

Italy – ICT Consulting

Growing 2018 interim results

18th October 2018

H1-18 RESULTS RELEASE

RIC: DBA.MI
BBG: DBA IM

In a relatively insignificant semester in relation to full year profitability, typical of business seasonality, DBA delivered a fair set of results, paving the way for more eloquent growth of FY-18 figures.

Rating:

Buy

Price Target:

€ 4.20 (€ 4.70)

Upside/(Downside): 28.8%

Last Price: € 3.26

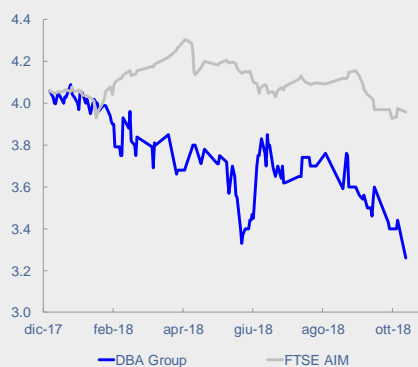
Market Cap.: € 42.4

1Y High/Low: € 4.18/€ 3.17

Free Float: 44.0%

Major shareholders:

De Bettin Family 46.2%



Stock price performance

	1M	3M	12M
Absolute	-7.9%	-10.7%	-
Rel.to AIM Italia	-4.6%	-4.9%	-
Rel.to Peers	-0.8%	-1.8%	-

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Buy recommendation confirmed, PT of € 4.20 (€ 4.70), 28.8% upside

DBA 2018 interim results are consistent with the typical business seasonality: H1-18 Value of Production is 40% of CFO Sim FY-18 estimates (it was 42% last year on 2017 numbers) and EBITDA adj. is 22% of our FY-18 projection (it was 28% in 2017). However, the company is experiencing a certain price pressure, specifically in the Telco & Media sector. Our estimates now factor in the recent acquisition of the minorities of Actual, the ITS business division of Thetis and the margin pressure. The combined result is an average 8.1% cut in Net Profit₁₈₋₂₀. We set a new PT at € 4.20/s (€ 4.70), 28.8% upside: Buy rating confirmed.

Top line up 27.3%, driven by the ICT and Engineering business units

H1-18 value of production increased 27.3% to € 24.4m, driven by the ICT and Engineering business units, up 44.4% and 18.4% respectively. The Project Management Office division declined by 4.1% as a result of the conclusion of the Vodafone contract, while waiting for Open Fiber investments in ultra-broadband, which are expected to have a positive impact on figures as of H2-18/FY-19. Sector wise Building and Industrial drove top line increase, whilst Telco & Media declined by 6.7%.

EBITDA adj. up 25.4%

EBITDA adj. for € 0.2m listing costs sustained in 2018, rose 25.4% to € 1.6m, 6.7% margin. EBITDA reported increased 9.9% YoY to € 1.4m. The margin improvement was chiefly driven by the rise in the ICT business unit despite the decline in the PMO division tied to the conclusion of the Vodafone contract. EBIT totalled € 0.1m vs. € 0.3m in H1-17. These results, even if only slightly increasing YoY, have to be considered positive as they include investments in the start-up of key contracts in the Ultra-Wide Band Telecommunications segment and the costs related to the development of decision hardware and software technology platforms Support System, Supply Chain and energy supply for the mobility of things and people.

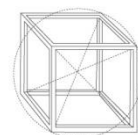
Three M&A moves since listing

DBA announced three M&A moves since its listing: 1) In Apr-18 the acquisition of a 51.0% stake in SJS Engineering (integrated engineering services in Italy and abroad, sales of € 6.0m and € 0.9m EBITDA, paid 7.6x EBITDA; 2) in Aug-18 the buy-out of the minority stake of 26.2% of the Slovenian company Actual IT (€ 2.8m outlay) and 3) last 3-Oct the offer to buy the ITS business division of Thetis (digital services for the Intelligent Transport System) with turnover to the tune of € 4.5m and an EBITDA of some € 0.9m, with margin in excess of 20.0%. The big move here is still lagging, but the company is working on it: 2019 is expected to be the year for more sizeable targets.

DBA Group, key financials and ratios

€ m	2016	2017	2018e pf	2019e	2020e
Value of production	41.4	45.3	61.1	67.2	75.0
EBITDA	4.8	4.6	7.1	8.7	12.4
EBIT	2.9	2.1	3.7	5.5	9.3
EBIT adj.	3.4	2.6	4.2	6.0	9.8
Net profit	1.2	0.8	2.0	3.0	5.3
Net profit adj.	1.7	1.3	2.5	3.5	5.8
NFP (cash)/debt	(0.1)	(2.7)	2.3	(1.8)	(6.6)
EPS adjusted €	0.14	0.08	0.17	0.23	0.38
EPS adj. growth	76.3%	-39.5%	98.8%	40.0%	63.6%
DPS ord. €/s	0.00	0.00	0.00	0.00	0.00
EBITDA margin %	11.6%	10.1%	11.6%	12.9%	16.5%
EBIT margin %	7.0%	4.7%	6.0%	8.2%	12.3%
PER	-	33.3	16.8	12.0	7.3
EV/Sales	-	0.93	0.76	0.63	0.50
EV/EBITDA	-	9.2	6.6	4.9	3.1
EV/EBIT	-	15.2	11.2	7.1	3.9

2018e pf: acquisitions consolidated as of 1-Jan



H1-18 results

DBA Group typical business seasonality means that **40/45% of top line is concentrated in the first semester but only 20-30% of EBITDA** is produced in the first part of the year. This is because projects are generally awarded in the first months of the year while margin recognition only upon approaching their completion.

