

UPDATE

EQUITY RESEARCH

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Matica Fintec

Euronext Growth Milan | Technology | Italy

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Rating
BUY

Target Price
€ 2,90



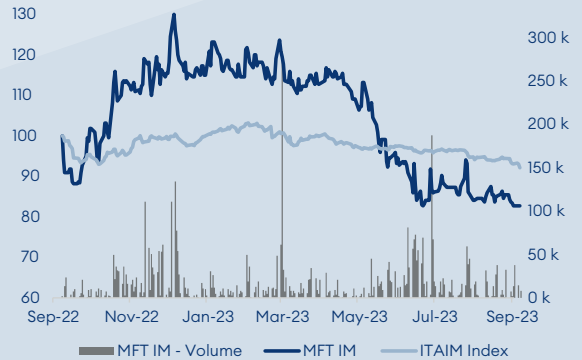
Risk

Medium

Upside potential
59,2%

Key Financials (€/mln)	FY22A	FY23E	FY24E	FY25E
Revenues	19,5	21,0	23,0	25,0
VoP	20,2	21,8	23,8	25,8
EBITDA	5,0	3,6	4,0	4,5
EBIT	3,9	2,5	2,9	3,4
Net Profit	2,6	1,4	1,6	1,9
EBITDA margin	25,5%	17,1%	17,4%	17,8%
EBIT margin	20,0%	11,9%	12,6%	13,4%
Net Profit margin	13,3%	6,9%	7,0%	7,4%

Stocks performance relative to FTSE Italia Growth



Stock Data

Price	€ 1,82
Target price	€ 2,90
Upside/(Downside) potential	59,2%
Ticker	MFT IM
Market Cap (€/mln)	€ 19,94
EV (€/mln)	€ 19,13
Free Float	36,04%
Share Outstanding	10.957.962
52-week high	€ 2,89
52-week low	€ 1,78
Average daily volumes (3 months)	22.418

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Stock performance	1M	3M	6M	1Y
Absolute	-2,15%	-11,65%	-28,63%	-17,27%
to FTSE AIM Italia	0,82%	-6,34%	-20,76%	-9,22%
to FTSE STAR Italia	0,73%	-1,03%	-17,52%	-16,92%
to FTSE All-Share	-3,36%	-14,48%	-34,98%	-43,71%
to EUROSTOXX	-0,98%	-9,45%	-31,03%	-37,24%
to MSCI World Index	-1,48%	-12,24%	-39,19%	-30,22%

Main Ratios	FY22A	FY23E	FY24E	FY25E
EV/EBITDA	3,9 x	5,3 x	4,8 x	4,3 x
EV/EBIT	4,9 x	7,7 x	6,6 x	5,7 x
P/E	7,7 x	13,8 x	12,5 x	10,8 x

FY22A Results

In the half-yearly report as of June 30th, 2023, Matica Fintec reported consolidated revenues of € 11.44 million and parent company revenues of € 9.50 million, recording a positive growth (+14.0%) compared to 1H22A, which saw revenues of € 8.34 million. The consolidated value of production came in equal to € 11.82 million, up from the equivalent figure for 1H22A of € 8.77 million. EBITDA for the period came in at € 2.06 million (€ 2.34 million in 1H22A), with a margin on revenues of 18.0%, thus marking a slowdown compared to 1H22A. EBIT was € 1.61 million, compared to € 1.94 million in 1H22A, with an EBIT margin of 14.1%. Net Income was also positive, amounting to a value of € 0.88 million.

Estimates Update

In light of the results published in the annual report for 1H23A, we estimate a revenue volume for FY23E equal to € 21.00 million, and an expected growth over the next three years up to € 25.00 million in FY25E. Marginality is in line to be positive for the end of the year, with an EBITDA of € 3.60 million for FY23E, corresponding to a margin of 17.1%, despite the slowdowns. In the following years, we expect the EBITDA of Matica Fintec to rise to € 4.45 million in FY25E, corresponding to an EBITDA margin of 17.8%.

