

Italy – ICT Consulting

Preliminary FY-20 results broadly in line with estimates

28th January 2021

PRELIMINARY FY-20 RESULTS

RIC: DBA.MI
BBG: DBA IM

Numbers are broadly in line with our estimates. The current backlog allows the company to be timidly optimistic for 2021 and to confirm the targets indicated in the industrial plan released last Nov-20, which realistically factors in tough market conditions for 2021 and a tentative recovery as of 2022 onwards.

Rating:

Buy

Price Target:

€ 1.50

Upside/(Downside): 74.8%

Last Price: € 0.86

Market Cap.: € 9.9m

1Y High/Low: € 1.53/€ 0.66

Free Float: 49.6%

Major shareholders:

De Bettin family 40.6%



Stock price performance

	1M	3M	12M
Absolute	1.2%	22.6%	-42.4%
Rel.to AIM Italia	-1.1%	1.7%	-37.0%
Rel.to peers	4.2%	9.5%	-50.2%

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Positive long-term stance is confirmed

2020 preliminary numbers are broadly in line with our estimates and 2021 indications are aligned with the business plan. The revised business plan presented last Nov-20 reasonably factors in tough market conditions also for 2021 as well as a tentative recovery starting in 2022. We believe the medium- to long-term figures are realistically sustainable in the wake of significantly changed market conditions. FY-20 results will be unveiled next 29/31-Mar. We leave our estimates and PT unchanged, confirming the long-term buy recommendation.

FY-20 preliminary numbers broadly in line with CFO forecasts and business plan

FY-20 preliminary revenues stand at € 70.5m, up 15.5% YoY, in line with our forecast and slightly lower than the € 72.3m 2020-23 business plan assumption. This negligible deviation is mainly due to a decline in the Engineering Project Management business segment tied to slow-downs linked to the COVID outbreak. EBITDA adj. increased 35.9% to € 4.5m, 6.4% margin, broadly in line with our € 4.6m projection and company's indication. The difference is ascribable to a decline in the Slovenian ICT division. After a € 0.5m write-off of the semi-finished products on the Engineering Project Management order at the port of Damman (Saudi Arabia) of the subsidiary SJS engineering, reported EBITDA was € 4.0m, 5.7% margin. Net Financial Position reached € 16.4m, vs. our € 17.0m assumption and in line with company guidance.

Current backlog prompts the group to reiterate its targets for 2021

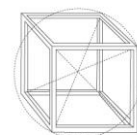
On the back of the size and quality of the current order backlog, DBA's 2021 budget is aligned with the targets announced when the 2020-23 business plan was released last November. The company budget foresees a value of production of € 73.0m (€ 70.1m being our forecast, unchanged YoY), with an increase of € 3.1m compared to the 2020-2023 Business Plan indication. EBITDA is estimated at € 5.5m and NFP at € 14.1m, confirming the 2020-2023 Business Plan projections. Our EBITDA and NFP forecasts are more conservative compared to these numbers.

The 2020-23 business plan in a nutshell

The EPM segment is anticipated to suffer in the next years as a result of lower investments by companies operating in the mobility of people and goods (namely petrol stations, ports, airports and highways), only partially counterbalanced by increasing datacentre design projects. The ITC segment is projected to experience a mid-single digit growth in the next years mainly as a result of the good performance of the Slovenian market. In terms of margins, since the beginning of 2020 the group has implemented a strong reduction of the operating costs in both the EPM and the ICT business units coupled with overhead cost containment by reducing rents and streamlining their operating structures.

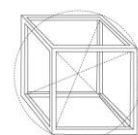
DBA Group, key financials and ratios

€ m	2018	2019	2020e	2021e	2022e
Value of production	49.0	61.0	70.4	70.1	71.6
EBITDA	4.4	3.3	4.6	5.0	6.0
EBIT	1.6	(2.3)	(0.1)	0.5	1.6
EBIT adj.	2.3	(1.2)	1.0	1.7	2.8
Net profit	0.2	(2.7)	(0.8)	(0.2)	0.5
Net profit adj.	0.9	(1.6)	0.4	1.0	1.6
NFP (cash)/debt	9.0	14.0	17.0	15.3	12.9
EPS adjusted €	0.06	(0.11)	0.03	0.07	0.12
EPS adj. growth	-31.0%	n.m.	n.m.	139.7%	69.7%
DPS ord. €/s	0.00	0.00	0.00	0.00	0.00
EBITDA margin %	9.1%	5.4%	6.5%	7.2%	8.4%
EBIT margin %	3.4%	neg.	neg.	0.8%	2.3%
PER	46.5	neg.	24.7	10.3	6.1
EV/Sales	1.02	0.59	0.38	0.36	0.32
EV/EBITDA	11.2	10.8	5.9	5.0	3.8
EV/EBIT	21.6	neg.	26.4	15.0	8.2





