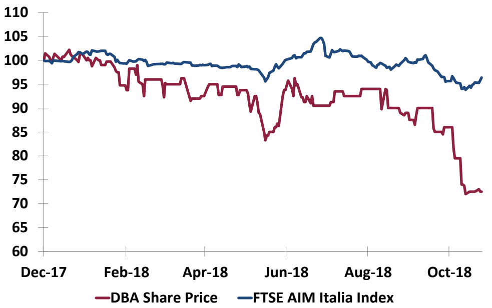
DBA GROUP

OUTPERFORM

Current Share Price (€): 2.90
Target Price (€): 4.41

DBA Group - Performance since IPO



Source: S&P Capital IQ - Note: 14/12/2017=100

Company data

ISIN number	IT0005285942
Bloomberg code	DBA IM
Reuters code	DBA.MI
Share Price (€)	2.90
Date of Price	07/11/2018
Shares Outstanding (m)	11.5
Market Cap (€m)	33.4
Market Float (%)	44.0%
Daily Volume (07/11/2018)	0
Volume of last trade (06/11/2018)	2,700
Avg Daily Volume YTD	4,090
Target Price (€)	4.41
Upside (%)	52%
Recommendation	OUTPERFORM

Share price performance

	1M	3M	1Y
DBA - Absolute (%)	-14.7%	-22.9%	n.a.
FTSE AIM Italia (%)	-0.1%	-4.5%	n.a.
1Y Range H/L (€)		n.a.	n.a.
YTD Change (€)/%		-1.13	-28.0%

Source: S&P Capital IQ

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Revenues up driven by international operations, new partnerships and technologies confirm value path

H1 2018 revenues up, delivery on international expansion targets

H1 revenues grew by 26% on H1 2017 to €23.4m, driven by the ICT segment. Foreign operations increased from 29% to 37% of revenues. Profitability lagged behind, delivering an EBITDA of €1.4m, 6% margin (+10.8% vs H1 2017 when margin was 6.8%), €1.6m adjusted of IPO costs incurred in the first months of the year. Net income was at breakeven. Net Working Capital increased to €14.4m (+26.5% vs year-end). Net debt was €1.5m vs €1.7m cash at the year-end.

Strategic partnerships and projects

- Optic fiber €13m engagement by Italtel covering 2018-19
- Additional contracts from the ports of Livorno and Ploče
- Partnership with CargoX for the introduction of Blockchain technology in port logistics
- Acquisition of the remaining 26% stake in Actual IT
- Acquisition of 75% of SJS Engineering completed, for a consideration of €3.6m
- Industrial partnership with Thetis in Intelligent Transport System
- Engagements from Milan Malpensa airport and Venice Mose

Outlook appealing, fine-tuning our estimates

Following H1 2018 results, our year-end 2018 projections which envisage €49m revenues look at Company's reach. We confirm our targets, also based on the expectation of increasing turnover from acquisitions in course and new engagements. We have also fine-tuned our estimates to factor in a lower profitability level and the higher investment in WIP.

Target Price €4.41 per share (from €5.05), OUTPERFORM recommendation confirmed

In the first half year after IPO, we record that DBA is progressing along its strategy of building value by technological foundations and internationalization over the mid/long-term. The industry in 2018 suffered significant value drops and DBA did too, but its fundamentals are overall unchanged. We deem reasonable to rely on our DCF model, which on updated estimates lands at €4.41 per share, from €5.05 per share of our prior note. Our new target price is a 52% upside on current share price, as such we confirm our OUTPERFORM rating on the stock.

Key financials and estimates

€m	2016	2017	2018E	2019E	2020E
Revenues	**41.4**	**42.6**	**49.3**	**52.9**	**56.9**
YoY %	-	*2.7%*	*15.7%*	*7.5%*	*7.5%*
EBITDA	**4.7**	**4.8**	**6.0**	**7.4**	**8.4**
Margin	*11.3%*	*11.3%*	*12.1%*	*14.1%*	*14.8%*
EBIT	**2.9**	**2.4**	**3.1**	**4.0**	**4.8**
Margin	*7.0%*	*5.7%*	*6.4%*	*7.6%*	*8.4%*
Net Income	**1.5**	**1.0**	**1.8**	**2.4**	**3.0**
Trade Working Capital	**8.8**	**13.2**	**16.4**	**15.6**	**15.9**
Net (Debt) Cash	**(0.7)**	**1.7**	**(1.2)**	**4.5**	**9.9**
Equity	**11.6**	**24.6**	**26.5**	**28.9**	**31.9**

Source: Company data 2016-17, EnVent Research 2018-20E

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H1 2018 revenues up, foreign operations outperform

Overall consistent financial indicators

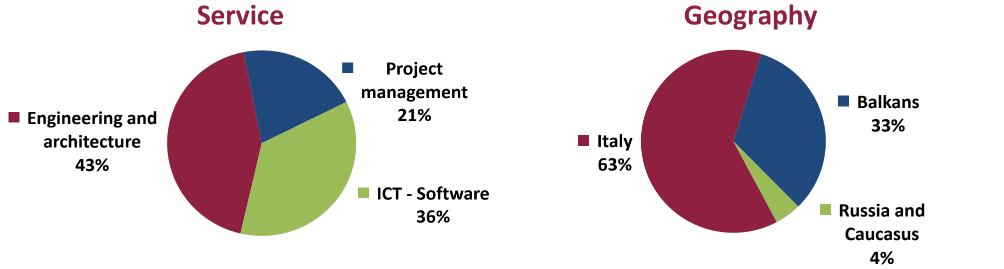
H1 2018 revenues rose 26%, reaching €23.4m. We recall that H1 revenues are historically lower compared to H2, based on a backward analysis of H1 and H2 revenues along recent years.

