INVEST SECURITIES

CONSTRUCTION

EDILIZIACROBATICA

BUY vs NEUTRAL

TARGET PRICE : 24€ (vs 19,5€) +53%

UPDATE REPORT

MOMENTUM STILL VERY BUOYANT IN THE SHORT TERM

2021 was exceptionally good (sales up +95% with EBITDA margin expanding by 15pts), once again we expect the company to deliver robust growth in 2022 thanks to a variety of growth drivers and the extension of the "Façade Bonus" tax incentive through the end of 2022. Beyond this year, geographic expansion in Europe and the development of the energy renovation business will be the next growth drivers. This has led us to sharply upgrade our estimates for 2022-24 and our TP (to €24 from €19.5). The stock had a great run between May and August 2021 (+286%!), but it has pulled back in the past 9 months, and momentum remains very favorable in an uncertain macro context, which is why we are now BUYERS.

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

Report completed on
05/09/2022 07:46

Report published on
05/10/2022 07:46

2021, an exceptional year in every way

In a favorable post-COVID economic climate, further energized by the Façade Bonus incentive (90% tax credit) in Italy, Ediliziacrobatica (EDAC) delivered outstanding results in 2021 (well ahead of our estimates), with sales surging by +95%, adjusted EBITDA margin reaching 24.3% (+15bps), and FCF from operations, IS standard, coming in at +€14.8m. The company's financial situation also improved considerably, allowing it to end the year with net cash of €3.6m (+€11.3m).

Momentum remains quite strong in 2022

While growth rates will not be as robust in 2022 as they were in 2021, the company can count on a number of growth drivers (expansion of the branch network, new energy renovation activities in Italy, ramp-up of the French and Spanish subsidiaries) and, more importantly, on the extension of the Façade Bonus by one year, though with a reduced tax credit of 60% (vs. 90% before). In sum, more growth is on the horizon, as evidenced by the Q1 indicators (order intake +45%, sales +119%). Our FY22 estimates call for +29% sales growth and an adjusted EBITDA margin of 20%.

Financial performances to normalize starting in 2023

With the end of the Façade Bonus, growth can be expected to level off (at about +10%) starting in 2023, though the other growth drivers in place (especially the energy renovation activities and the ramp-up in France) should allow the company to avoid the dip that usually comes in the wake of exceptional periods, and profitability can be expected to remain high as sales will more than cover the fixed cost structure.

TP raised to €24 (from €19.5) – BUY vs NEUTRAL

After sharply upgrading our estimates and shifting our model back by a year, our DCF-based TP works out to €24 (vs. €19.5) despite the deterioration of market parameters (risk-free rate and risk premium). We are now BUYERS of the stock based on the upside potential implied by this new TP (+53%) and the still very robust momentum on the ST.

.../...

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

in € / share	2022e	2023e	2024e
Adjusted EPS	1,70	1,92	2,15
chg.	*+8%*	*+13%*	*+12%*
estimates chg.	*+41%*	*+37%*	*n.s.*

au 31/12	2022e	2023e	2024e
PE	9,3x	8,2x	7,3x
EV/Sales	1,1x	0,8x	0,7x
EV/Adjusted EBITD	5,2x	4,2x	3,3x
EV/Adjusted EBITA	5,7x	4,6x	3,6x
FCF yield*	12,1%	15,1%	19,2%
Div. yield (%)	1,9%	2,2%	2,5%

* After tax op. FCF before WCR

key points	
Closing share price 09/05/2022	15,7
Number of Shares (m)	8,2
Market cap. (€m)	128
Free float (€m)	33
ISIN	IT0005351504
Ticker	EDAC-IT
DJ Sector	Industrial Services

	1m	3m	Ytd
Absolute perf.	-6,9%	-0,5%	-10,4%
Relative perf.	+1,9%	+18,6%	+9,2%

Source : Factset, Invest Securities estimates

May, 12th 2022

73, bd Haussmann - 75008 Paris
T : +33 (0)1 80 97 22 01
invest-securities.com

FINANCIAL DATA

Share information	2017	2018	2019	2020	2021	2022e	2023e	2024e
Published EPS (€)	0,19	0,32	0,14	0,22	1,37	1,54	1,77	1,99
Adjusted EPS (€)	**0,27**	**0,38**	**0,09**	**0,23**	**1,57**	**1,70**	**1,92**	**2,15**
Diff. I.S. vs Consensus	*nd*	*+26,6%*	*-36,8%*	*+4,6%*	*+13,5%*	*nd*	*nd*	*nd*
Dividend	0,00	0,00	0,00	0,16	0,30	0,35	0,40	0,50

Valuation ratios	2017	2018	2019	2020	2021	2022e	2023e	2024e
P/E	nd	8,9x	66,7x	23,7x	7,9x	9,3x	8,2x	7,3x
EV/Sales	nd	0,78x	1,28x	1,20x	1,12x	1,06x	0,85x	0,67x
EV/Adjusted EBITDA	nd	4,5x	23,5x	12,8x	4,6x	5,2x	4,2x	3,3x
EV/Adjusted EBITA	nd	5,0x	39,1x	17,9x	5,0x	5,7x	4,6x	3,6x
Op. FCF bef. WCR yield	nd	6,9%	1,5%	4,5%	14,1%	12,1%	15,1%	19,2%
Op. FCF yield	nd	n.s.	n.s.	n.s.	15,1%	9,9%	14,7%	19,4%
Div. yield (%)	nd	n.s.	n.s.	n.s.	1,3%	1,9%	2,2%	2,5%

NB : valuation based on annual average price for past exercise

Entreprise Value (€m)	2017	2018	2019	2020	2021	2022e	2023e	2024e
Share price in €	*nd*	*3,4*	*5,9*	*5,5*	*12,3*	*15,7*	*15,7*	*15,7*
Market cap.	nd	20,7	46,2	44,1	99,0	127,4	127,4	127,4
Net Debt	nd	-2,1	2,7	7,7	-3,6	-11,9	-23,6	-37,4
Minorities	nd	0,1	0,0	0,0	0,0	0,0	0,0	0,0
Provisions/ near-debt	nd	0,7	1,2	1,8	2,6	3,1	3,6	4,1
+/- Adjustments	nd	0,0	0,0	0,0	-0,4	-0,4	-0,4	-0,4
Entreprise Value (EV)	**nd**	**19,4**	**50,0**	**53,6**	**97,6**	**118,2**	**106,9**	**93,7**

