DBA GROUP

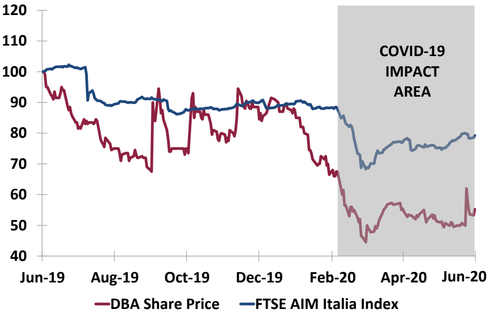
Quantum leap in size, diversified portfolio, working on profitability

OUTPERFORM

Current Share Price (€): 1.11

Target Price (€): 1.91

DBA Group - 1Y Performance



Source: S&P Capital IQ - Note: 17/06/2019=100

Company data

ISIN number	IT0005285942
Bloomberg code	DBA IM
Reuters code	DBA.MI
Sector	Engineering & IT Consulting
Stock market	AIM Italia
Share Price (€)	1.11
Date of Price	16/06/2020
Shares Outstanding (m)	11.5
Market Cap (€m)	12.7
Market Float (%)	49.6%
Daily Volume	19,200
Avg Daily Volume YTD	32,591
Target Price (€)	1.91
Upside (%)	73%
Recommendation	OUTPERFORM

Share price performance

	1M	3M	1Y
DBA - Absolute (%)	8%	13%	-45%
FTSE AIM Italia (%)	5%	15%	-21%
1Y Range H/L (€)		2.00	0.89
YTD Change (€)/%		-0.72	-39%

Source: S&P Capital IQ

Analysts

Luigi Tardella - Co-Head of Research
tardellaresearch@advisory.envent.it

Viviana Sepe - vsepe@advisory.envent.it

EnVent Capital Markets Limited
42, Berkeley Square - London W1J 5AW (UK)
Phone +44 (0) 20 35198451

Growth driven by M&A, competitive pressure on margins affects EBITDA

In 2019 DBA consolidated revenues, including the last quarter of Unistar results, were €59.7m, +26.5% YoY. FY19 revenues were higher than management guidance at €58.3m and our estimate of €55m. Adjusted EBITDA, before a €1.2m write-down of a receivable, was €3.3m (6% margin vs. 10% in 2018), 15% lower than both management guidance and our estimates. EBIT was €(2.3)m. Consolidated net loss of €(2.8)m, vs. €0.4m net income in 2018. EBIT and net loss adjusted for a write-down of a shareholding, goodwill amortization and amortization of IPO capitalized cost would be at breakeven. Net financial debt of €14.8m, from €10.7m at June 2019, mainly due to the acquisition cost and consolidation. Pro-forma revenues assuming Unistar consolidation for full year 2019 would be over €70m, EBITDA €4m.

Backlog up to €61m, major awards in H1 2020

The value of engagements in backlog as of end of February 2020 was ca. €61m, of which €40.5m related to FY20. Major awards in the first months of 2020:
- IT engagements from the Slovenian Ministry of Public Administration worth nearly €15m
- Port Community System for Varna and Burgas ports in Bulgaria, 2Y contract worth €4.6m, which adds to the 15 digital twin projects in place

Outlook: on the right track, working on profitability

Following the lockdown in most countries, DBA moved to remote working, staying fully operating. To date, 2020 management guidelines are confirmed.
We believe that the pandemic may have caused a slowdown in infrastructure projects, especially in works for optic fiber network, while investments in digitization, IT and cybersecurity might be overdriven by sudden demand rise.
We confirm our prior revenue targets, that we see at reach, also considering a possible three-month slowdown due to Covid-19. We have restated operating costs to factor in the lower profitability, after the analysis of 2019 results. We also expect profitability improvements from a reduction in central holding costs and a progressive increase of variable personnel cost in the provision of engineering and project management services.

Target Price €1.91 per share (from €2.83), OUTPERFORM rating confirmed

DBA is delivering on its IPO promises, with international expansion and M&A in the ICT industry as achieved targets. The increasing backlog, together with the high rank of certain clients/projects and the ability to generate repeat engagements, support confidence in our estimates. Our DCF model on updated estimates yields a target price of €1.91 per share, from €2.83. With a potential upside of 73% on the current share price at €1.11, we confirm the OUTPERFORM rating on DBA stock.

