DBA Group SpA

Italy – ICT Consulting

Breaking the mould in Infrastructure Lifecycle Management

4th May 2018

INITIATION OF COVERAGE

RIC: DBA.MI
BBG: DBA IM

DBA Group is specialised in network connectivity and infrastructure lifecycle support solutions. It is a technology consulting firm focused on high value added solutions and services, characterised by a relevant degree of innovation. It went public on the AIM Italia to boost growth, mainly via acquisitions.

Rating:
Buy

Price Target:
€ 4.70

Upside/(Downside): 24.3%

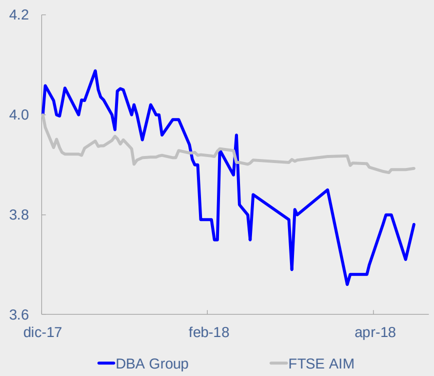
Last Price: € 3.78

Market Cap.: € 49.1

1Y High/Low: € 4.18/€ 3.64

Free Float: 44.0%

Major shareholders:
De Bettin family 46.2%



Stock price performance

	1M	3M	12M
Absolute	2.7%	-5.3%	n.a.
Rel.to AIM Italia	-1.5%	-5.6%	n.a.
Rel.to peers	0.4%	-0.9%	n.a.

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CFO initiates coverage with a Buy rating, Price Target of € 4.70/s

We start coverage on DBA Group with a Buy rating and a Price Target of € 4.70 per share. We analysed a cluster of 13 companies operating in the ICT software, advisory and engineering arena. Size and profitability vary a lot, as well as expected growth rates. DBA Group presents by far the highest growth outlook and comparable profitability vs. peer median. Applying the peer total average 2018-19-20 (50-40-10 weighted), 20% discounted multiples for EV/Sales, EV/EBITDA and EV/EBIT we attain a valuation of € 4.70/s. We used the DCF and the SoP methods to corroborate this value. We get an equity value of € 5.00.s, validated by € 4.80/s achieved with the SoP.

The network connectivity and infrastructure lifecycle support solutions specialist

DBA Group is specialized in network connectivity and infrastructure lifecycle support solutions. The core competence of DBA Group is the proven ability to provide telematic solutions for strategic infrastructures to clients whose business is network-performance critical. It provides integrated services and solutions in the ICT, Project Management and Architecture and Engineering fields in six industries. The firm is the only player in Italy able to offer the synergic combination of the aforementioned services and solutions. It offers high value added services and software platforms which meet the entire range of potential technical, technological and ICT customer needs during the entire infrastructure lifecycle.

Top line and Net Profit adj. $CAGR_{17\text{-}20}$ of 17.8% and 69.3%

Since DBA Group mostly manages client relationships through framework contracts, visibility on short-medium term top line is rather high: we believe more than 50% and 25% of 2018 and 2019 consolidated value of production is already visible. CFO expects top line to show a 17.8% $CAGR_{17\text{-}20}$, driven by the ICT software division. The different revenue mix with an increasing proportion of high margin projects and the greater weight of foreign revenues, are set to drive profitability. EBITDA and EBIT are expected to grow more than proportionately to top line: +40.4% and 68.8% $CAGR_{17\text{-}20}$. Net Profit adj. is expected to show a 69.3% $CAGR_{17\text{-}20}$. Thanks to the relatively low amount of capex free cash flow generation is seen to boost NFP cash positive for € 9.7m in 2020.

DBA Group went public to boost growth and margins, also via acquisitions

The company was listed on the AIM Italia in Dec-17 with a market capitalisation of € 52.0m. The offer encompassed a primary (€ 12.0m) and secondary offer (€ 8m), plus a green-shoe (€ 3.0m). The fresh cash stemming from the IPO is being utilised to boost growth and consolidate positioning also via acquisitions: 1) 50% for acquisitions; 2) 20% to feed internationalisation; 3) 15% for the reinforcement of the management team and 4) 15% for research and development.

DBA Group, key financials and ratios

€ m	2016	2017	2018e	2019e	2020e
Value of production	41.4	45.3	58.0	65.7	74.0
EBITDA	4.8	4.6	6.9	8.8	12.6
EBIT	2.9	2.1	4.1	6.3	10.1
EBIT adj.	3.4	2.6	4.6	6.8	10.6
Net profit	1.2	0.8	2.2	3.4	5.7
Net profit adj.	1.7	1.3	2.7	3.9	6.2
NFP (cash)/debt	(0.1)	(2.7)	(1.8)	(5.3)	(9.7)
EPS adjusted €	0.14	0.08	0.18	0.26	0.41
EPS adj. growth	76.3%	-39.5%	110.3%	46.3%	57.8%
DPS ord. €/s	0.00	0.00	0.00	0.00	0.00
EBITDA margin %	11.6%	10.1%	11.9%	13.4%	17.1%
EBIT margin %	7.0%	4.7%	7.2%	9.7%	13.7%
PER	-	38.7	18.4	12.6	8.0
EV/Sales	-	1.08	0.88	0.72	0.58
EV/EBITDA	-	10.7	7.4	5.4	3.4
EV/EBIT	-	17.8	11.0	7.0	4.1

1. Investment Summary

DBA Group is specialised in network connectivity and infrastructure lifecycle support solutions. The core competence of DBA Group is the proven ability to provide telematic solutions for strategic infrastructures to clients whose business is network-performance critical. It provides integrated services and solutions in the ICT, Project Management and Architecture and Engineering fields in six industries. **DBA Group is the only player in Italy able to offer the synergic combination of the aforementioned services and solutions. It offers high value added services and software platforms** which meet the entire range of potential technical, technological and ICT customer needs **during the entire infrastructure lifecycle** with the aim of providing high added value support services for infrastructure management and maintenance.

Via its three business units the group serves six key reference markets of which four are seen to significantly drive development: 1) **Telecommunications and media**, 2) **Transport and logistics**, 3) **Retail oil and alternative fuel,** 4) **Architecture and building.** In the next few years, **investment in infrastructure is projected to show a significant increase, reaching $ 9,000bn globally**. In Italy, after several years of investment depression, recent budget laws introduced measures to relaunch investment in infrastructure. As a consequence, after the some 20% increase in public works in 2017, this year they are projected to increase further.

The company went public in Dec-17. The offer encompassed a **primary** (€ 12.0m) **and secondary offer** (€ 8m)**,** plus a **green-shoe** (€ 3.0m). The new shareholders were granted **a free warrant (1:3 shares)** as well as a **protective mechanism:** if the group does not reach € 6.0m EBITDA in 2018, current shareholders will cancel up to 1.5m Price Adjustment Shares. The company has a **free float of 44.0%** (51.1% fully diluted).

The fresh cash stemming from the IPO, amounting to € 12.0m will be utilised to boost growth and consolidate **positioning** also via **acquisitions:** 1) **50% for acquisitions; 2) 20%** to feed **internationalisation; 3) 15%** for the reinforcement of the **management team** and **4) 15%** for **research and development.**

Since the group mostly manages its client relationships through **framework contracts**, the **visibility on short-medium term top line** developments is rather **high**. We believe that more than **50% and 25% of 2018 and 2019 consolidated value of production is already visible**. **CFO expects top line to show a 17.8% CAGR in 2017-20**, driven by the ICT software division, responsible for 50% of the increase in top line in the period. The different revenue mix with an **increasing proportion of high margin projects** and the **greater weight of foreign revenues,** are set to drive profitability. **EBITDA and EBIT** are expected to grow **more than proportionately to top line**: **+40.4% and 68.8% CAGR in 2017-20**. **Net Profit adj.** is expected to show a **69.3% CAGR in 2017-20.** Thanks to the relatively low amount of capex free cash flow generation is seen to boost **NFP cash positive for € 9.7m in 2020**.

CFO Sim believes a **multiples comparison is** the most appropriate methodology to appraise DBA Group equity value**.** We analysed a cluster of 13 companies operating in the ICT software, advisory and engineering arena. **Size and profitability vary a lot**, as well as expected **growth rates**. DBA Group presents by far **the highest growth** perspectives and **comparable profitability.** Applying the peer total average 2018-19-20 (50-40-10 weighted), 20% discounted multiples for EV/Sales, EV/EBITDA and EV/EBIT, we attain a valuation of € 4.70/s. We used the DCF and the SoP methods to corroborate this value. We get an equity value of € 5.00/s, validated by € 4.80/s achieved with the SoP. **We initiate coverage with a Buy recommendation and a PT of € 4.70/s, 24.3% upside.**

2. DBA Group in a nutshell

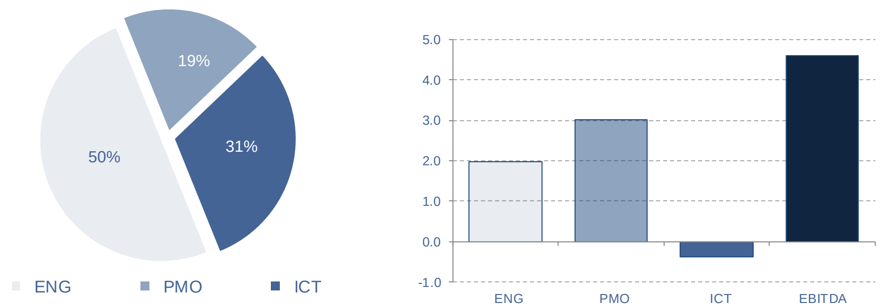
Founded in 1991 by the four De Bettin brothers in the hard-working and creative north east of Italy, **DBA Group is specialized in network connectivity and infrastructure lifecycle support solutions**. The core competence of DBA Group is the proven ability to provide telematics solutions for strategic infrastructure to clients whose business is network-performance critical. It provides integrated services and solutions in the ICT, Project Management and Architecture and Engineering fields in six industries. Founded as an engineer and architect-associated firm, now **DBA Group is the only player in Italy able to offer the synergic combination of the aforementioned services and solutions for the management of the entire infrastructure lifecycle**.

DBA Group is NOT an EPC (engineering, procurement and construction contractor), **is definitely NOT a construction company**: **DBA Group is a technology consulting group focused on HIGH VALUE added solution and services, characterised by a relevant degree of TECHNOLOGY**. The engineering arm represents a key entry barrier: DBA Group knows how processes work. This places the company in the position to offer specific performing turnkey services and solutions.

DBA Group offers high value added services and software platforms which meet the full range of potential technical, technological and ICT customer needs **during the entire infrastructure lifecycle** with the aim of providing high added value support services for infrastructure management and maintenance. The company performs its trade activity via three business units:

- **ICT – Information, Communication and Technology**, **31% of top line**: The BU, using software and telematics platforms designed and developed in-house, offers process and automation engineering and applied information and communication technology for single and networked infrastructure and works.
- **Project Management Office, 19% of top line**. The activity here consists of the scheduling and management of all planning and construction activities (realised by companies directly employed by DBA Group clients) related to single or networked infrastructures and their technological and specialised plants. In this activity, DBA Group follows quality standards, timetable and cost guidelines defined with clients.
- **Architecture and Engineering, 51% of top line**. It comprises the study, ideation design and feasibility study of single or networked infrastructures and their technological and specialised plants. It also provides services for the analysis, mapping and optimisation of processes, technical and technological consultancy and ICT.

Chart 1 – DBA Group, 2017 Value of Production and EBITDA (CFO estimates) by BU



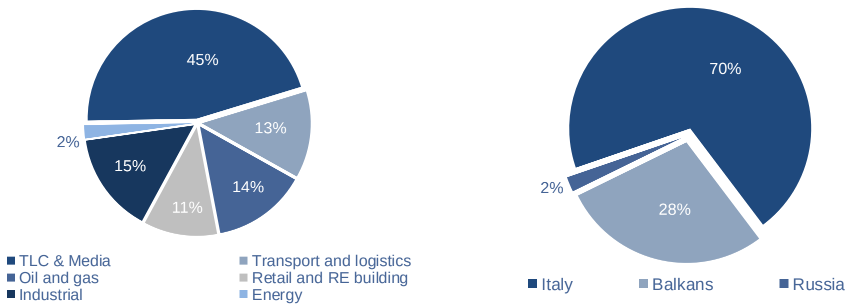
Source: Company data

The group offers its **high-tech services and solutions for private customers** operating mainly in **six reference markets,** where infrastructure is performance-critical for the supply of DBA Group clients' products/services:

- **TLC & media**: telecommunication & media companies and their production, transmission and distribution infrastructures.
- **Transport & logistics**: firms operating in this business and their road, rail port and airport infrastructures.
- **Oil & Gas** firms and their related extraction, storage, transformation, production, transportation and distribution infrastructures.
- **Architecture & construction**: real estate corporations with commercial, residential and touristic assets, industrial and finance retail network.
- **Energy**: sector companies and their production, transformation, transport and distribution infrastructure. Solutions for energy efficiency.
- **Industrial** group (electronic, mechanical, automotive, chemical, clothing, pharmaceutical, food sectors) and their production and distribution facilities.

