SECTOR: Industrials

RENO DE MEDICI

NEUTRAL

Price (Eu):	0.13
Target Price (Eu):	0.16

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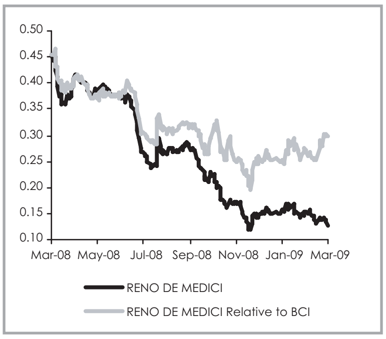
'09 Will Benefit Lower Energy Cost

- **4Q08 results impacted by de-stocking.** Although organic growth was negative and lower than our expectations, it was clearly conditioned by trends that will not affect 2009 projections. The impact of the economic crisis and the de-stocking process that took place in November and December led to a -27% decline in volumes in 4Q (based on pro-forma figures for the company excluding Cascades, corresponding to 189,000 tons), much worse than expected (forecasts were for 215,000 tons). In addition to the volumes slump, prices also fell compared to last year, with the average price dropping to Eu494/ton (-7.2% YoY) vs. our estimate of Eu538.8/ton (8% lower).
- **2009 outlook:** strong reduction in energy cost in spite of the fall in the top line (-2.9%), we forecast a significant improvement in profitability in 2009 (+260bps at EBITDA level). Our assumptions are based on demand remaining weak due to the impact of a very tough macroeconomic scenario (organic growth -9%, volumes -6.5%, pricing -2.5%), but with EBITDA boosted by a sharp reduction in input costs (energy costs -10%, raw materials -8%) and additional synergies coming from the incorporation of the former Cascades business.
- **Prospects for 2009** make us optimistic that the company can achieve long-term financial stability. The 2009 cash generation forecast is Eu6.9mn, bringing the net financial position to Eu-121.7mn. This would, according to our estimates, bring the net debt/EBITDA ratio to an acceptable 3.5x; this ratio is set to decrease to 2.7x by 2011.
- **Sector in decline: only the strongest will survive.** The cardboard business is highly cyclical and is now in a steep decline in which factories are closing and many smaller companies are going bankrupt. Reno de Medici, as the second leading player in the sector in Europe, could benefit from this crisis by taking advantage of its position on the market.
- **NEUTRAL, confirmed, target price unchanged at Eu0.16.** Based on new assumptions, which incorporate a further decline in the top line offset by a significant improvement in margins, we confirm our recommendation and target price. The stock is trading at 0.3x its 2009 book value, the lowest such valuation in twenty years. It's an attractive multiple, but because the market conditions will remain difficult for at least the next six months, we remain cautious on the stock.

Key Figures	2007A	2008A	2009E	2010E	2011E
Sales (Eu mn)	343	455	432	441	456
Ebitda (Eu mn)	29	41	35	41	44
Net profit (Eu mn)	1	-5	2	8	10
EPS - New (Eu)	0.01	-0.05	0.01	0.02	0.03
EPS - Old (Eu)	0.01	-0.02	0.00	0.03	
DPS (Eu)	0.00	0.00	0.00	0.00	0.00

Ratios & Multiples	2007A	2008A	2009E	2010E	2011E
P/E	16.5	nm	23.7	6.3	4.9
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
EV/Ebitda	5.6	8.9	4.8	3.8	3.3
ROCE	4.3%	5.9%	4.9%	7.0%	8.3%

RENO DE MEDICI - 12m Perf.



