



**DIGITAL
MAGICS**

DIGITAL MAGICS COMPANY PROFILE

Milano, Small Cap Conference
November 20th 2014



DIGITAL MAGICS

The Italian Leading VENTURE INCUBATOR

*“Any sufficiently
advanced technology is
indistinguishable from
magic”*

-Arthur C. Clarke-

- ↓ The Italian leading venture incubator
- ↓ The market: Europe
- ↓ The market: Italy
- ↓ Why to invest in Digital Magics

WHAT WE DO: we are company builders, providing high-potential startups with everything they need to succeed

TO START

On average, an initial capital of **300K**, plus the financial support of our **DMAN**



TO GROW

DM-Lab: Full Support and mentorship to speed up growth and achieve an acceptable degree of operation and autonomy



TO SUCCEED

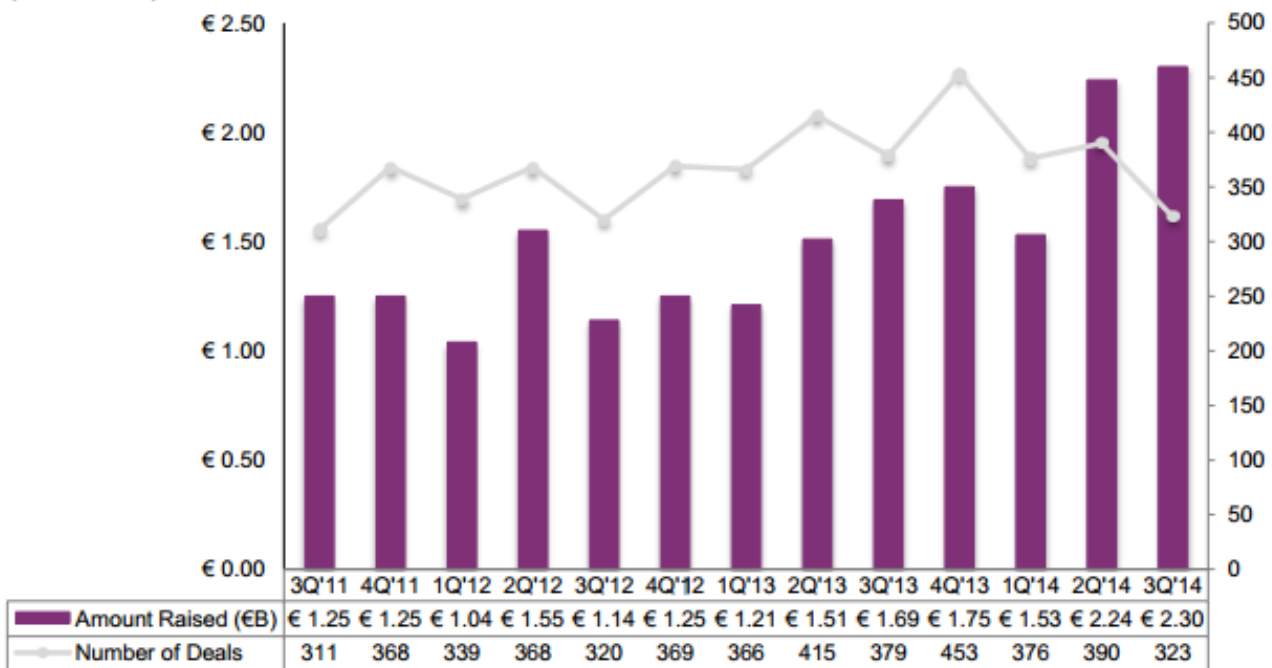
Strategy
Profitable Exit



THE EUROPEAN CONTEXT: MAIN VC TRENDS: **FINANCING**

- Raised €2.3bln in 3Q2014, the **highest quarterly investment since 3Q2001** (€2.7bln)
- Investment **increase of 36%** as compared to 3Q2013

Equity Financings into Europe –
based, VC-backed Companies
(2011 – 2014)



Top 5 fundraisings 2014

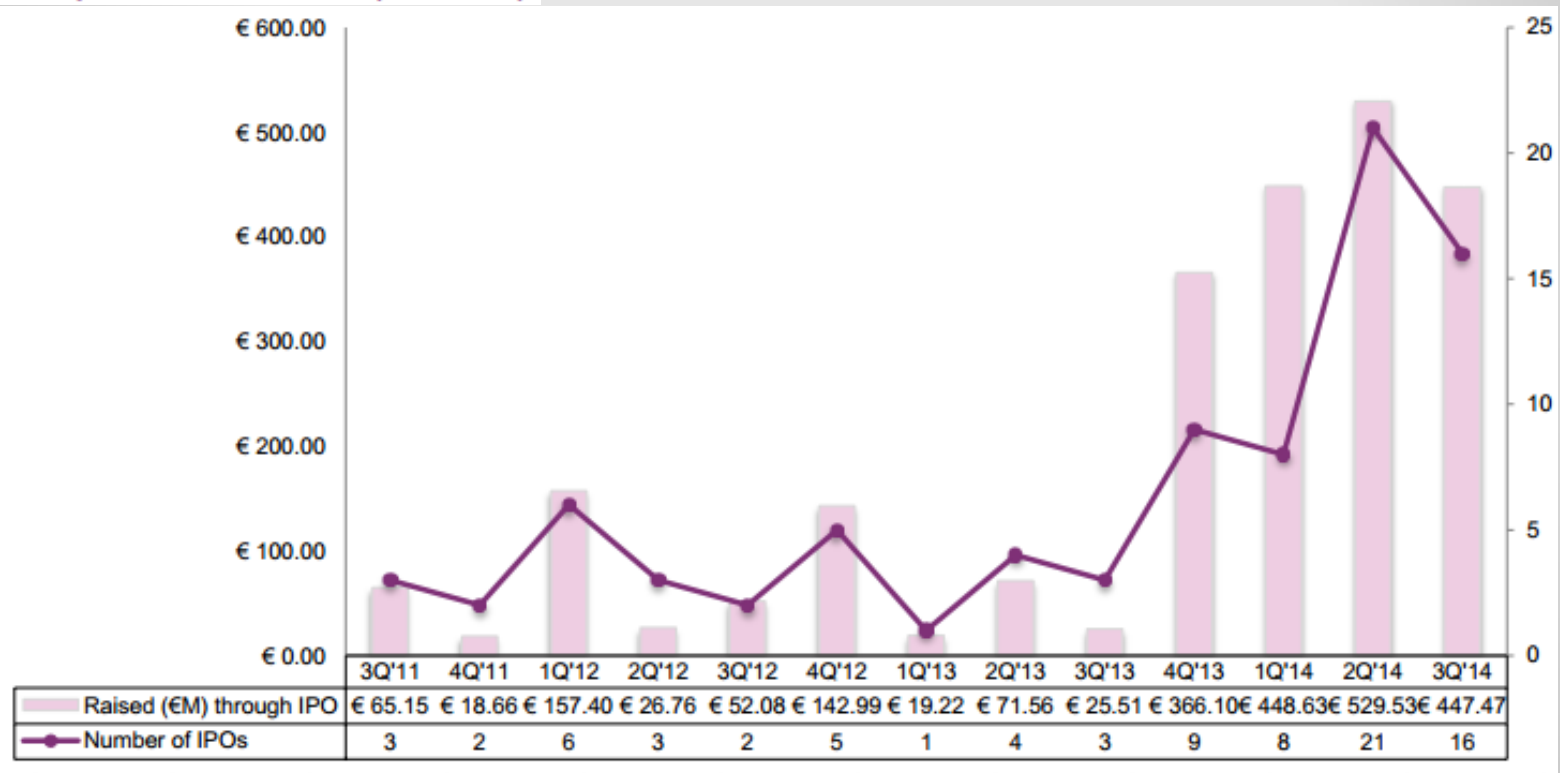
Co. Name	Raised (€M)
 Delivery Hero	€258.78
Adaptimmune Ltd.	€76.89
Biocartis SA	€64.50
Funding Circle Ltd.	€47.52
Cardiorentis AG	€45.00

