NVP (NVP – IT)

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Impressive start of 2023E. Buy confirmed.

BUY

Last (€)	3.4
Valuation Range (€)	5.0-5.5

The divergence among 2022 results and our estimates resides mainly to a change in accounting principles and to some COVID-19 related extraordinary expenses, therefore not to business dynamics or current operations, which indeed continue to remain strong. As a result of this change and of the continuation of the positive business momentum, we have upward revised our 2023E/2024E sales growth estimates of 2%/4%, and downward revised our adj. EBITDA estimates by 5%/2%. We confirm our BUY recommendation and our TP of €5.0-5.5/sh.

- **2022 impacted by accounting policies; operating business remains strong.** 2022 results were mainly affected by the decision to extend the amortization period of OB-vans and other assets (from 7 years to 12 years), which had a negative effect on "other revenues" as a result of lower capital grants (of c. €0.7mn) recognized over a consequent lower amount of amortized costs (the total amount of capital grants will be however equal as before, only spread over an higher number of years). In details, the firm registered an adj. EBITDA (IFRS-16 compliant) of c. €5.7mn, up 16% y/y, representing a margin of 32%, a result below BSest. of 35%. However, if we exclude the negative "accounting change" effect, adj. EBITDA would have reached a value of €6.4mn, a margin of 36%, slightly better than our forecasts. Moreover, this result considers EGA contribution for only 2 months. Analysing pro-forma data, therefore including EGA as if the acquisition was occurred on 1st of January 2022, we would end up with an adj. EBITDA of c. €5.9mn (c. €6.6mn if we exclude the negative effect from the change in accounting principles).

- **Net debt better than BSest. excluding extraordinary items.** The firm closed FY22 with a net debt of €8.7mn, basically in line with FY21 and slightly above the upper limit of our guided range of €7.6-8.6mn. However, if we exclude €0.7mn from the acquisition of EGA, c. €0.8mn of 2023 investments that have been anticipated in December 2022 in order to comply with the new 4.0 investments regulation, €0.6mn invoice cashed-in in the first days of January but that was expected in 2022, and some €0.1mn collected from an escrow account related to NVP Roma's acquisition, net debt would have decreased to c. €6.5mn. Looking at IFRS-16 compliant figure, that is including debt arising from leasing, adj. net debt should stand at c. €11.5mn (adj. leverage of c. 2x), down from c. €12.3 as in FY21. And this metric would further reduce to c. €9.3mn, if we depurated it from the extraordinary dynamics commented before. Finally, another theme to stress, is that almost the entire amount of long-term debt is at fixed rate, a characteristic which should sensibly mitigate the increasing interest rate impacts on NVP's economics, even if the debt reduction in the following years could be slightly slower than our estimates. To this point we estimate an adjusted leverage of c.1x in 2023E and 0.2x in 2024E.

- **Strong momentum continued in 1Q23**. NVP has published a very positive revenues update in 1Q23, with a top line up 67% y/y to €6.0mn (€3.6mn in 1Q22). Moreover, the order book for 2Q was very strong as well, with revenues of €6.1mn, an improvement of 60% y/y. In details, 1Q23 has been characterized by a continuous growth of the entertainment & fashion segment, that is studio/live programs, which registered revenues of €1.5mn (+25% y/y), and that supported the material improvement of revenues from the broadcasting of sport events, up 114% y/y.

- **Estimates revision.** Considering the change in accounting policies and positive Management's comments on 2023E, we have revised our estimates in terms of sales and adj. EBITDA. We now expect 2023E-2024E revenues of c. €24mn and c. €27mn (+2%/+4% vs previous BSest.) and adj. EBITDA of €8.0mn and €9.2mn (-5%/-2% vs previous BSest.). Considering the potentials of the new remote production and the continuation of the business momentum as shown also in 1Q23, we confirm our BUY recommendation and our TP of €5.0-5.5/sh.

