

## Italy – Textile Flooring

## A good set of results despite the challenging environment

12<sup>th</sup> April 2022

### FY-21 RESULTS RELEASE

RIC: RADIC.MI  
BBG: RAD IM

FY-21 results came in broadly in line with both the company's budget and CFO SIM's estimates. The Marine segment unveiled a faster than expected recovery, while the Automotive segment suffered from prolonged global supply chain shortages and the contraction of a few orders in the US market. The company confirmed its guidance for FY-22.

#### Rating:

**Buy**

#### Price Target:

**€ 2.30 (€ 2.20)**

Upside/(Downside): **87.0%**

Last Price: € 1.23

Market Cap.: € 10.7m

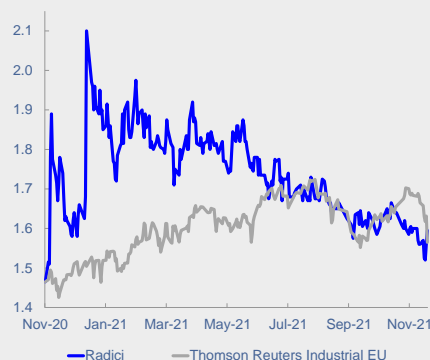
1Y High/Low: € 1.94 / € 0.98

Avg. Daily Turn. (3M, 6M): € 8k, € 9k

Free Float: 24.1%

#### Major shareholders:

MRFoC	69.9%
Radici Family	6.0%



#### Stock price performance

	1M	3M	12M
Absolute	-2.4%	-17.4%	-34.4%
Rel.to FTSE IT Growth	-7.2%	-10.5%	-53.9%
Rel.to Peers median	-1.3%	5.3%	-33.6%

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#### New DCF-based PT at € 2.30/s (€ 2.20), 87% upside. Long-term Buy reiterated

On the back of FY-21 results, Radici Pietro confirmed its guidance for 2022, also by virtue of the promising results for the beginning of the year. Nevertheless, both a sharper inflation and the recent Russia-Ukraine conflict has generated instability and may harm the global economic outlook. Following the FY-21 results release, we left our estimates for the 2022-23 period unchanged. We have also introduced projections for 2024. Moreover, CFO has updated the DCF valuation criteria, bringing the Free Risk Rate up to date and postponing the first valuation year to 2022. The combined result is a new DCF-based PT of € 2.30/s (€ 2.20), with an upside of 87.0% to current price levels. Long-term Buy reiterated.

#### Revenues at € 44.2m. Marine and Sport segments up 49% and 12% YoY, respectively

Revenues totalled € 44.2m, up 3.0% YoY, slightly lower than both the company's guidance and CFO SIM's estimate. The Marine segment soared by 48.8% YoY to € 4.9m, 49.6% and 41.7% better than the company's guidance and our estimate, respectively. The excellent result is due to the solid recovery of the cruise industry in Q4 thanks to increasing orders both for new cruise ships and the refitting of existing vessels. The Sport segment grew by 12.2% YoY to € 12.0m, reaching the pre-pandemic level. The Residential & Contract division totalled € 20.2m, suffering from the ongoing difficult situation related to the global pandemic, in particular in the last quarter. The Automotive segment declined by 31.1% YoY to € 7.0m, slightly lower than the company's guidance and CFO SIM's estimate. The reduction was mainly attributable to several shortages affecting the global supply chain as well as the decline in a few orders in the US market.

#### EBITDA at € 2.1m, in line with the company's expectation

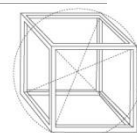
EBITDA rose to € 2.1m (4.8% margin), in line with the € 2.2m anticipated by the company's business plan and CFO SIM's projection. EBIT came in at € -0.1m, significantly better than expected as a result of lower D&A expenses following the management's decision to make use of the option to limit the depreciation rate with regard to tangible fixed assets up to 50% of the normal one (in accordance with Italian Law No. 234 of 31 December 2021). Net loss was € 0.9m, better than expected by the company and CFO SIM, which had predicted a loss of € 1.3m and € 1.5m, respectively, as a result of the suspension of FY-21 D&A. It is worth noting that, if the company had not benefited from the postponement of the D&A expenses, bottom line would have been negative for € 1.9m.

#### NFP was € 17.5m, slightly better than expected

Net Financial Position stood at € 17.5m, better than both our € 20.0m forecast and the € 18.0m reported in the company's guidance, as a result of 1) Op. CF of € 2.6m, on the basis of both a lower than expected net loss, as well as a better WC management thanks to lower receivables and inventories turnover days, 2) € 0.8m of CAPEX, € 0.1m higher than the company's budget and slightly lower than our € 1.0m projection.

#### Radici Pietro, key financials and ratios

€ m	2020	2021	2022e	2023e	2024e
Total Revenues	43.0	44.2	53.5	59.0	63.0
EBITDA	0.6	2.1	3.8	5.0	5.6
EBIT	0.1	(0.1)	1.0	2.2	2.9
Net profit	(0.9)	(0.9)	0.4	1.6	2.2
NFP (cash)/debt	20.0	17.5	18.0	13.0	11.7
EBITDA margin	1.4%	4.8%	7.2%	8.5%	9.0%
EBIT margin	0.1%	-0.2%	1.9%	3.8%	4.6%
EPS €	(0.10)	(0.10)	0.05	0.19	0.26
EPS growth	-116.3%	5.7%	151.9%	263.3%	38.8%
Free Cash Flow Yield	-9.1%	16.9%	-4.0%	8.3%	12.3%
PER x	neg.	neg.	24.1	6.6	4.8
PCF x	neg.	10.9	3.3	2.4	2.1
EV/Sales x	0.80	0.74	0.54	0.40	0.36
EV/EBITDA x	56.1	15.2	7.5	4.7	4.0
EV/EBIT x	n.m.	neg.	28.8	10.7	7.8



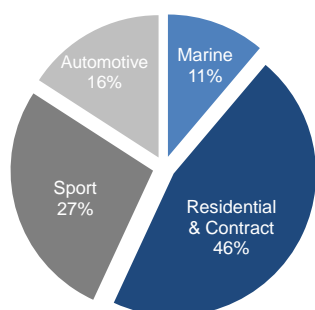
## The Company at a Glance

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 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.

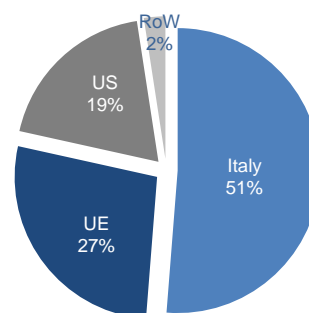
The group's global export sales are 49% of total revenues. 46% of turnover comes from the Residential & Contract segment, 27% from Sport, 16% from Automotive and 11% from Marine.

Radici Pietro has undertaken a good growth path since current management was established in 2012: a 2.7% entirely organic CAGR in the 2012-21 period, (7.9% CAGR<sub>12-19</sub>, not considering FY-20 and FY-21, deeply affected the pandemic). In 2021, revenues were € 44.2m, EBITDA was € 2.1m and Net Profit was negative by € 0.9m. Net Financial Position was € 17.5m.

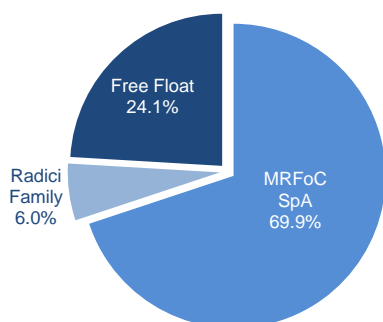
### 2021 breakdown by industry...



