

NEODECORTECH

BUY

Sector: Industrials

Price: Eu2.93 - Target: Eu4.50

Weak 1Q24: Volumes Improve, but Price Effect is a Burden

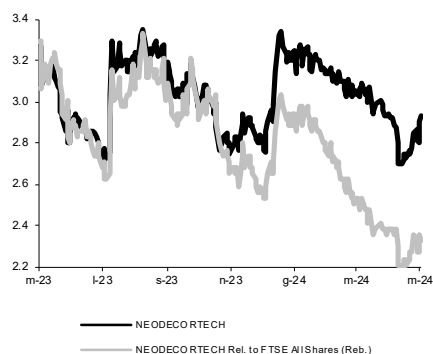
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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2024E	2025E	2026E
Chg in Adj EPS	-34.9%	-31.2%	high

Next Event

1H Results Out on August 2nd

NEODECORTECH - 12M Performance



Stock Data			
Reuters code:	NDT.MI		
Bloomberg code:	NDT IM		
Performance	1M	3M	12M
Absolute	-0.3%	-6.7%	-11.2%
Relative	-2.1%	-17.5%	-36.6%
12M (H/L)	3.35/2.70		
3M Average Volume (th):	7.73		

Shareholder Data	
No. of Ord shares (mn):	14
Total no. of shares (mn):	14
Mkt Cap Ord (Eu mn):	42
Total Mkt Cap (Eu mn):	42
Mkt Float - Ord (Eu mn):	17
Mkt Float (in %):	41.4%
Main Shareholder:	
Finanziaria Valentini S.p.A	58.6%

Balance Sheet Data	
Book Value (Eu mn):	79
BVPS (Eu):	5.56
P/BV:	0.5
Net Financial Position (Eu mn):	-26
Enterprise Value (Eu mn):	68

- 1Q24 slightly down on an annual basis.** Neodecortech has reported results for 1Q24 which show a quarter affected by the slowdown in demand that hit the decorative surfaces supply chain for the furniture and furnishings market in the previous year. The company closed the first quarter with revenues of €43.1mn (-7.3% YoY) due to strong pressure on selling prices and, to a lesser extent, the generalised contraction in demand. Despite the weak start to the year with a decline in revenues, attributable mainly to the price effect, a timid positive signal came from the increase in sales volumes at the company's core divisions.
- Breakdown of revenues by area.** Geographically, Italy and Asia/Middle East saw the most pronounced contractions: -8.5% for Italy, which accounts for ca. 35% of revenues, and -29% for Asia/Middle East, whose impact on revenues is modest (1.2%). Sales in the rest of Europe, which account for 40% of revenues, were substantially stable (-0.3%), while they increased in America (+15.1%) and Africa (+29.9%), which account for 4.5% and 1% of revenues respectively. Energy division sales fell -19.0% YoY, partly due to the lower number of operating hours, but it is also important to note that the average sale price of electricity went from Eu265/MWh in 1Q23 to Eu92/MWh in 1Q24.
- Revenues down, margin stable.** The decrease in revenues led to a similar decrease in terms of EBITDA, which went from €3.7mn in 1Q23 to €3.4mn in 1Q24, while the margin remained substantially stable. Net financial debt remains high at €37.5mn (vs €38.6mn as at 31 March 2023) due to delays in the collection of €13.3mn of receivables relating to the "maximisation regime" and of those connected to the new "guaranteed minimum prices" regime for subsidiary BEG.
- Estimates update.** We expect a second quarter substantially aligned to the first and a gradual improvement from the second half of the year. We have trimmed our revenue estimates for the 2024-2025 two-year period by -4/-3% respectively. Regarding the margin, considering the prevailing inflation, high interest rates and strong pressure on sale prices, we expect a more gradual recovery, with EBITDA going from €14mn in 2023 to €18.3mn in 2026, corresponding to a 10% margin.
- BUY confirmed, target price €4.50.** Once again the results release highlights how, in a challenging international and national macroeconomic landscape, the company has demonstrated considerable resilience by working to keep its margins stable. At the current market price, the stock remains heavily undervalued. We confirm our positive view pending a more favourable market context in the second half of the year.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	196	162	171	179	184
EBITDA Adj (Eu mn)	16	14	15	17	18
Net Profit Adj (Eu mn)	8	3	4	5	6
EPS New Adj (Eu)	0.607	0.200	0.254	0.347	0.416
EPS Old Adj (Eu)	0.408	0.200	0.391	0.504	0.000
DPS (Eu)	0.139	0.141	0.064	0.087	0.104
EV/EBITDA Adj	5.1	5.1	4.6	3.8	3.2
EV/EBIT Adj	13.4	15.4	12.6	8.5	6.6
P/E Adj	4.8	14.6	11.5	8.5	7.0
Div. Yield	4.7%	4.8%	2.2%	3.0%	3.5%
Net Debt/EBITDA Adj	1.9	1.9	1.8	1.3	1.0

