

## Italy – ICT Consulting

## Positive results, waiting for the closing of Actual IT sale

13<sup>th</sup> October 2022

### H1-22 RESULTS RELEASE

RIC: DBA.MI  
BBG: DBA IM

DBA posted 2022 interim results characterised by higher revenues and EBITDA driven by a strong demand for engineering services in the Telcos segment along with the solid performance of the ICT Slovenian BU. The company is confident about achieving its 2022 targets, while it is still waiting for approval from the Slovenian antitrust authority with regard to the sale of Actual IT, which would provide substantial fresh resources.

#### Rating:

**Buy**

#### Price Target:

**€ 3.50**

Upside/(Downside): 113.4%

Last Price: € 1.64

Market Cap.: € 18.9m

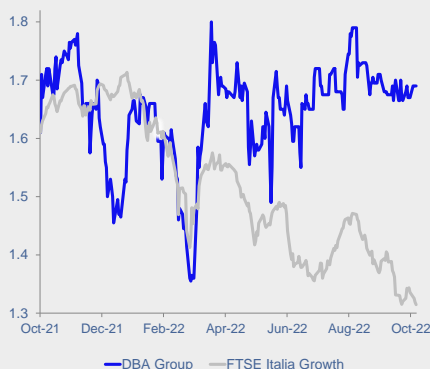
1Y High/Low: € 1.80/ € 1.20

Avg Daily Turn. (3M, 6M): € 20k, € 24k

Free Float: 49.6%

#### Major shareholders:

De Bettin family 40.5%



#### Stock price performance

	1M	3M	12M
<b>Absolute</b>	<b>0.6%</b>	<b>0.0%</b>	<b>3.1%</b>
<b>Rel.to FTSE IT Growth</b>	<b>7.0%</b>	<b>5.0%</b>	<b>21.4%</b>
<b>Rel.to peers</b>	<b>10.7%</b>	<b>5.0%</b>	<b>21.9%</b>

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#### PT confirmed at € 3.50/s leaves hefty upside potential: Buy

Interim results showed rising revenues and profitability, also driven by the Slovenian ICT business unit. Following the H1-22 results and the company's confirmation of its FY-22 budget at current scope, we left our estimates basically unchanged, only factoring in two additional months of Actual IT consolidation in 2022, pending the Slovenian antitrust ruling, expected by end-Oct beg-Nov. As a consequence of the estimate revision and the update in the valuation criteria, new PT remains unchanged at € 3.50/s, 113.4% upside. Buy.

#### Strong demand for engineering and IT services driven VoP at € 37.4m, up 18.1% YoY

VoP reached € 37.4m, up by 18.1% YoY, in light of the positive results of both the Slovenian ICT and the EPM's BUs, while the Italian ICT division slightly declined compared with the same period in 2021. EPM grew by 13.7% YoY to € 17.7m (€ 15.6m in H1-21) thanks to the positive performance of TLC SBU (+€ 1.3m YoY) driven by increased demand for optical fibre and broadband services. Moreover, projects focused on the energy upgrading of buildings (ET SBU), civilian infrastructures (IS SBU) and commercial building and data centres (BLD SBU) overall contributed € 0.8m. The Italian ICT business unit's VoP declined 4.7% YoY to € 1.3m due to lower software development capitalisation. The Slovenian ICT BU registered a VoP of € 18.4m, up 24.9% compared with € 14.7m in H1-21, thanks to the increased demand for IT and installation services in the Balkans.

#### EBITDA rose more than proportionately to VoP: € 1.9m, 5.1% margin

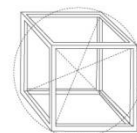
EBITDA amounted to € 1.9m (5.1% margin) vs € 0.3m (0.8% margin) in H1-21. The sharp YoY increase is almost entirely attributable to the Slovenian subsidiary, which soared to € 1.9m from € 0.8m recorded in H1-21 as a result of higher volumes of ICT services. The contribution of the EPM BU to EBITDA was € 0.2m vs. € 0.3m negative in the same period of last year while the Italian ICT division reported an EBITDA negative for € 0.2m, broadly unchanged compared to H1-21. After D&A expenses to the tune of € 2.0m, EBIT was negative for € 0.1m compared to € 1.8m negative in H1-21. Bottom line was negative for € 0.3m, improving from negative € 2.2m registered in H1-21.

#### NFP slightly worsened to € 11.3m. The sale of Actual IT is still pending approval

Net Financial Position came in at € 11.3m (debt) from € 10.3m, worsening by € 1.0m as a consequence of the greater use of the advance payments received at year-end 2021 related to a contract in Serbia. The sale of 100% of Actual IT to Telekom Slovenije, originally scheduled for the end of September, is still pending approval from the Slovenian Antitrust. It is worth noting that the transaction would generate a significant capital gain for DBA, equal to € 8.6m (€ 6.9m net of deal costs) as well as a cash in of € 18.9m (€ 1.64/s), able to significantly improve the company's NFP and considerably change its scope of activities.