### ... and by geography



### Shareholder structure



### Peer group absolute performance

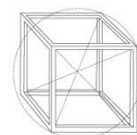
%	1D	1W	1M	3M	6M	YTD
Aquafil SpA	(1.1)	(5.7)	3.5	(14.4)	(10.7)	(17.9)
Balta Group NV	0.9	1.5	3.6	7.9	29.4	16.3
Interface Inc	(2.5)	(5.4)	(1.5)	(15.9)	(19.4)	(21.3)
Mohawk Industries Inc	1.1	(1.6)	(5.1)	(27.9)	(30.7)	(31.8)
Somec SpA	0.7	(6.5)	(1.4)	(22.7)	2.1	(23.3)
Tarkett SA	(1.1)	(0.6)	(1.1)	(33.8)	(36.8)	(34.1)
Victoria PLC	(5.9)	(12.7)	16.4	(35.5)	(22.4)	(36.0)
<b>Median</b>	<b>(1.1)</b>	<b>(5.4)</b>	<b>(1.1)</b>	<b>(22.7)</b>	<b>(19.4)</b>	<b>(23.3)</b>
<b>Radici Pietro SpA</b>	<b>0.0</b>	<b>(5.7)</b>	<b>(2.4)</b>	<b>(17.4)</b>	<b>(23.4)</b>	<b>(18.0)</b>

Source: Thomson Reuters Eikon

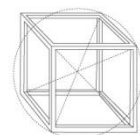
### Peer group multiples table

Price & EV multiples x	SALES FY1	SALES FY2	EBITDA FY1	EBITDA FY2	EBIT FY1	EBIT FY2	PER FY1	PER FY2
Aquafil SpA	0.69	0.68	5.4	5.3	12.9	11.7	neg.	11.0
Balta Group NV	1.38	0.81	6.7	3.6	16.0	8.1	neg.	12.3
Interface Inc	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	10.4	9.1
Mohawk Industries Inc	0.80	0.73	5.0	4.3	7.2	6.1	8.1	7.3
Somec SpA	0.53	0.49	5.0	4.6	8.7	7.0	19.9	13.6
Tarkett SA	0.42	0.38	4.6	3.6	12.4	8.5	12.9	9.7
Victoria PLC	1.63	1.44	10.1	9.1	21.1	17.9	22.5	17.6
<b>Median</b>	<b>0.75</b>	<b>0.70</b>	<b>5.2</b>	<b>4.5</b>	<b>12.7</b>	<b>8.3</b>	<b>12.9</b>	<b>11.0</b>
<b>Radici Pietro SpA</b>	<b>0.54</b>	<b>0.40</b>	<b>7.5</b>	<b>4.7</b>	<b>28.8</b>	<b>10.7</b>	<b>24.1</b>	<b>6.6</b>

Source: CFO SIM, Thomson Reuters Eikon



Income statement (€ m)	2020	2021	2022e	2023e	2024e
Total Revenues	43.0	44.2	53.5	59.0	63.0
Value of Production	43.6	45.7	54.2	59.7	63.8
Raw material and processing	(21.7)	(22.9)	(26.6)	(28.7)	(30.6)
Services	(12.1)	(11.5)	(13.5)	(14.9)	(15.9)
Personnel expenses	(7.8)	(8.0)	(9.1)	(9.9)	(10.3)
Other opex	(1.4)	(1.2)	(1.2)	(1.2)	(1.3)
EBITDA	0.6	2.1	3.8	5.0	5.6
D&A	(0.6)	(2.2)	(2.8)	(2.8)	(2.8)
EBIT	0.1	(0.1)	1.0	2.2	2.9
Financials	(0.8)	(0.6)	(0.5)	(0.5)	(0.5)
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	(0.7)	(0.7)	0.5	1.7	2.4
Income taxes	(0.2)	(0.1)	(0.0)	(0.1)	(0.1)
Minorities	0.0	0.0	0.0	0.0	0.0
Net Profit	(0.9)	(0.9)	0.4	1.6	2.2
Net Profit adj.	(0.9)	(0.9)	0.4	1.6	2.2
Balance sheet (€ m)	2020	2021	2022e	2023e	2024e
Net Working Capital	20.9	19.2	22.4	24.1	25.7
Net Fixed Assets	36.1	35.8	34.5	30.1	29.8
Equity Investments	0.0	0.0	0.0	0.0	0.0
Other M/L Term A/L	(4.6)	(5.6)	(6.6)	(7.3)	(7.7)
Net Invested Capital	52.4	49.4	50.2	46.9	47.8
Net Financial Position	20.0	17.5	18.0	13.0	11.7
Minorities	0.0	0.0	0.0	0.0	0.0
Group's Shareholders Equity	32.5	31.8	32.2	33.9	36.1
Financial Liabilities & Equity	52.4	49.4	50.2	46.9	47.8
Cash Flow statement (€ m)	2020	2021	2022e	2023e	2024e
Total net income	(0.9)	(0.9)	0.4	1.6	2.2
Depreciation	0.6	2.2	2.8	2.8	2.8
Other non-cash charges	(1.3)	(0.5)	1.0	0.7	0.4
Cash Flow from Oper. (CFO)	(1.6)	0.9	4.3	5.1	5.5
Change in NWC	2.3	1.7	(3.2)	(1.7)	(1.6)
FCF from Operations (FCFO)	0.7	2.6	1.1	3.4	3.8
Net Investments (CFI)	(1.7)	(0.2)	(1.5)	1.6	(2.5)
Free CF to the Firm (FCFF)	(1.0)	2.4	(0.4)	5.0	1.3
CF from financials (CFF)	1.4	(5.7)	(0.0)	0.0	0.0
Free Cash Flow to Equity (FCFE)	0.5	(3.3)	(0.4)	5.0	1.3
Financial ratios	2020	2021	2022e	2023e	2024e
EBITDA margin	1.4%	4.8%	7.2%	8.5%	9.0%
EBIT margin	0.1%	-0.2%	1.9%	3.8%	4.6%
Net profit margin	-2.1%	-1.9%	0.8%	2.7%	3.6%
Tax rate	-30.7%	-15.1%	4.5%	4.5%	4.5%
Op NWC/Sales	47.9%	41.9%	41.3%	40.3%	40.3%
Interest coverage x	13.45	(6.77)	0.53	0.24	0.18
Net Debt/EBITDA x	32.71	8.20	4.67	2.59	2.07
Debt-to-Equity x	0.61	0.55	0.56	0.38	0.32
ROIC	-1.7%	-1.7%	0.9%	3.5%	4.7%
ROCE	0.1%	-0.2%	1.7%	3.7%	4.6%
ROACE	0.1%	-0.2%	1.7%	3.8%	4.7%
ROE	-2.8%	-2.7%	1.4%	4.8%	6.2%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Per share figures	2020	2021	2022e	2023e	2024e
Number of shares # m	8.72	8.72	8.72	8.72	8.72
Number of shares Fully Diluted # m	9.82	9.82	9.82	9.82	9.82
Average Number of shares Fully Diluted # m	9.82	9.82	9.82	9.82	9.82
EPS stated €	(0.10)	(0.10)	0.05	0.19	0.26
EPS adjusted €	(0.10)	(0.10)	0.05	0.19	0.26
EBITDA €	0.07	0.25	0.44	0.57	0.65
EBIT €	0.01	(0.01)	0.11	0.26	0.33
BV €	3.73	3.65	3.70	3.88	4.14
FCFO €	0.08	0.30	0.12	0.39	0.44
FCFF €	(0.11)	0.28	(0.05)	0.57	0.15
FCFE €	0.05	(0.37)	(0.05)	0.57	0.15
Dividend €	0.00	0.00	0.00	0.00	0.00



