

M&A needed to foster growth and enhance vertical integration synergies

**NEO
DECOR
TECH**

May, 24th 2018

FY2017 in line with expectations: double-digit growth in a mature industry, high margins and strong cash generation confirmed

In 2017 Neodecortech generated €128mln of total revenue (+10% yoy), €15.2mln of adjusted EBITDA with margin of 11.9% (+200bps yoy) and €4.8mln of adjusted net income. It shows a leveraged financial structure with €47mln of net debt and €54mln of equity. In 2017, the Group confirmed its strong cash generation with €8.7mln Free Cash Flow, including €7mln capex. The rise of strategic raw materials prices (mostly titanium but also pulp) for the production of décor paper has affected raw materials cost in CdG, only partially offset by stronger EUR. According to Neodecortech management, the Group can transfer the raw materials price increase to clients in 6 to 9 months. Nevertheless, in 2017, the significant acceleration of titanium cost increase allowed for only a partial transferring to clients, delaying some of the shifting to 2018. If core EBITDA (CdG, paper production and NDT, paper printing and impregnation) reduced its contribution to 71% (from 80% in 2016) BEG increased its EBITDA weight to 29% (from 20% in 2016) mainly driven by lower cost of animal fat.

Estimates fine tuning 2018E-2019E. M&A needed to boost growth and let integration synergies arise

Main corporate strategy is to capture a greater portion of the international Décor Paper market, through a consolidation of the leadership in Italy and a commercial push. Moreover, possible extraordinary moves (M&A) may expand the Group presence in some niches, such as the pre-impregnation segment, and areas, such as North America (NDT) and/or East Europe (CdG). The Company has started to address the IPO proceeds to enhance the paper machines and make them more productive, improve paper flatness, its printability and stabilize its quality.

We believe the M&A is needed not only to foster growth and boost the operating leverage but mostly to allow for the fully integrated business model to release its synergies mainly through a deeper exploitation of CdG production capacity.

According to our estimates in the 2017-2019E period total revenue is expected to grow at 6% on average (CAGR) to €140mln with EBITDA to €19mln or 13.6% margin and over €8mln net income, leading to an average Free Cash Flow of €7mln, including cumulated capex of about €16mln, and to a net debt down to €44mln (or 0.7x the Equity). We set the dividend payout at 25%.

According to management, current NDT backlog is extremely robust with 6-week orders, almost the double of its typical duration. In addition, figures of the first months of 2018, according to management, are in line with our expectations.

Management track record is another key element to assess the risk of our projections. In fact, 2017 results have been above the triggers set in the Remedy Shares mechanism. However, strategic raw materials cost remains a source of potential pressure on margins which, moreover, will improve if integration synergies fully arise within this two years.

Valuation Update: TP and recommendation confirmed

Given the mature cash generating business, the DCF well adapts as a valuation approach. To this we added market multiples and M&A transaction multiples valuation. We confirm the TP of €5.3 per share and our BUY recommendation. The stock is PIR eligible.

Target Price (€)				5.3
Reccomendation				BUY
Price as of May 21 st				3.80
N. of shares (mln)				13.1
Market cap. (€ mln)				51.1
Market segment				FTSE AIM ITALIA
Performance (%)	1m	IPO	12m	
Absolute	-2.4%	-6.1%	NA	
Max/Min (since IPO)				€4.09/€3.40
Since IPO avg. daily volumes ('000)				35.2

(€ mln)	2016	2017	2018E	2019E
Total revenue	116	128	136	140
yoy change	(8%)	10%	6%	3%
Adj EBITDA	12.5	15.2	17.1	19.0
margin	10.8%	11.9%	12.6%	13.6%
Adj Net income	1.3	4.8	7.0	8.1
margin	1.2%	3.8%	5.1%	5.8%
Fixed assets	80.3	80.9	81.9	84.5
Net Working Capital	28.1	24.9	28.0	30.2
Net Invested Capital	95.8	100.9	105.4	110.5
Net debt/(cash)	57.1	46.9	45.4	44.2
Equity	38.7	54.0	60.0	66.4
Free Cash Flow	7.6	8.7	8.8	7.3

Source: Banca Profilo estimates and elaborations, Company data.

Francesca Sabatini

Head of Equity Research

francesca.sabatini@bancaprofilo.it

+39 02 58408 461

Sales Desk

+39 02 58408 478

Contents

Executive summary	3
<i>Neodecortech in a nutshell: key investment drivers</i>	<i>3</i>
<i>Main Financial data (2015-2017) and estimates (2018E-2019E).....</i>	<i>4</i>
<i>Valuation Update</i>	<i>5</i>
SWOT analysis	6
FY 2017 results	7
<i>Main operating and financial data</i>	<i>7</i>
Strategy and estimates	13
<i>Corporate strategies</i>	<i>13</i>
<i>Fine tuning our estimates 2018E-2019E</i>	<i>13</i>
Valuation Update	19
<i>DCF Valuation.....</i>	<i>19</i>
<i>Neodecortech competitive arena: strategic positioning and competitive advantages.....</i>	<i>20</i>
<i>Relative Valuation on multiples</i>	<i>23</i>
<i>DISCLAIMER</i>	<i>29</i>

Executive summary

Neodecortech in a nutshell: key investment drivers

A growing leading niche player in the international Décor paper market

Neodecortech is the largest Italian producer and a growing international niche leading provider of high-end products for the interior design industry. Neodecortech reference market is the international Décor Paper segment, a niche of the larger Specialty Paper market in the Paper and Paperboard industry.

Neodecortech designs, projects, develops, manufactures and markets décor paper, melamine film and finish foil, luxury finish tiles for the surfacing of laminate panels, furniture and flooring in the Interior Design Industry. In 2016, its reference Décor Paper niche accounted for 750,000 metric tons; with 48,000 metric tons of décor paper manufactured the same year, through Neodecortech (NDT) and the paper mill Cartiere di Guarcino (CdG), the Group had a 6% market share.

Neodecortech (NDT) was founded in 1947 and it is at the head of the Group which controls the paper mill Cartiere di Guarcino (CdG) and the bio-energy producer Bio Energia di Guarcino (BEG). This Group's current perimeter has been effective since the end of June 2017; therefore, integration synergies both in terms of Group structure and in terms of value chain still need to fully arise.

The Group is controlled by the Valentini Family which owns a 73% stake but it has been managed for quite a decade by a long experienced and with proven track record management team.

Strategically positioned to outpace market growth and improve profitability

Its reference market is a mature and historically stable market (0.3% CAGR in 2006-2016), even if it has recently accelerated (+5% yoy in 2016). Neodecortech strategic positioning is at the top end of high-price and design products offering a wide range of décor paper, printed and impregnated. The Group exports more than 70% of its production, mostly in Western Europe (the area that has grown the most reaching a +6% yoy in 2016); thus it competes with big international (mainly German) diversified groups in both décor paper production and printing. In addition, the Group is mostly active in the décor paper production and printing (more than 70% of Group's revenue) market segments, which have shown lower competitive pressure, higher growth (+7% yoy in 2016) and profitability than others, especially in the impregnated paper segment and ceramic tiles market.

Key competitive advantage: a vertically integrated business model and synergic Group structure

Neodecortech key competitive advantage lies in its quite fully integrated business model and synergic Group structure, which allow for control over strategic phases, generate savings on procurement, enhance the operating leverage, guarantee supply, production flexibility and time to market.

Entry barriers and profitability drivers: capital intensive structure efficient use of raw materials stable partnerships both up and downstream

The Group capital intensive structure represents a robust entry barrier, needing large selling volumes to be profitable. More in details, the reconstruction value of Neodecortech's plants is about €230mln vs their net book value above €70mln at the end of 2017. The Group cost structure shows a high incidence of raw materials, which asks for an efficient use, long and stable partnerships with suppliers, optimization of procurement policies and increase production productivity in order to improve profitability. Finally, customers are large and concentrated and request high quality, production flexibility and tailored offering.

Main Financial data (2015-2017) and estimates (2018E-2019E)

<i>Outperformer of its reference market</i>	In the past five years, Neodecortech has reported 5% average turnover growth (CAGR 2012-2017), above its reference market (4.5% globally and 3.8% in Europe).
<i>Core EBITDA margin hit by significant raw material cost escalation</i>	<p>In 2017 Neodecortech generated €128mln of total revenue (+10% yoy), €15.2mln of adjusted EBITDA with margin of 11.9% (+200bps yoy) and €4.8mln of adjusted net income. It shows a leveraged financial structure with €47mln of net debt and €54mln of equity. Net debt to equity ratio improved to 0.9x from 1.5x in 2016 after €7.7mln capital increase following the IPO in September. The Group confirmed its strong cash generation with €8.7mln of Free Cash Flow, including €7mln capex.</p> <p>The rise of strategic raw materials prices (mostly titanium but also pulp) for the production of décor paper has affected raw materials costs in CdG, only partially offset by stronger EUR. According to management, the Group can transfer the raw materials price increase to clients in 6 to 9 months. Nevertheless, in 2017, the significant acceleration of titanium cost increase allowed for only a partial transferring to clients, leaving some of the shifting to 2018. In fact, the core EBITDA (CdG, paper production and NDT, paper printing and impregnation) reduced its contribution to 71% (from 80% in 2016) negatively affected by higher titanium cost only partially offset by higher selling prices and production efficiency. BEG increased its EBITDA weight to 29% (from 20% in 2016) mainly driven by lower cost of animal fat (related to weakening demand of palm oil).</p>
<i>M&A needed to foster growth and to let integration synergies to fully arise</i>	<p>Main corporate strategy is to capture a greater portion of the international Décor Paper market, through a consolidation of the leadership in Italy and a commercial push. Moreover, possible extraordinary moves (M&A) may expand the Group presence in some niches, such as the pre-impregnation segment, and in some areas, such as North America (NDT) and/or East Europe (CdG). The Company has started to address the IPO proceeds to enhance the paper machines and make them more productive, improve paper flatness, its printability and stabilize its quality.</p> <p>We believe the M&A is needed not only to foster growth and boost the operating leverage but mostly to allow for the fully integrated business model to release its synergies mainly through a deeper exploitation of CdG production capacity.</p> <p>According to our estimates in the 2017-2019E period total revenue is expected to grow at 6% on average (CAGR) to €140mln with EBITDA to €19mln or 13.6% margin and about €8mln net income, leading to an average Free Cash Flow of €7mln, including cumulated capex of about €16mln, and to a net debt down to EUR 44mln (or 0.7x the Equity). We set the dividend payout at 25% leading to €2.8mln dividend distribution in 2018E-2019E.</p>
<i>Risks to our projections</i>	<p>According to management, current backlog of Neodecortech is extremely robust with 6-week orders, almost the double of its typical duration. In addition, figures of the first months of 2018, according to management, are in line with our expectations. Management track record is another key element to assess the risk of our projections. In fact, 2017 results were above the triggers set in the Remedy Shares mechanism. (EBITDA of €15mln and net income at €4.5mln).</p> <p>However, strategic raw materials cost remains a source of potential pressure on margins which, moreover, will improve if integration synergies fully arise within this two years.</p>

Valuation Update

DCF approach well appraises a mature and cash generative business

Given the mature and cash generating business, a DCF method well adapts as a valuation approach.

For what concerns the relative valuation, there are no listed companies, active in the Décor Paper market, which show a similar vertical integration both of the value chain and of the Group structure, as Neodecortech does. Main big diversified groups are either décor paper producers or décor paper printers and impregnators; none has a synergic Group structure as that of Neodecortech.

A selected sample of listed comparables

We have selected a sample of listed companies active either in some of the production cycle phases of Décor Paper production and printing or in the substitute ceramic tile market. We also included listed players in the downstream interior design industry. Our sample for a relative approach on market multiples includes: the Swedish Ahlstrom-Munksjo (décor paper production), the German Surteco (décor paper printing and impregnation), the Italian Panariagroup (ceramic tiles) and the French Tarkett (flooring solutions). Finally we add to the relative valuation an average of M&A multiples derived from comparable transactions in the past three years.

