

# Digital Magics

Sponsored Research

Italy | Financial Services Holdings



Analysar

22 September 2023

## Buy

Recommendation unchanged

Share price: EUR 2.81

closing price as of 21/09/2023

Target price: EUR 4.20

from Target Price: EUR 5.20

Upside/Downside Potential 49.5%

Reuters/Bloomberg

DMG.MI/DM IM

Market capitalisation (EURm) 31

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) 31.92

Price high/low 12 months 3.43 / 2.76

Abs Perfs 1/3/12 mths (%) -4.42/-8.17/-13.27

### 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%

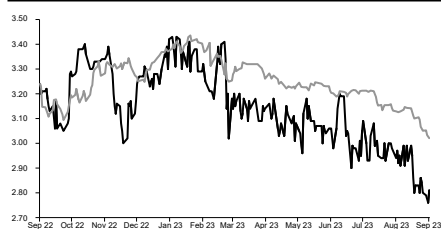
NAVPS (EUR) 4.236

Share price\*: EUR 2.81

Discount/(Premium) to NAV 0.0%

### Shareholders

StarTIP 23%; Innogest 6%;



Source: FactSet

DIGITAL MAGICS

FTSE AIM Italia (Rebased)

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## Investor presentation of merger with LVenture

**The facts:** DM presented the merger with LVenture (LVG) to investors yesterday.

**Our analysis:** DM and LGV first announced the merger on June 28. Yesterday's joint presentation emphasised the creation of a leading incubator and accelerator at the Italian level, which, along with an appropriate financial structure, a high free float and adequate legal tools, aims at drawing the attention of international investors.

The combined entity would boast 13 investment vehicles and 236 start-ups (o/w 100 from LVG and 136 from DM), for an aggregated fair value of approx. EUR 70m (data as at June 30, 2023).

The management expect significant synergies from the combination: 1) in revenues, thanks to the joint effort in the Innovation & Open Innovation fields; 2) in investments, since DM and LVG have similar investment approaches and the respective portfolios marginally overlap (particularly in terms of verticals), while similar companies may cooperate or merge to gain size; 3) in costs, mainly thanks to a shared cost base which that could be saturated more effectively.

The DM-LVG combined entity will focus on pre-seed and seed/pre-series A round, covering a specific step of the "venture capital value chain" that ranges from the "activation" (in universities and dedicated hubs) to the Series B/C/D which would be covered through StarTIP and eventually to the IPO or trade sale supported by TIP.

DM is committed to pursue its investment approach, which is currently based on 8 acceleration programs (6 of which with dedicated vehicles), with an approx. EUR 20m firepower on top of the EUR 10m already invested.

DM and LVG also aim at accelerating exits, as c. 10/15% of the companies are deemed ready.

The management expect to close the business combination by January/February 2024 and to present a 2024/28 business plan thereafter. They confirmed the 63/37% ratio between DM and LVG and pointed at the over 56% free float that the combined entity will have, based on the current shareholder structure.

**Conclusion & Action:** we believe that the aggregation has a solid rationale and may be a trigger for DM's equity story. As regards valuation, we note that the fair value of DM's investment portfolio as at June 30, 2023 (EUR 42m and further EUR 2m in net cash) is in line with the ratio of the merger. The valuation includes the write-off of the Hyperloop stake, which we believe is a prudent choice although DM is actively pursuing new ways to better monetise its investment.