

EdiliziAcrobatica

Sector: Real Estate services



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Increasing its growth effort even in difficult times

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.

2019A figures: High growth, high startup costs

EdiliziAcrobatica (EdAc) in 2019 accelerated its growth effort in Italy (six new direct branches and two franchisees opened) and abroad with the relaunch of newly acquired French operations (three new openings). In total, as of 2019 year end 83 point of sales were operating.

This “growth” effort led to a sound increase in Value of Production (+59.3% YoY to €41.8mn) but also to a dilution of profitability (EBITDA -3.3% YoY to €4.2mn, EBITDA Margin on VoP standing at 10.1%, nearly 7 percentage points less than the one achieved in FY18) and to Cash burn (Net Debt end of 2019 at €2.7mn vs. €2.1mn Net Cash end of 2018).

Covid-19 to impact orders' intake and receivables

We believe that EdAc should have no problems in terms of supply chain or cash availability, while we expect a hit in orders' intake in March and April and a worsening in 2Q-2H 2020E receivables as long as liquidity becomes an issue to EdAc clients.

In order to offset Covid-19 negative implications EdAc is launching a business line of “sanitization” of residential and commercial spaces, and is going to distribute for free a new app to condominium managers aimed at allowing them to host “virtual” meetings to approve new contracts.

2020E estimates revised downwards

We are obviously revising downward our 2020E revenues estimates and more than proportional the rest of P&L (and Cash burn) as EdAc is willing to keep pushing for growth. As a result, our new 2020E estimates forecast Value of Production, EBITDA, EBIT and Net Profit growing ca. 17% , 16.3% , 6.5% and 19% YoY respectively. Net Financial Position should get in the red by some €5.7mn as of 2020E year end due to higher capex and WC needs.

Fair Value at €7.3 per share (down from €8.4)

Based on our 2020E-'21E estimates we calculate an updated **€7.3 fair value per share** (down from the previous €8.4 fair value per share). At such fair value the company would trade at 1.3x-1.1x EV/Sales'20E-'21E respectively.

Fair Value (€) **7.30**
Market Price (€) **4.90**
Market Cap. (€m) **38.8**

KEY FINANCIALS (€m)	2019A	2020E	2021E
REVENUES	41.8	49.0	60.5
EBITDA	4.2	4.9	7.6
EBIT	2.3	2.5	5.1
NET PROFIT	1.1	1.3	2.9
EQUITY	11.5	13.1	16.1
NET FIN. POS.	-2.7	-5.7	-6.4
EPS ADJ. (€)	0.14	0.16	0.37
DPS (€)	00.0	00.0	00.0

Source: EdiliziAcrobatica (historical figures), Value Track (2020E-21E estimates)

RATIOS & MULTIPLES	2019A	2020E	2021E
EBITDA MARGIN (%)	10.1	10.0	12.5
EBIT MARGIN (%)	5.6	5.0	8.5
NET DEBT / EBITDA (x)	0.6	1.2	0.8
NET DEBT / EQUITY (%)	23.1	43.0	40.0
EV/EBITDA (x)	13.6	9.5	6.0
EV/EBIT (x)	24.6	18.9	8.8
P/E ADJ. (x)	47.2	29.8	13.2
DIV YIELD (%)	00.0	00.0	00.0

Source: EdiliziAcrobatica (historical figures), Value Track (2020E-21E estimates)

STOCK DATA	
FAIR VALUE (€)	7.30
MARKET PRICE (€)	4.90
SHS. OUT. (m)	7.9
MARKET CAP. (€m)	38.8
FREE FLOAT (%)	20.6
AVG. -20D VOL. ('000)	12,500
RIC / BBG	EDAC.MI / EDAC IM
52 WK RANGE	2.78-8.70