DCF assumptions and Fair Equity Value at €88mln

We run a DCF model, using our projections of FCF for the explicit 2018E-21E period, which lead to cumulated FCFs of €32mln (an annual average of €8mln). We used a WACC of 7.5% and a perpetual growth rate of 2%. We obtain a fair Equity Value of €87.8mln.

Relative market multiples approach and Fair Equity Value at €56mln

Our sample of comparables to Neodecortech shows a mean EV/EBITDA 2018E-2019E of 6.3x-5.8x respectively. As Neodecortech is a mature and cash generative company, we chose the EV/EBITDA multiple for its relative valuation. At its price (€3.8/share as of May, the 21st), Neodecortech trades at 11% and 12% discount to respectively the Sample's mean EV/EBITDA for 2018E-2019E

Applying the Sample mean EV/EBITDA 2017E-2018E to the Group estimated EBITDA evolution, we derived an Enterprise Value in the range of €108mln-€110mln. We subtract the net debt of €47mln (end of 2017) and obtain an average Equity Value of €56mln, including a 10% liquidity/AIM discount.

The stock is PIR eligible It is worth to underline that the stock is PIR eligible.

Target price: €5.3 BUY

Finally, we confirm our target price at €5.3 per share with a potential upside of 40% on Neodecortech price as of May, the 21st. Our BUY recommendation is also confirmed.

SWOT analysis

STRENGTHS

- Leading market positioning in high-end products of the international interior design industry
- Quite fully integrated business model and Group structure
- Capital intensive structure with high reconstruction value of proprietary plants
- High margins and strong cash generator
- Product and geographic diversification
- Experienced management team

WEAKNESSES

- Limited reference market size
- Not fully utilized production capacity
- Limited self-financing ability

OPPORTUNITY

- High entry barriers in the reference market
- Strengthening higher margin specialty products through ad-hoc partnerships
- Geographical expansion through ad-hoc international partnerships and/or bolt on acquisitions
- M&A to boost growth and let synergies from the integrated business model and better product mix to fully arise

THREATS

- Chinese décor paper producers improving quality, replicating designs and European products
- Competition from ceramic tiles manufacturers
- Escalation of strategic raw materials price increase

FY 2017 results

Main operating and financial data

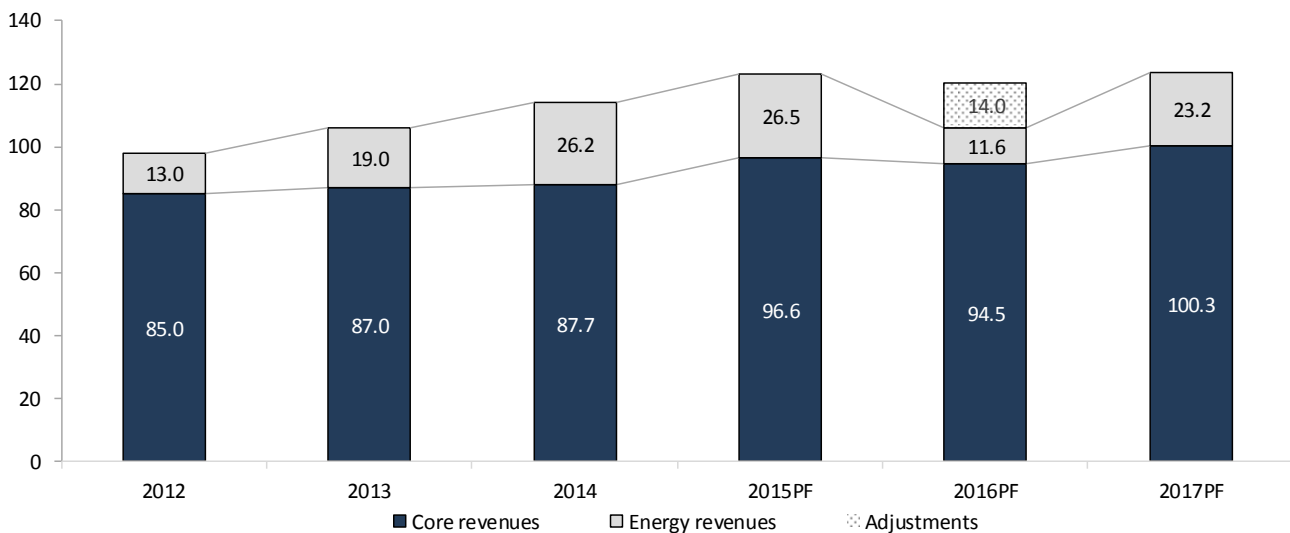
Consolidated pro-forma figures under IAS

Current Group perimeter (Neodecortech controlling 100% of Cartiere di Guarcino (CdG), which owns 100% of Bio Energia di Guarcino (BEG) has been effective since the end of June 2017. Profit & Loss and the Balance Sheet are shown on a pro-forma basis. In addition, consolidated figures are the result of the application of international accounting standards.

5% organic revenue growth in five years, above its reference market

In the past five years, Neodecortech has reported 5% average turnover growth (CAGR 2012-2017), above its reference market (4.5% globally and 3.8% in Europe).

Figure 1: Neodecortech revenue 2012-2017 by BU (€mln)



Source: Banca Profilo elaborations and estimates on Company data

**2017 turnover: €123mln
€100mln core
€56mln paper production**

In 2017, the Group total revenue was €128mln, increasing 10% yoy. Since the 2016 figure was affected by the production interruption in the Energy cogeneration plant (BEG) due to the damage to one of its engines and the maintenance of the other two, the adjusted growth was 6% yoy. Core revenue, which includes paper production (CdG) and décor paper printing (NDT), accounted for 81% of Group turnover, whereas the energy revenue was €23.2mln.

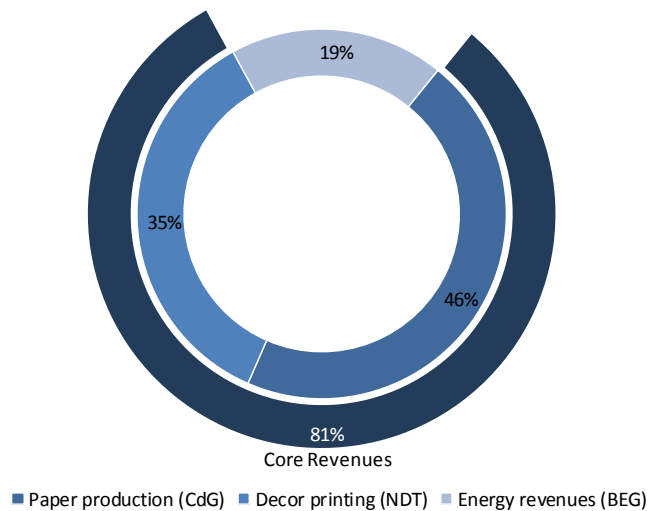
Total revenue little below our projections due to lower GSE subsidies to BEG

Group total revenue (€128mln) in 2017 was less than 4% below our estimate (€131mln) for lower public (GSE) subsidies to BEG given the significantly lower cost of animal fat.

Core revenue (NDT and CdG) accounted for 81% of Group turnover

Within core revenue (€100mln), paper production accounted for 46% (increasing from 43% in the adjusted 2016), while décor paper printing weighed for 35% (in line with the adjusted 2016).
With respect to our projections, CdG generated more turnover than we expected (€56.4mln vs our €53.1mln), but this gap was offset by lower sales, compared to our estimates, from NDT (€43.8mln vs our €44.5mln) and from BEG (€23.2mln vs our €26.5mln), in 2017.

Figure 2: Revenue by product categories - 2017



Source: Banca Profilo elaborations on Company data

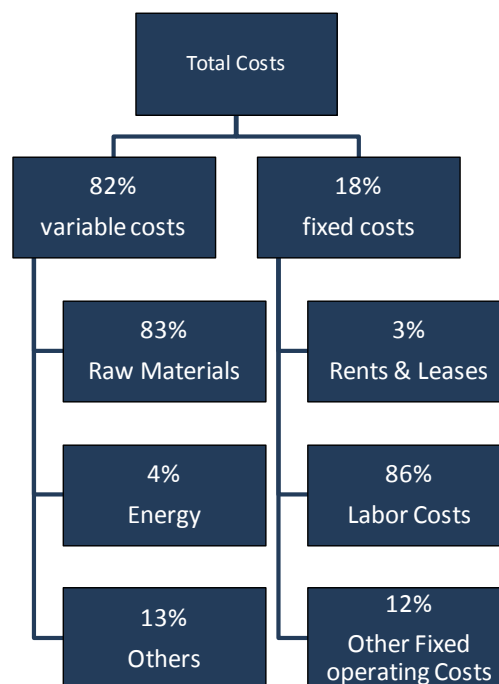
€26mIn unicolor produced paper
€24mIn décor printed paper

Within CdG, unicolor paper weighed 21% and base paper 19% of Group sales in 2017. Within NDT, printed décor paper contributed for 20% and melamine or finish foil for 13% of Group sales in 2017.

Cost structure confirmed but with an increasing incidence of raw materials

The Group cost structure was confirmed in 2017, with some further increase in variable costs due to higher raw material prices especially, titanium and pulp, affecting CdG margins. More in details, variable costs increased their weight on total costs by 60bps to 82% due to an increase in raw materials by 230bps to 83%, not totally offset by the declining (-140bps) incidence of Energy costs to 4% of total costs in 2017. Within fixed costs, labour expenses (86%) made quite it all.

Figure 3: Cost structure-2017



Source: Banca Profilo elaborations on Company data. Raw materials figures by Company includes intercompanies

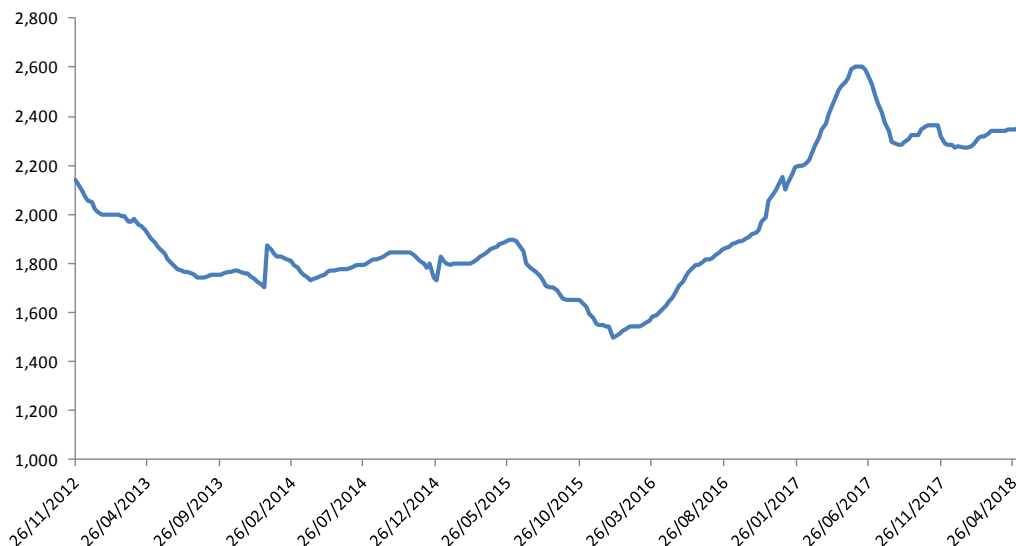
Cost incidence on revenue: variable costs down 200bps driven to lower energy, the lowest among competitors thanks to procurement synergies

The annual trend of variable costs showed a lower incidence on revenue in 2017 at 75% from 77% in 2016, driven by a stable weight of raw materials (62%) but lower energy and other services expenses. Energy cost was €3.9mIn in 2017, down from €4.6mIn a year earlier; it is the lowest among competitors as it includes some annual €5mIn savings from the procurement synergies between BEG and CdG. Among raw materials, the highest incidence comes from paper and resins on NDT, titanium dioxide and pulp on CdG and palm oil/animal fat on BEG.

