

Italy – ICT Consulting
FY-21 guidance confirmed – Actual IT is on sale

 11th October 2021

H1-21 RESULTS RELEASE

 RIC: DBA.MI
 BBG: DBA IM

In H1-21 DBA Group reported growing sales and broadly unchanged EBITDA in absolute terms, which provides evidence of continuing price pressure. The group confirmed that it is confident of achieving its FY-21 guidance. Rumours of an interest in purchasing Actual IT, which may result in a huge cash opportunity for DBA, have been confirmed by Telekom Slovenia.

Rating:
Buy
Price Target:
€ 2.00
Upside/(Downside): 30.7%
Last Price: € 1.53
Market Cap.: € 17.6m
1Y High/Low: € 2.09/€ 0.66
Free Float: 49.6%
Major shareholders:

De Bettin family 40.6%


Stock price performance

	1M	3M	12M
Absolute	-6.1%	15.0%	82.1%
Rel.to AIM Italia	-1.9%	6.2%	17.5%
Rel.to peers	0.5%	11.6%	38.9%

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Estimates, PT and rating confirmed

DBA Group reported a good set of 2021 interim results, showing increasing revenues driven by the Slovenian ICT BU. It is worth remembering that, due to the business seasonality, only 40/45% of the FY turnover is concentrated in H1. Seasonality is even more pronounced in terms of EBITDA, as projects are generally awarded in the first months of the year while margin recognition occurs only after their completion. Following the H1-21 results, we left our estimates unchanged. Moreover, we have updated the DCF valuation criteria, by bringing the free risk rate up to date. The combined result is an unchanged DCF-based PT of € 2.00/s, 30.7% upside potential. Buy.

Top line grew by 6.3% YoY driven by Slovenian ICT business unit

Value of Production totalled € 31.7m, up by 6.3% YoY. EPM's turnover remained basically unchanged at € 15.4m (vs € 15.2m in H1-20), on the back of growing sales (up by € 1.2m YoY) and lower work in progress (down by € 1.0m YoY). The increase in sales was mainly driven by the engineering activity with regard to data centres in Italy. The domestic ICT business unit recorded a turnover of € 1.4m, down by 12.7% YoY compared to € 1.7m in H1-20. The Slovenian ICT business unit soared by 14.8% YoY, totalling € 14.9m, thanks to increasing sales of IT services, the development of the Portline software and the orders recently obtained for the digitalisation of Slovenian hospitals.

EBITDA benefited from cost containment coupled with increasing sales in Slovenia

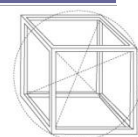
EBITDA was € 0.25m, broadly in line compared to € 0.20m in H1-20. The positive EBITDA of the Slovenian ICT business unit more than counterbalanced the negative profitability of both the EPM and the domestic ICT business units. Adjusted EBITDA for non-recurring costs stemming from the rationalisation of the domestic ICT business unit totalled € 0.38m, more than doubling compared to H1-20. EBIT was negative by € 1.9m, remaining almost unchanged YoY. Net Profit was also negative by € 2.2m vs € 2.1m in H1-20. Net Financial Position slightly declined to € 16.2m, compared to € 16.4m at end-20, on the back of operating cash flow to the tune of € 2.0m, partially counterbalanced by capex of € 1.8m.

Actual IT: Telekom Slovenije reportedly has the intention of acquiring it

Last 27-Sep, some Slovenian media reported that Telekom Slovenije would be interested in acquiring Actual IT. DBA confirmed the ongoing negotiations. According to the Slovenian press, the appraisal of Actual IT is supposed to range between € 30m and € 50m. Actual IT's business corresponds to the Slovenian ICT BU of DBA Group, which in 2020 reported VoP of € 36.5m and EBITDA of € 2.8m (ITA GAAP). Actual IT has a NFP of about € 7m (debt), thus, considering the lower part of the valuation range, the Equity Value of the company should be some € 24m. For DBA, this would result in a massive potential cash-in of about € 22m for DBA, corresponding to € 1.9/s. The valuation is appealing; however, this game-changing opportunity might entail a potential execution risk not to be underestimated.

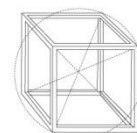
DBA Group, key financials and ratios

€ m	2019	2020	2021e	2022e	2023e
Value of production	61.0	71.9	72.5	72.8	74.0
EBITDA	3.3	3.9	5.2	6.1	6.8
EBITDA adj.	3.3	4.4	5.2	6.1	6.8
EBIT	(2.3)	(0.7)	0.8	1.7	2.6
EBIT adj.	(1.2)	0.5	2.0	2.9	3.7
Net profit	(2.7)	(1.2)	0.1	0.6	1.1
Net profit adj.	(1.6)	(0.1)	1.2	1.8	2.3
NFP (cash)/debt	14.7	16.4	14.8	12.9	10.2
EPS adjusted €	(0.11)	(0.01)	0.10	0.15	0.20
EPS adj. growth	n.m.	n.m.	n.m.	55.5%	29.5%
EBITDA margin %	5.4%	5.4%	7.2%	8.3%	9.2%
EBIT margin %	neg.	neg.	1.2%	2.3%	3.5%
PER	neg.	neg.	14.4	10.1	7.8
EV/Sales	0.60	0.40	0.45	0.42	0.38
EV/EBITDA	11.1	7.3	6.2	5.0	4.1
EV/EBIT	neg.	59.5	16.3	10.7	7.5





