

MATICA FINTEC

Sector: Industrials

BUY

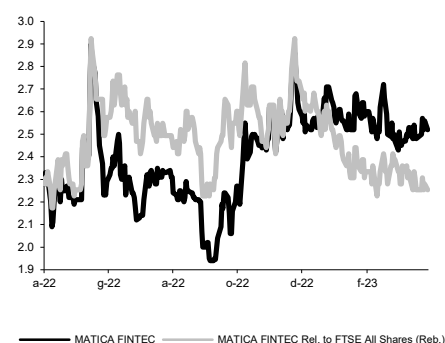
Price: Eu2.52 - Target: Eu4.00

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

MATICA FINTEC – Key Figures

Profit & Loss (Eu mn)	2019A	2020A	2021A	2022A	2023E	2024E
Sales	15	13	15	20	21	25
EBITDA	3	2	3	5	5	6
EBIT	1	1	2	4	4	5
Financial Income (charges)	-0	-0	-0	-0	-0	-0
Associates & Others	0	-0	0	0	0	0
Pre-tax Profit	1	0	2	4	4	5
Taxes	-0	-0	-1	-1	-1	-1
Tax rate	54.8%	74.9%	31.3%	26.6%	27.3%	28.8%
Minorities & Discontinued Operations	0	0	0	0	0	0
Net Profit	0	0	1	3	3	3
EBITDA Adj	3	2	3	5	5	6
EBIT Adj	1	1	2	4	4	5
Net Profit Adj	0	0	1	3	3	3
Per Share Data (Eu)	2019A	2020A	2021A	2022A	2023E	2024E
Total Shares Outstanding (mn) - Average	11	11	11	11	11	11
Total Shares Outstanding (mn) - Year End	11	11	11	11	11	11
EPS f.d	0.029	0.005	0.118	0.247	0.240	0.313
EPS Adj f.d	0.010	0.008	0.111	0.238	0.240	0.313
BVPS f.d	0.711	0.728	0.820	1.193	1.385	1.697
Dividend per Share ORD	0.000	0.000	0.000	0.000	0.000	0.000
Dividend per Share SAV						
Dividend Payout Ratio (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash Flow (Eu mn)	2019A	2020A	2021A	2022A	2023E	2024E
Gross Cash Flow	3	2	2	4	4	5
Change in NWC	-2	-2	1	-1	-1	-1
Capital Expenditure	-1	-2	-1	-2	-2	-2
Other Cash Items	-1	1	1	-0	0	0
Free Cash Flow (FCF)	-1	-1	3	1	1	2
Acquisitions, Divestments & Other Items	0	0	0	-2	0	0
Dividends	0	0	0	0	0	0
Equity Financing/Buy-back	5	0	-0	1	0	0
Change in Net Financial Position	5	-1	3	0	1	2
Balance Sheet (Eu mn)	2019A	2020A	2021A	2022A	2023E	2024E
Total Fixed Assets	6	6	6	7	6	6
Net Working Capital	3	4	4	5	6	7
Long term Liabilities	-0	-1	-1	0	0	0
Net Capital Employed	9	10	9	12	12	13
Net Cash (Debt)	1	-0	2	1	3	5
Group Equity	7	8	9	13	15	19
Minorities	0	0	0	0	0	0
Net Equity	7	8	9	13	15	19
Enterprise Value (Eu mn)	2019A	2020A	2021A	2022A	2023E	2024E
Average Mkt Cap	20	15	18	25	28	28
Adjustments (Associate & Minorities)	-2	-2	-1	-1	-1	-1
Net Cash (Debt)	1	-0	2	1	3	5
Enterprise Value	22	18	18	24	25	23
Ratios (%)	2019A	2020A	2021A	2022A	2023E	2024E
EBITDA Adj Margin	21.2%	17.0%	21.6%	24.6%	24.5%	25.9%
EBIT Adj Margin	4.3%	4.2%	13.2%	19.2%	19.1%	20.8%
Gearing - Debt/Equity	-9.7%	5.8%	-21.0%	-11.6%	-17.3%	-25.6%
Interest Cover on EBIT	2.5	1.8	6.2	7.9	8.9	12.4
Net Debt/EBITDA Adj	-0.2	0.2	-0.6	-0.3	-0.5	-0.7
ROACE*	7.6%	5.7%	21.0%	37.4%	34.3%	41.5%
ROE*	2.1%	1.1%	14.2%	23.6%	19.0%	20.3%
EV/CE	2.5	1.9	1.8	2.3	2.1	1.9
EV/Sales	1.4	1.4	1.2	1.2	1.2	0.9
EV/EBITDA Adj	6.8	8.1	5.4	4.8	4.9	3.6
EV/EBIT Adj	33.3	32.5	8.8	6.1	6.2	4.5
Free Cash Flow Yield	-1.9%	-2.7%	10.2%	3.2%	4.7%	7.6%
Growth Rates (%)	2019A	2020A	2021A	2022A	2023E	2024E
Sales	7.0%	-14.9%	19.1%	33.3%	5.6%	17.5%
EBITDA Adj	40.3%	-31.9%	51.3%	51.8%	5.4%	23.9%
EBIT Adj	nm	-16.9%	270.8%	94.0%	4.9%	27.9%
Net Profit Adj	nm	-83.6%	2332.9%	111.2%	1.5%	30.0%
EPS Adj	nm	-20.4%	1326.8%	114.1%	0.9%	30.0%
DPS						

