

Italy – Textile Flooring

A strategically enriching acquisition underpins the new plan

15th March 2024

M&A AND BUSINESS UPDATE

RIC: RADIC.MI
BBG: RAD IM

The acquisition of 100%TurfRecyclers completes the value proposition in the Sport segment and perfectly aligns with the company's strategy aimed at increasing its offering of high-quality and innovative eco-friendly products. Moreover, the reasonable projections included in the 2024-25 Business Plan reinforces our positive stance on the stock, which still trades at unjustified multiples notwithstanding its growth prospects.

Rating:

Buy

Price Target:

€ 2.20 (1.80)

Upside/(Downside): 111.5%

Last Price: € 1.04

Market Cap.: € 9.2m

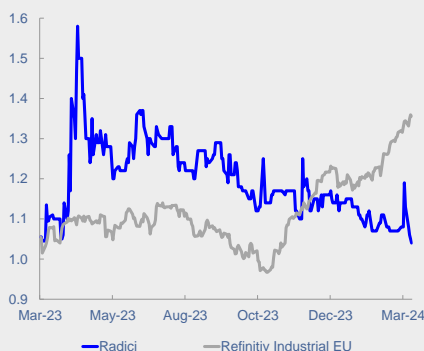
1Y High/Low: € 1.61 / € 1.04

Avg. Daily Turn. (3M, 6M): € 7k, € 6k

Free Float: 24.9%

Major shareholders:

MRFoC	69.2%
Radici Family	6.0%



Stock price performance

	1M	3M	12M
Absolute	-6.3%	-9.6%	-2.8%
Rel.to FTSE IT Growth	-5.1%	-9.1%	10.1%
Rel.to Peers median	-0.1%	-9.1%	35.4%

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Estimates revised. New DCF-based PT of € 2.20 (€1.80). Buy confirmed

Following the acquisition of 100%TurfRecyclers and the release of the company's BP for 2024-25, we have updated our estimates by factoring in 1) the consolidation of the acquired company, 2) a fine-tuning of the revenues mix in order to incorporate the new BP's targets, 3) the upward revision of margins reflecting the strong profitability of 100%TurfRecyclers, and 4) capex of € 5.5m in 2024-25. Additionally, we have introduced our estimates for 2026. The combined result is an average increase of 4.2% and 28.4% in Total Revenues and EBITDA in 2024-25 along with a 10.3% increase in NFP, due to higher than previously expected capex. Moreover, we updated the DCF valuation criteria, bringing the Free Risk Rate up to date and postponing the first valuation year to 2024. New DCF-based PT points to € 2.20/s (€ 1.80). We reiterate our positive stance on the stock, which unreasonably trades at levels even lower than those registered before the acquisition announcement.

A strategically relevant acquisition at an undemanding EV/EBITDA_{24e} of 2.4x

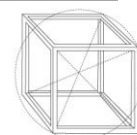
On 6th March, Radici Pietro announced the purchase of a 26% stake in 100%TurfRecyclers Srl for a total consideration of € 510k. Moreover, a shareholders' agreement signed with the selling counterparty, which still holds 25% of 100%TurfRecyclers, will attribute the effective control of the target to Radici Pietro. 100%TurfRecyclers engages in the design, development and marketing of specialised machinery able to dispose of artificial sport turfs by separating all of its components, which can be reused as raw materials for production. In 2023, the company recorded revenues of ca. € 2.0m, with EBITDA of € 200k (11.4% margin). The transaction envisages an EV/EBITDA₂₃ of 9.7x, which shrinks to 2.4x if we consider the FY-24 EBITDA target of € 800k, which is rather achievable given the high visibility on the current backlog. The acquisition is synergistic for Radici Pietro as it will complete the selling proposition for the Sport segment and improve the overall profitability as well as net debt in the medium term thanks to a generous cash flow generation.

Double-digit growth in 2024-25 with expanding margins

The 2024-25 Business Plan envisages double-digit growth of the top line (CAGR₂₃₋₂₅ of 12.3%), thanks to the consolidation of 100%TurfRecyclers coupled with solid organic growth. Furthermore, the 2024-25 capex plan of a total of € 5.5m will allow the group to improve both the energy and the operating efficiency. The Sport segment is anticipated to rise at CAGR₂₃₋₂₅ of 36.7% (including 100%TurfRecyclers). The Residential & Contract division is expected to steadily grow (CAGR₂₃₋₂₅ of 7.6%). In 2024, the Marine division will consolidate its dimensions, following the brilliant recovery experienced after the drop during the pandemic, and is forecasted to return to growth in 2025. The Automotive segment will remain mostly flat. EBITDA is expected to increase more than proportionally to top line, totalling € 7.9m (11.2% margin) in 2025, also thanks to the substantial profitability of the new company. In 2024, NFP is predicted to rise to € 17.9m, as a result of the acquisition of 100%TurfRecyclers and the capex plan. In 2025, NFP is anticipated to decline to € 15.2m.

