

NEODECORTECH

Sector: Industrials

BUY

Price: Eu2.80 - Target: Eu4.16

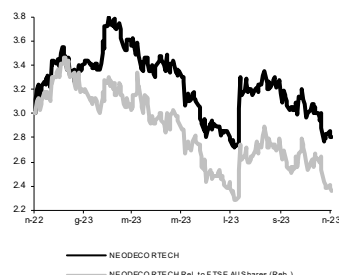
Weak demand, impact on 9M23 results

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Stock Rating

| | | | |
|--------------------|-------------------|--------|--------|
| Rating: | Unchanged | | |
| Target Price (Eu): | from 4.80 to 4.16 | | |
| | 2023E | 2024E | 2025E |
| Chg in Adj EPS | -41.3% | -21.5% | -17.4% |

NEODECORTECH - 12M Performance



Stock Data

| | | | |
|-------------------------|-----------|--------|--------|
| Reuters code: | NDT.MI | | |
| Bloomberg code: | NDT IM | | |
| Performance | 1M | 3M | 12M |
| Absolute | -9.1% | -13.0% | -6.7% |
| Relative | -11.4% | -14.3% | -24.9% |
| 12M (H/L) | 3.80/2.72 | | |
| 3M Average Volume (th): | 4.52 | | |

Shareholder Data

| | |
|-----------------------------|-------|
| No. of Ord shares (mn): | 14 |
| Total no. of shares (mn): | 14 |
| Mkt Cap Ord (Eu mn): | 40 |
| Total Mkt Cap (Eu mn): | 40 |
| Mkt Float - Ord (Eu mn): | 16 |
| Mkt Float (in %): | 41.4% |
| Main Shareholder: | |
| Finanziaria Valentini S.p.A | 58.6% |

Balance Sheet Data

| | |
|---------------------------------|------|
| Book Value (Eu mn): | 79 |
| BVPS (Eu): | 5.53 |
| P/BV: | 0.5 |
| Net Financial Position (Eu mn): | -30 |
| Enterprise Value (Eu mn): | 70 |

■ **After the slowdown comes the recovery.** Neodecortech is handling challenging market momentum characterized by a decline in demand thanks to good operational flexibility, excellent vertical integration, and a wide range of high-quality products offered. We are revising our estimates, but we confirm solid cash flow for the coming years. We believe that 2023 is a transitional year leading to a more profitable 2024, and for this reason we maintain our positive outlook on the stock.

■ **9M23 results highlight a slowdown in 3Q23.** The company reported revenues of Eu125 million (-17% YoY), lower than our expectation due to price normalization after a record 2022, a decrease in market demand, and a period of downtime for the energy plant. EBITDA amounted to Eu11.3 million (-27% YoY) with a margin of 9.1%, while EBIT was Eu4.4 million (-48% YoY). Net profit decreased by 68% on an annual basis, reaching Eu3.2 million.

■ **Revenue breakdown by Business Unit.** The two divisions related to the company's core business experienced a decline in demand, recording revenues of Eu52.9 million for Printed Decorative Paper (-10.3% YoY) and Eu46.5 million for Decorative Paper (-24.4% YoY). The Energy division reported revenues of Eu25.5 million (-16% YoY). It is worth noting that the energy plant is currently not operational: it is not profitable due to the suspension of the maximization procedure by the competent authorities. The regular incentive mechanism will resume on 1 January 2024; any revisions to the regulatory framework may lead to earlier restarts.

■ **Update to FY23-24 estimates.** In light of 9M23 results, and also considering a weaker macroeconomic environment and the energy division shutdown, we are lowering our 2023 revenue estimates by 10% due to lower volumes (Eu159mn in FY23), and EBITDA by 20% (Eu14.6mn in FY23). Net debt is now forecast at Eu30mn, vs. our previous forecast of Eu27mn, due to the dilution over time of government incentives for the energy division. We are making a more modest cut to 2024-25 estimates, corresponding to -3%/-2.5% for revenues, due to a declining mix and a lack of price increases.

