

Italy – Textile Flooring

Solid 2022 results, expected double-digit growth in 2023

18th April 2023

FY-22 RESULTS RELEASE

RIC: RADIC.MI
BBG: RAD IM

In 2022, Radici Pietro posted a good set of results, showing growing revenues and recovering EBITDA margin thanks to higher volumes coupled with timely price increases to counter inflationary pressures. The company's guidance for 2023 envisages double-digit revenues growth, returning to the pre-pandemic level, and a further recovery in profitability.

Rating:

Buy

Price Target:

€ 1.80

Upside/(Downside): **63.6%**

Last Price: € 1.10

Market Cap.: € 9.7m

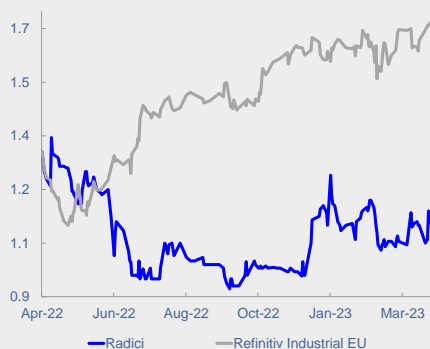
1Y High/Low: € 1.31 / € 0.91

Avg. Daily Turn. (3M, 6M): € 4k, € 4k

Free Float: 24.9%

Major shareholders:

MRFoC 69.2%
Radici Family 6.0%



Stock price performance

	1M	3M	12M
Absolute	4.3%	-0.9%	-15.4%
Rel.to FTSE IT Growth	2.8%	1.1%	-4.7%
Rel.to Peers median	1.4%	13.7%	7.3%

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Estimates fine-tuned: PT confirmed at € 1.80/s, 63.6% upside. Buy reiterated

In view of FY-22 results and the company's updated budget for 2023, we have fine-tuned our model by factoring in 1) a slightly different revenue mix, 2) broadly unchanged assumption with regard to profitability and 3) slightly higher financial charges. The combined result is almost unchanged projections in terms of top line and an average 3.0% and 17.2% decline in EBITDA and Net Profit in 2023-24. Furthermore, we have introduced 2025 projections. We have also updated the DCF valuation criteria, bringing the Free Risk Rate up to date and postponing the first valuation year to 2023. The combined result is an unchanged DCF-based PT of € 1.80/s, 63.6% upside. Buy recommendation reiterated.

Revenues up by 20.9% YoY to € 53.5m, driven by higher volumes and increased prices

Revenues totalled € 53.5m, up by 20.9% YoY, driven by both increasing prices and higher sales volumes. In terms of business lines: Marine grew by 12.4% YoY to € 5.6m, 11.0% higher than the company's budget although lower than our estimate. Residential & Contract rose by 39.7% YoY to € 28.3m, thus returning to the pre-pandemic levels. The figure is 7.5% and 2.8% above our estimate and the company's budget, respectively. In particular, the Contract segment showed a solid recovery driven by the positive contribution of the fashion industry. Sport reached € 14.1m, up by 17.0% YoY, resulting from increasing demand for the company's artificial turf. The figure is broadly aligned with both the company's budget as well as our estimate. Automotive declined by 20.5% YoY to € 5.6m, lower than both our forecast (€ 6.0m) and the company's budget (€ 7.0m). The business line was heavily impacted by the general downward trend in the sector, greatly impacted by shortages of key components, delayed delivery time and inflationary pressures.

EBITDA margin improved by 210bps YoY. Net Profit turned positive to € 0.2m

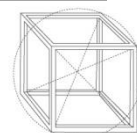
EBITDA jumped to € 3.7m, 6.9% margin (€ 2.1m, 4.8% margin in FY-21), 7.2% higher than our estimate and slightly lower than the company's budget (€ 4.0m). EBITDA margin improved by approximately 210bps YoY as a result of 1) the increased turnover, which allowed it to make use of the operating leverage, 2) a timely increase in selling prices and 3) a careful costs monitoring. EBIT reached € 0.9m (€ 0.1m negative in FY-21), as a result of higher EBITDA as well as management's decision to make use of the option to limit the tangible assets' depreciation rate by up to 75% of the normal rate. After slightly higher financial charges (€ 0.7m compared to € 0.6m in FY-21), Net Profit totalled € 0.2m compared to net loss of € 0.9m in 2021.

