

# NEODECORTECH

Sector: Industrials

**BUY**

Price: Eu2.73 - Target: Eu4.80

## Italian Excellence at a Hefty Discount

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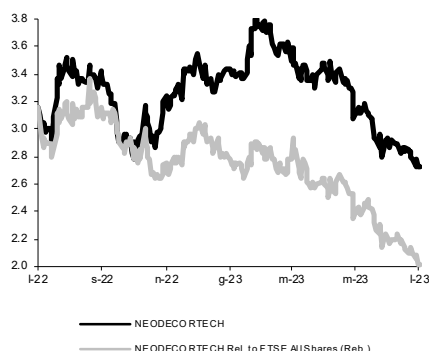
### Stock Rating

**Rating:** BUY (New Coverage)  
**Target Price (Eu):** 4.80 (New Coverage)

### Next Event 1H23 results

Results Out 7 September 2023

### NEODECORTECH - 12M Performance



### Stock Data

Reuters code: NDT.MI  
Bloomberg code: NDT IM

Performance	1M	3M	12M
Absolute	-7.1%	-20.9%	-13.6%
Relative	-9.6%	-23.0%	-49.8%
12M (H/L)		3.80/2.72	
3M Average Volume (th):		6.04	

### Shareholder Data

No. of Ord shares (mn):	14
Total no. of shares (mn):	14
Mkt Cap Ord (Eu mn):	39
Total Mkt Cap (Eu mn):	39
Mkt Float - Ord (Eu mn):	16
Mkt Float (in %):	41.4%
Main Shareholder:	
Finanziaria Valentini S.p.A	58.6%

### Balance Sheet Data

Book Value (Eu mn):	81
BVPS (Eu):	5.70
P/BV:	0.5
Net Financial Position (Eu mn):	-27
Enterprise Value (Eu mn):	66

■ **Positive newsflow imminent, compelling buying opportunity.** Neodecortech represents an excellent example of Made in Italy design. It offers an extensive product range of the highest quality with an outstanding level of vertical integration, making the company a unique player in the furniture design sector. The stock's recent weaknesses, linked in part to margin compression and more generally to a slowdown in activity across the sector, represent an investment opportunity in anticipation of a gradual return to growth. Current prices, which show a stock that is clearly undervalued, combined with the ongoing sector consolidation process, provide further reasons to buy.

■ **About Neodecortech.** The company is a European leader in the production of decorative papers for laminated panels and flooring used in the interior design sector. It provides complete, cutting-edge solutions for interior design projects, covering all phases of the production process, from the management of raw materials through the production of decorative paper to end-of-line logistics.

■ **1H23 a transitional period, return to growth and improving debt in 2H23.** In 1H the YoY comparison was still penalising due to the extraordinary growth achieved by the company last year, although we do expect a QoQ improvement in profitability in 2Q23. By year-end we expect steady revenue growth, improving margins and a reduction in the debt thanks to the renewed receipt of government incentives in the energy division.

■ **2024-2025 outlook: revenue growth and margin improvement.** For the company's core business we expect positive growth rates driven by a favourable price/volume mix and the strategic focus on continuous product innovation. Profitability is expected to improve gradually, partly thanks to a steady reduction in the cost of raw materials. A sharp improvement is also foreseen in the net financial position, driven by cash generation.

■ **Very attractive valuation, upside of over 70%.** Our combination of a DCF-based valuation and peer comparison yields a fair value of Eu4.80 per share. Neodecortech is trading at a hefty discount both to its own historical levels and to the market, and its recent negative performance is hard to justify. We initiate coverage on the stock with a BUY recommendation, partly in acknowledgement of the very high visibility on the company's prospects. **BUY; target Eu4.80.**

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	176	196	176	184	189
EBITDA Adj (Eu mn)	18	16	18	20	21
Net Profit Adj (Eu mn)	7	6	6	7	8
EPS New Adj (Eu)	0.492	0.408	0.403	0.511	0.576
DPS (Eu)	0.089	0.139	0.145	0.155	0.165
EV/EBITDA Adj	4.6	5.1	3.6	3.0	2.6
EV/EBIT Adj	9.0	13.4	7.8	5.7	4.8
P/E Adj	5.6	6.7	6.8	5.3	4.7
Div. Yield	3.2%	5.1%	5.3%	5.7%	6.0%
Net Debt/EBITDA Adj	1.6	1.9	1.5	1.1	0.8

**NEODECORTECH – Key Figures**

<b>Profit &amp; Loss (Eu mn)</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
Sales	128	176	196	176	184	189
EBITDA	15	18	16	18	20	21
EBIT	5	9	6	8	11	12
Financial Income (charges)	-1	-1	3	-2	-2	-1
Associates & Others	0	0	0	0	0	0
Pre-tax Profit	4	8	9	7	9	11
Taxes	-1	-1	-1	-1	-2	-2
Tax rate	13.0%	16.6%	8.7%	17.0%	22.0%	22.0%
Minorities & Discontinued Operations	0	0	0	0	0	0
Net Profit	4	7	8	6	7	8
EBITDA Adj	15	18	16	18	20	21
EBIT Adj	5	9	6	8	11	12
Net Profit Adj	4	7	6	6	7	8
<b>Per Share Data (Eu)</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
Total Shares Outstanding (mn) - Average	14	14	14	14	14	14
Total Shares Outstanding (mn) - Year End	14	14	14	14	14	14
EPS f.d	0.262	0.492	0.593	0.403	0.511	0.576
EPS Adj f.d	0.262	0.492	0.408	0.403	0.511	0.576
BVPS f.d	4.562	5.181	5.435	5.697	6.068	6.503
Dividend per Share ORD	0.139	0.089	0.139	0.145	0.155	0.165
Dividend per Share SAV	0.000	0.000	0.000	0.000	0.000	0.000
Dividend Payout Ratio (%)	53.2%	18.0%	23.4%	36.0%	30.3%	28.6%
<b>Cash Flow (Eu mn)</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
Gross Cash Flow	13	15	18	15	17	18
Change in NWC	-2	3	-9	-1	-2	-1
Capital Expenditure	-6	-10	-9	-9	-9	-9
Other Cash Items	0	0	0	0	0	0
Free Cash Flow (FCF)	4	8	-0	5	5	7
Acquisitions, Divestments & Other Items	-2	4	1	1	1	1
Dividends	-2	-1	-2	-2	-2	-2
Equity Financing/Buy-back	0	0	0	0	0	0
Change in Net Financial Position	1	11	-1	4	4	6
<b>Balance Sheet (Eu mn)</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
Total Fixed Assets	81	82	81	80	80	79
Net Working Capital	28	26	35	36	39	40
Long term Liabilities	-8	-8	-8	-8	-9	-10
Net Capital Employed	102	100	108	108	109	109
Net Cash (Debt)	-40	-29	-31	-27	-23	-17
Group Equity	62	70	77	81	86	92
Minorities	0	0	0	0	0	0
Net Equity	62	70	77	81	86	92
<b>Enterprise Value (Eu mn)</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
Average Mkt Cap	38	53	51	39	39	39
Adjustments (Associate & Minorities)	0	0	0	0	0	0
Net Cash (Debt)	-40	-29	-31	-27	-23	-17
Enterprise Value	78	83	82	66	62	56
<b>Ratios (%)</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
EBITDA Adj Margin	11.4%	10.3%	8.1%	10.3%	11.2%	11.3%
EBIT Adj Margin	4.3%	5.2%	3.1%	4.8%	5.9%	6.2%
Gearing - Debt/Equity	64.7%	41.6%	39.8%	33.4%	26.6%	18.3%
Interest Cover on EBIT	3.9	7.6	nm	5.6	7.2	9.8
Net Debt/EBITDA Adj	2.7	1.6	1.9	1.5	1.1	0.8
ROACE*	5.4%	9.2%	5.9%	7.8%	10.0%	10.7%
ROE*	5.8%	10.1%	7.9%	7.2%	8.7%	9.2%
EV/CE	0.8	0.8	0.8	0.6	0.6	0.5
EV/Sales	0.6	0.5	0.4	0.4	0.3	0.3
EV/EBITDA Adj	5.4	4.6	5.1	3.6	3.0	2.6
EV/EBIT Adj	14.3	9.0	13.4	7.8	5.7	4.8
Free Cash Flow Yield	10.6%	21.0%	-1.2%	12.0%	13.3%	18.1%
<b>Growth Rates (%)</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
Sales	-3,9%	38,0%	11,4%	-10,5%	4,4%	2,8%
EBITDA Adj	-8,4%	24,1%	-11,9%	17,9%	9,5%	3,9%
EBIT Adj	-23,0%	68,1%	-33,8%	49,5%	20,6%	8,1%
Net Profit Adj	-10,7%	89,2%	26,1%	-25,2%	24,0%	3,2%
EPS Adj	-39,9%	88,0%	-17,0%	8,8%	24,0%	3,2%
DPS	-8,8%	-36,3%	56,9%	4,2%	6,9%	-9,7%

\*Excluding extraordinary items

Source: Company Data and Websim Corporate Estimates

## Company in Brief

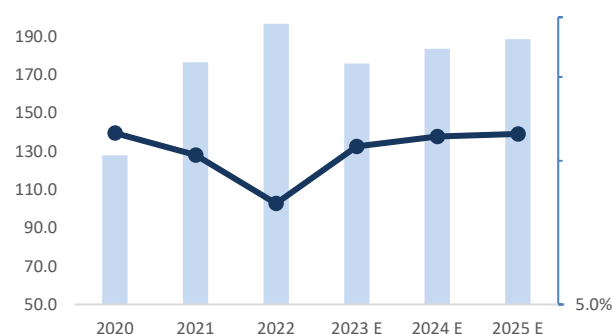
### Company Description

**Neodecortech** is a company specialising in the production of decorative papers for laminated panels and flooring used in the interior design sector. It offers a wide range of products, including decorative papers, decorative prints, finish foils, melamine films, PPF (Pre-Printed Film), PPLF (Pre-Printed Laminate Film), laminates, and Eos anti-fingerprint surfaces. Additionally, through its energy division NDT, it engages in the co-generation of electricity and steam.

### Strengths / Opportunities

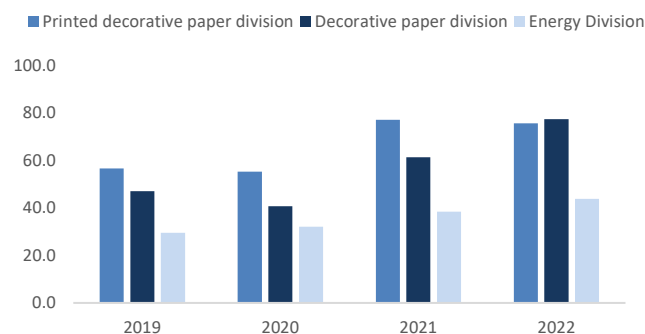
- Integrated business model enabling operational and cost efficiencies
- Significant diversification in higher value-added products
- Innovative capabilities supported by investments in R&D
- Strategic positioning in the decorative paper sector
- Creation of tailored solutions that act as an entry barrier for competitors

### Neodecortech - Sales on EBITDA margin (FY20 – FY25)



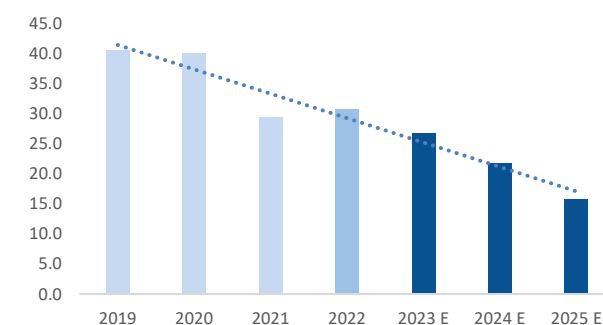
Fonte: Websim Corporate

### Neodecortech – Sales by division (FY19 -FY22)



Fonte: Websim Corporate

### Neodecortech – Net Debt (FY19 – FY25)



Fonte: Websim Corporate

### Management

**CEO:** Luigi Cologni  
**Chairman:** Luca Peli  
**CFO:** Marina Fumagalli  
**Executive director:** Massimo Giorgilli

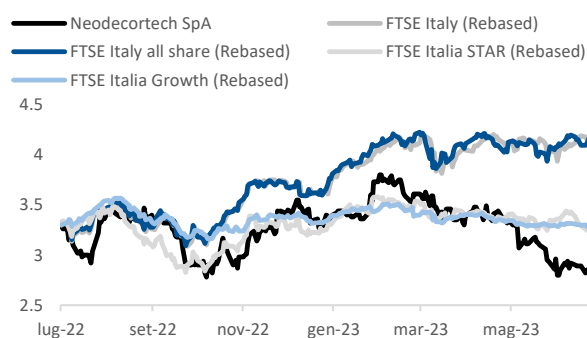
### Azionisti

Finanziaria Valentini Spa	58,6%
Azimet Investments SA	5,6%
Market (including treasury shares)	35,8%

