

COMPANY CONTACT FOLLOWING 2020 RESULTS

RECOVERY CONFIRMED IN H2 20, OPTIMISM ABOUT 2021

A detailed analysis of the 2020 results shows that adjusted earnings were much stronger than the reported figures in H2 20, and that adjusted EBITDA margin climbed into the double-digit range a year ahead of schedule. The only worrisome point was the extension of customer payment terms, though EDAC addressed the issue by setting up a financing technique similar to deconsolidating factoring with Intesa. This paves the way for it to continue to enjoy sustained and profitable growth. We are sticking to our BUY rating and raising our TP to €10 (from €8) after shifting our DCF model by one year.

Maxime Dubreil
+33 1 44 88 77 98
mdubreil@invest-securities.com

Matthieu Lavillunière, CFA
+33 1 73 73 90 34
mlavilluniere@invest-securities.com

Thibault Morel
+33 1 44 88 77 97
tmorel@invest-securities.com

Report completed on
04/08/2021 07:41

Report published on
04/08/2021 07:41

2020 adjusted earnings much better than the reported numbers

The FY 2020 earnings reported by the Italian group last week (cf. Heure de l'Action on 03/31/21) showed significant improvement in H2. A detailed analysis of those results, including all adjustments (notably for capitalized production), shows that they are of much higher quality than the reported figures. FY 2020 revenues still came in at €44.7m (+14%), in line with our estimate (€45m), reflecting a sharp uptick in H2 (+28%) driven by fiscal stimulus in Italy. On the other hand, adjusted EBITDA reached €4.2m (+96%), well above our €2.1m estimate, with FY margin surging to 9.3% (from 5.4% in 2019), including 12.7% in H2 20. Reported EBITDA of €5m included a much lower level of capitalized production than anticipated (€0.8m vs. €2.1m in 2019 and €2.0m in our estimates). And, a year earlier than in our model, EDAC delivered a double-digit adjusted EBITDA margin in H2 20, even though it is still in an investment phase (office network in Italy and rollout of the Italian model in France).

Deal with Intesa to finance the working capital

The only worrisome aspect of the 2020 earnings in our view was the change in WCR (-€7.4m vs. -€3.7m estimate), which put op. FCF at -€5.1m (vs. -€2.9m estimate) and led to a €5m increase in Net Debt to €7.7m (vs. €6.9m estimate). This deterioration of working capital metrics was attributable to the extension of customer payment terms in Italy as a result of the tax credits. The tax program was extended, so there was a risk it could take a toll on EDAC's balance sheet (even in the absence of non-collection risk). The solution the company found was to have Intesa finance its Ecobonus tax credits via an arrangement similar to deconsolidating factoring, for a total of €8m (of which €2m was already drawn at the end of 2020). Since EDAC ended 2020 in a comfortable position (gross cash of €17.5m), this will allow it to focus on its development.

Optimism about 2021, IS estimates reiterated

Management has opted not to issue guidance for 2021, but its message is resolutely upbeat (Ecobonus effect, new offers), supporting our estimates for 2021-22, which may seem too conservative even though they call for sharp increases in sales and earnings.

Invest Securities and the issuer have signed an analyst coverage agreement.

in € / share	2021e	2022e	2023e
Adjusted EPS	0,38	0,65	0,94
chg.	+52%	+70%	+44%
estimates chg.	+1%	-3%	n.s.
au 31/12	2021e	2022e	2023e
PE	16,2x	9,5x	6,6x
EV/Sales	1,1x	0,9x	0,7x
EV/Adjusted EBITD	11,2x	7,0x	4,8x
EV/Adjusted EBITA	12,1x	7,4x	5,0x
FCF yield*	4,8%	8,2%	12,4%
Div. yield (%)	n.s.	n.s.	n.s.

