

Italy – Digital

A matching platform that delivers growth, value and returns

13th October 2017

INITIATION OF COVERAGE

RIC: DIGT.MI
BBG: DIG IM

Digital 360, a leading player in the digital innovation market - a large, fragmented and fast growing segment - went public on the AIM Italia to raise resources for development also via external growth.

Rating:
Neutral

Price Target:
€ 1.35

Upside/(Downside): 8.0%

Last Price: € 1.25

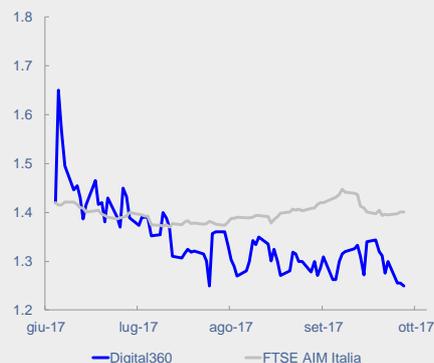
Market Cap.: € 19.3

1Y High/Low: € 1.72/€ 1.23

Free Float: 23.0%

Major shareholders:

Andrea Rangone 25.0%
Mariano Corso 12.8%
Alessandro Giuseppe Perego 12.8%



Stock price performance

	1M	3M	12M
Absolute	-4.5%	-10.1%	n.a.
Rel.to AIM Italia	0.0%	-2.3%	n.a.
Rel.to peers	-9.2%	-13.9%	n.a.

Analyst:
Luca Arena
+39 02 30343 395
luca.arena@cfofim.com

Neutral, PT of 1.35/s 8.0% upside

CFO initiates Digital360 coverage with a Neutral rating and a PT of € 1.35/s FD, based on a multiple comparison and corroborated by DCF. We believe IPO resources and cash flows will be employed to create value for shareholders, not yet expressed in the figures. Our estimates do not take into consideration external growth as well as the impact of the € 1.1m capex spent in 2017 for development and technology. We have included nine firms in the peer comparison: Digital360 presents by far the highest growth perspectives compared to peers. Applying the peer median multiples to Digital360 metrics, we attain an equity valuation for Digital360 of € 1.35/s, based on 2017 and 2018 figures.

A leading player in digital innovation: a large, fragmented and growing segment

Digital360 is a leading Italian B2B player in the digital innovation arena, offering editorial content, communications and marketing services, lead generation, events, advisory and coaching support. Established in 2012, the company runs a match making platform between digital innovation demand and offer. The firm operates two business areas: 1) Demand Generation - editorial content, communication and marketing services, lead generation, events and webinars offered to vendors, in digital innovation; and 2) Advisory - advisory and coaching services supporting digital innovation of firms and PAs.

Sales and EBIT CAGR_{16-19e} of 14.6% and 31.4%

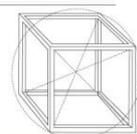
CFO expects top line to show a 14.6% CAGR₂₀₁₆₋₁₉, driven by the Demand Generation division. The Advisory business unit is projected to show the fastest average increase per annum, driven by the engineered projects. EBITDA and EBIT are expected to grow more than proportionately to top line thanks to the operating leverage stemming from its cost structure: +21.4% and 31.4% CAGR₂₀₁₆₋₁₉. Net Profit is anticipated to show a 69.8% CAGR in 2016-19. Thanks to the relatively low amount of capex (€ 1,600k, € 600k and € 500k in 2017-19), the operating cash flow translates massively into free cash flow. The strong CF is consequently projected to boost Net Financial Position to € 907k cash in 2019.

Digital360 went public to boost growth, also via acquisitions

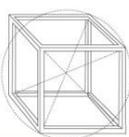
The reference market is huge, growing and fragmented. The fresh cash stemming from the IPO, amounting up to € 6.0m (of which € 4.0m coming from the rights issue and € 2.0m from the convertible bond issue), together with the cash flow produced by the business, will be utilised to boost growth and consolidate its positioning also via acquisitions. Digital360 aims to generate additional business from the vast quantity of smaller and more numerous corporations and public administration and digital providers, to the benefit of volumes and scale even if with a smaller single ticket.

Digital 360, key financials and ratios

€ k	2015	2016 PF	2017e	2018e	2019e
Sales	10,754	12,789	14,349	16,843	19,225
EBITDA	1,443	1,681	1,778	2,483	3,005
EBIT	861	603	310	925	1,367
EBIT adj.	1,153	1,043	783	1,398	1,840
Net profit	30	139	16	387	681
Net profit adj.	322	579	489	860	1,154
NFP (cash)/debt	4,262	4,802	2,550	1,133	(359)
EPS adjusted € cent	1.94	3.48	2.94	5.18	6.94
EPS adj. growth	-	80.0%	-15.6%	76.1%	34.2%
DPS ord. €/s	0.00	0.00	0.00	0.00	0.00
Free Cash Flow Yield	0.0%	-13.1%	-9.1%	7.4%	7.7%
PER x	64.6	35.9	42.5	24.1	18.0
PCF x	31.5	15.8	13.0	9.9	8.3
EV/Sales x	2.26	1.96	1.58	1.25	1.01
EV/EBITDA x	16.3	14.3	12.3	8.2	6.3
EV/EBIT x	27.3	39.9	70.3	22.0	13.8



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1. Investment Summary

Digital360 is a leading Italian B2B player in the digital innovation arena, offering editorial content, communications and marketing services, lead generation, events, advisory and coaching support. Established in 2012, the company **runs a match making platform between digital innovation demand and offer**. The firm operates two business areas: 1) **Demand Generation** - editorial content, communication and marketing services, lead generation, events and webinar, in digital innovation; and 2) **Advisory** - advisory and coaching services supporting digital innovation of firms and PAs.

The firm operates in a **large significantly fragmented market, valued at € 70bn in Italy alone**. The competitive environment differs between the two business units, Demand Generation and Advisory. More generally, Digital360 distinctive competitive advantages are: 1) **Expertise, experience and reputation** in the digital innovation market, coupled with unique competencies and methodologies; 2) **Ability to effectively interact digital transformation in B2B traditional channel communication**, events, lead generation and advisory; 3) **Track record in acquisitions and integrations** in a fragmented fast growing arena; 4) Motivated, experienced, multidisciplinary **professionals and skills** from a variety of sectors; 5) Scalable business model, both organically and via acquisitions.

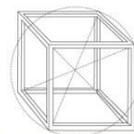
The reference market is huge, growing and fragmented. **The fresh cash stemming from the recent IPO, amounting to € 6.0m** (of which € 4.0m coming from the rights issue and € 2.0m from the convertible bond issue), together with the cash flow produced by the business, **will be utilised to boost growth and consolidate its positioning also via acquisitions**. Digital360 aims to generate additional business from the vast quantity of smaller and more numerous corporations and public administration, to **the benefit of volumes and scale** even if with a smaller single ticket.

CFO expects top line to show a 14.6% CAGR in 2016-19, driven by the Demand Generation division. The Advisory business unit is projected to show the fastest average increase per annum, driven by the engineered projects. **EBITDA and EBIT are expected to grow more than proportionately to top line: +21.4% and 31.4% CAGR in 2016-19**, vs. 14.6% of turnover. **Net Profit is anticipated to show a 69.8% CAGR in 2016-19**. Thanks to the relatively low amount of capex (€ 1,600k including € 460k listing costs, € 600k and € 500k in 2017-19), the **operating cash flow translates massively into free cash flow**. The strong CF is consequently projected to boost NFP to € 359k cash in 2019.

Digital360 was listed last 13 June 2017 at € 1.15 per share, corresponding to a market capitalisation of € 17.7m. The offer encompassed a capital increase of € 4.0m on offer to professional and retail investors, with a portion reserved to employees. In addition, a convertible bond of € 2.0m was issued: 5 years duration, 4.5% coupon and strike € 1.60.

