

EQUITY RESEARCH

EDILIZIACROBATICA SPA
 INITIATION OF COVERAGE

BUY

TP 25.0€

Up/Downside: 39%

More Than One String to Their Bow

From scaffolding to ropes

Founded in 2004 in the Genoa region, EdiliziAcrobatica (EDAC) is an Italian group operating in the construction sector, particularly focused on exterior renovation. The group's differentiating feature is that it carries out its work using ropes, unlike traditional techniques involving scaffolding or aerial work platforms. Developing strongly since the 2000s, rope access for diverse types of work has shown definite advantages (financial and time savings). Since then, the practice has been recognised by regulating authorities. With a standardised and easily scalable business model, EDAC now covers a very large part of Italy thanks to more than 110 business units and almost 1,100 rope access technicians.

An Italian market boosted by various tax bonuses

If EDAC's activity, as well as the rope access practice as a whole, have been very successful over the last two decades thanks to its obvious competitive advantages, this trend has also been driven by tax incentives for renovation in Italy. These incentives became even more significant in 2020 with the Italian recovery plan following the Covid-19 pandemic and the introduction of the ecological Superbonus, but also thanks to the famous Bonus Facciate ("Facade Bonus") addressing the group's core business. Under the impetus of these two tax bonuses, the Italian residential renovation market doubled in size, as did EdiliziAcrobatica's business.

Growth drivers despite the end of the Bonus Facciate

After two exceptional years, the Bonus Facciate ended at the end of 2022. Despite the termination of this tax incentive, the group still has various growth drivers. While the Ecological Superbonus, addressed by the group via a subsidiary, will constitute a short-term driver, it is above all the group's historical activity of exterior renovation that should drive its growth in both the medium and long-term, whether 1) In Italy, where the group intends to exploit its new customer base, which has grown from around 4,000 to 10,000 customers following the Bonus Facciate and represents potential revenue of around €1b/year, as well as 2) outside Italy, where the group intends to continue to expand its business, particularly in the Middle East, where the group has just made its largest acquisition, the first outside of Europe.

A price target of €25

We are initiating our coverage of EdiliziAcrobatica with a Buy rating with a TP of €25 based on our DCF valuation, which should lead to an upside surpassing 35%.

Key data

Price (€)	18.0
Industry	Engineering & Contracting Services
Ticker	EDAC-IT
Shares Out (m)	8.236
Market Cap (m €)	148.2

Ownership (%)

Arim Holding Sarl	74.0
Treasury shares	0.3
Free float	25.7

EPS (€)	12/23e	12/24e	12/25e
Estimates	2.31	2.07	2.45
Change vs previous estimates (%)	0.00	0.00	0.00

Performance (%)	1D	1M	YTD
Price Perf	0.0	6.6	14.2
Rel FTSE Italy	-0.2	-3.2	-2.0



TP ICAP Midcap Estimates	12/22	12/23e	12/24e	12/25e	Valuation Ratio	12/23e	12/24e	12/25e
Sales (m €)	134.5	161.8	160.2	179.8	EV/Sales	0.9	0.9	0.7
Current Op Inc (m €)	28.5	29.5	27.3	32.4	EV/EBITDA	4.6	4.6	3.8
Current op. Margin (%)	21.2	18.2	17.1	18.0	EV/EBIT	5.0	5.1	4.1
EPS (€)	1.84	2.31	2.07	2.45	PE	7.8	8.7	7.3
DPS (€)	0.50	0.63	0.56	0.67				
Yield (%)	2.8	3.5	3.1	3.7				
FCF (m €)	11.8	4.0	15.1	10.4				

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Description

EdiliziAcrobatica is an Italian group based in Genoa and founded in 2004 by Riccardo Iovino. This former skipper, who used to do all the maintenance work on his boat with ropes, had the idea of applying the double rope technique to the construction sector and more particularly to exterior renovation. The use of rope access has had significant advantages over traditional techniques such as scaffolding and aerial work platforms, and has grown significantly since the 2000s when this activity was first recognised. Thanks to a perfectly scalable model and a very attractive Italian system with numerous tax bonuses over the last two years, EdiliziAcrobatica has accelerated its expansion throughout Italy and now has more than 110 business units in Italy representing almost 1,000 rope access technicians. Having conquered Italy, EDAC can now export its model internationally. In the heart of a highly fragmented market, EDAC is in an ideal position to be one of the main consolidators of the market both in the foreign countries recently penetrated (France, Spain, Monaco and UAE) and in new geographical areas.

SWOT Analysis

Strengths

- An undisputed leader in a market of small players
- A wide range of services
- A double rope technique with many advantages
- A perfectly scalable business model

Weaknesses

- Less visibility after the euphoric period linked to the Facciate Bonus
- An activity still highly concentrated on the Italian market (95% of turnover)

Opportunities

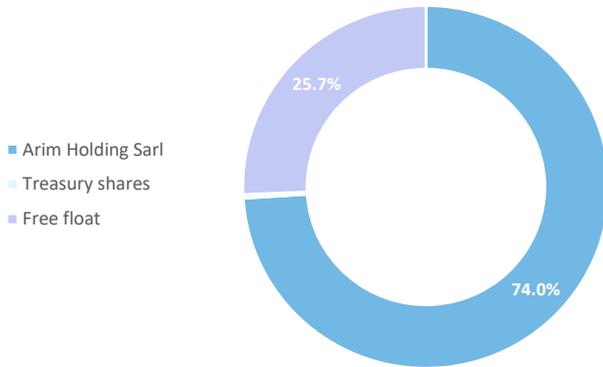
- An ideal position to consolidate the market
- An Italian trustee market that is becoming more and more professional
- A client portfolio that has more than doubled following the Facciate Bonus
- The introduction (or extension) of new tax bonuses

Threats

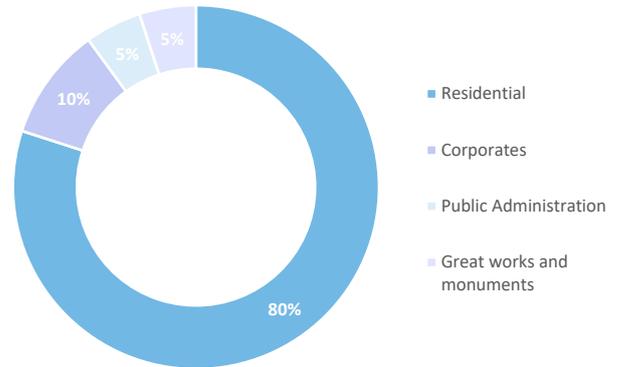
- Highly volatile Italian tax bonus regulations
- Rise of bigger competitors

Overview

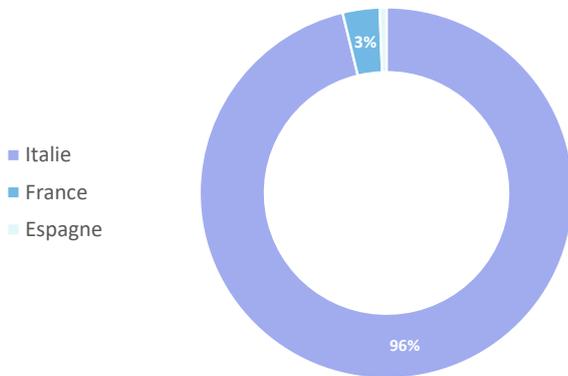
Shareholder structure



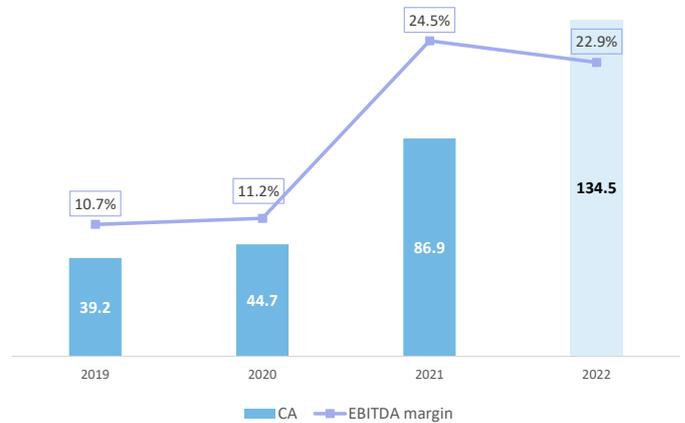
Historical segmentation of turnover by type of activity



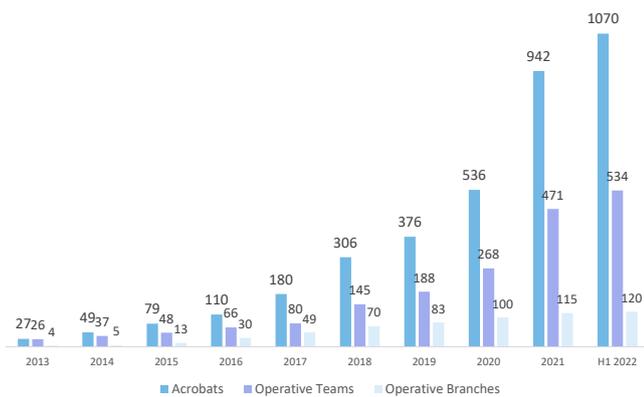
Geographical segmentation of 2022 turnover



Evolution of turnover and EBITDA margin since 2019



Evolution of the number of business units and stringers



EDAC presence in Italy



I. EdiliziAcrobatica or the transition from scaffolding to ropes

Founded in 2004, EdiliziAcrobatica (EDAC) is an Italian group operating in the vast construction industry. Based in Genoa and composed today of more than 1,800 employees and collaborators, EDAC is specialized in the realization of a multitude of works at height: installation, renovation, restoration, maintenance, etc. These works can be carried out on many buildings: residential buildings, public institutions (e.g. hospitals), offices and headquarters, hotels, wind farms, etc. If many companies operate in this market, the particularity of EdiliziAcrobatica is to carry out these works thanks to **the technique of the double safety rope**. This technique represents a real competitive advantage compared to the traditional players using scaffolding.

The different services of EdiliziAcrobatica

Thanks to its 1,070 acrobats at Group level, EdiliziAcrobatica is able to offer a very wide and diversified range of services for its customers. In total, it is possible to count more than 40 services ranging from facade renovation to the installation of gutters and the cleaning of exterior windows.

List of services offered by EdiliziAcrobatica

							
Anti-Bird Dissuader Installation	Anti-corrosion treatments	Anti-pigeon nets installation	Assistance for window fixtures installation	Gutters Installation	Insulation of terraces, roofs and cornices	Life Lines Installation	Parapets and railings Installation
							
Balcony renovation	Beam and column reinforcement	Billboards Installation	Chimney Installation	Photovoltaic panel cleaning	Plaster renovation	Roof cleaning	Roof condition check
							
Cornice renovation	Crack sealing	Direct water systems installation	Drain system installation	Roof renovation	Securing Balconies	Securing Buildings	Securing Cornices
							
Drilling in altitude	Emergency intervention	Exterior painting	External insulation	Securing facades and wall retainment	Securing Roof	Seepage check	Soffit renovation
							
Façade restoration	Facades check-up	Window and glass restoration	Gutter and downpipe cleaning	Terrace renovation	The aesthetics of buildings	Welding at height	Window and glass cleaning

Source: Company

Among this wide range of services, it is possible to group them into 8 main activities:

- **Renovation services.** The renovation work historically represents the group's most significant activity and is mainly composed of interventions of façade restoration, balconies and cornices (sealings, coatings, reinforcements, painting etc.). The renovation services are the most sold by EdiliziAcrobatica and historically represent about 80% of the revenue.
- **Installation services.** EDAC performs installation services of various kinds, ranging from gutter installation to bird control installation to billboard installation.

