DBA Group SpA

Italy – ICT Consulting

A standstill moment that could hasten digital and infrastructure prospects

22nd June 2020

FY-19 RESULTS RELEASE

RIC: DBA.MI
BBG: DBA IM

FY-19 results came weaker than our estimates in terms of profitability. Numbers confirm the erosion of reference market profitability stemming from enduring harsh competition and price pressure. COVID has further deteriorated the outlook, however digitalisation process represents definitely an opportunity.

Rating:
Buy

Price Target:
€ 1.80 (€ 2.60)

Upside/(Downside): 58.6%

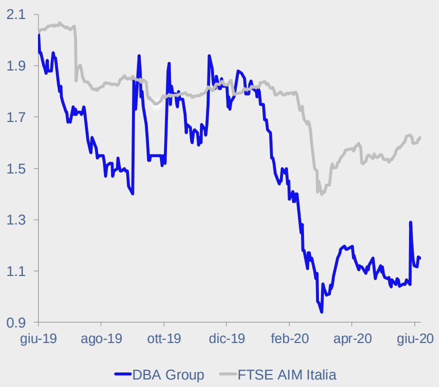
Last Price: € 1.14

Market Cap.: € 13.1m

1Y High/Low: € 1.99/€ 0.86

Free Float: 49.6%

Major shareholders:
De Bettin family 40.5%



Stock price performance

	1M	3M	12M
Absolute	11.8%	18.8%	-40.3%
Rel.to AIM Italia	5.9%	5.4%	-19.3%
Rel.to peers	3.9%	-21.0%	-39.4%

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New PT of € 1.80 (€ 2.60), 58.6% upside
COVID has definitely accelerated the digitalisation process and investments in network infrastructure, cybersecurity and IT. Conversely, goods related infrastructure investments (roads and ports) experienced a marked slow-down on the back of the COVID lockdown and the tight measures aimed at limiting people mobility. Our new estimates entail an organic 13% top line decline YoY (up 15% including the full consolidation of Unistar) for 2020 and enduring weakness of the reference market. The effects of the aforementioned considerations on our figures are a 5.6% and 21.4% slash on Value of Production and EBITDA in 2020-21, on average. We introduced 2022 estimates too. We set a new DCF PT for DBA Group at € 1.80/s (€ 2.60), 58.6% upside. The upside to the current price suggests a long term Buy rating on the stock. DBA's track record remains unfavourable: FY-19 results came in weaker than the guidance anticipated in Nov-19 by the firm. In addition, COVID has worsened the business outlook and deteriorated the competitive situation further.

Top line up 24.6%, driven by organic growth and M&A
Value of production was € 61.0m, up 24.6% YoY, slightly higher than our projection: € 57.5m from sales and services, € 1.50m from work in progress and € 1.4m from internal capitalisation. ENG business division increased by 14.6% to € 37.1m, ICT Italy soared by 84.6% to € 2.8m and ICT Slovenia totalled € 19.0m o/w € 6.0m related to the acquisition of Unistar (consolidated as from Oct-19 – ICT Slovenia increased by 1.2% like-for-like).

EBITDA of € 3.3m, affected by increased price pressure and lower grants
EBITDA was € 3.3m down 25.0% YoY, lower than our € 4.0m expectation. The decrease is mainly due lower European grants to some € 0.6m and to a reduction in margins in the ENG business division driven by price pressure. The consolidation of Unistar brought in € 0.5m EBITDA: like-for-like EBITDA totalled € 2.8m. EBIT turned in red at € 2.3m. The reduction is mainly ascribable to lower EBITDA and to a provision for credit risks and impairment tests to the tune of € 2.2m. Bottom line was negative for € 2.7m. Net Financial Position was € 14.0m, lower than our € 15.8m forecast chiefly as a result of a more favourable WC management (payable more than doubled YoY).

As of March 31st, the group order backlog for 2020 was € 36.6m, 46% of FY-20 budget
The lockdown stemming from the rapid spread of COVID pandemic heavily affected the group project management activity, as the access to the construction sites was restricted or inhibited. Furthermore, the decline in demand was mainly attributable to real estate and oil & gas retail sectors due to restrictions on people mobility. This trend was counterbalanced by the increasing demand for the data-centre design by telco operators, both in Italy and abroad. As of March 31st, thus incorporating the COVID crisis barely at all, the group order backlog was € 79.9m, of which € 36.3m billable in 2020 (46% of FY-20 budget).

DBA Group, key financials and ratios

€ m	2018	2019	2020e	2021e	2022e
Value of production	49.0	61.0	70.4	74.7	79.8
EBITDA	4.4	3.3	4.6	6.0	7.9
EBIT	1.6	(2.3)	(0.1)	1.5	3.5
EBIT adj.	2.3	(1.2)	1.0	2.7	4.7
Net profit	0.2	(2.7)	(0.8)	0.1	1.5
Net profit adj.	0.9	(1.6)	0.4	1.3	2.6
NFP (cash)/debt	9.0	14.0	13.0	11.5	9.1
EPS adjusted €	0.06	(0.11)	0.03	0.10	0.20
EPS adj. growth	-31.0%	n.m.	n.m.	247.4%	104.9%
DPS ord. €/s	0.00	0.00	0.00	0.00	0.00
EBITDA margin %	9.1%	5.4%	6.5%	8.0%	9.9%
EBIT margin %	3.4%	-3.8%	-0.2%	2.0%	4.4%
PER	46.5	(13.9)	35.1	10.1	4.9
EV/Sales	1.02	0.59	0.37	0.33	0.28
EV/EBITDA	11.2	10.8	5.7	4.1	2.8
EV/EBIT	21.6	(30.7)	25.7	9.3	4.7

Income statement (€ m)	2018	2019	2020e	2021e	2022e
Value of Production	49.0	61.0	70.4	74.7	79.8
Services	(18.1)	(24.9)	(29.6)	(31.5)	(32.9)
Lease, rental and other opex	(5.6)	(9.1)	(10.0)	(10.5)	(11.2)
Personnel expenses	(20.8)	(23.6)	(26.2)	(26.7)	(27.9)
EBITDA	4.4	3.3	4.6	6.0	7.9
D&A	(2.8)	(5.6)	(4.7)	(4.5)	(4.4)
EBIT	1.6	(2.3)	(0.1)	1.5	3.5
Financial costs	(0.3)	(0.3)	(0.9)	(0.9)	(0.5)
Extraordinary, other costs	0.0	0.0	0.0	0.0	0.0
Pre-Tax profit	1.4	(2.7)	(1.0)	0.6	3.0
Income taxes	(1.0)	(0.2)	0.4	(0.3)	(1.3)
Minorities	(0.2)	0.1	(0.2)	(0.2)	(0.2)
Net Profit	0.2	(2.7)	(0.8)	0.1	1.5
EBIT adj.	2.3	(1.2)	1.0	2.7	4.7
Net Profit adj.	0.9	(1.6)	0.4	1.3	2.6

Balance sheet (€ m)	2018	2019	2020e	2021e	2022e
Net Working Capital	20.1	19.9	22.0	23.4	25.1
Net Fixed Assets	18.4	20.8	17.7	15.5	13.4
Equity Investments	0.7	0.7	0.7	0.7	0.7
Other M/L Term A/L	(6.5)	(6.3)	(7.0)	(7.5)	(8.0)
Net Invested Capital	32.6	35.1	33.4	32.0	31.1
Net Financial Position	9.0	14.0	13.0	11.5	9.1
Minorities	0.0	0.3	0.5	0.8	1.0
Group's Shareholders Equity	23.6	20.8	19.8	19.8	21.0
Net Financial Position & Equity	32.6	35.1	33.4	32.0	31.1