Income statement (€ m)	2019	2020	2021e	2022e	2023e
Value of Production	61.0	71.9	72.5	72.8	74.0
Services	(24.9)	(23.0)	(22.0)	(21.2)	(21.0)
Lease, rental and other opex	(9.1)	(20.0)	(20.2)	(20.3)	(20.7)
Personnel expenses	(23.6)	(25.0)	(25.0)	(25.2)	(25.5)
EBITDA	3.3	3.9	5.2	6.1	6.8
D&A	(5.6)	(4.6)	(4.4)	(4.3)	(4.3)
EBIT	(2.3)	(0.7)	0.8	1.7	2.6
Financial costs	(0.3)	(0.6)	(0.5)	(0.4)	(0.4)
Extraordinary, other costs	0.0	0.0	0.0	0.0	0.0
Pre-Tax profit	(2.7)	(1.2)	0.3	1.3	2.2
Income taxes	(0.2)	(0.1)	(0.1)	(0.5)	(0.9)
Minorities	0.1	0.1	(0.1)	(0.1)	(0.1)
Net Profit	(2.7)	(1.2)	0.1	0.6	1.1
EBIT adj.	(1.2)	0.5	2.0	2.9	3.7
Net Profit adj.	(1.6)	(0.1)	1.2	1.8	2.3
Balance sheet (€ m)	2019	2020	2021e	2022e	2023e
Net Working Capital	19.9	20.9	21.4	22.2	22.6
Net Fixed Assets	20.8	19.3	17.5	15.7	13.9
Equity Investments	0.7	0.6	0.6	0.6	0.6
Other M/L Term A/L	(5.5)	(5.1)	(5.4)	(5.6)	(5.9)
Net Invested Capital	35.8	35.7	34.2	32.9	31.3
Net Financial Position	14.7	16.4	14.8	12.9	10.2
Minorities	0.3	0.0	0.1	0.3	0.4
Group's Shareholders Equity	20.8	19.3	19.3	19.7	20.7
Net Financial Position & Equity	35.8	35.7	34.2	32.9	31.3
Cash Flow statement (€ m)	2019	2020	2021e	2022e	2023e
Total net income	(2.7)	(1.2)	0.1	0.6	1.1
Depreciation	5.6	4.6	4.4	4.3	4.3
Other non-cash charges	(1.0)	(0.3)	0.2	0.2	0.3
Cash Flow from Oper. (CFO)	1.9	3.0	4.7	5.2	5.6
Change in NWC	0.1	(1.0)	(0.4)	(0.8)	(0.5)
FCF from Operations (FCFO)	2.1	2.0	4.2	4.4	5.2
Net Investments (CFI)	(8.1)	(3.1)	(2.6)	(2.5)	(2.5)
Free CF to the Firm (FCFF)	(6.0)	(1.1)	1.6	1.9	2.7
CF from financials (CFE)	3.8	6.0	0.0	(3.3)	(2.8)
Free Cash Flow to Equity (FCFE)	(2.2)	4.9	1.6	(1.4)	(0.2)
Financial ratios	2019	2020	2021e	2022e	2023e
EBITDA margin	5.4%	5.4%	7.2%	8.3%	9.2%
EBIT margin	-3.8%	-0.9%	1.2%	2.3%	3.5%
Net profit margin	-4.5%	-1.7%	0.1%	0.8%	1.5%
Tax rate	n.m.	n.m.	43.0%	43.0%	43.0%
Interest coverage x	(0.15)	(0.84)	0.60	0.26	0.15
Net Debt/EBITDA x	4.44	4.19	2.81	2.13	1.50
Debt-to-Equity x	0.71	0.85	0.77	0.65	0.49
ROIC	neg.	neg.	0.2%	1.8%	3.6%
ROCE	neg.	neg.	1.7%	3.7%	5.8%
ROACE	neg.	neg.	1.7%	3.6%	5.7%
ROE	neg.	neg.	0.4%	3.0%	5.4%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Per share figures	2019	2020	2021e	2022e	2023e
Number of issued ordinary shares # m	11.50	11.50	11.50	11.50	11.50
Number of shares Fully Diluted # m	13.40	13.40	13.40	13.40	13.40
Average Number of shares Fully Diluted # m	14.31	13.40	13.40	13.40	13.40
EPS reported €	(0.24)	(0.11)	0.01	0.05	0.10
EPS adjusted €	(0.14)	(0.01)	0.11	0.15	0.20
EPS reported FD €	(0.19)	(0.09)	0.01	0.04	0.08
EPS adjusted FD €	(0.11)	(0.01)	0.09	0.13	0.17
EBITDA €	0.23	0.29	0.39	0.45	0.51
EBIT €	(0.16)	(0.05)	0.06	0.13	0.19
BV €	1.58	1.44	1.45	1.49	1.58
FCFO €	0.15	0.15	0.32	0.33	0.39
FCFF €	(0.42)	(0.08)	0.12	0.14	0.20
FCFE €	(0.15)	0.36	0.12	(0.10)	(0.01)
Dividend €	0.00	0.00	0.00	0.00	0.00