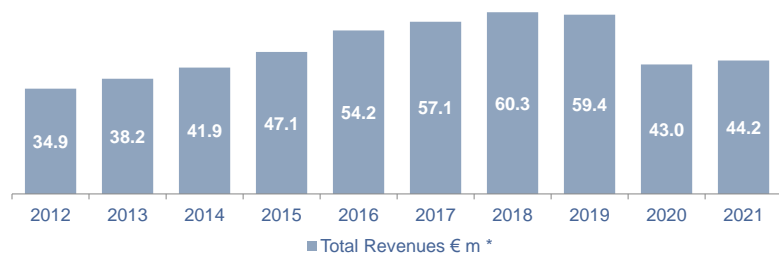
## 1. Radici Pietro in a Nutshell

Founded in 1950 in Cazzano Sant'Andrea, close to Bergamo (Italy), Radici Pietro is a **leading international player in the textile flooring market**, designing, manufacturing and selling **high-end carpets, artificial turfs and non-woven fabrics, chiefly custom-made**. The group runs 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 the quality control and testing phases and distribution. Radici Pietro covers **almost 90 countries**, serving **more than 2,000 customers in four different industries**:

- 1) **Residential & Contract**: tufted, woven and non-woven floorings, primarily for luxury hotels, houses, offices, catwalks and boutiques.
- 2) **Marine**: tufted, woven, artificial turf and non-woven floorings for cruise ships, ferries and luxury yachts.
- 3) **Sport**: different kinds of artificial turf for football and rugby fields, tennis courts, golf courses, sportsgrounds and landscaping, also certified international and domestic sports associations (i.e. FIFA, International Tennis Federation, International Rugby Board, FIGC and LND).
- 4) **Automotive**: tufted and non-woven fabrics for car interiors.

Radici Pietro has undertaken a good growth path since current management was established in 2012: an entirely organic **2.7% CAGR in the 2012-21 period** (7.9% CAGR<sub>12-19</sub>, not considering FY-20 and FY-21, deeply affected by the pandemic). In 2021, revenues were € 44.2m, EBITDA was € 2.1m and Net Profit was negative for € 0.9m. Net Financial Position was € 17.5m.

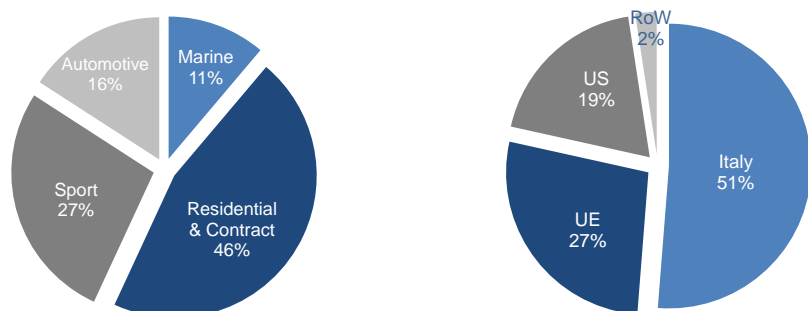
Chart 1 – Radici Pietro, 2012-21 top line evolution\*



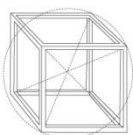
Source: Company data \*excluding ROI Automotive Technology from the scope of consolidation

The group's global **export sales make up 49% of total revenues**. **46%** of turnover comes from the **Residential & Contract** segment, **27%** from **Sport**, **16%** from **Automotive** and **11%** from **Marine**.

Chart 2 – Radici Pietro, 2021 top line breakdown by geography and industry



Source: Company data

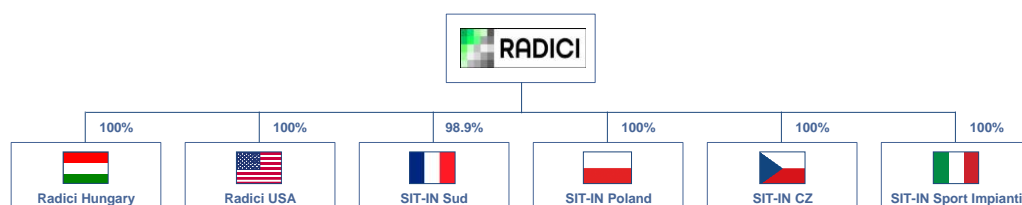


## 2. Group and Shareholder Structure

The group is composed of the operating holding company Radici Pietro Industries & Brands, which controls two other production subsidiaries (Radici Hungary and Sit-in Sport Impianti) and four commercial branches (Radici USA, Sit-in Sud, Sit-in Poland and Sit-in CZ). Today, **the group is a leading player in the textile flooring market, serving over 2,000 customers in almost 90 countries worldwide, thanks to more than 240 employees.**

During the IPO, management decided to exclude the subsidiary ROI Automotive Technology from the scope of the listing and to sell 51% of the company to the parent MRFoC for € 3.5m with a Put/Call mechanism on the remaining 49%. In May-20, the Issuer also sold the remaining 49% of ROI to MRFoC.

Chart 3 – Radici Pietro, group structure



Source: CFO SIM elaboration on company data

On 26-Jul-19, Radici Pietro went public on Euronext Growth Milan at € 3.10/share, corresponding to a market capitalisation of € 26.7m. The IPO encompassed a primary offering for a total amount of € 6.2m. At the same time as the capital increase of € 6.2m took place, 1,098,350 warrants were assigned free of charge as follows: 998,500, one for every two shares subscribed, and 99,850 to the BoD on a discretionary basis. Furthermore, a maximum 199,700 bonus shares could be assigned - one for every 10 shares subscribed - and held for at least 12-months as of the IPO date. Currently, the **free float is 24.1%**.

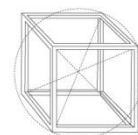
The **warrant exercise periods** run between 1-Jun to, and including, 22-Jun in 2020, 2021 and 2022, respectively. The exercise price is € 3.41/s for the first exercise period, € 3.75/s for the second one and € 4.13/s for the third one, with a conversion ratio of one share for each warrant held.

**Pre-IPO shareholders** (MRFoC SpA and the Radici family members) have entered into an **18-month lock-up agreement** since the IPO date (until 1-Feb-21).

Table 1 – Radici Pietro, shareholder structure

Shareholders	Issued number of shares		Fully diluted number of shares	
	%	#m	%	#m
MRFoC SpA	69.9%	6.094	62.1%	6.094
Caterina Radici	1.5%	0.131	1.3%	0.131
Alessandro Radici	1.5%	0.131	1.3%	0.131
Claudia Radici	1.5%	0.131	1.3%	0.131
Federico Radici	1.5%	0.131	1.3%	0.131
Pietro Luigi Radici	0.0%	0.000	0.0%	0.000
<b>Free Float</b>	<b>24.1%</b>	<b>2.098</b>	<b>32.6%</b>	<b>3.196</b>
<b>Total</b>	<b>100.0%</b>	<b>8.718</b>	<b>100.0%</b>	<b>9.817</b>

Source: CFO SIM elaboration on Company data



### 3. The Reference Market: Textile Flooring

**Radici Pietro operates in the textile flooring market and** designs, manufactures and sells a wide range of various textile floor coverings. Thanks to its large product portfolio, the group is able to serve numerous industries, namely: Residential & Contract, Marine, Sports and Automotive.

#### 3.1. Residential & Contract

The group manufactures tufted, woven and non-woven carpets both for residential and contract segments:

- **Residential:** it includes several kinds of surfaces for residential houses, namely tiles, parquets, laminates, carpets, vinyl and stone floorings.
- **Contract:** it refers to hospitals, schools, hotels, retail shops, boutiques, offices, cinemas, public buildings.

In accordance with Fortune Business Insight, **the global flooring market is expected to reach \$ 359bn in 2021** and is anticipated to grow with a **CAGR<sub>21-28</sub> of 5.4%** reaching \$ 518bn in 2028.

The **residential segment** is the **leading contributor for the growth of the market**, mainly thanks to the **rising population** and the **increasing demand for renovation services**.

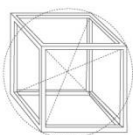
The **contract segment** is expected to benefit from the **rapidly growing need for commercial buildings, including hospitals, offices and institutes**.