The company currently concentrates the bulk of its business in **Italy, with 70% of top line**, then in the Balkans with 28% and in Russia with 2% of revenues. This geographical positioning allows a **presence in the areas of the Belt Road Initiative** (or new silk road), a Chinese strategic project aimed at improving links between Eurasian countries, with a massive investment plan to the tune of $ 2,500bn in the next five years.

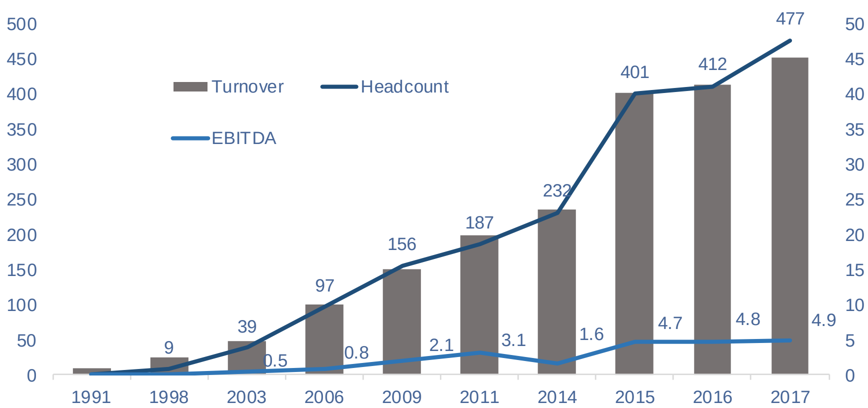
Chart 2 – DBA Group, 2016 value of production by reference markets and by countries



Source: Company data

The group has grown significantly in the last few years: in the period **2011-17, top line more than doubled from € 18.8m to € 45.3m, 15.8% CAGR** also thanks to the acquisition of Actual in 2015, entirely financed by internal resources in addition to a € 1.5m capital increase, which added € 11m in sales. **Profitability rose consequently**: **EBITDA rose from € 2.1m to € 4.6m, 13.8% CAGR**. In 2017 value of production reached € 45.3m, up 9.3% YoY, EBITDA totalled € 4.6m, 10.1% margin and net profit came at € 0.8m, 1.7% of top line. Net financial position was € 2.7m (positive). The chart below shows top line, EBITDA and personnel trends since the founding of DBA Group in 1991.

Chart 3 – DBA Group, 1991-17 top line, EBITDA and staffs growth



Source: Company data

3. IPO structure

The offer encompassed a **primary and secondary offer**. The **capital increase was € 12m**, on offer to professional and retail investors. **Fondo Italiano di Investimento**, which entered the company in 2011 and fuelled growth, was the selling shareholder. At the time of the IPO it had a 32.8% stake in DBA Group and it sold **€ 8m**.

Moreover, an overallotment **green-shoe option was provided by DB Holding** (the De Bettin family holding company) **for € 3.0m**.

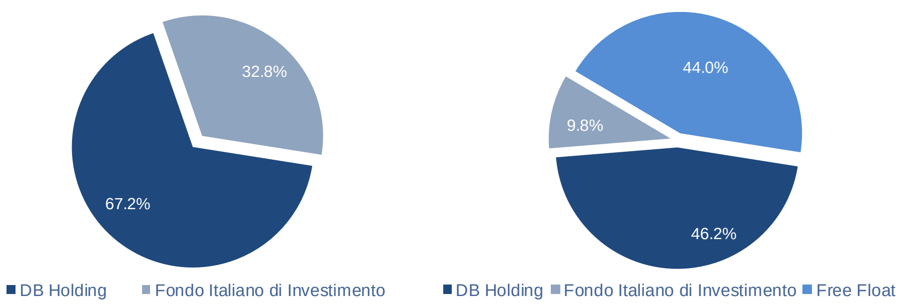
The new shareholders were granted **a free warrant allotment for each 3 shares purchased** in the rights issue. 300.000 warrants were provided and assigned to the management. There is a European Type Exercise period (starting in January 2019) with a time frame of 2 weeks. Strike price calculated on the issue price (+10% for each exercise period).

A **protective mechanism for new shareholders** was introduced in the IPO structure. If the group does not reach € 6.0m EBITDA in 2018 (organic, excluding acquisitions), DB Holding and Fondo Italiano di Investimento will cancel up to 1.5m Price Adjustment Shares, with an EBITDA floor of € 4.8m. Conversely, the Price Adjustment Shares will be entirely converted into ordinary shares if the group reaches at least € 6.0m EBITDA in 2018.

The company has **two non-executive BoD members: one independent selected by the market**, suggested by Assogestioni (the Italian Association of Asset Management Firms) and the **other proposed by the De Bettin family**.

DBA Group went public on 13-Dec-17 on the AIM Italia with market capitalisation of € 52.0m and a **free float of 44.0%, 51.1%** after warrant conversion and the Price Adjustment Shares conversion into ordinary (assuming the company reaches € 6.0m EBITDA in 2018). In the event that DBA Group does not reach € 6.0m EBITDA in 2018, the maximum free float in our assumption presented below, is 56.8%. Pre-IPO shareholders have a 12 month lock-up (Jun-19) for 100% of their shares and a further 6 months lock-up on 90% of their shares.

Chart 4 – DBA Group, shareholder structure pre/post IPO



Source: Company data

4. The reference markets

DBA group operates in the Infrastructure Lifecycle Management arena. Via its three business units (ICT-software, Project Management and Architecture and Engineering), the group serves six key reference markets with its services and solutions, of which four, other than industrial and energy, are seen to significantly drive future group developments:

- **Telecommunications and media**, DBA Group customers are represented by communication & media companies and their production, transmission and distribution infrastructures.
- **Transport and logistics**, the group serves firms operating in this business and their road, rail port and inter-port infrastructures.
- **Retail oil and alternative fuel,** in this field the company provides services and solutions to firms and their related extraction, storage, transformation, production, transportation and distribution infrastructures.
- **Architecture and construction**, clients are real estate corporations with commercial, residential and touristic assets, public building such as hospitals, school and public offices.

In the next years, **investment in infrastructure is projected to show a significant increase, reaching $ 9,000bn globally**. In Italy, after several years of investment depression (due to restrictive policies to sustain the public economy), some recent budget laws have introduced measures potentially able to relaunch investments in infrastructure. As a consequence, after some 20% increase in public work allocations in 2017, this year they are projected to increase further. The impulse given by the definition of a long term strategy that, if complied with, will make feasible infrastructure policies also has to be added.

In this context, according to ANCE (Italian Association of Real Estate Builders) estimates, **in the next 15 years a total amount of € 100bn are projected to be invested in public infrastructures in Italy**. Amongst others: the Gronda of Genoa West (a motorway junction, a project in which DBA Group has a role) for € 3.4bn, the completion of the third lane of the Barberino del Mugello – Incisa Valdarno motorway for € 2.2bn, the Giovi third railway crossing for connecting Genoa and Milan with high speed trains for € 2.0bn, the ENAV five year investment plan for domestic airports for a total consideration of € 4.2bn.

The main services and solutions offered in these markets via the three business units are:

- Studies and specialist surveys (geometric, topographical, geological, hydraulic);
- Masterplans, feasibility studies and urban planning;
- Preliminary design, architectural and landscape design, space management & planning, electrical and specialty systems (home automation, voice and data network, access control, video surveillance, building management system);
- Project construction management, job and operational direction, safety and health at work;
- Technical, administrative, structural and operational tests; process analysis, information flows and requirements;
- Integration and installation of proprietary or third-party software platforms, design, physical and logical architecture;
- Implementation, installation and software testing; training and start-up assistance, corrective and evolutionary maintenance;
- Hosting, housing, installation and configuration of physical and virtual servers, disaster recovery, network security, licensing;

- Electromagnetic field measurements and electromagnetic impact analysis;
- Preliminary, definitive and executive design of fixed network TLC and network nodes, core network sites, point of presence, data centers;
- General and specialist design, landscaping and environmental planning, testing and commissioning;
- Design and consultancy, process analysis, technical support, tender management, provisioning and de-provisioning circuits and services;
- Integration and installation of proprietary or third-party software platforms, design, physical and logical architecture;
- Preliminary, definitive and executive design, risk analysis for plants at risk of major accident and specific fire protection design;
- Environmental impact assessment, project and construction management, administrative technical tests, final structural tests and tests in progress;
- Revision of DBA software platforms to customer specifications and development of tailor-made software applications, definition of functional technical specifications, prototyping;
- Implementation, installation and testing of networks and systems;

4.1. Telecommunications and Media

Domestic revenues in the TLC sector stabilised at around € 43bn in 2014-16, after several years of steady persistent decline. In the same period, **the segment of the sector on which DBA Group focuses, i.e. TLC infrastructures, experienced a 5.0% CAGR** (source: Digital Innovation Observatory). In this context, if the domestic TLC market can be labelled as mature, **the TLC infrastructure segment presents appealing future growth perspectives**, both on the infrastructure utilisation side as well as on the forthcoming investment plans aimed at developing ultra-broadband, mainly linked to the Open Fiber project (in which DBA Group has a role), a JV between Enel and Cassa Depositi e Prestiti (the state energy operator and the state investment bank, respectively).

In Italy, ADSL is still the digital predominant technology. However, TLC operators are enlarging the penetration of fibre optics. Italian Government approved, consistent to the European Digital Agenda 2020, the **Ultra-Broadband Strategy**, providing the coverage via a neutral ultra-broadband by 2020: **at least 100Mbps for 85% of the population**, granting at least **30Mbps to every citizen**, at least **100Mbps for public buildings** (schools and hospitals, in particular) and **ultra-broadband in productive areas**.

This nearly € 10.0bn infrastructure plan will be financed via 1) € 5.0bn of public national funds, 2) € 1.8bn of regional and national operational programs and 3) € 3.0bn directly invested by Open Fiber.

In this context, considering the demand for services and solutions related to this infrastructure upgrading project and that for advanced TLC technology, the **Ultra-broadband project is projected to significantly contribute to the group developments**.

Looking at other areas in which the group operates, **the sector is anticipated to rise also in the Balkans**. In Slovenia TLC and transport are expected to reach 10% of total GDP in 2020 and in Croatia (Information Technology Report, BMI Research), where the development of broadband demand is projected to rise, with the rate of broadband internet subscribers increasing from 28% to 38% in 2012-18 (Information Technology Report, BMI Research).

4.2. Transport and logistics

In a context where 1) **China is steadily increasing its weight in the EU28 trade balance**, reaching more than 20.0% in 2017, to the disadvantage of the US and Russia, with 14.4% and 7.9% respectively, 2) the **value of international trade is seen to grow in real terms by 3.4x** by 2050 (source: OECD-ITF, 2016), 3) **the flow of goods goes geographically eastward** and 4) **means of transport will remain substantially unchanged**, with maritime transport confirmed as the most important international trade means of transport, accounting for 85% of total volume in 2010 and 83% in 2050 (source: OECD-ITF, 2016), a few key projects represent significant opportunities for development to support the growth of international trade as well as DBA Group future development (a total of $ 2,500bn in the next 5 years).

