

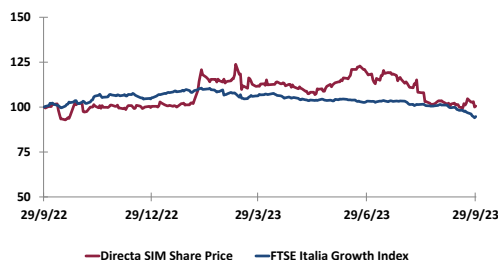


OUTPERFORM

Current Share Price (€): 3.65

Target Price (€): 5.40

Directa SIM Milano - 1Y Performance



Source: S&P Capital IQ - Note: 04/08/2022=100

Company data

ISIN number	IT0001463063
Bloomberg code	D IM
Reuters code	D.MI
Industry	Financial services
Stock market	Euronext Growth Milan
Share Price (€)	3.65
Date of Price	29/09/2023
Shares Outstanding (m)	17.5
Market Cap (€m)	63.7
Market Float (%)	15.0%
Daily Volume	22,000
Avg Daily Volume YTD	12,904
Target Price (€)	5.40
Upside (%)	48%
Recommendation	OUTPERFORM

Share price performance

	1M	3M	6M	1Y
Directa SIM - Absolute (%)	-3%	-15%	-11%	1%
FTSE Italia Growth (%)	-7%	-8%	-11%	-5%
1Y Range H/L (€)			4.50	3.37
YTD Change (€)/%			0.00	0%

Source: S&P Capital IQ

Analysts

Luigi Tardella - Head of Research

ltardella@envent.it

Silvestro Bonora sbonora@envent.it

EnVent Italia SIM S.p.A.

Via degli Omenoni, 2 - 20121 Milano (Italy)

Phone +39 02 22175979

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Solid H1, customers and assets on the rise, FY23 guided to profitability double digit growth

Trading update: outperformance and increased volumes

Over the last 12 months, Directa stock performance hovered in line or in positive territory, better than Italia Growth Index which lost 5%. In the LTM, the stock marked a low of €3.4 per share in October 2022 and a high of €4.5 both in March and June 2023. After an uprise volatility in August, the stock ranged between €3.6 and €3.8 per share to date. The average traded volumes have increased in past 3-months.

H1 2023: ongoing customers and assets growing, better operating result

Customers were roughly 69,000 as of June 2023 vs almost 56,000 as of June 2022, +23% YoY and vs over 61,000 at 2022 year-end. Customers' assets peaked at €4.2bn, +35% vs June 2022 and +22% vs December 2022. Total filled orders were 2.05m vs 2.3m in H1 2022. Net fees were €7.1m compared to €7.9m along H1 2022 and brokerage margin was €13.8m vs H1 2022 €12.4m. H1 2023 net income was €3.7m same figure YoY, while €0.5m one-off costs in H1 2023 and €0.5m tax benefit in H1 2022 implying €1m better operating result. Net equity was €31.9m vs €29.9m in December 2022, +6.5% YTD. Improved IFR ratio at 6.99x from 5.72x as of December 2022. Italian market share stood over 5% (source: Assosim).

Outlook: H2 expected supportive to FY, Directa consolidating its strategy

Directa's commitment to the development of a Private Banking business unit is confirmed with the appointment of a project head. Overall, in Q3 2023 RTO fees are affected by usual seasonality, however staying in line YoY, while interest income is confirmed at high level, consistently with financial markets conditions. No material impact is expected from institutional customer business discontinued. For FY23 management expects gross profit of about €10m.

Target Price and OUTPERFORM rating confirmed

We confirm our growth projections for Directa, chance for exceeding expectations, thus we reiterate the target price per share of €5.40, 48% upside on current stock price, implying 2023-24E 29.2x-28.6x PE vs 15.0x-12.4x for peers. We confirm an OUTPERFORM rating on the stock.