*Excluding extraordinary items

Source: Intermonte SIM estimates

Matica Fintec in Brief

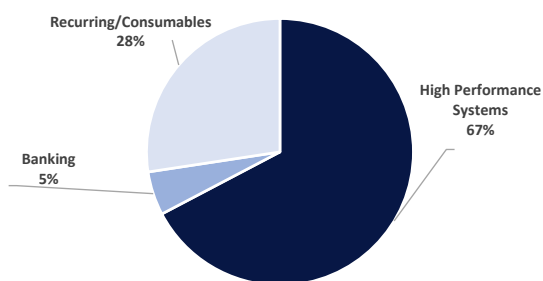
Company description

Matica Fintec is a global company operating in the design, production, and marketing of technological solutions for governments and financial institutions in the e-ID and payments markets. The group offers a broad portfolio of solutions capable of satisfying customers' needs for both centralised and decentralised issuing systems.

Strengths/Opportunities

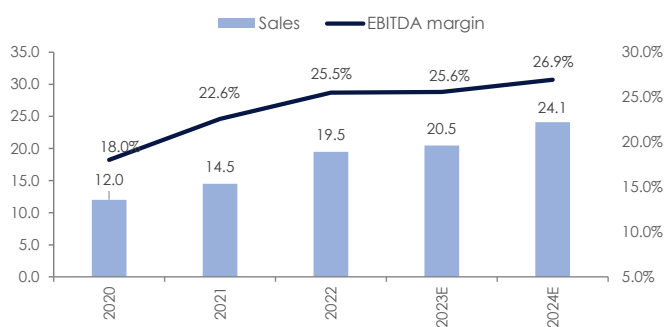
- Exposure to growing markets for digital identity and payments
- Experienced management team, excellent operations management, and R&D at the heart of the business model. Positioned in the high-end, value-added niches of the market
- Financially solid
- Accelerating growth in the US after acquisitions

Figure 1: Sales by product 1H22



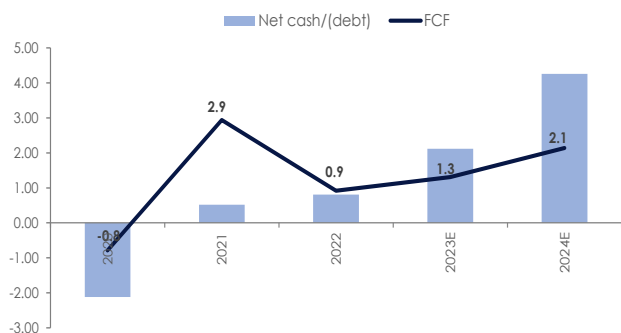
Source: Company data

Figure 3: Sales (Eu mn), EBITDA margin (%) 2020-2024E



Source: Company data, Intermonte SIM

Figure 5: Financial NFP and FCF 2021-2024E (Eu mn)



Source: Intermonte SIM

Management

Chairman: Sandro Camilleri
General Manager: Gabriella Minerva
Operation Director: Pietro Broggian

