

Italy – Industrial & MedTech

Interim sales in line. Medical Devices division keeps on rising

31st July 2024

H1-24 PRELIMINARY SALES

RIC: VLT.MI
BBG: VLT IM

Valtecne reported interim preliminary revenues broadly unchanged YoY and fairly aligned with our FY expectations, although comprising a different revenues mix. In fact, the more profitable Medical Devices division exhibited an impressive double-digit growth YoY, almost entirely offset by the ongoing slowdown in demand affecting the Industrial division, likely to be deeper than predicted at the beginning of the year.

Rating:

Buy

Price Target:

€ 7.50

Upside/(Downside): 25.0%

Last Price: € 6.00

Market Cap.: € 36.7m

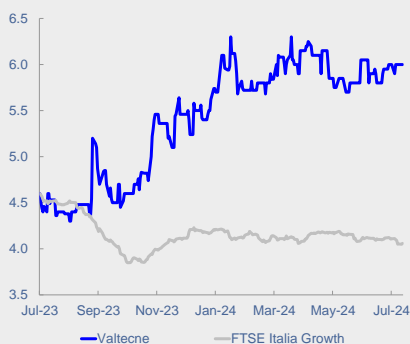
1Y High/Low: € 6.45 / € 4.30

Avg. Daily Turn. (3M, 6M): € 9k, € 15k

Free Float: 17.3%

Major shareholders:

KPM Srl (bare ownership)	61.6%
KPM Srl (direct ownership)	13.8%
Paolo Mainetti	6.4%



Stock price performance

	1M	3M	12M
Absolute	0.8%	-1.6%	30.4%
Rel.to FTSE IT Growth	1.8%	0.9%	42.2%
Rel.to Peers	0.0%	1.0%	30.7%

Analysts:

Gianluca Mozzali
+39 02 30343 396
gianluca.mozzali@cfosim.com

Luca Solari
+39 02 30343 397
luca.solari@cfosim.com

Chiara Francomacaro
+39 02 30343 394
chiara.francomacaro@cfosim.com

Interim preliminary sales well aligned with our FY expectations

Valtecne posted H1-24 preliminary results almost unchanged YoY, characterised by a double-digit growth (+15.7%) of the Medical Devices division almost entirely offset by the weak performance of the Industrial division, still suffering from a downturn affecting the reference markets of several EU economies where it operates. It is worth to remember that H1 is historically stronger than H2, usually accounting for 55%-57% of the total, due to the inner seasonality of the business. Overall, H1-24 preliminary results are fairly aligned with our FY-24 projections, although comprising a different revenues mix. Pending further details about the profitability and CF generation after the release of H1-24 results on September 23rd, we have left our estimates, rating and PT unchanged.

Revenues by business line - € m	H1-24	% on tot	H1-23	% on tot	% YoY
Medical Devices	11.7	68.3	10.1	59.3	15.7
Industrial	5.4	31.7	6.9	40.7	(21.9)
Revenues	17.1	100.0	17.0	100.0	0.3

H1-24 sales at € 17.1m, almost unchanged YoY. Medical Devices division up 15.7%

H1-24 preliminary Revenues were € 17.1m, up by 0.3% compared to € 17.0m posted in the first semester of 2023. The Medical Devices division rose by 15.7% YoY to € 11.7m (€ 10.1m in H1-23), now exceeding two-thirds of the total, well ahead of the management's expectations outlined at the time of the IPO. Noteworthy, the division is well on track to beat our current FY-24 estimate of €19.3m, as H1-24 results accounted for more than 60% of it (54.6% in H1-23 of FY results). On the contrary, the Industrial division was down by 21.9% YoY to € 5.4m (31.7% of the total), affected by the broad-based slowdown in demand in the reference markets. A recovery in H2 is expected, although is highly dependent on the easing of monetary policy by the ECB and a more supportive macroeconomic environment.

Q2-24 sales up 4.1% QoQ, confirming the ongoing trend for the two business lines

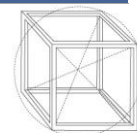
If we take a look on quarterly data, Q2-24 exhibited a similar trend, as Revenues totalled € 8.7m, up 4.1% QoQ in the wake of a double-digit growth of the Medical Devices division (€ 6.1m, up 10.8% compared to Q1-24) along with the prolonged weaknesses experienced by the Industrial division (€ 2.6m, down 9.2% QoQ).

