

MATICA FINTEC	<i>Italy</i>	<i>FTSE AIM Italia</i>	<i>Technology Machinery</i>
Rating: BUY	Target Price: € 3,75 (prev. 3.00)	<i>Update</i>	Risk: Medium

Stock performance	1M	3M	6M	1Y
absolute	32,93%	54,61%	57,97%	50,76%
to FTSE AIM Italia	37,22%	45,88%	31,72%	-14,7%
to FTSE STAR Italia	39,67%	49,87%	38,76%	1,11%
to FTSE All-Share	34,51%	52,64%	52,48%	16,92%
to EUROSTOXX	37,18%	55,15%	55,58%	25,02%
to MSCI World Index	38,50%	56,48%	53,92%	25,14%

Stock Data

Price	€ 2,18
Target price	€ 3,75
Upside/(Downside) potential	71,8%
Bloomberg Code	MFT IMEQUITY
Market Cap (€m)	€ 22,91
EV (€m)	€ 25,03
Free Float	38,39%
Share Outstanding	10.508.200
52-week high	€ 2,43
52-week low	€ 1,15
Average daily volumes (3m)	113.000

Key Financials (€m)	FY20A	FY21E	FY22E	FY23E
VoP	12,7	15,8	18,3	21,8
EBITDA	2,2	3,3	4,0	5,0
EBIT	0,5	1,8	2,7	3,9
Net Profit	0,1	1,1	1,7	2,6
EPS (€)	0,00	0,10	0,16	0,24
EBITDA margin	17,0%	21,0%	21,9%	23,0%
EBIT margin	4,2%	11,4%	14,8%	17,9%

Main Ratios	FY20A	FY21E	FY22E	FY23E
EV/EBITDA (x)	11,6	7,6	6,3	5,0
EV/EBIT (x)	46,3	13,9	9,3	6,4
P/E (x)	490,7	23,8	14,7	9,8

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Stocks performance relative to FTSE AIM Italia



1H21A Results

The value of production in 1H21A stands at € 7.47 million, an increase of 29.4% compared to € 5.77 million in 1H20A. EBITDA amounted to € 1.55 million, almost double the value of 1H20A equal to € 0.72 million, with an EBITDA margin equal to 21.9% (13.3% at 1H20A), confirming the success of management efficiency policies and skillful management of the marginality. Net Income was also up, amounting to € 0.61 million after a break-even result in 1H20A. Regarding the NFP, there was an improvement from € 0.44 million in the first half of the last year to the value of € 0.32 million in 1H21A.

Estimates Update

In the light of the results published in the half-yearly report for 1H21A, we confirm our previous estimates both for the current year and for the coming years. In particular, we estimate the FY21E value of production equal to € 15.75 million and EBITDA of € 3.30 million, with a marginality of 22.0%. For subsequent years, we expect the value of production to increase up to € 21.75 million (CAGR 20A-23E: 19.51%) in FY23E, with EBITDA of € 5.00 million (an EBITDA margin of 23.8%), up from € 2.16 million in FY20A (EBITDA margin of 18.0%).

Valuation Update

We have conducted the valuation of Matica Fintec's equity value based on the DCF methodology and market multiples of a comparable companies sample. The DCF method (which in the calculation of the WACC includes for prudential purposes also a specific risk of 2.5%) provides an equity value of € 45.0 million. The equity value using market multiples is € 33.7 million (including a discount of 25%). The result is an average equity value of approx. € 39.4 million. The target price is € 3.75 (prev. € 3.00); BUY rating and MEDIUM risk.

