

Digital Magics

Sponsored Research

Italy | Financial Services Holdings

Investment Research



Company Update

Reason: Company newsflow

16 June 2023

Buy

Recommendation unchanged

Share price: EUR 3.05

closing price as of 15/06/2023

Target price: EUR 5.20

from Target Price: EUR 5.40

Upside/Downside Potential 70.5%

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) 4

Daily avg. trad. vol. 12 mth (k) 0.61

Price high/low 12 months 3.64 / 2.96

Abs Perfs 1/3/12 mths (%) -0.97/-2.87/-8.68

Estimated NAV breakdown (EURm)

NAV unlisted companies 52.2 91%

Consultancy business 5.5 10%

Write Offs -3.2 -6%

Net Financial position 3.0 5%

Total Net Asset Value 57.5 100%

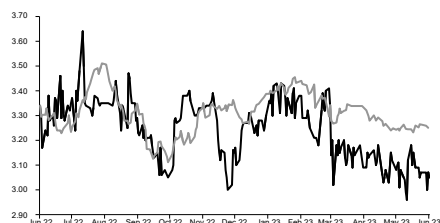
NAVPS (EUR) 5.226

Share price*: EUR 3.05

Discount/(Premium) to NAV 0.0%

Shareholders

StarTIP 23%; Innogest 6%;



Source: FactSet

DIGITAL MAGICS FTSE AIM Italia (Rebased)

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Accelerating growth

DM is consistently implementing its 2021/25 business plan strategy, having launched the 6 originally planned accelerators, with a committed “firepower” of EUR 21m to fund up to 50 start-ups a year. The company is leveraging its wide network of financial and corporate investors to seek new opportunities (e.g. the JV Apside with Intesa), while the business combination with L-Venture ought to create a leader in the Italian VC market, and a notable player at the European level.

- ✓ **FY 2022 results.** The P&L (albeit the top-line and operating margin are generally not crucial in this business) was solid in FY 2022, with significant revenue growth (+64% including the contribution from The Doers) and EBITDA close to break even. DM benefitted from the partial exit from Cardo (EUR 1.2m capital gain, booked in H1), which helped reducing the net loss (EUR -1.19m vs. EUR -3.35m in FY 2021).
- ✓ **The current portfolio includes 120 operating companies** (99 as at June 30, 2022, 84 as at Dec 31, 2021). DM invested in 41 new companies (o/w 15 in H1), mostly through the acceleration programs Fin-Tech, Magic Spectrum, Habismart, Magic Youman and Magic Mind. Overall, DM invested EUR 1.6m in the portfolio (o/w EUR 1.1m in H2). External investors injected EUR 21.6m, thus leading to EUR 23.6m in total funds raised by the start-ups.
- ✓ **Widened investment network.** DM has structured 6 well defined accelerators that cover specific investment themes on a continuous basis, as opposed to the more opportunistic model of the original “Magic Wand” programs. In particular, out of the 41 new start-ups embarked in 2022, 16 have been involved in the first and second batch of Fin+Tech, 5 in the Magic Spectrum program, 6 in Habismart and 8 in Magic Youman. Furthermore, in Dec 2022, DM announced the creation of a 50/50% JV with Intesa Sanpaolo, named **Apside** and to be funded with EUR 15m (entirely by ISP). Apside will make early-stage, seed and follow-ons investments in companies of DM’s portfolio developing digital technologies, including AI tools and solutions, in the Fintech/Insurtech segments, PropTech and other areas potentially of interest for ISP in a logic of “open innovation”.
- ✓ **Combination with L-Venture.** On March 10, 2023, DM and L-Venture Group (LVG) announced a non-binding term-sheet concerning the business combination between the two companies. We see significantly positive strategic implications for DM, as the combination with LVG would bring in a new network of partnerships with industrial companies and universities, leveraging the “double centre” (Milan and Rome) of the combined entity and creating a relevant player at the national and European level. The merger ratio seems broadly in line with current market caps and the companies’ fundamentals.
- ✓ **We cut our target price to EUR 5.2 per share (from EUR 5.4).** We note that we had already included the negative impact linked to the dilution in the indirect stake in Hyperloop (from 3.14% to 2.12%), which accounted for EUR 0.4/sh (see our comment on March 22, 2023). The further EUR 0.2/sh reduction is due to the lower net cash position, while new investments, write-offs and increased post-money valuations basically offset each other.

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FY 2022 summary

Revenues and EBITDA are not crucial in this business. Nonetheless, we note the significant growth in revenues in H2, mainly thanks to the acceleration programs.

In FY 2022, DM invested EUR 1.6m in the portfolio (o/w EUR 1.1m in H2). The FY 2022 results included the partial exit from Cardo that was completed in H1, which generated EUR1.2m capital gain (or a 17x return). Third party investors poured in another EUR 21.6m, thus leading to some EUR 23.6m in total funds raised by the start-up portfolio.

The portfolio includes 120 operating companies (99 as at Jun 30, 2022, 84 as at Dec 31, 2021). DM invested in 41 new companies (o/w 15 in H1 22), mostly through the acceleration programs Fin-Tech, Magic Spectrum, Habismart, Magic Youman and Magic Mind.

Net cash position declined by c. EUR 1.6m, including the proceeds from the capital increase reserved to LUISS university (EUR 2.5m, cashed in in December 2021), the aforementioned investments and divestments, and the EUR 1.6m increase in working capital (mainly receivables and payables owed by/to the portfolio companies). The gross cash available was EUR 6.2m at the end of Dec 22.

P&L analysis

Data in EUR m	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	Y/Y
Sales	2.56	2.66	2.35	2.71	4.43	63.7%
Value of production	3.20	3.24	2.76	3.21	4.89	52.3%
EBITDA	(0.35)	(0.30)	(0.26)	(0.55)	(0.16)	nm
EBIT	(1.18)	(0.99)	(0.85)	(1.23)	(0.51)	nm
Write-downs	(1.61)	(1.22)	(2.06)	(2.09)	(1.78)	-15.0%
Cap gain/inc from assoc	3.23	0.01	0.58	0.36	1.13	>200%
Taxes	0.01	0.04	0.01	(0.03)	(0.03)	nm
Net Profit (loss)	0.39	(2.26)	(2.51)	(3.35)	(1.19)	nm

Balance-sheet analysis

Data in EUR m	Dec 2018	Dec 2019	Dec 2020	Dec 2021	Dec 2022	Y/Y
Fixed assets	15.31	17.27	17.22	18.21	18.03	-1.0%
NWC	1.52	1.42	1.03	1.10	2.22	101%
Total funds	(0.08)	(0.10)	(0.11)	(0.19)	(0.20)	5.9%
Net Capital invested	16.76	18.59	18.15	19.13	20.05	4.8%
Shareholders' Equity	19.78	17.15	16.19	24.73	23.09	-6.6%
Net Debt (cash)	(3.02)	1.44	1.96	(5.62)	(3.04)	-45.7%
Total Assets	24.83	22.65	23.92	32.32	28.82	-10.8%

Source: Company data

DM also reported the updated valuation of its start-up portfolio, validated by Deloitte Financial Advisory, which has decreased to from EUR 58m estimated at the end of 2021 to EUR 55m, with EUR 6m cut in the valuation of Hyperloop Technology following the failed SPAC deal. The book value stood at EUR 13.3m (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 cumulated 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 200.000 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 544K 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 in December 2021.

In the previous fiscal years, DM had acquired a total of 18,200 **own shares** (0.17% of the capital). Based on the authorization from the AGM of April 2021, it acquired further 50,000 own shares in February and March 2022. Following the AGM of April 2022, DM started a new Share buy- back plan for max 40K own shares and in August further 40K which was completed in mid-October. Therefore, in total DM acquired in FY 2022 a total of 130K own shares with a cash out of EUR 450K (average purchase price EUR 3.46), reaching a level of 148,200 with a book value of EUR 552K.

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%
Innogest 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	148,600	1.35%
Free Float	4.591.084	41.72%
Total	11,003,677	100%

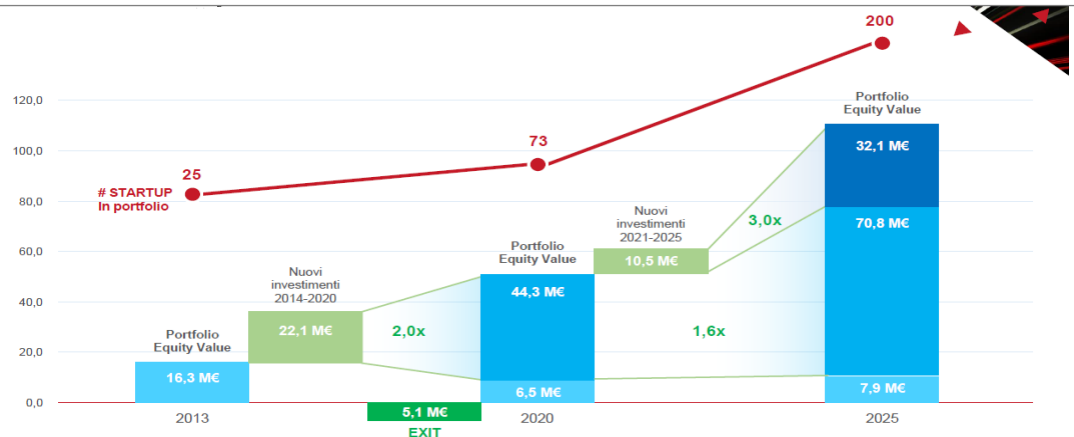
Source: Company data

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 is financing 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 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: portfolio targets



Source: Digital Magics Business plan presentation

A different approach for new investments, new accelerator with Intesa

DM runs several batches of acceleration programs every year, according to specific topics all related to digital products, services and platforms. The main programs include:

Magic Wand (the first “umbrella” program). 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, DM 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 February 2022, il Sole 24 Ore reported that Fin+Tech, has become fully operative with the first 16 start-ups and EUR 6.5m initial funding. 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 plus EUR 2m for post-

acceleration, out of a total of EUR 10m committed in three years. The other participants, which include DM, Startupbootcamp, Fintech District e SIA are due to contribute further EUR 5m in a first phase. Following the success of this first batch, which resulted in 16 investments, Fin/Tech in May 2022 opened the second batch which in turn generated 13 investments in new star-ups (not included in the present report).