Cash Flow statement (€ m)	2018	2019	2020e	2021e	2022e
Total net income	0.2	(2.7)	(0.8)	0.1	1.5
Depreciation	2.8	5.6	4.7	4.5	4.4
Other non-cash charges	2.7	(0.2)	0.8	0.5	0.5
Cash Flow from Oper. (CFO)	5.7	2.7	4.7	5.1	6.4
Change in NWC	(6.9)	0.1	(2.1)	(1.3)	(1.7)
FCF from Operations (FCFO)	(1.2)	2.8	2.6	3.8	4.7
Net Investments (CFI)	(9.5)	(8.1)	(1.6)	(2.3)	(2.3)
Free CF to the Firm (FCFF)	(10.7)	(5.3)	1.0	1.5	2.4
CF from financials (CFF)	3.7	3.1	1.8	0.0	(2.5)
Free Cash Flow to Equity (FCFE)	(7.0)	(2.2)	2.7	1.5	(0.1)

Financial ratios	2018	2019	2020e	2021e	2022e
EBITDA margin	9.1%	5.4%	6.5%	8.0%	9.9%
EBIT margin	3.4%	-3.8%	-0.2%	2.0%	4.4%
Net profit margin	0.4%	-4.5%	-1.1%	0.2%	1.9%
Tax rate	71.8%	-6.6%	43.0%	43.0%	43.0%
Interest coverage x	0.16	(0.15)	(6.49)	0.59	0.14
Net Debt/EBITDA x	2.03	4.22	2.86	1.92	1.16
Debt-to-Equity x	0.38	0.67	0.66	0.58	0.43
ROIC	0.7%	-7.8%	-2.3%	0.4%	4.8%
ROCE	3.9%	neg.	neg.	3.4%	8.1%
ROACE	4.1%	-5.5%	-0.3%	3.4%	8.0%
ROE	0.9%	-13.1%	-3.9%	0.7%	7.1%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%

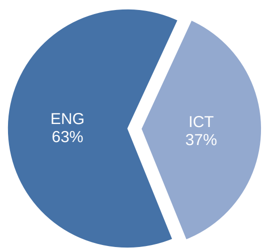
Per share figures	2018	2019	2020e	2021e	2022e
Number of issued ordinary shares # m	13.00	11.50	11.50	11.50	11.50
Number of shares Fully Diluted # m	15.22	13.40	13.40	13.40	13.40
Average Number of shares Fully Diluted # m	15.22	14.31	13.40	13.40	13.40
EPS reported €	0.02	(0.24)	(0.07)	0.01	0.13
EPS adjusted €	0.07	(0.14)	0.03	0.11	0.23
EPS reported FD €	0.01	(0.19)	(0.06)	0.01	0.11
EPS adjusted FD €	0.06	(0.11)	0.03	0.10	0.20
EBITDA €	0.29	0.23	0.34	0.45	0.59
EBIT €	0.11	(0.16)	(0.01)	0.11	0.26
BV €	1.55	1.58	1.52	1.53	1.64
FCFO €	(0.08)	0.20	0.19	0.28	0.35
FCFF €	(0.70)	(0.37)	0.07	0.11	0.18
FCFE €	(0.46)	(0.15)	0.20	0.11	(0.01)
Dividend €	0.00	0.00	0.00	0.00	0.00

The company at a glance

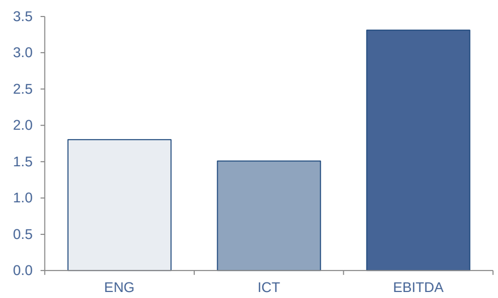
Founded in 1991 by the four De Bettin brothers in the north east of Italy, DBA Group is specialised in network connectivity and infrastructure lifecycle support solutions. The core competence of DBA Group is the proven ability to provide telematics solutions for strategic infrastructures to clients whose 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 2011-19, top line more than tripled from € 18.8m to € 61.0m, 15.9% CAGR also thanks to the acquisition of Actual IT in 2015 (minorities buyout in Sep-18), SJS Engineering in October 2018 and Unistar in September 2019. In 2018 value of production reached € 61.0m, up 24.5% YoY, EBITDA totalled € 3.3m, 5.4% margin and net profit came negative for € 2.7m. Net financial position was € 14.0m (debt).

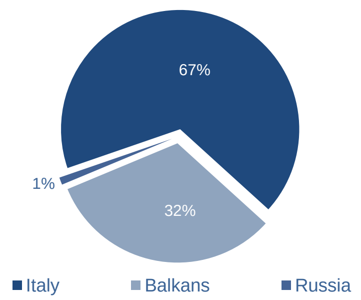
2019 top line and…



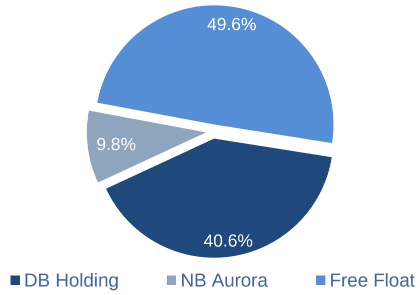
… and EBITDA breakdown by business unit



2019 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	0.63	0.63	n.a.	11.6	10.9	10.1	14.0	13.0	12.1
Alten SA	1.03	0.92	0.90	12.0	8.9	7.8	14.0	10.0	9.9
Arcadis NV	0.61	0.56	0.52	7.5	6.5	5.6	12.4	10.6	9.2
Jacobs Engineering Group Inc	0.91	0.87	0.85	12.0	10.7	9.5	13.2	11.8	11.1
Snc-Lavalin Group Inc	0.50	0.37	n.a.	7.4	4.1	n.a.	12.1	5.9	n.a.
Sweco AB (publ)	2.37	2.21	2.11	17.1	15.3	13.9	27.1	23.2	20.9
Engineering & PMO median	**0.77**	**0.75**	**0.87**	**11.8**	**9.8**	**9.5**	**13.6**	**11.2**	**11.1**
Accenture PLC	0.37	0.33	0.28	5.7	4.1	2.8	25.7	9.3	4.7
Capgemini SE	1.39	1.23	1.12	9.9	8.4	7.4	13.3	11.0	9.5
Devoteam SA	0.76	0.68	0.58	8.3	6.1	4.9	11.3	7.6	5.8
Reply SpA	2.10	1.86	1.63	13.9	11.9	10.3	17.5	14.4	12.5
TXT e solutions SpA	2.22	1.52	n.a.	20.6	12.4	n.a.	33.0	17.1	n.a.
ICT software median	**2.10**	**1.52**	**1.38**	**13.9**	**11.9**	**8.8**	**17.5**	**14.4**	**11.0**
DBA Group SpA	**0.37**	**0.33**	**0.28**	**5.7**	**4.1**	**2.8**	**25.7**	**9.3**	**4.7**

Source: CFO Sim, Thomson Reuters Eikon

1. DBA Group in a nutshell

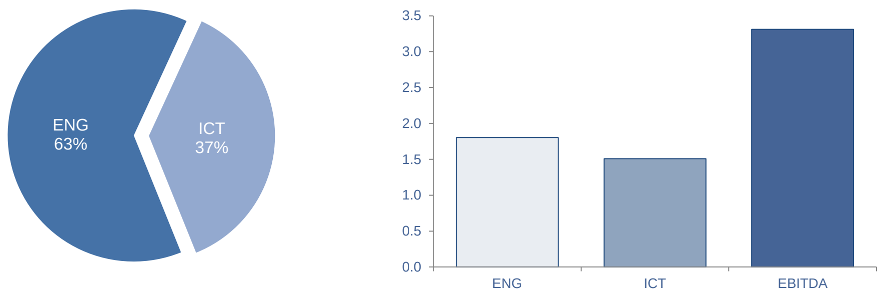
Founded in 1991 by the four De Bettin brothers in north east of Italy, **DBA Group is specialised in network connectivity and infrastructure lifecycle support solutions**. The core competence of DBA Group is the proven ability to provide telematics solutions for strategic infrastructure to clients whose business is network-performance critical. It provides integrated services and solutions in the ICT, Engineering and Project Management 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 is a technology consulting group focused on high value added solution and services, characterised by a relevant degree of technology. The engineering arm represents a key entry barrier: DBA Group knows how processes work. This places the company in the position to offer specific performing turnkey services and solutions.