Income statement (€ m)	2018	2019	2020e	2021e	2022e
Value of Production	49.0	61.0	70.4	70.1	71.6
Services	(18.1)	(24.9)	(30.0)	(29.2)	(29.4)
Lease, rental and other opex	(5.6)	(9.1)	(10.0)	(10.0)	(10.2)
Personnel expenses	(20.8)	(23.6)	(25.8)	(25.9)	(25.9)
EBITDA	4.4	3.3	4.6	5.0	6.0
D&A	(2.8)	(5.6)	(4.7)	(4.5)	(4.4)
EBIT	1.6	(2.3)	(0.1)	0.5	1.6
Financial costs	(0.3)	(0.3)	(0.5)	(0.5)	(0.4)
Extraordinary, other costs	0.0	0.0	0.0	0.0	0.0
Pre-Tax profit	1.4	(2.7)	(0.7)	0.0	1.2
Income taxes	(1.0)	(0.2)	0.1	(0.0)	(0.5)
Minorities	(0.2)	0.1	(0.2)	(0.2)	(0.2)
Net Profit	0.2	(2.7)	(0.8)	(0.2)	0.5
EBIT adj.	2.3	(1.2)	1.0	1.7	2.8
Net Profit adj.	0.9	(1.6)	0.4	1.0	1.6
Balance sheet (€ m)	2018	2019	2020e	2021e	2022e
Net Working Capital	20.1	19.9	24.3	24.6	24.9
Net Fixed Assets	18.4	20.8	19.4	17.5	15.6
Equity Investments	0.7	0.7	0.7	0.7	0.7
Other M/L Term A/L	(6.5)	(6.3)	(7.0)	(7.2)	(7.5)
Net Invested Capital	32.6	35.1	37.4	35.6	33.6
Net Financial Position	9.0	14.0	17.0	15.3	12.9
Minorities	0.0	0.3	0.5	0.7	0.9
Group's Shareholders Equity	23.6	20.8	19.9	19.5	19.7
Net Financial Position & Equity	32.6	35.1	37.4	35.6	33.6
Cash Flow statement (€ m)	2018	2019	2020e	2021e	2022e
Total net income	0.2	(2.7)	(0.8)	(0.2)	0.5
Depreciation	2.8	5.6	4.7	4.5	4.4
Other non-cash charges	2.7	(0.2)	0.8	0.2	0.3
Cash Flow from Oper. (CFO)	5.7	2.7	4.7	4.5	5.2
Change in NWC	(6.9)	0.1	(4.4)	(0.3)	(0.3)
FCF from Operations (FCFO)	(1.2)	2.8	0.3	4.2	4.9
Net Investments (CFI)	(9.5)	(8.1)	(3.3)	(2.6)	(2.5)
Free CF to the Firm (FCFF)	(10.7)	(5.3)	(3.0)	1.6	2.4
CF from financials (CFF)	3.7	3.1	8.0	0.0	(3.4)
Free Cash Flow to Equity (FCFE)	(7.0)	(2.2)	5.0	1.6	(1.0)
Financial ratios	2018	2019	2020e	2021e	2022e
EBITDA margin	9.1%	5.4%	6.5%	7.2%	8.4%
EBIT margin	3.4%	-3.8%	-0.2%	0.8%	2.3%
Net profit margin	0.4%	-4.5%	-1.1%	-0.3%	0.7%
Tax rate	71.8%	-6.6%	15.3%	43.0%	43.0%
Interest coverage x	0.16	(0.15)	(3.80)	0.98	0.27
Net Debt/EBITDA x	2.03	4.22	3.72	3.06	2.14
Debt-to-Equity x	0.38	0.67	0.85	0.79	0.66
ROIC	0.7%	-7.8%	-2.0%	-0.5%	1.4%
ROCE	3.9%	neg.	neg.	1.0%	3.4%
ROACE	4.1%	-5.5%	-0.3%	1.0%	3.4%
ROE	0.9%	-13.1%	-3.8%	-1.0%	2.4%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Per share figures	2018	2019	2020e	2021e	2022e
Number of issued ordinary shares # m	13.00	11.50	11.50	11.50	11.50
Number of shares Fully Diluted # m	15.22	13.40	13.40	13.40	13.40
Average Number of shares Fully Diluted # m	15.22	14.31	13.40	13.40	13.40
EPS reported €	0.02	(0.24)	(0.07)	(0.02)	0.04
EPS adjusted €	0.07	(0.14)	0.03	0.08	0.14
EPS reported FD €	0.01	(0.19)	(0.06)	(0.01)	0.04
EPS adjusted FD €	0.06	(0.11)	0.03	0.07	0.12
EBITDA €	0.29	0.23	0.34	0.37	0.45
EBIT €	0.11	(0.16)	(0.01)	0.04	0.12
BV €	1.55	1.58	1.52	1.51	1.54
FCFO €	(0.08)	0.20	0.02	0.31	0.37
FCFF €	(0.70)	(0.37)	(0.22)	0.12	0.18
FCFE €	(0.46)	(0.15)	0.37	0.12	(0.07)
Dividend €	0.00	0.00	0.00	0.00	0.00