Source: Thomson

RATING: Unchanged		
TARGET PRICE (Eu): Unchanged		
Change in EPS est:	**2009E**	**2010E**
	mn	**-21.9%**

STOCK DATA	
Reuters code:	RDM.MI
Bloomberg code:	RM IM

Performance	**1m**	**3m**	**12m**
Absolute	-17.3%	-12.7%	-71.9%
Relative	8.0%	10.4%	-14.8%
12 months H/L:			0.45/0.12

SHAREHOLDER DATA	
No. of Ord. shares (mn):	378
Total No. of shares (mn):	378
Mkt Cap Ord (Eu mn):	48
Total Mkt Cap (Eu mn):	48
Mkt Float - ord (Eu mn):	29
Mkt Float (in %):	*59.3%*
Main shareholder:	
Cascades	31.6%

BALANCE SHEET DATA	**2009**
Book value (Eu mn):	164
BVPS (Eu):	0.56
P/BV:	0.3
Net Financial Position (Eu mn):	-123
Enterprise value (Eu mn):	171

RENO DE MEDICI - *KEY FIGURES*		2007A	2008A	2009E	2010E	2011E
	Fiscal year end	31/12/2007	31/12/2008	31/12/2009	31/12/2010	31/12/2011
PROFIT & LOSS (Eu mn)	Sales	343	455	432	441	456
	EBITDA	29	41	35	41	44
	EBIT	10	15	14	20	23
	Financial income (charges)	(8)	(10)	(10)	(10)	(8)
	Associates & Others	0	0	0	0	0
	Pre-tax profit (Loss)	2	4	4	10	16
	Taxes	1	(2)	(2)	(2)	(6)
	Tax rate (%)	-14.5%	-12.7%			
	Minorities & discontinue activities	(0)	(0)	0	0	0
	Net profit	1	-5	2	8	10
	Total extraordinary items	(2)	(8)	0	0	0
	Ebitda excl. extraordinary items	29	20	35	41	44
	Ebit excl. extraordinary items	10	(6)	14	20	23
	Net profit restated	2	(19)	2	8	10
PER SHARE DATA (Eu)	Total shares out (mn) - average fd	270	378	378	378	378
	EPS stated fd	0.00	-0.01	0.01	0.02	0.03
	EPS restated fd	0.01	-0.05	0.01	0.02	0.03
	BVPS fd	0.43	0.53	0.56	0.61	0.48
	Dividend per share (ord)	0.00	0.00	0.00	0.00	0.00
	Dividend per share (sav)	0.00	0.00	0.00	0.00	0.00
	Dividend pay out ratio (%)					
CASH FLOW (Eu mn)	Gross cash flow	20	20	23	30	32
	Change in NWC	9	(20)	(1)	(2)	(3)
	Capital expenditure	(15)	(20)	(16)	(17)	(18)
	Other cash items	0	0	0	0	0
	Free cash flow (FCF)	28	0	23	29	30
	Acquisitions, divestments & others	0	7	0	1	1
	Dividend	0	0	0	0	0
	Equity financing/Buy-back	0	0	0	0	0
	Change in Net Financial Position	11	(13)	6	13	13
BALANCE SHEET (Eu mn)	Total fixed assets	190	271	266	263	260
	Net working capital	69	89	90	92	95
	Long term liabilities	(28)	(69)	(69)	(73)	(77)
	Net capital employed	231	291	287	281	278
	Net financial position	(115)	(129)	(123)	(110)	(97)
	Group equity	116	162	164	172	182
	Minorities	0	0	0	0	0
	Net equity	116	162	164	172	182
ENTERPRISE VALUE (Eu mn)	Average mkt cap - current	48	48	48	48	48
	Adjustments (associate & minorities)	0	0	0	0	0
	Net financial position	(115)	(129)	(123)	(110)	(97)
	Enterprise value	163	177	171	158	145
RATIOS(%)	EBITDA margin*	8.5%	4.4%	8.2%	9.3%	9.8%
	EBIT margin*	2.9%	nm	3.3%	4.5%	5.1%
	Gearing - Debt/equity	98.9%	79.3%	74.7%	63.8%	53.2%
	Interest cover on EBIT	1.3	1.6	1.4	2.0	3.0
	Debt/Ebitda	3.95	3.13	3.47	2.67	2.17
	ROCE*	4.3%	5.9%	4.9%	7.0%	8.3%
	ROE*	0.7%	-3.9%	1.2%	4.6%	5.5%
	EV/CE	0.7	0.7	0.6	0.6	0.5
	EV/Sales	0.5	0.4	0.4	0.4	0.3
	EV/Ebit	16.2	nm	12.0	7.9	6.2
	Free Cash Flow Yield	59.0%	0.8%	46.8%	60.0%	61.7%
GROWTH RATES (%)	Sales	9.1%	32.8%	-5.1%	2.0%	3.5%
	EBITDA*	0.5%	-32.0%	78.2%	16.2%	8.6%
	EBIT*	79.5%	nm	nm	40.0%	16.6%
	Net profit	nm	nm	nm	277.6%	26.8%
	EPS restated	nm	nm	nm	277.6%	26.8%