Key financials and estimates

€m	2017	2018	2019	2020E	2021E
Revenues	42.6	47.2	59.7	70.0	80.0
EBITDA	4.9	4.8	3.3	4.8	7.0
Margin	*11%*	*10%*	*6%*	*7%*	*9%*
Net Income (Loss)	1.0	0.4	(2.8)	0.2	1.5
Net (Debt) Cash	1.7	(9.7)	(14.8)	(15.4)	(15.3)
Equity	24.6	23.6	21.2	21.4	22.9

Source: Company data 2017-19A, EnVent Research 2020-21E

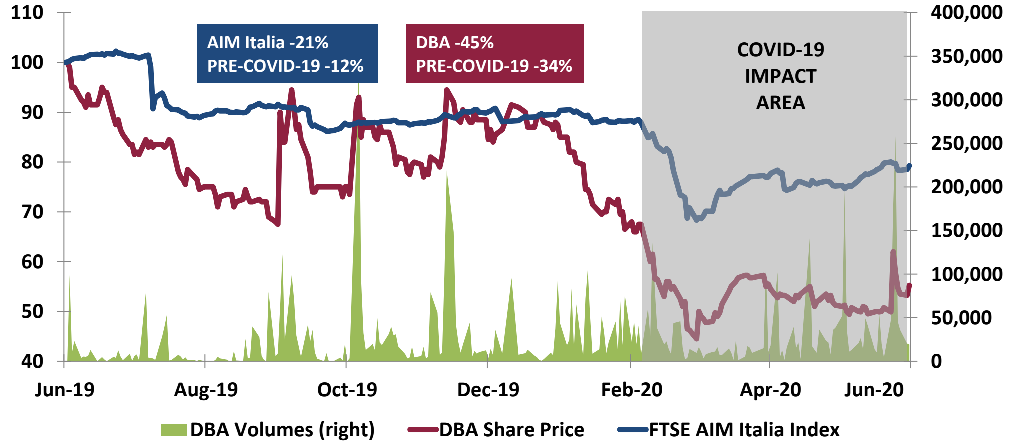
Market update

Share price performance before general market drop for Covid-19 -34%

DBA shares in the last 12 months traded in the range €0.89-2.00, with beginning price at €2.00 and ending at €1.11, 45% drop

In the same period, the AIM Italia Index decreased by 21%, -12% before Covid-19

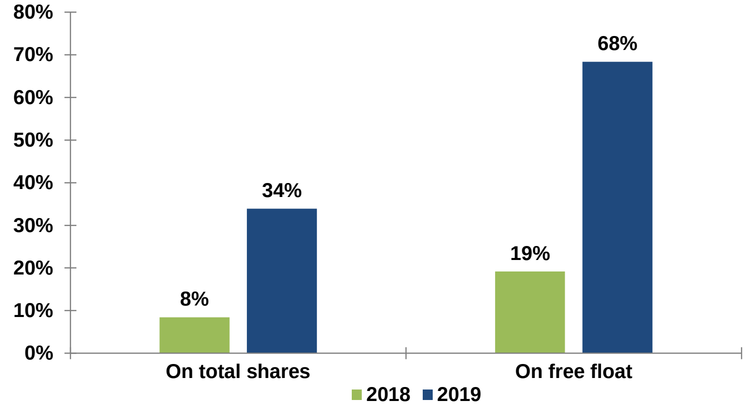
DBA - 1Y Share price performance and trading volumes