### Weaknesses/ Threats

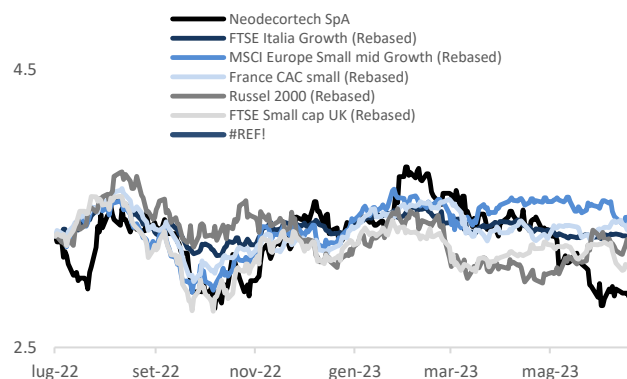
- Limited size compared to German and Chinese competitors
  - High concentration of sales across a small number of customers
  - Uncertainty related to volatility in raw material costs
- End of energy incentives expected by June 2025

### Neodecortech vs Italian Indices



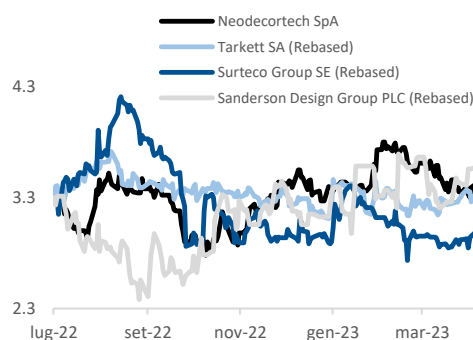
Fonte: Websim Corporate

### Neodecortech vs small caps Indices



Fonte: Websim Corporate

### Neodecortech vs Peers



Fonte: Websim Corporate

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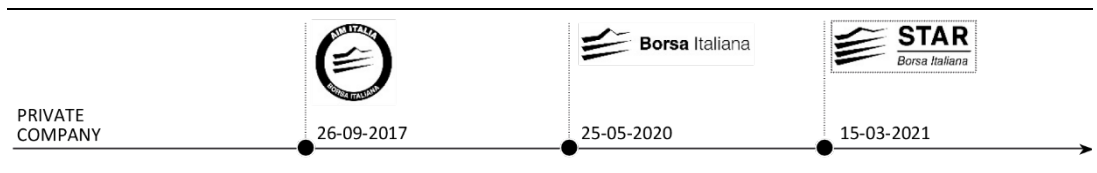
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## Neodecortech: Enhancing interior design with sustainable Italian style

Neodecortech is a **100% Made in Italy** Group that encompasses four companies united by a common vision and a clear industrial and ESG strategy. With 75 years of experience, the Group aims to provide the interior design industry with high-end decorative elements and surfaces enriched by its unmistakable Italian style.

Neodecortech is a prominent player in the design and production of decorative surfaces, primarily paper but also plastic films and laminates, for the interior design and flooring sectors.

The growth and success of Neodecortech in the industry led to its listing on the AIM segment of Borsa Italiana in 2017, followed by a transfer to the MTA segment in 2020. Since March 2021, NDT has been listed on the STAR segment.



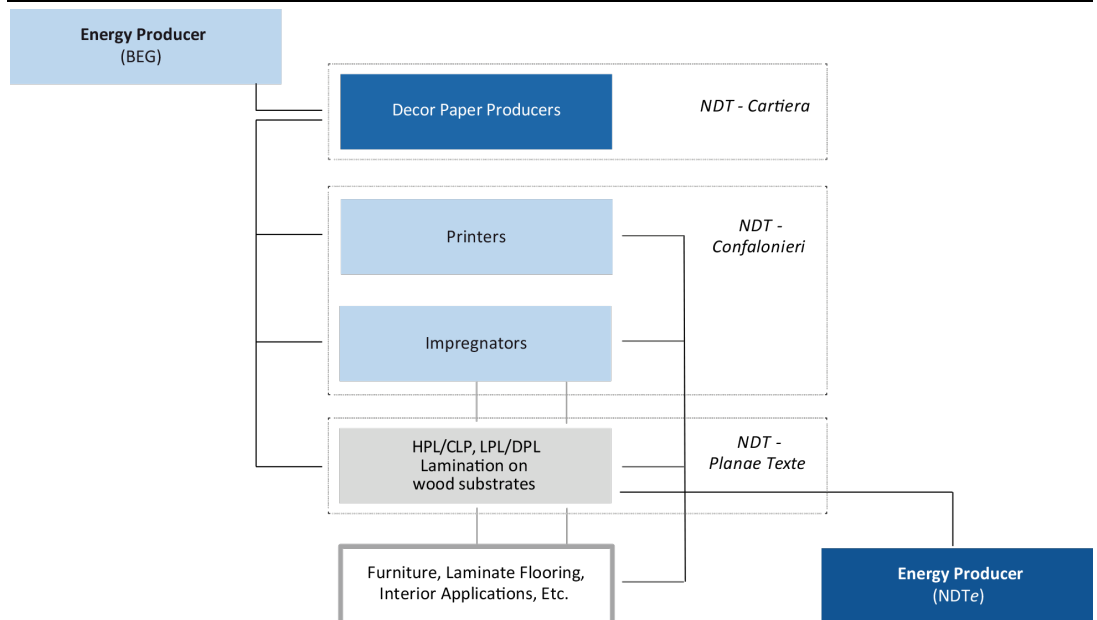
Source: Websim on Company Presentation

Operating through a highly synergistic business model, the Group is structured around the pillars: **printing, impregnation, and lamination; paper mill; energy plant.**

With expertise covering the entire value chain, the Group encompasses every stage of the decorative paper production process. Neodecortech demonstrates a **comprehensive and integrated approach**, from paper production to surface finishing and impregnation, all the way to the finished product and final logistics management.

Embracing sustainable practices and the principles of a circular economy, Neodecortech prioritises the efficient use of resources. Furthermore, the energy plant is powered by sustainable biofuels, thus conducting this activity in a much more ecological manner.

### Neodecortech - Effective business models



Source: Websim elaboration on Company Presentation

## Group Structure: Empowering innovation and production through four companies

Neodecortech Group comprises four companies, each playing a vital role in the Group's operations.

- **Neodecortech S.p.A.**, founded in 1947 with headquarters in Filago (BG), serves as the parent company, and specialises in various printing techniques, including paper and polymer printing, lacquering, embossing, impregnation, and lamination. Neodecortech ensures high-quality decorative surfaces through state-of-the-art machinery, including industrial printers for paper and plastic polymers, laboratory printing machines, and digital laboratory printing machines. It also has impregnation machines and continuous pressure lamination (CPL) machines. The parent company accounted for 38% of 2022 revenue.
- **Cartiere di Guarcino S.p.A.**, founded in 1990, operates as a paper mill. With an overall surface area of 144,000m<sup>2</sup> (including 21,000m<sup>2</sup> of covered space), the paper mill has a **production capacity of 50,000 tons per year**. It offers a wide range of paper products, including **base paper, solid colour paper, and support paper** for high and low-pressure lamination, as well as flooring applications. With a dedicated workforce of 168 employees, Cartiere di Guarcino contributes significantly to Group revenue (39% of the total in 2022).
- **Bio Energia Guarcino S.r.l.**, founded in 2006, functions as an **energy plant focused on cogeneration**. Located in Guarcino, it produces electric and thermal energy using three endothermic diesel engines powered by low CO<sub>2</sub> emission animal-based oil from the short Italian supply chain or certified sustainable palm oil. With a **production capacity of 9 tons of steam and 20 MWh**, Bio Energia Guarcino **meets all the electrical needs of the paper mill and 40% of the thermal needs**, ensuring an efficient and sustainable production process. The company accounted for 22% of the Group's revenue in 2022.
- **NDT energy S.r.l.**, founded in 2022, is an energy plant located in Casoli d'Atri (TE). **The company is not yet operational as it is awaiting authorisation as a waste-to-energy plant**. Once approved, it will play a fundamental role in reusing the waste and trimmings generated during the production process to meet almost all of the thermal needs of NDT's laminates division.

### Locations of Neodecortech - The map of territorial presence



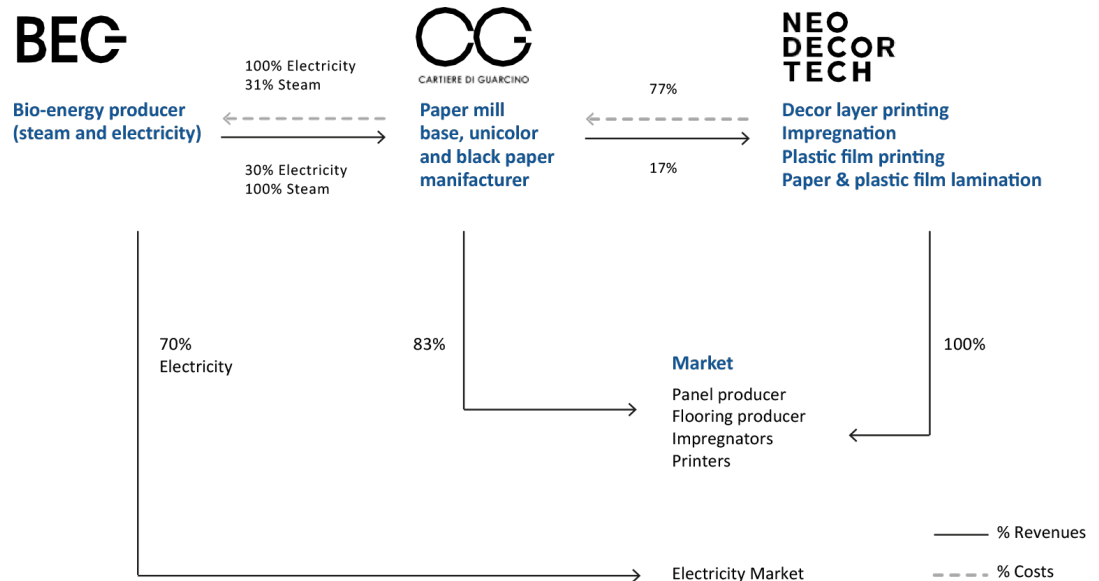
Source: Company Presentation

## An Integrated Business Model: Maximising Resources and Sustainability

Neodecortech operates through an integrated business model that optimises the use of resources at every stage of the production process, from development to manufacturing, testing to finished products. **Vertical integration** grants the company competitive advantages in terms of flexibility, procurement prices, and control over **research and development**. Centralised research and development, in collaboration with the paper mill, enhance operational efficiency and ensure continuous innovation.

**Integration with the energy plant** further enhances operational efficiency and business continuity, providing a reliable power source during network blackouts and **covering the entire electricity demand of the paper mill**. This vertical integration results in significant cost savings, thanks to economies of scale on energy costs (electricity and steam), generating an annual cost savings of approximately €8 million (2022).

### Neodecortech - Effective business models



Source: Websim elaboration on Company Presentation

Neodecortech has a **fully sustainable business model** based on circular economy principles. **95% of the fuel** for the energy plant is **derived from certified palm oil** as well as **animal by-products**, all of which adhere to strict sustainability standards. Additionally, the electricity needs of the paper mill, managed by Cartiere di Guarcino, are covered by the **renewable energy** generated by the energy plant.