#### 3.2. Marine

With reference to the Marine market, Radici Pietro provides shipyards and ship-owners with tufted, printed, Wilton, Axminster and non-woven carpets, as well as artificial turf for cruise ships, ferries and yachts. **Cruise lines are working overtime to differentiate themselves and to offer a unique experience to their guests**, not only by enlarging their commercial proposition with new destinations, but also by **focusing on the vessels' interior designs**. Design companies are involved in every phase of the design process, including the selection of carpets and floorings, most of which are custom-designed and produced for individual ships.

**In 2021**, the **cruise industry worldwide** is estimated to be worth **\$ 23.8bn**, up 81.8% YoY, with a projection of **13.9 million passengers**, compared to 7.1 million in 2020 and 27.5 million in 2019. As of Dec-21, **239 cruise ships were commercially operating worldwide (vs 16 in Dec-20)**, showing a significant restart of the global cruise industry after the dramatic impact of the Covid-19 pandemic in 2020.

The cruise ship **order book extended to 2027 includes over 80 new vessels**, corresponding to a **total order book value of \$ 55bn**, an average capacity of over 2,000 passengers per ship and an average cost of about \$ 650m per ship.



### 3.3. Sports

Radici Pietro started to produce artificial turf in 2005, taking advantage of the several synergies with textile flooring manufacturing. **Artificial turf is a surface made from synthetic fibres**, namely polyethylene, polypropylene, and polyamides, **providing the appearance of natural grass**. It is mostly used in **manufacturing sports pitches** due to its high durability, low maintenance, all-weather utility and eco-friendly features. Indeed, artificial turf has a low environmental impact, as it is recyclable, requires much less water than natural grass and massively reduces the use of pesticides and fertilisers. Furthermore, this kind of surface can also be used **in the leisure and landscaping sectors**, offering several lucrative opportunities to the players operating in this niche.

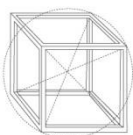
The **global artificial turf market** is anticipated to total **\$ 2.8bn in 2021** and it is expected to grow at a **CAGR<sub>21-28</sub> of 5.2%**, **reaching \$ 4.1bn in 2028**. The development of the artificial turf market will be driven mainly by: 1) increasing focus on sustainability; 2) unfavourable climatic conditions for the growth of natural grass in certain areas; 3) the remarkable rise in the number of sports events; 4) the growing demand for artificial turf for landscape and leisure solutions.

### 3.4. Automotive

The textile flooring market also includes fabrics for car interiors, car mats and luggage compartment trims. Radici Pietro manufactures tufted and non-woven carpets for the main global car manufacturers. In 2020, 64 million cars were sold worldwide vs 75 million in 2019. **The global automotive industry expects to sell 67 million cars in 2021**.

The sector is projected to experience a downward trend on the back of a slowing global economy stemming from the spread of the Covid-19 pandemic in all key economies. Although the latest figures show an improvement, the industry's economic woes continue. The coronavirus pandemic has also sparked a shortage of chips in many industries, including automotive. It is projected that on average, electronic systems will account for half of the total price of new cars by 2030.

According to McKinsey, the **automotive market** is anticipated to reach **\$ 6,700bn in 2030** compared to \$ 3,500bn reported in 2017 (**CAGR<sub>17-30e</sub> of 2.9%**). One-time vehicle sales are expected to grow with a CAGR of 1.6% over the same period, totalling \$ 4,000bn in 2030, driven by macroeconomic growth in emerging countries. Aftermarket is projected to total \$ 1,200bn in 2030, compared to \$ 720bn in 2017 (CAGR<sub>17-30e</sub> of 2.2%), thanks to increasing sales of new vehicles. The automotive revenue pool will significantly increase and diversify toward on-demand mobility services and data-driven services. This could create up to \$1,500bn in additional revenue potential in 2030.

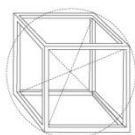


## 4. Strategy

Radici Pietro's development strategy is aimed at **strengthening the group's competitive positioning in its reference markets** and at **increasing its international expansion**. The group's growth path is supported by **€ 6.2m IPO proceeds** and is based on both organic and external growth, with a view to enlarging the sales network, gaining new customers, improving profitability and integrating vertically.

Radici Pietro's principal strategy is focused on:

- **Organic growth:** the group is planning to increase its production capacity by investing in new machinery and equipment. Furthermore, the group is implementing several marketing activities to identify, and make contact with, architectural and design companies that could be potential partners in developing new products, and to attract new customers.
- **International expansion:** Radici Pietro is enlarging its distribution network by adding new sole and multi-company agents to its salesforce, in order to penetrate new fast-growing strategic areas, namely North Africa, Eastern Europe and the Middle East. The group is also looking for local partners for the promotion and marketing of its product portfolio, focusing on the Residential & Contract and Sports markets.
- **Increase in business profitability**, thanks to:
  - ✓ Cost reduction stemming from investments in energy efficiency.
  - ✓ Change in revenue mix, with the increase in weight of the higher value-added segments, namely Sports and Marine.
  - ✓ Full utilisation of production capacity (now at 70%).
  - ✓ Operating leverage: that is the increase in fixed costs is less than proportionate to turnover.
- **Pursuing external growth opportunities:** the group is looking for M&A opportunities among companies carrying out phases of the production process not yet implemented by the group and/or able to expand its product portfolio.





## 5. SWOT Analysis

The SWOT analysis, also known as SWOT Matrix, is a structured planning method used to evaluate the strengths, weaknesses, opportunities and threats involved in a project or in a business venture. A SWOT analysis can be carried out for a product, place, industry or person. It involves specifying the objective of the business venture or project and identifying the internal and external factors that are favourable and unfavourable to achieving that objective.

- **Strengths:** characteristics of the business that give it an advantage over others.
- **Weaknesses:** characteristics that place the business at a disadvantage vs. others.
- **Opportunities:** elements that the project could use to its advantage.
- **Threats:** elements in the environment that could cause harm or be detrimental to the business or project.

The technique is credited to Albert Humphrey, who led a research project at Stanford University between the 60s/70s using Fortune 500 data.

### S.W.O.T. ANALYSIS

#### STRENGTHS

- ❑ **Leading player in textile flooring:** 70 years of experience and over 2,000 customers in almost 90 countries
- ❑ **Wide product portfolio** with several types of textile floor coverings
- ❑ **Vertical integration:** from raw material processing to finished goods distribution
- ❑ **International presence:** 49% of FY-21 turnover

#### WEAKNESSES

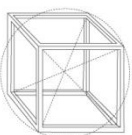
- ❑ **Exposure to foreign currencies**
- ❑ Few key relevant people represent a **vital asset** for the company
- ❑ **Limited fire power for M&A and development**

#### OPPORTUNITIES

- ❑ Increased market focus on **sustainability and circular economy**
- ❑ Penetration of **new fast-growing markets**, such as Northern Africa, Eastern Europe and Middle East
- ❑ **Operating leverage:** volume growth leads to a more than proportional increase in the group's margins

#### THREATS

- ❑ Expansion via **external growth might erode marginality** to a certain extent
- ❑ The rise of **new productive technologies**, not implemented by the group, may reduce its competitive advantage
- ❑ **COVID-19 pandemic** might put manufacturing activities under pressure for longer than expected



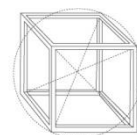
## 6. ESG Profile

Radici Pietro pays close attention to **Environmental, Social and Governance principles**. The company, well aware of the impact that its business may have, adopts the most internationally recognised standards and carefully selects suppliers that minimise risks associated with chemical substances. The company's focus on R&D activities allowed for the development of **eco-friendly products** in all the business units. Moreover, several **sustainability-linked goals** have been set out in the 2022-23 business plan. Radici Pietro has always supported local communities both with charity and job placement initiatives.