Titanium and pulp price fluctuations affect raw materials cost and core EBITDA

The majority of raw materials show basically stable trends, with the exception of titanium dioxide that has been rising since the beginning of 2016. The European titanium dioxide (TiO2) contract price has increased by more than 40%, on average, since Q216 hitting its highest level since October 2013. In 2017, price momentum for titanium has stayed on its upward track, as supply remained short and demand robust. The EUR strength in the period and the improved supply in Asia might help tempering price gains. The yoy increase of titanium price (in EUR, including forex effects) was little below 35% in 2017. Since the beginning of 2018 the titanium price has been showing a basically stable or slightly upward trend.

Figure 4: Titanium price trend 2012-2018 (in €,metric ton)



Source: Banca Profilo elaborations and estimates on China Chemicals SunSir TiO2 Titanium Dioxide (weekly), Bloomberg data

The Group transfers raw materials price increase to clients within 9 months

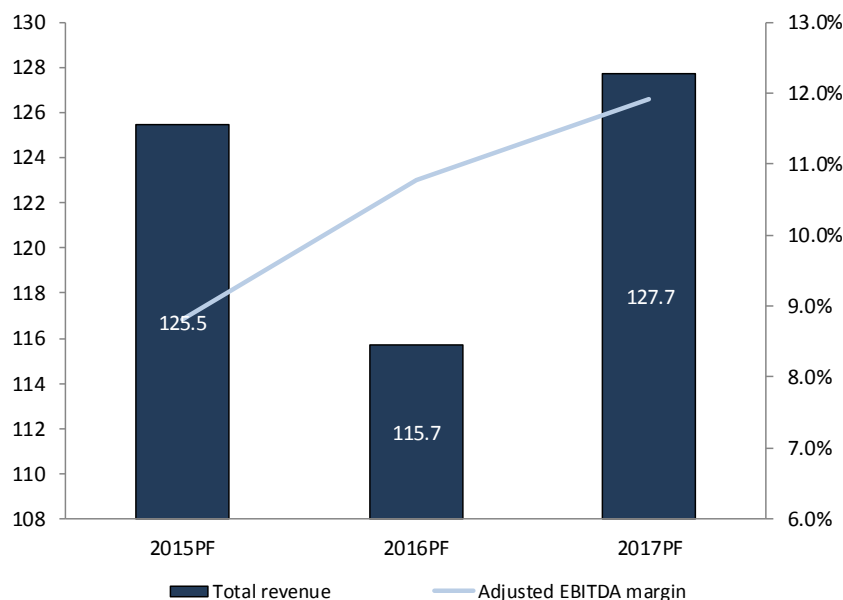
The rise of strategic raw materials prices (mostly titanium but also pulp) for the production of décor paper has affected raw materials costs in CdG, only partially offset by stronger EUR. According to Neodecortech management, the Group can transfer the raw materials price increase to clients in 6 to 9 months. Nevertheless, in 2017, the significant acceleration of titanium cost increase allowed for only a partial transferring to clients, leaving some of the shifting to this year.

EBITDA margin improving 200bps in 2017 to 12%

In 2017, Neodecortech showed an EBITDA of €15.2mIn, adjusted for some €1mIn of one-off costs, with EBITDA margin improving some 200bps to 11.9% from 10.8% in 2016 thanks to i) discounts from suppliers given the Company's strategy to anticipate payments; ii) positive effect of vertical integration synergies; iii) a more efficient use of materials (including the partial switch from palm oil to the cheaper animal fat in BEG); iii) higher productivity of improved production machines.

The core EBITDA (CdG, paper production and NDT, paper printing and impregnation) reduced its contribution to 71% (from 80% in 2016) due to the significant increase of raw materials cost only partially offset by higher selling prices and production efficiency. BEG increased its EBITDA weight to 29% (from 20% in 2016) mainly driven by lower cost of animal fat (related to weakening demand of palm oil).

Figure 5: Neodecortech revenue and Adj. EBITDA margin 2015-2017 (€mln and %)



Source: Banca Profilo elaborations and estimates on Company data

EBITDA margin was some 40bps below our projections due to stock grant costs

With regards to our projections, adjusted EBITDA margin was some 40bps below our estimate deriving not only from lower total revenue, but also from higher labor cost which includes also the stock grant expenses for some €700k.

Adj. Net income at €4.8mln in 2017

In 2017, D&A were stable at €6mln whereas financial expenses declined to €2.7mln from €3.3mln a year earlier together with an interest cost down to 4.9% from 5.4% in 2016.

Tax rate was 22% in 2016 and lead to a net income of €4.1mln (one-off costs adjusted net income at €4.8mln).

Balance Sheet: a capital intensive structure with more than €80mln of fixed assets on more than €100mln of net invested capital

On the Balance Sheet side, at the end of 2017, the Group had more than €80mln of fixed assets, some €25mln of net operating working capital financed by €54mln of shareholders' equity and a bit less than €47mln of net financial debt.

The capital intensive structure, needed for décor paper production, printing and impregnation, represents a robust entry barrier: significant plant investment are needed, large selling volumes and substantial turnover are required for those investment to become profitable.

The reconstruction value of Neodecortech's plants is estimated in about €230mln vs their net book value of €70mln at the end of 2017.

Dividend distribution: €0.153/share; 4% yield

The BoD proposed a dividend distribution of €0.153/share representing a 4% dividend yield and a 45% payout.

Table 1: Neodecortech Profit & Loss 2015-2017

Profit & Loss (€ mln)		2015PF	2016PF	2017PF
Revenues on products and services		123.1	106.2	123.5
	yoy	8%	-14%	16%
Core revenues		96.6	94.5	100.3
	yoy	10%	-2%	6%
Paper production (Cartiere di Guarcino - CdG)		56.2	52.2	56.4
	yoy	20%	-7%	8%
Decor printing and impregnation (Neodecortech - NDT)		40.4	42.4	43.8
	yoy	-1%	5%	3%
Energy revenues (Bio Energia Guarcino - BEG)		26.5	11.6	23.2
	yoy	1%	n.m.	n.m.
	adjusted Energy revenues		25.6	
other revenues		2.4	9.5	4.2
Value of Production		125	116	128
	yoy		-8%	10%
	adjusted Group revenue		120	
raw materials (including stock changes)		-72.8	-65.4	-76.8
energy		-5.5	-4.6	-3.9
other services		-17.8	-11.5	-12.3
Variable costs		-96	-81	-93
rents and leases		-0.1	-0.1	-0.5
labour		-15.9	-16.3	-17.5
other operating costs		-1.6	-2.2	-2.4
Gross profit		27.7	31.9	31.7
	margin	22.1%	27.5%	24.8%
EBITDA		11.9	15.6	14.2
	margin	9.4%	13.5%	11.1%
	Core EBITDA	9.4	12.5	10.1
	margin	9.7%	13.2%	10.1%
Energy EBITDA (Bio Energia Guarcino - BEG)		2.5	3.1	4.1
	margin	9.5%	27.0%	17.7%
Adj EBITDA		11.0	12.5	15.2
	Adj EBITDA margin	8.8%	10.8%	11.9%
D&A		-6.9	-6.3	-6.3
provisions		-0.2	-0.1	0.0
EBIT		4.8	9.2	7.9
	margin	3.8%	8.0%	6.2%
net financial expenses		-3.3	-3.3	-2.7
	extraordinary items (one-off adjustments)	0.8	3.1	-1.0
EBT		1.5	6.0	5.2
taxes		0.2	-1.5	-1.1
Net profit		1.7	4.5	4.1
	margin	1.3%	3.8%	3.2%
Adj Net profit		0.9	1.3	4.8

Source: Banca Profilo elaborations and estimates on Company data

Net operating working capital on sales improved to 20%

Net operating working capital improved its incidence on sales by 6% to 20%, despite lower DSO driven by planned quicker payments of suppliers in order to obtain discounts on procurement costs. The Group core productions are planned and executed on the basis of the order intake; therefore the stock is typically kept at a minimum level.

Table 2: Neodecortech Balance Sheet 2015-2017

Balance Sheet (€ mln)	2015PF	2016PF	2017PF
Fixed assets	84.9	80.3	80.9
materials	75.2	72.8	72.6
immaterials	1.2	2.0	4.6
financials	8.4	5.5	3.7
Net operating Working Capital	27.5	28.1	24.9
trade receivables	25.2	29.8	26.3
stock	29.9	26.3	32.1
trade payables	-27.6	-28.0	-33.6
Other net current assets (liabilities)	-5.4	-5.3	2.1
Net non-current liabilities	-10.1	-7.2	-6.9
Net invested capital	96.9	95.8	100.9
Equity	35.0	38.7	54.0
share capital	8.5	8.5	16.2
number of shares (mln)			13.1
reserves	24.8	25.8	33.8
net profit	1.7	4.5	4.1
Net debt (cash)	61.9	57.1	46.9

Source: Banca Profilo elaborations on Company data

Balance Sheet: net debt/EBITDA improving to 3.3x; net debt/Equity to 0.9x

Following the IPO proceeds, the financial structure has improved, with share capital increasing from €8.5mln at the end of 2016 to €16.2mln in 2017. In the same period, the net debt to EBITDA ratio improved to 3.3x from 3.7x and net debt to Equity ratio to 0.9x from 1.5x, broadly in line with our expectations.

Cash flow generation: FCF at €8.7mln including €7mln capex

Since it is a profitable and mature business, it generates significant cash flows with EBITDA conversion at 60% on average in the 2015-2017 period. In 2017 the Free Cash Flow was €8.7mln including €7mln of capex. This is much higher than our estimate of €3.4mln mainly thanks to cash generated from NWC (€3.2mln) vs our absorption projections of €5.4mln.

Table 3: Neodecortech Cash Flow 2016-2017

Cash flow (€ mln)	2015PF	2016PF	2017PF
EBIT		9.2	7.9
tax on EBIT		-2.3	-1.7
NOPAT		6.9	6.2
D&A		6.3	6.3
Operating Net Working Capital change		-0.6	3.2
capex	-4.4	-5.0	-7.0
NTD	2.2	1.4	2.1
CDG	1.5	-3.5	3.0
BEG	0.7	1.2	1.9
Free Cash Flow		7.6	8.7

Source: Banca Profilo elaborations and estimates on Company data

Strategy and estimates

Corporate strategies

Capture a greater portion of the international Décor Paper market

Main corporate strategy is to capture a greater portion of the international Décor Paper market, through a consolidation of the leadership in Italy and a commercial push. Moreover, possible extraordinary moves (M&A) may expand the Group presence in some niches, such as the pre-impregnation segment, and in some areas, such as North America (NDT) and/or East Europe (CdG). The Company has started to address the IPO proceeds to enhance the paper machines and make them more productive, improve paper flatness, its printability and stabilize its quality.

M&A to foster growth and let integration synergies to fully arise

We believe the M&A is needed not only to foster growth and boost the operating leverage but mostly to allow for the fully integrated business model to release its synergies mainly through a deeper exploitation of CdG production capacity.

Fine tuning our estimates 2018E-2019E

A fine-tuning of our estimates

With respect to our last report (November, 23rd 2017) we simply fine-tuned our projections. Our new estimates are therefore the result of non-material changes and re-running of our model.

We expect the Group to outpace its reference market thanks to its faster growing positioning

We expect Neodecortech to keep outpacing its reference market growth, given: i) its strategic positioning in faster growing market segments and geographic areas (mainly décor paper printing and Western Europe); ii) a persisting commercial push; and iii), improved visibility following the IPO process, which has been opening new opportunities with new clients (or improving selling volumes of historical customers). In fact, if the global Décor Paper market is expected to grow at a CAGR between 2% and 3% in the next two years (*Source: Décor Paper Market Research 2016, Munksjo*), we project a 5% total revenue CAGR 2017-2019E for the Group in the same period.

