

Company Note

NEO DECOR TECH

Fair Value: €4.32
(Prev. €4.44)

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Relative Performance Chart (IPO date)



Market Data:

Current Price (€)	2.58
Fair Value (€)	4.32
Market Cap (€mn)	34.9
52 Wk High (€)	4.50
52 Wk Low (€)	2.24
Free Float (%)	0.0
Avg. Daily Trading 90d	6,049.5
Price Change 1w (%)	-0.77
Price Change 1m (%)	-5.15
Price Change YTD (%)	-25.86
EV/EBITDA 2020E	4.86
EV/EBITDA 2021E	3.86
EV/EBITDA 2022E	3.54
P/E 2020E	10.24
P/E 2021E	5.68
P/E 2022E	4.78

Fine as paper, strong as a tree

Recent developments. On March 22nd, 2020 a Prime Ministerial Decree, halted Neodecortech's activities, the two production sites of Filago and Casoli d'Atri closed for 19 and 21 operating days, respectively, and Cartiere di Guarcino closed for a period of 20 days. On May 15th, Borsa Italiana approved NDT's translisting process. The finalization of the process occurred on May 25th, since then stocks and warrants have been trading on the MTA market. The company has appointed its new CFO, Fabio Zanobini, who took charge on June 3rd.

1H2020 results. NDT's results have been impacted by the spread of the global pandemic, causing both a fall in demand and a 20-day halt in production. Overall sales reached €54.5mn (-17.8% YoY): i) with an incidence of 32.5%, CdG revenues amounted to €17.7mn (-27.8% YoY); ii) NDT sales, 39% of the total, decreased by 21.3% YoY, reaching €21.5mn; and iii) BEG sales, 28% of the total, increased 5.6% YoY, reaching €15.3mn, as production activities were never stopped. On the profitability side, although operating costs decreased by 8.8% YoY, from €61.6mn to €53.5mn, their incidence on sales increased to 98.1%, generating an EBITDA of €5.6mn, -20.2% YoY and -52% with respect to our expectations. The effect of the lower revenues resulted in an 82% YoY decrease of net income, settling at €198k, while NFP remained stable YoY at €48.2mn.

Decor paper market. Munksjo décor solutions sales fell by 20% YoY to €171mn, while the Surteco decoratives segment recorded an 18% YoY decrease, coming down at €214.6mn in 1H20. During the year, Munksjo completed the sale of its fine art paper business, while Surteco sold its impregnating business.

Revised estimates. Despite the global and market slowdown, due to an increasing number of orders, the company's management expects a recovery starting from the third quarter. Summing up the factors driving company results, we have left unchanged our forecasts for revenues in 2020 and 2021. However, due to higher than expected operating costs, we have lowered our expectations about EBITDA, which now has a value of €15.5mn for FY20, down by 8.6%. We have left our estimates about FY21 unchanged with revenues for €144mn and EBITDA of €19.5mn. FY22 top line is expected to reach €158mn with a 5.2% CAGR19-22, EBITDA of €21.3mn and margin of 13.5%.

Valuation. To value the Group, we applied the sum of the parts methodology: i) market multiple model to value the printing, impregnation and paper mill businesses, with an estimated value of €3.6ps; and ii) DCF model to value the Group's power plant, leading to a value of €0.72ps. The sum of the two yields an equity market value of €58.4mn, or €4.32ps. Fair value also includes the dilution effect of 414k new shares issued for the stock grant plan (€4.46ps without pre-dilution). At the current market price of €2.58ps, the company trades at a discount with respect to its peers. Specifically:

- *EV/EBITDA 2020E and 2021E* of 4.79x and 3.81x respectively vs peer group's median of 7.6x (-37%) and 6.6x (-42%)
- *P/E 2020E and 2021E* of 9.92x and 5.5x vs peer group's median of 19.6x (-49%) and 12.4x (-55%)

€ Thousands	Total Revenues	EBITDA	EBITDA Margin	EBIT	Net Income	EPS €
2015PF	125.5	11.9	9%	4.8	1.7	0.13
2016PF	115.7	15.6	13%	9.2	4.5	0.34
2017PF	127.7	14.2	11%	7.9	4.1	0.31
2018A	133.4	18.0	13%	10.8	6.0	0.46
2019A	135.9	17.9	13%	9.1	4.0	0.30
2020E	130.7	15.5	12%	6.5	3.4	0.09
2021E	144.4	19.5	14%	9.9	6.1	0.17
2022E	158.0	21.3	13%	11.1	7.3	0.20

