

Italy – Textile Flooring

Rather resilient results confirm the long-term Buy

30th September 2020

H1-20 RESULTS RELEASE

RIC: RADIC.MI
BBG: RAD IM

H1-20 results were heavily impacted by the COVID-19 pandemic, even if revenues were 10% higher than the company's budget and driven by strong demand for artificial turf surfaces. New business opportunities may arise from innovative treatment able to reduce the COVID-19 viral load on textile floorings. Estimates and PT upgrade, huge long-term upside.

Rating:

Buy

Price Target:

€ 2.90 (€ 2.70)

Upside/(Downside): 116.4%

Last Price: € 1.34

Market Cap.: € 11.5m

1Y High/Low: € 3.20 / € 1.32

Free Float: 23.2%

Major shareholders:

MRFoC 70.7%
Radici Family 6.1%



Stock price performance

	1M	3M	12M
Absolute	-2.2%	-20.2%	-48.7%
Rel.to AIM Italia	-1.9%	-16.0%	-31.9%
Rel.to Peers median	2.0%	-13.5%	-7.3%

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New PT of € 2.90/s (€ 2.70), 116.4% upside. Long-term Buy reiterated

The company confirmed its 2020-22 Business Plan targets, thanks to a good recovery of the Automotive segment, mainly in the US, and the increasing demand for artificial turf pitches both in the domestic market and abroad. On the back of H1-20 results, slightly better than the company's expectations, we have updated our model almost aligning our FY-20 projections with the guidance provided to the market. The combined result is a 1.5%, 7.2% and 9.9% upgrade in revenues, EBITDA and Net Profit, respectively, in 2020-22. As a consequence of upgrading estimates and bringing the risk-free rate up-to-date, we set a new DCF-based PT of € 2.90/s (€ 2.70), 116.4% upside to current price levels. We reiterated our long-term Buy recommendation on the stock.

H1-20 revenues weak but better than company expectations

In H1-20 revenues declined by 36.0% YoY to € 19.4m, mainly as a result of almost one month of total lockdown and nearly zero revenues coupled with considerably lower demand stemming from the COVID-19 pandemic in all the industries served by the group. The Marine segment dropped by 57.0% YoY to € 1.9m, on the back of a slowdown in the shipyard activity and the postponement of refitting investment by ship-owners. Residential & Contracted totalled € 10.0m, down 32.1% YoY, mainly as a result of the cancellation of fairs, events and fashion shows worldwide as well as a decline in the renovation activity of luxury hotels and resorts. Sport sales declined by 13.6% YoY to € 4.3m, showing some resiliency thanks to an increasing demand for artificial turf pitches. The Automotive segment plummeted by 48.1% to € 3.2m, on the back of the production interruption by the group's clients. Foreign revenues stood at € 11.5m, 59.5% of total.

Profitability sustained by cost savings

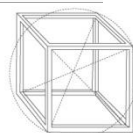
EBITDA was € 0.4m, 1.9% margin. The decrease in margin was related to volume decline, partially counterbalanced by some cost containment, namely lower personnel expenses thanks to the use of the Wages Guarantee Fund (i.e. "Cassa Integrazione"). Net Profit became negative for € 1.0m, after D&A of € 1.4m, financial charges for € 352k and financial income for € 403k (almost €300k of which stemming from the disposal of ROI). Net Financial Position stood at € 19.7m, slightly higher compared to the adjusted pro-forma figure at end-19 (€ 18.8m) thanks to good WC management.

A new innovative treatment for textile floorings reducing the COVID-19 viral load

Last 9th September Radici Pietro announced that it had obtained a scientific report from a primary ISO 17025 accredited laboratory, which certifies that the company is able to produce and offer textile floorings made from natural or synthetic fibres capable of reducing the viral load of SARS-Cov-2 (COVID-19) by 99.9% and 99.4% respectively. This is unquestionably going to strengthen the group's competitive positioning in all the industries served, namely Residential & Contract, Marine, Sport and Automotive.

Radici Pietro, key financials and ratios

€ m	2018PF	2019PF	2020e	2021e	2022e
Total Revenues	60.3	59.4	40.5	56.9	64.5
EBITDA	4.6	6.8	1.4	4.8	6.2
EBIT	1.9	4.0	(1.8)	1.7	3.1
Net profit	1.4	5.6	(2.2)	1.0	2.3
NFP (cash)/debt	29.7	22.0	19.1	20.8	20.4
EBITDA margin	7.7%	11.4%	3.4%	8.4%	9.6%
EBIT margin	3.1%	6.7%	-4.3%	3.0%	4.8%
EPS €	0.16	0.65	(0.26)	0.11	0.27
EPS growth	27.5%	293.5%	-139.5%	144.6%	135.4%
Free Cash Flow Yield	-	5.5%	1.5%	-14.7%	3.1%
PER x	-	3.9	neg.	11.7	5.0
PCF x	-	2.6	12.2	2.8	2.1
EV/Sales x	-	0.74	0.76	0.57	0.50
EV/EBITDA x	-	6.5	21.9	6.8	5.1
EV/EBIT x	-	11.0	neg.	19.1	10.4