- **One Belt One Road** – or the New Silk Road, launched in 2013 by Xi Jinpin the president of China, an initiative born with the aim of loosening industrial and urban pressure along the eastern coasts of China, triggering greater development in the western regions and thus also containing migratory flows. The initiative is a **platform for connectivity, cooperation for the expansion and stabilization of maritime routes and land infrastructure networks linking China to Asia, Africa and Europe**. The Project is set to become the world **most important Eurasian corridor in terms of intensity and speed of exchange of cultures, technologies and goods.** The Asian Infrastructure Investments Bank, the Silk Road Fund and the New Development Bank will support the development of related infrastructures.
- **BRI - Eurasian Railway Corridor Project** – or the political and transportation strategy of the Russian Federation that, via the Eurasian Silk Road aims to 1) promote the **Vladivostok-Beijing-Novosibirsk-Moscow** train route allowing one to cross Siberia in just seven days, 2) build a non-Chinese **route between Moscow and the Iranian port of Bandar Abbas** that would give Russia an outlet on the Indian Ocean in the Persian Gulf, 3) **handle the junction between Russian and European rail gauges** (1520mm and 1435mm, respectively) from the border of the Ukrainian to Bratislava and Vienna.
- **BRI - The Balkan Silk Road -** it should **ideally connect Beijing to Athens and from there joining Skopje and Tirana, Sarajevo and Belgrade and Budapest.** However, the European Union has raised some concerns after the purchase of the Piraeus port in Greece by China. More generally, the European Union wishes to reserve the right to approve Chinese direct investments in Europe when they are related to critical infrastructure such as energy, transport, communications and data storage.

4.3. Retail-oil and alternative fuels

The group offers services and solutions in the field of the retail distribution of fuel oil. **Consumption**, after the decline tied to the economic crisis of the last years, according to Nomisma Energia, **should remain basically unchanged in 2020-2030**.

Despite flat consumption, **the network rationalisation process will inevitably fill the gap with the European distribution system** with benefits not only in terms of point of sale returns but also from the perspective of the level of technological modernisation. Efficiency gains and the action of the rationalisation process of the distribution network and the level of complexity are redesigning the market structure. This scenario is expected to generate demand for 1) **the adoption of new management systems** and 2) **the constant upgrade and adjustment of the technologies** used in the fuel sale process. **This demand will inevitably sustain future group developments.**

Looking at the Balkans, a key geographic area for the group, the fuel distribution network comprises some 4,900 retail units: **software for store management, IT hardware,**

data centralization services, help desk and software maintenance represent the target for DBA Group.

In the fuel alternative segment, **the group is a potential provider of design, technology and support services for the activities of charging point operators**. The evolution of charging structures is closely related to ecofriendly vehicle selling performance. According to recent studies, in Europe full electric and hybrid plug-in vehicles are projected to reach 9.5m units sold in 2050, whilst **in Italy they are projected to reach 3.0% of total**, from the current 0.4%, by 2030.

4.4. Architecture and construction

Real estate, retail, hospitality, and finance institution players represent a significant cluster of the demand for engineering and architectural services and solutions.

Real estate stock and number of transactions shows that the market is growing in volumes. After several years of slumbering, in 2016 transactions increased by 18% in Italy. Production, retail and tertiary buildings represented the key drivers for this growth. **Supporting this trend, after three years of declining numbers, investments in real estate are anticipated to increase as of 2018**. In particular, the non-residential segment is driven by 1) improving economic conditions in Italy, building licenses increasing and the tangible signs of trend reversal seen increasing number of transactions. Thus, **in 2018 the real estate sector is projected to experience 1.5% growth in Italy, driven by non-residential and public**, +2.1% and +4.0% respectively.

Table 1 – DBA Group, 2016 Italian real estate market overview

Destination	Stock %	Transactions	% YoY	% on Total	REMI
Residential	51.4%	528,865	18.9%	46.4%	1.6%
Pertinence	35.8%	411,003	19.2%	36.0%	1.7%
Tertiary	1.0%	9,946	12.5%	0.9%	1.5%
Commercial	4.3%	30,586	16.6%	2.7%	1.1%
Manufacturing	1.2%	11,287	22.1%	1.0%	1.5%
Other	6.3%	149,324	14.8%	13.1%	3.6%
Total	**100.0%**	**1,141,012**	**18.4%**	**100.0%**	**1.7%**

Source: 2017 Real Estate Report from Osservatorio del Mercato Immobiliare

Regarding retail real estate, **the improved economic stability in EU28 prompted an increase in purchasing power**: pro-capita income rose to € 16,150 from € 15,400 in 2014-16. This contributed to sustain retail. In 2017 consumption is projected to further progress (source: GFK, 2017): in Italy by 1.2%, in Slovenia by 3.5%, by 4.8% in Croatia and by 4.0% in Bulgaria (the main reference geographical area for DBA Group).

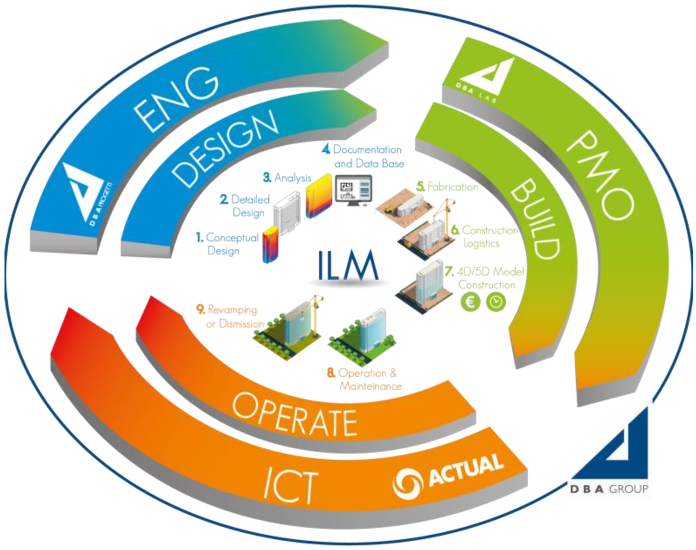
Also looking at the hospitality segment, perspectives are rather bright. The **ongoing concentration process and offer refurbishment are seen to continue sustaining growth**. The European market presents a certain appeal for investments, both for domestic as well as for foreign players, attracted by the luxury offer potential, the vast quantity of buildings suitable to be renovated, market potential, returns to a certain extent more lucrative compared to other segments (logistics, offices and residential).

Thus, **we believe that the demand for real estate sector services and solutions for ideation, architectural and engineering design, as well as for maintenance and revamping, will contribute to sustaining business for the group**.

5. Business model

The group is a **global partner for Infrastructure Lifecycle Management:** it offers high value added **services, consulting and software platforms able to meet the full range of potential technical, technological and ICT customer needs** during the entire infrastructure lifecycle. DBA Group aims to provide support services and solutions for infrastructure management and maintenance activities.

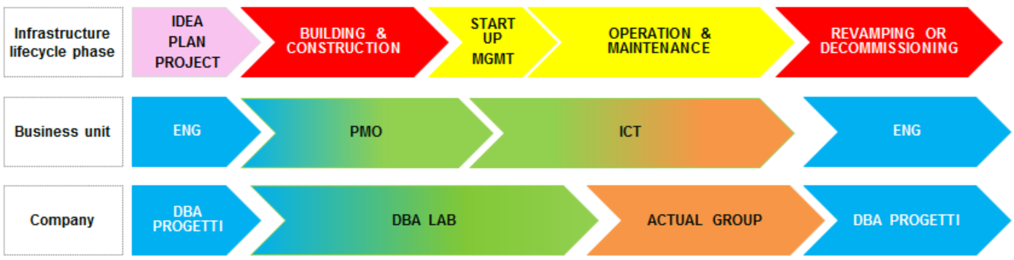
Chart 5 – DBA Group, business model



Source: Company data

The figure in Chart 3 and Chart 4 shows in two different forms, that the **various activities of the business units** offered to the market are **related to the various phases of the infrastructure lifecycle** which are delivered through **the different operating companies** of the group.

Chart 6 – DBA Group, business model



Source: Company data

DBA Group supports operators managing, directly or indirectly, the lifecycle of single and/or a network of infrastructures, providing high added value support services through the various business units. Therefore, DBA Group bases its business on:

- The **synergies arising** from the design, promotion and development of technical, technological and ICT services provided to the market by the business units.
- The **R&D activities** provided by the innovation division
- The **cross fertilisation effect** amongst the business units

The business model envisages that group operating companies are able to act stand alone or in a temporary/permanent consortium or, depending on needs or opportunities, in joint ventures with third party actors. In other words, **services and solutions offered to group customers are scalable**, i.e. can be tailored to customer specific requirements offering a single service/solution or combining a series of activities, services and solutions that entirely satisfy the demand.

The value chain characterising the DBA Group business model aims primarily at 1) overseeing the full range of potential customer needs in relation to both the lifecycle of the infrastructure itself, and the sale/services which the client needs to provide, and 2) at delivering services to support maintenance management and operational processes of the infrastructure that the customer manages.

5.1. Information Communication and Technology

The Information Communication and Technology **(ICT) business unit provides its services mainly during the "Operation"** phase of the infrastructure lifecycle. The activity consists in **the release, installation, launch and maintenance** and/or the management of outsourcing **software and telematic platforms** supporting the management of maintenance and operation processes of infrastructure. The business unit provides Information and Communication Technology services and solutions according to the project, both products (i.e. SAP compliant) and telematics (cloud).

This business area usually benefits multi-year repeatability of a part of the business: routine and upgrade maintenance or day-to-day services in full outsourcing mode.

In greater detail, value here is generated through analysis and development of infrastructure maintenance and operation processes through contracts regulating the supply of a product. **This product then generates recurring multi-year revenues either related to telematics platforms** (evolution and maintenance of any kind) **or to service efficiency, pay per use or Software as a service**. This is the most profitable part of the business, because the machines and computers in the DBA Group data centre perform the work.

The value created by the Group's ICT Business Unit derives from **four types of telematics platforms** that can also interact with, or be combined with each other:

- **DSS-Line (Eagle)**, dedicated to monitoring and managing infrastructure from a maintenance point of view, energy saving and checking functionality.
- **Port-Line**, dedicated to the automation and efficiency of the logistics chain, or the Supply Chain, supporting logistics chain players in the development of their institutional activities.
- **Gaso-Line**, hardware and software solutions for billing management and monitoring and control of retail outlet needs for oil, petrol, gas, energy and non-oil services for transportation, with the additional bonus that it centralises all the data of the retail network in the oil company control room, with the ability to manage data through ERP SAP.
- **Business-Line**, ERP solutions tailored to customer needs through the supply and maintenance of SAP.

In this case **revenues are recurring and multi-year as they relate to the provision of high technology services**. The ICT Business Unit also generates the evolutionary part of R & D related to BIG data, Internet of Things, data mining. Data Modelling, Augmented Reality and Machine Learning.

5.2. Project Management Office

The Project Management Office business unit delivers its services and solution during the **"Build" phase of the infrastructure lifecycle**. The services offered consist of **the development of program and project management activities** aimed at the realisation of an infrastructure, including, if required, the management of the design phases entrusted to third parties. In other words, **it is a process engineering activity aimed at the organisation of complex projects**, followed by project management operational services offer via the programming, operational organisation and management of the "production chain" and technical activities in accordance with quality standards, timings and costs settled by the customer and DBA Group together. Even in this case, the **business unit activities may require the support of the Information Communication and Technology** business unit to verticalise the software platforms used during the service.

The Project Management as well as the Engineering Business Units provide services to customers in support of realisation, maintenance and development of physical infrastructure. **The value chain is linked to the duration of the client's investment, which is never precise but instead linked to multi-year plans.**

This business does not always generate recurring revenues, but instead **generates continuous revenues**, in the sense that technical and technological services are provided throughout the investment period (including IT and web technology) for the duration of the multi-year investment.

This business unit, as well as Architecture and Engineering, does not develop precise individual projects, like the planning of a single building (unless it is instrumental to others, as in Baku), but **series of projects and services that relate to customer networks**. For example, DBA Group has been working with Monte Paschi di Siena for three years on the rebuilding of their branches, likewise for McDonalds, Benetton, Vodafone, and Open Fiber. There is also a continuity of business from the time perspective, ensured by framework agreements, stipulated at least annually, and within which the client selects orders on the basis of their investments.

In this case DBA Group is not just any engineering and project management company, but an industry that continuously supplies engineering and project management services for the entire duration of their clients' investments. An example would be continuous work with Vodafone since 1995 (when it was called Omnitel in Italy).

Ultimately, the Group offers integrated services of six types, which have infrastructure as a target market in common. Value creation comes from continuing, and almost always multi-year services (ENG and PMO Business Units) or recurring and multi-annual services (ICT). DBA Group is not therefore comparable to engineering or project management companies that operate on single projects, with revenues linked to that single project.

