

# Neodecortech Spa

Sector: Décor surfaces



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## The Italian way to décor surfaces

### Leading décor surfaces designer and manufacturer

Neodecortech is a leading player in the niche of decorative surfaces design and manufacturing (mostly paper but more recently also plastic) for interior design and flooring industries.

### Vertically integrated tailor made solution provider

Neodecortech designs, produces and commercialises décor paper, finish foils, melamine films, and luxury vinyl tiles with the mission of enriching any surface with a distinctive Italian flair. Key aspects of Neodecortech approach to business are: 1) vertical integration leading to higher costs efficiency, lower time to market and lower risk profile; 2) strong attention to quality and design innovation; 3) full ownership of production plants; 4) approach to clients based on co-design / strong partnerships and on provisioning of tailor made solutions.

### Client driven growth strategies

Neodecortech growth strategy should evolve along three main directions:

- 1) Focus on the high-end side of décor surfaces market;
- 2) Push on top line growth by strengthening sales network, improving penetration in selected foreign countries and pursuing small M&A deals;
- 3) Continuous R&D effort aimed at product portfolio diversification.

### Well diversified revenues structure

Neodecortech top line structure is well diversified with no single country or product weighing for more than 30% of total Net Revenues. Costs structure on the contrary is quite skewed on raw materials adding some volatility to operating margins that are, net of this item, progressively improving as an effect of higher efficiency and vertical integration. Overall, we expect Net Revenues to grow at 8.4% CAGR in the next three years with EBITDA margin further improving by 100bps to ca. 13.3% as of 2019E and Adj. Net Profit growing at > 56% 2016A-19E CAGR.

### Fair Value at €5.15 per share. Remedy Shares add protection

Our valuation exercise returns a **€5.15 fair value per share**, a **ca. 30% upside** from current market level, to be possibly revised upwards when visibility on 2018E economic performance gets higher, also depending on future raw materials' prices evolution. On top of this we note that the introduction (within the IPO process) of Remedy Shares mechanism adds protections and further lowers the risk profile of Neodecortech shares.

<b>Fair Value (€)</b>	<b>5.15</b>
<b>Market Price (€)</b>	<b>4.00</b>
<b>Market Cap. (€m)</b>	<b>52.4</b>

KEY FINANCIALS (€m)	2016PF	2017E	2018E
REVENUES	106.8	124.8	131.2
EBITDA	15.6	15.5	17.0
EBIT	9.2	9.3	10.8
NET PROFIT	4.4	5.2	7.0
EQUITY	39.0	54.5	60.1
NET FIN. POS.	-55.8	-46.2	-41.9
EPS ADJ. (€)	nm	0.40	0.53
DPS (€)	nm	0.10	0.13

Source: Neodecortech (historical figures),  
Value Track (2017E-18E estimates)

RATIOS & MULTIPLES	2016PF	2017E	2018E
EBITDA MARGIN (%)	14.6	12.4	13.0
EBIT MARGIN (%)	8.6	7.4	8.2
NET DEBT / EBITDA (x)	3.6	3.0	2.5
NET DEBT / EQUITY (x)	1.4	0.8	0.7
EV/EBITDA (x)	nm	6.1	5.3
EV/EBIT (x)	nm	10.2	8.3
P/E ADJ. (x)	nm	10.0	7.5
DIV YIELD (%)	nm	2.5	3.3

Source: Neodecortech (historical figures),  
Value Track (2017E-18E estimates)

### STOCK DATA

FAIR VALUE (€)	5.15
MARKET PRICE (€)	4.00
SHS. OUT. (m)	13.1
MARKET CAP. (€m)	52.4
FREE FLOAT (%)	27.2
AVG. -20D VOL. ('000)	65,895
RIC / BBG	NDT.MI / NDT IM
52 WK RANGE	3.78-4.34

Source: Stock Market Data



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## Executive summary

### Neodecortech: Leading décor surfaces designer and manufacturer

Neodecortech is a **leading player in the niche of decorative surfaces manufacturing** (mostly paper but more recently also plastic) for interior design and flooring industries. Neodecortech designs, produces and commercialises décor paper printing, finish foils, melamine films, and luxury vinyl tiles (LVT) with the mission of enriching any surface with a distinctive Italian Flair.

Since 2003, and up to the IPO finalization, the Group was **totally owned by Valentini family** via their holding company Finanziaria Valentini SpA. However, the **Top management team is entirely composed of external managers** with a long-lasting experience in the business.

### Reference market: Very sophisticated, small sized, dominated by German players

Both décor paper market and LVT one are **very sophisticated niches** that do not appeal giant paper producers / printers and attract only deeply focused players.

Indeed, these markets are characterized by peculiar technical / treatment features, each paper specialty has its own production uniqueness and therefore basically no synergies can be exploited by entering in more than one market simultaneously thus making scale benefits negligible. Just to give an idea, out of the total “Paper and Paperboard Market”, décor paper represents a mere ≈0.2% share.

While Chinese players are producing almost entirely for their domestic market or for their neighbour countries, on the contrary the overall décor paper market has the following features:

- ◆ **High barriers to entry** generated by the market capital intensity coupled with its small dimension;
- ◆ **Dominated by German players** that are much larger in size;
- ◆ **Mid single-digit growth pace** (ex China);
- ◆ Exposed to end markets such as **furnishing and flooring panels’ production**, both being highly correlated with general macroeconomic health condition and still way below their pre-crises levels especially in Europe.

### Business model: Vertically integrated production process run by three highly synergic entities

Neodecortech runs a **vertically integrated business model** i.e. not only it prints décor paper (and LVT) but it also produces internally most of the décor paper it prints and most of the energy necessary in the production process, a feature that is crucial to be cost competitive. This is accomplished by **three highly synergic entities** where the upstream unit serves as a supplier of the downstream one:

- ◆ **Cogeneration plant.** It provides electrical and thermal energy primarily to the Group’s paper mill. This business is run by the legal entity named Bio Energia Guarcino Srl (**BEG**);
- ◆ **Paper mill.** It is involved in the manufacturing of decorative papers for high and low pressure lamination and for flooring solutions. This business is run by Cartiere di Guarcino SpA (**CdG**);
- ◆ **Printing and Impregnation.** It consists in décor paper (and LVT) printing / impregnation. This business is run by Neodecortech SpA (previously Confalonieri SpA, **CONF**).

The production of each entity that is not internally used is commercialized to third parties in the reference market. This is a proof of the competitiveness of Neodecortech products.

The main advantages of the vertical integration can be summarized as follows:

- ◆ Higher operations efficiency;
- ◆ Cost efficiency driven by material intra-group synergies and by lower purchasing costs;
- ◆ Lower time to market;
- ◆ Lower risk profile (e.g. no business discontinuity in case of outage).

### Neodecortech well suited to compete with its quality based approach

Other key aspects of Neodecortech's approach to business that allow the company to have a superior market offering are:

- ◆ Strong attention to **quality** and **design innovation**;
- ◆ **Full ownership of plants** with a ca. €230mn overall reconstruction value. This means that new entrants willing to replicate Neodecortech output capacity would have to invest ca. €230mn, a definitively high figure;
- ◆ Approach to clients based on **co-design / strong partnerships** and on provisioning of **tailor made solutions** leading the Group to be granted clients' loyalty lasting for several years.

Adopting a quality-based approach, Neodecortech has a market positioning competitive to that of sector's leaders (i.e. German ones), mainly thanks to a broad product range with high-end solutions. This is true for both Neodecortech SpA and Cartiere di Guarcino, which represent best-in-class players in their respective industries despite their relatively small dimension.

### Client driven growth strategies

Neodecortech growth strategy is planned to require organic development capex for roughly €20mn over the 2017E-19E period and ca. €15mn acquisition cash out so at increasing its scale and entering new foreign markets capitalizing its quality-based approach. Three are the main directions:

1. Full exploitation of décor paper market potential, **focusing on the high-end side** to attract new customers with high quality standards (e.g. German panel producers);
2. **Push on market shares** by strengthening sales network, improving penetration in foreign countries (e.g. Turkey, Iran, LatAm, India, Russia and Germany) and pursuing M&A opportunities acquiring small competitors in key markets;
3. **Continuous R&D effort** aimed at product portfolio diversification, thus expanding in LVT and digital printing.

### Historical Financials: Well balanced Revenues structure, Raw materials dependence

Neodecortech boasts a **well-balanced top line structure**, with no single country or product weighing for more than 30% of total Net Revenues (€107mn as of 2016YF).

Costs structure on the contrary is quite skewed on Raw Materials (higher than 50% of total costs) adding a bit of volatility to **operating margins that are progressively improving** (Adj. EBITDA Margin stood at ca. 12.3% in FY16) as an effect of higher efficiency and vertical integration.

In terms of cash generation capability, we highlight that cash conversion ratio stood above the 70% level (before tax) both in 2015 and 2016 fiscal years.

### Forecasted Financials 2017E-19E: 13.3% Adj. Net Profit CAGR

We see Neodecortech **Net Revenues steadily growing at 8.4% CAGR** over the next three years. Output capacity progressive saturation should drive **EBITDA margin to improve by 100bps** up to ca. **13.3% as of 2019E** with EBITDA in absolute terms estimated to achieve €15.5mn as of 2017E, €17.0mn as of 2018E, €18.1m as of 2019E. **Adj. Net Profit is expected to grow at higher than 56% 2016A-19E CAGR.**

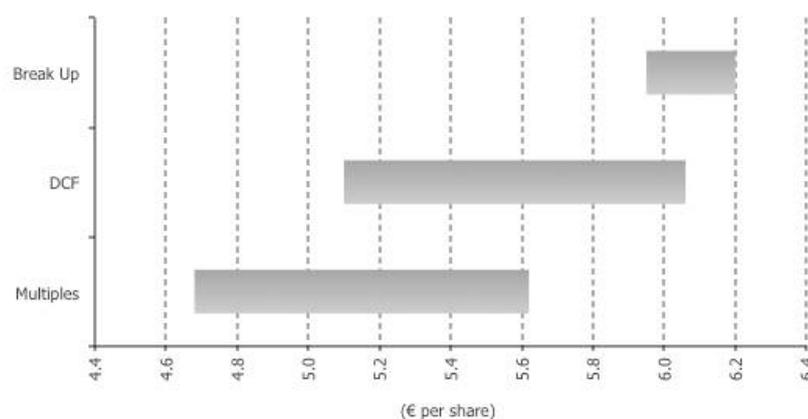
We estimate Neodecortech to generate ca. €18.5mn Operating Free Cash Flow net of tax over the next three years after having invested ca. €20mn, i.e. a **cash conversion ratio close to 50% level**, and hence driving **leverage** to decrease in the **2.1x region by 2019E**, thus allowing for enhanced flexibility.

## Valuation

Given the company long-lasting business experience, we deem that Neodecortech is suitable for both multiple-based valuation and discounted cash flow analysis. Alternative (but appropriate) valuation methodologies such as Break Up value also provide a useful cross check.

However, taking into account the limited stock market track record, we initially prefer to base our valuation exercise on peers' multiples, considering 2017FY estimates as reference. This leads us to calculate an average **€5.15 Fair Value per share** to be possibly revised upwards when visibility on 2018E economic performance gets higher, also depending on future raw materials' prices evolution.

### Neodecortech: Valuation summary



Source: Value track analysis

Since the company is new to the Stock Market, we hereby highlight the sensitivity of its implicit stock trading multiples in the €4.0 (IPO Price) - €6.0 share price range. Please note that, in order to calculate the Enterprise Value, we take into account 2017E-18E Net Financial Position and also a ca. €4.5mn positive adjustment e.g. the value of existing tax assets related to BEG's historical losses.

### Neodecortech: Sensitivity of implicit stock trading multiples based on €4.0-€6.0 share price range

Market Price (€ per share)	Enterprise Value		EV / EBITDA (x)		EV / EBIT (x)		P / E (x)		P / BV (x)(*)	
	2017E	2018E	2017E	2018E	2017E	2018E	2017E	2018E	2017E	2018E
€ 4.00	€ 94 mn	€ 90 mn	6.1	5.3	10.2	8.3	10.0	7.5	1.0	0.9
€ 4.40	€ 99 mn	€ 95 mn	6.4	5.6	10.7	8.8	11.0	8.3	1.1	1.0
€ 4.80	€ 105 mn	€ 100 mn	6.8	5.9	11.3	9.3	12.0	9.0	1.2	1.0
<b>€ 5.15</b>	<b>€ 109 mn</b>	<b>€ 105 mn</b>	<b>7.1</b>	<b>6.2</b>	<b>11.8</b>	<b>9.7</b>	<b>12.9</b>	<b>9.7</b>	<b>1.2</b>	<b>1.1</b>
€ 5.20	€ 110 mn	€ 106 mn	7.1	6.2	11.8	9.8	13.0	9.8	1.3	1.1
€ 5.60	€ 115 mn	€ 111 mn	7.4	6.5	12.4	10.3	14.0	10.5	1.3	1.2
€ 6.00	€ 120 mn	€ 116 mn	7.8	6.8	13.0	10.7	15.0	11.3	1.4	1.3

Source: Value Track Analysis

(\*) ROE 2017E-18E at 11.2% and 12.2% respectively

Last but not least we underline that the risk profile of Neodecortech shares is mitigated by the introduction (within the IPO process) of **Remedy Shares** protection mechanism addressed to new investors only, i.e. to all current post-IPO shareholders with the exception of pre-IPO ones. See the specific section of the report for more details on such a protection scheme.

## Peers Analysis

### Choice of comparables: Surteco and Ahlstrom-Munksjö the closest ones

Considering Neodecortech's reference market unique features it's not that easy to find proper comparables. The German Surteco and the Scandinavian Ahlstrom-Munksjö are likely the closest ones but in addition to these we can also add other companies such as Tarkett, Ober and Walker Greenbank sharing with Neodecortech either business dynamics or products and reference customers. Furthermore, we also consider PanariaGroup as an example of Italian listed company active in the flooring business.

To them we would have also added Airea Plc (UK-based flooring solutions provider) and Gruppo Ceramiche Ricchetti SpA (Italy-based ceramic tile manufacturer) but due to lack of coverage on the one side, and due to their poor trading performance on the other, we deem better not to include them.

### Neodecortech: Peers' Business Profiles

#### Ahlstrom-Munksjö (Revenues 2017E €2.3bn / Mkt Cap €1.7bn)

Sweden manufacturer of highly technical paper. It operates in four business areas: Décor Paper, Industrial Applications, Graphics, Packaging. It's the result of the recent merger of Munksjo with Ahlstrom.

#### Surteco (Revenues 2017E €0.7bn / Mkt Cap €0.4bn)

German designer, manufacturer, and distributor of both paper and plastic surface materials. Through its paper business unit, it is involved in finish foils, impregnated, release, and décor paper manufacturing. Through its plastic BU instead, it produces and sells thermoplastic edgings, foils, and roller shutter systems.

#### PanariaGroup Industrie Ceramiche (Revenues 2017E €0.4bn / Mkt Cap €0.3bn)

One of the leading Italian manufactures of ceramic tiles for floors and walls. Specialised in the production of porcelain and laminated stoneware, the Group is focused on the top level and luxury segments of the market.

#### Ober Groupe (Revenues 2017E €40mn / Mkt Cap €16mn)

Specialist in designing and manufacturing decorative wood panels intended for both residential and commercial solutions.

#### Tarkett (Revenues 2017E €2.8bn / Mkt Cap €2.3bn)

Worldwide leader of innovative and sustainable solutions for flooring surfaces. Its product portfolio includes vinyl, linoleum, wood, laminate, carpet, rubber, and turf.

#### Walker Greenbank (Revenues 2017E GBP114mn / Mkt Cap GBP160mn)

International premium (from mid to high-end luxury products) interior furnishing Group that designs, manufactures, and distributes wallcoverings, fabrics, as well as other complementary products.

Source: Various, Value Track Analysis

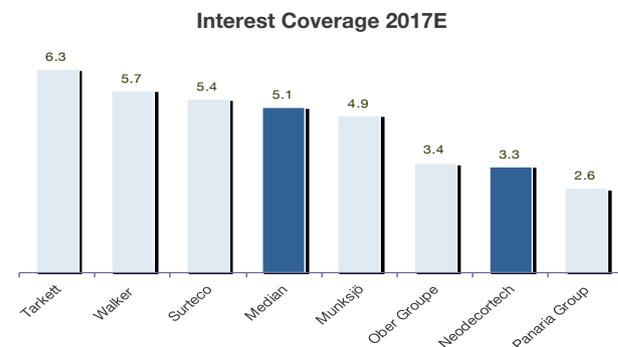
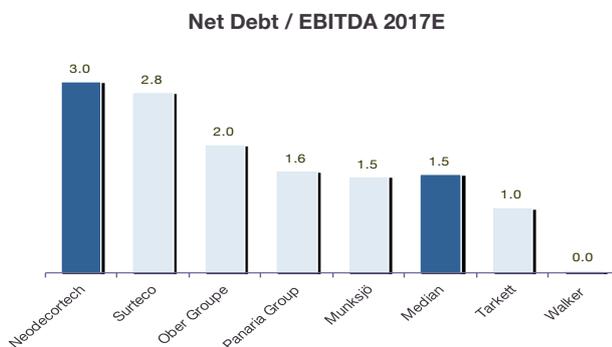
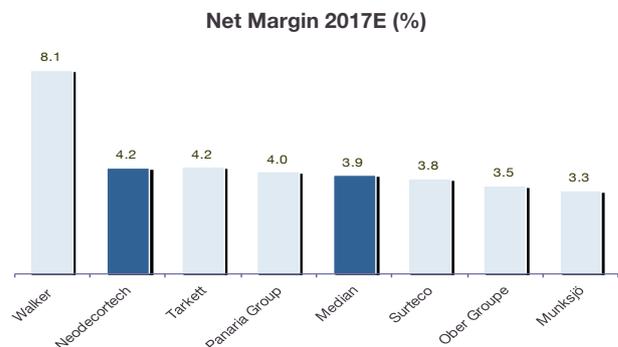
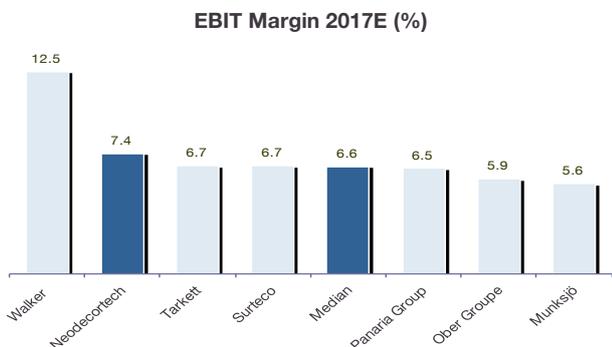
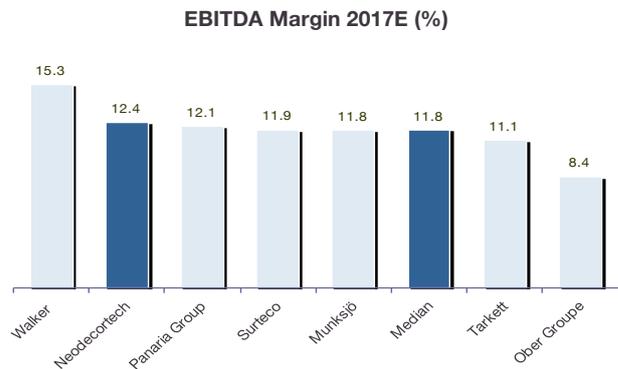
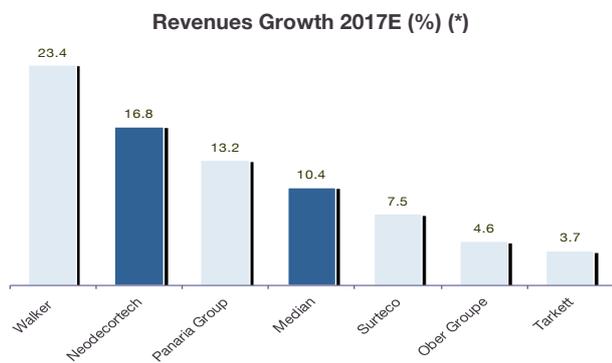
**Neodecortech vs. Peers: Higher growth, good profitability, higher financial leverage**

We begin our analysis by comparing Neodecortech with its peers and we see that only Walker Greenbank is expected to experience a 2017E Net Revenues organic growth higher than Neodecortech’s 16.8% one.

Neodecortech is also one of the most profitable companies within this basket of firms, i.e. it boasts a higher than average 2017E EBITDA and EBIT Margin, 12.4% and 7.4% respectively.

As far as Balance Sheet structure is concerned, we note that Neodecortech should record the highest 2017E Net Debt to EBITDA ratio (3.0x) amongst the companies we have considered.

**Neodecortech industrial and financial performance vs. Peers’ ones**



Source: Market Consensus, Value Track Analysis

(\*) Ahlstrom-Munksjö Revenues growth not included because not on a like for like basis (it's the result of the merger between the two companies)

### Peers' stock multiples 2017E: 8x EV/EBITDA, 13x EV/EBIT, 17x P/E, 12x EV/OpFCF

Taking into account the differences in capital structure and tax rates of the various peers, EV/EBIT and P/E are probably the most appropriate stock multiples with EV/EBITDA and OpFCF Yield as highly insightful crosschecks.

#### Neodecortech: Peers' stock trading multiples

Company	EV / EBITDA (x)		EV / EBIT (x)		P / E (x)		EV / OpFCF (x)(*)	
	2017E	2018E	2017E	2018E	2017E	2018E	2017E	2018E
Munksjö	7.6	6.2	16.2	11.2	22.0	14.5	12.0	10.6
Ober Groupe	7.8	7.1	11.1	9.5	11.5	9.7	9.1	10.2
Panaria Group	7.2	6.6	13.3	11.9	16.7	14.8	13.9	12.0
Surteco	7.5	6.0	13.4	9.3	14.8	9.6	15.2	10.5
Tarkett	8.4	7.6	13.9	12.1	19.4	16.7	12.0	10.7
Walker Greenbank	9.2	8.6	11.2	10.8	17.3	16.3	11.7	11.0
<b>Average</b>	<b>8.0</b>	<b>7.0</b>	<b>13.2</b>	<b>10.8</b>	<b>16.9</b>	<b>13.6</b>	<b>12.3</b>	<b>10.8</b>
<b>Median</b>	<b>7.7</b>	<b>6.8</b>	<b>13.3</b>	<b>11.0</b>	<b>17.0</b>	<b>14.6</b>	<b>12.0</b>	<b>10.7</b>

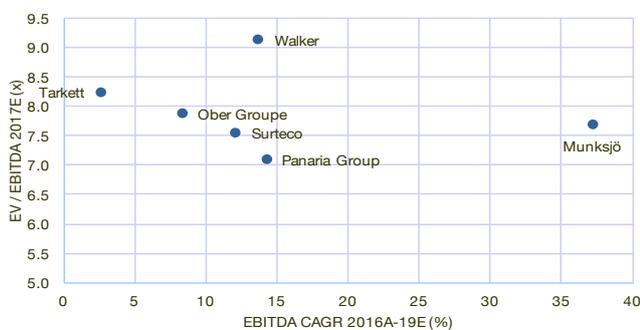
Source: Market Consensus, Value Track Analysis

(\*) OpFCF defined as (EBITDA-CAPEX) / Enterprise Value

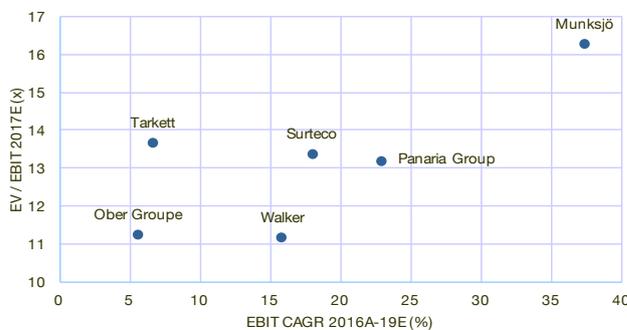
We do not consider the above-mentioned multiples on a static basis but rather we calculate Neodecortech's fair multiples taking into account the respective growth rates and profitability ratios of the various companies of the panel. A small size / low liquidity adjustment is deserved as well.