1. Economics & Financials

Table 1 – Economics & Financials

CONSOLIDATED INCOME STATEMENT (€/mIn)	FY19A	FY20A	FY21E	FY22E	FY23E
Sales	14,32	12,01	15,00	17,50	21,00
Other Revenues	0,65	0,73	0,75	0,75	0,75
Value of Production	14,97	12,74	15,75	18,25	21,75
COGS	6,10	5,23	6,40	7,30	8,60
Use of Asset owned by Others	0,25	0,25	0,25	0,25	0,25
Services	2,24	1,96	2,40	2,80	3,30
Employees	3,14	3,06	3,30	3,80	4,50
Other Operating Expenses	0,07	0,07	0,10	0,10	0,10
EBITDA	3,18	2,16	3,30	4,00	5,00
<i>EBITDA Margin</i>	22,2%	18,0%	22,0%	22,9%	23,8%
D&A	2,53	1,62	1,50	1,30	1,10
EBIT	0,65	0,54	1,80	2,70	3,90
<i>EBIT Margin</i>	4,5%	4,5%	12,0%	15,4%	18,6%
Financial Management	0,03	(0,34)	(0,25)	(0,20)	(0,15)
EBT	0,68	0,20	1,55	2,50	3,75
Taxes	0,37	0,15	0,50	0,80	1,20
Net Income	0,31	0,05	1,05	1,70	2,55

CONSOLIDATED BALANCE SHEET (€/mIn)	FY19A	FY20A	FY21E	FY22E	FY23E
Fixed Asset	5,96	6,02	6,05	6,25	6,65
Accounts receivable	2,41	3,25	3,30	3,80	4,55
Inventories	3,01	3,51	3,80	4,30	5,00
Accounts payable	2,28	1,80	2,30	2,60	3,10
Operating Working Capital	3,14	4,97	4,80	5,50	6,45
Other Receivables	1,43	0,58	1,30	1,50	1,70
Other Payables	1,32	1,31	1,50	1,70	2,00
Net Working Capital	3,24	4,24	4,60	5,30	6,15
Severance Indemnities & Provision	0,40	0,48	0,50	0,55	0,60
NET INVESTED CAPITAL	8,80	9,77	10,15	11,00	12,20
Share Capital	5,25	5,25	5,25	5,25	5,25
Reserves and Retained Profits	1,92	2,35	2,40	3,45	5,15
Net Profit	0,31	0,05	1,05	1,70	2,55
Equity	7,48	7,65	8,70	10,40	12,95
Cash and Cash Equivalents	5,55	7,36	6,45	6,00	6,05
Short-Term Financial Debt	2,97	1,89	1,50	1,00	0,50
ML Term Financial Debt	1,86	5,92	5,00	4,50	4,00
Net Financial Position	(0,73)	0,44	0,05	(0,50)	(1,55)
Other Debt	2,05	1,67	1,40	1,10	0,80
NFP Adjusted	1,32	2,12	1,45	0,60	(0,75)
TOTAL SOURCES	8,80	9,77	10,15	11,00	12,20

CONSOLIDATED CASH FLOW (€/mIn)	FY19A	FY20A	FY21E	FY22E	FY23E
EBIT	0,65	0,54	1,80	2,70	3,90
Taxes	0,37	0,15	0,50	0,80	1,20
NOPAT	0,28	0,39	1,30	1,90	2,70
D&A	2,53	1,62	1,50	1,30	1,10
Change in receivables	(0,68)	(0,84)	(0,05)	(0,50)	(0,75)
Change in inventories	(0,42)	(0,50)	(0,29)	(0,50)	(0,70)
Change in payables	(0,65)	(0,49)	0,50	0,30	0,50
Other changes	0,09	0,84	(0,53)	0,00	0,10
Change in NWC	(1,66)	(0,99)	(0,36)	(0,70)	(0,85)
Change in Provisions	(0,14)	0,09	0,02	0,05	0,05
OPERATING CASH FLOW	1,01	1,10	2,45	2,55	3,00
Investments	(1,18)	(1,68)	(1,53)	(1,50)	(1,50)
FREE CASH FLOW	(0,17)	(0,58)	0,92	1,05	1,50
Financial Management	0,03	(0,34)	(0,25)	(0,20)	(0,15)
Change in Payables	0,17	2,60	(1,58)	(1,30)	(1,30)
Change in Equity	4,67	0,13	0,00	0,00	0,00
FREE CASH FLOW TO EQUITY (FCFE)	4,71	1,81	(0,91)	(0,45)	0,05

