

Analysier

15 November 2021

Buy

Recommendation unchanged

Share price: EUR **4.40**

closing price as of 12/11/2021

Target price: EUR **6.40**

Target Price unchanged

Upside/Downside Potential **45.5%**

Reuters/Bloomberg

NDT.MI/NDT.IM

Market capitalisation (EURm) **59**

Current N° of shares (m) 14

Free float **38%**

Daily avg. no. trad. sh. 12 mth (k) 19

Daily avg. trad. vol. 12 mth (k) 93.22

Price high/low 12 months 4.98 / 2.48

Abs Perfs 1/3/12 mths (%) -10.39/8.37/83.33

Key financials (EUR) 12/20 12/21e 12/22e

Sales (m) 134 165 171

EBITDA (m) 15 19 21

EBITDA margin 10.9% 11.2% 12.5%

EBIT (m) 5 10 11

EBIT margin 4.1% 5.9% 6.6%

Net Profit (adj.)(m) 4 7 7

ROCE 3.6% 6.1% 7.0%

Net debt/(cash) (m) 40 37 33

Net Debt/Equity 0.6 0.5 0.5

Debt/EBITDA 2.7 2.0 1.5

Int. cover(EBITDA/Fin. int) 10.3 18.5 21.4

EV/Sales 0.6 0.6 0.5

EV/EBITDA 5.2 5.2 4.3

EV/EBITDA (adj.) 5.2 5.2 4.3

EV/EBIT 13.9 9.9 8.1

P/E (adj.) 10.6 9.0 7.9

P/BV 0.6 0.9 0.8

OpFCF yield 11.4% 1.3% 7.5%

Dividend yield 2.0% 3.2% 3.2%

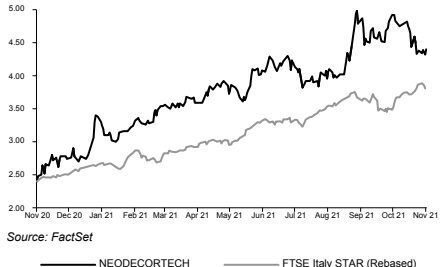
EPS (adj.) 0.26 0.49 0.56

BVPS 4.60 5.00 5.42

DPS 0.09 0.14 0.14

Shareholders

Valentini Family 62%;



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9M 21: still impressive top-line increase; profitability held up despite raw material price hikes

The facts: Neodecortech published its 9M 21 results on Friday 12 November after the market closed (no conf. call).

Our analysis: The top line increase in Q3 21 was still impressive and continued the double-digit growth trend that started in H2 20, though there was a normalisation in Q3 21. The new lines of products (i.e. PPLF and EOS), launched in 9M 20 and now in full swing, amplified this trend. We outline that H2 20 was quite a normalised semester; as such it was not affected by the negative impacts triggered by the COVID-19 pandemic. However, in 9M 20 “other revenues” was exceptionally high (EUR 5.3m in 9M 20 vs. EUR 1.6m in 9M 21) due to some one-offs.

All raw material prices (animal fat, pulp, titanium dioxide, plastic materials, impregnating resins) increased and in some cases by over 100%. Most of these increases were passed on to customers; as such, the 9M 21 EBITDA margin held up well. However, the resin price hike (est. +120% in certain months) was not fully passed on to customers in Q3 21, thus lowering the NDT profitability a little.

We outline that the net debt (EUR 35.7m) improved by EUR 4m vs. YE 20 (EUR 39.6m) and by EUR 11.8m vs. 9M 20 (EUR 47.5m), thus underpinning very good cash generation. Capex was EUR 6.5m (EUR 4.7m in 9M 20).

It is reasonable to expect a still solid business in Q4 21E, with a slight margin shrink due to the incomplete transfer to customers of the raw material price hikes by Neodecortech and Cartiere di Guarcino. As far as BEG is concerned, the cost of fuel is expected to remain high until year-end, with incentive revenue stable; this should be offset by the revenues from the sale of electricity given its rising price.

EUR m	Q3 20	Q3 21	Y/Y Chg.	9M 20	9M 21	Y/Y Chg.
Printed decorative paper	15.5	17.5	12.9%	37.0	55.1	49.0%
Decorative paper	10.5	15.3	46.2%	28.2	45.0	59.6%
Energy	8.4	10.1	21.4%	23.7	25.3	6.8%
Sales	34.3	43.0	25.1%	88.9	125.4	41.1%
EBITDA	4.3	4.0	-5.8%	9.9	13.8	39.9%
EBITDA margin	12.4%	9.3%		11.1%	11.0%	
EBIT	2.1	1.9	-9.8%	3.3	7.2	116.5%
EBIT margin	6.1%	4.4%		3.7%	5.7%	
Net income	1.5	1.3	-12.2%	1.7	4.5	158.2%

The company has launched a share buy-back programme.

We have fine-tuned our FY 21E estimates to incorporate the 9M 21 results: the top line is now EUR 165m, EBITDA is EUR 18.5m (with a 11.2% margin on sales vs. 12.9%). The net income stands at EUR 6.5m (EUR 6m previously). We estimate YE net debt of EUR 37m (EUR 41m old estimate). FY 22E top line becomes EUR 171m and the EBITDA margin 12.5% (vs. 13% old est.). These changes do not move our price target.

Conclusion & Action: Our view is that despite the huge raw material price increases, the company was able to maintain a good level of profitability in 9M 21 and, above all, to generate cash, also thanks to good revenues from high margin products. We keep our buy rating on the stock.