At the end of 2021, DM launched **Magic Spectrum**, an acceleration program focussed on 5G and IoT, in partnership with Cisco, Compagnia di San Paolo, Inwit, Irideos, Melita and Unipol Tech. The program 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). The main applications involve B2C, B2B2C & B2B Solutions across industries and products 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.

Magic Spectrum: target verticals



Source: Company presentation

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. To date, there are 7 start-ups that have received aggregated funds above EUR 500K. The second batch started in October 2022 involving Reale Group and STMicroelectronics as new corporate partners.

In the summer of 2022, DM created **Magic YouMan** (focused on sustainability), **HabiTech** (focused on PropTech). The common features of the above include:

- 1) total funding of EUR 5/6m.
- 2) 25/30 initial investments, 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).

Magic YouMan is the evolution of the original **Magic Wand Sustainability** launched in November 2020 with Innova Venture and now involving RDS and Reale Group. This new program launched in July 2022 has triggered the investment in 8 new start-ups already included in DM's portfolio as described below. Every start-up includes in its mission at least two of the goals of UN's Agenda 2030 goals.

HabiSmart, is an acceleration program devoted to digital technologies for the Real Estate sector ("proptech"). In June 2022, DM and CDP Venture Capital launched this accelerator with the initial name of "HabiTech", designed for startups that offer services in the PropTech sector. The accelerator has an initial firepower of EUR 5.75m, EUR 3.75m of which backed by CDP Venture Capital's "Accelerator Fund".



HabiTech focuses on startups that develop technologies linked to sustainability, as well as financial services for real estate companies, the management of the buying and selling of real estate, the management of domestic systems aimed at the efficient use of resources, and solutions for smart districts and “energetic communities”.

DM will manage the program along with MassChallenge, a US accelerator incorporated in Boston in 2009 which boasts a track record of over 3,000 companies accelerated. The promoters include Novacapital and COIMA, real estate investment company specialized in the development and the management of real estate assets, and Ariston Group, Italian company specialized in heating systems and home comfort. In particular, Coima’s technological platform (already implemented in the Porta Nuova neighbourhood) will be provided to test solutions from the selected startups. Other promoters include Illimity Bank, Planet Smart City, Gabetti Lab and Costim. HabiSmart will select 10 startups per year in the seed or pre-seed phase over the next three years. HabiSmart has accelerated 9 start-ups in the first batch with aggregated investments of EUR 1.2m in a four-month program, while the second batch has been launched in May 2023.

In October 2022, DM launched “**Magic Mind**”, a new acceleration program managed by an ad-hoc vehicle that focus 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 10 selected start-ups with cash and services worth EUR 90K, and up to further EUR 120K as a follow-on investment for a total of EUR 2m. The first batch started in October saw above 300 applications from start-ups coming from different countries around the world, and has been concluded in May.

Apside with Intesa Group. In Dec 2022, DM announced the creation of a 50/50% Joint Venture with Intesa San Paolo, named Apside and to be funded with EUR 15m. Apside will make early-stage, seed and follow-ons investments in companies of DM’s portfolio developing digital technologies, including AI tools and solutions, in the Fintech/Insurtech segments, PropTech and other areas potentially of interest for ISP in a logic of “open innovation”. The financial resources devoted to the program, EUR 15m, will be contributed by ISP, through financial participatory instruments (SFP). DM will manage the deal-flow of the newco with a dedicated team according to an advisory agreement. The BV of Apside is currently EUR 37.7K.

















































We note that with the above Digital Magics has structured 6 well defined accelerators that cover specific investment themes on a continuous basis, as opposed to the more opportunistic model of the original “Magic Wand” programs.

Therefore, DM has carried out most of the FY 2022 investments through these vehicles rather than on a stand-alone basis. In particular, out of the 41 new start-ups embarked in 2022, 16 have been involved in the first and second batch of FIN+TECH, 5 in the Magic Spectrum program, 6 in Habismart and 8 in Magic Youman. Furthermore, DM has invested in the new accelerator Medgreen (3% of equity capital), an investment vehicle based in the South of Italy and devoted to start-ups in the agri-food and environment business. **Medgreen** aims to promote international commercial projection of its portfolio companies through a network of a target 250 partners involved.

On Feb 7, 2023, DM announced the launch of **Magic Climb**, a “boosting program” jointly managed with **Tamburi Investment Partners (TIP)**. Over the next three years, DM will select three companies from its portfolio each year, to allow them to work with TIP’s experienced managers on the most relevant topics for investors, particularly ESG. The first three winners of the program are Viceversa, Macingo and Aworld.

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

Source: DM presentation

We understand that the above investment model represents a cornerstone of the 2021/25 business plan, with a few 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.

Global VC continued to fall in the past six months

The latest KPMG's VenturePulse reports confirm the progressive decline from the all-time highs recorded between the end of 2021 and Q1 2022 (USD 211bn financing in global VC-backed companies). Indeed, the total investments doubled in FY 2021 to USD 741bn and fell by 30% last year to USD 519bn. In Q1 2023, the decline continued with -68% Y/Y to USD 57.3bn as geopolitical uncertainty and volatility kept affecting financial markets. The Q4 VP document mentioned "was a challenging 2022 for VC investment globally, despite strong fundraising activity and a major amount of dry power available in the market. The ongoing conflict in the Ukraine, rapidly rising interest rates, high levels of inflation, combined to drive investment down". Already in the previous quarters, these factors have induced a clear shift from consumer-driven sectors, such as food and grocery deliver (being also Covid-driven), towards B2B sectors, particularly those developing solutions to improve the operational efficiency and the employee productivity, and energy become a hot investment topic in the final part of the year. On the other hand, the FTX debacle has sparked increased scrutiny and prudence over the crypto segment and put under further pressure the broader fintech. The new hype, involving AI, should materialize in new large rounds in the next few quarters.

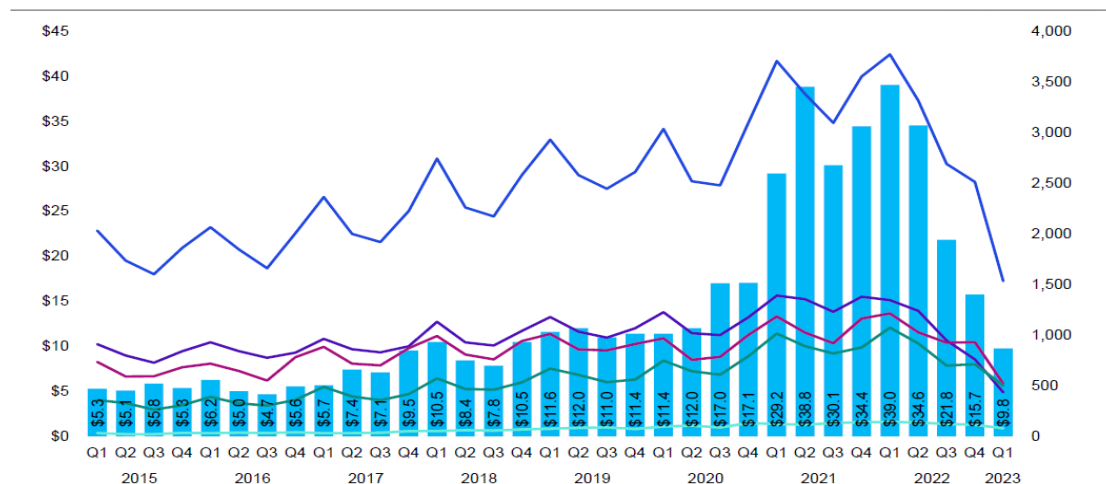
In this scenario, the focus also for the tech sector has shifted to profitability. In Q4'22, numerous global technology companies, announced significant cost-cutting measures such as personnel cuts and the reduction of real estate footprints. The cash preservation mode has clearly become the norm of VC-backed companies as well and in an environment of tight monetary policy, several of them had to accept "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 the "IPO window" which was "firmly shut" in Q1 2023, to remain "closed through the end of the year".

VC investing accelerated downward to March 2023

KPMG notes that, after a six-quarter period of extraordinarily strong VC activity, Europe started to drop as well in Q2 2022, as 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. With above 50% Y/Y decline in Q4, the funding in the year 2022 closed down by 16% (to USD 111bn), while in Q1 2023 it fell by three quarters Y/Y to below USD 10bn, across 1,530 deals (-31% Y/Y).