* After tax op. FCF before WCR

key points			
Closing share price	07/04/2021 6,20		
Number of Shares (m)	8,0		
Market cap. (€m)	50		
Free float (€m)	0		
ISIN	IT0005351504		
Ticker	EDAC-IT		
DJ Sector	Industrial Services		
	1m	3m	Ytd
Absolute perf.	+9,9%	+14,8%	+17,4%
Relative perf.	+1,9%	+5,1%	+5,4%

Source : Factset, Invest Securities estimates

FINANCIAL DATAS

Share information	2016	2017	2018	2019	2020	2021e	2022e	2023e
Published EPS (€)	0,36	0,19	0,32	0,14	0,22	0,37	0,64	0,90
Adjusted EPS (€)	0,37	0,27	0,38	0,09	0,25	0,38	0,65	0,94
<i>Diff. I.S. vs Consensus</i>	<i>nd</i>	<i>nd</i>	<i>+26,6%</i>	<i>-36,8%</i>	<i>+151,7%</i>	<i>+27,6%</i>	<i>nd</i>	<i>nd</i>
Dividend	0,00	0,00	0,00	0,10	0,00	0,00	0,00	0,00

Valuation ratios	2016	2017	2018	2019	2020	2021e	2022e	2023e
P/E	nd	nd	8,9x	66,7x	22,0x	16,2x	9,5x	6,6x
EV/Sales	nd	nd	0,78x	1,28x	1,20x	1,06x	0,85x	0,68x
EV/Adjusted EBITDA	nd	nd	4,5x	23,5x	12,8x	11,2x	7,0x	4,8x
EV/Adjusted EBITA	nd	nd	5,0x	39,1x	16,7x	12,1x	7,4x	5,0x
Op. FCF bef. WCR yield	nd	nd	6,9%	1,5%	4,4%	4,8%	8,2%	12,4%
Op. FCF yield	nd	nd	n.s.	n.s.	n.s.	0,2%	2,3%	7,0%
Div. yield (%)	nd	nd	n.s.	n.s.	1,7%	n.s.	n.s.	n.s.

NB : valuation based on annual average price for past exercise

Entreprise Value (€m)	2016	2017	2018	2019	2020	2021e	2022e	2023e
<i>Share price in €</i>	<i>nd</i>	<i>nd</i>	<i>3,4</i>	<i>5,9</i>	<i>5,5</i>	<i>6,2</i>	<i>6,2</i>	<i>6,2</i>
Market cap.	nd	nd	20,7	46,2	44,1	49,8	49,8	49,8
Net Debt	nd	nd	-2,1	2,7	7,7	8,1	7,4	4,1
Minorities	nd	nd	0,1	0,0	0,0	0,0	0,0	0,0
Provisions/ near-debt	nd	nd	0,7	1,2	1,8	1,8	1,8	1,8
+/- Adjustments	nd	nd	0,0	0,0	0,0	0,0	0,0	0,0
Entreprise Value (EV)	nd	nd	19,4	50,0	53,6	59,6	58,9	55,7

Income statement (€m)	2016	2017	2018	2019	2020	2021e	2022e	2023e
Sales	12,5	16,3	25,0	39,2	44,7	56,0	69,2	82,4
<i>chg.</i>	<i>nd</i>	<i>+30,5%</i>	<i>+53,5%</i>	<i>+57,0%</i>	<i>+13,9%</i>	<i>+25,4%</i>	<i>+23,6%</i>	<i>+19,1%</i>
Adjusted EBITDA	3,0	2,8	4,3	2,1	4,2	5,3	8,4	11,6
adjusted EBITA	2,7	2,3	3,9	1,3	3,2	4,9	8,0	11,2
<i>chg.</i>	<i>nd</i>	<i>-15,5%</i>	<i>+69,9%</i>	<i>-67,2%</i>	<i>+150,2%</i>	<i>+53,5%</i>	<i>+62,6%</i>	<i>+40,0%</i>
EBIT	2,7	2,3	3,9	1,3	3,2	4,9	8,0	11,2
Financial result	0,0	-0,1	-0,3	-0,3	-0,3	-0,5	-0,5	-0,5
Corp. tax	-0,8	-0,8	-1,1	-0,9	-1,1	-1,5	-2,5	-3,6
Minorities+affiliates	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Net attributable profit	1,9	1,4	2,5	0,1	1,8	2,9	4,9	7,2
Adjusted net att. profit	1,9	1,5	2,5	0,7	2,0	3,1	5,2	7,5
<i>chg.</i>	<i>nd</i>	<i>-20,9%</i>	<i>+67,1%</i>	<i>-72,1%</i>	<i>+191,9%</i>	<i>+51,5%</i>	<i>+70,1%</i>	<i>+43,7%</i>

