



# | DigiTouch Financial Results FY 2018

Conf Call Meeting

27th March 2019



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4 MIN. AGO



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# Financial results and consolidated results 2018

**Revenues: 32.233 million euros (+12%);  
adjusted EBITDA: 4.902 million euros (+ 12%); EBIT: 1.048 million euros (+ 206%)**

The Board of Directors of DigiTouch SpA has examined and approved today the draft financial statements and the consolidated financial statements for the year ended December 31, 2018

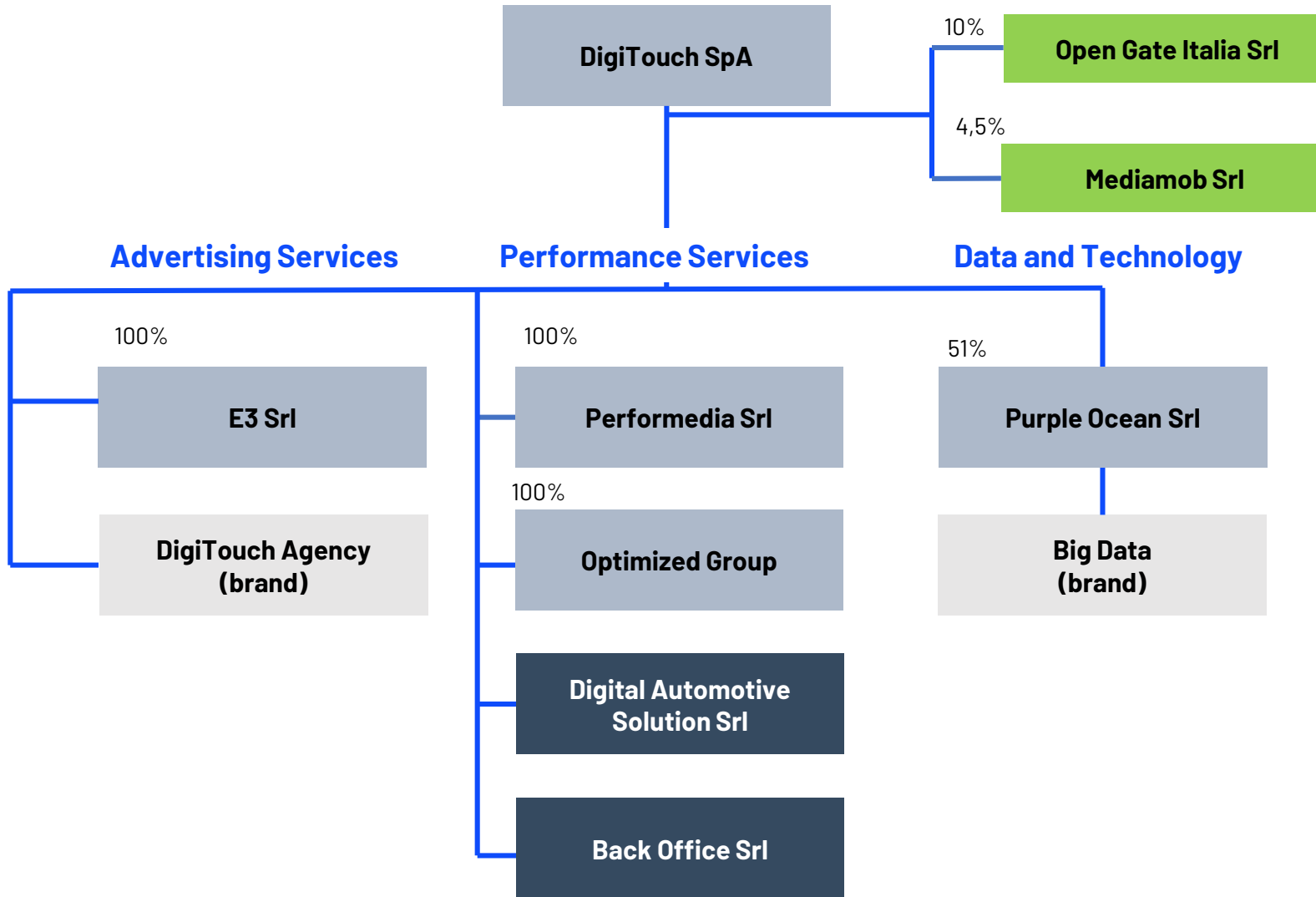
- **CONSOLIDATED REVENUES** AT 32.233 MILLION EURO, **12% IN GROWTH.**
- **CONSOLIDATED ADJUSTED EBITDA** AT EURO 4.902 MILLION, EQUAL TO 15.2% OF REVENUES AND **12% IN GROWTH.**
- **CONSOLIDATED EBIT** AT 1.048 MILLION EURO, EQUAL TO 3.3% OF REVENUES AND **206% IN STRONG GROWTH.**
- **CONSOLIDATED NET PROFIT** AT EURO 268 THOUSANDS.
- **CONSOLIDATED NET FINANCIAL POSITION** NEGATIVE FOR 1.486 MILLION EURO.
- IN THE STRATEGIC PURPOSE OF GIVING PRIORITY NEW INVESTMENT INITIATIVES AND EXTERNAL GROWTH, THE BOARD HAS PROPOSED THE **DISTRIBUTION OF A DIVIDEND OF EURO 0.02 PER SHARE**, EQUAL TO A TOTAL AMOUNT OF EURO 277.934.
- IN THE LIGHT OF THE POSITIVE RESULTS OF FY 2018 AND THE MARKET GROWING TREND, **THE MANAGEMENT EXPECTS THAT THE COMPANY WILL CONTINUE TO GROW ALSO IN THE CURRENT YEAR, IN LINE WITH THE INDUSTRIAL PLAN.**

• **THE SHAREHOLDERS 'MEETING** FOR THE APPROVAL OF THE BUDGET IS SCHEDULED FOR THE FIRST CALL ON APRIL 30TH AND THE SECOND CALL ON MAY 2.

|                      |              |
|----------------------|--------------|
| EXPENSES             | 6,550,452.00 |
| Research-Development | 1,337,886.00 |
| Operating expenses   | 2,879,500.00 |
| Marketing            | 500,799.00   |



