

Italy – MedTech & Industrial

Sales in line with forecast. Medical Devices at 70% of the total

12th February 2025

FY-24 PRELIMINARY SALES

RIC: VLT.MI
BBG: VLT IM

Valtecne's FY-24 preliminary sales came in broadly unchanged YoY and aligned with our expectation, albeit with a different mix as the better-than-expected progression of the Medical Devices division was almost entirely offset by a marked downturn suffered by the Industrial division. The outlook for 2025 looks promising, with enticing growth opportunities to be seized thanks to synergistic integration of the recently acquired Utilità Srl.

Rating:

Buy

Price Target:

€ 8.20

Upside/(Downside): 30.2%

Last Price: € 6.30

Market Cap.: € 38.3m

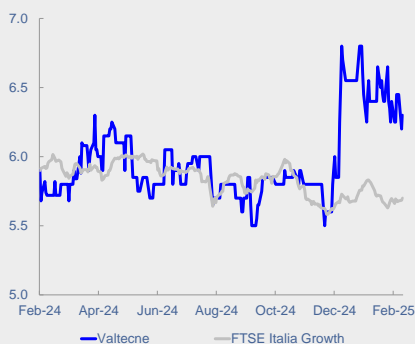
1Y High/Low: € 6.85 / € 5.45

Avg. Daily Turn. (3M, 6M): € 10k, € 9k

Free Float: 18.2%

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	-1.6%	8.6%	2.9%
Rel.to FTSE IT Growth	-0.6%	7.8%	6.6%
Rel.to Peers	-0.9%	4.6%	-12.6%

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

Preliminary sales at € 30.4m, in line with our projection although with a different mix

Valtecne reported FY-24 preliminary sales broadly unchanged YoY and slightly above our projection, while comprising a different mix, as the strong performance of the Medical Devices division (+15.1% YoY) was almost entirely offset by the steeper deterioration of the Industrial division. Pending further details about profitability and CF generation after the release of FY-24 results on 31 March, we have left our estimates, rating and PT unchanged.

€ m	FY-24	% on tot.	FY-23	% on tot.	% YoY	FY-24e	Δ %
Medical Devices	21.3	69.9	18.5	60.1	15.1	20.4	4.1
Industrial	9.1	30.1	12.3	39.9	(25.4)	9.8	(6.7)
Revenues	30.4	100.0	30.7	100.0	(1.1)	30.2	0.6

Medical Devices up by 15.1% YoY, while the Industrial division saw a greater decline

FY-24 preliminary sales came in at € 30.4m, broadly unchanged (-1.1% YoY vs € 30.7m registered in FY-23) and a touch better than our estimate of € 30.2m. The Medical Devices division rose by 15.1% YoY to € 21.3m (€ 18.5m in FY-23), 4.1% higher compared to our projection of € 20.4m, mainly driven by both higher volumes and outflows linked to the VMI – Vendor Management Inventory agreements with strategic customers. On the other side, the Industrial division saw a marked slowdown (€ 9.1m, -25.4% YoY) resulting from the prolonged contraction of the industrial end-markets it serves, especially in the EU. Such downturn accelerated Valtecne's strategic goal to have the Medical Devices division as its core business, since its share on total revenues reached almost 70%, from 60.1% in FY-23.

H2-24 sales at € 13.3m, down by 2.8% YoY, exhibiting similar trends compared to H1

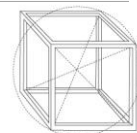
H2, historically weaker due to the inherent seasonality of the business, contributed 43.8% of FY results (vs 44.6% in FY-23), and showed similar trends compared to H1. H2-24 sales totalled € 13.3m, down by 2.8% YoY and 1.4% better than our implicit estimate, confirming the outperformance of the Medical Devices division. Indeed, the latter grew by 14.3% YoY to € 9.6m from € 8.4m in H2-23 (72% of the total), while the Industrial division slumped by 29.9% YoY to € 3.7m, with Q4-24 revenues at € 1.8m, as a consequence of the current harsh environment of many industrial end-markets in the EU.

