

Italian Morning Sight

Investment Research

Institutional Sales +39 02 4344 5101

Relative Value - 4788

Equity Derivatives - 5451

25 September 2020

Events & Macro Data

Economic Sentiment of September

Istat: Consumer Confidence Ind. of September

Manufacturing Confidence of September

INDEL B: H1 2020 results

[Technical Analysis](#)[DJ STOXX: Daily relative performance by sector](#)

Stock Exchanges

24 Sep 20	Last	%Chg	%YtD	Min YtD	Max YtD
FTSE Italy All-Share	20,727	-0.21	-19.13	16,286	27,675
FTSE MIB	18,907	-0.12	-19.57	14,894	25,478
FTSE Italy Star	38,761	-0.58	-0.87	26,064	41,255
Comit	1,385.0	0.00	0.00	1,385.0	1,385.0
Stoxx 600	355.85	-1.02	-14.43	279.66	433.90
EuroStoxx 50	3,159.6	-0.64	-15.63	2,385.8	3,865.2
Dow Jones Industrials	26,815	0.20	-6.04	18,592	29,551
Nasdaq Comp	10,672	0.37	18.94	6,861	12,056
Nikkei 225	23,088	-1.11	-2.40	16,553	24,084

Other Market Indicators

24 Sep 20	Last	%Chg	%YtD	Min YtD	Max YtD
EUR/USD	1.1641	-0.28	3.70	1.0689	1.1964
USD/YEN	105.48	0.18	-2.94	102.55	112.09
10 Yrs Bund Futures	174.44	0.13	2.32	167.94	178.23

Source: Refinitiv Datastream

Recommendation and target price changes

No changes

News

MEDIA Lower decline in sight for Italian advertising**Atlantia (Accumulate)** Dual track process to sell stake in ASPI**Creval (Accumulate)** CASA said to scout for takeover targets in Italy**Danieli (Neutral)** Proposal of saving shares conversion**Leonardo (Buy)** The CEO buys shares for EUR 0.5m**Prysmian (Accumulate)** One negative, one positive piece of news from Brussels

Previews

Indel B (Buy) Q220e likely the worst but recovery is in sight

Results

Autogrill (Reduce) Revenues hit by COVID-19 outbreak in July and August**Danieli (Neutral)** FY 20 results: sales decrease due to Steel Making division**Digital Magics (Accumulate)** H1 2020 results: profitable consulting biz, one exit

This research has been produced and is being distributed as of 25 September 2020 at 8:14 AM CET.



Digital Magics

Sponsored Research

Italy | Financial Services Holdings



Analysar

25 September 2020

Accumulate

Recommendation unchanged

Share price: EUR 3.76

closing price as of 24/09/2020

Target price: EUR 6.70

Target Price unchanged

Upside/Downside Potential 78.2%

Reuters/Bloomberg

DMG.MI/DM IM

Market capitalisation (EURm)

Current N° of shares (m)

Free float 37%

Daily avg. no. trad. sh. 12 mth (k) 3

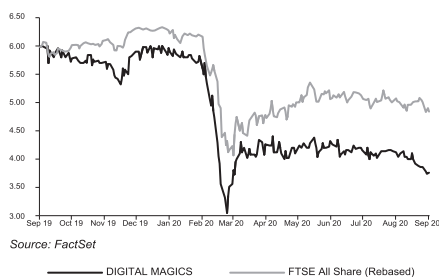
Daily avg. trad. vol. 12 mth (k) 0.00

Price high/low 12 months 6.00 / 3.05

Abs Perfs 1/3/12 mths (%) -8.74/-12.96/-37.12

Shareholders

StarTIP 23%; Innogest 6%;



Analyst(s)

Andrea Devita, CFA

andrea.devita@bancaakros.it

+39 02 4344 4031

H1 2020 results: profitable consulting biz, one exit

The facts: the company published its H1 2020 results yesterday.

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

Digital Magics: FY 2019 results (EUR K)

EUR thousand	H1 2019	H2 2019	FY 2019	H1 2020a	Y/Y
Revenues	1,485	1,171	2,656	1,341	-9.7%
Value of Production	1,753	1,484	3,237	1,605	-8.4%
Labour cost	-245	-190	-435	-213	-13.1%
EBITDA	-151	-152	-303	165	nm
EBIT	-416	-578	-994	-55	nm
Write downs	-337	-888	-1,225	-698	nm
Net Income	-833	-1,424	-2,257	-484	nm
Inv. in comp. portfolio	1.9	1.4	3.3	1.03	-45.8%
Net debt (cash)	301	1,438	1,438	2,017	570%

Source: Company data

Revenues and EBITDA are not crucial in this business; the top-line was down by almost 10% Y/Y, but the revenues from consulting services provided to the companies in portfolio were up 15%. The “Open Innovation” programs were 10, despite the Covid-19 lockdown (17 in H1 19). The EBITDA turned positive thanks to a tight cost control. Negative but improving Net Result, mainly driven by the EUR 300K capital gain on Moneymour, sold in February 2020. The net debt position increased by 600K in the six months to EUR 2.0m (gross cash almost unchanged at EUR 2.9m).