Chart 4 – Radici Pietro, ESG Profile

<p><b>E</b>nvIRONMENTAL</p>	<ul style="list-style-type: none"> <li>❑ Radici Pietro recycles about 67% of the waste produced annually</li> <li>❑ 'Recyclable Plastic' certification for ReTURF, an artificial turf 100% micro-plastic free developed for football pitches</li> <li>❑ <u>Partnership with Aquafil</u> for the production of carpets made from ECONYL®, a 100% regenerated nylon yarn produced by Aquafil</li> <li>❑ <u>ISO 14001- certified Environmental Management System</u></li> <li>❑ Sustainability strategies included in the <u>2022-23 Business Plan</u>:               <ul style="list-style-type: none"> <li>✓ Installation of a 2.5 MWh photovoltaic plant at the facility in Cazzano Sant'Andrea (BG) operational from H2-22</li> <li>✓ Development of antiviral products for the Residential &amp; Contract, Automotive and Marine segments; 100% eco-compatible and recyclable products for the Sport segment</li> <li>✓ Launch of a B2C e-commerce channel offering recyclable carpets and artificial grass products</li> </ul> </li> </ul>
<p><b>S</b>OCIAL</p>	<ul style="list-style-type: none"> <li>❑ Radici Pietro provides information about the composition of its workforce</li> <li>❑ ISO 9001, the international standard for quality management systems</li> <li>❑ 50% subsidy for employees' meals in the canteen</li> <li>❑ The company requires its suppliers to comply with REACH (Registration Evaluation Authorisation of Chemicals) obligations</li> <li>❑ Sponsorship of local charities</li> <li>❑ Collaboration with local schools and universities to set up job placement plans</li> </ul>
<p><b>G</b>OVERNANCE</p>	<ul style="list-style-type: none"> <li>❑ Organisational Model pursuant to Legislative Decree no. 231/2001</li> <li>❑ Code of Ethics, whose compliance is monitored by a supervisory body</li> <li>❑ List voting: 10%</li> <li>❑ 6 members in the BoD, 1 Independent Director</li> </ul>

Source: CFO SIM analysis on company data



## 7. FY-21 Results

Radici Pietro reported a good set of FY-21 results, broadly in line with both the company's budget and CFO SIM's estimates with respect to revenues and EBITDA. In terms of business line, the Marine segment performed better than expected thanks to a solid recovery of the industry in Q4 while the Automotive segment suffered from the prolonged global supply chain shortages and the contraction of few orders in the US market.

**Table 2 – Radici Pietro, FY-21 results**

€ m	2021	2020	% YoY	2021e	% Diff.
Marine	4.9	3.3	48.8	3.5	41.7
Residential & Contract	20.2	18.7	8.1	22.8	(11.4)
Sport	12.0	10.7	12.2	12.6	(4.1)
Automotive	7.0	10.2	(31.1)	8.1	(13.8)
<b>Total Revenues</b>	<b>44.2</b>	<b>43.0</b>	<b>3.0</b>	<b>47.0</b>	<b>(5.9)</b>
Other	1.5	0.7		0.7	n.m.
<b>Value of Production</b>	<b>45.7</b>	<b>43.6</b>	<b>4.7</b>	<b>47.7</b>	<b>(4.3)</b>
Raw material and processing	(22.9)	(21.7)		(22.7)	
Services	(11.5)	(12.1)		(11.9)	
Personnel expenses	(8.0)	(7.8)		(9.5)	
Other opex	(1.2)	(1.4)		(1.4)	
<b>EBITDA</b>	<b>2.1</b>	<b>0.6</b>	<b>n.m.</b>	<b>2.2</b>	<b>(2.6)</b>
% margin	4.8	1.4		4.7	
D&A	(2.2)	(0.6)		(3.0)	
<b>EBIT</b>	<b>(0.1)</b>	<b>0.1</b>	<b>n.m.</b>	<b>(0.8)</b>	<b>n.m.</b>
% margin	(0.2)	0.1		(1.8)	
Financials	(0.6)	(0.8)		(0.6)	
Re/(Devaluation) of financial assets	(0.0)	-		-	
Extraordinary	-	-		-	
<b>Pre-Tax profit</b>	<b>(0.7)</b>	<b>(0.7)</b>	<b>(7.0)</b>	<b>(1.4)</b>	<b>n.m.</b>
% margin	(1.7)	(1.6)		(3.0)	
Income taxes	(0.1)	(0.2)		(0.1)	
Tax rate	n.m.	n.m.		4.5%	
Minorities	-	-		-	
<b>Net Profit</b>	<b>(0.9)</b>	<b>(0.9)</b>	<b>5.7</b>	<b>(1.5)</b>	<b>(43.1)</b>
% margin	(1.9)	(2.1)		(3.2)	
<b>NFP debt/(Cash)</b>	<b>17.5</b>	<b>20.0</b>	<b>(12.1)</b>	<b>20.5</b>	<b>(14.4)</b>

Source: Company data, CFO SIM estimates

**Revenues totalled € 44.2m**, up 3.0% YoY, slightly lower than both the company's guidance and CFO SIM's estimate of € 47.0m, mainly as a result of a significant slowdown in Q4-21 with regard to the automotive market, as well as of the persistence of the pandemic, which affected the global tourism and, consequently, the Residential & Contract division's sales. In terms of business line:

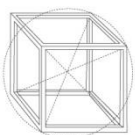
- The **Marine** segment soared by 48.8% YoY to € 4.9m, 49.6% and 41.7% higher than the company's guidance and CFO SIM's estimate, respectively. The excellent result is due to the solid recovery of the cruise industry, which in Q4-21 experienced an increase in orders both for new cruise ships and the refitting of existing vessels.
- The **Sports** segment grew by 12.2% YoY to € 12.0m, returning to pre-pandemic levels. The figure is in line both with the company's guidance and CFO SIM's estimate.
- The **Residential & Contract** division totalled € 20.2m, suffering from the ongoing difficult situation related to the global pandemic, in particular in the last quarter.
- The **Automotive** segment declined by 31.1% YoY to € 7.0m, slightly lower than the company's guidance and CFO SIM's estimate. The reduction was mainly attributable to several shortages affecting the global supply chain as well as the decline in a few orders in the US market. In particular, with regard to the latter, the contraction was exacerbated by the sharp rise in freight rates as well as the logistical difficulties linked to the raw materials' prolonged delivery time.



**EBITDA rose to € 2.1m (4.8% margin)**, in line with € 2.2m anticipated by the company's business plan and CFO SIM's projection. EBIT came in at € -0.1m, significantly better than expected as a result of lower D&A expenses following the management's decision to make use of the option to limit depreciation with regard to tangible fixed assets by up to 50% of the normal rate (in accordance with Italian Law No. 234 of 31 December 2021).

**Net loss was € 0.9m**, better than expected by the company and CFO SIM, which predicted a loss of € 1.3m and € 1.5m, respectively, as a result of the suspension of FY-21 D&A. It is worth noting that, if the company had not benefited from the postponement of the D&A expenses, bottom line would have been negative for € 1.9m.

**Net Financial Position stood at € 17.5m**, better than both our € 20.0m forecast and the € 18.0m reported in the company's guidance, as a result of 1) Op. CF of € 2.6m, on the basis of both a lower than expected net loss, as well as a better WC management thanks to lower receivables and inventories turnover days, 2) € 0.8m of CAPEX, € 0.1m higher than the company's budget and slightly lower than our € 1.0m projection.



## 8. 2022-23 company guidance

On 11-Nov-21, Radici Pietro revised its targets for 2022 mainly on the back of a **slower-than-expected recovery in the Marine and Residential & Contract** segments due to their massive exposure to the travel & hospitality sector, deeply affected by the Covid-19 pandemic in the 2020-21 period. In light of FY-21 results, the Marine segment experienced a better than expected recovery in Q4-21 both in terms of the building of new cruise ships and the refitting of existing vessels. On the other hand, in the short-term the Automotive segment will continue suffering from supply chain shortages and inflationary pressure.

