

NEWS

1 February 2021

NEODECORTECH

There Could Be Pleasant Surprises (+)

(Websim)

Last week WEBSIM met with Neodecortech CEO Luigi Cogni, who presented 2021's three main objectives 1) new investments, 2) the transition to STAR and 3) ESG certification.

Mr. Cogni is confident that the transition to the STAR segment, which had been put on stand-by, will take place as soon as macroeconomic conditions improve.

The CEO recalled that the 2020 accounts will be approved on 2 March, which should show strong resilience in economic and financial terms.

For the record, following a Q2 penalised by plant closures due to COVID, Neodecortech experienced a strong Q3 recovery, +4.6% YoY to €34.1m thanks to renewed interest in household equipment. This trend continued in Q4 2020 and appears to be set to continue into the first month of 2021. For these reasons, Mr Cogni indicated that the figures for 2020 are likely to be better than expected.

Revenue and margin were mainly driven by the two new product lines introduced last summer. Since June, the company has been producing at full capacity and ended the year with ten more employees. In addition, at the beginning of 2021, Neodecortech also purchased a new rolling machine for its Abruzzo site to join the three machines already in operation.

The interior decoration sector seems to be in good health not only in Italy but also abroad. For 2021, we are expecting positive effects on the sector thanks to the tax breaks introduced by the governments.

This momentum reinforces our already positive view of the sector and the company that we included in the Midcap 2021 Selection, NDT. We are therefore slightly increase our 2020 revenue estimates to €126.3m (compared to €123.2m previously) and net profit to €3.1m (compared to €2.6m previously).

We are also reiterating our Buy rating and raising our TP to €4.8.

Buy, TP of €4.8€ (vs €4.6) - David Coppini +33 1 78 95 71 78

Market Data	
Industry	Basic Resources
Share Price (€)	3,2
Market Cap (€M)	42,7
Market Segment	MTA Italia
Bloomberg	NDT IM

Ownership structure	
Finanziaria Valentini	61,6%
Free float	38,4%

€M	2019*	2020	2021	2022
Sales	135,9	126,3	139,5	149,6
<i>Growth</i>	1,7%	-7,0%	10,4%	7,3%
EBIT	7,1	6,2	9,0	10,5
<i>Op. Margin(%)</i>	5,2%	4,9%	6,5%	7,0%
Net income	4,0	3,1	5,5	6,7
EPS (€)	0,30	0,23	0,41	0,50
<i>EPS growth</i>	-34,2%	-23,8%	77,1%	21,2%
Dividend	0,15	0,15	0,10	0,12
<i>Yield (%)</i>		3,9%	4,6%	3,1%
FCF	7,6	4,0	8,7	11,2
RoCE	5,9%	4,5%	6,7%	7,9%
EV/Sales (x)		0,6	0,5	0,5
EV/EBIT (x)		13,3	8,5	6,7
PE (x)		9,7	7,7	6,4
Net Debt	40,5	41,1	35,8	28,3
<i>Gearing net</i>	66%	65%	53%	39%

Midcap Partners estimates

(*) Restated

Upcoming event : 2/03/2021 - FY 2020

Consensus - Number of analysts : 2			
	2020	2021E	2022E
Sales	125,6	139,6	149,2
EBIT	5,8	8,9	9,8
Net income	2,6	5,4	6,2

Source: FACTSET

Top Peers	Market Cap (€M)	EV/EBIT 2020	EV/EBIT 2021	PE 2020	PE 2021
SURTECO GROUP SE	375	12,0	10,0	13,0	10,6
Ahlstrom-Munksjo Oyj	2 061	14,0	13,0	14,5	13,3
Tarkett SA	966	13,6	11,3	13,8	10,9

Source: FACTSET

DISCLAIMER

This document may mention evaluation methods defined as follows:

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.

Rating structure

- ☑ Buy: expected to outperform the market by more than 10% over a 6 - 12 months horizon
- ☑ Hold: expected performance between -10% and +10% compared to the market in a 6 - 12 months horizon
- ☑ Sell: expected to underperform the market by more than 10% over a 6 - 12 months horizon

The history of ratings and the target price for the Issuers covered in this report are available on request at marketing@midcapp.com.

Conflict of Interests

Company	Closing price (€)	Rating	Warning
ATEME	16,9	Buy	Nil
KAUFMAN & BROAD	37,85	Buy	Nil
NEODECORTECH	3,16	Buy	G
QWAMPLIFY	7,25	Buy	D,G
SYNERGIE	31,5	Buy	Nil
WAVESTONE	30,2	Buy	Nil

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Rating	Midcap Partners coverage universe	of which Investment banking services*
Buy	71%	79%
Hold	23%	19%
Sell	4%	0%
Tender	2%	2%

* "Corporate" Issuers: Issuers to whom Midcap has provided Investment Services over the last 12 months

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