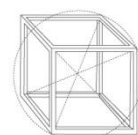
#### DBA Group, key financials and ratios

€ m	2020	2021	2022e	2023e	2024e
Value of production	71.9	79.5	80.7	46.2	48.4
EBITDA	3.9	4.8	7.1	4.6	4.9
EBITDA adj.	4.4	7.3	7.1	4.6	4.9
EBIT	(0.7)	0.4	3.1	3.5	3.8
EBIT adj.	1.3	4.5	4.4	3.8	4.1
Net profit	(1.2)	(0.7)	5.5	1.9	2.0
Net profit adj.	0.3	0.8	1.4	2.2	2.3
NFP (cash)/debt	16.4	10.4	(11.7)	(11.7)	(13.0)
EPS adjusted €	0.02	0.07	0.12	0.19	0.20
EPS adj. growth	n.m.	n.m.	81.9%	53.0%	8.3%
EBITDA margin %	5.4%	6.0%	8.8%	10.0%	10.1%
EBIT margin %	neg.	0.5%	3.8%	7.6%	7.9%
PER adj.	neg.	17.9	13.4	8.8	8.1
EV/Sales	0.40	0.32	0.09	0.16	0.12
EV/EBITDA	7.3	5.3	1.0	1.6	1.2
EV/EBIT adj.	21.8	5.7	1.7	1.9	1.4





Income statement (€ m)	2020	2021	2022e	2023e	2024e
Value of Production	71.9	79.5	80.7	46.2	48.4
Services	(23.0)	(26.9)	(33.3)	(15.9)	(17.1)
Lease, rental and other opex	(20.0)	(22.0)	(20.2)	(11.5)	(12.1)
Personnel expenses	(25.0)	(25.8)	(20.2)	(14.2)	(14.3)
EBITDA	3.9	4.8	7.1	4.6	4.9
D&A	(4.6)	(4.4)	(4.0)	(1.1)	(1.1)
EBIT	(0.7)	0.4	3.1	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)	9.7	3.3	3.6
Income taxes	(0.1)	(0.4)	(4.2)	(1.4)	(1.5)
Minorities	0.1	0.0	0.0	0.0	0.0
Net Profit	(1.2)	(0.7)	5.5	1.9	2.0
EBIT adj.	1.3	4.5	4.4	3.8	4.1
Net Profit adj.	0.3	0.8	1.4	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	4.8	5.2	5.6
Equity Investments	0.6	1.0	1.0	1.0	1.0
Other M/L Term A/L	(5.1)	(6.6)	(6.9)	(5.5)	(5.8)
Net Invested Capital	35.7	28.9	12.4	14.2	15.0
Net Financial Position	16.4	10.4	(11.7)	(11.7)	(13.0)
Minorities	0.0	0.0	0.0	0.0	0.0
Group's Shareholders Equity	19.3	18.5	24.0	25.9	27.9
Net Financial Position & Equity	35.7	28.9	12.4	14.2	15.0
Cash Flow statement (€ m)	2020	2021	2022e	2023e	2024e
Total net income	(1.2)	(0.7)	5.5	1.9	2.0
Depreciation	4.6	4.4	4.0	1.1	1.1
Other non-cash charges	(0.9)	(0.1)	0.2	(1.4)	0.3
Cash Flow from Oper. (CFO)	2.4	3.6	9.8	1.6	3.5
Change in NWC	(1.0)	5.1	2.4	(0.0)	(0.7)
FCF from Operations (FCFO)	1.4	8.7	12.2	1.5	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	22.0	0.0	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	22.0	0.0	1.3
Financial ratios	2020	2021	2022e	2023e	2024e
EBITDA margin	5.4%	6.0%	8.8%	10.0%	10.1%
EBIT margin	-0.9%	0.5%	3.8%	7.6%	7.9%
Net profit margin	-1.7%	-0.9%	6.9%	4.0%	4.2%
Tax rate	n.m.	n.m.	43.0%	43.0%	43.0%
Interest coverage x	(0.84)	1.91	0.08	0.07	0.07
Net Debt/EBITDA x	4.19	2.16	(1.65)	(2.54)	(2.65)
Debt-to-Equity x	0.85	0.56	(0.49)	(0.45)	(0.46)
ROIC	neg.	-2.5%	44.7%	13.0%	13.6%
ROCE	neg.	0.8%	6.3%	7.0%	7.2%
ROACE	neg.	0.8%	6.7%	7.1%	7.4%
ROE	neg.	-3.9%	23.1%	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)	0.48	0.16	0.18
EPS adjusted €	0.02	0.07	0.12	0.19	0.20
EPS reported FD €	(0.09)	(0.06)	0.48	0.16	0.18
EPS adjusted FD €	0.02	0.07	0.12	0.19	0.20
EBITDA €	0.29	0.38	0.62	0.40	0.43
EBIT €	(0.05)	0.03	0.27	0.30	0.33
BV €	1.44	1.61	2.09	2.25	2.43
FCFO €	0.11	0.70	1.06	0.13	0.24
FCFF €	(0.09)	0.48	1.91	0.00	0.11
FCFE €	0.36	0.16	1.91	0.00	0.11
Dividend €	0.00	0.00	0.00	0.00	0.00