#### Neodecortech: Peers' analysis and performance

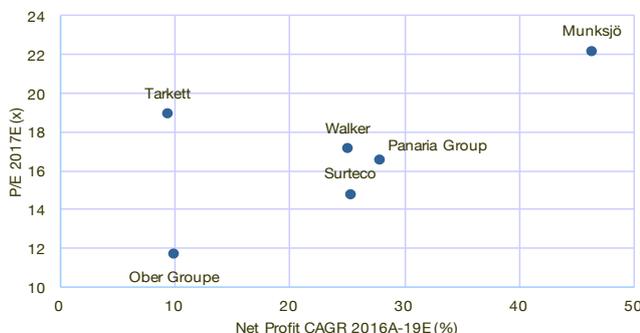
EV/EBITDA 2017E vs EBITDA Growth 2016A-19E



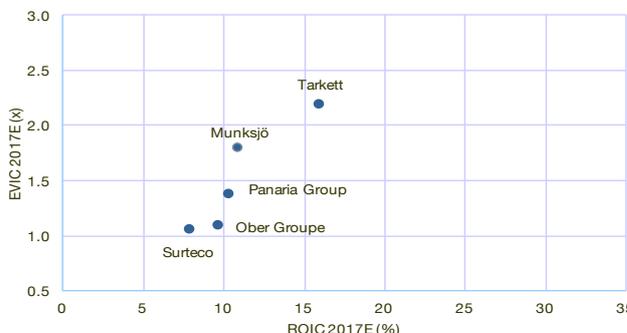
EV/EBIT 2017E vs EBIT Growth 2016A-19E



P/E 2017E vs Net Profit Growth 2016A-19E



EV/IC 2017E vs ROIC 2017E



Source: Market Consensus, Value Track Analysis

That said, and based on Neodecortech's short stock market track record, we consider "fair" a ca. 15% discount of its fair multiples if compared to peers. This means ca. 6.7x EV/EBITDA 2017E, 11.3x EV/EBIT 2017E, 14.4x P/E 2017E and 10.3x EV/OpFCF 2017 as fair multiples, leading to an average **€5.15 multiple based Fair Value per share**.

#### Neodecortech (NDT): Multiples based Fair Value analysis

Company	EV / EBITDA (x)		EV / EBIT (x)		P / E (x)		EV / OpFCF (x)(*)	
	2017E	2018E	2017E	2018E	2017E	2018E	2017E	2018E
Average Peers	8.0	7.0	13.2	10.8	16.9	13.6	12.3	10.8
Median Peers	7.7	6.8	13.3	11.0	17.0	14.6	12.0	10.7
<b>NDT @ Mkt Price</b>	<b>6.1</b>	<b>5.3</b>	<b>10.2</b>	<b>8.3</b>	<b>10.0</b>	<b>7.5</b>	<b>9.0</b>	<b>9.4</b>
Discount % vs. avg.	-23%	-24%	-23%	-23%	-41%	-45%	-27%	-14%
Discount % vs. med.	-21%	-23%	-24%	-24%	-41%	-49%	-25%	-12%
<b>NDT "Fair" multiples</b>	<b>6.7</b>	<b>5.9</b>	<b>11.3</b>	<b>9.3</b>	<b>14.4</b>	<b>12.0</b>	<b>10.3</b>	<b>9.4</b>
Discount % vs. avg.	-16%	-16%	-15%	-14%	-15%	-12%	-16%	-14%
Discount % vs. med.	-14%	-14%	-15%	-16%	-15%	-18%	-14%	-12%
<b>NDT Fair Value (€ p.s.)</b>	<b>4.68</b>	<b>4.77</b>	<b>4.80</b>	<b>4.79</b>	<b>6.17</b>	<b>6.93</b>	<b>5.07</b>	<b>4.00</b>

Source: Market Consensus, Value Track Analysis

(\*) OpFCF defined as (EBITDA-CAPEX) / Enterprise Value

#### Discounted Cash Flow model

Considering Neodecortech's level of maturity and cash generation capability (and also reliability), we also deem appropriate to value the company using a DCF model, making some specific assumptions regarding cost of capital.

#### Unlevered Beta

We use a bottom-up approach to determine Neodecortech's unlevered beta and we do so by considering the same panel of comparable companies we used in our previous multiple valuation analysis. For the sake of completeness, we do not consider Ober Groupe's and Surteco's unlevered betas due to limited trading volumes and transformational operation respectively.

#### Neodecortech: Comparable Companies' Levered and Unlevered Betas Analysis

Comparables	Free Float	Levered Beta	D/E Ratio	Unlevered Beta
Surteco (*)	55.9%	n.m.	64%	n.m.
Walker Greenbank	82.6%	0.37	0.0%	0.37
Tarkett	49.8%	1.27	29%	1.07
Panaria	29.7%	0.94	40%	0.75
Ahlstrom-Munksjö	55.5%	0.68	56%	0.50
Ober Groupe (**)	48.6%	n.m.	42%	n.m.
<b>Average</b>				<b>0.67</b>

Source: Market data, Value Track Analysis. Notional Tax Rate @ 35% for all companies

(\*) Not included in the computation due to the recent transformational deal

(\*\*) Not included in the computation due to low trading volumes

As a second methodology, we estimate Neodecortech's unlevered beta using Damodaran's estimate on those industries that we consider as most closely related to the business of Neodecortech i.e. Furniture / Home Furnishings and Paper / Forest Products. This analysis includes a panel of 53 companies, which on average have a debt-to-equity ratio of 39% and a limited tax rate of 14.5%. Among them, Surteco is included in Furniture / Home Furnishings category, while Ahlstrom-Munksjö is included in Paper / Forest Products one. From this calculation we obtain 0.73 average unlevered beta.

#### Neodecortech: Reference Industries Beta Analysis

Comparable Industries	Source	Number of firms	Beta	D/E Ratio	Tax rate	Unlevered beta
Furniture / Home Furnishings	Damodaran	30	0.84	29%	14.6%	0.67
Paper / Forest Products	Damodaran	23	1.12	49%	14.5%	0.79
<b>Average</b>		<b>27</b>	<b>0.98</b>	<b>39%</b>	<b>14.5%</b>	<b>0.73</b>

Source: Market data, Value Track Analysis

Thus, we determine Neodecortech's unlevered beta by averaging those obtained above i.e. 0.67 average beta from the panel of closest comparable companies, 0.67 from the Furniture / Home Furnishing sector, and 0.79 from the Paper / Forest Products sector. By taking a mere arithmetic average of those three measures we would come up with a **0.71 unlevered beta**.

#### Rolling WACC assumptions

A calculation of Neodecortech's **Rolling WACC** returns a figure **in the 8.8% - 8.9% region** in the 2017E-20E period due to progressively increase up to ca. 9.3% in following years as a result of Net Financial Position approaching break even. These figures are the result of an Expanded CAPM approach (See also <http://pages.stern.nyu.edu/~adamodar/> for more details on this approach) based upon the following assumptions:

- ◆ 2.0% risk-free rate to reflect medium term target inflation;
- ◆ Stable 0.71 unlevered beta as determined earlier;
- ◆ 7.43% Equity Risk Premium (ERP) obtained considering an implied US ERP of 5.13% as of July 1<sup>st</sup>, 2017 and considering the relative returns' standard deviation of the US and Italian markets;
- ◆ 2.0% liquidity premium to remunerate investors for trading in the "thin" AIM Italia stock market;
- ◆ 4.8% pre-tax cost of debt implicitly calculated taking into account the above-mentioned 2% medium term target inflation to which an additional 2.8% premium is added considering Neodecortech's interest coverage ratio.

#### Neodecortech: Rolling WACC calculation in 2017E-20E period

	2017E	2018E	2019E	2020E
Risk free	2.00%	2.00%	2.00%	2.00%
Risk Premium	7.43%	7.43%	7.43%	7.43%
Beta Unlevered	0.71	0.71	0.71	0.71
Beta Levered	1.20	1.12	1.04	0.95
Small-Size Risk Premium	2.00%	2.00%	2.00%	2.00%
<b>COST OF EQUITY</b>	<b>12.91%</b>	<b>12.29%</b>	<b>11.72%</b>	<b>11.04%</b>
<b>COST OF DEBT (after-tax)</b>	<b>3.90%</b>	<b>3.93%</b>	<b>3.94%</b>	<b>3.77%</b>
<b>D/D+E</b>	<b>45.9%</b>	<b>41.1%</b>	<b>36.0%</b>	<b>29.8%</b>
<b>WACC</b>	<b>8.78%</b>	<b>8.86%</b>	<b>8.91%</b>	<b>8.87%</b>

Source: Value Track Analysis

### Additional DCF model assumptions and valuation adjustments

Given our WACC calculations we run a three stages DCF model based on:

- ◆ 2017E already as “proxy” historical reference point;
- ◆ Explicit financial statements projection starting from 2018E fiscal year and arriving at 2020E;
- ◆ A transition 2021E-2017E period in which company’s growth rates converge at long-term ones;
- ◆ A break trough as of 2025YE when Cogeneration plant will stop production (and Cash Flow to Firm generation) if current fiscal incentives are not reinstated;
- ◆ Terminal Value at 2027E obtained applying a 2.0% Perpetuity Growth Rate (PGR) to the sum of Paper Mill and Printing businesses, in order to reflect the overall market growth perspectives and the level of maturity of Neodecortech.

Finally, we calculate Neodecortech’s Equity Value by:

- ◆ Subtracting its FY17E year-end Net Debt position from the Enterprise Value derived using the assumptions previously described;
- ◆ Adding the present value of Neodecortech’s tax assets originated from past losses.

That said, the result of our calculations is a **€5.58 per share “base case” DCF value**.

#### Neodecortech: Discounted Cash Flow Model Summary Table

€mn	
PV of future cash flows FY18E-FY20E	22.6
PV of future cash flows FY21E-FY27E	36.9
PV of Terminal value with PGR at 2%	55.3
<b>Fair Enterprise value</b>	<b>114.8</b>
Net Cash Position 2017E year-end	-46.2
Net Present Value of tax asset	4.5
<b>Fair Equity value (€mn)</b>	<b>73.1</b>
<b>Fair Equity Value per share (€)</b>	<b>5.58</b>

Source: Value Track Analysis

Then we complete our valuation exercise running some sensitivity analyses allowing for both WACC and PGR to change.

#### Neodecortech: Fair Equity Value p.s. sensitivity analysis

		Perpetuity Growth Rate				
		1.50%	1.75%	2.00%	2.25%	2.50%
WACC	8.7%	5.86	6.02	6.20	6.40	6.61
	8.8%	5.56	5.71	5.88	6.06	6.25
	8.9%	5.28	5.42	<b>5.58</b>	5.74	5.91
	9.0%	5.02	5.15	5.29	5.44	5.60
	9.1%	4.78	4.90	5.03	5.16	5.31

Source: Value Track Analysis

## Break Up valuation

A Break Up analysis is a useful cross check for our valuation effort that has to be performed by:

- ◆ Identifying the closest comparable M&A transaction for each of the underlying businesses, if available. Actually, we have identified deals in the following business:
  - Furniture / Home Furnishing sector as a proxy of Printing / Impregnation business. Here, we calculate a ca. 0.9x average EV/Sales in the latest M&A deals;
  - Paper / Forest Products as a close proxy of Paper Mill business. Here, we calculate a ca. 0.9x median EV/ Sales and a ca. 1.4x average one in the latest M&A deals;
  - Renewable Energy business, as a very close proxy of Energy co-generation plant. Here, we have found scattered multiples ranging from €2mn / MWh up to €4.7mn / MWh.

### M&A transactions in Furniture / Home Furnishing

Deal Title	Announcement Date	Deal Value (USD mn)	EV/Sales	EV/EBITDA
Surteco acquires an 85% majority stake in Nenplas	Dec 16	26	1.5x	6.4x
Mohawk acquires Spano Invest from Sofinim Industries	Jan 13	168	0.7x	N/A
Mohawk acquires Pergo from Pflleiderer	Oct 12	150	0.5x	6.0x
<b>Average</b>			<b>0.9x</b>	<b>6.2x</b>
<b>Median</b>			<b>0.7x</b>	<b>6.2x</b>

Source: Various, Value Track Analysis

### M&A transactions in Paper / Forest Products

Deal Title	Announcement Date	Deal Value (USD mn)	EV/Sales	EV/EBITDA
Munksjö and Ahlstrom combine	Nov 16	883	0.7x	6.8x
Intl. Paper Co. acquires Global Cellulose Fibers from Weyerhaeuser	May 16	2,220	N/A	N/A
Apollo Global Management acquires NewPage Holdings	Jan 14	1,326	0.4x	N/A
Innovation Network Corp. of Japan and Oji Holdings Corp. acquire Carter Holt	Apr 14	889	0.9x	9.2x
Packaging Corp. of America acquires Boise, Inc.	Sep 13	1,980	0.8x	6.7x
Koch Industries, Inc. acquires Buckeye Technologies, Inc.	Apr 13	1,465	1.8x	7.6x
KapStone acquires Longview Fibre Paper & Packaging, Inc.	Jun 13	1,044	4.2x	N/A
Billerud AB acquires Korsnäs AB from Investment AB Kinnevik	Nov 12	1,200	0.9x	N/A
<b>Average</b>			<b>1.4x</b>	<b>7.6x</b>
<b>Median</b>			<b>0.9x</b>	<b>7.6x</b>

Source: Various, Value Track Analysis

### M&A transactions in Renewable Energy business

Deal Title	Announcement Date	Deal Value (€ mn)	EV/MWh (€ mn)	EV/Sales
Edison Group to acquire Frendy Energy	Jul 17	20	4.7	4.8x
Intek Group to acquire Ergycapital	Jun 17	11	3.7	5.1x
Capital Stage to acquire renewable energy assets in lower Saxony	Oct 17	21	2.1	n.a.
<b>Average</b>			<b>3.5x</b>	<b>5.0x</b>
<b>Median</b>			<b>3.7x</b>	<b>5.0x</b>

Source: Various, Value Track Analysis

- ◆ Applying such multiples to Neodecortech's financial estimates of the three underlying businesses, net of intra-group elisions.
- ◆ In particular, as far as Cogeneration business (BEG) is concerned, we consider appropriate to apply an extremely severe "ad hoc" discount to sectors "fair" multiples in order to take into account the possibility that as of 2025YE fiscal incentives on cogeneration are not renewed.

That said, the result of our calculations is a **€6.08 per share Break Up value**.

#### Neodecortech: Break Up valuation

Business	EV (€mn)	EV (€ p.s.)	Valuation Driver
Printing / Impregnation	39	2.95	0.9x EV /Sales
Paper Mill	68	5.15	1.15x EV /Sales
Cogeneration	20	1.53	€1.0mn / MWh
<b>Gross Break Up Value</b>	<b>127</b>	<b>9.63</b>	
-Net Fin. Pos. 2017E	-47	-3.56	
<b>Net Break Up Value</b>	<b>80</b>	<b>6.08</b>	

Source: Value Track Analysis

## Remedy Shares protection mechanism

### Shareholders' structure post IPO

We remind that the admission to AIM Italia Stock Market has involved the placement of 3,101,500 ordinary shares (3,563,500 shares in case of full exercise of the Greenshoe option), split as follow:

- ◆ 3,025,000 ordinary shares coming from a capital increase reserved to the market;
- ◆ 76,500 ordinary shares coming from a capital increase dedicated to the employees;
- ◆ 462,000 ordinary shares deriving from the (possible) exercise of the “Over Allotment” option, made available by Valfina S.p.A. and Luigi Valentini shareholders.

The IPO has been finalized at a price of €4.0 per share for the ordinary shares dedicated to the market, while the price of the ordinary shares reserved to employees has been set at €3.9 per share.

Gross IPO proceeds stood at €12.4mn, while net proceeds are calculated in ca. €11.2mn because of €1.2mn of listing related costs.

Share capital post IPO is now made of 13,101,500 shares, out of which the free float is equal to 23.7% (27.2% in case of full exercise of the Greenshoe option).

### Neodecortech: Shareholder's structure post IPO (not considering greenshoe)

	Number of Shares	% of Share Capital
Valentini family (*)	10,000,000	76.3%
Market	3,101,500	23.7%
<b>Total Outstanding Shares<sup>(1)</sup></b>	<b>13,101,500</b>	

Source: Neodecortech

(\*) It adds shares held by Finanziaria Valentini, Luigi Valentini, Valfina

### Neodecortech: Shareholder's structure post IPO (post possible greenshoe)

	Number of Shares	% of Share Capital
Valentini	9,538,000	72.8%
Market	3,563,500	27.2%
<b>Total Outstanding Shares<sup>(1)</sup></b>	<b>13,101,500</b>	

Source: Neodecortech

(\*) It adds shares held by Finanziaria Valentini, Luigi Valentini, Valfina

We also remind that with the IPO it has been approved a Stock Grant Plan addressed to some key managers that entails maximum 689,608 newly issued ordinary shares if the group will be able to achieve targeted economic and financial results, provided that the market value of the shares is not higher than €5.0mn.

By the way, Neodecortech's top management has decided to take part to the offer as follows:

- ◆ Luigi Cogni (Neodecortech CEO) and Massimo Giorgilli (CdG CEO) hold 27,500 shares each;
- ◆ Marco Giussani (Neodecortech CFO and Investor Relator) holds 7,500 shares.

### Remedy shares protection mechanism

Remedy Shares protection mechanism is addressed to new investors only, i.e. to all current post-IPO shareholders with the exception of pre-IPO ones, providing some kind of reimburse to new investors if FY17-FY18 EBITDA and Net Profit (based on the IPO consolidation perimeter and excluding extraordinary items, we can call them “RS” EBITDA and “RS” Net Profit) will result to be lower than the trigger levels highlighted in the following table.

Please note that Remedy Shares mechanism foresees “floor levels” on possible FY17E-18E shortfall that prevent dilution of majority shareholder to exceed 5.84%.

#### Remedy shares (RS) mechanism on possible 2017E-18E shortfall

	Fiscal Years	
Trigger levels (Floor levels)	2017E	2018E
“RS” EBITDA (€mn)	15.0 (13.5)	17.0 (15.0)
“RS” Net Profit (€mn)	4.5 (4.0)	7.0 (6.0)

Source: Neodecortech Admission Document

As such, it’s not a guarantee on Neodecortech shares’ market performance but on the company economic performance, (i.e. on the goodness of its management and its competitive positioning, on the quality of its organizational and management structures).

That said, if triggered:

- ◆ It is designed to be weighted on the level of “RS” EBITDA and “RS” Net Profit results only;
- ◆ It does not determine a cash out for the company, so Neodecortech financial strength is not weakened;
- ◆ It is tax neutral for all parties involved.

### Technicalities

A “calculation agent” will actually calculate FY17E-18E “RS” EBITDA and “RS” Net Profit.

If FY17E-18E “RS” EBITDA and “RS” Net Profit result to be lower than their respective trigger levels, then it takes place a “for free” transferral of shares (Remedy Shares) from the majority shareholder (Valentini family) to new investors only, regardless of when they bought Neodecortech shares on the stock market.

#### Remedy Shares protection mechanism: Example related to FY17E maximum shortfall

Old Shares pre IPO (mn)	(a)	10.00
Equity Value Pre Money (€mn)	(b)	40.00
Maximum Ristoro (€mn)	(c)	4.50
New Shares from IPO (mn)	(d)	3.56
IPO share price (€)	(e)	4.00
Remedy Ratio (RR)	$(f)=[(b)-(c)]/[(d)*(e)]$	2.00
<b>Remedy Shares transferred to investors (mn)</b>	<b><math>\{(b)-[(f)*(d)]\}/[1+(f)]</math></b>	<b>0.322</b>

Source: Neodecortech, Value Track Analysis

### Maximum dilution of Valentini family

Here follows the calculation of the maximum dilution effect for the majority shareholder if there is a EBITDA or Net Profit shortfall both in FY17E and FY18E.

Overall the dilution could be up to 2.46% in FY17E and 3.38% in FY18E, resulting in a maximum overall dilution effect of 5.84% for Valentini family.

#### Remedy Shares protection mechanism: Sensitivity

Shareholders	Shares post GS	%	Remedy shs.1Y	Shares post Remedy 1Y	(%)	Remedy shs. 2Y	Shares post Remedy 2Y	%
<b>Valentini family</b>	9,538,000	72.80%	(322,301)	9,215,699	70.34%	(443,093)	8,772,606	66.96%
<b>Market</b>	3,563,500	27.20%	322,301	3,885,801	29.66%	443,093	4,328,894	33.04%

Source: Neodecortech

## Neodecortech at a glance

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*Neodecortech is active in the niche of decorative surfaces manufacturing (paper or plastic), for the interior design industry. The vision of the Group is that of enriching any surface with a distinctive Italian Flair.*

*Neodecortech runs its business in a vertically integrated way i.e. there is a cogeneration plant that provides electrical and thermal energy primarily to the Group's paper mill, that in turn manufactures decorative papers for high and low pressure lamination and for flooring solutions which is, last step of the process, printed and impregnated (as well as LVT) by a dedicated entity.*

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### Neodecortech: key facts and figures

#### Business activity: Décor surfaces designing and manufacturing

Neodecortech is a leading manufacturer of decorative surfaces (mostly paper but more recently also plastic) to be employed in the interior design industry and in the flooring one.

More in details Neodecortech is involved in the design, development, production, and commercialisation of décor paper printing, finish foils, melamine films, and luxury vinyl tiles (LVT). The vision of the Group is that of enriching any surface with a distinctive Italian Flair.

#### Key industrial features: Vertically integrated production process

Neodecortech runs a vertically integrated business model i.e. not only it prints décor paper (and LVT) but it also produces décor paper (while selling it to third parties as well) and most of the energy necessary in the production process.

Its main industrial features are:

- ◆ 245k sqm total production area (of whom 65k covered) and 342 employees;
- ◆ PP&E reconstruction value at roughly €228mn vs €71mn accounting book value;
- ◆ 1,500 printing cylinders and 900+ paper decorations to be applied to more than 50 typologies of products across five main categories.

#### Key financials @ 2017E: 125mn Revenues, €15.5mn EBITDA, €5.2mn Net Profit

In FY17E, we expect Neodecortech to generate some €125mn Net Revenue with a 12.4% EBITDA margin (EBITDA at ca. €15.5mn in absolute terms) and ca. €5.2mn Net Profit (ROE higher than 11%).

Net Debt is forecasted at ca. €46mn i.e. 3.0x Net Debt / EBITDA.

#### Commercial activity highly skewed towards export

Even though its production sites are all based in Italy, most of Neodecortech Revenues come from abroad. Indeed, if we consider the businesses of décor printing and paper production we calculate that Europe accounts for ca. 42% of total turnover, Emerging Markets (e.g. Turkey, Russia, Africa, APAC, and Latam) account for ca. 26% of total and North America for ca. 6% of total. Italy accounts for the remaining 26%.

### Family owned shareholders' structure, external top managers with long standing expertise

Up to the recent IPO the Group was totally owned by Valentini family via their holding company Finanziaria Valentini SpA.

While Valentini family is represented in Neodecortech's Board of Directors, on the contrary the Top management team is entirely composed of external managers with a long-standing experience in the business and working together since a long period. The CEO of Neodecortech is Mr. Luigi Cologni, in Neodecortech SpA (the previous Confalonieri SpA) since 2005.

For further details about the whole management structure please see the related appendix.

