Navigating a challenging environment which is shifting the growth path

H1 2020: Operations and margins challenged by the current market environment

DBA's H1 2020 consolidated revenues were €29.3m, +14% on H1 2019, including first consolidation of Unistar acquisition. Like-for-like H1 2020 revenues would be 15% lower than H1 2019, due to standstills or delays of works mainly in the Oil&Gas, Transport & Logistics and Real Estate market divisions because of Covid-19 restrictions on transports and other activities.

EBITDA was €0.2m (1% margin), vs. €(0.2)m in H1 2019. EBIT was €(1.9)m, almost in line with H1 2019 at €(1.8)m. Net loss of €(2.1)m, vs. €(1.6)m in H1 2019. EBIT and net loss adjusted for goodwill amortization would be respectively €(1.2)m and €(1.4)m.

Net financial debt at €14.6m as of June 2020, from €14.8m as of year-end 2019, did not suffer the worsening of market conditions.

2020E Backlog ca. €60m

The value of 2020E engagements in backlog as of June 2020 was ca. €60m. In addition to the engagements awarded in H1 2020, in the following months DBA had IT engagements from the Slovenian Health Insurance Institute and Ministry of Public Administration.

Updated Management guidelines 2020-23E factoring Covid-19

Management updated its 2020-23E financial guidelines, which needed adjustments in view of Covid-19 impact on operations. The new guidelines are more conservative on the mid-term perspective, while envisage improved margins, through the contribution of the ICT BU, cut of overheads and operating costs, improved flexibility of operations. DBA's long-term action plan and strategic objectives - internationalization and recovery of operating margins - remain unchanged.

Outlook and estimates revision: clear objectives ahead, despite Covid-19 constraints

The pandemic has caused a slowdown in infrastructure investments and works in progress, while there has been an acceleration on communication and technological infrastructures. We understand that these trends may persist over the next year.

As suggested by H1 2020 results and updated guidelines, we have adjusted revenues and restated operating costs in view of continuing margin erosion and actions to reduce costs.

Target Price €1.56 per share (from €1.91), OUTPERFORM rating confirmed

Our valuation model, applied to the estimates as updated on the conservative side in view of the short-term uncertainties, yields a target price of €1.56 per share, from €1.91. With a potential upside of 119% on the current share price at €0.71, which we consider excessively influenced by contingent factors and inconsistent with quality of balance sheet and stability of financial debt, 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**	**70.0**
EBITDA	**4.9**	**4.8**	**3.3**	**4.6**	**5.3**
Margin	*11%*	*10%*	*6%*	*7%*	*8%*
Net Income (Loss)	**1.0**	**0.4**	**(2.8)**	**(0.5)**	**(0.1)**
Net (Debt) Cash	**1.7**	**(9.7)**	**(14.8)**	**(17.3)**	**(15.0)**
Equity	**24.6**	**23.6**	**21.2**	**20.7**	**20.6**

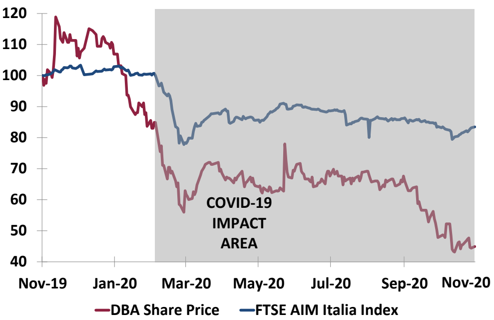
Source: Company data 2017-19A, EnVent Research 2020-21E

DBA GROUP

OUTPERFORM

Current Share Price (€): 0.71
Target Price (€): 1.56

DBA Group - 1Y Performance



Source: S&P Capital IQ - Note: 18/11/2019=100

Company data

ISIN number	IT0005285942
Bloomberg code	DBA IM
Reuters code	DBA.MI
Sector	Engineering & IT Consulting
Stock market	AIM Italia
Share Price (€)	0.71
Date of Price	16/11/2020
Shares Outstanding (m)	11.5
Market Cap (€m)	8.2
Market Float (%)	49.6%
Daily Volume	3,600
Avg Daily Volume YTD	21,911
Target Price (€)	1.56
Upside (%)	119%
Recommendation	OUTPERFORM

Share price performance

	1M	3M	1Y
DBA - Absolute (%)	-6%	-35%	-55%
FTSE AIM Italia (%)	0%	-3%	-17%
1Y Range H/L (€)		1.89	0.69
YTD Change (€)/%		-1.11	-61%

