

Company Update

Reason: Initiation of Coverage

26 September 2017

Accumulate

Initiating Coverage

Share price: EUR **6.27**

closing price as of 25/09/2017

Target price: EUR **8.10**

Upside/Downside Potential **29.2%**

Reuters/Bloomberg

DMG.MI/DM IM

Market capitalisation (EURm) **41**

Current N° of shares (m) **7**

Free float **37%**

Daily avg. no. trad. sh. 12 mth **11**

Daily avg. trad. vol. 12 mth (m) **69.48**

Price high/low 12 months **3.29 / 7.19**

Abs Perfs 1/3/12 mths (%) **9.04/13.07/79.98**

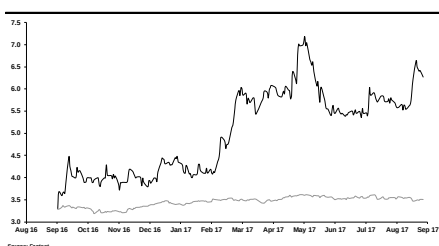
Estimated NAV breakdown (EURm)

NAV listed companies **0.0 0%**

NAV unlisted companies **58.2 103%**

Shareholders

TIP 18%; Innogest 5%;



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Leading the Italian start-up revolution

Digital Magics – the main Italian business incubator – aims at supporting Italian start-uppers in setting up and scaling up their businesses, leveraging on a unique ecosystem. It's portfolio accounts for 57 start-ups (66 including Withfounders) and forthcoming exits should make the recognition of value hidden in this pipeline much easier thus confirming the reliability of the business model. DM value creation is clearly related with an increased success probability of new initiatives and, necessarily, execution timing.

On the back of our SoP valuation, including both portfolio management and consultancy services, we point to a EUR 8.1/sh fully diluted target price and start our coverage with an Accumulate recommendation.

- ✓ The digital economy today represents an alternative way to support GDP growth and reduce unemployment through the establishment of new initiatives. However, start-uppers are usually not fully aware of how to establish and run a company, thus needing support from professionals. Incubators are translating this role into a business, supporting start-ups with a combination of professional skills and initial cash investments.
- ✓ The wide digital gap between Italy and other EU countries, coupled with a low average labour cost, makes Italy a good place to develop new digital initiatives. Since its establishment in 2004, Digital Magics has become a key character in the Italian start-up story-line, consolidating its strong leadership. Every year, Digital Magics screens c. 1,000 pitches sent by start-uppers and selects only c. 10/15 new start-ups to incubate.
- ✓ Unlike other incubators, Digital Magics' approach is based on an own ecosystem combining own professionals with Talent Garden (co-working spaces) and Tamburi Investment Partners (Italian private merchant bank). The relationship among the companies is reinforced by TIP's 18% stake in DM and TIP & DM interest in TAG. DM will provide support services to start-uppers that can use workspaces from TAG and benefit from seed capital investments from DM and TIP. We also note that DM benefits from a strict relationship with other industrial players (i.e. Multiversity), Italian universities and financial partners (DM usually invests together with business angels).
- ✓ The P&L is not representative of DM's value – DM has a structural cash burning situation – whilst the real hidden value could arise from the portfolio of companies (currently 57 companies, of which we highlight stakes in TAG and Hyperloop TT). Professional skills and the unique ecosystem supports a strong development in incubated companies (+36% Y/Y in aggregated portfolio revenues in 2016) and a very low write-off rate (20%, well below the 60% industry average) and it will support further strong revenues growth in top holdings.
- ✓ We valued the company through a SoP including both an estimate of the potential portfolio value and of consultancy services. Considering the fully diluted number of shares – the warrants' exercise is desirable to sustain future investments in start-ups – we set a EUR 8.1/sh target price.

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Investment Case

The digital economy represents a valuable alternative to increase GDP and cut unemployment rates due to the significant refocus of professionals to new growing sectors. Italy historically has a material digital transformation gap vs. other European countries – it ranks only 25th out of 28 in the DESI index – and this should generate business opportunities for domestic players. Italy, in fact, can benefit from a combination of low labour costs and well educated workers, which should allow the country to succeed as a new European digital Hub. In this scenario incubators play a key role, supporting start-ups with initial financial resources and managerial skills, benefitting from the lack of a structured financial ecosystem (instead of Silicon Valley and Silicon Wadi).

Since its establishment in 2004, Digital Magics has become a key character in the Italian start-up story-line, consolidating its strong leadership. Every year Digital Magics screens c. 1,000 pitches sent by start-ups and selects only c. 10/15 new start-ups to invest in. As an incubator, the company supports start-ups through a combination of various efforts.

As regards **financing**, Digital Magics acts as a financial investor in the pre-seed and seed stage of the fund-raising process. Seed and the early stage are usually carried out in partnership with other investment professionals (i.e. business angels, VCs): we welcome this approach as it allows DM to share its risk, increase the pipeline of potential investments and validate investment opportunities and valuations. As at today, DM holds stakes in 57 companies (66 considering the indirect holding through Withfounders) of which 33 registered as innovative start-ups (eligible for fiscal incentives).

As regards **professional and support services**, the company provides business accelerator, logistical, and IT services – i.e. broadband networks and prototype test rooms - legal, administrative and financial services and strategic support in business model / business plan validation.

To leverage on its long track-record, DM recently signed a partnership with Multiversity to launch online courses for start-ups. DM will not hold the courses directly but it will benefit from revenue sharing, facing only initial limited costs to set-up the teaching material, thus reducing cash-burning. The aforementioned partnerships add to the collaborations with Italian universities and to the co-investment activity involving several independent business angels. This allows DM to run a unique ecosystem for start-up in Italy.

As regards the figures, we note that like other business incubators Digital Magics' P&L is not representative of the company's real value, which cannot be based on service revenues (including third party deal like Open Innovation programs) but mainly on the valuation of the portfolio. Recurring service revenues and new revenues from courses will only partially cover operating costs. As regards investments, we note that DM recorded an interesting average cash multiple of 2.6x since its inception on 9 exits; furthermore, the quality of the DM management team – a key aspect to look at in private market operators - is underpinned by an extremely low write-off rate (c. 20% vs. 60% for the industry).

Portfolio companies require time to unveil hidden value, but we believe the average 2.6x cash multiple could easily be exceeded in some forthcoming exits, especially for the top 12 holdings we are going to analyse better in the report. Talent Garden (18.7% stake) the Italian start-up in co-working, and Hyperloop TT (c. 4% stake) currently represent the crown jewels in DM's portfolio.

We have valued the company using a SoP approach considering the potential value of the portfolio and the service activities, together with the negative contribution from the ongoing write-offs, in line with past years. We then obtained a target price of EUR 8.1/sh fully diluted. We believe DM represents a good mid/term play into the Italian growing digital ecosystem – also considering material exits to be finalised over the next few years – even though investors should be aware of the long-term perspective of this investment and of the low liquidity of the stock.

Digital Magics at a glance

Digital Magics was established in 2004 by Enrico Gasperini, Alberto Fioravanti, Gabriele Ronchini and Bibop G. Gresta, all professionals with a long track record in the digital arena (see Appendix 1). Leveraging on its founders expertise and the partnership with several other professionals in the digital and start-up arena, DM is currently the main business incubator in Italy with a portfolio of 77 start-ups (as at June and including 11 companies already discontinued). DM usually has minority stakes in these companies, even though in 11 of them the incubator is the main shareholder. To increase available financial resources and to further support an increase in portfolio size or new investment rounds in companies already invested, Digital Magics went public in 2013 at EUR 7.5/sh through a listing on the Italian Alternative Investment Market.

The company recently finalised a capital increase (approved at the extraordinary shareholders meeting on Jan-31st) including a reshuffle of the shareholder base according to the following steps:

- I. The issue of 1,232,456 new shares with a 1:4 ratio at EUR 4.035/sh for a total amount of EUR c. 5.0m;
- II. Tamburi Investment Partners, the Italian merchant bank owned by the businessman Mr. Giovanni Tamburi, a long-standing shareholder of the company since 2015, underwrote EUR 0.3m of unsubscribed stocks.
- III. The entrance of Mr Danilo Iervolino's Multiversity SpA (through the investment vehicle Garage Start Up Srl) among shareholders. The deal marked a milestone in the partnership between Mr Iervolino's new media educational networks (Universitas Mercatorum and Università Telemativa Pegaso) and Digital Magics for educational services for start-ups (called DM startup University).

Following the capital increase, Tamburi became DM's main shareholder with an 18.15% stake, followed by one of the founders, Mr Alberto Fioravanti with a 12.57% stake.

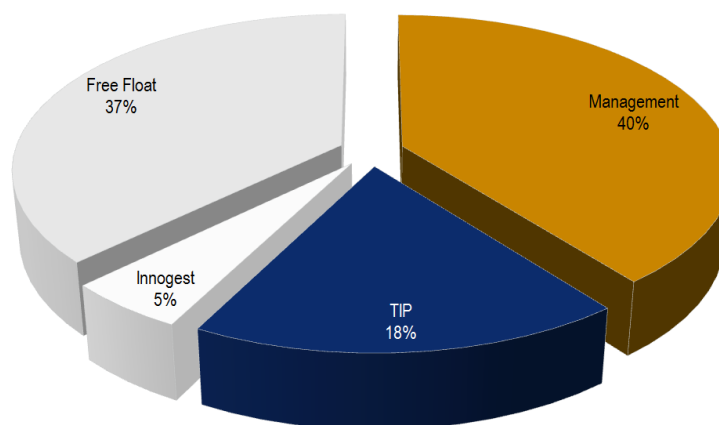
As regards the current shareholder structure, we also highlight that:

- A) DM has already finalised another capital increase of EUR 1.66m, with no pre-emptive rights, reserved for some shareholders of Withfounders Srl. The deal must be considered part of a more complex transaction that led to a DM partnership with Innogest (one of the biggest early stage venture capital funds in Italy) and Withfounders (business accelerator with 13 start-ups in its portfolio). The capital increase finalise an agreement already reached and announced in December 2016 to create a bigger player in the domestic digital arena. The deal included the transfer of Innogest's shares in Withfounders to Digital Magic, which, with a 35% stake, became the major shareholder of Withfounders. The current stake owned by Innogest in DM is 5.14%. We finally note that the agreement is strategic, thus further consolidating and accelerating the collaboration, already underway, between the incubator and Innogest and adds 9 start-ups to DM's overall direct and indirect portfolio.
- B) Along with the capital increase, the company issued 1,643,278 warrants with a 1:4 exercise ratio. The warrants were given to previous shareholders for free and we believe this choice was made due to the negative impact of the Withfounders reserved capital increase. The warrants (see Appendix 4 for exercise details) should provide the company with new financial resources, thus making it possible to take new investment opportunities in start-ups or to scale-up new seed investments.

As at today, the company has collected EUR 6.4m in new financial resources. We believe the company could target an additional cash-injection in October (we estimate c. EUR 2.2m when it exercises c. 380k warrants). Taking into account the expected appreciation of the portfolio and pick-up in revenues at held companies, we project there will be a further exercise of warrants in 2018-20 for a total consideration of EUR 8.8m cash-in.

Finally, in the following chart we summarise Digital Magics' current shareholder structure. On the back of the aforementioned warrants' first exercise in October, there should be some changes in weights among shareholders, even though the management, TIP and Innogest are still expected to run the company in coming years.

Shareholder structure as at Aug 2017



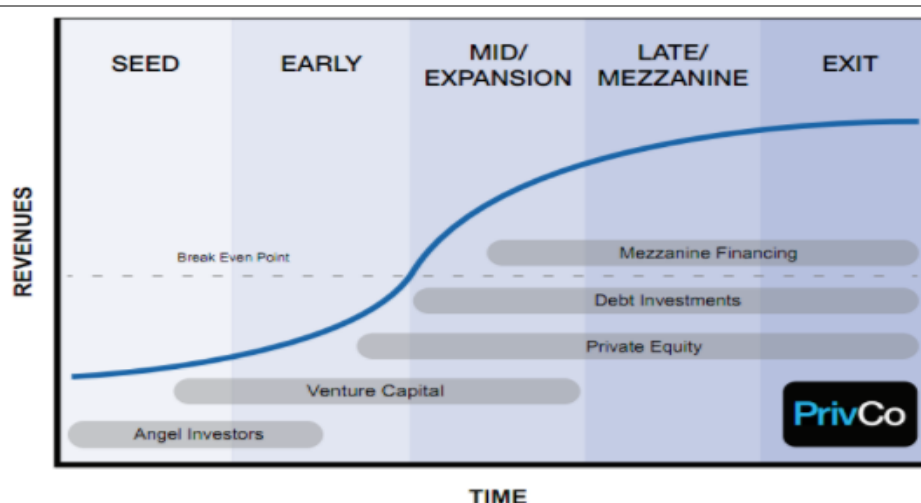
Source: Company data

The reference market: private markets will support new business development

Private markets do not only turn to big private equity transactions involving the delisting of public entities but also the financial resources invested by professionals – both funds or business angels – in supporting new business initiatives. The digital and internet revolution enlarged the potential range of investments by leveraging on new start-up births.

