



# Digital Magics

Sponsored Research

Italy | Financial Services Holdings

Analysar

24 March 2022

## Buy

Recommendation unchanged

Share price: EUR 3.56

closing price as of 23/03/2022

Target price: EUR 5.80

Target Price unchanged

Upside/Downside Potential 62.9%

Reuters/Bloomberg

DMG.MI/DM IM

## Market capitalisation (EURm)

Current N° of shares (m)

Free float 37%

Daily avg. no. trad. sh. 12 mth (k) 14

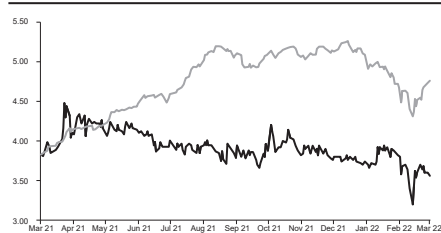
Daily avg. trad. vol. 12 mth (k) 17.10

Price high/low 12 months 4.48 / 3.20

Abs Perfs 1/3/12 mths (%) -6.32/-6.32/-7.00

## Shareholders

StarTIP 23%; Innogest 6%;



Source: FactSet

DIGITAL MAGICS FTSE AIM Italia (Rebased)

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## FY 2021 results: business plan execution goes on

**The facts:** the company published its FY 2021 results yesterday.

**Our analysis:** we summarize the main items of the publication. As a reminder, the FY 2021 results include the consolidation of The Doers, a fully-owned consultancy and open innovation company acquired on June 24, 2021.

## Digital Magics: FY 2021 results (EUR K)

EUR thousand	H1 2020	H2 2020	FY 2020	H1 2021	H2 2021	FY 2021
Revenues	1,341	1,009	2,350	1,027	1,681	2,708
Value of Production	1,605	1,155	2,760	1,254	1,956	3,210
Labour cost	-213	-255	-468	-300	-385	-685
EBITDA	165	-430	-265	-225	-327	-552
EBIT	-55	-799	-854	-478	-748	-1,226
Write downs	-698	-1,366	-2,064	-239	-1,850	-2,089
Net Income	-484	-2,035	-2,519	-769	-2,577	-3,346
Inv. in comp. portfolio	1.03	1.61	2.64	0.82	1.48	2.30
Net debt (cash)	2,017	1,958	1,958	2,965	5,604	5,604

Source: Company data; investments in FY21 does not include the EUR 1m investment in The Doers.

Revenues and EBITDA are not crucial in this business.

In FY 2021, DM invested EUR 2.3m in the company's portfolio (o/w EUR 1.5m in H2). The current portfolio includes 83 operating companies (79 as at Jun 30, 2021, 73 as at Dec 31, 2020). DM invested in 20 new companies (equally split between H1 and H2 2021), including 8 winners of the "Magic Wand Sustainability" and the Fintech&Insurtech Accelerator, and ad-hoc vehicle coinvested by CDP to support the FIN+TECH acceleration programme.

Overall, the portfolio companies reached an aggregated turnover in excess of EUR 111m (+79% Y/Y, vs. EUR 62m in FY 2020) and raised EUR 46.6m in new funding (EUR 27.3m in FY 2020), of which EUR 2m backed by DM.

DM itself raised nearly EUR 11m through the full subscription of the EUR 8m capital increase and the new partnership with the LUISS university, which brought in another EUR 2.5m.

DM also reported that the valuation of the company's portfolio had been validated by Deloitte Financial Advisory. The current value is EUR 58m, compared with the previous estimate of EUR 53m at Jun 30, 2021 and a book value of EUR 13.7m. As a reminder, the business plan published on May 19, 2021 expects the portfolio value to reach EUR 100m in 2025 and envisages EUR 10.5m in investments for DM.

The Chairman Mr. Gay highlighted that the venture capital background was very supportive in 2021 as investments in Italy more than doubled Y/Y. The CEO Mr. Ronchini said that DM had already raised EUR 21m to fund 5 acceleration programmes that were due to take place in 2022.

**Conclusion & Action:** the execution of the business plan continued at a sustained pace within a positive environment for venture capital.