5.3. Architecture and Engineering

The Architecture and Engineering business unit offers its services and solutions during the "**Design" phase of the infrastructure lifecycle**. The type of services here consists primarily in **the ideation, the feasibility study of the infrastructure**, including all the studies for the optimization and analysis of any operational or operating processes that characterize the maintenance and operation.

Where the customer requires the provision of Construction Supervision and Site Safety Coordination, **the Architecture and Engineering business unit could also deliver its services in partnership with the Project Management Office** business unit, and it may use, as internal tool or as additional offer to clients, software platforms of the ICT business unit.

6. Segment competitive arena and outlook

DBA Group provides services and solutions in the **ICT-Software, Project Management and Architecture and Engineering** fields. Founded as an engineer and architect associated firm, now DBA Group is the only player in Italy able to offer the synergic combination of the aforementioned consulting services and solutions for **the management of the entire lifecycle of an infrastructure:** from the project, via support realisation and day-by-day controlling processes, procedures and maintenances via highly technological solutions.

DBA Group is NOT an EPC (engineering, procurement and construction contractor), **is definitely NOT a construction company**: **DBA Group focuses on HIGH VALUE added consulting solutions and services, characterised by a relevant degree of TECHNOLOGY**. The engineering arm represents a **key entry barrier**: DBA Group knows how processes work. This places the company in the position to offer specific performing turnkey services and solutions.

6.1 ICT software

Improving macro-economic signals and the process of infrastructural system optimisation and modernisation prompt Italian companies to accelerate **IT investment: in 2017, they were around € 26.4bn, showing a 2.9% CAGR in 2017-14**.

Table 2 – DBA Group, Italian information technology investments

Domestic IT Investments, € bn	2014	2015	2016	2017	CAGR
Hardware & Assistance	8.3	8.2	8.2	8.2	(0.4)
Software	4.9	5.0	5.2	5.4	3.6
IT Services	8.9	8.8	8.9	9.1	0.7
Cloud Computing	2.2	2.6	3.2	3.7	18.9
Total	**24.3**	**24.7**	**25.5**	**26.4**	**2.8**

Source: Market Book 2017 – Nextvalue and Assintel

More specifically, looking at the niches driving group business development, it is noteworthy to highlight the **more pronounced growth of 1) cloud computing** (investments in excess of € 3.0bn in 2017), 2) **the Business Process as a Service segment** and 3) **digital enablers (key innovation feeders)**, which are seen to exceed € 8.5bn in investments.

Table 3 – DBA Group, Italian digital enabler investments

Domestic Digital Enabler, € bn	2014	2015	2016	2017	CAGR
Customer journey	2.8	3.2	3.6	4.0	12.3
Cybersecurity	1.1	1.2	1.2	1.3	6.1
Internet of Things	1.4	1.5	1.9	2.3	17.5
Big Data - Advanced Analytics	0.6	0.6	0.7	0.9	15.1
Total	**5.9**	**6.4**	**7.5**	**8.5**	**12.8**

Source: Market Book 2017 – Nextvalue and Assintel

Looking forward, the global market for **ICT is projected to show a 2.2-3.8% annual growth in 2017-2020** (depending if we exclude/include telecom), in particular, the growth in Central Eastern Europe and in the Middle East and Asia is projected to the tune of 4.5% (source: IDC Platform Black Book - 2017).

Also in the geographical areas in which the group boasts a presence, expected growth in the segment is promising: in **Slovenia, Software and Services are projected to increase by 4-6% and by 7-8% in Serbia in 2017-2020** (source: BMI Research).

The works related to the New Silk Road will have significant implications in terms of ICT potential as a result of the technical and technological adjustments of the existing structures to avoid obsolescence and adapt it to the loads of mega ships. **Shipping is encountering a deep restructuring process**, with larger and larger ships dedicated to trans-ocean routes and smaller vessels acting as feeders in a hub-and-spoke system, from transshipment to destination ports. Mega ships and their large shipments are the new innovation technology which is introducing others, in turn, technological and organisational. **Potential nourishment for DBA Group business development.**

6.2 Project management and Engineering

The **world market for professional engineering services in 2016 exceeded $ 66bn**. The geographic areas that fueled most demand were Asia, Australia, Europe and the Middle-East. **The domestic market is promising: in 2017 studies stated a total of € 2.4bn, vs. 1.8bn in 2015**, with an employment level of about 16,000 units (14,300 in 2016). This growth is also sustained by an improved economic situation. The most promising geographic areas are the **Middle East and Asia, whose growth is driven by the oil, transport and construction sectors**.

The market is still rather fragmented and in constant consolidation, driven by the benefits of larger dimensions, but this seems to be more relevant to engineering and architecture, which evolves more along internal lines than by acquisitions. Evidence of greater heterogeneity and a different dynamism can be deduced from the assortment of variation in the level of turnover of the **top 50 Italian players that ranges from € 6.0-113.0m in engineering and € 1.2-10.8m in architecture and design**.

The company is the eleventh player in Italy, according to 2015 turnover data. However, since amongst the top ten companies, at least four can be defined as in-house entities with volumes secured by their controlling company (Spea/Atlantia, Cesi/Enel-Terna, TecnoMare/Eni and Inres/LegaCOOP in italic in table 6). **DBA Group is the seventh independent operator in Italy**.

Table 4 – DBA Group, 2015 Italian engineering market competitive structure

Rank #	Firm	2015 Value of Production, € m
1	Proger	124.2
2	*Cesi*	*119.0*
3	*Spea Engineering*	*109.5*
4	D'Apollonia	91.8
5	*TecnoMare*	*87.2*
6	Italconsult	54.7
7	*Inres*	*48.2*
8	Mwh	45.6
9	Geodata	41.4
10	Agriconsulting	40.3
11	**DBA Group**	**39.9**
12	Technital	35.6
13	Manes - Tifs	35.5
14	Sipal	28.3
15	Artelia Italia	27.3

Source: report on Italian entrepreneurship in engineering, Guamari Prof. Aldo Norsa

7. Strategy, use of IPO proceeds

DBA Group provides consulting services and solutions in the **ICT-Software, Project Management** and **Architecture and Engineering** fields. Founded as an engineer and architect associated firm, now DBA Group is the only player in Italy able to offer the synergic combination of the aforementioned services and solutions for **the management of the entire lifecycle of an infrastructure:** from the project, via the realisation and to day-by-day controlling processes, procedures and maintenances.

The fresh cash stemming from the IPO, amounting to €12.0m, together with the cash flow produced by the business will be **utilized to boost growth and consolidate its positioning** also via **acquisitions.**

- **15% for the reinforcement of the management team, € 1.75m** – In view of the strong growth expected in the coming years, the company aims at **reinforcing its managerial and executive structure**. Also taking into consideration that existing operational people are projected to manage the integration process of the companies the group is willing to acquire and integrate.

- **15% for research and development, € 1.75m** – R&D is a crucial constant, the food for technological and business development. Amongst other employment, the funds will contribute to develop ILM Integrated Projects: Telematic services for the supply chain (Port Line) and for Retail Oil and non-Oil (GL +) and for the Decision Support System, development and implementation of the EAGLE project.

- **20% to feed internationalisation, € 2.5m** – DBA Group efforts, and investments for the development of foreign markets, will be destined for **the Balkan Area and Central Asia, and in particular for Engineering and ICT Software business units**. The most appealing reference markets in the regions are TLC, Energy, Transport & Logistic, Oil & Gas, Retail, Industry, Architecture & Building sectors.

- **50% for acquisitions, € 6.0m** – The group aims to acquire **small but key strategic competitors** in key sectors, with complementary customers and products, in Italy and abroad (with a special focus towards the Balkans and Central Asia). The acquisition campaign has the goal of creating synergies and accelerating the internationalisation process.

  In greater detail, the company seeks targets in the **Engineering and Project Management** fields to support the development of **foreign markets on the New Silk Road**. In addition, prey in the ICT-Software segment will definitely allow DBA Group to complete its selling proposition in the segment and penetrate the African and Latin American promising fresh markets.

  The company has identified a few potential targets: we cannot rule out the possibility that talks are already ongoing. In this context, **M&A opportunity might concretise in course of the first half of 2018**.

  DBA Group has a **solid track record in M&A** thanks to several strategic acquisitions made during the last 5 years: **IGM Engineering** (2012), **Actual IT** (2015) and **Itelis** (2017).

8. SWOT Analysis

The SWOT analysis, also known as SWOT Matrix, is a structured planning method used to evaluate the strengths, weaknesses, opportunities and threats involved in a project or in a business venture. A SWOT analysis can be carried out for a product, place, industry or person. It involves specifying the objective of the business venture or project and identifying the internal and external factors that are favourable and unfavourable to achieve that objective.

- **Strengths**: characteristics of the business or project that give it an advantage over others.
- **Weaknesses**: characteristics that place the business or project at a disadvantage relative to others.
- **Opportunities**: elements that the project could exploit to its advantage.
- **Threats**: elements in the environment that could cause trouble or be detrimental for the business or project.

The technique is credited to Albert Humphrey, who led a research project at Stanford University between the 60's/70's using Fortune 500 data.

S.W.O.T. Analysis

Strengths	Weaknesses
The **only player offering the synergic combination of its three business unit** services and solutions	**Limited size** in the international competitive arena
Substantial cash flow generation and sound balance sheet **allow external growth opportunities**	Few key relevant people represent a **vital asset for the company**
490 highly skilled, loyal and motivated employees, o/w 60% are graduates	Need of **reinforcement of the management structure** to boost developments

Opportunities	Threats
Consolidation opportunities in the domestic market and abroad	Expansion via external growth may prove difficult
Foreign market expansion	In certain projects, **competition from smaller players**, driven by different cost logics and short term industrial view: **dumping**

9. Recent results and developments

After the completion of the 2011-16 industrial plan, the company launched an **integration plan aimed at centralising services supporting the operating companies** (finance, holding, administration, management control, quality, safety, general services, marketing and foreign country sales structure, HR and purchasing). **The new SAP 4/ HANA** enterprise resource planning software was also introduced.

Table 5 – DBA Group, FY-17 results summary

P&L € m	2017	2016	% YoY
Revenues	**42.3**	**41.0**	**3.2**
Other	3.0	0.5	
Value of Production	**45.3**	**41.4**	**9.3**
Raw material	(2.0)	(1.6)	
Suppliers	0.0	0.0	
Services	(18.0)	(15.0)	
Lease & rental	(2.0)	(2.4)	
Other opex	(0.1)	(1.0)	
Personnel expenses	(18.6)	(16.7)	
EBITDA	**4.6**	**4.8**	***(5.2)***
% margin	*10.1*	*11.6*	
D&A	(2.5)	(1.9)	
EBIT	**2.1**	**2.9**	***(27.5)***
% margin	*4.7*	*7.0*	
Financial costs	(0.2)	(0.2)	
Pre-Tax profit	**1.9**	**2.7**	***(29.8)***
% margin	*4.2*	*6.6*	
Income taxes	(0.9)	(1.3)	
Tax rate	*47.2%*	*46.5%*	
Minorities	(0.2)	(0.2)	
Net Profit	**0.8**	**1.2**	***(37.8)***
% margin	*1.7*	*3.0*	
Goodwill amortisation	(0.5)	(0.5)	
EBIT adj.	**2.6**	**3.4**	***(23.5)***
% margin	*5.8*	*8.2*	
Net Profit adj.	**1.3**	**1.7**	***(27.0)***
% margin	*2.8*	*4.2*	

Source: Company data

2017 value of production increased 9.3% to € 45.3m, **mainly driven by the Engineering and ICT business units** (Baku Port Authority in Azerbaijan and Aqaba in Jordan are the key completed projects), up 8.5% and 3.8% respectively The Project Management Office division declined by 12.2% as a result of the lack of the Vodafone contract exhausted while waiting for Open Fiber investments in ultra-broadband, expected to have a positive impact on figures as of 2018.

EBITDA declined 5.2% to € 4.6m, 11.6% margin. The best performing business unit was ENG, whilst PMO suffered the lack of the aforementioned highly profitable contract with Vodafone. EBITDA adj. for the IPO costs (€ 311k) is € 4.9m, +1.3% YoY. EBIT totalled € 2.1m, 4.7% margin. These results, even if slightly declining in absolute value YoY, have to be considered positive as they include investments in the start-up of key contracts in the Ultra-Wide Band Telecommunications segment and the costs related to the development of decision hardware and software technology platforms Support System, Supply Chain and energy supply for the mobility of things and people. Investments in R&D totalled some 6% of Value of Production.

