# DBA Group SpA

## Italy – ICT Consulting

## Price pressure shrank profitability – PAS cancelled

15th April 2019

FY-18 RESULTS RELEASE

RIC: DBA.MI
BBG: DBA IM

FY-18 numbers came in weaker than expected as a result of a harshening competition arena. PAS target not reached: 11.5% of the share capital will be cancelled, obtaining the additional effect of reducing the acquisition multiple for the market. In this different, more reflective market context, M&A could boost figures and increase value for shareholders.

**Rating:**
**Buy**

**Price Target:**
**€ 3.30 (€ 4.20)**

**Upside/(Downside): 50.0%**

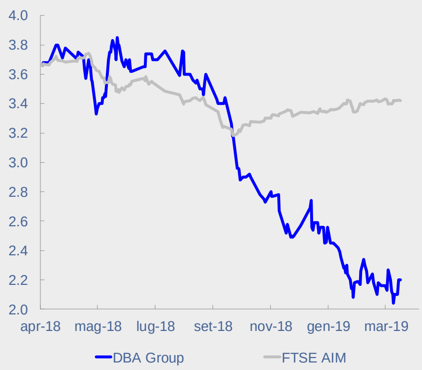
**Last Price: € 2.20**

**Market Cap.: € 25.3m***

**1Y High/Low: € 3.88/€ 1.96**

**Free Float: 49.7%***

**Major shareholders:**
De Bettin family 40.5%*




**Stock price performance**

| | 1M | 3M | 12M |
|---|---|---|---|
| **Absolute** | 0.9% | -15.1% | -40.5% |
| **Rel.to AIM Italia** | 0.2% | -18.3% | -33.8% |
| **Rel.to peers** | -1.6% | -36.0% | -43.4% |

**Analysts:**

Luca Arena
+39 02 30343 395
luca.arena@cfosim.com

Gianluca Mozzali
+39 02 30343 396
gianluca.mozzali@cfosim.com

**Estimate cut, new PT of € 3.30 (€ 4.20), 50.0% upside. Buy**
DBA failed to reach FY-18 Price Adjustment Share EBITDA target: 1.50m price adjustment shares will be cancelled, with the effect of a reduction of 1) the market capitalisation and 2) consequently the acquisition multiple for the market. On the back of lower than expected FY-18 results and a certain increased price pressure in particular in the Telco & Media sector, we have cut our 2019-20 projections by some 18% on average for top line and by 46% for EBITDA. We have also introduced 2021 estimates. Moreover, we have updated DCF valuation criteria, bringing the free risk rate up-to-date as well as the beta. Following this significant estimate downgrade, we set a new PT for DBA at € 3.30/s (€ 4.20), 50.0% upside, based on peer multiple comparison: Buy confirmed. In this changed, more reflective market context, DBA could boost figures and increase value for shareholders via M&A. Our estimates entail only organic growth assumptions.

**Value of Production up 8.4%, driven by organic growth and M&A**
VoP increased 8.4% to € 48.9m vs. our € 61.1m pro-forma estimates (€ 51.6m with SJS consolidated for two months and without Thetis). Bear in mind that CFO FY-18 pro forma estimates included two acquisitions, both consolidated as of 1-Jan-18, 1) SJS Engineering, finalised last 31-Oct and 2) Thetis, aborted (announced in Feb-19), while DBA Group FY-18 results include only the consolidation of SJS Engineering for just two months (Nov-Dec). Divisional breakdown: 47% Engineering, 31% ICT and 22% Project Management.

**EBITDA adj. of € 4.8m, 9.8% margin, affected by increased price pressure**
EBITDA adj. totalled € 4.8m (adjusted for listing costs sustained in 2018 for € 363k), 9.8% margin, vs € 4.6m in 2017 and € 7.1m CFO estimate (€ 5.6m with SJS consolidated just for two months and without Thetis). Net profit was € 0.2m vs. € 0.8m in 2017. Net Financial Position was € 9.7m net debt, vs. € 2.7m net cash in 2017 and € 2.3m CFO estimate (€ 1.0m excluding the aborted acquisition of Thetis for € 1.3m), mainly as a result of € 5.9m cash absorption stemming from higher WC (receivables).

**Group strategy: M&A and internationalisation along the New Silk Road**
Current Order Backlog is € 47.6m +20% YoY, o/w some 50% billable in 2019. This allows DBA to continue to pursue its own strategic plan, based on internationalisation and M&A. The group aims to acquire small but key strategic competitors in key sectors, with complementary customers and products, in Italy and abroad, and to proceed with some initiatives related to digitalisation of port infrastructure along the New Silk Road. Furthermore, in 2018 DBA Group acquired 75% of SJS Engineering (Oct-18) and completed the minorities buyout of Actual IT (Sep-18).

**DBA Group, key financials and ratios**

| € m | 2017 | 2018 | 2019e | 2020e | 2021e |
|---|---|---|---|---|---|
| Value of production | 45.2 | 49.0 | 56.5 | 59.6 | 62.6 |
| EBITDA | 4.6 | 4.4 | 5.2 | 6.0 | 7.0 |
| EBIT | 2.1 | 1.6 | 1.1 | 2.0 | 3.0 |
| EBIT adj. | 2.6 | 2.3 | 2.3 | 3.2 | 4.1 |
| Net profit | 0.8 | 0.2 | 0.5 | 1.0 | 1.7 |
| Net profit adj. | 1.3 | 0.9 | 1.6 | 2.2 | 2.8 |
| NFP (cash)/debt | (1.7) | 9.7 | 6.8 | 2.5 | (0.1) |
| EPS adjusted € | 0.08 | 0.06 | 0.11 | 0.16 | 0.21 |
| EPS adj. growth | -39.6% | -31.0% | 98.6% | 41.8% | 29.1% |
| DPS ord. €/s | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| EBITDA margin % | 10.1% | 9.1% | 9.1% | 10.1% | 11.1% |
| EBIT margin % | 4.7% | 3.4% | 2.0% | 3.4% | 4.8% |
| PER* | 20.0 | 28.9 | 15.5 | 11.7 | 9.0 |
| EV/Sales* | 0.58 | 0.71 | 0.57 | 0.47 | 0.40 |
| EV/EBITDA* | 5.7 | 7.9 | 6.2 | 4.6 | 3.6 |
| EV/EBIT* | 10.0 | 15.2 | 14.1 | 8.7 | 6.1 |

**Calculated with the market capitalisation and no. of shares without the 1.50m PAS*

# 1. DBA Group in a nutshell

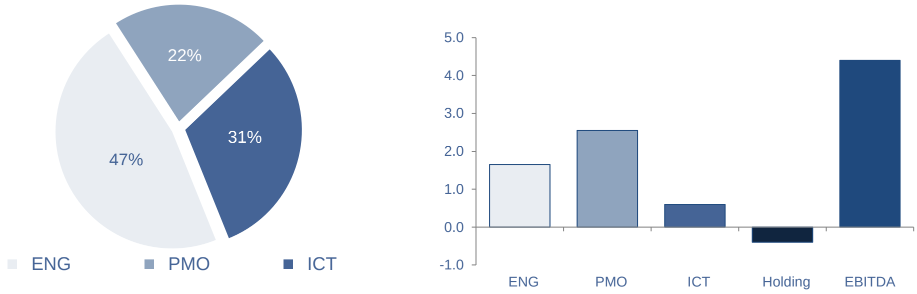
Founded in 1991 by the four De Bettin brothers in the hard-working and creative north east of Italy, **DBA Group is specialised in network connectivity and infrastructure lifecycle support solutions**. The core competence of DBA Group is the proven ability to provide telematics solutions for strategic 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, 22% 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, 47% 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, 2018 Sales and EBITDA by BU**



