

## Analysers

24 March 2021

### Accumulate

Recommendation unchanged

Share price: EUR 3.90

closing price as of 23/03/2021

Target price: EUR 6.70

Target Price unchanged

Upside/Downside Potential 71.8%

Reuters/Bloomberg DMG.MI/DM IM

Market capitalisation (EURm) 29

Current N° of shares (m) 7

Free float 37%

Daily avg. no. trad. sh. 12 mth (k) 4

Daily avg. trad. vol. 12 mth (k) 13.21

Price high/low 12 months 4.40 / 3.12

Abs Perfs 1/3/12 mths (%) 0.00/-0.51/9.55

### Estimated NAV breakdown (EURm)

NAV listed companies 0.0 0%

NAV unlisted companies 54.7 125%

NAV component 3 0.0 0%

NAV component 4 0.0 0%

NAV component 5 0.0 0%

NAV component 6 0.0 0%

NAV component 7 0.0 0%

NAV component 8 0.0 0%

NAV component 9 0.0 0%

Net Financial position -10.8 -25%

Total Net Asset Value 43.9 100%

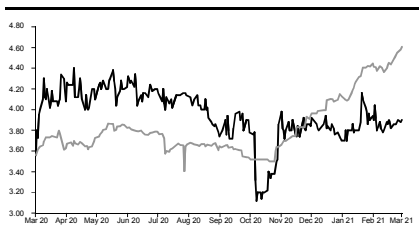
NAVPS (EUR) 6.662

Share price\*: EUR 3.90

Discount/(Premium) to NAV 0.0%

Shareholders

StarTIP 23%; Innogest 6%;



Source: FactSet

— DIGITAL MAGICS — FTSE AIM Italia (Rebased)

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## FY 2020 results: confirmed partnership with CDP Venture Capital, H2 net investments back to pre-Covid level

The facts: the company published its FY 2020 results yesterday.

Our analysis: we summarize the main items of the publication.

### Digital Magics: FY 2020 results (EUR K)

EUR thousand	H1	H2	FY	H1	H2	FY	Y/Y
	2019	2019	2019	2020	2020	2020	
Revenues	1,485	1,171	2,656	1,341	1,009	2,350	-11.5%
Value of Production	1,753	1,484	3,237	1,605	1,155	2,760	-14.7%
Labour cost	-245	-190	-435	-213	-255	-468	7.6%
EBITDA	-151	-152	-303	165	-430	-265	nm
EBIT	-416	-578	-994	-55	-799	-854	nm
Write downs	-337	-888	-1,225	-698	-1,366	-2,064	68.5%
Net Income	-833	-1,424	-2,257	-484	-2,035	-2,519	11.6%
Inv. in comp. portfolio	1.9	1.4	3.3	1.03	1.61	2.64	-20.0%
Net debt (cash)	301	1,438	1,438	2,017	1,958	1,958	36.2%

Source: Company data

Revenues and EBITDA are not crucial in this business. FY 20 revenues were down by 11%, mainly due to the lower revenues from consulting services. Nevertheless, the EBITDA loss was reduced thanks to lower costs for services. Below the EBIT line, write-downs were EUR 1.9m (EUR 1.2m in FY 2019). The net debt position was substantially in line with H1 20.

In FY 2020, DM invested EUR 2.6m in the company's portfolio. Overall, the portfolio start-ups collected EUR 27.3m, of which EUR 14.2m from CDP Venture Capital. The company highlights the strengthened collaboration with CDP Venture Capital, which has co-financed 14 start-ups and innovative SMEs, and StarTIP.

The current portfolio includes 73 operating companies (70 as at June 30, 2020, 69 at the end of 2019). DM invested in 15 new participations last year (o/w 4 in H1 20). The main exit in the period was the disposal of fintech company "Moneymour", in February 2020. DM sold its 13.8% stake to Klarna and said the return on the deal was 3x the invested capital, with an IRR above 100%. The total cash-in from divestments reached EUR 0.74m.

Despite the Covid-19 crisis, the portfolio companies' aggregated turnover reached EUR 62m (up by 14% vs. EUR 54.5m in FY 2019).

The company said that, as at January 31, 2021, it had successfully concluded the placement of EUR 2m "SFP" (equity-like securities), following a negotiation period in November 2020 and a private placement.

**Conclusion & Action:** the aftermath of the Covid-19 lockdown is clearly visible in the FY figures. However, we note that DM has rapidly resumed its investing activities since H2 2020. We also welcome the new finance from the SFP and the confirmed partnership with CDP Venture Capital, as they will allow the company to seize new opportunities.