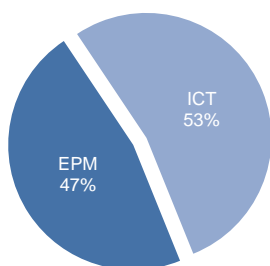


## The company at a glance

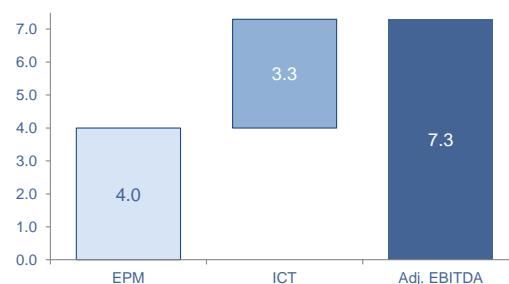
Founded in 1991 by the four De Bettin brothers in the north east of Italy, DBA Group is specialised in network connectivity and infrastructure lifecycle support solutions. DBA Group's core competence is its proven ability to provide telematics solutions for strategic infrastructures to clients whose 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. EBITDA adjusted for non-recurring costs came to € 7.3m, 9.2% margin. Net financial position was € 10.4m (debt).

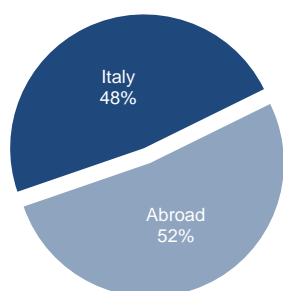
### 2021 top line ...



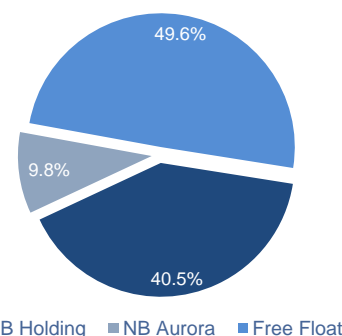
### ... and Adj. EBITDA breakdown by BU



### 2021 top line by geography



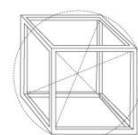
### Shareholders structure



### 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	0.86	0.81	0.76	12.7	11.8	10.8	15.3	13.9	12.5
Alten SA	0.94	0.83	0.71	7.4	6.7	5.8	9.1	8.2	7.0
Arcadis NV	0.93	0.84	0.70	9.3	8.0	6.6	13.2	11.8	9.4
Jacobs Engineering Group Inc	1.07	0.97	0.90	11.6	10.3	8.8	12.1	10.4	9.1
SNC-Lavalin Group Inc	0.66	0.63	n.a.	8.8	6.7	n.a.	12.4	7.9	n.a.
Sweco AB (publ)	1.44	1.35	1.28	11.3	10.7	9.7	15.5	15.0	13.5
<b>Engineering &amp; PMO median</b>	<b>0.94</b>	<b>0.83</b>	<b>0.76</b>	<b>10.3</b>	<b>9.2</b>	<b>8.8</b>	<b>12.8</b>	<b>11.1</b>	<b>9.4</b>
Accenture PLC	2.33	2.12	1.91	12.6	11.4	10.3	15.2	13.6	12.1
Capgemini SE	1.40	1.26	1.09	9.0	7.9	6.6	11.8	10.3	8.7
Reply SpA	2.05	1.78	1.52	12.2	10.7	9.3	14.7	12.9	11.1
TXT e solutions SpA	1.27	0.88	0.76	9.1	6.5	5.4	13.4	9.5	7.8
<b>ICT software median</b>	<b>1.72</b>	<b>1.52</b>	<b>1.30</b>	<b>10.7</b>	<b>9.3</b>	<b>8.0</b>	<b>14.0</b>	<b>11.6</b>	<b>9.9</b>
<b>DBA Group SpA</b>	<b>0.09</b>	<b>0.16</b>	<b>0.12</b>	<b>1.0</b>	<b>1.6</b>	<b>1.2</b>	<b>1.7</b>	<b>1.9</b>	<b>1.4</b>

Source: CFO Sim, Thomson Reuters Eikon



## H1-22 Results

DBA posted 2022 interim results characterised by higher revenues and EBITDA driven by a strong demand for engineering services in the TELCOs segment along with rising volumes of IT and consulting services in the ICT Slovenian BU. The company is confident about achieving its 2022 targets, while it is waiting for approval from the Slovenian antitrust authority with regard to the sale of Actual IT, whose cash-in will give DBA the necessary fresh resources to pursue strategic investments in promising adjacent segments.

**Table 1 – DBA Group, H1-22 results summary**

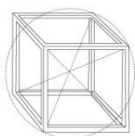
P&L € m	H1-22	H1-21	% YoY
<b>Revenues</b>	<b>35.7</b>	<b>31.0</b>	<b>15.0</b>
Other	1.8	0.7	
<b>Value of Production</b>	<b>37.4</b>	<b>31.7</b>	<b>18.1</b>
Raw material	(6.6)	(4.5)	
Services	(14.4)	(12.7)	
Lease & rental	(1.1)	(1.3)	
Other opex	(0.1)	(0.1)	
Personnel expenses	(13.4)	(13.0)	
<b>EBITDA</b>	<b>1.9</b>	<b>0.3</b>	<b>n.m.</b>
% margin	5.1	0.8	
D&A	(2.0)	(2.1)	
<b>EBIT</b>	<b>(0.1)</b>	<b>(1.9)</b>	<b>92.7</b>
% margin	(0.4)	(6.0)	
Financial costs	(0.2)	(0.3)	
<b>Pre-Tax profit</b>	<b>(0.3)</b>	<b>(2.2)</b>	<b>84.1</b>
% margin	(0.9)	(6.9)	
Income taxes	0.0	0.0	
Tax rate	n.m.	0.0%	
Minorities	0.1	0.0	
<b>Net Profit</b>	<b>(0.3)</b>	<b>(2.2)</b>	<b>87.0</b>
% margin	(0.8)	(6.9)	
<b>NFP (cash)/debt *</b>	<b>11.3</b>	<b>16.2</b>	<b>(30.5)</b>

