

NVP (NVP – IT)

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BUY

Last (€)

3.48

Valuation Range (€)

5.0-5.5

Positive trend to continue. Capex normalization in FY22

NVP released FY21 results basically in line with our estimates, exhibiting a strong growth in terms of top line and profitability vs. FY20 and pre-pandemic levels. Mgmt. confirmed that in 1H22 the business continues to experience strong growth, also thanks to the diversification effort carried on by the group (increasing weight of studio programs and other events, for example broadcasting of fashion events). Moreover, FY22 should see a normalization of investments, after FY21's net debt was highly impacted by new acquisitions. Indeed, according to Mgmt. in FY22 Capex should reduce to a more normal level of c. €1.7-1.8mn. We maintain our estimates of revenues of c. €18mn and EBITDA margin at 36% unchanged (that should be highly feasible considering the positive start of FY22), and we confirm our BUY rating on the stock with a VR of €5.0-5.5/sh.

- FY21 results in line with expectation.** NVP recorded revenues of €13.4mn (+109% vs FY20 and +83% vs FY19) and a VoP of c. €16.6mn (+128% vs FY20 and +114% vs FY19), with sales in Italy increasing 106% y/y to €11.1mn, while RoW registered an improvement to €2.3mn (+156% y/y, 17% of total sales). Moving to profitability, Adj. EBITDA came in at €4.9mn (Best €5.0mn), +296% y/y and +83% vs pre-pandemic levels, resulting in an EBITDA margin of c. 37%. This consistent increase is the result of the group's effort to optimize costs, particularly for personnel costs, which have been stable vs FY20 despite the rise of the volume of the business. Net Income registered a value of €0.3mn, a consistent increase vs the loss of €1.4mn of FY20, and up 28% vs FY19, (however below our estimates due to D&A of c. €3.6mn, slightly above our estimates). NVP reported a Net Debt of €8.8mn (Best €8.4mn), with the increase vs FY20 (€4.9mn) mainly attributable to acquisition carried out during the year; if we exclude these "extraordinary events" (that had a weight of c. €5.7mn), the Company net debt would have been c. €3.1mn, therefore improving from a year ago. Capex in the period was c. €3.5mn.
- We estimate a continuation of the positive trend.** Our estimates point to FY22 revenues of c. €18mn (without considering HiWay's results) and a VoP of c. €20mn, with an EBITDA margin of c. 36%. Thanks to a normalization of Capex (c. €1.7-1.8mn in FY22), and without considering other acquisitions, the strong cash flow generation should lead to a reduction of net debt to c. €5.7mn in FY22. Looking at cash flow generation, we estimate a FY22 and FY23 FCF Yield of c. 11% and 16% respectively.
- The Main highlights from the roadshow with CEO Massimo Pintabona:**
 - FY22 has started confirming the positive trend exhibited during the last semester of FY21. Revenues in 1Q22 increased c. 40% y/y (c. 20% y/y at constant perimeter, so excluding NVP Napoli and NVP Roma). In 2Q22, the firm has already closed contracts for c. €3.8mn, a 30% increase vs 2Q21. In 1H22, Mgmt. stated that c. €3.3mn were related to the segment of productions of studio/live program and of the broadcasting of fashion events (the firm has already closed some contracts for the broadcasting of two fashion events in Italy in the coming months);
 - Looking at FY22, Mgmt. confirmed to have already secured c. €16mn of revenues, €10mn of which generating by recurring contracts. Therefore, our estimate of revenues of c. €18mn seems highly feasible (considering also that, according to Mgmt. c. €2.5mn of revenues coming from the contract with Lega Serie A should be closed with high probability in the coming months). Moreover, this data does not take into account HiWay, that according to Mgmt. should record revenues of c. €3mn in the current year, reaching break-even.

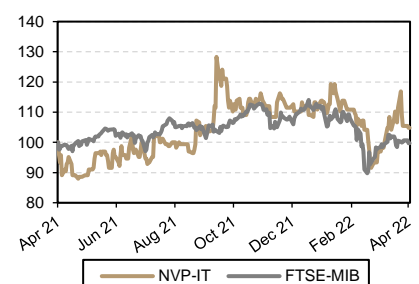
KEY FINANCIALS

€m	2022E	2023E	2024E
Revenues	18	21	23
EBITDA	6	8	8
EBIT	3	4	5
PBT	2	4	4
Net income	1	3	3
Sales growth	34%	19%	6%
EBITDA mg	36%	36%	36%
EBIT mg	14%	20%	22%
PER	18.6	10.5	8.9

