EdiliziAcrobatica

Sector: Real Estate services

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Disruptive growth

EdiliziAcrobatica SpA (EdAc) is by far the Italian leader in outdoor maintenance and renovation of real estate assets, through an innovative technique based on double safety rope and no use of scaffoldings.

Fair Value (€)	**5.50**
Market Price (€)	**4.86**
Market Cap. (€m)	**37.5**

2018FY results confirm "stellar" growth

The company has recorded this year too extremely positive financial results:

- **Value of production up 51% YoY** to €26.2mn;
- EBITDA at €4.4mn up 76.7% YoY, with margins further improved despite the breakneck growth;
- Net Profit doubled to €2.2mn;
- Thanks to IPO proceeds the company is **net cash positive**.

These figures confirm the scalability of EdAc business model in a reference market resilient to macroeconomic weaknesses, thanks to the never-ending necessity for owners to preserve and add value to proprietary real estate assets.

2019E-20E revised up thanks to organic growth and M&A

A few weeks ago EdAc has finalized the **first acquisition abroad**, a Perpignan based double-rope player under judicial liquidation with activities in the whole south-west France.

As an effect, we are **updating our 2019E-20E estimates** by:

1. **Adding the newly acquired French subsidiary**, due to push up 2019E top line, but not EBITDA nor EBIT yet due to start up costs;
2. **Slightly revising upwards organic growth**, due to an higher number of point of sales under opening and to the abnormally sunny 1Q19 which has led to very few working days lost for bad weather.

Our new 2019E-20E forecasts point to **41.4% Revenues CAGR 2018A-20E** with EBITDA and EBIT doubling 2020E vs. 2018A.

Fair Value at €5.50 per share, France not included yet

Based on new 2019E-20E estimates we calculate an updated **€5.50 fair value per share** (up from the previous €4.75).

At such fair value the company would trade at 6.7x EV/EBITDA '19E, 7.5x EV/EBIT'19E and 11.8x P/E'19E respectively.

We underline that the €5.50 fair value **doesn't include for the time being the newly started French project** that in case of successful execution could be worth, alone, €1.5-€2.6 additional value per share.

KEY FINANCIALS (€m)	2018A	2019E	2020E
VALUE OF PRODUCTION	26.2	41.3	50.5
EBITDA	4.4	6.4	8.5
EBIT	3.7	5.7	7.8
NET PROFIT	2.2	3.6	5.0
EQUITY	10.1	13.7	18.6
NET FIN. POS.	2.1	2.1	4.1
EPS ADJ. (€)	0.3	0.5	0.6
DPS (€)	0.0	0.0	0.0

Source: EdiliziAcrobatica (historical figures), Value Track (2019E-20E estimates)

RATIOS & MULTIPLES	2018A	2019E	2020E
EBITDA MARGIN (%)	16.6	15.7	17.0
EBIT MARGIN (%)	13.9	13.8	15.5
NET DEBT / EBITDA (x)	nm	nm	nm
NET DEBT / EQUITY (x)	nm	nm	nm
EV/EBITDA (x)	8.6	5.9	4.2
EV/EBIT (x).	10.3	6.7	4.6
P/E ADJ. (x)	16.9	10.4	7.6
DIV YIELD (%)	0.0	0.0	0.0

Source: EdiliziAcrobatica (historical figures), Value Track (2019E-20E estimates)

STOCK DATA	
FAIR VALUE (€)	5.50
MARKET PRICE (€)	4.86
SHS. OUT. (m)	7.73
MARKET CAP. (€m)	37.5
FREE FLOAT (%)	20.6
AVG. -20D VOL. (#)	11,025
RIC / BBG	EDAC.MI / EDAC IM
52 WK RANGE	3.20 – 5.00

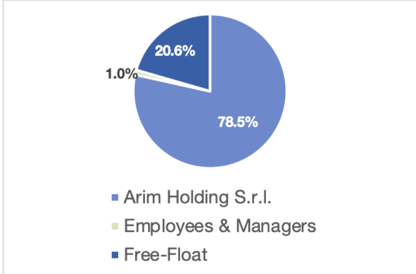
Source: Stock Market Data

Business Description

EdiliziAcrobatica S.p.A. (EdAc) is active in the Italian market of real estate assets outdoor maintenance and renovation through an innovative approach based on the double safety rope tool.

The company carries out maintenance works ranging from securing and prompt intervention, to renovation, installation, proofing, maintenance, and rebuilding, all executed without the use of scaffoldings or fixed-aerial solutions. Founded back as of 1994, the company has experienced a successful growth thus becoming nowadays the largest European company in its niche-segment.

Shareholders Structure



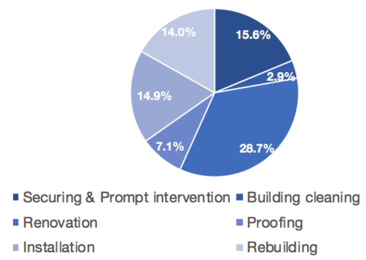
Source: EdAc SpA

Key Financials

€mn	2017A	2018A	2019E	2020E
Tot. Value of Production	**17.4**	**26.2**	**41.3**	**50.5**
Chg. % YoY	30.5%	51.0%	57.6%	22.4%
EBITDA	**2.5**	**4.4**	**6.4**	**8.5**
EBITDA Margin	15.1%	16.6%	15.7%	17.0%
EBIT	**2.0**	**3.7**	**5.7**	**7.8**
EBIT Margin	12.0%	13.9%	13.8%	15.5%
Net Profit	**1.1**	**2.2**	**3.6**	**5.0**
Chg. % YoY	n.a.	>100%	62.2%	37.8%
Adjusted Net Profit	**1.1**	**2.3**	**3.6**	**5.0**
Chg. % YoY	n.a.	>100%	55.9%	37.8%
Net Fin. Position	**-2.3**	**2.1**	**2.1**	**4.1**
Net Fin. Pos. / EBITDA (x)	0.9	nm	nm	nm
Capex	-0.9	-0.9	-1.5	-1.5
OpFCF b.t.	**0.6**	**1.3**	**2.0**	**4.7**
OpFCF b.t. as % of EBITDA	24.5%	29.5%	31.9%	55.8%