To support environmental conservation, Cartiere di Guarcino exclusively uses **FSC (Forest Stewardship Council) certified cellulose from sustainable forests**, ensuring total consumption of 28,000 tons. Used paper is recovered and reused by Neodecortech (358 tons recovered). Similarly, thermoplastic films are recovered from PVC and PET manufacturers and reused by Neodecortech (156 tons recovered).

This well-structured business model not only enables the Group to capitalise on **cross-selling opportunities**, it also showcases the company's sustainability credentials and helps reduce energy costs, in line with Neodecortech's commitment to responsible and efficient operations.



## All-Round Furniture and Decoration Products: Neodecortech's Diverse Product Offer

Through continuous research, the Group offers a wide range of products on the market, developed through approximately **900 decorative patterns** that mimic various natural materials such as **wood and stone, surfaces like concrete and metal, and even textures inspired by fabric and abstract geometries**. Each decoration embodies Neodecortech's style, showcasing the company's ongoing commitment to innovation.

The products are divided into **seven distinct families**, catering to different furniture and decoration needs. From flooring solutions to versatile furniture for both residential and non-residential spaces, including hospitality and office settings.

Embracing a forward-looking approach, the company has **made significant investments in developing new products** and enhancing existing ones. A notable addition to the portfolio is the launch of **EOS, an innovative line of super-matt products with an anti-fingerprint effect** for the high-end surface market.

### Neodecortech - Superior market offering



Source: Company Presentation

## Brand Focus: A Diversified Portfolio

Neodecortech's brand portfolio consists of **four main brands: Confalonieri, Plana, Texte, and Cartiere di Guarcino**. Through these brands, the Group offers a diverse range of products that cater to different segments within the interior design industry.

### Neodecortech - Superior market offering



Source: Company Website



## Confalonieri - Decorative and Finishing Papers

The Confalonieri brand specialises in the production of **decorative papers and finishing foils for the furniture, laminate flooring and camper/ caravan industries**. Their extensive range of products includes printed decorative papers (DEC), melamine-impregnated papers (MEL), and finishing foils (FINISH).

- **Printed decorative papers** are used in the production of various surfaces such as low-pressure melamine panels, finishing foils, shaped edges, high-pressure laminates (HPL), and flooring. They accurately replicate patterns of wood, marble, granite, and others through cylinder engraving and rotogravure printing.
- **Melamine-impregnated papers** are designed for the furniture industry and can be used for veneering chipboard, MDF, and the production of HPL and CPL. They offer durable and robust surfaces.
- The **finishing paper** category includes impregnated decorative papers and pre-impregnated papers that undergo additional treatments such as lacquering or preparation for painting. This range offers flexible finishing foils, shaped edges, and pre-impregnated papers, allowing the creation of authentically textured surfaces at a cost-effective production rate. Confalonieri's Finish Foils offer an authentic appearance and texture.

## Texte - Decorative Laminates

The Texte brand specialises in the production of **paper-based CPL for claddings, doors, surfaces, and furniture**. Decorative laminates are continuous coating materials produced with decorative papers, offering a wide range of applications due to their resistance, flexibility, and attractive appearance. Their product range includes EOS Laminates, Thin Top, and Microtop.

**EOS Anti-Fingerprint Laminates** are obtained by laminating a special acrylic film with impregnated Kraft paper layers as a support, providing anti-fingerprint properties and resistance to scratches, light, and solvents and chemicals. **Thin Top EOS Laminates** also possess similar properties. **Microtop laminates** are used to coat various profiles and offer excellent adaptability to shape and the ability to cover curved surfaces. **Thin Tops** are CPL made by hot-pressing decorative paper with phenol-free supports impregnated with amino-plastic resins. They can be antistatic and antibacterial.

## Plana - PET and PVC Thermoplastic Films

The Plana brand specialises in the production of **printed and laminated recycled PET (rPET) and PVC thermoplastic films**. These films offer a wide range of solutions for Luxury Vinyl Tile (LVT) flooring, which is a rapidly growing product in the flooring industry and interior design world.

- **Printed Plastic PVC Films (PPF)** are thin printed films that can be paired with various substrates such as chipboard, MDF, regenerated PVC, WPC, and SPC. These films are protected with UV coatings and feature excellent mechanical properties and resistance to abrasion, wear, aging, chemicals, mould and bacteria. They are water repellent, fire resistant, and available in a wide range of decorative options.
- **Printed Plastic Laminated Films (PPLF)** are thin printed films bonded with a transparent vinyl layer (wear layer) that is subsequently embossed and lacquered. They also possess excellent mechanical and resistance properties. They share the water repellent and fire-resistant properties of PPF films, and similarly offer various decorative options.
- **EOS TP PVC** is a product composed of a thin plastic film, either solid colour or printed in PVC, that is lacquered to achieve a matt, soft-touch, and anti-fingerprint effect. It is free of formaldehyde emissions and is used in the furniture and interior design industries. **EOS TP PET** is made of a similar thin plastic film made from 70% recycled PET. Both EOS TP PVC and EOS TP PET possess the excellent mechanical and resistance properties outlined above.

## Cartiera di Guarcino - Base Papers, Solid Colours, and Support Papers

Cartiere di Guarcino offers a wide range of **decorative papers designed to produce high and low-pressure laminates and flooring materials**. With a commitment to providing superior quality, Cartiere di Guarcino caters to the needs of the laminate and flooring industries, offering reliable and visually appealing decorative papers. The brand's portfolio includes three main types of products: base papers, solid colours, and support papers.

- **Base papers** serve as a foundation for further processing and applications, providing a solid base to produce laminates and flooring.
- **Solid colours**, on the other hand, offer a wide selection of solid-coloured papers that add versatility and aesthetic appeal to various surfaces.

Finally, support papers play a fundamental role in providing stability and support to laminated or composite materials.

**Neodecortech - Superior market offering**

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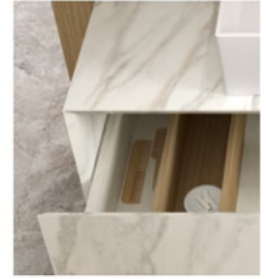
Décor Papers



Decorative printed papers



Finish Foils



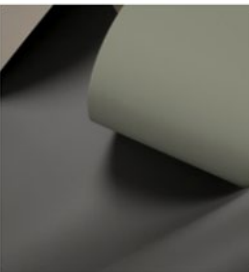
Melamine Films



CONFALONIERI



PPF & PPLF for LVT



EOS<sub>TP</sub>



EOS<sub>KAMINATO</sub>



Laminates

PLANA

TEXTE

Source: Company Presentation

## Customer Overview: Tailored Solutions for Strong Partnerships

The strong relationships developed between the Neodecortech Group and its customers represent a key competitive advantage. This close collaboration translates into partnerships that range from involving customers in the engineering process to creating **tailored solutions**, exploiting the **product differentiation** offered by the company.

Such an approach represents a significant entry barrier for competitors and differentiates NDT's offering from the more standardised offerings of many other industry players. Furthermore, the integrated business model facilitates cross-selling of its products.

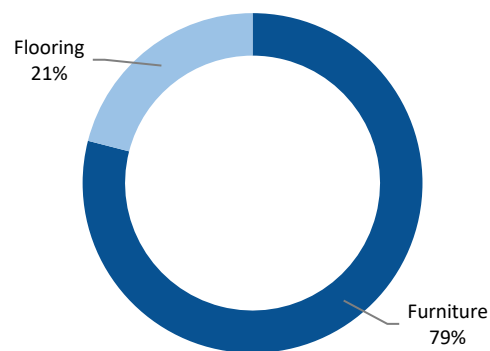
The sales model is based on **area managers, sales agents, and distributors**. International sales are managed internally through area managers, with agents in areas where a direct presence is required.

**Neodecortech's end customers are primarily large manufacturers of flooring and laminated panels for furniture**, which entails significant concentration of NTD's customer base. Additionally, Neodecortech's customers often purchase both printed and unprinted decorative paper, making them potential customers of Cartiere di Guarcino as well, providing further growth opportunities for the company.

Data from 2022 indicates that **79% of Neodecortech's end users are furniture panel manufacturers, while the remaining 21% come from the flooring industry**. This distribution highlights Neodecortech's strong connection to the furniture industry, where its products are used to enhance decorative surfaces and provide aesthetically appealing solutions. The significant presence in the panel for furniture sector underscores Neodecortech's key role in supplying innovative and high-quality materials to the furniture industry.

The constant innovation in design and decoration is generating growing demand for laminates, which in turn can impact the sales of decorative paper. The use of decorative paper in the **ready-to-assemble (RTA) furniture market** offers consumers a wide range of evolving surface textures and eye-catching designs. Decorative paper generally represents a more cost-effective solution compared to other materials used to create decorative surfaces, such as solid wood or stone. This makes it an affordable option for furniture manufacturers eager to offer visually appealing products at a reasonable price.

Neodecortech - Sales mix by end users



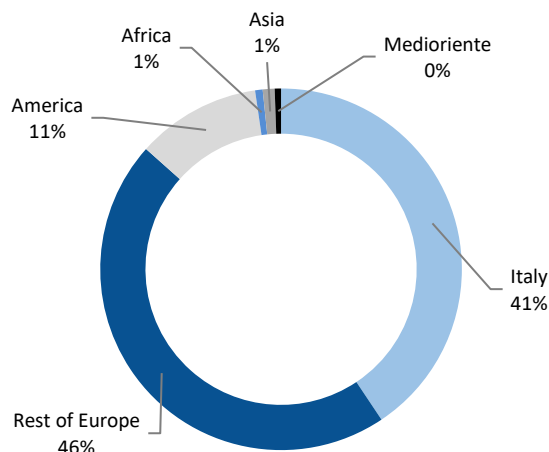
Source: Company data

## Geographical Breakdown of Sales: Significant Growth in the US Market

The geographical breakdown of Neodecortech's sales, excluding the results of Bioenergia Srl, reveals some interesting trends. In 2022, **59.37% of the Group's sales were generated abroad**, while the remaining **40.62% were in the domestic market**, where Neodecortech has a growing presence. In Italy, there was a significant increase from 54,732 units sold in 2021 to 62,028 units in 2022. However, sales in the rest of Europe fell slightly (-4.26% YoY).

**The most notable growth occurred in America**, where sales rose from 5,194 units to 16,978 units **(+226.88% YoY)**, indicating a successful expansion in the American market. Sales in Africa and Asia experienced a slight decline, while the Middle East saw a significant decrease from 1,506 units in 2021 to 859 units in 2022.