** Excluding extraordinary items*

Source: Intermonte SIM estimates

4Q results

Although organic growth was negative and lower than our expectations, it was clearly conditioned by trends that will not affect 2009 projections. The impact of the economic crisis and the de-stocking process that took place in November and December led to a -27% decline in volumes in 4Q (based on pro-forma figures for the company excluding Cascades, corresponding to 189,000 tons), much worse than expected (forecasts were for 215,000 tons). In addition to the volumes slump, prices also fell compared to last year, with the average price dropping to Eu494/ton (7.2% YoY) vs. our estimate of Eu538.8/ton (8% lower).

4Q EBITDA (which amounted to Eu1.7mn) declined by Eu4.7mn. The EBITDA margin came to 580bps YoY, 120bps lower than our expectations (Eu3.5mn). The impact is mainly due to operating leverage and production costs that are still yet to reduce from the peaks hit in the previous year.

4Q08 Results

	4QA07	4QA08	4QE 08	A/E Change %	Cascades 4QA 2007	RdM 4QA 2008	YE 2007	YE A 2008	YE E 2008	YE 2009 E *	YE 2010 E
Sales	**83.0**	**93.3**	**116.2**	**-20%**	**50.0**	**43.3**	**342.5**	**455.0**	**477.9**	**431.9**	**440.6**
Yoy Growth		*12.4%*						*32.8%*		*-5.1%*	*2.0%*
EBITDA	6.3	5.9	3.5				29.1	41.0	38.6	35.3	41.0
Yoy Growth		**-6.8%**						**40.9%**			
Margin %	*7.6%*	*6.3%*	*3.0%*					*9.0%*			
EBITDA adj	**6.3**	**1.7**	**3.5**	**-52%**			**29.1**	**19.8**	**21.6**	**35.3**	**41.0**
Yoy Growth		*-73.6%*						*-32.0%*			
Margin %	**7.6%**	**1.8%**	**3.0%**				**8.5%**	**4.4%**	**4.5%**	**8.2%**	**9.3%**
EBIT	1.5	-5.2	-0.5				10.1	15.4	20.1		
Margin %											
Yoy Growth											
EBIT adj	**1.5**	**-9.4**	**-0.5**				**10.1**	**-5.9**	**3.1**	**14.3**	**20.0**
Margin %	*1.8%*	*-10.1%*	*-0.4%*				*2.9%*	*-1.3%*	*0.6%*	*3.3%*	*4.5%*
Yoy Growth											
Pre Tax	0.6	-10.8	-1.2				2.5	0.4		4.3	10.1
Pre Tax adj	0.6	-15.0	-1.2				2.5	-20.8		4.3	10.1
NP	1.2	-11.4	1.7				0.8	-5.2		2.0	7.7
NP adj	**1.2**	**-15.6**	**3.4**				**0.8**	**-26.4**		**2.0**	**7.7**
		Total RdM		**A/E**	**Cascades**	**RdM**					
	4QA07	**4QA08**	**4QE 08**	**Change %**	**4QA 2007**	**4QA 2008**	**YE 2007**	**YE A 2008**	**YE E 2008**	**YE 2009 E ***	**YE 2010 E**
Volumi	156.0	189.0	215.6	-12%	78.0	111.0	664.0	864.0	890.6	838.4	846.8
		21.2%						*30.1%*		*-3.0%*	*-2.0%*
Price per Tonn (eur)	532.1	493.7	538.8	-8%	641.0	390.1	515.8	526.6	536.6	515.2	520.3
		-7.2%						*2.1%*		*-2.2%*	*1.0%*

