CORPORATE FAMILY OFFICE SIM

DBA GROUP

Italy – ICT Consulting

The EPM BU performed well – Huge cash in from the sale of Actual

30th June 2022

FY-21 RESULTS RELEASE

RIC: DBA.MI
BBG: DBA IM

FY-21 results showed the recovery of the EPM division at pre-pandemic levels thanks to the increasing demand for engineering activities in Italy stemming from significant investments regarding the digitalisation of domestic infrastructures supported by the National Recovery and Resiliency Plan. The fresh resourcing stemming from the sale of Actual IT allows the group to strengthen its presence in this promising segment.

Rating:
Buy

Price Target:
€ 3.50 (€ 3.00)

Upside/(Downside): 117.4%

Last Price: € 1.61

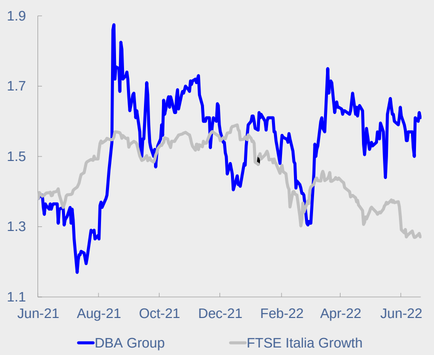
Market Cap.: € 18.5m

1Y High/Low: € 2.09/€ 1.16

Avg Daily Turn. (3M, 6M): € 28k, € 27k

Free Float: 49.6%

Major shareholders:
De Bettin family 40.5%



Stock price performance

	1M	3M	12M
Absolute	-0.6%	-5.6%	17.9%
Rel.to FTSE IT Growth	6.8%	6.7%	25.4%
Rel.to peers	7.3%	13.8%	22.9%

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Estimates updated. New PT at € 3.50/s (€ 3.00), 117.4% upside. Buy reiterated
FY-21 results came in broadly in line with the preliminary numbers announced in March, with the exception of the almost entire write-off of the Italtel receivable. Following the FY-21 results, we have updated our model by factoring in 1) the deconsolidation of Actual IT as from Sep-22, 2) the cash-in stemming from its disposal and 3) the related capital gain. The new consolidation scope as from 2023 will include the EPM BU as a whole and only the domestic activities of the ICT BU. We have also introduced FY-24 projections. Moreover, we have updated the DCF valuation criteria, by bringing the free risk rate up-to-date: the combined result is a new DCF-based PT of € 3.50/s (€ 3.00), 117.4% upside potential. Buy.

Double-digit growth driven by the recovery of the EPM division
VoP totalled € 79.5m, up by 10.5% YoY and almost 13% higher than the company's budget. The EPM business unit totalled € 37.2m, up by 17.4% YoY thanks to the increasing demand for engineering activities in Italy, mainly with regard to the mission critical infrastructures (i.e. datacentres), the energy transition (i.e. bonus 110%) and the project management supporting the digitalisation and the development of the ultra-broadband network. The ICT business unit's turnover was € 42.3m, € 3.1m of which stemming from the domestic Information & Communication Technology services (up by 10.2% YoY) while the remaining € 39.2m regards the Slovenian activities (up by 4.8% YoY).

Adj. EBITDA at € 7.3m, 9.2% margin. NFP significantly reduced
Adjusted EBITDA grew by 66% YoY to € 7.3m, 9.2% margin. The figure came in significantly better than the company's budget. By also including non-recurring expenses, EBITDA was € 4.8m, 6.0% margin (compared to € 3.9m, 5.4% margin in 2020). The difference between adjusted and reported figures is mainly ascribable to the almost entire write-off of the receivable related to Italtel. EBIT totalled € 0.4m and compares with € 0.7m negative reported in 2020. As a result of the aforementioned significant receivable write-off, bottom line came in negative for € 0.7m vs. € 1.2m negative in 2020. Net Financial Position declined by € 6.0m to € 10.4m debt (vs € 16.4m debt in FY-20), thanks to a higher-than-expected cash flow generation.

Substantial € 19m cash in stemming from the sale of Actual IT
In Mar-22, DBA approved the sale of 100% of Actual IT to Telekom Slovenije, which valued the company at € 30m (Enterprise Value), corresponding to 9x $EV/EBITDA_{21}$. Considering FY-21 results, the equity value of the transaction is € 20.6m, with a cash in for DBA of € 18.9m (corresponding to € 1.64 per share), thus reducing the group's NFP from € 10.4m debt at end-21 to € 11.2m cash. The deal generates a significant capital gain for DBA, to the tune of € 8.6m (€ 6.9m net of deal costs). The implicit IRR with regard to the investment in Actual amounts to 10% per year. The closing is expected by September 2022.

DBA Group, key financials and ratios

€ m	2020	2021	2022e	2023e	2024e
Value of production	71.9	79.5	74.1	46.2	48.4
EBITDA	3.9	4.8	6.6	4.6	4.9
EBITDA adj.	4.4	7.3	6.6	4.6	4.9
EBIT	(0.7)	0.4	2.7	3.5	3.8
EBIT adj.	1.3	4.5	4.0	3.8	4.1
Net profit	(1.2)	(0.7)	5.3	1.9	2.0
Net profit adj.	0.3	0.8	1.2	2.2	2.3
NFP (cash)/debt	16.4	10.4	(11.0)	(11.4)	(12.7)
EPS adjusted €	0.02	0.07	0.10	0.19	0.20
EPS adj. growth	n.m.	n.m.	54.7%	79.9%	8.3%
EBITDA margin %	5.4%	6.0%	8.9%	10.0%	10.1%
EBIT margin %	neg.	0.5%	3.7%	7.6%	7.9%
PER adj.	neg.	17.9	15.5	8.6	7.9
EV/Sales	0.40	0.32	0.10	0.15	0.12
EV/EBITDA	7.3	5.3	1.1	1.5	1.2
EV/EBIT adj.	21.8	5.7	1.9	1.9	1.4

Income statement (€ m)	2020	2021	2022e	2023e	2024e
Value of Production	71.9	79.5	74.1	46.2	48.4
Services	(23.0)	(26.9)	(28.7)	(15.9)	(17.1)
Lease, rental and other opex	(20.0)	(22.0)	(18.5)	(11.6)	(12.1)
Personnel expenses	(25.0)	(25.8)	(20.2)	(14.2)	(14.3)
EBITDA	3.9	4.8	6.6	4.6	4.9
D&A	(4.6)	(4.4)	(3.9)	(1.1)	(1.1)
EBIT	(0.7)	0.4	2.7	3.5	3.8
Financial costs	(0.6)	(0.7)	(0.3)	(0.3)	(0.3)
Extraordinary, other costs	0.0	0.0	6.9	0.0	0.0
Pre-Tax profit	(1.2)	(0.3)	9.4	3.2	3.6
Income taxes	(0.1)	(0.4)	(4.0)	(1.4)	(1.5)
Minorities	0.1	0.0	0.0	0.0	0.0
Net Profit	(1.2)	(0.7)	5.3	1.9	2.0
EBIT adj.	1.3	4.5	4.0	3.8	4.1
Net Profit adj.	0.3	0.8	1.2	2.2	2.3