CFO initiates **Digital360 coverage with a Neutral rating and a PT of € 1.35/s FD**, based on a multiple comparison and corroborated by the DCF. We believe **IPO resources will be employed to create value for shareholders**, not yet expressed in the figures: our estimates do not take into consideration external growth as well as the impact of the € 1.1m capex spent in 2017. We have included nine firms in the peer comparison. **Digital360 presents lower than median profitability but by far the highest growth perspectives compared to peers**. Applying the peer median multiples to Digital360 metrics, **we attain an equity value for Digital360 of € 1.35/share FD**, based on 2017 and 2018 figures. DCF model corroborates this approach with an equity value of € 1.30/s FD.

The principal investment **risks** in Digital360 include: 1) risks linked to the algorithm used by the search engines; 2) Risks related to personal data collection, holding and treatment; 3) Risks due to ICT malfunctions; 4) Risks connected to the relevant technological evolution; 5) Risks due to relevant competition in the reference market; 6) Impact on economics and balance sheet profile triggered by a deep decline in local and global economic growth; 7) Dilution of profitability stemming from the acquisition campaign; 8) The departure of one of few key relevant people.



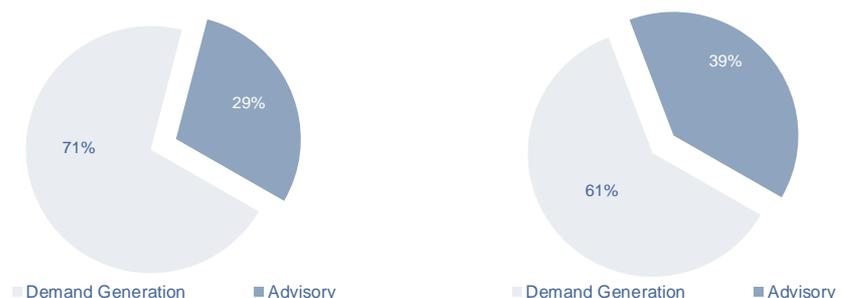
2. Digital360 in a nutshell

Headquartered in Milan, **Digital360 is a leading Italian B2B player in the digital innovation arena**, offering editorial content, communications and marketing services, lead generation, events, advisory and coaching support. Established in 2012, the company **runs a match making platform between digital innovation demand** (firms and public administrations potentially buyer of digital innovations, over 4.0m actors) **and offer** (more than 90,000 specialised players able to provide digital innovation solutions). The firm originates from the combined experience of its founding members – professors and research workers from Milan Polytechnic – in research and advisory on digital innovation. The firm operates two business areas:

- **Demand Generation** - editorial content, communication and marketing services, lead generation, events and webinar, in digital innovation. The group addresses all providers of digital solutions and technological and business innovations, offering multiple channels to get acquainted with and reach out to potential customers. Digital360 is paid via fees by vendors for these activities.
- **Advisory** - advisory and coaching services, via highly specialised professionals in numerous fields of digital innovation, to enterprise and PA. i.e. ICT Governance & Organisation, Smart Working & Workspace Innovation and Information Security.

The group grew significantly in the last years: **turnover CAGR₁₁₋₁₆ is 55%, boosted by acquisition, 6 companies in a row between 2012 and 2014**, adding a total of € 6.0m revenues. Organically Digital360 top line increased 25%. In the same period, **EBITDA soared from € 0.2m to € 1.7m, 53% CAGR**. 2016 revenues totalled € 12.8m, up 18.9% YoY, EBITDA reached € 1.7m, 13.1% margin and net profit came in at € 139k, 1.1% on sales. Net Financial Position reached € 4.8m, 2.9x EBITDA and 1.4x Shareholders Equity. **Currently 100% of business is generated in Italy**. 71% of 2016 sales was generated by the Demand Generation division, with more than 440 clients. The remainder came from the Advisory business unit, with some 140 customers.

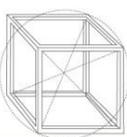
Chart 1 – Digital360, 2016 revenues and EBITDA breakdown by BU



Source: Company data

The consolidation perimeter includes the holding company Digital360 and three main firms: ICT&S, FPA (Forum Pubblica Amministrazione) and P4i. In addition, **Digital360 holds participations into some ten start-ups**, the most noticeable of which is University to Business, with the mission to facilitate the relationship between university students and the business world, via digital channels and related innovative services.

Digital360 major shareholders are Andrea Rangone with a 25.0% stake, Mariano Corso and Alessandro Perego with an 12.8% interest each and with 26.5%, 11 professionals who share the passion and the same course of studies. Free float is 23.0%



3. The Digital360 listing

Digital 360 was listed last 13 June 2017 at € 1.15 per share, corresponding to a market capitalisation of € 17.7m.

The offer encompassed **a capital increase of € 4.0m** on offer to professional and retail investors, with a portion reserved to employees (with a 20% discount to the offer price). In addition, a **convertible bond of € 2.0m** was issued: 5 years duration, 4.5% coupon and strike price € 1.60. Moreover, a 520k shares over allotment green-shoe option was provided.

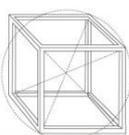
The pre-IPO shareholders will have a 36 month lock-up period, as well as the key employee share subscribers.

The following table and chart show the shareholder structure of Digital360 before and after the convertible bond conversion.

Table 1 – Digital360, shareholder structure

	Issued Number of Shares			Fully Diluted Number of Shares		
	%	# m	€ m	%	# m	€ m
Andrea Rangone	25.0%	3.839	4.8	23.1%	3.839	6.1
Mariano Corso	12.8%	1.968	2.5	11.8%	1.968	3.1
Alessandro Giuseppe Perego	12.8%	1.968	2.5	11.8%	1.968	3.1
Raffaello Balocco	5.1%	0.782	1.0	4.7%	0.782	1.3
Carlo Mochi Sismondi	4.1%	0.637	0.8	3.8%	0.637	1.0
Other <4%	17.2%	2.646	3.3	15.9%	2.646	4.2
Free Float o/w	23.0%	3.530	4.4	28.8%	4.780	7.6
Conv. bond new shares	-	-	-	7.5%	1.250	2.0
Total	100.0%	15.372	19.2	100.0%	16.622	26.6

Source: Company data



4. The reference market: Demand Generation division

Digital360 operates in the **in the digital innovation and digital economy market**, the largest generalist market from which every firm and PA entity is buying and will have to purchase in the next year, **valued currently at some € 70bn in Italy** (Assinform – Osservatorio Digital Innovation 2016) and characterised by a high-single-digit steady growth and by a permanent informative asymmetry between demand and offer of digital innovation (e-commerce, Cloud, Internet for Things, Mobile app...). The digital economy market comprises hardware and ICT infrastructure, software and ICT on premise ICT solutions, ICT cloud, TLC services, ecommerce and digital contents and advertising. The most promising segments in terms of growth are Internet of Things, Cyber Security, Cloud, Big Data and Analytic Solutions, that is to say the catalysts of the digital economy.

According to data from the Digital Innovation Observatory of the Milan Polytechnic, the Internet for Things market values some € 2.8bn, +40% YoY, Cloud is worth € 1.8bn, +18% YoY, Analytics is some € 900m, +15% YoY with Big Data +44%, Information Security values € 970m, +5%, online advertising € 2.4bn up 9% YoY and Ecommerce € 20.0bn up 18% vs. 2015.

The reference market is a growing arena with expected further acceleration in the coming years, also considering the gap between the domestic market and the rest of the world: as a percentage of GDP the digital economy in Europe is currently 50% higher than in Italy.