# 2019 Group Perimeter



## KEY READING:

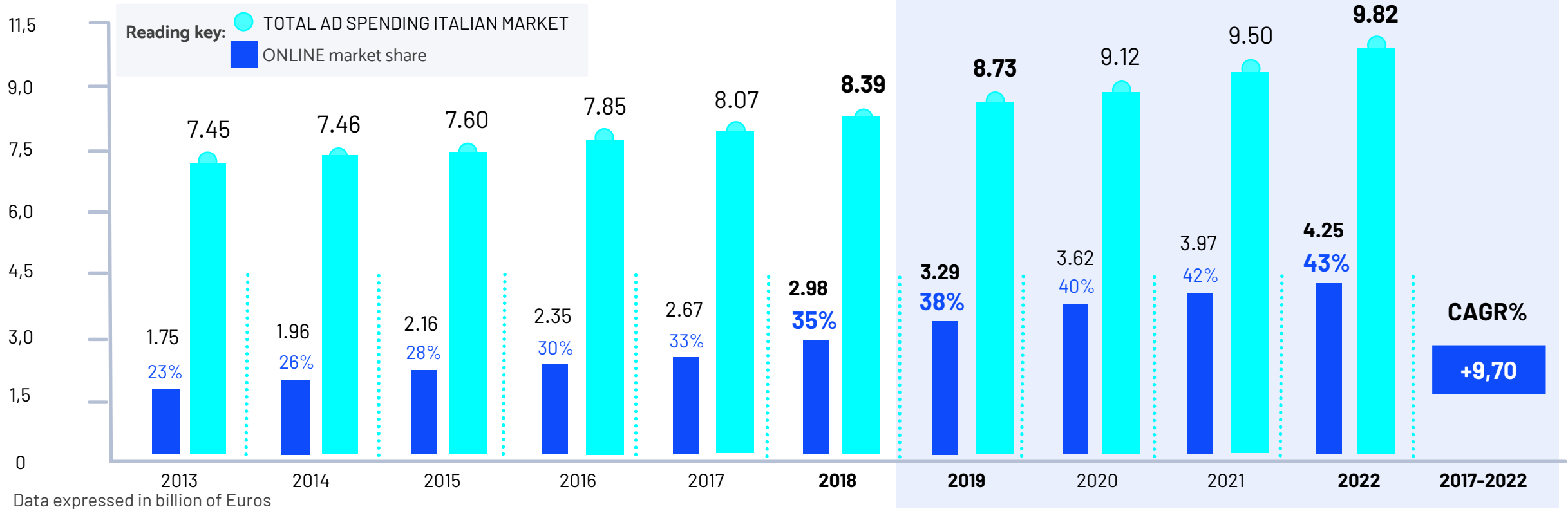




# Italian Market Scenario - Advertising Spending: focus on online

Historical Data

Forecast Data



Media & Entertainment (M&E) Italian market grew 5,1% in 2018, with revenues in increase from € 32.2 billion in 2017 to € 34.5 billion in 2018

Online adv spending is expected to increase of 9,70% within 2022.

The total adv spending is expected to lightly touch € 10 billion in 2022

Italian online market is the fourth largest market of western Europe, just behind UK, Germany and France

In 2018 online adv spending with 35% of market share came close to TV ad spending (38%). In 2019 online ad spending is expected to overtake the TV adv spending (37%)

Within the next 5 years Italy is expected to be the second fastest growing E&M Western Europe market

E&M market revenues is expected to grow every year until 2022 at a faster rate compared to the real PIL growth and in 2019 they are expected to overpass the nominal PIL

The advertisers will positively answer to these solid economic forecasts by increasing their adv budget. In this way they will generate a significant advertising revenues growth

Source: PWC, Italy, Advertising Market

# Internet Advertising Market in Europe

Italy shows space for further growth

European Digital Advertising market has doubled in size in 5 years.

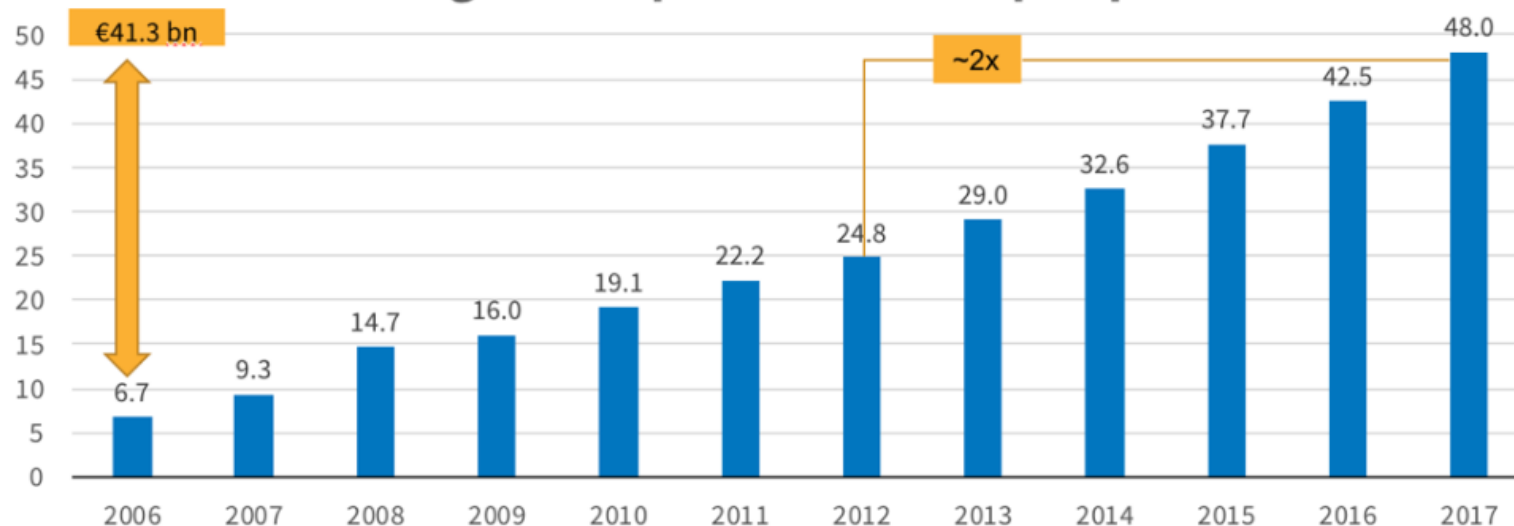
The European Digital Advertising market reached € 48bn in 2017 compared with € 24.8bn in 2012.

