CORPORATE FAMILY OFFICE SIM

DBA Group SpA

Italy – ICT Consulting

A stock to play the infrastructure recovery plan in Italy

7th June 2021

FY-20 RESULTS RELEASE

RIC: DBA.MI
BBG: DBA IM

FY-20 numbers came in broadly in line with CFO Sim estimates and the company's business plan. In this scenario, the current backlog allows the group to be fairly optimistic for 2021 and confirm the targets included in the 22-23 business plan released last Nov-20. DBA is a stock to play the rebound of the Italian economy driven by the boost in infrastructure, not yet included in our estimates at this stage.

Rating:
Buy

Price Target:
€ 2.00 (€ 1.50)

Upside/(Downside): 49.8%

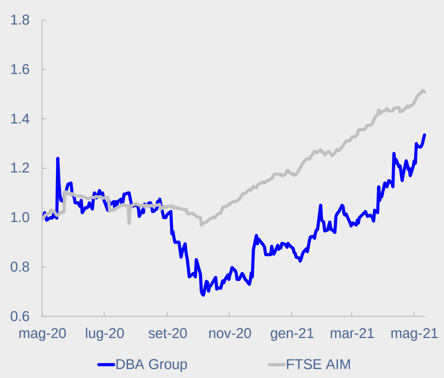
Last Price: € 1.34

Market Cap.: € 15.4m

1Y High/Low: € 1.36/€ 0.66

Free Float: 49.6%

Major shareholders:
De Bettin family 40.6%



Stock price performance

	1M	3M	12M
Absolute	8.1%	40.2%	33.5%
Rel.to AIM Italia	3.6%	19.6%	-4.0%
Rel.to peers	10.2%	24.7%	-7.8%

Analysts:

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

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

New PT of € 2.00 (€ 1.50), 49.8% upside

Thanks to the size and quality of the order backlog, last January DBA Group updated its 2021 guidance, slightly increasing the value of production forecast whilst leaving EBITDA and NFP projections unchanged. In detail: VoP, EBITDA and NFP are anticipated at € 73.0m, € 5.5m and € 14.1m, respectively. On the back of FY-20 numbers and the updated 2021 guidance, we have fine-tuned our model almost aligning our projections to the company's business plan. The combined result is an average 2.6% and 2.4% increase in VoP and EBITDA in 2021-22. We also introduced 2023 projections. Moreover, we have updated our DCF valuation criteria, by bringing the free risk rate up-to-date and postponing the first estimated year to 2021: the combined result is a new DCF-based PT of € 2.00/s (€ 1.50), 49.8% upside potential. Long-term Buy recommendation reiterated.

Top line raised by 17.9% YoY also thanks to the full consolidation of Unistar

VoP was € 71.9m, up 17.9% YoY also thanks to the 12-month consolidation of Unistar in 2020 (consolidated only for 3 months in 2019). The figure was broadly in line with both our € 70.4m estimate and the company's guidance of € 72.3m. The increase from the preliminary figure of € 70.5m announced to the market last 27-Jan is due to a contract being entered into at the end of 2020 instead of early 2021. The EPM business unit totalled € 31.0m, down 16% YoY as a result of the slowdown in the engineering (down 10% YoY) and project management (down 31% YoY) activities due to the pandemic. The ICT business unit generated sales for € 39.0m, up 78% YoY. Within the ICT BU, the Enterprise Business Solutions division totalled € 5.6m (down 5.7% YoY), the IT-Services division generated € 29.4m (+144.8% YoY also as a result of the consolidation of Unistar for 12M in 2020 vs 3M in 2019) and the SAP division's turnover accounted for € 3.9m (up 1.3% YoY).

Adj. EBITDA broadly in line with both company's guidance and our projection

EBITDA was € 3.9m (5.4% margin) vs € 3.3m in 2019. Adjusted EBITDA stood at € 4.4m, 6.1% margin. The adjustment was due to a € 0.5m write-off relating to an order at the port of Damman (Saudi Arabia) of the subsidiary SJS engineering. EBIT was negative at € 0.7m (vs € 2.4m in 2019) after D&A of € 4.6m, including an additional € 0.3m provision for amounts receivable from Italtel (DBA had already set aside € 1.1m in 2019). Net Profit was also negative by € 1.2m vs € 2.7m in 2019.

NFP increased to € 16.4m from € 14.7m at end-19

Net Financial Position went up to € 16.4m from € 14.7m at end-19 as a result of the group's increasing financial needs. The figure was broadly in line with the company's guidance of € 16.3m and slightly lower than our € 17.0m estimates. In 2020, capex accounted for € 1.9m and were mainly used for developing software platforms designed to monitor the Infrastructure Lifecycle Management.

DBA Group, key financials and ratios

€ m	2019	2020	2021e	2022e	2023e
Value of production	61.0	71.9	72.5	72.8	74.0
EBITDA	3.3	3.9	5.2	6.1	6.8
EBITDA adj.	3.3	4.4	5.2	6.1	6.8
EBIT	(2.3)	(0.7)	0.8	1.7	2.6
EBIT adj.	(1.2)	0.5	2.0	2.9	3.7
Net profit	(2.7)	(1.2)	0.1	0.6	1.1
Net profit adj.	(1.6)	(0.1)	1.2	1.8	2.3
NFP (cash)/debt	14.7	16.4	14.8	12.9	10.2
EPS adjusted €	(0.11)	(0.01)	0.09	0.13	0.17
EPS adj. growth	n.m.	n.m.	n.m.	43.7%	29.5%
EBITDA margin %	5.4%	5.4%	7.2%	8.3%	9.2%
EBIT margin %	neg.	neg.	1.2%	2.3%	3.5%
PER	neg.	neg.	12.6	8.8	6.8
EV/Sales	0.60	0.40	0.42	0.39	0.35
EV/EBITDA	11.1	7.3	5.7	4.7	3.8
EV/EBIT	neg.	59.5	15.1	9.9	6.9

Income statement (€ m)	2019	2020	2021e	2022e	2023e
Value of Production	61.0	71.9	72.5	72.8	74.0
Services	(24.9)	(23.0)	(22.0)	(21.2)	(21.0)
Lease, rental and other opex	(9.1)	(20.0)	(20.2)	(20.3)	(20.7)
Personnel expenses	(23.6)	(25.0)	(25.0)	(25.2)	(25.5)
EBITDA	3.3	3.9	5.2	6.1	6.8
D&A	(5.6)	(4.6)	(4.4)	(4.3)	(4.3)
EBIT	(2.3)	(0.7)	0.8	1.7	2.6
Financial costs	(0.3)	(0.6)	(0.5)	(0.4)	(0.4)
Extraordinary, other costs	0.0	0.0	0.0	0.0	0.0
Pre-Tax profit	(2.7)	(1.2)	0.3	1.3	2.2
Income taxes	(0.2)	(0.1)	(0.1)	(0.5)	(0.9)
Minorities	0.1	0.1	(0.1)	(0.1)	(0.1)
Net Profit	(2.7)	(1.2)	0.1	0.6	1.1
EBIT adj.	(1.2)	0.5	2.0	2.9	3.7
Net Profit adj.	(1.6)	(0.1)	1.2	1.8	2.3

Balance sheet (€ m)	2019	2020	2021e	2022e	2023e
Net Working Capital	19.9	20.9	21.4	22.2	22.6
Net Fixed Assets	20.8	19.3	17.5	15.7	13.9
Equity Investments	0.7	0.6	0.6	0.6	0.6
Other M/L Term A/L	(5.5)	(5.1)	(5.4)	(5.6)	(5.9)
Net Invested Capital	35.8	35.7	34.2	32.9	31.3
Net Financial Position	14.7	16.4	14.8	12.9	10.2
Minorities	0.3	0.0	0.1	0.3	0.4
Group's Shareholders Equity	20.8	19.3	19.3	19.7	20.7
Net Financial Position & Equity	35.8	35.7	34.2	32.9	31.3

