

NEODECORTECH

BUY

Where value belongs

 19th of April 2021

 Target Price : **5.5€** (vs 4.8€)

 Upside potential : **+52%**

A stronger group than ever

Neodecortech (NDT) ended 2020 well above all expectations despite the challenges brought by the covid-19 pandemic.

Despite the closure of its plants between March and May 2020, which caused a major negative impact on the Q2 2020 result, NDT ended the year with revenues down only 3.5% to €131.2M. This extraordinary resilience was also evident in margins, which remained almost stable, with EBITDA margin declining by only 60bps to 11.1% (vs. 11.7% in 2019).

Despite the global health emergency, NDT was also able to propose a dividend of €0.09 per share (yield of 2.5%).

Home has never been so much in the spotlight

NDT specializes in high-quality decorative paper and plastic films, and has strong, long-lasting relationships with its customers.

After an initial shock from the first lockdowns, people's renewed interest in their homes and in making their domestic environments more comfortable, functional, and suitable for smart working is providing a strong sales boost to the interior design sector. NDT's reference market appears to be extremely dynamic, with **all factories running at full capacity, order backlogs covering several weeks, and production capacity on some product lines being saturated while they work overtime.**

New high-margin products

The group has just launched two new product lines (beginning of June) (i) printed plastic laminate film (PPLF) for luxury vinyl applications (LVT) (ii) the EOS line (anti-fingerprint), (iii) as well as laminates in larger formats (142cm) for new applications such as walls and caravans, demonstrating a strong capacity for innovation as well as a willingness to diversify. **These products have been received with great interest by customers and all have significantly higher margins.**

An extremely attractive valuation

NDT continues to trade at extremely low multiples compared to its international competitors. **In terms of EV/EBIT, NDT still trades at a 40% discount and in terms of P/E at about 50%.**

Our price target of €5.5 (vs. €4.8 previously) is derived from a DCF (WACC 9.9% and TGR 0.5%) with a weighting of 50%, a relative valuation (EV/EBITDA, EV/EBIT and P/E) with a weighting of 40% and comparable transaction multiples (Ahlstrom-Munksjo and Panaria Group) with a weighting of 10%.

At our price target, NDT would trade at a 20% discount to the EV/EBIT and P/E multiples of the peers, which we believe is appropriate given the smaller size of the group and its low liquidity.

We reiterate our Buy recommendation and raise our price target from €4.8 to €5.5.

Market Data

Sector	Décor surfaces
Share price (€)	3.59
Market Cap. (€m)	48.5
Market Segment	FTSE Italia STAR
Bloomberg	NDT IM

Ownership structure

Finanziaria Valentini	61.6%
Free Float	38.4%

€m	2020A	2021E	2022E	2023E
VoP	131.2	142.1	153.0	160.8
Change	(3.5%)	8.4%	7.7%	5.1%
EBIT	5.5	9.3	11.7	13.6
Margin	4.2%	6.6%	7.6%	8.5%
Net Income	3.5	5.5	7.4	8.8
EPS (€)	0.27	0.42	0.56	0.67
Change	(7%)	57%	33%	20%
Dividend (€)	0.09	0.12	0.15	0.17
Dividend Yield	2.5%	3.3%	4.1%	4.7%
FCF	3.7	2.6	9.1	12.4
ROCE	4.6%	6.4%	8.0%	9.5%
EV/Sales (x)		0.6x	0.6x	0.5x
EV/EBIT (x)		9.5x	7.2x	5.7x
P/E (x)		8.5x	6.4x	5.3x
Net Debt	40.0	41.0	35.9	27.7
Net Gearing	65%	62%	50%	36%

TP ICAP Midcap estimates

Next events

07/09/2021 H1 2021

Recommendations historic

11/09/2020 Buy

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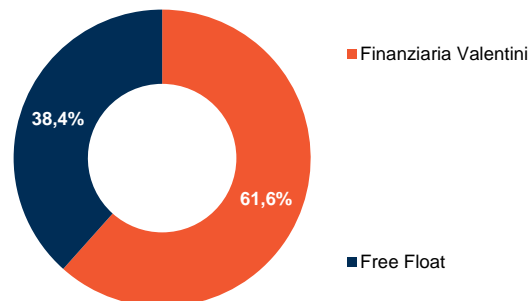


I. OVERVIEW

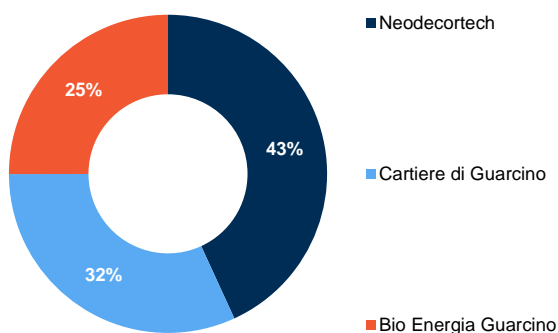
Description

Neodecortech SpA is engaged in the production and marketing of decorative papers for the wood and furniture accessories industries. It operates through the following segments: Printed Decorative Paper, Decorative Paper and Energy. The printed decorative paper segment includes the impregnation and printing of paper and plastic films. The decorative papers segment includes the production of decorative technical papers. The energy segment focuses on the cogeneration of electricity and steam. The company was founded in 1947 and is headquartered in Filago, Italy.

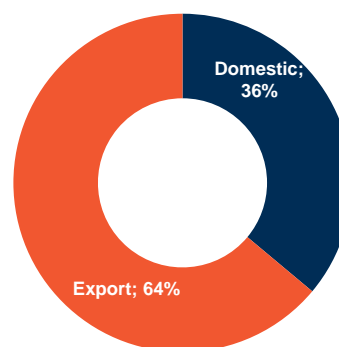
Shareholders structure



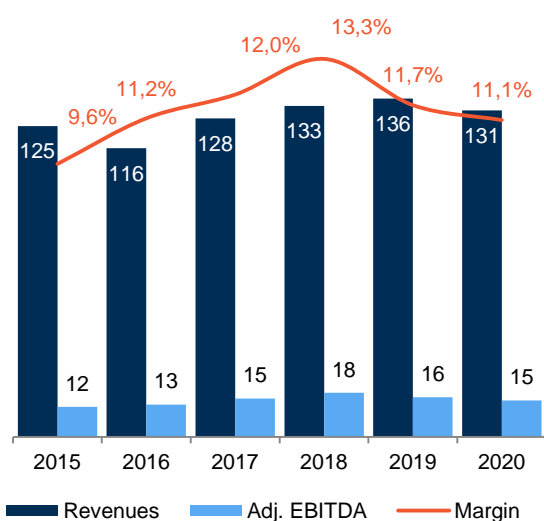
Breakdown of 2020 sales by division



Breakdown of 2020 sales by geography (excl. Energy)



Sales and EBITDA evolution (2015-2020A)



Source : Company, Midcap

Group presence



SWOT Analysis



Strengths

- 100% "Made in Italy" production, a distinctive factor in terms of design and marketing.
- Vertical integration allowing operational and cost efficiencies.
- Possibility to create custom-made products for customers.
- Wide range of products for furniture and flooring
- Proprietary know-how across the entire value chain
- Strong R&D investments to maintain innovation capacity.
- High barriers to entry (investments, industrial tool, reputation, and customer base)
- Strong internationalization of the Group enabled by the strength of the distribution network.
- Selection of customers based on their credit quality.

Opportunities

- M&A in order to consolidate the market and diversify the product range
- Modernize production sites with more modernization to be Industry 4.0 compliant on CDG
- Enter into strategic partnerships with foreign players
- Invest in digital printing when the technology is more mature

Weaknesses

- Tight financial structure (leverage ratio @2.7x in 2021 vs. 2.5 in 2020), but which should improve with cash generation.
- High concentration of customer & supplier base, but normal for this niche sector
- Expiry of BEG-related energy subsidies in 2025.
- Low stock liquidity

Threats

- Cyclical nature of the business
- Price competition
- Competitors moving upmarket
- Limited size vs. Chinese and German competitors

Sources : Company, Midcap

NDT is the Italian leader in the production of decorative papers for laminate panels and floor coverings used in the interior design sector.



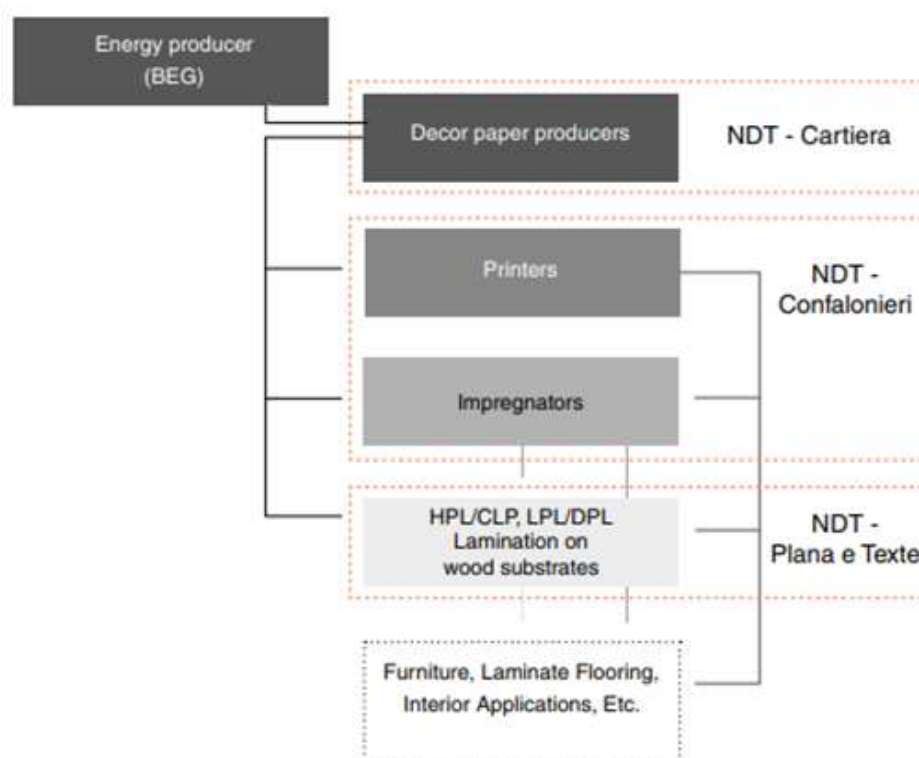
Source : Company

II. A unique vertical integration ...

The group's activities are based on an **integrated business model**, in which the various phases of development, production, testing and finished product are fully integrated, thus **optimizing resources and taking full advantage of the various market opportunities**.

The Group's value chain is briefly shown in the figure below.

Group's vertical integration



Source : Company

- ✓ **Centralized R&D** through the implementation of co-development with the paper production plant allowing the realization of competitive advantages in terms of production, flexibility, competitiveness on purchases in addition to the exercise of a strong monitoring on the processes and R&D expenses.
- ✓ **Operational efficiency** thanks the energy plant unaffected by possible power outages, almost full coverage of CdG's electrical needs (c.47% for 20MW of BEG's production capacity), better operational efficiency, and commodity hedging following the implementation of medium- and long-term contracts (gas and methane).
- ✓ **Cost efficiencies:** This vertical energy integration enabled by the cogeneration units allows to achieve c.5M€ of cost efficiencies p.a. (electricity and steam).

