



## OUTPERFORM

Current Share Price (€): 1.30

Target Price (€): 2.15

### DigiTouch – 15M Performance



Source: S&P Capital IQ - Note: 03/02/2020=100

### Company data

ISIN number	IT0005089476
Bloomberg code	DGT IM
Reuters code	DGT.MI
Industry	Digital Advertising
Stock market	AIM Italia
Share Price (€)	1.30
Date of Price	12/05/2021
Shares Outstanding (m)	13.9
Market Cap (€m)	18.0
Market Float (%)	57.1%
Daily Volume	18,000
Avg Daily Volume YTD	53,322
Target Price (€)	2.15
Upside (%)	66%
Recommendation	OUTPERFORM

### Share price performance

	1M	3M	1Y
DigiTouch - Absolute (%)	-1%	-4%	14%
FTSE AIM Italia (%)	4%	15%	35%
1Y Range H/L (€)	1.42	1.02	
YTD Change (€) / %	0.08	6%	

Source: S&P Capital IQ

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## Evolution as Cloud Marketing provider, sound financial performance during market turmoil and revenue standby

### FY20: profitability and cash flow up despite revenue down, advance on roadmap

DigiTouch offer diversification has paid back facing the heavy 2020 market drop by offsetting client advertising budgets cuts. Revenues were € 33.5m, slightly under our last estimate and 13% decrease YoY, facing a 30% down advertising market. Cost efficiencies worked and EBITDA was same of 2019 at €5.4m (nearly 17% margin, vs 14% in 2019) matching our last estimates, thanks to the better margins of changing revenue mix. EBITA and Net Income before goodwill amortization would respectively be ca. €2.7m and €1.7m. Cash flow before investments was €3m and Net Financial Debt was down to €2m, 35% of EBITDA. TWC increased to 16% of revenues vs 10% in 2019, from €3.7m as of year-end 2019 to €2.4m. Capital expenditure was €4.5m.

### Cloud E-Commerce solutions added to digital marketing transformation

After Conversion-Nextmove in 2020, the 2021 planned acquisition of Ondeal, a marketplace strategy designer and management outsourcer, is a further step to complete the integrated services offer reshape into 3 specialized BUs. The evolution as digital platform offering digital marketing, digital transformation and e-commerce has been effective since 2020 in reducing risk and building opportunities. Proven by the over 60% growth (€4m) of Data Services sales counteracting advertising market 30% slowdown.

### Outlook: Value building leveraging on Technology and E-commerce as drivers

DigiTouch through its diversification into specialist BUs services and recent M&A investments is adding innovation to the specialization. By entering high growth-high value clusters as a cloud marketing player, management expects revenue and value building at a faster pace.

### Underlying discount to peers - Target Price 2.15€ per share and OUTPERFORM recommendation confirmed

In view of including a SOP-Sum of the Parts valuation we added selected digital clusters market multiples analysis to our valuation criteria, indicating underlying discounts vs our recurring cash flow model. DCF applied to our estimates, updated to incorporate 2020A main changes and maintained slightly conservative vs management guidelines, yields a target price of €2.15 per share. With a potential upside of 66% on the current share price at €1.30, we confirm the OUTPERFORM rating on DigiTouch's stock.

### Key financials & Ratios

€m	2018A	2019A	2020A	2021E	2022E	2023E
<b>Revenues</b>	<b>30.6</b>	<b>37.2</b>	<b>32.2</b>	<b>39.0</b>	<b>42.2</b>	<b>46.0</b>
<b>Adjusted EBITDA</b>	<b>4.9</b>	<b>5.8</b>	<b>5.7</b>	<b>6.4</b>	<b>7.2</b>	<b>8.4</b>
<i>Margin</i>	<i>16.0%</i>	<i>15.5%</i>	<i>17.8%</i>	<i>16.3%</i>	<i>17.2%</i>	<i>18.2%</i>
<b>Net Income</b>	<b>0.3</b>	<b>0.8</b>	<b>0.1</b>	<b>0.6</b>	<b>0.8</b>	<b>1.2</b>
<b>Net (Debt) Cash</b>	<b>(1.5)</b>	<b>(2.5)</b>	<b>(2.3)</b>	<b>(1.4)</b>	<b>2.0</b>	<b>6.2</b>
<b>Key ratios</b>	<b>2018A</b>	<b>2019A</b>	<b>2020A</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
ROIC (NOPAT/Invested Capital)	5%	7%	4%	5%	8%	13%
Revenue per Employee (€k)	249	171	118	132	136	141
Net Debt / EBITDA	0.3x	0.4x	0.4x	0.2x	cash	cash
FCF / EBITDA	-34%	-5%	6%	19%	48%	53%

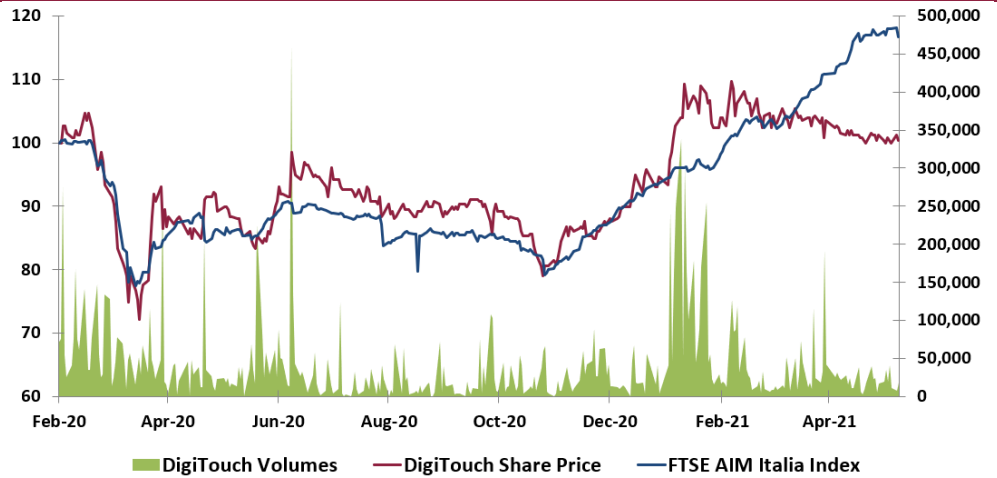
Source: Company data 2017-20A, EnVent Research 2021-23E