Table 1 – DBA Group, H1-18 results summary and implied H1-18e

€ m	H1-18	H1-17	% YoY	H2-18e pf	H2-17	% YoY
Revenues	21.7	19.0	14.3	38.9	23.3	67.1
Other	2.7	0.2		(2.2)	2.8	
Value of Production	24.4	19.1	27.3	36.7	26.1	40.5
Raw material	(2.3)	(0.5)		(0.4)	(1.5)	
Services	(9.5)	(7.2)		(14.3)	(10.8)	
Lease & rental	(1.1)	(1.1)		(1.6)	(0.9)	
Other opex	0.0	(0.1)		(4.3)	(0.0)	
Personnel expenses	(10.1)	(9.0)		(10.5)	(9.6)	
EBITDA adj.	1.6	1.3	25.4	5.7	3.3	73.6
% margin	6.7	6.8		15.4	12.5	
EBITDA	1.4	1.3	9.9	5.7	3.3	73.6
% margin	5.8	6.8		15.4	12.5	
D&A	(1.3)	(1.0)		(2.1)	(1.5)	
EBIT	0.1	0.3	(59.5)	3.5	1.8	n.m
% margin	0.5	1.7		9.6	6.8	
Financial costs	(0.1)	(0.1)		0.0	(0.1)	
Pre-Tax profit	0.0	0.3	(95.1)	3.6	1.7	n.m
% margin	0.1	1.3		9.7	6.4	
Income taxes	(0.0)	0.0		(1.4)	(0.9)	
Tax rate	<i>nm</i>	<i>nm</i>		40.0%	54.5%	
Minorities	(0.1)	(0.1)		(0.0)	(0.1)	
Net Profit	(0.1)	0.1	n.m	2.1	0.6	n.m
% margin	(0.5)	0.7		5.8	2.4	

Source: company data, CFO Sim estimates

H1-18 value of production increased 27.3% to € 24.4m, driven by the ICT and Engineering business units, up 44.4% and 18.4% respectively. The Project Management Office division declined by 4.1% as a result of the conclusion of the Vodafone contract, while waiting for Open Fiber investments in ultra-broadband which are expected to have a positive impact on figures as of H1-18/FY-19. Sector wise Building and Industrial drove top line progression, whilst Telco & Media, as expected, declined by 6.7%.

Table 2 – DBA Group, H1-18 turnover by Sector

€ m	H1-18	H1-17	% YoY	€ m diff.
Telco & Media	8.3	8.9	(6.7)	(0.6)
T&L	3.4	3.0	13.3	0.4
Oil & Gas	3.3	3.1	6.5	0.2
Building	4.0	2.7	48.1	1.3
Industrial	2.2	1.0	120.0	1.2
Energy	0.5	0.3	66.7	0.2
Total	21.7	19.0	14.2	2.7
% on total				
Telco & Media	38.2	46.8		
T&L	15.7	15.8		
Oil & Gas	15.2	16.3		
Building	18.4	14.2		
Industrial	10.1	5.3		
Energy	2.3	1.6		
Total	100.0	100.0		

Source: company data

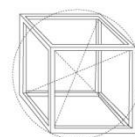


Table 3 – DBA Group, H1-18 turnover by Geo Area

€ m	H1-18	H1-17	% YoY	€ m diff.
Italy	13.6	13.5	0.7	0.1
Balkans	7.1	5.1	39.2	2.0
Russia & Caucasus	1.0	0.4	150.0	0.6
Total	21.7	19.0	14.2	2.7
% on total				
Italy	62.7	71.1		
Balkans	32.7	26.8		
Russia & Caucasus	4.6	2.1		
Total	100.0	100.0		

Source: company data,

Table 4 – DBA Group, H1-18 turnover by Business Unit

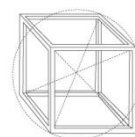
€ m	H1-18	H1-17	% YoY	€ m diff.
Eng	9.4	9.8	(4.1)	(0.4)
PMO	4.5	3.8	18.4	0.7
ICT	7.8	5.4	44.4	2.4
Total	21.7	19.0	14.2	2.7
% on total				
Eng	43.3	51.6		
PMO	20.7	20.0		
ICT	35.9	28.4		
Total	100.0	100.0		

Source: company data,

EBITDA adj. for € 0.2m listing costs sustained in 2018, **rose 25.4% to € 1.6m**, 6.7% margin. EBITDA reported increased 9.9% YoY to € 1.4m. The margin improvement was chiefly driven by the rise in the ICT business unit despite the decline in the PMO division tied to the conclusion of the Vodafone contract. EBIT totalled € 0.1m vs. € 0.3m in H1-17. These results, even if increasing little in absolute value YoY, have to be considered positive as they include investments in the start-up of key contracts in the Ultra-Wide Band Telecommunications segment and the costs related to the development of decision hardware and software technology platforms Support System, Supply Chain and energy supply for the mobility of things and people. Investments in R&D totalled some 4.0% of Value of Production in the first half of 2018.

Bottom line was negative for € 0.1m, vs. a profit of € 0.1m in the same period of 2017.

Net financial position came in negative for € 1.5m vs. € 2.7m positive in 2017, mainly as a result of investment linked to new order start-ups and development activities.

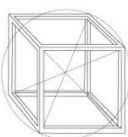


Recent developments: three M&A moves since listing

Consistently to the strategy presented to investors during the IPO roadshow, **DBA Group last 23-Apr announced the acquisition of a 51.0% stake in SJS Engineering**. The company supplies integrated engineering services in Italy and abroad. The team of 25 members, guarantees high quality standards that satisfy the requirements of key public and private Italian and international clients. **DBA Group paid € 3.1m for 51.0%** of SJS and the remainder will be purchased in 2022 via new DBA Progetti shares for a participation between 8% and 12% and will depend on average revenue growth in 2019-21 vs. the average reported in 2016-18. The company is already a partner of DBA Group in some large projects in transport and logistics – Sea and Dry port. According to preliminary company indications, revenues are estimated at some € 6.0m, EBITDA at € 0.8m and adjusted NFP at € 0.1m in 2017. Based on these figures, **the acquisition of the 51.0% stake in SJS valued the company 1.0x EV/Sales and 7.6x EV/EBITDA**. The transaction is subject to due diligence, not yet completed. Our forecasts include the consolidation of SJS as of 1-Jan-18.

