



Digital Magics

Sponsored Research

Italy | Financial Services Holdings

Analysar

19 December 2022

Buy

Recommendation unchanged

Share price: EUR **3.10**

closing price as of 16/12/2022

Target price: EUR **5.80**

Target Price unchanged

Upside/Downside Potential **87.1%**

Reuters/Bloomberg

DMG.MI/DM IM

Market capitalisation (EURm) **34**

Current N° of shares (m) 11

Free float **37%**

Daily avg. no. trad. sh. 12 mth (k) 6

Daily avg. trad. vol. 12 mth (k) 9.97

Price high/low 12 months 3.94 / 3.00

Abs Perfs 1/3/12 mths (%) -6.91/-3.73/-20.10

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%

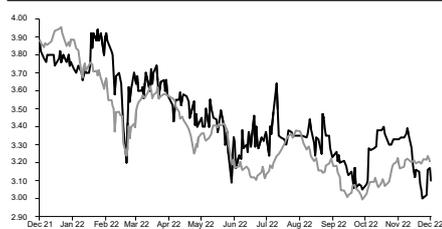
NAVPS (EUR) 5.826

Share price*: EUR 3.10

Discount/(Premium) to NAV 0.0%

Shareholders

StarTIP 23%; Innogest 6%;



Source: FactSet

DIGITAL MAGICS

FTSE AIM Italia (Rebased)

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New JV with Intesa Sanpaolo to support Open innovation

The facts: DM announced last Friday that it had signed a JV agreement with Intesa Sanpaolo to support Open innovation in the Fintech, Insurtech and Proptech sectors.

Our analysis: DM and ISP agreed to incorporate "Apside", a new JV which is expected to be funded by ISP through equity-like bond ("Strumenti Finanziari Partecipativi"). DM will manage the "deal flow" through a dedicated team and will receive EUR 1m over the next 6 years for the advisory activity.

Apside is expected to invest in 20 start-ups with an average ticket of EUR 250K and a total investment of EUR 15m. The JV will last 8/10 years with an investment cycle of nearly 5 years. Members of the BoD (4) and of the investment committee (8) will be equally split between DM and ISP.

The target companies are early-stage and seed stage start-ups engaged in Fintech, Insurtech and Proptech. The selection of eligible companies will also include ESG criteria. DM stated that Apside would invest mainly in companies that are already in DM's portfolio, either directly or indirectly.

As we noted in our latest report (Oct 28, 2022) this agreement is a further step towards the new investment approach that DM has been implementing since the approval of the new business plan to 2025. In particular, DM is pursuing a more scalable investment model, which is enabling DM to invest in 50/60 companies p.a. (compared with 15/20 that DM used to complete on its own), without expanding DM's team proportionally. Moreover, the cooperation with leading industrial players (both financial or industrial) will significantly improve the proof-of-concept and the go-to-market phases.

Conclusion & Action: positive news, as the implementation of the new investment model is going on according to plan, by including a leading financial and industrial partner, while new opportunities arise for the Open innovation business.