

Neodecortech Spa

Sector: Décor surfaces



Mid single digit growth ahead

Neodecortech (NDT) designs, produces and commercialises décor paper, finish foils, melamine films, and luxury vinyl tiles with the mission of enriching any surface with a distinctive Italian flair

MTA in sight, business conditions remain tough

Neodecortech has recently filed the request for admission to trading of the shares and the warrants of the Company on the MTA, and the deal should take place within Spring.

As far as recent business conditions are concerned, we note that in the latest two months of 2019FY there has been a weakening of Net Profit generation linked to the postponements of some orders to 2020 by some clients. However, net cash generation has remained good and allowed the reduction of Net Debt position to ca. €40.5mn as of 2019 year-end.

We underline that Neodecortech is steadily outperformed its peers. Indeed, Ahlstrom-Munksjö recorded sales -6.6% YoY in 2019 while Surteco's Revenues were down -1.6% in 9M19.

Mid single digit growth ahead

In 2020E, despite market demand growing in the low single digit range, we expect Neodecortech to benefit from the lunch / scaleup of several products such as: 1) plastic printed film (PPF) and plastic printed laminated film (PPLF); 2) new formats for laminates; 3) new anti-fingerprint products, EOS, both on paper and thermoplastic support.

Overall, we now expect **Revenues-EBITDA-EBIT** steadily growing at **mid single digit CAGR** over the next two years, while **Net Financial Position** is expected to decrease at ca. **€35mn** and ca. **€31mn by 2020E and 2021E** respectively thanks to lower capex charges.

Fair Value at €5.00 on a fully diluted basis

We keep substantially unchanged our fair valuation at €5.00 per share implying fair 1.1x P/BV and 5.7x Adj. EV/EBITDA 2020E multiples.

We underline that such a valuation is calculated on a "fully diluted" basis as MTA translisiting getting closer increases the likelihood of the exercise of the official stock grant plan

Analyst

Marco Greco

+39 02 80886654

marco.greco@value-track.com

Fair Value (€)	5.00
Market Price (€)	3.50
Market Cap. (€m)(**)	48.3

KEY FINANCIALS (€m)	2019A	2020E	2021E
REVENUES	135.9	142.9	149.3
EBITDA (*)	15.9	18.3	19.7
EBIT (*)	7.1	9.6	11.0
NET PROFIT (*)	4.0	6.1	7.4
EQUITY	61.3	65.5	70.8
NET FIN. POS.	-40.5	-35.4	-31.4
EPS ADJ. (€)	0.43	0.48	0.54
DPS (€)	0.15	0.15	0.15

Source: NDT (historical figures), Value Track (estimates)
(*) 2019A-20E after stock grant charges

RATIOS & MULTIPLES	2019A	2020E	2021E
EBITDA MARGIN (%)(*)	11.7	12.8	13.2
EBIT MARGIN (%)(*)	5.2	6.7	7.4
NET DEBT / EBITDA (x)(*)	2.5	1.9	1.6
NET DEBT / EQUITY (%)	0.7	0.5	0.4
EV/EBITDA (x)(**)	5.4	4.6	4.0
EV/EBIT (x)(**)	12.1	8.7	7.2
P/E ADJ. (x) (**)	8.1	7.2	6.5
P/BV (x) (**)	0.75	0.74	0.68

Source: NDT (historical figures), Value Track (estimates)
(*) 2019A-20E after stock grant charges

STOCK DATA

FAIR VALUE (€)	5.00
MARKET PRICE (€)	3.50
SHS. OUT. (m) (**)	13.8
MARKET CAP. (€m) (**)	48.3
FREE FLOAT (%)	36.1
AVG. -20D VOL. ('000)	15.075
RIC / BBG	NDT.MI / NDT.IM
52 WK RANGE	3.00-4.50

Source: Stock Market Data

(**) All stock market data on a fully diluted basis



Business Description

Neodecortech is a leading manufacturer of decorative surfaces (mostly paper but more recently also plastic) to be employed in the interior design industry and in the flooring one.

More in details Neodecortech is involved in the design, development, production, and commercialisation of décor paper printing, finish foils, melamine films, and Plastic Films. The vision of the Group is that of enriching any surface with a distinctive Italian Flair.

Key Financials

€mn	2018A	2019A	2020E	2021E
Total Revenues	133.4	135.9	142.9	149.3
Chg. % YoY	4.4%	1.9%	5.2%	4.5%
Reported EBITDA (*)	17.7	15.9	18.3	19.7
Reported EBITDA Margin	13.3%	11.7%	12.8%	13.2%
Reported EBIT (*)	10.6	7.1	9.6	11.0
Reported EBIT Margin	7.9%	5.2%	6.7%	7.4%
Reported Net Profit (*)	6.0	4.0	6.1	7.4
Chg. % YoY	48.4%	-34.3%	53.6%	21.3%
Net Fin. Position	-44.3	-40.5	-35.4	-31.4
Net Fin. Pos. / EBITDA (x)	2.5	2.5	1.9	1.6
Capex	-6.5	-8.0	-6.0	-7.0
OpFCF b.t.	10.3	8.5	10.6	9.6
OpFCF b.t. as % of EBITDA	58.0%	53.2%	57.7%	48.9%

Source: Company SpA (historical figures), Value Track (estimates)

(*) 2018A-20E figures after stock grant charges

Investment case

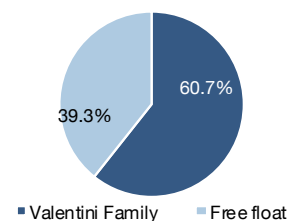
Strengths / Opportunities

- ◆ High flexibility granted by vertical integration;
- ◆ Strong attention to quality and design innovation;
- ◆ Full ownership of production plants;
- ◆ Approach to clients based on co-design / strong partnerships.

Weaknesses / Risks

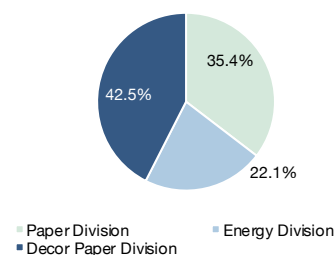
- ◆ Much lower size if compared to German competitors;
- ◆ Limited financial flexibility due to higher-than-targeted leverage;
- ◆ Exposure to a very restricted number of customers as well as suppliers.

Shareholders Structure (fully diluted)



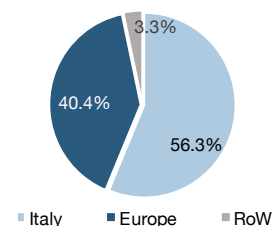
Source: Neodecortech SpA

Sales breakdown by Business Unit



Source: Neodecortech SpA

Sales breakdown by geography



Source: Neodecortech SpA

Stock multiples @ €5.00 Fair Value

(fully diluted data)	2019A	2020E
EV / SALES (x)	0.78	0.73
EV / EBITDA ADJ.(x)	6.7	5.7
EV / EBIT ADJ. (x)	14.9	10.9
EV / CAP.EMP. (x)	1.0	1.0
OpFCF Yield (%)	8.0	10.1
P / E ADJ. (x)	16.5	11.0
P / BV (x)	1.1	1.1
Div. Yield. (%)	2.9	2.9

Source: Value Track

2019FY results

2019FY financial figures recently approved by the company are, overall, in line with our estimates even if we note that in the latest two months of the year there has been a weakening of Net Profit generation linked to the postponements of some orders to 2020 by some clients. However, net cash generation was good and allowed the reduction of Net Debt position despite €10mn investments.