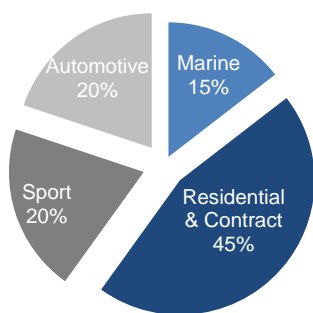
The Company at a Glance

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 carpet floorings, artificial turfs and non-woven fabrics, all of which 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.

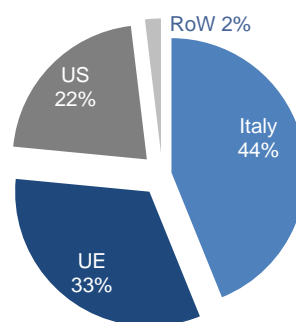
The group's global export sales are 56% of total revenues. 45% of turnover comes from the Residential & Contract segment, 20% from Sport, 20% from Automotive and 15% from Marine. In terms of products, tufting accounts for 39%, non-woven for 18%, artificial turf for 15% and weaving for 13%, while the remaining 15% comes from marketed items.

Radici Pietro has been showing a good growth path since the current management team took over in 2012: 7.9% turnover CAGR in the 2012-2019 period, entirely organic. In 2019, pro forma revenues were € 59.4m, EBITDA reached € 6.8m (11.4% margin) and Net Profit totalled € 5.6m. Net Financial Position was € 22.0m.

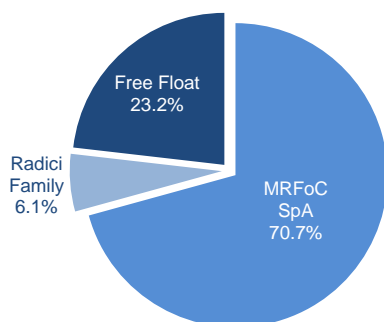
2019PF breakdown by industry...



... and by geography



Shareholder structure



Peer group absolute performance

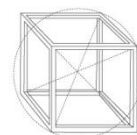
%	1D	1W	1M	3M	6M	YTD
Aquafil SpA	0.6	(0.1)	(2.2)	(8.1)	6.5	(43.2)
Balta Group NV	0.0	1.0	(4.2)	(6.8)	15.1	(63.0)
Interface Inc	(3.1)	(0.6)	(15.6)	(24.1)	(18.3)	(62.7)
Mohawk Industries Inc	(2.2)	(0.0)	4.7	(5.4)	26.3	(29.4)
Somec SpA	(0.4)	(11.0)	(17.0)	(29.7)	(15.1)	(48.8)
Tarkett SA	27.9	29.7	8.9	12.1	35.1	(19.4)
Victoria PLC	0.2	(3.0)	(12.0)	10.8	47.4	(28.4)
Median	0.0	(0.1)	(4.2)	(6.8)	15.1	(43.2)
Radici Pietro SpA	(1.5)	(2.9)	(2.2)	(20.2)	(8.2)	(43.5)

Source: Thomson Reuters Eikon

Peer group multiples table

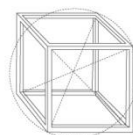
Price & EV multiples x	SALES FY1	SALES FY2	EBITDA FY1	EBITDA FY2	EBIT FY1	EBIT FY2	PER FY1	PER FY2
Aquafil SpA	0.86	0.70	7.2	5.4	52.8	17.0	neg.	14.5
Balta Group NV	0.67	0.57	7.2	4.9	48.5	10.6	neg.	3.1
Interface Inc	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	5.2	4.6
Mohawk Industries Inc	0.95	0.84	7.5	5.9	16.1	10.4	16.4	11.7
Somec SpA	0.62	0.47	7.2	4.7	17.1	8.2	22.1	9.8
Tarkett SA	0.52	0.48	6.4	5.0	20.4	11.9	85.2	13.0
Victoria PLC	1.31	1.08	9.1	6.1	14.2	9.1	18.1	9.2
Median	0.76	0.64	7.2	5.2	18.7	10.5	18.1	9.8
Radici Pietro SpA	0.76	0.57	21.9	6.8	neg.	19.1	neg.	11.7