A year of consolidation. The approach regarding M&A remains opportunistic

2024 represents, as expected, a year of consolidation for Valtecne, although the Medical Devices division keep on delivering impressive results. In H1-24, Valtecne enriched its product offering by entering the Trauma segment and strengthened its commercial activities by taking part to ad-hoc MedTech trade fairs. With respect to M&A, the approach remains opportunistic, with the management currently scouting several opportunities in segments of the orthopaedics market where the company still has a limited presence.

Valtecne, key financials and ratios

€ m	2022PF	2023	2024e	2025e	2026e
Revenues	24.1	30.7	30.8	33.6	36.0
Value of Production	27.7	31.6	31.5	34.7	37.2
EBITDA	4.6	5.8	5.8	6.7	7.2
Adjusted EBITDA	5.5	7.2	7.2	8.1	8.6
EBIT	3.4	4.3	4.3	5.2	5.7
Net Profit	2.5	3.2	3.1	3.8	4.2
Adjusted NFP (cash)/debt	9.4	1.1	(1.4)	(3.0)	(5.0)
Adjusted EBITDA margin	19.9%	22.8%	22.7%	23.2%	23.0%
EPS stated FD €	-	0.52	0.52	0.62	0.68
EPS growth	-	-	-1.0%	19.7%	10.4%
ROCE	19.5%	17.2%	15.2%	16.4%	16.2%
NWC/Sales	41.2%	34.6%	34.3%	34.9%	34.8%
EV/Sales x	1.64	1.02	1.14	1.00	0.88
EV/EBITDA Adj. x	7.2	4.4	4.9	4.2	3.7
EV/EBIT x	11.7	7.2	8.2	6.5	5.6
PER x	12.2	9.5	11.6	9.7	8.8
Free Cash Flow Yield	-1.7%	6.1%	7.0%	5.9%	7.7%



The Company at a Glance

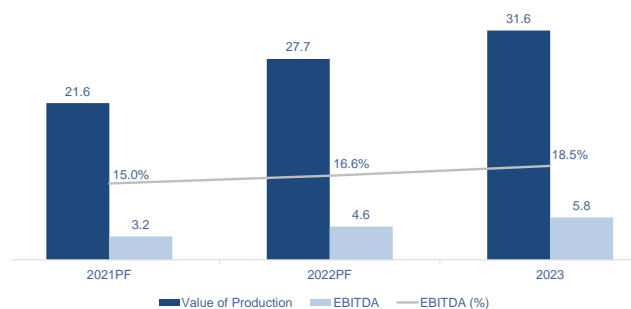
Established in 1983 by the Executive Chairman Vittorio Mainetti, Valtecne is a specialised contract manufacturer of high-precision components, operating as a first, second or third level supplier to Original Equipment Manufacturers (OEMs). The company runs its operations through two business lines, namely Medical Devices and Industrial. The former is dedicated to the production of instruments for orthopaedic surgery and implantable components, while the latter focuses on the manufacturing of mission-critical mechanical parts for industrial processing.

Over 40 years of experience and several investments in technology and machinery has enabled the company to develop undisputed technical know-how in highly complex processing. As of today, Valtecne stands out as a strategic and reliable partner for worldwide leading industrial and MedTech companies, providing its customers with a 'turn-key' service and an ever-expanding product portfolio for both business lines.

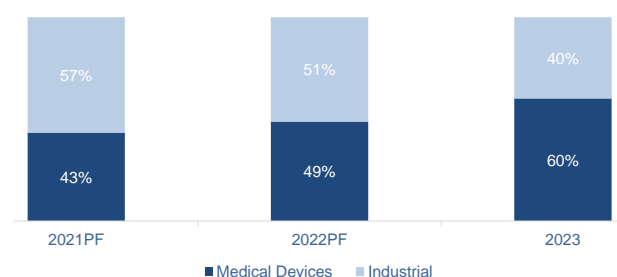
In the 2016-23 period, Value of Production showed a double-digit growth rate, i.e. CAGR₁₆₋₂₃ of 14.2%, prompted by the outstanding expansion of the Medical Devices division (CAGR₁₆₋₂₃ of 25.1%), and the steady progression of the Industrial business line (CAGR₁₆₋₂₃ of 5.5%). Indeed, the bulk of growth derived from the increased share of wallet from the Medical Devices division's existing customers, which managed to outperform the reference market. The growth of the Medical Devices division is driven by underlying long-term favourable trends, such as the aging population and ever-increasing effectiveness of surgical procedures.

