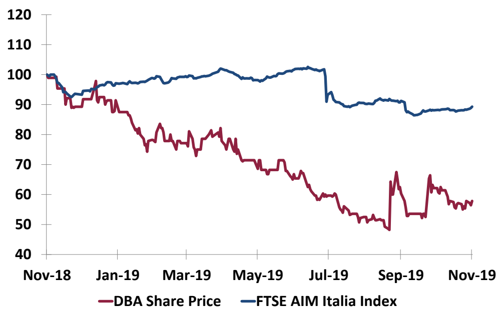
DBA GROUP

OUTPERFORM

Current Share Price (€): 1.62
Target Price (€): 2.83

DBA Group - 1Y Performance



Source: S&P Capital IQ - Note: 27/11/2018=100

Company data

ISIN number	IT0005285942
Bloomberg code	DBA IM
Reuters code	DBA.MI
Share Price (€)	1.62
Date of Price	27/11/2019
Shares Outstanding (m)	11.5
Market Cap (€m)	18.6
Market Float (%)	49.6%
Daily Volume	9,900
Avg Daily Volume YTD	13,466
Target Price (€)	2.83
Upside (%)	75%
Recommendation	OUTPERFORM

Share price performance

	1M	3M	1Y
DBA - Absolute (%)	-7%	14%	-42%
FTSE AIM Italia (%)	1%	-1%	-11%
1Y Range H/L (€)		2.80	1.35
YTD Change (€)/%		-0.95	-37%

Source: S&P Capital IQ

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Doubling revenues since IPO, plan 2019-23 dedicated to higher ICT integration in projects and profitability

Delivering on the IPO equity story: technology and internationalization value builders

Two years after IPO, DBA's size almost doubled, from €41m in 2016 to €75-80m revenues. We note that IPO equity story objectives as international expansion and M&A in the ICT industry have been achieved. Quality of engagements on lifecycle management of mission critical infrastructures and the prominent client portfolio diversified across industries are also solid steps on the value path. The substantial share of engineering and project management work in the Open Fiber project on the domestic Telco market and the *digital twin* projects for 15 ports in Italy, Balkans and Azerbaijan are proven achievements.

Acquisition of Unistar, bringing in €20m revenues, further expansion eastward

The acquisition of Unistar, a Slovenian IT and cybersecurity company (7x EV/EBITDA), gives a quantum leap in size with a group turnover close to €80m and a better balance of domestic/international revenues and engineering/ICT businesses.

Management guidelines: ICT, internationalization and profitability

Management released its 2019-23 plan, focused on rebalancing ICT business, internationalization and operating margins. Drivers are organic growth and M&A. Foreign markets vs. domestic and ICT vs. engineering are expected to account, respectively, for half turnover by 2023, to lower concentration. The tougher competition within the Italian market compared to 2016-17 has required a revision of operating margin assumptions. Guidelines include improved margins, through a lighter group organization, cut of central costs and improved flexibility of operations. Revenues up to €100m in 2023, EBITDA margin up to 12% in 2023. The effect expected on financial debt is a continuing reduction.

H1 2019 revenues +10%, EBITDA at breakeven, net debt increase, backlog up to €55.8m

DBA's H1 2019 figures reflect a transitional phase before the acquisition of Unistar, with €25.7m revenues, +10% on H1 2018, EBITDA at breakeven and net loss of €1.6m. Net financial debt went up to €10.7m. Backlog 20% higher than last April.

Trading update: volatility, inconsistent with operational performance and growth

1Y Trading fluctuations within €1.35-2.80, still below IPO level. We deem trading prices only partially justified by profitability and financing of investments, mostly unrelated to fundamentals and performance and rather attributable to different market dynamics.

Positive outlook. TP €2.83 per share (from €4.14), OUTPERFORM rating confirmed

We see DBA critical projects such as Open Fiber and port digitization as notable achievements of management commitment to design strategy and pursue objectives. We keep a positive outlook, with the warning that the higher side of profitability forecasts would be challenging. Our DCF model on updated estimates and factoring in the acquisition cost lands at €2.83 per share, from €4.14, mainly because of period cash uses. Given the 75% upside on current share price, we confirm the OUTPERFORM rating.

