



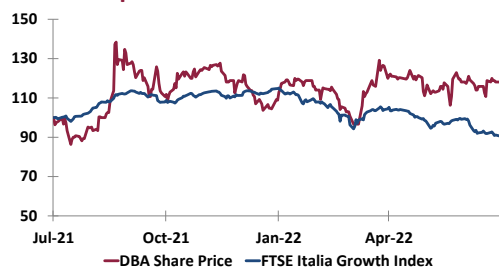
## Engineering back at core of DBA, higher upside potential

### OUTPERFORM

**Current Share Price (€): 1.60**

**Target Price (€): 3.30**

#### DBA Group - 1Y Performance



Source: S&P Capital IQ - Note: 05/07/2021=100

#### Company data

ISIN number	IT0005285942
Bloomberg code	DBA IM
Reuters code	DBA.MI
Sector	Engineering & IT Consulting
Stock market	Euronext Growth Milan
Share Price (€)	1.60
Date of Price	04/07/2022
Shares Outstanding (m)	11.5
Market Cap (€m)	18.4
Market Float (%)	49.6%
Daily Volume	15,900
Avg Daily Volume YTD	15,653
Target Price (€)	3.30
Upside (%)	106%
Recommendation	OUTPERFORM

#### Share price performance

	1M	3M	1Y
DBA - Absolute (%)	0%	-3%	18%
FTSE Italia Growth (%)	-8%	-14%	-9%
1Y Range H/L (€)	1.88	1.17	
YTD Change (€)/%	0.19	13%	

Source: S&P Capital IQ

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#### Stock performance: up 18% LTM

Overall, DBA share price gained 18% since July 2021, vs -9% of reference index, recording stock volatility with ample movements in the range €1.17-1.88.

#### FY21 results highlight recovery for the Engineering & Project Management business in Italy

Consolidated revenues were €78.8m, +11% YoY, driven by the Engineering & Project Management BU with 17% YoY growth and accounting for €39.6m revenues/value of production. The Slovenian ICT BU (foreseen carve-out in the announced sale transaction) reported revenues/value of production of €39.8m.

Adjusted EBITDA was €7.4m (9% margin vs 6% in FY20), of which €4m attributable to E&PM BU and €3.3m to ICT Slo BU. Reported EBITDA was €4.8m (6% margin, in line with prior year) after a €2.4m write-down of a trade receivable from the client Italtel and €0.1m reorganization costs. Engineering works in Italy on data centers, energy transition (110% tax incentive) and ultra-broadband network development in Italy carried higher operating margins contributing to profitability improvements.

EBIT at €0.4m vs €(0.7)m in FY20, after €2.9m D&A and €1.5m goodwill amortization. Consolidated net loss of €(0.7)m, vs €(1.3)m in FY20. Net income adjusted for goodwill amortization would be €0.8m.

Trade working capital of €15.9m was lower compared to year-end 2020, at 20% of revenues vs 31% in FY20, for higher trade payables and advances from customers. The net financial debt decrease from €16.3m as of June 2021 to €10.3m as of year-end 2021 was due also to a €3.8m advance from a customer received by the end of the fiscal year.

#### Target price €3.30 per share (from €2.74), OUTPERFORM rating confirmed

In 2021 DBA met revenue and profitability management targets and outperformed our estimates. We recall that last management guidance for 2022 is €84m revenues and €7.5m EBITDA, still including Actual IT subsidiary under sale whose closing is expected within September 2022.

We have factored FY21 accounts within our last estimates, however, we deem updated management guidelines on short/mid-term strategy and perspective necessary to perform a comprehensive revision of our estimates in view of a smaller company with substantial cash available.

Based on the analysis of FY21 results and available information on the M&A transaction, and looking at the separate value of the two BUs as embedded in our valuation model, we recognize a shareholder value realization effected through business continuity accompanied by substantial cash available. Accordingly, we adjust our target price from €2.74 to €3.30 per share, which still implies a significant discount to peers and a perspective upside potential. We confirm the OUTPERFORM rating.

