

RENO DE MEDICI

BUY

Price (Eu):

0.34

Target Price (Eu):

0.50

SECTOR: Industrials

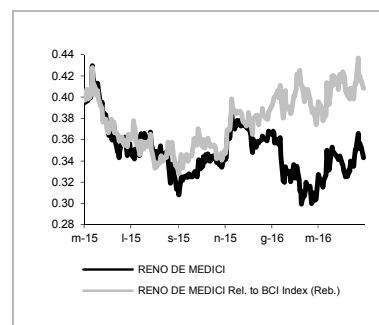
 Carlo Maritano +39-02-77115.358
 e-mail: carlo.maritano@intermonte.it

 Jacopo Tagliaferri +39-02-77115.230
 e-mail: jacopo.tagliaferri@intermonte.it

Strong Cash Generation, Outlook Remains Constructive

- 1Q16 results in line with estimates, constructive outlook.** The company reported 1Q16 results that were broadly in line with our estimates. The quarter closed with turnover of Eu111.6mn (vs. Eu111.0mn), EBITDA of Eu9.3mn (vs. Eu9.4mn) and EBIT of Eu4.0mn (vs. Eu3.8mn), in line with our expectations. Net profit was slightly lower than forecast at Eu2.7mn (vs. Eu3.3mn expected) due to higher financial charges and taxes, while net debt of Eu38.4mn was slightly better than we expected (Eu39mn). As for the outlook on 2016, the company stated that the beginning of 2016 was moderately encouraging, the order inflow is reasonably satisfactory, albeit not exciting. In April, raw material prices, for both recycled fibers and chemical products, confirmed the upward trends already witnessed in March. On the other hand, the cost of energy is expected to remain very low for the time being.
- CEO leaving at the end of June, no disruption ahead.** Last week, the company announced that the company's CEO Capuano has tendered his resignation, leaving his role at the end of June to take on new professional challenges. In his time as CEO Capuano successfully completed the restructuring of the company, which now appears to be more solid and resilient even in negative phases of the economic cycle. We believe that his resignation has not come about due to differences of opinion with the reference shareholder, and is unlikely to disrupt the company's strategy in any way. We await details of the reference shareholders' plans to replace Capuano.
- Estimates fine-tuned, dividend payment now incorporated.** Following the release of 1Q16 results, we have made minor changes to our 2016-17 EPS estimates: -3.5% for 2016 and -2.4% for 2017, factoring in slightly higher raw material costs. As for cash generation, our estimates now include the sale of a 17% stake in EmmausPack, which reduced net debt by around Eu3.0mn. Finally, with the company resuming dividend payments after almost 15 years, we have introduced a 20% dividend payout, implying a 3% yield in 2017. We forecast that net debt will decrease to Eu31.7mn at the end of 2016 and Eu18.8mn at the end of 2017.
- BUY reiterated; target price still Eu0.50.** We confirm our positive view on the stock. Our target price, based on an EV/ROACE model, remains unchanged at Eu0.50 per share. The macroeconomic environment is showing signs of improvement and demand for cartonboard should also increase. Given that the company's structure is consolidated on a European basis and price discipline is quite strong, we are confident that in the current scenario Reno's profitability might improve further. This would imply a higher ROCE, leading to a stock re-rating. At the current share price, on average the FCF yield would come to 11.7% in the 2016-18 period. We appreciate the company's decision to start paying dividends again after a hiatus of some 15 years.

RENO DE MEDICI - 12m Performance



RATING: Unchanged

TARGET PRICE (Eu): Unchanged

Change in EPS est:	2016E	2017E
	-3.5%	-2.4%

STOCK DATA

 Reuters code: RDM.MI
 Bloomberg code: RM IM

Performance	1m	3m	12m
Absolute	-0.4%	4.1%	-12.6%
Relative	-3.1%	1.7%	2.6%
12 months H/L:	0.43/0.30		

SHAREHOLDER DATA

No. of Ord. shares (mn):	378
Total No. of shares (mn):	378
Mkt Cap Ord (Eu mn):	130
Total Mkt Cap (Eu mn):	130
Mkt Float - ord (Eu mn):	40
Mkt Float (in %):	31.2%
Main shareholder:	
Cascades	57.6%