Neodecortech - Geographical Breakdown of sales in 2022



Source: Company data

## A Distinctive Presence in the Decorative Paper Industry

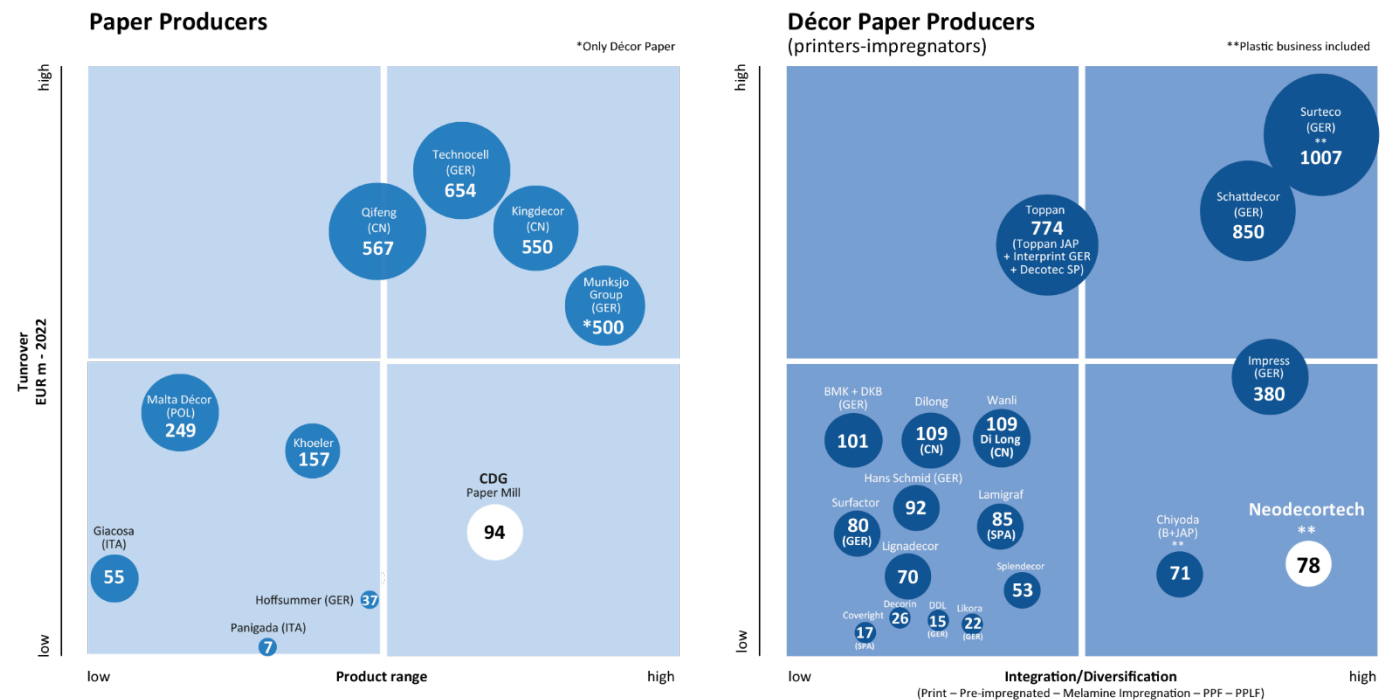
### Decorative Paper

Neodecortech operates in the **decorative paper industry**, which is a niche within the broader paper market. This sector represents only **0.2% of the total paper market**, which is primarily composed of materials for corrugated packaging (40%), printing and writing paper (24%), paperboard (12%), as well as textiles, newspapers, paper for bags, and other paper and cardboard products.

The leading player in the European decorative paper market is undoubtedly **Germany**, holding the majority of market shares.

In 2022, European decorative paper market revenues amounted to €912.036mn. A study by *Future Market Insight* suggests that this position is likely to strengthen, with a **3.7% 2022-2032 CAGR**. As for the market for paper-based laminates, a 5.2% CAGR is projected for the same time frame.

### Neodecortech - Strategic positioning



Source: Websim elaboration on Company Presentation

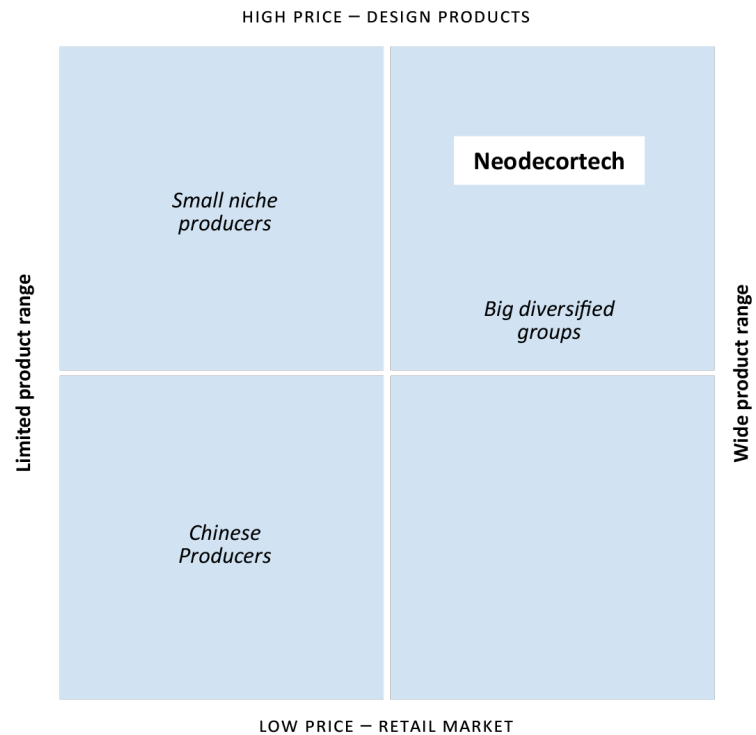
Among Neodecortech's main competitors, we find German companies **Surteco**, **Schattdecor**, and **Impress**, known for their high levels of revenue and product diversification. They are followed by the Japanese company **Toppan** (which acquired German company Interprint and Spanish company Decotec). There are also smaller companies with lower turnover and/or a lower level of integration/diversification, such as **Lamigraf**, **Hans Schmid**, **Surfactor**, and **BMK**.

### Paper mill

In the paper producers' market, in which Neodecortech subsidiary Cartiere di Guarcino operates, the main players are, also in this case, large German companies (**Technocell** and **Munksjo Group**) and Chinese companies (**Kingdecor** and **Qifeng**). They are followed by a few smaller players in terms of revenue and a narrower range of products, such as **Khoeler** (which announced the acquisition of Beaver Paper Market and Graphic Media Inc), **Malta Décor**, **Hoffsummer**, and **Giacosa**.

Neodecortech and Cartiere di Guarcino differentiate themselves from other companies through a wide range of products, allowing them to diversify their offerings with a focus on higher value-added products and a significant level of vertical integration. These characteristics make them unique players in their market segment.

## Neodecortech - Strategic positioning



Source: Websim elaboration on Company Presentation

In general, therefore, the positioning of the Group is *premium based*, following a differentiation strategy, as it is challenging to pursue a cost leadership strategy.



## Strategy and Future Developments of Neodecortech: Innovation and Sustainability

The Group aims to consolidate its position among its traditional product lines. In 2023, Neodecortech will continue its **research and development activities in the core area of decorative papers, with a particular focus on digital paper support**. Researching new products and processes has always been one of the company's main strengths.

The company expects to **gradually recover the margin** lost last year, although 2023 may still present some impact on margins.

As for Bio Energia Guarcino S.r.l., no incentives related to the GRIN renewable energy incentive system are expected for 2023 due to the high energy prices in the previous period, on which the incentive calculation is based. This incentive will resume as of 2024, while the **end of the incentive system is scheduled for June 2025**. The facility was able to continue operating in the first quarter of 2023 thanks to the extension of the maximisation regime, aimed at reducing dependence on Russian gas, which has been confirmed until September 2023. The operation of Bioenergia is a key element of the Group's business model, and for this reason, **the company is actively working towards extending support for biofuel plants until at least 2030** and introducing a revenue reimbursement regime for plants essential to the power system. This decision may also be influenced by the political and geopolitical framework, so it is important to monitor the evolution of the conflict between Russia and Ukraine and the priorities of the current government.

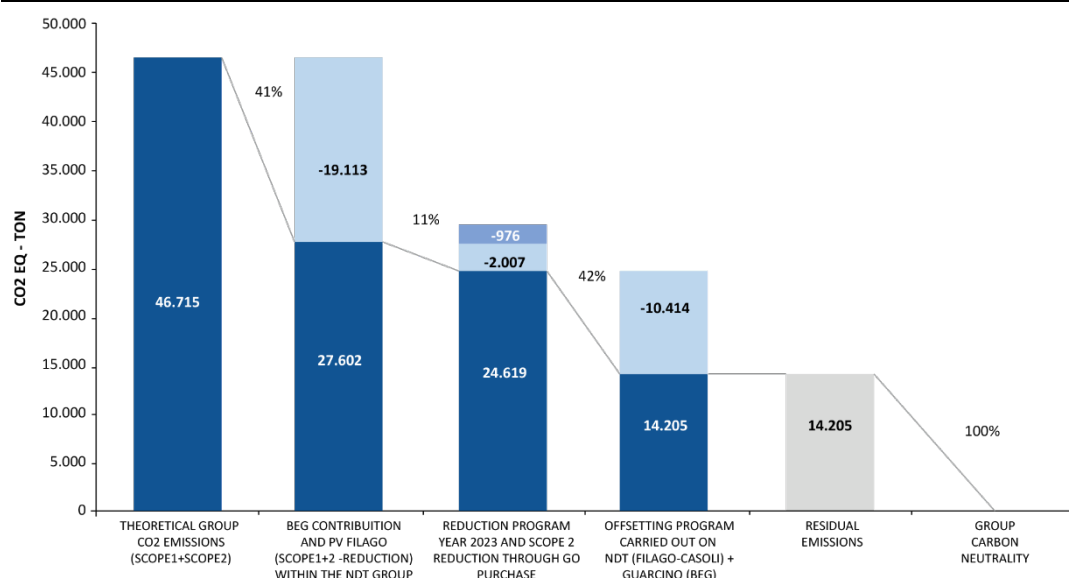
**Neodecortech - Energy** is awaiting the necessary authorisation to operate. By directly incinerating waste and scraps, the company would achieve savings of approximately €600,000 and a **reduction of around 40% in total emissions**. This investment aims to provide the Group with **thermal independence**.

Neodecortech's projects for 2023 include a series of ambitious goals. Firstly, this year, the company has **expanded the reporting of greenhouse gas emissions to scope 3**, which includes emissions related to upstream and downstream activities associated with its operations. This demonstrates the company's commitment to monitor and determine whether and how to reduce the environmental impact of its activities more broadly. Additionally, in 2023, **further initiatives are planned to support the local community through targeted donations to promote cultural and/or charitable activities**. Neodecortech aims to actively contribute to the well-being of the community in which it operates. Finally, the company collaborate with high schools to train young specialists, providing them with learning opportunities and considering their recruitment to professional positions. This commitment to the education and employment of young people demonstrates the Group's willingness to invest in the future and contribute to societal growth.

Overall, the Group's plan for 2023 aims to achieve a fully sustainable business model, with a **focus on carbon neutrality for scope 1 and 2 emissions**, after achieving this result for Neodecortech alone in 2021 and for both Neodecortech and Beg in 2022, thus demonstrating the company's awareness of its environmental and social responsibility.

As a general rule, the Group does not rule out the possibility of actively participating in mergers, acquisitions, or partnerships in the sector.

**Neodecortech – Neutralisation and offsetting tons of CO2 equivalent**



Source: Websim elaboration on Company Presentation

## Analysis of Neodecortech's Historical Results

### 2019 - 2022 Revenue Trend

Neodecortech's net sales in 2022 amounted to **€196mn (+11.4% YoY)**. Despite a slight decrease in the performance of Neodecortech's Printed Decorative Paper division, the company was able to maintain overall revenue growth, thanks to positive performances in the other divisions (Decorative Paper and Energy Division).

This growth can primarily be attributed to price effects across all divisions, necessary to offset the increase in production costs (energy, cellulose), especially for the BEG division, which benefited from the National Electricity Price (PUN) more than doubling compared to 2021, offsetting falling demand in the furniture market.

Neodecortech S.p.A. contributed 38.4% to total Group revenues in 2022, while Cartiera di Guarcino S.p.A. represented 39.3%, and Bioenergia Guarcino S.r.l. 22.3%.