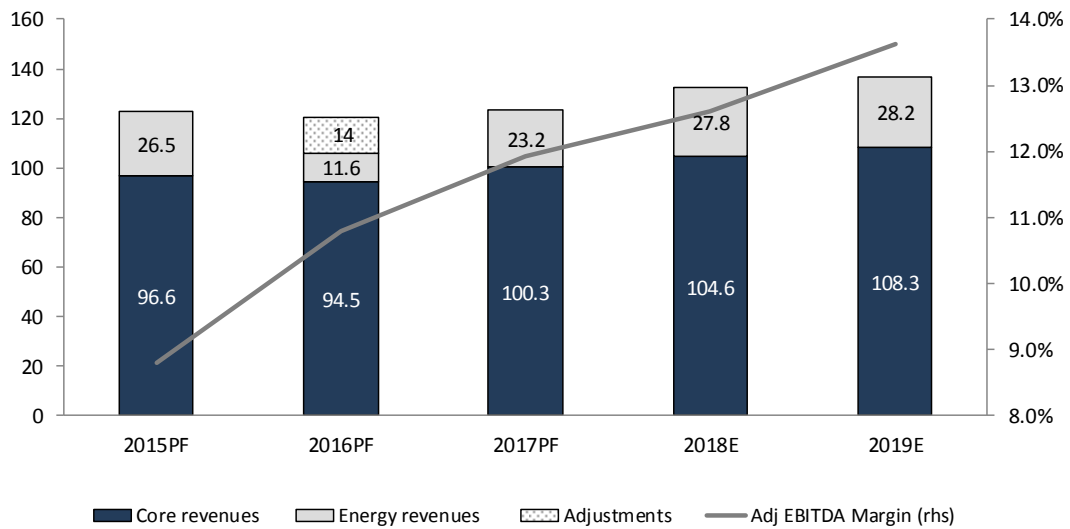
Further non-organic growth potentials

Further non-organic growth, not included in our estimates, might come from current management talks with outstanding players that might lead to procurement agreements, industrial partnerships and/or to M&A deals. In this scenario, the Group is looking at printers, at the pre-impregnated paper segment, at the PVC market and at geographies such as North America and Eastern Europe. The Group is looking at printers in order to increase the absorption of paper production from CdG within the integrated Group (from current 15% to 50%) and let consequently rise integration synergies. Regarding the technological shift, through the acquisition of a new digital printing machine, included by the management as one use of IPO proceeds, there are ongoing discussions for a potential co-investment with a digital printer who has a very low production capacity utilization and could share the machine with Neodecortech. This management choice came from the results of a deeper investment analysis which showed a too early stage of this digital printing technology for Décor Paper printing, mostly on large productions.

Total revenue to €140mln in 2019E including core sales at €108mln

Other than outpacing market growth, we included in our top line growth projections, especially in 2018, the extraordinary duration of current NDT backlog (8 weeks which is almost the double of typical duration), the completion of turning to customers of raw materials (especially titanium) cost increase had in 2017 and, finally, a strong beginning of this year by BEG, according to management.

Figure 6: Neodecortech revenue trend by business unit (€mln; %)



Source: Banca Profilo elaborations and estimates on Company data

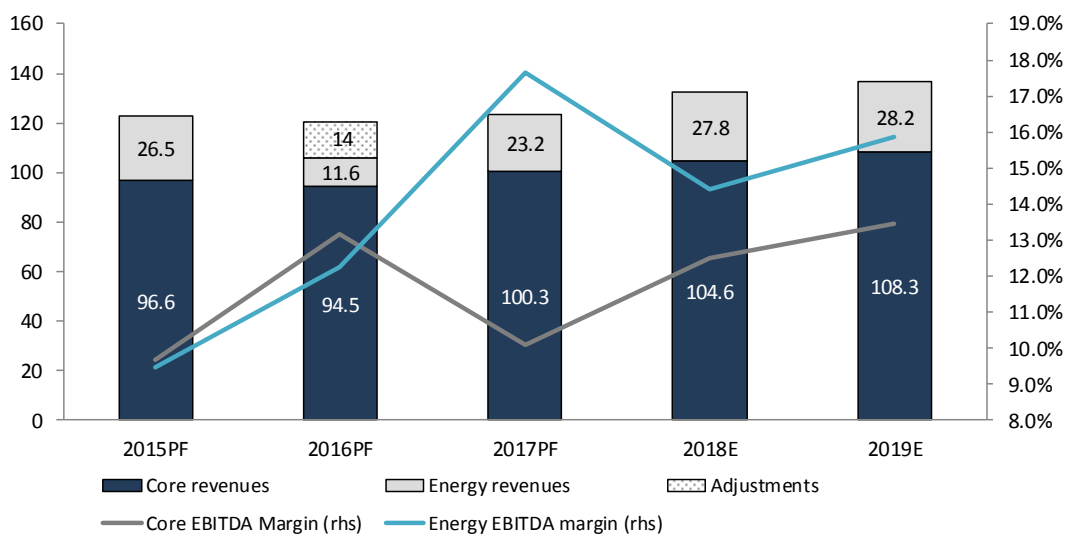
EBITDA improving to €19mln with margin at 13.6% in 2019E
Core EBITDA margin to 13.6% in 2019E.

In 2017-2019E, we expect the Group to improve the EBITDA to €19.1mln and EBITDA margin to 13.6%. Our EBITDA now includes an adjustment of labour cost to 2017 deriving from the stock grant plan. More in details, we expect a broad stabilization of titanium and pulp prices, starting from 2018. We have then redistributed the higher titanium cost on the selling prices partially in 2017 but mainly in 2018. We have also included some procurement discounts coming from the management strategic policy of accelerating suppliers' payments. From 2018, the EBITDA increase is also driven by projected synergies of the vertical integrated Group structure, a more efficient usage of raw materials, improving machines productivity and a better product mix.

We assume sustained but stable costs of strategic raw materials

In terms of subsidiaries, we project a returning to their historical contribution to Group EBITDA with core EBITDA weighing 77% and BEG 23%, according to our assumptions of persisting sustained yet basically stable strategic raw materials cost, higher selling prices to fill the gap of 2017 and lower animal fat cost.

Figure 7: Revenue and EBITDA by BU 2015-2019E



Source: Banca Profilo elaborations on Company data

Table 4: Neodecortech Profit & Loss 2015-2019E

Profit & Loss (€ mln)	2015PF	2016PF	2017PF	2018E	2019E
Revenues on products and services	123.1	106.2	123.5	132.4	136.5
yoy	8%	-14%	16%	7%	3%
Core revenues	96.6	94.5	100.3	104.6	108.3
yoy	10%	-2%	6%	4%	4%
Paper production (Cartiere di Guarcino - CdG)	56.2	52.2	56.4	57.5	58.8
yoy	20%	-7%	8%	2%	2%
Decor printing and impregnation (Neodecortech - NDT)	40.4	42.4	43.8	47.1	49.6
yoy	-1%	5%	3%	7%	5%
Energy revenues (Bio Energia Guarcino - BEG)	26.5	11.6	23.2	27.8	28.2
yoy	1%	n.m.	n.m.	20%	1%
adjusted Energy revenues		25.6			
other revenues	2.4	9.5	4.2	3.2	3.2
Value of Production	125	116	128	136	140
yoy		-8%	10%	6%	3%
adjusted Group revenue		120			
raw materials (including stock changes)	-72.8	-65.4	-76.8	-78.0	-79.7
energy	-5.5	-4.6	-3.9	-4.9	-4.7
other services	-17.8	-11.5	-12.3	-13.2	-13.6
Variable costs	-96	-81	-93	-96	-98
rents and leases	-0.1	-0.1	-0.5	-0.5	-0.5
labour	-15.9	-16.3	-17.5	-19.5	-19.7
other operating costs	-1.6	-2.2	-2.4	-2.3	-2.4
Gross profit	27.7	31.9	31.7	36.6	38.8
margin	22.1%	27.5%	24.8%	27.0%	27.7%
EBITDA	11.9	15.6	14.2	17.1	19.0
margin	9.4%	13.5%	11.1%	12.6%	13.6%
Core EBITDA	9.4	12.5	10.1	13.1	14.6
margin	9.7%	13.2%	10.1%	12.5%	13.4%
Energy EBITDA (Bio Energia Guarcino - BEG)	2.5	3.1	4.1	4.0	4.5
margin	9.5%	27.0%	17.7%	14.4%	15.9%
Adj EBITDA	11.0	12.5	15.2	17.1	19.0
Adj EBITDA margin	8.8%	10.8%	11.9%	12.6%	13.6%
D&A	-6.9	-6.3	-6.3	-6.3	-6.4
provisions	-0.2	-0.1	0.0	0.0	0.0
EBIT	4.8	9.2	7.9	10.8	12.6
margin	3.8%	8.0%	6.2%	8.0%	9.0%
net financial expenses	-3.3	-3.3	-2.7	-1.9	-1.7
extraordinary items (one-off adjustments)	0.8	3.1	-1.0	0.0	0.0
EBT	1.5	6.0	5.2	8.9	10.9
taxes	0.2	-1.5	-1.1	-1.9	-2.8
Net profit	1.7	4.5	4.1	7.0	8.1
margin	1.3%	3.8%	3.2%	5.1%	5.8%
Adj Net profit	0.9	1.3	4.8	7.0	8.1

Source: Banca Profilo elaborations and estimates on Company data

D&A estimated at 5% of revenue. Declining cost of debt projected at 3.8% in 2019. Tax rate at 20%. Net income at €8.1m in 2019E.

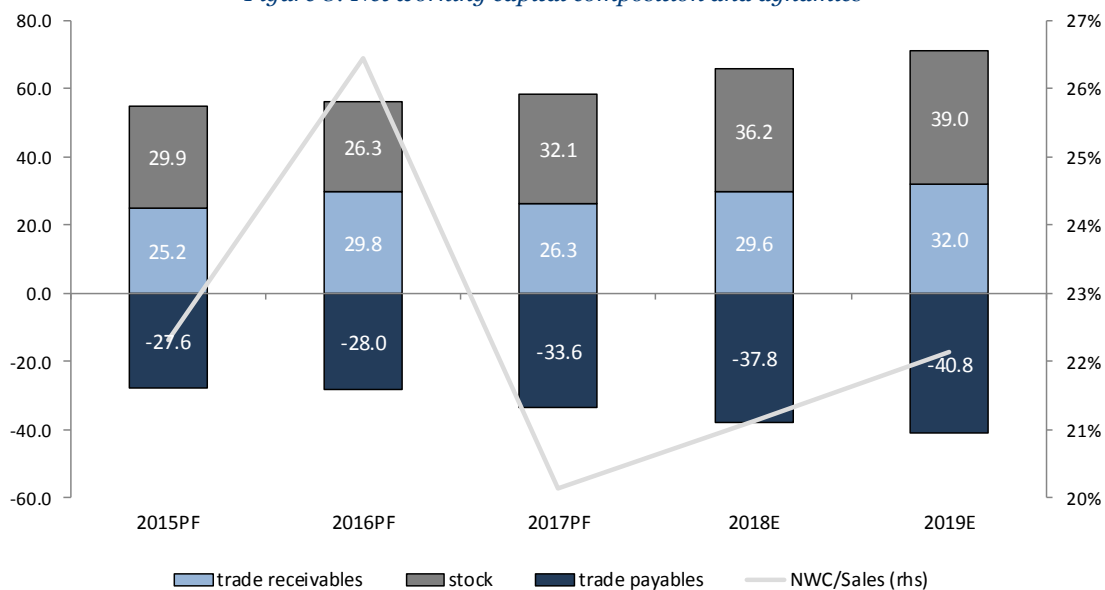
For 2018E-2019E, we estimated annual D&A at €6.3m on average (or about 5% of projected revenue). With regards to net financial expenses, we expected a continuing decline of the average cost of debt from 4.9% in 2017 (down from 5.4% in 2016) to 3.8% in 2019. According to management, there are ongoing talks with banks for a cash pooling system on the whole Group which is expected to lead to longer debt maturity at lower cost. Therefore, we expect net financial expenses to decline from €2.7m in 2017 to below €2m in the following two years. Finally, the tax rate, has already gone down to 22% in 2017 (25% in 2016) and we projected it at 20% in 2018 and 2019 for the use of BEG past net losses and other tax credits. Bottom line, we projected consolidated net income improving from €4.1m in 2017 to €8.1m in 2019E.

