

Italy – ICT Consulting

Solid 2022 results and further growth anticipated in 2023

27th April 2023

FY-22 RESULTS RELEASE

RIC: DBA.MI
BBG: DBA IM

DBA Group reported a good set of FY-22 results, driven by double-digit organic growth of the EPM business unit, accompanied by a more than proportional progression in EBITDA. In 2023, the group's focus will be geared towards gaining market share in Italy, also in light of the acquisitions of General Planning and C&G Engineering, and consolidating its leadership positioning in the Slovenian ICT landscape.

Rating:

Buy

Price Target:

€ 2.50 (€ 2.30)

Upside/(Downside): **64.5%**

Last Price: € 1.52

Market Cap.: € 17.5m

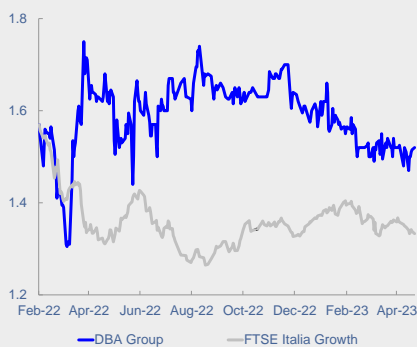
1Y High/Low: € 1.76 / € 1.41

Avg Daily Turn. (3M, 6M): € 23k, € 25k

Free Float: 56.7%

Major shareholders:

De Bettin family 43.3%



Stock price performance

	1M	3M	12M
Absolute	1.3%	-3.5%	-7.3%
Rel.to FTSE IT Growth	2.6%	0.1%	1.1%
Rel.to peers	4.4%	-2.8%	-3.3%

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New DCF-based PT of € 2.50/s (€ 2.30), 64.5% upside. Buy reiterated

DBA Group unveiled a good set of FY-22 results, characterised by increasing top line, driven by the higher than expected performance in the EPM BU, flanked by more than proportional progression in EBITDA. Following the release of FY-22 results, we have fine-tuned our model by factoring in a slightly stronger progression of the top line, mostly attributable to the EPM BU. Our FY-23 estimates are broadly aligned with company's budget. The combined result is an average 6.6%, 7.1% and 12.5% increase in VoP, EBITDA, and Net Profit in 2023-24. In addition, we have also introduced 2025 projections. The value resulting from the estimates upgrade is only partially offset by the increase in the risk-free rate (4.00% vs. 3.41% of the last valuation update). As a consequence, our new DCF-based PT points to € 2.50/s (€ 2.30), offering 64.5% upside potential. Buy reiterated.

Value of Production up by 7.4% YoY thanks to double-digit growth of the EPM BU

Value of Production totalled € 85.4m, up by 7.4% YoY, slightly better than our forecast of € 84.1m, driven by a higher than anticipated performance of the EPM BU. The reported figure is € 2.1m higher compared to pre-closing data announced in Dec-22, due to few adjustments relative to some revenue items. EPM BU grew by 14.0% YoY to € 42.5m (€ 37.3m in 2021) while the ICT BU grew by 1.4% YoY to € 42.9m, thanks to the Slovenian ICT business (up by 2.7% YoY to € 40.3m), which counterbalanced the weak performance of Italian ICT (€ 2.6m, down by 13.4% YoY).

EBITDA came in at € 7.2m, 8.4% margin, rising more than proportionately to top line

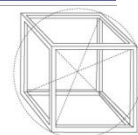
EBITDA was € 7.2m, 8.4% margin, up by 50.0% YoY. EBITDA adjusted for non-recurring costs related to the deal concerning Actual and the restructuring costs with regard to C&G Engineering was € 7.5m, 8.8% margin (€ 7.3m in 2021). EBIT stood at € 3.4m, 4.0% margin (€ 0.4m, 0.5% margin in 2021) thanks to a better operating margin of the EPM BU. Net Profit was € 0.6m, 0.7% margin, after financial charges of € 0.4m (€ 0.7m in 2021), taxes of € 1.1m (€ 0.4m in 2021) and the write-off of the goodwill related to SJS Engineering for some € 1.3m. The difference with respect to our forecast is entirely ascribable to the aforementioned write-off, which was not included in our projections.

NFP totalled € 12.6m, better than our expectations. 2023 offers several opportunities

NFP stood at € 12.6m debt from € 10.3m debt in FY-21. It is worth noting that FY-21 NFP was positively affected by a significant advance payment related to an order from the Serbian Ministry of Justice. Nevertheless, FY-22 NFP came in better than our forecast of € 14.3m. 2023 could indeed be a year of consolidation for both the EMP and ICT segments. The acquisitions of General Planning and C&G Engineering noticeably enlarged the service offering in the promising Real Estate, Pharmaceutical and Energy Transition sectors. In particular, the latter will be particularly supported by the significant amount of resources stemming from the NRRP in the next years.