Cash flow statement (€m)	2016	2017	2018	2019	2020	2021e	2022e	2023e
Adjusted EBITDA	nd	2,8	4,3	2,1	4,2	5,3	8,4	11,6
Theoretical Tax / Adj. EBITA	nd	-0,7	-1,2	-0,4	-1,0	-1,5	-2,4	-3,4
Capex	nd	-0,9	-1,8	-1,0	-0,9	-1,0	-1,2	-1,3
Operating FCF bef. WCR	nd	1,3	1,3	0,8	2,3	2,9	4,8	6,9
Change in WCR	nd	-2,2	-3,6	-4,1	-7,4	-2,7	-3,5	-3,0
Operating FCF	nd	-0,9	-2,2	-3,4	-5,1	0,1	1,4	3,9
Acquisitions/disposals	nd	0,0	0,1	-1,3	0,0	0,0	0,0	0,0
Capital increase/decrease	nd	0,0	5,7	0,7	0,4	0,0	0,0	0,0
Dividends paid	nd	-0,7	0,0	0,0	-0,8	0,0	0,0	0,0
Other adjustments	nd	0,2	0,8	-0,9	0,4	-0,5	-0,7	-0,7
Published Cash-Flow	nd	-1,4	4,3	-4,8	-5,0	-0,4	0,7	3,2

Balance Sheet (€m)	2016	2017	2018	2019	2020	2021e	2022e	2023e
Assets	0,7	1,2	2,5	5,1	5,8	6,4	7,4	8,3
Intangible assets/GW	0,4	0,8	1,7	3,9	4,4	4,7	5,3	5,7
WCR	2,4	3,6	6,2	10,2	16,6	19,3	22,8	25,8
Group equity capital	2,0	2,0	9,9	11,5	12,9	15,8	21,0	28,2
Minority shareholders	0,0	0,1	0,1	0,0	0,0	0,0	0,0	0,0
Provisions	0,2	0,4	0,7	1,2	1,8	1,8	1,8	1,8
Net financial debt	0,9	2,3	-2,1	2,7	7,7	8,1	7,4	4,1

Financial ratios	2016	2017	2018	2019	2020	2021e	2022e	2023e
Adj. EBITDA margin	24,1%	17,2%	17,2%	5,4%	9,3%	9,5%	12,1%	14,1%
Adj. EBITA margin	21,8%	14,1%	15,6%	3,3%	7,2%	8,8%	11,6%	13,6%
Adjusted Net Profit/Sales	15,2%	9,2%	10,0%	1,8%	4,5%	5,5%	7,6%	9,1%
ROCE	87,3%	47,7%	45,0%	8,3%	14,3%	19,1%	26,5%	32,8%
ROE adjusted	96,7%	74,7%	25,1%	6,1%	15,8%	19,4%	24,9%	26,6%
Gearing	48,5%	116,9%	n.s.	23,2%	59,8%	50,9%	35,1%	14,7%
ND/EBITDA (in x)	0,3x	0,8x	-0,5x	1,3x	1,8x	1,5x	0,9x	0,4x

Source : company, Invest Securities Estimates

INVESTMENT CASE

Atypical actor in the construction market, EDAC is an Italian group only exercising the trade of rope access for renovations and maintenance of buildings of more than 3 floors. Relatively recent, this technique has many advantages over scaffolding work. In a competitive landscape limited to SMEs and artisans, EDAC has chosen to industrialize its approach, particularly in the field of training. Already leader of the Italian market still partially penetrated, this strategy, completed by acquisitions of local actors, must enable it to conquer new European markets.