Key financials and estimates

€m	2017	2018	2019E	2020E	2021E
Revenues	42.6	47.2	55.0	70.0	80.0
EBITDA	4.9	4.8	3.9	6.1	7.8
Margin	*11%*	*10%*	*7%*	*9%*	*10%*
Net Income (Loss)	1.0	0.4	(0.8)	0.1	1.4
Net (Debt) Cash	1.7	(9.7)	(16.1)	(14.2)	(10.5)
Equity	24.6	23.6	22.8	22.9	24.3

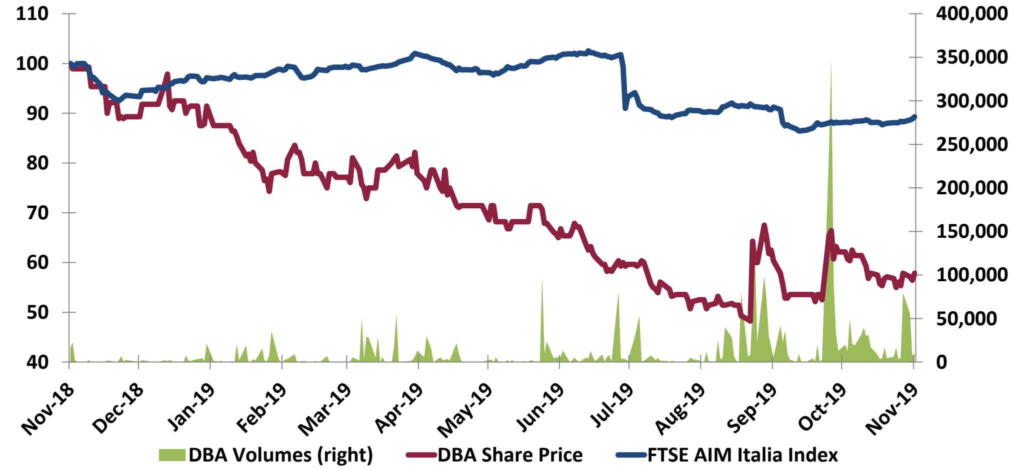
Source: Company data 2017-18A, EnVent Research 2019-21E

Market update

DBA 1Y share price range €1.35-2.80, with beginning price at €2.80, a 42% drop

In the same period, the FTSE AIM Italia Index decreased by 11%

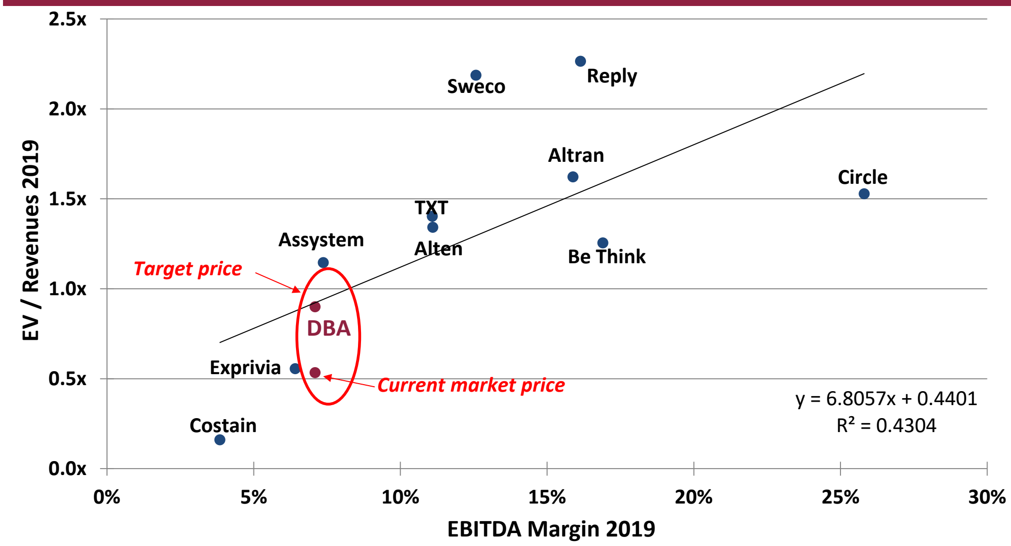
DBA - 1Y Share price performance and trading volumes