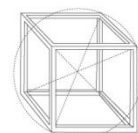
DBA Group, key financials and ratios

€ m	2021	2022	2023e	2024e	2025e
Value of production	79.5	85.4	102.7	106.6	110.5
EBITDA	4.8	7.2	9.7	10.0	10.4
EBITDA adj.	7.3	7.5	9.7	10.0	10.4
EBIT	0.4	3.4	5.0	5.4	5.9
EBIT adj.	4.5	5.3	6.9	7.2	7.8
Net profit	(0.7)	0.6	2.6	2.9	3.2
Net profit adj.	0.8	3.2	4.4	4.7	5.0
NFP (cash)/debt	10.3	12.6	12.5	8.3	2.7
EPS adjusted €	0.07	0.28	0.38	0.41	0.44
EPS adj. growth	n.m.	n.m.	37.3%	6.8%	7.1%
EBITDA margin %	6.0%	8.4%	9.4%	9.4%	9.4%
EBIT margin %	0.5%	4.0%	4.9%	5.1%	5.3%
PER adj.	17.9	5.4	4.0	3.7	3.5
EV/Sales	0.32	0.35	0.29	0.24	0.18
EV/EBITDA	5.3	4.2	3.1	2.6	1.9
EV/EBIT adj.	5.7	5.7	4.4	3.6	2.6





Income statement (€ m)	2021	2022	2023e	2024e	2025e
Value of Production	79.5	85.4	102.7	106.6	110.5
Services	(26.9)	(31.8)	(40.5)	(42.5)	(44.8)
Lease, rental and other opex	(22.0)	(18.3)	(22.1)	(22.9)	(23.8)
Personnel expenses	(25.8)	(28.2)	(30.5)	(31.1)	(31.6)
EBITDA	4.8	7.2	9.7	10.0	10.4
D&A	(4.4)	(3.8)	(4.6)	(4.6)	(4.5)
EBIT	0.4	3.4	5.0	5.4	5.9
Financial costs	(0.7)	(0.4)	(0.5)	(0.4)	(0.3)
Extraordinary, other costs	0.0	(1.3)	0.0	0.0	0.0
Pre-Tax profit	(0.3)	1.7	4.5	5.0	5.6
Income taxes	(0.4)	(1.1)	(1.9)	(2.2)	(2.4)
Minorities	0.0	0.0	0.0	0.0	0.0
Net Profit	(0.7)	0.6	2.6	2.9	3.2
EBIT adj.	4.5	5.3	6.9	7.2	7.8
Net Profit adj.	0.8	3.2	4.4	4.7	5.0
Balance sheet (€ m)	2021	2022	2023e	2024e	2025e
Net Working Capital	15.9	18.7	23.3	23.9	24.5
Net Fixed Assets	18.6	19.2	18.0	16.5	13.9
Equity Investments	1.0	3.5	3.5	3.5	3.5
Other M/L Term A/L	(6.6)	(9.3)	(10.3)	(10.7)	(11.1)
Net Invested Capital	28.8	32.1	34.6	33.2	30.8
Net Financial Position	10.3	12.6	12.5	8.3	2.7
Minorities	0.0	0.1	0.1	0.0	0.0
Group's Shareholders Equity	18.5	19.5	22.0	24.9	28.1
Net Financial Position & Equity	28.8	32.1	34.6	33.2	30.8
Cash Flow statement (€ m)	2021	2022	2023e	2024e	2025e
Total net income	(0.7)	0.6	2.6	2.9	3.2
Depreciation	4.4	3.8	4.6	4.6	4.5
Other non-cash charges	(0.1)	0.3	0.9	0.4	0.4
Cash Flow from Oper. (CFO)	3.6	4.7	8.1	7.9	8.2
Change in NWC	5.1	(2.8)	(4.6)	(0.6)	(0.6)
FCF from Operations (FCFO)	8.7	1.9	3.5	7.3	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)	0.1	4.2	5.6
CF from financials (CFF)	(4.0)	(2.7)	(1.2)	(1.2)	(1.2)
Free Cash Flow to Equity (FCFE)	2.0	(5.3)	(1.0)	3.1	4.4
Financial ratios	2021	2022	2023e	2024e	2025e
EBITDA margin	6.0%	8.4%	9.4%	9.4%	9.4%
EBIT margin	0.5%	4.0%	4.9%	5.1%	5.3%
Net profit margin	-0.9%	0.7%	2.5%	2.7%	2.9%
Tax rate	n.m.	63.8%	43.0%	43.0%	43.0%
Interest coverage x	1.91	0.12	0.11	0.07	0.05
Net Debt/EBITDA x	2.15	1.76	1.29	0.82	0.26
Debt-to-Equity x	0.56	0.65	0.57	0.33	0.10
ROIC	-2.5%	2.0%	7.4%	8.6%	10.4%
ROCE	0.8%	8.1%	11.4%	11.8%	12.2%
ROACE	0.8%	8.0%	11.7%	12.0%	12.5%
ROE	-3.9%	3.2%	11.6%	11.5%	11.4%
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	0.22	0.25	0.28
EPS adjusted €	0.07	0.28	0.38	0.41	0.44
EPS reported FD €	(0.06)	0.05	0.22	0.25	0.28
EPS adjusted FD €	0.07	0.28	0.38	0.41	0.44
EBITDA €	0.38	0.62	0.84	0.87	0.91
EBIT €	0.03	0.30	0.44	0.47	0.51
BV €	1.61	1.70	1.92	2.17	2.44
FCFO €	0.70	0.16	0.31	0.64	0.66
FCFF €	0.48	(0.22)	0.01	0.37	0.48
FCFE €	0.16	(0.46)	(0.09)	0.27	0.38
Dividend €	0.00	0.00	0.00	0.00	0.00