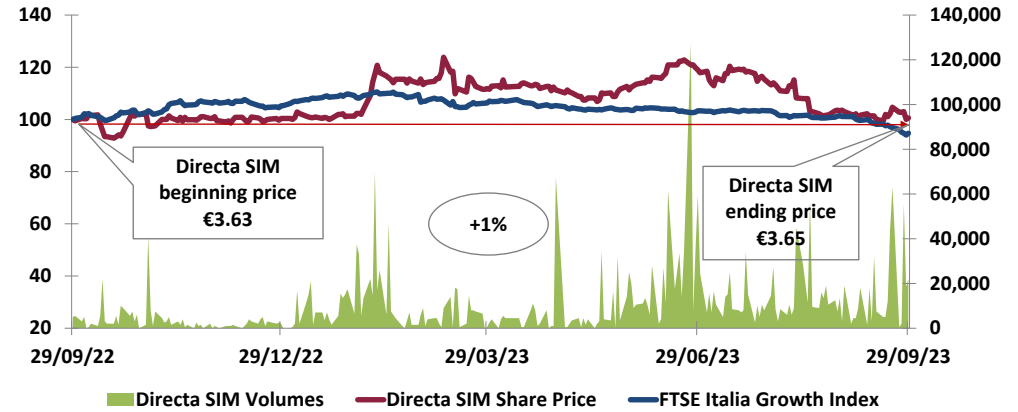
Consolidated key financials and estimates

€m	2018A	2019A	2020A	2021A	2022A	2023E	2024E	2025E
Brokerage Margin	11.9	12.5	18.8	23.3	23.5	21.8	23.3	27.7
Net Income (Loss)	(0.7)	(0.0)	2.4	5.2	5.6	3.2	3.3	5.1
Total Assets	99.2	66.4	55.1	94.1	92.3	69.6	76.3	83.3
Equity	14.5	14.8	17.1	26.6	29.9	5.7	6.6	6.7
Trading Customers Assets (Cash+Securities), €m		1,905	3,016	3,484	4,094	4,646	4,995	
Trading Customers (including non active), thousands		36.5	50.8	61.3	72.1	81.8	91.6	
Trading Executed orders, million		3.85	4.07	4.19	4.28	4.71	5.23	
Trading Fee income, €m		16.7	19.9	19.5	19.9	21.9	24.3	
Trading Fee expense/Fee income		31.0%	29.6%	28.0%	28.0%	28.0%	28.0%	
Cost/Income		0.63	0.55	0.61	0.68	0.69	0.64	
Earnings per share, basic (€)		0.00	0.30	0.32	0.19	0.19	0.29	
ROE (Net Income/Equity)		14.3%	19.7%	18.7%	56.2%	49.8%	77.3%	