SWOT ANALYSIS

STRENGTHS

- Training center
- Structuring of the services and the model
- European leader

THREATS

- Very long period for repayment
- Very high exposure to the Italian market

OPPORTUNITIES

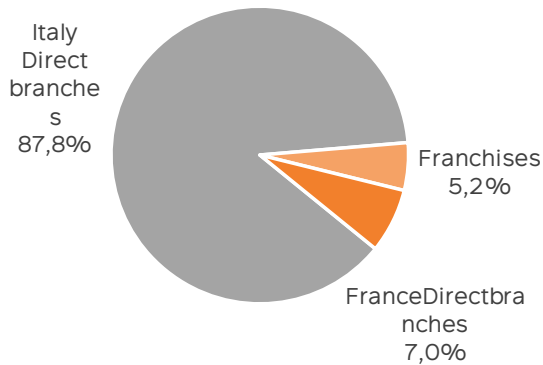
- Fragmentation of the market
- Competition limited to SMEs/artisans

MENACES

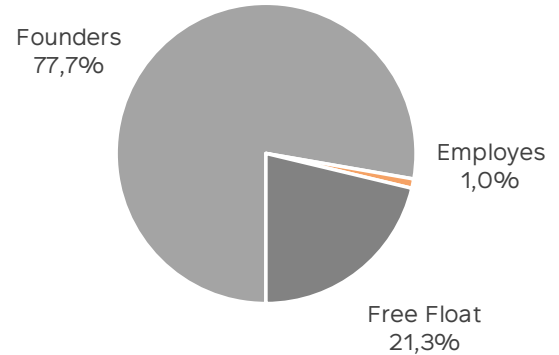
- Arrival on the market of giant construction companies
- Difficulties to replicate the model outside Italy

ADDITIONAL INFORMATION

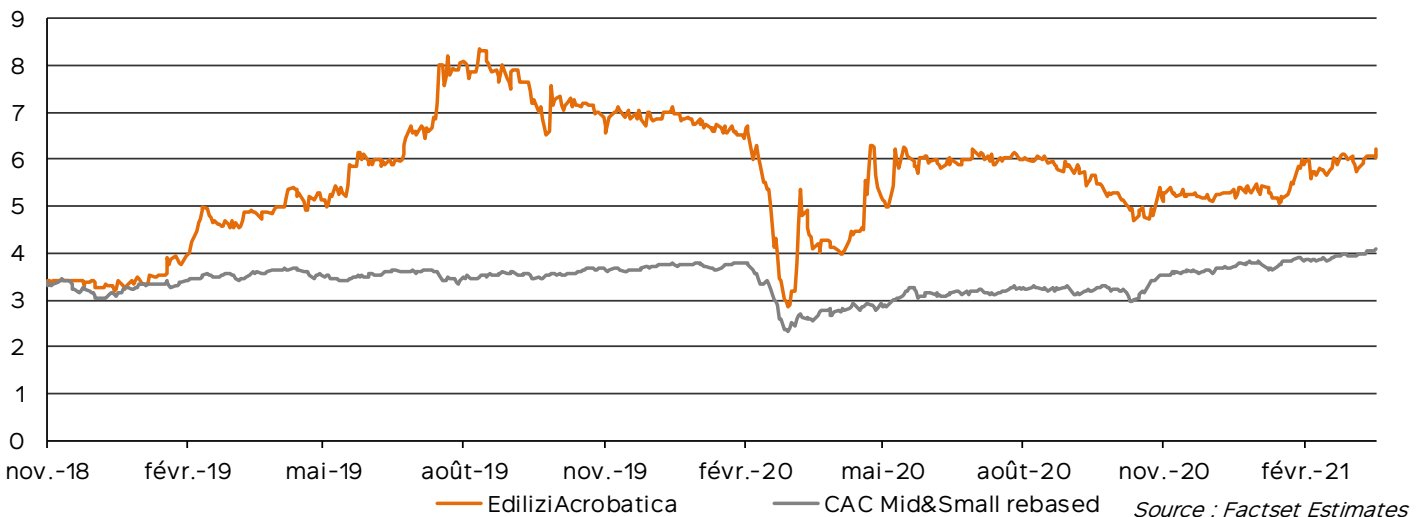
Sales Breakdown 2020



Shareholders



SHARE PRICE CHANGE SINCE IPO



DISCLAIMER

Invest Securities is authorized and supervised by the Prudential Control and Resolution Authority (ACPR) and regulated by the Financial Markets Authority (AMF).