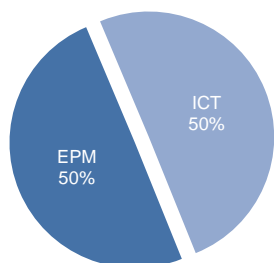


The company at a glance

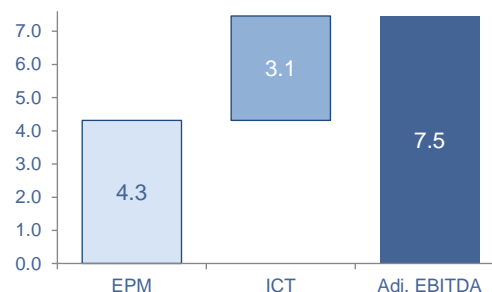
Founded in 1991 by the four De Bettin brothers in the north east of Italy, DBA Group is specialised in network connectivity and infrastructure lifecycle support solutions. DBA Group's core competence is its proven ability to provide telematics solutions for strategic infrastructures to clients whose 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 2011-22 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 (minorities 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 came to € 7.5m, 8.8% margin. Net financial position was € 12.6m (debt).

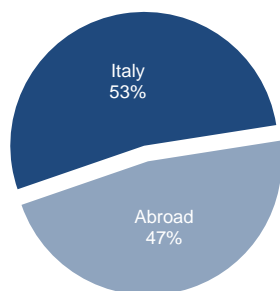
2022 top line ...



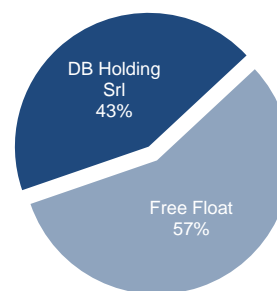
... and Adj. EBITDA breakdown by BU



2022 top line by geography



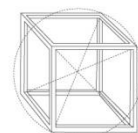
Shareholders structure



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	0.91	0.93	1.11	13.2	12.0	11.0	15.7	13.9	12.7
Alten SA	1.27	1.10	1.00	10.0	9.0	8.1	12.2	10.8	9.7
Arcadis NV	0.96	0.83	0.81	8.7	7.4	7.2	12.0	10.0	9.0
Jacobs Solutions Inc	1.00	0.96	0.88	11.3	9.9	9.0	11.4	9.9	8.8
SNC-Lavalin Group Inc	0.93	0.86	n.a.	10.7	8.7	n.a.	13.7	10.6	n.a.
Sweco AB (publ)	1.88	1.76	1.66	15.5	14.0	13.0	20.1	17.9	16.2
Engineering & PMO median	0.98	0.94	1.00	11.0	9.5	9.0	12.9	10.7	9.7
Accenture PLC	2.51	2.32	2.12	13.8	12.5	11.1	16.7	15.3	13.5
Capgemini SE	1.28	1.14	1.01	8.3	7.2	6.3	10.7	9.1	8.0
Reply SpA	1.69	1.46	1.25	10.7	9.2	7.9	13.0	11.1	9.3
TXT e solutions SpA	0.94	0.93	0.94	6.6	6.4	6.5	9.2	8.8	8.6
ICT software median	1.49	1.30	1.13	9.5	8.2	7.2	11.8	10.1	9.0
DBA Group SpA	0.29	0.24	0.18	3.1	2.6	1.9	4.4	3.6	2.6

Source: CFO Sim, Refinitiv Eikon



DBA Group in a nutshell

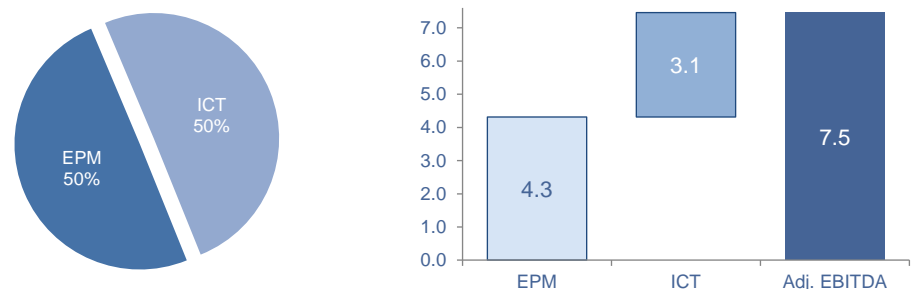
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DBA Group is a technology consulting group focused on high value-added solutions and services, characterised by a relevant degree of technology. The engineering arm represents a key entry barrier: DBA Group knows how processes work. This places the company in a position to offer specific turnkey services and solutions.

DBA Group offers high value-added services and software platforms which meet a full range of potential technical, technological and ICT customer needs **during the entire infrastructure lifecycle** with the aim of providing high value-added support services for infrastructure management and maintenance. The company performs its trade activity via two business units:

- **ICT – Information, Communication and Technology, 50% of top line:** the BU, using software and telematics platforms designed and developed in-house, offers process and automation engineering, applied information and communication technology for single and networked infrastructure works.
- **EPM – Engineering and Project Management, 50% of top line:** the activity here consists of the scheduling and management of all planning and construction activities (performed by companies directly employed by DBA Group's clients) related to single or networked infrastructures and their technological specialised plants. In performing this activity, DBA Group complies with quality standards, timetable and cost guidelines agreed with clients. Furthermore, the BU comprises of the study, design and feasibility study of single or networked infrastructures and their technological and specialised plants. It also provides process analysis, mapping and optimisation services, technical/technological consultancy and ICT solutions.

