

RENO DE MEDICI

BUY

SECTOR: *Cyclicals*

Price (Eu):

0.71

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Target Price (Eu):

1.15

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Recover in profitability in sight

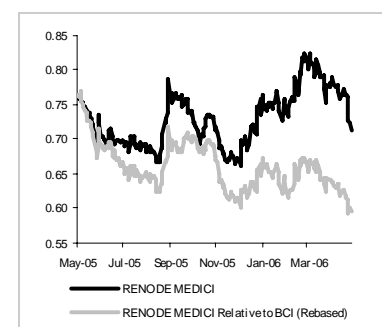
- 1Q'06 results** . Revenue stood at Eu85.2mn, +13.7% YoY (volumes +18%, prices -4%), vs. our estimate of Eu85mn. The comparison to 1Q05 was tough given that prices in the first few months of last year were at a peak and energy costs were much lower. EBITDA came in at Eu7.9mn (down from Eu8.8mn last year) vs. our estimate of Eu6.3mn. EBIT was Eu1.9mn, down vs. Eu2.4mn last year. The net result for the period reflects the result of 'discontinued operations' (negative in the first quarter of 2006 and positive in the first quarter of 2005) and was therefore negative to the tune of Eu3.2mn vs. a positive figure of Eu0.9mn in 1Q05. Net financial debt stood at Eu166.6mn, compared to Eu169.3mn at the end of December 2005.
- Positive Outlook for '06-'07. Estimates confirmed.** Even in April there has been an increase in volumes compared to the first four months of the previous year. In particular, goods dispatched increased by approximately 7% while orders rose by around 9%, figures which confirm a healthy market. On top of this the price increase for cardboard started to be fully effective in April. We expect the second quarter to show an increase of around 3.5% in the average price per ton compared to the first quarter. Another price increase should be passed on as of June. We believe that the company should reach an average sales price of Eu510 per ton at the end of the year. We therefore confirm our EBITDA estimates of Eu47mn for '06 and Eu63mn in '07.
- Bond reimbursed, RdM Realty IPO expected in the next few months.** The company achieved its goal of repaying the Eu145mn bond, thanks to two long term loans for a total of Eu100mn. The first regards a loan of Eu60mn to RDM and the second a loan of Eu40mn to its subsidiary Red.im (the real estate company which will be listed). As regards the real estate company Reno de Medici made formal applications to Consob and Borsa Italiana S.p.A. for authorisation for the IPO. The listing of RdM Realty will lead to the consolidation of Eu40mn of debt, bringing the NFP from Eu-169.3mn to Eu-129mn.
- BUY confirmed.** We believe that Reno de Medici offers an appealing mix of a restructuring story and the recovery of the cardboard market. The increase in orders remains very healthy and we believe that the company will be able to pass on a second price increase in the second part of the year. Newsflow will remain strong thanks in part to the listing of the real estate company expected in the next few months.

Key Figures	2004A	2005A	2006E	2007E	2008E
Sales (Eu mn)	302	296	321	333	338
Ebitda (Eu mn)	31	27	47	63	65
Net profit (Eu mn)	-8	-13	11	29	34
EPS - New (Eu)	-0.03	0.01	0.05	0.11	0.13
EPS - Old (Eu)	-0.03	0.01	0.05	0.11	0.13
DPS (Eu)	0.00	0.00	0.00	0.00	0.00

Ratios & Multiples	2004A	2005A	2006E	2007E	2008E
P/E	nm	74.8	14.3	6.5	5.6
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
EV/Ebitda	14.1	13.2	6.7	4.5	3.9
ROCE	1.2%	0.5%	9.6%	16.1%	17.2%

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RENO DE MEDICI - 12m Performance

RATING: **Unchanged**TARGET PRICE (Eu): **Unchanged**

STOCK DATA

Reuters code: RDM.MI
Bloomberg code: RM IM

Performance	1m	3m	12m
Absolute	-8.6%	-6.0%	-7.2%
Relative	-7.2%	-8.2%	-27.6%
12 months H/L:	0.82/0.66		

SHAREHOLDER DATA

No. of shares outstanding (mn): 270
Mkt Cap (Eu mn): 193
Mkt Float - ord (Eu mn): 136
Mkt Float (in %): 71.0%
Main shareholder:
Alerion 29.0%

BALANCE SHEET DATA 2006

Book value (Eu mn): 139
BVPS (Eu): 0.51
P/BV: 1.4
Net Financial Position (Eu mn): -125
Enterprise value (Eu mn): 318