A year of consolidation with enticing growth opportunities to be seized in 2025

As expected, 2024 turned out to be a year of consolidation for Valtecne. However, the almost unchanged top line YoY resulted from a steeper decline of the Industrial division and should not overshadow the brilliant performance of the Medical Devices division, which kept growing double-digit and is poised to continue its growth path in 2025 as well. The acquisition of Utilità Srl on Dec-24 marked the company's entry into the Dental industry and is expected to drive further expansion in light of a strong potential for cross-selling synergies.

Valtecne, key financials and ratios

€ m	2022PF	2023	2024e	2025e	2026e
Revenues	24.1	30.7	30.2	38.1	40.6
Value of Production	27.7	31.6	29.5	39.8	42.1
EBITDA	4.6	5.8	5.6	8.5	9.4
Adjusted EBITDA	5.5	7.2	6.8	10.0	10.9
EBIT	3.4	4.3	4.0	5.8	6.6
Net Profit	2.5	3.2	3.0	3.9	4.4
Adjusted NFP debt/(cash)	9.4	1.1	(2.3)	5.2	0.9
Adjusted EBITDA margin	19.9%	22.8%	23.0%	25.1%	25.8%
EPS stated FD €	-	0.52	0.49	0.64	0.72
EPS growth	-	-	-5.4%	29.3%	13.7%
ROCE	19.4%	17.2%	14.2%	16.5%	16.5%
NWC/Sales	41.2%	34.6%	33.1%	35.1%	34.4%
EV/Sales x	1.64	1.02	1.19	1.15	0.98
EV/EBITDA Adj. x	7.2	4.4	5.3	4.4	3.6
EV/EBIT x	11.7	7.2	9.0	7.5	6.0
PER x	12.2	9.5	12.7	9.8	8.7
Free Cash Flow Yield	-1.7%	5.9%	7.5%	3.8%	11.3%



The Company at a Glance

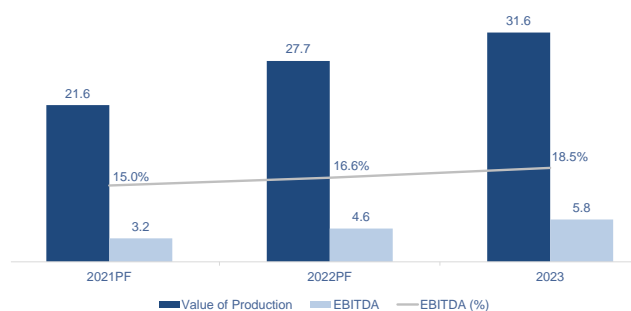
Established in 1983 by the Executive Chairman Vittorio Mainetti, Valtecne is a specialised contract manufacturer of high-precision components, operating as a first, second or third level supplier to Original Equipment Manufacturers (OEMs). The company runs its operations through two business lines, namely 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.

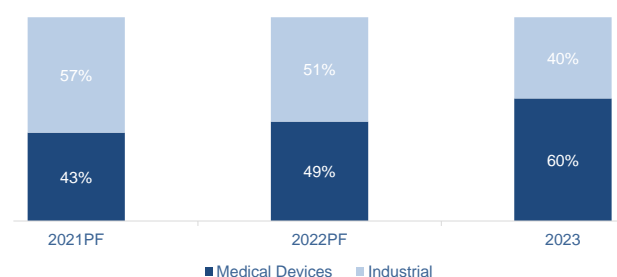
In the 2016-23 period, Value of Production showed a double-digit growth rate, i.e. CAGR₁₆₋₂₃ of 14.2%, prompted by the outstanding expansion of the Medical Devices division (CAGR₁₆₋₂₃ of 25.1%), and the steady progression of the Industrial business line (CAGR₁₆₋₂₃ of 5.5%). Indeed, the bulk of growth 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.

