

Italy – EPM & ICT Consulting

Strong interim results led us to revise upwards our forecasts

5th October 2023

H1-23 RESULTS RELEASE

RIC: DBA.MI
BBG: DBA IM

DBA Group reported excellent 2023 interim results driven by double-digit growth in organic sales and EBITDA, which more than doubled YoY. Considering the substantial order backlog, DBA Group is well on track to hit the Business Plan targets. The stock is still trading at extremely undemanding multiples and at a huge discount to comparable companies.

Rating:

Buy

Price Target:

€ 3.00 (€ 2.50)

Upside/(Downside): 71.4%

Last Price: € 1.75

Market Cap.: € 20.1m

1Y High/Low: € 1.93 / € 1.41

Avg Daily Turn. (3M, 6M): € 24k, € 34k

Free Float: 53.2%

Major shareholders:

De Bettin family 43.6%



Stock price performance

	1M	3M	12M
Absolute	2.9%	2.9%	6.7%
Rel.to FTSE IT Growth	10.5%	13.2%	16.1%
Rel.to peers	6.1%	2.4%	-6.3%

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Estimates updated: new PT at € 3.00/s (€ 2.50), 71.4% upside. Buy reiterated

Following H1-23 results, we have updated our model by factoring in 1) slightly stronger progression of top line and EBITDA, driven by the excellent interim results of the EPM BU, and 2) a fine-tuning of D&A and interest costs. The combined result is an average increase of 3.7% and 6.2% in the VoP and EBITDA and a 14.3% decrease in Net Profit, in 2023-25. Our FY-23 estimates are in line with company guidance (VoP at € 105.0m and EBITDA at € 10.3m). As a consequence of the estimate revision and the update in the valuation criteria, new PT stands at € 3.00/s (€ 2.50), 71.4% upside. DBA Group is trading at very low multiples, not justified by the excellent economic performance: 2023e adj. EV/EBITDA and PER of 3.2x and 5.5x, respectively. Buy recommendation is reiterated.

Buoyant demand for EPM services and M&As drove VoP to € 47.9m, up by 28% YoY

The VoP rose by 28.0% to € 47.9m (€ 37.4m in H1-22), primarily driven by the outstanding result of the EPM BU as well as a solid increase in the performance of the Italian ICT BU, while the Slovenian ICT BU slightly declined YoY. The overall contribution of General Planning, C&G Engineering and DBA's new initiatives was € 5.9m. Therefore, organic growth stands at about 12%. The EPM BU soared by 59.2% YoY to € 28.2m (€ 17.7m in H1-22), mainly reflecting the positive contribution of projects and management services relating to highly technological buildings and Cold Ironing systems in the Italian ports, an activity that is gaining momentum for the group. The Italian ICT BU grew by 45.7% YoY to € 1.9m (€ 1.3m in H1-22), thanks to higher sales of internally-developed digital solutions whereas the performance of the Slovenian ICT BU slightly declined YoY to € 17.8m YoY (€ 18.4m in H1-22), mainly due to slowing demand for IT services in the Balkans.

EBITDA more than doubled YoY to € 5.0m, 10.4% margin

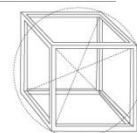
EBITDA more than doubled YoY reaching € 5.0m, 10.4% margin (€ 1.9m, 5.1% margin, in H1-22), mainly driven by growing revenues coupled with the increased profitability of the EPM BU, which contributed € 4.0m to the group's EBITDA (€ 0.2m in H1-22). The Italian ICT BU contributed € 0.3m (negative by € 0.2m in H1-22), while the Slovenian ICT BU stood at € 0.7m (€ 1.9m in H1-22). Following stable D&A of € 2.1m, EBIT totalled € 2.9m, 6.2% margin, significantly improving from the negative result of € 0.1m in H1-22. Net Profit came in at € 2.5m, 5.3% margin (net loss of € 0.3m in H1-22), as a result of increased profitability. It is worth noting that, interim net profit does not include the tax burden.

NFP stood at € 16.3m affected by the dynamics of receivables to be resolved by 2023

NFP stood at € 16.3m, showing a slight deterioration in comparison with the € 12.6m recorded at year end 2022, mostly as a result of a temporary increase in NWC, mainly due to an important IT project in Serbia, which is currently underway and is expected to be concluded in H2-23, thus significantly reducing the group's NFP.

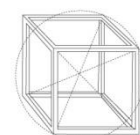
DBA Group, key financials and ratios

€ m	2021	2022	2023e	2024e	2025e
Value of production	79.5	85.4	105.0	111.3	115.5
EBITDA	4.8	7.2	10.3	10.6	11.1
EBITDA adjusted	7.3	7.5	10.3	10.6	11.1
EBIT	0.4	3.4	5.8	6.1	6.6
EBIT adjusted	4.5	5.3	7.7	8.0	8.5
Net profit	(0.7)	0.6	1.8	2.4	3.3
Net profit adjusted	0.8	3.2	3.6	4.3	5.1
NFP (cash)/debt	10.3	12.6	12.8	9.8	4.2
EPS adjusted €	0.07	0.28	0.31	0.37	0.45
EPS adjusted growth	n.m.	n.m.	12.6%	18.5%	19.6%
EBITDA margin %	6.0%	8.4%	9.8%	9.6%	9.6%
EBIT margin %	0.5%	4.0%	5.5%	5.5%	5.7%
EV/Sales	0.32	0.38	0.31	0.27	0.21
EV/EBITDA adj.	3.4	4.2	3.2	2.8	2.2
EV/EBIT adj.	5.7	5.9	4.3	3.7	2.9
PER adj.	17.9	5.8	5.5	4.7	3.9