Renovation and installation services



Source: Company

- **Safety and emergency intervention services.** In this range of services we mainly find the removal of dangerous parts and objects presenting a safety risk (detachment, for example) as well as other emergency operations.
- **Maintenance services.** These services consist mainly of the routine maintenance and revision of roofs.

Emergency services and maintenance



Source : Société

- **Cleaning services.** The cleaning services provided by EdiliziAcrobatica cover all the ordinary needs, such as: cleaning of glass facades, roofs, gutters, solar panels, wind turbines etc.
- **Waterproofing services.** The range of waterproofing services includes mainly interventions on localized infiltrations, renovation of the waterproofing of terraces, roofs, balconies, cornices etc.

Cleaning and sealing services



Source: Company

- **Roofing rehabilitation services.** EDAC also offers slate and asbestos removal and encapsulation. These interventions are carried out by employees of specialized companies and approved for this activity assigned as subcontractors by EDAC.
- **Disinfection services.** This new range of services was implemented in 2020 by EDAC following the appearance of Covid-19.

- **Monument services.** EDAC recently implemented this new range of services dedicated to monuments.
- **Energy efficiency services.** Through its recently created subsidiaries (Energy Acrobatica 110), EdiliziAcrobatica offers a full range of services addressing energy efficiency (thermal insulation works, replacement of heating systems with high energy efficiency systems, installation of photovoltaic systems etc.)

Roofing rehabilitation and disinfection services



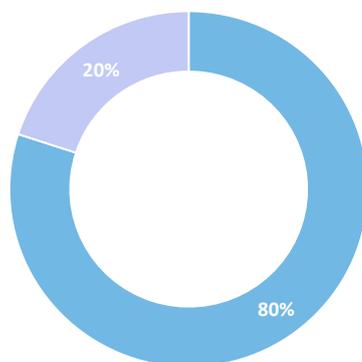
Source: Company

EdiliziAcrobatica's customer base

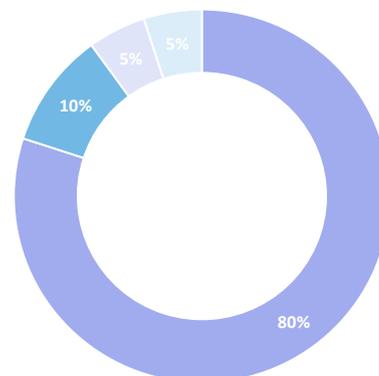
With a complete catalogue of services, EDAC addresses all the actors present in this industry regrouping different categories of customers:

- **Residential.** The residential segment, which includes homeowners, apartment complexes, as well as experts (architects, engineers, surveyors) to whom private individuals or management companies can turn to. This segment generates the majority of the group's revenue (approximately 80%) with nearly 10,000 interventions in 2022
- **The business segment.** This category of customers includes all companies that use EDAC's services, whether for industrial sites, offices, hotels, wind farms, etc. For example, EDAC was responsible for the preparation of the San Siro stadium in Milan for the Champions League final in 2016, or more often for the renovation of the facades of large hotels. This customer type historically represents slightly less than 10% of EDAC's revenue.
- **Public administration.** This segment includes EDAC's interventions on buildings owned by public administration such as schools, universities, offices, hospitals etc. These mandates are obtained through direct negotiations or participation in tenders. The services provided to the public administration historically represent 5% of the group's revenue.
- **Religious structures, monuments and others,** which historically generate about 5% of the group's revenue.

Estimated breakdown of EdiliziAcrobatica's revenue by type of work carried out and customers addressed



■ Renovation ■ Others



■ Residential ■ Corporates
■ Public Administration ■ Great works and monuments

Source: Company, TP ICAP Midcap

The uniqueness of the double rope technique

If the group operates in a competitive environment, it is distinguished by the quality of its interventions. While most of the companies offering this kind of services carry out their interventions with the help of a scaffolding or an aerial work platform, EdiliziAcrobatica distinguishes itself from the competition through its operations. In fact, EDAC's employees are rope access technicians (also called “acrobats” by the group) and therefore perform all the services in the EdiliziAcrobatica catalogue using the double rope technique.

The term “double rope” refers to the use of two ropes during the intervention:

- **The working rope** is a means of movement, descent and support for the rope access operator.
- **The safety rope** is the fall arrest system.

Riccardo Iovino, founder of the EdiliziAcrobatica group, was a boat skipper in the Genoa region of Italy. While he often used ropes to maintain his vessel, it was while doing a friend a favour and repairing his gutter that the idea of applying this technique in other areas came to him. In fact, it was with his ropes that the founder of EDAC was able to provide this service in a few hours. Riccardo Iovino began to carry out various interventions in the Genoa area: mainly renovation and maintenance work on different types of buildings. It soon became clear that the use of the double rope technique had many advantages compared to traditional interventions using scaffolding or aerial work platforms:

- Time saving since it is not necessary to install scaffolding or a basket to access the intervention area. The installation of the infrastructure allowing the rope access operator to carry out the intervention in full safety is much faster.
- An economic gain since the intervention is much less time consuming than those carried out in more traditional ways and also requires less personnel.
- Significant flexibility since an intervention via ropes can be carried out in many different environments and on different structures. It is also possible to reach the most difficult areas of access, which is not always possible with a scaffold or a gondola. Finally, thanks to much lower logistical constraints, it is very easy to move and reschedule a rope access intervention following a deterioration in weather conditions or a change in the client's priorities.
- High levels of employee safety thanks to the double rope technique as well as the need for employees to have a **minimum level of training** and to carry out the intervention in pairs, all of which is framed by strict regulations concerning the use of numerous PPE (Personal Protective Equipment).
- Safety is also more important for the customer, especially in the residential segment. Indeed, the assembly of a scaffolding to access the windows and balconies of the apartments often represents a greater risk of burglaries when the employees leave the intervention site.
- Relatively low environmental impact with very low CO₂ emissions and waste produced by the use of the double rope technique.

Various examples of work carried out on aerial work platforms, by rope and on scaffolding



Source : Google Images

In the 90's, Riccardo Iovino continued his interventions in the Genoa area: mainly renovation and maintenance works on different types of buildings. Riccardo Iovino's main commercial advantage was obviously financial, offering his services at a much lower price than his competitors who had to use more complex and time-consuming installations to reach the intervention area. By offering both

time and money savings, the demand grew rapidly and pushed Riccardo Iovino to make his first hires: in 2004, EdiliziAcrobatica was born.

A perfectly scalable business model

In order to expand in Italy, and later in France, Spain and Principality of Monaco, EdiliziAcrobatica has opted for a standardized business model that can be easily duplicated on a large scale, whether through branches or franchises. Each business unit of the EDAC group is composed in the same way, namely :

- A regional manager in charge of the overall management of the branch or franchisee;
- A sales manager reporting to the regional director and responsible for implementing the sales strategy and building the sales team;
- A coordinator also reporting to the regional director and in charge of supervising and managing the operational team. The latter can manage up to 6 operational teams in order to cover as many needs as possible in the geographical area;
- The sales team composed of one to three sales people whose main mission is to prospect for new contracts;
- The operational team which is essentially a pair of rope access technicians, composed of a team leader and an assistant in training, under the supervision of the coordinator.

This organization is easily replicable with numerous and rapid hierarchical promotions: the assistant is quickly promoted to team leader, taking under his wing an assistant and constituting a new operational team. If the region's need proves to be too significant, a new neighbouring business unit can quickly be set up using the standard described above. Thus, a senior team leader can be appointed as coordinator of the new branch. On the sales side, senior sales people from existing business units will be offered the position of sales manager and sales managers from existing business units the position of regional manager.

This process is also applied when a new branch is created in a region in Italy: search for profiles internally before opening the way to external resources (that generally require more training time).

EDAC relies so much on its internal strengths thanks to its Human Resources department and its "teaching academy" through which each acrobat passes before starting with operational tasks. With close than 30 employees dedicated to training rope access technicians, the EdiliziAcrobatica academy allows the training of all the operational teams in the technique of double rope access as well as in the realization of the different services that the group offers. Each rope access technician attends a two-week training course at the EDAC academy in Turin. Once the two weeks are over, the rope access technician obtains his or her certification, which allows them to carry out their first interventions (similar to the Certificat de Qualification Professionnelle in France). Even after being certified, each rope accessor returns regularly to the academy (1 day per month on average) to review their acquired skills or learn new technical skills.

While the group covers the majority of major Italian cities with its various branches, regions where demand is greatest due to the concentration of multi-story buildings, in 2015, EDAC also developed a franchise project. Taking exactly the same structure as the group's franchises described above, the franchise model is intended in particular to address local needs further away from the major Italian cities. EdiliziAcrobatica's franchisees have the same advantages as the branches with access to the academy for team training. From a financial point of view, the franchisee pays a fee of €86k to the group at the opening of the franchise and then pays 13% royalties on its FY revenue. As soon as the franchise becomes a senior franchise (i.e. more than four operational teams), which is the case today for more than 60% of the franchises, the royalty rate increases to 16%. On 30 June 2022, the EdiliziAcrobatica group had 30 franchises for revenue of €4.1m (6.1% of revenue).

Presence of EdiliziAcrobatica in Italy through its branches (yellow points) and franchises (blue points)

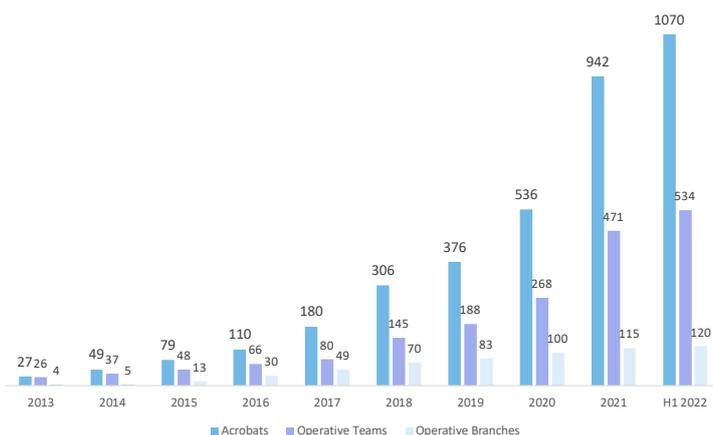


Source: Company

Exclusively focused on Italy since its inception, in 2019, the group decided to enter the French market by acquiring the company ETAIR (Entreprise de Travaux Aériens et d'Interventions Rapides) Méditerranée, which was undergoing judicial liquidation, for €360k. ETAIR Méditerranée, which will become EdiliziAcrobatica France, was already a leader in double rope work for the construction sector in the southwest of France. Following this acquisition, EDAC has reorganized its French subsidiary in order to implement its business model: establishment of the head office in Perpignan and opening of several branches in Toulouse, Nice and Montpellier. In 2020, three new branches were opened in Lyon, Marseille and Narbonne. The following year, the group’s international development continued with the entry into the Spanish market via the acquisition of a branch of the Catalan company Accés Vertical which became EdiliziAcrobatica ibérica. In 2022, EdiliziAcrobatica opened a new entity in the Principality of Monaco (EdiliziAcrobatica Monaco S.A.M.). More recently, in March 2023, EAC announced the acquisition of 51% of the share capital of an Emirati holding company based in Dubai (Enigma Capital) marking the first operation outside of Europe.