■ **BUY confirmed, new target price Eu4.16 (from Eu4.80).** Our new target reflects a 50bp increase in the risk-free rate. Despite the company reporting unimpressive 9M23 results resulting in a cut to estimates for the current year, we believe that the current prices present an investment opportunity in anticipation of a gradual return to growth expected in the coming years. The stock continues to be undervalued, and the current target shows potential upside of 50%. We therefore confirm our positive recommendation, also considering the expected cash generation for the next year.

| Key Figures & Ratios | 2021A | 2022A | 2023E | 2024E | 2025E |
|------------------------|-------|-------|-------|-------|-------|
| Sales (Eu mn) | 176 | 196 | 159 | 178 | 184 |
| EBITDA Adj (Eu mn) | 18 | 16 | 15 | 18 | 19 |
| Net Profit Adj (Eu mn) | 7 | 6 | 3 | 6 | 7 |
| EPS New Adj (Eu) | 0.492 | 0.408 | 0.236 | 0.402 | 0.476 |
| 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 | 4.8 | 3.6 | 3.1 |
| EV/EBIT Adj | 9.0 | 13.4 | 14.2 | 7.6 | 6.1 |
| P/E Adj | 5.7 | 6.9 | 11.9 | 7.0 | 5.9 |
| Div. Yield | 3.2% | 5.0% | 5.2% | 5.5% | 5.9% |
| Net Debt/EBITDA Adj | 1.6 | 1.9 | 2.1 | 1.4 | 1.1 |

NEODECORTECH – Key Figures

| Profit & Loss (Eu mn) | 2020A | 2021A | 2022A | 2023E | 2024E | 2025E |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| Sales | 128 | 176 | 196 | 159 | 178 | 184 |
| EBITDA | 15 | 18 | 16 | 15 | 18 | 19 |
| EBIT | 5 | 9 | 6 | 5 | 9 | 10 |
| Financial Income (charges) | -1 | -1 | 3 | -1 | -1 | -1 |
| Associates & Others | 0 | 0 | 0 | 0 | 0 | 0 |
| Pre-tax Profit | 4 | 8 | 9 | 4 | 7 | 9 |
| Taxes | -1 | -1 | -1 | -1 | -2 | -2 |
| Tax rate | 13.0% | 16.6% | 8.7% | 13.0% | 22.0% | 22.0% |
| Minorities & Discontinued Operations | 0 | 0 | 0 | 0 | 0 | 0 |
| Net Profit | 4 | 7 | 8 | 3 | 6 | 7 |
| EBITDA Adj | 15 | 18 | 16 | 15 | 18 | 19 |
| EBIT Adj | 5 | 9 | 6 | 5 | 9 | 10 |
| Net Profit Adj | 4 | 7 | 6 | 3 | 6 | 7 |
| 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 | 0.236 | 0.402 | 0.476 |
| EPS Adj f.d | 0.262 | 0.492 | 0.408 | 0.236 | 0.402 | 0.476 |
| BVPS f.d | 4.562 | 5.181 | 5.435 | 5.531 | 5.792 | 6.127 |
| 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% | 61.4% | 38.6% | 34.6% |
| Cash Flow (Eu mn) | 2020A | 2021A | 2022A | 2023E | 2024E | 2025E |
| Gross Cash Flow | 13 | 15 | 18 | 13 | 15 | 16 |
| Change in NWC | -2 | 3 | -9 | -2 | -1 | -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 | 2 | 5 | 6 |
| 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 | 1 | 4 | 5 |
| Balance Sheet (Eu mn) | 2020A | 2021A | 2022A | 2023E | 2024E | 2025E |
| Total Fixed Assets | 81 | 82 | 81 | 80 | 80 | 80 |
| Net Working Capital | 28 | 26 | 35 | 37 | 38 | 38 |
| Long term Liabilities | -8 | -8 | -8 | -8 | -9 | -10 |
| Net Capital Employed | 102 | 100 | 108 | 109 | 108 | 108 |
| Net Cash (Debt) | -40 | -29 | -31 | -30 | -26 | -21 |
| Group Equity | 62 | 70 | 77 | 79 | 82 | 87 |
| Minorities | 0 | 0 | 0 | 0 | 0 | 0 |
| Net Equity | 62 | 70 | 77 | 79 | 82 | 87 |
| Enterprise Value (Eu mn) | 2020A | 2021A | 2022A | 2023E | 2024E | 2025E |
| Average Mkt Cap | 38 | 53 | 51 | 40 | 40 | 40 |
| Adjustments (Associate & Minorities) | 0 | 0 | 0 | 0 | 0 | 0 |
| Net Cash (Debt) | -40 | -29 | -31 | -30 | -26 | -21 |
| Enterprise Value | 78 | 83 | 82 | 70 | 66 | 61 |
| Ratios (%) | 2020A | 2021A | 2022A | 2023E | 2024E | 2025E |
| EBITDA Adj Margin | 11.4% | 10.3% | 8.1% | 9.1% | 10.2% | 10.5% |
| EBIT Adj Margin | 4.3% | 5.2% | 3.1% | 3.1% | 4.8% | 5.4% |
| Gearing - Debt/Equity | 64.7% | 41.6% | 39.8% | 38.3% | 31.6% | 23.8% |
| Interest Cover on EBIT | 3.9 | 7.6 | nm | 4.7 | 6.6 | 8.2 |
| Net Debt/EBITDA Adj | 2.7 | 1.6 | 1.9 | 2.1 | 1.4 | 1.1 |
| ROACE* | 5.4% | 9.2% | 5.9% | 4.5% | 7.9% | 9.1% |
| ROE* | 5.8% | 10.1% | 7.9% | 4.3% | 7.1% | 8.0% |
| EV/CE | 0.8 | 0.8 | 0.8 | 0.6 | 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 | 4.8 | 3.6 | 3.1 |
| EV/EBIT Adj | 14.3 | 9.0 | 13.4 | 14.2 | 7.6 | 6.1 |
| Free Cash Flow Yield | 10.3% | 20.5% | -1.1% | 4.1% | 12.7% | 15.7% |
| Growth Rates (%) | 2020A | 2021A | 2022A | 2023E | 2024E | 2025E |
| Sales | -3.9% | 38.0% | 11.4% | -19.1% | 12.0% | 3.5% |
| EBITDA Adj | -8.4% | 24.1% | -11.9% | -9.2% | 25.1% | 6.6% |
| EBIT Adj | -23.0% | 68.1% | -33.8% | -19.5% | 75.6% | 14.6% |
| Net Profit Adj | -10.7% | 89.2% | 26.1% | -60.2% | 70.0% | 18.6% |
| EPS Adj | -39.9% | 88.0% | -17.0% | -42.1% | 70.0% | 18.6% |
| DPS | -8.8% | -36.3% | 56.9% | 4.2% | 6.9% | 6.5% |