Income statement (€ m)	2021	2022	2023e	2024e	2025e
Value of Production	79.5	85.4	105.0	111.3	115.5
Services	(26.9)	(31.8)	(41.7)	(45.6)	(48.0)
Lease, rental and other opex	(22.0)	(18.3)	(22.6)	(23.9)	(24.8)
Personnel expenses	(25.8)	(28.2)	(30.5)	(31.1)	(31.6)
EBITDA	4.8	7.2	10.3	10.6	11.1
D&A	(4.4)	(3.8)	(4.5)	(4.5)	(4.5)
EBIT	0.4	3.4	5.8	6.1	6.6
Financial costs	(0.7)	(0.4)	(0.8)	(0.7)	(0.7)
Extraordinary, other costs	0.0	(1.3)	0.0	0.0	0.0
Pre-Tax profit	(0.3)	1.7	5.0	5.4	5.9
Income taxes	(0.4)	(1.1)	(3.3)	(3.0)	(2.7)
Minorities	0.0	0.0	0.0	0.0	0.0
Net Profit	(0.7)	0.6	1.8	2.4	3.3
EBITDA adjusted	7.3	7.5	10.3	10.6	11.1
EBIT adjusted	4.5	5.3	7.7	8.0	8.5
Net Profit adjusted	0.8	3.2	3.6	4.3	5.1
Balance sheet (€ m)	2021	2022	2023e	2024e	2025e
Net Working Capital	15.9	18.7	22.8	24.1	24.7
Net Fixed Assets	18.6	19.2	18.2	16.7	14.3
Equity Investments	1.0	3.5	3.5	3.5	3.5
Other M/L Term A/L	(6.6)	(9.3)	(10.3)	(10.9)	(11.3)
Net Invested Capital	28.8	32.1	34.1	33.5	31.2
Net Financial Position	10.3	12.6	12.8	9.8	4.2
Minorities	0.0	0.1	0.1	0.0	0.0
Group's Shareholders Equity	18.5	19.5	21.2	23.7	27.0
Net Financial Position & Equity	28.8	32.1	34.1	33.5	31.2
Cash Flow statement (€ m)	2021	2022	2023e	2024e	2025e
Total net income	(0.7)	0.6	1.8	2.4	3.3
Depreciation	4.4	3.8	4.5	4.5	4.5
Other non-cash charges	(0.1)	0.3	1.0	0.5	0.5
Cash Flow from Oper. (CFO)	3.6	4.7	7.3	7.5	8.2
Change in NWC	5.1	(2.8)	(4.1)	(1.3)	(0.6)
FCF from Operations (FCFO)	8.7	1.9	3.2	6.2	7.6
Net Investments (CFI)	(2.6)	(4.4)	(3.4)	(3.1)	(2.0)
Free CF to the Firm (FCFF)	6.0	(2.5)	(0.2)	3.1	5.6
CF from financials (CFF)	(4.0)	(2.7)	0.0	0.0	0.0
Free Cash Flow to Equity (FCFE)	2.0	(5.3)	(0.2)	3.1	5.6
Financial ratios	2021	2022	2023e	2024e	2025e
EBITDA margin	6.0%	8.4%	9.8%	9.6%	9.6%
EBIT margin	0.5%	4.0%	5.5%	5.5%	5.7%
Net profit margin	-0.9%	0.7%	1.7%	2.2%	2.8%
Tax rate	n.m.	63.8%	65.0%	55.0%	45.0%
Interest coverage x	1.91	0.12	0.14	0.12	0.10
Net Debt/EBITDA x	2.15	1.76	1.25	0.92	0.38
Debt-to-Equity x	0.56	0.65	0.60	0.41	0.16
ROIC	-2.5%	2.0%	5.2%	7.3%	10.5%
ROCE	0.8%	8.1%	13.1%	13.0%	13.0%
ROACE	0.8%	8.0%	13.5%	13.4%	13.5%
ROE	-3.9%	3.2%	8.3%	10.3%	12.2%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Per share figures	2021	2022	2023e	2024e	2025e
Number of issued ordinary shares # m	11.51	11.51	11.51	11.51	11.51
Number of shares Fully Diluted # m	11.51	11.51	11.51	11.51	11.51
Average Number of shares Fully Diluted # m	12.46	11.51	11.51	11.51	11.51
EPS reported €	(0.06)	0.05	0.15	0.21	0.28
EPS adjusted €	0.07	0.28	0.31	0.37	0.45
EPS reported FD €	(0.06)	0.05	0.15	0.21	0.28
EPS adjusted FD €	0.07	0.28	0.31	0.37	0.45
EBITDA €	0.38	0.62	0.89	0.92	0.96
EBIT €	0.03	0.30	0.50	0.53	0.57
BV €	1.61	1.70	1.85	2.06	2.35
FCFO €	0.70	0.16	0.27	0.54	0.66
FCFF €	0.48	(0.22)	(0.02)	0.27	0.49
FCFE €	0.16	(0.46)	(0.02)	0.27	0.49
Dividend €	0.00	0.00	0.00	0.00	0.00