Balance sheet (€ m)	2020	2021	2022e	2023e	2024e
Net Working Capital	20.9	15.9	13.5	13.5	14.2
Net Fixed Assets	19.3	18.6	4.9	5.3	5.7
Equity Investments	0.6	1.0	1.0	1.0	1.0
Other M/L Term A/L	(5.1)	(6.6)	(6.6)	(5.5)	(5.8)
Net Invested Capital	35.7	28.9	12.8	14.3	15.1
Net Financial Position	16.4	10.4	(11.0)	(11.4)	(12.7)
Minorities	0.0	0.0	0.0	0.0	0.0
Group's Shareholders Equity	19.3	18.5	23.8	25.7	27.7
Net Financial Position & Equity	35.7	28.9	12.8	14.3	15.1

Cash Flow statement (€ m)	2020	2021	2022e	2023e	2024e
Total net income	(1.2)	(0.7)	5.3	1.9	2.0
Depreciation	4.6	4.4	3.9	1.1	1.1
Other non-cash charges	(0.9)	(0.1)	(0.1)	(1.1)	0.3
Cash Flow from Oper. (CFO)	2.4	3.6	9.2	1.9	3.5
Change in NWC	(1.0)	5.1	2.4	(0.0)	(0.7)
FCF from Operations (FCFO)	1.4	8.7	11.5	1.8	2.8
Net Investments (CFI)	(2.6)	(2.6)	9.8	(1.5)	(1.5)
Free CF to the Firm (FCFF)	(1.2)	6.0	21.3	0.3	1.3
CF from financials (CFF)	6.1	(4.0)	0.0	0.0	0.0
Free Cash Flow to Equity (FCFE)	4.9	2.0	21.3	0.3	1.3

Financial ratios	2020	2021	2022e	2023e	2024e
EBITDA margin	5.4%	6.0%	8.9%	10.0%	10.1%
EBIT margin	-0.9%	0.5%	3.7%	7.6%	7.9%
Net profit margin	-1.7%	-0.9%	7.2%	4.0%	4.2%
Tax rate	n.m.	n.m.	43.0%	43.0%	43.0%
Interest coverage x	(0.84)	1.91	0.10	0.07	0.07
Net Debt/EBITDA x	4.19	2.16	(1.67)	(2.47)	(2.59)
Debt-to-Equity x	0.85	0.56	(0.46)	(0.44)	(0.46)
ROIC	neg.	-2.5%	41.6%	12.9%	13.5%
ROCE	neg.	0.8%	5.6%	7.0%	7.3%
ROACE	neg.	0.8%	5.9%	7.1%	7.4%
ROE	neg.	-3.9%	22.4%	7.2%	7.3%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%

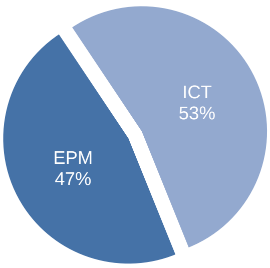
Per share figures	2020	2021	2022e	2023e	2024e
Number of issued ordinary shares # m	11.50	11.51	11.51	11.51	11.51
Number of shares Fully Diluted # m	13.40	11.51	11.51	11.51	11.51
Average Number of shares Fully Diluted # m	13.40	12.46	11.51	11.51	11.51
EPS reported €	(0.11)	(0.06)	0.46	0.16	0.18
EPS adjusted €	0.02	0.07	0.10	0.19	0.20
EPS reported FD €	(0.09)	(0.06)	0.46	0.16	0.18
EPS adjusted FD €	0.02	0.07	0.10	0.19	0.20
EBITDA €	0.29	0.38	0.57	0.40	0.43
EBIT €	(0.05)	0.03	0.24	0.30	0.33
BV €	1.44	1.61	2.07	2.23	2.41
FCFO €	0.11	0.70	1.00	0.16	0.24
FCFF €	(0.09)	0.48	1.85	0.03	0.11
FCFE €	0.36	0.16	1.85	0.03	0.11
Dividend €	0.00	0.00	0.00	0.00	0.00

The company at a glance

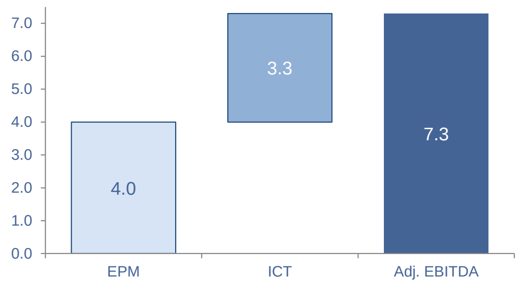
Founded in 1991 by the four De Bettin brothers in the north east of Italy, DBA Group is specialised in network connectivity and infrastructure lifecycle support solutions. DBA Group's core competence is its proven ability to provide telematics solutions for strategic infrastructures to clients whose 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 2011-20 period, top line more than tripled from € 18.8m to € 79.5m, 15.5% CAGR, also thanks to the acquisition of Actual IT in 2015 (minorities buyout in Sep-18), SJS Engineering in Oct-18 and Unistar in Sep-19. In 2021, the value of production reached € 79.5m, up by 10.5% YoY, EBITDA totalled € 4.8m, 6.0% margin and net profit came in negative by € 0.7m. Adjusted EBITDA for non-recurring costs accounted for € 7.3m, 9.2% margin. Net financial position was € 10.4m (debt).

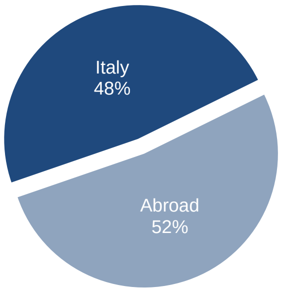
2021 top line …



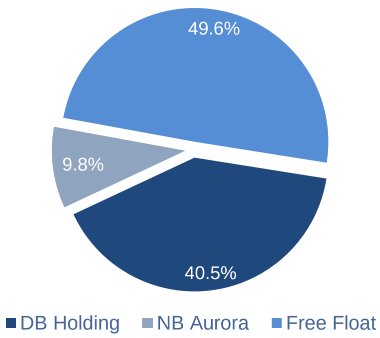
… and Adj. EBITDA breakdown by BU



2021 top line by geography



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	0.83	0.75	0.87	12.6	11.0	10.5	15.1	12.9	11.8
Alten SA	0.99	0.86	0.74	8.1	7.0	6.1	9.8	8.4	7.3
Arcadis NV	1.04	0.86	0.79	9.5	7.6	7.0	13.4	10.5	9.3
Jacobs Engineering Group Inc	1.21	1.09	0.96	13.0	11.1	9.3	13.5	11.4	9.7
SNC-Lavalin Group Inc	0.69	0.65	n.a.	8.6	6.9	n.a.	11.1	8.2	n.a.
Sweco AB (publ)	1.78	1.68	1.58	12.1	11.4	10.5	18.2	17.0	15.5
Engineering & PMO median	**1.01**	**0.86**	**0.87**	**10.8**	**9.3**	**9.3**	**13.5**	**11.0**	**9.7**
Accenture PLC	2.74	2.50	2.27	14.8	13.5	12.3	18.1	16.3	14.6
Capgemini SE	1.54	1.37	1.19	9.8	8.6	7.3	12.7	11.0	9.3
Reply SpA	2.33	2.04	1.73	13.8	12.2	10.6	16.9	14.8	12.6
TXT e solutions SpA	1.13	1.13	1.13	7.5	7.7	7.5	11.3	11.2	10.4
ICT software median	**1.93**	**1.71**	**1.46**	**11.8**	**10.4**	**9.0**	**14.8**	**13.0**	**11.5**
DBA Group SpA	**0.10**	**0.15**	**0.12**	**1.1**	**1.5**	**1.2**	**1.9**	**1.9**	**1.4**