Over the last few years, this scheme has proven to be very effective with considerable branch, franchise and staff growth. While the group was composed of 27 rope accessors and 4 business units in 2013, it now consists of 1,070 rope accessors and 120 business units across 3 countries (110 in Italy, 8 in France and 2 in Spain).

Evolution of the EdiliziAcrobatica Group organization since 2013 and geographical distribution in 2021



30/06/2022	Branches	Franchises
Italy	80	30
France	8	-
Spain	2	-

Sources: Company, TP ICAP Midcap

II. Market that is still quite young

The arrival of EdiliziAcrobatica in Italy, as well as those of many other players in the rest of Europe and the world, has democratized the use of ropes for the realization of various works to the detriment of the traditional installations of scaffolding or aerial work platforms, creating a new class of workers.

A late recognition and organization of the profession

Although the use of rope access in the construction industry has developed considerably in recent years, the first traces of rope access date back to the middle of the 19th century. Imported from specialized activities such as mountaineering, caving or boating, like the founder of EDAC Riccardo Iovino, the double rope technique has proven to be very practical for many different types of work at heights, adapting to many different environments. It is possible to find images of the construction of the Empire State Building in 1930 using ropes.

Photos taken during the construction of the Empire State Building in 1930 and 1931



Sources : IRATA, rarehistoricalphotos.com

But it was in the 80's and 90's that this technique experienced strong growth with the first companies dedicated to these activities. It was also at this time that Riccardo Iovino began his activity in the Genoa area. During this period, the profession itself became organized through the creation of two international associations: IRATA (Industrial Rope Access Trade Association) in the late 80's in the UK and SPRAT (Society of Professional Rope Access Technicians) in the mid 90's in North America. In France, the rope access profession was regulated by a 1965 decree prohibiting it. Following a European directive in 2001, a new decree in 2004 repealed part of the 1965 text and authorized rope access work within a strict framework (in particular the obligation to use the double rope technique).

The different associations (such as IRATA or SPRAT) are notably at the origin of the setting up of common frames of reference regarding work techniques at the base of the different training systems. Indeed, and this was the purpose of the 2004 decree in France: each rope access technician must have a minimum level of training in order to carry out his or her first missions. Whether it is the international training systems (IRATA in particular) or the national ones (like the CQP in France), they are generally based on 3 levels of certification with the first level as a barrier to entry into the profession. These trainings allow the rope access technician, with or without experience, to learn the different working methods as well as the different types of PPE to use in order to ensure the safety of the rope access technician. Generally, the first level of training allows the rope access technician to carry out his first interventions in pair with a confirmed technician (holding a level 2 training). Once a certain amount of work has been done in pairs, the junior rope access technician can then move on to the second level of training, which allows him or her to carry out interventions independently. It is interesting to note that the structure of EdiliziAcrobatica is perfectly in line with the training systems with operational teams composed of pairs (1 junior rope access technician and 1 senior rope access technician) where the junior rope access technician is quickly brought to become senior and thus form a new operational team assisted by a junior rope access technician.

IRATA training system and CQP (Certificate of Professional Qualification)


Sources: IRATA, matiers.fr, TP ICAP Midcap

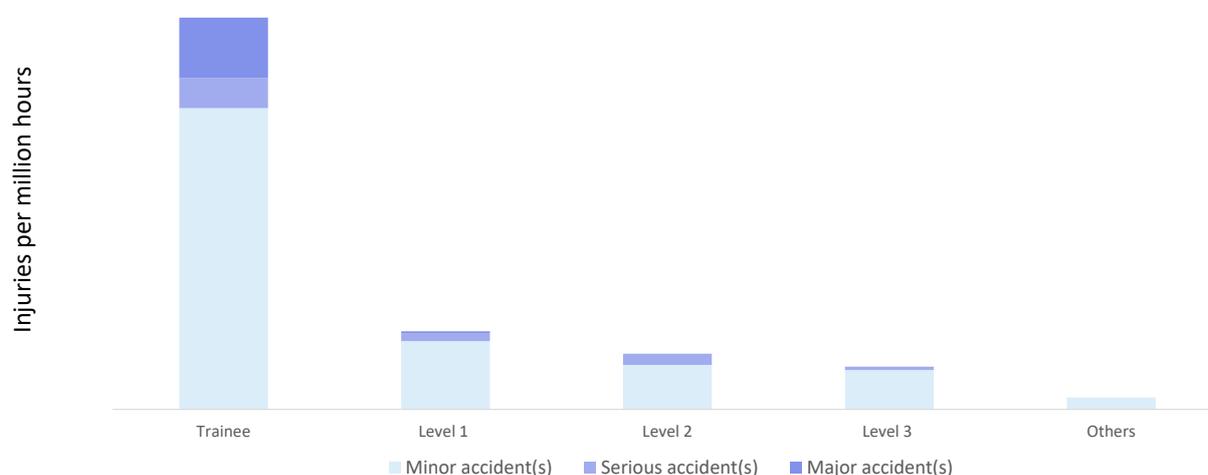
While the rope access profession may seem more dangerous than traditional trades in the construction and renovation industry, the introduction of compulsory training systems has made it possible to make the profession safer. Every year, IRATA collects statistics from its member companies, including data on work-related accidents. In 2020, 72 accidents were recorded: 62 minor accidents (less than 7 days), i.e. 84% of the accidents, 7 serious accidents (more than 7 days off work), i.e. 10% of the accidents, 3 major accidents (fractures, dislocations, etc.), i.e. 4% of the accidents, and 0 fatalities. In relation to the number of hours worked (19,412,219 in 2020, down 14% due to the Covid-19 pandemic), these statistics show an average of 3.2 minor accidents, 0.4 serious accidents, and 0.16 major accidents per million hours worked. It is also interesting to note that trainees and rope access technicians holding the first level of certification represent nearly 63% of the accidents recorded (45 out of 72) and all major accidents (3 out of 3). Once again, if we look at these figures in proportion to the number of hours worked by the different types of employees, the chances of accidents are much higher for a trainee than for an experienced rope access technician. These statistics show that the accident rate is relatively low compared to scaffolding work. In fact, in the United States alone, accidents related to scaffolding work cause nearly 60 deaths each year according to the United States Bureau of Labor Statistics. If we take France as an example, the statistics are broadly similar with 41 fatal falls in 2016 and 51 in 2017 according to health insurance statistics.

Statistics on accidents recorded by IRATA member companies in 2017, 2018, 2019 and 2020

	2017	2018	2019	2020
Hours worked	18 182 076	19 960 912	22 573 961	19 412 219
Fatal accident(s)	3	0	1	0
Major accident(s)	1	1	2	3
Serious accident(s)	9	4	7	7
Minor accident(s)	74	60	63	62

Sources: IRATA, TP ICAP Midcap

Type of accidents by training level of the injured employee (in million hours worked) in 2020



	Trainee	Level 1	Level 2	Level 3	Others
Major	3.5	0.14	0	0	0
Serious	1.75	0.43	0.65	0.19	0
Minor	17.5	3.97	2.58	2.29	0.69

Sources: IRATA, TP ICAP Midcap

Although the Industrial Rope Access Trade Association (IRATA) has trained more than 100,000 rope access technicians, it is difficult to know the exact number of rope access technicians in the world. In France, the association France Travaux sur Cordes estimates that there are 10,000 rope access technicians operating in France. In Italy, for the moment, no association gathering different companies of the sector has been created, so it is very difficult to obtain estimates on the number of rope access technicians in Italy.

Adapting to a multitude of different environments, rope access workers operate mainly in the following sectors:

- **Offshore oil and gas platforms.** Indeed, offshore platforms leave very little room for maintenance and renovation work using conventional techniques. The use of rope access was therefore a logical choice for many of the companies operating these platforms. Many offshore rope access technicians have specific qualifications for this type of work.
- **Power plants and refineries.**
- **Natural sites.** Rope access workers have always been called upon to intervene on many natural sites (cliffs, rocks, etc.) that are generally very difficult to access in order to perform stabilization or conservation work.

- **The construction sector.** The explosion of high-rise construction has made it increasingly difficult for technicians to work on scaffolding or aerial work platforms, and has therefore greatly contributed to the growth of rope access workers in this sector.
- **The shipbuilding industry.** Indeed, it is not uncommon to find rope access technicians in ports, especially for interventions on large ships.
- **Confined spaces.** Ropes are one of the only ways for technicians to intervene in many confined spaces such as silos, storage tanks, access shafts, etc. to carry out inspections, maintenance, repairs or cleaning.
- **Renewable energies.** This is particularly the case for wind turbines, which are very difficult to access with other methods.

Focus on the Italian residential market

Although the group tends to develop internationally, today, Italy still represents more than 90% of group revenue. If the group addresses different types of customers (public administrations, companies, monuments and religious establishments for example), it is in the residential sector that the group is most active. EDAC has chosen to address the largest segment of the market since, according to Istat (Istituto nazionale di statistica), nearly 85% of buildings in Italy are residential.

The Italian residential market is characterized by investment in new construction and renovation, the dynamics of which have been reversed over the last 15 years. While from 1982 to 2007, new construction was at high levels, particularly between 1998 and 2007, which was a period of real estate "boom" driven by the children of the baby boom generation, the dynamics have since deteriorated drastically. With the financial crisis of 2008 as the main cause, new construction in Italy collapsed by more than 70% between 2007 and 2016 and has since stabilized on a low plateau. On the renovation side, investment has shown much greater resilience to the macroeconomic context, with periods of strong growth (1998 and 2013) before the investment explosion observed in 2021. Each of these periods of strong growth in renovation investment was triggered by tax incentives provided by the Italian government.

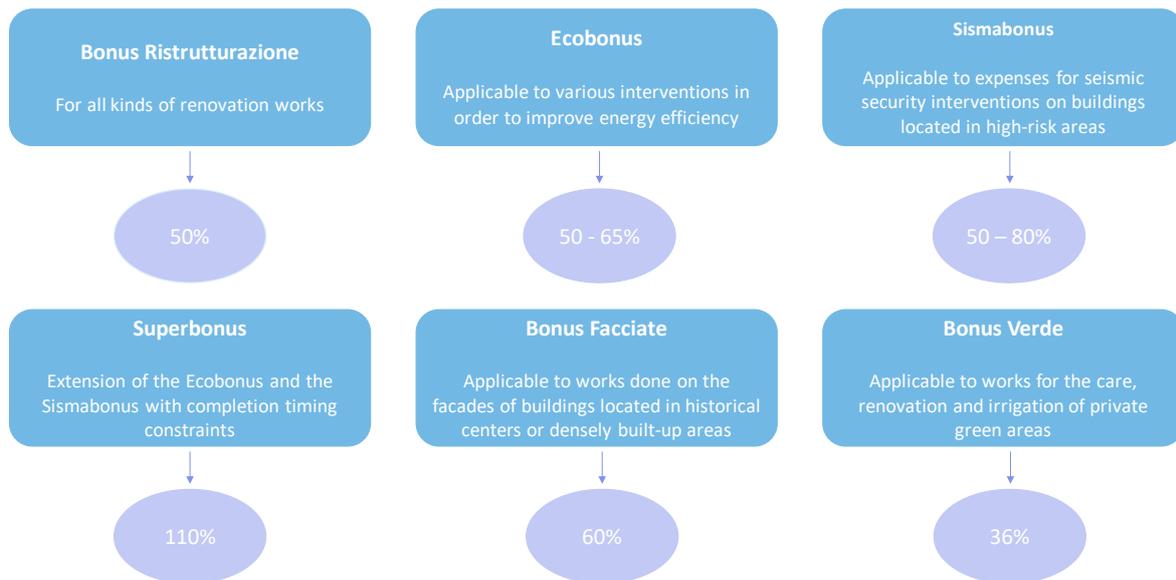
Investments in the Italian residential market since 1982 (2015 constant prices)



Source : Centro ricerche economiche, sociologiche e di Mercato nell'Edilizia (CRESME)

The Italian government first introduced a tax incentive for home renovation in 1997: the Bonus Ristrutturazione (Renovation Bonus). The scheme was then revised in 2012 with an increase in the rate of tax credit granted from 36% to 50% as well as the maximum amount concerning renovation expenses which increased from €48,000 to €96,000. These tax measures will be even more important in 2020 with the introduction of two new tax bonuses: the Facciate Bonus and the Ecological Superbonus. The first, as its name indicates, concerns all renovation work on exterior facades. The rate of tax credit on expenses incurred was 90% in its first year in 2021 without limit of expenditure. The Bonus facciate was renewed in 2022 with a rate reduced to 60%. The second concerns energy efficiency work, the installation of photovoltaic systems or electric vehicle charging systems.

