

EQUITY RESEARCH

NEODECORTECH

RESULTS REVIEW

Press release

BUY

TP 4.7€

Up/Downside: 40%

Q1 Oriented Towards a Transition Year

In a challenging market environment, Q1 revenue was in line with the average of the last 2 years, but margins still came under pressure. Uncertainties remain concerning the issue of energy production support.

On Friday after market close, Neodecortech released its Q1'23 results, which were positive given the current context of high inflation and lower market demand. Revenue amounted to €46.5m, in line with the average of the last 2 quarters and an improvement vs. Q4'22 (€45.5m). These results are significant considering that the last 2 years were record years for the company. Despite a drop in the furniture market's demand, which penalised the decorative paper (CdG) and printed decorative paper (Neodecortech) divisions, the group managed to take advantage of still high energy sales prices (+26% in Q1 vs. the 2021 average), which favoured the energy division. For the record, the group did not benefit from energy incentives (€10m, or 5% of total 2022 revenue), due to a high PUN (Italian national electricity price), and will not benefit from them in FY 2023, returning only in 2024. Instead, the group benefited in Q1 from a restoration of State revenue to cover energy production costs ("Maximisation Regime") in support of Italian energy companies, a measure envisaged to reduce dependence on Russian gas. Although suspended for the time being, it is expected to be reactivated this month. Nevertheless, it is crucial for the plant's sustainability, which would otherwise have no reason to remain open. We are awaiting news. That being said, we have cautiously adjusted our 2023 revenue estimates to €177m (vs. €200m), in line with 2021 levels (a record year due to interest in covid-related home decoration). Margins remain affected by the inflationary environment (Ebitda margin of 8%), but anticipated raw material purchases have kept them stable vs. 2022 levels. Regarding the outlook, we believe that there could be margin improvement. Key raw material prices seem to be gradually decreasing (resin prices -6.4% yoy in Q1-23, electricity -37% yoy source: Fred, PUN). Therefore, we believe that the group should be able to increase its Ebitda margin to 8.5% in 2023, returning to historical levels (10-12%) within 2 to 3 years. Working capital remains under pressure (-€6m), but we expect lower raw material costs to help the rest of the year. In our view, Neodecortech remains an interesting case, especially from the point of view of the circular economy and the reduction of Russian gas dependence, as it is one of the few Italian players to produce and sell energy from renewable sources. However, we believe that 2023 should be a transition year, with the group focusing on preserving margins. Pending news concerning the energy issue, both our recommendation and TP have been reiterated.

Key data

Price (€)	3.4
Industry	Diversified Paper
Ticker	NDT-IT
Shares Out (m)	14.218
Market Cap (m €)	47.6
Average trading volumes (k shares / day)	0.256

Ownership (%)

Management	58.6
Free float	41.4

EPS (€)	12/23e	12/24e	12/25e
Estimates	0.33	0.38	0.48
Change vs previous estimates (%)	0.00	0.00	0.00

Performance (%)	1D	1M	YTD
Price Perf	0.9	1.5	2.4
Rel FTSE Italy	-1.6	-1.4	-11.1



TP ICAP Midcap Estimates	12/22	12/23e	12/24e	12/25e	Valuation Ratio	12/23e	12/24e	12/25e	Consensus FactSet - Analysts:3	12/23e	12/24e	12/25e
Sales (m €)	196.5	176.9	183.0	187.3	EV/Sales	0.4	0.4	0.3	Sales	183.0	189.1	212.2
Current Op Inc (m €)	6.1	5.5	6.5	8.1	EV/EBITDA	5.2	4.5	3.5	EBIT	5.0	7.1	9.2
Current op. Margin (%)	3.1	3.1	3.5	4.3	EV/EBIT	14.0	11.1	7.6	Net income	3.9	5.5	6.8
EPS (€)	0.59	0.33	0.38	0.48	PE	10.3	8.7	6.9				
DPS (€)	0.14	0.14	0.14	0.14								
Yield (%)	4.2	4.2	4.2	4.2								
FCF (m €)	-3.6	2.8	8.1	12.5								