## Market update

**15M price performance:**  
DigiTouch +0.4%  
vs +16.7% of AIM Italia Index

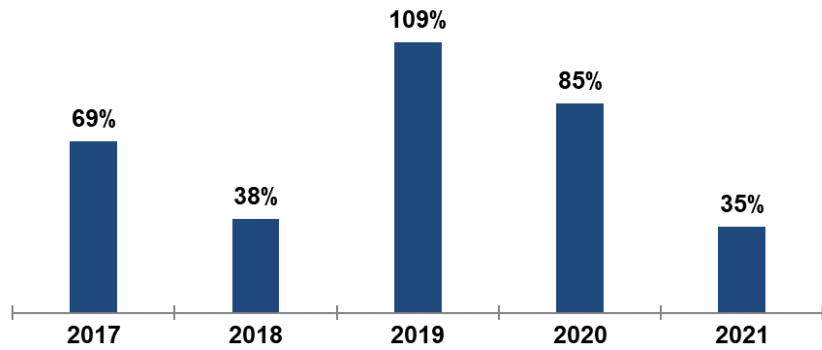
DigiTouch's shares in the last 15 months traded in the range €0.93-1.42, with beginning price €1.29 and ending €1.30

### DigiTouch - Share price performance and trading volumes



Source: EnVent Research on S&P Capital IQ - Note: 03/02/2020=100

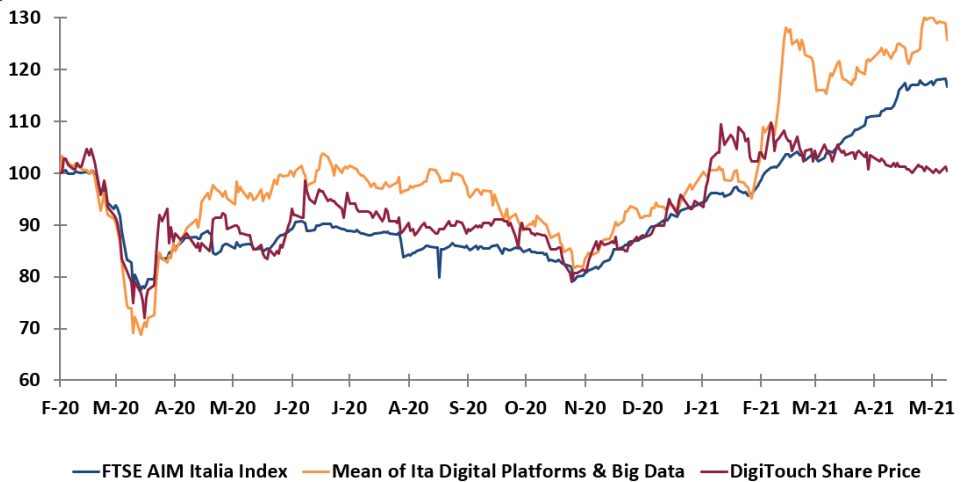
### DigiTouch - Liquidity analysis and velocity turnover



Source: EnVent Research on S&P Capital IQ - Note: The velocity turnover is the ratio of total traded shares to total ordinary shares in a given period

### Peer group – 15M Market performance

DigiTouch aligned during 2020 to AIM Italia and Italian Digital Platforms & Big Data indexes, underperforming in 2021 to date



Source: EnVent Research on S&P Capital IQ - Note: 03/02/2020=100

## **Increase in margins with lower revenues, limited impact on working capital, financial debt down**

In FY20 revenues decreased by 14% YoY to €33.5m, slightly under our estimates. Sales were €31.3m, made by:

- Advertising Services: €13.5m (€20.5m in 2019) -34%
- Marketing Services: €7.8m (€9.3m in 2019) -16%
- Data Services: €9.9m (€6.0m in 2019) +66%

According to management, the reference market recorded a decline of about 30%, concentrated in the media advertising segment, because of lower investments by clients challenged by the pandemic impact on consumers. Conversely the substantial increase of digital services counterbalanced the advertising services reduction, also sustained by the rising market trend which had a robust general growth.

Operating cost on revenues decreased from 65% in 2019 to 52% in 2020 thanks to expense control and changing revenue mix, which accounts for less low margin media supplies related to advertising projects.

EBITDA was the same of 2019 at €5.4m (16.7% margin, vs 14.5% in 2019). EBITDA adjusted as to non-recurring costs would be €5.7m (17.8% margin).

EBIT was €1.0m, vs. €1.7m in FY19, due to the increase in amortization of intangible assets related to innovation projects and acquisition goodwill. Net income at breakeven, €0.1m. Goodwill amortization of €1.7m would result under different accounting principles in an as much overall higher EBIT and Net income.

TWC increased to €5.2m, 16.3% of revenues vs 10% on 2019, mostly for higher receivable days outstanding, only partially offset by payables. Capital expenditure was €4.5m, of which €2.0m for internal development of new and existing products and €0.7m for the acquisition of the Rome office. The remaining capex is related to the Conversion-Nextmove investment.

Net financial debt as of year-end 2020 was €2.0m, from €2.5m in 2019.

Dividend distribution of €0,01 per share on 29<sup>th</sup> of June 2021. Minorities €1.7m.

Apart the effects of period Capex, most actual indicators were consistent with our last estimates.

**Normalized EBIT and Net Income would be adjusted by €1.7m goodwill amortization**

## **Business update: E-commerce and 3 Tech BUs**

In June 2020 DigiTouch announced Conversion-Nextmove, specialized in omni-channel marketing and digital interface, joining the Group. Through the integration of their organization and service lines, DigiTouch has expanded its tech-oriented profile and added a pillar to the reshape as Digital Marketing specialist.

In March 2021, DigiTouch has announced its next acquisition commitment to expand its e-commerce leg: Onddeal, whose services are client support to e-commerce operations, including design and management of proprietary platforms.

**Buyback program**

**Share buyback program (until 4<sup>th</sup> November 2021)**

A buyback plan has been announced up to 20% of the capital stock for a maximum value of €0.7m. Shares acquired at year end 2020 were worth 1.2% of capital stock.

**Cloud Marketing Company**

**Offer evolution: digital marketing services rationale and key assumptions**

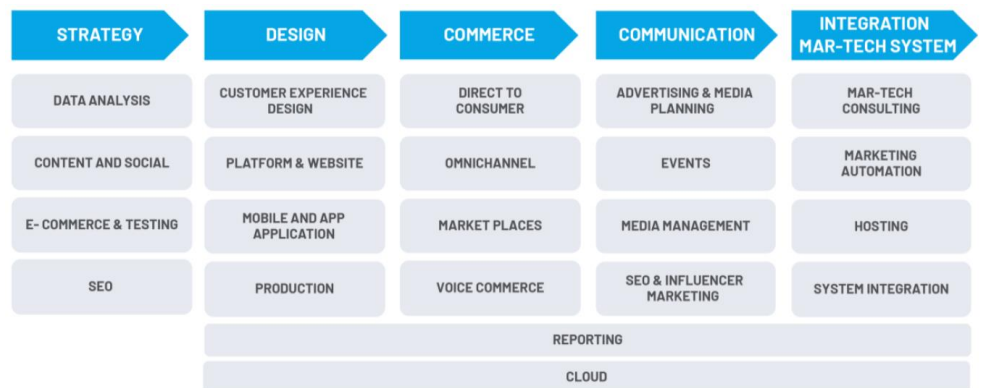
DigiTouch has evolved over the years as provider of technology and solutions for the digital transformation and management of the marketing function of its clients. The integrated service offering encompasses the key steps of the digital transformation process of the marketing and sales area, starting from the technological infrastructure in cloud to move on to data management services. Digital transformation involves website, social media, automation tools, analytics platforms, and customer database.

