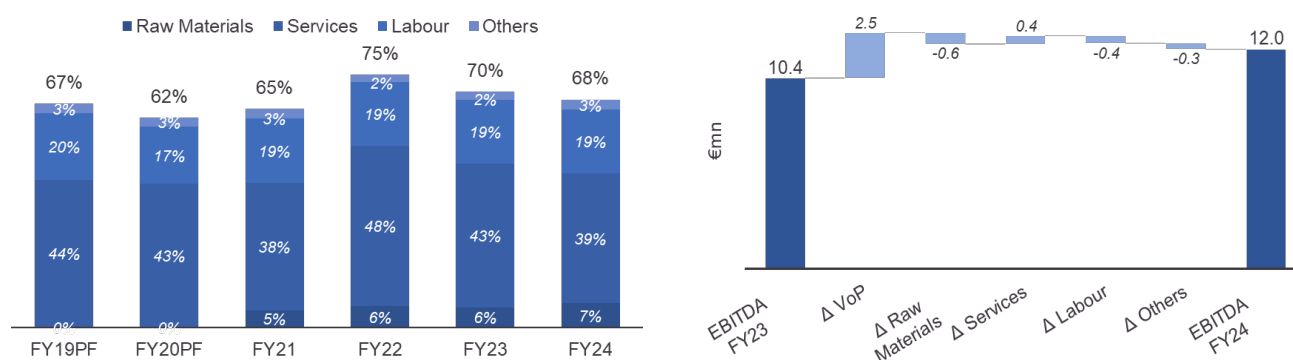
EBITDA Margin up by ca. 230bps at >32%

Reported EBITDA was up +15.4% y/y at €12.0m and **EBITDA Margin** was up as well +230bps to **32.3%** after Total Opex at €25.1mn (+3.7% y/y). We note:

- ◆ the absence of non-recurring professional services expenses that impacted the previous year's results (i.e., ~€1.1mn of Stock Options plan charge);
- ◆ the increase in absolute term of personnel costs (from €6.6mn in FY23 to €7.0mn in FY24) mainly due to business development as well as contractual adj. introduced by the renewal of collective labor agreements (however, the incidence of personnel costs on VoP remained unchanged);
- ◆ the overall stability of main operating costs as the higher raw material costs (primarily due to the impact of increased software license costs, i.e., VMware licenses) were offset by a reduction in datacenter expenses (mainly due to lower energy costs).

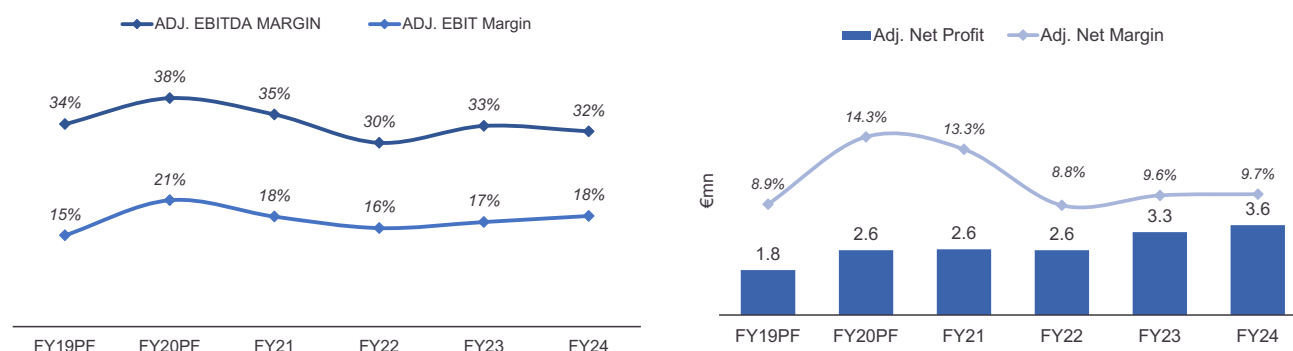
Below EBITDA, the decrease of D&A charges by ca. €300k, mainly due to the termination of certain operating leases, drove EBIT up +38.9% y/y at €6.8mn and **Net Profit (after minorities) at €3.6mn** (vs. €2.2mn in FY23).