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	2018A	2019A	2020E	2021E
Value of Production	26.2	41.8	49.0	60.5
Chg. % YoY	51.0%	59.3%	17.4%	23.4%
EBITDA	4.4	4.2	4.9	7.6
EBITDA Margin (% VoP)	16.6%	10.1%	10.0%	12.5%
EBIT	3.7	2.3	2.5	5.1
EBIT Margin (% VoP)	13.9%	5.6%	5.0%	8.5%
Net Profit	2.2	1.1	1.3	2.9
Chg. % YoY	nm	-50.8%	19.1%	nm
Adjusted Net Profit	2.3	1.1	1.3	2.9
Chg. % YoY	nm	-52.7%	19.1%	nm
Net Fin. Position	2.2	-2.7	-5.7	-6.4
Net Fin. Pos. / EBITDA (x)	nm	0.6	1.2	0.8
Capex	-1.8	-2.8	-4.0	-4.0
OpFCF b.t.	0.3	-2.3	-1.9	1.7
OpFCF b.t. as % of EBITDA	7.9%	-55.5%	-39.6%	22.8%

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

Investment case

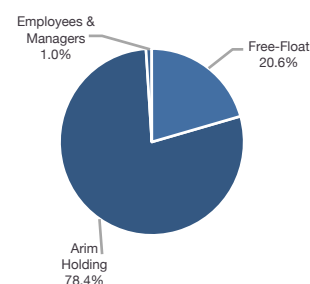
Strengths / Opportunities

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

Weaknesses / Risks

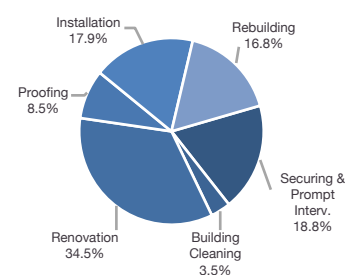
- ◆ Labor intensive business model, requiring highly-skilled workers;
- ◆ The company is braked in its (international) expansion by different regulatory landscapes;
- ◆ Credit collection takes long time, but bad debt risks are minimal.

Shareholders Structure



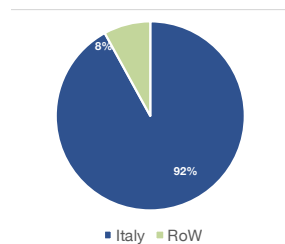
Source: EdAc SpA

Revenues breakdown by product line



Source: EdAc SpA

Revenues breakdown by geography



Source: EdAc SpA

Stock multiples @ €7.30 Fair Value

	2020E	2021E
EV / SALES (x)	1.34	1.06
EV / EBITDA (x)	13.4	8.5
EV / EBIT (x)	26.6	12.5
EV / CAP.EMP. (x)	3.5	2.9
OpFCF Yield (%)	-3.0	2.7
P / E (x)	44.4	19.7
P / BV (x)	4.4	3.6
Div. Yield. (%)	0.0	0.0

Source: Value Track

EdAc FY19 results at a glance

EdAc FY19 financial figures underline a buoyant top line performance but a fall at the bottom level due to high “growth related” costs:

- ◆ Value of Production was up +59.3% YoY to €41.8mn driven by a surge in construction sites executed, that were 6,500, 35.4% more than the 4,800 performed in FY18;
- ◆ Reported EBITDA -3.3% YoY to €4.2mn with an EBITDA Margin on VoP standing at 10.1%, nearly 7 percentage points less than the one achieved in FY18;
- ◆ Net Profit down more than half YoY to €1.1mn;
- ◆ Net Debt end of period at €2.44mn vs. €2.1mn Net Cash as for the end of December 2018.

EdAc: FY18 and FY19 Key financials


€ mn	FY18	FY19	Change YoY (%)
Value of Production	26.2	41.8	59.3%
EBITDA	4.4	4.2	-3.3%
EBITDA Margin as % of VoP	16.8%	10.1%	
EBIT	3.7	2.3	-36.5%
Net Profit	2.2	1.1	-51%
Net Financial Position	2.2	-2.7	n.m.

Source: EdiliziAcrobatica, Value Track Analysis

2019: A year of investments for growth

EdiliziAcrobatica in 2019 accelerated its growth effort in Italy and, for the first time, abroad with the relaunch of newly acquired French operations.


