

ABP Nocivelli

Sponsored Research

Italy | Materials, Construction & Infrastructure



Analysar

27 September 2023

Buy

Recommendation unchanged

Share price: EUR 3.72

closing price as of 26/09/2023

Target price: EUR 5.70

Target Price unchanged

Upside/Downside Potential 53.2%

Reuters/Bloomberg

ABP.MI/ABP.IM

Market capitalisation (EURm) 113

Current N° of shares (m) 30

Free float 11%

Daily avg. no. trad. sh. 12 mth (k) 6

Daily avg. trad. vol. 12 mth (k) 94.47

Price high/low 12 months 3.92 / 3.36

Abs Perfs 1/3/12 mths (%) -0.53/-0.53/-0.27

Key financials (EUR) 06/22 06/23e 06/24e

Sales (m) 59 87 88

EBITDA (m) 14 14 15

EBITDA margin 23.8% 16.6% 16.8%

EBIT (m) 12 13 13

EBIT margin 21.1% 14.8% 15.0%

Net Profit (adj.)(m) 10 10 10

ROCE 64.1% 46.4% 46.4%

Net debt/(cash) (m) (40) (42) (50)

Net Debt/Equity -0.7 -0.7 -0.7

Debt/EBITDA -2.8 -2.9 -3.3

Int. cover(EBITDA/Fin. int) 82.4 90.1 92.4

EV/Sales 1.4 0.8 0.7

EV/EBITDA 5.8 5.1 4.3

EV/EBITDA (adj.) 5.8 5.1 4.3

EV/EBIT 6.5 5.7 4.8

P/E (adj.) 12.6 12.0 11.4

P/BV 2.2 1.8 1.6

OpFCF yield 6.8% 3.3% 8.2%

Dividend yield 1.3% 1.3% 1.3%

EPS (adj.) 0.31 0.32 0.32

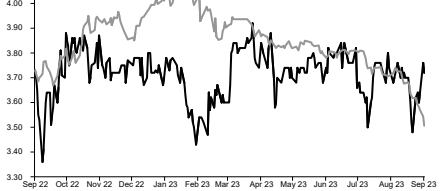
BVPS 1.76 2.08 2.36

DPS 0.05 0.05 0.05

Shareholders

Bruno Nocivelli 58%; Laura Salvatore 27%; Nicola Turra 4%;

Alessandra Perego 0.89%;



Source: FactSet

— ABP NOCIVELLI — FTSE AIM Italia (Rebased)

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FY 22/23: solid results in line with expectations. Good opportunities ahead

The facts: ABP published its results yesterday during trading hours.

Our analysis: we summarise the main lines of the release below.

	FY 2022/23a	FY 2021/22a	Y/Y	FY 2022/23e
Sales	74.2	51.7	43.5%	84.0
Value of production	75.1	58.6(*)	28.0%	87.0
EBITDA	15.3	13.9	9.6%	14.4
EBITDA Margin	20.4%	23.8%	-3.4pp	16.6%
EBIT	13.4	12.4	8.7%	12.8
EBIT Margin	17.9%	21.1%	-3.2pp	14.8%
Net profit	10.6	9.6	10.9%	9.7
Net debt (cash)	(40.1)	(39.7)	0.9%	(42.5)

(*)Value of production does not include EUR 2.8m in non-recurring income from a real estate deal.

Value of production came in below our estimates, as the “energy volumes” sold fell due to the mild winter. Nevertheless, ABP managed to beat our estimates at the EBITDA level, thereby confirming the resiliency of the business model vis-à-vis adverse market conditions.

At the net cash level, we note that the OFCF generation was impacted by the NWC absorption, which stood at over EUR 8m (vs. our estimates of EUR 5m). The usual payment terms of the construction problem explain most of the absorption, as ABP usually pays its supplier before it collects its revenues, in order to secure lower prices, and in turn, support profitability. The unexpected increase (~EUR 3m) was mainly due to the delayed refund of a VAT credit by the Italian Tax Agency. Net of this impact, the OFCF generation would have met our estimate of ~EUR 8m, or ~50% cash conversion of EBITDA.

The management also noted that they have started to invest the huge available cash in short-term accounts, in order to obtain a financial return in line with the current short-term rates (~4%). The impact was negligible in H2 22/23, but it is likely to ramp up as of H1 23/24.

The management will propose a DPS of EUR 4.9c/sh (cash-out of EUR 1.5m, both in line Y/Y), since they are committed to remunerating shareholders. On the other hand, ABP is willing to retain its cash position as it is nearing some relevant projects that will require significant equity investments.

Outlook. The CEO Mr. Turra confirmed the 3-year backlog of EUR 300m in construction and service activities. It highlighted the high quality of the construction backlog, which only includes technological systems, whereas civil works are carried out by other construction companies (for instance, see the temporary consortium with Pavoni SpA). Although the construction business’ profitability is structurally lower than services’, technological systems yield higher margins and enjoy higher visibility on revenue than pure civil works.

Conclusion & Action: results were substantially in line with our estimates. The already-disclosed 3-year backlog leaves room for some upside on our forecasts. Pending the update of our model, we fully confirm our positive stance on the company.