DHH Group: Costs evolution and EBITDA Bridge



Source: DHH, Value Track Analysis

DHH Group: EBITDA/EBIT Margin and Net Profit Evolution



Source: DHH Group, Value Track Analysis

DHH Group: Income Statement FY22 – FY23 – FY24

(€ mn)	FY22	FY23	FY24	y/y (%)
Revenues from Sales	28.6	33.7	35.9	+6.6%
Other Revenues	1.0	1.0	1.2	29.2%
Value of Production	29.6	34.6	37.2	+7.2%
COGS	-16.0	-16.8	-17.0	1.0%
Labour costs	-5.6	-6.6	-7.0	+6.5%
Other OpEx	-0.6	-0.8	-1.1	+35.6%
EBITDA	7.4	10.4	12.0	+15.4%
<i>EBITDA Margin (%)</i>	<i>24.9%</i>	<i>30.0%</i>	<i>32.3%</i>	<i>+230bps</i>
D&A	-4.6	-5.5	-5.2	-5.3%
EBIT	2.8	4.9	6.8	+38.9%
<i>EBIT Margin (%)</i>	<i>9.3%</i>	<i>14.1%</i>	<i>18.3%</i>	<i>+416bps</i>
Net Financial Charges & Others	-0.4	-0.8	-0.9	+21.4%
Taxes	-1.5	-1.9	-2.1	+13.6%
Minorities	-0.1	0.0	-0.1	nm
Net Profit	0.7	2.2	3.6	+63.2%
EBITDA Adjusted	9.0	11.5	12.0	4.3%
<i>EBITDA Adj. Margin (%)</i>	<i>30.4%</i>	<i>33.2%</i>	<i>32.3%</i>	<i>-90bps</i>
EBIT Adjusted	4.8	6.0	6.8	13.0%
<i>EBIT Adj. Margin (%)</i>	<i>16.3%</i>	<i>17.3%</i>	<i>18.3%</i>	<i>+94bps</i>
Net Profit Adjusted	12.6	3.3	3.6	8.4%

Source: DHH Group, Value Track Analysis

Operating Cash Flow remains strong, i.e. OpFCF b.t. on EBITDA at 46% (>80% if we strip out RoU capex)

As for the Balance Sheet / Cash Flow Statement, we note:

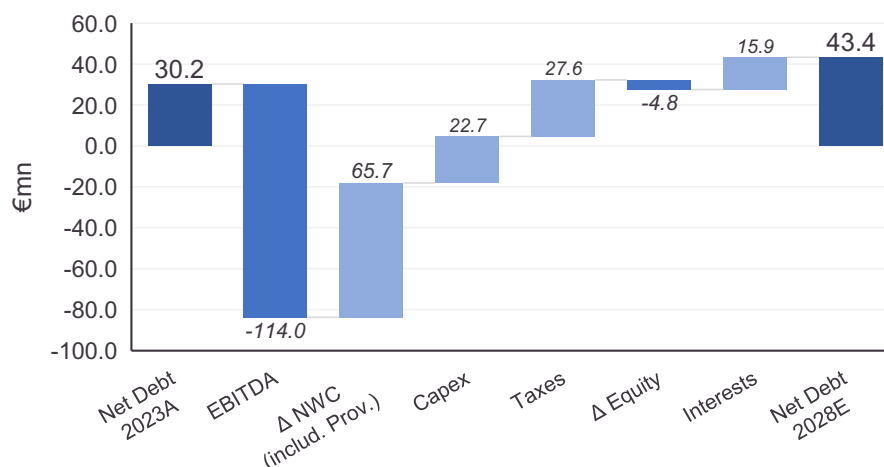
- ◆ Tangible and intangible investments (included RoU) at €6.8mn in FY24 vs. €6.2mn in FY23, up y/y mainly due to high tangible investments in FY24 (at €2.3 vs. €2.2 in FY23) and to IRU investments (~ €4.1mn in FY24 vs. €2.7mn in FY23), upper than our expectation (including not only the operating leases of the hardware but also the renewal of the rental contracts for the offices of some of the group companies);
- ◆ Net Working Capital at €-3.4mn (-9.1% of Sales), with a decrease in Trade Receivables (from €4.7mn in FY23 to €4.5mn in FY24), and a buildup in Trade Payables (from €4.1mn in FY23 to €4.5mn in FY24).

As a result, **OpFCF before taxes** (defined as EBITDA - Tangible and Intangible Capex ± ΔNWC ± Δ Provisions) **stood at 46.3% of the EBITDA**, still emphasizing the strong cash generation capabilities of DHH business model granted by recurring revenues despite ca. €6.8mn Capex (o/w 60% related to IRU).

We calculate that **net of some €4.1mn one off RoU investments the OpFCF conversion would have been above 80%**.

- ◆ As far as **Net Debt Position** is concerned, it has improved to **€3.1mn** (vs. €6.5mn, €3.6mn, €2.8mn recorded in FY23, 1H24 and 9M24, respectively) driven by the previously mentioned factors and by ca. €1.0mn share buy-back and €0.1mn purchase of the remaining minority of Sysbee.

Worthy to note, DHH holds cash available at €13.3mn, to be likely devoted to further future M&A deals.