*Excluding extraordinary items

Source: Intermonte SIM estimates

Neodecortech – 9M23 Result analysis

| (Eu mn) | 3Q22 A | 2Q23 A | 3Q23A | QoQ | YoY | 3Q23 E | 3Q23 A/E | 9M22 A | 9M23A | YoY | 9M23 E | 9M23 A/E |
|----------------------------|-------------|-------------|--------------|----------------|----------------|-------------|----------------|--------------|--------------|---------------|--------------|---------------|
| Net revenues | 51.7 | 39.9 | 38.8 | -3.0% | -25.1% | 45.5 | -14.7% | 151.0 | 125.0 | -17.2% | 131.9 | -5.2 |
| <i>Others</i> | 2.3 | 4.0 | 0.6 | -85.0% | -73.8 | 0.4 | 50.0% | 5.7 | 7.5 | 30.4% | 7.3 | % |
| <i>Δ finished goods</i> | (1.6) | 3.0 | (2.2) | -174.8% | % | (1.2) | 86.4% | 4.7 | 2.3 | -51.4% | 3.3 | -31.1% |
| Value of production | 52.4 | 46.9 | 37.1 | -20.9% | -29.2% | 44.7 | -16.9% | 161.4 | 135.0 | -16.4% | 142.5 | -5.3% |
| EBITDA reported | 4.7 | 5.5 | 0.9 | -84.0 | -81.2% | 4.7 | -81.4% | 15.6 | 11.3 | -27.2% | 13.9 | -18.7% |
| <i>EBITDA margin</i> | 9.1% | 13.8% | 2.3% | - % | -74.9 | 10.4% | -78.2% | 10.3% | 9.1% | -12.0% | 10.6% | -14.2% |
| D&A | (2.4) | (2.2) | (2.3) | 83.5% | % | (2.4) | -5.4% | (7.1) | (6.8) | -4.5% | (6.9) | -1.9% |
| Writedowns/Provision | 0.0 | (0.1) | 0.2 | -358.9% | -6.0% | (0.1) | -358.9% | (0.1) | (0.1) | 123.6% | (0.2) | -43.6% |
| EBIT reported | 2.3 | 3.2 | (0.2) | -105.5% | -107.7% | 2.2 | -107.9% | 8.4 | 4.4 | -47.7% | 6.8 | -35.5% |
| <i>EBIT margin</i> | 4.4% | 8.0% | -0.5% | -105.7% | -110.3% | 4.9% | -109.2% | 5.6% | 3.5% | -36.8% | 5.2% | -31.9% |
| Financial Charges | (0.1) | (0.5) | (0.5) | -0.2% | 229.6% | (0.2) | 134.0% | (2.2) | (1.6) | -27.1% | (1.3) | 20.1% |
| Financial Income | (0.1) | 0.0 | 0.0 | 88.0% | -152.2% | 0.0 | -4.1 | 5.3 | 0.2 | -95.3% | 0.3 | -0.8 |
| Associates | 0.0 | 0.0 | 0.0 | 0.0% | 0.0% | 0.0 | % | 0.0 | 0.0 | 0.0% | 0.0 | % |
| Pretax | 2.0 | 2.8 | (0.6) | -122.7% | -130.6% | 2.1 | -130.0% | 11.5 | 3.0 | -73.9% | 5.7 | -47.4% |
| Taxes | (0.2) | (0.3) | (0.1) | -63.4% | -51.6% | (0.5) | -78.6% | (1.6) | (0.2) | -90.0% | (0.6) | -71.2% |
| <i>tax rate</i> | | -10.8% | 17.1% | -261.5% | -258.4% | | -24.0% | -171.4% | | -5.3% | | -9.6% |
| Minorities | | -10.6% | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | -61.6% | 0.0 | -45.3% |
| Net income | 1.8 | 2.4 | (0.7) | -130.9% | -140.1% | 1.6 | -146.2% | 9.9 | 3.2 | -68.1% | 5.2 | -38.7% |