Radici Pietro, key financials and ratios

€ m	2022	2023e	2024e	2025e	2026e
Total Revenues	53.5	56.0	65.0	69.9	75.2
Value of Production	58.0	56.7	65.8	70.8	76.1
EBITDA	3.7	4.9	6.5	7.6	8.5
EBIT	0.9	1.9	3.3	4.5	5.4
Net profit	0.2	0.6	1.9	2.9	3.0
NFP (cash)/debt	16.5	16.0	18.2	15.4	12.8
EBITDA margin	6.9%	8.7%	10.0%	10.9%	11.3%
EBIT margin	1.8%	3.3%	5.0%	6.4%	7.2%
Net Profit margin	0.3%	1.1%	2.9%	4.1%	3.9%
EPS €	0.02	0.07	0.21	0.32	0.33
EPS growth	n.m.	n.m.	n.m.	51.9%	3.9%
EV/Sales x	0.50	0.47	0.42	0.35	0.29
EV/EBITDA x	7.2	5.5	4.2	3.2	2.6
EV/EBIT x	28.3	14.3	8.4	5.5	4.1
PER x	53.6	16.7	4.9	3.2	3.1



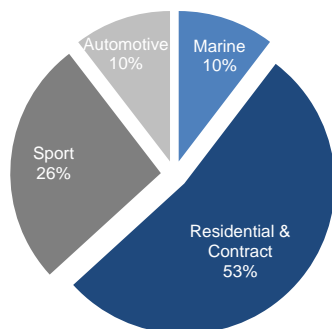
The Company at a Glance

Founded in 1950 in Cazzano Sant'Andrea, close to Bergamo (Italy), Radici Pietro is a leading international player in the textile flooring market. It designs, manufactures and sells high-end carpets, artificial turfs and non-woven fabrics, all of which are chiefly custom made. The group operates three production plants, two in Italy and one in Hungary, and four commercial branches worldwide, managing the entire value chain, from the processing of raw materials to the production of finished goods, including quality control, testing and distribution. Radici Pietro covers almost 90 countries, serving more than 2,000 customers in four different industries: Residential & Contract, Marine, Sport and Automotive.

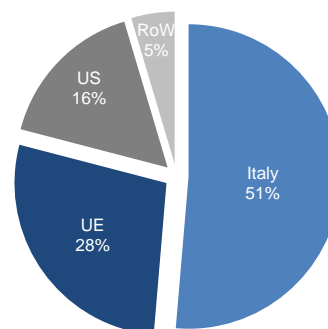
The group's global export sales make up 49% of total revenues. 53% of turnover comes from the Residential & Contract segment, 26% from Sport, 10% from Automotive and 10% from Marine.

Radici Pietro has undertaken a good growth path since current management was established in 2012: a 4.4% entirely organic CAGR in the 2012-22 period, (7.9% CAGR₁₂₋₁₉, not considering the last three years, which were deeply affected by the pandemic). In 2022, revenues were € 53.5m, EBITDA was € 3.7m and Net Profit reached € 0.2m. Net Financial Position amounted to € 16.6m.

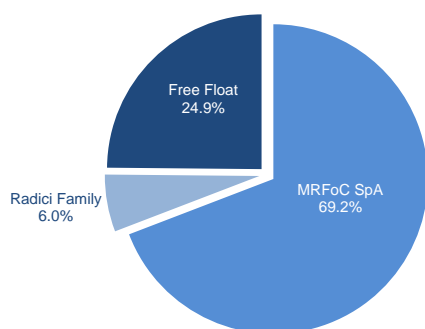
2022 breakdown by industry...



... and by geography



Shareholder structure



Peer group absolute performance

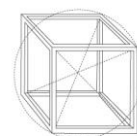
%	1D	1W	1M	3M	6M	YTD
Aquafil SpA	(2.4)	(6.4)	(10.4)	(5.8)	5.8	(12.4)
Belysse Group NV	(5.6)	(13.7)	7.6	7.3	(16.7)	(1.7)
Interface Inc	(3.0)	(2.0)	8.9	24.8	51.1	18.5
Mohawk Industries Inc	(3.8)	(3.8)	0.4	10.6	24.7	13.0
Somec SpA	(3.5)	(37.2)	(40.9)	(46.6)	(51.1)	(47.4)
Tarkett SA	0.7	(3.2)	(6.2)	(0.4)	(12.9)	(2.8)
Victoria PLC	5.2	(6.2)	(15.9)	(25.9)	(62.6)	(22.7)
Median	(3.0)	(6.2)	(6.2)	(0.4)	(12.9)	(2.8)
Radici Pietro SpA	(1.0)	(12.6)	(6.3)	(9.6)	(16.8)	(8.8)

Source: Refinitiv Eikon

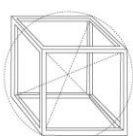
Peer group multiples table

Price & EV multiples x	SALES FY1	SALES FY2	EBITDA FY1	EBITDA FY2	EBIT FY1	EBIT FY2	PER FY1	PER FY2
Aquafil SpA	0.56	0.50	4.8	3.9	18.4	11.0	43.7	13.4
Belysse Group NV	0.61	0.58	4.4	4.0	8.6	7.2	12.8	6.4
Interface Inc	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	14.1	12.7
Mohawk Industries Inc	0.81	0.74	6.2	5.4	10.7	9.3	12.1	10.6
Somec SpA	0.45	0.37	6.9	4.7	22.5	10.1	51.4	13.2
Tarkett SA	0.27	n.a.	3.1	n.a.	8.4	n.a.	9.7	n.a.
Victoria PLC	0.81	0.33	6.2	2.4	13.0	5.1	10.7	9.4
Median	0.58	0.50	5.5	4.0	11.9	9.3	12.8	11.7
Radici Pietro SpA	0.42	0.35	4.2	3.2	8.4	5.5	4.9	3.2