Source: CFO SIM, Thomson Reuters Eikon





Income statement (€ m)	2018PF	2019PF	2020e	2021e	2022e
Total Revenues	60.3	59.4	40.5	56.9	64.5
Value of Production	62.1	63.9	38.8	57.4	65.8
Raw material and processing	(31.2)	(30.5)	(17.1)	(27.6)	(31.6)
Services	(15.5)	(16.0)	(11.6)	(14.4)	(16.5)
Personnel expenses	(9.4)	(9.3)	(7.9)	(9.6)	(10.2)
Other opex	(1.2)	(1.3)	(0.8)	(1.1)	(1.3)
EBITDA	4.6	6.8	1.4	4.8	6.2
D&A	(2.8)	(2.8)	(3.2)	(3.1)	(3.1)
EBIT	1.9	4.0	(1.8)	1.7	3.1
Financials	(0.4)	2.0	(0.7)	(0.7)	(0.7)
Re/(Devaluation) of financial assets	(0.0)	(0.3)	0.3	0.0	0.0
Extraordinary	0.0	0.0	0.0	0.0	0.0
Pre-Tax profit	1.5	5.8	(2.1)	1.0	2.4
Income taxes	(0.1)	(0.2)	(0.1)	(0.0)	(0.1)
Minorities	0.0	0.0	0.0	0.0	0.0
Net Profit	1.4	5.6	(2.2)	1.0	2.3
Net Profit adj.	1.4	5.6	(2.2)	1.0	2.3
Balance sheet (€ m)	2018PF	2019PF	2020e	2021e	2022e
Net Working Capital	20.0	23.2	20.8	23.7	25.8
Net Fixed Assets	34.4	34.2	33.1	34.0	34.3
Equity Investments	1.3	0.0	0.0	0.0	0.0
Other M/L Term A/L	(1.8)	(1.6)	(3.2)	(4.4)	(4.9)
Net Invested Capital	54.0	55.8	50.7	53.3	55.3
Net Financial Position	29.7	22.0	19.1	20.8	20.4
Minorities	0.0	0.0	0.0	0.0	0.0
Group's Shareholders Equity	24.3	33.8	31.6	32.6	34.9
Financial Liabilities & Equity	54.0	55.8	50.7	53.3	55.3
Cash Flow statement (€ m)	2018PF	2019PF	2020e	2021e	2022e
Total net income	1.4	5.6	(2.2)	1.0	2.3
Depreciation	2.8	2.8	3.2	3.1	3.1
Other non-cash charges	2.9	(0.4)	(1.2)	1.2	0.5
Cash Flow from Oper. (CFO)	7.1	8.0	(0.3)	5.2	5.9
Change in NWC	(2.6)	(3.2)	2.4	(2.9)	(2.1)
FCF from Operations (FCFO)	4.5	4.7	2.2	2.3	3.9
Net Investments (CFI)	(2.2)	(7.3)	1.2	(4.0)	(3.5)
Free CF to the Firm (FCFF)	2.2	(2.5)	3.3	(1.7)	0.4
CF from financials (CFF)	(2.9)	5.2	(2.9)	0.0	(0.0)
Free Cash Flow to Equity (FCFE)	(0.6)	2.7	0.4	(1.7)	0.4
Financial ratios	2018PF	2019PF	2020e	2021e	2022e
EBITDA margin	7.7%	11.4%	3.4%	8.4%	9.6%
EBIT margin	3.1%	6.7%	-4.3%	3.0%	4.8%
Net profit margin	2.4%	9.4%	-5.4%	1.7%	3.6%
Tax rate	4.4%	2.9%	-4.5%	4.5%	4.5%
Op NWC/Sales	32.2%	36.4%	53.6%	41.3%	39.2%
Interest coverage x	0.19	(0.51)	(0.37)	0.39	0.21
Net Debt/EBITDA x	6.42	3.25	13.66	4.35	3.29
Debt-to-Equity x	1.22	0.65	0.60	0.64	0.59
ROIC	2.6%	10.0%	-4.4%	1.8%	4.2%
ROCE	3.0%	5.8%	-3.0%	2.8%	4.8%
ROACE	3.1%	6.1%	-2.8%	2.8%	4.9%
ROE	5.8%	16.5%	-7.0%	3.0%	6.6%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Per share figures	2018PF	2019PF	2020e	2021e	2022e
Number of shares # m	8.62	8.62	8.62	8.62	8.62
Number of shares Fully Diluted # m	8.62	9.92	9.92	9.92	9.92
Average Number of shares Fully Diluted # m	8.62	9.27	9.92	9.92	9.92
EPS stated €	0.16	0.65	(0.26)	0.11	0.27
EPS adjusted €	0.16	0.65	(0.26)	0.11	0.27
EBITDA €	0.54	0.79	0.16	0.55	0.72
EBIT €	0.22	0.46	(0.20)	0.20	0.36
BV €	2.82	3.92	3.66	3.78	4.05
FCFO €	0.52	0.55	0.25	0.27	0.45
FCFF €	0.26	(0.29)	0.39	(0.20)	0.04
FCFE €	(0.07)	0.31	0.05	(0.20)	0.04
Dividend €	0.00	0.00	0.00	0.00	0.00



