

## EQUITY RESEARCH

# NEODECORTECH

## RESULTS REVIEW

**BUY**

**TP 5.3€**

**Up/Downside: 84%**

### On Track

Neodecortech delivered strong 9M'22 results, on track to meet its target of matching 2021's exceptional results, despite the challenging macroeconomic environment.

Yesterday, Neodecortech released its 9M'22 results, which were on track to reach values in line with 2021, a record year for the group.

The 9M performance follows H1's, marked by:

1. An increase in selling prices, both for electricity sold on the market by the BEG division and for the other divisions, as a result of costs passed on to customers. BEG benefits in particular from a still very high PUN (average Italian energy price) (average price of €0.472/kWh in Q3'22, 3x higher than in Q3'21 of €0.124/kWh), which helps to compensate for the furniture sector's revenue decline (-6.4% in revenue in Q3'22 vs. Q2'22, source: Istat). As a result, group revenue increased by 20.4% yoy (Q3: +20.5% yoy) to €151m (vs. €125m in 9M'21).
2. Margin pressure due to higher raw material costs, which have not yet been fully passed on to customers, leading to a reduction in the EBITDA margin to 10.3% (vs. 11% in 9M'21).

The company's financial structure remains solid and cash generation, as evidenced by a financial leverage still well below 2x and a FCF of €4m (vs. €5m in 9M'21). The latter remains dynamic despite WC consumption amounting to -€11m, mainly due to the advanced purchase of materials to cover cost increases.

Our positive view has been reinforced by:

- a. 9M results should allow the group to reach FY 2021 revenue, an exceptional year.
- b. By producing its own energy, the group retains a competitive advantage over those who have to source energy externally at higher prices.

Based on these factors, we are reiterating our estimates (FY 2022 of €185m and EBITDA margin of 9.8%), Buy rating and TP.

#### Key data

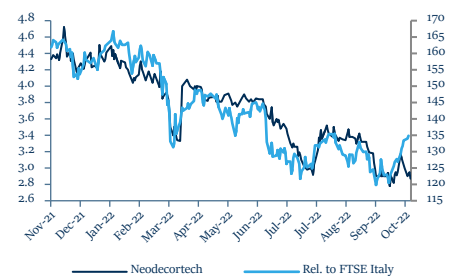
Price (€)	2.9
Industry	Diversified Paper
Ticker	NDT-IT
Shares Out (m)	14.218
Market Cap (m €)	40.8
Average trading volumes (k shares / day)	57.248

#### 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	-2.7	-1.0	-34.6
Rel FTSE Italy	-2.4	-9.2	-21.4



TP ICAP Midcap Estimates	12/21	12/22e	12/23e	12/24e	Valuation Ratio	12/22e	12/23e	12/24e	Consensus FactSet - Analysts:3	12/22e	12/23e	12/24e
Sales (m €)	176.4	184.9	191.7	197.0	EV/Sales	0.4	0.3	0.3	Sales	188.8	193.1	197.0
Current Op Inc (m €)	9.2	9.2	10.7	11.7	EV/EBITDA	3.8	3.1	2.5	EBIT	9.0	10.1	11.7
Current op. Margin (%)	5.2	5.0	5.6	5.9	EV/EBIT	7.5	5.8	4.6	Net income	9.0	6.9	7.6
EPS (€)	0.49	0.59	0.48	0.53	PE	4.8	6.0	5.4				
DPS (€)	0.14	0.19	0.16	0.19								
Yield (%)	4.9	6.6	5.6	6.7								
FCF (m €)	8.2	0.2	9.8	11.2								

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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 (%)	5.2%	4.6%	7.6%	6.2%	7.3%	8.3%

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This Report may mention evaluation methods defined as follows:

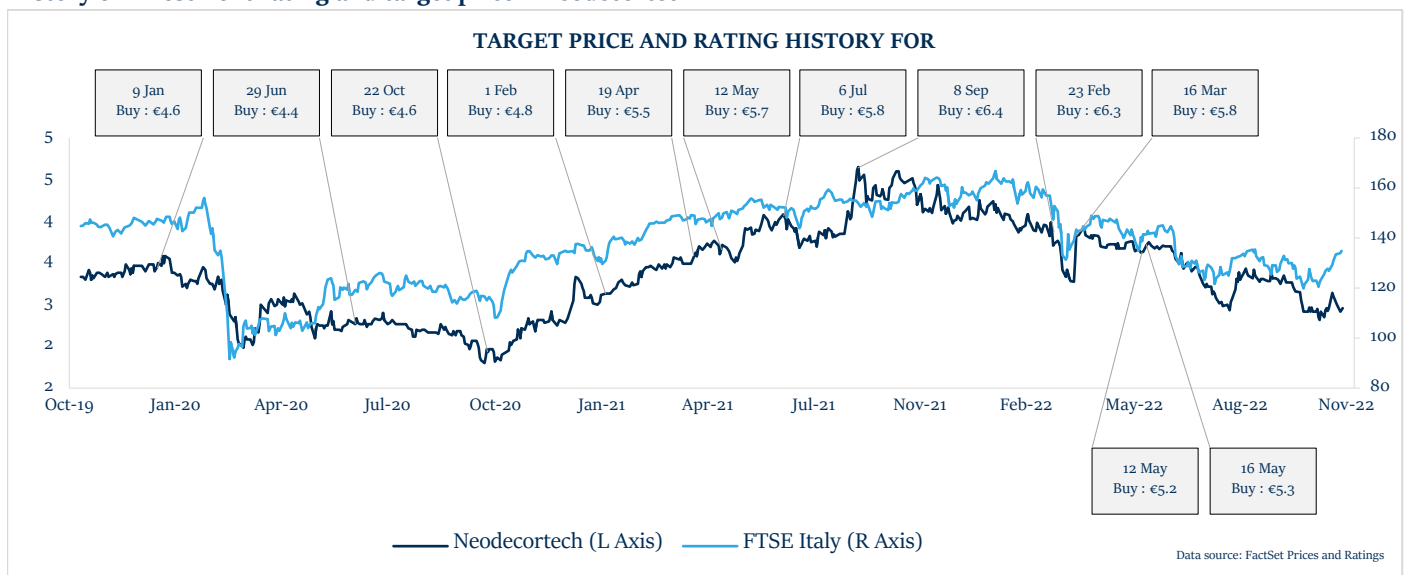
1. DCF method: discounting of future cash flows generated by the company's operations. Cash flows are determined by the analyst's financial forecasts and models. The discount rate used corresponds to the weighted average cost of capital, which is defined as the weighted average cost of the company's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

### Conflict of Interests

G. Midcap and the Issuer have agreed to the provision by the former to the latter of a service for the production and distribution of the investment recommendation on the said Issuer: Neodecortech

H. TPICAP Midcap prepared this document on behalf of BPER Banca S.p.A acting as specialist in accordance with article 2.3.4 of Rules of the Markets (and related instructions) organized and managed by Borsa Italiana S.p.A.: Neodecortech

### History of investment rating and target price – Neodecortech



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Rating	Recommendation Universe*	Portion of these provided with investment banking services**
Buy	86%	65%
Hold	13%	39%
Sell	1%	0%
Under review	1%	100%

Midcap employs a rating system based on the following:

Buy: Expected to outperform the markets by 10% or more over a 6 to 12 months horizon.

Hold: expected performance between -10% and +10% compared to the market over a 6 to 12 months horizon.

Sell: Stock is expected underperform the markets by 10% or more over a 6 to 12 months horizon.

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