This document does not constitute or form part of any offer or invitation to subscribe, buy or sell financial securities, or to participate in any other transaction.

While all reasonable care has been taken to ensure that the facts stated herein are accurate, Invest Securities has not verified the contents hereof and accordingly none of Invest Securities, shall be in any way responsible for the contents hereof and no reliance should be placed on the accuracy, fairness, or completeness of the information contained in this document.

The opinions, forecasts and estimates contained in this document are those of their authors only. The assessments made reflect their opinion on the date of publication and are therefore subject to change or invalidation at any time, without notice. Invest Securities has no obligation to update, modify or amend this document or to inform in any way the recipient of this document in the event that a fact, opinion, forecast or estimate contained in this document, changes or becomes inaccurate.

The investments mentioned in this document may not be suitable for all of its recipients. The recipients of the document are invited to base their investment decisions on the appropriate procedures they deem necessary. It is recalled that past performances do not prejudice future performances. Investing in the markets presents a risk of capital loss. Any loss or other consequence arising from the use of the information contained in the document is the sole responsibility of the investor. Neither Invest Securities nor any other person can be held responsible in any way for any direct or indirect damage resulting from the use of this document. If in doubt about any investment, recipients should contact their own investment, legal and / or tax advisers for advice regarding the advisability of investing.

Research reports including their preparation and distribution are subject to the provisions of market abuse regulation (EU) n°2014/596 and delegated regulation (EU) n°2016/958 on the technical modalities for the objective presentation of recommendations. This document is intended only for professional investors who meet the criteria set out in Annex II of Directive 2014/65/EU, or “qualified investors” within the meaning of the prospectus regulation (eu) 2017/1129.

This document is provided to you on a confidential basis for your information and may not be reproduced or transmitted, in whole or in part, to any other person or published.

TARGET PRICE AND RECOMMENDATION

Our analyst ratings are dependent on the expected absolute performance of the stock on a 6- to 12-month horizon. They are based on the company’s risk profile and the target price set by the analyst, which takes into account exogenous factors related to the market environment that may vary considerably. The Invest Securities analysis office sets target prices based on a multi-criteria fundamental analysis, including, but not limited to, discounted cash flows, comparisons based on peer companies or transaction multiples, sum-of-the-parts value, restated net asset value, discounted dividends.

Ratings assigned by the Invest Securities analysis office are defined as follows:

- BUY: Upside potential of more than 10% (the minimum upside required may be revised upward depending on the company’s risk profile)
- NEUTRAL: Between -10% downside and +10% upside potential (the maximum required may be revised upward depending on the company’s risk profile)
- SELL: Downside potential of more than 10%
- TENDER or DO NOT TENDER: Recommendations used when a public offer has been made for the issuer (takeover bid, public exchange offer, squeeze-out, etc.)
- SUBSCRIBE or DO NOT SUBSCRIBE: Recommendations used when a company is raising capital
- UNDER REVIEW: Temporary recommendation used when an exceptional event that has a substantial impact on the company’s results or our target price makes it impossible to assign a BUY, NEUTRAL or SELL rating to a stock

12-MONTH HISTORY OF OPINION

The table below reflects the history of price recommendation and target changes made by the financial analysis office of Invest Securities over the past 12 months.

Company Name	Main Author	Release Date	Rating	Target Price	Potential
EDAC	Maxime Dubreil	11-sept.-20	BUY	8,0	+69%

DETECTION OF CONFLICTS OF INTEREST

	EDAC
Invest Securities was lead manager or co-lead manager in a public offer concerning the financial instruments of this issuer during the last twelve months.	No
Invest Securities has signed a liquidity contract with the issuer.	Yes
Invest Securities and the issuer have signed a research service agreement.	Yes
Invest Securities and the issuer have signed a Listing Sponsor agreement.	Yes
Invest Securities has been remunerated by this issuer in exchange for the provision of other investment services during the last twelve months (RTO, Execution on behalf of third parties, advice, placement, underwriting).	No
This document was sent to the issuer prior to its publication. This rereading did not lead the analyst to modify the valuation.	No
This document was sent to the issuer for review prior to its publication. This rereading led the analyst to modify the valuation.	No
The financial analyst has an interest in the capital of the issuer.	No
The financial analyst acquired equity securities of the issuer prior to the public offering transaction.	No
The financial analyst receives remuneration directly linked to the transaction or to an investment service provided by Invest Securities.	No
An executive officer of Invest Securities is in a conflict of interest with the issuer and was given access to this document prior to its completion.	No
Invest Securities or the All Invest group owns or controls 5% or more of the share capital issued by the issuer.	No
Invest Securities or the All Invest group holds, on a temporary basis, a net long position of more than 0.5% of the issuer's capital.	No
Invest Securities or the All Invest group holds, on a temporary basis, a net short position of more than 0.5% of the issuer's capital.	No
The issuer owns or controls 5% or more of the capital of Invest Securities or the All Invest group.	No

