

EQUITY RESEARCH

NEODECORTECH

UPDATE
ISTAT

BUY
TP 5.3€
Up/Downside: 49%

Q4 Better Than Expected

Istat sales data for the furniture market points to a better than expected Q4.

According to data published by Istat on furniture sector sales trends in Q4-22, the price effect should compensate for a general decline in volumes. In detail, the data indicates a growth in the sector's sales in value terms in Q4-22 of 3% yoy and +19% vs. Q3. Reassuring data from the furniture sector and a PUN (Italian electricity price) that, although down in Q4, remains above the average price in 2021 (€0.243/kWh on average in Q4 vs. €0.124/kWh on average in 2021), suggest a solid landing in FY revenue. On this basis, we are adjusting our 2022 revenue estimates to €202m (vs. €185m), thus calling for a stable Q4-22 vs. Q4-21 (Q4 revenue of around €50m). Despite sales growth, the inflationary impact on production costs is expected to continue, affecting margins. Regarding raw material prices, Q4 FRED data shows a slight decline in resin and plastics prices (-8.5% yoy) and a gradual increase in cellulose prices (+23% yoy). On this basis, we have cautiously adjusted our EBITDA margin estimates for 2022 to 9.7% (vs. 9.8%), still growing in absolute terms.

While awaiting better visibility regarding 2023 trends before possibly adjusting our estimates, our attention is focused on one point: given the current method of calculating energy incentives, based on the average previous year's PUN, the group is not expected to receive any incentives in 2023 (given that the average PUN of 2022 has more than doubled vs. 2021). This could have a negative impact on the 2023 margins of the BEG division, given the still high costs of biofuels. These margins have been maintained for the time thanks to the even higher energy prices, but there are doubts about their sustainability. The group has therefore taken the initiative, together with its trade association, to promote a proposal to modify the incentive framework. Pending the deliberations of the regulatory authorities (ARERA), we have cautiously lowered our 2023 EBITDA margin estimates to 9.7% (vs 10.4%).

Therefore, we are expecting the 2022 performance to be up vs. 2021, which was a record year for the group, despite the difficult market environment. Uncertainties remain for 2023. For now, we are reiterating both our Buy rating and TP.

Key data

Price (€)	3.5
Industry	Diversified Paper
Ticker	NDT-IT
Shares Out (m)	14.218
Market Cap (m €)	50.2
Average trading volumes (k shares / day)	12.666

Ownership (%)

Management	58.6
Free float	41.4

EPS (€)	12/22e	12/23e	12/24e
Estimates	0.65	0.46	0.55
Change vs previous estimates (%)	9.80	-3.34	3.78

Performance (%)	1D	1M	YTD
Price Perf	-0.6	0.9	8.0
Rel FTSE Italy	-0.7	-2.3	-5.6



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	202.0	206.1	213.1	EV/Sales	0.4	0.4	0.3	Sales	191.4	178.6	183.9
Current Op Inc (m €)	9.2	10.3	10.3	12.1	EV/EBITDA	4.0	3.7	3.0	EBIT	9.0	7.1	9.3
Current op. Margin (%)	5.2	5.1	5.0	5.7	EV/EBIT	7.5	7.1	5.5	Net income	9.2	4.3	5.9
EPS (€)	0.49	0.65	0.46	0.55	PE	5.4	7.6	6.4				
DPS (€)	0.14	0.18	0.19	0.22								
Yield (%)	4.0	5.2	5.3	6.3								
FCF (m €)	8.2	-0.3	7.7	10.8								

