

RENO DE MEDICI

NEUTRAL

Price (Eu): **0.35**

Target Price (Eu): **0.28**

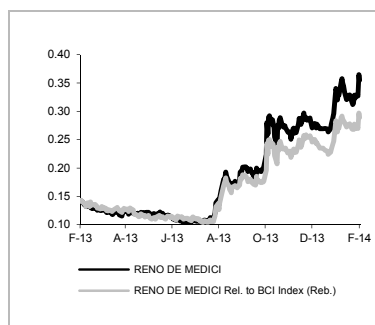
SECTOR: Industrials

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Positive Full Year Results And Stable Outlook

- Sound FY13 results.** Reno de Medici reported FY13 revenues of Eu468.5mn, a slightly increase YoY. Volumes sold reached 862,000 tons, +3.4% YoY, with an average sales price of Eu543 per ton, -2.9% YoY. EBITDA came in at Eu38.2mn, or 8.2% of sales, up 41.4% YoY and 12.4% above our estimate. Gross operating margin benefited from the sale of certificates of energy efficiency (so called White Certificates) accrued in the period 2010-13 and from a better geographic mix (as low margin overseas sales declined). Non-recurring items associated with plants in which operations were suspended or terminated were equal to Eu1.7mn. EBIT amounted to Eu8.5mn, flat YoY and in line with our estimate. Net operating margin was negatively impacted by Eu5.2mn of write-downs of fixed assets (Marzabotto and Magenta in Italy, Almazan in Spain). Net income was equal to Eu2.0mn (compared to our estimate of Eu1.0) as there were positive deferred tax assets to the tune of Eu1.1mn. Finally, Net debt, down QoQ from Eu85.4mn to Eu73.5mn at December 2013, was lower than expected as a result of increased receivables factoring and the proceeds from the sale of the Magenta board machine.
- Stable economic environment in 4Q13.** European demand for white lined chipboard for packaging was up by 2.2% YoY in 4Q13 (+2.5% in FY13). The price of raw materials and natural gas remained stable (the supply agreements signed for 2013 allowed for significant savings) in 4Q13. In December Reno de Medici announced the shutdown of its UK cutting operations (Eu6.9mn in FY13) and booked a Eu1.0mn provision.
- Unchanged company's outlook, we fine-tuned our 2014-15 estimates.** According to the company, "order volume and the backlog continue to be satisfactory, and no immediate changes in the costs of the main factors of production are projected. In 2014 the economic recovery process should be strengthened, including in the Eurozone, but it is anticipated this process will be very gradual and not without risks and uncertainties". We have left unchanged our revenues and EBITDA estimates. Slightly lower depreciations and net financial charges led to an increase in our Net profit estimates: +21.1% in FY14, +15.8% in FY15. We expect Net debt to decrease to Eu65.0mn by the end of 2015.
- NEUTRAL reaffirmed, target price lifted to Eu0.28.** We maintain the NEUTRAL recommendation on the stock: the current valuation already discounts a recovery in the European consumption demand and higher company's profitability and ROCE. Our updated valuation yields a target price of Eu0.28 per share (up from Eu0.19) as a result of lower risk free rate, lower net debt and marginally higher EBIT. At our target price, Reno de Medici would be trading on average at a discount of 19.0% compared to Mayr-Melnhof based on 2014 and 2015 EV/EBITDA, justified by structural differences in profitability and ROCE.

RENO DE MEDICI - 12m Performance



RATING: Unchanged

TARGET PRICE (Eu): from 0.19 to 0.28

Change in EPS est: 2014E 2015E
 21.1% 15.8%

STOCK DATA

Reuters code: RDM.MI
Bloomberg code: RM IM

Performance	1m	3m	12m
Absolute	4.4%	35.0%	148.3%
Relative	2.2%	28.4%	125.8%
12 months H/L:	0.36/0.10		

SHAREHOLDER DATA

No. of Ord. shares (mn):	378
Total No. of shares (mn):	378
Mkt Cap Ord (Eu mn):	134
Total Mkt Cap (Eu mn):	134
Mkt Float - ord (Eu mn):	42
Mkt Float (in %):	31.2%
Main shareholder:	
Cascades	57.6%