**Digital transformation of businesses**

We note that as all businesses become more data-driven need to be reorganized to react and adapt to market change, IT consulting services are moving to the key pillars of digital transformation as Cloud Computing, Big Data and Analytics, Mobility and Social Business. To undertake a digital transformation, companies need to acquire state-of-the-art technology and a strategy in place for the long-term.

**Service value chain**

DigiTouch is redesigning its technological and marketing offer to respond to those evolving market needs. The service structure along the entire cloud marketing chain is:



Source: Company presentation (April 2021)

**Dedicated synergic Business Units**

**Dedicated specialized Business Units (BUs)**

DigiTouch is evolving towards a synergic business model with 3 BUs concurring to create value for clients by an integrated approach:

Technology Services	E-commerce Services	Marketing Services
<ul style="list-style-type: none"> <li>• Data analysis &amp; insight</li> <li>• Business analytics &amp; predictive models</li> <li>• Data science &amp; machine learning</li> <li>• Mar-Tech system integration</li> <li>• Marketing Automation</li> <li>• Business Process Automation</li> </ul>	<ul style="list-style-type: none"> <li>• E-commerce solutions</li> <li>• Interface development</li> <li>• Experience Design</li> <li>• Cloud Solutions</li> </ul>	<ul style="list-style-type: none"> <li>• Omnichannel marketing</li> <li>• Content &amp; Creativity</li> <li>• Tracking</li> <li>• SEO &amp; CRO</li> <li>• Special projects</li> <li>• Digital event platform</li> </ul>

Source: Company presentation (April 2021)

Provider teams/companies are:

- Technology – Optimized Group, Meware, Purple Ocean
- E-commerce - Nextmove, (*Ondeal*)
- Marketing - Performedia, BackOffice, E3, Conversion

**Competition landscape**

DigiTouch competes with other consultancy players groups through a mix of consulting, marketing and tech competences. DigiTouch claims to be more flexible in delivering some customized projects at more scalable conditions. The prospective competition landscape may be segmented by BU specialization:

- **Technology Services:** a populated and diversified landscape including Infrastructure IT, Cloud, Data management and Cybersecurity companies.
- **E-commerce Services:** the competition may include dedicated operators and consultants.
- **Marketing Services:** companies dedicated to online advertising and marketing innovation consultants.

**Outlook: the path is clear and promising, speed is a must**

**Impact of the pandemic on digital advertising market**

During the pandemic months, businesses quickly moved online not just their workforce but their services and a higher portion of their advertising. While digital advertising was not immune to the reduction in adspend at the start of the pandemic, brands quickly began to reinvest on digital platforms to maintain a relationship with consumers. In any case, advertising grew by almost 4% in 2020 YoY according to a Nielsen analysis made with BIScience.

In 2021, this change could be even more significant. GroupM estimates that digital advertising will account for 55% of adspend in 2021. (Source: Nielsen Insight) According to Mordor Intelligence research summary, “the cloud advertising market was valued at \$166.99Bn in 2020 and is expected to reach a value of \$397.02Bn by 2026 at a CAGR of 15.7%”. Moreover: “[...] increasing commercial application and growth of internet users worldwide, shape the evolution of cloud advertising through different forms of digital advertising and enhance the advertising business models [...] e-commerce giants, such as Amazon, have integrated the cloud service into their business models, which are based on cloud marketing [...].”

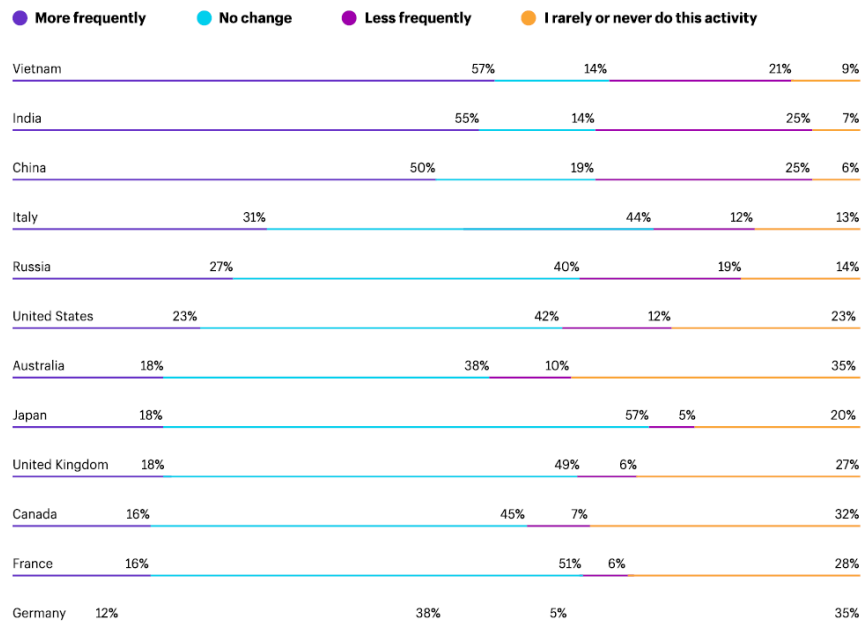
**E-commerce is at an all-time high**

According to a Shopify’s study, “the pandemic has left an enduring mark on the consumer landscape. Years of change have happened in weeks: offline spending shifted online.”

Consumer has gone online due to lockdowns, travel bans and store closures. All retailers have had to adapt to a new form of sale, not all newcomers to the e-commerce industry had the right infrastructure to offer a global customer experience.

“Nearly 150 million people shopped online for the first time in the pandemic, and the number of ecommerce buyers will only continue to rise.” (Source: Shopify study).

**Change in ecommerce usage to purchase products normally bought in store due to COVID-19 worldwide as of March 15, 2020, by country**



Source: Shopify’s study on Statista data

According to eMarketer, in 2020, the retail ecommerce sales increased at 16.9% YoY in Europe. In Italy, Statista predicts that the retail e-commerce sales CAGR forecast from 2020 to 2024 will be 7.6%.