Source: EnVent Research on S&P Capital IQ - Note: 27/11/2018=100

DBA's profitability in the region of its business peers suggests that the discount level is inconsistent with the expected performance

DBA Peer group - Regression analysis and DBA target positioning



Source: EnVent Research on S&P Capital IQ, November 2019

Period facts

Acquisition of Unistar, IT company: stronger presence eastward and improved technological know-how

Adding almost €20m turnover to DBA Group

In September 2019, DBA Group completed the acquisition of 100% of Unistar LC d.o.o., a Slovenian IT and cybersecurity company. In FY18, Unistar generated consolidated revenues of €19.4m and €0.9m EBITDA. Net financial debt at year-end 2018 was €1.5m.

Client portfolio expansion and diversification

Unistar has a recurring client base diversified across Public Administration, industrial corporations and multi-utility companies.

DBA acquires skills in cybersecurity and will expand its IT product portfolio of integrated software and hardware.

2019E pro-forma consolidated key figures assuming Unistar consolidation for the full year would be €75-76.4m value of production, EBITDA €5.1-5.5m, net financial debt €15-16m. The actual consolidation will include the last quarter of Unistar results, with 2019E consolidated value of production of €58.3m and €4.1m EBITDA.
The transaction value of €4.72m, which translates to 0.3x EV/Revenues and 6.9x EV/EBITDA, will be financed through both internal (€2.02m) and external (€2.7m) sources.

New projects

Engineering services for the project "Reducing the coastal erosion" in Romania

November 2019: Project "Reducing the coastal erosion" in the port of Constanța, Black Sea (Romania), another port of the Belt and Road Initiative.

Maritime Single Window engagement in Malta

October 2019: Contract with the Maltese transport authority, for the development and supply of the New Single National Maritime Window, a system for interoperability between port operators.

Railway management software for terminal operator in Bulgaria

October 2019: Supply of a software solution for the railway shunting management to the Bulgarian terminal operator in Burgas, Black Sea.

Engagement for the multi-utility Iren

September 2019: Framework agreement and 3-year budget of around €3m with Iren, Italian large multi-utility company, for architecture, plant engineering and hydraulics services.

Engineering and project management for Arcelor Mittal/Ilva in Italy

July 2019: Engineering and project management services for the revamping of Arcelor Mittal industrial plant in Taranto, Italy.

Continued broadband engineering engagements by Open Fiber in Italy

July 2019: Additional Open Fiber contracts worth up to €12.8m for 60 months.

Hospital digitization in Slovenia

May 2019: Implementation of SAP ERP for a hospital in Izola, Slovenia.

Campus design in Italy

May 2019: Design of the H-Campus in Roncade, Treviso.

H1 2019: Revenues +10%, cost increases and competitive pressure on margins affect profitability and bottom line

DBA's total revenues, including work in progress, were €25.7m, increased 10% compared to H1 2018. Consolidated revenues by service: Engineering 54%, ICT 28%, Project management 19%.

Higher operating costs incurred leading to an interim breakeven EBITDA

EBITDA was at breakeven, compared to a 6% EBITDA margin in H1 2018. Personnel cost increased by 24% and services by 28%. Management identified increasing margin pressure in the Italian infrastructure market as an additional reason for EBITDA breakeven. Net loss of €1.6m, vs. breakeven in H1 2018.

H1 2019 revenues more than offset by operating costs

Consolidated Profit and Loss

€m	H1 2018	H1 2019
Revenues	21.7	21.3
Change in work in progress	1.7	4.2
Other income	0.1	0.2
Total Revenues	**23.4**	**25.7**
YoY %	*26.0%*	*9.5%*
Personnel	(9.1)	(11.3)
Services	(9.5)	(12.2)
Other operating costs	(3.3)	(2.3)
Operating costs	**(22.0)**	**(25.9)**
EBITDA	**1.4**	**(0.2)**
Margin	*6.0%*	*-0.9%*
D&A	(1.3)	(1.6)
EBIT	**0.1**	**(1.8)**
Margin	*0.5%*	*-7.1%*
Interest	(0.1)	(0.1)
EBT	**0.0**	**(1.9)**
Margin	*0.0%*	*-7.5%*
Income taxes	(0.0)	0.3
Net Income (Loss)	**0.0**	**(1.6)**
Margin	*0.0%*	*-6.4%*
Minorities	0.1	(0.0)
Group Net Income (Loss)	**(0.1)**	**(1.6)**

Source: Company data

In the six months of 2019, trade working capital was unchanged, as both work in progress and trade payables rose compared to year-end. Net financial debt went up to €10.7m, from €9.7m.

