

## Company Note

# NEO DECOR TECH

**Fair Value: €5.34**  
(Prev. €5.43)

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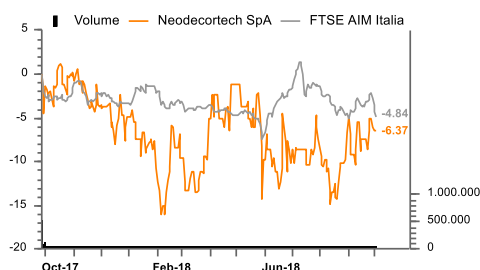
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### Relative Performance Chart (since IPO)



### Market Data:

|                        |         |
|------------------------|---------|
| Current Price (€)      | 3.79    |
| Fair Value (€)         | 5.34    |
| Market Cap (€mn)       | 49.65   |
| 52 Wk High (€)         | 4.16    |
| 52 Wk Low (€)          | 3.33    |
| Free Float (%)         | 27.20   |
| Avg. Daily Trading 90d | 5646.15 |
| Price Change 1w (%)    | 0.00    |
| Price Change 1m (%)    | -1.56   |
| Price Change YTD (%)   | -1.56   |
| EV/EBITDA 2018E        | 5.25    |
| EV/EBITDA 2019E        | 4.72    |
| P/E 2018E              | 6.95    |
| P/E 2019E              | 6.35    |

## Laid the *Floor* for the Future

**Overview.** Neodecortech Group is the largest Italian producer and printer of décor paper, a surface material that has several applications within the interior design industry. The Group is built around **3 pillars** - printing and impregnation (Neodecortech), a paper mill (CdG) and an energy plant (BEG) - which work closely together in a highly **synergistic business model**. This structure allows to: i) exploit cross-selling capacity and ii) remove the energy gap, allowing the Group to be competitive internationally.

**Décor paper market.** The increase in raw material costs, began in 2017, negatively affected Neodecortech's competitors' décor 1H18 results: Munksjo registered a decrease in EBITDA of 22% YoY (-250bp) despite higher revenues (+4% YoY), while Surteco experienced both a reduction in revenues (2% YoY) and a reduction in EBIT of 16% YoY (-100bp).

**1H18 Results.** On September 28, 2018, the BoD announced the 2018 half-year results. As opposed to its competitors, Neodecortech experienced both an increase in Revenues and profitability thanks to the successful product mix and pricing policy. 1H18 Revenues reached €65.8m (+8.7% YoY and +1.6% with respect our previous estimates) while EBITDA adjusted grew by 28%, reaching €8.7m (+2.8% than our previous estimates). On the bottom line, Net Income adjusted reached €3.2m, growing by 63% YoY.

**Acquisition.** On August 2, 2018 Neodecortech acquired a branch from Corbetta Fia Srl for €180k, including €2.3mn of Net Financial Debt. The operation will allow Neodecortech to expand its product portfolio with the Plastic Printed Laminated Film (PPLF), a high value-added product. The PPLF will be produced thanks to the combination of know-how and equipment from the new branch and Neodecortech's expertise in LVT products. In addition, the branch current business already generates yearly c. €8mn of Sales and c. 5% of EBITDA margin.

**Solid groundwork for the future.** Neodecortech's BoD received the authorization for a capital increase of up to €10.0m in the service of future M&A. Furthermore, the company distributed a free warrant for each share, with an exchange rate of 4 warrant per share and a strike price of €4.0 per share (exercise period from 6/2019 to 12/2020), for a maximum of €13.1m of capital increase. Finally, a dividend policy for 2018 and 2019 has been announced, setting a maximum of €0.153 DPS.

**Revised Estimates.** On the back of the branch acquisition, we adjusted our future estimates. Our new 2018PF Revenues estimate includes the €8m contribution from the acquired branch, ending up to €145.4m (+6.0%), and reaching €156.7m (+6.3%) in 2019, also including the first contribution of PPLF sales. Our 2018-2019 EBITDA estimates, do not includes the stock grant plan, and are equal to €18.4m and €20.4m respectively.