Source: CFO Sim, Thomson Reuters Eikon

1. DBA Group in a nutshell

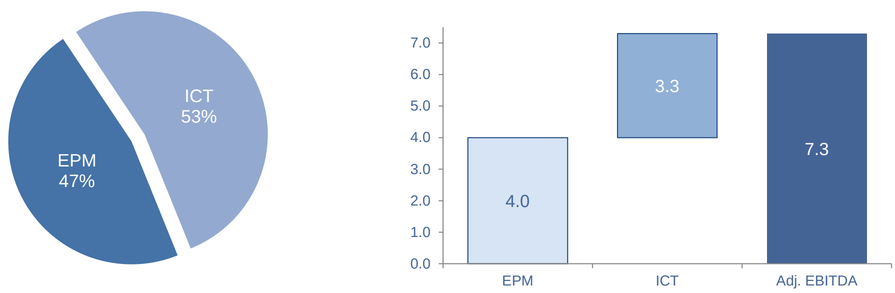
Founded in 1991 by the four De Bettin brothers in the north east of Italy, **DBA Group is specialised in network connectivity and infrastructure lifecycle support solutions**. DBA Group's core competence is its proven ability to provide telematics solutions for strategic infrastructure to clients whose 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 engineering and architecture 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 entire infrastructure lifecycle management**.

DBA Group is a technology consulting group focused on high value-added 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 a position to offer specific turnkey services and solutions.

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 company performs its trade activity via two business units:

- **ICT – Information, Communication and Technology**, **53% 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.
- **EPM – Engineering and Project Management, 47% of top line:** the activity here consists of the scheduling and management of all planning and construction activities (performed by companies directly employed by DBA Group's clients) related to single or networked infrastructures and their technological specialised plants. In performing this activity, DBA Group complies with quality standards, timetable and cost guidelines agreed 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 process analysis, mapping and optimisation services, technical/technological consultancy and ICT solutions.

Chart 1 – DBA Group, 2021 Sales and Adjusted EBITDA by BU



Source: Company data

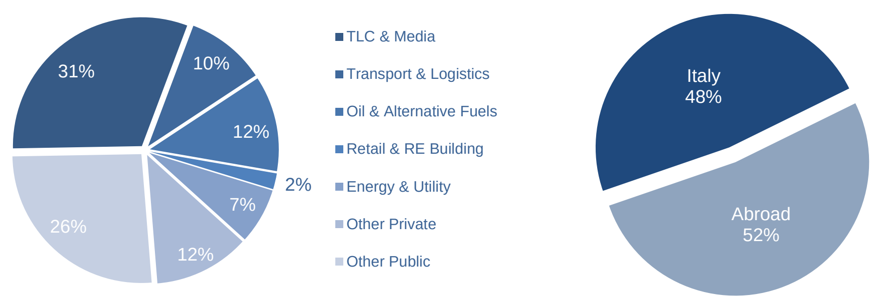
The group offers its **high-tech services and solutions to private customers** mainly operating in **six reference markets,** where infrastructure is performance-critical for the supply of products/services of DBA Group's clients:

- **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 infrastructure.

- **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 as well as industrial and financial retail networks.
- **Energy**: energy companies and their production, transformation, transport and distribution infrastructures.
- **Industrial** groups (electronic, mechanical, automotive, chemical, clothing, pharmaceutical, and food sectors) and their production and distribution facilities.

The company currently concentrates the bulk of its business in **Italy and the Slovenian-Balkans area, which comprise 52% and 48% of top line**, respectively.

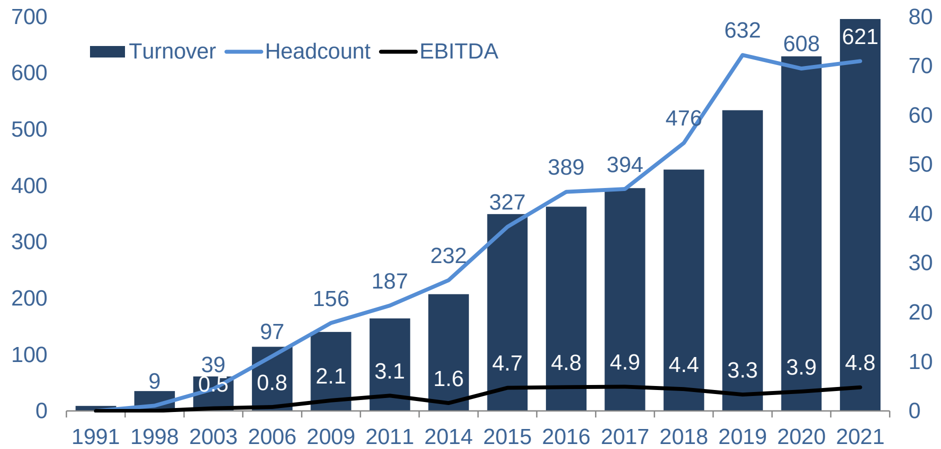
Chart 2 – DBA Group, 2021 Sales by reference markets and by geography



Source: Company data

The group has grown significantly in the last few years: in the **2011-20 period, top line more than tripled from € 18.8m to € 79.5m, 15.5% 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 2021, the value of production reached € 79.5m, up by 10.5% YoY, EBITDA totalled € 4.8m, 6.0% margin and net profit came in negative by € 0.7m. Adjusted EBITDA for non-recurring costs accounted for € 7.3m, 9.2% margin. Net financial position was € 10.4m (debt). The chart below shows the top line, EBITDA and personnel trends since the founding of DBA Group in 1991.

Chart 3 – DBA Group, 1991-21 top line, EBITDA and staff growth trend



Source: Company data

2. The reference markets

DBA group operates in the Infrastructure Lifecycle Management arena. Via its two business units (ICT-software and Engineering & Project Management), the group serves six key reference markets with its services and solutions, four of which (excluding industrial and energy) are seen to significantly drive the group's future 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 fuels:** 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, and public buildings, such as hospitals, school and public offices.

In the next few 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 support the public economy), some recent budget laws have introduced measures potentially able to relaunch investment in infrastructure. The stimulus provided by a long-term strategy that, if complied with, will make feasible infrastructure policies, also has to be added.

In this context, in accordance with ANCE – Associazione Nazionale Costruttori Edili (Italian Building Contractors' Association) estimates, **in the next 15 years a total amount of € 540bn is projected to be invested in public infrastructure in Italy, not considering the Next Generation EU**. Among others: the Gronda of Genoa West (a motorway junction project in which DBA Group is playing 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, connecting Genoa and Milan with high-speed trains, for € 2.0bn, ENAV's domestic airport five-year investment plan for a total consideration of € 4.2bn.

In Italy, the **National Recovery and Resilience Plan (NRRP)**, part of the Next Generation EU programme, envisages investments and a consistent reform package for a total amount of about **€ 220bn in the next six years (2021-26).** The plan is developed around **three strategic axes** shared at a European level: **digitisation and innovation, ecological transition, and social inclusion**. It is an intervention that aims to repair the economic and social damage caused by the pandemic, contributing to addressing the structural weaknesses of the Italian economy, and leading the country along a path of ecological and environmental transition. We believe that, within the six missions of the plan, DBA Group can benefit from at least three of them:

- **Infrastructure for Sustainable Mobility:** the plan allocates a total of € 25.4bn. Its primary objective is the development of a modern, sustainable transport infrastructure extended to all areas of the country. The funds will be invested in enhancing the Italian railway networks and in developing new green ports.
- **Green Revolution and Ecological Transition,** with € 59.5bn allocated by the plan. The main goals are improving the sustainability and resilience of the economic system and ensuring a fair and inclusive environmental transition. In particular, € 23.8bn will be dedicated to energy transition and green mobility and € 15.4bn to energy efficiency and building renovation.
- **Digitisation, Innovation, Competitiveness, Culture**: the plan allocates a total of € 40.3bn with the aim of promoting the country's digital transformation, supporting innovation in the production system, and investing in tourism and culture.

