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BREAKING NEWS

EQUITY RESEARCH

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Digital Magics Profumeriaweb exit

Price	€4,3
Recommendation	Buy (maintained)
12mth target price	€7,1 (maintained)
Ticker	DM IM

NEWS

- Digital Magics has announced the sale of 5% of Profumeriaweb to Free Bird, which has also participate in the subsequent capital increase of the company (pre-money value greater than € 6 million).
- Compared to the investment, Digital Magics capital gains is a 3-digit multiple (according to our estimates the capital gain is about € 0.3 mln).
- Acquired 18 months ago, when the company was consolidating the FY14 results, also thanks to Digital Magics partnership, Profumeriaweb has increased fourfold revenues and number of customers, confirming its position as the leading digital "pure player" operator in Italy. FY2016 turnover showed an increase of 80% compared to 2015, year in which the growth was 100%.

CONCLUSION

The valuation: TP € 7.1, buy rating and medium risk unchanged. The equity value of Digital Magics is € 7.1 per share. We have conducted Digital Magics valuation based on the sum-of-the-parts methodology. We believe that it better catch (compared to methodologies based on the flow discount) the "correct fair value" of a company like Digital Magics characterized by some peculiarities, i.e. intangibles like management quality, track record, shareholders managers, potential development high, etc. In determining the target price, we applied a discount of 25% to the value resulting from the model to take account of the limited liquidity.

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Date	Recommendation	Target Price	Risk	Comment
27/3/2015	Buy	6.76*	Medium	Talent Garden / TIP / DM
13/4/2015	Buy	7,29*	Medium	FY14 Results
8/7/2015	Buy	7,29*	Medium	Zanox Agreement
7/4/2016	Buy	7,46	Medium	FY15 Results
28/11/2016	Buy	7,10	Medium	1H16 Results

* Adjusted

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Expected Total Return – ETR (for different risk categories)			
Rating	Low Risk	Medium Risk	High Risk
BUY	ETR >= 7.5%	ETR >= 10%	ERT >= 15%
HOLD	-5% < ETR < 7.5%	-5% < ETR < 10%	0% < ETR < 15%
SELL	ETR <= -5%	ETR <= -5%	ETR <= 0%
U.R.	Rating e/o target price Under Review		
N.R.	Stock Not Rated		

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