EdiliziAcrobatica

Sector: Real Estate services

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Fiscal aids, short term game changer

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.

Fair Value (€)	**8.30**
Market Price (€)(*)	**6.02**
Market Cap. (€m)(*)	**48.4**

FY20 results: Fiscal aids driving 2H growth

2020FY has been heavily influenced by Covid-19 outbreak. While in 1H the Group recorded a -4.2% decrease in Value of Production due to two months stop in operations, on the contrary in 2H the fiscal incentives on façade restoration works (so called "*Bonus Facciate 90%*") drove demand above pre-pandemic levels, allowing EdAc to record FY20 VoP up +10.6% y/y at €46.2mn, (implied 2H at +23.5%). A less than proportional increase in operating costs resulted in an EBITDA margin of 10.8% (on VoP, vs. 10.1% in FY19), despite the negative contribution of the French subsidiary. Net Debt worsened by ca. €5mn, almost entirely brought up by surged amounts of receivables linked with the aforementioned fiscal aids.

Business development goes on and on

Business wise, we underline that EdAc is continuing to invest in future growth by expanding its commercial penetration both at local and international level, introducing new sanitization business line, launching new condominium app, investing in marketing and human capital. Last but not least, the company has just announced the setup of **Energy Acrobatica 110% S.r.l.**, aimed at exploiting the opportunities related to fiscal incentives on real estate works called "*Superbonus 110%*".

2021E-22E top line estimates strongly revised upwards

Fiscal aids (90% tax credit) on façade works have been extended for the whole 2021 year, and we are assuming a confirmation for 2022 as well. As a consequence, we have strongly revised upwards 2021E-22E P&L estimates, (we now expect EBITDA at €7.6mn and €9.9mn respectively) but also delayed reported free cash flow generation to 2023E onwards, as abnormal growth is expected to drive working capital absorption. Our estimates do not take into account yet the new business related to 110% fiscal aids.

Fair Value at €8.30 per share (up from €7.00)

Despite the fact that sooner or later the above-mentioned fiscal aids are due to be withdrawn, it's a matter of fact that they are allowing a profitable acceleration of domestic footprint enlargement, and this is a massive additional value that is going to remain. That said, and based on our new estimates, we calculate an updated **€8.30 fair value** per share (vs. previous €7.00 and almost in line with pre-Covid one).

KEY FINANCIALS (€m)	2020A	2021E	2022E
VALUE OF PRODUCTION	46.2	62.9	75.5
EBITDA	5.0	7.6	9.9
EBIT	3.1	5.6	7.6
NET PROFIT	1.8	3.1	4.6
EQUITY	12.9	15.3	18.6
NET FIN. POS.	-7.7	-8.6	-10.5
EPS ADJ. (€)	0.2	0.4	0.6
DPS (€)	0.2	0.2	0.2

Source: EdiliziAcrobatica (historical figures), Value Track (2021E-22E estimates)

RATIOS & MULTIPLES	2020A	2021E	2022E
EBITDA MARGIN (%)	10.8%	12.2%	13.1%
EBIT MARGIN (%)	6.8%	9.0%	10.1%
NET DEBT / EBITDA (x)	1.5	1.1	1.1
EV/SALES (x)	1.3	0.9	0.8
EV/EBITDA (x)	11.6	7.5	6.0
EV/EBIT (x).	18.5	10.2	7.9
P/E ADJ. (x)	27.3	15.5	10.7
DIV YIELD (%)	2.7	2.7	2.7

Source: EdiliziAcrobatica (historical figures), Value Track (2021E-22E estimates)

STOCK DATA	
FAIR VALUE (€)	8.30
MARKET PRICE (€)	6.02
SHS. OUT. (m)	8.03
MARKET CAP. (€m)	48.4
FREE FLOAT (%)	23.6
AVG. -20D VOL. (#)	13,716
RIC / BBG	EDAC.MI / EDAC IM
52 WK RANGE	3.99-6.30

Source: Stock Market Data

(*) Stock price and Market Capitalization as of April 6th market close

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	2019A	2020A	2021E	2022E
Value of Production (*)	**41.8**	**46.2**	**62.9**	**75.5**
Chg. % YoY	59.3%	10.6%	36.2	20.1
EBITDA	**4.2**	**5.0**	**7.6**	**9.9**
EBITDA Margin	10.1%	10.8%	12.2%	13.1%
EBIT	**2.3**	**3.1**	**5.6**	**7.6**
EBIT Margin	5.6%	6.8%	9.0%	10.1%
Net Profit	**1.1**	**1.8**	**3.1**	**4.6**
Chg. % YoY	-50.8%	60.7%	79.1%	46.2%
Adjusted Net Profit	**1.1**	**1.8**	**3.1**	**4.6**
Chg. % YoY	-52.7%	60.7%	79.1%	46.2%
Net Fin. Position	**-2.7**	**-7.7**	**-8.6**	**-10.5**
Net Fin. Pos. / EBITDA (x)	0.6	1.5	1.1	1.1
Capex	-2.8	-1.7	-3.0	-4.0
OpFCF b.t.	**-2.3**	**-2.4**	**2.3**	**2.5**
OpFCF b.t. as % of EBITDA	-53.7%	-48.8%	30.1%	25.0%

