

# EdiliziAcrobatica

Sector: Real Estate Services



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## No fiscal bonus, no problem

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

### Buoyant FY22 driven by fiscal bonuses

FY22 was another year of strong expansion for EDAC, reporting:

- ◆ Value of Production at €134.5mn vs. €87.7mn in FY21 (+54.4% y/y), thanks to demand for *Bonus Facciate* despite “lower” 60% tax benefit;
- ◆ EBITDA at €30.7mn (€21.3mn in FY21), with margin slightly impacted by higher banking fees for the cash-in of fiscal credits;
- ◆ EBIT at €28.5mn, over €10mn more than FY21, and EBIT margin at 21.2% (+30bps y/y), thanks to lower D&A y/y;
- ◆ Net Cash at €12.0mn vs. €3.6mn in FY21, benefitting from the outstanding OpFCF generation of the year.

### EDAC in Middle-East: Acquisition of Enigma Capital

Over FY22-1Q23, EDAC also enlarged its footprint, with 6 new branches, the set-up of operations in Monaco, >300 new net hirings and the acquisition of 51% of Enigma Capital, Dubai-based construction services company offering highly synergic, rope access, renovation and cleaning services in the Middle-East. EDAC acquired 51% of Enigma for €7.2mn (16x EV/EBITDA FY21), with put/call options in 2026E-27E.

### No more “Bonus Facciate”, focus on PoS expansion

With the termination of “Bonus Facciate” and the lower tax discount of “Superbonus”, EDAC is now deploying a significant amount of capital on the set up of new point of sales to achieve higher sales volumes already in 2023E, this time without fiscal incentives but a stronger contribution from international subsidiaries (incl. Enigma). We revised EDAC estimates, with 2025E VoP at €215mn, EBITDA at €39.1mn and Net Cash at €23.8mn (despite €17.4mn 2023E-25E cumulated dividends).

### Fair Value confirmed at €25.00 p/s

Our SOTP method confirms EDAC fair value at €25.0 p/s, unchanged vs. our latest valuation that was already discounting a normalized scenario post-bonus. At fair value, EDAC would trade at 1.3x-1.1x EV/Sales, 7.2x-6.0x EV/EBITDA 2023E-24E, in line with our usual implicit valuation multiples for the stock, even pre-fiscal aids, still at discount vs. peers.

<b>Fair Value (€)</b>	<b>25.00</b>
<b>Market Price (€)</b>	<b>18.30</b>
<b>Market Cap. (€m)</b>	<b>152.2</b>

KEY FINANCIALS (€m)	2022A	2023E	2024E
VALUE OF PRODUCTION	134.5	171.6	193.4
EBITDA	30.7	31.5	34.7
EBIT	28.5	28.8	31.9
NET PROFIT	15.2	16.5	19.7
EQUITY	35.1	41.7	61.3
NET FIN. POS.	12.0	3.0	10.7
EPS ADJ. (€)	1.9	2.0	2.3
DPS (€)	1.3	0.4	0.4

Source: EdiliziAcrobatica (historical figures), Value Track (2023E-24E estimates)

RATIOS & MULTIPLES	2022A	2023E	2024E
EBITDA MARGIN (%)	22.9	18.4	17.9
EBIT MARGIN (%)	21.2	16.8	16.5
NET DEBT / EBITDA (x)	nm	nm	nm
EV/SALES (x)	1.0	1.0	0.8
EV/EBITDA (x)	4.5	5.4	4.5
EV/EBIT (x)	4.9	5.8	4.8
P/E (x)	9.8	9.5	7.8
DIV YIELD (%)	7.1	2.2	2.2

Source: EdiliziAcrobatica (historical figures), Value Track (2023E-24E estimates)

### STOCK DATA

FAIR VALUE (€)	25.00
MARKET PRICE (€)	18.30
SHS. OUT. (m)	8.32
MARKET CAP. (€m)	152.2
FREE FLOAT (%)	26.7
AVG. -20D VOL. (#)	318,415-
RIC / BBG	EDAC.MI / EDAC IM
52 WK RANGE	13.60-18.50

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	2022A	2023E	2024E	2025E
<b>Value of Production</b>	<b>134.5</b>	<b>171.6</b>	<b>193.4</b>	<b>215.2</b>
Chg. % YoY	53.4%	27.6%	12.7%	11.3%
<b>EBITDA</b>	<b>30.7</b>	<b>31.5</b>	<b>34.7</b>	<b>39.1</b>
EBITDA Margin (%)	22.9%	18.4%	17.9%	18.2%
<b>EBIT</b>	<b>28.5</b>	<b>28.8</b>	<b>31.9</b>	<b>36.0</b>
EBIT Margin (%)	21.2%	16.8%	16.5%	16.7%
<b>Net Profit</b>	<b>15.2</b>	<b>16.5</b>	<b>19.7</b>	<b>22.6</b>
Chg. % YoY	37.5%	8.3%	19.2%	14.9%
<b>Adjusted Net Profit</b>	<b>15.2</b>	<b>16.5</b>	<b>19.7</b>	<b>22.6</b>
Chg. % YoY	37.5%	8.3%	19.2%	14.9%
<b>Net Fin. Position</b>	<b>12.0</b>	<b>3.0</b>	<b>10.7</b>	<b>23.8</b>
Net Fin. Pos. / EBITDA (x)	nm	nm	nm	nm
Capex	-1.9	-6.0	-6.8	-7.5
<b>OpFCF b.t.</b>	<b>25.5</b>	<b>18.2</b>	<b>22.2</b>	<b>28.7</b>
OpFCF b.t. as % of EBITDA (*)	83.0%	57.7%	64.1%	73.4%

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

## Investment case

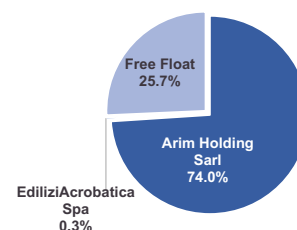
### Strengths / Opportunities

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

### Weaknesses / Risks

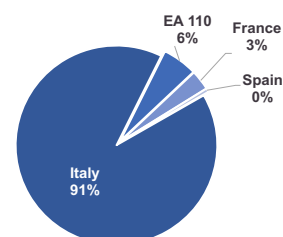
- ◆ Labor intensive business model, requiring highly-skilled workers;
- ◆ The company is braked in its (international) expansion by different regulatory landscapes;
- ◆ Credit collection takes long time, but bad debt risks are minimal.