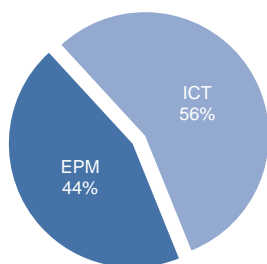


The company at a glance

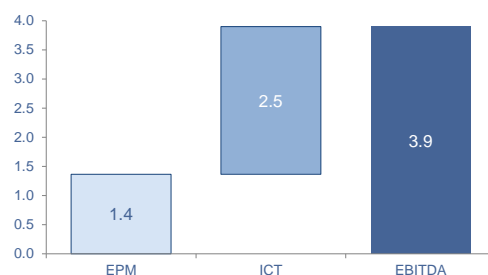
Founded in 1991 by the four De Bettin brothers in the north east of Italy, DBA Group is specialised in network connectivity and infrastructure lifecycle support solutions. The core competence of DBA Group is its proven ability to provide telematics solutions for strategic infrastructures to clients whose 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 period 2011-20, top line more than tripled from € 18.8m to € 71.9m, 16.1% CAGR also thanks to the acquisition of Actual IT in 2015 (minority buyout in Sep-18), SJS Engineering in October 2018 and Unistar in September 2019. In 2020, value of production reached € 71.9m, up 17.9% YoY, EBITDA totalled € 3.9m, 5.4% margin and net profit came in negative for € 1.2m. Net financial position was € 16.4m (debt). The chart below shows top line, EBITDA and personnel trends since the founding of DBA Group in 1991.

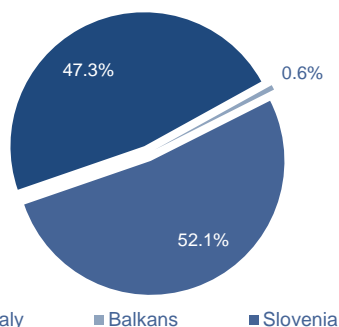
2020 top line ...



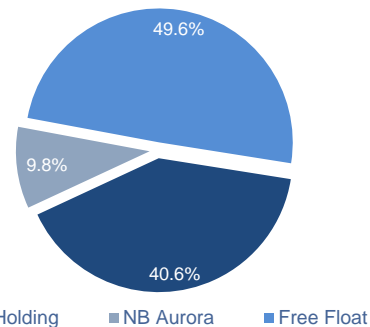
... and EBITDA breakdown by business unit



2020 top line by country



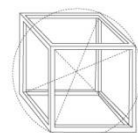
Shareholder structure



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	0.80	0.77	0.73	12.9	11.9	11.1	15.2	13.8	12.6
Alten SA	1.45	1.30	1.18	12.1	10.5	9.3	15.5	13.1	11.5
Arcadis NV	1.43	1.31	1.24	11.5	10.8	9.9	18.1	16.4	14.6
Jacobs Engineering Group Inc	1.39	1.24	1.17	16.3	13.8	12.2	17.2	14.5	13.1
SNC-Lavalin Group Inc	1.01	0.96	n.a.	10.9	9.1	n.a.	14.6	12.3	n.a.
Sweco AB (publ)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Engineering & PMO median	1.39	1.24	1.17	12.1	10.8	10.7	15.5	13.8	13.0
Accenture PLC	3.68	3.37	3.07	19.8	18.2	16.1	24.0	21.8	19.6
Capgemini SE	1.91	1.73	1.57	12.4	11.1	9.8	16.6	14.4	12.6
Devoteam SA	1.20	1.06	0.92	9.9	8.7	7.7	10.9	9.6	8.2
Reply SpA	3.70	3.22	2.84	22.0	19.1	16.8	27.1	23.4	20.3
TXT e solutions SpA	1.10	1.17	1.16	8.4	8.6	8.4	12.7	11.8	12.7
ICT software median	1.91	1.73	1.57	12.4	11.1	9.8	16.6	14.4	12.7
DBA Group SpA	0.45	0.42	0.38	6.2	5.0	4.1	16.3	10.7	7.5

Sources: CFO Sim, Thomson Reuters Eikon



H1-21 Results

In a semester still impacted by lockdowns and restrictions, DBA reported higher revenues and broadly unchanged EBITDA in absolute terms, providing evidence of continuing price pressure. Considering the typical seasonal trends that characterise DBA's business, the company is confident of achieving its short/medium-term targets.

