

Digital Magics

Sponsored Research

Italy | Financial Services Holdings



Analysar

21 September 2023

Buy

Recommendation unchanged

Share price: EUR 2.76

closing price as of 20/09/2023

Target price: EUR 4.20

from Target Price: EUR 5.20

Upside/Downside Potential 52.2%

Reuters/Bloomberg

DMG.MI/DM IM

Market capitalisation (EURm) 30

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) 7.64

Price high/low 12 months 3.43 / 2.76

Abs Perfs 1/3/12 mths (%) -7.38/-9.80/-14.02

Estimated NAV breakdown (EURm)

NAV unlisted companies 39.4 85%

Consultancy business 5.5 12%

Write Offs -3.3 -7%

Net Financial position 5.0 11%

Total Net Asset Value 46.6 100%

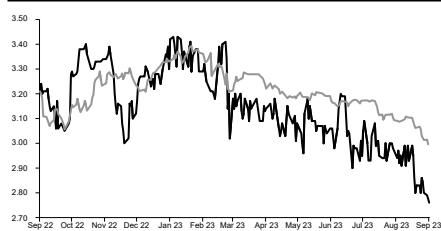
NAVPS (EUR) 4.236

Share price*: EUR 2.76

Discount/(Premium) to NAV 0.0%

Shareholders

StarTIP 23%; Innogest 6%;



Source: FactSet

DIGITAL MAGICS FTSE AIM Italia (Rebased)

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H1 23: Hyperloop stake prudentially written down

The facts: the company published its H1 2023 results yesterday. **TP down to EUR 4.2/sh.**

Our analysis: we summarize the main items of the publication.

EUR thousand	H1 2022	H2 2022	FY 2022	H1 23
Revenues	1,762	2,671	4,433	2,528
Value of Production	2,285	2,604	4,889	2,708
Labour cost	-456	-432	-888	-534
EBITDA	242	-82	160	37
EBIT	-32	-480	-512	-369
Write downs	-144	-1,632	-1,776	-1,465
Net Income	977	-2,164	-1,187	-1,713
Inv. in comp. portfolio	480	1,120	1,600	1,770
Net debt (cash)	-4,987	-3,041	-3,041	-2,060

Source: Company data

Revenues and EBITDA are not crucial in this business.

In H1 2023, DM invested EUR 1.77m in the company's portfolio and completed the exit from Plurima that generated a EUR 0.15m capital gain (for a 1.7x return in less than 3 years).

The current portfolio includes 145 operating companies (120 as at Dec 31, 2022, 99 as at Jun 30, 2022). DM invested in 27 new companies through the Fintech&Insurtech Accelerator, the Magic Spectrum, Magic Mind and HabiSmart acceleration programmes. Overall, the portfolio companies raised EUR 18m in funds (10x vs. DM's investment), including an EUR 10m round launched by Viceversa, partly subscribed by DM and Intesa Sanpaolo's JV Apside.

The net cash position was EUR 2m at the end of H1 23, after the abovementioned investments and divestments, and an approx. EUR 0.5m decrease in working capital (mainly receivables owed by the portfolio companies). The gross cash available was c. EUR 5m at the end of H1 22.

DM reported that the value of the company's portfolio, stood at EUR 42m, compared with a EUR 55m value at the end of Dec 2021 and a book value of EUR 14.3m. DM explained that the impact mainly refers to the valuation of the Hyperloop stake, which was written down to the BV of EUR 0.35m (from the previous 12m) following the aborted business combination with Forest Road Acquisition Corp. II. The company noted that HTT continues to invest (it won a EUR 800m tender by Regione Veneto with Leonardo and Webuild in May 2023) and on Aug 30, 2023 entered into a non-binding letter of intent with the US-based SPAC Fusion Acquisition Corp. II aimed at close a merger by the end of 2023.

Conclusion & Action: given the lack of visibility on Hyperloop's results and the odds of a business combination, we have aligned our valuation of the HTT stake to the company's BV. We trimmed HTT value in our SotP by c. EUR 10m, with an impact of c. EUR 1/sh. **TP down to EUR 4.2/sh.**