BALANCE SHEET DATA

	2014
Book value (Eu mn):	148
BVPS (Eu):	0.39
P/BV:	0.9
Net Financial Position (Eu mn):	-70
Enterprise value (Eu mn):	204

Key Figures	2011A	2012A	2013E	2014E	2015E
Sales (Eu mn)	507	466	469	497	522
Ebitda (Eu mn)	30	27	38	39	42
Net profit (Eu mn)	-3	-6	2	8	11
EPS - New (Eu)	-0.005	-0.017	0.005	0.021	0.028
EPS - Old (Eu)	-0.005	-0.017	0.004	0.017	0.024
DPS (Eu)	0.000	0.000	0.000	0.000	0.000

Ratios & Multiples	2011A	2012A	2013E	2014E	2015E
P/E	nm	nm	66.0	16.8	12.7
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
EV/Ebitda	7.4	6.7	5.2	5.1	4.8
ROCE	0.8%	1.9%	3.9%	7.3%	8.7%

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RENO DE MEDICI - KEY FIGURES

	2011A	2012A	2013E	2014E	2015E	
	31/12/2011	31/12/2012	31/12/2013	31/12/2014	31/12/2015	
Fiscal year end						
PROFIT & LOSS (Eu mn)	Sales	507	466	469	497	522
	EBITDA	30	27	38	39	42
	EBIT	2	4	8	16	19
	Financial income (charges)	(7)	(7)	(6)	(6)	(5)
	Associates & Others	(1)	(3)	(1)	0	0
	Pre-tax profit (Loss)	(6)	(6)	1	10	14
	Taxes	4	(1)	1	(2)	(3)
	Tax rate (%)	-63.9%	13.0%	122.2%	-20.1%	-22.2%
	Minorities & discontinue activities	(0)	(0)	0	0	0
	Net profit	-3	-6	2	8	11
	Total extraordinary items	0	(6)	(2)	(1)	0
	Ebitda excl. extraordinary items	30	33	40	40	42
	Ebit excl. extraordinary items	2	4	8	16	19
	Net profit restated	(2)	(6)	2	8	11
PER SHARE DATA (Eu)	Total shares out (mn) - average fd	378	378	378	378	378
	EPS stated fd	-0.007	-0.017	0.005	0.021	0.028
	EPS restated fd	-0.005	-0.017	0.005	0.021	0.028
	BVPS fd	0.406	0.362	0.369	0.390	0.410
	Dividend per share (ord)	0.000	0.000	0.000	0.000	0.000
	Dividend per share (sav)	0.000	0.000	0.000	0.000	0.000
	Dividend pay out ratio (%)					
CASH FLOW (Eu mn)	Gross cash flow	25	22	28	31	33
	Change in NWC	28	6	2	(5)	(3)
	Capital expenditure	(24)	(18)	(15)	(16)	(17)
	Other cash items	0	0	0	0	0
	Free cash flow (FCF)	29	10	15	11	14
	Acquisitions, divestments & others	20	(10)	(2)	(7)	(9)
	Dividend	0	0	0	0	0
	Equity financing/Buy-back	0	0	0	0	0
	Change in Net Financial Position	49	0	13	3	5
BALANCE SHEET (Eu mn)	Total fixed assets	252	238	219	211	205
	Net working capital	48	42	40	44	47
	Long term liabilities	(60)	(57)	(46)	(38)	(32)
	Net capital employed	240	223	213	217	220
	Net financial position	(87)	(86)	(73)	(70)	(65)
	Group equity	153	137	139	147	155
	Minorities	1	1	1	1	1
	Net equity	154	137	140	148	155
ENTERPRISE VALUE (Eu mn)	Average mkt cap - current	134	134	134	134	134
	Adjustments (associate & minorities)	0	0	0	0	0
	Net financial position	(87)	(86)	(73)	(70)	(65)
	Enterprise value	221	220	208	204	199
RATIOS(%)	EBITDA margin*	5.9%	7.1%	8.5%	8.1%	8.0%
	EBIT margin*	0.4%	0.9%	1.8%	3.2%	3.6%
	Gearing - Debt/equity	56.5%	63.1%	52.8%	47.5%	42.0%
	Interest cover on EBIT	0.3	0.6	1.3	2.7	3.5
	Debt/Ebitda	2.88	3.19	1.92	1.79	1.55
	ROCE*	0.8%	1.9%	3.9%	7.3%	8.7%
	ROE*	-1.6%	-4.4%	1.5%	5.5%	7.0%
	EV/CE	0.9	1.0	1.0	0.9	0.9
	EV/Sales	0.4	0.5	0.4	0.4	0.4
	EV/Ebit	nm	nm	24.5	13.0	10.5
	Free Cash Flow Yield	22.0%	7.7%	10.9%	8.0%	10.6%
GROWTH RATES (%)	Sales	0.7%	-8.0%	0.5%	6.0%	5.1%
	EBITDA*	-25.0%	9.7%	20.6%	1.3%	4.2%
	EBIT*	-82.3%	107.3%	92.0%	85.2%	20.6%
	Net profit	nm	nm	nm	292.5%	32.3%
	EPS restated	nm	nm	nm	292.5%	32.3%