DHH Group: Cash Flow Bridge FY24


Source: DHH Group, Value Track Analysis

DHH Group: Balance Sheet FY22 – 1H23 – FY23 – 1H24 – FY24

(€ mn)	FY22	1H23	FY23	1H24	FY24
Total Current Assets	7.4	6.7	6.9	7.7	7.5
Total Current Liabilities	10.1	10.8	10.0	11.7	10.8
Net Working Capital	-2.6	-4.1	-3.1	-4.0	-3.4
As a % of Revenues	-7.6%	-12.0%	-8.7%	-10.9%	-9.1%
Goodwill	10.5	11.1	10.4	10.4	10.4
Tangibles & Intangibles (ex Goodwill)	21.3	22.4	22.1	23.3	23.7
Financial assets	2.0	2.0	1.7	1.7	1.6
Other net assets	1.5	1.5	1.5	1.5	1.5
Net Fixed Assets	35.1	37.0	35.7	37.0	37.2
Provisions	2.4	2.4	2.4	2.5	2.5
Total Capital Employed	30.2	30.5	30.2	30.5	31.4
Group Net Equity	24.1	24.9	23.7	26.9	28.2
Net Fin. Position [Net debt (-) / Cash (+)]	-6.0	-5.6	-6.5	-3.6	-3.1

Source: DHH Group, Value Track Analysis

DHH Group: Net Financial Position Structure FY22 – 1H23 – FY23 – 1H24 – FY24

(€ mn)	FY22	1H23	FY23	1H24	FY24
Cash and Deposits (+)	10.6	10.9	10.2	13.2	13.1
Debt to Banks within 12 months (-)	-4.8	-4.7	-4.5	-5.1	-5.4
Current Net Financial Position	5.8	6.1	5.7	8.0	7.7
Long term financial credits, i.e., BTP (+)	0.2	0.0	0.2	0.5	0.2
Debt to Banks over 12 months (-)	-12.1	-11.7	-12.4	-12.1	-11.0
Non-Current Financial Position	-11.9	-11.7	-12.2	-11.7	-10.8
Net Fin. Position [Net debt (-) / Cash (+)]	-6.0	-5.6	-6.5	-3.6	-3.1

Source: DHH Group, Value Track Analysis

Two major tailwinds: AI and Digital Reshoring

In the latest 18 months DHH has been starting to positively capitalize its skills and know how in order to profit from the booming demand of Artificial Intelligence related products / services. Indeed, in the thematic report that we recently published (“Only few Italian Stocks leading the AI-wave”, published back as of March 10th 2025), we pointed at DHH as one of the 15 Italian companies best positioned to benefit from the AI revolution.

In addition to the exposure on **AI theme**, we also note that DHH is once again “the right company at the right time in the right place”, if we look at the other major structural trends that could shape the future of European digital infrastructure, i.e the necessary push for **digital reshoring**.

Tailwind # 1 - Pivoting into a Top-Tier AI Enabler

As AI becomes a transformative force across industries, DHH is leveraging its established B2B cloud expertise to evolve into a leading “**AI Enabler**” for the European market. The group is actively expanding its capabilities to support businesses in training models, processing large datasets, and deploying AI applications.

A key pillar of this strategy is **Seeweb**, DHH’s Italian subsidiary, which has already been ranked among the **top 15 cloud server providers globally** for GPU-powered training and fine-tuning of large language models (LLMs)—a cohort that includes hyperscalers like Microsoft Azure and AWS.

More in particular, we note that DHH aims to focus on secure, **private AI** environments tailored to sectors like finance, healthcare, and legal services, enabling clients to build custom platforms for sensitive data without relying on public AI platforms. These private AI models ensure data privacy compliance and support the growing demand for secure AI solutions.

Strategic Roadmap for AI Infrastructure Expansion

To scale its AI offering and consolidate its position as a European AI infrastructure provider, DHH is pursuing a three-pillar strategy:

1. **Expanding Geographical:** Scaling its AI infrastructure beyond Italy to other high-potential markets, particularly in the Balkans, via its local subsidiaries;
2. **Product Enhancement:** Broadening the AI hardware portfolio with advanced GPU and NPU solutions, including collaborations with cutting-edge technologies such as Tenstorrent;
3. **AI-as-a-Service (AIaaS):** Developing platform-based solutions that simplify access to cloud-native AI tools for training, fine-tuning, and inference — removing entry barriers for developers and SMEs.