Valuation Update

We conducted our valuation of the equity value of Matica Fintec based on the DCF method and multiples of a sample of comparable companies. The DCF method (including, for prudential purposes, a specific risk equal to 2.5% in the calculation of the WACC) returned an equity value of € 33.7 million. Using market multiples, the equity value of Matica Fintec was € 29.8 million (including a 25.0% discount). The result gives an average equity value of approximately € 31.7 million. **The target price is € 2.90, with a BUY rating and MEDIUM risk.**

Economics & Financials

TABLE 1 – ECONOMICS & FINANCIALS

CONSOLIDATED INCOME STATEMENT (€/mln)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenues	14,51	19,49	21,00	23,00	25,00
Other Revenues	0,67	0,74	0,75	0,75	0,75
Value of Production	15,18	20,22	21,75	23,75	25,75
COGS	6,37	6,72	8,20	8,85	9,45
Use of Asset owned by Others	0,25	0,29	0,30	0,35	0,40
Services	2,15	4,07	5,00	5,40	5,80
Employees	3,08	3,93	4,40	4,90	5,40
Other Operating Expenses	0,05	0,25	0,25	0,25	0,25
EBITDA	3,27	4,97	3,60	4,00	4,45
<i>EBITDA Margin</i>	<i>22,6%</i>	<i>25,5%</i>	<i>17,1%</i>	<i>17,4%</i>	<i>17,8%</i>
D&A	1,27	1,08	1,10	1,10	1,10
EBIT	2,01	3,89	2,50	2,90	3,35
<i>EBIT Margin</i>	<i>13,8%</i>	<i>20,0%</i>	<i>11,9%</i>	<i>12,6%</i>	<i>13,4%</i>
Financial Management	(0,22)	(0,36)	(0,40)	(0,40)	(0,40)
EBT	1,79	3,53	2,10	2,50	2,95
Taxes	0,56	0,94	0,65	0,90	1,10
Net Income	1,23	2,59	1,45	1,60	1,85

CONSOLIDATED BALANCE SHEET (€/mln)	FY21A	FY22A	FY23E	FY24E	FY25E
Fixed Assets	5,81	7,16	7,25	7,40	7,70
Account receivable	2,40	5,11	6,50	7,00	7,50
Inventories	3,11	4,65	5,00	5,50	6,00
Account payable	1,68	2,39	3,00	3,50	4,00
Operating Working Capital	3,83	7,37	8,50	9,00	9,50
Other receivable	0,41	1,51	1,70	2,00	2,30
Other payable	1,28	3,79	4,50	5,20	6,00
Net Working Capital	2,96	5,08	5,70	5,80	5,80
Severance Indemnities & Other Provisions	0,36	0,28	0,70	0,75	0,80
NET INVESTED CAPITAL	8,40	11,96	12,25	12,45	12,70

Share Capital	5,26	5,48	5,48	5,48	5,48
Reserves and Retained Profits	2,44	4,70	7,29	8,74	10,34
Net Profit	1,23	2,59	1,45	1,60	1,85
Equity	8,92	12,77	14,22	15,82	17,67
Cash and Cash Equivalents	13,47	12,84	14,47	14,87	14,57
Short-Term Financial Debt	1,04	2,22	3,00	2,80	2,60
ML Term Financial Debt	10,61	9,17	9,00	8,50	7,00
Net Financial Position	(1,81)	(1,45)	(2,47)	(3,57)	(4,97)
Other Debt	1,29	0,64	0,50	0,20	0,00
NFP Adjusted	(0,52)	(0,81)	(1,97)	(3,37)	(4,97)
SOURCES	8,40	11,96	12,25	12,45	12,70

CONSOLIDATED CASH FLOW (€/mln)	FY22A	FY23E	FY24E	FY25E
EBIT	3,89	2,50	2,90	3,35
Taxes	0,94	0,65	0,90	1,10
NOPAT	2,95	1,85	2,00	2,25
D&A	1,08	1,10	1,10	1,10
Change in receivable	(2,71)	(1,39)	(0,50)	(0,50)
Change in Investments	(1,55)	(0,35)	(0,50)	(0,50)
Change in payable	0,71	0,61	0,50	0,50
Change in others	1,41	0,52	0,40	0,50
Change in NWC	(2,13)	(0,62)	(0,10)	0,00
Change in provisions	(0,08)	0,42	0,05	0,05
OPERATING CASH FLOW	1,82	2,75	3,05	3,40
Capex	(2,4)	(1,2)	(1,3)	(1,4)
FREE CASH FLOW	(0,61)	1,56	1,80	2,00
Financial Management	(0,36)	(0,40)	(0,40)	(0,40)
Change in Debt to Bank	(0,91)	0,47	(1,00)	(1,90)
Change in Equity	1,26	0,00	0,00	(0,00)
FREE CASH FLOW TO EQUITY	(0,62)	1,63	0,40	(0,30)

