

Analysar

16 March 2022

Buy

Recommendation unchanged

Share price: EUR **3.63**

closing price as of 15/03/2022

Target price: EUR **6.00**

from Target Price: EUR 6.40

Upside/Downside Potential **65.3%**

Reuters/Bloomberg

NDT.MI/NDT IM

Market capitalisation (EURm) **52**

Current N° of shares (m) 14

Free float **41%**

Daily avg. no. trad. sh. 12 mth (k) 16

Daily avg. trad. vol. 12 mth (k) 117.99

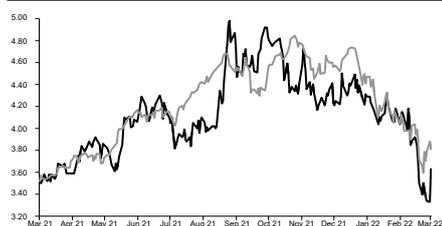
Price high/low 12 months 4.98 / 3.33

Abs Perfs 1/3/12 mths (%) -11.46/-13.78/3.13

Key financials (EUR)	12/21	12/22e	12/23e
Sales (m)	179	182	186
EBITDA (m)	18	19	20
EBITDA margin	10.1%	10.2%	10.6%
EBIT (m)	9	9	9
EBIT margin	5.2%	4.7%	4.7%
Net Profit (adj.)(m)	7	5	5
ROCE	6.2%	5.3%	5.8%
Net debt/(cash) (m)	29	27	22
Net Debt/Equity	0.4	0.4	0.3
Debt/EBITDA	1.6	1.5	1.1
Int. cover(EBITDA/Fin. int)	15.0	15.3	14.3
EV/Sales	0.5	0.4	0.4
EV/EBITDA	5.0	4.2	3.7
EV/EBITDA (adj.)	5.0	4.2	3.7
EV/EBIT	9.8	9.0	8.3
P/E (adj.)	9.3	12.1	9.8
P/BV	0.9	0.7	0.6
OpFCF yield	14.3%	6.8%	12.1%
Dividend yield	3.9%	3.9%	4.1%
EPS (adj.)	0.47	0.30	0.37
BVPS	4.98	5.40	5.64
DPS	0.14	0.14	0.15

Shareholders

Valentini Family 59%;



Source: FactSet

NEODECORTECH FTSE Italy STAR (Rebased)

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FY 21: an impressive year – new TP EUR6/sh

The facts: Neodecortech released impressive FY 21 figures yesterday during trading hours.

Our analysis: Sales were even better than our estimates, which pointed to EUR 165m, and were up 38% vs. FY 20 up +32.7% vs. FY 19. This was a prosecution of the trend started in H2 20. The top line was spurred by the decorative paper division (+50% Y/Y), and by the printed decorative paper division (+39% Y/Y); the energy division posted revenues up ~20% Y/Y. Italy and Europe accounted for 90.4% sales and increased respectively 39.6% and 23%. Particularly strong Asia and Middle East sales (though a small geography), up 294%.

EBITDA held up well also in Q4 21, despite the temporary lag in passing raw material price increases on to customers.

EURm	FY 20	FY 21	Y/Y Chg.	Q4 20	Q4 21	Y/Y Chg.
Sales	127.8	176.4	38.0%	39.0	52.0	33.5%
Total sales	133.7	179.0	33.9%	39.6	52.0	31.4%
EBITDA	14.6	18.1	24.3%	4.7	4.3	-8.3%
% on sales	11.4%	10.3%		12.1%	8.3%	
EBIT	5.5	9.2	67.7%	2.2	2.0	-7.9%
% on sales	4.3%	5.2%		5.6%	3.9%	
Group Net profit	3.5	6.7	91.1%	1.8	2.2	23.4%
% on sales	2.7%	3.8%		4.6%	4.3%	

The net financial position decreased abundantly (~EUR 10m less than at YE 20), to EUR 29.3m (no longer covenants related). DPS EUR 0.14/sh.

In the press release the company said that the trend in orders and volumes for the first 2 months of the year reflected the upbeat mood of the industry, however it can be considered as an anticipation of growth envisaged in the 2021-2023 business plan and in the 2022 budget. The risk of margin squeeze remains in Q1 22E since raw material and energy prices have gone up and continue to do so.

We understand that to preserve sales and profitability levels is the challenge of the next 18-24 months, as well as to improve further the net financial position. The exposure to Russia and Ukraine is negligible but of course the geopolitical context could dent the consumer confidence and exacerbate raw material price increases.

We have trimmed our estimates in order to incorporate such risks partially: we assume stable top line and stable EBITDA margin. The net financial position is set to improve (1.1x debt/EBITDA in FY 23E). We have assumed 15% long term gearing. We reach EUR 6/sh new price target (WACC 9.4%, g=2%).

Conclusion & Action: FY 21 was an impressive year for NDT and this performance has big chances to last also in FY 22E, given the current high volume produced and orders. However, the macroeconomic/geopolitical context doesn't look favourable and is triggering uncertainties both in the final consumption side (basically furniture and flooring) and in the global production chain where NDT operates (i.e. some panel producers are struggling due to cost inflation). As such, we have incorporated into our estimates and valuation a prudent view, while leaving a huge upside for the stock price.