BALANCE SHEET DATA

	2016
Book value (Eu mn):	165
BVPS (Eu):	0.44
P/BV:	0.8
Net Financial Position (Eu mn):	-32
Enterprise value (Eu mn):	160

Please see important disclaimer
on the last page of this report

Key Figures	2014A	2015A	2016E	2017E	2018E
Sales (Eu mn)	426	438	449	461	472
Ebitda (Eu mn)	41	42	46	52	55
Net profit (Eu mn)	5	10	15	20	22
EPS - New (Eu)	0.014	0.026	0.040	0.052	0.058
EPS - Old (Eu)		0.026	0.041	0.053	
DPS (Eu)	0.000	0.005	0.008	0.011	0.012

Ratios & Multiples	2014A	2015A	2016E	2017E	2018E
P/E	24.2	13.2	8.6	6.6	5.9
Div. Yield	0.0%	1.5%	2.4%	3.1%	3.4%
EV/Ebitda	5.4	4.3	3.6	2.9	2.4
ROCE	8.8%	8.4%	12.3%	15.4%	16.0%

The reproduction of the information, recommendations and research produced by Intermonte SIM contained herein, and of any of its parts, is strictly prohibited. None of the contents of this document may be shared with third parties without Company authorization.

RENO DE MEDICI - KEY FIGURES

	2014A	2015A	2016E	2017E	2018E	
	31/12/2014	31/12/2015	31/12/2016	31/12/2017	31/12/2018	
Fiscal year end						
PROFIT & LOSS (Eu mn)	Sales	426	438	449	461	472
	EBITDA	41	42	46	52	55
	EBIT	18	17	25	31	33
	Financial income (charges)	(5)	(4)	(3)	(2)	(1)
	Associates & Others	1	1	1	0	0
	Pre-tax profit (Loss)	14	15	22	29	32
	Taxes	(4)	(4)	(7)	(9)	(10)
	Tax rate (%)	-27.6%	-25.1%	-32.0%	-32.0%	-32.0%
	Minorities & discontinue activities	5	1	0	0	0
	Net profit	5	10	15	20	22
	Total extraordinary items	5	0	2	2	0
	Ebitda excl. extraordinary items	36	42	44	50	55
	Ebit excl. extraordinary items	18	17	25	31	33
	Net profit restated	5	10	15	20	22
PER SHARE DATA (Eu)	Total shares out (mn) - average fd	378	378	378	378	378
	EPS stated fd	0.014	0.026	0.040	0.052	0.058
	EPS restated fd	0.014	0.026	0.040	0.052	0.058
	BVPS fd	0.375	0.404	0.435	0.487	0.545
	Dividend per share (ord)	0.000	0.005	0.008	0.011	0.012
	Dividend per share (sav)	0.000	0.074	0.074	0.074	0.074
	Dividend pay out ratio (%)		20%	20%	20%	20%
CASH FLOW (Eu mn)	Gross cash flow	23	33	37	41	43
	Change in NWC	(2)	(1)	(1)	(2)	(2)
	Capital expenditure	(20)	(16)	(17)	(17)	(17)
	Other cash items	6	(1)	(6)	(6)	(6)
	Free cash flow (FCF)	8	16	13	16	18
	Acquisitions, divestments & others	0	0	7	0	0
	Dividend	0	0	(2)	(3)	(4)
	Equity financing/Buy-back	0	0	0	0	0
	Change in Net Financial Position	8	16	19	13	14
BALANCE SHEET (Eu mn)	Total fixed assets	210	198	205	204	204
	Net working capital	42	42	43	46	47
	Long term liabilities	(45)	(38)	(52)	(47)	(41)
	Net capital employed	207	203	196	203	211
	Net financial position	(66)	(50)	(32)	(19)	(5)
	Group equity	142	152	164	184	206
	Minorities	0	0	0	0	0
	Net equity	142	153	165	184	206
ENTERPRISE VALUE (Eu mn)	Average mkt cap - current	130	130	130	130	130
	Adjustments (associate & minorities)	1	2	2	2	2
	Net financial position	(66)	(50)	(32)	(19)	(5)
	Enterprise value	194	178	160	147	133
RATIOS(%)	EBITDA margin*	8.5%	9.5%	9.9%	10.9%	11.5%
	EBIT margin*	4.3%	3.9%	5.5%	6.7%	7.0%
	Gearing - Debt/equity	46.6%	33.0%	19.3%	10.2%	2.3%
	Interest cover on EBIT	3.5	4.8	8.3	16.7	38.6
	Debt/Ebitda	1.60	1.20	0.68	0.36	0.09
	ROCE*	8.8%	8.4%	12.3%	15.4%	16.0%
	ROE*	3.8%	6.6%	9.4%	11.2%	11.2%
	EV/CE	0.9	0.9	0.8	0.7	0.6
	EV/Sales	0.5	0.4	0.4	0.3	0.3
	EV/Ebit	10.5	10.3	6.5	4.6	3.9
	Free Cash Flow Yield	5.9%	12.2%	10.4%	12.5%	14.1%
GROWTH RATES (%)	Sales	-0.5%	2.8%	2.5%	2.5%	2.5%
	EBITDA*	-1.1%	15.5%	6.3%	12.8%	8.7%
	EBIT*	60.4%	-6.5%	42.4%	24.9%	7.7%
	Net profit	202.1%	82.6%	53.4%	30.6%	11.6%
	EPS restated	202.1%	82.6%	53.4%	30.6%	11.6%