Source: EnVent Research on S&P Capital IQ - Note: 17/06/2019=100

Increase in traded volumes in 2019

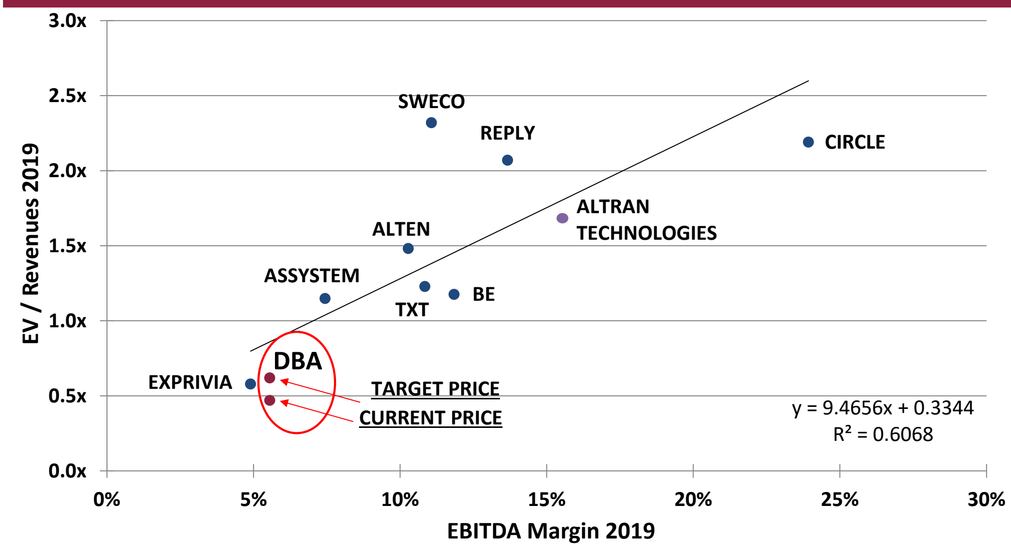
DBA - Liquidity analysis and velocity turnover



Source: EnVent Research - Note: Velocity turnover on total shares: ratio of total traded shares to total ordinary shares in a given period; Velocity turnover on free float: ratio of total volumes to free float

Exits from peer group for delisting:
- Altran Technologies acquired by Capgemini (1.6x EV/Revenues, 13.1x EV/EBITDA)

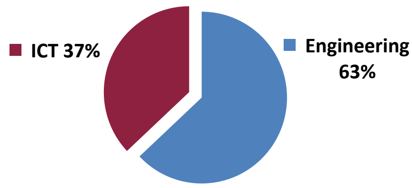
Peer group - Regression analysis and DBA target positioning



Source: EnVent Research on S&P Capital IQ, June 2020

Over 20% growth for FY19 revenues driven by M&A, competitive pressure on margins affects EBITDA

Revenues by service, 2019



Source: Company data

Pro-forma value of production assuming Unistar consolidation for full year 2019 would be €73.5m, EBITDA €4m

Bottom line affected by write-down of a shareholding and goodwill amortization

DBA's consolidated revenues, including work in progress, were €59.7m in 2019, +26.5% YoY, driven by the consolidation of the last quarter of Unistar results.
Per-capita revenue was consistently in the region of €80-90k over the last years.
The increase in personnel cost in 2019 (+17%) reflects the addition of Unistar's staff in Q4 2019. Headcount as of year-end was over 600 (ca. 500 as of year-end 2018); the workforce also includes over 100 freelance professionals.
Adjusted EBITDA was €3.3m (6% margin compared to 10% in 2018). EBITDA, after a €1.2m write-down of a trade receivable from the client Italtel in financial distress, was €2.1m.
EBITA was €(1.1)m, after €2.2m D&A and €1m write-down of the shareholding in SJS Engineering following impairment test. EBIT was €(2.3)m, after €1.2m goodwill amortization.
Consolidated net loss of €2.8m, vs. €0.4m net income in 2018.
EBIT and net loss adjusted for the write-down of the shareholding, goodwill amortization and amortization of capitalized IPO cost would be at breakeven.

Improved working capital management and financial debt consistent with larger size and acquisition consideration

Trade working capital of €20m at year-end 2019 was overall unchanged compared to June 2019 and December 2018.
Capital expenditure was €5.8m, of which €4.75m for Unistar acquisition investment and €1.1m in software development in the field of Infrastructure Lifecycle Management.
Net financial debt went up to €14.8m, from €10.7m at June 2019 and €9.7m at year-end 2018.

Period facts

New projects

IT engagements from the Slovenian Ministry of Public Administration

May and February 2020: Engagements from the Slovenian Ministry of Public Administration: 1) IT supply and maintenance 3Y contract worth €10.5m; 2) IT support and maintenance 4Y contract worth €4.2m.