Income statement (€m)	2017	2018	2019	2020	2021	2022e	2023e	2024e
Sales	16,3	25,0	39,2	44,7	86,9	111,7	126,2	139,8
chg.	*+30,5%*	*+53,5%*	*+57,0%*	*+13,9%*	*+94,7%*	*+28,5%*	*+13,0%*	*+10,8%*
Adjusted EBITDA	2,8	4,3	2,1	4,2	21,2	22,6	25,3	28,1
adjusted EBITA	**2,3**	**3,9**	**1,3**	**3,0**	**19,6**	**20,7**	**23,2**	**25,8**
chg.	***-15,5%***	***+69,9%***	***-67,2%***	***+133,8%***	***+553,9%***	***+5,7%***	***+12,3%***	***+11,0%***
EBIT	2,3	3,9	1,3	3,0	19,6	20,7	23,2	25,8
Financial result	-0,1	-0,3	-0,3	-0,3	-1,2	-1,0	-1,0	-0,9
Corp. tax	-0,8	-1,1	-0,9	-1,1	-6,0	-6,2	-7,1	-8,0
Minorities+affiliates	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Net attributable profit	1,4	2,5	0,1	1,6	12,3	13,5	15,1	16,9
Adjusted net att. profit	**1,5**	**2,5**	**0,7**	**1,9**	**12,6**	**13,8**	**15,6**	**17,4**
chg.	***-20,9%***	***+67,1%***	***-72,1%***	***+170,8%***	***+568,9%***	***+9,1%***	***+13,3%***	***+11,7%***

Cash flow statement (€m)	2017	2018	2019	2020	2021	2022e	2023e	2024e
Adjusted EBITDA	2,8	4,3	2,1	4,2	21,2	22,6	25,3	28,1
Theoretical Tax / Adj. EBITA	-0,7	-1,2	-0,4	-0,9	-5,9	-6,2	-7,0	-7,7
Capex	-0,9	-1,8	-1,0	-0,9	-1,5	-2,0	-2,3	-2,4
Operating FCF bef. WCR	**1,3**	**1,3**	**0,8**	**2,4**	**13,7**	**14,4**	**16,1**	**18,0**
Change in WCR	-2,2	-3,6	-4,1	-7,4	1,0	-2,6	-0,3	0,2
Operating FCF	**-0,9**	**-2,2**	**-3,4**	**-5,0**	**14,8**	**11,7**	**15,8**	**18,2**
Acquisitions/disposals	0,0	0,1	-1,3	0,0	-0,5	0,0	0,0	0,0
Capital increase/decrease	0,0	5,7	0,7	0,4	-0,1	0,0	0,0	0,0
Dividends paid	-0,7	0,0	0,0	-0,8	-1,7	-2,4	-2,9	-3,3
Other adjustments	0,2	0,9	-0,9	0,3	-1,1	-1,0	-1,1	-1,2
Published Cash-Flow	**-1,4**	**4,4**	**-4,8**	**-5,0**	**11,3**	**8,3**	**11,8**	**13,8**

Balance Sheet (€m)	2017	2018	2019	2020	2021	2022e	2023e	2024e
Assets	1,2	2,5	5,1	5,8	5,5	5,3	5,2	5,2
Intangible assets/GW	0,8	1,7	3,9	4,4	3,9	2,9	2,1	1,2
WCR	3,6	6,2	10,2	16,6	15,6	18,2	18,6	18,3
Group equity capital	2,0	9,9	11,5	12,9	22,1	32,2	43,8	56,8
Minority shareholders	0,1	0,1	0,0	0,0	0,0	0,0	0,0	0,0
Provisions	0,4	0,7	1,2	1,8	2,6	3,1	3,6	4,1
Net financial debt	**2,3**	**-2,1**	**2,7**	**7,7**	**-3,6**	**-11,9**	**-23,6**	**-37,4**

Financial ratios	2017	2018	2019	2020	2021	2022e	2023e	2024e
Adj. EBITDA margin	17,2%	17,2%	5,4%	9,3%	24,3%	20,2%	20,1%	20,1%
Adj. EBITA margin	14,1%	15,6%	3,3%	6,7%	22,5%	18,5%	18,4%	18,4%
Adjusted Net Profit/Sales	9,2%	10,0%	1,8%	4,2%	14,5%	12,3%	12,4%	12,5%
ROCE	47,7%	45,0%	8,3%	13,4%	92,8%	88,1%	97,6%	109,7%
ROE adjusted	74,7%	25,1%	6,1%	14,7%	57,0%	42,7%	35,6%	30,7%
Gearing	116,9%	n.s.	23,2%	59,8%	n.s.	n.s.	n.s.	n.s.
ND/EBITDA (in x)	0,8x	-0,5x	1,3x	1,8x	-0,2x	-0,5x	-0,9x	-1,3x

Source : company, Invest Securities Estimates

73, bd Haussmann - 75008 Paris
T : +33 (0)1 80 97 22 01
invest-securities.com

SUMMARY

73, bd Haussmann - 75008 Paris
T : +33 (0)1 80 97 22 01
invest-securities.com

The 2021 results were exceptional in every way

EDAC published its annual report late in April, confirming that the 2021 results were indeed excellent, fueled by the end of Covid lockdowns and a very favorable tax regime in Italy (Façade Bonus tax credit).

