

Neodecortech Spa

Sector: Décor surfaces



Closer to MTA translisting

Analyst

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Fair Value (€)	5.20
Market Price (€)	3.48
Market Cap. (€m)	45.6

Neodecortech (NDT) designs, produces and commercialises décor paper, finish foils, melamine films, and luxury vinyl tiles with the mission of enriching any surface with a distinctive Italian flair

10M19 results: pushing on business development

Neodecortech released 10M19 key financial figures, underlying a top line rebound vs. the weak 1H19 and a good control of operating costs ex raw materials which are starting back to increase at BEG level.

Consolidated revenues amounted to €115.7mn at 10M19 vs. €111.5mn in the same period of 2018, up by +3.8% YoY. Indeed, paper mill production site has been closed for three weeks mainly due to weather problems. Reported EBITDA came to €13.9mn vs. €14.4mn in 10M18. Profitability numbers should be positively read, given the record year achieved in 2018 by BEG, unreported however in 2019 due to the increase in raw materials.

Not taking into account €0.5mn non-recurring costs related to MTA translisting process and €0.7mn non-monetary impact of the 2017-2020 Stock Grant Plan, we calculate Adjusted EBITDA at €15.1mn, (-2.3% YoY), and Adj. Net Profit at €5.0mn (-21.7% YoY, stable if we consider the €1.4mn higher D&A charges 10M19 vs. 10M18).

Despite €6.5mn investment and €2mn dividends cash out, the Net Financial position stood at €43.4mn vs. €44.3mn as at 2018-year end.

Fine tuning of our 2019E-2020E forecasts

We are fine tuning our 2019E-2020E estimates. 2019E Top line and Adj. EBITDA have been revised downwards by 2.6% and 3.2% respectively. Net Financial position is expected to improve further at €41.5mn 2019E.

As far as 2020E is concerned, Neodecortech has announced the roll out of new products, cutting edge in terms of market proposition and innovation, and major upgrade of both the PPLF (Plastic Printed Laminated Film) and Plastic Laminates plants.

Fair Value at €5.20 unchanged

We keep unchanged our fair valuation at €5.20 per share implying fair 1.1x P/BV and 6.0x Adj. EV/EBITDA 2020E multiples.

If we consider the exercise of stock grant plan as already finalized (as of end of July 2019 NDT officially launched the project to move to MTA), some 690k additional shares are to be issued and fair value p.s. would become €4.94.

KEY FINANCIALS (€m)	2018A	2019E	2020E
REVENUES	133.4	136.1	149.7
EBITDA (*)	17.7	17.1	19.0
EBIT (*)	10.6	8.8	10.5
NET PROFIT (*)	6.0	5.2	6.3
EQUITY	58.6	61.7	66.1
NET FIN. POS.	-44.3	-41.5	-37.5
EPS ADJ. (€)	0.46	0.47	0.52
DPS (€)	0.15	0.15	0.18

Source: NDT (historical figures), Value Track (estimates)
(*) 2018A-19E after stock grant charges (see pag. 3)

RATIOS & MULTIPLES	2018A	2019E	2020E
EBITDA MARGIN (%)	13.3	12.6	12.7
EBIT MARGIN (%)	7.9	6.5	7.0
NET DEBT / EBITDA (x)	2.5	2.4	2.0
NET DEBT / EQUITY (%)	76	67	57
EV/EBITDA (x)	5.1	5.1	4.4
EV/EBIT (x)	8.6	9.9	8.1
P/E ADJ. (x)	6.9	7.4	6.7
P/BV (x)	0.9	0.7	0.7

Source: NDT (historical figures), Value Track (estimates)
(*) 2018A-19E after stock grant charges (see pag. 3)

STOCK DATA	
FAIR VALUE (€)	5.20
MARKET PRICE (€)	3.48
SHS. OUT. (m)	13.1
MARKET CAP. (€m)	45.6
FREE FLOAT (%)	36.1
AVG. -20D VOL. ('000)	14.325
RIC / BBG	NDT.MI / NDT IM
52 WK RANGE	2.92-4.50

Source: Stock Market Data



Business Description

Neodecortech is a leading manufacturer of decorative surfaces (mostly paper but more recently also plastic) to be employed in the interior design industry and in the flooring one.

More in details Neodecortech is involved in the design, development, production, and commercialisation of décor paper printing, finish foils, melamine films, and Plastic Films. The vision of the Group is that of enriching any surface with a distinctive Italian Flair.