NEODECORTECH – Key Figures

Profit & Loss (Eu mn)	2021A	2022A	2023A	2024E	2025E	2026E
Sales	176	196	162	171	179	184
EBITDA	18	16	14	15	17	18
EBIT	9	6	5	5	8	9
Financial Income (charges)	-1	3	-2	-1	-1	-1
Associates & Others	0	0	0	0	0	0
Pre-tax Profit	8	9	3	4	6	8
Taxes	-1	-1	0	-1	-2	-2
Tax rate	-16.6%	-8.7%	9.2%	-15.0%	-24.0%	-24.0%
Minorities & Discontinued Operations	0	0	0	0	0	0
Net Profit	7	8	3	4	5	6
EBITDA Adj	18	16	14	15	17	18
EBIT Adj	9	6	5	5	8	9
Net Profit Adj	7	8	3	4	5	6
Per Share Data (Eu)	2021A	2022A	2023A	2024E	2025E	2026E
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	0.493	0.607	0.200	0.254	0.347	0.416
EPS Adj f.d	0.493	0.607	0.200	0.254	0.347	0.416
BVPS f.d	5.181	5.435	5.448	5.562	5.768	6.043
Dividend per Share ORD	0.089	0.139	0.141	0.064	0.087	0.104
Dividend per Share SAV	0.000	0.000	0.000	0.000	0.000	0.000
Dividend Payout Ratio (%)	18.0%	23.4%	70.2%	25.0%	25.0%	25.0%
Cash Flow (Eu mn)	2021A	2022A	2023A	2024E	2025E	2026E
Gross Cash Flow	15	19	13	13	14	15
Change in NWC	2	-9	2	-5	-2	-2
Capital Expenditure	-10	-9	-6	-6	-6	-6
Other Cash Items	0	0	0	0	0	0
Free Cash Flow (FCF)	7	1	8	2	5	7
Acquisitions, Divestments & Other Items	0	0	0	0	0	0
Dividends	-1	-2	-2	-2	-2	-2
Equity Financing/Buy-back	0	0	0	0	0	0
Change in Net Financial Position	11	-1	5	-0	3	5
Balance Sheet (Eu mn)	2021A	2022A	2023A	2024E	2025E	2026E
Total Fixed Assets	82	81	78	75	72	69
Net Working Capital	27	34	25	29	31	32
Long term Liabilities	-8	-8	-7	-7	-7	-7
Net Capital Employed	100	108	103	105	105	103
Net Cash (Debt)	-29	-31	-26	-26	-23	-17
Group Equity	70	77	77	79	82	86
Minorities	0	0	0	0	0	0
Net Equity	70	77	77	79	82	86
Enterprise Value (Eu mn)	2021A	2022A	2023A	2024E	2025E	2026E
Average Mkt Cap	53	51	45	42	42	42
Adjustments (Associate & Minorities)	0	0	0	0	0	0
Net Cash (Debt)	-29	-31	-26	-26	-23	-17
Enterprise Value	83	82	71	68	64	59
Ratios (%)	2021A	2022A	2023A	2024E	2025E	2026E
EBITDA Adj Margin	10.3%	8.1%	8.6%	8.6%	9.5%	10.0%
EBIT Adj Margin	5.2%	3.1%	2.9%	3.1%	4.2%	4.8%
Gearing - Debt/Equity	41.6%	39.8%	33.4%	33.2%	27.8%	20.4%
Interest Cover on EBIT	7.6	nm	2.3	4.8	6.8	7.9
Net Debt/EBITDA Adj	1.6	1.9	1.9	1.8	1.3	1.0
ROACE*	9.2%	5.9%	4.4%	5.1%	7.2%	8.5%
ROE*	10.1%	11.4%	3.7%	4.6%	6.1%	7.0%
EV/CE	0.8	0.8	0.7	0.7	0.6	0.6
EV/Sales	0.5	0.4	0.4	0.4	0.4	0.3
EV/EBITDA Adj	4.6	5.1	5.1	4.6	3.8	3.2
EV/EBIT Adj	9.0	13.4	15.4	12.6	8.5	6.6
Free Cash Flow Yield	17.8%	1.6%	19.6%	3.9%	13.2%	17.5%
Growth Rates (%)	2021A	2022A	2023A	2024E	2025E	2026E
Sales	38.0%	11.4%	-17.7%	5.9%	4.7%	2.5%
EBITDA Adj	24.1%	-11.9%	-13.1%	5.6%	15.5%	7.9%
EBIT Adj	68.1%	-33.8%	-24.0%	15.7%	41.5%	17.0%
Net Profit Adj	89.2%	26.1%	-66.2%	26.9%	36.3%	20.0%
EPS Adj	85.7%	22.9%	-67.0%	26.9%	36.3%	20.0%
DPS	-36.3%	56.9%	1.4%	-54.9%	36.3%	19.9%

*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):	4.50
Current Price (Eu):	2.93	Previous Price (Eu):	3.03
Date of report:	13/05/2024	Date of last report:	13/03/2024

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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&P500 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.

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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.

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As at 31 March 2024 Intermonte's Research Department covered 116 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	25.21 %
OUTPERFORM:	46.22 %
NEUTRAL:	27.73 %
UNDERPERFORM	00.84 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (50 in total) is as follows:

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

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Emitente	%	Long/Short
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