Adjusted 2021 results : Reported vs. IS estimates

in €m, 12/31	2020 actual	2021 actual	IS Estimates 2021e	Diff.
Net Revenue*	44,7	86,9	81,8	+6%
change	*+14%*	*+95%*	*+83%*	
Adjusted EBITDA	4,2	21,2	12,7	+67%
Adjusted EBITDA margin	9,3%	24,3%	15,5%	
Depreciation	-1,2	-1,6	-1,3	
Adjusted EBITA	3,0	19,6	11,4	+72%
Adjusted EBITA margin	6,7%	22,5%	13,9%	
Adjusted Net Income	1,9	12,6	7,6	+66%
change	+171%	+569%	+303%	

Source : EDAC, IS estimates

➢ Exceptionally strong growth driven by the Façade Bonus

It may seem difficult to analyze sales with the two different figures reported mid-February and end-March, but suffice it to say that performances were impressive and reflected not only strong economic trends (end of lockdowns and favorable tax regime in Italy) but also EDAC's ability to keep up with very high demand.

In more detail : gross sales, as reported mid-February, reached €98.1m (+120%) in 2021, beating our estimate (€86.8m) and the consensus (€80m). Sales in France (€3.4m, +10%) were in line with our estimate (€3.5m), but Italy overperformed, with sales surging +127% to €94.5m vs. our €83m estimate. These impressive results were attributable to (i) the Façade Bonus incentives (90% tax credit for façade renovation work) and to (ii) the expansion of the network to include 77 branches in Italy at the end of 2021 vs. 59 a year earlier. Lastly, we would note the marginal sales contribution (€0.2m), for just two months, of Acces Vertical, which was taken over in H2 2021 and will serve as a bridgehead for EDAC in Spain, as the ETAIR acquisition in France did in 2019.

The FY sales reported late in March with the 2021 results came in at €87.7m (+96%). The difference with the figure from mid-February (-€10.4m) is attributable to the fact that, on the recommendation of Italian accounting authorities, EDAC adjusted how it recognized revenue associated with the Façade bonus, with sales now reported net of charges for the transfer of the tax bonus to the banks funding the scheme. Stripping out these charges, sales topped our estimate by +6% and revenue in Italy still rose by +100%.

➢ Adjusted EBITDA margin at a record high

Where EDAC really exceeded our estimates was with its record profitability.

Reported EBITDA reached €21.3m (+326%), vs. our €21.1m estimate, lifting margin to 24.3% (+13.5bps) whereas we were looking for 21.1%. EBIT came in at €18.3m (+473%) vs. €18.0m est., and net income rose to €11.1m (x6), vs. our €8.4m estimate.

As we predicted late in March, the reported figures do not reflect the quality of the performance as well as the adjusted results, which largely exceeded our estimates. Due to the accounting method change and a very low capitalization of installation costs for new points of sales (€0.12m in 2021 vs. €0.83m in 2020

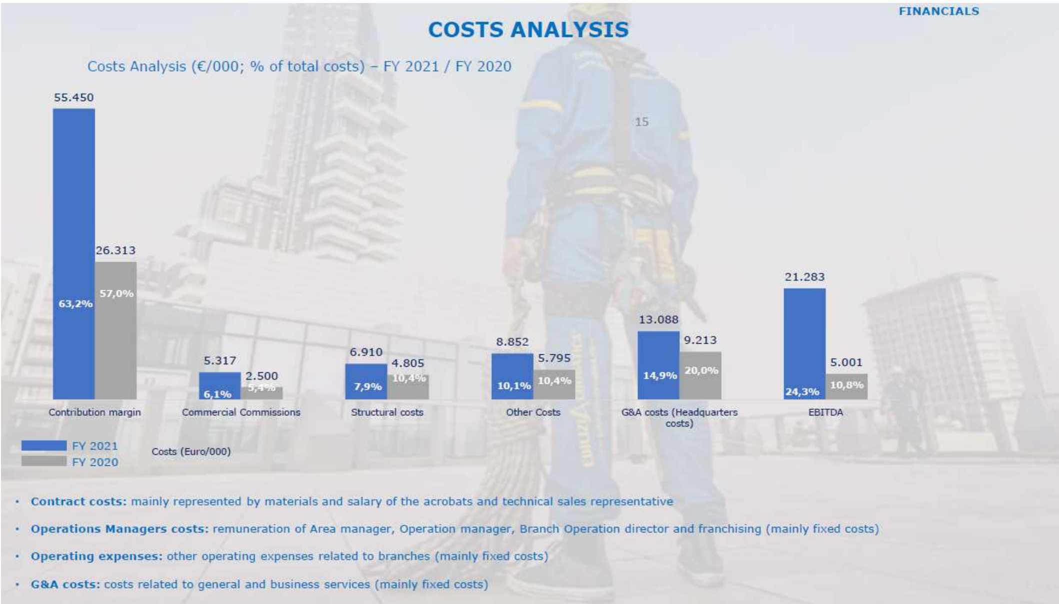
73, bd Haussmann - 75008 Paris
T : +33 (0)1 80 97 22 01
invest-securities.com

and €2.08m in 2019), adjusted EBITDA surged to €21.2m (+407%) vs. our €12.7m estimate, leading to a record margin of 24.3% vs. 15.5% est. Though EDAC had been able to deliver a margin of 24.1% in 2016, when sales were much lower (€12.5m), adjusted margins were depressed since 2019 (between 5.4% and 9.3%) due to the steep investments required to execute the company's growth strategy (training, expansion of the branch network). In other words, the 2021 result was exceptional, especially as France's EBITDA contribution for the year was negative (-€0.87m). Without France, adjusted EBITDA margin would have reached 26.4%! The adjusted EBITDA overshoot was felt all the way down the income statement, with adjusted net income ending the year at €12.6m (x7) vs. our €7.6m estimate.

The company's detailed analysis of its cost structure helps us better understand the +15bps jump in adjusted EBITDA margin:

- Gross margin expanded by +6bps on 2020, to 63.2%. This implies that EDAC took advantage of a good business climate to optimize its profitability but without relying too much on selling prices: indeed, the gain was driven primarily by staff utilization rates and improved productivity. Given the results the company posted in 2016-20, it seems unlikely that this level of margin can be sustained, especially if expansion continues, as this would automatically lower utilization rates for rope access technicians as well as productivity (juniorization of technicians).
- More significantly, fixed costs were better absorbed by a broader revenue base ; on an adjusted basis (restating for capitalized production), fixed costs represented 38.6% of sales vs. 46.2% in 2020, with a particularly big improvement for headquarters costs (14.9% of 2021 sales vs. 20% in 2020). All this is proof of the scalability of the EDAC model. And it bodes well for the future if growth remains strong.