III. ... which also leads to being a pioneer in the circular economy and sustainability.

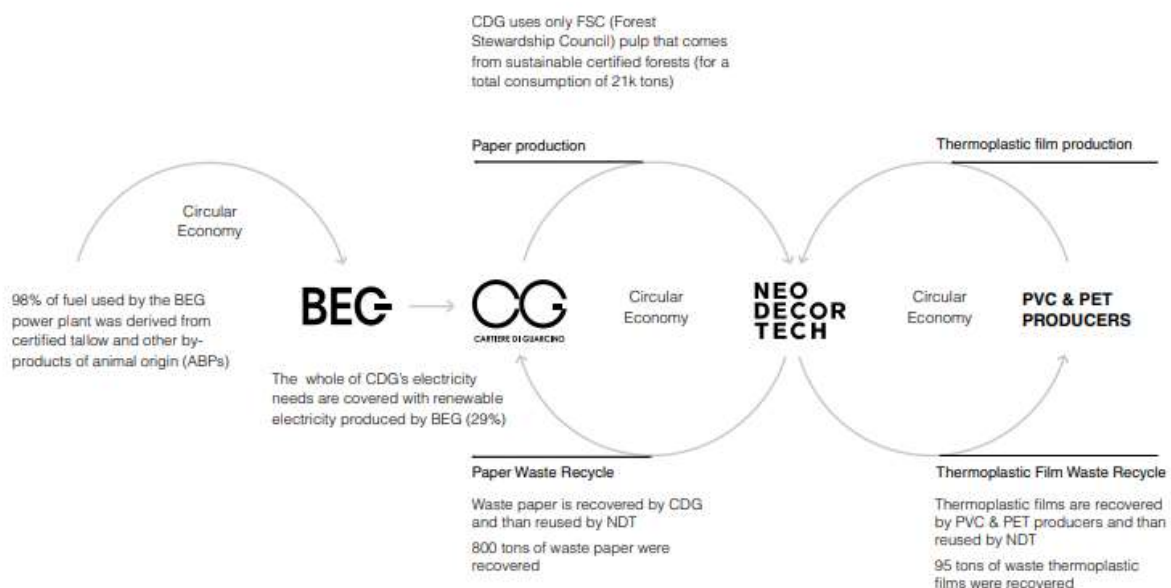
This vertical integration not only has a positive impact on the group's operations but has always allowed NDT to be a **pioneer in "sustainability."** As the "green revolution" becomes increasingly popular, especially in Europe, this focus on the environment and the circular economy could be a powerful catalyst for the future.

Circular economy

Neodecortech Group takes a sustainable and responsible approach to resource use and focuses on the use of recycled materials to **protect natural resources and the environment.**

- ✓ Approximately 98% of the fuel used by BEG comes from certified animal fats.
- ✓ In 2020, BEG produced 160,137MWh of electricity, of which approximately 25% was used to meet CDG's energy needs, making the mill one of the few facilities in the world in its sector to run entirely on renewable energy.
- ✓ The paper mill (CDG) uses only pulp from sustainable forests, i.e. certified by the Forest Stewardship Council (FSC).
- ✓ All wastepaper from Neodecortech's operations is sent to CDG for reuse. In 2020, approximately 800 tons of paper were collected and sent back to CDG. 42% was directly reused by the plant, while 58% was first processed by a third-party operator before being reused.
- ✓ PVC waste, which amounted to 116 tons in 2020, is only sent to third-party operators who are members of the European Recovinyl Initiative.

Group's circular economy activity



Source : Company



IV. A market that suffered during H1 2020, but some segments strongly rebounded from H2

The Covid-19 pandemic has severely affected the global economy and the imposed closure of many companies, especially in the first half of 2020, has had devastating effects on the furniture sector.

According to Xerfi Global, the furniture and flooring market in Europe in 2020 is expected to decline by about 10%. Store closures during various lockdowns have severely impacted furniture and flooring sales. The crisis has also affected the real estate sector and the purchasing power of citizens. Nevertheless, after the first months of closure, **the rebound has been very strong, also thanks to people's new awareness of the importance of the home environment.** From the second half of 2020, we have seen two scenarios:

1. **Residential:** strong rebound due to the need to improve the home environment
2. **Office:** in deep crisis due to smart working

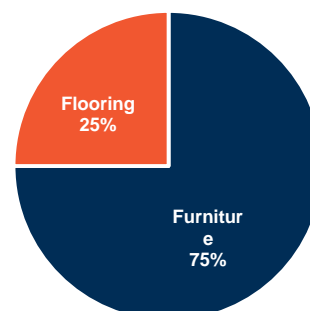
In this context, it is worth remembering that NDT is exposed to about 75% of the furniture market and the remaining 25% to the flooring market.

NDT's reference markets and their actual trends

Furniture



Flooring



- Lockdown put home (and furniture) back in the center of life
- This newfound centrality of the domestic sphere will probably lead many to invest in improving their living spaces
- The introduction of the Superbonus by Italian Government that increased the tax credit percentage to 110% for qualifying expenditure should indirectly boost flooring and furniture demand

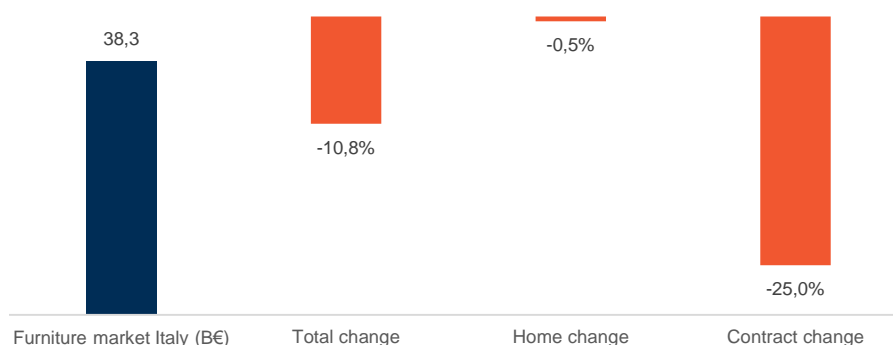
Source : Company, Midcap

According to data published by Statista, the global furniture market was valued at €1314bn in 2019 and, despite the sharp slowdown caused by Covid, **it is expected to grow at a CAGR of 3.5%** per year to reach €1616bn by 2025.

Similarly, an article published by IISole24Ore on 09.03.2021, in Italy, the wood furniture industry has managed to stem the impact of the pandemic, with sales down 10.8% to €38.3bn. The real discriminating factor in the sector is the exposure of products for the home versus the professional world ("contract"), i.e. supplies for public spaces such as airports, museums, hotels, restaurants, general stores and offices. The former has seen a strong increase in orders and sales since last June. The same cannot be said for the contracting world, which still suffers greatly. Many industry experts point out that before the pandemic, the home market was flat, while the office and public space market was very dynamic, and many companies had decided to focus on the latter segment. However, Covid turned everything upside down. It is estimated that the home segment remained stable, while the professional segment declined by about 25%.



Italian furniture market in 2020A



Source : Sole24Ore, Midcap

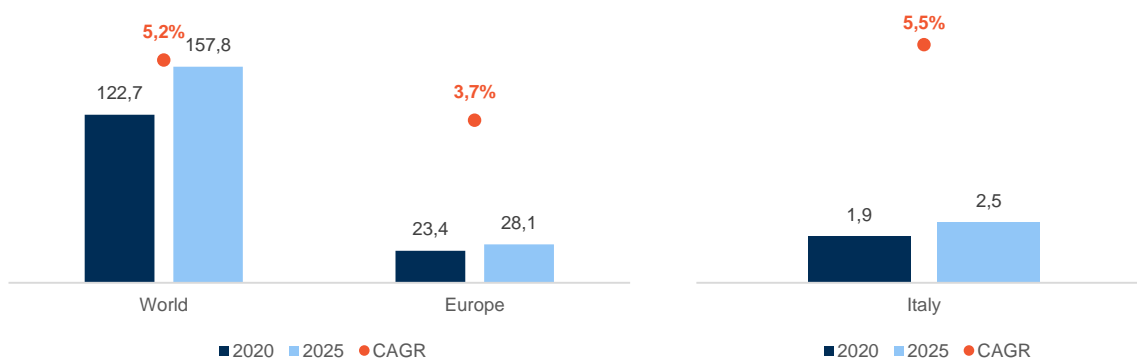
Looking ahead, **the focus on the home is the new trend in the sector**, also supported by new fiscal incentives such as the **110% ecobonus** and the extended **furniture bonus to €16,000**. The professional segment is also expected to take off again as restrictions will be relaxed, which will boost tourism and events.

- ✓ **The 110% Superbonus** is an important tax break provided by the "Decreto Rilancio" (stimulus decree) that increases to 110% the tax deduction related to expenditures made from July 1, 2020 to June 30, 2022 (for condominiums, the deadline is extended to December 31, 2022 if the work was done for at least 60% of the total intervention before June 30, 2022) for specific interventions on: private homes and condominiums - in the field of energy efficiency - anti-seismic interventions, installation of photovoltaic systems and infrastructure for charging electric vehicles.
- ✓ **The furniture and appliances bonus** consists of a 50% deduction up to €16,000 of expenses and is linked to the renovation of buildings.

According to data compiled by Statista, the European flooring market in 2020 contracted by 6.3% to €23.4bn (19% of the global market), while the Italian market stood at €1.9bn, down 9.8%, due to the more severe containment at the start of the pandemic.

As for the outlook, Statista predicts that the **European market will grow by 3.7% between 2020 and 2025, while the Italian market will grow by 5.5%** (higher than the global average growth rate of the sector, which is 5.2%).

Evolution of the flooring market 2020A-2025E (Mds €)



Source : Statista, Midcap



V. NDT has proven its resilience in 2020.

Neodecortech Group closed fiscal year 2020 with net sales of €127.8M, down slightly from €133M in 2019 (-3.9% year-on-year). Analyzing the data by semester, we can see that while the first half of the year was down 17.8% to €54.5M, **the second half of the year was the best in the group's history with a 10% growth compared to H1 2019 reaching €73.3M.**

The group's resilience was also demonstrated by EBITDA, which fell by 20% in H1 (to €5.6M, 10.3%) but increased by 2% in H2 (to €9M, 12.2%), to end the year down 8% (to €14.6M, 11.4% or -60bps only).

Net profit was almost entirely realized in H2, coming in at €3.5M (vs. €4M in 2019).

On the other hand, the net financial position improved by about 600k to €39.9M (vs. €40.5M in 2019) thanks to better working capital management and lower capex (€6.3M in 2020 vs. €8M in 2019).

Key financials evolution between 2019 and 2020

€M	S1 2019	S1 2020	S2 2019	S2 2020	2019	2020
Net Sales	66.4	54.5	66.6	73.3	133.0	127.8
% change		-17.8%		10.0%		-3.9%
EBITDA	7.1	5.6	8.8	9.0	15.9	14.6
% change		-20.3%		1.6%		-8.2%
margin %	10.6%	10.3%	13.3%	12.2%	12.0%	11.4%
EBIT	2.9	1.2	4.2	4.3	7.13	5.5
% change		-57.3%		0.6%		-22.9%
margin %	4.4%	2.3%	6.4%	5.8%	5.4%	4.3%
Net Income	1.1	0.2	2.9	3.3	4.0	3.5
% change		-82.3%		15.5%		-11.6%
margin %	1.7%	0.4%	4.3%	4.5%	3.0%	2.7%
NFP	48.3	48.2	40.5	39.9	40.5	39.9
% change		-0.1%		-17.3%		-1%
NFP/EBITDA					2.5x	2.7x

Source : Company, Midcap

59% of revenues, excluding the energy division, were generated in H2 2020, although NDT's revenues are generally not seasonal. This shows the strong rebound in the group's business during H2 2020.

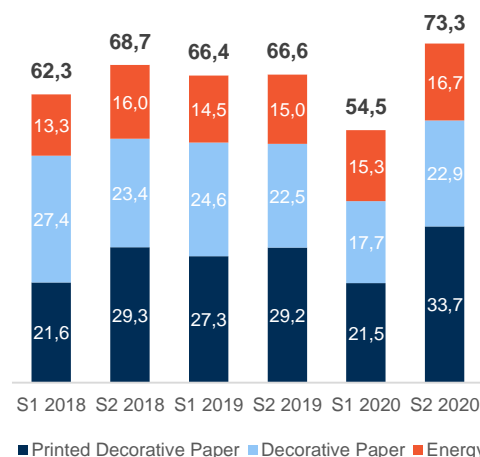
Proceeding by division, we see that:

1. **Printed decorative papers** ended the year with €55.2m (-2.3% y-o-y). After a 21.3% contraction in H1, to €21.5M, the division reached a record level of €33.7M in H2 (+15.5% y-o-y). This exceptional performance is mainly attributable to the **new product lines** (EOStp, PPLF large and 142cm laminate) which have met with very strong customer interest since their launch.
2. **Decorative papers** had the weakest performance, closing the year at € 40.7 million, down 13.5%. This negative performance was mainly due to the shutdown of activities in the second quarter. However, positive signs appeared in H2, where activity increased by 2.1% to €22.9M.
3. **The Energy division**, which continued to operate despite the closure of the group's other activities, was up 8.4% to €32M.