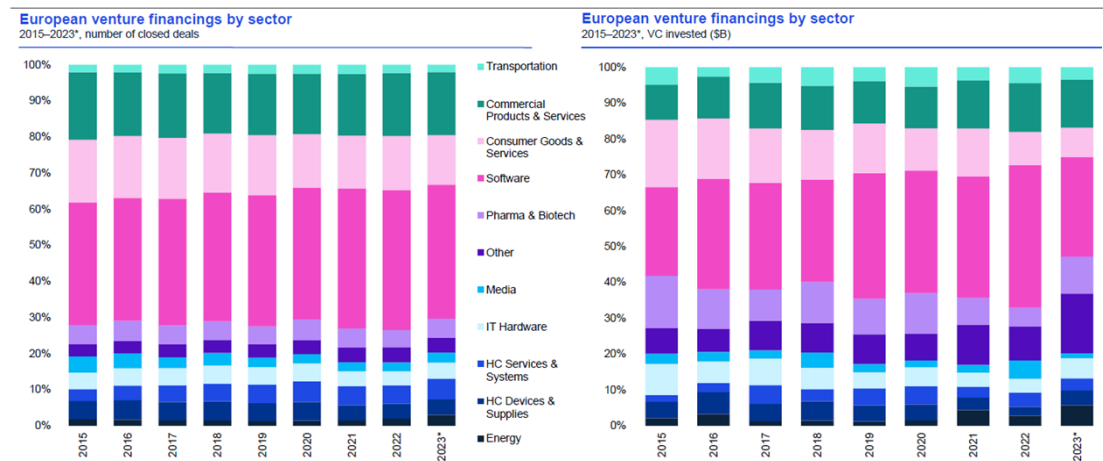
Venture financing in Europe 2014/Q1 2023



Source: Venture Pulse (KPMG)

The VenturePulse report well illustrates the shift towards the B2B, energy and mobility sectors. The main deals in the year involved Celonis (German-based business productivity company, USD 1.4bn round) and Northvolt (Sweden-based alternative energy and storage company, USD 1.1bn round). We mention in Q4 Estonia-based renewable energy infrastructure company Sunly which raised (USD196m round), Belgium-based hydrogen energy company Tree Energy Solutions (USD 129m), and Norway-based renewable energy financing company Empower New Energy (USD 74m). The trend continued in Q1 2023 with a USD 228m raise by German alternative energy leasing company Enpaland. Another large round in Germany (USD 151m) involved the PE investment platform Moonfare. VP notes that in Q4, the interest of VC investors and corporates persisted on a number of fintech subsectors— including regtech, cybersecurity, and B2B solutions — while others, including BNPL, struggled. The Cybersecurity and Medtech sector were affected by a slow down in Israel related to uncertain political environment. In all, healthcare proved to be resilient.

Venture financing in Europe by sector



Source: Venture Pulse (KPMG)

Corporate VC investments declined as well (USD 6.1bn in Q1 2023 vs. USD 10.6bn in Q2 and USD 16.2bn in Q1 2022), although they remained still above the H2 2020 levels. Median deal sizes have continued to slightly increase in the past few quarters, for angel and seed, (USD 1.6m) and for early VC (USD 2.5m) while they were down for late VC (USD 5.1m), but and venture growth (USD 10.5m).

The late-series rounds' median value also declined, with series C standing at USD 54m (from peaks of USD 70/80m during 2021/22) and pre-money valuations at the highest level (Series D down in Q1 2023 to USD 0.73bn from a peak of USD 1.20bn in Q4 2022).

The level of VC fund-raising which was strong in H1 2022, finally took a hit in Q4 and was down by 7% to USD 28.6bn on a full year basis. In Q1 2023, the raising was just USD 3.7bn, even more penalizing in comparison with the strongest quarter of 2022 (USD 8.2bn).

In terms of VC-backed exits, the performance was “significantly sluggish in Q1,” at USD 1.8bn vs. USD 5.2bn in Q4 and USD 15.8bn in Q1 2022, reporting the lowest level since Q1 2020. Total exits in 2022 were USD 41bn compared to the record level of USD 161bn in 2021.

Italian start-up funding still up in 2022, drops in Q1

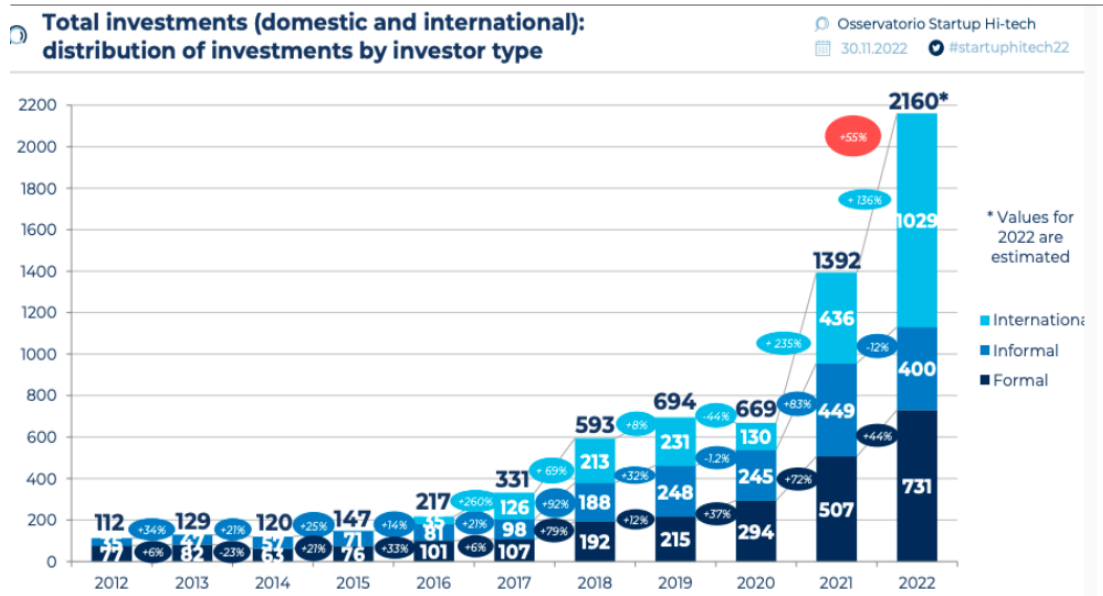
The Italian Venture Capital market, after impressive growth rates experienced in 2017 and 2018, and around +15% in 2019, suffered a significant impact from the Covid pandemic in the first half of 2020 (-30%) but largely recovered in H2, leading to a very modest decline on a full year basis. The “reopening” 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 (later revised to EUR 1.39bn, see below), whereas the VeM report from AIFI and LIUC suggests a more than threefold growth to EUR 2.00bn.

In 2022, VeM reported that, despite the worsening scenario at the national and global level, the Italian VC financing kept growing in the first 9 months, definitely outperforming European trends. This research suggested that the funding was still 109% up Y/Y by September. Nevertheless, the final release on full year figure depicts a much smaller growth of 12%, to EUR 2.25bn, implying a Y/Y drop in the last quarter. Unlike in 2021, the investments in Italian-based companies accounted for the lion's share (c. EUR 1.94bn, +80%) as investments in target companies headquartered abroad declined significantly, from c. EUR 0.92m in 9M 2021 to EUR 0.31bn, while deals declined from 31 to 24. With this slow-down, the VC funding failed to meet the EUR 2.5bn target originally set by CDP Venture Capital.

The analysis of PoliMI is broadly consistent with VeM on FY 2022 in absolute value, while it reports a stronger growth Y/Y based on a lower estimated starting point for FY 2021. The contribution of foreign capital accounted for EUR 0.60bn out of EUR 0.77bn annual funding increase, while the “informal” contribution declined by 11% Y/Y (including -20% for equity crowdfunding, to EUR 85m) and national formal increased by 44% or by EUR 0.22bn. We could assume that these performances reflect on the one hand the increased attractiveness and critical mass of the Italian ecosystem, on the other hand the evolution in maturity stage, with an increased share of “scale-ups”, against “start-ups”.

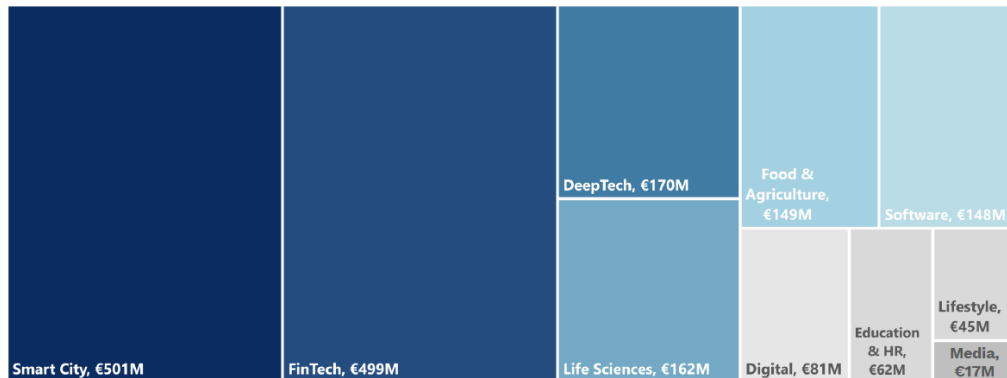
Open Innovation is also becoming more and more important, with estimated 70% of large companies already collaborating with start-ups. The proportion of SMEs is just 11%, but a further 24% is willing to do so.

Italian Start-up funding



Source: PoliMI- Osservatorio Start-up, December 2022

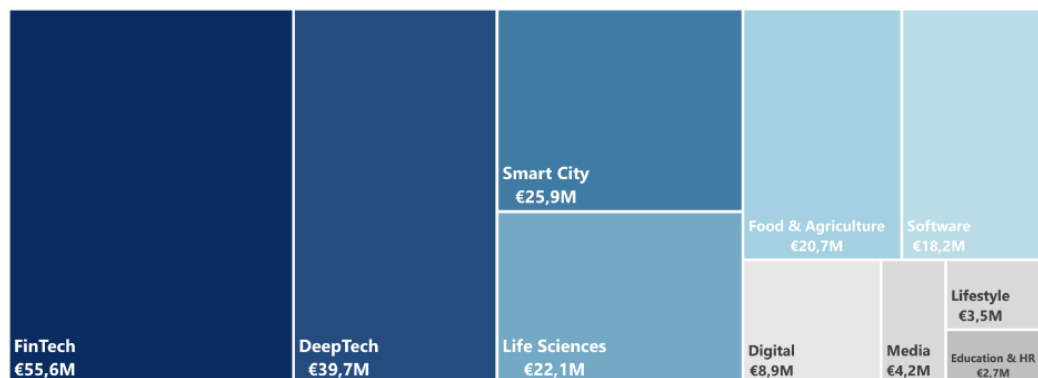
Italian Start-up funding 2022 by sector



Source: Growth Capital, FY 2022 update

Unsurprisingly, given the exit speed of last year, **2023 started on a weak tone as well**, with a total of EUR 0.29bn funding from EUR 0.50bn in Q1 2023 (source: VeM) including EUR 160m in Italian-based start-up, down by 63% Y/Y (EUR 420m). Foreign start-ups founded by Italian entrepreneurs increased their collection from EUR 80m to EUR 130m. Most of the Y/Y decline is in any case related to the absence of “mega-rounds”. Growth Capital/Tech Alliance reports similar findings although with a different perimeter (EUR 201m, -57% from EUR 468m in Q1 2022). The split by segment confirms the prevalence of Smart City, DeepTech and Life Sciences, taking into account that in Q1 one deal alone (Alps Blockchain) collected EUR 40m.