Analysis of the EDAC cost structure



Source: EDAC

- A much improved financial situation thanks to strong FCF from operations

This very robust earnings growth was reflected in cash flow generation, especially as management was able to keep WCR under tight control (positive +€1.0m contribution to FCF vs. negative -€11.0m expected), with the financing mechanism for the Façade Bonus (pre-financing by banks of work done by clients) allowing it to shorten payment periods (operating working capital representing 45 days of sales vs. 135 in 2020).

73, bd Haussmann - 75008 Paris
T : +33 (0)1 80 97 22 01
invest-securities.com

FCF from operations thus reached €14.7m in 2021 (vs. -€5.0m in 2020) compared with our -€0.2m estimate, which helped finance the acquisition of Acces Vertical (-€0.5m) and the dividend payment, while also allowing the company to substantially reduce its debt (-€11.3m).

EDAC ended 2021 with net cash of €3.6m (vs. net debt of +€7.7m a year earlier and our €9.4 estimate). This total corresponds to gross cash of €30.0m less €26.4m of financial debt. In sum, EDAC's financial situation improved in 2021, giving it the means to pursue its goals.

➢ Intention to maintain dividend payments over time

EDAC paid a divided of €0.16 in 2020 and has proposed €0.30 per share for 2021. While the yield is not significant (1.8%) and the cash disbursement is limited relative to the company's finances (€2.4m in 2022), management does seem committed to keep paying dividends over the long term.

2022 off to a very promising start

Management indicated mid-April that order intake was solid in Q1 22, with contracts signed for €25.6m, up +45% from Q1 21. Italy was a key driver of this gain (+43% to €24.3m), but France contributed as well (+50% to €1.02m) as did the new business in Spain (€0.2m). EDAC also noted that its headcount had increased by +34% over one year, to 1,473 at the end of March 2022.

Through the statement of yesterday ; the group unveiled Q1 22 revenues of €33.3m (+119%), driven again by Italy (+124% to €32.2m) and the works related to the Bonus Facade signed at the end of 2021 and completed in early 2022. The contribution of France (+13% to €0.9m) and Spain (€0.2m) was more modest, but the acceleration in order suggests that the ramp-up, particularly in France, should become a reality in the coming quarters. Finally, it should be noted that EDAC has announced 78 branches in Italy at the end of March 2022, one more than at the end of 2021.

These figures tend to confirm the confident message of the management, which is still expecting a strong growth in 2022 despite less favorable tax incentives in Italy (see next paragraph). So, the H1 2022 performance could be impressive (+84% at the group level for sales at €66.9m according to our updated estimates). It's allowing us to look forward H2 2022 with serenity despite the comparison base which will become demanding (Sales of H2 2021 at €50.5m vs. €36.5m in H1 2021).

Many reasons to anticipate robust growth in 2022

After an exceptional 2021, EDAC management is upbeat about 2022 and the prospect for continued robust sales growth. The fact is that a number of growth engines are already in place, in Italy and internationally.

➢ Façade Bonus extended through 2022, though reduced from 90% to 60%

The Façade Bonus, the main engine of growth in Italy in 2021, ended up being extended through the end of 2022 (vs. end-2021 initially), though the tax credit was reduced to 60% (from 90% in 2021). We can thus expect the tax incentive to drive business growth again in 2022 and even early in 2023, as contracts signed late in 2022 with work executed early in 2023 will normally be eligible for the tax credit.

73, bd Haussmann - 75008 Paris
T : +33 (0)1 80 97 22 01
invest-securities.com

➢ Energy renovation business gaining momentum

Besides the Façade Bonus, EDAC intends to take advantage in 2022 of another tax incentive in Italy, the Superbonus 110%, which applies to energy efficiency work. The scheme was introduced in July 2020 and was originally intended to remain in place only through mid-2022, but it has been extended through 2025, though the tax credit will decrease over time: 110% for work contracted through December 31 2023, 70% for contracts signed in 2024 and 65% for commitments made in 2025.

To address the needs of this market, in H2 2021, EDAC set up a new company called Energy Acrobatica 110 of which it owns 80%, the other 20% being held by Building, an engineering consulting firm based in Turin. Most of H2 2021 was devoted to creating the offering, so the sales contribution was only €0.6m. Based on current sales traction, EDAC expects 2022 to be much more buoyant, with sales approaching €10m.

➢ Continued expansion of the branch network in Italy

As part of its growth strategy for Italy, EDAC is expanding its network of company-owned branches : it already lifted the total number from 15 in 2016 to 77 in 2021, and aims to keep up the momentum by opening around 10 new ones every year. At the same time, it will continue to streamline the network of franchises, as it did early in 2022 when it took back full control of three franchises.

➢ With the new structure in place, the French business should start to pick up steam

After it acquired ETAIR in 2019, EDAC invested heavily to learn the ins and outs of the French market and to transpose the Italian model onto the company acquired, spending considerable amounts on training in particular. As evidenced by the order intake trend in Q1 2022 (+50% to €1.02m), growth in France can be expected to accelerate sharply in 2022 (following +9% in 2021). EDAC operates mainly in southern France for now, but it could make another acquisition to expand its geographic coverage more quickly. Management’s thinking is that the market is structured differently than in Italy due to the presence of large property management specialists (Foncia, Orpi, Century 21) that could be eager to have a single vendor for all rope access work rather than relying on myriad artisans in each region.

➢ 1st full-year contribution from Acces Vertical (Spain)

Acces Vertical only contributed to sales over two months in 2021 (€0.2m), but we expect its 12-month contribution in 2022 to reach €2.5m (+2bps consolidation scope effect). On the other hand, organic growth is likely to be moderate in the near term, as EDAC will be taking the time, as it did with ETAIR, to bring the Spanish business into line with the Italian model before starting to expand the branch network in Iberia.

➢ Now active in Monaco

Lastly, EDAC announced early in April that it had set up a company that will offer rope access services in the principality of Monaco. The business will be 60%-owned by EDAC, 30% by Monaco-based real estate development and construction firm Engeco, and 10% by GB, the Borromeo Arese family’s investment holding company. The new company, called Ediliziacrobatica Monaco SAM, was given the green light to operate in Monaco on January 6 of this year.