Source: Company data 2020-22A, EnVent Research 2023-25E

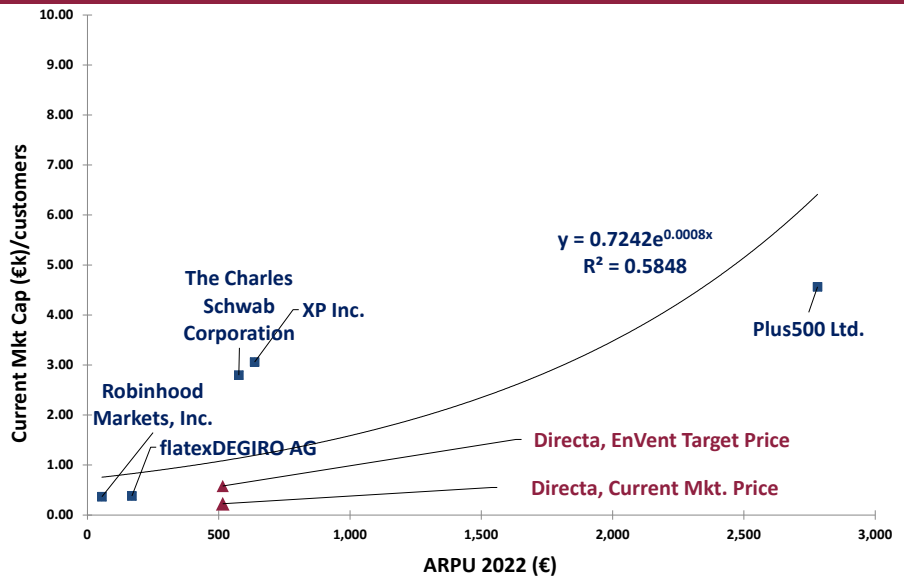
Market update

Directa SIM - 1Y Share price performance and trading volumes



Source: EnVent Research on S&P Capital IQ, 29/09/2023 - Note: 29/09/2022 =100

Peers - Regression analysis and Directa SIM target positioning

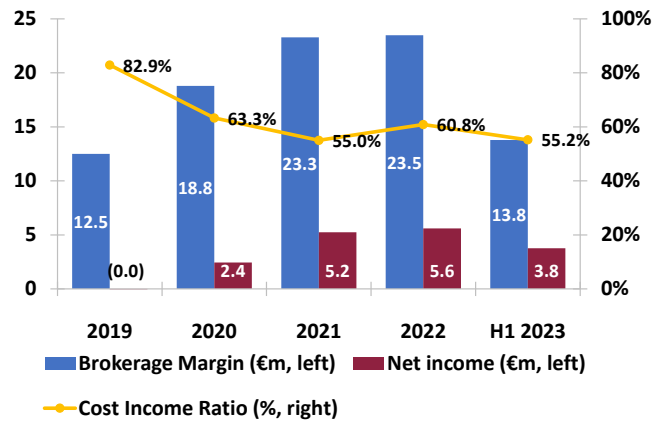


Source: EnVent Research on S&P Capital IQ, September 2023

Investment case

Directa SIM, listed on Euronext Growth Milan, offers online trading services to individuals and institutional, through software platforms developed in-house and available in multi-device mode. First in Italy and one of the first in the world to go into business. Directa allows its customers to invest in a wide range of financial instruments traded on Borsa Italiana markets, on main US stock exchange markets (NYSE, AMEX, NASDAQ), on some European stock exchange markets (XETRA, CBOE Europe) and with securities traded on EUREX, LMAX and CME derivative markets. Services also available for indirect customers of 140 banks operating in Italy, partners of Directa.

Historical Brokerage Margin, Net income and Cost Income Ratio



Source: Company data

Industry and Company drivers

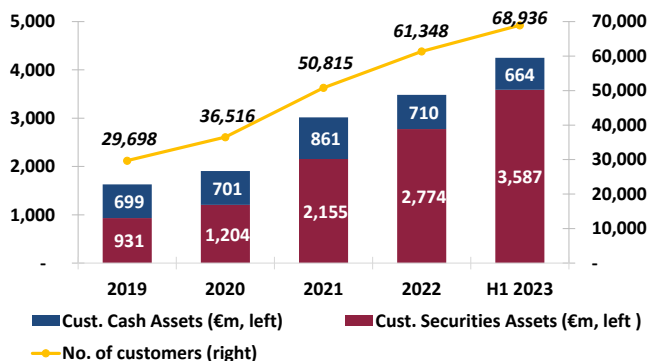
- Internet banking eases access to global markets for retail investors
- Investment products and services cost among main levers to lure investors
- Growing weight of Millennials and Generation Z on targeted investors
- Competitive technology advantage from in-house software platforms
- Solid top management track record in the industry
- Partnership with local banks and financial advisors
- Launch of private banking business

Challenges

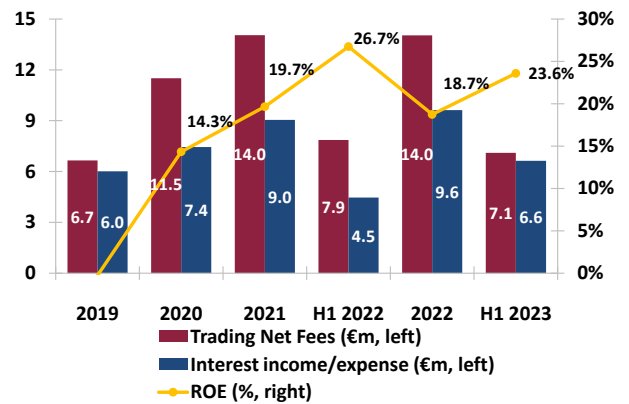
- Online trading cyclicality directly correlated with market volatility
- Increased competition from foreign players
- Self-investors catchment area addressed also by expert competition
- Highly regulated market, possible impact of legislation changes

Selected KPIs

Customers securities, cash and total number



Brokerage Margin main components and ROE



Source: Company data

H1 2023 results

- Net fees at €7.1m down by 10% YoY
- Interest income/expenses at €6.6m up by 47% YoY
- Brokerage margin at €13.8m up by 10% YoY
- Personnel and G&A expenses grew by 7% and 11% due to the Private banking project and one-off costs
- Net profit €3.7m, in line YoY, after 30% tax compared to 20% in H1 2022 benefiting of €0.5m tax relief related to 2021 IPO expenses
- Net equity €31.9m up by 6.5% YTD, after €2.6m dividend H1 2023 cash-out
- IFR ratio improved at ca. 6.9x from 5.7x at FY22
- Customers 69,000, +12% YTD (direct 61,000, indirect 8,000)
- Total filled orders 2.05m vs 2.3m in H1 2022
- Total Asset €4.2bn, +35% YoY and +22% YTD
- Euronext Milan market share 5.1% vs 5.6% in H1 2022 (Source: Assosim)