Sources: DowJones Venture source, 3Q2014

THE EUROPEAN CONTEXT: MAIN VC TRENDS: **EXITS**

- 16 IPOs (€447 mln) in 3Q 2014 as compared to 3 IPOs(€26 mln) raised in 3Q 2013

European VC-backed IPOs (2011-2014)



Source: DowJones Venture source, 3Q2014

THE EUROPEAN CONTEXT: ENCOURAGING TRENDS

WHY DM MODEL IS BOOMING IN EUROPE

- In 2013, the value of European investments in VC rose by 19% in the previous year and the number of investment rounds was up by more than 5%

- Typical VC actors (banks and financial institutions) have scaled back due to tougher regulation and capital requirements: **CORPORATE VENTURING** is rising

EUROPE IS BACK

CORPORATES ARE COMING

EARLY STAGE UNDER THE SPOTLIGHT

GOVERNMENTS ARE SUPPORTIVE

- In 2013, four EU major funds set up angel structures for early stage opportunities
- More than a quarter (27%) of start-up rounds by VC saw participation by an angel or incubator in 2013 (six times more than in 2007)

- Governments support innovation to boost employment, particularly among the young
- After the rise of crowdfunding (€446mln raised in 2011 and €735mln in 2012), UE is willing to harmonize regulation in 2014

Source: EY Global VC insights and trends report 2014

THE EUROPEAN CONTEXT: SOMETHING IS MOVING...

EU Venture Capitalists are gathering their strengths to catch opportunities...



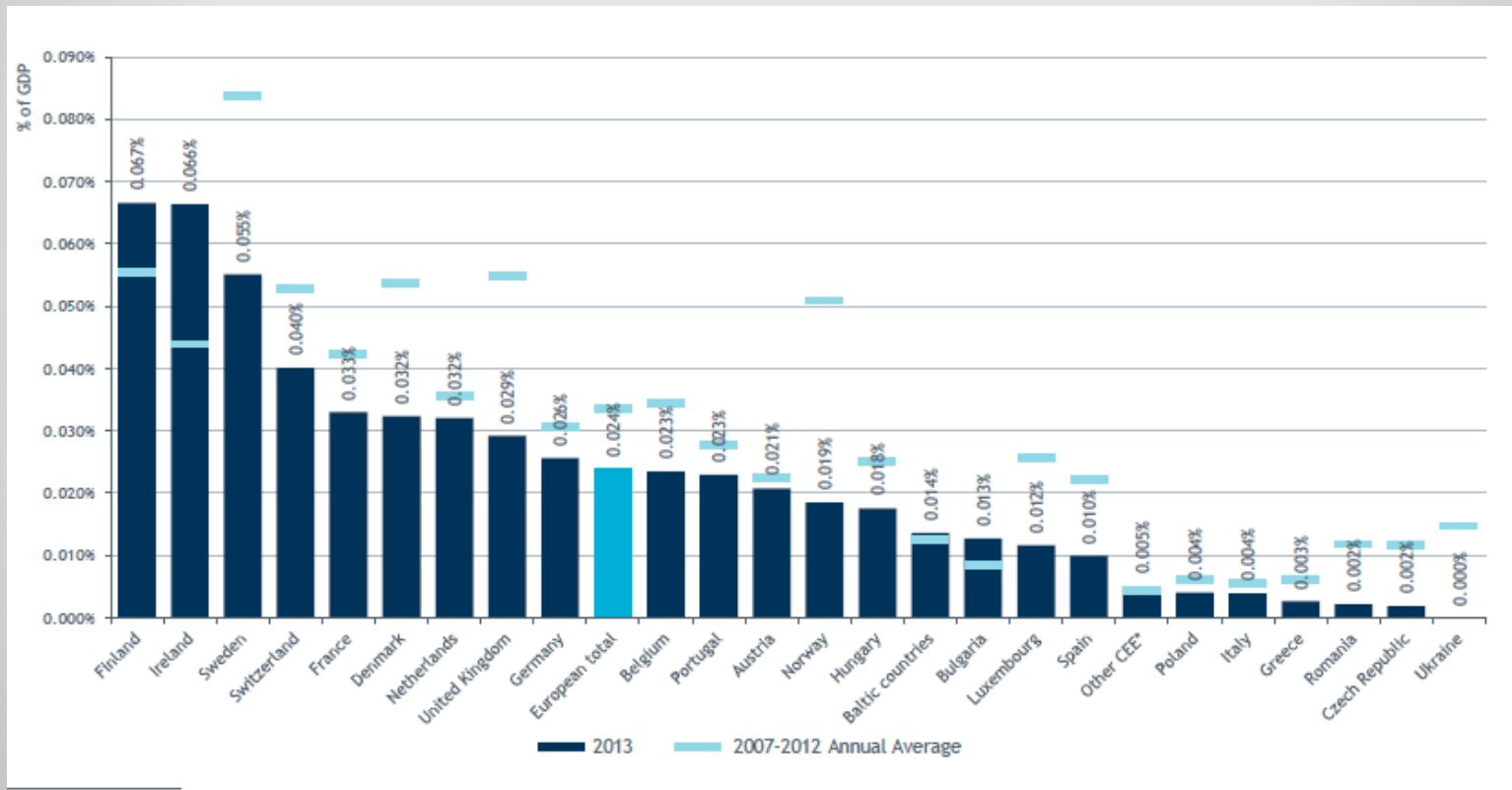
Nov 2014
Deutsche Telekom
*launches its new venture
arm (€500M)*