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

(*) Net of rebate to clients of fiscal aid ("Bonus Facciate") cash in costs

Investment case

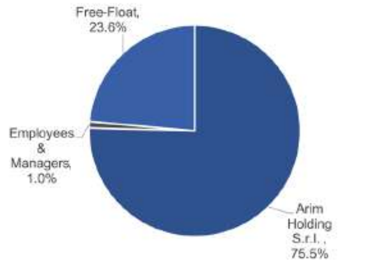
Strengths / Opportunities

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

Weaknesses / Risks

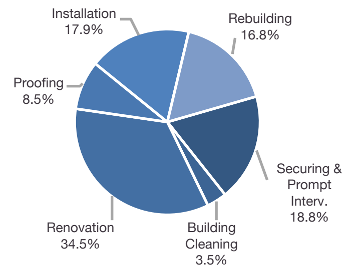
- Labor intensive business model, requiring highly-skilled workers;
- The company is braked in its (international) expansion by different regulatory landscapes;
- Credit collection takes long time, but bad debt risks are minimal.

Shareholders Structure



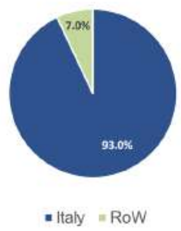
Source: EdAc SpA

Revenues breakdown by product line



Source: EdAc SpA (*) 1H20

Revenues breakdown by geography



Source: EdAc SpA

Stock multiples @ €8.30 Fair Value

	2021E	2022E
EV / SALES (x)	1.2	1.0
EV / EBITDA (x)	10.0	7.9
EV / EBIT (x)	13.5	10.3
EV / CAP.EMP. (x)	3.2	2.7
OpFCF Yield (%)	2.7	2.9
P / E (x)	21.5	14.7
P / BV (x)	4.4	3.6
Div. Yield. (%)	1.9	1.9

Source: Value Track

Review of FY20 results

EdAc FY20 financial figures are in line with preliminary results, which were well ahead of our estimates. Indeed:

- Value of Production stood at €46.2mn, up +10.6% y/y, despite the lockdown of 2Q20 and the consequent two months-stop, mainly thanks to fiscal aids related to building restoration and renovation activities that drove 2H20 VoP up +23.5% y/y;
- EBITDA was up +18.7% y/y to €5.0mn. Despite negative contribution from the French subsidiary, positive operating leverage drove a margin on VoP at 10.8% (+70bps y/y);
- Net Profit stood at €1.8mn, i.e. + 60.7% y/y, thanks to flat D&A and net financial charges;
- Net Debt increased to ca. €7.7mn vs. €2.7mn, as a result of ca. €8.5mn worth of tax credits (relative to the "*Bonus Facciate*" fiscal incentives) that EdAc started to collect only in Feb.'21. Net of such tax credits, Adjusted Net Financial Position stood at ca. €0.8mn (Net Cash) i.e. a positive €3.5mn free cash flow generation.

EdAc: 2019 and 2020 key financials

€ mn	FY19	FY20	Change YoY (%)
Value of Production	41.8	46.2	10.6%
EBITDA	4.2	5.0	18.7%
EBITDA Margin as % of VoP	*10.1%*	*10.8%*	*ca. +70bps*
EBIT	2.3	3.1	35.6%
Net Profit	1.1	1.8	60.7%
Net Financial Position	-2.7	-7.7	ca. -5.0mn
Adj. Net Financial Position (*)	-2.7	0.8	ca. +3.5mn

Source: EdiliziAcrobatica, Value Track Analysis (*) Net of ca. €8.5mn Tax Receivables relative to "Bonus Facciate"

Top line back at double-digit growth

EdAc reported VoP at €46.2mn, with €44.7mn worth of Total Revenues from Sales posting a remarkable 13.9% growth y/y, and an implied 2H up 28.1%. This achievement was the direct consequence of higher demand driven by fiscal incentives sponsored by the Italian government through the "*Bonus Facciate*" tax rebate. In detail, EdAc recorded the following results:

- €41.6mn revenues from Italian business, i.e. +15.8% y/y;
- €3.1mn revenues from the French subsidiary, i.e. ca. €140k decrease y/y due to Covid-19 effect;
- €46.2mn Value of Production, i.e. +10.6% y/y, with a sharp +23.5% y/y rebound in 2H that follows the -4.2% y/y decrease in 1H20 driven by above mentioned two months lockdown.

EdAc: Value of Production breakdown FY19 and FY20

€ mn	FY19	FY20	Change YoY (%)
Italy	35.9	41.6	15.8%
France	3.3	3.1	-4.2%
Total Revenues from Sales	**39.2**	**44.7**	**13.9%**
Other Revenues	2.6	1.5	-40.8%
Value of Production	**41.8**	**46.2**	**10.6%**

Source: EdiliziAcrobatica, Value Track Analysis

Positive operating leverage driving EBITDA margin at 10.8%

From Value of Production down to EBITDA

Contract Margin grew more than proportionally with respect to the Top Line at +34.2% y/y as contract costs diminished by ca. €2mn from 2019. The surge of contract margin has been partially eroded by fixed costs, thus explaining EBITDA lower but still remarkable growth at +18.7% y/y.

Overall, contract costs and fixed structural costs weighted less on the increasing amount of revenue. For instance, labour costs (amounting to €21.3mn in FY20 vs €19.9mn in FY19) had a 47.6% incidence on sales in 2020 vs. 50.7% in 2019, also thanks to fiscal subsidies on periods of inactivity.