The investment in company's portfolio amounted to EUR 1.0m, while total funding including third parties reached EUR 3m. The current portfolio includes 70 operating companies (69 at the end of 2019, 66 as at June 30, 2019). DM invested in 4 new participations during H1 2020 (7 in H2 19 and 17 in H1 19), of which 3 from the latest “Magic Wand” acceleration program, focused on fintech, insurtech, blockchain and cybersecurity.

The main exit in the period was the disposal of fintech company “Moneymour”, in February 2020. DM sold its 13.8% stake to Klarna and said the return on the deal was 3x the invested capital, with an IRR above 100%.

Despite the slowdown in H1, DM highlights that the measures enforced by the Government (in particular new guarantees for SMEs and start-ups) are helping the relaunch: **indeed, in September, DM closed 6 new financing rounds for EUR 3.5m, in which CDP Venture Capital, a fund financed by Cassa Depositi e Prestiti designed to support innovative start-ups, contributed EUR 1.6m.**

DM also announced a partnership with Lazio Innova which includes up to EUR6m co-investments in start-ups (of which 40% from the vehicle Innova Ventures) on a two-year period.

Conclusion & Action: the Covid-19 lockdown clearly affected the business, slowing down investments and exits, but the P&L improved. Moreover, we expect the company to seize the opportunities offered by the public financing facilities.

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Disclaimer

This research has been prepared by Giada Cabrino; Andrea Devita; Enrico Esposti; Gabriele Gambarova; Paola Saglietti; Luigi Tramontana; Francesco Sala; Andrea Bonfà; Emanuele Oggioni (members of AIAF); Gian Marco Gadini; Marcello Renna (ordinary member of SIAT), who are financial analysts with Banca Akros SpA ("Banca Akros"), which is responsible for the preparation of the research.

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Banca Akros' parent group holds more than 3% or is a member of shareholders pacts.

Banca Akros was acting as Joint Lead Manager of the bond issuance organized in October 2019.

Banca Akros was acting as dealer manager of the tender offer of the bond organized in May 2020.

2. Unieuro

Dual administrator role in related parties.

3. Acotel (until 31 August 2020), Ambientesys (until 30 March 2020), Cembre (MTA), Cyberoo (until 30 April 2020), Culti Milano (AIM), Digital Bros, Digitouch (until 30 April 2020), Enervit (until 30 June 2020), Exprivia, Falck Renewables, Gas Plus, Gismondi (AIM), , IdeaMI (until 11 December 2019), I Grandi Viaggi, Illa (AIM Italia), Italian Wine Brands, Kolinpharma (AIM Italia), Pininfarina (until 30 June 2020), PLC, SEIF – Società Editoriale Il Fatto, SG Company (until 30 August 2019), Sirio (until 9 June 2020), Telesia,

The Bank is a specialist or liquidity provider.

4. QF Mediolanum RE A, QF Mediolanum RE B, QF Immobiliare Dinamico

The Bank is a specialist or liquidity provider (closed-end funds).

5. Digital Magics (AIM)

The Bank is a specialist or liquidity provider

The Bank is acting as Nomad.

6. Gambero Rosso (AIM)

The Bank is acting as Nomad.

7. VEI1 (SPAC, AIM)

The Bank is a specialist or liquidity provider (until 28 February 2020)

The Bank is acting as Nomad (until 28 February 2020)

8. Industrial Stars of Italy 3 (SPAC, AIM)

The Bank is a specialist or liquidity provider (until 7 November 2019)

The Bank is acting as Nomad (until 7 November 2019)

The Bank was acting as Financial Advisor in the business combination with Salcef (until 30 November 2019)

9. Fine Foods and Pharmaceuticals

The Bank is a specialist or liquidity provider.

The Bank is acting as Nomad.

10. AbitareIn, Aedes, Alerion, Banca Ifis, Banca Sistema, BE, Cellularline, Digitouch (until 29 February 2020), Elica (until 30 November), Enervit, Fiera Milano, Il Sole 24 Ore, IndelB, Monnalisa, Net Insurance (AIM), Openjobmetis, Orsero, Prima Industrie

The Bank is acting as corporate broker.

11. Iren

The Bank is acting as passive Bookrunner for the placement of the negotiable bonds organized in October 2019.

12. Terna

Banca Akros was acting as Joint Bookrunner of the bond issuance organized in July 2019 and July 2020.

13. Unicredit

Banca Akros was acting as Co-Lead Manager of the bond issuance organized in June, September 2019 - January and July 2020.

14. CDP

Banca Akros was acting as Joint Lead Manager and Joint Bookrunner of the bond issuance organized in March 2019 and acting in the placement of the bond issuance organized in June 2019.