Oct 2014
Rocket Internet IPO
Market Cap: **€7.2B**

THE ITALIAN MARKET

The Italian market of capital investments aimed at startups is still immature: Investments in Venture Capital in **Italy** totaled less than **0,003% of the GDP in 2013**, much lower than the European average **0,024%**, **GER 0,026%**, **UK 0,029%**



Source: Thomson Reuters Datastream (GDP) / EVCA

But something is changing...

INNOVATION IN ITALY

Innovative startups:

More than 2700 enrolled at the innovative startup register in the last 2 years

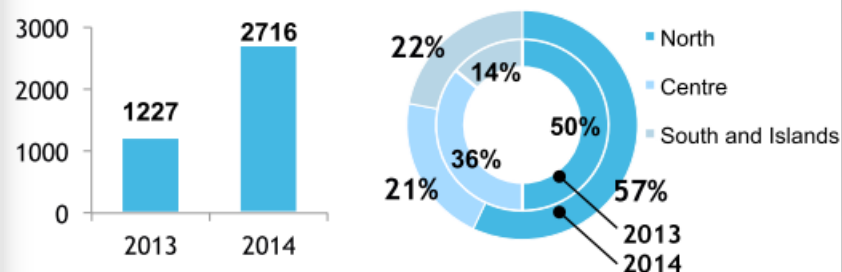
Startups' funding:

Focus on micro-finance

Startups' window-dressings:

Dozens of "business competitions" every year

"INNOVATIVE STARTUPS": 2716

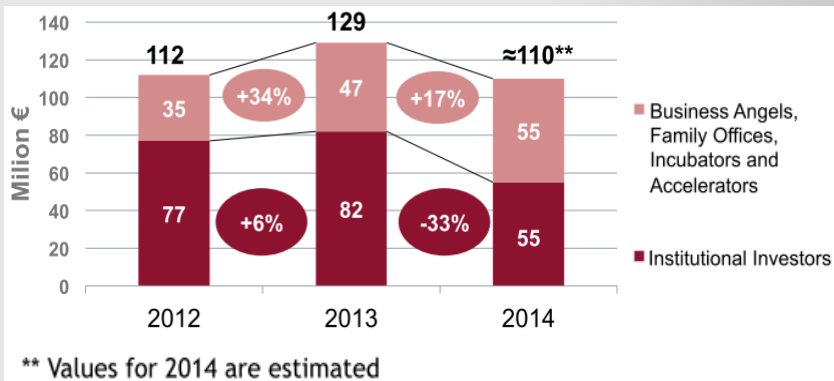


Source: Osservatori:Italia start up, The Italian Startup Ecosystem

RECENT TRENDS: CHANGE IN INVESTMENT FOCUS

Rise of Seed phase

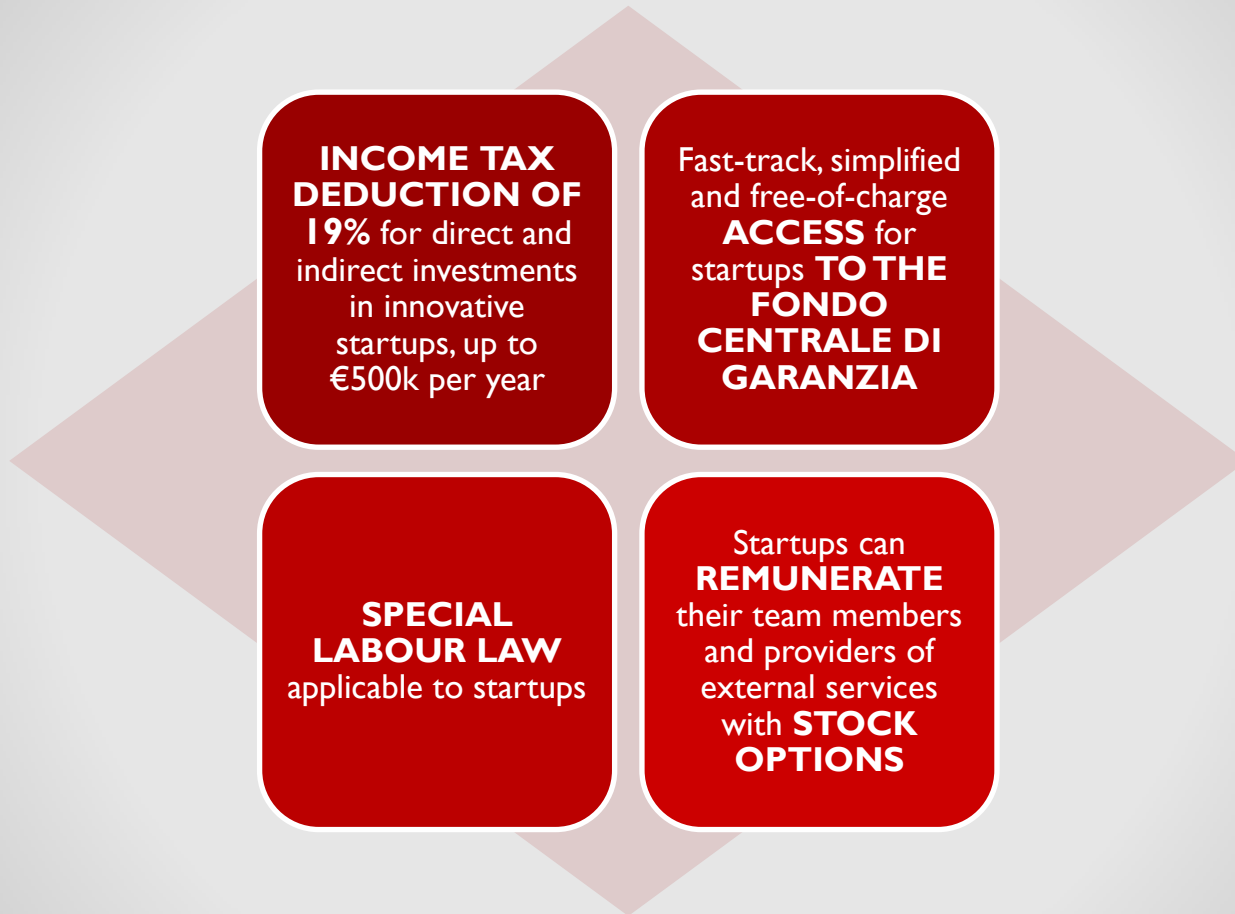
Seed phase investors on their way to corner the market, coherently with the European scenario