Last 9-Aug, DBA announced the **buy-out of the minority stake of 26.2% of the Slovenian company Actual IT** (DBA Group already owned 73,8% of Actual IT). The minority stake appraisal amounts to **€ 2.8m** (€ 2.2m in cash and the remaining € 0.6 in 12 monthly tranches) and, possibly an additional € 0.2m will be paid by July 15th 2019, should some agreement conditions be met. Once the operation is finalised, DBA Group will own 100% of the share capital of Actual and will be able to waive the annual privileged dividends to the minority shareholders, saving € 240k per annum. Before this move, **we valued Actual IT minorities at € 2.4m**, i.e. the perpetuity at 10% hurdle rate of the annual dividend outlay. The impact on DBA Group appraisal of this operation is negligibly negative, € 5 cent per share.

Last but not least, on 3-Oct **DBA announced it had made an offer to buy the ITS (Intelligent Transport System) business division of Thetis**. Thetis is headquartered in Venice and develops engineering projects and technological applications for the environment and the territory regarding climate change, urban regeneration, mobility and info-mobility. The agreement is subject to the positive outcome of the due diligence activities, completion is expected by Nov-18. The structure of the operation entails the entrance of Thetis Spa in the Actual Italia ownership (a company currently owned 100% by DBA) and the conferring of the ITS branch upon Actual Italia. Simultaneously to the conferring of the ITS branch, **DBA will inject € 1.3m new cash in Actual Italia** as well as an interest bearing loan of € 0.5m. **DBA will control 51% of Actual Italia and Thetis Spa the remaining 49%**. According to preliminary indications, the ITS division of Thetis **has turnover estimated to the tune of € 4.5m and an EBITDA of some € 0.8m (margin in excess of 20.0%)**. The move contributes to the completion of DBA diversification in the urban smart-city sector. Our forecasts include the impact of this move as of 1-Jan-18.



Estimates, valuation and risks

In this business, projects are generally awarded in the first months of the year while margin recognition only upon approaching their completion. That is why, on the back of the typical business seasonality, **40/45% of top line is concentrated in the first semester but only 20-30% of EBITDA**. Said that, **DBA 2018 interim results are consistent with this trend**: H1-18 Value of Production is 42% of CFO Sim FY-18 estimates (it was 42% last year on 2017 numbers) and EBITDA adj. is 23% of our FY-18 projection (it was 28% in 2017). However, the company is experiencing a certain price pressure, namely in the Telco & Media sector, in particular for the awarding of contracts regarding Open Fiber.

Our estimates now factor in the recent acquisition of the minorities of Actual, the ITS business division of Thetis and a certain price pressure in the Telco & Media sector. Our 2018 projections are pro-forma, the recent M&A move effects have been calculated as of 1-Jan. It has to be noted that the final closing of the two deals is not yet finalised, but reasonably expected by mid-Nov. **In other words, group organic EBITDA for 2018 is € 5.5m, under the threshold of € 6.0m** below which DB Holding and Fondo Italiano di Investimento will cancel up to 1.5m Price Adjustment Shares, with an EBITDA floor of € 4.8m. That is to say, at this level **DBA will have to proceed with the cancellation of some 625k shares**, 43.3% of total Price Adjustment Shares and 5.6% of total share capital (including PAS). **The combined result is an average 8.1% cut in Net Profit₁₈₋₂₀**. Moreover, we have updated DCF valuation criteria, bringing the free risk rate up-to-date as well as the beta. **We believe a multiples comparison is the most appropriate practice to appraise the equity value of the company**. Then, we used the DCF and the SoP methods to corroborate the value obtained by the aforementioned technique. **We set a new PT for DBA Group at € 4.20/s (€ 4.70), 28.8% upside**, based on peer multiple comparison: **Buy rating confirmed**.

Market multiples

We conducted an analysis on a cluster of 13 companies operating in the ICT software, engineering and advisory arena, 2 of which are domestic. We divided the sample into two sub-groups: Engineering and ICT software. Our engineering business unit peer sample comprises the following comparable firms: **AECOM** USA, **Alten** France, **Altran Technologies** France, **Arcadis** Netherlands, **Jacob Engineering** USA, **SNC Lavalin** Canada and **Sweco** Sweden.

Our ICT software and consultant business unit peer sample comprises the following comparable groups: **Accenture** USA, **Capgemini** France, **Devoteam** France, **Reply** Italy, **TXTe solution** Italy and **WYG** Britain.

Size and profitability vary a lot within the samples, as well as expected growth rates. Engineering and PMO comparables have EBITDA margins ranging from 4.4-13.7% and a sales growth on offer to the tune of mid-high single digit. Altran shows the highest profitability and sales, and returns growth higher than the group median. The least virtuous is AECOM with 4.4% EBITDA margin and low-single digit growth sales and EBITDA expected in 2017-20. ICT software comparable firms show quite a similar growth profile to the Engineering and PMO sample but profitability is higher here, ranging from 3.8% to 16.7%. Accenture shows the most lucrative P&L with an EBITDA margin of 16.7% but with small growth perspectives. WYG, even if it presents the lowest EBITDA margin of the panel offers EBIT growth rates far above the other peers.

DBA Group presents higher than median profitability compared to the Engineering and PMO peer median and broadly in line compared to the ICT software firm median. However, DBA Group offers investors by far the highest growth perspectives compared to both peer medians.

