

Italy – ICT Consulting

Top-notch FY-21 preliminary results, well above expectations

16th March 2022

FY-21 PRELIMINARY RESULTS

RIC: DBA.MI
BBG: DBA IM

FY-21 preliminary results exceed both the company's guidance and CFO SIM's estimates. Profitability benefited from the increasing demand for engineering activities in Italy as well as from the streamlining of the EPM business unit. The huge investments planned for the digitalisation of domestic infrastructures prompted DBA Group to revise upwards its guidance for 2022.

Rating:

Buy

Price Target:

€ 3.00 (€ 2.00)

Upside/(Downside): 95.4%

Last Price: € 1.54

Market Cap.: € 17.7m

1Y High/Low: € 2.09/€ 0.94

Avg Daily Turn. (3M, 6M): € 18k, € 30k

Free Float: 49.6%

Major shareholders:

De Bettin family 40.6%



Stock price performance

	1M	3M	12M
Absolute	-1.0%	-0.3%	46.2%
Rel.to FTSE IT Growth	5.9%	12.3%	25.0%
Rel.to peers	-0.5%	7.7%	25.8%

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Estimates upgraded, new PT at € 3.00/s (€ 2.00), 95.4% upside. Buy

DBA Group's 2021 preliminary results came in much better than expected. The figures are almost one year ahead compared to both the company's budget and our estimates with regard to EBITDA and more than two years ahead in terms of turnover. On the back of FY-21 preliminary numbers and the updated 2022 guidance, we have upgraded our model almost aligning our projections to the company's business plan. The combined result is an average 15.9% and 19.4% increase in Value of Production and EBITDA in 2022-23 and an average 25.2% decline in NFP in the same period. Moreover, we have updated the DCF valuation criteria, by bringing the free risk rate up-to-date and postponing the first estimated year to 2022: the combined result is a new DCF-based PT of € 3.00/s (€ 2.00), 95.4% upside potential. At current price levels, DBA trades at a huge discount compared to its peers: 3.8x EV/EBITDA₂₂ compared to 10.6x and 12.0x of Engineering & PMO and ICT software median, respectively. Buy recommendation reiterated.

The recovery of the EPM division drove the outperformance of estimates

The Value of Production totalled € 79.1m, up by 8.5% YoY and almost 13% and 9% higher than the company's budget and CFO SIM's estimate, respectively. The positive result was driven by the recovery of the domestic market at pre-pandemic levels with regard to the Engineering & Project Management division, coupled with the consolidation of the Information & Communication Technology division in the Balkans. Adj. EBITDA grew by 35.5% YoY to € 6.1m, 7.7% margin. The figure came in significantly above both the company's budget and CFO SIM's estimates, of € 5.5m and € 5.2m, respectively. By including also non-recurrent expenses, EBITDA was € 6.0m, 7.6% margin (compared to € 3.9m, 5.4% margin in 2020). The increase in EBITDA was driven by both the streamlining of the EPM division and the increasing demand for engineering activities in Italy, which, on a comparable offer, prompted an increase in the profitability of the new contracts.

A strong cash flow generation in H2 prompted a significant deleverage

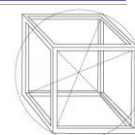
Net debt declined by € 5.7m to € 10.3m (vs € 16.4m in FY-20), 27% and 30% better than the company's budget and CFO SIM's estimate, thanks to a higher than expected CF generation and a significant advance payment on a contract. NFP/EBITDA ratio declined from 3.6x in 2020 to 1.7x in 2021, showing a significant reduction of the group's leverage.

Upwards revising of the company's guidance for 2022

DBA Group revised upwards its budget for FY-22, thanks to the increasing demand for engineering activities in Italy stemming from the significant investments in the digitalisation of domestic infrastructures supported by the Italian National Recovery and Resiliency Plan. The new figures entail: Value of Production of € 84.5m (previously € 72.8m), EBITDA of € 7.5m (previously € 6.3m) and Net Financial Position of € 9.8m (previously € 12.3m).

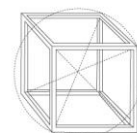
DBA Group, key financials and ratios

€ m	2019	2020	2021e	2022e	2023e
Value of production	61.0	71.9	79.0	83.6	86.5
EBITDA	3.3	3.9	6.0	7.3	8.0
EBITDA adj.	3.3	4.4	6.1	7.3	8.0
EBIT	(2.3)	(0.7)	1.6	3.0	3.8
EBIT adj.	(1.2)	0.5	2.7	4.2	4.9
Net profit	(2.7)	(1.2)	0.5	1.3	1.8
Net profit adj.	(1.6)	(0.1)	1.6	2.5	2.9
NFP (cash)/debt	14.7	16.4	10.3	10.1	7.3
EPS adjusted €	(0.11)	(0.01)	0.13	0.21	0.25
EPS adj. growth	n.m.	n.m.	n.m.	63.4%	18.5%
EBITDA margin %	5.4%	5.4%	7.6%	8.8%	9.3%
EBIT margin %	neg.	neg.	2.0%	3.6%	4.3%
PER	neg.	neg.	10.8	7.2	6.0
EV/Sales	0.60	0.40	0.35	0.33	0.29
EV/EBITDA	11.1	7.3	4.7	3.8	3.1
EV/EBIT	neg.	59.5	10.2	6.7	5.1