Key Financials

€mn	2017A	2018A	2019E	2020E
Total Revenues	127.7	133.4	136.1	149.7
Chg. % YoY	10.5%	4.4%	2.1%	10.0%
Reported EBITDA (*)	14.2	17.7	17.1	19.0
Reported EBITDA Margin	11.1%	13.3%	12.6%	12.7%
Reported EBIT (*)	7.9	10.6	8.8	10.5
Reported EBIT Margin	6.2%	7.9%	6.5%	7.0%
Reported Net Profit (*)	4.1	6.0	5.2	6.3
Chg. % YoY	-8.8%	48.4%	-14.6%	22.7%
Net Fin. Position	-46.9	-44.3	-41.5	-37.5
Net Fin. Pos. / EBITDA (x)	3.3	2.5	2.4	2.0
Capex	-7.6	-6.5	-8.5	-9.0
OpFCF b.t.	2.9	10.3	6.8	10.2
OpFCF b.t. as % of EBITDA	20.3%	58.0%	40.0%	54.0%

Source: Company SpA (historical figures), Value Track (estimates)

(*) 2018A-19E figures after stock grant charges (see pag. 3)

Investment case

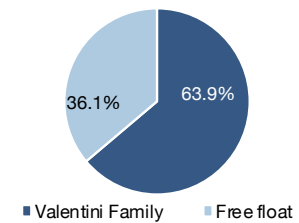
Strengths / Opportunities

- ◆ High flexibility granted by vertical integration;
- ◆ Strong attention to quality and design innovation;
- ◆ Full ownership of production plants;
- ◆ Approach to clients based on co-design / strong partnerships.

Weaknesses / Risks

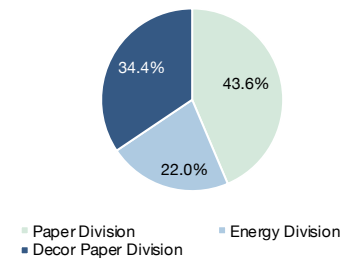
- ◆ Much lower size if compared to German competitors;
- ◆ Limited financial flexibility due to higher-than-targeted leverage;
- ◆ Exposure to a very restricted number of customers as well as suppliers.

Shareholders Structure



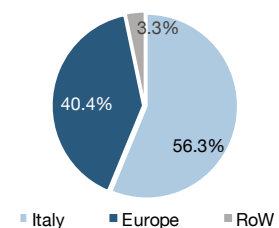
Source: Neodecortech SpA

Sales breakdown by Business Unit



Source: Neodecortech SpA

Sales breakdown by geography



Source: Neodecortech SpA

Stock multiples @ €5.20 Fair Value

	2019E	2020E
EV / SALES (x)	0.81	0.72
EV / EBITDA ADJ.(x)	6.0	5.7
EV / EBIT ADJ. (x)	10.9	8.0
EV / CAP.EMP. (x)	1.1	1.0
OpFCF Yield (%)	6.2	9.5
P / E ADJ. (x)	11.0	10.0
P / BV (x)	1.1	1.1
Div. Yield. (%)	2.9	3.4

Source: Value Track

10M19 figures at a glance

Neodecortech Group: Main Financials 10M18 and 10M19

€ mn	10M18	10M19	Change YoY (%)
Revenues from Sales	109.6	113.0	3.1%
Total Revenues i.e. V.o.P.	111.7	115.7	3.6%
EBITDA	14.4	13.9	-3.7%
EBITDA Adj.	15.4	15.1	-2.3%
Net Profit	5.2	3.8	-26.8%
Net Profit Adj.	6.4	5.0	-21.7%
Net Financial Position	-52.4	-43.4	n.m.

Source: Neodecortech, Value Track Analysis

New vs. old 2019E-20E estimates

Neodecortech: New vs. Old 2018E-19E forecasts

€mn	2019E			2020E		
	Old	New	Change	Old	New	Change
Group Revenues from Sales	137.1	133.1	-2.9%	149.7	147.7	-1.3%
Total Group Revenues	139.8	136.1	-2.6%	151.7	149.7	-1.3%
EBITDA Adj. (bef. stock grant charge)	19.0	18.4	-3.2%	19.7	19.0	-3.6%
EBITDA Rep. (aft. stock grant charge)	17.3	17.1	-1.2%	19.7	19.0	-3.6%
EBIT	8.9	8.8	-1.1%	11.1	10.5	-5.4%
Net Profit	5.2	5.2	-1.5%	6.8	6.3	-7.1%
Adj. Net Profit	6.6	6.2	-6.0%	7.4	6.9	-6.6%
OpFCF after tax	5.7	5.4	-0.4	8.6	8.6	0.0
Net Financial Position (*)	-42.8	-41.5	1.3	-38.8	-37.5	1.3

Source: Value Track analysis

(*) Not including a €1.7mn financial receivable from the non-listed parent company

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