

NEODECORTECH

BUY

Sector: Industrials

Price: Eu3.10 - Target: Eu4.50

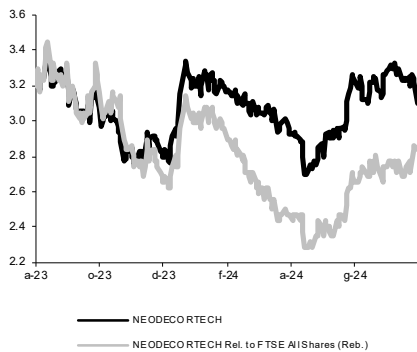
1H24 Results in Line, Demand Remains Weak

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| Stock Rating | | | |
|--------------------|-----------|-------|-------|
| Rating: | Unchanged | | |
| Target Price (Eu): | Unchanged | | |
| | 2024E | 2025E | 2026E |
| Chg in Adj EPS | -9.9% | -9.0% | 0.0% |

Next Event
9M24 Results Out 13 November

NEODECORTECH - 12M Performance



| Stock Data | | | |
|-------------------------|-----------|-------|--------|
| Reuters code: | NDT.MI | | |
| Bloomberg code: | NDT IM | | |
| Performance | 1M | 3M | 12M |
| Absolute | -4.9% | 8.8% | -1.6% |
| Relative | 2.9% | 15.6% | -10.7% |
| 12M (H/L) | 3.35/2.70 | | |
| 3M Average Volume (th): | 8.51 | | |

| 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): | 79 |
| BVPS (Eu): | 5.54 |
| P/BV: | 0.6 |
| Net Financial Position (Eu mn): | -27 |
| Enterprise Value (Eu mn): | 71 |

- 1H24 results in line with expectations.** Neodecortech has announced results for 1H24 that suffered from the slowdown in demand affecting the supply chain of decorative surfaces linked to the furniture and furnishings market. The company closed 1H with revenues of €85.3mn (-1.3% YoY), although the comparison was much more penalising for EBITDA, which went from €9.2mn in 1H23 to €6.9mn in 1H24, a margin of 8.1%. It is important to note, however, that the other revenues in 1H23 EBITDA included items related to the maximisation revenues pertaining to 2022. Net of this impact (€2.6mn), the 1H23 EBITDA margin would go from 10.7% to 7.6%. Net financial debt was €38.5mn, affected by €3.1mn of investments and €19mn of government credits that are yet to be cashed in.
- Revenue breakdown by area.** Sales in the Printed Decorative Paper and Decorative Paper divisions fell by 4.6% and 6.4% YoY respectively, while sales in the Energy division rose 17.3% YoY, thanks to an increase in the number of hours the plant was operational. Indeed, we note that 2023 figures suffered from a shutdown of the plant from 1 April to 15 May. Geographically, Italy and the US were hit by the largest declines, at -9% for Italy (excluding the impact of the energy division), which accounts for c.35% of revenues, and -13.5% for the US, which has a much smaller slice of overall revenues (c.4.5%). There was a slight drop in sales in the rest of Europe (-1.2%), which accounts for c.40% of revenues.
- Management indications.** The company expects the general slowdown in demand to continue across all the areas in which core companies operate, at least until the end of the current year. Energy carriers are expected to show stability, however. As for trends in strategic raw materials, resins, plastics and cellulose are expected to remain fairly stable, with potential further increases for paper and titanium dioxide and a slight downward trend for fuels used by the energy division. Following ARERA's approval of the resolution on guaranteed minimum prices, the credits accumulated in this area (€9.8mn) are likely to be cashed-in by the end of this year.
- Updated estimates.** Our 2024/25 estimates incorporate a likely continuation of the current slowdown in demand. We therefore expect 2H to be broadly in line with 1H, with a significant improvement in the net financial position.
- BUY confirmed, target price €4.50.** Once again, results showed that even in the current challenging domestic and international macroeconomic environment, Neodecortech has demonstrated considerable resilience. At current market prices the stock has approximately 40% of potential upside. We confirm our positive recommendation awaiting a more favourable macro environment, which could be heralded by potential interest rate cuts.

| Key Figures & Ratios | 2022A | 2023A | 2024E | 2025E | 2026E |
|------------------------|-------|-------|-------|-------|-------|
| Sales (Eu mn) | 196 | 162 | 171 | 179 | 183 |
| EBITDA Adj (Eu mn) | 16 | 14 | 15 | 16 | 18 |
| Net Profit Adj (Eu mn) | 8 | 3 | 3 | 4 | 6 |
| EPS New Adj (Eu) | 0.607 | 0.200 | 0.229 | 0.315 | 0.416 |
| EPS Old Adj (Eu) | 0.607 | 0.200 | 0.254 | 0.347 | 0.416 |
| DPS (Eu) | 0.139 | 0.141 | 0.057 | 0.079 | 0.104 |
| EV/EBITDA Adj | 5.1 | 5.1 | 4.8 | 4.1 | 3.5 |
| EV/EBIT Adj | 13.4 | 15.4 | 12.7 | 9.3 | 7.1 |
| P/E Adj | 5.1 | 15.5 | 13.5 | 9.8 | 7.5 |
| Div. Yield | 4.5% | 4.5% | 1.8% | 2.5% | 3.4% |
| Net Debt/EBITDA Adj | 1.9 | 1.9 | 1.8 | 1.5 | 1.0 |