Cash Flow statement (€ m)	2019	2020	2021e	2022e	2023e
Total net income	(2.7)	(1.2)	0.1	0.6	1.1
Depreciation	5.6	4.6	4.4	4.3	4.3
Other non-cash charges	(1.0)	(0.3)	0.2	0.2	0.3
Cash Flow from Oper. (CFO)	1.9	3.0	4.7	5.2	5.6
Change in NWC	0.1	(1.0)	(0.4)	(0.8)	(0.5)
FCF from Operations (FCFO)	2.1	2.0	4.2	4.4	5.2
Net Investments (CFI)	(8.1)	(3.1)	(2.6)	(2.5)	(2.5)
Free CF to the Firm (FCFF)	(6.0)	(1.1)	1.6	1.9	2.7
CF from financials (CFF)	3.8	6.0	0.0	(3.3)	(2.8)
Free Cash Flow to Equity (FCFE)	(2.2)	4.9	1.6	(1.4)	(0.2)

Financial ratios	2019	2020	2021e	2022e	2023e
EBITDA margin	5.4%	5.4%	7.2%	8.3%	9.2%
EBIT margin	-3.8%	-0.9%	1.2%	2.3%	3.5%
Net profit margin	-4.5%	-1.7%	0.1%	0.8%	1.5%
Tax rate	n.m.	n.m.	43.0%	43.0%	43.0%
Interest coverage x	(0.15)	(0.84)	0.60	0.26	0.15
Net Debt/EBITDA x	4.44	4.19	2.81	2.13	1.50
Debt-to-Equity x	0.71	0.85	0.77	0.65	0.49
ROIC	neg.	neg.	0.2%	1.8%	3.6%
ROCE	neg.	neg.	1.7%	3.7%	5.8%
ROACE	neg.	neg.	1.7%	3.6%	5.7%
ROE	neg.	neg.	0.4%	3.0%	5.4%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%

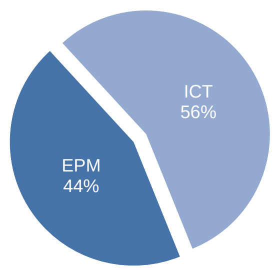
Per share figures	2019	2020	2021e	2022e	2023e
Number of issued ordinary shares # m	11.50	11.50	11.50	11.50	11.50
Number of shares Fully Diluted # m	13.40	13.40	13.40	13.40	13.40
Average Number of shares Fully Diluted # m	14.31	13.40	13.40	13.40	13.40
EPS reported €	(0.24)	(0.11)	0.01	0.05	0.10
EPS adjusted €	(0.14)	(0.01)	0.11	0.15	0.20
EPS reported FD €	(0.19)	(0.09)	0.01	0.04	0.08
EPS adjusted FD €	(0.11)	(0.01)	0.09	0.13	0.17
EBITDA €	0.23	0.29	0.39	0.45	0.51
EBIT €	(0.16)	(0.05)	0.06	0.13	0.19
BV €	1.58	1.44	1.45	1.49	1.58
FCFO €	0.15	0.15	0.32	0.33	0.39
FCFF €	(0.42)	(0.08)	0.12	0.14	0.20
FCFE €	(0.15)	0.36	0.12	(0.10)	(0.01)
Dividend €	0.00	0.00	0.00	0.00	0.00

The company at a glance

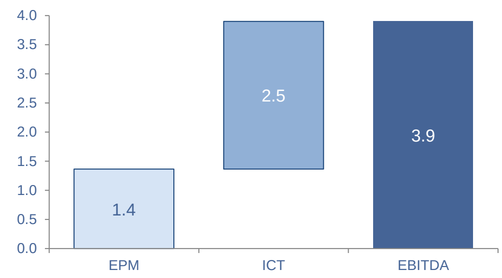
Founded in 1991 by the four De Bettin brothers in the north east of Italy, DBA Group is specialised in network connectivity and infrastructure lifecycle support solutions. The core competence of DBA Group is its proven ability to provide telematics solutions for strategic infrastructures to clients whose 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 engineering and architecture associated firm, now DBA Group is the only player in Italy able to offer a synergic combination of the aforementioned services and solutions for the entire infrastructure lifecycle management. DBA Group offers high value-added services and software platforms which meet a full range of potential technical, technological and ICT customer needs during the entire infrastructure lifecycle with the aim of providing high value-added support services for infrastructure management and maintenance.

The group has grown significantly in the last few years: in the period 2011-20, top line more than tripled from € 18.8m to € 71.9m, 16.1% CAGR also thanks to the acquisition of Actual IT in 2015 (minority buyout in Sep-18), SJS Engineering in October 2018 and Unistar in September 2019. In 2020, value of production reached € 71.9m, up 17.9% YoY, EBITDA totalled € 3.9m, 5.4% margin and net profit came in negative for € 1.2m. Net financial position was € 16.4m (debt). The chart below shows top line, EBITDA and personnel trends since the founding of DBA Group in 1991.

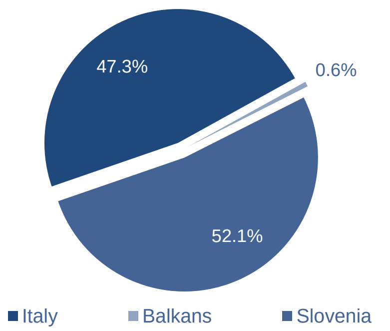
2020 top line …



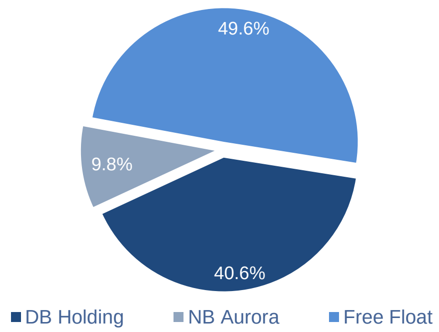
… and EBITDA breakdown by business unit



2020 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	0.80	0.76	0.72	13.3	12.2	11.0	15.3	13.8	12.6
Alten SA	1.29	1.17	1.03	12.8	10.3	8.9	17.5	13.3	10.9
Arcadis NV	1.05	0.99	1.07	9.4	8.7	8.5	15.4	13.8	13.0
Jacobs Engineering Group Inc	1.47	1.30	1.17	17.3	14.4	12.3	17.9	15.2	13.1
SNC-Lavalin Group Inc	0.89	0.82	n.a.	9.5	8.0	n.a.	13.2	10.8	n.a.
Sweco AB (publ)	n.a.	2.29	2.17	n.a.	16.8	15.7	n.a.	22.2	20.6
Engineering & PMO median	**1.05**	**1.08**	**1.07**	**12.8**	**11.2**	**11.0**	**15.4**	**13.8**	**13.0**
Accenture PLC	3.63	3.33	3.07	19.3	17.8	16.1	24.2	21.9	20.0
Capgemini SE	1.73	1.58	1.43	11.1	10.0	9.0	15.3	13.3	11.8
Devoteam SA	0.88	0.78	0.66	7.6	6.8	5.5	8.9	7.6	6.4
Reply SpA	3.27	2.90	2.57	19.9	17.6	15.5	24.6	21.3	18.6
TXT e solutions SpA	1.21	1.41	1.38	9.5	10.7	10.5	13.2	14.3	15.2
ICT software median	**1.73**	**1.58**	**1.43**	**11.1**	**10.7**	**10.5**	**15.3**	**14.3**	**15.2**
DBA Group SpA	**0.42**	**0.39**	**0.35**	**5.7**	**4.7**	**3.8**	**15.1**	**9.9**	**6.9**

Source: CFO Sim, Thomson Reuters Eikon

1. DBA Group in a nutshell

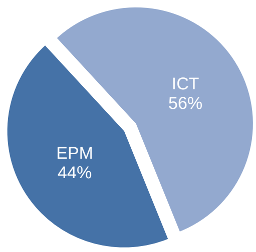
Founded in 1991 by the four De Bettin brothers in north east of Italy, **DBA Group is specialised in network connectivity and infrastructure lifecycle support solutions**. The core competence of DBA Group is its proven ability to provide telematics solutions for strategic infrastructure to clients whose business is network-performance critical. It provides integrated services and solutions in the ICT, Engineering and Project Management fields in six industries. Founded as an engineering and architecture 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 entire infrastructure lifecycle management**.