Personnel cost grew by 11%, headcount as of June was 518 (501 as of year-end 2017). Overall operating costs increased by 27% on H1 2017. EBITDA was €1.4m (+11% vs H1 2017), with margin on revenues at 6% vs 6.8% in H1 2017. Adjusted of IPO costs, EBITDA would have been €1.6m, with margin in line with H1 2017. Net income at breakeven was lower compared to H1 2017.

ICT +44%, PMO +18%, ENG -4% revenues vs. H1 2017

Russia and Caucasus +150%, Balkans +39%, Italy +1% revenues vs. H1 2017

Consolidated revenues by service and geography, H1 2018



Source: Company data

Consolidated Profit and Loss

€m	H1 2017	H1 2018
Revenues	19.0	21.7
Change in work in progress	(0.4)	1.7
Other income	0.1	0.1
Total Revenues	**18.6**	**23.4**
YoY %	-	*26.0%*
Personnel	(8.5)	(9.4)
Services	(7.2)	(9.2)
Other operating costs	(1.7)	(3.3)
Operating costs	**(17.3)**	**(22.0)**
EBITDA	**1.3**	**1.4**
Margin	*6.8%*	*6.0%*
D&A	(1.0)	(1.3)
EBIT	**0.3**	**0.1**
Margin	*1.7%*	*0.5%*
Interest	(0.1)	(0.1)
EBT	**0.2**	**0.0**
Margin	*1.3%*	*0.0%*
Income taxes	0.0	(0.0)
Net Income	**0.3**	**0.0**
Margin	*1.4%*	*0.0%*

Source: Company data

H1 18 EBITDA Adjusted of IPO costs €1.6m, 7% margin

Net Working Capital increased at €14.4m (+26.5% vs. year-end 2017) mainly due to a substantial increase in work in progress (+195% from year-end 2017). Net debt turned to €1.5m vs €1.7m net cash as of year-end, because of substantial investments in intangible assets and working capital. Equity unchanged at €24.6m.

Consolidated Balance Sheet

€m	2017	H1 2018
Work in progress	0.9	2.5
Inventory	0.0	0.2
Trade receivables	19.1	19.8
Trade payables	(6.9)	(5.9)
Trade Working Capital	13.2	16.6
Other assets (liabilities)	(1.8)	(2.2)
Net Working Capital	**11.4**	**14.4**
Intangible assets	5.6	6.1
Goodwill	3.5	3.2
Property, plant and equipment	3.3	3.3
Equity investments and financial assets	0.7	0.6
Non-current assets	**13.1**	**13.3**
Net Invested Capital	**23.0**	**26.2**
Bank debt	10.3	10.2
Other financial debt	1.0	0.7
Cash and equivalents	(13.0)	(9.3)
Net Debt (Cash)	**(1.7)**	**1.5**
Shareholders' Equity	23.3	23.2
Minority interests	1.3	1.4
Equity	**24.6**	**24.6**
Sources	**23.0**	**26.2**

Source: Company data

Consolidated Cash Flow

Cash use because of WIP

€m	H1 2017	H1 2018
EBIT	**0.3**	**0.1**
Current taxes	0.0	(0.0)
D&A	1.0	1.3
Provisions	0.2	(0.0)
Cash flow from operations	**1.4**	**1.4**
Trade Working Capital	(2.4)	(3.4)
Capex - intangibles and acquisitions	(2.2)	(1.0)
Capex - PPE	(0.8)	(0.6)
Other assets and liabilities	(0.6)	0.4
Free cash flow	**(4.6)**	**(3.2)**
Interest	(0.1)	(0.1)
Equity investments and financial assets	1.0	0.1
Net cash flow	**(3.7)**	**(3.2)**
Net (Debt) Cash - Beginning	(0.7)	1.7
Net (Debt) Cash - End	(4.4)	(1.5)
Change in Net (Debt) Cash	**(3.7)**	**(3.2)**

Source: Company data

Ratio analysis

KPIs	H1 2017	H1 2018
ROE	2%	0%
ROS	2%	1%
ROIC	2%	0%
DSO	137	125
DPO	112	70
TWC/Revenues	59%	77%
Net Debt / EBITDA	3.5x	1.1x
Net Debt / Equity	0.4x	0.1x
Cash flow from operations / EBITDA	112%	98%
FCF / EBITDA	neg.	neg.

Source: Company data

Operating update: New projects and partnerships, access to blockchain technology, ongoing scouting for M&A

Optic fiber Italtel engagement

June 2018: DBA was engaged by Italtel for consulting on the design of optic fiber networks. The project, which contributed €2m in revenues in H1 2018, has a total value of €13m and will end in December 2019.

Yearly recurring maintenance and service contracts for ports in the Adriatic and Tyrrhenian seas

June 2018: DBA was confirmed as provider of maintenance and service contracts for the port community systems of the ports of Livorno (Italy) and Ploče (Croatia). These yearly mandates are worth each €200k.

Blockchain technology in the port logistics with CargoX

August 2018: DBA signed a partnership with CargoX, the Slovenian producer of the electronic blockchain-based solution for paperless transfer of invoices and landing bills, Smart Bill of Lading™. DBA will integrate CargoX solutions in its logistic management platforms in Italy and in the Balkans. By the integration between CargoX Smart B/L and Actual IT's software, the transfer of documents across ports and the efficiency of the overall logistic management process will be improved.

DBA owns 100% of Actual IT

September 2018: DBA announces the acquisition of the remaining 26.23% stake in Actual IT, for a consideration of €2.8m, plus €0.2m, to be paid as follows: €2.2m at closing; €0.6m in 12 tranches from October 2018; €0.2m within July 2019.