**Valuation.** Our sum-of-the-parts model returns the following values: i) Impregnation and paper mill businesses, with an estimated value of €4.48ps; ii) Group's power plant, with a value of €0.47ps. The company fair value is estimated to be €70.0mn or €5.34ps. Our fair value is slightly lower than our previous valuation (-1.7%), following a reduction in market multiples of Neodecortech competitors: i) 2018-'19 EV/EBITDA average down by 2.6% and ii) 2018-'19 P/E average down by 4.6%.

| € Thousands | Total Revenues | EBITDA | EBITDA Margin | EBIT   | Net Income | EPS  |
|-------------|----------------|--------|---------------|--------|------------|------|
| 2015PF      | 125,496        | 11,859 | 9.4%          | 4,785  | 1,693      | 0.00 |
| 2016PF      | 115,706        | 15,600 | 13.5%         | 9,228  | 4,454      | 0.34 |
| 2017PF      | 127,737        | 14,227 | 11.1%         | 7,930  | 4,063      | 0.31 |
| 2018E       | 145,354        | 18,355 | 12.6%         | 11,250 | 7,143      | 0.55 |
| 2019E       | 156,733        | 20,404 | 13.0%         | 12,955 | 7,821      | 0.60 |

Source: Company data, KT&Partners' estimates

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**Table 1: Neodecortech S.p.A. - Key Figures**