Top line affected by COVID-19 less than expected

Radici Pietro achieved H1-20 results heavily impacted by COVID-19, even if revenues were 10% higher than the company's budget, mainly as a result of the significantly increasing demand for artificial turf surfaces. Pro-forma results show the group's financial statement without ROI Automotive Technologies, consistently with the scope of listing.

Table 1 – Radici Pietro, H1-20 results

€ m	H1-20	H1-19PF	% YoY
Marine	1.9	4.5	(57.0)
Residential & Contract	10.0	14.7	(32.1)
Sport	4.3	4.9	(13.6)
Automotive	3.2	6.1	(48.1)
Total Revenues	19.4	30.3	(36.0)
Other	1.0	1.2	(16.3)
Value of Production	20.3	31.4	(35.3)
Raw material and processing	(9.8)	(15.3)	
Services	(5.7)	(8.1)	
Personnel expenses	(3.9)	(4.8)	
Other opex	(0.5)	(0.6)	
EBITDA	0.4	2.6	(85.8)
% margin	1.9	8.5	
D&A	(1.4)	(1.4)	
EBIT	(1.1)	1.2	n.m.
% margin	(5.6)	4.0	
Financials	0.1	(0.4)	
Re/(Devaluation) of financial assets	-	(0.0)	
Pre-Tax profit	(1.0)	0.8	n.m.
% margin	(5.3)	2.6	
Income taxes	(0.0)	(0.1)	
Tax rate	-1.1%	18.2%	
Minorities	-	-	
Net Profit	(1.0)	0.7	n.m.
% margin	(5.4)	2.2	

Source: Company data, CFO SIM analysis

In H1-20 revenues declined by 36.0% YoY to € 19.4m, mainly as a result of almost one month of total lockdown and nearly zero revenues coupled with considerably lower demand stemming from the COVID-19 pandemic in all the industries served by the group.

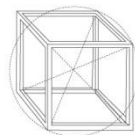
- **The Marine segment dropped by 57.0% YoY to € 1.9m**, on the back of a slowdown in the shipyard activity and the postponement of refitting investment by ship-owners.
- **Residential & Contracted totalled € 10.0m, down 32.1% YoY**, mainly as a result of the cancellation of fairs, events and fashion shows worldwide as well as the decline in the renovation activity of luxury hotels and resorts.
- **Sport sales declined by 13.6% YoY to € 4.3m**, showing some resiliency thanks to the increasing demand for artificial turf pitches.
- **The Automotive segment plummeted by 48.1% to € 3.2m**, on the back of the production interruption by the group's clients. It is worth noting that, in the first months of H2 some recovery in the order inflow was gained, mainly in the US.

Foreign revenues totalled € 11.5m, 59.5% of total (vs € 17.0m, 56.1% of total in H1-19PF).

EBITDA was € 0.4m, 1.9% margin. The decrease in margin was related to volume decline, partially counterbalanced by some cost containment, namely lower personnel expenses thanks to the use of the Wages Guarantee Fund (i.e. "Cassa Integrazione").

Net Profit became negative for € 1.0m, after D&A of € 1.4m, financial charges for € 352k and financial income for € 403k (almost € 300k of which related to the disposal of ROI).

Net Financial Position stood at € 19.7m, slightly higher compared to the adjusted pro-forma figure at end-19 (€ 18.8m) thanks to good WC management.



Recent Developments

Last 9th September Radici Pietro announced that it had obtained a scientific report from a primary ISO 17025 accredited laboratory, which certifies that the company is able to produce and offer **textile floorings made from natural or synthetic fibres capable of reducing the viral load of SARS-Cov-2 (COVID-19) by 99.9% and 99.4% respectively**. Furthermore, this process innovation developed by the group thanks to its strong R&D activity allows to reduce the presence of any other bacteria on textile surfaces by 99.9%.

Radici Pietro is **the first textile flooring manufacturer worldwide to achieve a scientific report by an accredited laboratory** about the ability to reduce the viral load of COVID-19 on its products. This is unquestionably going to **strengthen the group's competitive positioning within all the industries served**, namely Residential & Contract, Marine, Sport and Automotive.