Industrial partnership with Thetis in Intelligent Transport System

October 2018: DBA and Thetis, an Italian engineering company, have agreed to start a negotiation for the establishment of a strategic partnership involving the Intelligent Transport System unit of Thetis. The agreement is subject to the outcome of due diligence and is expected to be concluded by November 2018. According to the outlined transaction structure, the ITS segment of Thesis would be incorporated into Actual Italia. DBA would inject €1.3m equity plus €0.5m shareholders financing in Actual Italia. As a result of the transaction, Actual Italia would be owned by DBA (51%) and Thesis (49%).

SJS Engineering acquisition completed

October 2018: DBA has completed the acquisition of 75% of SJS Engineering, announced in April 2018, for a total consideration of €3.6m, fully paid at closing. We recall that SJS provides engineering services in infrastructure and transports, maritime works and port safety plans. 2017 turnover €3m and EBITDA of €1m, debt-free company.
A subsequent price adjustment may occur by January 2019. The acquisition took place thanks to a 60-month bank loan worth €3 million and a loan from the parent company DBA Group to the buyer DBA Progetti for €0.6m.
DBA has an option to acquire the remaining 25% of SJS in the coming years.

M&A scouting ongoing

DBA is scouting and meeting companies for further opportunities.

Engagement for the upgrade of Milan Malpensa airport

November 2018: DBA, in temporary partnership with two other Italian companies, has been awarded of the technical and economic feasibility project design for the Northern extension of the Terminal 1 of Milan Malpensa airport.

IT system design and maintenance for the Mose in cooperation with Fastweb

November 2018: DBA, in a temporary association with Fastweb, has been awarded of the task of designing, realizing and maintaining the IT system located at the Venetian Arsenal, part of the so called Mose system, the Experimental Electromechanical Module to safeguard Venice from the high tide. DBA's portion of the assignment is worth €1m.

Estimates revision

Following H1 2018 results, our year-end 2018 projections, which envisage €49m revenues, look at reach, also considering that historically H1 accounted for 40-45% of full year revenues. As such, we have maintained our revenue targets, based also on the expectation of increasing turnover from acquisitions in course and new engagements. We have fine-tuned our estimates to harmonize with the profitability level and the higher investment in WIP of H1. We haven't factored in the recently announced transaction with Thetis, being not at an advanced stage yet.

Change in estimates

	Revised			Previous			Change % (Rev. vs. Prev.)		
€m	2018E	2019E	2020E	2018E	2019E	2020E	2018E	2019E	2020E
Revenues	49.3	52.9	56.9	49.3	52.9	56.9	0%	0%	0%
EBITDA	6.0	7.4	8.4	6.9	8.4	9.4	-14%	-11%	-10%
Margin	*12%*	*14%*	*15%*	*14%*	*16%*	*17%*			
EBIT	3.1	4.0	4.8	4.1	5.0	5.8	-23%	-19%	-17%
Margin	*6%*	*8%*	*8%*	*8%*	*9%*	*10%*			
Net Income (Loss)	1.8	2.4	3.0	2.5	3.1	3.7	-27%	-22%	-19%
Net (Debt) Cash	(1.2)	4.5	9.9	1.0	6.1	12.2	-224%	-26%	-19%

Source: EnVent Research

Financial projections

Consolidated Profit and Loss

€m	2016	2017	2018E	2019E	2020E
Revenues	**41.4**	**42.6**	**49.3**	**52.9**	**56.9**
YoY %	*3.1%*	*2.7%*	*15.7%*	*7.5%*	*7.5%*
Personnel	(16.7)	(16.0)	(18.5)	(19.7)	(21.1)
Services	(15.0)	(17.7)	(19.7)	(20.7)	(22.2)
Other operating costs	(5.0)	(4.0)	(5.0)	(5.0)	(5.1)
Write-down of current receivables	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Operating costs	**(36.7)**	**(37.8)**	**(43.3)**	**(45.5)**	**(48.5)**
EBITDA	**4.7**	**4.8**	**6.0**	**7.4**	**8.4**
Margin	*11.3%*	*11.3%*	*12.1%*	*14.1%*	*14.8%*
D&A	(1.3)	(1.8)	(2.0)	(2.3)	(2.5)
EBITA	**3.4**	**3.0**	**4.0**	**5.2**	**5.9**
Margin	*8.2%*	*6.9%*	*8.1%*	*9.8%*	*10.4%*
Goodwill amortization	(0.5)	(0.5)	(0.8)	(1.2)	(1.2)
EBIT	**2.9**	**2.4**	**3.1**	**4.0**	**4.8**
Margin	*7.0%*	*5.7%*	*6.4%*	*7.6%*	*8.4%*
IPO costs	0.0	(0.3)	0.0	0.0	0.0
Interest	(0.2)	(0.2)	(0.3)	(0.2)	(0.2)
Write-down of shareholdings	0.0	0.0	0.0	0.0	0.0
EBT	**2.7**	**1.9**	**2.9**	**3.8**	**4.6**
Margin	*6.6%*	*4.5%*	*5.8%*	*7.2%*	*8.1%*
Income taxes	(1.3)	(0.9)	(1.0)	(1.4)	(1.6)
Net Income	**1.5**	**1.0**	**1.8**	**2.4**	**3.0**
Margin	*3.5%*	*2.4%*	*3.7%*	*4.6%*	*5.3%*

