

## EQUITY RESEARCH

# NEODECORTECH

## RESULTS REVIEW

Press release

**BUY**

**TP 4.7€**

Up/Downside: 67%

### A Quiet End of the Year

Neodecortech published its 9m-23 results in line with our expectations for the year. Revenue was down -17.2% (+20.4% yoy 9m-23), due to the decline in demand and unit prices (5% to 7%).

Yesterday, Neodecortech published its 9m-23 results that landed in line with our expectations for the year. Revenue was down -17.2% (+20.4% yoy 9m-23), due to a decline in demand and unit prices (5% to 7%). Revenue of €125m affected the different divisions as follows: sales of printed decorative paper (38.5% of 22-revenue) were down 10.3% yoy; sales of the Decorative Paper division (39.3% of revenue) declined by 24.4%; those of the energy division (22.3% of revenue) also recorded a reduction of 16% yoy. As a reminder, it is difficult to compare these results to those of last year, knowing that 2022 was a record year for Neodecortech. The current figures better reflect the company's cruising speed and are therefore more reflective of a resumption of normality. EBITDA stood at €11.3m, down 27% (vs. +12.5% yoy 9m-23), with the EBITDA margin reaching 9.1%, slightly below last year's result. at 10.3%. The trend remains stable, despite the closure of BEG (from 1 April to 15 May and since 30 September) which represented a little less than 10% of its EBITDA in 2022, the margin was impacted to a lesser extent. Concerning BEG, it is very possible that the incentive system will become effective again from 1 January 2024, which should be a significant contributor to the 2024 results. Neodecortech's main geographic markets are experiencing a sharp slowdown: in North America (5% of revenue) sales fell by -64.3%; in Italy (c.33% of revenue), sales were also negatively impacted by this market trend, recording a decrease of -12.2%, followed closely by Europe (c.55% of revenue) at -11.3%. The group's net debt increased from €30.7m at the end of December 2022 to €36m currently. This excess debt is explained in particular by the subsidies expected from the Italian State, which, as of 30 June 2023, owed them €8.5m, and today owes them approximately €14.6m. The company is expected to raise a total of €6.1m before the end of 2023, thus improving their position. The remainder due should be collected early next year. We expect an end to the year without major surprises, a slightly strengthened order book for Neodecortech, and an easing of economic slowdown pressures. The analysis indicates that the market has not seen any worsening, but has also not shown any significant improvement. As a reminder, direct competitor Surteco Group revised its forecasts downward for the year 2023 last October, due to a still uncertain market environment. Consequently, our estimates remain unchanged for the end of 2023. We reiterate our price target and our Buy rating.

#### Key data

Price (€)	2.8
Industry	Diversified Paper
Ticker	NDT-IT
Shares Out (m)	14.218
Market Cap (m €)	39.8
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	0.0	-9.1	-14.4
Rel FTSE Italy	-0.2	-11.9	-28.7



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	0.3	0.3	Sales	183.0	189.1	212.2
Current Op Inc (m €)	6.1	5.5	6.5	8.1	EV/EBITDA	4.7	4.0	3.0	EBIT	5.0	7.1	9.2
Current op. Margin (%)	3.1	3.1	3.5	4.3	EV/EBIT	12.6	9.8	6.6	Net income	3.9	5.5	6.8
EPS (€)	0.59	0.33	0.38	0.48	PE	8.6	7.3	5.8				
DPS (€)	0.14	0.14	0.14	0.14								
Yield (%)	5.0	5.0	5.0	5.0								
FCF (m €)	-3.6	2.8	8.1	12.5								

