

# EdiliziAcrobatica

Sector: Real Estate services



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## Organic growth plus Budget Law opportunity

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.

### EdAc is maintaining exponential growth pace

EdAc business development was tumultuous in 1H19. In Italy there were seven new openings and more than 100 hiring. On the French side, EdAc started the revamping effort with the aim to faithfully replicate the Italian business model. Toulouse, Montpellier and Nice openings are in the pipeline. These efforts should exploit their potential in the next quarters, but traction is already brilliant as testified by 3,342 Italian construction sites executed in 1H19, like in the whole 2017 year, and by 76% Value of Production growth.

### Business development costs affect short term profits

Business development costs on both the Italian side and on the French one led to a profitability dilution, with EBITDA up +17.9% YoY to €2.4mn (EBITDA Margin at 12.4%). We estimate that net of French activities and of new Italian openings, the EBITDA margin would have been ca. 15.8%.

### 2019-2020 estimates review

We are taking into account the acceleration of the growth effort by slightly revising upwards our 2019E and 2020E top line forecasts while slightly reviewing downwards EBITDA and Net Profit ones. We now forecast Value of Production and Net Profit to grow at 50% and 33.5% CAGR 2018A-2020E respectively. Net Financial Position is expected to remain positive and this could lead EdAc to consider further M&A activities abroad in the future. We underline that the upside deriving from the recently announced introduction of government tax subsidies providing 90% tax credits for redoing the front of house and condominium in 2020 is not included yet. We expect the official approval of 2020 Italian Budget Law to evaluate the possible impact, but we hint that the Italian Association of Construction sector quantified in €2.8bn the additional turnover for the Italian economy.

### Fair Value at €8.4 per share

In order to take into proper account EdAc's growth "angle", we partially changed our valuation approach averaging short term and long term skewed views. We calculate an updated **€8.4 fair value per share** (up from the previous €5.5 fair value per share). At such fair value the company would trade at 1.2x EV/Sales'20E and 8.3x EV/EBITDA'20E respectively.

<b>Fair Value (€)</b>	<b>8.40</b>
<b>Market Price (€)</b>	<b>7.20</b>
<b>Market Cap. (€m)</b>	<b>57.1</b>

KEY FINANCIALS (€m)	2018A	2019E	2020E
VALUE OF PRODUCTION	26.2	43.3	55.0
EBITDA	4.4	5.4	8.0
EBIT	3.7	3.4	6.2
NET PROFIT	2.2	2.0	4.0
EQUITY	10.1	12.1	16.0
NET FIN. POS.	2.1	0.1	2.3
EPS ADJ. (€)	0.3	0.3	0.5
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	12.5	14.5
EBIT MARGIN (%)	13.9	7.9	11.3
NET DEBT / EBITDA (x)	nm	nm	nm
NET DEBT / EQUITY (x)	nm	nm	nm
EV/EBITDA (x)	6.1	11.0	7.2
EV/EBIT (x)	7.2	17.5	9.2
P/E ADJ. (x)	11.4	28.2	14.5
DIV YIELD (%)	0.0	0.0	0.0

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

### STOCK DATA

FAIR VALUE (€)	8.40
MARKET PRICE (€)	7.20
SHS. OUT. (m)	7.92
MARKET CAP. (€m)	57.1
FREE FLOAT (%)	22.8
AVG. -20D VOL. (#)	13,870
RIC / BBG	EDAC.MI / EDAC IM
52 WK RANGE	3.20 - 8.35

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.

## Key Financials

€mn	2017A	2018A	2019E	2020E
<b>Value of Production</b>	<b>17.4</b>	<b>26.2</b>	<b>43.3</b>	<b>55.0</b>
Chg. % YoY	30.5%	51.0%	65.1%	27.2%
<b>EBITDA</b>	<b>2.5</b>	<b>4.4</b>	<b>5.4</b>	<b>8.0</b>
EBITDA Margin	15.1%	16.6%	12.5%	14.5%
<b>EBIT</b>	<b>2.0</b>	<b>3.7</b>	<b>3.4</b>	<b>6.2</b>
EBIT Margin	12.0%	13.9%	7.9%	11.3%
<b>Net Profit</b>	<b>1.1</b>	<b>2.2</b>	<b>2.0</b>	<b>4.0</b>
Chg. % YoY	na	>100%	-9.4%	96.8%
<b>Adjusted Net Profit</b>	<b>1.1</b>	<b>2.3</b>	<b>2.0</b>	<b>4.0</b>
Chg. % YoY	na	>100%	-12.9%	96.8%
<b>Net Fin. Position</b>	<b>-2.3</b>	<b>2.1</b>	<b>0.1</b>	<b>2.3</b>
Net Fin. Pos. / EBITDA (x)	0.9	nm	nm	nm
Capex	-0.9	-0.9	-1.8	-2.0
<b>OpFCF b.t.</b>	<b>0.6</b>	<b>1.3</b>	<b>2.2</b>	<b>4.4</b>
OpFCF b.t. as % of EBITDA	24.5%	29.5%	40.8%	55.0%