Digital advertising in Europe grew 13.2% in 2017 to € 48bn, driven by strong growth in social, mobile and video investment.

## Top 10 rankings (by market size) in 2017

1. UK – €15.6bn
2. Germany – €6.6bn
3. France – €5.1bn
4. Russia – €3.3bn
- 5. Italy – €2.6bn**
6. Sweden – €1.8bn
7. Netherlands – €1.8bn
8. Switzerland – €1.8bn
9. Spain – €1.8bn
10. Belgium – €1bn

## Total digital ad spend: historical perspective



# Business model: one-stop-shop

Three strategic and integrated business units

## 1 ADVERTISING SERVICES

- Social Media solutions
- Consultancy
- Trading Desk

- Design, implementation, management & optimization of digital marketing communication campaigns and communities

Complete Offer

DIGITOUCH  
AGENCY



## 2 PERFORMANCE MARKETING SERVICES

- Seo solutions
- Vertical comparables: finance (mortgages and personal finance)

- Design, implementation, management & optimization of direct Performance Campaigns, based on sales results & leads generation metrics

Segmentation Experience

perforMEDIA  
planning with digital DNA



DIGITAL AUTOMOTIVE  
SOLUTIONS

## 3 DATA SERVICES

- Business Intelligence
- DMP
- Consultancy
- Machine learning data services

- Data Service Provision (DSP) of highly profiled consumer data related to large industries: Telcos, Banking
- Data Management Platform (DMP) Services

Technology

Purple Ocean

audiens  
Commercial agreement

Growth via M&A remains a key pillar of DigiTouch strategy.

# Client portfolio – Full diversification

We work with Medium/Large sized companies belonging to different verticals.

## NUMBER OF UNIQUE CLIENTS

~80  
in 2014



146  
in 2018

### AUTOMOTIVE

2.91%



### PHARMA & HEALTHCARE

4.39%



### RETAIL & E-COMMERCE

53.4%



### FASHION

8.57%



### FINANCE & INSURANCE

12.39%



### TRAVEL, EDUCATION & ENTERTAINMENT

3.57%



### TELCO, UTILITIES & SERVICES

14.73%



### FOOD & BEVERAGE, CONSUMER GOODS

0.44%







# 2018 Main Events

## CRO services

**We launched a new business service dedicated to CONVERSION RATE OPTIMIZATION services.**

CRO represents a fundamental asset in the companies' digital marketing strategy to increase revenue.

Our Group has always been at the forefront in the development of innovative and performance-oriented services and has invested in consolidating a team dedicated to CRO and data-driven strategies.

## MARKETING INTELLIGENCE services

**We launched a new business service dedicated to MARKETING INTELLIGENCE services.**

In 2019 the world will consume 33 zettabytes of data and in 2025 it is estimated that the figure will rise to 175 zettabytes.

The organization of the data is essential for companies in order to activate effective marketing strategies, starting from a deeper knowledge of their customers and prospects.

We have selected from the market the major experts and created a skilled team able to help companies in organizing and analysing big data, positioning our Group as tech partner.

## PURPLE OCEAN acquisition

**On November 2018 DigiTouch finalised the purchase of Purple Ocean by virtue of the binding agreement signed on 19<sup>th</sup> October that provided for the purchase of 51% of the Company's share capital at the closing date and the remaining 49% within 4 years**

Purple Ocean is an Italian company that offers innovative solutions related to managed services and software development for e-commerce. The acquisition of Purple Ocean represents an important step for DigiTouch business plan and enriches the Group with new competences.

This deal strenghtens the positioning of the Group as market aggregator and allow the Group to anticipate the needs of its clients, in a context that evolves rapidly and in which technologies and skills play a strategic role.





# Closing FY 2018 - Market take out

In 2018 the advertising services market in Italy recorded a 10%+ growth rate and displayed the following strategic dynamics:

## **Strong consolidating process in the market - MARKET IN CONCENTRATION**

- Medium-small agencies are acquired by the biggest Companies in order to broad their clients portfolio and to acquire new competencies and skills
- The traditional system integrators have acquired digital companies. The most important deal in this direction were the acquisition of DOING -CAP GEMINI/ BIP-SKETCHIN/TECHEDGE-MUSHFROG-MAMADIGITAL
- In their process of repositioning, Media Centers have acquired minor agencies with strong tech and creative content (IPG-NIMAI)