Table 1 – DBA Group, H1-21 results summary

€ m	H1-21	H1-20	% YoY
Revenues	31.0	27.3	13.7
Other	0.7	2.6	
Value of Production	31.7	29.8	6.3
Raw material	(4.5)	(4.4)	
Services	(12.7)	(11.1)	
Lease & rental	(1.3)	(1.4)	
Other opex	(0.1)	(0.1)	
Personnel expenses	(13.0)	(12.6)	
Adj. EBITDA	0.4	0.2	111.1
% margin	1.2	0.6	
EBITDA	0.3	0.2	26.1
% margin	0.8	0.7	
D&A	(2.1)	(2.1)	
EBIT	(1.9)	(1.9)	1.1
% margin	(6.0)	(6.4)	
Financial costs	(0.3)	(0.2)	
Pre-Tax profit	(2.2)	(2.1)	(3.3)
% margin	(6.9)	(7.1)	
Income taxes	0.0	0.0	
Tax rate	0.0%	0.0%	
Minorities	0.0	0.0	
Net Profit	(2.2)	(2.1)	(2.7)
% margin	(6.9)	(7.1)	
NFP (cash)/debt *	16.2	16.4	(1.3)

Sources: Company data, CFO SIM estimates * compared to FY-20 figure

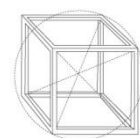
Value of Production totalled € 31.7m, up by 6.3% YoY:

- **EPM's turnover remained basically unchanged at € 15.4m** (vs € 15.2m in H1-20), on the back of growing sales (up by € 1.2m YoY) and lower work in progress (down by € 1.0m YoY). The increase in sales was mainly driven by the engineering activity with regard to data centres in Italy. It has to be noted that the positive impact stemming from the business related to the 110% bonus granted for building renovation, will materialise as of H2-21.
- **The domestic ICT business unit recorded a turnover of € 1.4m**, down by 12.7% YoY compared to € 1.7m in H1-20, mainly on the back of lower capitalisation of costs with regard to software development compared to H1-20, while sales increased by € 0.1m YoY.
- **The Slovenian ICT business unit soared by 14.8% YoY, totalling € 14.9m**, thanks to increasing sales of IT services, the development of the Portline software and the orders recently obtained for the digitalisation of Slovenian hospitals.

Table 2 – DBA Group, H1-21 Value of Production by business unit

€ m	H1-21	H1-20	% YoY
VoP EPM	15.4	15.2	1.0
VoP ICT ITA	1.4	1.7	(12.7)
VoP ICT SLO	14.9	13.0	14.8
Value of Production	31.7	29.8	6.3

Sources: Company data, CFO SIM estimates



EBITDA was € 0.25m, broadly in line compared to € 0.20m in H1-20. The group was able to reduce the loss of the EPM business unit mainly thanks to the reduction of overheads. Despite the on-going rationalisation process, EBITDA related to the domestic ICT business unit was affected by declining turnover. The Slovenian ICT business unit contributed € 0.90m to the consolidated EBITDA (vs € 0.72m in H1-20). **Adjusted EBITDA** for non-recurring costs stemming from the rationalisation of the domestic ICT business unit totalled **€ 0.38m**, more than doubling compared to H1-20.

Table 3 – DBA Group, H1-21 Adjusted EBITDA by business unit

€ m	H1-21	H1-20	% YoY
EBITDA EPM	(0.22)	(0.43)	47.9
EBITDA ICT ITA	(0.26)	(0.09)	< 100
EBITDA ICT SLO	0.90	0.72	25.4
Holding costs	(0.03)	(0.02)	< 100
Adjusted EBITDA	0.38	0.18	> 100

Sources: Company data, CFO SIM estimates

EBIT was negative for € 1.9m, almost unchanged YoY, after D&A stable at of € 2.1m. **Net Profit was also negative by € 2.2m** vs € 2.1m in H1-20. **Net Financial Position slightly declined to € 16.2m**, compared to € 16.4m at end-20, on the back of operating cash flow to the tune of € 2.0m, partially counterbalanced by capex of € 1.8m.