EdAc: Main achievements in 2019

 **188** OPERATION TEAMS AT 31.12.2019
174 Italy + 57.9%
14 France vs 2018 (119)

 **376** ACROBATS AT 31.12.2019
348 Italy + 57.9%
28 France vs 2018 (238)

 **625** EMPLOYEES AT 31.12.2019
582 Italy + 127.3%
43 France vs 2018 (275)

 **6,500** CONSTRUCTION SITES AT 31.12.2019
+ 35.4% vs 2018 (4,800)

 **> €47 mn (*)** ORDERS INTAKE AT 31.12.2019
(* €40.6mn Italy + €3.8mn France + ca. €3.0mn to Franchisee)

 **HUMAN RESOURCES**

- 3,700 I-PROFILE QUESTIONNAIRES
- 2,235 INTERVIEWS
- 353 HIRINGS:
 - ✓ 213 ACROBATS
 - ✓ 95 SALESPERSONS
 - ✓ 24 AREA MANAGERS
 - ✓ 21 EXECUTIVES

 **MARKETING**

- 313,285 SESSIONS
- 64% LEADS
- 663,649 WEB SEARCH
- 16% IMPACT ON INCOME

Source: EdiliziAcrobatica

Italian business

During 2019, EdAc accelerated in its effort to gain more market share within the Italian market. There were eight new openings (six direct branches and two franchisees) that led EdAc in FY19 to incorporate:

- ◆ 174 operation teams (up from 150 as of 2018 year-end);
- ◆ 348 acrobats (i.e. workmen) employed (up from 238 as of 2018 year-end);
- ◆ 582 total employees (up from 275 as of 2018 year-end), including acrobats, salespersons, area managers and executives.

These investments should fulfill all their potential in the upcoming quarters (i.e. as the new business units improve their financial performance before reaching their operational ceiling with maturity), but results have already started to show, as demonstrated by the 6,500 construction sites executed in FY19, over a third more than the ones developed during the previous year.

French business

After more than 1 year since the Euronext listing and the acquisition of ETAIR Méditerranée, EdAc has managed to continue its expansion across the French market. In this regard, the company has already shown promising results:

- ◆ 3 new openings between August and September 2019 in Toulouse, Montpellier and Nice;
- ◆ The implementation within the region of an internal training academy and of an ICT system, which is effectively coordinated with the Italian one;
- ◆ 14 operation teams across five branches (2 of which in Perpignan);
- ◆ 28 acrobats and 43 total employees;

The company aims to faithfully reproduce the Italian side's business model, and on this note, is currently seeking to achieve full operational capacity across the branches by the beginning of 2020.

EdAc: Geographical footprint as of 2019 year end



Source: EdiliziAcrobatica

FY19 financial results in details

Top line: Growing at 59% YoY rate

Recording a total VoP of €41.8mn, EdAc posted a remarkable double-digit VoP growth of +59.3% YoY. In detail, EdAc recorded the following results:

- ◆ €35.9mn revenues from Italian business, i.e. +44% YoY;
- ◆ €3.3mn revenues from the newly consolidated French subsidiary ETAIR, which already accounts for some 8% of total revenues from sales;
- ◆ €2.6mn Other revenues i.e. costs capitalization (related to the startup of new branches not commercially active yet) and grants / contributions.

EdAc: Revenues breakdown FY18 and FY19

€ mn	FY18	FY19	Change YoY (%)
Revenues from Construction sites	22.9	33.1	44.5%
<i>As % of Total Sales</i>	<i>91.6%</i>	<i>84.4%</i>	
Franchising & Royalties & Other	2.1	2.8	33.3%
<i>As % of Total Sales</i>	<i>8.4%</i>	<i>7.1%</i>	
France (starting 2019FY)	0.0	3.3	nm
<i>As % of Total Sales</i>	<i>0.0%</i>	<i>8.4%</i>	<i>nm</i>
Total Revenues from Sales	25.0	39.2	56.8%
Other Revenues	0.2	2.6	nm
Total Value of Production	26.2	41.8	59.5%

Source: EdiliziAcrobatica, Value Track Analysis

Profitability evolution affected by business development costs

EdAc recorded a slight EBITDA contraction of -3.3% YoY to €4.2mn (EBITDA Margin on Value of Production standing at 10.1% down ca. 7 percentage points), as a result of the two following effects:

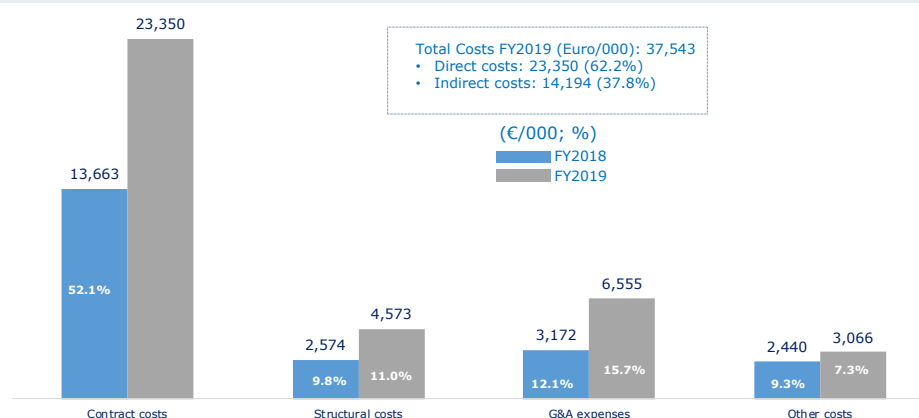
- ◆ The significant increase in contract costs (including costs of materials and salaries of acrobats and technical sales representatives), up +71% YoY to €23.4mn, leading to a dilution of ca. 400 basis points in the Reported Group Contract Margin;
- ◆ The +73.6% YoY growth in Area costs and Headquarter costs to €16.8mn, a sign that the group is investing a lot to structure itself in order to manage its expected future growth.

EdAc: From Value of Production to EBITDA

€ mn	FY18	FY19	Change YoY (%)
Value of Production	26.2	41.8	59.3%
Contract Costs	-12.2	-20.7	70.9%
Contract Margin	14.0	21.0	49.7%
Other Costs	-9.7	-16.8	73.6%
EBITDA	4.4	4.2	-3.3%

Source: EdiliziAcrobatica, Value Track Analysis

EdAc: FY18-FY19 Operating Costs analysis



Source: EdiliziAcrobatica

Revenues and EBITDA breakdown. Senior BUs at ca. 28% EBITDA margin

As the dilution in the Reported Group EBITDA margin in FY19 was not a product of inefficiencies but rather a consequence of business development expenses pertaining to growth in both the Italian and French markets, it's thus useful to try to disaggregate Group reported figures across the main areas i.e. the Italian Headquarter (incl. Corporate development efforts), the French business, and the Italian business. The latter can be further broken down into: Franchising, Senior Business Units (i.e. directly owned and managed branches which were already active as of January 2018) and Junior Business Units (i.e. those branches already in their ramp up phase as their opening took place in 2018 and 2019).

Most insightful results of our analysis are:

- ◆ Group Headquarter (i.e. the Italian one) costs plus Corporate development costs (IPO and M&A costs) account for ca. €6mn;
- ◆ Net of the above-mentioned costs, directly managed and owned Senior Business Units, (or Italy "Senior") are boasting an EBITDA margin close to 30% while Junior Business Units net of Other Revenues effect (i.e. Startup costs capitalization) would have a slightly negative EBITDA;
- ◆ We estimate the French business to have recorded a slightly negative EBITDA.

EdAc FY19 figures broken down by areas

(€mn, all figures are VT estimates and reclassifications)	Group 2019FY	o/w	IT HQ & Corp. Dev	French Business	Italian Business	o/w	Franchising Business	Italy "Senior"	Italy "Junior"
Revenues from Sales	39.2			3.3	36.0		2.8	27.3	5.8
Contract costs	-20.7			-2.1	-18.6		-0.3	-14.0	-4.3
Contract Margin (before Other Revenues)	18.5			1.1	17.4		2.5	13.3	1.6
CM % (before Other Revenues)	47.1%			34.6%	48.3%		88.0%	48.8%	26.8%
Other Revenues (Capitaliz. + Grants)	2.5		0.1	0.1	2.4		0.0	0.5	1.9
Other Costs	-16.8		-6.0	-1.6	-9.2		-0.7	-6.1	-2.4
EBITDA	4.2		-5.9	-0.4	10.5		1.7	7.7	1.1
EBITDA Margin %	10.7%		< 0.0%	< 0.0%	29.2%		62.2%	28.2%	18.2%

Source: Value Track analysis

From EBITDA down to Net Profit

Due to D&A charges more than doubled YoY (Costs capitalizations are taking their toll), EdAc recorded an EBIT of €2.3mn in FY19, down by ca. 36.5% YoY. D&A expenses more specifically included:

- ◆ Amortization of the start-up costs that the new branches sustained before their openings;
- ◆ Stock markets listing costs (AIM November 2018 and Euronext February 2019);
- ◆ Amortization of direct and indirect acquisition costs of ETAIR deal (finalized as of March 2019);

As a result of the significantly lower EBIT, Net Profit stood at €1.1mn vs. €2.2mn FY18, -51% YoY.