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

## Investment case

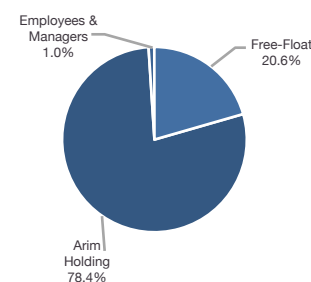
### Strengths / Opportunities

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

### Weaknesses / Risks

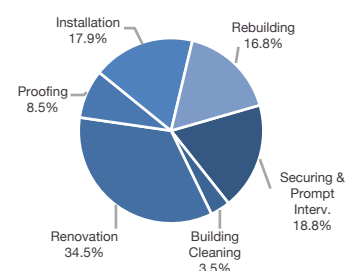
- ◆ Labor intensive business model, requiring highly-skilled workers;
- ◆ The company is braked in its (international) expansion by different regulatory landscapes;
- ◆ Credit collection takes long time, but bad debt risks are minimal.

## Shareholders Structure



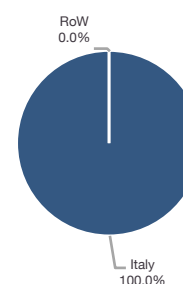
Source: EdAc SpA

## Revenues breakdown by product line



Source: EdAc SpA

## Revenues breakdown by geography



Source: EdAc SpA

## Stock multiples @ €8.40 Fair Value

	2019E	2020E
EV / SALES (x)	1.6	1.2
EV / EBITDA (x)	12.7	8.3
EV / EBIT (x)	20.2	10.7
EV / CAP.EMP. (x)	5.7	4.9
OpFCF Yield (%)	3.1	6.7
P / E (x)	32.6	16.8
P / BV (x)	5.5	4.1
Div. Yield. (%)	0.0	0.0

Source: Value Track

## EdAc 1H19 results

EdAc 1H19 financial figures underline an extremely buoyant top line performance but a drop at the bottom level driven by high “growth related” charges:

- ◆ Value of Production was up +75.6% YoY to €19.5mn driven by a surge in construction sites executed, that were 3,342 i.e. the same figure than in the whole 2017 year;
- ◆ EBITDA +17.9% YoY to €2.4mn with an EBITDA Margin standing at 12.4%;
- ◆ Net Profit down -36% YoY to €0.8mn;
- ◆ Net Debt end of period at €2.44mn vs. €2.1mn Net Cash as for the end of December 2018.

### EdAc: 1H18 and 1H19 Key financials

€ mn	1H18	1H19	Change YoY (%)
Value of Production	11.1	19.5	75.6%
EBITDA	2.1	2.4	17.9%
<i>EBITDA Margin as % of VoP</i>	<i>18.5%</i>	<i>12.4%</i>	
EBIT	1.9	1.5	-21.7%
Net Profit	1.2	0.8	-36%
Net Financial Position	-3.9	-2.4	n.m.

Source: EdiliziAcrobatica, Value Track Analysis

### Top line: Growing at 75.6% YoY rate

EdAc kept recording high double-digit VoP growth to €19.5mn up +75.6% YoY. On a like-for-like basis (i.e. adjusting for the newly consolidated French business and for some R&D grants booked as of 1H18) growth stood at +68.8% YoY. In details, EdAc recorded:

- ◆ €15.4mn revenues from Italian construction sites, i.e. +59% YoY;
- ◆ €1.3mn revenues from Italian franchising business, i.e. +60.6% YoY;
- ◆ €1.3mn revenues from the French subsidiary ETAIR, consolidated in 2Q19 and already accounting some 7% of total Revenues from sales.