As an effect of the positive operating leverage, FY20 EBITDA Margin stood at 10.8% (on VoP), i.e. over 70bps y/y, despite the negative contribution from the French subsidiary whose EBITDA loss stood at ca. €-0.3mn.

EdAc: From Value of Production to EBITDA

€ mn	FY19	FY20	Change YoY (%)
Value of Production	**41.8**	**46.2**	**10.6%**
Contract Costs	-23.3.	-21.4	n.m.
Contract Margin	**18.5**	**24.8**	**34.2%**
Contract Margin as % of VoP	***44.3%***	***53.7%***	***+940 bps***
Other Costs	-14.3	-19.8	n.m.
EBITDA	**4.2**	**5.0**	**18.7%**
EBITDA margin as % of VoP	***10.1%***	***10.8%***	***+74 bps***

Source: EdiliziAcrobatica, Value Track Analysis

From EBITDA down to Net Profit

FY20 Net Profit stood at €1.8mn, up +60.7% y/y as a result of:

- **D&A charges** standing at €1.1mn, i.e. 33.1% lower than in 2019, as EdAc only recorded the first six months of D&A expenses in line with Italian government dispositions, which allow such treatment for companies whose activities were impacted by Covid-19 restrictions;
- **Impairments** surging at ca. €730k (vs €215k in 2019) as some receivables became difficult to cash in due to the worsened economic conditions brought by the pandemic;
- **Net financial charges** remaining flat y/y thanks to more favorable debt cost.

EdAc: From EBITDA to Net Profit

€ mn	FY19	FY20	Change YoY (%)
EBITDA	**4.2**	**5.0**	**18.7%**
D&A	-1.7	-1.1 (*)	-33.1%
Impairment & Provisions	-0.2	-0.7	n.m.
EBIT	**2.3**	**3.1**	**35.6%**
EBITDA margin as % of VoP	*5.6%*	*6.8%*	*ca. +120bps*
Net Financial Charges	-0.3	-0.3	n.m.
Taxes	-0.9	-1.1	15.2%
Net Profit	**1.1**	**1.8**	**59.7%**

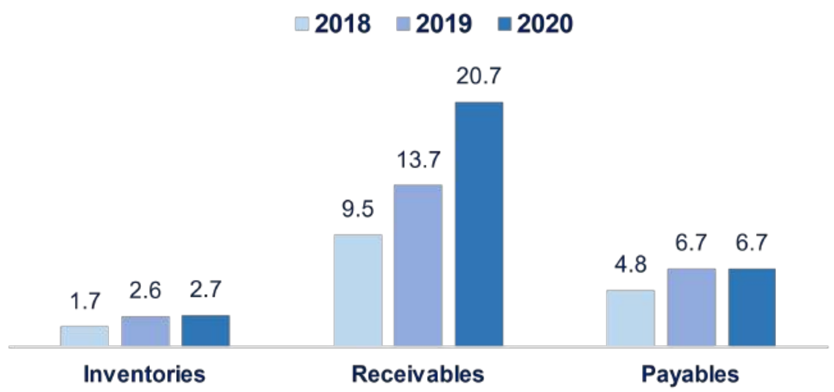
Source: EdiliziAcrobatica, Value Track Analysis (*) D&A recorded only for the first six months of the year, in line with regulations

Net Working Capital and Net Debt inflated by "*Bonus Facciate*" receivables

Alongside the top line rebound that took place in 2H20, also **Net Working Capital** (NWC) suffered a sharp increase from €10.3mn as end of 2019 to €16.6mn at 2020 year end, almost entirely driven up by tax related receivables. Indeed:

- Trade Receivables stood at €20.7mn vs €13.7mn in FY19, as "*Bonus Facciate*" fiscal incentives brought tax credits (ca. €8.5mn) that were impossible to cash-in before Feb'21;
- Trade Payables remained flat at €6.7mn, failing to counterbalance the higher-than-average increase in receivables.

EdAc: Trade Working Capital evolution (€mn)



Source: EdiliziAcrobatica, Value Track Analysis

We note that, on the contrary, FY20 **Capex** at €1.7mn was below FY19 levels (€2.8mn), as a great part of BUs openings investments of 2020 should be capitalized in 2021FY.