Core AI Products and Services

DHH has already launched several **AIaaS solutions**, designed to cover a range of performance, usability, and compliance needs:

- # 1 **Cloud Server GPU** - A GPU-powered cloud server designed for AI and machine learning tasks, offering computational power for complex workloads like data analytics, deep learning, and high-quality rendering.
- # 2 **Serverless GPU** - Designed to simplify AI application deployment, this product uses Kubernetes to orchestrate GPU resources, making it more accessible than traditional hardware-based solutions.
- # 3 **Cloud Server NPU or AI Accelerator** - Launched in 2024, this product integrates cutting-edge Neural Processing Units (NPUs) for efficient AI inference workloads, such as speech recognition and object detection.
- # 4 **Next step: Chat-based Platform** - Looking ahead, DHH plans to launch chat-based infrastructure tools designed for Private AI deployments, allowing customers to fine-tune and interact with models securely within a fully localized environment.

Tailwind # 2 - Unlocking Growth through European Digital Sovereignty

The more and more negative attitude of the new U.S. administration towards Europe within a scenario of ongoing geopolitical tensions is triggering the need for European Union not only to strengthen its military Defence capabilities, but also to:

- ◆ Govern digital infrastructure, data flows, and technology within its borders;
- ◆ Bolster European ICT infrastructure security;
- ◆ Build up capacity to design and deploy its own AI and Cloud computing infrastructure;
- ◆ Reduce technological reliance on external allies.

As a result, we expect European governments and enterprises to increasingly prioritize digital sovereignty, seeking infrastructure that is compliant, localized, and trustworthy thus reducing reliance on non-EU infrastructure providers.

Such a “**digital reshoring**” wave is underpinned by a robust and evolving European regulatory framework:

- ◆ **General Data Protection Regulation (GDPR)** i.e. the cornerstone of data governance, establishing strict rules for data protection and cross-border transfers;
- ◆ **NIS2 Directive**, which broadens cybersecurity obligations for essential and digital service providers;
- ◆ **EU Data Act** (expected to come into force between 2025 and 2026), that further reinforces requirements for data security, availability, interoperability, and transparency within the EU.

In our view, **digital reshoring represents a structural tailwind for DHH**, reinforcing the validity of its decentralized strategy and unlocking new growth opportunities in markets where proximity, trust, and compliance are becoming central to IT infrastructure decisions.

Crucially, this sovereignty-driven demand also complements the rising adoption of AI — a domain where data control, security, and localization are equally critical.

Fine-tuning of 2025E-onward estimates

FY24A results came in broadly in line with our FY24E expectations, particularly in terms of EBITDA, EBIT and Net Profit. Looking ahead, however, we are revising our 2025E and beyond estimates slightly downwards, mainly due to:

- ◆ An expected increase in software license costs, which should gradually weigh on margins;
- ◆ A delay in the contribution from M&A activity, originally assumed to impact the full year 2025, now postponed in 2Q25E / 3Q25E and projected to remain stable in the following years;
- ◆ Although DHH is expected to deliver modest margin advances on a standalone basis, according to our assumptions, the consolidation of the newly acquired company – which is anticipated to operate with structurally lower profitability – is likely to lead to a decrease in overall margins.

DHH Group: New vs. Old estimates – Total

(€ mn)	2025E			2026E			2027E		
	Old	New	Change	Old	New	Change	Old	New	Change
Value of Production	48.3	44.6	-7.7%	57.8	55.9	-3.2%	61.7	61.5	-0.4%
EBITDA	15.6	14.0	-10.1%	18.0	17.5	-2.9%	18.9	18.8	-0.5%
EBITDA Margin (%)	32.2%	31.4%	-84bps	31.1%	31.2%	12bps	30.7%	30.6%	-3bps
D&A	5.9	5.6	-4.3%	6.9	7.3	4.5%	-7.4	8.0	-207.6%
EBIT	9.7	8.4	-13.6%	11.0	10.2	-7.5%	11.5	10.9	-5.8%
EBIT Margin (%)	20.1%	18.8%	-129bps	19.1%	18.3%	-84bps	18.7%	17.7%	-100bps
Pre-tax profit	8.8	7.4	-15.9%	10.2	9.1	-10.4%	10.7	9.8	-9.0%
Net Profit	5.7	4.5	-21.6%	6.6	5.5	-16.2%	7.0	5.9	-15.0%
Net Fin. Position [Net debt (-)]	-2.7	-4.3	-1.6	-2.8	-6.0	-3.2	2.7	-0.9	-3.6
OpFCF a.t.	6.5	4.6	-29.9%	7.0	6.6	-6.4%	6.2	6.2	-0.5%

Source: Value Track Analysis

DHH Group: New vs. Old estimates – ex M&A

(€ mn)	2025E			2026E			2027E		
	Old	New	Change	Old	New	Change	Old	New	Change
Value of Production	42.3	40.6	-4.0%	45.8	43.9	-4.1%	48.5	48.3	-0.5%
EBITDA	14.4	13.2	-8.1%	15.5	15.0	-3.3%	16.0	15.9	-0.6%
EBITDA Margin (%)	34.0%	32.5%	-144bps	33.9%	34.1%	26bps	33.0%	33.0%	-3bps
EBIT	9.0	8.0	-11.1%	9.8	9.0	-8.4%	9.9	9.3	-6.7%
EBIT Margin (%)	21.3%	19.7%	-157bps	21.3%	20.4%	-97bps	20.5%	19.2%	-127bps
Net Fin. Position [Net debt (-)]	2.1	0.2	-1.9	8.4	4.8	-3.5	12.8	8.8	-4.0