H1 2019 net working capital mix changed with both work in progress and trade payables increasing

Consolidated Balance Sheet

€m	2018	H1 2019
Work in progress	1.3	5.5
Inventory	0.1	0.2
Trade receivables	24.0	22.4
Trade payables	(5.4)	(8.0)
Trade Working Capital	20.1	20.1
Other assets (liabilities)	(3.3)	(3.8)
Net Working Capital	**16.7**	**16.3**
Intangible assets	6.2	6.5
Goodwill	8.0	7.4
Property, plant and equipment	3.5	3.4
Equity investments and financial assets	0.7	0.7
Non-current assets	**18.4**	**18.0**
Net Invested Capital	**33.3**	**32.6**
Bank debt	15.0	15.6
Other financial debt	0.7	0.7
Cash and equivalents	(6.0)	(5.6)
Net Debt (Cash)	**9.7**	**10.7**
Shareholders' Equity	23.6	21.9
Minority interests	0.0	0.0
Equity	**23.6**	**21.9**
Sources	**33.3**	**32.6**

Source: Company data

Net cash out €1m, mainly due to capex

Consolidated Cash Flow

€m	H1 2018	H1 2019
EBIT	**0.1**	**(1.8)**
Current taxes	(0.0)	0.3
D&A	1.3	1.6
Provisions	(0.0)	(0.2)
Cash flow from P&L operations	**1.4**	**(0.1)**
Trade Working Capital	(3.4)	(0.0)
Capex - intangibles and acquisitions	(1.0)	(0.7)
Capex - PPE	(0.6)	(0.4)
Other assets and liabilities	0.4	0.5
Operating cash flow after working capital and capex	**(3.2)**	**(0.8)**
Interest	(0.1)	(0.1)
Equity investments and financial assets	0.1	(0.0)
Net cash flow	**(3.2)**	**(1.0)**
Net (Debt) Cash - Beginning	1.7	(9.7)
Net (Debt) Cash - End	(1.5)	(10.7)
Change in Net (Debt) Cash	**(3.2)**	**(1.0)**

Source: Company data

Ratio Analysis

KPIs	H1 2018	H1 2019
ROE	3%	-6%
ROS	1%	-9%
ROIC	9%	0%
DSO	125	129
DPO	68	81
TWC/Revenues	37%	43%
Net Debt / EBITDA	0.3x	3.6x
Net Debt / Equity	0.1x	0.5x
Cash flow from operations / EBITDA	98%	48%
FCF / EBITDA	neg.	n.m.

Source: Company data - Note: H1 KPIs calculated on LTM economics

Business Plan 2019-23

In October 2019, DBA's management released the Business Plan 2019-23.

ICT sector

Expansion of market offer with integrated software and hardware, cybersecurity and blockchain. The revenue mix is expected to change with the ICT business to account from 23% in 2019 to 52% in 2023.

Internationalization

The internationalization process will be pursued mainly in the ICT sector to support infrastructures in the markets interested by the Belt & Road Initiatives. By 2023 the weight of foreign markets is expected to exceed 50% turnover.

Building operating margins

The expected EBITDA improvement in 2020 consists of €1m from the full consolidation of Unistar, €1m from merger synergies, €0.8m from cost efficiency. Profitability improvements over the projection period are also expected from the DBA Network (network of technical sales partners for the provision of engineering and project management services) and a reduction in central holding costs.