Source: CFO SIM, Refinitiv Eikon



Income statement (€ m)	2022	2023e	2024e	2025e	2026e
Total Revenues	53.5	56.0	65.0	69.9	75.2
Value of Production	58.0	56.7	65.8	70.8	76.1
Raw material and processing	(29.7)	(28.0)	(32.6)	(34.8)	(37.4)
Services	(15.3)	(14.3)	(16.6)	(17.7)	(19.0)
Personnel expenses	(8.5)	(8.6)	(9.1)	(9.5)	(9.9)
Other opex	(0.8)	(0.9)	(1.1)	(1.1)	(1.2)
EBITDA	3.7	4.9	6.5	7.6	8.5
D&A	(2.7)	(3.0)	(3.2)	(3.2)	(3.1)
EBIT	0.9	1.9	3.3	4.5	5.4
Financials	(0.7)	(1.2)	(1.1)	(1.0)	(1.0)
Re/(Devaluation) of financial assets	0.0	0.0	0.0	0.0	0.0
Extraordinary	0.0	0.0	0.0	0.0	0.0
Pre-Tax profit	0.3	0.7	2.2	3.5	4.4
Income taxes	(0.1)	(0.0)	(0.1)	(0.2)	(0.9)
Minorities	0.0	0.0	(0.2)	(0.5)	(0.6)
Net Profit	0.2	0.6	1.9	2.9	3.0
Adjusted Net Profit	0.2	0.6	1.9	2.9	3.0
Balance sheet (€ m)	2022	2023e	2024e	2025e	2026e
Net Working Capital	21.3	21.9	25.4	27.4	29.5
Net Fixed Assets	34.1	33.6	35.1	34.1	33.5
Equity Investments	0.0	0.0	0.0	0.0	0.0
Other M/L Term A/L	(6.4)	(6.3)	(7.0)	(7.1)	(7.0)
Net Invested Capital	49.0	49.1	53.5	54.5	56.0
Net Financial Position	16.5	16.0	18.2	15.4	12.8
Minorities	0.0	0.0	0.2	0.6	1.2
Group's Shareholders Equity	32.5	33.1	35.2	38.5	42.0
Financial Liabilities & Equity	49.0	49.1	53.5	54.5	56.0
Cash Flow statement (€ m)	2022	2023e	2024e	2025e	2026e
Total net income	0.2	0.6	2.1	3.3	3.5
Depreciation	2.7	3.0	3.2	3.2	3.1
Other non-cash charges	0.0	(0.1)	0.9	0.5	0.5
Cash Flow from Oper. (CFO)	2.9	3.5	6.2	7.0	7.1
Change in NWC	(2.2)	(0.6)	(3.5)	(2.0)	(2.1)
FCF from Operations (FCFO)	0.8	3.0	2.7	4.9	5.1
Net Investments (CFI)	0.0	(2.5)	(4.8)	(2.2)	(2.5)
Free CF to the Firm (FCFF)	0.8	0.5	(2.1)	2.7	2.6
CF from financials (CFF)	(0.4)	(0.0)	1.5	(0.0)	0.0
Free Cash Flow to Equity (FCFE)	0.4	0.5	(0.6)	2.7	2.6
Financial ratios	2022	2023e	2024e	2025e	2026e
EBITDA margin	6.9%	8.7%	10.0%	10.9%	11.3%
EBIT margin	1.8%	3.3%	5.0%	6.4%	7.2%
Net profit margin	0.3%	1.1%	2.9%	4.1%	3.9%
Tax rate	31.5%	4.5%	4.5%	4.5%	20.0%
Op NWC/Sales	0.4%	0.4%	0.4%	0.4%	0.4%
Interest coverage x	0.73	0.65	0.34	0.23	0.19
Net Debt/EBITDA x	4.49	3.30	2.79	2.02	1.51
Debt-to-Equity x	0.51	0.48	0.52	0.40	0.31
ROIC	0.4%	1.3%	3.5%	5.2%	5.3%
ROCE	1.7%	3.3%	5.3%	6.9%	7.8%
ROACE	1.7%	3.3%	5.5%	7.1%	8.1%
ROE	0.6%	1.9%	5.3%	7.4%	7.1%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Per share figures	2022	2023e	2024e	2025e	2026e
Number of shares # m	8.81	8.81	8.81	8.81	8.81
Number of shares Fully Diluted # m	8.81	8.81	8.81	8.81	8.81
Average Number of shares Fully Diluted # m	9.31	8.81	8.81	8.81	8.81
EPS stated €	0.02	0.07	0.21	0.32	0.34
EPS adjusted €	0.02	0.07	0.21	0.32	0.34
EBITDA €	0.42	0.55	0.74	0.87	0.97
EBIT €	0.11	0.21	0.37	0.51	0.62
BV €	3.69	3.76	4.01	4.44	4.90
FCFO €	0.09	0.34	0.30	0.56	0.58
FCFF €	0.09	0.05	(0.24)	0.31	0.29
FCFE €	0.05	0.05	(0.07)	0.31	0.29
Dividend €	0.00	0.00	0.00	0.00	0.00



Acquisition of 26% stake of 100%TurfRecyclers

On 6th March, Radici Pietro announced the acquisition of a 26% stake of 100%TurfRecyclers Srl from its controlling shareholder MRFOC SpA. **The transaction envisages a total consideration of € 510k, to be paid € 250k upfront while the remaining € 260k within year-end 2024.** Moreover, a shareholders' agreement signed with the selling counterparty MRFOC SpA, which still holds 25% of 100%TurfRecyclers, will allow Radici Pietro to appoint the majority of the members of the Board of Directors of 100%TurfRecyclers, thus having the effective control of the company.

Consequently, **Radici Pietro will fully consolidate 100%TurfRecyclers on its financial statements even by only owning a minority interest.** Finally, no further agreement has been signed between the two parties with regard to the remaining 25% stake owned by MRFOC SpA.