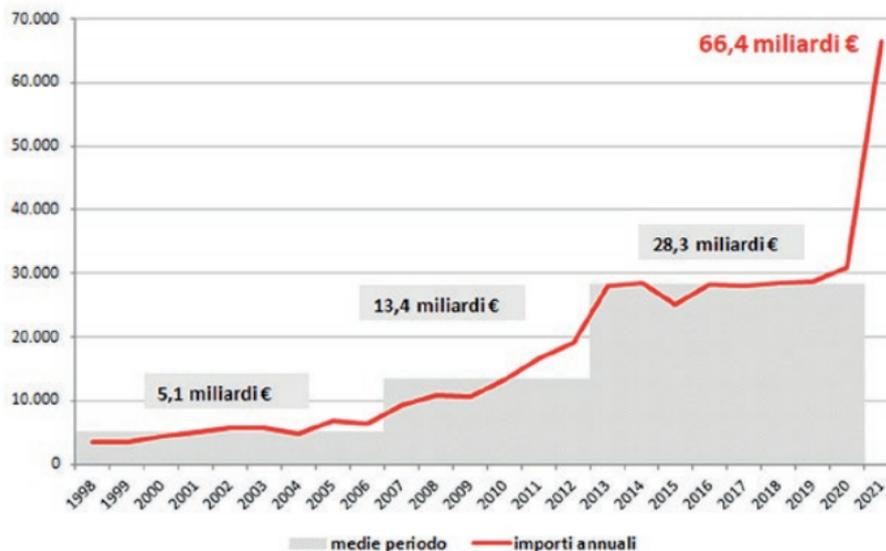
The various tax bonuses currently in force on the renovation market in Italy



Source : TP ICAP Midcap

In addition to the implementation of these schemes, a phenomenon observed in many countries during the years 2020 and 2021 was the accumulation of household savings. 73 billion in 2020 to reach 1,117 billion euros, the increase continued in 2021 with a further rise of almost 14%. The implementation of new tax bonuses at rates close to 100% coupled with record savings of Italian households have logically led to the explosion of renovation investments in the Italian residential market in 2021. While over the 2013-2020 period, renovation investments attributable to tax incentives averaged €28.3 billion, they reached €66.4 billion in 2021.

Dollars invested in the Italian home improvement market attributable to tax incentives



Source : CRESME

The dynamism of the renovation market in Italy compared to the new construction market is therefore mainly driven by: 1) a typically European market structure characterized by old buildings (according to Istat, 54% of Italian residential buildings were built before 1960 and 5% before 1919) where renovation and maintenance of historical heritage are very often preferred to destruction/reconstruction; 2) tax incentives since 1997, and accentuated over the last few years, that strongly support this emphasis on renovation.

The above-mentioned trends and the professionalization of the sector have boosted the demand for companies offering rope access interventions over the last two decades. If classical installations (scaffolding in particular) are still favored and often necessary for

new constructions, ropes are a fast and economical option when it comes to renovation and maintenance interventions. This is even more the case for high buildings with areas that are more difficult to access. According to Istat, there are about 4.12 million buildings with more than 3 floors in Italy, representing 34% of the total number of Italian residential buildings.

A still highly fragmented European market

With the development and democratization of rope access, many companies specialized in this field have been created and have come to support the growth of the sector. It is therefore a very fragmented market with many players achieving less than €10M in revenue. We have counted nearly thirty players on the French Italian market with sales ranging from a few hundred thousand euros to nearly €20 million. This market configuration is particularly conducive to consolidation by large players over the next few years.

Companies active in rope access in Italy and France and last known revenue

Italy					France				
		Revenue (M€)	Last FY known	CAGR since 2016			Revenue (M€)	Last FY known	CAGR since 2017
Recotech		5.4	2020	8.5%	Groupe Jarnias		20	2021	50.9%
Gico Systems		5.8	2019	20.7%	Acro BTP		13	2021	7.5%
Mazzaferrì		4.5	2021	22.4%	TPGH		5	2021	19.0%
Fratelli Gianni		1.6	2020	6.6%	JADE		2.9	2020/2021	48.5%
Fly Original		1.4	2021	3.3%	ETAIR IDF		4.2	2021	5.2%
Archingegno		<1	2020	N.A.	CITEM		5	2019	14.1%
Vertical Services		<1	2019	N.A.	Profil Armor		3.6	2020	-8.4%
EVER Edilizia Verticale		<1	2020	N.A.	Acrotir		2	2020	0.5%
Ediliziaerea		1.1	2021	N.A.	Acrobart		2.3	2021	9.5%
Edil Climber		<1	2020	N.A.	Adret France		4.4	2020	17.1%
Climbing works		<1	2019	N.A.	Voltige		2.2	2020	2.3%
Icarus Lavori in Quota		<1	2019	N.A.	Cordistes Parisiens		<1	2020	N.A.
OperaVertical		<1	2019	N.A.	IMEAUX Services		2	2021	6.2%
AlpinismoEdile		<1	2019	N.A.	SOS Voltige		<1	2021	N.A.

Source : TP ICAP Midcap, Société

Although it is very difficult to know the real size of the rope access market, which is very poorly documented or not at all, the evolution of revenue of the main companies active in this sector attests to a clearly upward trend. EDAC is the perfect example with a CAGR between 2016 and 2021 of nearly 46%, Gico Systems and Mazzaferrì have also posted CAGRs of over 20% since 2016 in the Italian market, and the Jarnias group in France has also shown spectacular growth.

With revenue of €87m in 2021 and more than €130M€ in 2022, EdiliziAcrobatica is the undisputed leader of this market in Europe. The group has already made 2 acquisitions allowing it to penetrate two new geographical areas on this continent : France via the acquisition of ETAIR Méditerranée in 2019 and Spain with the acquisition of a branch of Accès Vertical in 2020. The group should continue to consolidate the market over the next few years, both in recently opened countries (France and Spain) and in new countries.

In this fragmented market, a second player seems to stand out: the Jarnias group. While the French group generated less than €5m in revenue in 2018, it recorded revenue of €20m by 2021 and has ambitious objectives, especially on the M&A side. On the 31st of January 2022, the French group announced the acquisition of a 60% majority stake in the French company Acro BTP (which is present on the list of French companies presented above) . The Jarnias group, which will gradually increase its stake in Acro BTP to 100%, has added a new arrow to its quiver with a new area of expertise. Indeed, Acro BTP is specialized in complex work of reinforcement, support and stabilization of ground in mountainous environment, as well as civil engineering work in altitude. Following this acquisition, the Jarnias group should finish FY 2022 with revenue of around €40m. Moreover, the group does not intend to stop there; it intends to become a market real consolidator like EdiliziAcrobatica. To do so, the group has mandated business banks to look for opportunities in Northern Europe (United Kingdom, Ireland, Scandinavia) with a focus on offshore wind energy, a sector where the need for rope access technicians is very important. Buoyed by the dynamism of its activity in France and potential future acquisitions, the Jarnias group aims to generate €100m in revenue within 5 years, with 50% of this generated internationally.

If for the moment, the French group does not really seem to be in direct competition with EdiliziAcrobatica, with a focus on large monuments while EDAC generates more than 80% of its revenue in the residential market, these two players seem to be positioned as the two European leaders in the rope access industry for the coming years.

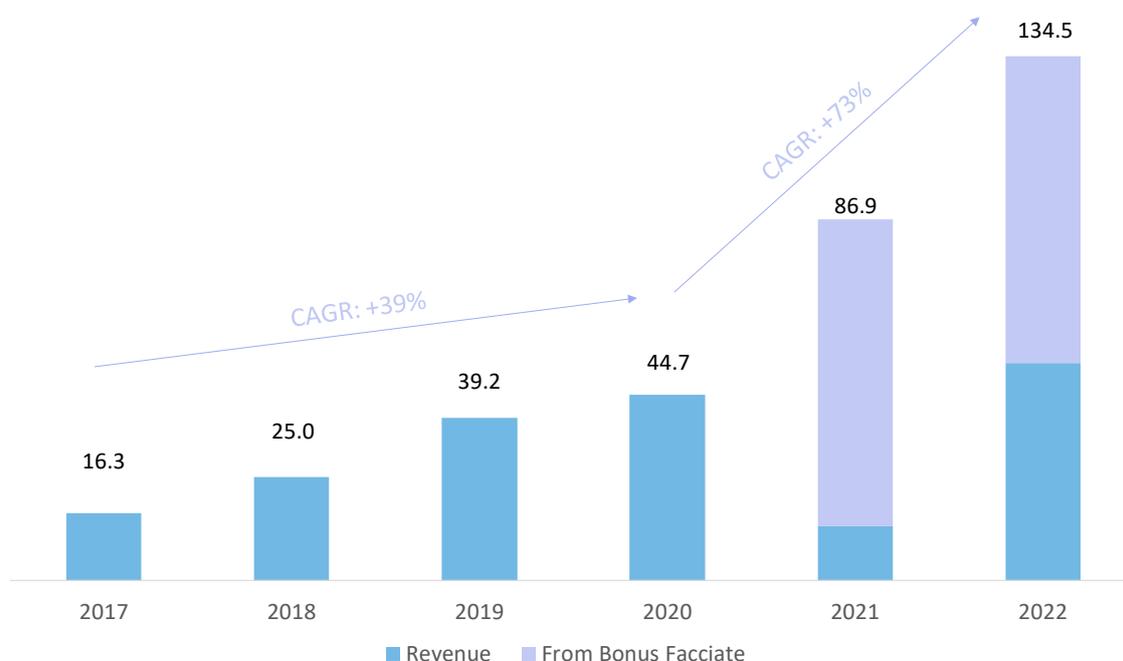
III. What to do after an activity strongly boosted by the "Bonus Facciate"?

While the introduction of the "Bonus Facciate" has given EdiliziAcrobatica's business in Italy a strong boost, it has also provided the means to consolidate the new dimension taken on by the group. While other tax bonuses (notably the ecological Superbonus) will benefit the group, it is EDAC's core business that should drive its growth over the next few years, thanks to a recognition and customer base that have been considerably strengthened over the last two years.