Hot topic: rumours about Actual IT

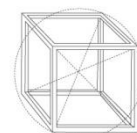
Last 27th September, some Slovenian media reported that **Telekom Slovenije would be interested in acquiring Actual IT**, the Slovenian subsidiary of DBA Group. DBA confirmed that some negotiations have been going on with Telekom Slovenije but to date no agreement has been reached, nor has a binding offer been submitted to the company. **According to the Slovenian press, the appraisal of Actual IT is supposed to range between € 30m and € 50m.**

Actual IT is one of the main players in the Slovenian Information and Communication Technology market, providing ICT consulting in support of project management activities as well as developing software solutions for Transport & Logistics and Oil & Gas sectors. Actual IT also holds Unistar, acquired in 2019 for € 4.7m. Actual IT's business corresponds to the **Slovenian ICT business unit of DBA Group, which in 2020 reported value of production of € 36.5m and EBITDA of € 2.8m (ITA GAAP), accounting for 51% and 54% of consolidated Value of Production and EBITDA, respectively.**

DBA Group holds 93.5% of Actual IT, while the remaining 6.5% is held by Finest. Actual IT has a Net Financial Position of about € 7m (debt); thus, **considering the lower end of the aforementioned valuation range**, the Equity Value of the company should be to the tune of € 21m. This would result in a **potential cash-in of about € 22m for DBA Group** if Actual IT were sold which would correspond to an approximate value of **€ 1.9 for each share of DBA**. This could be a **disruptive deal for DBA Group**: if on the one hand the appraisal of the Slovenian assets is really appealing and the potential proceeds for the company are huge, on the other hand we have to consider that the group's perimeter will definitely change, as size and profitability would massively decrease.

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

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



Valuation & risks

DBA Group reported a good set of 2021 interim results, showing increasing revenues driven by the Slovenian ICT business unit. It is worth remembering that, due to the **typical business seasonality**, 40/45% of the full year turnover is concentrated in the first semester. The business seasonality is even more pronounced in terms of EBITDA, as, mainly in the EPM business, projects are generally awarded and undertaken in the first months of the year while margin recognition occurs only after their completion.

Following the H1-21 results and the company's confirmation its FY-21 budget (i.e. VoP of € 73.0m, EBITDA of € 5.5m and NFP of € 14.1m), **we left our estimates unchanged**.

Moreover, we have updated the DCF valuation criteria, by bringing the free risk rate upto date. The combined result is an **unchanged DCF-based PT of € 2.00/s, 30.7% upside potential. Buy reiterated**.

DCF

In applying the DCF method, explicit estimates until 2025 and a long-term growth of 1.0% were used. Cash flows were discounted back at a weighted average cost of capital calculated according to the following parameters:

Table 4 - WACC derived from:

Interest costs, pre-tax	1.5%
Tax rate	43.0%
Inf. costs, after taxes	0.9%
Risk premium, incl. small size premium	9.0%
Risk-free (10Y Gov. Bond 200 days simple moving average)	0.71%
Beta levered (x)	1.00
Required ROE	9.7%

Sources: CFO Sim, Thomson Reuters Eikon

Risk premium at 9.0% factors in the minute size of the company and basically all the AIM Italia market segment related concerns and disquiet that an investor might have. **Beta at 1.00** is a usual conservative value for a small cap.

Table 5 - DBA Group, DCF model

€ m	2021e	2022e	2023e	2024e	2025e	Term. Val.
EBIT	0.8	1.7	2.6	3.5	4.5	
Tax rate	43.0%	43.0%	43.0%	43.0%	43.0%	
Operating profit (NOPAT)	0.5	1.0	1.5	2.0	2.6	
Change working capital	(0.4)	(0.8)	(0.5)	(0.2)	(0.1)	
Depreciation	4.4	4.3	4.3	4.0	2.0	
Investments	(2.6)	(2.5)	(2.5)	(2.0)	(2.0)	
Free Cash Flows	1.8	2.0	2.7	3.8	2.5	41.1
Present value	1.8	1.9	2.4	3.0	1.8	30.8
WACC	7.1%	7.1%	7.1%	7.1%	7.1%	
Long-term growth rate	1.0%					

Source: CFO Sim

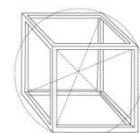


Table 6 – DBA Group, DCF derived from:

€ m	
Total EV present value € m	41.7
<i>thereof terminal value</i>	74%
NFP last reported	(16.4)
Pension provision last reported	(1.9)
Equity value € m	23.4
#m shares	11.51
Equity value €/s	2.00
<i>% upside/(downside)</i>	30.7%

Source: CFO Sim

The application of the model produces an **equity value of DBA Group of € 23.4m, corresponding to € 2.00/share, 30.7% upside.**

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value of between **€ 1.72-2.44** 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 **€ 1.76-2.34** per share (**free risk range of between 1.46% and 0.00%**) and, 3) if compared to changes in the risk premium, including small size premiums, it results in an equity value of **€ 1.52-2.76** 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	10.9	10.9	10.9	10.9	10.9	10.9	10.9
PV of terminal value	27.2	28.3	29.5	30.8	32.2	33.8	35.5
Total value	38.1	39.2	40.4	41.7	43.1	44.7	46.4
NFP last reported	(16.4)	(16.4)	(16.4)	(16.4)	(16.4)	(16.4)	(16.4)
Pension provision last reported	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)
Equity value	19.8	20.9	22.1	23.4	24.8	26.4	28.0
Equity value/share €	1.72	1.82	1.92	2.00	2.16	2.29	2.44