2.1. Telecommunications and Media

In 2020, domestic revenues in the TLC sector declined by 5% YoY to € 28.5bn (vs € 30.0bn in 2019) both in fixed (-7% YoY) and mobile (-4% YoY) services. The structural decline started in 2008, mainly due to a physiological revenues' contraction in traditional voice services, exacerbated by a certain price war in mobile services. It was not adequately offset by an increase in data services (ultra-broadband). Nevertheless, both **fixed and mobile high-speed lines and the introduction of 5G in the country are growing rather fast** (source: 2021 Report on telco's supply chain in Italy by ASSTEL). In this context, if the domestic TLC market can be labelled as mature, **the TLC infrastructure segment presents appealing growth perspectives**, both in terms of infrastructure utilisation and with regard to the forthcoming investment plans aimed at developing ultra-broadband, mainly linked to the Open Fiber project (in which DBA Group has a role).

2.2. Transport and logistics

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

- <u>**One Belt One Road**</u> – or the New Silk Road, launched in 2013 by Xi Jinpin, the president of China, an initiative started 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 project includes a connectivity **platform and cooperation for the expansion and stabilization of maritime routes and land infrastructure networks linking China to Asia, Africa and Europe**. It is set to become the world's **most important Eurasian corridor in terms of intensity and speed of cultural, technological and commercial exchange.** The Asian Infrastructure Investments Bank, the Silk Road Fund and the New Development Bank will support the development of related infrastructures.
- <u>**BRI - Eurasian Railway Corridor Project**</u> – 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 Ukrainian border to Bratislava and Vienna.
- <u>**BRI - The Balkan Silk Road**</u> **-** it should **ideally connect Beijing to Athens and from there join 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 in recent years, **should remain basically unchanged in 2020-2030,** according to Nomisma Energia.

Despite flat consumption, **the network streamlining process will inevitably fill the gap with the European distribution system** with benefits not only in terms of point of sale returns but also of technological modernisation. Efficiency gains and the streamlining 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 support the group's future 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 centralisation services, help desk and software maintenance** represent DBA Group's targets.

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 the sales performance of eco-friendly vehicles. In accordance with the International Energy Agency's 2021 Global EV Outlook, in 2020 **the global electric fleet** reached over 10m vehicles, including both full electric and hybrid plug, and it **is projected to reach almost 145m units in 2030**.

2.4. Architecture and construction

Players in the real estate, retail, hospitality, and financial sectors represent a significant customer base for the sale of engineering and architectural services and solutions.

The growth trend started in 2015 was interrupted in 2020 because of the severe socio-economic impact of the COVID-19 pandemic**,** evidenced a sharp decline in transactions equal to 6.3%**.** However, **2021 represented an extremely positive year in which both the residential and non-residential real estate markets strongly rebounded in all segments**: transactions increased by 37.2% YoY and, more importantly, 28.9% compared to the pre-pandemic levels recognised in 2019. In particular, these results were driven by buildings' trading volumes in the appurtenances, tertiary and manufacturing-agricultural segments.

Table 1 – DBA Group, 2022 Italian real estate market overview

Destination	Stock %	Transactions	% YoY	% 2021-2019	% on Total	REM10I
Residential	50.5%	748,523	34.0%	23.9%	47.8%	2.17%
Appurtenances	6.0%	140,709	70.1%	87.7%	9.0%	3.45%
Garages	23.3%	436,063	31.8%	23.2%	27.8%	2.75%
Tertiary – Commercial	12.6%	138,036	42.3%	32.6%	8.8%	1.61%
Manufacturing	1.2%	15,161	41.6%	24.5%	1.0%	1.89%
Manufacturing – Agricultural	0.6%	3,280	44.0%	20.4%	0.2%	0.79%
Other	5.9%	84,609	42.9%	34.4%	5.4%	2.11%
Total	**100.0%**	**1,566,380**	**37.2%**	**28.9%**	**100.0%**	**2.30%**

Source: 2022 Real Estate Report from Osservatorio del Mercato Immobiliare

As for commercial real estate, the **improved economic stability in EU27 prompted an increase in purchasing power**: pro-capita income rose to almost € 17,000 from € 15,400 in 2014-19. This contributed to supporting the retail sector. In 2019, consumption grew by 2.1% (source: GFK, 2020): robust growth was recorded in Bulgaria (the main reference geographical area for DBA Group), with +5.4%, whereas it reached +9.5% in Romania, +6.6% in Estonia and +6.5% in Lithuania. The Italian market remained steady (+0.5%).

Also looking at the hospitality segment, the outlook is rather bright. The **ongoing concentration process and renovation demand are likely to continue supporting growth**. The European market looks rather appealing to both domestic and foreign investors, attracted by (1) the luxury offer, (2) the vast quantity of buildings suitable for renovation, (3) and the market potential, which somehow offers more lucrative returns than other segments (logistics, offices and residential).

Thus, **we believe that the demand for real estate services and solutions in terms of both architectural and engineering design and maintenance and refurbishment, will contribute to supporting the group's business**.

Furthermore, in May 2020 the Italian Government issued urgent legislation to assist with the recovery of the Italian economy, following the unprecedented shock of the COVID-19 pandemic. Among many other measures, the legislator introduced a new tax credit for improvements to Italian properties, called **"Superbonus 110%"**. This tax break is intended to cover 110% of the costs of energy efficiency and structural seismic improvements of Italian properties, thus helping with the recovery of the economy and the local building industry.

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 engineering and architecture 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 managing **the entire lifecycle of an infrastructure:** from the project to implementation support and day-by-day monitoring of processes, procedures and maintenance via high-level technological solutions.

DBA Group is NOT an EPC (engineering, procurement and construction contractor) and **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 and this places the company in a position to offer specific 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 speed up their IT investment: according to the Assoinform report "Il Digitale in Italia 2021", in 2021, **the Italian digital economy is expected to grow by 5.5% to € 75.4bn** from € 71.5bn reported in 2020. Furthermore, **the market is expected to have a 5.0% $CAGR_{21\text{-}24}$ reaching € 87.3bn in 2024** (excluding the potential impact of the National Recovery and Resiliency Plan). The market is characterised by steady mid-single-digit growth and a permanent information asymmetry between digital innovation supply and demand.

The digital economy market comprises devices & systems, software & ICT solutions, ICT services, network services and content & digital advertising. ICT services is the segment which is expected to grow the most in 2021-24 period (7.7% $CAGR_{21\text{-}24}$), followed by devices & systems (7.1% $CAGR_{21\text{-}24}$), content & digital advertising (6.8% $CAGR_{21\text{-}24}$), software & ICT solutions (6.7% $CAGR_{21\text{-}24}$) and network services (-2.0% $CAGR_{21\text{-}24}$).

