

NEODECORTECH

BUY

Sector: Industrials

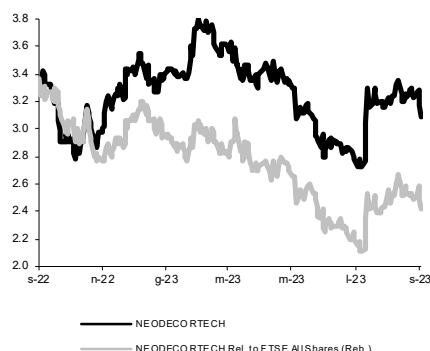
Price: Eu3.09 - Target: Eu4.80

2Q Results In Line With Estimates After Sharp Margin Recovery

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2023E	2024E	2025E
Chg in Adj EPS	0.0%	0.0%	0.0%

NEODECORTECH - 12M Performance



Stock Data			
Reuters code:	NDT.MI		
Bloomberg code:	NDT IM		
Performance	1M	3M	12M
Absolute	-4.0%	10.4%	-8.0%
Relative	-4.9%	7.6%	-35.9%
12M (H/L)	3.80/2.72		
3M Average Volume (th):	13.25		

Shareholder Data	
No. of Ord shares (mn):	14
Total no. of shares (mn):	14
Mkt Cap Ord (Eu mn):	44
Total Mkt Cap (Eu mn):	44
Mkt Float - Ord (Eu mn):	18
Mkt Float (in %):	41.4%
Main Shareholder:	
Finanziaria Valentini S.p.A	58.6%

Balance Sheet Data	
Book Value (Eu mn):	81
BVPS (Eu):	5.70
P/BV:	0.5
Net Financial Position (Eu mn):	-27
Enterprise Value (Eu mn):	71

■ **Results in line with expectations, excellent rebound in profitability in 2Q23.** As expected, despite falling short of the exceptional 2022 figure, the company's results showed a recovery in profitability, confirming our optimistic view for 2H and the coming years. Neodecortech will continue to benefit from a strategy based on constant research and product innovation. We expect newsflow to improve further, and therefore confirm our positive view on the stock, with the sector consolidation process that is already underway offering a further catalyst.

■ **2Q turnover in line with 1Q, excluding extraordinary factors.** 1H23 revenues came to €86.4mn (-12.9% YoY), with the YoY comparison still challenging due to the extraordinary 1H22 performance. The result was dented by the shutdown of the electricity plant for 45 days. 2Q figures showed a flat QoQ trend in the company's core business, excluding the energy division.

■ **QoQ margin improvement.** 1H23 EBITDA came in at €9.2mn (-15% YoY), in line with our expectations. 2Q EBITDA came to €5.5mn, a strong QoQ improvement, with the EBITDA margin going from 8% to 13.8% in 2Q (10.7% for 1H). The company delivered an improvement in margins that we expect to continue in 2H. 1H net profit came down from €8.1mn (€5.6mn adj.) to €3.6mn, but doubled QoQ, going from €1.2mn in 1Q to €2.4mn in 2Q. The NFP was €32.1mn (€1.4mn higher than at 1Q), better than the €34.3mn recorded as at end-June 2022.

■ **Estimates and future prospects.** In light of 1H23 results and an order book that is in line with historical trends, we confirm our estimates for the remainder of the year. We expect a notable reduction in the net debt, which should come down to €27mn following the receipt of government maximisation payments, that should arrive in the next few months. Profit margins are expected to be sustained for the remainder of the year.

■ **BUY confirmed, Eu4.80 target price confirmed.** 2Q results showed a QoQ improvement in margins that we expect to continue for the remainder of the year. Current prices represent an investment opportunity given the gradual return to growth expected in the coming years, as well as the strong cash generation. The stock is seriously undervalued, and we confirm our positive recommendation, especially given the high visibility on future prospects.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	176	196	176	184	189
EBITDA Adj (Eu mn)	18	16	18	20	21
Net Profit Adj (Eu mn)	7	6	6	7	8
EPS New Adj (Eu)	0.492	0.408	0.403	0.511	0.576
EPS Old Adj (Eu)	0.492	0.408	0.403	0.511	0.576
DPS (Eu)	0.089	0.139	0.145	0.155	0.165
EV/EBITDA Adj	4.6	5.1	3.9	3.3	2.9
EV/EBIT Adj	9.0	13.4	8.5	6.2	5.2
P/E Adj	6.3	7.6	7.7	6.0	5.4
Div. Yield	2.9%	4.5%	4.7%	5.0%	5.3%
Net Debt/EBITDA Adj	1.6	1.9	1.5	1.1	0.8