Consolidated Profit and Loss

€m	H1 2022	H1 2023
Fee income	10.9	9.8
Fee expense	(3.0)	(2.7)
Net fees	7.9	7.1
Interest income (expense)	4.5	6.6
Net income (loss) from trading & dividends	0.1	0.1
Brokerage Margin	12.4	13.8
Writedown/writeup on financial assets	(0.0)	(0.0)
Net Financial Margin	12.4	13.8
Personnel	(3.1)	(3.4)
G&A	(3.8)	(4.2)
D&A	(0.8)	(0.8)
Other income (expense)	0.0	0.0
Income (loss) from divestments and stakes owned	0.0	0.0
EBT	4.7	5.4
Income taxes	(0.9)	(1.6)
Net Income (Loss)	3.7	3.8

Source: Company data

Consolidated Balance Sheet

€m	H1 2022	2022A	H1 2023
Cash and bank deposits	6.2	9.7	9.0
Loans	55.1	63.6	69.6
Current assets different from loans	9.8	13.4	8.8
Non-current assets	5.3	5.5	5.4
Total Assets	76.3	92.3	92.8
Current liabilities	2.7	3.3	2.5
Funding	44.0	57.2	56.7
Provisions	1.7	1.8	1.7
Total liabilities	48.3	62.4	60.9
Equity	28.0	29.9	31.9
Total Liabilities and Equity	76.3	92.3	92.8

Consolidated Cash Flow

€m	H1 2022	2022A	H1 2023
EBT	4.7	7.5	5.4
Current taxes	(0.9)	(1.9)	(1.6)
D&A	0.8	1.9	0.8
Current assets, net	4.6	1.7	3.7
Provisions	(0.1)	0.0	(0.1)
Cash flow from P&L operations	9.1	9.3	8.2
Capex	(0.6)	(1.9)	(0.7)
Operating cash flow after capex	8.5	7.4	7.5
Dividends and other Net Equity changes	(2.4)	(2.3)	(1.8)
Operating cash flow and equity inflow/outflow	6.1	5.0	5.7

Source: Company data

Ratio analysis

KPIs	2022A	H1 2023
Trading Customers Assets (Cash+Securities), €m	3,484	4,251
Trading Customers (incl. non active), thousands	61.3	68.9
Trading Executed orders, million	4.19	2.05
Trading Fee income, €m	19.5	9.8
Trading Fee expense/Fee income	28.0%	27.8%
Cost/Income	0.61	0.55
Earnings per share, basic (€)	0.64	0.43
ROE (Net Income/Equity)	37.5%	23.6%

Business update

2023 first half performance confirmed last years growth trend, with customers number reaching almost 69,000 (+12,3% vs 2022 year-end) and assets at €4.2bn (+22% vs 2022 year-end). Meanwhile executed orders were 2.1m (-12% vs H1 2022), with -16% YoY performance as to cash markets and -6% as to Futures+CFD markets, in the framework of market declining volatility.

In H1 2023, Directa share of the Italian RTO industry slightly declined from previous year 5.62% to 5.13% (source: Assosim).

In September 2023, Directa management communicated the discontinuance of institutional and corporate customers remunerated accounts. Related one-off charges have been €0.5m in H1, €0.1m in the H2 and are expected €0.25m of recoveries in 2024.

Directa has implemented operation with the multilateral trading facility Spectrum, specialized in trading certificates. The new service will allow access to market 5 days a week for 24 hours, with more competitive costs compared to equivalent Euronext Milan segments.

Estimates revision

H1 figures are overall in line with our estimates except for interest income which is following the general rising trend. As a consequence, we would expect a higher contribution to year-end profitability. Anyway, considering the volatility environment we maintain our estimates while acknowledging H1 23 as a stronger support to our rating

Financial projections

FY22 net income positively impacted also by €0.5m tax benefit related to IPO costs