#### Neodecortech - Sales mix by division (FY19 - FY22)

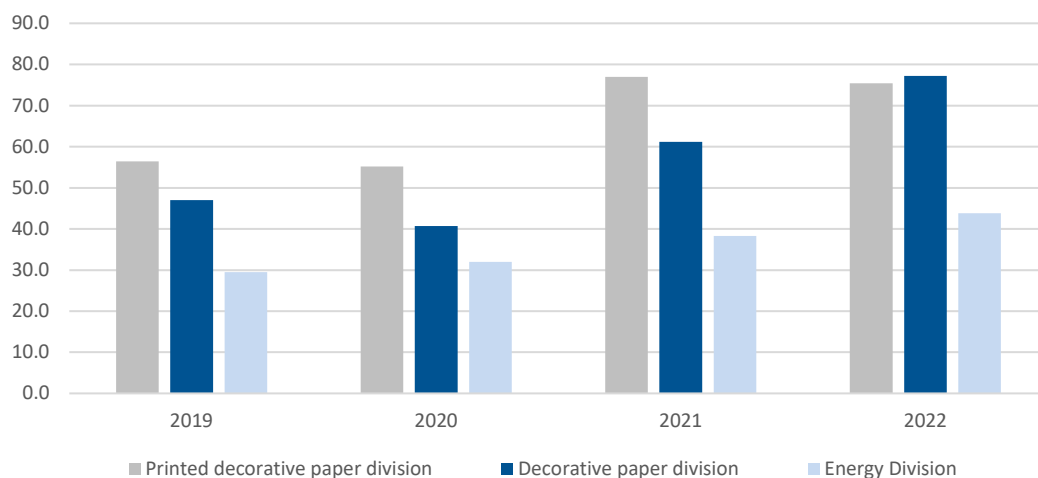
(Eu mm)	2019	2020	2021	2022
Neodecortech S.p.A. - Printed decorative paper division	56.5	55.2	76.9	75.4
Cartiere di Guarcino S.p.A. - Decorative paper division	47.0	40.7	61.2	77.2
Bioenergia Guarcino S.r.l. - Energy Division	29.5	32.0	38.3	43.8
<b>TOT</b>	<b>133.0</b>	<b>127.8</b>	<b>176.4</b>	<b>196.5</b>

\*risultati consolidati

Source: Company data

It should be noted that Neodecortech and Cartiera's customer order portfolios have declined since the end of June 2022, linked to overall market trends and partly amplified by de-stocking activity. At Neodecortech, the decrease in revenue was mitigated by the contribution of new products such as EOS, PPLF, and the laminated product family, while at Cartiera, mitigation comes from territorial diversification.

#### Neodecortech - Sales mix by division (FY19 - FY22)



Source: Websim Corporate

### 2019 - 2022 Profitability Trend

In 2022, the Group recorded **EBITDA of €16mn (-11.9% YoY)**, corresponding to an **8.1% EBITDA margin**. The reduction in margins is due to only part of the increased costs being passed on to customers. This trend occurred at both Neodecortech and Cartiera.

As for EBIT, the Group experienced a year-on-year decline of -33.8%, reporting **EBIT of €6.1mn**, corresponding to an **EBIT margin of 3.1%**. The impact on net income was mitigated by the presence of a positive non-recurring item. Neodecortech reported **net profit of €8.4mn (+26.1% YoY)**.

# Neodecortech - P&L Group

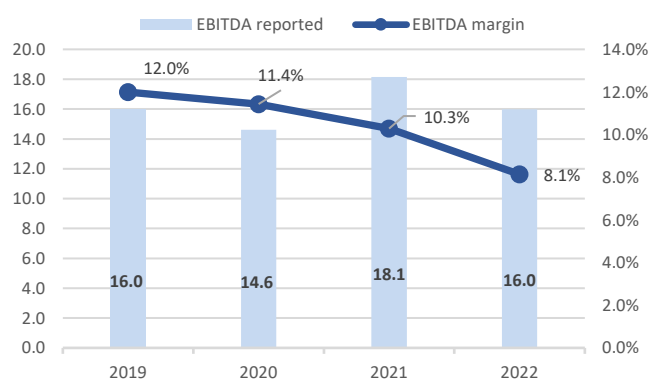
(Eu mn)	2019	2020	2021	2022
<b>Net revenues</b>	<b>133.0</b>	<b>127.8</b>	<b>176.4</b>	<b>196.5</b>
YoY growth	-	-3.9%	38.0%	11.4%
Others	2.9	5.9	2.6	7.8
$\Delta$ finished goods	1.4	(2.5)	0.3	3.0
<b>Value of production</b>	<b>137.2</b>	<b>131.2</b>	<b>179.3</b>	<b>207.3</b>
YoY growth	-	-4.4%	36.7%	15.7%
<b>EBITDA reported</b>	<b>16.0</b>	<b>14.6</b>	<b>18.1</b>	<b>16.0</b>
YoY growth	-	-8.4%	24.1%	-11.9%
EBITDA margin	12.0%	11.4%	10.3%	8.1%
D&A	(8.7)	(8.7)	(8.8)	(9.8)
on VoP	6.3%	6.7%	4.9%	4.7%
Writedowns/Provision	(0.1)	(0.4)	(0.1)	(0.1)
on VoP	0.1%	0.3%	0.0%	0.1%
<b>EBIT reported</b>	<b>7.1</b>	<b>5.5</b>	<b>9.2</b>	<b>6.1</b>
EBIT margin	5.4%	4.3%	5.2%	3.1%
Financial Charges	(2.0)	(1.7)	(1.3)	(2.4)
Financial Income	0.1	0.3	0.1	5.5
Associates	0.0	0.0	0.0	0.0
<b>Pretax</b>	<b>5.2</b>	<b>4.1</b>	<b>8.0</b>	<b>9.2</b>
Taxes	(1.2)	(0.5)	(1.3)	(0.8)
tax rate	-24.0%	-13.0%	-16.6%	-8.7%
Minorities	0.0	0.0	0.0	0.0
<b>Net income</b>	<b>4.0</b>	<b>3.5</b>	<b>6.7</b>	<b>8.4</b>
YoY growth	-	-10.7%	89.2%	26.1%

Source: Company Data

In the decorative surfaces sector related to the furniture and interior design market, including both furniture and flooring, there has been a disruption in the growth trend observed since mid-2020 and throughout the entire year of 2021 during the first half of 2022. The ongoing Russian-Ukrainian conflict has also led to a continuous increase in prices of certain strategic raw materials for the Group's companies, such as titanium dioxide, cellulose (a by-product of animal origin), and resins. This has compelled the Group to implement a policy of passing on price increases to end customers. The price of energy, also influenced by the Russian-Ukrainian conflict, has reached unprecedented levels, with an average PUN (Italian electricity market price) of €303.95 per MWh and peaks exceeding €500 per MWh in the second and third quarters of the year.

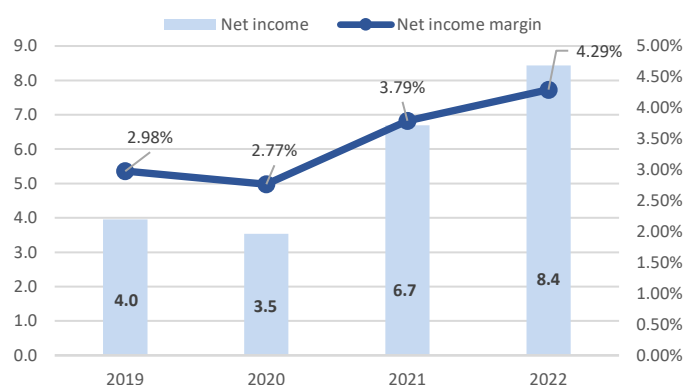
The increase in energy prices has provided the entire Group with a significant competitive advantage. Not only have competing companies been penalised by the decline in demand in the furniture sector, they have also had to purchase energy from third parties at higher prices. Despite the increase in sales for Bioenergia, the inflationary impact on operating costs has not been fully reversed, leading to margin pressure.

## Neodecortech - EBITDA and EBITDA margin (FY19-FY22)



Source: Websim Corporate and Company Data

## Neodecortech - Net Income and Net Income margin (FY19-FY22)



Source: Websim Corporate and Company Data

## Performance by Division 2020 - 2022

- **Neodecortech S.p.A.** recorded slightly lower revenues of **€75.4mn (-1.9% YoY)**. This decrease was influenced by the partial pass-through of the price increase in strategic raw materials (decorative paper, plastic films, and resins).
- **Cartiera di Guarcino S.p.A.** showed **revenues of €95.1mn (+20.6% YoY)**, **lower EBITDA (-6.7% YoY)**, a contraction in profitability (**EBITDA margin of 6.9%**), and **net profit of €3.6mn (+35.7%)**. The company experienced significant growth abroad in 2022, particularly in the United States, where revenues increased by +280% YoY.
- **Bioenergia Guarcino S.r.l.** recorded **revenues of €54.3mn** in 2022 **(+33.2% YoY)**, driven by the performance of the energy market, where the average PUN throughout the year was €303.95/MWh. **EBITDA in the year to 31 December 2022 was €4.2mn**, a 50% YoY increase. The energy division did not experience a decline in profitability due to the combined impact of the increase in the selling price of energy and the incentives received.

### Neodecortech - P&L by division

(Eu mn)	Neodecortech S.p.A.			Cartiere di Guarcino S.p.A.			Bioenergia Guarcino S.r.l.		
	2020	2021	2022	2020	2021	2022	2020	2021	2022
<b>Net revenues</b>	<b>55.2</b>	<b>76.9</b>	<b>75.4</b>	<b>54.4</b>	<b>78.8</b>	<b>95.1</b>	<b>33.9</b>	<b>40.8</b>	<b>54.3</b>
Others	1.5	1.4	2.3	1.8	1.4	6.1	2.9	0.2	0.1
Δ finished goods	(0.4)	(0.5)	(0.1)	(2.1)	0.7	3.2	0.00	0.00	0.00
<b>Value of production</b>	<b>56.2</b>	<b>77.9</b>	<b>77.6</b>	<b>54.0</b>	<b>81.0</b>	<b>104.3</b>	<b>36.8</b>	<b>41.0</b>	<b>54.4</b>
<b>EBITDA reported</b>	<b>4.9</b>	<b>8.2</b>	<b>5.2</b>	<b>5.9</b>	<b>7.1</b>	<b>6.6</b>	<b>4.0</b>	<b>2.8</b>	<b>4.2</b>
EBITDA margin	8.9%	10.7%	6.9%	10.8%	9.0%	6.9%	11.8%	6.9%	7.8%
D&A	(3.1)	(3.4)	(3.5)	(3.0)	(3.0)	(3.1)	(2.4)	(2.2)	(3.0)
Writedowns/Provision	(0.2)	(0.1)	(0.1)	(0.2)	0.0	0.0	0.0	0.0	0.0
<b>EBIT reported</b>	<b>1.5</b>	<b>4.8</b>	<b>1.7</b>	<b>2.7</b>	<b>4.1</b>	<b>3.5</b>	<b>1.6</b>	<b>0.6</b>	<b>1.2</b>
EBIT margin	2.8%	6.2%	2.2%	5.0%	5.2%	3.7%	4.7%	1.4%	2.3%
<b>Pretax</b>	<b>3.73</b>	<b>7.44</b>	<b>8.98</b>	<b>2.53</b>	<b>3.18</b>	<b>3.55</b>	<b>1.0</b>	<b>0.0</b>	<b>0.9</b>
Taxes	(0.2)	(0.8)	(0.5)	(0.4)	(0.6)	0.0	(0.1)	(0.1)	(0.3)
<b>Net income</b>	<b>3.6</b>	<b>6.7</b>	<b>8.4</b>	<b>2.2</b>	<b>2.6</b>	<b>3.6</b>	<b>0.9</b>	<b>(0.1)</b>	<b>0.5</b>

Source: Company Data

## 2019 - 2022 Cash Generation and Debt

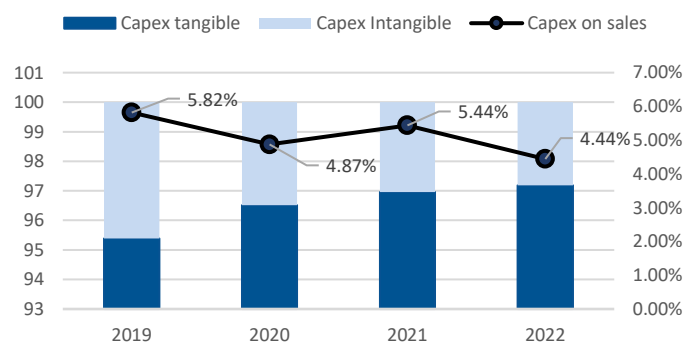
The Group's **net debt** amounted to **€30.7mn (+4.74% YoY)**. The decrease in demand combined with the increase in raw material costs has clearly affected working capital management (€-9.2mn). This drove an increase in net debt to €30.7mn (compared to €29.3mn at the end of 2021).