Source: Company data, \* NFP compared to FY-21 figure

**Value of Production reached € 37.4m, up by 18.1% YoY**, in light of the positive results of both the Slovenian ICT and the EPM BUs, while the Italian division focused on ICT services slightly declined compared with the same period of 2021. In particular:

- **EPM grew by 13.7% YoY to € 17.7m (€ 15.6m in H1-21)** thanks to the positive performance of **TLC SBU** (+€ 1.3m YoY) driven by increased demand for optical fibre and broadband services. Moreover, projects focused on the energy upgrading of buildings (**ET SBU**), civilian infrastructures as ports, highways etc. (**IS SBU**) along with commercial building and data centres (**BLD SBU**), overall contributed € 0.8m, showing a significant increase YoY.
- **The Italian ICT business unit's VoP decreased 4.7% YoY to € 1.3m** due to lower software development capitalisation with respect to the first half of 2021.
- **The VoP registered by the Slovenian ICT BU was € 18.4m, up 24.9%** compared with € 14.7m registered in H1-21, mainly in virtue of the increased demand for IT services in the Balkans along with management software (i.e. SAP) installation services.

**EBITDA amounted to € 1.9m (5.1% margin) vs € 0.3m (0.8% margin) in H1-21.** The sharp YoY increase is almost entirely attributable to the Slovenian subsidiary, which soared to € 1.9m from € 0.8m recorded in H1-21 as a result of higher volumes of ICT services. The contribution of the EPM BU to EBITDA was equal to € 0.2m vs. € 0.3m negative in the same period of last year while the Italian ICT division reported an EBITDA negative for € 0.2m, broadly unchanged from the reported figure in H1-21.



After D&A to the tune of € 2.0m, **EBIT was negative for € 0.1m compared to € 1.8m negative in H1-21**. Bottom line was negative for € 0.3m, improving from negative € 2.2m registered in H1-21.

**Net Financial Position came in at € 11.3m (debt) from € 10.3m, worsening by € 1.0m** as a consequence of the greater use of the advance payments received at year-end 2021 related to a contract in Serbia.

## Update on the sale of ACTUAL IT, the Slovenian ICT BU

On 28 March 2022, DBA signed a preliminary contract for the sale of 100% of its equity investment in Actual IT to the Slovenian national operator Telekom Slovenije, which valued the company at **€ 30.0m** (Enterprise Value), corresponding to **9x EV/EBITDA<sub>21</sub>**. Considering FY-21 results, the equity value of the transaction is € 20.6m, generating a significant **capital gain for DBA, to the tune of € 8.6m (€ 6.9m net of deal costs)** as well as a **cash in of € 18.9m (€ 1.64/s)** able to significantly improve the Net Financial Position of the company. Moreover, **the implicit IRR with regard to the investment in Actual IT amounted to 10% per year**.

The closing of the transaction, originally scheduled for the end of September, **is still awaiting the required authorisation from the Slovenian Antitrust**.

## A new small M&A and two new subsidiaries established

Throughout Q3, DBA carried out several initiatives, among which a strategic M&A deal...

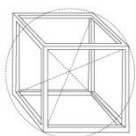
- **C&G Engineering Srl** is a Padua-based company operating since 1988 in several segments such as engineering for high-voltage electricity transmission networks, mechanical engineering, automation and fire engineering. In 2021, C&G Engineering's VoP amounted to € 2.7m, with EBITDA of about € 0.3m (11% margin) and some € 600k of positive NFP.

On 10<sup>th</sup> August, **DBA acquired the entire share capital of C&G Engineering Srl for a total consideration of € 800k to be paid in two tranches**: the first at closing while the second at the approval of the target's FY-22 results. **The price paid corresponds to some 1x EV/EBITDA<sub>21</sub>**.

The acquisition allows the subsidiary DBA PRO to add a solid client portfolio as well as domestic and international references to its Energy & Utilities division and gain exposure in several market segments that will benefit from a strong investment expansion stemming from the NRRP resources.

...accompanied by the establishment of two new subsidiaries geared towards the group's expansion into new promising market segments:

- **KEYPERS Srl, whose 51% of share capital is owned by DBA Group**, offers strategic consultancy services aimed at the operational continuity, sustainability, energy efficiency and process optimisation of critical infrastructures.
- **GH2 Srl, entirely owned by DBA Group**, in order to assist companies engaged in the research and development of projects for the production of renewable energy as well as green hydrogen from geothermal sources. Therefore, the subsidiary will sustain multi-utilities, transport & logistics as well as PA companies along their path to carbon neutrality.