Source: Osservatori:Italia start up, The Italian Startup Ecosystem

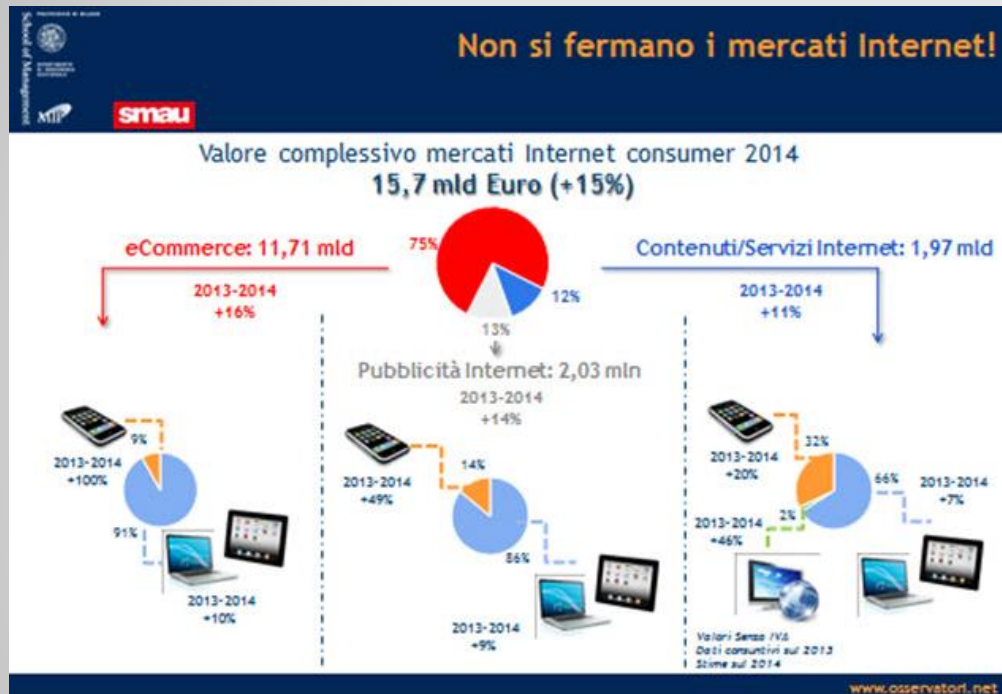
RECENT TRENDS: ITALIAN LEGISLATION

DECRETO SVILUPPO: EXPLOITING ITALIAN LEGISLATION ON STARTUPS

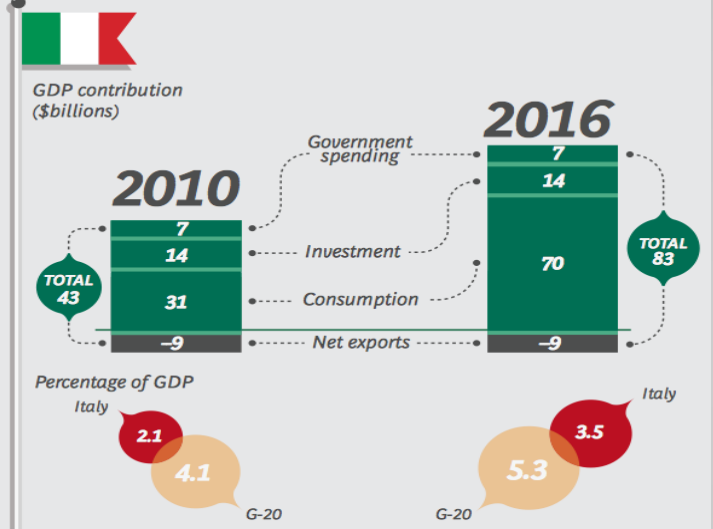


ITALIAN PRIME MINISTER RENZI TO EU COMMISSION PRESIDENT JUNKER:
LOOSEN EU BUDGET RULES TO ALLOW INVESTMENTS IN GROWTH

THE ITALIAN INTERNET MARKET



Italy's Internet Economy



Sources: economist Intelligence Unit; Ovum; Gartner; euromonitor International; Organisation for economic Co-operation and Development (OeCD); magnaglobal; CCB; Italian National Institute of statistics (Istat); Politecnico di milano (Polimi); Confindustria; Forrester Research; company reports; assinform; BCG analysis.