Source: Company data 2016-17A; EnVent Research 2018-20E

Consolidated Balance Sheet

€m	2016	2017	2018E	2019E	2020E
Work in progress	1.0	0.9	2.7	1.5	1.6
Inventory	0.5	0.0	0.2	0.2	0.2
Trade receivables	14.3	19.1	21.4	22.1	22.8
Trade payables	(6.9)	(6.9)	(7.8)	(8.2)	(8.7)
Trade Working Capital	8.8	13.2	16.4	15.6	15.9
Other assets (liabilities)	(3.2)	(1.8)	(2.0)	(2.1)	(2.3)
Net Working Capital	**5.6**	**11.4**	**14.5**	**13.5**	**13.6**
Intangible assets	1.2	5.6	5.5	5.3	4.8
Goodwill	3.6	3.5	5.8	4.6	3.5
Property, plant and equipment	2.4	3.3	2.8	2.1	1.2
Equity investments and financial assets	1.4	0.7	0.7	0.7	0.7
Non-current assets	**8.5**	**13.1**	**14.9**	**12.7**	**10.2**
Provisions	**(1.8)**	**(1.5)**	**(1.7)**	**(1.7)**	**(1.8)**
Net Invested Capital	**12.4**	**23.0**	**27.7**	**24.4**	**22.0**
Bank debt	4.1	10.3	8.5	6.8	5.3
Other financial debt	0.8	1.0	1.0	1.0	1.0
Cash and cash equivalents	(4.2)	(13.0)	(8.3)	(12.3)	(16.2)
Net Debt (Cash)	**0.7**	**(1.7)**	**1.2**	**(4.5)**	**(9.9)**
Equity	**11.6**	**24.6**	**26.5**	**28.9**	**31.9**
Sources	**12.4**	**23.0**	**27.7**	**24.4**	**22.0**

Source: Company data 2016-17A; EnVent Research 2018-20E

Consolidated Cash Flow

€m	2016	2017	2018E	2019E	2020E
EBIT	**2.9**	**2.4**	**3.1**	**4.0**	**4.8**
Current taxes	(1.3)	(0.9)	(1.0)	(1.4)	(1.6)
D&A	1.8	2.4	2.8	3.4	3.7
Provisions	0.2	(0.3)	0.1	0.1	0.1
Cash flow from operations	**3.6**	**3.6**	**5.1**	**6.1**	**6.9**
Trade Working Capital	3.9	(4.3)	(3.3)	0.8	(0.3)
Capex - intangibles	(0.4)	(3.8)	(1.0)	(1.0)	(1.0)
Capex - acquisitions	0.0	(0.5)	(3.1)	0.0	0.0
Capex - PPE	(0.8)	(1.7)	(0.5)	(0.2)	(0.2)
Other assets and liabilities	(0.2)	(1.4)	0.2	0.1	0.2
Free cash flow	**6.2**	**(8.1)**	**(2.6)**	**5.9**	**5.6**
IPO costs	0.0	(0.3)	0.0	0.0	0.0
Interest	(0.2)	(0.2)	(0.3)	(0.2)	(0.2)
Depreciation of shareholdings	0.0	0.0	0.0	0.0	0.0
Equity investments and financial assets	(1.1)	0.6	0.0	0.0	0.0
Paid-in Capital / IPO proceeds	0.0	12.0	0.0	0.0	0.0
Capex - IPO costs	0.0	(1.6)	0.0	0.0	0.0
Dividends	(0.8)	0.0	0.0	0.0	0.0
Net cash flow	**4.2**	**2.4**	**(2.9)**	**5.7**	**5.4**
Net (Debt) Cash - Beginning	(4.9)	(0.7)	1.7	(1.2)	4.5
Net (Debt) Cash - End	(0.7)	1.7	(1.2)	4.5	9.9
Change in Net (Debt) Cash	**4.2**	**2.4**	**(2.9)**	**5.7**	**5.4**

Source: Company data 2016-17A; EnVent Research 2018-20E

Ratio analysis

KPIs	2016	2017	2018E	2019E	2020E
ROE	13%	4%	7%	8%	9%
ROS (EBIT/Revenues)	7%	6%	6%	8%	8%
ROIC (NOPAT/Invested Capital)	20%	9%	10%	15%	19%
DSO	104	136	130	125	120
DPO	103	95	95	95	95
TWC/Revenues	21%	31%	33%	29%	28%
NWC/Revenues	14%	27%	29%	25%	24%
Net Debt / EBITDA	0.2x	n.m.	n.m.	n.m.	n.m.
Net Debt / Equity	0.1x	n.m.	n.m.	n.m.	n.m.
Net Debt / (Net Debt+Equity)	0.1x	n.m.	n.m.	n.m.	n.m.
Cash flow from operations / EBITDA	76%	76%	85%	82%	82%
FCF / EBITDA	131%	neg.	-44%	80%	66%
Per-capita revenue (€k)	88	77	87	94	101
Per-capita cost (€k)	39	37	40	42	44

Source: Company data 2016-17A; EnVent Research 2018-20E

Valuation

We have used different metrics, including discounted cash flows and industry market multiples. We consider these methods as a proper reference in the industry. EBITDA margins are quite well comparable, but less significant than in other industries as to value indicators. We look at EV/Revenues as a reliable indicator of the value of embedded know how and to EBITA as a good investment return measure.