### EdAc: Revenues breakdown 1H18 and 1H19

€ mn	1H18	1H19	Change YoY (%)
Revenues from Construction sites	9.7	15.4	59.2%
<i>As % of Total Sales</i>	<i>90%</i>	<i>85%</i>	<i>-5.0%</i>
Franchising in Italy	0.8	1.3	60.6%
<i>As % of Total Sales</i>	<i>7.0%</i>	<i>7.0%</i>	<i>0.0%</i>
France (starting 2019FY)	0.2	1.3	575.3%
<i>As % of Total Sales</i>	<i>2.0%</i>	<i>7.0%</i>	<i>5%</i>
<b>Total Revenues from Sales</b>	<b>10.7</b>	<b>18.1</b>	<b>68.7%</b>
<i>As % of VoP</i>	<i>97.0%</i>	<i>93.0%</i>	<i>-4%</i>
Other Revenues	0.4	1.4	266%
<i>As % of VoP</i>	<i>3.0%</i>	<i>7.0%</i>	<i>4.0%</i>
<b>Total Value of Production</b>	<b>11.1</b>	<b>19.5</b>	<b>75.6%</b>

Source: EdiliziAcrobatica, Value Track Analysis

## Profitability evolution affected by business development costs

EdAc recorded a lower than proportional growth at the EBITDA level i.e. +17.9% YoY to €2.4mn (EBITDA Margin at 12.4%), due to the combined effect of:

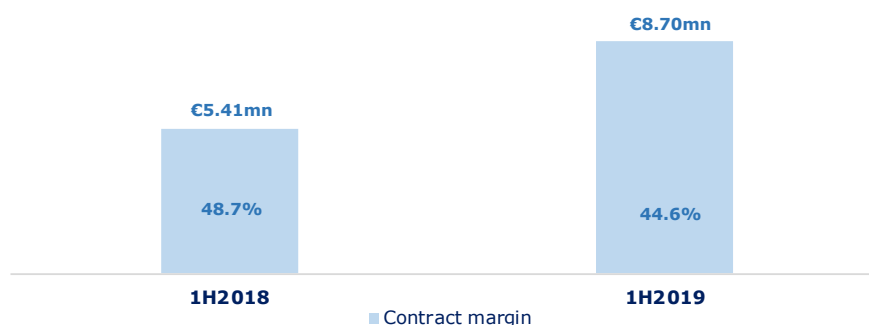
- ◆ Contract costs (including materials and salary of acrobats and technical sales representatives) up +90% YoY to €10.8mn, leading Contract Margin down to 44.6% of VoP from 48.7% as of 1H18;
- ◆ G&A costs up +87.1% YoY to €6.3mn.

### EdAc: From Value of Production to EBITDA

€ mn	1H18	1H19	Change YoY (%)
<b>Value of Production</b>	<b>11.1</b>	<b>19.5</b>	<b>75.6%</b>
Contract Costs	-5.70	-10.80	89.6%
<b>Contract Margin</b>	<b>5.4</b>	<b>8.7</b>	<b>60.8%</b>
<b>Contract Margin as % of VoP</b>	<b>48.7%</b>	<b>44.6%</b>	<b>--</b>
Other Costs	-3.4	-6.3	87.1%
<b>EBITDA</b>	<b>2.1</b>	<b>2.4</b>	<b>17.9%</b>
<i>EBITDA margin as % of VoP</i>	<i>18.5%</i>	<i>12.4%</i>	<i>--</i>

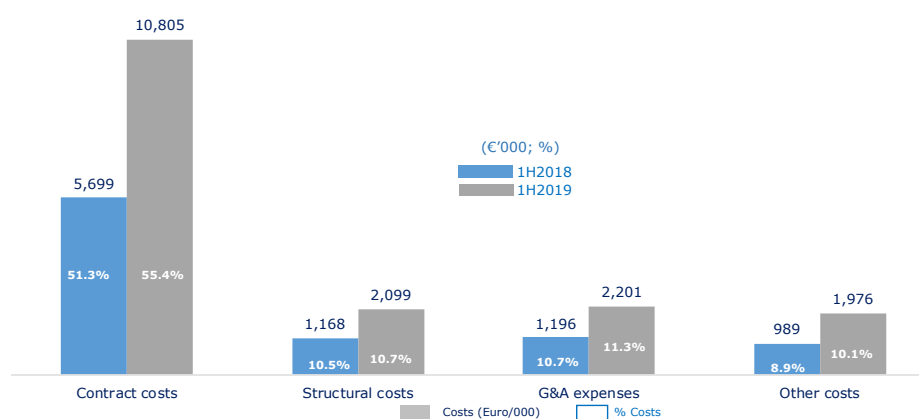
Source: EdiliziAcrobatica, Value Track Analysis

### EdAc: Contract Margin evolution 1H18-1H19



Source: EdiliziAcrobatica, Value Track Analysis

### EdAc: 1H18-1H19 Operating Costs analysis



Source: EdiliziAcrobatica, Value Track Analysis

It is worthy to underline that the dilution in operating margins was not due to inefficiencies but to business development costs related to growth on both the Italian side and on the French one.