#### KEY FINANCIALS

€m	2017	2018	2019	2020	2021
Revenues	42.6	47.2	59.7	70.9	78.8
Adj. EBITDA	4.9	4.8	3.3	4.4	7.4
Margin	11%	10%	6%	6%	9%
Net Income (Loss)	1.0	0.4	(2.8)	(1.3)	(0.7)
Net (Debt) Cash	1.7	(9.7)	(14.8)	(16.4)	(10.3)
Equity	24.6	23.6	21.2	19.3	18.5

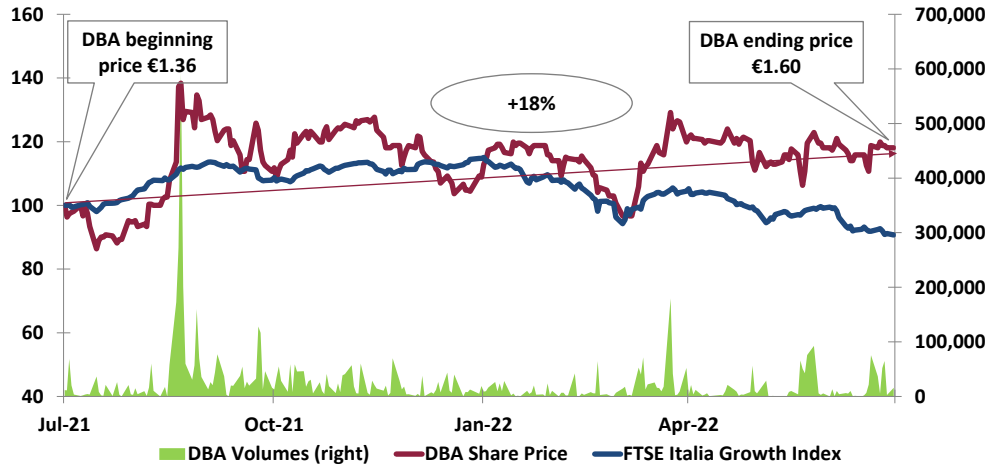
Source: Company data 2017-21A

**Market update**

**DBA Group - 1Y Share price performance and trading volumes**

Trading price range €1.17-1.88 per share

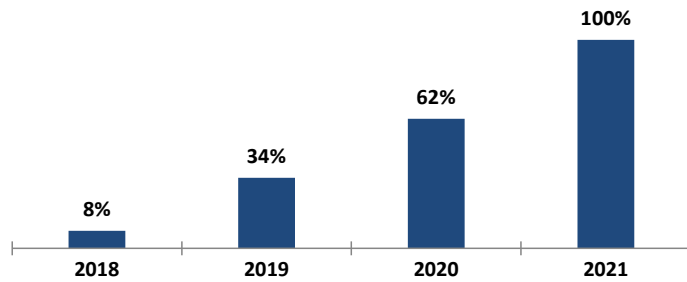
+18% for DBA, vs -9% of the Italia Growth Index