### Neodecortech structure: Three highly synergic legal entities

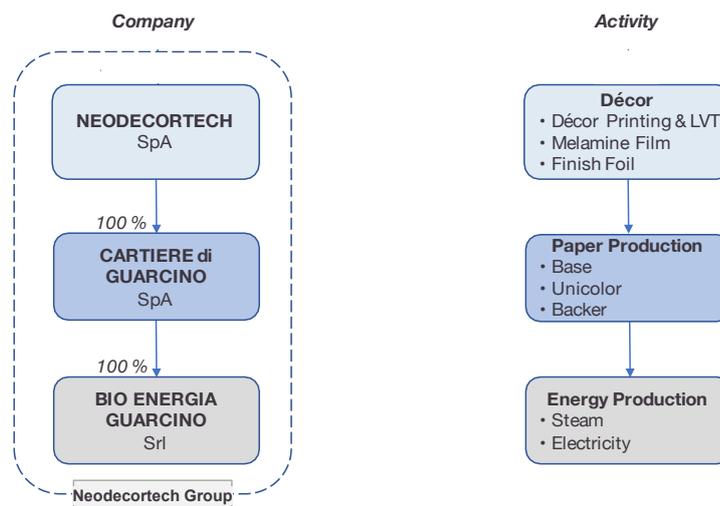
Neodecortech produces energy, paper, printed décor surfaces via the following three entities:

- ◆ **Cogeneration plant.** It provides electrical and thermal energy primarily to the Group's paper mill. This business is run by the legal entity named Bio Energia Guarcino Srl (**BEG**);
- ◆ **Paper mill.** It is involved in the manufacturing of decorative papers for high and low pressure lamination and for flooring solutions. This business is run by the legal entity named Cartiere di Guarcino SpA (**CdG**);
- ◆ **Printing and Impregnation.** It consists in printing and impregnation of décor paper as well as LVT. This business is run by the legal entity named Neodecortech SpA (previously Confalonieri SpA, **CONF**).

Basically, in Neodecortech the upstream unit serves as a supplier of the downstream one. Bio Energia Guarcino is the producer of energy, in the form of steam and electricity, which is used by Cartiere di Guarcino to run its day-by-day business. CdG's production is, in turn, employed by Neodecortech SpA to manufacture its range of products.

The production of each business unit that is not internally used is commercialized to third parties in the reference market.

#### Neodecortech Group: Business structure



Source: Neodecortech

### Neodecortech SpA (40% of Group Net Revenues, 48% of Adj. EBITDA)

Neodecortech SpA is the Group décor boutique specialised in printing and impregnation of paper for the furnishing and flooring sectors. Its main offered products are:

- ◆ **Decorative Printing:** produced in woodgrain, stone, and, fantasy design, and used in furniture as well as flooring surfaces (Revenues FY16 at €23.6mn, contribution margin ca. 33%);
- ◆ **Melamine Film:** printed décor paper impregnated with melamine resin, used both in the furniture and flooring industries (Revenues FY16 at €13.2mn, contribution margin ca. 26%);
- ◆ **Luxury Vinyl Tiles (LVT):** replication of the grain patterns of laminate flooring (Revenues FY16 at €2.8mn, contribution margin ca. 22%);
- ◆ **Finish Foil:** a décor paper with an authentic look and textural realism (Revenues FY16 at €2.6mn, contribution margin ca. 24%).

Neodecortech SpA runs its operations via seven printing machines and four impregnation lines and is involved in all phases of the printing and impregnation process but for the engraving of printing cylinders which is entrusted to a third party.

### Cartiere di Guarcino (49% of Group Net Revenues, 42% of Adj. EBITDA)

CdG manufactures decorative papers for high and low pressure lamination as well as for flooring. It offers a wide range of décor papers, grouped in three main categories:

- ◆ **Print Base Papers:** paper characterized by a smooth gloss surface that allows for the best printability in the rotogravure and digital system (Revenues FY16 at €26mn, contribution margin ca. 14.8%);
- ◆ **Unicolours:** papers characterized by a low gloss level, a low Gurley porosity and a high degree of opacity (Revenues FY16 at €30mn, contribution margin ca. 17.2%);
- ◆ **Backer Papers:** a special type of paper, which serves as a layer for the back side of many products such as flooring laminate (Revenues FY16 at €7mn, contribution margin ca. 22.2%) and others.

### Bio Energia Guarcino (11% of Group Net Revenues, 10% of Adj. EBITDA)

BEG is a cogeneration plant that produces electrical and thermal energy via three endotherm diesel engines fuelled by tallow oil with zero emission of CO<sub>2</sub> in the air. Its production capacity is of nine steam tons and 20 MWh.

Aiming at optimizing energy costs, BEG allows Neodecortech (and CdG more in particular) to save ca. €4.9m per year if compared to procurement cost from general grid.

This feature is non-trivial, since its immediate effect is that of levelling the playing field with foreign competitors that benefit from lower energy costs.

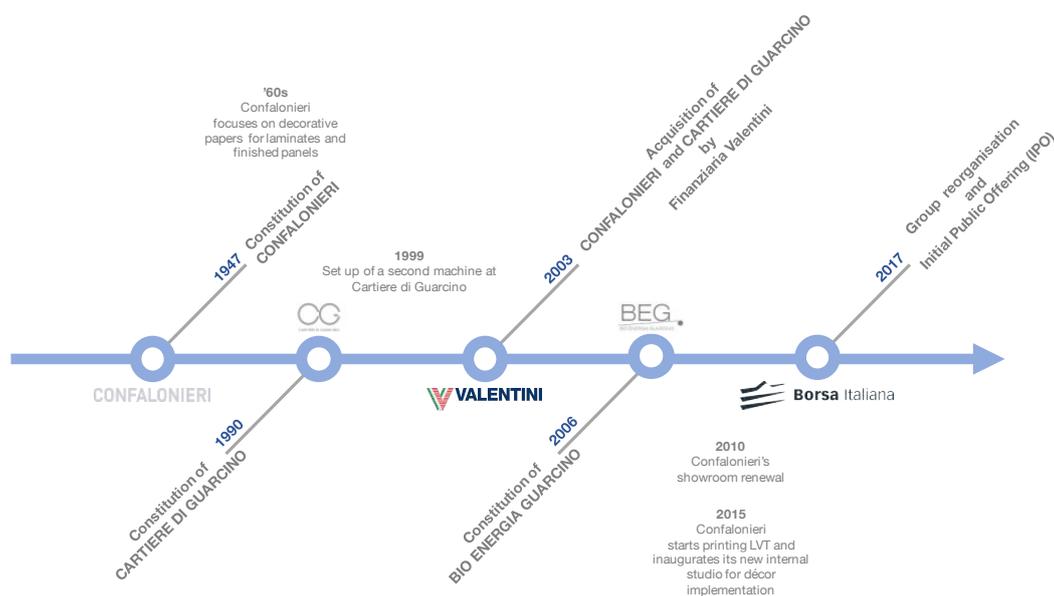
The electricity exceeding the amount required by CdG (ca.66%) is then sold on the market to wholesalers.

## Neodecortech: Historical milestones

During its history, the Group has changed both ownership and business activity, while the name is a very recent one. Indeed:

- ◆ **1947** - At the time of its foundation in 1947, Confalonieri's business was focused on the production of printing inks. As time went by, it shifted its production towards the decorative papers for laminates and for the rising market of finished panels;
- ◆ **1999** – Establishment of Cartiere di Guarcino (CdG);
- ◆ **2003** – Take over of Confalonieri and CdG by Finanziaria Valentini;
- ◆ **2006** – Establishment of Bio Energia Guarcino (BEG) aimed at making CdG more cost efficient. However the activity started only as of 2010FY;
- ◆ **2010** – Start of CdG's second line of production;
- ◆ **2010/15** - The need to be closer to customers and the choice for a tailor-made production pushed Confalonieri to upgrade its strategy in two directions: 1) remaking its showroom, which now represents a key element to augment brand perception, and 2) setting an internal studio for décor implementation with the responsibility to keep up with market trends and innovations;
- ◆ **2015** – Entrance in LVT printing business, a very profitable market that is facing, and is expected to face, a strong growth;
- ◆ **2017** - Decision to gather together BEG, CdG and Confalonieri under the Neodecortech entity, and to go through the IPO of the Group with the aim to raise capital to finance forthcoming investments.

### Neodecortech: Main historical milestones



Source: Neodecortech, Value Track Analysis

## Reference Market

*Being exposed to the entire value-chain of the décor-related market i.e. from paper production to printing with also a vertical integration in energy generation, Neodecortech addresses several extremely technical and small sized industries but the end markets that actually drive its overall performance are the furnishing and flooring panels production ones, both being highly correlated with general macroeconomic health condition and still way below their pre-crises levels especially in Europe. The overall market (ex China) is growing in the low single digit range, with West Europe and China being main exporters while Asia Pacific and Americas are main importers. LVT is the flooring market growing faster and with higher profit margins.*

### Competing in extremely technical market niches: décor paper and LVT

Neodecortech boasts a long-standing presence in the highly-specialized **Décor paper market** dedicated to panel producers for both:

- 1) Furnishing, and;
- 2) Flooring solutions.

More recently it has also developed new printing know-hows to exploit the recently re-discovered highly profitable and fast-growing **Luxury Vinyl Tiles (LVT) market**, where Neodecortech delivers cutting-edge printing solutions for PVC-based panels to be used for flooring-only applications.

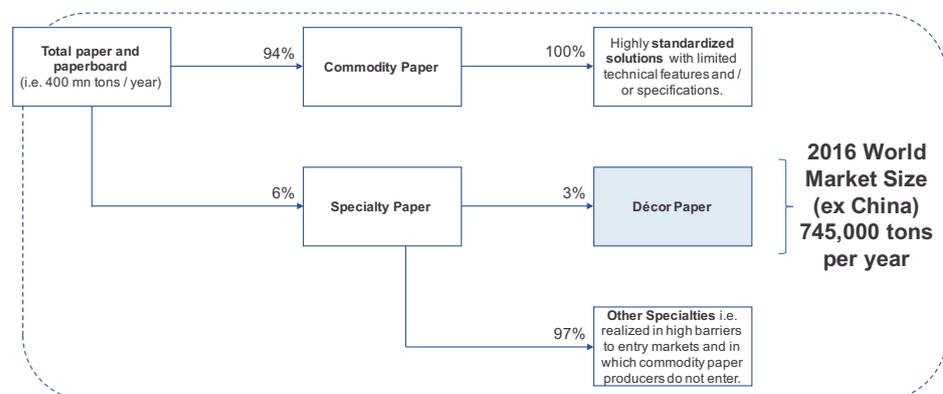
While décor paper represents the company historical business and the most of its revenues, LVT embodies the most recent internal innovation released through significant technological investments and from which further growth is expected ahead.

### Décor paper market to account for ca. 0.2% of total Paper and Paperboard one

As we said, the main reference market of Neodecortech is the décor paper one, which represents a limited, but highly specialized, fraction of the overall paper industry.

Indeed, the total “Paper and Paperboard Market” accounts for roughly 400mn tons produced per year, the overwhelming majority of which i.e. ca. 94% is represented by the so-called “Commodity Paper” i.e. tissues, paperboard, containerboard, etc. The remaining 6%-7% is instead the overall universe of diversified “Paper Specialties” i.e. money notes, thermal paper, cigarettes paper, etc. Amongst them, décor paper represents a ca. 3% (i.e. ca. 0.2% of total Paper and Paperboard market), which means 745k tons of technical paper produced per year (without considering China though).

#### Décor Paper market: 0.18% of total Paper and Paperboard one

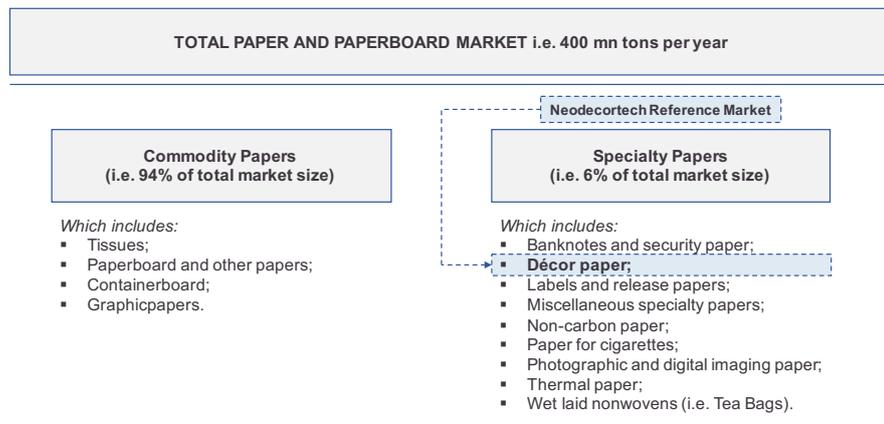


Source: Décor Paper Market Research 2016 - Ahlstrom-Munksjö

The peculiarity of specialty papers relies upon their production process, which is often affected by stringent technical requirements. Usually, specialty papers are produced using narrow machines to minimize the changeover time when switching from one order to the other, and they also allow for the realization of smaller batches, which is the most important reason why mass paper producers do not specialize in these niches. This said, specialties primarily differ from traditional papers because of:

- ◆ **Technicalities** i.e. complex technical specifications required in the production process and in subsequent applications;
- ◆ **Customisation** i.e. highly-customised applications make standardized requests uncommon;
- ◆ **Lower production size** i.e. necessity to serve smaller industries with shorter machine cycles, which consequently allow for both short and fast changeover times.

### Total Paper and Paperboard Market: Commodities vs Specialties

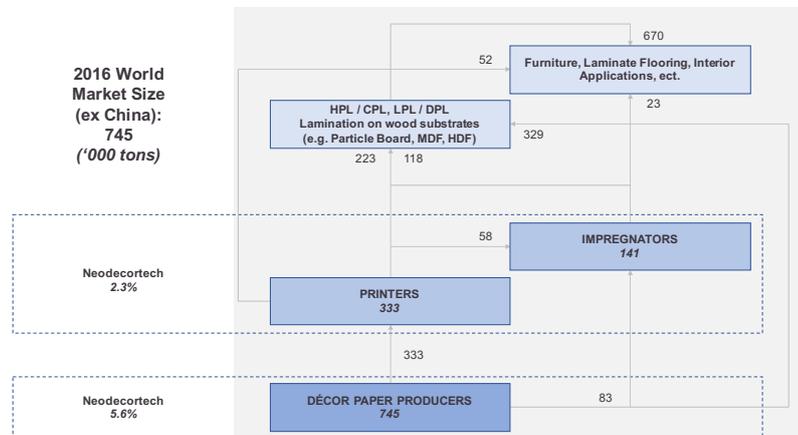


Source: Décor Paper Market Research 2016 - Ahlstrom-Munksjö

This said, the décor paper market includes the following activities:

- ◆ Décor paper production i.e. Cartiere di Guarcino activity that has a 5.6% market share (Ex China);
- ◆ Transformation of raw materials into ready-to-apply products through printing and impregnating activities i.e. Confalonieri branded activity that has a 2.3% market share (Ex China);
- ◆ Application of printed and impregnated papers over furnishing components or flooring tiles i.e. the activities realised by Neodecortech customers (i.e. furnishing or flooring solutions producers).

### Décor Paper Market: From paper production to end markets



Source: Décor Paper Market Research 2016 - Ahlstrom-Munksjö

As said, at the very-end of the production process there are furniture and flooring producers, which require high-quality and customized solutions and that perform activities not included within Neodecortech production perimeter i.e. mere panel production.

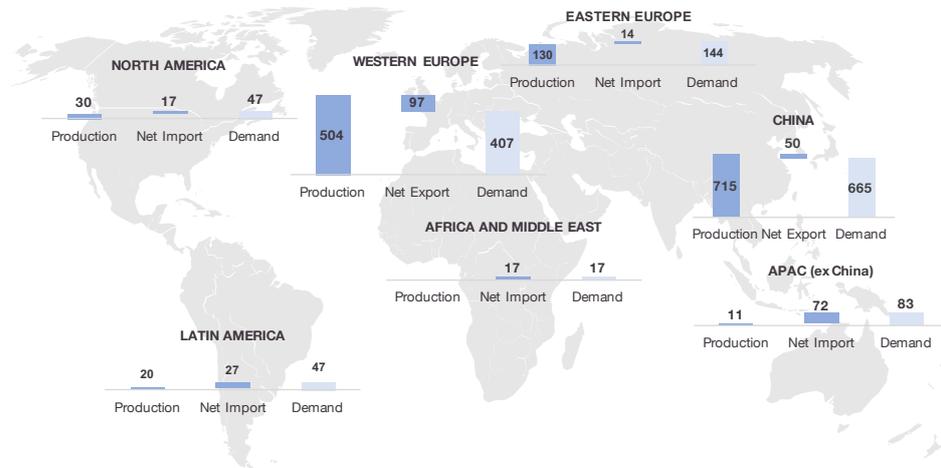
### West Europe and China main exporters, Asia Pacific and Americas main importers

In this market, Central / Western-Europe Countries represent by far the largest exporting economies, no matter whether we consider China or not. This reflects the extensive European technological expertise in furnishing and flooring solutions production. While the former encountered favourable consideration all over the globe, the latter have been more positively seen in those Countries where carpet solutions did not gather positive consensus in the past.

This said, décor paper demand is nowadays growing in almost any Region in the world and detailed import data (ranked by amount of décor paper imported per year) are:

- ◆ Asia-Pacific, 72,000 tons per year;
- ◆ Latin America, 27,000 tons per year;
- ◆ North America, 17,000 tons per year;
- ◆ Africa and Middle East, 17,000 tons per year;
- ◆ Eastern-Europe Countries, 14,000 tons per year.

### Décor Paper market: Import / Export flows



Source: Décor Paper Market Research 2016 - Ahlstrom-Munksjö

Despite this data are aggregated, if we consider flooring systems, it is worth to notice that market demand seems to be driven also by those countries that have been characterized by alternatives to ceramic tiles or marble solutions.

Indeed, even historically carpet-oriented Countries such as the US are now switching to laminate / melamine flooring solutions, thus increasing demand for European products.

### Market (ex China) growth rates in the low single digit range

These changes in habits have led the overall market of décor paper to experience a solid growth trend over the last decade, rebounding from lows post credit crisis i.e. 2008/2009. This growth path has also been backed by China, which has entered the market to support increasing demand at global level. Given the high technological barriers to entry, eastern players are still some steps behind market incumbents, thus offering limited-quality solutions.

This said, China represents today the second largest décor paper exporting economy globally, growing at a faster pace than Europe and constantly gaining greater relative importance.

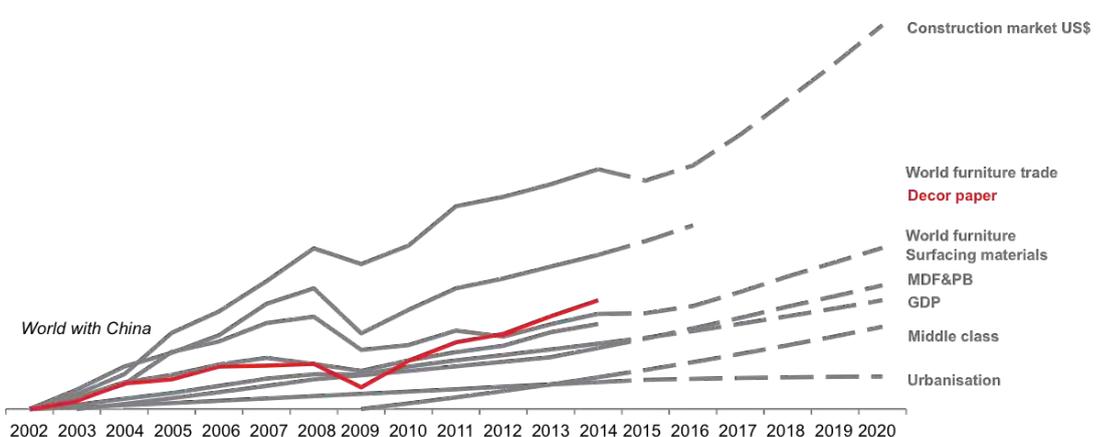
### Décor Paper production in the 2001-2017E period (volume)



Source: Décor Paper Market Research 2016 - Ahlstrom-Munksjö, Value Track Analysis

Changes in habits are not the only to drive growth though. Long-Term demand is also influenced by macro factors that directly or indirectly impact the industry. Among them, demographic changes, tech innovations, sustainability, and digitalization patterns, are certainly reshaping the way in which furnishing and flooring needs are ultimately perceived, and that combined with growing urbanization trends lead to augmented growth prospect for décor paper producers.

### Décor Paper market: Sensitivity to Megatrends

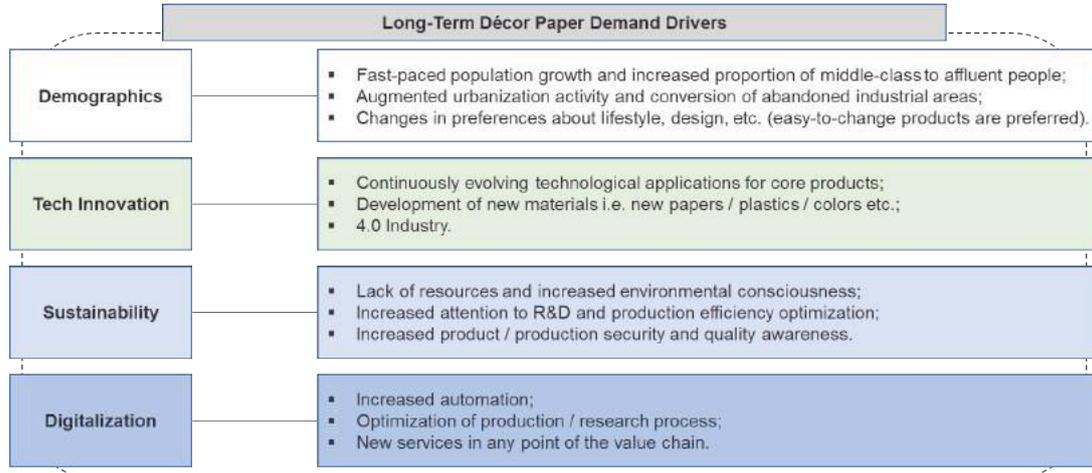


Source: Décor Paper Market Research 2015 - Munksjö

Growth trends do also boost a virtuous circle since:

1. Long-Term trends drive increased general demand for décor paper;
2. In turn, décor paper drives robust growth in end-markets i.e. furnishing and flooring industries;
3. Wood panel and surfacing material producers do benefit from increasing demand;
4. Greater demand for sustainable and technological décor paper solutions is enhanced.

### Décor Paper: Long-Term Demand Drivers

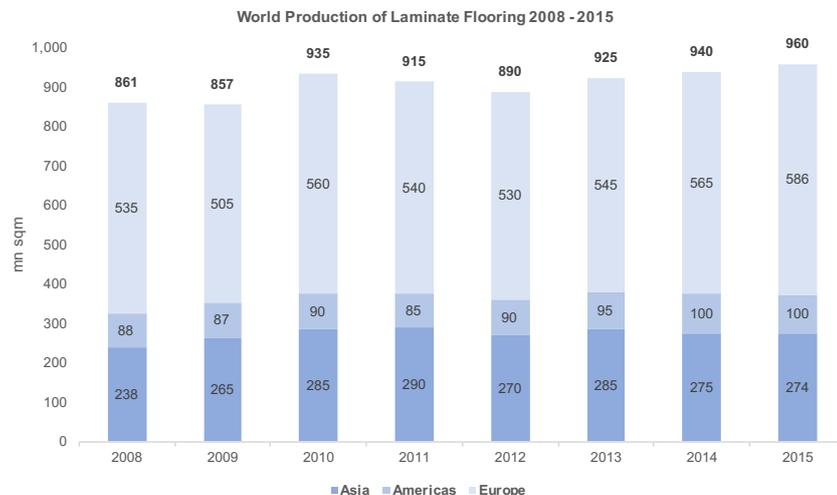


Source: Neodecortech

### Décor Paper for flooring laminates

Flooring laminates represent a major end-user reference market for Neodecortech. Back in 2015, this industry represented ca. 960mn sqm of panels produced globally, up by 2.1% with respect to the previous year figure. Out of the entire produced amount, 60% was produced in Europe i.e. Neodecortech major reference market, 30% in Asia, the remaining 10% in the US flat at previous year level.

### Global Production of Laminate 2008 – 2015



Source: Décor Paper Market Research 2015 - Munksjö

### LVT: higher-profitable and fast-growing flooring market

Neodecortech is also exposed to the **Luxury Vinyl Tiles (LVT) market**: niche segment requiring significant technological investments i.e. upfront barrier to entry. Indeed, LVT surfaces have different properties than those based on paper, which imply different colour-absorption properties and therefore nontrivial analyses of different production methodologies.