EdAc: From EBITDA to Net Profit

€ mn	FY18	FY19	Change YoY (%)
EBITDA	4.4	4.2	-3.3%
D&A	-0.7	-1.9	168.8%
EBIT	3.7	2.3	-36.5%
Net Financial Charges	-0.3	-0.3	n.m.
Taxes	-1.1	-0.9	-15.2%
Net Profit	2.2	1.1	-50.8%

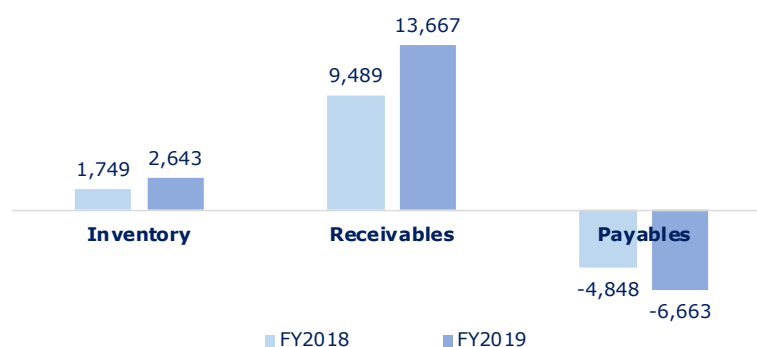
Source: EdiliziAcrobatica, Value Track Analysis

Growth investments lead to negative Cash generation in FY19

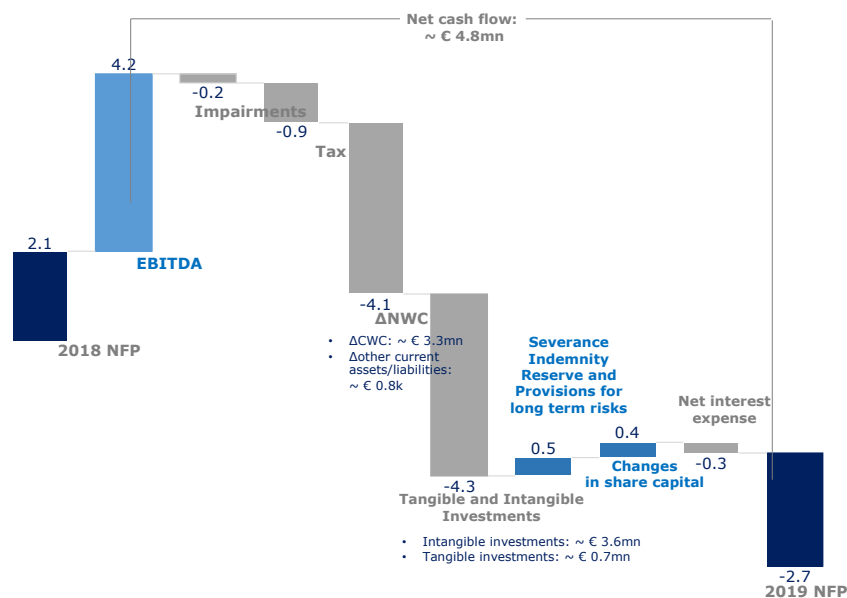
EdAc experienced a cash-burn in FY19, because of above-mentioned business development investments. Indeed, Net Debt stood at €2.7mn vs. €2.1mn Net Cash in FY18, as a consequence of:

- ◆ A ca. €4.2mn increase YoY in receivables, due to the greater business activity overall, but with a lower DSO ratio (we calculate 127dd vs. 138dd as of 2018FY);
- ◆ €4.3mn net investments, as a sum of the expenses sustained as a result of new openings, HQ developments, marketing campaigns, ETAIR acquisition and Euronext listing.

