

Italy – EPM & ICT Consulting

Bolt-on acquisition in Friuli-Venezia Giulia to underpin the EPM BU

20th December 2024

ACQUISITION OF SERTECO

RIC: DBA.MI
BBG: DBA IM

DBA Group announced the closing of the acquisition of Serteco, a company located in Udine boasting over 45 years of experience in the provision of a wide range of engineering services. This move unquestionably enables DBA to reinforce the breadth of engineering services offered. Additionally, the mutual understanding of operations and way of working should ensure a speedy integration.

Rating:

Buy

Price Target:

€ 3.90

Upside/(Downside): 35.4%

Last Price: € 2.88

Market Cap.: € 33.1m

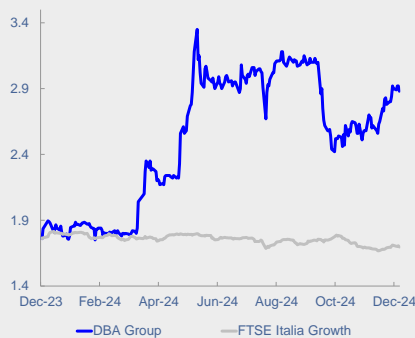
1Y High/Low: € 3.38 / € 1.73

Avg Daily Turn. (3M, 6M): € 91k, €63k

Free Float: 52.3%

Major shareholders:

De Bettin family 43.6%



Stock price performance

	1M	3M	12M
Absolute	10.8%	-8.0%	63.2%
Rel.to FTSE IT Growth	10.0%	-5.4%	67.1%
Rel.to peers	11.1%	3.3%	61.4%

Analysts:

Gianluca Mozzali
+39 02 30343 396
gianluca.mozzali@cfosim.com

Luca Solari
+39 02 30343 397
luca.solari@cfosim.com

Chiara Francomacaro
+39 02 30343 394
chiara.francomacaro@cfosim.com

Estimates unchanged. Recommendation and positive stance confirmed

The acquisition of Serteco allows DBA Group to expand the range of services offered via the EPM BU and further consolidate its positioning in north-eastern Italy, as Serteco will be the group's operating subsidiary in Friuli-Venezia Giulia. Given the modest size of the deal and its effects on the main group's metrics, we will factor in its impact on estimates in our next update. We confirm our estimates and PT, reiterating our positive stance on the stock which, notwithstanding the brilliant YTD performance, still trades at attractive EV/Adj.EBITDA_{25e} and PER_{25e} of 3.1x and 6.0x, respectively. Buy.

Purchase of 100% of Serteco for € 1.9m, paid in cash, at fair multiples

On 19th December, DBA Group announced the closing of the acquisition, through its subsidiary DBA PRO., of the entire share capital of Serteco for a total consideration of € 1.9m, paid in cash. Additionally, the deal entails an earn-out of nearly € 0.3m, to be corresponded between 2025 and 2035, although more detailed terms were not disclosed. The price agreed corresponds to EV/Avg. Sales₂₁₋₂₃ of 1x and EV/Avg. EBITDA₂₁₋₂₃ of 6.0x (EV/Avg. Sales₂₁₋₂₃ and EV/Avg. EBITDA₂₁₋₂₃ standing at about 1.2x and 7.0x, respectively, if the maximum earn-out is considered). The deal was funded through cash and, partly, by dedicated credit lines. DBA Group will consolidate Serteco as from January 1st 2025.

A service-led engineering firm with vast experience and decent profitability

Set up in Udine in 1978 by the experience and initiative of a group of engineers, Serteco (Servizi Tecnici Coordinati) Srl boasts over 45 years of experience in the provision of a wide range of engineering services relating to projects in several fields, including telecommunication, construction, infrastructure, urban planning and transports. Moreover, the company offers construction supervision and security management services. From an operational standpoint, Serteco manages the entire process aimed at the realisation of public works, from understanding the client's needs and drawing up the technical feasibility study to procurement management, monitoring of working progress and cost control. Currently, Serteco employs engineers, architects, surveyors and industrial technicians. Over the 2021-23 period, Serteco posted an average Value of Production and EBITDA of € 1.8m and € 0.3m, respectively, thus showing margins above those of the EPM BU. NFP was € 0.1m cash at year-end 2023.

