

# Digital Magics

Sponsored Research

Italy | Financial Services Holdings

Investment Research



## Company Update

Reason: Company newsflow

28 October 2022

### Buy

Recommendation unchanged

Share price: EUR 3.38

closing price as of 27/10/2022

Target price: EUR 5.80

Target Price unchanged

Upside/Downside Potential 71.6%

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) 7

Daily avg. trad. vol. 12 mth (k) 5.23

Price high/low 12 months 4.16 / 3.05

Abs Perfs 1/3/12 mths (%) 4.97/0.90/-16.75

### 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%

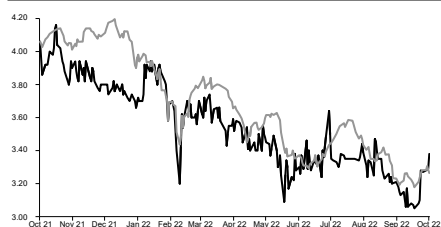
NAVPS (EUR) 5.826

Share price\*: EUR 3.38

Discount/(Premium) to NAV 0.0%

### Shareholders

StarTIP 23%; Innogest 6%;



Source: FactSet

DIGITAL MAGICS FTSE AIM Italia (Rebased)

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## First steps of a new investment approach

After having secured most of the financing needed to support the business plan execution, DM has launched or co-funded a number of dedicated vehicles. The new approach is key to achieve the ambitious targets of the 2021/25 business plan, as it ought to scale up DM's capacity significantly. The environment continues to remain supportive, since – despite the slowdown at the global and European level – the Italian VC environment is expected to strongly benefit from the allocation of the National Recovery and Resiliency Plan resources. In this context, CDP's moves, along with some corporate VC initiatives, will be crucial.

- ✓ **H1 2022 results.** The P&L (albeit the top-line and operating margin are generally not crucial in this business) was solid in H1 2022, with sustained revenue growth (82% including the contribution from The Doers), EBITDA turning positive and almost EUR 1m net income, boosted by the partial exit from Cardo (EUR 1.2m capital gain).
- ✓ **The current portfolio includes 99 operating companies** (83 as per December 31, 2021, 79 as at June 30, 2021). DM invested in 15 new companies (10 in H1 21), including 8 winners of the Fintech&Insurtech Accelerator (FIN+TECH) and 4 winners of the Magic Spectrum accelerator (IOT/5G), through ad-hoc vehicles coinvested by CDP to support the acceleration programmes. Overall, the portfolio companies raised EUR 13.9m in new funding, of which EUR 0.48m backed by DM.
- ✓ **A new investment approach.** We note that most of the investments in H1 2022 were carried out through two vehicles, namely Fin+Tech (in which DM has a 18.6% stake) and Magic Spectrum (launched by DM, in which the company has a 45% stake). We understand that this investment model represents a cornerstone of the 2021/25 business plan, as it boasts higher scalability, a higher standardisation of processes and services offered to start-ups and levers the cooperation with leading industrial players. Along with the abovementioned, DM has created Magic YouMan (focused on sustainability), HabitSmart (focused on PropTech), all of them with similar features: 1) total funding of EUR 5/6m; 2) a pipeline of 25/30 initial investments over 36 months, worth EUR 90/100K each, through convertible bonds with a mix of cash and work-for-equity (employing nearly half of the total funding); 3) Up to 10 follow-on, worth EUR 200/300K each, in equity (after conversion of bonds).
- ✓ **2022 still very positive for Italian start-ups.** Despite the worsening scenario at the national and global level, the Italian VC financing kept growing in 9M 2022, countertrending the European market. In particular, according to VeM, at the end of September, the VC funding reached EUR 1.68bn, up by 109% Y/Y, basically confirming the H1 trends (+123% Y/Y).
- ✓ **We confirm out target price of EUR 5.8 per share**, with a slight increase in the portfolio value (by EUR 1.5m to EUR 56.9m) mainly due to new investments and with a marginal contribution from valuation upgrades.

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## H1 2022 summary

The P&L (albeit the top-line and operating margin are generally not crucial in this business) was solid in H1 2022, with revenue growth, EBITDA turning positive and almost EUR 1m net income. Revenues include the contribution of “The Doers” since late June 2021 and highlight a significant Y/Y growth, which had not materialized in H2 last year (amid the integration effort with the acquired company, a shift of investment on behalf of a client and a temporary change in mix between acceleration programs and open innovation across the company’ customer base). With EUR 1.0m Y/Y revenue increase, and against EUR 0.15m increase in labour costs, the EBITDA improved by EUR 0.47m and became positive. The net income mainly owes to the EUR 1.2m capital gain generated from the (partial) exit from Cardo (announced in early February). Despite this EUR 1.2m cash-in, Net cash declined by EUR 0.6m in the six months in presence of EUR 0.48m investments in start-up, EUR 0.72m WCR and EUR 0.21m share buy-back. In FY 2021, the net financial position had turned positive for EUR 5.6m thanks to EUR 11m in new equity, including a capital increases of EUR 8m in option for all shareholders and EUR 2.5m dedicated to LUISS, both completed in H2, and EUR 0.4m conversion of residual “SFP”.

In H1 2022, DM invested EUR 0.48m in the start-up portfolio. The current portfolio includes 99 operating companies (83 as per Dec 31, 2021, 79 as at Jun 30, 2021). DM invested in 15 new companies (10 in H1 21), including 8 winners of the Fintech&Insurtech Accelerator (FIN+TECH) and 4 winners of the Magic Spectrum accelerator (IOT/5G), through ad-hoc vehicles coinvested by CDP to support the acceleration programmes. Overall, the portfolio companies raised EUR 13.9m in new funding, of which EUR 0.48m backed by DM.

### P&L analysis

Data in EUR m	2018	2019	2020	2021	H1 2022	Y/Y
Sales	2.56	2.66	2.35	2.71	1.76	71.6%
Value of production	3.20	3.24	2.76	3.21	2.29	82.1%
EBITDA	(0.35)	(0.30)	(0.26)	(0.55)	0.24	nm
EBIT	(1.18)	(0.99)	(0.85)	(1.23)	(0.03)	nm
Write-downs	(1.61)	(1.22)	(2.06)	(2.09)	(0.14)	-94.0%
Cap gain/inc from assoc	3.23	0.01	0.58	0.36	1.18	nm
Taxes	0.01	0.04	0.01	(0.03)	(0.03)	nm
Net Profit (loss)	0.39	(2.26)	(2.51)	(3.35)	0.95	nm

### Balance-sheet analysis

Data in EUR m	Dec 2018	Dec 2019	Dec 2020	Dec 2021	June 2022	H1 22/FY21
Fixed assets	15.31	17.27	17.22	18.21	18.90	3.7%
NWC	1.52	1.42	1.03	1.10	1.78	65.0%
Total funds	(0.08)	(0.10)	(0.11)	(0.19)	(0.19)	3.2%
Net Capital invested	16.76	18.59	18.15	19.13	20.48	7.1%
Shareholders' Equity	19.78	17.15	16.19	24.73	25.47	3.0%
Net Debt (cash)	(3.02)	1.44	1.96	(5.62)	(4.99)	-11.1%
Total Assets	24.83	22.65	23.92	32.32	31.56	-2.4%

Source: Company data

DM also reported that the updated valuation of the its start-up portfolio, validated by Deloitte Financial Advisory, which has increased to EUR 61m from EUR 58m estimated at the end of last year and EUR 53m at Jun 30, 2021. The book value stood at EUR 14.1m (EUR 13.7m as at Dec 31, 2021). As a reminder, according to the business plan published on May 19, 2021, DM expects the portfolio value to reach EUR 100m in 2025 and envisages EUR 10.5m in investments.



## Recent capital developments

DM has gone through a number of capital increases in order to strengthen its investment capacity, namely: 1) **issue of EUR 2m in “participating financial instruments”**, i.e. 4,000 equity-like bonds worth EUR 500 each, on Oct 15, 2020. The PFIs also included 50 warrants to be converted in 1 DM ordinary share each at strike price of EUR 4.5/sh by 2025. The PFIs were converted in 533K new DM shares in October 2021, following the capital increase launched in May 2021; 2) **EUR 8m capital increase** to support investments in the start-up portfolio, as envisaged in the FY2021/25 business plan; DM issued 2.18m new shares at EUR 3.65/sh, which were entirely underwritten as at Oct 15, 2021; 3) a **dedicated capital increase** for the former “The Doers” partners (238K new shares at EUR 4.2/sh, which were part of the consideration paid by DM) completed in September 2021; 4) a **EUR 2.5m dedicated capital increase** for the LUISS University closed on Nov 25, 2021.

Following all of the above movements, DM's capital is now EUR 10.43m, divided into 11,003,677 ordinary shares with no nominal value. As a result, the shareholders' book is now the following.

### Digital Magics' shareholders book

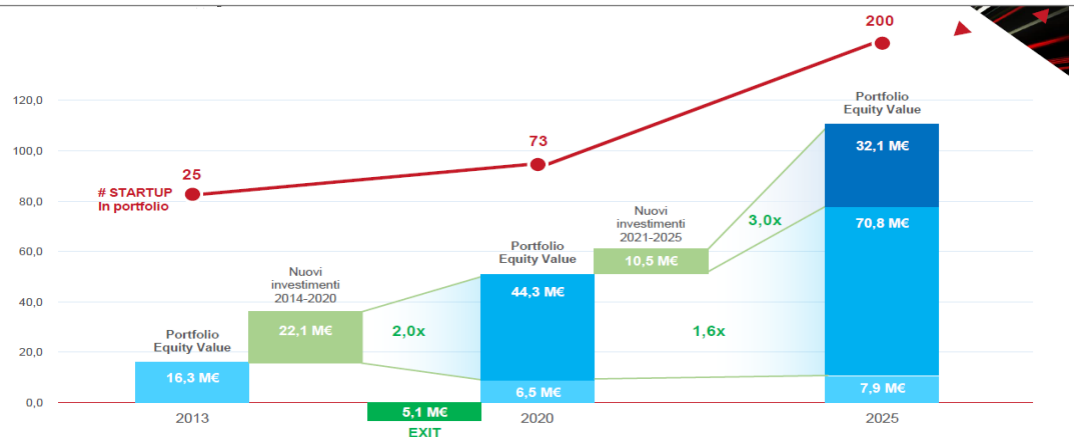
	# of shares	% of capital
STARTIP	2,289,555	20.81%
Alberto Fioravanti	789,246	7.17%
Luis – Università Guido Carli	625,000	5.68%
Garage Start Up S.r.l.	479,040	4.35%
Marco Gay	443,638	4.03%
Innigest SGR S.p.A.	436,245	3.96%
Former partners of the Doers	238,091	2.16%
Gasperini family	856,243	7.78%
Gabriele Ronchini	107,335	0.98%
Treasury Shares	78,600	0.71%
Free Float	4,660,684	42.36%
<b>Total</b>	<b>11,003,677</b>	<b>100%</b>

Source: Company data

## FY 2021/25 business plan highlights

On May 19, 2021, DM announced its **industrial plan** which involves doubling the portfolio value to EUR 100m, through EUR 10.5m investments in 5 years, supported by EUR 8m capital increase. The company intends to start 20 new acceleration plans and increase the number of start-ups in the portfolio from 73 as per Dec 2020 to 200, net of planned exits and potential write-offs. The planned investments are EUR 10.5m in 5 years, which is in line with the current annual rate. DM intends to boost the team dedicated to the start-up selection and management from 8 to 18 professionals.