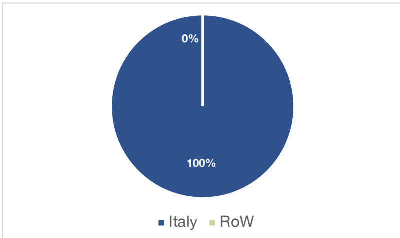
Source: EdiliziAcrobatica SpA (historical figures), Value Track (estimates)

Revenues breakdown by product line



Source: EdAc SpA

Revenues breakdown by geography



Source: EdAc SpA

Investment case

Strengths / Opportunities

- Innovative approach to "old" problems is making the company to sparkle;
- Business model granting high scalability;
- Low level of capital expenditure.

Weaknesses / Risks

- Labor intensive business model, requiring highly-skilled workers;
- The company is braked in its (international) expansion by different regulatory landscapes;
- Credit collection takes long time, but bad debt risks are minimal.

Stock multiples @ €5.50 Fair Value

	2019E	2020E
EV / SALES (x)	1.1	0.8
EV / EBITDA (x)	6.7	4.8
EV / EBIT (x)	7.5	5.2
EV / CAP.EMP. (x)	3.7	2.8
OpFCF Yield (%)	4.7	11.3
P / E (x)	11.8	8.5
P / BV (x)	3.1	2.3
Div. Yield. (%)	0.0	0.0

Source: Value Track

EdializiAcrobatica in a nutshell

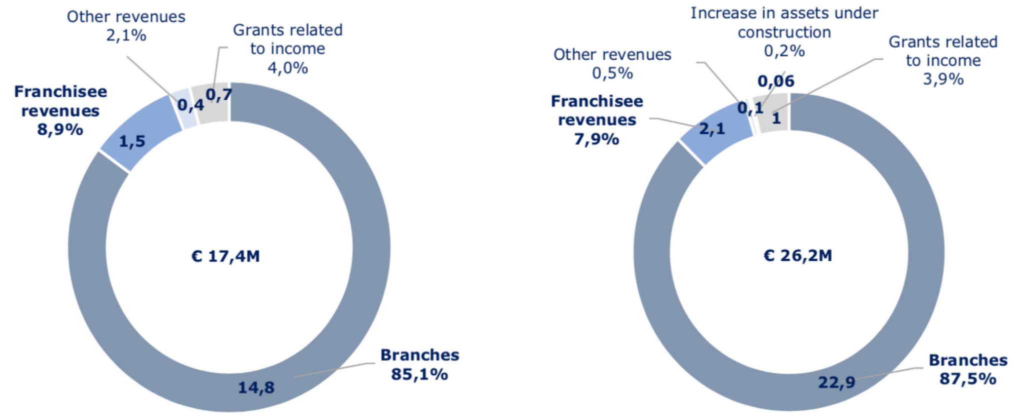
EdiliziAcrobatica S.p.A. (EdAc) is active in the Italian market of real estate assets outdoor maintenance and renovation through an innovative approach based on the double safety rope tool. Founded back as of 1994, the company has experienced a successful growth thus becoming nowadays the largest European company in its niche-segment.

Business activity: maintenance and renovation through the double rope safety tool

EdiliziAcrobatica S.p.A. (EdAc) is by far the Italian leader (more than **€26.2mn 2018A Value of Production, 4yy Revenues CAGR in the 50% region**) in outdoor maintenance and renovation of residential buildings and other architectural structures, through an innovative approach based on **double safety rope tool** and without the use of scaffoldings or fixed-aerial supports.

The company carries out maintenance works ranging from securing and prompt intervention, to renovation, installation, proofing, maintenance, and rebuilding, all executed without the use of scaffoldings or fixed-aerial solutions.

EdAc: Revenues breakdown 2017FY-2018FY



Source: EdiliziAcrobatica

A disruptive technique with several competitive advantages

EdAc's innovative technique boasts a number of clear benefits compared to traditional scaffolding one, such as:

- **Cost-effectiveness** and reduction of time to execute works;
- **Higher safety** of construction sites;
- **No risk of theft**;
- **Less invasiveness** of the works;
- **More accessibility** to parts of the building hardly achievable with the scaffolds.

Scalable and "industrialized" business model

The sector of buildings renovation and maintenance is typically crowded of self-employed workers and very small companies promoting themselves only via "word of mouth" and not-succeeding (or not preferring) in scaling up their business.

EdAc on the contrary not only has a superior commercial proposition based on safety rope tools, with all the advantages that we described before, but it also has a **strong will to scale up its business nationwide, and abroad,** as the recent deal in France has demonstrated.