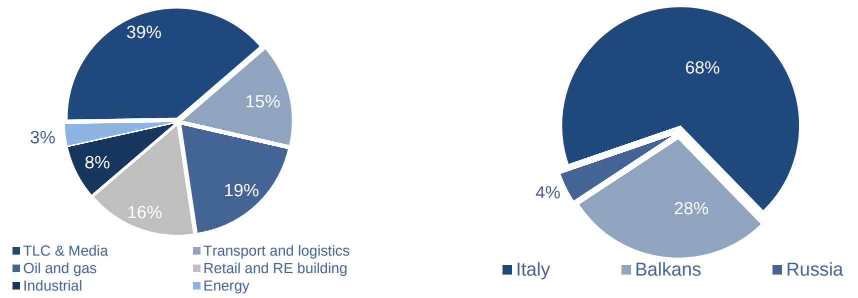

*Source: Company data*

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 68% of top line**, then in the Balkans with 28% and in Russia with 4% 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.

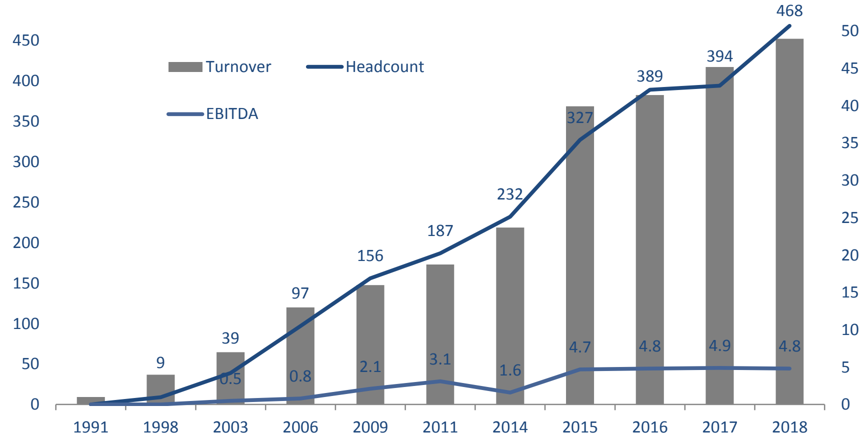
**Chart 2 – DBA Group, 2018 Sales by reference markets and by countries**




*Source: Company data*

The group has grown significantly in the last few years: in the period **2011-18, top line more than doubled from € 18.8m to € 49.0m, 14.7% CAGR** also thanks to the acquisition of Actual in 2015 (minorities buyout in Sep-18) and SJS in October 2018. **Profitability rose consequently**: **EBITDA grew from € 3.1m to € 4.8m, 6.4% CAGR**. In 2018 value of production reached € 49.0m, up 8.4% YoY, EBITDA adj. totalled € 4.8m, 9.8% margin and net profit came at € 0.2m, 0.4% of top line. Net financial position was € 9.6m (debt). The chart below shows top line, EBITDA and personnel trends since the founding of DBA Group in 1991.

**Chart 3 – DBA Group, 1991-18 top line, EBITDA and staffs growth**




*Source: Company data*

## 2. 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 centres;
- 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;

## 2.1. Telecommunications and Media

In 2017 domestic revenues in the TLC sector continued the recovery started in 2016, reaching € 32bn, after several years of steady persistent decline. In the 2014-16 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. The 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 national public 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, 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).

## 2.2. 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.

## 2.3. 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 alternative fuel 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 eco-friendly 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.

## 2.4. 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 Italy transactions increased by 18% in 2016 and by 5% in 2017. 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, 2017 Italian real estate market overview**

| Destination | Stock % | Transactions | % YoY | % on Total | REMI |
|---|---|---|---|---|---|
| Residential | 53.5% | 542,480 | +4.9% | 49.8% | 1.6% |
| Appurtenances | 5.6% | 64,116 | +12.4% | 5.9% | 1.8% |
| Garages | 24.3% | 319,764 | +3.8% | 29.4% | 2.1% |
| Tertiary – Commercial | 9.2% | 92,908 | +7.7% | 8.5% | 1.6% |
| Manufacturing | 1.2% | 12,038 | +7.6% | 1.1% | 1.6% |
| Manufacturing – Agricultural | 0.6% | 2,525 | +13.0% | 0.2% | 0.6% |
| Other | 5.5% | 55,231 | +7.4% | 5.1% | 1.6% |
| **Total** | **100.0%** | **1,089,063** | **+5.3%** | **100.0%** | **1.7%** |

*Source: 2018 Real Estate Report from Osservatorio del Mercato Immobiliare*

Regarding retail real estate, **improved economic stability in EU28 prompted an increase in purchasing power**: pro-capita income rose to € 16,436 from € 15,400 in 2014-17. This contributed to sustain retail. In 2018 consumption is projected to further progress (source: GFK, 2018): robust growth in Bulgaria (the main reference geographical area for DBA Group), with +5.3% expected, +6.0% in Hungary, +7.5% in Romania and +6.5% in Czech Republic. Steady the Italian market (+0.9%), while Turkey is expected to grow by 7.0%.

Also looking at the hospitality segment, perspectives are rather bright. The **ongoing concentration process and renovation demand 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 (1) the luxury offer potential, (2) the vast quantity of buildings suitable to be renovated, (3) market potential, which offer returns to a certain extent more lucrative than 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 sustain business for the group**.

# 3. 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.

## 3.1 ICT Market

Improving macro-economic signals and the process of infrastructural system optimisation and modernisation prompt Italian companies to accelerate IT investment: the **ICT market in Italy in 2018 grew by 0.7% YoY reaching € 30bn, driven by IT segment (+1.6% vs 2017). For the next few years the market will grow with a CAGR$_{17-21}$ of +1.3%.**

**Table 2 – DBA Group, Italian ICT Market**

| Domestic ICT Market, € bn | 2017 | 2018 | 2019e | 2020e | 2021e | CAGR$_{17-21}$ |
|---|---|---|---|---|---|---|
| Hardware | 5.7 | 5.6 | 5.7 | 5.9 | 5.9 | 1.0 |
| Software | 5.9 | 6.2 | 6.5 | 6.9 | 7.3 | 5.3 |
| IT Services | 10.8 | 10.9 | 11.1 | 10.9 | 11.1 | 0.7 |
| Telco Services | 7.3 | 7.2 | 7.2 | 7.1 | 7.1 | (0.8) |
| **Total** | **29.8** | **30.0** | **30.5** | **30.9** | **31.4** | **1.3** |

*Source: Assintel Report 2019*

More specifically, looking at the niches driving group business development, it is noteworthy to highlight the most lively CAGR in the Software segment for the next years, driven by new innovative technologies such as Cloud, IoT, Robotics, Drones, Artificial Intelligence, AR and VR. For example, in 2019, the investments in Cloud systems will overtake € 1.8bn, +25% vs. 2018.

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 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 transhipment 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.**

## 3.2 Project management and Engineering

The **world market for professional engineering services in 2016 exceeded $ 66bn**. The geographic areas that fuelled 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 € 8.0-178.0m in engineering and € 1.9-21.5m in architecture and design**.