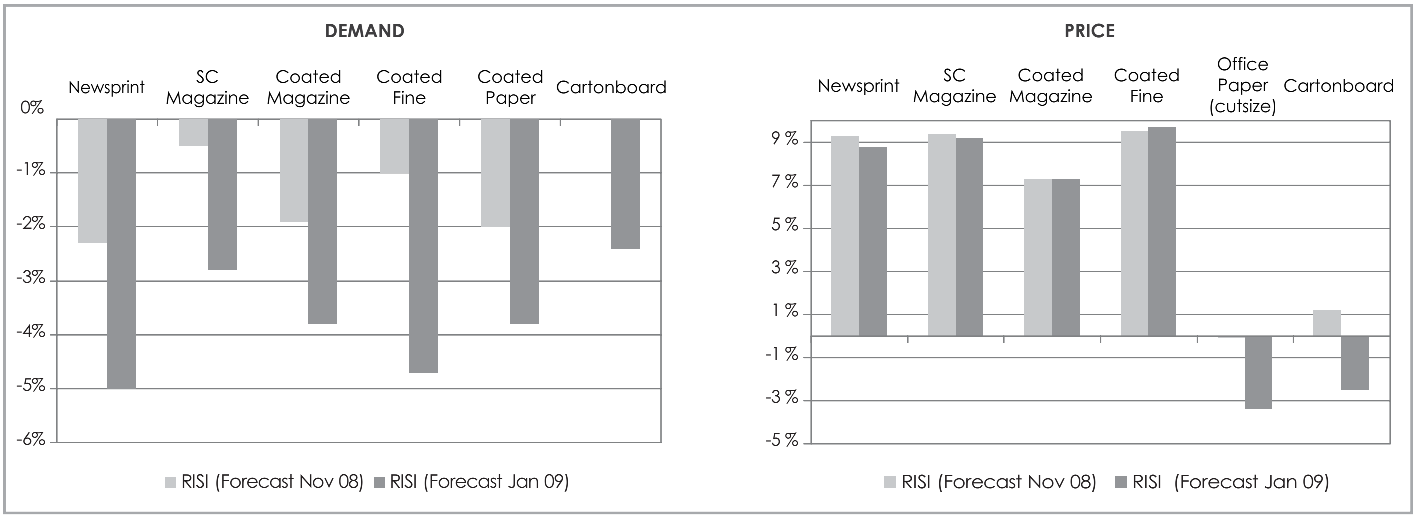
** Includes 12 months of production in ex-Cascades plants (consolidation as of 1st March 2008).*

Source: Intermonte estimates and Company data

Outlook for 2009

Our estimates account for the weak macroeconomic outlook in 2009: we expect sales volumes to fall by 6.5%, while we also forecast a -2.5% pricing effect. These should be partly offset by an increase in total sales (+6.1%) thanks to the consolidation of ex-Cascades factories (merged starting from 1st March 2008). Production capacity has been reduced by shutting down machine number 4 at Blendecques (which produced 50 tonnes/year) and by downtime of the Marzabotto factory (35 tonnes/year). These steps have been taken to deal with an expected reduction in consumption (we expect -2.5% in Europe, as shown in the table below).