The target company

100%TurfRecyclers engages in the design, development and marketing of specialised machinery able to dispose of artificial sport turfs by separating all of its components (i.e. sand, grass and polymeric and vegetable infill), which can be reused as raw materials in the production process. In addition, the machineries can be designed and built according to the specific customer needs, namely 1) empty the infill in the artificial turf, 2) separate all the components and/or the filament by means of a cutting process.

The specific **mechanical process is covered by an Italian patent secured in 2022** and a patent application has been submitted to the US authority. In terms of the geographical end-markets, the company's machineries have been sold primarily in the US, Norway and Australia over the 2021-23 period.

100%TurfRecyclers recorded revenues of approximately € 2.0m in FY-23, with EBITDA of € 200k (11.4% margin). As its Net Financial Position is basically neutral, **the total consideration entails an acquisition multiple calculated on FY-23 EBITDA equal to 9.7x, which shrinks to 2.4x** if we take into account the EBITDA target of € 800k set for FY-24. By considering the 2023-24 average EBITDA, the acquisition multiple stands at 3.9x.

Table 1 – Radici Pietro, 100%TurfRecyclers 2023-25e Business Plan

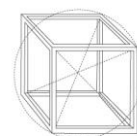
€ m	2023	2024e	2025e
Total Revenues	2.0	3.3	5.9
EBITDA	0.2	0.8	2.1
<i>% margin</i>	11.4%	24.8%	34.6%
NFP Debt/(Cash)	(0.03)	(0.70)	(2.40)

Source: Company data, CFO SIM estimates

In 2024-25, 100%TurfRecyclers is predicted to generate revenues of € 3.3m and € 5.9m, as well as EBITDA of € 800k (24.8% margin) and € 2.1m (34.6% margin), respectively. As of today, **the top line target of € 3.3m set for FY-24 is almost entirely covered by the current order backlog of € 3m, thus visibility is fairly high.**

The strategic rationale

The acquisition of 100%TurfRecyclers is **unquestionably synergistic for Radici Pietro as it will complete the selling proposition for the Sport segment** by offering not only the design and production but also the eco-friendly disposal of high-performance artificial turfs at the end of their life cycle. In addition, **the transaction is strategically forward-looking to compete at an international level**, especially in those countries where the awareness for ESG-related issues is perceived as critical. However, the regulatory context with respect to waste disposal is expected to become more stringent in Italy, too. Finally, 100%TurfRecyclers was **acquired at an undemanding multiple (2.4x EV/EBITDA_{24e})** and is expected to improve the overall profitability of the group as well as net debt in the medium term thanks to a generous cash flow generation.



The 2024-25 Business Plan

Radici Pietro confirmed the FY-23 pre-closing Revenues and EBITDA of approximately € 56.0m and € 4.9m, respectively, announced on 18th December, and disclosed that, **as of the end of February, total revenues were up by 42% compared to the same period of 2023.**

Moreover, the company approved the **2024-25 Business Plan, which envisages double-digit growth of the top line** thanks to the consolidation of 100%TurfRecyclers coupled with solid organic growth. Furthermore, the 2024-25 capex plan of a total of € 5.5m will allow the group to improve both the energy and operating efficiency. Moreover, Radici Pietro plans to strengthen the commercial structure in order to gain market share in the most promising segments.

Table 2 – Radici Pietro, 2024-25 Business Plan

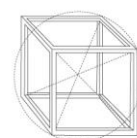
€ m	2022	2023	2024e	2025e	% CAGR ₂₂₋₂₅	% CAGR ₂₃₋₂₅
Marine	5.6	11.9	11.6	12.6	50.7%	2.9%
Residential & Contract	28.3	26.5	30.1	30.7	4.2%	7.6%
Sport	14.1	11.5	18.4	21.5	23.5%	36.7%
Automotive	5.6	6.0	5.8	5.8	2.0%	-1.7%
Total Revenues	53.5	56.0	65.9	70.6	14.9%	12.3%
EBITDA	3.7	4.9	6.6	7.9	46.5%	27.0%
% margin	6.9%	8.8%	10.0%	11.2%	~ +430bps	~ +240bps
Net Debt / (cash)	16.5	16.0	17.9	15.2	-4.1%	-2.5%
Net Debt/EBITDA (x)	4.5	3.3	2.7	1.9		
% on total revenues						
Marine	10%	21%	18%	18%		
Residential & Contract	53%	47%	46%	43%		
Sport	26%	21%	28%	30%		
Automotive	10%	11%	9%	8%		
% YoY						
Marine	-	114%	-3%	9%		
Residential & Contract	-	-6%	14%	2%		
Sport	-	-18%	60%	17%		
Automotive	-	8%	-3%	0%		
Total Revenues	-	5%	18%	7%		

Source: Company data

In 2025, revenues are anticipated to reach € 70.6m from € 56.0m achieved in 2023 (CAGR₂₃₋₂₅ of 12.3%). In terms of business divisions:

- **Marine** is predicted to reach € 12.6m of revenues in 2025 from € 11.9m achieved in 2023 (CAGR₂₃₋₂₅ of 2.9%), with an incidence on total revenues remaining substantially stable at 18% of total. **In 2024, the Marine division will consolidate its dimensions, following the brilliant performance in the last couple of years in the wake of a buoyant post-Covid recovery of the cruise industry** (CAGR₂₀₋₂₃ of 20.0%), and is forecasted to return to growth in 2025. **The growth rates anticipated in the 2024-25 period are higher than our latest estimates.**
- **Residential & Contract** is expected to grow with a CAGR of 7.6%, from € 26.5m registered in 2023 to € 30.7m in 2025, accounting for roughly 43% of the total. Revenues growth forecasted by the company's management came in lower compared to our estimates for the 2024-25 period.