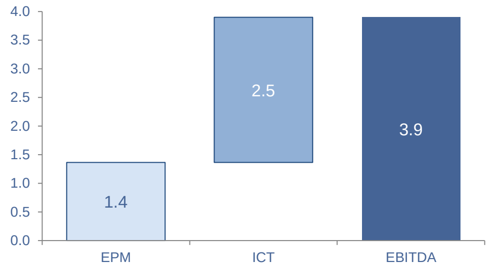
DBA Group is a technology consulting group focused on high value-added solutions and services, characterised by a relevant degree of technology. The engineering arm represents a key entry barrier: DBA Group knows how processes work. This places the company in a position to offer specific performing turnkey services and solutions.

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

- **ICT – Information, Communication and Technology**, **56% of top line**: the BU, using software and telematics platforms designed and developed in-house, offers process and automation engineering, applied information and communication technology for single and networked infrastructure works.
- **EPM – Engineering and Project Management, 44% 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's clients) related to single or networked infrastructures and their technological specialised plants. In performing this activity, DBA Group complies with quality standards, timetable and cost guidelines defined with clients. Furthermore, the BU comprises of the study, design and feasibility study of single or networked infrastructures and their technological and specialised plants. It also provides process analysis, mapping and optimisation services, technical/ technological consultancy and ICT solutions.

Chart 1 – DBA Group, 2020 Sales and EBITDA by BU





Source: Company data

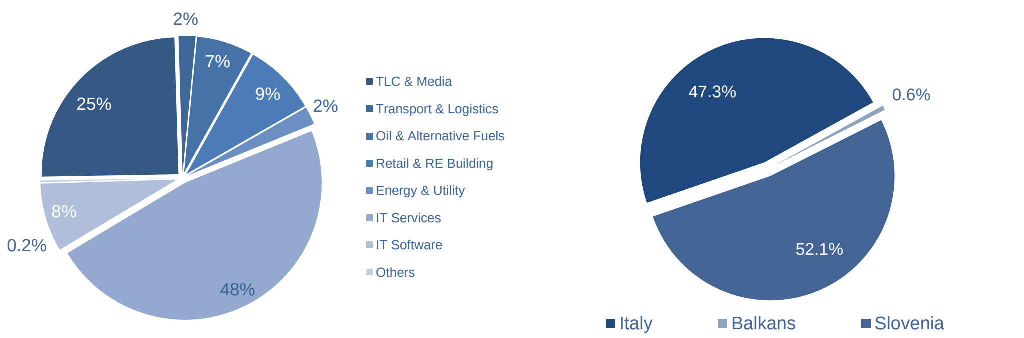
The group offers its **high-tech services and solutions to private customers** mainly operating in **six reference markets,** where infrastructure is performance-critical for the supply of products/services of DBA Group's clients:

- **TLC & Media**: telecommunication & media companies and their production, transmission / distribution infrastructures.
- **Transport & Logistics**: firms operating in this business and their road, rail port and airport infrastructure.
- **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 as well as industrial and financial retail networks.
- **Energy**: energy companies and their production, transformation, transport and distribution infrastructures.
- **Industrial** groups (electronic, mechanical, automotive, chemical, clothing, pharmaceutical, and food sectors) and their production and distribution facilities.

The company currently concentrates the bulk of its business in **Italy and Slovenia, which comprise 47% and 52% of top line**, respectively. The remaining 1% of revenues are generated in the Balkans.

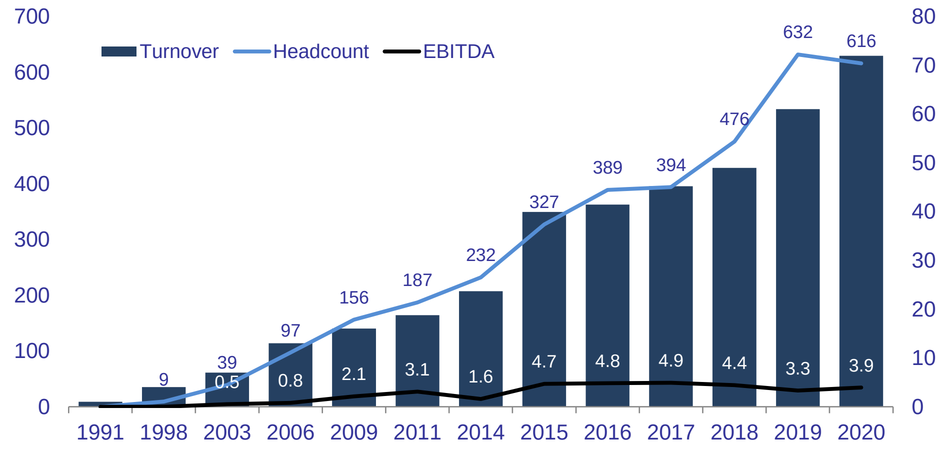
Chart 2 – DBA Group, 2020 Sales by reference markets and by countries



Source: Company data

The group has grown significantly in the last few years: in the **2011-20 period, top line more than tripled from € 18.8m to € 71.9m, 16.1% CAGR,** also thanks to the acquisition of Actual IT in 2015 (minorities buyout in Sep-18), SJS Engineering in October 2018 and Unistar in September 2019. In 2020, the value of production reached € 71.9m, up 17.9% YoY, EBITDA totalled € 3.9m, 5.4% margin and net profit came in negative by € 1.2m. Net financial position was € 16.4m (debt). The chart below shows the top line, EBITDA and personnel trends since the founding of DBA Group in 1991.

Chart 3 – DBA Group, 1991-20 top line, EBITDA and staff growth trend



Source: Company data

2. The reference markets

DBA group operates in the Infrastructure Lifecycle Management arena. Via its two business units (ICT-software and Engineering & Project Management), the group serves six key reference markets with its services and solutions, four of which(excluding industrial and energy) are seen to significantly drive the group's future 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 fuels:** 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, and public buildings, 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 investment in infrastructure. The stimulus provided by a long-term strategy that, if complied with, will make feasible infrastructure policies, also has to be added.

In this context, according to ANCE- Associazione Nazionale Costruttori Edili (Italian Building Contractors' Association) estimates, **in the next 15 years a total amount of € 220bn is projected to be invested in public infrastructure in Italy, not considering the Next Generation EU**. Among others: the Gronda of Genoa West (a motorway junction project in which DBA Group plays 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, ENAV's domestic airport five-year investment plan for a total consideration of € 4.2bn.

In Italy, the **National Recovery and Resilience Plan (NRRP)**, part of the Next Generation EU programme, envisages investments and a consistent reform package for a total amount of almost **€ 250bn in the next six years (2021-26).** The plan is developed around **three strategic axes** shared at a European level: **digitisation and innovation, ecological transition, and social inclusion**. It is an intervention that aims at repairing the economic and social damage caused by the pandemic crisis, contributing to addressing the structural weaknesses of the Italian economy, and leading the country along a path of ecological and environmental transition. We believe that, within the six missions of the plan, DBA Group can benefit from at least three of them:

- **Infrastructure for Sustainable Mobility:** the plan allocates a total of € 31.5bn. Its primary objective is the development of a modern, sustainable transport infrastructure extended to all areas of the country. The funds will be invested in enhancing the Italian railway networks and in developing new green ports.
- **Green Revolution and Ecological Transition,** with € 69.9bn allocated by the plan. The main goals are improving the sustainability and resilience of the economic system and ensuring a fair and inclusive environmental transition. In particular, € 25.4bn are dedicated to energy transition and green mobility and € 22.2bn to energy efficiency and building renovation.
- **Digitisation, Innovation, Competitiveness, Culture**: the plan allocates a total of € 49.2bn with the aim of promoting the country's digital transformation, supporting innovation in the production system, and investing in tourism and culture.

