EdiliziAcrobatica

Sector: Real Estate services

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Time to look beyond fiscal incentives

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.

1H21: Fiscal aids driving close to triple digit growth

1H21 figures were buoyant, driven by the rebound post Covid-19 outbreak and by the fiscal incentives on façade restoration works (so called "*Bonus Facciate 90%*"). 1H21 VoP was up +96.8% y/y to €36.8mn and accounting of fiscal incentives costs below the EBIT line drove a more than proportional +409% y/y increase of Reported EBITDA to €7.0mn (Reported EBITDA margin 18.9%). Net Debt remained flat vs. 2020 year end at ca. €7.7mn, inflated by €8.5mn amount of receivables linked with the aforementioned fiscal aids.

France, Spain, 110%, apps to add to core business

Distribution and operating network is continuing to grow in Italy and France (108 point of sales at the end of June) and now also in Spain (2 new business units in Barcelona and Lleida) thanks to the recent acquisition of Spanish operations. Core domestic business should thus be complemented by Spain, France, new condominium app, and by the subsidiary **Energy Acrobatica 110% Srl**, aimed at exploiting the opportunities related to fiscal incentives on real estate works called "*Superbonus 110%*".

36% Top Line CAGR$_{20A-23E}$ despite 90% Bonus termination

Our base case scenario assumes the termination of "*Bonus Facciate*" fiscal aids already as of December 2021 but with the possibility to execute the works also in 1H22. That said, we forecast much improved financials for 2021E-22E, as a result of the impressive numbers in terms of top line and orders backlog registered as of 1H21, international branches development and EA110 solid contribution. From 2023E onwards, EdAc growth should normalize, reaching VoP of €117mn (36% CAGR$_{20A-23E}$), EBITDA of €16.3mn (EBITDA margin of 14.2%), and Net Debt of €3.7mn in 2023E.

Medium term growth is a zero cost call option

At €20 market price, EdAc shares would be correctly discounting our "base case" for 2022E-23E, while investors are getting for free both the domestic growth beyond 2023E and the ramp up of French and Spanish businesses. We warn that newsflow regarding fiscal incentives could act as a short term driver for stock price evolution, adding volatility.

Fair Value (€)	**20.0**
Market Price (€)	**18.4**
Market Cap. (€m)	**150.0**

KEY FINANCIALS (€m)	2020A	2021E	2022E
VALUE OF PRODUCTION	46.2	83.0	104.1
EBITDA	5.0	15.3	15.8
EBIT	3.1	12.4	13.5
NET PROFIT	1.8	3.9	6.6
EQUITY	12.9	14.8	20.6
NET FIN. POS.	-7.7	-8.4	-7.4
EPS ADJ. (€)	0.2	0.5	0.8
DPS (€)	0.1	0.1	0.1

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

RATIOS & MULTIPLES	2020A	2021E	2022E
EBITDA MARGIN (%)	11.2%	18.7%	15.5%
EBIT MARGIN (%)	7.0%	15.2%	13.2%
NET DEBT / EBITDA (x)	1.5	0.5	0.5
EV/SALES (x)	2.0	1.6	1.4
EV/EBITDA (x)	12.6	10.8	10.4
EV/EBIT (x).	20.0	13.3	12.2
P/E ADJ. (x)	30.0	40.0	23.9
DIV YIELD (%)	0.9	0.5	0.5

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

STOCK DATA	
FAIR VALUE (€)	20.0
MARKET PRICE (€)	18.40
SHS. OUT. (m)	8.15
MARKET CAP. (€m)	150.0
FREE FLOAT (%)	23.9
AVG. -20D VOL. (#)	22,124
RIC / BBG	EDAC.MI / EDAC IM
52 WK RANGE	4.70-20.50

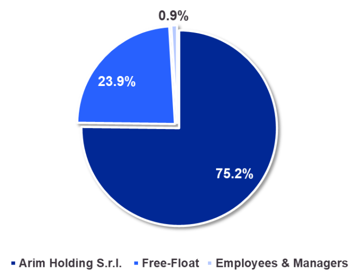
Source: Stock Market Data

Business Description

EdiliziAcrobatica S.p.A. (EdAc) is active in the Italian market of real estate assets outdoor maintenance and renovation through an innovative approach based on the double safety rope tool.

The company carries out maintenance works ranging from securing and prompt intervention, to renovation, installation, proofing, maintenance, and rebuilding, all executed without the use of scaffoldings or fixed-aerial solutions. Founded back as of 1994, the company has experienced a successful growth thus becoming nowadays the largest European company in its niche-segment.

Shareholders Structure



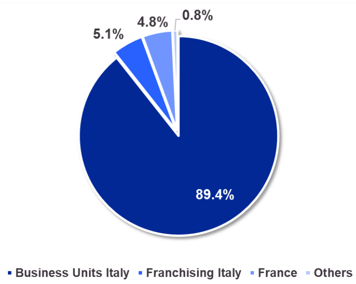
Source: EdiliziAcrobatica (*) 1H21

Key Financials

€mn	2020A	2021E	2022E	2023E
Total Revenues from Sales	**44.7**	**81.8**	**102.0**	**114.6**
Value of Production	**46.2**	**83.0**	**104.1**	**116.7**
Chg. % YoY	10.6%	79.8%	25.4%	12.0%
EBITDA (*)	**5.0**	**15.3**	**15.8**	**16.3**
EBITDA (*) Margin	11.2%	18.7%	15.5%	14.2%
EBIT	**3.1**	**12.4**	**13.5**	**14.4**
EBIT Margin	7.0%	15.2%	13.2%	12.5%
Net Profit	**1.8**	**3.9**	**6.6**	**9.0**
Chg. % YoY	59.7%	nm	69.1%	37.0%
Adjusted Net Profit	**1.8**	**3.9**	**6.6**	**9.0**
Chg. % YoY	59.7%	nm	69.1%	37.0%
Net Fin. Position	**-7.7**	**-8.4**	**-7.4**	**-3.7**
Net Fin. Pos. / EBITDA (*) (x)	1.5	0.5	0.5	0.2
Capex	-1.7	-1.5	-2.6	-2.9
OpFCF b.t.	**-2.4**	**10.8**	**8.7**	**9.9**
OpFCF b.t. as % of EBITDA (*)	-48.8%	70.7%	55.1%	60.6%

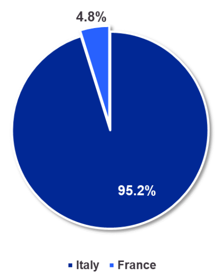
Source: EdiliziAcrobatica (historical figures), Value Track (estimates), (*) Reported EBITDA

Revenues breakdown by business line



Source: EdiliziAcrobatica (*) 1H21

Revenues breakdown by geography



Source: EdiliziAcrobatica (*) 1H21

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.