## Shareholders Structure



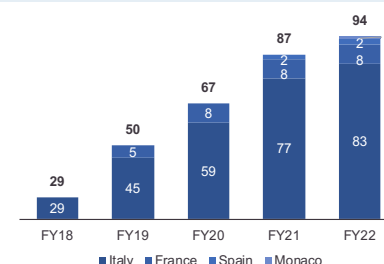
Source: EdiliziAcrobatica

## Revenues by Geography



Source: EdiliziAcrobatica, Value Track, FY22

## Directly Managed Branches



Source: EdiliziAcrobatica, Value Track, FY22

## Stock multiples @ €25.0 Fair Value

	2023E	2024E
EV / SALES (x)	1.3	1.1
EV / EBITDA (x)	7.2	6.0
EV / EBIT (x)	7.8	6.5
EV / CAP.EMP. (x)	5.7	4.3
OpFCF Yield (%)	7.9	11.0
P / E (x)	13.0	10.6
P / BV (x)	5.1	3.6
Div. Yield. (%)	1.6	1.6

Source: Value Track

## FY22 Financials

FY22 was another year of strong expansion for EdiliziAcrobatica both financially, with top line growing in excess of 50% vs. FY21, and in terms of business development, with the open of 6 new domestic branches, the set up of operations in Monaco, and over 300 new net hirings.

Demand for *Bonus Facciate* was sharp over the year despite the invoice discount at 60% (and not at 90% anymore), with EBITDA margin slightly impacted by higher banking fees, but EBIT margin growing thanks to lower D&A y/y. For FY22, EDAC reported figures bang in line with our estimates:

- ◆ **Value of Production at €134.5mn**, +53% y/y vs. €87.7mn in FY21;
- ◆ **EBITDA at €30.7mn** (22.9% EBITDA margin) vs. €21.3mn in FY21 (24.3% EBITDA margin);
- ◆ **EBIT at €28.5mn**, over €10mn more than FY21, and EBIT margin at 21.2% (+30bps y/y);
- ◆ **OpFCF at €20.2mn**, i.e. ca. 66% of EBITDA, confirming an outstanding cash generation;
- ◆ **Net Cash at €12.0mn** vs. €3.6mn in FY21, benefitting from the strong P&L of the year.

### EDAC: Key Financials FY21-FY22

(IT GAAP, €mn)	FY21	FY22	y/y	VT FY22E	A/E
<b>Value of Production</b>	<b>87.7</b>	<b>134.5</b>	<b>53%</b>	<b>131.4</b>	<b>2%</b>
<b>EBITDA</b>	<b>21.3</b>	<b>30.7</b>	<b>44%</b>	<b>31.5</b>	<b>-3%</b>
<i>EBITDA Margin (%)</i>	<i>24.3%</i>	<i>22.9%</i>	<i>-140bps</i>	<i>24.0%</i>	<i>-110bps</i>
<b>OpFCF (b.t.)</b>	<b>21.1</b>	<b>20.2</b>	<b>-4%</b>	<b>17.9</b>	<b>13%</b>
<b>Net Financial Position</b>	<b>3.6</b>	<b>12.0</b>	<b>8.3</b>	<b>6.1</b>	<b>5.8</b>

Source: EdiliziAcrobatica, Value Track Analysis

## P&L

**Revenues from Sales stood at €133.7mn** vs. €86.9mn in FY21 (+54% y/y) and were reported net of the banking fees EDAC has to pay in order for the cash-in of the tax credits related to *Bonus Facciate* works, that totaled ca. €12.9mn in FY22 (€11.7mn in FY21). Gross of such fees, Revenues were at €146.6mn, out of which ca. 91% were generated in **Italy** (+41% y/y), 6% from **EA 110** (the subsidiary dedicated to *Superbonus 110%* projects, at its second year of activity), €4.7mn in **France** (+38% y/y) and ca. €800k in **Spain** (vs. ca. €200k in FY21).

### EDAC: Value of Production breakdown FY21-FY22

(IT GAAP, €mn)	FY21	FY22	y/y
<b>Revenues from Sales - Gross</b>	<b>98.6</b>	<b>146.6</b>	<b>49%</b>
o/w Italy	94.7	133.1	41%
o/w EA 110	0.7	8.2	nm
o/w France	3.4	4.7	38%
o/w Spain	0.2	0.8	nm
o/w Intragroup	-0.4	-0.2	nm
Banking Fees	-11.7	-12.9	nm
<b>Revenues from Sales</b>	<b>86.9</b>	<b>133.7</b>	<b>54%</b>
Δ Fixed Assets	0.1	0.2	77%
Others	0.6	0.6	-4%
<b>Value of Production</b>	<b>87.7</b>	<b>134.5</b>	<b>53%</b>

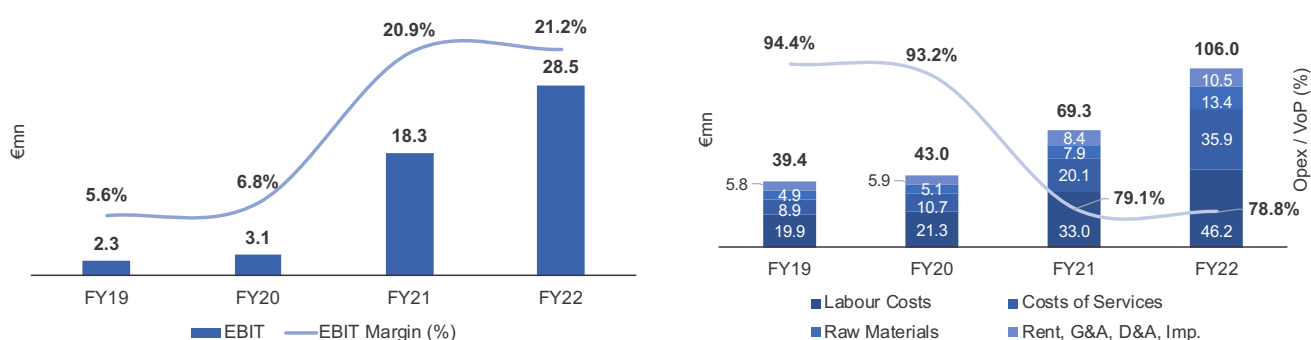
Source: EdiliziAcrobatica, Value Track Analysis

**EBITDA** grew less than proportionally with respect to top line, from €21.3mn to **€30.7mn**, as the second semester of the year was impacted by a surge of banks discount rates for the cash-in of fiscal credits (+10 ppt s/s), offsetting the Group ability to rebates raw materials costs on final clients. Also, while EA 110 generated a €1.2mn EBITDA, the French and Spanish subsidiaries negatively contributed for ca. €1mn and €618k, respectively.