Source: CFO Sim

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

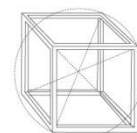
€ m	0.00%	0.21%	0.46%	0.71%	0.96%	1.21%	1.46%
Present value of CF	11.0	11.0	10.9	10.9	10.9	10.8	10.8
PV of terminal value	34.2	33.2	32.0	30.8	29.8	28.7	27.8
Total value	45.3	44.2	42.9	41.7	40.6	39.6	38.6
NFP last reported	(16.4)	(16.4)	(16.4)	(16.4)	(16.4)	(16.4)	(16.4)
Pension provision last reported	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)
Equity value	26.9	25.8	24.6	23.4	22.3	21.2	20.3
Equity value/share €	2.34	2.24	2.14	2.00	1.94	1.85	1.76

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	11.2	11.1	11.0	10.9	10.8	10.7	10.7
PV of terminal value	38.9	35.8	33.2	30.8	28.7	26.9	25.2
Total value	50.0	46.9	44.2	41.7	39.6	37.6	35.9
NFP last reported	(16.4)	(16.4)	(16.4)	(16.4)	(16.4)	(16.4)	(16.4)
Pension provision last reported	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)
Equity value	31.7	28.6	25.8	23.4	21.2	19.3	17.6
Equity value/share €	2.76	2.48	2.24	2.00	1.85	1.68	1.52

Source: CFO Sim



Market multiples

We conducted an analysis on a cluster of 11 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 business unit 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 innovation, R&D and IT systems sectors.

Altran Technologies (France): it is a multinational consulting firm operating in different fields of engineering. It provides services to the aerospace, automotive, energy, rail, finance, healthcare and TLC sectors.

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.

Jacob Engineering (USA): it is a corporation providing engineering services including technical and scientific advice, in addition to all engineering aspects, construction, start-up and maintenance of plants for various sectors including industry, defence, energy and infrastructure.

SNC Lavalin (Canada): it is a group providing design, consulting, engineering, software and project management services to the mining and metallurgy, oil and gas, environment and water, infrastructure and clean power sectors. In Apr-17 it acquired Atkins Plc for some \$ 2.7bn (11.5x EBITDA).

Sweco (Sweden): it offers consulting, engineering and architectural services to various sectors including environment and water, infrastructure, energy and industrial.

Our ICT business unit peer sample comprises the following comparable groups:

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

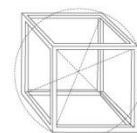
Capgemini (France): it is a company providing IT consulting, outsourcing and professional services including application lifecycle services, big data analytics, and supply chain management in several sectors, including aerospace and defence, automotive, finance, industrial production, oil and gas, and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

Devoteam (France): it is a group offering IT consulting, system integration, project management and cyber security services and outsourcing solutions.

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 optimize and integrate processes, applications and devices.

TXT e solution (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 comparables have EBITDA margins ranging from 6.2% to 14.4% and a mid-single digit sales growth. Sweco shows the highest profitability and Alten has higher sales growth than the peer median.



The least virtuous is AECOM with a 6.2% EBITDA margin.

ICT software comparable firms show slightly higher growth profiles than the Engineering & PMO sample and higher profitability, ranging from 12.2% to 18.6%. Accenture shows the most lucrative P&L with an EBITDA margin of 18.6%.

DBA Group's profitability is broadly in line with the Engineering and PMO peer median but is lower than the ICT software firm median. However, DBA Group offers investors higher growth perspectives in terms of EBITDA compared to both peer medians.