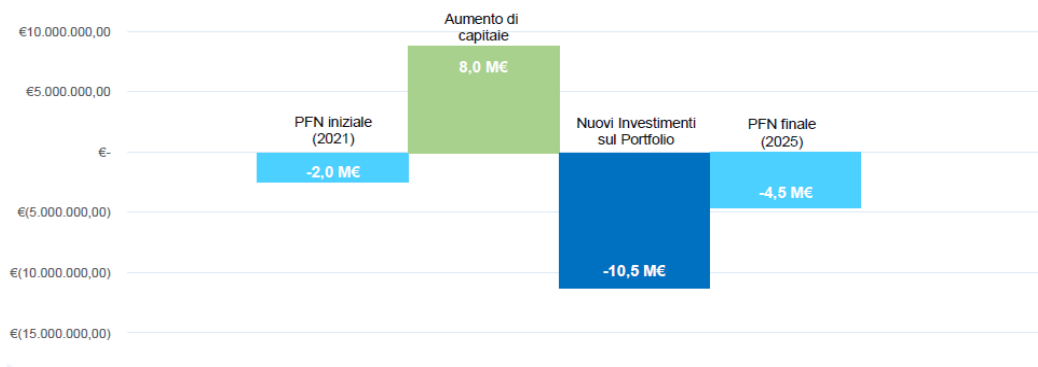
## DM 2021-25 business plan: portfolio targets



Source: Digital Magics Business plan presentation

DM will finance the new expansion plan with bank debt and new equity, including the recent EUR 8m capital increase in option to all shareholders. The net financial debt is expected to increase from the current EUR 2.5m to EUR 4.5m at the end of the period. We note that this projection does not include the impact of the EUR 2.5m capital increase dedicated to LUISS, which could give more firepower for investments or lead to a slightly lower net debt at the end of the forecast period.

## DM 2021-25 business plan: funds



Source: Digital Magics Business plan presentation

We commented on the news, and we confirm, that the decision to accelerate the development of the company looks well timed, as the exit from the pandemic is based on a “digital renaissance” and boosted by the support of public funds, and public organizations such as CDP’s VC funds. The targets look ambitious but in line with the start-up value creation trajectories, we can imagine a high single-digit annual growth for the existing portfolio along with doubling the value in the years of the EUR 10.5m incremental investments.

## A different approach for new investments

We note that most of the investments in H1 2022 were carried out through two vehicles, namely Fin+Tech (in which DM has a 18.6% stake) and Magic Spectrum (launched by DM, in which the company has a 45% stake).

We understand that this investment model represents a cornerstone of the 2021/25 business plan, with a couple of significant advantages:



- 1) **scalability**: through dedicated vehicles, DM will be able to reach the ambitious targets envisaged by the 2021/25 business plan, as rounds will pick up, reaching 50/60 companies compared with 15/20 that DM used to complete on its own, without expanding DM's team proportionally;
- 2) **cooperation with leading industrial players**: the partnership can be financial or industrial, thus helping start-ups in realising their proof-of-concept or their go-to-market, by cooperating with leading incumbent players;
- 3) **higher standardisation**: the work-for-equity services, as well as the scouting, selection and growing phases are more standardised;

Along with Fin+Tech and Magic Spectrum, DM has created **Magic YouMan** (focused on sustainability), **HabitSmart** (focused on PropTech). We note the main common features of the above, namely:

- 1) total funding of EUR 5/6m;
- 2) 25/30 initial investments over 36 months, worth EUR 90/100K each, through convertible bonds with a mix of cash and work-for-equity (employing nearly half of the total funding);
- 3) Up to 10 follow-on, worth EUR 200/300K each, in equity (after conversion of bonds).

## Focus on Fintech

DM is a partner of Fin+Tech, the fintech-insurtech accelerator part of the national accelerator network sponsored by CDP, created as a joint initiative between CDP Venture Capital SGR and Digital Magics, Startupbootcamp, Fintech District and NEXI. The project was launched in July 2021 and is developed in three years, with the selection every year, of 8 FinTech and 8 InsurTech start-ups, which will benefit from a package of services and investments worth EUR300K and the constant support from the teams of acceleration programs' promoters.

Last February, il Sole 24 Ore reported that Fin+Tech, has become fully operative with the first 16 start-ups and EUR 6.2m funding. The article suggested that the accelerator chose the first 8 fintech and 8 insurtech start-ups among the 286 proposals. CDP, which is the promoter of the initiative, injected the first EUR 1.65m out of a total of EUR 3.65m committed in three years. The other participants, which include DM, Credem, Fabrick e NEXI are due to contribute further EUR 2.5m.

We note that DM's portfolio includes (as of Dec-31, 2021) 34% of companies operating in the fintech/insurtech sector.

Fintech has been a hot investment topic in venture capital at European/global level (see below) generating in a very short timeframe a string of "decacorns" in 2021 such as Klarna (USD 46bn post-money, growing by nearly 50% vs. the USD 31bn valuation assessed only three months earlier), Stripe (USD 95bn), Revolut (USD 33bn), Chime (USD 25bn) and Fireblocks (USD 8bn, growing almost nine-fold in just nine months). Nevertheless, with the increase in interest rates, the slump of the crypto asset class and some backlash on the "buy-now, pay-later" model, transactions and valuations have considerably cooled down in the past few months, including egregious "down-rounds" such as Klarna (see below).

## New start-ups in the 5G and IoT sectors

At the end of 2021, DM launched **Magic Spectrum**, an acceleration programme focussed on 5G and IoT, in partnership with Cisco, Compagnia di San Paolo, Inwit, Irideos, Melita and Unipol Tech. The programme is aimed at investing in promising start-ups offering innovative solutions in two main areas, i.e. Connectivity (WiFi, LoRaWAN, IoT, 5G, low-power WAN) and SW&Data (edge computing, predictive analysis, cybersec., ML and digital identity).

### Magic Spectrum: target verticals



Source: Company data

Magic Spectrum selects 8 start-ups per year, targeting a total of 24 invested companies in three batches, and provides them with up to EUR 325K in funds and services. The first batch kicked off in April 2022, with 4 start-ups already funded at the end of H1 2022.

We understand that DM's investment was c. EUR 225K in H1 2022. Notably, CDP announced on February 11, 2022, that it had invested EUR 3m in the ad-hoc vehicle through CDP Venture Capital, thereby increasing Magic Spectrum's total funds to EUR 4.55m.

## Global VC plunging quarter after quarter in 2022

KPMG's Q3 2022 VenturePulse report captures the progressive decline from the all-time highs recorded in 2021. In particular, Q3 2022 recorded the lowest investments since Q2 2020, as geopolitical uncertainty and volatility kept affecting financial markets. Moreover, the tightening monetary policy has significantly lowered the available cash (compared with the liquidity-flooded 2021). Despite the strong fundraising activity, which is still expected to grow Y/Y, KPMG points out that investors are becoming more cautious on valuations and have started to scrutinise the profitability and sustainability of the business models. Moreover, the climbing inflation and interest rates have induced a clear shift from consumer-driven sectors, such as food and grocery delivery, that were more attractive during the acute phases of the pandemics, towards B2B sectors, particularly those developing solutions to improve the operational efficiency and the employee productivity.

Start-ups are increasingly looking at alternative source of financing to avoid down rounds; notably, the buy-now-pay-later unicorn Klarna closed a EUR 800m round at USD 6.7bn valuation compared with the USD 46bn value in 2021. Moreover, the downturn phase of financial markets has slowed down exits, and particularly IPOs, as investors seek alternative strategies: KPMG expects an increase in M&A activity in the next few quarters.

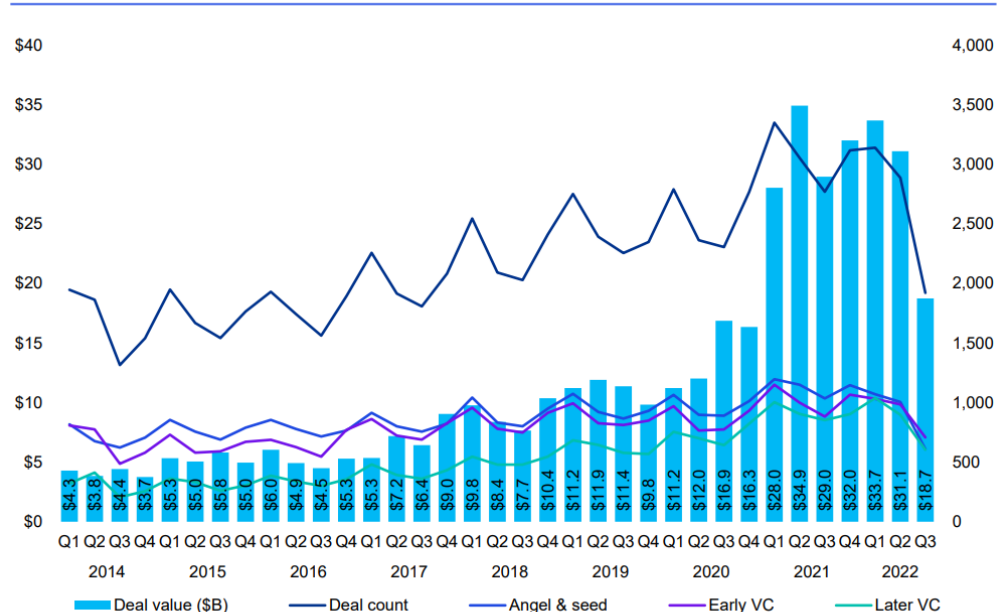
In Q3 2022, investments fell to USD 87bn (vs. USD 137bn in Q2 and USD 166bn in Q1) through 7,817 deals.

## VC activity slides in Europe, but remains well ahead long-term averages

KPMG notes that, after a six-quarter period of extraordinarily strong VC activity, Europe started to drop as well, although it did not rule out an upward revision in coming quarters. The geopolitical uncertainty, the inflationary pressures, the rapidly rising interest rates and energy costs, and the concerns about a potential recession are taking their toll. In Q3 22, venture financing amounted to USD 18.7bn (vs. USD 31.1bn in Q2 22 and USD 29.0bn in Q3 21) across 1,920 deals. The total funds raised reached USD 83.5bn (vs. USD 91.9bn in 2021).

