

# NEODECORTECH

Sector: Industrials

**BUY**

Price: Eu3.03 - Target: Eu4.50

## 2023: resilience in a challenging market

Chiara Tavazzi +39-02-77115.451  
chiara.tavazzi@intermonte.it

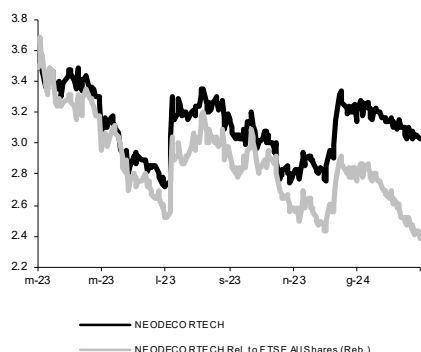
### Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 4.16 to 4.50		
	2024E	2025E	2026E
Chg in Adj EPS	0.0%	0.0%	

### Next Event

1Q24 Results Out 9 May

### NEODECORTECH - 12M Performance



### Stock Data

Reuters code:	NDT.MI		
Bloomberg code:	NDT IM		
Performance	1M	3M	12M
Absolute	-3.5%	9.4%	-16.5%
Relative	-10.4%	-1.7%	-38.3%
12M (H/L)	3.59/2.72		
3M Average Volume (th):	7.78		

### Shareholder Data

No. of Ord shares (mn):	14
Total no. of shares (mn):	14
Mkt Cap Ord (Eu mn):	43
Total Mkt Cap (Eu mn):	43
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):	-26
Enterprise Value (Eu mn):	69

■ **FY23 results in line with expectations.** FY23 revenues amounted to Eu161.6mn (-17.7% YoY); on an annual basis, the comparison remains penalising due to 1H22, which saw record volumes. On a quarterly basis, turnover was substantially in line with the previous quarter, excluding the Energy division. The halting of production at the power plant (87 days in total) led to lost turnover of circa Eu10mn in the year. EBITDA was Eu13.9mn (-13.1% YoY), with margins substantially holding up at 8.6% (vs 8.1% for FY22). Net profit was Eu2.8mn and highlights a significant reduction on Eu8.4mn for FY22; however, it must be noted that the latter incorporated the positive effect of the extraordinary MICA item for Eu3.8mn.

■ **Details of 4Q revenues by business unit.** Regarding the two divisions related to the company's core business, despite the decline in revenues on an annual basis, linked on the one hand to an overall slowdown in demand and on the other to a reduction in unit prices by about 5-7%, the quarterly comparison appears to be slightly better. In 4Q, the company recorded revenues of Eu17.7mn for Printed Decorative Paper (+8.6% YoY, +12.5% QoQ) and Eu14.5mn for Decorative Paper (-7.6% YoY, +12.5% QoQ). The Energy division recorded revenues of approximately Eu4.3mn (-68% YoY, -57% QoQ), a significant downturn due to the shutdown of the power plant because of the early halt to the maximisation procedure imposed by the authorities. It should be noted that following publication of the Energy Decree, the power plant has returned to full operation since 11 December 2023 following a shutdown lasting from October 2023.

■ **Sharp improvement of the NFP.** Net debt now stands at Eu25.9mn (compared to Eu30.7mn for FY22 and Eu36mn for 9M23), with investments of Eu6.5mn. This important improvement is due to the Energy division cashing-in government incentives to which it was entitled; these have more than offset investments in new plant and machinery, including the new impregnation line, which came into operation at the beginning of 2024, as well as the improvements and efficiency upgrades to existing plant and machinery.

■ **BUY confirmed, new target price Eu4.50 (from Eu4.16).** The results are essentially in line with our expectations, and highlight how the company has managed to maintain its margins in a challenging international and national macroeconomic environment. In light of these margins, we confirm our positive view on the stock based on the expectation of a complete recovery of the order book, an improvement to profitability, and robust cash generation. Our new target price based on DCF reflects the decrease in the risk-free rate.