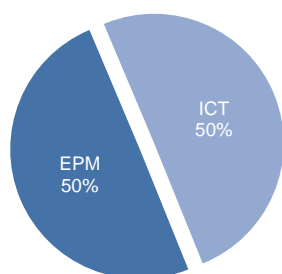


The company at a glance

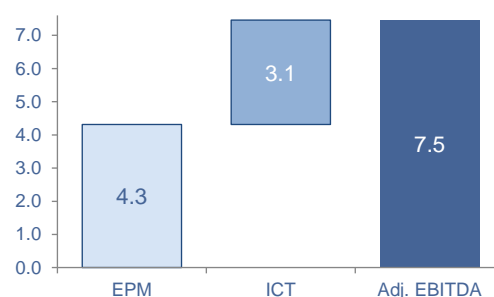
Founded in 1991 by the four De Bettin brothers in the north east of Italy, DBA Group is specialised in network connectivity and infrastructure lifecycle support solutions. DBA Group's core competence is its proven ability to provide telematics solutions for strategic infrastructures to clients whose 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 over 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 2011-22 period, top line more than tripled from € 18.8m to € 85.4m, 14.8% CAGR, also thanks to the acquisition of Actual IT in 2015 (minority buyout in Sep-18), SJS Engineering in Oct-18 and Unistar in Sep-19. In 2022, the value of production reached € 85.4m, up by 7.4% YoY, EBITDA reached € 7.2m, 8.4% margin and net profit stood at € 0.6m. EBITDA adjusted for non-recurring costs amounted to € 7.5m, 8.8% margin. Net financial position was € 12.6m (debt).

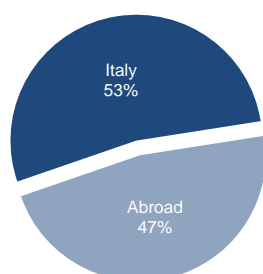
2022 top line ...



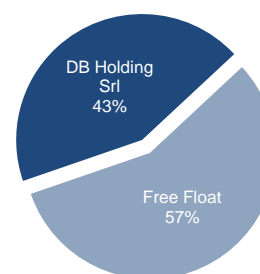
... and Adj. EBITDA breakdown by BU



2022 top line by geography



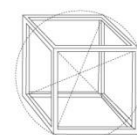
Shareholder structure



Peer group multiples table

EV & Price multiples x	SALES FY1	SALES FY2	EBITDA FY1	EBITDA FY2	EBIT FY1	EBIT FY2	PER FY1	PER FY2
AECOM	0.91	0.86	13.4	12.2	16.6	14.0	21.8	19.2
Alten SA	0.91	0.80	7.7	6.6	9.7	8.1	13.4	11.7
Arcadis NV	1.04	0.94	9.4	8.2	13.2	11.2	15.8	14.0
Jacobs Solutions Inc	1.22	1.14	13.2	11.5	13.6	11.9	18.6	16.4
SNC-Lavalin Group Inc	1.15	1.09	13.5	11.5	17.3	13.5	25.4	19.8
Sweco AB (publ)	1.43	1.32	12.1	10.9	15.4	13.7	18.9	16.8
Engineering median	1.09	1.02	12.7	11.2	14.5	12.7	18.7	16.6
Accenture PLC	2.94	2.73	15.6	14.3	19.1	17.3	26.4	24.3
Bechtle AG	0.84	0.76	11.0	10.0	14.5	12.9	20.8	18.9
Capgemini SE	1.32	1.17	8.5	7.5	11.0	9.5	14.1	12.9
CDW Corp	1.48	1.37	15.4	14.3	16.2	15.1	20.7	19.2
Computacenter PLC	0.38	0.37	7.6	7.0	10.0	9.2	15.4	14.8
Digital Value SpA	0.56	0.45	5.3	4.2	7.8	5.9	12.4	9.8
Exprivia SpA	0.49	0.42	3.5	3.0	4.6	3.7	6.5	6.0
Reply SpA	1.45	1.25	9.5	8.0	11.8	9.8	18.2	15.8
TXT e solutions SpA	0.81	0.78	5.9	5.5	8.8	7.9	14.2	12.5
ICT median	0.84	0.78	8.5	7.5	11.0	9.5	15.4	14.8
DBA Group SpA	0.31	0.27	3.2	2.8	4.3	3.7	5.5	4.7

Sources: CFO Sim, Refinitiv Eikon



H1-23 Results

DBA Group reported soaring 2023 interim results, driven by double-digit organic growth coupled with the positive contribution of the acquired companies, in particular General Planning. Margins grew more than proportionally to top line.

By taking into account the historical business seasonality that characterises DBA Group, with H2 stronger than H1, as well as the significant order backlog, the group is well on track to reach both its FY-23 targets provided to the market with the 2023-26 Business Plan and our estimates.