NFP declined to € 16.6m, slightly better than expectations

NFP declined to € 16.6m from € 17.5m in FY-21. The figure is better than both CFO SIM's estimate and the company's guidance (both equal to € 18.0m), chiefly as a consequence of lower than expected capex (€ 0.9m compared to our estimate of € 1.5m) and € 0.4m cash-in stemming from the warrants conversion.

Radici Pietro, key financials and ratios

€ m	2021	2022	2023e	2024e	2025e
Total Revenues	44.2	53.5	59.5	63.0	66.5
EBITDA	2.1	3.7	4.9	5.3	5.7
EBIT	(0.1)	0.9	2.1	2.5	2.9
Net profit	(0.9)	0.2	1.4	1.7	2.2
NFP (cash)/debt	17.5	16.5	15.9	14.8	13.2
EBITDA margin	4.8%	6.9%	8.3%	8.4%	8.6%
EBIT margin	-0.2%	1.8%	3.5%	4.0%	4.4%
EPS €	(0.10)	0.02	0.15	0.20	0.24
EPS growth	5.7%	n.m.	n.m.	28.6%	23.1%
Free Cash Flow Yield	18.7%	-1.1%	6.3%	11.1%	17.1%
PER x	neg.	53.6	7.1	5.5	4.5
PCF x	10.9	3.4	2.3	2.1	2.0
EV/Sales x	0.74	0.50	0.43	0.39	0.34
EV/EBITDA x	15.2	7.2	5.2	4.6	4.0
EV/EBIT x	neg.	28.3	12.1	9.8	7.8



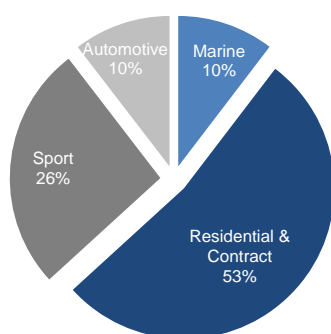
The Company at a Glance

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 are chiefly custom made. The group operates three production plants, two in Italy and one in Hungary, and four commercial branches worldwide, managing the entire value chain, from the processing of raw materials to the production of finished goods, including quality control, testing and distribution. Radici Pietro covers almost 90 countries, serving more than 2,000 customers in four different industries: Residential & Contract, Marine, Sport and Automotive.

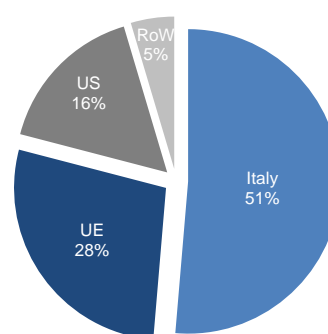
The group's global export sales make up 49% of total revenues. 53% of turnover comes from the Residential & Contract segment, 26% from Sport, 10% from Automotive and 10% from Marine.

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

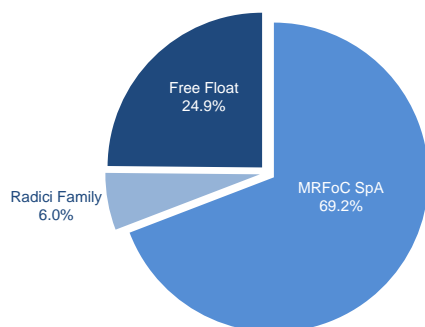
2022 breakdown by industry...