Port Community System for the Bulgarian Port Authority

April 2020: Port Community System for the ports of Varna and Burgas operated by Bulgarian Ports Infrastructure Company. 2Y contract worth €4.6m.

Repeated contract from the Azerbaijani Ministry of Transport, Communications and High Tech.

February 2020: The Azerbaijani Ministry of Transport, Communications and High Technologies, through its investees, hired for the third year DBA for a Project Management Office engagement on the optic fiber network in Azerbaijan.

IT Engagement for University

January 2020: IT supply and support for the University Clinical Centre Ljubljana in

Clinical Centre in Slovenia

Slovenia. 4Y contract worth €4.3m.

HW and SW suite for management of service stations in Italy

December 2019: 4Y Distribution agreement of GL+, suite of hardware and software products for management of service stations, to Emme Retail in Italy, with 200 customers in the fuel distribution sector.

Management guidelines 2019-23E and current backlog

We recall that last October DBA's management had released the guidelines of the Business Plan 2019-23E. 2020 guidelines have not been changed to date.

Business Plan 2019-23E

€m	2019	2020E	2021E	2022E	2023E
Total Revenues (incl. capitalization of intangibles)	59.7	78.3	86.7	91.7	97.2
EBITDA	3.3	6.8	8.9	10.2	12.0
Margin	*5.6%*	*8.7%*	*10.3%*	*11.1%*	*12.4%*
EBIT	(2.3)	2.2	3.9	5.4	7.1
Net Income (Loss)	(2.8)	0.8	1.9	3.1	4.3
Net (Debt) Cash	(14.8)	(14.8)	(12.4)	(5.9)	2.6

Source: Company data

Backlog: increasing visibility on revenues

The value of engagements in backlog as of end of February 2020 was ca. €61m, of which €40.5m related to FY20.

Outlook: a promising scenario to overcome pandemic and profitability challenges

DBA FY19 revenues were higher than management guidance at €58.3m and our estimate of €55m, while EBITDA was ca. 15% lower than both management guidance and our estimates.

The acquisition of Unistar has accelerated revenue growth and group diversification. The increasing backlog, together with the high rank of certain clients/projects and the ability to generate repeat engagements, support confidence in DBA plan sustainability. Such a promising scenario in the short-term has to face the inconveniences caused by Covid-19.

Following the lockdown in most countries, DBA moved to remote working while staying fully operating. Management stated that the possible effects of Covid-19 pandemic on operations will be continuously evaluated; to date, 2020 guidelines have not been changed.
We are considering that the pandemic is likely to have caused a slowdown in infrastructure investments and in works in progress, but with a limited impact on communication and technological infrastructures, whose end-markets level of

activity might have been intensified as a result of lockdowns and smart-working diffusion. Our revenues estimates for 2020 proved to be conservative, compared to FY19 pro-forma and 2020 management guidance. Thus, they already can tolerate delays in works in progress caused by lockdowns.

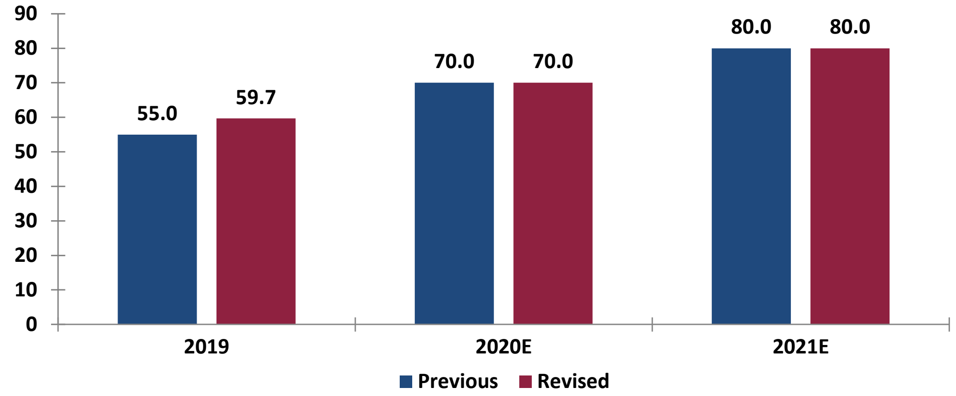
Revenue targets confirmed

Profitability adjusted downward in the short-term

We overall confirm our prior revenue targets. Considering 2019 results, we have restated operating costs to factor in the lower profitability level due to the competitive scenario and lower work efficiency caused by lockdowns.