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 company performs its trade activity via two business units:

- **ICT – Information, Communication and Technology**, **37% of top line**: The BU, using software and telematics platforms designed and developed in-house, offers process and automation engineering , applied information and communication technology for single and networked infrastructure works.
- **Engineering and Project Management, 63% of top line**. The activity here consists of the scheduling and management of all planning and construction activities (realised by companies directly employed by DBA Group clients) related to single or networked infrastructures and their technological specialised plants. In this activity, DBA Group follows quality standards, timetable and cost guidelines defined with clients. Furthermore, the BU comprises of the study, design and feasibility study of single or networked infrastructures and their technological and specialised plants. It also provides services for the analysis, mapping and optimisation of processes, technical and technological consultancy and ICT.

Chart 1 – DBA Group, 2019 Sales and EBITDA by BU



Source: Company data

The group offers its **high-tech services and solutions for private customers** operating mainly in **six reference markets,** where infrastructure is performance-critical for the supply of DBA Group clients' products/services:

- **TLC & media**: telecommunication & media companies and their production, transmission / distribution infrastructures.
- **Transport & logistics**: firms operating in this business and their road, rail port and airport infrastructures.

- **Oil & Gas** firms and their related extraction, storage, transformation, production, transportation and distribution infrastructures.
- **Architecture & construction**: real estate corporations with commercial, residential and touristic assets, industrial and finance retail network.
- **Energy**: sector companies and their production, transformation, transport and distribution infrastructure.
- **Industrial** group (electronic, mechanical, automotive, chemical, clothing, pharmaceutical, food sectors) and their production and distribution facilities.

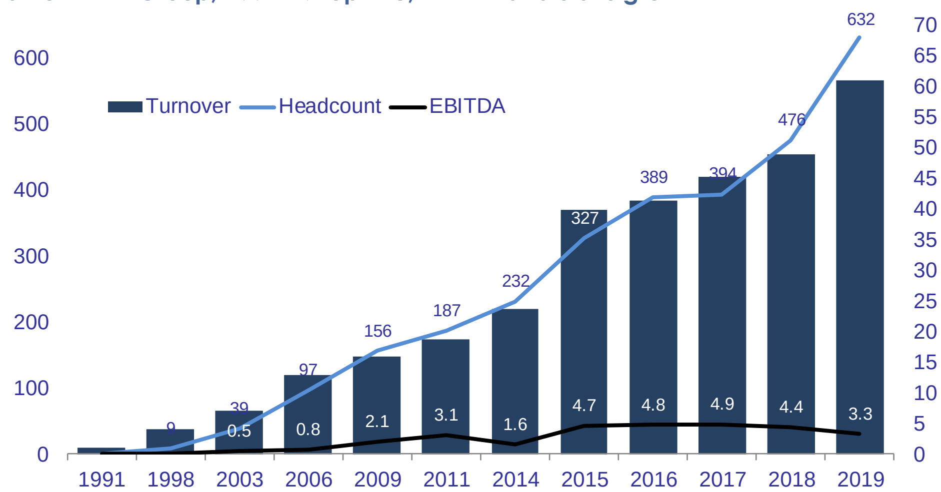
The company currently concentrates the bulk of its business in **Italy which comprises 67% of top line**, then in the Balkans with 32% and in Russia with 1% of revenues. This geographical positioning allows a **presence in the areas of the Belt Road Initiative** (or new silk road), a Chinese strategic project aimed at improving links between Eurasian countries, with a massive investment plan to the tune of $ 2,500bn in the next five years.

Chart 2 – DBA Group, 2019 Sales by reference markets and by countries

Source: Company data

The group has grown significantly in the last few years: in the period **2011-19, top line more than tripled from € 18.8m to € 61.0m, 15.9% CAGR** also thanks to the acquisition of Actual IT in 2015 (minorities buyout in Sep-18), SJS Engineering in October 2018 and Unistar in September 2019. In 2018 value of production reached € 61.0m, up 24.5% YoY, EBITDA totalled € 3.3m, 5.4% margin and net profit came negative for € 2.7m. Net financial position was € 14.0m (debt). The chart below shows top line, EBITDA and personnel trends since the founding of DBA Group in 1991.

Chart 3 – DBA Group, 1991-19 top line, EBITDA and staffs growth



Source: Company data

2. The reference markets

DBA group operates in the Infrastructure Lifecycle Management arena. Via its three business units (ICT-software, Project Management and Architecture and Engineering), the group serves six key reference markets with its services and solutions, of which four, other than industrial and energy, are seen to significantly drive future group developments:

- **Telecommunications and media**, DBA Group customers are represented by communication & media companies and their production, transmission and distribution infrastructures.
- **Transport and logistics**, the group serves firms operating in this business and their road, rail port and inter-port infrastructures.
- **Retail oil and alternative fuel,** in this field the company provides services and solutions to firms and their related extraction, storage, transformation, production, transportation and distribution infrastructures.
- **Architecture and construction**, clients are real estate corporations with commercial, residential and touristic assets, public building such as hospitals, school and public offices.

In the next years, **investment in infrastructure is projected to show a significant increase, reaching $ 9,000bn globally**. In Italy, after several years of investment depression (due to restrictive policies to sustain the public economy), some recent budget laws have introduced measures potentially able to relaunch investments in infrastructure. As a consequence, after some 20% increase in public work allocations in 2017, this year they are projected to increase further. The impulse given by the definition of a long term strategy that, if complied with, will make feasible infrastructure policies also has to be added.

In this context, according to ANCE (Italian Association of Real Estate Builders) estimates, **in the next 15 years a total amount of € 220bn are projected to be invested in public infrastructures in Italy**. Amongst others: the Gronda of Genoa West (a motorway junction, a project in which DBA Group has a role) for € 3.4bn, the completion of the third lane of the Barberino del Mugello – Incisa Valdarno motorway for € 2.2bn, the Giovi third railway crossing for connecting Genoa and Milan with high speed trains for € 2.0bn, the ENAV five year investment plan for domestic airports for a total consideration of € 4.2bn.