LVT solutions are becoming every day more appealing to architects / homebuilders due to their increased quality and design, and they are also relatively cheap compared to parquet flooring but also in-line with respect to other high-quality flooring systems such as ceramic tiles. Therefore, the LVT international market has recently experienced a significant increase in popularity, particularly backed by:

- ◆ Recently developed cutting-edge printing technologies i.e. demand boost for alternative flooring;
- ◆ Improved resistance to moisture / water of vinyl-based panels;
- ◆ Increasing popularity for non-wood laminates amongst architects, designers, and homebuilders.

Resilient flooring solutions, which include LVT, nowadays represent the third most widely adopted flooring solutions in Developed Countries such as Europe and the US, following ceramic tiles and carpets. In this setting, we see additional growth potential for resilient solutions to be exploited worldwide since, for instance, carpets are now becoming less popular due to lower aesthetic and hygienic performances and characteristics.

Thus, we may expect a further growth of LVT gaining additional market shares over carpets, and potentially over ceramic tiles as well, given LVT easy-to-install product. This said we should also bear in mind that environmental issues could represent a concern as LVT (i.e. a PVC-based product) could be somewhat considered not a 100% eco-friendly product (indeed major PVC producers are Taiwan-based, where regulation is less tight than in Europe / North America). But it is also true that PVC is 100% recyclable.

#### 2015 International Flooring Market by Region / Flooring Solution

sqm, mn	Ceramic Tile	Parquet	Laminates	Carpet	Resilient (*)	Total
Germany	94	16	66	161	73	410
France	84	11	37	70	53	255
United Kingdom	46	6	31	211	48	342
Spain	87	5	10	6	4	112
<b>Italy</b>	<b>81</b>	<b>6</b>	<b>9</b>	<b>2</b>	<b>9</b>	<b>107</b>
Other Western / Northern-Europe Countries	105	28	50	62	53	297
Eastern-Europe	487	19	141	54	218	919
<b>Total Europe</b>	<b>984</b>	<b>91</b>	<b>343</b>	<b>566</b>	<b>458</b>	<b>2,442</b>
<b>North America</b>	<b>338</b>	<b>99</b>	<b>90</b>	<b>1,220</b>	<b>273</b>	<b>2,020</b>
<b>Total Europe + North America</b>	<b>1,322</b>	<b>190</b>	<b>433</b>	<b>1,786</b>	<b>731</b>	<b>4,462</b>

Source: Various, Value Track Analysis

(\*) Including LVT

The Italian market for LVT represents nearly one-tenth that of ceramic tiles in terms of square meters sold per year. Despite the unfavourable construction sector performance over the most recent past, resilient flooring solutions have experienced a positive performance i.e. growing by ca. 3.8% since 2013, while being outpaced by only laminate products i.e. 5.6% growth YoY. It is worth to notice the slowdown experienced by parquet solutions, which implicitly reflects, in our view, the availability of other equal-quality solutions. Hence, we also see this trend to be replicable on the international markets, potentially involving carpets and ceramic tiles solutions as LVT panels get aesthetically equivalent and more broadly perceived.

### 2013-2015 Italian Flooring Market by Flooring Solution

sqm, mn	2013	% share	2014	% share	2015	% share	Var. %
Ceramic Tile	82.7	60%	79.9	60%	81.2	60%	1.6%
Parquet	7.8	6%	6.4	5%	6.3	5%	-2.0%
Laminates	8.7	6%	8.2	6%	8.7	6%	5.6%
Carpet	2.2	2%	2.2	2%	2.3	2%	4.0%
Stone/ Marble	28.6	21%	28.3	21%	29.0	21%	2.6%
Resilient	7.9	6%	7.9	6%	8.2	6%	3.8%
<b>Total</b>	<b>137.9</b>	<b>100</b>	<b>132.9</b>	<b>100</b>	<b>135.6</b>	<b>100</b>	<b>2.0%</b>

Source: Various, Value Track Analysis

### Top-Down view: Macroeconomic recovery to be exploited yet

As we said, Neodecortech is exposed to two major end markets: furnishing and flooring, both being highly correlated with general macroeconomic health condition i.e. GDP that we see recovering from lows post credit and debt crises.

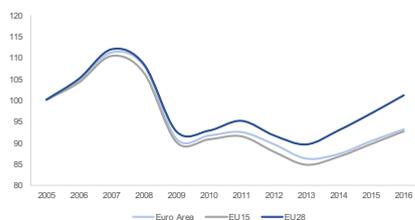
Paper industry as well has recovered in Europe. On the contrary, the European furniture industry is way below its pre-crisis level and shows a huge upside potential.

By having a closer look at the Italian macro environment, we see the same patterns depicted above but slightly more pronounced. Indeed, we see the paper industry being fully on track, while both the GDP and the furnishing industry being still below their relative peaks but they seem to be reverting back from their poor performance over the last decade.

### Reference Industry: Recent Evolution

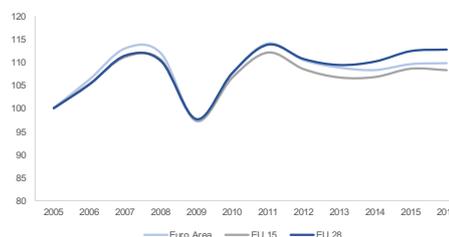
#### Europe - Manufacture of Furniture

Calendar adjusted data, not seasonally adjusted data  
Base Year 2005



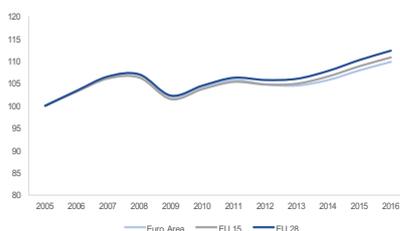
#### Europe - Manufacture of Paper & Paper Products

Calendar adjusted data, not seasonally adjusted data  
Base Year 2005



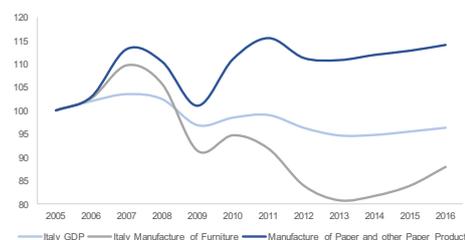
#### Europe - Gross Domestic Product

Calculated as Gross Value Added Plus Taxes Less Subsidies  
Base Year 2005



#### Italian Macro Environment

Base Year 2005



Source: Eurostat, Value Track Analysis

## Neodecortech Competitive Positioning

*Thanks to a quality-based approach, Neodecortech has reached a market positioning that is competitive to that of German sector leaders i.e. broad product range with high-end solutions. This is true for both Printing / Impregnation and Paper Mill units, which represent best-in-class players in their respective industries due to high degree of diversification in offered solutions despite their relatively small dimension. In this environment, we see Neodecortech well-positioned to engage in acquisitions so as to increase its scale and enter into new foreign markets while at the same time maintaining its quality-based approach.*

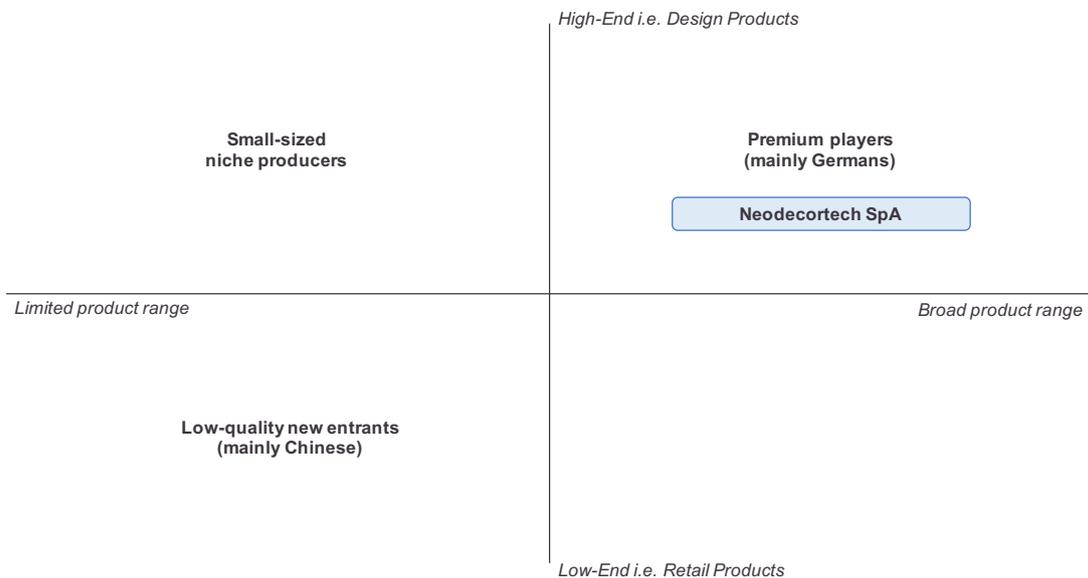
### Not markets for giants, rather for focused players

Both décor paper market and LVT one are niches that do not appeal mass paper producers / refiners and attract only deeply focused players. Indeed, these markets are characterized by peculiar technical / treatment features, each paper specialty has its own production uniqueness and therefore basically no synergies can be exploited by entering in more than one market simultaneously thus making scale benefits negligible.

Such a market configuration benefits well-established players such as Neodecortech, since it requires:

- ◆ Massive initial technological investments to serve niche i.e. small-sized productions, hence entailing high barriers to entry, which in turn limit new comers and hence competition;
- ◆ Substantial degree of specialization, due to production properties and specifics, such as changeover times and environmental / quality standards compliance.

### Neodecortech: Qualitative Brand Competitive Positioning



Source: Neodecortech, Value Track Analysis

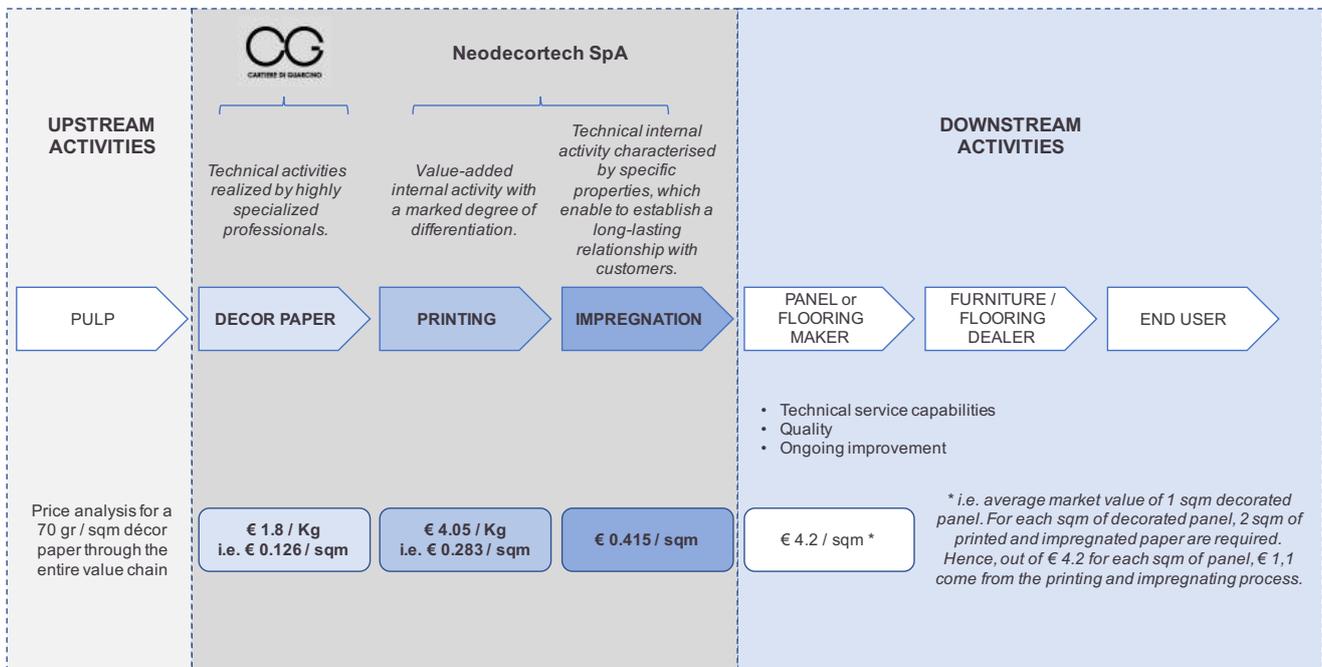
### Competition on pricing is not the issue, at least so far

Despite barriers to entry being substantially high due to the level of technicality and capital intensity required, over the last few years Chinese players have rolled out material output capacity, for the time being dedicated to internal market only and offering lower quality solutions.

We believe that even if / when Chinese players should decide to start competing in European and American market, competition will hardly be driven by price elements, but rather by technical features and stylistic ones.

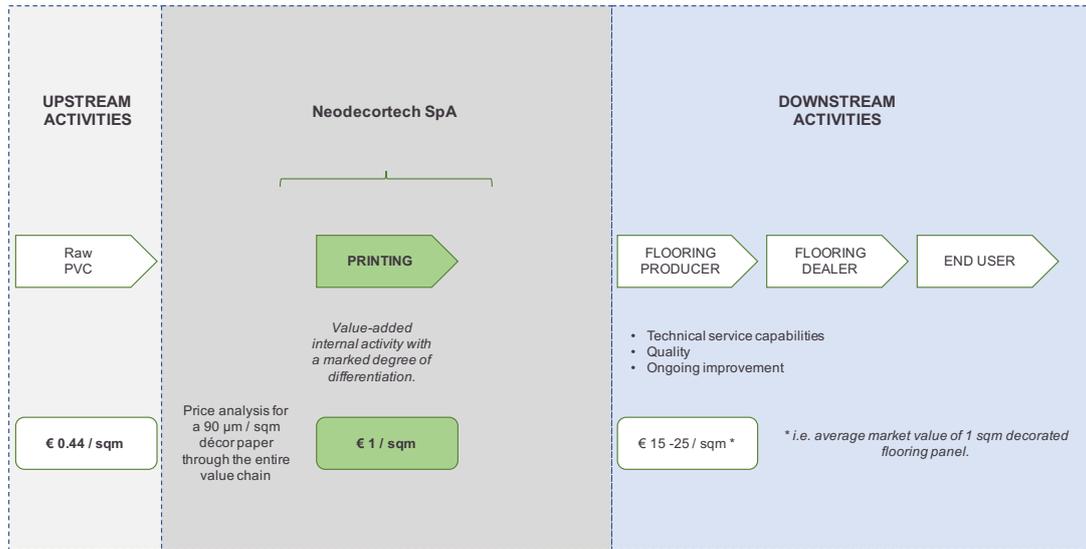
Indeed, Neodecortech and its European competitors are active in niches (décor paper or LVT) that account for a negligible part of total value of end products (i.e. panels for furnishing or for flooring). That's why we believe that maintaining a premium pricing doesn't weaken Neodecortech competitive positioning.

#### Neodecortech: Décor Paper Production Competitive Advantage



Source: Neodecortech, Value Track Analysis

**Neodecortech: LVT Production Competitive Advantage**

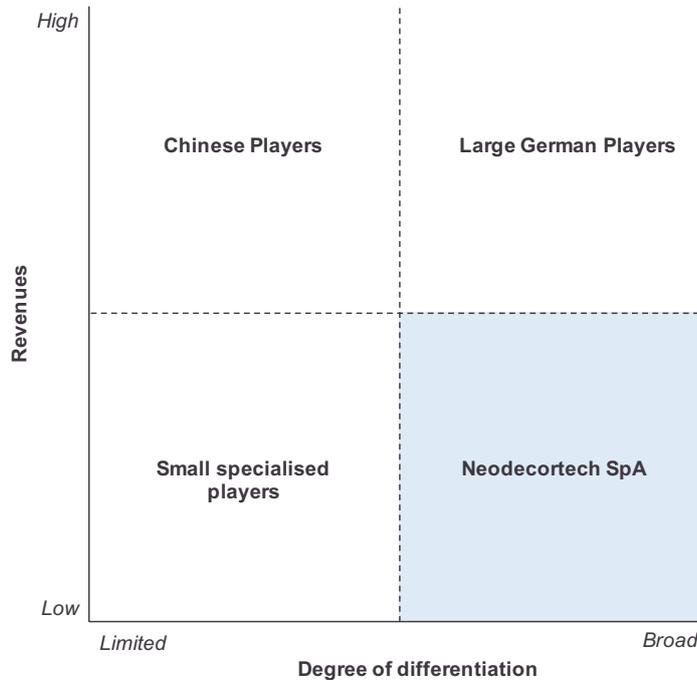


Source: Neodecortech, Value Track Analysis

**Neodecortech SpA: quality-based competitive positioning**

Considering Neodecortech SpA, i.e. the Printing / Impregnation business, we note that the industry is clearly characterized by a sharp separation between Chinese producers and non-Chinese ones. While the former generally address their internal market, the latter are mainly European, export-oriented, and with a global footprint.

**Neodecortech: Qualitative Brand Competitive Positioning**



Source: Neodecortech, Value Track Analysis

This said, European printer / impregnators can be classified into two macro categories, based on:

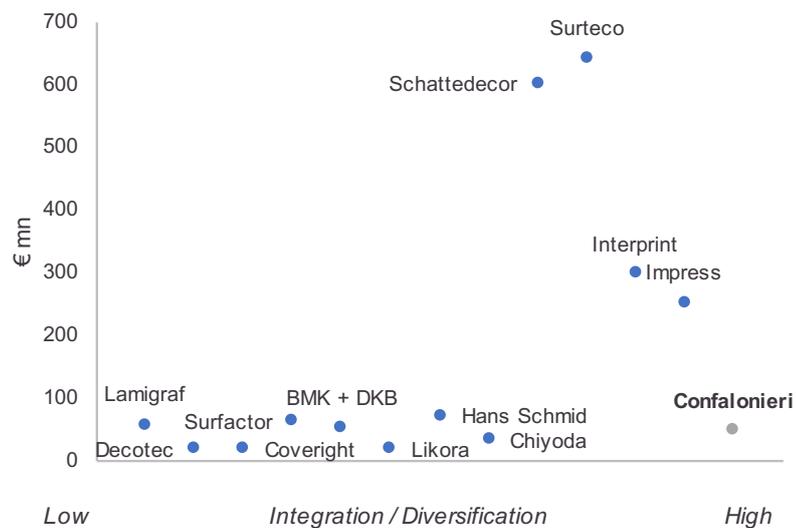
- ◆ Revenues i.e. indirect measure of financial capacity and geographical penetration;
- ◆ Product diversification / integration i.e. measure of capacity to answer to potential demand.

Therefore, the market for high-quality décor paper solutions can be divided between:

- ◆ Large and diversified players i.e. German companies such as Surteco and Schattedecor;
- ◆ Small and focused players highly specialized on few products e.g. Lamigraf / Decotec.

Confalonieri brand is at the intersection of these subgroups as it presents a relatively low turnover level but a high degree of diversification (it is the only small player wholly differentiated), a high technological know-how and a great innovation capacity.

#### Printers / Impregnators: Competitive Landscape



Source: Neodecortech, Value Track Analysis

Given the inherent structure of the industry, the company is exposed to a few number of clients. However, such concentration does not represent a threat for Neodecortech, as by adopting a partnership approach it is able to set out co-engineering processes to maximise the efficiency in developing new products.

To maintain its highly-regarded brand, Neodecortech focuses its competitive strategy upon:

- ◆ Continuous research to keep its products elegant and aesthetically sophisticated;
- ◆ Improvement of offered solutions i.e. higher number of possible décor alternatives;
- ◆ Retaining customers and acquiring new ones by offering custom-made solutions;
- ◆ Implementing a “fashion boutique” marketing approach.

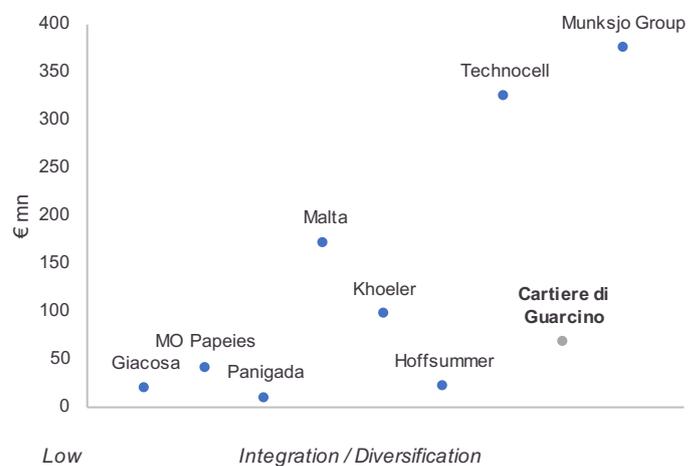
### Paper Mill (i.e. Cartiere di Guarcino): high-quality paper

Since Neodecortech is vertically integrated, Cartiere di Guarcino leads the paper market exposure. In this sense, the overall paper market exposure has an impact on the business dynamics of Neodecortech, but being a niche it reflects its own subtleties.

With a very concentrated competitive environment, Cartiere di Guarcino does not face competition from giant paper producer since they focus on larger-scale markets only (e.g. paper pulp). This could be both positively and negatively seen. Indeed, if it is true that there is lower competition, it is also correct that market leaders have a dimension such that they can easily and efficiently exploit economies of scale as well as diversify their product portfolio.

This explains why Cartiere di Guarcino prefers to avoid merely price-driven, market segments. Therefore, Cartiere di Guarcino faces international competition by focusing on high-end products, thus delivering customers with higher quality paper, while at the same time addressing new market segments to achieve production saturation and hence ultimately obtain profitability increase.

### Décor paper producers: Competitive Landscape



Source: Neodecortech, Value Track Analysis

### LVT: Neodecortech three years ahead of competition

Neodecortech is also addressing the LVT market, by offering printing solutions on PVC-based material. This market is much more profitable for Neodecortech that indeed obtains higher margins than in other segment of activity benefitting from both higher product quality and limited competition given that the technologies Neodecortech has already developed give them a three-year period advantage over most of its competitors.

## Business Model

Through its totally owned plants Neodecortech runs its activities with a vertically integrated business model covering all steps from design to marketing of its offered product range. Vertical integration represents one of the Group’s main competitive advantage as it drives faster time to market and higher cost competitiveness. Other key aspects of Neodecortech approach to business that allow the company to have a superior market offering are strong attention to quality and design innovation.

Finally, we underline Neodecortech approach to clients based on co-design / strong partnerships lasting for several and several years and tailor made solutions provisioning leading the Group to be granted clients’ loyalty.