* Excluding extraordinary items

Source: Intermonte SIM estimates

Results

Reno de Medici - Full Year Results

(€ mn)	Q4'12 A	Q4'13 A	YoY	FY'12 A	FY'13 A	YoY
Sales	117,5	114,6	-2,5%	466,3	468,5	0,5%
Volumes ('000)	209	210	0,5%	834	863	3,5%
Average Prices (Eu)	562	546	-2,9%	559	543	-2,9%
Other Revenues	2,5	8,0		12,1	17,0	
Δ Finished Goods	1,3	2,8		4,3	1,5	
COGS	(96,9)	(90,0)		(378,3)	(370,9)	
<i>as a % of total sales</i>	<i>-82,4%</i>	<i>-78,5%</i>		<i>-81,1%</i>	<i>-79,2%</i>	
Labour Costs	(18,6)	(19,9)		(72,4)	(73,3)	
Other Operating	(1,3)	(0,9)		(4,9)	(4,6)	
EBITDA	7,6	13,4	76,7%	27,0	38,2	41,4%
<i>Margin %</i>	<i>6,4%</i>	<i>11,7%</i>		<i>5,8%</i>	<i>8,2%</i>	
Depreciations	(6,6)	(6,1)		(26,3)	(24,5)	
Write offs	(2,2)	(5,2)		(2,2)	(5,2)	
EBIT	(1,2)	2,0	n.m.	(1,5)	8,5	n.m.
<i>Margin %</i>	<i>-1,0%</i>	<i>1,8%</i>		<i>-0,3%</i>	<i>1,8%</i>	
Financials and associates	(3,3)	(2,0)		(10,0)	(7,6)	
Pre Tax Profit	(4,5)	(0,5)	n.m.	(11,5)	0,9	n.m.
Taxes	(0,8)	2,1		(0,7)	1,1	
Minorities	0,0	(0,0)		(0,1)	(0,3)	
Group Net Profit	(5,2)	1,6	n.m.	(12,3)	2,0	n.m.
Net Debt				(86,3)	(73,5)	

Source: Company data and Intermonte Sim

Outlook

From the company press release: "The beginning of 2014 has shown no significant changes in the overall macroeconomic situation or the company's income outlook. Order volume and the backlog continue to be satisfactory, and no immediate changes in the costs of the main factors of production are projected. In 2014 the economic recovery process should be strengthened, including in the Eurozone, but it is anticipated this process will be very gradual and not without risks and uncertainties, especially in countries with greater structural weaknesses such as Italy".