| Current price (€)               | Fair Value (€) | Sector                        |         |         | Free Float (%) |
|---------------------------------|----------------|-------------------------------|---------|---------|----------------|
| 3.79                            | 5.34           | Industrial Goods and Services |         |         | 27.20          |
| Per Share Data                  |                |                               |         |         |                |
|                                 | 2015A          | 2016A                         | 2017E   | 2018E   | 2019E          |
| Total shares outstanding (mn)   | n.a.           | n.a.                          | 13.10   | 13.10   | 13.10          |
| EPS                             | n.a.           | n.a.                          | 0.37    | 0.55    | 0.60           |
| Dividend per share (ord)        | -              | -                             | 0.11    | 0.16    | 0.18           |
| Dividend pay out ratio (%)      | 0%             | 0%                            | 30%     | 30%     | 30%            |
| Profit and Loss (EUR thousand)  |                |                               |         |         |                |
| Revenues                        | 125,496        | 115,706                       | 127,737 | 145,354 | 156,733        |
| EBITDA                          | 11,859         | 15,600                        | 14,227  | 18,355  | 20,404         |
| EBIT                            | 4,785          | 9,228                         | 7,930   | 11,250  | 12,955         |
| EBT                             | 1,344          | 5,967                         | 5,183   | 8,928   | 10,847         |
| Taxes                           | 185            | 1,513                         | 1,120   | 1,786   | 3,026          |
| Tax rate                        | 14%            | -25%                          | -19%    | -20%    | -28%           |
| Net profit                      | 1,529          | 4,454                         | 4,063   | 7,143   | 7,821          |
| Net profit after minorities     | 1,529          | 4,454                         | 4,063   | 7,143   | 7,821          |
| Balance Sheet (EUR thousand)    |                |                               |         |         |                |
| Total fixed assets              | 82,564         | 80,271                        | 80,875  | 83,164  | 82,008         |
| Net Working Capital (NWC)       | 21,854         | 19,594                        | 23,421  | 26,997  | 29,893         |
| Provisions                      | - 3,864        | - 4,017                       | - 3,362 | - 3,725 | - 4,121        |
| Other Assets and Liabilities    | - 7,853        | - 8,491                       | - 1,436 | - 949   | - 749          |
| Total Net capital employed      | 100,554        | 95,848                        | 100,933 | 106,434 | 107,779        |
| Net financial position (NFP)    | 66,706         | 57,137                        | 46,910  | 46,710  | 42,377         |
| Group Shareholder's Equity      | 33,849         | 38,711                        | 54,022  | 59,723  | 65,401         |
| Minorities                      | -              | -                             | -       | -       | -              |
| Total Shareholder's Equity      | 33,849         | 38,711                        | 54,022  | 59,723  | 65,401         |
| Cash Flow (EUR thousand)        |                |                               |         |         |                |
| Net operating cash flow         | 4,970          | 14,088                        | 13,848  | 16,569  | 17,377         |
| Change in NWC                   | n.a.           | 1,621                         | 3,229   | 3,090   | 2,696          |
| Capital expenditure             | n.a.           | - 4,634                       | - 8,649 | - 9,393 | - 6,293        |
| Other cash items/Uses of funds  | n.a.           | 44                            | 240     | 363     | 396            |
| Free cash flow                  | n.a.           | 12,522                        | 2,466   | 1,373   | 3,600          |
| Enterprise Value (EUR thousand) |                |                               |         |         |                |
| Market Cap                      | n.a.           | n.a.                          | 49,655  | 49,655  | 49,655         |
| Minorities                      | -              | -                             | -       | -       | -              |
| Net financial position          | 66,706         | 57,137                        | 46,910  | 46,710  | 42,377         |
| Enterprise value                | n.m.           | n.m.                          | 96,565  | 96,365  | 92,031         |
| Ratios (%)                      |                |                               |         |         |                |
| EBITDA margin                   | 9.4%           | 13.5%                         | 11.1%   | 12.6%   | 13.0%          |
| EBIT margin                     | 3.8%           | 8.1%                          | 6.2%    | 7.7%    | 8.3%           |
| Gearing - Debt/equity           | 197.1%         | 147.6%                        | 86.8%   | 78.2%   | 64.8%          |
| Interest cover on EBIT          | 68.5%          | 35.3%                         | 34.6%   | 20.6%   | 16.3%          |
| NFP/EBITDA                      | 5.6x           | 3.7x                          | 3.3x    | 2.5x    | 2.1x           |
| ROCE                            | 4.8%           | 9.6%                          | 7.9%    | 10.6%   | 12.0%          |
| ROE                             | 4.5%           | 11.5%                         | 7.5%    | 12.0%   | 12.0%          |
| EV/Sales                        | n.m.           | n.m.                          | 0.76    | 0.66    | 0.62           |
| EV/EBITDA                       | n.m.           | n.m.                          | 6.79    | 5.26    | 4.73           |
| P/E                             | n.m.           | n.m.                          | 12.22   | 6.95    | 6.35           |
| Free cash flow yield            | n.m.           | n.m.                          | 5.0%    | 2.8%    | 7.2%           |
| Growth Rates (%)                |                |                               |         |         |                |
| Sales                           | n.a.           | -7.8%                         | 10.4%   | 13.8%   | 7.8%           |
| EBITDA                          | n.a.           | 31.5%                         | -8.8%   | 29.0%   | 11.2%          |
| EBIT                            | n.a.           | 92.8%                         | -14.1%  | 41.9%   | 15.2%          |
| Net profit                      | n.a.           | 191.4%                        | -8.8%   | 75.8%   | 9.5%           |

## 1H18 Results Summary

In 1H18 Revenues reached €65.8m, up by 8.7% YoY (+1.6% with respect to our 1H18 previous estimate), mainly thanks to the higher revenues registered by BEG following the full usage of the entire production capacity (in 1H17 one of the engine was shut down due technical issue).