In order to fulfil this goal, the company has put in place an extremely structured organization and business model whose three key pillars are:

1. Corporate organization by functions and by roles moulded down to the smallest details;
2. Two-layers geographical footprint;
3. Standardization of both back-end and front-end processes.

1. Corporate organization by functions and by roles moulded down to the smallest details

In order to properly manage all the various steps of the value chain (hiring and training of resources, clients leads generation, sales management, works execution, post-sales assistance), a detailed human resources organization has been put in place.

Overall, as of 2018 year end the company had more than **470 employees**, out of which:

- More than 50 persons involved in Corporate functions;
- 39 Area Managers;
- 60 Salespersons (Sales Managers + Technical Sales Representatives);
- More than 320 persons employed in the Operations department (Italian Coordinators, Operation Managers and Workmen) structured in ca. **150 acrobat teams**.

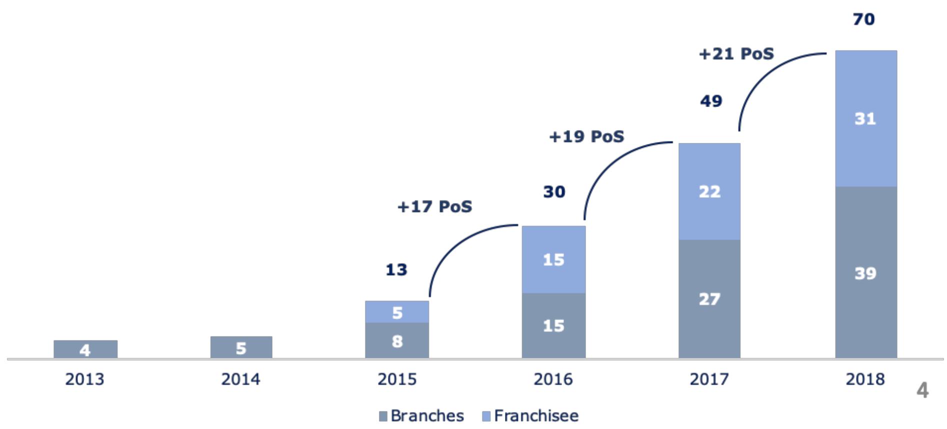
2. Two-layers geographical footprint

EdAc is active in the whole Italy with ca. **70 points of sales as of 2018 year end**, out of which:

- **39 direct branches**, representing ca. 90% of group revenues;
- **31 franchisees** representing ca. 10% of group revenues.

EdAc revenues are well distributed among Italian regions. Indeed, the highest exposure comes from Piemonte and Toscana regions, accounting for more than 20% of total each, while the remaining amounts are distributed among all other Italian regions.

EdAc sales points evolution 2013-2018



Source: EdiliziAcrobatica

3. Standardization of both back-end and front-end processes,

EdAc has an obsessive management and control of all the various steps of the value chain, i.e.:

- **Hiring and training** of resources;
- **Marketing** / Construction of brand awareness and reputation;
- **Sales**;
- **Operations**;
- **Customer Care**.

Workers on rope and commercial sales' teams work under the supervision of an established Area Manager who coordinates activities, according to a standardized process replicated in both direct branches and franchisees.

As a result, in the niche of "rope based" services, **EdAc is the largest company in Europe** with more than 6,600 contracts executed and invoiced in 2018FY.

A clear strategy to growth

Domestic industry organic growth and signature of M&A deals abroad represent EdAc's key strategic drivers. More in particular:

- **Further increasing Italian market coverage**, already capable to cover more than 70% of the country, we expect the company to strengthen its geographic presence in regions such as Lazio (Rome, mainly), Sicilia and Puglia;
- **Boosting brand image and awareness**, EdAc aims at increasing its advertising push through traditional tools, web and social media in order to boost its brand awareness;
- **Empowering of the organizational structure**, EdAc should keep focusing on organic growth, empowering personnel, and implementing new R&D department focused on the development of new tools and services;
- **M&A driven European expansion,** as the company has already agreed an acquisition in the French market and has in mind the Spanish one.

On top of these strategies we note that after the IPO on AIM Italia that took place in November 2018 the company has already approved some measures aimed at increasing its visibility and stock investability, which are key to become a profitable market consolidator, among which:

- **Buy-back program.** EdAc's Shareholders meeting has approved back on January 9th 2019 a buy-back program worth a maximum of 618,024 shares (8% of share capital) and valid 18 months (up to July 2020). Main goals are to increase stock liquidity and to create a warehouse to be utilized for stock option plans or paper based M&A deals;
- **Admission to listing on Euronext**. EdAc has been admitted to listing on Euronext Growth in France. The deal is aimed at becoming even more visible (and attractive) towards French players in the rope based real estate outdoor maintenance and towards French investors.

2018FY results: buoyant growth

EdAc reported its FY18 consolidated financial statements, recording a double digit growth for all Profit & Loss items, from Revenues down to Net Profit.

- Value of Production grew to €26.2mn, +51.0% YoY. 6-year CAGR stands at an impressive 47%;
- EBITDA and EBIT rose + 77% and 87% YoY, from €2.5mn and €2.0mn to €4.4mn and €3.7mn;
- EBITDA margin and EBIT margin (all measured on Value of Production) achieved 16.6%, 13.9% levels respectively, strongly up YoY i.e. +244bps, +272bps respectively;
- Net Cash position stood at €2.1mn, mainly thanks to IPO proceeds.