EdAc: Commercial Working Capital evolution (€'000)



Source: EdiliziAcrobatica

EdAc: Cash Flow analysis FY19 (€'000)


Source: EdiliziAcrobatica

EdAc: FY18-FY19 Cash Flow Statement

€mn	FY18	FY19
EBITDA	4.4	4.2
Change in WC and in Provisions	-2.2	-4.1
Capex	-0.9	-4.3
OpFCF b.t.	2.2	-3.8
Cash Taxes	-1.1	-0.9
OpFCF a.t.	0.2	-4.8
Capital Injections	4.8	0.7
Other Op. Items (incl. Fin. Inv.)	-0.3	-0.5
Net Financial Charges	-0.3	-0.3
Net Cash generated	4.4	-4.8

Source: EdiliziAcrobatica, Value Track Analysis

EdAc: FY18-FY19 Balance Sheet structure

€mn	FY18	FY19
Working Capital	6.3	10.2
Net Fixed Assets	2.5	5.1
Provisions	0.8	1.2
Total Capital Employed	8.0	14.2
Group Net Equity	10.1	11.5
Net Fin. Position [i.e. Net Debt (-) Cash (+)]	2.1	-2.7

Source: EdiliziAcrobatica, Value Track Analysis

2020E-21E change in estimates

Assessing potential impacts from Coronavirus on EdiliziAcrobatica Group

The impressive and rapid outbreak of Coronavirus is having a huge impact on the on the global economy and, more or less, on all industries, with this impact to be evaluated in terms of: 1) supply chain disruption, 2) voluntarily or government-imposed halt to operations to fight coronavirus epidemic, 3) decrease in demand from clients, 4) worsening of trade receivables terms, 5) cash availability.

As far as these four points we rank their impact on EdAc (from the mildest one to the worst) as follows:

- ◆ **Supply chain.** EdAC just needs construction materials that are abundant;
- ◆ **Cash availability.** EdAC as of 2019 year-end had ca. €9mn cash on hands so enjoys a safe position, at least in the short to medium term;
- ◆ **Operations.** EdAc provides activities that are not included in those identified by the Italian government as “essential” so it had to shut down its traditional real estate services provisioning back as of March 25th and we still do not know how many weeks it will take to resume operations;
- ◆ **Demand from clients.** A macroeconomic recession is for sure due to negatively impact real estate construction business while real estate maintenance and renovation activities are, traditionally, non-cyclical. In the short term, however, a stop to orders intake activity is taking place as condominium meetings are forbidden so they cannot approve new contracts;
- ◆ **Trade receivables.** For the time being no impact has been observed, but we expect a one-off worsening in 2020E DSO.

In order to offset Covid-19 negative implications we note that EdAc has announced that: 1) it is going to launch a business line of “**sanitization**” of residential and commercial spaces, that by definition should be excluded from lockdown; 2) it is going to **distribute for free a new app** to condominium managers aimed at allowing them to host “virtual” meetings to approve new contracts.

New vs old 2020E estimates

In the light of the considerations outlined above, we are modifying our 2020E estimates as follows:

- ◆ A ac. 11% cut in Value of Production, now seen growing by +17% vs. 2019A figures;
- ◆ A more than proportional cut in EBITDA – EBIT – Net Profit (-39% , -60% , -67%);
- ◆ A worsening of cash generation. Net Financial Position in the red by some €5.7mn.

We expect EdAC to almost entirely absorb the Covid-19 effect as of 20021E and, fully, in 2022E.

EdAc: New vs. Old 2020E forecasts

€mn	2020E Old			2020E new			2020E New vs. Old		
	Italy	France	Group	Italy	France	Group	Italy	France	Group
Value of Production	49.5	5.5	55.0	44.0	5.0	49.0	-11.1%	-9.1%	-10.9%
EBITDA	8.0	0.5	8.0	4.9	0.0	4.9	-38.8%	nm	-38.8%
EBIT	7.3	0.5	6.2	2.5	0.0	2.5	-65.9%	nm	-60.1%
Net Profit	4.6	0.3	4.0	1.3	0.0	1.3	-71.9%	nm	-67.1%
OpFCF after tax	4.5	-0.1	3.2	-2.3	-0.5	-2.8		nm	
Net Financial Position	5.2	-0.8	3.2	-4.7	-1.0	-5.7			