Table 1 – DBA Group, H1-23 results summary

€ m	H1-23	H1-22	% YoY
Revenues	47.8	35.7	34.2
Other	0.1	1.8	
Value of Production	47.9	37.4	28.0
Raw material	(6.9)	(6.6)	
Services	(18.2)	(14.4)	
Lease & rental	(1.7)	(1.1)	
Other opex	(0.2)	(0.1)	
Personnel expenses	(16.0)	(13.4)	
EBITDA	5.0	1.9	n.m.
% margin	10.4	5.1	
D&A	(2.1)	(2.0)	
EBIT	2.9	(0.1)	n.m.
% margin	6.2	(0.4)	
Financial costs	(0.3)	(0.2)	
Pre-Tax profit	2.6	(0.3)	n.m.
% margin	5.5	(0.9)	
Income taxes	0.0	0.0	
Tax rate	n.m.	n.m.	
Minorities	(0.1)	0.1	
Net Profit	2.5	(0.3)	n.m.
% margin	5.3	(0.8)	
NFP (cash)/debt *	16.3	12.6	29.4
Group Equity *	21.8	19.5	11.6

Source: Company data * compared to FY-22

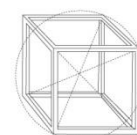
The Value of Production rose by 28% YoY to € 47.9m (€ 37.4m in H1-22), primarily driven by the outstanding result of the EPM BU as well as a solid increase in the performance of the Italian ICT BU, while the Slovenian ICT BU slightly declined YoY.

The total contribution of General Planning (acquired in Dec-22), C&G Engineering (acquired in Aug-22) and DBA's new initiatives, such as Keypers and GH2, was € 5.9m. Therefore, **organic growth stands at approximately 12%**.

Table 2 – DBA Group, H1-23 Value of Production breakdown by BU

€ m	H1-23	H1-22	% YoY
VoP EPM	28.2	17.7	59.2
VoP ICT ITA	1.9	1.3	45.7
VoP ICT SLO	17.8	18.4	(3.2)
Value of Production	47.9	37.4	28.0

Source: Company data



In terms of Business Units:

- ✓ **The EPM BU soared by 59.2% YoY to € 28.2m** (€ 17.7m in H1-22), mainly reflecting the positive contribution of projects and services relating to 1) the construction and management of highly technological buildings and, 2) the design and management of Cold Ironing systems in the Italian ports, an activity that is gaining momentum for the group.
- ✓ **The Italian ICT BU grew by 45.7% YoY to € 1.9m** (€ 1.3m in H1-22), thanks to higher sales of internally-developed digital solutions.
- ✓ In contrast, **the performance of the Slovenian ICT BU slightly declined YoY to € 17.8m** (€ 18.4m in H1-22), mainly due to slowing demand for IT services in the Balkans.

Table 3 – DBA Group, H1-23 EBITDA breakdown by BU

€ m	H1-23	H1-22	% YoY	% H1-23 margin	% H1-22 margin
EBITDA EPM	4.0	0.2	<i>n.m.</i>	14.3	1.3
EBITDA ICT ITA	0.3	(0.2)	<i>n.m.</i>	14.8	(14.2)
EBITDA ICT SLO	0.7	1.9	(63.5)	3.8	10.1
EBITDA	5.0	1.9	<i>n.m.</i>	10.4	5.1

Source: Company data

EBITDA more than doubled YoY reaching € 5.0m, 10.4% margin (€ 1.9m, 5.1% margin, in H1-22), mainly driven by growing revenues coupled with the increased profitability of the EPM BU projects, which contributed € 4.0m to the group's EBITDA (€ 0.2m in H1-22). In particular, **General Planning's EBITDA was € 0.8m**, which, considering its € 4.5m contribution to the group's Value of Production, **implies an EBITDA margin roughly equal to 18%**.

The Italian ICT BU contributed € 0.3m (negative by € 0.2m in H1-22), while **the Slovenian ICT BU stood at € 0.7m** (€ 1.9m in H1-22).

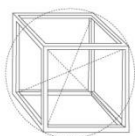
Following stable D&A of € 2.1m, **EBIT totalled € 2.9m, 6.2% margin**, significantly improving from the negative result of € 0.1m in H1-22. **Net Profit came in at € 2.5m, 5.3% margin** (net loss of € 0.3m in H1-22), as a result of increased profitability. It is worth noting that, interim net profit does not include the tax burden.

Table 4 – DBA Group, Op. Net Working Capital

€ m	H1-23	FY-22	Δ
Inventories	11.6	7.0	4.5
Receivables	30.7	29.1	1.5
Payable	(13.2)	(17.5)	4.3
Op. NWC	29.1	18.7	10.4

Source: Company data

NFP stood at € 16.3m, showing a deterioration from the € 12.6m recorded at year-end 2022, mostly as a result of a temporary increase in NWC, mainly due to an important IT project in Serbia, which is currently underway and is expected to be concluded in H2-23, thus significantly reducing the group's NFP.



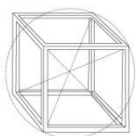
ESG Profile

In July-23, DBA Group published its first Sustainability Report on a voluntary basis, drawing it up in accordance with the **GRI** (Global Reporting Initiative) **standards**, following a 'reference to' approach. In particular, DBA based its sustainability strategy upon **five main guidelines**: Environment, People, Innovation, Community and Governance and tailored some of its sustainability targets comprised in the 2023-26 Business Plan to the **United Nations' Sustainable Development Goals (SDGs)**. Moreover, an ad hoc **Sustainability Steering Committee** was set up in order to support and supervise the Board of Directors towards the achievement of the company's ESG targets, especially with respect to workplace safety and the development of human capital.