In sum, after its forays into France and Spain, EDAC continues to expand its footprint always with the aim of replicating the industrialized and standardized model that has been so successful in Italy. Management has not issued any targets for this new business, saying it would be premature to do so. But based on purchasing power in Monaco and its topographical and architectural features (very high density and many buildings of more than three stories), we know the principality does hold considerable growth potential.

73, bd Haussmann - 75008 Paris
T : +33 (0)1 80 97 22 01
invest-securities.com

A strong growth outlook beyond tax incentives

Business momentum should remain quite strong in the near term, but EDAC is also convinced that the tax incentives in Italy have boosted not only the popularity of rope access work (vs. scaffolding) but also its name recognition in an industry mostly dominated by artisans and SMEs. Those who used rope access services to take advantage of the Façade Bonus scheme are likely to be repeat customers going forward for different types of repair and renovation work.

In our view, this is the most unknowable aspect of the story. Companies often make such claims after an exceptionally good period (cf. e-commerce firms after COVID), but they do not always prove true. What is clear is that EDAC was able to use the tax incentives to accelerate the expansion of its branch network, build its name recognition, and improve its financial situation, allowing it to look to the future with confidence knowing it has additional financial resources to seize opportunities if the market enters a temporary downturn.

2022-23e estimates upgraded sharply

Given how the company blew past our estimates in 2021, and all the growth drivers that are in place for 2022 (particularly the extension of the Façade Bonus), we have sharply upgraded our estimates for 2022-23 and introduced new ones for 2024. Our sales estimates move up by about +10% but the upgrades to our earnings targets are much more pronounced (+43%/+38% for adjusted net profit) to reflect much better-than-expected margins, even factoring in a decline from 2021 (20% adjusted EBITDA margin in 2022-23e vs. 16% previously).

Changes to our estimates for 2022-23e

in €m, to 31/12	2021 actual	2022e New	2022e Prev	2022e Change	2023e New	2023e Prev	2023e Change
Net Revenue*	86,9	111,7	100,0	+12%	126,2	115,8	+9%
change	*+95%*	*+28%*	*+15%*		*+13%*	*+16%*	
Adjusted EBITDA	21,2	22,6	16,1	+40%	25,3	18,6	+36%
Adjusted EBITDA margin	24,3%	20,2%	16,1%		20,1%	16,1%	
Depreciation	-1,6	-1,9	-1,9		-2,1	-2,1	
Adjusted EBITA	19,6	20,7	14,2	+46%	23,2	16,5	+41%
Adjusted EBITA margin	22,5%	18,5%	14,2%		18,4%	14,2%	
Adjusted Net Income	12,6	13,8	9,6	+43%	15,6	11,3	+38%
change	+569%	+9%	-24%		+13%	+18%	

* previous expectations 2022-23 adjusted for accounting changes

Source : EDAC, IS estimates

As detailed in the table on the following page, the growth dynamic should gradually be normalize in Italy (the extension of the branch network and the increase in energy renovation activity should compensate the end of the Facade Bonus from 2023 onwards), while Spain and above all France (to which we are adding Monaco) should see their contribution increase with the rise in power of the two subsidiaries, though with relatively conservative Revenue/Agencies ratio assumptions compared to Italy.

73, bd Haussmann - 75008 Paris
T : +33 (0)1 80 97 22 01
invest-securities.com

IS sales estimates for 2022-24e

in €m, to 31/12	2017	2018	2019	2020	2021	2022e	2023e	2024e
Direct branches Italy	27	39	45	59	77	85	93	100
change	+80%	+44%	+15%	+31%	+31%	+10%	+9%	+8%
Direct branches France	0	0	5	8	8	9	14	19
change				+60%	+0%	+13%	+56%	+36%
Direct branches Spain	0	0	0	0	2	5	7	10
change								
Total direct branches	**27**	**39**	**50**	**67**	**87**	**99**	**114**	**129**
change	+80%	*+44%*	+28%	+34%	+30%	+14%	+15%	+13%
Franchising - Italy	**22**	**31**	**33**	**30**	**30**	**30**	**30**	**0**
change		***+41%***	***+6%***	***-9%***	***+0%***	***+0%***	***+0%***	***-100%***

in €m, to 31/12	2017	2018	2019	2020	2021	2022e	2023e	2024e
Italy revenue	14,8	22,9	33,1	39,2	78,0	97,5	107,2	114,7
change	+30%	+55%	+45%	+18%	+99%	+25%	+10%	+7%
Revenue/branches Italy	0,547	0,588	0,737	0,665	1,013	1,147	1,153	1,147
France revenue	0,0	0,0	3,3	3,1	3,4	6,1	9,8	14,7
change				-4%	+9%	+80%	+60%	+50%
Revenue/branches France			0,654	0,392	0,425	0,680	0,699	0,773
Spain revenue	0	0	0	0	0,22	2,50	3,30	4,20
change						+1026%	+32%	+27%
Revenue/branches Spain						0,500	0,471	0,420
Franchising - Italy	1,5	2,1	2,8	2,3	5,3	5,6	5,9	6,2
Total revenue	**16,3**	**25,0**	**39,2**	**44,7**	**86,9**	**111,7**	**126,2**	**139,8**
lfl change	*+31%*	*+54%*	*+44%*	*+14%*	*+94%*	*+26%*	*+13%*	*+11%*
scope effect	*+0%*	*+0%*	*+13%*	*+0%*	*+0%*	*+2%*	*+0%*	*+0%*
change	*+31%*	*+54%*	*+57%*	*+14%*	*+95%*	*+28%*	*+13%*	*+11%*

Source : EDAC, IS estimates

As for profitability, we have assumed a normative EBITDA margin of 20% (vs. 16% before), as we believe the 2021 result was due to exceptional factors (especially very robust demand and limited supply, which boosted gross margin) that will gradually return to normal.