Change in estimates

Revenues (€m) - Previous vs. Revised estimates



Source: EnVent Research

€m	Revised 2019	Revised 2020E	Revised 2021E	Previous 2019E	Previous 2020E	Previous 2021E	Change % (Rev. vs. Prev.) 2019	Change % 2020E	Change % 2021E
Total Revenues	59.7	70.0	80.0	55.0	70.0	80.0	8%	0%	-13%
EBITDA	3.3	4.8	7.0	3.9	6.1	7.8	-15%	-21%	-38%
Margin	*6%*	*7%*	*9%*	*7%*	*9%*	*10%*			
EBIT	(2.3)	1.2	2.9	0.0	1.4	3.2	-13691%	-19%	-64%
Margin	*-4%*	*2%*	*4%*	*0%*	*2%*	*4%*			
Net Income (Loss)	(2.8)	0.2	1.5	(0.8)	0.1	1.4	254%	118%	-85%
Net (Debt) Cash	(14.8)	(15.4)	(15.3)	(16.1)	(14.2)	(10.5)			

Source: EnVent Research; Company data 2019A

Financial projections

In 2019:
€1.2m write-down of a trade receivable as non-recurring cost

€2.2m D&A and €1m write-down of a shareholding following impairment test

EBIT and net loss adjusted for the write-down of the shareholding, goodwill amortization and amortization of capitalized IPO cost would be at breakeven

Consolidated Profit and Loss

€m	2017	2018	2019	2020E	2021E
Total Revenues	**42.6**	**47.2**	**59.7**	**70.0**	**80.0**
YoY %	*2.7%*	*10.8%*	*26.5%*	*17.3%*	*14.3%*
Personnel	(16.0)	(19.0)	(22.3)	(24.1)	(26.7)
Services	(17.7)	(17.7)	(24.9)	(29.9)	(33.5)
Other operating costs	(4.0)	(5.6)	(9.1)	(11.1)	(12.7)
Operating costs	**(37.7)**	**(42.4)**	**(56.4)**	**(65.2)**	**(73.0)**
Adjusted EBITDA	**4.9**	**4.8**	**3.3**	**4.8**	**7.0**
Margin	*11.5%*	*10.2%*	*5.6%*	*6.9%*	*8.8%*
Non-recurring costs	(0.3)	(0.4)	(1.2)	0.0	0.0
EBITDA	**4.6**	**4.4**	**2.1**	**4.8**	**7.0**
Margin	*10.7%*	*9.4%*	*3.5%*	*6.9%*	*8.8%*
D&A	(1.9)	(1.6)	(3.2)	(2.5)	(2.9)
EBITA	**2.6**	**2.8**	**(1.1)**	**2.4**	**4.1**
Margin	*6.2%*	*6.0%*	*-1.9%*	*3.4%*	*5.1%*
Goodwill amortization	(0.5)	(1.2)	(1.2)	(1.2)	(1.2)
EBIT	**2.1**	**1.6**	**(2.3)**	**1.2**	**2.9**
Margin	*4.9%*	*3.5%*	*-3.9%*	*1.7%*	*3.6%*
Interest	(0.2)	(0.3)	(0.3)	(0.4)	(0.3)
EBT	**1.9**	**1.4**	**(2.7)**	**0.8**	**2.6**
Margin	*4.5%*	*2.9%*	*-4.5%*	*1.1%*	*3.2%*
Income taxes	(0.9)	(1.0)	(0.2)	(0.6)	(1.1)
Net Income (Loss)	**1.0**	**0.4**	**(2.8)**	**0.2**	**1.5**
Margin	*2.4%*	*0.8%*	*-4.8%*	*0.3%*	*1.9%*