## **Process of broadening competences /CROSS INDUSTRY WIDENING**

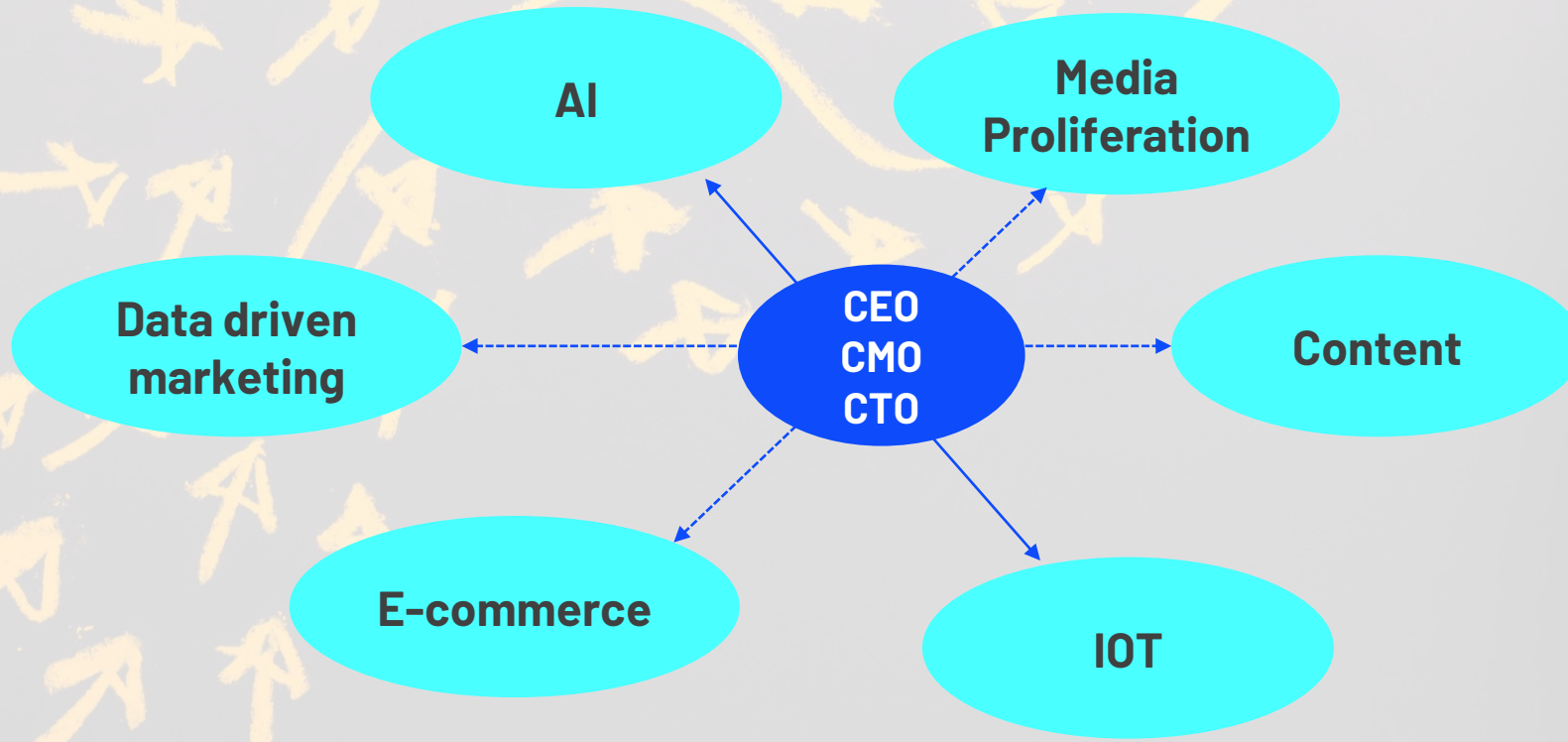
- The «traditional» digital companies have started with determination the acquisition of tech competencies, mainly in IOT, AI, Blockchain, e-commerce and Big Data
- The System Integrators have acquired/developed core competences in digital (Social, digital multichannel, performance, ...)





# Closing FY 2018 - Market take out - Trend

Tecnology has imprinted a strong re-definition of the content and the advertising market perimeter