* Excluding extraordinary items

Source: Intermonte SIM estimates

Reno De Medici – 1Q16 results

(Eu mn)	Q1'15A	Q1'16A	YoY	Q1'16E	A vs E
Sales	114.5	111.6	-2.5%	111.0	0.5%
Volumes ('000)	217	213	-1.8%	207	2.8%
Average Prices (Eu)	527	524	-0.6%	536	-2.2%
Other Revenues	1.7	1.3		1.2	
"White Certificates"	0.0	0.0		0.0	
Δ Finished Goods	(4.5)	(3.9)		0.0	
COGS	(83.8)	(82.7)	-1.3%	(86.1)	
% on sales	-73.3%	-74.1%		-77.6%	
Personnel Costs	(16.2)	(16.1)	-0.5%	(15.7)	
% on sales	-14.1%	-14.4%		-14.1%	
Other Operating Costs	(1.0)	(0.9)		(1.0)	
% on sales	-0.9%	-0.8%		-0.9%	
EBITDA	10.7	9.3	-13.1%	9.4	-1.8%
% on sales	9.3%	8.3%		8.5%	
Depreciations	(5.7)	(5.2)		(5.6)	
Write offs	0.0	0.0		0.0	
EBIT	4.9	4.0	-17.8%	3.8	5.3%
% on sales	4.3%	3.6%		3.5%	
Financials and associates	(0.1)	(0.3)		0.0	
Pre Tax Profit	4.8	3.7	-22.2%	3.8	-3.2%
Taxes	(0.8)	(0.8)		(0.6)	
Discontinued	(0.1)	(0.2)		0.0	
Minorities	(0.0)	(0.1)		0.0	
Group Net Profit	3.8	2.7	-29.8%	3.3	-18.0%
Net Debt	(59.8)	(38.4)		(39.0)	

Source: Intermonte SIM estimates (E) & Company data (A)

Reno De Medici – Change in estimates

Eu mn	2016 new	2016 old	change %	2017 new	2017 old	change %	2018 new	2017 old	change %
Sales	449.3	449.3	0.0%	460.6	460.6	0.0%	472.1		new
YoY growth %	2.5%	2.5%		2.5%	2.5%		0.0%		
Volumes	836.4	836.4	0.0%	848.9	848.9	0.0%	861.6		new
YoY growth %	1.5%	1.5%		1.5%	1.5%		0.0%		
Average Prices	537.2	537.2	0.0%	542.5	542.5	0.0%	548.0		new
YoY growth %	1.0%	1.0%		1.0%	1.0%		0.0%		
EBITDA	46.4	48.2	-3.6%	52.2	53.3	-2.1%	54.5		new
EBITDA margin %	10.3%	10.7%		11.3%	11.6%		11.5%		
				12.3%	10.5%		4.5%		
EBITDA Adjusted (Ex. White Certificates)	44.4	46.2	-3.8%	50.2	51.3	-2.1%	54.5		new
EBITDA Adjusted margin %	9.9%	10.3%		10.9%	11.1%		11.5%		
				12.8%	10.9%		8.7%		
EBIT	24.5	25.9	-5.1%	30.7	31.3	-1.9%	33.0		new
EBIT margin %	5.5%	5.8%		6.7%	6.8%		7.0%		
Group Net Profit	15.0	15.5	-3.5%	19.6	20.1	-2.4%	21.9		new
Net Debt	(31.7)	(32.1)	-1.3%	(18.8)	(15.0)	25.2%	(4.8)		new

