

Analysar

8 May 2023

Buy

Recommendation unchanged

Share price: EUR **3.35**

closing price as of 05/05/2023

Target price: EUR **4.90**

Target Price unchanged

Upside/Downside Potential **46.3%**

Reuters/Bloomberg

NDT.MI/NDT.IM

Market capitalisation (EURm) **48**

Current N° of shares (m) 14

Free float **41%**

Daily avg. no. trad. sh. 12 mth (k) 4

Daily avg. trad. vol. 12 mth (k) 7.11

Price high/low 12 months 3.90 / 2.78

Abs Perfs 1/3/12 mths (%) 1.52/-10.19/-12.30

Key financials (EUR) 12/22 12/23e 12/24e

Sales (m) 204 166 171

EBITDA (m) 16 13 16

EBITDA margin 7.8% 7.8% 9.6%

EBIT (m) 6 3 7

EBIT margin 3.0% 2.1% 4.0%

Net Profit (adj.)(m) 5 3 5

ROCE 3.9% 2.2% 4.3%

Net debt/(cash) (m) 31 31 26

Net Debt/Equity 0.4 0.4 0.3

Debt/EBITDA 1.9 2.4 1.6

Int. cover(EBITDA/Fin. int) 25.2 (20.4) (25.7)

EV/Sales 0.4 0.5 0.4

EV/EBITDA 4.8 5.9 4.4

EV/EBITDA (adj.) 4.8 5.9 4.4

EV/EBIT 12.5 22.1 10.6

P/E (adj.) 8.1 16.0 8.8

P/BV 0.6 0.6 0.6

OpFCF yield -0.5% 8.1% 13.5%

Dividend yield 4.2% 4.5% 5.1%

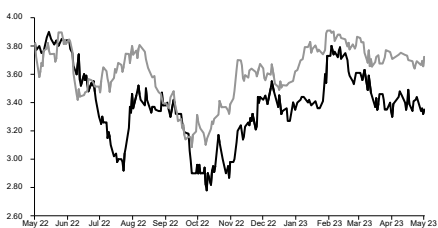
EPS (adj.) 0.40 0.21 0.38

BVPS 5.48 5.55 5.78

DPS 0.14 0.15 0.17

Shareholders

Valentini Family 59%;



Source: FactSet

NEODECORTECH FTSE Italy STAR (Rebased)

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Q1 23: profitability held as sales declined less than expected

The facts: NDT reported its Q1 23 results on 5 May.

Our analysis: We summarise the main lines of the release below.

EURm	Q1 23	Q1 22	Δ% Y/Y	Q1 23e
Printed decorative paper	18.1	19.6	-7.6%	17.4
Decorative paper	17.0	19.9	-14.6%	16.9
Energy	11.3	9.7	16.6%	10.7
Net sales	46.4	49.2	-5.7%	45.1
EBITDA	3.7	4.2	-12.0%	3.2
EBITDA Margin	8.0%	8.6%	-0.6pp	7.0%
EBIT	1.5	1.9	-22.3%	0.9
EBIT Margin	3.2%	3.8%	-0.7pp	1.9%
Net income adj.	1.2	1.4	-7.6%	0.5
Net income	1.2	4.2	-70.4%	0.5
Net debt (cash)	38.6	31.3	23.4%	35.7

Net sales came in slightly better than anticipated, with a decline of 5.7% (vs. our -8.5%), thanks to the printed decorative paper (NDT) and the energy (BEG) divisions.

At the EBITDA level, margin was 8%, beating our expectations. Despite the unfavourable operating leverage, raw materials costs continued to decline, particularly resins, titanium dioxide, cellulose, plastic materials and decorative paper. Furthermore, the company said that fuels and energy costs dropped by 26.5% Y/Y, thanks to the lower spot prices and the government subsidies.

The company also said that, in order to secure a reasonable stockpile of raw materials at lower prices, which supported the operating profitability, they decided to pay in advance many inputs. Indeed, the decrease in trade payables, which absorbed ~EUR 5.5m in the operating NWC in Q1 23, explains most of the increase in the net debt (EUR 7.9m vs. Dec-22). In addition, the government subsidies granted to BEG for its renewable energy production (~EUR 2.5/3m) were not cashed in, thus increasing the current receivables in the total NWC.

Outlook. The company confirmed that the order intake reverted its downward trend in March 2023 and was close to the group's historical average. The decline in input costs is supportive and is expected to continue in 2023, although sales prices are under pressure, as customers ask for lower prices in order to benefit from the upstream deflation. All in all, the management forecast to further improve profitability, by applying timely and under-proportionate cuts in sales prices (compared with the input cost trend).

Conclusion & Action: the sales trend is better than anticipated and the next few months' orders are encouraging. Recovering profitability remains the main challenge, particularly given the customer's pressure. Finally, the spike in the NWC (and in the net debt) is not concerning, since it is mainly a one-off item to secure lower prices on raw materials (with benefits on P&L expected throughout 2023). Recommendation and target confirmed.