The company is the tenth player in Italy, according to 2017 turnover data. However, since amongst the top ten companies, at least three can be defined as in-house entities with volumes secured by their controlling company (Italferr/Ferrovie dello Stato, EniProgetti/Eni Group, Spea/Atlantia). **DBA Group is the seventh independent operator in Italy**.

**Table 3 – DBA Group, 2017 Italian engineering market competitive structure**

| Rank # | Firm | 2017 Value of Production, € m |
|---|---|---|
| 1 | *Italferr* | *178.0* |
| 2 | *EniProgetti* | *170.5* |
| 3 | *Spea Engineering* | *112.9* |
| 4 | Proger | 110.1 |
| 5 | Italconsult | 83.3 |
| 6 | Rina Consulting | 80.0 |
| 7 | Stantec | 61.6 |
| 8 | Enereco | 53.4 |
| 9 | Manens - Tifs | 51.4 |
| **10** | **DBA Group** | **45.2** |
| 11 | Agriconsulting | 44.4 |
| 12 | Jacobs Italia | 44.2 |
| 13 | Sina | 37.5 |
| 14 | Net Engineering International | 34.7 |
| 15 | Artelia Italia | 31.8 |

*Source: 2018 report on Italian entrepreneurship in engineering, Guamari Prof. Aldo Norsa*

## 4. Strategy

**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 Company intends to use the cash flow produced by the business to **boost growth and consolidate its positioning** also via **acquisitions.** In detail:

- **The reinforcement of the management team** – 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 staff are projected to manage the integration process of the companies the group is willing to acquire and integrate.
- **Research and development** – 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.
- **Internationalisation** – 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.
- **M&A** – 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 promising fresh African and Latin American 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 the course of 2019**.

  **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), **Itelis** (2017) and **SJS Engineering** (2018). Furthermore in Sep-18 the company completed the minorities buyout of Actual IT (already fully consolidated).

# 5. 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

- The **only player offering the synergic combination of its three business unit** services and solutions
- Substantial cash flow generation and sound balance sheet **allow external growth opportunities**
- **468 highly skilled, loyal and motivated employees**, o/w 60% are graduates

### Weaknesses

- **Limited size** in the international competitive arena
- Few key relevant people represent a **vital asset for the company**
- Need of **reinforcement of the management structure** to boost developments

### Opportunities

- **Consolidation opportunities** in the domestic market and abroad
- **Foreign market** expansion

### Threats

- Expansion via external growth may prove difficult
- In certain projects, **competition from smaller players**, driven by different cost logics and short term industrial view: **dumping**

# 6. FY-18 Results

DBA Group reported FY-18 results weaker than expected also as a result of a certain price pressure. CFO Sim FY-18 pro-forma estimates included two acquisitions, both consolidated as of 1-Jan-18, while DBA Group 2018 results include only the consolidation of SJS Engineering for 2 months (Nov-Dec) and do not take into account the consolidation of Thetis, deal aborted in Feb-19. **Price Adjustment Share target was not reached: 11.5% of total shares will be cancelled.**

**Table 4 – DBA Group, FY-18 results summary**

| P&L € m | 2018 | 2017 | % YoY | 2018e pf | % Diff. |
|---|---|---|---|---|---|
| **Revenues** | **47.0** | **42.3** | *11.2* | **60.6** | ***(22.5)*** |
| Other | 2.0 | 2.9 | | 0.5 | |
| **Value of Production** | **49.0** | **45.2** | ***8.4*** | **61.1** | ***(19.9)*** |
| Raw material | (3.2) | (1.6) | | (2.7) | |
| Services | (18.1) | (18.0) | | (23.8) | |
| Lease & rental | (2.3) | (2.0) | | (2.6) | |
| Other opex | (0.2) | (0.4) | | (4.3) | |
| Personnel expenses | (20.8) | (18.6) | | (20.6) | |
| **EBITDA adj.** | **4.8** | **4.9** | ***(1.7)*** | **7.1** | ***(32.4)*** |
| *% margin* | *9.8* | *10.8* | | *11.6* | |
| **EBITDA** | **4.4** | **4.6** | ***(3.0)*** | **7.1** | ***(37.5)*** |
| *% margin* | *9.1* | *10.1* | | *11.6* | |
| D&A | (2.8) | (2.5) | | (3.4) | |
| **EBIT** | **1.6** | **2.1** | ***(22.1)*** | **3.7** | ***(55.3)*** |
| *% margin* | *3.4* | *4.7* | | *6.0* | |
| Financial costs | (0.3) | (0.2) | | (0.1) | |
| **Pre-Tax profit** | **1.4** | **1.9** | ***(27.9)*** | **3.6** | ***(61.5)*** |
| *% margin* | *2.8* | *4.2* | | *5.9* | |
| Income taxes | (1.0) | (0.9) | | (1.4) | |
| Tax rate | *71.8%* | *47.3%* | | *40.0%* | |
| Minorities | (0.2) | (0.2) | | (0.1) | |
| **Net Profit** | **0.2** | **0.8** | ***(71.5)*** | **2.0** | ***(89.2)*** |
| *% margin* | *0.4* | *1.7* | | *3.3* | |
| | | | | | |
| Goodwill amortisation | (0.5) | (0.5) | | (0.5) | |
| **EBIT adj.** | **2.1** | **2.6** | ***(17.9)*** | **4.2** | ***(48.7)*** |
| *% margin* | *4.4* | *5.8* | | *6.8* | |
| **Net Profit adj.** | **0.7** | **1.3** | ***(43.4)*** | **2.5** | ***(71.6)*** |
| *% margin* | *1.5* | *2.8* | | *4.1* | |

*Source: Company data*

**Value of Production increased 8.4% to € 49.0m,** vs. € 45.2m in 2017 and compared with our € 61.1m pro-forma estimates (it would been **€ 51.6m with SJS Engineering consolidated just for two months and without Thetis**). Divisional breakdown in 2018 was the following: 47% Engineering, 31% ICT and 22% Project Management.

**EBITDA adj. totalled € 4.8m** (adjusted for listing costs sustained in 2018 for € 363k), 9.8% margin, vs € 4.9m in 2017 and compared to € 7.1m CFO Sim estimate (it would been **€ 5.6m with SJS Engineering consolidated just for two months and without Thetis**). The reduction of 1.7% YoY was mainly due to a certain price pressure.

**Net profit was € 0.2m** vs. € 0.8m in 2017.

**Net Financial Position was € 9.7m net debt**, vs. € 2.7m net cash in 2017 and € 2.3m net debt according to CFO Sim estimate **(€ 1.0m net debt excluding the aborted acquisition of Thetis for € 1.3m**), mainly as a result of € 5.9m cash absorption stemming from higher WC (receivables). Furthermore, the company paid € 3.5m for the acquisition of SJS Engineering and € 2.95m for the minorities buyout of Actual IT.

