

Italy – ICT Consulting

Set to be a leading EU player in the digital and energy transition

8th June 2023

BUSINESS PLAN 2023-26

RIC: DBA.MI
BBG: DBA IM

DBA Group announced a 4-year business plan characterised by double-digit yearly growth mainly driven by the EPM business unit. EBITDA is anticipated to grow more than proportionately to top line. The key growth drivers for the following years will be the digital and energy transitions, which are two of the main pillars of the Next Generation EU and the New Green Deal EU.

Rating:

Buy

Price Target:

€ 2.50

Upside/(Downside): 37.0%

Last Price: € 1.83

Market Cap.: € 21.0m

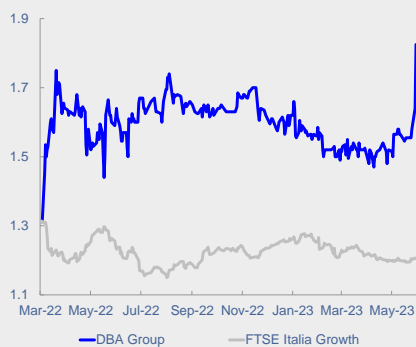
1Y High/Low: € 1.86 / € 1.41

Avg Daily Turn. (3M, 6M): € 39k, € 37k

Free Float: 56.7%

Major shareholders:

De Bettin family 43.3%



Stock price performance

	1M	3M	12M
Absolute	21.7%	20.1%	14.8%
Rel.to FTSE IT Growth	21.0%	23.3%	22.6%
Rel.to peers	17.8%	18.2%	9.4%

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The business plan shows double-digit top line and EBITDA growth

DBA Group approved the 2023-26 Business Plan, which envisages double-digit top line yearly growth and a more than proportional progression of EBITDA. Our FY-23 estimates are almost aligned with the 2023 guidance while our assumptions for the following years are more cautious compared to the groups' targets. Estimates, rating and PT confirmed.

€ m	2022	BP DBA 2023e	BP DBA 2026e	CAGR ₂₂₋₂₆
VoP EPM	42.5	62.0	86.1	19.3%
VoP ICT	42.9	43.0	49.6	3.7%
Value of Production	85.4	105.0	135.7	12.3%
EBITDA EPM	4.3	7.2	12.3	29.9%
EBITDA ICT	2.8	3.1	3.6	6.0%
EBITDA	7.2	10.3	15.9	22.0%
EBITDA margin EPM %	10.2	11.6	14.3	
EBITDA margin ICT %	6.6	7.2	7.3	
EBITDA margin %	8.4	9.8	11.7	
NFP debt / (cash)	12.6	12.3	13.4	1.5%
NFP/EBITDA x	1.8	1.2	0.8	

The EPM BU will drive the growth: significant investments in workforce

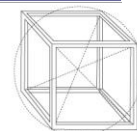
In 2023, DBA estimates VoP of € 105.0m, € 62.0m of which stemming from the EPM BU and € 43.0m from the ICT BU (€ 3.0m in Italy and € 40.0m in the Balkans), EBITDA of € 10.3m, 9.8% margin and NFP of € 12.3m. In 2026, DBA foresees VoP of € 135.7m with EBITDA of € 15.9m, 11.7% margin and NFP of € 13.4m. The EPM BU is expected to total € 86.1m with EBITDA of € 12.3m, 14.3% margin. The ICT BU is estimated to reach € 49.6m with EBITDA of € 3.6m, 7.3% margin. The group plans to increase its workforce both by internal and external lines with overall investments of about € 10m over the period.

Digital and energy transitions sustained by the NRRP are the key growth drivers

The key growth drivers are: 1) Digital Transition: DBA Group has a strong know-how in the digital transition of TLC and ultra-broadband networks as well as a leading position in EPM services with regard to domestic IT infrastructures. The goal is to strengthen the group's competitive positioning in this field also focusing on the BIM methodology (Building Information Modelling) applied to architecture, engineering and project management; 2) Energy Transition: DBA Group intends to support the domestic energy transition by offering engineering and consulting services to develop new renewable energy production plants, sustain the energy efficiency process and create energy communities. Furthermore, the group will focus on the energy transition of technological systems linked to transport and logistics infrastructures, such as the development of cold ironing systems for Italian ports.