Private markets' financial support for start-ups can differ depending on the stage of the company, the size of the investment and the nature of the investor involved.

Private markets investment cycles



Source: PrivoCo

Seed capital is private financing provided primarily by friends and family, angel investors, or early stage venture capital firms. Seed money is used to fund initial operations, build a product prototype, and product testing. A private company that receives seed capital is usually pre-revenues and may be in stealth mode, meaning that its operations and products are hidden from the public until they are ready for market testing and beta launch. The seed phase could be further split among: a) *pre-seed*, where incubators and tech hubs usually play a material role in the start-up of the business; b) *micro-seed*, where public grants and accelerators are usually the most material professional actors; c) *seed*, where business angels and seed funds usually operate with higher financial resources than in the first phases.

Early stage financing is usually provided by angel investors or venture capital firms. It is used to fund the company's transition to commercialising its product and supporting the firm as it sells to its first customers. This stage may include the support in ramping up an industrial manufacturing process or market the company's products aggressively.

Mid Stage/Expansion refers to funds used to support the private company's growth path. These funds should allow the company to scale up the business, i.e. acquire more servers to support traffic to its website, increase the private company's marketing budget, acquire or build more factories, launch new products, etc. Expansion capital usually comes from Venture Capital funds or Private Equity firms. Taking into account that in this stage the company is usually starting to generate a profit and the founders do not usually want to sell a material stake in the company, and so the funding is usually performed through other financing methods like debt or mezzanine financing.

The investments raised by start-ups in their early stage and mid stage phases can be further split among 1st and 2nd round and 3rd or mezzanine round financing respectively, implying an increasing amount of financial resources put into start-ups.

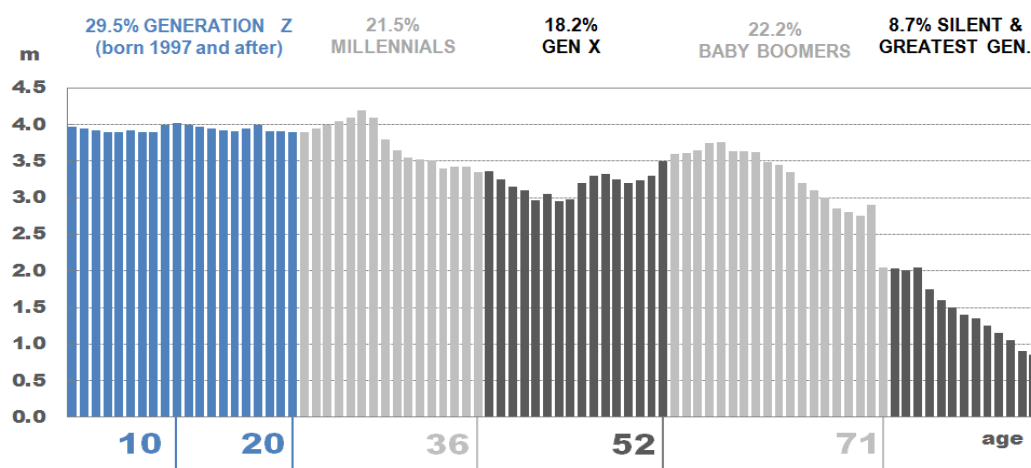
Late Stage financing has frequently been known as bridge financing because it represents the last stage of capital inflows required to complete the development of a company and allow it to reach the correct size, global scope or profitability to complete an exit (usually performed through an IPO or a full sale to other PEs or to bigger companies) by founders or previous stage investors.

We finally remind you that digital start-ups usually:

- i) require lower initial capital to become operating compared to “old economy” companies;
- ii) benefit from historically higher operating margins;
- iii) investments can be focused on marketing initiatives and product development, thus generating higher ROI;
- iv) business scale-up in the first phases of the cycle allows investors to benefit from sound margin expansion, significantly above the one historically recorded by mature companies.

Moreover, digital start-ups are leveraging on millennials’ attitude to interact with technology more than baby boomers, and this trend will continue when generation Z hits the market. As shown in the following chart, Generation Z already accounts for c. 30% of the US population; by coupling Generation Z with millennials (21.5% of the US population) more than 50% of the US population connected and digital addicted in a few years.

Current US Population (m) by Age



Source: US Census Bureau, PEW Research Center

Out of this reference market we note that Digital Magics mainly operates in the pre-seed and micro-seed stages, coupling cash investments in start-ups with other services and support consultancies, thus supporting start-up growth at a faster pace. DM’s investment strategy usually allows third-party investors to co-invest if there are big tickets needed to sustain the scale-up process.

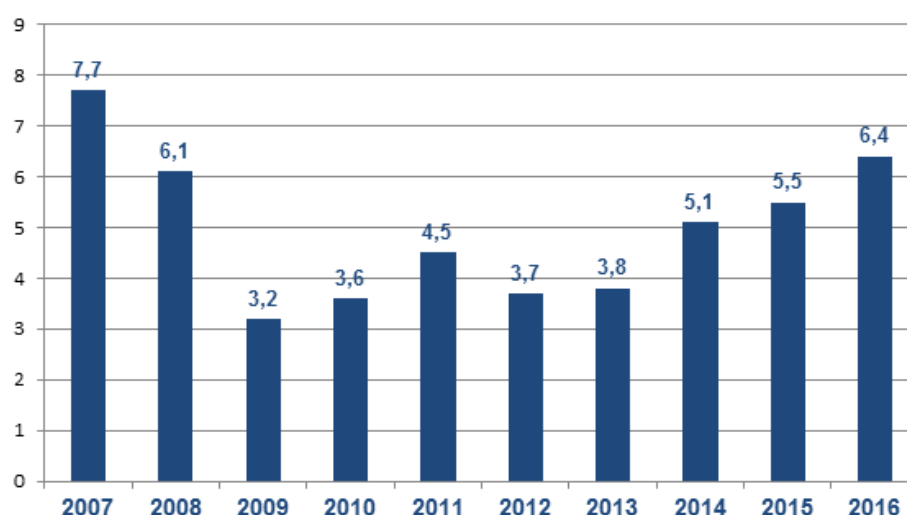
According to Invest Europe, the amount of investments in private markets in the Old world recorded a material increase in 2016. Total fundraising by Venture Capital funds reached EUR 6.4bn (+16.4% Y/Y), thus coming back to the 2008 level. C. 10% of the fundraising comes from North American institutional investors: this confirms the good IRR opportunity

offered by the European start-up ecosystem, which is significantly underdeveloped and benefits from a lower implied valuation compared to Silicon Valley.

European VCs invested c. EUR 4.3bn in 2016 with a strong focus (44% of the total) on start-ups in the digital / ICT segment, while the second most welcomed sector was biotech and healthcare services (27%). The increasing appetite for alternative investments across European countries is also testified by: i) the EUR 1bn fundraising achieved in less than 18 months by the French based Partech Ventures fund; ii) the above EUR 100m fundraising recorded by 13 other VCs in 2016.

Despite pretty good results, we believe 2017 and forthcoming years will continue to show increasing investor interest in this asset class, coupled with a still low return offered by other assets (especially bonds) and a generally speaking pretty high valuation reached by many listed stocks. The expected launch of a private/public EUR 400m fund by the European Commission should return the total VCs fundraising level to 2007 quickly.

VCs fundraising in Europe 2007-2016 (data in EUR bn)



Source: Invest Europe

On the back of potentially double-digit cash multiples on investments start-ups, investment is usually characterised by a pretty high default rate. Cambridge Associates, a leading global investment and advisory firm, tracked the performance of venture investments in 27,259 start-ups between 1990 and 2010, thus including in the time horizon the dotcom bubble and the 2009 financial crisis. The research pointed out that c. 60% of start-ups failed or recorded a negative performance for their VC investors. The highest default rate was reached during the 2000 dotcom bubble when defaults or negative performance for VCs reached 80%.

The Italian job

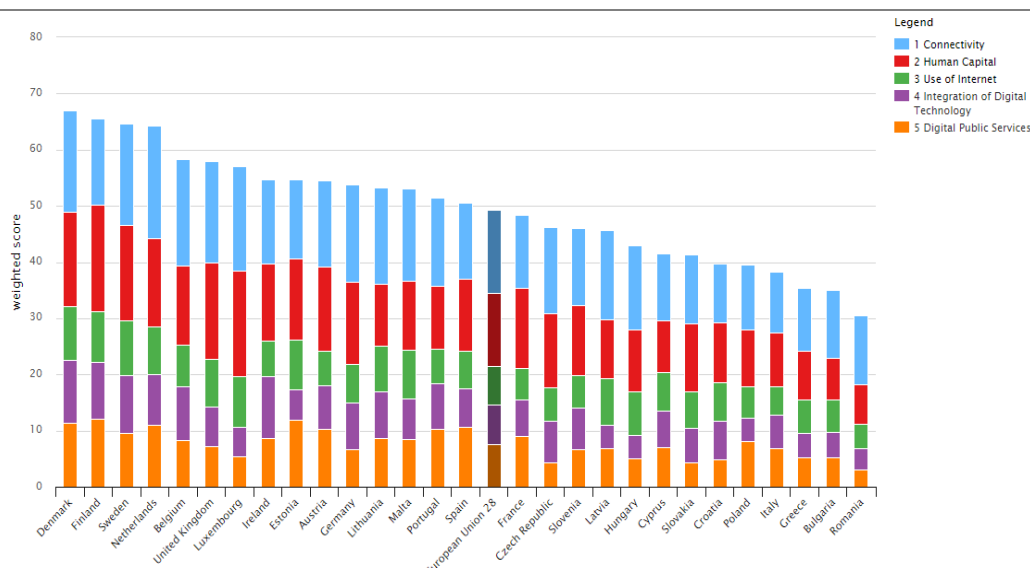
Italy has a historical digital gap vs. other countries and this cannot be described only by the still low penetration of digital technology in several segments - i.e. the still low penetration of ecommerce and online advertising - but also from the lack of successful new business initiatives.

According to the European Commission's 2016 report, Italy ranks 25th out of 28 countries in the DESI Index. Denmark, Finland, Sweden and the Netherlands have the most advanced digital economies whilst Romania, Bulgaria, Greece and Italy have the lowest scores. Italy mainly lacks connectivity and use of the internet, thus confirming that Italian corporations

are still largely non-digital and not well focused on new sales channels, especially among SMEs.

Only c. 5/10% of Italian SMEs already sell online and most of them do this through some int'l marketplaces - and not through their own ecommerce site – and the vast majority of SoHos currently do not recognise the value of online and new technologies in their business.

Digital Economy and Society Index 2016 ranking



Source: European Commission

Note:

Connectivity measures the deployment of broadband infrastructure and its quality.

Human Capital & Digital Skills measures the skills needed to take advantage of the possibilities offered by a digital society.

Use of Internet measures the different activities carried out by EU citizens online.

Integration of Digital Technology measures the digitisation of businesses and their exploitation of the online sales channel.

Digital Public Services measures the digitalisation of public services, focusing on eGovernment and improving digital services offered to citizens.

However, this trend should begin to turn around. According to Accenture, the digital share of domestic GDP will continue to grow over the years and it is expected to exceed the 20% by 2020 (Italy currently stands at 18%, far below Anglo-Saxon countries, which stand above 30%). This objective should be reached thanks to confirmed tax relief on investments in innovative start-ups. Law n. 221 17/12/2012 and following modifications, in fact, allows individuals and companies that invest directly or indirectly in start-ups (in the form of a capital injection) to obtain:

- i) a 30% deduction on personal income tax for a maximum yearly investment of EUR 1m;
- ii) a 30% deduction on corporate taxes due if the investor is a corporate entity with a maximum yearly investment of EUR 1.8m.

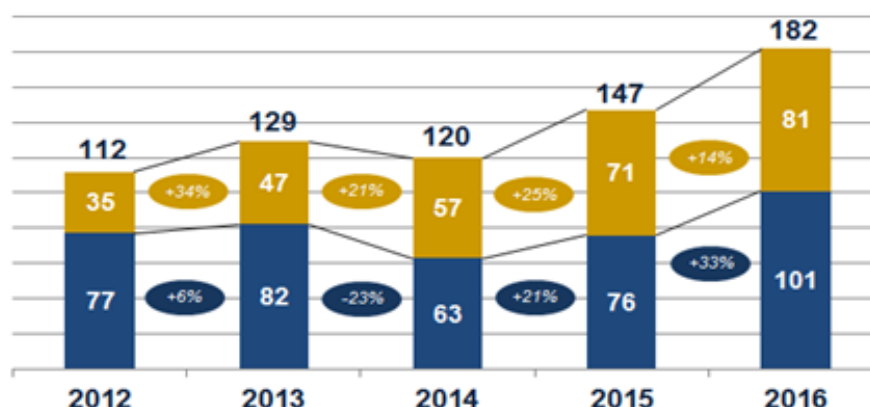
The introduction of the law and its confirmation over the following years (including 2017) coupled with good conditions for start-ups (Italy has a low average labour cost compared to other EU countries and a proved greater quality of the human capital) led to material growth in registered innovative start-ups: +31% Y/Y in 2016, thus reaching 6,745 units.