Table 10 - DBA Group, peer group summary table

€ m	Country	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA %	Sales CAGR ₂₀₋₂₃	EBITDA CAGR ₂₀₋₂₃	EBIT CAGR ₂₀₋₂₃	EPS CAGR ₂₁₋₂₃	NFP/ EBITDA FY1
AECOM	USA	7,962	11,460	710	6.2%	2.8%	7.8%	16.9%	9.6%	1.7
Alten SA	France	4,254	2,813	337	12.0%	11.6%	25.6%	33.7%	11.7%	n.m.
Arcadis NV	Dutch	3,865	2,939	366	12.5%	10.1%	6.5%	12.6%	10.4%	0.9
Jacobs Engineering Group Inc	USA	15,249	12,342	1,053	8.5%	6.5%	14.7%	19.7%	12.2%	1.9
SNC-Lavalin Group Inc	Canada	3,967	4,892	453	9.3%	2.0%	61.0%	-247.6%	7.3%	2.1
Sweco AB (publ)	Sweden	4,823	2,154	310	14.4%	5.1%	10.0%	13.5%	9.9%	n.a.
Engineering & PMO median		4,539	3,915	409	10.6%	5.8%	12.4%	15.2%	10.2%	1.8
Accenture PLC	USA	187,358	49,075	9,117	18.6%	10.2%	10.8%	11.5%	10.6%	n.m.
Capgemini SE	France	29,713	17,653	2,729	15.5%	7.9%	9.9%	12.2%	13.4%	1.5
Devoteam SA	France	1,125	830	101	12.2%	8.3%	4.4%	16.8%	14.4%	n.m.
Reply SpA	Italy	5,693	1,465	247	16.9%	13.4%	14.0%	15.5%	12.6%	n.m.
TXT e solutions SpA	Italy	109	91	12	13.1%	16.6%	20.6%	25.0%	16.2%	n.m.
ICT software median		5,693	1,465	247	15.5%	10.2%	10.8%	15.5%	13.4%	1.5
DBA Group SpA	Italy	18	72	5	7.2%	0.9%	20.3%	97.6%	36.4%	2.8

Sources: CFO Sim, Thomson Reuters Eikon

Table 11 - DBA Group, peer group EV multiple table

x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
AECOM	0.80	0.77	0.73	12.9	11.9	11.1
Alten SA	1.45	1.30	1.18	12.1	10.5	9.3
Arcadis NV	1.43	1.31	1.24	11.5	10.8	9.9
Jacobs Engineering Group Inc	1.39	1.24	1.17	16.3	13.8	12.2
SNC-Lavalin Group Inc	1.01	0.96	n.a.	10.9	9.1	n.a.
Sweco AB (publ)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Engineering & PMO median	1.39	1.24	1.17	12.1	10.8	10.7
Accenture PLC	3.68	3.37	3.07	19.8	18.2	16.1
Capgemini SE	1.91	1.73	1.57	12.4	11.1	9.8
Devoteam SA	1.20	1.06	0.92	9.9	8.7	7.7
Reply SpA	3.70	3.22	2.84	22.0	19.1	16.8
TXT e solutions SpA	1.10	1.17	1.16	8.4	8.6	8.4
ICT software median	1.91	1.73	1.57	12.4	11.1	9.8
DBA Group SpA	0.45	0.42	0.38	6.2	5.0	4.1

Sources: CFO Sim, Thomson Reuters 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	15.2	13.8	12.6	22.0	19.8	18.3
Alten SA	15.5	13.1	11.5	22.4	19.5	17.9
Arcadis NV	18.1	16.4	14.6	22.9	20.5	18.8
Jacobs Engineering Group Inc	17.2	14.5	13.1	21.6	19.4	17.2
SNC-Lavalin Group Inc	14.6	12.3	n.a.	18.5	15.8	16.1
Sweco AB (publ)	n.a.	n.a.	n.a.	31.1	27.2	25.7
Engineering & PMO median	15.5	13.8	13.0	22.4	19.8	18.3
Accenture PLC	24.0	21.8	19.6	33.6	30.6	27.4
Capgemini SE	16.6	14.4	12.6	21.7	18.6	16.9
Devoteam SA	10.9	9.6	8.2	22.2	20.0	16.9
Reply SpA	27.1	23.4	20.3	39.7	35.2	31.4
TXT e solutions SpA	12.7	11.8	12.7	18.4	14.4	13.6
ICT software median	16.6	14.4	12.7	22.2	20.0	16.9
DBA Group SpA	16.3	10.7	7.5	14.4	10.1	7.8

Sources: CFO Sim, Thomson Reuters Eikon

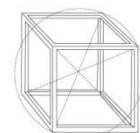


Table 13 – DBA Group, equity assessment, 1#2

€ m	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3	PER FY1	PER FY2	PER FY3
DBA metrics	72.5	72.8	74.0	5.2	6.1	6.8	1.2	1.8	2.3
Multiples (35% discounted)	0.91	0.81	0.76	8.0	7.1	6.9	14.5	12.9	11.9
Enterprise Value	65.7	58.8	56.5	41.8	43.1	47.4	17.7	22.6	27.0
NFP	(14.8)	(12.9)	(10.2)	(14.8)	(12.9)	(10.2)			
Pension Provision	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)			
DBA Equity Value	49.0	44.0	44.3	25.1	28.3	35.2	17.7	22.6	27.0
DBA Equity Value per share €/s	4.25	3.82	3.85	2.20	2.45	3.06	1.54	1.96	2.34
% upside/(downside)	178.0	149.7	151.7	43.8	60.4	100.1	0.5	28.2	53.2

Sources: CFO Sim, Thomson Reuters Eikon

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

€ m	FY1	FY2	FY3
EV/EBITDA	25.1	28.3	35.2
Weighting	100.0%	0.0%	0.0%
Equity Value	25.1		
Equity Value per share €/s	2.20		
% upside/(downside)	43.8%		

Sources: CFO Sim, Thomson Reuters Eikon

We believe that the DBA stock deserves a **discount to peer median not only due to the firm's small size but also to the lack of adequate stock liquidity** on the back of the AIM Italia listing. By applying the peer group's median EV/EBITDA multiple, discounted by 30%, to DBA's metrics, we attain an **equity value of DBA of € 25.1m, or € 2.20/s, 43.8% upside**. We used 2021 estimates and multiples. The appraisal of DBA Group obtained through the market multiples method corroborates the evaluation of the company attained via the DCF model.