NEODECORTECH – Key Figures

| Profit & Loss (Eu mn) | 2021A | 2022A | 2023A | 2024E | 2025E | 2026E |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| Sales | 176 | 196 | 162 | 171 | 179 | 183 |
| EBITDA | 18 | 16 | 14 | 15 | 16 | 18 |
| EBIT | 9 | 6 | 5 | 6 | 7 | 9 |
| Financial Income (charges) | -1 | 3 | -2 | -2 | -1 | -1 |
| Associates & Others | 0 | 0 | 0 | 0 | 0 | 0 |
| Pre-tax Profit | 8 | 9 | 3 | 4 | 6 | 8 |
| Taxes | -1 | -1 | 0 | -1 | -1 | -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 | 3 | 4 | 6 |
| EBITDA Adj | 18 | 16 | 14 | 15 | 16 | 18 |
| EBIT Adj | 9 | 6 | 5 | 6 | 7 | 9 |
| Net Profit Adj | 7 | 8 | 3 | 3 | 4 | 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 | 0.229 | 0.315 | 0.416 |
| EPS Adj f.d | 0.493 | 0.607 | 0.200 | 0.229 | 0.315 | 0.416 |
| BVPS f.d | 5.181 | 5.435 | 5.448 | 5.536 | 5.711 | 5.986 |
| Dividend per Share ORD | 0.089 | 0.139 | 0.141 | 0.057 | 0.079 | 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 | 12 | 14 | 15 |
| Change in NWC | 2 | -9 | 2 | -5 | -2 | -1 |
| Capital Expenditure | -10 | -9 | -6 | -6 | -6 | -6 |
| Other Cash Items | 0 | 0 | 0 | 0 | 0 | 0 |
| Free Cash Flow (FCF) | 7 | 1 | 8 | 1 | 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 | -1 | 3 | 5 |
| Balance Sheet (Eu mn) | 2021A | 2022A | 2023A | 2024E | 2025E | 2026E |
| Total Fixed Assets | 82 | 81 | 78 | 75 | 72 | 70 |
| Net Working Capital | 27 | 34 | 25 | 30 | 31 | 32 |
| Long term Liabilities | -8 | -8 | -7 | -7 | -7 | -7 |
| Net Capital Employed | 100 | 108 | 103 | 106 | 105 | 104 |
| Net Cash (Debt) | -29 | -31 | -26 | -27 | -24 | -19 |
| Group Equity | 70 | 77 | 77 | 79 | 81 | 85 |
| Minorities | 0 | 0 | 0 | 0 | 0 | 0 |
| Net Equity | 70 | 77 | 77 | 79 | 81 | 85 |
| Enterprise Value (Eu mn) | 2021A | 2022A | 2023A | 2024E | 2025E | 2026E |
| Average Mkt Cap | 53 | 51 | 45 | 44 | 44 | 44 |
| Adjustments (Associate & Minorities) | 0 | 0 | 0 | 0 | 0 | 0 |
| Net Cash (Debt) | -29 | -31 | -26 | -27 | -24 | -19 |
| Enterprise Value | 83 | 82 | 71 | 71 | 68 | 63 |
| Ratios (%) | 2021A | 2022A | 2023A | 2024E | 2025E | 2026E |
| EBITDA Adj Margin | 10.3% | 8.1% | 8.6% | 8.6% | 9.2% | 9.8% |
| EBIT Adj Margin | 5.2% | 3.1% | 2.9% | 3.3% | 4.1% | 4.8% |
| Gearing - Debt/Equity | 41.6% | 39.8% | 33.4% | 34.6% | 29.6% | 21.9% |
| Interest Cover on EBIT | 7.6 | nm | 2.3 | 3.1 | 5.2 | 8.6 |
| Net Debt/EBITDA Adj | 1.6 | 1.9 | 1.9 | 1.8 | 1.5 | 1.0 |
| ROACE* | 9.2% | 5.9% | 4.4% | 5.4% | 6.9% | 8.4% |
| ROE* | 10.1% | 11.4% | 3.7% | 4.2% | 5.6% | 7.1% |
| 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 | 4.8 | 4.1 | 3.5 |
| EV/EBIT Adj | 9.0 | 13.4 | 15.4 | 12.7 | 9.3 | 7.1 |
| Free Cash Flow Yield | 16.9% | 1.5% | 18.5% | 1.5% | 11.7% | 16.8% |
| Growth Rates (%) | 2021A | 2022A | 2023A | 2024E | 2025E | 2026E |
| Sales | 38.0% | 11.4% | -17.7% | 5.9% | 4.7% | 2.2% |
| EBITDA Adj | 24.1% | -11.9% | -13.1% | 6.4% | 11.5% | 9.3% |
| EBIT Adj | 68.1% | -33.8% | -24.0% | 20.9% | 30.1% | 20.6% |
| Net Profit Adj | 89.2% | 26.1% | -66.2% | 14.3% | 37.7% | 31.9% |
| EPS Adj | 85.7% | 22.9% | -67.0% | 14.3% | 37.7% | 31.9% |
| DPS | -36.3% | 56.9% | 1.4% | -59.4% | 37.7% | 31.9% |

*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): | 3.10 | Previous Price (Eu): | 2.93 |
| Date of report: | 07/08/2024 | Date of last report: | 13/05/2024 |

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- 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 MIDEX 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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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: | 23.97 % |
| OUTPERFORM: | 49.59 % |
| NEUTRAL: | 25.61 % |
| UNDERPERFORM | 00.83 % |
| SELL: | 00.00 % |

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (49 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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