Business Plan 2019-23

€m	2019E	2020E	2021E	2022E	2023E
Total Revenues (incl. capitalization of intangibles)	58.3	78.3	86.7	91.7	97.2
EBITDA	4.0	6.8	8.9	10.2	12.0
Margin	*6.9%*	*8.7%*	*10.3%*	*11.1%*	*12.4%*
EBIT	0.2	2.2	3.9	5.4	7.1
Net Income (Loss)	(0.6)	0.8	1.9	3.1	4.3
Net (Debt) Cash	(16.0)	(14.8)	(12.4)	(5.9)	2.6

Source: Company data

Backlog: increasing visibility of revenues

Backlog 20% higher than last April

The current value of engagements in backlog is over €55m, of which Telco portfolio accounting for almost €25m. The remaining backlog is almost equally distributed across different end-markets.

Outlook and estimates revision

The high rank of certain projects, the prominent client base and the growing presence as network specialist in infrastructures diversified geographically and by industry, support, in our view, DBA's ability to generate repeat engagements.

Revenue targets confirmed, including Unistar

Profitability adjusted downward in the short-term

Net debt includes acquisition cost in estimates and valuation

We have revised our estimates for 2019 and 2020 taking into account first half results and the consolidation of Unistar as of October 1st, 2019. Until the Company will account for detailed information on the Unistar balance sheet, projections are to be considered provisional. We have added a forecast year (2021).

The acquisition of Unistar accelerates revenue growth and the achievement of a larger size, critical to reduce geographical, industry and customer concentration. We have factored in a quarter revenues generated by Unistar in 2019 and added a full year of Unistar revenues in 2020. The increasing backlog and visibility of revenues support confidence in our revenue estimates.

EBITDA estimates decrease nearly 50% and 25%, reflecting the price pressure and the changed competitive scenario. The acquisition is expected to contribute €2m EBITDA in 2020, as such margin is expected to be closer to DBA's historical level.

Overall our estimates are more conservative with respect to management projections.

Change in estimates

	Revised		Previous		Change % (Rev. vs. Prev.)	
€m	2019E	2020E	2019E	2020E	2019E	2020E
Total Revenues	56.5	71.9	52.9	56.9	7%	26%
EBITDA	3.9	6.1	7.3	8.3	-47%	-26%
Margin	*7%*	*9%*	*14%*	*15%*		
EBIT	0.2	1.9	3.9	4.7	-94%	-60%
Margin	*0%*	*3%*	*7%*	*8%*		
Net Income (Loss)	(0.6)	0.4	2.3	2.9	-127%	-86%
Net (Debt) Cash	(16.2)	(14.4)	(5.6)	(0.6)		

Source: EnVent Research

Financial projections

Consolidated Profit and Loss

€m	2017	2018	2019E	2020E	2021E
Total Revenues	**42.6**	**47.2**	**55.0**	**70.0**	**80.0**
YoY %	*2.7%*	*10.8%*	*16.6%*	*27.3%*	*14.3%*
Personnel	(16.0)	(19.0)	(21.8)	(27.5)	(30.4)
Services	(17.7)	(17.7)	(23.7)	(29.1)	(33.5)
Other operating costs	(4.0)	(5.6)	(5.6)	(7.2)	(8.3)
Operating costs	**(37.7)**	**(42.4)**	**(51.1)**	**(63.9)**	**(72.2)**
Adjusted EBITDA	**4.9**	**4.8**	**3.9**	**6.1**	**7.8**
Margin	*11.5%*	*10.2%*	*7.1%*	*8.8%*	*9.7%*
Non-recurring costs	(0.3)	(0.4)	0.0	0.0	0.0
EBITDA	**4.6**	**4.4**	**3.9**	**6.1**	**7.8**
Margin	*10.7%*	*9.4%*	*7.1%*	*8.8%*	*9.7%*
D&A	(1.9)	(1.6)	(2.3)	(2.6)	(2.5)
EBITA	**2.6**	**2.8**	**1.6**	**3.5**	**5.3**
Margin	*6.2%*	*6.0%*	*3.0%*	*5.0%*	*6.6%*
Goodwill amortization	(0.5)	(1.2)	(1.6)	(2.1)	(2.1)
EBIT	**2.1**	**1.6**	**0.0**	**1.4**	**3.2**
Margin	*4.9%*	*3.5%*	*0.0%*	*2.1%*	*4.0%*
Interest	(0.2)	(0.3)	(0.5)	(0.5)	(0.4)
Write-down of shareholdings	0.0	0.0	0.0	0.0	0.0
EBT	**1.9**	**1.4**	**(0.5)**	**1.0**	**2.8**
Margin	*4.5%*	*2.9%*	*-0.8%*	*1.4%*	*3.5%*
Income taxes	(0.9)	(1.0)	(0.3)	(0.9)	(1.4)
Net Income (Loss)	**1.0**	**0.4**	**(0.8)**	**0.1**	**1.4**
Margin	*2.4%*	*0.8%*	*-1.5%*	*0.1%*	*1.8%*