Indeed, we estimate that net of French activities and of new Italian openings, the EBITDA margin would have been ca. 15.8%.

### Italian business

In 1H EdAc accelerated in its effort to further penetrate the Italian market. There were seven new openings, (five direct branches and two franchisees) that led EdAc as of the end of June 2019 to boast:

- ◆ 172 operation teams (up from 150 as of 2018 year-end);
- ◆ 359 persons employed in the Operations department, i.e. Coordinators, Operation Managers and Workmen (up from 320 as of 2018 year-end);
- ◆ 389 total employees (up from 275 as of 2018 year-end) including not only acrobats but also salespersons and persons involved in Corporate functions.

These efforts should exploit all their potential in the next quarters, but we note that traction is already brilliant as testified by the 3,342 construction sites executed in 1H19, like in the whole 2017 year.

### French business

On the French side, after six months from the listing on Euronext and the acquisition of ETAIR Mediterranée, the company has exploited the following expansion plan:

- ◆ Preparatory hiring / set up works for new openings in Toulouse (August 2019), Montpellier and Nice (September 2019);
- ◆ ICT system implementation, now aligned with the Italian one;
- ◆ New brand manager for French areas;
- ◆ Set up of internal training academy replicating the Italian one.

The company aims to faithfully replicate EdAc business model, already developed in Italy, to see by the beginning of 2020 French operating areas at full capacity.

## EdAc: Main recent achievements



### CONSOLIDATION OF THE ITALIAN MARKET COVERAGE

- ✓ 7 new openings
  - 5 branches
  - 2 franchisee



### GEOGRAPHICAL EXPANSION IN FRANCE

- ✓ Euronext listing
- ✓ ETAIR Mediteranée Acquisition
- ✓ ICT system implemented
- ✓ Brand Manager (hired and trained)
- ✓ France Academy
- ✓ New recruitment center
- ✓ Area Managers selection for the new branches: Toulouse, Montpellier and Nice



### BOOST BRAND IMAGE AND AWARENESS

- ✓ Torino FC Sponsorship (championship 2019/2020)



### EMPOWERMENT OF THE ORGANIZATIONAL STRUCTURE

- ✓ 3.342 Number of construction sites

Source: EdiliziAcrobatica, Value Track Analysis

### From EBITDA down to Net Profit

EdAc reached €1.5mn EBIT in 1H19, down by ca. 21.7% YoY, due to D&A charges increasing fourfold, including:

- ◆ Amortization of new branches set up costs incurred before their openings (+5 new branches in Italy in 1H19);
- ◆ Both AIM (November FY2018) and Euronext (February FY 2019) stock markets listing costs;
- ◆ Amortization of ETAIR direct and indirect acquisition costs (deal finalized as of March 2019);

As a consequence of the lower EBIT, Net Profit stood at €0.8mn vs. €1.2mn 1H18, -36% YoY.

#### EdAc: From EBITDA to Net Profit

€ mn	1H18	1H19	Change YoY (%)
<b>EBITDA</b>	<b>2.1</b>	<b>2.4</b>	<b>17.9%</b>
D&A	-0.2	-0.9	468.5%
<b>EBIT</b>	<b>1.9</b>	<b>1.5</b>	<b>-21.7%</b>
Net Financial Charges	-0.1	-0.2	17.7%
Taxes	-0.5	-0.5	0.0%
<b>Net Profit</b>	<b>1.2</b>	<b>0.8</b>	<b>-36.0%</b>

Source: EdiliziAcrobatica, Value Track Analysis

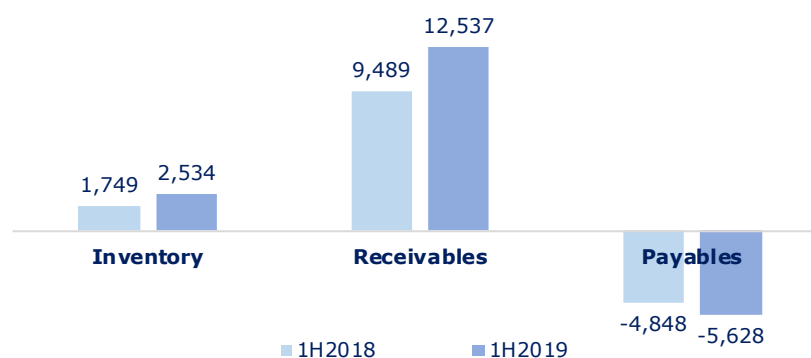
### Negative Cash generation in 1H19

The above-mentioned business development efforts and the usual seasonality of receivables (high at the end of June, low at the end of December) determined a cash-burn for EdAc in 1H19 as it was in 1H18. Indeed, Net Debt stood at €2.4mn at the end of June 2019 vs. €2.1mn Net Cash as of December 2018, driven by:

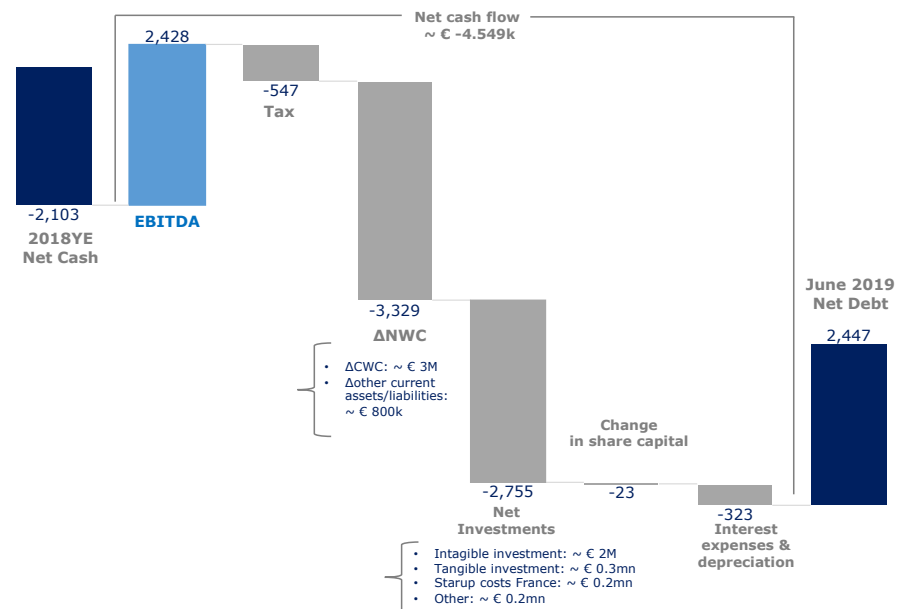
- ◆ Receivables up by ca. €3mn YoY in 1H19 due to the higher volume of business;
- ◆ €2.8mn net investments cash out of summing the expenses for new openings, the acquisition of ETAIR and the admission to Euronext.

Worthy to note, OpFCF does not include €1.3mn Tax Credits to be cashed in by the end of 2019.

#### EdAc: Commercial Working Capital evolution (€'000)



Source: EdiliziAcrobatica, Value Track Analysis

**EdAc: Cash Flow analysis 1H19 (€'000)**


Source: EdiliziAcrobatica, Value Track Analysis

**EdAc: 1H18-1H19 Cash Flow Statement**

€mn	1H18	FY2018	1H19
<b>EBITDA</b>	<b>2.1</b>	<b>4.4</b>	<b>2.4</b>
Change in WC and in Provisions	-7.3	-2.2	-3.3
Capex	0.0	-0.9	-1.4
<b>OpFCF b.t.</b>	<b>-5.2</b>	<b>2.2</b>	<b>-2.4</b>
Cash Taxes	-0.5	-1.1	-0.5
<b>OpFCF a.t.</b>	<b>-5.7</b>	<b>0.2</b>	<b>-2.9</b>
Capital Injections	0.0	4.8	0.0
Other Op. Items (incl. Fin. Inv.)	-0.7	-0.3	-1.5
Net Financial Charges	-0.1	-0.3	-0.1
<b>Net Cash generated</b>	<b>-6.6</b>	<b>4.4</b>	<b>-4.5</b>

Source: EdiliziAcrobatica, Value Track Analysis

**EdAc: 1H18-1H19 Balance Sheet structure**

€mn	1H18	FY2018	1H19
Working Capital	6.5	6.3	9.8
Net Fixed Assets	1.2	2.5	4.5
Provisions	0.5	0.8	1.0
<b>Total Capital Employed</b>	<b>7.2</b>	<b>8.0</b>	<b>13.3</b>
Group Net Equity	3.3	10.1	10.8
<b>Net Fin. Position [i.e. Net Debt (-) Cash (+)]</b>	<b>-3.9</b>	<b>2.1</b>	<b>-2.4</b>

Source: EdiliziAcrobatica, Value Track Analysis

## 2019E-20E change in estimates

As far as our 2019E and 2020E estimates are concerned, we are taking into account the acceleration of the growth effort by slightly revising upwards our top line forecasts while slightly reviewing downwards from EBITDA to Net Profit ones.