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## FINANCIAL DATA

<b>Income Statement</b>	<b>12/20</b>	<b>12/21</b>	<b>12/22</b>	<b>12/23e</b>	<b>12/24e</b>	<b>12/25e</b>
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
<b>EBITDA</b>	<b>14.6</b>	<b>18.1</b>	<b>16.0</b>	<b>15.0</b>	<b>15.9</b>	<b>17.5</b>
% of Sales	11.4	10.3	8.1	8.5	8.7	9.4
<b>Current operating profit</b>	<b>5.5</b>	<b>9.2</b>	<b>6.1</b>	<b>5.5</b>	<b>6.5</b>	<b>8.1</b>
% 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
<b>Net profit, group share</b>	<b>3.5</b>	<b>6.7</b>	<b>8.4</b>	<b>4.6</b>	<b>5.5</b>	<b>6.9</b>
EPS	0.27	0.49	0.59	0.33	0.38	0.48
<b>Financial Statement</b>	<b>12/20</b>	<b>12/21</b>	<b>12/22</b>	<b>12/23e</b>	<b>12/24e</b>	<b>12/25e</b>
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
<b>Assets</b>	<b>113.0</b>	<b>111.1</b>	<b>118.4</b>	<b>120.2</b>	<b>117.7</b>	<b>112.1</b>
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
<b>Liabilities</b>	<b>113.0</b>	<b>111.1</b>	<b>118.4</b>	<b>120.2</b>	<b>117.7</b>	<b>112.1</b>
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
<b>Cash flow statement</b>	<b>12/20</b>	<b>12/21</b>	<b>12/22</b>	<b>12/23e</b>	<b>12/24e</b>	<b>12/25e</b>
CF after elimination of net borrowing costs and taxes	11.9	15.8	14.7	14.1	14.9	16.3
$\Delta$ 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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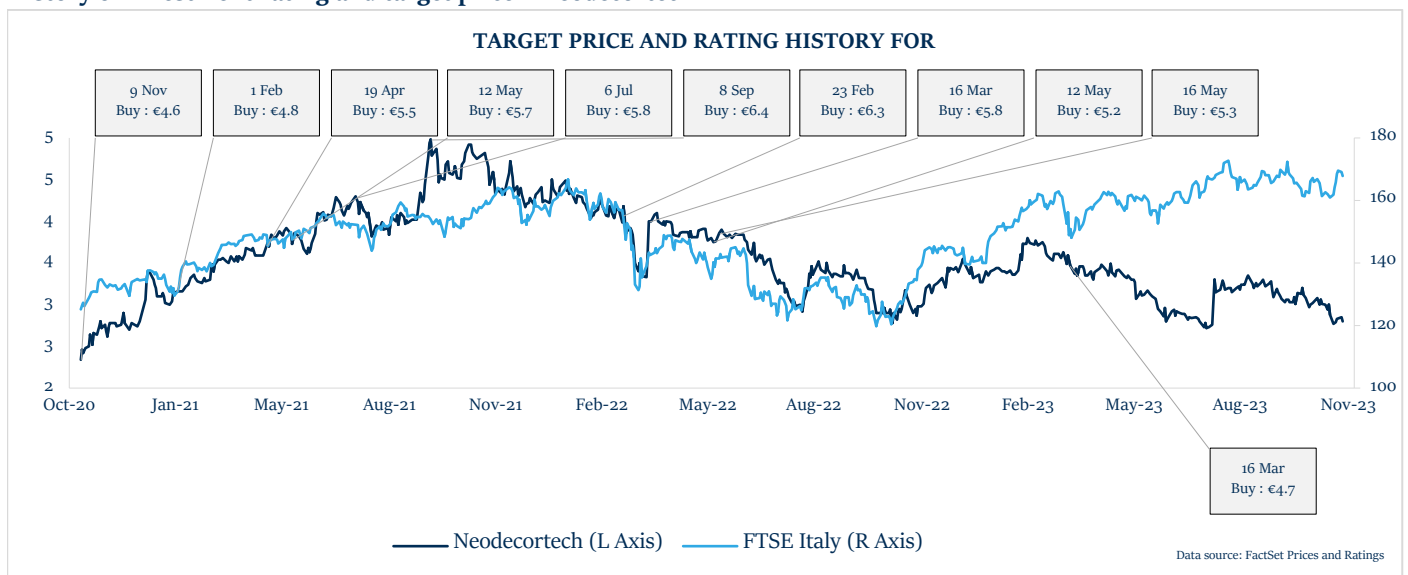
1. DCF method: discounting of future cash flows generated by the company's operations. Cash flows are determined by the analyst's financial forecasts and models. The discount rate used corresponds to the weighted average cost of capital, which is defined as the weighted average cost of the company's 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.
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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



## Distribution of Investment Ratings

Rating	Recommendation Universe*	Portion of these provided with investment banking services**
Buy	80%	63%
Hold	16%	48%
Sell	2%	0%
Under review	1%	100%

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.

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