EdAc Group: Main Financials 2017FY and 2018FY

€ mn	2017	2018	Change YoY (%)
Value of Production (VoP)	**17.4**	**26.2**	**51.0%**
Total Opex	-14.9	-21.8	46.0%
EBITDA	**2.5**	**4.4**	**76.7%**
EBITDA margin as % of VoP	*14.2%*	*16.6%*	
EBIT	**2.0**	**3.7**	**87.1%**
EBIT margin as % of VoP	*11.2%*	*13.9%*	
Net Profit	**1.1**	**2.2**	**106%**
Net Financial Position	**-2.3**	**2.1**	**nm**

Source: EdAc Group, Value Track Analysis

Overall, 2018FY figures were slightly better than expected at Top Line and at the bottom level, while a negative difference was registered at the operating profit level. Indeed:

- EBITDA and EBIT were slightly lower than estimates due to the choice of not accounting in 2018FY the tax benefit item arising from the IPO. This difference of about €200k is then reflected down to the P&L statement at the EBIT level;
- Reported Net Profit is higher than estimates instead because of a lower than expected tax rate (32.9% vs the forecasted 38%);
- The effects of a higher Net Profit and greater cash generation are then translated to the Balance Sheet where Net Cash Position and Group Net Equity resulted higher than estimates.

EdAc Group 2018FY figures: Actual vs. Estimates

(€mn)	2018E	2018A	Diff. %
Value of Production	24.5	26.2	6.9%
EBITDA	**4.7**	**4.4**	**-6.4%**
EBIT	3.8	3.7	-2.6%
Net Profit	**2.1**	**2.2**	**5.5%**
Adj. Net Profit	2.1	2.3	9.5%
Net Financial Position	**1.9**	**2.1**	**10.5%**
Group Net Equity	9.9	10.1	2.0%

Source: Value Track Analysis

Profit & Loss Analysis

Double digit revenues growth and double digit operating profit margins are the key features of EdAc Profit & Loss profile in FY17-FY18.

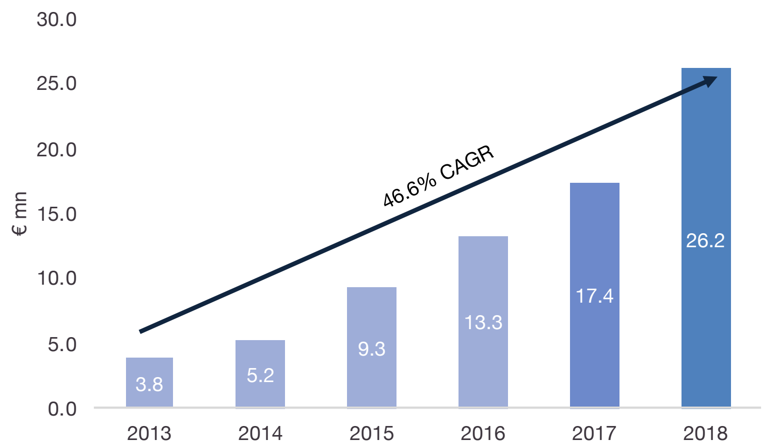
Usually, when companies grow at such high rates, they tend to sacrifice pieces of profitability down the road. However, we underline that this trade off did not show up in EdAc's P&L.

1. Startling Organic Revenue growth still in place

EdAc revenues have grown, since FY2013, at ca. 47% CAGR up to €26.2mn in 2018FY, driven by fast geographic expansion. This is a demonstration of the high scalability of EdAc's business model.

In 2018FY alone, Value of Production grew ca. +51.0% YoY, driven by both the opening of new direct branches (+12) and of franchisees (+9).

EdAc: Revenues evolution 2013FY-2018FY

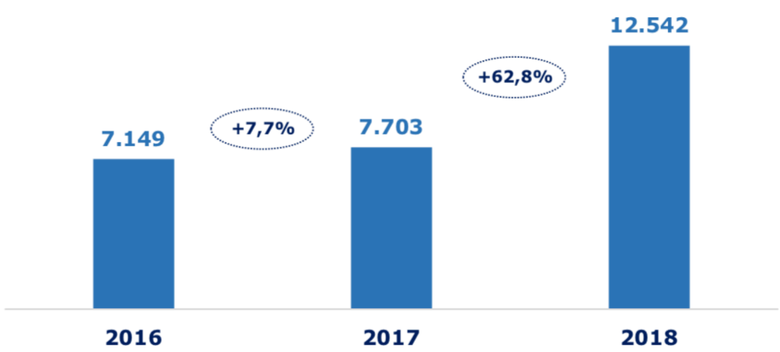


Source: EdiliziAcrobatica

2. Operating profitability still is not resenting from growth

A higher average seniority of acrobat teams and a favourable product mix led to a higher productivity and, as a consequence, to improved 2018FY Contract margin (Revenues minus direct costs), i.e. 47.9% vs. 44.4% as of 2017FY.