EV VALUATIONS

€m	2022E	2023E	2024E
+ Mkt Cap	26	26	26
+ Net Debt	6	1	-4
- Non-core assets	0	0	0
+/- Other	0	0	0
= EV	32	28	22
EV/Sales (x)	1.8	1.3	1.0
EV/EBITDA (x)	5.0	3.5	2.7
EV/EBIT (x)	12.5	6.6	4.5
EV/IC (x)	1.7	1.6	1.5

NVP vs FTSE – MIB



Source: Bestinver Securities & Factset

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Positive outlook for 2022 and beyond

In relation to the outlook for the current year and for the medium term, some positive comments came out from the virtual road show with NVP CEO Massimo Pintabona and from FY21 results:

- **Strong start of FY22.** FY22 has started in a very positive way, with almost €16mn of revenues that should already be secured, €10mn of which generating by recurring contracts. This makes our estimate of revenues of c. €18mn (excluding HiWay) highly feasible, considering also that c. €2.5mn of revenues coming from the contract with Lega Serie A should be closed with high probability in the coming months;
- **Increasing diversification.** Looking at revenues, we can see the strong effort of the firm to diversify its business. Indeed, also thanks to the new acquisitions made during FY21, revenues derived from other activities rather than broadcasting of sport events, have increased to €2.1mn last year, an important growth of +320% y/y, which could allow the firm to gain more visibility and exposure in other segments. According to Mgmt., as of today, c. €3.3mn of 1H22 revenues were related to the segment of productions of studio/live programs and of the broadcasting of fashion events (the firm has already closed some contracts for the broadcasting of two fashion events in Italy in the coming months). Moreover, the solid increase of RoW revenues could allow the company to gain more and more business outside Italy (and this trend should continue, considering the new contract signed in the US with the X League by HiWay, and with the Canoe World Sprint Championship 2022, where NVP will broadcast two European stages of the competition, precisely in Poland and in Czech Republic);
- **In terms of investments, FY21 has been an extraordinary year.** The acquisitions made in FY21 for consolidating its presence in the Italian market and abroad (Mediacam, Xlive, HiWay and Soccerment) had a negative effect of c. €5.7mn on net debt (as per below):
 - Acquisition of **Mediacam** (NVP Roma): c. €2.0mn + c. €0.9mn of investments in new equipment;
 - **Hiway + Tangram** transaction: c. €2.0mn;
 - Acquisition of **Xlive** (NVP Napoli): c. €0.8mn;
 - Acquisition of **Soccerment**: c. €0.1mn

These non-recurring investments, together with Capex of c. €3.5mn, have led to a FY21 net debt of €8.8mn. However, considering that the debt arising from these transactions is non-recurring, and that Mgmt. expects to stabilize its level of Capex in FY22 to €1.7-1.8mn (considering €1mn of maintenance Capex and €0.7-0.8mn for other investments, particularly for the new office in Cologno Monzese), given the strong growth of revenues and an estimated FY22 EBITDA margin of c. 36%, we estimate that NVP should start to significantly reduce its debt already in the current year. Indeed, for FY22 we estimate that the firm will record a net debt of c. €5.7mn, representing a decrease of c. €3mn from FY21.

Figure 1: NVP – current fleet following all the M&A

	Type	Number
	4K HDR OB Van	5
	HD VAN	6
	Fly Case	1
	Total	12

Source: Company Data and Bestinver Calculations

Figure 2: NVP - DCF Valuation Model: Sensitivity analysis

		Terminal Growth						
		-1.3%	-0.8%	-0.3%	0.3%	0.8%	1.3%	1.8%
WACC	9.3%	4.18	4.35	4.54	4.75	4.98	5.25	5.55
	9.0%	4.30	4.48	4.68	4.90	5.15	5.43	5.76
	8.8%	4.42	4.61	4.82	5.06	5.33	5.63	5.98
	8.5%	4.54	4.75	4.98	5.23	5.52	5.84	6.22
	8.3%	4.68	4.90	5.14	5.41	5.72	6.07	6.47
	8.0%	4.82	5.05	5.31	5.60	5.93	6.31	6.75
	7.8%	4.97	5.22	5.49	5.80	6.16	6.57	7.05

Source: Bestinver Securities estimates

As it is possible to see, in our valuation we used a conservative long-term growth rate (considering the strong growth that the firm has exhibited in the last years), and a relatively high WACC, mainly affected by the current macro scenario. Moreover, according to our estimates, the current market price is even below the value we would reach considering the worst-case scenario in our sensitivity analysis, a sign that the market is not considering correctly the growth potentials of the company.

