

MATICA FINTEC

Sector: Industrials

BUY

Price: Eu2.52 - Target: Eu4.00

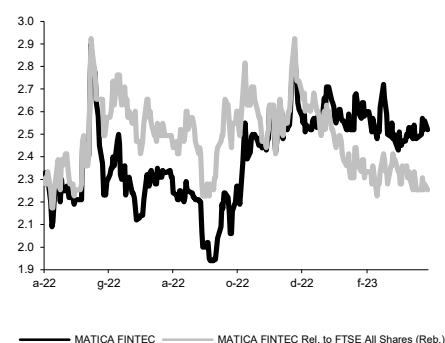
FY23-24: fine-tuning of estimates, Buy rating confirmed

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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 4.10 to 4.00		
	2022A	2023E	2024E
Chg in Adj EPS	16.2%	-8.0%	-3.5%

MATICA FINTEC - 12M Performance



Stock Data

Reuters code:	MFTC.MI		
Bloomberg code:	MFT IM		
Performance	1M	3M	12M
Absolute	2.0%	-4.5%	10.5%
Relative	-6.3%	-10.8%	0.3%
12M (H/L)	2.90/1.94		
3M Average Volume (th):	16.55		

Shareholder Data

No. of Ord shares (mn):	11
Total no. of shares (mn):	11
Mkt Cap Ord (Eu mn):	28
Total Mkt Cap (Eu mn):	28
Mkt Float - Ord (Eu mn):	14
Mkt Float (in %):	49.8%
Main Shareholder:	
Matica Technologies AG	50.0%

Balance Sheet Data

Book Value (Eu mn):	15
BVPS (Eu):	1.38
P/BV:	1.8
Net Financial Position (Eu mn):	3
Enterprise Value (Eu mn):	25

■ **Solid growth, sound FCF in FY22.** The group closed FY22 with sales up 34% YoY to Eu19.5mn; EBITDA growing over 50% YoY to Eu5.0mn with a margin of 25.5%, improving ca. 300bps vs. FY21 (22.6%) despite some dilutive impact from US acquisitions; EBIT doubling YoY to Eu3.9mn; and net profit growing to Eu2.6mn vs. Eu1.2mn in FY21. As at end-December 2022, the net financial position (including tax liabilities of Eu0.64mn) was positive at Eu0.81mn, an improvement on FY21 (Eu0.52mn net cash) despite the Eu1.5mn outlay for the cash component of the CTC and UBIQ acquisitions. Overall, results were above our initial expectations (preliminary figures were trailed in February) for sales (+6%) and FCF (Eu0.8mn better), and in line for EBITDA. We note the acceleration of sales growth in 2H22 (+50% YoY vs. +18% in 1H22) driven by the consolidation of CTC and UBIQ from July (Eu2mn contribution to sales, Eu0.3mn to EBITDA in FY22); the 2H22 EBITDA margin at 23.0% vs. 26.7% in 1H, reflecting lower profitability of acquired assets; and strong FCF in 2H (NFP turning positive to Eu0.8mn vs. net debt of Eu0.1mn as at end-June 2022).

■ **FY23-24 estimates.** Notwithstanding the better-than-expected FY22 base, we prefer to take a more cautious approach on FY23 growth outlook to reflect some macro slow-down and the shortage of electronic components disclosed by management on release of preliminary FY22 results in February. As a consequence, we cut FY22 sales by 9% from Eu22.5mn to Eu20.5mn and EBITDA by 8% from Eu5.7mn to Eu5.2mn. As for FY24, we cut sales by 8% but our EBITDA (-3%) and EPS (-3% including the impact of newly issued shares) are almost unchanged. We note that our NFP projections for FY23-24 are broadly confirmed with a Eu2.6mn net cash position estimated for FY23, rising to Eu4.8mn in FY24, assuming no M&A.

■ **Investment case: profitable growth, flexibility for M&A.** Matica Fintec competes globally (Italy accounts for <5% of sales) as a supplier of technological systems and software for the issuing of ID documents and financial cards. The company's core markets, estimated to be worth \$1bn and steadily growing by 5/7% a year, are niche ones, where it competes with a limited number of players (Entrust Datacard, HID, Muhlbauer, Evolis, and Zebra are the main competitors) as a supplier of high-end systems and technology (EBITDA margin consistently above 20% and surpassing 25% in FY22). The acquisition of CTC and UBIQ, now merged into a single company renamed Ubiq Software Inc., will provide the group with an asset base and local presence in the US market, which represents the key core market for Matica. With over Eu10mn liquidity and a positive NFP, the group has great flexibility to grow through M&A.

■ **BUY; target Eu4.0.** Our TP of Eu4.0 (from prev. Eu4.1 including the better FY22 NFP base, the model roll-over and the updated number of shares) is based on a DCF valuation of the business. At target, we value Matica Fintec at FY23 EV/Sales of 2.0x, EV/EBITDA of 8.0x, and P/E of 16.5x, which we deem undemanding in light of its technological positioning in growing niche markets, solid profitability and cash conversion.

Key Figures & Ratios	2020A	2021A	2022A	2023E	2024E
Sales (Eu mn)	13	15	20	21	25
EBITDA Adj (Eu mn)	2	3	5	5	6
Net Profit Adj (Eu mn)	0	1	3	3	3
EPS New Adj (Eu)	0.008	0.111	0.238	0.240	0.313
EPS Old Adj (Eu)	0.008	0.111	0.205	0.261	0.324
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	8.1	5.4	4.8	4.9	3.6
EV/EBIT Adj	32.5	8.8	6.1	6.2	4.5
P/E Adj	nm	22.7	10.6	10.5	8.1
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	0.2	-0.6	-0.3	-0.5	-0.7