Earnings estimates for 2022-24

in €m, to 31/12	2017	2018	2019	2020	2021	2022e	2023e	2024e
Net Revenue	16,3	25,0	39,2	44,7	86,9	111,7	126,2	139,8
change	*+31%*	*+54%*	*+57%*	*+14%*	*+95%*	*+28%*	*+13%*	*+11%*
Adjusted EBITDA	**2,8**	**4,3**	**2,1**	**4,2**	**21,2**	**22,6**	**25,3**	**28,1**
change	***-7%***	***+53%***	***-50%***	***+96%***	***+407%***	***+7%***	***+12%***	***+11%***
Adjusted EBITDA margin	**17,2%**	**17,2%**	**5,4%**	**9,3%**	**24,3%**	**20,2%**	**20,1%**	**20,1%**
Depreciation	-0,5	-0,4	-0,8	-1,2	-1,6	-1,9	-2,1	-2,3
Adjusted EBITA	**2,3**	**3,9**	**1,3**	**3,0**	**19,6**	**20,7**	**23,2**	**25,8**
change	***-16%***	***+70%***	***-67%***	***+134%***	***+554%***	***+6%***	***+12%***	***+11%***
Financial result	-0,1	-0,2753	-0,2758	-0,3007	-1,5381	-1,0221	-0,9577	-0,9062
Adjusted Profit before tax	**2,2**	**3,6**	**1,0**	**2,7**	**18,0**	**19,7**	**22,3**	**24,9**
change	***-18%***	***+65%***	***-72%***	***+168%***	***+570%***	***+9%***	***+13%***	***+12%***
Adjusted tax	-0,7	-1,1	-0,3	-0,8	-5,4	-5,9	-6,7	-7,5
Adjusted tax rate	-30%	-30%	-30%	-30%	-30%	-30%	-30%	-30%
Minorities	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Adjusted Net Profit	**1,5**	**2,5**	**0,7**	**1,9**	**12,6**	**13,8**	**15,6**	**17,4**
change	***-21%***	***+67%***	***-72%***	***+171%***	***+569%***	***+9%***	***+13%***	***+12%***

Source : EDAC, IS estimates

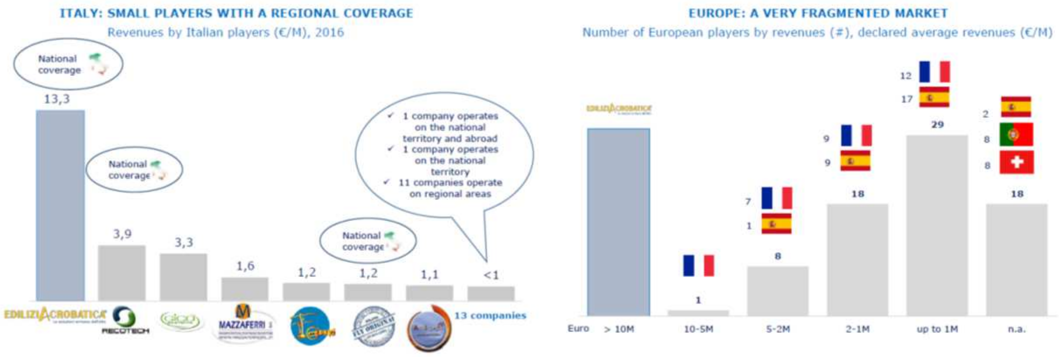
73, bd Haussmann - 75008 Paris
T : +33 (0)1 80 97 22 01
invest-securities.com

New acquisitions to come to accelerate internationalization?

In connection with its IPO at the end of 2018, EDAC indicated that it wished to use 35% to 40% of the €5.7m in equity funds raised to the acquisitions of local players, notably in France, Spain, Portugal and Switzerland.

The rope access services market is today mainly addressed by craftsmen and SMEs. EDAC commissioned the consulting firm Cerved in June 2017 to draw up an overview of the competitive universe in the main European markets (based on 2016 Revenues). This study showed that, with the exception of EDAC, there were no players with Revenues of more than €10m in 2016 and that only one in France had Revenues of more than €5m. On the other hand, there were nearly 65 companies with Revenues of €1m to €5m.

EDAC's competitive universe



Source : EDAC, Cerved

Since 2018, the market has not changed significantly, although in France the Jarnias group showed up in early 2022 with the acquisition of Acro BTP. The new entity is expected to generate more than €30m in pro forma sales, with a largest range of activities compared to EDAC's. In fact, Jarnias is active in rope access work for buildings, wind turbines and superstructures, ski area infrastructures and industry. Backed by the Garibaldi investment fund, Jarnias, which generates now 100% of its sales in France, is aiming for €100m of sales within five years, of which 50% will be generated internationally through acquisitions, particularly in Northern Europe (United Kingdom, Ireland and Scandinavia), according to its president.

This very aggressive strategy of Jarnias confirms, in our opinion, EDAC's approach on the fragmentation of the market and its necessary consolidation. It doesn't questioning EDAC's ambition to become the consolidator of the market. The Italian group has in fact demonstrated its execution in terms of acquisitions with the one of ETAIR (4th largest French player) in early 2019 and the one of Access Vertical (Spain) in 2021. Above all, its success in Italy demonstrates the group's ability to "industrialize process". Acquisitions are intended to serve as a bridgehead in a country or region in order to accelerate growth through organic development, once the structuring phase (particularly training) completed. For example, ETAIR, which was only based in the south of France (Perpignan) before its acquisition by EDAC, has since opened 7 agencies (Lyon, Marseille, Montpellier, a second agency in Perpignan, Nice, Narbonne and Toulouse) and a training center.

To conclude, the acquisitions could be a accelerator of the group's growth in ST or MT, especially now that EDAC has greater financial resources than 2 or 3 years ago. However, we do not expect to make any major acquisitions, but rather bolt-on acquisitions such as ETAIR or Acces Vertical. The objective being to use these acquisitions as a bridgehead to replicate its Italian model. This approach is certainly less accretive in the very short term, but it creates more value in the medium and long term, given the low level of investment.

