

Italy – ICT Consulting

A standstill moment that could hasten digital and infrastructure prospects

22nd June 2020

FY-19 RESULTS RELEASE

RIC: DBA.MI
BBG: DBA IM

FY-19 results came weaker than our estimates in terms of profitability. Numbers confirm the erosion of reference market profitability stemming from enduring harsh competition and price pressure. COVID has further deteriorated the outlook, however digitalisation process represents definitely an opportunity.

Rating:
Buy

Price Target:
€ 1.80 (€ 2.60)

Upside/(Downside): 58.6%

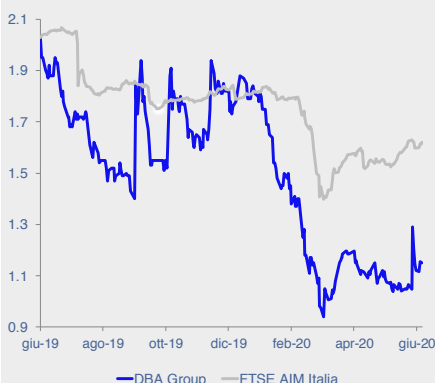
Last Price: € 1.14

Market Cap.: € 13.1m

1Y High/Low: € 1.99/€ 0.86

Free Float: 49.6%

Major shareholders:
De Bettin family 40.5%



Stock price performance

	1M	3M	12M
Absolute	11.8%	18.8%	-40.3%
Rel.to AIM Italia	5.9%	5.4%	-19.3%
Rel.to peers	3.9%	-21.0%	-39.4%

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New PT of € 1.80 (€ 2.60), 58.6% upside

COVID has definitely accelerated the digitalisation process and investments in network infrastructure, cybersecurity and IT. Conversely, goods related infrastructure investments (roads and ports) experienced a marked slow-down on the back of the COVID lockdown and the tight measures aimed at limiting people mobility. Our new estimates entail an organic 13% top line decline YoY (up 15% including the full consolidation of Unistar) for 2020 and enduring weakness of the reference market. The effects of the aforementioned considerations on our figures are a 5.6% and 21.4% slash on Value of Production and EBITDA in 2020-21, on average. We introduced 2022 estimates too. We set a new DCF PT for DBA Group at € 1.80/s (€ 2.60), 58.6% upside. The upside to the current price suggests a long term Buy rating on the stock. DBA's track record remains unfavourable: FY-19 results came in weaker than the guidance anticipated in Nov-19 by the firm. In addition, COVID has worsened the business outlook and deteriorated the competitive situation further.

Top line up 24.6%, driven by organic growth and M&A

Value of production was € 61.0m, up 24.6% YoY, slightly higher than our projection: € 57.5m from sales and services, € 1.50m from work in progress and € 1.4m from internal capitalisation. ENG business division increased by 14.6% to € 37.1m, ICT Italy soared by 84.6% to € 2.8m and ICT Slovenia totalled € 19.0m o/w € 6.0m related to the acquisition of Unistar (consolidated as from Oct-19 – ICT Slovenia increased by 1.2% like-for-like).

EBITDA of € 3.3m, affected by increased price pressure and lower grants

EBITDA was € 3.3m down 25.0% YoY, lower than our € 4.0m expectation. The decrease is mainly due lower European grants to some € 0.6m and to a reduction in margins in the ENG business division driven by price pressure. The consolidation of Unistar brought in € 0.5m EBITDA: like-for-like EBITDA totalled € 2.8m. EBIT turned in red at € 2.3m. The reduction is mainly ascribable to lower EBITDA and to a provision for credit risks and impairment tests to the tune of € 2.2m. Bottom line was negative for € 2.7m. Net Financial Position was € 14.0m, lower than our € 15.8m forecast chiefly as a result of a more favourable WC management (payable more than doubled YoY).

As of March 31st, the group order backlog for 2020 was € 36.6m, 46% of FY-20 budget

The lockdown stemming from the rapid spread of COVID pandemic heavily affected the group project management activity, as the access to the construction sites was restricted or inhibited. Furthermore, the decline in demand was mainly attributable to real estate and oil & gas retail sectors due to restrictions on people mobility. This trend was counterbalanced by the increasing demand for the data-centre design by telco operators, both in Italy and abroad. As of March 31st, thus incorporating the COVID crisis barely at all, the group order backlog was € 79.9m, of which € 36.3m billable in 2020 (46% of FY-20 budget).

DBA Group, key financials and ratios

€ m	2018	2019	2020e	2021e	2022e
Value of production	49.0	61.0	70.4	74.7	79.8
EBITDA	4.4	3.3	4.6	6.0	7.9
EBIT	1.6	(2.3)	(0.1)	1.5	3.5
EBIT adj.	2.3	(1.2)	1.0	2.7	4.7
Net profit	0.2	(2.7)	(0.8)	0.1	1.5
Net profit adj.	0.9	(1.6)	0.4	1.3	2.6
NFP (cash)/debt	9.0	14.0	13.0	11.5	9.1
EPS adjusted €	0.06	(0.11)	0.03	0.10	0.20
EPS adj. growth	-31.0%	n.m.	n.m.	247.4%	104.9%
DPS ord. €/s	0.00	0.00	0.00	0.00	0.00
EBITDA margin %	9.1%	5.4%	6.5%	8.0%	9.9%
EBIT margin %	3.4%	-3.8%	-0.2%	2.0%	4.4%
PER	46.5	(13.9)	35.1	10.1	4.9
EV/Sales	1.02	0.59	0.37	0.33	0.28
EV/EBITDA	11.2	10.8	5.7	4.1	2.8
EV/EBIT	21.6	(30.7)	25.7	9.3	4.7