Source: Value Track Analysis

DHH Group: New vs. Old estimates – with M&A

(€ mn)	2025E			2026E			2027E		
	Old	New	Change	Old	New	Change	Old	New	Change
Value of Production	6.0	4.0	-33.3%	12.0	12.0	0.0%	13.2	13.2	0.0%
EBITDA	1.2	0.8	-33.7%	2.5	2.5	0.0%	2.9	2.9	0.0%
EBITDA Margin (%)	20.1%	20.0%	-10bps	20.5%	20.5%	0bps	22.0%	22.0%	0bps
EBIT	0.7	0.4	-44.4%	1.3	1.3	0.0%	1.6	1.6	0.0%
EBIT Margin (%)	12.0%	10.0%	-200bps	10.5%	10.5%	0bps	12.0%	12.0%	0bps
Net Fin. Position [Net debt (-)]	-4.8	-4.5	0.2	-11.1	-10.8	0.3	-10.1	-9.7	0.4

Source: Value Track Analysis

Our new 2025E-27E forecasts can be summarized as follows:

- ◆ Value of Production expected to move from €44.6mn in 2025E to ca. €61.5mn at the end of the forecasted period (18.3% CAGR_{24A-27E}), summing up ca. 10% organic growth per annum and M&A deals aimed at doubling such pace;
- ◆ Operating profitability slightly decreasing over the next three years with EBITDA and EBIT Margin expected respectively at 30.6% and 17.7% by 2027E;
- ◆ Flattering Working Capital dynamics, implying a sound operating cash conversion with OpFCF b.t. / EBITDA ratio on average at ~55% over the next three years;
- ◆ Net Financial Position expected to approach break-even by 2027E year-end at ca. -€0.9mn (Net Debt), with ca. €50mn cumulated EBITDA more than covering >€25mn of cumulated capex and M&A cash out of ca. €12.0mn.

DHH Group: 2024A – 2027E P&L

(€mn)	2024A	2025E	2026E	2027E
Value of Production	37.1	44.6	55.9	61.5
COGS	-18.1	-22.1	-27.8	-31.0
Labour costs	-7.0	-8.5	-10.6	-11.7
EBITDA	12.0	14.0	17.5	18.8
EBITDA Margin (%)	32.3%	31.4%	31.2%	30.6%
Depreciation & Amortization	-5.2	-5.6	-7.3	-8.0
EBIT	6.8	8.4	10.2	10.9
EBIT Margin (%)	18.3%	18.8%	18.3%	17.7%
Net Fin. Charges	-0.8	-1.0	-1.1	-1.1
Non-Operating Items	-0.1	0.0	0.0	0.0
Pre-tax Profit	5.8	7.4	9.1	9.8
Tax	-2.2	-3.0	-3.6	-3.9
Reported Net Profit	3.6	4.5	5.5	5.9

Source: DHH, Value Track Analysis

DHH Group: 2024A – 2027E Balance Sheet

(€mn)	2024A	2025E	2026E	2027E
Net Fixed Assets	37.2	43.7	52.1	53.6
Net Working Capital	-3.4	-4.0	-4.9	-5.2
Severance Pay and Other Funds	2.5	2.5	2.5	2.6
Total Capital Employed	31.4	37.2	44.7	45.8
Group Net Equity	28.2	32.9	38.7	44.8
Net Fin. Position [Net Debt (-)]	-3.1	-4.3	-6.0	-0.9

Source: DHH, Value Track Analysis

DHH Group: 2024A – 2027E Cash Flow Statement

(€mn)	2024A	2025E	2026E	2027E
EBITDA	12.0	14.0	17.5	18.8
Δ NWC & Provisions	0.3	0.7	0.9	0.4
Capex (inc. RoU but not Fin. Inv.)	-6.8	-7.3	-8.4	-9.4
OpFCF b.t.	5.6	7.3	10.0	9.8
As a % of EBITDA	46%	52%	57%	52%
Cash Taxes	-2.1	-2.8	-3.4	-3.6
OpFCF a.t.	3.4	4.6	6.6	6.2
Financial Investments	0.7	-4.8	-7.2	0.0
Net Financial charges	-0.8	-1.0	-1.1	-1.1
Change in Net Fin. Position	3.4	-1.2	-1.7	5.1

Source: DHH, Value Track Analysis

Valuation Update

The valuation's roll-over from FY24E to FY25E combined with higher ERP are driving downwards DHH fair value per share at **€28.5** (down from €29.3 p/s in Sept' 24).