EdAc: Contract margin evolution 2016FY-2018FY



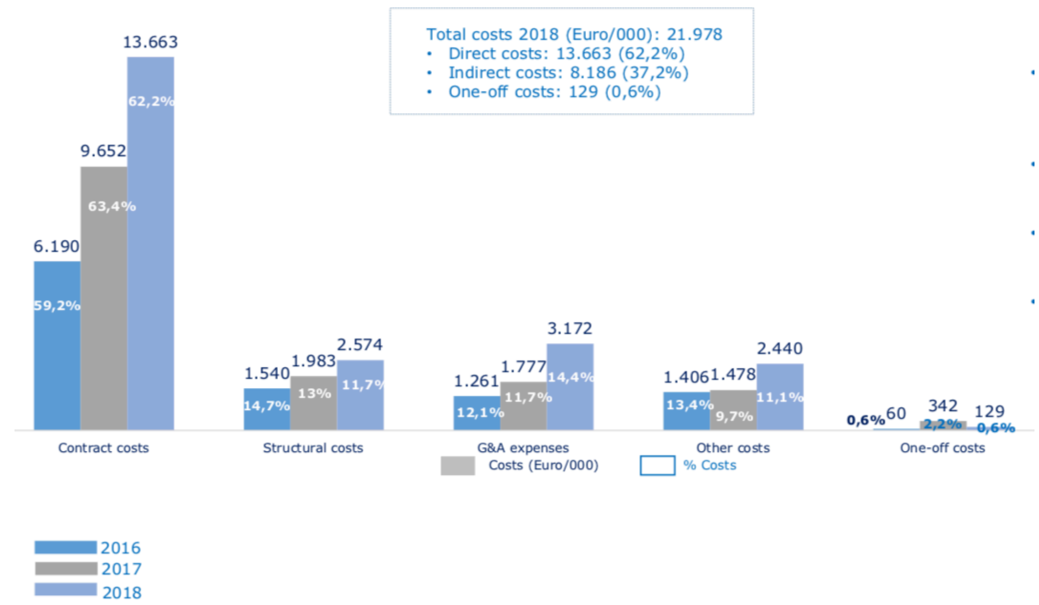
Source: EdiliziAcrobatica

Indirect costs (i.e. SG&A) increased a lower than proportional +37.2% thus allowing EBITDA to rise 76.7% YoY to €4.4mn whereas EBIT recorded even higher growth i.e. 87.1% YoY to €3.7mn.

EBITDA margin improved by 244bps YoY up to 16.6%. Things do not change at the EBIT level which showed an increased margin of 13.9% (+272bps YoY).

Below the EBIT line, we note the lower than expected tax rate at 33% driving Net Profit to double YoY to €2.2mn.

EdAc: Opex evolution 2016FY-2018FY



Source: EdiliziAcrobatica

EdAc 2017-18FY: From Revenues down to EBIT

€mn, IAS	2017FY	2018FY
Value of Production	**17.4**	**26.2**
Direct costs	-9.7	-13.7
Contract margin (absolute terms)	**7.7**	**12.5**
Contract margin (% of VoP)	**44.4%**	**47.9%**
Indirect Costs	-5.2	-8.1
EBITDA	**2.5**	**4.4**
D&A	-0.5	-0.7
EBIT	**2.0**	**3.7**

Source: EdiliziAcrobatica, Value Track Analysis

Cash Flow statement / Balance Sheet Analysis

Low Capex expenditure

The company boasts once again very low capital expenditures thanks to its "light" business model. Indeed, net of capitalised IPO costs Capex are equal to €0.9mn in 2018FY, substantially stable YoY.

Working capital related to high growth

As we afore-mentioned, EdAc business model is not capital intensive and the main source of cash absorption is represented by the Net Working Capital increase. As far as this point is concerned, NWC FY18 absorbed €2.2mn, mainly driven by:

- Receivables, up +41% YoY at roughly €9.5mn as for 2018FY i.e. ca. 38% of Total Revenues;
- Payables standing at ca. €4.9mn, i.e. ca. 112% YoY growth;
- Inventories, which grew 71% YoY during the latest fiscal year due to new openings.

We remind that even if credit collection takes a long time, bad debt has never been material.

EdAc Group: 2017-18FY Cash Flow Statement

€ mn	2017	2018
EBITDA	**2.47**	**4.36**
Op. WC requirements	-1.34	-2.17
Capex	-0.85	-0.90
Change in provisions / Other	0.21	0.00
OpFCF b.t.	**0.48**	**1.28**
As a % of EBITDA	19.6%	29.5%
Cash Taxes	-0.77	-1.13
OpFCF a.t.	**-0.29**	**0.15**
Financial Investments	-1.12	-0.27
Capital Injections	0.00	4.83
CF available to serve debt / equity investors	**-1.41**	**4.72**
Net Financial Charges	-0.10	-0.28
Change in Net Fin Position	**-1.51**	**4.44**

Source: EdiliziAcrobatica, Value Track Analysis

EdAc: Balance Sheet Structure 2017-18FY

€mn, IAS	2017FY	2018FY
Working Capital	3.78	6.29
Net Fixed Assets	1.15	2.51
Provisions	0.50	0.83
Total Capital Employed	**4.43**	**7.97**
Group Net Equity	2.09	10.07
Net Fin. Position [i.e. Net Debt (-) Cash (+)]	**-2.34**	**2.10**

Source: EdiliziAcrobatica, Value Track Analysis

Internationalization process started, in France

With the approval of 2018FY results the company has also reiterated its main strategic guidelines for the next future, among which we underline the consolidation of the Italian market coverage and the international expansion.

EdAc: Main strategic guidelines ahead

Source: EdiliziAcrobatica

As far as the internationalization project is concerned, we remind that back at the start of March, EdiliziAcrobatica has finalized the **first acquisition abroad**. Indeed, EdAc was awarded the assets of the French **ETAIR**, a Perpignan based double-rope player under judicial liquidation with activities in the **whole south-west France**. The price to be paid cash for ETAIR's assets is equal to €110k. Furthermore, EdAc France will take over approximately €178k payables to employees. Overall the implied **Enterprise Value of ETAR stands at €288k**.