As regards both Marine and Residential & Contract divisions, **Radici Pietro is planning to open two new branches located in Miami and Riyadh** to gain market share in these promising markets. Moreover, for both divisions, the company intends to develop new eco-friendly products that cater to the circular economy needs.



- **Sport** is anticipated to rise at CAGR₂₃₋₂₅ of 36.7%, **driven by the combination of organic growth coupled with the contribution stemming from the acquisition of 100%TurfRecyclers**. Notably, significant revenue synergies are expected to be generated with the introduction of the service of disposal of artificial turfs starting from 2026. **The division is expected to account for roughly one-third of the total revenues at the end of 2025.**
- **Automotive** is expected to total € 5.8m at the end of 2025, thus remaining broadly stable and reducing its weigh on total revenues from 11% in 2023 to 8% in 2025. The figures included in the 2024-25 Business Plan are lower than our latest estimates.

EBITDA is expected to increase more than proportionally compared to top line, from € 4.9m (8.8% margin) delivered in FY-23 to € 7.9m (11.2% margin) in FY-25. The material increases in EBITDA margin (c. +240bps over the period 2024-25) is primarily driven by the combined effect of operating leverage thanks to higher turnover, and the synergistic integration with 100%TurfRecyclers.

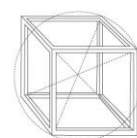
Net Financial Position is predicted to rise from ca. € 16.0m in FY-23 to € 17.9m in FY-24, as a result of the acquisition of 100%TurfRecyclers and the capex plan forecasted for the 2024-25 period. The total investments of € 5.5m, € 3.8m of which in 2024 and € 1.7m in 2025, are mainly intended to 1) renovate the company's machineries and equipment, 2) further improve the overall energy efficiency and, 3) strengthen the commercial structure. However, **Net Financial Position is expected to decline to € 15.2m in 2025, on the back of a solid cash flow generation**, thus lowering the Net Debt/EBTIDA ratio below 2x.

Starting from the 2024-25 figures announced by Radici Pietro, we have rudimentarily calculated that, **organically** (i.e. by excluding 100%TurfRecyclers), **total revenues are expected to rise at high single-digit rate (CAGR₂₃₋₂₅ of 7.5%) while EBITDA is anticipated to grow more than proportionately (CAGR₂₃₋₂₅ of 9.3%).**

Table 3 – Radici Pietro, 2024-25 Business Plan (organic)

€ m	2023	2024	2025	% CAGR ₂₃₋₂₅
Total Revenues	56.0	62.6	64.7	7.5%
EBITDA	4.9	5.8	5.8	9.3%
<i>% margin</i>	8.8%	9.2%	9.0%	~ +20bps

Source: CFO SIM elaboration on company data



Estimates, Valuation & Risks

The synergistic acquisition of 100%TurfRecyclers is **well-aligned with Radici Pietro's strategy** aimed at increasing its offering of high-quality and innovative eco-friendly products, in order to ride the long-term trend related to the circular economy.

In particular, **it will allow to complete the value proposition of the Sport segment**, from the design and development to the disposal of artificial turfs, placing the company among the domestic leaders in this niche and enabling it to compete at the international level, especially in those countries where the awareness for ESG-related issues is perceived as critical.

The 2024-25 Business Plan envisages double-digit top line growth, primarily driven by the expected strong performance of the Sport segment as well as steady growth of the other divisions. **Margins are expected to increase more than proportionately to top line, reflecting 100%TurfRecyclers' profitability well above the group's average.** Organically, EBITDA projections are reasonably conservative considering that margins are expected to be stable at 9.0%.

In addition, the management disclosed that, **in the first two months of 2024 (Jan-Fen), total revenues were up by 42% YoY. Nevertheless, we have to consider that the first months of 2023 were characterised by weak performance in terms of sales.**

Following the acquisition of 100%TurfRecyclers and the announcement of the company's Business Plan 2024-25, **we have updated our estimates** by factoring in 1) the consolidation of the acquired company, 2) a fine-tuning of the revenues mix in order to incorporate the new BP's targets, 3) the upward revision of margins reflecting the strong profitability of 100%TurfRecyclers, and 4) the investment plan of overall € 5.5m in 2024-25. Additionally, we have introduced our estimates for 2026. **The combined result is an average increase of 4.2% and 28.4% in Total Revenues and EBITDA over the 2024-25 period along with a 10.3% increase in Net Financial Position**, due to higher than previously expected capex.

Table 4 – Radici Pietro, 2024e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Total Revenues	65.0	63.0	3.3	2.1
EBITDA	6.5	5.3	22.9	1.2
% margin	10.0	8.4		
EBIT	3.3	2.3	40.2	0.9
% margin	5.0	3.7		
Net Profit	1.9	1.2	50.3	0.6
% margin	2.9	2.0		
Y/E net debt (net cash)	18.2	16.0	13.6	2.2

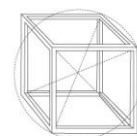
Source: CFO SIM

Table 5 – Radici Pietro, 2025e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Total Revenues	69.9	66.5	5.1	3.4
EBITDA	7.6	5.7	33.9	1.9
% margin	10.9	8.6		
EBIT	4.5	2.8	61.4	1.7
% margin	6.4	4.2		
Net Profit	2.9	1.8	62.5	1.1
% margin	4.1	2.6		
Y/E net debt (net cash)	15.4	14.4	6.9	1.0

Source: CFO SIM

Moreover, we updated **the DCF valuation criteria**, bringing the Free Risk Rate up to date and postponing the first valuation year to 2024. **Our new DCF-based Price Target points to € 2.20/s (€ 1.80)**, with an upside of 111.5% to current price levels. Buy reiterated.