Chart 1 – DBA Group, ESG Profile

<p>Evironmental</p>	<ul style="list-style-type: none"> ❑ 100% of energy consumption stems from renewable sources ❑ ISO 14001-certified environmental management system, adopted by DBA PRO. ❑ Since 2021, DBA has contributed to urban reforestation projects ❑ <u>Main Sustainability Goals</u>: <ul style="list-style-type: none"> ✓ Improve waste management, especially in terms of recycling and reuse ✓ Purchase refurbished products with high reuse potential ✓ Protect the natural resources in the areas where DBA operates ❑ <u>ESG Rating 2022</u>: Silver Rating assigned by ECOVADIS to DBA PRO
<p>Social</p>	<ul style="list-style-type: none"> ❑ DBA Group provides information about the composition of workforce (93% of which is hired on a permanent contract basis) ❑ ISO 9001, the international standard for quality management system ❑ Whistleblowing Procedure ❑ DBA promotes a series of local initiatives to spread awareness on sustainability issues ❑ <u>Supplier selection policy</u>: in 2023, DBA plans to conduct an initial survey among its suppliers with the aim of improving trust and transparency in relation to the contracted activities. ❑ <u>Open-ES platform</u>: DBA PRO joins an initiative promoted by ENI in order to involve companies in a shared path to improve sustainability performance
<p>Governance</p>	<ul style="list-style-type: none"> ❑ <u>Sustainability Steering Committee</u>: set up in 2022 with the aim of supporting and supervising the implementation of the company's ESG targets. ❑ Organisational Model pursuant to Legislative Decree no. 231/2001 ❑ Code of Ethics ❑ Anti-bribery Code of Conduct ❑ List voting: 5% ❑ 6 members on the BoD, 1 Independent Director

Source: CFO Sim analysis on company data



Estimates, Valuation & risks

By taking into account the historical seasonality that characterises DBA Group's top line, i.e. 45%-55% split between H1-H2, and a huge order backlog of € 95.1m (compared to € 25.8m in H1-22), **DBA is well on track to reach our estimates for FY-23 as well as the ambitious targets set in the 2023-26 Business Plan unveiled in June.**

We recall that DBA's 2023 Budget envisages:

- **Value of Production of € 105.0m;**
- **EBITDA of € 10.3m, 9.8% margin;**
- **Net Financial Position of € 12.3m (debt).**

Following H1-23 results, **we have updated our model** by factoring in 1) a slightly stronger progression of top line and EBITDA, driven by the excellent interim results of the EPM BU, and 2) a fine-tuning on D&A and interest costs. **The combined result is an average 3.7%, 6.2% increase in Value of Production and EBITDA and a 14.3% decrease in Net Profit, in 2023-25.** Our FY-23 estimates are aligned with the company guidance.

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

€ m	New	Old	% Diff.	€ m Diff.
Value of Production	105.0	102.7	2.2	2.2
EBITDA	10.3	9.7	6.5	0.6
% margin	9.8	9.4		
EBIT	5.8	5.0	15.8	0.8
% margin	5.5	4.9		
Net Profit	1.8	2.6	(30.9)	(0.8)
% margin	1.7	2.5		
Y/E net debt (net cash)	12.8	12.5	2.8	0.3

Source: CFO Sim

Table 6 – DBA Group, 2024e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Value of Production	111.3	106.6	4.4	4.7
EBITDA	10.6	10.0	6.0	0.6
% margin	9.6	9.4		
EBIT	6.1	5.4	13.4	0.7
% margin	5.5	5.1		
Net Profit	2.4	2.9	(14.8)	(0.4)
% margin	2.2	2.7		
Y/E net debt (net cash)	9.8	8.3	18.3	1.5

Source: CFO Sim

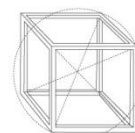
Table 7 – DBA Group, 2025e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Value of Production	115.5	110.5	4.5	4.9
EBITDA	11.1	10.4	6.2	0.6
% margin	9.6	9.4		
EBIT	6.6	5.9	12.1	0.7
% margin	5.7	5.3		
Net Profit	3.3	3.2	2.7	0.1
% margin	2.8	2.9		
Y/E net debt (net cash)	4.2	2.7	55.7	1.5

Source: CFO Sim

As a consequence of the estimate upgrade and the update in the valuation criteria, **the new PT stands at € 3.00/s (€ 2.50), 71.4% upside.**

DBA is trading at very low multiples, not justified by the excellent economic performance: 2023e adjusted EV/EBITDA and PER of 3.2x and 5.5x, respectively. **The Buy recommendation is reiterated.**



DCF

In applying the DCF valuation method, we have made explicit estimates until 2027 and assumed a conservative long-term growth rate of 1.0%. Cash flows are discounted back at a weighted average cost of capital calculated according to the following parameters:

Table 8 - WACC derived from:

Interest costs, pre-tax	3.5%
Tax rate	43.0%
Int. costs, after taxes	2.0%
Risk premium, incl. small size premium	9.0%
Risk-free (10Y Gov. Bond 200dd mov. avg.)	4.20%
Beta levered (x)	1.00
Required ROE	13.2%

Source: CFO Sim, Refinitiv Eikon

Risk premium at 9.0% factors in the minute size of the company and basically all the concerns related to the Euronext Growth Milan market segment that an investor might have. **Beta at 1.00** is a usual conservative value for a small cap. The WACC is calculated using a sustainable 70:30 equity/debt balance-sheet structure.