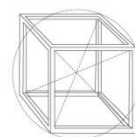




Table 5 - DBA Group, peers group summary table

€ m	Country	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA margin	Sales CAGR ₁₇₋₂₀	EBITDA CAGR ₁₇₋₂₀	EBIT CAGR ₁₇₋₂₀	EPS CAGR ₁₈₋₂₀	NFP /EBITDA
AECOM	USA	4,411	17,388	761	4.4%	6.3%	8.5%	19.6%	10.6%	3.5
Alten SA	France	2,773	2,213	230	10.4%	8.5%	10.7%	10.6%	10.2%	(0.2)
Altran Technologies SA	France	2,006	2,852	392	13.7%	13.5%	27.0%	19.3%	27.8%	3.9
Arcadis NV	Dutch	1,214	3,199	222	7.0%	11.2%	4.1%	8.0%	14.2%	1.5
Jacobs Engineering Inc	USA	9,113	13,009	932	7.2%	21.5%	30.6%	33.8%	15.0%	1.3
Sncl-Lavalin Group Inc	Canada	5,625	7,032	599	8.5%	8.6%	15.5%	24.5%	19.3%	2.4
Sweco AB (publ)	Sweden	2,537	1,805	191	10.6%	4.7%	5.5%	7.4%	8.9%	0.8
Engineering & PMO		2,773	3,199	392	8.5%	8.6%	10.7%	19.3%	14.2%	1.5
Accenture PLC	USA	88,542	37,301	6,227	16.7%	6.1%	6.9%	8.5%	8.8%	(0.7)
Capgemini SE	France	17,966	13,105	1,869	14.3%	5.4%	9.5%	10.2%	11.0%	0.6
Devoteam SA	France	869	651	76	11.7%	16.5%	26.4%	24.9%	17.5%	(0.5)
Reply SpA	Italy	1,984	1,024	145	14.1%	11.5%	13.6%	13.9%	11.0%	(0.5)
TXT e solutions SpA	Italy	109	40	4	10.5%	11.7%	21.7%	23.2%	31.2%	17.4
WYG PLC	UK	36	175	7	3.8%	1.8%	9.2%	26.0%	17.1%	1.7
ICT software median		1,427	838	110	12.9%	8.8%	11.6%	18.6%	14.1%	0.0
DBA Group	Italy	42	61	7	11.6%	18.3%	39.4%	55.3%	51.3%	0.3

Source: Thomson Reuters Eikon, CFO Sim

Table 6 - DBA Group, peer group EV multiple table

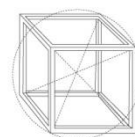
x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
AECOM	0.41	0.40	0.38	9.3	8.6	7.8
Alten SA	1.23	1.09	1.00	11.8	10.4	9.2
Altran Technologies SA	1.23	1.08	0.97	9.0	7.3	6.3
Arcadis NV	0.48	0.45	0.42	7.0	6.0	5.5
Jacobs Engineering Group Inc	0.79	0.68	0.62	11.1	8.7	8.1
Sncl-Lavalin Group Inc	1.01	0.87	0.80	11.8	9.5	7.6
Sweco AB (publ)	1.49	1.37	1.29	14.1	12.6	11.6
Engineering & PMO median	1.01	0.87	0.80	11.1	8.7	7.8
Accenture PLC	2.26	2.11	1.96	13.5	12.5	11.8
Capgemini SE	1.46	1.33	1.19	10.2	9.2	8.1
Devoteam SA	1.27	1.03	0.88	10.9	8.5	7.0
Reply SpA	1.86	1.62	1.45	13.2	11.3	9.8
TXT e solutions SpA	4.54	3.96	3.55	43.4	30.8	25.4
WYG PLC	0.27	0.25	0.21	7.1	5.9	4.9
ICT software median	1.66	1.47	1.32	12.1	10.2	9.0
DBA Group SpA	0.76	0.63	0.50	6.6	4.9	3.1

Source: CFO Sim, Thomson Reuters Eikon

Table 7 - DBA Group, peer group EV & price multiple table

x	EBIT FY1	EBIT FY2	EBIT FY3	PER FY1	PER FY2	PER FY3
AECOM	10.4	9.6	8.8	11.8	10.8	9.6
Alten SA	12.7	11.2	9.8	17.5	15.8	14.4
Altran Technologies SA	12.4	9.3	7.9	11.9	8.5	7.3
Arcadis NV	9.7	8.0	7.1	11.0	9.4	8.5
Jacobs Engineering Group Inc	13.8	10.4	9.5	17.3	13.7	13.1
Sncl-Lavalin Group Inc	12.7	9.5	8.3	16.0	12.6	11.2
Sweco AB (publ)	16.9	14.7	13.5	21.0	19.0	17.7
Engineering & PMO median	12.7	9.6	8.8	16.0	12.6	11.2
Accenture PLC	15.4	14.2	13.1	21.8	20.1	18.5
Capgemini SE	12.7	11.1	9.8	18.0	15.8	14.6
Devoteam SA	11.9	9.4	7.8	22.8	18.7	16.5
Reply SpA	14.5	12.4	10.8	21.0	18.8	17.1
TXT e solutions SpA	60.3	43.2	35.5	47.9	36.2	27.8
WYG PLC	10.6	8.9	6.6	10.4	8.8	7.6
ICT software median	13.6	11.8	10.3	21.4	18.7	16.8
DBA Group SpA	11.2	7.1	3.9	16.8	12.0	7.3

Source: CFO Sim, Thomson Reuters Eikon



In order to price into our valuation **the growth potential and the decent degree of visibility** linked to the structure of DBA Group business model, **we decided to assess the equity value using 2018-19 figures, 70-30 weighted, EV/Sales, EV/EBITDA and EV/EBIT multiples** and 20% discounted. **We attain a PT of € 4.20/s (€4.70), 28.8% upside.**