Source: Websim Corporate

Neodecortech - Change in estimates

| (Eu mn) | 2023 Old | 2023 E New | % chg | 2024 Old | 2024 E New | % chg | 2025 Old | 2025 E New | % chg |
|----------------------------|--------------|--------------|---------------|--------------|--------------|---------------|--------------|--------------|---------------|
| Net revenues | 176.4 | 158.9 | -9.9 | 183.5 | 178.1 | -3.0 | 188.6 | 184.3 | -2.3 |
| <i>Others</i> | 3.9 | 6 | % | 2.5 | 2.5 | % | 2.5 | 2.5 | % |
| <i>Δ finished goods</i> | 1.2 | 1.1 | -8.3% | 1.3 | 1.1 | -15.4% | 1.3 | 1.1 | -15.4% |
| Value of production | 181.5 | 166.0 | -8.5% | 187.3 | 181.7 | -3.0% | 192.4 | 187.9 | -2.3% |
| EBITDA reported | 18.3 | 14.5 | -20.5% | 20.5 | 18.2 | -11.2% | 21.3 | 19.4 | -9.0% |
| <i>EBITDA margin</i> | 10.4% | 9.1% | -11.8% | 11.2% | 10.2% | -8.5% | 11.3% | 10.5% | -6.8% |
| D&A | -9.6 | -9.5 | -1.3 | -9.5 | -9.4 | -1.0 | -9.5 | -9.4 | -0.8 |
| <i>on VoP</i> | 5.3% | 5.7% | % | 5.1% | 5.2% | % | 4.9% | 5.0% | % |
| Writedowns/Provision | -0.1 | -0.1 | 7.9 | -0.1 | -0.1 | 2.0 | -0.1 | -0.1 | 1.5 |
| <i>on VoP</i> | 0.1% | 0.1% | % | 0.1% | 0.1% | % | 0.1% | 0.1% | % |
| EBIT reported | 8.5 | 4.9 | -42.4% | 10.8 | 8.6 | -20.3% | 11.7 | 9.9 | -15.6% |
| <i>EBIT margin</i> | 4.8% | 3.1% | -36.1% | 5.9% | 4.8% | -17.9% | 6.2% | 5.4% | -13.6% |
| Pretax | 7.0 | 3.9 | -45.1% | 9.3 | 7.3 | -21.5% | 10.5 | 8.7 | -17.4% |
| Taxes | -1.2 | -0.5 | -58. | -2.1 | -1.6 | -21.5 | -2.3 | -1.9 | -17.4 |
| <i>tax rate</i> | -17% | -13% | 0% | -22% | -22% | % 0% | -22% | -22% | % 0% |
| Minorities | 0.0 | 0.0 | -2 | 0.0 | 0.0 | 0.0% | 0.0 | 0.0 | 0.0% |
| Net income | 5.8 | 3.4 | -42.4% | 7.3 | 5.7 | -21.5% | 8.2 | 6.8 | -17.4% |

Source: Websim Corporate

| DETAILS ON STOCKS RECOMMENDATION | | | |
|----------------------------------|--------------|-----------------------|------------|
| Stock NAME | NEODECORTECH | | |
| Current Recomm: | BUY | Previous Recomm: | BUY |
| Current Target (Eu): | 4.16 | Previous Target (Eu): | 4.80 |
| Current Price (Eu): | 2.80 | Previous Price (Eu): | 3.09 |
| Date of report: | 09/11/2023 | Date of last report: | 11/09/2023 |