Stock multiples @ €20.0 Fair Value

	2022E	2023E
EV / SALES (x)	1.6	1.4
EV / EBITDA (x)	10.8	10.3
EV / EBIT (x)	12.6	11.6
EV / CAP.EMP. (x)	6.1	5.1
OpFCF Yield (%)	5.1	5.9
P / E (x)	24.8	18.1
P / BV (x)	7.9	5.7
Div. Yield. (%)	0.5	0.5

Source: Value Track

Review of 1H21 results

EdAc 1H21 financial figures were well ahead of our full year estimates. Indeed:

- Value of Production stood at €36.8mn, up +96.8% y/y, driven by the rebound post Covid-19 outbreak and by the fiscal incentives on façade restoration works (so called "*Bonus Facciate 90%*");
- EBITDA was up +409% y/y to €7.0mn. EBITDA margin 18.9% driven by the almost triple digit growth in business volumes and by the accounting of €2.5mn fiscal incentives costs below the EBIT line and not above the EBITDA one;
- EBIT stood at €5.5mn vs. €0.4mn as of 1H20;
- Net Profit stood at €1.6mn vs. ca. zero in 1H20.
- Net Debt remained flat vs. 2020 year end at ca. €7.7mn, inflated by ca. €8.5mn worth of tax credits (relative to the "*Bonus Facciate*" fiscal incentives). Net of such tax credits, Adjusted Net Financial Position would be positive.

EdAc: 1H19-1H20-1H21 key reported financials

€ mn	1H19	1H20	1H21
Value of Production	19.5	18.7	36.8
EBITDA	2.4	1.4	7.0
EBITDA Margin as % of VoP	*12.4%*	*7.3%*	*18.9%*
EBIT	1.5	0.4	5.5
Net Profit	0.78	0.02	1.60
Net Financial Position	-2.4	-4.2	-7.7

Source: EdiliziAcrobatica, Value Track Analysis

Top line close to triple-digit growth

As mentioned before, EdAc reported VoP at €36.8mn, +96.8% y/y driven by rebound post outbreak and by fiscal incentives. In detail, EdAc recorded the following results:

- Italian revenues from sales more than doubled y/y, if we take into account both fully owned business units and franchising business;
- French revenues from sales up ca.+13% y/y.

EdAc: Value of Production breakdown 1H19-1H20-1H21

€ mn	1H19	1H20	1H21
Italian direct business	15.4	14.7	32.9
Italian franchising business	1.3	1.3	1.9
France	1.3	1.6	1.8
Total Revenues from Sales	**18.1**	**17.6**	**36.5**
Other Revenues	1.4	1.1	0.3
Total Value of Production	**19.5**	**18.7**	**36.8**

Source: EdiliziAcrobatica, Value Track Analysis

Reported EBITDA +409% y/y to €7mn. EBITDA margin at 18.9%

As far as the Operating Costs structure is concerned, we note that Labour Costs remain the most important cost item, accounting for roughly 40% of total Value of Production, almost in line with all the remaining operating costs (Materials, G&A and Commercial ones).

EdAc: Operating Costs structure

€ mn	1H19	1H20	1H21
Personnel (Avg)	429	550	782
Cost per employee (€ '000)	32.9	33.0	38.0
Labour costs	7.1	9.1	14.9
Other Operating Costs	10.0	8.2	15.0
Total Operating Costs	**17.1**	**17.3**	**29.8**
Labour costs / VoP	36.2%	48.6%	40.4%
Other Operating Costs / VoP	51.4%	44.1%	40.7%
Total Operating Costs / VoP	**87.6%**	**92.7%**	**81.1%**

Source: EdiliziAcrobatica, Value Track Analysis

In terms of Reported Contract Margin evolution, in 1H21 it stood at 61% level, much higher than the ca. 48% level recorded in both 1H19 and 1H20, being driven by both the surge in volumes of business and by the accounting impact of fiscal incentives on building façade recovery/renovation services. On this “accounting” point, please see the following paragraph.

As an effect of the positive operating leverage, 1H21 EBITDA Margin stood at 18.9% (on VoP), despite the negative contribution from the French subsidiary whose EBITDA loss stood at ca. €-0.4mn.

EdAc: From Value of Production to Reported EBITDA

€ mn	1H19	1H20	1H21
Value of Production (VoP)	**19.5**	**18.7**	**36.8**
Contract Costs	-10.0	-9.6	-14.4
Contract Margin	**9.5**	**9.0**	**22.4**
Contract Margin as % of VoP	***48.6%***	***48.4%***	***61.0%***
Other Costs	-7.1	-7.7	-14.8
EBITDA	**2.4**	**1.4**	**7.0**
EBITDA margin as % of VoP	***12.45%***	***7.31%***	***18.92%***

Source: EdiliziAcrobatica, Value Track Analysis

Impact of "Bonus Facciate" accounting on EdAc Profit & Loss

Fiscal incentives on building façade recovery/renovation services (so called "*Bonus Facciate 90%*") can be exploited by EdAc clients in two alternative ways:

a) EdAc directly grants to its clients 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) EdAc clients directly earn 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 and EdAc usually transfers the earned tax credits to banks by paying a fee, usually rebated to final clients.

While in our estimates such banking fees were included as an operating cost, above the EBITDA line, on the contrary the Italian accounting regulator (OIC) has recently asked for them to be treated as financial charges, thus being accounted below the EBIT line.

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 EdAc	**6,000**
90% Tax Credit (discount anticipated by EdAc to the client)	5,400
EdAc cash-in of Tax Credit net of Banking Fee	4,400
EdAc cash-in of 10% of "Total Order Amount" directly from client	600
EdAc Total Cash in (Gross of Operating Expenses)	**5,000**

Source: Value Track Analysis

EdiliziAcrobatica: "*Bonus Facciate*" accounting on P&L: Our initial view vs. OIC one

	Our initial view	OIC view
Total Revenue from Sales ("Face Value")	5,000	5,000
Banking Fee (+) rebated to final client	1,000	1,000
Total Revenue from Sales	**6,000**	**6,000**
Operating Expenses	-4,000	-4,000
Banking Fee	-1,000	--
EBITDA	**1,000**	**2,000**
D&A	0	0
EBIT	**1,000**	**2,000**
Financial Charges	0	-1,000
Pre-Tax Profit	**1,000**	**1,000**

Source: Value Track Analysis

According to 1H21 EdAc financial statements, this change in accounting treatment is worth €2.5mn banking fees that have been reclassified below the EBIT line.