## Estimates, Valuation & risks

DBA Group reported a good set of 2022 interim results, showing increasing revenues driven by the Slovenian ICT business unit. It is worth remembering that, due to the **typical business seasonality**, 40/45% of the full year turnover is concentrated in the first half. The business seasonality is even more pronounced in terms of EBITDA, as, mainly in the EPM business, projects are generally awarded and undertaken in the first few months of the year while margin recognition occurs only after their completion.

Following the H1-22 results and the company's confirmation of its FY-22 budget at current scope, **we left our estimates basically unchanged, only factoring in two additional months of Actual IT consolidation** in 2022, pending the Slovenian antitrust ruling, expected by end-Oct beg-Nov.

**Table 2 – DBA Group, 2022e new/old estimates**

€ m	New	Old	% Diff.	€ m	Diff.
<b>Value of Production</b>	<b>80.7</b>	<b>74.1</b>	9.0		<b>6.7</b>
<b>EBITDA</b>	<b>7.1</b>	<b>6.6</b>	7.1		<b>0.5</b>
% margin	8.8	8.9			
<b>EBIT</b>	<b>3.1</b>	<b>2.7</b>	13.5		<b>0.4</b>
% margin	3.8	3.7			
<b>Net Profit</b>	<b>5.5</b>	<b>5.3</b>	4.0		<b>0.2</b>
% margin	6.9	7.2			
<b>Y/E net debt (net cash)</b>	<b>(11.7)</b>	<b>(11.0)</b>	(5.6)		<b>(0.6)</b>

Source: CFO Sim

**Table 3 – DBA Group, 2023e new/old estimates**

€ m	New	Old	% Diff.	€ m	Diff.
<b>Value of Production</b>	<b>46.2</b>	<b>46.2</b>	0.0		<b>0.0</b>
<b>EBITDA</b>	<b>4.6</b>	<b>4.6</b>	0.0		<b>0.0</b>
% margin	10.0	10.0			
<b>EBIT</b>	<b>3.5</b>	<b>3.5</b>	0.0		<b>0.0</b>
% margin	7.6	7.6			
<b>Net Profit</b>	<b>1.9</b>	<b>1.9</b>	0.0		<b>0.0</b>
% margin	4.0	4.0			
<b>Y/E net debt (net cash)</b>	<b>(11.7)</b>	<b>(11.4)</b>	(2.7)		<b>(0.3)</b>

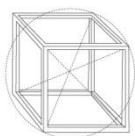
Source: CFO Sim

**Table 4 – DBA Group, 2024e new/old estimates**

€ m	New	Old	% Diff.	€ m	Diff.
<b>Value of Production</b>	<b>48.4</b>	<b>48.4</b>	0.0		<b>0.0</b>
<b>EBITDA</b>	<b>4.9</b>	<b>4.9</b>	0.0		<b>0.0</b>
% margin	10.1	10.1			
<b>EBIT</b>	<b>3.8</b>	<b>3.8</b>	(0.0)		<b>(0.0)</b>
% margin	7.9	7.9			
<b>Net Profit</b>	<b>2.0</b>	<b>2.0</b>	0.0		<b>0.0</b>
% margin	4.2	4.2			
<b>Y/E net debt (net cash)</b>	<b>(13.0)</b>	<b>(12.7)</b>	(2.5)		<b>(0.3)</b>

Source: CFO Sim

As a consequence of the estimate revision and the update in the valuation criteria, **new PT remains unchanged at € 3.50/s, 113.4% upside.**





## 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 5 - WACC derived from:**

Interest costs, pre-tax	1.5%
Tax rate	43.0%
<b>Int. costs, after taxes</b>	<b>0.9%</b>
Risk premium, incl. small size premium	9.0%
Risk-free (10Y Gov. Bond 200 days simple moving average)	2.46%
Beta levered (x)	1.00
<b>Required ROE</b>	<b>11.5%</b>

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 6 - DBA Group, DCF model**

€ m	2022e	2023e	2024e	2025e	2026e	Term. Val.
EBIT	3.1	3.5	3.8	4.0	4.2	
Tax rate	43.0%	43.0%	43.0%	43.0%	43.0%	
<b>Operating profit (NOPAT)</b>	<b>1.8</b>	<b>2.0</b>	<b>2.2</b>	<b>2.3</b>	<b>2.4</b>	
Change working capital	2.4	(0.0)	(0.7)	(0.4)	(0.1)	
Depreciation	4.0	1.1	1.1	1.0	1.0	
Investments	(2.2)	(1.5)	(1.5)	(1.0)	(1.0)	
<b>Free Cash Flows</b>	<b>5.9</b>	<b>1.6</b>	<b>1.1</b>	<b>2.0</b>	<b>2.3</b>	<b>28.4</b>
Present value	5.8	1.4	0.9	1.5	1.6	<b>19.5</b>
WACC	9.3%	9.3%	9.3%	9.3%	9.3%	
<b>Long-term growth rate</b>	<b>1.0%</b>					

Source: CFO Sim

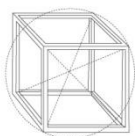
**Table 7 – DBA Group, DCF derived from:**

€ m	
Total EV present value € m	30.7
<i>thereof terminal value</i>	64%
NFP last reported – FY 21 adjusted for the sale of Actual IT	11.2
Pension provision last reported	(1.9)
<b>Equity value € m</b>	<b>40.0</b>
#m shares	11.51
<b>Equity value €/s</b>	<b>3.50</b>
<i>% upside/(downside)</i>	<i>113.4%</i>