2020-22 Business Plan

Despite the significant changes to the group's reference markets stemming from the COVID-19 pandemic, Radici Pietro decided to define a three-year business plan (2020-22) and present it to the market last June. **Radici Pietro is one of the very few bold issuers listed on AIM Italia to provide the market with medium-term guidance**. Thus, we believe management has appropriate control of the variables influencing the business and the budgeting process is properly managed.

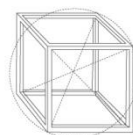
Industrial highlights:

- **Product innovation:** the group intends to strengthen its focus on new innovative products, namely antibacterial and antiviral textile floorings and ecological surfaces made from recycled fibres (i.e. ECONYL®).
- **Sport segment:** development of artificial turf systems that are 100% micro-plastic free, eco-friendly and recyclable paired with high-level performance, reliability and competitive prices.
- **Decision makers:** strengthening of partnership with designers and architectural firms in order to influence the market and anticipate new trends.

Table 2 – Radici Pietro, 2020-22 business plan financial highlights

€ m	2019PF	2020e	2021e	2022e
Total Revenues	59.4	41.0	58.0	68.0
EBITDA	6.8	1.4	5.0	6.7
<i>EBITDA margin</i>	<i>11.4%</i>	<i>3.4%</i>	<i>8.6%</i>	<i>9.9%</i>
Net Profit	5.6	(2.3)	1.4	2.8
Y/E net debt (net cash)	22.0	18.9	21.0	20.0
Group Equity	33.8	31.5	33.0	35.7
% on total revenues				
<i>Marine</i>	<i>15.0%</i>	<i>10.0%</i>	<i>14.0%</i>	<i>14.0%</i>
<i>Residential & Contract</i>	<i>45.0%</i>	<i>46.0%</i>	<i>44.0%</i>	<i>45.0%</i>
<i>Sport</i>	<i>20.0%</i>	<i>25.0%</i>	<i>23.0%</i>	<i>22.0%</i>
<i>Automotive</i>	<i>20.0%</i>	<i>19.0%</i>	<i>19.0%</i>	<i>20.0%</i>

Source: Company data



Valuation & Risks

The company confirmed its 2020-22 Business Plan's targets, thanks to a good recovery of the Automotive segment, mainly in the US, and the increasing demand for artificial turf pitches both in the domestic market and abroad. On the back of H1-20 results, slightly better than company's expectations, **we have updated our model almost aligning our FY-20 projections with the guidance provided by the group to the market.** However, we still assume a more conservative stance for 2021-22. The combined result is a 1.5%, 7.2% and 9.9% upgrade in revenues, EBITDA and Net Profit, respectively, in 2020-22

As a consequence of upgrading estimates and bringing the risk-free-rate up to date, **we set a new DCF-based PT of € 2.90/s (€ 2.70)**, 116.4% upside to current price levels. **CFO SIM reiterates its long-term Buy recommendation on the stock:** the group offers more than enough equity and near zero intangibles in addition to long-term debt facilities required to adequately run operations. The firm is properly equipped to weather the current poor market conditions and to benefit from a future demand trend reversal, even exploiting the new business opportunities stemming from the innovative treatment able to reduce the COVID-19 viral load on textile floorings.

Table 3 – Radici Pietro, 2020e new/old estimates

€m	New	Old	% Diff.	€m Diff.
Total Revenues	40.5	40.0	1.5	0.6
EBITDA	1.4	1.2	12.6	0.2
% margin	3.4	3.1		
EBIT	(1.8)	(2.2)	21.5	0.5
% margin	(4.3)	(5.6)		
Net Profit	(2.2)	(2.5)	10.9	0.3
% margin	(5.4)	(6.2)		
Y/E net debt (net cash)	19.1	19.3	-1.1	(0.2)

Source: CFO SIM

Table 4 – Radici Pietro, 2021e new/old estimates

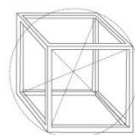
€m	New	Old	% Diff.	€m Diff.
Total Revenues	56.9	56.0	1.5	0.8
EBITDA	4.8	4.6	4.9	0.2
% margin	8.4	8.1		
EBIT	1.7	1.7	1.8	0.0
% margin	3.0	3.0		
Net Profit	1.0	1.0	3.1	0.0
% margin	1.7	1.7		
Y/E net debt (net cash)	20.8	21.0	-1.0	(0.2)

Source: CFO SIM

Table 5 – Radici Pietro, 2022e new/old estimates

€m	New	Old	% Diff.	€m Diff.
Total Revenues	64.5	63.6	1.4	0.9
EBITDA	6.2	6.0	3.9	0.2
% margin	9.6	9.4		
EBIT	3.1	2.8	12.0	0.3
% margin	4.8	4.3		
Net Profit	2.3	2.0	15.8	0.3
% margin	3.6	3.1		
Y/E net debt (net cash)	20.4	20.6	-1.0	(0.2)

Source: CFO SIM



DCF

In the valuation via the DCF method, we assess explicit estimates until 2024 and assume 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)	1.35%
Beta levered (x)	1.00
Required ROE	10.3%

Source: CFO SIM, Thomson Reuters Eikon

Risk premium at 9.0% factors in the minute size of the company and virtually all the AIM Italia market segment related concerns and disquiet that an investor might have. The WACC is computed using 30/70 debt/equity sustainable balance-sheet structure.