Balance Sheet projections: €16m capex and faster payments to suppliers

Regarding our projections (2018E-2019E) of the Group Balance Sheet, we have included:

- €16m capex in two years for the acquisition of cylindrical structures and the rest mainly to improve the efficiency of the paper mill machines;
- €5m of net operating working capital increase in two years ending in 2019E with an average incidence on revenue at 22% (23% on average in 2015-2017, declining to 20% in 2017) coming from a planned use of generated cash to pay suppliers and get back some procurement discounts. As the Group core productions are planned and executed on the basis of the order intake; the stock turnover has been kept basically flat. According to the management, there might be some space for net working capital optimization including BEG receivables factoring, partially offset by some stock planned increase to hedge the raw materials procurement costs mostly in CdG and BEG.

Figure 8: Net working capital composition and dynamics



Source: Banca Profilo elaborations and estimates on Company data

Net debt to EBITDA down to 2.3x in 2019E

At the end of 2019E, we project net debt to EBITDA down to 2.3x and net debt to Equity to 0.7x (3.3x and 0.9x respectively at the end of 2017, post IPO proceeds)

Table 5: Neodecortech Balance Sheet evolution 2017E-2019E

Balance Sheet (€ mln)	2015PF	2016PF	2017PF	2018E	2019E
Fixed assets	84.9	80.3	80.9	81.9	84.5
materials	75.2	72.8	72.6	78.2	80.8
immaterials	1.2	2.0	4.6		
financials	8.4	5.5	3.7	3.7	3.7
Net operating Working Capital	27.5	28.1	24.9	28.0	30.2
trade receivables	25.2	29.8	26.3	29.6	32.0
stock	29.9	26.3	32.1	36.2	39.0
trade payables	-27.6	-28.0	-33.6	-37.8	-40.8
Other net current assets (liabilities)	-5.4	-5.3	2.1	2.1	2.1
Net non-current liabilities	-10.1	-7.2	-6.9	-6.6	-6.2
Net invested capital	96.9	95.8	100.9	105.4	110.5
Equity	35.0	38.7	54.0	60.0	66.4
share capital	8.5	8.5	16.2	16.2	16.2
<i>number of shares (mln)</i>			13.1		
reserves	24.8	25.8	33.8	36.8	42.0
net profit	1.7	4.5	4.1	7.0	8.1
Net debt (cash)	61.9	57.1	46.9	45.4	44.1

Source: Banca Profilo elaborations and estimates on Company data

Free Cash Flow at €14mln in two years; 25% of dividend payout

We estimated €14mln of aggregated Free Cash Flow in 2018E and 2019E with a yearly average of €7mln, including the investment of €4.5mln in the digital printing machine postponed to next year. We set the dividend payout at 25% leading to €2.8mln dividends distribution in 2018E-2019E.

Table 6: Neodecortech Free Cash Flow evolution 2017E-2019E

Cash flow (€ mln)	2015PF	2016PF	2017PF	2018E	2019E
EBIT		9.2	7.9	10.8	12.6
tax on EBIT		-2.3	-1.7	-2.3	-2.7
NOPAT		6.9	6.2	8.5	9.9
D&A		6.3	6.3	6.3	6.4
Operating Net Working Capital change		-0.6	3.2	-3.1	-2.2
capex	-4.4	-5.0	-7.0	-7.3	-9.0
<i>di cui NTD</i>	2.2	1.4	2.1	3.5	2.0
<i>di cui CDG</i>	1.5	-3.5	3.0	2.8	2.0
<i>di cui BEG</i>	0.7	1.2	1.9	1.0	0.5
<i>acquisitions/digital machine</i>					4.5
<i>paper mill machines improvements</i>					
Free Cash Flow		7.6	8.7	8.8	5.1

Source: Banca Profilo elaborations and estimates on Company data

Risk to our estimates partially reduced by: a robust backlog; first months 2018 in line; management track record

According to management, current backlog of Neodecortech is extremely robust with 6-week orders, almost the double of its typical duration. In addition, figures of the first months of 2018, according to management, are in line with our expectations. Management track record is another key element to assess the risk of our projections. The 2017 results have been above the triggers set in the Remedy Shares mechanism. (EBITDA of €15mln and net income at €4.5mln). However, strategic raw materials cost remains a source of potential pressure on margins which, moreover, will improve if integration synergies fully arise within this two years.

Remedy shares protection mechanism for stockholders

Finally, the risk related to our estimates is partially reduced by the Remedy Shares mechanism and management Stock Grant Plan triggers, which might lead to a transferring “for free” of shares to stock holders, if Group EBITDA and net income are lower than their trigger levels in 2018 (€17mIn and €7mIn respectively).

More in details, the BoD of Finanziaria Valentini (Valentini Family) has approved and adopted a Remedy Shares mechanism, according to which a maximum number of 801,205 shares (6.1% of share capital) will be transferred “for free” from main shareholder (Valentini) to the other stockholders, if Group EBITDA and net income are lower than their trigger levels in 2018. There will be no cash out for the Company, but only a dilution of the Valentini Family in case of economic trigger levels are reached.

Table 7: Shareholders structure, Remedy Shares mechanism and Stock Grant Plan

Shareholders' structure	number of shares	%	Post-remedy shares 2017-2018	%
Valentini family	9,538,000	73%	8,736,795	67%
Market	3,563,500	27%	4,364,705	33%
Total number of shares	13,101,500		13,101,500	
Stock Grant Plan	689,608	5.3%		
Remedy Shares mechanism	801,205	6.1%		
Trigger levels (€ mln)	2017	2018		
EBITDA	15.0	17.0		
Net income	4.5	7.0		
<u>maximum shares to be transferred</u>				

Source: Banca Profilo elaborations on Company data

Stock Grant plan for key managers

In June 2017, the extraordinary shareholders meeting approved a Stock Grant Plan addressed to key managers. It entails a maximum of 689,608 (5.3% of share capital) newly issued shares if the Group achieves economic and financial targets, provided the stock market value of these shares is not higher than €5mIn. The Neodecortech's CEO Luigi Cologni, its CFO Marco Giussani and the Cartiere di Guarcino's CEO Massimo Giorgilli take part to this plan with respectively 27,500, 7,500 and 27,500 shares each.

There are three different triggers to be reached for the shares to be assigned to the management:

- up to 40% of the shares in the stock plan will be given if Neodecortech is listed on the MTA by 30 months from its IPO;
- up to 30% of shares in the stock plan will be assigned if the triggers of the Remedy shares mechanism are reached in 2017;
- up to 20% of shares in the stock plan will be assigned if the triggers of the Remedy Shares mechanism are reached in 2018.

36 month lock up period

The Valentini Family agreed to a lock-up period of 36 months from the day of listing on AIM (September, the 26th 2017).

Valuation Update

Given the mature and robust cash generating business, a DCF method well adapts as a valuation approach.

A mature and cash generating business: DCF method well adapts for valuing the Group

For what concerns the relative valuation, there are no listed companies active in the Décor Paper market, showing a similar vertical integration of both the value chain and the Group structure, as Neodecortech. Main big diversified groups are either décor paper producers or décor paper printers and impregnators; none has a synergic Group structure as that of Neodecortech.

A sample of listed companies active in the reference Industry is the base for a relative valuation of the Group confirmed by M&A transactions multiples

We have selected a sample of listed companies active either in some of the production cycle phases of Décor Paper production and printing or in the substitutive ceramic tile market. We also included listed players in the downstream interior design industry. Our sample for the relative approach on market multiples includes: the Swedish Ahlstrom-Munksjo (décor paper production), the German Surteco (décor paper printing and impregnation), the Italian Panariagroup (ceramic tiles) and the French Tarkett (flooring solutions). Finally we add to the relative valuation an average of M&A multiples derived from comparable transactions in the past three years.

DCF Valuation

DCF assumptions

We run a DCF model, using our projections of FCF for the 2018E-21E explicit period. Considering the mature and modestly growing, but cash generative business, our projected FCFs have a slightly downtrend, assuming also some additional cash burning from working capital change. We land to a normalized annual FCF of some €8mln.

In order to assess the Terminal Value, we factor in:

- an annual average FCF generation of €8mln
- perpetual growth rate of 2%.

We used a WACC of 7.5%, derived from:

- risk free rate of 4.4%, as implicitly expected by consensus (Bloomberg) on the 30Y Italian BTP yield curve;
- market risk premium of 5%;
- beta of 1.1, coming from the average of chosen listed peers to Neodecortech;
- D/E target at 40%.

Table 8: DCF Model (€mln) and WACC calculation

DCF Valuation	2018E	2019E	2020E	2021E	over
Free Cash Flows (€ mln)	8.8	7.3	8.1	7.7	8.0
years	1	2	3	4	5
discount factor	0.93	0.87	0.81	0.75	0.70
NPV Cash flows (€ mln)	8.22	6.35	6.52	5.78	5.58
Sum of NPVs (€ mln)					32.5
Terminal Value (€ mln)					146.5
NPV Terminal Value (€ mln)					102.3
Enterprise Value (€ mln)					134.7
Net debt end of 2017 (€ mln)					46.9
Equity Value (€ mln)					87.8
number of shares (mln)					13.1
Per share value (€)					6.7

WACC Calculation				
perpetual growth rate				2.0%
WACC				7.5%
risk free rate (30Y) (Bloomberg projections)				4.4%
equity risk premium				5.0%
beta				1.1
KE				10.0%
costo del debito				5%
tax rate				25%
KD				4%
	2016PF	2017	2018E	2019E
D/D+E	60%	46%	43%	40%
E/D+E	40%	54%	57%	60%

Source: Banca Profilo estimates and elaborations

DCF Equity Value: We obtain a fair Equity Value of €87.8mln.
€88mln

Neodecortech competitive arena: strategic positioning and competitive advantages

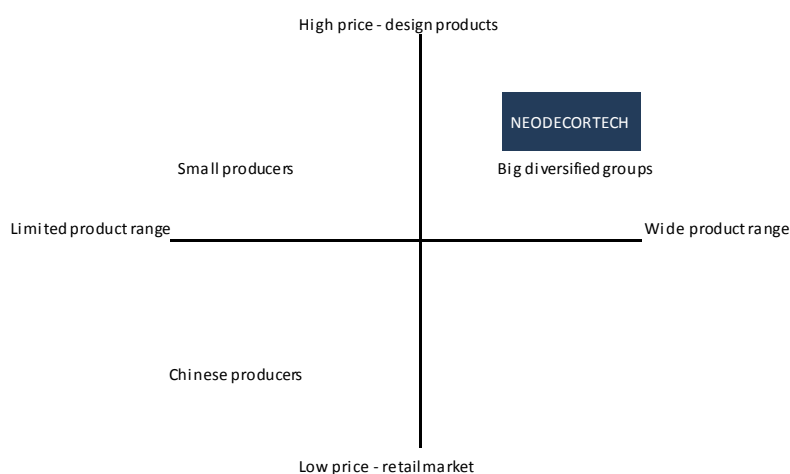
Neodecortech core business: décor paper production, printing and impregnation

We are analysing Neodecortech competitive international environment looking at its core business (more than 80% of Group sales and more than 70% of Group EBITDA or €100.6mln and €12.5mln in 2016) consisting of décor paper production, through its paper mill Cartiere di Guarmino (CdG with €52.2mln turnover in 2016), and décor paper printing and impregnation through Neodecortech (NDT with €42.4mln turnover in 2016).

Competitors are mainly big international diversified groups

The Group strategic positioning is at the top end of high-price and design products, offering a wide range of décor paper, printed and impregnated, which find use on surface coating, mainly furniture, flooring and various interior installations. The Group exports 74% of its production, mostly in Europe. Therefore, it competes with big international diversified groups both in the décor paper production and printing.

