

## EQUITY RESEARCH

### NEODECORTECH RESULTS REVIEW

**BUY, TP 5.3€**  
Up/Downside: 55%

#### H1 2022

Despite the inflationary context, the group recorded a dynamic H1, showing increased revenue thanks to price effects and only slight margin pressure. The group is on track to reach its target of a performance on par with 2021, a record year.

Yesterday, Neodecortech released its H1 2022 results, which landed in line with expectations.

The highlight remains the constant increase in the level of raw material prices, especially concerning energy prices (Italian national price up 44% in August vs. July 2022).

This strong increase impacts the group in 2 ways:

- Higher turnover through the sale of electricity at high market prices and through the increase of other division's product prices as a result of passing on higher costs to customers;
- Pressure on group's margins, particularly for the Neodecortech division, which sources its energy externally and whose costs are not being fully passed on to customers.

Revenue increased by 20.4% yoy to €99m (vs. our estimate of €98m), while the EBITDA margin fell to 11% (beating our forecast of 10.5%).

In this challenging environment, we believe that 2022 will remain a transitional year for the company, with the focus on preserving margins and maintaining 2021 revenue levels, a record year for the group. Based on the half-year figures, the company is already on the right track.

The group is still waiting for the renewal of energy incentives beyond 2025, which is a key element of the group's business model. Updates are expected with Italian elections scheduled for the end of the month. However, we believe that whoever is elected will prioritise the energy development in Italy, which has now become essential.

Remaining cautious, we are not changing our estimates for end-2022, rather emphasising the group's strong competitive advantage in producing its own energy, thus exploiting the price effect and reducing the country's dependence on Russian energy.

Therefore, we are reiterating both our Buy rating and TP of €5.3.

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	4.2	3.5	2.9
Current op. Margin (%)	5.2	5.0	5.6	5.9	EV/EBIT	8.3	6.5	5.3
EPS (€)	0.49	0.59	0.48	0.53	PE	5.7	7.1	6.4
DPS (€)	0.14	0.19	0.16	0.19				
Yield (%)	4.1	5.5	4.7	5.7				
FCF (m €)	8.2	0.2	9.8	11.2				

#### Key data

Price (€)	3.4
Industry	Diversified Paper
Ticker	NDT-IT
Shares Out (m)	14.218
Market Cap (m €)	48.3
Average trading volumes (k shares / day)	56.572
Next event	2022 - 3 Novembre 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 (%)	0.00	0.00	0.00

Performance (%)	1D	1M	YTD
Price Perf	0.6	1.2	-22.6
Rel FTSE Italy	2.7	6.2	-0.9



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## FINANCIAL DATA

<b>Income Statement</b>	<b>12/19</b>	<b>12/20</b>	<b>12/21</b>	<b>12/22e</b>	<b>12/23e</b>	<b>12/24e</b>
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
<b>EBITDA</b>	<b>15.9</b>	<b>14.6</b>	<b>18.1</b>	<b>18.2</b>	<b>20.0</b>	<b>21.3</b>
% of Sales	12.0	11.4	10.3	9.8	10.4	10.8
<b>Current operating profit</b>	<b>7.1</b>	<b>5.5</b>	<b>9.2</b>	<b>9.2</b>	<b>10.7</b>	<b>11.7</b>
% 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
<b>Net profit, group share</b>	<b>4.0</b>	<b>3.5</b>	<b>6.7</b>	<b>8.4</b>	<b>6.8</b>	<b>7.6</b>
EPS	0.30	0.27	0.49	0.59	0.48	0.53
<b>Financial Statement</b>	<b>12/19</b>	<b>12/20</b>	<b>12/21</b>	<b>12/22e</b>	<b>12/23e</b>	<b>12/24e</b>
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
<b>Assets</b>	<b>113.5</b>	<b>113.0</b>	<b>111.1</b>	<b>115.2</b>	<b>113.1</b>	<b>110.4</b>
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
<b>Liabilities</b>	<b>113.5</b>	<b>113.0</b>	<b>111.1</b>	<b>115.2</b>	<b>113.1</b>	<b>110.4</b>
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
<b>Cash flow statement</b>	<b>12/19</b>	<b>12/20</b>	<b>12/21</b>	<b>12/22e</b>	<b>12/23e</b>	<b>12/24e</b>
CF after elimination of net borrowing costs and taxes	14.0	11.9	15.8	14.6	17.1	18.1
$\Delta$ 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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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.
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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**
Buy	85%	63%
Hold	14%	33%
Sell	1%	0%
Under review	0%	

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