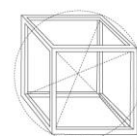
DBA Group, key financials and ratios

€ m	2021	2022	2023e	2024e	2025e
Value of production	79.5	85.4	102.7	106.6	110.5
EBITDA	4.8	7.2	9.7	10.0	10.4
EBITDA adj.	7.3	7.5	9.7	10.0	10.4
EBIT	0.4	3.4	5.0	5.4	5.9
EBIT adj.	4.5	5.3	6.9	7.2	7.8
Net profit	(0.7)	0.6	2.6	2.9	3.2
Net profit adj.	0.8	3.2	4.4	4.7	5.0
NFP (cash)/debt	10.3	12.6	12.5	8.3	2.7
EPS adjusted €	0.07	0.28	0.38	0.41	0.44
EPS adj. growth	n.m.	n.m.	37.3%	6.8%	7.1%
EBITDA margin %	6.0%	8.4%	9.4%	9.4%	9.4%
EBIT margin %	0.5%	4.0%	4.9%	5.1%	5.3%
PER adj.	17.9	6.5	4.8	4.5	4.2
EV/Sales	0.32	0.39	0.33	0.27	0.21
EV/EBITDA	5.3	4.7	3.5	2.9	2.3
EV/EBIT adj.	5.7	6.3	4.9	4.0	3.1