Key figures 2019FY

- ◆ Total Revenues was up a mild +1.8% YoY;
- ◆ Adjusted EBITDA (before MTA translisting costs and stock grant charges) was down -5.9% YoY to €17.9mn (Adj. EBITDA Margin at 12.0%);
- ◆ Adj. Net Profit down ca. -22% YoY standing at €5.7mn;
- ◆ Net Debt decreasing to ca. €40.5mn as of 2019 year-end.

Neodecortech Group: Main Financials 2018FY and 2019FY

€ mn	2018FY	2019FY	Change YoY (%)
Total Revenues	133.7	135.9	1.8%
EBITDA	17.7	15.9	-10.4%
EBITDA Adj.	19.0	17.9	-5.9%
EBIT	10.6	7.1	-32.6%
Net Profit	6.0	4.0	-34.3%
Net Profit Adj.	7.3	5.7	-22.3%
Net Financial Position	-44.0	-40.5	n.m.

Source: Neodecortech, Value Track Analysis

Top Line sustained by Energy and Décor Paper

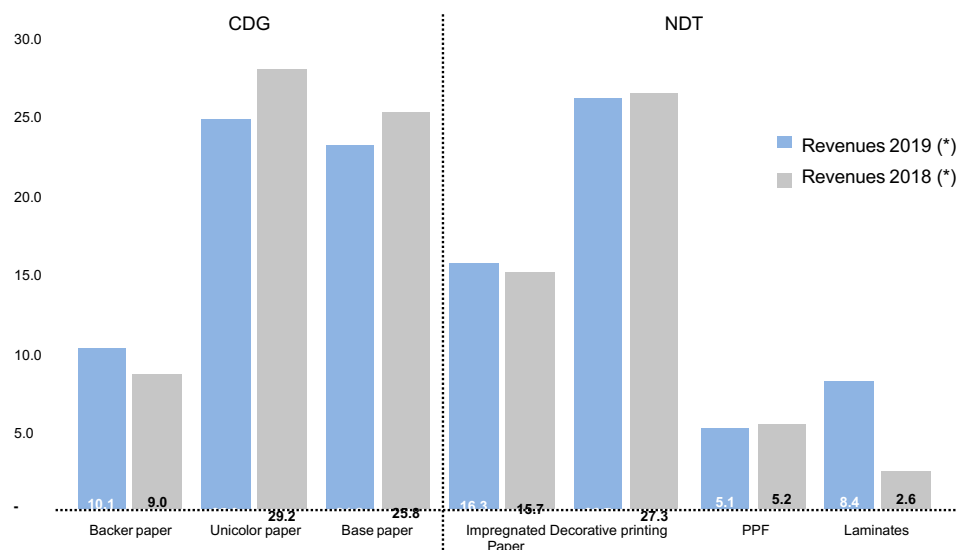
2019FY Revenues were up +1.8% YoY and were equally split between the two semesters as they were in 2018FY. Total Revenues evolution was result of the three Business Units evolving at different speed:

- ◆ **Energy.** Gross Revenues were up +1.1% YoY driven by higher volumes, (energy production up from ca. 140,000 MWh as of 2018FY to ca. 151,160 MWh as of 2019FY thus getting close to full capacity), offsetting lower unitary energy prices;
- ◆ **Paper production.** Paper business experienced a material decrease in 2019FY (-6.3% YoY) due to both an extraordinary three weeks stop in production in 1H and to weak market demand;
- ◆ **Décor Paper.** Revenues were up +10.9% YoY driven mainly by the full year contribution made by laminates products of the new Texte brand. This is the result of the 2018FY acquisition of the business branch from CorbettaFia Srl.

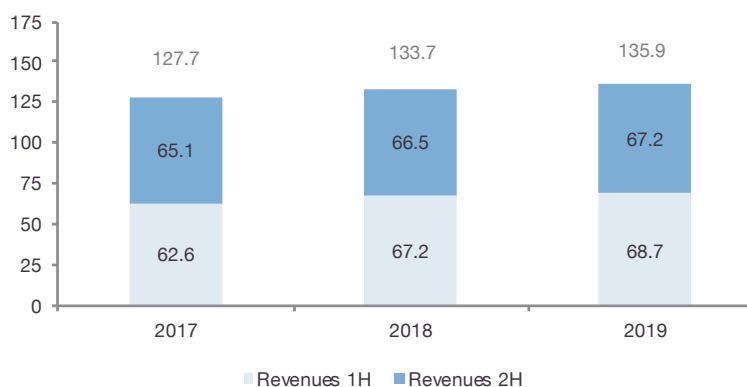
Neodecortech Group: 2018-19 Top Line breakdown by divisions

€mn, IAS	2018FY	2019FY	Chg. % YoY
Energy Division	31.4	31.7	1.1%
Paper Division	65.4	61.3	-6.3%
Decorative Paper Division	50.9	56.5	10.9%
Gross Revenues	147.7	149.4	1.2%
Intragroup Elisions	-16.8	-13.6	
Net Revenues	130.9	135.9	1.8%
Other Revenues	2.6	--	nm
Total Revenues	133.7	135.9	1.8%

Source: Neodecortech, Value Track Analysis

Neodecortech Group: 2018-2019 Revenues breakdown by product


Source: Neodecortech, Value Track Analysis (*) Analysis excluding energy plant - Aggregated data

Neodecortech Group: 2017-2019 Revenues breakdown by semester


Source: Neodecortech, Value Track Analysis

Profitability improvement well distributed among divisions

Reported EBITDA and EBIT were down double-digit YoY but if we exclude close to €2m non-operating costs related to IPO process and to stock grant accounting, the EBITDA would have decreased by 5.9% YoY, to €17.9mn.

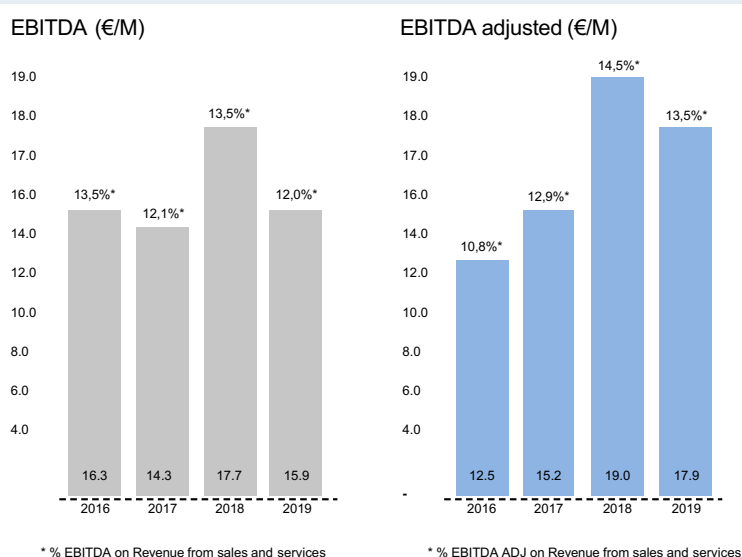
We note that: 1) Raw Materials remain the biggest cost item accounting for more than two thirds of total operating expenses and remained pretty flat YoY; 2) the decrease in Group's Adj. EBITDA is mainly due to BEG (lower incentives) and CdG (lower market demand).