Income statement (€ m)	2019	2020	2021e	2022e	2023e
Value of Production	61.0	71.9	79.0	83.6	86.5
Services	(24.9)	(23.0)	(25.9)	(27.7)	(28.9)
Lease, rental and other opex	(9.1)	(20.0)	(22.1)	(23.4)	(24.2)
Personnel expenses	(23.6)	(25.0)	(25.0)	(25.2)	(25.5)
EBITDA	3.3	3.9	6.0	7.3	8.0
D&A	(5.6)	(4.6)	(4.4)	(4.3)	(4.3)
EBIT	(2.3)	(0.7)	1.6	3.0	3.8
Financial costs	(0.3)	(0.6)	(0.5)	(0.4)	(0.4)
Extraordinary, other costs	0.0	0.0	0.0	0.0	0.0
Pre-Tax profit	(2.7)	(1.2)	1.1	2.6	3.4
Income taxes	(0.2)	(0.1)	(0.5)	(1.1)	(1.5)
Minorities	0.1	0.1	(0.1)	(0.1)	(0.1)
Net Profit	(2.7)	(1.2)	0.5	1.3	1.8
EBIT adj.	(1.2)	0.5	2.7	4.2	4.9
Net Profit adj.	(1.6)	(0.1)	1.6	2.5	2.9
Balance sheet (€ m)	2019	2020	2021e	2022e	2023e
Net Working Capital	19.9	20.9	17.5	20.9	21.9
Net Fixed Assets	20.8	19.3	17.5	15.7	13.9
Equity Investments	0.7	0.6	0.6	0.6	0.6
Other M/L Term A/L	(5.5)	(5.1)	(5.6)	(6.0)	(6.3)
Net Invested Capital	35.8	35.7	30.1	31.3	30.2
Net Financial Position	14.7	16.4	10.3	10.1	7.3
Minorities	0.3	0.0	0.2	0.3	0.4
Group's Shareholders Equity	20.8	19.3	19.7	20.8	22.5
Net Financial Position & Equity	35.8	35.7	30.1	31.3	30.2
Cash Flow statement (€ m)	2019	2020	2021e	2022e	2023e
Total net income	(2.7)	(1.2)	0.5	1.3	1.8
Depreciation	5.6	4.6	4.4	4.3	4.3
Other non-cash charges	(1.0)	(0.3)	0.4	0.4	0.3
Cash Flow from Oper. (CFO)	1.9	3.0	5.3	6.0	6.4
Change in NWC	0.1	(1.0)	3.4	(3.4)	(1.0)
FCF from Operations (FCFO)	2.1	2.0	8.7	2.6	5.3
Net Investments (CFI)	(8.1)	(3.1)	(2.6)	(2.5)	(2.5)
Free CF to the Firm (FCFF)	(6.0)	(1.1)	6.1	0.1	2.8
CF from financials (CFF)	3.8	6.0	0.0	(3.3)	(2.8)
Free Cash Flow to Equity (FCFE)	(2.2)	4.9	6.1	(3.1)	0.0
Financial ratios	2019	2020	2021e	2022e	2023e
EBITDA margin	5.4%	5.4%	7.6%	8.8%	9.3%
EBIT margin	-3.8%	-0.9%	2.0%	3.6%	4.3%
Net profit margin	-4.5%	-1.7%	0.6%	1.6%	2.1%
Tax rate	n.m.	n.m.	43.0%	43.0%	43.0%
Interest coverage x	(0.15)	(0.84)	0.32	0.15	0.10
Net Debt/EBITDA x	4.44	4.19	1.71	1.38	0.91
Debt-to-Equity x	0.71	0.85	0.52	0.49	0.32
ROIC	neg.	neg.	1.6%	4.2%	5.9%
ROCE	neg.	neg.	3.3%	6.4%	8.1%
ROACE	neg.	neg.	3.3%	6.2%	8.0%
ROE	neg.	neg.	2.5%	6.3%	7.9%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Per share figures	2019	2020	2021e	2022e	2023e
Number of issued ordinary shares # m	11.50	11.50	11.51	11.51	11.51
Number of shares Fully Diluted # m	13.40	13.40	11.51	11.51	11.51
Average Number of shares Fully Diluted # m	14.31	13.40	12.46	11.51	11.51
EPS reported €	(0.24)	(0.11)	0.04	0.11	0.15
EPS adjusted €	(0.14)	(0.01)	0.14	0.21	0.25
EPS reported FD €	(0.19)	(0.09)	0.04	0.11	0.15
EPS adjusted FD €	(0.11)	(0.01)	0.13	0.21	0.25
EBITDA €	0.23	0.29	0.48	0.64	0.70
EBIT €	(0.16)	(0.05)	0.13	0.26	0.33
BV €	1.58	1.44	1.72	1.84	1.99
FCFO €	0.15	0.15	0.70	0.23	0.46
FCFF €	(0.42)	(0.08)	0.49	0.01	0.25
FCFE €	(0.15)	0.36	0.49	(0.27)	0.00
Dividend €	0.00	0.00	0.00	0.00	0.00