Consolidated Profit and Loss

€m	2018A	2019A	2020A	2021A	2022A	2023E	2024E	2025E
Fee income	11.0	10.1	16.7	19.9	19.5	20.3	25.0	32.0
Fee expense	(3.7)	(3.5)	(5.2)	(5.9)	(5.5)	(5.8)	(8.1)	(11.3)
Net fees	7.3	6.7	11.5	14.0	14.0	14.5	17.0	20.7
Interest income/expense	4.8	6.0	7.4	9.0	9.6	9.7	9.9	10.6
Net income (loss) from trading & dividends	(0.1)	(0.2)	(0.2)	0.2	(0.2)	0.0	0.0	0.0
Brokerage Margin	11.9	12.5	18.8	23.3	23.5	24.2	26.9	31.3
Writedown/writeup on financial assets	(0.0)	(0.0)	(0.8)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Net Financial Margin	11.9	12.5	18.0	23.2	23.5	24.2	26.9	31.3
Personnel	(4.2)	(3.8)	(5.3)	(5.8)	(6.5)	(6.6)	(7.5)	(8.9)
G&A	(6.5)	(6.6)	(6.6)	(7.0)	(7.8)	(8.2)	(8.6)	(8.9)
D&A	(1.9)	(2.0)	(2.0)	(1.9)	(1.9)	(1.9)	(2.0)	(2.1)
Other income (expenses)	(0.0)	(0.0)	(0.1)	(1.1)	0.2	(0.1)	(0.1)	(0.1)
Income (loss) from divestments and stakes owned	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBT	(0.8)	0.1	4.1	7.4	7.5	7.5	8.8	11.4
<i>EBT/Brokerage margin</i>	<i>-6.4%</i>	<i>1.0%</i>	<i>21.7%</i>	<i>31.9%</i>	<i>31.8%</i>	<i>30.8%</i>	<i>32.6%</i>	<i>36.4%</i>
Income taxes	0.1	(0.2)	(1.6)	(2.2)	(1.9)	(2.5)	(2.9)	(3.7)
Net Income (Loss)	(0.7)	(0.0)	2.4	5.2	5.6	5.0	5.9	7.7

Source: Company data 2018-22A, EnVent Research 2023-25E

Consolidated Balance Sheet

€m	2018A	2019A	2020A	2021A	2022A	2023E	2024E	2025E
Cash and bank deposits	54.8	23.3	7.5	14.0	9.7	9.6	12.5	17.9
Loans	30.3	28.5	29.7	59.8	63.6	65.0	71.6	79.4
Current assets different from loans	7.9	8.6	11.9	14.8	13.4	15.8	17.9	20.0
Non-current assets	6.1	6.0	5.9	5.5	5.5	5.6	5.8	5.1
Total Assets	99.2	66.4	55.1	94.1	92.3	96.1	107.8	122.4
Current liabilities	2.1	2.2	3.0	3.0	3.3	3.4	3.3	3.2
Funding	81.5	48.2	33.4	62.7	57.2	58.4	64.0	70.6
Provisions	1.0	1.1	1.6	1.8	1.8	2.1	2.4	2.7
Total Liabilities	84.6	51.6	38.0	67.5	62.4	63.9	69.7	76.6
Equity	14.5	14.8	17.1	26.6	29.9	32.2	38.1	45.8
Total Liabilities and Equity	99.2	66.4	55.1	94.1	92.3	96.1	107.8	122.4

Source: Company data 2018-22A, EnVent Research 2023-25E

Consolidated Cash Flow

€m	2019A	2020A	2021A	2022A	2023E	2024E	2025E
EBT	0.1	4.1	7.4	7.5	7.5	8.8	11.4
Current taxes	(0.2)	(1.6)	(2.2)	(1.9)	(2.5)	(2.9)	(3.7)
D&A	2.0	2.0	1.9	1.9	1.9	2.0	2.1
Current assets, net	(0.6)	(2.6)	(2.8)	1.7	(2.4)	(2.2)	(2.2)
Provisions	0.1	0.5	0.2	0.0	0.3	0.3	0.4
Cash flow from operations	1.5	2.3	4.5	9.3	4.8	6.0	7.9
Capex	(1.8)	(1.9)	(1.5)	(1.9)	(2.1)	(2.2)	(1.4)
Operating cash flow after capex	(0.3)	0.4	3.0	7.4	2.7	3.8	6.6
Paid-in capital/IPO proceeds	0.3	0.0	4.5	0.0	0.0	0.0	0.0
Stakes/financial assets adjustments	(0.0)	(0.0)	0.1	(0.0)	0.0	0.0	0.0
Dividends and other Net Equity changes	0.0	(0.2)	(0.2)	(2.3)	(2.6)	0.0	0.0
Operating cash flow and equity inflow/outflow	(0.0)	0.2	7.4	5.0	0.1	3.8	6.6