The X factor: "Bonus Facciate"

At 90% of the expenses incurred in its first year in 2021 and 60% in 2022, the "Facciate" tax bonus has more than doubled the size of the home renovation market in Italy. While EdiliziAcrobatica was already generating more than 70% of its revenue in this area, the group has naturally benefited from the market boom: EdiliziAcrobatica's business doubled in 2021 and increased again by more than 50% in 2022.

Development of ediliziacrobatica activity between 2017 and 2022

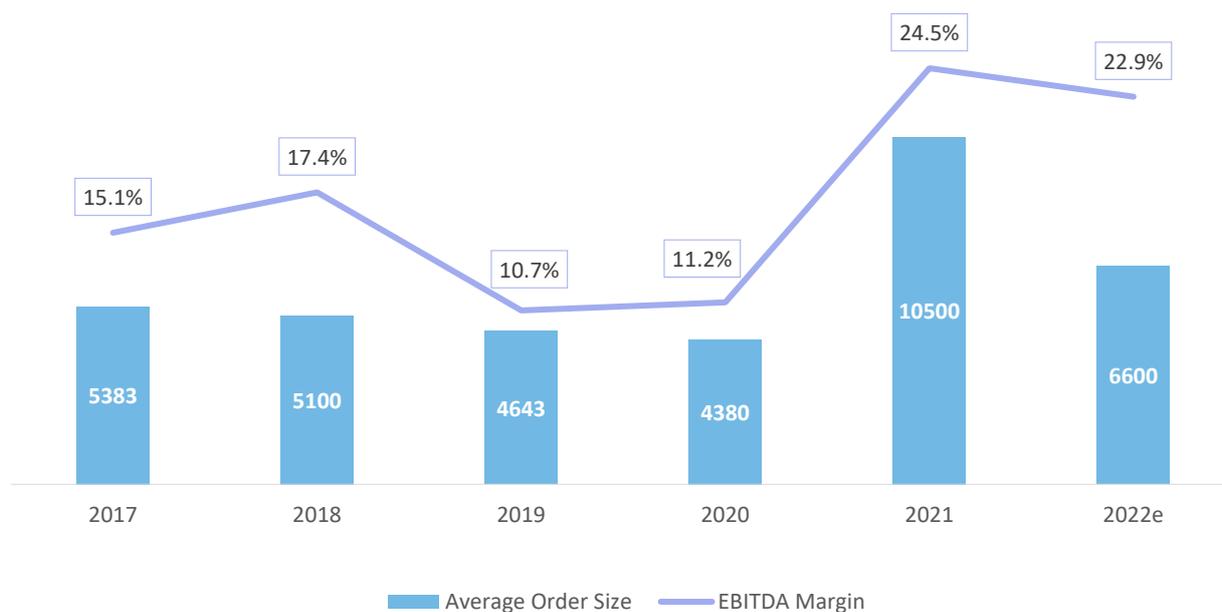


Sources: Company, TP ICAP Midcap

If the "Bonus Facciate," which has no spending limit, has allowed the multiplication of renovation works on Italian facades, it has also caused a significant increase in the amounts committed to each intervention. While EDAC counted in previous years interventions with an average value of €5 000, in 2021 the average value has more than doubled to €10,500. With the amounts committed per intervention rising sharply, the group's margins have also improved significantly with an EBITDA margin of almost 25% in 2021 compared with 11.2% in 2020. In 2022, with a smaller share of turnover generated by the Bonus Facciate (55% compared to 85% in 2021), the order size logically landed lower (€6,660 compared to €10,500 in 2021) explaining the decline in the EBITDA margin to 22.9% (compared to 24.5% in 2021).

After being renewed for 2022, with a reduction in the deduction rate from 90% to 60%, the "Bonus Facciate" has not been renewed for 2023.

Evolution of the average price of each intervention and of EdiliziAcrobatica's EBITDA margin between 2017 and 2022^e



Source: TP ICAP Midcap

While the immediate and visible impact of the “Bonus Facciate” for EdiliziAcrobatica was a significant growth in both revenue and profits for the group, this period of euphoria in the Italian home renovation market also led to a significant growth in EDAC's customer base. **The group's customers are mainly syndicates, specialists in condominium management.** While EdiliziAcrobatica had about 4,000 clients before the introduction of the Italian facade tax bonus, this base has now grown to almost 10,000 trustees.

This figure illustrates **the fragmentation of the Italian condominium management market**. By way of comparison, in France there are approximately 5,100 holders of the syndic's professional card, a figure that is already lower than EDAC's client base in Italy. In the Italian market as a whole, more than 25,000 condominium managers are said to be active. On the other hand, in recent years, the Italian market has tended towards professionalisation of the sector in the same way as its French neighbour. While the number of professional card holders remains high in France, the scope is reduced if we look at the active players: of the 5,100 professional card holders, 3,215 are listed on the national condominium register and have a website with a Google rating according to MeilleureCorpo, and only 430 of them are full-time condominium managers. With, on average, 40 properties under management per condominium manager, the Italian market should gradually tend towards a structure similar to the French market with large players dominating and capturing a significant share of the market. It should be noted that, despite a consolidation that started several years ago, the French market is not static and continues to consolidate every day with new small M&A acquisitions, almost exclusively to the benefit of the French Big5, which alone captures more than 25% of the market (Nexity, Citya, Foncia, Square Habitat and Immo de France).

Structure of the French condominium management market

Type of Player	Number of Entities	Market Share
Groups	5	26%
Large family structures (> 400 condominiums)	25	8%
Medium-sized family structures (150 to 399 condominiums)	164	17%
Small family structures (< 150 condominiums)	2 650	48%
Innovative start-ups	4	< 0,5%

Source: MeilleureCopro

With a client base of nearly 10,000 condominium managers, managing an average of 40 buildings, EDAC has a potential pool of approximately 400,000 buildings, i.e. about 10% of residential buildings with more than 3 floors in Italy. Considering an average value per intervention of €5,000 before the introduction of the “Bonus Facciate,” this building stock would represent a market directly addressable and accessible by EdiliziAcrobatica of almost €2bn, in Italy alone.

Although the end of the “Bonus Facciate” has been a reality since the beginning of 2023, the need to renovate the facades of Italian buildings has not disappeared. With an average of 2 years of (light) façade work required, the group intends to make the most of its new customer base representing a potential of €1Bn each year to continue to grow, despite the end of the “Bonus Facciate.”

Energy Acrobatica 110: a short-term growth driver

Established in 2021, Energy Acrobatica 110 is a subsidiary of the EdiliziAcrobatica Group dedicated to energy efficiency work. Energy Acrobatica 110 was created in particular to take advantage of another tax bonus currently in force in Italy: the Superbonus 110. As mentioned above, the Superbonus 110 is one of the main tax bonuses used in Italy today and allowed, until the end of the year 2022, a deduction of 110% of the expenses incurred in works that improve energy efficiency by at least two classes (from G to E for example) such as: thermal insulation works, replacement of heating systems with high energy efficiency systems, installation of photovoltaic systems as well as anti-seismic works (in addition to the already existing Sismabonus). The nature of these works being quite different from the historical services offered by EdiliziAcrobatica's acrobats, the group decided to outsource all the activities of the subsidiary Energy Acrobatica to actors specialised in the realisation of this type of interventions.

Concerning the life of this bonus, if it was historically established for the realization of works between July 1st, 2020 and December 31st, 2021, the Superbonus was extended several times to finally be effective until 2025. For condominiums, the current scheme is now presented with a decreasing rate until 2025:

- A rate revised to 90% by the Meloni government on 1 January 2023 for expenditure incurred up to 31 December 2023;
- A rate lowered to 70% for expenditure incurred in the year 2024;
- A rate, again lowered, to 65% for expenditure incurred in 2025, the last year of the Superbonus

Through its subsidiary Energy Acrobatica 110, EDAC will therefore benefit from this other fiscal bonus which, like the Bonus Facciate, should allow it to further expand its customer portfolio and also to have a relatively important growth relay after the complicated base effects left by the Bonus Facciate. As the demand in Italy for this tax bonus is very strong, the question of timing is very important for owners and co-owners wanting to benefit from the Superbonus. As a result, the various energy efficiency works are booked several months in advance, giving Energy Acrobatica relatively high visibility over the coming months. Thus, for the year 2023, the group already has a significant backlog for the whole year which should allow Energy Acrobatica 110 to generate a turnover of more than 25M€ (vs 8M€ in 2021).

While the years 2024 and 2025 were expected to show backlog levels at least equivalent to, if not higher than, those of 2023, the regulatory framework surrounding the Ecological Super-Bonus, which has just changed abruptly, is expected to have a significant impact on the demand for this type of intervention. Indeed, while the Meloni government had already lowered the rate from 110% to 90% as of 1 January 2023, the change in Eurostat's accounting methodology for the treatment of tax credits announced on 16 February this year has prompted the government to once again modify the Superbonus framework. This new methodology implies that tax credits are taken into account in the budgets of the States at the time they are granted and no longer at the time of their real impact on tax revenues. This change has major consequences for the Italian State since the tax credits granted for the tax bonuses introduced in 2020 (Bonus Facciate and Ecological Superbonus) are spread over five years, thus mitigating the impact on Italian tax revenues. After taking into account this new methodology, while the Italian budget deficit for 2021 was revised to 9%, from 7.2% previously, the 2022 deficit is now expected to land at around 8%, compared to the 5.5% previously estimated by the Meloni government. As a result of these implications, the Italian government has decided to suddenly stop the transfer of tax credits under the Superbonus. If the existence of the bonus and the evolution of the rate are not questioned, the demand should nevertheless strongly decrease for the years 2024 and 2025 for two main reasons:

- While the average amount of work undertaken under the Italian Superbonus is around €50,000, the transfer of the tax credit from the client to the company carrying out the work and then from the company to the bank allowed the company to offer an invoice discount to the client who only had to advance and pay 10% of the amount incurred, i.e. €5,000 on average. This method of transaction (discount on invoice) has been used on more than half of the expenditure incurred on this tax scheme since its implementation according to the Italian Ministry of the Economy.

- If, being the most practiced billing method, the end of the tax credit transfer mechanism will strongly impact the demand for this kind of interventions, it also implies from now on that the client has a sufficiently important income to fully benefit from the 90% reduction. As a reminder, the average amount of work carried out under the Superbonus is €50,000, so the amount of the tax credit would be €45,000 with the 90% rate currently in force, €35,000 in 2024 (70% rate) and €32,500 in 2025 (65% rate).

While the Energy Acrobatica 110 should still benefit from the Superbonus in 2024 and 2025, the group is currently considering new outlets for its recent subsidiary, again in the field of energy efficiency where the need is significant.

Continued international expansion

Finally, the group intends to continue its international growth strategy initiated more than 3 years ago. As a reminder, the group exported its model outside of Italy for the first time in 2019 with the penetration of the French market, specifically the south of France, before carrying out an operation in Spain in 2021. More recently, EdiliziAcrobatica opted to create an entity for the Principality of Monaco (EdiliziAcrobatica Monaco S.A.M.) due to the specificity of this area. However, the group's international strategy remains to enter a new geography via an M&A operation. Indeed, the acquisition of an existing company allows EdiliziAcrobatica to acquire at the same time an existing portfolio of clients, thus greatly accelerating EDAC's development in this new geography. This strategy seems to have borne fruit in the countries penetrated so far, particularly in France where the group now has 8 branches with which it should achieve around €5M in turnover by 2022.