While the overall equity value has increased only marginally, the rise in the number of shares — from 4.9mn to 5.2mn, mainly due to the execution of stock option plans — contributes to a worse per-share valuation. The implied market capitalization stands at ca. €150mn, based on the simple average of: i) DCF model (€29.5, down from €29.9); ii) SOTP based Peers' analysis (€27.5, down from €28.6).

At fair value, DHH would trade at 3.4x-2.7x EV/Sales and 10.9x-8.8x EV/EBITDA 2024E-25E, vs. avg. Peers trading at 8.0x-6.9x EV/Sales and 15.2x-13.5x EV/EBITDA 2025E-26E respectively.

SOTP based Peers' Analysis

Stock Market Multiples Benchmark

The overall peer group is currently trading at median multiples of **8.0x EV/Sales, 15.2x EV/EBITDA, and 21.6x P/E Adj. for 2025E**, while DHH continues to trade at a significant discount of approx. 25%–45% on 2025E–26E multiples. However, when breaking down the peer set into clusters, a more nuanced picture emerges:

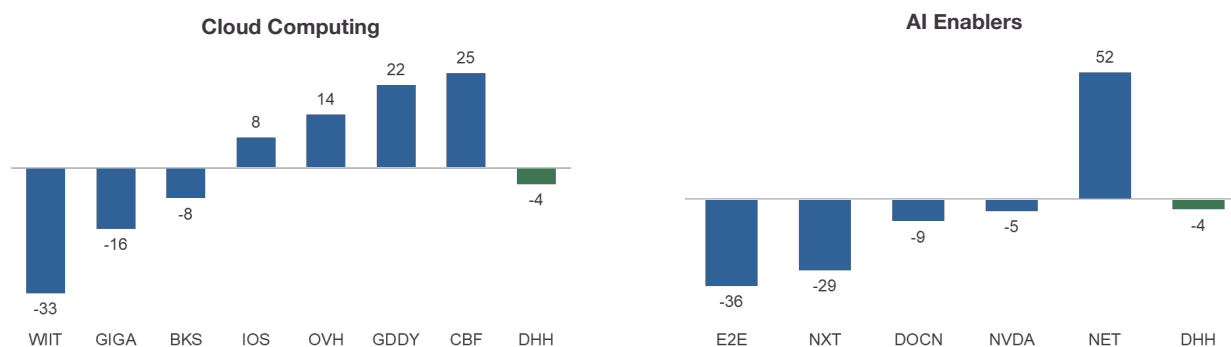
- ◆ **Cloud Computing & Internet Access** peers are trading at median 2025E multiples of 10.1x EV/EBITDA and 21.7x EV/EBIT;
- ◆ **AI Enablers** exhibit the most demanding valuation metrics, as expected. The sector, driven by substantial market hype, is trading at a lofty median EV/Sales multiple of 16.6x.

DHH: Peers' stock trading multiples

Company	EV / Sales (x)		EV / EBITDA (x)		P/E (x)	
	2025E	2026E	2025E	2026E	2025E	2026E
Cloud Computing						
WIIT	3.3	3.0	9.0	7.9	24.3	18.8
Beeks Financial Cloud	4.3	3.9	11.4	10.4	26.3	23.4
IONOS	2.3	2.0	7.8	6.5	14.0	11.7
Gigas Hosting	na	na	na	na	na	na
OVH	2.0	1.8	5.1	4.5	>50	34.3
Go Daddy	5.8	5.2	18.4	15.6	28.6	23.8
Cyber Folks	3.6	2.9	11.3	9.2	24.7	19.9
Peer's Cloud Computing - Average	3.6	3.1	10.5	9.0	23.6	22.0
Peer's Cloud Computing - Median	3.4	3.0	10.1	8.6	24.7	21.7
AI Enablers						
E2E	na	na	na	na	na	na
Nvidia	13.3	10.5	20.7	15.9	24.9	20.2
CloudFlare	20.7	16.2	>50	>50	>100	>100
Nextdc	19.9	19.1	39.8	40.6	<0	<0
DigitalOcean	5.2	4.4	13.3	11.2	18.2	15.6
Peer's AI Enablers - Average	14.8	12.6	24.6	22.5	21.6	17.9
Peer's AI Enablers - Median	16.6	13.4	20.7	15.9	21.6	17.9
Total Average Peers	8.0	6.9	15.2	13.5	23.0	21.0
Total Median Peers	4.7	4.2	11.4	10.4	24.7	20.0
DHH @ market price	2.6	2.1	8.4	6.9	25.7	20.8
<i>DHH discount vs Average</i>	-67%	-69%	-44%	-49%	12%	-1%
<i>DHH discount vs Median</i>	-44%	-49%	-26%	-34%	4%	4%