Evolution du CA par division et par semestre (M€ ; S1 2018 – S1 2019)



	S1 2019	S2 2019	2019	S1 2020	S2 2020	2020
Printed Decorative Paper	27.3	29.2	56.5	21.5	33.7	55.2
% change	26.2%	-0.4%	10.9%	-21.3%	15.5%	-2.3%
Decorative Paper	24.6	22.5	47.0	17.7	22.9	40.7
% change	-10.3%	-4.1%	-7.5%	-27.8%	2.1%	-13.5%
Energy	14.5	15.0	29.5	15.3	16.7	32.0
% change	9.4%	-6.1%	0.9%	5.6%	11.1%	8.4%
Total w.o. Energy	51.9	51.6	103.5	39.2	56.6	95.8
% change	5.8%	-2.0%	1.7%	-24.4%	9.7%	-7.4%
Total	66.4	66.6	133.0	54.5	73.3	127.8
% change	6.6%	-3.0%	1.6%	-17.8%	10.0%	-3.9%



Source : Company, Midcap

Italy, the driving force of the market and of the group's activities

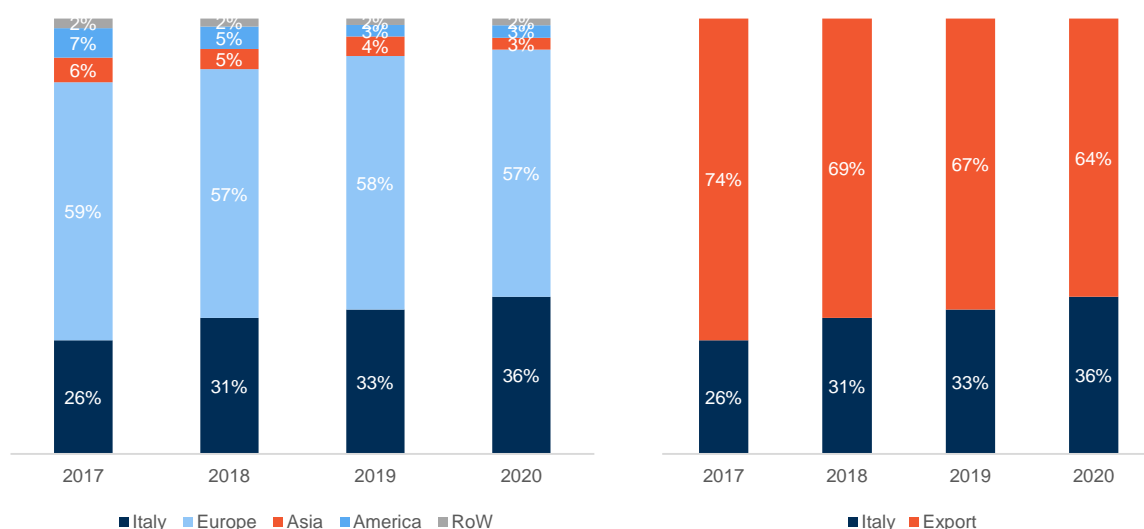
In terms of geography, Neodecortech's business is focused on Italy and Europe, which accounted for 93% of the group's sales at the end of 2020 (up from 91% in 2019).

Sales in Italy increased by 2.1% in 2020 to €34.3M, an all-time high for the group in the domestic market, while sales in Europe decreased slightly to €53.9M (-8.3% year-on-year).

On the other hand, sales in Asia fell by 42.3% and in Africa by 4.7%. Finally, America grew by 2.4%. Clearly, the large difference in performance between the different geographic areas is due to the different timing of the pandemic and the different containment measures adopted.

Looking at a longer time horizon, Italy is the geographic area that has always grown, with a **CAGR between 2017 and 2020 of 9.4%**. On the other hand, exports continue to suffer from the weakness of the decorative paper division and the limitations imposed by the pandemic. For this reason, the weight of exports has decreased slightly between 2017 and 2020, from 74% to 64%.

Evolution du CA par géographie (2017 - 2020)



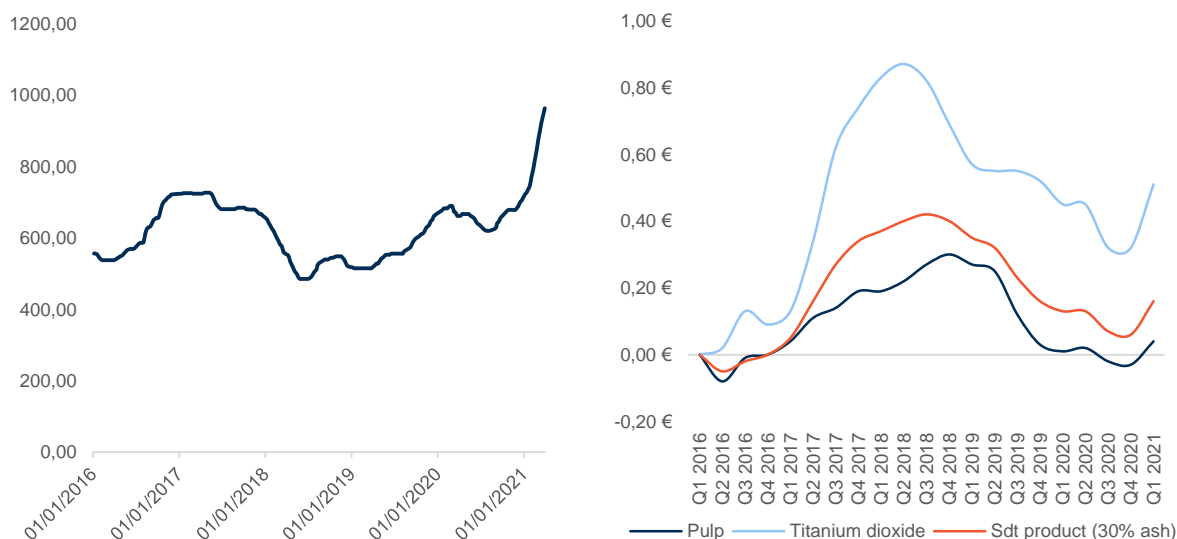
Source : Company, Midcap

Raw material costs are undoubtedly the largest expense item for NDT, accounting for 57.8% of sales in 2020 (compared with 57.0% in 2019).



Although in the first half of 2020, the price of the three commodities most used by NDT, namely titanium dioxide (TiO₂), tallow oil and wood pulp, fell due to the collapse in demand caused by Covid, in the fourth quarter of 2020 we saw a surge in the prices of these materials, which continued into early 2021. This price increase has mostly affected animal fats used as fuel for the power plant (BEG).

Evolution of tallow oil prices (left) and variation of the cost of a mixture of 1kg of base paper for printing with 30% TiO₂ (right)

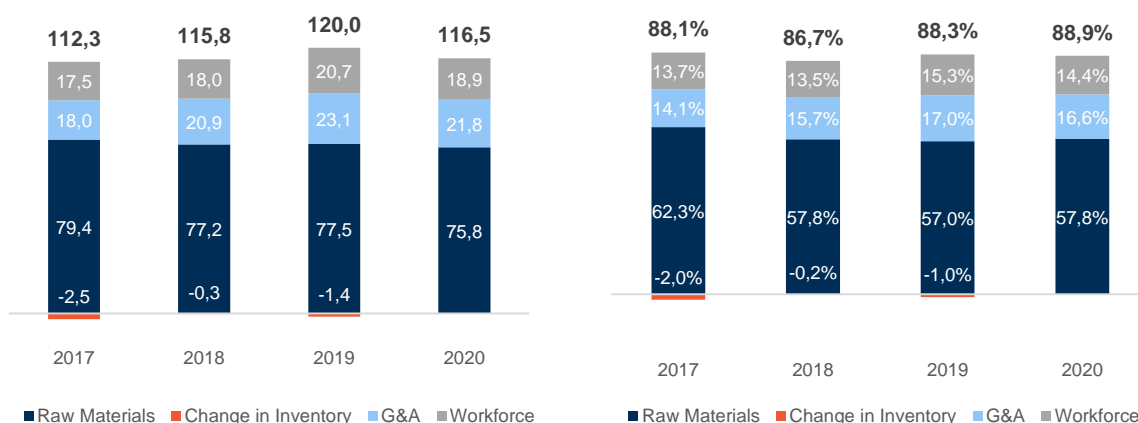


Source : Company, FOEX, ICIS, Granaria Milano

As for **personnel costs**, they decreased by about 1.8M€ to 18.9M€ (14.4% of revenues vs. 15.3% in 2019) even though the headcount increased by 8 people, for a total of 385 workers, due to the extraordinary measures imposed by Covid, such as the use of accumulated leave and the use of the redundancy fund (Cassa Integrazione).

General and administrative expenses also contracted significantly to 21.8M€ (16.6% of revenue vs. 17% in 2019) due to lower marketing costs for trade shows and events and lower utility costs due to the closure of plants for a few weeks.

Costs evolution in M€ (left) and in % of Sales (right)

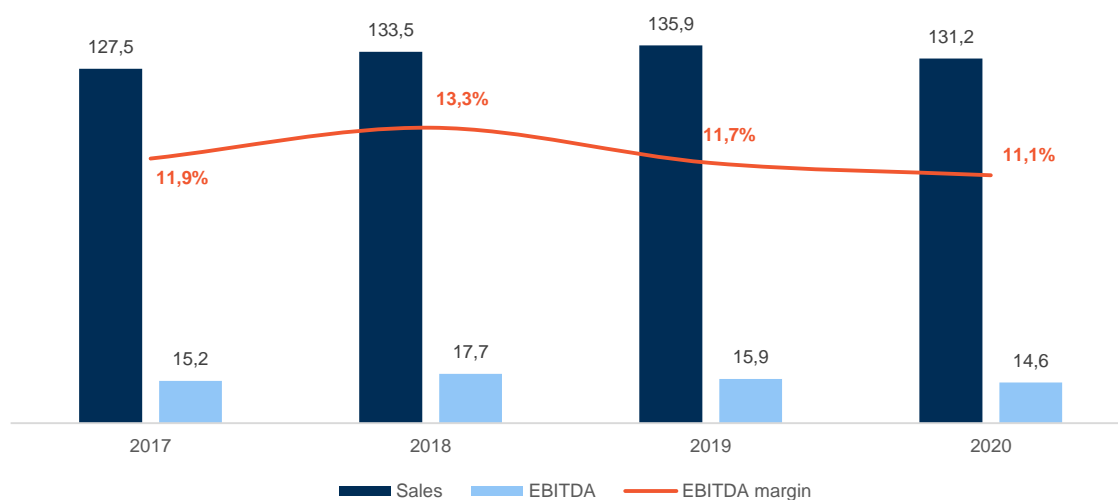


Source : Company, Midcap

Taking all these effects into account, 2020 EBITDA is only 1.3M€ lower than 2019, at 14.6M€, or a margin of 11.1%, or a 60bps contraction year-on-year.



Evolution of EBITDA (M€) and of EBITDA margin (%)



Source : Company, Midcap

VI. Neodecortech vs Comparables in 2020

The COVID crisis did not only affect Neodecortech but all companies in the sector. **We noted that Ahlstrom-Munksjo and Surteco's revenues contracted more than NDT's, -7.3% and -8.0% respectively.** However, they also rebounded strongly in the second half of 2020.

Ahlstrom-Munksjo: 2020 sales for the Decor Paper division down 11.9% yoy to €369.7m. On the other hand, EBITDA margin improved to 10.2% (+200 bps) thanks to very efficient raw material management.

- ✓ Solid Q1, after a year of de-stocking and weak demand in 2019.
- ✓ Sharp drop in demand at the end of March, following pandemic-related retail furniture store closures from mid-March to mid-June. This resulted in widespread unavailability among decor paper customers.
- ✓ Increased spending on home furnishings during the summer led to a strong market recovery and exceptional demand for home furnishings in the third quarter and continued good demand in the fourth quarter. Demand for office and store furniture remained weak in the second half of the year.

Last September, Ahlstrom-Munksjo was acquired by a consortium of private equity funds: details in the "Valuation" section.