EBITDA margin diminished by 140bps to 22.9% vs. 24.3% in FY21, which is still an outstanding result if compared to pre-pandemic 10%-11%. On the other hand, EBIT margin grew by 30bps to 21.2%, thanks to lower D&A and provisions. Consequently, **EBIT** reached **€28.5mn** (+56% y/y).

Financial charges increased sharply y/y from €1.5mn to €5.5mn, out of which ca. €4.7mn related to the adjustments of tax credits cash-in fees related to works invoiced in FY21 but completed in FY22. Nonetheless, EDAC reported a record bottom line, with **Net Profit at €15.2mn** vs. €11.1mn in FY21.

### EDAC: EBIT and Operating Expenses evolution



Source: EdiliziAcrobatica, Value Track Analysis

### EDAC: P&L FY19-FY22

(IT GAAP, €mn)	FY19	FY20	FY21	FY22	y/y
<b>Revenues from Sales</b>	<b>39.2</b>	<b>44.7</b>	<b>86.9</b>	<b>133.7</b>	<b>54%</b>
Δ Fixed Assets, Other Revenues	2.5	1.5	0.7	0.8	10%
<b>Value of Production</b>	<b>41.8</b>	<b>46.2</b>	<b>87.7</b>	<b>134.5</b>	<b>53%</b>
Raw Materials, Δ Inventory	-4.9	-5.1	-7.9	-13.4	69%
Costs of Services	-8.9	-10.7	-20.1	-35.9	79%
Costs of Rent	-2.7	-3.0	-4.5	-6.9	53%
G&A	-1.2	-1.1	-0.9	-1.3	45%
Labour Costs	-19.9	-21.3	-33.0	-46.2	40%
<b>EBITDA</b>	<b>4.2</b>	<b>5.0</b>	<b>21.3</b>	<b>30.7</b>	<b>44%</b>
<b>EBITDA Margin (%)</b>	<b>10.1%</b>	<b>10.8%</b>	<b>24.3%</b>	<b>22.9%</b>	<b>-140bps</b>
D&A	-1.7	-1.1	-2.3	-2.0	-14%
Impairments & Provisions	-0.2	-0.7	-0.7	-0.2	-63%
<b>EBIT</b>	<b>2.3</b>	<b>3.1</b>	<b>18.3</b>	<b>28.5</b>	<b>56%</b>
<b>EBIT Margin (%)</b>	<b>5.6%</b>	<b>6.8%</b>	<b>20.9%</b>	<b>21.2%</b>	<b>30bps</b>
Net Financial Charges	-0.3	-0.3	-1.5	-5.5	nm
Non-Operating Income	0.0	0.0	0.3	-0.1	nm
Taxes	-0.9	-1.1	-6.0	-7.8	30%
Minorities	0.0	0.0	0.0	0.1	nm
<b>Net Profit</b>	<b>1.1</b>	<b>1.8</b>	<b>11.1</b>	<b>15.2</b>	<b>37%</b>

Source: EdiliziAcrobatica, Value Track Analysis

## Balance Sheet & Cash Flow Statement

EDAC **Net Cash** surged by €8.4mn from €3.6mn to **€12.0mn** as a result of the outstanding OpFCF of the Group, at €20.2mn (before taxes). Key movements at Cash Flow Statement level were:

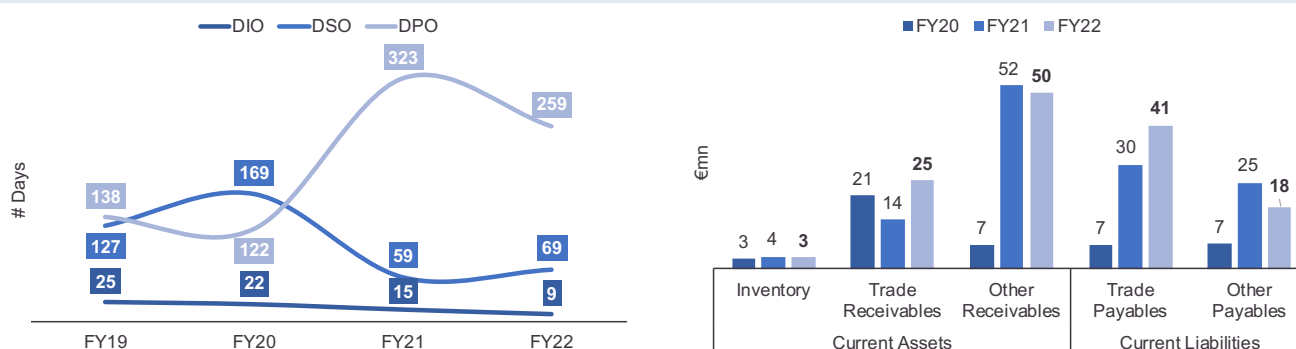
- ◆ **Net Working Capital** efficiently managed, absorbing ca. **€8.7mn** (including Provisions and ca. €5.3mn of FY22 tax payables) despite the massive amount of fiscal credits and thanks to down payments from clients for works to be finalized in FY23;
- ◆ **Capex of €1.9mn**, split among (i) capitalization of start-up costs for the opening of new points of sales, (ii) development of new software projects (also in FY22 VoP), (iii) leasehold improvements (points of sales), (iv) ca. €300k tangible capex for the purchase of furniture;
- ◆ **Group Net Equity** rose to **€35.1mn** thanks to the strong P&L and from the return of treasury shares to Arim Holding (ca. €200k), only partially eroded by the distribution of dividends for ca. €2.4mn (0.30 p/s).

### EDAC: Balance Sheet FY19-FY22

(IT GAAP, €mn)	FY19	FY20	FY21	FY22
Net Fixed Assets	5.1	5.8	5.5	7.0
Net Working Capital	10.3	16.6	15.6	20.0
Provisions	1.2	1.8	2.6	4.0
<b>Total Capital Employed</b>	<b>14.2</b>	<b>20.6</b>	<b>18.5</b>	<b>23.1</b>
<b>Group Net Equity</b>	<b>11.5</b>	<b>12.9</b>	<b>22.1</b>	<b>35.1</b>
<b>Net Financial Position</b>	<b>-2.7</b>	<b>-7.7</b>	<b>3.6</b>	<b>12.0</b>