Source: Market Consensus, Value Track Analysis

DHH Peers: Stock Market 6-months Performance



Source: Factset

SOTP Valuation

Our SOTP valuation incomes a fair equity value of **€27.5 p/s**, obtained by:

- ♦ Applying peers' EV/EBITDA 2025E Cloud Computing & Cloud Hosting's cluster median (10.1x) to **DHH stand-alone** (i.e., excluding AI Infrastructure business segment) EBITDA;
- ♦ Applying peers' EV/Sales 2025E AI Enablers' cluster median (16.6x, with a 50% discount applied, resulting in a fair multiple of 8.3x) to **AI Infrastructure + Other Innovative Products segment** Sales (we now forecast some €1.2mn in 2025E).

DHH: Value of Production and EBITDA assumptions by business unit (*)

Assumptions	2025E
Value of Production	44.6
Cloud Computing & Cloud Hosting	43.4
AI Infrastructure / Other Innovative Products	1.2
EBITDA	14.0
Cloud Computing & Cloud Hosting	13.5
AI Infrastructure / Other Innovative Products	0.5

Source: Value Track Analysis (*) Value Track estimates

DHH: Sum of the Parts Valuation

Fair Equity Value (€mn)	Cloud Computing & Cloud Hosting	AI Infrastructure & Other Innovative Products	Total
Peers EV/Sales 2025E (x)		16.6	
Peers EV/EBITDA 2025E (x)	10.1		
Discount vs. Peers (%)	0%	50%	
Fair Multiple	10.1	8.3	
Fair Enterprise Value (€mn)	137.1	10.0	147.1
As a % of Total	93%	7%	100%
Net Financial Position 2025E (€mn)			-4.3
Adjustments 2025E			1.5
Fair Equity Value			144.3
NOSH			5.2
Fair Equity Value p/s (€)			27.5

Source: Market Consensus, Value Track Analysis

Discounted Cash Flow Model

Our DCF model is built on a “target” capital structure, assuming Net Debt accounts for 30% of Capital Invested. The WACC, estimated using an expanded CAPM approach, stands at ca. 7.9%. The key assumptions underlying the calculation include:

- ◆ A 2.0% risk-free rate, an unlevered beta of 1.0x (weighted average of internet and system & application software sectors), a 5.37% Italian equity risk premium (recently revised upward from 5.19%, source: *Damodaran*), and an additional 1.5% small-cap premium;
- ◆ Explicit financial projections from 2025E through 2031E, with Terminal Value calculated as of 2031E using a 3.5% Perpetuity Growth Rate (PGR).

The resulting **fair value** from the DCF model is **€29.5 p/s**, slightly down from the €29.9 p/s estimated in September 2024.

DHH: DCF Model

€mn	
PV of future cash flows 2024E-2031E	34.2
PV of Terminal value	121.9
Fair Enterprise value	156.1
Implied EV/ EBITDA 25E (x)	11.1x
Net Fin. Position 2023A	-3.1
Minorities (net of related debt)	-1.6
Peripheral assets	3.1
Fair Equity value	154.4
Number of shares (mn)	5.2
Fair Equity value per share (€)	29.5

Source: Value Track Analysis

DHH: Multiples analysis at various prices

DHH share price (€)	EV/EBITDA		EV/EBIT		P/E	
	2025E	2026E	2025E	2026E	2025E	2026E
€ 21.5	7.7	6.3	12.9	10.7	23.4	19.0
€ 23.5	8.4	6.8	14.0	11.7	25.6	20.7
€ 25.5	9.1	7.4	15.2	12.7	27.8	22.5
€ 27.5	9.8	8.0	16.4	13.6	30.0	24.3
€ 29.5	10.5	8.5	17.5	14.6	32.2	26.0

Source: Value Track Analysis

Appendix 1: DHH Investment Case

DHH at a glance

DHH (or “the Group”) is a tech group dedicated to **reshaping internet infrastructure through the integration of next-generation technology and artificial intelligence**. Based in Europe, the group leverages open-source technologies to enhance digital connectivity across various industries and regions, and offers its products in a subscription model (**SaaS/IaaS/PaaS**) to more than 120.000 corporate and professional customers. Founded back in **July 2015**, the **Group has expanded significantly through conspicuous M&A activity**, finalizing close to 20 deals.

Key points of DHH investment case

In our view, DHH stands out at the forefront of technological innovation and ethical business practices, excelling for the following key points:

- # 1 – Ideal mix of products / solutions;
- # 2 – Optimal market positioning in space and time;
- # 3 – Well carved growth strategy combining organic and M&A levers;
- # 4 – Highly skilled Top Management with “skin in the game”;
- # 5 – Outstanding Financial profile;
- # 6 – Acting with a highly responsible approach.