FINANCIAL DATA

Income Statement	12/20	12/21	12/22	12/23e	12/24e	12/25e
Sales	127.8	176.4	196.5	176.9	183.0	187.3
Changes (%)	-3.9	38.0	11.4	-10.0	3.4	2.4
Gross profit	55.3	65.1	70.8	65.4	68.3	70.2
% of Sales	43.3	36.9	36.0	37.0	37.3	37.5
EBITDA	14.6	18.1	16.0	15.0	15.9	17.5
% of Sales	11.4	10.3	8.1	8.5	8.7	9.4
Current operating profit	5.5	9.2	6.1	5.5	6.5	8.1
% of Sales	4.3	5.2	3.1	3.1	3.5	4.3
Non-recurring items	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	5.5	9.2	6.1	5.5	6.5	8.1
Net financial result	-1.4	-1.2	-0.6	-0.2	-0.2	-0.2
Income Tax	-0.5	-1.3	-0.8	-0.7	-0.8	-1.0
Tax rate (%)	13.0	16.6	8.7	12.7	12.7	12.7
Net profit, group share	3.5	6.7	8.4	4.6	5.5	6.9
EPS	0.27	0.49	0.59	0.33	0.38	0.48
Financial Statement	12/20	12/21	12/22	12/23e	12/24e	12/25e
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Tangible and intangible assets	79.4	80.1	79.4	79.0	78.5	78.1
Right of Use	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets	1.8	1.8	0.5	0.5	0.5	0.5
Working capital	29.5	27.2	36.2	38.5	36.4	31.3
Other Assets	2.2	2.0	2.2	2.2	2.2	2.2
Assets	113.0	111.1	118.4	120.2	117.7	112.1
Shareholders equity group	61.7	70.5	77.3	79.9	83.4	88.3
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
LT & ST provisions and others	1.3	1.0	0.8	0.8	0.8	0.8
Net debt	39.9	29.3	30.7	29.9	23.9	13.4
Other liabilities	9.0	8.7	8.4	8.4	8.4	8.4
Liabilities	113.0	111.1	118.4	120.2	117.7	112.1
Net debt excl. IFRS 16	39.9	29.3	30.7	29.9	23.9	13.4
Gearing net	0.6	0.4	0.4	0.4	0.3	0.2
Leverage	2.7	1.6	1.9	2.0	1.5	0.8
Cash flow statement	12/20	12/21	12/22	12/23e	12/24e	12/25e
CF after elimination of net borrowing costs and taxes	11.9	15.8	14.7	14.1	14.9	16.3
Δ WCR	-2.9	2.1	-9.1	-2.3	2.1	5.1
Operating cash flow	9.0	18.0	5.6	11.8	17.1	21.5
Net capex	-6.4	-9.7	-9.2	-9.0	-9.0	-9.0
FCF	2.6	8.2	-3.6	2.8	8.1	12.5
Acquisitions/Disposals of subsidiaries	0.0	0.1	-0.1	-0.0	-0.0	-0.0
Other investments	0.0	0.3	0.0	0.0	0.0	0.0
Change in borrowings	3.9	-4.7	4.6	0.0	0.0	0.0
Dividends paid	-1.9	-1.2	-2.0	-2.0	-2.0	-2.0
Repayment of leasing debt	0.0	0.0	0.0	0.0	0.0	0.0
Equity Transaction	-0.1	3.2	-0.3	0.0	0.0	0.0
Others	-0.5	0.1	0.0	0.0	0.0	0.0
Change in net cash over the year	4.1	6.0	-1.4	0.8	6.1	10.4
ROA (%)	2.3%	4.0%	5.0%	2.7%	3.0%	3.7%
ROE (%)	5.7%	9.5%	10.9%	5.8%	6.5%	7.8%
ROCE (%)	4.6%	7.6%	5.1%	4.3%	5.2%	6.8%

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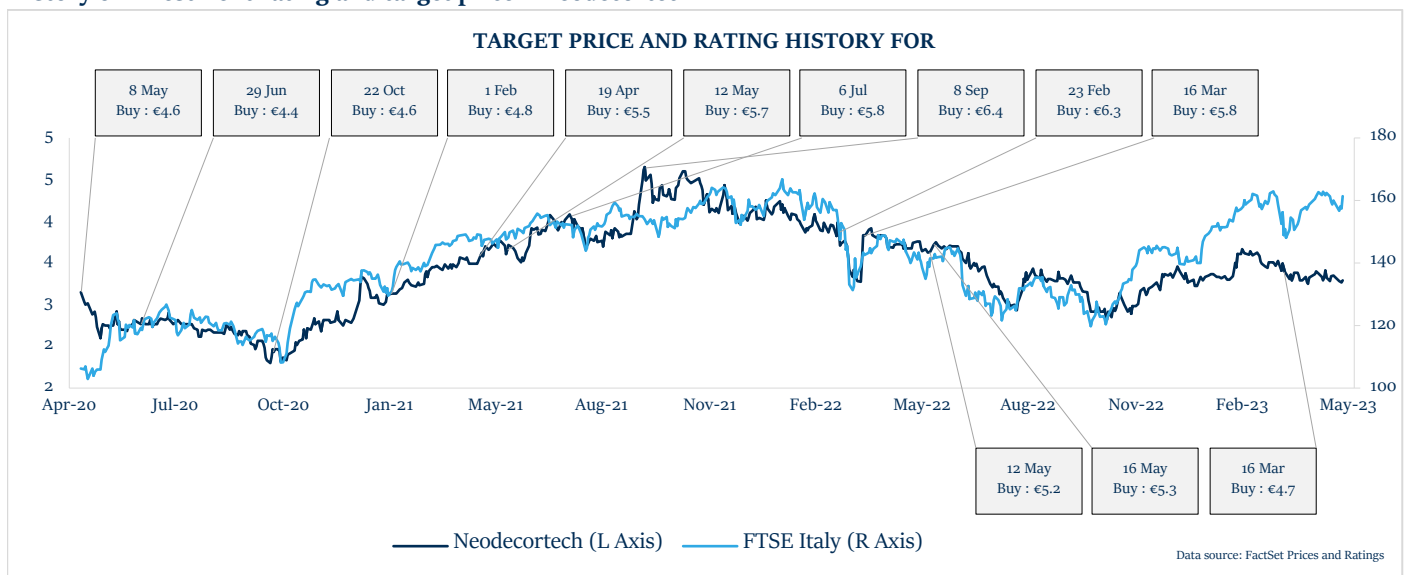
1. DCF method: discounting of future cash flows generated by the company's operations. Cash flows are determined by the analyst's financial forecasts and models. The discount rate used corresponds to the weighted average cost of capital, which is defined as the weighted average cost of the company's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



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Rating	Recommendation Universe*	Portion of these provided with investment banking services**
Buy	82%	65%
Hold	16%	42%
Sell	1%	0%
Under review	1%	0%

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

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