Change in Estimates

Reno de Medici - Change in estimates

(€ mn)	2014 old	2014 new	change %	2015 old	2015 new	change %
Sales	496,5	496,5	0,0%	521,6	521,6	0,0%
YoY growth %	5,6%	6,0%		5,1%	5,1%	
EBITDA Adjusted	40,2	40,2	0,0%	41,9	41,9	0,0%
Ebit da margin %	8,1%	8,1%		8,0%	8,0%	
EBITDA	39,2	39,2	0,0%	41,9	41,9	0,0%
Ebit da margin %	7,9%	7,9%		8,0%	8,0%	
Total D&A	(24,0)	(23,5)		(23,5)	(23,0)	
EBIT	15,2	15,7	3,2%	18,4	18,9	3,2%
Ebit margin %	3,1%	3,2%		3,5%	3,6%	
Net financials & Participations	(6,6)	(5,7)		(6,3)	(5,4)	
Pre Tax profit	8,6	10,0	16,2%	12,1	13,5	11,9%
Taxes	(2,0)	(2,0)		(3,0)	(3,0)	
Minorities	0,0	0,0		0,0	0,0	
Group Net Profit	6,6	8,0	21,1%	9,1	10,5	15,8%
Net Debt	(80,6)	(70,0)	-13,2%	(75,7)	(65,0)	-14,1%

Source: Company data and Intermonte Sim

Financials

Reno de Medici Basic Assumptions

	2007A	2008A	2009A	2010A	2011A	2012A	2013E	2014E	2015E
Volumes (k)	664,0	889,0	846,0	946,0	878,0	834,0	863,0	897,5	924,4
YoY growth %	2,9%	33,9%	-4,8%	11,8%	-7,2%	-5,0%	3,5%	4,0%	3,0%
Average selling price (Eu/ton)	516	507	506	532	578	559	543	553	564
YoY growth %	6,0%	-1,6%	-0,3%	5,2%	8,5%	-3,2%	-2,9%	1,9%	2,0%
Sales (Eu mn)	342,5	451,1	428,1	503,6	507,1	466,3	468,5	496,5	521,6
YoY growth %	9,1%	31,7%	-5,1%	17,6%	0,7%	-8,0%	0,5%	6,0%	5,1%
Raw materials (Eu mn)	139,7	181,7	169,4	230,5	238,8	214,0	216,0	228,4	238,9
YoY growth %	15,8%	30,1%	-6,8%	36,1%	3,6%	-10,4%	0,9%	5,7%	4,6%
as a % of sales	40,8%	40,3%	39,6%	45,8%	47,1%	45,9%	46,1%	46,0%	45,8%
Energy (Eu mn)	55,2	77,4	60,6	59,4	65,4	69,2	62,3	64,5	67,8
YoY growth %		40,3%	-21,8%	-1,9%	10,1%	5,8%	-10,0%	3,6%	5,1%
as a % of sales									
SPREAD (Eu/ton)*	305,4	303,0	305,8	288,7	305,6	302,5	292,6	298,7	305,8
SPREAD (Eu mn)	202,8	269,4	258,7	273,1	268,3	252,3	252,5	268,1	282,7

Source: Company data & Intermonte Sim * SPREAD = (Sales - Raw Materials) / Volumes

Reno de Medici P&L

(€ mn)	2007A	2008A	2009A	2010A	2011A	2012A	2013E	2014E	2015E
Sales	342,5	451,1	428,1	503,6	507,1	466,3	468,5	496,5	521,6
YoY growth %	9,1%	31,7%	-5,1%	17,6%	0,7%	-8,0%	0,5%	6,0%	5,1%
EBITDA Adjusted	29,6	18,8	31,0	40,0	30,0	32,9	39,7	40,2	41,9
Ebitda Adj. margin %	8,6%	4,2%	7,2%	7,9%	5,9%	7,1%	8,5%	8,1%	8,0%
EBITDA	29,6	40,0	31,0	40,0	30,0	27,0	38,2	39,2	41,9
Ebitda margin %	8,6%	8,9%	7,2%	7,9%	5,9%	5,8%	8,2%	7,9%	8,0%
D&A and Provisions	(19,7)	(25,7)	(27,3)	(28,0)	(27,9)	(28,5)	(25,5)	(23,5)	(23,0)
EBIT	9,9	14,4	3,8	12,0	2,1	4,4	8,5	15,7	18,9
Ebit margin %	2,9%	3,2%	0,9%	2,4%	0,4%	0,9%	1,8%	3,2%	3,6%
Net financials & Participations	(7,4)	(11,7)	(9,5)	(7,5)	(8,1)	(10,0)	(7,6)	(5,7)	(5,4)
Pre Tax profit	2,3	2,7	(5,3)	5,2	(5,5)	(5,6)	0,9	10,0	13,5
Taxes	0,3	(2,1)	(1,3)	(3,2)	3,8	(0,7)	1,1	(2,0)	(3,0)
Minorities	(0,3)	(0,3)	(0,4)	(0,7)	(0,3)	(0,1)	0,0	0,0	0,0
Group Net Profit	0,6	(6,4)	(6,9)	1,4	(2,5)	(6,4)	2,0	8,0	10,5