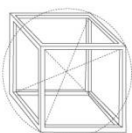
Chart 1 – DBA Group, 2022 Sales and Adjusted EBITDA by business unit



Source: Company data

The group offers its **high-tech services and solutions to private customers** mainly operating in the following **reference markets:**

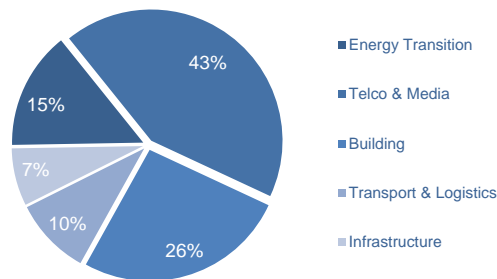
- **Energy Transition:** with a particular focus on power generation from renewable sources, Renewable Energy Communities, green hydrogen and electric vehicles charging stations. It is worth remembering that, **the energy transition is one of the main pillars of the NRRP.**



- **Telco & Media:** telecommunication & media companies and their production, transmission / distribution infrastructures.
- **Building:** real estate corporations with commercial, residential and touristic assets as well as industrial and financial retail networks.
- **Transport & Logistics:** firms operating in this business and their road, rail, port and airport infrastructure.
- **Infrastructures:** consultancy in operation & maintenance of mission-critical infrastructures.

The company currently concentrates the bulk of its business in **Italy and the Slovenian-Balkans area, which comprise 53% and 47% of top line**, respectively.

Chart 2 – DBA Group, 2022 sales of the EPM business unit by reference market

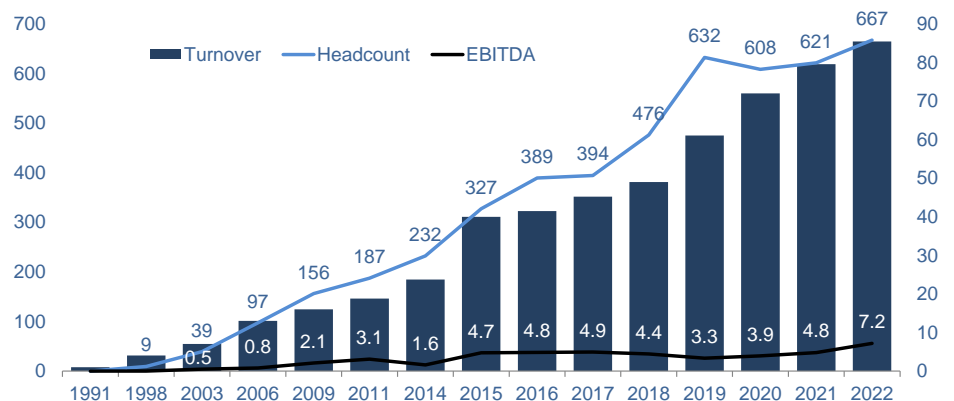


Source: Company data

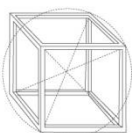
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The chart below shows the top line, EBITDA and personnel trends since the founding of DBA Group in 1991.

Chart 3 – DBA Group, 1991-22 top line, EBITDA and staff growth trend



Source: Company data



SWOT Analysis

The SWOT analysis, also known as SWOT Matrix, is a structured planning method used to evaluate the strengths, weaknesses, opportunities and threats involved in a project or in a business venture. A SWOT analysis can be carried out for a product, place, industry or person. It involves specifying the objective of the business venture or project and identifying the internal and external factors that are favourable and unfavourable to achieving that objective.

- **Strengths:** characteristics of the business or project that give it an advantage over others.
- **Weaknesses:** characteristics that place the business or project at a disadvantage relative to others.
- **Opportunities:** elements that the project could use to its advantage.
- **Threats:** elements in the environment that could cause harm or be detrimental for the business or project.

The technique is credited to Albert Humphrey, who led a research project at Stanford University between the '60s/'70s using Fortune 500 data.

S.W.O.T. ANALYSIS

STRENGTHS

- ❑ The **only player offering the synergic combination of the services and solutions of its two business units**
- ❑ **Over 600 highly-skilled, loyal and motivated employees, o/w 60% are graduates**

WEAKNESSES

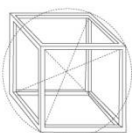
- ❑ **Limited size** in the international competitive arena
- ❑ Few key relevant people represent a **vital asset for the company**
- ❑ Need for **strengthening of the management structure** to boost developments

OPPORTUNITIES

- ❑ **Consolidation opportunities** in the domestic market and abroad
- ❑ Substantial cash flow generation and sound balance sheet **allow external growth opportunities**

THREATS

- ❑ Expansion via external growth may prove difficult
- ❑ In certain projects, **competition from smaller players**, driven by different cost strategies and short-term industrial views, e.g. **dumping**



FY-22 Results

DBA Group FY-22 results exhibited growing top line and a more than proportional progression in EBITDA, led by a solid performance of the EPM business unit. Both figures are higher compared to the pre-closing data announced in Dec-22, mainly on the back of few adjustments on revenues and the adoption of precautionary valuation criteria.