In this context, **Digital360 offers firms and PAs willing to introduce any means of digital innovation a clear view of what to do and a way to find appropriate providers.** Additionally, **Digital360 supports digital innovation suppliers** (IT vendor, system integrators, software houses, startups...) **to meet new customers.**

5. The reference market: Advisory division

In 2015 the Italian advisory market grew by 6.9%, in acceleration vs. the 5.7% increase reported in 2014. The expectation for 2016 is of a similar increase, with dissimilarities within the different segments. In particular, **the specific reference market for Digital360**, i.e. the areas of digital innovation – information technology, operational improvement and sales & marketing together with explicitly linked components to digital innovation in the areas of strategy, human resources, change management and training, **represent a total market of € 1.7bn** (source: Assoconsult 2016) **with a 11% YoY increase.**

Two main drivers of this growth, in contrast to other, more stagnant elements within the consulting market are:

- **Awareness in some digital transformation subjects**, now a priority for firms and PAs, for instance the new digital business models, Big Data, Digital Marketing, with particular reference to Mobile platforms, Digital technologies applied to production processes (3D Printing and Internet of Things).
- **The transformation of consulting demand**, moving from traditional, people-based models to knowledge asset-based logics, where suppliers seek ideas, frameworks, templates and tools as condensed as possible and conveyed via technology. This allows benefit from smaller but with clear return projects, where the cost is increasingly determined by the expected benefits rather than the time really taken to achieve it.

In this context, small and medium companies have never had the opportunity to purchase traditional advisory services due to their costs. On the contrary, a model based on engineered methodologies and on online advisory tools allows have access to a value-added service even for a few thousand euros. **The potential market component of online advisory services can be estimated at some additional € 750m** (CFO estimate).



6. Business model

Digital360 offers editorial content, communications and marketing services, lead generation, events, advisory and coaching support, running **a match-making platform between digital innovation demand and offer**. The firm operates two business areas:

- **Demand Generation**, editorial content, communication and marketing services, lead generation, events and webinar, in digital transformation and entrepreneurship innovation.
- **Advisory**, advisory and coaching services, via highly specialised professionals in numerous fields of digital transformation and entrepreneurial innovation, supporting digital transformation and entrepreneurial innovation of enterprises and PA.

6.1. Demand Generation division

Within the Demand Generation Business Unit, **Digital360 offers**

communication and marketing services based on content, (contents published and direct e-mail marketing to increase customer visibility and positioning)

premium services webinars and events (aimed at creating an opportunity to meet, and relationships between providers and potential customers) **and white papers**

lead generation. (identification of profiled contacts of potential customers interested in assessing the adoption of a specific technology).

Content generates interest for premium services that engender leads. Digital360 is paid via fees by providers of digital innovations in each of these three areas. This area is functional to the next two, **with its contents representing a significant entry barrier**.

6.1.1. Communication and marketing services

Digital360 manages the largest domestic network of B2B portals and events dedicated to the **digital innovation field**. Digital360 boasts 40 portals, over 700,000 visitors per month, over 2m pages viewed/month, 14,000 articles and 400 video realised/annum (at Dec-16).



Digital4executive, focused on digital innovation and aimed at business executives (CEO, CFO, CMO,...)



Digital4trade, dedicated to the ICT channel (wholesalers, software house, system integrator,...)



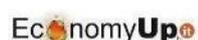
Mobile4innovation, focused on mobile business innovation



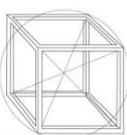
CorCom (Corriere delle Comunicazioni), digital economy and innovation daily news portal



Zerouno, focused on digital transformation and dedicated to Chief Information Officers (CIO) and IT managers



EconomyUP, dedicated to entrepreneurial innovation and Made in Italy





StartupBusiness, offers utility services, "how to" contents and online tools to players operating in the domestic start up arena



ForumPA, focused on innovation and modernisation of central and local Public Administration



Internet4things, concentrated on the use of the internet for things by firms and PAs



Blockchain4innovation, the first domestic internet site entirely dedicated to business blockchain



Pagamentidigitali, focused on payment system innovation thanks to digital technology



Agendadigitale.eu, Focused on the themes of the European and Italian digital agenda

Passing through these major online assets **Digital360 offers contents aimed to generate needs** among corporations and PAs (in excess of 4m in Italy) to find additional information, therefore evaluating **the adoption of specific digital innovations**. At the same time, **providers of digital solution and business/technological innovations via the same several available channels** can have the opportunity to **get acquainted and get in touch with potential new customers**.

6.1.2. Premium services

Every service requiring detailed user profiling is defined premium service. These services are paid by digital innovation providers: **white papers** (specific reports on several matters about digital innovations, published on Digital360 on-line assets) **events** (dedicated to hot digital innovation themes under webinar, workshop and forum formats) and subscription based **web-sites** (specifically prepared with profound content, accessible only to subscribed prior registration).

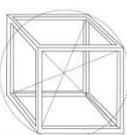
The company organises congresses, workshops and webinars: in 2016 550 events, 60,000 participants, 600 whitepapers published, over 25,000 whitepapers downloaded.

6.1.3. Lead generation

The activity here consists of **identifying those contacts who are potentially interested in evaluating the adoption of a specific digital innovations from amongst the universe of group profiled contacts**.

Premium services are mean to generate leads. In every case the user must register, providing personal data and in some cases answer a few questions related to the purchasing intention on the specific digital innovation. Subsequently, in specific cases, the contacts are further profiled by the mean of a highly specialised contact centre.

Digital360 detains a proprietary cumulative database of 320,000 profiled contacts. In 2016 Digital360 profiled 45,000 contacts by the Digital360 contact centre, 30,000 on-line profiled contacts, and successfully organised 4,250 1-2-1 meeting.



6.2. Advisory division

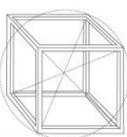
Digital360 offers **advisory and coaching services to a plethora of corporations and public administration looking for digital innovations**. Thanks to the significant experience gained by key management, the business model here is based on **the development, engineering and enhancement of knowledge methodologies, data and assets** allowing to surpass the scalability limits and costs of classical consulting models.

These tools cover main areas of activity and most of the vertical areas, i.e. ICT Governance & Organisation, Smart Working & Workspace Innovation and Information Security. According to the degree of personalisation and depending on the subjects, customer specific requests and the level of engineering required, we classify the projects into two typologies:

- **Customised Projects**, 55% of current division revenues, are based on the specific needs of customers requiring the development of tailor-made solutions and methodologies. The project opportunity assessment and its pricing is fixed taking into consideration not only the resources required, but also the know how arising from developing new custom methodologies.
- **Engineered Projects**, 45% of actual division sales, are projects characterised by a high degree of standardisation, requiring the application of previously developed tools and methodologies. The pricing is based on relatively standard parameters and takes into account the interest in consolidating, improving or disseminating the methodologies used and any need for specific customization.

Digital360 boasts 12 key competence areas, 140 completed projects of which 65 customised and 75 engineered. **Currently, 45% of the projects are engineered**, thus granting, compared to traditional customised projects, higher margins and, at the same time, a reduction of the risk of not obtaining planned project performance.

In the future, thanks to the development of methodologies and investment in an online delivery platform, **Digital360 is anticipated to create tools to deliver a growing stake of self service and online services** at relatively low costs and conditions at a larger number of companies and public administration, most of which would not be accessible through traditional forms of consultancy.



7. Segment competitive arena

The firm operates in a **large significantly fragmented market**. The competitive environment differs between the two business units, Demand Generation and Advisory. More generally, Digital360 distinctive competitive advantages are:

- **Expertise, experience and reputation** in the digital innovation market, coupled with unique competencies and methodologies;
- **Ability to effectively interact digital transformation into B2B** traditional channels communication, events, lead generation and advisory. B2C is forward;
- **Track record in the acquisition and integration** of other players in a fragmented fast growing arena;
- Motivated, experienced, multidisciplinary **professionals and skills** from a variety of sectors;
- **Scalable business** model, both organically and via acquisitions.

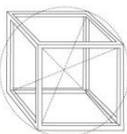
7.1 Demand Generation division

Digital360 is one of the few domestic players integrating all its three business areas (content, premium services and lead generation) into a single effective business model.

The group boasts 1) **the ability to provide digital transformation services** (the entire service proposition is constantly improving and, in some cases, innovating through the use of digital platforms) and 2) **a unique editorial capacity**, thanks to the best-in-class journalists on digital innovation, digital economy and entrepreneurship, thanks to a significant network of key opinion leaders and strong links with the university world.