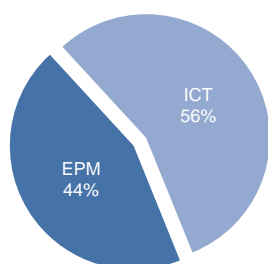


The company at a glance

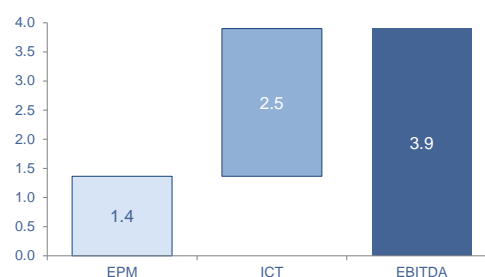
Founded in 1991 by the four De Bettin brothers in the north east of Italy, DBA Group is specialised in network connectivity and infrastructure lifecycle support solutions. The core competence of DBA Group is its proven ability to provide telematics solutions for strategic infrastructures to clients whose 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 engineering and architecture associated firm, now DBA Group is the only player in Italy able to offer a synergic combination of the aforementioned services and solutions for the entire infrastructure lifecycle management. DBA Group offers high value-added services and software platforms which meet a full range of potential technical, technological and ICT customer needs during the entire infrastructure lifecycle with the aim of providing high value-added support services for infrastructure management and maintenance.

The group has grown significantly in the last few years: in the period 2011-20, top line more than tripled from € 18.8m to € 71.9m, 16.1% CAGR also thanks to the acquisition of Actual IT in 2015 (minority buyout in September 2018), SJS Engineering in October 2018 and Unistar in September 2019. In 2020, value of production reached € 71.9m, up 17.9% YoY, EBITDA totalled € 3.9m, 5.4% margin and net profit came in negative for € 1.2m. Net financial position was € 16.4m (debt). The chart below shows top line, EBITDA and personnel trends since the founding of DBA Group in 1991.

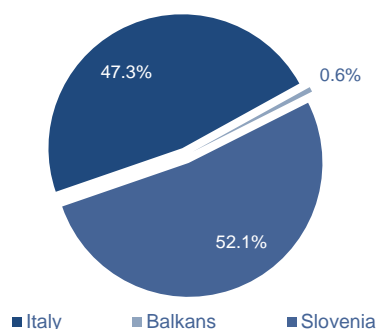
2020 top line ...



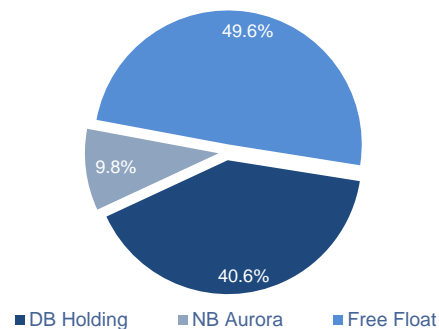
... and EBITDA breakdown by business unit



2020 top line by country



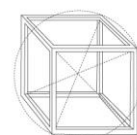
Shareholders structure



Peer 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	0.87	0.80	1.03	13.5	12.5	11.1	15.9	13.9	12.6
Alten SA	1.25	1.13	0.97	10.2	9.1	7.9	12.4	10.9	9.5
Arcadis NV	1.12	1.09	n.a.	10.3	9.7	n.a.	15.0	13.7	n.a.
Jacobs Engineering Group Inc	1.24	1.14	1.07	13.2	11.4	10.0	13.9	11.9	10.4
SNC-Lavalin Group Inc	0.85	0.81	n.a.	9.7	7.9	n.a.	11.3	9.3	n.a.
Sweco AB (publ)	2.20	2.07	1.90	16.0	14.8	12.5	22.6	20.6	18.0
Engineering & PMO median	1.18	1.11	1.05	11.8	10.6	10.6	14.5	12.8	11.5
Accenture PLC	3.35	3.04	2.75	17.9	16.2	14.5	21.9	19.7	17.6
Capgemini SE	1.67	1.50	1.33	10.7	9.3	8.1	14.0	11.9	10.2
Reply SpA	2.87	2.51	2.19	16.7	14.8	13.6	20.3	17.8	16.1
TXT e solutions SpA	1.28	1.25	n.a.	9.4	9.2	n.a.	13.2	12.6	n.a.
ICT software median	2.27	2.00	2.19	13.7	12.0	13.6	17.2	15.2	16.1
DBA Group SpA	0.35	0.33	0.29	4.7	3.8	3.1	10.2	6.7	5.1