### From design to manufacturing of décor paper (and LVT)

#### From paper mill to printing and impregnation

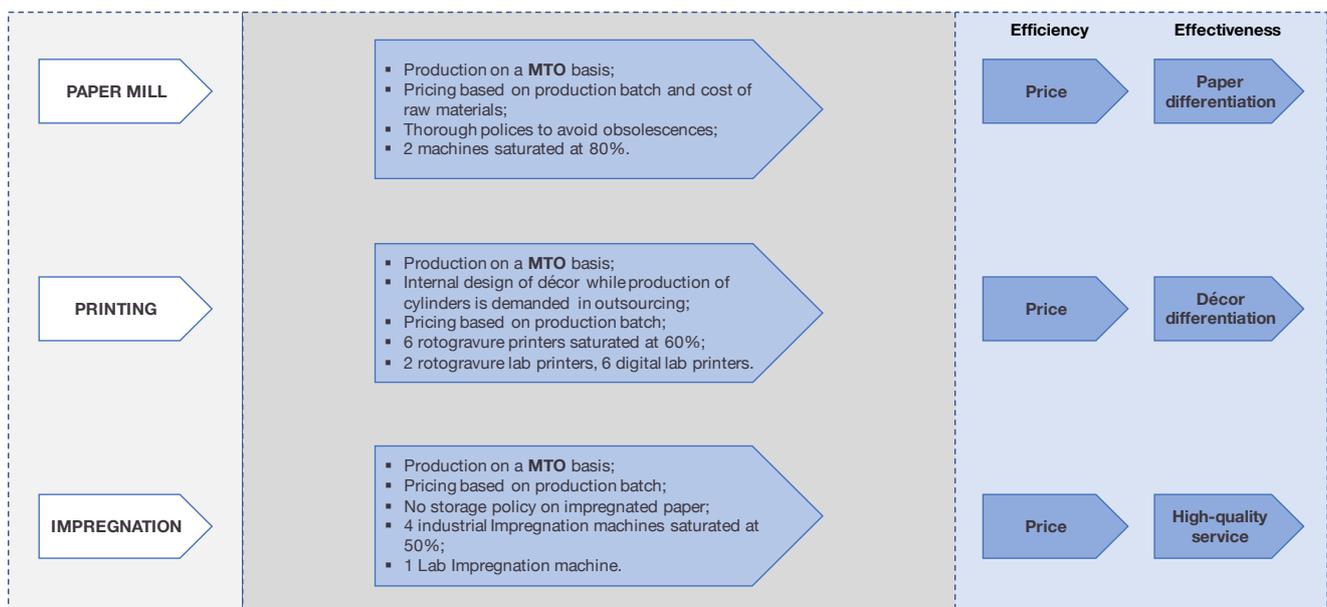
Neodecortech covers all the stages from paper mill to design, to marketing of decorative printing, finish foils, melamine films and luxury vinyl tile for the interior design and flooring industries.

Neodecortech operates according to a business model where all the phases are interconnected and interdependent.

The full **manufacturing process** of paper décor is composed of three main stages:

- ◆ **Paper Mill** (by Cartiere di Guarcino);
- ◆ **Printing** (by Neodecortech SpA);
- ◆ **Impregnation** (by Neodecortech SpA).

#### Paper décor manufacturing process



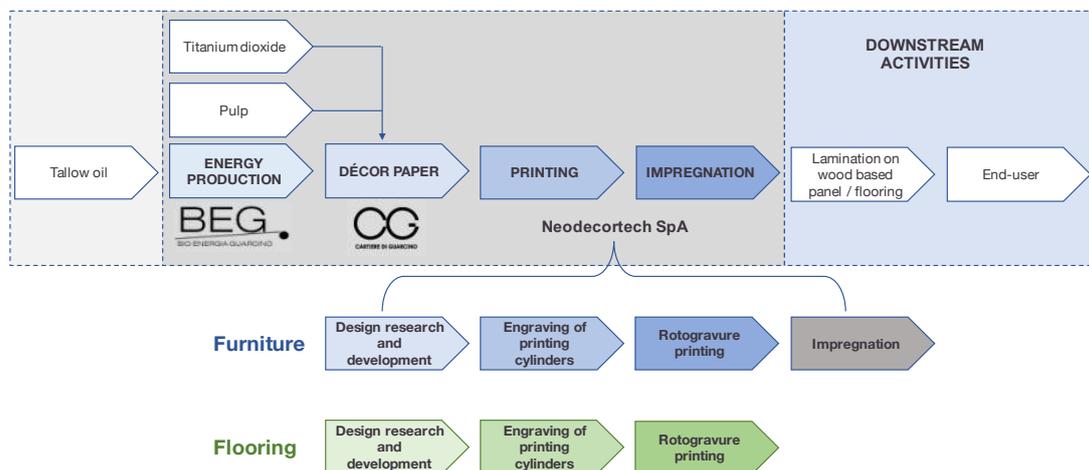
Source: Neodecortech, Value Track Analysis

## Focus on printing and impregnation

With a specific focus on Printing / Impregnation production cycle, we distinguish four main steps:

- ◆ **Design research and development** – It gives the company a competitive advantage over competitors. An internal pool of ten experts is exclusively involved in the creative process in order to continuously discover new trends and to penetrate new markets. Over years this big effort in research and development has enabled the company to have a range of more than 900 decorations, one of the broadest of the entire décor industry;
- ◆ **Engraving of printing cylinders** – It is the only activity that is performed in outsourcing by few partners that must be compliant with strict requirements on price, quality and dependability;
- ◆ **Rotogravure printing** – It is the phase that allows the design to reach its final result after a series of improvements in terms of color and structure;
- ◆ **Impregnation phase** - Papers are impregnated using only water based resins or varnish. This activity is performed only for furniture customers and results in a high contribution margin for the company and a saving on time for the clients.

### Neodecortech: Printing and Impregnation steps



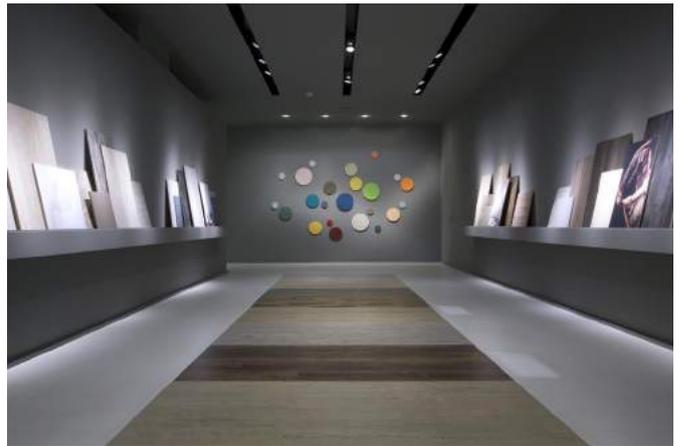
Source: Neodecortech, Value Track Analysis

Looking at above-mentioned steps from an organisational point of view, here follows an analysis of the departments that oversee the various steps:

- ◆ **LAB** – It is the place where designers continuously search for new trends interacting with customers and exploring Italian and foreign markets. It represents the centre of inspiration and innovation;
- ◆ **Sampling Unit** - It is equipped with two printing machines and two GMS system plants using cylinders with an industrial size. Thanks to its high accuracy customers are offered the highest quality of reproduction associated with a timely execution;
- ◆ **Digital Printing Department** – It is an innovative service capable of meeting any need of the industry. The equipment consists of several digital printing machines for sampling and small productions of industrial papers;

- ◆ **Printing Department** – It is composed of seven printers with an annual production capacity of 18,000 tons and an utmost printing width of 2700 mm, two laboratory machines and eight additional machineries for colour-matching;
- ◆ **Impregnation Department** - The Group currently has four industrial impregnation machines (capacity saturated at 50%), four lines of impregnation, one additional line of 800mm width sampling baby rolls and one Lab impregnation machine. The annual production capacity of impregnation activities is 100mn sqm with a maximum width of 2,700 mm;
- ◆ **Quality Control Department** – It has the mission to constantly check the compliance with customers' needs and to select the best suppliers for keeping Neodecortech SpA up with developments in this line of business. We underline that over years Neodecortech has been assigned numerous environmental certifications, which on one hand prove its carefulness about its operations' impact on the environment and on the other hand lower its operational risk;
- ◆ **Showroom** - The new showroom reflects the centre of gravity of Neodecortech. The results of the updated developments are shared with the public in this exclusive meeting point. Here the Group welcomes its clients allowing them to feel the products.

#### Neodecortech: Showroom



Source: Neodecortech

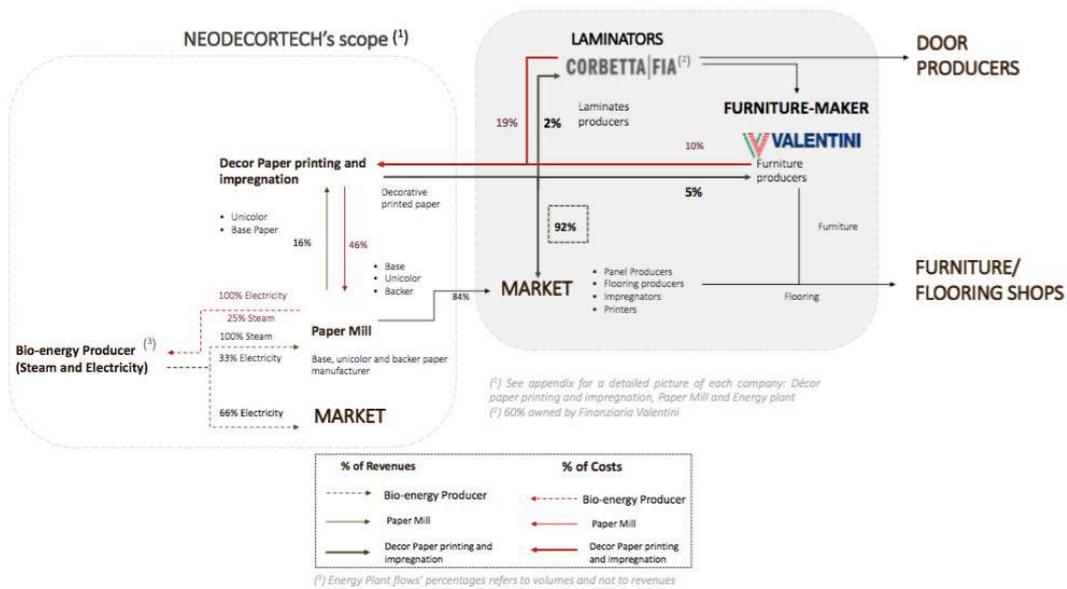
### Vertically integrated business model aimed at maximising Neodecortech competitive advantages

Neodecortech business model is designed to best accomplish all phases of the group’s core business, the Décor industry. Indeed, if it has developed its long-standing presence in such an industry, Neodecortech has reckoned the importance of securing the highest quality possible of its products maintaining an increasing attention to the whole supply chain.

Hence, from one side the Group has established long-lasting relationships with its strategic base papers, printing inks, maintenance services and waste removals suppliers obtaining procurement costs reduction, improvements in efficiency and communication and finally price volatility mitigation.

On the other side the Group has decided to internalize both part of paper décor production and, in addition, the energy generation phase which is crucial to be cost competitive.

#### Neodecortech: Business Model



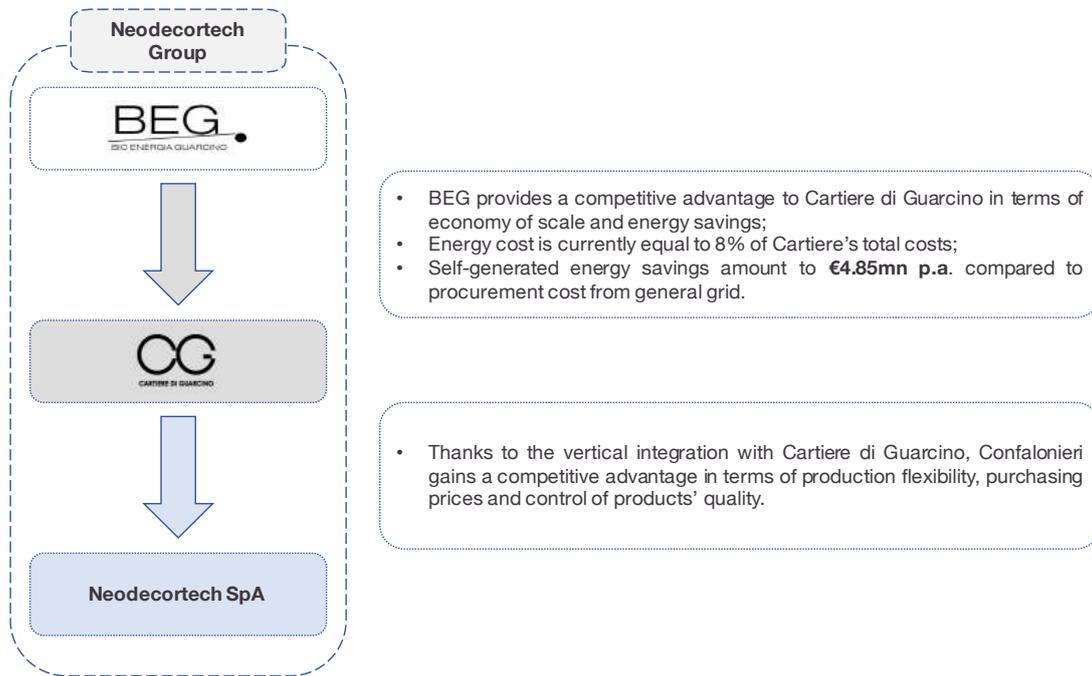
Source: Internal average standardised data 2016

Source: Neodecortech

Such vertically integrated structure, besides enabling the company to be competitive on the market, is the source that in the last years has permitted the company to optimize all the aspects of the core business activities.

The main advantages of the vertical integration can be summarized as follows:

- ◆ Higher operations efficiency;
- ◆ Cost efficiency driven by material intra-group synergies and by lower purchasing costs;
- ◆ Lower time to market;
- ◆ Lower risk profile (e.g. no business discontinuity in case of outage).

**Neodecortech: Synergies Provided by Vertical Integration**

Source: Neodecortech, Value Track Analysis

### Competitive advantage # 1 - Full ownership of production plants

Neodecortech runs its capital-intensive business through three different plants, one for each legal entity:

- ◆ BEG and Cartiere di Guarcino plants are in Guarcino and work 24/7;
- ◆ Confalonieri plant is in Filago (BG) and works 24/5.

All plants and machineries are fully owned by the Group and their overall reconstruction value amount to roughly €228mn (accounting book value after depreciation currently stands at €71mn). This means that a new entrant willing to replicate Neodecortech business model and to roll out the same output capacity would have to invest €228mn, a definitively high figure compared to the ca. €10mn of normalized EBIT Neodecortech has earned in 2016FY.

### Neodecortech: Production Plants



Source: Neodecortech

## Competitive advantage # 2 – Long-lasting relationship with clients

Neodecortech puts a lot of effort in ensuring a high level of customer satisfaction. The attention on customer care services represents one of the key drivers of value creation.

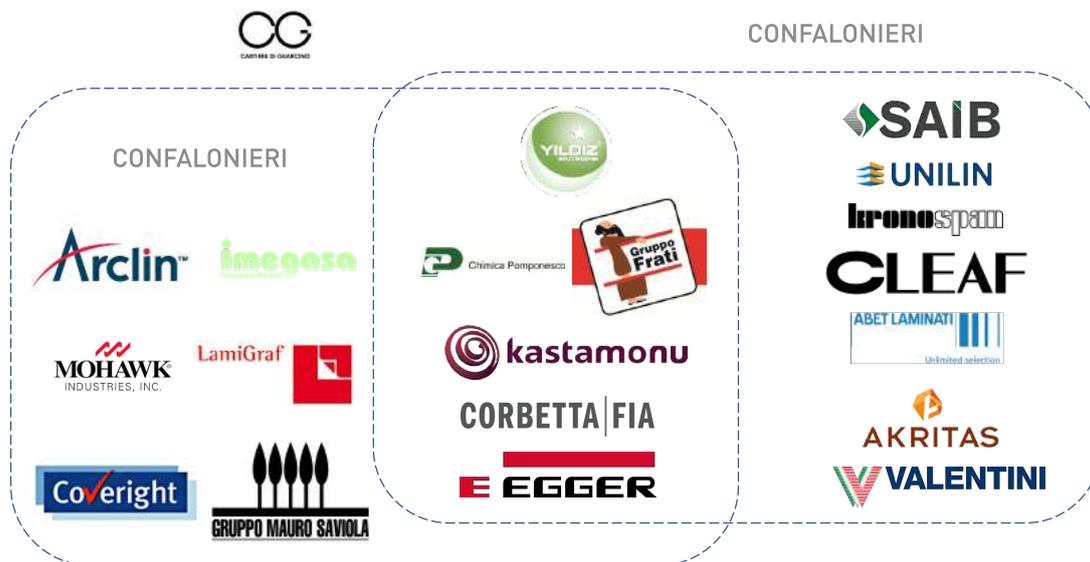
Over years, the Group has built up strong and close partnership with its customers, all lasting for more than ten years thus providing the company a twofold competitive advantage:

- ◆ Product differentiation from competitors, and;
- ◆ Tailor made solutions for every single requirement.

The capability to develop tailor made solution is the key to attract high-end clients and to be granted their loyalty. Furthermore, these strong partnerships act as entry barrier to potential entrants. Finally, the integrated supply chain model increases the cross-selling capacity of the group.

One of the strongest partnerships is the one with Unilin, a subsidiary of Mohawk Industries Inc., to which Neodecortech SpA (Confalonieri SpA) supplies the 50% vinyl flooring procurement.

### Neodecortech: Concentrated and very loyal client base



Source: Neodecortech

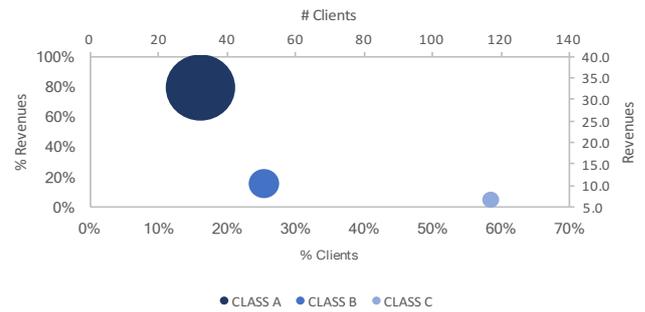
As far as Confalonieri SpA (now Neodecortech SpA) client base is concerned, we note that its reference industry is characterized by very large furniture and flooring manufacturers, so the client base is concentrated on very few large clients.

However, this concentration does not represent a threat for Neodecortech given that it can rely on co-engineering to maximize the efficiency in developing new products.

The client base is not fully exploited, especially in Germany, as the company has 142 over 200 possible clients.

### Printing Business: Clients Breakdown

Category	# Clients	% Clients	Value 2016 (m€)	% Value 2016
CLASS A	23	16%	33.7	80%
CLASS B	36	26%	6.5	15%
CLASS C	83	58%	2.1	5%
<b>Total</b>	<b>142</b>	<b>100%</b>	<b>42.3</b>	<b>100%</b>



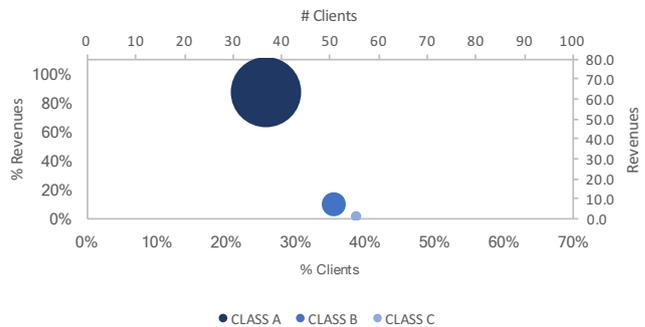
Source: Neodecortech, Value Track analysis

Also, CdG’s customer base is characterized by large clients that order large batches, exposing the firm to accept contractual conditions imposed by these clients.

To fix this issue an investment plan aimed at having production availability of technical paper with increased performance would provide the company a larger diversification of its customer portfolio, thus avoiding the risks that larger customers exert with large batch contracts.

### Cartiere di Guarcino: Clients Breakdown

Category	# Clients	% Clients	Value 2016 (m€)	% Value 2016
CLASS A	24	26%	45.6	88%
CLASS B	33	35%	5.4	10%
CLASS C	36	39%	1	2%
<b>Total</b>	<b>93</b>	<b>100%</b>	<b>52.9</b>	<b>100%</b>



Source: Neodecortech, Value Track Analysis

### Competitive advantage # 3 – First class product portfolio

Quality and design of décor are the key elements that let Neodecortech provide first class products.

As far as the range of products is concerned, it is composed of:

- ◆ **PPF:** this product is obtained from a thin printed film that can be coupled with several types of substrates (chipboard, MDF, regenerated polyvinylchloride (PVC)). It can be glued on wooden support, with hot melt adhesives for PVC, or coupled with a regenerated PVC support.
- ◆ **DEC:** are printed decorative papers useful for producing low pressure melamine chipboards, finish foils, edge-bandings, high pressure laminates and flooring. This decorative paper reproduces a wide range of images among which woods, marbles, granites and so on;
- ◆ **MEL:** are decorative papers impregnated with melamine or melamine-urea resins, intended to be used by the furniture industry;
- ◆ **Finish:** Impregnated decorative papers (with opportunely modified acrylic and ureic resins), pre-impregnated papers and finish foils paper belong to this category.

Further details on the company's products advantages and applications are available in the relative appendix.

As far as CdG's range of products is concerned, it is composed of three main ones:

- ◆ **Print Base Papers:** papers with a smooth gloss surface which allows an excellent printability in the rotogravure and digital system. Wood and marble surfaces are reproduced on print base papers;
- ◆ **Unicolours:** papers impregnated only with resins, which are characterized by a low gloss level, a low Gurley porosity and a high degree of opacity. Subsequently, they are transformed into high pressure and low-pressure panels.
- ◆ **Backer Papers:** designed to be used as a layer for the backside of flooring laminate since when decor papers are put on a substrate there is a creation of tensile forces. As a consequence, the thin substrate can bend and, in order to avoid this, a backer papers is used as it produces tensile forces on the under side of the laminate so that the overall forces cancel each other out.

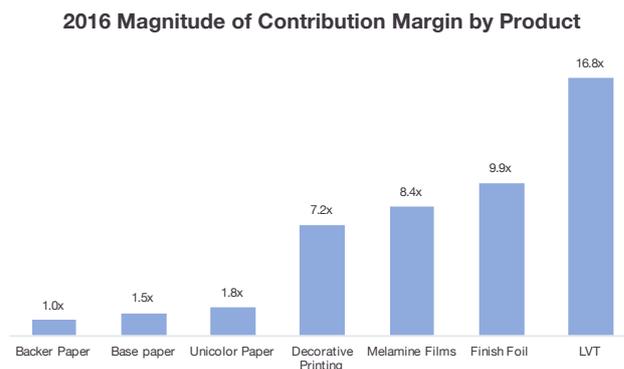
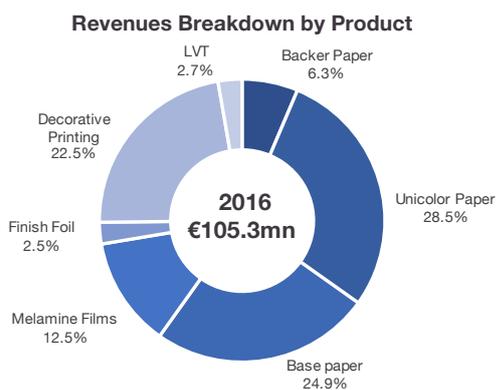
Finally, also BEG has two outputs i.e. electrical and thermal energy.

- ◆ **Electrical energy** - BEG supplies ca. 33% of its electricity production to CdG and sells the surplus electricity of ca. 66% on the market to wholesalers. While the sales price of electricity to the paper mill refers to indexed contract based on the national average price (PUN), net of network charges, the price of the part sold to the market is based on GSE (Gestore Sistemi Energetici – public manager of energy system) guidelines;
- ◆ **Thermal energy** – It is entirely sold to the paper mill. Price of steam discounted based on methane cost, while the cost of hot water established on a lump-sum basis.

As far as products financials, on one side it is clear the very limited weight of LVT and Finish Foil on the total revenues.

On the other side, if we see at the magnitude of the contribution margin its notable how Finish Foil and LVT are the ones that generate the highest return in terms of €/sqm.

**Products Revenues and Contribution Margin (\*)**



Source: Neodecortech, Value Track Analysis

(\*) Excluding BEG's products

(\*\*) Aggregated figures i.e. pre elisions

## Future Group Strategies

*Neodecortech aims at the full exploitation of décor paper market potential, focusing on the high-end side to attract new customers with high quality standards (e.g. German panel producers).*

*Another goal of the Group is to push on market shares by strengthening its sales network, improving its penetration in foreign countries (e.g. Turkey, Iran, LatAm, India, Russia and Germany) and pursuing M&A opportunities acquiring small competitors in key markets.*

*Finally, the Group will continue to invest in R&D aiming at product portfolio diversification, thus expanding in LVT, PPF and digital printing.*

We already saw that the décor market is a niche amounting to ca. 3% of the specialty papers segment, which in turn represents ca. 6% of the total paper and paperboard market, and that both supply chain and client base are populated by a small number of players.