Source: S&P Capital IQ

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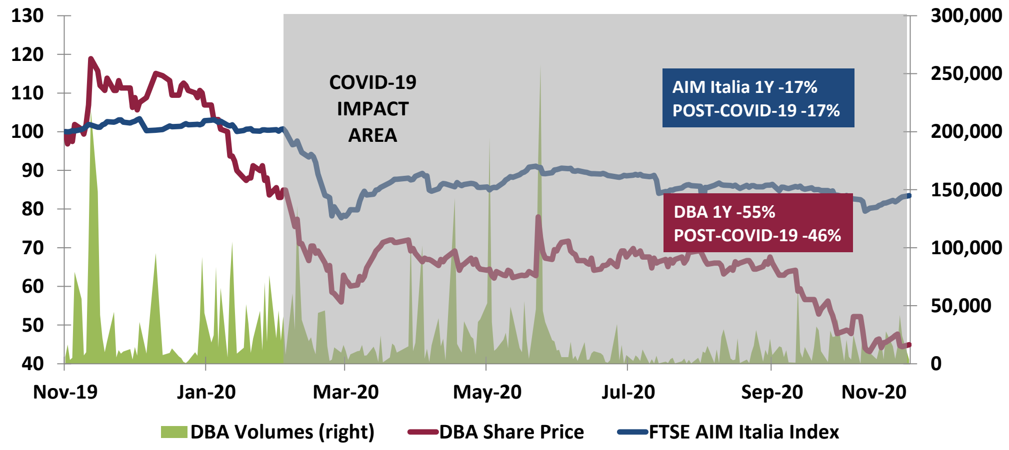
Market update

DBA shares in the last 12 months traded in the range €0.69-1.89, with beginning price at €1.59 and ending at €0.71, 55% drop

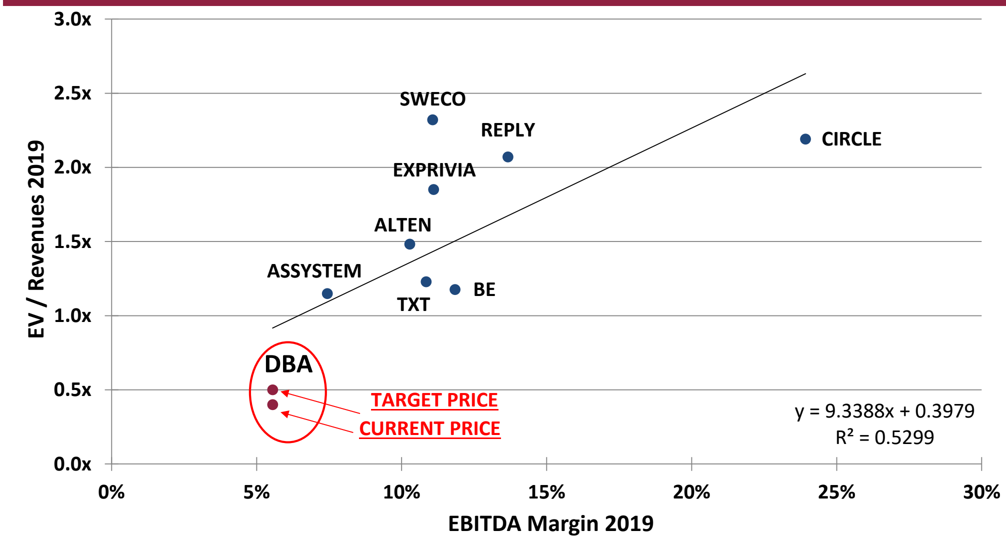
In the same period, the AIM Italia Index decreased by 17%

DBA - 1Y Share price performance and trading volumes



Source: EnVent Research on S&P Capital IQ - Note: 18/11/2019=100

Peer group - Regression analysis and DBA target positioning



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

H1 2020: Challenges by the current market turmoil

During Q1 2020, Group operations were not affected by the effects of the pandemic, while in Q2 the Group recorded a reduction in orders and profitability. The latter trend was already in place since 2019 due to competitive pressure on margins.

DBA's H1 2020 consolidated revenues, including work in progress, were €29.3m, +14% on H1 2019, including first consolidation of Unistar acquisition (occurred in September 2019). Like-for-like H1 2020 revenues would be 15% lower than H1 2019, due to stops or delays of works mainly in the Oil&Gas, Transport & Logistics and Real Estate market divisions because of Covid-19 restrictions on transports and other activities. This slowdown was partly offset by a higher demand from TLC customers for the design of data centers.

LTM per-capita revenue was in the region of €90-100k, consistently with the last years.