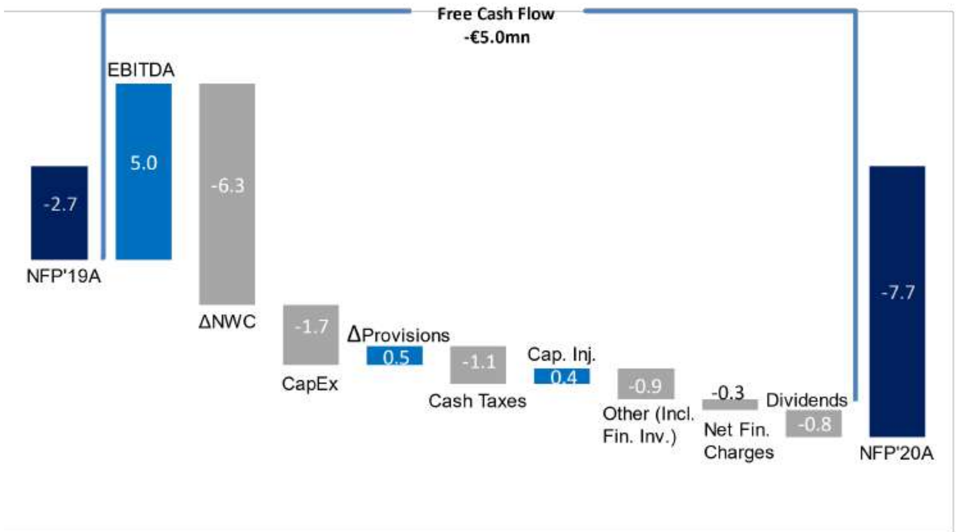
All in all, due to skyrocketing NWC, reported **Net Debt** worsened to €7.7mn vs. €2.7mnin 2019. Net of the ca. €8.5mn tax credits related to the mentioned fiscal incentives, we calculate **Adjusted Net Financial Position** at €0.8mn (i.e. Net Cash), suggesting a normalized €3.5mn free cash flow generation.

EdAc: FY19-FY20 Balance Sheet structure

€mn	FY19	FY20
Net Working Capital	10.3	16.6
Adj. Net Working Capital	*10.3*	*8.1*
Net Fixed Assets	5.1	5.8
Provisions	1.2	1.8
Total Capital Employed	**14.2**	**20.6**
Adj. Total Capital Employed	***14.2***	***12.1***
Group Net Equity	11.5	12.9
Net Fin. Position [i.e. Net Debt (-) Cash (+)]	**-2.7**	**-7.7**
Adj. Net Financial Position	***-2.7***	***0.8***

Source: EdiliziAcrobatica, Value Track Analysis

EdAc: Cash Flow analysis FY20 (€mn)



Source: EdiliziAcrobatica, Value Track Analysis

EdAc: FY19-FY20 Cash Flow Statement

€mn	FY19	FY20
EBITDA	**4.2**	**5.0**
Change in NWC	-4.1	-6.3
Change in Provisions	0.4	0.5
Capex	-2.8	-1.7
OpFCF b.t.	**-2.3**	**-2.4**
Cash Taxes	-0.9	-1.1
OpFCF a.t.	**-3.2**	**-3.5**
Capital Injections	0.7	0.4
Other Op. Items (incl. Fin. Inv.)	-2.1	-0.9
Net Financial Charges	-0.3	-0.3
Dividends Paid	0.0	-0.8
Net Cash generated	**-4.8**	**-5.0**
Net Financial Position [Net debt (-) / Cash (+)]	**-2.7**	**-7.7**

Source: EdiliziAcrobatica, Value Track Analysis

More on business and financial developments

Covid-19 has put pressure on EdAc business model, which heavily relies on scalability and on-site operations. Despite the forced stop to activity in 2Q, EdAc has kept working both on the business development and on its financial structure.

Business Development

New business lines and apps to remain in contact with clients during pandemic

During 1Q20, EdAc stopped its production activities for 40 days as the result of the restrictive measures imposed by the "Chiudi Italia" Decree. In order to face the difficulties related to the pandemic, EdAc worked in order to remain in contact with clients, foster brand awareness and develop new revenues streams, as follows:

- **New sanitization business line**. EdAc launched the new service as soon as the Covid outbreak started to spread and already in 2Q20 it received several hundreds of requests, approximately contributing to €100k of revenues in the period;
- **EAcondominio App**. EdAc developed an App aimed at facilitating residents-administrators interactions (e.g. condominium meetings) during Covid times. EdAc also contributed to creating "Amministratori SMART", a digital community dedicated to the administrators' pool;
- **Brand awareness**. EdAc renewed the sponsorship with Torino FC for two additional seasons.

Geographical footprint increasing quarter by quarter in Italy and France

As of 2020 year end in Italy EdAc counted 59 directly managed branches and several franchisee, meaning more than 10 new openings in the year and ca. 140 new employees. Also in France there was an expansion of the network with new business units in Lion, Marseille and Narbonne, reaching a total amount of 8 directly managed branches. Total group workforce is now above the 1,000 units level.

M&A activity necessarily on pause

EdAc has the goal to add new countries to its current footprint based on Italy and South of France. Spain and North of France were the more reasonable short-term targets, but the organizational difficulties brought by the pandemic in international contexts has postponed M&A activity to 2021.

Energy Acrobatica 110%

On April 7th, 2021, EdAc announced the setup of **Energy Acrobatica 110% S.r.l.** new controlled company (80% by EdAc and 20% by "Buildings S.r.l.") due to operate as Main Contractor for real estate projects financed by fiscal aids called "*Superbonus 110%*".

Financial structure

During 2020 EdAc decided to take advantage of the low interest rates environment, as follows:

- **Issue of €10mn basket bond**, entirely subscribed by Banca Intesa Sanpaolo. The bond has a 7-year duration and an annual fixed interest rate of 3.3%;
- **Anticipated repayment of the two bonds issued in 2017**, amounting to a total €5mn. Such expenditure was financed by an unsecured loan provided by Intesa Sanpaolo.

