

MATICA FINTEC

BUY

Sector: Industrials

Price: Eu2.38 - Target: Eu4.10

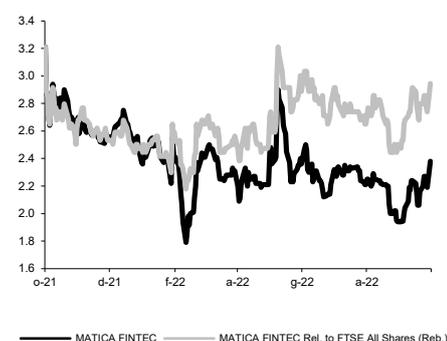
Solid Growth and Profitability, Undervalued on Fundamentals

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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 3.50 to 4.10		
	2021E	2022E	2023E
Chg in Adj EPS	+38%	+29.7%	+17.5%

MATICA FINTEC - 12M Performance



Stock Data

Reuters code:	MFTC.MI		
Bloomberg code:	MFT IM		
Performance	1M	3M	12M
Absolute	22.7%	7.7%	-13.8%
Relative	18.3%	5.2%	4.5%
12M (H/L)	3.21/1.79		
3M Average Volume (th):	4.87		

Shareholder Data

No. of Ord shares (mn):	11
Total no. of shares (mn):	11
Mkt Cap Ord (Eu mn):	25
Total Mkt Cap (Eu mn):	25
Mkt Float - Ord (Eu mn):	10
Mkt Float (in %):	39.3%
Main Shareholder:	
Matica Technologies AG	60.5%

Balance Sheet Data

Book Value (Eu mn):	11
BVPS (Eu):	1.01
P/BV:	2.4
Net Financial Position (Eu mn):	1
Enterprise Value (Eu mn):	25

- Combining growth and profitability. Flexibility for M&A.** Matica Fintec competes globally as a supplier of technological systems and software for the issuing of ID documents and financial cards. The company is positioned in the high-end segment of the market (28% EBITDA margin reported in 1H22), where it competes with a few other players (Entrust Datacard, HID, Muhlbauer, Evolis, and Zebra) in a steadily growing market. After reporting strong 1H22 results, and following the acquisition of CTC in the US, we think Matica Fintec is accelerating on its profitable growth path. The company also has the financial flexibility to grow through M&A. We are raising our estimates (FY22-23E EPS +34%) and TP from Eu3.5 to Eu4.1 (fair P/E 2023e 15.6x vs. 9.1x based on current price), reiterating our BUY recommendation on the stock.
- Integration of CTC and UBIQ in the US.** In July, Matica Fintec announced the closing of the purchase of the entire capital of CTC, which owns 100% of UBIQ. The two companies, based in Minnesota, operate in the US market as suppliers of integrated hardware and software solutions for banking and digital-ID. The transaction was structured in cash (Eu1.5mn) and shares (5% of Matica Fintec's shares post transaction) for an overall value of Eu2.6mn. Through the acquisition of CTC, Matica Fintec has set up a base for future investments in local production (low CapEx involved).
- Upgrading estimates.** After the company reported better-than-expected 1H22 results, we are upgrading our model, which now includes the contribution of CTC consolidated as of July 2022. CTC is expected to add c.Eu5.0mn to sales on an annual basis, with no impact on the group's profitability once fully integrated and a slightly positive boost to the NFP. We now estimate Matica Fintec will close FY22e with sales of Eu18mn (+26% YoY), EBITDA close to Eu5.0mn (+52%) a 27% margin, net profit of Eu2.2mn, and no debt. We are raising our previous 2022-23e sales estimate by +10% on avg., EBITDA by +32%, and EPS by +34%.
- BUY; target Eu4.1 (from Eu3.5).** The business model is built on excellent operations management combined with a strong technological identity. This proved resilient during the pandemic, and recurring revenues (software and consumables) come to >30% of the total (> 2x the sales of equipment over the product cycle). Our TP of Eu4.1 (from Eu3.5 previously) is based on a DCF valuation of the business. At target, we value Matica Fintec at FY22-23e EV/sales multiples of 2.3x/1.8x, EV/EBITDA of 8.8x/7.4x and P/E of 20.0x/15.6x, which we deem undemanding in light of its technological positioning (good visibility on growth), solid profitability and cash conversion. Matica Fintec is indirectly controlled by its chairman and founder Sandro Camilleri with 60.5% of shares. Ai Holding owns 5%, with a free float of 34%.

Key Figures & Ratios	2020A	2021A	2022E	2023E	2024E
Sales (Eu mn)	13	15	19	24	27
EBITDA Adj (Eu mn)	2	3	5	6	7
Net Profit Adj (Eu mn)	0	1	2	3	3
EPS New Adj (Eu)	0.008	0.111	0.205	0.261	0.324
EPS Old Adj (Eu)	0.008	0.111	0.149	0.201	0.276
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	8.1	5.4	5.1	4.2	3.2
EV/EBIT Adj	32.5	8.8	6.9	5.3	3.9
P/E Adj	nm	21.4	11.6	9.1	7.3
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	0.2	-0.6	-0.2	-0.4	-0.7

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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 2.5% and a risk premium of 5.0% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the S&P500 Index, most of those on the MIBEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

A draft copy of each report may be sent to the subject company for their information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

Explanation of our ratings system:

- 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:	22.13 %
OUTPERFORM:	48.36 %
NEUTRAL:	27.87 %
UNDERPERFORM	01.64 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (52 in total) is as follows:

BUY:	38.46 %
OUTPERFORM:	50.00 %
NEUTRAL:	11.54 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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