Table 9 - DBA Group, DCF model

€ m	2023e	2024e	2025e	2026e	2027e Term. Val.	
EBIT	5.8	6.1	6.6	7.4	8.2	
Tax rate	65.0%	55.0%	45.0%	43.0%	43.0%	
Operating profit (NOPAT)	2.0	2.8	3.6	4.2	4.7	
Change working capital	(4.1)	(1.3)	(0.6)	(0.3)	(0.1)	
Depreciation	4.5	4.5	4.5	3.2	2.0	
Investments	(3.4)	(3.1)	(2.0)	(2.0)	(2.0)	
Free Cash Flows	(1.0)	2.9	5.5	5.1	4.6	53.0
Present value	(1.0)	2.6	4.5	3.8	3.1	35.6
WACC	9.8%	9.8%	9.8%	9.8%	9.8%	
Long-term growth rate	1.0%					

Source: CFO Sim

Table 10 – DBA Group, DCF derived from:

€ m	
Total EV present value € m	48.5
<i>thereof terminal value</i>	73%
NFP last reported - FY-22	(12.6)
Pension provision last reported	(2.3)
Equity value € m	33.7
#m shares (excl. Treasury shares)	11.14
Equity value €/s	3.00
<i>% upside/(downside)</i>	71.4%

Source: CFO Sim

The outcome of our DCF model generated an **equity value of € 33.7m for DBA Group, which corresponds to € 3.00/s** (€ 2.50), with a potential upside of 71.4% to current price levels.

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value per share of **€ 2.75-3.34 (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/s of **€ 2.76-3.31 (free risk range of between 4.95% and 3.45%)** and 3) if compared to changes in the risk premium, including small size premiums, it results in an equity value/s of **€ 2.54-3.63 (risk premium range of between 10.50% and 7.50%)**.

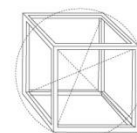


Table 11 – DBA Group, equity value sensitivity to changes in terminal growth rate

€ m	0.25%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%
Present value of CF	12.9	12.9	12.9	12.9	12.9	12.9	12.9
PV of terminal value	32.6	33.6	34.6	35.6	36.8	38.0	39.2
Total value	45.5	46.5	47.5	48.5	49.7	50.9	52.1
NFP last reported - FY-22	(12.6)	(12.6)	(12.6)	(12.6)	(12.6)	(12.6)	(12.6)
Pension provision last reported	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)
Equity value	30.6	31.6	32.6	33.7	34.8	36.0	37.2
Equity value/share €	2.75	2.83	2.92	3.00	3.12	3.23	3.34

Source: CFO Sim

Table 12 – DBA Group, equity value sensitivity to changes in free risk rate

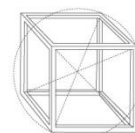
€ m	3.45%	3.70%	3.95%	4.20%	4.45%	4.70%	4.95%
Present value of CF	13.1	13.0	13.0	12.9	12.9	12.8	12.7
PV of terminal value	38.7	37.6	36.6	35.6	34.7	33.8	33.0
Total value	51.8	50.6	49.6	48.5	47.6	46.6	45.7
NFP last reported - FY-22	(12.6)	(12.6)	(12.6)	(12.6)	(12.6)	(12.6)	(12.6)
Pension provision last reported	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)
Equity value	36.9	35.7	34.7	33.7	32.7	31.7	30.8
Equity value/share €	3.31	3.21	3.11	3.00	2.93	2.85	2.76

Source: CFO Sim

Table 13 – 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	13.3	13.2	13.0	12.9	12.8	12.7	12.6
PV of terminal value	42.1	39.8	37.6	35.6	33.8	32.1	30.6
Total value	55.4	52.9	50.6	48.5	46.6	44.8	43.1
NFP last reported - FY-22	(12.6)	(12.6)	(12.6)	(12.6)	(12.6)	(12.6)	(12.6)
Pension provision last reported	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)
Equity value	40.5	38.0	35.7	33.7	31.7	29.9	28.3
Equity value/share €	3.63	3.41	3.21	3.00	2.85	2.68	2.54

Source: CFO Sim



Market multiples

We conducted an analysis on a cluster of 15 companies operating in the Engineering and ICT sectors, four of which are domestic. We divided the sample into two sub-groups: Engineering and ICT.

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 engineering and technology consulting, and provides support for its customers' 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 peer sample comprises the following comparable groups:

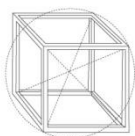
Accenture (USA): it is a multinational organisation offering management and strategic consulting services as well as technology services and outsourcing solutions in a vast array of industries.

Bechtle (Germany): it is a digital service company, with 80 houses in Germany, Austria and Switzerland as well as 24 e-commerce companies in 14 European countries. It offers a blend of direct IT product sales and extensive systems integration services. Backed by extensive experience and expertise in future-proof IT architecture, Bechtle values traditional infrastructures just as highly as current trends like digitalisation, cloud computing, modern workplace, security and IT-as-a-Service.

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

CDW Corp (USA): it is a leading multi-brand provider of information technology solutions to business, government, education and healthcare customers in the US, the UK and Canada. Founded in 1984, it employs approximately 10,000 coworkers. Its broad array of products and services range from hardware and software to integrated IT solutions such as security, cloud, hybrid infrastructure and digital experience.

Computacenter (UK): it is a leading independent provider of IT infrastructure services, supporting users and their business in the digital world. The company advises organisations on IT strategy, implements the most appropriate technology, optimises their performance, and manages customers' infrastructures.