The reference market is a growing arena with expected further acceleration in coming years, also considering that the gap between the domestic market and the rest of the world can be closed thanks to the huge resources stemming from the **National Recovery and Resiliency Plan**. In particular, about **€ 40bn will be dedicated to the digital transformation of businesses and the public administration, almost € 30bn of which should be invested by 2024.** The report "Il Digitale in Italia 2021" outlines **two scenarios** with regard to the impact of the NRRP on the digital economy in Italy: in the **best case scenario**, the Italian digital economy is expected to grow with a **$CAGR_{21\text{-}24}$ of 6.9%** while in the **worst case scenario** with a **$CAGR_{21\text{-}24}$ of 6.0%.**

3.2 Engineering and Project Management

According to Engineering News-Record, an American weekly magazine, **the global market for large international design firms has taken a series of hits over the past few years**, including fluctuating oil prices, political unrest in many countries and the eruption of global trade wars (or at least the threat). Although the COVID-19 pandemic took the industry by surprise, major design firms quickly adopted home working, seeing long-term benefits in continuing this practice. In fact, many firms were able to execute international projects without having to physically send a team of people, as well as having the possibility to hire talent anywhere in the world. While virtual communication systems are certainly effective, in many countries understanding client and work mentality is more important than interpreting regulations, and a lack of cultural insight could harm the firms' expansion in new markets.

On the demand side, most firms are now seeing a significant downturn in opportunities, especially in large-scale projects, as many have been shelved, delayed or reduced in scope. Among the causes: a general economic slowdown, a drop in consumer spending on the private side and large government deficits on the public side. This notwithstanding, the **greatest opportunities for business growth can be found in Australia, Northern Europe, USA, Canada and Central and Southern Asia**. Asia, in particular, will play a crucial role with nearly 26 trillion dollars expected to be invested between 2016 and 2030.

The domestic market is promising: in 2020 engineering and architecture firms stated a total of € 2.6bn (up 4.0% YoY) and € 487.2m (up 2.8% YoY), respectively.

The market is still rather fragmented and in a state of constant consolidation, driven by the benefits of larger dimensions, but this seems to be more relevant to engineering and architecture, which evolve more along internal lines than by acquisitions. Evidence of greater diversity and a different dynamics can be deduced from the assortment of variation in the level of turnover of the **top 50 Italian players that range from € 9.9-256.0m in engineering and € 2.9-19.5m in architecture and design**.

The company is the sixth player in Italy, according to 2020 turnover data. However, amongst the top ten companies, at least three can be defined as in-house entities with volumes secured by their parent (Italferr/Ferrovie dello Stato, EniProgetti/Eni Group, Spea Engineering/Atlantia). **DBA Group is the fourth independent operator in Italy**.

Table 2 – DBA Group, 2020 Italian engineering market competitive structure

Rank #	Firm	2020 Value of Production, € m
1	Rina Consulting	*256.0*
2	*Italferr*	*222.7*
3	*EniProgetti*	*145.0*
4	Italconsult	113.6
5	Proger	88.2
6	**DBA Group**	**71.9**
7	Sina	70.0
8	*Spea Engineering*	*54.1*
9	Sipal	47.0
10	Jacobs Italia	43.6
11	Agriconsulting	39.4
12	Techfem	38.9
13	Enereco	36.5
14	Manens – Tifs	33.0
15	Golder Associates	32.6

Source: 2021 report on Italian entrepreneurship in engineering, Guamari Prof. Aldo Norsa

4. Strategy

DBA Group provides consulting services and solutions in the **ICT-Software** and **Engineering and Project Management** fields. Founded as an engineering and architecture associated firm, now DBA Group is the only player in Italy able to offer the synergic combination of the aforementioned services and solutions for **managing the entire lifecycle of an infrastructure:** from the project to implementation support and day-by-day monitoring of processes, procedures and maintenance.

The company focuses on boosting growth and consolidating its positioning also via acquisitions. In particular, the **fresh resources stemming from the sale of Actual IT** will allow the group to **strengthen its presence in the domestic Engineering and Project Management segment.** In particular, we believe that the most suitable/convenient way to use the huge amount of proceeds stemming from the sale of Actual IT could be investing them in order to **seize the significant opportunities related to the National Recovery and Resilience Plan,** particularly focusing on high value-added projects related to the main national infrastructure facilities and systems (railways, ports, IT infrastructure, data centres, telecommunications, …). However, **the execution risk of such a game-changing development plan is not to be underestimated.**

Furthermore, other pillars of the group's strategy are:

- **Strengthening of the management team** – In view of the strong growth expected in the coming years, the company aims to **strengthen its managerial and executive structure,** also taking into consideration that the existing operational staff are projected to manage the integration process of the companies the group is willing to acquire and consolidate.
- **Research and development** – R&D is a crucial constant, the food for technological and business development. In particular, the group continuously invests in the development of integrated projects able to support the Infrastructure Lifecycle Management (ILM) activities. The main fields in which DBA focuses are Internet of Things, Artificial Intelligence, Machine Learning, Augmented and Virtual Reality, BlockChain and Virtual Prototyping. Some of the projects developed by the group are the following:
  - ✓ **GL+** is a complete suite of products, both hardware and software, aimed at managing sales within petrol stations with regard to both oil and non-oil products.
  - ✓ **Eagle** is a project aimed at developing an Integrated Workplace Management System platform based on micro services.
  - ✓ **Seahorse** is a suite for the integrated management of logistic processes inherent to intermodal transport. It includes Rail Shunting (RSS), Vehicle Booking System and Terminal Operating System.
  - ✓ **FENIX,** i.e. "European FEderated Network of Information eXchange in Logistics", is a project financed by the European Community aimed at developing a software able to optimise transport and logistics within the EU.

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 achieving 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 use to its advantage.
- **Threats**: elements in the environment that could cause harm 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 '60s/'70s using Fortune 500 data.

S.W.O.T. Analysis

Strengths	Weaknesses
The **only player offering the synergic combination of the services and solutions of its two business units**	**Limited size** in the international competitive arena
Over 600 highly-skilled, loyal and motivated employees, o/w 60% are graduates	Few key relevant people represent a **vital asset for the company**
	Need for **strengthening of the management structure** to boost developments

Opportunities	Threats
Consolidation opportunities in the domestic market and abroad	Expansion via external growth may prove difficult
Substantial cash flow generation and sound balance sheet **allow external growth opportunities**	In certain projects, **competition from smaller players**, driven by different cost strategies and short-term industrial views, e.g. **dumping**

6. FY-21 Results

Following the announcement of FY-21 preliminary numbers on 14-Mar, DBA Group unveiled FY-21 results, with only a few minor adjustments compared to the data reported in March, with the exception of the almost entire write-off of the receivable related to Italtel for a total consideration of € 2.4m. The increasing demand for engineering activities in Italy stemming from the significant investments with regard to the digitalisation of domestic infrastructures supported by the National Recovery and Resiliency Plan – NRRP, are expected to drive next years' results.