On the equity side, we underline that:

- Back in September 108,261 warrants were exercised and converted into 108,261 shares at the price of € 4.02, for a total capital injection of ca. €435.2k;
- Back in Summer EdAc deliberated the distribution of ca. €760k of dividends related to FY2019 Net Profit (62% Payout and €0.096 per share). By the way EdAc has announced a new €0.16 Dividend per share to be distributed in May 2021.

Updating 2021E-22E estimates

Domestic demand for EdAc services is currently booming as an effect of the fiscal aids on façade restoration and renovation works (so called "*Bonus Facciate 90%*") that have been officially extended to 2021 year end, and that we assume will be brought forward also in 2022E.

As a consequence, we are significantly revising upwards our 2021E-22E group estimates, even if we underline that: 1) we're modelling P&L estimates net of any rebate to final clients of tax credit banking fees as they have no impact on EBITDA (See Appendix for "*Bonus Facciate*" accounting on this point); 2) our estimates do not take into account yet any impact from the 110% business recently launched.

- **Value of Production upward to €62.9mn in 2021E** (+12.4% vs. Oct.'20 estimates), with Italy at €59.4mn (vs. €51.0mn) and France at €3.5mn (vs. €5.0mn due to Covid-19 effect). In 2022E, Italian business should generate almost €70mn worth of VoP, i.e. ca. €10mn more than what we predicted after 1H20 results;
- **Profitability margins improving** already as of 2021E, as the new branches launched in 2019-2020-2021E should reach their maturity way sooner than usual thanks to the exceptional demand foresight. Group EBITDA margin at 12.2% (vs. previous 11.3%) in 2021E as structural costs linked with new openings should be offset by BUs revenue generation;
- **Higher Working Capital** as an indirect consequence of the exceptional revenues' growth leading to surging tax receivables that require time and a financial intermediary to be cashed-in;
- **Free Cash Flow generation** postponed at the end of this abnormal growth phase, as an effect of the above mentioned inflation in Working Capital.

EdAc: New vs. Old 2021E forecasts

	2021E Old			2021E new			2021E New vs. Old		
€mn	Italy	France	Group	Italy	France	Group	Italy	France	Group
Value of Production (*)	51.0	5.0	56.0	59.4	3.5	62.9	16.5%	-30.0%	12.4%
EBITDA	6.4	-0.1	6.3	7.8	-0.2	7.6	21.9%	100.0%	20.7%
EBIT	4.2	-0.1	4.1	5.8	-0.2	5.6	38.0%	100.0%	36.5%
Net Profit	2.5	-0.1	2.4	3.3	-0.2	3.1	36.0%	100.0%	33.3%
OpFCF after tax	-0.5	0.0	-0.5	0.5	-0.3	0.2			
Net Financial Position	-6.7	-0.1	-6.8	-8.4	-0.2	-8.6			

Source: EdiliziAcrobatica, Value Track Analysis *(*) Net of rebate to clients of fiscal aid ("Bonus Facciate") cash in costs*

EdAc: New vs. Old 2022E forecasts

	2022E Old			2022E new			2022E New vs. Old		
€mn	Italy	France	Group	Italy	France	Group	Italy	France	Group
Value of Production (*)	60.5	8.0	68.5	69.5	6.0	75.5	14.9%	-25.0%	10.2%
EBITDA	10.0	0.0	10.0	10.0	-0.1	9.9	0.5%	n.m.	-0.5%
EBIT	6.9	0.0	6.9	7.7	-0.1	7.6	10.8%	n.m.	9.4%
Net Profit	4.2	0.0	4.2	4.7	-0.1	4.6	10.6%	n.m.	8.3%
OpFCF after tax	1.6	0.0	1.6	-0.1	0.0	-0.1			
Net Financial Position	-5.7	0.0	-5.7	-10.4	-0.1	-10.5			

Source: EdiliziAcrobatica, Value Track Analysis *(*) Net of rebate to clients of fiscal aid ("Bonus Facciate") cash in costs*

New 2021E-22E estimates

Here follows our new 2021E-22E estimates at a glance. Again, we underline that we're modelling our P&L estimates net of any rebate to final clients of tax credit banking fees as they have no impact on EBITDA in absolute terms (See Appendix for "*Bonus Facciate*" accounting on this point).

We remind that our estimates do not consider any potential upside that could be brought by the recently launched subsidiary operating on real estate works financed by 110% fiscal aid.

EdAc: 2019A-22E Key Financials forecasts

(€mn)	2019A	2020A	2021E	2022E	CAGR '19A-22E
Value of Production (*)	41.8	46.2	62.9	75.5	21.8%
EBITDA	**4.2**	**5.0**	**7.6**	**9.9**	**33.0%**
EBIT	2.3	3.1	5.6	7.6	48.4%
Net Profit	1.1	1.8	3.1	4.6	61.5%
OpFCF after tax	-3.2	-3.5	0.2	-0.1	n.m.
Net Financial Position	**-2.7**	**-7.7**	**-8.6**	**-10.5**	**n.m.**

Source: Value Track Analysis (*) 2021E-22E net of rebate to clients of fiscal aid ("Bonus Facciate") cash in costs

Profit & Loss

The renewal of "*Bonus Facciate 90%*" should be the key driver of EdAc abnormal top line growth of the next two years.