## Venture financing in Europe 2014/Q3 2022

Venture financing in Europe  
2014–Q3'22

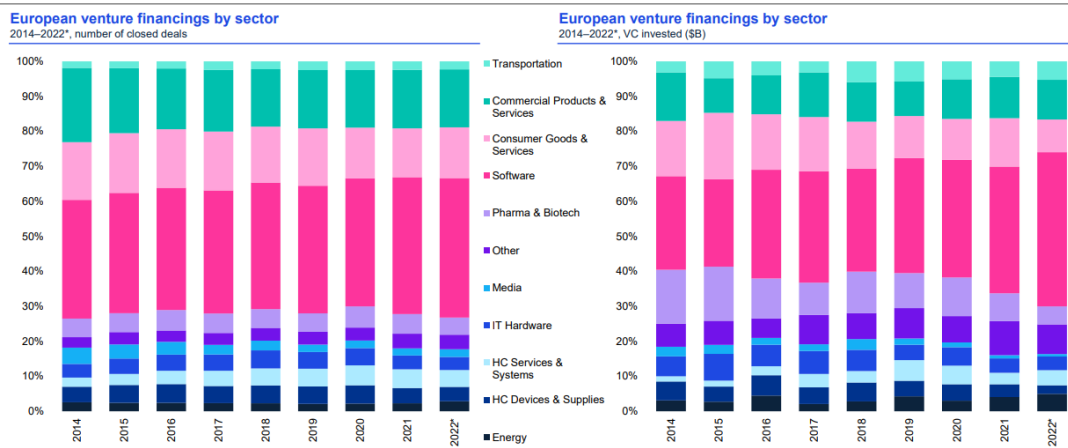


Source: Venture Pulse, Q3'22, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of September 30, 2022. Data provided by PitchBook, October 19, 2022.

Source: Venture Pulse (KPMG)

The VenturePulse report catches the shift towards the B2B and energy sectors, led by Celonis (German-based business productivity company, USD 1.4bn round) and Northvolt (Sweden-based alternative energy and storage company, USD 1.1bn round). Another lively sector is cybersecurity, with Israel drawing most of the investors' interest (Talon and Cymulate raised USD 100m and 70m respectively).

### Venture financing in Europe by sector



Source: Venture Pulse, Q3'22, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of September 30, 2022. Data provided by PitchBook, October 19, 2022.

Source: Venture Pulse (KPMG)

Corporate VC investments declined as well (USD 8.8bn vs. USD 12.8bn in Q2 2022), although they remained well above the H2 2020 levels. Median deal sizes grew Y/Y, with USD 1.5m and angel and seed, USD 2.4m for early VC and USD 6.1m for late VC, but we note the sequential decline in the latter (it was USD 6.9m in Q2 22).

The late-series rounds' median value declined, with series C standing at USD 65m (USD 80m in Q2 2022, USD 72m in 2021) and pre-money valuations as well (Series C USD 268m vs. USD 336m in Q2 22, USD 255m in 2021). The level of VC fundraising exceeded USD 21bn YTD, thus leaving room to match the previous year record (USD 28.3bn).

In terms of VC-backed exits, Q3 2022 declined dramatically to USD 2.8bn, reaching the lowest level since Q1 2020. KPMS argues that the marked volatility has induced buyers and sellers to keep a more cautious approach.

### Italian start-up funding keeps growing in 9M 2022

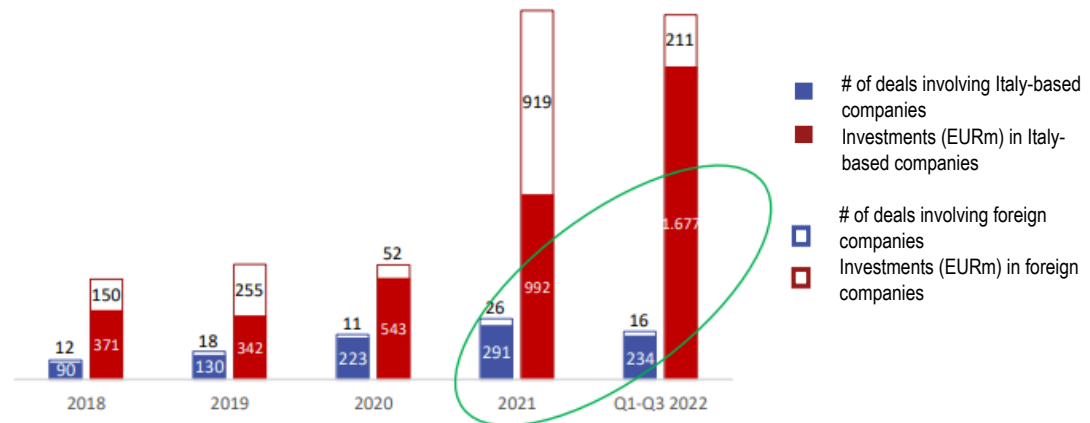
The Italian Venture Capital market, after impressive growth rates experienced in 2017 and 2018, and around +15% in 2019, suffered a significant impact from the Covid pandemic in the first half of 2020 (-30%) but largely recovered in H2, leading to a very modest decline on a full year basis. The "reopening" and support measures implemented by public institutions drove a strong rebound in 2021, with unprecedented growth rates. The start-up observatory of Politecnico di Milano registered a 118% YY increase to EUR 1.46bn, whereas the VeM report from AIFI and LIUC suggests a more than threefold growth to EUR 2.00bn.

Despite the worsening scenario at the national and global level, the Italian VC financing kept growing in 9M 2022, countertrending the European market. In particular, according to VeM, at the end of September, the VC funding reached EUR 1.68bn, up by 109% Y/Y, basically confirming the H1 trends (+123% Y/Y).

Unlike in 2021, the investments in Italian-based companies accounted for the lion's share (c. EUR 1.5bn) as investments in target companies headquartered abroad declined significantly, from c. EUR 900m in 9M 2021 (nearly half of the total rounds) to EUR 210m, while deals declined from 23 to 16.

The 9M performance is on track to reach the EUR 2.5bn target that CDP Venture Capital expects for FY 2022.

### Italian Start-up funding



Source: VeM – Venture Capital Monitor

We note a significant slowdown in M&A activities in Italy as well. Indeed, the adverse macroeconomic conditions weighed on companies' costs, while the rising interest rates pushed multiples down. As such, investors have started focusing on value creation (also by extending their holding periods), despite the huge "dry-powder" (funds already collected by private equity and VC) available. The latter triggers a somewhat "optimistic" sentiment about the rebound of M&A in the next few quarters, possibly supported by bargain transaction prices.

### CDP Venture Capital to pour EUR 3.5bn by 2024 in start-ups

In a recent interview, the CEO of CDP Venture Capital Enrico Resmini said they planned to increase the managed assets from EUR 1.8bn to EUR 5.3bn by 2024, through the National Innovation Fund. Moreover, the total VC investments may further jump to EUR 9bn in 2025, should some "favourable conditions" occur.

CDP's CEO Dario Scannapieco highlighted that the Italian VC is growing, but the market (0.07% of GDP) remains in its early stage, especially when compared with Germany (0.53%) and France (0.48%). As regards the French model, he pointed out that Italy and France were rather similar nearly 10 years ago, before Banque Publique d'Investissement started to invest. Indeed, since 2020 the average funding round has grown by 140% and investments from international operators exceeded 50% of the total.

The EUR 3.5bn investment plan envisaged by CDP Venture Capital will include EUR 2.5bn already funded (EUR 2bn from "Patrimonio Rilancio" and EUR 0.5bn from the National Recovery and Resiliency Plan) and EUR 1bn from national and international investors. Resources will be poured into the "indirect VC infrastructure" (EUR 1.5bn), into growth and late stage rounds (EUR 1bn) and into strategic technologies and sectors (EUR 1bn).

Among others, CDP will create a EUR 400m fund designed for international investors, with a ticket size of EUR 30/50m. Likewise, the late -stage fund ("Large Capital") will have ticket size of EUR 30/50m and should collect more than EUR 500m. Furthermore, two ad-hoc vehicles will be created, the Digital Transition Fund and the Green Transition Fund, to address the "strategic missions".



### Challenges and opportunities in the Italian Fintech environment

The Fintech sector is experiencing a slowdown at the global level, after a record-high year (over USD 200bn in investment in 2021). However, just like the whole VC market, the Italian fintech sector is still growing, benefitting from a more linear growth trend and a clear consolidation path. Indeed, it countertrended the global market in H1 2022, as it started to become a real “ecosystem”, according to Marco Giorgino, head of Fintech & Insurtech Observatory at Milan Polytechnic university. In the first half of 2022, the number of fintech start-ups grew by 13% and the raised funds (mostly equity) reached EUR 900m. He also noted the growing interactions between the banking groups, start-ups, incumbent providers and regulation authorities, which are boosting the sector growth, although the increasing complexity is one of the main threats in the current volatile scenario. The focus on operating efficiency, a closer cooperation between “traditional” and “cutting-edge” finance and a higher standardization level are expected to drive the Fintech ecosystem in the coming years.

The closest regulatory challenges concern the new regulation on crowdfunding (which is being currently discussed by Consob and Bank of Italy) and EU’s MiCA regulation (Markets in Crypto-Assets), with a focus on the booming market of NFTs.

### New corporate VC initiatives

It is also worth mentioning some recent moves in the corporate VC. In October 2022, Angelini Industries, a diversified group engaged in the pharmaceutical, retail, industrial technology, cosmetics and winery sectors, launched a EUR 300m venture capital fund focused on biotechnology, life sciences and digital healthcare. The VC fund will invest in Europe, North America and Israel and has already planned investments worth EUR 60m. The group has already funded some initiatives, namely Agrobio (a Paris-based “start-up studio” in the biotechnology sector), Pretzel Therapeutics (Boston-based company developing mitochondrial therapies) and Angelini Lumira Biosciences Fund, a North American start-up accelerator.

## Portfolio Analysis

As per June 30, 2022, DM's portfolio of investments included total of 99 operating companies, (47 innovative start-ups and 20 innovative SMEs), including three in which DM has invested in convertible instruments. These companies are owned on a direct basis, through Withfounders (of which DM has a 35% stake), Fin+Tech (in which it has a 18.6% stake) or Magic Spectrum (in which it has a 45.1% stake). The 15 (previously 7) companies participated via Fin+Tech are also related to convertible instruments subscribed by the latter.