In line with the guidance announced at the beginning of the year, the company enjoyed higher margins (EBITDA margin equal to 12.4% vs 11.4% in the previous year) thanks to the increase of average selling price. The increase is associated to a more profitable product mix and to the complete re-alignment of selling prices and raw material costs that has already occurred in 1H18. Furthermore, even though the higher selling prices, the company also registered higher selling volumes. **The shift of the pricing policy and the product mix, combined with slowdown of the growth of raw materials, allowed Neodecortech to experience both higher revenues and better margins.**

It is interesting to point out that Neodecortech achieved these positive results in an adverse market scenario, demonstrating its capacity to face external threats while improving its financial performances. In contrast to Neodecortech, its competitors showed weak 1H18 Results in their décor business unit:

- Munksjo: it is pursuing a strategy similar to that of Neodecortech, i.e. increasing the average selling prices and improving the product mix. Munksjo registered an increase in sales (+4% YoY) which has not been enough to maintain its EBITDA margin at the 1H17 level. The higher raw material costs caused a 22% decrease of EBITDA in absolute terms YoY and a reduction of 250bp in terms of margins (7.5% vs 10.0%);
- Surteco: it registered both a reduction in total sales and a reduction in profitability. The 1H18 results of the Paper Business unit went down by 2%, mainly driven by the reduction of revenues from impregnated products (-8% YoY). The lower revenues, coupled with the higher raw material cost result in an EBIT 16% lower than the previous year (-100bp);

**Neodecortech's EBITDA increased by 18.7%** with respect to the previous year, reaching €8.2m, mainly thanks to the increase in revenues which generated economies of scale (on service and personnel costs) that more than offset the increase in raw material costs. Again, the higher contribution to EBITDA growth, in absolute terms, came from the company power plant (+102% YoY), which enjoyed both higher revenues and lower raw material costs.

However, 1H18 EBITDA is 3.5% lower than our previous estimate due to extraordinary costs, related to the stock grant plan, for ca. €0.5m. Adjusting for the extraordinary components, **1H18 EBITDA adj. came up 28% higher** than 1H17 EBITDA adj., reaching €8.7m, thus 2.6% higher than our estimates.

**The bottom-line reached €2.7m registering a notable growth YoY of 30.5%.** The increase of Net Income is related both to higher revenues and to a better management of Group Net Financial position which allowed to maintain stable Net financial expenses (despite the lower Financial income registered in 1H18). Again, adjusting for extraordinary costs, 1H18 Net Income adjusted increased by 63% YoY (with respect 1H17 net income adjusted), reaching €3.2m.

Finally, 1H18 NFP reached €53.2m (€6.3m higher than FY17), mainly due to an increase in TWC with respect to FY17 following: a) higher Trade receivables (+€3.8m) - due to higher revenues - and b) a reduction in Trade Payables (€5.3m). Furthermore, in 1H18 Neodecortech made investment of ca. €3.8m.