Evolution of Sales and EBITDA of the « Decor » division of Ahlstrom-Munksjo (S1 2019 - 2020)



Ahlstrom-Munksjo	S1 2019	S2 2019	2019	S1 2020	S2 2020	2020
Net Sales	218.1	201.5	419.6	171.2	198.5	369.7
<i>% change</i>				-21.5%	-1.5%	-11.9%
EBITDA	15.6	18.9	34.5	12.7	24.9	37.6
<i>EBITDA %</i>	7.2%	9.4%	8.2%	7.4%	12.5%	10.2%

Source : Ahlstrom-Munksjo

Surteco Group: we report the results for the first nine months of 2020 because Surteco Group has not yet published the full-year figures (30.04.2021).

Revenues in the decorative segment decreased by 12.4% in the first nine months of 2020 and the EBIT margin was 6.3%, compared to 6.9% in the same period of 2019. Surteco, however, also experienced a substantial recovery in the third quarter of the year, which is expected to continue in the fourth quarter.

Evolution of Sales and EBITDA of the « Decor » division of Surteco Group (9M 2019 – 9M 2020)

Surteco	9M 2019	9M 2020
Net Sales	390.7	342.3
<i>% change</i>		-12.4%
EBIT	26.9	21.6
<i>EBIT %</i>	6.9%	6.3%

Source : Surteco Group

VII. New Business Plan : 2021-2023

Neodecortech has never hesitated to invest in new technologies, new products, and new processes, to offer its customers a wide range of innovative solutions with a typically Italian unique taste.

In this context, we have presented the most important investments of the last three-year period 2018-2020:

1. **Acquisition of the segment related to Corbetta laminates:** first to enter the very promising European laminates market and then, after the integration of its own skill set with those of Corbetta, to expand its own product range to PPLF (Plastic Printed Laminated Film) products or, in other words, to new laminated articles produced by superimposing a printed pvc film and a transparent pvc film, which can then be embossed and lacquered for the production of LVT (Luxury Vinyl Tile) floor coverings, a sector in which the Neodecortech Group has recognized technological leadership at European level.
2. **Embossing line for the PLANA brand:** €2.5M investment to enable innovative PPLF solutions.
3. **Lacquering line for the PLANA brand:** investment of €1.5M for the launch of the new EOS^{TP} product line.
4. **Lacquering line for the TEXTE brand:** investment of €1.4M for the launch of the new EOS laminate product line.

Capex 2018-2020A (M€)

	Brand	Investment	Innovation	Customer value	Profitable Growth	New product
Acquisition of a branch from Corbetta (2018) (paper base laminates business)	TEXTE	Eur 2.5 mn*	✓	✓	✓	LAMINATES
Embossing line (2020)	PLANA	Eur 2.5 mn	✓	✓	✓	PPLF
Lacquering line (2020)	PLANA	Eur 1.5 mn	✓	✓	✓	EOS ^{TP}
Lamination line (2020)	TEXTE	Eur 1.4 mn	✓	✓	✓	EOS ^{LAMINATE}

*Enterprise Value: NDT finalized the acquisition of a Business Unit (BU) from Corbetta Fia Srl on August 2nd, 2018

Source : Company

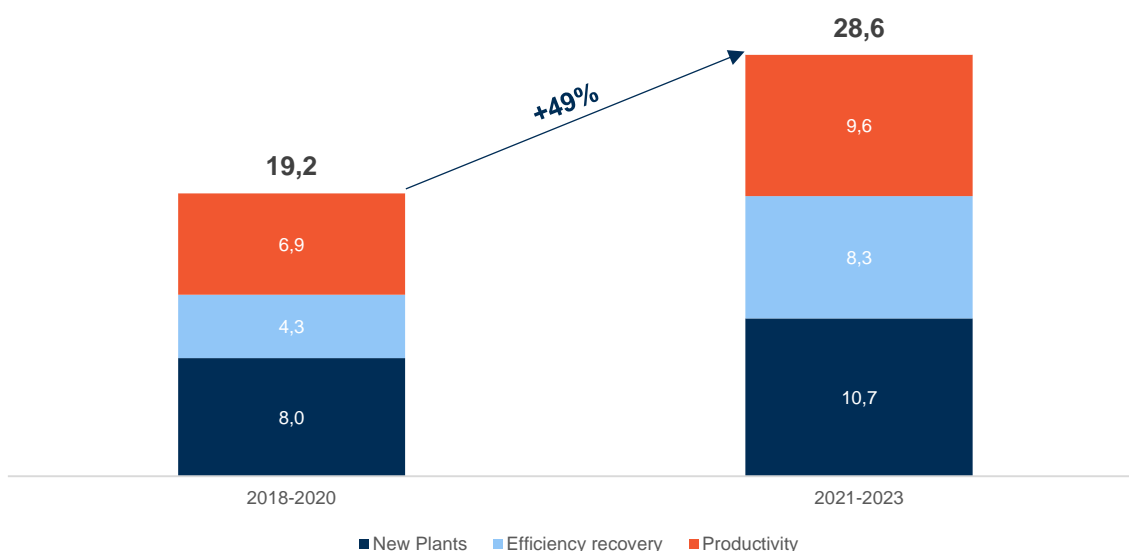
After confirming that the difficulties arising from the COVID 19 pandemic have been overcome, Neodecortech has updated the previous 2020-22 Plan by approving the 2021-23 Plan, which includes:

- ✓ Consolidation of traditional lines such as decorative paper, printed decorative paper, printed plastic film and impregnated paper ;
- ✓ Strong development of new product lines, such as laminates, EOS (anti-fingerprint surface finish) and PPLF (plastic laminate film for floor and wall accessories), all premium products (which means higher margins) for the interior decoration and flooring market;



- ✓ A 50% increase in investments compared to the previous three-year period. This leads us to estimate the total capital expenditure for the three-year period 2021-23 at approximately €28.6M.
 - 37% to the launch of new products and processes
 - 33% to increase productivity.
 - 29% to consolidate production and operating capacity.

Capex plan 2021-2023E (M€)



Source : Company, Midcap

- ✓ That the planned investments are entirely self-financed through increased cash-flow and without recourse to additional debt.
- ✓ The possibility of relying on industrial **digital printing technology**, if it proves sufficiently mature to be adopted also in the Group's business sector and to justify an adequate return.

Furthermore, the plan is based on **sustainability**. For several years, sustainability has been a focus of the Neodecortech Group, a pioneer in the principles of the circular economy. The Group uses 25% recycled raw materials in paper production and has **the lowest consumption of fossil fuels in the sector at European level**. Specifically, in terms of energy needs, Cartiera di Guarcino S.p.A. covers 25% of steam needs and 100% of electricity needs thanks to Bioenergia S.p.A. which, as a biomass cogeneration plant, uses an animal by-product as its sole fuel.

Neodecortech, on the other hand, uses **electricity from 100% renewable sources**, 10% of consumption is self-generated and this percentage will increase to 20% during the plan period.

The sustainability report, prepared in accordance with international GRI standards, will be published in May 2021.

Finally, the current energy incentives for the BEG plant expire in 2025. If these incentives are not renewed, NDT will have to rethink its power generation business, which represents about 25% of the group's turnover and provides cost savings of about €5M per year.

NDT's products portfolio



NDT recently launched EOS, the innovative line of supermatt anti-fingerprint products for the high-end surfaces market. Now the over 900 designs are divided in 7 families:



Décor Papers

Semi-finished products used for High and Low Pressure Laminates and flooring divided into three main product types: base papers, unicolors and backing papers.



Decorative printed papers

Produced in woodgrain, stone and fancy designs, our décor papers become the surfaces used in the furniture and flooring industries.



Finish Foils

Our Finish foils meet the need for surfacing materials offering an authentic look, texture realism and affordable manufacturing costs.



Melamine Films

Melamine films are decorative papers impregnated with thermoplastic resins that convert into strong and durable surfaces for the furniture and flooring industries.



PPF & PPLF for LVT

Printed plastic films that offer the same high resemblance to natural materials as Decorative papers, despite being produced on a plastic substrate. They are employed in the production of high performance flooring materials (LVT) and vertical surfaces materials (LVT) and vertical surfaces.



Laminates

Decorative Laminates are surfacing materials produced in continuity with décor papers, which cover a broad spectrum of applications: thanks to their resistance, flexibility and superb appearance.



EOS_{TP}

A thin unicolor or printed plastic film of PVC or PET subsequently lacquered. It has good mechanical properties and resistance to abrasion, aging, chemical agents and attack of funguses and bacteria. It is water repellent and particularly resistant to fire, thanks to its high ignition temperatures and low flame propagation.

EOS_{LAMINATO}

Thanks to a specific technology, the acrylic surface of Thin Top EOS LAMINATO acquires extraordinary properties such as: anti fingerprint, high scratch resistance, light fastness, no bacterial proliferation, high resistance to solvents and chemical reagents.

Source : Company

VIII. Estimates 2021-2025

Strong revenue growth: CAGR₂₀₂₀₋₂₅ of 6%

H2 2020 was marked by strong demand in the home furnishings market, which led NDT to work at rates above the historical average. We expect this trend to remain consistent over the next two years,

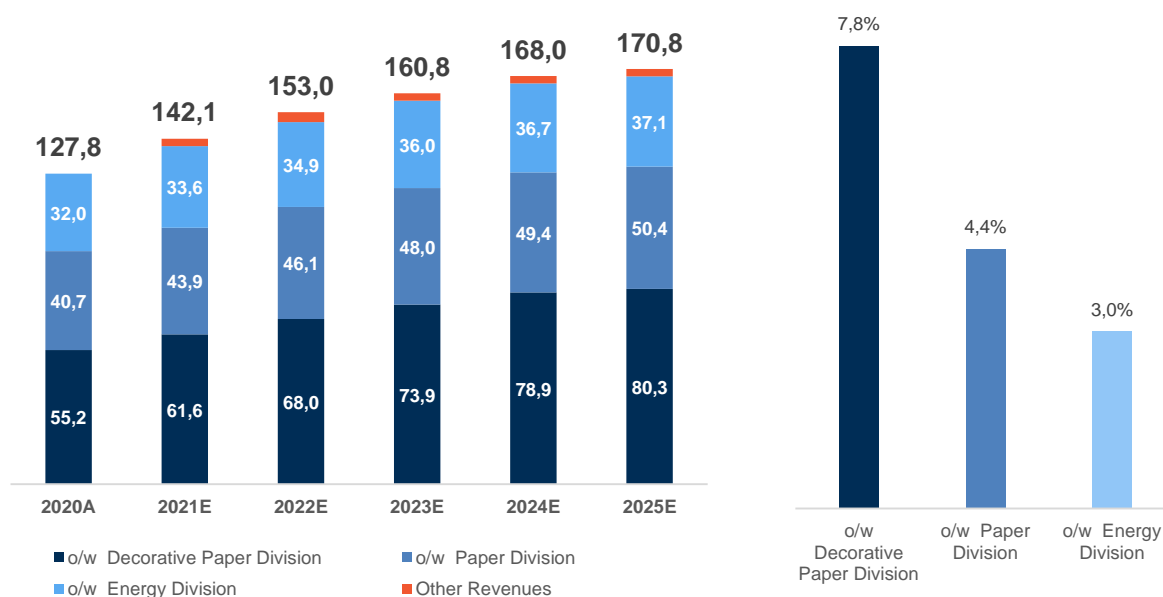


not only due to the renewed interest in home environments, but also due to the impressive tax maneuvers for real estate investments, such as the **110% super bonus** and the **furniture bonus**.

Therefore, at the divisional level, we expect that:

1. **Printed decorative papers:** The investments already made (and still in progress) in the new PPLF, laminates (142cm) and EOS (anti-fingerprint) product lines should drive revenue growth as they have already been very successful with customers. We therefore expect the division's revenues to grow at a CAGR of 7.8% between 2020 and 2025 to reach **€80.3M**.
2. **Paper Mill:** we expect a significant increase in production, which is confirmed by Managing Director Luigi Cogni, who has stated on several occasions that the Group is operating at full capacity. We therefore expect the division's sales to grow at a CAGR of 4.4% between 2020 and 2025 to reach **€50.4M**.
3. **Energy:** in 2021 we should see an increase in energy prices and especially a significant increase in incentives from 95€/MWh to 109.36€/MWh. This will lead to a 5% increase in the division's revenues in 2021, then stabilize at a more contained 3% to reach **37.1M€** in 2025.