**Table 3 – Radici Pietro, company guidance for 2022-23**

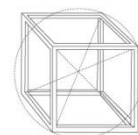
€ m	2020	2021	2022e	2023e	% CAGR <sub>21-23</sub>
Marine	3.3	4.9	5.0	8.5	20
Residential & Contract	18.7	20.2	27.5	28.5	12
Sport	10.7	12.0	14.5	16.0	10
Automotive	10.2	7.0	7.0	7.0	(0)
<b>Total Revenues</b>	<b>43.0</b>	<b>44.2</b>	<b>54.0</b>	<b>60.0</b>	<b>11</b>
<b>EBITDA<sup>1</sup></b>	<b>1.3</b>	<b>2.1</b>	<b>4.0</b>	<b>5.5</b>	<b>37</b>
% margin	3.1%	4.8%	7.4%	9.2%	
<b>Net Profit</b>	<b>(2.2)</b>	<b>(0.9)</b>	<b>0.5</b>	-	
<b>Y/E net debt (net cash)</b>	<b>18.8</b>	<b>17.5</b>	<b>18.0</b>	-	
Debt/EBITDA (x)	14.3	8.2	4.5	-	
<b>Group Equity</b>	<b>32.5</b>	<b>31.8</b>	<b>32.0</b>	-	
<b>% YoY</b>					
Marine	-62%	49%	1%	70%	
Residential & Contract	-31%	8%	36%	4%	
Sport	-11%	12%	20%	10%	
Automotive	-14%	-31%	0%	0%	
<b>Total Revenues</b>	<b>-28%</b>	<b>3%</b>	<b>22%</b>	<b>11%</b>	
<b>% on total revenues</b>					
Marine	8%	11%	9%	14%	
Residential & Contract	44%	46%	51%	48%	
Sport	25%	27%	27%	27%	
Automotive	24%	16%	13%	12%	

Source: Company data, <sup>1</sup> FY-20 EBITDA was adjusted for non-recurring expenses for € 0.7m

In 2022-23, total revenues are anticipated to grow by 22% and 11% YoY, respectively, driven by a **gradual return to pre-Covid levels of the Marine and Residential & Contract segments** coupled with the strong performance of the **Sport division, which already returned to pre-pandemic levels in 2021**. In the coming years, the **Automotive segment is projected to suffer from the effects** of the difficult times faced by the industry, currently dealing with a shortage of some components and a significant increase in the prices of certain raw materials.

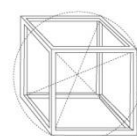
**EBITDA is expected to rise to € 4.0m, 7.4% margin, in 2022**, and to **€ 5.5m, 9.2% margin, in 2023**, thanks to a **more profitable revenue mix** coupled with a better **use of the operating leverage**. It is worth noting that the group's current production facilities are able to support turnover of up to € 80m without the need for significant investment.

In 2022, **Net Financial Position is projected to remain broadly stable compared to FY-21** as a result of a positive operating cash flow entirely counterbalanced by capex for a total of € 1.4m, specifically intended for the improvement of the manufacturing structure (€ 1.2m) and the strengthening of the commercial activity (€ 200k).



The **key strategic drivers** that will support growth in the next years are:

- **Product innovation:** the group intends to strengthen its focus on new innovative products and projects, such as:
  - ✓ **VIREX®**, an innovative antibacterial and antiviral treatment for textile flooring. The group has filed a patent application for this technology.
  - ✓ The manufacturing of **environmentally friendly products**, by using recycled raw materials.
  - ✓ The involvement in the **European consortium 'Sunrise'** financed by the European Commission as part of the 'Horizon 2020' program. The goal of the consortium is to recycle post-consumer laminated glass in order to collect and reuse Polyvinyl Butyral (PVB) to produce several different products, among which also textile floorings, carpets and coatings.
  - ✓ The development and industrialisation of **ecological surfaces made from recycled fibres** (e.g. ECONYL®, regenerate nylon developed and produced by Aquafil SpA).
- **Sport segment:** development of artificial turf systems that are 100% micro-plastic free, eco-friendly and recyclable and offer high-level performance, reliability and competitive prices. In Feb-21, Radici Pietro obtained a patent for an innovative artificial turf surface with the undermat incorporated in the fabric.
- **E-commerce:** the group plans to launch an e-commerce platform dedicated to the B2C market at the beginning of H2-22. Through this channel, Radici Pietro intends to directly sell high-end textile floorings (such as carpets and rugs) and artificial turfs to end consumers.
- **Commercial development** in new geographical areas and market segments (such as artificial turf for padel pitches) thanks to the strengthening of its sales network, also focusing on the development of partnerships with designers and architectural companies in order to influence the market and anticipate new trends.
- **Energy efficiency:** Radici Pietro has entered into an agreement for the installation of a **2.4 MWh photovoltaic plant** at the facility in Cazzano Sant'Andrea (BG). The investment will be made through an Energy Performance Contract (EPC) and the plant is expected to be operational as of H2-22. 79% of the plant's annual energy production will be used for self-consumption, covering **40% of the group's annual energy requirement**. The price of electricity negotiated with the Energy Service Company (ESCO) is about 65% lower than current electricity price levels, thus somehow protecting the group from electricity price fluctuations. Furthermore, the group may redeem the photovoltaic plant for a total amount of € 1.6m already as of the first year of activity.



## 9. Estimates, Valuation & Risks

FY-21 results came in broadly in line with both the company's budget and CFO SIM's estimates. The Marine segment unveiled a faster than expected recovery, boosted by increasing activity with regard to the building of new cruise ships and the refitting of existing vessels. On the other hand, the Automotive segment suffered the prolonged global supply chain shortages and the contraction of a few orders in the US market.

On the back of FY-21 results, **Radici Pietro confirmed its guidance for 2022**, also by virtue of promising results for the beginning of the year. Nevertheless, both a sharper inflation and the recent Russia-Ukraine conflict has generated instability and may harm the global economic outlook.

In our view, the 2022 guidance reasonably factors in the tough market conditions under which the Automotive segment will be operating in the 2022-23 period and a gradual recovery of the Marine segment to pre-pandemic levels. **We believe the updated figures are reasonable and fairly sustainable.** The group has demonstrated it has appropriate control of the variables influencing the business and the budgeting process is properly managed.

Following the FY-21 results release, **we left our estimates for the 2022-23 period unchanged.** We have also introduced projections for 2024.

**Table 4 – Radici Pietro, 2022e new/old estimates**

€ m	New	Old	% Diff.	€ m Diff.
<b>Total Revenues</b>	<b>53.5</b>	<b>53.5</b>	(0.0)	<b>(0.0)</b>
<b>EBITDA</b>	<b>3.8</b>	<b>3.8</b>	(0.0)	<b>(0.0)</b>
% margin	7.2	7.2		
<b>EBIT</b>	<b>1.0</b>	<b>1.0</b>	(4.1)	<b>(0.0)</b>
% margin	1.9	1.9		
<b>Net Profit</b>	<b>0.4</b>	<b>0.4</b>	2.3	<b>0.0</b>
% margin	0.8	0.8		
<b>Y/E net debt (net cash)</b>	<b>18.0</b>	<b>18.4</b>	(2.4)	<b>(0.4)</b>

Source: CFO SIM

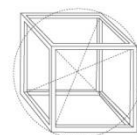
**Table 5 – Radici Pietro, 2023e new/old estimates**

€ m	New	Old	% Diff.	€ m Diff.
<b>Total Revenues</b>	<b>59.0</b>	<b>59.0</b>	0.1	<b>0.0</b>
<b>EBITDA</b>	<b>5.0</b>	<b>5.0</b>	0.8	<b>0.0</b>
% margin	8.5	8.4		
<b>EBIT</b>	<b>2.2</b>	<b>2.2</b>	(0.5)	<b>(0.0)</b>
% margin	3.8	3.8		
<b>Net Profit</b>	<b>1.6</b>	<b>1.6</b>	2.5	<b>0.0</b>
% margin	2.7	2.7		
<b>Y/E net debt (net cash)</b>	<b>13.0</b>	<b>13.4</b>	(3.0)	<b>(0.4)</b>

Source: CFO SIM

Moreover, CFO has **updated the DCF valuation criteria**, bringing the Free Risk Rate up to date and postponing the first valuation year to 2022. The combined result is a **new DCF-based PT of € 2.30/s** (€ 2.20), with an upside of 87.0% to current price levels.