Source: Matica Fintec and Integrae SIM estimates

1.1 1H21A Results

Table 2 – 1H21A vs 1H20A

€/mln	Revenues	EBITDA	EBITDA %	EBIT	Net Income	NFP Adj.
1H21A	7,08	1,55	21,9%	1,01	0,61	1,77
1H20A	5,40	0,72	13,3%	-0,07	0,00	2,12*
<i>Change</i>	<i>31,1%</i>	<i>115,9%</i>	<i>8,6%</i>	<i>N.A</i>	<i>N.A</i>	<i>N.A</i>

Source: Integrae SIM

*NFP as of 31/12/2020

Through a press release, the Company, commenting on the half-yearly results, states that: *"We are very satisfied with the results achieved during this semester. Compared to the same periods of the previous fiscal years (2020 and 2019), the company achieved significant margins, growing significantly on revenues, operating profit, and net profit. The data, in fact, that makes us particularly satisfied, is that this growth is also confirmed in relation to the 2019 pre-Covid half-year results. Despite the continuation of the pandemic crisis that continues to generate negative effects on the value chain, we are confident that we will be able to continue the positive trend and internal and external growth strategies announced at the IPO, only temporarily postponed due to the pandemic"*

Turnover amounted to € 7.08 million, 31.1% up compared to the half-yearly data of 1H20A, equal to € 5.40 million, confirming a gradual recovery in activities following the global value chain tensions of the previous years. The value of production in 1H21A, on the other hand, stands at € 7.47 million, an increase of 29.4% compared to € 5.77 million in 1H20A.

EBITDA amounted to € 1.55 million, almost double the value of 1H20A equal to € 0.72 million, with an EBITDA margin equal to 21.9% (13.3% at 1H20A), confirming the success of management efficiency policies and skillful management of the marginality of single orders.

EBIT, after amortization and depreciation of € 0.55 million, stands at a value of € 1.01 million, exceeding the full year 2020 figure of € 0.54 million (- € 0.07 million in 1H20A) for growth of 158.0% compared to € 0.40 million in the first half of 2019. The EBIT margin is equal to 14.2%.

Net Income was also up, amounting to € 0.61 million after a substantially break-even result in 1H20A.

Regarding the NFP, there was a slight improvement from € 0.44 million in the first half of the last year to the value of € 0.32 million in 1H21A. The NFP Adj., which takes into account the overdue tax and social security debts, is equal to € 1.77 million (€ 2.12 million in 1H21A).

