

EQUITY RESEARCH

NEODECORTECH RESULTS REVIEW

BUY, TP of 5.2€
Up/Downside: +39%

Q1 2022

Quarter characterised by a continuous rise in energy and raw material costs. The group is partially able to pass these on through price hikes, which increases revenue but continues to erode margins.

Yesterday, Neodecortech released consolidated results for Q1 2022 that landed in line with expectations.

The results reflect a market scenario characterised by a continued rise in energy and raw material costs. The group is implementing a policy of passing on costs through sales price hikes, which remains partial for the time being.

Two factors stand out:

- 1) Revenue increased by 24% to €49m (vs. an estimated €46m), due to a partial pass-through of costs to customers.
- 2) Margins eroded, with an EBITDA margin of 8.6% (vs. 9.3% estimated).

Based on current data, we believe that by end-2022, the group will be able to continue to increase revenue, but will still be subject to profit losses. Therefore, we are reiterating our 2022 revenue forecast of €185m, but adjusting the EBITDA margin to 9.8% (vs. 10.6% previously).

In order to assess the potential evolution, it is necessary to focus on two elements:

- 1) The energy produced by the company covers 100% of the paper mill's needs, the rest is sold on the market. This could be an advantage in Italy, which is trying to reduce its dependence on Russian energy.
- 2) The new regulatory framework for energy production incentives has not yet been enacted. Given their relevance to the division's profitability and consequently to NDT's overall business model, we remain uncertain regarding the group's future performance.

Following the update of our estimates, we are adjusting our TP to €5.2 (vs. €5.8).

Key data

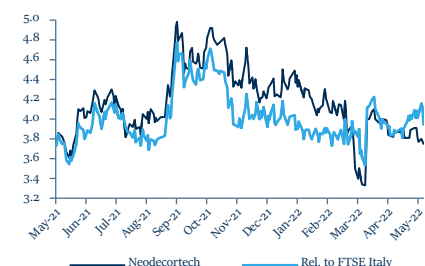
Price (€)	3.8
Industry	Appliances & Consumer Products
Ticker	NDT-IT
Shares Out (m)	14.218
Market Cap (m €)	53.3
Average trading volumes (k shares / day)	29.437
Next event	2022 - 6 Septembre 2022

Ownership (%)

Management	58.6
Free float	41.4

EPS (€)	12/22e	12/23e	12/24e
Estimates	0.59	0.48	0.53
Change vs previous estimates (%)	-10.19	-9.96	-12.27

Performance (%)	1D	1M	YTD
Price Perf	-1.3	-1.8	-14.6
Rel FTSE Italy	-4.0	2.8	-1.5



TP ICAP Midcap Estimates	12/21	12/22e	12/23e	12/24e	Valuation Ratio	12/22e	12/23e	12/24e
Sales (m €)	176.4	184.9	191.7	197.0	EV/Sales	0.4	0.4	0.3
Current Op Inc (m €)	9.2	9.2	10.7	11.7	EV/EBITDA	4.4	3.7	3.1
Current op. Margin (%)	5.2	5.0	5.6	5.9	EV/EBIT	8.8	7.0	5.7
EPS (€)	0.5	0.6	0.5	0.5	PE	6.3	7.8	7.0
DPS (€)	0.1	0.2	0.2	0.2				
Yield (%)	3.7	5.0	4.3	5.1				
FCF (m €)	8.2	0.2	9.8	11.2				

Consensus FactSet - Analysts:3	12/22e	12/23e	12/24e
Sales	184.9	188.7	na
EBIT	9.7	10.5	na
Net income	9.5	6.8	na