Neodecortech Group: Profitability 2018FY and 2019FY

€ mn	2018FY	2019FY	Change YoY (%)
EBITDA	17.7	15.9	-10.4%
EBITDA Adj.	19.0	17.9	-5.9%
EBIT	10.6	7.1	-32.6%

Source: Neodecortech, Value Track Analysis

Neodecortech Group: 2016-2019 EBITDA evolution



Source: Neodecortech, Value Track Analysis (*) Analysis excluding energy plant - Aggregated data

Neodecortech Group: 2018-2019 EBITDA breakdown by divisions

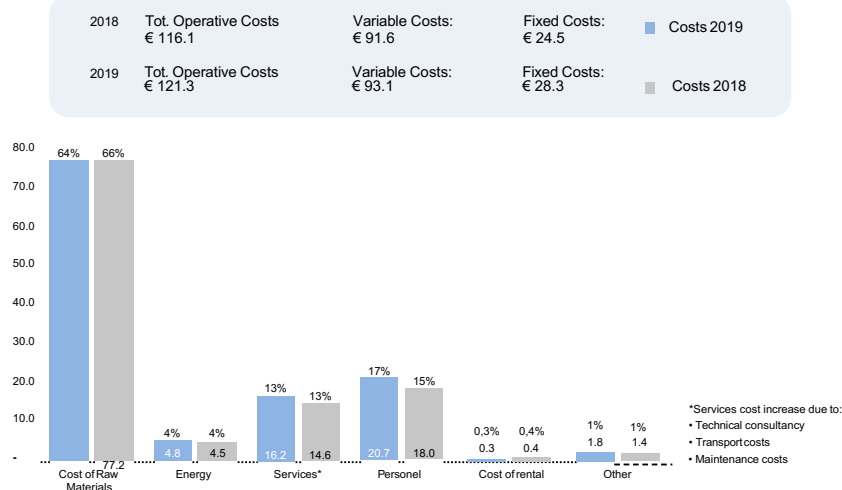
€mn, IASB	2018FY	2019FY	Chg. % YoY
Energy Division			
EBITDA Adj. (€mn)	5.7	4.6	-20.1%
EBITDA Margin (%)	18.3%	14.5%	
Paper Division			
EBITDA Adj. (€mn)	6.1	5.9	-2.0%
EBITDA Margin (%)	9.3%	9.7%	
Decorative Paper Division			
EBITDA Adj. (€mn)	7.2	7.4	2.0%
EBITDA Margin (%)	14.2%	13.0%	

Source: Neodecortech, Value Track Analysis

Focus on Operating costs breakdown

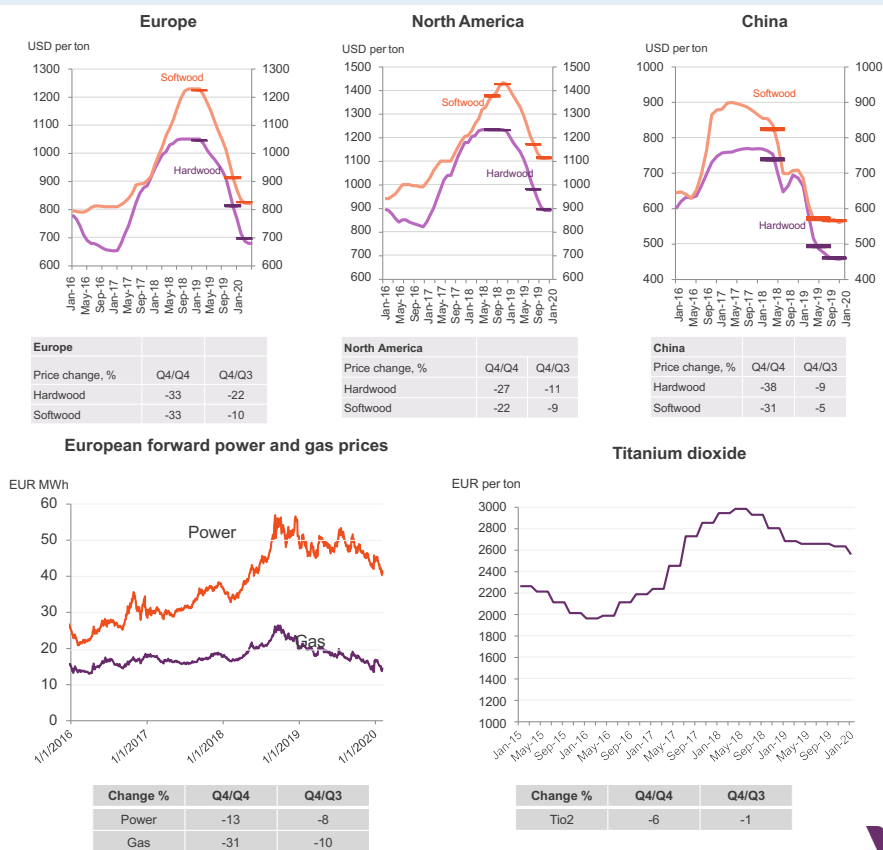
Exposure to Raw materials' prices represents one of the key features of Neodecortech business as they account for nearly two thirds of Group's Total Operating Costs. In FY19 these costs remained pretty flat while labour ones grew (stock grant charges + additional labour force) with MTA translisting costs.

Neodecortech Group: 2018-19 Operating Costs by category (€mn)



Source: Neodecortech

Raw materials: Price evolution of Pulp, Energy and Titanium



Source: Ahlstrom-Munksjö



Healthy Cash Generation in 2019

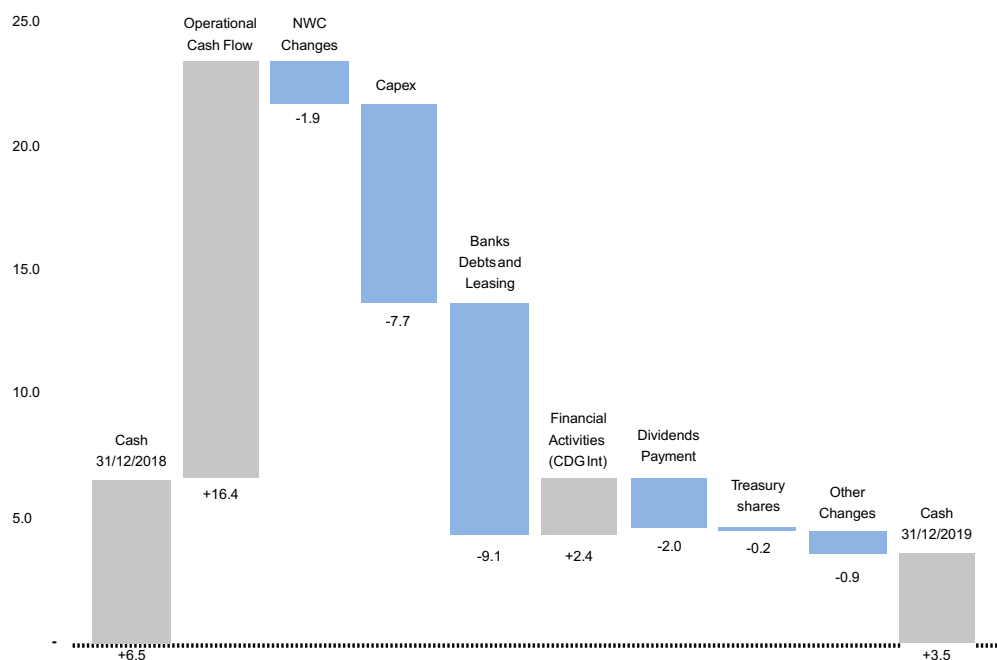
Group's Net Debt decreased to €40.5mn at the end of fiscal year 2019 i.e. ca. €3.5mn lower YoY, as the cash outflows related to capex (€7.7mn), cash taxes, net financial charges and dividends were offset by operating cash flow generation and by the disposal of some minor financial activities.