Source: Company data, KT&Partners' estimates

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

Current price (€)	Fair Value (€)	Sector							Free Float (%)
2.58	4.32	Industrial Goods and Services							36.1
Per Share Data		2015A	2016A	2017A	2018A	2019A	2020E	2021E	2022E
Total shares outstanding (mn)	n.a.	n.a.	13.10	13.10	13.10	13.52	13.52	13.52	13.52
EPS	n.a.	n.a.	0.31	0.46	0.30	0.25	0.45	0.54	0.54
Dividend per share (ord)	-	-	0.11	0.15	0.15	0.10	0.19	0.22	0.22
Dividend pay out ratio (%)	0%	0%	35%	33%	48%	41%	41%	41%	41%
Profit and Loss (EUR mn)									
Revenues	125.5	115.7	127.7	133.4	135.9	130.7	144.4	158.0	158.0
EBITDA	11.9	15.6	14.2	18.0	17.9	15.5	19.5	21.3	21.3
EBIT	4.8	9.2	7.9	10.8	9.1	6.5	9.9	11.1	11.1
EBT	1.3	6.0	5.2	7.6	5.2	4.5	8.1	9.6	9.6
Taxes	0.2	(1.5)	(1.1)	(1.6)	(1.2)	(1.1)	(1.9)	(2.3)	(2.3)
Tax rate	0.0	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Net profit	1.5	4.5	4.1	6.0	4.0	3.4	6.1	7.3	7.3
Net profit after minorities	1.5	4.5	4.1	6.0	4.0	3.4	6.1	7.3	7.3
Balance Sheet (EUR mn)									
Total fixed assets	82.6	80.3	80.9	84.0	83.7	81.7	78.1	73.9	73.9
Net Working Capital (NWC)	21.9	19.6	23.4	22.3	22.0	26.7	28.5	31.6	31.6
Provisions	(3.9)	(4.0)	(3.4)	(3.3)	(3.8)	(4.2)	(4.6)	(5.1)	(5.1)
Other Assets and Liabilities	(7.9)	(8.5)	(1.4)	(4.6)	(5.1)	(5.1)	(5.1)	(5.1)	(5.1)
Total Net capital employed	100.6	95.8	100.9	102.9	101.8	104.1	101.8	100.3	100.3
Net financial position (NFP)	66.7	57.1	46.9	44.3	40.5	41.3	34.2	27.5	27.5
Group Shareholder's Equity	33.8	38.7	54.0	58.6	61.3	62.8	67.6	72.9	72.9
Minorities	-	-	-	-	-	-	-	-	-
Total Shareholder's Equity	33.8	38.7	54.0	58.6	61.3	62.8	67.6	72.9	72.9
Cash Flow (EUR mn)									
Net operating cash flow	5.0	14.1	13.8	16.4	15.7	14.0	17.2	18.6	18.6
Change in NWC	n.a.	1.6	3.2	(2.0)	(0.2)	(4.7)	(1.8)	(3.1)	(3.1)
Capital expenditure	n.a.	(4.6)	(8.6)	(10.1)	(9.8)	(7.0)	(6.0)	(6.0)	(6.0)
Other cash items/Uses of funds	n.a.	0.0	(0.2)	(0.0)	0.0	0.4	0.4	0.5	0.5
Free cash flow	n.a.	12.5	2.5	1.4	7.4	6.2	2.2	9.4	9.4
Enterprise Value (EUR mn)									
Market Cap	n.a.	n.a.	50.4	43.1	45.6	34.9	34.9	34.9	34.9
Minorities	-	-	-	-	-	-	-	-	-
Net financial position	66.7	57.1	46.9	44.3	40.5	41.3	34.2	27.5	27.5
Enterprise value	n.m.	n.m.	97.4	87.4	86.1	76.2	69.1	62.3	62.3
Ratios (%)									
EBITDA margin	9.4%	13.5%	11.1%	13.5%	13.1%	11.9%	13.5%	13.5%	13.5%
EBIT margin	3.8%	8.1%	6.2%	8.1%	6.7%	4.9%	6.9%	7.1%	7.1%
Gearing - Debt/equity	197.1%	147.6%	86.8%	75.6%	66.2%	65.8%	50.7%	37.7%	37.7%
Interest cover on EBIT	68.5%	35.3%	34.6%	27.4%	21.1%	30.5%	18.4%	13.9%	13.9%
NFP/EBITDA	5.6x	3.7x	3.3x	2.5x	2.3x	2.7x	1.8x	1.3x	1.3x
ROCE	4.8%	9.6%	7.9%	10.5%	8.9%	6.2%	9.7%	11.1%	11.1%
ROE	4.5%	11.5%	7.5%	10.3%	6.5%	5.4%	9.1%	10.0%	10.0%
EV/Sales	n.m.	n.m.	0.59	0.57	0.56	0.58	0.52	0.48	0.48
EV/EBITDA	n.m.	n.m.	5.30	4.20	4.22	4.86	3.86	3.54	3.54
P/E	n.m.	n.m.	8.58	5.78	8.80	10.24	5.68	4.78	4.78
Free cash flow yield	n.m.	n.m.	4.9%	3.2%	16.3%	17.8%	6.4%	26.9%	26.9%
Growth Rates (%)									
Sales	n.a.	-7.8%	10.4%	4.4%	1.9%	-3.8%	10.5%	9.4%	9.4%
EBITDA	n.a.	31.5%	-8.8%	26.2%	-0.5%	-13.1%	25.9%	9.0%	9.0%
EBIT	n.a.	92.8%	-14.1%	36.1%	-15.7%	-29.1%	53.6%	12.5%	12.5%
Net profit	n.a.	191.4%	-8.8%	48.4%	-34.3%	-14.0%	80.3%	18.7%	18.7%