The development of Open Innovation solutions (see Appendix 3) should represent a low-cost driver to support the digitalisation of Italian SMEs thanks to the combined efforts by both old economy style corporates and digital players; a partnership allowing corporates to invest available financial resources in a steady and efficient way, benefiting from the expertise of specialised players and trying to close the country's digital gap.

On negatives, we have to highlight the historical lack of material investments in start-ups with an average amount invested per year that reached, according to the Politecnico di Milano high-tech observatory, EUR 182m in 2016. Despite the implied 24% Y/Y increase, the Italian gap with other European countries in terms of start-up financing is big: French investments are estimated to be 8x whilst Spanish and German investments should have been 7x the Italian level. The Spanish data is even more interesting taking into account the significant difference in GDP between Italy (1,850tn) and Spain (1,232tn), which showed Iberian higher attitude in investing in risky assets.

The analysis of 2015 data testified the increasing weight of >EUR 1m size deals (29% of the total), confirming a certain focus on scaling up investments, with a specific focus on the digital sector (c. 70% of total investments).

Italian total investments in start-ups: 2012-2016 evolution (EUR m)



Source: Politecnico di Milano, Repubblica

Note: Blue: professional players; Gold: unprofessional players (i.e. family & friends and business angels)

Increasing scale-up investments confirm the ongoing development in the Italian ecosystem. In 2015, 67 companies recorded a top line of above EUR 1m vs. 51 companies in 2014 and employees in start-ups rose from 1,565 to 2,420 people. On the other hand, in a still fragmented domestic market with limited size, the number of exits finalised by professional investors is very low (only 19 exits to Oct-16 and 25 exits in the entire 2015).

We highlight that the Italian digital start-up universe is less polarised than abroad. Unlike in the US or Israel, where these companies are concentrated in the Silicon Valley or in the Silicon Wadi, the 6,800 innovative start-ups listed on the Italian special register are spread across the nation: 15 regions have more than 100 start-ups each, and this paves the way to the development of local incubators to support these initiatives.

Finally, in order to further sustain the Italian start-up ecosystem we highlight the recent announcement from Tamburi Investment Partners regarding the concentration in one company – StarTIP S.r.l. – of all the shareholdings operating in the start-up, digital and innovation field, that means Digital Magics, Talent Garden, Telesia and others thus including an allocation to the Italian start-up and digital ecosystem of c. EUR 100m to be invested in the coming years. This move, together with an increasing interest from Cassa Depositi e Prestiti for innovative initiatives, can represent a real trigger to sustain the Italian start-up environment and to indirectly support the activity carried out by Digital Magics.

Digital Magics, the leading Italian incubator

Digital Magics supports the launch of new business initiatives (registered innovative start-ups grew by 31% Y/Y in 2016 to 6,745 units according to Infocamere Report 2016), acting as the main Italian business incubator.

As an incubator, the company provides support services (i.e. business acceleration, mentoring, management training, legal and accounting support) along with an initial office location and some early stage investments in selected start-ups. We note that a business incubator differs from R&D parks due to the different size of the target companies: R&D parks are usually focused on large-scale projects and do not provide business assistance but only working places for new companies.

Unlike other business supporting services in a business incubator, the entrepreneur must apply to the programme and must be selected by the incubator before starting the partnership. The preliminary screening of the potential ideas or start-ups is the first step in the incubator activity and it is very time consuming. Despite the low development of the domestic digital market, DM usually receives c. 1,000 pitches per year out of which it selects 10/12 to invest in. Furthermore, Digital Magics sometimes simply selects ideas and helps the founders to setup their companies with the most suitable company structure. The professionals working in DM have a long track-record and expertise in the digital arena and their skills are confirmed by the extremely low default rate (20%). Professionals are still the major shareholder in DM with a c. 40% stake cumulated plus a stock option plan.

Thanks to the partnership with Talent Garden, an Italian start-up that quickly became a leading company in co-working in Europe where DM currently owns a 18.7% stake, and Tamburi Investment Partner, the main independent Italian merchant bank, Digital Magics established a cutting-edge platform to support “made in Italy” digital initiatives.

The company’s business model is based on the involvement of several stakeholders, from professional investors to business angels (people with private wealth of above EUR 2m that usually allocate c. 10% of their total wealth to private marketed investments) leveraging on Open Innovation programmes to trying to push Italian companies close to the digital arena.

Among the specific services historically provided by Digital Magics we can highlight:

- i) *Logistical, information and technological services* (i.e. broadband networks, test equipment, prototype test rooms).
- ii) *Legal, administrative, financial services* which can allow the incubated companies to benefit from low interest bearing loans or special funds from European development programmes. DM is also going to support the newly established companies with professionals with a strong focus on digital.
- iii) *Strategic support* in validating start-up business model and in setting up the most suitable technology for the business model. DM also supports the start-up in sales and marketing efforts by leveraging on the competences of mentors and managers with a long track record in each reference sector.

Taking into account that start-ups are usually characterised by a lack of financial resources and that the few resources available must be directed towards the business ramp up (i.e. marketing activities, prototyping) the aforementioned services are offered by Digital Magics under a payment in kind formula, with DM acquiring a stake in each company. The future exits from these companies – usually when the company scales up at a mid/late cycle phase – represents the natural payback for Digital Magics.

Digital Magics had stakes in 60 start-ups as at Dec-16, net of 10 write-offs completed in 2016 to adjust the portfolio for projects that are not expected to produce further results in the future. Taking into account that the business model targets c. 10/15 new start-ups per year (15 in 2016) we can estimate a c. 1:5 default ratio, well below market statistics (c. 4:5).

DM’s activity is then structurally cash burning before stake disposals: the company, in fact, needs to pay professionals for the activity executed inside each company on a yearly basis whilst the possible cash-in will follow the development of the start-up and could take c. 3/4 years. In order to avoid this cash burn effect, Digital Magics entered into a partnership agreement with Multiversity SpA, Mr Danilo Iervolino’s holding company that controls

Universitas Mercatorum and Pegaso Telematic University, to establish the DM Start-up University, the main Italian network for digital teaching. The courses will be held within Multiversity network with the involvement of personnel who will receive a commission (c. 20%) on revenues from Multiversity and case histories from DM. Courses will start in H2 17, thus only partially offsetting Digital Magics' structural cash-burn in H2; a bigger impact on the P&L should be projected in 2018 figures. (See Appendix 2)

In order to adapt the company's structure to the widespread Italian start-up environment, Digital Magics operates directly in Lombardy, Piedmont, Lazio and Abruzzo. According to the partnership signed with TAG the company is going to provide its business incubator and accelerator services in partnership with TAG where it has operating branches or in partnership with other local players. We note that in 2016, 5 detached branches of DM paved the way to investments in 8 new start-ups from local territories. Furthermore, in order to enlarge the number of services that DM can offer to start-ups, even in specific market niches, the company has set-up partnerships with some professionals in specific sectors (i.e. DM Healthtech and DM Energytech).

As a final remark on the current business strategy we highlight the expected increasing contribution from Open Innovation initiatives. Under this business scheme Digital Magics developed 10 open innovation programmes in 2016 with top tier costumers like Poste Italiane, Intesa San Paolo, Bricoman. Thanks to DM, these big companies ramped-up partnership agreements with start-ups to evolve their core business and the programmes are already giving some positive results for both the stakeholders involved. This activity is carried out by DM under a consultancy agreement with a fixed fee. We welcome this business line because:

- i) during its screening activity DM can enlarge its panel of monitored companies and it can leverage on some dossiers that were previously stopped, maybe because of the high need for financing or a partnership with sector top players;
- ii) the Italian Gov't's push towards industry digitalisation (Industry 4.0 programme) is expected to further support companies to go digital;
- iii) the partnership signed with Ernst Young is expected to provide client companies with high-level strategic support in taking their digital transformation initiatives;
- iv) the GIOIN (Gasparini Italian Open Innovation Network) programme could make it easier for SMEs and SoHos to approach the digitalization;
- v) the start-ups proposed to the end clients are not usually among the ones already incubated by DM, thus further confirming the extreme fairness of the management team in avoiding any conflicts of interest.

This revenue stream should better support required investments for portfolio development. Indeed, DM's business model foresees:

- i) the launch of c. 10/15 new start-ups per year with a limited pre-seed investment. Part of this funding will be used to pay back DM for support services provided during the early stage. We remind you that all services are regularly paid in cash, no work-for-equity scheme is in place.
- ii) the completion of c. 5/10 investments per year on companies in the portfolio thus including both early stage investments – c. EUR 500k per company usually carried out in partnership with other professional investors – or round A mid-stage expansion investments of c. EUR 1/2m which are usually completed in partnership with VCs.
- iii) a more material exit process from some of invested companies after only 9 exits recorded since 2003 which recorded an avg. >2.5x cash multiple due to only two investments that generated a loss.

We believe that over the next few years and thanks to the expected cash-in from the conversion of warrants, Digital Magics could slightly change its business model and increase its focus on early stage investments to support start-up growth even after the initial ramp-up stage. We believe the total portfolio could stay at the current level of c. 60 start-ups, but key holdings could double to c. 20/25.

The competitive scenario

We consider Digital Magics the main player in the Italian start-up market thanks to the uniqueness of its business offer, which is aimed at supporting start-ups in a fully integrated way. Thanks to the partnership with TAG and TIP, Digital Magics can propose to start-ups an original ecosystem including working spaces and a top tier professional investor to support the companies' development.

We now recap the main competitors among incubators, starting from two other listed companies: H-Farm and LVenture.

LVentures. The company operates both as an accelerator thanks to the partnership with Luiss EnLab and as a venture capital player directly investing in more than 45 digital start-ups. According to the business model - it also operates Open Innovation programmes - LVenture can probably be considered the most suitable rival for DM. However, we note that the company is more involved in mid-sized expansion investments than DM.

H-Farm. H-Farm works under a peculiar business model based on the combination of Investments, Industry and Education. As regards Investments, the company searches for emerging start-ups in Italy and Europe; as regards Industry, it combines in-house top level consulting skills with IT & media skills to support Italian digitalisation; with regard to Education, it manages post graduate and executive people to support start-ups and to contain the current structural cash-burn.

Main peer recognition

Companies	Mkt Cap (EUR m)	Rev per start-up	Portfolio (book value in EUR m)	Investments in EUR m(2016)
LVentures	20.0	45k for 5-months acceleration	8.9	2.3
H-Farm	71.0	n.a.	14.7	3.0
Digital Magics	41.5		15.5	2.0

Source: Banca Akros estimates, LVentures, H-Farm

In the following pages, we provide a short list of some business incubators working in Italy and partially competing with Digital Magics. We note these structures could have a specific sector bias or local content, thus not representing in our view a real threat to DM's growth perspectives.