... and by geography



Shareholder structure



Peer group absolute performance

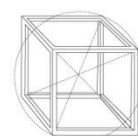
%	1D	1W	1M	3M	6M	YTD
Aquafil SpA	2.2	(1.1)	(1.7)	(21.5)	(2.7)	(19.5)
Belysse Group NV	(0.5)	(4.1)	(3.7)	(14.6)	(26.7)	(7.5)
Interface Inc	2.2	4.6	2.8	(28.0)	(23.7)	(19.6)
Mohawk Industries Inc	1.3	4.7	4.3	(16.4)	2.8	(3.0)
Somec SpA	(0.3)	1.1	4.0	(14.6)	28.7	(11.7)
Tarkett SA	0.0	(0.8)	3.7	(2.1)	(2.4)	7.8
Victoria PLC	0.5	0.0	(3.5)	(14.6)	14.1	(2.7)
Median	0.5	0.0	2.8	(14.6)	(2.4)	(7.5)
Radici Pietro SpA	(3.5)	0.0	4.3	(0.9)	18.3	(3.9)

Source: Refinitiv Eikon

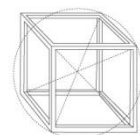
Peer group multiples table

Price & EV multiples x	SALES FY1	SALES FY2	EBITDA FY1	EBITDA FY2	EBIT FY1	EBIT FY2	PER FY1	PER FY2
Aquafil SpA	0.59	0.54	4.9	4.1	12.0	8.8	14.4	9.1
Belysse Group NV	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	4.8	2.4
Interface Inc	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	6.7	4.4
Mohawk Industries Inc	0.73	0.67	5.8	4.9	10.2	7.8	11.1	9.1
Somec SpA	0.53	0.40	5.9	3.7	11.9	6.3	19.2	12.2
Tarkett SA	0.37	0.33	4.3	3.4	12.3	8.1	15.2	9.6
Victoria PLC	0.63	0.60	4.5	4.3	8.2	7.5	9.0	8.3
Median	0.59	0.54	4.9	4.1	11.9	7.8	11.1	9.1
Radici Pietro SpA	0.43	0.39	5.2	4.6	12.1	9.8	7.1	5.5