DCF

In our DCF-based valuation, we assess explicit estimates until 2028 and assume a long-term growth rate of 1.0%. Cash flows are discounted back at a weighted average cost of capital calculated according to the following parameters:

Table 6 – WACC derived from:

Interest costs, pre-tax	3.5%
Tax rate	27.5%
Int. costs, after taxes	2.5%
Risk premium, incl. small size premium	9.0%
Risk-free (10Y Gov. Bond 200 days simple moving average)	4.18%
Beta levered (x)	1.00
Required ROE	13.2%

Sources: CFO SIM, Refinitiv Eikon

Risk premium at 9.0% factors in the minute size of the company and virtually all concerns that an investor might have with regard to the Euronext Growth Milan market segment. The WACC is computed using a sustainable 30:70 debt/equity balance-sheet structure.

Table 7 – Radici Pietro, DCF model

€ m	2024e	2025e	2026e	2027e	2028e	TV
EBIT	3.3	4.5	5.4	5.7	5.9	
Tax rate	4.5%	4.5%	20.0%	27.5%	27.5%	
Operating profit (NOPAT)	3.1	4.3	4.3	4.1	4.3	
Change working capital	(3.5)	(2.0)	(2.1)	(1.1)	(0.1)	
Depreciation	3.2	3.2	3.1	2.5	2.0	
Investments	(4.8)	(2.2)	(2.5)	(2.3)	(2.0)	
Free Cash Flows	(1.9)	3.2	2.9	3.3	4.2	47.4
Present value	(1.8)	2.7	2.2	2.3	2.7	30.0
WACC	10.0%	10.0%	10.0%	10.0%	10.0%	
Long-term growth rate	1.0%					

Source: CFO SIM

Table 8 – Radici Pietro, DCF derived from:

€ m	
Total EV present value €m	38.2
<i>thereof terminal value</i>	79%
NFP last reported (based on FY-23 preliminary results)	(16.0)
Pension provision (CFO SIM's FY-23 estimate)	(1.3)
Minorities (valued at 10x PER)	(1.8)
Equity value €m	19.0
# shares m	8.81
Equity value €/s	2.20
% upside/(downside)	111.5%

Source: CFO SIM

The application of our DCF model returns **an equity value of Radici Pietro of € 19.0m, € 2.20/s (€ 1.80).**

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value between **€ 1.87 – 2.50/s (perpetuity range between 0.25% and 1.75%)**, while, 2) if compared to changes in the free-risk rate, it produces an equity value of **€ 1.88 – 2.47/s (free risk range between 4.93% and 3.43%)** and, 3) if compared to changes in the risk premium, including small size premiums, it results in an equity value of **€ 2.82 – 1.63/s (risk premium range between 10.50 % and 7.50%)**.

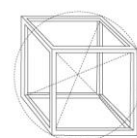


Table 9 – Radici Pietro, equity value sensitivity to changes in terminal growth rate

€ m	0.25%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%
Present value of CF	8.1	8.1	8.1	8.1	8.1	8.1	8.1
PV of terminal value	27.5	28.3	29.2	30.0	31.0	32.0	33.0
Total value	35.7	36.5	37.3	38.2	39.1	40.1	41.2
NFP	(16.0)	(16.0)	(16.0)	(16.0)	(16.0)	(16.0)	(16.0)
Pension provision	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)
Minorities	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)
Equity value €m	16.5	17.3	18.1	19.0	19.9	20.9	22.0
# shares m	8.8	8.8	8.8	8.8	8.8	8.8	8.8
Equity value €/s	1.87	1.96	2.06	2.20	2.26	2.38	2.50

Source: CFO SIM

Table 10 – Radici Pietro, equity value sensitivity to changes in free risk rate

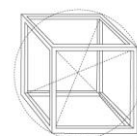
€ m	3.43%	3.68%	3.93%	4.18%	4.43%	4.68%	4.93%
Present value of CF	8.3	8.2	8.2	8.1	8.1	8.0	8.0
PV of terminal value	32.6	31.7	30.9	30.0	29.2	28.5	27.7
Total value	40.9	40.0	39.1	38.2	37.3	36.5	35.7
NFP	(16.0)	(16.0)	(16.0)	(16.0)	(16.0)	(16.0)	(16.0)
Pension provision	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)
Minorities	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)
Equity value €m	21.8	20.8	19.9	19.0	18.2	17.3	16.6
# shares m	8.8	8.8	8.8	8.8	8.8	8.8	8.8
Equity value €/s	2.47	2.36	2.26	2.20	2.06	1.97	1.88

Source: CFO SIM

Table 11 – Radici Pietro, equity value sensitivity to changes in risk premium

€ m	7.50%	8.00%	8.50%	9.00%	9.50%	10.00%	10.50%
Present value of CF	8.5	8.3	8.2	8.1	8.0	7.9	7.9
PV of terminal value	35.6	33.6	31.7	30.0	28.5	27.0	25.7
Total value	44.1	41.9	40.0	38.2	36.5	35.0	33.6
NFP	(16.0)	(16.0)	(16.0)	(16.0)	(16.0)	(16.0)	(16.0)
Pension provision	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)
Minorities	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)
Equity value €m	24.9	22.8	20.8	19.0	17.3	15.8	14.4
# shares m	8.8	8.8	8.8	8.8	8.8	8.8	8.8
Equity value €/s	2.82	2.58	2.36	2.20	1.97	1.79	1.63

Source: CFO SIM



Market Multiples

Radici Pietro operates in the textile flooring market. It designs, manufactures and sells a wide range of various textile floor coverings. Thanks to its large product portfolio, the group is able to work in numerous industries, namely: Residential & Contract, Marine, Sport and Automotive. We have included seven peers in our sample. They are both domestic and foreign B2B players, operating in the same industries as those being targeted by Radici Pietro:

Aquafil SpA: the company provides filaments for textile floorings to carpet manufacturers and synthetic fibres for the clothing, swimwear, and sportswear sectors. Aquafil provides engineering services, such as the supply of complete production plants, supervision of erection and start-ups, training for plant operators, and modernisation of plants.