Discounted Cash Flows

Updated assumptions:

- Risk free rate: 1.7% (Italian 10-year government bonds interest rate - 3Y average. Source: Bloomberg, November 2018)
- Market return: 14% (3Y average. Source: Bloomberg, November 2018)
- Market risk premium: 12%
- Beta: Unlevered 0.9; Re-levered 1.1 (Median of selected industry peers. Source: Bloomberg, November 2018)
- Cost of equity: 15.2%
- Cost of debt: 2.5% (Source: average historical rate)
- Tax rate: 24% (IRES)
- 30% debt/(debt + equity) as target capital structure
- WACC at 11%
- Perpetual growth rate after explicit projections: 3%
- Terminal Value assumes an EBITA margin of 13%

DCF Valuation

€m		2018E	2019E	2020E	Perpetuity
Revenues		**49.3**	**52.9**	**56.9**	**58.6**
EBITDA		**6.0**	**7.4**	**8.4**	**8.8**
Margin		*12.1%*	*14.1%*	*14.8%*	*15.0%*
EBITA		**4.0**	**5.2**	**5.9**	**7.6**
Margin		*8.1%*	*9.8%*	*10.4%*	*13.0%*
Taxes		(1.1)	(1.4)	(1.7)	(2.1)
NOPAT		**2.9**	**3.7**	**4.3**	**5.5**
D&A		2.0	2.3	2.5	1.2
Provisions		0.1	0.1	0.1	0.1
Cash flow from operations		**5.0**	**6.1**	**6.9**	**6.8**
Trade Working Capital		(3.3)	0.8	(0.3)	(0.3)
Capex		(4.6)	(1.2)	(1.2)	(1.2)
Other assets and liabilities		0.2	0.1	0.2	0.0
Unlevered free cash flow		**(2.7)**	**5.9**	**5.5**	**5.3**
WACC	11%				
Long-term growth (G)	3%				
Discounted Cash Flows		**(2.7)**	**5.3**	**4.5**	
Sum of Discounted Cash Flows	7.0				
Terminal Value					**65.9**
Discounted TV	53.3				
Enterprise Value	**60.4**				
Net Debt as of 30/06/18	(1.5)				
Minorities as of 30/06/18	(1.4)				
Equity Value	**57.4**				

DCF - Implied multiples	**2018E**	**2019E**	**2020E**
EV/Revenues	1.2x	1.1x	1.1x
EV/EBITDA	10.1x	8.1x	7.2x
EV/EBITA	15.1x	11.6x	10.2x
P/E	31.3x	23.7x	19.2x

Source: EnVent Research

Valuation based on market multiples

Application of market multiples

€m

DBA Valuation - Multiples		Multiple	EV	Net Debt	Minorities	Equity Value
2018E Revenues	49.3	1.2x	58.9	(1.5)	(1.4)	55.9
2019E Revenues	52.9	1.1x	58.7	(1.5)	(1.4)	55.7
Mean						*55.8*
2018E EBITDA	6.0	11.9x	71.4	(1.5)	(1.4)	68.4
2019E EBITDA	7.4	10.5x	78.3	(1.5)	(1.4)	75.4
Mean						*71.9*
2018E EBITA	4.0	13.1x	52.4	(1.5)	(1.4)	49.4
2019E EBITA	5.2	11.6x	60.1	(1.5)	(1.4)	57.1
Mean						*53.3*
2018E Adj. Net Income	2.7	16.2x	43.3			43.3
2019E Adj. Net Income	3.6	14.9x	53.2			53.2
Mean						*48.2*

Source: EnVent Research

The industry has suffered significant fluctuations YTD, with an average downward trend. DBA share drop by over 25% has been consistent. The updated market multiples suggest a share price range of €3.71-5.50, that leaves room for upside. However, the high side values reliability is arguable, because driven by EBITDA multiples that might be misleading, being abnormally high as an effect of lower than expected operating profit among peers.
Implied DCF multiples are overall consistent with market multiples and become more conservative along projections, and we continue to rely on the DCF model.

Target Price

The DCF valuation model based on our estimates - that implies the full conversion of PAS into ordinary shares - yields a Target Price of €4.41 per diluted share (from €5.05), +10% on the IPO offer price of €4 and with a potential upside of 52% on the current share price. As a consequence, we confirm our OUTPERFORM recommendation on the stock.
The undiluted Target Price implied assumption is that 2018 year-end organic EBITDA would be under €4.8m, without impact on the target price. Any 2018 organic EBITDA value between €4.8m and €6m would lead to intermediate diluted prices.

Please refer to important disclosures at the end of this report.

DBA Price per Share	€
Target Price - diluted	**4.41**
Target Price - undiluted	**4.99**
Current Share Price (07/11/2018)	2.90
Premium (Discount) on diluted TP	**52%**
Premium (Discount) on undiluted TP	**72%**

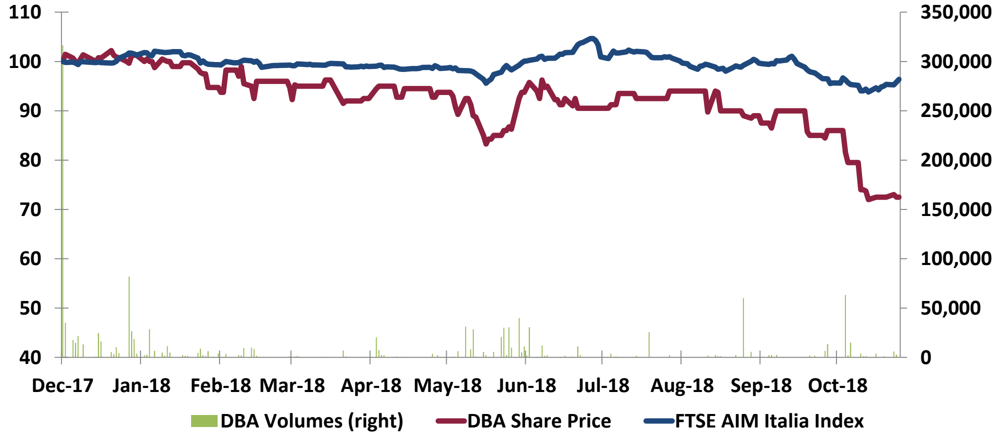
Source: EnVent Research

Market update

DBA share price range since IPO €3-4, with beginning price at €4, a 28% decrease

In the same period, the FTSE AIM Italia Index decreased by 4% and the industry peers of our sample by 10% as an average