2.1. Telecommunications and Media

In 2020, domestic revenues in the TLC sector are anticipated to plummet by 5% from € 30bn of 2019, following the decline started in 2018 and continued in 2019, mainly caused by a decrease in income from mobile services due to a certain price war. Nevertheless, both **fixed and mobile high-speed lines and the introduction of 5G in the country are growing rather fast** (source: Telco per l'Italia by DIGITAL360). In this context, if the domestic TLC market can be labelled as mature, **the TLC infrastructure segment presents appealing growth perspectives**, both in terms of infrastructure utilisation and with regard to the forthcoming investment plans aimed at developing ultra-broadband, mainly linked to the Open Fiber project (in which DBA Group has a role).

Looking at other areas in which the group operates, **the sector is anticipated to also rise in the Balkans**. In Slovenia, TLC and transport are expected to reach 10% of total GDP in 2020 (Information Technology Report, BMI Research).

2.2. Transport and logistics

Currently,1) **China is steadily increasing its weight in the EU28 trade balance**, which reached 20% in 2019, to the disadvantage of the US and Russia, accounting for 14% and 8% respectively, 2) the **value of international trade is expected to grow in real terms by 3.4x** by 2050 (source: OECD-ITF), 3) **the flow of goods is going eastward** and 4) the **means of transport are likely to remain substantially unchanged**, with maritime transport confirmed as the most important international trade means of transport, accounting for 85% of the total volume in 2010 and 83% in 2050 (source: OECD-ITF). In such a context, a few key projects represent significant opportunities to sustain the growth of international trade as well as the future development of DBA Group (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 started 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 project includes a connectivity **platform and cooperation for the expansion and stabilization of maritime routes and land infrastructure networks linking China to Asia, Africa and Europe**. It is set to become the world's **most important Eurasian corridor in terms of intensity and speed of cultural, technological and commercial exchange.** 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, **should remain basically unchanged in 2020-2030,** according to Nomisma Energia.

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 of technological modernisation. Efficiency gains and 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 the group's future 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 DBA Group's targets.

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 the sales performance of eco-friendly vehicles. According to recent studies, **the global electric fleet**, including both full electric and hybrid plug-in vehicles, **is projected to reach 127m units in 2030 from 13m in 2020**.

2.4. Architecture and construction

Players in the real estate, retail, hospitality, and financial sectors represent a significant customer base for the sale of engineering and architectural services and solutions.

The growth trend started in 2015 was interrupted in 2020 because of the severe social-economic impact of the COVID-19 pandemic. Before the pandemic, **real estate stocks and the number of transactions showed growing volumes**: in Italy transactions increased by 6.1% in 2018 and by 4.7% in 2019 with manufacturing, residential and tertiary buildings representing the key drivers for this growth. In contrast, transactions plummeted by 6.3% in 2020.

Table 1 – DBA Group, 2020 Italian real estate market overview

Destination	Stock %	Transactions	% YoY	% on Total	REMI
Residential	50.8%	557,926	-7.7%	49.0%	1.63%
Appurtenances	5.7%	82,614	10.2%	7.3%	2.15%
Garages	23.3%	330,486	-6.6%	29.0%	2.10%
Tertiary – Commercial	12.6%	96,753	-7.1%	8.5%	1.14%
Manufacturing	1.2%	10,615	-12.9%	0.9%	1.34%
Manufacturing – Agricultural	0.6%	2,265	-16.9%	0.2%	0.55%
Other	5.8%	57,474	-8.7%	5.0%	1.46%
Total	**100.0%**	**1,138,133**	**-6.3%**	**100.0%**	**1.68%**

Source: 2021 Real Estate Report from Osservatorio del Mercato Immobiliare

As for commercial real estate, the **improved economic stability in EU27 prompted an increase in purchasing power**: pro-capita income rose to almost € 17,000 from € 15,400 in 2014-19. This contributed to sustain the retail sector. In 2019, consumption grew by 2.1% (source: GFK, 2020): robust growth was recorded in Bulgaria (the main reference geographical area for DBA Group), with +5.4%, whereas it reached +9.5% in Romania, +6.6% in Estonia and +6.5% in Lithuania. The Italian market remained steady(+0.5%).

Also looking at the hospitality segment, the outlook is rather bright. The **ongoing concentration process and renovation demand are likely to continue sustaining growth**. The European market looks rather appealing to both domestic and foreign investors, , attracted by (1) the luxury offer, (2) the vast quantity of buildings suitable for renovation, (3) and the market potential, which somehow offer more lucrative returns than other segments (logistics, offices and residential).

Thus, **we believe that the demand for real estate services and solutions in terms of both architectural and engineering design and maintenance and refurbishment, will contribute to sustain the group's business**.

Furthermore, in May 2020 the Italian Government issued urgent legislation to assist with the recovery of the Italian economy, following the unprecedented shock of the COVID-19 pandemic. Among many other measures, the legislator introduced a new tax credit for improvements to Italian properties, called **"Superbonus 110%"**. This tax break is intended to cover 110% of the costs of energy efficiency and structural seismic improvements of Italian properties, thus helping with the recovery of the economy and the local building industry.

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 engineering and architecture 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 managing **the entire lifecycle of an infrastructure:** from the project to implementation support and day-by-day monitoring of processes, procedures and maintenances via high-level technological solutions.

DBA Group is NOT an EPC (engineering, procurement and construction contractor) and **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 and this places the company in a 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: according to the Assoinform report "Il Digitale in Italia 2020", in 2020, **the Italian digital economy is expected to decline by 2.0% to € 70.5bn**, whilst showing strong resilience in a year impacted by the COVID-19 global pandemic. Furthermore, **the market is expected to grow at a 3.6% CAGR$_{20-22}$ reaching € 75.4bn in 2022**. In spite of a temporary decrease in 2020, the market is characterised by steady single-digit growth and a permanent information asymmetry between demand and offer of digital innovation.

The digital economy market comprises devices & systems, software & ICT solutions, ICT services, network services and content & digital advertising. The most promising segments are Internet of Things, Cyber Security, Cloud, Big Data and Analytic Solutions, that is to say the catalysts of the digital economy. These niches grew fast last year, within the digital innovation and digital economy markets. Just to mention some examples, in 2020 the IoT market was valued at some € 3.6bn, +3.5% YoY, the Cloud market was worth € 3.3bn, +16.0% YoY, the Big Data market was up to some € 1.2bn, +8.7% YoY, and cybersecurity accounted for € 1.2bn, +9.0% YoY. **The reference market is a growing arena with expected further acceleration in coming years**, also considering that the gap between the domestic market and the rest of the world can be closed thanks to the huge resources stemming from the **Next Generation EU** recovery plan. In particular, **almost € 50bn will be dedicated to the digital transformation of businesses and public administrations.**

The **European ICT market is projected to decline by 3.9% in 2020 due to the COVID-19 pandemic.** Looking forward, the market is anticipated to be flat in 2021 (-0.2% YoY), starting to recover in 2022 (+2.3% YoY). Furthermore, in 2023 the ICT market in Europe is estimated to grow by 4.5% YoY (source: IDC Platform Black Book - 2020).

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 introducing several technological and organisational innovations, thus providing. **potential nourishment to the DBA Group business development.**

3.2 Engineering and Project Management

According to Engineering News-Record, an American weekly magazine, **the global market for large international design firms has taken a series of hits over the past few years**, including fluctuating oil prices, political unrest in many countries and the eruption of global trade wars (or at least their menace). While many hoped that 2020 would provide relief from these events, that was not to be as the worldwide COVID-19 pandemic hit and new oil price wars developed.