Incubator	Business and company description
BioUpper	Top Italian platform for training and business acceleration focused on the bio-science segment. The platform was established out of a partnership between Novartis, Fondazione Cariplo, PoliHub and with the scientific support from Humanitas. BioUpper offers three winning projects worth EUR 50k in services and activities to support the development of the business idea.
Boox	Accelerator established in 2012 leveraging on high skills in the digital area of the two founders Mr Di Camilo and Mr Magnocavallo, who contributed to the development of top Italian digital companies such as Yoox, Banzai, and NeoData. The business model ranges from mentorship to seed investments and at the moment the company has a portfolio of 13 start-ups mainly focused on ecommerce segment.
BiovelocITA	Top Italian accelerator aimed at supporting promising research projects to proof of concept and transform them into biotech companies. BiovelocITA was established by Mr Silvano Spinelli, Mrs Gabriella Camboni and Sofinnova Partners and it provides financial resources and managerial skills necessary to design and conduct project development addressing different therapeutic areas.
Como Next	Como Next is a Technological Science Park founded in 2010 by the Chamber of Commerce in Como, thanks also to an extraordinary contribution by Cariplo Foundation. ComoNExT goals are basically three: attracting innovative businesses, transferring innovation to the territory and encouraging new business development by incubating start-ups. The technical structure of the Park supports the creation and growth of innovative companies offering specialised consultancy services. The incubation process takes place by participating to the incubation call "Dall'idea all'impresa" promoted by the Chamber of Commerce in Como through a voucher that is valid for work spaces and services at the ComoNExT Incubator. At the moment, the TSP hosts more than 120 corporates of which 1/3 are start-ups and it has supported a total investment of EUR 10m in hosted businesses.
FabriQ	The incubator, jointly promoted by the Milan municipality and Impact Hub Milano, was aimed at supporting the development of start-ups and initiatives in the socio-environmental and cultural areas. In 2017 the incubator is going to offer a 4-month free incubation + EUR 15k investments in the 9 projects selected under the screening programme.
Fashion Technology Accelerator	FTA is an international hub that fosters digital and technology innovation in Fashion, Luxury and Retail industry. It is part of an international network with offices in Silicon Valley and Seoul. The business model looks at supporting start-ups and young enterprises, operating at the intersection between the industries of fashion and technology, accelerating their businesses. The company has an Acceleration programme lasting 6-months, in which the start-up and the FTA team work together to boost revenues thanks to an integrated approach taking into account activities in marketing, business development and fundraising. The business model foresees a payment for services through the acquisition of a stake in the company (c. 6%). Together with the core incubation, FTA also provides Co-Working services at monthly or daily fees.
Alimenta	Alimenta Accelerating Programme (AAP) is the Technology and Business Acceleration programme developed by PTP Science Park through 10 years' experience in supporting start-ups with a high technology and innovation level. The incubation lasts 6 months and is carried out in the PTP Science Park in Lodi. Start-ups are supported in the development of a Business Plan, in the commercial execution and in searching for new financial resources.
Key Capital	Venture incubator covering all the steps necessary to start-up a new business, from the valuation of the business idea to support in business modelling and marketing initiatives. The boutique supports start-ups in an acceleration and growth phase and the activity is paid back through a cash & paper scheme.
Make a Cube	One of the first Italian incubators focused on companies with a social / environmental / cultural attitude. The team will support start-ups for 3/12months. The programme also includes an open innovation programme.
Nurolab	Nurolab is a business accelerator focused on: i) accelerate start-ups through support in fund raising and scale-up initiatives; ii) support the digitalisation of the Italian economy through consultancy agreements and open innovation initiatives.
PoliHub	PoliHub is the incubator of the Politecnico di Milano, one of the most awarded Italian university. PoliHub's mission is to support highly innovative startups with scalable business models to foster cross-fertilization between the academy, the various startups and consolidated companies focused on innovation. Among services provided we highlight scouting, tutorship, mentorship, advisory and open innovation programs.
Unicredit Start lab	The project is aimed at innovative startups in all sectors, offering a multidimensional accelerator program to help drive business ideas forward, including cash grants, mentoring, network development, targeted training and specially tailored banking services.
Startmiup	Talent Hub based in Milan and founded in 2012. The organisation aims at promoting start-up and digital culture among young start-uppers on the professional background for 4 founding partners. The target companies, that will receive both mentorship and coworking services, are in the digital and technological arena.
Pi Campus	Pi Campus is both a start-up district and a venture fund that invests in talent. We provide start-ups with money, mentoring, and the best possible working environment for them to grow. As at today, Pi Campus has invested in 31 start-ups and supported more than 290 talents in growing their businesses.
Startalia	The initiative aims at supporting the development of new start-ups through both tutorship, mentorship, services providing and fund raising. The group, in fact, actively searches for potential investors in supported projects.
Tim #Wcap	The incubator and open innovation programme promoted by Telecom Italia since 2009 under the Call for ideas program. The accelerator was opened in 2013 and in 2016 the strategy moved from Call for Idea to Call for Start-ups. Tim#Wcap focuses on finding start-ups in line with the Telecom Italia business model, mainly the ones providing digital services which could be integrated in the TI products offering. The companies incubated in Tim #Wcap have a preferred channel to Tim Ventures, the VC fund of Telecom Italia which can financially support new start-ups.
Sella LAB	A business incubator established by Banca Sella and aimed at supporting start-ups both with mentoring and service providing (under consultancy agreements based on cash payment) funding or co-working spaces. The company currently operates three office facilities, in Biella, Turin and Lecce.

The portfolio is the real hidden value at DM

Here we provide a quick overview of the key holdings in Digital Magics portfolio. Incubators' potential value is usually hidden here and we must welcome DM's investment team's skills, which allow for a very low write-off rate (c. 20% since inception). Portfolio analysis highlights the 49 incubated start-ups' performance - +36% Y/Y in aggregated revenues in 2016 at EUR 26.4m – finally confirming the effectiveness of the process and the advantages of a pretty unique ecosystem in Italy.

Even though the next holdings represent c. 25% of the total book value of the portfolio, we believe they provide the biggest appreciation potential, with some companies already being valued significantly above the book value, after recent fund raisings. A better knowledge of the underlying business model and economic drivers of these companies should allow investors to better understand DM's focus on fast growing stories and the management team's scouting skills. We note that the majority of the portfolio is composed of Italian incorporated companies that are, however, in the middle of international expansion (i.e. Talent Garden). The company also owns a sizeable stake in HTT, the Hyperloop company focused on developing the new innovative transportation system from Elon Musk.

Digital Magics top holdings: key takeaways

Holdings	Sector	DM's stake	Revenues (EUR k)		Last Cap. Inj (EUR m)	Date	Implied valuation (EUR m)	Implied EV/Sales
			2015	2016				
XoKo	Traveltech	13.5%	45.0	44.4	0.2	mar-16	1.19	26.7
EPIC Sim	Fintech	3.0%	84.3	248.3	4.8	dic-16	13.44	54.1
Buzzoole Holding	Digital Platform	8.4%	1,069.0	2,500.3	0.9	giu-17	5.00	2.0
4W marketplace	Online Advertising	32.2%	6,378.9	6,935.1	2.2	giu-15	8.80	1.3
Taskhunters	Marketplace	12.0%	0.0	0.0	0.2	lug-17	1.40	nm
Prestiamoci	P2P lending	16.8%	32.3	66.7	1.2	lug-17	4.50	67.5
Talent Garden (TAG)	Co-Working	18.7%	1,200.0	4,282.0	6.0	dic-16	18.00	4.2
Sottile	Food Delivery	10.0%	0.0	62.8	0.3		1.20	19.1
Almadomus	IoT – Smart Home	13.8%	0.0	0.0	0.5	dic-15	1.75	nm
Leevia	Digital Platform	7.0%	35.3	110.5	0.2	mag-16	1.30	11.8
Quomi	Food e-commerce	10.2%	2.1	144.9	0.6	giu-17	1.35	9.3
Volumeet	Social Network	7.5%	17.9	7.2	0.4	lug-17	1.20	166.8
Jumpstarter (Hyperloop)	Transportation	(*) 8.7%	n.a.	n.a.	154.2	Ongoing	482.2	nm

Source: Company data

Note:

The last Cap inj refers to the last capital injection finalised by DM and/or other investors professionals; Implied valuation refers to the valuation underlying the aforementioned capital injections.

Implied valuation must be considered only indicative, especially for deals finalised in 2015. Please refer to our valuation section of our estimates on these holdings.

(*): DM's stake in Jumpstarter is 4.4% on a fully diluted basis.

XOKO

Company profile. The company provides instruments to optimize reputation and price analysis at hotel facilities. The key software is the Hotelbrand platform which combine rate checker functions with guests' review allowing hotel managers to quickly compare their offers with competitors.

The market. The tool developed by Xoko targets the travel & hospitality segment, focusing on hotels. We highlight that increasing general economic conditions positively impacted tourist arrivals in Europe, despite even recent terroristic attacks. In 2015 European tourists increased by 5% Y/Y to 608 million people and the trend is still growing in 2017.

Business model. The company operates under a Software-as-a-Service scheme selling Hotelbrand to Hotels and B&B. The applied fee – from monthly to yearly – depends from the

stars of the facility. New customers have to pay a set-up fee including initial instalment and teaching/support services.

Business risks and competition. The company seems without a specific competitor. The Hotel Brand platform, in fact, produces report and analysis similar to the analytic tools provided by search engine or social networks but with a peculiar and pretty unique focus on the hospitality segment.

Buzzoole

Company profile. Buzzoole is a digital platform of end-to-end influencers marketing supporting brands in planning automatic digital PR, stimulating influencers speech on the internet and leveraging on the word-of-mouth potential. The platform core is the proprietary Growing Artificial Intelligence for Influencers Affinity (GAIIA), the most advanced AI technology to match brands and influencers. In 2016, Buzzoole closed a EUR 900k financing round through a convertible note for an implied valuation of EUR 4 / 5.6m. The founders currently owns 55% of the company.

The market. Influencers marketing has recorded c. 90x growth over the past three years thanks to its capacity to generate/increase brand awareness. The market size was estimated at c. USD 1.6bn in 2016 and it should keep a c. 60% CAGR to 2020 to USD 10bn.

Business model. The company offers a full media channel solution supporting different kinds of campaigns, from *social boost* to *live tweeting* and *on-site events*.

Business risks and competition. Very high competition in the sector with several global players like TapFusion, Speakr, Traackr, Revfluence, NeoReach or Webfluential. Business risks in the mid-long run can include a stricter regulation on online advertising (i.e. influencers start to be forced to put an "Adv note" under commercial posts) or the increasing pay-out required by influencers (we note that Buzzoole currently pays influencers with Amazon coupons while other players pay in cash).

Prestiamoci

Company profile. Prestiamoci is an Italian platform for Peer-to-Peer lending. The company has two licenses (financial and payment tools) and it is under the supervision of the Bank of Italy (ex. art 106). The founders are still among shareholders but with a minority stake (16.3%).

The market. According to Allied Market Research, the Peer to peer (p2p) lending market ought to grow at a 51% CAGR from 2016 to 2022, thus reaching USD 900bn in 2024. P2P lending is among the fastest growing segments in the financial lending market and, after the 2008 financial crisis, it became an alternative way to collect money other than from financial institutions. The small lending market share accounted for 7.7% of the US lending market in 2016 (up from 4.35% in 2015).

Business model. The company originates loans and manages payment and collection terms. The lenders, individuals or corporates, can lend EUR 1.5/30k at interest rates between 3.9% and 10.35% with a maturity between 1 and 10 years. The deals are signed and validated under a digital signature procedure and Prestiamoci directly manages a secondary market for each loan with a maximum size of 5% of total outstanding loan per month. Out of the total turnover, c. EUR 2m of new loans in H1 17, Prestiamoci collects a 1% fee on loan issued, whilst the mandatory account on the platform and/or the secondary market are free of charges. The company invests together with its clients.

Business risks and competition. The company is currently the 8th European platform for loan value in euros. The main risks range from business risks (i.e. increasing default rate or lower interests can decrease the number of potential investors) to competition from biggest Int'l players (i.e. Lending Club, Prosper, Upstart, Funding Circle), even though the regulatory requirements in Italy (you must receive approval from the Bank of Italy) can stand as a steep entry barrier for new players.

Almadom.us

Company profile. The company developed a Smart Home microcomputer called Domoki. The touch device can be installed in place of a normal plug and it can control the lighting and other appliances in the home (from white goods to heating or air conditioning) via traditional electric cables without the need for custom works. The founders currently own 55% stake in the company.

The market. Smart Home has become a very strong trend over the past years: in the US, connected homes grew by 31% CAGR in 2015-17, thus reaching 29 million houses according to a recent McKinsey survey. This is merely the start with the global market expected to pick-up from USD 24bn in 2016 to USD 53bn in 2022 (+14% CAGR).

Business model. The technology is developed in-house and sales began in Q1 17 with c. 200 Domoki devices already installed. The business model, mainly B-2-C, includes direct sales through e-commerce and indirect sales through wholesale distributors or installers such as electricians, Telco and utilities. Along with one-off revenues from the device, Almadom.us asks for a EUR 50/y annual subscription fee.

Business risks and competition. Despite a sure significant growth for the reference market we note that Domoki is just entering the market and so we still have to understand the feedback from end-users and the consequent potential pick-up in revenues. To sustain a material ramp-up in revenues the company has to set-up a distribution network and to expand its activity abroad: both steps require financial resources to invest. The home electric market is mature with several big international players like bTicino or Vimar; however, we cannot rule out a potential acquisition of Almadom.us by one of these players under a buy vs. make approach if the product meets the founders' estimates.

Leevia

Company profile. The company operates a digital marketing platform that allows for online contests aimed at generating successful online advertising campaigns. The company's platform fully respects the strict parameters set by the Italian regulator. Leevia proposes a suite of instruments: from *photo contests* to *social media awareness*, all aimed at increasing the online audience of brands or campaigns. The company currently has a little pp market share but it is expected to pick-up significantly in 2017 & 2018 to a c. 8% market share. The founders are still the main shareholders with a 70% stake.

The market. Premium deals management is a tangible part of the marketing software segment, with an estimated 13.5% CAGR to EUR 2bn in 2018, according to idc.com. According to the company's survey the current size of the Italian market is c. EUR 200m.