Economic value of internet on GDP (%) UK 8.3 SKOR 7.3 JAP 4.7 USA 4.7 D 3 CAN 3 F 2.9 **ITA 2.1**

Source: TEH-Ambrosetti study on OECD data

WHY TO INVEST IN DIGITAL MAGICS

- ↓ Digital Magics' figures
- ↓ Our "Magic" formula
- ↓ DM's strategic assets
- ↓ Digital Magics' Portfolio
- ↓ Financial Insights
- ↓ Business Plan 2014-2018

DIGITAL MAGICS' FIGURES

AVERAGE **31,56% IRR** ON EXITS

40 ACTIVE STARTUPS IN ITS PORTFOLIO

50 STARTUP INCUBATED - 6 EXITS, ONLY 4 WRITE-OFFS

25 EXPERIENCED PARTNERS AND PROFESSIONALS

MORE THAN **300 JOBS**
CREATED

MORE THAN **1000 PITCHES**
EXAMINED EACH YEAR

ABOUT **€15 MLN** INVESTED

€5 COMING FROM **EXITS**

OUR «MAGIC» FORMULA

1
**Business
model**

KEY SELECTION CRITERIA

DIGITAL SECTOR

SCALABLE BUSINESS
MODEL

STRONG AND
COHESIVE TEAM

2
Team

1° CLASS MGMT TEAM WITH OUTSTANDING BACKGROUND



3
Financing

ABOUT €20MLN FUNDING THROUGH PARTNERSHIPS WITH:



4
Execution

COMPANY BUILDING

STARTUP
INCUBATION

360° SUPPORT

MARKET LAUNCH
AND GROWTH

DIGITAL MAGICS' TEAM

We are purpose-built to deliver excellence : we are specialized in digital economy and have an hard-working, committed team of seasoned veterans in the digital investment sector



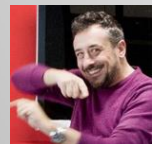
Gabriele Gresta
Founder and Director



Layla Pavone
Partner



Michele Novelli
Partner



Edmondo Sparano
Partner



Enrico Gasperini
Founder, Chairman and CEO



Alberto Fioravanti
Founder and Executive Director



Gabriele Ronchini
Founder and Executive Director



Alessandro Malacart
Partner and co-CEO



Luca Giacometti
Independent Board Member



Gennaro Tesone
56Cube Partner



Giandomenico Sica
Partner, Network & Business Development



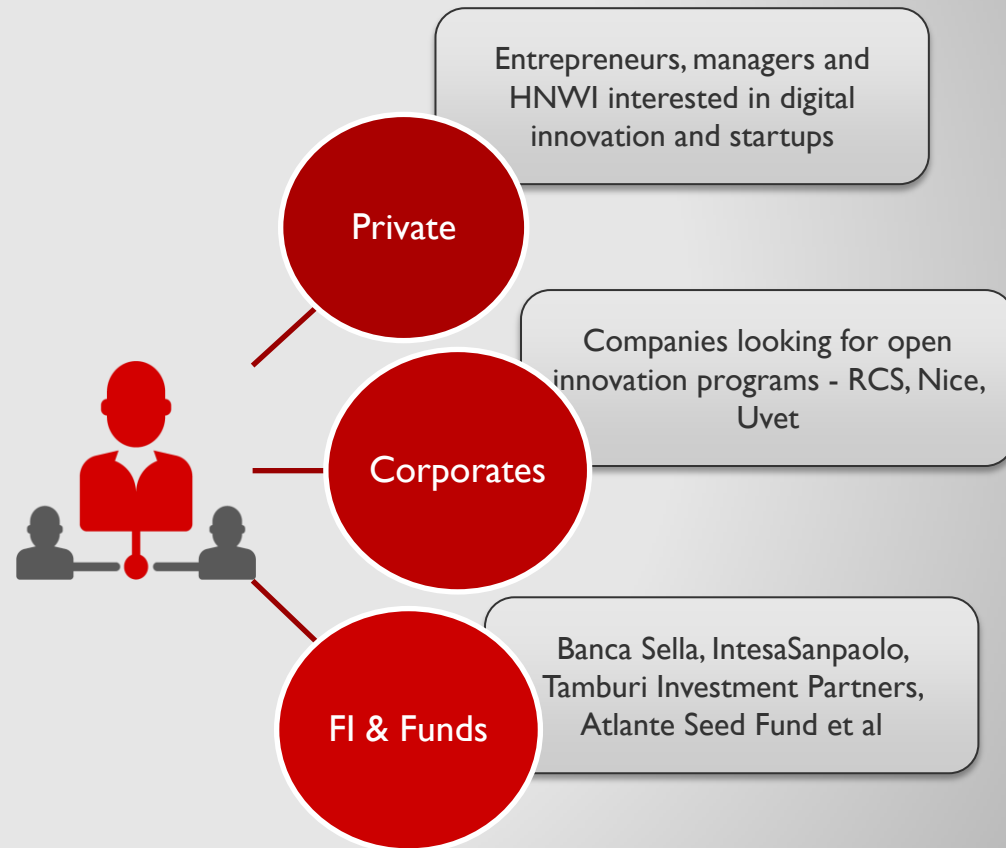
Stefano Miari
Partner, Fund raising



Antonello Carlucci
Partner

DM'S STRATEGIC ASSETS - THE DM ANGEL NETWORK

The DMAN is a network of more than 100 investors interested in co-investing alongside Digital Magics on club-deal in order to support the startups



BREAKING NEWS:



STRATEGIC PARTNERSHIP WITH EPIC SIM

THE DEAL WILL EASE FINANCING RELATIONSHIPS WITH
INVESTORS

MAIN ACHIEVEMENTS FOR DM Angel Network:

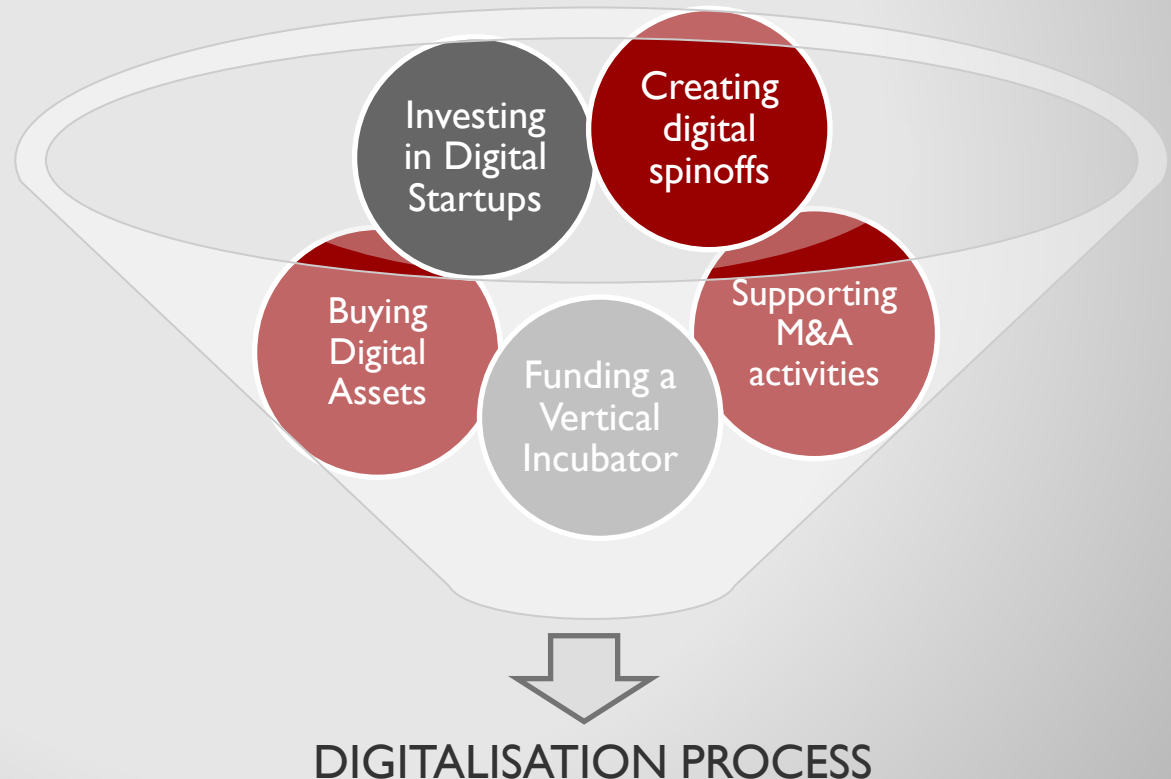
- **easier equity placements** to investors for our Startups
- **increased liquidity** and **easier exits**

DM'S STRATEGIC ASSETS - THE OPEN INNOVATION PROGRAM

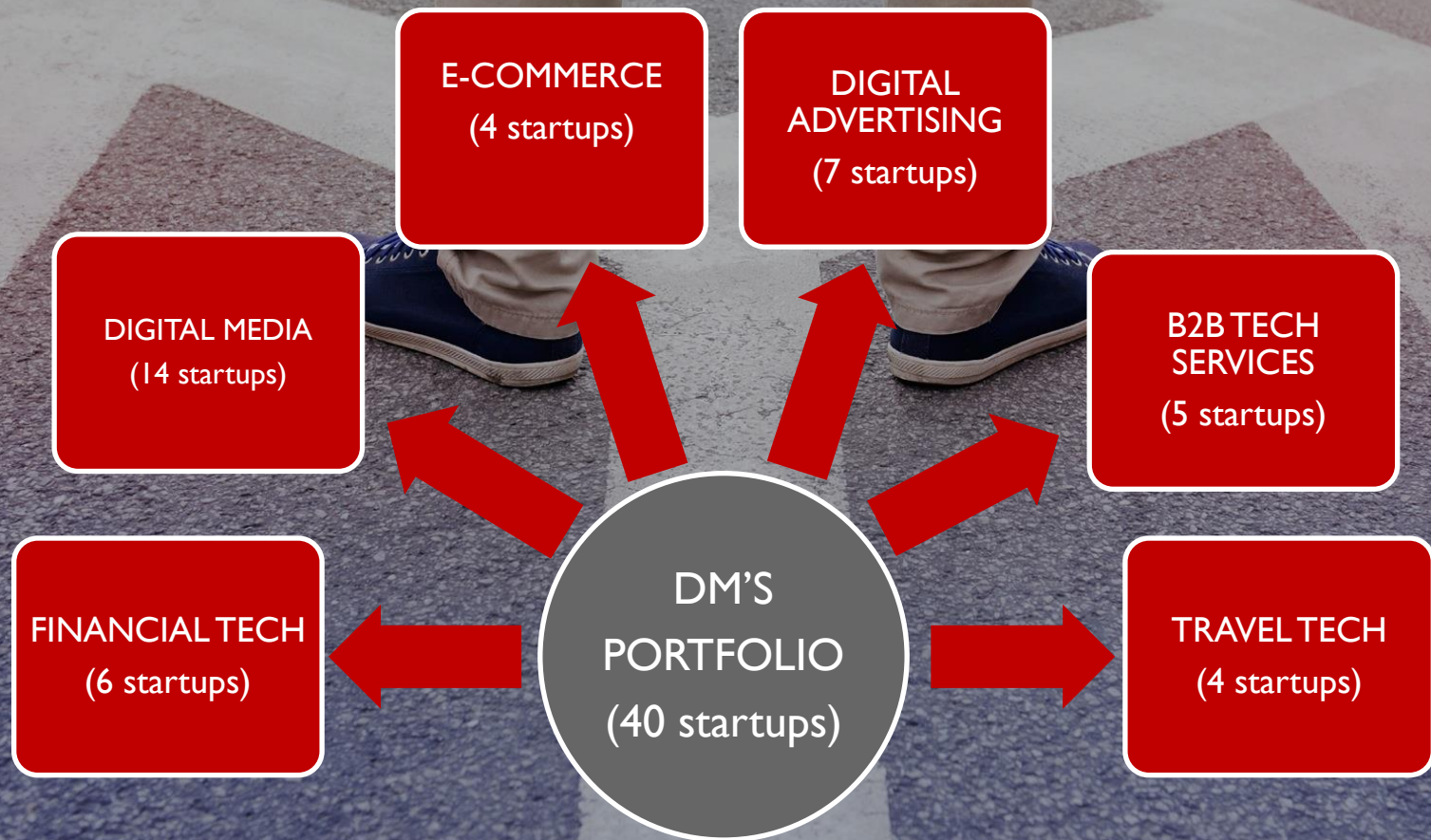
DIGITAL MAGICS AND THE INDUSTRIAL PARTNER
CREATE A SHARED AGENDA ON THE VERTICAL
MARKET FOR:

The Open Innovation program has the aim of supporting corporations during their digitalization/innovation processes.

The program combines the expertise of industrial partners with the digital acceleration expertise of Digital Magics.