Figure 9: Neodecortech strategic positioning



Source: Neodecortech S.p.A

Décor paper producers, printers and impregnators are mostly non-listed German players. In the low-end of the Industry, Chinese producers historically offered lower-quality and cheaper products; more recently, they have started to improve their products quality, boosting exports particularly to China's neighbour countries.

Main entry barriers: the capital intensive structure and long lasting partnerships with clients

In this competitive arena, the capital intensive structure and long lasting partnerships with customers are the main entry barriers. Significant plant investment are needed for décor paper production, printing and impregnation; therefore large selling volumes and substantial turnover need to be generated for those investment to become profitable. More in details, the reconstruction value of Neodecortech's plants is about €230mln vs their net book value of €70mln at the end of 2016. Clients are large and concentrated, requesting high quality, production flexibility and tailored offering.

High incidence of energy and raw materials in the cost structure

In addition of being a capital intensive business, the typical cost structure of décor paper producers and printers shows a high incidence of variable (often volatile) costs (more than 60% of revenue), mainly energy and raw materials (titanium dioxide and pulp in paper production; paper, resins and PVC in paper or plastic printing and impregnation). Therefore, an efficient use of raw materials, long and stable partnerships with suppliers, optimization of procurement policies and enhancing production productivity are key drivers to profitability in this Industry.

Neodecortech key competitive advantage: its vertically integrated business model

In this scenario, the key competitive advantage of Neodecortech is its vertical integrated business model and Group synergic structure, which allow for control on the R&D process, generate savings on procurement, enhance the operating leverage, guarantee supply, production flexibility and time to market.

Benchmarking analysis on listed players

We concentrate our benchmarking analysis on listed players in the reference market and on other listed companies in the larger industry of Interior Furnishing. Within the décor paper producers (the paper mill CdG competitors) we analyze the Ahlstrom-Munksjo Group (Sweden, listed on the Nasdaq Helsinki and on Stockholm stock exchanges), whereas within the décor paper printers and impregnators (NDT competitors, yet potentially CdG clients) we examine the German Surteco. In addition, we look into the Italian Panariagroup, active mostly in the ceramic tiles and the French Tarkett, a large player in flooring solutions.

Ahlstrom Munksjo is a décor paper producer; competitor of CdG

Ahlstrom-Munksjo is a Sweden supplier of industrial paper: décor papers, coatings, primer foils, graphic papers, tapes, wall coverings and other fiber based materials. In 2017, Munksjo and Ahlstrom merged and created a global leader in sustainable and innovative fiber-based solutions with combined annual sales of €2.2bn, more than 6,000 employees and 41 production and converting facilities in 14 countries worldwide.

In 2017 and 1Q18 EBITDA margin hit by significant raw material cost escalation

In 2017, the Group generated revenue for €2.2bn (décor paper accounted for €378mln up by 3.5% yoy) with EBITDA margin of 13% (décor paper EBITDA margin at 9% down by 600bps from 2016 hit by raw materials cost significant increase during 2017). The escalation of raw material costs, particularly titanium dioxide and pulp hit margins of the Décor Paper division both in 2017 (-600bps) and in 1Q18 (-560bps) not offset by higher selling prices.

Consensus expects revenue growth at 3.4% in 2018E-2019E with EBITDA margin reaching 13.4%; net debt to equity ratio was 0.2x at the end of 2017.

Surteco is a décor paper printer and impregnator; competitor of NDT

Surteco is a German specialist in surface technologies. Its product portfolio includes: paper printed with decorative designs, impregnated products, release papers, decorative flat foils and other specialized laminates. Its main clients are furniture manufacturers. In 2017, revenue stood at €690mln (+8% yoy), with paper weighting 60% and plastic 40%. EBITDA margin was 12% in 2017.

Consensus expects a 7% yoy growth this year and improvement in EBITDA margin to 12.9%. Net debt to equity was at 0.4x at the end of 2017. The Group employees

In 2017 and 1Q18 negative burden on EBITDA margin by higher raw materials cost

about 2,900 people.

As happened to Munksjo, Surteco's Paper division experienced negative burden from higher raw materials prices affecting marginality in 2017 and in the 1Q18.

Panariagroup is an Italian player in the Interior furnishing industry

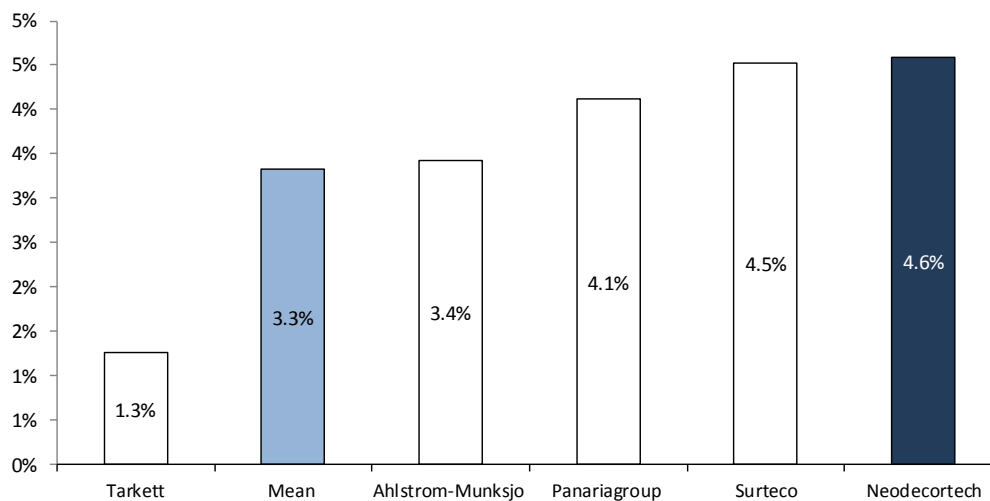
Panariagroup is an Italian manufacturer of a wide range of ceramic floor and wall tiles. In 2017, revenue stood at €415mIn, including export revenues at 80%, with EBITDA margin at 10.3%.

Consensus expects a 1.5% yoy growth this year and an improvement in EBITDA margin to 12%. Net debt to equity was 0.7x at the end of 2017. The Group employees some 1,600 people. We included it in our benchmarking analysis because it is an Italian company with a size closer to that of Neodecortech, it shows similar export revenue weight, similar end-markets and because it supplies products which might become close substitutes and competitor of décor paper products in specific interior applications.

Tarkett is a big player in the flooring solutions

Tarkett is a big French player that manufactures and distributes a wide range of flooring solutions such as vinyl, laminate, wood, carpet rolls and tiles, linoleum, and artificial turf. In 2017 revenue stood at €2.8bn with EBITDA margin at 11.1%. Consensus expects stable revenue this year and some 30bps worsening in EBITDA margin to 10.8%. Net debt to equity ratio was stands at 0.3x. The Group employees some 12,600 people.

Figure 10: Main listed players in the Industry – (pro-forma) revenue CAGR 2017-2019E



Source: Banca Profilo elaborations on Company data, Factset

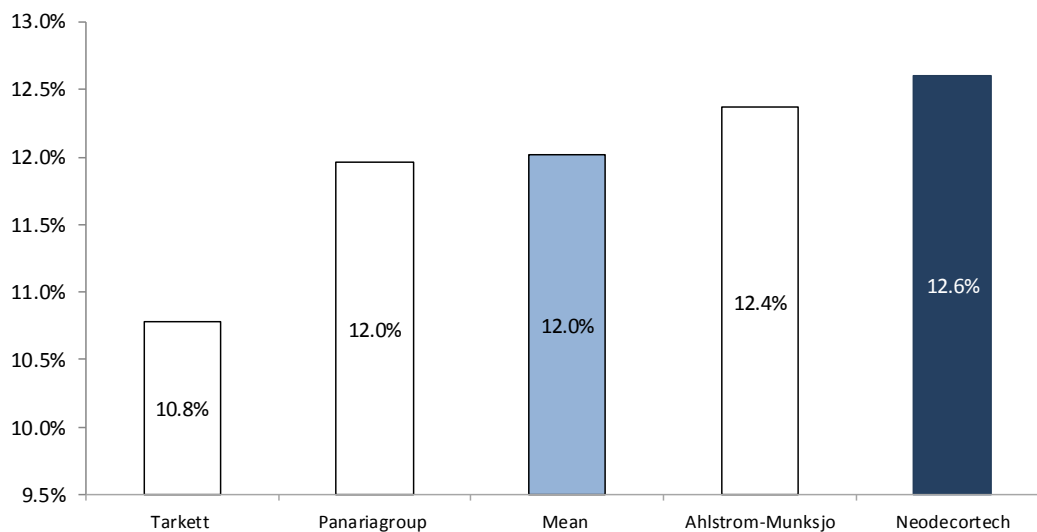
Neodecortech is expected to grow faster than peers

In the 2017-2019E period, we project Neodecortech revenue to grow at 4.6% (CAGR), the highest in the sample, outpacing the peers' average (3.3%).

Neodecortech is projected second to the highest EBITDA margin

With respect to the EBITDA margin, Neodecortech is expected to maintain a higher EBITDA margin vs peers' average in 2018E at 12.6% vs 12.0% respectively. It is projected as the highest EBITDA margin among peers.

Figure 11: Main listed players in the Industry – EBITDA margin 2018E

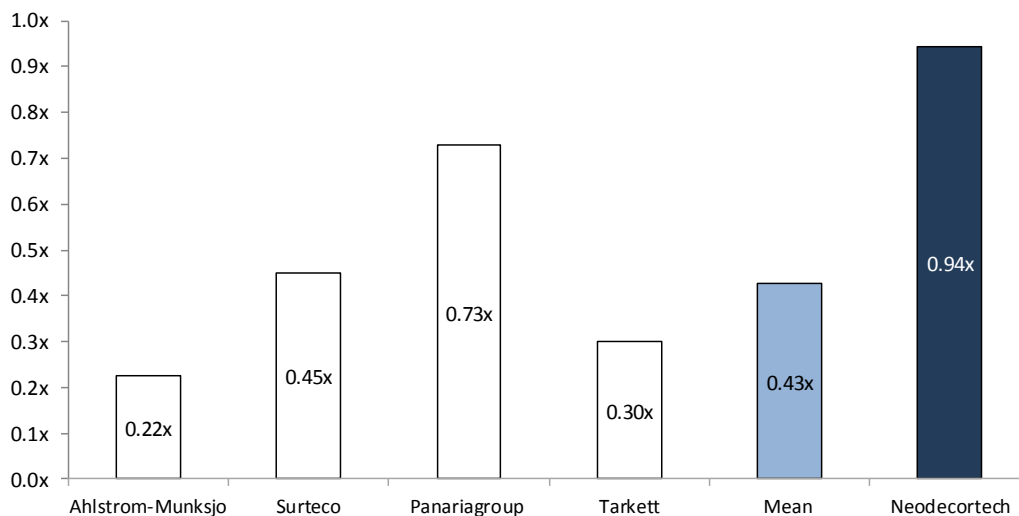


Source: Banca Profilo elaborations on Company data, Factset

Neodecortech is the most leveraged

On the capital structure side, Neodecortech shows the most leveraged structure with net debt to equity ratio at almost 0.9x vs peers at 0.4x, on average.

Figure 12: Main listed players in the Industry – current net debt / equity



Source: Banca Profilo elaborations on Company data.

Relative Valuation on multiples

Our sample of comparables to Neodecortech shows a mean EV/SALES 2018E-2019E of 0.7x and a mean EV/EBITDA 2018E-2019E at 6.1x respectively. As Neodecortech is a mature and cash generative company, we chose the EV/EBITDA multiple for its relative valuation. At its price (€3.8/share as of May, the 21nd), Neodecortech trades at 11% and 12% discount to our sample mean of EV/EBITDA for 2018E-2019E respectively.