Italian Start-up funding Q1 2023 by sector



Source: Growth Capital, FY 2022 update

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

In an interview last September, 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

Fintech has been a hot investment topic in venture capital at European/global level (see below) in 2021 with a record-high year in (over USD 200bn in investment and generating in in a very short timeframe a string of “decacorns” 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).

However, with the increase in interest rates, the slump of the crypto asset class and some backlash on the “buy-now, pay-later” model, this sector has been experiencing a slowdown at the global level, and transactions and valuations have considerably cooled down in the past few months, including egregious “down-rounds” such as Klarna (85% cut in valuation).

However, just like the whole VC market, the Italian fintech sector kept growing, benefitting from a more linear trend and a clear consolidation path. In Italy, the last research from Politecnico of Milan found that the Fintech/Insurtech start-ups raised EUR 934m fund in 2022, EUR 3.68bn cumulated since 2009. We note that the EUR 2bn national figure referred to the 2021 year in the previous research is not comparable given a different perimeter (likely not limited to start-ups alone, as it would surpass the total Italian funding in all sectors). With 27 new launches in the year, the number of start-ups in this segment reached 630, in a highly concentrated ecosystem in which 5% of the companies has received 90% of the funding. The research also found that aggregated revenues double Y/Y but not enough to generate positive EBITDA nor free cash flow, and that 44% of the companies have already expanded abroad. The “as a service” model is adopted by 75% of the start-ups, and 83% of them have in place business partnerships with other organizations.

Combination with L-Venture

On March 10, DM and LVenture Group (LVG) announced a non-binding term-sheet concerning the business combination between the two companies.

LVG is an early-stage venture capital player listed on Euronext Growth Milan. Incorporated in Rome in 2013, it specializes in pre-seed and seed financing and offers advisory services to corporations for business acceleration. It boasts more than 30 partnerships across Italy to scout start-ups and more than 60 programs in place with corporations, universities and institutions.

The main shareholders of LVG, are LV.EN. Holding (owned by LVG's main managers) and the LUISS university, with a 28% and 13.6% stake respectively.

Since inception, LVG has invested EUR 23m in more than 130 start-ups and attracted c. EUR 113m from co-investors. According to PitchBook, at the end of H1 22 LVG was the 2nd most active VC company in Italy after CDP Venture Capital, and the 11th in Europe. At the end of Jun-2022, LVG had a net portfolio value of c. EUR 30.7m, with an equity fair value of EUR 27.9m and a net debt of EUR 3.5m.

The agreement aims at creating a leading integrated player in the Italian venture capital market, with a valuable standing at the European and international level, by leveraging on the two companies' knowledge and partnership networks. The deal is subject to conditions precedent to be defined (including a capital increase at LVG) and is expected to be closed by the end of 2023.

The agreement provides for the merger of DM into LVG. The value of the two companies in the combined entity ought to be in the range of 61.5%/38.5% ÷ 66.5%/33.5% for DM and LVG respectively. These ranges are mostly in line with the relative market caps, portfolio values and other fundamentals of DM and LVG.

The corporate governance structure that DM and LVG agreed on envisages the LVG CEO and founder, Mr. Luigi Capello, as CEO of the new company and DM's executive chairman, Mr. Marco Gay, as the executive chairman. The investment activity will be managed in a subsidiary fully owned by the combined entity, with Mr. Gabriele Ronchini as CEO.

DM and LVG: summary of key financial data as at 31 Dec 2022

(EURm)	DM	% of comb.	LVG	% of comb.	DM+LVG
# startups	120	55%	100+	45%	220
start-up book value	13.35	49%	13.8	51%	27.2
other financial assets	2.42	52%	2.27	48%	4.69
other fixed capital	2.26		0.78		3.04
NWC	2.22		0.10		2.32
net invested capital*	20.3	54%	16.9	46%	37.2
(net debt)/cash	3.04		-4.78		-1.741
equity value*	23.3	66%	12.2	34%	35.5
portfolio value (31-Dec-22)*	55.0	64%	30.7	36%	85.7
equity fair value*	64.9	71%	26.8	29%	91.7
last 6m avg price (EUR/sh)	3.21		0.34		
avg. mkt cap	35.3	67%	17.1	33%	52.3

Source: Banca Akros on companies' data. (*) DM reports under the Italian GAAP principles, while LVG under the IFRS principles. As such, DM's equity value is the reported figure, while for LVG equity value is based on Akros' adjustment (net of the effect of the IFRS fair value accounting). On the other hand, the "equity fair value" for DM is based on the external valuation of the start-up portfolio, while for LVG it is the reported equity value.

We see significantly positive strategic implications for DM, as the combination with LVG would bring in a new network of partnerships with industrial companies and universities, leveraging the "double centre" (Milan and Rome) of the combined entity and creating a relevant player at the national and European level. The merger ratio seems broadly in line with current market caps and the companies' fundamentals.

Portfolio Analysis

As per December 31, 2022, DM's portfolio of investments included total of 120 operating companies, (113 start-ups, o/w 64 innovative start-ups and 20 innovative SMEs, and 7 accelerators), including 2 in which DM has invested (directly) 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 18.61% stake) or Magic Spectrum (in which it has a 45.1% stake) and HabiSmart (8.7% stake) and from last December through Appside (50% stake). The 23 (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	2021	June 2022	FY 2022
# start-ups (BoP)	49	60	58	62	69	73	84	84
New start-ups	15	19	14	17	15	20	15	41
Exits	0	2	1	7	5	2	1 (+1p)	1
Write-offs	4	4	9	3	6	7	1	4
# start-ups (EoP)	60	73	62	69	73	84	99	120
Investments in new start-ups	1.208	1.667	1.981	1.148	1.431	0.945	0.107	0.575
Investments (follow-on)	1.953	1.117	0.342	1.454	1.209	1.336	0.373	1.066
Total investments by DM	3.1	2.8	2.3	2.6	2.64	2.28	0.48	1.64
Investments from third parties	10.3	na	9.1	34.0	24.7	44.6*	13.4	21.6
Total investments	13.4	na	11.4	36.6	27.3	46.6	13.9	23.2
Book value	13.98	11.90	11.89	13.69	13.86	13.78	14.06	13.35
Aggregated revs (EURm)	na	33.3	56.2	78.4	62.0	110.0	na	na
Gross capital gain	0.115	0.279	3.223	0.012	0.579	0.359	1.187	1.187
Gross capital loss (write down)	-2.952	-4.864	-1.560	-1.188	-1.937	-1.82	-0.144	-1.604
Fair Value	na	na	na	Na	50	58	61	55

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

Internal Portfolio Valuation assessed at EUR 55m

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, DM 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 confirmed the original estimate of EUR 50m.

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

The DFA analysis provided a fair value of EUR 53m at the end of June 2021, to EUR 58m, (not including "the Doers" which is an operating company) as per Dec 2021. The FV peaked at EUR 61m by June 22, after EUR 1.2m exits, EUR 0.5m investments and EUR 0.14m write-offs. DM explained that there is an EUR 6m impact from HTT, following the aborted SPAC combination. Indeed, amid the process with related conversion of options and warrants, the indirect share of DM in HTT (through Jumpstarter) decreased from 3.14% to 2.12% which based on an unchanged FV of USD 600m, leads to a cut in participation value that we estimate from EUR 17.3m to EUR 11.7m. We note that this valuation has no impact on DM's P&L or balance sheet, which reflect historical costs (from EUR 340K to EUR 360K).



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 FY 2022, total investment reached EUR 1.64m, of which EUR 462K in new convertibles; DM also converted equity-like bonds worth EUR 140K.

Other incremental investments in existing holdings, include Irreo (agritech, EUR 65K), A-live (Martech, EUR 50K) Insurtech MGA (Insurtech, EUR 49K), AirCNC (Enterprise Software, EUR 37.5K), Eligo (Enterprise Software, EUR 31K), BridgeInsurance (Insurtech, EUR 32K), Aworld (Fintech, EUR 7.8K).

Digital Magics' new investments 2022

Holdings	Sector	Description	DM's stake	Investment
Med Green	Accelerator	Focus on Food and Agritech	3.00%	1.5K
Apside	Accelerator	Focus on Fintech/PropTech/Insurtech (50% Intesa)	50%	37.7K
XMusic	FinTech	NFT linked to author's right of musicians	12.50%	81K
Hubique	PropTech	AR/VR rendering for RE projectss	7.0%	70K
New companies via Fin+Tech accelerator (first batch)				
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	
Splitty 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	
New companies via Fin+Tech accelerator (second batch)				
Barter	FinTech	Virtual warehouse for barter	Conv security	
Bitcoin people	FinTech/Blockchain	Implementation of bitcoin payment projects	Conv security	
Cooabit	FinTech/PropTech	Rent to buy house platform	Conv security	
Easy Health (easy Doctor)	FinTech/HealthTech	White-label telemedicine platform	Conv security	
ID Defend	FinTech/PayTech	ID and credit card info protection	Conv security	
Okipo	FinTech/Blockchain	management of crypto curr and NFT	Conv security	
Takyon	FinTech/Blockchain	Blockchain-based travel service platform	Conv security	
Weri srl (GAIA)	FinTech	AI-based carbon-footprint monitor	Conv security	
New companies via Magic Spectrum accelerator				
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	
Yago (Auting)	P2P Platform	Peer-to-peer car sharing	Conv security	
New companies via Habistmart accelerator				
Houseplus	PropTech	RE predictive valuation algo	Conv security	
Domethics	PropTech	IoT products/services for Smart Homes	Conv security	
Sunskeeper	PropTech	Aesthetic/ advertising cover for solar panels	Conv security	
NewArc	PropTech	AI based algo for residential real estate valuations	Conv security	
IZI Smart S (Homsai)	PropTech/Energy	AI based mgmt of renewal energy consumption	Conv security	
Ekore	PropTech/Energy	Digital Twin of buildings for energy management	Conv security	
New companies via Magic Youman accelerator				
Purilian	Wellbeing	Ambient music generator (business & retail)	3.65%	51.8K
Okapi Network (R5)	Sust Prod	Line up of sustainable products for home and person	2.50%	51.8K
Ticketoo	Fair E-commerce	Fair secondary ticket marketplace	4.0%	51.8K
SaveRiding	Sust Life	Tracking and rewarding sustainable mobility	3.04%	51.8K
Alteredu	Education	Main Italian platform for certified online courses	Conv security	
Mangrovia	Sust Prod	Marketplace for sustainable products	Conv security	
Usophy	Education	Community for facilitated access to univ. textbooks	Conv security	
EWitty	Sust Prod	Plug in to manager battery recharge for devices	Conv security	