Table 8 - DBA Group, equity assessment, 1#2

€ m	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
DBA Group metrics	61.1	67.2	75.0	7.1	8.7	12.4
20% discounted multiple	1.07	0.94	0.85	9.26	7.57	6.72
Enterprise Value	65.2	63.0	63.4	65.7	65.8	83.0
Net Financial Position	(2.3)	1.8	6.6	(2.3)	1.8	6.6
Pension Provisions	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)
Minorities (valued at 10x earnings)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)
Equity Value	59.4	61.4	66.5	59.9	64.2	86.1
Equity Value/share	4.57	4.72	5.12	4.61	4.94	6.62

Source: CFO Sim, Thomson Reuters Eikon

Table 9 - DBA Group, equity assessment, 2#2

€ m	EBIT FY1	EBIT FY2	EBIT FY3	PER FY1	PER FY2	PER FY3
DBA Group metrics	4.2	6.0	9.8	2.5	3.5	5.8
20% discounted multiple	10.51	8.57	7.64	14.98	12.54	11.21
Enterprise Value	43.8	51.3	74.6	37.8	44.4	64.8
Net Financial Position	(2.3)	1.8	6.6			
Pension Provisions	(1.5)	(1.5)	(1.5)			
Minorities (valued at 10x earnings)	(2.0)	(2.0)	(2.0)			
Equity Value	38.0	49.7	77.7	37.8	44.4	64.8
Equity Value/share	2.92	3.82	5.97	2.91	3.41	4.99

Source: CFO Sim, Thomson Reuters Eikon

DCF

In the valuation via the DCF method, explicit estimates until 2022 and a long term growth of 1.0% were used. Cash flows were discounted back at an weighted average cost of capital calculated according to the following parameters:

Table 10 - WACC derived from:

Interest costs, pre-tax	2.0%
Tax rate	40.0%
Int. costs, after taxes	1.2%
Risk premium, incl. small size premium	9.0%
Risk-free (10Y Gov. Bond 2W average)	3.40%
Beta levered (x)	0.97
Required ROE	12.1%

Source: CFO Sim, Thomson Reuters Eikon

Risk premium at 9.0% factors in the minute size of the company and basically all AIM Italia market segment related concerns and disquiets that an investor might have. **Beta at 0.97** has been calculated taking peer group specific unlevered beta for each competitor, then leveraging it for DBA Group 25/75 debt/equity long term sustainable balance sheet structure.

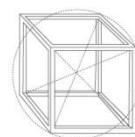


Table 11 - DBA Group, DCF model

€ m	2018e	2019e	2020e	2021e	2022e	Term. Val.
EBIT	3.7	5.5	9.3	12.6	13.1	
Tax rate	40.0%	40.0%	40.0%	40.0%	40.0%	
Operating profit (NOPAT)	2.2	3.3	5.6	7.6	7.9	
Change working capital	(4.8)	(1.0)	(2.8)	(2.2)	(0.8)	
Depreciation	3.4	3.2	3.1	3.0	2.0	
Investments	(9.1)	(2.0)	(2.0)	(2.0)	(2.0)	
Free Cash Flows	(8.3)	3.5	3.9	6.4	7.1	80.1
Present value	(8.1)	3.2	3.1	4.7	4.8	53.7
WACC	9.9%	9.9%	9.9%	9.9%	9.9%	
Long-term growth rate	1.0%					

Source: CFO Sim

Table 12 – DBA Group, DCF derived from:

€ m	
Total EV present value € m	61.4
thereof terminal value	87.5%
NFP FY-17	2.7
Pension provision FY-17	(1.5)
Minorities	(2.0)
Equity value € m	60.6
#m shares	13.00
Equity value €/s	4.70
% upside/(downside)	44.2%

Source: CFO Sim

The application of the model produces an **equity value of DBA Group of € 60.6m, corresponding to € 4.70/share, 44.2% upside.**

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value of between **€ 4.31-5.07** per share (**perpetuity range of between 0.25% and 1.75%**), while 2) compared to changes in the free risk rate produces an equity value of **€ 4.30-5.08** per share (**free risk range of between 4.15% and 2.65%**) and 3) compared to changes in the risk premium, including small size premium results into an equity value of **€ 3.99-5.54** per share (**risk premium range of between 10.50% and 7.50%**).

Table 13 – DBA Group, equity value sensitivity to changes in terminal growth rate

€ m	0.25%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%
Present value of CF	7.7	7.7	7.7	7.7	7.7	7.7	7.7
PV of terminal value	49.2	50.6	52.2	53.7	55.4	57.2	59.1
Total value	56.9	58.3	59.8	61.4	63.1	64.9	66.8
NFP FY-17	2.7	2.7	2.7	2.7	2.7	2.7	2.7
Pension provision FY-17	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)
Minorities	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)
Equity value	56.1	57.5	59.0	60.6	62.3	64.1	66.0
Equity value/share €	4.31	4.42	4.54	4.70	4.79	4.93	5.07

Source: CFO Sim

Table 14 – DBA Group, equity value sensitivity to changes in free risk rate

€ m	2.65%	2.90%	3.15%	3.40%	3.65%	3.90%	4.15%
Present value of CF	7.9	7.8	7.8	7.7	7.6	7.5	7.4
PV of terminal value	58.9	57.1	55.4	53.7	52.2	50.7	49.2
Total value	66.9	65.0	63.2	61.4	59.8	58.2	56.7
NFP FY-17	2.7	2.7	2.7	2.7	2.7	2.7	2.7
Pension provision FY-17	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)
Minorities	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)
Equity value	66.1	64.2	62.4	60.6	59.0	57.4	55.9
Equity value/share €	5.08	4.94	4.80	4.70	4.54	4.41	4.30