Table 9: Market multiples

Company	EV / Sales		EV / EBITDA	
	2018E	2019E	2018E	2019E
Ahlstrom-Munksjo Oyj	0.9x	0.9x	7.2x	6.4x
SURTECO SE	0.8x	0.8x	6.5x	6.2x
Panariagroup SpA	0.6x	0.5x	4.7x	4.0x
Tarkett SA	0.8x	0.7x	7.0x	6.5x
Mean	0.8x	0.7x	6.3x	5.8x
Neodecortech	0.7x	0.7x	5.7x	5.1x
discount on peers	-6.1%	-5.5%	-10.6%	-12.2%

Source: Factset. All numbers calendarised

Source: Banca Profilo estimates and elaborations on Factset

Table 10: Sample benchmarking

Company	Sales growth				EBITDA margin				Net debt / Equity	Sales CAGR
	2016	2017	2018E	2019E	2016	2017	2018E	2019E	current	17-19E
Ahlstrom-Munksjo Oyj	n.m.	4.0%	3.2%	3.7%	12.5%	13.0%	12.4%	13.4%	0.22x	3.4%
SURTECO SE	7.8%	7.8%	6.7%	2.4%	11.6%	12.0%	12.9%	13.2%	0.45x	4.5%
Panariagroup SpA	6.0%	6.0%	1.5%	6.8%	10.4%	10.3%	12.0%	13.0%	0.73x	4.1%
Tarkett SA	3.7%	3.7%	-0.3%	2.8%	12.2%	11.1%	10.8%	11.2%	0.30x	1.3%
Mean	5.8%	5.4%	2.8%	3.9%	11.7%	11.6%	12.0%	12.7%	0.43x	3.3%
Neodecortech	-7.8%	10.4%	6.2%	3.0%	13.5%	11.1%	12.6%	13.6%	0.94x	4.6%

Source: Banca Profilo estimates and elaborations, Factset

We use peers' mean EV/EBITDA 2017E-2018E to assess the relative value

Other than smaller size, lower liquidity and higher leverage, Neodecortech shows higher than peers' average growth potential with margins in line. We apply the Sector's EV/EBITDA for 2018E/19E at respectively 6.3x and 5.8x to our estimates of Group EBITDA (€17.1mln in 2018E and €19mln in 2019E).

Multiples Equity Value: €64mln

We derive an Enterprise Value in the range of €108mln-€110mln. We subtract the 2017 net debt of €47mln and obtain an average Equity Value of €62mln, to which we apply a 10% liquidity/AIM discount and we land to an Equity Value of €56mln.

Table 11: Market multiples Valuation (€mln)

Relative Valuation on market multiples		
	2018E	2019E
Peers' average EV/EBITDA	6.3x	5.8x
Neodecortech EBITDA (€mln)	17.1	19.0
Neodecortech potential EV (€mln)	108	110
Current net debt (€mln)	46.9	46.9
Neodecortech potential Equity Value (€mln)	61.2	63.2
liquidity/AIM discount		10%
Neodecortech potential Equity Value post discount (€mln)	56.0	
Number of shares	13.1	
Neodecortech potential price (€)	4.3	

Source: Banca Profilo estimates and elaborations, Factset

Mean EV/EBITDA from M&A transactions

In addition, we show the multiples at which recent deals have been closed. The mean EV/EBITDA of 6.3x is in line with the average 2017-2018 market multiples.

Table 12: M&A transactions multiples

TRANSACTION MULTIPLES						
Completed Date	Target Company	Bidder Company	EV (mln)	Currency	EV / SALES	EV / EBITDA
01/11/2017	W.A. Sanders Coldenhove	Neenah Paper	35	EUR	0.8X	6.1X
27/04/2017	Cartiere Pigna	DeA Capital	26	EUR	0.8X	NA
04/04/2016	Cahin Printing Services	Multicolor Corporation	16	EUR	1.0X	5.8X
03/04/2017		Ahlstrom and Munksjo combine	706	EUR	0.7X	5.5X
31/12/2016	Shinhan Wallcoverings	Camoor Investment Partners	133,110	KRW	1.7X	8.0X
01/12/2016	Nenplas	Surteco	26	USD	1,5x	6,4x
14/11/2016	Powerflute Oyj	Madison Dearborn Partners	350	EUR	1.0X	6.3X
12/01/2015	NewPage Holdings	Verso Paper Corp	1,406	USD	0.5X	6.2X
		Mean			0.9X	6.3X

Source: Banca Profilo elaborations on Factset, Bloomberg and Mergermarket data

We confirm our target price at €5.3 and BUY recommendation

Neodecortech share capital consists of 13.1mln shares.

We confirm our target price at €5.3 per share, as a result of both DCF and multiple valuations.

As our target price implies a potential upside of 40% (on the price as of May, the 21st) we confirm our BUY recommendation.

Worth to note that NDT is PIR eligible

As a final note, we underline that the stock is PIR (Piani Individuali di Risparmio) eligible, so that it can be included in this specific type of Funds.

THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK



Neodecortech "ID Card"

Recommendation

BUY

Target Price

5.3 €

Upside

40%

Company Overview

Founded in 1947, Neodecortech is the largest Italian producer and a growing international niche leading provider of high-end products for the Interior Design industry. It is controlled by the Valentini Family with 73%. Neodecortech reference market is the international Décor Paper segment, a niche of the Specialty Paper market in the Paper and Paperboard industry. In 2016, the Décor Paper niche accounted for 750,000 metric tons; with 48,000 metric tons of décor paper manufactured the same year, through Neodecortech (NDT) and the paper mill Cartiere di Guarcino (CdG), the Group had a 6% market share. Its reference market is a mature and historically stable market (0.3% CAGR in 2006-2016), even if it has recently accelerated (+5% yoy in 2016). Neodecortech strategic positioning is at the top end of high-price and design products offering a wide range of décor paper, printed and impregnated. The Group exports more than 75% of its production, mostly in Western Europe (the area that has grown the most recording a +6% yoy in 2016); thus it competes with big international (mainly German) diversified groups in both décor paper production and printing. Furthermore, the Group is mostly active in the décor paper production and printing (more than 70% of Group's revenue), a market segment which has shown higher growth (+7% yoy in 2016), high profitability and lower competitive pressure than others, especially the impregnated paper segment and ceramic tiles market. The Group key competitive advantage lies in its quite fully integrated business model and synergic Group structure, which allow for control over strategic phases, generate savings on procurement, enhance the operating leverage, guarantee supply, production flexibility and time to market. The capital intensive structure represents a robust entry barrier, needing large selling volumes to reach profitability. The cost structure shows a high incidence of raw materials, which asks for an efficient use of raw materials, long and stable partnerships with suppliers, optimization of procurement policies and increasing production productivity in order to improve profitability. Finally, customers are large and concentrated and request high quality, production flexibility and tailored offering. In 2017, Neodecortech generated €128m of revenue, €15.2m of adjusted EBITDA or 11.9% margin and EUR 4.8m of adjusted net income. It shows a leveraged financial structure with €47m of net debt and €54m of equity. According to our estimates, in the 2017-2019E period revenue is expected to grow at 5% on average (CAGR) to €140m with EBITDA at €19m or 13.6% margin and net income at €8.1m. This leads to an average Free Cash Flow of €7m, including cumulated capex of €16m, and to a net debt of €44m (or 0.7x the Equity). The business plan execution risk is partially limited by a remedy share mechanism and by an experienced management team which has been managing the company for quite a decade.

Strengths

- Quite fully integrated business model and Group structure
- Capital intensive structure with high reconstruction value of proprietary plants
- High margins and strong cash generator
- Product and geographic diversification
- Experienced management team
- Leading market positioning in high-end products of the international interior design industry

Weaknesses

- Limited reference market size
- Not fully utilized production capacity
- Limited self financing ability

Opportunities

- High entry barriers in the reference market
- Strengthening higher margin specialty products through ad-hoc partnerships
- Geographical expansion through ad-hoc international partnerships and/or bolt on acquisitions

Threats

- Competition from ceramic tiles manufacturer
- China décor paper producers improving quality, replicating designs and European products

Main catalysts

- 👍 M&A deals boost growth through new geographies and new market niches
- M&A deals to let synergies from the integrated business model and product mix fully arise
- Technology upgrade through the new digital machine
- The stock is PIR (Piani Individuali di Risparmio) eligible

Main risks

- 👎 Competition from Chinese players and ceramic tiles manufacturer
- Less than expected return on the digital machine investment
- Less than estimated reference market growth in the next three years
- Accelerating increase in raw materials prices not fully (not as quick as expected) transferred to customers



Neodecortech "ID Card"

Recommendation

BUY

Target Price

5.3 €

Upside

39%

May, 24 2018 - 18:15

Main Financials					
(€ mln)	2015PF	2016PF	2017PF	2018E	2019E
Revenue	123.1	106.2	123.5	132.4	136.5
yoy change		-13.7%	16.3%	7.2%	3.1%
VdP	125.5	115.7	127.7	135.7	139.7
Gross margin	27.7	31.9	31.7	36.6	38.8
Gross margin (%)	22.1%	27.5%	24.8%	27.0%	27.7%
EBITDA	11.9	15.6	14.2	17.1	19.0
Adj EBITDA	11.0	12.5	15.2	17.1	19.0
Adj EBITDA margin (%)	8.8%	10.8%	11.9%	12.6%	13.6%
EBIT	4.8	9.2	7.9	10.8	12.6
EBIT margin (%)	3.8%	8.0%	6.2%	8.0%	9.0%
EBT	1.5	6.0	5.2	8.9	10.9
Margin (%)	1.2%	5.2%	4.1%	6.6%	7.8%
Net income	1.7	4.5	4.1	7.0	8.1
Adj Net Income	0.9	1.3	4.8	7.0	8.1
Margin (%)	0.7%	1.2%	3.8%	5.1%	5.8%
Net debt (cash)	61.9	57.1	46.9	45.4	44.2
Shareholders Equity	35.0	38.7	54.0	60.0	66.4
Operating Net Working Capital	27.5	28.1	24.9	28.0	30.2
Capex and acquisitions	(4.4)	(5.0)	(7.0)	(7.3)	(9.0)
Free Cash Flow		7.6	8.7	8.8	5.1

Breakdown by business unit					
	2015PF	2016PF	2017PF	2018E	2019E
Core					
Revenue	96.6	94.5	100.3	104.6	108.3
yoy change		-2.2%	6.1%	4.3%	3.6%
EBITDA	9.4	12.5	10.1	13.1	14.6
EBITDA margin (%)	9.7%	13.2%	10.1%	12.5%	13.4%
Energy					
Revenue	26.5	11.6	23.2	27.8	28.2
yoy change		-56.1%	99.5%	19.8%	1.2%
EBITDA	2.5	3.1	4.1	4.0	4.5
EBITDA margin (%)	9.5%	27.0%	17.7%	14.4%	15.9%

Solvability Ratios					
	2015PF	2016PF	2017PF	2018E	2019E
Net debt (cash) / EBITDA	5.2x	3.7x	3.3x	2.7x	2.3x
Net debt (cash) / Equity	1.8x	1.5x	0.9x	0.8x	0.7x
Net debt (cash) / Net Invested Capital	0.6x	0.6x	0.5x	0.4x	0.4x

Financial and Operative ratios					
	2015PF	2016PF	2017PF	2018E	2019E
Days of receivables	75	102	78	82	86
Days of inventories	89	90	95	100	104
Days of payables	105	125	132	143	152
Tax rate	12.3%	-25.4%	-21.6%	-19.6%	-19.6%
ROIC		9.6%	8.1%	10.5%	11.7%
ROE		12.1%	8.8%	12.2%	12.9%
Capex/Sales	3.6%	4.7%	5.7%	5.5%	6.6%
FCF cash conversion		61%	57%	52%	27%

Source: Factset, Banca Profilo estimates and elaborations

Company Description	
Company Sector	Building material, Decor pa
Price as of May 21st (€)	3.80
Number of shares (mln)	13.1
Market Cap (€ mln)	49.8
Reference Index	FTSE AIM Italia
Main Shareholders	Luigi Valentini and Valfina S
Main Shareholder stake	73%
Free Float	27%
Daily Average Volumes ('000)	16.8
Sample of comparables	Surteco, Ahlstrom Munksj Panaria Group, Tarkett

Decor Paper: data of peers				
	2016	2017	2018E	2019E
Revenue Growth (yoy)	5.8%	5.4%	2.8%	3.9%
EBITDA margin	11.7%	11.6%	12.0%	12.7%
net debt / equity		0.4x		

Average data

Decor Paper: multiples of peers			
	2018E	2019E	
EV / Sales	0.8x	0.7x	
EV / EBITDA	6.3x	5.8x	

Average data

Neodecortech trading multiples		
	2018E	2019E
EV / Sales	0.7x	0.7x
EV / EBITDA	5.7x	5.1x

DISCLAIMER**ANALYST'S AND BANK'S INFORMATION**

THIS DOCUMENT CONCERNING NEODECORTECH S.P.A. (THE "ISSUER" OR THE "COMPANY") HAS BEEN DRAFTED BY FRANCESCA SABATINI WHO IS EMPLOYED BY BANCA PROFILO S.P.A. ("THE BANK") AS FINANCIAL ANALYST; FRANCESCA SABATINI IS RESPONSIBLE FOR THE DRAFTING OF THE DOCUMENT.