**Table 2: Neodecortech 1H18 Results**

| € thousand                    | 1H16          | 1H17          | 1H18          | 1H18<br>adjusted | 1H18E         | A vs E %      | Adjusted<br>vs E % |
|-------------------------------|---------------|---------------|---------------|------------------|---------------|---------------|--------------------|
| <b>Sales</b>                  | <b>52,272</b> | <b>60,515</b> | <b>65,759</b> | <b>65,759</b>    | <b>64,721</b> | <b>1.6%</b>   | <b>1.6%</b>        |
| Growth %                      |               | 15.8%         | 8.7%          | 8.7%             |               |               |                    |
| Other revenues                | 524           | 2,019         | 1,437         |                  | 2,207         |               |                    |
| <b>Total Revenues</b>         | <b>52,796</b> | <b>62,534</b> | <b>67,196</b> | <b>67,196</b>    | <b>66,928</b> | <b>0.4%</b>   | <b>0.4%</b>        |
| Growth %                      |               | 18.4%         | 7.5%          | 7.5%             |               |               |                    |
| Cost of Goods Sold            | - 29,435      | - 37,866      | - 39,680      |                  | - 39,776      |               |                    |
| <b>Gross Profit</b>           | <b>23,361</b> | <b>24,668</b> | <b>27,516</b> | <b>27,516</b>    | <b>27,153</b> | <b>1.3%</b>   | <b>1.3%</b>        |
| Gross Margin                  | 44.7%         | 40.8%         | 41.8%         | 41.8%            | 42.0%         |               |                    |
| Growth %                      |               | 6%            | 11.5%         | 11.5%            |               |               |                    |
| Labour Cost                   | - 8,335       | - 8,712       | - 9,148       |                  | - 8,948       |               |                    |
| Services                      | - 7,803       | - 8,473       | - 9,510       |                  | - 9,137       |               |                    |
| Other Operating Costs         | - 682         | - 594         | - 680         |                  | - 595         |               |                    |
| <b>EBITDA</b>                 | <b>6,541</b>  | <b>6,889</b>  | <b>8,177</b>  | <b>8,695</b>     | <b>8,473</b>  | <b>-3.5%</b>  | <b>2.6%</b>        |
| EBITDA margin                 | 12.5%         | 11.4%         | 12.4%         | 13.2%            | 13.1%         |               |                    |
| Growth %                      |               | 5.3%          | 18.7%         | 26.2%            |               |               |                    |
| D&A                           | - 2,967       | - 2,991       | - 3,521       |                  | - 3,336       |               |                    |
| <b>EBIT</b>                   | <b>3,574</b>  | <b>3,898</b>  | <b>4,656</b>  |                  | <b>5,136</b>  | <b>-9.3%</b>  |                    |
| EBIT margin                   | 6.8%          | 6.2%          | 6.9%          |                  | 7.7%          |               |                    |
| Growth %                      |               | 9%            | 19.5%         |                  |               |               |                    |
| Financial Income and Expenses | - 1,635       | - 1,281       | - 1,262       |                  | - 992         |               |                    |
| <b>EBT</b>                    | <b>1,939</b>  | <b>2,617</b>  | <b>3,394</b>  |                  | <b>4,145</b>  | <b>-18.1%</b> |                    |
| Taxes                         | - 417         | - 534         | - 677         |                  | - 842         |               |                    |
| Tax Rate                      | 27.4%         | 25.6%         | 24.9%         |                  | 25.5%         |               |                    |
| <b>Net income</b>             | <b>1,522</b>  | <b>2,083</b>  | <b>2,717</b>  | <b>3,235</b>     | <b>3,303</b>  | <b>-17.7%</b> | <b>-2.0%</b>       |
| Net margin                    | 2.9%          | 3.4%          | 4.1%          | 4.9%             | 5.1%          |               |                    |
| Growth %                      |               | 36.9%         | 30.5%         | 55.3%            | 23.5%         |               |                    |

Source: Company data, KT&Partners elaborations.

## Estimates Revision

On August 2, 2018, Neodecortech finalized the acquisition of a Business Unit (BU) from Corbetta Fia Srl, for a price of €180k, comprising €2.3m of Net Financial Position. The acquisition will allow Neodecortech to enlarge its product portfolio by introducing PPLF (*Plastic Printed Laminated Films*) products, thanks to a strong know-how both from the acquired branch and Neodecortech and new equipment brought in with the branch acquisition. The new product, characterized by high profitability in terms of margins, is expected to be marketed in the last few months of 2018, with a full contribution starting from 2019. Furthermore, the company will benefit from the current business of the acquired branch, which generates annually ca. €8mn of Revenues and around 5% of EBITDA.

Our 2018 estimates are made on a Pro-Forma basis, i.e. including the full year contribution of the acquired branch. Furthermore, it is necessary to point out that our 2018-2019 estimates do not factor in the extraordinary costs that come from the stock grant plan.

On the back of the branch acquisition, we adjusted the **top line**, including c. €8mn in 2018, on the back of the new acquisition, reaching €145.4m (+6.0%). We expect the PPLF business to start making its contribution to 2019 Revenues, which are estimated to be €156.7mn (+6.3%).

In terms of **EBITDA**, the acquisition should contribute with ca. €400k in 2018 (the current business of the branch shows an EBITDA margin around 5%), and the contribution is expected to be higher starting from 2019, thanks to the high-value-added of the PPLF product. The new estimate for 2019 is equal to €20.4m, 2.1% higher than the previous one.

