



PUBLICATIONS

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NEODECORTECH

Q1 2021 (+)

(Company)

"Sky is the limit"

Neodecortech released Q1 2021 revenue figures up 19.3% to €39.6m, significantly ahead of our expectations of €36m.

Growth was driven, as expected, by all divisions: printed decorative paper +27.6% YoY, decorative paper +19.9% YoY and energy +5%.

Geographically, Europe led sales growth with +27.3% over the period, followed by Italy with +19.2%. Asia, the Middle East and America performed less well, accounting for only about 2% of revenue.

Recurring EBITDA landed at €5.1m (12.8% margin), up from €2.7m in Q1 2020 (+89% YoY), excluding the exceptional income from an insurance claim reimbursement. This EBITDA increase is also incredibly positive given the sharp price increases for NDT's raw materials, but which management has been able to pass on quickly to its customers. There have been much higher margins on new products introduced to the market. In addition, personnel costs remained stable at €5.5m for the period, although NDT has 15 more employees than before (400 compared to 385), which significantly reduces their impact on revenue and shows the strong increase in company productivity.

The net financial position stands at €37.4m, down by €2.5m from 31 December 2020 and €7.8m from 31 March 2020, thanks to strong cash generation resulting from the aforementioned margin improvement and better working capital management. Indeed, although revenue increased by 19% during the period, trade payables and receivables, as well as inventories, remained almost stable, decreasing their impact on revenue and showing the group's improved efficiency.

In light of these extremely positive figures, we are raising our revenue estimates for the current year to €148.1m (from €142.1m), for 2022 to €160m (from €153m) and for 2023 to €169.3m (from €160.8m). Similarly, our EBIT margin estimates increase to 7% in 2021, 7.9% in 2022 and 9% in 2023 from 6.6%, 7.6% and 8.5% previously.

NDT remains extremely undervalued by the market, with multiples on average 50% lower than those of its competitors. Therefore, we are reiterating our Buy rating and raising our TP to €5.7.

Buy, TP of €5.7 (vs €5.5) - David Coppini: +33 1 78 95 71 78

Market Data

Sector	Decorative surfaces
Share price (€)	3,73
Market Cap. (€m)	50,412
Market Segment	FTSE Italia STAR
Bloomberg	NDT IM

Ownership structure

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

€m	2020	2021	2022	2023
VoP	131,2	148,1	160,0	169,3
<i>Change</i>	-3,5%	12,9%	8,0%	5,8%
EBIT	5,5	10,1	12,6	15,2
<i>Margin</i>	4,2%	6,8%	7,9%	9,0%
Net Income	3,5	6,1	8,1	10,0
EPS (€)	0,27	0,47	0,62	0,77
<i>Change</i>	-7,0%	72,6%	32,6%	24,0%
Dividend (€)	0,09	0,12	0,16	0,19
<i>Dividend Yield</i>	2,4%	3,2%	4,4%	5,0%
FCF	3,7	5,3	6,5	10,7
ROCE	4,6%	7,1%	8,6%	10,2%
EV/Sales (x)		0,6	0,5	0,5
EV/EBIT (x)		8,7	6,8	5,3
P/E (x)		8,0	6,0	4,9
Net Debt	40,0	38,2	35,9	29,7
<i>Net Gearing</i>	65%	58%	50%	37%

Midcap Partners estimates

Upcoming event : 07/09/2021 - H1 2021

Consensus - Number of analysts : 3

	2021	2022	2023
Sales	140,7	150,7	160,8
EBIT	9,1	12,0	13,6
Net income	5,6	7,8	8,8

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
ESPRINET	13.01	Buy	G
IEG	3.37	Buy	G
NEODECORTECH	3.73	Buy	G
PORTOBELLO	38	Buy	G

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Rating	Midcap Partners coverage universe	of which Investment banking services*
Buy	78%	84%
Hold	17%	14%
Sell	3%	0%
Tender	2%	2%

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

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