Revenue estimates 2020A-2025E (M€)



Source : Company, Midcap

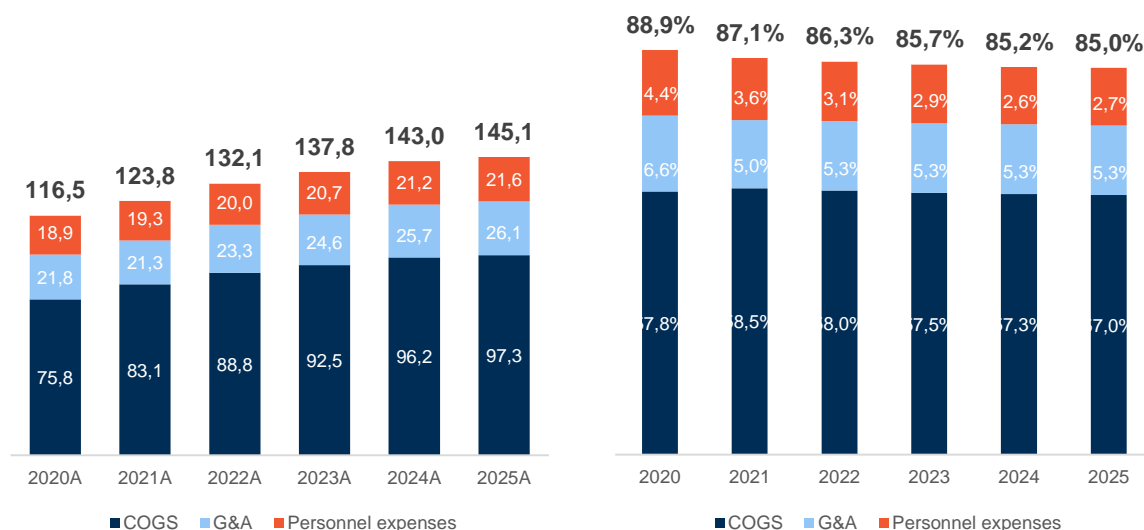
Controlled costs and improved margins

NDT normally passes on the increase in raw material prices to its products in 4-6 months, now in only 1 month, to preserve its margins. In addition, the new product lines, and the LVT products, have a significantly higher margin than the group's historical margins. Personnel costs are expected to increase less than proportionally to the increase in production, which favors operating leverage. We believe that with the pandemic, NDT has become an even more efficient company, with an even stronger focus on cost management.



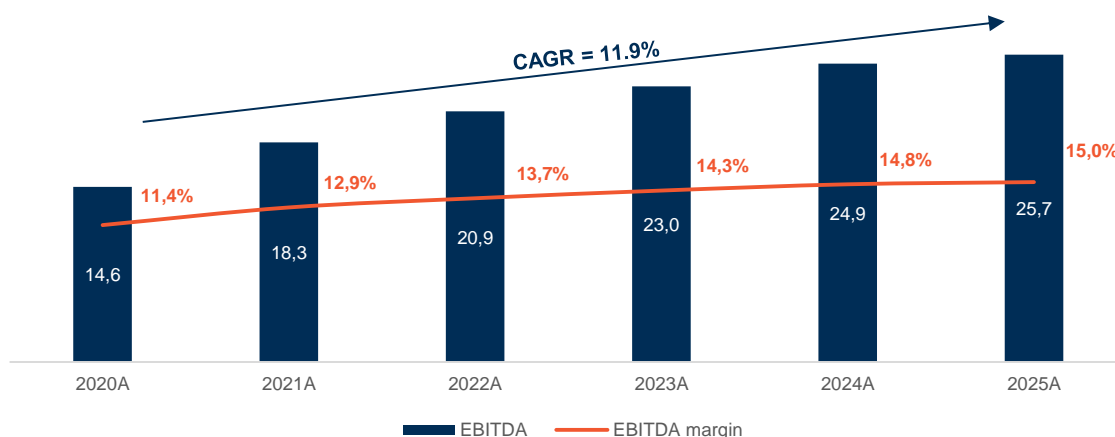
Therefore, we see a steadily increasing EBITDA margin from 2021 onwards to reach the target of 15% in 2025.

Costs estimates in M€ between 2020A and 2025E.



Source : Company, Midcap

EBITDA estimates between 2020A and 2025E.



Source : Company, Midcap

The increase in investments (CAPEX) mentioned above will lead to a proportional increase in depreciation and amortization.

We expect EBIT to grow strongly from 2021 at €9.3M to reach €16.6M in 2025.

Similarly, net income is expected to increase from €3.5M in 2020 to €11.1M in 2025.

Industrial companies = working capital efficiency

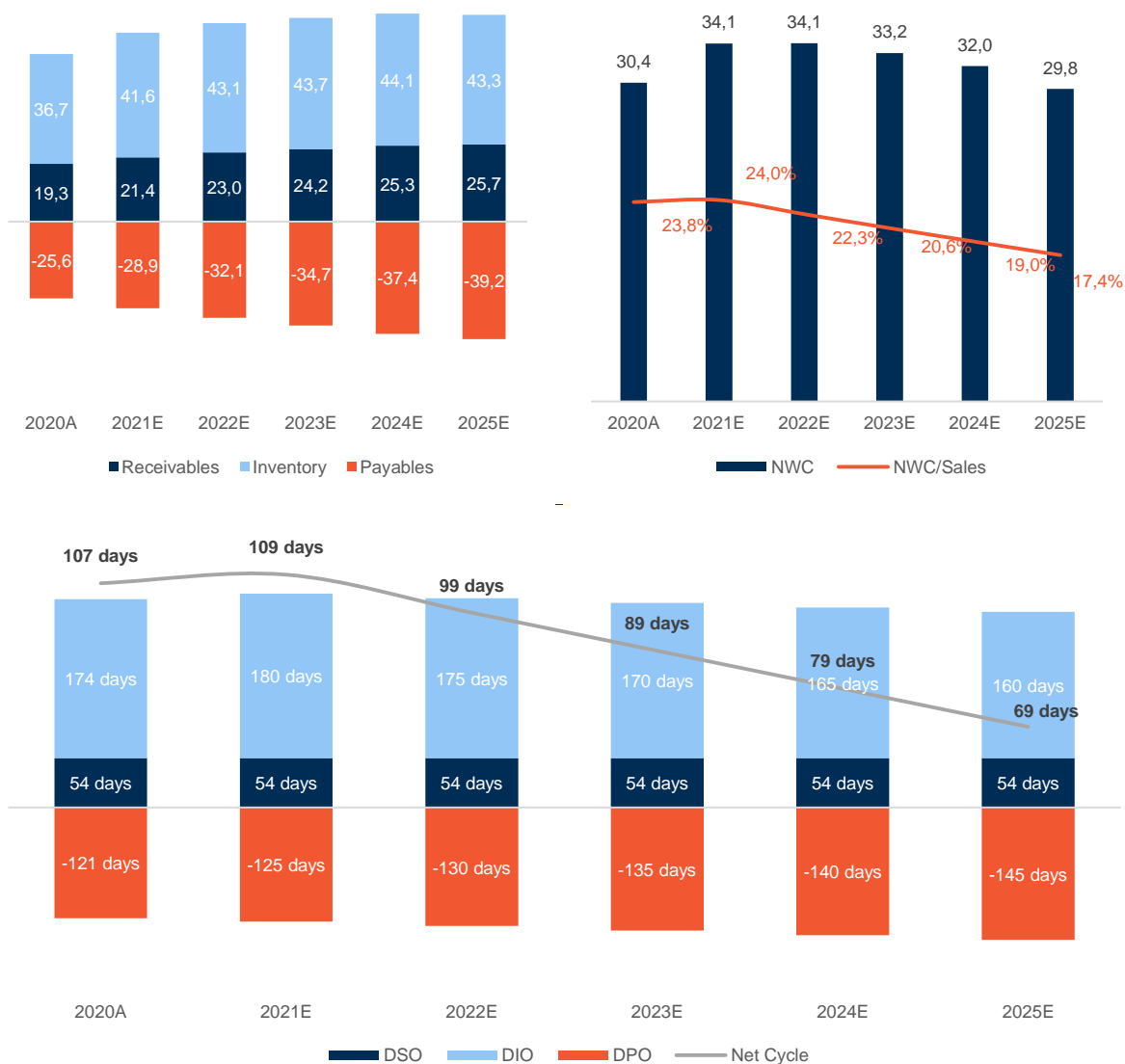
For an industrial company like Neodecortech, working capital management is critical and the management has been able to greatly improve DSO metrics from 74 days in 2017 to 54 days in 2020 (one of the best DSOs in the industry despite the pandemic). We expect net cycle days to remain stable at this level.

As for DSO, which fell to 121 days in 2020 due to Covid uncertainties, we expect it to gradually increase again to 145 days in 2025.



We therefore expect 2021 to be a transition year, as the large, planned investments and above-average volumes will not allow for further improvements in operational efficiency, which will occur from 2022 onwards to reach a net cycle of 69 days in 2025 (compared to 107 days currently).

Working capital estimates (M€)

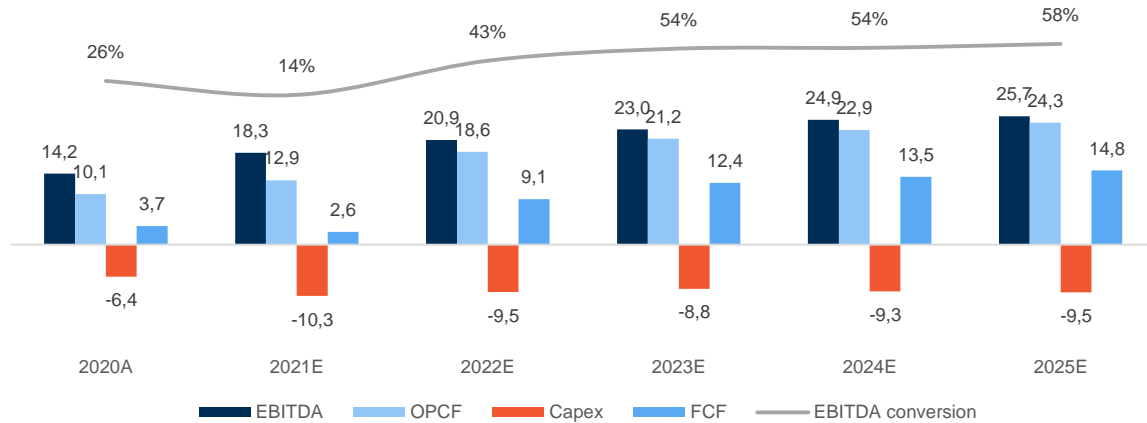


Source : Company, Midcap

Heavy investment over the next two to three years will enable NDT to offer increasingly innovative products with much better margins. This, combined with increasingly effective working capital management, will enable the company to significantly increase its cash flow.

FCF and EBITDA conversion estimates (M€)

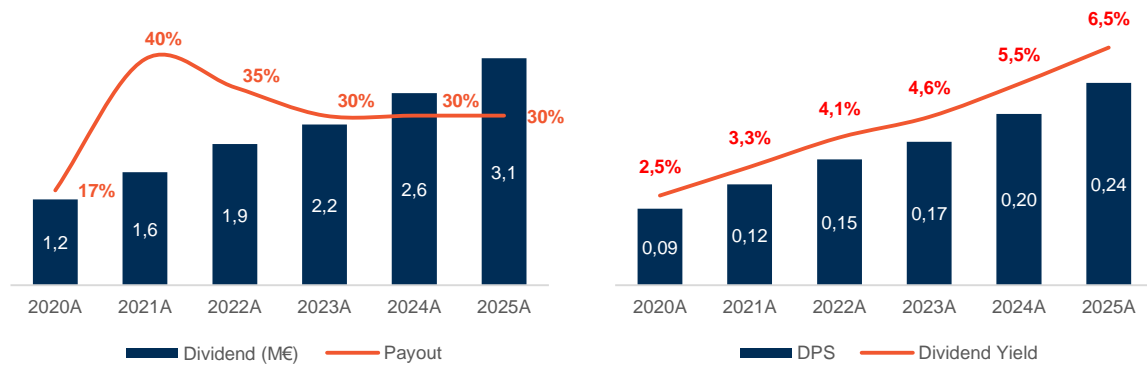




Source : Company, Midcap

The abundance of cash flow will allow for the distribution of significant dividends, with a payout ratio of between 30 and 40%.