Source: CFO SIM, Refinitiv Eikon



Income statement (€ m)	2021	2022	2023e	2024e	2025e
Total Revenues	44.2	53.5	59.5	63.0	66.5
Value of Production	45.7	58.0	60.2	63.8	67.3
Raw material and processing	(22.9)	(29.7)	(30.1)	(31.9)	(33.7)
Services	(11.5)	(15.3)	(15.4)	(16.3)	(17.2)
Personnel expenses	(8.0)	(8.5)	(8.6)	(9.0)	(9.4)
Other opex	(1.2)	(0.8)	(1.2)	(1.3)	(1.3)
EBITDA	2.1	3.7	4.9	5.3	5.7
D&A	(2.2)	(2.7)	(2.8)	(2.8)	(2.8)
EBIT	(0.1)	0.9	2.1	2.5	2.9
Financials	(0.6)	(0.7)	(0.7)	(0.7)	(0.7)
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)	0.3	1.4	1.8	2.3
Income taxes	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Minorities	0.0	0.0	0.0	0.0	0.0
Net Profit	(0.9)	0.2	1.4	1.7	2.2
Net Profit adj.	(0.9)	0.2	1.4	1.7	2.2
Balance sheet (€ m)	2021	2022	2023e	2024e	2025e
Net Working Capital	19.2	21.3	22.6	23.9	25.1
Net Fixed Assets	35.8	34.1	33.8	33.5	33.2
Equity Investments	0.0	0.0	0.0	0.0	0.0
Other M/L Term A/L	(5.6)	(6.4)	(6.6)	(7.0)	(7.4)
Net Invested Capital	49.4	49.0	49.7	50.4	50.9
Net Financial Position	17.5	16.5	15.9	14.8	13.2
Minorities	0.0	0.0	0.0	0.0	0.0
Group's Shareholders Equity	31.8	32.5	33.8	35.6	37.7
Financial Liabilities & Equity	49.4	49.0	49.7	50.4	50.9
Cash Flow statement (€ m)	2021	2022	2023e	2024e	2025e
Total net income	(0.9)	0.2	1.4	1.7	2.2
Depreciation	2.2	2.7	2.8	2.8	2.8
Other non-cash charges	(0.5)	0.0	0.2	0.4	0.4
Cash Flow from Oper. (CFO)	0.9	2.9	4.4	4.9	5.3
Change in NWC	1.7	(2.2)	(1.3)	(1.3)	(1.1)
FCF from Operations (FCFO)	2.6	0.8	3.1	3.6	4.2
Net Investments (CFI)	(0.2)	0.0	(2.5)	(2.5)	(2.5)
Free CF to the Firm (FCFF)	2.4	0.8	0.6	1.1	1.7
CF from financials (CFF)	(5.7)	(0.4)	0.0	0.0	0.0
Free Cash Flow to Equity (FCFE)	(3.3)	0.4	0.6	1.1	1.7
Financial ratios	2021	2022	2023e	2024e	2025e
EBITDA margin	4.8%	6.9%	8.3%	8.4%	8.6%
EBIT margin	-0.2%	1.8%	3.5%	4.0%	4.4%
Net profit margin	-1.9%	0.3%	2.3%	2.8%	3.2%
Tax rate	-15.1%	31.5%	4.5%	4.5%	4.5%
Op NWC/Sales	0.4%	0.4%	0.4%	0.4%	0.4%
Interest coverage x	(6.77)	0.73	0.33	0.27	0.23
Net Debt/EBITDA x	8.20	4.49	3.23	2.79	2.31
Debt-to-Equity x	0.55	0.51	0.47	0.42	0.35
ROIC	-1.7%	0.4%	2.7%	3.5%	4.2%
ROCE	-0.2%	1.7%	3.6%	4.2%	4.7%
ROACE	-0.2%	1.7%	3.7%	4.3%	4.8%
ROE	-2.7%	0.6%	4.0%	4.9%	5.7%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Per share figures	2021	2022	2023e	2024e	2025e
Number of shares # m	8.72	8.81	8.81	8.81	8.81
Number of shares Fully Diluted # m	9.82	8.81	8.81	8.81	8.81
Average Number of shares Fully Diluted # m	9.82	9.31	8.81	8.81	8.81
EPS stated €	(0.10)	0.02	0.15	0.20	0.24
EPS adjusted €	(0.10)	0.02	0.15	0.20	0.24
EBITDA €	0.25	0.42	0.56	0.60	0.65
EBIT €	(0.01)	0.11	0.24	0.29	0.33
BV €	3.65	3.69	3.84	4.04	4.28
FCFO €	0.30	0.09	0.35	0.41	0.47
FCFF €	0.28	0.09	0.07	0.12	0.19
FCFE €	(0.37)	0.05	0.07	0.12	0.19
Dividend €	0.00	0.00	0.00	0.00	0.00



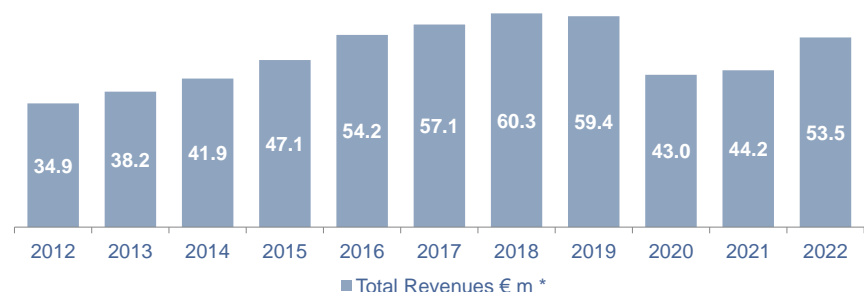
Radici Pietro in a Nutshell

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 **4.4% CAGR in the 2012-22 period** (7.9% CAGR₁₂₋₁₉, not considering the last three years, which were deeply affected by the pandemic). In 2022, revenues were € 53.5m, EBITDA was € 3.7m and Net Profit reached € 0.2m. Net Financial Position amounted to € 16.6m.