Source: Company data 2019-22A, EnVent Research 2023-25E

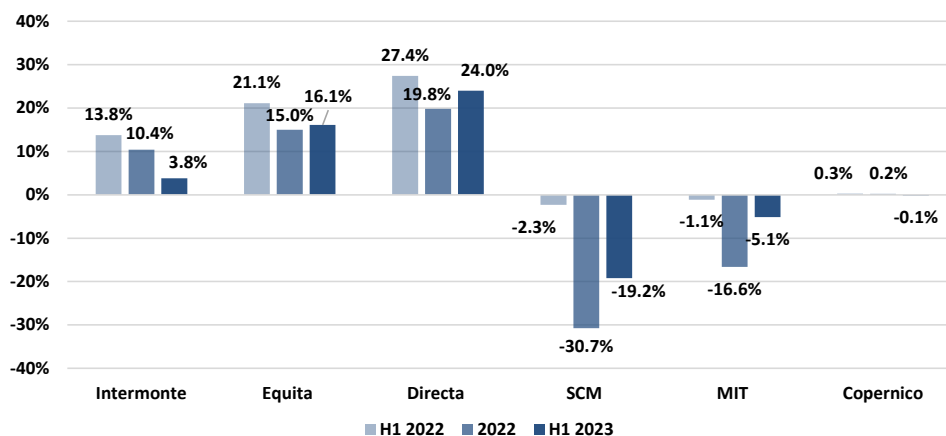
Ratio analysis

KPIs	2018A	2019A	2020A	2021A	2022A	2023E	2024E	2025E
Trading Customers Assets (Cash+Securities), €m	1,256	1,630	1,905	3,016	3,484	4,094	4,646	4,995
Trading Customers (including non active), thousands	25.9	29.7	36.5	50.8	61.3	72.1	81.8	91.6
Trading Executed orders, million	3.70	2.51	3.85	4.07	4.19	4.28	4.71	5.23
Trading Fee income, €m	11.0	10.1	16.7	19.9	19.5	19.9	21.9	24.3
Trading Fee expense/Fee income	33.9%	34.4%	31.0%	29.6%	28.0%	28.0%	28.0%	28.0%
Cost/Income	0.90	0.83	0.63	0.55	0.61	0.61	0.60	0.57
Earnings per share, basic (€)				0.30	0.32	0.28	0.34	0.44
ROE (Net Income/Equity)	-4.9%	-0.3%	14.3%	19.7%	18.7%	15.5%	15.5%	16.9%

Industry benchmark

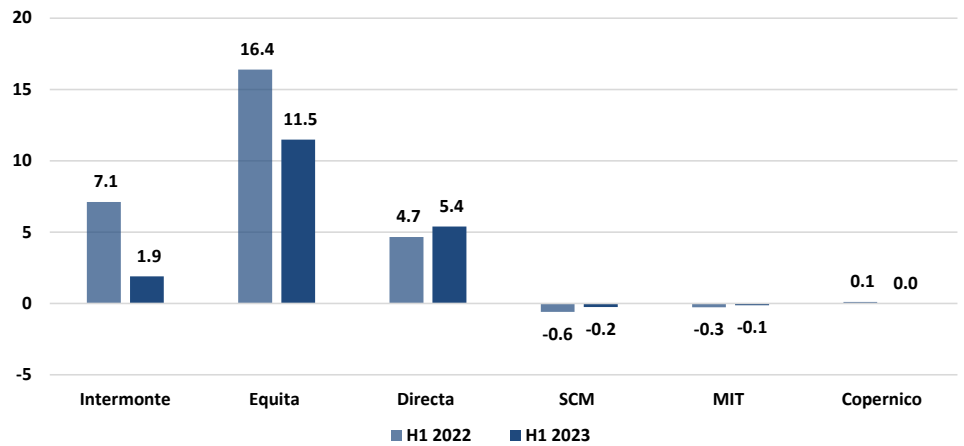
SIM sector key performance indicators - EGM listed SIM cluster

ROE (%)