Source: EdiliziAcrobatica, Value Track Analysis

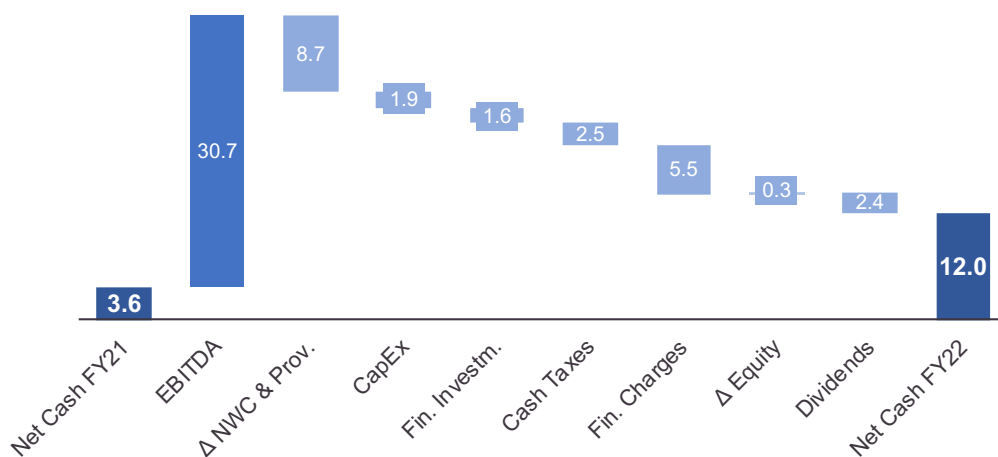
### EDAC: Cash Conversion Cycle and Net Working Capital FY19-FY22



Source: EdiliziAcrobatica, Value Track Analysis

Trade Payables include down payments from clients for ca. €31.5mn in FY22 vs. €22.7mn in FY21.

**EDAC: Net Financial Position bridge FY21-FY22**



Source: EdiliziAcrobatica, Value Track Analysis

Financial Investments for €1.6mn refer for ca. €1.5mn to an interest-bearing loan towards Enigma Capital, later on acquired in March 2023. More details in the next section of the report.

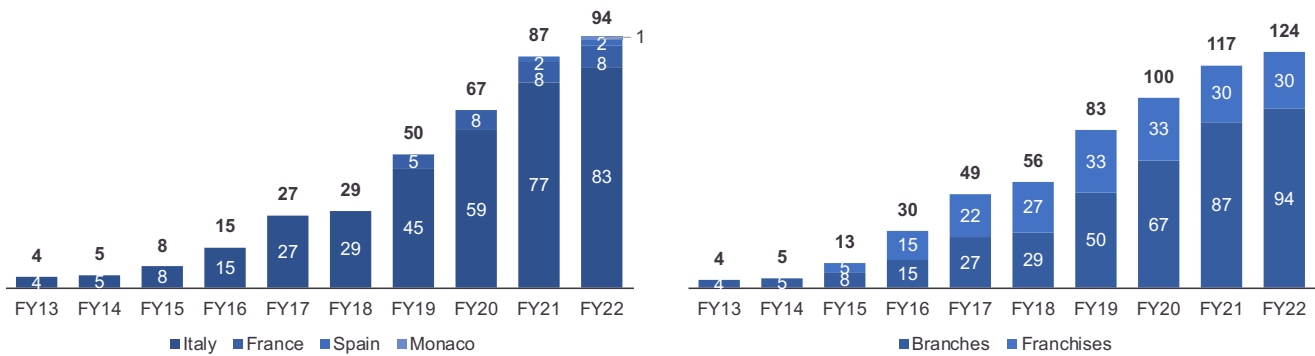
## Business & Corporate Development

As already mentioned, between 2022 and the first months of 2023, EDAC enlarged its footprint both domestically and internationally, with new branches opening, over 300 new net hires and the acquisition of 51% of Enigma Capital, Middle East-based construction services company.

### Point of Sales

In terms of directly managed branches, EDAC added 7 new units of which 6 in Italy and opening the first branch in Monte Carlo (JV with local partners). We now count 94 direct branches, 44 more than at the end of 2019, and 30 franchises, for 124 total point of sales from 83 in 2019.

**EDAC: Branches and total Points of Sales evolution**



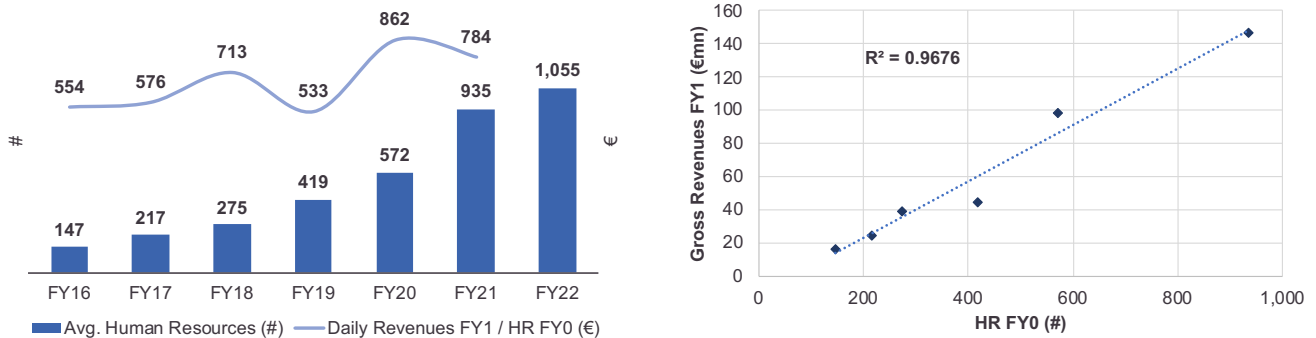
Source: EdiliziAcrobatica, Value Track Analysis

### Human Resources

Over the last six years, EDAC has strongly expanded its workforce adding ca. 1,600 people and reaching 1,709 human resources as of FY22. As it usually takes ca. 1 year for a single acrobat worker to gain the complete skillset to be efficient at full level, there is a positive strong correlation between the number of HR in “year 0” and the Revenues generated in “year 1”.

Since now EDAC is charging ca. €1,800 gross daily Revenues per pair of workmen (higher than historical €1,000-€1,200) and assuming 200 annual working days, we calculate that 100 new HR could translate into €18mn additional Revenues. Given the strong expansion phase the Group is targeting over the next few months in terms of branches and hirings, Revenues should grow fast. Profitability should enhance only once the expansion phase ends, as first periods are characterized by labour costs growing at the same pace of top line.

**EDAC: Human Resources (Year Average) and Revenues from Sales (Gross of Banking Fees) correlation**



Source: EdiliziAcrobatica, Value Track Analysis

## M&A: Enigma Capital Investments LLC

### Deal at a glance

On March 2<sup>nd</sup>, 2023, EdiliziAcrobatica signed a binding agreement for the acquisition of **51%** of the share capital of **Enigma Capital Investments LLC** (“Enigma”), Emirati holding company based in Dubai, heading a Middle East group of companies active in the construction sector, with rope access, cleaning and facility management services for residential and commercial buildings.