**CFO SIM reiterates its long-term Buy recommendation on the stock:** the group is properly equipped to weather the current challenging market conditions, thanks to more than enough equity at its disposal in addition to long-term debt facilities required to adequately run operations. Furthermore, Radici Pietro is ready to take advantage of several business opportunities, thanks to the new innovative antiviral and antibacterial textile floorings as well as the high-performing artificial turf suitable for several different sport pitches, including padel.



## 9.1. DCF

In our DCF-based valuation, we assess explicit estimates until 2026 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%
<b>Inf. costs, after taxes</b>	<b>2.5%</b>
Risk premium, incl. small size premium	9.0%
Risk-free (10Y Gov. Bond 200 days simple moving average)	1.05%
Beta levered (x)	1.00
<b>Required ROE</b>	<b>10.0%</b>

Sources: CFO SIM, Thomson Reuters Eikon

**Risk premium at 9.0%** factors in the minute size of the company and virtually all concerns and disquiet 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	2022e	2023e	2024e	2025e	2026e Term. Val.	
EBIT	1.0	2.2	2.9	3.7	4.7	
Tax rate	4.5%	4.5%	4.5%	27.5%	27.5%	
<b>Operating profit (NOPAT)</b>	<b>1.0</b>	<b>2.1</b>	<b>2.8</b>	<b>2.7</b>	<b>3.4</b>	
Change working capital	(3.2)	(1.7)	(1.6)	(0.9)	(0.1)	
Depreciation	2.8	2.8	2.8	2.4	2.0	
Investments	(1.5)	(2.5)	(2.5)	(2.3)	(2.0)	
<b>Free Cash Flows</b>	<b>(0.9)</b>	<b>0.7</b>	<b>1.4</b>	<b>2.0</b>	<b>3.3</b>	<b>49.0</b>
Present value	(0.9)	0.6	1.1	1.5	2.3	34.4
WACC	7.8%	7.8%	7.8%	7.8%	7.8%	
<b>Long-term growth rate</b>	<b>1.0%</b>					

Source: CFO SIM

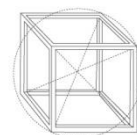
**Table 8 – Radici Pietro, DCF derived from:**

€ m	
Total EV present value €m	39.1
	<i>thereof terminal value</i>
	88%
NFP last reported	(17.5)
Pension last reported	(1.3)
<b>Equity value €m</b>	<b>20.3</b>
# shares m	8.7
<b>Equity value €/s</b>	<b>2.30</b>
<i>% upside/(downside)</i>	<i>87.0%</i>

Source: CFO SIM

**The application of our DCF model produces an equity value of Radici Pietro of € 20.3m, € 2.30/s (€ 2.20).**

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value between **€ 1.91 – 2.85/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 **€ 1.95 – 2.77/s (free risk range between 1.80% and 0.30%)** and, 3) if compared to changes in the risk premium, including small size premiums, it results in an equity value of **€ 1.62 – 3.29/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	4.7	4.7	4.7	4.7	4.7	4.7	4.7
PV of terminal value	30.8	31.9	33.1	34.4	35.8	37.3	39.0
<b>Total value</b>	<b>35.5</b>	<b>36.6</b>	<b>37.8</b>	<b>39.1</b>	<b>40.5</b>	<b>42.1</b>	<b>43.7</b>
NFP last reported	(17.5)	(17.5)	(17.5)	(17.5)	(17.5)	(17.5)	(17.5)
Pension last reported	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)
<b>Equity value €m</b>	<b>16.6</b>	<b>17.7</b>	<b>19.0</b>	<b>20.3</b>	<b>21.7</b>	<b>23.2</b>	<b>24.8</b>
# shares m	8.7	8.7	8.7	8.7	8.7	8.7	8.7
<b>Equity value €/s</b>	<b>1.91</b>	<b>2.04</b>	<b>2.17</b>	<b>2.30</b>	<b>2.48</b>	<b>2.66</b>	<b>2.85</b>

Source: CFO SIM

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

€ m	0.30%	0.55%	0.80%	1.05%	1.30%	1.55%	1.80%
Present value of CF	4.8	4.8	4.8	4.7	4.7	4.7	4.6
PV of terminal value	38.2	36.8	35.6	34.4	33.3	32.2	31.2
<b>Total value</b>	<b>43.0</b>	<b>41.6</b>	<b>40.4</b>	<b>39.1</b>	<b>38.0</b>	<b>36.9</b>	<b>35.8</b>
NFP last reported	(17.5)	(17.5)	(17.5)	(17.5)	(17.5)	(17.5)	(17.5)
Pension last reported	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)
<b>Equity value €m</b>	<b>24.1</b>	<b>22.8</b>	<b>21.5</b>	<b>20.3</b>	<b>19.1</b>	<b>18.0</b>	<b>17.0</b>
# shares m	8.7	8.7	8.7	8.7	8.7	8.7	8.7
<b>Equity value €/s</b>	<b>2.77</b>	<b>2.61</b>	<b>2.46</b>	<b>2.30</b>	<b>2.19</b>	<b>2.07</b>	<b>1.95</b>

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	4.9	4.9	4.8	4.7	4.7	4.6	4.5
PV of terminal value	42.6	39.6	36.8	34.4	32.2	30.3	28.5
<b>Total value</b>	<b>47.6</b>	<b>44.4</b>	<b>41.6</b>	<b>39.1</b>	<b>36.9</b>	<b>34.9</b>	<b>33.0</b>
NFP last reported	(17.5)	(17.5)	(17.5)	(17.5)	(17.5)	(17.5)	(17.5)
Pension last reported	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)
<b>Equity value €m</b>	<b>28.7</b>	<b>25.5</b>	<b>22.8</b>	<b>20.3</b>	<b>18.0</b>	<b>16.0</b>	<b>14.1</b>
# shares m	8.7	8.7	8.7	8.7	8.7	8.7	8.7
<b>Equity value €/s</b>	<b>3.29</b>	<b>2.93</b>	<b>2.61</b>	<b>2.30</b>	<b>2.07</b>	<b>1.83</b>	<b>1.62</b>

Source: CFO SIM

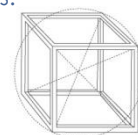
## 9.2. Market Multiples

**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.

**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 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 <sub>21-24</sub>	EBITDA CAGR <sub>21-24</sub>	EBIT CAGR <sub>21-24</sub>	EPS CAGR <sub>22-24</sub>	NFP /EBITDA
Aquafil SpA	Italy	269	648	83	12.7%	8.7%	10.1%	22.4%	18.1%	2.2
Balta Group NV	Belgium	123	302	63	20.7%	4.3%	7.8%	9.4%	15.5%	4.7
Interface Inc	USA	685	1,164	161	13.8%	5.3%	7.4%	9.1%	7.3%	n.a.
Mohawk Industries Inc	USA	7,257	10,835	1,757	16.2%	5.8%	4.5%	5.1%	8.6%	0.8
Somec SpA	Italy	199	293	31	10.5%	15.0%	25.1%	65.5%	49.8%	(1.5)
Tarkett SA	France	842	2,882	267	9.2%	n.a.	n.a.	n.a.	n.m.	1.4
Victoria PLC	UK	1,074	1,150	186	16.1%	25.6%	18.6%	29.0%	19.7%	4.3
<b>Median</b>		<b>685</b>	<b>1,150</b>	<b>161</b>	<b>13.8%</b>	<b>7.2%</b>	<b>9.0%</b>	<b>15.9%</b>	<b>16.8%</b>	<b>1.8</b>
<b>Radici Pietro Industries &amp; Brands SpA</b>	<b>Italy</b>	<b>11</b>	<b>53</b>	<b>4</b>	<b>7.2%</b>	<b>12.5%</b>	<b>38.2%</b>	<b>n.m.</b>	<b>n.m.</b>	<b>4.7</b>