Neodecortech Group: 2018-2019FY Cash Flow Statement

€mn	2018FY	2019FY
EBITDA	17.7	15.9
Op. WC requirements	0.5	0.2
Capex	-7.7	-7.7
Change in Provisions	0.7	0.1
OpFCF b.t.	11.2	8.5
Cash Taxes	-1.6	-1.3
OpFCF a.t.	9.6	7.2
Other Op. Items (incl. Fin. Inv.)	-2.1	0.2
Net Financial Charges	-2.9	-1.9
Capital Injections	0.0	0.0
Dividends paid	-2.0	-2.0
Net Cash generated	2.6	3.5

Source: Neodecortech, Value Track Analysis

Neodecortech Group: 2019 Cash Flow Analysis



Source: Neodecortech

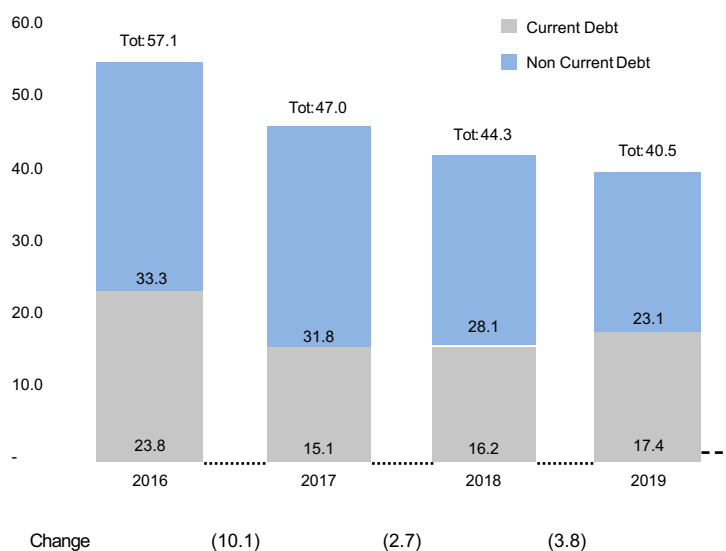
As a result, Neodecortech now stands at ca. 2.5x Net Debt / EBITDA ratio. Capital Employed is now ca. 40% Net Debt and 60% Equity.

Neodecortech: 2017-2018 Balance Sheet structure

€mn	2018FY	2019FY
Working Capital	26.5	26.3
Net Fixed Assets	84.0	83.7
Provisions	8.1	8.2
Total Capital Employed	102.9	101.8
Group Net Equity	58.6	61.3
Net Fin. Position [i.e. Net Debt (-) Cash (+)]	-44.3	-40.5

Source: Neodecortech, Value Track Analysis

Neodecortech: Net Debt structure 2016-2019



Source: Various

Mixed results for Neodecortech peers

Décor paper business is currently suffering from a decline in demand that started back as of 4Q18 and continued in FY19, partly due to the deterioration of economic performance in several geographical markets and partly to expectations of lower raw material prices that drove the postponement of several purchase decisions.

Given this scenario and in order to better evaluate Neodecortech FY19 performance it is useful to score it against the above-mentioned sector benchmarks. In detail:

- ◆ **Ahlstrom-Munksjö** recorded a **4Q2019** top line decline of -9.6% YoY in the décor division driven by lower selling prices and lower sales volumes. **EBITDA** decreased more than proportionally, (**-27.0% YoY** to €8.4mn) also due to relatively higher variable costs.

In the **full year 2019**, Net Revenue decline was -6.6% YoY driving **EBITDA** down **-19.4% YoY** to €29.9mn (7.1% of sales).

- ◆ **Surteco** has not disclosed its FY19 figures yet. In **3Q19** Decorative business Revenues (ca. 75% of total sales) increased by 2.5% YoY while **EBIT** sky scraped by **+42.7% YoY** to €9.6mn.

In the **nine months 2019**, Revenues were down -1.6% YoY but this however did not stop Surteco from increasing its **EBIT** at a **3.9%** rate from a year earlier.

Neodecortech Peers: Ahlstrom Munksjö Décor Paper performance

€mn	4Q18 (pro forma)	4Q19	YoY
Net Revenues	115.1	104.1	-9.6%
EBITDA	11.5	8.4	-27.0%
<i>EBITDA Margin</i>	<i>10.0%</i>	<i>8.0%</i>	<i>n.m.</i>

€mn	FY18	FY19	YoY
Net Revenues	451.9	422.1	-6.6%
EBITDA	37.1	29.9	-19.4%
<i>EBITDA Margin</i>	<i>8.2%</i>	<i>7.1%</i>	<i>n.m.</i>

Source: Ahlstrom-Munksjö, Value Track Analysis

Neodecortech Peers: Surteco Décor Paper performance

€mn	3Q18	3Q19	YoY
Total Revenues	125.4	128.5	2.5%
EBIT	6.8	9.6	42.7%
<i>EBIT Margin</i>	<i>5.4%</i>	<i>7.5%</i>	<i>n.m.</i>

€mn	1Q18-3Q18	1Q19-3Q19	YoY
Total Revenues	397.1	390.7	-1.6%
EBIT	25.9	26.9	3.9%
<i>EBIT Margin</i>	<i>6.5%</i>	<i>6.9%</i>	<i>n.m.</i>

Source: Surteco, Value Track Analysis

What's ahead in 2020

Market demand evolution

The company has recently hinted that decorative printing global market demand (net of China) in 2020 could grow by some 1%-3% YoY, with probably some slight declines in those geographies affected by macroeconomic uncertainties. Nice to underline, growth is expected to be stronger in segments such as super matt surfaces and vinyl materials, on which Neodecortech has shifted its latest production investments.

Neodecortech priorities

Neodecortech has recently filed the request for admission to trading of the shares and the warrants of the Company on the MTA, and the deal should take place within Spring.

As far as business development is concerned, despite the single digit market demand growth, Neodecortech should keep evaluating / pursuing some investment opportunities in the fields of new technologies, machine improvements and, markets expansion (Germany and US could be the ideal geographies to expand footprint).

Investment opportunities

Area	Investment Rationale
New technologies	Further investments for film laminations Digital printing
Machine improvements	Increase process efficacy Increase quality product Adopt Industry 4.0 technology
Market expansion	Increase market share Acquire new markets

Source: Neodecortech, Value Track Analysis

More specifically, as far as the core products (printed and impregnated paper) are concerned, Neodecortech has announced that it plans to strengthen its growth:

- ◆ Stepping up the offer and introducing by March 2020 all the range of solutions available for plastic printed film (PPF) and plastic printed laminated film (PPLF), to use in the production of the new LVT (luxury vinyl tiles) flooring category, especially in those geographical areas where such product is highly coveted: USA and UK;
- ◆ Expanding the Laminates family with the launch of a new format (142 cm, production launched in January, in addition to 130 cm) and with new main customers in geographical areas that are currently untapped;
- ◆ Introducing by March 2020 the new family of anti-fingerprint products, EOS, both on paper and thermoplastic support.

Forecasted Financials 2020E-21E

We are revising our 2020E-21E financial forecasts in order to take into account:

- ◆ A more cautious approach to market demand evolution, almost entirely offset by tighter cost control;
- ◆ Some more one-off charges in 2020E related to MTA translisting;
- ◆ Higher D&A related to 2018-19 investments;
- ◆ Lower capex ahead as the short-term investment plan is almost entirely finalized.

Overall, we now expect **revenues** steadily growing at **mid-single digit CAGR** over the next two years, supported by new products at the Décor Paper level. BEG and CdG, on the contrary, should remain almost flattish. **EBITDA-EBIT as well should grow** thanks mainly to higher incidence of highly profitable Plastic Films segment and to Raw materials currently under control.

Net Financial Position is expected to decrease at ca. **€35mn** and ca. **€31mn by 2020E and 2021E** respectively thanks to lower capex charges. Such a figure would imply Net Debt/ EBITDA to decrease in the 1.6x range by 2021E, thus allowing for enhanced flexibility.