The main services and solutions offered in these markets via the three business units are:

- Studies and specialist surveys (geometric, topographical, geological, hydraulic);
- Masterplans, feasibility studies and urban planning;
- Preliminary design, architectural and landscape design, space management & planning, electrical and specialty systems (home automation, voice and data network, access control, video surveillance, building management system);
- Project construction management, job and operational direction, safety and health at work;
- Technical, administrative, structural and operational tests; process analysis, information flows and requirements;
- Integration and installation of proprietary or third-party software platforms, design, physical and logical architecture;
- Implementation, installation and software testing; training and start-up assistance, corrective and evolutionary maintenance;
- Hosting, housing, installation and configuration of physical and virtual servers, disaster recovery, network security, licensing;

- Electromagnetic field measurements and electromagnetic impact analysis;
- Preliminary, definitive and executive design of fixed network TLC and network nodes, core network sites, point of presence, data centres;
- General and specialist design, landscaping and environmental planning, testing and commissioning;
- Design and consultancy, process analysis, technical support, tender management, provisioning and de-provisioning circuits and services;
- Integration and installation of proprietary or third-party software platforms, design, physical and logical architecture;
- Preliminary, definitive and executive design, risk analysis for plants at risk of major accident and specific fire protection design;
- Environmental impact assessment, project and construction management, administrative technical tests, final structural tests and tests in progress;
- Revision of DBA software platforms to customer specifications and development of tailor-made software applications, definition of functional technical specifications, prototyping;
- Implementation, installation and testing of networks and systems;

2.1. Telecommunications and Media

In 2019 domestic revenues in the TLC sector continued the decline started in 2018, plummeting to € 30bn (down 3% YoY), driven by the shrinkage of incomes stemming from mobile services due to a certain price war. Nevertheless, both **fixed and mobile high-speed lines and the introduction of 5G in the country are growing very well** (source: Telco per l'Italia by DIGITAL360). In this context, if the domestic TLC market can be labelled as mature, **the TLC infrastructure segment presents appealing future growth perspectives**, both on the infrastructure utilisation side as well as on the forthcoming investment plans aimed at developing ultra-broadband, mainly linked to the Open Fiber project (in which DBA Group has a role), a JV between Enel and Cassa Depositi e Prestiti (the state energy operator and the state investment bank, respectively).

In Italy, ADSL is still the digital predominant technology. However, TLC operators are enlarging the penetration of fibre optics. The Italian Government approved, consistent to the European Digital Agenda 2020, the **Ultra-Broadband Strategy**, providing the coverage via a neutral ultra-broadband by 2020: **at least 100Mbps for 85% of the population**, granting at least **30Mbps to every citizen**, at least **100Mbps for public buildings** (schools and hospitals, in particular) and **ultra-broadband in productive areas**.

This nearly € 10.0bn infrastructure plan will be financed via 1) € 5.0bn of national public funds, 2) € 1.8bn of regional and national operational programs and 3) € 3.0bn directly invested by Open Fiber.

In this context, considering the demand for services and solutions related to this infrastructure upgrading project and that for advanced TLC technology, the **Ultra-broadband project is projected to significantly contribute to the group developments**.

Looking at other areas in which the group operates, **the sector is anticipated to rise also in the Balkans**. In Slovenia, TLC and transport are expected to reach 10% of total GDP in 2020 (Information Technology Report, BMI Research).

2.2. Transport and logistics

In a context where 1) **China is steadily increasing its weight in the EU28 trade balance**, reaching 20% in 2019, to the disadvantage of the US and Russia, with 14% and 8% respectively, 2) the **value of international trade is seen to grow in real terms by 3.4x** by 2050 (source: OECD-ITF), 3) **the flow of goods goes geographically eastward** and 4) **means of transport will remain substantially unchanged**, with maritime transport confirmed as the most important international trade means of transport, accounting for 85% of total volume in 2010 and 83% in 2050 (source: OECD-ITF), a few key projects represent significant opportunities for development to support the growth of international trade as well as DBA Group future development (a total of $ 2,500bn in the next 5 years).

- **One Belt One Road** – or the New Silk Road, launched in 2013 by Xi Jinpin the president of China, an initiative born with the aim of loosening industrial and urban pressure along the eastern coasts of China, triggering greater development in the western regions and thus also containing migratory flows. The initiative is a **platform for connectivity, cooperation for the expansion and stabilization of maritime routes and land infrastructure networks linking China to Asia, Africa and Europe**. The Project is set to become the world **most important Eurasian corridor in terms of intensity and speed of exchange of cultures, technologies and goods.** The Asian Infrastructure Investments Bank, the Silk Road Fund and the New Development Bank will support the development of related infrastructures.
- **BRI - Eurasian Railway Corridor Project** – or the political and transportation strategy of the Russian Federation that, via the Eurasian Silk Road aims to 1) promote the **Vladivostok-Beijing-Novosibirsk-Moscow** train route allowing one to cross Siberia in just seven days, 2) build a non-Chinese **route between Moscow and the Iranian port of Bandar Abbas** that would give Russia an outlet on the Indian Ocean in the Persian Gulf, 3) **handle the junction between Russian and European rail gauges** (1520mm and 1435mm, respectively) from the border of the Ukrainian to Bratislava and Vienna.
- **BRI - The Balkan Silk Road -** it should **ideally connect Beijing to Athens and from there joining Skopje and Tirana, Sarajevo and Belgrade and Budapest.** However, the European Union has raised some concerns after the purchase of the Piraeus port in Greece by China. More generally, the European Union wishes to reserve the right to approve Chinese direct investments in Europe when they are related to critical infrastructure such as energy, transport, communications and data storage.

2.3. Retail-oil and alternative fuels

The group offers services and solutions in the field of the retail distribution of fuel oil. **Consumption**, after the decline tied to the economic crisis of the last years, according to Nomisma Energia, **should remain basically unchanged in 2020-2030**.

Despite flat consumption, **the network rationalisation process will inevitably fill the gap with the European distribution system** with benefits not only in terms of point of sale returns but also from the perspective of the level of technological modernisation. Efficiency gains and the action of the rationalisation process of the distribution network and the level of complexity are redesigning the market structure. This scenario is expected to generate demand for 1) **the adoption of new management systems** and 2) **the constant upgrade and adjustment of the technologies** used in the fuel sale process. **This demand will inevitably sustain future group developments.**

Looking at the Balkans, a key geographic area for the group, the fuel distribution network comprises some 4,900 retail units: **software for store management, IT hardware, data centralization services, help desk and software maintenance** represent the target for DBA Group.

In the alternative fuel segment, **the group is a potential provider of design, technology and support services for the activities of charging point operators**. The evolution of charging structures is closely related to eco-friendly vehicle selling performance. According to recent studies, **the global electric vehicles fleet**, both full electric and hybrid plug-in vehicles, **is projected to reach 127m units in 2030, from 13m units in 2020**.

2.4. Architecture and construction

Real estate, retail, hospitality, and finance institution players represent a significant cluster of the demand for engineering and architectural services and solutions.

Real estate stock and number of transactions shows that the market is growing in volumes. After several years of slumbering, in Italy transactions increased by 6.1% in 2018 and by 4.7% in 2019. Production, retail and tertiary buildings represented the key drivers for this growth. **The growth trend started in 2015 will be likely interrupted in 2020 because of the severe social-economic impact stemming from COVID-19 pandemic.**

Table 1 – DBA Group, 2019 Italian real estate market overview

Destination	Stock %	Transactions	% YoY	% on Total	REMI
Residential	51.0%	603,541	4.2%	49.7%	1.76%
Appurtenances	5.5%	74,883	7.4%	6.2%	2.01%
Garages	23.3%	353,507	4.9%	29.1%	2.26%
Tertiary – Commercial	12.6%	103,816	6.1%	8.6%	1.22%
Manufacturing	1.2%	12,124	0.0%	1.0%	1.55%
Manufacturing – Agricultural	0.6%	2,717	7.0%	0.2%	0.66%
Other	5.8%	62,814	4.5%	5.2%	1.62%
Total	**100.0%**	**1,213,403**	**4.7%**	**100.0%**	**1.81%**

Source: 2020 Real Estate Report from Osservatorio del Mercato Immobiliare

Regarding commercial real estate, **improved economic stability in EU28 prompted an increase in purchasing power**: pro-capita income rose to € 16,878 from € 15,400 in 2014-18. This contributed to sustain retail. In 2019 consumption is projected to further progress by 2% (source: GFK, 2019): robust growth in Bulgaria (the main reference geographical area for DBA Group), with +4.2% expected, +3.3% in Hungary, +7.0% in Romania and +3.4% in Czech Republic. Steady the Italian market (+1.1%), while Turkey is expected to decline by 7.6%.