Adjusted for this accounting effect, we estimate that 1H21 Contract Margin and EBITDA would have been respectively ca. €19.9mn (Adj. Contract Margin at ca. 54%).and €4.5mn (Adj. EBITDA Margin at ca. 12%).

EdAc: From Value of Production to Adjusted EBITDA

€ mn	1H19	1H20	1H21
Value of Production (VoP)	**19.5**	**18.7**	**36.8**
Adj. Contract Costs	-10.0	-9.6	-16.9
Adj. Contract Margin	**9.5**	**9.0**	**19.9**
Adj. Contract Margin as % of VoP	***48.6%***	***48.4%***	***54.2%***
Other Costs	-7.1	-7.7	-15.4
Adj. EBITDA	**2.4**	**1.4**	**4.5**
Adj. EBITDA margin as % of VoP	*12.45%*	*7.31%*	*12.19%*

Source: Value Track Analysis

From EBITDA down to Net Profit

1H21 Net Profit stood at €1.6mn as a result of:

- **D&A charges** standing at €1.1mn, compared to €0.9mn as of 1H20;
- **Impairments** at ca. €350k;
- **Net financial charges** at €2.8mn, as including the above mentioned €2.5mn banking fees;
- **Tax rate** at 45%.

EdAc: From EBITDA to Net Profit

€ mn	1H19	1H20	1H21
EBITDA	**2.4**	**1.4**	**7.0**
D&A	-0.8	-0.9	-1.1
Impairment & Provisions	-0.2	0.0	-0.4
EBIT	**1.5**	**0.4**	**5.5**
Net Financial Charges	-0.2	-0.1	-2.8
Taxes	-0.5	-0.3	-1.2
Net Profit	**0.8**	**0.0**	**1.6**

Source: EdiliziAcrobatica, Value Track Analysis

Net Working Capital and Net Debt inflated by “*Bonus Facciate*” receivables

As it was at the end of December 2020, **Net Working Capital** (NWC) suffered a sharp increase y/y almost entirely driven up by tax related receivables.

We note that, on the contrary, 1H21 **Capex** at €0.6mn was below FY19 levels (€1.0mn), while a higher cash out was devoted to financial investments (e.g. Spain).

All in all, due to inflated NWC, reported **Net Debt** stood at €7.7mn stable vs. 2020 year end.

Net of the ca. €8.5mn tax credits related to the mentioned fiscal incentives, we calculate **Adjusted Net Cash Position** at €0.8mn.

EdAc: 1H19-1H20-1H21 Balance Sheet structure

€mn	1H19	1H20	1H21
Net Working Capital	9.8	12.2	17.3
Net Fixed Assets	4.5	5.2	5.3
Provisions	1.0	1.7	2.2
Total Capital Employed	**13.3**	**15.7**	**20.5**
Group Net Equity	10.8	11.5	12.8
Net Fin. Position [i.e. Net Debt (-) Cash (+)]	**-2.4**	**-4.2**	**-7.7**
Adj. Net Financial Position	***-2.4***	***-4.2***	***0.8***

Source: EdiliziAcrobatica, Value Track Analysis

EdAc: 1H19-1H20-1H21 Cash Flow Statement

€mn	1H19	1H20	1H21
EBITDA	**2.4**	**1.4**	**7.0**
Change in NWC and Provisions	-3.3	-1.5	-0.4
Capex	-1.4	-1.0	-0.6
OpFCF b.t.	**-2.4**	**-1.1**	**5.9**
Cash Taxes	-0.5	-0.3	-1.4
OpFCF a.t.	**-2.9**	**-1.4**	**4.6**
Capital Injections	0.0	0.0	0.0
Other Op. Items (incl. Fin. Inv.)	-1.5	0.0	-1.6
Net Financial Charges	-0.2	-0.1	-2.8
Dividends Paid	0.0	0.0	-0.3
Net Cash generated	**-4.5**	**-1.5**	**0.0**
Net Financial Pos. [Net debt (-) / Cash (+)]	**-2.4**	**-4.2**	**-7.7**

Source: EdiliziAcrobatica, Value Track Analysis

EdAc business ahead

EdAc recent expansion was terrific and facilitated by "*Bonus Facciate 90%*" fiscal incentives, that acted as a boost for new order intakes, branch openings and internationalization plans.

As far as future economic performance is concerned, we believe that there are both short term and medium term drivers to be taken into account:

1. **Short term. Fiscal incentives,** such as "Bonus Facciate" and "Superbonus 110%";
2. **Medium term. International expansion**, i.e. the time needed by the already set and the soon to be opened business units in France and Spain to reach "mature" figures in terms of revenue generation.

108 point of sales and over 1,200 employees between Italy and France

During 1H21, EdAc expanded its Italian footprint with **8 new openings**, reaching 75 branches (o/w 8 in France) as a total. Adding 33 franchisees, EdAc counts 108 point of sales and over 1,200 human resources. More, we already reported the new developed **EAcondominio App** to facilitate residents-administrators interactions, and the setup of **Energy Acrobatica 110% S.r.l.** to operate as main contractor for real estate projects financed by fiscal aids of the so called "*Superbonus 110%*", recently extended up to December 2023 by the Italian government.

However, the bulk of EdAc 2021E revenues will come from order intakes related to "*Bonus Facciate 90%*", hence future performance will depend on the extension of the related tax incentives.

Our forecasts factor an end to new orders acquisition related to 90% bonus already as of December 2021 but with the possibility to execute the works also in 1H22. However, we also developed a worst- and best-case scenarios depending on different alternatives (for further details, see next chapters).

EdiliziAcrobatica Iberica and beyond

Two years after entering the French market with EdiliziAcrobatica France SaS, the Group accelerated its international strategy with the acquisition of part of **Accéss Vertical** for €450k, a Spanish company operating on safety rope building services, also acting on the renovation of La Sagrada Familia of Barcelona.

The acquisition continues the internationalization process based on "buy" opportunities rather than "make", in order to considerably reduce the time to expand EdAc highly scalable business model in new countries. As of today, "**EdiliziAcrobatica Iberica**" counts 2 business units, in Barcelona and Lleida, with 19 human resources dedicated.

EdAc international plans will not stop with Accéss Vertical. Indeed, the Company is continuing to target SMEs with an average top line of €1mn-€3mn, operating in the real estate and industrial sectors in France, Spain, Portugal and UK for starters. EdAc model should be replicated by keeping the target entrepreneur within the Group with the aim of growing the business at EdAc pace, with SMEs benefitting from synergies and EdAc commercial, recruiting, training, marketing and IT teams.

EdAc financial growth profile should therefore also depend on the future development of its international units and on the time they will require to reach "mature" figures in terms of manageable orders and revenue generation.