Neodecortech: New vs. Old 2020E-21E forecasts

€mn	2020E			2021E		
	Old	New	Change	Old	New	Change
Group Revenues from Sales	147.7	139.9	-5.3%	152.6	145.4	-4.7%
Total Group Revenues	149.7	142.9	-4.6%	155.4	149.3	-3.9%
EBITDA Adj. (bef. one-off costs)	19.0	18.9	-0.7%	20.4	19.7	-3.3%
EBITDA Rep. (aft. one-off costs)	19.0	18.3	-3.7%	20.4	19.7	-3.1%
EBIT	10.5	9.6	-8.6%	11.6	11.0	-4.6%
Pre Tax Profit	7.9	7.8	-1.2%	9.0	9.5	5.0%
Net Profit	6.3	6.1	-3.7%	6.9	7.4	7.0%
Adj. Net Profit	6.9	6.5	-6.0%	6.9	7.4	7.0%
OpFCF after tax	8.6	8.8	0.2	9.5	7.6	-2.0
Net Financial Position	-37.5	-35.4	2.1	-32.6	-31.4	1.2

Source: Value Track analysis

Neodecortech Group: 2019A-2021E Top Line breakdown by divisions

€mn, IAS	2019A	2020E	2021E
Energy Division	31.7	32.1	32.1
Paper Division	61.3	63.1	65.0
Decorative Paper Division	56.5	62.0	66.2
Gross Revenues	149.4	157.1	163.2
Intragroup Elisions	-13.6	-14.2	-13.9
Total Revenues	135.9	142.9	149.3

Source: Neodecortech, Value Track Analysis

Neodecortech Group: P&L evolution 2018A-21E

(€mn)	2018A	2019A	2020E	2021E
Gross Revenues	147.7	149.4	157.1	163.2
Elisions	-14.3	-13.6	-14.2	-13.9
Net Revenues	133.4	135.9	142.9	149.3
Raw Materials	-77.2	-77.5	-81.2	-84.3
Labour Costs	-18.0	-20.7	-20.0	-20.5
Other Opex	-20.5	-21.7	-23.5	-24.7
EBITDA	17.7	15.9	18.3	19.7
Depr. & Amort. & Provisions	-7.2	-8.8	-8.7	-8.7
EBIT	10.6	7.1	9.6	11.0
Interest expenses / income	-3.0	-1.9	-1.8	-1.6
Pre-Tax Profit	7.6	5.2	7.8	9.5
Taxes	-1.6	-1.2	-1.8	-2.1
Minorities	0.0	0.0	0.0	0.0
Net Profit	6.0	4.0	6.1	7.4

Source: Value Track Analysis

Neodecortech Group: Balance Sheet evolution 2018A-21E

(€mn)	2018A	2019A	2020E	2021E
Net Fixed Assets	84.0	83.7	81.0	79.3
Working Capital	26.5	26.3	28.0	31.3
Provisions	7.8	8.2	8.2	8.4
Total Capital Employed	102.6	101.8	100.9	102.2
Group Net Equity	58.6	61.3	65.5	70.8
Net Fin. Position [i.e. Net Debt (-) Cash (+)]	-44.0	-40.5	-35.4	-31.4

Source: Value Track Analysis

Neodecortech Group: Cash Flow Statement evolution 2018A-21E

(€mn)	2018A	2019A	2020E	2021E
EBITDA	17.7	15.9	18.3	19.7
Working Capital Needs	0.5	0.2	-1.7	-3.3
Capex	-6.5	-8.0	-6.0	-7.0
Change in Provisions	1.0	0.4	-0.1	0.2
OpFCF b.t.	12.7	8.5	10.6	9.6
Cash Taxes	-1.6	-1.2	-1.8	-2.1
OpFCF a.t.	11.1	7.2	8.8	7.6
Capital Injections	0.0	0.0	0.0	0.0
Other Op. Items (incl. Fin. Inv.)	-3.2	0.3	0.0	0.0
Net Financial Charges	-3.0	-1.9	-1.8	-1.6
Dividends paid	-2.0	-2.0	-1.9	-2.0
Net Cash generated	2.9	3.5	5.1	4.0

Source: Value Track Analysis

Valuation

Based on our revised estimates, updated peers' multiples and DCF result, we calculate a fair equity value **at €5.00 per share on a fully diluted basis**, (i.e. assuming ca. 0.7mn new shares to be issued on behalf of key managers for the stock grant plan) broadly aligned with our previous €5.20, released back in September and based on the outstanding number of shares.

At fair value, stock would trade at 5.7x EV/EBITDA, 10.6x P/E and 1.1 P/B 2020E. Hereby, it follows a sensitivity of Neodecortech implicit stock trading multiples in the €3.8-€6.2 share price range.

Neodecortech: Sensitivity of implicit stock trading multiples in the €3.8 - €6.2 share price range

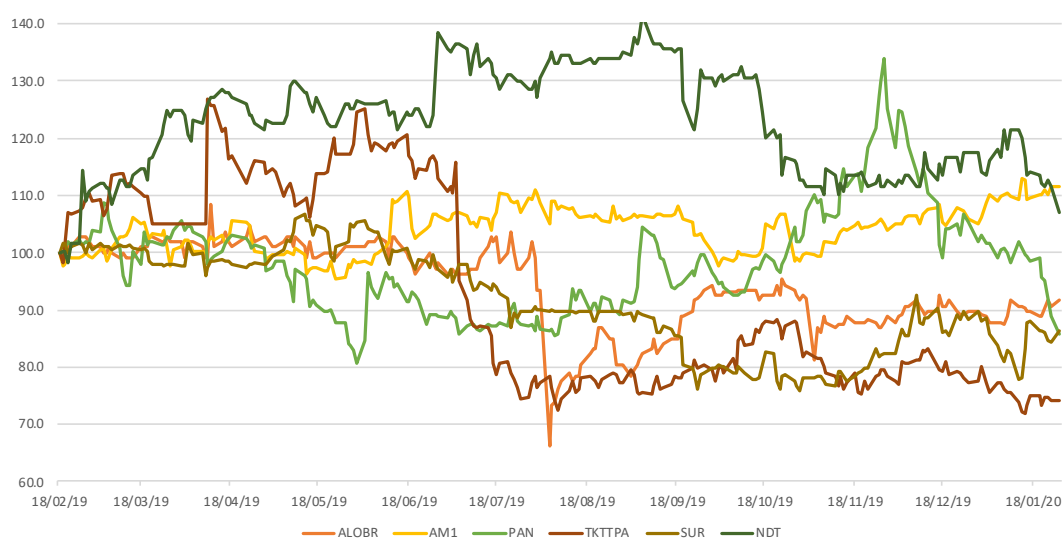
Share price	Market Cap (mn)(*)	EV / Sales		EV / EBITDA		EV / EBIT		P / E		P / B	
		2019E	2020E	2019E	2020E	2019E	2020E	2019E	2020E	2019E	2020E
€ 3.8	€ 52	0.6	0.6	4.8	4.2	9.1	7.6	8.1	7.1	0.8	0.7
€ 4.2	€ 58	0.7	0.6	5.1	4.5	9.7	8.1	8.9	7.8	0.9	0.8
€ 4.6	€ 63	0.7	0.6	5.4	4.8	10.3	8.6	9.8	8.6	1.0	0.9
€ 5.0	€ 69	0.7	0.7	5.7	5.1	10.9	9.1	10.6	9.3	1.1	1.0
€ 5.4	€ 74	0.8	0.7	6.0	5.4	11.4	9.6	11.4	10.1	1.1	1.1
€ 5.8	€ 80	0.8	0.7	6.3	5.6	12.0	10.1	12.3	10.8	1.2	1.1
€ 6.2	€ 86	0.8	0.8	6.6	5.9	12.6	10.6	13.1	11.6	1.3	1.2

Source: Value Track Analysis (*) Fully diluted

Multiple-based Valuation

For a long time in the latest twelve months Neodecortech shares have outperformed main comparables such as Surteco and Ahlstrom-Munksjo. Only recently Ahlstrom-Munksjo has cancelled its underperformance.