Source: Matica Fintec and Integrae SIM estimates

Company Overview

With its operational headquarters in Galliate, in the Province of Novara, and registered office in Milan, Matica Fintec is an innovative SME active in the design, production and marketing of highly technological solutions for the issuing of digital cards for financial institutions (e.g. credit cards, ATM cards, prepaid cards) and government cards (e.g. identity cards, passports, driving licenses), according to the highest security standards.

The commitment and efforts made on the research and development front, with R&D investments in excess of 10% of annual turnover, have allowed the company to file 9 patents and achieve the qualification of Innovative SME.

1H23A Results

TABLE 2 – 1H23A VS. 1H22A

€/mln	Revenues	EBITDA	EBITDA %	EBIT	Net Income	NFP Adj.
1H23A	11,44	2,06	18,0%	1,61	0,88	(0,93)
1H22A	8,34	2,34	28,1%	1,94	1,21	(0,81)*
Change	37,1%	-12,2%	-10,1%	-16,9%	-26,8%	N/A

Source: Integrae SIM

*NFP as of 31/12/2022

In the half-yearly report as of June 30th, 2023, Matica Fintec announced that it had closed the first six months of the financial year with a group turnover of € 11.44 million and a parent company turnover of € 9.50 million, recording a positive growth (+14.0%) compared to the same period of the previous year, which saw revenues of € 8.34 million. The consolidated value of production, after other income of € 0.38 million, came in at € 11.82 million, marking an increase compared to the equivalent figure for 1H22A (€ 8.77 million).

We note that this data cannot be directly compared with that of the first half of the 2022 financial year, due to the acquisitions of the companies Card Technologies Corporation (CTC) and NBS Technologies US Inc. (UbiQ), which therefore entered into the scope of consolidation. The companies, which were part of the AI Holdings Corporation (AIH) Group, listed on the Tokyo Stock Exchange and active in the design and development of systems and software for security, the hospital sector and offices, including, in particular, integrated solutions for the banking and digital ID sectors and systems for the personalization of EMV cards and mobile solutions. We note that the companies in question entered into the scope of consolidation from July 1st, 2022, and, therefore, evidence of the acquisitions did not appear in the 1H22A half-yearly results.

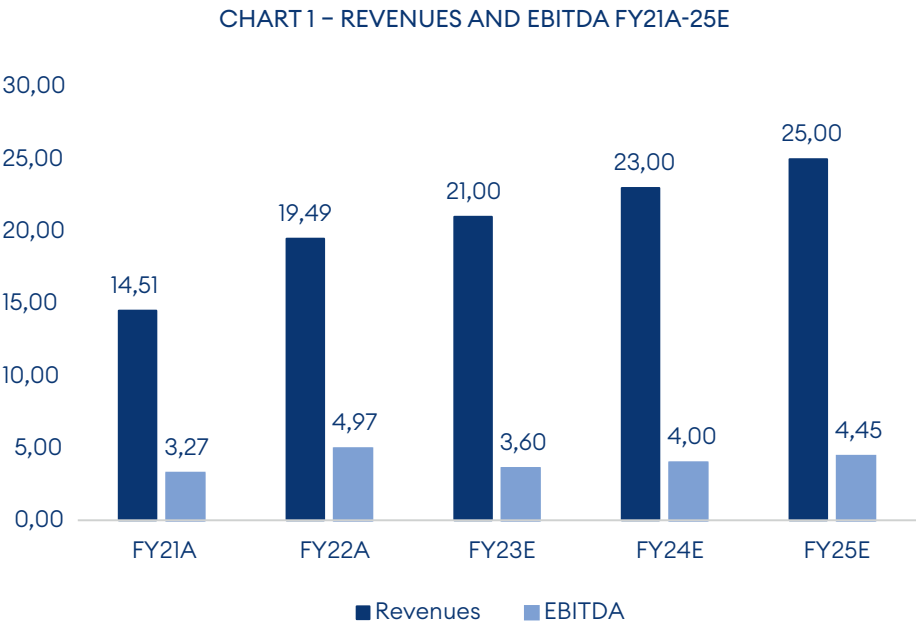
In any case, sales revenues represented a positive result for the company, confirming flexibility and financial robustness, particularly considering the uncertainty of current macroeconomic conditions and the evolution of the payments sector, characterized by inflationary dynamics and, above all, by the shortage of electronic components. Indeed, EBITDA for the period came in at € 2.06 million (€ 2.34 million in 1H22A), with a margin on revenues of 18.0%, showing a slowdown compared to 1H22A, due to exogenous factors such as supply chain delays, increases in raw materials costs, and, finally, a change in the mix of supply channels, seeing increased use of brokers as opposed to the direct channel.