Belysse Group NV: the company designs and distributes worldwide broadloom carpets, mechanically woven rugs, modular carpet tiles, and other upholstery products for events, buildings, automotive, printing, and other industries.

Interface Inc.: the company manufactures, markets, installs, and supplies products for the commercial and institutional interiors market. The company provides modular carpets, panel fabrics for use in open-plan office furniture systems, and complementary products, as well as carpet replacement, installation, and maintenance services.

Mohawk Industries Inc.: the company designs, manufactures, sources, distributes, and markets flooring for residential and commercial applications. The company offers carpet, ceramic tile, laminate, wood, stone, vinyl, and rugs. Mohawk markets residential and commercial flooring in the United States, and residential flooring in Europe.

Somec SpA: the company manufactures and distributes glass envelopes for cruise ships and other architectural projects. The group provides balcony sliding doors, windows, balustrades, and dividers, as well as windscreens, skylights, sky walls, and fire-resistant products.

Tarkett SA: the company offers a wide range of flooring solutions such as vinyl, laminate, wood, carpet rolls and tiles, linoleum, artificial turf, and accessories.

Victoria Plc: the company designs, manufactures, and distributes flooring products. The company offers carpet, ceramic and porcelain tiles, underlay, LVT, artificial grass, and flooring accessories. Victoria serves customers in the United Kingdom, Australia, and Canada.

Table 12 – Radici Pietro, peer group summary table

€ m	Country	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA %	Sales CAGR ₂₃₋₂₆	EBITDA CAGR ₂₃₋₂₆	EBIT CAGR ₂₃₋₂₆	EPS CAGR ₂₄₋₂₆	NFP / EBITDA
Aquafil SpA	Italy	130	608	71	11.7%	-0.8%	-1.8%	-8.1%	n.m.	2.9
Belysse Group NV	Belgium	26	295	41	13.9%	0.5%	9.3%	21.9%	73.2%	3.8
Interface Inc	USA	800	1,172	152	13.0%	3.4%	8.8%	13.2%	15.6%	n.a.
Mohawk Industries Inc	USA	6,846	10,088	1,325	13.1%	2.3%	6.1%	10.5%	16.2%	1.0
Somec SpA	Italy	104	379	25	6.5%	11.3%	23.4%	65.8%	n.m.	2.7
Tarkett SA	France	597	3,191	282	8.8%	n.a.	n.a.	n.a.	n.m.	1.0
Victoria PLC	UK	317	1,496	197	13.2%	-1.4%	0.0%	14.7%	18.7%	4.6
Median		317	1,172	152	13.0%	1.4%	7.5%	13.9%	17.5%	2.8
Radici Pietro Industries & Brands SpA	Italy	9	65	7	10.0%	10.3%	20.5%	42.9%	25.7%	2.8

Source: CFO SIM, Refinitiv Eikon

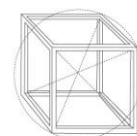


Table 13 – Radici Pietro, peer group EV multiples table

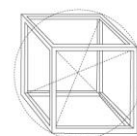
x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
Aquafil SpA	0.56	0.50	n.a.	4.8	3.9	n.a.
Belysse Group NV	0.61	0.58	0.54	4.4	4.0	3.7
Interface Inc	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Mohawk Industries Inc	0.81	0.74	0.68	6.2	5.4	4.7
Somec SpA	0.45	0.37	0.29	6.9	4.7	3.4
Tarkett SA	0.27	n.a.	n.a.	3.1	n.a.	n.a.
Victoria PLC	0.81	0.33	0.33	6.2	2.4	2.3
Median	0.58	0.50	0.44	5.5	4.0	3.6
Radici Pietro Industries & Brands SpA	0.42	0.35	0.29	4.2	3.2	2.6
% Prem./disc.)	(28.0)	(28.9)	(32.8)	(23.1)	(19.6)	(27.5)

Source: CFO SIM, Refinitiv Eikon

Table 14 – Radici Pietro, peer group EV & price multiples table

x	EBIT FY1	EBIT FY2	EBIT FY3	PER FY1	PER FY2	PER FY3
Aquafil SpA	18.4	11.0	n.a.	43.7	13.4	10.4
Belysse Group NV	8.6	7.2	6.6	12.8	6.4	4.3
Interface Inc	n.a.	n.a.	n.a.	14.1	12.7	10.6
Mohawk Industries Inc	10.7	9.3	7.4	12.1	10.6	9.0
Somec SpA	22.5	10.1	6.2	51.4	13.2	8.4
Tarkett SA	8.4	n.a.	n.a.	9.7	n.a.	n.a.
Victoria PLC	13.0	5.1	4.6	10.7	9.4	7.6
Median	11.9	9.3	6.4	12.8	11.7	8.7
Radici Pietro Industries & Brands SpA	8.4	5.5	4.1	4.9	3.2	3.1
% Prem./disc.)	(29.6)	(41.2)	(36.3)	(61.6)	(72.3)	(64.1)

Source: CFO SIM, Refinitiv Eikon



Peer Stock Performance

Radici Pietro was listed on Euronext Growth Milan on 26th July 2019 at € 3.10/share, corresponding to a post-money market capitalisation of € 26.7m. The stock reached a 1Y maximum price of € 1.61/s on 21-Aug-23 and a minimum price of € 1.04/s on 14-Mar-23.