**Current Order Backlog is € 47.6m +20% YoY, o/w some 50% billable in 2019.**

# 7. Valuation & risks

DBA Group failed to reach FY-18 Price Adjustment Share EBITDA target of € 6.0m**. The entire amount of PAS (1.50m shares, 11.5% of total share capital) will be cancelled,** with the effect of a reduction of **1) the market capitalization of € 3.3m at current price** and **2) consequently** the acquisition multiple for the market**.**

**Table 5 – DBA Group, shareholder structure – PAS cancellation impact**

| | Status quo | | Post-PAS cancelled | | Fully Diluted | |
|---|---|---|---|---|---|---|
| **Shareholders** | **# m** | **%** | **# m** | **%** | **# m** | **%** |
| **DB holding (De Bettin family)** | **6.01** | **46.2%** | **4.65** | **40.5%** | **4.65** | **34.7%** |
| ordinary shares | 4.65 | 35.8% | 4.65 | 40.5% | 4.65 | 34.7% |
| PAS | 1.35 | 10.4% | 0.00 | 0.0% | 0.00 | 0.0% |
| **NB Aurora** | **1.28** | **9.8%** | **1.13** | **9.8%** | **1.13** | **8.4%** |
| ordinary shares | 1.13 | 8.7% | 1.13 | 9.8% | 1.13 | 8.4% |
| PAS | 0.15 | 1.1% | 0.00 | 0.0% | 0.00 | 0.0% |
| **Free Float** | **5.71** | **44.0%** | **5.71** | **49.7%** | **7.62** | **56.8%** |
| **Total** | **13.00** | **100.0%** | **11.50** | **100.0%** | **13.40** | **100.0%** |

*Source: Company data*

On the back of lower than expected FY-18 results and a certain increased price pressure in particular in the Telco & Media sector, we have cut our 2019-20 projections by some 18% on average for top line and by 46% at EBITDA. Furthermore, as a consequence of higher D&A linked to the acquisition of SJS and to R&D capitalised costs, the magnitude of the estimate slash on the bottom line is even more marked. We have also introduced 2021 estimates. Moreover, we have updated DCF valuation criteria, bringing the free risk rate up-to-date as well as the beta. 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. Following this significant estimate downgrade, we set a new PT for DBA at € 3.30/s (€ 4.20), 50.0% upside, based on peer multiple comparison: it is still a Buy.

## 7.1. Market multiples

We conducted an analysis on a cluster of 12 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. We removed WYG from our ICT software sample since it breached debt covenants at the beginning of 2019 and share price is now almost 1/10 compared to three years ago. 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 € 4.4bn, turnover FY1 € 18.3bn, and EBITDA FY1 is € 832m (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 € 3.3bn, turnover FY1 € 2.5bn, and EBITDA FY1 is € 267m (10.6% 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 € 2.7bn, turnover FY1 € 3.2bn, and EBITDA FY1 is € 460m (14.4% 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 € 3.3bn, and EBITDA FY1 is € 228m (7.0% 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 € 9.5bn, turnover FY1 € 11.1m, and EBITDA FY1 is € 884m (8.0% 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 € 4.0bn, turnover FY1 € 6.6bn, and EBITDA FY1 is € 612m (9.2% margin).

**Sweco**: Sweden, it offers consulting, engineering and architectural services to various sectors including environment and water, infrastructure, energy and industrial. Market capitalisation is € 2.7bn, turnover FY1 € 1.9bn, and EBITDA FY1 is € 192m (10.2% 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 € 106.0bn, turnover FY1 € 38.3bn, and EBITDA FY1 is € 6.4bn (16.6% 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 € 18.5bn, turnover FY1 € 14.1bn, and EBITDA FY1 is € 2.1bn (14.6% margin).

**Devoteam**: France, group offering IT consulting services, system integration, project management, cyber security and outsourcing solutions. Market capitalisation is € 840m, turnover FY1 € 767m, and EBITDA FY1 is € 93m (12.1% 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 € 2.1bn, turnover FY1 € 1.2bn, and EBITDA FY1 is € 163m (14.0% 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 € 120m, turnover FY1 € 46m, and EBITDA FY1 is € 5.0m (11.1% margin).

**Size and profitability vary a lot within the samples, as well as expected growth rates**. Engineering and PMO comparable have EBITDA margins ranging from 4.6-14.4% and a sales growth on offer to the tune of low single digit. Altran shows the highest profitability and sales growth higher than the group median. The least virtuous is AECOM with 4.6% EBITDA margin and low-single digit growth sales expected in 2018-21. ICT software comparable firms show higher growth profile to the Engineering and PMO sample and higher profitability, ranging from 11.1% to 16.6%. Accenture shows the most lucrative P&L with an EBITDA margin of 16.6% but with small growth perspectives.

**DBA Group presents profitability in line with the Engineering and PMO peer median but lower compared to the ICT software firm median. However, DBA Group offers investors higher growth perspectives compared to both peer medians**.

**Table 6 - DBA Group, peer group summary table**

| € m | Country | Mkt Cap | Sales FY1 | EBITDA FY1 | EBITDA % | Sales $CAGR_{18-21}$ | EBITDA $CAGR_{18-21}$ | EBIT $CAGR_{18-21}$ | EPS $CAGR_{19-21}$ | NFP/ EBITDA FY1 |
|---|---|---|---|---|---|---|---|---|---|---|
| AECOM | USA | 4,419 | 18,269 | 832 | 4.6% | 0.7% | 10.0% | 22.3% | 6.7% | 3.1 |
| Alten SA | France | 3,314 | 2,529 | 267 | 10.6% | 9.4% | 10.3% | 10.7% | 12.4% | (0.4) |
| Altran Technologies SA | France | 2,665 | 3,205 | 460 | 14.4% | 7.4% | 17.2% | 15.7% | 12.5% | 2.9 |
| Arcadis NV | Dutch | 1,376 | 3,263 | 228 | 7.0% | 1.6% | n.a. | n.a. | 14.9% | 1.3 |
| Jacobs Engineering Inc | USA | 9,507 | 11,059 | 884 | 8.0% | -3.1% | 4.4% | 7.8% | 6.3% | 1.0 |
| Snc-Lavalin Group Inc | Canada | 4,008 | 6,636 | 612 | 9.2% | 0.8% | 21.3% | 52.5% | 4.7% | 2.5 |
| Sweco AB (publ) | Sweden | 2,668 | 1,886 | 192 | 10.2% | 3.0% | 3.2% | 4.6% | 5.2% | 0.6 |
| **Engineering & PMO** | | **3,314** | **3,263** | **460** | **9.2%** | **1.6%** | **10.2%** | **13.2%** | **6.7%** | **1.3** |
| Accenture PLC | USA | 105,995 | 38,263 | 6,365 | 16.6% | 6.8% | 9.8% | 9.0% | 7.7% | (0.8) |
| Capgemini SE | France | 18,554 | 14,144 | 2,061 | 14.6% | 5.8% | 11.0% | 12.1% | 8.9% | 0.2 |
| Devoteam SA | France | 840 | 767 | 93 | 12.1% | 12.6% | 13.9% | 17.1% | 12.5% | (0.8) |
| Reply SpA | Italy | 2,144 | 1,167 | 163 | 14.0% | 10.1% | 11.9% | 12.2% | 10.7% | (0.8) |
| TXT e solutions SpA | Italy | 120 | 46 | 5 | 11.1% | n.a. | n.a. | n.a. | n.a. | 11.4 |
| **ICT software median** | | **2,144** | **1,167** | **163** | **14.0%** | **8.4%** | **11.4%** | **12.2%** | **9.8%** | **(0.8)** |
| **DBA Group** | **Italy** | **25** | **57** | **5** | **9.1%** | **8.5%** | **16.2%** | **21.6%** | **30.9%** | **1.3** |