The increase in personnel cost (+7%) reflects the addition of Unistar's staff. EBITDA was €0.2m (1% margin), vs. €(0.2)m in H1 2019. EBIT was €(1.9)m, higher than H1 2019 at €(1.8)m due to Unistar goodwill amortization. Net loss of €(2.1)m, vs. €(1.6)m in H1 2019.

EBIT and net loss adjustment for goodwill amortization would be €0.7m.

Improved working capital management and net financial debt

Trade Working Capital improved to €18.2m, from €19.9m at year-end 2019.

Capital expenditure was €1.6m, mainly for investments in software platforms development in Infrastructure Lifecycle Management service line.

Net financial debt at €14.6m as of June 2020, from €14.8m as of year-end 2019, did not suffer the worsening of market conditions.

Stable performance in a stormy environment

Consolidated Profit and Loss

€m	H1 2019	H1 2020
Revenues	21.3	27.3
Change in work in progress	4.2	1.6
Other income	0.2	0.4
Total Revenues	**25.7**	**29.3**
YoY %	*9.5%*	*14.1%*
Personnel	(11.3)	(12.1)
Services	(12.2)	(11.1)
Other operating costs	(2.3)	(5.9)
Operating costs	**(25.9)**	**(29.1)**
EBITDA	**(0.2)**	**0.2**
Margin	*-0.8%*	*0.7%*
D&A	(1.6)	(2.1)
EBIT	**(1.8)**	**(1.9)**
Margin	*-7.1%*	*-6.5%*
Interest	(0.1)	(0.2)
EBT	**(1.9)**	**(2.1)**
Margin	*-7.5%*	*-7.2%*
Income taxes	0.3	0.0
Net Income (Loss)	**(1.6)**	**(2.1)**
Margin	*-6.4%*	*-7.2%*
Minorities	(0.0)	(0.0)
Group Net Income (Loss)	**(1.6)**	**(2.1)**

Source: Company data

Consolidated Balance Sheet

€m	H1 2019	2019	H1 2020
Work in progress	5.5	2.8	4.4
Inventory	0.2	0.9	0.5
Trade receivables	22.4	26.9	22.0
Trade payables	(8.0)	(10.7)	(8.7)
Trade Working Capital	20.1	19.9	18.2
Other assets (liabilities)	(3.8)	(2.7)	(3.4)
Net Working Capital	**16.3**	**17.2**	**14.8**
Intangible assets	6.5	6.7	6.7
Goodwill	7.4	9.9	9.5
Property, plant and equipment	3.4	3.4	3.4
Equity investments and financial assets	0.7	0.7	0.7
Non-current assets	**18.0**	**20.8**	**20.4**
Provisions	**(1.6)**	**(2.0)**	**(1.9)**
Net Invested Capital	**32.6**	**36.0**	**33.2**
Bank debt	15.6	17.8	15.9
Other financial debt	0.7	0.9	1.3
Cash and equivalents	(5.6)	(3.8)	(2.6)
Net Debt (Cash)	**10.7**	**14.8**	**14.6**
Shareholders' Equity	21.9	20.8	18.6
Minority interests	0.0	0.3	0.0
Equity	**21.9**	**21.2**	**18.6**
Sources	**32.6**	**36.0**	**33.2**

Source: Company data

Net financial debt stable

Consolidated Cash Flow

€m	H1 2019	H1 2020
EBIT	**(1.8)**	**(1.9)**
Current taxes	0.3	0.0
D&A	1.6	2.1
Provisions	(0.2)	(0.1)
Cash flow from P&L operations	**(0.1)**	**0.1**
Trade Working Capital	(0.0)	1.8
Capex - intangibles	(0.7)	(0.9)
Capex - PPE	(0.4)	(0.7)
Other assets and liabilities	0.5	0.6
Operating cash flow after working capital and capex	**(0.8)**	**0.9**
Interest	(0.1)	(0.2)
Equity investments and financial assets	(0.0)	(0.1)
Consolidation adjustments	0.0	(0.4)
Net cash flow	**(1.0)**	**0.3**
Net (Debt) Cash - Beginning	(9.7)	(14.8)
Net (Debt) Cash - End	(10.7)	(14.6)
Change in Net (Debt) Cash	**(1.0)**	**0.3**

Improved working capital management

Source: Company data

Ratio Analysis

KPIs	H1 2019	H1 2020
ROE	-6%	-18%
ROS	-9%	-7%
ROIC	-1%	-7%
DSO	130	113
DPO	81	76
TWC/Revenues	43%	29%
Net Debt / EBITDA	3.4x	3.9x
Net Debt / Equity	0.5x	0.8x
Cash flow from operations / EBITDA	51%	52%
FCF / EBITDA	n.m.	n.m.