In line with this strategy, the group has very the acquisition of 51% of Enigma Capital Investments LLC. Enigma Investments is a Dubai-based holding company that owns four companies (SBC Global Contracting LCC, Magnum Plus, Spider Access Cladding Works & Building Cleaning, Vertico Xtreme LLC) operating in the residential and commercial rope access sector in the Middle East, with over 400 operators. The transaction is currently valued at €7.2 million (AED 28.291 million). The transaction also includes a call option for EDAC and a put option for Enigma Capital's shareholders regarding the remaining 49% of the holding's share capital. All the companies owned by Enigma Capital represented a turnover of €6.4M in 2021 (AED 25M) for an EBIDTA of €1M (AED 4M), i.e. a margin of 16%. While these figures may seem low considering the acquisition price of 51% of the holding company (€7.2M) which would imply an EV of €14.1M, the growth potential of Enigma Capital's various companies, which make the group the market leader in this geography, seems very substantial with a very large backlog. Enigma Capital has recently been entrusted with the maintenance and upkeep of the world's tallest skyscraper, the Burj Khalifa in Dubai, with 206 floors and 24,448 windows.

Technicians cleaning the 24,448 windows of the Burj Khalifa in 2012



Source : Daily Mail

In order to allow Enigma Capital to meet all of its commitments, EDAC is notably behind a €1.5M loan granted in October 2022 to the target, allowing it to pursue its massive hiring plan with more than 200 new operators. Apart from this major project which will also enable the group to increase its visibility, EDAC's management seems very confident about the growth potential of its new acquisition which could see its turnover at least triple in the next few years thanks to its integration into the EdilizAcrobatica group involving :

- The implementation of EDAC's scalable business model and the opening of a rope access academy in Saudi Arabia;
- A progressive refocusing of the activities of the companies present within the Enigma Capital holding company with an emphasis on renovation (as opposed to maintenance and cleaning services today) with higher added value.

The Middle East area obviously has a very interesting potential with a set of cities recently developed and composed of many buildings. The construction sector is very dynamic with many projects underway, such as the NEOM project in Saudi Arabia. This 2030 project, which aims to create a city that draws the energy necessary for its proper functioning from 100% renewable sources, is organised around the construction of 500-metre-high buildings over a length of more than 170 km, where the rope access sector could be put to great use.

As we have seen previously, the market for rope access companies in Italy, France and the rest of Europe is highly fragmented and composed almost exclusively of SMEs with less than €5M in revenue. With a revenue above €130m in 2022, EdiliziAcrobatica is therefore in an ideal position to be one of the main consolidators of the market. The potential transaction(s) that could take place in the next few years will have two main objectives:

- To consolidate EdiliziAcrobatica's presence in one of the countries in which the group is already present, as the French and Spanish markets are full of small companies already working with ropes. While the group is mainly present in the south of France, an acquisition closer to the Paris region would offer the group very significant growth potential due to the natural high concentration of buildings in this region and also due to the structure of the French trustee market mentioned above. Indeed, entering into a relationship with one of the five dominant groups of property managers on the French market (Nexity, Citya, Foncia, Square Habitat and Immo de France) could, once again, change the dimension of the group. The same reasoning can be applied to the Spanish market where the group is, for the moment, only present in the Catalan region.
- Opening up new geographical areas. While other European countries close to Italy may appear to be ideal targets, the group is also considering exporting outside Europe.

IV. Financial perspectives

After seeing its activity double in 2021 and a growth of more than 50% in 2022 under the impetus of the Bonus Facciate, growth should return to a more normal pace over the next few years for EDAC. While the subsidiary Energy Acrobatica and the integration of Enigma Capital in the Middle East should be important growth levers over the next few years, the group is obviously counting on the expansion of its client portfolio, which has risen from 4,000 to nearly 10,000 after the Bonus Facciate, to continue its development in its local market as well. The opening of new branches should be particularly dynamic in the 2023 financial year, when we expect to open more than 20 branches in Italy.

Historical and estimated segmentation of EdiliziAcrobatica's revenue between 2017 and 2025^e

	2017	2018	2019	2020	2021	2022e	2023e	2024e	2025e
Number of branches - Italy	27	39	45	59	77	83	105	120	130
<i>growth</i>		44.4%	15.4%	31.1%	30.5%	7.8%	26.5%	14.3%	8.3%
Revenue - Italy	14.8	22.9	33.1	39.2	77.3	116.1	109.9	110.5	122.1
<i>growth</i>		54.7%	44.5%	18.5%	97.0%	50.2%	-5.4%	0.6%	10.5%
Number of branches - France	-	-	5	8	8	8	10	11	12
<i>growth</i>				60.0%	0.0%	0.0%	25.0%	10.0%	9.1%
Revenue - France	-	-	3.3	3.1	3.4	4.4	5.8	6.8	7.8
<i>growth</i>				-6.1%	9.7%	29.4%	32.6%	16.3%	15.0%
Number of branches - Spain	-	-	-	-	2	3	6	7	8
<i>growth</i>						50.0%	100.0%	16.7%	14.3%
Revenue - Spain	-	-	-	-	0.22	0.8	2.1	3.0	4.0
<i>growth</i>						263.6%	158.3%	43.0%	35.3%
Number of Franchises	22	31	33	30	30	30	30	30	30
<i>growth</i>		40.9%	6.5%	-9.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Revenue - Franchises	1.5	2.1	2.8	2.3	5.3	5.3	4.6	4.9	5.1
<i>growth</i>		40.0%	33.3%	-16.8%	127.5%	0.0%	-13.9%	8.1%	3.2%
Revenue - Energy Acrobatica 110	-	-	-	-	0.6	8.2	27.0	18.9	20.8
<i>growth</i>						1173.3%	229.3%	-30.0%	10.0%
Revenue - Middle East	-	-	-	-	6.4	6.6	12.5	16.1	20.0
<i>growth</i>						3.1%	89.4%	28.8%	24.2%
Number of BU	49	70	83	97	117	124	151	168	180
<i>growth</i>		42.9%	18.6%	16.9%	20.6%	6.0%	21.8%	11.3%	7.1%
Numer of Acrobats	180	306	376	536	942	1166	1450	1613	1728
<i>growth</i>		70.0%	22.9%	42.6%	75.7%	23.7%	24.4%	11.3%	7.1%
TOTAL EDAC REVENUE	16.3	25.0	39.2	44.7	86.9	134.8	161.8	160.2	179.8

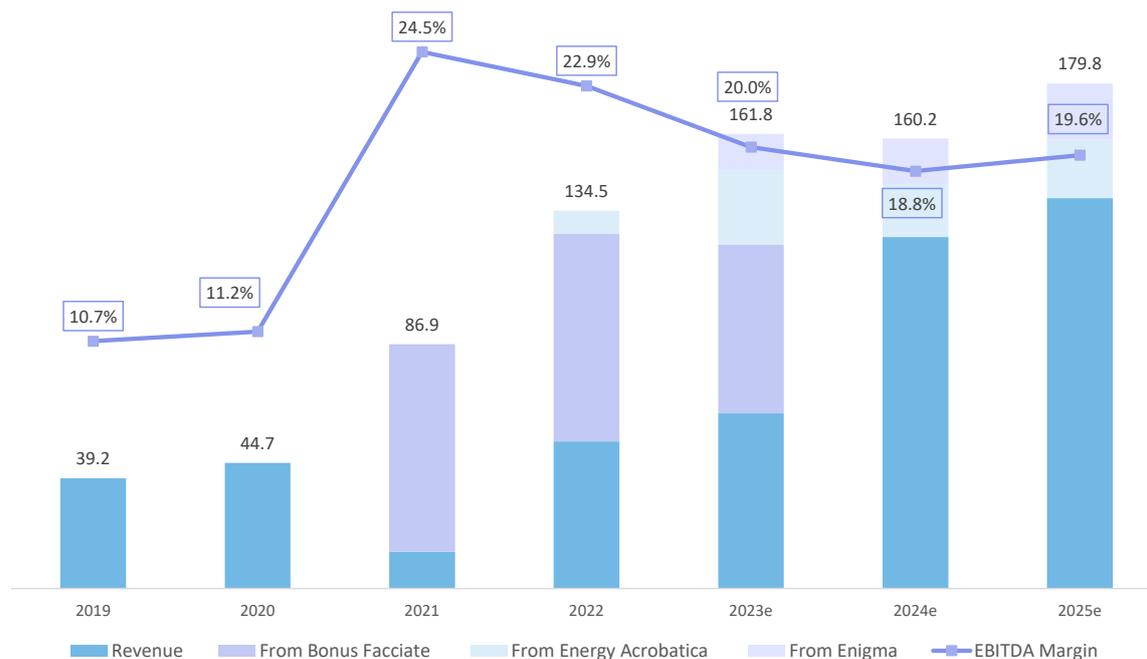
Source: TP ICAP Midcap

However, in the short term, the rise of the subsidiary Energy Acrobatica in the turnover mix and the integration of the new subsidiary acquired in the Middle East are not necessarily good news for the group's margins. After reaching record levels in 2021, EdiliziAcrobatica's EBIDTA margin is expected to deteriorate over the next few years for three main reasons:

- The end of the Bonus Facciate which, for two financial years, drove the increase in the average order size and therefore the strong increase in the group's profitability;
- The ramp-up of Energy Acrobatica 110 in 2023 thanks to the backlog accumulated on the Superbonus, all of whose activities are outsourced to other players to carry out the interventions;
- The integration of Enigma Capital, which was acquired at the beginning of 2023, has an EBITDA margin that is currently lower than that of the group (16% in 2021), with a large part of the activities concentrated on cleaning and maintenance services with less added value. While the group intends to refocus the activities of the various Enigma Capital companies in the medium term, this integration should weigh on margins in the short term.

The deterioration in the margin should be gradual, with 2023 being a transition year. Indeed, although it has not been possible to commit new expenditure under the Bonus Facciate since the end of 2022, EDAC still has a backlog of around €60m of work to be carried out in 2023. The recognition of this turnover in 2023 should make it possible to maintain an average order size above the group's historical average of around €5,000. On the other hand, in 2024, in the absence of revenues from the Bonus Facciate and with a greater weighting of Energy Acrobatica and Enigma Capital in the group's turnover mix, the EBITDA margin could fall back below 20%.