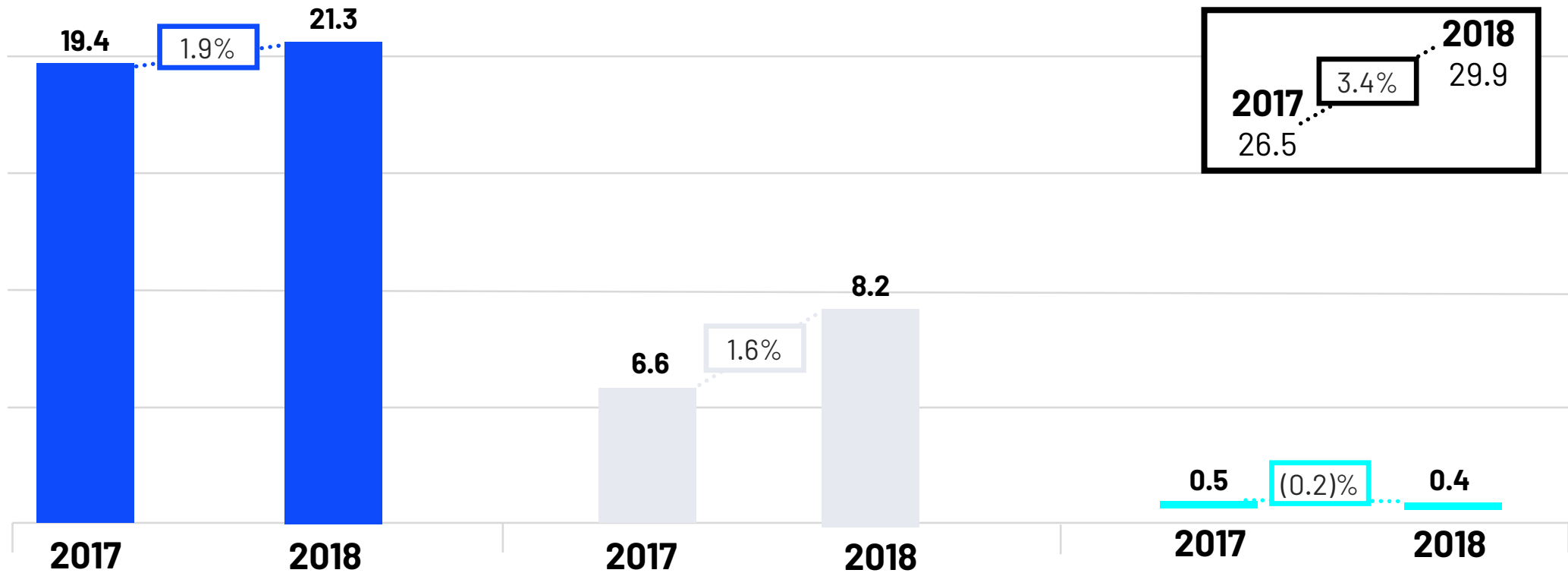


# Closing FY 2018 – Gruppo DigiTouch Profit & Loss

| RECLASSIFIED CONSOLIDATED INCOME STATEMENT OF GRUPPO DIGITOUCH |                     |             |                     |              |                |              |
|--|---------------------|-------------|---------------------|--------------|----------------|--------------|
| (Million Euros)  | Financial Year 2018 |             | Financial year 2017 |              | Change         |              |
|  | [A]                 | %           | [B]                 | %            | [A]-[B]        | %            |
| Operating revenues   | 29.884              | 92.7        | 26.476              | 91.7         | 3.408          | 13           |
| Other revenues   | 0.748               | 2.3         | 1.109               | 3.8          | (0.361)        | (33)         |
| Capitalized Costs  | 1.600               | 5.0         | 1.302               | 4.5          | 0.298          | 23           |
| <b>Total revenues</b>  | <b>32.233</b>       | <b>100</b>  | <b>28.887</b>       | <b>100</b>   | <b>3.346</b>   | <b>12</b>    |
| Operating costs  | 22.971              | 71.3        | 20.177              | 69.8         | 2.794          | 14           |
| Labour cost  | 4.359               | 13.5        | 4.329               | 15.0         | 0.030          | 1            |
| <b>EBITDA Adjusted</b>   | <b>4.903</b>        | <b>15.2</b> | <b>4.381</b>        | <b>15.2</b>  | <b>0.522</b>   | <b>12</b>    |
| Non Recurring costs  | 0.403               | 1.3         | 0.322               | 1.1          | 0.082          | 25           |
| <b>EBITDA</b>  | <b>4.500</b>        | <b>14.0</b> | <b>4.060</b>        | <b>14.1</b>  | <b>0.440</b>   | <b>11</b>    |
| Depreciation, write-downs,<br>other provisions and charges     | 3.451               | 10.7        | 5.049               | 17.5         | (1.598)        | (32)         |
| <b>EBIT</b>  | <b>1.049</b>        | <b>3.3</b>  | <b>(0.989)</b>      | <b>(3,4)</b> | <b>2.038</b>   | <b>(206)</b> |
| Financial Income/(expense)                                     | (0.330)             | (1.0)       | 1.523               | 5,3          | (1.853)        | (122)        |
| Adjustments on financial assets                                | 0                   | 0.0         | (0.069)             | (0.2)        | 0.069          | (100)        |
| <b>Profit before tax</b>                                       | <b>0.719</b>        | <b>2.2</b>  | <b>0.465</b>        | <b>1.6</b>   | <b>0.253</b>   | <b>54</b>    |
| Taxes for the year   | 0.451               | 1,4         | 0.049               | 0,2          | 0.402          | 819          |
| <b>Consolidated Net profit</b>                                 | <b>0.268</b>        | <b>0.8</b>  | <b>0.416</b>        | <b>1.4</b>   | <b>(0.148)</b> | <b>(36)</b>  |
| of competence:   |                     |             |                     |              |                |              |
| Group  | 0.268               | 0.8         | 0.416               | 1.4          | (0.148)        | (36)         |
| third party equity interest                                    | 0.023               | 0.1         | -                   | 0.0          | 0.023          |              |
| n.a. not applicable  |                     |             |                     |              |                |              |

- Total revenue in 2018 are 32.2 million Euros in **increase of 12%** in comparison with the same period of 2017 
- As far as **operative synergies and economies of scale** are concerned, against personnel cost in line with the previous year in 2018 the company recorded a marginality increase in the amount of about 0.5 million Euros. 
- **Operating costs** reached up 14% (about 1% more than the revenue) and this generated about 0.2 million Euros of costs in addition 
- Superior costs are attributable to the re-organization process of the unit DigiTouch Consulting and of the acquired company Purple Ocean 
- Strong reduction in amortization and depreciation mainly due to the extraordinary items entered in 2017 
- In 2018 DigiTouch created a «**securities/stock trends ammotization fund**» to manage the fluctuations of Bango stocks and warrants (accounted for in 2018 – 0.4 million Euros).

# Revenues FY 2018 per Business Line



Value in Million Euros

Reading key:



ADVERTISING SERVICES



PERFORMANCE MARKETING SERVICES



DATA SERVICES



# Closing FY 2018 - Main take out from results





1. **Turnover** growth higher than digital marketing market growth rate
2. **Clients acquisition** very positive and good clients retention (50%)
3. Consolidated ability of **R&D development**: investments in the amount of 5% of the revenue
4. High control of the **personnel costs** dynamic, but with implications on the *retention* and on the business plan development on which the company pays a lot of attention
5. Structure of the «**operative machine**» not efficient yet; operative costs are growing a lot and weigh on turnover
6. Still high costs connected to **riorganization** post acquisitions
7. Bango stocks performance trend is below expectations
8. **Financial costs** under control



