

#### Accumulate

Recommendation unchanged

**Share price: EUR 6.42**

closing price as of 12/10/2018

**Target price: EUR 8.30**

Target Price unchanged

**Upside/Downside Potential 29.3%**

Reuters/Bloomberg DMG.MI/DM IM

Market capitalisation (EURm) 48

Current N° of shares (m) 7

Free float 37%

Daily avg. no. trad. sh. 12 mth 10

Daily avg. trad. vol. 12 mth (m) 28.61

Price high/low 12 months 6.04 / 8.82

Abs Perfs 1/3/12 mths (%) -5.59/-5.59/-13.24

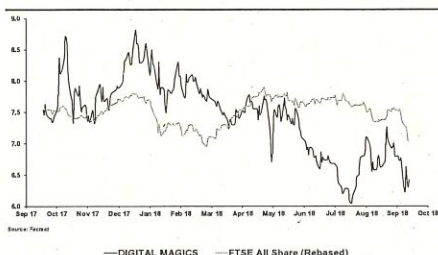
Total Net Asset Value 69.4 100%

NAVPS (EUR) 8.0

Share price\*: EUR 6.42

#### Shareholders

TIP 18%; Innogest 5%;



#### Analyst(s)

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## DM trims its stake in the promising Talent Garden

**The facts:** Digital Magics agreed to sell 9% of Talent Garden to the majority shareholder of the company remaining with a 10% stake in the largest co-working network in Europe for digital start-uppers.

**Our analysis:** The proceeds for the divestment amount to EUR 3.6m and allows Digital Magics to book a capital gain in the range of EUR 3.2m after 4 years. We believe the move is anticipating a likely new development phase and allows a stronger presence of main shareholders together with TIP that is already holding 20% of Talent Garden.

The exit is obtained at 9x the initial investment and allows DM to cash its new resources while maintaining pretty important presence (10%) in Talent Garden that is perhaps the most promising start-up in DM's portfolio.

The valuation of Talent Garden implied in the transaction stands at EUR 40m for 100% of the equity and results 26% below the equity valuation we currently estimate in our NAV calculation for DM.

**Warrant exercise period** - We remind investors that on October 1st the second exercise period for Digital Magics Warrants 2017-2022 has started to come to an end on October 31st. The exercise price is EUR 6.35 per new DM share, one warrant exercises into one newly issued share.

**Conclusion & Action:** We have updated our NAV for Digital Magics to take into account the value recognition on the stake in Talent Garden that provides some fuel for the company strategy also helping P&L to enter more decidedly into a positive territory. NAV is now at EUR 8.0 per share.