Source EdiliziAcrobatica, Value Track Analysis

Profit & Loss

- ◆ The 11% cut in Value of Production is due to the current halt to operations / orders collection already mentioned, only partially offset by the launch of sanitization business (we expect ca. €1mn revenues in 2020E from this business) and by the fact that government tax subsidies providing 90% tax credits for redoing the front of house and condominium in 2020E should provide some support when lockdown is over;
- ◆ The cut in EBITDA estimate is more than proportional (-39% vs. previous estimates) due to the fact that EdAc is willing to profit from this situation in order to further strengthen its geographical footprint (ca. 10 new business units are planned to be opened) so no cost cutting action has been planned;
- ◆ The cut in EBIT estimate is, again, more than proportional (-60% vs. previous estimates) due to the fact that we expect a rise of D&A costs in 2020E as a consequence of the new accounting policy related to “onboarding” costs for new branches under opening;
- ◆ Non tax deductible costs weigh on apparent tax rate, thus leading a 67% downward revision of 2020E Net Profit.

As a result, our new 2020E estimates forecast Value of Production, EBITDA, EBIT and Net Profit growing ca. 17% , 16.3% , 6.5% and 19% YoY respectively.

Balance Sheet and Cash Flow Statement

- ◆ We have revised upwards our capex estimates to €4mn as a consequence of: 1) the new accounting policy related to capitalization of “onboarding” costs for new branches under opening, 2) the investments aimed at faithfully replicate EdAc business model in France and consolidate its presence in Italy;
- ◆ No M&A cash out has been included but we note that the company has announced that scouting opportunities in Spain;
- ◆ Working Capital is seen up mainly due to trade receivables, partly due to revenues growth and partly due to the expectation that liquidity could be an issue for EdAc clients in the next months thus leading to a lengthening of their payment terms;
- ◆ Hence, OpFCF is now expected to be negative due to the heavy investment effort and to the working capital absorption;

As a consequence, Net Financial Position should get in the red by some €5.7mn as of 2020E year end.

EdAc: P&L evolution 2018A-21E

(€mn)	2018A	2019A	2020E	2021E
Total Revenues from Sales	25.0	39.2	46.8	58.2
Other Revenues	0.2	2.5	2.2	2.3
Total Value of Production	26.2	41.8	49.0	60.5
Reported EBITDA	4.4	4.2	4.9	7.6
<i>Reported EBITDA margin (% on Value of Production)</i>	16.6%	10.1%	10.0%	12.5%
Depreciation & Amortization	-0.7	-1.9	-2.4	-2.4
EBIT	3.7	2.3	2.5	5.1
<i>EBIT margin (% on Value of Production)</i>	13.9%	5.6%	5.0%	8.5%
Net Fin. Income (charges)	-0.3	-0.3	-0.3	-0.4
Pre-tax Profit	3.4	2.0	2.2	4.7
Tax	-1.1	-0.9	-0.9	-1.8
Net Profit	2.2	1.1	1.3	2.9

Source: Value Track Analysis

EdAc: Balance Sheet evolution 2018A-21E

(€mn)	2018A	2019A	2020E	2021E
Working Capital	6.2	10.2	13.4	15.7
Net Fixed Assets	2.5	5.1	6.9	8.7
Provisions	0.8	1.2	1.5	2.0
Total Capital Employed	7.9	14.2	18.8	22.4
Group Net Equity	10.1	11.5	13.1	16.1
Net Fin. Position [i.e. Net Debt (-) Cash (+)]	2.2	-2.7	-5.7	-6.4

Source: Value Track Analysis

EdAc: Cash Flow Statement evolution 2018A-21E

(€mn)	2018A	2019A	2020E	2021E
EBITDA	4.4	4.2	4.9	7.6
Working Capital Needs	-2.2	-4.1	-3.2	-2.3
Capex	-1.8	-2.8	-4.0	-4.0
Change in Provisions	0.0	0.3	0.3	0.5
OpFCF b.t.	0.3	-2.3	-1.9	1.7
Cash Taxes	-1.1	-0.9	-0.9	-1.8
Capital Injections	4.8	0.7	0.0	0.0
Other Op. Items (incl. Fin. Inv.)	0.1	-1.5	0.0	0.0
Net Financial Charges	-0.3	-0.3	-0.3	-0.4
Dividends paid	0.0	0.0	0.0	0.0
Net Cash generated	4.5	-4.8	-3.0	-0.7

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 adopt a valuation approach that averages both short term and long term skewed views.