### Portfolio companies: KPIs

	2016	2017	2018	2019	2020	June 2021	2021	June 2022
# start-ups (BoP)	49	60	58	62	69	73	73	84
New start-ups	15	19	14	17	15	10	20	15
Exits	0	2	1	7	5	2	2	1 (+1p)
Write-offs	4	4	9	3	6	2	7	1
# start-ups (EoP)	60	73	62	69	73	79	84	99
Investments in new start-ups	1.208	1.667	1.981	1.148	1.431	0.651	0.945	0.107
Investments (follow-on)	1.953	1.117	0.342	1.454	1.209	0.168	1.336	0.373
<b>Total investments by DM</b>	<b>3.1</b>	<b>2.8</b>	<b>2.3</b>	<b>2.6</b>	<b>2.64</b>	<b>0.819</b>	<b>2.28</b>	<b>0.48</b>
Investments from third parties	10.3	na	9.1	34.0	24.7	4.4	44.6*	13.4
<b>Total investments</b>	<b>13.4</b>	<b>na</b>	<b>11.4</b>	<b>36.6</b>	<b>27.3</b>	<b>5.2</b>	<b>46.6</b>	<b>13.9</b>
Book value	13.979	11.902	11.888	13.693	13.857	14.246	13.78	14.06
Aggregated revs (EURm)	na	33.3	56.2	78.4	62.0	na	110.0	na
Gross capital gain	0.115	0.279	3.223	0.012	0.579	-0.08	0.359	1.187
Gross capital loss (write down)	-2.952	-4.864	-1.560	-1.188	-1.937	-0.239	-1.82	-0.144
<b>Fair Value</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>Na</b>	<b>50</b>	<b>53</b>	<b>58</b>	<b>61</b>

Source: Company data (\*) including EUR 24.6m in equity and EUR 20m in loans to Viceversa

### New Internal Portfolio Valuation points to EUR 61m level

Digital Magics disclosed for the first time an internal estimate of its portfolio value, on May 19, 2021, along with the announcement of the business plan and related capital increase. This management estimate was around EUR 50m, with a target to reach EUR 100m in five years (see above). With the publication of H1 2021 results on September 26, the company announced that it hired Deloitte Financial Advisory to help verify the adopted methodology and to implement such criteria to the whole portfolio. The outcome of this process basically confirmed the original estimate of EUR 50m as of December 31, 2021.

As described in the FY 2021 financial statement, the portfolio value is calculated as the aggregated value of the portfolio companies according to the following criteria:

- ✓ Transaction values for the companies experiencing significant market transactions in the previous 18 months.
- ✓ Expected value based on survival rates of comparables, involving economic and financial (DCF) method, stand-alone and in combination, and peers' comparison.
- ✓ Book value for companies lacking significant financial datapoints.

The DFA analysis provided a fair value of around EUR 53m at the end of H1 2021, against investments of EUR 0.82m, EUR 0.24m write-off and neutral impact from exits. The updated analysis calculated on the Dec-31, 2021, portfolio produced a fair value of EUR 58m, (not including "the Doers" which is an operating company) after investments of EUR 2.3m, EUR 1.8m write-downs. According to the June 2022 update the FV has increased by further EUR 3m to EUR 61m, after EUR 1.2m exits, EUR 0.5m investments and EUR 0.14m write-offs.



## Investments

In H1 2022, DM invested a total of EUR 329K, converted equity-like bonds worth EUR 90K and waived credits worth EUR 14K. The company also underwrote EUR 142K in new convertible bonds.

In October 2017, DM launched the first “**Magic Wand**” accelerator program aimed at developing innovative early-stage start-ups, initially in the FinTech and InsurTech fields. After the first round in Jan-2018, 10 projects were selected, out of more than 50 ideas, for a six-month acceleration process and a first grant of EUR 5K. Based on specific targets and KPIs, the best 6 start-ups were selected in a second round, receiving a second grant of EUR 15K and the possibility to conclude the programme. To participate in the acceleration programme, DM acquires the right to subscribe to 10% of the capital of the 6 selected start-ups. The second edition of the Magic Wand program (launched in November 2018) was focussed on the **retail sector** in partnership with players such as Auchan Retail Italia, Cisco, Dodifferent, Nava Design, Nexi, RDS 100%, SisalPay and UBI Banca. DM selected 6 start-ups for the “validation phase” which includes EUR 15K cash and the incubation journey worth EUR 75K, along with the opportunity to receive further EUR 300K financing.

The third edition of MW was launched in November 2019 and was once again focussed on **Fintech/ Insurtech, along with Blockchain and Cybersecurity**. The partners include BNL, Credem, Innogest, Ersel, Poste Italiane, SISALPay, Reale Group and TIM.

In November 2020, DM and Innova Venture (Lazio Region's venture capital fund) launched the “**Magic Wand Sustainability**” an acceleration program for digital fast-growing sustainability start-ups, for innovative start-ups headquartered, operating or willing to operate within the Lazio Region borders and focussed on Agritech, Medtech, Edtech, Smart City, Mobility, Energy, Space-Tech e Supply Chain. The plan was to award EUR 175K to at least 6 companies entering the validation phase. This programme follows the two-year agreement signed with Innova Venture in May 2020, which provides for the investment of up to EUR 6m (o/w 60% by DM and 40% by Innova Venture) in innovative start-ups.

In July 2021, it joined the **Fin+Tech project** with CDP Venture Capital, Startupbootcamp, Fintech District, Nexi and Credem. The project develops in three years, with the selection every year, of 8 FinTech and 8 insurtech start-ups, which will benefit from a package of services and investments worth EUR 300K and the constant support from the teams of acceleration programs' promoters.

In the past six months, DM has been preparing the launch of the next acceleration program, called “**Magic Spectrum**” and dedicated to the IoT and 5G area, involving i) B2C, B2B2C & B2B Solutions across industries and applications such as Smart Home & Building, Smart mobility, Smart Factory, Agrifood, Commerce, Health & Wellness, ii) Infrastructure - Enabling Technologies – Cross Service, including Hardware, connectivity, Software and Data. The program will span 3 years, with 8 new start-ups selected per year, and will provide them with EUR 1.35m in funding overall. Among the key partners, we name Cisco, Compagnia Sanpaolo, Inwit, UnipolTech and Iren.

DM's partnerships also include Invitalia. In particular, nearly 20% of DM's start-ups won grants funded by Invitalia's Sistema Startup in 2021.















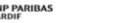






























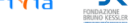

In July 2022, DM and Lazio Innova (Lazio Region's VC fund) launched “**YouMan**”, a programme designed to support start-ups engaged in “Sustainability” in broader sense. Indeed, the definition of the three areas (Sustainable Consumer, Sustainable Individual and Sustainable Citizen) are based on the UN SDGs that the start-ups will work on. The 10 selected start-ups will receive cash and services worth EUR 100K each, and up to further EUR 200K in cash as a follow-on investment.

In October 2022, DM launched “**Magic Mind**”, a new acceleration program that focuses on AI solutions. More in depth, it covers five verticals: i) Enterprise software (robotic process automation, predictive maintenance, customer experience); ii) Healthcare (diagnosis, treatment, clinical research, training and resource optimisation); iii) Marketing (content generation, data analytics, price adjusting); iv) Cybersecurity; v) Logistics and Transportation (autonomous vehicle, warehouse automation, demand forecasting). The main partners

include Fondazione Compagnia San Paolo, Angelini Ventures, Exprivia, IBM, InfoCamere, Gruppo SCAI, Fondazione Bruno Kessler, and AIIA. Magic Mind will provide 12 selected start-ups with cash and services worth EUR 90K, and up to further EUR 120K as a follow-on investment.

DM is increasing the pace and breadth of its acceleration programs according to the above-described business plan and has already committed more than EUR 21m for the programs represented in the picture below.

### DM acceleration programs

DM CO-INVESTORS & PARTNERS				
<b>FINTECH &amp; INSURTECH</b> 8 STARTUPS / YEAR Fin+Tech	<b>Leading EU Accelerator</b>	Open Call – Batch 2	(up to) 300 k€ / startup 300+ yearly dealflow	               
<b>IOT / 5G</b> 8 STARTUPS / YEAR Magic Spectrum	<b>First Mover in EU</b>	Open Call – Batch 2	(up to) 325 k€ / startup 150+ yearly dealflow	          
<b>SUSTAINABILITY</b> 10 STARTUPS / YEAR Magic YouMan	<b>First Mover in Italy</b>	Running – Batch 2	(up to) 200 k€ / startup 150+ yearly dealflow	 
<b>PROPTech</b> 10 STARTUPS / YEAR HabiTech	<b>First Mover in Italy</b>	Running	(up to) 200 k€ / startup 150+ yearly dealflow	       
<b>ARTIFICIAL INTELLIGENCE</b> 12 STARTUPS / YEAR Magic Mind	<b>First Mover in Italy</b>	Open Call	(up to) 210 k€ / startup 150+ yearly dealflow	         
<b>56 Startups a year</b>				<b>21 M€ Committed</b> <b>34 Corporate Partners</b>

Source: DM presentation

### Digital Magics' new investments 2022

Holdings	Sector	Description	DM's stake	Investment
Med Green	Accelerator	Focus on Food and Agritech	3.00%	1.5K
XMusic	FinTech	NFT linked to author's right of musicians	12.50%	2.2K
<b>New companies via Fin+Tech accelerator</b>				
Coyzy	InsurTech	"Social welfare" platform to prevent coercion	Conv security	
Delega Treasury	FinTech	Digital tool to manage signatures and mandates	Conv security	
Earnext	FinTech	Robo wealth advisory	Conv security	
Fairsich	InsurTech	IoT device to detect driver's behaviour	Conv security	
Insurance4Music	InsurTech	Insurance policies for musicians and instruments	Conv security	
Splitly Pay	FinTech	Buy-now-pay-later plug-in for online marketplaces	Conv security	
Rigsave Tech (iCashly)	FinTech	Personal finance platform	Conv security	
OS modelling	InsurTech	Marketplace for open-source risk/actuarial models	Conv security	
<b>New companies via Magic Spectrum accelerator</b>				
Logbot	EnterpriseSW	Platform for management of IoT industrial devices	Conv security	
Mymine	5G Hardware	5G extenders/miners based on Helium blockchain	Conv security	
To Be	5G Hardware	Li-Fi devices (Wi-Fi based on LED)	Conv security	
Waterstream	EnterpriseSW	IoT interface based on Apache Kafka	Conv security	

Source: Company data



**Other incremental investments in existing holdings**, include AirCNC (enterprise software, EUR 37.5K), BridgeInsurance (insurtech, EUR 32K), Aworld (fintech, EUR 7.8K).