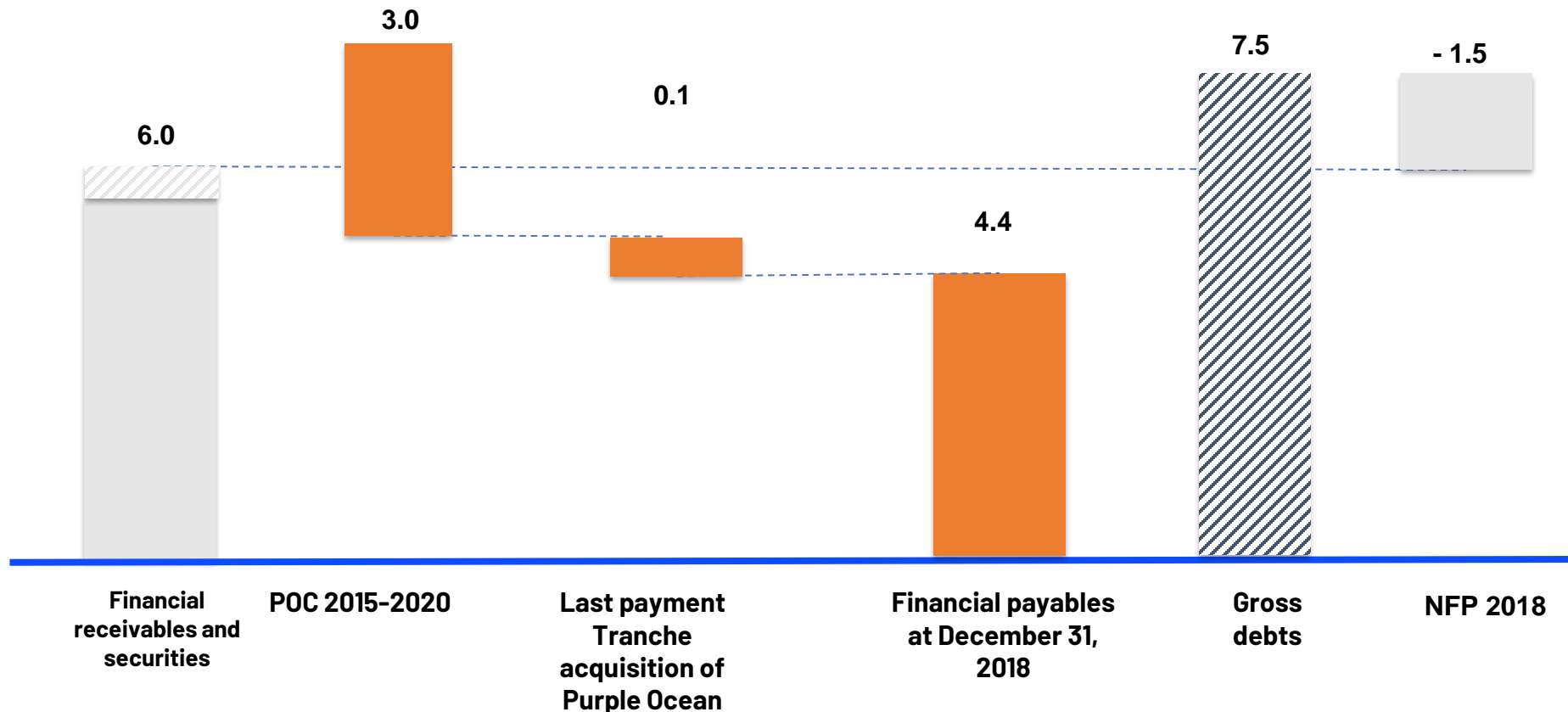


# Chiusura FY 2018 – Gruppo DigiTouch Balance sheet

| RECLASSIFIED CONSOLIDATED BALANCE SHEET OF RUPPO DIGITOUCH     |                      |                      |                |         |
|--|----------------------|----------------------|----------------|---------|
| (Million Euros)  | 31 December 2018 [A] | 31 December 2017 [B] | Change [A]-[B] | %       |
| <b>Fixed assets</b>  | 14.269               | 14.547               | (0.277)        | (1.9)   |
| <b>Goodwill</b>  | 9.148                | 10.212               | (1.064)        | (10.4)  |
| <b>Development costs</b>                                       | 0.266                | 0.226                | 0.041          | 18.0    |
| <b>Other intangible assets</b>                                 | 4.283                | 3.500                | 0.783          | 22.4    |
| <b>Tangible fixed assets</b>                                   | 0.370                | 0.300                | 0.070          | 23.2    |
| <b>Financial fixed assets</b>                                  | 0.202                | 0.309                | (0.106)        | (34.5)  |
| <b>Working capital</b>   | 1.877                | (2.126)              | 4.003          | (188.3) |
| <b>Commercial credits</b>                                      | 12.392               | 10.108               | 2.284          | 22.6    |
| <b>Commercial debts</b>  | (9.166)              | (9.891)              | 0.725          | (7.3)   |
| <b>Accrued and deferred income and charges</b>                 | (0.587)              | (0.107)              | (0.480)        | 446.5   |
| <b>Other assets and liabilities</b>                            | (0.762)              | (2.237)              | 1.475          | (65.9)  |
| <b>Severance Pay</b>   | (0.594)              | (0.473)              | (0.126)        | 25.7    |
| <b>NET INVESTED CAPITAL</b>                                    | 15.552               | 11.947               | 3.605          | 30.2    |
| <b>Group equity</b>  | 13.793               | 14.083               | (0.290)        | (2.1)   |
| <b>Third-party equity</b>                                      | 0.273                | -                    | 0.273          | 0.0     |
| <b>Net assets</b>  | 14.066               | 14.083               | (0.018)        | -0.1    |
| <b>Financial and bond debts</b>                                |                      |                      |                |         |
| - short term   | 2.560                | 2.390                | 0.169          | 7.1     |
| - long term  | 4.896                | 5.832                | (0.936)        | (16.0)  |
| <b>Cash and cash equivalents</b>                               | (4.070)              | (6.219)              | 2.149          | (34.6)  |
| <b>Securities non instrumental to the operational activity</b> | (1.409)              | (1.809)              | 0.400          | (22.1)  |
| <b>Financial receivables</b>                                   | (0.491)              | (2.330)              | 1.839          | (78.9)  |
| <b>Net Financial Position</b>                                  | 1.486                | (2.136)              | 3.622          | (169.6) |
| <b>COVERS</b>  | 15.552               | 11.947               | 3.605          | 30.2    |
| <b>LEVERAGE</b>  | 0.11                 | -0.15                |                |         |

- 
 In the balance sheet, the fixed capital of 2018 is substantially in line with the previous year. Against a reduction in **Goodwill** (deriving from equity investments) from 10.2 million euros to 9.1 million euros, there was an increase in **intangible fixed assets** due to investments in research and development that the DigiTouch Group made in the last financial year (increase of approximately 0.78 million Euros net of amortization).
- 
 The working capital shows an increase of 22% in **trade receivables** for a total of 2.2 million Euros due to the increase in revenues in the last part of the year.
- 
 On the other hand, **trade payables** show a reduction of 7.3% as a result of the increasingly efficient management of the supplier base, which then requires closer payment terms. This policy also translates into reduced **liquid assets**.
- 
 Strong reduction in Other Liabilities, which stood at around 0.76 thousand Euros in 18 million compared to the 2.2 million Euros of 2017.