Source: Intermonte SIM estimates (E) & Company data (A)

RENO DE MEDICI Peer Group - Absolute Performances

Stock	Price	Ccy	Mkt cap	1M	3M	6M	YTD	1Y	2Y
RENO DE MEDICI	0.34	EUR	130	-0.4%	4.1%	0.3%	-6.8%	-12.6%	7.7%
HOLMEN	---	SEK	23,393	5.3%	13.7%	8.2%	6.5%	0.9%	21.6%
MAYR-MELNHOF	---	EUR	2,120	1.8%	4.6%	-0.7%	-7.4%	2.5%	16.3%
METSA	---	EUR	1,939	-2.4%	-9.7%	-6.8%	-20.5%	3.3%	68.7%
STORA ENSO OYJ	---	SEK	---	-2.1%	-2.3%	-15.1%	-10.1%	-20.4%	3.7%
UPM KYMMENE	---	EUR	8,808	6.0%	2.9%	-4.9%	-4.2%	1.9%	29.9%
Mean performance				1.4%	2.2%	-3.2%	-7.1%	-4.1%	24.6%
Italy FTSE Mib	18,420.2	EUR	259,521	3.6%	2.8%	-18.1%	-14.0%	-20.1%	-15.4%

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
				2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
RENO DE MEDICI	0.34	EUR	130	0.4	0.3	3.6	2.9	6.5	4.6	8.6	6.6	2.4%	3.1%
HOLMEN	278.50	SEK	23,393	1.8	1.7	9.3	8.7	13.9	13.0	15.3	15.1	3.9%	4.1%
MAYR-MELNHOF	106.00	EUR	2,120	0.8	0.8	6.2	5.7	9.1	8.4	13.6	12.9	2.8%	3.0%
METSA	5.46	EUR	1,939	1.2	1.0	7.3	6.1	10.9	8.7	13.7	10.9	3.6%	4.1%
STORA ENSO OYJ	69.05	SEK	---	0.9	0.9	6.8	6.5	10.3	9.8	10.3	9.8	4.6%	4.9%
UPM KYMMENE	16.51	EUR	8,808	1.1	1.0	7.0	6.8	10.4	10.3	11.5	11.9	4.8%	4.9%
Median				1.1	1.0	7.0	6.5	10.4	9.8	13.6	11.9	3.9%	4.1%

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

DISCLAIMER (for more details go to <http://intermonte.it/disclosures.asp>)

IMPORTANT DISCLOSURES

The reproduction of the information, recommendations and research produced by Intermonte SIM contained herein and of any its parts is strictly prohibited. None of the contents of this document may be shared with third parties without authorisation from Intermonte.

This report is directed exclusively at market professional and other institutional investors (Institutions) and is not for distribution to person other than "Institution" ("Non-Institution"), who should not rely on this material. Moreover, any investment or service to which this report may relate will not be made available to Non-Institution.

The information and data in this report have been obtained from sources which we believe to be reliable, although the accuracy of these cannot be guaranteed by the Intermonte. In the event that there be any doubt as to their reliability, this will be clearly indicated. The main purpose of the report is to offer up-to-date and accurate information in accordance with regulations in force covering "recommendations" and is not intended nor should it be construed as a solicitation to buy or sell securities.

This disclaimer is constantly updated on Intermonte's website www.intermonte.it under DISCLOSURES. Valuations and recommendations can be found in the text of the most recent research and/or reports on the companies in question.

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.

The analyst (s) responsible for preparing this research report receive(s) compensation that is based upon various factors, including Intermonte's total profits, a portion of which is generated by Intermonte's corporate finance activities, although this is minimal in comparison to that generated by brokerage activities.

Intermonte's internal procedures and codes of conduct are aimed to ensure the impartiality of its financial analysts. The exchange of information between the Corporate Finance sector and the Research Department is prohibited, as is the exchange of information between the latter and the proprietary equity desk in order to prevent conflicts of interest when recommendations are made.