Source: Company data and KT&Partners' elaborations

Company Description

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

1H20 Results Summary

The extraordinary conditions that the global and Italian economies have faced during 2020, which are continuing to impact the world's growth path, have also impacted NDT's business activities, both imposing a halt to manufacturing and generating a fall in demand. With the March 22nd, 2020 Prime Ministerial Decree, the company paused Neodecortech's manufacturing activities, with the two production sites of Filago and Casoli d'Atri closed for 19 and 21 operating days, respectively. Also, Cartiere di Guarcino underwent a 20-day closure. On the other hand, BEG's energy plant activities were never halted.

To better understand 1H20 actual results vs 1H20 expected results comparison, it's important to notice that the data is not completely comparable as our expectations are estimated according to the historical seasonality which in 2020 has been affected by the lockdown period.

Due to production halts, lower demand and reduced operativity for May and June, the company's top line reached overall sales of €54.5mn, 6.2% below our estimates and -17.8% YoY. Specifically:

- **CdG - Paper Division**, with sales amounting to €17.7mn, showed a decrease of -27.8% YoY. Sales are 21% lower than our expectations.
- **Neodecortech - Décor Paper Division** recorded sales of €21.5mn, which are 21.3% below 1H19 and 26% below our expectations.
- **BEG - Energy Division** registered an increase of 5.6% in sales, which settled at €15.3mn, 45% above our expectations.

Observing the different geographical areas, which were differently impacted by the timing and scale of the COVID-19 spread, it is possible to notice a YoY fall in revenues of: i) 7.1% in Italy, ii) 27% in Europe, iii) 48.3% in Asia and the Middle East, and iv) 11.9% in North America.

Total revenues amount to €59.1mn with €4.6mn of Other revenues of which: a) €2.7mn of Other revenues derive from insurance repayments and b) €1.2mn result from the non-issuance of the translisting stock-grant plan.

On the costs side, the cost of goods sold decreased by 13.2% but it represented a higher percentage of sales, i.e. 62.4%, 330bp above 1H19's incidence. Labor costs decreased by 17.1% YoY, reaching €9.1mn and maintaining the same 1H19 incidence over revenues, 16.7%. With an incidence of 18.9%, services costs amount to €10.3mn, -9.3% YoY.

EBITDA 1H20 amounts to €5.6mn, which is 18% below our expectations, implying a marginality of 10.3% (€7mn 1H19).

Bottom line was impacted by €4.3mn of D&A and €759k of financial expenses, with net income reaching €198k, -82% YoY and -79% with respect to our forecast.

As far as the financial soundness of the company is concerned, the NFP is in line with 1H19, amounting to €48.2mn.

During the return to business following lockdown, NDT's peers both recorded a decrease in sales due to lower demand and the competitive environment driving prices down:

- **Munksjo:** The Décor Solutions segment sales decreased by 20% YoY to €171mn. The company generated an adjusted EBITDA for this segment of €13.3mn, 22% below 1H19. During the year, the company responded to the impacts of COVID-19 by focusing on the medical and healthcare

fiber productions. Furthermore, the Group completed the sale of the fine art paper business to Fabbrica Italiana Lapis ed Affini S.p.A for €43.6mn.