The Italian Digitouch's reference market is estimated by internal management

analyses to be approximately € 4.9 billion, made up of three main dimensions:

- digital marketing services in omnichannel mode (€ 1.8 billion)
- software solutions for data management marketing analytics (€ 1.3 billion)
- system integration and hosting services (€ 1.8 billion)

### Market spending keeps rising

Digital marketing and e-commerce fuel total spending on digital media, outpacing other channels. A trend is expected to continue with a worldwide spending CAGR 2019-24 of 11%, according to BCG analysis on emarketer.com

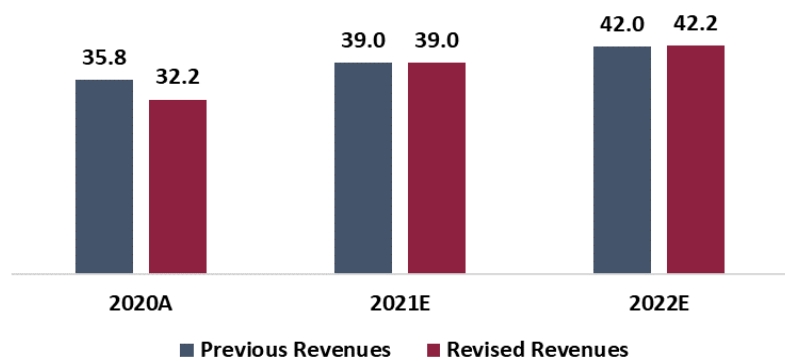
### Estimates revision

FY20 actual figures have been close to our estimates, especially revenues, cash flow and profitability. The FY20 change of revenue mix and increasing operating profit despite drop in revenue gives confidence and confirms our view about operational and organic growth objectives as just delayed. Thus, we are maintaining our estimates for FY21-22, with just some fine tuning to factor in FY20 actual figures. We added FY23 to the projection.

Management updated guidelines for FY21 envisage revenues at €40m or more, and EBITDA range €6.2m-€6.5m, consistent with our last 2 updates estimates.

### Change in estimates

#### Revenues (€m) - Previous vs. Revised estimates



Source: EnVent Research

€m	2020A	2021E	2022E	2023E	2020E	2021E	2022E	2023E	2020A	2021E	2022E
<b>Revenues</b>	32.2	39.0	42.2	46.0	35.8	39.0	42.0	na	-10%	0%	0%
<b>EBITDA</b>	5.7	6.4	7.2	8.4	5.3	6.2	6.8	na	8%	3%	7%
<b>Margin</b>	18%	16%	17%	18%	15%	16%	16%				
<b>EBIT</b>	1.0	1.3	1.7	2.3	1.2	1.7	2.0	na	-13%	-28%	-15%
<b>Margin</b>	3%	3%	4%	5%	3%	4%	5%				
<b>Net Income</b>	0.1	0.6	0.8	1.2	0.4	0.8	0.9	na	-84%	-27%	-11%
<b>Net (Debt) Cash</b>	(2.3)	(1.4)	2.0	6.2	(1.3)	1.0	4.1	na			
<b>Net Debt / EBITDA</b>	0.4x	0.2x	cash	cash	0.2x	n.m.	n.m.				

Source: EnVent Research

## Financial projections

### Consolidated Profit and Loss

€m	2018A	2019A	2020A	2021E	2022E	2023E
Revenues	29.9	35.8	31.3	39.0	42.2	46.0
Other income	0.7	1.4	0.9	0.0	0.0	0.0
<b>Total Revenues</b>	<b>30.6</b>	<b>37.2</b>	<b>32.2</b>	<b>39.0</b>	<b>42.2</b>	<b>46.0</b>
YoY %	11.0%	21.4%	-13.5%	21.3%	8.1%	9.0%
Operating costs	(21.3)	(24.1)	(16.5)	(21.5)	(23.2)	(25.3)
Personnel	(4.4)	(7.3)	(10.0)	(11.2)	(11.7)	(12.3)
<b>Adjusted EBITDA</b>	<b>4.9</b>	<b>5.8</b>	<b>5.7</b>	<b>6.4</b>	<b>7.2</b>	<b>8.4</b>
Margin	16.0%	15.5%	17.8%	16.3%	17.2%	18.2%
Non-recurring costs	(0.4)	(0.4)	(0.3)	(0.3)	(0.3)	(0.3)
<b>EBITDA</b>	<b>4.5</b>	<b>5.4</b>	<b>5.4</b>	<b>6.0</b>	<b>6.9</b>	<b>8.0</b>
Margin	14.7%	14.5%	16.7%	15.5%	16.4%	17.5%
D&A	(2.5)	(2.9)	(3.5)	(3.9)	(4.4)	(4.8)
Provisions for risks and other charges	(0.9)	(0.7)	(0.8)	(0.8)	(0.8)	(0.8)
<b>EBIT</b>	<b>1.0</b>	<b>1.7</b>	<b>1.0</b>	<b>1.3</b>	<b>1.7</b>	<b>2.3</b>
Margin	3.4%	4.5%	3.2%	3.2%	4.0%	5.1%
Interest	(0.3)	(0.4)	(0.3)	(0.2)	(0.2)	(0.1)
Capital gain	0.0	0.0	0.0	0.0	0.0	0.0
Exchange gain (loss)	(0.0)	0.1	(0.0)	0.0	0.0	0.0
Write-down of investments	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBT</b>	<b>0.7</b>	<b>1.3</b>	<b>0.7</b>	<b>1.1</b>	<b>1.5</b>	<b>2.2</b>
Margin	2.3%	3.5%	2.1%	2.7%	3.6%	4.8%
Income taxes	(0.5)	(0.5)	(0.6)	(0.5)	(0.7)	(1.0)
<b>Net Income</b>	<b>0.3</b>	<b>0.8</b>	<b>0.1</b>	<b>0.6</b>	<b>0.8</b>	<b>1.2</b>
Margin	0.9%	2.1%	0.2%	1.5%	2.0%	2.7%

