



PUBLICATIONS

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NEODECORTECH

FY2020 results (=)

(Company)

Resilience Could Lead to STAR

On Tuesday evening after trading, NDT released its FY2020 results. Revenue for the year landed above expectations at €127.8m (-6% YoY vs €126.3m expected). The Printed Decorative Papers division was particularly resilient, with revenue down 2.3% YoY to just €55.2m (we forecasted a 6% decline), thanks also to new product launches (PPLF, large laminates and EOS). The Decorative Paper division fell by 13.5% to €40.7m, in line with our forecasts. On the other hand, the Energy division performed strongly, up 8.4% to €32m (we had forecast +1.5% to €29.9m).

EBITDA also landed above our expectations at €14.6m (-8.2% YoY; 11.4% margin i.e. -30bps YoY) vs. €14.2m expected; the fall of gross margins was almost entirely offset by the control of general and administrative costs and personnel costs. Net profit was €3.5m compared with the expected €3.1m (2.7% margin, -20bps YoY).

Despite the pandemic and plant closures imposed during Q2, Neodecortech managed to improve its net financial position to €39.9m (-2% YoY) by reducing the debt ratio to 64.7% (compared with 66% in 2019). The gearing ratio comes out at 2.7x (centre 2.26x in 2019) due to a slightly lower free cash flow from operations, which was not fully offset by a reduction in Capex investments (€6.2m in 2020 vs. €7.7m in 2019).

Despite a difficult environment and the heavy consequences of the Covid-19 crisis, FY 2020 results demonstrate Neodecortech's strong resilience, preserving the quality of its margins and financial strength. These final results benefited from a strong recovery for demand in H2 and the introduction of new products (PPLF, EOS and Laminates 142) which will be increasingly important for the group. The results were significantly better than expected and bode well for the future. The CEO confirmed that the entire production chain in which Neodecortech and Cartiere di Guarcino operate is operating at full capacity with a strong order book for Q1 2021.

The group has decided to offer a dividend of €0.09/share (yield of 2.7% on the current share price) on 17 May 2021.

At the General Meeting, the Chairman and the Managing Director were separately mandated to apply for admission to the STAR segment of the Italian Stock Exchange.

Furthermore, it was decided to authorise the Board of Directors to purchase up to 10% of the company's ordinary shares for a period of 18 months.

We are reiterating both our Buy rating and TP of €4.8.

Buy, TP of €4.8 - David Coppini: +33 1 78 95 71 78

Market Data

Industry	Base ressources
Share Price (€)	3,44
Market Cap (€M)	46,492
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	127,8	139,5	149,6
Growth	1,7%	-7,0%	10,4%	7,3%
EBIT	7,1	5,5	9,0	10,5
Op. Margin(%)	5,2%	4,3%	6,5%	7,0%
Net income	4,0	3,5	5,5	6,7
EPS (€)	0,30	0,26	0,41	0,50
EPS growth	-34,2%	-13,6%	56,2%	21,2%
Dividend	0,15	0,09	0,10	0,12
Yield (%)		2,6%	2,8%	3,6%
FCF	7,6	4,4	7,5	10,3
RoCE	5,9%	4,5%	6,6%	7,8%
EV/Sales (x)		0,7	0,6	0,5
EV/EBIT (x)		13,7	8,9	7,1
PE (x)		13,1	8,4	6,9
Net Debt	40,5	39,9	35,8	29,2
Gearing net	66%	65%	52%	39%

Midcap Partners estimates

Upcoming event : 20.04.2021 - Q1 2021

Consensus - Number of analysts : 2

	2020	2021E	2022E
Sales	127,2	139,8	149,6
EBIT	6,1	9,2	10,5
Net income	2,9	5,6	6,7

Source: FACTSET

Top Peers	Market Cap (€M)	EV/EBIT 2020	EV/EBIT 2021	PE 2020	PE 2021
SURTECO GROUP SE	406	12,7	10,6	14,0	11,5
Ahlstrom-Munksjo Oyj	2 056	12,8	11,8	14,9	13,0
Tarkett SA	865	9,0	7,9	9,6	8,4

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 maketing@midcapp.com.

Conflict of interests

Company	Closing price (€)	Rating	Warning
GROUPE GUILLIN	23.3	Buy	Nil
LDC	97.4	Buy	Nil
LUMIBIRD	16.38	Buy	D,E,F,G
NEODECORTECH**	3.44	Buy	G

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Rating	Global coverage universe	of which "Corporate" Issuers *
Buy	74%	79%
Hold	20%	17%
Sell	2%	0%
Under review	1%	0%
Tender	3%	4%

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

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