#### DM Portfolio DYNAMICS in H1 2022: main movements (EUR K)

Holdings	BV Dec 2021	Stake Dec 2021	Investment (Divest)	Write- down	BV Jun 2022	Stake Jun 2022	Note
Emotional target	255.0	100.00%	14.3	(14.3)	255.0	100.00%	Waived credits
<b>Total subsidiaries</b>	<b>1,701</b>		<b>14</b>	<b>(14)</b>	<b>1,701</b>		<b>5 companies</b>
Magic Spectrum	-	-	225.3	-	225.3	45.05%	new accelerator
Step Venture	2.5	25.00%	6.1	-	8.6	25.00%	Vehicle to become SGR
<b>Total associates</b>	<b>3,806</b>		<b>231</b>	<b>-</b>	<b>4,037</b>		<b>10 companies</b>
AirCNC	92.5	14.96	37.5	-	130.0	16.73%	
Aworld	130.0	6.42%	7.8	-	137.8	6.42%	
Bridge Insurance	125.9	4.88%	32.0	-	157.9	4.81%	
Cardo	109.8	7.72%	-74.6	-	35.2	2.47%	Partial exit with EUR 1.18m gain
Gilda (Foodquote)	369.0	5.05%	3.0	-	372.0	5.05%	
Coopera Soc. Semplice	-	-	7.5	-	7.5	14.29%	
Emcee Invest	-	-	96.1	-	96.1	1.20%	Conversion of equity-like bond
Med Green	-	-	1.5	-	1.5	3.00%	new accelerator
XMusic	-	-	2.2	-	2.2	12.50%	
<b>New investments</b>			<b>113</b>	<b>-</b>	<b>940</b>		<b>9 companies see above</b>
<b>Total other companies</b>	<b>8,209</b>		<b>-</b>	<b>-</b>	<b>8,322</b>		<b>84 companies (o/w 69 directly owned, 15 through accelerators)</b>
<b>Grand Total</b>	<b>13,714</b>		<b>358</b>	<b>(14)</b>	<b>14,058</b>		<b>EUR 433K gross investment EUR 75K divestments</b>

Source: Company data

## Exits

On February 2, 2022, Digital Magics announced a **partial exit from the Fintech “Cardo” for a cash-in of EUR 1.26m and a return of 17x of the investment.**

Cardo is a fintech company which operates an on-line platform on which institutional investors can have access to alternative investments. Cardo entered in the fintech Magic Wand program back in 2018. In May 2021, Cardo closed a EUR 1.3m capital increase reserved to Banca Valsabbina, which took over 9.8% of the capital at pre-money valuation of EUR 12m. Accordingly, we valued DM's 8.89% stake at EUR 1.23m.

According to the PR, DM will keep a 2.5% stake in the company, so that the sale involves a 5.25% stake with a cash-in of EUR 1.26m. The implied value for 100% is therefore around EUR 19.7m and the total value creation for DM, compared to our previous assessment, exceeds EUR 500K. We welcomed the announcement of a very good deal, confirming the validity of the business model and the underlying strength of the fintech domain. The impact on P&L is EUR 1.18m capital gain.

The **write-downs** in H1 were only 14K and referred to waived credits owed by the fully-owned subsidiary Emotional Targets.



## Main funding rounds

In FY 2021 we calculate that DM promoted a total of EUR 24.6m in new funding for its start-up portfolio. DM invested EUR 2.3m.

In H1 2022 DM has invested in 2 vehicles, i.e. the Magic Spectrum accelerator (EUR 225K) and Step Venture (6K) and 9 operating companies (of which 5 follow-ons and 4 new companies). On top of that, 15 new companies were funded indirectly through Magic Spectrum and Fin+Tech. Based on company disclosure (Portfolio Highlights, Oct 2022) and public information, the main completed rounds are:

- ✓ **Crea (InsurTech MGA)** (SaaS platform for insurance policies) closed in August 2021 a EUR 552K round with a post-money value of EUR 9.3m. The previous round (closed in Dec-2020) pointed to EUR 7.1m value after a EUR 1.12m capital injection.
- ✓ **HiNelson** (nautical equipment) closed in Mar-2021 a EUR 925K round providing a post-money value of EUR 3.83m, as already disclosed in the March 2021 highlights.
- ✓ **Irreo (Nodriver)** (agritech) is a “precision irrigation system” that utilizes AI software to analyse satellite data. Incorporated in 2019, it was among the eight winners of the 2021 edition of Magic Wand, DM’s acceleration programme jointly funded with Lazio Innova. DM invested EUR 105K acquiring a 10.5% stake. A EUR 1m is currently ongoing, but no details on the pre-money valuation were disclosed.
- ✓ **Macingo** (Transportation online marketplace) closed a EUR 2.1m round in June 2022, for a post-money valuation of EUR 9.0m. The previous financing round, completed in 2019, provided a post-money valuation of EUR 4.3m.
- ✓ **Prestiamoci** (P2P lending platform) completed in July 2021 a EUR 2.1m funding round, with a post-money valuation of EUR 12.4m. The following September, Banca Valsabbina, already a financial partner of the fintech company, stated in a press release that it had acquired 9.9% of Prestiamoci. Therefore, there are now three banking institutions owning 23.1% of the capital, while the founders were diluted from 14% to 12.6%, DM from 12.34% to 11.02%. We understand the Valsabbina deal was completed at a 33% discount to the original value agreed a few months earlier.
- ✓ **Bridge Insurance Services (BIS, 8 mar 2022 - follow-on)** Founded in 2012, Bridge Insurance Services (BIS) is the only Italian Insurtech company specialized in the Life segment. DM invested EUR 77K and acquired a 4.8% stake in the first investment round in the year 2020. BIS generated just below EUR 100K revenues in FY 2020 and DM said that the top line increased by 209% “in the plan period” so we assume c EUR 300K revenues in 2021. The post-money valuation was EUR 5.18m and according to the specialized website “iottiassicuro”, the round was worth a total of EUR 1.175m. Therefore, since DM said it kept its original 4.81% stake, we infer the investment was around EUR 60K. The pre-money value of BIS is then EUR 4m, which is broadly in line with our valuation of the asset (see the report of May 24, 2021). DM said that partner investors in the financing round include GenCap Advisory srl, Injection capital srl and some business angels.
- ✓ **Bikeroom (3 Feb 2022)** Separately, the portfolio company Bikeroom, in which DM has a 15.8% stake, said it had finalized a EUR 500K capital increase to finance international expansion, with a post-money valuation of EUR 2.6m. The subscribers in this round are AZ ELTIF – ALLcrowd, a VC ELTIF created by Azimut Investments SA and managed by Azimut Libera Impresa SGR. There are no further details on the pre-money valuation. Bikeroom is an on-line marketplace for high range bikes; DM invested in the company back in 2019 and the current book value is EUR 73K. Based on other financing round (co-investment with CDP which took place in 2020), we value the stake EUR 0.43m.
- ✓ **Talent Garden** (coworking spaces) raised EUR 9.2m through a convertible bond at the end of 2020, that confirmed the EUR 118m post-money value at which the company closed a EUR 44m equity-and-debt round in 2019.



### The ongoing funding rounds include:

- ✓ **Aworld** (software technologies for tracking, loyalty, reward and behavioural change in sustainability area) has currently open a EUR 2.3m funding round through equity-like bond. As at October 2022, the company has raised EUR 1.73m. The implied pre/post-money valuation of the company stands at EUR 10/12m respectively. We note that the pre-money value of EUR 10m compares with EUR 3.29m post-money of the round (which included a convertible instrument subscribed by CDP) closed in September 2020.
- ✓ **Evenfi** (formerly **Criptalia**, P2P crowdlending) has launched a EUR 1.5m round, which is currently ongoing. A EUR 300K equity round was launched on the crowdfunding platform WeAreStarting (<https://www.wearestarting.it/offering/evenfi>) in June 2022, with a pre-money valuation of EUR 10m and EUR 630Km raised within a few days. We note the significant inflation of the company's value, which stood at EUR 6.2m in September 2021 (after a EUR 240K round) and at EUR 3.5m back in October 2020.

### Digital Magics start-ups: main funding rounds 2021/22

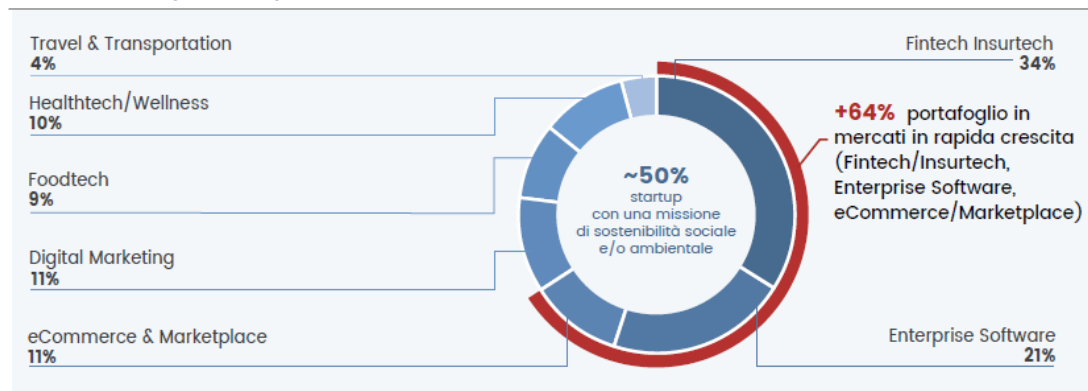
	Date	Funding round (EUR m)	o/w DM	Impl. valuation Pre/post money	DM stake pre/post financing
Alive	Jun 2021	0.25	0	3.0/3.25	2.00%/1.85%
AirCNC	H1 2022	0.065	0.038	1.5/1.57	14.96%/16.73%
aWorld	ongoing	2.3	na	na	6.42%/5.77%
Bikeroom	Jan 2022	0.5	0	2.1/2.6	15.83%/~15%
Cardo	End-2021	3.5	na	na	8.89%/7.72%
Criptalia (Evenfi)	ongoing	1.5	0.003	10/na	9.51%/na
Eli WMS (OHC Bene)	Jul 2021	0.31	na	4.0/4.31	26.67%/24.75%
Fintastico	May 2021	0.24	0.075	4.40/4.64	3.00%/2.84%
HiNelson	Mar 2021	0.925	0	2.90/3.825	7.15%/5.69%
Intribe	Jul 2021	0.107	na	2.10/2.21	9.71%/9.71%
Macingo	ongoing	2.1	na	~7.0/9.0	7.95%/na
Prestiamoci	Jul 2021	2.1	0.1	10.3/12.4	12.34%/11.02%
Quomi	May 2021	0.51	0.046	4.00/4.51	11.47%/11.18%
Viceversa	Jun 2021	0.183	0	3.82/4.00	15.0%/15.0%
ViteSicure (Bridge Insurance)	Feb 2022	1.175	0.032	4.0/5.2	4.88%/4.81%

Source: Company data, Banca Akros estimates

## Portfolio snapshot

DM's start-up portfolio remains balanced across several themes, with two thirds of start-ups belonging to the most promising sectors targeted by global VCs. The proportion of MarTech companies is slowly declining in this mix, while health/wellbeing-related tech is increasing.