Table 1 – DBA Group, FY-22 results summary

€ m	2022	2021	% YoY	2022e	% diff.
Revenues	83.4	78.1	6.8	84.1	(0.7)
Other	2.0	1.4		0.0	
Value of Production	85.4	79.5	7.4	84.1	1.6
Raw material	(15.2)	(16.4)		(17.7)	
Services	(31.8)	(26.9)		(27.7)	
Lease & rental	(2.8)	(2.9)		(3.1)	
Other opex	(0.3)	(2.7)		(0.2)	
Personnel expenses	(28.2)	(25.8)		(28.1)	
EBITDA	7.2	4.8	50.0	7.3	(1.9)
% margin	8.4	6.0		8.7	
D&A	(3.8)	(4.4)		(4.3)	
EBIT	3.4	0.4	n.m.	3.0	11.9
% margin	4.0	0.5		3.6	
Financial costs	(0.4)	(0.7)		(0.4)	
Write-off	(1.3)	0.0		0.0	
Pre-Tax profit	1.7	(0.3)	n.m.	2.6	(34.0)
% margin	2.0	(0.4)		3.1	
Income taxes	(1.1)	(0.4)		(1.1)	
Tax rate	63.8%	n.m.		43.0%	
Net Profit	0.6	(0.7)	n.m.	1.5	(57.6)
% margin	0.7	(0.9)		1.8	
EBITDA adj.	7.5	7.3	1.9	7.3	2.2
% margin	8.8	9.2		8.7	
NFP (cash)/debt	12.6	10.3	22.4	14.3	(11.7)

Source: Company data, CFO SIM estimates

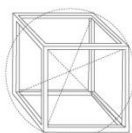
Value of Production totalled € 85.4m, up by 7.4% YoY, slightly better than our forecast of € 84.1m, driven by a higher than anticipated performance of the EPM BU. The reported figure is € 2.1m higher compared to pre-closing data announced in Dec-22, due to few adjustments relative to some revenue items.

The **EPM business unit grew by 14.0% YoY to € 42.5m** (€ 37.3m in 2021) while the **ICT business unit grew by 1.4% YoY to € 42.9m**, thanks to the Slovenian ICT business (up by 2.7% YoY to € 40.3m), which counterbalanced the weak performance of Italian ICT (€ 2.6m, down by 13.4% YoY).

EBITDA was € 7.2m, 8.4% margin, up by 50.0% YoY. **EBITDA adjusted** for non-recurring costs related to the deal concerning Actual and the restructuring costs with regard to C&G Engineering Service (acquired in Aug-22) was **€ 7.5m, 8.8% margin**, slightly higher than € 7.3m reported in 2021.

EBIT stood at € 3.4m, 4.0% margin (€ 0.4m, 0.5% margin in 2021) thanks to a better operating margin of the EPM BU. **Net Profit was € 0.6m, 0.7% margin**, after financial charges of € 0.4m (€ 0.7m in 2021), taxes of € 1.1m (€ 0.4m in 2021) and the write-off of the goodwill related to SJS Engineering for some € 1.3m. The difference with respect to our forecast is entirely due to the aforementioned write-off, which was not included in our projections.

NFP stood at € 12.6m debt from € 10.3m debt in 2021. FY-21 NFP was positively affected by a significant advance payment related to an order from the Serbian Ministry of Justice. Nevertheless, FY-22 NFP came in better than our forecast of € 14.3m.



Estimates, Valuation & Risks

DBA Group unveiled a good set of FY-22 results, characterised by increasing top line, driven by the higher than expected performance in the EPM BU, flanked by more than proportional progression in EBITDA.

In Dec-22, DBA Group announced the **2023 budget**, encompassing:

- **Value of Production of € 105.0m**, up by 23.0% YoY. Top line increase will be approximately half driven by organic growth and the remainder by the consolidation of the companies acquired in 2022.
- **EBITDA of € 10.3m, 9.8% margin.**
- **NFP equal to € 12.3m debt.**

Following the release of FY-22 results, **we have fine-tuned our model** by factoring in a slightly stronger progression of the top line, mostly attributable to the EPM BU. Our FY-23 estimates are broadly aligned with the company's budget. The combined result is **an average 6.6%, 7.1% and 12.5% increase in VoP, EBITDA, and Net Profit in 2023-24**. In addition, we have also introduced 2025 projections.