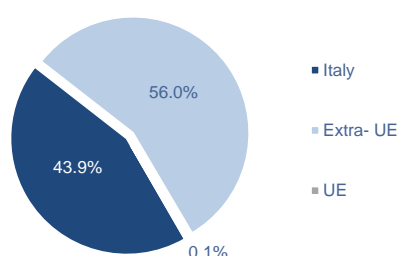
2021PF-23 VoP and EBITDA evolution



2021PF-23 top line evolution by business line



FY-23 top line breakdown by geography



Shareholder Structure

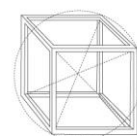
Shareholder	# m	%
KPM Srl (direct ownership)	3.76	61.6%
KPM Srl (bare ownership)	0.84	13.8%
Paolo Mainetti	0.39	6.4%
Free Float	1.11	18.2%
Total	6.11	100.0%

Peer group multiples table

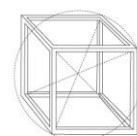
EV & PER multiples x	Sales FY1	Sales FY2	EBITDA FY1	EBITDA FY2	EBIT FY1	EBIT FY2	PER FY1	PER FY2
Integer Holdings Corp	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	25.1	22.3
Jabil Inc	0.70	0.65	9.0	8.1	12.9	11.6	19.4	17.6
Lisi SA	0.98	0.90	8.1	7.0	15.9	12.7	19.9	14.7
Scanfil Oyj	0.73	0.63	7.6	6.6	10.7	9.1	13.4	11.9
Vimi Fasteners SpA	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
West Pharmaceutical Services Inc	8.05	7.63	32.5	28.2	40.5	35.1	47.3	42.4
Median	0.85	0.77	8.6	7.5	14.4	12.1	19.9	17.6
Valtecne SpA	1.19	1.15	5.3	4.4	9.0	7.5	12.7	9.8

