

MATICA FINTEC

FY20 results confirming high profitability of the business

FY20 revenues and profitability above our estimates: MATICA FINTEC, innovative SME and leader in technological systems for the e-ID and digital payment sectors, released FY20 results that outperformed our estimates both in terms of sales and profitability. More in detail sales came in at Euro 12 m, -16% vs. previous year (Euro 14.3 m) and Euro 11.7 m as of our estimates. The results implied sales in 2H20 of Euro 6.6 m, -11% vs. 2H19 (Euro 7.4 m) and Euro 6.3 m of our forecast, pointing at a significant recovery compared to the first six months for the year. In line with last year, 95% of total FY20 revenues were realized outside of Italy.

In terms of profitability, 2H20 confirmed the good results recorded in 1H20 and FY20 EBITDA margin stood at 17% (21% in FY19) despite the inevitable drop in sales volume caused by the Covid-19 pandemic, again outperforming our estimates of 15%. This was according to Management achieved thanks to actions taken to contain costs, respond to shifts in market conditions and the optimization of the production process implemented over the last 24 months. FY20 EBITDA was of Euro 2.2 m (Euro 3.2 m of FY19 and Euro 1.8 m of our estimate) after an EBITDA in 2H20 of c. Euro 1.2 m vs. Euro 1.6 m of 2H19 and Euro 0.8 m of our forecast. EBIT came in at Euro 0.5 m, in line with Euro 0.7 m of previous year (Euro 0.1 m of our estimates). Net result was positive for approx. Euro 50 k and Net Debt stood at Euro 0.4 m, down from Euro 0.8 m in 1H20, thanks to good operating cash flow in the last six months of the year.

Business expected to benefit from market opportunities.

Management highlighted that over the last year the payment cards market has seen an increase in demand driven by a trend aiming at limiting human contacts and the use of cash to prevent the spread of Coronavirus. This in turn has led to a strong increase in demand of instantaneous emission systems both for bank branches and ATMs. The ID card market, on the other hand, is experiencing positive momentum driven by increased requirements for personal identification via smart card as governments adopt higher security standards to deal with any counterfeiting attempts and the increasing load of information on citizens. We believe that Matica is well positioned to exploit these market trends thanks to its technological positioning and ability to rapidly place new products in the market.

Positive outlook and FY21-22 estimates confirmed: We remain confident of the future prospects of the business which we expect to benefit from the above-mentioned market opportunities that should allow Matica to gain market share. Management has also confirmed growth strategies announced in the IPO based on R&D for an innovative product portfolio and external growth and optimization of the production process. Given the above and FY20 results we only slightly finetuned our assumptions for FY21-22.

Valuation: We set a target price of Euro 3.05 per share, (Euro 3.02 p.s. previously), providing for a +115% upside on current stock price and obtained by weighting equally the DCF and the multiple comparison analysis.

Key Figures (Euro m)	Revenues	Yoy %	EBITDA	EBITDA %	EBIT	EBIT %	Net Profit	Net Debt
2019A	15.0	-5%	3.2	21%	0.7	4%	0.3	(0.7)
2020A	12.7	-15%	2.2	17%	0.5	4%	0.1	0.4
2021E	15.1	+18%	2.9	19%	1.2	8%	0.6	(0.3)
2022E	16.9	+12%	3.5	21%	1.6	9%	0.9	(1.2)

Sector: Technology

Target Price (Euro)	3.05 (3.02 pr)
Market Price (Euro)	1.42
Market Cap (Euro m)	15
EV (Euro m)	16
<i>(as of March 23th, 2021)</i>	

Share Data

Market	AIM ITALIA
Bloomberg/Reuters	MFT:IM / MFTC.MI
ISIN	IT0005388449
N. of Shares	10,508,200
Free Float	38.39%
CEO and Chairman	Sandro Camilleri

AIM Positioning

FY 2019	Company	Tech	AIM Italia
VoP (Eu m)	14	36	40
Yoy	6%	19%	19%
EBITDA %	22%	17%	14%
ND/EBITDA (x)	(0.2)	1.2	2.1

Market Data	Company	Tech	AIM Italia
Mkt Cap um	13	79	49
Perf. IPO	-25%	44%	13%
Free Float	38%	31%	31%
ADTT YTD Euk	67	255	131
Perf YTD	-8%	9%	10%

Credit Risk Profile

	Matica Finted	Italian PMII Av
Wiserfunding Bond Rating Equivalent	B	B+

Performance

	1M	3M	1Y
Absolute	-7.6%	+10.4%	-1.4%
Relative	+3.1%	-5.0%	-22.0%
52-week H/L (Eu)	1.87		1.10

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