Table 7 – Radici Pietro, DCF model

€m	2020e	2021e	2022e	2023e	2024e	Term. Val.
EBIT	(1.8)	1.7	3.1	4.2	5.4	
Tax rate	4.5%	4.5%	4.5%	4.5%	27.5%	
Operating profit (NOPAT)	(1.7)	1.6	2.9	4.0	3.9	
Change working capital	2.4	(2.9)	(2.1)	(1.5)	(0.1)	
Depreciation	3.2	3.1	3.1	3.0	2.0	
Investments	(2.0)	(4.0)	(3.5)	(2.5)	(2.0)	
Free Cash Flows	1.9	(2.2)	0.5	3.0	3.9	55.8
Present value	1.9	(2.0)	0.4	2.3	2.8	40.2
WACC	8.0%	8.0%	8.0%	8.0%	8.0%	
Long-term growth rate	1.0%					

Source: CFO SIM

Table 8 – Radici Pietro, DCF derived from:

€m	
Total EV present value €m	45.6
	<i>thereof terminal value</i>
	88%
NFP adj. last reported	(18.8)
Pension last reported	(1.7)
Equity value €m	25.1
# shares m	8.6
Equity value €/s	2.90
<i>% upside/(downside)</i>	<i>116.4%</i>

Source: CFO SIM

The outcome of our DCF model set up an equity value of € 25.1m for Radici Pietro, € 2.90/s (€ 2.70).

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value between **€ 2.43 – 3.51/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 **€ 2.49 – 3.41/s (free risk range between 2.10% and 0.60%)** and, 3) if compared to changes in the risk premium, including small size premium, it results in an equity value of **€ 2.12 – 3.99/s (risk premium range between 10.50 % and 7.50%)**.

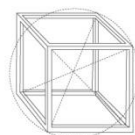


Table 9 – Radici Pietro, equity value sensitivity to changes in terminal growth rate

€m	0.25%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%
Present value of CF	5.4	5.4	5.4	5.4	5.4	5.4	5.4
PV of terminal value	36.0	37.3	38.7	40.2	41.8	43.5	45.3
Total value	41.4	42.7	44.1	45.6	47.2	48.9	50.7
NFP adj. last reported	(18.8)	(18.8)	(18.8)	(18.8)	(18.8)	(18.8)	(18.8)
Pension last reported	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)
Equity value €m	21.0	22.2	23.6	25.1	26.7	28.4	30.3
# shares m	8.6	8.6	8.6	8.6	8.6	8.6	8.6
Equity value €/s	2.43	2.58	2.74	2.90	3.10	3.30	3.51

Source: CFO SIM

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

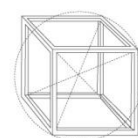
€m	0.60%	0.85%	1.10%	1.35%	1.60%	1.85%	2.10%
Present value of CF	5.5	5.4	5.4	5.4	5.3	5.3	5.3
PV of terminal value	44.4	42.9	41.5	40.2	38.9	37.8	36.6
Total value	49.8	48.3	46.9	45.6	44.3	43.1	41.9
NFP adj. last reported	(18.8)	(18.8)	(18.8)	(18.8)	(18.8)	(18.8)	(18.8)
Pension last reported	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)
Equity value €m	29.4	27.9	26.5	25.1	23.8	22.6	21.5
# shares m	8.6	8.6	8.6	8.6	8.6	8.6	8.6
Equity value €/s	3.41	3.23	3.07	2.90	2.77	2.62	2.49

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	5.6	5.5	5.4	5.4	5.3	5.3	5.2
PV of terminal value	49.3	45.9	42.9	40.2	37.8	35.5	33.5
Total value	54.8	51.4	48.3	45.6	43.1	40.8	38.7
NFP adj. last reported	(18.8)	(18.8)	(18.8)	(18.8)	(18.8)	(18.8)	(18.8)
Pension last reported	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)
Equity value €m	34.4	30.9	27.9	25.1	22.6	20.4	18.3
# shares m	8.6	8.6	8.6	8.6	8.6	8.6	8.6
Equity value €/s	3.99	3.59	3.23	2.90	2.62	2.36	2.12

Source: CFO SIM



Market Multiples

Radici Pietro operates in the textile flooring market, designing, manufacturing and selling several varieties of textile coverings for flooring. Thanks to its wide product portfolio, the group is able to work for numerous industries, namely: Residential & Contract, Marine, Sport and Automotive.