Dividends estimates (2020A-2025E)



Source : Company, Midcap

IX. Number of shares and Warrants

At the time of the IPO, 13,101,500 warrants were issued with an expiration date of 26/12/2021 and a strike price of €4. The regulations provide that 4 warrants can be converted into 1 new Neodecortech share. Therefore, 3,275,375 new shares could be issued, which would raise €13,101,500 by diluting the original shareholders.



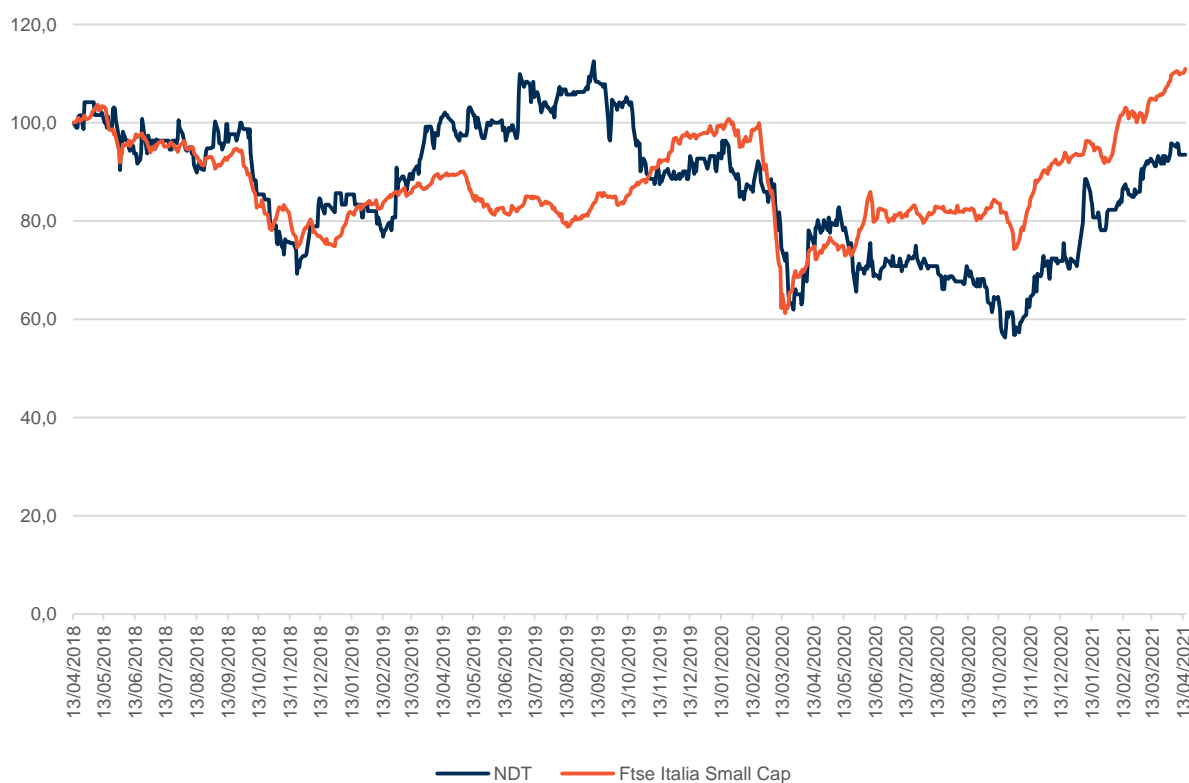
As these warrants are currently "OUT OF THE MONEY", they are not included in our valuation.

Warrants Neodecortech 2018-2021 : IT0005346785

Warrant 2018-2021	
Isin	IT0005346785
4 warrants = 1 new share	
Expiration date	26/12/2021
Strike price	€ 4.00
# warrants	13,101,500
conversion factor	4
potential # new shares	3,275,375
potential new capital	€ 13,101,500
# shares	13,084,000
max # shares	16,359,375

Source : Company, Borsa Italiana

X. Stock Price



Source : Factset



XI. Valuation

Valuation methodology

We decided to adjust our valuation of NDT by (i) redefining our peer group (ii) including the multiples of comparable transactions with a 10% weighting and (iii) adjusting our DCF assumptions.

After removing Ahlstrom-Munskjo and Panaria Group from the peer group, we lower the discount to competitors from 40% to 20% as the remaining companies in the sample are less heterogeneous and more similar in size to NDT.

We raise our price target to €5.5 (vs. €4.8) because of greater visibility on future projects and better medium/long-term margins, which led to a revision of our estimates.

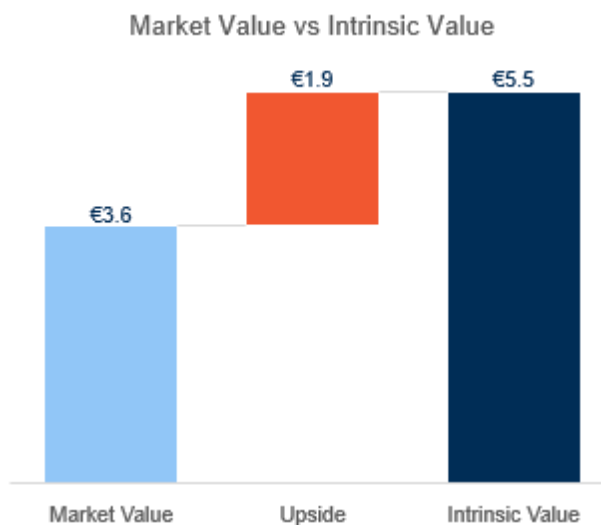
At our price target, NDT would trade at EV/EBITDA 2021E of 6.1x, EV/EBIT 2021E of 11.9x and P/E of 12.9x versus 6.4x, 15.2x and 17.2x respectively for our peer group average.

We therefore believe that NDT's valuation is still very attractive, and we reiterate our Buy recommendation.

Valuation summary

Method	FV 2021E	Coefficient	Implied multiples @target			
DCF	5.9	50.0%	2021E	2022E	2023E	
Multiples	5.2	40.0%	EV/Sales	0.8x	0.7x	0.7x
M&A	4.3	10.0%	EV/EBITDA	6.1x	5.3x	4.8x
Target Price	5.5		EV/EBIT	11.9x	9.5x	8.2x
Upside	52%		P/E	12.9x	9.7x	8.1x

Source : Facset, Midcap



Source : Facset, Midcap

Discounted Cash-Flow methodology



For this approach, we make the following assumptions:

Normative flows

- A normative EBITDA margin of 15% by 2030E
- Stable capital expenditure (Capex) at 5.0% of sales
- Stable WCR at 17.5% of sales
- Modeling of corporate income tax in line with the Italian rate of 27.9%.

Discount rate

- A risk-free rate of 0.73% (BTP 10 years)
- An equity risk premium of 8.5%
- A re-levered beta of 0.85x including 55% equity financing
- A size, liquidity, and specific risk premium of 800bps
- An after-tax cost of debt of 2.7%.
- A long-term growth rate of 0,5%.
- A WACC of 9.9%.

Discounted Cash Flow : Flows table

DCF Valuation Model

FY ending in Dec. (EURm)	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Sales	142.1	153.0	160.8	168.0	170.8	173.0	174.8	176.3	177.4	178.3
Δ %		7.7%	5.1%	4.4%	1.7%	1.3%	1.0%	0.8%	0.6%	0.5%
Adj. EBITDA	18.3	20.9	23.0	24.9	25.7	26.0	26.3	26.5	26.6	26.8
<i>EBITDA margin</i>	12.9%	13.7%	14.3%	14.8%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
D&A	(9.0)	(9.2)	(9.4)	(9.2)	(9.0)	(9.2)	(9.4)	(9.5)	(9.7)	(9.8)
<i>D&A as % sales</i>	(6.3%)	(6.0%)	(5.9%)	(5.5%)	(5.3%)	(5.3%)	(5.4%)	(5.4%)	(5.5%)	(5.5%)
Adj. EBIT	9.3	11.7	13.6	15.7	16.6	16.8	16.9	16.9	17.0	17.0
<i>EBIT margin</i>	6.6%	7.6%	8.5%	9.3%	9.7%	9.7%	9.7%	9.6%	9.6%	9.5%
Taxes on EBIT	(2.2)	(2.8)	(3.1)	(3.9)	(4.0)	(4.7)	(4.7)	(4.7)	(4.7)	(4.7)
<i>Tax rate</i>	24.0%	24.0%	23.0%	25.0%	24.0%	27.9%	27.9%	27.9%	27.9%	27.9%
Adj. NOPAT	7.1	8.9	10.5	11.8	12.6	12.1	12.2	12.2	12.2	12.2
CapEx	(10.3)	(9.5)	(8.8)	(9.3)	(9.5)	(9.5)	(9.6)	(9.7)	(9.8)	(9.8)
<i>% sales</i>	(7.2%)	(6.2%)	(5.5%)	(5.6%)	(5.6%)	(5.5%)	(5.5%)	(5.5%)	(5.5%)	(5.5%)
WC	34.1	34.1	33.2	32.0	29.8	30.3	30.6	30.8	31.0	31.2
<i>% sales</i>	24.0%	22.3%	20.6%	19.0%	17.4%	17.5%	17.5%	17.5%	17.5%	17.5%
Δ WC	(3.7)	(0.0)	0.9	1.2	2.2	(0.5)	(0.3)	(0.2)	(0.2)	(0.2)
Adj. FCF	2.1	8.6	12.0	12.9	14.3	11.3	11.6	11.8	12.0	12.1
<i>Cash conversion on EBITDA</i>	11%	41%	52%	52%	56%	43%	44%	45%	45%	45%
Time coefficient	0.7	1.7	2.7	3.7	4.7	5.7	6.7	7.7	8.7	9.7
DF	0.9	0.9	0.8	0.7	0.6	0.6	0.5	0.5	0.4	0.4
Discounted FCF	1.9	7.3	9.3	9.1	9.2	6.6	6.2	5.7	5.3	4.8

Source : Company, Midcap

Discounted Cash Flow



Sum of discounted FCF	65.4
Terminal trailing EV/EBIT 2030E	7.6x
+ Discounted Terminal Value	51.9
%EV	44.2%
= Enterprise Value	117.3
- Equity Bridge	(39.8)
= Equity Value	77.5
Fully diluted NoSHm	13.1
Price target	5.92
Potential upside (downside)	65.0%

Source : Company, Midcap

Sensitivity Analysis – Equity Value (€)

		TGR				
		0.00%	0.25%	0.50%	0.75%	1.00%
WACC	8.9%	6.60	6.87	7.05	7.23	7.41
	9.4%	6.07	6.30	6.45	6.61	6.77
	9.9%	5.58	5.79	5.92	6.06	6.19
	10.4%	5.14	5.33	5.45	5.56	5.68
	10.9%	4.75	4.91	5.02	5.12	5.22

Source : Company, Midcap

According to the DCF method, the enterprise value (EV) amounts to 117.3M€ and, subtracting the net financial position of 39.8M€, **we have estimated an equity value of 77.5M€, or 5.9€ per share.**

Market peer method



Our peer sample consists of firms that compete with NDT in at least one industry. The sample is heterogeneous, with differences in size, margins, growth, and leverage. It should be noted that most of NDT's direct competitors are not publicly traded.