Table 2 – DBA Group, 2023e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Value of Production	102.7	96.4	6.5	6.3
EBITDA	9.7	9.0	7.0	0.6
% margin	9.4	9.4		
EBIT	5.0	4.4	14.5	0.6
% margin	4.9	4.5		
Net Profit	2.6	2.3	12.2	0.3
% margin	2.5	2.4		
Y/E net debt (net cash)	12.5	10.5	18.9	2.0

Source: CFO Sim

Table 3 – DBA Group, 2024e new/old estimates

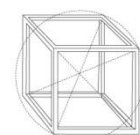
€ m	New	Old	% Diff.	€ m Diff.
Value of Production	106.6	99.9	6.6	6.6
EBITDA	10.0	9.4	7.1	0.7
% margin	9.4	9.4		
EBIT	5.4	4.8	12.8	0.6
% margin	5.1	4.8		
Net Profit	2.9	2.5	12.9	0.3
% margin	2.7	2.5		
Y/E net debt (net cash)	8.3	5.8	43.2	2.5

Source: CFO Sim

Moreover, we have updated the DCF valuation criteria, by bringing the free risk rate up-to-date: the combined result is a **new DCF-based PT of € 2.50/s** (€ 2.30), **64.5% upside potential**. The value resulting from the estimates upgrade is only partially offset by the increase in the risk-free rate (4.00% vs. 3.41% of the last valuation update).

We believe **2023 could indeed be a year of consolidation for both the EMP and ICT segments**. In particular, the acquisitions of General Planning and C&G Engineering carried out in Aug-22 and Dec-22, noticeably enlarged the service offering in the promising Real Estate, Pharmaceutical and Energy transition sectors, characterised by solid growth rates in Italy and expected to continue to grow thanks to the **strong investments stemming from the NRRP's resources**. In addition, General Planning's know-how will be critical in order to meet specific design requirements in relation to certain DBA PRO's projects focused on industrial and pharmaceutical facilities.

Moreover, notwithstanding the termination of the contract concerning the sale to Telekom Slovenije, DBA will be focused on leveraging the leadership positioning of Actual IT in the Slovenian ICT market, to further seize enticing market opportunities.



DCF

In the valuation via the DCF method, explicit estimates until 2027 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 4 - 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 200 days simple moving average)	4.00%
Beta levered (x)	1.00
Required ROE	13.0%

Source: CFO Sim, Refinitiv 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 70:30 equity/debt balance-sheet structure.

Table 5 - DBA Group, DCF model

€ m	2023e	2024e	2025e	2026e	2027e	Term Val.
EBIT	5.0	5.4	5.9	6.6	7.3	
Tax rate	43.0%	43.0%	43.0%	43.0%	43.0%	
Operating profit (NOPAT)	2.9	3.1	3.4	3.8	4.1	
Change working capital	(4.6)	(0.6)	(0.6)	(0.3)	(0.1)	
Depreciation	4.6	4.6	4.5	3.3	2.0	
Investments	(3.4)	(3.1)	(2.0)	(2.0)	(2.0)	
Free Cash Flows	(0.5)	4.0	5.3	4.7	4.1	47.6
Present value	(0.5)	3.4	4.1	3.4	2.7	30.8
WACC	9.7%	9.7%	9.7%	9.7%	9.7%	
Long-term growth rate	1.0%					

Source: CFO Sim

Table 6 – DBA Group, DCF derived from:

€ m	
Total EV present value € m	43.9
<i>thereof terminal value</i>	70%
NFP last reported – FY 22	(12.6)
Pension provision last reported	(2.3)
Equity value € m	29.1
#m shares	11.51
Equity value €/s	2.50
<i>% upside/(downside)</i>	64.5%

Source: CFO Sim

The application of the model produces an **equity value of DBA Group of € 29.1m, corresponding to € 2.50/s (€ 2.30), 64.5% upside.**

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value of between **€ 2.29-2.80** per share (**perpetuity range of between 0.25% and 1.75%**), while 2) if compared to changes in the free risk rate it produces an equity value of **€ 2.30-2.78** per share (**free risk range of between 4.75% and 3.25%**) and 3) if compared to changes in the risk premium, including small size premium it results in an equity value of **€ 2.10-3.07** per share (**risk premium range of between 10.50% and 7.50%**).

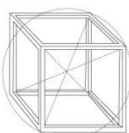


Table 7 – DBA Group, equity value sensitivity to changes in terminal growth rate

€ m	0.25%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%
Present value of CF	13.1	13.1	13.1	13.1	13.1	13.1	13.1
PV of terminal value	28.2	29.0	29.9	30.8	31.8	32.9	34.0
Total value	41.3	42.1	43.0	43.9	44.9	46.0	47.1
NFP last reported	(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	26.4	27.2	28.1	29.1	30.0	31.1	32.2
Equity value/share €	2.29	2.37	2.44	2.50	2.61	2.70	2.80

Source: CFO Sim

Table 8 – DBA Group, equity value sensitivity to changes in free risk rate

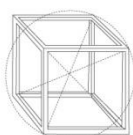
€ m	3.25%	3.50%	3.75%	4.00%	4.25%	4.50%	4.75%
Present value of CF	13.3	13.2	13.2	13.1	13.0	13.0	12.9
PV of terminal value	33.6	32.6	31.7	30.8	30.0	29.2	28.4
Total value	46.9	45.9	44.9	43.9	43.1	42.2	41.4
NFP last reported	(12.6)	(12.6)	(12.6)	(12.6)	(12.6)	(12.6)	(12.6)
Pension provision last reported	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)
Equity value	32.0	31.0	30.0	29.1	28.2	27.3	26.5
Equity value/share €	2.78	2.69	2.60	2.50	2.45	2.37	2.30

Source: CFO Sim

Table 9 – 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	13.5	13.4	13.2	13.1	13.0	12.8	12.7
PV of terminal value	36.7	34.6	32.6	30.8	29.2	27.7	26.3
Total value	50.2	47.9	45.9	43.9	42.2	40.6	39.0
NFP last reported	(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	35.3	33.0	31.0	29.1	27.3	25.7	24.1
Equity value/share €	3.07	2.87	2.69	2.50	2.37	2.23	2.10

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 Solutions (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.