From this point of view, EdAc stock could represent a **zero-cost call option on the success of the internationalization strategy**.

Forecasts 2021E-23E

Update of 2021E-22E estimates

From 2H20, as a consequence of the so called "*Bonus Facciate 90%*", domestic demand for EdAc services experienced an impressive turnaround, expected to continue until the end of 2021. However, is unlikely that such fiscal aids will be renewed for 2022E, and whether they will, on what scale.

Our base case scenario is built on the assumption of an end to new orders acquisition related to 90% bonus already as of December 2021 but with the possibility to execute the works also in 1H22.

With respect to our last report published in April, we forecast much improved financials for 2021E-22E, as a result of the impressive numbers in terms of top line and orders backlog registered as of 1H21. However, while our last estimates were modeled net of any rebate to final clients of tax credit banking fees, OIC new accounting treatment implies an impact at the EBITDA level. Therefore, our estimates are drawn on:

1. Value of Production forecasted gross of any tax credit banking fees;
2. Banking fees impacting EdAc P&L under the EBIT line, as financial charges;
3. Calculation of an EBITDA adjusted for such commissions.

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 (*)	**59.4**	**3.5**	**62.9**	**79.0**	**4.0**	**83.0**	***33.1%***	***14.3%***	***32.0%***
EBITDA Reported	7.8	-0.2	7.6	15.5	-0.2	15.3	*97.5%*	*0.0%*	*100.0%*
EBITDA Adjusted (**)	**7.8**	**-0.2**	**7.6**	**10.5**	**-0.2**	**10.3**	***33.8%***	***0.0%***	***34.7%***
EBIT	5.8	-0.2	5.6	12.6	-0.2	12.4	*115.5%*	*0.0%*	*119.5%*
Net Profit	3.3	-0.2	3.1	4.1	-0.2	3.9	*22.2%*	*0.0%*	*23.6%*
OpFCF after tax	0.5	-0.3	0.2	8.4	-0.3	8.1			
Net Financial Position	**-8.4**	**-0.2**	**-8.6**	**-8.2**	**-0.2**	**-8.4**			

Source: EdiliziAcrobatica, Value Track Analysis (*) Gross of rebate to clients of fiscal aid ("Bonus Facciate") banking fees (**) Adjusted for banking fees

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 (*)	**69.5**	**6.0**	**75.5**	**98.1**	**6.0**	**104.1**	***41.1%***	***0.0%***	***37.9%***
EBITDA Reported	10.0	-0.1	9.9	15.8	0.0	15.8	*57.9%*	*n.m.*	*59.5%*
EBITDA Adjusted (**)	**10.0**	**-0.1**	**9.9**	**13.3**	**0.0**	**13.3**	***33.0%***	***n.m.***	***34.3%***
EBIT	7.7	-0.1	7.6	13.5	0.0	13.5	*75.7%*	*n.m.*	*78.0%*
Net Profit	4.7	-0.1	4.6	6.6	0.0	6.6	*39.9%*	*n.m.*	*43.0%*
OpFCF after tax	-0.1	0.0	-0.1	4.7	0.0	4.7			
Net Financial Position	**-10.4**	**-0.1**	**-10.5**	**-7.4**	**0.0**	**-7.4**			

Source: EdiliziAcrobatica, Value Track Analysis (*) Gross of rebate to clients of fiscal aid ("Bonus Facciate") banking fees (**) Adjusted for banking fees

Forecasted figures 2021E-23E

Hereby, we report EdAc key financial forecasts at a glance, for the first time also including 2023E. Despite uncertainty around fiscal aids renewal, EdAc is set to consolidate its leading position in the Italian market and increase its market share on in international grounds. In particular, we highlight:

- **Value of Production** growing at ca. **36% CAGR$_{2020A-23E}$**, thus reaching ca. €117mn in 2023E;
- **EBITDA** at **€16.3mn in 2023E**, increasing more than proportionally compared to the top line;
- **Net Profit** surging to €9mn in 2023E, despite a high tax rate (around 35%);
- **Net Debt** to reach €3.7mn in 2023E, i.e. €4mn reduction on a cumulative basis.

EdAc: 2020A-23E Key financials

(€mn)	2020A	2021E	2022E	2023E	CAGR 20A-23E
Value of Production	**46.2**	**83.0**	**104.1**	**116.7**	***36.2%***
EBITDA Reported	5.0	15.3	15.8	16.3	*48.2%*
EBITDA Adjusted	**5.0**	**10.3**	**13.3**	**16.3**	***48.2%***
EBIT	3.1	12.4	13.5	14.4	*65.9%*
Net Profit	1.8	3.9	6.6	9.0	*72.4%*
Net Financial Position	**-7.7**	**-8.4**	**-7.4**	**-3.7**	***n.m.***

Source: EdiliziAcrobatica, Value Track Analysis

Profit & Loss

In our base case, EdAc is expected to reach **€116.7mn Value of Production in 2023E, i.e. 36.2% CAGR$_{2020A-23E}$.**

Indeed, 2021E should bring ca. €37mn in additional revenue with respect to 2020A, and €21mn in 2022E with respect to 2021E. From 2H22E, we expect a normalized top line growth, i.e. 12% y/y from €104.1mn to €116.7mn.

More, we forecast a solid contribution coming from Energia Acrobatica 110 srl (EdAc entity related to "*Superbonus 110%*" energy efficiency works), as well as from France and Spain businesses, which should provide for ca. €23mn on a cumulated basis over the next three years.

EdAc: 2020A-23E Value of Production breakdown

(€mn)	2020A	2021E	2022E	2023E	CAGR 20A-23E
Italy (excl. EA 110)	41.1	76.8	91.8	99.1	*34.0%*
EA 110	0.0	0.5	2.5	5.0	*n.m.*
France	3.5	4.0	6.0	8.0	*31.4%*
Spain	0.0	0.5	1.8	2.5	*n.m.*
Total Revenues from Sales	**44.7**	**81.8**	**102.0**	**114.6**	***36.9%***
Other Revenues	1.5	1.2	2.1	2.1	*11.8%*
Value of Production	**46.2**	**83.0**	**104.1**	**116.7**	***36.2%***

