

NEWS

14 December 2020

NEODECORTECH

Approval of the 2021 budget (+)

Last Friday, NDT's Board of Directors approved its 2021 budget. CEO Luigi Cologni said that despite Covid's continuing urgency, the group has shown strong resilience, thanks to its vertical integration and the fact that the company has acquired greater centrality through working from home.

In line with our forecasts following H1's difficulties, NDT operated at a higher rate than its historical average, a trend which also seems to be confirmed by the H1 2021 order book.

In addition, the CEO recounted how the two new production lines, EOS and PPLF, came on stream at full capacity and, with the new 142 cm laminate format, received positive market feedback (which we discussed in our 14 September focus). These new products will be essential for future sales growth and margins.

According to an article released in "Milano Finanza" on 12 December 2020, Confindustria Assoimmobiliare, like many other associations, is convinced that Italy's recovery is linked to urban renewal. Italian cities have many degraded areas, often old industrial complexes that are just waiting to be redeveloped. For the record, NDT is mainly exposed to the renovation segment, so we see huge long-term potential.

We are therefore strongly reiterating our Buy rating and TP of €4.6 for the company.

Buy, TP of €4.6 - Alessandro Cuglietta : +33 1 78 95 71 64

Market Data

Industry	Basic resources
Share Price (€)	2,8
Market Cap (€M)	37,3
Market Segment	MTA Italia
Bloomberg	NDT IM

Ownership structure

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

€M	2019	2020E	2021A	2022A
Sales	135,9	123,0	138,5	148,1
<i>Growth</i>	1,7%	-9,5%	12,6%	6,9%
EBIT	7,1	4,4	6,3	6,7
<i>Op. Margin(%)</i>	5,2%	3,6%	4,6%	4,5%
Net income	4,0	1,7	3,4	3,7
EPS (€)	0,30	0,13	0,25	0,28
<i>EPS growth</i>	-34,2%	-57,4%	94,8%	9,5%
Dividend	0,15	0,15	0,07	0,08
<i>Yield (%)</i>		3,9%	5,3%	2,4%
FCF	7,6	3,6	7,0	10,2
RoCE	5,9%	3,3%	4,7%	5,2%
EV/Sales (x)		0,6	0,5	0,5
EV/EBIT (x)		17,4	11,5	10,0
PE (x)		12,4	11,0	10,0
Net Debt	40,5	41,6	37,5	30,3
<i>Gearing net</i>	66%	67%	58%	45%

Midcap Partners estimates

(*) Restated

Upcoming event : 2 March 2020 - FY 2020

Consensus - Number of analysts : 2

	2020	2021	2022
Sales	123,2	139,7	150,5
EBIT	5,2	8,2	10,5
Net income	2,3	4,9	6,8

Source: FACTSET

Top Peers	Market Cap (€M)	EV/EBIT 2020	EV/EBIT 2021	PE 2020	PE 2021
SURTECO GROUP SE	366	12,5	10,4	13,2	10,7
Ahlstrom-Munksjo Oyj	2 084	13,9	12,9	14,9	13,5
Tarkett SA	956	14,1	11,5	14,4	11,0

Source: FACTSET

Disclaimer

This document may refer to valuation methods defined as follows:

- 1 - DCF method: discounting future cash flows generated by the business's operations. Cash flows are determined using the analyst's financial forecasts and models. The discount rate used is the weighted average cost of capital, defined as the weighted average cost of the company's borrowings and the theoretical cost of its equity as estimated by the analyst.
- 2 - Comparables method: application of stock-market valuation multiples, or multiples observed for recent transactions. These multiples may be used as benchmarks and applied to the company's financial aggregates to determine its valuation. The analyst builds the sample according to the company's characteristics (size, growth, profitability, etc). The analyst may also apply a premium/discount based on his perception of the company's characteristics.
- 3 - Asset-based method: estimation of the value of the equity on the basis of the revalued and corrected assets comprising the fair value of the liability.
- 4 - Discounted dividend method: discounted future value of estimated dividend flows. The discounting rate taken is general the cost of capital.
- 5 - The sum of the parts: this method consists in estimating a company's various activities by using the most appropriate evaluation method for each of them, then by adding them together.