1.2 FY21E – FY23E Estimates

Table 3 – Estimates Updates FY21E-23E

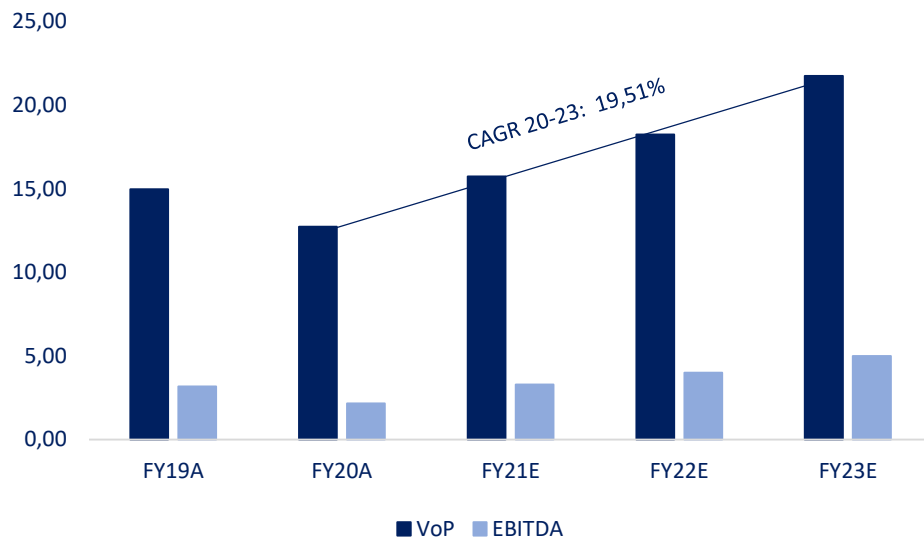
€/mln	FY21E	FY22E	FY23E
VoP			
New	15,8	18,3	21,8
Old	15,8	18,3	21,8
Change	0,0%	0,0%	0,0%
EBITDA			
New	3,3	4,0	5,0
Old	3,3	4,0	5,0
Change	0,0%	0,0%	0,0%
EBITDA %			
New	22,0%	22,9%	23,8%
Old	22,0%	22,9%	23,8%
Change	0,0%	0,0%	0,0%
EBIT			
New	1,8	2,7	3,9
Old	1,8	2,7	3,9
Change	0,0%	0,0%	0,0%
Net Income			
New	1,1	1,7	2,6
Old	1,1	1,7	2,6
Change	0,0%	0,0%	0,0%

Source: Integrae SIM

In the light of the results published in the half-yearly report for 1H21A, we confirm our previous estimates both for the current year and for the coming years. We highlight how despite the difficulties in formulating reliable forecasts due to the persistence of the pandemic crisis and the consequent uncertainties related to geographical expansion, the Company has been able to continue its growth strategy consistently, as evidenced by partnerships and international supply contracts.

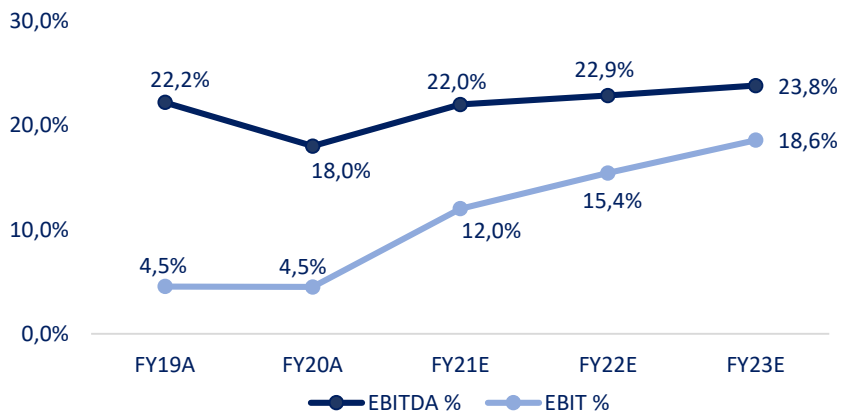
In particular, we estimate the FY21E value of production equal to € 15.75 million and EBITDA of € 3.30 million, corresponding to a marginality of 22.0%. For subsequent years, we expect the value of production to increase up to € 21.00 million (CAGR 20A-23E: 19.51%) in FY23E, with EBITDA of € 5.00 million (corresponding to an EBITDA margin of 23.8%), up from € 2.16 million in FY20A (corresponding to an EBITDA margin of 18.0%).