# Closing FY 2018 – Group net financial position



## Covenant

EBITDA/NFP < 2  
EBITDA/NP < 1,5

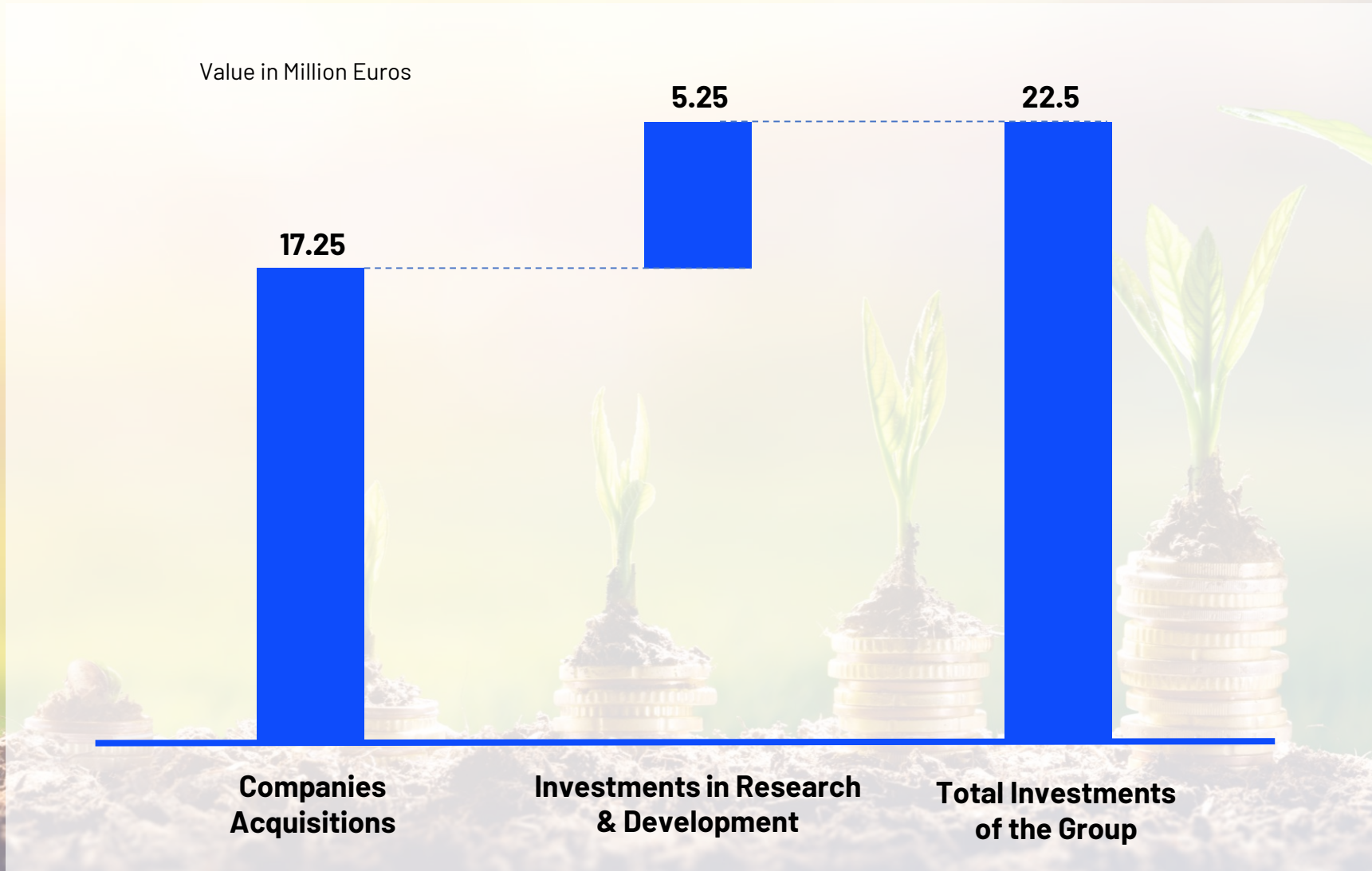
All the covenants on financing for the year 2018 are respected