Chart 1 – Radici Pietro, 2012-22 top line evolution*



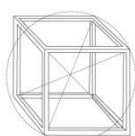
Source: Company data *excluding ROI Automotive Technology from the scope of consolidation

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

Chart 2 – Radici Pietro, 2022 top line breakdown by geography and industry



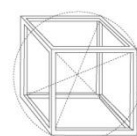
Source: Company data



Business Model & Strategy

Radici Pietro operates three production plants, two in Italy and one in Hungary, **and four commercial branches worldwide**, managing the entire value chain, from raw materials processing to the production of finished goods, including quality control, testing phases and distribution. The installation phase is outsourced, except for artificial turf floorings in a few Northern Italy regions. **The group value chain** develops as follows:

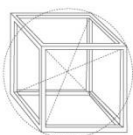
- 1) **Research & Development:** a dedicated R&D team persistently works to improve the existing products and to develop new innovative solutions, focusing on technological innovation and sustainability.
- 2) **Production & Supply Chain:** the group directly manages the procurement of raw materials, production and testing phases.
 - **Raw materials procurement:** the group established a procurement policy based on the **Material Requirements Planning** method (MRP), in order to streamline and plan the raw materials purchases. Furthermore, the group uses **several suppliers for each category of raw materials** in order to mitigate the concentration risk and to avoid production interruptions. Concerning the carded wool yarns, 50% of the group's need is covered by the Hungarian subsidiary's production. The remainder is acquired from third parties, as well as the other types of yarns.
 - **Transformation:** production takes place at the Cazzano Sant'Andrea (Bergamo, Italy) and Mihályfa (Hungary) production plants. In particular, the Hungarian plant carries out the spinning, twisting and thermo-fixing phases of carded wool yarns. The Italian plant manufactures all the different textile flooring categories that make up the group's product portfolio, carrying out the weaving, dyeing, needling, finishing, laminating and cutting phases.
 - **Testing:** in addition to the quality control on the finished goods, the group implemented several check points over the entire production process, in order to keep high-end quality standards.
- 3) **Distribution: the group directly manages internal logistics**, storing the finished or semi-finished products in proprietary warehouses, where they are packed and prepared for shipping. The **delivery phase is carried out by third parties** and the group hedges itself against the transport risk with insurance policies. **The Issuer and its subsidiaries run sales activities, in addition to a distribution network composed of sole and multi-firm agents.** Furthermore, Radici Pietro provides its clients with several strategic activities, namely post sales services and, on demand, the installation of textile flooring. In particular, the subsidiary **Sit-in Sport Impianti takes care of installing artificial turf surfaces in a few Northern Italian regions.**



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 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: i.e., 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.



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-22 turnover

WEAKNESSES

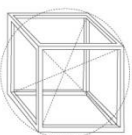
- ❑ **Exposure to foreign currencies**
- ❑ Few key relevant people represent a **vital asset** for the company
- ❑ **Limited fire power for M&A and development**

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 profitability** to a certain extent
- ❑ The rise of **new production technologies**, not implemented by the group, may reduce its competitive advantage



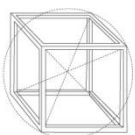
ESG Profile

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 3 – Radici Pietro, ESG Profile