We underline that the upside deriving from the recently announced introduction of government tax subsidies providing 90% tax credits for redoing the front of house and condominium in 2020 is not included yet. We expect the official approval of 2020 Italian budget law to evaluate the possible impact.

In the next pages, the key drivers of our new 2019E-2020E estimates are further detailed.

### EdAc: New vs. Old 2019E forecasts

€mn	2019E Old			2019E new			2019E New vs. Old		
	Italy	France	Group	Italy	France	Group	Italy	France	Group
Value of Production	38.8	4.5	43.3	40.3	3.0	43.3	3.9%	-33.3%	0.0%
EBITDA	6.4	0.0	6.4	5.3	0.1	5.4	-17.2%	n.m.	-15.6%
EBIT	5.7	0.0	5.7	3.3	0.1	3.4	-41.6%	n.m.	-39.8%
Net Profit	3.6	0.0	3.6	1.9	0.1	2.0	-46.9%	n.m.	-44.1%
OpFCF after tax	1.0	0.9	0.1	2.0	-0.9	1.1			
Net Financial Position	2.8	-0.7	2.1	0.8	-0.7	0.1			

Source: EdiliziAcrobatica, Value Track Analysis

### EdAc: New vs. Old 2010E forecasts

€mn	2020E Old			2020E new			2020E New vs. Old		
	Italy	France	Group	Italy	France	Group	Italy	France	Group
Value of Production	47.2	5.5	52.7	50.0	5.0	55.0	6.0%	-9.1%	4.4%
EBITDA	8.0	0.5	8.5	7.5	0.5	8.0	-6.3%	n.m.	-5.9%
EBIT	7.3	0.5	7.8	5.7	0.5	6.2	-21.4%	n.m.	-20.0%
Net Profit	4.6	0.3	5.0	3.6	0.3	4.0	-21.7%	n.m.	-20.3%
OpFCF after tax	4.5	-0.1	2.1	2.3	-0.1	2.3			
Net Financial Position	5.2	-0.8	4.1	3.0	-0.8	2.3			

Source EdiliziAcrobatica, Value Track Analysis

### EdAc: 2018A-20E Key Financials forecasts

(€mn)	2018A	2019E	2020E
Value of Production	26.2	43.3	55.0
<b>EBITDA</b>	<b>4.4</b>	<b>5.4</b>	<b>8.0</b>
EBIT	3.7	3.4	6.2
<b>Net Profit</b>	<b>2.2</b>	<b>2.0</b>	<b>4.0</b>
OpFCF after tax	0.2	1.1	2.3
<b>Net Financial Position</b>	<b>2.1</b>	<b>0.1</b>	<b>2.3</b>

Source: Value Track Analysis



### Ca. 50% Revenues CAGR 2018A-2020E, profits should follow later on

EdAc is planning to keep increasing both customer base and market share through new direct offices and franchisees openings. Supported by this expansion trend, we now expect Revenues growing at ca. 50% CAGR 2018A-2020E up to €55mn in 2020E.

We forecast EBITDA Margin getting back close to 15% with €8.0mn EBITDA in absolute term as for 2020E, mainly due to the “senioritization” of Italian business and to French business ramping up.

We also underline the rise of D&A costs in 2019E-20E.

As far as the bottom line is concerned, Net Profit is now expected to grow at 33.5% CAGR 2018A-20E.

#### EdAc: P&L evolution 2017A-20E

(€mn)	2017A	2018A	2019E	2020E
<b>Total Revenues from Sales</b>	<b>16.3</b>	<b>25.0</b>	<b>41.4</b>	<b>54.6</b>
Chg. % YoY	30.5%	53.2%	64.4%	33.0%
<b>Total Value of Production</b>	<b>17.4</b>	<b>26.2</b>	<b>43.3</b>	<b>55.0</b>
<b>EBITDA</b>	<b>2.5</b>	<b>4.4</b>	<b>5.4</b>	<b>8.0</b>
EBITDA margin (%)	15.1%	17.4%	13.1%	14.6%
Depreciation & Amortization	-0.5	-0.7	-2.0	-1.8
<b>EBIT</b>	<b>2.0</b>	<b>3.7</b>	<b>3.4</b>	<b>6.2</b>
EBIT margin (%)	12.0%	14.6%	8.3%	11.4%
Net Fin. Income (charges)	-0.1	-0.3	-0.3	-0.1
<b>Pre-tax Profit</b>	<b>1.9</b>	<b>3.4</b>	<b>3.1</b>	<b>6.1</b>
Tax	-0.8	-1.1	-1.1	-2.1
<b>Net Profit</b>	<b>1.1</b>	<b>2.2</b>	<b>2.0</b>	<b>4.0</b>

Source: Value Track Analysis

### Sound Balance Sheet

Net Financial Position is expected to remain positive despite the heavy investment effort thanks to positive cash generation. This could lead EdAc to consider further M&A activities abroad in the future.