FY-23 results exhibited Value of Production of € 31.6m, EBITDA of € 5.8m, 18.5% margin, with Net Profit of € 3.2m, 10.1% margin. Net Financial Position stands at € 2.4m cash. Taking into account the IFRS-16 effect, adjusted EBITDA and NFP amounted to € 7.2m (22.8% margin) and € 1.1m (adj. NFP/EBITDA 0.2x), respectively.

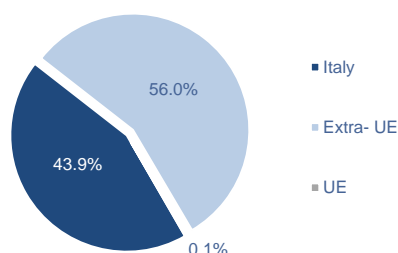
2021PF-23 VoP and EBITDA evolution



2021PF-23 top line evolution by business line



FY-23 top line breakdown by geography



Shareholder Structure

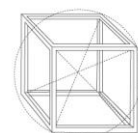
Shareholder	# m	%
KPM Srl (direct ownership)	3.76	61.6%
KPM Srl (bare ownership)	0.84	13.8%
Paolo Mainetti	0.39	6.4%
Other Shareholders (< 5.0%)	0.05	0.8%
Free Float	1.06	17.3%
Total	6.11	100.0%

Peer group multiples table

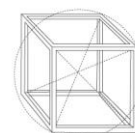
EV & PER multiples x	Sales FY1	Sales FY2	EBITDA FY1	EBITDA FY2	EBIT FY1	EBIT FY2	PER FY1	PER FY2
Integer Holdings Corp	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	23.3	19.4
Jabil Inc	0.48	0.47	6.0	5.6	8.7	8.2	11.8	12.7
Lisi SA	0.91	0.81	7.5	6.1	14.2	10.7	18.7	13.1
Scanfil Oyj	0.55	0.51	5.9	5.4	8.0	7.4	10.8	10.0
Vimi Fasteners SpA	0.61	0.54	4.7	4.2	11.6	9.3	8.5	7.0
West Pharmaceutical Services Inc	7.52	6.88	29.5	24.4	37.7	29.9	43.6	36.5
Median	0.61	0.54	6.0	5.6	11.6	9.3	15.3	12.9
Valtecne SpA	1.14	1.00	4.9	4.2	8.2	6.5	11.6	9.7