<p>EnvIRONMENTAL</p>	<ul style="list-style-type: none"> ❑ Radici Pietro recycles about 67% of the waste produced annually ❑ 'Recyclable Plastic' certification for ReTURF, an artificial turf 100% micro-plastic free developed for football pitches ❑ <u>Partnership with Aquafil</u> for the production of carpets made from ECONYL®, a 100% regenerated nylon yarn produced by Aquafil ❑ <u>ISO 14001- certified Environmental Management System</u> ❑ Sustainability strategies included in the <u>2022-23 Business Plan</u>: <ul style="list-style-type: none"> ✓ Installation of a 2.5 MWh photovoltaic plant at the facility in Cazzano Sant'Andrea (BG) operational from 2023 ✓ Development of antiviral products for the Residential & Contract, Automotive and Marine segments; 100% eco-compatible and recyclable products for the Sport segment ✓ Launch of a B2C e-commerce channel offering recyclable carpets and artificial grass products
<p>Social</p>	<ul style="list-style-type: none"> ❑ Radici Pietro provides information about the composition of its workforce ❑ ISO 9001, the international standard for quality management systems ❑ 50% subsidy for employees' meals in the canteen ❑ The company requires its suppliers to comply with REACH (Registration Evaluation Authorisation of Chemicals) obligations ❑ Sponsorship of local charities ❑ Collaboration with local schools and universities to set up job placement plans
<p>Governance</p>	<ul style="list-style-type: none"> ❑ Organisational Model pursuant to Legislative Decree no. 231/2001 ❑ Code of Ethics, whose compliance is monitored by a supervisory body ❑ List voting: 10% ❑ 6 members in the BoD, 1 Independent Director

Source: CFO SIM analysis on company data



FY-22 Results

In 2022, Radici Pietro posted a good set of results, showing growing revenues and recovering EBITDA margin thanks to higher volumes accompanied by timely price increases to counter inflationary pressures. FY-22 figures came in broadly in line with the company's guidance and our projections, too.

The company's product diversification and strategic market positioning allowed it to mitigate the main operational risks in a year characterised by the outbreak of the Russia-Ukraine conflict and the sharp increase in inflation.

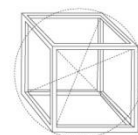
Table 1 – Radici Pietro, FY-22 results

€ m	2022	2021	% YoY	2022e	% Diff.
Marine	5.6	4.9	12.4	6.7	(16.7)
Residential & Contract	28.3	20.2	39.7	26.3	7.5
Sport	14.1	12.0	17.0	14.5	(2.5)
Automotive	5.6	7.0	(20.5)	6.0	(7.6)
Total Revenues	53.5	44.2	20.9	53.5	0.1
Other	4.5	1.5		0.7	
Value of Production	58.0	45.7	27.0	54.2	7.1
Raw material and processing	(29.7)	(22.9)		(26.7)	
Services	(15.3)	(11.5)		(13.8)	
Personnel expenses	(8.5)	(8.0)		(9.0)	
Other opex	(0.8)	(1.2)		(1.2)	
EBITDA	3.7	2.1	72.0	3.4	7.2
% margin	6.9	4.8		6.4	
D&A	(2.7)	(2.2)		(2.8)	
EBIT	0.9	(0.1)	n.m.	0.6	60.9
% margin	1.8	(0.2)		1.1	
Financials	(0.7)	(0.6)		(0.5)	
Re/(Devaluation) of financial assets	0.0	(0.0)		-	
Extraordinary	-	-		-	
Pre-Tax profit	0.3	(0.7)	n.m.	0.1	n.m.
% margin	0.5	(1.7)		0.1	
Income taxes	(0.1)	(0.1)		(0.0)	
Tax rate	31.5%	n.m.		4.5%	
Minorities	-	-		-	
Net Profit	0.2	(0.9)	n.m.	0.1	n.m.
% margin	0.3	(1.9)		0.1	
NFP Debt/(Cash)	16.6	17.5	(5.7)	18.0	(8.2)

Source: Company data, CFO SIM estimates

Revenues totalled € 53.5m, up by 20.9% YoY driven by both increasing prices and higher sales volumes. In terms of business lines:

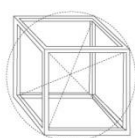
- **Marine (10% of total revenues)** grew by 12.4% YoY to € 5.6m, 11.0% higher than the company's budget although lower compared to our estimate.
- **Residential & Contract (53% of total revenues)** rose by 39.7% YoY to € 28.3m, thus returning to pre-pandemic levels. The figure is 7.5% and 2.8% above our estimate and the company's budget, respectively. In particular, the Contract segment showed a solid recovery throughout the year, also driven by a positive contribution from the fashion industry.
- **Sport (26% of total revenues)** reached € 14.1m, up 17.0% YoY, resulting from increasing demand for the company's artificial turf. The figure is broadly aligned with both the company's budget as well as our estimate.
- **Automotive (10% of total revenues)** declined by 20.5% YoY to € 5.6m, lower than both our forecast (€ 6.0m) and the company's budget (€ 7.0m). The business line was heavily impacted by the general downward trend in the sector, greatly impacted by shortages of key components, delayed delivery time and inflationary pressures.



EBITDA jumped to € 3.7m, 6.9% margin (€ 2.1m, 4.8% margin in FY-21), 7.2% higher than our estimate and slightly lower than the company's budget (€ 4.0m). **EBITDA margin improved by approximately 210bps YoY** as a result of 1) the increased turnover, which allowed it to make use of the operating leverage, 2) a timely increase in selling prices and 3) a careful costs monitoring.

EBIT reached € 0.9m (€ 0.1m negative in FY-21), as a result of higher EBITDA as well as management's decision to make use of the option to limit the tangible assets' depreciation rate by up to 75% of the normal rate (in accordance with Italian Legislative Decree No. 198 of 29 December 2022). After slightly higher financial charges (€ 0.7m compared to € 0.6m in FY-21), **Net Profit totalled € 0.2m** compared to net loss of € 0.9m in 2021.

NFP declined to € 16.6m from € 17.5m in FY-21, thanks to a good operating cash flow of € 0.8m. The figure is better than both CFO SIM's estimate and company's guidance (both equal to € 18.0m), chiefly as a consequence of lower than expected capex (€ 0.9m compared to our estimate of € 1.5m) and € 0.4m cash-in stemming from the warrants conversion.



Budget 2023

On 20-Dec-22, **Radici Pietro revised its targets for FY-23**, broadly confirming total revenues, although comprising a different mix, and slightly lowering the EBITDA forecast by adopting a cautious approach in a still uncertain global macroeconomic environment.

Table 2 – Radici Pietro, company guidance for FY-23

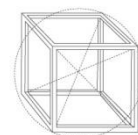
€ m	2021	2022	2023e	% CAGR ₂₁₋₂₃
Marine	4.9	5.6	8.3	29
Residential & Contract	20.2	28.3	30.8	23
Sport	12.0	14.1	15.5	13
Automotive	7.0	5.6	5.1	(15)
Total Revenues	44.2	53.5	59.7	16
EBITDA¹	2.1	3.7	5.0	
% margin	4.8%	6.9%	8.4%	
% YoY				
Marine	49%	12%	50%	
Residential & Contract	8%	40%	9%	
Sport	12%	17%	10%	
Automotive	-31%	-20%	-9%	
Total Revenues	3%	21%	12%	
% on total revenues				
Marine	11%	10%	14%	
Residential & Contract	46%	53%	52%	
Sport	27%	26%	26%	
Automotive	16%	10%	9%	

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

In 2023, total revenues are anticipated to reach € 59.7m, up by 12% YoY. The figure is broadly in line with the previous estimate of € 60.0m, although comprising a slightly different composition.

- The **Marine** segment is expected to come to **€ 8.3m** (previously € 8.5m), **up by 50% YoY**, almost recovering 2019 levels.
- The **Residential & Contract** segment is anticipated to continue performing well, reaching **€ 30.8m** (previously € 25.8m), **up by 9% YoY**.
- The **Sport** segment is expected to reach **€ 15.5m** (previously € 16.0m), **up by 10% YoY**.
- The **Automotive** segment is foreseen to continue suffering from the difficult conditions within the industry. As a consequence, revenues are now expected at **€ 5.1m** (previously € 7.0), **down by 9% YoY**.