Also looking at the hospitality segment, perspectives are rather bright. The **ongoing concentration process and renovation demand are seen to continue sustaining growth**. The European market presents a certain appeal for investments, both for domestic as well as for foreign players, attracted by (1) the luxury offer potential, (2) the vast quantity of buildings suitable to be renovated, (3) market potential, which offer returns to a certain extent more lucrative than other segments (logistics, offices and residential).

Thus, **we believe that the demand for real estate sector services and solutions for ideation, architectural and engineering design, as well as for maintenance and revamping, will contribute to sustain business for the group**.

3. Segment competitive arena and outlook

DBA Group provides services and solutions in the **ICT-Software, Project Management and Architecture and Engineering** fields. 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 consulting services and solutions for **the management of the entire lifecycle of an infrastructure:** from the project, via support realisation and day-by-day controlling processes, procedures and maintenances via highly technological solutions.

DBA Group is NOT an EPC (engineering, procurement and construction contractor), **is definitely NOT a construction company**: **DBA Group focuses on HIGH VALUE added consulting solutions and services, characterised by a relevant degree of TECHNOLOGY**. The engineering arm represents a **key entry barrier**: DBA Group knows how processes work. This places the company in the position to offer specific performing turnkey services and solutions.

3.1 ICT Market

Improving macro-economic signals and the process of infrastructural system optimisation and modernisation prompt Italian companies to accelerate IT investment: the **ICT market in Italy in 2019 grew by 2.3% YoY reaching € 31.2bn, driven by hardware and software segments (up 6.8% and 6.2% YoY respectively). For the next few years the market will grow with a CAGR$_{18\text{-}22}$ of +1.6%.**

Table 2 – DBA Group, Italian ICT Market

Domestic ICT Market, € bn	2018	2019	2020e	2021e	2022e	% CAGR$_{18\text{-}22}$
Hardware	5.9	6.3	6.2	6.1	6.0	*0.4*
Software	6.5	6.9	7.3	7.8	8.3	*6.4*
IT Services	11.0	11.1	11.3	11.4	11.6	*1.3*
Telco Services	7.1	6.9	6.7	6.6	6.5	*-2.0*
Total	**30.5**	**31.2**	**31.5**	**31.9**	**32.4**	***1.6***

Source: Assintel Report 2020

More specifically, looking at the niches driving group business development, it is noteworthy to highlight the most lively CAGR in the Software segment for the next years, driven by new innovative technologies such as Cloud, IoT, Robotics, Drones, Artificial Intelligence, AR and VR. For example, in 2020, the investments in Cloud systems will reach € 2.5bn, +24.4% vs. 2019.

The **European ICT market is projected to decline by 3.9% in 2020 due to COVID-19 pandemic.** Looking forward, the market is anticipated to be flat in 2021 (-0.2% YoY), starting to recover in 2022 (+2.3% YoY). Furthermore, in 2023 the ICT market in Europe is estimated to grow by 4.5% YoY (source: IDC Platform Black Book - 2020).

The works related to the New Silk Road will have significant implications in terms of ICT potential as a result of the technical and technological adjustments of existing structures to avoid obsolescence and adapt it to the loads of mega ships. **Shipping is encountering a deep restructuring process**, with larger and larger ships dedicated to trans-ocean routes and smaller vessels acting as feeders in a hub-and-spoke system, from transhipment to destination ports. Mega ships and their large shipments are the new innovation technology which is introducing others, in turn, technological and organisational. **Potential nourishment for DBA Group business development.**

3.2 Engineering and Project Management

The **global market for professional engineering services in 2018 totalled $ 72bn, up 11.3%** compared to € 65bn in 2017. The geographic areas that fuelled most demand were Asia, Australia, Europe and the Middle-East. **The domestic market is promising: in 2018 engineering and architecture firms stated a total of € 2.2bn (up 4.1% YoY) and € 394m (up 13.2% YoY) respectively**. This growth is also sustained by an improved economic situation. The most promising geographic areas are the **Middle East and Asia, whose growth is driven by the oil, transport and construction sectors**.

The market is still rather fragmented and in constant consolidation, driven by the benefits of larger dimensions, but this seems to be more relevant to engineering and architecture, which evolves more along internal lines than by acquisitions. Evidence of greater heterogeneity and a different dynamism can be deduced from the assortment of variation in the level of turnover of the **top 50 Italian players that ranges from € 8.9-199.3m in engineering and € 2.4-15.8m in architecture and design**.

The company is the eighth player in Italy, according to 2018 turnover data. However, since amongst the top ten companies, at least three can be defined as in-house entities with volumes secured by their controlling company (Italferr/Ferrovie dello Stato, EniProgetti/Eni Group, Spea Engineering/Atlantia). **DBA Group is the fifth independent operator in Italy**.

Table 3 – DBA Group, 2018 Italian engineering market competitive structure

Rank #	Firm	2018 Value of Production, € m
1	*Italferr*	*199.3*
2	*EniProgetti*	*172.4*
3	*Spea Engineering*	*111.6*
4	Italconsult	107.7
5	Proger	101.1
6	Rina Consulting	81.2
7	Jacobs Italia	49.4
8	**DBA Group**	**49.0**
9	Manens - Tifs	47.2
10	Net Engineering International	39.7
11	Agriconsulting	39.4
12	Enereco	38.8
13	Stantec	38.8
14	Sina	37.1
15	Artelia Italia	35.4

Source: 2019 report on Italian entrepreneurship in engineering, Guamari Prof. Aldo Norsa

4. Strategy

DBA Group provides consulting services and solutions in the **ICT-Software, Project Management** and **Architecture and Engineering** fields. 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 lifecycle of an infrastructure:** from the project, via the realisation and to day-by-day controlling processes, procedures and maintenances.

The Company intends to use the cash flow produced by the business to **boost growth and consolidate its positioning** also via **acquisitions.** In detail:

- **The reinforcement of the management team** – In view of the strong growth expected in the coming years, the company aims at **reinforcing its managerial and executive structure**. Also taking into consideration that existing operational staff are projected to manage the integration process of the companies the group is willing to acquire and integrate.
- **Research and development** – R&D is a crucial constant, the food for technological and business development. Amongst other employment, the funds will contribute to develop ILM Integrated Projects: Telematic services for the supply chain (Port Line) and for Retail Oil and non-Oil (GL +) and for the Decision Support System, development and implementation of the EAGLE project.
- **Internationalisation** – DBA Group efforts, and investments for the development of foreign markets, will be destined for **the Balkan Area and Central Asia, and in particular for Engineering and ICT Software business units**. The most appealing reference markets in the regions are TLC, Energy, Transport & Logistic, Oil & Gas, Retail, Industry, Architecture & Building sectors.
- **M&A** – The group aims to acquire **small but key strategic competitors** in key sectors, with complementary customers and products, in Italy and abroad (with a special focus towards the Balkans and Central Asia). The acquisition campaign has the goal of creating synergies and accelerating the internationalisation process.

  DBA Group has a good **track record in M&A** thanks to several strategic acquisitions made during the last few years: **IGM Engineering** (2012), **Actual IT** (2015), **Itelis** (2017), **SJS Engineering** (2018) and **Unistar** (2019).

