



NEWS

12 February 2021

NEODECORTECH

New Business Plan: Investments, Sustainability, Move to STAR (= Company)

Yesterday, Neodecortech's Board of Directors approved the new 2021-2023 business plan.

We consider the following points to be worth noting:

1. An important development of the new product lines, such as laminates, EOS and PPLF, all "top of the line" products for the furniture and flooring market. As already mentioned, this should enable the group to improve its margins. In our forecast, we set an EBITDA margin estimate of 12.4% in 2021E and 12.7% in 2022E compared to 11.2% in 2020E.

2. A 50% increase in capital expenditure compared to 2018-2020, with approximately 37% of the investments dedicated to the introduction of new products and processes, approximately 33% for productivity gains and, finally, approximately 29% for the consolidation of production and management capacities. In our estimates, we had already foreseen an increase in capital expenditure from this year onwards.

The business plan is based on the sustainability that has characterised the Neodecortech group for many years. NDT is a pioneer in the circular economy with 25% use of secondary raw materials in paper production and the sector's lowest use of fossil fuels in Europe.

More precisely, in terms of energy needs, Cartiera di Guarcino S.p.A. covers 25% of the steam and 100% of the electricity through Bioenergia Spa which, being a biomass cogeneration plant, uses an animal by-product as the only fuel. At Neodecortech, on the other hand, electricity comes from 100% renewable sources. Of this consumption, 10% is self-generated, a percentage that will rise to 20% in the next three years.

Regarding the sector's dynamics, smart-working and the renewed centrality of the domestic environment have led to a strong growth in the demand for furniture in Europe, which continues to stimulate the furniture surface market segments that are the main outlet for Neodecortech decorative papers. Also, at the beginning of the year, the order book permitted the group to look to the future with confidence.

Luigi Cologni (CEO) has once again confirmed his intention to switch to Borsa Italiana's STAR segment as soon as the minimum capitalisation requirements are met, as all other requirements have already been amply attained. Thanks to a well oriented business, a strong ESG orientation and a valuation at a discount compared to the sector, we are reiterating both our Buy rating and TP of €4.8.

Buy, TP of €4.8 - David Coppini: +33 1 78 95 71 78

Market Data	
Industry	Base ressources
Share Price (€)	3,2
Market Cap (€M)	43,5
Market Segment	MTA Italia
Bloomberg	NDT IM

Ownership structure	
Finanziaria Valentini	61,6%
Free float	38,4%

€M	2019	2020	2021	2022
Sales	135,9	126,3	139,5	149,6
Growth	1,7%	-7,0%	10,4%	7,3%
EBIT	7,1	6,2	9,0	10,5
Op. Margin(%)	5,2%	4,9%	6,5%	7,0%
Net income	4,0	3,1	5,5	6,7
EPS (€)	0,30	0,23	0,41	0,50
EPS growth	-34,2%	-23,8%	77,1%	21,2%
Dividend	0,15	0,15	0,10	0,12
Yield (%)		3,9%	4,5%	3,0%
FCF	7,6	4,0	8,7	11,2
RoCE	5,9%	4,5%	6,7%	7,9%
EV/Sales (x)		0,7	0,6	0,5
EV/EBIT (x)		13,4	8,6	6,8
PE (x)		9,9	7,9	6,5
Net Debt	40,5	41,1	35,8	28,3
Gearing net	66%	65%	53%	39%

Midcap Partners estimates

(*) Restated

Upcoming event : 02/03/2021 - FY 2020

Consensus - Number of analysts : 2			
	2020	2021E	2022E
Sales	127,2	139,8	149,6
EBIT	6,1	9,2	10,5
Net income	2,9	5,6	6,7

Source: FACTSET

Top Peers	Market Cap (€M)	EV/EBIT 2020	EV/EBIT 2021	PE 2020	PE 2021
SURTECO GROUP SE	386	12,2	10,2	13,3	10,9
Ahlstrom-Munksjo Oyj	2 056	12,8	11,8	14,9	13,0
Tarkett SA	1 012	14,0	11,6	14,4	11,5

Source: FACTSET

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 maketing@midcapp.com.

Conflict of Interests

Company	Closing price (€)	Rating	Warning
NEODECORTECH	3.22	Buy	G

- A. TP ICAP (Europe) or any related legal entity holds more than 5% of the total issued capital of the Issuer;
- B. The Issuer holds more than 5% of the total issued share capital of TP ICAP (Europe) or any related legal entity; B. The Issuer holds more than 5% of the total issued share capital of TP ICAP (Europe) or any related legal entity;
- C. TP ICAP (Europe), alone or together with other legal entities, is linked to the Issuer by other significant financial interests;
- D. TP ICAP (Europe) or any related legal entity is a market maker or liquidity provider with whom a liquidity agreement has been entered into in respect of the Issuer's financial instruments;
- E. TP ICAP (Europe) or any related legal entity has acted, over the last twelve months, as lead or co-lead in a public offer for financial instruments of the Issuer;
- F. TP ICAP (Europe) or any legal entity related to it is party to any other agreement with the Issuer relating to the provision of investment services in connection with the corporate activity;
- G. TP ICAP (Europe) and the Issuer have agreed to the provision by the former to the latter of a service for the production and dissemination of the investment recommendation on the said Issuer.