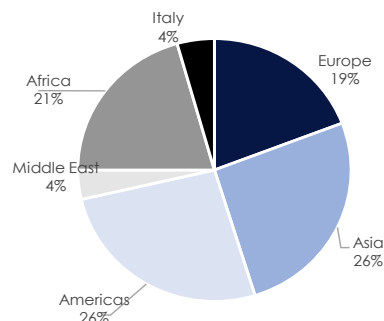
Shareholding

DISO Verwaltungs AG	50.0%
Matica technologies Group SA	9.1%

Weaknesses/Threats

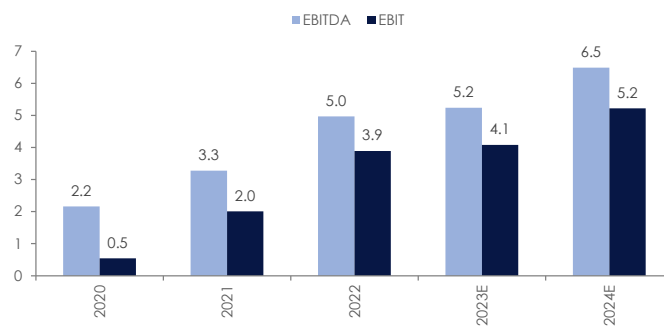
- Matica Fintec's competitors are larger in size, although less agile or flexible at making bespoke products at low cost
- The sector is characterised by a high degree of innovation and integration of new technology
- Low stock liquidity

Figure 2: Sales by geographical region 1H22



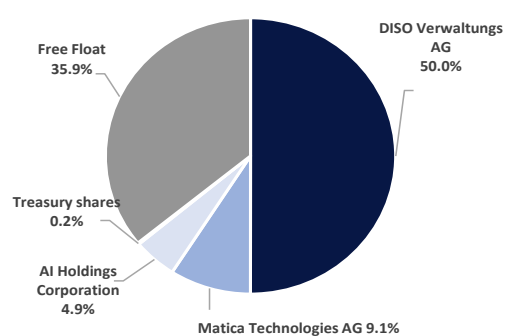
Source: Company data

Figure 4: EBITDA, EBIT 2020-2024E (Eu mn)



Source: Company data, Intermonte SIM

Figure 6: Shareholding



Source: Company data

Valuation

Our TP of Eu4.0 per share 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.

Listed competitors include Zebra (low percentage of sales in Matica's core markets), Muhlbauer, and Evolis. Amongst unlisted companies, key competitors are Entrust Datacard and HID.

Matica Fintec vs. FTSE Italia All Shares 1 year, rebased



Source: Facset

Matica Fintec trading multiples – current price and TP

Multiples (current price)	2020A	2021A	2022A	2023E	2024E
Mkt Cap EURmn	15.5	26.5	27.8	27.8	27.8
EV/SALES	1.4x	1.7x	1.4x	1.2x	0.9x
EV/EBITDA	8.1x	7.9x	5.5x	4.9x	3.6x
EV/EBIT	32.5x	13.0x	7.1x	6.3x	4.5x
P/E	188.5x	22.7x	11.3x	10.6x	8.1x
FCF YIELD %	-5.1%	11.2%	3.2%	4.7%	7.7%
Multiples (target price)	2020A	2021A	2022A	2023E	2024E
Mkt cap target Eumn	43.1	43.1	43.8	43.8	43.8
EV/SALES	3.6x	2.8x	2.1x	2.0x	1.6x
EV/EBITDA	20.9x	13.0x	8.5x	8.0x	6.1x
EV/EBIT	83.6x	21.2x	10.9x	10.2x	7.6x
P/E	525.8x	36.9x	17.2x	16.5x	12.8x
FCF YIELD %	-1.8%	6.8%	2.1%	3.0%	4.9%

Source: Intermonte Sim

Earnings model FY22-24e

2H/FY22 results

In 2H22, sales came in at €11.0mn (+50.1% YoY) vs. our est. of €9.96mn (+12% vs. est.) and EBITDA at €2.63mn (+53% YoY), in line with our estimate of €2.64mn, with the EBITDA margin at 23.6% (23.2% in 2H21) driven by the improving mix after a shift towards products at the high end of the value chain. Net profit at €1.39mn, more than doubling YoY, compared to our est. of €0.98mn. Net cash of Eu0.81mn as at year-end (vs. our breakeven estimate) showed a significant improvement on 1H22 (Eu0.1mn net debt position as at end-June) despite the Eu1.5mn cash-out to acquire CTC and UBIQ.