Source: EdiliziAcrobatica, Value Track Analysis

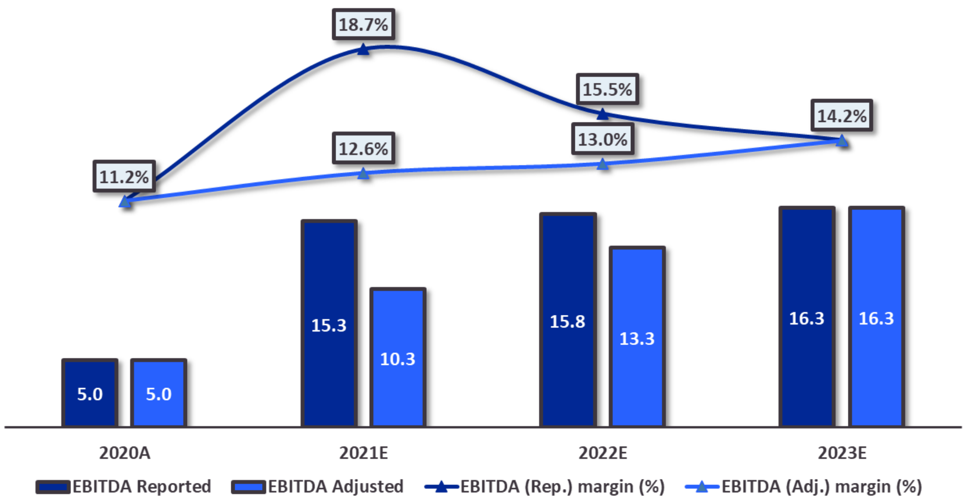
Due to OIC accounting principles, banking fees related to fiscal aids cash-in impact EdAc P&L under the EBIT line. As a consequence, EBITDA reported for 2021E-22E is inflated by ca. €5mn and €2.5mn, respectively.

On adjusted basis, we expect EBITDA to increase twofold y/y in 2021E to €10.3mn and then adding €3.0mn each year, thus **reaching €16.3mn in 2023E**.

Opening branches should indeed reach their maturity phase faster than usual thanks to the exceptional amount of orders received and to be delivered over the forecasted period.

Adjusted EBITDA margin should grow by 300bps over the next three years, converging to **14.2% in 2023E**.

EdAc: EBITDA-EBIT evolution (*)



Source: EdiliziAcrobatica, Value Track Analysis

D&A should progressively decrease on account of lower CapEx requirements and amount to €1.9mn **in 2023E**, with **EBIT at €14.4mn and EBIT margin at 12.5%**.

Below, Net Financial Charges are expected to increase due to banking fees OIC accounting, totaling €5.8mn and €2.9mn in 2021E and 2022E, respectively. From 2023E onwards, we should observe a standardization side by side with fiscal aids termination.

EdAc heavy tax rate (between 41% and 35% on the forecasted period) is responsible for some profit dilution on the bottom line. However, **Net Profit is expected to reach €9.0mn in 2023E** from €1.8mn reported in 2020A, i.e. ca. **72% CAGR$_{2020A\text{-}23E}$**.

EdAc: P&L evolution 2020A-23E

(€mn)	2020A	2021E	2022E	2023E	CAGR 20A-23E
Total Revenues from Sales	**44.7**	**81.8**	**102.0**	**114.6**	***36.9%***
Other Revenues	1.5	1.2	2.1	2.1	*11.8%*
Value of Production	**46.2**	**83.0**	**104.1**	**116.7**	***36.2%***
EBITDA Reported	**5.0**	**15.3**	**15.8**	**16.3**	***48.2%***
EBITDA (Rep.) margin (%)	11.2%	18.7%	15.5%	14.2%	*n.m.*
EBITDA Adjusted	**5.0**	**10.3**	**13.3**	**16.3**	***48.2%***
EBITDA (Adj.) margin (%)	11.2%	12.6%	13.0%	14.2%	*n.m.*
Depreciation & Amortization	-1.9	-2.9	-2.3	-1.9	*n.m.*
EBIT	**3.1**	**12.4**	**13.5**	**14.4**	***65.9%***
EBIT margin (%)	7.0%	15.2%	13.2%	12.5%	*n.m.*
Net Fin. Income (Charges)	-0.3	-5.8	-2.9	-0.5	*n.m.*
Pre-tax Profit	**2.8**	**6.6**	**10.6**	**13.9**	***69.6%***
Taxes	-1.1	-2.7	-4.0	-4.9	*n.m.*
Net Profit	**1.8**	**3.9**	**6.6**	**9.0**	***72.4%***

Source: EdiliziAcrobatica, Value Track Analysis

Balance Sheet and Cash Flow Statement

As for Balance Sheet and Cash Flow Statement items, we confirm the trends outlined in our last report back in April 2021. Indeed, despite we are not assuming any M&A activity, we do reckon that the company is working on possible further expansion abroad. However, **we expect EdAc starting to generate cash 1 year in advance, i.e. from 2022E onwards**, when the abnormal growth period related to fiscal aids will expire. Precisely, our forecasts consider:

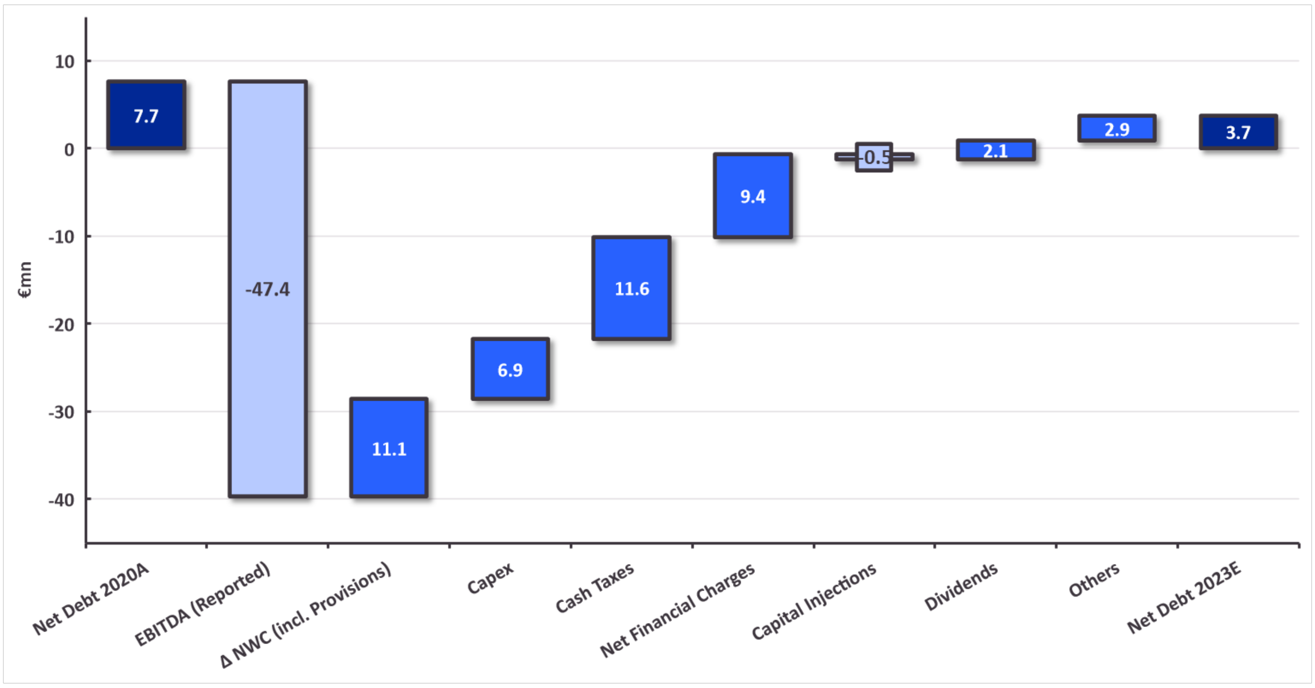
- **Net Working Capital** keep increasing albeit at a lower rate than 2019A-2020A as the more efficient management of tax credits is supported by Intesa Sanpaolo rotatory ceiling cash-in;
- **Net Fixed Assets** at €6.6mn in 2023E, as we expect the Group to capitalize business units openings costs for ca. €7mn in 2021E-23E;
- Banking fees (i.e. Net Financial Charges), high taxes and an assumed constant dividend policy at €0.10 per share should be the other negative free cash flows component expected to halt cash generation particularly in 2021E. **Net Debt** should then reduce down to **€3.7mn in 2023E**.