DBA Group typical business seasonality means that **40/45% of top line is concentrated in the first semester but only 20-30% of EBITDA** is produced in the first part of the year. This is because projects are generally awarded in the first months of the year while margin recognition only upon approaching their completion.

Net Profit reached € 0.8m, vs. € 1.2m in 2016. Excluding IPO costs to the tune of € 636k (sum of expensed and depreciations of capitalized listing costs), Net Profit increased YoY. Following the € 12m rights issue proceeds stemming from the IPO, NFP at end-17 was positive for € 2.7m.

Consistently to the strategy presented to investors during the IPO roadshow, **DBA Group last 23-Apr announced the acquisition of a 51.0% stake in SJS Engineering**. The company supplies integrated engineering services in Italy and abroad. The team of 25 members, guarantees high quality standards that satisfy the requirements of key public and private Italian and international clients. **DBA Group paid € 3.1m for 51.0%** of SJS and the remainder will be purchased in 2022 via new DBA Progetti shares for a participation between 8% and 12% and will depend on average revenue growth in 2019-21 vs. the average reported in 2016-18. The company is already a partner of DBA Group in some large projects in transport and logistics – Sea and Dry port. According to preliminary company indications, revenues are estimated at some € 6.0m, EBITDA at € 0.8m and adjusted NFP at € 0.1m in 2017. Based on these figures, **the acquisition of the 51.0% stake in SJS valued the company 1.0x EV/Sales and 7.6x EV/EBITDA.** The transaction is subject to due diligence. Our forecasts include the consolidation of SJS as of 1-Jan-18.

10. Financial forecasts

DBA group operates in the **Infrastructure Lifecycle Management arena**. Via its three business units (ICT-software, Project Management and Architecture and Engineering), the group serves six key reference markets with its services and solutions, of which four are seen to significantly drive group future developments. All of them are characterised by sustained growth rates.

The company strategy entails the increase of outsourcing telematics services provided to support ordinary and evolutionary maintenances and the usage end operation of infrastructures. **This strategy aims at moving the current revenue model** (almost 2/3 are linked to annual projects) **versus a mix with a higher proportion of sales related to recurring projects** (linked to product and telematics services).

Since **the group mostly manages its client relationships through framework contracts**, i.e. a contract defining some general conditions followed by several executive contracts, **the visibility on short-medium term top line developments is rather high**. We believe that more than **50% and 25% of 2018-19 consolidated value of production is already visible**.

Consequently, also **visibility on profitability is quite good to a certain extent**. Unless **the simple postponement of a project shifts revenues and margins a year ahead**, namely in the case of 2017 with the swing of the project related to the Kurik port in Kazakhstan, which explains the flattish profitability projected for this year. **This is the typicality inherent in the business,** clearly common to all other sector players.

According to the paper "The new age of engineering and construction technology" (McKinsey&Company, Jul-17), **new technologies are dramatically transforming all stages of the engineering and construction processes.** Technology firms are creating new applications and tools that are changing how companies design, plan and execute projects. In this context, considering the positive macroeconomic perspectives and the solid developments of the segments in which the group operates, **CFO expects top line to show a 17.8% CAGR in 2017-20**, driven by the ICT software division, responsible for 50% of the increase in top line in the period. The Project Management and the Engineering and Architecture business units are projected to increase by similar mid-high single digit growth rates, with a 47% contribution to group growth represented by the former, also thanks to the recent acquisition of SJS.

Table 6 –DBA Group, 2016-20e top line growth evolution breakdown

€ m	2016	2017	2018e	2019e	2020e	CAGR20-17
Value of Production	**41.4**	**45.3**	**58.0**	**65.7**	**74.0**	***17.8***
ICT	12.4	12.9	20.3	23.9	26.9	*27.8*
PMO	9.1	8.0	8.4	10.7	12.0	*14.4*
ENG	19.7	21.4	29.1	30.9	34.9	*17.7*
Other	0.2	0.2	0.2	0.2	0.2	*1.0*
% YoY						
Value of Production	***3.1***	***9.3***	***28.1***	***13.3***	***12.6***	
ICT	*6.9*	*3.8*	*57.6*	*17.7*	*12.6*	
PMO	*(15.0)*	*(12.2)*	*4.5*	*28.1*	*11.8*	
ENG	*11.9*	*8.5*	*36.2*	*6.1*	*13.0*	
Other	*(18.1)*	*1.0*	*1.0*	*1.0*	*1.0*	
% on total						
Value of Production	***100.0***	***100.0***	***100.0***	***100.0***	***100.0***	
ICT	*29.9*	*28.4*	*35.0*	*36.4*	*36.3*	
PMO	*22.0*	*17.7*	*14.4*	*16.3*	*16.2*	
ENG	*47.5*	*47.2*	*50.2*	*47.0*	*47.1*	
Other	*0.6*	*0.5*	*0.4*	*0.4*	*0.3*	

Source: Company data, CFO Sim estimates

With 76-81% of total costs above EBITDA represented by personnel and services in 2016-17, DBA Group does not present a marked operating leverage. In other words, **it is not the volumes increase that primarily drives the rise in profitability, but rather 1) a different revenue mix with a higher portion of peculiar high margin projects** (i.e. Open Fiber, with over 30% first margin) stemming from the PMO and ICT Software business units, expected to account for 53% of total revenues in 2020, increasing from 46% in 2017 and **2) the higher weight of foreign countries** where prices are objectively higher.

D&A are seen only to marginally increase compared to 2017, on the back of the capex expected for 2018-20, mainly development costs capitalized. As a result**, EBITDA and EBIT are expected to grow more than proportionately to top line**: +40.4% and 68.8% CAGR in 2017-20, vs. 17.8% of value of production.

Table 7 - DBA Group, 2016-20e profitability evolution

€ m	2016	2017	2018e	2019e	2020e	CAGR17-20
Value of Production	**41.4**	**45.3**	**58.0**	**65.7**	**74.0**	***17.8%***
Raw material	(1.6)	(2.0)	(2.6)	(2.9)	(3.3)	
Suppliers	0.0	0.0	(2.7)	(4.3)	(4.3)	
Services	(15.0)	(18.0)	(22.6)	(25.1)	(27.7)	
Lease & rental	(2.4)	(2.0)	(2.5)	(2.8)	(3.2)	
Other opex	(1.0)	(0.1)	(0.2)	(0.2)	(0.2)	
Personnel expenses	(16.7)	(18.6)	(20.6)	(21.6)	(22.7)	
EBITDA	**4.8**	**4.6**	**6.9**	**8.8**	**12.6**	***40.4%***
% margin	*11.6*	*10.1*	*11.9*	*13.4*	*17.1*	
D&A	(1.9)	(2.5)	(2.8)	(2.5)	(2.5)	
EBIT	**2.9**	**2.1**	**4.1**	**6.3**	**10.1**	***68.8%***
% margin	*7.0*	*4.7*	*7.2*	*9.7*	*13.7*	
EBIT adj.	**3.4**	**2.6**	**4.6**	**6.8**	**10.6**	***59.8%***
% margin	*8.2*	*5.8*	*8.0*	*10.4*	*14.4*	

Source: Company data, CFO Sim estimates

In greater detail, the drivers for each business units are:

- **ICT software**
  - **Sales drivers**: 1) consolidation of existing clients (Luka Koper, port of Baku, MOL, OMV, CiMOS, Eni, Vodafone, Intereuropa and Paloma), 2) exportation of the Port Community System management telematics platforms also in African and Southern American port hubs, 3) the services solutions portfolio fits well with new marketing opportunities and 4) business process in software as a service modality and as a digital enabler (internet of things, big data and machine learning).

- **Profitability drivers**: the on stream trend of current projects and that of those in the course of being developed, is anticipated to sustain top line and the evolution of margins.

- **Project Management**
  - **Sales drivers**: 1) consolidation of existing clients (Vodafone, Fastweb, Wawei and Open Fiber), 2) leveraging domestic know how and experience in FTTH projects also in foreign countries, 3) following of TLC sector dynamics in order to acquire projects from other vendors or operators (ZTE, Nokia, Ericsson, Juniper, Coriant and ADVA).
  - **Profitability drivers**: the business unit is currently focused on the domestic market. On the back of its positioning and client portfolio, it is reasonable to expect a steady growth pace and high profitability. As of 2019, the penetration of foreign countries is projected to further boost top line and margins.

- **Engineering and Architecture**
  - **Sales drivers**: 1) consolidation of existing clients (Eni, Vodafone, Monte dei Paschi di Siena, Fastweb, Enel and Terna), 2) acquisition of foreign projects via EBRD in key markets (the Balkans, Russia and ex-Soviet areas), 3) services sales in new adjacent segments (food, fashion, insurance and real estate asset management firms), 4) new services for energy saving and efficiency as well as 5) new business process solutions for asset management.
  - **Profitability drivers**: 1) prices increase tied to a more favourable macroeconomic scenario, 2) the increase in weight of foreign countries, historically more profitable and 3) increase of the technology solution contribution within services provided.

Table 8 - DBA Group, 2016-20e Value of Production by BU details

€ m	2016	2017	2018e	2019e	2020e	$CAGR_{17-20}$
ICT	**12.4**	**12.9**	**20.3**	**23.9**	**26.9**	***27.8***
Existing Clients	10.2	10.0	9.7	10.1	10.3	*1.0*
New Clients	1.2	2.4	3.8	4.3	4.7	*25.6*
New Services	0.6	1.3	4.7	6.6	7.9	*81.4*
Foreign Countries	0.0	0.6	2.0	2.9	3.9	*88.6*
PMO	**10.4**	**8.0**	**8.4**	**10.7**	**12.0**	***14.4***
Existing Clients	10.3	7.9	8.1	10.1	11.2	*12.3*
New Clients	0.1	0.1	0.2	0.3	0.3	*72.0*
New Services	0.0	0.0	0.0	0.0	0.0	
Foreign Countries	0.0	0.0	0.0	0.3	0.4	
ENG	**19.7**	**21.4**	**29.1**	**30.9**	**34.9**	***17.7***
Existing Clients	17.6	18.1	18.2	16.9	17.6	*(0.9)*
New Clients	1.0	0.7	1.7	2.1	2.9	*61.8*
New Services	0.0	0.6	0.9	1.0	1.5	*36.5*
Foreign Countries	0.8	2.0	3.3	4.9	6.0	*44.8*
Value of Production	**41.4**	**45.3**	**58.0**	**65.7**	**74.0**	***17.8***

Source: Company data, CFO estimates

Table 9 - DBA Group, 2016-20e EBITDA by BU

€ m	2016	2017	2018e	2019e	2020e	$CAGR_{17-20}$
Group EBITDA	**4.8**	**4.6**	**6.9**	**8.8**	**12.6**	***40.4***
ICT	0.4	(0.4)	2.6	3.8	5.3	*n.s.*
PMO	3.0	3.0	2.1	2.6	3.1	*1.0*
ENG	1.3	2.0	2.9	3.1	4.9	*34.9*
% margin						
Group EBITDA	***11.6***	***10.1***	***11.9***	***13.4***	***71.0***	
ICT	*2.9*	*(3.0)*	*12.9*	*16.0*	*19.2*	
PMO	*28.6*	*37.7*	*25.1*	*24.5*	*21.5*	
ENG	*6.6*	*9.3*	*10.0*	*10.0*	*27.5*	
% YoY						
Group EBITDA	***5.5***	***(5.2)***	***51.8***	***27.5***	***43.0***	
ICT	*n.m.*	*n.m.*	*n.m.*	*46.0*	*39.7*	
PMO	*(17.4)*	*1.3*	*(30.4)*	*24.9*	*18.6*	
ENG	*17.8*	*53.3*	*46.4*	*6.1*	*58.2*	
% on total						
Group EBITDA	***100.0***	***100.0***	***100.0***	***100.0***	***100.0***	
ICT	*7.3*	*(8.5)*	*37.8*	*43.3*	*42.3*	
PMO	*61.8*	*66.1*	*30.3*	*29.7*	*24.6*	
ENG	*27.0*	*43.6*	*42.0*	*35.0*	*38.7*	

Source: Company data, CFO estimates

Below EBIT CFO expects financial costs to diminish as of 2018, on the back of the diminishment of NFP. Tax burden is quite relevant here, however the tax rate is projected to lessen from 46.5% to 40.0% in 2016-20 thanks to higher earnings coming from foreign countries. As a result **Net Profit is anticipated to show a 69.3% CAGR in 2017-20.** As highlighted, we provide also the adjusted figures for EBIT and Net Profit taking into consideration the goodwill amortisation in order to make DBA Group figures comparable to those of its peers prepared in accordance with IFRS.