5. SWOT Analysis

The SWOT analysis, also known as SWOT Matrix, is a structured planning method used to evaluate the strengths, weaknesses, opportunities and threats involved in a project or in a business venture. A SWOT analysis can be carried out for a product, place, industry or person. It involves specifying the objective of the business venture or project and identifying the internal and external factors that are favourable and unfavourable to achieve that objective.

- **Strengths**: characteristics of the business or project that give it an advantage over others.
- **Weaknesses**: characteristics that place the business or project at a disadvantage relative to others.
- **Opportunities**: elements that the project could exploit to its advantage.
- **Threats**: elements in the environment that could cause trouble or be detrimental for the business or project.

The technique is credited to Albert Humphrey, who led a research project at Stanford University between the 60's/70's using Fortune 500 data.

S.W.O.T. ANALYSIS

STRENGTHS	WEAKNESSES
The **only player offering the synergic combination of its three business unit** services and solutions	**Limited size** in the international competitive arena
Substantial cash flow generation and sound balance sheet **allow external growth opportunities**	Few key relevant people represent a **vital asset for the company**
632 highly skilled, loyal and motivated employees, o/w 60% are graduates	Need of **reinforcement of the management structure** to boost developments

OPPORTUNITIES	THREATS
Consolidation opportunities in the domestic market and abroad	Expansion via external growth may prove difficult
Foreign market expansion	In certain projects, **competition from smaller players**, driven by different cost logics and short term industrial view: **dumping**

6. FY-19 Results

FY-19 results are weaker than our estimates in terms of profitability. Numbers confirm the erosion of reference market profitability stemming from enduring harsh competition and price pressure. In addition, the short- medium term outlook is not particularly promising.

Table 4 – DBA Group, FY-19 results summary

P&L € m	2019	2018	% YoY	2019e	% Diff.
Revenues	**57.5**	**47.0**	**22.3**	**55.3**	**3.9**
Other	3.6	2.0		3.0	
Value of Production	**61.0**	**49.0**	**24.6**	**58.3**	**4.7**
Raw material	(6.4)	(3.2)		(2.3)	
Services	(24.9)	(18.1)		0.0	
Lease & rental	(2.7)	(2.3)		(24.0)	
Other opex	0.0	(0.2)		(0.2)	
Personnel expenses	(23.6)	(20.8)		(23.6)	
EBITDA	**3.3**	**4.4**	***(25.3)***	**4.0**	***(17.7)***
% margin	*5.4*	*9.1*		*6.9*	
D&A	(5.6)	(2.8)		(3.8)	
EBIT	**(2.3)**	**1.6**	***n.m.***	**0.2**	***n.m.***
% margin	*(3.8)*	*3.4*		*0.4*	
Financial costs	(0.3)	(0.3)		(0.6)	
Pre-Tax profit	**(2.66)**	**1.4**	***n.m.***	**(0.4)**	***n.m.***
% margin	*(4.4)*	*2.8*		*(0.7)*	
Income taxes	(0.2)	(1.0)		(0.2)	
Tax rate	*n.m*	*71.8%*		*35.0%*	
Minorities	0.1	(0.2)		0.0	
Net Profit	**(2.7)**	**0.2**	***n.m.***	**(0.7)**	***n.m.***
% margin	*(4.5)*	*0.4*		*(1.2)*	
NFP (cash)/debt	**14.0**	**9.0**	**55.6**	**15.8**	***(11.2)***

Source: Company data, CFO SIM estimates

Value of production was € 61.0m, up 24.6% YoY, slightly higher than our projection: € 57.5m from sales and services, € 1.50m from work in progress and € 1.4m from internal capitalisation. ENG business division increased by 14.6% to € 37.1m, ICT Italy soared by 84.6% to € 2.8m and ICT Slovenia totalled € 19.0m o/w € 6.0m related to the acquisition of Unistar (consolidated as from Oct-19 – ICT Slovenia increased by 1.2% like-for-like).

EBITDA was € 3.3m down 25.0% YoY, lower than our € 4.0m expectation. The decrease is mainly due lower European grants of around € 0.6m and to a reduction in margins in the ENG business division driven by price pressure. The consolidation of Unistar brought in € 0.5m EBITDA: **like-for-like EBITDA totalled € 2.8m**.

EBIT turned in red at € 2.3m. The reduction is mainly ascribable to lower EBITDA and to a **provision for credit risks and impairment tests to the tune of € 2.2m**: € 1.2m as partial write-off on the Italtel receivable (total amount of € 4.0m) and € 1.0m related to SJS Engineering goodwill devaluation on the back of the lower than anticipated business performance of this subsidiary.

Bottom line was negative for € 2.7m.

Net Financial Position was € 14.0m, lower than our € 15.8m forecast chiefly as a result of a more favourable WC management (payable more than doubled YoY).

7. Valuation & risks

The impact of the Covid19 on group activities is distressing customers particularly affected by the lockdown measures and whose investments have slowed down and revised: road and airport related infrastructure projects as well as everything linked to people mobility are definitely being afflicted by the plague and its trains. The measures adopted to maintain productivity (chiefly smart-working) allowed the company to maintain its positioning, also winning a few relevant tenders abroad, such as the order for the supply and maintenance of IT infrastructures for the Slovenian Ministry of Public Administration and the contract for the supply of the Port Community System for Varna and Burgas ports in Bulgaria.

In the meanwhile, **the group has confirmed its 2020** guidance announced last-Nov. We believe in the occasion of H1-20 result these indications **could be likely revised downwards.** The virus has definitely **accelerated the digitalisation process** and investments in network infrastructure, cybersecurity and IT. Conversely, **goods related infrastructure investments (roads and ports) experienced a marked slow-down** on the back of the COVID lockdown and the tight measures aimed at limiting people mobility. In this context, the anticipated top line volume reduction for 2020 generates a magnified effect on profitability on the back of the high labor intensity of the business and the harsh competitive scenario.

We have updated our model. **Our new estimates entail an organic 13% top line decline YoY (up 15% including the full consolidation of Unistar) for 2020 and enduring weakness of the reference market,** whose conditions remain tough, as highlighted by FY-19 numbers, with price pressure affecting profitability. This, in addition to still an oversized structure compared to the current level of portfolio orders in terms of quality and quantity, are impacting numbers. NFP improvement derives from a slightly better WC management and a greater recourse to factoring.

The effects of the aforementioned considerations on our figures are a **5.6% and 21.4% slash on Value of Production and EBITDA in 2020-21**, on average. We introduced 2022 estimates too. Moreover, we have updated DCF valuation criteria, bringing the free risk rate up-to-date.

Our valuation of DBA is now based on DCF rather than a peer multiple based appraisal since it would value the stock on tough years for the industry. **We set a new PT for DBA Group at € 1.80/s (€ 2.60), 58.6% upside**. The upside to the current price suggests a long term **Buy rating** on the stock. However, **DBA's track record remains unfavourable: FY-19 results came in weaker than anticipated in Nov-19 by the company**. In addition, Covid has worsened the business outlook and deteriorated the competitive situation further.

7.1. DCF

In the valuation via the DCF method, explicit estimates until 2024 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 5 - WACC derived from:

Interest costs, pre-tax	1.5%
Tax rate	43.0%
Int. costs, after taxes	**0.9%**
Risk premium, incl. small size premium	9.0%
Risk-free (10Y Gov. Bond 200 days simple moving average)	1.33%
Beta levered (x)	1.00
Required ROE	**10.3%**

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 1.00** is a usual conservative value for a small cap.