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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	202.0	206.1	213.1
Changes (%)	1.6	-3.9	38.0	14.5	2.0	3.4
Gross profit	59.7	55.3	65.1	76.8	78.3	81.7
% of Sales	44.9	43.3	36.9	38.0	38.0	38.3
EBITDA	15.9	14.6	18.1	19.6	20.0	22.0
% of Sales	12.0	11.4	10.3	9.7	9.7	10.3
Current operating profit	7.1	5.5	9.2	10.3	10.3	12.1
% of Sales	5.4	4.3	5.2	5.1	5.0	5.7
Non-recurring items	-0.1	-0.4	0.0	-0.2	-0.2	-0.2
EBIT	7.1	5.5	9.2	10.3	10.3	12.1
Net financial result	-1.9	-1.4	-1.2	-1.3	-1.2	-1.2
Income Tax	-1.2	-0.5	-1.3	-3.6	-2.6	-3.0
Tax rate (%)	23.9	13.0	16.6	27.9	27.9	27.9
Net profit, group share	4.0	3.5	6.7	9.2	6.6	7.9
EPS	0.30	0.27	0.49	0.65	0.46	0.55
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	80.4	80.2
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	33.7	33.6	31.7
Other Assets	2.3	2.2	2.0	2.0	2.0	2.0
Assets	113.5	113.0	111.1	116.5	116.4	114.3
Shareholders equity group	61.3	61.7	70.5	77.7	81.7	86.9
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	27.5	23.4	16.0
Other liabilities	9.5	9.0	8.7	8.7	8.7	8.7
Liabilities	113.5	113.0	111.1	116.5	116.4	114.3
Net debt excl. IFRS 16	40.5	39.9	29.3	27.5	23.4	16.0
Gearing net	0.7	0.6	0.4	0.4	0.3	0.2
Leverage	2.6	2.7	1.6	1.4	1.2	0.7
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	15.5	16.9	18.5
Δ WCR	-1.9	-2.9	2.1	-6.5	0.1	1.9
Operating cash flow	12.1	9.0	18.0	9.1	17.1	20.4
Net capex	-8.0	-6.4	-9.7	-9.4	-9.4	-9.6
FCF	4.1	2.6	8.2	-0.3	7.7	10.8
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	-2.0	-2.6	-2.6
Repayment of leasing debt	0.0	0.0	0.0	0.0	0.0	0.0
Equity Transaction	-0.2	-0.1	3.2	0.0	0.0	0.0
Others	-2.4	-0.5	0.1	-1.4	-1.4	-1.4
Change in net cash over the year	-3.0	4.1	6.0	-3.3	4.2	7.3
ROA (%)	2.6%	2.3%	4.0%	5.2%	3.6%	4.2%
ROE (%)	6.5%	5.7%	9.5%	11.9%	8.1%	9.1%
ROCE (%)	5.2%	4.6%	7.6%	6.9%	6.9%	8.2%

DISCLAIMER

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Methodology

This Report may mention evaluation methods defined as follows:

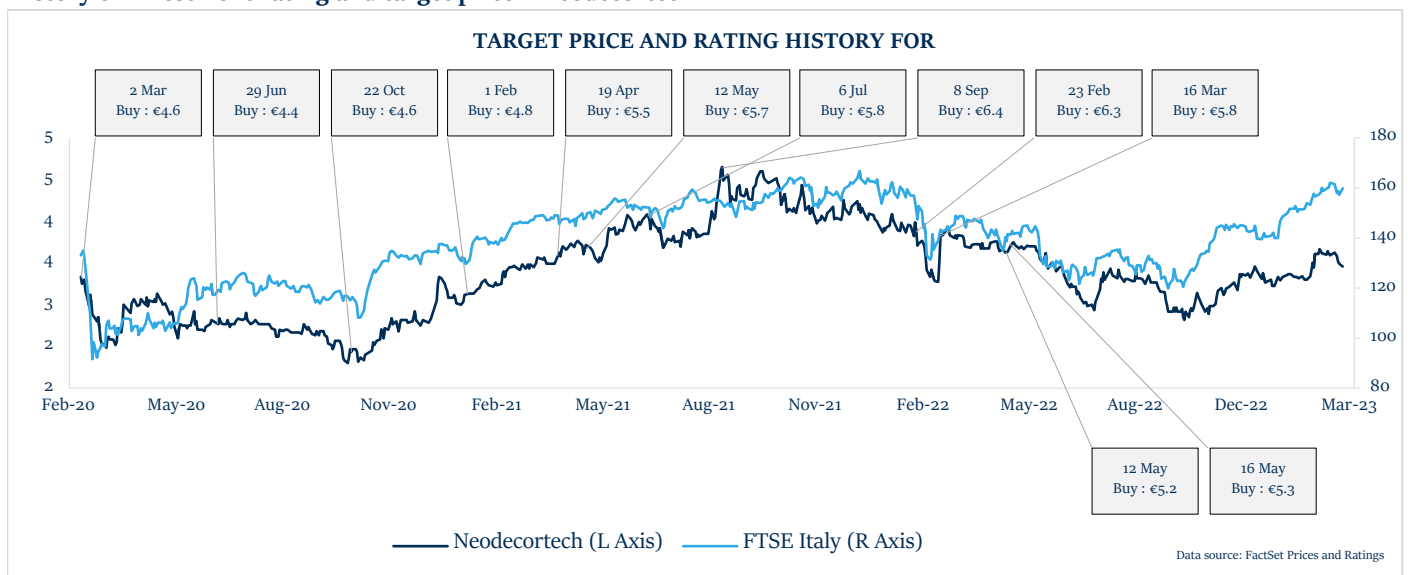
1. DCF method: discounting of future cash flows generated by the company's operations. Cash flows are determined by the analyst's financial forecasts and models. The discount rate used corresponds to the weighted average cost of capital, which is defined as the weighted average cost of the company's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

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



Distribution of Investment Ratings

Rating	Recommendation Universe*	Portion of these provided with investment banking services**
Buy	84%	63%
Hold	14%	40%
Sell	1%	50%
Under review	1%	0%

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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