Income statement (€ m)	2021	2022	2023e	2024e	2025e
Value of Production	79.5	85.4	102.7	106.6	110.5
Services	(26.9)	(31.8)	(40.5)	(42.5)	(44.8)
Lease, rental and other opex	(22.0)	(18.3)	(22.1)	(22.9)	(23.8)
Personnel expenses	(25.8)	(28.2)	(30.5)	(31.1)	(31.6)
EBITDA	4.8	7.2	9.7	10.0	10.4
D&A	(4.4)	(3.8)	(4.6)	(4.6)	(4.5)
EBIT	0.4	3.4	5.0	5.4	5.9
Financial costs	(0.7)	(0.4)	(0.5)	(0.4)	(0.3)
Extraordinary, other costs	0.0	(1.3)	0.0	0.0	0.0
Pre-Tax profit	(0.3)	1.7	4.5	5.0	5.6
Income taxes	(0.4)	(1.1)	(1.9)	(2.2)	(2.4)
Minorities	0.0	0.0	0.0	0.0	0.0
Net Profit	(0.7)	0.6	2.6	2.9	3.2
EBIT adj.	4.5	5.3	6.9	7.2	7.8
Net Profit adj.	0.8	3.2	4.4	4.7	5.0
Balance sheet (€ m)	2021	2022	2023e	2024e	2025e
Net Working Capital	15.9	18.7	23.3	23.9	24.5
Net Fixed Assets	18.6	19.2	18.0	16.5	13.9
Equity Investments	1.0	3.5	3.5	3.5	3.5
Other M/L Term A/L	(6.6)	(9.3)	(10.3)	(10.7)	(11.1)
Net Invested Capital	28.8	32.1	34.6	33.2	30.8
Net Financial Position	10.3	12.6	12.5	8.3	2.7
Minorities	0.0	0.1	0.1	0.0	0.0
Group's Shareholders Equity	18.5	19.5	22.0	24.9	28.1
Net Financial Position & Equity	28.8	32.1	34.6	33.2	30.8
Cash Flow statement (€ m)	2021	2022	2023e	2024e	2025e
Total net income	(0.7)	0.6	2.6	2.9	3.2
Depreciation	4.4	3.8	4.6	4.6	4.5
Other non-cash charges	(0.1)	0.3	0.9	0.4	0.4
Cash Flow from Oper. (CFO)	3.6	4.7	8.1	7.9	8.2
Change in NWC	5.1	(2.8)	(4.6)	(0.6)	(0.6)
FCF from Operations (FCFO)	8.7	1.9	3.5	7.3	7.6
Net Investments (CFI)	(2.6)	(4.4)	(3.4)	(3.1)	(2.0)
Free CF to the Firm (FCFF)	6.0	(2.5)	0.1	4.2	5.6
CF from financials (CFF)	(4.0)	(2.7)	(1.2)	(1.2)	(1.2)
Free Cash Flow to Equity (FCFE)	2.0	(5.3)	(1.0)	3.1	4.4
Financial ratios	2021	2022	2023e	2024e	2025e
EBITDA margin	6.0%	8.4%	9.4%	9.4%	9.4%
EBIT margin	0.5%	4.0%	4.9%	5.1%	5.3%
Net profit margin	-0.9%	0.7%	2.5%	2.7%	2.9%
Tax rate	n.m.	63.8%	43.0%	43.0%	43.0%
Interest coverage x	1.91	0.12	0.11	0.07	0.05
Net Debt/EBITDA x	2.15	1.76	1.29	0.82	0.26
Debt-to-Equity x	0.56	0.65	0.57	0.33	0.10
ROIC	-2.5%	2.0%	7.4%	8.6%	10.4%
ROCE	0.8%	8.1%	11.4%	11.8%	12.2%
ROACE	0.8%	8.0%	11.7%	12.0%	12.5%
ROE	-3.9%	3.2%	11.6%	11.5%	11.4%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Per share figures	2021	2022	2023e	2024e	2025e
Number of issued ordinary shares # m	11.51	11.51	11.51	11.51	11.51
Number of shares Fully Diluted # m	11.51	11.51	11.51	11.51	11.51
Average Number of shares Fully Diluted # m	12.46	11.51	11.51	11.51	11.51
EPS reported €	(0.06)	0.05	0.22	0.25	0.28
EPS adjusted €	0.07	0.28	0.38	0.41	0.44
EPS reported FD €	(0.06)	0.05	0.22	0.25	0.28
EPS adjusted FD €	0.07	0.28	0.38	0.41	0.44
EBITDA €	0.38	0.62	0.84	0.87	0.91
EBIT €	0.03	0.30	0.44	0.47	0.51
BV €	1.61	1.70	1.92	2.17	2.44
FCFO €	0.70	0.16	0.31	0.64	0.66
FCFF €	0.48	(0.22)	0.01	0.37	0.48
FCFE €	0.16	(0.46)	(0.09)	0.27	0.38
Dividend €	0.00	0.00	0.00	0.00	0.00



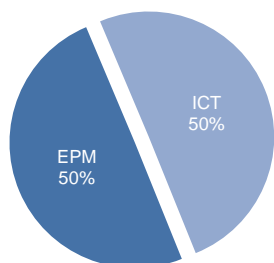


The company at a glance

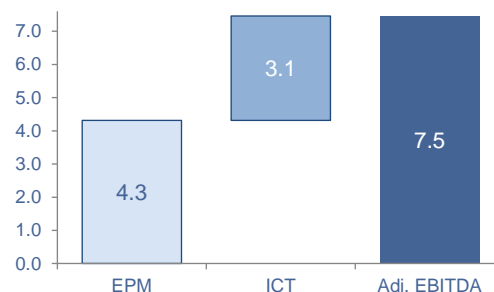
Founded in 1991 by the four De Bettin brothers in the north east of Italy, DBA Group is specialised in network connectivity and infrastructure lifecycle support solutions. DBA Group's core competence is its proven ability to provide telematics solutions for strategic infrastructures to clients whose 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 2011-22 period, top line more than tripled from € 18.8m to € 85.4m, 14.8% CAGR, also thanks to the acquisition of Actual IT in 2015 (minorities buyout in Sep-18), SJS Engineering in Oct-18 and Unistar in Sep-19. In 2022, the value of production reached € 85.4m, up by 7.4% YoY, EBITDA reached € 7.2m, 8.4% margin and net profit stood at € 0.6m. EBITDA adjusted for non-recurring costs came to € 7.5m, 8.8% margin. Net financial position was € 12.6m (debt).