73, bd Haussmann - 75008 Paris
T : +33 (0)1 80 97 22 01
invest-securities.com

Target price raised to €24 from €19.5, new rating of BUY (vs. NEUTRAL)

Our valuation is still based on a DCF approach, as a peer comparison would be meaningless given the absence of listed comparables and companies of the same size as EDAC in the construction industry with similar characteristics in terms of growth and profitability.

Three key factors have impacted our DCF model : (i) the one-year shift in our model, (ii) sharp upgrades to our estimates, and (iii) the application of a beta of 1.25x vs. 1.50x to reflect the change in the company's size, its phase of development, and its financial situation. On the other hand, we have not changed our long-term EBITDA margin assumption (15%), which may seem too conservative given what was achieved in 2021 (24.3%) and our expectations for 2022-24e (20%), but our aim is to anticipate how the market will become more competitive as the rope access industry expands.

Detailed FCF estimates for 2018-31e

in €m, 12/31	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Revenues	**25,0**	**39,2**	**44,7**	**86,9**	**111,7**	**126,2**	**139,8**	**153,0**	**165,4**	**176,7**	**186,4**	**194,1**	**199,6**	**202,6**
change	*+44%*	*+57%*	*+14%*	*+95%*	*+28%*	*+13%*	*+11%*	*+9%*	*+8%*	*+7%*	*+5%*	*+4%*	*+3%*	*+1,5%*
Adjusted EBITDA	4,3	2,1	4,2	21,2	22,6	25,3	28,1	29,6	30,8	31,6	32,0	31,9	31,4	30,4
Adj. EBITDA Margin	*17,2%*	*5,4%*	*9,3%*	*24,3%*	*20,2%*	*20,1%*	*20,1%*	*19,4%*	*18,6%*	*17,9%*	*17,2%*	*16,5%*	*15,7%*	*15,0%*
Capex	-1,8	-1,0	-0,9	-1,5	-2,0	-2,3	-2,4	-2,7	-3,0	-3,2	-3,5	-3,7	-3,9	-4,1
Capex in	*-7,1%*	*-2,5%*	*-2,0%*	*-1,8%*	*-1,8%*	*-1,8%*	*-1,7%*	*-1,8%*	*-1,8%*	*-1,8%*	*-1,9%*	*-1,9%*	*-2,0%*	*-2,0%*
Depreciation	-0,4	-0,8	-1,2	-1,6	-1,9	-2,1	-2,3	-2,6	-2,9	-3,2	-3,4	-3,7	-3,9	-4,1
% revenues	*-1,6%*	*-2,2%*	*-2,6%*	*-1,8%*	*-1,7%*	*-1,7%*	*-1,6%*	*-1,7%*	*-1,7%*	*-1,8%*	*-1,8%*	*-1,9%*	*-1,9%*	*-2,0%*
WCR	6,2	10,2	16,6	15,6	18,2	18,6	18,3	21,0	23,8	26,5	29,1	31,5	33,7	35,5
WCT / Revenues (%)	*24,6%*	*26,0%*	*37,1%*	*17,9%*	*16,3%*	*14,7%*	*13,1%*	*13,7%*	*14,4%*	*15,0%*	*15,6%*	*16,2%*	*16,9%*	*17,5%*
Tax Rate	-30,0%	-30,0%	-30,0%	-30,0%	-30,0%	-30,0%	-30,0%	-30,0%	-30,0%	-30,0%	-30,0%	-30,0%	-30,0%	-30,0%
Synthesis														
EBITDA	4,3	2,1	4,2	21,2	22,6	25,3	28,1	29,6	30,8	31,6	32,0	31,9	31,4	30,4
Tax	-1,2	-0,4	-0,9	-5,9	-6,2	-7,0	-7,7	-8,1	-8,4	-8,5	-8,6	-8,5	-8,2	-7,9
Capex	-1,8	-1,0	-0,9	-1,5	-2,0	-2,3	-2,4	-2,7	-3,0	-3,2	-3,5	-3,7	-3,9	-4,1
WCR change	-3,6	-4,1	-6,4	1,0	-2,6	-0,3	0,2	-2,7	-2,7	-2,7	-2,6	-2,4	-2,1	-1,8
Operating FCF	**-2,2**	**-3,4**	**-4,0**	**14,8**	**11,7**	**15,8**	**18,2**	**16,1**	**16,7**	**17,1**	**17,3**	**17,3**	**17,1**	**16,7**
change		ns	ns	ns	ns	ns	+15,5%	-11,3%	+3,7%	+2,4%	+1,1%	-0,1%	-1,3%	-2,5%
Discounting adj.					0,8	1,8	2,8	3,8	4,8	5,8	6,8	7,8	8,8	9,8
Discounted FCF					11,0	13,5	14,2	11,6	11,0	10,3	9,5	8,7	7,9	7,0

Source : EDAC, IS estimates

Based on a discount rate (WACC) of 9.30% vs 9.66% previously which is only very slightly reduced despite the drop in beta due to the increase in the risk-free rate, our valuation is now stands at €24 (vs. €19.5 previously), showing a potential of +53%. In view of a favorable momentum at CT and a reconstituted potential, we are raising our opinion to BUY (vs. NEUTRAL).

Sensitivity to LT growth rate and WACC

		WACC						
		7,8%	8,3%	8,8%	9,3%	9,8%	10,3%	10,8%
Long term growth	+0,5%	27,4	25,7	24,1	22,8	21,6	20,5	19,5
	+1,0%	28,5	26,6	24,9	23,4	22,1	21,0	20,0
	+1,5%	29,7	27,6	25,8	**24,2**	22,8	21,5	20,4
	+2,0%	31,1	28,8	26,7	25,0	23,5	22,1	20,9
	+2,5%	32,9	30,2	27,9	25,9	24,3	22,8	21,5

Source : estimations IS

Sensitivity to LT EBITDA margin and WACC

		WACC						
		7,8%	8,3%	8,8%	9,3%	9,8%	10,3%	10,8%
Long term EBITDA margin	+10,0%	21,1	19,9	18,7	17,8	16,9	16,1	15,4
	+12,5%	25,4	23,7	22,2	21,0	19,8	18,8	17,9
	+15,0%	29,7	27,6	25,8	**24,2**	22,8	21,5	20,4
	+17,5%	34,0	31,4	29,3	27,4	25,7	24,2	22,9
	+20,0%	38,3	35,3	32,8	30,6	28,6	26,9	25,4