- **Surteco:** The Decoratives segment sales fell by 18% YoY, coming in at €214.6mn in 1H20. Specifically, decorative printing recorded a 10% fall in sales, while edge-banding and finish foils each fell by 14%. The segment recorded a fall in EBIT of 39% YoY, which amounts to €10.4mn. In June 2019, the company sold its impregnating business.

Table 2: Neodecortech 1H20 Results

€ thousand	1H16	1H17	1H18	1H19	1H20A	YoY Growth	1H20E	A vs E %
Sales CDG	26,337	29,665	27,579	24,570	17,740	-27.8%	22,342	-21%
Sales Neodecortech	22,056	22,648	24,920	27,297	21,483	-21.3%	28,884	-26%
Sales BEG	3,879	8,202	13,259	14,499	15,311	5.6%	10,535	45%
Sales	52,272	60,515	65,759	66,366	54,533	-17.8%	61,761	-11.7%
Growth %		15.8%	8.7%	0.9%				
Other revenues	524	2,019	1,437	2,323	4,598		1,311	
Total Revenues	52,796	62,534	67,196	68,689	59,131	-13.9%	63,072	-6.2%
Growth %		18.4%	7.5%	2.2%	-13.9%			
Cost of Goods Sold	(29,435)	(37,866)	(39,680)	(39,232)	(34,047)		(35,631)	
Gross Profit	23,361	24,668	27,516	29,457	25,084	-14.8%	27,441	-8.6%
Gross Margin	44.7%	40.8%	41.8%	44.4%	46.0%		44.4%	
Growth %		6%	11.5%	6.1%	3.6%			
Labour Cost	(8,335)	(8,712)	(9,148)	(11,015)	(9,129)		(10,307)	
Services	(8,485)	(9,067)	(10,191)	(11,376)	(10,319)		(10,261)	
EBITDA	6,541	6,889	8,177	7,066	5,636	-20.2%	6,873	-18.0%
EBITDA margin	12.5%	11.4%	12.4%	10.6%	10.3%		11.1%	
Growth %		5.3%	18.7%	-14.4%	-2.9%			
D&A	(2,967)	(2,991)	(3,521)	(4,174)	(4,399)		(4,291)	
EBIT	3,574	3,898	4,656	2,892	1,238	-57.2%	2,582	-52.0%
EBIT margin	6.8%	6.2%	6.9%	4.2%	2.1%		4.1%	
Growth %		9%	19.5%	-39.2%	-50.3%			
Extraordinary Profit/Losses								
Financial Income and Expenses	(1,635)	(1,281)	(1,262)	(995)	(759)		(912)	
EBT	1,939	2,617	3,394	1,897	479	-74.7%	1,669	-71.3%
Taxes	(417)	(534)	(677)	(797)	(281)		(726)	
Tax Rate	27.4%	25.6%	24.9%	72.5%	141.8%		76.9%	
Net income	1,522	2,083	2,717	1,100	198	-82.0%	944	-79.0%
Net margin	2.9%	3.4%	4.1%	1.7%	0.4%		1.5%	
Growth %		36.9%	30.5%	-59.9%	-78.1%			

Source: Company data, KT&Partners' elaborations

Estimates Revision

Based on 1H20 results and both global economical and décor paper market developments, we have revised our estimates for the 2020-21 period and included an additional year of forecasts.

Considering strong positive management expectations about 3Q20 demand, and the introduction and acceleration of the PPLF and EOS new production lines, we left unchanged our expectations about FY20 sales, which we foresee reaching €125.7mn with total revenues amounting to €130.7mn. We also expect revenues for FY21 to remain stable at €144mn and to reach €158mn in FY22.

We expect cost of goods sold to settle at €74.6mn, an incidence of 59.4% over revenues. EBITDA of €15.5 for FY20 is forecasted. This estimate is 8.6% lower than our previous estimate and 13.1% below FY19, with an implied marginality of 11.9% (110bp below our previous estimate). For 2021 and 2022, EBITDA is expected to grow at €19.5mn (unchanged compared to previous estimates) and €21.3mn, respectively, with EBITDA margins of 13.5% each.

With regard to net income, we believe it will be 26.1% lower than previously forecasted, amounting to €3.4mn in FY20 (2.6% net margin) with a value of €6.1mn and €7.3mn in FY21 and FY22, respectively.