Source: EnVent Research on S&P Capital IQ - Note: 05/07/2021=100

**DBA Group - Liquidity analysis and velocity turnover**

In 2021 highest trading volumes

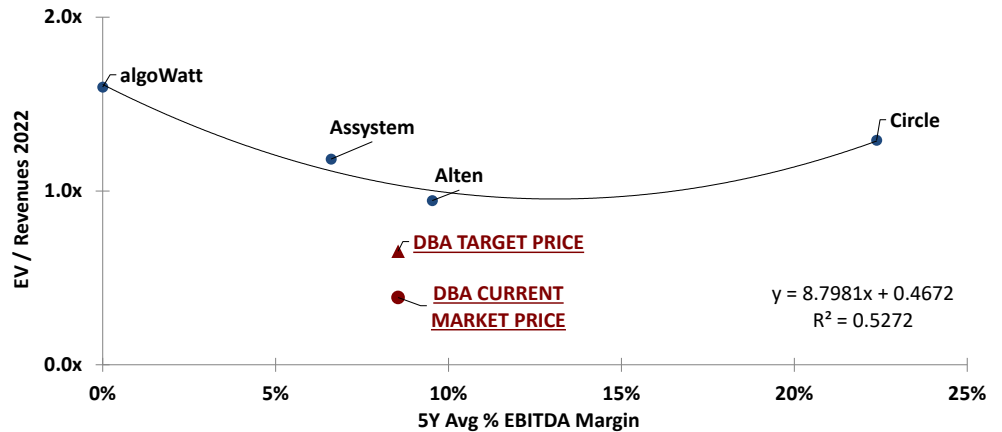


Source: EnVent Research on S&P Capital IQ - Velocity turnover=ratio of tot. traded shares to tot. ordinary shares

**Peer group - Regression analysis and DBA target positioning**

Polynomial regression to represent poor correlation of high revenue multiples regardless of losses or diverging profitability

Consistent wide discount to peers, despite low comparability



Source: EnVent Research on S&P Capital IQ, July 2022

## Investment case

**The mission critical network infrastructure specialist**

**30 years of history, >600 people, 5 M&A**

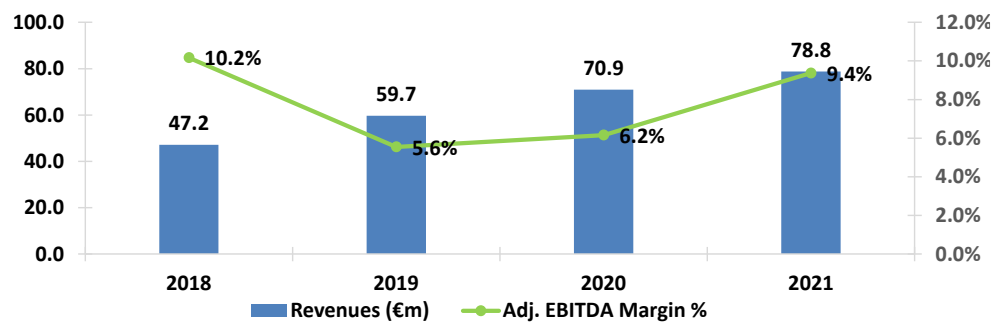
**Strategy**

DBA, listed on Euronext Growth Milan, is an Italian technology consulting group specialized in mission critical infrastructure connectivity and lifecycle management. DBA operates through three BUs: Engineering & Project Management, ICT Slovenia (ongoing carve-out in the announced sale transaction), ICT Italy. The business model is a combination and synergy of multidisciplinary teams providing conception, planning, digitalization, connectivity, operation and maintenance of critical infrastructure. The client portfolio is diversified across industries: Telco, Transportation and Logistics, Energy, Oil & Gas, Real Estate.

Founded in 1991, DBA got listed in 2017, then grew organically and through 5 acquisitions which supported business mix and geographical diversification.

Main strategic goals are concentrating on infrastructure lifecycle management, increasing the exposure on the Italian and European markets and capturing the opportunities from infrastructure and energy investment plans, and digital transition, also through M&A.

### Historical Revenues and EBITDA



Source: Company data

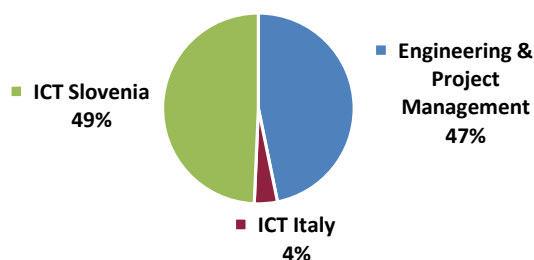
### Industry and Company drivers

- Global investments in infrastructure and connectivity
- Ultra-broadband evolution calls for new expansion cycles
- IoT is emerging as the third wave of internet development
- Global urbanization and mobility trends
- Integrated business model built around infrastructure lifecycle
- A defensive engineering consulting operator
- Meticulous M&A and integration of acquired companies
- Management-Shareholder alignment of interests