The main competitors in the **Demand Generation Business Unit** can be categorised on the basis of two variables: 1) the prevalent client profile, that is to say large or smaller digital innovation vendor and 2) services offered, namely marketing and advertising, events and webinars and lead generation. Accordingly we highlight the following competitor categories:

- **Generalist editors**, offering marketing and advertising services to large digital companies for solutions and event organisation. Generally based on a traditional magazine structure, heavily based on the paper component, with partial and bolt-on presence in digital innovation and entrepreneurship themes. It is difficult for them to match specific and vertical B2B targets.
- **Vertical publishers B2B**, medium-large sized players, focused on vertical paper magazines for specific professional categories, and the organization of events, however with a low propensity to provide digital services.
- **PR and traditional communication agencies**, usually based on not directly managed newspapers and with tiny exposure to digital innovative channels.
- **Organizers of trade fairs and events**, focused on physical event organisation, mono or multi-sponsor, with a barely scalable business model. On one hand they create significant profile contact databases, but with minor ability to use other sources of alternative revenue enabling a proper valuation of this asset;
- **Analysts**, ICT specialised research companies with the focus of selling reports and organising workshops and events;
- **Tele-marketing and tele-selling agencies**, focused on lead generation activities based on contact centers.



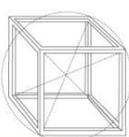
7.2. Advisory division

Advisory competitive context can be analysed on the basis of two aspects: the service offered (custom made or engineered-online) and the focus on the size of the corporate customers (small-medium firms and PAs and large corporations and PAs). According to this reading, the key players offering advisory services can be categorised into four types.

- **Traditional strategic consulting players**, generally large international players, focused on custom advisory services for large customers, not offering implementation services. Amongst the most relevant, *BCG, Deloitte, Bain & Company, McKinsey & Company*.
- **Traditional ICT consultants**, combining skills related to customer business processes together with technological expertise dedicated to large corporate and public sector markets with custom-type projects. *IBM, Reply, Engineering, Accenture*.
- **Methodology-based actors**, characterised by already implemented methodology and data-based approach, but featuring a predominant focus on large companies and a wide array of assets stemming from their international business experience. The key weakness is represented by the rather limited customisation approach to adapt to the specific requirements of the Italian market, with the risk of losing effectiveness against the needs of domestic firms. *IDC Consulting, Gartner*.
- **Local advisers and consultants**, rather small local entrepreneurial or professional entities running the small business market, but generally not structured and without engineering models and tools.

In this context, some international players are trying to increase offer, organisational modeling and pricing standardisation, in order to widen their market to medium-sized business and public administration segments.

Digital360, thanks to its **engineered more-standardised approach, already reaches medium-sized businesses and PAs**. In the near future, with the introduction of Online Advisory Services, the company will further strengthen its positioning, extending its offer to the vast market of smaller businesses and PAs.



8. Strategy, use of IPO proceeds

Digital360 operates in the **in the digital innovation market**, the largest generalist market from which every firm and PA entity will have to purchase in the next year, **valued at some € 70bn in Italy** and characterised by high-single-digit steady growth and by a permanent informative asymmetry. **The digital economy in Italy is growing intensely**: the penetration of ICT in Italy is 50% lower than the EU27 average.

The reference market is huge, growing and fragmented. **The fresh cash stemming from the IPO, amounting to € 6.0m** (of which € 4.0m coming from the rights issue and € 2.0m from the convertible bond issue), together with the cash flow produced by the business, **will be utilised to boost growth and consolidate its positioning also via acquisitions**.

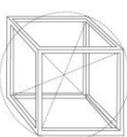
- M&A dedicated to the acquisition of market share and/or internalise competences and technologies. According to management, **several targets have been already identified**: in the demand generation business possible prey are for instance **portals, online newspapers, communities, content factories** whilst for the advisory division, ideal additional fields are **data science, cyber security, ICT governance** skills or teams.
- **Investments in the integrated technology platform**, namely the content management system, customer relationship management, marketing automation, business intelligence, graph DB, software events, etc.
- **Engineering of the advisory know-how** and creation of **online tools and projects** to support back office software
- Launch of **new vertical portals**, enrichment and reinforcement of a few of them which are already up and running.

Digital360 aims to generate additional business from the vast quantity of smaller and more numerous corporations and public administration, to **the benefit of volumes and scale** even if with a smaller single ticket.

In addition, possible upsides for the longer term and not factored into our projections, can bring in **supplementary value to Digital360 shareholders**. The group has profiled so far some 320,000 contacts, generating over 4,250 one-to-one meetings: the **ecommerce of profiled leads could contribute to making contact with new potential customers**.

Regarding the advisory division, the firm could generate a **larger portion of online advisory activity**, via the **remote delivery of extremely standardised and engineered advisory services**, through online tools and telephone centres with **substantial benefits to volumes and margins**.

Last but not least, Digital360 is currently a pure domestic player: **the expansion to international marketplaces could represent part of an industrialised value chain proposition**. The easiest process to go abroad is purchasing existing and deep rooted assets.



9. SWOT Analysis

The SWOT analysis, also known as SWOT Matrix, is a structured planning method used to evaluate the strengths, weaknesses, opportunities and threats involved in a project or in a business venture. A SWOT analysis can be carried out for a product, place, industry or person. It involves specifying the objective of the business venture or project and identifying the internal and external factors that are favourable and unfavourable to achieve that objective.

- **Strengths:** characteristics of the business or project that give it an advantage over others.
- **Weaknesses:** characteristics that place the business or project at a disadvantage relative to others.
- **Opportunities:** elements that the project could exploit to its advantage.
- **Threats:** elements in the environment that could cause trouble or be detrimental for the business or project.

The technique is credited to Albert Humphrey, who led a research project at Stanford University between the 60's/70's using Fortune 500 data.

S.W.O.T. ANALYSIS

STRENGTHS

- Leading position** in a large, growing and fragmented market
- Substantial cash flow generation and sound balance sheet allow **external growth opportunities**
- Modest **CapEx requirement**

WEAKNESSES

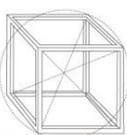
- Current exposure just to **domestic market**, heavy dependence on one single country
- Limited **size** in the international competitive arena
- Few key relevant people represent **vital asset** for the company

OPPORTUNITIES

- Consolidation **opportunities** in domestic market
- Relevant additional **growth potential stemming from** online lead/advisory sales
- Foreign market **expansion**

THREATS

- Expansion via external growth might erode **marginality** to a certain extent
- Execution risk** of such an innovative business model



10. Recent results, H1-17

Table 2 – Digital 360, H1-17 results summary

€ k	H1-17	H1-16	% YoY
Total revenues	6,910	6,223	11.0
Services	(3,491)	(3,359)	
Personnel expenses	(2,093)	(1,899)	
Other opex	(627)	(544)	
EBITDA	698	422	65.6
% margin	10.1	6.8	
D&A	(608)	(470)	
EBIT	91	(48)	n.m.
% margin	1.3	(0.8)	
Financials	(65)	(54)	
Re/(Devaluation) of financial assets	0	0	
Extraordinary	0	0	
Pre-Tax profit	26	(102)	n.m.
% margin	0.4	(1.6)	
Income taxes	(138)	(77)	
Tax rate	526.1%	-74.9%	
Minorities	1	0	
Net Profit	(110)	(179)	n.m.
% margin	(1.6)	(2.9)	
Goodwill amortisation	(238)	(220)	
EBIT adjusted	329	172	91.5
% margin	4.8	2.8	
Net Profit adjusted	128	41	212.2
% margin	1.9	0.7	

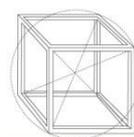
Source: Company data

The typical seasonality of the business entails a more favorable second half of the year. **Revenues increased by 11.0%** to € 6.9m from € 6.2m, entirely organic, **driven by the Demand Generation Business Unit**, which rose by 8.3% to € 5.2m. Advisory improved by 21.4% to € 1.7m.