GUIDE TO FUNDAMENTAL RESEARCH

Reports on all companies listed on the S&PMB40 Index, most of those on the MIBEX 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 31 March 2016 Intermonte's Research Department covered 149 companies.

Intermonte's distribution of stock ratings is as follows:

BUY: 19.46%

OUTPERFORM: 42.95%

NEUTRAL: 31.11%

UNDERPERFORM: 0.0%

SELL: 0.0%

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (45 in total) is as follows:

BUY: 22.22%

OUTPERFORM: 46.67%

NEUTRAL: 18.42%

UNDERPERFORM: 0.00%

SELL: 0.00%

CONFLICT OF INTEREST

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

- o 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 and/or managed or co-managed/is managing or is co-managing (see companies indicated in bold type) an offering with firm commitment underwriting of the securities of the following Companies: Aeroporto di Bologna, Banca Ifis, Banca Carige, Banca Sistema, Banca Popolare di Sondrio, Cattolica Assicurazioni, Fincantieri, La Doria, MPS, Tamburi Investment Partners, Tecnoinvestimenti
- o Intermonte SIM is Specialist and/or Corporate Broker and/or Sponsor and/or Broker in charge of the share buy back activity of the following Companies: Aedes, Aeroporto di Bologna, Ascopiave, B&C Speakers, Banca Ifis, Banca Sistema, Banzai, Be, Bolzoni, BOMI, Carraro, Cattolica Assicurazioni, Cementir, Credito Valtellinese, Datalogic, DeA capital, DigiTouch, Digital bros, EL.En, Emak, ERG, Ferrovie Nord Milano, Fintel Energia Group, Gefran, GreenItaly1, GO Internet, IGD, Il Sole 24 Ore, IWB, Kinexia, Lucisano Media Group, LU VE, Mondo TV, QF Alpha Immobiliare, QF Beta Immobiliare, Recordati, Reno de Medici, Reply, Retelit, Saes Getters, Servizi Italia, Sesa, SIII - B&T Group S.p.A., Snai, Tamburi Investment Partners, Tesmec, TBS Group, Tecnoinvestimenti, Ternienergia, TXT e-solutions, Vittoria Assicurazioni.
- o Intermonte SIM acted as Global Coordinator in the GreenItaly1 IPO on the AIM Italia market and will receive a success fee if a business combination is approved by the shareholders.
- o Intermonte SIM SpA and its subsidiaries do not hold a stake equal to or over 1% of common equity securities and/or warrants of any of the aforementioned subject companies, with the exception of: GreenItaly1.
- o Intermonte SIM SpA has provided in the last 12 months / provides / may provide investment banking services to the following companies: Aedes, Conafi, Bolzoni, CNRC/Marco Polo Industrial Holding (on Pirelli shares), Hitachi (on Ansaldo STS shares), Kinexia, Prelios, RCS, Seat Pagine Gialle, IPO Challenger/IWB.

Intermonte SIM SpA may provide investment banking services to RCS MediaGroup, also in connection with the share exchange offer promoted by Cairo Communication

DETAILS ON STOCKS RECOMMENDATION

Stock NAME	RENO DE MEDICI		
Current Recomm:	BUY	Previous Recomm:	BUY
Current Target (Eu):	0.50	Previous Target (Eu):	0.50
Current Price (Eu):	0.34	Previous Price (Eu):	0.36
Date of report:	03/05/2016	Date of last report:	09/11/2015

© Copyright 2010 by Intermonte SIM - All rights reserved

It is a violation of national and international copyright laws to reproduce all or part of this publication by email, xerography, facsimile or any other means. The Copyright laws impose heavy liability for such infringement. The Reports of Intermonte SIM are provided to its clients only. If you are not a client of Intermonte SIM and receive emailed, faxed or copied versions of the reports from a source other than Intermonte SIM you are violating the Copyright Laws. This document is not for attribution in any publication, and you should not disseminate, distribute or copy this e-mail without the explicit written consent of Intermonte SIM.

INTERMONTE will take legal action against anybody transmitting/publishing its Research products without its express authorization.

INTERMONTE Sim strongly believes its research product on Italian equities is a value added product and deserves to be adequately paid.

Intermonte Sim sales representatives can be contacted to discuss terms and conditions to be supplied the INTERMONTE research product.

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

Further information is available