

NEWS

16 November 2020

NEODECORTECH

Positive Newsflow on All Fronts (+)

During the Covid-19 crisis, new opportunities have emerged for NDT. They are linked to the imperative of rethinking leisure spaces, life and work, both by the need for social distancing and by the associated changes in habits. After the critical period of the first lockdown, the share of teleworkers in medium and large companies is still high. Moreover, it has started to grow again in recent weeks as a result of the new restrictions. This will have an obvious impact on the real estate and furniture market. In Italy, following the publication of the stimulus decree, the famous 110% super bonus for buildings' energy modernisation will certainly have a significant impact on the furniture market and therefore on the various product lines offered by Neodecortech. In our opinion, the most penalised segment will be the commercial properties, to which NDT has a fairly low exposure (5 to 10% of revenue). It should also be remembered that 80% of NDT's revenue is made up of activities related to renovation work.

ITALIAN FURNITURE MARKET:

The furniture market in Italy represents €26.8bn in Italy and should amount to €32.0bn in 2025 following a CAGR of 3.6%. The growth of the Italian market (55% of Neodecortech's revenue) is expected to be stronger than that of the European market, with an estimated CAGR of 2.5%.

RAW MATERIALS:

The price of pulp remained stable between Q2 and Q3 2020, which should favour NDT margins. On the other hand, the price of titanium dioxide fell by 5% over the same period, which favoured the group's results. At the same time, after a decline between March and April, electricity prices rose again, now stabilised at about €40/MWh.

PEERS in Q3: SURTECO AND AHLSTROM

While the sector's two largest listed companies, Ahlstrom-Munksjo and Surteco, recorded revenue declines of 8% and 3% respectively in Q3, NDT saw its revenue increase by 4.6% to €34.1m. Although the EBITDA margin was 12.5% (compared with 17.9% in Q3 2019), it remains in line with that of the two giants Ahlstrom and Surteco.

These elements confirm our profitable growth scenario for the group. We are therefore reiterating our Buy rating and TP of €4.6.

Buy, TP of €4.6 - David Coppini : +33 1 78 95 71 64

Market Data

Industry	Basic Resources
Share Price (€)	2,5
Market Cap (€M)	33,5
Market Segment	MTA Italia
Bloomberg	NDT IM

Ownership structure

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

€M	2019	2020E	2021A	2022A
Sales	135,9	123,0	138,5	148,1
Growth	1,7%	-9,5%	12,6%	6,9%
EBIT	7,1	4,4	6,3	6,7
Op. Margin(%)	5,2%	3,6%	4,6%	4,5%
Net income	4,0	1,7	3,4	3,7
EPS (€)	0,30	0,13	0,25	0,28
EPS growth	-34,2%	-57,4%	94,8%	9,5%
Dividend	0,15	0,15	0,07	0,08
Yield (%)		3,9%	5,8%	2,7%
FCF	7,6	3,6	7,0	10,2
RoCE	5,9%	3,3%	4,7%	5,2%
EV/Sales (x)		0,6	0,5	0,4
EV/EBIT (x)		16,6	10,9	9,4
PE (x)		11,1	9,9	9,0
Net Debt	40,5	41,6	37,5	30,3
Gearing net	66%	67%	58%	45%

Midcap Partners estimates

Upcoming event : TBD

Consensus - Number of analysts : 4

	2020	2021E	2022E
Sales	123,175	139,7	149,133
EBIT	5,0	8,4	11,0
Net income	2,2	5,0	8,2

Source: FACTSET

Top Peers	Market Cap (€M)	EV/EBIT 2020	EV/EBIT 2021	PE 2020	PE 2021
SURTECO GROUP SE	330	13,7	10,6	13,4	10,3
Ahlstrom-Munksjo Oyj	1 709	12,8	11,8	12,6	11,2
Tarkett SA	641	14,0	11,5	11,0	9,2

Source: FACTSET

Disclaimer

This document may refer to valuation methods defined as follows:

- 1 - DCF method: discounting future cash flows generated by the business's operations. Cash flows are determined using the analyst's financial forecasts and models. The discount rate used is the weighted average cost of capital, defined as the weighted average cost of the company's borrowings and the theoretical cost of its equity as estimated by the analyst.
- 2 - Comparables method: application of stock-market valuation multiples, or multiples observed for recent transactions. These multiples may be used as benchmarks and applied to the company's financial aggregates to determine its valuation. The analyst builds the sample according to the company's characteristics (size, growth, profitability, etc). The analyst may also apply a premium/discount based on his perception of the company's characteristics.
- 3 - Asset-based method: estimation of the value of the equity on the basis of the revalued and corrected assets comprising the fair value of the liability.
- 4 - Discounted dividend method: discounted future value of estimated dividend flows. The discounting rate taken is general the cost of capital.
- 5 - The sum of the parts: this method consists in estimating a company's various activities by using the most appropriate evaluation method for each of them, then by adding them together.

Rating structure:

- Buy: expected over-performance 10% greater than the market within 6 – 12 months
Hold: expected performance of between -10% and +10% compared to the market within 6 – 12 months
Sell: expected under-performance 10% greater than the market within 6 – 12 months

Company	Closing price (€)	Rating	Warning
M2i	4.24	Buy	D,G
NEODECORTECH	2.48	Buy	G
SERVIZI ITALIA	2.18	Buy	G
SOLOCAL	0.0263	Buy	F
STEF	72.8	Hold	Nil

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Stock rating distribution

At November 2020 the stock rating distribution issued by the LOUIS CAPITAL MARKETS - MCP Midcap research team is as follows:

Rating	Midcap Partners coverage universe	of which Investment banking services*
Buy	63%	72%
Hold	31%	26%
Sell	4%	0%
Tender	2%	2%

* Investment banking services provided by Midcap Partners in the previous 12 months

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