Rating distribution

As of 01/02/2021, the ratings issued by the Midcap research team were as follows:

Rating	Global coverage universe	of which "Corporate" Issuers *
Buy	71%	79%
Hold	23%	19%
Sell	4%	0%
Tender	2%	2%

* "Corporate" Issuers: Issuers to whom Midcap has provided Investment Services over the last 12 months

General Disclaimer

This report is published for information purposes only and does not constitute a solicitation or an offer to buy or sell any of the securities mentioned herein. The information contained in this report has been obtained from sources believed to be reliable, TP ICAP (Europe) makes no representation as to its accuracy or completeness. The reference prices used in this document are closing prices. All opinions expressed in this report reflect our judgement at the date of the documents and are subject to change without notice. The securities discussed in this report may not be suitable for all investors and are not intended to recommend specific securities, financial instruments or strategies to particular clients. Investors should make their own investment decisions based on their financial situation and investment objectives. The value of the income from your investment may vary due to changes in interest rates, changes in the financial and operating conditions of companies and other factors. Investors should be aware that the market price of the securities discussed in this report may be volatile. Due to the risk and volatility of the industry, the company and the market in general, at the current price of the securities, our investment rating may not correspond to the stated price target. Additional information regarding the securities mentioned in this report is available on request.

This report is not intended for distribution to or use by any entity who is a citizen or resident of, or an entity located in any locality, territory, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to or limited by law or regulation. Entits or entities in possession of this report must inform themselves about and comply with any such restrictions, including MIFID II. TP ICAP (Europe) has adopted effective administrative and organisational arrangements, including "information barriers", in order to prevent and avoid conflicts of interest with regard to investment recommendations. The remuneration of financial analysts who participate in the preparation of the recommendation is not linked to the corporate finance activity.

This publication has been approved by TP ICAP (Europe), an Investment Services Provider authorised and regulated by the Autorité de Contrôle Prudenciel et de Résolution ("ACPR"). Midcap operates as a business division of TP ICAP (Europe).

Notice to US Investors: This report was prepared, approved, published and distributed by TP ICAP (Europe), a company located outside of the United States (a "non-US Company"). This report is distributed in the U.S. by Louis Capital Markets, LLC, a U.S. registered broker dealer, which assumes responsibility for the research report's content, and is meant only for major U.S. institutional investors (as defined in Rule 15a-6 under the U.S. Securities Exchange Act of 1934 (the "Exchange Act")) pursuant to the exemption in Rule 15a-6 and any transaction effected by a U.S. customer in the securities described in this report must be effected through Louis Capital Markets, LLC rather than with or through the non-US Company. Neither the report nor any analyst who prepared or approved the report is subject to U.S. legal requirements or the Financial Industry Regulatory Authority, Inc. ("FINRA") or other regulatory requirements pertaining to research reports or research analysts. The non-US Company is not registered as a broker-dealer under the Exchange Act or is a member of the Financial Industry Regulatory Authority, Inc. or any other U.S. self-regulatory organization. The non-US Company is the employer of the research analyst(s) responsible for this research report.

The research analysts preparing this report are resident outside the United States and are not associated entities of any US regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a US broker-dealer, and are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with US rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account. Analyst Certification. Each of the analysts identified in this report certifies, with respect to the companies or securities that the individual analyses, that (1) the views expressed in this report reflect his or her entitlyal views about all of the subject companies and securities and such recommendations were elaborated independently; and (2) no part of his or her compensation was, is or will be directly or indirectly dependent on the specific recommendations or views expressed in this report. This material was produced solely for information purposes and for the use of the recipient. This document does not constitute an offer of, or an invitation to buy or sell any security.

The information contained herein has been obtained from published information and other sources which are considered to be reliable. The Companies noted herein accepts no liability or responsibility whatsoever for the accuracy or completeness of any such information. All estimates, expressions of opinion and other subjective judgments contained herein are made as of the date of this document. Louis Capital Markets, LLC assumes responsibility for the research reports content in regards to research distributed in the U.S. Louis Capital Markets, LLC, or its affiliates, has not managed or co-managed a public offering of securities for the subject company in the past 12 months, has not received compensation for investment banking services from the subject company in the past 12 months, does not expect to receive and does not intend to seek compensation for investment banking services from the subject company in the next 3 months. Louis Capital Markets, LLC, or its affiliates, do not beneficially own 1% or more of the subject securities and there are not any other actual, material conflicts of interest noted at the time of the publication of this research report. As of the publication of this report, Louis Capital Markets, LLC does not make a market in the subject securities. The non-US Company will refrain from initiating follow-up contacts with any recipient of this research report that does not qualify as a Major Institutional Investor, or seek to otherwise induce or attempt to induce the purchase or sale of any security addressed in this research report by such recipient.