SAVING

Price: 0.80
No. of shares (mn): 1
DVPS: 0.04

RENO DE MEDICI - KEY FIGURES		2004A	2005A	2006E	2007E	2008E
	Fiscal year end	31/12/2004	31/12/2005	31/12/2006	31/12/2007	31/12/2008
PROFIT & LOSS (Eu mn)	Sales	302	296	321	333	338
	EBITDA	31	27	47	63	65
	EBIT	5	2	25	42	45
	Financial income (charges)	(11)	(12)	(9)	(8)	(5)
	Associates & Others	0	0	0	0	0
	Pre-tax profit (Loss)	(6)	(10)	16	34	39
	Taxes	(2)	(1)	(3)	(5)	(5)
	Tax rate (%)	39.8%	4.5%	-18.6%	-14.5%	-12.7%
	Minorities & discontinue activities	0	0	0	0	0
	Net profit	-8	-13	11	29	34
	Total extraordinary items	3	(15)	(2)	0	0
	Ebitda excl. extraordinary items	31	27	47	63	65
Ebit excl. extraordinary items	5	2	25	42	45	
Net profit restated	(9)	3	13	29	34	
PER SHARE DATA (Eu)	Total shares out (mn) - average fd	270	270	270	270	270
	EPS stated fd	-0.03	-0.05	0.04	0.11	0.13
	EPS restated fd	-0.03	0.01	0.05	0.11	0.13
	BVPS fd	0.58	0.53	0.51	0.62	0.75
	Dividend per share (ord)	0.00	0.00	0.00	0.00	0.00
	Dividend per share (sav)	0.00	0.00	0.04	0.00	0.00
	Dividend pay out ratio (%)	0.0%	0.0%	0.2%	0.0%	0.0%
CASH FLOW (Eu mn)	Gross cash flow	18	13	33	50	54
	Change in NWC	2	1	(4)	(5)	(2)
	Capital expenditure	(15)	(10)	(13)	(14)	(16)
	Other cash items	0	0	0	0	0
	Free cash flow (FCF)	20	14	30	46	53
	Acquisitions, divestments & others	0	66	40	0	0
	Dividend	0	0	0	0	0
	Equity financing/Buy-back	0	0	0	0	0
Change in Net Financial Position	8	78	44	32	36	
BALANCE SHEET (Eu mn)	Total fixed assets	327	233	183	176	171
	Net working capital	120	118	122	127	128
	Long term liabilities	(43)	(40)	(42)	(41)	(40)
	Net capital employed	403	312	264	261	259
	Net financial position	(247)	(169)	(125)	(93)	(56)
	Group equity	156	143	139	168	203
	Minorities	0	0	0	0	0
Net equity	156	143	139	168	203	
ENTERPRISE VALUE & OPERATING FCF (%)	Average mkt cap - current	193	193	193	193	193
	Adjustments (associate & minorities)	0	0	0	0	0
	Net financial position	(247)	(169)	(125)	(93)	(56)
	Enterprise value	440	362	318	285	249
RATIOS(%)	EBITDA margin*	10.3%	9.3%	14.7%	18.9%	19.1%
	EBIT margin*	1.6%	0.6%	7.9%	12.6%	
	Gearing - Debt/equity	158.4%	118.7%	89.9%	55.1%	27.8%
	Interest cover on EBIT	0.4	0.1	2.9	5.5	8.6
	Debt/Ebitda	7.93	6.16	2.64	1.47	0.87
	ROCE*	1.2%	0.5%	9.6%	16.1%	
	ROE*	-2.0%	-8.8%	8.1%	19.2%	18.6%
	EV/CE	1.1	1.0	1.1	1.1	1.0
	EV/Sales	1.5	1.2	1.0	0.9	0.7
	EV/Ebit	nm	nm	12.6	6.8	5.6
Op. FCF /EV	10.4%	10.4%	19.0%	27.1%	32.4%	
GROWTH RATES (%)	Sales	-44.2%	-2.1%	8.5%	3.8%	1.3%
	EBITDA*	-2.0%	-11.9%	72.3%	33.1%	2.5%
	EBIT*	nm	-66.0%	1428.4%	66.2%	
	Net profit	nm	nm	nm	158.7%	17.1%
	EPS restated	nm	nm	424.5%	118.4%	17.1%

* Excluding extraordinary items

Source: Intermonte SIM estimates

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BUY: stock expected to outperform the market by over 25% over a 12 month period;
OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;
NEUTRAL: stock performance expected at between +10% and -10% compared to the market over a 12 month period ;
UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;
SELL: stock expected to underperform the market by over 25% over a 12 month period.

The stock price indicated is the reference price on the day prior to the publication of the report.

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Intermonte's distribution of stock ratings is as follows:

BUY	OUTPERFORM	NEUTRAL	UNDERPERFORM	SELL
18.25%	31.75%	38.10%	10.32%	1.59%

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (10 in total) is as follows:

BUY	OUTPERFORM	NEUTRAL	UNDERPERFORM	SELL
10.0%	40.0%	50.0%	0.0%	0.0%

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DETAILS ON STOCK RECOMMENDATION

Stock NAME	RENO DE MEDICI		
Current Recomm:	BUY	Previous Recomm:	BUY
Current Target (Eu):	1.15	Previous Target (Eu):	1.15
Current Price (Eu):	0.71	Previous Price (Eu):	0.73
Date of report:	17/05/2006	Date of last report:	13/02/2006

Further information is available