Table 3 – DBA Group, FY-21 results summary

P&L € m	2021	2020	% YoY	2021e	% Diff.
Revenues	**78.1**	**70.0**	***11.7***	**77.1**	***1.4***
Other	1.4	2.0		1.9	
Value of Production	**79.5**	**71.9**	***10.5***	**79.0**	***0.7***
Raw material	(16.4)	(17.1)		(18.8)	
Services	(26.9)	(23.0)		(25.9)	
Lease & rental	(2.9)	(2.7)		(3.0)	
Other opex	(2.7)	(0.2)		(0.2)	
Personnel expenses	(25.8)	(25.0)		(25.0)	
EBITDA	**4.8**	**3.9**	**22.2**	**6.0**	***(20.2)***
% margin	*6.0*	*5.4*		*7.6*	
D&A	(4.4)	(4.6)		(4.4)	
EBIT	**0.4**	**(0.7)**	***n.m.***	**1.6**	***(77.4)***
% margin	*0.5*	*(0.9)*		*2.0*	
Financial costs	(0.7)	(0.6)		(0.5)	
Pre-Tax profit	**(0.3)**	**(1.2)**	***n.m.***	**1.1**	***n.m.***
% margin	*(0.4)*	*(1.7)*		*1.4*	
Income taxes	(0.4)	(0.1)		(0.5)	
Tax rate	*n.m.*	*n.m.*		*43.0%*	
Minorities	0.0	0.1		(0.1)	
Net Profit	**(0.7)**	**(1.2)**	***n.m.***	**0.5**	***n.m.***
% margin	*(0.9)*	*(1.7)*		*0.6*	
EBITDA adj.	**7.3**	**4.4**	**66.2**	**6.1**	***20.4***
% margin	*9.2*	*6.1*		*7.7*	
NFP (cash)/debt	**10.4**	**16.4**	***(36.9)***	**10.3**	***0.8***

Source: Company data, CFO SIM estimates

Value of Production totalled € 79.5m, up by 10.5% YoY and almost 13% higher than the company's budget. 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 Balkans.

The EPM business unit totalled € 37.2m, up by 17.4% YoY thanks to the increasing demand for engineering activities in Italy, mainly with regard to mission-critical infrastructures (i.e. datacentres), the energy transition (i.e. bonus 110%) and the project management in support of the digitalisation and the development of the ultra-broadband.

The ICT business unit's turnover was € 42.3m, € 3.1m of which stemming from the domestic Information & Communication Technology services (up by 10.2% YoY) while the remaining € 39.2m with regard to the Slovenian activities (up by 4.8% YoY).

Adjusted EBITDA grew by 66.2% YoY to € 7.3m, 9.2% margin. The figure came in significantly higher than the company's budget. By also including non-recurring expenses, **EBITDA was € 4.8m, 6.0% margin** (compared to € 3.9m, 5.4% margin in 2020). The difference between adjusted and reported figures is mainly ascribable to the almost entire write-off of the receivable related to Italtel.

EBIT totalled € 0.4m and compares with € 0.7m negative reported in 2020. As a result of the aforementioned significant receivable write-off, bottom line came in negative for € 0.7m vs. € 1.2m negative in 2020.

Net Financial Position improved by € 6.0m to € 10.4m debt (vs € 16.4m debt in FY-20), thanks to a higher-than-expected cash flow generation. NFP/Adj. EBITDA ratio declined from 3.6x in 2020 to 1.4x in 2021.

7. Substantial € 19m cash in from the sale of Actual IT

As anticipated on 27 September 2021, when some Slovenian media outlets reported that **Telekom Slovenije would be interested in acquiring Actual IT**, the Slovenian subsidiary of DBA Group, on 25 March 2022 DBA approved the sale of its equity investment in the share capital of Actual IT to the Slovenian national operator Telekom Slovenije.

Telekom Slovenije purchased 100% of Actual IT, valuing the company at **€ 30.0m** (Enterprise Value), corresponding to **9x EV/EBITDA$_{21}$**. Considering FY-21 results, the equity value of the transaction is € 20.6m, with a **cash in for DBA of € 18.9m (€ 1.64/s)**, thus reducing the group's Net Financial Position from € 10.4m debt at end-21 to € 11.2m cash. The deal will generate a significant **capital gain for DBA, to the tune of € 8.6m** (€ 6.9m net of deal costs). **The implicit IRR with regard to the investment in Actual IT amounted to 10% per year**. The agreement is subject to the required authorisations from the Antitrust Authorities while it is already approved by the DBA Group's AGM on 29-Jun-22. **The closing is expected by September 2022.**

Actual IT is one of the main players in the Slovenian Information and Communication Technology market, providing ICT consulting to support project management activities as well as developing software solutions for Transport & Logistics and Oil & Gas sectors. Actual IT also holds Unistar, acquired in 2019 for € 4.7m. Actual IT's business corresponds to the **Slovenian ICT business unit of DBA Group, which in 2021 reported value of production of € 39.8m, adjusted EBITDA of € 3.3m (ITA GAAP) and NFP of € 2.5m, accounting for 50%, 45% and 25% of consolidated Value of Production, adj. EBITDA and NFP,** respectively.

The deal gives DBA the possibility to maximise the investment in Actual IT. **The fresh resourcing stemming from the sale of the company will be used to strengthen the group's presence in promising segments.** We believe that the most suitable/convenient way to use the huge amount of proceeds stemming from the sale of Actual IT could be investing them in order to **seize the significant opportunities related to the National Recovery and Resilience Plan**. In particular, the group would have the opportunity to strengthen its presence in the domestic Engineering and Project Management segment, particularly focusing on high value-added projects related to the main national infrastructure facilities and systems (railways, ports, IT infrastructure, data centre, telecommunications, …).

This could be a **disruptive deal for DBA Group**: if on the one hand the appraisal of the Slovenian assets is really appealing and the proceeds for the company are huge, on the other hand we have to consider that the group's perimeter will definitely change, as size and profitability would massively decrease.

However, **the execution risk of such a game-changing development plan is not to be underestimated.**

8. Valuation & risks

Following the announcement of FY-21 preliminary numbers on 14-Mar, DBA Group unveiled FY-21 results, with only a few minor adjustments compared to the data reported last March, with the exception of the almost entire write-off of the Italtel receivable for a total consideration of € 2.4m. The **increasing demand for engineering activities in Italy** stemming from the significant investments with regard to the digitalisation of the domestic infrastructures supported by the **National Recovery and Resiliency Plan – NRRP**, are expected to drive next years' results.

Following FY-21 results, **we have updated our model** by factoring in 1) the deconsolidation of Actual IT as from Sep-22, 2) the cash-in stemming from its disposal (€ 18.9m) and 3) the related capital gain equal to € 6.9m, net of deal costs. The new consolidation scope as from 2023 will include the EPM business unit as a whole and only the domestic activities with regard to the ICT division. Furthermore, **we have also introduced FY-24 projections**.

Table 4 – DBA Group, 2022e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
VoP EPM	40.9	40.6	*0.8*	0.3
VoP ICT	33.1	43.0	*(22.9)*	(9.9)
Value of Production	**74.1**	**83.6**	***(11.4)***	**(9.5)**
Adj. EBITDA EPM	4.3	3.2	*32.3*	1.0
Adj. EBITDA ICT	2.3	4.1	*(43.4)*	(1.8)
Adjusted EBITDA	**6.6**	**7.3**	***(9.9)***	**(0.7)**
% margin	*8.9*	*8.8*		
Net Profit	**5.3**	**1.3**	***n.m.***	**4.0**
% margin	*7.2*	*1.6*		
Y/E net debt (net cash)	**(11.0)**	**10.1**	***n.m.***	**(21.2)**

Source: CFO Sim

Table 5 – DBA Group, 2023e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
VoP EPM	43.0	42.6	*0.8*	0.4
VoP ICT	3.2	43.9	*(92.7)*	(40.7)
Value of Production	**46.2**	**86.5**	***(46.6)***	**(40.3)**
Adj. EBITDA EPM	4.5	3.6	*24.5*	0.9
Adj. EBITDA ICT	0.1	4.4	*(97.8)*	(4.3)
Adjusted EBITDA	**4.6**	**8.0**	***(42.5)***	**(3.4)**
% margin	*10.0*	*9.3*		
Net Profit	**1.9**	**1.8**	***4.4***	**0.1**
% margin	*4.0*	*2.1*		
Y/E net debt (net cash)	**(11.4)**	**7.3**	***n.m.***	**(18.7)**

Source: CFO Sim

Moreover, we have updated the DCF valuation criteria, by bringing the free risk rate up-to-date: the combined result is a **new DCF-based PT of € 3.50/s** (€ 3.00), **117.4% upside potential**.