A bolt-on M&A to gain bolder exposure in a plethora of verticals

The acquisition of Serteco represents a strategic move aimed at reinforcing the plethora of engineering services offered via the EPM BU. Serteco has been collaborating with DBA since its foundation in 1991, especially in the Telecommunication sector. As a matter of fact, both companies provide major players with engineering and project management services. Noteworthy, the mutual understanding of operations and way of working should speed up integration and generate synergies.

DBA Group, key financials and ratios

€ m	2022	2023	2024e	2025e	2026e
Value of Production	85.4	112.1	115.8	119.5	123.3
EBITDA	7.2	12.1	11.8	12.5	13.2
Adjusted EBITDA	7.5	12.5	12.2	12.5	13.2
EBIT	3.4	7.9	7.4	8.1	8.8
Adjusted EBIT	5.0	9.8	9.7	9.9	10.6
Net profit	0.6	4.0	3.2	3.7	4.1
Adjusted Net Profit	2.9	5.5	5.1	5.5	5.9
NFP (cash)/debt	12.6	8.4	10.0	5.3	0.4
Adjusted EPS €	0.25	0.48	0.44	0.48	0.51
Adjusted EPS growth	n.m.	90.8%	-7.9%	8.3%	6.1%
EBITDA margin %	8.4%	10.8%	10.2%	10.5%	10.7%
EBIT margin %	4.0%	7.1%	6.4%	6.8%	7.1%
EV/Sales x	0.36	0.25	0.38	0.32	0.27
EV/Adjusted EBITDA x	4.2	2.2	3.6	3.1	2.6
EV/Adjusted EBIT x	6.2	2.8	4.5	3.9	3.2
Adjusted PER x	6.4	3.4	6.5	6.0	5.6

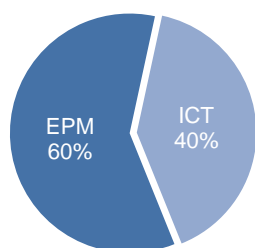


The company at a glance

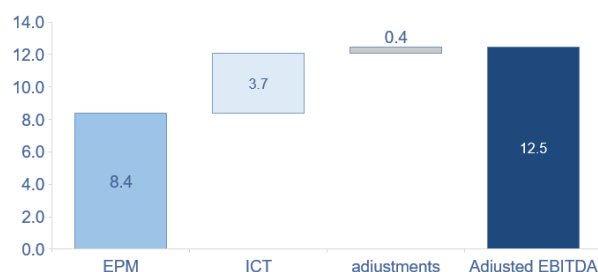
Founded in 1991 by the four De Bettin brothers in the north east of Italy, DBA Group is specialised in network connectivity and infrastructure lifecycle support solutions. DBA Group's core competence is its proven ability to provide telematics solutions for strategic infrastructures to clients whose 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 2014-23 period, Value of Production more than quadrupled from € 23.7m to € 112.1m, 18.8% CAGR, also thanks to the acquisition of Actual IT in 2015 (minorities buyout in Sep-18), SJS Engineering in Oct-18, Unistar in Sep-19 and General Planning in Dec-22. In 2023, the Value of Production reached € 112.1m, up by 31.5% YoY, EBITDA amounted to € 12.1m, 10.8% margin and Net Profit stood at € 4.0m. EBITDA adjusted for non-recurring costs came in at € 12.5m, 11.1% margin. Net Financial Position was € 8.4m (debt).

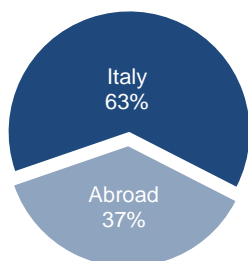
2023 top line ...