Source: Company data 2017-18, EnVent Research 2019-21E

Consolidated Balance Sheet

€m	2017	2018	2019E	2020E	2021E
Work in progress	0.9	1.3	1.8	2.1	2.2
Inventory	0.0	0.1	0.1	0.1	0.1
Trade receivables	19.1	24.0	31.3	33.9	36.0
Trade payables	(6.9)	(5.4)	(10.3)	(10.9)	(11.9)
Trade Working Capital	13.2	20.1	22.9	25.2	26.5
Other assets (liabilities)	(1.8)	(3.3)	(3.3)	(4.2)	(4.8)
Net Working Capital	**11.4**	**16.7**	**19.6**	**21.0**	**21.7**
Intangible assets	5.6	6.2	6.5	6.5	6.6
Goodwill	3.5	8.0	11.1	9.0	7.0
Property, plant and equipment	3.3	3.5	2.8	2.0	1.3
Equity investments and financial assets	0.7	0.7	0.7	0.7	0.7
Non-current assets	**13.1**	**18.4**	**21.1**	**18.2**	**15.5**
Provisions	**(1.5)**	**(1.8)**	**(1.8)**	**(2.2)**	**(2.4)**
Net Invested Capital	**23.0**	**33.3**	**38.9**	**37.1**	**34.8**
Net Debt (Cash)	**(1.7)**	**9.7**	**16.1**	**14.2**	**10.5**
Equity	**24.6**	**23.6**	**22.8**	**22.9**	**24.3**
Sources	**23.0**	**33.3**	**38.9**	**37.1**	**34.8**

Source: Company data 2017-18A, EnVent Research 2019-21E

Consolidated Cash Flow

€m	2017	2018	2019E	2020E	2021E
EBIT	**2.1**	**1.6**	**0.0**	**1.4**	**3.2**
Current taxes	(0.9)	(1.0)	(0.3)	(0.9)	(1.4)
D&A	2.4	2.6	3.9	4.7	4.6
Provisions	(0.3)	0.3	(0.0)	0.4	0.2
Cash flow from P&L operations	**3.3**	**3.5**	**3.5**	**5.7**	**6.6**
Trade Working Capital	(4.3)	(6.9)	(2.9)	(2.3)	(1.2)
Capex - intangibles	(3.8)	(1.0)	(1.5)	(1.5)	(1.5)
Capex - acquisitions	(0.5)	(5.7)	(4.7)	0.0	0.0
Capex - PPE	(1.7)	(1.3)	(0.4)	(0.4)	(0.4)
Other assets and liabilities	(1.4)	1.5	(0.0)	0.9	0.6
Operating cash flow after working capital and capex	**(8.4)**	**(9.7)**	**(6.0)**	**2.4**	**4.1**
Interest	(0.2)	(0.3)	(0.5)	(0.5)	(0.4)
Equity investments and financial assets	0.6	0.1	0.0	0.0	0.0
Paid-in Capital - IPO proceeds (2017)	12.0	0.0	0.0	0.0	0.0
Capex - IPO costs	(1.6)	0.0	0.0	0.0	0.0
Consolidation adjustments	0.0	(1.4)	0.0	0.0	0.0
Net cash flow	**2.4**	**(11.4)**	**(6.4)**	**1.9**	**3.7**
Net (Debt) Cash - Beginning	(0.7)	1.7	(9.7)	(16.1)	(14.2)
Net (Debt) Cash - End	1.7	(9.7)	(16.1)	(14.2)	(10.5)
Change in Net (Debt) Cash	**2.4**	**(11.4)**	**(6.4)**	**1.9**	**3.7**