NEODECORTECH – Key Figures

Profit & Loss (Eu mn)	2020A	2021A	2022A	2023E	2024E	2025E
Sales	128	176	196	176	184	189
EBITDA	15	18	16	18	20	21
EBIT	5	9	6	8	11	12
Financial Income (charges)	-1	-1	3	-2	-2	-1
Associates & Others	0	0	0	0	0	0
Pre-tax Profit	4	8	9	7	9	11
Taxes	-1	-1	-1	-1	-2	-2
Tax rate	13.0%	16.6%	8.7%	17.0%	22.0%	22.0%
Minorities & Discontinued Operations	0	0	0	0	0	0
Net Profit	4	7	8	6	7	8
EBITDA Adj	15	18	16	18	20	21
EBIT Adj	5	9	6	8	11	12
Net Profit Adj	4	7	6	6	7	8
Per Share Data (Eu)	2020A	2021A	2022A	2023E	2024E	2025E
Total Shares Outstanding (mn) - Average	14	14	14	14	14	14
Total Shares Outstanding (mn) - Year End	14	14	14	14	14	14
EPS f.d	0.262	0.492	0.593	0.403	0.511	0.576
EPS Adj f.d	0.262	0.492	0.408	0.403	0.511	0.576
BVPS f.d	4.562	5.181	5.435	5.697	6.068	6.503
Dividend per Share ORD	0.139	0.089	0.139	0.145	0.155	0.165
Dividend per Share SAV	0.000	0.000	0.000	0.000	0.000	0.000
Dividend Payout Ratio (%)	53.2%	18.0%	23.4%	36.0%	30.3%	28.6%
Cash Flow (Eu mn)	2020A	2021A	2022A	2023E	2024E	2025E
Gross Cash Flow	13	15	18	15	17	18
Change in NWC	-2	3	-9	-1	-2	-1
Capital Expenditure	-6	-10	-9	-9	-9	-9
Other Cash Items	0	0	0	0	0	0
Free Cash Flow (FCF)	4	8	-0	5	5	7
Acquisitions, Divestments & Other Items	-2	4	1	1	1	1
Dividends	-2	-1	-2	-2	-2	-2
Equity Financing/Buy-back	0	0	0	0	0	0
Change in Net Financial Position	1	11	-1	4	4	6
Balance Sheet (Eu mn)	2020A	2021A	2022A	2023E	2024E	2025E
Total Fixed Assets	81	82	81	80	80	79
Net Working Capital	28	26	35	36	39	40
Long term Liabilities	-8	-8	-8	-8	-9	-10
Net Capital Employed	102	100	108	108	109	109
Net Cash (Debt)	-40	-29	-31	-27	-23	-17
Group Equity	62	70	77	81	86	92
Minorities	0	0	0	0	0	0
Net Equity	62	70	77	81	86	92
Enterprise Value (Eu mn)	2020A	2021A	2022A	2023E	2024E	2025E
Average Mkt Cap	38	53	51	44	44	44
Adjustments (Associate & Minorities)	0	0	0	0	0	0
Net Cash (Debt)	-40	-29	-31	-27	-23	-17
Enterprise Value	78	83	82	71	67	61
Ratios (%)	2020A	2021A	2022A	2023E	2024E	2025E
EBITDA Adj Margin	11.4%	10.3%	8.1%	10.3%	11.2%	11.3%
EBIT Adj Margin	4.3%	5.2%	3.1%	4.8%	5.9%	6.2%
Gearing - Debt/Equity	64.7%	41.6%	39.8%	33.4%	26.6%	18.3%
Interest Cover on EBIT	3.9	7.6	nm	5.6	7.2	9.8
Net Debt/EBITDA Adj	2.7	1.6	1.9	1.5	1.1	0.8
ROACE*	5.4%	9.2%	5.9%	7.8%	10.0%	10.7%
ROE*	5.8%	10.1%	7.9%	7.2%	8.7%	9.2%
EV/CE	0.8	0.8	0.8	0.7	0.6	0.6
EV/Sales	0.6	0.5	0.4	0.4	0.4	0.3
EV/EBITDA Adj	5.4	4.6	5.1	3.9	3.3	2.9
EV/EBIT Adj	14.3	9.0	13.4	8.5	6.2	5.2
Free Cash Flow Yield	9.4%	18.6%	-1.0%	10.6%	11.7%	16.0%
Growth Rates (%)	2020A	2021A	2022A	2023E	2024E	2025E
Sales	-3.9%	38.0%	11.4%	-10.5%	4.4%	2.8%
EBITDA Adj	-8.4%	24.1%	-11.9%	13.4%	12.9%	4.0%
EBIT Adj	-23.0%	68.1%	-33.8%	37.6%	28.9%	8.2%
Net Profit Adj	-10.7%	89.2%	26.1%	-32.1%	27.0%	12.7%
EPS Adj	-39.9%	88.0%	-17.0%	-1.3%	27.0%	12.7%
DPS	-8.8%	-36.3%	56.9%	4.2%	6.9%	6.5%