(Eu mn)	2019	2020	2021	2022
<b>Operating CF</b>	<b>11.0</b>	<b>10.5</b>	<b>17.9</b>	<b>8.8</b>
<b>Capex (Tang &amp; Intang)</b>	<b>(8.0)</b>	<b>(6.4)</b>	<b>(9.7)</b>	<b>(9.2)</b>
<b>Cash Flow</b>	<b>3.5</b>	<b>0.6</b>	<b>10.7</b>	<b>(0.9)</b>
<b>Net Debt</b>	<b>40.5</b>	<b>39.9</b>	<b>29.3</b>	<b>30.7</b>

Source: Company Data

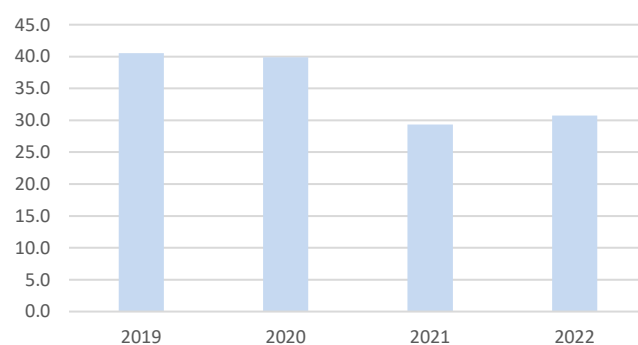
Looking at the individual divisions: Neodecortech's financial debt decreased over the past year, Cartiera recorded a position in line with the previous year's performance, while Bioenergia experienced an increase in debt. Overall, the Group's Net Financial Position (NFP) has significantly improved over the last four years.

### Neodecortech - Capex Evolution (FY19-FY22)



Source: Websim Corporate and Company Data

### Neodecortech - Net Debt (FY19-FY22)



Source: Websim Corporate and Company Data

## Current Situation - Analysis of Quarterly Data in 2023

### 1Q23 Revenue Performance

The latest series of financial data released by the company pertains to the first quarter of 2023.

In the three months to 31 March 2023, the Group recorded revenues of **€46.5mn (-5.6% YoY, +2.15% QoQ)**. The YoY decline can be attributed to the overall market trend, amplified by de-stocking activity that began in late 2022. Base printed and decorative papers, laminates, and the new anti-fingerprint product EOS maintained steady sales. The main decreases in sales volumes were observed in balancing papers, solid-colour papers, and printed PVC. We believe these are positive results considering the current high inflation and weak market demand.

The increase in revenues in the energy division (**+16.65% YoY**) is due to the power plant operating at full capacity (with energy generation coming to 42,350 MWh).

Neodecortech - Actual topline by division							
(Eu mn)	1Q22 A	2Q22 A	1H22 A	3Q22 A	4Q22 A	2H22 A	1Q23 A
<b>Neodecortech S.p.A.</b>	<b>19.6</b>	<b>23.3</b>	<b>42.9</b>	<b>16.1</b>	<b>16.5</b>	<b>32.5</b>	<b>18.1</b>
<i>YoY growth</i>	15.31%	13.28%	14.20%	-8.06%	-24.76%	-17.35%	-7.47%
<b>Cartiere di Guarcino S.p.A.</b>	<b>19.9</b>	<b>22.4</b>	<b>42.3</b>	<b>19.3</b>	<b>15.7</b>	<b>34.9</b>	<b>17.0</b>
<i>YoY growth</i>	41.46%	43.08%	42.31%	25.75%	-2.81%	11.11%	-14.61%
<b>Bioenergia Guarcino S.r.l.</b>	<b>9.7</b>	<b>4.3</b>	<b>14.0</b>	<b>16.4</b>	<b>13.4</b>	<b>29.8</b>	<b>11.3</b>
<i>YoY growth</i>	13.93%	-34.81%	-7.35%	61.70%	2.48%	28.38%	16.65%
<b>TOT</b>	<b>49.23</b>	<b>50.00</b>	<b>99.23</b>	<b>51.75</b>	<b>45.50</b>	<b>97.25</b>	<b>46.48</b>
<i>YoY growth</i>	24.3%	16.7%	20.4%	20.5%	-10.9%	3.5%	-5.6%

Source: Company Data

### 1Q23 Income Statement

Group **EBITDA amounted to €3.7mn (-12.03% YoY)**, with an **EBITDA margin of 8%**, slightly lower than the 8.6% reported in March 2022. This variation is due to a combination of lower raw material, electricity, and gas costs on the one hand, and the absence of GRIN incentives and the extension of the maximisation regime on the other.

**Net profit stood at €1.2mn (-72.76% YoY)**, with the YoY decline attributed to the impact of a net positive non-recurring financial item.

Neodecortech - Main economics figures of the Group							
(Eu mn)	1Q22 A	2Q22 A	1H22 A	3Q22 A	4Q22 A	2H22 A	1Q23 A
<b>Net revenues</b>	<b>49.2</b>	<b>50.0</b>	<b>99.2</b>	<b>51.7</b>	<b>45.5</b>	<b>97.2</b>	<b>46.5</b>
<i>YoY growth</i>	24.3%	16.7%	-11.4%	20.5%	-10.9%	-9.7%	-5.6%
<i>Others</i>	1.2	2.3	3.5	2.3	2.1	4.4	2.9
<i>Δ finished goods</i>	3.3	3.1	6.4	(1.6)	(1.7)	(3.3)	1.5
<b>Value of production</b>	<b>53.6</b>	<b>55.4</b>	<b>109.0</b>	<b>52.4</b>	<b>45.9</b>	<b>98.3</b>	<b>50.9</b>
<b>EBITDA reported</b>	<b>4.2</b>	<b>6.7</b>	<b>10.9</b>	<b>4.7</b>	<b>0.4</b>	<b>5.1</b>	<b>3.7</b>
<i>YoY growth</i>	-17.1%	40.6%	10.7%	31.0%	-91.1%	-38.5%	-12.0%
<i>EBITDA margin</i>	8.6%	13.3%	11.0%	9.1%	0.9%	5.3%	8.0%
<i>D&amp;A</i>	(2.3)	(2.4)	(4.7)	(2.4)	(2.6)	(5.1)	(2.2)
<i>Writedowns/Provision</i>	(0.1)	(0.0)	(0.1)	0.0	(0.1)	(0.1)	(0.0)
<b>EBIT reported</b>	<b>1.9</b>	<b>4.2</b>	<b>6.1</b>	<b>2.3</b>	<b>(2.3)</b>	<b>(0.0)</b>	<b>1.5</b>
<i>EBIT margin</i>	3.8%	8.5%	6.2%	4.4%	-5.0%	0.0%	3.2%
<i>Financial Charges</i>	(1.6)	(0.4)	(2.1)	(0.1)	(0.2)	(0.3)	(0.7)
<i>Financial Income</i>	5.5	(0.1)	5.4	(0.1)	0.2	0.1	0.2
<i>Associates</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Pretax</b>	<b>5.8</b>	<b>3.7</b>	<b>9.5</b>	<b>2.0</b>	<b>(2.3)</b>	<b>(0.2)</b>	<b>1.0</b>
<i>Taxes</i>	(1.3)	(0.1)	(1.4)	(0.2)	0.8	0.6	0.2
<b>Net income</b>	<b>4.5</b>	<b>4.7</b>	<b>8.1</b>	<b>3.8</b>	<b>(4.5)</b>	<b>0.3</b>	<b>1.2</b>
<i>YoY growth</i>	154.5%	241.6%	160.4%	99.3%	-373.2%	-91.2%	-72.8%

Source: Company Data



## Neodecortech: Quarterly Estimates for Rest of 2023

### 2Q23 Revenue Outlook

- For **Neodecortech S.p.A.**, we anticipate 2Q23 revenues of €19.12mn (+5.45% QoQ and -18.0% YoY), mainly due to the volume effect, bringing estimated 1H23 revenues to €37.2mn. After a -7.47% YoY decline in 1Q23, we anticipate a -18.0% YoY drop in 2Q23.
- For **Cartiere di Guarcino S.p.A.**, we project revenues of €15.9mn in 2Q23, bringing estimated 1H23 revenues to €32.9 mn. Compared to the previous year, which was a period of extraordinary growth, 2Q23 revenues are expected to fall -29.0%.
- The **Bioenergia Guarcino S.r.l.** division recorded revenues of €11.3mn in 1Q23, and we anticipate a decrease to €6.5mn in 2Q23 due to regulatory uncertainty regarding the extension of the maximisation regime, resulting in closure of the plant for a month and a half. Overall, we estimate the division will reach €17.8mn in 1H23. Compared to the previous year, however, a significant decrease is expected in the third and fourth quarters (-35.97% and -47.65%). The maximisation regime is set to expire in September 2023, which could lead to the shutdown of the Bioenergia plant in 4Q23.

Neodecortech - Sales 2023 by division

(Eu mn)	1Q23 A	2Q23 E	1H23 E	3Q23 E	4Q23 E	2H23 E
<b>Neodecortech S.p.A.</b>	<b>18.1</b>	<b>19.12</b>	<b>37.26</b>	<b>18.0</b>	<b>18.1</b>	<b>36.11</b>
<i>YoY growth</i>	-7.47%	-18.0%	-13.2%	12.00%	10.00%	11.0%
<b>Cartiere di Guarcino S.p.A.</b>	<b>17.0</b>	<b>15.9</b>	<b>32.9</b>	<b>17.0</b>	<b>17.2</b>	<b>34.2</b>
<i>YoY growth</i>	-14.61%	-29.0%	-22.22%	-12.00%	10.00%	-2.14%
<b>Bioenergia Guarcino S.r.l.</b>	<b>11.3</b>	<b>6.5</b>	<b>17.8</b>	<b>10.5</b>	<b>7.0</b>	<b>17.5</b>
<i>YoY growth</i>	16.65%	50.05%	26.91%	-35.97%	-47.65%	-41.22%
<b>TOT</b>	<b>46.48</b>	<b>41.5</b>	<b>87.96</b>	<b>45.46</b>	<b>42.34</b>	<b>87.80</b>
<i>YoY growth</i>	-5.6%	-17.1%	-11.4%	-12.1%	-6.9%	-9.7%

Source: Websim Corporate estimates

As for 2H23, we anticipate revenues of €87.80mn (-9.7% YoY), with this conservative estimate primarily reflecting the performance of Bioenergia. For the two divisions related to the company's core business, we expect a relatively stable performance on a semi-annual basis in 2H23.

### 2Q23: Income Statement

- **EBITDA**: expected to increase to €5.5mn (+49% QoQ, -17.7% YoY) in 2Q, reaching €9.2mn in 1H23. Aided by the gradual reduction in the cost of certain strategic raw materials, the EBITDA margin will track an upward trend, from 8.0% in 1Q to 10.4% in 1H.
- **EBIT**: for 2Q23 we expect EBIT to be €3.0mn, showing a quarterly increase but a decline compared to 1Q22 (-28.12% YoY), bringing the 1H total to €4.5mn, an EBIT margin of 5.1%.
- **Net profit**: projected to reach €2.4mn in 2Q (+101.3% QoQ, -47.4% YoY), and €3.7mn in 1H.

As for the upcoming quarters, we expect the company to deliver a solid operational performance, with a slight YoY increase in EBITDA in 3Q23, reaching €4.7mn (+0.8% YoY). The EBITDA margin will show significant growth by the end of the year. EBIT is projected to reach €2.3mn in 3Q23, with an EBIT margin of 5.1%. Although lower than the previous quarter, the company will maintain a profitable position.

Moving to 4Q23, we anticipate EBITDA of €4.2mn. EBIT is expected to amount to €1.6mn, with an EBIT margin of 3.7%. Net profit is forecast to reach €0.4mn, reflecting a more modest performance compared to the previous quarter due to the cessation of the maximisation regime.

The significant increase in key raw material prices that impacted margins last year appears to be gradually diminishing, providing hope for margin recovery in the second half of the year.