On the demand side, most firms are now seeing a significant downturn in opportunities, especially in large-scale projects which could worsen in 2021, as many have been shelved, delayed or reduced in scope. Among the causes: a general economic slowdown, a drop in consumer spending on the private side and large government deficits on the public. This notwithstanding, the **greatest opportunities for business growth can be found in Australia, Northern Europe, USA, Canada and Central and Southern Asia**. In particular China, the European Union and Japan have announced stimulus programs in which infrastructure investment is a key component.

The domestic market is promising: in 2019 engineering and architecture firms stated a total of € 2.5bn (up 7.0% YoY) and € 474m (up 9.3% YoY), respectively.

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 evolve 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 € 10.1-226.6m in engineering and € 2.7-18.1m in architecture and design**.

The company is the seventh player in Italy, according to 2019 turnover data. However, 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 Engineering/Atlantia). **DBA Group is the fourth independent operator in Italy**.

Table 2 – DBA Group, 2019 Italian engineering market competitive structure

Rank #	Firm	2019 Value of Production, € m
1	*Italferr*	*226.6*
2	*EniProgetti*	*178.8*
3	Italconsult	124.9
4	Rina Consulting	107.9
5	Proger	88.9
6	*Spea Engineering*	*70.5*
7	**DBA Group**	**61.0**
8	Jacobs Italia	51.3
9	Sina	51.3
10	Manens - Tifs	44.5
11	Agriconsulting	41.2
12	Arcadis Italia	38.0
13	Net Engineering International	37.0
14	Artelia Italia	36.3
15	Sipal	36.0

Source: 2020 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 engineering and architecture associated firm, now DBA Group is the only player in Italy able to offer the synergic combination of the aforementioned services and solutions for **managing the entire lifecycle of an infrastructure:** from the project to implementation support and day-by-day monitoring of 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:

- **Reinforcement of the management team** – In view of the strong growth expected in the coming years, the company aims to **reinforce its managerial and executive structure, also** taking into consideration that the existing operational staff are projected to manage the integration process of the companies the group is willing to acquire and consolidate.
- **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 Infrastructure Lifecycle Management (ILM) Integrated Projects: Telematic services for the supply chain (Port Line), Retail Oil and non-Oil (GL +), for the Decision Support System, as well as the development and implementation of the EAGLE project.
- **Internationalisation** – DBA Group's efforts and investments with a view to expanding to foreign markets, will be intended for **the Balkan Area and Central Asia, and in particular for the Engineering and ICT Software business units**. The most appealing reference markets in the regions are TLC, Energy, Transport & Logistic, Oil & Gas, Retail, Industry, and Architecture & Building.
- **M&As** – The group aims to acquire **small but key strategic competitors** in key sectors, with complementary customers and products, in Italy and abroad (with special focus on the Balkans and Central Asia). The acquisition campaign has the goal of creating synergies and accelerating the internationalisation process.

  DBA Group has a good **track record in M&As** thanks to several strategic acquisitions made during the last few years: **IGM Engineering** (2012), **Actual IT** (2015), **Itelis** (2017), **SJS Engineering** (2018) and **Unistar** (2019).

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 ‘60s/’70s using Fortune 500 data.

S.W.O.T. Analysis

Strengths	Weaknesses
The **only player offering the synergic combination of the services and solutions of its three business units**	**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**
Over 600 highly-skilled, loyal and motivated employees, o/w 60% are graduates	Need for **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 strategies and short-term industrial views, e.g. **dumping**

6. FY-20 Results

DBA Group announced its FY-20 results which are broadly in line both with the company's business plan revised last Nov-20 and CFO SIM estimates. The figures were also aligned with the preliminary numbers already released by the group last January. In 2020, the EPM business unit suffered from the slowdown in the engineering and project management activities as a result of the pandemic. The ICT business unit benefited from the consolidation of Unistar for 12M (in 2019 the company was consolidated for only 3M).

Table 3 – DBA Group, FY-20 results summary

P&L € m	2020	2019	% YoY	2020e	% Diff.
EPM	31.0	37.2	*(16.6)*	32.6	*(5.0)*
ICT	39.0	21.9	*78.1*	35.9	*8.8*
Revenues	**70.0**	**59.1**	***18.4***	**68.5**	**2.2**
Other	2.0	2.0		1.9	
Value of Production	**71.9**	**61.0**	***17.9***	**70.4**	**2.2**
Raw material	(17.1)	(6.1)		(6.9)	
Services	(23.0)	(24.9)		(30.0)	
Lease & rental	(2.7)	(2.7)		(2.7)	
Other opex	(0.2)	(0.3)		(0.3)	
Personnel expenses	(25.0)	(23.6)		(25.8)	
EBITDA	**3.9**	**3.3**	***18.3***	**4.6**	***(14.1)***
% margin	*5.4*	*5.4*		*6.5*	
D&A	(4.6)	(5.6)		(4.7)	
EBIT	**(0.7)**	**(2.3)**	***71.2***	**(0.1)**	***n.m.***
% margin	*(0.9)*	*(3.8)*		*(0.2)*	
Financial costs	(0.6)	(0.3)		(0.5)	
Pre-Tax profit	**(1.2)**	**(2.7)**	***53.9***	**(0.7)**	***(88.4)***
% margin	*(1.7)*	*(4.4)*		*(0.9)*	
Income taxes	(0.1)	(0.2)		0.1	
Tax rate	*n.m.*	*n.m.*		*n.m.*	
Minorities	0.1	0.1		(0.2)	
Net Profit	**(1.2)**	**(2.7)**	***55.1***	**(0.8)**	***(63.5)***
% margin	*(1.7)*	*(4.5)*		*(1.1)*	
EBITDA adj.	**4.4**	**3.3**	***33.4***	**4.6**	***(3.1)***
% margin	*6.1*	*5.4*		*6.5*	
NFP (cash)/debt	**16.4**	**14.7**	***11.7***	**17.0**	***(3.2)***

Source: Company data, CFO SIM estimates

The value of production was € 71.9m, up 17.9% YoY also thanks to the 12-months consolidation of Unistar in 2020 (consolidated for only 3 months in 2019). The figure was broadly in line with both our € 70.4m estimate and the company's guidance of € 72.3m. The increase from the preliminary figure of € 70.5m announced to the market last 27-Jan is related to a contract being entered into at the end of 2020 instead of early 2021.

The EPM business unit totalled € 31.0m, down 16% YoY as a result of the slowdown in the engineering (down 10% YoY) and project management (down 31% YoY) activities due to the pandemic. **The ICT business unit generated sales for € 39.0m, up 78% YoY.** Within the ICT BU, the Enterprise Business Solutions division totalled € 5.6m (down 5.7% YoY), the IT-Services division generated € 29.4m (+144.8% YoY also as a result of the consolidation of Unistar for 12M in 2020 vs 3M in 2019) and the SAP division's turnover accounted for € 3.9m (up 1.3% YoY).

EBITDA was € 3.9m (5.4% margin) vs € 3.3m in 2019. Adjusted EBITDA stood at € 4.4m, 6.1% margin. The adjustment was due to a € 0.5m write-off relating to an order at the port of Damman (Saudi Arabia) of the subsidiary SJS engineering.

EBIT was negative at € 0.7m (vs € 2.4m in 2019) after D&A of € 4.6m, including an additional € 0.3m provision for amounts receivable from Italtel (DBA had already set aside € 1.1m in 2019). **Net Profit was also negative by € 1.2m** vs € 2.7m in 2019.

Net Financial Position increased to € 16.4m from € 14.7m at end-19 as a result of the group's increasing financial needs. The figure was broadly in line with company's guidance of € 16.3m and slightly lower than our € 17.0m estimate. In 2020, capex accounted for € 1.9m and were mainly used for developing software platforms designed to monitor the Infrastructure Lifecycle Management.