Source: Company data 2017-20A, EnVent Research 2021-23E

### Consolidated Balance Sheet

€m	2018A	2019A	2020A	2021E	2022E	2023E
Inventory	0.6	0.0	0.1	0.1	0.1	0.1
Trade receivables	12.1	14.4	14.6	17.0	16.9	16.9
Trade payables	(9.1)	(10.7)	(9.5)	(10.8)	(10.5)	(10.6)
Trade Working Capital	3.6	3.7	5.2	6.3	6.5	6.4
Other assets (liabilities)	(1.7)	(0.4)	(2.3)	(2.3)	(2.3)	(2.3)
<b>Net Working Capital</b>	<b>1.9</b>	<b>3.3</b>	<b>2.9</b>	<b>4.0</b>	<b>4.2</b>	<b>4.1</b>
Intangible assets	4.5	5.9	6.4	6.1	5.4	4.5
Goodwill	9.1	8.6	8.3	7.6	5.8	4.3
Fixed assets	0.4	0.3	1.2	1.0	0.7	0.4
Financial investments and receivables	0.2	0.2	0.0	0.0	0.0	0.0
<b>Non-current assets</b>	<b>14.3</b>	<b>15.0</b>	<b>16.0</b>	<b>14.7</b>	<b>12.0</b>	<b>9.2</b>
<b>Provisions</b>	<b>(0.6)</b>	<b>(1.3)</b>	<b>(1.9)</b>	<b>(2.1)</b>	<b>(2.2)</b>	<b>(2.3)</b>
<b>Net Invested Capital</b>	<b>15.6</b>	<b>17.0</b>	<b>17.0</b>	<b>16.6</b>	<b>14.1</b>	<b>11.1</b>
<b>Net Debt (Cash)</b>	<b>1.5</b>	<b>2.5</b>	<b>2.3</b>	<b>1.4</b>	<b>(2.0)</b>	<b>(6.2)</b>
<b>Equity</b>	<b>14.1</b>	<b>14.5</b>	<b>14.8</b>	<b>15.2</b>	<b>16.1</b>	<b>17.3</b>
<b>Sources</b>	<b>15.6</b>	<b>17.0</b>	<b>17.0</b>	<b>16.6</b>	<b>14.1</b>	<b>11.1</b>

Source: Company data 2017-20A, EnVent Research 2021-23E



### Consolidated Cash Flow

€m	2018A	2019A	2020A	2021E	2022E	2023E
<b>EBIT</b>	<b>1.0</b>	<b>1.7</b>	<b>1.0</b>	<b>1.3</b>	<b>1.7</b>	<b>2.3</b>
Current taxes	(0.5)	(0.5)	(0.6)	(0.5)	(0.7)	(1.0)
D&A	2.5	2.9	3.3	3.9	4.4	4.8
Provisions	(0.3)	0.7	0.5	0.2	0.1	0.1
<b>Cash flow from P&amp;L operations</b>	<b>2.8</b>	<b>4.8</b>	<b>4.3</b>	<b>4.9</b>	<b>5.5</b>	<b>6.3</b>
Trade Working Capital	(3.4)	(0.1)	(1.5)	(1.1)	(0.3)	0.1
Other assets and liabilities	0.4	(1.3)	1.9	0.0	0.0	0.0
Capex	(2.4)	(3.7)	(4.5)	(2.6)	(1.7)	(2.0)
Financial investments and receivables	0.8	0.0	0.2	0.0	0.0	0.0
<b>Operating cash flow after working capital and capex</b>	<b>(1.7)</b>	<b>(0.3)</b>	<b>0.3</b>	<b>1.2</b>	<b>3.5</b>	<b>4.4</b>
Interest	(0.3)	(0.4)	(0.3)	(0.2)	(0.2)	(0.1)
Capital gain	0.0	0.0	0.0	0.0	0.0	0.0
Exchange gain (loss)	(0.0)	0.1	(0.0)	0.0	0.0	0.0
Write-down of investments	0.0	0.0	0.0	0.0	0.0	0.0
Dividends	(0.3)	(0.3)	0.0	(0.1)	0.0	0.0
<b>Net cash flow</b>	<b>(2.3)</b>	<b>(1.0)</b>	<b>0.2</b>	<b>0.9</b>	<b>3.4</b>	<b>4.3</b>
Net (Debt) Cash - Beginning	0.8	(1.5)	(2.5)	(2.3)	(1.4)	2.0
Net (Debt) Cash - End	(1.5)	(2.5)	(2.3)	(1.4)	2.0	6.2
<b>Change in Net (Debt) Cash</b>	<b>(2.3)</b>	<b>(1.0)</b>	<b>0.2</b>	<b>0.9</b>	<b>3.4</b>	<b>4.3</b>

Source: Company data 2017-20A, EnVent Research 2021-23E

### Ratio analysis

KPIs	2018A	2019A	2020A	2021E	2022E	2023E
ROE	2%	5%	0%	4%	5%	7%
ROS (EBIT/Revenues)	3%	5%	3%	3%	4%	5%
ROIC (NOPAT/Invested Capital)	5%	7%	4%	5%	8%	13%
DSO	121	120	140	130	120	110
DPO	128	133	173	150	135	125
Revenue per Employee (€k)	249	171	118	132	136	141
TWC / Revenues	6%	10%	14%	15%	15%	14%
Net Debt / EBITDA	0.3x	0.4x	0.4x	0.2x	n.m.	n.m.
Net Debt / Equity	0.1x	0.2x	0.2x	0.1x	n.m.	n.m.
Debt / (Debt + Equity)	0.1x	0.1x	0.1x	0.1x	n.m.	n.m.
Cash flow from P&L operations / EBITDA	58%	83%	75%	77%	76%	75%
FCF / EBITDA	-34%	-5%	6%	19%	48%	53%
Earnings per Share (€)	0.02	0.06	0.00	0.04	0.06	0.09

Source: Company data 2017-20A, EnVent Research 2021-23E

## Valuation

### Discounted Cash Flows

Updated assumptions:

- Risk free rate: 1.5% (Italian 10-year government bonds interest rate - 3Y average. Source: Bloomberg, April 2021)
- Market return: 12.6% (3Y average. Source: Bloomberg, April 2021)
- Market risk premium: 11.1%
- Beta: 1.2 (judgmentally increased from 1 by 20% to factor in an additional risk premium for the continuing financial markets volatility)
- Cost of equity: 14.9%
- Cost of debt: 3%

- Tax rate: 24% (IRES)
- 20% debt/(debt + equity) as target capital structure
- WACC at 12.3%
- Perpetual growth rate after explicit projections: 2%
- Terminal Value assumes an EBITDA margin of 17%