Rating structure:

- Buy: expected over-performance 10% greater than the market within 6 – 12 months
Hold: expected performance of between -10% and +10% compared to the market within 6 – 12 months
Sell: expected under-performance 10% greater than the market within 6 – 12 months

Company	Closing price (€)	Rating	Warning
DIGITAL BROS	17.14	Buy	G
NEODECORTECH	2.76	Buy	G
QWAMPLIFY	6.3	Buy	D,G

A LOUIS CAPITAL MARKETS – MCP or any corporate entity related to it holding more than 5% of the total shares issued by the issuer;

B The issuer holds more than 5% of the total shares issued by LOUIS CAPITAL MARKETS - MCP or any corporate entity related to it;

C LOUIS CAPITAL MARKETS - MCP, alone or with other corporate entities, is related to the issuer by other significant financial interests;

D LOUIS CAPITAL MARKETS - MCP or any corporate entity related holding a contract or providing liquidity with which it entered into a liquidity agreement with regard to the issuer's financial instruments;

E LOUIS CAPITAL MARKETS – MCP or any corporate entity related to it operated, during the past 12 months, in its capacity as leader or leader associated with an offer concerning the issuer's financial instruments made available to the public

F LOUIS CAPITAL MARKETS – MCP or any corporate entity related to it is a party in any other agreement with the issuer concerning the provision of investment services relating to the corporate activity, provided that this does not result in the disclosure of confidential commercial information and that the agreement was in force during the last 12 months or gave rise to payment of, or a promise to pay, remuneration during the same period;

G LOUIS CAPITAL MARKETS – MCP and the issuer agreed that the former should provide the latter with a service to produce and circulate the investment recommendation on the said issuer;

Stock rating distribution

At December 2020 the stock rating distribution issued by the LOUIS CAPITAL MARKETS - MCP Midcap research team is as follows:

Rating	Midcap Partners coverage universe	of which Investment banking services*
Buy	63%	74%
Hold	29%	25%
Sell	5%	0%
Tender	3%	1%

* Investment banking services provided by Midcap Partners in the previous 12 months

The reference prices used in this document are closing prices. Any opinion given in this document reflects our current judgement and may be changed without any prior warning. LOUIS CAPITAL MARKETS - MCP has adopted effective administrative and organisational methods, including the "information barriers", to guard against and to avoid conflicts of interest with regard to the investment recommendations. The remuneration of the financial analysts involved in drafting the recommendation is not tied to the Corporate Finance activity. Past performance cannot be relied on as an indicator of future performance.

MIFID 2 WARNING: we remind you that pursuant to MIFID , it is your responsibility, as a recipient of this research document, to determine whether or not your firm is impacted by the provisions of the Directives 2014/65 EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments("MIFID 2") regarding the unbundling of research and execution (the "MIFID 2 Research Rules"). For any request on the provision of research documents, please send an email to cplanade@midcapp.com

Please note that this document is a deferred and translated release from the original issue in French, of which copy can be obtained on demand at marketing@midcapp.com

London

Midcap Partners - LCM
4th Floor - 130 Wood Street
London EC2V 6DL
+44 20 7936 1722

Paris

Midcap Partners - LCM
42, rue Washington
75008 Paris
+33 1 55 35 69 47

Research Disclosure - NOTICE TO US INVESTORS:

This report was prepared, approved, published and distributed by Midcap Partners, a company located outside of the United States (a "non-US Company"). This report is distributed in the U.S. by Louis Capital Markets, LP, 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, LP 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 persons 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 personal 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, LP assumes responsibility for the research reports content in regards to research distributed in the U.S. Louis Capital Markets, LP, 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, LP, 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, LP 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.