Looking at the bottom line we expect €7.1m in 2018 and €7.8m in 2019. The change in estimate is c. 1.0% higher in both years, slightly lower than the EBITDA estimate revision, due to the higher financial expenses coming from the NFP generated by the acquisition.

The key points of our forecast are as follow:

- FY18E Revenues at €145.4mn, reaching €156.7mn in FY19 (10.8% CAGR FY17E-FY19);
- FY18E EBITDA at €18.4mn, reaching €20.4mn in FY19 (19.8% CAGR FY17E-FY19);
- FY18E Group Net Income at €7.1mn, reaching €7.8mn in FY19 (38.7% CAGR FY17E-FY19).

**Table 3: Change in Estimates 2018-2019**

| € thousand     | 2017PF<br>Actual | 2018E<br>Prev. | 2018E<br>Curr. | Change | 2019E<br>Prev. | 2019E<br>Curr. | Change |
|----------------|------------------|----------------|----------------|--------|----------------|----------------|--------|
| Revenues       | 127,737          | 137,154        | 145,354        | 6.0%   | 147,467        | 156,733        | 6.3%   |
| YoY Change (%) | 10%              | 7.4%           | 13.8%          |        | 8%             | 7.8%           |        |
| EBITDA         | 14,227           | 17,977         | 18,355         | 2.1%   | 19,984         | 20,404         | 2.1%   |
| YoY Change (%) | -9%              | 26.4%          | 29.0%          |        | 11%            | 11.2%          |        |
| EBITDA Margin  |                  | 13.1%          | 12.6%          |        | 13.6%          | 13.0%          |        |
| EBIT           | 7,930            | 10,954         | 11,250         | 2.7%   | 12,698         | 12,955         | 2.0%   |
| YoY Change (%) | -15.0%           | 38.1%          | 41.9%          |        | 16%            | 15.2%          |        |
| Net Income     | 4,063            | 7,061          | 7,143          | 1.2%   | 7,741          | 7,821          | 1.0%   |
| YoY Change (%) | -8.8%            | 73.8%          | 75.8%          |        | 10%            | 9.5%           |        |

Source: Company data, KT&Partners' elaborations.

## Valuation

We believe that the most appropriate valuation methodology for Neodecortech Group is a breakup value analysis (sum of parts).

Based on our valuation, we project a fair value of €4.53 per share, which comes from the sum of the following methods:

- We virtually spin **BEG** off and we evaluate it with a **DCF model**, because it is not a fully captive company, as most of the energy produced is delivered to the grid. The DCF analysis based on WACC of 5.7% returns a value of €0.47 per share.
- **Market multiple model** (EV/EBITDA and P/E average) for the **core business** of the Group (Neodecortech + CdG), which returns a value of €4.88 per share. We believe this valuation captures the expected growth of the company.

### Peer Comparison - Core Business

We prefer to value the **core business** of Neodecortech Group (Neodecortech + CdG) with a **market multiple model**. From our standpoint, a DCF-based model is not consistent with the future strategy of the Group. According to our forecasted growth path, we expect the Group to increase its production capacity in the coming years. This translates into a relevant amount of nonrecurring CAPEX that would excessively penalize a Group valuation based on the DCF model.

We carried out an in-depth analysis of potential public companies that could be considered as peers and we saw that there are many listed firms operating in the specialty paper industry.

However, we screened not just for the sector but also for the specific niche in which the Group operates. We considered it very important to take into account the **drivers of demand for each company**. For example, Schweitzer-Mauduit International Inc. is a US-based company listed on the NYSE that is active in the specialty papers industry and produces advanced paper products with a specialization in cigarette paper products. It also produces décor paper, but the latter contributes a negligible part of its revenue and product demand is therefore driven by the tobacco industry and not by the furniture and flooring industries.

To establish a reliable panel of peers, we thus examined the proportion of revenue derived from business activities like those of NG and we took into consideration **companies with at least 15% of revenue contribution coming from products similar to the Group's**.