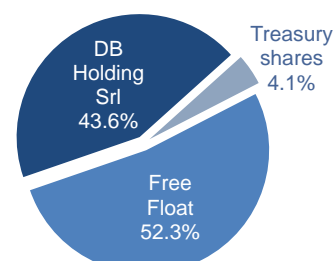
... and Adjusted EBITDA breakdown by BU



2023 top line by geography



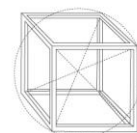
Shareholders structure



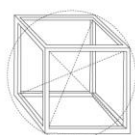
Peer group multiples table

EV multiples x	SALES FY1	SALES FY2	EBITDA FY1	EBITDA FY2	EBIT FY1	EBIT FY2	PER FY1	PER FY2
AECOM	0.89	0.81	12.7	11.3	14.0	12.5	21.1	19.2
Alten SA	0.59	0.55	5.7	5.1	7.1	6.4	10.8	10.4
Arcadis NV	1.33	1.19	10.9	9.3	14.8	12.2	20.1	16.4
Atkinsrealis Group Inc	1.54	1.38	17.4	13.8	22.1	16.3	32.7	24.4
Jacobs Solutions Inc	1.94	8.62	14.1	60.8	15.1	65.3	22.3	20.0
Sweco AB (publ)	2.07	1.90	16.4	14.1	21.5	18.1	27.4	23.0
Engineering median	1.33	1.19	12.7	11.3	14.8	12.5	21.1	19.2
Accenture PLC	3.58	3.32	18.7	17.1	22.8	20.9	31.1	28.6
Bechtle AG	0.23	0.53	3.1	7.0	4.2	9.5	15.5	14.4
Capgemini SE	1.28	1.19	8.2	7.5	10.3	9.4	13.2	12.8
CDW Corp	1.36	1.30	13.6	12.8	14.7	13.8	18.5	17.3
Computacenter PLC	0.30	0.27	6.0	5.3	7.7	6.7	12.2	11.4
Digital Value SpA	0.27	0.15	2.5	1.6	3.9	2.5	5.2	4.1
Reply SpA	2.30	2.05	13.6	12.2	16.6	14.7	26.0	23.0
TXT e solutions SpA	1.60	1.27	11.8	9.0	17.1	12.8	24.7	18.8
ICT median	1.32	1.23	10.0	8.2	12.5	11.2	17.0	15.8
DBA Group SpA	0.38	0.32	3.6	3.1	4.5	3.9	6.5	6.0