Invest Securities's conflict of interest management policy is available on the Invest Securities website in the Compliance section. A list of all recommendations released over 12 months as well as the quarterly publication of "BUY, SELL, NEUTRAL, OTHERS" over 12 months, are available on the Invest Securities research platform.

MANAGEMENT

Marc-Antoine Guillen
CEO

+33 1 44 88 77 80
maguillen@invest-securities.com

Jean-Emmanuel Vernay
Managing Director

+33 1 44 88 77 82
jevernay@invest-securities.com

Anne Bellavoine
Deputy Managing Director

+33 1 55 35 55 75
abellavoine@invest-securities.com

Pascal Hadjedj
Deputy Managing Director and
Head of Primary Market Sales

+33 1 55 35 55 61
phadjedj@invest-securities.com

EQUITY RESEARCH

Maxime Dubreil
Head of Equity Research

+33 1 44 88 77 98
mdubreil@invest-securities.com

Stéphane Afonso
Real Estate

+33 1 73 73 90 25
safonso@invest-securities.com

Johann Carrier
Stock-Picking

+33 1 44 88 77 88
jcarrier@invest-securities.com

Bruno Duclos
Real Estate

+33 1 73 73 90 25
bduclos@invest-securities.com

Jamila El Bougrini, PhD, MBA
Biotech/Healthtech

+33 1 44 88 88 09
jelbougrini@invest-securities.com

Benoît Faure-Jarrosson
Real Estate

+33 1 73 73 90 25
bfaure-jarrosson@invest-securities.com

Christian Guyot
Consumer Goods

+33 1 80 97 22 01
cguyot@invest-securities.com

Mathieu Lavillunière, CFA
Technology

+33 1 73 73 90 34
mlavilluniere@invest-securities.com

Ludovic Martin, CFA
Consumer Goods

+33 1 73 73 90 36
lmartin@invest-securities.com

Thibault Morel
Technology

+33 1 44 88 77 97
tmorel@invest-securities.com

Jean-Louis Sempé
Automotive

+33 1 73 73 90 35
jlsampe@invest-securities.com

Thibaut Voglimacci
Medtechs / Biotech

+33 1 44 88 77 95
tvoglimacci@invest-securities.com

TRADING FLOOR

François Habrias
Institutional Sales

+33 1 55 35 55 70
fhabrias@invest-securities.com

Dominique Humbert
Sales trading

+33 1 55 35 55 64
dhumbert@invest-securities.com

Bertrand Le Mollé-Montanguon
Institutional Sales

+33 1 55 35 55 74
blmm@invest-securities.com

Ralph Olmos
Institutional Sales

+33 1 55 35 55 72
rolmos@invest-securities.com

Kaspar Stuart
Institutional Sales

+33 1 55 35 55 65
kstuart@invest-securities.com

Renaud Vallette Viallard
Institutional Sales

+33 1 72 38 26 32
rvv@invest-securities.com

Frédéric Vals
Institutional Sales

+33 1 55 35 55 71
fvals@invest-securities.com

CORPORATE BROKING & ISSUER MARKETING

Thierry Roussilhe
Head of CB & Issuer Marketing

+33 1 55 35 55 66
troussilhe@invest-securities.com

Fabien Huet
Liquidity

+33 1 55 35 55 60
fhuet@invest-securities.com

Charlène Imbert
Listing Sponsor

+33 1 55 35 55 69
cimberty@invest-securities.com