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 6.9% to 12.7% and a mid-single digit sales growth. ICT software comparable firms show slightly higher growth profiles than the Engineering & PMO sample and higher profitability, ranging from 14.3% to 18.2%.

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

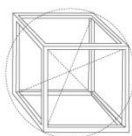


Table 10 - DBA Group, peer group summary table

€ 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	10,161	12,882	886	6.9%	-8.0%	5.8%	8.6%	16.1%	1.7
Alten SA	France	5,109	3,777	480	12.7%	5.6%	n.a.	n.a.	6.7%	n.m.
Arcadis NV	Dutch	3,326	4,523	500	11.0%	18.6%	12.5%	17.5%	11.3%	2.0
Jacobs Solutions Inc	USA	12,931	14,663	1,296	8.8%	1.8%	2.9%	11.9%	12.1%	1.4
SNC-Lavalin Group Inc	Canada	3,626	5,099	444	8.7%	1.3%	21.6%	47.8%	45.2%	2.5
Sweco AB (publ)	Sweden	4,178	2,370	288	12.1%	5.9%	3.8%	10.5%	9.9%	1.0
Engineering & PMO median		4,644	4,811	490	9.9%	3.7%	5.8%	11.9%	11.7%	1.7
Accenture PLC	USA	155,143	58,702	10,663	18.2%	3.1%	7.5%	4.3%	8.0%	n.m.
Capgemini SE	France	27,826	22,945	3,552	15.5%	5.8%	8.6%	9.0%	9.8%	0.5
Reply SpA	Italy	3,904	2,153	342	15.9%	11.6%	12.9%	15.1%	10.9%	n.m.
TXT e solutions SpA	Italy	239	223	32	14.3%	19.6%	16.4%	19.7%	12.5%	n.m.
ICT software median		15,865	12,549	1,947	15.7%	8.7%	10.8%	12.1%	10.3%	0.5
DBA Group SpA	Italy	17	103	10	9.4%	9.0%	13.3%	13.5%	6.9%	1.3

Source: CFO Sim, Refinitiv Eikon

Table 11 - DBA Group, peer group EV multiple table

x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
AECOM	0.91	0.93	1.11	13.2	12.0	11.0
Alten SA	1.27	1.10	1.00	10.0	9.0	8.1
Arcadis NV	0.96	0.83	0.81	8.7	7.4	7.2
Jacobs Solutions Inc	1.00	0.96	0.88	11.3	9.9	9.0
SNC-Lavalin Group Inc	0.93	0.86	n.a.	10.7	8.7	n.a.
Sweco AB (publ)	1.88	1.76	1.66	15.5	14.0	13.0
Engineering & PMO median	0.98	0.94	1.00	11.0	9.5	9.0
Accenture PLC	2.51	2.32	2.12	13.8	12.5	11.1
Capgemini SE	1.28	1.14	1.01	8.3	7.2	6.3
Reply SpA	1.69	1.46	1.25	10.7	9.2	7.9
TXT e solutions SpA	0.94	0.93	0.94	6.6	6.4	6.5
ICT software median	1.49	1.30	1.13	9.5	8.2	7.2
DBA Group SpA	0.29	0.24	0.18	3.1	2.6	1.9

Source: CFO Sim, Refinitiv Eikon

Table 12 - DBA Group, peer group EV & price multiple table

x	EBIT FY1	EBIT FY2	EBIT FY3	PER FY1	PER FY2	PER FY3
AECOM	15.7	13.9	12.7	21.9	18.8	16.2
Alten SA	12.2	10.8	9.7	17.5	16.7	15.3
Arcadis NV	12.0	10.0	9.0	14.0	12.4	11.3
Jacobs Solutions Inc	11.4	9.9	8.8	15.1	12.9	12.0
SNC-Lavalin Group Inc	13.7	10.6	n.a.	21.9	15.8	10.4
Sweco AB (publ)	20.1	17.9	16.2	25.5	23.1	21.1
Engineering & PMO median	12.9	10.7	9.7	19.7	16.3	13.7
Accenture PLC	16.7	15.3	13.5	23.0	21.3	19.7
Capgemini SE	10.7	9.1	8.0	13.8	12.6	11.5
Reply SpA	13.0	11.1	9.3	19.5	17.5	15.9
TXT e solutions SpA	9.2	8.8	8.6	15.9	14.1	12.6
ICT software median	11.8	10.1	9.0	17.7	15.8	14.2
DBA Group SpA	4.4	3.6	2.6	4.0	3.7	3.5