Sources: CFO SIM, Refinitiv Workspace

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	30.2	38.1	40.6
Value of Production	27.7	31.6	29.5	39.8	42.1
Raw material and processing	(8.8)	(10.0)	(8.0)	(11.1)	(11.7)
Services	(4.5)	(4.4)	(4.2)	(5.7)	(5.9)
Personnel expenses	(8.0)	(9.2)	(9.7)	(11.9)	(12.4)
Other opex	(1.7)	(2.2)	(2.0)	(2.6)	(2.7)
EBITDA	4.6	5.8	5.6	8.5	9.4
D&A	(1.2)	(1.5)	(1.6)	(2.6)	(2.8)
EBIT	3.4	4.3	4.0	5.8	6.6
Financials	(0.1)	(0.0)	0.1	(0.1)	(0.1)
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	4.1	5.7	6.5
Income taxes	(0.8)	(1.1)	(1.1)	(1.5)	(1.7)
Minorities	0.0	0.0	0.0	(0.3)	(0.4)
Net Profit	2.5	3.2	3.0	3.9	4.4
Adjusted EBITDA	5.5	7.2	6.8	10.0	10.9
Balance sheet (€ m)	2022PF	2023	2024e	2025e	2026e
Net Working Capital	9.9	10.6	10.0	13.4	14.0
Net Fixed Assets	7.0	8.2	8.8	17.0	17.0
Equity Investments	0.4	0.4	0.4	0.4	0.4
Other M/L Term A/L	(1.3)	(1.8)	(1.7)	(2.4)	(2.5)
Net Invested Capital	16.0	17.4	17.5	28.4	28.9
Net Financial Debt	5.0	(2.4)	(5.2)	1.4	(2.9)
Minorities	0.0	0.0	0.0	2.1	2.5
Group's Shareholders Equity	11.0	19.7	22.7	24.8	29.2
Financial Liabilities & Equity	16.0	17.4	17.5	28.4	28.9
Adjusted Net Financial Debt	9.4	1.1	(2.3)	5.2	0.9
Cash Flow statement (€ m)	2022PF	2023	2024e	2025e	2026e
Net income before minorities	2.5	3.2	3.0	4.2	4.8
Depreciation	1.2	1.5	1.6	2.6	2.8
Other non-cash charges	0.3	0.9	(0.2)	0.7	0.1
Cash Flow from Oper. (CFO)	4.0	5.6	4.4	7.6	7.7
Change in NWC	(2.3)	(0.7)	0.6	(3.4)	(0.6)
FCF from Operations (FCFO)	1.7	4.9	5.1	4.2	7.1
Net Investments (CFI)	(2.2)	(7.1)	(2.2)	(10.9)	(2.8)
Free CF to the Firm (FCFF)	(0.5)	(2.2)	2.9	(6.6)	4.3
CF from financials (CFF)	(0.2)	4.6	0.0	3.0	(0.5)
Free Cash Flow to Equity (FCFE)	(0.7)	2.3	2.9	(3.6)	3.8
Financial ratios	2022PF	2023	2024e	2025e	2026e
Adjusted EBITDA margin	19.9%	22.8%	23.0%	25.1%	25.8%
EBIT margin	12.2%	13.7%	13.5%	14.7%	15.6%
Net profit margin	10.3%	10.4%	10.0%	10.2%	10.9%
Tax rate	24.4%	25.9%	26.0%	26.0%	26.0%
Op. NWC/Sales	41.2%	34.6%	33.1%	35.1%	34.4%
Interest coverage x	36.3	163.0	(56.7)	51.9	128.6
Adj. Net Debt /Adj. EBITDA x	1.71	0.16	n.m.	0.52	0.08
Net Debt-to-Equity x	0.46	n.m.	n.m.	0.06	n.m.
ROIC	15.5%	18.3%	17.2%	13.7%	15.3%
ROCE	19.4%	17.2%	14.2%	16.5%	16.5%
ROACE	20.8%	20.4%	15.0%	18.4%	17.4%
ROE	22.6%	16.1%	13.2%	15.7%	15.1%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%
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	0.49	0.64	0.72
EBITDA €	-	0.96	0.91	1.39	1.53
EBIT €	-	0.71	0.65	0.96	1.07
BV €	-	3.23	3.72	4.41	5.20
FCFO €	-	0.80	0.83	0.69	1.16
FCFF €	-	(0.36)	0.47	(1.09)	0.71
FCFE €	-	0.38	0.47	(0.60)	0.62
Dividend €	-	0.00	0.00	0.00	0.00



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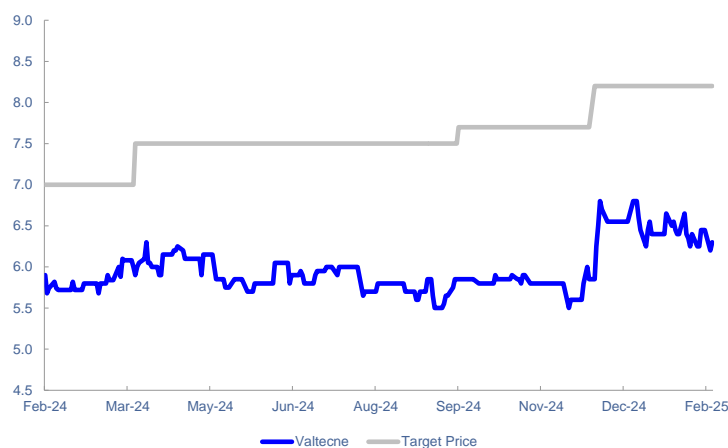
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DATE	TARGET PRICE	RATING
12/02/2025	€ 8.20	BUY
09/12/2024	€ 8.20	BUY
08/11/2024	€ 7.70	BUY
26/09/2024	€ 7.70	BUY
31/07/2024	€ 7.50	BUY
03/04/2024	€ 7.50	BUY
12/02/2024	€ 7.00	BUY

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- 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