About Etair

ETAIR has ca. 50 employees and as of February 28, 2019 the value of equipment, tools and **order book** being contributed to EdiliziAcrobatica France (newly built company, whose share capital is wholly owned by EdAc) will be approximately **€3.18mn**.

The maintenance and reparation business is split between three lines:

- Industrial buildings (60% of 2018 revenues);
- Residential buildings (EdAc's core business, 25% of 2018 revenues);
- Installation and maintenance of wind turbines / blades for the remaining 10% of revenues.

Deal Rationale

Being based in Perpignan in the south-western region of France, ETAIR grants relatively easy access to some of the largest cities in the country, e.g. Tolouse, Marseille and Montpellier. Also Barcelona is not too far (1.5 hour by car) so it may offer additional business opportunities to be exploited.

Next step: Paris, city that alone hosts and produces more than 20% of French GDP.

Updating 2019E-20E estimates

The growth in revenues kept its growing pace in 2018, and we are expecting this trend to continue over the next years. Indeed, the expansion in the Italian market and the recent acquisition made in a south-western region of France provide the company with numerous growth opportunities making us believe solid growth rates will remain there in the future too.

That said, we are updating our 2019E-20E estimates with respect to the previous ones published in our latest report back in February 2019, by:

- **Slightly revising upwards organic growth**, as an effect of the higher number of point of sales under opening and of the abnormally sunny 1Q19 period which has led to very few working days lost for bad weather;
- **Adding the recent French acquisition,** that is due to push up 2019E top line, but not EBITDA nor EBIT yet due to start up costs. Some cash absorption driven by initial capex is also likely. As far as 2020E, though start-up costs should continue to ballast EdAc's financial statements, positive effects to profitability (€0.5mn EBITDA level, €0.3mn extra Net Profit) should start to get recorded.

EdAc Group: New vs. Old 2019E-20E estimates

	2019E					2020E				
€mn	Old estim.	New l-f-l	Chg. %	ETAIR	New estim.	Old estim.	New l-f-l	Chg. %	ETAIR	New estim.
Value of Production	**33.6**	**36.6**	**8.9%**	**4.7**	**41.3**	**41.8**	**44.8**	**7.2%**	**5.7**	**50.5**
EBITDA	**6.0**	**6.4**	**6.7%**	**0.0**	**6.4**	**7.5**	**8.0**	**6.7%**	**0.5**	**8.5**
EBITDA margin	*18.1%*	*17.7%*		*0.0%*	*15.7%*	*18.1%*	*18.0%*		*9.0%*	*17.0%*
EBIT	**5.3**	**5.7**	**7.6%**	**0.0**	**5.7**	**6.8**	**7.3**	**7.4%**	**0.5**	**7.8**
EBIT margin	*15.8%*	*15.6%*		*0.0%*	*13.8%*	*16.3%*	*16.3%*		*9.0%*	*15.5%*
Adj. Net Profit	**3.1**	**3.6**	**16.4%**	**0.0**	**3.6**	**4.1**	**4.6**	**13.6%**	**0.3**	**5.0**
Group Net Equity	13.0	13.5	0.5		13.7	17.1	18.2	1.1		18.6
Net Financial Position	**2.8**	**2.8**	**0.0**	**-0.7**	**2.1**	**4.8**	**4.8**	**0.1**	**-0.8**	**4.1**

Source: Value Track Analysis

EdAc Revenues from Sales to keep growing at ca. 41% CAGR

Overall, we forecast **Group Net Revenues from Sales** (i.e. excluding Other Revenues such as Capitalized costs or Grants / Contributions) to grow at ca. **41.4% CAGR in 2018A-20E**, achieving ca. €40.6mn Revenues as of 2020E.

We expect roughly 60% of contribution to growth at the end of 2020E to come from sales points already active at the end of FY18.

An additional 20% should come from new openings i.e. new branches and new franchisees opened each year ahead.

The residual 20% should come from ETAIR consolidation.

EdAc cost structure and profitability evolution

As we said before, the consolidation of French ETAIR assets should dilute margins by 200bps and 100bps respectively in 2019E-20E.

In absolute terms, however, we note how **EBITDA and EBIT should double in 2020E compared to 2018A.**

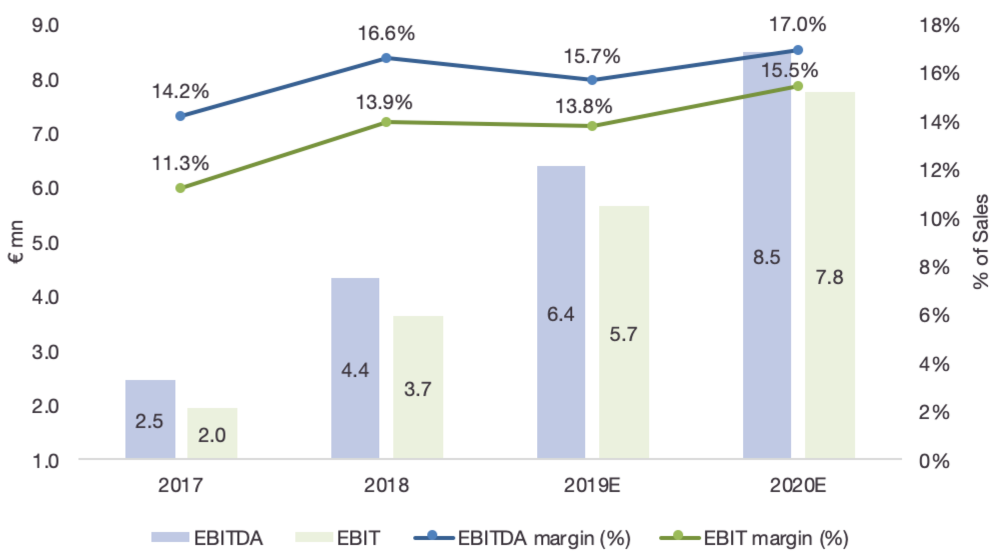
Net Profit as well should grow at a fast pace i.e. ca. 46% CAGR 2017A-20E, leading Net Profit at ca. €5mn as of 2020E.