Table 10 - DBA Group, 2015-19e figures evolution below EBIT

€ m	2016	2017	2018e	2019e	2020e	$CAGR_{17-20}$
EBIT	**2.9**	**2.1**	**4.1**	**6.3**	**10.1**	***68.8%***
% margin	*7.0*	*4.7*	*7.2*	*9.7*	*13.7*	
Financial costs	(0.2)	(0.2)	(0.1)	(0.0)	(0.0)	
Other costs	0.0	0.0	0.0	0.0	0.0	
Extraordinary	0.0	0.0	0.0	0.0	0.0	
Pre-Tax profit	**2.7**	**1.9**	**4.1**	**6.3**	**10.1**	***74.0%***
% margin	*6.6*	*4.2*	*7.0*	*9.6*	*13.7*	
Income taxes	(1.3)	(0.9)	(1.6)	(2.5)	(4.0)	
Tax rate	*46.5%*	*47.2%*	*40.0%*	*40.0%*	*40.0%*	
Minorities	(0.2)	(0.2)	(0.3)	(0.4)	(0.4)	
Net Profit	**1.2**	**0.8**	**2.2**	**3.4**	**5.7**	***94.3%***
% margin	*3.0*	*1.7*	*3.7*	*5.2*	*7.7*	
Goodwill amortisation	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	
EBIT adj.	**3.4**	**2.6**	**4.6**	**6.8**	**10.6**	***59.8%***
% margin	*8.2*	*5.8*	*8.0*	*10.4*	*14.4*	
Net Profit adj.	**1.7**	**1.3**	**2.7**	**3.9**	**6.2**	***69.3%***
% margin	*4.2*	*2.8*	*4.6*	*5.9*	*8.3*	

Source: Company data, CFO Sim estimates

Thanks to the relatively low amount of capex (€ 6.4m in 2017 including € 0.5m stemming from the Itelis acquisition, then € 2.0m per annum in 2019-20), the **operating cash flow translates reasonably well into free cash flow**: EBITDA FCF conversion is estimated at 39% and 35% in 2019-20. Cash generation is consequently projected to boost Net Financial Position cash positive for € 9.7m in 2020.

Table 11 - DBA Group, 2016-20e Net Financial Position and financial solidity

€ m	2016	2017	2018e	2019e	2020e
Year-end NFP (Cash)/Debt	(0.1)	(2.7)	(1.8)	(5.3)	(9.7)
Average (Cash)/debt	2.3	(1.4)	(2.3)	(3.6)	(7.5)
EBITDA	4.8	4.6	6.9	8.8	12.6
Shareholders' equity	10.6	23.3	25.2	28.3	33.5
Interest charges	(0.2)	(0.2)	(0.1)	(0.0)	(0.0)
NFP/Equity	(0.0)	(0.1)	(0.1)	(0.2)	(0.3)
NFP/EBITDA	(0.0)	(0.6)	(0.3)	(0.6)	(0.8)
EBITDA/charges	28.1	24.4	81.2	274.4	674.8

Source: Company data, CFO Sim estimates

11. Valuation & risks

CFO Sim initiates coverage on DBA Group with a **BUY rating and a Target Price of € 4.70 upside of 24.3%. We believe a multiples comparison is the most appropriate practice to appraise the equity value of the company**. Then, we used the DCF and the SoP methods to corroborate the value obtained by the aforementioned technique.

11.1. Market multiples

We conducted an analysis on a cluster of 13 companies operating in the ICT software, engineering and advisory arena, 2 of which are domestic. We divided the sample in two sub-groups: Engineering and ICT software. Our engineering business unit peer sample comprises the following comparable firms:

AECOM: USA, it provides engineering, consulting, program and project management services for several sectors, including energy, environment, oil and gas, transport, construction. Market capitalisation is € 4.6bn, turnover FY1 € 15.9bn, and EBITDA FY1 is € 735m (4.6% margin).

Alten: France, operates in engineering and technology consulting, provides support for its clients' development strategies in the fields of innovation, R&D and IT systems. Market capitalisation is € 2.8bn, turnover FY1 € 2.2bn, and EBITDA FY1 is € 234m (10.8% margin).

Altran Technologies: France, it is a multinational consulting firm operating in different fields of engineering. It provides services to aerospace, automotive, energy, rail, finance, healthcare and TLC. Market capitalisation is € 3.3bn, turnover FY1 € 2.9bn, and EBITDA FY1 is € 426m (14.6% margin).

Arcadis: Netherlands, multinational firm offering engineering, consulting, program and project management services for different markets, including water and energy resources, commercial development, contractors, renewable energy, finance, retail, industrial, public transport services. Market capitalisation is € 1.4bn, turnover FY1 € 3.2bn, and EBITDA FY1 is € 220m (6.8% margin).

Jacob Engineering: USA, corporation providing engineering services including technical and scientific advice, in addition to all engineering aspects, construction, start-up and maintenance of plants for various sector including , industry, defence, energy and infrastructure. Market capitalisation is € 6.6bn, turnover FY1 € 11.8m, and EBITDA FY1 is € 819m (6.9% margin).

SNC Lavalin: Canada, group providing design, consulting, engineering, software and project management services to mining and metallurgy, oil and gas, environment and water, infrastructure and clean power sectors. In Apr-17 it acquired Atkins Plc for some $ 2.7bn (11.5x EBITDA). Market capitalisation is € 6.2bn, turnover FY1 € 7.3bn, and EBITDA FY1 is € 649m (8.9% margin).

Sweco: Sweden, it offers consulting, engineering and architectural services to various sectors including environment and water, infrastructure, energy and industrial. Market capitalisation is € 2.0bn, turnover FY1 € 1.7bn, and EBITDA FY1 is € 182m (10.6% margin).

Our ICT software and consultant business unit peer sample comprises the following comparable groups:

Accenture: USA, multinational offering management and strategic consulting services, technology services and outsourcing solutions in a vast array of industries. Market capitalisation is € 81.1bn, turnover FY1 € 32.2bn, and EBITDA FY1 is € 5.5bn (16.9% margin).

Capgemini: France, company providing IT consulting, outsourcing and professional services including application lifecycle services, big data analytics, supply chain management in several sectors including aerospace and defence, automotive, finance, industrial production, oil and gas, TLC. Market capitalisation is € 19.2bn, turnover FY1 € 13.0bn, and EBITDA FY1 is € 1.8bn (14.1% margin).

Devoteam: France, group offering IT consulting services, system integration, project management, cyber security and outsourcing solutions. Market capitalisation is € 745m, turnover FY1 € 620m, and EBITDA FY1 is € 68m (10.9% margin).

Reply: Italy, group that supports its client in the definition and development of business models enabled by new technological and communication paradigms (Big Data, Cloud Computing, Digital Communication, the Internet of Things, Mobile and Social Networking), to optimize and integrate processes, applications and devices. Market capitalisation is € 2.0bn, turnover FY1 € 991m, and EBITDA FY1 is € 142m (14.3% margin).

TXT e solution: Italy, software specialist and high value added solutions for aerospace, defence, high tech, finance, luxury, fashion, retail and consumer goods sectors. Market capitalisation is € 174m, turnover FY1 € 39m, and EBITDA FY1 is € 4.0m (10.1% margin).

WYG: Britain, firm providing consulting and engineering services, for several industries including defence, energy & waste, environment, mining & metals and transport. Market capitalisation is € 33m, turnover FY1 € 175m, and EBITDA FY1 is € 6.0m (3.5% margin).

Size and profitability vary a lot within the samples, as well as expected growth rates. Engineering and PMO comparables have EBITDA margins ranging from 3.5-16.9% and a sales growth on offer to the tune of mid-high single digit. Altran shows the highest profitability and sales, and returns growth higher than the group median. The least virtuous is AECOM with 4.6% EBITDA margin and low-single digit growth sales and EBITDA expected in 2017-20. ICT software comparable firms show quite a similar growth profile to the Engineering and PMO sample but profitability is higher here, ranging from 4.6% to 14.6%. Accenture shows the most lucrative P&L with an EBITDA margin of 16.9% but with small growth perspectives. WYG, even if it presents the lowest EBITDA margin of the panel offers EBIT growth rates far above the other peers.

DBA Group presents higher than median profitability compared to the Engineering and PMO peer median and broadly in line compared to the ICT software firm median. However, DBA Group offers investors by far the highest growth perspectives compared to both peer medians.

Table 12 - DBA Group, peer group summary table

€ m	Country	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA %	Sales CAGR17-20	EBITDA CAGR17-20	EBIT CAGR17-20	EPS CAGR18-20	NFP/ EBITDA FY1
AECOM	USA	4,586	15,934	735	4.6%	2.3%	6.2%	18.4%	11.3%	3.1
Alten SA	France	2,822	2,177	234	10.8%	6.9%	10.3%	6.8%	-3.5%	(0.5)
Altran Technologies SA	France	3,336	2,921	426	14.6%	14.1%	27.8%	24.1%	20.8%	2.6
Arcadis NV	Dutch	1,442	3,248	220	6.8%	11.6%	5.2%	9.6%	10.8%	1.5
Jacobs Engineering Inc	USA	6,754	11,789	819	6.9%	17.4%	23.7%	27.5%	14.3%	1.1
Snc-Lavalin Group Inc	Canada	6,239	7,305	649	8.9%	8.8%	17.1%	25.6%	16.8%	1.6
Sweco AB (publ)	Sweden	2,034	1,708	182	10.6%	2.3%	3.0%	4.5%	6.9%	0.5
Engineering & PMO		**3,336**	**3,248**	**426**	**8.9%**	**8.8%**	**10.3%**	**18.4%**	**11.3%**	**1.5**
Accenture PLC	USA	81,104	32,247	5,459	16.9%	6.0%	10.0%	9.1%	7.7%	(0.6)
Capgemini SE	France	19,165	12,962	1,826	14.1%	4.1%	8.4%	9.1%	8.6%	0.4
Devoteam SA	France	745	620	68	10.9%	9.7%	18.3%	22.1%	21.0%	(1.2)
Reply SpA	Italy	2,005	991	142	14.3%	10.2%	10.9%	11.8%	10.5%	(0.8)
TXT e solutions SpA	Italy	174	39	4	10.1%	9.3%	25.8%	23.2%	n.a.	(1.5)
WYG PLC	UK	33	175	6	3.5%	1.1%	3.3%	32.7%	13.4%	1.4
ICT software median		**1,375**	**805**	**105**	**12.5%**	**7.6%**	**10.4%**	**17.0%**	**10.5%**	**(0.7)**
DBA Group	**Italy**	**49**	**58**	**7**	**11.9%**	**17.8%**	**40.4%**	**59.8%**	**51.9%**	**(0.3)**

Source: CFO Sim, Thomson Reuters Eikon

Table 13 - DBA Group, peer group EV multiple table

x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
AECOM	0.43	0.41	0.40	9.3	8.4	7.9
Alten SA	1.24	1.12	1.03	11.5	10.2	9.1
Altran Technologies SA	1.51	1.33	1.29	10.4	8.5	7.7
Arcadis NV	0.55	0.51	0.48	8.1	6.9	6.3
Jacobs Engineering Group Inc	0.65	0.56	0.51	9.4	7.6	7.1
Snc-Lavalin Group Inc	1.00	0.85	0.89	11.2	8.9	8.2
Sweco AB (publ)	1.24	1.17	1.12	11.7	10.7	10.1
Engineering & PMO median	**1.00**	**0.85**	**0.89**	**10.4**	**8.5**	**7.9**
Accenture PLC	2.41	2.25	2.11	14.2	13.3	12.2
Capgemini SE	1.54	1.40	1.28	10.9	9.9	8.9
Devoteam SA	1.07	0.93	0.85	9.8	8.1	6.9
Reply SpA	1.91	1.74	n.a.	13.4	12.1	n.a.
TXT e solutions SpA	4.30	3.97	3.88	42.5	34.4	27.5
WYG PLC	0.24	0.24	0.23	6.8	6.3	5.6
ICT software median	**1.72**	**1.57**	**1.28**	**12.1**	**11.0**	**8.9**
DBA Group SpA	**0.88**	**0.72**	**0.58**	**7.4**	**5.4**	**3.4**