Sources: CFO Sim, Thomson Reuters Eikon



FY-21 preliminary results and upgraded 2022 guidance

DBA Group announced significantly better 2021 preliminary results compared to both the company's budget and CFO SIM's estimates: the company is almost one year ahead in terms of EBITDA and more than two years ahead in terms of turnover. Furthermore, DBA Group revised upwards its budget for FY-22, thanks to the increasing demand for engineering activities in Italy stemming from the significant investments in the digitalisation of domestic infrastructures supported by the National Recovery and Resiliency Plan – NRRP.

Table 1 – DBA Group, FY-21 preliminary results summary

€ m	2021	2020	% YoY	BP 2021	% diff CFO 2021e		% diff
Value of Production	79.1	72.9	8.5	70.1	12.9	72.5	9.1
Adj. EBITDA	6.1	4.5	35.5	5.5	10.7	5.2	16.3
% margin	7.7	6.2		7.9		7.2	
EBITDA	6.0	3.9	53.2	5.5	8.9	5.2	14.4
% margin	7.6	5.4		7.9		7.2	
NFP (cash)/debt	10.3	16.4	(37.2)	14.1	(27.0)	14.8	(30.3)

Source: Company data, CFO SIM estimates

The **Value of Production totalled € 79.1m, up by 8.5% YoY** and almost 13% and 9% higher than the company's budget and CFO SIM's estimate, respectively. The positive result was driven by the recovery of the domestic market at pre-pandemic levels with regard to the Engineering & Project Management (EPM) division, coupled with the consolidation of the Information & Communication Technology (ICT) division in the Balkans.

Adjusted EBITDA grew by 35.5% YoY to € 6.1m, 7.7% margin. The figure came in above both the company's budget and CFO SIM's estimates, of € 5.5m and € 5.2m, respectively. By including also non-recurrent expenses, EBITDA was € 6.0m, 7.6% margin (compared to € 3.9m, 5.4% margin in 2020). The increase in EBITDA was driven by both the streamlining of the EPM division and the increasing demand for engineering activities in Italy, which, on a comparable offer, prompted an increase in the profitability of the new contracts.

Net Financial Position declined by € 5.7m to € 10.3m debt (vs € 16.4m debt in FY-20), 27% and 30% better than the company's budget and CFO SIM's estimate, thanks to a higher than expected cash flow generation and a significant advance payment on a contract. **NFP/Adj. EBITDA** ratio declined from 3.6x in 2020 to **1.7x in 2021**, showing a significant reduction in the group's leverage.

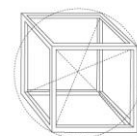
On the back of the positive performance of the Engineering & Project Management division in 2021, supported by significant infrastructural investments in Italy, **DBA Group revised upwards its budget for FY-22:**

- **Value of Production: € 84.5m** (previously € 72.8m)
- **EBITDA: € 7.5m** (previously € 6.3m)
- **Net Financial Position: € 9.8m** (previously € 12.3m)

Table 2 – DBA Group, new 2022 budget

€ m	2021	New BP 2022	% YoY	Old BP 2022	% diff	CFO 2022e	% diff
Value of Production	79.1	84.5	6.8	72.8	16.1	72.8	16.0
Adj. EBITDA	6.1	7.5	23.0	6.3	19.4	6.1	23.9
% margin	7.7	8.9		8.6		8.3	
EBITDA	6.0	7.5	25.0	6.3	19.4	6.1	23.9
% margin	7.6	8.9		8.6		8.3	
NFP (cash)/debt	10.3	9.8	(4.9)	12.3	(20.3)	12.9	(24.0)

Source: Company data, CFO SIM estimates



Estimates, Valuation & risks

DBA Group's 2021 preliminary results came in much better than expected. The figures are almost one year ahead compared to both the company's budget and our estimates with respect to EBITDA and more than two years ahead in terms of turnover. Furthermore, Net Financial Position strongly declined thanks to significant cash flow generation.