Source: CFO Sim

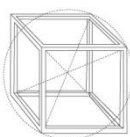


Table 15 – DBA Group, equity value sensitivity to changes in risk premium

€ m	7.50%	8.00%	8.50%	9.00%	9.50%	10.00%	10.50%
Present value of CF	8.2	8.0	7.8	7.7	7.5	7.4	7.2
PV of terminal value	64.6	60.6	57.0	53.7	50.8	48.0	45.5
Total value	72.8	68.6	64.9	61.4	58.3	55.4	52.7
NFP FY-17	2.7	2.7	2.7	2.7	2.7	2.7	2.7
Pension provision FY-17	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)
Minorities	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)
Equity value	72.0	67.8	64.1	60.6	57.5	54.6	51.9
Equity value/share €	5.54	5.22	4.93	4.70	4.42	4.20	3.99

Source: CFO Sim

Sum of the parts

The sum-of-parts valuation, also known as breakup value analysis, is a process of valuing a company by determining what its aggregate divisions would be worth if spun off or acquired. The valuation provides the company value by aggregating the standalone value of each of its business units. The equity value is then derived by adjusting by net debt, pension provisions, minorities assessment and the perpetuity of holding costs.

This methodology values DBA Group equity at € 62.5m, € 4.80/share.

Table 16 – DBA Group, Sum of the Parts equity value assessment

	€ m	% on EV	Methodology
ICT software BU	35.5	50.2	8.2x peer multiple on € 4.3 m BU EBITDA 2019
Engineering & PMO BU	35.2	49.8	7x peer multiple on € 5.1 m BU EBITDA 2019
Total EV	70.7	100.0	
Holding costs	(7.0)		Perpetuity of holding costs @ 10.0%
NFP	2.7		FY-17 net financial position
Minorities	(2.4)		Perpetuity of P&L minorities @ 10.0%
Pension Provision	(1.5)		FY-17 pension provision
Equity Value	62.5		
Per share FD	4.80		
% upside/(downside)	47.2%		

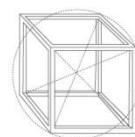
Source: CFO Sim, Thomson Reuters Eikon

Comparable market transactions

The reference market is quite active in terms of M&A transactions. In 2017 three players were taken over by large industry actors, with rather similar purchasing valuations.

- In Mar-17 **Wood Group bought AMEC from Forster Wheeler** (engineering services) for £ 2.2bn corresponding to **11.1x EBITDA**.
- In Apr-17, **the Canadian multinational SNC Lavalin bought for £ 4.2bn the UK Atkins** (design, engineering and project management consultant) corresponding to **11.5x EBITDA**.
- In Aug-17, **the US group Jacobs Engineering purchased compatriots CH2M for \$ 2.9bn** (design-build, consulting, project and program management, operation management, construction management, design) for **10.1x EBITDA**.

Apart from assessment ruminations on the prices paid, the deals are clear evidence of a certain increasing interest in the industry. **We cannot rule out that, upon reaching an adequate size in the next few years, DBA Group ideally could be a target for a larger software ICT consultant** aiming to reinforce its positioning.



Peer stock performance

DBA Group went public on 13-Dec-17 on the AIM Italia with market capitalisation of € 52.0m and a free float of 44.0%, 51.1% after warrant conversion and the Price Adjustment Shares conversion into ordinary (assuming the company reaches € 6.0m organic EBITDA in 2018). Adopting the same approach used in setting up the peer sample for assessing the value of DBA Group, we defined a panel of 13 firms, 7 of which operate mainly in engineering and PMO and the remainder in the ICT software sector.

Table 17 - DBA Group, peer group absolute performance

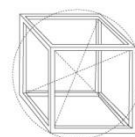
	1D	1W	1M	3M	6M	YTD	1Y
AECOM	(0.3)	(1.2)	(3.6)	(4.1)	(14.1)	(15.1)	(11.6)
Alten SA	(1.7)	(2.0)	(6.4)	(7.2)	3.4	17.0	7.2
Altran Technologies SA	2.2	6.1	7.6	(11.6)	(39.4)	(38.0)	(46.0)
Arcadis NV	2.0	0.4	(6.4)	(9.2)	(21.8)	(28.9)	(24.5)
Jacobs Engineering Group Inc	(0.6)	(0.6)	(3.9)	10.4	21.9	12.0	26.8
SnC-Lavalin Group Inc	(1.0)	6.9	(7.9)	(15.8)	(15.2)	(15.9)	(16.0)
Sweco AB (publ)	1.5	(6.8)	(8.8)	(1.5)	20.2	18.0	10.9
Engineering & PMO median	(0.3)	(0.6)	(6.4)	(7.2)	(14.1)	(15.1)	(11.6)
Accenture PLC	(1.4)	(1.8)	(8.2)	(4.5)	2.2	3.8	14.6
Capgemini SE	(0.1)	1.3	(2.4)	(10.2)	1.1	7.1	6.0
Devoteam SA	1.8	12.2	(8.3)	(1.9)	20.0	38.4	24.8
Reply SpA	(0.3)	6.4	(8.3)	(11.4)	8.1	14.1	17.8
TXT e solutions SpA	0.5	(7.9)	(14.4)	(18.6)	(20.6)	(7.1)	(22.3)
WYG PLC	0.0	(12.6)	(25.9)	(23.2)	30.3	(6.5)	(39.0)
ICT software median	(0.0)	(0.2)	(8.3)	(10.8)	5.1	5.5	10.3
DBA Group SpA	(5.2)	(5.2)	(7.9)	(10.7)	(14.2)	(19.1)	n.a.

Source: Thomson Reuters Eikon

Risks

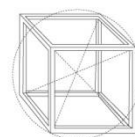
The principal investment risks in DBA Group include:

- Risks linked to the postponement of some key projects;
- Risks due to ICT malfunctions;
- Risks due to competition in the reference markets, which might put margins or top line developments under pressure in the short term.
- Impact on economics and balance sheet profile triggered by a deep decline in local and global economic growth;
- Dilution on profitability stemming from the acquisition campaign;
- The departure of one of few key relevant people.