FY21 in numbers

NVP reported a solid set of FY21 results as expected, demonstrating a strong rebound to levels way above pre-pandemic ones. VoP was slightly above what was already released (16.6mn, +128% y/y, +114% vs FY19), Adj. EBITDA was in line at €4.9mn (vs €5.0mn estimated), representing an EBITDA margin of 37%, while Net Income was €0.3mn, a significant improvement vs the loss booked in FY20 (+28% vs pre-pandemic levels). Despite this, net debt came in at €8.8mn, slightly above our estimates (€8.4mn). If we exclude the debt arising from the perimeter change due to acquisitions (c. €5.7mn, above our estimates) ordinary net debt improved to c. €3.2mn vs €4.9mn in FY20. Positive start of the year, with 1Q22 revenues estimated to be up 40% y/y to €3.6mn and a solid order backlog acquired for 2Q (c. €3.8mn). More in details:

- **Revenues and VoP in line.** NVP recorded revenues of €13.4mn (+109% vs FY20 and +83% vs FY19) and a VoP of c. €16.6mn (+128% vs FY20 and +114% vs FY19), also thanks to the positive contribution of Mediacam (NVP Roma), acquired at the end of July (which recorded €0.6mn sales and a VoP of €1.0mn). Deeper into the results, sales in Italy increased 106% y/y to €11.1mn, while RoW registered an improvement to €2.3mn (+156% y/y, 17% of total sales). As anticipated during 1H21 results, NVP has started to strengthen its presence in new segments like television programs, fashion events and live content for entertainment, with sales derived from these new activities increasing to €2.1mn.
- **Adj. EBITDA in line and strong improvement in net income.** Adj. EBITDA came in at €4.9mn, basically in line with our estimates (€5.0mn), a 296% increase vs FY20 and +83% vs pre-pandemic levels, resulting in an EBITDA margin of c. 37%. This consistent increase is the results of the group effort to optimize costs, particularly for personnel costs, which have been stable vs FY20 despite the rise of the volume of the business. Net Income registered a value of €0.3mn, a consistent increase vs the loss of €1.4mn of FY20, and up 28% vs FY19, (however below our estimates due to some negative impacts due to the inclusion of c. €0.150mn of loss booked by HiWay and a lower loss of NVP Roma), also thanks to a positive contribution from tax credit (c. €0.28mn);
- **Net debt slightly worse than expected.** Net debt increased to €8.8mn (€8.4mn expected) from 4.9mn in FY20. However, considering the debt arising from the perimeter change due to the acquisitions net debt has reached a value of €3.1mn, therefore improving from €4.9mn in FY20. CAPEX in the period was c. €3.5mn, with a cash generation from operating activity of c. €6.1mn.

Summarised P&L Account and key ratios

€m	2019	2020	2021	2022E	2023E	2024E
Sales	7.3	6.4	13.4	18.0	21.5	22.8
EBITDA	2.7	1.2	4.9	6.5	7.8	8.3
Depreciation & Amort.	1.9	2.5	3.7	3.9	3.6	3.3
EBIT	0.8	(1.2)	1.2	2.6	4.2	5.0
Net Int. Cost	0.4	0.3	0.5	0.5	0.7	0.8
Associates	0.0	0.0	(0.1)	(0.1)	(0.1)	(0.1)
Impairment & Other	(0.1)	(0.4)	(0.4)	0.0	0.0	0.0
PBT	0.3	(2.0)	0.3	2.0	3.5	4.1
Taxes	0.1	(0.6)	0.0	0.6	1.0	1.2
Discontinued operations	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
Net Profit	0.2	(1.4)	0.3	1.4	2.5	3.0
EPS	0.0	(0.2)	0.0	0.2	0.3	0.4
Sales growth	58%	(13%)	111%	34%	19%	6%
EBITDA growth	47%	(54%)	296%	32%	20%	6%
Net Profit growth	(9%)	(702%)	(121%)	374%	77%	18%
EBITDA margin	37%	19%	37%	36%	36%	36%
EBIT margin	11%	(20%)	9%	14%	20%	22%
Net Pr. Margin	3%	(22%)	2%	8%	12%	13%
Gross Int. Cover (x) (1)	2.0	n.m.	2.6	4.7	6.4	6.5