Main clients, in particular, are not more than ca. 200 panel producer (ex China) with German ones being the most relevant ones. That's why almost all Neodecortech's strategies are aimed at attracting the German panel producers by exploiting the "Made in Italy" brand and quality. These strategies should require organic development capex for roughly €20mn over the next 4 years and ca. €15mn acquisition cash out and can be summarized as:

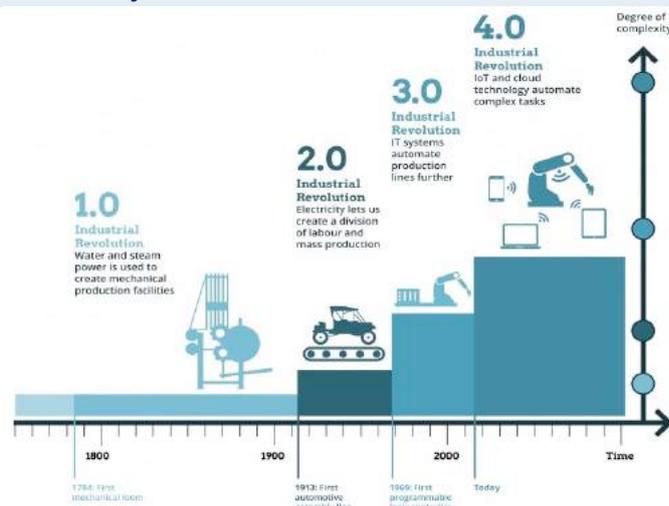
1. Strengthening the focus on the high-end décor paper market;
2. Acquiring new market shares;
3. Enlarging the production to new products / markets.

### 1. Strengthening the focus on the high-end décor paper market

Neodecortech has an ambitious plan aimed at creating a one-stop-shop for customers which involves:

- ◆ Improving operation efficiency, i.e. further reducing "dead times" and wastage, embracing a lean approach production philosophy and the industry 4.0 approach in order to saturate production capacity;

#### From Industry 1.0 to Industry 4.0



Source: Assetwolf

- ◆ Enhancing paper machine capabilities to reduce grammance variance and size variations and to improve paper flatness and printability;
- ◆ Increasing the offer of unicolor solutions for small production batches.

## 2. Acquiring new market shares

Even though Neodecortech already has commercial relationships with a large client base (ca. 140 clients out of the above-mentioned ca. 200 panels manufacturers ex China), it plans to further push on market share growth by:

- ◆ Strengthening its commercial activities / sales network in the currently addressed market segments, with a special focus on Germany;
- ◆ Boosting geographic expansion by improving penetration in key foreign markets such as Turkey, Iran, Latam, India and Russia;
- ◆ Pursuing external growth (M&A) opportunities, targeting small competitors in key markets to access their client base.

## 3. Enlarging the production to new products / markets

Neodecortech is aware of the importance of innovation. That's why the company plans to keep investing in R&D to anticipate new technological waves of innovation and demand trends. The focus of the group should be on:

- ◆ Further penetration of the Luxury Vinyl Tiles (LVT) flooring market, which is expected to grow in the forthcoming years thanks to its superior technical features coupled with affordable pricing;
- ◆ Expansion in new niches of the interior design sector, where the Group can exploit its aesthetic capabilities;
- ◆ Continuous innovation in digital printing production, improving solutions to carry out small printing batches and to expand the products portfolio.

## SWOT analysis

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*Long-lasting presence in a sector with high barriers to entry and vertically integrated business model are among the most important strengths of Neodecortech.*

*Lower size if compared to German competitors and an exposure to a restricted number of customers as well as suppliers are, on the contrary, the noticeable weak points of the Group.*

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### Strengths / Opportunities of Neodecortech

- ◆ Vertically-integrated player i.e. internal energy, raw, and décor paper production leading to:
  - Higher flexibility;
  - Faster time to market in terms of product innovations;
  - Higher cost efficiency / lower procurement costs compared to competitors;
  - Lower risk profile and independence in case of power / grid outage.
- ◆ Long-lasting and consolidated presence in a capital-intensive industry with high barriers to entry;
- ◆ Cohesive and complementary management team with decennial experience in the industry;
- ◆ First entrant advantage in the LVT segment, expected to increase massively soon;
- ◆ Reference market growth potential in the flooring segment, as laminates and LVT are gaining market share vs. alternative materials such as wood based ones and, especially in the US, carpet based ones;
- ◆ Margin expansion potential driven by still unexploited output capacity and by possible higher internalization of procurement costs i.e. higher percentage of décor paper generated internally;
- ◆ Prospected optimisation of products portfolio, by changing the current mix and launching innovative solutions to address new markets e.g. Germany.

### Weaknesses / Threats of Neodecortech

- ◆ Much lower size if compared to German competitors strongly defending their market shares;
- ◆ Exposure to a very restricted number of customers as well as suppliers;
- ◆ Produced flooring products still considered a second-best choice, since ceramic tiles are outpacing any other flooring solutions (e.g. LVT) even in fast-growing markets such as the US;
- ◆ Limited exposure to the flooring sector (ca. 30% of Group revenues), where both décor paper and LVT could have experienced better than expected growth in the forthcoming years;
- ◆ Possibility that low-quality Chinese producers decide in the future to address European and US markets;
- ◆ Exposure to politically / economically unstable markets such as Turkey and other EMs.

## Historical Financials

Neodecortech boasts a well-balanced top line structure, with no single country or product weighing for more than 30% of total Net Revenues (€107mn as of 2016FY). Costs structure on the contrary is quite skewed on Raw Materials (ca. 55% of total costs) adding some volatility to operating margins that are, net of this item, progressively improving (Adj. EBITDA Margin stood at ca. 12.3% in FY16) as an effect of higher efficiency and vertical integration. As far as Balance Sheet structure is concerned, Pro-Forma Net Debt (based on our calculations) stood at ca. €56mn as of 2016 year-end out of which some €3mn shareholders' financing to be reimbursed within 2019FY. Finally, cash conversion ratio was above 70% level (before tax) both in 2015 and 2016 fiscal years.

### Intro (IT GAAP vs IAS)

Neodecortech is of recent establishment and the three companies that now belong to such Group (the previous Confalonieri SpA, CdG SpA and BEG S.r.l) were used to report their figures on a separate basis and according to Italian GAAP.

Back in spring 2017, the three companies have been grouped under Neodecortech SpA legal entity (the previous Confalonieri SpA) and 2015-16 pro-forma fiscal years have been restated according to IAS principles. By the way, the transition from Italian GAAP to IAS/IFRS has not determined noticeable reclassifications.

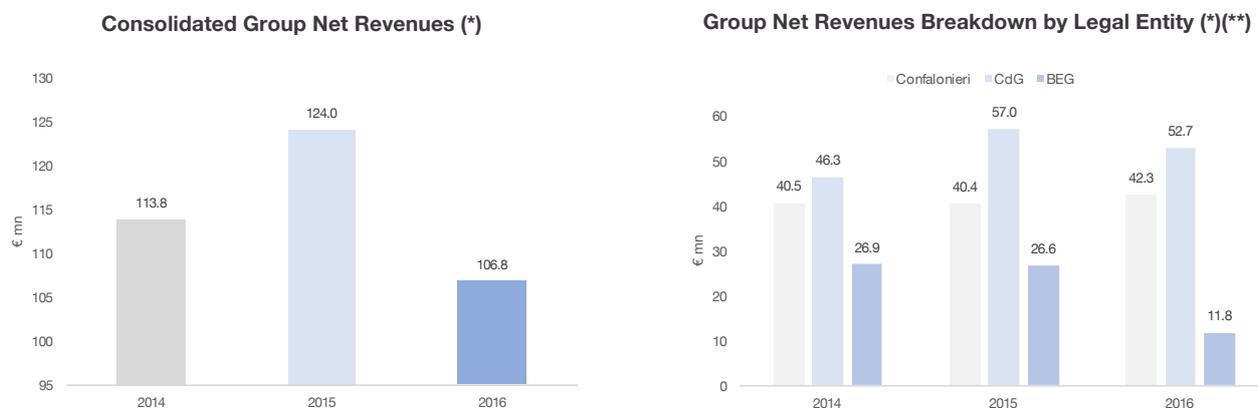
### Revenues analysis: €107mn Revenues out of which only one quarter in Italy

In FY15 Neodecortech reported a sound +8.7% YoY Net Revenues increase to ca. €124mn. On the contrary, in FY16 consolidated Net Revenues were down at ca. €107mn region, i.e. -13.7% YoY due to BEG's production interruption in one of its two engines for several months in 2H. Indeed, BEG FY16 revenues to third parties stood at ca. €11.8mn, i.e. -56% vs €26.6mn as of 2015FY.

As far as CdG is concerned, its long-term trend is a growing one. In FY15 Net Revenues to third parties were up ca. +23% YoY and it was only due to voluntary choice to focus on more profitable orders that FY16 Net Revenues to third parties were down -6.9% YoY.

Accomplishing the very final activities of the Group, the previous Confalonieri SpA has been showing in the latest years a more moderate single digit growth, in line with the end market of furnishing. On average Net Revenues went up +2.2% p.a. in FY15-16.

### Neodecortech: 2014-16 Net Revenues Evolution



Source: Neodecortech, Value Track Analysis

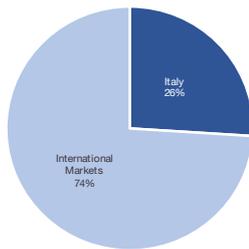
(\*) 2014FY IT GAAP, 2015-16FY IAS

(\*\*) Only net Revenues to third parties i.e. net of intragroup sales

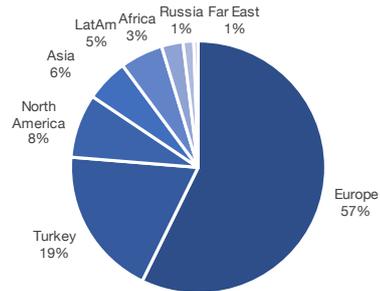
**From a geographic point of view**, we note that a key strength point for Neodecortech is represented by its customer base, which has essentially a non-domestic nature with Italy-based customers representing only one-fourth of revenues. Indeed, in FY16 ca. 74% of revenues (excluding those obtained through BEG) were generated abroad, with Europe representing roughly two-third of them. Apart from Europe, Turkey and North America represent the most important reference geographical areas, representing ca. 19% and 8% of total respectively.

**Neodecortech: 2016FY Net Revenues Breakdown by Geographical Region (\*)**

**Domestic vs Foreign Revenues**



**Foreign Revenues Breakdown**

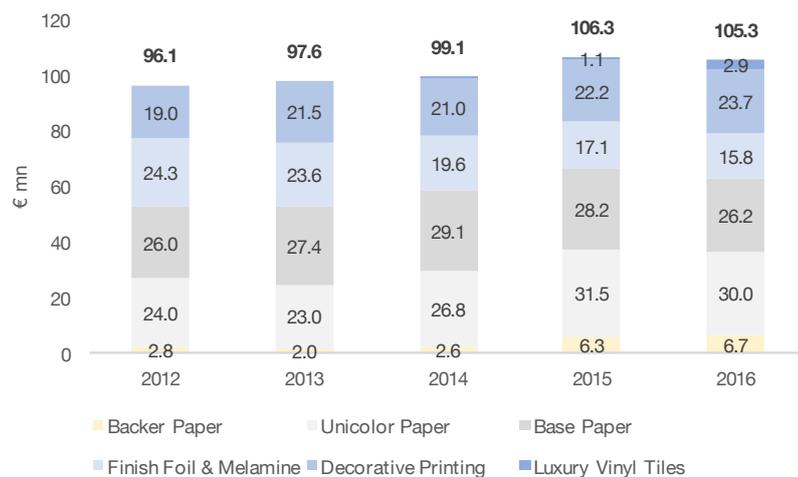


Source: Neodecortech, Value Track Analysis

(\*\*) IAS based Group figures without considering BEG

By considering **product-generated revenues** only i.e. without considering BEG, we see that the most important cut of Group Gross revenues (i.e. those calculated without intragroup elisions) is derived from Unicolor Paper i.e. ca. €30mn in FY16. Base Paper and Decorative Printing follow as second and third by revenues, achieving €26.2mn and €23.7mn respectively in FY16. Over the last two years, revenues from Luxury Vinyl Tiles (LVT) i.e. PVC-based products, have grown significantly, reaching ca. €3mn as of FY16 i.e. ca. 160% increase YoY.

**Neodecortech: 2012-16 Net Revenues breakdown by products (\*)**



Source: Neodecortech, Value Track Analysis

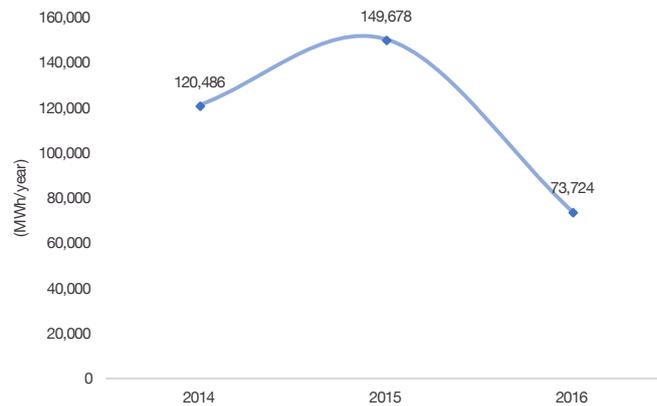
(\*) Group data without considering BEG.

### Output volumes analysis: Energy volatile, décor paper up, impregnated one down

Here follows an output volumes trends analysis underlying the above-mentioned revenues evolution.

- ◆ **BEG** – Due to the interruption in energy production starting as of August 2016, in 2016FY the generation plant has worked only for 3,775 hours (less than 50% of total output capacity) compared to 7,625 hours as of 2015FY. As an effect, total energy production has basically halved in FY16 i.e. from ca. 150k MWh in FY15 to ca. 74k MWh.

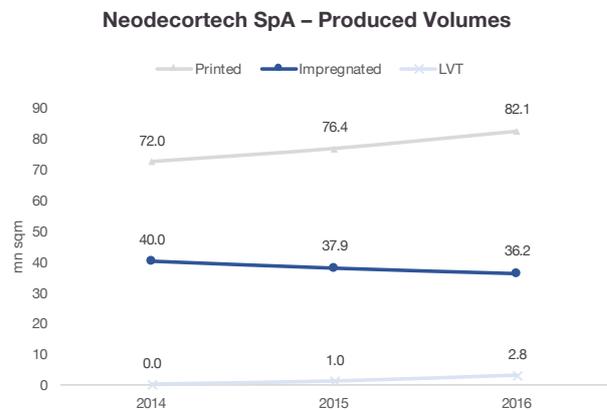
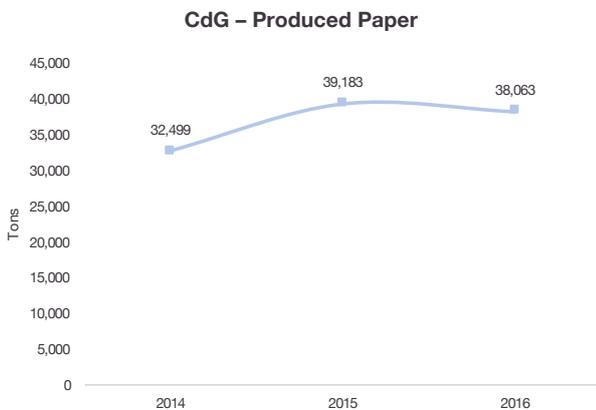
#### BEG: Production of electricity in 2014-16 period



Source: Neodecortech, Value Track Analysis

- ◆ **Paper mill** – Out of 50k tons maximum output capacity, CdG had a load factor of roughly 80% in FY16 i.e. ca. 38k tons paper produced down by ca. -3% YoY as an effect of the above-mentioned decision to focus on more profitable orders.
- ◆ **Printing / Impregnation** – While Decorative Printing volumes are increasing year by year and have reached ca. 82.1 mn sqm in FY16 (72 mn sqm in FY14), on the other hand Impregnated volumes (i.e. Finish Foil and Melamine Film) are progressively decreasing as clients are internalizing this process. In FY16 impregnated volumes stood at 36.2 mn from 40 mn sqm in FY14. Last but not least, we underline that LVT volumes are growing significantly, reaching 2.8 mn sqm produced in FY16, up from 1 mn sqm a year earlier.

#### CdG and Neodecortech SpA: Output volumes Analysis



Source: Neodecortech, Value Track Analysis

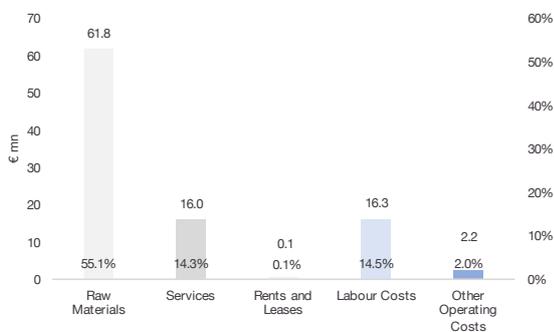
**Costs structure: Raw materials the main cost item (58% of total)**

Neodecortech’s **total operating costs base** (ex D&A) stood at roughly **€98mn** as of 2016FY i.e. ca 92% of Net Revenues out of which Raw materials (Cellulose, Paper, Titanium, Resins and other materials) account for ca. 58% of Group Net Revenues, while Labour costs (ca. 15.2%) and Services (ca. 15.0%) represent, respectively, second and third most important cost item. Breaking down aggregated (so gross of intragroup elisions) Raw Material costs by legal entity we see that out of ca. €73mn:

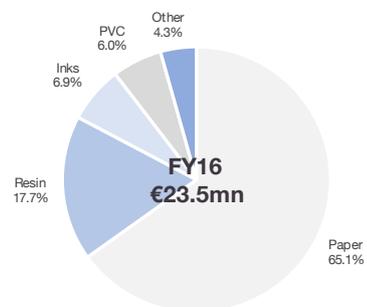
- ◆ CdG accounts for ca. €40mn;
- ◆ The “old” Confalonieri accounts for ca. €23mn;
- ◆ BEG accounts for roughly €10mn.

**Neodecortech: 2016FY Cost Structure Analysis (IAS figures)**

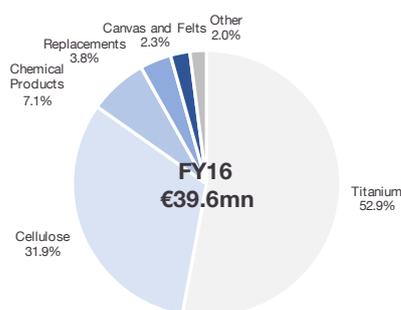
**FY16 Cost Structure: Absolute values and % of Revenues**



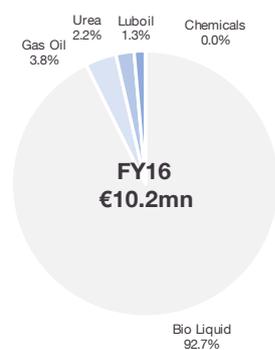
**Neodecortech SpA Raw Materials Breakdown**



**CdG Raw Materials Breakdown**



**BEG Raw Materials Breakdown**



Source: Neodecortech, Value Track Analysis

### Adj. EBITDA margin at 12.3%

Neodecortech experienced a solid enhancement in profitability over the last few years mainly as a result of: a) a shift towards more profitable orders; b) higher operational efficiency; c) a change in raw material used in the Energy plant which led to a 40% increase in incentives.

As far as historical EBITDA and EBITDA margin are concerned, we note that the latest three years have been affected by a number of non operating or non recurring items impacting both Revenues (e.g. insurance indemnities) and Costs (e.g. new duties or higher energetic costs) so we believe it is more appropriate to calculate the underlying evolution of EBITDA net of these non operating or non recurring items. The results is that Neodecortech's Adjusted **EBITDA Margin stood at ca. 12.3% in FY16** i.e. **€12.5mn** in absolute value out of which the "old" Confalonieri accounts for ca. €6.0mn while CdG and BEG follow with ca. €5.2mn and €1.3mn respectively.

#### Neodecortech: 2014-16FY Adj. EBITDA and Adj. EBITDA Margin (\*)



Source: Neodecortech, Value Track Analysis

(\*) 2014FY IT GAAP, 2015-16FY IAS

#### Neodecortech: 2014-16FY Adjusted EBITDA evolution

€mn, IAS	2014FY	2015FY	2016FY
<b>Group Reported EBITDA</b>	<b>13.8</b>	<b>11.9</b>	<b>15.6</b>
o/w BEG	3.3	2.5	3.1
CdG	5.1	3.9	5.8
CONF	5.4	5.4	6.7
<b>Adjustments on EBITDA</b>	<b>-3.3</b>	<b>-0.8</b>	<b>-3.1</b>
o/w BEG	-0.6	-0.1	-1.9
CdG	-1.1	-0.6	-0.6
CONF	-1.5	-0.1	-0.6
<b>Group Adj. EBITDA</b>	<b>10.5</b>	<b>11.0</b>	<b>12.5</b>
o/w BEG	2.7	2.4	1.3
CdG	4.0	3.3	5.2
CONF	3.8	5.3	6.0
<b>Adj. EBITDA Margin</b>	<b>9.6%</b>	<b>9.0%</b>	<b>12.3%</b>
o/w BEG	10.5%	9.1%	14.1%
CdG	8.8%	6.0%	10.2%
CONF	9.9%	13.3%	14.6%

Source: Neodecortech, Value Track Analysis

### Net Profit FY16 standing at €4.4mn i.e. ca. 4% of Revenues

Reported 2016FY EBIT was standing at ca. €9.2mn i.e. 8.6% on Revenues, up from roughly €4.8mn a year earlier (i.e. 3.9%) with D&A equal to €6.28mn (ca. €6.91 in FY15) and of which almost 90% comes from tangible assets.

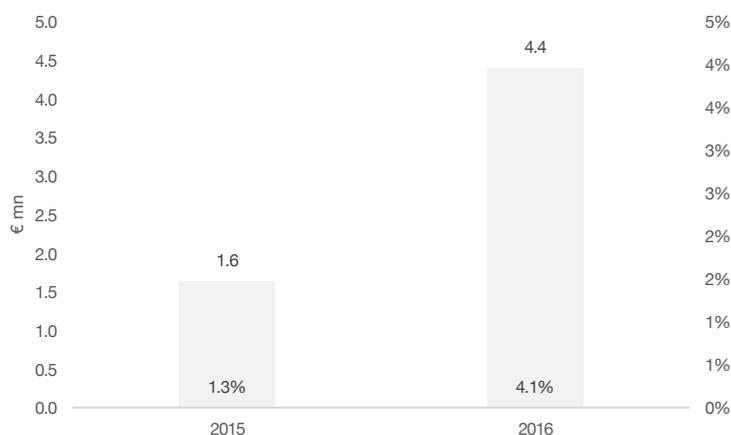
Group's Reported Net Profit was equal to roughly €4.4mn by FY16 i.e. ca. 4.1% of Revenues and up from ca. €1.6mn a year earlier (i.e. 1.3% of 2015FY Revenues).

This was the result of Pre-Tax Profit FY16 standing at roughly €5.9mn, after having charged ca. €3.4mn interest expenses, and taxes being mainly composed by:

- ◆ Ca. €0.9mn IRES i.e. Italian Corporate Tax;
- ◆ Roughly €0.5mn IRAP i.e. Italian Production Tax.

Last but not least, we calculate 2016FY Adj. Net Profit at ca. €2.1mn.