7. Valuation & risks

The virus has definitely **accelerated the digitalisation process** and investments in network infrastructure, cybersecurity and IT, thus supporting the good performance of the ICT business unit. Conversely, the EPM business unit suffered from a **marked slowdown in investment in trade-related infrastructure (roads and ports)** on the back of the COVID lockdown and the tight measures aimed at limiting people's mobility.

Overall, the **EPM segment is anticipated to suffer in the next years** as a result of lower investments by companies operating in the mobility of people and goods (namely petrol stations, ports, airports and highways), only partially counterbalanced by an increase in data centre design projects. The **ICT segment is projected to experience a mid-single digit growth** in the next years mainly as a result of the good performance of the Slovenian market. In terms of margins, since the beginning of 2020 the group has implemented a strong reduction of operating costs in both the EPM and the ICT business units coupled with overhead cost containment by reducing rents and streamlining their operating structures.

Thanks to the size and quality of the order backlog, last January DBA Group updated its **2021 guidance**, slightly increasing the value of production forecast whilst leaving EBITDA and NFP projections unchanged. In detail: VoP, EBITDA and NFP are anticipated at € 73.0m, € 5.5m and € 14.1m respectively. Furthermore, **during the first months of 2021 the group announced the awarding of several contracts, thus corroborating FY-21 expectations**: 1) two framework agreements with **Terna SpA** with a 48-month duration and for a total consideration of **€ 1.16m**; 2) a contract for co-designing a **data centre** hosting the EURO HPC supercomputer in the Technopolo area **in Bologna**. The share of the contract of competence of the group account for **€ 518k**, split between 2021 and 2022; 3) a framework agreement with **Snam SpA** valid until the end of March 2023 for a total consideration of **€ 1.98m** and with the possibility to extend it for a further two-year period with a potential additional turnover to the tune of € 4.95m; 4) a contract for design review and construction management services related to the building of a new container terminal at the Port of **Alexandria (Egypt).** The contract consideration amounts to almost **$ 5m** with a duration of 36 months; 5) a framework agreement with the **Ministry of Public Administration of the Republic of Slovenia** for the supply and maintenance of high energy efficiency ICT personal devices. The value of the agreement is almost **€ 3.2m** with a duration of 36 months.

On the back of FY-20 numbers and the updated 2021 guidance, we have fine-tuned our model almost aligning our projections to the company's business plan. The combined result is an average 2.6% and 2.4% increase in VoP and EBITDA in 2021-22. We also introduced 2023 projections.

Table 4 – DBA Group, 2021e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Value of Production	**72.5**	**70.1**	*3.4*	**2.4**
EBITDA	**5.2**	**5.0**	*4.6*	**0.2**
% margin	*7.2*	*7.2*		
EBIT	**0.8**	**0.5**	*59.4*	**0.3**
% margin	*1.2*	*0.8*		
Net Profit	**0.1**	**(0.2)**	*135.7*	**0.3**
% margin	*0.1*	*(0.3)*		
Y/E net debt (net cash)	**14.8**	**15.3**	*(3.7)*	**(0.6)**

Source: CFO Sim

Table 5 – DBA Group, 2022e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Value of Production	**72.8**	**71.6**	*1.8*	**1.3**
EBITDA	**6.1**	**6.0**	*0.2*	**0.0**
% margin	*8.3*	*8.4*		
EBIT	**1.7**	**1.6**	*4.2*	**0.1**
% margin	*2.3*	*2.3*		
Net Profit	**0.6**	**0.5**	*26.1*	**0.1**
% margin	*0.8*	*0.7*		
Y/E net debt (net cash)	**12.9**	**12.9**	*(0.3)*	**(0.0)**

Source: CFO Sim

Moreover, we have updated the DCF valuation criteria, by bringing the free risk rate up-to-date and postponing the first estimated year to 2021: the combined result is a **new DCF-based PT of € 2.00/s** (€ 1.50), **49.8% upside potential**.

CFO Sim reiterates the long-term **Buy recommendation** on the shares: FY-20 numbers came in broadly in line with both our estimates and the company's business plan, corroborating the guidance provided to the market. The current backlog allows the company to be fairly optimistic as to 2021 and to confirm the targets indicated in the 2022-23 industrial plan released last Nov-20.

7.1. DCF

In the valuation via the DCF method, explicit estimates until 2025 and a long-term growth of 1.0% were used. Cash flows were discounted back at a weighted average cost of capital calculated according to the following parameters:

Table 6 - WACC derived from:

Interest costs, pre-tax	1.5%
Tax rate	43.0%
Int. costs, after taxes	**0.9%**
Risk premium, incl. small size premium	9.0%
Risk-free (10Y Gov. Bond 200 days simple moving average)	0.74%
Beta levered (x)	1.00
Required ROE	**9.7%**

Source: CFO Sim, Thomson Reuters Eikon

Risk premium at 9.0% factors in the minute size of the company and basically all the AIM Italia market segment related concerns and disquiet that an investor might have. **Beta at 1.00** is a usual conservative value for a small cap.

Table 7 - DBA Group, DCF model

€ m	2021e	2022e	2023e	2024e	2025e	Term. Val.
EBIT	0.8	1.7	2.6	3.5	4.5	
Tax rate	43.0%	43.0%	43.0%	43.0%	43.0%	
Operating profit (NOPAT)	**0.5**	**1.0**	**1.5**	**2.0**	**2.6**	
Change working capital	(0.4)	(0.8)	(0.5)	(0.2)	(0.1)	
Depreciation	4.4	4.3	4.3	4.0	2.0	
Investments	(2.6)	(2.5)	(2.5)	(2.0)	(2.0)	
Free Cash Flows	**1.8**	**2.0**	**2.7**	**3.8**	**2.5**	**41.8**
Present value	1.8	1.8	2.3	3.0	1.8	**30.6**
WACC	**7.1%**	7.1%	7.1%	7.1%	7.1%	
Long-term growth rate	**1.0%**					

Source: CFO Sim

Table 8 – DBA Group, DCF derived from:

€ m	
Total EV present value € m	41.3
thereof terminal value	*74%*
NFP last reported	(16.4)
Pension provision last reported	(1.9)
Equity value € m	**22.9**
#m shares	11.50
Equity value €/s	**2.00**
% upside/(downside)	*49.8%*

Source: CFO Sim

The application of the model produces an **equity value of DBA Group of € 22.9m, corresponding to € 2.00/share (€ 1.50), 49.8% upside**.

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value of between **€ 1.68-2.39** per share **(perpetuity range of between 0.25% and 1.75%)**, while 2) if compared to changes in the free risk rate it produces an equity value of **€ 1.72-2.32** per share **(free risk range of between 1.49% and 0.00%)** and 3) if compared to changes in the risk premium, including small size premium it results in an equity value of **€ 1.48-2.72** per share **(risk premium range of between 10.50%% and 7.50%)**.

