

Digital Magics

Sponsored Research

Italy | Financial Services Holdings



Analyst

23 November 2022

Buy

Recommendation unchanged

Share price: EUR 3.35

closing price as of 22/11/2022

Target price: EUR 5.80

Target Price unchanged

Upside/Downside Potential 73.1%

Reuters/Bloomberg

DMG.MI/DM IM

Market capitalisation (EURm) 37

Current N° of shares (m) 11

Free float 37%

Daily avg. no. trad. sh. 12 mth (k) 5

Daily avg. trad. vol. 12 mth (k) 5.27

Price high/low 12 months 3.94 / 3.05

Abs Perfs 1/3/12 mths (%) 2.45/0.30/-12.30

Estimated NAV breakdown (EURm)

NAV unlisted companies 56.9 89%

Consultancy business 5.5 9%

Write Offs -3.3 -5%

Net Financial position 5.0 8%

Total Net Asset Value 64.1 100%

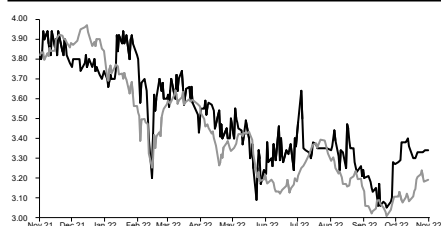
NAVPS (EUR) 5.826

Share price*: EUR 3.35

Discount/(Premium) to NAV 0.0%

Shareholders

StarTIP 23%; Innogest 6%;



Source: FactSet

DIGITAL MAGICS

FTSE AIM Italia (Rebased)

Analyst(s)

Andrea Devita, CFA

andrea.devita@bancaakros.it

+39 02 4344 4031

Gian Marco Gadini

gianmarco.gadini@bancaakros.it

+39 02 4344 4236

HTT to go public by end of H1 23

The facts: The US-based SPAC Forest Road Acquisition Corp. II (FRXB) announced yesterday that it had entered a definitive merger agreement with HyperloopTT, which is engaged in the development of the vacuum tube-based, hyper-speed train technology Hyperloop. The business combination, which is aimed at the listing of HTT, is expected to be closed by the end of H1 2023.

Our analysis: FRXB is a USD 350m SPAC managed by former Disney executives Tom Staggs and Kevin Mayer.

Based on FRXB's SEC filing, HTT is valued USD 600m on a pre-money, fully-diluted basis. The incumbent HTT shareholders will hold, on a fully-diluted basis, 58% of the new entity, of which 30% following the full exercise of warrant and options, linked to the huge share of work-for-equity stocks. FRXB sponsors will own an 8% stake and other public shareholders the remaining 34%, assuming no redemptions.

DM owns an approx. 3.1% stake in HTT indirectly, through its 6.45% stake in Jumpstarter, which in turn owns 87.6% of HTT. DM's interest is worth EUR 340K at book value.

In our latest report (Oct 28, 2022), we valued DM's holding EUR 15.3m, implying a 100% equity value of c. USD 470m. Therefore, we estimate that the potential positive impact for DM on our sum-of-the-part valuation is in the region of EUR 4m, or above EUR 0.3/sh.

Conclusion & Action: clearly positive implications for DM's largest holding (accounting for EUR 1.4/sh, or 27% of the gross asset value). However, we have left our assumptions unchanged pending the market validation of the deal.