Table 15 – Radici Pietro, peer group and index absolute performance

	1D	1W	1M	3M	6M	YTD	1Y
Aquafil SpA	(2.4)	(6.4)	(10.4)	(5.8)	5.8	(12.4)	(40.9)
Belysse Group NV	(5.6)	(13.7)	7.6	7.3	(16.7)	(1.7)	(38.2)
Interface Inc	(3.0)	(2.0)	8.9	24.8	51.1	18.5	88.9
Mohawk Industries Inc	(3.8)	(3.8)	0.4	10.6	24.7	13.0	23.7
Somec SpA	(3.5)	(37.2)	(40.9)	(46.6)	(51.1)	(47.4)	(46.4)
Tarkett SA	0.7	(3.2)	(6.2)	(0.4)	(12.9)	(2.8)	(22.6)
Victoria PLC	5.2	(6.2)	(15.9)	(25.9)	(62.6)	(22.7)	(58.6)
Median	(3.0)	(6.2)	(6.2)	(0.4)	(12.9)	(2.8)	(38.2)
Radici Pietro Industries & Brands SpA	(1.0)	(12.6)	(6.3)	(9.6)	(16.8)	(8.8)	(2.8)
MSCI World Index	(0.4)	(0.3)	2.8	8.1	13.4	6.7	28.2
EUROSTOXX	(0.1)	0.4	4.3	7.1	12.5	7.4	17.9
FTSE Italia All Share	(0.3)	1.1	6.3	10.9	16.6	10.6	29.8
FTSE Italia STAR	(0.9)	(0.1)	(0.2)	(0.1)	5.8	(3.1)	(3.1)
FTSE Italia Growth	(0.5)	(1.2)	(1.2)	(0.5)	(7.2)	(3.4)	(12.9)

Source: Refinitiv Eikon

Table 16 – Radici Pietro relative performances

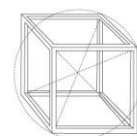
	1D	1W	1M	3M	6M	YTD	1Y
To peer Peers Median	2.1	(6.4)	(0.1)	(9.1)	(3.9)	(6.0)	35.4
To MSCI World Index	(0.5)	(12.3)	(9.1)	(17.7)	(30.2)	(15.5)	(31.0)
To EUROSTOXX	(0.8)	(13.0)	(10.6)	(16.6)	(29.3)	(16.2)	(20.7)
To FTSE Italia All Share	(0.7)	(13.7)	(12.6)	(20.4)	(33.4)	(19.4)	(32.6)
To FTSE Italia STAR	(0.1)	(12.5)	(6.1)	(9.4)	(22.6)	(5.7)	0.3
To FTSE Italia Growth	(0.5)	(11.4)	(5.1)	(9.1)	(9.6)	(5.4)	10.1

Source: Refinitiv Eikon

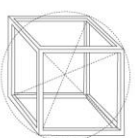
Risks

The principal investment **risks** associated with Radici Pietro include:

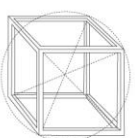
- Impact on P&L and balance sheet profiles triggered by a sharp decline in global economic growth and geopolitical instability;
- The introduction of new production technologies, not implemented by the group, may reduce its competitive advantage;
- Exposure to foreign exchange rate risk;
- Departure of one, or a few, of the key people.



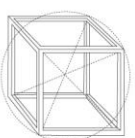
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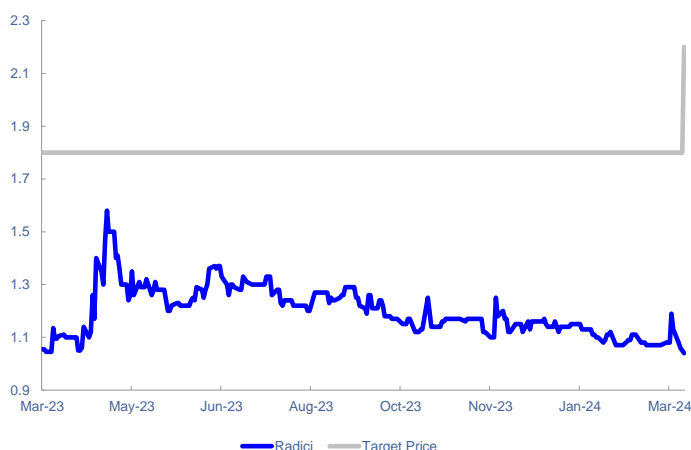
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DATE	TARGET PRICE	RATING
15/03/2024	€2.20	BUY
20/12/2023	€1.80	BUY
19/10/2023	€1.80	BUY
18/04/2023	€1.80	BUY

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RATING SYSTEM

- a **BUY** rating is assigned if the target price is at least 15% higher than the market price;
- a **SELL** rating is assigned if the target price is at least 15% lower than the market price;
- a **NEUTRAL** rating is assigned if the difference between the current price and target price lies within the +/-15% range identified using the preceding criteria.

The rating is determined on the basis of the **expected absolute return over a 12-month period** and not on the basis of the estimated outperformance or underperformance relative to a market index. Thus, the rating can be directly linked to the estimated percentage difference between current and target prices. The prices of the financial securities mentioned in the report (also used for the calculation of market capitalisation and market multiples) are the reference prices of the stock market trading day preceding the publication date of the report, otherwise stated.