Lastly, we expect FY20 NFP equal to €41.3mn, 7.5% higher than former forecasts, mainly because of lower economic results and higher expected investments for the new production lines.

Key financial indicators can be summed up as follows:

- FY20E revenues for €130.7, reaching €144.4mn in FY21E and €158mn in FY22E (5.2% CAGR FY19A-FY22E);
- FY20E EBITDA for €15.5mn, growing at €19.5mn in FY21E and €21.3mn in FY22E (6% CAGR FY19A-FY22E);
- FY20E group net income for €3.4mn, reaching €6,1mn in FY21E and €7.3mn in FY22E (22.6% CAGR FY19A-FY22E).

Table 3: Change in Estimates 2020-21 OLD VS NEW

€ thousand	2019A	2020E		Change	2021E		Change
		Old	New		Old	New	
		KT&P	KT&P		KT&P	KT&P	
Revenues	135,855	130,445	130,678	0.2%	144,376	144,429	0.0%
YoY Change (%)		-4.0%	-3.8%		10.7%	10.5%	
EBITDA	17,863	16,981	15,514	-8.6%	19,520	19,529	0.0%
YoY Change (%)		-4.9%	-13.1%		15.0%	25.9%	
EBITDA margin%	13.1%	13.0%	11.9%		13.5%	13.5%	
EBIT	9,097	7,985	6,453	-19.2%	10,064	9,910	-1.5%
YoY Change (%)		-12.2%	-29.1%		26.0%	53.6%	
EBIT margin%	7%	6%	5%		7%	7%	
Net Income	3,961	4,609	3,407	0.0%	6,348	6,144	-3.2%
YoY Change (%)		16.4%	-14.0%		37.7%	80.3%	
Net margin%	3%	4%	3%		4%	4%	
NFP/(Cash)	40,536	38,402	41,297	0.0%	30,521	34,236	12.2%
YoY Change (%)		-5.3%	1.9%		-20.5%	-17.1%	

Source: Company data, KT&Partners' elaborations

Valuation

It should be noticed that the company, as part of the stock grant incentive plan 2017-2020 has issued 414k new shares with a diluting effect on price. We believe that the most appropriate valuation methodology for Neodecortech Group is a break-up value analysis (sum of parts).

Based on our valuation, we project a fair value of €4.32 per share (€4.46 without the new share issued), which comes from the sum of the following methods:

- We virtually spin **BEG** off and we evaluate it with a **DCF model**, because it is not a fully captive company, as most of the energy produced is delivered to the grid. The DCF analysis based on WACC of 5.7% returns a value of €0.72 per share.
- **Market multiple model** (EV/EBITDA and P/E average) for the **core business** of the Group (Neodecortech + CdG), which returns a value of €3.60 per share. We believe this valuation captures the expected growth of the company.

Peer Comparison - Core Business

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

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

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

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

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

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

- **Size:** all players are much bigger than Neodecortech and this is in line with the market structure;

- **Business mix:** all players are more diversified (e.g. more types of specialty papers);
- **Financial structure:** Neodecortech is characterized by a higher level of debt.

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

Our valuation of the “core business” (i.e. Neodecortech + CdG) is based upon 2020, 2021 and 2022 peer group EV/EBITDA and P/E multiples and our estimate of “core” EBITDA and net income for the next three years. This led to an equity value of €48.6mn (calculated as the average of the two methods) or €3.6ps.

Table 4: EBITDA and P/E Multiples Valuation

Core Business Valuation (€) - EV/EBITDA	2020E	2021E	2022E	Avg.
Peer Group EV/EBITDA	7.6x	6.6x	6.1x	
liquidity/size discount	10%	10%	10%	
EV/EBITDA post discount	6.9x	5.9x	5.5x	
NDT Group EBITDA	15.5	19.5	21.3	
BEG EBITDA	4.3	4.9	4.8	
EBITDA (excluding BEG)	11.3	14.6	16.5	
Enterprise Value	77.3	86.8	90.1	
1H20 Net debt (excluding BEG debt)*	36.5	36.5	36.5	
Equity Value (excluding BEG)	40.8	50.3	53.6	48.3
Share Out. (mn)	13.5	13.5	13.5	
Fair Value ps	3.02	3.72	3.97	3.6