Enigma is the effective owner of the entire share capital of the following companies, all incorporated under the laws of the United Arab Emirates and employing more than 400 operators:

- ◆ **Spider Access Cladding Works & Building Cleaning**, doing the same renovation, maintenance and cleaning activities of EdiliziAcrobatica;
- ◆ **Vertico Xtreme LLC**, specialized in designing, selling and installing specific rails to be attached to skyscrapers in order to enable work operators to latch on without descending from the top of buildings that can exceed 800 meters in height (e.g., Burj Khalifa);
- ◆ **SBC Global Contracting LLC**;
- ◆ **Magnum Plus**.

Enigma do not provide consolidated financial statements, however for FY21 (December 31<sup>st</sup>, 2021), on aggregate terms and based on March 1<sup>st</sup>, 2023 exchange rate, Enigma reported:

- ◆ Revenues at €6.4mn (AED 25mn);
- ◆ EBITDA at ca. €1mmn (AED 4mn), EBITDA Margin at ca. 16%;
- ◆ Net Profit at ca. €841k (AED €3.3mn), Net Margin at 13%;
- ◆ Net Debt at €1.9mn as of October 31<sup>st</sup>, 2022 (ca. AED 7.6mn).

### Terms of the deal

EdiliziAcrobatica agreed to pay ca. **€7.2mn** (AED 28,291,327) **for the acquisition of 51% of Enigma** share capital from current shareholders, determined by applying a 15x multiple to the sum of FY21 Net Profit of Spider Access and FY19 Net Profit of Vertico Xtreme (main operating companies of the Group) and then subtracting the Net Debt of ca. €1.9mn as of October 2022.

Based on FY21 P&L and €1.9mn Net Debt, we calculate EDAC to have finalized the acquisition at **2.5x EV/Sales, 16.0x EV/EBITDA and 16.8 P/E**. In addition:

- ◆ The binding agreement provides for a post-closing price adjustment mechanism depending on the Net Financial Position figure at the closing date.
- ◆ Only **70%** of the settled price (ca. €3mn) has been **paid in cash at the closing date** (21-03-2023) while the remaining part should be paid in paper only if the main operating companies of Enigma achieve certain Net Profit targets in FY23.
- ◆ If such conditions are met, the binding agreement provides that by 30 June 2023 EDAC shall ensure that a **capital increase** against payment is resolved, so that the selling shareholders of Enigma can proceed to complete an investment in EDAC equity.
- ◆ There is an **adjusted mechanism** if those targets will not be achieved and another one involving a potential earn-out if those performance will be particularly positive.
- ◆ There will be **lock-up** commitments of five years for the selling shareholders starting from the closing date, as well as a **call option** in favor of EDAC and a **put option** in favor of the selling shareholders, both concerning the remaining 49% of the share capital. In order to contribute as much as possible to the growth of Enigma Capital, and showing confidence in the international growth of EdiliziAcrobatica Group, the Binding Agreement also provides that the selling



shareholders will continue to perform a **strategic-directional function** within the company even after the closing.

- ◆ EDAC unveiled that in October 2022 **lent ca. €1.5mn to Enigma Capital**, allowing the Middle East group to complete the necessary initial investments (hiring of about 200 workmen) for an important maintenance project involving the most important skyscraper of the area (Burj Khalifa). The operation was functional to the deal as it involved important orders from which EDAC will benefit from, both financially and in terms of reputation and image.

### Deal rationale

With the transaction, EDAC aims to boost the Group **growth through external lines, expanding its commercial footprint in the Middle East** and integrating **Enigma highly synergic services**. This foreign market is characterized by an impressive percentage of buildings where EDAC expertise could make a huge difference in terms of costs, speed of execution and safety. EDAC goal is to accelerate and replicate the booming domestic expansion abroad, thanks to the strong know-how and experience that the Group has gained and that now qualify EDAC as the reference partner for rope access services not only in Italy but at European level.

## Forecasts 2023E-25E

### Estimates Drivers

FY23 will be the first year without new orders related to *Bonus Facciate*, expired on December 31<sup>st</sup>, 2022. While *Superbonus* was renewed up to 2025 albeit with decreasing tax deductions and no options for invoice discounting or credits cash-in, EDAC will now focus on a rapid expansion of its footprint to achieve the same financial figures of recent years without the major contribution of fiscal incentives.

The drivers of our estimates remain unchanged, while changing the Revenues mix:

1. **Fiscal Incentives;**
2. **Human Resources and Point of Sales evolution;**
3. **International Expansion.**

### Fiscal Incentives

From their introduction in July 2020 fiscal incentives related to energy efficiency and renovation projects for buildings has witnessed several resizing measures, the most important of which incurred over 2022-2023 with the Italian Budget Law, “*Decreto Aiuti Quater*” and “*Decreto Blocca Cessioni*”.

Here a summary of the main updated deadlines of incentives concerning EDAC business activities:

- ◆ “**Bonus Facciate**”: firstly at 90% deduction rate in 2020 and 2021, then 60% in 2022 without expense limitations, expired as of December 31<sup>st</sup>, 2022. In 2023, EDAC will only deliver those projects already started in 2022 but there will be no new backlog related to this bonus;
- ◆ “**Superbonus**”: extended up to 2025 albeit with lower deduction rates (90% for works started in 2023, 70% in 2024, 65% in 2025). Deductions at 110% are confirmed also for 2023 only for:
  - Condos that submitted the CILA (“Comunicazione Inizio Lavori Asseverata”) documentation before December 31<sup>st</sup>, 2022 and approved the project before November 18<sup>th</sup>, 2022;
  - Single-family and independent villas that completed 30% of works within September 30<sup>th</sup>, 2022. In this case the deduction rate at 110% cover expenses up to September 30<sup>th</sup>, 2023;
- ◆ “**Bonus Ristrutturazioni**”: extended up to December 31<sup>st</sup>, 2024, providing for a 50% deduction rate for expenses up to €96k for residential properties (both condos and villas). The deduction is eligible for building renovation works, representing the closest alternative to “*Bonus Facciate*” and specifically covering ordinary and extraordinary maintenance, restoration and renovation services for independent villas and common parts of condos;

Still, the major regulation change took place with “*Decreto Blocca Cessioni*” turned into law as of April 5<sup>th</sup>, 2023 and **blocking the possibility to sell the tax credits or to obtain the invoice discounts** on all building renovation works, after those fiscal measures became financially unsustainable at state level and generated numerous frauds.

The stop has been operational starting from February 17<sup>th</sup>, 2023, hence these measures do not apply to projects where the CILA documentation has been submitted up to February 16<sup>th</sup> and few other exceptions, including the seism bonus and the elimination of architectural barriers (included in “*Bonus Ristrutturazioni*”, hence within EDAC perimeter).