Table 9 – 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	10.7	10.7	10.7	10.7	10.7	10.7	10.7
PV of terminal value	27.0	28.1	29.3	30.6	32.0	33.5	35.1
Total value	**37.7**	**38.8**	**40.0**	**41.3**	**42.7**	**44.2**	**45.8**
NFP last reported	(16.4)	(16.4)	(16.4)	(16.4)	(16.4)	(16.4)	(16.4)
Pension provision last reported	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)
Equity value	**19.4**	**20.5**	**21.7**	**22.9**	**24.3**	**25.8**	**27.5**
Equity value/share €	**1.68**	**1.78**	**1.88**	**2.00**	**2.12**	**2.25**	**2.39**

Source: CFO Sim

Table 10 – DBA Group, equity value sensitivity to changes in free risk rate

€ m	0.00%	0.24%	0.49%	0.74%	0.99%	1.24%	1.49%
Present value of CF	10.8	10.8	10.7	10.7	10.6	10.6	10.5
PV of terminal value	34.2	32.9	31.7	30.6	29.5	28.5	27.5
Total value	**45.0**	**43.7**	**42.4**	**41.3**	**40.1**	**39.1**	**38.1**
NFP last reported	(16.4)	(16.4)	(16.4)	(16.4)	(16.4)	(16.4)	(16.4)
Pension provision last reported	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)
Equity value	**26.7**	**25.4**	**24.1**	**22.9**	**21.8**	**20.8**	**19.7**
Equity value/share €	**2.32**	**2.21**	**2.10**	**2.00**	**1.90**	**1.80**	**1.72**

Source: CFO Sim

Table 11 – 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	11.0	10.9	10.8	10.7	10.6	10.5	10.4
PV of terminal value	38.7	35.6	32.9	30.6	28.5	26.6	24.9
Total value	**49.6**	**46.5**	**43.7**	**41.3**	**39.1**	**37.1**	**35.3**
NFP last reported	(16.4)	(16.4)	(16.4)	(16.4)	(16.4)	(16.4)	(16.4)
Pension provision last reported	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)
Equity value	**31.3**	**28.2**	**25.4**	**22.9**	**20.8**	**18.8**	**17.0**
Equity value/share €	**2.72**	**2.45**	**2.21**	**2.00**	**1.80**	**1.63**	**1.48**

Source: CFO Sim

7.2. Market multiples

We conducted an analysis on a cluster of 11 companies operating in the ICT software, engineering and advisory arena, two of which are domestic. We divided the sample into 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, and construction.

Alten (France): it operates in the engineering and technology consulting fields and provides support for its clients' development strategies in the fields of innovation, R&D and IT systems.

Altran Technologies (France): it is a multinational consulting firm operating in different fields of engineering. It provides services to the aerospace, automotive, energy, rail, finance, healthcare and TLC sectors.

Arcadis (The Netherlands): it is a 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, and public transport services.

Jacob Engineering (USA) it is a corporation providing engineering services including technical and scientific advice, in addition to all engineering aspects, construction, start-up and maintenance of plants for various sectors including industry, defence, energy and infrastructure.

SNC Lavalin (Canada): it is a group providing design, consulting, engineering, software and project management services to the 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).

Sweco (Sweden): it offers consulting, engineering and architectural services to various sectors including environment and water, infrastructure, energy and industrial.

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

Accenture (USA): it is a multinational company offering management and strategic consulting services, technology services and outsourcing solutions in a vast array of industries.

Capgemini (France): it is a 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, and TLC.

Devoteam (France): it is a group offering IT consulting services, system integration, project management, cyber security and outsourcing solutions.

Reply (Italy): it is a group that supports its clients 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.

TXT e solution (Italy): it is a software specialist providing high value-added solutions for the aerospace, defence, high tech, finance, luxury, fashion, retail and consumer goods sectors.

Size and profitability vary a lot within the samples, as well as the expected growth rates. Engineering & PMO comparables have EBITDA margins ranging from 6.0% to12.9% and a mid-single digit sales growth. Sweco shows the highest profitability and Arcadis has higher sales growth than the peer median.

The least virtuous is AECOM with a 6.0% EBITDA margin.

ICT software comparable firms show slightly higher growth profiles than the Engineering & PMO sample and higher profitability, ranging from 11.6% to 18.9%. Accenture shows the most lucrative P&L with an EBITDA margin of 18.9%.

DBA Group's profitability is broadly in line with the Engineering and PMO peer median but is lower than the ICT software firm median. However, DBA Group offers investors higher growth perspectives in terms of EBITDA compared to both peer medians.

Table 12 - DBA Group, peer group summary table

€ m	Country	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA %	Sales $CAGR_{20-23}$	EBITDA $CAGR_{20-23}$	EBIT $CAGR_{20-23}$	EPS $CAGR_{21-23}$	NFP/ EBITDA FY1
AECOM	USA	7,786	11,036	665	6.0%	1.6%	6.1%	14.9%	9.4%	1.6
Alten SA	France	3,513	2,619	264	10.1%	8.7%	19.2%	26.9%	20.9%	n.m.
Arcadis NV	Dutch	3,231	3,290	369	11.2%	9.6%	6.3%	11.2%	9.5%	0.6
Jacobs Engineering Group Inc	USA	15,350	11,870	1,004	8.5%	6.2%	14.1%	19.2%	12.8%	2.0
SNC-Lavalin Group Inc	Canada	3,797	4,918	461	9.4%	1.1%	65.9%	-248.6%	n.a.	1.2
Sweco AB (publ)	Sweden	5,257	2,159	279	12.9%	4.5%	6.2%	14.2%	9.7%	n.a.
Engineering & PMO median		**4,527**	**4,104**	**415**	**9.7%**	**5.4%**	**10.2%**	**14.5%**	**9.7%**	**1.4**
Accenture PLC	USA	154,822	40,694	7,673	18.9%	8.0%	13.6%	9.6%	9.2%	n.m.
Capgemini SE	France	25,444	17,136	2,654	15.5%	6.4%	8.9%	11.0%	10.9%	1.6
Devoteam SA	France	860	796	93	11.6%	6.1%	2.7%	10.9%	11.3%	n.m.
Reply SpA	Italy	4,940	1,433	236	16.4%	11.4%	11.2%	13.0%	12.2%	n.m.
TXT e solutions SpA	Italy	107	86	11	12.7%	12.9%	14.9%	20.7%	11.5%	n.m.
ICT software median		**4,940**	**1,433**	**236**	**15.5%**	**8.0%**	**11.2%**	**11.0%**	**11.3%**	**1.6**
DBA Group SpA	**Italy**	**15**	**72**	**5**	**7.2%**	**0.9%**	**20.3%**	**97.6%**	**36.4%**	**2.8**

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	0.80	0.76	0.72	13.3	12.2	11.0
Alten SA	1.29	1.17	1.03	12.8	10.3	8.9
Arcadis NV	1.05	0.99	1.07	9.4	8.7	8.5
Jacobs Engineering Group Inc	1.47	1.30	1.17	17.3	14.4	12.3
SNC-Lavalin Group Inc	0.89	0.82	n.a.	9.5	8.0	n.a.
Sweco AB (publ)	n.a.	2.29	2.17	n.a.	16.8	15.7
Engineering & PMO median	**1.05**	**1.08**	**1.07**	**12.8**	**11.2**	**11.0**
Accenture PLC	3.63	3.33	3.07	19.3	17.8	16.1
Capgemini SE	1.73	1.58	1.43	11.1	10.0	9.0
Devoteam SA	0.88	0.78	0.66	7.6	6.8	5.5
Reply SpA	3.27	2.90	2.57	19.9	17.6	15.5
TXT e solutions SpA	1.21	1.41	1.38	9.5	10.7	10.5
ICT software median	**1.73**	**1.58**	**1.43**	**11.1**	**10.7**	**10.5**
DBA Group SpA	**0.42**	**0.39**	**0.35**	**5.7**	**4.7**	**3.8**

Source: CFO Sim, Thomson Reuters Eikon

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

x	EBIT FY1	EBIT FY2	EBIT FY3	PER FY1	PER FY2	PER FY3
AECOM	15.3	13.8	12.6	22.8	20.5	19.1
Alten SA	17.5	13.3	10.9	25.5	20.1	17.4
Arcadis NV	15.4	13.8	13.0	19.5	17.6	16.3
Jacobs Engineering Group Inc	17.9	15.2	13.1	22.9	20.2	18.0
SNC-Lavalin Group Inc	13.2	10.8	n.a.	19.7	17.3	13.8
Sweco AB (publ)	n.a.	22.2	20.6	32.9	29.3	27.3
Engineering & PMO median	**15.4**	**13.8**	**13.0**	**22.8**	**20.2**	**17.7**
Accenture PLC	24.2	21.9	20.0	34.1	31.0	28.6
Capgemini SE	15.3	13.3	11.8	18.8	16.5	15.3
Devoteam SA	8.9	7.6	6.4	18.9	16.8	15.2
Reply SpA	24.6	21.3	18.6	36.5	32.4	29.0
TXT e solutions SpA	13.2	14.3	15.2	18.9	16.2	15.2
ICT software median	**15.3**	**14.3**	**15.2**	**18.9**	**16.8**	**15.3**
DBA Group SpA	**15.1**	**9.9**	**6.9**	**12.6**	**8.8**	**6.8**