### Challenges

- Infrastructure investment cycles
- Revenue concentration
- Delays in projects and execution delivery risk
- Increasing competition
- Staff utilization, charge-out rates and retention rates

## Revenue breakdown by BU, 2021



Source: Company data

## Business update

- DBA terminated the Russian subsidiary Proekt
- Closing of Finest loan worth €1.2m and purchase of the remaining 12.5% of a subsidiary held by Finest for €0.7m

## Historical financials

### Consolidated Profit and Loss

€m	2018	2019	2020	2021
Revenues	47.0	57.5	68.2	78.3
Change in work in progress	(0.2)	1.5	1.7	(0.1)
Other income	0.4	0.7	1.0	0.7
<b>Total Revenues</b>	<b>47.2</b>	<b>59.7</b>	<b>70.9</b>	<b>78.8</b>
YoY %	10.8%	26.5%	18.9%	11.1%
Personnel	(19.0)	(22.3)	(24.0)	(25.1)
Services	(17.7)	(24.9)	(23.0)	(26.9)
Other operating costs	(5.6)	(9.1)	(19.6)	(19.4)
<b>Operating costs</b>	<b>(42.4)</b>	<b>(56.4)</b>	<b>(66.6)</b>	<b>(71.4)</b>
<b>Adjusted EBITDA</b>	<b>4.8</b>	<b>3.3</b>	<b>4.4</b>	<b>7.4</b>
Margin	10.2%	5.6%	6.2%	9.4%
Non-recurring costs	(0.4)	0.0	(0.5)	(2.6)
<b>EBITDA</b>	<b>4.4</b>	<b>3.3</b>	<b>3.9</b>	<b>4.8</b>
Margin	9.4%	5.6%	5.5%	6.1%
D&A	(2.8)	(5.6)	(4.6)	(4.4)
<b>EBIT</b>	<b>1.6</b>	<b>(2.3)</b>	<b>(0.7)</b>	<b>0.4</b>
Margin	3.5%	-3.9%	-0.9%	0.5%
Interest	(0.3)	(0.3)	(0.6)	(0.7)
<b>EBT</b>	<b>1.4</b>	<b>(2.7)</b>	<b>(1.2)</b>	<b>(0.3)</b>
Margin	2.9%	-4.5%	-1.7%	-0.4%
Income taxes	(1.0)	(0.2)	(0.1)	(0.4)
<b>Net Income (Loss)</b>	<b>0.4</b>	<b>(2.8)</b>	<b>(1.3)</b>	<b>(0.7)</b>
Margin	0.8%	-4.8%	-1.9%	-0.9%
Minorities	0.2	(0.1)	(0.1)	0.0
<b>Group Net Income (Loss)</b>	<b>0.2</b>	<b>(2.7)</b>	<b>(1.2)</b>	<b>(0.7)</b>

Source: Company data 2018-21A

### Consolidated Balance Sheet

€m	2018	2019	2020	2021
Work in progress	1.3	2.8	4.5	4.4
Inventory	0.1	0.9	0.6	1.3
Trade receivables	24.0	26.9	28.2	29.0
Trade payables	(5.4)	(10.7)	(12.4)	(18.8)
Trade Working Capital	20.1	19.9	20.9	15.9
Other assets (liabilities)	(3.3)	(2.7)	(2.5)	(3.3)
<b>Net Working Capital</b>	<b>16.7</b>	<b>17.2</b>	<b>18.5</b>	<b>12.5</b>
Intangible assets	6.2	6.7	6.6	6.3
Goodwill	8.0	9.9	8.7	7.9
Property, plant and equipment	3.5	3.4	3.5	3.4
Equity investments and financial assets	0.7	0.7	0.6	1.0
<b>Non-current assets</b>	<b>18.4</b>	<b>20.8</b>	<b>19.3</b>	<b>18.6</b>
<b>Net Invested Capital</b>	<b>33.3</b>	<b>36.0</b>	<b>35.8</b>	<b>28.8</b>
Bank debt	15.0	17.8	23.9	19.9
Other financial debt	0.7	0.9	1.2	1.1
Cash and equivalents	(6.0)	(3.8)	(8.7)	(10.7)
<b>Net Debt (Cash)</b>	<b>9.7</b>	<b>14.8</b>	<b>16.4</b>	<b>10.3</b>
Shareholders' Equity	23.6	20.8	19.3	18.5
Minority interests	0.0	0.3	0.0	0.0
<b>Equity</b>	<b>23.6</b>	<b>21.2</b>	<b>19.3</b>	<b>18.5</b>
<b>Sources</b>	<b>33.3</b>	<b>36.0</b>	<b>35.8</b>	<b>28.8</b>