### DCF Valuation

€m	2018A	2019A	2020A	2021E	2022E	2023E	Perpetuity
<b>Revenues</b>	<b>30.6</b>	<b>37.2</b>	<b>32.2</b>	<b>39.0</b>	<b>42.2</b>	<b>46.0</b>	<b>46.9</b>
<b>EBITDA</b>	<b>4.5</b>	<b>5.4</b>	<b>5.4</b>	<b>6.0</b>	<b>6.9</b>	<b>8.0</b>	<b>8.0</b>
<i>Margin</i>	14.7%	14.5%	16.7%	15.5%	16.4%	17.5%	17.0%
<b>EBIT</b>	<b>1.0</b>	<b>1.7</b>	<b>1.0</b>	<b>1.3</b>	<b>1.7</b>	<b>2.3</b>	<b>6.0</b>
<i>Margin</i>	3.4%	4.5%	3.2%	3.2%	4.0%	5.1%	12.7%
Taxes	(0.3)	(0.5)	(0.3)	(0.3)	(0.5)	(0.7)	(1.7)
<b>NOPAT</b>	<b>0.8</b>	<b>1.2</b>	<b>0.7</b>	<b>0.9</b>	<b>1.2</b>	<b>1.7</b>	<b>4.3</b>
D&A			3.3	3.9	4.4	4.8	2.0
Provisions			0.5	0.2	0.1	0.1	0.0
<b>Cash flow from P&amp;L operations</b>			<b>4.6</b>	<b>5.0</b>	<b>5.7</b>	<b>6.6</b>	<b>6.3</b>
Trade Working Capital			(1.5)	(1.1)	(0.3)	0.1	(0.5)
Other assets and liabilities			1.9	0.0	0.0	0.0	0.0
Capex			(4.5)	(2.6)	(1.7)	(2.0)	(2.0)
<b>Unlevered free cash flow</b>			<b>0.7</b>	<b>1.4</b>	<b>3.7</b>	<b>4.7</b>	<b>3.8</b>
WACC	12.3%						
Long-term growth (G)	2.0%						
<b>Discounted Cash Flows</b>			<b>0.7</b>	<b>1.2</b>	<b>2.9</b>	<b>3.3</b>	
Sum of Discounted Cash Flows	7.5						
<b>Terminal Value</b>							<b>37.6</b>
Discounted TV	26.5						
<b>Enterprise Value</b>	<b>34.0</b>						
Net Debt as of 31/12/2020	(2.3)						
Minorities as of 31/12/2020	(1.8)						
<b>Equity Value</b>	<b>29.9</b>						
<b>DCF - Implied multiples</b>	<b>2018A</b>	<b>2019A</b>	<b>2020A</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>	
EV/Revenues	1.1x	0.9x	1.1x	0.9x	0.8x	0.7x	
EV/EBITDA	7.6x	6.3x	6.3x	5.6x	4.9x	4.2x	
EV/EBIT	32.4x	20.1x	33.3x	27.2x	20.2x	14.5x	
P/E	nm	nm	nm	50.3x	35.3x	24.4x	

Source: EnVent Research

## Target Price

The application of our valuation model to the updated estimates yields a target price of €2.15 per share, close to that of our previous note. With a potential upside of 66% on the current share price at €1.30, we confirm the OUTPERFORM rating on DigiTouch stock. We note that the recent share price trend is not consistent with the improved fundamentals, while any comparison with peers implies mostly discounts.

DigiTouch Price per Share	€
<b>Target Price</b>	<b>2.15</b>
Current Share Price (12/05/2021)	1.30
<b>Premium (Discount)</b>	<b>66%</b>

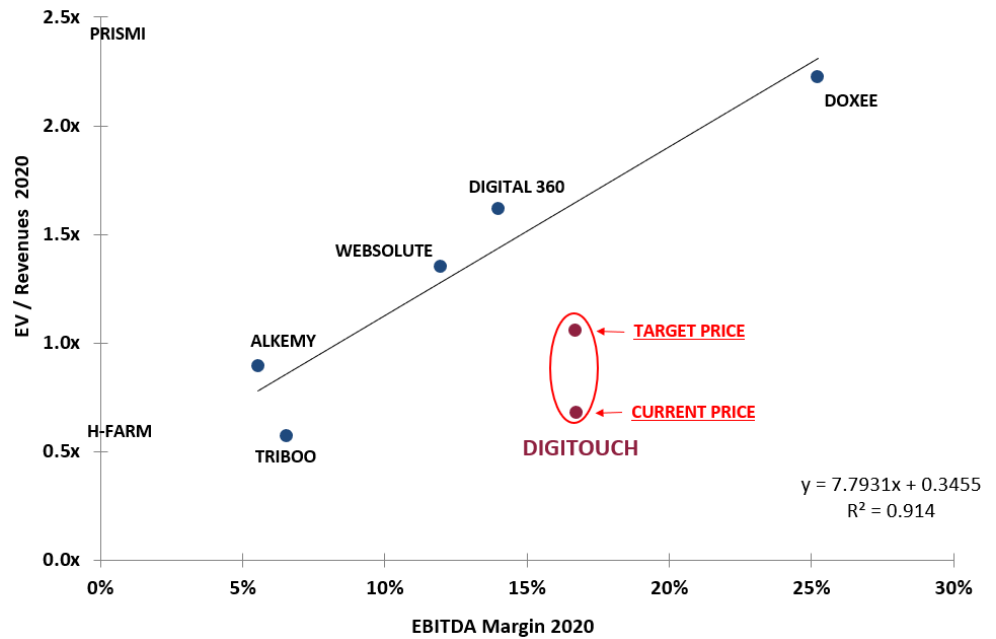
Source: EnVent Research

Please refer to important disclosures at the end of this report.

### Perspective of selected market metrics

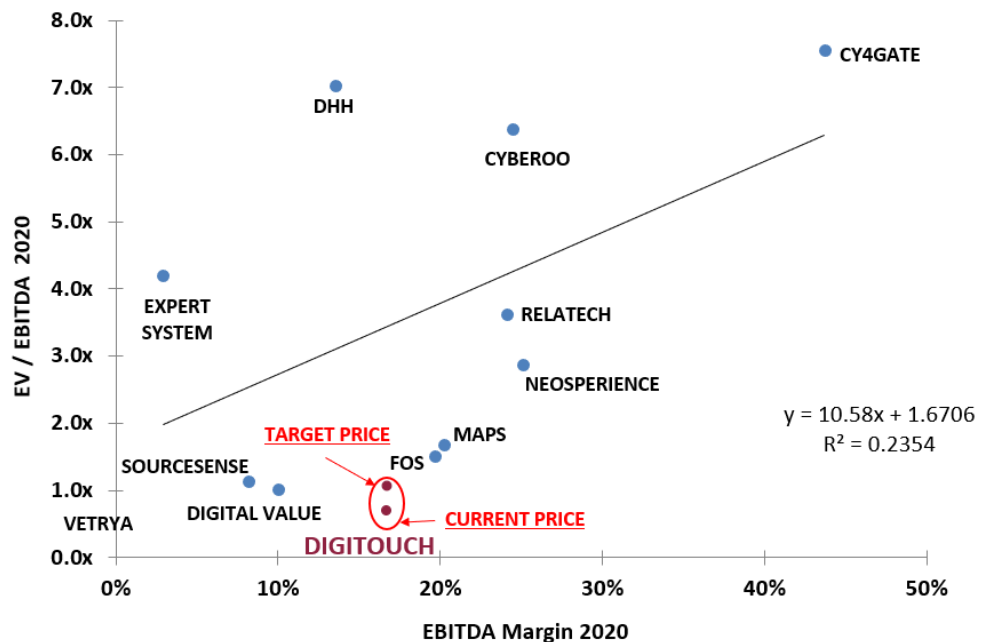
The evolution into dedicated BUs, as long as key data and metrics would be available, would allow for a more focused market metrics analysis and valuation, through a sum of the parts approach. The following provisional regression analysis, conducted on an extended panel of tech companies grouped in different clusters and based on our Target Price with respect to the selected peers, shows a discount relative position, which look inconsistent with the digital transformation company profile.