Source: CFO Sim, Thomson Reuters Eikon

Table 15 – DBA Group, equity assessment, 1#2

€ m	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3	PER FY1	PER FY2	PER FY3
DBA metrics	72.5	72.8	74.0	5.2	6.1	6.8	1.2	1.8	2.3
Multiples (35% discounted)	0.81	0.85	0.83	7.8	7.0	7.0	14.8	13.1	11.3
Enterprise Value	**58.7**	**61.6**	**61.4**	**40.8**	**42.2**	**47.7**	**18.1**	**22.9**	**25.7**
NFP	(14.8)	(12.9)	(10.2)	(14.8)	(12.9)	(10.2)			
Pension Provision	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)			
DBA Equity Value	**42.0**	**46.8**	**49.3**	**24.1**	**27.4**	**35.6**	**18.1**	**22.9**	**25.7**
DBA Equity Value per share €/s	**3.66**	**4.07**	**4.29**	**2.10**	**2.38**	**3.09**	**1.57**	**1.99**	**2.23**
% upside/(downside)	*173.8*	*205.0*	*221.1*	*56.8*	*78.5*	*131.6*	*17.8*	*49.0*	*67.3*

Source: CFO Sim, Thomson Reuters Eikon

Table 16 – DBA Group, equity assessment, 2#2

€ m	FY1	FY2	FY3
EV/EBITDA	24.1	27.4	35.6
Weighting	*100.0%*	*0.0%*	*0.0%*
Equity Value	24.1		
Equity Value per share €/s	**2.10**		
% upside/(downside)	*57.3%*		

Source: CFO Sim, Thomson Reuters Eikon

We believe that the DBA stock deserves a **discount to peer median not only due to the firm's small size but also to the lack of adequate stock liquidity** on the back of the AIM Italia listing.

By applying a 35% discount on peer multiples for EV/EBITDA to DBA's metrics, we attain an **equity value of DBA of € 24.1m, or € 2.10/s,** 57.3% upside. We used 2021 estimates and multiples. The appraisal of DBA Group obtained through the market multiples corroborates the evaluation of the company attained via the DCF model.

7.3. Sum of the parts

The sum-of-the-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 obtained by adjusting the company's net debt, pension provisions, minorities assessment and the perpetuity of holding costs. Please note that for DBA Group we have not applied the perpetuity of holding costs as they are already split in the EBITDA of the two business units.

In our SOTP valuation, we used 1) the median EV/EBITDA multiple of the Engineering & PMO panel to evaluate the EPM business units, 2) the median EV/EBITDA multiple of the ICT software panel to appraise the ICT business unit. We applied a **35% discount to peer multiples**, mainly due to DBA's smaller size and low level of the stock liquidity on the back of its listing on the AIM Italia market.

We decided to assess the equity value using 2021e figures. As a result, we attained an equity value of € 2.00/s, 49.8% upside to current price levels, thus corroborating the appraisal of DBA Group obtained both via the DCF model and through the market multiples approach.

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

	€ m	% on EV	Methodology
ICT BU	24.7	*62.0*	7.2x peer multiple on € 3.4 m BU EBITDA 2021
EPM BU	15.2	*38.0*	8.3x peer multiple on € 1.8 m BU EBITDA 2021
Total EV	**39.9**	***100.0***	
NFP	(14.8)		FY-21e net financial position
Pension Provision	(1.9)		Pension provision last reported
Equity Value	**23.2**		
Equity Value Per share €/s	**2.00**		
% upside/(downside)	*49.8%*		

Source: CFO SIM, Thomson Reuters Eikon .

7.4. Peer stock performance

DBA Group went public on 13-Dec-17 on 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 11 firms, 6 of which mainly operating in the EPM business and the rest in the ICT software sector.

Table 18 - DBA Group, peer group absolute performance

	1D	1W	1M	3M	6M	YTD	1Y
AECOM	1.4	(1.2)	(6.4)	11.1	26.0	30.0	46.5
Alten SA	0.7	2.4	0.7	11.4	14.7	11.1	31.1
Altran Technologies SA	(0.9)	(0.4)	(3.6)	26.7	39.2	31.7	110.9
Jacobs Engineering Group Inc	1.2	2.0	2.5	24.1	31.6	31.6	63.7
Snc-Lavalin Group Inc	0.0	(4.3)	13.1	21.6	34.2	46.2	39.9
Sweco AB (publ)	0.5	(1.0)	(3.9)	13.3	(2.4)	(3.7)	7.7
Engineering & PM median	**0.6**	**(0.7)**	**(1.4)**	**17.5**	**28.8**	**30.8**	**43.2**
Accenture PLC	1.3	1.1	(2.9)	13.5	11.7	8.4	39.4
Capgemini SE	1.4	(1.8)	(2.8)	10.9	28.3	18.9	61.7
Devoteam SA	(1.9)	1.2	(5.5)	(0.4)	5.8	11.3	32.3
Reply SpA	0.8	(0.3)	16.8	43.2	41.8	39.0	79.7
TXT e solutions SpA	(1.0)	3.9	8.7	17.7	10.9	4.4	(0.6)
ICT software median	**0.8**	**1.1**	**(2.8)**	**13.5**	**11.7**	**11.3**	**39.4**
DBA Group SpA	**1.1**	**3.5**	**8.1**	**40.2**	**78.5**	**57.4**	**33.5**

Source: Thomson Reuters Eikon

7.5. Risks

The principal investment **risks** associated with DBA Group include:

- Risks linked to the postponement of some key projects and 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 the P&L and balance sheet profiles triggered by a sharp decline in local and global economic growth;
- Profit margin dilution stemming from the acquisition campaign;
- The departure of one, or a few of, the key relevant people.

ANALYST CERTIFICATION

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DATE	TARGET PRICE	RATING
07/06/2021	€2.00	BUY
28/01/2021	€1.50	BUY
10/11/2020	€1.50	BUY
26/10/2020	€1.50	BUY
22/06/2020	€1.80	BUY

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CORPORATE FAMILY OFFICE SIM S.p.A.
Società di Intermediazione Mobiliare
Capitale Sociale Euro 2.500.000,00 i.v.
www.cfosim.com
info@cfosim.com
cfosim@legalmail.it

Aderente al Fondo Nazionale di Garanzia
Iscrizione all'Albo delle Società
di Intermediazione Mobiliare n. 197
Delibera Consob n. 16216 del 13/11/2007
Iscrizione al Registro Unico Intermediari
assicurativi n. D000627190

N. Iscrizione al Registro delle imprese di Milano,
Codice Fiscale e Partita IVA 13256570154
REA 1633817
Codice LEI 815600A451B54F577118
Codice univoco: M5UXCR1

Via dell'Annunciata, 23/4 - 20121 Milano — Tel. +39 02 303431
Viale della Libertà, 67 - 33170 Pordenone — Tel. +39 0434 546711
Via Angelo Moro, 83 - 20097 San Donato Milanese — Tel. +39 02 25547300
Viale G. Ribotta, 11 - 00144 Roma — Tel. +39 06 45474500
Via della Chimica, 5 - 30175 Venezia P.to Marghera — Tel. +39 041 2515200
Via Cefalonia, 70 - 25124 Brescia — Tel. +39 030.8377311