

PUBLICATIONS

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NEODECORTECH

FY2019 Results (+)

(Company press release)

Above our expectations

NDT released its FY2019 results on Friday night after the close of trading. Over the year, revenues surpassed our expectations at €137.2m (+2.5% YoY vs. €136.0m expected) driven by improvements in the Decorative Printed Paper (+10.9% YoY) and Energy (+0.9% YoY) divisions, while the Decorative Paper division was, as expected, down (-7.5% YoY) due to (i) lower sales prices throughout the division in line with the decrease in virgin fiber prices, and (ii) the 22-day production stoppage due to water supply problems, which was covered by insurance.

Adjusted EBITDA (net of free share granting plan & MTA listing fees) was also above our expectations at €17.9m (-5.9% YoY; 13.0% margin or -117bps YoY) compared to €17.6m expected; this YoY decrease was due to higher variable industrial costs, notably fuel for the BEG cogeneration plant, as well as higher direct labor costs.

Adjusted net income amounted to €5.7m vs. €5.4m expected (4.1% margin, -131bps YoY).

The group reduced its net debt by -8.0% YoY to €40.5m, lowering the gearing to 66% (vs 75% in 2018) and the leverage ratio to 2.26x (vs 2.31x in 2018) thanks to (i) strong cash generation (adjusted FCFF of €7.6m with an adjusted conversion of 42.6%, despite significant CapEx (c.€10M) aimed at increasing efficiency and diversification of its production range), and (ii) the disposal of financial assets for c. €4.3m.

The group has decided to pay a dividend of €0.145 per share (yield of 4.4% on the current share price).

Finally, it should be noted that the BoD approved the new 2020-22 plan for listing on the STAR segment of the Milan Stock Exchange.

We reiterate our Buy Rating and leave our EPS unchanged.

Buy, TP of €4.6 – Pierre Buon : +33 1 53 45 10 77

Market Data

| | |
|------------------------|-----------------|
| Industry | Basic resources |
| Share Price (€) | 3.3 |
| Market Cap (€M) | 42.7 |
| Bloomberg | NDT IM |
| Market Segment | AIM Italia |

Ownership structure

| | |
|------------------------------|-------|
| Finanziaria Valentini | 63.9% |
| Free float | 36.1% |

| €M (31/12) | 2018 | 2019 | 2020 | 2021 |
|----------------------|-------|--------|-------|-------|
| Sales (€M) | 133.8 | 137.2 | 142.7 | 147.7 |
| <i>Growth</i> | 2.8% | 2.5% | 4.0% | 3.5% |
| EBIT | 10.6 | 7.1 | 9.7 | 11.0 |
| <i>Op. Margin(%)</i> | 7.9% | 5.2% | 6.8% | 7.4% |
| Net income | 6.0 | 4.0 | 5.9 | 7.1 |
| EPS (€) | 0.47 | 0.30 | 0.47 | 0.54 |
| <i>EPS growth</i> | 27.9% | -12.1% | 13.9% | 13.7% |
| Dividend | 0.15 | 0.15 | 0.15 | 0.18 |
| <i>Yield (%)</i> | 0.0% | 3.9% | 4.4% | 5.5% |
| FCF | 11.5 | 7.6 | 7.9 | 9.2 |
| RoCE | 10.1% | 5.8% | 7.5% | 8.5% |
| EV/Sales (x) | | | 0.6 | 0.5 |
| EV/EBIT (x) | | | 8.3 | 6.9 |
| PE (x) | | | 6.9 | 6.0 |
| Net Debt | 44.0 | 40.5 | 38.1 | 33.5 |
| <i>Gearing</i> | 75% | 66% | 58% | 48% |

Midcap Partners Estimates

Upcoming event : 07/09/2020 - H1 2020 Results

| Top Peers (Ccy) | Market Cap (€M) | EV/EBIT 2020 | EV/EBIT 2021 | PE 2020 | PE 2021 |
|----------------------|-----------------|--------------|--------------|---------|---------|
| SURTECO GROUP SE | 347 | 10.6 | 9.6 | 11.1 | 10.4 |
| Ahlstrom-Munksjo Oyj | 1,742 | 11.6 | 10.1 | 12.2 | 10.9 |
| Tarkett SA | 819 | n/a | 9.9 | 11.4 | 9.0 |

Source: FACTSET