Because of the new law, expenses can now be deducted only when filling out the tax return, generating two obstacles which may slow down the use of bonuses:

1. Need for the final customer to **pay in advance** (given that the disbursement is often large it is not easy to find the necessary liquidity);

2. Risk of **fiscal hollowess**, i.e. the risk for low-income individuals of losing the fiscal deduction because of not paying enough taxes. The possibility to spread *Superbonus* deductions related to expenses incurred in 2022 from 4 to 10 annual instalments has partially sweetened the issue.

### Human Resources and Point of Sales Evolution

Since fiscal incentives should now represent only a small part of EDAC new order intakes, the aim is to accelerate the expansion of the Group domestic footprint to offset the loss of volumes from “*Bonus Facciate*” projects.

In line with 1Q23 results (+43% contracts signed y/y, flattish contracts value y/y and +109 net new hires vs. FY22), we expect 2-3 years periods of aggressive hiring policies and Capex deployment for the setup of 20-30 new branches, generating a growing number of projects of smaller average value vs. FY20-FY21.

Given the high correlation previously explained between HR and Revenues growth, EDAC should reach domestic top line figures in line with recent years already in FY23, albeit with lower profitability.

### International Expansion

Profitability should then enhance once the French and Spanish subsidiaries would reach positive EBITDA figures (we forecast them to breakeven between 2023E-24E) and thanks to the consolidation of Enigma Capital (we estimate the Middle East group to boast ca. 20% EBITDA margin), which will contribute for just 9 months to EDAC 2023E P&L.

In our forecasts we are also factoring the €5.0mn cash-out of March 2023 for the first tranche of Enigma acquisition and another €2.2mn investment in 2024E through a new shares issue (hence no impact on EDAC Net Financial Position) of ca. 120k shares at current market price.

#### EDAC: Value of Production Breakdown 2022A-25E

(IT GAAP, €mn)	2022A	2023E	2024E	2025E	CAGR <sub>22A-25E</sub>
<b>Revenues from Sales - Gross</b>	<b>146.6</b>	<b>175.5</b>	<b>192.3</b>	<b>214.1</b>	<b>13%</b>
o/w Italy	133.1	132.2	137.1	147.8	4%
o/w EA 110	8.2	24.0	26.0	28.0	51%
o/w France	4.7	7.0	10.5	14.0	44%
o/w Spain	0.8	2.5	4.5	7.0	103%
o/w Monaco	0.0	0.8	1.2	1.6	nm
o/w Middle East (Enigma Capital)	0.0	9.0	13.0	15.7	nm
o/w Intragroup	-0.2	0.0	0.0	0.0	nm
Banking Fees	-12.9	-5.0	0.0	0.0	nm
<b>Revenues from Sales</b>	<b>133.7</b>	<b>170.5</b>	<b>192.3</b>	<b>214.1</b>	<b>17%</b>
Δ Fixed Assets	0.2	0.1	0.1	0.1	-22%
Others	0.6	1.0	1.0	1.0	20%
<b>Value of Production</b>	<b>134.5</b>	<b>171.6</b>	<b>193.4</b>	<b>215.2</b>	<b>17%</b>

Source: EdiliziAcrobatica, Value Track Analysis

## Estimates Update 2023E-24E

On the back of FY22 results and our drivers we are revising EDAC estimates as follows:

- ◆ **Value of Production** up by 20%-30% in 2023E-24E, mainly thanks to the contribution of Enigma Capital and a different “organic” Revenues mix vs. our latest forecasts, i.e. a stronger contribution from EA 110 (significant backlog at the end of FY22), few sales from “*Bonus Facciate*” related projects (also implying lower banking fees, at €5mn in 2023E and then no more from 2024E onwards) offset by a fast ramp-up of domestic footprint and traditional services delivery;
- ◆ **EBITDA** to suffer from the lower profitability of traditional services vs. fiscal incentives related projects and from the aggressive hiring strategy. Nonetheless, if compared vs. pre-pandemic levels, EBITDA margin should float around 18%-19% vs. 10%-11% thanks to the efficient cost management of latest years, more and more business units reaching their “maturity” phase and higher profitability levels of Enigma Capital;
- ◆ **Net Profit** revised downwards but less than proportional vs. EBITDA, benefitting from lower net financial charges (banking fees going towards zero as the cash-in of tax credits ends);
- ◆ **Net Financial Position** slightly down in 2023E because of Enigma cash-out (€5.0mn), higher dividends pay-out than previously forecasted (€0.5 p/s on FY22 Net Profit and additional €0.8 p/s on FY21 Net profit paid in April 2023, for a total €10.7mn), additional Capex for new branches openings. On the other hand, Net Working Capital should normalize faster and getting back to pre-bonus conversion cycle, improving medium-term OpFCF generation.

### EDAC: Old vs. New Estimates

(IT GAAP, €mn)	2023E			2024E			2025E		
	Old	New	Δ	Old	New	Δ	Old	New	Δ
<b>Value of Production</b>	139.5	171.6	23.1%	148.9	193.4	29.9%	na	215.2	nm
o/w Italy (incl. EA 110)	129.5	152.3	17.7%	135.9	164.2	20.9%	na	176.9	nm
o/w Abroad	10.0	19.3	93.0%	13.0	29.2	124.3%	na	38.3	nm
<b>EBITDA</b>	32.8	31.5	-3.8%	34.2	34.7	1.3%	na	39.1	nm
<i>EBITDA Margin (%)</i>	23.5%	18.4%	-514bps	23.0%	17.9%	-510bps	na	18.2%	nm
<b>Net Profit</b>	18.6	16.5	-11.4%	20.4	19.7	-3.5%	na	22.6	nm
<i>Net Margin (%)</i>	13.3%	9.6%	-373bps	13.7%	10.2%	-352bps	na	10.5%	nm
<b>Net Financial Position</b>	10.7	3.0	-7.7	15.9	10.7	-5.2	na	23.8	nm

Source: Value Track Analysis

### Key Financials 2023E-25E

Here follows a recap of our new estimates:

- ◆ **Value of Production at €215.2mn in 2025E** from €134.5mn in 2022A (17% CAGR<sub>22A-25E</sub>);
- ◆ **EBITDA at €39.1mn in 2025E** (EBITDA margin at ca. 18% for the whole forecasted period);
- ◆ **OpFCF (b.t.) at €28.7mn in 2025E**, with a 2023E-25E average 65% EBITDA conversion rate;
- ◆ **Net Cash Position at €23.8mn**, despite €17.4mn cumulated dividends 2023E-25E.