EBIT, calculated net of amortization and depreciation of € 0.44 million, came in at € 1.61 million, compared to € 1.94 million in 1H22A, with a margin on revenues (EBIT margin) of 14.1%. Net Income was also positive, amounting to a value of € 0.88 million.

The NFP of 1H23A is cash positive and equal to € 1.13 million, showing a slight deterioration compared to the FY22A figure, equal to € 1.45 million in cash. The Adjusted NFP, taking into account overdue tax and social security debts, is equal to a cash positive € 0.93 million.

FY23E – FY25E Estimates

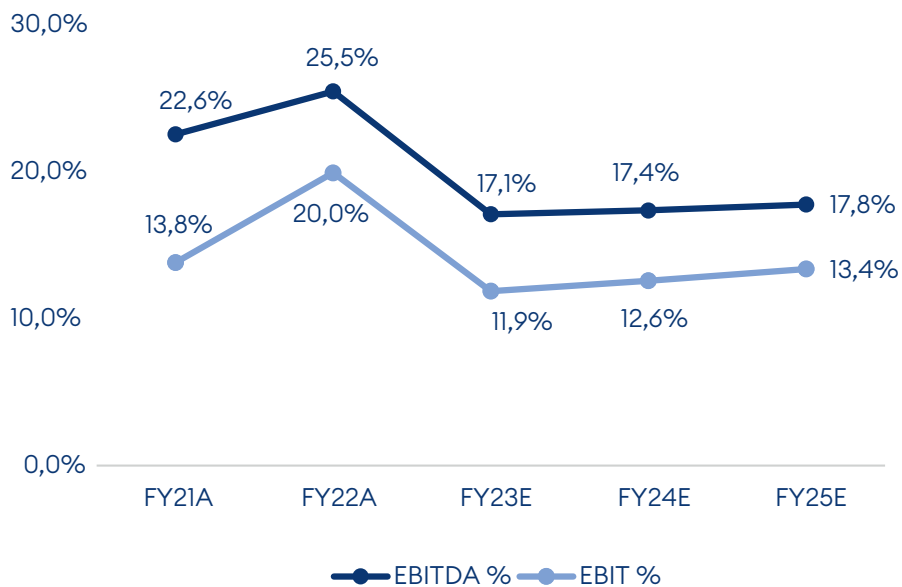
In light of the results published in the half-yearly report for 1H23A, we estimate a revenue volume for FY23E equal to € 21.00 million, for a consolidated value of production equal to € 21.75 million, and an expected growth over the next three years up to € 25.00 million in FY25E.