*Excluding extraordinary items

Source: Intermonte SIM estimates

Neodecortech - Main economics figures of the group

(Eu mn)	1Q22 A	2Q22 A	1H22 A	1Q23 A	2Q23 A	1H23 A
Net revenues	49.2	50.0	99.2	46.5	39.9	86.3
<i>YoY growth</i>	24.3%	16.7%	-11.4%	-5.6%	-20.1%	-12.9%
<i>Others</i>	1.2	2.3	3.5	2.9	3.9	6.8
<i>Δ finished goods</i>	3.3	3.1	6.4	1.5	3.0	4.5
Value of production	53.6	55.4	109.0	50.9	46.8	97.7
EBITDA reported	4.2	6.7	10.9	3.7	5.5	9.2
<i>YoY growth</i>	-17.1%	40.6%	10.7%	-12.0%	-17.6%	-15.4%
<i>EBITDA margin</i>	8.6%	13.3%	11.0%	8.0%	13.8%	10.7%
D&A	(2.3)	(2.4)	(4.7)	(2.2)	(2.3)	(4.5)
Writedowns/Provision	(0.1)	(0.0)	(0.1)	(0.0)	(0.1)	(0.1)
EBIT reported	1.9	4.2	6.1	1.5	3.1	4.6
<i>EBIT margin</i>	3.8%	8.5%	6.2%	3.2%	7.7%	5.4%
Financial Charges	(1.6)	(0.4)	(2.1)	(0.7)	(0.4)	(1.1)
Financial Income	5.5	(0.1)	5.4	0.2	0.0	0.2
Associates	0.0	0.0	0.0	0.0	0.0	0.0
Pretax	5.8	3.7	9.5	1.0	2.9	3.9
Taxes	(1.3)	(0.1)	(1.4)	0.2	(0.5)	(0.3)
Net income	4.5	4.7	8.1	1.2	2.4	3.6
<i>YoY growth</i>	154.5%	241.6%	160.4%	-72.8%	-47.3%	-54.8%

Source: Company Data

1H23 results bang in line with estimates

Consolidated net revenues came to €86.4mn, -12,9% YoY. This decrease is attributable to a slowdown in demand, the 45-day shutdown at Bio Energia Guarcino (BEG), and a reduction of c.5-7% in unit sales prices.

EBITDA came to €9.2mn, down -15.3% from €10.9mn in 1H22. At 10.7% of revenues, the margin is broadly in line with 1H22 (11%), but better than the figure for the year to 31st December 2022 (8.1%).

EBIT came to €4.6mn (5.3% of revenues) compared to €6.1mn (6.2%) in 1H22.

Net profit reached €3.6mn (4.1% of revenues), lower than the €8.1mn (8.2%) posted in 1H22, gross of non-recurring items.

Net financial debt increased temporarily compared to the figure at 31st December 2022, going from €30.7mn to €32.1mn: the €1.4mn increase was due to the reduced income from subsidiary BEG.

On a quarterly basis, profitability increased and net profit doubled compared to 1Q, going from €1.2mn to €2.4mn.

DETAILS ON STOCKS RECOMMENDATION			
Stock NAME	NEODECORTECH		
Current Recomm:	BUY	Previous Recomm:	BUY
Current Target (Eu):	4.80	Previous Target (Eu):	4.80
Current Price (Eu):	3.09	Previous Price (Eu):	2.76
Date of report:	11/09/2023	Date of last report:	18/07/2023

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium of 5.5% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the S&PMB40 Index, most of those on the MIBEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

Explanation of our ratings system:

BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

NEUTRAL: stock performance expected at between +10% and -10% compared to the market over a 12 month period;

UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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As at 30 June 2023 Intermonte's Research Department covered 118 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	23.08 %
OUTPERFORM:	52.99 %
NEUTRAL:	22.22 %
UNDERPERFORM	01.71 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (48 in total) is as follows:

BUY:	38.78 %
OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short
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