EBITDA increased by 65.6% to € 698k, from € 422k in H1-16, 10.1% margin. In spite of higher D&A stemming from buy-out of minorities and the investments sustained in the course of the year in technology platforms, new portals and online tools, **EBIT totaled € 91k**, vs. a loss of € 48k in H1-16. **Bottom line came in negative territory for € 110k**, vs. a loss of € 179k in H1-16.

Digital360 reports results according to the Italian GAAP accounting standard. In order to make the results reported by Digital360 more comparable with those of its peers, we **adjusted EBIT and Net Profit by the amount of the goodwill amortisation.**

Net Financial Position was € 1.9m from € 5.7m at the end of 2016, mainly as a result of the collection of the IPO proceeds, net of listing fees.



11. Financial forecasts

Digital360 operates in the **digital transformation and entrepreneurial innovation market**, the largest generalist market from which every firm and PA entity will have to purchase in the next year, **valued at some € 70bn in Italy** and characterized by high-single-digit steady growth and by a permanent informational asymmetry. The reference market is huge, growing and fragmented. Digital360 is projected to enjoy this trend and thanks to its competitive positioning to outperform the reference market also by means of **acquisitions, not factored into CFO projections, but a major pillar of the company strategy**.

The firm reports results according to the Italian GAAP accounting standard. In order to make the results reported by Digital360 more comparable with those of its peers prepared in accordance with IFRS, we **adjusted EBIT and Net Profit for the amount of the goodwill amortisation**.

CFO expects top line to show a 14.6% CAGR in 2016-19, driven by the Demand Generation division, responsible for 60.5% of the increase in top line in the period. The Advisory business unit is projected to show the fastest average increase per annum, driven by the engineered projects.

Table 3 – Digital 360, 2015-17e top line growth evolution breakdown

€ k	2015	2016	2017e	2018e	2019e	CAGR ₁₆₋₁₉
Total revenues	10,754	12,789	14,349	16,843	19,225	14.6%
Demand Generation	8,146	9,043	9,995	11,531	12,936	12.7%
Large Clients	-	6,298	6,960	7,879	8,678	11.3%
Small Clients	-	2,587	3,036	3,652	4,259	18.1%
Advisory	2,608	3,747	4,353	5,312	6,289	18.8%
Engineered	-	1,598	1,961	2,536	3,133	25.1%
Customised	-	2,061	2,393	2,776	3,156	15.3%

Source: Company data, CFO Sim estimates

Digital360 presents a quite marked operating leverage: **an increase of top line translates into a more than proportional rise of EBIT**, assuming all costs are steady except for COGS. In other words, every additional unit increase in volumes impacts less on fixed costs and more on profitability.

The most relevant costs are services and personnel, 49% and 34% of top line in 2016 respectively. Their evolution is organic and linked to the development costs sustained for boosting coming year growth.

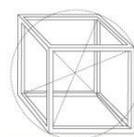
D&A are seen to increase compared to 2016, on the back of the capex expected for 2017-19, mainly development costs capitalized.

As a result, **EBITDA and EBIT are expected to grow more than proportionately to top line: +21.4% and 31.4% CAGR in 2016-19**, vs. 14.6% of turnover.

Table 4 - Digital 360, 2015-19e profitability evolution

€ k	2015	2016	2017e	2018e	2019e	CAGR ₁₆₋₁₉
Total revenues	10,754	12,789	14,349	16,843	19,225	14.6%
Services	(6,190)	(7,043)	(7,120)	(8,499)	(9,946)	
Personnel expenses	(2,310)	(3,559)	(4,938)	(5,257)	(5,582)	
Other opex	(811)	(507)	(513)	(605)	(692)	
EBITDA	1,443	1,681	1,778	2,483	3,005	21.4%
% margin	13.4	13.1	12.4	14.7	15.6	
D&A	(581)	(1,078)	(1,468)	(1,558)	(1,638)	
EBIT	861	603	310	925	1,367	31.4%
% margin	8.0	4.7	2.2	5.5	7.1	

Source: Company data, CFO Sim estimates



Below EBIT CFO expects financial costs to diminish as from 2017, on the back of the diminishment of the NFP also tied to the collection of the IPO proceeds. Tax burden is quite relevant here, however it is projected to lessen from 66.3% to 45% tax rate in 2016-19. As a result **Net Profit is anticipated to show a 69.8% CAGR in 2016-19**. As highlighted, we provide also the adjusted figures for EBIT and Net Profit taking into consideration the goodwill amortisation in order to make Digital360 figures comparable to those of its peers prepared in accordance with IFRS.

Table 5 - Digital360, 2015-19e figures evolution below EBIT

€ k	2015	2016	2017e	2018e	2019e	CAGR ₁₆₋₁₉
EBIT	861	603	310	925	1,367	31.4%
% margin	8.0	4.7	2.2	5.5	7.1	
Financials	(72)	(120)	(262)	(169)	(117)	
Re/(Devaluation) of fin. assets	(124)	(57)	0	0	0	
Extraordinary	(11)	0	0	0	0	
Pre-Tax profit	654	425	48	756	1,250	43.3%
% margin	6.1	3.3	0.3	4.5	6.5	
Income taxes	(342)	(282)	(28)	(363)	(563)	
Tax rate	52.2%	66.3%	58.0%	48.0%	45.0%	
Minorities	(283)	(4)	(5)	(6)	(6)	
Net Profit	30	139	16	387	681	69.8%
% margin	0.3	1.1	0.1	2.3	3.5	
Net Profit Adjusted	37	139	16	387	681	69.8%
% margin	0.3	1.1	0.1	2.3	3.5	
Goodwill amortisation	(292)	(440)	(473)	(473)	(473)	
EBIT adjusted	1,153	1,043	783	1,398	1,840	20.8%
% margin	10.7	8.2	5.5	8.3	9.6	
Net Profit adjusted	322	579	489	860	1,154	25.8%
% margin	3.0	4.5	3.4	5.1	6.0	

Source: Company data, CFO Sim estimates

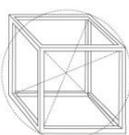
Thanks to the relatively low amount of capex (€ 1,600k including € 460k listing fees, € 600k and € 500k in 2017-19), the **operating cash flow translates massively into free cash flow**: EBITDA FCF conversion is estimated at 57% and 50% in 2018-19. The strong generation is consequently projected to boost Net Financial Position cash positive for € 359k in 2019e.

Table 6 - Digital360, 2015-19e Net Financial Position and financial solidity

€ k	2015	2016	2017e	2018e	2019e
Year-end NFP (Cash)/Debt	4,262	4,802	2,550	1,133	(359)
Average (Cash)/debt	4,262	4,532	3,676	1,842	387
EBITDA	1,443	1,681	1,778	2,483	3,005
Shareholders' equity	1,431	3,640	7,656	8,043	8,725
Interest charges	(72)	(120)	(262)	(169)	(117)
NFP/Equity	3.0	1.3	0.3	0.1	(0.0)
NFP/EBITDA	3.0	2.9	1.4	0.5	(0.1)
EBITDA/charges	20.1	14.0	6.8	14.7	25.7

Source: Company data, CFO Sim estimates

The company declared its intention not to distribute dividends: **group resources will be used to sustain organic growth and to grow via acquisitions.**



12. Valuation & risks

CFO initiates **Digital360 coverage with a Neutral** rating and a **PT of € 1.35/s** FD, based on a multiple comparison and corroborated by the DCF. We believe **IPO resources will be employed to create value for shareholders**, not yet expressed in the figures: our estimates do not take into consideration external growth as well as the impact of the € 1.1m capex spent in 2017 for technology and development.

12.1. Market multiples

We conducted an analysis on a cluster of 16 companies operating in the digital and advisory arena, 7 of which are domestic. Subsequently, to put together a really appropriate and significant sample, we completed a comparability analysis based on a few qualitative and quantitative factors. At the end of this process, we have encompassed nine firms in the sample, one domestic and eight foreign companies. Size, profitability and growth profile vary a lot within the sample.