DM's PORTFOLIO BY SECTORS OF OPERATION



DM'S MOST RECENT EXIT:



- **Over €5.3M sale** to the Norwegian TrustBuddy + 10.000.000 of its stock options
- **Capital gain will be about 300% of investment**
- An example of the value added by DM:
 - **Less than a year of investment**
 - **4x growth**



Digital Magics

Avviato l'exit di Prestiamoci

SIM
INTEGRÆ

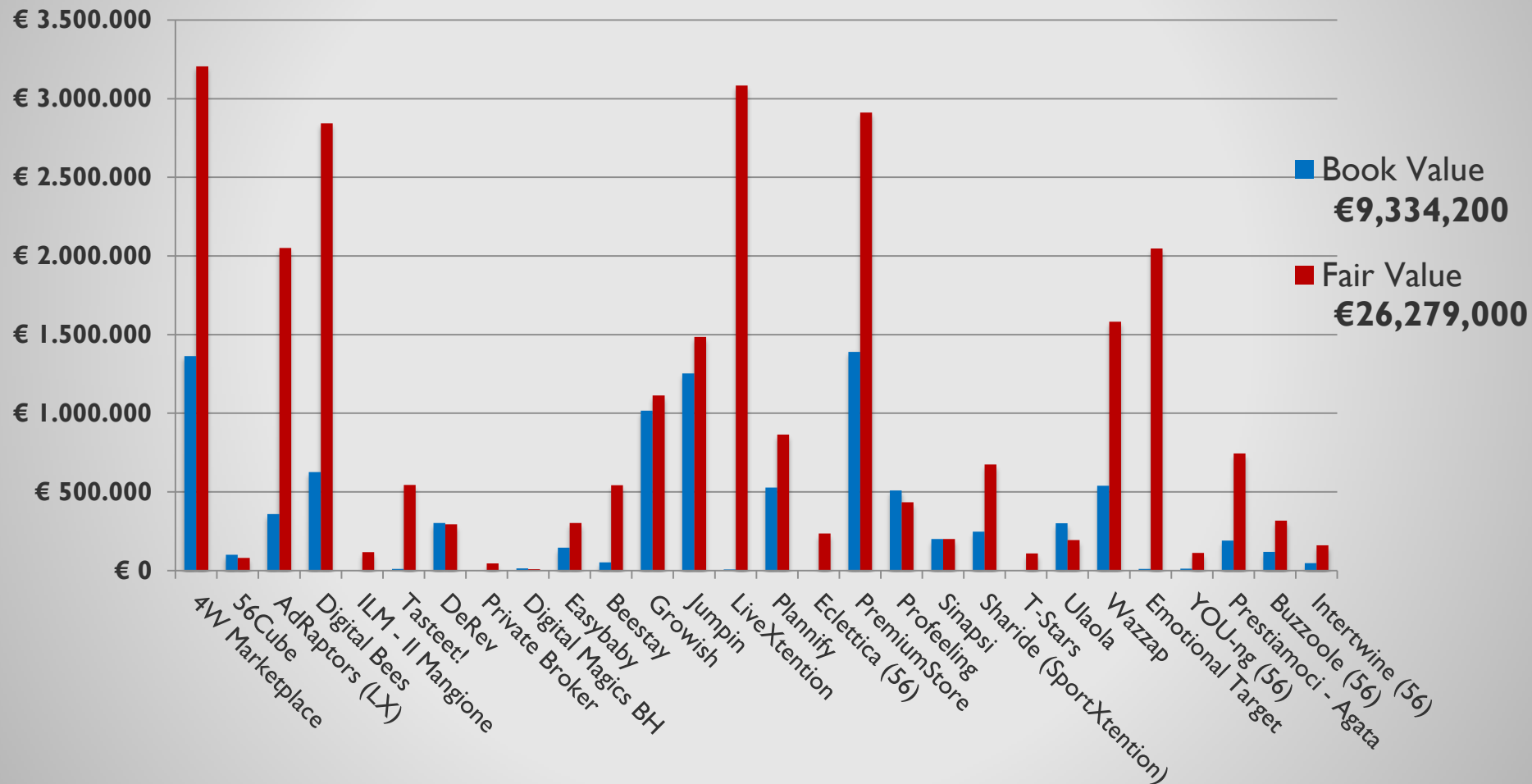
Price	€4.88
Recommendation	Buy (maintained)
12mth target price	€9,1 (maintained)
Ticker	DM IM

DM's PORTFOLIO BY VENTURE STAGE



DM'S PORTFOLIO: BOOK VALUE vs FAIR VALUE

- SOURCE: INTEGRAE SIM, 19/05/2014 -



TOP PERFORMERS



- ✂ 1st Italian online advertising network for major Italian premium publishers; 1st and only Italian network certified as Facebook advertising provider.
- ✂ In 2012 received a **€ 2 million investment** from VC house Principia SGR.
- ✂ 2013 Revenues: **4,5 M€**



- ✂ The **leading Peer-to-Peer lending platform in Italy**. A trademark owned by Agata SpA, a company officially registered as financial broker. Certified by Banca d'Italia in 2009, Prestiamoci aims to develop the lending market among people (P2P) allowing investors to loan money to private people as well as firms.



- ✂ Mimesi operates in the field of **media monitoring and press releases**. It is the **first B2B service in Italy** to provide a **comprehensive reputational analysis of traditional and digital media**.
- ✂ It annually processes **more than 18 million articles** using an innovative proprietary software which processes the articles in a fully digital format.

STRATEGIC PROJECTS



- ✖ **The first “open innovation” project focused on incoming travel in Italy.** It will be developed by Digital Magics in partnership with the industrial group of Uvet American Express and the support of Confturismo.
- ✖ **Tripitaly.it will suggest on a day-to-day and step-by-step basis, anything that could be available for an unforgettable holiday in Italy.**



- ✖ **Premium Store** is an innovative startup. Thanks to the **exclusive agreement signed** with **Consorzio Edicola Italiana** – founded by major Editors **Caltagirone Editore, Gruppo 24 ORE, Gruppo Editoriale L'Espresso, La Stampa, Mondadori** and **RCS MediaGroup** – Premium Store is now developing and will manage **EDICOLA ITALIANA**: the online newsstand of the Italian premium publishing industry.