Source: Company data



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

Holdings	BV Dec 2021	Stake Dec 2021	Investment (Divest)	Write- down	BV Dec 2022	Stake Dec 2022	Note
Emotional target	255.0	100.00%	14.3	(14.3)	255.0	100.00%	Waived credits and write-off
4W Marketplace	0	61.83%	1,796	-	1,796	65.02%	Participation moved to subsidiaries
Total subsidiaries	1,701		1,810	(14)	3,497		6 companies
Magic Spectrum	-	-	225.3	-	225.3	45.05%	new accelerator
Apside	-	-	37.7	-	37.7	50.00%	new accelerator
Step Venture	2.5	25.00%	6.1	-	8.6	25.00%	investment vehicle
Xoko	280.4	24.36%	-	(280.4)	0	24.36%	Write down
4W Marketplace	1,796	61.83%	(1,796)	--	0	65.02%	Participation moved to subsidiaries
Total associates	3,806		(1,527)	(280.4)	1,999		10 companies
Fintech & Insurtech Accel	105.6	18.61%	137.7	-	243.3	18.61%	Invest to fund accel program
Prestiamoci	643.7	11.02%	-	(462.1)	181.6	11.02%	Revalued based on ongoing deal
Buzzoole	558.0	3.88%		(248.0)	310.0	3.88%	-
Insurtech MGA	294.7	9.06%	49.0	-	343.7	9.00%	
Cardo	109.8	7.72%	(74.6)	-	35.2	2.47%	Partial exit with EUR 1.18m gain
The Ing Project	196.2		9.1	(70.0)	135.3	16.96%	Revalued based on ongoing deal
Quomi	198.9	11.18%	-	(198.9)	0	11.18%	Company liquidation
Gilda (Foodquote)	369.0	5.05%	3.3	-	372.3	5.05%	
Jumpstarter	340.2	5.87%	19.9	-	360.1	5.87%	
AirCNC	92.5	14.96	37.5	-	130.0	16.73%	
Disignum	90.0	7.69%	-	(90.0)	0	7.69%	
Eligo	140.0	1.35%	31.0	-	171.0	1.35%	
Aworld	130.0	6.42%	7.8	-	137.8	5.75%	
MonAI	90.2	10.0%	-	(90.2)	0	10.0%	
Amon Card	150.0	5.8%	-	(150.0)	0	5.8%	
A-Live	22.1	1.85%	50.0	-	72.1	2.54%	
Bridge Insurance	125.9	4.82%	32.0	-	157.9	4.81%	
SurgiQ	101.6	3.08%	15.0	-	116.6	3.31%	
Irreo	105.0	10.5%	65.7	-	170.7	9.84%	
Med Green	-	-	1.5	-	1.5	3.00%	New accelerator
Emcee Invest	-	-	96.1	-	96.1	1.20%	Conversion of equity-like bond
XMusic	-	-	81.2	-	81.2	12.50%	
Coopera Soc. Semplice	-	-	7.5	-	7.5	14.29%	
Habitech Accelerator	-	-	111.0	-	111.0	8.70%	New accelerator
Ticketoo	-	-	51.8	-	51.8	4.00%	
Hubique			70.0	-	70.0	7.00%	
Okapi			51.8	-	51.8	2.50%	
Purilian			51.8	-	51.8	3.65%	
Saveriding			51.8	-	51.8	3.04%	
Total other companies	8,209		958	(1,309)	7,858		120 companies (o/w 83 directly owned, 37 through accelerators)
Grand Total	13,714		1,241	(1,604)	13,354		EUR 1,316K gross investment EUR 75K divestments

Source: Company data



Exits and write downs

The only significant (partial) exit in 2022 was the fintech Cardo, of which DM sold the majority of its stake for EUR 1.26m (implying 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.

DM kept a 2.5% stake in the co, 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** were EUR 1.60m, mostly in H2 (H1 only included 14K and referred to waived credits owed by the fully owned subsidiary Emotional Targets) and involved Xoko (write-off of EUR 280K), Prestiamoci (write down of EUR 462K or 72% of previous valuation, based on an ongoing deal), Buzzole (EUR 248K or 44% write down), Quomi (write-off, EUR 199K), Ing Project (EUR 70K, 36% write down), Disignum (EUR 90 write-off), MonAI (EUR 90K write-off) and Amon Card (EUR 150K write-off).

Looking for new options for HTT

On November 22, 2022, the US-based SPAC Forest Road Acquisition Corp. II (FRXB) announced 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 was aimed at the listing of HTT, was expected to be closed by the end of H1 2023.

FRXB was 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 would hold, on 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, on the announcement we had estimated that the potential positive impact for DM on our sum-of-the-part valuation would be in the region of EUR 4m, or above EUR 0.3/sh. Based on the uncertainties related to the eventual closing of the deal, we did not include this potential upside to our NAV for DM.

On February 3, 2023, Forest Road Acquisition Corp. II (FRXB) and HTT disclosed that the agreement concerning a business combination had been terminated.

FRXB and HTT clarified that they have mutually agreed to terminate the aforementioned agreement, mentioning the long time needed to close the business combination and the adverse market conditions. In particular, the co-CEOs of FRXB highlighted that the upcoming expiration date made the proposed business combination "challenging". The HTT CEO stated that they would continue "to evaluate financing alternatives, including both public and private capital raises".



Even if the combination was eventually aborted, the process triggered some capital movement including conversion of options and warrants, so that the indirect share of DM in HTT (through Jumpstarter) decreased from 3.14% to 2.12% based on an unchanged FV of USD 600m. Therefore, the portfolio valuation by DFA took a EUR 6m cut for HTT, we estimated from EUR 17.3m to EUR 11.7m. We note that this valuation has no impact on DM's P&L or balance sheet, which reflect historical costs (from EUR 340K to EUR 360K).

DM reported in its financial statements that there are ongoing talks for refinancing for HTT, in order to pursue a new business combination with another SPAC with which HTT had earlier talks.

Other corporate action

In May 2023, **Banca Valsabbina launched a takeover on the fintech startup Prestiamoci** to seize the entire share capital. Banca Valsabbina has been a shareholder in the company since 2021, when it purchased a 9.9% stake within a round worth EUR 2m (according to BeBeez), which was also backed by incumbent investors, namely Daniele Loro (leading the founders' team), Banca Sella, Innogest, DM and other business angels. Banca Valsabbina also partnered with Prestiamoci in its first securitisations (EUR 25m in Nov 2018, in which the Brescia-based bank invested EUR 6m, and EUR 60m in Nov 2020). Although the pre-money valuation was not disclosed, we estimate an implied 72% decrease vs. the previous valuation due to the write-down booked by DM linked to the deal (EUR 462K).

On 28 December 2022, **Eligo** went public on the Euronext Growth Milan market with a valuation of EUR 14m, which has remained stable up to now. Shortly before the IPO, the company raised c. EUR 1m in a round underwritten by DM, CDP Venture Capital, Fondo Rilancio Startup and some business angels. Based on the prospectus, we understand that CDP's investment (EUR 600K) was made through equity-like convertible bonds, which were converted into Eligo ordinary shares after the IPO at a 25% discount compared with the IPO price. The pre-money valuation was not disclosed.

In September 2022, the company had already raised EUR 2.1m in a round backed by Mazal Capital, again through equity-like convertible bonds (with a 25% discount at the conversion), for a post-money valuation of c. EUR 10m.



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 FY 2022, DM invested in 41 new start-ups and 11 follow-on rounds, having contributed to finalize 64 investment rounds in total, including *pre-seed*, *seed*, *pre-Series A* and also Series A, which collected a total of EUR 23.6m. DM invested EUR 1.6m.

Among DM's investment, we name 3 new accelerators, i.e. Magic Spectrum (EUR 225K), HabiTech (EUR 111K) and Step Venture (6K). Through these vehicles, and the already operating Fin+Tech accelerator, 30 new companies were funded as a whole.

Based on company disclosure (Portfolio Highlights, June 2023) and public information, the main completed rounds are:

- ✓ **Evenfi** (formerly **Criptalia**, P2P crowdlending) raised EUR 2.2m in equity and debt in late 2022, thanks to the investment of the American fund Pacific Capital Partners. The round, which also included EUR 522K through an equity crowdfunding campaign on WeAreStarting, was based on a pre-money valuation of EUR 10m. 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.
- ✓ **HiNelson** (nautical equipment) closed a EUR 2m round in December 2022. Fund were raised through the equity crowdfunding platform Mamacrowd for a pre-money value of EUR 7.25m. Previously, the company had closed a EUR 925K round providing a post-money value of EUR 3.83m in Mar 2021.
- ✓ **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 850K round was closed in November 2022, with a post-money value of EUR 4.85m; DM's stake was diluted to 9.84%.
- ✓ **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.
- ✓ **Mare Engineering**, (consultancy company and system integrator specialised in "Industry 4.0" technologies and process digitalisation), raised EUR 1m in November 2022 with a post-money valuation of EUR 100m.
- ✓ **Prestiamoci** (P2P lending platform) had 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) acquired 9.9% of Prestiamoci. Therefore, there were three banks 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. In May 2023, Banca Valsabbina announced an agreement to buy 100% of Prestiamoci. Taking into account the write-down booked by DM linked to the deal (EUR 462K), we estimate an implied 72% decrease vs. the previous valuation.
- ✓ **Smace** (enterprise software to manage work-from-home) launched an EUR 260K round in June 2022, which pointed to a post-money valuation of EUR 1.66m. DM's stake was diluted from 12.11% to 10.85%.
- ✓ **Viceversa** (fintech platform for revenue-based financing) secured a Series A round worth EUR 10m in May 2023. The round was led by CDP Venture Capital, along with a number of co-investors such as Azimut Digitech Fund (Azimut Libera Impresa SGR), Kairos Ventures ESG One (Kairos Partners SGR), Italian Angels for Growth, Fabrick and Raffaele Terrone (founders of Scalapay) and Paolo Galvani (founder of



Moneyfarm). The pre-money valuation was not disclosed. In November 2021, Viceversa had closed a EUR 23m equity and debt round.