15. Nexi

Banca Akros was acting as Joint Bookrunner of the bond issuance organized in October 2019.

Banca Akros was acting as Joint Bookrunner of the convertible bond issuance organized in April 2020.

16. Banco Bpm

Banca Akros was acting as Joint Bookrunner of the bond issuance organized in September, October 2019; January and September 2020, and as Bookrunner of the bond issuance in June 2019 and February 2020.

17. Shedin Pharma Group

Banca Akros was acting as Joint Global Coordinator, Joint Bookrunner and Specialist for the pertinent IPO organized in July 2019.

The Bank is a specialist or liquidity provider.

18. SIAS

Banca Akros was acting as intermediary of the collection of acceptances to the pertinent tender offer, organized in July 2019.

Banca Akros acted as a specialist until 30 December 2019.

19. Banca Farmafactoring

Banca Akros was acting as Co-Lead Manager of the bond issuance organized in October 2019.

20. Compass/Mediobanca

Banca Akros was acting as Joint Lead Manager and bookrunner of the New Issue Quarzo S.r.l. 2019 Italian Consumer Loan ABS organized in November 2019

21. IGD SIIQ

Banca Akros was acting as Joint active bookrunner of the bond issuance organized in November 2019.

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22. Biodue

Banca Akros was acting as intermediary of the collection of acceptances to the pertinent tender offer, organized in November 2019

23. TIP Tamburi Investment Partners

Banca Akros was acting as Senior Co-Lead Manager of the bond issuance organized in November 2019.

24. Webuild (Salini Impregilo)

As at 31 July 2020 the Bank was holding a net long position of 0.66% of the issuer's share capital.

Banca Akros was acting as Joint Lead Manager of the bond issuance listed on Euronext Dublin organized in January 2020.

25. Salcef

The Bank is a specialist or liquidity provider (from 8 November 2019 – formerly ISI3 (AIM))

The Bank is acting as Nomad (from 8 November 2019 – formerly ISI3 (AIM))

26. GPI

The Bank is a specialist or liquidity provider

Banca Akros was acting as Joint bookrunner of the bond issuance organized in December 2019

27. ASTM (MTA-TAH)

The Bank is a specialist or liquidity provider

28. New BTPITALIA

Banca Akros was acting as co-dealer of the BTPITALIA issuance organized in October 2019 and in May 2020

29. BTP Futura

Banca Akros was acting as co-dealer of the BTP Futura issuance organized in July 2020

30. OPS Intek

Banca Akros was acting as intermediary to the public exchange offer organized in February 2020.

31. Visibilia Editore (AIM)

The Bank is a specialist or liquidity provider

As at 31 July 2020 the Bank was holding a net long position of 2.74% of the issuer's share capital.

32. Leonardo

Banca Akros was acting as Other bookrunner of the bond issuance organized in July 2020

33. Inwit

Banca Akros was acting as bookrunner of the bond issuance organized in July 2020

34. DoValue

Banca Akros was acting as CoManager of the bond issuance organized in July 2020

35. Banca Intesa

Banca Akros was acting as CoManager of the bond issuance organized in August 2020

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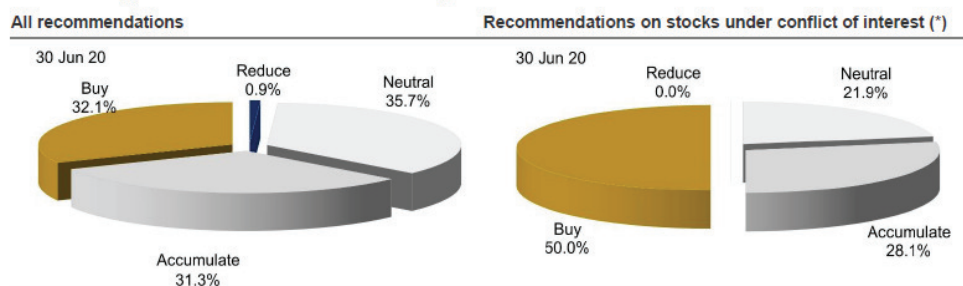
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Furthermore, in specific cases and for a limited period of time, the analysts are allowed to rate the stocks as **Rating Suspended (RS)** or **Not Rated (NR)**, as explained below.

Meaning of each recommendation or rating:

- **Buy:** the stock is expected to generate total return of over 15% during the next 12 months time horizon
- **Accumulate:** the stock is expected to generate total return of 5% to 15% during the next 12 months time horizon
- **Neutral:** the stock is expected to generate total return of -5% to +5% during the next 12 months time horizon
- **Reduce:** the stock is expected to generate total return of -5% to -15% during the next 12 months time horizon
- **Sell:** the stock is expected to generate total return **under** -15% during the next 12 months time horizon
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Certain flexibility on the limits of total return bands is permitted especially during higher phases of volatility on the markets

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