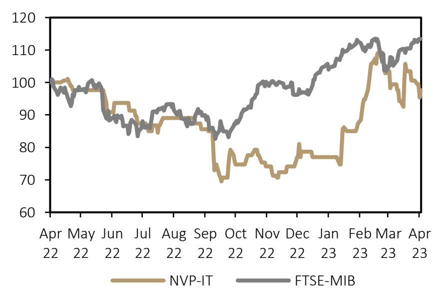
KEY FINANCIALS

€m	2023E	2024E	2025E
Revenues	24.0	26.8	29.3
Adj. EBITDA	8.0	9.2	10.3
EBIT	2.9	3.6	4.5
PBT	2.3	3.0	4.0
Net income	1.6	2.1	2.7
Sales growth	36%	12%	9%
EBITDA mg	33%	34%	35%
EBIT mg	12%	13%	15%
PER	16.1	12.0	9.3

EV VALUATIONS

€m	2023E	2024E	2025E
+ Mkt Cap	26	26	26
+ Adj. Net Debt*	8.8	3.4	-3.7
- Non-core assets	-3	-3	-3
+/- Other	0	0	0
= EV	31	26	19
EV/Sales (x)	1.3	1.0	0.6
EV/EBITDA (x)	3.9	2.8	1.8
EV/EBIT (x)	10.8	7.1	4.2
EV/IC (x)	1.6	1.5	1.4

NVP vs FTSE – MIB



Source: Bestinver Securities. * Including leasing

2022 results affected by change in accounting policies

Before commenting 2022 results, which were mainly impacted by a change in accounting policy as explained below, NVP has confirmed that FY23 top line should register a growth rate higher than the +32% y/y recorded in FY22 (new BSest. at +36%). Moreover, the company is confident to bring back its marginality to levels of 35-37% in the following years thanks to the positive contribution of the new remote production which started in December 2022, characterized by higher margins, and to the continuation of the positive trend in the top line.

As anticipated above, 2022 results were mainly affected by the decision to extend the amortization period of OB-vans and other assets (from 7 years to 12 years), which had a negative effect on “other revenues” as a result of lower capital grants (of c. €0.7mn) recognized over a consequent lower amount of amortized costs (the total amount of capital grants will be however equal as before, only spread over an higher number of years). In any case, the firm communicated to have at its disposal c. €3.8mn tax credits, which could be exploited in the following 3 years.

In details, the firm registered an adj. EBITDA of c. €5.7mn, up 16% y/y, representing a margin of 32%, a result below BSest. of 35%. However, if we exclude the negative “accounting change” effect, adj. EBITDA would have reached a value of €6.4mn, a margin of 36%, slightly better than our forecasts. On the other hand, the bottom line was negatively affected also by some non-repeatable costs of €0.35mn, mainly due to some COVID-19 related expenses. Specific and extraordinary events affected also net debt, which stood at €8.7mn; excluding extraordinary items, net debt would have been c. €6.5mn.

In particular:

- Revenues and VoP basically in line with preliminary results: revenues were €17.7mn, a 32% y/y increase, driven again by the significant growth of the broadcasting of sport events (c. €12.5mn, +39% y/y), and by a solid improvement of the entertainment & fashion segment, that is studio/live programs, with revenues generated by this segment up 115% y/y to c. €4.5mn. Looking at geographic split, Italy was up 49% y/y to €16.5mn, while RoW was down to €1.2mn. VoP recorded instead an improvement of 22% y/y to €20.3mn. However, the decision taken regarding the amortization period commented above had a negative effect of c. €0.7mn on other revenues (lower capital grants considering a lower amount of amortized costs), which negatively affected the VoP and consequently all the results below the top line;

- Profitability basically in line excluding accounting changes and non-recurrent items: as a main consequence of the above-mentioned negative “accounting change” effect, adj. EBITDA stood at €5.7mn, up 16% y/y, which represents a margin of 32%, a result below our estimates. However, if we exclude this extraordinary effect, adj. EBITDA would have been c. €6.4mn, a margin of 36%, slightly better than our estimates. Moreover, this result considers EGA contribution for only 2 months. If we use a pro-forma data, therefore including EGA as if the acquisition was occurred on 1st of January 2022, and considering a FY22 EBITDA for the acquired firm in line with the one recorded in FY21, i.e. €0.3mn, we would end up with an adj. EBITDA of c. €6mn (c. €6.7mn if we exclude the negative effect from the change in accounting principles). On the other hand, moving down to the bottom line, net profit registered a decline of c. 17% to €0.25mn. Also in this case however, excluding non-recurring items for €0.35mn mainly due to some COVID-19 related expenses, net profit would have been in line with our estimates;

- **Net debt better than BSest. excluding extraordinary items**: the firm closed FY22 with a net debt of €8.7mn, basically in line with FY21 and slightly above the upper limit of our guided range of €7.6-8.6mn. However, if we exclude €0.7mn from the acquisition of EGA, c. €0.8mn of 2023 investments that have been anticipated in December 2022 in order to comply with the new 4.0 investments regulation, €0.6mn invoice cashed-in in the first days of January but that was expected in 2022, and some €0.1mn collected from an escrow account related to NVP Roma's acquisition, net debt would have decreased to c. €6.5mn. Looking at IFRS-16 compliant figure, that is including debt arising from leasing, adj. net debt should stand at c. €11.5mn (including EGA contribution), that is an adj. leverage ratio of c. 2x, down from €12.3 as in FY21 (adj. leverage of c. 2.5x). And this metric would further reduce to c. €9.3mn, if we depurated from the extraordinary dynamics commented before.

