

Digital Magics

Sponsored Research

Italy | Financial Services Holdings



Analysar

22 September 2022

Buy

Recommendation unchanged

Share price: EUR 3.24

closing price as of 21/09/2022

Target price: EUR 5.80

Target Price unchanged

Upside/Downside Potential 79.0%

Reuters/Bloomberg

DMG.MI/DM IM

Market capitalisation (EURm) 36

Current N° of shares (m) 11

Free float 37%

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

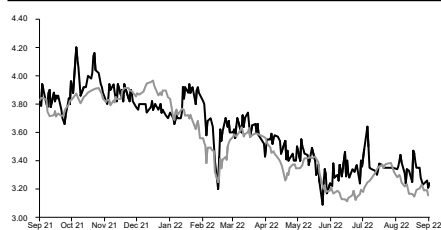
Daily avg. trad. vol. 12 mth (k) 39.65

Price high/low 12 months 4.20 / 3.09

Abs Perfs 1/3/12 mths (%) -3.28/0.00/-15.36

Shareholders

StarTIP 23%; Innogest 6%;



Source: FactSet

Analyst(s)

Andrea Devita, CFA

andrea.devita@bancaakros.it

+39 02 4344 4031

Gian Marco Gadini

gianmarco.gadini@bancaakros.it

+39 02 4344 4236

H1 22: almost 100 start-ups in portfolio, fair value of EUR 61m

The facts: the company published its H1 2022 results yesterday.

Our analysis: we summarize the main items of the publication. As a reminder, the H1 2022 results include the consolidation of The Doers, a fully-owned consultancy and open innovation company acquired on June 24, 2021, whose contribution was null at the end of H1 2021.

Digital Magics: H1 2022 results (EUR K)

EUR thousand	H1 2021	H2 2021	FY 2021	H1 2022	Y/Y
Revenues	1,027	1,681	2,708	1,762	71.6%
Value of Production	1,254	1,956	3,210	2,285	82.2%
Labour cost	-300	-385	-685	-456	52.0%
EBITDA	-225	-327	-552	242	nm
EBIT	-478	-748	-1,226	-32	nm
Write downs	-239	-1,850	-2,089	-144	nm
Net Income	-769	-2,577	-3,346	977	nm
Inv. in comp. portfolio	0.82	1.48	2.3	0.48	-41.5%
Net debt (cash)	2,965	-5,604	-5,604	-4,987	nm

Source: Company data; H1 2021 P&L data does not include The Doers.

Revenues and EBITDA are not crucial in this business.

In H1 2022, DM invested EUR 0.48m in the company's portfolio and completed a partial exit from Cardo that generated a EUR 1.2m capital gain (for a 17x return).

The current portfolio includes 99 operating companies (84 as at Dec 31, 2021, 79 as at Jun 30, 2021). DM invested in 15 new companies, including 8 through Fintech&Insurtech Accelerator and 5 through the Magic Spectrum acceleration programme (organised with CDP and focused on 5G and IoT).

On Jan 12, 2022, DM closed the capital increase reserved to LUISS university, which brought in EUR 2.5m. The net cash position was EUR 5m at the end of H1 22 (vs. EUR 5.6m), after the abovementioned investments and divestments, and an approx. EUR 1m increase in working capital (mainly receivables and payables owed by/to the portfolio companies). The gross cash available was EUR 9.4m at the end of H1 22.

DM also reported that the value of the company's portfolio, net of the exit from Cardo, stood at EUR 61m, compared with a EUR 58m value at the end of Dec 2021 and a book value of EUR 14.1m.

The company continues the implementation of the 2021/25 business plan (targeting a portfolio value of EUR 100m in 2025 and EUR 10.5m in investments for DM) and expects to pour another EUR 1m in investment in H2 22. Indeed, new rounds of the Magic Spectrum and the Fin-Tech acceleration programme are due to take place, as well as the newly started Habitech, focused on Property & Sustainable Buildings.

Conclusion & Action: the execution of the business plan continued at a sustained pace despite the uncertainty, benefitting, among other things, from the PNRR/Next Generation EU funds.