Multiples of listed comparables

Company Name	Ticker	Country	Market Value (€m)		EV/Sales			EV/EBITDA			EV/EBIT			P/E		
			Equity	EV	Dec-21	Dec-22	Dec-23	Dec-21	Dec-22	Dec-23	Dec-21	Dec-22	Dec-23	Dec-21	Dec-22	Dec-23
Basic Materials																
Ober SA	ALOBR-FR	France	11	28	0.83x	0.80x										
Sanderson Design Group PLC	SDG-LON	United Kingdom	105	93	0.92x	0.85x		7.3x	6.5x		14.4x	12.0x		20.4x	16.8x	
SURTECO GROUP SE	SLR-DE	Germany	406	561	0.85x	0.83x	0.85x	6.5x	5.9x	5.4x	12.1x	10.3x	8.9x	14.3x	11.7x	10.4x
Tarkett SA	TKTF-FR	France	1,054	1,520	0.56x	0.54x	0.53x	5.4x	4.9x	4.7x	13.1x	10.6x	9.6x	16.2x	11.7x	10.5x
Average					0.79x	0.75x	0.69x	6.4x	5.8x	5.1x	15.2x	12.8x	9.2x	17.2x	13.7x	10.4x
Neodecortech SpA vs. Average			49	89	0.62x (21%)	0.55x (27%)	0.48x (30%)	4.8x (25%)	4.0x (30%)	3.3x (34%)	9.5x (30%)	7.2x (44%)	5.7x (39%)	8.5x (51%)	6.4x (54%)	5.3x (49%)

Source : Factset, Midcap

Peers valuation

EV/EBITDA	Dec-21	Dec-22	Dec-23
Figure	18.3	20.9	23.0
Multiple	6.4x	5.8x	5.1x
Discounted multiple @20%	5.1x	4.6x	4.1x
EV	93.7	96.7	93.5
+/- equity bridge	(39.8)	(39.8)	(39.8)
Equity value	53.9	56.9	53.7
Fully diluted NoSHm	13.1	13.1	13.1
FV/share	4.12	4.35	4.10
Average FV/share		4.19	
% upside/downside		16.7%	

EV/EBIT	Dec-21	Dec-22	Dec-23
Figure	9.3	11.7	13.6
Multiple	15.2x	12.8x	9.2x
Discounted multiple @20%	12.2x	10.2x	7.4x
EV	113.4	119.9	100.3
+/- equity bridge	(39.8)	(39.8)	(39.8)
Equity value	73.6	80.1	60.5
Fully diluted NoSHm	13.1	13.1	13.1
FV/share	5.63	6.12	4.62
Average FV/share		5.46	
% upside/downside		52.0%	

P/E	Dec-21	Dec-22	Dec-23
Figure	5.5	7.4	8.8
Multiple	17.2x	13.7x	10.4x
Discounted multiple @20%	13.7x	11.0x	8.3x
Equity Value	76.2	81.1	73.6
Fully diluted NoSHm	13.1	13.1	13.1
FV/share	5.82	6.20	5.62
Average FV/Share		5.88	
% upside/downside		63.8%	

Average Multiples	
EV/EBITDA	4.19
EV/EBIT	5.46
P/E	5.88
Average	5.18
Upside	44%

Source : Companies, Midcap, FactSet

Considering the average multiples of EV/EBITDA, EV/EBIT and P/E over the years 2021, 2022 and 2023, with a conservative discount of 20%, we obtain a **relative valuation of €5,2, which implies a potential upside of 44% on the current price.**

Transactional comparables method



On September 24, a consortium of private equity funds consisting of Ahlstrom Capital, Bain Capital, Viknum and Belgrano Inversiones launched a cash offer for all shares of the Ahlstrom-Munksjo group. The offer price was €17.97 per share, with an equity valuation of approximately €2.1 billion. This valuation implies the following multiples :

1. Average **EV/Sales** for 2020A-2022E of 1,0x.
2. Average **EV/EBITDA** for 2020A-2022E of 7,8x.
3. Average **P/E** for 2020A-2022E of 17,8x.

The offer was finally accepted last February, and the consortium was able to acquire approximately 91% of the shares.

Tender offer Ahlstrom-Munksjo – 24.09.2020

Date	Target	Country	Acquirer	EV (M€)	Equity (M€)	Sales 20	Sales 21	Sales 22	EV/Sales 20	EV/Sales 21	EV/Sales 22	EBITDA 20	EBITDA 21	EBITDA 22	EV/EBITDA 20	EV/EBITDA 21	EV/EBITDA 22	Net Income 20	Net Income 21	Net Income 22	P/E 20	P/E 21	P/E 22		
Sep-20	Ahlstrom-Munksjo	Finland	Bain Capital, Ahlstrom Capital, Viknum, Belgrano Inversiones	3494.0	2394.8	3205	3362	3453	1.1 x	1.0 x	1.0 x	431	441	472	8.1 x	7.9 x	7.4 x	113	135	167	21.2 x	17.7 x	14.3 x		
									1.0 x				448.00 x				7.8 x				138.33 x				17.8 x

Source : Factset, Midcap

On April 1, Finparia, the majority shareholder of the Panaria Group, a high-end ceramics company listed on the STAR segment of the Italian Stock Exchange, launched a public tender offer at €1.85 per share for all the company's shares. The offer values the group's equity at €83.1 million and the EV at €222.8 million, with the following multiples:

1. Average **EV/Sales** for 2020A-2022E of 0,6x.
2. Average **EV/EBITDA** for 2020A-2022E of 5,4x.

Tender offer Panaria Group – 01.04.2021

Date	Target	Country	Acquirer	EV (M€)	Equity (M€)	Sales 20	Sales 21	Sales 22	EV/Sales 20	EV/Sales 21	EV/Sales 22	EBITDA 20	EBITDA 21	EBITDA 22	EV/EBITDA 20	EV/EBITDA 21	EV/EBITDA 22
Apr-21	Panaria Group	Italy	Finpararia	222.8	83.1	352.6	383.1	396.5	0.63 x	0.58 x	0.56 x	37.5	41.8	44.4	5.9 x	5.3 x	5.0 x
									0.6 x				41.23 x				5.4 x

Source: Factset, Midcap

Market multiples : Valuation summary

Taking into account the average EV/EBITDA multiples over the years 2020A, 2021E and 2022E and applying them to Neodecortech with a conservative discount of 20%, we arrive at an average price per share of €4.3, i.e. a potential upside of 19%.

	2020A	2021E	2022E
EV/EBITDA			
EBITDA	14.6	18.3	20.9
Multiple	5.9 x	5.3 x	5.0 x
Discounted multiple	5.9 x	5.3 x	5.0 x
EV	86.9	97.8	105.0
Equity Bridge	-39.8	-39.8	-39.8
Equity	47.1	58.0	65.2
Price per share	€ 3.6	€ 4.4	€ 5.0
Average	€ 4.3		
Potential upside	21%		

Source : Factset, Midcap



XII. Financials (1/2)

Income statement										
€M	2017A	2018A	2019A	2020A	2021E	2022E	2023E	2024E	2025E	
VoP	127.7	133.5	135.9	131.2	142.1	153.0	160.8	168.0	170.8	
<i>Change</i>	0.0%	4.5%	1.7%	-3.5%	8.4%	7.7%	5.1%	4.4%	1.7%	
Raw materials and consumables	(76.8)	(76.9)	(76.1)	(75.8)	(83.1)	(88.8)	(92.5)	(96.2)	(97.3)	
External charges	(18.0)	(20.9)	(23.1)	(21.8)	(21.3)	(23.3)	(24.6)	(25.7)	(26.1)	
Personnel costs	(17.5)	(18.0)	(20.7)	(18.9)	(19.3)	(20.0)	(20.7)	(21.2)	(21.6)	
Other Operating costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other revenues and expenses	0.0	(0.1)	(0.0)	0.0	0.0	0.0	0.0	0.0	0.0	
EBITDA reported	15.4	17.7	15.9	14.6	18.3	20.9	23.0	24.9	25.7	
<i>% of revenue</i>	12.1%	13.2%	11.7%	11.1%	12.9%	13.7%	14.3%	14.8%	15.0%	
Extraordinary revenues and expenses	(0.1)	1.3	2.0	0.4	0.0	0.0	0.0	0.0	0.0	
EBITDA adjusted	15.5	16.4	13.9	14.2	18.3	20.9	23.0	24.9	25.7	
<i>% of revenue</i>	12.1%	12.3%	10.2%	10.8%	12.9%	13.7%	14.3%	14.8%	15.0%	
Net depreciation, amortization and provisions	(6.3)	(7.2)	(8.7)	(9.1)	(9.0)	(9.2)	(9.4)	(9.2)	(9.0)	
EBIT	9.1	10.5	7.2	5.5	9.3	11.7	13.6	15.7	16.6	
<i>% of revenue</i>	7.1%	7.9%	5.3%	4.2%	6.6%	7.6%	8.5%	9.3%	9.7%	
EBIT adjusted	9.2	9.3	5.2	5.1	9.3	11.7	13.6	15.7	16.6	
<i>% of revenue</i>	7.2%	6.9%	3.8%	3.9%	6.6%	7.6%	8.5%	9.3%	9.7%	
Financial result	(2.7)	(3.0)	(1.9)	(1.4)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	
Income tax	(1.1)	(1.6)	(1.2)	(0.5)	(1.8)	(2.3)	(2.8)	(3.3)	(3.5)	
<i>Tax rate</i>	-17.6%	-21.1%	-23.7%	-13.0%	-24.0%	-24.0%	-24.0%	-24.0%	-24.0%	
Net income	5.2	6.0	4.0	3.5	5.5	7.4	8.8	10.4	11.1	
Minority	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Net income group share	5.2	6.0	4.0	3.5	5.5	7.4	8.8	10.4	11.1	
Net Income adjusted	5.3	5.0	2.5	3.2	5.5	7.4	8.8	10.4	11.1	
Balance sheet										
€M	2017A	2018A	2019A	2020A	2021E	2022E	2023E	2024E	2025E	
Intangible fixed assets	3.3	3.5	2.9	2.2	2.5	2.8	3.1	3.5	3.8	
Tangible fixed assets	72.6	76.7	78.9	77.2	78.2	78.2	77.2	77.0	77.2	
Financials assets	1.6	3.9	1.9	1.8	1.8	1.8	1.8	1.8	1.8	
Deferred tax	2.5	2.2	2.2	2.1	2.1	2.1	2.1	2.1	2.1	
Other assets	2.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Current assets	66.2	65.8	63.8	60.0	67.0	70.4	71.9	73.4	73.0	
Cash	6.1	6.5	3.5	7.5	6.5	11.7	19.8	28.7	38.4	
Assets	154.4	158.5	153.1	150.9	158.2	166.9	176.0	186.5	196.3	
Shareholder's equity	54.0	58.6	61.3	61.7	65.7	71.1	77.7	85.5	93.5	
Minority	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Provisions	0.5	0.7	0.9	1.3	1.3	1.3	1.3	1.3	1.3	
Deferred tax	6.0	6.5	6.6	6.2	6.2	6.2	6.2	6.2	6.2	
Financial debt	56.8	53.4	47.0	50.2	50.2	50.2	50.2	50.2	50.2	
IFRS 16 debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other non-current liabilities	3.6	4.3	4.7	4.7	4.7	4.7	4.7	4.7	4.7	
Current liabilities	34.8	35.0	32.6	26.8	30.1	33.2	35.9	38.6	40.4	
Liabilities	155.7	158.5	153.1	150.9	158.2	166.8	176.0	186.5	196.3	
Cash-flow statement										
€M	2017A	2018A	2019A	2020A	2021E	2022E	2023E	2024E	2025E	
Operating cash-flow	14.2	18.2	15.5	13.0	16.6	18.6	20.2	21.6	22.1	
ΔNWC	0.0	(0.0)	(1.9)	(2.9)	(3.7)	(0.0)	0.9	1.2	2.2	
Cash-flow from operating activities	14.2	18.2	13.6	10.1	12.9	18.6	21.2	22.9	24.3	
CAPEX	(7.6)	(7.7)	(8.0)	(6.4)	(10.3)	(9.5)	(8.8)	(9.3)	(9.5)	
FCF	6.6	10.4	5.6	3.7	2.6	9.1	12.4	13.5	14.8	
Net acquisition of financial assets	0.0	0.0	2.7	0.0	0.0	0.0	0.0	0.0	0.0	
Acquisitions	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	
Other change in scope	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Cash-flow from investing activities	(7.6)	(7.7)	(5.3)	(6.4)	(10.3)	(9.5)	(8.8)	(9.3)	(9.5)	
Capital increase	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Share repurchase	0.0	(0.1)	(0.2)	(0.1)	0.0	0.0	0.0	0.0	0.0	
Change in borrowings	0.0	(6.2)	(7.6)	3.9	0.0	0.0	0.0	0.0	0.0	
Dividends	0.0	(2.0)	(2.0)	(1.9)	(1.6)	(1.9)	(2.2)	(2.6)	(3.1)	
Other	0.0	(1.7)	(1.5)	(1.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	
Cash-flow from financing activities	0.0	(10.1)	(11.3)	0.8	(3.6)	(3.9)	(4.2)	(4.6)	(5.1)	
Currency effect	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Change in cash	6.6	0.4	(3.0)	4.5	(1.0)	5.1	8.1	8.9	9.7	