Source: CFO SIM, Refinitiv Workspace



Income statement (€ m)	2022	2023	2024e	2025e	2026e
Value of Production	85.4	112.1	115.8	119.5	123.3
Services	(31.8)	(41.1)	(40.9)	(36.9)	(37.1)
Lease, rental and other opex	(18.3)	(25.4)	(24.4)	(25.2)	(26.0)
Personnel expenses	(28.2)	(33.6)	(38.8)	(44.9)	(47.1)
EBITDA	7.2	12.1	11.8	12.5	13.2
D&A	(3.8)	(4.1)	(4.4)	(4.4)	(4.4)
EBIT	3.4	7.9	7.4	8.1	8.8
Financial costs	(0.4)	(0.9)	(0.9)	(0.7)	(0.7)
Extraordinary, other costs	(1.3)	0.0	0.0	0.0	0.0
Pre-Tax profit	1.7	7.0	6.5	7.4	8.1
Income taxes	(1.1)	(2.7)	(2.9)	(3.3)	(3.6)
Minorities	0.0	(0.3)	(0.4)	(0.4)	(0.4)
Net Profit	0.6	4.0	3.2	3.7	4.1
Adjusted EBITDA	7.5	12.5	12.2	12.5	13.2
Adjusted EBIT	5.0	9.8	9.7	9.9	10.6
Adjusted Net Profit	2.9	5.5	5.1	5.5	5.9
Balance sheet (€ m)	2022	2023	2024e	2025e	2026e
Net Working Capital	18.7	23.4	26.5	27.5	28.4
Net Fixed Assets	19.2	18.3	20.0	18.1	16.2
Equity Investments	3.5	2.2	2.2	2.2	2.2
Other M/L Term A/L	(9.3)	(12.6)	(13.2)	(13.8)	(14.5)
Net Invested Capital	32.1	31.4	35.6	34.0	32.4
Net Financial Position	12.6	8.4	10.0	5.3	0.4
Minorities	0.1	0.4	0.7	1.1	1.5
Group's Shareholders Equity	19.5	22.6	24.8	27.6	30.5
Net Financial Position & Equity	32.1	31.4	35.6	34.0	32.4
Cash Flow statement (€ m)	2022	2023	2024e	2025e	2026e
Net Profit before minorities	0.6	4.4	3.6	4.0	4.4
Depreciation	3.8	4.1	4.4	4.4	4.4
Other non-cash charges	0.4	1.7	0.6	0.6	0.7
Cash Flow from Oper. (CFO)	4.8	10.3	8.6	9.1	9.5
Change in NWC	(2.8)	(4.7)	(3.1)	(1.0)	(0.9)
FCF from Operations (FCFO)	1.9	5.5	5.5	8.1	8.6
Net Investments (CFI)	(4.4)	(2.4)	(6.1)	(2.5)	(2.5)
Free CF to the Firm (FCFF)	(2.5)	3.1	(0.6)	5.6	6.1
CF from financials (CFF)	(2.8)	0.3	(1.0)	(1.0)	(1.1)
Free Cash Flow to Equity (FCFE)	(5.3)	3.4	(1.6)	4.7	5.0
Financial ratios	2022	2023	2024e	2025e	2026e
EBITDA margin	8.4%	10.8%	10.2%	10.5%	10.7%
EBIT margin	4.0%	7.1%	6.4%	6.8%	7.1%
Net profit margin	0.7%	3.6%	2.8%	3.1%	3.3%
Tax rate	63.8%	37.9%	45.0%	45.0%	45.0%
Interest coverage x	0.12	0.11	0.12	0.09	0.08
Net Debt/EBITDA x	1.76	0.70	0.85	0.43	0.03
Debt-to-Equity x	0.65	0.37	0.40	0.19	0.01
ROIC	2.0%	12.9%	9.0%	10.8%	12.6%
ROCE	8.1%	17.0%	14.9%	15.2%	15.4%
ROACE	8.0%	17.9%	15.3%	15.7%	15.9%
ROE	3.2%	17.9%	12.9%	13.4%	13.3%
Payout ratio	0.0%	24.6%	30.0%	30.0%	30.0%
Per share figures	2022	2023	2024e	2025e	2026e
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	11.51	11.51	11.51	11.51	11.51
EPS reported €	0.05	0.35	0.28	0.32	0.35
EPS adjusted €	0.25	0.48	0.44	0.48	0.51
EPS reported FD €	0.05	0.35	0.28	0.32	0.35
EPS adjusted FD €	0.25	0.48	0.44	0.48	0.51
EBITDA €	0.62	1.05	1.03	1.09	1.14
EBIT €	0.30	0.69	0.64	0.70	0.76
BV €	1.70	2.00	2.22	2.49	2.78
FCFO €	0.17	0.48	0.48	0.71	0.75
FCFF €	(0.21)	0.27	(0.05)	0.49	0.53
FCFE €	(0.46)	0.30	(0.14)	0.41	0.43
Dividend €	0.00	0.09	0.09	0.10	0.11



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DATE	TARGET PRICE	RATING
20/12/2024	€3.90	BUY
15/10/2024	€3.90	BUY
09/04/2024	€3.70	BUY
05/10/2023	€3.00	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.