## Financial Statements 2022A-2025E

### EDAC: P&L 2022A-25E

(IT GAAP, €mn)	2022A	2023E	2024E	2025E	CAGR <sub>22A-25E</sub>
<b>Revenues from Sales</b>	<b>133.7</b>	<b>170.5</b>	<b>192.3</b>	<b>214.1</b>	<b>17%</b>
Δ Fixed Assets, Other Revenues	0.8	1.1	1.1	1.1	11%
<b>Value of Production</b>	<b>134.5</b>	<b>171.6</b>	<b>193.4</b>	<b>215.2</b>	<b>17%</b>
Operating Expenses	-103.7	-140.1	-158.7	-176.1	19%
<b>EBITDA</b>	<b>30.7</b>	<b>31.5</b>	<b>34.7</b>	<b>39.1</b>	<b>8%</b>
EBITDA Margin (%)	22.9%	18.4%	17.9%	18.2%	-468bps
D&A	-2.0	-2.7	-2.8	-3.1	16%
Impairments & Provisions	-0.2	0.0	0.0	0.0	-100%
<b>EBIT</b>	<b>28.5</b>	<b>28.8</b>	<b>31.9</b>	<b>36.0</b>	<b>8%</b>
EBIT Margin (%)	21.2%	16.8%	16.5%	16.7%	-447bps
Net Financial Charges	-5.5	-3.0	-1.0	-0.5	-55%
Non-Operating Income	-0.1	0.0	0.0	0.0	-100%
Taxes	-7.8	-8.5	-10.2	-11.7	15%
Minorities	0.1	-0.8	-1.0	-1.2	-325%
<b>Net Profit</b>	<b>15.2</b>	<b>16.5</b>	<b>19.7</b>	<b>22.6</b>	<b>14%</b>

Source: EdiliziAcrobatica, Value Track Analysis

### EDAC: Balance Sheet 2022A-25E

(IT GAAP, €mn)	2022A	2023E	2024E	2025E
Net Fixed Assets	7.0	15.3	21.5	25.9
Net Working Capital	20.0	28.6	34.8	38.3
Provisions	4.0	5.2	5.7	6.3
<b>Total Capital Employed</b>	<b>23.1</b>	<b>38.7</b>	<b>50.6</b>	<b>57.9</b>
<b>Group Net Equity</b>	<b>35.1</b>	<b>41.7</b>	<b>61.3</b>	<b>81.7</b>
<b>Net Financial Position</b>	<b>12.0</b>	<b>3.0</b>	<b>10.7</b>	<b>23.8</b>

Source: EdiliziAcrobatica, Value Track Analysis

### EDAC: Cash Flow Statement 2022A-25E

(IT GAAP, €mn)	2022A	2023E	2024E	2025E
EBITDA	30.7	31.5	34.7	39.1
Δ Net Working Capital & Provisions	-8.7	-7.3	-5.7	-2.9
Capex (excl. Financial Inv.)	-1.9	-6.0	-6.8	-7.5
<b>OpFCF b.t.</b>	<b>20.2</b>	<b>18.2</b>	<b>22.2</b>	<b>28.7</b>
As a % of EBITDA	65.7%	57.7%	64.1%	73.4%
Cash Taxes	-2.5	-8.5	-10.2	-11.7
<b>OpFCF a.t.</b>	<b>17.7</b>	<b>9.7</b>	<b>12.0</b>	<b>17.0</b>
Capital Injections	0.3	0.0	2.2	0.0
Others (incl. Financial Inv.)	-1.7	-5.0	-2.2	0.0
Net Financial Charges	-5.5	-3.0	-1.0	-0.5
Dividends Paid	-2.4	-10.7	-3.3	-3.4
<b>Δ Net Financial Position</b>	<b>8.4</b>	<b>-9.0</b>	<b>7.7</b>	<b>13.1</b>

Source: EdiliziAcrobatica, Value Track Analysis

## Valuation

We confirm EDAC Fair Equity Value p/s at **€25.0 p/s** since:

- 1. Latest valuation was already discounting a normalized scenario** without fiscal bonuses;
- New “**Sum of the Part**” valuation methodologies **confirms €25.0 p/s** as EDAC Fair Value;
- 3. Neutral effect on estimates:** higher Revenues by adding Enigma Capital (still at low visibility), flattish EBITDA, higher Capex and Financial Investments involved;

At €25.0 p/s EDAC would trade at **1.3x-1.1x EV/Sales and 7.2x-6.0x EV/EBITDA 2023E-24E**, in line with our usual implicit valuation multiples for the stock, even pre-fiscal incentives.

We also highlight how on 2024E implicit multiples, EDAC would still trade at significant discount vs. the international peers (average), especially on EV/EBITDA (-26%), EV/EBIT (-54%) and P/E (-50%).

### EDAC: Multiples Sensitivity at Various Stock Price Levels

Price p/s €	EV/Sales		EV/EBITDA		EV/EBIT		P/E Adj.	
	2023E	2024E	2023E	2024E	2023E	2024E	2023E	2024E
€ 22.00	1.1	0.9	6.4	5.2	6.9	5.6	11.5	9.3
€ 23.00	1.2	1.0	6.7	5.5	7.2	5.9	12.0	9.8
€ 24.00	1.2	1.0	6.9	5.7	7.5	6.2	12.5	10.2
<b>€ 25.00</b>	<b>1.3</b>	<b>1.1</b>	<b>7.2</b>	<b>6.0</b>	<b>7.8</b>	<b>6.4</b>	<b>13.0</b>	<b>10.6</b>
€ 26.00	1.3	1.1	7.5	6.2	8.1	6.7	13.5	11.0
€ 27.00	1.4	1.2	7.8	6.4	8.4	6.9	14.1	11.5
€ 28.00	1.4	1.2	8.0	6.7	8.7	7.2	14.6	11.9

Source: Value Track Analysis

### Peers' Analysis / Sum of the Parts

Since there are still no close comparables to EdiliziAcrobatica currently listed both at domestic and international levels, we stick to our panel of foreign players active in real estate facility services provisioning.