Figure 1: NVP – FY22 results

	FY21	FY22A	y/y	FY22E Bestinver	AoE
Revenues	13.4	17.7	32%	17.4	2%
VoP	16.6	20.3	22%	20.0	1%
Adj. EBITDA	4.9	5.7	16%	6.0	-5%
Margin	37%	32%		35%	
Net income	0.3	0.2	-17%	0.7	-62%
Net debt	8.8	8.7	-1%	8.1	7%
Adj. net debt*	12.3	11.5	-6%	10.9	6%

Source: Company data and Bestinver estimates. * Including leasing debt

Figure 2: NVP – IFRS-16 impacts (adj. metrics compliant with IFRS-16)

	2022	2023E	2024E	2025E
EBITDA	3.7	6.1	7.3	8.5
Adj. EBITDA	5.7	8.0	9.2	10.3
Net debt	8.7	6.2	1.2	-5.6
Adj. net debt	11.5	8.8	3.4	-3.7

Source: Company data and Bestinver estimates

Valuation Summary

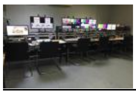
Our Valuation Range of €5.0-5.5/sh is obtained by using a DCF model. In our DCF we have discounted the estimated OFCs using a WACC of 8.9%, factoring in a risk free of 4.2%, an equity risk premium of 5.3% and a beta slightly above 1.4x. We have assumed 1.5% long-term FCF growth after 2025E.

Figure 3: NVP - DCF Valuation Model: Sensitivity analysis

		Terminal growth rate						
		0.0%	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%
WACC	9.7%	4.2	4.4	4.7	4.9	5.2	5.6	6.0
	9.4%	4.3	4.6	4.8	5.1	5.4	5.8	6.2
	9.2%	4.5	4.7	5.0	5.3	5.6	6.0	6.5
	8.9%	4.6	4.9	5.1	5.5	5.8	6.3	6.8
	8.7%	4.7	5.0	5.3	5.7	6.1	6.5	7.1
	8.4%	4.9	5.2	5.5	5.9	6.3	6.8	7.4
	8.2%	5.1	5.4	5.7	6.1	6.6	7.1	7.8

Source: Bestinver Securities estimates

Figure 4: NVP – current fleet following all M&A transactions

	Type	Number
	4K HDR OB Van	5
	HD VAN	7
	Fly Case	2
	Total	14

Source: Company Data and Bestinver Calculations

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Summarised P&L Account and key ratios

€m	2020	2021	2022	2023E	2024E	2025E
Sales	6.4	13.4	17.7	24.0	26.8	29.3
Adj. EBITDA	1.2	4.9	5.7	8.0	9.2	10.3
Depreciation & Amort.	2.5	3.7	4.4	5.1	5.6	5.8
EBIT	(1.2)	1.2	1.3	2.9	3.6	4.5
Net Int.Cost	0.3	0.5	0.4	0.4	0.4	0.4
Associates & Other	0.0	(0.4)	(0.3)	(0.2)	(0.2)	(0.2)
Impairment	(0.4)	0.0	0.0	0.0	0.0	0.0
PBT	(2.0)	0.3	0.5	2.3	3.0	4.0
Taxes	(0.6)	0.0	0.2	0.7	0.9	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	(1.4)	0.3	0.2	1.6	2.1	2.7
EPS	(0.2)	0.0	0.0	0.2	0.3	0.4
Sales growth	(13%)	111%	32%	36%	12%	9%
EBITDA growth	(54%)	n.m.	n.m.	42%	14%	12%
Net Profit growth	(702%)	n.m.	n.m.	538%	34%	30%
EBITDA margin	19%	37%	32%	33%	34%	35%
EBIT margin	(20%)	9%	7%	12%	13%	15%
Net Pr. Margin	(22%)	2%	1%	7%	8%	9%
Gross Int. Cover (x) (1)	-3.9	n.m.	2.8	6.5	9.0	12.4