Source: Company data & Intermonte Sim

Reno de Medici Cash Flow

(€ mn)	2007A	2008A	2009A	2010A	2011A	2012A	2013E	2014E	2015E
Net Income	0,8	(6,2)	(6,6)	2,0	-2,2	-6,3	2,0	8,0	10,5
D&A	19,1	23,9	26,7	26,1	27,5	26,3	24,5	23,5	23,0
Other non-cash items	0,0	1,7	0,6	1,9	0,4	2,2	1,0	0,0	0,0
Op. Cash Flow	19,9	19,5	20,7	30,0	25,7	22,2	27,5	31,5	33,5
Change in NWC	8,5	(18,4)	5,7	6,3	27,8	6,1	2,2	(4,8)	(2,6)
Capex	(17,8)	(16,9)	(19,7)	(15,8)	(23,7)	(17,8)	(15,2)	(15,9)	(16,7)
Acquisitions	0,0	0,0	(4,7)	(0,2)	0,0	0,0	0,0	0,0	0,0
Dividends	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Others	1,1	1,4	(4,3)	(25,4)	19,5	(10,2)	(1,8)	(7,3)	(9,2)
Net Cash Flow	11,7	(14,4)	(2,3)	(5,0)	49,2	0,3	12,8	3,5	5,0
Initial NFP	(125,8)	(114,1)	(128,5)	(130,8)	(135,8)	(86,6)	(86,3)	(73,5)	(70,0)
Final NFP	(114,1)	(128,5)	(130,8)	(135,8)	(86,6)	(86,3)	(73,5)	(70,0)	(65,0)

Source: Company data & Intermonte Sim

Reno de Medici Balance Sheet

(€ mn)	2007A	2008A	2009A	2010A	2011A	2012A	2013E	2014E	2015E
Net Working Capital	69,4	87,7	82,0	75,7	47,9	41,9	39,7	44,5	47,0
Net Fixed Assets	190,3	270,7	269,2	257,0	251,8	238,0	218,8	211,2	204,9
Other assets/liabilities	(30,6)	(68,8)	(65,6)	(69,7)	(59,9)	(56,9)	(45,7)	(38,4)	(32,4)
Net Capital Employed	229,1	289,5	285,7	263,0	239,9	223,0	212,7	217,2	219,6
Net Debt	(114,1)	(128,5)	(130,8)	(106,5)	(86,6)	(86,3)	(73,5)	(70,0)	(65,0)
Group's Net Equity	115,0	161,0	154,8	156,6	153,3	136,7	139,3	147,2	154,6
Gearing (%)	99,2%	79,8%	84,5%	68,0%	56,5%	63,1%	52,8%	47,5%	42,0%
Leverage (x)	3,9	3,2	4,2	2,7	2,9	3,2	1,9	1,8	1,6

Source: Company data & Intermonte Sim

Valuation

Because of the cyclical nature of the business and the low visibility of future cash flows, we decided to value Reno de Medici using an Economic Profit model (EV/ROACE) based on our 2015 estimates.

At our target price (€0.28) Reno de Medici would be trading at 4.5x EV/EBITDA 2014E and 4.1x EV/EBITDA 2015E, with respectively a 20.9% and 17.4% discount to Mayr-Melnhof. We deem the discount to be justified by the higher ROCE attained by Mayr-Melnhof cartonboard business division.