Core Business Valuation (€) - P/E	2020E	2021E	2022E	Avg.
Peer Group P/E	19.6x	12.4x	10.3x	
liquidity/size discount	10%	10%	10%	
P/E post discount	17.6x	11.2x	9.3x	
NDT Group Net Income	3.4	6.1	7.3	
BEG Net Income	1.1	1.5	1.5	
Net Income (excluding BEG)	2.3	4.6	5.8	
Equity Value (excluding BEG)	41.3	51.7	53.9	49.0
Share Out. (mn)	13.5	13.5	13.5	
Fair Value ps	3.05	3.83	3.99	3.6

Fair Value ps (Avg P/E; EV/EBITDA)	3.04	3.78	3.98	3.60
Average Equity Value (P/E ; EV/EBITD)	41.04	51.03	53.76	48.6

*Neodecortech’s equity value (excl. BEG) is calculated by subtracting BEG’s contribution from EBITDA and net income and considering an adjusted NFP that excludes BEG’s net debt.

Source: KT&Partners’ estimates and FactSet consensus

Table 5: Peer Group Multiples Table

Company Name	Exchange	Market Cap	EV/SALES 2019	EV/SALES 2020	EV/SALES 2021	EV/SALES 2022	EV/EBITDA 2019	EV/EBITDA 2020	EV/EBITDA 2021	EV/EBITDA 2022	EV/EBIT 2019	EV/EBIT 2020	EV/EBIT 2021	EV/EBIT 2022	P/E 2019	P/E 2020	P/E 2021	P/E 2022
Ahlstrom-Munksjo Oyj	OMX Helsinki	1,672	0.9x	1.0x	0.9x	0.9x	8.8x	8.2x	6.9x	6.6x	20.7x	17.9x	12.6x	11.6x	n.m	21.3x	12.3x	11.0x
SURTECO GROUP SE	XETRA	309	0.7x	0.8x	0.8x	0.7x	7.3x	7.1x	6.2x	5.5x	22.8x	17.9x	13.1x	10.2x	28.0x	17.9x	12.5x	9.6x
Average peer group		990	0.8x	0.9x	0.9x	0.8x	8.0x	7.6x	6.6x	6.1x	21.8x	17.9x	12.9x	10.9x	28.0x	19.6x	12.4x	10.3x
Median peer group		990	0.8x	0.9x	0.9x	0.8x	8.0x	7.6x	6.6x	6.1x	21.8x	17.9x	12.9x	10.9x	28.0x	19.6x	12.4x	10.3x

Source: FactSet

DCF Valuation - Power Plant

To value BEG, we have considered the installed capacity as of the end of 2018.

Our DCF-based valuation, used for estimates of BEG’s fair value, considers the remaining feed-in tariff period (2020-25) and a terminal value equal to BEG’s discounted asset value in 2025. We considered a capital structure with 80% of debt and WACC of 5.7%. We also estimated a 1% annual degradation rate.

Moreover, we have considered the installed capacity as at the end of 2018 (9 steam tons and 20 MWh). By considering approximately €11.7mn BEG net debt (estimated as of December 31, 2019, based on company data), we derive an equity value for the power plant equal to €9.8mn or €0.72 per share.

Sum of Parts - Neodecortech Group

Comprehensively, considering the multiple-based valuation of the “core business” and DCF-based valuation used for BEG, we derived a valuation that can be set at €58.4mn or €4.32ps.

Table 6: Sum of Parts Valuation

€mn	Valuation Method	Equity Value	Fair Value ps
Neodecortech Equity Value (ex. BEG)	Peer Comparison	48.6	3.60
BEG Equity Value	DCF	9.8	0.72
Neodecortech Group	Sum-of-Parts	58.4	4.32

Source: KT&Partners’ estimates

Appendix

Peer Description

Ahlstrom-Munksjo Oyj, listed on OMX in Helsinki, with a market cap of €1.67bn, develops and manufactures papers and fiber composites. It engages in fiber-based materials, supplying innovative and sustainable solutions to customers. The company offers décor paper, filter media, release liners, abrasive backings, non-wovens, electrotechnical paper, glass fiber materials, food packaging and labeling, tape, medical fiber materials and solutions for diagnostics. During FY2019, Munksjo recorded €2.91bn of revenues, with €0.42bn coming from the décor paper business. Ahlstrom-Munksjo was founded on April 1st, 2017, and is headquartered in Stockholm, Sweden.

Surteco SE, listed on XETRA in Germany, with a market cap of €0.3bn, manufactures decorative surface foils and edging strips based on specialist papers for technical applications and plastics. In FY2019, Surteco registered €0.67bn of revenues, with a decrease of 34% YoY in EBIT. The company was founded in 1999 and is headquartered in Buttenwiesen, Germany.

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