Neodecortech vs. peers: Share price evolution Feb. 2019 – Feb. 2020



Source: S&P Capital IQ

Although Neodecortech on average performed better than peers, it is still trading at deep discount vs. them, at some 4.4x EV/EBITDA_{20E} and 6.9x P/E_{20E} vs. peers at 5.6x and 12.0x respectively.

Neodecortech vs. Peers: Stock trading multiples

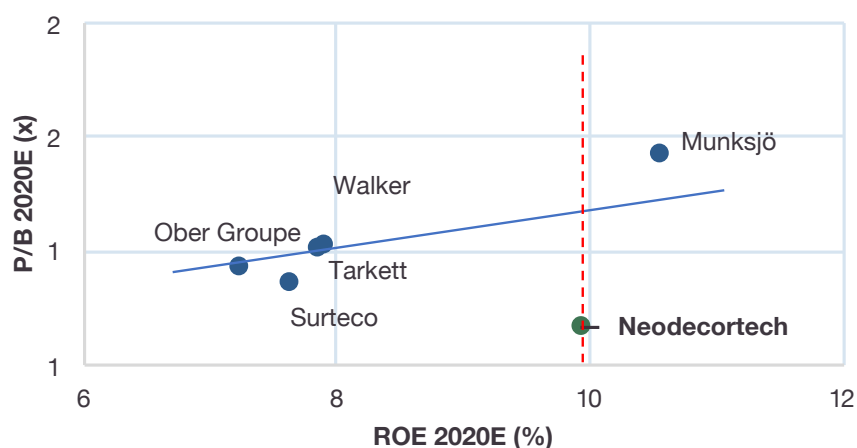
Company	EV / EBITDA (x)		EV / EBIT (x)		P / E (x)		EV / OpFCF (x)(*)	
	2020E	2021E	2020E	2021E	2020E	2021E	2020E	2021E
Surteco	5.6	5.2	10.6	9.6	11.7	11.2	10.0	9.3
Walker	5.2	4.8	8.6	7.9	13.7	12.1	8.3	7.4
Tarkett	5.8	5.3	11.4	10.3	13.6	10.4	10.4	9.0
Panaria Group	5.0	na	13.9	na	5.7	na	8.2	na
Munksjö	6.6	5.8	12.5	10.2	14.4	11.3	10.1	8.5
Ober Groupe	nm	nm	14.3	11.3	13.1	13.1	na	na
Average	5.6	5.3	11.9	9.8	12.0	11.6	9.4	8.5
Median	5.6	5.3	11.9	10.2	13.4	11.3	10.0	8.7
Neodecortech	4.4	3.9	8.4	6.9	6.9	6.1	6.5	6.0
Discount vs Avg.	-22%	-27%	-29%	-29%	-43%	-48%	-30%	-30%
Discount vs Med.	-22%	-26%	-30%	-32%	-48%	-46%	-34%	-31%

Source: Market Consensus, Value Track Analysis (**) OpFCF defined as (EBITDA-CAPEX)

NDT shares undervaluation vs. its main international peers can be better underlined by looking at P/BV 2020E multiple. NDT is, indeed, trading at 0.7x despite a 10.0% ROE while Ahlstrom-Munksjo is trading at ca. 2x P/BV coupled with a similar ROE (10.6%).

A fair 1.0x-1.1x P/BV_{20E} would lead to **€4.75-€5.22 fully diluted fair value** per NDT shares.

Neodecortech vs. peers: 2020E P/BV vs. ROE



Source: Market Consensus, Value Track Analysis

Discounted Cash Flow model

We base Neodecortech DCF equity valuation on 8.2% WACC progressively converging in the long term at ca. 9.2% i.e. the unlevered Cost of Equity.

This is the result of an expanded CAPM approach based on 7.37% Italian Equity risk Premium and a 2.0% additional “liquidity” premium to remunerate investors for trading in the “thin” AIM Italia stock market.

Perpetuity Growth Rate (PGR) has been set at 2.0% and applied to 2028E figures, as we used explicit financial statements projection starting from 2019E fiscal year and arriving at 2027E.

Based on these assumptions we derive a **€5.11 per share DCF value on a fully diluted basis**.

Neodecortech: Discounted Cash Flow Model Summary Table

€mn	
PV of future cash flows FY18E-FY27E	50.5
PV of Terminal value with PGR at 2%	60.5
Fair Enterprise value	11.0
Implied EV/EBITDA '20E (x)	6.1x
Net Cash Position 2019A	-40.5
Fair Equity value (€mn)	70.5
Fully diluted number of shares (mn)	13.8
Fair Equity Value per share (€)	5.11

Source: Value Track Analysis

Appendix: Neodecortech profile at a glance

Leading decorative surfaces player

Headquartered in Filago (BG) with three fully owned production plants sited in Italy, **Neodecortech is involved in the niche of decorative surfaces** offering a wide range of solutions to the interior design industry and to the flooring one. Even though the production cycle is entirely based in Italy, **Italy accounts less than 30% of Neodecortech's Revenues.**

Up to the finalization of the recent IPO the Group was entirely owned by Valentini family. However, the top management is composed of external management with a long-standing experience in the industry.

Product range: 51 products divided into six categories



Décor Papers

Semi-finished products used for High and Low Pressure Laminates and flooring divided into three main product types:

- base papers;
- unicolours;
- backing papers.



Decorative printed papers

Produced in woodgrain, stone and fancy designs, due to become the surfaces used in the furniture and flooring industries.



Finish Foils

Finish foils meeting the need for surfacing materials offering an authentic look, texture realism and affordable manufacturing cost.



Melamine Films

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



PPF & PPLF for luxury vinyl tiles

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



Laminates

Decorative Laminates are surfacing materials produced in continuous with our décor papers that cover a huge number of applications thanks to their resistance, flexibility and superb appearance.

Source: Neodecortech

Reference market: very sophisticated, small size, controlled by German players

Neodecortech acts in very sophisticated niches where each paper specialty has its own production distinctiveness that does not allow to exploit synergies by entering in more than one market at the same time. As an effect, these markets do not suit to giant paper producers/ printers.

The key features of the **Décor Paper market** are:

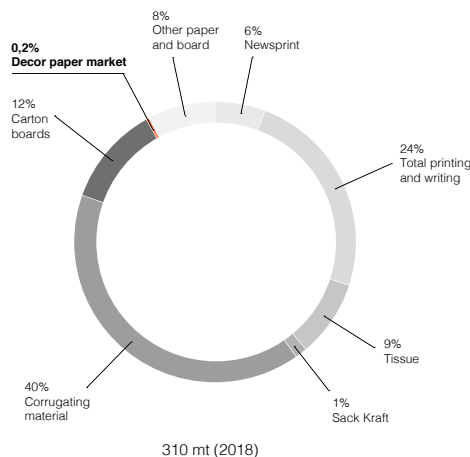
- ◆ Mid-single digit growth pace (ex China);
- ◆ High entry barriers and controlled (in Europe) by German players;
- ◆ Exposed to cyclical end markets such as furnishing and flooring panels’ production.

The other market to which Neodecortech is exposed, the **Plastic Films** one, is characterized by:

- ◆ Significant technological investments;
- ◆ High growth rate expected ahead;
- ◆ Sustained profitability.