In this case, the equation 'the larger the size, the lower the margins' is not true: the higher EBITDA margins come from J2 Global and Relx NV, 41.7% and 34.8% with a market capitalization of € 4.0bn and € 39.0bn respectively. **Digital360 presents lower than average profitability but by far the highest growth perspectives compared to the peer median.**

Applying to Digital360 metrics the peer median multiples for EV/Sales, EV/EBITDA and PER we attain an **equity valuation of Digital360 of € 1.35/s**, realised using 2017 and 2018 estimates and multiples, with an 8.0% upside to current prices.

Table 7 - Digital 360, peer group summary table

€ m	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA %	Sales CAGR ₁₆₋₁₉	EBITDA CAGR ₁₆₋₁₉	EBIT CAGR ₁₆₋₁₉	EPS CAGR ₁₇₋₁₉	NFP FY1	NFP/EBITDA FY1
Forrester Research Inc	660	283	36	12.8%	-0.2%	-8.2%	-5.1%	6.5%	n.a.	n.a.
Gartner Inc	9,465	2,895	602	20.8%	17.6%	27.9%	22.0%	19.1%	2,210	3.7
J2 Global Inc	3,208	963	403	41.8%	10.5%	14.8%	27.7%	-0.1%	80,988	201.0
Quinstreet Inc	276	281	17	6.2%	7.0%	88.8%	-223.6%	36.2%	(49)	n.m.
Relx NV	39,017	8,388	2,918	34.8%	3.5%	5.8%	10.0%	4.7%	5,017	1.7
TechTarget Inc	281	95	19	20.5%	5.6%	31.3%	n.a.	n.a.	n.a.	n.a.
Triboo SpA	78	125	12	10.0%	41.2%	29.5%	28.7%	24.4%	12	0.9
UBM PLC	3,037	1,107	337	30.4%	5.0%	8.1%	15.4%	4.9%	572	1.7
Walters Kluwer NV	11,659	4,453	1,193	26.8%	2.7%	4.5%	9.2%	4.8%	1,614	1.4
Median	3,037	963	337	20.8%	5.6%	14.8%	12.7%	5.7%	1,614	1.7
Digital360	19	14	2	12.4%	14.6%	21.4%	31.4%	53.7%	3	1.4

Source: CFO Sim, Thomson Reuters Eikon

Table 8 - Digital 360, peer group EV & price multiple table

x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3	PER FY1	PER FY2	PER FY3
Forrester Research Inc	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	46.3	44.7	40.9
Gartner Inc	4.03	3.29	2.9	19.4	15.53	13.63	35.3	29.6	24.9
J2 Global Inc	87.40	3.23	n.a.	209.0	7.5	n.a.	15.0	13.5	15.0
Quinstreet Inc	0.81	0.71	0.6	13.0	10.1	10.36	34.4	28.1	18.5
Relx NV	5.25	5.03	4.8	15.1	14.3	13.3	21.2	20.3	19.3
TechTarget Inc	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	30.8	26.1	n.a.
Triboo SpA	0.72	0.61	0.5	7.2	5.2	4.52	15.5	11.6	10.0
UBM PLC	3.26	3.16	2.9	10.7	10.3	9.2	13.6	13.6	12.4
Walters Kluwer NV	2.98	2.94	2.8	11.1	10.8	9.9	18.1	17.4	16.5
Median	3.26	3.16	2.8	13.0	10.3	10.1	21.2	20.3	17.5
Digital360 SpA	1.52	1.21	0.98	12.3	8.2	6.3	39.4	22.4	16.7
Prem/(disc) to median	(53.4)	(61.7)	(65.4)	(5.7)	(20.1)	(38.0)	86.0	10.1	(4.8)

Source: CFO Sim, Thomson Reuters Eikon

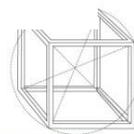


Table 9 - Digital 360, peer group EV & price multiple table

X	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3	PER FY1	PER FY2	PER FY3
Median peers	3.26	3.16	2.85	13.0	10.3	10.1	21.2	20.3	17.5
Digital 360 metrics	14,349	16,843	19,225	1,778	2,483	3,005	489	860	1,154
NFP	2,550	1,133	(359)	2,550	1,133	(359)			
Digital 360 Equity Value (€ k)	44,212	52,142	55,056	20,569	24,382	30,849	10,354	17,488	20,236
# shares FD m	16.6	16.6	16.6	16.6	16.6	16.6	16.6	16.6	16.6
Digital 360 Equity Value €/s FD €	2.66	3.14	3.31	1.24	1.47	1.86	0.62	1.05	1.22

12.2. DCF

In the valuation via the DCF method explicit estimates until 2021 and a long term growth of 2.5% were used. Cash flows were discounted back at an weighted average cost of capital calculated according to the following parameters:

Table 10 - WACC derived from:

Interest costs, pre-tax	3.3%
Tax rate	45.0%
Int. costs, after taxes	1.8%
Risk premium, incl. small size premium	9.0%
Risk-free (10Y Gov. Bond 2W average)	2.10%
Beta levered (x)	0.85
Required ROE	9.8%

Source: CFO Sim

Table 11 - Digital 360, DCF model

€ k	2017e	2018e	2019e	2020e	2021e	Term. Val.
EBIT	310	925	1,367	1,777	2,311	
Tax rate	58.0%	48.0%	48.0%	48.0%	48.0%	
Operating profit (NOPAT)	130	481	711	924	1,202	
Change working capital	(1,317)	(194)	(368)	(100)	(100)	
Depreciation	1,468	1,558	1,638	1,200	700	
Investments	(1,600)	(600)	(500)	(500)	(500)	
Free Cash Flows	(1,319)	1,244	1,480	1,524	1,302	27,397
Present value	(1,298)	1,141	1,265	1,213	964	20,299
WACC	7.4%	7.4%	7.4%	7.4%	7.4%	
Long-term growth rate	2.5%					

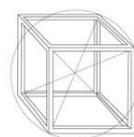
Source: CFO Sim

Table 12 - Digital 360, DCF derived from:

Total EV present value € k	23,583
<i>thereof terminal value</i>	86.1%
NFP last reported	(1,926)
Pension last reported	(625)
Equity value € k	21,033
# shares FD m	16.6
Equity value €/s FD	1.30
<i>% upside/(downside)</i>	4.0%

Source: CFO Sim

The application of the model produces an **equity value of Digital360 of € 1.30/s.**



The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value of between € 1.09-1.50 (perpetuity range of between 1.75% and 3.25%), while 2) compared to changes in the free risk rate produces an equity value of € 1.12-1.45 (free risk range of between 1.35% and 2.85%) and 3) compared to changes in the risk premium, including small size premium results into an equity value of € 1.03-1.60 (risk premium range of between 7.50% and 10.50%).

Table 13 – Digital 360, equity value sensitivity to changes in terminal growth rate

€ k	1.75%	2.00%	2.25%	2.50%	2.75%	3.00%	3.25%
Present value of CF	3,284	3,284	3,284	3,284	3,284	3,284	3,284
PV of terminal value	17,461	18,319	19,260	20,299	21,450	22,732	24,170
Total value	20,745	21,603	22,545	23,583	24,734	26,016	27,454
NFP last reported	(1,926)	(1,926)	(1,926)	(1,926)	(1,926)	(1,926)	(1,926)
Pension last reported	(625)	(625)	(625)	(625)	(625)	(625)	(625)
Equity value € k	18,195	19,053	19,994	21,033	22,183	23,466	24,904
# shares FD m	16.6	16.6	16.6	16.6	16.6	16.6	16.6
Equity value €/s FD	1.09	1.15	1.20	1.30	1.33	1.41	1.50