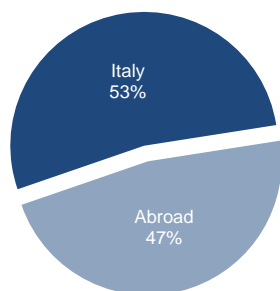
2022 top line ...



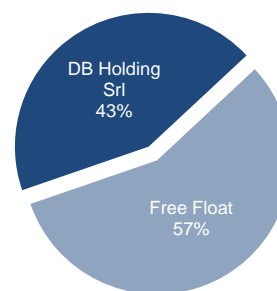
... and Adj. EBITDA breakdown by BU



2022 top line by geography



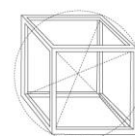
Shareholders structure



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	0.96	0.91	0.88	13.7	12.4	11.4	16.2	14.5	13.1
Alten SA	1.06	0.95	0.87	8.7	7.7	6.9	10.5	9.3	8.4
Arcadis NV	1.01	0.90	0.83	9.2	8.0	7.4	12.6	10.7	9.5
Jacobs Solutions Inc	1.04	0.98	0.89	11.5	9.9	9.4	11.7	10.2	9.4
SNC-Lavalin Group Inc	1.00	0.93	n.a.	11.5	9.5	n.a.	15.1	11.6	n.a.
Sweco AB (publ)	1.81	1.71	1.60	14.5	13.4	12.3	22.7	17.2	15.4
Engineering & PMO median	1.03	0.94	0.88	11.5	9.7	9.4	13.9	11.2	9.5
Accenture PLC	2.92	2.71	2.48	16.5	15.0	13.3	19.5	17.8	15.8
Capgemini SE	1.35	1.20	1.06	8.8	7.7	6.6	11.3	9.7	8.4
Reply SpA	1.68	1.45	1.37	10.7	9.2	8.7	13.1	11.1	10.4
TXT e solutions SpA	1.12	1.09	1.09	7.9	7.6	7.5	11.0	10.3	10.1
ICT software median	1.52	1.33	1.23	9.7	8.4	8.1	12.2	10.7	10.3
DBA Group SpA	0.33	0.27	0.21	3.5	2.9	2.3	4.9	4.0	3.1

Source: CFO Sim, Refinitiv Eikon



ANALYST CERTIFICATION

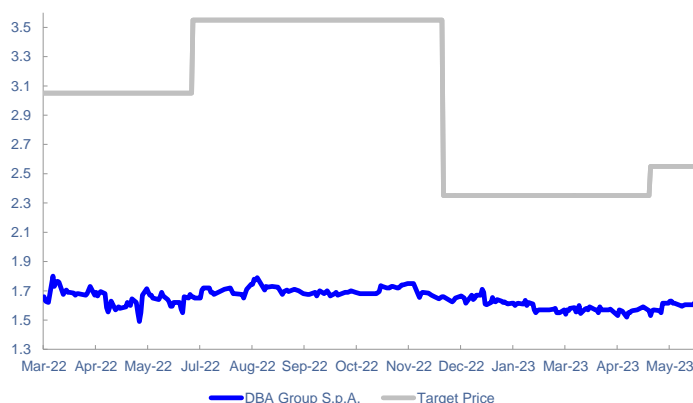
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DATE	TARGET PRICE	RATING
08/06/2023	€2.50	BUY
27/04/2023	€2.50	BUY
15/12/2022	€2.30	BUY
13/10/2022	€3.50	BUY
30/06/2022	€3.50	BUY

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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% range identified using the preceding criteria.

The rating is determined on the basis of the **expected absolute return over a 12-month period** and not on the basis of the estimated outperformance or underperformance relative to a market index. Thus, the rating can be directly linked to the estimated percentage difference between current and target prices. 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.