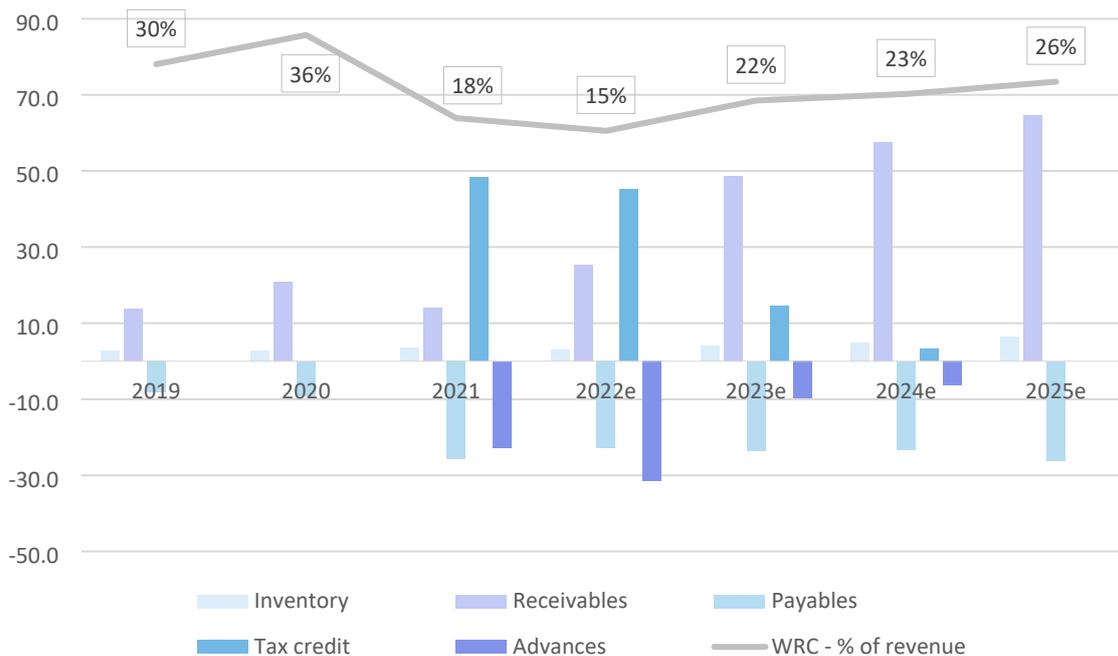
Evolution of EdiliziAcrobatica's revenue and EBITDA margin between 2019 and 2025^e



Source: TP ICAP Midcap

While the Facciate Bonus gave a strong boost to the company's results, it also had a profound impact on the group's balance sheet structure, mainly its WCR. Indeed, with this bonus, transferable tax credits and advances received for future services have appeared on EDAC's balance sheet. While working capital represented more than 30% of turnover in 2019 and 2020, the arrival of the Facciate Bonus has enabled the group to improve its working capital to 18% of turnover in 2021. With tax credit volumes almost similar to 2021 and advances received increasing (Bonus Facciate + Ecological Superbonus backlog), although increasing in absolute value, the WCR continued to increase in 2022 to represent 15% of turnover. Concerning the following years, if the group had a backlog of several million euros at the end of 2022 for the year 2023 on the ecological Superbonus, the recent changes made by the Italian government should strongly attenuate the demand for this type of intervention. As a result, we expect low levels of backlog and advances received at the end of 2023 and 2024.

Historical and estimated evolution of WCR items and levels in % of revenue between 2019 and 2025^e

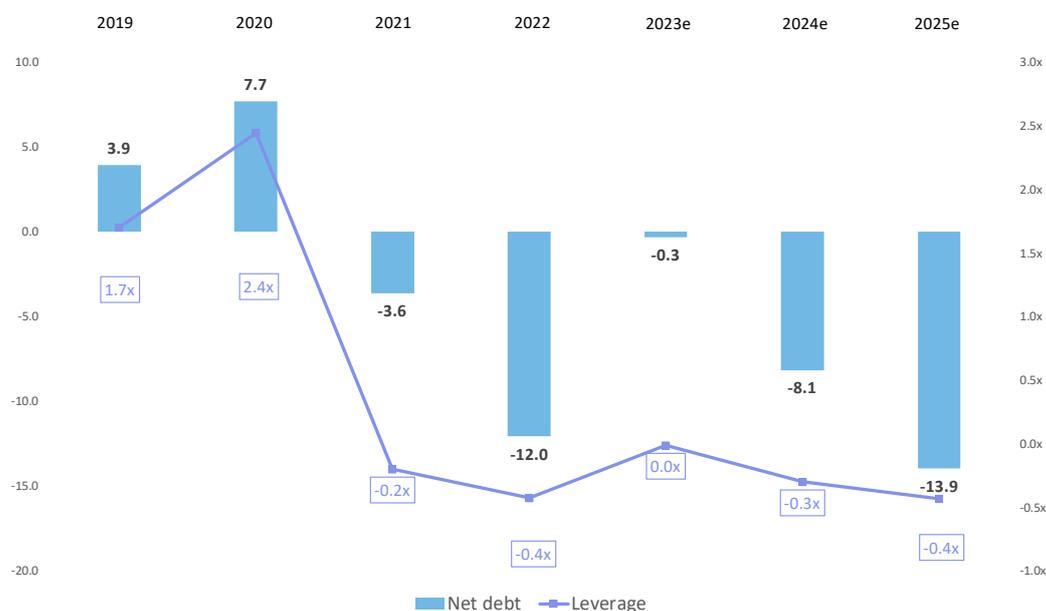


Source: TP ICAP Midcap

With regard to debt, EdiliziAcrobatica has a very healthy financial structure, enhanced by the explosion of activity over the last 24 months. While the group has always had a relatively low level of financial debt, the strong cash generation recorded following the 2021 financial year has enabled the group to post a net cash position of €3.6m, which will be further improved in 2022 to €11.9m thanks to another record year.

In addition to being in an ideal position to be one of the main consolidators in this market, due to its status as a leader in a highly fragmented market, the company's current financial structure further strengthens this position by giving the group a relatively large margin of manoeuvre regarding potential acquisitions.

Historical and estimated evolution of EdiliziAcrobatica's net debt and debt leverage between 2019 and 2025^e



Source : TP ICAP Midcap

V. Valuation

Our approach to the valuation of the EdiliziAcrobatica Group is based exclusively on the DCF method. As explained above, the rope access market is still young and very fragmented. With the exception of EdiliziAcrobatica and the Jarnias group in France, no player in this market has more than €10M in turnover to our knowledge. As a result, EdiliziAcrobatica is currently the only listed group in this niche market, making it impossible to apply a comparable stock market method.

DCF approach

For this approach, we make the following assumptions:

Normative flows

- CAGR growth in turnover of 10.1% between 2022 and 2025. If, between 2016 and 2021, the group was able to record an impressive average annual growth of 45.7%, driven by the deployment of its model throughout Italy and, of course, by the arrival of the Bonus Facciate, which enabled the group to double its activity in 2021, it seems complicated to maintain such a high level of growth. Although the group can count on the Ecological Superbonus and the consolidation of Enigma as a growth driver in the short term, the end of the Bonus Facciate and the accompanying period of euphoria should weigh on the group's growth rate. After 2025, EDAC should return to a normative growth rate until the end of our horizon which we estimate, for the moment and conservatively, to be 4.8% on average each year.
- A normative EBITDA margin of 20% reflecting the average margin operated on the group's core business which should return to its historical weight after the euphoric phase on the Bonus Facciate (whose remaining backlog will be exhausted in 2023) and the ecological Superbonus ending in 2025.
- A relatively low level of CAPEX due to the nature of the group's activities
- A normative tax rate of 30%.
- A level of WCR which should rise over the next few years, after two particular years in 2021 and 2022 (85% and 55% of turnover generated by the Bonus Facciate), to then stabilise at around 26%.

Discount rate

- A risk-free rate of 4.2%.
- An equity risk premium of 8%.
- A beta of 0.77 including 100% equity financing.
- A size, liquidity and specific risk premium of 2.5%.
- A perpetual growth rate of 2%.
- **A WACC of 12.9%.**

DCF scenario

		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Revenue		161.8	160.2	179.8	194.2	207.9	220.7	232.3	242.4	250.7	256.9
	% var	20%	-1%	12%	8%	7%	6%	5%	4%	3%	3%
EBITDA		32.3	30.1	35.2	38.2	41.0	43.8	46.3	48.5	49.4	50.1
	% var	5.0%	-6.7%	16.8%	8.5%	7.5%	6.6%	5.7%	4.8%	1.9%	1.5%
	% CA	20.0%	18.8%	19.6%	19.7%	19.7%	19.8%	19.9%	20.0%	19.7%	19.5%
D&A		-2.8	-2.8	-2.8	-2.9	-2.9	-3.1	-3.3	-3.5	-3.7	-3.9
	% CA	1.7%	1.7%	1.6%	-1.5%	-1.4%	-1.4%	-1.4%	-1.4%	-1.5%	-1.5%
EBIT		29.5	27.3	32.4	35.3	38.1	40.7	43.0	45.0	45.7	46.2
	% CA	18.2%	17.1%	18.0%	18.2%	18.3%	18.4%	18.5%	18.6%	18.2%	18.0%
Tax		-8.1	-7.3	-8.6	-10.6	-11.4	-12.2	-12.9	-13.5	-13.7	-13.9
	Tax rate	27.6%	26.7%	26.7%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
D&A		2.8	2.8	2.8	2.9	2.9	3.1	3.3	3.5	3.7	3.9
CAPEX		-2.8	-2.7	-3.1	-3.3	-3.5	-3.8	-3.9	-4.1	-4.0	-3.9
	% CA	-1.7%	-1.7%	-1.7%	-1.7%	-1.7%	-1.7%	-1.7%	-1.7%	-1.6%	-1.5%
Change in WRC		15.1	2.0	9.5	3.9	3.6	3.4	3.1	2.7	2.2	1.6
	% CA										
FCF		6.3	18.1	14.0	20.4	22.5	24.4	26.4	28.2	29.5	30.7
Discounted FCF		5.8	14.8	10.1	13.1	12.8	12.3	11.8	11.1	10.3	9.5

Source : TP ICAP Midcap

DCF summary and sensitivity analysis

Synthesis	
Cumulated NPV of FCF	111.7
Discounted Terminal Value	89.6
Enterprise Value	201.3
Net Debt	-12.0
Provisions	0.1
Non-controlling interest	7.2
Equity Value	206.0
Number of shares	8.2
Value per share	25.0

Sensitivity table						
Price (€)		WACC				
		11.9%	12.4%	12.9%	13.4%	13.9%
Perpetuity growth rate	1.0%	26.5	25.2	24.0	22.9	21.9
	1.5%	27.1	25.8	24.5	23.3	22.3
	2.0%	27.8	26.4	25.0	23.8	22.7
	2.5%	28.6	27.0	25.6	24.3	23.1
	3.0%	29.5	27.8	26.2	24.9	23.6

Source : TP ICAP Midcap

Peers approach

As mentioned above, the absence of listed players in EdiliziAcrobatica's market leads us not to use a comparable approach in our valuation. Instead, we present as an indication the valuation multiples of two Italian companies of comparable size to EdiliziAcrobatica and also exposed to Italian tax bonuses, particularly in the energy efficiency sector:

- **Innovatec SpA.** (market capitalisation: €141m - turnover of €289m in 2022). Innovatec is an Italian group that has historically provided waste treatment services and which, following the introduction of the Ecological Superbonus 110, has also developed its services in the field of energy efficiency.

- **Sciuker Frames SpA.** (market capitalisation: €139m - turnover of €194m in 2022). Sciuker Frames is an Italian company active in the design and manufacture of windows using eco-friendly materials. The company has subsequently also opened an entity dedicated to work eligible for the 110% ecological Superbonus.
- **Gibus SpA.** (market capitalisation: €67m - turnover of €84m in 2022). Gibus is an Italian company specialising in the design and production of pergolas, awnings and other solar protection for outdoor spaces. In particular, the company markets various bioclimatic pergolas equipped with photovoltaic panels eligible for the 110% ecological Superbonus.