Table 14 - DBA Group, peer group EV & price multiple table

x	EBIT FY1	EBIT FY2	EBIT FY3	PER FY1	PER FY2	PER FY3
AECOM	10.3	9.4	8.6	12.9	11.5	10.4
Alten SA	16.9	11.0	10.8	17.9	16.7	19.2
Altran Technologies SA	12.8	10.4	9.4	15.8	12.4	10.8
Arcadis NV	11.3	9.3	8.0	12.6	11.0	10.3
Jacobs Engineering Group Inc	12.0	9.3	8.1	14.9	12.2	11.4
Snc-Lavalin Group Inc	11.8	9.4	9.0	16.7	14.7	12.3
Sweco AB (publ)	14.0	12.6	11.9	17.5	16.1	15.3
Engineering & PMO median	**12.0**	**9.4**	**9.0**	**15.8**	**12.4**	**11.4**
Accenture PLC	16.2	15.0	13.8	22.6	21.0	19.5
Capgemini SE	13.5	11.9	10.8	18.4	16.8	15.6
Devoteam SA	10.4	8.5	7.6	22.7	19.2	15.5
Reply SpA	15.0	13.2	n.a.	22.7	19.8	18.6
TXT e solutions SpA	73.0	54.9	36.3	87.6	61.3	n.a.
WYG PLC	10.3	9.7	7.9	10.4	9.1	8.1
ICT software median	**14.3**	**12.6**	**10.8**	**22.6**	**19.5**	**15.6**
DBA Group SpA	**11.0**	**7.0**	**4.1**	**18.4**	**12.6**	**8.0**

Source: CFO Sim, Thomson Reuters Eikon

In order to price into our valuation **the growth potential and the good degree of visibility** linked to the structure of DBA Group business model, **we decided to assess the equity value using 2018-20 figures, 50-40-10 weighted** and 20% discounted. **We attain a PT of € 4.70/s, 24.3% upside**. Please note that 2018 EBITDA is to a certain extent settled via the Price Adjustment Shares mechanism, which protects new shareholders from the IPO in the event that DBA Group falls short of an EBITDA of € 6.0m (organic) in 2018.

Table 15 - DBA Group, pre-money equity assessment, 1#2

€ m	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
DBA Group metrics	58.0	65.7	74.0	6.9	8.8	12.6
20% discounted multiple	1.09	0.97	0.87	9.02	7.79	6.73
Enterprise Value	**63.2**	**63.6**	**64.2**	**62.4**	**68.8**	**85.0**
Net Financial Position	1.8	5.3	9.7	1.8	5.3	9.7
Pension Provisions	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)
Minorities (valued at 10x earnings)	(3.8)	(3.8)	(3.8)	(3.8)	(3.8)	(3.8)
Equity Value	**59.7**	**63.7**	**68.6**	**59.0**	**68.8**	**89.5**
Equity Value/share	**4.59**	**4.90**	**5.28**	**4.54**	**5.30**	**6.88**

Source: CFO Sim, Thomson Reuters Eikon

Table 16 - DBA Group, pre-money equity assessment, 2#2

€ m	EBIT FY1	EBIT FY2	EBIT FY3	PER FY1	PER FY2	PER FY3
DBA Group metrics	4.6	6.8	10.6	2.7	3.9	6.2
20% discounted multiple	10.53	8.79	7.92	15.35	12.77	10.78
Enterprise Value	**48.9**	**60.2**	**84.2**	**41.0**	**49.9**	**66.5**
Net Financial Position	1.8	5.3	9.7			
Pension Provisions	(1.5)	(1.5)	(1.5)			
Minorities (valued at 10x earnings)	(3.8)	(3.8)	(3.8)			
Equity Value	**45.5**	**60.2**	**88.7**	**41.0**	**49.9**	**66.5**
Equity Value/share	**3.50**	**4.63**	**6.82**	**3.16**	**3.84**	**5.12**

Source: CFO Sim, Thomson Reuters Eikon

11.2. DCF

In the valuation via the DCF method, explicit estimates until 2022 and a long term growth of 1.0% were used. Cash flows were discounted back at an weighted average cost of capital calculated according to the following parameters:

Table 17 - WACC derived from:

Interest costs, pre-tax	2.0%
Tax rate	40.0%
Int. costs, after taxes	**1.2%**
Risk premium, incl. small size premium	9.0%
Risk-free (10Y Gov. Bond 2W average)	1.90%
Beta levered (x)	1.03
Required ROE	**11.2%**

Source: CFO Sim, Thomson Reuters Eikon

Risk premium at 9.0% factors in the minute size of the company and basically all AIM Italia market segment related concerns and disquiets that an investor might have. **Beta at 1.03** has been calculated taking peer group specific unlevered beta for each competitor, then leveraging it for DBA Group 25/75 debt/equity long term sustainable balance sheet structure.

Table 18 - DBA Group, DCF model

€ m	2018e	2019e	2020e	2021e	2022e	Term. Val.
EBIT	4.1	6.3	10.1	12.8	12.8	
Tax rate	40.0%	40.0%	40.0%	40.0%	40.0%	
Operating profit (NOPAT)	**2.5**	**3.8**	**6.1**	**7.7**	**7.7**	
Change working capital	(3.8)	(1.6)	(3.0)	(1.8)	(0.8)	
Depreciation	2.8	2.5	2.5	2.5	2.0	
Investments	(5.0)	(2.0)	(2.0)	(2.0)	(2.0)	
Free Cash Flows	**(3.6)**	**2.8**	**3.6**	**6.4**	**6.9**	**85.7**
Present value	(3.4)	2.4	2.9	4.7	4.6	**57.0**
WACC	**9.2%**	9.2%	9.2%	9.2%	9.2%	
Long-term growth rate	**1.0%**					

Source: CFO Sim

Table 19 – DBA Group, DCF derived from:

€ m	
Total EV present value € m	68.1
thereof terminal value	*83.6%*
NFP FY-17	2.7
Pension provision FY-17	(1.5)
Minorities	(3.8)
Equity value € m	**65.5**
#m shares	13.00
Equity value €/s	**5.00**
% upside/(downside)	*32.3%*

Source: CFO Sim

The application of the model produces an **equity value of DBA Group of € 65.5m, corresponding to € 5.00/share, 32.3% upside**.

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value of between **€ 4.64-5.52** per share **(perpetuity range of between 0.25% and 1.75%)**, while 2) compared to changes in the free risk rate produces an equity value of **€ 4.62-5.53** per share **(free risk range of between 2.65% and 1.15%)** and 3) compared to changes in the risk premium, including small size premium results into an equity value of **€ 4.23-6.15** per share **(risk premium range of between 10.50%% and 7.50%)**.

Table 20 – DBA Group, equity value sensitivity to changes in terminal growth rate

€ m	0.25%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%
Present value of CF	11.0	11.0	11.0	11.0	11.0	11.0	11.0
PV of terminal value	52.0	53.6	55.3	57.2	59.1	61.2	63.4
Total value	**62.9**	**64.6**	**66.3**	**68.1**	**70.1**	**72.1**	**74.4**
NFP FY-17	2.7	2.7	2.7	2.7	2.7	2.7	2.7
Pension provision FY-17	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)
Minorities	(3.8)	(3.8)	(3.8)	(3.8)	(3.8)	(3.8)	(3.8)
Equity value	**60.3**	**61.9**	**63.7**	**65.5**	**67.5**	**69.5**	**71.7**
Equity value/share €	**4.64**	**4.77**	**4.90**	**5.00**	**5.19**	**5.35**	**5.52**

Source: CFO Sim

Table 21 – DBA Group, equity value sensitivity to changes in free risk rate

€ m	1.15%	1.40%	1.65%	1.90%	2.15%	2.40%	2.65%
Present value of CF	11.2	11.1	11.0	11.0	10.9	10.8	10.7
PV of terminal value	63.3	61.1	59.1	57.2	55.3	53.6	51.9
Total value	**74.5**	**72.3**	**70.1**	**68.1**	**66.2**	**64.4**	**62.6**
NFP FY-17	2.7	2.7	2.7	2.7	2.7	2.7	2.7
Pension provision FY-17	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)
Minorities	(3.8)	(3.8)	(3.8)	(3.8)	(3.8)	(3.8)	(3.8)
Equity value	**71.9**	**69.7**	**67.5**	**65.5**	**63.6**	**61.7**	**60.0**
Equity value/share €	**5.53**	**5.36**	**5.19**	**5.00**	**4.89**	**4.75**	**4.62**

Source: CFO Sim

Table 22 – DBA Group, equity value sensitivity to changes in risk premium

€ m	7.50%	8.00%	8.50%	9.00%	9.50%	10.00%	10.50%
Present value of CF	11.5	11.3	11.1	11.0	10.8	10.6	10.4
PV of terminal value	71.0	65.9	61.3	57.2	53.5	50.1	47.1
Total value	**82.5**	**77.2**	**72.4**	**68.1**	**64.2**	**60.7**	**57.5**
NFP FY-17	2.7	2.7	2.7	2.7	2.7	2.7	2.7
Pension provision FY-17	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)
Minorities	(3.8)	(3.8)	(3.8)	(3.8)	(3.8)	(3.8)	(3.8)
Equity value	**79.9**	**74.6**	**69.8**	**65.5**	**61.6**	**58.1**	**54.9**
Equity value/share €	**6.15**	**5.74**	**5.37**	**5.00**	**4.74**	**4.47**	**4.23**

Source: CFO Sim

11.3. Sum of the parts

The sum-of-parts valuation, also known as breakup value analysis, is a process of valuing a company by determining what its aggregate divisions would be worth if spun off or acquired. The valuation provides the company value by aggregating the standalone value of each of its business units. The equity value is then derived by adjusting by net debt, pension provisions, minorities assessment and the perpetuity of holding costs.

This methodology values DBA Group equity at € 62.9m, € 4.80/share.

Table 23 – DBA Group, Sum of the Parts equity value assessment

	€ m	% on EV	Methodology
ICT software BU	33.5	*46.2*	8.8x peer multiple on € 3.8 m BU EBITDA 2019
Engineering & PMO BU	39.0	*53.8*	6.8x peer multiple on € 5.7 m BU EBITDA 2019
Total EV	**72.4**	***100.0***	
Holding costs	(7.0)		Perpetuity of holding costs @ 10.0%
NFP	2.7		FY-17 net financial position
Minorities	(3.8)		Perpetuity of P&L minorities @ 10.0%
Pension Provision	(1.5)		FY-17 pension provision
Equity Value	**62.9**		
Per share FD	**4.80**		
% upside/(downside)	*27.0%*		

Source: CFO Sim, Thomson Reuters Eikon

11.4. Comparable market transactions

The reference market is quite active in terms of M&A transactions. In 2017 three players have been taken over by large industry actors, with rather similar purchasing valuations.

- In Mar-17 **Wood Group bought AMEC from Forster Wheeler** (engineering services) for £ 2.2bn corresponding to **11.1x EBITDA**.
- In Apr-17, **the Canadian multinational SNC Lavalin bought for £ 4.2bn the UK Atkins** (design, engineering and project management consultant) corresponding to **11.5x EBITDA.**
- In Aug-17, **the US group Jacobs Engineering purchased compatriots CH2M for $ 2.9bn** (design-build, consulting, project and program management, operation management, construction management, design) for **10.1x EBITDA.**

Apart from assessment ruminations on the prices paid, the deals are clear evidence of a certain increasing interest in the industry. **We cannot rule out that, having reached an adequate size in the next few years, DBA Group ideally could be a target for a larger software ICT consultant** aiming at reinforcing its positioning.

11.5. Peer stock performance

DBA Group went public on 13-Dec-17 on the AIM Italia with market capitalisation of € 52.0m and a **free float of 44.0%, 51.1%** after warrant conversion and the Price Adjustment Shares conversion into ordinary (assuming the company reaches € 6.0m organic EBITDA in 2018). Adopting the same approach used in setting up the peer sample for assessing the value of DBA Group, we defined a panel of 13 firms, 7 of which operate mainly in engineering and PMO and the remainder in the ICT software sector.