The **increasing demand for engineering activities in Italy** drove the outperformance of estimates in 2021 and it **is expected to continue also in 2022**, supported by the the National Recovery and Resiliency Plan – NRRP. DBA Group has strong know-how with regard to infrastructure digitalisation, which is one of the main pillars of the Italian NRRP. For this reason, the group revised upwards its budget for FY-22:

- **Value of Production: € 84.5m** (previously € 72.8m)
- **EBITDA: € 7.5m** (previously € 6.3m)
- **Net Financial Position: € 9.8m** (previously € 12.3m)

On the back of FY-21 preliminary figures and the updated 2022 guidance, we have upgraded our model almost aligning our projections to the company's business plan. The combined result is an **average 15.9% and 19.4% increase in Value of Production and EBITDA in 2022-23 and an average 25.2% decline in NFP in the same period.**

Table 3 – DBA Group, 2022e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Value of Production	83.6	72.8	14.8	10.8
EBITDA	7.3	6.1	21.3	1.3
% margin	8.8	8.3		
EBIT	3.0	1.7	75.6	1.3
% margin	3.6	2.3		
Net Profit	1.3	0.6	119.5	0.7
% margin	1.6	0.8		
Y/E net debt (net cash)	10.1	12.9	(21.6)	(2.8)

Source: CFO Sim

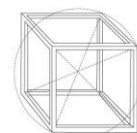
Table 4 – DBA Group, 2023e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Value of Production	86.5	74.0	16.9	12.5
EBITDA	8.0	6.8	17.5	1.2
% margin	9.3	9.2		
EBIT	3.8	2.6	46.5	1.2
% margin	4.3	3.5		
Net Profit	1.8	1.1	58.9	0.7
% margin	2.1	1.5		
Y/E net debt (net cash)	7.3	10.2	(28.8)	(2.9)

Source: CFO Sim

Moreover, we have updated the DCF valuation criteria, by bringing the free risk rate up-to-date and postponing the first estimated year to 2022: the combined result is a **new DCF-based PT of € 3.00/s (€ 2.00), 95.4% upside potential. Buy.**

Moreover, it is worth remembering that last 27-Sep, some Slovenian media reported that **Telekom Slovenije may be interested in acquiring Actual IT**. DBA confirmed the ongoing negotiations. According to the Slovenian press, the appraisal of Actual IT is supposed to range between € 30m and € 50m. Actual IT's business corresponds to the Slovenian ICT BU of DBA Group, which in 2020 reported VoP of € 36.5m and EBITDA of € 2.8m (ITA GAAP). Actual IT has a NFP of about € 7m (debt), thus, considering the lower part of the valuation range, the **Equity Value of the company should be some € 24m**. This would result in a **massive potential cash-in of about € 22m** for DBA, corresponding to € 1.90/s. The valuation is appealing; however, this game-changing opportunity might entail a potential execution risk which is not to be underestimated.



DCF

In the valuation via the DCF method, explicit estimates until 2026 and a long-term growth of 1.0% were used. Cash flows were discounted back at a 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)	1.01%
Beta levered (x)	1.00
Required ROE	10.0%

Source: CFO Sim, Thomson Reuters Eikon

Risk premium at 9.0% factors in the minute size of the company and basically all the concerns and disquiet that an investor might have related to the Euronext Growth Milan market segment. **Beta at 1.00** is a usual conservative value for a small cap.

Table 6 - DBA Group, DCF model

€ m	2022e	2023e	2024e	2025e	2026e	Term. Val.
EBIT	3.0	3.8	4.4	5.0	5.8	
Tax rate	43.0%	43.0%	43.0%	43.0%	43.0%	
Operating profit (NOPAT)	1.7	2.1	2.5	2.9	3.3	
Change working capital	(3.4)	(1.0)	(0.8)	(0.5)	(0.1)	
Depreciation	4.3	4.3	4.2	3.1	2.0	
Investments	(2.5)	(2.5)	(2.5)	(2.0)	(2.0)	
Free Cash Flows	0.2	2.9	3.3	3.5	3.2	51.2
Present value	0.2	2.5	2.7	2.7	2.3	36.6
WACC	7.3%	7.3%	7.3%	7.3%	7.3%	
Long-term growth rate	1.0%					

Source: CFO Sim

Table 7 – DBA Group, DCF derived from:

€ m	
Total EV present value € m	47.0
<i>thereof terminal value</i>	78%
NFP last reported – FY 21	(10.3)
Pension provision last reported	(1.9)
Equity value € m	34.8
#m shares	11.51
Equity value €/s	3.00
% upside/(downside)	95.4%

Source: CFO Sim

The application of the model produces an **equity value of DBA Group of € 34.8m, corresponding to € 3.00/share (€ 2.00), 95.4% upside.**

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value of between **€ 2.66-3.48** per share (**perpetuity range of between 0.25% and 1.75%**), while 2) if compared to changes in the free risk rate it produces an equity value of **€ 2.69-3.41** per share (**free risk range of between 1.76% and 0.26%**) and 3) if compared to changes in the risk premium, including small size premium it results in an equity value of **€ 2.41-3.87** per share (**risk premium range of between 10.50% and 7.50%**).