EdAc: Balance Sheet evolution 2020A-23E

(€mn)	2020A	2021E	2022E	2023E
Net Working Capital	16.6	20.1	25.0	28.6
Net Fixed Assets	5.8	5.4	5.7	6.6
Provisions	1.8	2.3	2.7	2.8
Total Capital Employed	**20.6**	**23.2**	**28.0**	**32.5**
Group Net Equity	**12.9**	**14.8**	**20.6**	**28.8**
Net Fin. Position [i.e. Net Debt (-) Cash (+)]	**-7.7**	**-8.4**	**-7.4**	**-3.7**

Source: EdiliziAcrobatica, Value Track Analysis

EdAc: Net Debt evolution 2020A-23E



Source: EdiliziAcrobatica, Value Track Analysis

EdAc: Cash Flow Statement evolution 2020A-23E

(€mn)	2020A	2021E	2022E	2023E
EBITDA (Reported)	5.0	15.3	15.8	16.3
Working Capital Needs	-6.3	-3.5	-4.9	-3.6
Capex	-1.7	-1.5	-2.6	-2.9
Change in Provisions	0.5	0.5	0.4	0.1
OpFCF b.t.	**-2.4**	**10.8**	**8.7**	**9.9**
Cash Taxes	-1.1	-2.7	-4.0	-4.9
OpFCF a.t.	**-3.5**	**8.1**	**4.7**	**5.0**
Capital Injections	0.4	0.5 (*)	0.0	0.0
Other Op. Items (incl. Fin. Inv.)	-0.9	-2.9	0.0	0.0
Net Financial Charges	-0.3	-6.0	-2.9	-0.5
Dividends	-0.8	-0.5	-0.8	-0.8
Net Cash generated	**-5.0**	**-0.7**	**1.0**	**3.7**

Source: EdiliziAcrobatica, Value Track Analysis   *(*)Conversion of #121,647 "third period" warrants in ordinary shares at €4.23 per share*

Bonus Facciate at a turning point: scenarios

In our view, EdAc orders backlog and top line 2022E-23E are subject to different scenarios depending on (i) the termination of "*Bonus Facciate*" starting from January 1st, 2022 with also the impossibility to execute works previously acquired (*worst case*), (ii) the termination of "*Bonus Facciate*" starting from January 1st, 2022 with the possibility to execute in 1H22 works previously acquired (*base case*), or (iii) an unlikely last minute decision to reintroduce fiscal incentives (90%) for 2022E (*best case*).

Depending on which of the above mentioned scenarios arises, our forecasts would be as follows:

- **Worst Case** Value of Production at ca. **€97mn in 2023E**. Indeed, halting the bonus would slow down EdAc expansion plans, with a lower number of new business units launched and also requiring more time to reach mature revenues figures;
- **Best Case** VoP growing at 42% CAGR$_{20A\text{-}23E}$ and reaching ca. **€133mn in 2023E**, as the renewal of the bonus (even if at lower rates) would keep boosting EdAc backlog, openings and revenues;
- **Base Case** VoP at ca. **€117mn in 2023E**, slightly closer to the best scenario than the worst case.

EdAc: Value of Production scenarios 2021E-23E

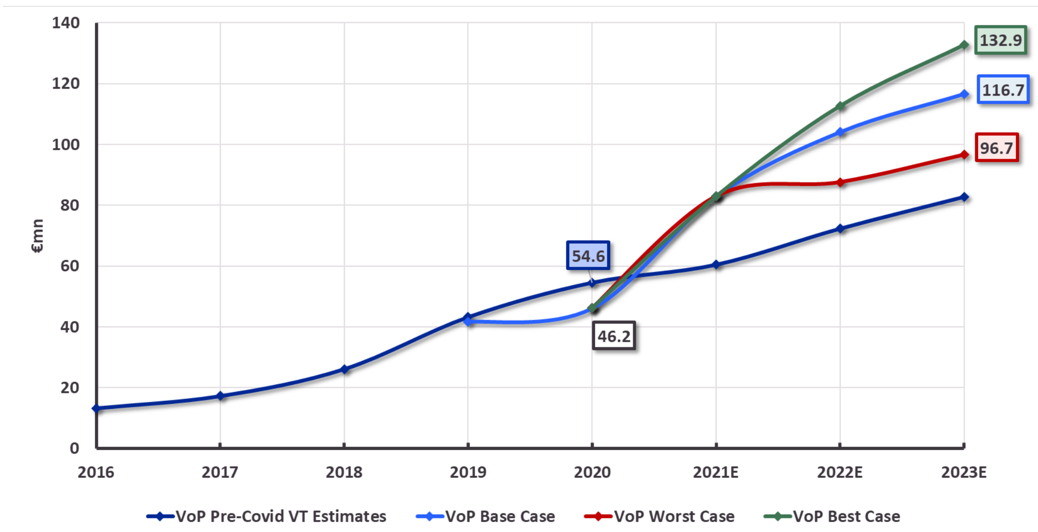
€ mn	2021E	2022E	2023E	CAGR 2020A-23E
Value of Production – *Worst Case*	83.0	87.6	96.7	*27.9%*
Value of Production – *Best Case*	83.0	112.8	132.9	*42.3%*
Value of Production – *Base Case*	**83.0**	**104.1**	**116.7**	***36.2%***

Source: Value Track Analysis

Outlined scenarios only differ for organic revenues, hence regarding the Italian construction sites and franchising divisions. Only the best case also includes an incremental boost of the EA 110 unit related to potential increasing demand related to the "*Superbonus 110%*". Hence, revenues from France and Spain operating companies are the same for all scenarios.