Summarised Balance Sheet and key ratios

€m	2019	2020	2021	2022E	2023E	2024E
Fixed assets	9.8	14.5	27.8	25.7	23.6	21.6
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Inventories	0.0	0.0	0.0	0.0	0.0	0.0
Trade Receivables	6.7	9.4	12.3	15.9	19.9	21.1
Cash + S/T Invest. + Other	7.5	3.3	1.9	2.4	3.5	5.7
Total Assets	24.0	27.2	42.1	44.0	47.0	48.4
Sharehold. Equity	11.1	9.6	11.9	13.4	15.9	18.9
L-T Financial Debt	3.1	6.3	6.7	5.1	2.9	1.0
S-T Financial Debt	2.6	1.8	4.0	3.0	1.7	0.6
Trade Payables	4.1	4.3	5.0	7.8	9.3	9.9
Provisions + Other	3.0	5.1	14.4	14.7	17.2	18.0
Total Liabilities	24.0	27.2	42.1	44.0	47.0	48.4
Net Debt/ (Cash)	(1.7)	4.9	8.8	5.7	1.2	(4.1)
WACC	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
Net Debt/Equity	(0.2)	0.5	0.7	0.4	0.1	(0.2)
ROCE (2)	6%	(6%)	5%	10%	18%	24%
ROE	2%	(15%)	3%	11%	16%	16%
ROCE/WACC (x)	0.7	(0.7)	0.6	1.1	2.1	2.8

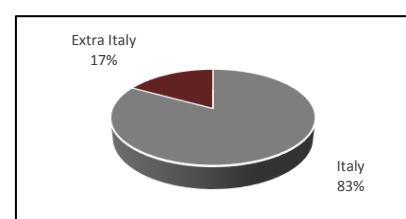
Simplified Cash Flow Statement and key ratios

€m	2019	2020	2021	2022E	2023E	2024E
Net Profit	0.2	(1.4)	0.3	1.4	2.5	3.0
+ Depr. & Amortis.	1.9	2.5	3.7	3.9	3.6	3.3
+/- other	0.0	(0.5)	(1.9)	(1.7)	0.4	0.2
= Operating CF	2.1	0.5	2.1	3.6	6.5	6.4
- Change in Working K	1.4	(0.7)	3.9	1.2	(0.4)	0.1
- CAPEX of which	(4.6)	(6.5)	(3.5)	(1.8)	(1.5)	(1.3)
expansinary CAPEX	(1.9)	(2.6)	(1.4)	(0.7)	(0.6)	(0.5)
- Dividends	0.0	0.0	0.0	0.0	0.0	0.0
= FCF	(1.0)	(6.6)	2.5	3.0	4.6	5.3
FCF Yield (Mkt Cap)	nm	nm	10%	11%	16%	19%
FCF Yield (EV)	-6%	-28%	6%	7%	14%	19%
FCF before exp. Capex	0.9	(4.1)	3.9	3.7	5.2	5.7
FCF Yield (Mkt Cap)	nm	nm	10%	11%	16%	19%
FCF Yield (EV)	-6%	-28%	6%	7%	14%	19%

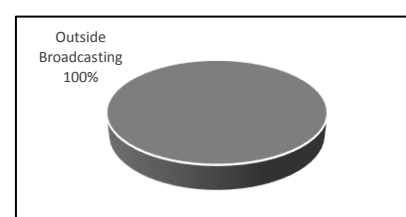
EV valuations

€m	2022E	2023E	2024E
+ Mkt Cap	26.4	26.4	26.4
+ Net Debt	5.7	1.2	-4.1
- Non-core assets	0.0	0.0	0.0
+/- Other	0.0	0.0	0.0
= EV	32	28	22
EV/Sales (x)	1.8	1.3	1.0
EV/EBITDA (x)	5.0	3.5	2.7
EV/EBIT (x)	12.5	6.6	4.5
EV/IC (x)	1.7	1.6	1.5

Geographical Sales BreakDown



Divisional Sales BreakDown



Debt Structure (€m)

Total Debt in the B. Sheet	
Short Term	4.00
Long Term	6.70
<i>maturing in 24M</i> <i>maturing in 36M</i> <i>maturing in 48M or more</i>	
Cost Range	3.00%
Rating (Moody's)	
<i>Short term</i> <i>Long term</i>	

Estimated Off B/S Liabilities

Share Information	
Outstanding # shares (m)	7
Market Cap (€ m)	26
Avg. daily volume (€ m, last 6 months)	0.005
Free float %	41%
Major shareholders	
Natalino Pintabona	19.7%
Massimo Pintabona	19.7%
Ivan Pintabona	19.7%

Management shares option scheme

% of Capital	
Nearest to vest	

1) calculated as EBIT/Int. expenses (2) calculated as ROCE after taxes (3) calculated ex-expansinary CAPEX

(*) Source: company data and Bestinver Securities estimates

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