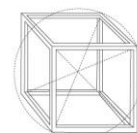


Table 8 – DBA Group, equity value sensitivity to changes in terminal growth rate

€ m	0.25%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%
Present value of CF	10.3	10.3	10.3	10.3	10.3	10.3	10.3
PV of terminal value	32.5	33.7	35.1	36.6	38.2	40.0	41.9
Total value	42.8	44.1	45.5	47.0	48.6	50.3	52.2
NFP last reported – FY-21	(10.3)	(10.3)	(10.3)	(10.3)	(10.3)	(10.3)	(10.3)
Pension provision last reported	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)
Equity value	30.6	31.9	33.3	34.8	36.4	38.2	40.1
Equity value/share €	2.66	2.77	2.89	3.00	3.16	3.31	3.48

Source: CFO Sim

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

€ m	0.26%	0.51%	0.76%	1.01%	1.26%	1.51%	1.76%
Present value of CF	10.5	10.5	10.4	10.3	10.3	10.2	10.2
PV of terminal value	40.9	39.4	38.0	36.6	35.3	34.1	33.0
Total value	51.4	49.8	48.4	47.0	45.6	44.4	43.2
NFP last reported – FY-21	(10.3)	(10.3)	(10.3)	(10.3)	(10.3)	(10.3)	(10.3)
Pension provision last reported	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)
Equity value	39.2	37.7	36.2	34.8	33.5	32.2	31.0
Equity value/share €	3.41	3.27	3.14	3.00	2.91	2.80	2.69

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	10.7	10.6	10.5	10.3	10.2	10.1	10.0
PV of terminal value	46.1	42.5	39.4	36.6	34.1	31.9	29.9
Total value	56.8	53.1	49.8	47.0	44.4	42.1	40.0
NFP last reported – FY-21	(10.3)	(10.3)	(10.3)	(10.3)	(10.3)	(10.3)	(10.3)
Pension provision last reported	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)
Equity value	44.6	40.9	37.7	34.8	32.2	29.9	27.8
Equity value/share €	3.87	3.55	3.27	3.00	2.80	2.60	2.41

Source: CFO Sim

Market multiples

We conducted an analysis on a cluster of 10 companies operating in the ICT software, engineering and advisory arena, two of which are domestic. We divided the sample into two sub-groups: Engineering and ICT software.

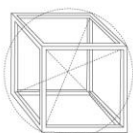
Our Engineering peer sample comprises the following comparable firms:

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

Alten (France): it operates in the engineering and technology consulting fields and 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 the aerospace, automotive, energy, rail, finance, healthcare and TLC sectors.

Arcadis (The Netherlands): it is a 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, and public transport services.



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

SNC Lavalin (Canada): it is a group providing design, consulting, engineering, software and project management services to the 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 business unit peer sample comprises the following comparable groups:

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

Capgemini (France): it is a 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, and TLC.

Reply (Italy): it is a group that supports its clients 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): it is a software specialist providing high value-added solutions for the aerospace, defence, high tech, finance, luxury, fashion, retail and consumer goods sectors.

Size and profitability vary a lot within the samples, as well as the expected growth rates. Engineering & PMO comparable firms have EBITDA margins ranging from 6.5% to 13.7% and a mid-single digit sales growth. Sweco shows the highest profitability and Alten has higher sales growth than the peer median. The least virtuous is AECOM with a 6.5% EBITDA margin.

ICT software comparable firms show slightly higher growth profiles than the Engineering & PMO sample and higher profitability, ranging from 13.6% to 18.7%. Accenture shows the most lucrative P&L with an EBITDA margin of 18.7%.

DBA Group's profitability is broadly in line with the Engineering & PMO peer median but is lower than the ICT software median. However, DBA Group offers investors higher growth perspectives in terms of EBITDA compared to both peer medians.

Table 11 - DBA Group, peer group summary table

€ m	Country	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA %	Sales CAGR ₂₀₋₂₃	EBITDA CAGR ₂₀₋₂₃	EBIT CAGR ₂₀₋₂₃	EPS CAGR ₂₁₋₂₃	NFP/EBITDA FY1
AECOM	USA	9,764	12,725	826	6.5%	-3.4%	10.7%	15.1%	8.8%	1.7
Alten SA	France	4,490	3,374	415	12.3%	10.6%	n.a.	n.a.	9.1%	n.m.
Arcadis NV	Dutch	3,597	3,502	382	10.9%	8.7%	n.a.	9.3%	12.0%	0.9
Jacobs Engineering Group Inc	USA	15,482	13,591	1,271	9.4%	5.6%	8.5%	14.5%	7.4%	1.1
SNC-Lavalin Group Inc	Canada	3,781	5,257	460	8.7%	0.8%	15.0%	35.9%	8.0%	1.5
Sweco AB (publ)	Sweden	4,595	2,199	302	13.7%	5.2%	8.0%	11.1%	10.1%	0.8
Engineering & PMO median		4,543	4,379	437	10.1%	5.4%	9.6%	14.5%	9.0%	1.1
Accenture PLC	USA	190,106	54,803	10,240	18.7%	14.9%	19.9%	16.3%	10.4%	n.m.
Capgemini SE	France	30,902	19,960	3,116	15.6%	8.2%	11.4%	13.2%	11.5%	0.8
Reply SpA	Italy	5,217	1,693	291	17.2%	12.7%	9.2%	10.4%	11.2%	n.m.
TXT e solutions SpA	Italy	120	103	14	13.6%	n.a.	n.a.	n.a.	n.a.	0.8
ICT software median		18,059	10,826	1,704	16.4%	12.7%	11.4%	13.2%	11.2%	0.8
DBA Group SpA	Italy	18	79	6	7.6%	6.3%	26.9%	116.8%	33.7%	1.7