Sum of the parts

The sum-of-the-parts valuation, also known as breakup value analysis, is a process of valuing a company by determining what its aggregate divisions would be worth if spun off or acquired. The valuation provides the company value by aggregating the standalone value of each of its business units. The equity value is then obtained by adjusting the company's net debt, pension provisions, minorities assessment and the perpetuity of holding costs. Please note that for DBA we have not applied the perpetuity of holding costs as they are already split in the EBITDA of the two business units.

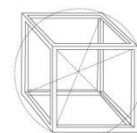
In our SOTP valuation, we used 1) the median EV/EBITDA multiple of the Engineering & PMO panel to evaluate the EPM business units, and 2) the median EV/EBITDA multiple of the ICT software panel to appraise the ICT business unit. We applied a **35% discount to peer multiples**, mainly due to DBA's smaller size and low level of stock liquidity on the back of its listing on the AIM Italia market.

We decided to assess the equity value using 2021e figures. As a result, we attained an equity value of € 2.20/s, 43.8% upside to current price levels, thus corroborating the appraisal of DBA Group obtained both via the DCF model and through the market multiples approach.

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

	€ m	% on EV	Methodology
ICT BU	27.4	65.5	8x peer multiple on € 3.4 m BU EBITDA 2021
EPM BU	14.4	34.5	7.9x peer multiple on € 1.8 m BU EBITDA 2021
Total EV	41.9	100.0	
NFP	(14.8)		FY-21e net financial position
Pension Provision	(1.9)		Pension provision last reported
Equity Value	25.2		
Equity Value Per share €/s	2.20		
% upside/(downside)	43.8%		

Sources: CFO SIM, Thomson Reuters Eikon .



Peer stock performance

DBA Group went public on 13-Dec-17 on AIM Italia with market capitalisation of € 52.0m and a free float of 44.0%. Nowadays free float is 49.6%, 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 11 firms, 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

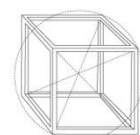
	1D	1W	1M	3M	6M	YTD	1Y
AECOM	(0.5)	(3.3)	(2.1)	0.8	(3.5)	28.4	38.7
Alten SA	0.1	(2.4)	(10.2)	8.0	19.9	33.8	46.0
Altran Technologies SA	(0.7)	(0.6)	(1.8)	20.4	21.9	58.3	125.4
Jacobs Engineering Group Inc	0.4	0.5	1.5	0.5	0.2	24.2	36.7
Snecma Group Inc	(1.0)	(5.8)	(10.4)	0.3	19.0	50.0	45.9
Sweco AB (publ)	(2.0)	(2.2)	(12.6)	(19.1)	(9.4)	(10.8)	(19.7)
Engineering & PM median	(0.6)	(2.3)	(6.2)	0.6	9.6	31.1	42.3
Accenture PLC	(0.3)	0.1	(4.9)	4.0	13.0	24.5	44.1
Capgemini SE	(1.6)	(1.3)	(7.0)	5.5	16.8	39.0	57.7
Devoteam SA	0.0	2.0	6.5	20.7	27.5	45.2	38.7
Reply SpA	(1.0)	(4.0)	(12.6)	6.4	36.8	59.9	58.0
TXT e solutions SpA	(1.5)	(3.1)	(7.5)	6.2	12.5	6.2	5.2
ICT software median	(1.0)	(1.3)	(7.0)	6.2	16.8	39.0	44.1
DBA Group SpA	1.7	0.3	(6.1)	15.0	52.2	80.4	82.1

Sources: Thomson Reuters Eikon

Risks

The principal investment risks associated with DBA Group include:

- Risks linked to the postponement of some key projects and ICT malfunctions;
- Risks due to competition in the reference markets, which might put margins or top line developments under pressure in the short term.
- Impact on the P&L and balance sheet profiles triggered by a sharp decline in local and global economic growth;
- Profit margin dilution stemming from the acquisition campaign;
- The departure of one, or a few of, the key people.



ANALYST CERTIFICATION

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DATE	TARGET PRICE	RATING
11/10/2021	€2.00	BUY
07/06/2021	€2.00	BUY
28/01/2021	€1.50	BUY
10/11/2020	€1.50	BUY
26/10/2020	€1.50	BUY

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- 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% bands identified using the preceding criteria.

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