### DM Portfolio by Industry



Source: Digital Magics

### Digital Magics start-ups: selected KPIs

Company	FY 2019 sales/ Other KPI	FY 2020 sales/ Other KPI	FY 2021 sales/ Other KPI	H1 2022 sales/ Other KPI	2022 outlook
aWorld	Launch sept 2020	EUR 53K	EUR 475K (o/w EUR 110K in H1, EUR 365K in H2) >250K users, 40 partners	na	na
BikeRoom	Founded in 2019	EUR 173K	EUR 600K; 8K registered users, 350 clients	na	EUR 2.0m
Crea	(Gross) EUR 1.8m Premia EUR 7.1m	(Gross) EUR 2.0m Premia EUR 7.4m	(Gross) EUR 2.5m, Net EUR 1.1m; Premia EUR 30m since inception	na	na
Criptalia (Evenfi)	nm	EUR 107K Collection EUR 2.3m	EUR 500K Collection EUR 15m	na	EUR 1.5m
HiNelson	EUR 495K	EUR 1.0m	EUR 1.5m	sales EUR 1.45m	na
Irreo					
Macingo	EUR 1.16m	EUR 1.6m	EUR 2.6m	na	EUR 3.3m
Mare Engineering	Sales EUR 15.8m, EBITDA 6.0m	Sales EUR 17.5m, EBITDA EUR 6.8m	EUR 24m, EBITDA EUR 7.1m Pro-forma sales EUR 32m	na	EUR 50m
Prestiamoci	(Gross) EUR 1.5m Collection EUR 9m	(Gross) EUR 2.8m Collection EUR 18m	(Gross) EUR 3.0m Collection EUR 18m Lending EUR 11m	gross revs EUR 1.8m, lending EUR 15m	na
Talent Garden	EUR 16.7m	EUR 13.7m	EUR 15.7m EUR 34.3m incl. Hyper Island	na	EUR 50m (including Hyper Island)
ViteSicure	EUR 15.8K	EUR 96.7K	EUR 301K Avg. premium EUR 321 Avg. commission EUR 160 (first year), EUR 63	As at August 2022 Avg. premium EUR 341 Avg. commission EUR 169 (first year), EUR 67	na

Source: Company data, Banca Akros estimates



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We note that, compared with the latest information (April 2022) **Bikeroom**'s FY 2022 revenue target has been raised from EUR 1.6m to EUR 2m.

As regards FY 2021 results, we note that Criptalia's revenues were disappointing, as they reached EUR 500K compared with a EUR 1.2m target. The logistics platform Macingo beat expectations, with EUR 2.6m compared with a forecast of EUR 2.4m.



## New companies in portfolio highlights

### Irreo (Nodrive)

**Nodrive** is an agritech start-up that develops **Irreo**, an innovative AI-based software solution to optimise irrigation of crop fields. All Irreo's modules, which include AI software, satellite data analysis and control systems, have been developed internally. Irreo does not need any sensors as it only relies on satellite data, and implements machine learning techniques to improve its performance and forecast the water needs of crops over up to 5 days ahead.

The revenue model is based on an annual fee for the software licence that is proportional to the covered hectares. The company may also sell some hardware (control stations to automate the irrigation system).

Since its launch in October 2021, the company has managed over 600 hectares in Italy. The company claims that it can process 1.5 TB of satellite data on a daily basis and its solution can reduce water waste by as much as 30%.

**DM has a 10.5% stake** in Nodrive for an initial investment of EUR 105K, as the company was among the 8 winners of the Magic Wand for Digital Fast-Growing Sustainability Start-ups. The founders still hold 82.5% of the company and other investors, including the Lazio Innova accelerator, the remaining 7.0%.

The mid-2021 financing round implies a post-money value of ~EUR 1m. We understand that the company has launched another EUR 1m round, although the pre-money valuation has not been disclosed.

The market opportunities are in the increasing need for efficient use of water, particularly in those areas under "water stress", which have constantly increased over the last decade (according to UN estimates, in 2018 18.4% of regions were under water stress worldwide, vs. 17.8% in 2010).

The total available **market** in the main geographies (Europe, the USA and Brazil) consists of ~120 million hectares, of which only 13m are irrigated with precision systems, although they are growing fast (15% CAGR). According to Nodrive, the SAM is worth approx. EUR 2.5bn (assuming an average order of EUR 4.1K every 22 hectares).

### Mare Engineering

**Mare Engineering (Mare Group)** is a consultancy company and system integrator specialised in "Industry 4.0" technologies and process digitalisation. Its main customers are private companies and public administrations.

Founded in 2001 as a consultancy company focused on engineering, it has grown through acquisition and has broadened its activity, which now covers many areas of digital transformation and consultancy for SMEs and public administrations. In particular, the group runs three business divisions: Mare Consulting, which provides digital transformation, technology transfer and innovation management services; Mare Digital, which offers AI, smart data and XR virtualisation solutions; and Mare Industrial, which focuses on process and product design and optimisation.

**DM has a 1.46% stake** worth EUR 292K at book value. TechIn Touch, a Naples-based incubator partner of DM, has a 3.46% stake. The management owns 36.4% of the company and other private investors and business angels (including Fasanara Capital Ltd., an independent alternative asset management company and Fabrick SpA, Banca Sella's "open finance" operator) hold the remaining 58.7% of the share capital. According to DM's data, the post-money value of Mare Group is EUR 21m, based on rounds all underwritten by swapping operating companies with equity interests.

**Results.** In FY 2021, the group underwent a radical reorganisation and integration process of the operating subsidiaries. The group's revenues grew 38% Y/Y at constant perimeter and 84% on a pro-forma basis. Mare has an intense R&D activity, with over EUR 4m in R&D expenses (16% of sales) booked in FY 2021.



**Targets.** The group's four-year business plan, nicknamed "Mare Wave", envisages a strong acceleration to M&A, in order to reach EUR 50m in revenues by 2022 and EUR 100 by 2025. The company plans EUR 60m in investments, of which (according to DM's data) EUR 30m are due to take place in the next three years. Moreover, some EUR 25m new finance ought to be raised through an IPO.

**Market.** The company estimates that its SOM (serviceable obtainable market) is worth more than EUR 500m, a niche in the B2B IT service market (~EUR 3.6bn) created in the last five years by the rapid change in technology and innovation management.

#### Mare Group: FY 2017/25e financials

	FY 2017(*)	FY 2018	FY 2019	FY 2020	FY 2021a	FY 2021pf	FY 2022e	FY 2025e
Sales	2.14	12.0	15.8	17.5	24.1	32.2	50	100
EBITDA(**)	0.57	4.76	6.40	6.75	7.13	7.65		
margin	26.4%	39.5%	40.6%	38.6%	29.5%	23.8%		
Net debt	na	5.96	6.04	7.89	11.4	11.9		
Employees (EoP)				207	268			800
<i>o/w graduated</i>					64%			

Source: Cerved (\*) Mare Engineering stand-alone; (\*\*) includes capitalised costs (EUR 2.9m in FY 18, EUR 3m in FY 19, EUR 2.25m in FY 20)

**Valuation.** Given the historical data available and the disclosed targets, we have performed a multiple-based valuation. Our peer panel includes Capgemini, Reply, Accenture and Sopra Steria, which are currently trading at an average multiple of 1.6/1.5x on FY 22/23 sales respectively. Assuming a net financial position of approx. EUR 17m at the end of FY 2022 (EUR 12m at the end of FY 2021, increased by the expected cash-out due to acquisition capex in the short-term, i.e. EUR 5m), we have derived an 100% equity value of c. EUR 55m. Therefore, we value DM's 1.46% stake EUR 0.8m.

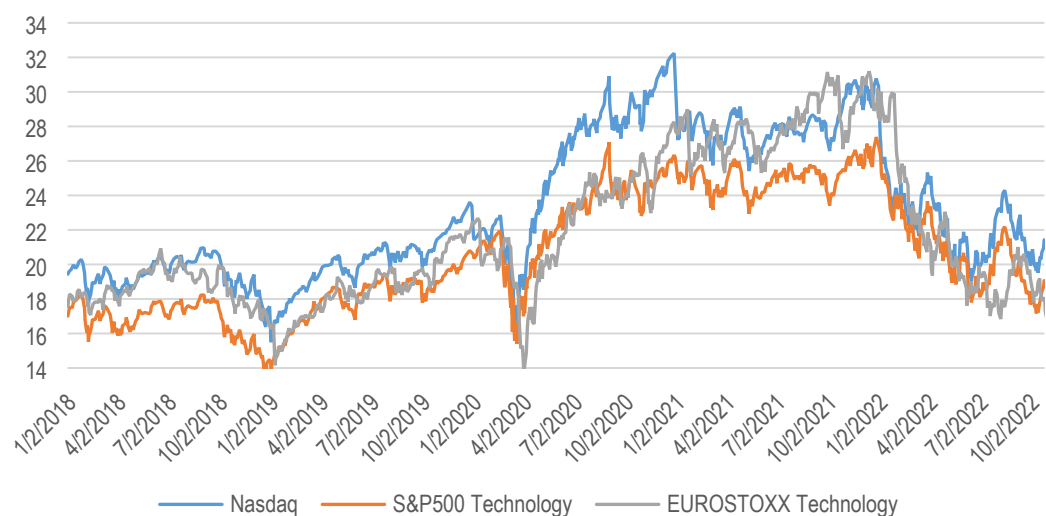


## Tech companies' derating deepened since April 2022

The geopolitical crisis in Ukraine has been weighing on markets heavily, while the increasing concerns on the inflationary pressures and the weakening economic trends have spread worldwide.

Compared with our latest update (May 2022), all indices dropped by another 4/5%, hitting an YTD decline of just above 30%. The aggregate P/E ratio remained close to the 2-year low (-30% YTD for the US indices, -40% for the European index, in both cases nearly doubling the derating of the corresponding general index) and now stands nearly 20/25% above the minimum reached in March 2020.

### P/E 2018/2022



Source: Bloomberg



## Valuation update

We continue to value DM according to a Sum-of-the-Parts approach based on three main clusters, namely MarTech, FinTech/InsurTech, Enterprise SW/Logistics/FoodTech.

We have updated the holdings' post-money valuation according to the most recent financing round concluded. In some cases, we have extracted companies that we had previously grouped under the "Other holdings" cluster, given the higher visibility and the validation provided by a recent round with external investors.

For the remaining investments, we simply projected an average 2x exit multiple (gross of 25% write-down), which has been set prudentially below the average recorded by DM (2.6x) and does not seem demanding (some seed / VC funds are used to experience significantly higher returns). **The gross portfolio value is EUR 56.9m, nearly 7% lower than Deloitte's assessment**, as we took a slightly more conservative view on the back of the persistent derating of tech companies.

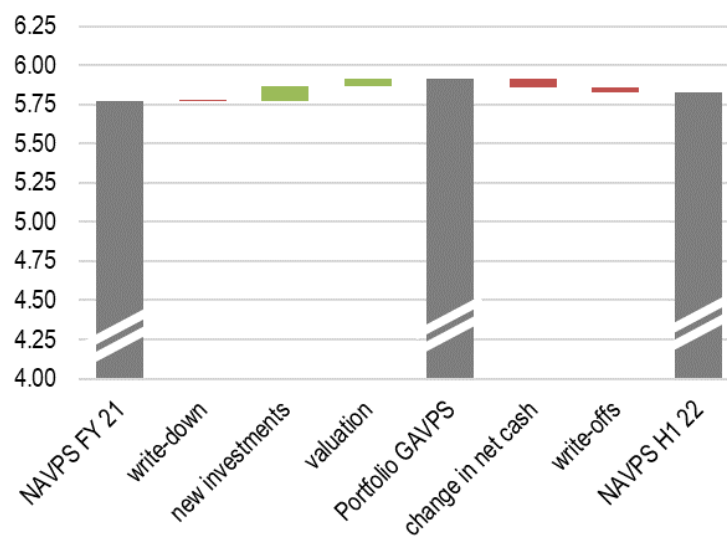
The consulting business factors in the contribution from The Doers. We value the whole business at a 1.5x EV/sales multiple (in line with the multiple of the "The Doers" deal). Despite some delays that impacted The Doers performance in FY 2021, we keep our previous valuation.