Price and Demand Forecasts 2009 - Europe



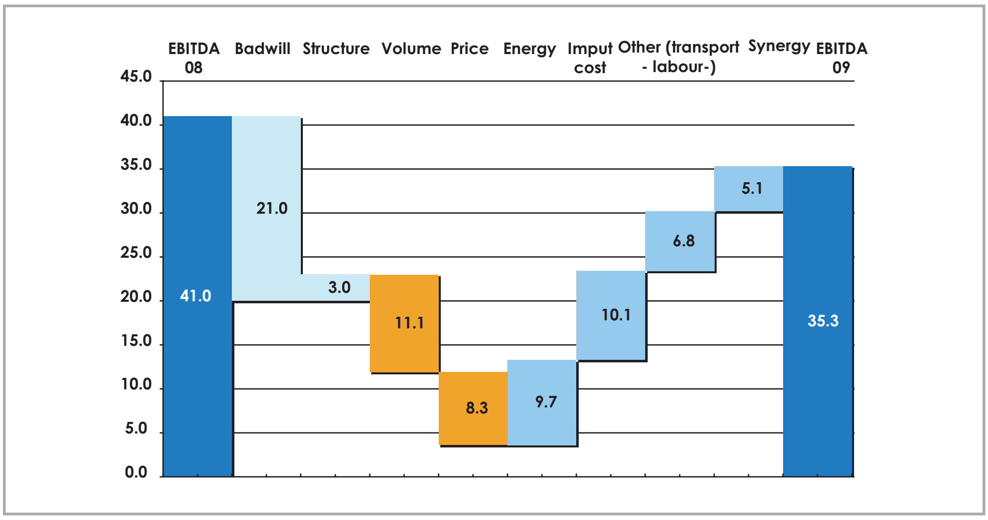
Source: RISI

2008 penalised by rising input costs, lower end-market demand and weak pricing due to an ongoing supply overcapacity. We think in 2009 the sector will start to benefit from capacity reductions. Companies are cancelling or postponing their CAPEX, small and inefficient companies are leaving the market and strong players are announcing capacity closures.

After two very tough months to end 2008, leading to factory closings, the company has registered better than expected volumes in January and February, and prices have held up as well. If this trend were to continue, the stock could bring pleasant surprises.

To at least partly compensate for the decrease in the top line, the company foresees significant cuts in production costs, particularly for energy (-10%) and raw materials (-8%). In addition, personnel costs are being reduced as a result of temporary redundancies and a reduction in the work force after the shutdown of some machinery.

EBITDA 08-09



Source: Intermonte SIM estimates

Financial Situation

Prospects for 2009 make us optimistic that the company can achieve long-term financial stability. The 2009 cash generation forecast is Eu6.9mn, bringing the net financial position to Eu-121.7mn. This would, according to our estimates, bring the net debt/EBITDA ratio to an acceptable 3.5x; this ratio is set to decrease to 2.7x by 2011. In the same way, fixed charge coverage for 2009 is expected to be over 1.45, to then reach 2 in 2011. The company's financial position in 2008 and expected figures in 2009 are as follows:

Net Debt

	2008 A	2009 E
Net cash	**6.04**	**3.00**
M/L term debt	-20.86	-17.10
Total M/L term debt	**-20.86**	**-17.10**
M/L Bank loan reclassified*	-45.90	-40.90
Short term debt	-67.76	-66.67
Total short term debt	**-113.66**	**-107.57**
Net Financial position	**-128.48**	**-121.67**
Net Debt / EBITDA	-6.49	-3.45

* M/L Bank loan reclassified: reclassified shortly due to breach of covenants.

Source: Company data and Intermonte estimates

Financing disbursed by banks include a mortgage that matures in 2012 with residual value of Eu45.9mn. Loans underwritten in 2006 by a pool of banks led by Intesa SanPaolo contain several covenants; if these are breached, the banks could request immediate repayment.