Business model. The business model acts as a pure B2B with brands, corporates and media agencies paying Leevia to publish their contests to improve their lead generation, sales conversion, brand awareness and costumers' engagement. The service can be provided through a hosting on Leevia (EUR 99/w) or as a white label solution with hosting on a costumer's site (EUR 500/w).

Business risks and competition. According to our analysis, competition can include lawyers and consultancies that can support corporates in setting-up new contests. There are also few online platforms – i.e. MerlinWizard – but with significant lower market reach.

Taskhunter

Company profile. Taskhunters is a marketplace that matches students' demand for part-time jobs and private people or corporates searching for one-off collaboration in specific tasks (i.e. private lessons, computer assistance or – as regards professionals – the outsourcing of some processes that are not too demanding but time consuming for the companies). The site currently counts 15,000 users and supplies >500 jobs. The founders are still the main shareholders at Taskhunter with a 72% stake.

The market. The demand for temporary jobs is increasing in Italy on the back of an estimated market of c. EUR 1.8bn including vouchers and part-time work. The European

market for the same kind of jobs that can be found on the platform could reach EUR 100bn in the UK, Germany, France and Spain.

Business model. As of today, the company only operates the platform for private transactions where it applies 20% fee on each payment completed; taking into account an average fee per job of EUR 40 we can estimate the revenues for Taskhunter at EUR 6/job. The platform for corporates should be launched soon and it will imply higher profitability. We finally note that all the students included in Taskhunter's DB have been checked and cross-checked by the Taskhunter team in order to verify their real skills.

Business risks and competition. The company is still in its very early stage and operates in a market niche where you can find several players that already provide earning services to students, from single physical jobs to services that can be performed online (i.e. article writing). On the domestic scenario, we note that OpenJob Metis – one of the key players in temporary job placement – is planning to launch a platform with a comparable service. We finally believe the market and the business idea are interesting and that the success factor for the platform will be the combination of a significantly higher transaction volumes on B2C and the launch of corporate focused jobs with higher profitability for the B2B.

Quomi

Company profile. The company offers a specific offer in the growing field of food e-commerce. Thanks to Quomi, customers can start cooking their desired meal (chosen out of 9 available per week) with fresh ingredients packaged in a box along with the cooking instructions. As of today, the company has c. 1,000 clients performing c. 2,500 orders in H1 17. The founders currently hold 50.6% stake in the company.

The market. The Italian food retail business can be valued c. EUR 108bn and in 2016 the online part of the business stood at only EUR 575m (1.4m online costumers spending c. EUR 455/y each). As for the other online segments, the share of business covered by ecommerce is expected to increase and it should reach EUR 1bn by 2019 (+30% CAGR) thanks to the booming expansion in the food delivery business.

Business model. The business model aims at supporting a healthier lifestyle giving end-users several meals to cook at home; all meals are in line with the Mediterranean cuisine. The service is provided through a meal kit (9 different meal boxes per week with ingredients and cooking instructions) and a flexible weekly ticket which can be stopped upon request. Following an increase in Italian active costumers the company will look to international expansion.

Business risks and competition. Even though the cooking box market niche seems to be less crowded than the general food delivery business we must highlight that there are several competitors in the field in Italy, even though with maybe slightly different business models; among main peers we note MyCookingBox, Second Chef and Fanceat. Focusing on the US market, we can find peers like Blue Apron and Hello Fresh.

Talent Garden

Company profile. The company's aim is to provide sand digital entrepreneurs with an integrated ecosystem ranging from co-working to skills & connections sharing, thus supporting the growth of a new digital ecosystem. In just a few years, the company has become a leading player in co-working, not only in Italy (18 campuses, including a new 6,500sqm campus recently opened in Turin) but in Europe, too (5 campuses abroad). On the back of a EUR 18m valuation, implied in a EUR 6m round A financing closed in Nov-16 and c. EUR 5m in revenues in 2016, TAG is currently one of the crown jewel in DM's portfolio. The founders have a 36.7% stake in TAG.

The market. By the end of 2017 c. 1.2 million people will work in more than 14,000 co-working spaces globally. This trend was not only supported by the fast spread of start-ups from the US to Europe, and APAC too – a start-up usually does not have enough money to pay a full office rent in its early stage – but also by the high business opportunities that digitalisation can generate through connections among professionals. Given such a

developing environment, some co-working companies have decided to start educational courses for digital professionals.

Business model. TAG's business model is a combination of three pillars: i) the rental income related to co-working spaces (each customer pays a monthly fee, which usually includes a desk, IT services and cleaning service); ii) the educational courses held by the Talent Garden Innovation School (these courses are medium-high level or job specific courses, thus they do not compete with the more generalist courses held by DM and Pegaso University); iii) the set-up of special events or initiatives to promote the digitalisation and the cooperation among the sector players. Finally, we need to highlight that the TAG business model, unlike some competitors, does not provide for ownership of the buildings where branches are located.

Business risks and competition. The expected increase in demand for co-working spaces led to the birth of several local players after the US behemoth WeWork (USD 20bn valuation on the back of USD 760 round G fund raising finalised in July-17). The sector is growing very quickly even in the APAC region: in China two big local players, UR Work and New Space, merged in 2017 at a USD 2bn valuation, coupling the merger with a USD 400m capital injection from Sequoia VC and some Chinese investors to further boost growth and globally compete with WeWork. In Europe, big regulatory and business related differences led to the birth of several mid/small-sized companies and initiatives with a more local focus. Among these projects we underline StationF, the French co-working space launched in Paris by the entrepreneur Xavier Niel with a public/private total investment of c. EUR 250m, or the British The Office Group, recently acquired by Blackstone to try to build a European alternative to WeWork. Looking at the Italian market, which is still the core focus for the company, we must highlight that the competitive environment includes both mid/big-sized players like Copernico, Impact Hub or Regus and several local co-working (i.e. 311 Verona, Cesena Lab, Le Serre), in some cases held directly inside some accelerators (i.e. Tim #Wcap, H-Farm). However, we believe few of the Italian alternatives can be really compared to TAG in terms of a fully integrated offering for start-ups and start-uppers.

Jumpstarter (Hyperloop Transportation Technologies)

Company profile. Digital Magics entered the project on the back of a direct stake from one of the core founders of the company, Mr. Bibop Gresta. Originally, Jumpstarter was established as a platform to set up start-ups based on a crowdsourcing approach: several professionals were involved in the project under a work-for-equity agreement. By 2015 the company was fully focused on the development of the Hyperloop project. Jumpstarter currently holds a 96.4% stake (50.4% on a fully diluted basis) in Hyperloop Transportation Technologies, one of the three companies currently working on the development of the project on a global basis.

The market. Most mass transportation is outdated, overburdened and costly to maintain. Too many cities are plagued by traffic congestion and poor air quality driven by fossil fuel based transportation infrastructure. The need for greener, more efficient transportation has never been greater than today and this intent is continuously pushing for new more efficient transportation worldwide. Moreover, globalisation has made it even more important to decrease travelling time across the world, and HTT could indirectly allow a tangible increase in GDP growth and cut inter-connection times between big cities significantly.

Business model. The company aims at developing a vacuum tube train based on an initial open-source project released by Elon Musk's Tesla and SpaceX on the back of the initial Robert Goddard's vactrain model (original idea dates back to the end of the 20th century). The hyperloop project consists of a sealed tube or system of tubes through which a pod can travel without air resistance or friction, conveying people or objects at optimal speed. According to preliminary statements, the capsules – the company recently tested its first capsules, which reached c. 350km/h in a few hundred meters – are estimated to reach c. 1,100 Km/h thus becoming the fastest transportation system worldwide.

Business risks and competition. The company is working on the development of open-source technology provided by Tesla and SpaceX. There are few companies working globally to succeed in the same field: HTT, Transpod and CASIC. However, we note that

HTT seems to be the most advanced both in engineering and testing and in contracts signed with several preliminary agreements signed to develop a Hyperloop-based infrastructure in UAE, California, Indonesia and South Korea. The main issue in ramping-up this technology is how to reduce the average cost per mile – current estimates for the Abu Dhabi – Dubai connections point to USD 52m/mile not so far from high speed trains costs (USD 35/40m per mile); however, only a significant reduction in technology costs will pave the way to the widespread use of this transportation system worldwide.

Epic SIM

Company profile. The company developed and launched the 1st platform in Italy to match SME fund raising requests and professional investors looking for yields and alternative investments. Investors can evaluate the risk/profile of each deal considering both issuers figures, third parties credit analysis and other investor feedback. The founders still own 80% of the company.

The market. According to the Statistical Data Warehouse ECB, Jan 2017, total loans to corporate clients has reached EUR 825bn in Italy. Over the next few years the banking sector is believed to face increasing pressure from alternative fund raising platforms and fin-tech initiatives.

Business model. EPIC Sim is a financial player authorised by the Bank of Italy. It is working to become the core fin-tech player in Italy, thus benefitting from the changing attitude of investors and corporates to bypass traditional financial institutions. Investable instruments range from bonds to loans and equity. The business model provides for: i) a transaction fee applicable as a success fee if the deal is finalised; ii) a one-off retainer fee for all the tasks related to mandate execution from corporates. The company has recently launched a dedicated channel for start-up financing and currently accounts for c. 100 domestic and foreign professional investors.

Business risks and competition. The reference market should grow fast over the next decade as a direct consequence of banking system disintermediation. EPIC is one of the few European players in this field and by leveraging on the Italian experience they are already providing services in another 7 countries in the EU. Epic is still a start-up but the SIM license from Bank of Italy – necessary to operate in Italy – is a material asset which should defend it from new players, at least in the short term.

Sottile (Diet-to-go)

Company profile. Diet-to-Go is an innovative platform combining diet coaching and food delivery service. The company aims at providing gourmet dishes matching costumers' increasing healthy needs by leveraging on the latest scientific research and data collection. By the end of 2017, a new software platform for nutritional plans should be launched. The founders have a 72.7% stake in the company whilst DM and Innogest together have the remaining share capital.

The market. The company targets a portion of the global wellness market, which is expected to grow significantly over the next few years. Physical exercise, in fact, must be coupled with nutritional rigour to face diseases and keep a healthy body, thus indirectly lowering government expenditure in healthcare. The weight loss & maintenance market was worth USD 148bn in 2014 (Source M&M).

Business model. The company provides three different meal menus per day in order to grant customers a variety . The business model includes three subscriptions: i) daily; ii) weekly (EUR 180/w); iii) monthly (EUR 560/m). The meals, internally produced by Diet-to-Go, are delivered to clients' homes/offices on a daily basis. Diet-to-go also provides a customised diet service for costumers looking for special menus.

Business risks and competition. The company operates in the fast-growing food delivery segment. However, its specific focus on diet meals and menus decrease – at the moment – any possible competition with big Int'l players such as Delivery Hero (operating brands like Foodora and Foodpanda) or Deliveroo, which are more generalist players. We cannot rule

out that these big players could start looking at the health food delivery market niche, but we believe they will enter the market through external growth deals. If Sottile succeeds in increasing its market share it could become a potential target for these big players.

4W Marketplace

Company profile. 4W is the main independent advertising network in Italy. The company aggregates several digital publishers (mobile/web), thanks to agreements with both media centres and top tier brands, to better monetise advertising spaces.

The market. According to the latest IAB survey, the Italian Digital Advertising market can be valued EUR 2.2bn with an expected c. 10/11% CAGR over the next few years driven by the go-to-digital phenomenon across many SMEs and SoHos in the country.

Business model. The company operates its own technological platform aimed at managing both publisher acquisitions and the adv campaign management. The business model includes the sale of advertising space both under *reservation* (direct campaign, 58% of sales) or *programmatic* (42% of sales) agreements with a revenue share mechanism that provides for a 40 / 70% rebate for publishers on the revenues recorded by 4W. The pricing model is CPM/CPC based. As at today, the management is looking to a combination of internal and external growth strategy, coupling new in-house developed solutions with possible software acquisitions (i.e. ProAdv-Simply acquisition from Register.it). Due to the still wide digital gap with other EU countries, the company is currently focused on the Italian market.

Business risks and competition. Even though market growth is seen good enough to allow most sector players to record a good performance in the mid-term, we highlight that the company competes with other national / international programmatic players like Ligatus, thus making the product innovation strategy extremely important.

Volumeet

Company profile. Volumeet is an innovative platform aimed at aggregating all online content from official artists' channels and fan pages, thus becoming a real music social network. The platform should: i) allow fans not to follow tens of different social pages but only one platform; ii) allow artists to monetise content posted on the internet. The founders still own the vast majority of the shareholders capital (90%).

The market. As at today, Volumeet has aggregated more than 80 million contents regarding more than 500,000 artists globally. These contents are accessible from more than 15,000 users worldwide.