Summarised Balance Sheet and key ratios

€m	2020	2021	2022	2023E	2024E	2025E
Fixed assets	14.5	27.8	27.4	26.0	22.6	18.8
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	9.4	12.3	10.0	13.3	15.6	17.0
Cash + S/T Invest. + Other	3.3	1.9	1.9	2.3	3.4	6.3
Total Assets	**27.2**	**42.1**	**39.3**	**41.6**	**41.6**	**42.1**
Sharehold. Equity	9.6	11.9	12.4	13.9	16.0	18.8
L-T Financial Debt	6.3	6.7	6.7	5.3	2.9	0.4
S-T Financial Debt	1.8	4.0	4.0	3.2	1.7	0.3
Trade Payables	4.3	5.0	7.2	10.3	11.5	12.5
Provisions + Other	5.1	14.4	9.1	8.8	9.4	10.2
Total Liabilities	**27.2**	**42.1**	**39.3**	**41.6**	**41.6**	**42.1**
Net Debt/ (Cash)	4.9	8.8	8.7	6.2	1.2	(5.6)
WACC	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%
Net Debt/Equity	51%	73%	71%	44%	7%	(30%)
ROCE (2)	(6%)	5%	3%	10%	15%	24%
ROE	(15%)	3%	2%	11%	13%	15%
ROCE/WACC (x)	(69%)	61%	35%	111%	162%	264%

Simplified Cash Flow Statement and key ratios

€m	2020	2021	2022	2023E	2024E	2025E
Net Profit	(1.4)	0.3	0.2	1.6	2.1	2.7
+ Depr. & Amortis.	2.5	3.7	4.4	5.1	5.6	5.8
+/- other	(0.5)	(1.9)	(0.9)	0.0	0.0	0.0
= Operating CF	**0.5**	**2.1**	**3.7**	**6.7**	**7.7**	**8.5**
- Change in Working K	(0.7)	3.9	5.4	(0.4)	(0.5)	0.3
- CAPEX of which	(6.5)	(3.5)	(7.7)	(3.7)	(2.1)	(2.1)
expansionary CAPEX	(2.6)	(1.4)	(1.7)	(0.8)	(0.5)	(0.4)
- Dividends	0.0	0.0	0.0	0.0	0.0	0.0
= FCF	(6.6)	2.5	1.4	2.6	5.0	6.8
FCF Yield (Mkt Cap)	(33%)	10%	6%	10%	19%	26%
FCF Yield (EV)	(28%)	6%	3%	8%	19%	38%
FCF before exp. Capex	**(4.1)**	**3.9**	**3.1**	**3.4**	**5.5**	**7.2**
FCF Yield (Mkt Cap)	(33%)	10%	6%	10%	19%	26%
FCF Yield (EV)	(28%)	6%	3%	8%	19%	38%

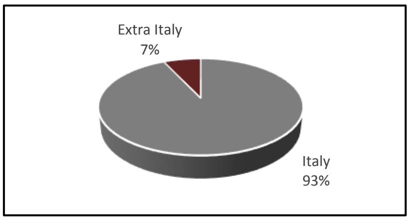
1) calculated as EBIT/Int. expenses (2) calculated as ROCE after taxes (3) calculated ex-expansionary CAPEX

(*) Source: company data and Bestinver Securities estimates

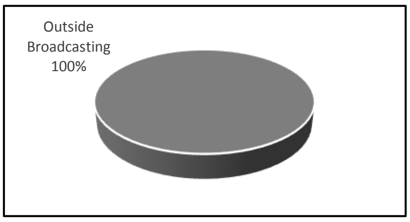
EV valuations

€m	2023E	2024E	2025E
+ Mkt Cap	26	26	26
+ Adj. Net Debt	8.8	3.4	-3.7
- Non-core assets	-3	-3	-3
+/- Other	0	0	0
= EV	31	26	19
EV/Sales (x)	1.3	1.0	0.6
EV/EBITDA (x)	3.9	2.8	1.8
EV/EBIT (x)	10.8	7.1	4.2
EV/IC (x)	1.6	1.5	1.4

FY22 Geographical Sales BreakDown



FY22 Divisional Sales BreakDown



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

Estimated Off B/S Liabilities	
Share Information	
Outstanding # shares (m)	7
Market Cap (€ m)	22
Avg. daily volume (€ m, last 6 months)	0.002
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	

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