FY23-24 estimates

We estimate Matica Fintec will close FY23e with sales of Eu20.5mn (+5.1% YoY), EBITDA of Eu5.2mn (+5.4%), a 25.6% margin, net profit of Eu2.6mn, and Eu2.1mn in net cash. As for FY24, we expect the company to achieve:

- sales of Eu24mn (+11% CAGR22-24e) before potential M&A, driven by growing demand in core markets, new product/technology offering, and an increase in spares and consumables reflecting the growing installed base
- EBITDA rising to Eu6.5mn (+14% CAGR22-24e), with the margin remaining above 25%
- EBIT above Eu5.0mn (+16% CAGR2022-24e) with the margin reaching 21.7%
- Net profit reaching Eu3.4mn (+15% CAGR2022-24e)
- Adjusted net cash position including tax liabilities reaching Eu4.3mn net as at end-2024, assuming no dividend payout or acquisitions.

Estimates Change

Change in estimates

(Eu mn)	2021	2022	2023E	2024E	2025E
Revenues new	14.5	19.5	20.5	24.1	26.5
Revenues old		18.3	22.6	26.3	
% change		6.4%	-9.5%	-8.3%	
EBITDA new	3.3	5.0	5.2	6.5	7.0
EBITDA old		5.0	5.7	6.7	
% change		-0.2%	-7.7%	-2.7%	
EBIT new	2.0	3.9	4.1	5.2	5.7
EBIT old		3.7	4.5	5.5	
% change		5.2%	-9.9%	-4.9%	
Net Profit new	1.2	2.6	2.6	3.4	3.7
Net profit old		2.2	2.8	3.5	
% change		18.4%	-5.7%	-1.2%	
Net debt/(cash) new	-1.8	-1.4	-2.6	-4.8	-7.8
Net debt/(cash) old		-0.9	-2.5	-4.8	
% change		64.1%	5.6%	-1.3%	
EPS new	0.111	0.238	0.240	0.313	0.337
EPS old		0.205	0.261	0.324	
		16.2%	-8.0%	-3.5%	

Source: Company data, Intermonte estimates

Financials

Profit & Loss

Eu mn	2020A	2021A	2022A	2023E	2024E
Sales	12.01	14.51	19.49	20.48	24.08
Capitalized works	0.73	0.67	0.74	0.88	1.02
Value of production	12.74	15.18	20.22	21.36	25.10
growth %	-14.9%	0.0%	0.0%	5.1%	17.6%
COGS	-5.23	-6.37	-6.72	-7.80	-9.20
Gross Profit	7.51	8.80	13.51	13.56	15.90
margin %	58.9%	58.0%	66.8%	63.5%	63.4%
Services	-1.96	-2.15	-4.07	-3.89	-4.65
on sales %	16.3%	14.8%	20.9%	19.0%	19.3%
Labour cost	-3.06	-3.08	-3.93	-4.00	-4.32
on sales %	25.5%	21.2%	20.1%	19.5%	17.9%
G&A	-0.25	-0.25	-0.29	-0.35	-0.36
Others	-0.07	-0.05	-0.25	-0.08	-0.09
Total operating costs	-5.34	-5.53	-8.54	-8.32	-9.41
EBITDA	2.16	3.27	4.97	5.24	6.49
growth %	-31.9%	51.3%	51.8%	5.4%	23.9%
margin %	18.0%	22.6%	25.5%	25.6%	26.9%
D&A	-1.53	-1.27	-1.08	-1.16	-1.27
Provisions and others	-0.09	0.00	0.00	0.00	0.00
D&A and others	-1.62	-1.27	-1.08	-1.16	-1.27
EBIT	0.54	2.01	3.89	4.08	5.22
growth %	-16.9%	270.8%	94.0%	4.9%	27.9%
margin %	4.5%	13.8%	20.0%	19.9%	21.7%
Financial Income	0.08	0.05	0.00	0.00	0.00
Financial expensens	-0.37	-0.38	-0.49	-0.46	-0.42
Total financial income/(costs)	-0.29	-0.33	-0.49	-0.46	-0.42
Extraordinaries	-0.05	0.11	0.13	0.00	0.00
Profit Before Tax	0.20	1.79	3.53	3.62	4.80
Taxes	-0.15	-0.56	-0.94	-0.99	-1.38
tax rate%	74.9%	31.3%	26.6%	27.3%	28.8%
Minorities	0.00	0.00	0.00	0.00	0.00
Net Profit	0.05	1.23	2.59	2.63	3.42
growth %	-83.6%	2332.9%	111.2%	1.5%	30.0%
One-off income/(costs)	-0.03	0.07	0.09	0.00	0.00
Adj. Net Profit	0.08	1.15	2.50	2.63	3.42
growth %	-20.4%	1307.9%	116.8%	5.2%	30.0%
Data per share	2020A	2021A	2022A	2023E	2024E
Number of shares m	10.5	10.5	10.5	10.5	11.0
Treasury shares	0.0	0.1	0.0	0.0	0.0
Shares net of treasury shares	10.5	10.4	10.5	10.5	10.9
EPS reported	0.00	0.12	0.25	0.24	0.31
EPS Adj.	0.01	0.11	0.24	0.24	0.31
DPS	0.00	0.00	0.00	0.00	0.00
FCF per share	-0.08	0.28	0.09	0.12	0.20
BVPS	0.73	0.83	1.19	1.39	1.70