Sources: CFO Sim, Thomson Reuters Eikon

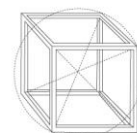


Table 12 - DBA Group, peer group EV multiple table

x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
AECOM	0.87	0.80	1.03	13.5	12.5	11.1
Alten SA	1.25	1.13	0.97	10.2	9.1	7.9
Arcadis NV	1.12	1.09	n.a.	10.3	9.7	n.a.
Jacobs Engineering Group Inc	1.24	1.14	1.07	13.2	11.4	10.0
SNC-Lavalin Group Inc	0.85	0.81	n.a.	9.7	7.9	n.a.
Sweco AB (publ)	2.20	2.07	1.90	16.0	14.8	12.5
Engineering & PMO median	1.18	1.11	1.05	11.8	10.6	10.6
Accenture PLC	3.35	3.04	2.75	17.9	16.2	14.5
Capgemini SE	1.67	1.50	1.33	10.7	9.3	8.1
Reply SpA	2.87	2.51	2.19	16.7	14.8	13.6
TXT e solutions SpA	1.28	1.25	n.a.	9.4	9.2	n.a.
ICT software median	2.27	2.00	2.19	13.7	12.0	13.6
DBA Group SpA	0.35	0.33	0.29	4.7	3.8	3.1

Sources: CFO Sim, Thomson Reuters Eikon

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

x	EBIT FY1	EBIT FY2	EBIT FY3	PER FY1	PER FY2	PER FY3
AECOM	15.9	13.9	12.6	21.5	19.4	18.1
Alten SA	12.4	10.9	9.5	18.7	17.0	15.7
Arcadis NV	15.0	13.7	n.a.	19.4	17.4	15.5
Jacobs Engineering Group Inc	13.9	11.9	10.4	18.3	16.1	15.9
SNC-Lavalin Group Inc	11.3	9.3	n.a.	16.9	14.1	14.4
Sweco AB (publ)	22.6	20.6	18.0	27.3	25.5	22.6
Engineering & PMO median	14.5	12.8	11.5	19.1	17.2	15.8
Accenture PLC	21.9	19.7	17.6	30.6	27.6	25.1
Capgemini SE	14.0	11.9	10.2	18.1	16.1	14.5
Reply SpA	20.3	17.8	16.1	30.5	27.5	24.7
TXT e solutions SpA	13.2	12.6	n.a.	16.9	15.0	n.a.
ICT software median	17.2	15.2	16.1	24.3	21.8	24.7
DBA Group SpA	10.2	6.7	5.1	10.8	7.2	6.0

Sources: CFO Sim, Thomson Reuters Eikon

Table 14 – DBA Group, equity assessment, 1#2

€ m	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3	PER FY1	PER FY2	PER FY3
DBA metrics	79.0	83.6	86.5	6.0	7.3	8.0	1.6	2.5	2.9
Multiples (35% discounted)	0.81	0.75	0.81	7.8	7.0	6.9	12.5	11.3	10.3
Enterprise Value	64.4	62.8	69.8	46.6	51.2	55.0	20.4	27.8	30.2
NFP	(10.3)	(10.1)	(7.3)	(10.3)	(10.1)	(7.3)			
Pension Provision	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)			
DBA Equity Value	52.2	50.8	60.6	34.4	39.1	45.8	20.4	27.8	30.2
DBA Equity Value per share €/s	4.53	4.41	5.27	2.99	3.40	3.98	1.78	2.41	2.62
% upside/(downside)	195.3	187.5	243.1	94.9	121.5	159.2	15.7	57.2	70.8

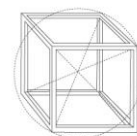
Sources: CFO Sim, Thomson Reuters Eikon

Table 15 – DBA Group, equity assessment, 2#2

€ m	FY1	FY2	FY3
EV/EBITDA	34.4	39.1	45.8
Weighting	0.0%	100.0%	0.0%
Equity Value	39.1		
Equity Value per share €/s	3.40		
% upside/(downside)	121.5%		

Sources: CFO Sim, Thomson Reuters Eikon

We believe that the DBA stock deserves a **discount to peer median not only due to the company's small size but also to the lack of adequate stock liquidity** on the back of the Euronext Growth Milan listing. By applying a 35% discount on peer multiples for EV/EBITDA to DBA's metrics, we attain an **equity value of DBA of € 39.1m, or € 3.40/s**, 121.5% upside. We used 2022 estimates and multiples (previously 2021). The appraisal of DBA Group obtained through the market multiples corroborates the evaluation of the company attained via the DCF model.