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

Period facts

New projects

IT engagement from the Slovenian Health Insurance Institute

July 2020: Engagement from the Slovenian Health Insurance Institute for the supply and maintenance of the IT infrastructure. 3Y contract worth €4.6m

IT engagement from the Slovenian Ministry of PA

October 2020: Engagement from the Slovenian Ministry of Public Administration for the supply of the IT service management solution. Over 3Y contract worth €1.4m

Recall of the projects awarded in H1 2020:

- 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.
- April 2020: Port Community System for the ports of Varna and Burgas operated by Bulgarian Ports Infrastructure Company. 2Y contract worth €4.6m.
- 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.
- January 2020: IT supply and support for the University Clinical Centre Ljubljana in Slovenia. 4Y contract worth €4.3m.

Backlog

The value of 2020E engagements in backlog as of June 2020 was ca. €60m and backlog after 12 months is at €61m.

Updated Management guidelines 2020-23E factoring Covid-19

Long-term objectives and industrial highlights confirmed

Management stated that 2020-23E revenue guidelines released in October 2019 could not be confirmed after Covid-19 impact on operations. DBA's long-term action plan and strategic objectives - internationalization and recovery of operating margins - remain confirmed.

Recall of updated operating highlights:

- Focus on the DBA Network project (network of technical sales partners for the provision of engineering and project management services) in order to achieve a higher flexibility of operations and improve profitability in the Engineering and Project Management BU
- Increase in revenues through cross-selling
- Completion and marketing of the software platforms under development
- Standby of M&A activity, waiting for a less risky market context

Prudence in the short-term, waiting for the recovery of reference markets after Covid-19 impact

The updated 2020-23E guidelines envisage:

- 2020E: 6% reduction in revenues compared to 2019PF, due to a slowdown in investments in infrastructure, transport and logistics subsequent to Covid-19 restrictions
- 2021E: 3% reduction in revenues compared to 2020E, mainly due to an expected slowdown in short-term investments by telco operators
- 2022-23E: recovery in reference markets, with revenues returning to grow
- improved operating margins for the plan period through the contribution of the ICT BU (projects with higher profitability), cut of central holding costs, overheads and operating costs, higher flexibility of operations (DBA Network)
- a continuing reduction of net financial debt from the 2020E peak

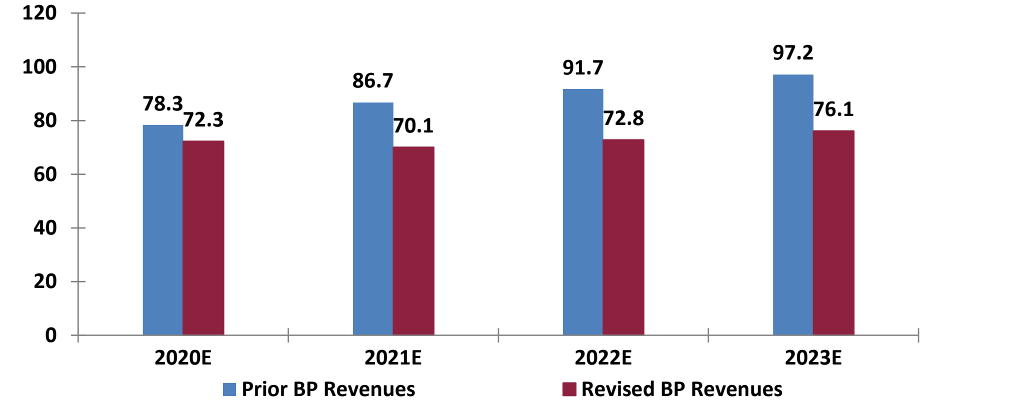
Financial guidelines 2020-23

Updated Management guidance 2020-23E (November 2020)				
€m	**2020E**	**2021E**	**2022E**	**2023E**
Total Revenues (incl. capitalization of intangibles)	72.3	70.1	72.8	76.1
EBITDA	4.6	5.5	6.3	7.3
Margin	*6.4%*	*7.9%*	*8.6%*	*9.6%*
EBIT	0.1	0.9	2.0	3.2
Net Income (Loss)	(0.5)	0.0	0.9	1.9
Net (Debt) Cash	(16.3)	(14.1)	(12.3)	(9.4)

Prior Management guidance 2019-23E (October 2019)				
€m	**2020E**	**2021E**	**2022E**	**2023E**
Total Revenues (incl. capitalization of intangibles)	78.3	86.7	91.7	97.2
EBITDA	6.8	8.9	10.2	12.0
Margin	*8.7%*	*10.3%*	*11.1%*	*12.4%*
EBIT	2.2	3.9	5.4	7.1
Net Income (Loss)	0.8	1.9	3.1	4.3
Net (Debt) Cash	(14.8)	(12.4)	(5.9)	2.6

