

Withdraw recommendation of LDL, as of today's close, with shares trading roughly in-line with our fair value estimate

- ✓ For context, Lydall shares have returned 176% since our initial recommendation in July 2020 (compared with a ~21% gain in the S&P 500 and a ~56.5% rise in the Russell 2000).
- ✓ That said, with shares trading in-line with our fair value estimate (see Exhibit #1 on page 2) we prefer to maintain a disciplined approach and withdraw our recommendation, as of today's close.
- ✓ To be sure, we will continue to monitor LDL for an opportunity to re-recommend if valuation shifts or if incremental steps toward potential strategic alternatives materialize.

UPDATE

Lydall, Inc.

(NYSE: LDL)

Date (2/26/2021)

Price \$34.46/share

Market capitalization: ~\$615M

**Performance Materials (PM):
\$25/share**

**Technical Nonwovens (TNW):
\$13/share**

**Thermal Acoustical Solutions
(TAS): \$9/share**

Corporate/Net Debt: (\$14/share)

SOTP: \$33/share*

*SOTP may not add due to rounding

(See the report dated 7/10/2020 and updates from 7/29/2020, 7/30/2020, 9/9/2020, 9/25/2020, 10/28/2020 and 12/9/2020 for more info.)

NOTE: This publication could be considered as advocating for corporate restructurings. Authors select companies for this report based on the potential for a future value-unlocking transaction. In many cases, these companies have or could come under activist investor pressure, media scrutiny, or general market speculation that a spin-off or asset sale is



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HIDDEN OPPORTUNITIES

“Valuing possible breakups by providing sum-of-the-parts analysis.”

Exhibit #1 Lydall Inc.: Sum-of-the-Parts Fair Value

(\$ in millions, except per share figures)

	<u>Performance</u>	<u>Technical</u>	<u>Thermal</u> <u>Acoustical</u>	<u>Corporate</u>	<u>Enterprise</u> <u>Value</u>	<u>Net Debt</u>	<u>Market Cap</u>
	<u>Materials</u>	<u>Nonwovens</u>	<u>Solutions</u>				
2022E Revenue	\$303.5	\$238.4	\$340.4				
2023E Revenue	\$323.0	\$250.8	\$352.6				
Operating margin	<u>14.5%</u>	<u>9.5%</u>	<u>7.0%</u>				
Operating income	\$46.8	\$23.8	\$24.7				
EBITDA margin	<u>19.5%</u>	<u>14.5%</u>	<u>10.0%</u>				
2023E EBITDA	\$63.0	\$36.4	\$35.3	(\$24.5)		(\$94.9)	
Applied multiple	<u>7.0x</u>	<u>6.5x</u>	<u>4.5x</u>	<u>6.2x</u>		<u>1.0x</u>	
Enterprise value	\$440.8	\$236.3	\$158.7	(\$152.1)	\$683.7	(\$94.9)	\$588.8
Diluted shares	<u>17.8</u>	<u>17.8</u>	<u>17.8</u>	<u>17.8</u>		<u>17.8</u>	<u>17.8</u>
Per share basis	\$24.84	\$13.32	\$8.94	(\$8.57)		(\$5.35)	\$33.17
Bull (~7x)	\$28.38	\$15.36	\$10.93	(\$9.95)		(\$5.35)	\$39.38
Base (~6x)	\$24.84	\$13.32	\$8.94	(\$8.57)		(\$5.35)	\$33.17
Bear (~5x)	\$21.29	\$11.27	\$6.95	(\$7.19)		(\$5.35)	\$26.97

Source: Company reports, Bloomberg, and Institutional Research Group estimates.