Chart 3 – VoP and EBITDA FY19A-FY23E



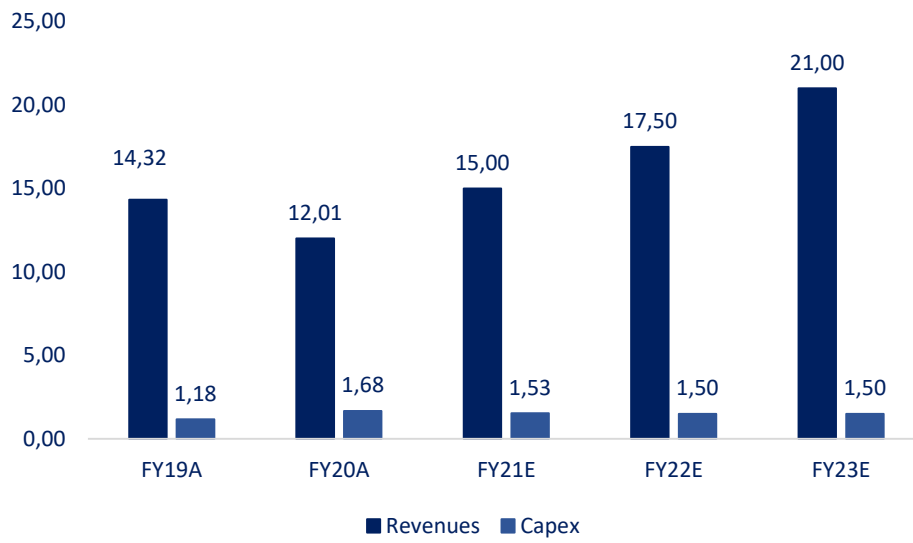
Source: Integrae SIM

Chart 4 – Margin FY19A-FY23E



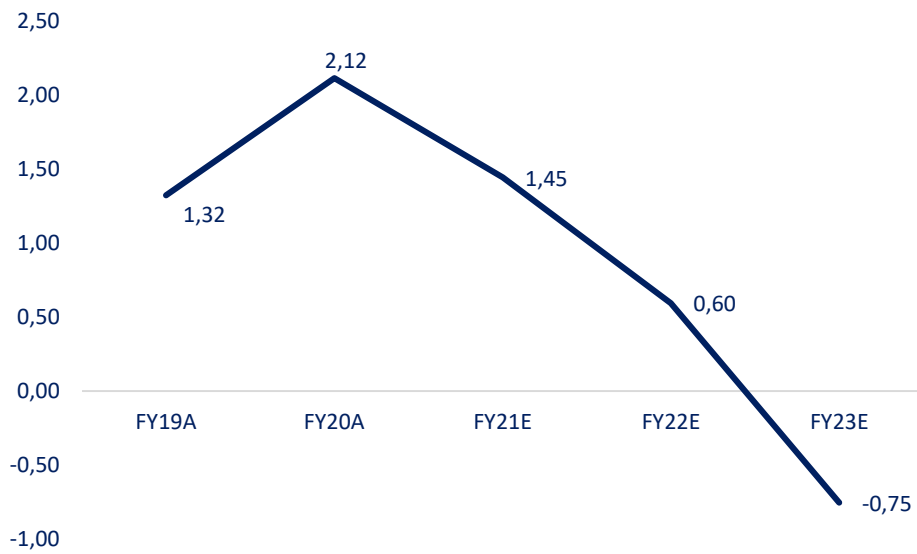
Source: Integrae SIM

Chart 5 – Capex FY19A-FY23E



Source: Integrae SIM

Chart 6 – NFP FY19A-FY23E



Source: Integrae SIM

2. Valuation

We have conducted the valuation of Matica Fintec's equity value based on the DCF methodology and market multiples of a comparable companies sample.

2.1 DCF Method

Table 4 – WACC

WACC		5,09%
Risk Free Rate	-0,19% α (specific risk)	2,50%
Market Premium	6,85% Beta Adjusted	0,89
D/E (average)	100,00% Beta Relevered	1,52
Ke	8,37% Kd	2,50%

Source: Integrae SIM

For prudential purposes, we have included a specific risk of 2.5%. This results in a WACC of 5.09%.

Table 5 – DCF Valuation

DCF Equity Value		45,0
FCFO actualized	5,4	12%
TV actualized DCF	41,7	88%
Enterprise Value	47,1	100%
NFP (FY20A)	2,1	

Source: Integrae SIM

With the above data and taking as a reference our estimates and assumptions, the result is an **equity value of € 45.0 million**.