Worthy to note, even the worst scenario provides for higher figures than our pre-Covid estimates (Oct. 28th 2019 report), signaling how "*Bonus Facciate 90%*" considerably accelerated EdAc scale-up phase.

EdAc: Value of Production scenarios vs. pre-Covid 19 Value Track estimates (as of 28/10/'19)



Source: EdiliziAcrobatica, Value Track Analysis

Valuation

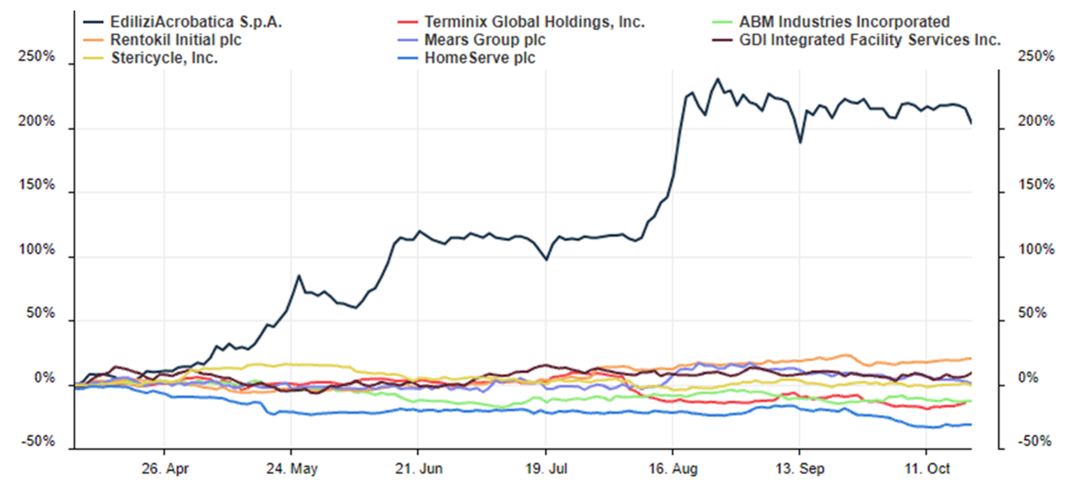
We believe that at €20 EdAc shares are correctly discounting what we previously described as "base case" for 2022E-23E. From this point of view, at current market price investors are getting for free both the domestic growth beyond 2023E and the ramp up of French and Spanish businesses. For the sake of clarity, we note that in the next months, newsflow regarding fiscal incentives could act as a short term driver for stock price evolution, adding volatility.

EdAc shares: More than 2x in six months…

EdAc shares enjoyed a sharp rerating in the latest six months, massively outperforming the companies that we usually consider as more comparable.

Indeed, EdAc stock tripled from our latest report, while, on average, peers have seen decrease their market prices by just 2.6%.

EdAc vs. Peers: Share price evolution April 2021 – October 2021



Source: S&P Capital IQ

…but thanks to estimates upwards revision, EdAc doesn't trade at premium vs. peers

EdAc massive outperformance has been driven by the 2021YTD surge in new orders driven by fiscal aids ("*Bonus Facciate 90%*"). Indeed, back in April we forecasted that these fiscal aids would have been a short term game changer. That said, we note that the upward revision of 2021E-23E estimates has been so sharp that EdAc is not trading at premium vs. comparables despite the above mentioned outperformance. Please see Appendix for detailed analysis of Peers' multiples.

EdAc: Peers' stock trading multiples

Company	EV / Sales (x)		EV / EBITDA (x)		P / E (x)	
	2022E	2023E	2022E	2023E	2022E	2023E
Peers' Average	1.9	1.8	10.8	10.1	22.7	21.0
Peers' Median	2.2	2.0	9.7	9.2	20.5	19.7
EdAc @ current market price	1.5	1.3	10.0	9.5	22.9	16.7

Source: Market Consensus, Value Track Analysis

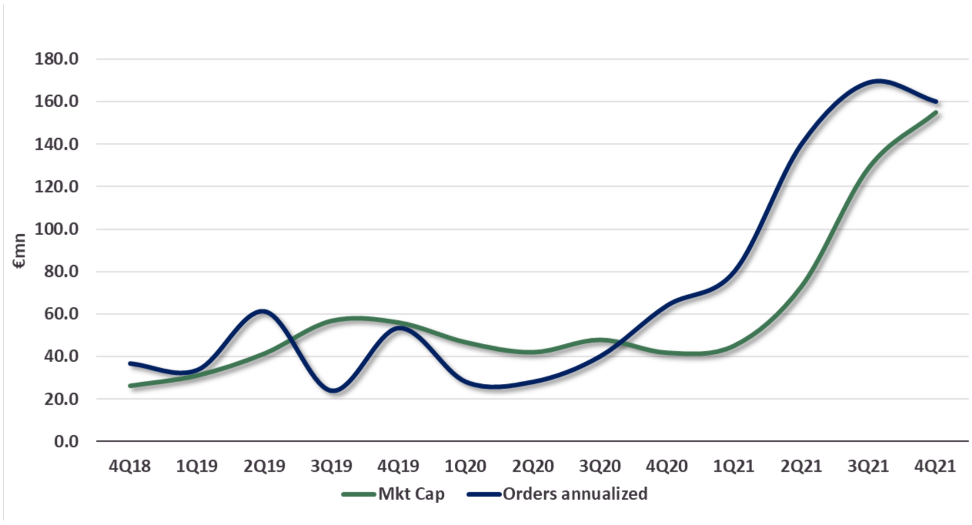
No short term upside potential given the high correlation between market capitalization and orders / revenues…

Again, we underline that EdAc positive share price evolution has been driven by the 2021YTD surge in new orders. Indeed, as shown in the charts below, EdAc stock usually trades more in line with expected top line and orders growth, rather than EBITDA and profitability levels.

More in particular, if we focus over the last 4/5 quarters, we see how EdAc market capitalization has followed a very strong and positive correlation trend compared to the € amount of orders received by the Group (on annualized terms, i.e. orders received over the quarter multiplied by 4 quarters).