Sources: CFO SIM, Refinitiv Eikon

Multiples are calculated with EBITDA and NFP in accordance with IFRS-16



Income statement (€ m)	2022PF	2023	2024e	2025e	2026e
Revenues	24.1	30.7	30.8	33.6	36.0
Value of Production	27.7	31.6	31.5	34.7	37.2
Raw material and processing	(8.8)	(10.0)	(9.5)	(10.4)	(11.1)
Services	(4.5)	(4.4)	(4.4)	(4.8)	(5.1)
Personnel expenses	(8.0)	(9.2)	(9.9)	(10.6)	(11.4)
Other opex	(1.7)	(2.2)	(2.0)	(2.2)	(2.3)
EBITDA	4.6	5.8	5.8	6.7	7.2
D&A	(1.2)	(1.5)	(1.5)	(1.5)	(1.5)
EBIT	3.4	4.3	4.3	5.2	5.7
Financials	(0.1)	(0.0)	0.0	0.0	0.0
Re/(Devaluation) of financial assets	0.0	(0.0)	0.0	0.0	0.0
Forex gain/(loss)	0.0	0.0	0.0	0.0	0.0
Pre-Tax profit	3.3	4.3	4.3	5.2	5.7
Income taxes	(0.8)	(1.1)	(1.2)	(1.4)	(1.5)
Minorities	0.0	0.0	0.0	0.0	0.0
Net Profit	2.5	3.2	3.1	3.8	4.2
Adjusted EBITDA	5.5	7.2	7.2	8.1	8.6
Balance sheet (€ m)	2022PF	2023	2024e	2025e	2026e
Net Working Capital	9.9	10.6	10.6	11.7	12.6
Net Fixed Assets	7.0	8.2	8.8	9.5	10.1
Equity Investments	0.4	0.4	0.4	0.4	0.4
Other M/L Term A/L	(1.3)	(1.8)	(1.9)	(2.0)	(2.2)
Net Invested Capital	16.0	17.4	17.9	19.5	20.9
Net Financial Debt	5.0	(2.4)	(4.9)	(6.5)	(8.5)
Minorities	0.0	0.0	0.0	0.0	0.0
Group's Shareholders Equity	11.0	19.7	22.9	26.0	29.4
Financial Liabilities & Equity	16.0	17.4	17.9	19.5	20.9
Adjusted Net Financial Debt	9.4	1.1	(1.4)	(3.0)	(5.0)
Cash Flow statement (€ m)	2022PF	2023	2024e	2025e	2026e
Net income before minorities	2.5	3.2	3.1	3.8	4.2
Depreciation	1.2	1.5	1.5	1.5	1.5
Other non-cash charges	0.3	0.9	0.0	0.2	0.1
Cash Flow from Oper. (CFO)	4.0	5.6	4.7	5.5	5.9
Change in NWC	(2.3)	(0.7)	0.1	(1.1)	(0.8)
FCF from Operations (FCFO)	1.7	4.9	4.8	4.4	5.0
Net Investments (CFI)	(2.2)	(7.1)	(2.2)	(2.2)	(2.2)
Free CF to the Firm (FCFF)	(0.5)	(2.2)	2.6	2.2	2.8
CF from financials (CFE)	(0.2)	4.6	0.0	(0.6)	(0.8)
Free Cash Flow to Equity (FCFE)	(0.7)	2.3	2.6	1.5	2.1
Financial ratios	2022PF	2023	2024e	2025e	2026e
Adjusted EBITDA margin	19.9%	22.8%	22.7%	23.2%	23.0%
EBIT margin	12.2%	13.7%	13.6%	14.9%	15.2%
Net profit margin	10.3%	10.4%	10.2%	11.2%	11.6%
Tax rate	24.4%	25.9%	27.0%	27.0%	27.0%
Op NWC/Sales	41.2%	34.6%	34.3%	34.9%	34.8%
Interest coverage x	36.3	163.0	(190.5)	(1,551.2)	(127.2)
Adj. Net Debt /Adj. EBITDA x	1.71	0.16	n.m.	n.m.	n.m.
Net Debt-to-Equity x	0.46	n.m.	n.m.	n.m.	n.m.
ROIC	15.5%	18.3%	17.6%	19.3%	19.9%
ROCE	19.5%	17.2%	15.2%	16.4%	16.2%
ROACE	20.8%	20.4%	16.1%	17.3%	17.1%
ROE	22.6%	16.1%	13.8%	14.5%	14.2%
Payout ratio	0.0%	0.0%	20.0%	20.0%	20.0%
Per share figures	2022PF	2023	2024e	2025e	2026e
Number of shares # m	-	6.11	6.11	6.11	6.11
Number of shares Fully Diluted # m	-	6.11	6.11	6.11	6.11
Average Number of shares Fully Diluted # m	-	6.11	6.11	6.11	6.11
EPS stated FD €	-	0.52	0.52	0.62	0.68
EBITDA €	-	0.96	0.95	1.10	1.18
EBIT €	-	0.71	0.70	0.84	0.93
BV €	-	3.23	3.74	4.26	4.81
FCFO €	-	0.80	0.78	0.71	0.82
FCFF €	-	(0.36)	0.42	0.35	0.46
FCFE €	-	0.38	0.42	0.25	0.34
Dividend €	-	0.00	0.10	0.12	0.14



ANALYST CERTIFICATION

This publication was prepared by Corporate Family Office SIM S.p.A. ("CFO SIM"), namely by **GIANLUCA MOZZALI, LUCA SOLARI** and **CHIARA FRANCOMACARO**, Equity Analysts. This is to certify that the views expressed on the companies mentioned in this document reflect the analysts' personal opinions and no direct or indirect remuneration has been, or will be, received by the analysts further to the views expressed herein.