**Neodecortech – P&L Group in 2023 by quarter**

(Eu mn)	1Q23 A	2Q23 E	1H23 E	3Q23 E	4Q23 E	2H23 E
<b>Net revenues</b>	<b>46.5</b>	<b>41.5</b>	<b>87.9</b>	<b>45.5</b>	<b>42.3</b>	<b>87.8</b>
<i>YoY growth</i>	-5.6%	-17.1%	-11.4%	-12.1%	-6.9%	-9.7%
<i>Others</i>	2.9	0.1	3.0	0.4	0.5	0.9
<i>Δ finished goods</i>	1.5	2.0	3.5	(1.2)	(1.1)	(2.3)
<b>Value of production</b>	<b>50.9</b>	<b>43.6</b>	<b>94.5</b>	<b>44.7</b>	<b>41.7</b>	<b>86.4</b>
<b>EBITDA reported</b>	<b>3.7</b>	<b>5.5</b>	<b>9.2</b>	<b>4.7</b>	<b>4.2</b>	<b>8.9</b>
<i>YoY growth</i>	-12.0%	-17.8%	-15.5%	0.8%	902.1%	75.0%
<i>EBITDA margin</i>	8.0%	13.2%	10.4%	10.4%	10.0%	10.2%
D&A	(2.2)	(2.4)	(4.6)	(2.4)	(2.6)	(5.0)
Writedowns/Provision	(0.0)	(0.0)	(0.1)	(0.0)	(0.0)	(0.0)
<b>EBIT reported</b>	<b>1.5</b>	<b>3.0</b>	<b>4.5</b>	<b>2.3</b>	<b>1.6</b>	<b>3.9</b>
<i>EBIT margin</i>	3.2%	7.3%	5.1%	5.1%	3.7%	4.4%
Financial Charges	(0.7)	(0.2)	(0.9)	(0.2)	(0.9)	(1.1)
Financial Income	0.2	0.1	0.3	0.0	(0.0)	0.0
Associates	0.0	0.0	0.0	0.0	0.0	0.0
<b>Pretax</b>	<b>1.0</b>	<b>2.9</b>	<b>3.9</b>	<b>2.2</b>	<b>0.8</b>	<b>3.0</b>
Taxes	0.2	(0.5)	(0.3)	(0.5)	(0.4)	(0.9)
<b>Net income</b>	<b>1.2</b>	<b>2.4</b>	<b>3.7</b>	<b>1.7</b>	<b>0.4</b>	<b>2.1</b>
<i>YoY growth</i>	-72.8%	-47.4%	-54.9%	-56.8%	109.1%	556.7%

Source: Websim Corporate estimates

## Neodecortech: 2023-2025 Estimates

### Neodecortech Group –2023-2025 Income Statement

After a challenging end to 2022, with a lingering impact in 1Q23, we expect the Group to generate €175.7mn in revenue (-10.5% YoY). Overall, 2022 was a year of extraordinary growth for the company, and it is more appropriate to consider the performance of previous years as a benchmark.

The company has confirmed that as of March 2023, the order backlog has reversed its downward trend. The decrease in raw material costs is welcome, and we expect it to continue throughout the year, although customers are demanding lower prices to benefit from upstream deflation, putting selling prices under pressure. Overall, management aims to further improve profitability by implementing timely cost cutting and by adjusting selling prices in response to the trend in raw material costs.

Regarding the 2024-2025 period, we anticipate moderate single-digit revenue growth of +4.4% and +2.8% respectively.

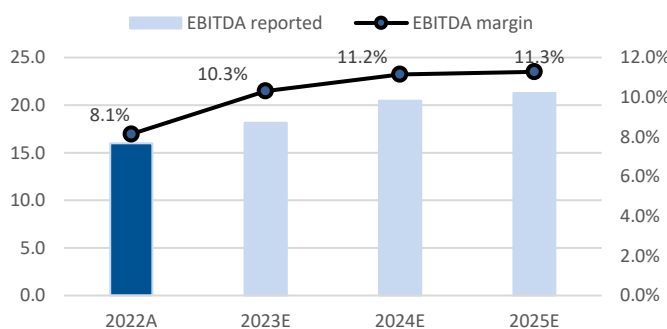
#### Neodecortech – P&L Future Forecast NDT Group

(Eu mn)	2022 A	2023 E	2024 E	2025 E
<b>Net revenues</b>	<b>196.5</b>	<b>175.7</b>	<b>183.5</b>	<b>188.6</b>
<i>Others</i>	7.8	3.9	2.5	2.5
<i>Δ finished goods</i>	3.0	1.2	1.3	1.3
<b>Value of production</b>	<b>207.3</b>	<b>180.8</b>	<b>187.3</b>	<b>192.4</b>
<b>EBITDA reported</b>	<b>16.0</b>	<b>18.1</b>	<b>20.5</b>	<b>21.3</b>
<i>EBITDA margin</i>	8.1%	10.3%	11.2%	11.3%
D&A	(9.76)	(9.63)	(9.54)	(9.47)
Writedowns/Provision	(0.1)	(0.1)	(0.1)	(0.1)
<b>EBIT reported</b>	<b>6.10</b>	<b>8.40</b>	<b>10.8</b>	<b>11.7</b>
<i>EBIT margin</i>	3.1%	4.8%	5.9%	6.2%
Financial Charges	(2.4)	(1.8)	(1.6)	(1.3)
Financial Income	5.5	0.3	0.1	0.1
Associates	0.0	0.0	0.0	0.0
<b>Pretax</b>	<b>9.24</b>	<b>6.90</b>	<b>9.32</b>	<b>10.51</b>
Taxes	(0.80)	(1.17)	(2.05)	(2.31)
<b>Net income</b>	<b>8.44</b>	<b>5.72</b>	<b>7.27</b>	<b>8.20</b>

Source: Websim Corporate estimates

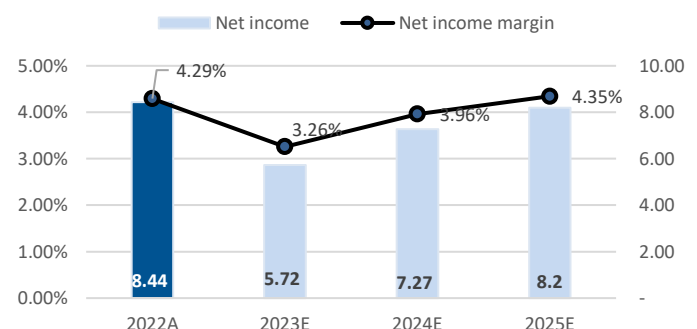
- **EBITDA:** steady growth projected in the coming years. We expect EBITDA to reach €18.1mn in 2023, €20.5mn in 2024, and €21.3mn in 2025. We anticipate a slow recovery in profitability (partly linked to the gradual decrease in the cost of raw materials), with margins returning to 2020 levels by 2024, at 11.2%. The 2023 margin is expected to be around 10.3%.
- **D&A – Write-downs/Provisions:** we expect depreciation and write-downs/provisions to remain relatively stable over the years, without significant fluctuations.
- **EBIT:** progressive growth is expected for EBIT, increasing from €6.10mn in 2022 to €11.7mn in 2025. As a result, the EBIT margin will increase from 3.1% in 2022 to 6.2% in 2025.
- **Net Income:** our 2023 estimates project net income of €5.72mn (-32.1% YoY). It is important to note that 2022 net income included a non-recurring positive item. For the subsequent years, we anticipate growth of +27.0% and +12.7% respectively.

#### Neodecortech: EBITDA and EBITDA margin (FY22-FY25)



Source: Websim Corporate estimates

#### Neodecortech: Net Income and Net Income margin (FY22-FY25)



Source: Websim Corporate estimates

## Performance by division –2023 - 2025 Income Statement

Per quanto riguarda le singole divisioni:

- At **Neodecortech S.p.A.**, we expect 2023-2025 revenues of €73.4mn in 2023 (-2.77% YoY), reflecting the contraction in demand in the furniture sector experienced between late 2022 and early 2023. Revenues are projected to reach €76.7mn in 2024 and €79.3mn in 2025 (increases of +4.50% and +3.50% respectively). We anticipate a gradual recovery in margins in 2H23 (from an expected 8.72% in 2023 to 10.75% in subsequent years).
- For **Cartiera di Guarcino S.p.A.**, we expect 2023 revenues of €88.7mn (-13.13% YoY) and moderate growth in the following years (increases of +4% and +3% respectively). After the decline recorded at the end of 2022 and in 1Q23, the Cartiera order book is showing signs of recovery. It is important to note that divisional cost trends are linked not only to the falling cost of raw materials (cellulose and titanium dioxide) but also to the operation of the Bioenergia power plant. Any closure of the plant could therefore have a negative impact.
- Turning to **Bioenergia Guarcino S.r.l.**, the GRIN incentive system is not expected to provide any incentives for 2023 due to the high energy prices in the previous year, on which the calculation of the incentives is based. The extension of the maximisation regime was initially confirmed until 31 March 2024, but its closure was subsequently brought forward to September 2023. Estimates for the division's 2023 revenue (€42.7mn, -21.37% YoY) include the production stoppage that occurred in March due to uncertainties regarding the extension of the maximisation regime, as well as the maximisation incentives that the company is expected to receive in 2H23. With the decreasing PUN trend, Bioenergia is expected to start receiving GRIN incentives again from 2024, but only until June 2025, when the incentive system is expected to end. The company is actively lobbying for the support for biofuel plants to be extended until at least 2030 and for the introduction of a revenue reimbursement scheme for essential plants in the electricity system.

### Neodecortech - P&L by division future forecast

(Eu mn)	Neodecortech SpA			Cartiere di Guarcino SpA			Bioenergia Guarcino Srl		
	2023	2024	2025	2023	2024	2025	2023	2024	2025
<b>Net revenues</b>	<b>73.4</b>	<b>76.7</b>	<b>79.3</b>	<b>88.7</b>	<b>92.2</b>	<b>95.0</b>	<b>42.7</b>	<b>38.7</b>	<b>38.7</b>
<i>Others</i>	2.0	2.0	2.0	2.0	2.0	2.0	0.2	0.2	0.2
<i>Δ finished goods</i>	(0.1)	(0.1)	(0.1)	1.0	0.5	0.5	0.0	0.0	0.0
<b>Value of production</b>	<b>75.2</b>	<b>78.5</b>	<b>81.2</b>	<b>91.7</b>	<b>94.7</b>	<b>97.5</b>	<b>42.9</b>	<b>38.9</b>	<b>38.9</b>
<b>EBITDA reported</b>	<b>6.4</b>	<b>8.2</b>	<b>8.5</b>	<b>6.9</b>	<b>8.0</b>	<b>8.5</b>	<b>4.9</b>	<b>4.5</b>	<b>4.5</b>
<i>EBITDA margin</i>	8.72%	10.76%	10.75%	7.75%	8.64%	8.94%	11.45%	11.56%	11.56%
<i>D&amp;A</i>	(3.5)	(3.5)	(3.5)	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)
<i>Writedowns/Provision</i>	-0.10	-0.10	-0.10	0.00	0.00	0.00	0.00	0.00	0.00
<b>EBIT reported</b>	<b>2.8</b>	<b>4.6</b>	<b>4.9</b>	<b>3.9</b>	<b>5.0</b>	<b>5.5</b>	<b>1.9</b>	<b>1.5</b>	<b>1.5</b>
<i>EBIT margin</i>	3.81%	6.06%	6.21%	4.37%	5.39%	5.78%	4.50%	3.88%	3.88%
<b>Pretax</b>	<b>6.8</b>	<b>8.6</b>	<b>8.9</b>	<b>3.0</b>	<b>3.1</b>	<b>3.3</b>	<b>1.5</b>	<b>1.1</b>	<b>1.1</b>
<i>Taxes</i>	(0.5)	(0.7)	(0.7)	(0.3)	(0.3)	(0.3)	(0.1)	(0.2)	(0.2)
<b>Net income</b>	<b>6.3</b>	<b>8.0</b>	<b>8.2</b>	<b>2.7</b>	<b>2.8</b>	<b>3.0</b>	<b>1.4</b>	<b>0.9</b>	<b>0.9</b>