Digital Value (Italy): it provides IT solutions and services in partnership with other IT providers. Its offering includes Data Centre and Hybrid Cloud, Networking and Intelligence Networks, Enterprise Infrastructural Software, ICT Security and Cybersecurity, and Digital Transformation. The company provides certifications for the whole IT offering of the major market brands. It is active in the telecommunications, utilities, automotive, defence, transportations, central public administration and finance businesses with a focus on large account clients.

Exprivia (Italy): it is engaged in the information technology sector. The company is active in the design, development and integration of IT systems; enterprise application integration; infrastructure management services; business process outsourcing, and information technology security solutions.

Reply (Italy): it is a highly specialised group, supporting leading industrial companies in defining and developing business models to optimise and integrate processes, applications and devices, using new technology and communication paradigms, such as Big Data, Cloud Computing, Digital Communication, Internet of Things, Mobile and Social Networking.

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 comparable firms have EBITDA margins ranging from 6.8% to 11.9% and a mid-single digit sales growth. ICT comparable firms show slightly higher growth profiles than the Engineering sample and higher profitability, ranging from 5.0% to 18.8%.

DBA Group's profitability is broadly in line with the Engineering peers' median but is lower than the ICT median.

Table 14 - DBA Group, peer group summary table

€ m	Country	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA %	Sales CAGR ₂₂₋₂₅	EBITDA CAGR ₂₂₋₂₅	EBIT CAGR ₂₂₋₂₅	EPS CAGR ₂₃₋₂₅	NFP/EBITDA FY1
AECOM	USA	10,684	13,328	902	6.8%	2.7%	6.7%	9.9%	11.4%	1.6
Alten SA	France	4,165	4,169	495	11.9%	8.4%	7.7%	7.2%	13.5%	n.m.
Arcadis NV	Dutch	3,673	4,497	494	11.0%	20.0%	13.1%	16.3%	12.0%	2.0
Jacobs Solutions Inc	USA	16,181	14,929	1,377	9.2%	3.3%	4.6%	13.2%	11.4%	1.5
SNC-Lavalin Group Inc	Canada	5,268	5,681	485	8.5%	4.1%	25.3%	53.2%	36.9%	2.6
Sweco AB (publ)	Sweden	3,146	2,426	287	11.8%	7.2%	4.2%	11.4%	11.0%	1.2
Engineering median		4,716	5,089	495	10.1%	5.7%	7.2%	12.3%	11.7%	1.6
Accenture PLC	USA	195,689	63,459	11,933	18.8%	7.1%	6.8%	8.4%	8.4%	n.m.
Bechtle AG	Germany	5,508	6,478	495	7.6%	8.0%	7.0%	7.8%	9.4%	n.m.
Capgemini SE	France	28,468	22,796	3,530	15.5%	5.5%	8.4%	8.7%	9.9%	0.5
CDW Corp	USA	26,217	21,294	2,044	9.6%	3.5%	6.8%	9.8%	9.4%	2.5
Computacenter PLC	UK	3,529	8,417	419	5.0%	6.1%	5.5%	6.5%	5.0%	n.m.
Digital Value SpA	Italy	465	826	87	10.6%	14.0%	17.1%	16.9%	23.9%	0.0
Exprivia SpA	Italy	84	189	26	13.8%	n.a.	n.a.	n.a.	n.a.	0.3
Reply SpA	Italy	3,340	2,140	325	15.2%	10.7%	11.2%	12.6%	13.0%	n.m.
TXT e solutions SpA	Italy	213	226	31	13.7%	21.4%	18.5%	19.7%	12.5%	n.m.
ICT median		3,529	6,478	419	13.7%	7.5%	7.7%	9.3%	9.7%	0.4
DBA Group SpA	Italy	20	105	10	9.8%	10.6%	14.0%	16.9%	19.1%	1.2

Source: CFO Sim, Refinitiv Eikon

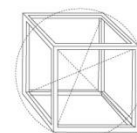


Table 15 - DBA Group, peer group EV multiple table

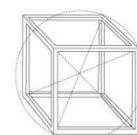
x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
AECOM	0.91	0.86	0.84	13.4	12.2	11.3
Alten SA	0.91	0.80	0.72	7.7	6.6	5.8
Arcadis NV	1.04	0.94	0.81	9.4	8.2	7.4
Jacobs Solutions Inc	1.22	1.14	1.04	13.2	11.5	10.5
SNC-Lavalin Group Inc	1.15	1.09	n.a.	13.5	11.5	n.a.
Sweco AB (publ)	1.43	1.32	1.22	12.1	10.9	9.8
Engineering median	1.09	1.02	0.84	12.7	11.2	9.8
Accenture PLC	2.94	2.73	2.49	15.6	14.3	13.3
Bechtle AG	0.84	0.76	0.69	11.0	10.0	9.1
Capgemini SE	1.32	1.17	1.04	8.5	7.5	6.4
CDW Corp	1.48	1.37	1.26	15.4	14.3	12.9
Computacenter PLC	0.38	0.37	0.34	7.6	7.0	6.4
Digital Value SpA	0.56	0.45	0.36	5.3	4.2	3.3
Exprivia SpA	0.49	0.42	n.a.	3.5	3.0	n.a.
Reply SpA	1.45	1.25	1.07	9.5	8.0	6.9
TXT e solutions SpA	0.81	0.78	0.80	5.9	5.5	5.5
ICT median	0.84	0.78	0.92	8.5	7.5	6.7
DBA Group SpA	0.31	0.27	0.21	3.2	2.8	2.2