DBA - Share price performance and trading volumes since IPO

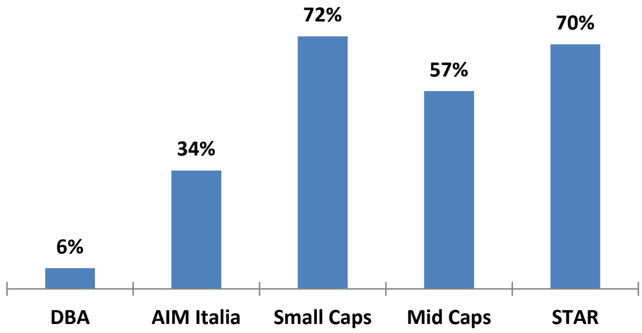


Source: EnVent Research on S&P Capital IQ - Note: 14/12/2017=100

Low volumes: 0.8m shares traded in 9M 2018

Average daily volume YTD 4,100 shares

DBA - Liquidity analysis and velocity turnover, 9M 2018



Source: EnVent Research on Bloomberg - Note: The velocity turnover is the ratio of total traded shares to total ordinary shares in a given period

DBA performance consistent with industry downward trend

Peer Group - Performances

Stock	Mkt Cap (€m)	1M	3M	6M	YTD	1Y
DBA	33	-17.8%	-20.9%	-21.7%	-26.5%	n.a.
Core business peers						
Altran Technologies	1,699	-14.4%	-19.1%	-47.2%	-51.8%	-58.2%
Alten	2,605	-16.1%	-8.5%	-3.9%	12.2%	4.9%
Sweco	2,287	-14.1%	-16.4%	15.1%	4.5%	-2.6%
Assystem	407	-7.5%	-0.9%	-4.8%	-9.8%	-19.9%
CTI Engineering	174	-3.8%	5.0%	11.3%	44.8%	52.9%
Reply	1,763	-19.0%	-20.8%	-9.6%	2.1%	4.0%
Mean		**-12.5%**	**-10.1%**	**-6.5%**	**0.3%**	**-3.1%**
Median		**-14.2%**	**-12.5%**	**-4.3%**	**3.3%**	**0.7%**
Weighted average		**-15.2%**	**-14.4%**	**-8.1%**	**-4.3%**	**-9.4%**
IT Consulting - Italy						
Exprivia	50	-19.6%	-13.0%	-23.3%	-30.9%	-39.9%
BE	111	-10.3%	-9.2%	-11.3%	-16.1%	-9.3%
Itway	4	-30.3%	-49.3%	-55.9%	-57.6%	-65.5%
CAD IT	46	-1.2%	-2.7%	-5.2%	20.8%	20.5%
Mean		**-15.4%**	**-18.5%**	**-23.9%**	**-20.9%**	**-23.6%**
Median		**-15.0%**	**-11.1%**	**-17.3%**	**-23.5%**	**-24.6%**
Weighted average		**-10.9%**	**-9.4%**	**-13.6%**	**-12.3%**	**-11.1%**

Source: S&P Capital IQ, update 24/10/2018 - Note: Weighted average on market cap

Peer Group - Market Multiples

Company	EV/REVENUES			EV/EBITDA			EV/EBIT			P/E		
	2018E	2019E	2020E	2018E	2019E	2020E	2018E	2019E	2020E	2018E	2019E	2020E
DBA	**0.6x**	**0.6x**	**0.6x**	**5.2x**	**4.3x**	**3.4x**	**8.8x**	**6.7x**	**4.7x**	**13.6x**	**10.3x**	**7.2x**
Core business peers												
Altran Technologies	1.2x	1.1x	1.0x	8.4x	7.1x	6.5x	9.8x	8.2x	7.5x	8.7x	6.8x	6.1x
Alten	1.2x	1.1x	1.0x	11.5x	10.5x	9.8x	12.2x	11.3x	10.5x	16.2x	14.9x	13.8x
Sweco	1.4x	1.4x	1.3x	13.5x	12.6x	12.0x	16.3x	15.0x	14.2x	19.3x	17.6x	16.7x
Assystem	1.1x	1.0x	1.0x	15.4x	13.2x	12.1x	17.6x	14.9x	13.6x	14.0x	11.0x	9.7x
Reply	1.7x	1.5x	1.4x	11.9x	10.5x	9.6x	13.1x	11.6x	10.5x	19.4x	16.9x	15.2x
Mean	**1.3x**	**1.2x**	**1.1x**	**12.1x**	**10.8x**	**10.0x**	**13.8x**	**12.2x**	**11.3x**	**15.5x**	**13.5x**	**12.3x**
Median	**1.2x**	**1.1x**	**1.0x**	**11.9x**	**10.5x**	**9.8x**	**13.1x**	**11.6x**	**10.5x**	**16.2x**	**14.9x**	**13.8x**
IT Consulting - Italy												
Exprivia	0.5x	0.5x	0.4x	6.8x	6.0x	5.7x	13.4x	10.5x	9.3x	24.0x	7.4x	5.4x
BE	1.0x	0.9x	0.8x	7.0x	6.3x	6.0x	10.6x	9.1x	8.5x	16.0x	13.3x	11.8x
CAD IT	0.5x	0.5x	n.a.	2.9x	2.7x	n.a.	7.3x	6.6x	n.a.	16.4x	14.8x	n.a.
Mean	**0.7x**	**0.6x**	**0.6x**	**5.6x**	**5.0x**	**5.8x**	**10.4x**	**8.8x**	**8.9x**	**18.8x**	**11.9x**	**8.6x**
Median	**0.5x**	**0.5x**	**0.6x**	**6.8x**	**6.0x**	**5.8x**	**10.6x**	**9.1x**	**8.9x**	**16.4x**	**13.3x**	**8.6x**

