

Accumulate

Recommendation unchanged

Share price: EUR 6.72

closing price as of 18/09/2018

Target price: EUR 8.30

Target Price unchanged

Upside/Downside Potential 23.5%

Reuters/Bloomberg DMG.MI/DM IM

Market capitalisation (EURm) 50

Current N° of shares (m) 7

Free float 37%

Daily avg. no. trad. sh. 12 mth 12

Daily avg. trad. vol. 12 mth (m) 5.37

Price high/low 12 months 6.04 / 8.82

Abs Perfs 1/3/12 mths (%) 8.74/-8.20/1.28

Estimated NAV breakdown (EURm)

NAV listed companies 0.0 0%

NAV unlisted companies 71.7 100%

Hyperloop 27.9 38.8%

Talent Garden 10.1 14.1%

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 1.4 2.0%

Total Net Asset Value 71.8 100%

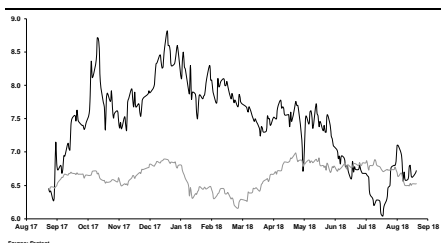
NAVPS (EUR) 8.3

Share price*: EUR 6.72

Discount/(Premium) to NAV 19.0%

Shareholders

TIP 18%; Innogest 5%;



Analyst(s)

Francesco Previtera

francesco.previtera@bancaakros.it

+39 02 4344 4033

More opportunities with less use of capital

The facts: the company reported first half results after market closing.

Our analysis: Over the period 8 new investments were added to the portfolio now totalling 63 initiatives (31 Innovative Startups, 9 Innovative SMEs). Most of the new project came from the Magic Wand - FinTech and InsurTech acceleration program, for a total of EUR 1.1m invested. Names like Axieme, Coverholder, DIAMANTech, Moneymour, MyCreditService and Cardo were added to the investment in WonderStore (big data platform for retail) and Kaitiaki (AI to prevent cyberbullying and hater on the net).

The Magic Wand scheme looks to allow a more focused selection process also with the validation of brick and mortar operators holding natural strategic interest to invest in those innovative projects.

Also *Open Innovation* programs create a valuable link to the paradigm of the traditional business: this year some 10 programs were active in the semester.

Digital Magics: H1-18 results

EUR thousand	H1-17	H1-18	%Chg
Production Value	1,176.1	1,818.8	54.6%
EBITDA	-410.4	36.0	nm
EBIT	-900.5	-269.1	-70.1%
Net Income	-1,275	-1,106	-13.3%
Net debt	-2,431	-1,353	-44.3%

Source: Company data

Value of Production was up 55% to Euro 1.82m (vs. Euro 1.18m in the first half of 2017) driven by revenues more than doubled, deriving from the new Open Innovation programs and from the acceleration "Magic Wand - FinTech and InsurTech".

Positive EBITDA at EUR 36k (vs EUR 420k loss in the first half of 2017) demonstrating a discipline in operating costs. Net losses at EUR 1.1m (vs EUR 1.3m in H1-17) after write-downs of investments for EUR 0.8m (vs. EUR 0.5m in the first half of 2017).

The StarTIP activity provided a boost to the development of Buzzoole (influencer marketing platform) and Centy (smart coin counter) extending the list of start-up in a more advanced stage headed by Talent Garden and Hyperloop.

Conclusion & Action: Yesterday reporting provides a further validation of the business model of Digital Magics as a more and more opened platform able to increase the opportunities of value creation while limiting the use of capital: this is helped by an increased scale and by the involvement of private co-investors.

Time will tell if important divestments can materialise in the time frame of DM investment cycle before development of success stories commands an excessive dilution.