**Our SotP points to a NAV of EUR 5.8/sh, in line with our previous assessment.** As regards the gross portfolio value (+0.2/sh), we note that new investments (net of the Cardo exit) accounted for most of the increase, with a residual contribution from increases in analytical or post-money valuations. In this respect, we highlight that no down rounds were closed by DM's portfolio companies. Finally, we chose not to upgrade the Hyperloop valuation despite the sharp USD revaluation, thus implying an approx. 13% cut in the holding value at constant currency.

### Digital Magics Akros SotP valuation

EURm	Dec, 31 2021	Jun,30 2022	Notes	Impact on NAV
Hyperloop	15.25	15.25	stable in EUR (-13% including currency)	-
Talent Garden	8.00	8.00	unchanged	-
MarTech	7.81	7.81	unchanged	-
FinTech	7.05	6.64	partial exit from Cardo post-money valuation of Ciptalia	-1.40m +0.99m
Enterprise SW / Logistics / FoodTech	5.22	6.02	analytical valuation of Mare Group	+0.80m
Other holdings	12.08	13.20	new investments divestments and reclassifications Magic Spectrum Accelerator post-money	+0.80m -0.91m +1.23m
<b>Portfolio Gross Asset Value</b>	<b>55.4</b>	<b>56.9</b>		+1.50m
Consultancy business	5.50	5.50	Open Innovation business valued at 1.5x sales	-
Write-offs	-3.00	-3.30	c. 25% of Other holdings' value	-0.30m
Net cash (debt)	5.60	4.99		-0.61m
<b>NAV</b>	<b>63.5</b>	<b>64.1</b>		<b>+0.59m</b>
NOSH	11,004	11,004		
<b>NAV per share</b>	<b>5.8</b>	<b>5.8</b>		

Source: Banca Akros estimates


**NAV per share estimate: change Jun 30, 2022 vs. Dec 31, 2021**


Source: Banca Akros


**Digital Magics: Summary tables**

<b>PROFIT &amp; LOSS (EURm)</b>	<b>2021</b>	<b>2022</b>
<b>Revenues</b>	<b>3.2</b>	<b>2.9</b>
Non Recurrent Items	0.0	0.0
<b>Net Profit (reported)</b>	<b>-3.3</b>	<b>-1.7</b>
<b>BALANCE SHEET (EURm)</b>		
<b>Shareholders Equity</b>	<b>24.7</b>	<b>23.6</b>
Minorities equity	0.0	0.0
<b>Net Debt</b>	<b>-5.6</b>	<b>-0.2</b>
<b>NAV Constituents &amp; Total NAV (EURm)</b>		
NAV unlisted companies	55.4	56.9
Consultancy business	5.5	5.5
Write Offs	-3.0	-3.3
Net Financial position	5.6	5.0
<b>Total Net Asset Value</b>	<b>63.5</b>	<b>64.1</b>
<b>Discount/(Premium) to NAV</b>	<b>0.0%</b>	<b>0.0%</b>
Listed shareholdings on NAV	0.0%	0.0%
<b>OTHER ITEMS (EURm)</b>		
Total Market Cap	38.8	37.2
Debt / Equity	-22.7%	-1.0%
Payout Ratio	0.0%	0.0%
P/BV	1.6	1.6
Dividend Yield (Gross)	0.0%	0.0%
<b>PER SHARE DATA (EUR)</b>		
EPS (reported)	-0.322	-0.154
<b>NAVPS</b>	<b>6.115</b>	<b>5.826</b>
BVPS	2.383	2.147
<b>DPS</b>	<b>0.000</b>	<b>0.000</b>

Source: Company, Banca Akros estimates

**Digital Magics: Summary tables**

Sector: Financial Services Holdings/Holding

Company Description: Digital Magics is the main Italian incubator. The company aims at supporting the development of start-ups, mainly but not only in the digital arena, providing both professional services and financial seed and pre-seed investments. In over 10 years the company and its management team became well reknown among Italian startupper and the recently created DM's ecosystem comprising both DM, Tamburi Investment Partners and Talent Garden represent a valuable asset for startupper. The company currently holds a direct interest in 73 companies. The scope is mainly domestic even though we cannot rule out a material stake in the Int'l project Hyperloop.



## European Coverage of the Members of ESN

<b>Automobiles &amp; Parts</b>	<b>Mem(*)</b>					<b>Industrial Goods &amp; Services</b>	<b>Mem(*)</b>
Brembo	BAK	Kering	CIC	Banca Mediolanum	BAK	Applus	GVC
Faurecia	CIC	L'Oreal	CIC	Banca Sistema	BAK	Avio	BAK
Ferrari	BAK	Lvmh	CIC	Bff Bank	BAK	Biesse	BAK
Gestamp	GVC	Maisons Du Monde	CIC	Dea Capital	BAK	Bollore	CIC
Indelb	BAK	Moncler	BAK	Fincobank	BAK	Bureau Veritas	CIC
Michelin	CIC	Monnalisa	BAK	Illimity Bank	BAK	Caf	GVC
Pirelli & C.	BAK	Ovs	BAK	Mediobanca	BAK	Catenon	GVC
Plastic Omnium	CIC	Piaggio	BAK	Poste Italiane	BAK	Cellnex Telecom	GVC
Renault	CIC	Richemont	CIC	Rothschild & Co	CIC	Cembre	BAK
Sogefi	BAK	Safilo	BAK	<b>Food &amp; Beverage</b>	<b>Mem(*)</b>	Clasquin	IAC
Stellantis	BAK	Salvatore Ferragamo	BAK	Advini	CIC	Cnh Industrial	BAK
Valeo	CIC	Smcp	CIC	Bonduelle	CIC	Corticeira Amorim	CBI
<b>Banks</b>	<b>Mem(*)</b>	Swatch Group	CIC	Campari	BAK	Ctt	CBI
Banca Mps	BAK	Technogym	BAK	Danone	CIC	Danieli	BAK
Banco Sabadell	GVC	Tod'S	BAK	Diageo	CIC	Datalogic	BAK
Banco Santander	GVC	Trigano	CIC	Ebro Foods	GVC	Enav	BAK
Bankinter	GVC	Ubisoft	CIC	Enervit	BAK	Enogia	CIC
Bbva	GVC	<b>Energy</b>	<b>Mem(*)</b>	Fleury Michon	CIC	Exel Industries	CIC
Bnp Paribas	CIC	Cgg	CIC	Italian Wine Brands	BAK	Fiera Milano	BAK
Bper	BAK	Ecoslops	CIC	Lanson-Bcc	CIC	Fincantieri	BAK
Caixabank	GVC	Eni	BAK	Laurent Perrier	CIC	Getlink	CIC
Credem	BAK	Galp Energia	CBI	Ldc	CIC	Global Dominion	GVC
Credit Agricole Sa	CIC	Gas Plus	BAK	Lindt & Sprüngli	CIC	Haulotte Group	CIC
Intesa Sanpaolo	BAK	Gtt	CIC	Nestle	CIC	Interpump	BAK
Societe Generale	CIC	Maurel Et Prom	CIC	Orsero	BAK	Inwit	BAK
Unicaja Banco	GVC	Neoen	CIC	Pernod Ricard	CIC	Legrand	CIC
Unicredit	BAK	Plc	BAK	Remy Cointreau	CIC	Leonardo	BAK
<b>Basic Resources</b>	<b>Mem(*)</b>	Repsol	GVC	Tipiak	CIC	Logista	GVC
Acerinox	GVC	Rubis	CIC	Vilmorin	CIC	Manitou	CIC
Altri	CBI	Saipem	BAK	Viscofan	GVC	Nbi Bearings Europe	GVC
Arcelormittal	GVC	Technip Energies	CIC	Vranken	CIC	Nicolas Correa	GVC
Ence	GVC	Technipfmc Plc	CIC	<b>Healthcare</b>	<b>Mem(*)</b>	Openjobmetis	BAK
Neodecortech	BAK	Tecnicas Reunidas	GVC	Abionyx Pharma	CIC	Osai	BAK
Semapa	CBI	Tenaris	BAK	Amplifon	BAK	Prima Industrie	BAK
The Navigator Company	CBI	Totalenergies	CIC	Atrys Health	GVC	Prosegur	GVC
Tubacex	GVC	Vallourec	CIC	Biomerieux	CIC	Prosegur Cash	GVC
<b>Chemicals</b>	<b>Mem(*)</b>	<b>Fin. Serv. Holdings</b>	<b>Mem(*)</b>	Crossject	CIC	Prysman	BAK
Air Liquide	CIC	Cir	BAK	Diasorin	BAK	Rai Way	BAK
Arkema	CIC	Corp. Financiera Alba	GVC	El.En.	BAK	Rexel	CIC
Plásticos Compuestos	GVC	Digital Magics	BAK	Fermentalg	CIC	Saes	BAK
<b>Consumer Products &amp; Services</b>	<b>Mem(*)</b>	Eurazeo	CIC	Fine Foods	BAK	Salcef	BAK
Abeo	CIC	Gbl	CIC	Genfit	CIC	Schneider Electric Se	CIC
Beneteau	CIC	Peugeot Invest	CIC	Gpi	BAK	Somfy	CIC
Brunello Cucinelli	BAK	Rallye	CIC	Guerbet	CIC	Talgo	GVC
Capelli	CIC	Tip Tamburi Investment Partners	BAK	Ipsen	CIC	Teleperformance	CIC
De Longhi	BAK	Wendel	CIC	Korian	CIC	Verallia	CIC
Europcar	CIC	<b>Fin. Serv. Industrials</b>	<b>Mem(*)</b>	Oncodesign	CIC	Vidrala	GVC
Fila	BAK	Dovalue	BAK	Orpea	CIC	Zignago Vetro	BAK
Geox	BAK	Nexi	BAK	Prim Sa	GVC	<b>Insurance</b>	<b>Mem(*)</b>
Givaudan	CIC	Tinexta	BAK	Recordati	BAK	Axa	CIC
Groupe Seb	CIC	<b>Financial Services Banks</b>	<b>Mem(*)</b>	Shedir Pharma	BAK	Catalana Occidente	GVC
Hermes Intl.	CIC	Amundi	CIC	Theraclion	CIC	Cattolica Assicurazioni	BAK
Hexaom	CIC	Anima	BAK	Vetoquinol	CIC	Generali	BAK
Interparfums	CIC	Azimut	BAK	Virbac	CIC	Linea Directa Aseguradora	GVC
Kaufman & Broad	IAC	Banca Generali	BAK	Vytrus Biotech	GVC	Mapfre	GVC
		Banca Ifis	BAK				