Key Figures & Ratios	2021A	2022A	2023A	2024E	2025E
Sales (Eu mn)	176	196	162	178	184
EBITDA Adj (Eu mn)	18	16	14	18	21
Net Profit Adj (Eu mn)	7	6	3	6	7
EPS New Adj (Eu)	0.492	0.408	0.200	0.391	0.504
EPS Old Adj (Eu)	0.492	0.408	0.200	0.391	0.504
DPS (Eu)	0.089	0.139	0.145	0.155	0.165
EV/EBITDA Adj	4.6	5.1	5.1	3.7	3.1
EV/EBIT Adj	9.0	13.4	15.4	7.3	5.5
P/E Adj	6.2	7.4	15.1	7.8	6.0
Div. Yield	2.9%	4.6%	4.8%	5.1%	5.4%
Net Debt/EBITDA Adj	1.6	1.9	1.9	1.4	1.0

**NEODECORTECH – Key Figures**

<b>Profit &amp; Loss (Eu mn)</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>
Sales	128	176	196	162	178	184
EBITDA	15	18	16	14	18	21
EBIT	5	9	6	5	9	12
Financial Income (charges)	-1	-1	3	-2	-2	-2
Associates & Others	0	0	0	0	0	0
Pre-tax Profit	4	8	9	3	7	9
Taxes	-1	-1	-1	0	-2	-2
Tax rate	13.0%	16.6%	8.7%	-9.2%	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	14	18	21
EBIT Adj	5	9	6	5	9	12
Net Profit Adj	4	7	6	3	6	7
<b>Per Share Data (Eu)</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>
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	0.200	0.391	0.504
EPS Adj f.d	0.262	0.492	0.408	0.200	0.391	0.504
BVPS f.d	4.562	5.181	5.435	5.448	5.698	6.061
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%	72.4%	39.7%	32.8%
<b>Cash Flow (Eu mn)</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>
Gross Cash Flow	13	15	18	12	14	16
Change in NWC	-2	3	-9	2	-4	-0
Capital Expenditure	-6	-10	-9	-6	-9	-9
Other Cash Items	0	0	0	0	0	0
Free Cash Flow (FCF)	4	8	-0	8	1	6
Acquisitions, Divestments & Other Items	-2	4	1	0	0	0
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	5	0	5
<b>Balance Sheet (Eu mn)</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>
Total Fixed Assets	81	82	81	78	78	79
Net Working Capital	28	26	35	33	24	25
Long term Liabilities	-8	-8	-8	-7	4	3
Net Capital Employed	102	100	108	103	107	107
Net Cash (Debt)	-40	-29	-31	-26	-26	-21
Group Equity	62	70	77	77	81	86
Minorities	0	0	0	0	0	0
Net Equity	62	70	77	77	81	86
<b>Enterprise Value (Eu mn)</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>
Average Mkt Cap	38	53	51	45	43	43
Adjustments (Associate & Minorities)	0	0	0	0	0	0
Net Cash (Debt)	-40	-29	-31	-26	-26	-21
Enterprise Value	78	83	82	71	69	64
<b>Ratios (%)</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>
EBITDA Adj Margin	11.4%	10.3%	8.1%	8.6%	10.3%	11.1%
EBIT Adj Margin	4.3%	5.2%	3.1%	2.9%	5.3%	6.2%
Gearing - Debt/Equity	64.7%	41.6%	39.8%	33.4%	31.7%	23.9%
Interest Cover on EBIT	3.9	7.6	nm	2.3	4.0	4.9
Net Debt/EBITDA Adj	2.7	1.6	1.9	1.9	1.4	1.0
ROACE*	5.4%	9.2%	5.9%	4.4%	9.0%	10.8%
ROE*	5.8%	10.1%	7.9%	3.7%	7.0%	8.6%
EV/CE	0.8	0.8	0.8	0.7	0.7	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	5.1	3.7	3.1
EV/EBIT Adj	14.3	9.0	13.4	15.4	7.3	5.5
Free Cash Flow Yield	9.6%	19.0%	-1.1%	18.1%	2.7%	14.2%
<b>Growth Rates (%)</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>
Sales	-3.9%	38.0%	11.4%	-17.7%	10.2%	3.5%
EBITDA Adj	-8.4%	24.1%	-11.9%	-13.1%	32.1%	11.8%
EBIT Adj	-23.0%	68.1%	-33.8%	-24.0%	103.7%	21.8%
Net Profit Adj	-38.0%	89.2%	-13.3%	-50.9%	95.0%	28.9%
EPS Adj	-39.9%	88.0%	-17.0%	-50.9%	95.0%	28.9%
DPS	-8.8%	-36.3%	56.9%	4.2%	6.9%	6.5%

\*Excluding extraordinary items Source: Intermonte SIM estimates

DETAILS ON STOCKS RECOMMENDATION			
Stock NAME	NEODECORTECH		
Current Recomm:	BUY	Previous Recomm:	BUY
Current Target (Eu):	4.50	Previous Target (Eu):	4.16
Current Price (Eu):	3.03	Previous Price (Eu):	2.80
Date of report:	13/03/2024	Date of last report:	09/11/2023

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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.

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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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BUY:	26.02 %
OUTPERFORM:	47.15 %
NEUTRAL:	26.02 %
UNDERPERFORM	00.81 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (51 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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