We forecast the company to reach **€75.5mn Value of Production in 2022E, 21.8% 2019A-22E CAGR**, with Revenue from Sales increasing by 37% y/y in 2021E and by 20% in 2022E with respect to 2021E. The Italian business should weigh for ca. 92% of total VoP in 2021E and 89% in 2022E, with the French subsidiary ETAIR growing from €3.5mn to €6.0mn in the 2021E-22E period;

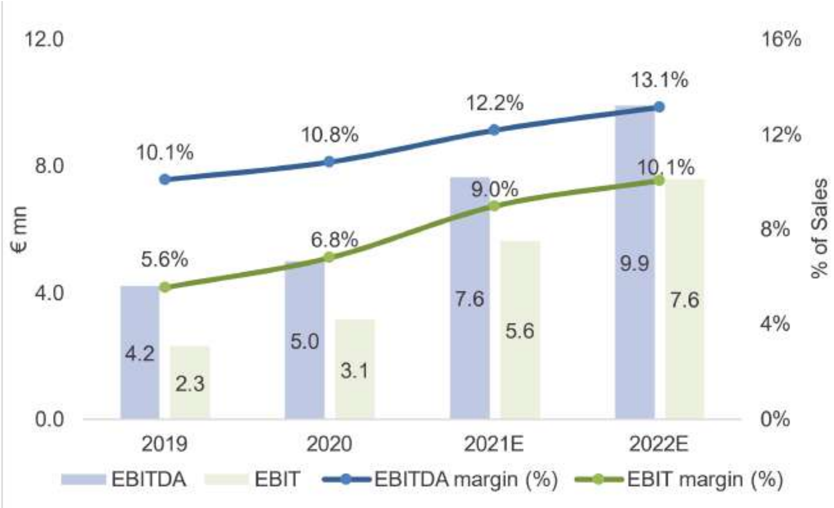
EdAc: Value of Production breakdown

Source: EdiliziAcrobatica, Value Track Analysis (*) 2021E-22E net of rebate to clients of fiscal aid ("Bonus Facciate") cash in costs

Surging top line should boost EdAc profitability as the branches launched in 2019-20-21E are expected to reach their maturity phase way sooner than usual.

As an effect, we forecast **€7.6mn and €9.9mn EBITDA 2021E-22E** respectively, while EBIT should get to €5.6mn and €7.6mn for the same periods.

EdAc: EBITDA-EBIT evolution (*)



Source: EdiliziAcrobatica, Value Track Analysis (*) 2021E-22E margins are calculated on Top line net of rebate to clients of fiscal aid ("Bonus Facciate") cash in costs

Net Financial charges are expected to increase in absolute terms but decreasing as percentage of EBIT thanks to lower cost of funding. Consequently, **Net Profit** is expected to grow at **61.5% CAGR 2019A-22E**.

EdAc: P&L evolution 2019A-22E (*)

(€mn)	2019A	2020A	2021E	2022E
Total Revenues from Sales	**39.3**	**44.7**	**61.2**	**73.4**
Chg. % YoY	57%	14%	37%	20%
Other Revenues	2.5	1.5	1.7	2.1
Total Value of Production	**41.8**	**46.2**	**62.9**	**75.5**
EBITDA	**4.2**	**5.0**	**7.6**	**9.9**
EBITDA margin (%)	10.1%	10.8%	12.2%	13.1%
Depreciation & Amortization	-1.9	-1.9	-2.0	-2.3
EBIT	**2.3**	**3.1**	**5.6**	**7.6**
EBIT margin (%)	5.6%	6.8%	9.0%	10.1%
Net Fin. Income (charges)	-0.3	-0.3	-0.4	-0.4
Pre-tax Profit	**2.0**	**2.8**	**5.2**	**7.2**
Tax	-0.9	-1.1	-2.1	-2.6
Net Profit	**1.1**	**1.8**	**3.1**	**4.6**

Source: Value Track Analysis (*) 2021E-22E net of rebate to clients of fiscal aid ("Bonus Facciate") cash in costs

Balance Sheet and Cash Flow Statement

In our estimates we are not assuming any M&A activity even if reckon that the company is working on possible further expansion abroad. That said, **we expect EdAc starting to generate cash from 2023E onwards**, when the abnormal growth period related to fiscal aids may expire. More in details:

- Due to the expected top line growth driven by fiscal incentives, EdAc tax credits should keep increasing also for the next two periods. Still, NWC incidence on sales should improve as the company recently reached an agreement with Intesa Sanpaolo to cash-in such credits on a rotary ceiling, thus being capable to fully exploit such growth opportunity;
- In addition, we expect the Group to capitalize business units openings costs for ca. €7mn in 2021E-22E to continue consolidating its leading market position in Italy and replicate the business model in France;
- High taxes and an assumed constant dividend policy (€0.16 per share) should be the other primary causes for a predicted cash absorption that should lead to a **€10.5mn 2022E Net Debt**.