Business model. Volumeet generates its revenues from the "experiences" marketplace and through the offering of subscriptions to several digital channels. The company earns a 15 / 50% fee on each subscription or experience sold through the platform. Volumeet is also working for the development of specialised apps for fan club managers or for updating fans with all the general information regarding the artist.

Business risks and competition. We did not find a direct competitor to Volumeet (TokTV could be considered a similar solution but it is limited to sports events) in our screening, so we believe the project can be successful. We believe the real threshold will be the increase in content and artists that provide unique content on the platform, thus boosting both users and revenues. As regards risks, we cannot rule out that other big Int'l social networks like Twitter or Facebook will not explore the market and compete with Volumeet.

A quick view at DM's fundamentals: not so material for an incubator

We believe the real value of an incubator is hidden in the potential capital gain from portfolio holdings under a key assumption: the higher the contribution is from professionals and the ecosystem involved, the higher the ROI is.

The P&L does not represent a key valuation metric for the whole business: it just underpins our assumptions in terms of service quality provided, its resilience in the mid-term and its expected growth path following an increase in the incubated start-ups' turnover. Cash Flow ex capital gains is structurally negative and we believe the introduction of new revenues from educational courses will only slightly reduce the annual cash absorption.

Costs mainly consist of labour and service costs to support the incubation process and annexed services provided to start-ups along with the screening for new investment opportunities. We finally point out that we include in our estimates, below EBIT, c. EUR 1.3m write-off per year to 2020E.

With regard to the balance sheet, we highlight that the capital increase finalised in Q1 17, along with the warrants issue - to provide a further cash injection of a max EUR 9.4m if they are fully exercised in oct-17 - will give the company better financial flexibility, thus making it easier to support a EUR 3m / year investment plan in new start-ups (EUR 12m estimated for 2017-20) or in new funding to the current portfolio of start-ups. Despite the warrants are currently in the money for the Oct-17 exercise window we have prudentially included only a EUR 2m from the conversion of c. 21% of the warrants outstanding.

The business does not include a particular seasonality along the year and quarterly / semi-annual results seem to us not so material apart from a check of the company's net financial position and quarterly investments in new initiatives. As regards the H1 results we believe investors should focus on net financial position / investments carried on in the period, while the EBITDA should come out negative. We believe H2 should post a slight recovery in profitability, partially driven by the introduction of the courses, towards a +/- breakeven in FY 17.

P&L analysis and estimates to 2020

Data in EUR m	2015	2016	2017E	2018E	2019E	2020E
Revenues	2.51	2.91	2.47	2.70	2.80	2.90
EBITDA	0.18	0.33	0.04	0.26	0.28	0.30
EBIT	(0.24)	(0.25)	(0.46)	(0.24)	(0.22)	(0.20)
Net Profit	(1.23)	(3.23)	(1.46)	(1.43)	(1.42)	(1.40)

Source: Company data

Balance-sheet analysis and estimates to 2020

Data in EUR m	2015	2016	2017A	2018A	2019A	2020A
Fixed assets	15.35	15.94	18.83	21.73	24.63	27.53
NWC	1.76	2.03	2.12	1.66	1.88	1.96
Total funds	(0.06)	(0.09)	(0.08)	(0.09)	(0.09)	(0.09)
Total Assets	17.05	17.89	20.86	23.30	26.42	29.39
Shareholders Equity	16.64	14.86	21.90	23.17	24.65	26.48
Net Debt	0.41	3.02	(1.04)	0.14	1.77	2.91
Total Liabilities	17.05	17.88	20.86	23.30	26.42	29.39

Source: Company data

Valuation

We definitely believe Digital Magics' valuation must be based on a Sum-of-the-Parts (SoP) approach, thus including a specific valuation of the current portfolio and a valuation of the consulting business. We note that our portfolio valuation has been based on a significant top line growth, supported by DM's professionals and network. On the back of our approach and taking into account a negative contribution from potential write offs, we estimated a EUR 9.0/sh fair value for the stock (EUR 8.1/sh on a fully diluted basis). Taking into account the need of further cash-in at DM to sustain future investment opportunities we consider the warrants cash-in as mandatory even if in the mid-term, thus setting our TP in line with the fully diluted calculation setting our recommendation at Accumulate. Despite the positive recommendation and valuation compared to current stock price we need to remind, as risk factor, that the company operates in a sector where defaults or devaluations are possible / probable and that a significant portion of our valuation (c. EUR 2/sh) depends from HTT success.

In the following table we summarize our gross valuation of DM's portfolio. We generally base our valuation on the combination of: i) top line CAGR to 2018 in top holdings, factoring in our expectations for both single sectors and start-ups; ii) an estimated EV/Sales multiple in line with the last transaction recorded on each companies; iii) a such calculated Enterprise Value discounted to date at 20% Cost of Equity rate. For the remaining 44 shareholdings, we simply projected an average 2x exit multiple, which has been set prudentially below the average recorded by DM (2.6x) and does not seem demanding (some seed / VC funds are used to experience significantly higher returns).

Portfolio valuation scheme

Holdings	Sales 18E in EUR k	CAGR 20016-18	Valuation Akros 100%. (EUR m)	Valuation criteria	DM Stake valuation (EUR m)	Book Value (EUR m)
XoKo	135.9	75%	3.0	26.7x EV/Sales on 2018E discounted to date	0.4	0.1323
EPIC Sim	635.7	60%	28.7	54x EV/Sales on 2018E discounted to date	0.9	0.3228
Buzzoole Holding	6,807.0	65%	11.3	2x EV/Sales on 2018E discounted to date	0.9	0.2168
4W marketplace	11,720.4	30%	12.4	1.3x EV/Sales on 2018E discounted to date	4.0	1.3615
Taskhunters	0.0	nm	1.8	25% premium on last valuation	0.2	0.0676
Prestiamoci	170.7	60%	9.6	67x EV/Sales on 2018E discounted to date	1.6	0.2970
Talent Graden (TAG)	11,657.7	65%	40.8	4.2x EV/Sales on 2018E discounted to date	7.6	0.8200
Sottile	203.6	80%	3.2	19x EV/Sales on 2018E discounted to date	0.3	0.0250
Almadomus	na	nm	2.2	25% premium on last valuation	0.3	0.0355
Leevia	338.4	75%	3.3	12x EV/Sales on 2018E discounted to date	0.2	0.0067
Quomi	443.6	75%	3.4	9.3x EV/Sales on 2018E discounted to date	0.4	0.0015
Volumeet	na	nm	1.5	25% premium on last valuation	0.1	0.0008
Jumpstarter (HTT)	na	nm	385.7	20% discount on last fundraising valuation	17.0	0.3206
Top 13 holdings					34.0	3.6
Other holdings					24.5	12.2
Gross Portfolio Value					58.5	15.8

Source: Company data, Banca Akros estimates

As regards the consultancy business, we have valued it on the back of an EV/sales multiple from a panel of peers thus reaching EUR 3.0m as detailed in the following table.

DM's consultancy business: peers and valuation

Peer panel	Mkt Cap (EUR m)	Sales (EUR m)	EV/Sales 2017
Reply	1,780	886	2.10
BE	111	136	1.10
Acando	2,830	2,200	1.20
Cancom	901	1,023	0.85
Digia	74	86	0.80
Average			1.2
DM expected revenues 2017 (EUR m)	2.5		
Applied multiple	1.2		
EV business valuation (EUR m)	3.0		

Source: Banca Akros estimates, Bloomberg

We have also included in our valuation DM's historical 20% write-off rates, which seem material proof of the management's scouting skills and the success of the company's ecosystem in supporting new business initiatives. We then factor in our estimates a EUR 3.3m negative contribution to our SoP.

As regards NFP we have included in our calculation the estimated NFP as at Dec-17, thus implying an EUR 2m cash-in from warrants in the October 2017 conversion window.

We note that in our fully diluted calculation we have included a positive contribution from a full conversion of the outstanding warrants in Oct-17 window thus granting a EUR 9.4m total cash-in (vs. our EUR 2m cash-in expectations implied in our detailed estimates showed at pag. 25).

Digital Magics valuation

SoP components	EUR m	/sh current	/sh fully diluted
Portfolio Gross Asset Value	58.4	10.1	7.1
Consultancy business	3.0	0.5	0.4
Write Offs	-3.3	-0.5	-0.4
Net Debt (as of 2017E)	-1.0	-0.2	-1.0
NAV	67.1	9.0	8.1

Source: Company data

Appendix 1 – top executives profile

As usual in the valuation of a closed fund in private markets a screening of the competences and track record of the founders & top management is a key due diligence item. Here below investors can find a short summary of executives' track records and skills.

Alberto Fioravanti founded Inferentia in 1988 with Enrico Gasperini. In the 90s the company became the first new media agency in Italy focused on online marketing. In 2000, Inferentia went public, being listed on the New Market segment of Borsa Italiana. Soon after the company changed its name to Fullsix (the company is still listed). In 2004, Mr Fioravanti founded – along with Enrico Gasperini, Gabriele Ronchini and Gabriele Gresta – Digital Magics and was Executive Director. As a start-upper he established : i) the Premium Store (developer and publisher of Edicola Italiana, the online newsstand for Italy's premium publishers); ii) 4w MarketPlace (2008) (online adv), which closed in April 2015 with a EUR 2.1m capital increase from Dada Group, valuing the entire company c. EUR 8m. On November 30th 2015, he was appointed Executive Chairman of Digital Magics.

Marco Gay began his business career at Proma Spa. He worked as a consultant in the commercial area and in human resources. As a start-upper, Mr Gay: i) co-founded Webworking, a webagency (2000); ii) he acquired Ottovolante (2007), a company specialised in Digital Project for the pharmaceutical sector and became the CEO of the company; iii) he co-founded AD2014, an innovative start-up in the Internet of Things (2013); iv) he co-founded Torino1884, a company operating in the food and beverage business for the development of sales outlets in Italy and abroad (2013). Finally, from May 2014 to May 2017 he was the President of the Young Entrepreneurs of *Confindustria* and Vice President of *Confindustria*. On 30th November 2015, he was appointed Deputy Chairman of Digital Magics.

Alessandro Malacart held C-level positions and has been a director of several listed companies in the technology sector since the 90s, like AISoftw@re (now Exprivia) and Inferentia (now FullSix). He was in charge of the listing for AISoftw@re, Inferentia and Digital Magics. Since 2012 he has been a director on the Board of Digital Magics, being the co-CEO. On November 30th 2015, he was appointed Managing Director of Digital Magics for Corporate & Finance.

Layla Pavone began her professional career in the Marketing Department of *SPI Società per la Pubblicità in Italia*. From 2000 to April 2014 Layla Pavone worked at Dentsu Aegis Network as Isobar Italia Managing Director, founding iProspect. From 2003 to 2010 Layla Pavone was President of IAB Italy and in 2003 she founded the IAB Forum, which today is the most important event in the world of online advertising. In April 2014, she joined the Board of Directors of Digital Magics as a Partner. On November 30th 2015, she was appointed Managing Director of Digital Magics for Industry Innovation.

Gabriele Ronchini after a long track record in digital and interactive solutions (Inferentia, IBM Consulting and Grey Interactive) was one of the founders of DM in 2004. Mr Ronchini is also among founders of 4W MarketPlace – one of the DM's top holdings – and since Nov 2005 he has been appointed as CEO Portfolio Development.

Edmondo Sparano has a long track record in web marketing and digital business initiatives. He began its collaboration with Digital Magics in 2005 and since Nov 2005 he has been appointed as Chief Digital Officer.

Along with these professionals, currently in office, we cannot avoid mentioning the heritage of Mr Enrico Gasperini, one of the pioneers in the diffusion of digital culture and the Internet in Italy. After Inferentia, he founded Digital Magics with the aim to promote the digitalisation process in Italy and to support the development of new initiatives that could be achieved even through the diffusion of the Open Innovation concept. The GIOIN initiatives are still carried out by Digital Magics with several yearly events, the aim being to try to unlock hidden digital potential among the main actors of the domestic digital arena.

Appendix 2 – DM Start-up University

The start-up university, powered by DM, is going to start its courses in October 2017.