Table 24 - DBA Group, peer group absolute performance

	1D	1W	1M	3M	6M	YTD	1Y
AECOM	(1.1)	(2.5)	(5.5)	(12.6)	(3.9)	(8.3)	1.2
Alten SA	0.4	7.1	7.2	2.3	13.0	20.2	9.7
Altran Technologies SA	0.5	4.8	8.3	(3.4)	(6.9)	4.1	(7.3)
Arcadis NV	1.4	3.4	3.6	(9.0)	(15.3)	(13.1)	2.8
Jacobs Engineering Group Inc	(1.0)	(1.8)	(4.5)	(18.4)	(2.7)	(13.4)	4.7
Snc-Lavalin Group Inc	(4.2)	(2.8)	0.3	1.7	(6.5)	(4.1)	(0.5)
Sweco AB (publ)	(0.3)	4.9	1.9	0.7	(1.1)	(1.2)	(17.8)
Engineering & PMO median	**(0.3)**	**3.4**	**1.9**	**(3.4)**	**(3.9)**	**(4.1)**	**1.2**
Accenture PLC	0.7	(0.4)	0.1	(5.4)	5.8	(0.9)	26.1
Capgemini SE	(0.8)	9.1	11.5	5.6	9.6	15.4	23.7
Devoteam SA	1.9	8.7	5.0	12.7	12.0	19.8	45.3
Reply SpA	(0.8)	3.7	20.8	0.7	22.5	16.4	36.1
TXT e solutions SpA	(0.6)	7.0	25.0	38.6	16.2	39.1	17.4
WYG PLC	0.0	0.0	15.7	(2.4)	(40.9)	(12.0)	(57.6)
ICT software median	**(0.3)**	**5.3**	**13.6**	**3.2**	**10.8**	**15.9**	**24.9**
DBA Group SpA	**0.0**	**1.9**	**2.7**	**(5.3)**	**n.a.**	**(6.2)**	**n.a.**

Source: Thomson Reuters Eikon

11.6. Risks

The principal investment **risks** in DBA Group include:

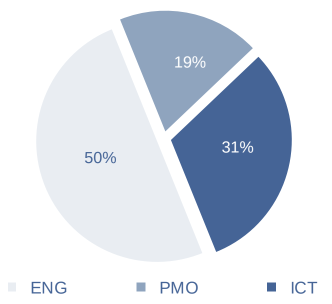
- Risks linked to the postponement of some key projects;
- Risks due to ICT malfunctions;
- Risks due to competition in the reference markets, which might put margins or top line developments under pressure in the short term.
- Impact on economics and balance sheet profile triggered by a deep decline in local and global economic growth;
- Dilution on profitability stemming from the acquisition campaign;
- The departure of one of few key relevant people.

The company at a glance

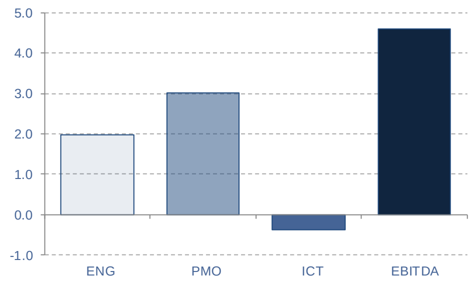
Founded in 1991 by the four De Bettin brothers in the hard-working and creative north east of Italy, DBA Group is specialised in network connectivity and infrastructure lifecycle support solutions. The core competence of DBA Group is the proven ability to provide telematics solutions for strategic infrastructures to clients whose business is network-performance critical. It provides integrated services and solutions in the ICT, Project Management and Architecture and Engineering fields in six industries. Founded as an engineer and architect associated firm, now DBA Group is the only player in Italy able to offer the synergic combination of the aforementioned services and solutions for the management of the entire infrastructure lifecycle. DBA Group offers high value added services and software platforms which meet the full range of potential technical, technological and ICT customer needs during the entire infrastructure lifecycle with the aim of providing high added value support services for infrastructure management and maintenance.

The group has grown significantly in the last few years: in the period 2011-17, top line more than doubled from € 18.8m to € 45.3m, 15.8% CAGR also thanks to the acquisition of Actual in 2015, entirely financed by internal resources in addition to a € 1.5m capital increase, which added € 11m in sales. Profitability rose consequently: EBITDA rose from € 2.1m to € 4.6m, 13.8% CAGR. In 2017 value of production reached € 45.3m, up 9.3% YoY, EBITDA totalled € 4.6m, 10.1% margin and net profit came at € 0.8m, 1.7% of top line. Net financial position was € 2.7m (positive).

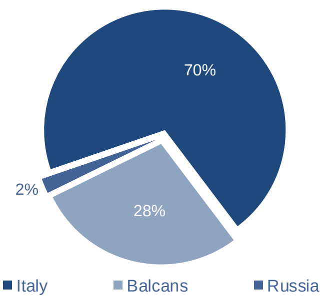
2017 top line and…



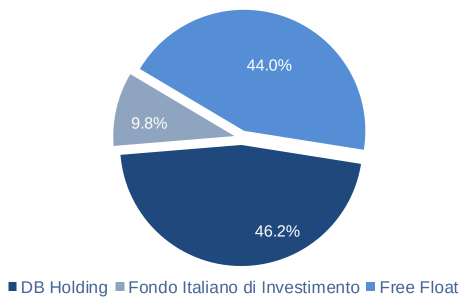
… and EBITDA breakdown by business unit



2017 top line by country



Shareholder structure



Peers group multiples table

EV multiples x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3	EBIT FY1	EBIT FY2	EBIT FY3
AECOM	0.43	0.41	0.40	9.3	8.4	7.9	10.3	9.4	8.6
Alten SA	1.24	1.12	1.03	11.5	10.2	9.1	16.9	11.0	10.8
Altran Technologies SA	1.51	1.33	1.29	10.4	8.5	7.7	12.8	10.4	9.4
Arcadis NV	0.55	0.51	0.48	8.1	6.9	6.3	11.3	9.3	8.0
Jacobs Engineering Group Inc	0.65	0.56	0.51	9.4	7.6	7.1	12.0	9.3	8.1
Snc-Lavalin Group Inc	1.00	0.85	0.89	11.2	8.9	8.2	11.8	9.4	9.0
Sweco AB (publ)	1.24	1.17	1.12	11.7	10.7	10.1	14.0	12.6	11.9
Engineering & PMO median	**1.00**	**0.85**	**0.89**	**10.4**	**8.5**	**7.9**	**12.0**	**9.4**	**9.0**
Accenture PLC	2.41	2.25	2.11	14.2	13.3	12.2	16.2	15.0	13.8
Capgemini SE	1.54	1.40	1.28	10.9	9.9	8.9	13.5	11.9	10.8
Devoteam SA	1.07	0.93	0.85	9.8	8.1	6.9	10.4	8.5	7.6
Reply SpA	1.91	1.74	n.a.	13.4	12.1	n.a.	15.0	13.2	n.a.
TXT e solutions SpA	4.30	3.97	3.88	42.5	34.4	27.5	73.0	54.9	36.3
WYG PLC	0.24	0.24	0.23	6.8	6.3	5.6	10.3	9.7	7.9
ICT software median	**1.72**	**1.57**	**1.28**	**12.1**	**11.0**	**8.9**	**14.3**	**12.6**	**10.8**
DBA Group SpA	**0.88**	**0.72**	**0.58**	**7.4**	**5.4**	**3.4**	**11.0**	**7.0**	**4.1**

Source: CFO Sim, Thomson Reuters Eikon

Income statement (€ m)	2016	2017	2018e	2019e	2020e
Value of Production	41.4	45.3	58.0	65.7	74.0
Services	(15.0)	(18.0)	(25.3)	(29.4)	(32.0)
Lease, rental and other opex	(5.0)	(4.1)	(5.2)	(5.9)	(6.7)
Personnel expenses	(16.7)	(18.6)	(20.6)	(21.6)	(22.7)
EBITDA	4.8	4.6	6.9	8.8	12.6
D&A	(1.9)	(2.5)	(2.8)	(2.5)	(2.5)
EBIT	2.9	2.1	4.1	6.3	10.1
Financial costs	(0.2)	(0.2)	(0.1)	(0.0)	(0.0)
Extraordinary, other costs	0.0	0.0	0.0	0.0	0.0
Pre-Tax profit	2.7	1.9	4.1	6.3	10.1
Income taxes	(1.3)	(0.9)	(1.6)	(2.5)	(4.0)
Minorities	(0.2)	(0.2)	(0.3)	(0.4)	(0.4)
Net Profit	1.2	0.8	2.2	3.4	5.7
EBIT adj.	3.4	2.6	4.6	6.8	10.6
Net Profit adj.	1.7	1.3	2.7	3.9	6.2

Balance sheet (€ m)	2016	2017	2018e	2019e	2020e
Net Working Capital	9.7	14.4	18.2	19.8	22.7
Net Fixed Assets	8.5	13.1	15.4	14.8	14.3
Equity Investments	1.4	0.7	0.7	0.7	0.7
Other M/L Term A/L	(8.1)	(6.3)	(9.3)	(10.4)	(11.6)
Net Invested Capital	11.5	22.0	25.0	24.9	26.2
Net Financial Position	(0.1)	(2.7)	(1.8)	(5.3)	(9.7)
Minorities	1.0	1.3	1.6	2.0	2.4
Group's Shareholders Equity	10.6	23.3	25.2	28.3	33.5
Net Financial Position & Equity	11.5	22.0	25.0	24.9	26.2

Cash Flow statement (€ m)	2016	2017	2018e	2019e	2020e
Total net income	1.2	0.8	2.2	3.4	5.7
Depreciation	1.9	2.5	2.8	2.5	2.5
Other non-cash charges	0.8	(0.9)	3.1	1.1	1.2
Cash Flow from Oper. (CFO)	3.9	2.3	8.0	7.0	9.3
Change in NWC	3.2	(4.7)	(3.8)	(1.6)	(3.0)
FCF from Operations (FCFO)	7.1	(2.3)	4.2	5.4	6.4
Net Investments (CFI)	(2.2)	(7.1)	(5.0)	(2.0)	(2.0)
Free CF to the Firm (FCFF)	4.9	(9.4)	(0.8)	3.5	4.4
CF from financials (CFF)	(4.5)	18.2	(7.5)	(1.8)	(0.4)
Free Cash Flow to Equity (FCFE)	0.4	8.8	(8.3)	1.7	4.0

Financial ratios	2016	2017	2018e	2019e	2020e
EBITDA margin	11.6%	10.1%	11.9%	13.4%	17.1%
EBIT margin	7.0%	4.7%	7.2%	9.7%	13.7%
Net profit margin	3.0%	1.7%	3.7%	5.2%	7.7%
Tax rate	46.5%	47.2%	40.0%	40.0%	40.0%
Interest coverage x	0.06	0.09	0.02	0.01	0.00
Net Debt/EBITDA x	(0.02)	(0.59)	(0.27)	(0.60)	(0.77)
Debt-to-Equity x	(0.01)	(0.11)	(0.07)	(0.19)	(0.29)
ROIC	10.8%	3.5%	8.7%	13.7%	21.7%
ROCE	16.6%	5.8%	13.2%	19.2%	26.3%
ROACE	14.4%	7.8%	12.2%	19.7%	28.3%
ROE	11.7%	3.3%	8.6%	12.1%	16.9%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%

Per share figures	2016	2017	2018e	2019e	2020e
Number of issued ordinary shares # m	13.00	13.00	13.00	13.00	13.00
Number of shares Fully Diluted # m	15.22	15.22	15.22	15.22	15.22
Average Number of shares Fully Diluted # m	12.61	15.22	15.22	15.22	15.22
EPS reported €	0.10	0.06	0.17	0.26	0.44
EPS adjusted €	0.13	0.10	0.21	0.30	0.47
EPS reported FD €	0.10	0.05	0.14	0.22	0.37
EPS adjusted FD €	0.14	0.08	0.18	0.26	0.41
EBITDA €	0.38	0.30	0.46	0.58	0.83
EBIT €	0.23	0.14	0.27	0.42	0.67
BV €	0.76	1.62	1.76	1.99	2.36
FCFO €	0.57	(0.15)	0.28	0.36	0.42
FCFF €	0.39	(0.62)	(0.06)	0.23	0.29
FCFE €	0.03	0.58	(0.55)	0.11	0.26
Dividend €	0.00	0.00	0.00	0.00	0.00

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DATE	TARGET PRICE	RATING
04/05/2018	€4.70	BUY

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