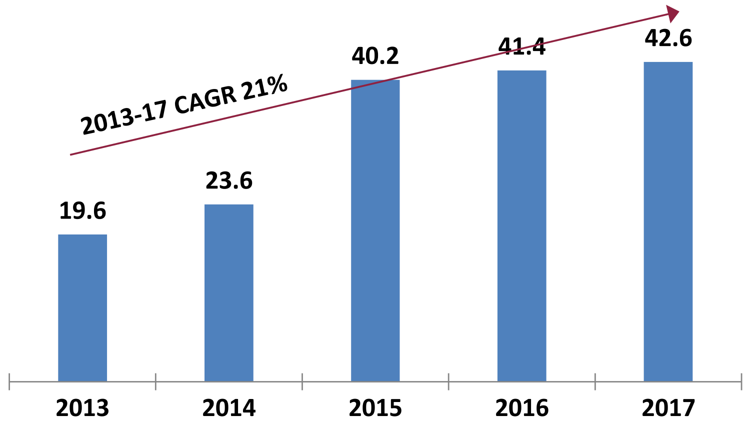
Source: EnVent Research on S&P Capital IQ, update 24/10/2018

Investment Case

Company

DBA Group SpA (DBA) is an Italian Technology Consulting company, specialized in infrastructure connectivity and lifecycle management. With a workforce of 520 people covering Italy, the Balkans, the Caucasus and Russia, targeting the whole Eurasia region, the Group has a track record of 25 years of growth, both organic and through acquisitions.
2017 Revenues: €43m - Geographical breakdown: Italy 70%; international 30% - 5Y CAGR 21%

DBA - Consolidated revenues



Source: Company data

Drivers

Industry drivers

Infrastructure investment. According to Oxford Economics, global infrastructure investment is expected to keep growing through the next decade, to reach an annual average of $3.2trn between 2016 and 2040, compared to $2.0trn between 2007 and 2015, a 60% increase. At the same time, the need for infrastructure exceeds the expected investments, a permanent gap linked to GDP growth. Moreover, investments will be uneven geographically between mature and emerging countries, according to GDP geographical region-by-region forecast.

Connectivity. In Huawei's Global Connectivity Index 2017 study, most of the countries in the rankings saw their overall scoring improved on the prior year, based on certain indicators that cover five technology enablers: broadband, data centers, cloud, big data, Internet of Things (IoT). Key areas where inequality is present include mobile broadband, IT workforce per capita, ICT investment per GDP, apps downloaded per capita and IoT installed base per capita.

Broadband evolution calls for new expansion cycles in Europe. Basic broadband is available to everyone in the EU, while fixed-line technologies cover 98% of homes. Next Generation Access (NGA) technologies call for continuous investment even in well-covered areas, that is becoming the rule and a recurring driver for infrastructure investment in the industry. According to the European Commission, deployment of 4G mobile (LTE) reached 96% of homes covered by at least one operator, and will be followed by other updated of mobile standards. Rural coverage improved substantially: 4G went up from 36% in 2015 to 80% in 2016; NGA is available in 40% of rural homes, compared to 30% in 2015. These gaps will continue to be created and closed-off periodically.

Broadband in Italy. By 2020 Italy will be equipped with nationwide outlaid uniform broadband technology, closing off the competition gap with major industrial economies.
The Open Fiber wholesale-only venture of Italian utility Enel and state-owned lender CDP plans to invest €6.5bn to build out a fiber-to-the-home network in 250 major cities rolling out broadband cable, in areas witnessing digital divide, all over the country. DBA is engaged through a framework contract and as of today has been assigned approximately 30% of the first two clusters work, out of the total of four representing phase one of the plan.

Internet of Things riding the wave. Internet of Things connects devices such as everyday consumer objects and industrial equipment into the internet, enabling information gathering and management of devices via software increasing efficiency, allowing for new services, and achieving health, safety, or environmental benefits. IoT is emerging as the third wave of internet development, impacting individuals' lives, workplace productivity and overall consumption. McKinsey estimates the IoT market to be worth $900m in 2015, growing to $3.7bn in 2020 (32.6% CAGR), with a potential economic impact on GDP of $2.7 to $6.2trn until 2025.

Urbanization and mobility. Global population growth (1-2% YoY over the last 65 years, according to United Nations) and migration into urban areas together result in a growing number of large and highly populated cities, especially in emerging countries, requiring more and more investment in infrastructure and connectivity programs, mainly in residential areas, industrial sites, commercial property and social infrastructure. National and local governments are faced with promoting investment to harmonize and rationalize private and public transportation. Custom-made digitization and Internet of Things will be inevitable solutions.

Company drivers

A focused portfolio. DBA provides consulting services to private clients, and retains a valuable flexibility in shifting focus between market sectors depending on demand. The client base is diversified across industries: Telco, Transportation and Logistics, Oil & Gas, Real Estate. In all industries most of DBA's clients are large corporations. This kind of client portfolio minimizes receivable risk and working capital investment. The diversity of services and end-markets reflects the accumulated experience and expertise aside from a healthy balanced portfolio approach.