- ✓ **Bridge Insurance Services** (insurtech company specialized in the life segment) closed a EUR 1.2m round in early 2022, with a post-money valuation of EUR 5.2m. According to DM's Jun-2023 Portfolio Highlights, the company launched a new EUR 2m round through equity-like convertible bonds.
- ✓ **Bikeroom**. Separately, the portfolio company Bikeroom, in which DM has a 15.8% stake, said in February 2022 that 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 had 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 at EUR 0.43m.

The ongoing funding rounds include:

- ✓ **Aptus.AI** (RegTech services providing automatic analysis of financial regulation) was selected by the Fin+Tech Accelerator as one of the 16 winning companies of the first batch of the acceleration programme in March 2022. Fin+Tech poured EUR 500K into a follow-on round in September 2022 (thereby purchasing a 6.95% stake), while (according to Crunchbase), another EUR 700K were raised through a debt round in October 2023. A new EUR 3m round is currently ongoing, for an undisclosed pre-money valuation.
- ✓ **Auting** (P2P car sharing platform) has an ongoing round worth EUR 700K (and stretch goal of EUR 1m) through equity-like convertible bonds, of which EUR 600K already committed. The start-up is funded by the Magic Spectrum accelerator.
- ✓ **Aworld** (software technologies for tracking, loyalty, reward and behavioural change in sustainability area) closed a EUR 2m bridge round in November 2022, with an implied pre/post-money valuation of EUR 10/12m respectively (compared with a EUR 3.29m post-money of the round closed in September 2020). The round was underwritten, among other investors, by Telefónica Open Innovation, Cdp Venture Capital, Italian Angels for Growth, Equiter and Banca Sella.
- ✓ **nCore** (HRTech company) has launched an ongoing round worth EUR 2m for a post-money valuation of EUR 10m.


Digital Magics start-ups: main funding rounds 2021/23

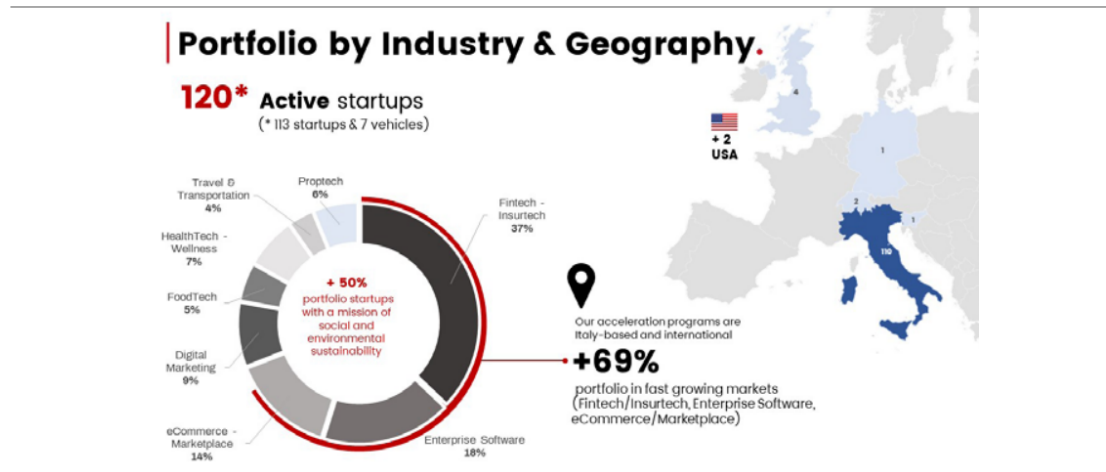
	Date	Funding round (EUR m)	o/w DM	Impl. valuation Pre/post money	DM stake pre/post financing
AirCNC	H1 2022	0.065	0.038	1.5/1.57	14.96%/16.73%
Alive	Jun 2021	0.25	0	3.0/3.25	2.00%/1.85%
Aptus.AI	ongoing	3.0	na	na/na	1.29%*/na
aWorld	ongoing	2.3	0.007	na	6.42%/5.75%
Bikeroom	Jan 2022	0.5	0	2.1/2.6	15.83%/~15%
Criptalia (Evenfi)	ongoing	2.5	na	10/12.5	9.51%/8.43%
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	Dec 2022	2.0	0	7.25/9.25	5.69%/4.16%
Intribe	Jul 2021	0.107	na	2.10/2.21	9.71%/9.71%
Irreo	Nov 2022	0.85	0.06	4.00/4.85	10.50%/9.84%
Macingo	Jun 2022	2.1	na	~7.0/9.0	7.95%/7.95%
Mare Engineering	Nov 2022	1.0	0	99.0/100.0	1.46%/1.30%
nCore	ongoing	2.0	na	8.0/10.0	15.00%/na
Smace	Jun 2022	0.26	0	1.40/1.66	12.11%/10.85%
Viceversa	Jun 2021	1.25	0	4.00/5.25	15.00%/15.0%
ViteSicure (Bridge Insurance)	Feb 2022	0.676	0.032	4.5/5.2	4.82%/4.81%

Source: Company data, Banca Akros estimates (*) indirect stake: 6.95% through the Fin+Tech accelerator (DM's direct stake of 18.61%)

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	FY 2022 sales/ Other KPI	2023 outlook
Aptus.AI	EUR 118K	EUR 124K	EUR 133K	EUR 170K	EUR 950K
Auting	EUR 19K	EUR 29K	EUR 84K	EUR 810K brokered (c. EUR 250K est. revs)	na
aWorld	Launch sept 2020	EUR 53K	EUR 475K (o/w EUR 110K in H1, EUR 365K in H2) >250K users, 40 partners	EUR 1.05m	na
BikeRoom	Founded in 2019	EUR 173K	EUR 600K; 8K registered users, 350 clients	EUR 2.3m (vs. EUR 2m target); 35k registered users, 595 clients	EUR 4m
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	(Gross) EUR 5.2m, Net EUR 2.3m; premia EUR 47m since inception	na
Criptalia (Evenfi)	nm	EUR 107K Collection EUR 2.3m	EUR 500K Collection EUR 15m	EUR 500k (vs. EUR 1.5m target)	EUR 1m
HiNelson	EUR 495K	EUR 1.0m	EUR 1.5m	EUR 2.4m (o/w EUR 1.45m in H1 22)	na
Irreo	Founded in 2019	nm	EUR 2K	c. EUR 25K	na
Macingo	EUR 1.16m	EUR 1.6m	EUR 2.6m	EUR 2.9m (vs. EUR 3.3m target)	na
Mare Engineering	Sales EUR 15.8m, EBITDA 6.0m	Sales EUR 17.5m, EBITDA EUR 6.8m	Sales EUR 24m, EBITDA EUR 7.1m PF sales EUR 32m	Sales EUR 39m (vs. EUR 50m target)	na
nCore	EUR 300K	EUR 446K	EUR 600K	EUR 800K	na
Smace	Founded in 2020	Founded in 2020	EUR 26K	EUR 360K	na
Talent Garden	EUR 16.7m	EUR 13.7m	EUR 15.7m EUR 34.3m incl. Hyper Island	EUR 40m (including Hyper Island)	EUR 50m (including Hyper Island)
Viceversa	Founded in 2021	Founded in 2021	Founded in 2021	EUR 1.2m annual recurring revenue EUR 689K	na
ViteSicure	EUR 15.8K	EUR 96.7K	EUR 301K Avg. premium EUR 321 Avg. commission EUR 160 (first year), EUR 63	Avg. premium EUR 351 Avg. commission EUR 174 (first year), EUR 68	na

Source: CERVED, Company data, Banca Akros estimates



We note that, compared with the latest information (October 2022) **Bikeroom** managed to beat the FY 2022 revenue target of EUR 2m (which had been previously raised from EUR 1.6m) and closed with EUR 2.3m turnover. The FY 2023 revenue target is EUR 4m.

Evenfi/Criptalia's revenues were disappointing, as they reached EUR 500K (substantially flat Y/Y) compared with a target of EUR 1.5m. The revenue profile is now more conservative, and the company expects to reach EUR 1m in revenues in FY 2023.

Talent Garden missed expectations as well (revenues of EUR 40m in FY 2022), while the original EUR 50m revenue target was postponed to FY 23.

Among the other companies, the logistics platform **Macingo** closed with EUR 2.9m in revenues (vs. expectations of EUR 3.3m) and **Mare Group** reached EUR 39m proforma consolidated revenues (vs. an original target of EUR 50m).



New companies in portfolio highlights

Aptus.AI

Aptus.AI is a start-up that develops solutions to support humans in the understanding of legal documents and regulation. Going into depth, Aptus.AI has developed a proprietary AI-based technology that generates an electronic and a machine-readable layout of legal documents, performing an automated analysis and enabling users to search through documents. For the time being, the software is focused on Italian and European financial regulation and is distributed through a SaaS platform ("Daitomic"), which improves the financial institutions' grasp on the regulation and provides them with real-time impact analysis on internal procedure that may arise from any changes in regulation.