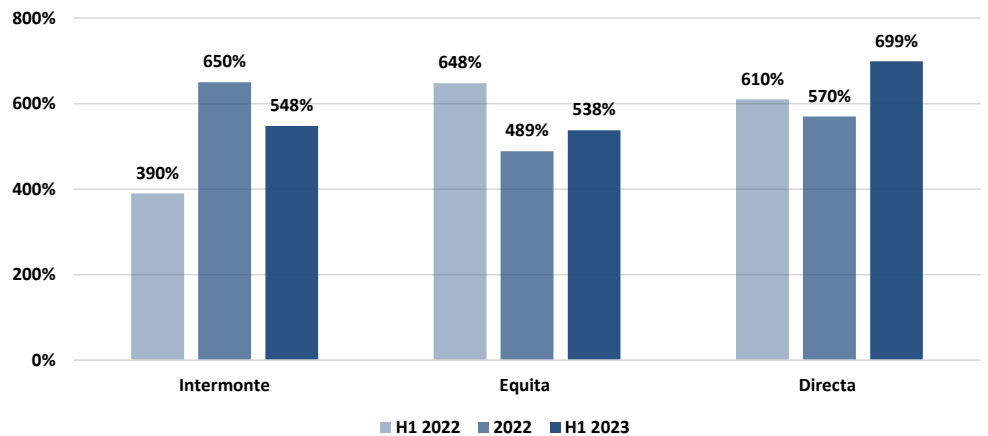
Source: EnVent Research on companies data

EBT (€m)



Source: EnVent Research on companies data

IFR ratio (%)



Note: For SCM, MIT and Copernico no available data

Source: EnVent Research on companies data

Valuation

We have updated our market multiples and free cash flow to equity model (FCFE).

Market multiples

We have updated the market multiples of our panel of international online trading services providers, considering different geographical and regulatory scope for not domestic peers. We deem this shortlist partially comparable to Directa as per business model, relevant market, risks, and outlook. Below is an application of mean and median P/E multiple to Directa's net income projections for 2023-25E.

Company	P/E		
	2023E	2024E	2025E
International peers			
flatexDEGIRO AG	10.9x	8.3x	7.4x
Interactive Brokers Group, Inc.	15.5x	14.0x	14.1x
The Charles Schwab Corporation	16.8x	13.2x	10.7x
Plus500 Ltd.	5.7x	5.3x	5.2x
Robinhood Markets, Inc.	20.3x	18.6x	17.4x
XP Inc.	15.0x	12.4x	10.6x
Mean	12.8x	10.6x	9.6x
Median	15.0x	12.4x	10.6x
Italian peers			
Equita Group S.p.A.	10.9x	9.0x	7.3x
Intermonte Partners SIM S.p.A.	14.0x	10.1x	8.2x
MiT Sim S.p.A.	n.a.	11.7x	6.3x
Copernico Sim S.p.A.	9.0x	5.0x	3.6x
SCM SIM S.p.A.	75.7x	11.9x	4.7x
Mean	27.4x	9.6x	6.0x
Median	12.5x	10.1x	6.3x
Directa SIM, current market price and consensus estimates	12.7x	10.8x	8.3x
Directa SIM, EnVent Target Price and estimates	29.2x	28.6x	18.3x

Source: EnVent Research on S&P Capital IQ, 29/09/2023

Multiples application

Multiples - Online trading providers	€m		P/E Multiple	Equity Value (€m)
Directa				
2023E Earnings	5.0	<i>Mean</i>	12.8x	63.5
		<i>Median</i>	15.0x	74.4
2024E Earnings	5.9	<i>Mean</i>	10.6x	62.5
		<i>Median</i>	12.4x	72.7
2025E Earnings	7.7	<i>Mean</i>	9.6x	73.9
		<i>Median</i>	10.6x	81.7
Mean				71.4

Source: EnVent Research

Free cash flow to equity model

Updated assumptions:

- FY22 actual data regarding current equity available to shareholders after covering capital requirements
- Risk free rate: 3.9% (Italian 10-year government bonds interest rate – last 30 days average. Source: Bloomberg, October 2023)
- Market return: 12.4% (last 30 days average. Source: Bloomberg, October 2023)
- Market risk premium: 8.5%
- Beta: 1 (neutral value, since listed peers' values too erratic)
- Cost of equity: 12.4%
- Perpetual growth rate after explicit projections: 3.5%
- Terminal Value assumes no upfront fees for new AUM originated by incoming financial advisors. We separately estimate the impact of residual upfront fee after 2025, duly discounted.