Source: CFO Sim

The application of the model produces an **equity value of DBA Group of € 40.0m, corresponding to € 3.50/share, 113.4% upside.**

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value of between **€ 3.33-3.66** 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 **€ 3.32-3.66** per share (**free risk range of between 3.21% and 1.71%**) and 3) if compared to changes in the risk premium, including small size premium it results in an equity value of **€ 3.18-3.87** 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	11.2	11.2	11.2	11.2	11.2	11.2	11.2
PV of terminal value	17.8	18.3	18.9	19.5	20.2	20.9	21.6
<b>Total value</b>	<b>29.0</b>	<b>29.5</b>	<b>30.1</b>	<b>30.7</b>	<b>31.4</b>	<b>32.1</b>	<b>32.8</b>
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)
<b>Equity value</b>	<b>38.3</b>	<b>38.8</b>	<b>39.4</b>	<b>40.0</b>	<b>40.7</b>	<b>41.4</b>	<b>42.1</b>
<b>Equity value/share €</b>	<b>3.33</b>	<b>3.37</b>	<b>3.42</b>	<b>3.50</b>	<b>3.53</b>	<b>3.59</b>	<b>3.66</b>

Source: CFO Sim

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

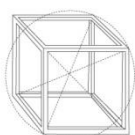
€ m	1.71%	1.96%	2.21%	2.46%	2.71%	2.96%	3.21%
Present value of CF	11.3	11.3	11.2	11.2	11.2	11.1	11.1
PV of terminal value	21.5	20.8	20.1	19.5	18.9	18.3	17.8
<b>Total value</b>	<b>32.8</b>	<b>32.1</b>	<b>31.4</b>	<b>30.7</b>	<b>30.1</b>	<b>29.5</b>	<b>28.9</b>
Adj. NFP last reported	11.2	11.2	11.2	11.2	11.2	11.2	11.2
Pension provision last reported	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)
<b>Equity value</b>	<b>42.1</b>	<b>41.4</b>	<b>40.7</b>	<b>40.0</b>	<b>39.4</b>	<b>38.8</b>	<b>38.2</b>
<b>Equity value/share €</b>	<b>3.66</b>	<b>3.59</b>	<b>3.53</b>	<b>3.50</b>	<b>3.42</b>	<b>3.37</b>	<b>3.32</b>

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	11.4	11.3	11.3	11.2	11.1	11.1	11.0
PV of terminal value	23.9	22.3	20.8	19.5	18.3	17.3	16.3
<b>Total value</b>	<b>35.3</b>	<b>33.6</b>	<b>32.1</b>	<b>30.7</b>	<b>29.5</b>	<b>28.3</b>	<b>27.3</b>
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)
<b>Equity value</b>	<b>44.6</b>	<b>42.9</b>	<b>41.4</b>	<b>40.0</b>	<b>38.8</b>	<b>37.7</b>	<b>36.6</b>
<b>Equity value/share €</b>	<b>3.87</b>	<b>3.73</b>	<b>3.59</b>	<b>3.50</b>	<b>3.37</b>	<b>3.27</b>	<b>3.18</b>

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.

**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.

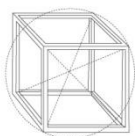
**Capgemini** (France): it is a company providing IT consulting, outsourcing and professional services including application lifecycle services, big data analytics, supply chain management in several sectors including aerospace and defence, automotive, finance, industrial production, oil and gas, and 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 12.7% and a low double-digit sales growth. ICT software comparable firms show slightly higher growth profiles than the Engineering & PMO sample and higher profitability, ranging from 13.9% to 18.4%.

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



**Table 11 - DBA Group, peer group summary table**

€ m	Country	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA %	Sales CAGR <sub>21-24</sub>	EBITDA CAGR <sub>21-24</sub>	EBIT CAGR <sub>21-24</sub>	EPS CAGR <sub>22-24</sub>	NFP/EBITDA FY1
AECOM	USA	10,094	13,537	919	6.8%	9.5%	14.6%	18.4%	8.9%	1.7
Alten SA	France	3,621	3,662	464	12.7%	13.4%	11.5%	12.7%	5.3%	n.m.
Arcadis NV	Dutch	2,939	3,811	382	10.0%	18.6%	10.0%	11.3%	10.3%	1.6
Jacobs Engineering Group Inc	USA	14,410	15,336	1,411	9.2%	12.0%	13.7%	20.1%	11.4%	1.4
SNC-Lavalin Group Inc	Canada	2,899	5,628	424	7.5%	2.4%	17.8%	40.3%	31.0%	2.0
Sweco AB (publ)	Sweden	2,844	2,168	276	12.7%	3.3%	1.3%	5.3%	6.9%	1.0
<b>Engineering &amp; PMO median</b>		<b>3,280</b>	<b>4,719</b>	<b>444</b>	<b>9.6%</b>	<b>10.8%</b>	<b>12.6%</b>	<b>15.6%</b>	<b>9.6%</b>	<b>1.6</b>
Accenture PLC	USA	163,006	65,952	12,155	18.4%	7.9%	11.6%	9.3%	10.4%	n.m.
Capgemini SE	France	27,528	21,551	3,372	15.6%	10.8%	14.0%	14.5%	11.0%	0.8
Reply SpA	Italy	3,965	1,819	306	16.8%	14.6%	12.2%	13.3%	11.1%	n.m.
TXT e solutions SpA	Italy	150	137	19	13.9%	28.6%	27.5%	27.7%	27.5%	1.3
<b>ICT software median</b>		<b>15,747</b>	<b>11,685</b>	<b>1,839</b>	<b>16.2%</b>	<b>12.7%</b>	<b>13.1%</b>	<b>13.9%</b>	<b>11.0%</b>	<b>1.0</b>
<b>DBA Group SpA</b>	<b>Italy</b>	<b>19</b>	<b>81</b>	<b>7</b>	<b>8.8%</b>	<b>-15.3%</b>	<b>0.8%</b>	<b>-2.7%</b>	<b>28.7%</b>	<b>(1.6)</b>