#### Italian digital marketing regression:



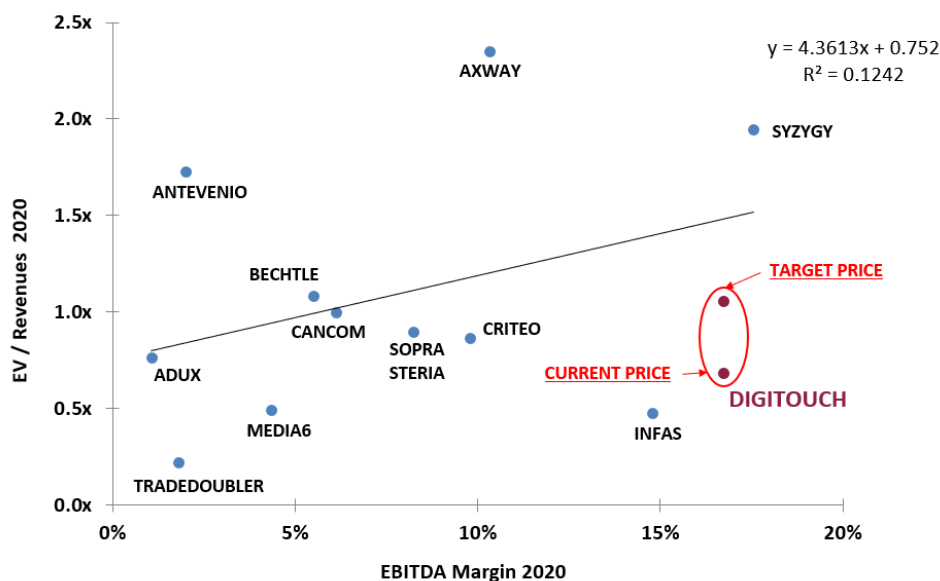
We do not consider H-Farm S.p.A. and Prismi S.p.A. for their negative EBITDA margin value.

#### AIM Italia digital transformation services regression:



We do not consider Vetrya S.p.A. for the negative EBITDA margin value.