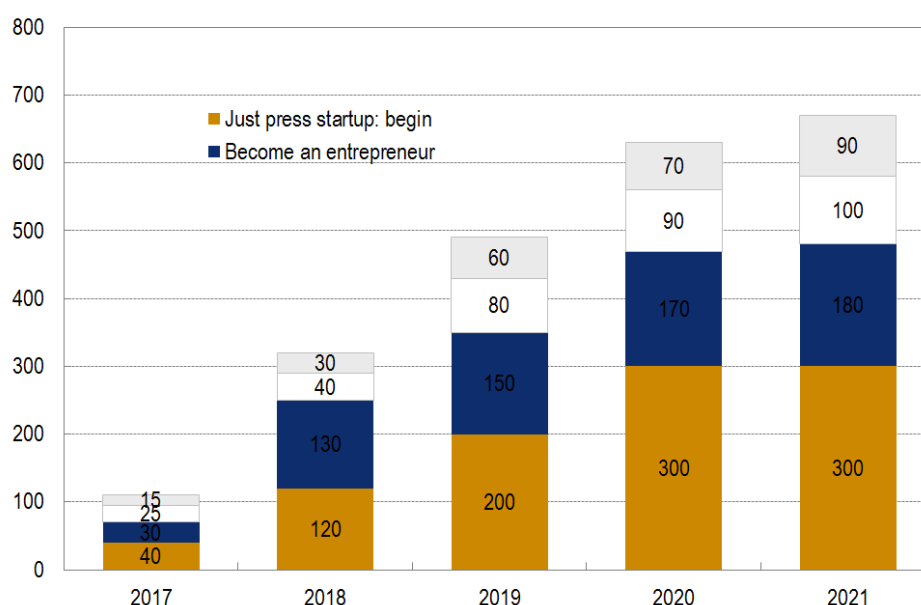
Available courses at a glance

Course title	Just Press StartUp: begin	Become an entrepreneur	Launch your Start-Up	Scale-Up your startup
Teaching methodology	online course	online six months course	online six months course of which 2 in physical attendance	online six months course of which 2 in physical attendance
Pricing	€ 300	€ 1,500	€ 5,000	€ 6,500
Key subjects	Follow the video lessons and acquire skills to present your project	idea generation	business planning	public speaking
	Elevator pitch video development and forwarding towards potential investors	elevator pitching	digital marketing	research funding
	jury's feedback within 48h to compete for EUR 10k financing	business canvas	seed funding	Start-up certification
		project presentation	sales channels	incubator

Source: DM Startup University

Even though none of the stakeholders involved in the project has released any specific indication in terms of subscription targets, we believe that, after an initial ramp-up phase in Q4 17 and H1 17, the number of students will start growing, especially in the “become an entrepreneur” and “launch your start-up” courses. In the following chart we project the expected evolution of students per each course over the next 5 years.

DMStartup University courses attendant



Source: Company data

We also highlight that the courses ramp-up will represent only a light initial cost for Digital Magics: the professionals are going to prepare course material that can be re-used in other future online lessons. After an initial low investment, we can state that the 20% revenues rebates allowed to DM will directly impact EBITDA with no significant production costs involved.

Appendix 3 – Open Innovation: a real path towards digitalisation

The term “Open Innovation” was promoted by Prof. Henry Chesbrough in his book “The era of Open Innovation”, which was published in 2003. The central idea behind open innovation is that companies cannot rely only on their own R&D departments and resources in order to innovate but they should instead buy or license processes or patents from other companies. Open Innovation thus aims to promote better collaboration between different stakeholders by trying to leverage on each specific focus to develop new innovative solutions.

This solution is not only opposite to the classical closed innovation approach but to open source (no patent and solutions discovered are freely accessible to everybody, like the IBM platform Eclipse and the Google OS Android) too.

Open Innovation main positives & negatives

Positives	Negatives
Generally reducing R&D costs	The collaboration with other companies could share even confidential information or intellectual properties or commercial and marketing strategies
Benefitting from a partnership with professionals with top skills in different market segments	Need to have a professional with skills to manage an inter-company and inter-sector development programme
Synergy enhancement between the companies involved	
Possible new product development based on end-customers needs or on third-party problem-solving approach	
Application of a third-party view to in house specific problems (i.e. a new way to manage production coming from third parties looking at the warehouse for the 1st time)	

Source: Company data

As an examples of successful open innovation initiatives we can highlight how three big international corporates - GE, LEGO and Samsung – approach the OI issue.

GE. The American corporation launched Ecoimagination challenges in which it brought an ecosystem of partners (mostly VC's) together in order not to only bring out great ideas on big issues such as the smart grid and healthcare, but also to make sure that these ideas were actually implemented with the help of GE and its network. Following the success of the Ecoimagination challenges, GE partnered with Local Motors to launch First Build, an online and physical community dedicated to designing, engineering, building, and selling the next generation of major home appliances. The target is to bring innovative products to market faster than ever before.

Samsung. The Korean company launched its open innovation center where it adopts a multi-pronged approach that involves participation in global consortia, forging links between the industry and top universities, cooperating with vendors, and operating successful overseas research centers. Samsung's OIC actively participates in 13 multiple industry consortia at regular intervals and it created a strict connection with the best global universities. The OIC usually works on four pillars: i) commercial partnership between Samsung and a third party; ii) R&D and ventures investments in start-ups; iii) M&A team searching for small teams to acquire and fit with Samsung; iv) support start-ups through two accelerators set-up in Palo Alto and NYC.

Appendix 4 – warrant exercise scheme

Digital Magics' warrants were listed on the AIM Italia market on May 22nd. The warrants can be exercised 6 times over a 5-year time horizon in the month of October each year (by Oct-17 to Oct 22).

The scheme, shown in the table below, projects a significant exercise price increase over the coming years.

2017-22 warrants: exercise prices and potential maximum cash-in per year

Exercise window	Strike price (EUR per share)	Max potential cash-in (in EUR m)
October 2017	5.75	9.4
October 2018	6.35	10.4
October 2019	6.95	11.4
October 2020	7.55	12.4
October 2021	8.15	13.4
October 2022	8.75	14.4

Source: Company data

Appendix 5 - SWOT Analysis

Strengths

- Well recognized expertise in the digital arena
- Unique ecosystem based on the partnerships with TAG and TIP for workspace location and financial
- Co-investment strategy with business angels or other professional investors
- Sound financial structure especially considering future warrants conversion

Opportunities

- Long term relations with VCs and business angels
- Growing Italian digital market
- Forthcoming portfolio exits to unhide value (focus on HTT and TAG)
- New business model including a higher financial support to selected startups

Weaknesses

- Almost full exposure to Italy
- Structural cash-burning
- P&L and cash generation strictly related to asset disposals
- Low number of exit to date (only 9)

Threats

- Low returns from divestments
- Increasing competition from other incubators
- Slower than expected go-to-digital attitude in Italy
- The lower the cash-in from warrants conversion, the lower the investments DM could manage

Digital Magics : Summary tables

PROFIT & LOSS (EURm)	2016	2017e	2018e	2019e
Revenues	2.9	2.5	2.7	2.8
Non Recurrent Items	0.0	0.0	0.0	0.0
Net Profit (reported)	-3.2	-1.5	-1.4	-1.4
BALANCE SHEET (EURm)				
Shareholders Equity	14.9	21.9	23.2	24.6
Minorities equity	0.0	0.0	0.0	0.0
Net Debt	3.0	-1.0	0.1	1.8
NAV Constituents & Total NAV (EURm)				
NAV listed companies	0.0	0.0	0.0	0.0
NAV unlisted companies	58.2	58.2	58.2	58.2
Net Financial position	-3.0	1.0	-0.1	-1.8
Total Net Asset Value	55.2	59.2	58.0	56.4
Discount/(Premium) to NAV	0.0%	0.0%	0.0%	0.0%
Listed shareholdings on NAV	0.0%	0.0%	0.0%	0.0%
OTHER ITEMS (EURm)				
Total Market Cap	25.5	41.2	41.2	41.2
Debt / Equity	20.3%	-4.7%	0.6%	7.2%
Payout Ratio	0.0%	0.0%	0.0%	0.0%
P/BV	2.1	2.4	2.2	2.1
Dividend Yield (Gross)	0.0%	0.0%	0.0%	0.0%
PER SHARE DATA (EUR)				
EPS (reported)	-0.022	-0.010	-0.010	-0.010
BVPS	1.809	2.665	2.820	3.000
DPS	0.000	0.000	0.000	0.000

Source: Company, Banca Akros estimates

Sector: Financial Services Holdings/Holding

Company Description: Digital Magics is the main Italian incubator. The company aims at supporting the development of start-ups, mainly but not only in the digital arena, providing both professional services and financial seed and pre-seed investments. In over 10 years the company and its management team became well reknown among Italian startupper and the recently created DM's ecosystem comprising both DM, Tamburi Investment Partners and Talent Garden represent a valuable asset for startupper. The company currently holds a direct interest in 57 companies. The scope is mainly domestic even though we cannot rule out a material stake in the Int'l project Hyperloop.

European Coverage of the Members of ESN

Aerospace & Defense	Mem(*)	Bankinter	GVC	Kws Saat	EQB	Campari	BAK
Airbus Se	CIC	Bbva	GVC	Linde	EQB	Coca Cola Hbc Ag	IBG
Dassault Aviation	CIC	Bcp	CBI	Siegfried Holding Ag	EQB	Corbion	NIBC
Latecoere	CIC	Bnp Paribas	CIC	Symrise Ag	EQB	Danone	CIC
Leonardo	BAK	Bper	BAK	Tikkurila	OPG	Ebro Foods	GVC
Lisi	CIC	Bpi	CBI	Electronic & Electrical Equipment	Mem(*)	Enervit	BAK
Mtu Aero Engines	EQB	Caixabank	GVC	Areva	CIC	Fleury Michon	CIC
Ohb Se	EQB	Commerzbank	EQB	Euromicron Ag	EQB	Forfarmers	NIBC
Safran	CIC	Credem	BAK	Legrand	CIC	Heineken	NIBC
Thales	CIC	Credit Agricole Sa	CIC	Neways Electronics	NIBC	Hkscan	OPG
Zodiac Aerospace	CIC	Creval	BAK	Nexans	CIC	La Doria	BAK
Alternative Energy	Mem(*)	Deutsche Bank	EQB	Pkc Group	OPG	Lanson-Bcc	CIC
Daldrup & Soehne	EQB	Deutsche Pfandbriefbank	EQB	Rexel	CIC	Laurent Perrier	CIC
Gamesa	GVC	Eurobank	IBG	Schneider Electric Se	CIC	Ldc	CIC
Sif Group	NIBC	Intesa Sanpaolo	BAK	Vaisala	OPG	Lucas Bols	NIBC
Solaria	GVC	Mediobanca	BAK	Viscom	EQB	Naturex	CIC
Automobiles & Parts	Mem(*)	Merkur Bank	EQB	Financial Services	Mem(*)	Olvi	OPG
Bittium Corporation	OPG	National Bank Of Greece	IBG	Anima	BAK	Pernod Ricard	CIC
Bmw	EQB	Natixis	CIC	Athex Group	IBG	Raisio	OPG
Brembo	BAK	Nordea	OPG	Azimut	BAK	Refresco Group	NIBC
Continental	EQB	Piraeus Bank	IBG	Banca Generali	BAK	Remy Cointreau	CIC
Daimler Ag	EQB	Poste Italiane	BAK	Banca Ifis	BAK	Suedzucker	EQB
Elringklinger	EQB	Procredit Holding	EQB	Banca Sistema	BAK	Vidrala	GVC
Faurecia	CIC	Rothschild & Co	CIC	Bb Biotech	EQB	Vilmorin	CIC
Ferrari	BAK	Societe Generale	CIC	Bolsas Y Mercados Espanoles Sa	GVC	Viscofan	GVC
Fiat Chrysler Automobiles	BAK	Ubi Banca	BAK	Capman	OPG	Vranken Pommeroy Monopole	CIC
Groupe Psa	CIC	Unicredit	BAK	Christian Dior	CIC	Wessanen	NIBC
Landi Renzo	BAK	Basic Resources	Mem(*)	Cir	BAK	Food & Drug Retailers	Mem(*)
Leoni	EQB	Acerinox	GVC	Comdirect	EQB	Aholddelhaize	NIBC
Michelin	CIC	Altri	CBI	Corestate Capital Holding S.A.	EQB	Carrefour	CIC
Nokian Tyres	OPG	Arcelormittal	GVC	Corp. Financiera Alba	GVC	Casino Guichard-Perrachon	CIC
Norma Group	EQB	Corticeira Amorim	CBI	Deutsche Forfait	EQB	Dia	GVC
Piaggio	BAK	Ence	GVC	Eq	OPG	Jeronimo Martins	CBI
Plastic Omnium	CIC	Europac	GVC	Euro next	CIC	Kesko	OPG
Pwo	EQB	Metka	IBG	Ferratum	EQB	Marr	BAK
Sogefi	BAK	Metsä Board	OPG	Ffp	CIC	Metro	EQB
Stabilus	EQB	Mytilineos	IBG	Finco bank	BAK	Sligro	NIBC
Stern Groep	NIBC	Outo kumpu	OPG	Grenke	EQB	Sonae	CBI
Valeo	CIC	Semapa	CBI	Hypoport Ag	EQB		
Volkswagen	EQB	Ssab	OPG	Mlp	EQB		
Banks	Mem(*)	Stora Enso	OPG	Ovb Holding Ag	EQB		
Aareal Bank	EQB	Surteco	EQB	Patrizia	EQB		
Aktia	OPG	The Navigator Company	CBI	Rallye	CIC		
Alpha Bank	IBG	Tubacex	GVC	Tip Tamburi Investment Partners	BAK		
Banca Carige	BAK	Upm-Kymmene	OPG	Unipol Gruppo Finanziario	BAK		
Banca Mps	BAK	Chemicals	Mem(*)	Wendel	CIC		
Banco Popular	GVC	Air Liquide	CIC	Food & Beverage	Mem(*)		
Banco Sabadell	GVC	Fuchs Petrolub	EQB	Acomo	NIBC		
Banco Santander	GVC	Holland Colours	NIBC	Atria	OPG		
Bankia	GVC	Kemira	OPG	Bonduelle	CIC		