1 - Ideal mix of products / solutions

DHH Group B2B cloud computing and premium B2B internet access product portfolio is the result of a proactive approach aimed at maintaining a technological edge over competitors and banks on an **extensive proprietary physical and network infrastructures** managed by some subsidiaries (Seeweb, Evolink and Connesi).

We can cluster different families of products depending on the time of introduction in DHH portfolio:

- ◆ **1st wave: Cloud Hosting products**, e.g. Shared hosting, Virtual Private Server (VPS) and more;
- ◆ **2nd wave: Cloud Computing products**, such as Cloud Servers Rentals dispensed in the PaaS, or IaaS models. These products have become relevant with reverse merger with Seeweb in 2020;
- ◆ **3rd wave: Premium B2B infrastructure-based Internet Service Provisioning products**, such as Premium Internet Connectivity, VOIP, VPN, WAN. These products got relevant following a series of acquisitions in 2021 and 2022;
- ◆ **4th wave: AI infrastructure products**. DHH, though its subsidiary Seeweb is included among the top 15 Cloud Server Providers for GPU-Powered LLM fine-tuning and training (Source: online publication *Towards AI*).

2 - Optimal market positioning in space and time

Cloud computing and Cloud hosting, the two primary sectors in which DHH currently operates, are experiencing significant growth rates. Indeed, **the market for cloud computing and web-hosting services is projected to exceed \$3.1tn by 2030, more than doubling its size from 2022**.

On top of these highly growing markets, we underline that **AI infrastructure market is expected to grow to \$84.8bn by 2026E, 23.7% CAGR** (Source: *Markets and Markets*) fuelled by the adoption of AI across industries such as healthcare, automotive, and finance.

We remind that DHH is currently active in Italy (accounting for some 68% of DHH Group Revenues from Sales), Switzerland, Bulgaria and Balkan areas (Slovenia, Croatia, Serbia) i.e., geographies expected to post higher-than-average growth rates ahead, as the current digital adoption is growing but, in most cases, (Slovenia is an exception) still below the EU average.

3 - Well carved growth strategy combining M&A levers

DHH is pursuing an aggressive growth strategy that adds M&A to organic growth. In the last nine years, it has completed **close to 20 M&A transactions with an average total ROI close to 140%**. The result of the above-mentioned M&A activity is that DHH Group can be viewed as an **ecosystem of independent entities** unified by a shared theme that empowers tech entrepreneurs to innovate, and exchange best practices. In this scenario, DHH SpA acts as holding company, providing broad business and administrative support and ensuring seamless operations / strategic guidance.

4 - Highly skilled Top Management with “skin in the game”

DHH's top management includes highly skilled professionals such as:

- ◆ **Antonio Baldassarra – Chief Executive Officer.** Founder of Seeweb and co-founder of DHH, he boasts more than 25 yy experience in Electronics, Telecommunications and Computer Science.
- ◆ **Giandomenico Sica – Executive Chairman.** Co-founder of DHH, he also is the founder of Grafoventures, his holding focused on IT industry SMBs.
- ◆ **Tamara Arduini – Chief Financial Officer.** With over two decades of experience in accounting administration and finance, she previously served as the CFO of Seeweb.
- ◆ **Matija Jekovec – Chief Operating Officer.** Co-founder of Klaro in 2003, beginning as a developer before transitioning into an R&D managerial role.

Worthy to note, the co-founders (Mr. Baldassarra and Mr. Sica) have a lot of “skin in the game” as they are controlling more than 40% of share capital.

5 - Outstanding Financial profile

As a result of its well carved business model, DHH boasts several notable financial features such as:

- ◆ High scalability;
- ◆ Extremely high incidence (ca. 94%) of recurring revenues;
- ◆ Strong client retention (churn rate lower than 10%) with long revenue periods.
- ◆ Strong cash flow generation, with OpFCF_{b.t.} (defined as Adj. EBITDA – Tangible and Intangible Capex ± ΔNWC ± Δ Provisions) always in excess of 50% of EBITDA.

6 - Highly responsible ESG approach

DHH's sustainability strategy is firmly rooted in integrating responsible practices across every level of the organization, from daily operational management to executive decision-making.

As an example of their commitment to ESG themes, we underline that DHH, recognizing the significant impact of power consumption in data centers and throughout product lifecycles, is mitigating its carbon footprint by:

- 1) Enhancing operational energy efficiency;
- 2) Transitioning to renewable energy sources;
- 3) Promoting responsible disposal methods for end-of-life equipment.

Moreover, through Connesi and Seeweb, DHH Group has launched several initiatives to minimize environmental impacts and cut emissions.

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