#### EdAc: Balance Sheet evolution 2017A-20E

(€mn)	2017A	2018A	2019E	2020E
Working Capital	3.7	6.3	8.5	10.2
Net Fixed Assets	1.1	2.5	5.1	5.3
Provisions	0.4	0.8	0.9	1.0
<b>Total Capital Employed</b>	<b>6.8</b>	<b>8.0</b>	<b>12.7</b>	<b>14.5</b>
<b>Group Net Equity</b>	<b>2.1</b>	<b>10.1</b>	<b>12.8</b>	<b>16.8</b>
<b>Net Fin. Position [i.e. Net Debt (-) Cash (+)]</b>	<b>-4.7</b>	<b>2.1</b>	<b>0.1</b>	<b>2.3</b>

Source: Value Track Analysis

We foresee cumulated Operating Free Cash Flow before tax to reach ca. €6.6mn over the next two years after ca. €3.8mn cumulated investments. These investments aimed at faithfully replicate EdAc business model in France and consolidate its presence in Italy.

#### EdAc: Cash Flow Statement evolution 2017A-20E

(€mn)	2017A	2018A	2019E	2020E
EBITDA	2.5	4.4	5.4	8.0
Working Capital Needs	-1.2	-2.2	-1.5	-1.7
Capex	-0.9	-0.9	-1.8	-2.0
Change in Provisions	0.2	0.0	0.1	0.1
<b>OpFCF b.t.</b>	<b>0.6</b>	<b>1.3</b>	<b>2.2</b>	<b>4.4</b>
Cash Taxes	-0.8	-1.1	-1.1	-2.1
<b>OpFCF a.t.</b>	<b>-0.2</b>	<b>0.2</b>	<b>1.1</b>	<b>2.3</b>
Capital Injections	0.0	4.8	0.7	0.0
Other Op. Items (incl. Fin. Inv.)	-1.1	-0.3	-3.5	0.0
Net Financial Charges	-0.1	-0.3	-0.3	-0.1
Dividends paid	0.0	0.0	0.0	0.0
<b>Net Cash generated</b>	<b>-1.4</b>	<b>4.4</b>	<b>-2.0</b>	<b>2.2</b>

Source: Value Track Analysis

## Valuation

In order to take into proper account the company strategy to accelerate its growth pace, even if it penalises short term profitability, we decided to partially change our valuation approach by adopting an both short term and long term skewed views.

Indeed, we believe that looking only at short term EV/EBITDA and EV/EBIT figures could underestimate the value creation potential that the company is building with its “new openings plan”. At the same time, we believe that looking only at EV/Sales or DCF values would be a mistake, as investors usually appreciate a balanced mix between growth and profitability, between growth opportunities and execution risks.

That said, based on our 2019E-20E estimates and on such a new valuation framework that averages multiples on one side (€7.92 fair value) and DCF on the other one (€8.94 fair value), we calculate an updated **€8.4 fair value per share** (up from the previous €5.5 fair value per share). At such fair value the company would trade at 1.2x EV/Sales’20E and 8.3x EV/EBITDA’20E respectively.

### Peers analysis

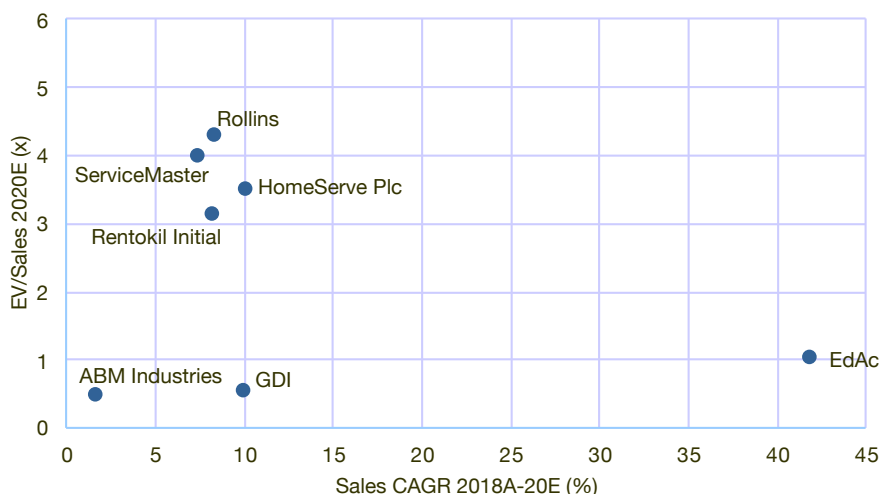
There are no close comparables to EdiliziAcrobatica currently listed on the Italian Stock market, and also abroad is quite difficult to find very similar business models.