Source: I Websim Corporate estimates

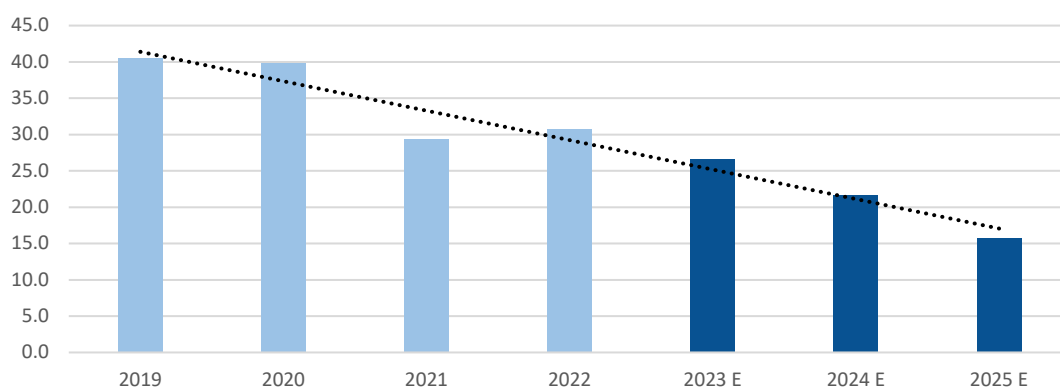
## Neodecortech Group - 2023-2025 Cash Generation and Debt

- **Operating Cash Flow:** We expect a positive trend and increased cash generation from Neodecortech's operations, with operating cash flow of €8.8mn in 2022, a figure that is projected to rise to €13.9mn in 2023. Subsequently, we anticipate further increases of 3.65% in 2024 and 13.10% in 2025.
- **CapEx:** we expect capital expenditure to remain relatively stable, indicating a prudent management strategy and effective cost control.
- **Net Debt:** we anticipate a gradual reduction in the Group's net debt over the coming years. Financially, improvements are also expected for the first half of the year, with a decreasing debt trend that will culminate in a significant reduction by the end of the year. Specifically, we project net debt to decrease from €30.7mn in 2022 to €27.1mn by the end of 2023 (-11.87% YoY), when the company will have received government maximisation for cost recovery.

(Eu mn)	2022 A	2023 E	2024 E	2025 E
Operating CF	8.8	13.9	14.4	16.3
Capex (Tang & Intang)	(9.2)	(9.3)	(9.3)	(9.3)
Cash Flow	(0.9)	3.6	4.2	6.0
<b>Net debt</b>	<b>30.7</b>	<b>27.1</b>	<b>22.9</b>	<b>16.9</b>

Source: Websim Corporate estimates

#### Neodecortech: Net Debt



Source: Websim Corporate estimates

## Valuation

We initiate coverage on Neodecortech S.p.A. with a **BUY recommendation and a target price of Eu4.80**, calculated as the average of (i) a **DCF model** and (ii) a peer comparison based on **the analysis of sum of the parts (SOP)** valuations. Regarding the relative valuation, we have taken the EV/EBITDA ratio as our reference multiple, using a panel of decorative paper producers and a panel of energy generators.

## DCF Analysis

This analysis yields a fair equity valuation of Eu4.80 per share, implying potential upside of 71% for the stock. Our model is based on the following assumptions:

- **WACC of 10%**, based on (i) a risk-free rate of 4.0%, (ii) an equity risk premium of 5.5%, (iii) a beta of 1.4, (iv) a cost of debt of 4.5%.
- **Perpetual growth rate of 2%**, capturing the long-term growth opportunity of the company in a consolidating industry.
- Application of a **20% discount** to the target price to account for the liquidity effect.

### Neodecortech - DCF model

(Eu mn)	2022 A	2023 E	2024 E	2025 E	2026 E	2027 E	2028 E	2029 E	TV
Sales	196.5	175.7	183.5	188.6	194.3	200.1	206.1	212.3	216.5
YoY growth	11%	-11%	4%	3%	3%	3%	3%	3%	2.0%
EBITDA Adj.	16.0	18.1	20.5	21.3	22.3	23.0	23.7	24.4	24.9
% margin	8.1%	10.3%	11.2%	11.3%	11.5%	11.5%	11.5%	11.5%	11.5%
D&A	-9.9	-9.7	-9.6	-9.6	-9.9	-10.1	-10.5	-10.8	-11.0
EBIT IFRS	6.1	8.4	10.8	11.7	12.5	12.9	13.2	13.6	13.9
% margin	3.1%	4.8%	5.9%	6.2%	6.4%	6.4%	6.4%	6.4%	6.4%
Taxes	-0.5	-1.4	-2.4	-2.6	-3.1	-3.2	-3.3	-3.4	-3.5
tax rate	-9%	-17%	-22%	-22%	-25%	-25%	-25%	-25%	-25%
NOPAT	<b>5.6</b>	<b>7.0</b>	<b>8.4</b>	<b>9.1</b>	<b>9.4</b>	<b>9.6</b>	<b>9.9</b>	<b>10.2</b>	<b>10.4</b>
D&A	9.9	9.7	9.6	9.6	9.9	10.1	10.5	10.8	11.0
Change in WC	-9.4	-1.4	-2.3	-1.3	-0.6	-0.6	-0.6	-0.6	-0.4
Capex	-9.21	-9.26	-9.26	-9.26	-9.5	-9.8	-10.1	-10.4	-10.6
Capex/Sales	-4.7%	-5.3%	-5.0%	-4.9%	-4.9%	-4.9%	-4.9%	-4.9%	-4.9%
FCF	<b>-3.1</b>	<b>6.1</b>	<b>6.5</b>	<b>8.2</b>	<b>9.1</b>	<b>9.4</b>	<b>9.7</b>	<b>10.0</b>	<b>10.4</b>
TV									129.3
Discounting factor		1.00	0.91	0.83	0.75	0.68	0.62	0.56	0.56
Discounted Free cash flow		6.1	5.9	6.8	6.8	6.4	6.0	5.6	72.9

Source: Websim Corporate estimates

### WACC assumptions

Free Risk	4.0%
Equity Premium	5.5%
Beta unlevered	1.0
Beta	1.4
Equity weighting	75%
Cost of Debt	4.5%
Tax rate	-25%
Debt Weighting	25%
D/E	33.3%
WACC	10.0%

Discounted Free cash flows 22-28	43.7
Terminal value	72.9
<b>Total EV (with DCF)</b>	<b>116.6</b>
Net financial position (YE22)	-30.7
Treasury shares	0.1
Minorities & Adjustments	0.0
<b>Total EQUITY</b>	<b>86.0</b>
N. of shares (mn)	14.2
<b>Fair Value (Eu)</b>	<b>6.0</b>
<b>Target Price (discounted at 20%)</b>	<b>4.8</b>
<b>Potential Upside</b>	<b>71%</b>
WACC	10.0%
Terminal growth	2.0%



## SOP Based on Peer Analysis

To gain a clearer picture of the company's value, we have analysed the individual operating units by comparing them with their respective competitors and aggregating the two segments that comprise the company's core business (Neodecortech and Cartiera di Guarcino).

The benchmark for our peer comparison is EV/EBITDA multiples for the 2023-2024 period. Considering the limited number of players in the industry, many of which are not publicly listed, we have selected three comparable companies that, like Neodecortech, are exposed to the dynamics of the decorative paper producers' sector:

- **Sanderson Design Group**, engaged in the design, production, and marketing of interior furnishings, fabrics, and wallpapers. It operates through the Brands segment, which includes design, marketing, sales, and distribution activities and licences for various brands, including Sanderson, Morris & Co. and Harlequin, and the Production segment, which focuses on wallcoverings and printed fabrics.
- **Surteco Group SE**, involved in the development, production, and sale of coated surface materials based on paper and plastic. It operates through the following segments: Decorative Business Unit (SBU), Profiles SBU, which provides products to commercial floor coverers and industries in interior design and construction, and Technical SBU, which offers supplies for niche markets in the furniture, flooring, and caravan industries. It also provides interior design services for ships.
- **Tarkett SA**, a French company engaged in the production of resilient vinyl and linoleum flooring, carpets, wood flooring, and laminates. It operates in various geographical segments: EMEA, North America; Commonwealth of Independent States (CIS), Asia Pacific (APAC), and Latin America; and Sports Surfaces. The Sports Surfaces segment focuses on the sale of artificial grass, athletics tracks, and indoor sports flooring.

### Neodecortech + CDG peers current trading multiples

Company name	Country	Mkt cap (Eu mn)	EV/EBITDA			EV/EBIT			PE		
			2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
Sanderson Design	UK	101	3.5 x	3.1 x	2.7 x	5.1 x	4.6 x	4.1 x	7.9 x	7.6 x	7.2 x
Surteco Group SE	DE	296	6.2 x	5.1 x	4.6 x	12.1 x	8.9 x	7.6 x	10.0 x	7.4 x	6.3 x
Tarkett SA	FR	731	4.7 x	3.6 x					13.8 x	7.7 x	
<b>Average</b>			<b>5.2 x</b>	<b>4.1 x</b>	<b>3.8 x</b>	<b>8.6 x</b>	<b>6.7 x</b>	<b>5.9 x</b>	<b>10.6 x</b>	<b>7.6 x</b>	<b>6.8 x</b>

Source: Factset, Websim Corporate estimates

For Bioenergia, although its smaller size makes comparisons challenging, we have chosen to use the average EV/EBITDA multiple of three large Italian energy generation companies (A2A, Iren, ENEL) in the 2023/2024 period.

### Bioenergia peers current trading multiples

Company name	Country	Mkt cap (Eu mn)	EV/EBITDA	
			2023E	2024E
A2A*	Italy	5136.39	6.1 x	6.1 x
Iren*	Italy	2134.83	5.8 x	5.7 x
Enel*	Italy	61986.25	4.5 x	4.8 x
<b>Average</b>			<b>5.5 x</b>	<b>5.5 x</b>

Source: Websim Corporate estimates

\*Multipli relativi all'attività di generazione

### Neodecortech + CG: Valuation based on Peers

	EV/EBITDA	
	2023	2024
Estimate	13.3	16.2
Multiple	5.2 x	4.1 x
EV Fair Value	68.4	65.8

Source: Websim Corporate estimates

### BEG - Energy: valuation based on peers

	EV/EBITDA	
	2023	2024
Estimate	4.4	4.5
Multiple	5.5 x	5.5 x
EV Fair Value	24.4	24.7

Source: Websim Corporate estimates

Our **SOP analysis** yields a target price of **€4.7 per share, which offers potential upside of 70% to the current price**. The stock appears undervalued based on every valuation parameter considered.

#### Neodecortech: Fair Value based on SOP analysis

Fair value	EV/EBITDA	
	2023	2024
Necodecortech + CG – Paper	68.4	65.8
BEG – Energy	24.4	24.7
Total EV	92.8	90.5
Net debt	-27.08	-22.93
Fair value	65.7	67.6
N. of shares	14.21	14.21
<b>Target price</b>	<b>4.62</b>	<b>4.75</b>

Source: Websim Corporate estimates

### Investment Conclusion

The company has demonstrated its ability to achieve excellent results even in less favourable market conditions, as seen in the past few quarters.

The expected performance for the second half of the year and the coming years points to improvements in revenue, as indicated by encouraging order growth, and in profitability, aided by the gradual decrease in the prices of key raw materials.

Increased visibility in the energy division, with the average PUN returning to historical levels and greater clarity on incentives and the maximisation regime, makes us more optimistic about debt reduction and prospects.

Furthermore, our visit to Neodecortech's facility further reinforced our positive assessment of the company's potential, which is based on the circularity and complementarity of its various business units.

In conclusion, we believe that the current stock weakness provides a major buying opportunity. **We initiate coverage on the stock with a BUY recommendation and a target price of €4.80.**

DETAILS ON STOCKS RECOMMENDATION			
Stock NAME	NEODECORTECH		
Current Recomm:	BUY	Previous Recomm:	--
Current Target (Eu):	4.80	Previous Target (Eu):	--
Current Price (Eu):	2.73	Previous Price (Eu):	--
Date of report:	18/07/2023	Date of last report:	--