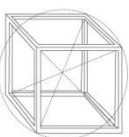




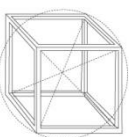
Income statement (€ m)	2016	2017	2018e pf	2019e	2020e
Value of Production	41.4	45.3	61.1	67.2	75.0
Services	(15.0)	(18.0)	(27.9)	(30.8)	(33.2)
Lease, rental and other opex	(5.0)	(4.1)	(5.5)	(6.1)	(6.8)
Personnel expenses	(16.7)	(18.6)	(20.6)	(21.6)	(22.7)
EBITDA	4.8	4.6	7.1	8.7	12.4
D&A	(1.9)	(2.5)	(3.4)	(3.2)	(3.1)
EBIT	2.9	2.1	3.7	5.5	9.3
Financial costs	(0.2)	(0.2)	(0.1)	(0.0)	(0.0)
Extraordinary, other costs	0.0	0.0	0.0	0.0	0.0
Pre-Tax profit	2.7	1.9	3.6	5.5	9.2
Income taxes	(1.3)	(0.9)	(1.4)	(2.2)	(3.7)
Minorities	(0.2)	(0.2)	(0.1)	(0.2)	(0.3)
Net Profit	1.2	0.8	2.0	3.0	5.3
EBIT adj.	3.4	2.6	4.2	6.0	9.8
Net Profit adj.	1.7	1.3	2.5	3.5	5.8
Balance sheet (€ m)	2016	2017	2018e pf	2019e	2020e
Net Working Capital	9.7	14.4	19.2	20.2	23.0
Net Fixed Assets	8.5	13.1	18.8	17.6	16.4
Equity Investments	1.4	0.7	0.7	0.7	0.7
Other M/L Term A/L	(8.1)	(6.3)	(9.7)	(10.6)	(11.7)
Net Invested Capital	11.5	22.0	29.0	27.9	28.4
Net Financial Position	(0.1)	(2.7)	2.3	(1.8)	(6.6)
Minorities	1.0	1.3	1.4	1.7	1.9
Group's Shareholders Equity	10.6	23.3	25.2	28.0	33.1
Net Financial Position & Equity	11.5	22.0	29.0	27.9	28.4
Cash Flow statement (€ m)	2016	2017	2018e pf	2019e	2020e
Total net income	1.2	0.8	2.0	3.0	5.3
Depreciation	1.9	2.5	3.4	3.2	3.1
Other non-cash charges	0.8	(0.9)	3.4	0.9	1.1
Cash Flow from Oper. (CFO)	3.9	2.3	8.9	7.1	9.5
Change in NWC	3.2	(4.7)	(4.8)	(1.0)	(2.8)
FCF from Operations (FCFO)	7.1	(2.3)	4.1	6.2	6.7
Net Investments (CFI)	(2.2)	(7.1)	(9.1)	(2.0)	(2.0)
Free CF to the Firm (FCFF)	4.9	(9.4)	(5.0)	4.2	4.7
CF from financials (CFF)	(4.5)	18.2	(7.5)	(1.8)	(0.4)
Free Cash Flow to Equity (FCFE)	0.4	8.8	(12.5)	2.4	4.3
Financial ratios	2016	2017	2018e pf	2019e	2020e
EBITDA margin	11.6%	10.1%	11.6%	12.9%	16.5%
EBIT margin	7.0%	4.7%	6.0%	8.2%	12.3%
Net profit margin	3.0%	1.7%	3.3%	4.5%	7.0%
Tax rate	46.5%	47.2%	40.0%	40.0%	40.0%
Interest coverage x	0.06	0.09	0.02	0.01	0.00
Net Debt/EBITDA x	(0.02)	(0.59)	0.33	(0.21)	(0.53)
Debt-to-Equity x	(0.01)	(0.11)	0.09	(0.07)	(0.20)
ROIC	10.8%	3.5%	7.0%	10.9%	18.6%
ROCE	16.6%	5.8%	11.8%	16.8%	24.6%
ROACE	14.4%	7.8%	10.9%	17.2%	26.4%
ROE	11.7%	3.3%	8.0%	10.8%	16.0%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Per share figures	2016	2017	2018e pf	2019e	2020e
Number of issued ordinary shares # m	13.00	13.00	13.00	13.00	13.00
Number of shares Fully Diluted # m	15.22	15.22	15.22	15.22	15.22
Average Number of shares Fully Diluted # m	12.61	15.22	15.22	15.22	15.22
EPS reported €	0.10	0.06	0.16	0.23	0.41
EPS adjusted €	0.13	0.10	0.19	0.27	0.45
EPS reported FD €	0.10	0.05	0.13	0.20	0.35
EPS adjusted FD €	0.14	0.08	0.17	0.23	0.38
EBITDA €	0.38	0.30	0.47	0.57	0.81
EBIT €	0.23	0.14	0.24	0.36	0.61
BV €	0.76	1.62	1.75	1.95	2.30
FCFO €	0.57	(0.15)	0.27	0.40	0.44
FCFF €	0.39	(0.62)	(0.33)	0.28	0.31
FCFE €	0.03	0.58	(0.82)	0.16	0.28
Dividend €	0.00	0.00	0.00	0.00	0.00



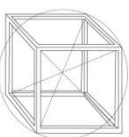
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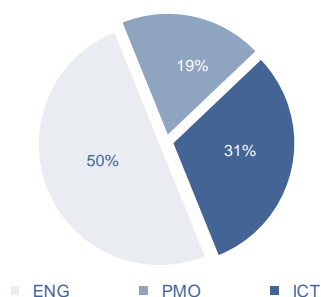