FCFE Valuation model

€m		2023E	2024E	2025E	Perpetuity
Net cash flow to be discounted		2.8	2.4	5.1	7.5
Cost of Equity (Ke)	12.4%				
Long-term growth (G)	3.5%				
Discounted Cash Flows		2.6	2.0	3.8	
Sum of Discounted Cash Flows	8.5				
Terminal Value					84.0
Discounted Upfront Fee post projections	(5.1)				
Discounted Terminal Value	62.7				
Excess capital as of 30/06/2023	24.6				
Equity Value	90.7				

Source: EnVent Research

Valuation rationale

We deem that the macro scenario foreshadowed an increasingly volatile financial market environment. Tight monetary policies are leading to a slowdown in trend inflation, but global demand slowdown keeps interest rate market at high levels, keeping bonds appealing in terms of cost opportunity. Both conditions appear to us favorable for Directa's business: the former considering the positive correlation between trading volumes and market volatility; the latter taking into account the recent bond placements' success (i.e. BTP Italia, ENI Bond).

Target Price

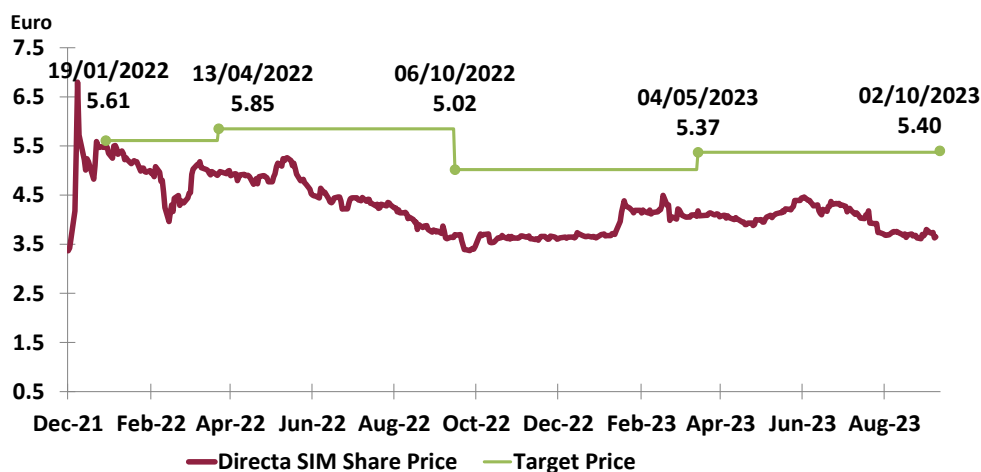
H1 2023 figures confirmed Directa growth path. We believe that the market environment may support this trend in the medium run, just as we view as positive the Company's renewed commitment to the Private Banking business unit implementation. Our FCFE model led to an equity value consistent with our previous €5.40 target price, implying a 48% upside potential on current stock price, and the OUTPERFORM rating.

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

Directa SIM price per Share	€
Target price	5.40
Current Share Price (29/09/2023)	3.65
Premium (Discount)	48%

Source: EnVent Research

Directa Share Price vs. EnVent Target Price



Source: EnVent Research on S&P Capital IQ, 02/10/2023

Directa Implied Multiples vs Peers

Company	2023E	P/E 2024E	2025E
International peers			
flatexDEGIRO AG	10.9x	8.3x	7.4x
Interactive Brokers Group, Inc.	15.5x	14.0x	14.1x
The Charles Schwab Corporation	16.8x	13.2x	10.7x
Plus500 Ltd.	5.7x	5.3x	5.2x
Robinhood Markets, Inc.	20.3x	18.6x	17.4x
XP Inc.	15.0x	12.4x	10.6x
Mean	12.8x	10.6x	9.6x
Median	15.0x	12.4x	10.6x
Italian peers			
Equita Group S.p.A.	10.9x	9.0x	7.3x
Intermonte Partners SIM S.p.A.	14.0x	10.1x	8.2x
MIT Sim S.p.A.	n.a.	11.7x	6.3x
Copernico Sim S.p.A.	9.0x	5.0x	3.6x
SCM SIM S.p.A.	75.7x	11.9x	4.7x
Mean	27.4x	9.6x	6.0x
Median	12.5x	10.1x	6.3x
Directa SIM, current market price and consensus estimates	12.7x	10.8x	8.3x
Directa SIM, EnVent Target Price and estimates	29.2x	28.6x	18.3x

Source: EnVent Research on S&P Capital IQ, 29/09/2023

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Date	Recommendation	Target Price (€)	Share Price (€)
19/01/2022	NEUTRAL	5.61	5.51
14/04/2022	OUTPERFORM	5.85	4.93
06/10/2022	OUTPERFORM	5.02	3.64
05/04/2023	OUTPERFORM	5.37	4.07
02/10/2023	OUTPERFORM	5.40	3.65

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