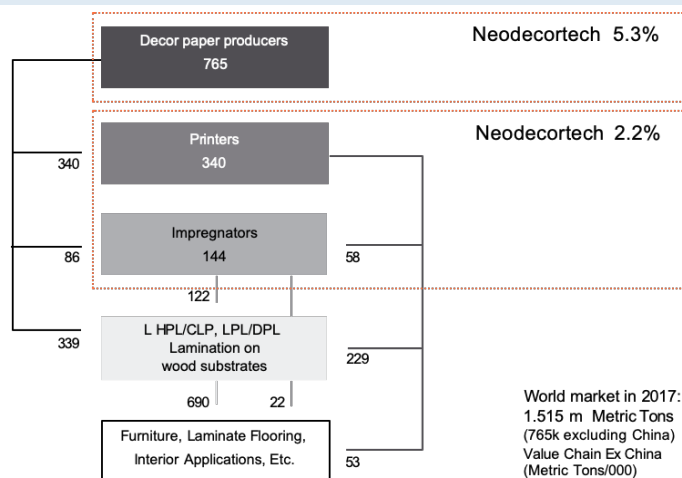
A separate mention is reserved to Chinese players which over the last years have rolled out material output capacity to the internal market only and commercializing lower quality products, at least so far.

Décor Paper market: 0.2% of total Paper and Paperboard one



Source: Decor Paper Market Research 2019 - Poyry

World market Metric Tons/000 (ex China) Décor paper production



Source: Decor Paper Market Research 2018 - Munksjo

Vertically integrated business model run by three (and a half) synergic entities

Neodecortech runs a vertically integrated business model i.e. not only it prints décor paper (and Plastic Films) but it also produces internally the large part of the décor paper it prints and most of the energy necessary in the production process, a feature that is essential to be cost competitive. This is carried out by **three highly synergic entities** where upstream unit serves as a supplier of downstream one:

- ◆ **Cogeneration plant.** It provides electrical and thermal energy primarily to the Group's paper mill. This business is run by the legal entity named Bio Energia Guaricino Srl (**BEG**);
- ◆ **Paper mill.** It is involved in the manufacturing of decorative papers for high and low pressure lamination as well as for flooring solutions. This business is run by Cartiere di Guaricino SpA (**CdG**);
- ◆ **Printing and Impregnation.** It consists in décor paper (and Plastic Films) printing / impregnation. This business is run by Neodecortech SpA (previously Confalonieri SpA, **CONF**).

To these entities we should also add the recently acquired lamination business of CorbettaFia.

Neodecortech Group: Plants and operations

GUARCINO (FR) EP		PAPER MILL PM	
ENERGY PLANT		PAPER MILL	
Total Area	9.000 sqm	Total Area	144.000 sqm
Covered Area	1.000 sqm	Covered Area	21.000 sqm
Reconstruction Value	€ 22 mln	Reconstruction Value*	€ 97 mln
Fixed Assets (Net Book Value)	€ 13,3 mln	Fixed Assets (Net Book Value)	€ 36 mln
Number of Employees	2	Number of Employees	166
Number of shifts	3-7/24	Number of shifts	3-7/24
		Production SBU	
		Cartiere di Guaricino	36.546 ton
FILAGO (BG) PI		CASOLI DI ATRI (TE) L	
PRINTING AND IMPREGNATION		LAMINATION	
Total Area	96.978 sqm	Total Area	18.000 sqm
Covered Area	37.732 sqm	Covered Area	6.037 sqm
Reconstruction Value*	€ 108 mln	Reconstruction Value	€ 22 mln
Fixed Assets (Net Book Value)	€ 24,6 mln	Fixed Assets (Net Book Value)	€ 3,6 mln
Number of Employees	181	Number of Employees	29
Number of shifts	3-5/24	Number of shifts	3-5/24
Impregnation SBU	2.947 ton	Production	1.400 ton
Printing SBU	6.456 ton		

Source: Neodecortech (*)As per Insurance appraisal report

The production of each entity that is not internally used is marketed to third parties in the reference market. This is a proof of the competitiveness of Neodecortech products.

The main advantages of the vertical integration can be summarized as follows:

- ◆ Higher operations efficiency / flexibility;
- ◆ Cost efficiency driven by material intra-group synergies and by lower purchasing costs;
- ◆ Lower time to market;
- ◆ Lower risk profile (i.e. no business discontinuity in case of outage).