EdAc: Balance Sheet evolution 2019A-22E

(€mn)	2019A	2020A	2021E	2022E
Working Capital	10.3	16.6	19.1	22.8
Net Fixed Assets	5.1	5.8	6.8	8.6
Provisions	1.2	1.8	2.0	2.2
Total Capital Employed	**14.2**	**20.6**	**23.9**	**29.1**
Group Net Equity	**11.5**	**12.9**	**15.3**	**18.6**
Net Fin. Position [i.e. Net Debt (-) Cash (+)]	**-2.7**	**-7.7**	**-8.6**	**-10.5**

Source: Value Track Analysis

EdAc: Cash Flow Statement evolution 2019A-22E

(€mn)	2019A	2020A	2021E	2022E
EBITDA	4.2	5.0	7.6	9.9
Working Capital Needs	-4.1	-6.3	-2.6	-3.6
Capex	-2.8	-1.7	-3.0	-4.0
Change in Provisions	0.4	0.5	0.2	0.3
OpFCF b.t.	**-2.3**	**-2.4**	**2.3**	**2.6**
Cash Taxes	-0.9	-1.1	-2.1	-2.6
OpFCF a.t.	**-3.2**	**-3.5**	**0.2**	**0.0**
Capital Injections	0.7	0.4	0.5 (*)	0.0
Other Op. Items (incl. Fin. Inv.)	-2.1	-0.9	0.0	-0.2
Net Financial Charges	-0.3	-0.3	-0.4	-0.4
Dividends	0.0	-0.8	-1.3	-1.3
Net Cash generated	**-4.8**	**-5.0**	**-0.9**	**-1.9**

Source: Value Track Analysis (*)Assumed full conversion of the remaining #124,134 warrants in ordinary shares at €4.23 per share

Valuation

Valuing EdAc in the current scenario poses more points of attention than ever as:

- Fiscal aids are expected to be a key driver for abnormal top line growth up until "Decreto Rilancio" expiration date (uncertain at the time). Hence, we have low visibility on EdAc financials on the medium-long term. Still, fiscal aids are allowing a profitable acceleration of domestic footprint enlargement, a massive additional value that is going to remain.

  Bottom line, we believe necessary to look only at short-term valuation criteria (Peers analysis) dismissing, for the time being, more long-term skewed valuations such as DCF ones;
- As far as Peers analysis is concerned, we remind that there are no close comparables to EdiliziAcrobatica currently listed on the Italian Stock market, so it's necessary to look at the foreign players active in real estate facility service that we identified on our previous researches. And these players are being affected by Covid-19 outbreak restrictions and by fiscal aids in different ways.

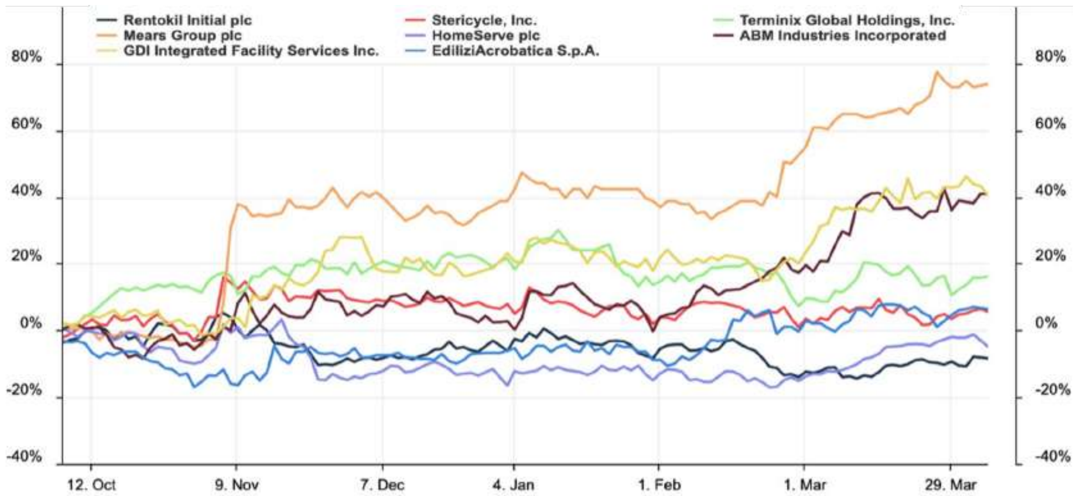
That said, based on 2021 peers' multiples **we update EdAc share fair value to €8.30**, up from the previous €7.00 fair value per share and almost in line with the €8.40 we assessed before covid-19 outbreak.

At €8.30 fair value EdAc would trade at **1.2x and 10.0x EV/Sales and EV/EBITDA 2021E** respectively.

Peers Analysis

During the latest six months, EdAc shares experienced a 7% growth, slightly above the average of some of its closest peers such as Stericycle, Terminix, Homerserve and Rentokil Initial. Mears Group was up over 70% during the same period as it successfully completed the disposal of one of its division to focus more on the core business ("TerraQuest Solutions" for £72mn to Apse Capital Ltd), while GDI Integrated and ABM Industries stocks rose by ca. 40% thanks to positive FY20 and 1Q21 results, respectively.

EdAc vs. peers: Share price evolution Oct 2020 – April 2021



Source: S&P Capital IQ

Based on current market prices, EdAc peers are now trading, on average, at ca. **2.2x and 13.1x EV/Sales and EV/EBITDA 2021E**. Considering the next two years as abnormal periods with scarce visibility due to the inflationary effect brought by "*Bonus Facciate*" incentives, we shift our focus on EV/EBITDA as the most suitable multiple for EdAc valuation.