EdAc 2017A-20E: Key P&L Items

€mn	2017A	2018A	2019E	2020E
Total revenues from sales	16.31	24.98	40.59	49.93
Other Revenues	1.05	1.22	0.70	0.60
Total value of Production	**17.36**	**26.21**	**41.29**	**50.53**
EBITDA	**2.47**	**4.36**	**6.40**	**8.50**
EBITDA margin (% of Revenues from sales)	*15.1%*	*16.6%*	*15.7%*	*17.0%*
EBIT	**1.95**	**3.65**	**5.65**	**7.75**
EBIT margin (% of Revenues from sales)	*12.0%*	*13.9%*	*13.8%*	*15.5%*
Net Fin. Income (charges)	-0.10	-0.28	-0.10	-0.10
Tax	-0.77	-1.11	-1.94	-2.68
Tax rate (%)	*41.7%*	*33.0%*	*35.0%*	*35.0%*
Net Profit	**1.08**	**2.22**	**3.61**	**4.97**
Net Profit margin (% of Revenues from sales)	*6.6%*	*8.9%*	*8.9%*	*10.0%*

Source: EdiliziAcrobatica (historical figures), Value Track forecasts

EdAc: EBITDA-EBIT evolution



Source: EdiliziAcrobatica (historical figures), Value Track forecasts

Balance Sheet and Cash Generation Analysis

Overall, in the 2019E-20E period we expect EdAc to generate ca. €6.8mn cumulated Operating Free Cash Flow before tax i.e. a **Cash conversion ratio in around 40%** as result of:

- **Limited Capex charges**, i.e. some €1.5mn per annum, up from the €0.9mn as of 2018A due to the start up of the French business;
- **Material Working Capital absorption** i.e. ca €5.3mn on a cumulated basis, as a result of high days of receivables coupled with fast revenues growth and of likely build up of some inventories at the French leve.

As far as Working Capital evolution is concerned, we underline how Trade receivables are structurally high. Indeed, condominiums are quite slow to pay their debt and it's not possible to factor these invoices (as condominiums are not legal entities).

However, we expect EdAc to keep optimizing the cash collection cycle by externalizing part of it to specialized companies.

That said, as a result of the November 2018 IPO, **the company is now cash positive**, and we expect it to remain so unless some major M&A deal takes place.

Please note that we are not assuming for the time being any conversion of the outstanding 431,332 warrant 2018-'21 issued at the IPO time.

EdAc 2017A-20E: Cash Flow Statement

€mn, IAS	2017A	2018A	2019E	2020E
EBITDA	2.47	4.36	6.40	8.50
Working Capital Needs / Chg. in Provisions	-1.13	-2.17	-2.86	-2.25
Capex	-0.85	-0.90	-1.50	-1.50
OpFCF b.t.	**0.48**	**1.28**	**2.04**	**4.74**
As a % of EBITDA	19.6%	29.5%	31.9%	55.8%
Cash Taxes	-0.77	-1.13	-1.94	-2.68
OpFCF a.t.	**-0.29**	**0.15**	**0.10**	**2.06**
Capital Injections	0.00	4.83	0.00	0.00
Other Op. Items (incl. Fin. Inv.)	-1.12	-0.27	0.00	0.00
Net Financial Charges	-0.10	-0.28	-0.10	-0.10
Dividends paid	0.00	0.00	0.00	0.00
Net Cash generated	**-1.51**	**4.44**	**0.00**	**1.96**

Source: EdiliziAcrobatica, Value Track Analysis

EdiliziAcrobatica: Balance Sheet evolution

€mn	2016A	2017A	2018E	2019E	2020E
Working Capital	2.4	3.7	6.3	9.2	11.6
Net Fixed Assets	0.7	1.1	2.5	3.3	4.0
Provisions	0.2	0.4	0.8	0.9	1.0
Total Capital Employed	**2.9**	**4.4**	**8.0**	**11.6**	**14.6**
Group Net Equity	**2.0**	**2.1**	**10.1**	**13.7**	**18.6**
Net Fin. Position [i.e. Net Debt (-) Cash (+)]	**-0.9**	**-2.3**	**2.1**	**2.1**	**4.1**

Source: EdiliziAcrobatica, Value Track Analysis

Valuation

Based on our 2019E-20E estimates revision we calculate an updated **€5.50 fair value per share** (up from the previous €4.75 fair value per share). At such fair value the company would trade at 6.7x EV/EBITDA '19E, 7.5x EV/EBIT'19E and 11.8x P/E 2019E respectively.