BANCA PROFILO S.P.A. IS A BANK AUTHORISED TO PERFORM BANKING AND INVESTMENT SERVICES; IT IS PART OF BANCA PROFILO BANKING GROUP (THE "GROUP") AND IT IS SUBJECT TO THE MANAGEMENT AND CO-ORDINATION OF AREPO BP S.P.A. (THE "PARENT COMPANY"). SATOR PRIVATE EQUITY FUND "A" LP (THE "PARENT ENTITY") HOLDS INDIRECT CONTROL PARTICIPATION INTERESTS IN BANCA PROFILO.

THE BANK IS REGISTERED WITH THE ITALIAN BANKING ASSOCIATION CODE NO. 3025 AND IS SUBJECT TO THE REGULATION AND SURVEILLANCE OF THE BANK OF ITALY AND OF CONSOB (COMMISSIONE NAZIONALE PER LE SOCIETÀ E LE BORSE). THE BANK HAS PREPARED THIS DOCUMENT FOR ITS PROFESSIONAL CLIENTS ONLY, PURSUANT TO DIRECTIVE 2004/39/EC AND ANNEX 3 OF THE CONSOB REGULATION ON INTERMEDIARIES (RESOLUTION N. 16190). THIS DOCUMENT IS BEING DISTRIBUTED AS OF [NOVEMBER, 23RD, 17:48].

THE ANALYST FRANCESCA SABATINI WHO HAS DRAFTED THIS DOCUMENT HAS SIGNIFICANT EXPERIENCE IN BANCA PROFILO S.P.A. AND OTHER INVESTMENT COMPANIES. THE ANALYST AND ITS RELATIVES DO NOT OWN FINANCIAL INSTRUMENTS ISSUED BY THE ISSUER AND SHE DOES NOT ACT AS SENIOR MANAGER, DIRECTOR OR ADVISOR FOR THE ISSUER. THE ANALYST DOES NOT RECEIVE BONUSES, INCOME OR ANY OTHER REMUNERATION CORRELATING, DIRECTLY OR INDIRECTLY, TO THE SUCCESS OF THE INVESTMENT BANKING OPERATIONS OF BANCA PROFILO S.P.A.

A REDACTED VERSION OF THIS REPORT HAS BEEN DISCLOSED TO THE ISSUER TO PERMIT TO IT TO REVIEW AND COMMENT ON FACTUAL INFORMATION RELATING TO THE ISSUER AND THIS REPORT HAS BEEN AMENDED FOLLOWING SUCH DISCLOSURE PRIOR TO ITS FINAL DISSEMINATION.

THIS DOCUMENT IS BASED UPON INFORMATION THAT WE CONSIDER RELIABLE, BUT THE BANK HAS NOT INDEPENDENTLY VERIFIED THE CONTENTS HEREOF. THE OPINIONS, ESTIMATES AND PROJECTIONS EXPRESSED IN IT ARE AS OF THE DATE HEREOF AND ARE SUBJECT TO CHANGE WITHOUT NOTICE TO THE RECIPIENT. PAST PERFORMANCE IS NOT GUARANTEE OF FUTURE RESULTS.

THIS REPORT HAS BEEN PREPARED BY ITS AUTHORS INDEPENDENTLY OF THE COMPANY AND ITS SHAREHOLDERS, SUBSIDIARIES AND AFFILIATES. THE BANK HAS NO AUTHORITY WHATSOEVER TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATION OR WARRANTY ON BEHALF OF THE COMPANY, ANY OTHER PERSON IN CONNECTION THEREWITH. IN PARTICULAR, THE OPINIONS, ESTIMATES AND PROJECTIONS EXPRESSED IN IT ARE ENTIRELY THOSE OF THE AUTHOR HEREOF.

NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, IS MADE AS TO AND NO RELIANCE SHOULD BE PLACED ON THE FAIRNESS, ACCURACY, COMPLETENESS OR REASONABLENESS OF THE INFORMATION, OPINIONS AND PROJECTIONS CONTAINED IN THIS DOCUMENT, AND NONE OF THE BANK, THE COMPANY, NOR ANY OTHER PERSON ACCEPTS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM ANY USE OF THIS DOCUMENT OR ITS CONTENTS OR OTHERWISE ARISING IN CONNECTION THEREWITH.

NO DUPLICATION

NO PART OF THE CONTENT OF THE DOCUMENT MAY BE COPIED, FORWARDED OR DUPLICATED IN ANY FORM OR BY ANY MEANS WITHOUT THE PRIOR CONSENT OF THE BANK. BY ACCEPTING THIS REPORT, YOU AGREE TO BE BOUND BY THE FOREGOING LIMITATIONS.

NO OFFER OR SOLICITATION

THIS DOCUMENT DOES NOT CONSTITUTE AN OFFER OR INVITATION OR FORM PART OF AN OFFER, SOLICITATION OR INVITATION TO PURCHASE ANY SECURITIES, AND NEITHER THIS DOCUMENT NOR ANYTHING CONTAINED HEREIN SHALL FORM THE BASIS OF ANY CONTRACT OR COMMITMENT WHATSOEVER.

RECIPIENTS

THIS DOCUMENT IS GIVEN TO YOU SOLELY FOR YOUR INFORMATION ON A CONFIDENTIAL BASIS AND MAY NOT BE REPRODUCED OR REDISTRIBUTED, IN WHOLE OR IN PART, TO ANY OTHER PERSON. IN PARTICULAR, NEITHER THIS DOCUMENT NOR ANY COPY HEREOF MAY BE TAKEN OR TRANSMITTED IN OR INTO THE UNITED STATES (THE "U.S."), AUSTRALIA, CANADA OR JAPAN OR REDISTRIBUTED, DIRECTLY OR INDIRECTLY, IN THE U.S., AUSTRALIA, CANADA OR JAPAN. ANY FAILURE TO COMPLY WITH THIS RESTRICTION MAY CONSTITUTE A VIOLATION OF U.S., AUSTRALIAN, CANADIAN OR JAPANESE SECURITIES LAWS.

THIS DOCUMENT IS BEING DISTRIBUTED ONLY TO, AND IS DIRECTED ONLY AT, PERSONS WHO ARE QUALIFIED INVESTORS WITHIN THE MEANING OF ARTICLE 2(1) (E) OF THE PROSPECTUS DIRECTIVE (DIRECTIVE 2003/71/EC) (ALL SUCH PERSONS BEING REFERRED TO AS "RELEVANT PERSONS"). THIS DOCUMENT MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS COMMUNICATION RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS.

IN CASE THAT THIS DOCUMENT IS DISTRIBUTED IN ITALY IT SHALL BE DIRECTED ONLY AT QUALIFIED INVESTORS WITHIN THE MEANING OF ARTICLE 100(1) (A) OF LEGISLATIVE DECREE NO. 58 OF FEBRUARY 24, 1998, AS AMENDED, AND ARTICLE 34-TER, PARA. 1, LETT B), OF CONSOB REGULATION NO. 11971 OF 1999, AS AMENDED. THIS DOCUMENT IS NOT ADDRESSED TO ANY MEMBER OF THE GENERAL PUBLIC IN ITALY. IN NO CIRCUMSTANCES SHOULD THIS DOCUMENT CIRCULATE AMONG OR BE DISTRIBUTED TO (I) A MEMBER OF THE GENERAL PUBLIC, (II) INDIVIDUALS OR ENTITIES FALLING OUTSIDE THE DEFINITION OF "QUALIFIED INVESTORS" AS SPECIFIED ABOVE OR (III) TO DISTRIBUTION CHANNELS THROUGH WHICH INFORMATION IS OR IS LIKELY TO BECOME AVAILABLE TO A LARGE NUMBER OF PERSONS.

THE DISTRIBUTION OF THIS DOCUMENT IN OTHER JURISDICTIONS MAY BE RESTRICTED BY LAW AND PERSONS INTO WHOSE POSSESSION THIS DOCUMENT COMES SHOULD INFORM THEMSELVES ABOUT, AND OBSERVE, ANY SUCH RESTRICTION. ANY FAILURE TO COMPLY WITH THESE RESTRICTIONS MAY CONSTITUTE A VIOLATION OF THE LAWS OF ANY SUCH OTHER JURISDICTION.

CONFLICTS OF INTEREST

THE BANK MAY, FROM TIME TO TIME, DEAL IN, HOLD OR ACT AS MARKET MAKER OR ADVISER, BROKER OR BANKER IN RELATION TO THE FINANCIAL INSTRUMENTS, OR DERIVATIVES THEREOF, OF PERSONS, FIRMS OR ENTITIES MENTIONED IN THIS DOCUMENT, OR BE REPRESENTED IN THE GOVERNING BODIES OF THE COMPANY. IN FACT, THE BANK HAS ACTED AS GLOBAL COORDINATOR IN THE IPO OF THE ISSUER, THE BANK IS PRESENTLY CORPORATE BROKER, LIQUIDITY PROVIDER AND SPECIALIST OF THE ISSUER.

BANCA PROFILO S.P.A. HAS ADOPTED INTERNAL PROCEDURES FOR THE PREVENTION AND AVOIDANCE OF CONFLICTS OF INTEREST WITH RESPECT TO THE RECOMMENDATIONS, WHICH CAN BE CONSULTED ON THE RELEVANT SECTION OF ITS WEBSITE (WWW.BANCAPROFILO.IT), IN THE SECTION "CLIENTI AZIENDALI E ISTITUZIONALI/ANALISI E RICERCA).

EQUITY RESEARCH PUBLICATIONS IN LAST 12M

THE BANK PUBLISHES ON ITS WEBSITE WWW.BANCAPROFILO.IT, ON A QUARTERLY BASIS, THE PROPORTION OF ALL RECOMMENDATIONS THAT ARE 'BUY', 'HOLD', 'SELL' OR EQUIVALENT TERMS OVER THE PREVIOUS 12 MONTHS, AND THE PROPORTION OF ISSUERS CORRESPONDING TO EACH OF THOSE CATEGORIES TO WHICH SUCH PERSON HAS SUPPLIED MATERIAL SERVICES OF INVESTMENT FIRMS SET OUT IN SECTIONS A AND B OF ANNEX I TO DIRECTIVE 2014/65/EU OVER THE PREVIOUS 12 MONTHS.

ADDITIONAL INFORMATION

THE BANK PROVIDES ALL OTHER ADDITIONAL INFORMATION, ACCORDING TO ARTICLE 114, PARAGRAPH 8 OF LEGISLATIVE DECREE 58/98 ("FINANCIAL DECREE") AND COMMISSION DELEGATED REGULATION (EU) 2016/958 AS OF 9 MARCH 2016 (THE "COMMISSION REGULATION") ON THE RELEVANT SECTION OF ITS WEBSITE (WWW.BANCAPROFILO.IT), IN THE SECTION "CLIENTI AZIENDALI E ISTITUZIONALI/ANALISI E RICERCA").