Source: CFO Sim

Table 14 – Digital 360, equity value sensitivity to changes in free risk rate

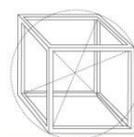
€ k	1.35%	1.60%	1.85%	2.10%	2.35%	2.60%	2.85%
Present value of CF	3,343	3,323	3,304	3,284	3,265	3,246	3,227
PV of terminal value	23,227	22,174	21,201	20,299	19,461	18,680	17,950
Total value	26,570	25,497	24,504	23,583	22,725	21,925	21,177
NFP last reported	(1,926)	(1,926)	(1,926)	(1,926)	(1,926)	(1,926)	(1,926)
Pension last reported	(625)	(625)	(625)	(625)	(625)	(625)	(625)
Equity value € k	24,020	22,947	21,954	21,033	20,175	19,375	18,627
# shares FD m	16.6	16.6	16.6	16.6	16.6	16.6	16.6
Equity value €/s FD	1.45	1.38	1.32	1.30	1.21	1.17	1.12

Source: CFO Sim

Table 15 – Digital 360, equity value sensitivity to changes in risk premium

€ k	7.50%	8.00%	8.50%	9.00%	9.50%	10.00%	10.50%
Present value of CF	3,385	3,351	3,317	3,284	3,251	3,219	3,187
PV of terminal value	25,745	23,673	21,874	20,299	18,908	17,672	16,566
Total value	29,129	27,024	25,191	23,583	22,160	20,891	19,753
NFP last reported	(1,926)	(1,926)	(1,926)	(1,926)	(1,926)	(1,926)	(1,926)
Pension last reported	(625)	(625)	(625)	(625)	(625)	(625)	(625)
Equity value € k	26,579	24,473	22,641	21,033	19,609	18,341	17,203
Equity value €/s FD	16.6	16.6	16.6	16.6	16.6	16.6	16.6
Source: CFO Sim	1.60	1.47	1.36	1.30	1.18	1.10	1.03

Source: CFO Sim



12.3. Peer stocks performance

Digital360 was listed on the AIM Italia (Alternative Investment Market) on 13-Jun-17 at € 1.15/share, corresponding to a market capitalization post money of € 17.7m. Digital360 now trades **well above the IPO price**, and reached 1Y maximum of € 1.72/s on 14-Jun and a minimum of € 1.23 on 9-Oct. The stock underperformed peers median and indexes.

Table 16 - Digital 360, peer group absolute performance

	1D	1W	1M	3M	6M	YTD	1Y
Triboo SpA	(3.1)	(0.5)	(9.6)	(13.8)	(16.5)	0.6	4.8
Forrester Research Inc	0.1	1.5	10.0	10.6	10.8	2.4	15.0
Gartner Inc	(0.3)	0.7	1.1	(2.0)	13.4	22.3	39.2
J2 Global Inc	1.0	5.9	6.8	(7.1)	(3.7)	(4.0)	21.3
Quinstreet Inc	(2.3)	(7.4)	22.4	72.7	79.6	90.2	129.9
Relx NV	0.6	0.6	1.9	3.8	4.6	15.3	22.7
TechTarget Inc	(0.1)	0.0	15.7	22.0	34.4	42.0	46.6
UBM PLC	(0.4)	0.5	4.7	1.8	(7.2)	(5.7)	(5.9)
Wolters Kluwer NV	0.2	0.7	3.6	9.1	1.6	16.4	12.9
Peers median	(0.1)	0.6	4.7	3.8	4.6	15.3	21.3
Digital360 SpA	0.0	(2.0)	(4.5)	(10.1)	n.a.	n.a.	n.a.

Source: Thomson Reuters Eikon

Table 17 – Digital 360 relative performances

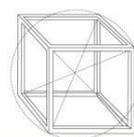
	1D	1W	1M	3M	6M	1Y	YTD
To Peers median	0.1	(2.6)	(9.2)	(13.9)	n.a.	n.a.	n.a.
To MSCI World Index	0.0	(2.4)	(6.5)	(14.5)	n.a.	n.a.	n.a.
To EUROSTOXX	(0.0)	(2.0)	(6.7)	(12.3)	n.a.	n.a.	n.a.
To FTSE Italia All Share	0.6	(1.5)	(5.3)	(14.5)	n.a.	n.a.	n.a.
To FTSE STAR Italia	0.6	(1.5)	(7.9)	(19.6)	n.a.	n.a.	n.a.
To FTSE AIM Italia	0.0	(2.3)	(3.1)	(10.1)	n.a.	n.a.	n.a.

Source: Thomson Reuters Eikon

12.4. Risks

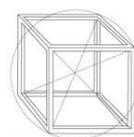
The principal investment **risks** in Digital360 include:

- Risks linked to the algorithm used by the search engines;
- Risks related to personal data collection, holding and treatment;
- Risks due to ICT malfunctions;
- Risks connected to the relevant technological evolution;
- Risks due to relevant competition in the reference market;
- Impact on economics and balance sheet profile triggered by a deep decline in local and global economic growth;
- Dilution on profitability stemming from the acquisition campaign;
- The departure of one of few key relevant people.

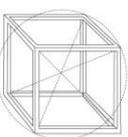




Income statement (€ k)	2015	2016 PF	2017e	2018e	2019e
Total revenues	10,754	12,789	14,349	16,843	19,225
Services	(6,190)	(7,043)	(7,120)	(8,499)	(9,946)
Personnel expenses	(2,310)	(3,559)	(4,938)	(5,257)	(5,582)
Other opex	(811)	(507)	(513)	(605)	(692)
EBITDA	1,443	1,681	1,778	2,483	3,005
D&A	(581)	(1,078)	(1,468)	(1,558)	(1,638)
EBIT	861	603	310	925	1,367
EBIT adjusted	1,153	1,043	783	1,398	1,840
Financials	(72)	(120)	(262)	(169)	(117)
Re/(Devaluation) of financial assets	(124)	(57)	0	0	0
Extraordinary	(11)	0	0	0	0
Pre-Tax profit	654	425	48	756	1,250
Income taxes	(342)	(282)	(28)	(363)	(563)
Minorities	(283)	(4)	(5)	(6)	(6)
Net Profit	30	139	16	387	681
Net Profit adjusted	322	579	489	860	1,154
Balance sheet (€ k)	2015	2016 PF	2017e	2018e	2019e
Net Working Capital	2,100	3,148	4,465	4,659	5,027
Net Fixed Assets	4,060	6,032	6,165	5,207	4,069
Equity Investments	341	288	288	288	288
Other M/L Term A/L	(162)	(1,021)	(701)	(962)	(997)
Net Invested Capital	6,339	8,447	10,216	9,192	8,388
Net Financial Position	4,262	4,802	2,550	1,133	(359)
Minorities	646	5	10	16	22
Group's Shareholders Equity	1,431	3,640	7,656	8,043	8,725
Financial Liabilities & Equity	6,339	8,447	10,216	9,192	8,388
Cash Flow statement (€ k)	2015	2016 PF	2017e	2018e	2019e
Total net income	-	139	16	387	681
Depreciation	-	1,078	1,468	1,558	1,638
Other non-cash charges	-	253	(315)	266	42
Cash Flow from Oper. (CFO)	-	1,470	1,168	2,211	2,361
Change in NWC	-	(1,048)	(1,317)	(194)	(368)
FCF from Operations (FCFO)	-	422	(148)	2,017	1,992
Net Investments (CFI)	-	(2,936)	(1,600)	(600)	(500)
Free CF to the Firm (FCFF)	-	(2,514)	(1,748)	1,417	1,492
CF from financials (CFF)	-	1,621	6,253	(2,765)	(500)
Free Cash Flow to Equity (FCFE)	-	(893)	4,505	(1,348)	992
Financial ratios	2015	2016 PF	2017e	2018e	2019e
EBITDA margin	13.4%	13.1%	12.4%	14.7%	15.6%
EBIT margin	8.0%	4.7%	2.2%	5.5%	7.1%
Net profit margin	0.3%	1.1%	0.1%	2.3%	3.5%
Tax rate	52.2%	66.3%	58.0%	48.0%	45.0%
Interest coverage x	0.08	0.20	0.84	0.18	0.09
Net Debt/EBITDA x	2.95	2.86	1.43	0.46	(0.12)
Debt-to-Equity x	2.98	1.32	0.33	0.14	(0.04)
ROIC	0.5%	1.6%	0.2%	4.2%	8.1%
ROCE	11.5%	6.4%	1.9%	6.7%	9.6%
ROACE	11.5%	7.1%	2.4%	6.2%	9.8%
ROE	2.1%	3.8%	0.2%	4.8%	7.8%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Per share figures	2015	2016 PF	2017e	2018e	2019e
Number of shares # m	15.37	15.37	15.37	15.37	15.37
Number of shares Fully Diluted # m	16.62	16.62	16.62	16.62	16.62
Average Number of shares Fully Diluted # n	16.62	16.62	16.62	16.62	16.62
EPS stated FD € cent	0.18	0.84	0.09	2.33	4.10
EPS adjusted FD € cent	1.94	3.48	2.94	5.18	6.94
EBITDA € cent	86.80	101.11	106.96	149.38	180.78
EBIT € cent	51.82	36.28	18.66	55.67	82.26
BV € cent	124.94	219.34	461.21	484.86	526.24
FCFO € cent	-	25.37	(8.92)	121.32	119.87
FCFF € cent	-	(151.25)	(105.18)	85.23	89.79
FCFE € cent	-	(53.74)	271.02	(81.11)	59.71
Dividend € cent	0.00	0.00	0.00	0.00	0.00