Multidisciplinary skills and integrated business model built around Infrastructure Lifecycle.
DBA's service is designed for it to become the O*ne Stop Business Partner* for its clients, a provider of the key competencies needed during the lifecycle of infrastructure that are critical to their business. This is made possible by a *One of a Kind* business model: a combination and synergy of multidisciplinary teams providing conception, planning, digitization, connectivity, operation and maintenance of critical infrastructure. The dedicated

business units Process & Automation - ICT, Project Management, and Engineering provide their services on a stand-alone or combined basis and in one or more phases of the infrastructure lifecycle.

Value creation for clients. DBA's business history reveals that its teams assisted some of the major industry players and delivered value by providing know-how, reducing their project cost and lead time, and optimizing their development, realization and marketing processes. These achievements, that in the long-run generate repeat work, sustain prices and reduce marketing costs, build reputation and competitive advantage that qualify DBA as *Strategic Supplier*, not just a *reliable supplier*.

Experience and execution. Experience and a successful track record of project execution are critical factors when proposing for technology and engineering consulting engagements. Better than on-time delivery, and within budget, is a key determinant of clients' decision-making process. Proven expertise and successful delivery of previous assignments are a door-opener for the tenders and, ultimately, drive award of projects, as testified by the regular flow of new work from top clients in recent years.

Sustainability as value added. DBA supports its clients to comply with the environmental and safety regulations applying to their business. As an example, DBA's port management system product ensures implementation of environmental and sustainability management tools.

Quality of personnel. DBA's success strongly depends on the ability to attract and retain qualified staff, allocate skilled labor resources to profitable high growth markets, allowing to secure new contracts and renewing existing ones. An ability that is conditioned by staff motivation and satisfaction. One of DBA's key values is commitment to job protection, quality of life at work and welfare in the workplace.

Sound revenues and cost per headcount. Significant headcount utilization levels are a key to DBA's profitability. In the last years per-capita revenue was in the region of €80-90k. Labor cost was consistently under 50% of revenues. Per-capita cost was in the region of €40k.

A defensive engineering consulting operator. DBA's services are primarily consulting engagements, including engineering design studies, project management and outsourcing support. This makes its business model inherently more defensive compared to engineering service companies, given that many competitors also undertake direct investment in the projects, exposing them to payback risk.

Meticulous M&A activity. The Management of DBA has a proven track record of identifying, executing and integrating acquisitions, with a hyper-focused strategy leading to meticulous deal scouting and completion. In the last five years they have successfully executed four acquisitions, of which two cross-border.

Management-Shareholder alignment of interests. Key managers are also shareholders of the Company and are directly involved in the execution of the Group's growth strategy, leveraging on their engineering and architecture background, entrepreneurial experience and industry expertise.

Absence of litigation and disputes. In the wider engineering and construction industry, global operations produce frequent litigation linked to a number of foreign jurisdictions and legal systems governing intellectual property, large-scale infrastructure projects, construction and engineering projects, joint ventures, etc. So far DBA has not been involved in other than immaterial litigations or disputes with clients, contractors, developers, suppliers, engineers and other related parties.

Challenges

Infrastructure investment cycles. Macroeconomic cycles are a determinant of changes to private sector infrastructure spending or to government public infrastructure capex budgets. Demand for DBA's services is growing, but at the same time it is vulnerable to economic downturn and changes in the private sector's and governments' infrastructure spending, which may result in clients delaying, curtailing or canceling proposed and existing projects. Operation and maintenance contracts on completed projects represent a mitigation factor.

Revenue concentration. In 2016, the top five clients accounted for 59% of consolidated revenues; top ten 70%. DBA's revenues in 2017 were concentrated in Italy (70%) and on Telco industry accounts (42%). However, detailed engagement analysis shows that top clients assign multiple and diversified projects over the years, leading to a substantial dilution of risk.

Delays in projects and challenging payment terms. Part of DBA's internationalization strategy is participation in tenders whose financing may come from governments and/or international institutions. While governments and other institutions' spending is a driver for industry growth, at the same time, limited or insufficient public funding might cause delays in projects, thereby exposing contractors to slow capital turnover or claims in payments.

Execution delivery risk. Delivering services which are not in line with client expectations due to cost/time overruns, and quality issues, may impact margins and reputation.

International markets exposure. Revenues coming from foreign operations have been boosted by acquisitions in Eastern Europe. Currently, the Company plans to intensify its promotional efforts in the Balkans, the Caucasus and in Central Asia, focusing on a mix of geographies that offer growth opportunities. However, these countries imply political and financial risks, that may bring currency exposure and cash flow impact.

Staff utilization, charge-out rates and retention rates. Changes in staff utilization rates impact billable hours, sales and margins. Ability to pass-through higher labor costs through higher charge-out rates also impacts margins. Strong economic growth in certain countries may influence local wage costs and retention rates.

Acquisition and integration risk. Acquisitions could be value accretive or dilutive based on valuations paid and market trends. Higher than expected integration costs when consolidating acquisitions into the Group may also impact margins. Given its size, larger acquisitions will be targeted in order to be material to the growth of the business, but these can carry greater integration risk.

Increasing competition. The fragmented competitive arena, populated by a small number of large players with multinational reach, together with a large number of small specialists exercising pressure on prices, is a permanent feeder of fierce competition.

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NOT RATED: no rating or target price assigned.
The stock price indicated is the reference price on the day indicated as "Date of Price" in the table on the front page of this publication.

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Date	Recommendation	Target Price (€)	Share Price (€)
01/06/2018	OUTPERFORM	5.05	3.40
07/11/2018	OUTPERFORM	4.41	2.90

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of which EnVentCM clients % *	100%	100%	0%	100%	100%	100%

* Note: Companies to which corporate and capital markets services were supplied in the last 12 months.

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