*Source: CFO Sim, Thomson Reuters Eikon*

**Table 7 - DBA Group, peer group EV multiple table**

| x | Sales FY1 | Sales FY2 | Sales FY3 | EBITDA FY1 | EBITDA FY2 | EBITDA FY3 |
|---|---|---|---|---|---|---|
| AECOM | 0.38 | 0.38 | 0.42 | 8.4 | 7.7 | 8.2 |
| Alten SA | 1.27 | 1.15 | 1.01 | 12.0 | 10.8 | 9.3 |
| Altran Technologies SA | 1.25 | 1.14 | 1.00 | 8.7 | 7.7 | 6.2 |
| Arcadis NV | 0.51 | 0.48 | n.a. | 7.3 | 6.5 | n.a. |
| Jacobs Engineering Group Inc | 0.94 | 0.90 | 0.88 | 11.8 | 10.6 | 10.2 |
| Snc-Lavalin Group Inc | 0.83 | 0.75 | 0.81 | 9.0 | 7.7 | 8.4 |
| Sweco AB (publ) | 1.48 | 1.40 | n.a. | 14.5 | 13.4 | n.a. |
| **Engineering & PMO median** | **0.94** | **0.90** | **0.88** | **9.0** | **7.7** | **8.4** |
| Accenture PLC | 2.64 | 2.46 | 2.28 | 15.9 | 14.6 | 13.6 |
| Capgemini SE | 1.35 | 1.21 | 1.10 | 9.2 | 8.2 | 7.5 |
| Devoteam SA | 0.99 | 0.85 | 0.74 | 8.2 | 7.0 | 6.1 |
| Reply SpA | 1.72 | 1.52 | 1.33 | 12.3 | 10.7 | 9.2 |
| TXT e solutions SpA | 3.86 | 3.63 | n.a. | 34.9 | 30.6 | n.a. |
| **ICT software median** | **1.72** | **1.52** | **1.22** | **12.3** | **10.7** | **8.4** |
| **DBA Group SpA** | **0.57** | **0.47** | **0.40** | **6.2** | **4.6** | **3.6** |

**Table 8 - DBA Group, peer group EV & price multiple table**

| x | EBIT FY1 | EBIT FY2 | EBIT FY3 | PER FY1 | PER FY2 | PER FY3 |
|---|---|---|---|---|---|---|
| AECOM | 9.8 | 8.6 | 9.1 | 11.3 | 10.2 | 9.9 |
| Alten SA | 12.8 | 11.5 | 9.8 | 18.0 | 16.6 | 14.2 |
| Altran Technologies SA | 10.6 | 9.3 | 7.7 | 12.0 | 10.5 | 9.5 |
| Arcadis NV | 10.0 | 8.4 | n.a. | 11.6 | 9.9 | 8.8 |
| Jacobs Engineering Group Inc | 14.7 | 12.6 | 11.5 | 14.9 | 14.1 | 13.2 |
| Snc-Lavalin Group Inc | 10.1 | 8.6 | 10.1 | 12.0 | 11.8 | 11.0 |
| Sweco AB (publ) | 17.6 | 15.9 | n.a. | 21.8 | 20.4 | n.a. |
| **Engineering & PMO median** | **10.6** | **9.3** | **9.8** | **12.0** | **11.8** | **10.4** |
| Accenture PLC | 18.1 | 16.6 | 15.3 | 25.1 | 23.4 | 21.6 |
| Capgemini SE | 10.9 | 9.6 | 8.8 | 16.7 | 15.3 | 14.1 |
| Devoteam SA | 9.0 | 7.6 | 6.7 | 18.6 | 16.2 | 14.7 |
| Reply SpA | 13.6 | 11.8 | 10.2 | 20.4 | 18.4 | 16.6 |
| TXT e solutions SpA | 51.0 | 42.1 | n.a. | 44.0 | 36.4 | n.a. |
| **ICT software median** | **13.6** | **11.8** | **9.5** | **20.4** | **18.4** | **15.7** |
| **DBA Group SpA** | **14.1** | **8.7** | **6.1** | **15.5** | **11.7** | **9.0** |

*Source: CFO Sim, Thomson Reuters Eikon*

In order to price into our valuation **the growth potential and the decent degree of visibility** linked to the structure of DBA Group business model, **we decided to assess the equity value using 2019-20 figures, 70-30 weighted** and 25% discounted. **We attain a PT of € 3.30/s, 50.0% upside**.

**Table 9 - DBA Group, pre-money equity assessment, 1#2**

| € m | Sales FY1 | Sales FY2 | Sales FY3 | EBITDA FY1 | EBITDA FY2 | EBITDA FY3 |
|---|---|---|---|---|---|---|
| DBA Group metrics | 56.5 | 59.6 | 62.6 | 5.2 | 6.0 | 7.0 |
| 20% discounted multiple | 1.00 | 0.91 | 0.79 | 8.0 | 6.9 | 6.3 |
| **Enterprise Value** | **56.5** | **54.2** | **49.3** | **41.4** | **41.7** | **43.8** |
| Net Financial Position | (9.7) | (6.8) | (2.5) | (9.7) | (6.8) | (2.5) |
| Pension Provisions | (1.5) | (1.5) | (1.5) | (1.5) | (1.5) | (1.5) |
| **Equity Value** | **45.3** | **45.9** | **45.3** | **30.2** | **33.4** | **39.8** |
| **Equity Value/share** | **3.94** | **3.99** | **3.94** | **2.62** | **2.90** | **3.46** |

*Source: CFO Sim, Thomson Reuters Eikon*

**Table 10 - DBA Group, pre-money equity assessment, 2#2**

| € m | EBIT FY1 | EBIT FY2 | EBIT FY3 | PER FY1 | PER FY2 | PER FY3 |
|---|---|---|---|---|---|---|
| DBA Group metrics | 2.3 | 3.2 | 4.1 | 1.6 | 2.2 | 2.8 |
| 20% discounted multiple | 9.1 | 7.9 | 7.2 | 12.1 | 11.3 | 9.8 |
| **Enterprise Value** | **20.6** | **25.3** | **29.9** | **19.8** | **24.6** | **27.4** |
| Net Financial Position | (9.7) | (6.8) | (2.5) | | | |
| Pension Provisions | (1.5) | (1.5) | (1.5) | | | |
| **Equity Value** | **9.4** | **17.0** | **25.9** | **19.8** | **24.6** | **27.4** |
| **Equity Value/share** | **0.82** | **1.48** | **2.25** | **1.72** | **2.14** | **2.38** |

*Source: CFO Sim, Thomson Reuters Eikon*

## 7.2. DCF

In the valuation via the DCF method, explicit estimates until 2023 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 11 - WACC derived from:**

| | |
|---|---|
| Interest costs, pre-tax | 1.5% |
| Tax rate | 35.0% |
| **Int. costs, after taxes** | **1.0%** |
| Risk premium, incl. small size premium | 9.0% |
| Risk-free (10Y Gov. Bond 2W average) | 2.50% |
| Beta levered (x) | 0.72 |
| **Required ROE** | **9.0%** |

*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 0.72** has been calculated taking peer group specific unlevered beta for each competitor, then leveraging it for DBA Group 20/80 debt/equity long term sustainable balance sheet structure.