Source: CFO Sim, Thomson Reuters Eikon

**Table 12 - DBA Group, peer group EV multiple table**

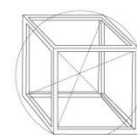
x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
AECOM	0.86	0.81	0.76	12.7	11.8	10.8
Alten SA	0.94	0.83	0.71	7.4	6.7	5.8
Arcadis NV	0.93	0.84	0.70	9.3	8.0	6.6
Jacobs Engineering Group Inc	1.07	0.97	0.90	11.6	10.3	8.8
SNC-Lavalin Group Inc	0.66	0.63	n.a.	8.8	6.7	n.a.
Sweco AB (publ)	1.44	1.35	1.28	11.3	10.7	9.7
<b>Engineering &amp; PMO median</b>	<b>0.94</b>	<b>0.83</b>	<b>0.76</b>	<b>10.3</b>	<b>9.2</b>	<b>8.8</b>
Accenture PLC	2.33	2.12	1.91	12.6	11.4	10.3
Capgemini SE	1.40	1.26	1.09	9.0	7.9	6.6
Reply SpA	2.05	1.78	1.52	12.2	10.7	9.3
TXT e solutions SpA	1.27	0.88	0.76	9.1	6.5	5.4
<b>ICT software median</b>	<b>1.72</b>	<b>1.52</b>	<b>1.30</b>	<b>10.7</b>	<b>9.3</b>	<b>8.0</b>
<b>DBA Group SpA</b>	<b>0.09</b>	<b>0.16</b>	<b>0.12</b>	<b>1.0</b>	<b>1.6</b>	<b>1.2</b>

Source: 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	15.3	13.9	12.5	20.1	18.9	16.9
Alten SA	9.1	8.2	7.0	12.8	12.2	11.5
Arcadis NV	13.2	11.8	9.4	14.8	13.2	12.1
Jacobs Engineering Group Inc	12.1	10.4	9.1	15.2	13.7	12.3
SNC-Lavalin Group Inc	12.4	7.9	n.a.	17.6	11.2	10.3
Sweco AB (publ)	15.5	15.0	13.5	18.9	18.4	16.5
<b>Engineering &amp; PMO median</b>	<b>12.8</b>	<b>11.1</b>	<b>9.4</b>	<b>16.4</b>	<b>13.5</b>	<b>12.2</b>
Accenture PLC	15.2	13.6	12.1	21.9	19.7	17.9
Capgemini SE	11.8	10.3	8.7	14.9	13.4	12.1
Reply SpA	14.7	12.9	11.1	22.4	20.0	18.1
TXT e solutions SpA	13.4	9.5	7.8	18.7	12.5	11.5
<b>ICT software median</b>	<b>14.0</b>	<b>11.6</b>	<b>9.9</b>	<b>20.3</b>	<b>16.6</b>	<b>15.0</b>
<b>DBA Group SpA</b>	<b>1.7</b>	<b>1.9</b>	<b>1.4</b>	<b>13.4</b>	<b>8.8</b>	<b>8.1</b>

Source: 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	80.7	46.2	48.4	7.1	4.6	4.9	1.4	2.2	2.3
Multiples (35% discounted)	0.67	0.58	0.57	6.6	5.9	5.7	11.1	8.8	8.0
<b>Enterprise Value</b>	<b>53.9</b>	<b>26.8</b>	<b>27.4</b>	<b>47.1</b>	<b>27.3</b>	<b>27.9</b>	<b>15.6</b>	<b>19.0</b>	<b>18.5</b>
NFP	11.7	11.7	13.0	11.7	11.7	13.0			
Pension Provision	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)			
<b>DBA Equity Value</b>	<b>63.6</b>	<b>36.6</b>	<b>38.4</b>	<b>56.8</b>	<b>37.1</b>	<b>38.9</b>	<b>15.6</b>	<b>19.0</b>	<b>18.5</b>
<b>DBA Equity Value per share €/s</b>	<b>5.53</b>	<b>3.18</b>	<b>3.34</b>	<b>4.93</b>	<b>3.20</b>	<b>3.38</b>	<b>1.36</b>	<b>1.65</b>	<b>1.61</b>
% upside/(downside)	237.0	93.7	103.4	200.9	95.1	106.2	(17.2)	0.6	(1.8)

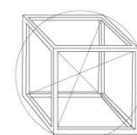
Source: CFO Sim, Thomson Reuters Eikon

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

€ m	FY1	FY2	FY3
EV/EBITDA	56.8	37.1	38.9
Weighting	0.0%	100.0%	0.0%
Equity Value	37.1		
<b>Equity Value per share €/s</b>	<b>3.20</b>		
% upside/(downside)	95.1%		

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**, 95.1% upside. We used 2023 estimates and multiples 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.