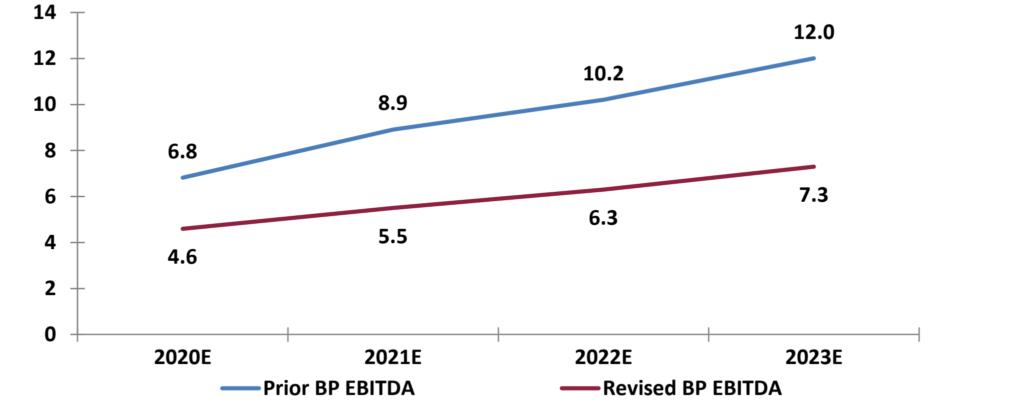
Source: Company data

Revenues (€m) - Prior vs. Revised Management guidance



Source: Company data

EBITDA (€m) - Prior vs. Revised Management guidance



Source: Company data

Unistar adds cybersecurity to the services offered

Out of the key pillars of the business plan (ICT sector, internationalization, building operating margins), the expansion of market offer with cybersecurity and integrated software and hardware has been achieved through the acquisition of Unistar in Q3 2019.

Our view on guidelines

We note that the updated guidelines are closer to our pre-Covid estimates for 2020 (see June 2020 note) and under our pre-Covid estimates for the following years. To date, the picture is clearer and we concur with the view of prudence during the expected relief in 2021, then a restart from 2022 on.

Outlook: clear objectives ahead, despite Covid-19 constraints

The pandemic has caused a slowdown in infrastructure investments and works in progress, while there has been an acceleration on communication and technological infrastructures. These trends are likely to persist over the next year.

We recall DBA's long-term action plan:

- expansion into foreign markets
- digitization of port and inter-port infrastructures along the New Silk Road
- acquisition of know-how and orders in the Digital Twin and predictive maintenance field
- continuing bids for engineering services, also in support of the global economy recovery after Covid19 emergency, through: services connected with Building Information Modeling and Digital Twin paradigms; investments in the public sector, in schools, transport and mobility infrastructures; investments in the Real Estate sector connected with smart districts and hotels; investments in ports and airports.

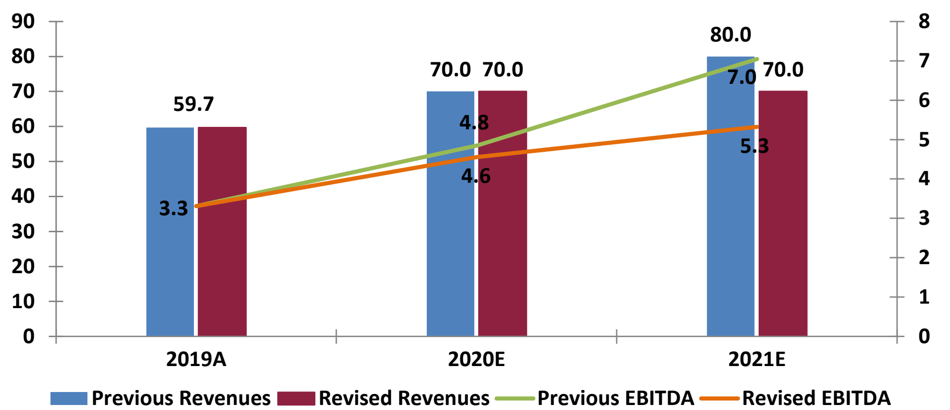
Estimates revision

Based on the current scenario impacted by Covid-19 we have adjusted our prior 2020E revenue and operating cost estimate to a level consistent with H1 2020 results and 2020E updated management guidelines, with which we concur. Profitability has been adjusted downward compared to our previous estimate, in view of a persisting margin erosion.
For the next year, we have restated revenues downward aligning to 2020 and operating costs in view of both a continuing margin erosion and actions to reduce costs.
Starting during the pandemic lockdowns, the Group has operated in smart working, which we consider a key asset. We expect a reduction in overheads, together with operating costs, which are under management review to limit margin loss and face current market challenges impacting operations in the Engineering & Project Management BU.