Source: Company data 2017-19A, EnVent Research 2020-21E

Consolidated Balance Sheet

€m	2017	2018	2019	2020E	2021E
Work in progress	0.9	1.3	2.8	2.3	2.2
Inventory	0.0	0.1	0.9	0.9	0.9
Trade receivables	19.1	24.0	26.9	31.6	36.0
Trade payables	(6.9)	(5.4)	(10.7)	(12.3)	(13.1)
Trade Working Capital	13.2	20.1	19.9	22.4	25.9
Other assets (liabilities)	(1.8)	(3.3)	(2.7)	(3.2)	(3.7)
Net Working Capital	**11.4**	**16.7**	**17.2**	**19.2**	**22.2**
Intangible assets	5.6	6.2	6.7	7.1	7.3
Goodwill	3.5	8.0	9.9	8.7	7.5
Property, plant and equipment	3.3	3.5	3.4	3.3	2.9
Equity investments and financial assets	0.7	0.7	0.7	0.7	0.7
Non-current assets	**13.1**	**18.4**	**20.8**	**19.8**	**18.3**
Provisions	**(1.5)**	**(1.8)**	**(2.0)**	**(2.1)**	**(2.4)**
Net Invested Capital	**23.0**	**33.3**	**36.0**	**36.8**	**38.2**
Net Debt (Cash)	**(1.7)**	**9.7**	**14.8**	**15.4**	**15.3**
Equity	**24.6**	**23.6**	**21.2**	**21.4**	**22.9**
Sources	**23.0**	**33.3**	**36.0**	**36.8**	**38.2**

Net financial debt in 2019 up to €14.8m, mainly due to Unistar acquisition cost and consolidation

Source: Company data 2017-19A, EnVent Research 2020-21E

Consolidated Cash Flow

€m	2017	2018	2019	2020E	2021E
EBIT	**2.1**	**1.6**	**(2.3)**	**1.2**	**2.9**
Current taxes	(0.9)	(1.0)	(0.2)	(0.6)	(1.1)
D&A	2.4	2.6	4.4	3.7	4.1
Provisions	(0.3)	0.3	0.2	0.2	0.2
Cash flow from P&L operations	**3.3**	**3.5**	**2.1**	**4.4**	**6.2**
Trade Working Capital	(4.3)	(6.9)	0.1	(2.5)	(3.5)
Capex - intangibles	(3.8)	(1.0)	(1.5)	(1.5)	(1.5)
Capex - acquisitions	(0.5)	(5.7)	(3.1)	0.0	0.0
Capex - PPE	(1.7)	(1.3)	(1.1)	(1.1)	(1.1)
Other assets and liabilities	(1.4)	1.5	(1.6)	0.5	0.5
Operating cash flow after working capital and capex	**(8.4)**	**(9.7)**	**(5.1)**	**(0.2)**	**0.5**
Interest	(0.2)	(0.3)	(0.3)	(0.4)	(0.3)
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)	0.4	0.0	0.0
Net cash flow	**2.4**	**(11.4)**	**(5.1)**	**(0.6)**	**0.1**
Net (Debt) Cash - Beginning	(0.7)	1.7	(9.7)	(14.8)	(15.4)
Net (Debt) Cash - End	1.7	(9.7)	(14.8)	(15.4)	(15.3)
Change in Net (Debt) Cash	**2.4**	**(11.4)**	**(5.1)**	**(0.6)**	**0.1**

Source: Company data 2017-19A, EnVent Research 2020-21E

Ratio analysis

KPIs	2017	2018	2019	2020E	2021E
ROE	4%	2%	-13%	1%	7%
ROS (EBIT/Revenues)	5%	3%	-4%	2%	4%
ROIC (NOPAT/Invested Capital)	8%	6%	-2%	5%	8%
DSO	136	153	137	135	135
DPO	95	69	94	90	85
TWC/Revenues	31%	43%	33%	32%	32%
NWC/Revenues	27%	35%	29%	27%	28%
Net Debt / EBITDA	n.m.	2.0x	4.5x	3.2x	2.2x
Net Debt / Equity	n.m.	0.4x	0.7x	0.7x	0.7x
Net Debt / (Net Debt+Equity)	n.m.	0.3x	0.4x	0.4x	0.4x
Cash flow from P&L operations / EBITDA	68%	74%	63%	92%	88%
FCF / EBITDA	neg.	neg.	neg.	-5%	7%
Per-capita revenue (€k)	77	90	88	88	88
Per-capita cost (€k)	37	44	43	39	36
Earnings per Share (€)	0.09	0.03	neg.	0.02	0.13