**International digital marketing regression:**



**Annex: Peer Group - Market Multiples**

Company	EV/REVENUES				EV/EBITDA				EV/EBIT				P/E			
	2019	2020	2021E	2022E	2019	2020	2021E	2022E	2019	2020	2021E	2022E	2019	2020	2021E	2022E
DigiTouch	0.6x	0.7x	0.6x	0.5x	5.1x	4.1x	3.6x	3.2x	12.7x	21.5x	17.5x	13.0x	78.2x	nm	30.0x	21.1x
<b>Italian digital marketing</b>																
Alkemy	0.7x	0.9x	0.8x	0.7x	14.7x	16.1x	8.3x	7.4x	18.8x	17.4x	11.0x	9.5x	neg.	36.7x	22.7x	15.9x
Digital360	0.8x	1.6x	1.4x	1.2x	8.6x	11.6x	7.4x	6.3x	nm	15.6x	11.6x	9.5x	neg.	39.4x	16.3x	12.9x
Doxee	1.1x	2.2x	2.0x	1.7x	8.7x	8.8x	9.1x	6.8x	10.3x	19.4x	20.8x	13.1x	16.0x	nm	31.3x	19.8x
H-Farm	0.6x	0.6x	0.5x	0.4x	neg.	neg.	neg.	22.0x	neg.	neg.	neg.	neg.	neg.	neg.	neg.	neg.
Prismi	2.7x	2.5x	na	na	neg.	neg.	na	na	neg.	na	na	na	neg.	neg.	na	na
Triboo	0.7x	0.6x	0.5x	0.4x	18.5x	8.7x	3.4x	2.7x	nm	39.1x	9.2x	5.6x	nm	60.6x	12.0x	6.8x
Websolute	1.4x	1.4x	1.1x	1.0x	9.7x	11.3x	9.6x	6.4x	20.9x	38.4x	27.4x	13.7x	53.8x	51.6x	31.4x	15.7x
Mean	1.1x	1.4x	1.0x	0.9x	12.0x	11.3x	7.6x	8.6x	16.7x	26.0x	16.0x	10.3x	34.9x	47.0x	22.7x	14.2x
Median	0.8x	1.4x	0.9x	0.8x	9.7x	11.3x	8.3x	6.6x	18.8x	19.4x	11.6x	9.5x	34.9x	45.5x	22.7x	15.7x
<b>International digital marketing</b>																
1000mercis	0.9x	0.7x	0.6x	0.6x	12.9x	19.2x	6.0x	10.4x	14.0x	na	8.7x	21.5x	21.0x	neg.	12.8x	37.2x
AdUX	0.4x	0.8x	0.7x	0.6x	20.9x	11.1x	9.6x	8.6x	32.0x	28.3x	17.8x	14.4x	28.2x	40.0x	21.3x	17.6x
Antevenio	1.1x	1.7x	0.9x	0.8x	neg.	na	10.2x	8.6x	neg.	neg.	nm	19.6x	neg.	neg.	nm	22.6x
Axway	1.0x	2.3x	2.3x	2.2x	11.2x	22.8x	14.6x	13.2x	22.3x	33.4x	22.9x	20.0x	48.6x	75.1x	35.2x	31.3x
Bechtle	1.0x	1.1x	1.0x	0.9x	19.6x	19.8x	15.5x	14.5x	22.8x	22.9x	20.7x	18.8x	30.8x	na	na	na
Cancom	1.1x	1.0x	0.9x	0.8x	17.6x	16.3x	11.6x	10.1x	27.4x	27.2x	19.2x	15.4x	55.4x	30.3x	31.4x	25.1x
Criteo	0.4x	0.9x	2.0x	2.0x	9.3x	neg.	21.6x	6.3x	28.6x	neg.	neg.	20.2x	23.7x	neg.	na	na
Infas	0.6x	na	na	na	6.3x	na	na	na	6.8x	na	na	na	23.9x	na	na	na
Media 6	0.2x	0.5x	na	na	2.1x	11.5x	na	na	3.1x	na	na	na	12.1x	neg.	na	na
Sopra Steria	0.9x	0.9x	0.8x	0.8x	9.6x	10.9x	7.3x	6.7x	12.4x	15.5x	11.2x	9.8x	18.1x	28.4x	14.0x	12.1x
Syzygy	1.9x	1.9x	1.7x	1.6x	3.6x	8.8x	6.4x	6.3x	5.5x	19.2x	14.4x	13.2x	12.2x	31.1x	15.5x	15.3x
Tradedoubler	0.2x	0.2x	na	na	neg.	nm	13.0x	8.0x	neg.	na	na	na	neg.	neg.	na	na
Mean	0.8x	1.1x	1.2x	1.1x	11.3x	15.0x	11.6x	9.3x	17.5x	24.4x	16.4x	17.0x	27.4x	41.0x	21.7x	23.0x
Median	0.9x	0.9x	0.9x	0.8x	10.4x	13.9x	10.9x	8.6x	18.2x	25.1x	17.8x	18.8x	23.8x	31.1x	18.4x	22.6x
<b>AIM Italia digital transformation services</b>																
Cy4gate	0.1x	7.6x	6.1x	4.2x	0.3x	17.3x	14.5x	11.1x	0.3x	22.7x	23.2x	14.9x	neg.	24.9x	31.2x	22.7x
Cyberoo	5.0x	6.4x	3.7x	2.4x	13.9x	26.0x	11.3x	5.1x	29.9x	nm	22.1x	6.6x	52.8x	nm	50.7x	10.5x
DHH	1.5x	7.0x	3.3x	2.9x	20.2x	51.8x	8.9x	7.7x	nm	21.9x	14.9x	11.7x	nm	nm	23.2x	17.7x
Digital Value	0.4x	1.0x	0.9x	0.8x	4.7x	10.2x	8.2x	7.1x	5.5x	13.4x	11.2x	9.8x	9.3x	21.9x	19.0x	16.6x
Expert System	3.3x	4.2x	3.9x	2.8x	28.9x	nm	neg.	neg.	neg.	neg.	neg.	neg.	neg.	neg.	neg.	neg.
FOS	1.7x	1.5x	1.2x	1.0x	13.8x	7.7x	6.8x	5.1x	18.1x	15.1x	10.2x	10.2x	27.9x	22.4x	21.2x	10.6x
Maps	2.0x	1.7x	1.4x	1.1x	13.0x	8.3x	5.6x	4.5x	16.9x	21.4x	9.9x	8.0x	14.5x	24.2x	11.8x	8.8x
Neosperience	3.5x	2.9x	2.3x	1.8x	18.1x	11.4x	8.3x	6.4x	50.9x	nm	37.5x	17.6x	nm	nm	nm	31.6x
Relatech	1.0x	3.6x	2.5x	2.1x	5.2x	15.0x	9.6x	7.7x	5.5x	15.1x	13.0x	10.4x	8.5x	31.3x	18.8x	15.5x
Sourcesense	0.1x	1.2x	1.0x	0.8x	1.0x	9.1x	7.1x	4.9x	1.1x	15.9x	11.2x	6.4x	neg.	23.3x	17.7x	9.6x
Vetrya	0.8x	0.7x	1.1x	0.8x	neg.	neg.	neg.	9.5x	neg.	neg.	neg.	neg.	neg.	neg.	neg.	neg.
Mean	1.9x	3.7x	2.6x	2.0x	11.9x	17.4x	8.9x	6.6x	16.0x	17.9x	17.0x	10.6x	22.6x	24.7x	24.2x	16.0x
Median	1.6x	3.2x	2.4x	2.0x	13.4x	11.4x	8.3x	6.4x	11.2x	15.9x	13.0x	10.2x	14.5x	23.8x	20.1x	15.5x

Source: S&P Capital IQ, update May 2020

## Investment case

DigiTouch, listed on AIM Italia, is an Italian digital transformation and innovation company, through an integrated offer of cloud marketing, technology and e-commerce services, with a market centric approach.

### Revenue drivers

- Integrated offer of advanced online communication strategies made up of data management and advertising products, pricing on measured impacts and leveraging on innovation, proprietary technology and reputation coming from continuing client relationships
- Credibility of the account management function, required to establish relationships with the demanding client and potential client base
- Wide mix of services and clients fostering cross selling and upselling

We see several investment positives:

- Portfolio of prominent medium/large size clients
- Business diversification
- Proprietary technologies
- Among first movers and reputation of continuing innovation
- Client service
- Proven track record of identifying, executing and integrating acquisitions
- Low financial debt implies room to attract acquisition finance
- Digital advertising, based on regular internet and mobile devices usage and increasing e-commerce sales, is leading the advertising market
- Big shifts are transforming the industry, driven by innovation, new devices and technologies
- Programmatic advertising has become dominant

## Risks to rating and target price

Downside risks include:

- Technological change
- Acquisition payback
- Delivery of growth and profitability targets
- Competition and digital multinationals entering Pan-European markets
- Low barriers to entry and pricing trends
- Key management retention

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Rating rationale:

OUTPERFORM: stocks are expected to have a total return of at least 20% in the mid-term;

NEUTRAL: stocks are expected to have a performance consistent with market or industry trend and appear less attractive than Outperform rated stocks;

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NOT RATED: no rating or target price assigned.

The stock price indicated is the reference price on the day indicated as “Date of Price” in the table on the front page of this publication.

### DETAILS ON STOCK RECOMMENDATION AND TARGET PRICE

Date	Recommendation	Target Price (€)	Share Price (€)
27/07/2015	OUTPERFORM	3.40	2.18
05/11/2015	OUTPERFORM	3.40	2.13
21/06/2016	OUTPERFORM	2.80	2.00
22/11/2016	OUTPERFORM	2.36	1.12
24/05/2017	OUTPERFORM	2.54	1.40
27/12/2017	OUTPERFORM	2.60	1.54
21/05/2018	OUTPERFORM	2.37	1.41
30/10/2018	OUTPERFORM	2.37	1.31
17/04/2019	OUTPERFORM	2.46	1.34
01/10/2019	OUTPERFORM	2.23	1.28
04/02/2020	OUTPERFORM	2.31	1.29
22/04/2020	OUTPERFORM	2.31	1.12
09/06/2020	OUTPERFORM	2.31	1.18
26/10/2020	OUTPERFORM	2.02	1.04
11/05/2021	OUTPERFORM	2.15	1.30

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