This narrows the selection to a list of peers that includes the Swedish **Ahlstrom-Munksjo** and the German **Surteco**, as they each seem similar to NG in terms of their business sector, products and geographical exposure.

However, it is worth noting that the selected companies present some dissimilarities from Neodecortech Group in terms of:

- **Size:** all players are much bigger than Neodecortech and this is in line with the market structure;
- **Business mix:** all players are more diversified (e.g. more types of specialty papers);
- **Financial structure:** Neodecortech is characterized by a higher level of debt.

We note that even if Neodecortech has a higher leverage with respect to its peer group, the Company is experiencing an important decrease in its net debt. For this reason, we decided to focus on both EV and P/E multiples. In particular, when looking at EV multiples, we focus on EV/EBITDA, considering the period covering the next two years, as it could better capture mid-term prospects in terms of growth.

Our valuation of the “core business” (i.e. Neodecortech + CdG) is based upon 2018 and 2019 peer group EV/EBITDA and P/E multiples and our estimate of “Core” EBITDA and Net Income for the next two years. This led to an equity value of €63.9mn (calculated as the avg. of the two methods) or €4.88ps.

**Table 4: EBITDA and P/E Multiples Valuation**

| Core Business Valuation (€) - EV/EBITDA | 2018E        | 2019E        | Avg.         |
|---|--------------|--------------|--------------|
| Peer Group EV/EBITDA                    | 6.66         | 5.76         | 6.21         |
| liquidity/size discount                 | 10%          | 10%          | 10%          |
| EV/EBITDA post discount                 | 5.99         | 5.19         | 5.59         |
| Neodecortech Group EBITDA expected      | 18.35        | 20.40        | 19.38        |
| BEG EBITDA expected                     | 3.53         | 3.47         | 3.50         |
| EBITDA expected (excluding BEG)         | 14.83        | 16.94        | 15.88        |
| Enterprise Value                        | 88.87        | 87.83        | 88.35        |
| 2017 Net debt (excluding BEG debt)*     | 34.58        | 34.58        | 34.58        |
| <b>Equity Value (excluding BEG)</b>     | <b>54.29</b> | <b>53.24</b> | <b>53.76</b> |
| Share Out.                              | 13.10        | 13.10        | 13.10        |
| <b>Fair Value ps</b>                    | <b>4.14</b>  | <b>4.06</b>  | <b>4.10</b>  |

| Core Business Valuation (€) - P/E      | 2018E        | 2019E        | Avg.         |
|--|--------------|--------------|--------------|
| Peer Group P/E                         | 12.95        | 10.72        | 11.84        |
| liquidity/size discount                | 10%          | 10%          | 10%          |
| P/E post discount                      | 11.66        | 9.65         | 10.65        |
| Neodecortech Group Net Income expected | 7.14         | 7.82         | 7.48         |
| BEG Net Income expected                | 0.52         | 0.48         | 0.50         |
| Net Income expected (excluding BEG)    | 6.62         | 7.34         | 6.98         |
| <b>Equity Value (excluding BEG)</b>    | <b>77.21</b> | <b>70.81</b> | <b>74.01</b> |
| Share Out.                             | 13.10        | 13.10        | 13.10        |
| <b>Fair Value ps</b>                   | <b>5.89</b>  | <b>5.40</b>  | <b>5.65</b>  |

|   |             |             |             |
|---|-------------|-------------|-------------|
| <b>Fair Value ps (Avg P/E; EV/EBITDA)</b> | <b>5.02</b> | <b>4.73</b> | <b>4.88</b> |
|---|-------------|-------------|-------------|

\*Neodecortech equity value (ex. BEG) is calculated by subtracting BEG’s contribution to EBITDA and net income and considering an adjusted NFP that excludes BEG’s Net Debt.