Reno de Medici Ev/Roace

	2014E	2015E
<i>Capital Employed - year average</i>	217,2	219,6
<i>Ebit</i>	15,7	18,9
<i>ROACE</i>	7,3%	8,7%
	<i>Tax load ratio (%)</i>	<i>20,1%</i>
<i>ROACEAT</i>	<i>5,8%</i>	<i>6,8%</i>
WACC	8,1%	8,1%
<i>TG</i>	<i>0,0%</i>	<i>0,0%</i>
<i>Required return</i>	<i>8,1%</i>	<i>8,1%</i>
<i>EV / CE</i>	<i>0,7</i>	<i>0,8</i>
Enterprise Value (€ mn)	156,1	182,0
<i>NFP (-)</i>	<i>(70,0)</i>	<i>(65,0)</i>
<i>minorities (-)</i>	<i>(0,7)</i>	<i>(0,7)</i>
Fair Value (€ mn)	85,4	116,3
Fair value per share (€)	0,26	0,31
<i>Number of shares</i>	<i>377,8</i>	<i>377,8</i>
Actualized Value		0,28

Source: Intermonte Sim

RENO DE MEDICI Peer Group - Absolute Performances

Stock	Price	Ccy	Mkt cap	1M	3M	6M	YTD	1Y	2Y
RENO DE MEDICI	0.4	EUR	134.1	4.4%	35.0%	162.6%	31.6%	148.3%	132.0%
HOLMEN	230.5	SEK	19,361.1	-4.2%	4.3%	18.1%	-1.5%	20.3%	22.1%
MAYR-MELNHOF	90.7	EUR	1,813.4	-3.7%	6.8%	5.7%	0.7%	4.0%	20.9%
METSA	3.0	EUR	981.2	-5.4%	2.0%	16.3%	-5.1%	28.9%	42.4%
STORA ENSO OYJ	71.0	SEK	---	5.7%	12.5%	34.5%	10.0%	70.1%	46.1%
UPM KYMMENE	12.8	EUR	6,750.9	-0.9%	4.2%	32.8%	3.9%	46.5%	27.9%
Mean performance				-0.7%	10.8%	45.0%	6.6%	53.0%	48.6%
Italy Fixed	20,110.3	EUR	248,358	2.1%	7.4%	15.7%	6.0%	20.3%	22.9%

Source: FactSet

RENO DE MEDICI Peer Group - Multiple Comparison

Stock	Price	Ccy	Mkt cap	EV/Sales	EV/Sales	EV/Ebitda	EV/Ebitda	EV/Ebit	EV/Ebit	P/E	P/E	Div Yield	Div Yield
				2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
RENO DE MEDICI	0.4	EUR	134.1	0.4	0.4	5.1	4.8	13.0	10.5	16.8	12.7	0.0%	0.0%
HOLMEN	230.5	SEK	19,361.1	1.5	1.5	8.5	7.9	15.1	13.6	17.2	15.6	4.3%	4.6%
MAYR-MELNHOF	90.7	EUR	1,813.4	0.8	0.7	5.7	5.1	8.6	7.6	13.7	12.7	2.7%	2.9%
METSA	3.0	EUR	981.2	0.8	0.7	6.8	6.3	12.3	11.0	15.4	13.5	3.1%	3.4%
STORA ENSO OYJ	71.0	SEK	---	0.9	0.8	7.2	6.8	12.6	11.4	14.6	12.4	3.8%	4.0%
UPM KYMMENE	12.8	EUR	6,750.9	1.0	0.9	7.7	7.1	13.5	12.0	13.6	12.6	4.7%	4.8%
Median				0.8	0.8	7.0	6.6	12.8	11.2	15.0	12.7	3.5%	3.7%

Source: Intermonte SIM estimates for covered companies, FactSet consensus estimates for peer group

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 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;
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DETAILS ON STOCKS RECOMMENDATION

Stock NAME	RENO DE MEDICI		
Current Recomm:	NEUTRAL	Previous Recomm:	NEUTRAL
Current Target (Eu):	0.28	Previous Target (Eu):	0.19
Current Price (Eu):	0.35	Previous Price (Eu):	0.27
Date of report:	14/02/2014	Date of last report:	05/11/2013

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