Source: Company data 2018-21A

### Consolidated Cash Flow

€m	2018	2019	2020	2021
<b>EBIT</b>	<b>1.6</b>	<b>(2.3)</b>	<b>(0.7)</b>	<b>0.4</b>
Current taxes	(1.0)	(0.2)	(0.1)	(0.4)
D&A	2.6	4.4	4.1	4.3
Provisions	0.3	0.2	0.1	0.3
<b>Cash flow from P&amp;L operations</b>	<b>3.5</b>	<b>2.1</b>	<b>3.4</b>	<b>4.6</b>
Trade Working Capital	(6.9)	0.1	(1.0)	5.1
Capex - intangibles	(0.9)	(1.5)	(1.2)	(1.2)
Capex - acquisitions	(5.7)	(3.1)	(0.2)	(0.7)
Capex - PPE	(1.3)	(1.1)	(1.4)	(1.3)
Other assets and liabilities	1.5	(1.6)	(0.3)	0.9
<b>Operating cash flow after WC and capex</b>	<b>(9.7)</b>	<b>(5.1)</b>	<b>(0.6)</b>	<b>7.3</b>
Interest	(0.3)	(0.3)	(0.6)	(0.7)
Equity investments and financial assets	0.1	(0.0)	0.1	(0.4)
Dividends	(1.4)	0.0	0.0	0.0
Consolidation adjustments	0.0	0.4	(0.5)	(0.1)
<b>Net cash flow</b>	<b>(11.4)</b>	<b>(5.1)</b>	<b>(1.6)</b>	<b>6.2</b>
Net (Debt) Cash - Beginning	1.7	(9.7)	(14.8)	(16.4)
Net (Debt) Cash - End	(9.7)	(14.8)	(16.4)	(10.3)
<b>Change in Net (Debt) Cash</b>	<b>(11.4)</b>	<b>(5.1)</b>	<b>(1.6)</b>	<b>6.2</b>

Source: Company data 2018-21A

### Ratio analysis

KPIs	2018	2019	2020	2021
ROE	2%	-13%	-7%	-4%
ROS	3%	-4%	-1%	0%
ROIC	5%	-6%	-2%	1%
DSO	153	137	121	111
DPO	69	94	87	121
TWC/Revenues	43%	35%	31%	20%
Net Debt / EBITDA	2.0x	4.5x	3.8x	1.4x
Net Debt / Equity	0.4x	0.7x	0.8x	0.6x
Cash flow from operations / EBITDA	74%	63%	78%	62%
FCF / EBITDA	neg.	neg.	neg.	99%

Source: Company data 2018-21A

## Valuation

Following the announced ICT Slovenia BU deal and given that revised management guidelines are likely to be released later on, we deem appropriate to run the update of our valuation through market multiples by BU under the sum of the parts approach, rather than through DCF, having both our previous estimates and management guidelines become superseded.

### Sum of the Parts valuation on market multiples per business unit

We have used both revenue and EBITDA metrics per separate BU. For the ICT Slovenia BU we have adopted its transaction-based valuation, fairly consistent with the multiples-based valuation.