**Table 12 - DBA Group, DCF model**

| € m | 2019e | 2020e | 2021e | 2022e | 2023e | Term. Val. |
|---|---|---|---|---|---|---|
| EBIT | 1.1 | 2.0 | 3.0 | 3.8 | 4.8 | |
| Tax rate | 35.0% | 35.0% | 35.0% | 35.0% | 35.0% | |
| **Operating profit (NOPAT)** | **0.7** | **1.3** | **1.9** | **2.5** | **3.1** | |
| Change working capital | 0.0 | 1.2 | (1.1) | (0.1) | (0.1) | |
| Depreciation | 4.0 | 4.0 | 4.0 | 3.5 | 1.0 | |
| Investments | (2.4) | (2.3) | (2.3) | (2.0) | (1.0) | |
| **Free Cash Flows** | **2.4** | **4.2** | **2.5** | **3.9** | **3.0** | **48.2** |
| Present value | 2.3 | 3.8 | 2.1 | 3.0 | 2.2 | **34.5** |
| WACC | **7.4%** | 7.4% | 7.4% | 7.4% | 7.4% | |
| **Long-term growth rate** | **1.0%** | | | | | |

*Source: CFO Sim*

**Table 13 – DBA Group, DCF derived from:**

| € m | | |
|---|---|---|
| Total EV present value € m | | 47.7 |
| | *thereof terminal value* | *72.2%* |
| NFP FY-18 | | (9.7) |
| Pension provision FY-18 | | (1.6) |
| **Equity value € m** | | **36.5** |
| #m shares (ex PAS) | | 11.50 |
| **Equity value €/s** | | **3.20** |
| *% upside/(downside)* | | *45.5%* |

*Source: CFO Sim*

The application of the model produces an **equity value of DBA Group of € 36.5m, corresponding to € 3.20/share, 45.5% upside**.

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value of between **€ 2.84-3.60** 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 **€ 2.83-3.59** per share **(free risk range of between 3.25% and 1.75%)** and 3) compared to changes in the risk premium, including small size premium results into an equity value of **€ 2.69-3.80** per share **(risk premium range of between 10.50%% and 7.50%)**.

**Table 14 – 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 | 13.3 | 13.3 | 13.3 | 13.3 | 13.3 | 13.3 | 13.3 |
| PV of terminal value | 30.6 | 31.8 | 33.1 | 34.5 | 36.0 | 37.6 | 39.4 |
| **Total value** | **43.9** | **45.1** | **46.4** | **47.7** | **49.2** | **50.9** | **52.6** |
| NFP FY-18 | (9.7) | (9.7) | (9.7) | (9.7) | (9.7) | (9.7) | (9.7) |
| Pension provision FY-18 | (1.6) | (1.6) | (1.6) | (1.6) | (1.6) | (1.6) | (1.6) |
| **Equity value** | **32.6** | **33.8** | **35.1** | **36.5** | **38.0** | **39.6** | **41.4** |
| **Equity value/share €** | **2.84** | **2.94** | **3.05** | **3.20** | **3.30** | **3.44** | **3.60** |

*Source: CFO Sim*

**Table 15 – DBA Group, equity value sensitivity to changes in free risk rate**

| € m | 1.75% | 2.00% | 2.25% | 2.50% | 2.75% | 3.00% | 3.25% |
|---|---|---|---|---|---|---|---|
| Present value of CF | 13.5 | 13.4 | 13.3 | 13.3 | 13.2 | 13.1 | 13.1 |
| PV of terminal value | 39.1 | 37.4 | 35.9 | 34.5 | 33.1 | 31.9 | 30.7 |
| **Total value** | **52.5** | **50.8** | **49.2** | **47.7** | **46.3** | **45.0** | **43.8** |
| NFP FY-18 | (9.7) | (9.7) | (9.7) | (9.7) | (9.7) | (9.7) | (9.7) |
| Pension provision FY-18 | (1.6) | (1.6) | (1.6) | (1.6) | (1.6) | (1.6) | (1.6) |
| **Equity value** | **41.3** | **39.6** | **38.0** | **36.5** | **35.1** | **33.8** | **32.5** |
| **Equity value/share €** | **3.59** | **3.44** | **3.30** | **3.20** | **3.05** | **2.93** | **2.83** |

*Source: CFO Sim*

**Table 16 – 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 | 13.6 | 13.5 | 13.4 | 13.3 | 13.2 | 13.1 | 13.0 |
| PV of terminal value | 41.4 | 38.9 | 36.6 | 34.5 | 32.6 | 30.8 | 29.2 |
| **Total value** | **55.0** | **52.3** | **49.9** | **47.7** | **45.7** | **43.9** | **42.2** |
| NFP FY-18 | (9.7) | (9.7) | (9.7) | (9.7) | (9.7) | (9.7) | (9.7) |
| Pension provision FY-18 | (1.6) | (1.6) | (1.6) | (1.6) | (1.6) | (1.6) | (1.6) |
| **Equity value** | **43.7** | **41.1** | **38.7** | **36.5** | **34.5** | **32.6** | **31.0** |
| **Equity value/share €** | **3.80** | **3.57** | **3.36** | **3.20** | **3.00** | **2.84** | **2.69** |

*Source: CFO Sim*

## 7.3. 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 € 30.5m, € 2.70/share.**

**Table 17 – DBA Group, Sum of the Parts equity value assessment**

| | € m | % on EV | Methodology |
|---|---|---|---|
| ICT software BU | 19.8 | *44.3* | 9.8x peer multiple on € 2.0 m BU EBITDA 2019 |
| Engineering & PMO BU | 24.9 | *55.7* | 7.2x peer multiple on € 3.5 m BU EBITDA 2019 |
| **Total EV** | **44.8** | ***100.0*** | |
| Holding costs | (3.0) | | Perpetuity of holding costs @ 10.0% |
| NFP | (9.7) | | FY-18 net financial position |
| Pension Provision | (1.6) | | FY-18 pension provision |
| **Equity Value** | **30.5** | | |
| **Per share** | **2.70** | | |
| *% upside/(downside)* | *22.7%* | | |

*Source: CFO Sim, Thomson Reuters Eikon*

## 7.4. 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.

## 7.5. 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%, 56.8%** after warrant conversion and the Price Adjustment Shares cancellation. Adopting the same approach used in setting up the peer sample for assessing the value of DBA Group, we defined a panel of 12 firms, 7 of which operate mainly in engineering and PMO and the remainder in the ICT software sector.

**Table 18 - DBA Group, peer group absolute performance**

| | 1D | 1W | 1M | 3M | 6M | YTD | 1Y |
|---|---|---|---|---|---|---|---|
| AECOM | 1.5 | 2.4 | 5.5 | 9.6 | 4.0 | 20.7 | (11.3) |
| Alten SA | 0.0 | 1.7 | 2.9 | 28.3 | 20.7 | 35.4 | 25.8 |
| Altran Technologies SA | 3.5 | 4.1 | 2.6 | 36.9 | 43.3 | 48.7 | (16.5) |
| Arcadis NV | (0.6) | 3.1 | 5.7 | 36.0 | 14.7 | 45.7 | (6.0) |
| Jacobs Engineering Group Inc | 0.8 | 0.4 | 4.3 | 27.3 | 6.9 | 31.7 | 29.5 |
| Snc-Lavalin Group Inc | 0.9 | 1.3 | (3.7) | (28.1) | (23.8) | (25.2) | (36.4) |
| Sweco AB (publ) | (0.2) | 0.2 | 4.4 | 18.1 | 5.9 | 17.5 | 30.0 |
| **Engineering & PMO median** | **0.8** | **1.7** | **4.3** | **27.3** | **6.9** | **31.7** | **(6.0)** |
| Accenture PLC | 0.2 | 0.3 | 7.4 | 22.2 | 12.0 | 26.7 | 19.0 |
| Capgemini SE | 0.4 | 2.3 | 3.2 | 23.6 | 7.7 | 28.3 | 6.3 |
| Devoteam SA | 0.4 | 5.4 | (2.9) | 7.0 | 2.8 | 22.7 | 17.4 |
| Reply SpA | 0.8 | 0.3 | (1.2) | 24.5 | 13.3 | 30.6 | 19.9 |
| TXT e solutions SpA | (0.1) | 0.1 | 2.7 | (0.3) | 9.9 | 13.0 | (8.1) |
| **ICT software median** | **0.4** | **0.3** | **2.7** | **22.2** | **9.9** | **26.7** | **17.4** |
| **DBA Group SpA** | **0.0** | **4.8** | **0.9** | **(15.1)** | **(36.0)** | **(14.4)** | **(40.5)** |