Source: Company data 2017-18A, EnVent Research 2019-21E

Ratio analysis

KPIs	2017	2018	2019E	2020E	2021E
ROE	4%	2%	-4%	0%	6%
ROS (EBIT/Revenues)	5%	3%	0%	2%	4%
ROIC (NOPAT/Invested Capital)	8%	6%	3%	7%	11%
DSO	136	153	170	145	135
DPO	95	69	105	90	85
TWC/Revenues	31%	43%	42%	36%	33%
NWC/Revenues	27%	35%	36%	30%	27%
Net Debt / EBITDA	n.m.	2.0x	4.2x	2.3x	1.4x
Net Debt / Equity	n.m.	0.4x	0.7x	0.6x	0.4x
Net Debt / (Net Debt+Equity)	n.m.	0.3x	0.4x	0.4x	0.3x
Cash flow from P&L operations / EBITDA	68%	74%	91%	92%	85%
FCF / EBITDA	neg.	neg.	neg.	39%	53%
Per-capita revenue (€k)	77	90	81	88	88
Per-capita cost (€k)	37	44	43	44	42

Source: Company data 2017-18A, EnVent Research 2019-21E

Valuation

Discounted Cash Flows

Updated assumptions:

- Risk free rate: 2.0% (Italian 10-year government bonds interest rate - 3Y average. Source: Bloomberg, November 2019)
- Market return: 13% (3Y average. Source: Bloomberg, November 2019)
- Market risk premium: 11%
- Beta: Unlevered 0.9; Re-levered 1.2 (Median of selected industry peers.

Source: Bloomberg, November 2019)

- Cost of equity: 15.3%
- Cost of debt: 3% (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 2.5%
- Terminal Value assumes an EBITDA margin of 9%

DCF Valuation

€m		2017	2018	2019E	2020E	2021E	Perpetuity
Revenues		**42.6**	**47.2**	**55.0**	**70.0**	**80.0**	**82.0**
EBITDA		**4.9**	**4.8**	**3.9**	**6.1**	**7.8**	**7.5**
Margin		*11.5%*	*10.2%*	*7.1%*	*8.8%*	*9.7%*	*9.2%*
EBITA		**2.6**	**2.8**	**1.6**	**3.5**	**5.3**	**6.8**
Margin		*6.2%*	*6.0%*	*3.0%*	*5.0%*	*6.6%*	*8.3%*
Taxes		(0.7)	(0.8)	(0.5)	(1.0)	(1.5)	(1.9)
NOPAT		**1.9**	**2.0**	**1.2**	**2.5**	**3.8**	**4.9**
D&A				2.3	2.6	2.5	0.8
Provisions				(0.0)	0.4	0.2	0.2
Cash flow from operations				**3.4**	**5.6**	**6.5**	**5.8**
Trade Working Capital				(2.9)	(2.3)	(1.2)	(0.4)
Capex				(6.6)	(1.9)	(1.9)	(0.8)
Other assets and liabilities				(0.0)	0.9	0.6	0.0
Unlevered free cash flow				**(6.1)**	**2.3**	**4.0**	**4.7**
WACC	11%						
Long-term growth (G)	2.5%						
Discounted Cash Flows				**(6.1)**	**2.1**	**3.2**	
Sum of Discounted Cash Flows	(0.8)						
Terminal Value							**55.0**
Discounted TV	49.4						
Enterprise Value	**48.7**						
Net Debt as of 31/12/19E	(16.1)						
Minorities as of 31/12/19E	0.0						
Equity Value	**32.5**						

DCF - Implied multiples		**2018**	**2019E**	**2020E**	**2021E**
EV/Revenues		1.0x	0.9x	0.7x	0.6x
EV/EBITDA		10.1x	12.5x	7.9x	6.3x
EV/EBITA		17.2x	29.9x	13.8x	9.2x
P/E		83.5x	-40.5x	328.9x	23.2x

Current market price - Implied multiples		**2018**	**2019E**	**2020E**	**2021E**
EV/Revenues		0.6x	0.5x	0.4x	0.4x
EV/EBITDA		6.1x	7.6x	4.8x	3.8x
EV/EBITA		10.3x	18.0x	8.3x	5.5x
P/E		47.8x	-23.2x	188.3x	13.3x
Discount	*-40%*				

Source: EnVent Research

Target Price

The DCF model based on our estimates suggests a Target Price of €2.83 per share (from €4.14), with a potential upside of 75% on the current share price, confirming the OUTPERFORM recommendation on DBA's stock.