#### Neodecortech: 2015-16FY Net Profit and Net Margin (\*)



Source: Neodecortech, Value Track Analysis

(\*) 2015-16FY IAS

#### Neodecortech: 2015-16FY results from EBIT down to Net Profit

€mn, IAS	2015FY	2016FY
<b>EBIT</b>	<b>4.8</b>	<b>9.2</b>
EBIT Margin (% of Net Revenues)	3.9%	8.6%
Net Financial charges	-3.4	-3.4
<b>Pre-Tax Profit</b>	<b>1.4</b>	<b>5.9</b>
IRES	-0.3	-0.9
IRAP	-0.3	-0.5
Deferrals / Anticipations	0.8	-0.1
Taxes	0.2	-1.5
<b>Net Profit</b>	<b>1.6</b>	<b>4.4</b>
<b>Adjusted Net Profit</b>	<b>0.8</b>	<b>2.1</b>

Source: Neodecortech, Value Track Analysis

### Balance Sheet structure affected by €3mn shareholders' loan

As of 2016 year-end Neodecortech Net Capital Employed stood at ca. €95mn, made up by roughly €80.4mn in Net Fixed Assets and ca. €24.4mn Net Working Capital (ca. 23% of Net Revenues) i.e. ca. €104.8mn Gross Capital Employed. Provisions were equal to ca. €10.0mn.

Net Capital Employed was matched by roughly €39mn in Shareholder's Equity and ca. **€56mn Pro-Forma Net Debt** i.e. a ca. 143% Debt / Equity ratio and 3.6x Debt / EBITDA one. We underline that out of the ca. €56mn Pro-Forma Net Debt position some €3mn are represented by shareholders' financing provided by controlling shareholders that should be almost entirely reimbursed within 2019FY.

#### Neodecortech: 2016FY Balance Sheet structure

€mn, IAS	PF2016FY
Working Capital	24.4
Net Fixed Assets	80.4
Provisions	10.0
<b>Total Capital Employed</b>	<b>94.8</b>
As a % of Sales	89%
Shareholders' Equity	39.0
Minorities' Equity	0.0
Group Net Equity	39.0
<b>NFP [i.e. Net Debt (-) Cash (+)]</b>	<b>-55.8</b>

Source: Neodecortech, Value Track Analysis

Working capital seems to be under control despite a recent increase in receivables led by a change in regulation on energy incentives. Such an increase has been offset by a reduction in inventories that we expect to go on also in the next future.

#### Neodecortech: 2015-16FY Net Working Capital structure

€mn, IAS	2015FY	2016FY	Diff. '16FY-'15FY
Inventories	29.9	26.3	-3.6
Trade Receivables	27.4	31.4	4.0
Tax credits	1.4	1.7	0.3
Other s.t. credits	0.6	2.1	1.5
<b>Current Assets</b>	<b>59.3</b>	<b>61.5</b>	<b>2.2</b>
<i>Current Assets as % Net Revenues</i>	<i>48.0%</i>	<i>57.5%</i>	
Payables	27.6	28.0	0.4
Tax payables	1.3	1.7	0.4
Other s.t. liabilities	5.0	7.4	2.4
<b>Current Liabilities</b>	<b>33.9</b>	<b>37.1</b>	<b>3.2</b>
<i>Current Liabilities as % Net Revenues</i>	<i>27.4%</i>	<i>34.7%</i>	
<b>Net Working Capital</b>	<b>25.4</b>	<b>24.4</b>	<b>-1.0</b>
<i>Net Working Capital as % Net Revenues</i>	<i>20.5%</i>	<i>22.8%</i>	

Source: Neodecortech, Value Track Analysis

### EBITDA to Cash Flow conversion ratio higher than 70% pre tax in FY15-16

Neodecortech generated ca. €11.0mn Free Cash Flow in FY16, thus lowering its Net Financial Position from roughly €66.7mn in FY15 to ca. €55.8mn. This was the result of:

- ◆ Positive WC cash generation of roughly €1.0mn due to improved inventories management;
- ◆ Limited CAPEX (as already mentioned, investments have been rolled out already) i.e. €4.6mn;
- ◆ Low Tax Rate resulting in ca. €1.5mn cash out;
- ◆ Reimbursement of €5.9mn shareholders' financing;
- ◆ Net Financial Charges at roughly €3.5mn i.e. ca. 5.3% of FY15 Net Financial Position.

Overall, EBITDA to Cash Flow conversion ratio before tax was higher than 70% both in 2015 and 2016 fiscal years.

#### Neodecortech: 2015-16FY Cash Flow Statement

€mn, IAS	2015FY	2016FY
<b>EBITDA</b>	<b>11.9</b>	<b>15.6</b>
Op. WC requirements	0.0	1.0
Capex	-3.0	-4.6
Change in Provisions	0.0	-0.1
<b>OpFCF b.t.</b>	<b>8.8</b>	<b>11.9</b>
As a % of EBITDA	74%	76%
Cash Taxes	n.a.	-1.5
<b>OpFCF a.t.</b>	<b>n.a.</b>	<b>10.4</b>
As a % of EBITDA	n.a.	66%
Shareholders' financing reimbursement	n.a.	5.9
Net Financial Charges	n.a.	-3.5
Dividends / Other	n.a.	-1.8
<b>Net Cash generated</b>	<b>n.a.</b>	<b>11.0</b>

Source: Neodecortech, Value Track Analysis

## Financial Results 1H 17

1H17 financial figures show a double-digit increase in Revenues while profitability grew less than proportional due to raw materials headwind. In details:

- ◆ Net Revenues grew +18.4% YoY from €52.8mn as of 1H16 to €62.5mn as of 1H17;
- ◆ EBITDA grew +5.3% YoY from €6.5mn as of 1H16 to €6.9mn as of 1H17;
- ◆ EBITDA Margin decreased 140bps to 11.0% as of 1H17;
- ◆ Net Debt remained stable at ca. €59.5mn vs. the €56mn as of 2016 year-end. Worthy of notice, as of the end of September (after the IPO) Net Debt stood at €42.4mn.

### Neodecortech: 1H16-1H17 Key Financials

€mn, IAS	1H 16	1H 17	Chg. % YoY
<b>Net Revenues</b>	<b>52.8</b>	<b>62.5</b>	<b>18.4%</b>
<b>EBITDA</b>	<b>6.5</b>	<b>6.9</b>	<b>5.3%</b>
EBITDA margin (%)	12.4%	11.0%	
<b>EBIT</b>	<b>3.6</b>	<b>3.9</b>	<b>9.1%</b>
EBIT margin (%)	6.8%	6.2%	
<b>Pre-tax Profit</b>	<b>1.9</b>	<b>2.6</b>	<b>35.0%</b>
Tax	-0.4	-0.5	
Tax rate (%)	-21.5%	-20.4%	
<b>Net Profit</b>	<b>1.5</b>	<b>2.1</b>	<b>36.9%</b>
<b>Net Fin. Position</b>	<b>n.a.</b>	<b>-59.5 (*)</b>	

Source: Neodecortech, Value Track Analysis

(\*) €42.4mn as of the end of September 2017

### Net Revenues growth driven by Energy and Paper Mill businesses

The above mentioned +18.4% YoY Net Revenues increase is the result of:

- ◆ Printing / Impregnation business growing in the low single digit range;
- ◆ Paper mill business growing ca. 12.1% YoY driven by third party clients higher demand;
- ◆ Energy production doubling vs. 2016 when operations had been downsized due to regulatory and operative discontinuities.

### Neodecortech: 1H16-1H17 Net Revenues breakdown

€mn, IAS	1H 16	1H 17	Chg. % YoY
BEG	5.4	10.8	99.1%
CdG	32.5	36.4	12.1%
CONF	22.3	22.9	2.5%
Aggregated Net Revenues	60.2	70.1	16.3%
-Intragroup	-7.4	-7.5	
<b>Consolidated Net Revenues</b>	<b>52.8</b>	<b>62.5</b>	<b>18.4%</b>

Source: Neodecortech, Value Track Analysis

### EBITDA evolution balances positive operating leverage with raw materials headwind

The less than proportional growth in EBITDA (+5.3% YoY) is a result of a not homogenous situation among the three legal entities. In details:

- ◆ BEG has positively exploited its top line rebound;
- ◆ Paper Mill business has seen its profitability negatively affected by raw materials headwind;
- ◆ Printing and Impregnation business has remained essentially stable YoY.

#### Neodecortech: 1H16-1H17 EBITDA breakdown

€mn, IAS	1H 16	1H 17	Chg. % YoY
BEG	0.3	0.9	>200%
CdG	2.9	2.6	-11.8%
CONF	3.3	3.4	2.2%
<b>Consolidated EBITDA</b>	<b>6.5</b>	<b>6.9</b>	<b>5.3%</b>

Source: Neodecortech, Value Track Analysis

#### Neodecortech: 1H16-1H17 EBITDA margin breakdown

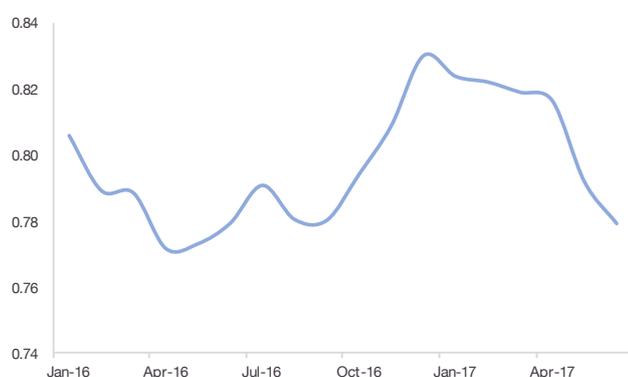
€mn, IAS	1H 16	1H 17	Chg. YoY
BEG	5.0%	8.3%	+330 bps
CdG	9.1%	7.1%	-200 bps
CONF	14.9%	14.9%	=
<b>Consolidated EBITDA Margin</b>	<b>12.4%</b>	<b>11.4%</b>	<b>-100 bps</b>

Source: Neodecortech, Value Track Analysis

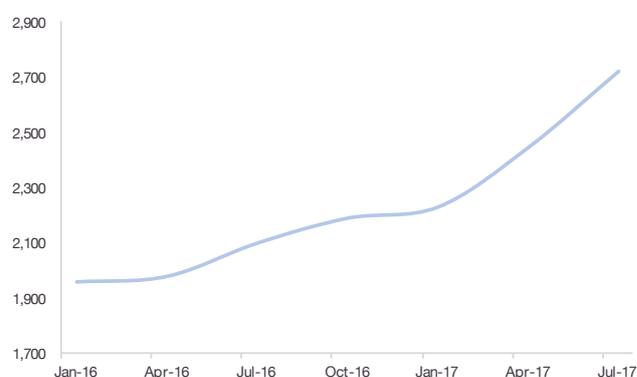
As far as CDG's raw materials are concerned, we remind that Wood Pulp and Titanium Dioxide are the most relevant ones. While the price of the former in the last 2y ca. has been substantially stable in the region of €0.80/kg, the latter has recorded a stable upward trend, recently hitting its highest level. Market expectations are that the upward price momentum is likely to continue in the fourth quarter.

### Wood Pulp and Titanium Dioxide: Recent evolution of market prices

Wood Pulp Price Evolution (€/kg)



Titanium Dioxide Price Evolution (€/kg)



Source: Index Mundi, Value Track analysis

With this regard, noteworthy is to take a look at how the increase in CdG's 1H17 Revenues (+12.1% YoY gross of intra-group elisions) has been partially offset at a profitability level by the above mentioned more than proportional boost in Titanium Dioxide costs (i.e: +26.0% YoY).

#### CdG: Impact of Titanium Dioxide expenses on Revenues

€mn, IAS	1H 16	1H 17	Chg. % YoY
Revenues	32.5	36.4	12.1%
Titanium Dioxide	10.0	12.5	26.0%
<b>Tit. Dioxide as % of sales</b>	<b>30.8%</b>	<b>34.3%</b>	<b>+350 bps</b>

Source: Neodecortech, Value Track Analysis

#### Quarter-by-quarter analysis points at top line acceleration dampened by raw materials effect

The analysis of quarterly figures evolution confirms our previous takes i.e.:

- ◆ Top-line is experiencing a growth acceleration with 2Q17 Revenues up +26.6% YoY vs. 1Q17 ones up +10.2% YoY;
- ◆ EBITDA has been negatively impacted in 2Q17 from raw materials expenses surge. Indeed, while in 1Q17 it was up +16.1% YoY, on the contrary in 2Q17 it was down -3.0% YoY mainly due to the aforementioned issues;
- ◆ Net Financial Position remained substantially flat during the first two quarters at ca. €59mn. In 3Q17 the positive impact of net IPO proceeds (€11.6mn), of Cash Flow generation (€6.8mn) and of a true sale factoring contract signed with Banca Sistema (€1.6mn) drove Net Financial Position down to €42.4mn.

#### Neodecortech: 1Q/2Q16-1Q/2Q17 Key Financials

€mn, IAS	1Q 16	2Q 16	1Q 17	2Q 17	3Q 17
<b>Net Revenues</b>	<b>26.4</b>	<b>26.4</b>	<b>29.1</b>	<b>33.5</b>	<b>n.a.</b>
Chg. % YoY			10.2%	26.6%	
<b>EBITDA</b>	<b>2.9</b>	<b>3.7</b>	<b>3.3</b>	<b>3.6</b>	<b>n.a.</b>
Chg. % YoY			16.1%	-3.0%	
EBITDA margin (%)	10.8%	13.9%	11.4%	10.7%	
<b>EBIT</b>	<b>1.2</b>	<b>2.4</b>	<b>1.8</b>	<b>2.1</b>	<b>n.a.</b>
Chg. % YoY			49.8%	-12.1%	
EBIT margin (%)	4.6%	8.9%	6.3%	6.2%	
<b>Pre-tax Profit</b>	<b>0.6</b>	<b>1.4</b>	<b>1.2</b>	<b>1.5</b>	<b>n.a.</b>
Tax	-0.1	-0.3	-0.4	-0.1	
Tax rate (%)	-19.9%	-22.2%	-36.3%	-7.7%	
<b>Net Profit</b>	<b>0.5</b>	<b>1.1</b>	<b>0.7</b>	<b>1.3</b>	<b>n.a.</b>
<b>Net Fin. Position</b>	<b>n.a.</b>	<b>n.a.</b>	<b>-58.6</b>	<b>-59.5</b>	<b>-42.4</b>

Source: Neodecortech, Value Track Analysis

### Feedback from 1H17 economic performance of listed comparable companies

We cross checked décor paper / flooring sector stance by taking a look at Neodecortech's listed comparables' 1H17 performance.

While Neodecortech stands out for its superior revenues growth, on the contrary it shares with its closest comparables (Surteco and Ahlstrom-Munksjo) a profitability negative impact deriving from raw materials hike.

### Neodecortech: Peers' 1H2017 results

#### Ahlstrom-Munksjö

Decor business Net Sales grew +1.4% YoY to €98.2mn. Sales volume had a positive evolution partially offset by lower average selling prices.

As far as profitability is concerned, Ebitda was down -38.0% YoY due to a lag in rising selling prices to counterbalance higher raw material costs (i.e: titanium dioxide and pulp).

#### Surteco

As far as its paper business unit is concerned, Sales reported a 10% drop as 2016 results were affected by one-off advance orders driven the concentration of German decorative printing activities.

On the contrary, Ebit grew +3.2% YoY.

#### PanariaGroup Industrie Ceramiche

The ceramic specialized company registered a good performance, with both sales and profitability upward, + 6.7% and +30.4% YoY respectively.

#### Ober Groupe

In 1H2017 consolidated sales fell by 4.9% YoY to €19.45mn. However, given the favourable business expectations, Ober Groupe anticipates an upcoming rebound in the short run.

#### Tarkett

The company reported an heterogeneous performance YoY. Indeed, while Top line was up +5.1%, EBIT was negative by ca. €-145mn as it was affected by a non recurring provision of €150mn.

#### Walker Greenbank

The English company registered a growth in terms of sales, + 5.2% YoY, while had a negative performance in terms of profitability, with Ebit in decline of 4.2%.

Source: Various, Value Track Analysis

## Forecasted Financials 2017E-19E

We see Neodecortech Revenues net of intragroup elisions growing at 8.4% CAGR over the 2016A-19E period. Output capacity progressive saturation should drive EBITDA margin to improve by 100bps up to ca. 13.3% as of 2019E (EBITDA in absolute terms estimated at €18.1mn as of 2019E) with Adj. Net Profit growing at ca. 56% 2016A-19E CAGR.

We estimate Neodecortech to generate ca. €18.5mn cumulated Operating Free Cash Flow after tax over the next three years, i.e. a solid cash conversion ratio close to 50% level, and hence driving leverage to decrease in the 2.1x region by 2019E, thus allowing for enhanced flexibility.

As far as 2017E-19E financial forecasts are concerned, we note that all our forecasted figures are:

- ◆ Post-money, i.e. including the proceeds of the recent IPO;
- ◆ Estimated in compliance with IAS-IFRS accounting principles;
- ◆ Not considering the financial effects of potential future acquisitions (€15mn have been budgeted for this purpose). The stand-alone scenario will thus be the base-case for our forecasts;
- ◆ Taking into consideration the Group within its brand-new consolidation perimeter, i.e. including the Printing / Impregnation business (run by Neodecortech SpA i.e. the previous Confalonieri SpA, CONF), the Paper Mill one (run by Cartiere di Guarcino SpA, CdG) and the Energy Generation one (run by Bio Energia Guarcino Srl, BEG).

Finally, please note that when appropriate (and possible), Group estimates are built bottom up by separately modelling the three separate businesses (Printing / Impregnation, Paper Mill, Energy production) and then eliding intragroup flows.

### Group Revenues to grow in the mid to high single-digit region

Overall, in the 2017E-19E period we expect **Group Net Revenues to grow at 8.4% annual rate** as a consequence of Aggregated Net Revenues (i.e. gross of intragroup elisions) growing by ca. 8.1% CAGR matched by a lower than proportional growth of intragroup flows.

#### Neodecortech: 2016A-19E Top-Line Evolution

€mn	2016A	2017E	2018E	2019E	CAGR 16A-19E
<b>Aggregated Net Revenues</b>	121.6	140.7	148.0	153.6	<b>8.1%</b>
Chg. % YoY	-11.7%	15.7%	5.2%	3.8%	
<b>o/w Intragroup</b>	14.8	15.9	16.9	17.6	<b>6.0%</b>
Chg. % YoY	5.6%	7.9%	5.8%	4.3%	
As % of total Aggreg. Net Revenues	12.2%	11.3%	11.4%	11.5%	
<b>Group Net Revenues</b>	<b>106.8</b>	<b>124.8</b>	<b>131.2</b>	<b>136.0</b>	<b>8.4%</b>
Chg. % YoY	-13.7%	16.8%	5.1%	3.7%	
As % of total Aggreg. Net Revenues	87.8%	88.7%	88.6%	88.5%	

Source: Neodecortech, Value Track Analysis

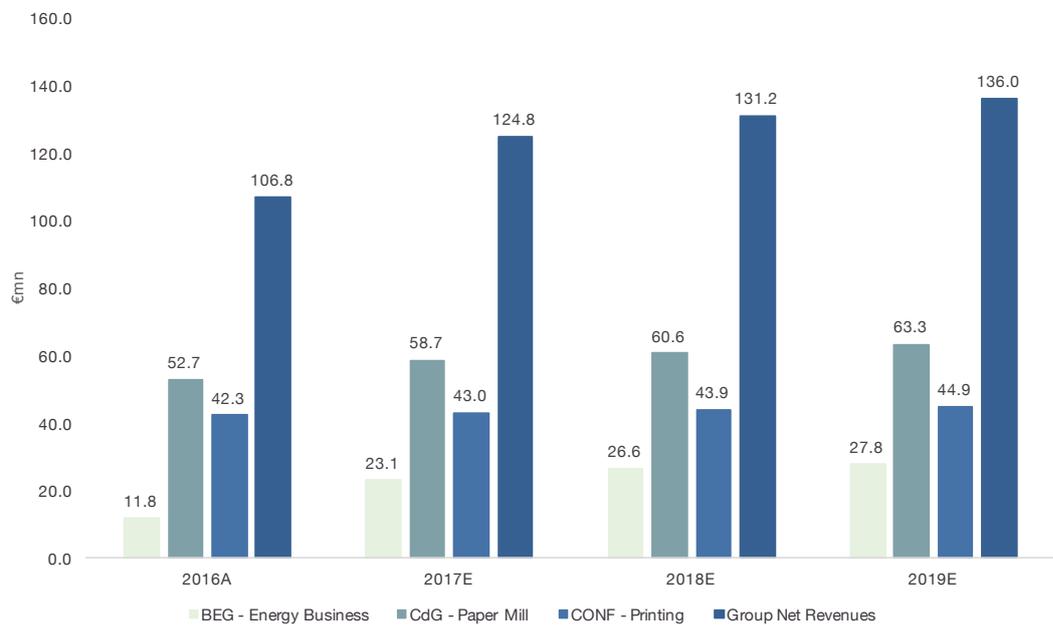
In terms of the various businesses, we expect the Energy one to rebound massively from its 2016 lows and Paper Mill to grow at a decent growth rate while Printing should have a more regular but slower evolution.

#### Neodecortech: 2016A-19E Top-Line Evolution by legal entity

€mn, IAS	2016A	2017E	2018E	2019E	CAGR 16A-19E
<b>BEG – Energy Business</b>	<b>11.8</b>	<b>23.1</b>	<b>26.6</b>	<b>27.8</b>	<b>33.2%</b>
Chge % YoY	-55.8%	96.1%	15.3%	4.6%	
As % of Total Net Revenues	11.0%	18.5%	20.3%	20.5%	
<b>CdG – Paper Mill</b>	<b>52.7</b>	<b>58.7</b>	<b>60.6</b>	<b>63.3</b>	<b>6.3%</b>
Chge % YoY	-6.9%	11.3%	3.2%	4.4%	
As % of Total Net Revenues	49.4%	47.0%	46.2%	46.5%	
<b>CONF - Printing</b>	<b>42.3</b>	<b>43.0</b>	<b>43.9</b>	<b>44.9</b>	<b>2.0%</b>
Chge % YoY	4.6%	1.6%	2.2%	2.2%	
As % of Total Net Revenues	39.6%	34.5%	33.5%	33.0%	
<b>Group Net Revenues</b>	<b>106.8</b>	<b>124.8</b>	<b>131.2</b>	<b>136.0</b>	<b>8.4%</b>
Chge % YoY	-13.7%	16.8%	5.1%	3.7%	

Source: Neodecortech, Value Track Analysis

#### Neodecortech – Revenues Evolution



Source: Neodecortech, Value Track Analysis

### Printing / Impregnation (run by Neodecortech Spa i.e. the “old” Confalonieri)

We estimate **Printing / Impregnation Net Revenues growing by ca. 2% CAGR in the near future** as a result of a mid single digit reduction in Impregnated papers business (indeed, most customers are internalising this activity) offset by higher Printing revenues (ca. 4% CAGR driven by export) and LVT ones (ca. 18% CAGR driven by the take up of this new technology / material).