As far as short term we look at EV/SALES multiple, while a long term view is provided by DCF.

That said, based on our 2020E-'21E estimates and on such a valuation framework, we calculate an updated **€7.3 fair value per share** (down from the previous €8.4 fair value per share). At such fair value the company would trade at 1.3x-1.1x EV/Sales'20E-'21E respectively.

Peers analysis

There are no listed close comparables to EdiliziAcrobatica, so we take into account some foreign players active in the provisioning of real estate facility services (and not goods) to building owners.

As far as stock trading multiples are concerned, we take into account **2020E-'21E as reference years** and we calculate that, on average, **peers are currently trading at ca. 1.94x-1.89x EV/Sales 2020E-'21E** respectively.

Given its much smaller size compared to peers, EdAc deserves a ca. 40% “small size” / “liquidity” discount on foreign peers’ multiples, leading to **1.16x-1.13x EV/Sales'20E-'21E** and to an average **€7.0 “peers based” fair value per share**.

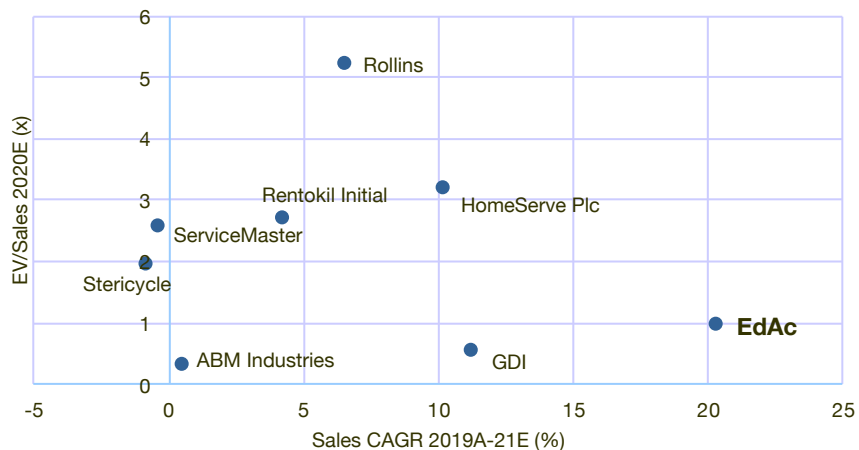
EdiliziAcrobatica: Fair valuation based on peers' EV/Sales multiples 2020E-21E

	2020E	2021E
Foreign comparables (*)	1.94x	1.89x
EdAc "fair" multiples	1.16x	1.13x
Discount % vs. foreign comps	40%	40%
EdAc fair value per share (€)	€ 6.20	€ 7.80

Source: Value Track Analysis

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

EdAc vs. peers: EV/Sales 2020E vs. Sales CAGR 2019A-2021E



Source: Market Consensus, Value Track Analysis

EdiliziAcrobatica peers: EV/Sales multiples 2020E-21E

	2020E	2021E
Rentokil Initial	2.7	2.5
Stericycle	1.9	1.9
ServiceMaster	2.6	2.4
Mears Group	0.4	0.4
HomeServe Plc	3.2	2.9
ABM Industries	0.3	0.3
GDI	0.6	0.5
Rollins	n.m.	n.m.
Median	1.94	1.89

Source: Value Track Analysis, Mkt Consensus

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 almost 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 2020E-2021E estimates, and assuming January 2020 as reference time point for valuation, the result of "almost unlevered capital structure" DCF calculation is **€7.59 fair value per share**.

Just for completeness, we note that the "target capital structure" DCF calculation leads to €8.20 fair value per share.

EdiliziAcrobatica: Discounted Cash Flow Model

	Unlevered Capital structure (€mn)	Target Capital structure (€mn)
PV of future Cash flows FY20E-FY27E	20.0	20.6
PV of Terminal value with PGR at 2%	44.8	49.1
Fair Enterprise value	64.8	69.7
Net Cash Position 2019E Year-End	-2.7	-2.7
Minorities (*)	-2.0	-2.0
Fair Equity Value	60.1	65.0
Fair Equity Value per share (€)	7.59	8.20

Source: Value Track Analysis

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

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