Source: CFO Sim, Refinitiv Eikon

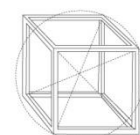


Table 13 – DBA Group, equity assessment, 1#2

€ m	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3	PER FY1	PER FY2	PER FY3
DBA Group metrics	102.7	106.6	110.5	9.7	10.0	10.4	4.4	4.7	5.0
Multiple (x)	1.14	1.03	1.01	10.7	9.1	8.1	12.6	10.7	9.3
35% discounted multiple	0.74	0.67	0.66	6.9	5.9	5.3	8.2	7.0	6.1
Enterprise Value	75.9	71.4	72.7	67.1	59.4	54.8	36.0	32.8	30.6
Net Financial Position	(12.6)	(12.5)	(8.3)	(12.6)	(12.5)	(8.3)			
Pension Provisions	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)			
Equity Value	61.0	56.6	62.2	52.2	44.6	44.3	36.0	32.8	30.6
Equity Value/share	5.30	4.91	5.40	4.50	3.87	3.85	3.13	2.85	2.66

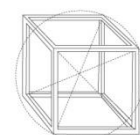
Source: CFO Sim, Refinitiv Eikon

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

€ m	FY1	FY2	FY3
EV/EBITDA	52.2	44.6	44.3
Weighting	100.0%	0.0%	0.0%
Equity Value	52.2		
Equity Value per share €/s	4.50		
% upside/(downside)	196.1%		

Source: CFO Sim, Refinitiv 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 € 52.2m, or € 4.50/s.



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.

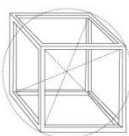
In our SOTP valuation, we used 1) the median EV/EBITDA multiple of the Engineering & PMO panel to evaluate the EPM business units, 2) the median EV/EBITDA multiple of the ICT software panel to appraise the ICT business unit. We applied a **35% discount to peer multiples**, mainly due to DBA's smaller 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 acquisitions of General Planning and C&G Engineering. As a result, we attained an equity value of € 50.8m, or € 4.40/s.

Table 15 – DBA Group, Sum of the Parts equity value assessment

	€ m	% on EV	Methodology
ICT BU	22.2	33.9	6.2x peer multiple on € 3.6m BU EBITDA 2023e
EPM BU	43.4	66.1	7.2x peer multiple on € 6.1m BU EBITDA 2023e
Total EV	65.6	100.0	
NFP	(12.5)		FY-23e net financial position
Pension Provision	(2.3)		Pension provision last reported
Equity Value	50.8		
Equity Value Per share €/s	4.40		
<i>% upside/(downside)</i>	189.5%		

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 10 companies, 6 of which mainly operating in the EPM business and the rest in the ICT software sector.

Table 16 - DBA Group, peer group absolute performance

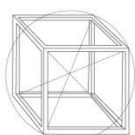
	1D	1W	1M	3M	6M	YTD	1Y
AECOM	(1.0)	(2.3)	(3.3)	(7.3)	11.1	(4.9)	13.4
Alten SA	1.9	0.1	4.4	10.2	21.5	27.1	19.0
Arcadis NV	(0.8)	(1.5)	(0.1)	(6.1)	6.3	0.8	(6.0)
Jacobs Solutions Inc	(0.9)	(2.0)	(2.6)	(7.6)	(0.8)	(6.2)	(18.3)
SNC-Lavalin Group Inc	(0.8)	(1.9)	(2.6)	11.8	33.5	30.3	11.2
Sweco AB (publ)	0.5	(2.5)	2.4	15.6	35.8	31.2	(3.6)
Engineering & PMO median	(0.8)	(2.0)	(1.3)	2.1	16.3	14.0	3.8
Accenture PLC	0.2	(3.1)	(3.1)	(0.7)	(3.1)	1.6	(10.5)
Capgemini SE	0.2	(1.6)	(2.6)	(6.1)	(7.3)	3.4	(13.0)
Reply SpA	(0.1)	(1.7)	(6.4)	(12.5)	(11.5)	(1.9)	(22.8)
TXT e solutions SpA	(2.5)	(4.5)	(8.6)	33.7	53.4	44.1	90.3
ICT software median	0.0	(2.4)	(4.8)	(3.4)	(5.2)	2.5	(11.7)
DBA Group SpA	0.0	1.3	1.3	(3.5)	(6.7)	(2.9)	(7.3)

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.



ANALYST CERTIFICATION

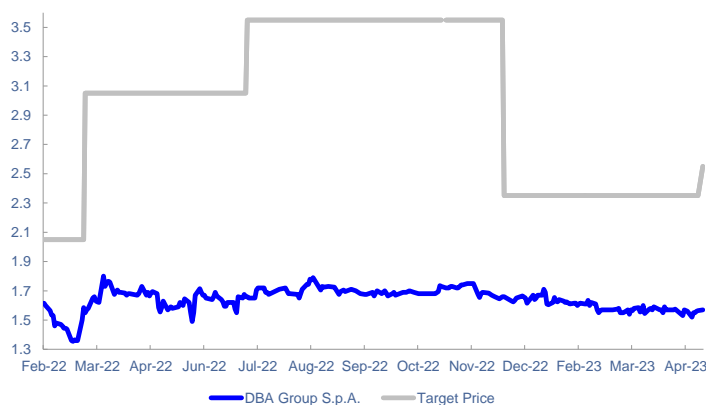
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DATE	TARGET PRICE	RATING
27/04/2023	€2.50	BUY
15/12/2022	€2.30	BUY
13/10/2022	€3.50	BUY
30/06/2022	€3.50	BUY

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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.