*Source: Thomson Reuters Eikon*

## 7.6. Risks

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

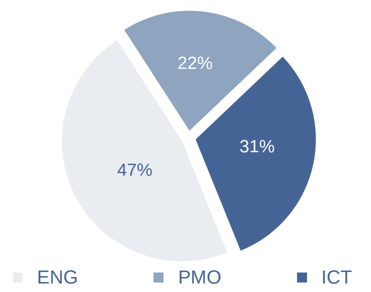
- Risks linked to the postponement of some key projects;
- Risks due to ICT malfunctions;
- Risks due to competition in the reference markets, which might put margins or top line developments under pressure in the short term.
- Impact on economics and balance sheet profile triggered by a deep decline 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

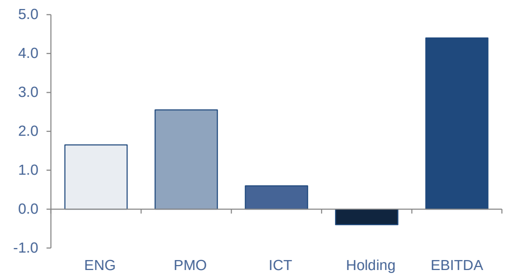
Founded in 1991 by the four De Bettin brothers in the hard-working and creative north east of Italy, DBA Group is specialised in network connectivity and infrastructure lifecycle support solutions. The core competence of DBA Group is the proven ability to provide telematics solutions for strategic infrastructures 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 2011-18, top line more than doubled from € 18.8m to € 49.0m, 14.7% CAGR also thanks to the acquisition of Actual in 2015 (minorities acquired in Sep-18) and SJS in October 2018. Profitability rose consequently: EBITDA rose from € 3.1m to € 4.8m, 6.4% CAGR. In 2018 value of production reached € 49.0m, up 8.4% YoY, EBITDA adj. totalled € 4.8m, 9.8% margin and net profit came at € 0.2m, 0.4% of top line. Net financial position was € 9.6m (debt).

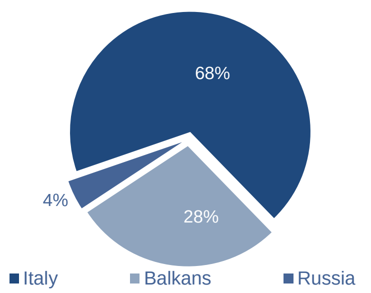
## 2018 top line and…



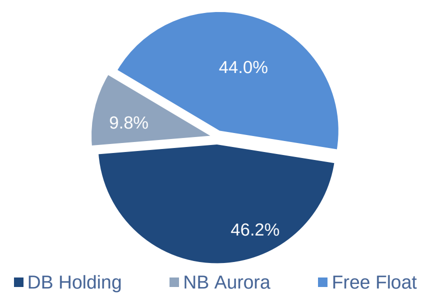

## … and EBITDA breakdown by business unit




## 2018 top line by country




## Shareholder structure




## Peer 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 | 0.38 | 0.38 | 0.42 | 8.4 | 7.7 | 8.2 | 9.8 | 8.6 | 9.1 |
| Alten SA | 1.27 | 1.15 | 1.01 | 12.0 | 10.8 | 9.3 | 12.8 | 11.5 | 9.8 |
| Altran Technologies SA | 1.25 | 1.14 | 1.00 | 8.7 | 7.7 | 6.2 | 10.6 | 9.3 | 7.7 |
| Arcadis NV | 0.51 | 0.48 | n.a. | 7.3 | 6.5 | n.a. | 10.0 | 8.4 | n.a. |
| Jacobs Engineering Group Inc | 0.94 | 0.90 | 0.88 | 11.8 | 10.6 | 10.2 | 14.7 | 12.6 | 11.5 |
| Snc-Lavalin Group Inc | 0.83 | 0.75 | 0.81 | 9.0 | 7.7 | 8.4 | 10.1 | 8.6 | 10.1 |
| Sweco AB (publ) | 1.48 | 1.40 | n.a. | 14.5 | 13.4 | n.a. | 17.6 | 15.9 | n.a. |
| **Engineering & PMO median** | **0.94** | **0.90** | **0.88** | **9.0** | **7.7** | **8.4** | **10.6** | **9.3** | **9.8** |
| Accenture PLC | 2.64 | 2.46 | 2.28 | 15.9 | 14.6 | 13.6 | 18.1 | 16.6 | 15.3 |
| Capgemini SE | 1.35 | 1.21 | 1.10 | 9.2 | 8.2 | 7.5 | 10.9 | 9.6 | 8.8 |
| Devoteam SA | 0.99 | 0.85 | 0.74 | 8.2 | 7.0 | 6.1 | 9.0 | 7.6 | 6.7 |
| Reply SpA | 1.72 | 1.52 | 1.33 | 12.3 | 10.7 | 9.2 | 13.6 | 11.8 | 10.2 |
| TXT e solutions SpA | 3.86 | 3.63 | n.a. | 34.9 | 30.6 | n.a. | 51.0 | 42.1 | n.a. |
| **ICT software median** | **1.72** | **1.52** | **1.22** | **12.3** | **10.7** | **8.4** | **13.6** | **11.8** | **9.5** |
| **DBA Group SpA*** | **0.57** | **0.47** | **0.40** | **6.2** | **4.6** | **3.6** | **14.1** | **8.7** | **6.1** |

*Source: CFO Sim, Thomson Reuters Eikon, * DBA Multiples calculated with the market capitalisation without the 1.50m PAS*

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| Income statement (€ m) | 2017 | 2018 | 2019e | 2020e | 2021e |
|---|---|---|---|---|---|
| Value of Production | 45.2 | 49.0 | 56.5 | 59.6 | 62.6 |
| Services | (18.0) | (18.1) | (22.6) | (23.3) | (23.9) |
| Lease, rental and other opex | (4.0) | (5.6) | (5.6) | (5.9) | (6.2) |
| Personnel expenses | (18.6) | (20.8) | (23.1) | (24.4) | (25.5) |
| EBITDA | 4.6 | 4.4 | 5.2 | 6.0 | 7.0 |
| D&A | (2.5) | (2.8) | (4.0) | (4.0) | (4.0) |
| EBIT | 2.1 | 1.6 | 1.1 | 2.0 | 3.0 |
| Financial costs | (0.2) | (0.3) | (0.3) | (0.4) | (0.3) |
| Extraordinary, other costs | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Pre-Tax profit | 1.9 | 1.4 | 0.9 | 1.7 | 2.7 |
| Income taxes | (0.9) | (1.0) | (0.3) | (0.6) | (0.9) |
| Minorities | (0.2) | (0.2) | (0.1) | (0.1) | (0.1) |
| Net Profit | 0.8 | 0.2 | 0.5 | 1.0 | 1.7 |
| EBIT adj. | 2.6 | 2.3 | 2.3 | 3.2 | 4.1 |
| Net Profit adj. | 1.3 | 0.9 | 1.6 | 2.2 | 2.8 |