We wait for H1 2021 to review the economic climate after the pandemic and extend our projection period, without exercising too much subjectivity.

Change in estimates

Revenues and EBITDA (€m) - Previous vs. Revised estimates



Source: EnVent Research; Company data 2019A

€m	Revised 2019	2020E	2021E	Previous 2020E	2021E	Change % (Rev. vs. Prev.) 2020E	2021E
Total Revenues	59.7	70.0	70.0	70.0	80.0	0%	-13%
EBITDA	3.3	4.6	5.3	4.8	7.0	-6%	-35%
Margin	*6%*	*7%*	*8%*	*7%*	*9%*		
EBIT	(2.3)	0.3	0.8	1.2	2.9	-76%	-90%
Margin	*-4%*	*0%*	*1%*	*2%*	*4%*		
Net Income (Loss)	(2.8)	(0.5)	(0.1)	0.2	1.5	-305%	-131%
Net (Debt) Cash	(14.8)	(17.3)	(15.0)	(15.4)	(15.3)		

Source: EnVent Research; Company data 2019A

Financial projections

1Y shift in the growth path and 2Y projections reflecting uncertainties in global markets

Consolidated Profit and Loss

€m	2017	2018	2019	2020E	2021E
Total Revenues	**42.6**	**47.2**	**59.7**	**70.0**	**70.0**
YoY %	*2.7%*	*10.8%*	*26.5%*	*17.3%*	*0.0%*
Personnel	(16.0)	(19.0)	(22.3)	(23.0)	(23.5)
Services	(17.7)	(17.7)	(24.9)	(29.9)	(28.4)
Other operating costs	(4.0)	(5.6)	(9.1)	(12.5)	(12.7)
Operating costs	**(37.7)**	**(42.4)**	**(56.4)**	**(65.4)**	**(64.7)**
Adjusted EBITDA	**4.9**	**4.8**	**3.3**	**4.6**	**5.3**
Margin	*11.5%*	*10.2%*	*5.6%*	*6.5%*	*7.6%*
Non-recurring costs	(0.3)	(0.4)	(1.2)	0.0	0.0
EBITDA	**4.6**	**4.4**	**2.1**	**4.6**	**5.3**
Margin	*10.7%*	*9.4%*	*3.5%*	*6.5%*	*7.6%*
D&A	(1.9)	(1.6)	(3.2)	(2.9)	(3.1)
EBITA	**2.6**	**2.8**	**(1.1)**	**1.7**	**2.2**
Margin	*6.2%*	*6.0%*	*-1.9%*	*2.4%*	*3.2%*
Goodwill amortization	(0.5)	(1.2)	(1.2)	(1.4)	(1.4)
EBIT	**2.1**	**1.6**	**(2.3)**	**0.3**	**0.8**
Margin	*4.9%*	*3.5%*	*-3.9%*	*0.4%*	*1.2%*
Interest	(0.2)	(0.3)	(0.3)	(0.4)	(0.3)
EBT	**1.9**	**1.4**	**(2.7)**	**(0.1)**	**0.5**
Margin	*4.5%*	*2.9%*	*-4.5%*	*-0.1%*	*0.7%*
Income taxes	(0.9)	(1.0)	(0.2)	(0.4)	(0.5)
Net Income (Loss)	**1.0**	**0.4**	**(2.8)**	**(0.5)**	**(0.1)**
Margin	*2.4%*	*0.8%*	*-4.8%*	*-0.7%*	*-0.1%*

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

No concerns into the B/S

Consolidated Balance Sheet

€m	2017	2018	2019	2020E	2021E
Work in progress	0.9	1.3	2.8	3.3	1.9
Inventory	0.0	0.1	0.9	0.9	0.9
Trade receivables	19.1	24.0	26.9	32.8	32.8
Trade payables	(6.9)	(5.4)	(10.7)	(12.8)	(11.7)
Trade Working Capital	13.2	20.1	19.9	24.2	23.8
Other assets (liabilities)	(1.8)	(3.3)	(2.7)	(3.2)	(3.2)
Net Working Capital	**11.4**	**16.7**	**17.2**	**21.0**	**20.6**
Intangible assets	5.6	6.2	6.7	6.7	6.6
Goodwill	3.5	8.0	9.9	8.5	7.1
Property, plant and equipment	3.3	3.5	3.4	3.1	2.6
Equity investments and financial assets	0.7	0.7	0.7	0.7	0.7
Non-current assets	**13.1**	**18.4**	**20.8**	**19.1**	**17.1**
Provisions	**(1.5)**	**(1.8)**	**(2.0)**	**(2.0)**	**(2.1)**
Net Invested Capital	**23.0**	**33.3**	**36.0**	**38.0**	**35.6**
Net Debt (Cash)	**(1.7)**	**9.7**	**14.8**	**17.3**	**15.0**
Equity	**24.6**	**23.6**	**21.2**	**20.7**	**20.6**
Sources	**23.0**	**33.3**	**36.0**	**38.0**	**35.6**