Table 6 - DBA Group, DCF model

€ m	2020e	2021e	2022e	2023e	2024e	Term. Val.
EBIT	(0.1)	1.5	3.5	4.4	5.5	
Tax rate	43.0%	43.0%	43.0%	43.0%	43.0%	
Operating profit (NOPAT)	**(0.1)**	**0.9**	**2.0**	**2.5**	**3.1**	
Change working capital	(2.1)	(1.3)	(1.7)	(0.9)	(0.1)	
Depreciation	4.7	4.5	4.4	2.0	1.0	
Investments	(1.6)	(2.3)	(2.3)	(2.0)	(1.0)	
Free Cash Flows	**0.9**	**1.7**	**2.4**	**1.6**	**3.0**	**41.4**
Present value	0.9	1.5	1.9	1.2	2.1	**28.7**
WACC	8.4%	8.4%	8.4%	8.4%	8.4%	
Long-term growth rate	**1.0%**					

Source: CFO Sim

Table 7 – DBA Group, DCF derived from:

€ m	
Total EV present value € m	36.3
thereof terminal value	*79%*
NFP last reported	(14.0)
Pension provision last reported	(1.9)
Equity value € m	**20.5**
#m shares	11.50
Equity value €/s	**1.80**
% upside/(downside)	*58.6%*

Source: CFO Sim

The application of the model produces an **equity value of DBA Group of € 20.5m, corresponding to € 1.80/share, 58.6% upside**.

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value of between **€ 1.54-2.08** 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 **€ 1.53-2.08** per share **(free risk range of between 2.08% and 0.58%)** and 3) compared to changes in the risk premium, including small size premium results into an equity value of **€ 1.31-2.44** per share **(risk premium range of between 10.50%% and 7.50%)**.

Table 8 – 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	25.9	26.7	27.7	28.7	29.8	30.9	32.1
Total value	**33.5**	**34.4**	**35.3**	**36.3**	**37.4**	**38.6**	**39.8**
NFP last reported	(14.0)	(14.0)	(14.0)	(14.0)	(14.0)	(14.0)	(14.0)
Pension provision last reported	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)
Equity value	**17.7**	**18.6**	**19.5**	**20.5**	**21.6**	**22.7**	**24.0**
Equity value/share €	**1.54**	**1.61**	**1.70**	**1.80**	**1.88**	**1.98**	**2.08**

Source: CFO Sim

Table 9 – DBA Group, equity value sensitivity to changes in free risk rate

€ m	0.58%	0.83%	1.08%	1.33%	1.58%	1.83%	2.08%
Present value of CF	7.8	7.7	7.7	7.7	7.6	7.6	7.5
PV of terminal value	32.0	30.8	29.7	28.7	27.7	26.8	25.9
Total value	**39.8**	**38.6**	**37.4**	**36.3**	**35.3**	**34.4**	**33.4**
NFP last reported	(14.0)	(14.0)	(14.0)	(14.0)	(14.0)	(14.0)	(14.0)
Pension provision last reported	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)
Equity value	**23.9**	**22.7**	**21.6**	**20.5**	**19.5**	**18.5**	**17.6**
Equity value/share €	**2.08**	**1.98**	**1.88**	**1.80**	**1.69**	**1.61**	**1.53**

Source: CFO Sim

Table 10 – 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	7.9	7.8	7.7	7.7	7.6	7.5	7.4
PV of terminal value	36.0	33.2	30.8	28.7	26.8	25.1	23.5
Total value	**43.9**	**41.1**	**38.6**	**36.3**	**34.4**	**32.6**	**30.9**
NFP last reported	(14.0)	(14.0)	(14.0)	(14.0)	(14.0)	(14.0)	(14.0)
Pension provision last reported	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)
Equity value	**28.0**	**25.2**	**22.7**	**20.5**	**18.5**	**16.7**	**15.1**
Equity value/share €	**2.44**	**2.19**	**1.98**	**1.80**	**1.61**	**1.45**	**1.31**

Source: CFO Sim

7.2. Market multiples

We conducted an analysis on a cluster of 12 companies operating in the ICT software, engineering and advisory arena, 2 of which are domestic. We divided the sample in two sub-groups: Engineering and ICT software. We removed WYG from our ICT software sample since it breached debt covenants at the beginning of 2019 and share price is now almost 1/10 compared to three years ago. Our engineering business unit peer sample comprises the following comparable firms:

AECOM: USA, it provides engineering, consulting, program and project management services for several sectors, including energy, environment, oil and gas, transport, construction.

Alten: France, operates in engineering and technology consulting, provides support for its clients' development strategies in the fields of innovation, R&D and IT systems.

Altran Technologies: France, it is a multinational consulting firm operating in different fields of engineering. It provides services to aerospace, automotive, energy, rail, finance, healthcare and TLC.

Arcadis: Netherlands, multinational firm offering engineering, consulting, program and project management services for different markets, including water and energy resources, commercial development, contractors, renewable energy, finance, retail, industrial, public transport services.

Jacob Engineering: USA, corporation providing engineering services including technical and scientific advice, in addition to all engineering aspects, construction, start-up and maintenance of plants for various sector including , industry, defence, energy and infrastructure.

SNC Lavalin: Canada, group providing design, consulting, engineering, software and project management services to mining and metallurgy, oil and gas, environment and water, infrastructure and clean power sectors. In Apr-17 it acquired Atkins Plc for some $ 2.7bn (11.5x EBITDA).

Sweco: Sweden, it offers consulting, engineering and architectural services to various sectors including environment and water, infrastructure, energy and industrial.

Our ICT software and consultant business unit peer sample comprises the following comparable groups:

Accenture: USA, multinational offering management and strategic consulting services, technology services and outsourcing solutions in a vast array of industries.

Capgemini: France, company providing IT consulting, outsourcing and professional services including application lifecycle services, big data analytics, supply chain management in several sectors including aerospace and defence, automotive, finance, industrial production, oil and gas, TLC.

Devoteam: France, group offering IT consulting services, system integration, project management, cyber security and outsourcing solutions.

Reply: Italy, group that supports its client in the definition and development of business models enabled by new technological and communication paradigms (Big Data, Cloud Computing, Digital Communication, the Internet of Things, Mobile and Social Networking), to optimize and integrate processes, applications and devices.

TXT e solution: Italy, software specialist and high value added solutions for aerospace, defence, high tech, finance, luxury, fashion, retail and consumer goods sectors.

Size and profitability vary a lot within the samples, as well as expected growth rates. Engineering and PMO comparable have EBITDA margins ranging from 5.5-13.8% and a sales growth on offer to the tune of low single digit. Swebco shows the highest profitability and Arcadis has sales growth higher than the peer median. The least virtuous is AECOM with 5.5% EBITDA margin. ICT software comparable firms show slightly higher growth profiles to the Engineering and PMO sample and higher profitability, ranging from 9.2% to 17.6%. Accenture shows the most lucrative P&L with an EBITDA margin of 17.6% but with small growth perspectives.

