

Buy

Recommendation unchanged

Share price: EUR 3.75

closing price as of 11/05/2022

Target price: EUR 6.00

Target Price unchanged

Upside/Downside Potential 60.0%

Reuters/Bloomberg

NDT.MI/NDT.IM

Market capitalisation (EURm) 53

Current N° of shares (m) 14

Free float 41%

Daily avg. no. trad. sh. 12 mth (k) 15

Daily avg. trad. vol. 12 mth (k) 8.55

Price high/low 12 months 4.98 / 3.33

Abs Perfs 1/3/12 mths (%) -1.83/-10.29/0.54

Key financials (EUR) 12/21 12/22e 12/23e

Sales (m) 179 182 186

EBITDA (m) 18 19 20

EBITDA margin 10.1% 10.2% 10.6%

EBIT (m) 9 9 9

EBIT margin 5.2% 4.7% 5.0%

Net Profit (adj.)(m) 7 5 6

ROCE 6.2% 5.5% 6.3%

Net debt/(cash) (m) 29 23 18

Net Debt/Equity 0.4 0.3 0.2

Debt/EBITDA 1.6 1.2 0.9

Int. cover(EBITDA/Fin. int) 15.0 15.3 20.2

EV/Sales 0.5 0.4 0.4

EV/EBITDA 5.0 4.0 3.5

EV/EBITDA (adj.) 5.0 4.0 3.5

EV/EBIT 9.8 8.8 7.5

P/E (adj.) 9.3 12.5 8.9

P/BV 0.9 0.7 0.7

OpFCF yield 14.3% 6.6% 12.1%

Dividend yield 3.7% 3.7% 4.0%

EPS (adj.) 0.47 0.30 0.42

BVPS 4.98 5.40 5.69

DPS 0.14 0.14 0.15

Shareholders

Valentini Family 59%;



Source: FactSet

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Q1 22 results: top line still strong, lower margin than expected triggered by raw material costs hikes

The facts: Neodecortech published its Q1 22 results yesterday after the market closed.

Our analysis: The top line increase was strong, better than we estimated, at +24% (a little slower than in Q4 21). Profitability drop was more marked than we expected, amplified by raw material price hikes and the uncomplete transfer to end customers, however the company expects a progressive, partial recovery in margins. The net financial debt was EUR 31.3m vs. EUR 29.3m YE 21, in line with March 2021 adjusted debt (meaning excluding MICA debt). This was on the back of EUR 2.4m capex. The net working capital was impacted by higher inventories due to the advance in the supply of raw materials and a delay in cash collection from Russian customers: we expect this effect to be temporary.

The top line (likely driven by prices) performance was particularly strong (+41.5% Y/Y) at the decorative paper division - Cartiere di Guarcino, which almost fully passed on to end customers raw material price increases; Neodecortech (printed decorative paper division) revenues increased by 15% Y/Y with negative margins; sales of BEG were up 14%. On the cost side, we outline that cost of sales and other operating costs incidence on sales was 89% vs. 74.5% of Q1 21. Raw material price increased by 55% Y/Y basically due to resins, decorative paper, plastics titanium dioxide, pulp and animal by-products – all strategic raw material for the company – price hikes.

EURm	Q1 21	Q1 22	Q1 22E	Q1 22 vs. Q1 21	Q1 22 vs. Q1 22E
Sales	39.6	49.2	46.3	24.2%	6.3%
EBITDA	5.1	4.2	4.5	-17.6%	-6.7%
% on sales	12.8%	8.5%	9.7%		
EBIT	2.9	1.9	2.4	-34.5%	-20.8%
Net profit	1.8	4.2	4.4	133.3%	-4.5%
Net profit adj.	1.8	1.4	1.6	-22.2%	-12.5%

Conclusion & Action: Given the strong cost inflation, we see these results quite good, including the fact that the company has never stopped its production. Profitability is expected to recover partially once the effect of transferring price hikes to end customers is completed. Order backlog is currently still solid, although a little slowing starting from April. The company confirmed they expect to reach operating and financial results in line and consistent with 2021.

We keep our buy in view of normalizing macroeconomic situation.