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)**	**0.3**	**0.8**
Current taxes	(0.9)	(1.0)	(0.2)	(0.4)	(0.5)
D&A	2.4	2.6	4.4	4.3	4.5
Provisions	(0.3)	0.3	0.2	0.0	0.0
Cash flow from P&L operations	**3.3**	**3.5**	**2.1**	**4.2**	**4.8**
Trade Working Capital	(4.3)	(6.9)	0.1	(4.3)	0.3
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)	(1.0)	(1.0)
Other assets and liabilities	(1.4)	1.5	(1.6)	0.5	0.0
Operating cash flow after working capital and capex	**(8.4)**	**(9.7)**	**(5.1)**	**(2.1)**	**2.6**
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)**	**(2.5)**	**2.3**
Net (Debt) Cash - Beginning	(0.7)	1.7	(9.7)	(14.8)	(17.3)
Net (Debt) Cash - End	1.7	(9.7)	(14.8)	(17.3)	(15.0)
Change in Net (Debt) Cash	**2.4**	**(11.4)**	**(5.1)**	**(2.5)**	**2.3**

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

Ratio analysis

KPIs	2017	2018	2019	2020E	2021E
ROE	4%	2%	-13%	-2%	0%
ROS (EBIT/Revenues)	5%	3%	-4%	0%	1%
ROIC (NOPAT/Invested Capital)	8%	6%	-2%	3%	4%
DSO	136	153	137	140	140
DPO	95	69	94	90	85
TWC/Revenues	31%	43%	33%	35%	34%
NWC/Revenues	27%	35%	29%	30%	29%
Net Debt / EBITDA	n.m.	2.0x	4.5x	3.8x	2.8x
Net Debt / Equity	n.m.	0.4x	0.7x	0.8x	0.7x
Net Debt / (Net Debt+Equity)	n.m.	0.3x	0.4x	0.5x	0.4x
Cash flow from P&L operations / EBITDA	68%	74%	63%	92%	91%
FCF / EBITDA	neg.	neg.	neg.	-46%	50%
Per-capita revenue (€k)	77	90	82	94	81
Per-capita cost (€k)	37	44	39	37	32
Earnings per Share (€)	0.09	0.03	neg.	neg.	neg.

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

Valuation

Discounted Cash Flows

Updated assumptions:

- Risk free rate: 1.7% (Italian 10-year government bonds interest rate - 3Y average. Source: Bloomberg, November 2020)
- Market return: 13.0% (3Y average. Source: Bloomberg, November 2020)
- Market risk premium: 11.3%
- Beta: Unlevered 0.9; Re-levered 1.3 (Median of selected industry peers. Source: Bloomberg, November 2020)
- Cost of equity: 16.4%
- Cost of debt: 3% (Source: average historical rate)
- Tax rate: 24% (IRES)
- 40% debt/(debt + equity) as target capital structure
- WACC at 10.7%
- Perpetual growth rate after explicit projections 2%
- 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**	**70.0**	**71.4**
EBITDA		**4.9**	**4.8**	**3.3**	**4.6**	**5.3**	**6.4**
Margin		*11.5%*	*10.2%*	*5.6%*	*6.5%*	*7.6%*	*9.0%*
EBITA		**2.6**	**2.8**	**(1.1)**	**1.7**	**2.2**	**4.9**
Margin		*6.2%*	*6.0%*	*-1.9%*	*2.4%*	*3.2%*	*6.9%*
Taxes		(0.7)	(0.8)	0.3	(0.5)	(0.6)	(1.4)
NOPAT		**1.9**	**2.0**	**(0.8)**	**1.2**	**1.6**	**3.6**
D&A					2.9	3.1	1.5
Provisions					0.0	0.0	0.0
Cash flow from operations					**4.1**	**4.7**	**5.1**
Trade Working Capital					(4.3)	0.3	(0.4)
Capex					(2.5)	(2.5)	(1.5)
Other assets and liabilities					0.5	0.0	0.0
Unlevered free cash flow					**(2.2)**	**2.6**	**3.2**
WACC	10.7%						
Long-term growth (G)	2.0%						
Discounted Cash Flows					**(2.1)**	**2.2**	
Sum of Discounted Cash Flows	0.1						
Terminal Value							**37.8**
Discounted TV	32.4						
Enterprise Value	**32.5**						
Net Debt as of 30/06/20	(14.6)						
Minorities as of 30/06/20	(0.0)						
Equity Value	**17.9**						