Sum of the parts

The sum-of-the-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 obtained by adjusting the company's net debt, pension provisions, minorities assessment and the perpetuity of holding costs. Please note that for DBA Group we have not applied the perpetuity of holding costs as they are already split in the EBITDA of the two divisions.

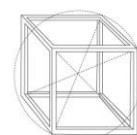
In our SOTP valuation, we used 1) the median EV/EBITDA multiple of the Engineering & PMO panel to evaluate the EPM business units, 2) the median EV/EBITDA multiple of the ICT software panel to appraise the ICT business unit. We applied a **35% discount to peer multiples**, mainly due to DBA's smaller size and low level of the stock liquidity on the back of its listing on the Euronext Growth Milan market.

We decided to assess the equity value using 2022e figures (previously 2021). As a result, we attained an equity value of € 3.70/s, 141.0% upside to current price levels, thus corroborating the appraisal of DBA Group obtained both via the DCF model and through the market multiples approach.

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

	€ m	% on EV	Methodology
ICT BU	32.1	59.0	7.8x peer multiple on € 4.1 m BU EBITDA 2022
EPM BU	22.3	41.0	6.9x peer multiple on € 3.2 m BU EBITDA 2022
Total EV	54.3	100.0	
NFP	(10.1)		FY-22e Net Financial Position
Pension Provision	(1.9)		Pension provision last reported
Equity Value	42.3		
Per share	3.70		
% upside/(downside)	141.0%		

Source: CFO SIM, Thomson Reuters Eikon



Peer stock performance

DBA Group went public on 13-Dec-17 on Euronext Growth Milan 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 10 companies, 6 of which mainly operating in the EPM business and the rest in the ICT software sector.

Table 17 - DBA Group, peer group absolute performance

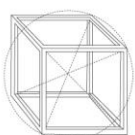
	1D	1W	1M	3M	6M	YTD	1Y
AECOM	0.7	4.3	3.6	3.2	17.4	(2.2)	20.9
Alten SA	(1.8)	7.9	(7.2)	(11.4)	(5.6)	(17.6)	30.3
Altran Technologies SA	(0.1)	11.1	2.4	0.7	(10.9)	(6.0)	30.1
Jacobs Engineering Group Inc	3.4	7.9	6.0	(6.4)	(1.4)	(5.8)	4.2
Snecma Group Inc	(3.4)	(3.1)	2.3	(0.3)	(20.0)	(2.2)	4.1
Sweco AB (publ)	(2.7)	6.3	(7.0)	(10.4)	(12.4)	(21.7)	(3.8)
Engineering & PM median	(1.0)	7.1	2.3	(3.4)	(8.3)	(5.9)	12.6
Accenture PLC	2.8	4.8	(4.0)	(14.5)	(7.2)	(23.7)	18.8
Capgemini SE	0.6	7.7	(3.9)	(10.8)	(6.4)	(16.7)	24.7
Reply SpA	(2.0)	8.2	(2.6)	(20.1)	(18.3)	(21.9)	40.7
TXT e solutions SpA	(0.2)	10.4	4.8	(0.1)	5.3	(8.7)	31.9
ICT software median	0.2	8.0	(3.3)	(12.6)	(6.8)	(19.3)	28.3
DBA Group SpA	7.0	17.6	(1.0)	(0.3)	(8.6)	8.5	46.2

Source: Thomson Reuters Eikon

Risks

The principal investment risks associated with 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 the P&L and balance sheet profiles triggered by a sharp decline in local and global economic growth;
- Profit margin dilution stemming from the acquisition campaign;
- The departure of one, or a few of, the key relevant people.



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DATE	TARGET PRICE	RATING
16/03/2022	€3.00	BUY
11/10/2021	€2.00	BUY
07/06/2021	€2.00	BUY
28/01/2021	€1.50	BUY
10/11/2020	€1.50	BUY
26/10/2020	€1.50	BUY
22/06/2020	€1.80	BUY

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- a **SELL** rating is assigned if the target price is at least 15% lower than the market price;
- a **NEUTRAL** rating is assigned if the difference between the current price and target price lies within the +/-15% range identified using the preceding criteria.

The rating is determined on the basis of the **expected absolute return over a 12-month period** and not on the basis of the estimated outperformance or underperformance relative to a market index. Thus, the rating can be directly linked to the estimated percentage difference between current and target prices. The prices of the financial securities mentioned in the report (also used for the calculation of market capitalisation and market multiples) are the reference prices of the stock market trading day preceding the publication date of the report, otherwise stated.