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

DBA Price per Share	€
Target Price	**2.83**
Current Share Price (27/11/2019)	1.62
Premium (Discount)	**75%**

Source: EnVent Research

Annex

Peer Group - Market Multiples

Company	EV/REVENUES 2018	EV/REVENUES 2019E	EV/REVENUES 2020E	EV/EBITDA 2018	EV/EBITDA 2019E	EV/EBITDA 2020E	EV/EBIT 2018	EV/EBIT 2019E	EV/EBIT 2020E	P/E 2018	P/E 2019E	P/E 2020E
DBA	**0.8x**	**0.5x**	**0.4x**	**8.2x**	**7.3x**	**4.7x**	**16.9x**	**142.2x**	**17.8x**	**75.8x**	**-29.5x**	**-88.6x**
Core business peers												
Altran Technologies	1.0x	1.6x	1.5x	8.3x	10.3x	10.0x	10.1x	12.8x	12.3x	22.1x	16.4x	14.4x
Alten	1.1x	1.3x	1.2x	10.4x	12.0x	11.2x	11.1x	13.7x	12.6x	15.4x	18.3x	16.5x
Sweco	1.3x	2.2x	2.1x	12.5x	17.6x	16.0x	15.3x	25.3x	21.9x	18.4x	28.0x	23.6x
Assystem	1.0x	1.2x	1.1x	15.1x	15.6x	13.3x	17.0x	16.8x	15.4x	21.0x	14.3x	12.1x
Reply	1.5x	2.2x	2.0x	11.3x	13.5x	12.7x	12.1x	16.8x	15.7x	16.5x	23.8x	21.2x
Mean	**1.2x**	**1.7x**	**1.6x**	**11.5x**	**13.8x**	**12.6x**	**13.1x**	**17.1x**	**15.6x**	**18.7x**	**20.2x**	**17.6x**
Median	**1.1x**	**1.6x**	**1.5x**	**11.3x**	**13.5x**	**12.7x**	**12.1x**	**16.8x**	**15.4x**	**18.4x**	**18.3x**	**16.5x**
IT Consulting - Italy												
Exprivia	0.5x	0.6x	0.5x	10.1x	8.7x	6.8x	13.7x	20.0x	12.2x	neg.	neg.	7.6x
BE	0.8x	1.3x	1.2x	6.1x	7.7x	7.0x	8.4x	11.7x	10.4x	21.4x	17.3x	15.1x
TXT e-solutions	1.0x	1.2x	1.1x	10.1x	11.1x	9.1x	19.3x	25.7x	13.6x	n.m.	22.7x	24.3x
Circle	1.5x	1.5x	1.1x	7.6x	5.8x	9.1x	8.0x	10.4x	13.6x	12.9x	14.7x	24.3x
Mean	**0.8x**	**1.0x**	**1.0x**	**8.8x**	**9.2x**	**7.7x**	**13.8x**	**19.2x**	**12.1x**	**21.4x**	**20.0x**	**15.7x**
Median	**0.8x**	**1.2x**	**1.1x**	**10.1x**	**8.7x**	**7.0x**	**13.7x**	**20.0x**	**12.2x**	**21.4x**	**20.0x**	**15.1x**

Source: EnVent Research on S&P Capital IQ, update November 2019

Investment Case

Company

DBA Group SpA (DBA) is an Italian Technology Consulting company, specialized in infrastructure connectivity and lifecycle management. With a workforce of ca 650 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.

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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Date	Recommendation	Target Price (€)	Share Price (€)
01/06/2018	OUTPERFORM	5.05	3.40
07/11/2018	OUTPERFORM	4.41	2.90
18/04/2019	OUTPERFORM	4.14	2.22
27/11/2019	OUTPERFORM	2.83	1.62

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