Source: Integrae SIM

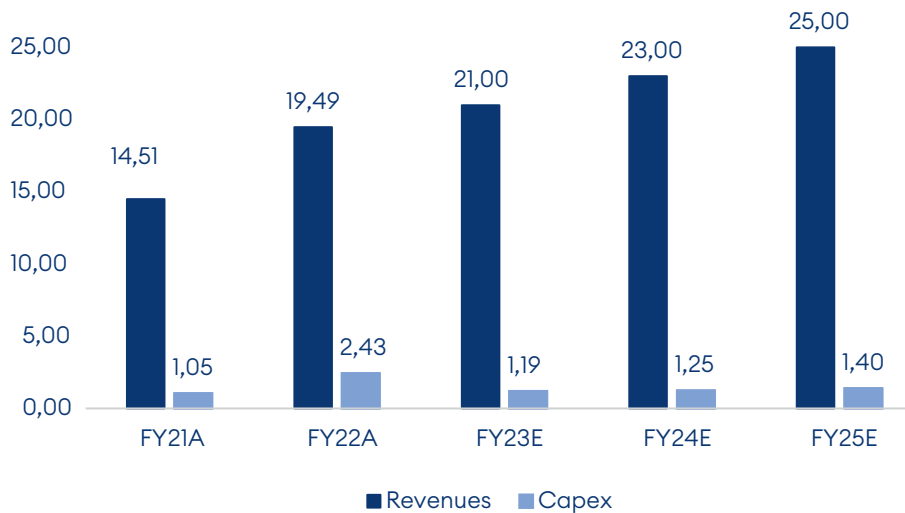
A positive margin is on track for the end of the year, with an EBITDA of € 3.60 million, corresponding to a margin of 17.1%, despite the slowdowns caused directly by the macroeconomic context and the increases in raw materials costs. In the following years, we expect the EBITDA of Matica Fintec to rise to € 4.45 million in FY25E, corresponding to an EBITDA margin of 17.8%.

CHART 2 – MARGIN FY21A-25E



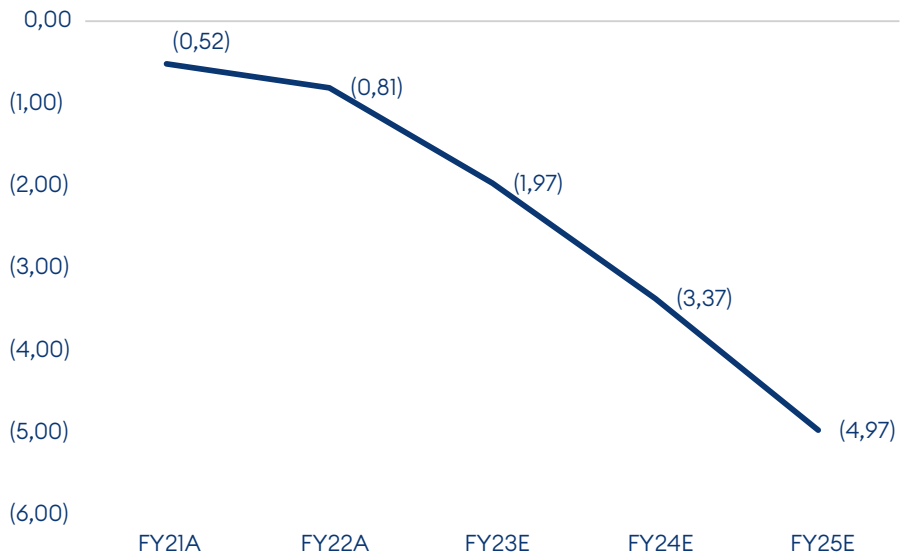
Source: Integrae SIM

CHART 3 – CAPEX FY21A-25E



Source: Integrae SIM

CHART 4 – NFP ADJ. FY21A-25E



Source: Integrae SIM

Valuation

We conducted our valuation of the equity value of Matica Fintec based on the DCF method and multiples of a sample of comparable companies.

DCF Method

TABLE 4 – WACC

WACC				7,8%
D/E 100,0%	Risk Free Rate 3,6%	β Adjusted 0,9	α (specific risk) 2,5%	
K_d 2,5%	Market Premium 8,3%	β Relevered 1,6	K_e 13,7%	

Source: Integrae SIM

For prudential purposes, we included a specific risk of 2.5%. This result is therefore a WACC of 7.76%.

TABLE 5 – DCF VALUATION

DCF	% of EV	
FCFO actualized	5,1	16%
TV actualized DCF	27,8	84%
Enterprise Value	32,9	100%
NFP	(0,8)	
Equity Value	33,7	

Source: Integrae SIM

With the above data and taking our estimates and assumptions as a reference, the result is an **equity value of € 33.7 million**.