Source: CFO SIM, Thomson Reuters 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	0.69	0.68	0.58	5.4	5.3	4.6
Balta Group NV	1.38	0.81	0.73	6.7	3.6	4.2
Interface Inc	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Mohawk Industries Inc	0.80	0.73	0.67	5.0	4.3	4.0
Somec SpA	0.53	0.49	0.43	5.0	4.6	3.7
Tarkett SA	0.42	0.38	n.a.	4.6	3.6	n.a.
Victoria PLC	1.63	1.44	0.84	10.1	9.1	5.2
<b>Median</b>	<b>0.75</b>	<b>0.70</b>	<b>0.67</b>	<b>5.2</b>	<b>4.5</b>	<b>4.2</b>
<b>Radici Pietro Industries &amp; Brands SpA</b>	<b>0.54</b>	<b>0.40</b>	<b>0.36</b>	<b>7.5</b>	<b>4.7</b>	<b>4.0</b>
% Prem./disc.)	(28.2)	(42.9)	(46.8)	42.7	6.1	(6.2)

Source: CFO SIM, Thomson Reuters 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	12.9	11.7	9.7	neg.	11.0	9.6
Balta Group NV	16.0	8.1	6.7	neg.	12.3	6.2
Interface Inc	n.a.	n.a.	n.a.	10.4	9.1	9.0
Mohawk Industries Inc	7.2	6.1	5.6	8.1	7.3	6.8
Somec SpA	8.7	7.0	5.1	19.9	13.6	8.9
Tarkett SA	12.4	8.5	n.a.	12.9	9.7	n.a.
Victoria PLC	21.1	17.9	9.6	22.5	17.6	15.7
<b>Median</b>	<b>12.7</b>	<b>8.3</b>	<b>6.7</b>	<b>12.9</b>	<b>11.0</b>	<b>8.9</b>
<b>Radici Pietro Industries &amp; Brands SpA</b>	<b>28.8</b>	<b>10.7</b>	<b>7.8</b>	<b>24.1</b>	<b>6.6</b>	<b>4.8</b>
% Prem./disc.)	127.3	27.8	15.6	87.1	(40.1)	(46.6)

Source: CFO SIM, Thomson Reuters Eikon

Covid-19 caused a decrease in demand in all the industries served by the group and a rebound is expected only in the medium term, over-penalising the group's metrics in the short-term. Thus, we believe that it currently appears unreasonable to get an unbiased appraisal of Radici Pietro's equity value by using the market multiple methodology.



### 9.3. Peer Stock Performance

Radici Pietro was listed on Euronext Growth Milan on 26<sup>th</sup> July 2019 at € 3.10/share, corresponding to a post-money market capitalisation of € 26.7m. The stock reached a 1Y maximum price of € 1.94/s on 14-Apr-21 and a minimum price of € 0.98/s on 07-Mar-22.

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

	1D	1W	1M	3M	6M	YTD	1Y
Aquafil SpA	(1.1)	(5.7)	3.5	(14.4)	(10.7)	(17.9)	16.7
Balta Group NV	0.9	1.5	3.6	7.9	29.4	16.3	33.5
Interface Inc	(2.5)	(5.4)	(1.5)	(15.9)	(19.4)	(21.3)	(0.8)
Mohawk Industries Inc	1.1	(1.6)	(5.1)	(27.9)	(30.7)	(31.8)	(38.7)
Somec SpA	0.7	(6.5)	(1.4)	(22.7)	2.1	(23.3)	23.0
Tarkett SA	(1.1)	(0.6)	(1.1)	(33.8)	(36.8)	(34.1)	(11.2)
Victoria PLC	(5.9)	(12.7)	16.4	(35.5)	(22.4)	(36.0)	(12.7)
<b>Median</b>	<b>(1.1)</b>	<b>(5.4)</b>	<b>(1.1)</b>	<b>(22.7)</b>	<b>(19.4)</b>	<b>(23.3)</b>	<b>(0.8)</b>
<b>Radici Pietro Industries &amp; Brands SpA</b>	<b>0.0</b>	<b>(5.7)</b>	<b>(2.4)</b>	<b>(17.4)</b>	<b>(23.4)</b>	<b>(18.0)</b>	<b>(34.4)</b>
MSCI World Index	(1.3)	(3.5)	5.2	(6.1)	(2.0)	(8.0)	2.1
EUROSTOXX	(0.5)	(2.5)	3.0	(9.0)	(5.6)	(10.5)	(2.3)
FTSE Italia All Share	(0.3)	(1.7)	5.3	(9.5)	(5.0)	(9.8)	1.3
FTSE Italia STAR	(1.0)	(3.3)	0.4	(11.5)	(10.4)	(17.8)	6.5
FTSE Italia Growth	0.3	(0.3)	4.8	(7.0)	(3.3)	(8.9)	19.5

Source: Thomson Reuters Eikon

**Table 16 – Radici Pietro relative performances**

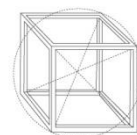
	1D	1W	1M	3M	6M	YTD	1Y
To peer Peers Median	1.1	(0.3)	(1.3)	5.3	(3.9)	5.3	(33.6)
To MSCI World Index	1.3	(2.2)	(7.5)	(11.3)	(21.4)	(10.0)	(36.5)
To EUROSTOXX	0.5	(3.3)	(5.4)	(8.4)	(17.7)	(7.5)	(32.1)
To FTSE Italia All Share	0.3	(4.1)	(7.7)	(8.0)	(18.4)	(8.2)	(35.7)
To FTSE Italia STAR	1.0	(2.4)	(2.8)	(5.9)	(13.0)	(0.2)	(40.9)
To FTSE Italia Growth	(0.3)	(5.5)	(7.2)	(10.5)	(20.0)	(9.1)	(53.9)

Source: Thomson Reuters Eikon

### 9.4. 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 Covid-19 pandemic might put the manufacturing activities under pressure for longer than expected;
- 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.



## ANALYST CERTIFICATION

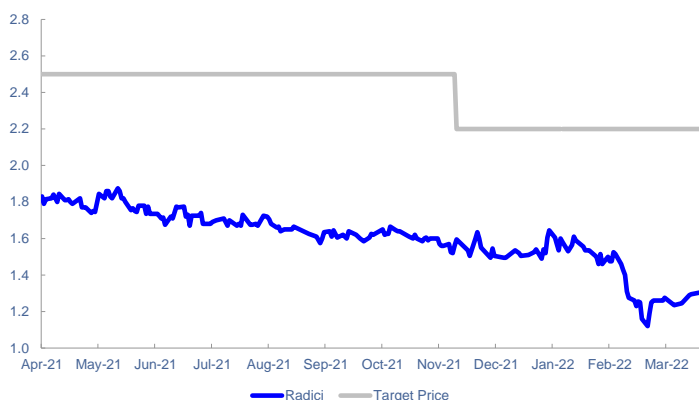
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DATE	TARGET PRICE	RATING
12/04/2022	€2.30	BUY
11/03/2022	€2.20	BUY
29/11/2021	€2.20	BUY
11/10/2021	€2.50	BUY
12/04/2021	€2.50	BUY

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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% 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.