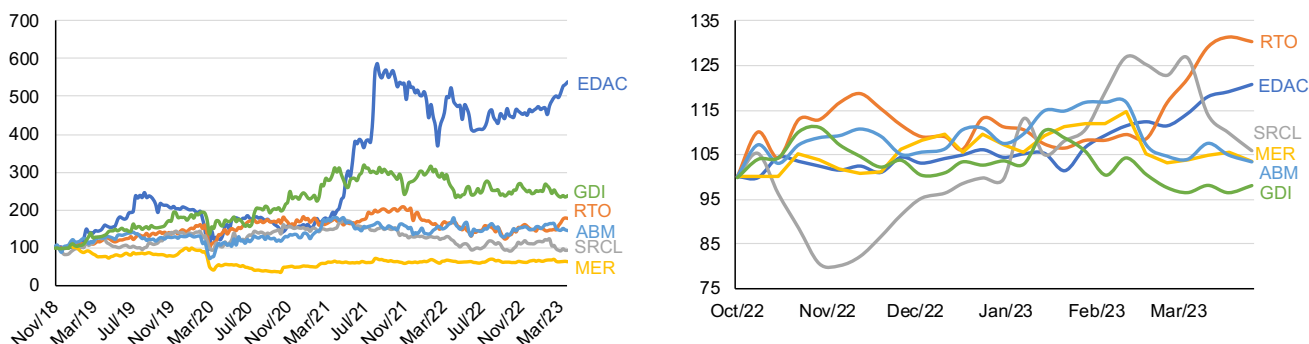
### EDAC: International Peers' Stock Trading Multiples

Company	EV/Sales		EV/EBITDA		EV/EBIT		P/E Adj.	
	2023E	2024E	2023E	2024E	2023E	2024E	2023E	2024E
<b>EDAC International Peers</b>								
Rentokil Initial	3.3	3.1	14.2	12.7	20.0	18.4	34.3	27.1
Stericycle	1.9	1.9	12.1	10.4	16.4	14.1	nm	26.3
Mears Group	0.3	0.3	3.0	2.9	7.0	7.2	8.3	9.2
ABM Industries	0.5	0.4	7.6	6.9	9.8	8.7	16.6	11.9
GDI Integrated Facility	0.6	0.5	8.4	7.6	20.1	20.8	36.6	31.4
<b>Average</b>	<b>1.3</b>	<b>1.3</b>	<b>9.1</b>	<b>8.1</b>	<b>14.7</b>	<b>13.8</b>	<b>24.0</b>	<b>21.2</b>
<b>Median</b>	<b>0.6</b>	<b>0.5</b>	<b>8.4</b>	<b>7.6</b>	<b>16.4</b>	<b>14.1</b>	<b>25.5</b>	<b>26.3</b>
<b>EdiliziAcrobatica</b>	<b>1.0</b>	<b>0.8</b>	<b>5.4</b>	<b>4.4</b>	<b>5.8</b>	<b>4.7</b>	<b>9.5</b>	<b>7.8</b>
Discount vs. Avg. (%)	-28%	-36%	-41%	-46%	-61%	-66%	-60%	-63%

Source: Market Consensus, Value Track Analysis

Interestingly, despite the more than proportional rerating of EDAC stock with respect to international comparables (both from EDAC IPO and over the last 6 months), the Italian group is still trading at substantial discount, in our view unjustified even in the current normalized scenario without the major contribution of fiscal incentives.

**EDAC: Weekly Stock Performance vs. International Peers since IPO (lhs) and L6M (rhs)**



Source: Value Track Analysis

Also, we look at a cluster of Italian companies exposed to the theme of fiscal incentives on energy efficiency works not only as a cross-check for EDAC Group as a whole but also to infer a possible valuation of EA 110 business (“Superbonus”) standalone.

**EDAC: EA 110 Italian Peers’ Stock Trading Multiples**

Company	EV/Sales		EV/EBITDA		EV/EBIT		P/E Adj.	
	2023E	2024E	2023E	2024E	2023E	2024E	2023E	2024E
<b>EA 110 Italian Peers</b>								
Nusco	0.5	0.4	4.5	3.6	6.7	4.9	9.7	7.4
GIBUS	0.8	0.7	4.8	4.1	5.6	4.8	6.8	6.0
Sciuker	0.6	0.5	2.2	2.1	2.6	2.5	4.7	5.7
Innovatec	0.7	0.6	6.2	5.1	10.7	7.9	9.6	7.9
<b>Average</b>	<b>0.7</b>	<b>0.6</b>	<b>4.5</b>	<b>3.7</b>	<b>6.4</b>	<b>5.0</b>	<b>7.7</b>	<b>6.8</b>
<b>Median</b>	<b>0.6</b>	<b>0.6</b>	<b>4.7</b>	<b>3.8</b>	<b>6.2</b>	<b>4.9</b>	<b>8.2</b>	<b>6.7</b>
<b>EdiliziAcrobatica</b>	<b>1.0</b>	<b>0.8</b>	<b>5.4</b>	<b>4.4</b>	<b>5.8</b>	<b>4.7</b>	<b>9.5</b>	<b>7.8</b>
Discount vs. Avg. (%)	47%	39%	20%	19%	-10%	-6%	24%	15%

Source: Market Consensus, Value Track Analysis

For our Sum of the Parts valuation, we took 2023E as reference year and the following assumptions:

- ◆ **Italy**, i.e. EDAC traditional business valued in line with international peers, taking EV/Sales as most reliable multiple given the historical strong correlation between EDAC Market Cap and Annualized Revenues;
- ◆ **EA 110** valued in line with Italian companies exposed to energy efficiency fiscal aids;

- ◆ **France, Spain, Monaco** subsidiaries value at 2.0x EV/Sales 2023E, given their maturity stage (start-ups or scale ups) and important expansion phase ahead;
- ◆ **Enigma Capital** valued at cost, i.e. €14.1mn (since EDAC acquired a 51% stake for €7.2mn).

The result is a **Fair Equity Value of €25.0 p/s**, after adding our estimate for 2023E Net Cash of €3.0mn and subtracting €6.4mn adjustments related to Enigma Capital minorities (valued at costs at €6.9mn) and ca. €0.5mn peripheral assets (27,190 shares at current market price).

#### EDAC: Sum of the Parts Valuation

Fair Equity Value p/s (€)	Italy	EA 110	France	Spain	Monaco	Enigma	EDAC Group
Fair EV/Sales 2023E	1.3x	0.7x	2.0x	2.0x	2.0x		
Fair EV/EBITDA 2023E		4.5x					
<b>Enterprise Value (€mn)</b>	<b>160.3</b>	<b>16.5</b>	<b>14.0</b>	<b>5.0</b>	<b>1.6</b>	<b>14.1 (*)</b>	<b>211.5</b>
Net Financial Position							3.0
Adjustments							-6.4 (**)
<b>Fair Equity Value (€mn)</b>							<b>208.1</b>
NOSH							8.3
<b>Fair Equity Value p/s (€)</b>							<b>25.0</b>

Source: Value Track Analysis, (\*) Enigma Capital valued at cost, (\*\*) Minorities related to 49% of Enigma Capital valued at cost and Treasury Shares at Mkt Price



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