We have included seven peers in our sample, both domestic and foreign B2B players, operating in the same industries in which Radici Pietro is present:

Aquafil SpA: the company offers filaments for textile floorings for 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 modernization of plants.

Balta 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 firm 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 ₁₉₋₂₂	EBITDA CAGR ₁₉₋₂₂	EBIT CAGR ₁₉₋₂₂	EPS CAGR ₂₀₋₂₂	NFP /EBITDA
Aquafil SpA	Italy	152	441	52	11.8%	0.2%	5.5%	3.6%	n.m.	4.3
Balta Group NV	Belgium	37	542	51	9.3%	-0.5%	2.2%	4.2%	n.m.	6.5
Interface Inc	USA	308	946	120	12.6%	-4.0%	-2.8%	-2.0%	12.5%	n.a.
Mohawk Industries Inc	USA	5,837	7,825	989	12.6%	-1.5%	-1.1%	-0.4%	27.3%	1.6
Somec SpA	Italy	88	220	19	8.6%	1.8%	10.7%	18.1%	80.3%	2.5
Tarkett SA	France	756	2,647	216	8.2%	-1.1%	3.0%	7.6%	n.m.	2.9
Victoria PLC	UK	422	619	89	14.4%	2.5%	1.0%	17.2%	42.9%	4.4
Median		308	619	89	11.8%	-0.5%	2.2%	4.2%	35.1%	3.6
Radici Pietro Industries & Brands SpA	Italy	12	41	1	3.4%	2.8%	-2.9%	-8.2%	n.m.	13.7

Source: CFO SIM, Thomson Reuters Eikon

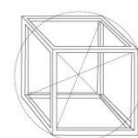


Table 13 – Radici Pietro, peer group EV multiple table

x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
Aquafil SpA	0.86	0.70	0.58	7.2	5.4	4.2
Balta Group NV	0.67	0.57	0.53	7.2	4.9	4.3
Interface Inc	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Mohawk Industries Inc	0.95	0.84	0.75	7.5	5.9	4.9
Somec SpA	0.62	0.47	0.40	7.2	4.7	3.2
Tarkett SA	0.52	0.48	0.43	6.4	5.0	4.2
Victoria PLC	1.31	1.08	1.00	9.1	6.1	5.6
Median	0.76	0.64	0.55	7.2	5.2	4.2
Radici Pietro Industries & Brands SpA	0.76	0.57	0.50	21.9	6.8	5.1
% Prem./disc.)	(1.1)	(10.5)	(10.3)	204.0	30.2	21.8

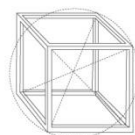
Source: CFO SIM, Thomson Reuters Eikon

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

x	EBIT FY1	EBIT FY2	EBIT FY3	PER FY1	PER FY2	PER FY3
Aquafil SpA	52.8	17.0	10.7	neg.	14.5	8.7
Balta Group NV	48.5	10.6	8.6	neg.	3.1	2.1
Interface Inc	n.a.	n.a.	n.a.	5.2	4.6	4.1
Mohawk Industries Inc	16.1	10.4	7.8	16.4	11.7	10.1
Somec SpA	17.1	8.2	5.0	22.1	9.8	6.8
Tarkett SA	20.4	11.9	8.6	85.2	13.0	8.4
Victoria PLC	14.2	9.1	8.4	18.1	9.2	8.9
Median	18.7	10.5	8.5	18.1	9.8	8.4
Radici Pietro Industries & Brands SpA	neg.	19.1	10.4	neg.	11.7	5.0
% Prem./disc.)	-	82.4	22.3	-	19.6	(40.8)

Source: CFO SIM, Thomson Reuters Eikon

Nonetheless, the COVID-19 irrepressible spread worldwide caused market nervousness and volatility: YTD peer median stock performance plummeted by 43.2%, EUROSTOXX by 12.1% and FTSE AIM Italia by 14.8%. Thus, **we believe currently it is not reasonable to get an unbiased appraisal of Radici Pietro equity value using the market multiples methodology.**



Peer Stock Performance

Radici Pietro was listed on AIM Italia (Alternative Investment Market) 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 € 3.20/s on 21-Oct-19 and a minimum price of € 1.32/s on 25-Sep-20.