Source : estimations IS

73, bd Haussmann - 75008 Paris
T : +33 (0)1 80 97 22 01
invest-securities.com

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

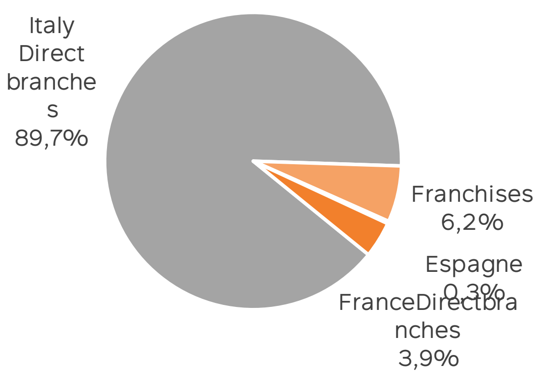
- Fragmentation of the market
- Competition limited to SMEs/artisans

MENACES

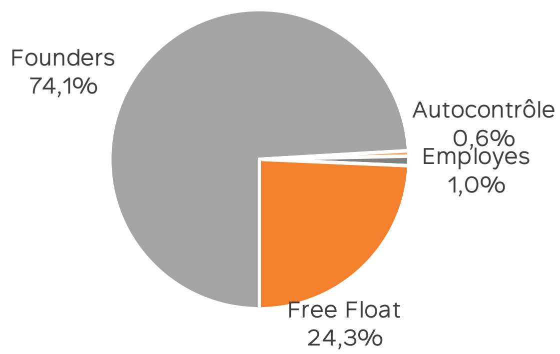
- Arrival on the market of giant construction companies
- Difficulties to replicate the model outside Italy

ADDITIONAL INFORMATION

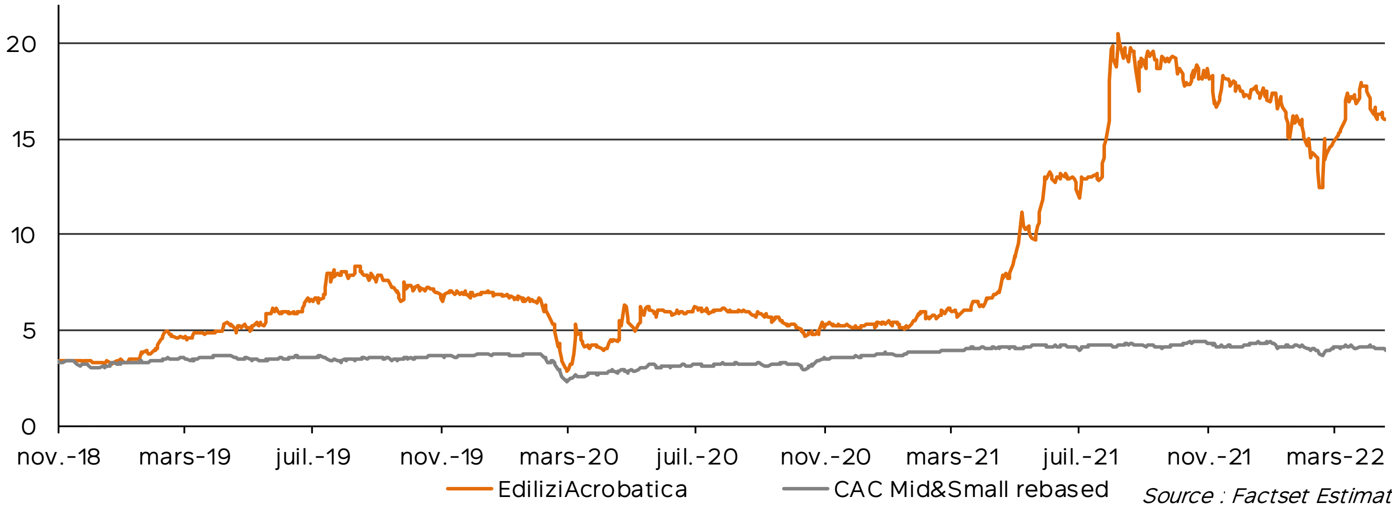
Sales Breakdown 2021



Shareholders



SHARE PRICE CHANGE SINCE IPO



Source : Factset Estimates

73, bd Haussmann - 75008 Paris
T : +33 (0)1 80 97 22 01
invest-securities.com

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 prejudge 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

73, bd Haussmann - 75008 Paris
T : +33 (0)1 80 97 22 01
invest-securities.com

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	22-oct.-21	NEUTRE	19,5	+6%
EDAC	Maxime Dubreil	29-mai.-21	NEUTRE	10,5	+2%

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.	Yes
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 Complicance 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.

73, bd Haussmann - 75008 Paris
T : +33 (0)1 80 97 22 01
invest-securities.com

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
Financial analyst, Real Estate
+33 1 73 73 90 25
safonso@invest-securities.com

Bruno Duclos
Financial analyst, Real Estate
+33 1 73 73 90 25
bduclos@invest-securities.com

Jamila El Bougrini
Financial analyst, Biotech/Healthtech
+33 1 44 88 88 09
jelbougrini@invest-securities.com

Benoît Faure-Jarrosson
Senior Advisor, Real Estate
+33 1 73 73 90 25
bfaure-jarrosson@invest-securities.com

Christian Guyot
Financial analyst, Retail & Luxury Goods
+33 1 80 97 22 01
cguyot@invest-securities.com

Jean-Louis Sempé
Financial analyst, Automotive
+33 1 73 73 90 35
jlsempe@invest-securities.com

Thibaut Voglimacci-Stephanopoli
Financial analyst, Medtechs / Biotechs
+33 1 44 88 77 95
tvoglimacci@invest-securities.com

TRADING FLOOR

Raphael Jeannet
Institutional Sales
+33 1 55 35 55 62
rjeannet@invest-securities.com

Edouard Lucas
Institutional Sales
+33 1 55 35 55 74
elucas@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

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