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

Table 11 - DBA Group, peer group summary table

€ m	Country	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA %	Sales $CAGR_{19-22}$	EBITDA $CAGR_{19-22}$	EBIT $CAGR_{19-22}$	EPS $CAGR_{20-22}$	NFP/ EBITDA FY1
AECOM	USA	5,501	11,676	641	5.5%	n.a.	-3.4%	1.4%	15.2%	3.0
Alten SA	France	2,693	2,452	210	8.6%	0.2%	n.a.	n.a.	27.3%	(0.9)
Arcadis NV	Dutch	1,473	3,443	280	8.1%	12.4%	n.a.	n.a.	14.6%	2.2
Jacobs Engineering Inc	USA	9,963	12,041	911	7.6%	3.3%	11.3%	13.3%	10.6%	1.1
Snc-Lavalin Group Inc	Canada	2,525	5,617	379	6.8%	-6.9%	11.1%	71.8%	n.s.	0.7
Sweco AB (publ)	Sweden	4,762	2,056	285	13.8%	4.3%	7.4%	9.3%	12.1%	0.4
Engineering & PM		**3,727**	**4,530**	**332**	**7.8%**	**3.3%**	**9.3%**	**11.3%**	**14.6%**	**0.9**
Accenture PLC	USA	119,362	39,612	6,971	17.6%	3.9%	7.1%	4.9%	6.4%	(0.8)
Capgemini SE	France	16,918	15,812	2,229	14.1%	8.1%	14.8%	11.3%	16.4%	2.3
Devoteam SA	France	643	747	69	9.2%	3.4%	1.6%	3.8%	45.4%	(1.1)
Reply SpA	Italy	2,775	1,229	185	15.1%	7.3%	6.5%	7.2%	12.5%	(1.0)
TXT e solutions SpA	Italy	101	65	7	10.8%	n.a.	n.a.	n.a.	n.a.	6.0
ICT software median		**2,775**	**1,229**	**185**	**14.1%**	**5.6%**	**6.8%**	**6.1%**	**14.5%**	**(0.8)**
DBA Group	**Italy**	**13**	**70**	**5**	**6.5%**	**9.4%**	**33.6%**	**n.s.**	**166.8%**	**2.9**

Source: CFO Sim, Thomson Reuters Eikon

Table 12 - DBA Group, peer group EV multiple table

x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
AECOM	0.63	0.63	n.a.	11.6	10.9	10.1
Alten SA	1.03	0.92	0.90	12.0	8.9	7.8
Arcadis NV	0.61	0.56	0.52	7.5	6.5	5.6
Jacobs Engineering Group Inc	0.91	0.87	0.85	12.0	10.7	9.5
Snc-Lavalin Group Inc	0.50	0.37	n.a.	7.4	4.1	n.a.
Sweco AB (publ)	2.37	2.21	2.11	17.1	15.3	13.9
Engineering & PM median	**0.77**	**0.75**	**0.87**	**11.8**	**9.8**	**9.5**
Accenture PLC	2.86	2.72	2.52	16.3	15.6	14.4
Capgemini SE	1.39	1.23	1.12	9.9	8.4	7.4
Devoteam SA	0.76	0.68	0.58	8.3	6.1	4.9
Reply SpA	2.10	1.86	1.63	13.9	11.9	10.3
TXT e solutions SpA	2.22	1.52	n.a.	20.6	12.4	n.a.
ICT software median	**2.10**	**1.52**	**1.38**	**13.9**	**11.9**	**8.8**
DBA Group SpA	**0.37**	**0.33**	**0.28**	**5.7**	**4.1**	**2.8**

Table 13 - DBA Group, peer group EV & price multiple table

x	EBIT FY1	EBIT FY2	EBIT FY3	PER FY1	PER FY2	PER FY3
AECOM	14.0	13.0	12.1	18.3	16.2	13.8
Alten SA	14.0	10.0	9.9	24.4	16.7	15.1
Arcadis NV	12.4	10.6	9.2	13.8	11.9	10.5
Jacobs Engineering Group Inc	13.2	11.8	11.1	16.5	14.7	13.5
Snc-Lavalin Group Inc	12.1	5.9	n.a.	17.4	8.6	n.a.
Sweco AB (publ)	27.1	23.2	20.9	35.0	30.1	27.8
Engineering & PM median	**13.6**	**11.2**	**11.1**	**17.8**	**15.5**	**13.8**
Accenture PLC	19.5	18.3	16.8	27.2	25.9	24.0
Capgemini SE	13.3	11.0	9.5	16.4	13.7	12.1
Devoteam SA	11.3	7.6	5.8	27.2	16.4	12.9
Reply SpA	17.5	14.4	12.5	26.2	22.8	20.7
TXT e solutions SpA	33.0	17.1	n.a.	33.3	21.8	n.a.
ICT software median	**17.5**	**14.4**	**11.0**	**27.2**	**21.8**	**16.8**
DBA Group SpA	**25.7**	**9.3**	**4.7**	**35.1**	**10.1**	**4.9**

Source: CFO Sim, Thomson Reuters Eikon

7.3. 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%, 56.8%** after warrant conversion and the Price Adjustment Shares cancellation. Adopting the same approach used in setting up the peer sample for assessing the value of DBA Group, we defined a panel of 12 firms, 7 of which operate mainly in EPM and the remainder in the ICT software sector.

Table 14 - DBA Group, peer group absolute performance

	1D	1W	1M	3M	6M	YTD	1Y
AECOM	(1.3)	(3.6)	7.2	50.3	(11.9)	(11.0)	4.5
Alten SA	1.2	4.9	13.3	27.8	(30.8)	(29.7)	(21.3)
Altran Technologies SA	(0.5)	3.2	17.9	23.0	(21.6)	(21.8)	(1.5)
Jacobs Engineering Group Inc	0.5	6.3	11.0	30.4	(5.0)	(4.7)	4.5
Snc-Lavalin Group Inc	(0.8)	(2.7)	8.8	11.7	(28.0)	(27.0)	(18.3)
Sweco AB (publ)	(0.2)	7.4	12.6	76.8	17.4	15.0	59.7
Engineering & PM median	**(0.4)**	**4.1**	**11.8**	**29.1**	**(16.8)**	**(16.4)**	**1.5**
Accenture PLC	(0.7)	(0.0)	4.0	34.4	(4.5)	(4.3)	8.1
Capgemini SE	(0.3)	3.6	15.3	50.7	(10.4)	(8.5)	(3.3)
Devoteam SA	0.8	(0.9)	15.1	44.2	(21.1)	(18.5)	(21.4)
Reply SpA	1.4	7.2	2.0	56.6	4.1	6.6	20.9
TXT e solutions SpA	(0.1)	1.4	(1.9)	56.0	(20.7)	(19.3)	(6.5)
ICT software median	**(0.1)**	**1.4**	**4.0**	**50.7**	**(10.4)**	**(8.5)**	**(3.3)**
DBA Group SpA	**1.3**	**6.1**	**11.8**	**18.8**	**(33.6)**	**(37.6)**	**(40.3)**

Source: Thomson Reuters Eikon

7.4. Risks

The principal investment **risks** in DBA Group include:

- Risks linked to the postponement of some key projects and 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.

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") and **GIANLUCA MOZZALI**, Equity Analyst of CFO SIM. This is to certify that the views expressed on the companies mentioned in this document reflect the analysts' personal opinions and that no direct or indirect recompense has been, or will be, received by the analyst further to the views expressed herein.

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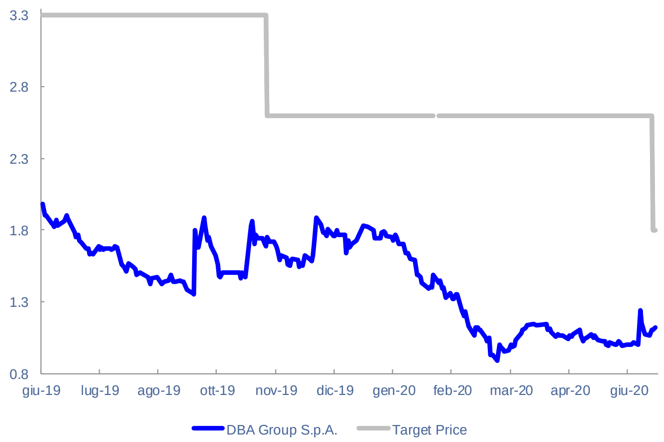

DATE	TARGET PRICE	RATING
22/06/2020	€1.80	BUY
31/10/2019	€2.60	BUY
15/04/2019	€3.30	BUY

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