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

	1D	1W	1M	3M	6M	YTD	1Y
Aquafil SpA	0.6	(0.1)	(2.2)	(8.1)	6.5	(43.2)	(49.3)
Balta Group NV	0.0	1.0	(4.2)	(6.8)	15.1	(63.0)	(56.0)
Interface Inc	(3.1)	(0.6)	(15.6)	(24.1)	(18.3)	(62.7)	(57.2)
Mohawk Industries Inc	(2.2)	(0.0)	4.7	(5.4)	26.3	(29.4)	(22.4)
Somec SpA	(0.4)	(11.0)	(17.0)	(29.7)	(15.1)	(48.8)	(41.4)
Tarkett SA	27.9	29.7	8.9	12.1	35.1	(19.4)	(14.4)
Victoria PLC	0.2	(3.0)	(12.0)	10.8	47.4	(28.4)	(37.0)
Median	0.0	(0.1)	(4.2)	(6.8)	15.1	(43.2)	(41.4)
Radici Pietro Industries & Brands SpA	(1.5)	(2.9)	(2.2)	(20.2)	(8.2)	(43.5)	(48.7)
MSCI World Index	(0.3)	0.7	(4.4)	7.2	27.4	0.0	8.2
EUROSTOXX	(0.4)	1.4	(1.7)	0.6	17.1	(12.1)	(7.6)
FTSE Italia All Share	(0.5)	0.9	(2.4)	(1.2)	12.5	(18.5)	(13.2)
FTSE STAR Italia	0.1	2.2	2.4	12.1	34.5	0.7	12.2
FTSE AIM Italia	(0.2)	0.0	(0.3)	(4.3)	0.9	(14.8)	(16.8)

Source: Thomson Reuters Eikon

Table 16 – Radici Pietro relative performances

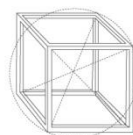
	1D	1W	1M	3M	6M	YTD	1Y
To peer Peers Median	(1.5)	(2.8)	2.0	(13.5)	(23.3)	(0.3)	(7.3)
To MSCI World Index	(1.2)	(3.6)	2.2	(27.4)	(35.6)	(43.5)	(56.9)
To EUROSTOXX	(1.1)	(4.3)	(0.5)	(20.8)	(25.3)	(31.3)	(41.0)
To FTSE Italia All Share	(1.0)	(3.8)	0.2	(19.1)	(20.7)	(25.0)	(35.5)
To FTSE STAR Italia	(1.6)	(5.1)	(4.6)	(32.3)	(42.8)	(44.2)	(60.8)
To FTSE AIM Italia	(1.3)	(2.9)	(1.9)	(16.0)	(9.1)	(28.7)	(31.9)

Source: Thomson Reuters 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 or geopolitical instability;
- The COVID-19 pandemic might put manufacturing activities under pressure for longer than expected;
- The introduction of new productive technologies, not implemented by the group, may reduce its competitive advantage;
- Foreign exchange rate risk exposure;
- Departure of one or a few of the key people.



ANALYST CERTIFICATION

This publication was prepared by **LUCA ARENA**, Head of the Equity Research Department of "Corporate Family Office SIM S.p.A." ("CFO SIM") and **GIANLUCA MOZZALI**, Equity Analyst of CFO SIM. This is to certify that the views expressed on the companies mentioned in this document reflect the analysts' personal opinions and that no direct or indirect recompense has been, or will be, received by the analyst further to the views expressed herein.

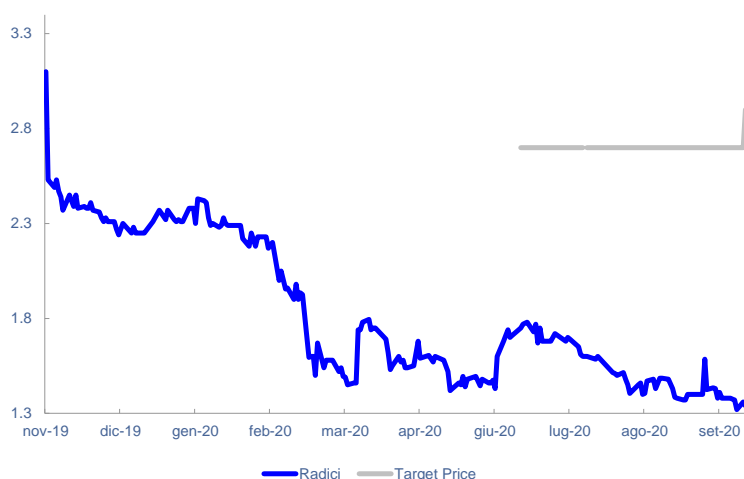
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DATE	TARGET PRICE	RATING
30/09/2020	€2.90	BUY
16/06/2020	€2.70	BUY

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- 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% bands identified using the preceding criteria.

The rating is determined on the basis of the **expected absolute return 12 months forward** and not on the basis of the estimated out/underperformance relative to a market index. Thus, the rating can be directly linked with the estimated percentage difference between current price and target price. 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.