Source: Company data 2017-19A, EnVent Research 2020-21E

Valuation

Discounted Cash Flows

Updated assumptions:

- Risk free rate: 1.8% (Italian 10-year government bonds interest rate - 3Y average. Source: Bloomberg, June 2020)
- Market return: 13.3% (3Y average. Source: Bloomberg, June 2020)
- Market risk premium: 11.5%
- Beta: Unlevered 0.9; Re-levered 1.3 (Median of selected industry peers. Source: Bloomberg, June 2020)
- Cost of equity: 16.7%

- Cost of debt: 3% (Source: average historical rate)
- Tax rate: 24% (IRES)
- 40% debt/(debt + equity) as target capital structure
- WACC at 10.9%
- Perpetual growth rate after explicit projections 2% (lowered from 2.5% due to current financial markets turmoil)
- Terminal Value assumes an EBITDA margin of 9%

DCF Valuation

€m		2017	2018	2019	2020E	2021E	Perpetuity
Revenues		**42.6**	**47.2**	**59.7**	**70.0**	**80.0**	**81.6**
EBITDA		**4.9**	**4.8**	**3.3**	**4.8**	**7.0**	**7.3**
Margin		*11.5%*	*10.2%*	*5.6%*	*6.9%*	*8.8%*	*9.0%*
EBITA		**2.6**	**2.8**	**(1.1)**	**2.4**	**4.1**	**5.8**
Margin		*6.2%*	*6.0%*	*-1.9%*	*3.4%*	*5.1%*	*7.2%*
Taxes		(0.7)	(0.8)	0.3	(0.7)	(1.1)	(1.6)
NOPAT		**1.9**	**2.0**	**(0.8)**	**1.7**	**3.0**	**4.2**
D&A					2.5	2.9	1.5
Provisions					0.2	0.2	0.2
Cash flow from operations					**4.4**	**6.1**	**5.9**
Trade Working Capital					(2.5)	(3.5)	(0.4)
Capex					(2.7)	(2.7)	(1.5)
Other assets and liabilities					0.5	0.5	0.0
Unlevered free cash flow					**(0.3)**	**0.4**	**4.0**
WACC	11%						
Long-term growth (G)	2%						
Discounted Cash Flows					**(0.3)**	**0.3**	
Sum of Discounted Cash Flows	0.0						
Terminal Value							**45.7**
Discounted TV	37.1						
Enterprise Value	**37.1**						
Net Debt as of 31/12/19	(14.8)						
Minorities as of 31/12/19	(0.3)						
Equity Value	**22.0**						

DCF - Implied multiples	**2018**	**2019**	**2020E**	**2021E**
EV/Revenues	0.8x	0.6x	0.5x	0.5x
EV/EBITDA	7.7x	11.2x	7.7x	5.3x
EV/EBITA	13.1x	-33.3x	15.7x	9.0x
P/E	56.4x	-7.7x	97.4x	14.6x

Current market price - Implied multiples		**2018**	**2019**	**2020E**	**2021E**
EV/Revenues		0.6x	0.5x	0.4x	0.3x
EV/EBITDA		5.8x	8.4x	5.8x	4.0x
EV/EBITA		9.8x	-25.0x	11.8x	6.8x
P/E		32.6x	-4.5x	56.3x	8.5x
Discount	*-25%*				

Source: EnVent Research

Target Price

The DCF model based on our estimates suggests a Target Price of €1.91 per share (from €2.83), with a potential upside of 73% on the current share price at €1.11, confirming the OUTPERFORM recommendation on DBA stock.