We are aware of the limited comparability of DBA to industry peers, due to several factors among which size, profitability, revenue mix and business model. We have run several sensitivities and even applying a 50% cut to current trading multiples, the resulting value is materially higher than our last valuation, underlying wide room for upside. Accordingly, in view of a substantial change of group profile and availability of cash to fuel next development and strategies, we rely on the multiples-based valuation, on the lower side to keep into account the comparability issues.

### Market multiples

Company	EV/REVENUES			EV/EBITDA			EV/EBIT			P/E		
	2021	2022E	2023E	2021	2022E	2023E	2021	2022E	2023E	2021	2022E	2023E
<b>DBA</b>	<b>0.3x</b>	<b>0.4x</b>	<b>0.6x</b>	<b>3.6x</b>	<b>4.3x</b>	<b>6.2x</b>	<b>73.7x</b>	<b>7.2x</b>	<b>7.6x</b>	<b>neg</b>	<b>15.4x</b>	<b>8.4x</b>
<b>Core business peers</b>												
<b>Alten</b>	1.8x	0.9x	0.9x	17.0x	7.7x	7.1x	17.8x	9.4x	8.6x	25.9x	12.9x	12.0x
<b>Assystem</b>	1.4x	1.2x	1.1x	18.9x	12.6x	11.5x	22.1x	18.0x	16.5x	16.2x	13.2x	11.5x
<b>algoWatt</b>	1.7x	1.6x	1.4x	10.7x	9.5x	7.8x	neg	41.1x	22.0x	nm	nm	31.7x
<b>Circle</b>	1.9x	1.3x	1.0x	12.5x	6.6x	4.8x	26.7x	11.5x	7.4x	28.5x	na	na
<b>Mean</b>	<b>1.7x</b>	<b>1.3x</b>	<b>1.1x</b>	<b>14.8x</b>	<b>9.1x</b>	<b>7.8x</b>	<b>22.2x</b>	<b>20.0x</b>	<b>13.6x</b>	<b>23.5x</b>	<b>13.0x</b>	<b>18.4x</b>
<b>Median</b>	<b>1.7x</b>	<b>1.2x</b>	<b>1.1x</b>	<b>14.8x</b>	<b>8.6x</b>	<b>7.4x</b>	<b>22.1x</b>	<b>14.8x</b>	<b>12.6x</b>	<b>25.9x</b>	<b>13.0x</b>	<b>12.0x</b>

Source: EnVent Research on S&P Capital IQ, 04/07/2022

### SOP application

€m

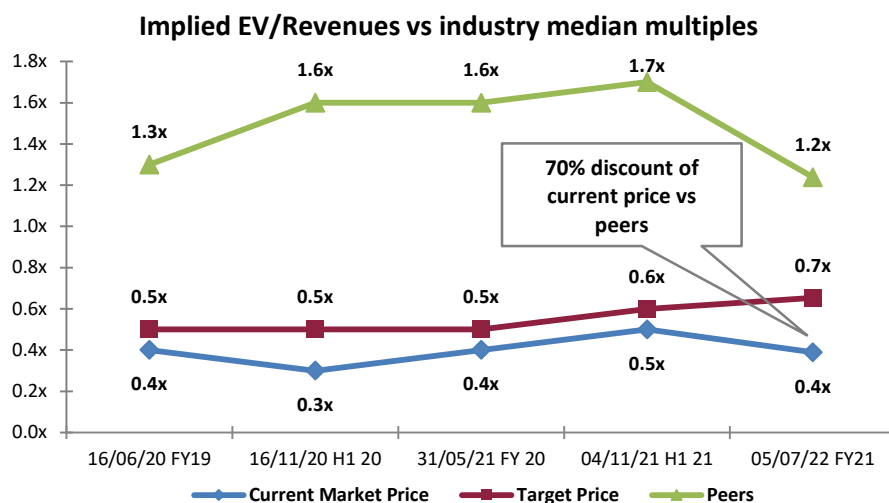
DBA Group	2022E Market multiples		
<i>EV EPM+ICT Ita</i>		<i>50% cut</i>	
2021A Revenues	40.3	0.6x	24.9
<i>EV ICT Slo</i>			
2021A Revenues	39.2	0.8x	30.0
<b>SOP EV DBA Group</b>			<b>54.9</b>
Net Debt as of 31/12/21			(10.3)
Minorities as of 31/12/21			(0.0)
<b>Equity value DBA Group</b>			<b>44.7</b>
<b>Equity value DBA Group per share (€)</b>			<b>3.88</b>