TABLE 6 – EQUITY VALUE – SENSITIVITY ANALYSIS

€/mln		WACC						
Growth Rate (g)		6,3%	6,8%	7,3%	7,8%	8,3%	8,8%	9,3%
	2,5%	57,5	51,0	45,8	41,6	38,1	35,2	32,8
	2,0%	51,5	46,2	42,0	38,5	35,6	33,1	30,9
	1,5%	46,7	42,4	38,9	35,9	33,4	31,2	29,3
	1,0%	42,8	39,2	36,2	33,7	31,5	29,6	27,9
	0,5%	39,6	36,6	34,0	31,8	29,8	28,1	26,6
	0,0%	36,9	34,3	32,1	30,1	28,4	26,8	25,5
	-0,5%	34,6	32,4	30,4	28,6	27,1	25,7	24,5

Source: Integrae SIM

Market multiples

Our panel is made up of companies operating in the same sector as Matica Fintec. These companies are the same used to calculate Beta for the *DCF method*. The panel is thus made up of:

TABLE 7 – MARKET MULTIPLES

Company Name	EV/EBITDA			EV/EBIT			P/E		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Zebra Technologies Corp.	18,5 x	16,4 x	12,3 x	20,5 x	18,5 x	13,8 x	26,7 x	22,5 x	15,7 x
MGI Digital Graphic Technology	6,0 x	4,7 x	N/A	11,1 x	8,6 x	N/A	18,5 x	14,1 x	N/A
Xaar plc	25,0 x	16,2 x	10,3 x	61,1 x	30,6 x	10,1 x	70,4 x	36,0 x	15,4 x
Toshiba Tec Corp.	5,1 x	5,7 x	5,4 x	10,0 x	8,4 x	7,4 x	18,3 x	14,0 x	12,5 x
Median	12,3 x	11,0 x	10,3 x	15,8 x	13,6 x	10,1 x	22,6 x	18,3 x	15,4 x

Source: *Infiniticals*

TABLE 8 – MARKET MULTIPLES VALUATION

€/mln	FY23E	FY24E	FY25E
Enterprise Value (EV)			
EV/EBITDA	44,2	43,8	45,8
EV/EBIT	39,5	39,3	33,9
Equity Value			
EV/EBITDA	46,2	47,2	50,8
EV/EBIT	41,4	42,7	38,8
P/E	32,7	29,3	28,5
Equity Value post 25,0% discount			
EV/EBITDA	34,6	35,4	38,1
EV/EBIT	31,1	32,0	29,1
P/E	24,5	22,0	21,3
Average	30,1	29,8	29,5

Source: *Integrae SIM*

Using EV/EBITDA and EV/EBIT market multiples, the equity value of Matica Fintec is approximately € 39.7 million. To this value, we applied a discount of 25.0%. Therefore, the result is an **equity value of € 29.8 million**.

Equity Value

TABLE 9 – EQUITY VALUE

Average Equity Value (€/mln)	31,7
Equity Value DCF (€/mln)	33,7
Equity Value multiples (€/mln)	29,8
Target Price (€)	2,90

Source: Integrae SIM

The result gives an average equity value of approximately € 31.7 million. **The target price is therefore € 2.90. We confirm a BUY rating, and MEDIUM risk.**

TABLE 10 – TARGET PRICE IMPLIED VALUATION MULTIPLES

Multiples	FY22A	FY23E	FY24E	FY25E
EV/EBITDA	6,2x	8,6x	7,7x	7,0x
EV/EBIT	8,0x	12,4x	10,7x	9,2x
P/E	12,3x	21,9x	19,8x	17,2x

Source: Integrae SIM

TABLE 11 – CURRENT PRICE IMPLIED VALUATION MULTIPLES

Main Ratios	FY22A	FY23E	FY24E	FY25E
EV/EBITDA	3,9x	5,3x	4,8x	4,3x
EV/EBIT	4,9x	7,7x	6,6x	5,7x
P/E	7,7x	13,8x	12,5x	10,8x

Source: Integrae SIM

Disclosure Pursuant to Delegated Regulation UE n. 2016/958

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Equity Total Return (ETR) for different risk categories

Rating	Low Risk	Medium Risk	High Risk
BUY	ETR \geq 7.5%	ETR \geq 10%	ETR \geq 15%
HOLD	-5% < ETR < 7.5%	-5% < ETR < 10%	0% < ETR < 15%
SELL	ETR \leq -5%	ETR \leq -5%	ETR \leq 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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- It plays, or has played in the last 12 months, role of specialist financial instruments issued by Matica Fintec SpA
- In the IPO phase, Integrae SIM played the role of global coordinator.