Source: Intermonte SIM

Balance Sheet

Eu mn	2020A	2021A	2022A	2023E	2024E
Intangible Assets	5.49	5.39	6.78	5.60	5.60
Tangible Assets	0.52	0.41	0.38	0.72	0.95
Financial investment	0.04	0.04	0.00	0.00	0.00
Tax assets	0.31	0.03	0.12	0.12	0.12
Employee benefit obligations	-0.48	-0.36	-0.28	-0.28	-0.29
Other non current assets/liabilities	0.00	0.00	-0.01	-0.01	-0.01
Total Fixed Assets	6.37	5.87	6.99	6.14	6.37
Invested Capital	9.77	8.10	11.73	13.05	14.33
Minorities	0.00	0.00	0.00	0.00	0.00
Shareholders equity	7.65	8.62	12.54	15.17	18.59
Shareholder funds	7.65	8.62	12.54	15.17	18.59
Cash	-7.36	-13.47	-12.84	-14.02	-16.16
Financial Net Debt / (Cash)	0.44	-1.81	-1.45	-2.62	-4.76
Other financial liabilities	1.67	1.29	0.64	0.50	0.50
Adj. net debt/(cash)	2.12	-0.52	-0.81	-2.12	-4.26
Total Sources	9.77	8.10	11.73	13.05	14.33
ROE	1.1%	14.2%	23.6%	19.0%	20.3%
ROIC	4.1%	15.7%	27.5%	23.0%	26.7%

Source: Intermonte SIM

Cash Flow

Eu mn	2020A	2021A	2022A	2023E	2024E
EBIT	0.54	2.01	3.89	4.08	5.22
D&A and others	1.62	1.27	1.08	1.16	1.27
Cash flow from operations	2.16	3.27	4.97	5.24	6.49
Change in Net Working Capital	-1.63	0.63	-1.12	-0.98	-1.05
Capex	-1.59	-1.00	-1.50	-1.50	-1.50
Taxes	-0.28	-0.39	-0.94	-0.99	-1.38
Interests and others	0.54	0.43	-0.49	-0.46	-0.42
FCF	-0.79	2.94	0.92	1.31	2.14
Acquisitions & Disposals	0.00	0.00	-1.50	0.00	0.00
Dividends	0.00	0.00	0.00	0.00	0.00
Change in equity	0.00	0.00	0.00	0.00	0.00
Others	0.00	-0.30	0.88	0.00	0.00
Increase/(decrease) in adjs.net debt	0.79	-2.64	-0.29	-1.31	-2.14
Adj. net debt beginning of the year	1.33	2.12	-0.52	-0.81	-2.12
Adj. net debt end of the year	2.12	-0.52	-0.81	-2.12	-4.26
Adj. Net Debt/EBITDA	1.0x	-0.2x	-0.2x	-0.4x	-0.7x
Debt/Equity	0.28	-0.06	-0.06	-0.14	-0.23

Source: Intermonte SIM

DETAILS ON STOCKS RECOMMENDATION			
Stock NAME	MATICA FINTEC		
Current Recomm:	BUY	Previous Recomm:	BUY
Current Target (Eu):	4.00	Previous Target (Eu):	4.10
Current Price (Eu):	2.52	Previous Price (Eu):	2.38
Date of report:	19/04/2023	Date of last report:	25/10/2022

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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.

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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:	20.83 %
OUTPERFORM:	51.67 %
NEUTRAL:	25.83 %
UNDERPERFORM	01.67 %
SELL:	00.00 %

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OUTPERFORM:	49.02 %
NEUTRAL:	11.76 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short
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