## 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.

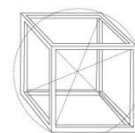
In our SOTP valuation, we used 1) the median EV/EBITDA multiple of the Engineering & PMO panel to evaluate the EPM business units, 2) the median EV/EBITDA multiple of the ICT software panel to appraise the ICT business unit. We applied a **35% discount to peer multiples**, mainly due to DBA's smaller 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**, in order to take into account the new scope following the sale of Actual IT. As a result, we attained an equity value of € 3.20/s, 95.1% 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	0.6	2.1	6x peer multiple on € 0.1m BU EBITDA 2023e
EPM BU	26.9	97.9	6x peer multiple on € 4.5m BU EBITDA 2023e
<b>Total EV</b>	<b>27.5</b>	<b>100.0</b>	
NFP	11.7		FY-23e Net Financial Position
Pension Provision	(1.9)		Pension provision last reported
<b>Equity Value</b>	<b>37.2</b>		
<b>Per share</b>	<b>3.20</b>		
<i>% upside/(downside)</i>	95.1%		

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

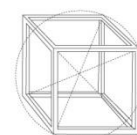
	1D	1W	1M	3M	6M	YTD	1Y
AECOM	(3.2)	(3.4)	(1.5)	9.9	(7.5)	(9.3)	11.9
Alten SA	(3.0)	(9.5)	(15.4)	(5.5)	(17.1)	(33.6)	(14.3)
Arcadis NV	(0.2)	(4.2)	(4.0)	(2.3)	(17.0)	(23.2)	(24.7)
Jacobs Engineering Group Inc	(2.1)	(4.3)	(8.4)	(12.2)	(23.6)	(21.3)	(17.6)
SNC-Lavalin Group Inc	(0.4)	(12.3)	(14.2)	(1.6)	(25.3)	(28.5)	(32.2)
Sweco AB (publ)	(0.6)	(7.8)	(15.7)	(26.7)	(38.4)	(49.4)	(36.4)
<b>Engineering &amp; PMO median</b>	<b>(1.4)</b>	<b>(6.0)</b>	<b>(11.3)</b>	<b>(3.9)</b>	<b>(20.4)</b>	<b>(25.9)</b>	<b>(21.2)</b>
Accenture PLC	(1.2)	(8.8)	(10.2)	(8.1)	(23.2)	(39.7)	(23.7)
Capgemini SE	(0.5)	(7.6)	(10.4)	(1.9)	(15.4)	(25.9)	(9.1)
Reply SpA	(3.1)	(10.2)	(7.5)	(11.1)	(25.4)	(40.7)	(31.3)
TXT e solutions SpA	5.3	0.7	2.1	(4.2)	20.0	13.4	35.6
<b>ICT software median</b>	<b>(0.8)</b>	<b>(8.2)</b>	<b>(8.9)</b>	<b>(6.1)</b>	<b>(19.3)</b>	<b>(32.8)</b>	<b>(16.4)</b>
<b>DBA Group SpA</b>	<b>0.0</b>	<b>1.2</b>	<b>0.6</b>	<b>0.0</b>	<b>0.6</b>	<b>15.9</b>	<b>3.1</b>

Source: Thomson Reuters Eikon

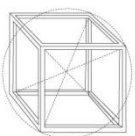
## Risks

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.

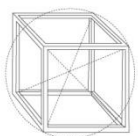


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## ANALYST CERTIFICATION

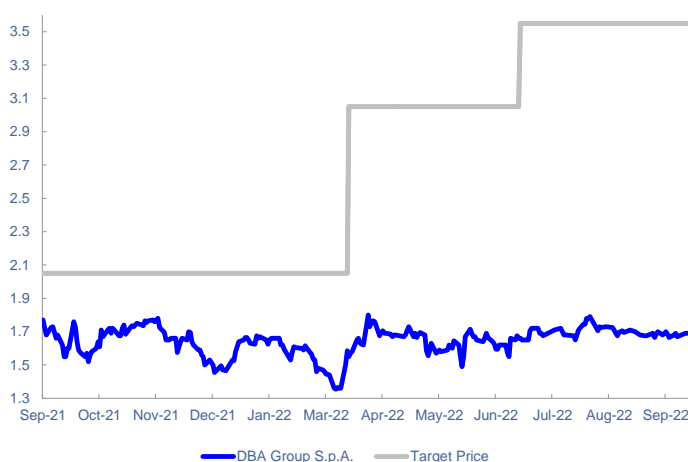
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DATE	TARGET PRICE	RATING
13/10/2022	€3.50	BUY
30/06/2022	€3.50	BUY
16/03/2022	€3.00	BUY
11/10/2021	€2.00	BUY

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- a **BUY** rating is assigned if the target price is at least 15% higher than the market price;
- 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.