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

DBA Price per Share	€
Target Price	**1.91**
Current Share Price (04/06/2020)	1.11
Premium (Discount)	**73%**

Source: EnVent Research

Annex

Peer Group - Market Multiples

Company	EV/REVENUES			EV/EBITDA			EV/EBIT			P/E		
	2019	2020E	2021E	2019	2020E	2021E	2019	2020E	2021E	2019	2020E	2021E
DBA	**0.6x**	**0.4x**	**0.3x**	**10.9x**	**5.5x**	**3.8x**	**neg**	**22.8x**	**9.1x**	**neg**	**53.2x**	**7.7x**
Core business peers												
Alten	1.5x	1.1x	1.1x	14.4x	13.2x	10.4x	15.2x	16.9x	13.0x	23.1x	23.2x	17.4x
Sweco	2.3x	2.5x	2.4x	21.0x	19.8x	17.9x	25.3x	29.3x	25.4x	30.5x	33.0x	28.2x
Assystem	1.1x	0.9x	0.9x	15.4x	14.0x	10.1x	17.2x	20.7x	14.5x	18.0x	21.6x	13.1x
Reply	2.1x	2.2x	2.0x	15.2x	14.5x	12.5x	16.2x	18.4x	15.0x	22.8x	27.2x	22.0x
Mean	**1.8x**	**1.7x**	**1.6x**	**16.5x**	**15.4x**	**12.7x**	**18.5x**	**21.3x**	**17.0x**	**23.6x**	**26.3x**	**20.2x**
Median	**1.8x**	**1.7x**	**1.5x**	**15.3x**	**14.2x**	**11.5x**	**16.7x**	**19.5x**	**14.8x**	**22.9x**	**25.2x**	**19.7x**
IT Consulting - Italy												
Exprivia	0.6x	0.6x	na	11.8x	9.1x	na	nm	22.6x	na	neg	neg	na
BE	1.2x	1.1x	1.0x	9.9x	6.6x	6.0x	14.6x	10.4x	8.9x	27.2x	15.4x	13.3x
TXT e-solutions	1.2x	0.9x	0.8x	11.3x	8.2x	6.5x	15.0x	14.8x	10.0x	nm	30.4x	20.1x
Circle	2.2x	1.2x	1.1x	9.2x	6.8x	5.3x	17.8x	11.3x	8.5x	27.8x	14.4x	10.1x
Mean	**1.3x**	**0.9x**	**1.0x**	**10.6x**	**7.7x**	**5.9x**	**15.8x**	**14.8x**	**9.1x**	**27.5x**	**20.1x**	**14.5x**
Median	**1.2x**	**1.0x**	**1.0x**	**10.6x**	**7.5x**	**6.0x**	**15.0x**	**13.0x**	**8.9x**	**27.5x**	**15.4x**	**13.3x**

Source: EnVent Research on S&P Capital IQ, update June 2020

Investment Case

Company

DBA Group SpA (DBA) is an Italian Technology Consulting company, specialized in infrastructure connectivity and lifecycle management. Its 26 offices cover 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 through 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.

Broadband in Italy. Italy has in course a program to 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 is investing €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 is currently a key partner of the project.

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.

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. 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 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. 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. Per-capita revenue is consistently over the years in the region of €80-90k. Personnel cost consistently under 50% of revenues. Per-capita cost 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 seven acquisitions, of which four 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. Large projects for large clients imply several advantages but also recurring risks from concentration of revenues, such as idle cost at projects end and fluctuations of income during backlog rebuilding. Acquisitions and geographical expansion 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. 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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Rating rationale:

OUTPERFORM: stocks are expected to have a total return of at least 20% in the mid-term;

NEUTRAL: stocks are expected to have a performance consistent with market or industry trend and appear less attractive than Outperform rated stocks;

UNDERPERFORM: stocks are among the least attractive in a peer group;

UNDER REVIEW: target price under review, waiting for updated financial data, or other key information such as material transactions involving share capital or financing;

SUSPENDED: no rating/target price assigned, due to material uncertainties or other issues that seriously impair our previous investment ratings, price targets and earnings estimates;

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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
18/04/2019	OUTPERFORM	4.14	2.22
27/11/2019	OUTPERFORM	2.83	1.62
16/06/2020	OUTPERFORM	1.91	1.11

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Number of companies covered: 12	OUTPERFORM	NEUTRAL	UNDERPERFORM	SUSPENDED	UNDER REVIEW	NOT RATED
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