However, we think this event is unlikely to occur. Banks already demonstrated in 2008 that they trust the company's management in spite of the difficult financial situation that emerged in the last quarter of the year. Furthermore, our cash generation expectation for 2009 (Eu6.9mn) would be sufficient to guarantee financial solidity and respect the covenants imposed by the banks.

SHORT SALES: CONSOB EXTENDS AND AMENDS PROHIBITION TO 31 MAY 2009

The National Commission for Companies and the Stock Market (CONSOB) decided to extend the ban on short selling, which was due to expire on 28th February 2009, to 31st May 2009, leaving the nature of the ban unchanged.

The sale of shares listed and traded on a regulated market and issued by banks, insurance companies or their relevant holding companies, as well as those issued by companies increasing their capital, shall be supported, from the moment of the order until the transaction settlement date, by both the availability and the ownership of the relevant securities by the ordering party.

Therefore, the terms in force as of October 29, 2008 will continue to apply only to shares issued by the companies appearing on the list provided by CONSOB. For all other shares listed and traded on a regulated market, the sale shall be supported by the availability of the securities.

ANALYST CERTIFICATION

For each company mentioned in this report the respective research analyst hereby certifies that all of the views expressed in this research report accurately reflect the analyst’s personal views about any or all of the subject issuer (s) or securities. The analyst (s) also certify that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation or view in this report.

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Reports on all companies listed on the S&PMIB40 Index, most of those on the MIDEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

Explanation of our ratings system:

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.

CURRENT INVESTMENT RESEARCH RATING DISTRIBUTIONS

Intermonte SIM is authorised by CONSOB to provide investment services and is listed at n° 246 in the register of brokerage firms.

As at December 31st 2008 Intermonte’s Research Department covered 145 companies. Intermonte’s distribution of stock ratings is as follows:

BUY: 22.07%

OUTPERFORM: 15.86%

NEUTRAL: 38.69%

UNDERPERFORM: 21.38%

SELL: 2.07%

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (21 in total) is as follows:

BUY: 38.10%

OUTPERFORM: 14.29%

NEUTRAL: 47.61%

UNDERPERFORM: 0.00%

SELL: 0.00%

CONFLICT OF INTEREST

In order to disclose its possible conflicts of interest Intermonte SIM states that:

- within the last year, Intermonte SIM managed or co-managed/is managing or is co-managing (see companies indicated in bold type) an Institutional Offering of the securities of the following Companies: Arkimedica, Bouty (private placement), **Cogeme,** IT Holding (private placement), Pierrel (private placement);
- Intermonte SIM is Sponsor in accordance with the Italian Securities Markets regulations, with the related obligation of coverage and distribution of research, of the following Companies: Arkimedica, Biancamano, Caleffi, Conafi, Omnia Network, Realty Vailog;
- Intermonte SIM is Specialist (Market Maker), Advisor, in accordance with the Italian Securities Markets regulations, with the related obligation of coverage and distribution of research, of the following Companies: Biancamano, B&C Speakers, Cogeme, Datalogic, DeA Capital, Digital Bros, Dmail, EEMS, Fiera Milano, FMR Art’è, Kerself, M&C Management e Capitali, Pierrel, Reno de Medici, Realty Vailog, Saes Getters, Servizi Italia, TAS, Ternienergia, Trevisan.
- Intermonte SIM SpA and its subsidiaries do not hold a stake of equal to or over 1% in any class of common equity securities of the subject company.

DETAILS ON STOCK RECOMMENDATION

Stock	**RENO DE MEDICI**		
Current Recomm:	NEUTRAL	Previous Recomm:	NEUTRAL
Current Target (Eu):	0.16	Previous Target (Eu):	0.16
Current Price (Eu):	0.13	Previous Price (Eu):	0.14
Date of Report:	11/03/09	Date of Last Report:	24/11/08

INTERMONTE SIM is MIFID compliant - for our Best Execution Policy please check our Website www.intermonte.it/mifid

Further information is available