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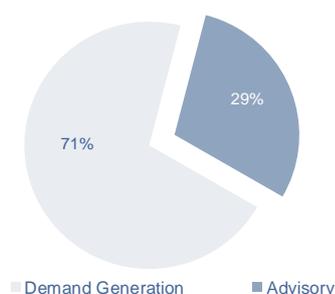
The company at a glance

Digital360 is a leading Italian B2B player in the digital innovation arena, offering editorial content, communications and marketing services, lead generation, events, advisory and coaching support. Established in 2012, the company runs a match making platform between digital innovation demand and offer. The firm operates two business areas: 1) Demand Generation - editorial content, communication and marketing services, lead generation, events and webinar, in digital innovation; and 2) Advisory - advisory and coaching services supporting digital innovation of firms and PAs.

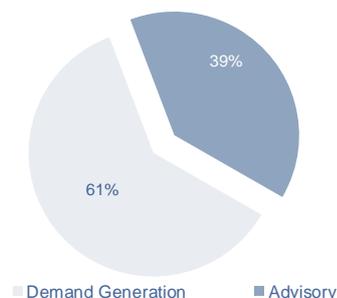
The group grew significantly in the last years: turnover CAGR11-16 is 55%, boosted by acquisition, 6 companies in a row between 2012 and 2014, adding a total of € 6.0m revenues. Organically Digital360 top line increased 25%. In the same period, EBITDA soared from € 0.2m to € 1.7m, 53% CAGR. 2016 revenues totalled € 12.8m, up 18.9% YoY, EBITDA reached € 1.7m, 13.1% margin and net profit came in at € 139k, 1.1% on sales. Net Financial Position reached € 4.8m, 2.9x EBITDA. Currently 100% of business is generated in Italy. 71% of 2016 sales was generated by the Demand Generation division, with more than 440 clients. The remainder came from the Advisory business unit, with some 140 customers.

Digital 360 was listed last 13 June 2017 at € 1.15 per share, corresponding to a market capitalisation of € 17.7m. The offer encompassed a capital increase of € 4.0m on offer to professional and retail investors, with a portion reserved to employees. In addition, a convertible bond of € 2.0m was issued: 5 years duration, 4.5% coupon and strike € 1.60.

2016 revenues and...



... and EBITDA breakdown by business unit



Shareholder structure

	%	# m
Andrea Rangone	25.0%	3.839
Mariano Corso	12.8%	1.968
Alessandro Giuseppe Perego	12.8%	1.968
Raffaello Balocco	5.1%	0.782
Carlo Mochi Sismondi	4.1%	0.637
Other <4%	17.2%	2.646
Free Float	23.0%	3.530
Total	100.0%	15.372

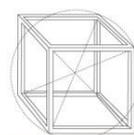
Peer group absolute performance

	1D	1W	1M	3M	6M	YTD
Triboo SpA	(3.1)	(0.5)	(9.6)	(13.8)	(16.5)	0.6
Forrester Research Inc	0.1	1.5	10.0	10.6	10.8	2.4
Gartner Inc	(0.3)	0.7	1.1	(2.0)	13.4	22.3
J2 Global Inc	1.0	5.9	6.8	(7.1)	(3.7)	(4.0)
Quinstreet Inc	(2.3)	(7.4)	22.4	72.7	79.6	90.2
Relx NV	0.6	0.6	1.9	3.8	4.6	15.3
TechTarget Inc	(0.1)	0.0	15.7	22.0	34.4	42.0
UBM PLC	(0.4)	0.5	4.7	1.8	(7.2)	(5.7)
Wolters Kluwer NV	0.2	0.7	3.6	9.1	1.6	16.4
Peers median	(0.1)	0.6	4.7	3.8	4.6	15.3
Digital360 SpA	0.0	(2.0)	(4.5)	(10.1)	n.a.	n.a.

Peers group multiples table

Price & EV multiples x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3	PER FY1	PER FY2	PER FY3
Forrester Research Inc	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	46.3	44.7	40.9
Gartner Inc	4.03	3.29	2.9	19.4	15.53	13.63	35.3	29.6	24.9
J2 Global Inc	87.40	3.23	n.a.	209.0	7.5	n.a.	15.0	13.5	15.0
Quinstreet Inc	0.81	0.71	0.6	13.0	10.1	10.36	34.4	28.1	18.5
Relx NV	5.25	5.03	4.8	15.1	14.3	13.3	21.2	20.3	19.3
TechTarget Inc	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	30.8	26.1	n.a.
Triboo SpA	0.72	0.61	0.5	7.2	5.2	4.52	15.5	11.6	10.0
UBM PLC	3.26	3.16	2.9	10.7	10.3	9.2	13.6	13.6	12.4
Wolters Kluwer NV	2.98	2.94	2.8	11.1	10.8	9.9	18.1	17.4	16.5
Median	3.26	3.16	2.8	13.0	10.3	10.1	21.2	20.3	17.5
Digital360 SpA	1.52	1.21	0.98	12.3	8.2	6.3	39.4	22.4	16.7
Premium/(discount) to median	(53.4)	(61.7)	(65.4)	(5.7)	(20.1)	(38.0)	86.0	10.1	(4.8)

Source: CFO Sim, Thomson Reuters Eikon



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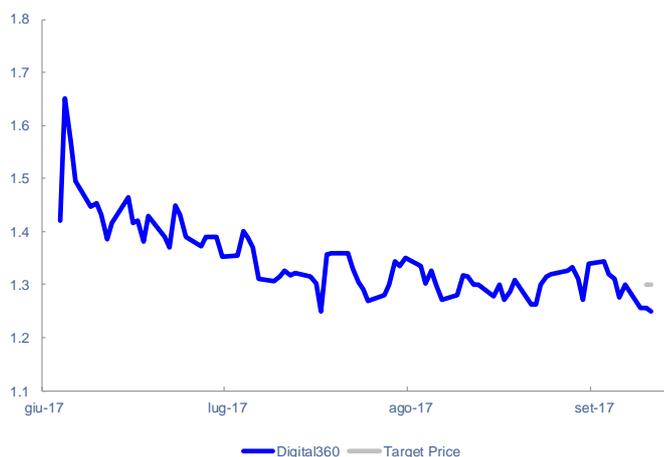
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DATE	TARGET PRICE	RATING
13/10/2017	€1.35	NEUTRAL

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- a **NEUTRAL** rating is assigned if the difference between the current price and target price lies within the +/- 15% bands identified using the preceding criteria.

The rating is determined on the basis of the **expected absolute return 12 months forward** and not on the basis of the estimated out/underperformance relative to a market index. Thus, the rating can be directly linked with the estimated percentage difference between current price and target price. The prices of the financial securities mentioned in the report (also used for the calculation of market capitalisation and market multiples) are the reference prices of the stock market trading day preceding the publication date of the report, otherwise stated.