| Balance sheet (€ m) | 2017 | 2018 | 2019e | 2020e | 2021e |
|---|---|---|---|---|---|
| Net Working Capital | 13.2 | 20.1 | 20.0 | 18.8 | 19.9 |
| Net Fixed Assets | 13.1 | 18.4 | 16.7 | 15.0 | 13.3 |
| Equity Investments | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 |
| Other M/L Term A/L | (4.0) | (5.8) | (6.5) | (6.9) | (7.3) |
| Net Invested Capital | 23.0 | 33.3 | 30.9 | 27.6 | 26.6 |
| Net Financial Position | (1.7) | 9.7 | 6.8 | 2.5 | (0.1) |
| Minorities | 1.3 | 0.0 | 0.1 | 0.2 | 0.3 |
| Group's Shareholders Equity | 23.3 | 23.6 | 24.0 | 24.9 | 26.5 |
| Net Financial Position & Equity | 23.0 | 33.3 | 30.9 | 27.6 | 26.6 |

| Cash Flow statement (€ m) | 2017 | 2018 | 2019e | 2020e | 2021e |
|---|---|---|---|---|---|
| Total net income | 0.8 | 0.2 | 0.5 | 1.0 | 1.7 |
| Depreciation | 2.5 | 2.8 | 4.0 | 4.0 | 4.0 |
| Other non-cash charges | (3.2) | 2.0 | 0.7 | 0.4 | 0.4 |
| Cash Flow from Oper. (CFO) | 0.1 | 5.0 | 5.2 | 5.4 | 6.0 |
| Change in NWC | (3.4) | (6.9) | 0.0 | 1.2 | (1.1) |
| FCF from Operations (FCFO) | (3.3) | (1.9) | 5.2 | 6.6 | 4.9 |
| Net Investments (CFI) | (7.1) | (9.5) | (2.4) | (2.3) | (2.3) |
| Free CF to the Firm (FCFF) | (10.4) | (11.4) | 2.8 | 4.3 | 2.6 |
| CF from financials (CFF) | 19.3 | 4.4 | (2.0) | (1.8) | (1.5) |
| Free Cash Flow to Equity (FCFE) | 8.8 | (7.0) | 0.8 | 2.6 | 1.1 |

| Financial ratios | 2017 | 2018 | 2019e | 2020e | 2021e |
|---|---|---|---|---|---|
| EBITDA margin | 10.1% | 9.1% | 9.1% | 10.1% | 11.1% |
| EBIT margin | 4.7% | 3.4% | 2.0% | 3.4% | 4.8% |
| Net profit margin | 1.7% | 0.4% | 0.9% | 1.7% | 2.6% |
| Tax rate | 47.3% | 71.8% | 35.0% | 35.0% | 35.0% |
| Interest coverage x | 0.09 | 0.16 | 0.24 | 0.17 | 0.10 |
| Net Debt/EBITDA x | (0.37) | 2.19 | 1.32 | 0.42 | (0.02) |
| Debt-to-Equity x | (0.07) | 0.41 | 0.29 | 0.10 | (0.01) |
| ROIC | 3.4% | 0.7% | 1.6% | 3.7% | 6.2% |
| ROCE | 5.5% | 3.9% | 2.7% | 5.0% | 7.2% |
| ROACE | 7.5% | 4.0% | 2.7% | 5.0% | 7.3% |
| ROE | 3.3% | 0.9% | 2.0% | 4.1% | 6.2% |
| Payout ratio | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |

| Per share figures | 2017 | 2018 | 2019e | 2020e | 2021e |
|---|---|---|---|---|---|
| Number of issued ordinary shares # m | 13.00 | 13.00 | 11.50 | 11.50 | 11.50 |
| Number of shares Fully Diluted # m | 15.22 | 15.22 | 13.40 | 13.40 | 13.40 |
| Average Number of shares Fully Diluted # m | 15.22 | 15.22 | 14.31 | 13.40 | 13.40 |
| EPS reported € | 0.06 | 0.02 | 0.04 | 0.09 | 0.14 |
| EPS adjusted € | 0.10 | 0.07 | 0.14 | 0.19 | 0.24 |
| EPS reported FD € | 0.05 | 0.01 | 0.03 | 0.08 | 0.12 |
| EPS adjusted FD € | 0.08 | 0.06 | 0.11 | 0.16 | 0.21 |
| EBITDA € | 0.30 | 0.29 | 0.36 | 0.45 | 0.52 |
| EBIT € | 0.14 | 0.11 | 0.08 | 0.15 | 0.22 |
| BV € | 1.62 | 1.55 | 1.80 | 1.87 | 2.00 |
| FCFO € | (0.22) | (0.12) | 0.37 | 0.50 | 0.37 |
| FCFF € | (0.68) | (0.75) | 0.20 | 0.32 | 0.20 |
| FCFE € | 0.58 | (0.46) | 0.06 | 0.19 | 0.08 |
| Dividend € | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

## ANALYST CERTIFICATION

This publication was prepared by **LUCA ARENA**, Head of the Equity Research Department of "Corporate Family Office SIM S.p.A." ("CFO SIM") and **GIANLUCA MOZZALI**, Equity Analyst of CFO SIM. This is to certify that the views expressed on the companies mentioned in this document reflect the analysts' personal opinions and that no direct or indirect recompense has been, or will be, received by the analyst further to the views expressed herein.

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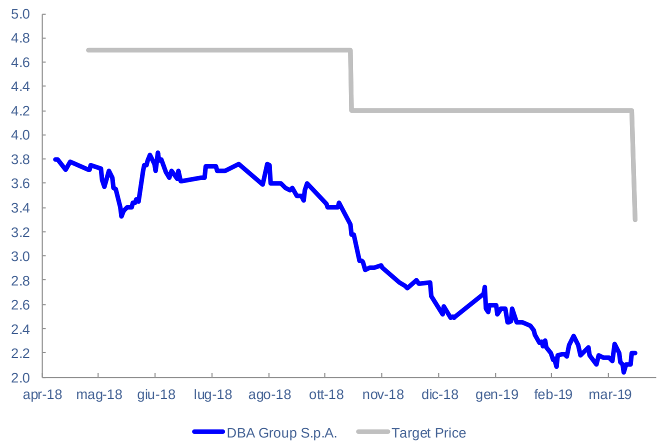


| DATE | TARGET PRICE | RATING |
|---|---|---|
| 15/04/2019 | €3.30 | BUY |
| 18/10/2018 | €4.20 | BUY |
| 04/05/2018 | €4.70 | BUY |

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- a **BUY** rating is assigned if the target price is at least 15% higher than the market price;
- a **SELL** rating is assigned if the target price is at least 15% lower than the market price;
- a **NEUTRAL** rating is assigned if the difference between the current price and target price lies within the +/ -15% bands identified using the preceding criteria.

The rating is determined on the basis of the **expected absolute return 12 months forward** and not on the basis of the estimated out/underperformance relative to a market index. Thus, the rating can be directly linked with the estimated percentage difference between current price and target price. The prices of the financial securities mentioned in the report (also used for the calculation of market capitalisation and market multiples) are the reference prices of the stock market trading day preceding the publication date of the report, otherwise stated.