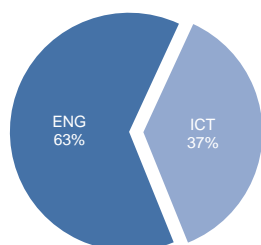


The company at a glance

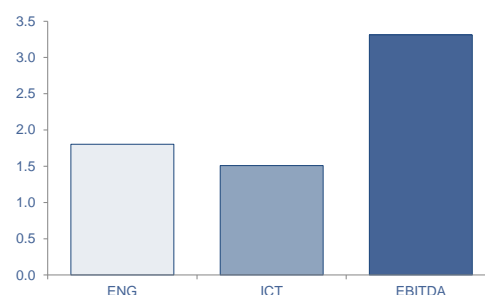
ounded in 1991 by the four De Bettin brothers in the north east of Italy, DBA Group is specialised in network connectivity and infrastructure lifecycle support solutions. The core competence of DBA Group is its proven ability to provide telematics solutions for strategic infrastructures to clients whose 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 added-value support services for infrastructure management and maintenance.

The group has grown significantly in the last few years: in the period 2011-19, top line more than tripled from € 18.8m to € 61.0m, 15.9% 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 2018, value of production reached € 61.0m, up 24.5% YoY, EBITDA totalled € 3.3m, 5.4% margin and net profit came in negative for € 2.7m. Net financial position was € 14.0m (debt).

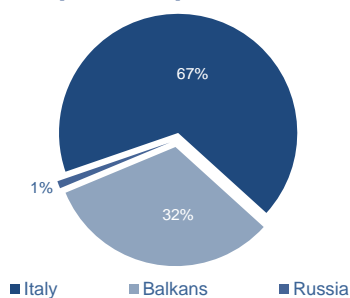
2019 top line and...



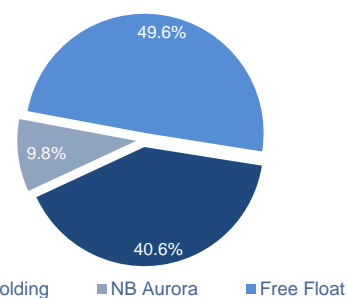
... and EBITDA breakdown by business unit



2019 top line by country



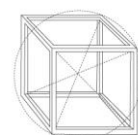
Shareholder structure



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	0.67	0.63	n.a.	11.0	9.8	9.5	12.8	11.4	10.8
Alten SA	1.19	1.11	1.03	15.5	11.1	9.1	24.9	15.3	11.9
Arcadis NV	0.90	0.87	0.90	9.9	9.2	9.2	21.7	14.2	13.5
Jacobs Engineering Group Inc	1.05	0.98	1.08	12.8	11.2	10.9	13.9	12.1	11.9
Snec-Lavalin Group Inc	0.58	0.53	n.a.	13.7	6.0	n.a.	21.7	7.4	n.a.
Sweco AB (publ)	2.43	2.29	2.13	18.1	16.2	14.9	27.9	23.1	20.9
Engineering & PMO median	0.97	0.93	1.06	13.2	10.5	9.5	21.7	13.2	11.9
Accenture PLC	3.24	2.98	2.74	17.6	16.1	14.7	21.7	19.7	18.0
Capgemini SE	1.61	1.46	1.34	10.8	9.7	8.8	14.8	12.9	11.5
Devoteam SA	0.97	0.88	0.77	8.3	7.4	6.5	10.8	9.2	7.6
Reply SpA	2.94	2.53	2.22	18.3	15.7	13.7	22.6	19.3	16.7
TXT e solutions SpA	1.03	1.12	1.39	8.6	8.8	10.6	13.7	12.4	15.8
ICT software median	1.61	1.46	1.39	10.8	9.7	10.6	14.8	12.9	15.8
DBA Group SpA	0.38	0.36	0.32	5.9	5.0	3.8	26.4	15.0	8.2

Source: CFO Sim, Thomson Reuters Eikon



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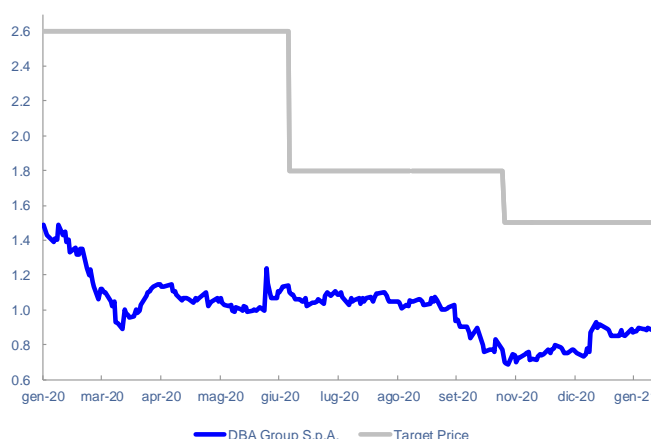
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DATE	TARGET PRICE	RATING
28/01/2021	€1.50	BUY
10/11/2020	€1.50	BUY
26/10/2020	€1.50	BUY
22/06/2020	€1.80	BUY
31/10/2019	€2.60	BUY

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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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