Income statement (€ m)	2018	2019	2020e	2021e	2022e
Value of Production	49.0	61.0	70.4	74.7	79.8
Services	(18.1)	(24.9)	(29.6)	(31.5)	(32.9)
Lease, rental and other opex	(5.6)	(9.1)	(10.0)	(10.5)	(11.2)
Personnel expenses	(20.8)	(23.6)	(26.2)	(26.7)	(27.9)
EBITDA	4.4	3.3	4.6	6.0	7.9
D&A	(2.8)	(5.6)	(4.7)	(4.5)	(4.4)
EBIT	1.6	(2.3)	(0.1)	1.5	3.5
Financial costs	(0.3)	(0.3)	(0.9)	(0.9)	(0.5)
Extraordinary, other costs	0.0	0.0	0.0	0.0	0.0
Pre-Tax profit	1.4	(2.7)	(1.0)	0.6	3.0
Income taxes	(1.0)	(0.2)	0.4	(0.3)	(1.3)
Minorities	(0.2)	0.1	(0.2)	(0.2)	(0.2)
Net Profit	0.2	(2.7)	(0.8)	0.1	1.5
EBIT adj.	2.3	(1.2)	1.0	2.7	4.7
Net Profit adj.	0.9	(1.6)	0.4	1.3	2.6
Balance sheet (€ m)	2018	2019	2020e	2021e	2022e
Net Working Capital	20.1	19.9	22.0	23.4	25.1
Net Fixed Assets	18.4	20.8	17.7	15.5	13.4
Equity Investments	0.7	0.7	0.7	0.7	0.7
Other M/L Term A/L	(6.5)	(6.3)	(7.0)	(7.5)	(8.0)
Net Invested Capital	32.6	35.1	33.4	32.0	31.1
Net Financial Position	9.0	14.0	13.0	11.5	9.1
Minorities	0.0	0.3	0.5	0.8	1.0
Group's Shareholders Equity	23.6	20.8	19.8	19.8	21.0
Net Financial Position & Equity	32.6	35.1	33.4	32.0	31.1
Cash Flow statement (€ m)	2018	2019	2020e	2021e	2022e
Total net income	0.2	(2.7)	(0.8)	0.1	1.5
Depreciation	2.8	5.6	4.7	4.5	4.4
Other non-cash charges	2.7	(0.2)	0.8	0.5	0.5
Cash Flow from Oper. (CFO)	5.7	2.7	4.7	5.1	6.4
Change in NWC	(6.9)	0.1	(2.1)	(1.3)	(1.7)
FCF from Operations (FCFO)	(1.2)	2.8	2.6	3.8	4.7
Net Investments (CFI)	(9.5)	(8.1)	(1.6)	(2.3)	(2.3)
Free CF to the Firm (FCFF)	(10.7)	(5.3)	1.0	1.5	2.4
CF from financials (CFF)	3.7	3.1	1.8	0.0	(2.5)
Free Cash Flow to Equity (FCFE)	(7.0)	(2.2)	2.7	1.5	(0.1)
Financial ratios	2018	2019	2020e	2021e	2022e
EBITDA margin	9.1%	5.4%	6.5%	8.0%	9.9%
EBIT margin	3.4%	-3.8%	-0.2%	2.0%	4.4%
Net profit margin	0.4%	-4.5%	-1.1%	0.2%	1.9%
Tax rate	71.8%	-6.6%	43.0%	43.0%	43.0%
Interest coverage x	0.16	(0.15)	(6.49)	0.59	0.14
Net Debt/EBITDA x	2.03	4.22	2.86	1.92	1.16
Debt-to-Equity x	0.38	0.67	0.66	0.58	0.43
ROIC	0.7%	-7.8%	-2.3%	0.4%	4.8%
ROCE	3.9%	neg.	neg.	3.4%	8.1%
ROACE	4.1%	-5.5%	-0.3%	3.4%	8.0%
ROE	0.9%	-13.1%	-3.9%	0.7%	7.1%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Per share figures	2018	2019	2020e	2021e	2022e
Number of issued ordinary shares # m	13.00	11.50	11.50	11.50	11.50
Number of shares Fully Diluted # m	15.22	13.40	13.40	13.40	13.40
Average Number of shares Fully Diluted # m	15.22	14.31	13.40	13.40	13.40
EPS reported €	0.02	(0.24)	(0.07)	0.01	0.13
EPS adjusted €	0.07	(0.14)	0.03	0.11	0.23
EPS reported FD €	0.01	(0.19)	(0.06)	0.01	0.11
EPS adjusted FD €	0.06	(0.11)	0.03	0.10	0.20
EBITDA €	0.29	0.23	0.34	0.45	0.59
EBIT €	0.11	(0.16)	(0.01)	0.11	0.26
BV €	1.55	1.58	1.52	1.53	1.64
FCFO €	(0.08)	0.20	0.19	0.28	0.35
FCFF €	(0.70)	(0.37)	0.07	0.11	0.18
FCFE €	(0.46)	(0.15)	0.20	0.11	(0.01)
Dividend €	0.00	0.00	0.00	0.00	0.00