The revenue model is a "seat-based" subscription model: each financial institution pays an annual fee for each seat of the SaaS platform Daitomic.

DM has an indirect stake through the Fin+Tech accelerator, which owns a 6.95% stake in the start-up's share capital. DM's investment was EUR 37.5K in H2 2022 within a EUR 200K round entirely based on equity-like convertible bonds. The company also has an ongoing EUR 3m round for an undisclosed pre-money value.

The company booked EUR 170K in revenues with a 180% Y/Y increase in users. For 2023, the company estimates to reach EUR 950K in revenues and increase paying users by 500%.

The market opportunities are mainly driven by the increasing costs linked to the implementation of regulation changes and fines due to the non-compliance. Indeed, financial institutions have been fined a cumulated USD 342bn in the last 10 years as they failed to comply with regulation, while costs to implement regulation changes have surged by 500%. The company estimates that the total SAM at the European level is worth c. EUR 116bn.

Auting

Auting is the first P2P car-sharing player in Italy. The company matches the drivers' need for a car (for one day or more) and owners' idle vehicles. The company claims that drivers can have cheaper and simpler service compared with a traditional car rental. Along with an app, Auting also provides users with insurance policies, through an ad-hoc contract created by Reale Mutua Assicurazioni, which has also been shareholder of the company since September 2018. In 2021, Auting launched a new service, Auting Connect, which simplifies the drivers' access to cars and no longer requires drivers and owners to meet each other at the start and the end of the trip. The app is also ready to be integrated into other suppliers' digital services. The main cities covered include Milan, Rome, Turin, Bologna, Florence, Bari, Palermo, Catania, Cagliari, Olbia and Alghero.

Auting's revenues come from a "pay-per-use" model, as it charges a 33% fee on the price paid by the driver.

DM has an indirect stake through the Magic Spectrum accelerator. DM's investment was EUR 33.8K in H2 2022 within a EUR 75K round entirely based on equity-like convertible bonds. The company has an ongoing round worth EUR 700K (and stretch goal of EUR 1m) through equity-like convertible bonds, of which EUR 600K already committed.

The company brokered EUR 810K in FY 2022 (3x vs. 2021), with 41K users and an average brokered amount of EUR 2.1K per car.

Auting's target market (short-term rental) is worth EUR 1.2bn at the Italian level and USD 86bn at the global level and is projected to grow at a 7% CAGR between 2022 and 2030.



Smace

Smace (“**Smart work in a smart place**”) was incorporated in December 2020 to provide a B2B solution for the management of the working spaces for companies that adopt homeworking. In particular, Smace enables companies to manage spaces beyond a company’s offices and workers’ houses, providing spaces for “remote-work teams”. Smace’s offer include two services: 1) Smace Meeting, which gives access to a network of meeting and conference rooms for a daily use; 2) Smace Offsite, an all-in-one solution that allows work teams to meet for longer events and includes accommodation.

Smace’s revenues are based on fees on the actual brokered amounts, while the subscription to the app is for free.

DM has an 10.85% stake in the company, after the last round worth EUR 260K concluded in June 2022 for an implied post-money valuation of EUR 1.66m. DM did not participate in the capital increase, thus diluting its stake from the original 12.11% it had at the end of FY 21 (EUR 115K, pointing at a 100% post-money value of EUR 0.95m). Other investors include the founders (Mr. Andrea Droghetti and Mrs. Marta Romero, with 35% each), other financial investors with an overall 12.15% and business angels with the remaining 7%.

In FY 2022, Smace booked EUR 360K in revenues as it sold 3,855 working days. It also boasts 1,762 new end-users, 150 new facilities and 37 new B2B customers.

Smace targets the growing demand for “hybrid working” and the new model of “office as a service”. The total SAM is estimated to be worth EUR 40bn in Europe and in the USA, based on c. 4m companies with an average ticket for Smace in the region of EUR 10K. Based on Istat data, there are nearly 3.9m potential customers in Italy, i.e. the workforce of companies with more than 250 employees.

Viceversa

Viceversa is a fintech company, supported by institutional investors, that focuses on financing for digital companies. Along with a revenue-based financing model (which provides loans with tickets from EUR 10K to EUR 5m within three days from the application), Viceversa’s platform provides data-based insights on the borrower’s business. In particular, Viceversa supports marketing and shipping activities, as well as the inventory management.

The main customers are companies operating through SaaS and subscription-based models, online retail and e-commerce channels and marketplaces. Viceversa has already funded 87 customers and partners in 6 countries and boasts an available commitment of EUR 100m.

DM has a 9.13% stake in the company, after the Series A round worth EUR 10m closed in May 2023. The round was led by CDP Venture Capital (which owns a 11.22% stake), along with a number of co-investors such as Azimut Digitech Fund (Azimut Libera Impresa SGR), Kairos Ventures ESG One (Kairos Partners SGR), Italian Angels for Growth, Fabrick and Raffaele Terrone (founders of Scalapay) and Paolo Galvani (founder of Moneyfarm). The pre-money valuation was not disclosed. In November 2021, Viceversa closed a EUR 23m equity and debt round.



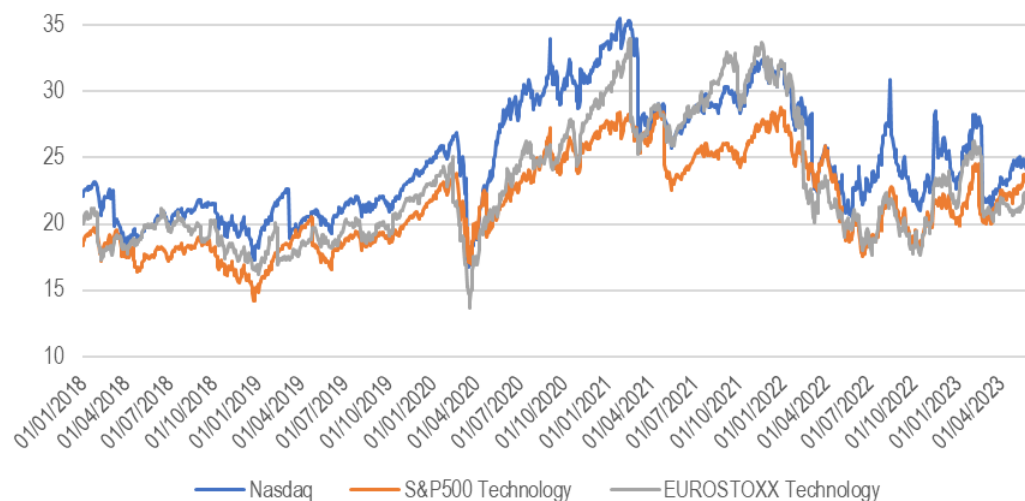
Tech companies' multiples and estimates upgraded since October 2022

After the market minimum recorded in late-2022, triggered by the pessimistic view on inflationary pressures and weakening economic trends, technological indices rebounded on the back of a re-rating of market multiples and more optimistic earnings estimates.

Compared with our latest update (October 2022), Nasdaq grew by 25%, while S&P and Eurostoxx Technology increased by over 40%. YTD, they all stand c.30/35% higher. The aggregate P/E ratio rebounded as well, ranging from +7% of the Eurostoxx Technology to +20% of the S&P 500 Technology since the beginning of 2023 (compared with a substantially unchanged multiple of the corresponding general indices).

We also note that the aggregate EPS estimates increased by 9% (Nasdaq) to 18% (Eurostoxx Technology) since the beginning of the year, once again outpacing the general indices significantly (low/mid-single digit increases).

Forward P/E ratio 2018/2023



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 52.2m, nearly 5% lower than Deloitte's assessment**, as we took a slightly more conservative view.

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).

Our SotP points to a NAV of EUR 5.2/sh, c.4% lower than our previous assessment (EUR 5.4/sh). As a reminder, we had already trimmed the fair value of the stake in Hyperloop by EUR 5m (or 0.4/sh) after the aborted business combination with Forest Road Acquisition (see our comment on March 22, 2023). Our latest revision (EUR 0.2/sh) was due to the lower net cash position, while new investments, updated post-money valuations and write-downs basically offset each other.

We also note that the relative weight of the main holdings and the three main clusters has changed towards a more balanced mix. Hyperloop now accounts for 20% of the portfolio GAV (vs. 27% in our previous run), while the Fintech cluster increased its share from 12% to 16%.

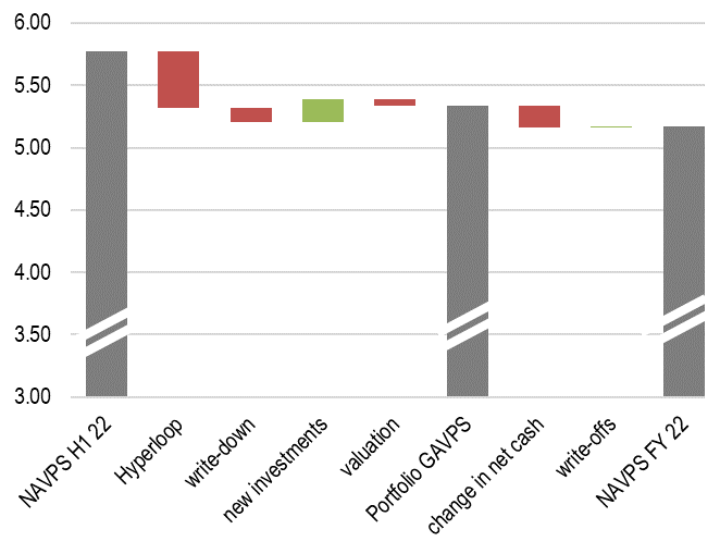
Digital Magics Akros SotP valuation

EURm	Jun 2022	Dec 2022	Notes	Impact on NAV
Hyperloop	15.25*	10.30	Stable 100% post-money value (EUR 485m), with DM's dilution from 3.14% to 2.12%	-4.95m
Talent Garden	8.00	8.00		
MarTech	7.81	7.25		-0.56m
FinTech	6.64	8.29	higher post-money valuation for Growishpay, lower for Prestiamoci, analytical valuation for Viceversa, lower post-money valuation for Crialia	+0.09m -0.96m +2.10m -0.11m
Enterprise SW / Logistics / FoodTech	6.02	5.56	higher post-money valuation for Macingo, liquidation of Quomi	+0.10m -0.56m
Other holdings	13.20	12.77	new investments divestments and reclassifications	+2.18m -2.62m
Portfolio Gross Asset Value	56.9	52.2		-4.76m
Consultancy business	5.50	5.50	Open Innovation business valued at 1.5x sales	
Write-offs	-3.30	-3.20	c. 25% of Other holdings' value	
Net cash (debt)	4.99	3.04		-1.95m
NAV	64.1	57.5		-6.59m
NOSH	11,004	11,004		
NAV per share	5.8	5.2		

Source: Banca Akros estimates (*) The fair value at the end of June 2022 did not include our EUR 5m cut after the aborted business combination with Forest Road Acquisition.