Valuation multiples of comparable Italian companies

Companies	Market Cap.	Revenue CAGR 2022-2024	EV/Sales			EV/EBIT			PE		
			2022	2023e	2024e	2022	2023e	2024e	2022	2023e	2024e
Innovatec SpA	141	14%	0.6x	0.5x	0.4x	7.7x	6.8x	5.3x	11.3x	9.2x	6.9x
Sciuker Frames SpA	139	4%	0.9x	0.7x	0.8x	4.7x	3.3x	3.9x	6.7x	4.6x	5.7x
Gibus SpA	67	16%	0.6x	0.5x	0.5x	3.1x	3.5x	3.0x	5.5x	6.7x	5.8x
Mean	116	11%	0.7x	0.6x	0.6x	5.2x	4.5x	4.1x	7.8x	6.8x	6.1x
Medianne	139	14%	0.6x	0.5x	0.5x	4.7x	3.5x	3.9x	6.7x	6.7x	5.8x
EdiliziAcrobatica	149.7	6%	1.1x	1.1x	1.0x	5.1x	4.8x	4.5x	9.8x	8.8x	7.4x

Source : FactSet

VI. Annexes

Members

Description

Riccardo Iovino, Chief Executive Officer



After a series of experiences that led him to deepen and develop his natural leadership skills and to work abroad as an export manager for a company in the fishing sector, and after his return to Italy, he decided to combine his skipper skills with his business skills, thus founding EdiliziAcrobatica in 1994. Today he is Managing Director and member of the Board of Directors of EDILIZIACROBATICA S.P.A.

Anna Marras, Chief People Officer



As head of the EDILIZIACROBATICA S.P.A. academy, Anna Marras is also an executive member of the EDAC Board of Directors. She has been involved in high-level management training for over twenty years. During her professional career and before joining EDAC, she followed the growth of companies of national importance (Gruppo Errebi Auto Spa, Audi Zentrum Spa, L'Oreal Academy, Maina Power Transmission), as well as EdiliziAcrobatica. More recently, she chose to found the first franchise of the OSM International management training group and created EDAC OSM Partner, a company active in Piedmont and Liguria in particular, which currently has more than ten consultants.

Riccardo Banfo, Chief Financial Officer



With an Executive MBA, he started his career at KPMG as a supervisor for 6 years before joining the Dytech group where he was in charge of Foreign Reporting & Consolidation for 9 years. He then took on the role of CFO at Dytech in Brazil for 3 years. He will also work as CFO at the automotive supplier S RIKO in Brazil for 4 years before being officially appointed CFO of EDILIZIACROBATICA S.P.A. in July 2021.

Alberto Ravizza, General Manager



After starting his career in the banking sector as a financial analyst at Banca IBI, which later became Cariplo, he moved on to the automotive sector in the Fiat Group for 3 years, holding positions as manager of structures and networks.

After gaining the necessary experience in different automotive sectors, he joined Errebi Spa, an important player for the Renault-Nissan-Mitsubishi group, holding positions in sales, fleet, retail, marketing, IT systems and credit in 27 years of work. Since May 2020, he has officially joined the EdiliziAcrobatica S.p.A. Group as Managing Director.

Simone Muzio, Chief Operating Officer



Simone Muzio has had several experiences as an architect in Italy and Europe since 2000. In 2002, he obtained a Bachelor's degree and an MS in Architecture. With almost 20 years of experience in project and facility management, he started to play a key role in EDAC, as Chief Operating Officer from 2007. He is now an executive member of the board and group chief operating officer.

**Susanna Giardina, Group Chief Human Resources Officer**

After a degree in foreign languages, she gained over 15 years of HR experience, including recruitment, development and human resources management. From 2012 onwards, Susanna has played a key role in EDAC, as Recruitment Manager and then as HR Manager, developing HR policies from recruitment to training, becoming today the Group HR Director leading a team of over 20 people at group level.

**Simona Filice, Group Chief Brand & Marketing Officer**

With 20 years of experience in the sector and a great passion for marketing and communication, Simona Filice joined the group in 2015 as a manager leading the Brand department. Today she is the group's brand and marketing manager.

FINANCIAL DATA

Income Statement	12/20	12/21	12/22	12/23e	12/24e	12/25e
Sales	44.7	86.9	134.5	161.8	160.2	179.8
Changes (%)	13.9	94.7	54.6	20.4	-1.0	12.2
Gross profit	41.0	79.8	121.1	146.1	144.9	162.7
% of Sales	91.9	91.7	90.0	90.3	90.5	90.5
EBITDA	5.0	21.3	30.7	32.3	30.1	35.2
% of Sales	11.2	24.5	22.9	20.0	18.8	19.6
Current operating profit	3.1	18.3	28.5	29.5	27.3	32.4
% of Sales	7.0	21.1	21.2	18.2	17.1	18.0
EBIT	3.1	18.3	28.5	29.5	27.3	32.4
Net financial result	-0.4	-1.2	-5.6	-2.3	-3.0	-3.6
Income Tax	-1.1	-6.0	-7.8	-8.1	-7.3	-8.6
Tax rate (%)	39.3	35.0	34.0	30.0	30.0	30.0
Net profit, group share	1.7	11.1	15.1	19.0	17.1	20.2
EPS	0.20	1.36	1.84	2.31	2.07	2.45
Financial Statement	12/20	12/21	12/22	12/23e	12/24e	12/25e
Goodwill	0.2	0.6	0.6	5.6	7.7	7.7
Tangible and intangible assets	5.5	4.5	4.5	4.4	4.3	4.6
Right of Use	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets	0.0	0.4	2.0	2.0	2.0	2.0
Working capital	16.2	15.3	19.8	34.9	36.9	46.4
Other Assets	0.7	0.7	0.4	0.4	0.4	0.4
Assets	22.7	21.5	27.2	47.2	51.3	61.0
Shareholders equity group	12.9	22.1	35.2	43.4	55.3	70.9
Minorities	0.0	0.0	-0.0	0.0	0.0	0.0
LT & ST provisions and others	1.8	2.6	4.0	4.0	4.0	4.0
Net debt	7.7	-3.6	-12.0	-0.3	-8.1	-13.9
Other liabilities	0.3	0.4	0.2	0.2	0.2	0.2
Liabilities	22.7	21.5	27.2	47.3	51.3	61.0
Net debt excl. IFRS 16	7.7	-3.6	-12.0	-0.3	-8.1	-13.9
Gearing net	0.6	-0.2	-0.3	-0.0	-0.1	-0.2
Leverage	1.5	-0.2	-0.4	-0.0	-0.3	-0.4
Cash flow statement	12/20	12/21	12/22	12/23e	12/24e	12/25e
CF after elimination of net borrowing costs and taxes	5.4	20.9	25.0	21.8	19.8	23.0
Δ WCR	-8.4	-6.1	-10.9	-15.1	-2.0	-9.5
Operating cash flow	-3.0	14.8	14.1	6.7	17.8	13.5
Net capex	-1.7	-1.7	-2.3	-2.8	-2.7	-3.1
FCF	-4.8	13.2	11.8	4.0	15.1	10.4
Free Cash Flow excl IFRS 16	0.0	0.0	0.0	0.0	0.0	0.0
Acquisitions/Disposals of subsidiaries	0.0	0.0	0.0	-5.0	-2.1	0.0
Other investments	-5.1	-2.6	0.0	0.0	0.0	0.0
Change in borrowings	12.7	1.2	0.0	0.0	0.0	0.0
Dividends paid	-0.8	-1.7	-2.4	-10.7	-5.2	-4.6
Repayment of leasing debt	0.0	0.0	0.0	0.0	0.0	0.0
Equity Transaction	0.0	0.5	0.0	0.0	0.0	0.0
ROA (%)	3.3%	10.5%	12.2%	17.0%	14.2%	15.3%
ROE (%)	13.0%	50.1%	43.1%	43.7%	30.8%	28.5%
ROCE (%)	9.4%	59.2%	77.1%	45.5%	39.4%	39.1%

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Methodology

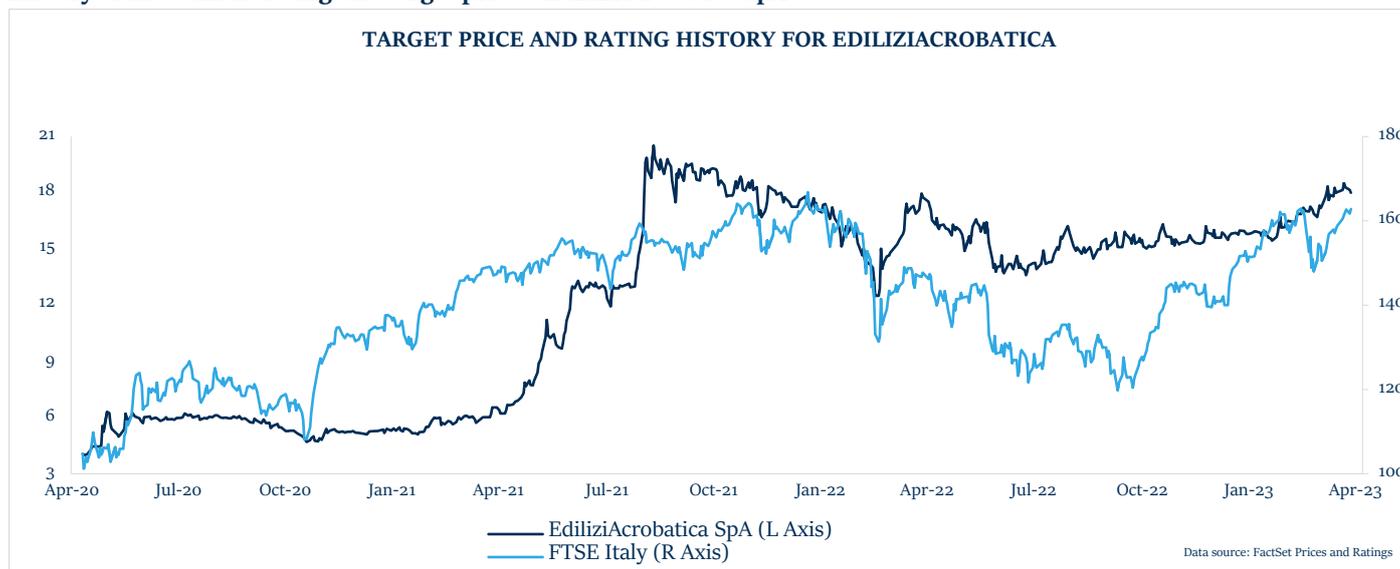
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1. DCF method: discounting of future cash flows generated by the company's operations. Cash flows are determined by the analyst's financial forecasts and models. The discount rate used corresponds to the weighted average cost of capital, which is defined as the weighted average cost of the company's debt and the theoretical cost of its equity as estimated by the analyst.
2. Comparable method: application of market valuation multiples or those observed in recent transactions. These multiples can be used as references and applied to the company's financial aggregates to deduce its valuation. The sample is selected by the analyst based on the characteristics of the company (size, growth, profitability, etc.). The analyst may also apply a premium/discount depending on his perception of the company's characteristics.
3. Assets and liabilities method: estimate of the value of equity capital based on revalued assets adjusted for the value of the debt.
4. Discounted dividend method: discounting of estimated future dividend flows. The discount rate used is generally the cost of capital.
5. Sum of the parts: this method consists of estimating the various activities of a company using the most appropriate valuation method for each of them, then realizing the sum of the parts.

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G. Midcap and the Issuer have agreed to the provision by the former to the latter of a service for the production and distribution of the investment recommendation on the said Issuer: EdiliziAcrobatica SpA

History of investment rating and target price – EdiliziAcrobatica SpA



Distribution of Investment Ratings

Rating	Recommendation Universe*	Portion of these provided with investment banking services**
Buy	84%	65%
Hold	14%	43%
Sell	1%	0%
Under review	1%	0%

Midcap employs a rating system based on the following:

Buy: Expected to outperform the markets by 10% or more over a 6 to 12 months horizon.

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