8.1. 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 in accordance with the following parameters:

Table 6 - 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)	1.84%
Beta levered (x)	1.00
Required ROE	**10.8%**

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 with regard to the Euronext Growth Milan market segment. **Beta at 1.00** is a usual conservative value for a small cap. The WACC is calculated by using a 80:20 equity/debt balance-sheet structure (previously 70:30), in order to factor in the fresh resources stemming from the sale of Actual IT.

Table 7 - DBA Group, DCF model

€ m	2022e	2023e	2024e	2025e	2026e	Term. Val.
EBIT	2.7	3.5	3.8	4.0	4.2	
Tax rate	43.0%	43.0%	43.0%	43.0%	43.0%	
Operating profit (NOPAT)	**1.5**	**2.0**	**2.2**	**2.3**	**2.4**	
Change working capital	2.4	(0.0)	(0.7)	(0.4)	(0.1)	
Depreciation	3.9	1.1	1.1	1.0	1.0	
Investments	(2.2)	(1.5)	(1.5)	(1.0)	(1.0)	
Free Cash Flows	**5.6**	**1.6**	**1.1**	**2.0**	**2.3**	**30.2**
Present value	5.4	1.4	0.9	1.5	1.6	**20.7**
WACC	8.8%	8.8%	8.8%	8.8%	8.8%	
Long-term growth rate	**1.0%**					

Source: CFO Sim

Table 8 – DBA Group, DCF derived from:

€ m	
Total EV present value € m	31.4
thereof terminal value	*66%*
NFP last reported – FY 21 adjusted for the sale of Actual IT	11.2
Pension provision last reported	(1.9)
Equity value € m	**40.7**
#m shares	11.51
Equity value €/s	**3.50**
% upside/(downside)	*117.4%*

Source: CFO Sim

The application of the model produces an **equity value of DBA Group of € 40.7m, corresponding to € 3.50/share (€ 3.00), 117.4% upside**.

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value of between **€ 3.36-3.74** 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 **€ 3.36-3.74** per share **(free risk range of between 2.59% and 1.09%)** and 3) if compared to changes in the risk premium, including small size premium it results in an equity value of **€ 3.20-3.98** per share **(risk premium range of between 10.50% and 7.50%)**.

Table 9 – 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	10.7	10.7	10.7	10.7	10.7	10.7	10.7
PV of terminal value	18.7	19.3	20.0	20.7	21.4	22.2	23.0
Total value	**29.4**	**30.0**	**30.7**	**31.4**	**32.1**	**32.9**	**33.7**
Adj. NFP last reported	11.2	11.2	11.2	11.2	11.2	11.2	11.2
Pension provision last reported	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)
Equity value	**38.7**	**39.3**	**40.0**	**40.7**	**41.4**	**42.2**	**43.0**
Equity value/share €	**3.36**	**3.42**	**3.47**	**3.50**	**3.60**	**3.67**	**3.74**

Source: CFO Sim

Table 10 – DBA Group, equity value sensitivity to changes in free risk rate

€ m	1.09%	1.34%	1.59%	1.84%	2.09%	2.34%	2.59%
Present value of CF	10.8	10.8	10.7	10.7	10.7	10.6	10.6
PV of terminal value	22.9	22.1	21.4	20.7	20.0	19.3	18.7
Total value	**33.7**	**32.9**	**32.1**	**31.4**	**30.7**	**30.0**	**29.3**
Adj. NFP last reported	11.2	11.2	11.2	11.2	11.2	11.2	11.2
Pension provision last reported	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)
Equity value	**43.1**	**42.2**	**41.4**	**40.7**	**40.0**	**39.3**	**38.6**
Equity value/share €	**3.74**	**3.67**	**3.60**	**3.50**	**3.47**	**3.41**	**3.36**

Source: CFO Sim

Table 11 – 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	10.9	10.9	10.8	10.7	10.6	10.6	10.5
PV of terminal value	25.6	23.8	22.1	20.7	19.3	18.1	17.0
Total value	**36.6**	**34.6**	**32.9**	**31.4**	**30.0**	**28.7**	**27.6**
Adj. NFP last reported	11.2	11.2	11.2	11.2	11.2	11.2	11.2
Pension provision last reported	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)
Equity value	**45.9**	**43.9**	**42.2**	**40.7**	**39.3**	**38.0**	**36.9**
Equity value/share €	**3.98**	**3.82**	**3.67**	**3.50**	**3.41**	**3.30**	**3.20**

Source: CFO Sim

8.2. 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.

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.

Jacobs 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 optimise and integrate processes, applications and devices.

TXT e solutions (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 6.6% to 14.7% and a mid-single digit sales growth. ICT software comparable firms show slightly higher growth profiles than the Engineering & PMO sample and higher profitability, ranging from 15.0% to 18.5%.

DBA Group's profitability is broadly in line with the Engineering & PMO peer median but is lower than the ICT software median.

Table 12 - DBA Group, peer group summary table

€ m	Country	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA %	Sales CAGR21-24	EBITDA CAGR21-24	EBIT CAGR21-24	EPS CAGR22-24	NFP/ EBITDA FY1
AECOM	USA	8,669	13,046	864	6.6%	1.3%	11.7%	16.6%	7.9%	2.5
Alten SA	France	3,652	3,505	428	12.2%	12.0%	10.1%	11.5%	9.1%	n.m.
Arcadis NV	Dutch	2,920	3,399	370	10.9%	12.6%	6.8%	10.7%	12.8%	1.7
Jacobs Engineering Group Inc	USA	15,323	14,332	1,328	9.3%	9.1%	11.0%	17.1%	11.7%	1.5
SNC-Lavalin Group Inc	Canada	2,885	5,406	432	8.0%	1.6%	14.5%	27.8%	19.1%	1.9
Sweco AB (publ)	Sweden	3,694	2,221	326	14.7%	4.3%	6.9%	9.0%	6.8%	0.8
Engineering & PMO median		**3,673**	**4,455**	**430**	**10.1%**	**6.7%**	**10.6%**	**14.0%**	**10.4%**	**1.7**
Accenture PLC	USA	169,551	59,005	10,958	18.6%	17.7%	21.6%	18.8%	10.0%	n.m.
Capgemini SE	France	29,355	20,579	3,239	15.7%	9.4%	12.6%	14.0%	11.7%	0.7
Reply SpA	Italy	4,414	1,759	296	16.8%	13.3%	10.9%	12.1%	10.6%	n.m.
TXT e solutions SpA	Italy	133	120	18	15.0%	12.7%	14.5%	16.0%	17.3%	0.2
ICT software median		**16,884**	**11,169**	**1,768**	**16.3%**	**13.0%**	**13.6%**	**15.0%**	**11.2%**	**0.4**
DBA Group SpA	**Italy**	**19**	**74**	**7**	**8.9%**	**-15.3%**	**0.8%**	**-2.7%**	**39.6%**	**(1.7)**