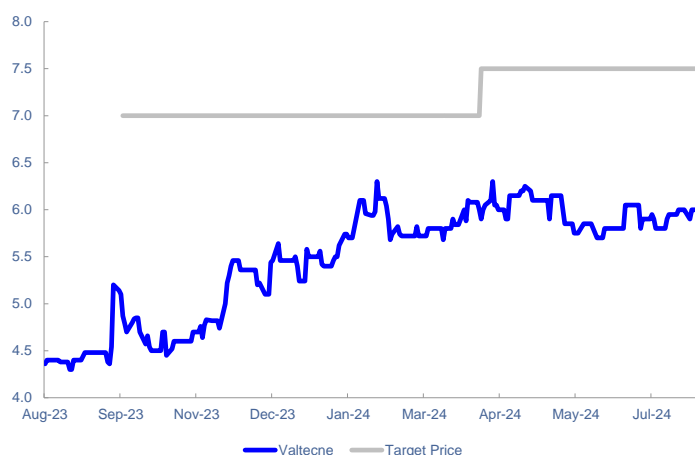
DISCLAIMER

This document has been drafted by CFO SIM, authorised by the Bank of Italy to provide investment services.

CFO SIM does not have a specific interest in either the issuer, the financial instruments or the transactions covered by the analysis.

The news and data used in this document come from information supplied to the public by the company concerned and/or from other documentation of public domain. CFO SIM is not liable for the accuracy, completeness, exactitude and impartiality of such news and data. This document has been drafted autonomously and independently and without the collaboration of the company analysed or of any company linked to the latter by shareholdings or control. This document has been prepared by the financial analysts of the Equity Research Department of CFO SIM, whose names are indicated therein. Gianluca Mozzali is an ordinary member of the Italian Association of Financial Analysts (AIAF). In no case can the company and the analysts, as authors of this document, be held liable (culpably or otherwise) for any damage resulting from use of the information or opinions set out therein. This document is for information purposes only. It cannot be reproduced directly or indirectly or redistributed to third parties, nor can it be published, either totally or in part, for any reason whatsoever. This document is not an invitation to purchase, nor is it intended to solicit the purchase or sale of the securities in question. The recipients of this document are formally bound to comply with the obligations indicated above.

CFO SIM wishes to provide ongoing coverage of the stocks mentioned in this document, as often as circumstances considered to be important dictate (corporate events, changes in recommendations, etc.). CFO SIM acts as Euronext Growth Advisor and Corporate Broker for Valtecne stock, listed on Euronext Growth Milan. The next table shows the ratings issued on the stock in the last 12 months. CFO SIM produces Equity Research documents on behalf of the Company's Specialist.



DATE	TARGET PRICE	RATING
31/07/2024	€ 7.50	BUY
03/04/2024	€ 7.50	BUY
12/02/2024	€ 7.00	BUY
09/11/2023	€ 7.00	BUY
27/09/2023	€ 7.00	BUY

This document is distributed via electronic mail and fax as from the date indicated in the document itself and addressed to some 300 Italian and non-Italian professional investors. The document is available in electronic format on CFO SIM's Internet site, to Italian and non-Italian institutional investors, and/or on Borsa Italiana's Internet site.

RATING SYSTEM

- a **BUY** rating is assigned if the target price is at least 15% higher than the market price;
- a **SELL** rating is assigned if the target price is at least 15% lower than the market price;
- a **NEUTRAL** rating is assigned if the difference between the current price and target price lies within the +/- 15% range identified using the preceding criteria.

The rating is determined on the basis of the **expected absolute return over a 12-month period** and not on the basis of the estimated outperformance or underperformance relative to a market index. Thus, the rating can be directly linked to the estimated percentage difference between current and target prices. The prices of the financial securities mentioned in the report (also used for the calculation of market capitalisation and market multiples) are the reference prices of the stock market trading day preceding the publication date of the report, otherwise stated