FINANCIAL INSIGHTS

INVESTMENTS OVERVIEW	Nov 2014	2013
New startups	9	11
# Active investments in portoflio	40	31
Of which innovative	20	10
Year to year investments (gross)	€1.856 Mln	€3.47 Mln
Historical Cumulated investments	€15.176 Mln	€13.32 Mln
NFP (last data: €(85,000) as of June 2014)		€(2.64) Mln

STOCK INFO (13/11/2014)

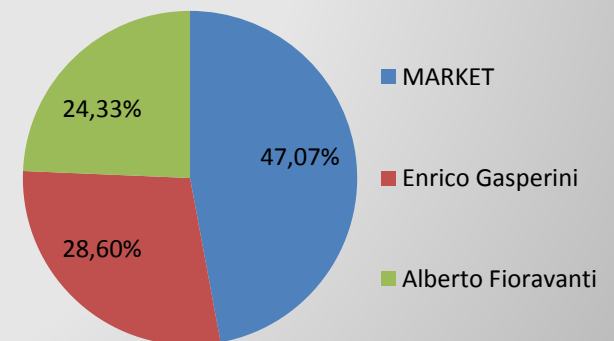
TARGET PRICE: €9.1 (INTEGRAE SIM – 14/11/14)

MARKET CAP: €17.47 MLN



SHAREHOLDING

(14/11/2014)



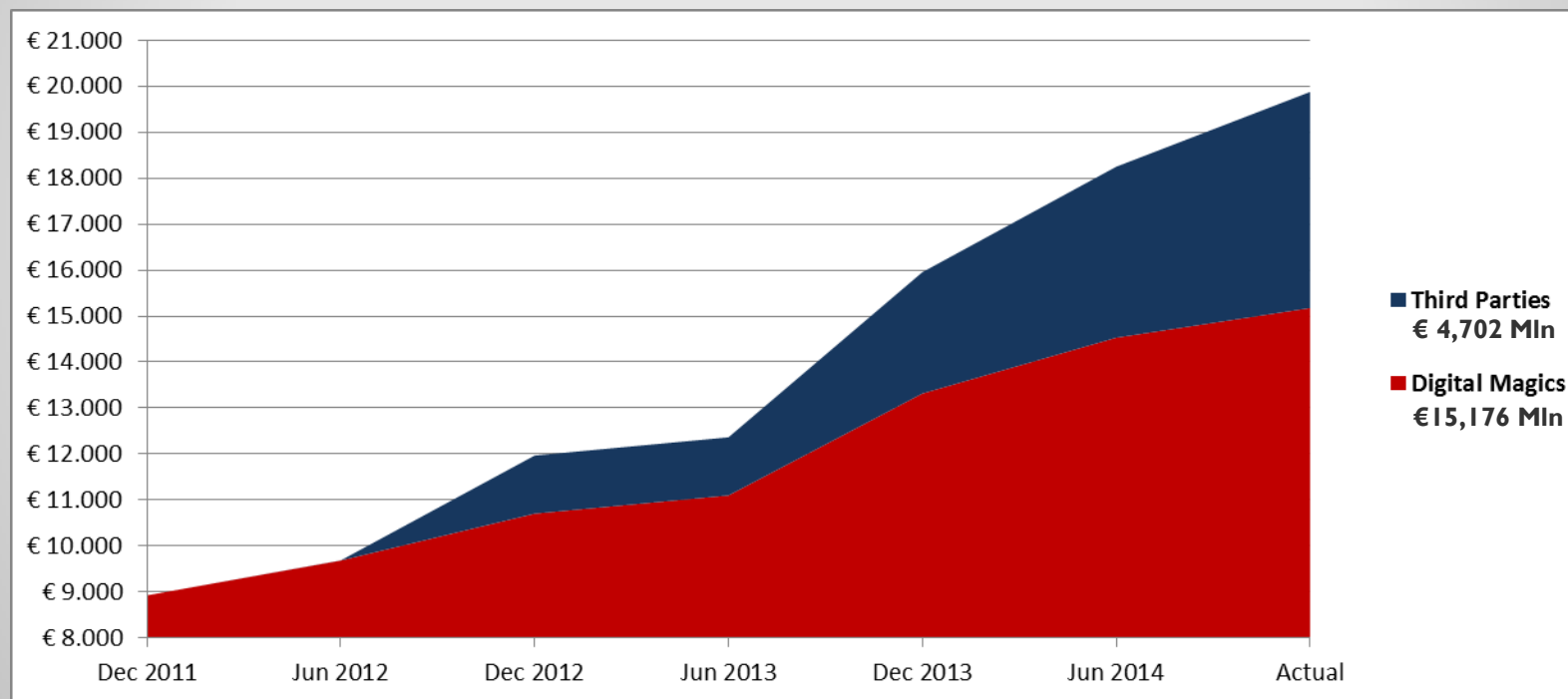
FINANCIAL INSIGHTS – HALF YEARLY REPORT

INCOME STATEMENT	1H 2014	1H 2013	% Change
Revenue	€1.14 Mln	€0.76 Mln	+ 50.4%
EBITDA	€86,000	€45,000	+90.4%
EBITDA Margin %	7.6%	5.9%	+1.7%
Net Income	€(176,000)	€(303,000)	+42%

BALANCE SHEET	1H 2014	31/12/2013	Change
Financial Assets	€11.67 Mln	€10 Mln	€1.67 Mln
Invested Capital	€13.54 Mln	€11.16 Mln	€2.38 Mln
NFP	€(85,000)	€(2.64) Mln	€2.55 Mln

AGGREGATE FUNDING - Dec 2011 – Nov 2014

Historical Cumulated Investments* (in 000€)



*Cumulated investments GROSS of Exits

BUSINESS PLAN 2014-2018: **CONSOLIDATION AS THE ITALIAN
LEADER IN START-UP INCUBATION**

**Exits for more than €20
Mln within 5 years, with
target dividends
distribution of €7 Mln**
(equal to **50%** of the
expected capital gain)

Reach **1000 investors** in
the DMAN and increase
territorial coverage in
Italy

Invest about **€4 Mln per
year in 100 new digital
initiatives**

Create **5 new Open
Innovation Programs**
every year

CONCLUSIONS

- ✂ Italy is currently one of the fastest growing digital markets
- ✂ In a digital ecosystem still underdeveloped thousands of new startups are springing up and will become the main agents of this growth
- ✂ Thanks to the high success rate of its portfolio, Digital Magics is the principal hub for the development and for seed investments' opportunities in the digital sector
- ✂ Investing in Digital Magics allows investors to enter into a new diversified asset class with very high investment returns through a specialized and trustworthy vehicle of specialists



Thanks for your attention.

Milano, November 20th 2014