Source: CFO Sim, Thomson Reuters Eikon

Table 13 - DBA Group, peer group EV multiple table

x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
AECOM	0.83	0.75	0.87	12.6	11.0	10.5
Alten SA	0.99	0.86	0.74	8.1	7.0	6.1
Arcadis NV	1.04	0.86	0.79	9.5	7.6	7.0
Jacobs Engineering Group Inc	1.21	1.09	0.96	13.0	11.1	9.3
SNC-Lavalin Group Inc	0.69	0.65	n.a.	8.6	6.9	n.a.
Sweco AB (publ)	1.78	1.68	1.58	12.1	11.4	10.5
Engineering & PMO median	**1.01**	**0.86**	**0.87**	**10.8**	**9.3**	**9.3**
Accenture PLC	2.74	2.50	2.27	14.8	13.5	12.3
Capgemini SE	1.54	1.37	1.19	9.8	8.6	7.3
Reply SpA	2.33	2.04	1.73	13.8	12.2	10.6
TXT e solutions SpA	1.13	1.13	1.13	7.5	7.7	7.5
ICT software median	**1.93**	**1.71**	**1.46**	**11.8**	**10.4**	**9.0**
DBA Group SpA	**0.10**	**0.15**	**0.12**	**1.1**	**1.5**	**1.2**

Source: CFO Sim, Thomson Reuters Eikon

Table 14 - DBA Group, peer group EV & price multiple table

x	EBIT FY1	EBIT FY2	EBIT FY3	PER FY1	PER FY2	PER FY3
AECOM	15.1	12.9	11.8	18.3	16.7	15.7
Alten SA	9.8	8.4	7.3	14.4	13.0	12.1
Arcadis NV	13.4	10.5	9.3	15.7	14.3	12.3
Jacobs Engineering Group Inc	13.5	11.4	9.7	17.4	15.2	13.9
SNC-Lavalin Group Inc	11.1	8.2	n.a.	14.4	10.8	10.2
Sweco AB (publ)	18.2	17.0	15.5	22.3	21.3	19.6
Engineering & PMO median	**13.5**	**11.0**	**9.7**	**16.5**	**14.8**	**13.1**
Accenture PLC	18.1	16.3	14.6	25.8	23.1	21.3
Capgemini SE	12.7	11.0	9.3	16.7	14.9	13.4
Reply SpA	16.9	14.8	12.6	25.4	22.9	20.8
TXT e solutions SpA	11.3	11.2	10.4	16.6	13.3	12.1
ICT software median	**14.8**	**13.0**	**11.5**	**21.0**	**18.9**	**17.1**
DBA Group SpA	**1.9**	**1.9**	**1.4**	**15.5**	**8.6**	**7.9**

Source: CFO Sim, Thomson Reuters Eikon

Table 15 – 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	74.1	46.2	48.4	6.6	4.6	4.9	1.2	2.2	2.3
Multiples (35% discounted)	0.72	0.67	0.64	7.0	6.0	6.0	11.0	9.8	8.9
Enterprise Value	**53.4**	**31.0**	**31.1**	**46.2**	**27.7**	**29.6**	**13.1**	**21.0**	**20.7**
NFP	11.0	11.4	12.7	11.0	11.4	12.7			
Pension Provision	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)			
DBA Equity Value	**62.5**	**40.5**	**41.8**	**55.3**	**37.1**	**40.4**	**13.1**	**21.0**	**20.7**
DBA Equity Value per share €/s	**5.43**	**3.51**	**3.63**	**4.80**	**3.20**	**3.51**	**1.14**	**1.83**	**1.80**
% upside/(downside)	*237.2*	*118.3*	*125.5*	*198.3*	*98.8%*	*117.8*	*(29.1)*	*13.5*	*11.6*

Source: CFO Sim, Thomson Reuters Eikon

Table 16 – DBA Group, equity assessment, 2#2

€ m	FY1	FY2	FY3
EV/EBITDA	55.3	37.1	40.4
Weighting	*0.0%*	*100.0%*	*0.0%*
Equity Value	37.1		
Equity Value per share €/s	**3.20**		
% upside/(downside)	*98.8%*		

Source: 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 € 37.1m, or € 3.20/s,** 98.8% upside. We used 2023 estimates and multiples (previously 2022) in order to take into account the new scope following the sale of Actual IT. The appraisal of DBA Group obtained through the market multiples corroborates the evaluation of the company attained via the DCF model.

8.3. 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 2023e figures (previously 2022), in order to take into account the new scope following the sale of Actual IT. As a result, we attained an equity value of € 3.30/s, 105.0% 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 17 – DBA Group, Sum of the Parts equity value assessment

	€ m	% on EV	Methodology
ICT BU	0.7	*2.3*	6.8x peer multiple on € 0.1m BU EBITDA 2023e
EPM BU	27.3	*97.7*	6.1x peer multiple on € 4.5m BU EBITDA 2023e
Total EV	**28.0**	***100.0***	
NFP	11.4		FY-23e Net Financial Position
Pension Provision	(1.9)		Pension provision last reported
Equity Value	**37.4**		
Per share	**3.30**		
% upside/(downside)	*105.0%*		

Source: CFO SIM, Thomson Reuters Eikon

8.4. 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 18 - DBA Group, peer group absolute performance

	1D	1W	1M	3M	6M	YTD	1Y
AECOM	(1.7)	(0.3)	(7.9)	(18.0)	(16.7)	(17.1)	1.0
Alten SA	(2.9)	(2.7)	(14.1)	(24.0)	(33.0)	(33.6)	(8.8)
Arcadis NV	(1.9)	1.5	(12.8)	(23.7)	(24.5)	(24.3)	(9.7)
Jacobs Engineering Group Inc	(0.2)	2.2	(10.4)	(10.9)	(10.0)	(10.7)	(5.7)
SNC-Lavalin Group Inc	(1.3)	(0.6)	(12.5)	(26.9)	(29.5)	(28.6)	(31.5)
Sweco AB (publ)	(0.3)	7.7	(5.3)	(20.7)	(36.5)	(36.7)	(31.3)
Engineering & PMO median	**(1.5)**	**0.6**	**(11.4)**	**(22.2)**	**(27.0)**	**(26.4)**	**(9.3)**
Accenture PLC	(1.4)	(2.3)	(6.3)	(17.3)	(32.6)	(32.5)	(5.6)
Capgemini SE	(3.3)	(3.4)	(4.0)	(15.6)	(21.4)	(21.6)	4.3
Reply SpA	(1.1)	5.4	(4.6)	(23.0)	(34.7)	(34.5)	(16.5)
TXT e solutions SpA	(0.8)	4.8	(3.1)	0.8	0.2	(0.2)	29.2
ICT software median	**(1.3)**	**1.2**	**(4.3)**	**(16.5)**	**(27.0)**	**(27.0)**	**(0.6)**
DBA Group SpA	**(0.9)**	**5.6**	**(0.6)**	**(5.6)**	**13.4**	**13.8**	**17.9**

Source: Thomson Reuters Eikon

8.5. 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.

ANALYST CERTIFICATION

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DATE	TARGET PRICE	RATING
30/06/2022	€3.50	BUY
16/03/2022	€3.00	BUY
11/10/2021	€2.00	BUY
07/06/2021	€2.00	BUY

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