That’s why we selected a small group of foreign players active in the real estate facility services provisioning, that are sharing with EdAc a business model based on the provisioning of various services (and not goods) to building owners.

As far as stock trading multiples are concerned, we take into account **2020E as reference year**, and EV/Sales and EV/EBITDA as the most suitable multiples, and we calculate that, on average, **foreign peers are currently trading at ca. 2.2x EV/Sales and 10.8x EV/EBITDA** respectively. (Please see the Appendix for a detailed table of foreign peers’ multiples).

More in particular as far as EV/Sales is concerned, we note that EdAc is trading at 1.0x 2020E, nearly half compared to foreign peers despite its >40% Sales CAGR 2018A-2020E, i.e. the highest double-digit growth rate compared to its peers.

**EdAc vs. peers 2020E EV/Sales vs. Sales CAGR 2018A-2020E**



Source: Market Consensus, Value Track Analysis

(\*) Stericycle does not appear in the chart as it has a negative Sales CAGR 2018A-2020E.

Given its much smaller size compared to peers, EdAc deserves a “small size” / “liquidity” discount on foreign peers’ multiples, that we currently quantify in 40%, leading to the following **fair multiples**:

- ◆ **1.3x EV/Sales’20E;**
- ◆ **6.5x EV/EBITDA’20E.**

hinting at an average **€7.92 “peers based” fair value per share.**

#### EdiliziAcrobatica: Fair valuation based on peers’ multiples 2020E

	EV/Sales	EV/EBITDA
Foreign comparables (*)	2.2x	10.8x
<b>EdAc "fair" multiples</b>	<b>1.3x</b>	<b>6.5x</b>
Discount % vs. foreign comps	40%	40%
<b>EdAc fair value per share (€)</b>	<b>€ 9.08</b>	<b>€ 6.74</b>

Source: Value Track Analysis

(\*) Rentokil Initial, Stericycle, ServiceMaster, Mears Group, HomeServe Plc, ABM Industries, GDI, Rollins (only EV/Sales)

#### Discounted Cash Flow Model

As in our previous equity research reports published back in the latest months, we are hereby performing two different DCF calculations, one based on the current totally unlevered capital structure, the other on a target 20%-80% D/E one.

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.

Based on our new 2019E-2020E estimates, and assuming January 2020 as reference time point for valuation, the result of “unlevered capital structure” DCF calculation is **€8.94 fair value per share**. Just for completeness, we note that:

The “target capital structure” DCF calculation leads to €9.49 fair value per share.

Our DCF model includes the French business (that in the long term could account for ca. 20% of total group revenues) valued ca. €20mn. Should we apply an additional 1% risk premium to WACC related to the execution risk on French business startup, the French business value would be ca. €12mn thus lowering the overall value by roughly €1.0 per share.

#### EdiliziAcrobatica: Discounted Cash Flow Model

	Unlevered Capital structure (€mn)	Target Capital structure (€mn)
PV of future Cash flows FY20E-FY27E	34.9	35.7
PV of Terminal value with PGR at 2%	38.0	41.6
<b>Fair Enterprise value</b>	<b>72.9</b>	<b>77.3</b>
Net Cash Position 2019E Year-End	0.1	0.1
Minorities (*)	-2.2	-2.2
<b>Fair Equity Value</b>	<b>70.8</b>	<b>75.2</b>
<b>Fair Equity Value per share (€)</b>	<b>8.94</b>	<b>9.49</b>

Source: Value Track Analysis

(\*) Minorities related to small stakes not owned in some local branches

## Appendix: Foreign peers multiples

### EdiliziAcrobatica vs peers' multiples 2020E EV/Sales and EV/EBITDA

	2020E EV/Sales	2020E EV/EBITDA
Rentokil Initial	3.1	14.7
Stericycle	2.2	10.8
ServiceMaster	4.0	18.2
Mears Group	0.3	5.6
HomeServe Plc	3.5	16.4
ABM Industries	0.5	8.9
GDI	0.5	8.6
Rollins	4.3	n.m.
<b>Median</b>	<b>2.2</b>	<b>10.8</b>

Source: Value Track Analysis

(\*) Minorities related to small stakes not owned in some local branches

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