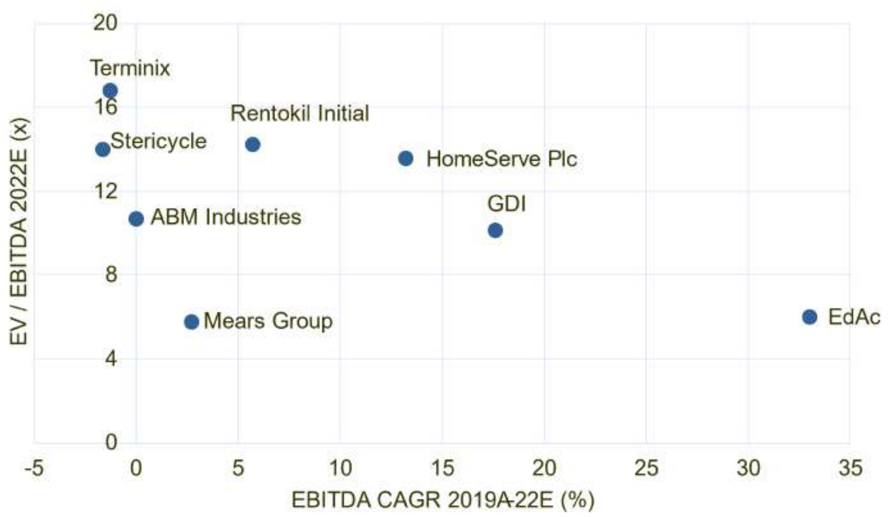
At current €6.02 per share, EdAc is trading at ca. 40% discount on foreign peers' EV/EBITDA 2021E. Considering the smaller size on one hand but the higher growth prospects on the other, we believe that a lower 25% discount would be fair leading to **10.0x fair EV/EBITDA 2021**, that's to say **€8.30 fair value per share**.

EdAc vs. peers EV/Sales, EV/EBITDA, P/E multiples 2021E-22E

	EV/Sales 2021E	EV/Sales 2022E	EV/EBITDA 2021E	EV/EBIDA 2022E	P/E Adj. 2021E	P/E Adj. 2022E
Rentokil Initial	3.4x	3.2x	15.5x	14.2x	37.4x	35.2x
Stericycle	3.0x	2.8x	15.4x	14.0x	nm	nm
Terminix	3.3x	3.2x	18.1x	16.8x	41.9x	34.4x
Mears Group	0.7x	0.7x	6.0x	5.8x	17.5x	12.3x
HomeServe Plc	3.5x	3.3x	15.1x	13.6x	34.2x	28.5x
ABM Industries	0.6x	0.6x	10.5x	10.7x	22.3x	20.0x
GDI	0.8x	0.7x	10.9x	10.1x	26.3x	23.9x
Average	**2.2x**	**2.1x**	**13.1x**	**12.2x**	**29.9x**	**25.7x**
EdAc @ current mkt price	**0.9x**	**0.8x**	**7.5x**	**6.0x**	**15.6x**	**10.7x**
EdAc @ €8.30 fair value	**1.2x**	**1.0x**	**10.0x**	**7.9x**	**21.5x**	**14.7x**

Source: Value Track Analysis

EdAc vs. peers: EV/EBITDA 2022E vs. EBITDA CAGR 2019A-2022E at current mkt price



Source: Value Track Analysis

Appendix – "*Bonus Facciate*" accounting

The Decree number 34/2000 (so called "Decreto Rilancio") has introduced fiscal incentives on building façade recovery/renovation services worth 90% of the total bill to be paid by clients. Such fiscal aid (so called "*Bonus Facciate 90%*") can be exploited by clients in two alternative ways:

a) the supplier who carries out the works (e.g. EdAc) directly grants to the client a 90% discount on total bill thus earning a tax credit that can be utilized or subsequently transferred to credit institutions and other financial intermediaries;

b) the client directly earns a tax credit worth 90% of the total bill paid, with the right to subsequently transfer such tax credit to credit institutions and other financial intermediaries or to deduct it from tax payments in a certain number of years.

The first option is resulting to be the most popular one as it requires the supplier (EdAc) to take responsibility of cashing-in the tax credit, thus removing the burden from clients.

As it would be financially inefficient to maintain such tax credit on its book, the supplier usually transfers it to credit institutions and other financial intermediaries by paying a fee, usually rebated to final clients.

Worthy to note, the Banking Fee rebated to client appears as both a revenue item and a cost one in the supplier's P&L, thus not impacting the EBITDA in absolute terms.

Example of "*Bonus Facciate*" accounting

Façade renovation order Amount (€)	5,000
Banking Fee on Tax Credits rebated to final client	1,000
Total Order Amount billed by the supplier	**6,000**
90% Tax Credit (discount anticipated by supplier the client)	5,400
Supplier's cash-in of Tax Credit net of Banking Fee	4,400
Supplier's cash-in of 10% of "Total Order Amount" directly from client	600
Supplier's Total Revenue from Sales ("Face Value")	**5,000**

Source: Value Track Analysis

EdiliziAcrobatica: "*Bonus Facciate*" accounting on P&L

	No Bank Commission	Bank Commission
Total Revenue from Sales ("Face Value")	5,000	5,000
Banking Fee (+) rebated to final client	0	1,000
Total Revenue from Sales	**5,000**	**6,000**
Operating Expenses	-4,000	-4,000
Banking Fee	0	-1,000
Total Operating Expense	-4,000	-5,000
EBITDA	**1,000**	**1,000**

Source: Value Track Analysis

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