We underline that the €5.50 fair value doesn't include for the time being the newly acquired French business that, alone, could be worth €1.5-€2.6 additional value per share.

Peers analysis

There are no close comparables to EdiliziAcrobatica currently listed on the Italian Stock market, and also abroad is quite difficult to find very similar business models.

That's why we selected two different panels of potential peers, the first one being represented by foreign players in the real estate facility services provisioning and the second one being represented by Italian companies sharing with EdAc the listing on AIM Italia and a business model based on the provisioning of various services (and not goods) ranging from logistic ones to consultancy / engineering and so on.

As far as stock trading multiples are concerned, we take into account **2019E as reference year**, and EV/EBITDA, EV/EBIT and P/E as the most suitable multiples.

Based on these parameters, we calculate that, on average, **foreign peers trade at ca. 9.2x EV/EBITDA**, **14.6x EV/EBIT**, **20.7x P/E**.

Quite obviously, AIM Italia listed stocks are trading at deep discount vs. foreign players in the real estate services sector. Indeed, we calculate that, on average, **AIM Italia "services" stocks trade at ca. 5.3x EV/EBITDA, 7.7x EV/EBIT, 12.6x P/E.**

We keep thinking that EdAc deserves a "small size" / "liquidity" discount on foreign peers' multiples, while meriting a premium on AIM Italia services stocks.

That said, we maintain unchanged our **fair multiples** values i.e.:

- **6x EV/EBITDA'19E**;
- **8x EV/EBIT'19E**;
- **13x P/E'19E**;

hinting at an average **€5.50 "peers based" fair value per share**.

We underline that the newly acquired French business would be implicitly valued zero with such a methodology as in 2019E its impact on EBITDA, EBIT and Net Profit is estimated to be not material.

EdiliziAcrobatica: Fair valuation based on peers' multiples 2019E

	EV/EBITDA (x)	EV/EBIT (x)	P/E (x)
Foreign comparables (*)	9.2	14.6	20.7
AIM Italia "services" (**)	5.3	7.7	12.6
EdAc "fair" multiples	**6.0**	**8.0**	**13.0**
Discount % vs. foreign comps	-35%	-45%	-63%
Premium vs. AIM Italia comps	13%	4%	3%
EdAc fair value per share (€)	**4.96**	**5.84**	**6.07**

Source: Value Track Analysis

(*) Rentokil Initial, Stericycle, ServiceMaster, Mears Group, HomeServe Plc, ABM Industries, GDI

(**) Alkemy, Bomi, Caleido, DBA, Circle, Safe Bag, Longino & Cardenal, SG Company, Digital Value

Discounted Cash Flow Model no French business

In our Initiation of coverage report published back as of February 6th 2019 we performed two different DCF calculations, one based on current totally unlevered capital structure, the other on a target 20%-80% D/E one. DCF were based on Italian business only as French assets have been purchased later on.

Updating the DCF model for the Italian business only

We maintain unchanged EdAc's WACC in the 11.9% (target capital structure) - 12.4% (unlevered capital structure) region, already including a 2.0% small size risk premium. See the Initiation of coverage report for more details on WACC determinants.

Based on our new estimates ex French business, the updated result of "unlevered capital structure" DCF calculation is **€5.74 fair value per share** (up from previous €5.44), while updating the "target capital structure" DCF calculation leads to **€6.13 fair value per share** (up from previous €5.80).

EdiliziAcrobatica: Discounted Cash Flow Model for the Italian business only

	Unlevered Capital structure (€mn)	Target Capital structure (€mn)
PV of future Cash flows FY19E-FY27E	21.7	22.3
PV of Terminal value with PGR at 2%	22.8	25.2
Fair Enterprise value	**44.5**	**47.5**
Net Cash Position 2018E Year-End	2.1	2.1
Minorities (*)	-2.2	-2.2
Fair Equity Value	**44.4**	**47.4**
Fair Equity Value per share (€)	**5.74**	**6.13**

Source: Value Track Analysis *(*) Minorities related to small stakes not owned in some local branches*

Running the DCF model for the whole group i.e. including the French business

In the long term in our model the French business could account for ca. 20% of total group revenues. Such a weight underestimates the revenues / profits generation potential of the French market, but this is a start up business so we believe fair to assume not too aggressive forecasts.

For those willing to remain even more conservative, an additional 1% French execution risk premium could be added to WACC leading to **fair value per share** in the **€7.32-€8.77** space, implying some **€12mn-€20mn net value for the newly acquired French business**.

EdiliziAcrobatica: Discounted Cash Flow Model including the French business

(Currency)	Unlevered Capital structure (€mn)		Target Capital structure (€mn)	
French execution risk premium	**0.0%**	**1.0%**	**0.0%**	**1.0%**
WACC	12.4%	13.4%	11.9%	12.9%
PV of future Cash flows FY19E-FY27E	29.3	27.9	30.1	28.9
PV of Terminal value with PGR at 2%	34.2	28.7	37.8	33.7
Fair Enterprise value	**63.5**	**56.7**	**67.8**	**62.6**
Net Cash Position 2018E Year-End	2.1	2.1	2.1	2.1
Minorities	-2.2	-2.2	-2.2	-2.2
Fair Equity Value	**63.4**	**56.6**	**67.7**	**62.5**
Fair Equity Value per share (€)	**8.21**	**7.32**	**8.77**	**8.09**

Source: Value Track Analysis

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