Source: KT&Partners’ estimates and Factset consensus

Table 5: Peer Group Multiples Table - 2018

| Company Name         | Exchange     | Market Cap | EV/SALES 2018 | EV/EBITDA 2018 | EV/EBIT 2018 | P/E 2018 |
|----------------------|--------------|------------|---------------|----------------|--------------|----------|
| Ahlstrom-Munksjo Oyj | OMX Helsinki | 1,528      | 0.84          | 7.03           | 12.19        | 13.70    |
| SURTECO GROUP SE     | XETRA        | 340        | 0.76          | 6.29           | 12.17        | 12.21    |
| Average peer group   |              | 934        | 0.80          | 6.66           | 12.18        | 12.95    |
| Median peer group    |              | 934        | 0.80          | 6.66           | 12.18        | 12.95    |
| Neodecortech SpA     | Milan        | 50         | 0.71          | 5.38           | 8.83         | 7.05     |

Table 6: Peer Group Multiples Table - 2019

| Company Name         | Exchange     | Market Cap | EV/SALES 2019 | EV/EBITDA 2019 | EV/EBIT 2019 | P/E 2019 |
|----------------------|--------------|------------|---------------|----------------|--------------|----------|
| Ahlstrom-Munksjo Oyj | OMX Helsinki | 1,528      | 0.72          | 5.61           | 9.06         | 10.67    |
| SURTECO GROUP SE     | XETRA        | 340        | 0.74          | 5.91           | 10.93        | 10.77    |
| Average peer group   |              | 934        | 0.73          | 5.76           | 10.00        | 10.72    |
| Median peer group    |              | 934        | 0.73          | 5.76           | 10.00        | 10.72    |
| Neodecortech SpA     | Milan        | 50         | 0.66          | 4.84           | 7.62         | 6.43     |

### DCF Valuation - Power Plant

To value BEG, we have considered the installed capacity as of the end of 2017.

Our DCF-based valuation, used for estimates of BEG’s fair value, considers the remaining feed-in tariff period (2018-2025) and a Terminal Value equal to BEG’s discounted asset value in 2025. We considered a capital structure with 80% of debt and WACC of 5.7%. We also estimated a 1% annual degradation rate.

Moreover, we have considered the installed capacity as at the end of 2016 (20 MWp). By considering approximately €12.3mn BEG Net Debt (estimated as of December 31, 2017 based on company data), we derive an equity value for the power plant equal to €6.1mn or €0.47 per share.

### Sum of Parts - Neodecortech Group

All in all, considering the multiple-based valuation of the “core business” and DFC-based valuation used for BEG, we derived a valuation that can be set at €70.0mn or €5.34ps.

Table 7: Sum of Parts Valuation

| €mn                                 | Valuation Method | Equity Value | Fair Value ps |
|-------------------------------------|------------------|--------------|---------------|
| Neodecortech Equity Value (ex. BEG) | Peer Comparison  | 63.89        | 4.88          |
| BEG Equity Value                    | DCF              | 6.14         | 0.47          |
| Neodecortech Group                  | Sum-of-Parts     | 70.02        | 5.34          |

Source: KT&Partners’ estimates



## Appendix

### *Peer Description*

**Ahlstrom-Munksjo Oyj**, listed on OMX in Helsinki, with a market cap of €1.6bn, develops and manufactures papers and fiber composites. It engages in fiber-based materials, supplying innovative and sustainable solutions to customers. The company offers décor paper, filter media, release liners, abrasive backings, nonwovens, electrotechnical paper, glass fiber materials, food packaging and labeling, tape, medical fiber materials and solutions for diagnostics. During FY2017 Munksjo recorded €2.3bn of Revenues with €0.4bn coming from the décor paper business (17%). Ahlstrom-Munksjo was founded on April 01, 2017 and is headquartered in Stockholm, Sweden.

**Surteco SE**, listed on XETRA in Germany, with a market cap of €0.4bn, manufactures decorative surface foils and edging strips based on specialist papers for technical applications and plastics. In FY2017 Surteco registered €0.7bn of Revenues, with €0.4bn coming from the paper business (53%). The company was founded in 1999 and is headquartered in Bittenwiesen, Germany.

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