General Industrials	Mem(*)	Fila	BAK	Sampo	OPG	Brill	NIBC
2G Energy	EQB	Philips Lighting	NIBC	Talanx Group	EQB	Cairo Communication	BAK
Aalberts	NIBC	Seb Sa	CIC	Unipolsai	BAK	Cofina	CBI
Accell Group	NIBC	Industrial Engineering	Mem(*)	Materials, Construction & Infrastructure	Mem(*)	Cts Eventim	EQB
Ahlstrom	OPG	Accsys Technologies	NIBC	Abertis	GVC	Digital Bros	BAK
Arcadis	NIBC	Aixtron	EQB	Acs	GVC	Edito riale L'Espresso	BAK
Aspo	OPG	Alstom	CIC	Aena	GVC	GI Events	CIC
Huhtamäki	OPG	Ansaldo Sts	BAK	Aeroports De Paris	CIC	Havas	CIC
Kendrion	NIBC	Biesse	BAK	Astaldi	BAK	Impresa	CBI
Nedap	NIBC	Cargotec Corp	OPG	Atlantia	BAK	lol	BAK
Pöyry	OPG	Cnh Industrial	BAK	Boskalis Westminster	NIBC	Ipsos	CIC
Prelios	BAK	Danieli	BAK	Buzzi Unicem	BAK	Jcdecoux	CIC
Saf-Holland	EQB	Datalogic	BAK	Caverion	OPG	Lagardere	CIC
Serge Ferrari Group	CIC	Deutz Ag	EQB	Cramo	OPG	M6-Metropole Television	CIC
Tkh Group	NIBC	Duro Felguera	GVC	Eiffage	CIC	Mediaset	BAK
General Retailers	Mem(*)	Emak	BAK	Ellaktor	IBG	Mediaset Espana	GVC
Beter Bed Holding	NIBC	Exel Composites	OPG	Eitel	OPG	Notorious Pictures	BAK
Elumeo Se	EQB	Fincantieri	BAK	Ezentis	GVC	Nrj Group	CIC
Fielmann	EQB	Gesco	EQB	Fcc	GVC	Publicis	CIC
Folli Follie Group	IBG	Ima	BAK	Ferrovial	GVC	Rcs Mediagroup	BAK
Fourlis Holdings	IBG	Interpump	BAK	Heidelberg Cement Ag	CIC	Relx	NIBC
Groupe Darty	CIC	Kone	OPG	Heijmans	NIBC	Rtl Group	EQB
Hornbach Holding	EQB	Konecranes	OPG	Imerys	CIC	Sano ma	OPG
Inditex	GVC	Manz Ag	EQB	Lafargeholcim	CIC	Solocal Group	CIC
Jumbo	IBG	Max Automation Ag	EQB	Lehto	OPG	Spir Communication	CIC
Rapala	OPG	Metso Corporation	OPG	Lemminkäinen	OPG	Syzygy Ag	EQB
Stockmann	OPG	Outotec	OPG	Maire Tecnimont	BAK	Telegraaf Media Groep	NIBC
Tokmanni	OPG	Pfeiffer Vacuum	EQB	Mota Engil	CBI	Tf1	CIC
Windeln.De	EQB	Ponsse	OPG	Obrascon Huarte Lain	GVC	Ubisoft	CIC
YooxNet-A-Porter	BAK	Prima Industrie	BAK	Ramirent	OPG	Vivendi	CIC
Healthcare	Mem(*)	Prysmian	BAK	Royal Bam Group	NIBC	Wolters Kluwer	NIBC
4Sc	EQB	Smt Scharf Ag	EQB	Sacyr	GVC	Oil & Gas Producers	Mem(*)
Amplifon	BAK	Technotrans	EQB	Saint Gobain	CIC	Eni	BAK
Bayer	EQB	Valmet	OPG	Salini Impregilo	BAK	Galp Energia	CBI
Biotest	EQB	Wärtsilä	OPG	Sias	BAK	Gas Plus	BAK
Diasorin	BAK	Zardoya Otis	GVC	Srv	OPG	Hellenic Petroleum	IBG
Epigenomics Ag	EQB	Industrial Transportation	Mem(*)	Tarkett	CIC	Maurel Et Prom	CIC
Genfit	CIC	Bolloré	CIC	Thermador Groupe	CIC	Motor Oil	IBG
Guerbet	CIC	Caf	GVC	Titan Cement	IBG	Neste Corporation	OPG
Korian	CIC	Ctt	CBI	Trevi	BAK	Petrobras	CBI
Merck	EQB	Logwin	EQB	Uponor	OPG	Qgep	CBI
Oriola-Kd	OPG	Insurance	Mem(*)	Vicat	CIC	Repsol	GVC
Orion	OPG	Allianz	EQB	Vinci	CIC	Total	CIC
Orpea	CIC	Axa	CIC	Yit	OPG		
Pihlajalinna	OPG	Banca Mediolanum	BAK	Media	Mem(*)		
Recordati	BAK	Cattolica Assicurazioni	BAK	Ad Pepper	EQB		
Wilex	EQB	Generali	BAK	Alma Media	OPG		
Household Goods	Mem(*)	Hannover Re	EQB	Atresmedia	GVC		
Bic	CIC	Mapfre Sa	GVC	Axel Springer	EQB		
De Longhi	BAK	Munich Re	EQB	Axelero	BAK		

Oil Services	Mem(*)	Wcm Ag	EQB	Lassila & Tikanoja	OPG	Int. Airlines Group	GVC
Bourbon	CIC	Software & Computer Services	Mem(*)	Openjobmetis	BAK	Intralot	IBG
Cgg	CIC	Affecto	OPG	Teleperformance	CIC	Kotipizza	OPG
Fugro	NIBC	Akka Technologies	CIC	Technology Hardware & Equipment	Mem(*)	Melia Hotels International	GVC
Rubis	CIC	Alten	CIC	Asm International	NIBC	Nh Hotel Group	GVC
Saipem	BAK	Altran	CIC	Asml	NIBC	Opap	IBG
Sbm Offshore	NIBC	Assystem	CIC	Besi	NIBC	Snowworld	NIBC
Technipmc Plc	CIC	Atos	CIC	Ericsson	OPG	Sodexo	CIC
Tecnicas Reunidas	GVC	Basware	OPG	Gigaset	EQB	Sonae Capital	CBI
Tenaris	BAK	Cenit	EQB	Ingenico	CIC	Trigano	CIC
Vallourec	CIC	Comptel	OPG	Kontron	EQB	Utilities	Mem(*)
Vopak	NIBC	Ctac	NIBC	Nokia	OPG	A2A	BAK
Personal Goods	Mem(*)	Digia Plc	OPG	Roodmicrotec	NIBC	Acciona	GVC
Adidas	EQB	Docdata	NIBC	Slm Solutions	EQB	Acea	BAK
Adler Modemaerkte	EQB	Econocom	CIC	Stmicroelectronics	BAK	Albioma	CIC
Amer Sports	OPG	Ekinops	CIC	Suess Microtec	EQB	Direct Energie	CIC
Basic Net	BAK	Esi Group	CIC	Teleste	OPG	Edp	CBI
Cie Fin. Richemont	CIC	Exprivia	BAK	Va-Q-Tec	EQB	Edp Renováveis	CBI
Geox	BAK	F-Secure	OPG	Telecommunications	Mem(*)	Enagas	GVC
Gerry Weber	EQB	Gemalto	CIC	Acotel	BAK	Endesa	GVC
Hermes Intl.	CIC	Gft Technologies	EQB	Bouygues	CIC	Enel	BAK
Hugo Boss	EQB	Ict Group	NIBC	Deutsche Telekom	EQB	Erg	BAK
Interparfums	CIC	Indra Sistemas	GVC	Dna	OPG	Eydap	IBG
Kering	CIC	Nemetschek Se	EQB	Drillisch	EQB	Falck Renewables	BAK
L'Oreal	CIC	Neurotes	CIC	Elisa	OPG	Fortum	OPG
Luxottica	BAK	Nexus Ag	EQB	Euskaltel	GVC	Gas Natural Fenosa	GVC
Lvmh	CIC	Novabase	CBI	Freenet	EQB	Hera	BAK
Marimekko	OPG	Ordina	NIBC	Kpn Telecom	NIBC	Iberdrola	GVC
Moncler	BAK	Psi	EQB	Masmovil	GVC	Iren	BAK
Puma	EQB	Reply	BAK	Nos	CBI	Italgas	BAK
Safilo	BAK	Rib Software	EQB	Oi	CBI	Public Power Corp	IBG
Salvatore Ferragamo	BAK	Seven Principles Ag	EQB	Orange	CIC	Red Electrica De Espana	GVC
Sarantis	IBG	Software Ag	EQB	Ote	IBG	Ren	CBI
Technogym	BAK	Sopra Steria Group	CIC	Tele Columbus	EQB	Snam	BAK
Tod'S	BAK	Tie Kinetix	NIBC	Telecom Italia	BAK	Terna	BAK
Real Estate	Mem(*)	Tieto	OPG	Telefonica	GVC		
Adler Real Estate	EQB	Tomtom	NIBC	Telefonica Deutschland	EQB		
Beni Stabili	BAK	United Internet	EQB	Telia	OPG		
Citycon	OPG	Visiatiiv	CIC	Tiscali	BAK		
Demire	EQB	Wincor Nixdorf	EQB	Vodafone	BAK		
Deutsche Euroshop	EQB	Support Services	Mem(*)	Travel & Leisure	Mem(*)		
Grand City Properties	EQB	Amadeus	GVC	Accor	CIC		
Hispania Activos Inmobiliarios	GVC	Asiakastieto Group	OPG	Air France Klm	CIC		
Igd	BAK	Batenburg	NIBC	Autogrill	BAK		
Lar España	GVC	Cellnex Telecom	GVC	Beneteau	CIC		
Merlin Properties	GVC	Dpa	NIBC	Elior	CIC		
Realia	GVC	Edenred	CIC	Europcar	CIC		
Sponda	OPG	Ei Towers	BAK	Finnair	OPG		
Technopolis	OPG	Enav	BAK	I Grandi Viaggi	BAK		
Vib Vermoegen	EQB	Fiera Milano	BAK	Ibersol	CBI		

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(**) excluding: strategists, macroeconomists, heads of research not covering specific stocks, credit analysts, technical analysts

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Recommendation history for DIGITAL MAGICS

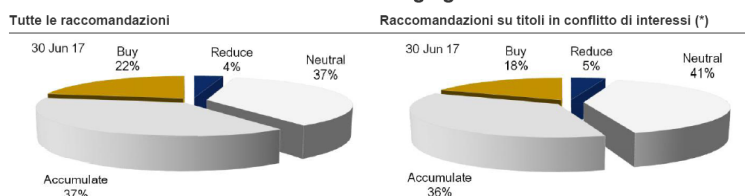
Date	Recommendation	Target price	Price at change date
26-Sep-17	Accumulate	8.10	6.27

Source: Factset & ESN, price data adjusted for stock splits.

This chart shows Banca Akros continuing coverage of this stock; the current analyst may or may not have covered it over the entire period. Current analyst: Francesco Previtera (since 26/09/2017)



Percentuale delle raccomandazioni al 30 giugno 2017



(*) Si informa che la percentuale degli emittenti in potenziale conflitto di interessi con Banca Akros è pari al 21% del totale degli emittenti oggetto di copertura

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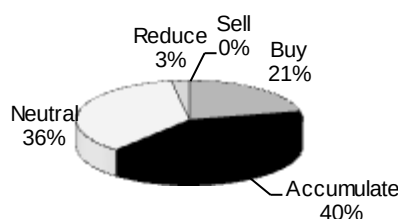
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Meaning of each recommendation or rating:

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- **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
- **Rating Suspended:** the rating is suspended due to a change of analyst covering the stock or a capital operation (take-over bid, SPO, ...) where the issuer of the document (a partner of ESN) or a related party of the issuer is or could be involved
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Certain flexibility on the limits of total return bands is permitted especially during higher phases of volatility on the markets

Banca Akros Ratings Breakdown



For full ESN Recommendation and Target price history (in the last 12 months) please see ESN Website [Link](#)

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