Net Insurance	BAK	Personal Care, Drug & Grocery S Mem(*)		Vodafone	BAK
Unipolsai	BAK	Carrefour	CIC	Travel & Leisure	Mem(*)
Materials, Construction	Mem(*)	Casino	CIC	Accor	CIC
Acs	GVC	Jeronimo Martins	CBI	Autogrill	BAK
Aena	GVC	Marr	BAK	Compagnie Des Alpes	CIC
Atlantia	BAK	Sonae	CBI	Edreams Odigeo	GVC
Buzzi Unicem	BAK	Unilever	CIC	Elior	CIC
Cementir	BAK	Winfarm	CIC	Fdj	CIC
Cementos Molins	GVC	Real Estate	Mem(*)	Groupe Partouche	IAC
Clerhp Estructuras	GVC	Almagro Capital	GVC	Hunyvers	CIC
Crh	CIC	Igd	BAK	I Grandi Viaggi	BAK
Eiffage	CIC	Lar España	GVC	Ibersol	CBI
Fcc	GVC	Merlin Properties	GVC	Int. Airlines Group	GVC
Ferrovial	GVC	Realia	GVC	Melia Hotels International	GVC
Groupe Adp	CIC	Retail	Mem(*)	Nh Hotel Group	GVC
Groupe Poujoulat	CIC	Burberry	CIC	Pierre Et Vacances	CIC
Groupe Sfpi S.A.	CIC	Fnac Darty	CIC	Sodexo	CIC
Heidelberg Cement	CIC	Inditex	GVC	Utilities	Mem(*)
Herige	CIC	Unieuro	BAK	A2A	BAK
Holcim	CIC	Technology	Mem(*)	Acciona	GVC
Imerys	CIC	Agile Content	GVC	Acea	BAK
Maire Tecnimont	BAK	Akka Technologies	CIC	Albioma	CIC
Mota Engil	CBI	Almawave	BAK	Alerion Clean Power	BAK
Obrascon Huarte Lain	GVC	Alten	CIC	Audax	GVC
Sacyr	GVC	Amadeus	GVC	Derichebourg	CIC
Saint-Gobain	CIC	Atos	CIC	Edf	CIC
Sciuker Frames	BAK	Axway Software	CIC	Edp	CBI
Sergeferrari Group	CIC	Capgemini	CIC	Enagas	GVC
Spie	CIC	Cast	CIC	Encavis Ag	CIC
Tarkett	CIC	Dassault Systemes	CIC	Endesa	GVC
Thermador Groupe	CIC	Esi Group	CIC	Enel	BAK
Vicat	CIC	Exprivia	BAK	Engie	CIC
Vinci	CIC	Gigas Hosting	GVC	E-Pango	CIC
Webuild	BAK	Indra Sistemas	GVC	Erg	BAK
Media	Mem(*)	Izertis	GVC	Falck Renewables	BAK
Arnoldo Mondadori Editore	BAK	Lleida.Net	GVC	Greenalia	GVC
Atresmedia	GVC	Memscap	IAC	Greenvolt	CBI
Believe	CIC	Neurones	CIC	Hera	BAK
Cairo Communication	BAK	Ovhcloud	CIC	Holaluz	GVC
Digital Bros	BAK	Reply	BAK	Iberdrola	GVC
GI Events	CIC	Sii	CIC	Iren	BAK
Il Sole 24 Ore	BAK	Sopra Steria Group	CIC	Italgas	BAK
Ipsos	CIC	Stmicroelectronics	BAK	Naturgy	GVC
Jcdecaux	CIC	Tier 1 Technology	GVC	Red Electrica Corporacion	GVC
Lagardere	CIC	Visiativ	CIC	Ren	CBI
M6	CIC	Vogo	CIC	Seche Environnement	CIC
Mediaset Espana	GVC	Telecommunications	Mem(*)	Snam	BAK
Mfe-Mediaforeurope	BAK	Bouygues	CIC	Solaria	GVC
Miogroup	GVC	Ekinops	CIC	Terna	BAK
Nrj Group	CIC	Ezentis	GVC	Veolia	CIC
Prisa	GVC	Nos	CBI	Voltalia	CIC
Publicis	CIC	Orange	CIC		
Rcs Mediagroup	BAK	Telecom Italia	BAK		
Tf1	CIC	Telefonica	GVC		
Universal Music Group	CIC	Tiscali	BAK		
Vivendi	CIC	Unidata	BAK		

LEGEND: BAK: Banca Akros; CIC: CIC Market Solutions; CBI: Caixa-Banco de Investimento; GVC: GVC Gaesco Valores

as at 4 May 2022



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Il presente documento è stato redatto da Andrea Devita e Gian Marco Gadini che svolgono funzioni di analista presso Banca Akros SpA ("Banca Akros"), soggetto responsabile della produzione del documento stesso. **Esso è prodotto e distribuito dal giorno 28 October 2022, ore 09:05 italiane.**

Gli analisti di Banca Akros, che hanno redatto il presente documento, hanno maturato una significativa esperienza presso Banca Akros e altri intermediari.

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Banca Akros, nell'ultimo anno, ha pubblicato sulla società oggetto di analisi tre studi in data 21 luglio, 22 settembre e 13 ottobre 2022.

Ai sensi degli artt. 5 e 6 del Regolamento Delegato 2016/958, **Banca Akros ha specifici interessi nei confronti della società oggetto di analisi nel presente documento, in quanto**

-La Banca è specialista o liquidity provider in strumenti negoziati su mercati regolamentati e/o MTF

-Banca Akros svolge il ruolo di Nomad

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Banca Akros rende disponibili informazioni sui conflitti di interesse, ai sensi delle disposizioni contenute nell'art. 20 del Regolamento EU 2014/596 (Regolamento sugli Abusi di Mercato) e in particolare ai sensi degli artt. 5 e 6 del Regolamento Delegato EU 2016/958, sul proprio sito internet:

<https://www.bancaakros.it/documentazione/avvertenze-legali/>

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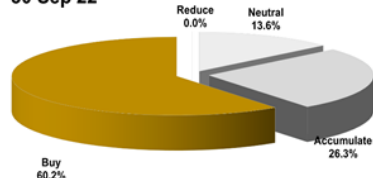
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#### Percentuale delle raccomandazioni al 30 settembre 2022

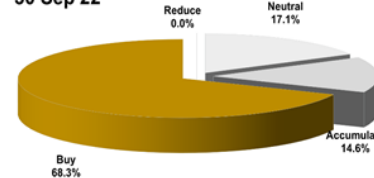
Tutte le raccomandazioni

Raccomandazioni su titoli in conflitto di interessi (\*)

30 Sep 22



30 Sep 22



(\*) Si informa che la percentuale degli emittenti in potenziale conflitto di interessi con Banca Akros è pari al 34.75% del totale degli emittenti oggetto di copertura

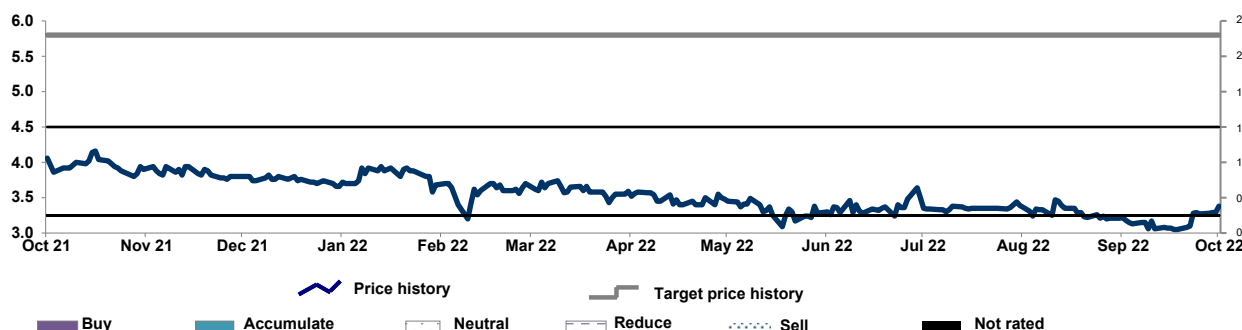
#### Recommendation history for DIGITAL MAGICS

Date	Recommendation	Target price	Price at change date
26-Oct-21	Buy	5.80	4.12
25-May-21	Buy	6.38	4.10
08-Jun-20	Accumulate	6.58	4.30

Source: Factset & ESN, price data adjusted for stock splits.

This chart shows Banca Akros continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.

Current analyst: Andrea Devita, CFA (since 01/12/2018)





## ESN Recommendation System

The ESN Recommendation System is **Absolute**. It means that each stock is rated based on **total return**, measured by the upside/downside potential (including dividends and capital reimbursement) over a **12-month time horizon**. The final responsible of the recommendation of a listed company is the analyst who covers that company. The recommendation and the target price set by an analyst on one stock are correlated but not totally, because an analyst may include in its recommendation also qualitative elements as market volatility, earning momentum, short term news flow, possible M&A scenarios and other subjective elements.



The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy (B)**, **Accumulate (A)**, **Neutral (N)**, **Reduce (R)** and **Sell (S)**.

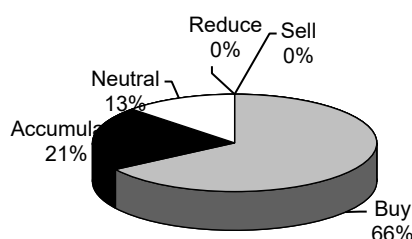
Furthermore, in specific cases and for a limited period of time, the analysts are allowed to rate the stocks as **Rating Suspended (RS)** or **Not Rated (NR)**, as explained below.

### Meaning of each recommendation or rating:

- **Buy:** the stock is expected to generate total return of **over 15%** during the next 12-month
- **Accumulate:** the stock is expected to generate total return of **5% to 15%** during the next 12-month
- **Neutral:** the stock is expected to generate total return of **-5% to +5%** during the next 12-month
- **Reduce:** the stock is expected to generate total return of **-5% to -15%** during the next 12-month
- **Sell:** the stock is expected to generate total return **under -15%** during the next 12-month
- **Rating Suspended:** the rating is suspended due to: a) a capital operation (take-over bid, SPO, etc.) where a Member of ESN is or could be involved with the issuer or a related party of the issuer; b) a change of analyst covering the stock; c) the rating of a stock is under review by the Analyst.
- **Not Rated:** there is no rating for a stock when there is a termination of coverage of the stocks or a company being floated (IPO) by a Member of ESN or a related party of the Member.

Note: a certain flexibility on the limits of total return bands is permitted especially during higher phases of volatility on the markets

Banca Akros Ratings Breakdown



For full ESN Recommendation and Target price history (in the last 12 months) please see ESN Website [Link](#)

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