DISCLAIMER

THIS DOCUMENT IS PREPARED BY VALUE TRACK S.R.L. THIS DOCUMENT IS BEING FURNISHED TO YOU SOLELY FOR YOUR INFORMATION ON A CONFIDENTIAL BASIS AND MAY NOT BE REPRODUCED, REDISTRIBUTED OR PASSED ON, IN WHOLE OR IN PART, TO ANY OTHER PERSON. IN PARTICULAR, NEITHER THIS DOCUMENT NOR ANY COPY THEREOF MAY BE TAKEN OR TRANSMITTED OR DISTRIBUTED, DIRECTLY OR INDIRECTLY, INTO CANADA OR JAPAN OR AUSTRALIA TO ANY RESIDENT THEREOF OR INTO THE UNITED STATES, ITS TERRITORIES OR POSSESSIONS. 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. THIS DOCUMENT DOES NOT CONSTITUTE OR FORM PART OF, AND SHOULD NOT BE CONSTRUED AS, AN OFFER, INVITATION OR INDUCEMENT TO SUBSCRIBE FOR OR PURCHASE ANY SECURITIES, AND NEITHER THIS DOCUMENT NOR ANYTHING CONTAINED HEREIN SHALL FORM THE BASIS OF OR BE RELIED ON IN CONNECTION WITH OR ACT AS AN INVITATION OR INDUCEMENT TO ENTER INTO ANY CONTRACT OR COMMITMENT WHATSOEVER. THIS DOCUMENT HAS NOT BEEN PUBLISHED GENERALLY AND HAS ONLY BEEN MADE AVAILABLE TO INSTITUTIONAL INVESTORS. IN MAKING AN INVESTMENT DECISION, POTENTIAL INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COMPANY AND ITS GROUP INCLUDING THE MERITS AND RISKS INVOLVED. THIS DOCUMENT IS FOR DISTRIBUTION IN OR FROM THE UNITED KINGDOM ONLY TO PERSONS WHO: (I) HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS FALLING WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (AS AMENDED, THE “**FINANCIAL PROMOTION ORDER**”), (II) ARE PERSONS FALLING WITHIN ARTICLE 49(2)(A) TO (D) (“HIGH NET WORTH COMPANIES, UNINCORPORATED ASSOCIATIONS ETC.”) OF THE FINANCIAL PROMOTION ORDER, (III) ARE OUTSIDE THE UNITED KINGDOM, OR (IV) ARE PERSONS TO WHOM AN INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITY (WITHIN THE MEANING OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000) IN CONNECTION WITH THE ISSUE OR SALE OF ANY SECURITIES MAY OTHERWISE LAWFULLY BE COMMUNICATED OR CAUSED TO BE COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS “**RELEVANT PERSONS**”). THIS DOCUMENT IS DIRECTED ONLY AT RELEVANT PERSONS AND MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS DOCUMENT RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. IN ITALY THIS DOCUMENT IS BEING DISTRIBUTED ONLY TO, AND IS DIRECTED AT QUALIFIED INVESTORS WITHIN THE MEANING OF ARTICLE 100 OF LEGISLATIVE DECREE NO. 58 OF 24 FEBRUARY 1998, AS AMENDED, AND ARTICLE 34-TER, PARAGRAPH 1, LETTER B), OF CONSOB REGULATION ON ISSUERS NO. 11971 OF MAY 14, 1999, AS SUBSEQUENTLY AMENDED (THE “**ISSUERS’ REGULATION**”) PROVIDED THAT SUCH QUALIFIED INVESTORS WILL ACT IN THEIR CAPACITY AND NOT AS DEPOSITARIES OR NOMINEES FOR OTHER SHAREHOLDERS, SUCH AS PERSONS AUTHORISED AND REGULATED TO OPERATE IN FINANCIAL MARKETS, BOTH ITALIAN AND FOREIGN, I.E.: A) BANKS; B) INVESTMENT FIRMS; C) OTHER AUTHORISED AND REGULATED FINANCIAL INSTITUTIONS; D) INSURANCE COMPANIES; E) COLLECTIVE INVESTMENT UNDERTAKINGS AND MANAGEMENT COMPANIES FOR SUCH UNDERTAKINGS; F) PENSION FUNDS AND MANAGEMENT COMPANIES FOR SUCH FUNDS; G) DEALERS ACTING ON THEIR OWN ACCOUNT ON COMMODITIES AND COMMODITY-BASED DERIVATIVES; H) PERSONS DEALING EXCLUSIVELY ON THEIR OWN ACCOUNT ON FINANCIAL INSTRUMENTS MARKETS WITH INDIRECT MEMBERSHIP OF CLEARING AND SETTLEMENT SERVICES AND THE LOCAL COMPENSATORY AND GUARANTEE SYSTEM; I) OTHER INSTITUTIONAL INVESTORS; L) STOCKBROKERS; (2) LARGE COMPANIES WHICH AT INDIVIDUAL COMPANY LEVEL MEET AT LEAST TWO OF THE FOLLOWING REQUIREMENTS: – BALANCE SHEET TOTAL: 20,000,000 EURO, – NET REVENUES: 40,000,000 EURO, – OWN FUNDS: 2,000,000 EURO; (3) INSTITUTIONAL INVESTORS WHOSE MAIN ACTIVITY IS INVESTMENT IN FINANCIAL INSTRUMENTS, INCLUDING COMPANIES DEDICATED TO THE SECURITISATION OF ASSETS AND OTHER FINANCIAL TRANSACTIONS (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS “**RELEVANT PERSONS**”). ANY PERSON WHO IS NOT A RELEVANT PERSON SHOULD NOT ACT OR RELY ON THIS DOCUMENT OR ANY OF ITS CONTENTS. THIS DOCUMENT IS NOT ADDRESSED TO ANY MEMBER OF THE GENERAL PUBLIC IN ITALY. UNDER NO CIRCUMSTANCES SHOULD THIS DOCUMENT CIRCULATE AMONG, OR BE DISTRIBUTED IN ITALY TO (I) A MEMBER OF THE GENERAL PUBLIC, (II) INDIVIDUALS OR ENTITIES FALLING OUTSIDE THE DEFINITION OF “QUALIFIED INVESTORS” AS SPECIFIED ABOVE OR (III) DISTRIBUTION CHANNELS THROUGH WHICH INFORMATION IS OR IS LIKELY TO BECOME AVAILABLE TO A LARGE NUMBER OF PERSONS. THIS DOCUMENT IS BEING DISTRIBUTED TO AND IS DIRECTED ONLY AT PERSONS IN MEMBER STATES OF THE EUROPEAN ECONOMIC AREA (“**EEA**”) WHO ARE “QUALIFIED INVESTORS” WITHIN THE MEANING OF ARTICLE 2(1)(E) OF THE PROSPECTUS DIRECTIVE (DIRECTIVE 2003/71/EC), (“**QUALIFIED INVESTORS**”). ANY PERSON IN THE EEA WHO RECEIVES THIS DOCUMENT WILL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT IT IS A QUALIFIED INVESTOR. ANY SUCH RECIPIENT WILL ALSO BE DEEMED TO HAVE REPRESENTED AND AGREED THAT IT HAS NOT RECEIVED THIS DOCUMENT ON BEHALF OF PERSONS IN THE EEA OTHER THAN QUALIFIED INVESTORS OR PERSONS IN THE UK, ITALY AND OTHER MEMBER STATES (WHERE EQUIVALENT LEGISLATION EXISTS) FOR WHOM THE INVESTOR HAS AUTHORITY TO MAKE DECISIONS ON A WHOLLY DISCRETIONARY BASIS. THE COMPANY, VALUE TRACK S.R.L. AND THEIR AFFILIATES, AND OTHERS WILL RELY UPON THE TRUTH AND ACCURACY OF THE FOREGOING REPRESENTATIONS AND AGREEMENTS. ANY PERSON IN THE EEA WHO IS NOT A QUALIFIED INVESTOR SHOULD NOT ACT OR RELY ON THIS DOCUMENT OR ANY OF ITS CONTENTS. THE EXPRESSION “PROSPECTUS DIRECTIVE” MEANS DIRECTIVE 2003/71/EC (AND AMENDMENTS THERETO, INCLUDING THE 2010 PD AMENDING DIRECTIVE, TO THE EXTENT IMPLEMENTED IN THE RELEVANT MEMBER STATE), AND INCLUDES ANY RELEVANT IMPLEMENTING MEASURE IN THE RELEVANT MEMBER STATE AND THE EXPRESSION “2010 PD AMENDING DIRECTIVE” MEANS DIRECTIVE 2010/73/EU. **NEODECORTECH S.P.A. (THE “COMPANY”) IS / HAS BEEN IN THE PAST A RESEARCH CLIENT OF VALUE TRACK S.R.L.** HOWEVER THIS DOCUMENT HAS BEEN PRODUCED INDEPENDENTLY OF AND ITS SHAREHOLDERS, AND ANY FORECASTS, OPINIONS AND EXPECTATIONS CONTAINED HEREIN ARE ENTIRELY THOSE OF VALUE TRACK S.R.L. AND ARE GIVEN AS PART OF ITS NORMAL RESEARCH ACTIVITY AND SHOULD NOT BE RELIED UPON AS HAVING BEEN AUTHORISED OR APPROVED BY ANY OTHER PERSON. VALUE TRACK S.R.L. HAS NO AUTHORITY WHATSOEVER TO MAKE ANY REPRESENTATION OR WARRANTY ON BEHALF OF THE COMPANY, ITS SHAREHOLDERS, ANY OF ITS ADVISORS, OR ANY OTHER PERSON IN CONNECTION THEREWITH. WHILE ALL REASONABLE CARE HAS BEEN TAKEN TO ENSURE THAT THE FACTS STATED HEREIN ARE ACCURATE AND THAT THE FORECASTS, OPINIONS AND EXPECTATIONS CONTAINED HEREIN ARE FAIR AND REASONABLE, VALUE TRACK S.R.L. HAS NOT VERIFIED THE CONTENTS HEREOF AND ACCORDINGLY NONE OF VALUE TRACK S.R.L., THE COMPANY, ITS SHAREHOLDERS, ANY ADVISORS TO THE COMPANY OR ITS SHAREHOLDERS OR ANY OTHER PERSON IN CONNECTION THEREWITH NOR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS OR EMPLOYEES, SHALL BE IN ANY WAY RESPONSIBLE FOR THE CONTENTS HEREOF AND NO RELIANCE SHOULD BE PLACED ON THE ACCURACY, FAIRNESS, OR COMPLETENESS OF THE INFORMATION CONTAINED IN THIS DOCUMENT. NO PERSON ACCEPTS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM THE USE OF THIS DOCUMENT OR OF ITS CONTENTS OR OTHERWISE ARISING IN CONNECTION THEREWITH. TO THE EXTENT PERMITTED BY LAW AND BY REGULATIONS, VALUE TRACK S.R.L. (OR ITS OFFICERS, DIRECTORS OR EMPLOYEES) MAY HAVE A POSITION IN THE SECURITIES OF (OR OPTIONS, WARRANTS OR RIGHTS WITH RESPECT TO, OR INTEREST IN THE SHARES OR OTHER SECURITIES OF) THE COMPANY AND MAY MAKE A MARKET OR ACT AS A PRINCIPAL IN ANY TRANSACTIONS IN SUCH SECURITIES.