Table 6 – Equity Value – Sensitivity Analysis

€/mln	Growth rate (g)	WACC						
		3,6%	4,1%	4,6%	5,1%	5,6%	6,1%	6,6%
2,5%		167,5	114,1	86,3	69,2	57,6	49,3	43,0
2,0%		115,9	87,6	70,2	58,5	50,1	43,7	38,7
1,5%		88,9	71,3	59,4	50,8	44,3	39,3	35,2
1,0%		72,4	60,3	51,6	45,0	39,9	35,7	32,3
0,5%		61,3	52,4	45,7	40,5	36,3	32,8	29,9
0,0%		53,2	46,4	41,1	36,8	33,3	30,4	27,9
-0,5%		47,1	41,7	37,4	33,8	30,8	28,3	26,2

Source: Integrae SIM

2.2 Market multiples

Our panel is made up of companies operating in the same sector as Matica Fintec. These companies are the same ones used for the calculation of Beta for the DCF method. The Panel is composed of:

Table 7 – Market Multiples

Company Name	EV/EBITDA (x)			EV/EBIT (x)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Zebra Technologies Corp.	24,3	22,6	20,6	25,7	25,1	22,9
Evolis SA	N/A	N/A	N/A	N/A	N/A	N/A
Sato Holdings Corp.	6,6	5,5	4,6	10,3	8,3	6,4
MGI Digital Graphic Technology	23,9	9,5	7,6	31,5	11,8	9,1
Xaar plc	800,3	27,9	12,1	N/M	87,0	28,6
Toshiba Tec Corp.	7,2	6,8	6,5	13,3	11,9	10,7
Median	23,9	9,5	7,6	19,5	11,9	10,7

Source: Infinancials

Table 8 – Market Multiples Valuation

€/mln	FY21E	FY22E	FY23E
Enterprise Value (EV)			
EV/EBITDA	78,7	37,9	38,1
EV/EBIT	35,1	32,2	41,8
Equity Value			
EV/EBITDA	77,3	37,3	38,8
EV/EBIT	33,6	31,6	42,6
Equity Value post discount			
EV/EBITDA	58,0	28,0	29,1
EV/EBIT	25,2	23,7	32,0
Average	41,6	25,8	30,5

Source: Integrae SIM

The equity value of Matica Fintec using the market multiples EV/EBITDA and EV/EBIT is equal to € 45.0 million. To this value, we have applied a 25% discount. **Therefore, as a result, the equity value is € 33.7 million.**

2.3 Equity Value

Table 9 – Equity Value

Average Equity Value (€/mln)	39,4
Equity Value DCF (€/mln)	45,0
Equity Value multiples (€/mln)	33,7
Target Price (€)	3,75

Source: Integrae SIM

The result is an average equity value of € 39.4 million. **The target price is, therefore, € 3.75 (prev. €3.00). We confirm BUY rating and MEDIUM risk.**

Table 10 – Target Price Implied Valuation Multiples

Implied Multiples	FY21E	FY22E	FY23E
EV/EBITDA	12,6x	10,4x	8,3x
EV/EBIT	23,0x	15,4x	10,6x

Source: Integrae SIM

Table 11 – Current Price Implied Valuation Multiples

Implied Multiples	FY21E	FY22E	FY23E
EV/EBITDA	7,6x	6,3x	5,0x
EV/EBIT	13,9x	9,3x	6,4x

Source: Integrae SIM

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19/03/2021	1,26	Buy	3,00	Medium	Update

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Equity Total Return (ETR) for different risk categories			
Rating	Low Risk	Medium Risk	High Risk
BUY	ETR >= 7.5%	ETR >= 10%	ETR >= 15%
HOLD	-5% < ETR < 7.5%	-5% < ETR < 10%	0% < ETR < 15%
SELL	ETR <= -5%	ETR <= -5%	ETR <= 0%
U.R.	Rating e/o target price Under Review		
N.R.	Stock Not Rated		

Valuation methodologies (long term horizon: 12 months)

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- In the IPO phase, Integrae SIM played the role of global coordinator.