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FINANCIAL DATA

Income Statement	12/19	12/20	12/21	12/22e	12/23e	12/24e
Sales	133.0	127.8	176.4	184.9	191.7	197.0
Changes (%)	1.6	-3.9	38.0	4.8	3.7	2.8
Gross profit	59.7	55.3	65.1	70.9	74.2	76.5
% of Sales	44.9	43.3	36.9	38.3	38.7	38.8
EBITDA	15.9	14.6	18.1	18.2	20.0	21.3
% of Sales	12.0	11.4	10.3	9.8	10.4	10.8
Current operating profit	7.1	5.5	9.2	9.2	10.7	11.7
% of Sales	5.4	4.3	5.2	5.0	5.6	5.9
Non-recurring items	-0.1	-0.4	0.0	0.0	0.0	0.0
EBIT	7.1	5.5	9.2	9.2	10.7	11.7
Net financial result	-1.9	-1.4	-1.2	-1.3	-1.2	-1.2
Income Tax	-1.2	-0.5	-1.3	-3.3	-2.6	-2.9
Tax rate (%)	23.9	13.0	16.6	27.9	27.9	27.9
Net profit, group share	4.0	3.5	6.7	8.4	6.8	7.6
EPS	0.3	0.3	0.5	0.6	0.5	0.5
Financial Statement	12/19	12/20	12/21	12/22e	12/23e	12/24e
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Tangible and intangible assets	81.8	79.4	80.1	80.4	80.5	80.4
Right of Use	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets	1.9	1.8	1.8	0.4	0.4	0.4
Working capital	27.6	29.5	27.2	32.3	30.2	27.5
Other Assets	2.3	2.2	2.0	2.0	2.0	2.0
Assets	113.5	113.0	111.1	115.2	113.1	110.4
Shareholders equity group	61.3	61.7	70.5	76.2	80.8	85.6
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
LT & ST provisions and others	0.9	1.3	1.0	1.0	1.0	1.0
Net debt	40.5	39.9	29.3	27.7	21.1	13.5
Other liabilities	9.5	9.0	8.7	8.7	8.7	8.7
Liabilities	113.5	113.0	111.1	115.2	113.1	110.4
Net debt excl. IFRS 16	40.5	39.9	29.3	27.7	21.1	13.5
Gearing net	0.7	0.6	0.4	0.4	0.3	0.2
Leverage	2.6	2.7	1.6	1.5	1.1	0.6
Cash flow statement	12/19	12/20	12/21	12/22e	12/23e	12/24e
CF after elimination of net borrowing costs and taxes	14.0	11.9	15.8	14.6	17.1	18.1
Δ WCR	-1.9	-2.9	2.1	-5.0	2.1	2.7
Operating cash flow	12.1	9.0	18.0	9.6	19.2	20.8
Net capex	-8.0	-6.4	-9.7	-9.4	-9.4	-9.5
FCF	4.1	2.6	8.2	0.2	9.8	11.2
Acquisitions/Disposals of subsidiaries	2.4	0.0	0.1	0.1	0.1	0.1
Other investments	0.3	0.0	0.3	0.4	0.4	0.4
Change in borrowings	-5.2	3.9	-4.7	0.0	0.0	0.0
Dividends paid	-2.0	-1.9	-1.2	-2.7	-2.3	-2.7
Repayment of leasing debt	0.0	0.0	0.0	0.0	0.0	0.0
Others	-2.6	-0.7	3.3	-1.4	-1.4	-1.4
Changes in exchange rates	0.0	0.0	0.0	0.0	0.0	0.0
Change in net cash over the year	-3.0	4.1	6.0	-3.4	6.6	7.6
ROA (%)	2.6%	2.3%	4.0%	4.9%	3.8%	4.1%
ROE (%)	6.5%	5.7%	9.5%	11.0%	8.5%	8.9%
ROCE (%)	6.0%	4.7%	9.0%	6.2%	7.3%	8.3%

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Methodology

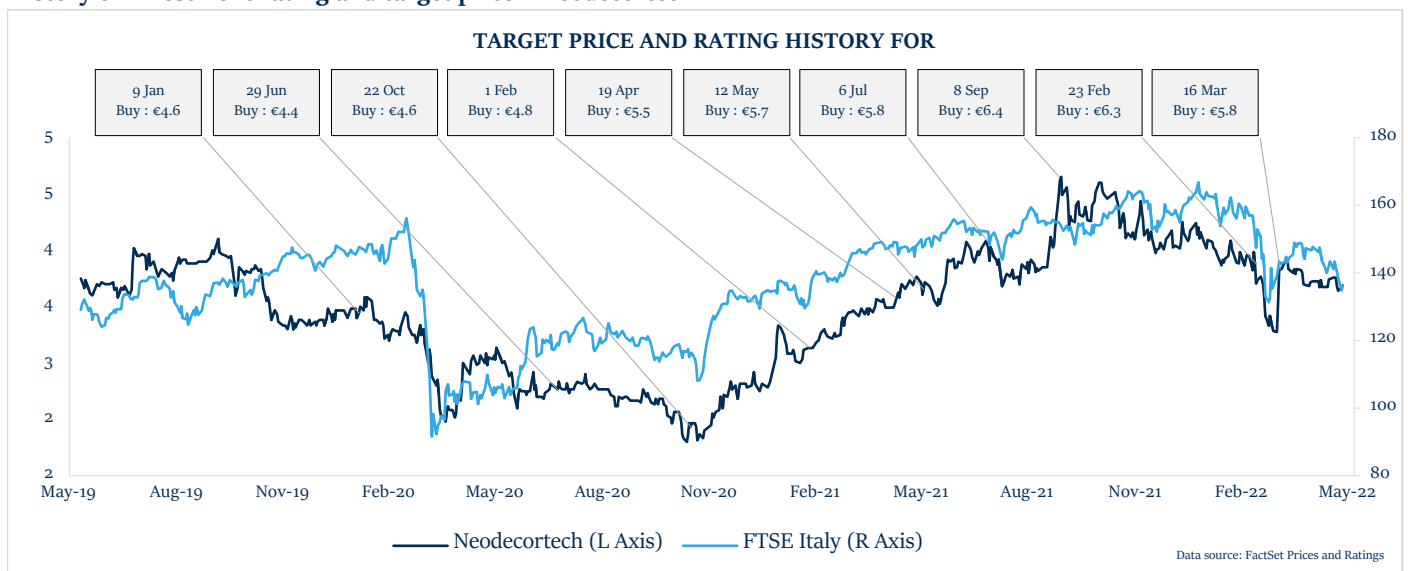
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1. DCF method: discounting of future cash flows generated by the company's operations. Cash flows are determined by the analyst's financial forecasts and models. The discount rate used corresponds to the weighted average cost of capital, which is defined 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.
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History of investment rating and target price – Neodecortech



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Rating	Recommendation Universe*	Portion of these provided with investment banking services**
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Hold	13%	6%
Sell	2%	0%
Under review	0%	0%

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