Source: CFO Sim, Refinitiv Eikon

Table 16 - DBA Group, peer group EV & price multiple table

x	EBIT FY1	EBIT FY2	EBIT FY3	PER FY1	PER FY2	PER FY3
AECOM	16.6	14.0	12.8	21.8	19.2	17.5
Alten SA	9.7	8.1	7.1	13.4	11.7	10.4
Arcadis NV	13.2	11.2	9.8	15.8	14.0	12.6
Jacobs Solutions Inc	13.6	11.9	10.5	18.6	16.4	15.0
SNC-Lavalin Group Inc	17.3	13.5	n.a.	25.4	19.8	13.5
Sweco AB (publ)	15.4	13.7	12.1	18.9	16.8	15.3
Engineering median	14.5	12.7	10.5	18.7	16.6	14.3
Accenture PLC	19.1	17.3	15.6	26.4	24.3	22.4
Bechtle AG	14.5	12.9	11.7	20.8	18.9	17.4
Capgemini SE	11.0	9.5	8.2	14.1	12.9	11.7
CDW Corp	16.2	15.1	13.8	20.7	19.2	17.3
Computacenter PLC	10.0	9.2	8.4	15.4	14.8	14.0
Digital Value SpA	7.8	5.9	4.7	12.4	9.8	8.1
Exprivia SpA	4.6	3.7	n.a.	6.5	6.0	n.a.
Reply SpA	11.8	9.8	8.3	18.2	15.8	14.3
TXT e solutions SpA	8.8	7.9	7.7	14.2	12.5	11.2
ICT median	11.0	9.5	8.4	15.4	14.8	14.1
DBA Group SpA	4.3	3.7	2.9	5.5	4.7	3.9

Source: CFO Sim, Refinitiv Eikon



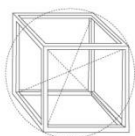
Peer stock performance

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 16 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	1.6	(3.2)	(5.4)	(5.0)	1.1	(4.8)	11.0
Alten SA	1.2	0.6	(11.0)	(12.6)	(16.3)	3.3	1.1
Arcadis NV	(1.4)	(3.3)	(4.4)	7.3	9.8	11.1	15.3
Jacobs Solutions Inc	1.4	(0.9)	2.1	11.2	20.1	12.4	16.2
SNC-Lavalin Group Inc	(1.3)	(3.1)	1.6	26.8	35.9	81.1	71.3
Sweco AB (publ)	(0.9)	(1.5)	(2.9)	(9.9)	(22.8)	1.0	1.8
Engineering median	0.1	(2.3)	(3.6)	1.2	5.4	7.2	13.1
Accenture PLC	1.0	(1.6)	(5.2)	(0.2)	10.0	15.9	12.8
Bechtle AG	1.2	(0.3)	(2.7)	23.4	5.2	32.7	12.8
Capgemini SE	2.3	(0.5)	(3.4)	(6.0)	(2.6)	5.5	(5.5)
CDW Corp	1.8	3.4	(3.7)	11.5	9.3	15.0	23.5
Computacenter PLC	1.0	(1.1)	14.1	12.6	15.5	30.9	24.0
Digital Value SpA	(1.5)	(15.2)	(29.3)	(22.6)	(31.2)	(29.8)	(28.3)
Exprivia SpA	(2.4)	(2.7)	1.7	3.6	16.4	18.6	28.3
Reply SpA	2.3	3.9	(0.4)	(15.5)	(20.4)	(16.3)	(24.5)
TXT e solutions SpA	(0.8)	0.2	(5.3)	(25.6)	(15.3)	28.0	45.7
ICT median	1.0	(0.5)	(3.4)	(0.2)	5.2	15.9	12.8
DBA Group SpA	1.2	3.6	2.9	2.9	15.1	11.8	6.7

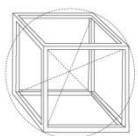
Source: Refinitiv Eikon



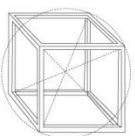
Risks

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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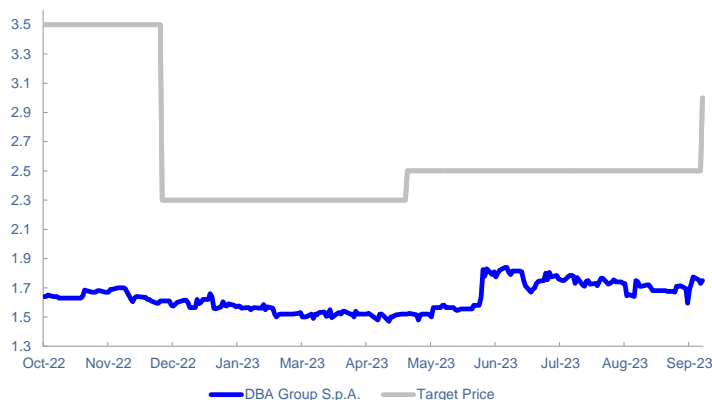
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DATE	TARGET PRICE	RATING
05/10/2023	€3.00	BUY
08/06/2023	€2.50	BUY
27/04/2023	€2.50	BUY
15/12/2022	€2.30	BUY
13/10/2022	€3.50	BUY

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RATING SYSTEM

- 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.