NAV per share estimate: change Dec-22 vs. Jun-22



Source: Banca Akros

**Digital Magics: Summary tables**

PROFIT & LOSS (EURm)	2022	2023
Revenues	4.9	2.9
Non Recurrent Items	0.0	0.0
Net Profit (reported)	-1.2	-2.0
BALANCE SHEET (EURm)		
Shareholders Equity	23.1	21.1
Minorities equity	0.0	0.0
Net Debt	-3.0	2.8
NAV Constituents & Total NAV (EURm)		
NAV unlisted companies	56.9	52.2
Consultancy business	5.5	5.5
Write Offs	-3.3	-3.2
Net Financial position	5.0	3.0
Total Net Asset Value	64.1	57.5
Discount/(Premium) to NAV	0.0%	0.0%
Listed shareholdings on NAV	0.0%	0.0%
OTHER ITEMS (EURm)		
Total Market Cap	36.2	33.6
Debt / Equity	-13.2%	13.2%
Payout Ratio	0.0%	0.0%
P/BV	1.6	1.6
Dividend Yield (Gross)	0.0%	0.0%
PER SHARE DATA (EUR)		
EPS (reported)	-0.108	-0.180
NAVPS	5.826	5.226
BVPS	2.098	1.919
DPS	0.000	0.000

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

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



Mapfre	GVC	Tf1	CIC	Nos	CBI	Volitalia	CIC
Net Insurance	BAK	Universal Music Group	CIC	Orange	CIC		
Revo Insurance	BAK	Vivendi	CIC	Parlem Telecom	GVC		
Unipolsai	BAK	Vocento	GVC	Telecom Italia	BAK		
Materials, Construction	Mem(*)	Personal Care, Drug & Grocery S	Mem(*)	Telefonica	GVC		
Abp Nocivelli	BAK	Bic	CIC	Tiscali	BAK		
Acs	GVC	Carrefour	CIC	Unidata	BAK		
Aena	GVC	Casino	CIC	Vodafone	BAK		
Buzzi Unicem	BAK	Jeronimo Martins	CBI	Travel & Leisure	Mem(*)		
Cementir	BAK	Marr	BAK	Accor	CIC		
Cementos Molins	GVC	Sonae	CBI	Autogrill	BAK		
Crh	CIC	Unilever	CIC	Compagnie Des Alpes	CIC		
Eiffage	CIC	Winfarm	CIC	Edreams Odigeo	GVC		
Fcc	GVC	Real Estate	Mem(*)	Elior	CIC		
Ferrovial	GVC	Igd	BAK	Fdj	CIC		
Groupe Adp	CIC	Inmobiliaria Colonial	GVC	Groupe Partouche	IAC		
Groupe Poujoulat	CIC	Inversa Prime	GVC	Hunyvers	CIC		
Groupe Sfp S.A.	CIC	Lar España	GVC	I Grandi Viaggi	BAK		
Heidelberg Cement	CIC	Merlin Properties	GVC	Ibersol	CBI		
Herige	CIC	Realia	GVC	Int. Airlines Group	GVC		
Holcim	CIC	Retail	Mem(*)	Melia Hotels International	GVC		
Imerys	CIC	Aramis Group	CIC	Nh Hotel Group	GVC		
Maire Tecnimont	BAK	Burberry	CIC	Pierre Et Vacances	CIC		
Mota Engil	CBI	Fnac Darty	CIC	Sodexo	CIC		
Obrascon Huarte Lain	GVC	Inditex	GVC	Utilities	Mem(*)		
Sacyr	GVC	Unieuro	BAK	A2A	BAK		
Saint-Gobain	CIC	Technology	Mem(*)	Acciona	GVC		
Sergeferrari Group	CIC	Agile Content	GVC	Acea	BAK		
Sika	CIC	Amawave	BAK	Alerion Clean Power	BAK		
Spie	CIC	Alten	CIC	Audax	GVC		
Tarkett	CIC	Amadeus	GVC	Derichebourg	CIC		
Thermador Groupe	CIC	Atos	CIC	Edf	CIC		
Vicat	CIC	Axway Software	CIC	Edp	CBI		
Vinci	CIC	Capgemini	CIC	Enagas	GVC		
Webuild	BAK	Dassault Systemes	CIC	Encavis Ag	CIC		
Media	Mem(*)	Digital Value	BAK	Endesa	GVC		
Arnoldo Mondadori Editore	BAK	Esi Group	CIC	Enel	BAK		
Atresmedia	GVC	Exprivia	BAK	Engie	CIC		
Believe	CIC	Gigas Hosting	GVC	E-Pango	CIC		
Cairo Communication	BAK	Indra Sistemas	GVC	Erg	BAK		
Deezer	CIC	Izertis	GVC	Greenvolt	CBI		
Digital Bros	BAK	Lleida.Net	GVC	Hera	BAK		
Fill Up Media	CIC	Memscap	IAC	Holaluz	GVC		
Gl Events	CIC	Neurones	CIC	Iberdrola	GVC		
Il Sole 24 Ore	BAK	Ovhcloud	CIC	Iren	BAK		
Ipsos	CIC	Reply	BAK	Italgas	BAK		
Jcdecoux	CIC	Sii	CIC	Naturgy	GVC		
Lagardere	CIC	Sopra Steria Group	CIC	Opdenenergy	GVC		
M6	CIC	Spindox	BAK	Redeia	GVC		
Mediaset Espana	GVC	Stmicroelectronics	BAK	Ren	CBI		
Mfe-Mediaforeurope	BAK	Tier1 Technology	GVC	Seche Environnement	CIC		
Miogroup	GVC	Visiativ	CIC	Snam	BAK		
Nrj Group	CIC	Vogo	CIC	Solaria	GVC		
Prisa	GVC	Telecommunications	Mem(*)	Solarprofit	GVC		
Publicis	CIC	Bouygues	CIC	Terna	BAK		
Rcs Mediagroup	BAK	Ekinops	CIC	Veolia	CIC		

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as at 1 April 2023



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(**) excluding: strategists, macroeconomists, heads of research not covering specific stocks, credit analysts, technical analysts

Il presente documento è stato redatto da Andrea Devita e Gian Marco Gadini (soci AIAF) 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 16 June 2023, ore 08:39 italiane.**

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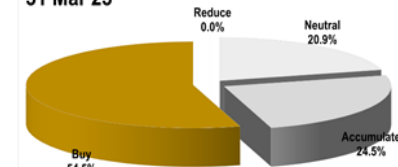
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Percentuale delle raccomandazioni al 31 marzo 2023

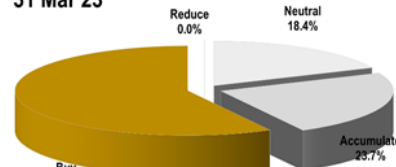
Tutte le raccomandazioni

31 Mar 23



Raccomandazioni su titoli in conflitto di interessi (*)

31 Mar 23



(*) Si informa che la percentuale degli emittenti in potenziale conflitto di interessi con Banca Akros è pari al 34.55% del totale degli emittenti oggetto di copertura

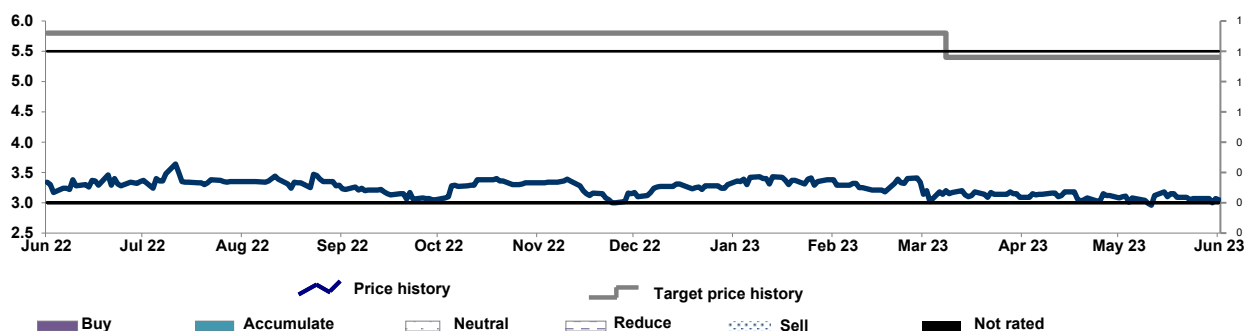
Recommendation history for DIGITAL MAGICS

Date	Recommendation	Target price	Price at change date
22-Mar-23	Buy	5.40	3.20
26-Oct-21	Buy	5.80	4.12
25-May-21	Buy	6.38	4.10

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 months
- **Accumulate:** the stock is expected to generate total return of **5% to 15%** during the next 12 months
- **Neutral:** the stock is expected to generate total return of **-5% to +5%** during the next 12 months
- **Reduce:** the stock is expected to generate total return of **-5% to -15%** during the next 12 months
- **Sell:** the stock is expected to generate total return **under -15%** during the next 12 months
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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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