Value in Million Euros

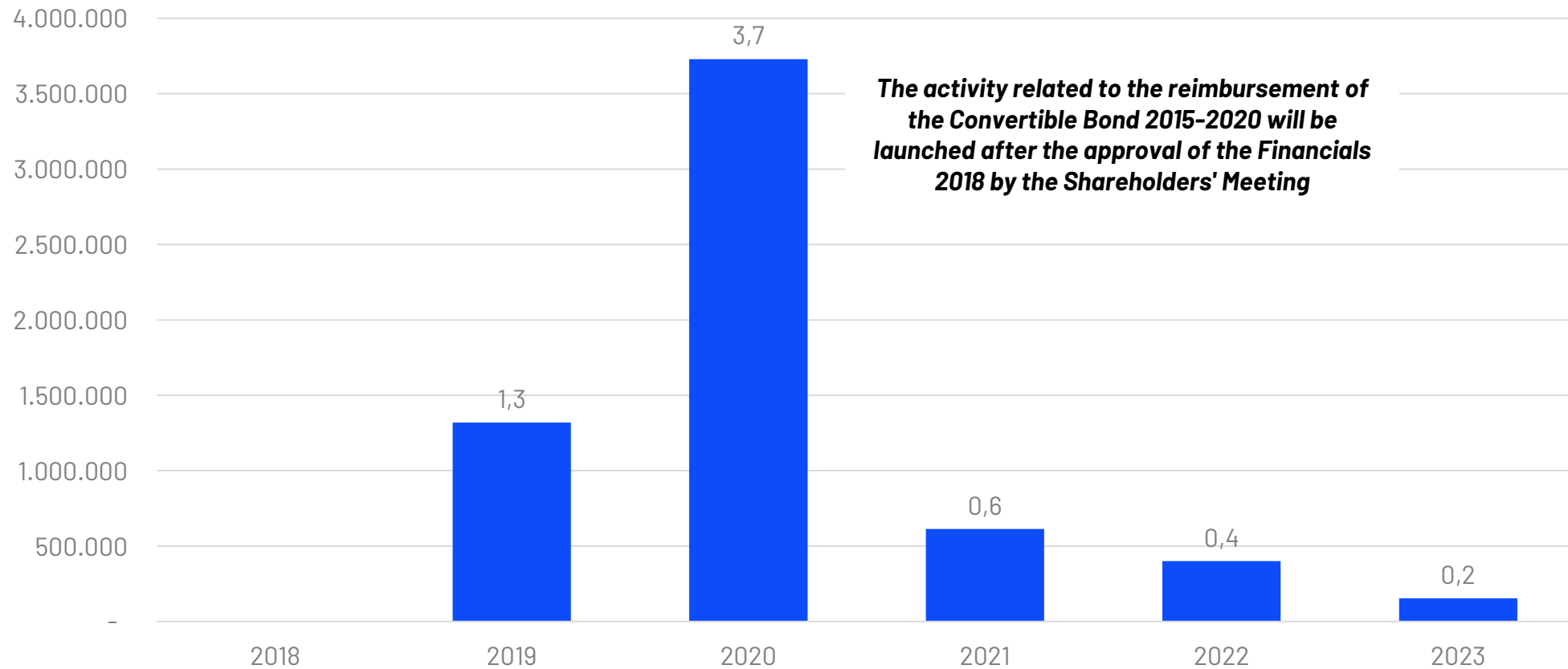




# Closing FY 2018 – Group total investments from 2014: 22.5 million of Euro



## Closing FY 2018 - PFN (Debt Maturity)



Value in Million Euros



## Closing FY 2018 – Dividend distribution proposal

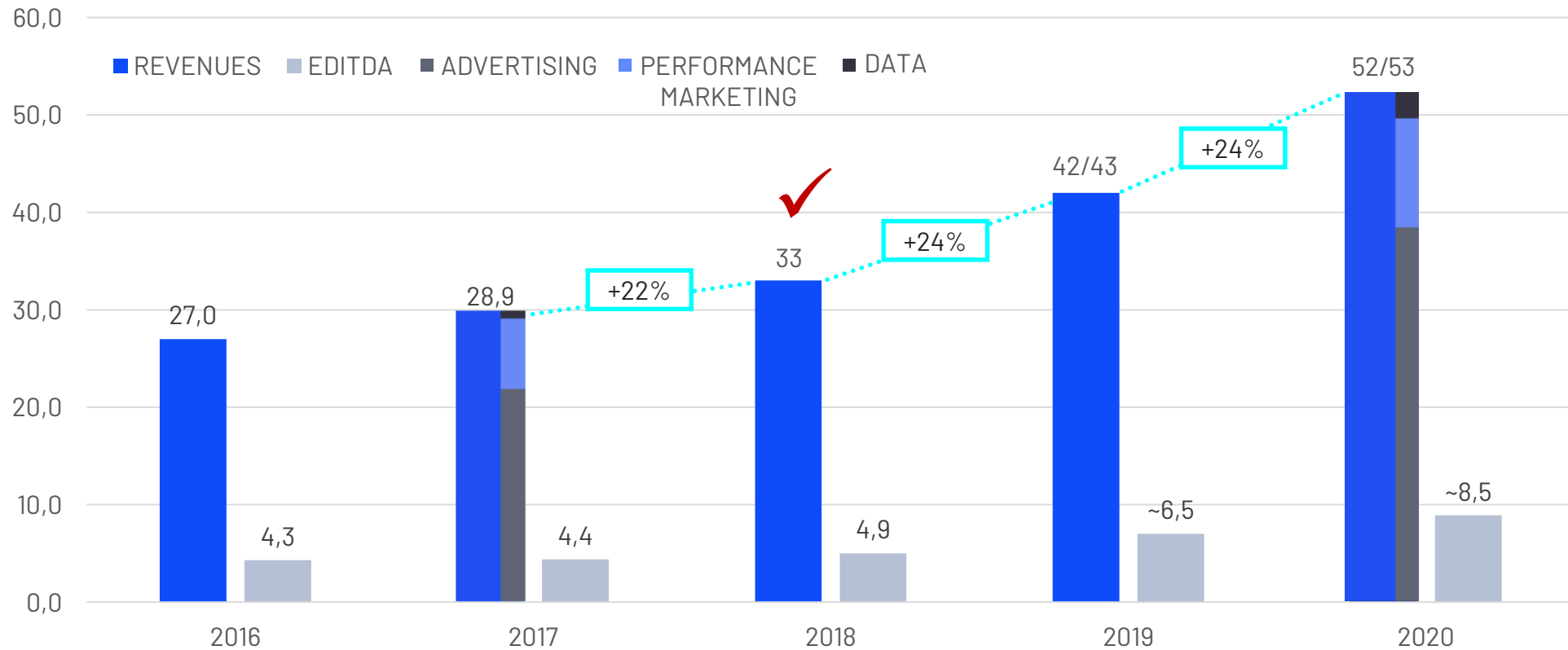


- **2018 dividend Euro 0,02 (vs. 0.04)** per share in reduction vs 2017 in order to keep financial resources to sustain external and investments growth.
- It is proposed to fix the **dividend detachment on June 24th**, the record date will be June 25th and **payment will take place on June 26th**.



# Revenues & MOL progression

## DigiTouch business plan 2018-2020



Value in Million Euros

**PROGRESSIVE DIVERSIFICATION OF REVENUE STREAMS ON SBUs**



# Investment highlights

Winning competitive advantages developed all over the years



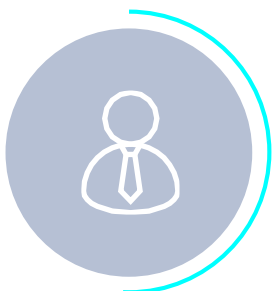
## SIGNIFICANT INTERNAL INVESTMENT IN TECHNOLOGY AND BIG DATA

1,0 million on yearly base to 2020



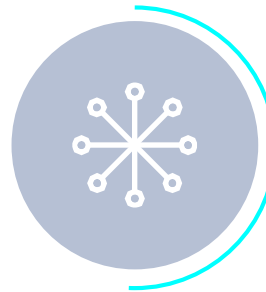
## PROGRESSIVE BUSINESS GROWTH

A clients portfolio made of relevant medium and big size clients, with long term relationship  
~ 200 clients expected in 2020



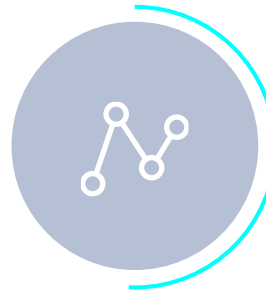
## SENIOR TEAM

Top management with outstanding track records in digital marketing, tech services, M&A



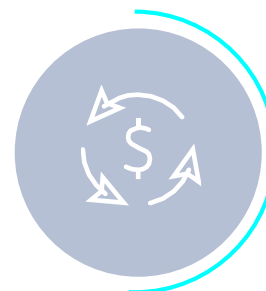
## AGGREGATION ROLE

Continuous effort on aggregating marketing potential and market share



## MARKET GROWTH, RELEVANCE & POTENTIAL

Expected 3 billions industry only in Italy



## MARKET UNDER FAST CONSOLIDATION

Around 70 acquisitions done in Western Europe in H1-2018

# THANK YOU

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Simone Ranucci Brandimarte, *President*, Gruppo DigiTouch  
simone.ranucci@gruppodigitouch.it



Gruppo DigiTouch  
Via Zarotto 2A  
20124 Milan, Italy

**T** | 02 89295100  
**W** | GRUPPODIGITOUCH.IT  
**S** | [in](#) [Twitter](#) [YouTube](#)