The company at a glance

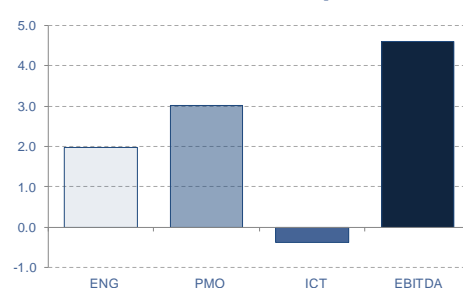
Founded in 1991 by the four De Bettin brothers in the hard-working and creative north east of Italy, DBA Group is specialised in network connectivity and infrastructure lifecycle support solutions. The core competence of DBA Group is the proven ability to provide telematics solutions for strategic infrastructures to clients whose business is network-performance critical. It provides integrated services and solutions in the ICT, Project Management and Architecture and Engineering fields in six industries. Founded as an engineer and architect associated firm, now DBA Group is the only player in Italy able to offer the synergic combination of the aforementioned services and solutions for the management of the entire infrastructure lifecycle. DBA Group offers high value added services and software platforms which meet the full range of potential technical, technological and ICT customer needs during the entire infrastructure lifecycle with the aim of providing high added value support services for infrastructure management and maintenance.

The group has grown significantly in the last few years: in the period 2011-17, top line more than doubled from € 18.8m to € 45.3m, 15.8% CAGR also thanks to the acquisition of Actual in 2015, entirely financed by internal resources in addition to a € 1.5m capital increase, which added € 11m in sales. Profitability rose consequently: EBITDA rose from € 2.1m to € 4.6m, 13.8% CAGR. In 2017 value of production reached € 45.3m, up 9.3% YoY, EBITDA totalled € 4.6m, 10.1% margin and net profit came at € 0.8m, 1.7% of top line. Net financial position was € 2.7m (positive).

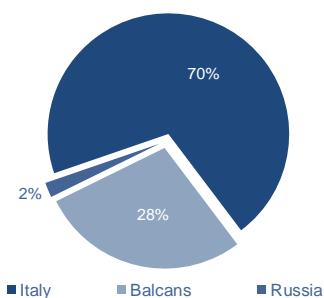
2017 top line and...



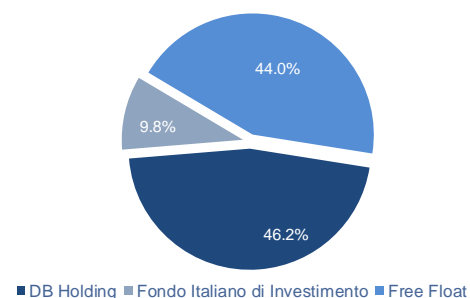
... and EBITDA breakdown by business unit



2017 top line by country



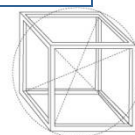
Shareholder structure



Peers group multiples table

EV multiples x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3	EBIT FY1	EBIT FY2	EBIT FY3
AECOM	0.41	0.40	0.38	9.3	8.6	7.8	10.4	9.6	8.8
Alten SA	1.23	1.09	1.00	11.8	10.4	9.2	12.7	11.2	9.8
Altran Technologies SA	1.23	1.08	0.97	9.0	7.3	6.3	12.4	9.3	7.9
Arcadis NV	0.48	0.45	0.42	7.0	6.0	5.5	9.7	8.0	7.1
Jacobs Engineering Group Inc	0.79	0.68	0.62	11.1	8.7	8.1	13.8	10.4	9.5
SnC-Lavalin Group Inc	1.01	0.87	0.80	11.8	9.5	7.6	12.7	9.5	8.3
Sweco AB (publ)	1.49	1.37	1.29	14.1	12.6	11.6	16.9	14.7	13.5
Engineering & PMO median	1.01	0.87	0.80	11.1	8.7	7.8	12.7	9.6	8.8
Accenture PLC	2.26	2.11	1.96	13.5	12.5	11.8	15.4	14.2	13.1
Capgemini SE	1.46	1.33	1.19	10.2	9.2	8.1	12.7	11.1	9.8
Devoteam SA	1.27	1.03	0.88	10.9	8.5	7.0	11.9	9.4	7.8
Reply SpA	1.86	1.62	1.45	13.2	11.3	9.8	14.5	12.4	10.8
TXT e solutions SpA	4.54	3.96	3.55	43.4	30.8	25.4	60.3	43.2	35.5
WYG PLC	0.27	0.25	0.21	7.1	5.9	4.9	10.6	8.9	6.6
ICT software median	1.66	1.47	1.32	12.1	10.2	9.0	13.6	11.8	10.3
DBA Group SpA	0.76	0.63	0.50	6.6	4.9	3.1	11.2	7.1	3.9

Source: CFO Sim, Thomson Reuters Eikon



ANALYST CERTIFICATION

This publication was prepared by **LUCA ARENA**, Head of the Equity Research Department of "Corporate Family Office SIM S.p.A." ("CFO SIM").

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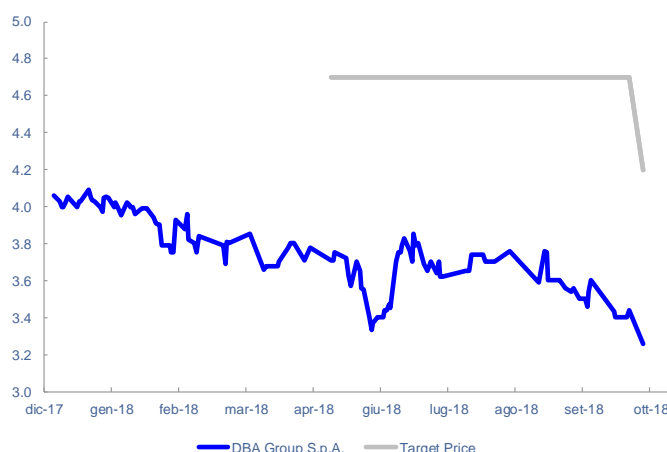
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DATE	TARGET PRICE	RATING
18/10/2018	€4.20	BUY
04/05/2018	€4.70	BUY

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