#### Neodecortech SpA: 2016A-19E Top-Line Evolution

€mn	2016A	2017E	2018E	2019E	CAGR 16A-19E
Printed Volumes (Tons)	5,864	6,099	6,343	6,596	
<b>Printing (€mn)</b>	<b>23.7</b>	<b>24.6</b>	<b>25.6</b>	<b>26.6</b>	<b>4.0%</b>
Chg. % YoY	6.3%	4.0%	4.0%	4.0%	
Impregnated Volumes (mn sqm)	36.2	35.2	34.1	33.1	
<b>Impregnation (€mn)</b>	<b>15.8</b>	<b>15.1</b>	<b>14.3</b>	<b>13.6</b>	<b>-4.9%</b>
Chg. % YoY	-7.1%	-4.9%	-4.9%	-4.9%	
LVT Volumes (mn sqm)	2.8	3.4	4.1	4.7	
<b>LVT (€mn)</b>	<b>3.0</b>	<b>3.6</b>	<b>4.3</b>	<b>4.9</b>	<b>18.3%</b>
Chg. % YoY	nm	20.0%	20.0%	15.0%	
<b>Net Revenues</b>	<b>42.5</b>	<b>43.2</b>	<b>44.2</b>	<b>45.1</b>	<b>2.0%</b>
Chg. % YoY	5.1%	1.6%	2.2%	2.2%	
<b>o/w to third parties</b>	<b>42.3</b>	<b>43.0</b>	<b>43.9</b>	<b>44.9</b>	<b>2.0%</b>
Chg. % YoY	4.6%	1.6%	2.2%	2.2%	
As % of total Net Revenues	99.5%	99.5%	99.5%	99.5%	
<b>to Neodecortech companies</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>2.0%</b>
Chg. % YoY	nm	1.6%	2.2%	2.2%	
As % of total Net Revenues	0.5%	0.5%	0.5%	0.5%	

Source: Neodecortech, Value Track Analysis

### Paper Mill (run by Cartiere di Guarcino)

We estimate CdG’s paper production to increase by ca. 5.3% per annum thanks to both a higher penetration of German customers and higher intragroup volumes. This would mean a ca. 90% output capacity saturation by the end of 2019FY and intragroup revenues accounting for ca. 16.8% of total. Overall, **Net Revenues are estimated to grow at ca. 6.2% CAGR.**

#### Paper Mill (CdG) : 2016A-19E Top-Line Evolution

€mn	2016A	2017E	2018E	2019E	CAGR 16A-19E
<b>Paper Volumes (Tons)</b>	<b>38,063</b>	<b>40,347</b>	<b>42,364</b>	<b>44,483</b>	
<b>Net Revenues</b>	<b>63.5</b>	<b>70.2</b>	<b>72.9</b>	<b>76.1</b>	<b>6.2%</b>
Chg. % YoY	-4.6%	10.6%	3.8%	4.4%	
<b>o/w to third parties</b>	<b>52.7</b>	<b>58.7</b>	<b>60.6</b>	<b>63.3</b>	<b>6.3%</b>
Chg. % YoY	-6.9%	11.3%	3.2%	4.4%	
As % of total Net Revenues	83.1%	83.6%	83.2%	83.2%	
<b>to Neodecortech companies</b>	<b>10.7</b>	<b>11.5</b>	<b>12.3</b>	<b>12.8</b>	<b>6.0%</b>
Chg. % YoY	8.4%	7.0%	6.6%	4.3%	
As % of total Net Revenues	16.9%	16.4%	16.8%	16.8%	

Source: Neodecortech, Value Track Analysis

### Energy Production (run by Bio Energia Guarcino)

Energy production revenues forecasts are the least visible ones as they are driven by both regulatory items (i.e. the value and timing of incentives) and operating ones (i.e. engines maintenance / repairing needs determining volatility in output volumes).

However, as far as BEG is concerned, we are assuming that in 2017E the company will increase back produced energy volumes (9 months of production at 650 hours per month at 20MWh) after the production interruption of 2016FY. A production closer to theoretical maximum capacity should be achieved only as of 2018E-19E.

Taking into account such output volumes and assuming substantially stable unitary prices for electricity, steam, hot water and incentive certificates (green and white ones) **we project BEG's Net Revenues to grow close to 28% CAGR in the next three years**, with intragroup flows growing in the mid single digit range per annum (in line with CdG needs) and Revenues from sales to third parties (wholesalers and public grid) growing a more than proportional 33% CAGR.

#### Energy Production (BEG): Output volumes 2016A-19E

	2016A	2017E	2018E	2019E
# of hours of operations	3,775	5,980	6,825	7,150
Produced Electricity (MWh/year)	73,724	119,600	136,500	143,000
Produced incentive certificates	95,842	179,400	204,750	214,500

Source: Neodecortech, Value Track Analysis

#### Bio Energia Guarcino: 2016A-19E Top-Line Evolution

€mn	2016A	2017E	2018E	2019E	CAGR 16A-19E
<b>Net Revenues</b>	<b>15.6</b>	<b>27.3</b>	<b>31.0</b>	<b>32.4</b>	<b>27.6%</b>
Chg. % YoY	-49.2%	59.5%	13.5%	4.6%	
<b>o/w to third parties</b>	<b>11.8</b>	<b>23.1</b>	<b>26.6</b>	<b>27.8</b>	<b>33.2%</b>
Chg. % YoY	-55.8%	96.1%	15.3%	4.6%	
As % of total Net Revenues	75.5%	84.5%	85.9%	85.9%	
<b>to Neodecortech companies</b>	<b>3.8</b>	<b>4.2</b>	<b>4.4</b>	<b>4.6</b>	<b>6.2%</b>
Chg. % YoY	-5.7%	10.6%	3.8%	4.4%	
As % of total Net Revenues	24.5%	15.5%	14.1%	14.1%	

Source: Neodecortech, Value Track Analysis

## Costs structure evolution and profitability

If on the Revenues side the highest source of volatility is the Energy business one, on the Cost side the visibility is negatively affected by the high incidence of Raw materials (in both Paper Mill and Energy production businesses).

Overall, we expect Group's EBITDA growing by ca. 5.0% CAGR in the FY16-19E period, 13.1% CAGR if we take into account Adjusted EBITDA. **In absolute terms, we expect EBITDA to stand at ca. €15.5mn as of 2017E, €17.0mn as of 2018E and €18.1mn as of 2019E.**

**EBITDA margin** should thus move **up of ca. 100bps as of 2019E from adjusted 12.3% as of 2016A** with the Printing business remaining the most profitable one (EBITDA margin in the 16% region).

As far as operating costs are concerned, as explained before, Raw Materials should remain the major cash outflow (i.e. raw materials on Sales ratio in the region of 61%) with a spike in FY17E due to the rebound in Energy production requiring a higher amount of bio-liquids and to the above mentioned massive increase of Titanium Dioxide price that should negatively affect the profitability.

Worthy to note, thanks to the recent IPO proceeds we expect the company to pursue a policy with its suppliers aimed at shortening the timespan of trade payables payment meanwhile receiving higher discounts. This should further help reducing purchasing costs.

S&M and G&A costs should remain almost stable.

### Neodecortech: Costs structure and EBITDA evolution

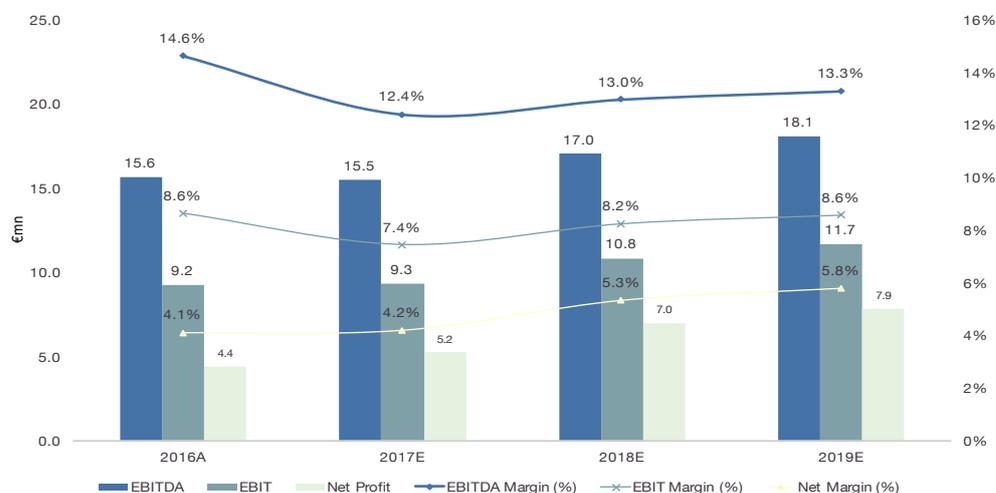
€mn	2016A	2017E	2018E	2019E	CAGR 16A-19E
<b>Net Revenues</b>	<b>106.8</b>	<b>124.8</b>	<b>131.2</b>	<b>136.0</b>	<b>8.4%</b>
Chg. % YoY	-13.7%	15.4%	5.6%	3.7%	
Other Revenues	7.0	2.6	2.6	2.7	-27.2%
<b>Value of Production</b>	<b>113.8</b>	<b>127.4</b>	<b>133.7</b>	<b>138.7</b>	<b>6.8%</b>
Chg. in work in process / finished goods	-1.8	-0.3	-1.3	-1.4	
Raw materials and consumables	-61.8	-77.2	-79.5	-82.4	
Cost of services	-16.0	-16.5	-17.3	-18.0	
Cost of rents and leases	-0.1	-0.1	-0.1	-0.1	
Personnel costs	-16.3	-16.3	-16.4	-16.6	
Other costs	-2.3	-1.7	-2.1	-2.2	
<b>Total Opex (incl. Bad debt)</b>	<b>-98.2</b>	<b>-111.9</b>	<b>-116.7</b>	<b>-120.6</b>	
Chg. % YoY	-13.6%	14.0%	4.3%	3.4%	
Total Opex (incl. Bad debt) as % Net Rev.	-91.9%	-89.7%	-89.0%	-88.7%	
<b>EBITDA (Reported)</b>	<b>15.6</b>	<b>15.5</b>	<b>17.0</b>	<b>18.1</b>	<b>5.0%</b>
EBITDA Margin (% of Net Revenues)	14.6%	12.4%	13.0%	13.3%	
Chg. % YoY	31.5%	-0.8%	9.9%	6.2%	

Source: Neodecortech, Value Track Analysis

As far as EBIT is concerned, we expect it to grow a more than proportional 8.1% CAGR in FY16A-19E (ca. 24% if we consider Adjusted EBIT) thanks to substantially stable D&A.

**Net Profit should grow** even more i.e. a higher than **21% CAGR (56% ca. on an Adjusted basis)** also getting benefit from a very favourable tax rate (in the 17%-19% region) up to 2020E thanks to BEG's accrued losses.

### Neodecortech: Key Profitability Metrics (\*)



Source: Neodecortech, Value Track Analysis

(\*) Adjusted EBITDA margin 2016A equals to 12.3% vs. the Reported EBITDA margin equalling to 14.6%.

### Neodecortech: From EBITDA down to Net Profit

€mn	2016A	2017E	2018E	2019E	CAGR 16A-19E
<b>EBITDA (Reported)</b>	<b>15.6</b>	<b>15.5</b>	<b>17.0</b>	<b>18.1</b>	<b>5.0%</b>
EBITDA Margin (% of Net Revenues)	14.6%	12.4%	13.0%	13.3%	
Chg. % YoY	31.5%	-0.8%	9.9%	6.2%	
<b>o/w BEG</b>	<b>3.1</b>	<b>3.5</b>	<b>3.6</b>	<b>3.8</b>	<b>6.7%</b>
BEG EBITDA margin	14.6%	15.1%	13.6%	13.7%	
<b>CdG</b>	<b>5.8</b>	<b>5.6</b>	<b>6.4</b>	<b>6.9</b>	<b>6.1%</b>
CdG EBITDA margin	11.0%	9.5%	10.5%	10.9%	
<b>CONF</b>	<b>6.7</b>	<b>6.4</b>	<b>7.0</b>	<b>7.3</b>	<b>3.2%</b>
CONF EBITDA margin	15.8%	14.8%	15.9%	16.3%	
Amortisation charges	-0.6	-0.4	-0.4	-0.5	
Depreciation charges	-5.7	-5.8	-5.8	-5.9	
<b>EBIT</b>	<b>9.2</b>	<b>9.3</b>	<b>10.8</b>	<b>11.7</b>	<b>8.1%</b>
EBIT Margin (% of Net Revenues)	8.6%	7.4%	8.2%	8.6%	
Net Financial charges	-3.4	-2.8	-2.3	-2.1	
<b>Pre-Tax Profit</b>	<b>5.9</b>	<b>6.5</b>	<b>8.5</b>	<b>9.6</b>	<b>17.7%</b>
Taxes	-1.5	-1.2	-1.5	-1.7	
Tax Rate	-25.3%	-18.8%	-18.1%	-17.9%	
<b>Net Profit</b>	<b>4.4</b>	<b>5.2</b>	<b>7.0</b>	<b>7.9</b>	<b>21.5%</b>

Source: Neodecortech, Value Track Analysis

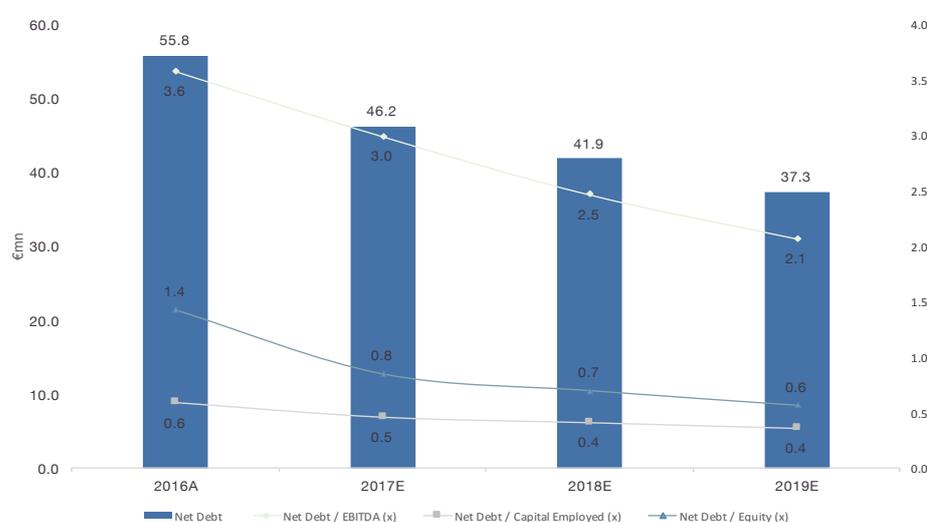
## Balance Sheet and Cash Generation Analysis

We expect Balance Sheet evolution being characterized by:

- ◆ Higher net working capital on Sales ratio due to lower Trade Payables caused by the aforementioned policy aimed at asking for higher discounts to suppliers coupled with higher Trade Receivables driven by the Energy business partially offset by an improved inventory cycle;
- ◆ Net Fixed Assets slightly increasing owing to Capex being higher than D&A;
- ◆ A progressive decline in Net Debt, in particular in FY17E mainly because of IPO proceeds, partially counterbalanced by higher working capital.

As an effect, we forecast Net Debt / Net Equity ratio approaching the 50% threshold as of 2019E and **Net Debt / EBITDA ratio decreasing from 3.0x as of 2017E down to ca. 2.1x as of 2019E.**

### Neodecortech: Leverage Dynamics



Source: Neodecortech, Value Track Analysis

### Neodecortech: Balance Sheet evolution

€mn	2016A	2017E	2018E	2019E
Working Capital	24.4	31.6	31.6	32.0
As a % of Sales	22.8%	25.3%	24.1%	23.6%
Net Fixed Assets	80.4	79.2	80.5	81.6
Provisions	10.0	10.2	10.1	10.1
<b>Total Capital Employed</b>	<b>94.8</b>	<b>100.7</b>	<b>102.0</b>	<b>103.6</b>
As a % of Sales	89%	81%	78%	76%
<b>Group Net Equity</b>	<b>39.0</b>	<b>54.5</b>	<b>60.1</b>	<b>66.2</b>
<b>Net Fin. Position [i.e. Net Debt (-) Cash (+)]</b>	<b>-55.8</b>	<b>-46.2</b>	<b>-41.9</b>	<b>-37.3</b>
Gearing (Debt / Equity) (%)	143%	85%	70%	56%
Net Debt / EBITDA (x)	3.6	3.0	2.5	2.1

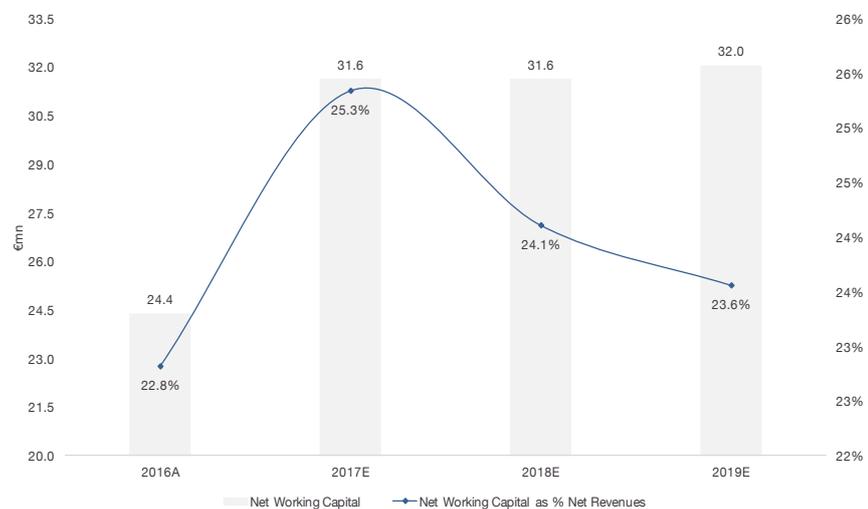
Source: Neodecortech, Value Track Analysis

### Neodecortech: Working Capital evolution

€mn	2016A	2017E	2018E	2019E
Inventories	26.3	29.9	30.2	30.6
Trade Receivables	31.4	37.0	38.7	40.4
Tax credits	1.7	1.9	2.0	2.0
Other s.t. credits	2.09	2.5	2.3	2.3
<b>Current Assets</b>	<b>61.4</b>	<b>71.3</b>	<b>73.1</b>	<b>75.3</b>
Inventories as % Net Revenues	24.6%	24.0%	23.0%	22.5%
Trade Receivables as % Net Revenues	29.4%	29.7%	29.5%	29.7%
Current Assets as % Net Revenues	57.5%	57.1%	55.8%	55.4%
Payables	28.0	30.32	31.67	33.11
Tax payables	1.7	1.87	1.97	2.04
Other s.t. liabilities	7.4	7.49	7.87	8.16
<b>Current Liabilities</b>	<b>37.1</b>	<b>39.7</b>	<b>41.5</b>	<b>43.3</b>
Payables as % Net Revenues	26.2%	24.3%	24.1%	24.3%
Current Liabilities as % Net Revenues	34.7%	31.8%	31.6%	31.8%
<b>Net Working Capital</b>	<b>24.4</b>	<b>31.6</b>	<b>31.6</b>	<b>32.0</b>
Net Working Capital as % Net Revenues	22.8%	25.3%	24.1%	23.6%

Source: Neodecortech, Value Track Analysis

### Neodecortech: Working Capital evolution



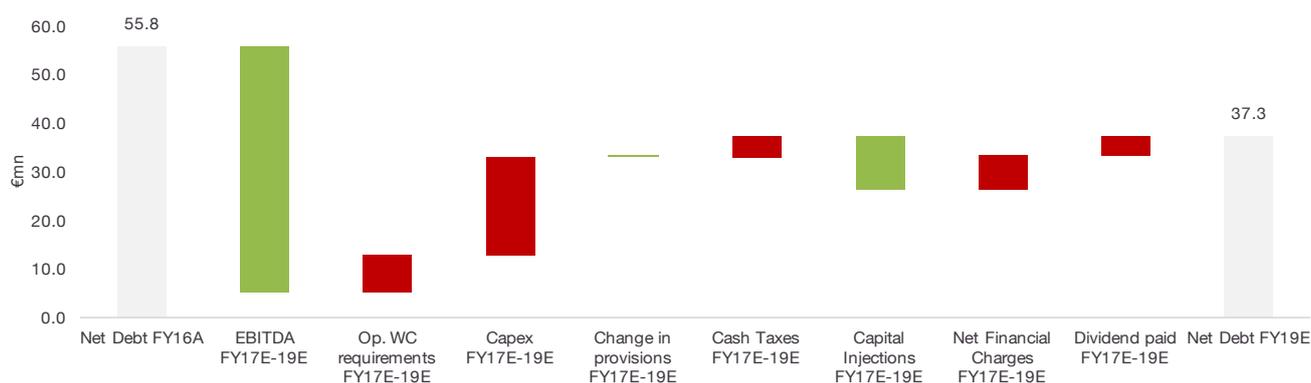
Source: Neodecortech, Value Track Analysis

Overall, in the **2017E-19E** period we expect the Group to generate ca. €23mn cumulated Operating Free Cash Flow before tax (ca. €18.5mn after tax) i.e. an **average close to 50% Cash conversion** ratio, as a result of:

- ◆ Capex in the ca. €20mn region;
- ◆ Substantial working capital absorption i.e. ca. €7.7mn, of which ca. €7.2 in FY17E;

After limited cash taxes (see BEG's accrued losses), €11.2mn positive impact from IPO capital increase and an expected dividend pay-out in the 25%-30% region, we obtain a total expected deleverage of roughly €18.5mn in the three-years period.

### Neodecortech – Cash Flow Bridge 2016A-2019E



Source: Neodecortech, Value Track Analysis

### Neodecortech: Cash Flow Statement

€mn	2017E	2018E	2019E	Cum. 17E-19E
EBITDA	15.5	17.0	18.1	50.5
Op. WC requirements	-7.2	0.0	-0.4	-7.7
Capex	-5.0	-7.5	-7.5	-20.0
Change in Provisions	0.2	0.0	0.0	0.2
<b>OpFCF b.t.</b>	<b>3.4</b>	<b>9.5</b>	<b>10.1</b>	<b>23.0</b>
As a % of EBITDA	22%	56%	55.9%	
Cash Taxes	-1.2	-1.5	-1.7	-4.5
<b>OpFCF a.t.</b>	<b>2.2</b>	<b>7.9</b>	<b>8.4</b>	<b>18.5</b>
Capital Injections	11.2	0.0	0.0	11.2
Other Op. Items (incl. Fin. Inv.)	0.0	0.0	0.0	0.0
<b>CF available to serve debt / equity investors</b>	<b>13.4</b>	<b>7.9</b>	<b>8.4</b>	<b>29.7</b>
Net Financial Charges	-2.8	-2.3	-2.1	-7.2
Dividends paid	-1.0	-1.3	-1.7	-4.1
<b>Net Cash generated</b>	<b>9.5</b>	<b>4.3</b>	<b>4.6</b>	<b>18.4</b>

Source: Neodecortech, Value Track Analysis

## Appendix: Top management

Manager	Description
Luigi Cologni <i>Neodecortech Board member</i> <i>CEO Neodecortech</i>	53 years-old, Degree in Business Administration, MBA from Bocconi University; Previous Banking experience; In the 90s he joined the world of furniture in multinational companies; In 2005, he joined Confalonieri SpA (now Neodecortech) where he holds the role of CEO.
Massimo Giorgilli <i>Neodecortech Board member</i> <i>CEO Cartiere di Guarcino</i>	47 years-old, Law Degree, Master in BA from LUISS University; After a brief experience in law offices he started an advisory firm; In 2002, he joined the paper mill industry with roles in the management control division; In 2003, he joined Cartiere di Guarcino as CFO; In 2015, he became CEO of Cartiere di Guarcino.
Marco Giussani <i>CFO Neodecortech</i>	50 years old, Degree in Business Administration; He started his career in 1994 as controller in Versace Profumi and then in Wella Group; In 2001, he joined SAECO group as Head of Administration and Human Resources; After nine years, he entered in Confalonieri S.p.A and Corbetta Fia srl as Head of Administration and Human Resources.

Source: Neodecortech

### Stock Grant Plan addressed to key managers

Stock Grant Plan is addressed to some key managers and entails maximum 689,608 newly issued ordinary shares if the group achieves targeted economic and financial results, provided that the market value of the shares is not higher than €5.0mn. The Plan works as follows:

- i) Maximum 40% of the shares of the Plan are assigned if the company becomes listed on the MTA index within 30 months from the first day of listing;
- ii) Maximum 30% of the shares of the Plan are assigned if “RS” EBITDA and “RS” Net Profit 17E results are higher than the trigger levels of €15.0mn and €4.5mn respectively;
- iii) Maximum 20% of the shares of the Plan are assigned if “RS” EBITDA and “RS” Net Profit 17E results are higher than the trigger levels of €17.0mn and €7.0mn respectively;
- iv) Maximum 10% of the shares of the Plan are assigned if both points ii) and iii) are satisfied.

### Stock Grant Plan Recipients

Recipients	% of Shares
Luigi Cologni	33.5%
Massimo Giorgilli	33.5%
Marco Giussani	12.0%
Additional four key managers	24.0% (6% each)

Source: Neodecortech

Please note that the 30% of the shares granted to each recipient will be immediately tradable while the 40% will be tradable after 6 months and the remaining 30% after 12 months.

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