

EQUITY RESEARCH

NEODECORTECH

RESULTS REVIEW

Press release

BUY

TP 4.7€

Up/Downside: 48%

H1-2023: Normalisation

H1 was in line with expectations. The decline in revenue can be attributed to the normalisation of prices and volumes after two record years. BEG's operations have been affected by the continued cessation of energy incentives (Maximisation). H2 is expected to land in line with H1.

Yesterday, Neodecortech released its H1 results, landing in line with expectations. Revenue amounted to around €86m (vs. €85m expected), down 13% (-14% expected). This result should be read in the light of three factors:

- Price normalisation** - After a record year in 2022, whose performance benefited from record energy prices (2022 average of €0.300/kWh, +140% vs. 2021) and a general rise in sales prices, a normalisation can be observed for 2023. In addition, the gradual reduction in input costs (resin -9.6% yoy in Q2, wood pulp -1.4% yoy source: *Fred*) has forced the group to reduce its selling prices.
- Falling demand** - The Covid effect is now behind us, and market demand is normalising. To illustrate this, retail furniture sales in Q2-23 were down 3% on Q1-23 (source: *Istat*).
- BEG incentives** - The Maximisation Regime (reintegration of revenues provided by the Italian state to energy producers) was interrupted from 1 April to 15 May, forcing the group to close the plant during this period. This interruption resulted in a lower contribution in terms of revenue. In addition, due to a high 2022 energy price (PUN), the group has not benefited (and will not benefit in 2023) from the contribution from energy incentives.

The EBITDA margin came in at 10.7%, but this was inflated by €2.6m of other non-recurring revenues, relating to the reintegration of revenues from the maximisation accruing in the FY2022. Without this non-recurring item, the EBITDA margin would be around 8% (in line with our estimate). Net debt stood at €32.1m (vs. €30.7m in December 2022), a slight increase linked to the amount deriving from maximisation not yet collected, which has had a particular impact on WC. Cash-in is expected by the end of the year.

Outlook: Following these results, uncertainty remains regarding H2 market demand, and in particular the operation of BEG. For the time being, the competent authorities (ARERA) have blocked the maximisation procedure from September 2023. This would force the group to close the plant, as it would no longer be profitable.

On this basis, we therefore expect H2 to be on a par with H1, with revenue still down, and margins not far from end-2022 levels. For the time being, we are reiterating our estimates for the end of the year, framing 2023 as a transitional year with a view to a more dynamic 2024.

Key data

| | |
|--|-------------------|
| Price (€) | 3.2 |
| Industry | Diversified Paper |
| Ticker | NDT-IT |
| Shares Out (m) | 14.218 |
| Market Cap (m €) | 45.1 |
| 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 | -3.4 | -0.9 | -3.1 |
| Rel FTSE Italy | -3.5 | -0.2 | -18.1 |



| 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 | 5.0 | 4.3 | 3.3 | EBIT | 5.0 | 7.1 | 9.2 |
| Current op. Margin (%) | 3.1 | 3.1 | 3.5 | 4.3 | EV/EBIT | 13.6 | 10.7 | 7.2 | Net income | 3.9 | 5.5 | 6.8 |
| EPS (€) | 0.59 | 0.33 | 0.38 | 0.48 | PE | 9.7 | 8.3 | 6.6 | | | | |
| DPS (€) | 0.14 | 0.14 | 0.14 | 0.14 | | | | | | | | |
| Yield (%) | 4.4 | 4.4 | 4.4 | 4.4 | | | | | | | | |
| 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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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 | 80% | 65% |
| Hold | 17% | 44% |
| Sell | 3% | 25% |
| Under review | 1% | 100% |

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