If this is true, it is fair to suppose that in the short-term there is not much potential upside on EdAc shares, and that the expected outstanding levels of year-end backlog (estimated at approximately €60mn) adequately support current market price

EdAc: Market Cap vs. # Orders (Annualized)



Source: Market consensus, Value Track Analysis

…but medium term domestic growth coupled with French and Spanish ones are zero cost options

Once the fiscal aids rollercoaster is over, we'll be left with a much stronger domestic footprint, thanks to the new business units / point of sales launched on the market, and with a period of expected extra growth abroad as French and Spanish businesses will reach "mature" figures.

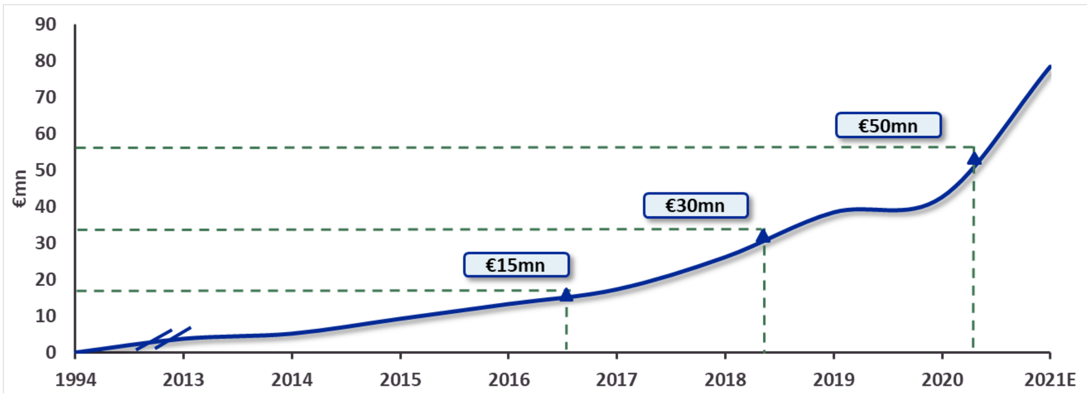
From this point of view, we believe that medium term domestic growth plus the ramp up in France and Spain are all **zero-cost call options** embedded in current market price.

France and Spain in the making

While EdiliziAcrobatica France SaS was established back in 2019 and is now expected to report ca. €4mn in sales as of 2021 year end, EdiliziAcrobatica Iberica set foot in Barcelona only as of 1H21.

We expect these two operating companies to replicate EdAc model abroad, within a lower amount of time than the parent. Indeed, while the EdiliziAcrobatica project was started in Italy back in 1994, the Group showed the first promising results only in 2013, with revenues of approximately €3.8mn. After that, turnovers of €15mn, €30mn and €50mn were reached after ca. 4, 6 and 8 years respectively.

EdAc: Turnover evolution and important thresholds

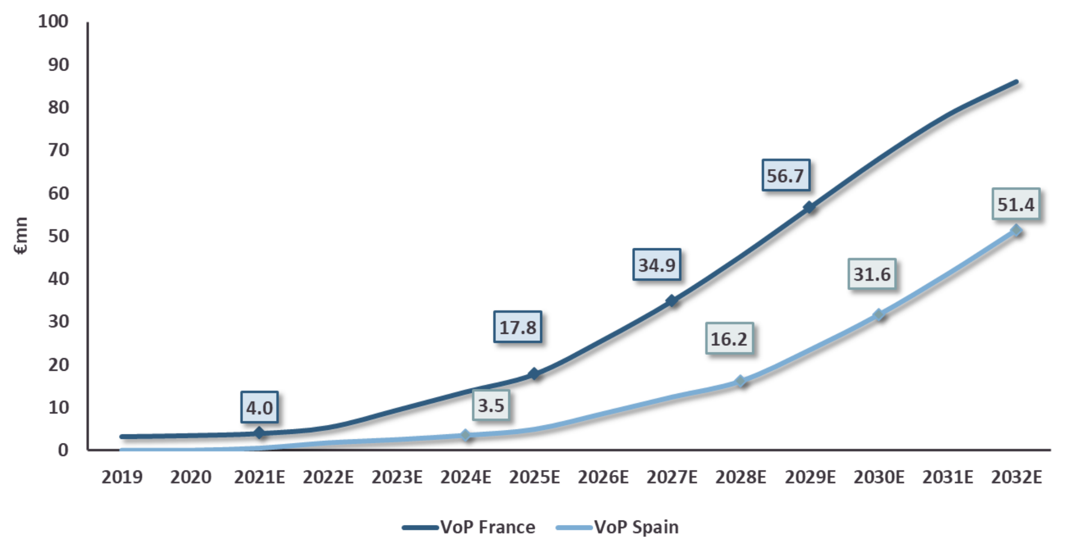


Source: EdiliziAcrobatica, Value Track Analysis

Assuming France to reach a relevant size of ca. €4.0mn of sales in 2021E (2 years since inception compared to 19 of EdAc) and Spain €3.5mn in 2024E (2.5 years since inception), we then forecasted future sales figures with similar growth rates as those experienced by EdAc in its first years of real expansion (i.e. after 2013 but prior to "Bonus Facciate").

With such simulation, EdAc bears a potential of ca. yearly €30mn, €50mn and €100mn coming from France and Spain businesses as of 2026E, 2027E and 2030E, respectively.

EdAc: Potential Value of Production of EdiliziAcrobatica France SaS and EdiliziAcrobatica Iberica



Source: EdiliziAcrobatica, Value Track Analysis

Appendix: Peers' multiples

EdAc: Peers' stock trading multiples

Company	Market Cap (mn)	EV / Sales (x)		EV / EBITDA (x)		P / E (x)	
		2022E	2023E	2022E	2023E	2022E	2023E
Rentokil Initial	10,847	3.8	3.5	16.6	15.3	39.0	34.7
Stericycle	6,176	2.7	2.5	13.6	12.4	nm	29.1
Terminix	5,012	2.6	2.5	13.4	12.5	27.5	23.1
Mears Group	226	0.6	0.6	5.3	5.1	15.0	13.8
HomeServe Plc	2,767	2.2	2.0	9.2	8.3	17.4	15.6
ABM Industries	3,093	0.5	0.5	8.0	8.1	13.6	11.3
GDI	1,272	0.8	0.7	9.7	9.2	23.5	19.7
Average	**4,199**	**1.9**	**1.8**	**10.8**	**10.1**	**22.7**	**21.0**
Median	**3,093**	**2.2**	**2.0**	**9.7**	**9.2**	**20.5**	**19.7**
EdAc @ current market price	**151**	**1.5**	**1.3**	**10.0**	**9.5**	**22.9**	**16.7**

Source: Market Consensus, Value Track Analysis

DISCLAIMER