€m

DBA Group	2022E Market multiples		
<i>EV EPM+ICT Ita</i>		<i>50% cut</i>	
2021A EBITDA	4.0	4.6x	18.2
<i>EV ICT Slo</i>			
2021A EBITDA	3.3	9.1x	30.0
<b>SOP EV DBA Group</b>			<b>48.2</b>
Net Debt as of 31/12/21			(10.3)
Minorities as of 31/12/21			(0.0)
<b>Equity value DBA Group</b>			<b>38.0</b>
<b>Equity value DBA Group per share (€)</b>			<b>3.30</b>

Source: EnVent Research

### Target Price



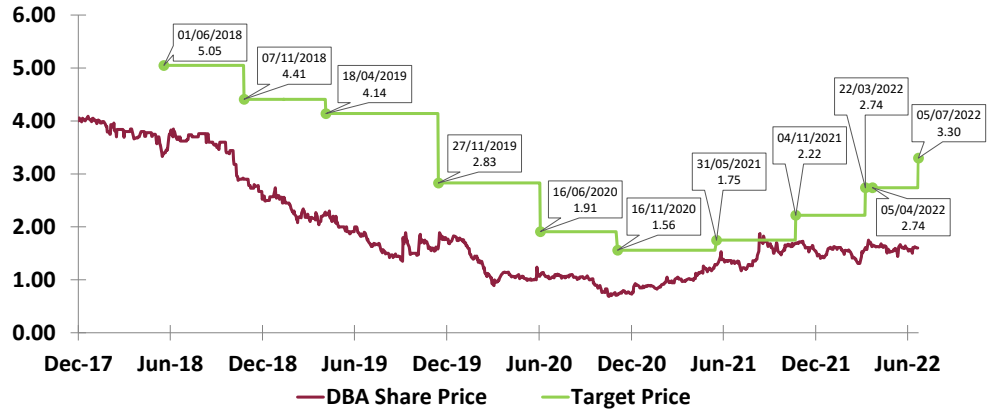
Source: EnVent Research on S&P Capital IQ, 05/07/2022

We recognize the potential upside indicated in the sum of the parts simulation as a proper support to our valuation of DBA, which we consider consistent with the rationale and the terms of the approved transaction. We adjust our target price from €2.74 to €3.30 per share and confirm the OUTPERFORM rating.

<b>DBA Price per Share</b>	<b>€</b>
<b>Target Price</b>	3.30
Current Share Price (04/07/2022)	1.60
<b>Premium (Discount)</b>	<b>106%</b>

Source: EnVent Research

**DBA Share Price vs EnVent Target Price**



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

Source: EnVent Research on S&P Capital IQ, 05/07/2022



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Equity ratings and valuations are issued in absolute terms, not relative to market performance.

Rating system and rationale (12-month time horizon):

OUTPERFORM: stocks are expected to have a total return above 10%;

NEUTRAL: stocks are expected to have a performance between -10% and +10% 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, with the target price 10% below the current market price;

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The stock price indicated in the report is the last closing price on the day of Production.

Date and time of Production: 04/07/2022 h. 6.05pm

Date and time of Distribution: 05/07/2022 h. 6.35pm

## DETAILS ON STOCK RECOMMENDATION AND TARGET PRICE

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
31/05/2021	OUTPERFORM	1.75	1.29
04/11/2021	OUTPERFORM	2.22	1.69
22/03/2022	OUTPERFORM	2.74	1.61
05/04/2022	OUTPERFORM	2.74	1.63
05/07/2022	OUTPERFORM	3.30	1.60

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