XIII. Financials (2/2)

KEY RATIOS

	2017A	2018A	2019A	2020A	2021E	2022E	2023E	2024E	2025E
Revenue growth	0.0%	4.5%	1.7%	-3.5%	8.4%	7.7%	5.1%	4.4%	1.7%
Reported EBITDA margin	12.1%	13.2%	11.7%	11.1%	12.9%	13.7%	14.3%	14.8%	15.0%
Adjusted EBITDA margin	12.1%	12.3%	10.2%	10.8%	12.9%	13.7%	14.3%	14.8%	15.0%
EBIT margin	7.1%	7.9%	5.3%	4.2%	6.6%	7.6%	8.5%	9.3%	9.7%
Net margin	4.2%	3.7%	1.8%	2.4%	3.9%	4.8%	5.5%	6.2%	6.5%
Reported EPS	0.3	0.5	0.3	0.3	0.4	0.6	0.7	0.8	0.9
Dividend per share	0.1	0.2	0.2	0.1	0.1	0.1	0.2	0.2	0.2
Dividende Yield	0.5%	3.0%	3.9%	2.5%	3.3%	4.1%	4.7%	5.6%	6.7%
NWC as a % of Revenue	19.5%	20.6%	19.9%	23.8%	24.0%	22.3%	20.6%	19.0%	17.4%
DIO	172.1	168.2	184.9	174.1	180.0	175.0	170.0	165.0	160.0
DSO	77.3	66.8	51.0	54.2	54.2	54.2	54.2	54.2	54.2
DPO	152.1	155.3	148.1	121.4	125.0	130.0	135.0	140.0	145.0
FCF	6.6	10.4	5.6	3.7	2.6	9.1	12.4	13.5	14.8
FCF yield				28%	60%	21%	18%	20%	21%
Conversion rate (FCF/EBITDA)	43%	59%	36%	25%	14%	43%	54%	54%	58%
CAPEX/Sales	5.9%	5.8%	5.9%	4.9%	7.2%	6.2%	5.5%	5.6%	5.6%
ROE	0.0%	10.3%	6.5%	5.7%	8.4%	10.4%	11.3%	12.2%	11.9%
ROA	0.0%	3.8%	2.6%	2.3%	3.5%	4.4%	5.0%	5.6%	5.7%
ROCE (after tax)	0.0%	10.2%	5.9%	4.6%	6.4%	8.0%	9.5%	11.1%	11.9%
Gearing, net	0.0%	75.7%	66.2%	64.8%	62.4%	50.4%	35.7%	22.0%	9.8%
Financial leverage	0.0x	2.5x	2.5x	2.7x	2.2x	1.7x	1.2x	0.8x	0.4x
EV/Sales				0.7x	0.6x	0.6x	0.5x	0.4x	0.3x
EV/EBITDA				6.0x	4.8x	4.0x	3.3x	2.8x	2.3x
EV/EBIT				16.0x	9.5x	7.2x	5.7x	4.4x	3.6x
PE				12.1x	8.5x	6.4x	5.3x	4.5x	4.2x





MIDCAP PARTNERS vs CONSENSUS

	2021E		2022E		2023E	
	Midcap Partners	Consensus	Midcap Partners	Consensus	Midcap Partners	Consensus
Sales	142.1	140.4	153.0	150.3	160.8	160.4
EBITDA	18.3	17.9	20.9	20.8	23.0	20.0
EBIT	9.3	9.3	11.7	12.2	13.6	13.9
EPS	0.4	0.4	0.6	0.5	0.7	0.7



XIV. ANNEXES

Comparables' description

	<p>Ober SA designs, manufactures and markets decorative wood panels. Its products include panels for stores, offices, hotels, meeting and event rooms, and private residences. The company offers its products under the brand names Oberflex, Concete LCDA, Marotte, Pure Paper and Staron. The company was founded in 1925 and is headquartered in Longeville-en-Barrois, France.</p>
	<p>Sanderson Design Group Plc specializes in the design, manufacture and marketing of interior furniture, fabrics and wallpapers. It operates through the Brands and Manufacturing segments. The Brands segment includes design, marketing, sales and distribution, as well as licensing activities for the Sanderson, Morris & Co, Harlequin, Zoffany, Anthology, Scion, Clarke & Clarke, and Studio G brands. The Manufacturing segment includes wallcoverings and printed fabrics under the Sanderson, Morris & Co, Harlequin and Zoffany brands. The Manufacturing segment is for wallcoverings and printed fabrics under the Anstey and Standfast brands. The company was founded in 1899 and is headquartered in Denham, UK.</p>
	<p>Surteco Group SE is a holding company for the development, production and sale of paper and plastic based coated surface materials. It operates through the Strategic Business Units (SBU) Paper and SBU Plastics. The SBU Paper segment includes the production and sale of decorative papers, finishing sheets, impregnations, paper-based edgebanding and release papers. The SBU Plastics segment includes the production and sale of edgebands, skirting boards and thermoplastic extrusions for flooring wholesalers, ranges for DIY and home improvement stores, films, technical extrusions and roller shutter systems. The company was founded in 1999 and is based in Buttenwiesen, Germany.</p>
	<p>Tarkett SA is active in the manufacture of resilient floor coverings. It operates through the following segments: Europe, Middle East and Africa; North America; CIS, APAC and Latin America; and Sports Surfaces. The EMEA segment produces and distributes resilient vinyl and linoleum flooring, carpet, wood flooring and laminate flooring. The North America segment offers commercial carpet, resilient flooring, rubber flooring and vinyl and rubber accessories, with wood and laminate flooring included. The CIS, APAC and Latin America segment includes residential vinyl flooring, wood flooring and laminate flooring. The sports surfaces segment focuses on the sale of artificial turf, athletic tracks and indoor sports flooring. The company was founded on December 29, 1989 and is headquartered in Paris, France.</p>

Source : FactSet, Companies

Management



RICCARDO BRUNO – President of the BoD

- Degree in electrical engineering and MBA from the American University of Washington.
- **1985 - 2000:** Head of Capital Markets and Corporate Finance at the "Banca Nazionale del Lavoro", then Managing Director of the Cofiri Group for ten years
- **2000:** Managing Director and member of the European Management Committee of Deutsche Bank and National Head of Corporate and Investment Banking.
- **2008-2017:** Senior Partner and Executive Director of Clessidra SGR
- **Today:** member of the board of directors of Atlantia, Credito Emiliano and Evinrude and sole director of Capital Insight Partners. Lecturer on structured finance at the Luiss University of Rome



LUIGI COLOGNI - CEO

- Degree in Business Administration and MBA from Bocconi University
- He started his career in the banking sector
- **1990:** he started his experience in the furniture industry, working for multinational companies
- **2005:** he joined Confalonieri SPA (now Neodecortech), where he is currently CEO.



FABIO ZANOBINI - CFO

- Diploma in business administration and certified public accountant and auditor
- **1997:** first seven years of experience in law and tax firms, mainly EY
- **2004:** four years in multinational companies in the pharmaceutical and energy sectors as CFO.
- **2008:** joined Sorgenia Group, where he held several positions: tax director, internal audit director and administrative and tax director.
- **2018:** Joined BT Italia SPA as head of administration and tax.



MASSIMO GIORGILLI – Executive Director

- Law degree and MBA from LUISS University
- After a brief period in law firms, he created a consulting company.
- **2002:** began his experience in the paper industry, holding positions in the management control division.
- **2003:** he joined Cartiere di Guarcino as financial director.
- After his position as CFO, he was appointed Executive Director in 2005.
- **2015:** appointed CEO of Cartiere di Guarcino (CdG) and sole director of Bio Energia Guarcino (BEG).

Source : Company

ESG : an additional strength

We have already discussed Neodecortech's environmental excellence, so in this chapter we will focus our attention on social and governance matters.

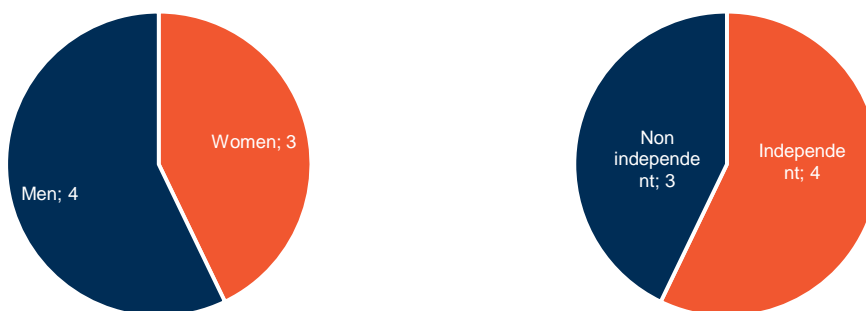
1. Social :

- a. Over the past two years, the group has provided more than 4,400 hours of training to its employees, or nearly 12 hours per employee. Some of these trainings have resulted in a 20% reduction in minor injuries (<30 days) and the complete elimination of serious injuries by the end of 2020.
- b. NDT has implemented a scholarship program for employees' children.
- c. 200 of the group's 385 employees are under the age of 50. 95% of employees are on full-time and/or permanent contracts and 68% of the workforce has been with the company for more than 10 years.
- d. The group has made corporate donations to support local community, cultural and charitable organizations.

2. Governance :

- a. The Group has adopted a code of ethics that is binding on all Group companies and the Borsa Italiana code of conduct.
- b. The Board of Directors is well balanced in terms of gender (3 women and 4 men) and in terms of independence (4 independent directors).

Gender diversity and independence on the BoD



Source : Company



c. NDT established 4 internal committees :

- Risk Management
- Compensation
- Transactions with related parties
- Sustainability

Il Bosco della Memoria - Bergamo

Finally, in memory of the victims of Covid-19, the Neodecortech Group has joined the project "Il Bosco della memoria" (The Wood of Memory) located in the Parco della Trucca, next to the Giovanni XXIII Hospital in Bergamo, symbol of the fight against the pandemic. An ambitious project that combines the need to preserve memory and the need to celebrate life. About 750 trees will be planted on an area of 6000 square meters. Participation in this initiative is part of Neodecortech's broader commitment to focus on the values of solidarity and sustainability.

Project: « Bosco della Memoria »



Source : <https://www.produzionidalbasso.com/project/il-bosco-della-memoria/>

Disclaimer

This document may mention evaluation methods defined as follows:

1. **DCF method:** discounting of future cash flows generated by the company's operations. Cash flows are determined by the analyst's financial forecasts and models. The discount rate used corresponds to the weighted average cost of capital, which is defined as the weighted average cost of the company's debt and the theoretical cost of its equity as estimated by the analyst.
2. **Comparable method:** application of market valuation multiples or those observed in recent transactions. These multiples can be used as references and applied to the company's financial aggregates to deduce its valuation. The sample is selected by the analyst based on the characteristics of the company (size, growth, profitability, etc.). The analyst may also apply a premium/discount depending on his perception of the company's characteristics.
3. **Assets and liabilities method:** estimate of the value of equity capital based on revalued assets adjusted for the value of the debt.
4. **Discounted dividend method:** discounting of estimated future dividend flows. The discount rate used is generally the cost of capital.
5. **Sum of the parts:** this method consists of estimating the various activities of a company using the most appropriate valuation method for each of them, then realizing the sum of the parts.

Rating structure

- Buy: expected to outperform the market by more than 10% over a 6 - 12 months horizon
- Hold: expected performance between -10% and +10% compared to the market in a 6 - 12 months horizon
- Sell: expected to underperform the market by more than 10% over a 6 - 12 months horizon

The history of ratings and the target price for the Issuers covered in this report are available on request at marketing@midcapp.com.

Conflict of Interests

Company	Closing Price (€)	Rating	Warning
Neodecortech	3.59	BUY	G

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