DCF - Implied multiples		**2018**	**2019**	**2020E**	**2021E**
EV/Revenues		0.7x	0.5x	0.5x	0.5x
EV/EBITDA		6.8x	9.8x	7.1x	6.1x
EV/EBITA		11.5x	-29.2x	19.3x	14.7x
P/E		46.1x	-6.3x	-38.7x	-261.4x

Current market price - Implied multiples		**2018**	**2019**	**2020E**	**2021E**
EV/Revenues		0.5x	0.4x	0.3x	0.3x
EV/EBITDA		5.0x	7.3x	5.3x	4.5x
EV/EBITA		8.5x	-21.6x	14.3x	10.9x
P/E		24.5x	-3.4x	-20.6x	-139.0x
Discount	*-26%*				

Source: EnVent Research

Target Price

Our valuation model, applied to the estimates updated on the conservative side in view of the short-term uncertainties, yields a Target Price of €1.56 per share, from €1.91. With a potential upside of 119% on the current share price at €0.71, we confirm the OUTPERFORM rating on DBA stock.

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

DBA Price per Share	**€**
Target Price	**1.56**
Current Share Price (16/11/2020)	0.71
Premium (Discount)	**119%**

Source: EnVent Research

Annex

Peer Group - Market Multiples

Company	EV/REVENUES 2019	EV/REVENUES 2020E	EV/REVENUES 2021E	EV/EBITDA 2019	EV/EBITDA 2020E	EV/EBITDA 2021E	EV/EBIT 2019	EV/EBIT 2020E	EV/EBIT 2021E	P/E 2019	P/E 2020E	P/E 2021E
DBA	**0.6x**	**0.3x**	**0.3x**	**10.9x**	**5.0x**	**4.3x**	**neg**	**80.3x**	**28.1x**	**neg**	**neg**	**neg**
Core business peers												
Alten	1.5x	1.3x	1.2x	14.4x	15.1x	11.9x	15.2x	23.1x	16.4x	23.1x	33.1x	23.9x
Sweco	2.3x	2.8x	2.7x	21.0x	22.0x	20.5x	25.3x	29.2x	26.6x	30.5x	33.3x	30.4x
Assystem	1.1x	0.9x	0.9x	15.4x	11.5x	9.8x	17.2x	17.6x	14.0x	18.0x	31.3x	12.0x
Reply	2.1x	2.8x	2.5x	15.2x	17.3x	15.5x	16.2x	21.5x	19.3x	22.8x	31.2x	27.8x
Mean	**1.8x**	**1.9x**	**1.8x**	**16.5x**	**16.5x**	**14.4x**	**18.5x**	**22.9x**	**19.1x**	**23.6x**	**32.2x**	**23.5x**
Median	**1.8x**	**2.0x**	**1.8x**	**15.3x**	**16.2x**	**13.7x**	**16.7x**	**22.3x**	**17.9x**	**22.9x**	**32.2x**	**25.9x**
IT Consulting - Italy												
Exprivia	1.9x	1.8x	na	16.7x	17.3x	na	nm	25.6x	na	neg	6.8x	na
BE	1.2x	1.2x	1.1x	9.9x	6.7x	6.2x	14.6x	10.9x	9.5x	27.2x	16.1x	13.0x
TXT e-solutions	1.2x	0.8x	0.7x	11.3x	7.0x	5.2x	15.0x	10.7x	7.5x	nm	23.7x	16.1x
Circle	2.2x	1.3x	1.1x	9.2x	9.2x	6.1x	17.8x	22.9x	11.5x	27.8x	32.1x	16.1x
Mean	**1.6x**	**1.3x**	**1.0x**	**11.8x**	**10.0x**	**5.8x**	**15.8x**	**17.5x**	**9.5x**	**27.5x**	**19.7x**	**15.1x**
Median	**1.5x**	**1.2x**	**1.1x**	**10.6x**	**8.1x**	**6.1x**	**15.0x**	**16.9x**	**9.5x**	**27.5x**	**19.9x**	**16.1x**

Source: EnVent Research on S&P Capital IQ, November 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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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
16/11/2020	OUTPERFORM	1.56	0.71

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