EBITDA is expected to rise to € 5.0m, 8.3% margin, compared to the previous estimate of € 5.5m, 9.1% margin, in light of a more cautious approach given the inflationary headwinds coupled with certain still unresolved supply chain issues. However, the company recently announced the roll out of the **2.4 MWh photovoltaic plant** at the facility in Cazzano Sant'Andrea (BG). In detail, 79% of the plant's annual energy production will be used for self-consumption, covering **40% of the group's annual energy requirement**.



Estimates, Valuation & Risks

In 2022, Radici Pietro posted a good set of results, broadly aligned with both the company's guidance and our projection in terms of revenues while EBITDA came in better than our forecasts. The recovery in profitability was mainly driven by higher sales volumes, increased price lists and a tight cost control.

In our view, the updated 2023 guidance fairly incorporates the expected recovery of the Marine segment to pre-pandemic levels, buoyant growth of the Residential & Contract segment and weak performance of the Automotive segment, suffering from the sector's negative trend. Moreover, the EBITDA projection is reasonably sustainable considering the volatility of raw materials and energy prices. In recent years, **the group has demonstrated an appropriate control of the variables influencing the business and a properly managed budgeting process.**

In view of FY-22 results and the company's updated budget for 2023, **we have fine-tuned our estimates** by factoring in 1) a slightly different revenue mix, 2) broadly unchanged assumption with regard to profitability and 3) slightly higher financial charges in order to reflect the current interest rates. **The combined result is almost unchanged projections in terms of top line and an average 3.0% and 17.2% decline in EBITDA and Net Profit in 2023-24.** Furthermore, we introduced 2025 projections.

Table 3 – Radici Pietro, 2023e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Total Revenues	59.5	59.0	0.8	0.5
EBITDA	4.9	5.0	(0.8)	(0.0)
% margin	8.3	8.4		
EBIT	2.1	2.2	(3.2)	(0.1)
% margin	3.5	3.7		
Net Profit	1.4	1.6	(13.6)	(0.2)
% margin	2.3	2.7		
Y/E net debt (net cash)	15.9	13.0	22.4	2.9

Source: CFO SIM

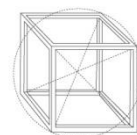
Table 4 – Radici Pietro, 2024e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Total Revenues	63.0	63.0	0.0	0.0
EBITDA	5.3	5.6	(5.3)	(0.3)
% margin	8.4	8.9		
EBIT	2.5	2.8	(11.4)	(0.3)
% margin	4.0	4.5		
Net Profit	1.7	2.2	(20.8)	(0.5)
% margin	2.8	3.5		
Y/E net debt (net cash)	14.8	11.7	26.8	3.1

Source: CFO SIM

Moreover, we updated **the DCF valuation criteria**, bringing the Free Risk Rate up to date and postponing the first valuation year to 2023. The combined result is an **unchanged DCF-based PT of € 1.80/s**, with an upside of 63.6% 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.



DCF

In our DCF-based valuation, we assess explicit estimates until 2027 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 5 – WACC derived from:

Interest costs, pre-tax	3.5%
Tax rate	27.5%
Int. costs, after taxes	2.5%
Risk premium, incl. small size premium	9.0%
Risk-free (10Y Gov. Bond 200 days simple moving average)	4.00%
Beta levered (x)	1.00
Required ROE	13.0%

Sources: CFO SIM, Refinitiv 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 6 – Radici Pietro, DCF model

€ m	2023e	2024e	2025e	2026e	2027e Term. Val.	
EBIT	2.1	2.5	2.9	3.8	5.0	
Tax rate	4.5%	4.5%	4.5%	27.5%	27.5%	
Operating profit (NOPAT)	2.0	2.4	2.8	2.8	3.6	
Change working capital	(1.3)	(1.3)	(1.1)	(0.6)	(0.1)	
Depreciation	2.8	2.8	2.8	2.4	2.0	
Investments	(2.5)	(2.5)	(2.5)	(2.3)	(2.0)	
Free Cash Flows	1.0	1.3	1.9	2.3	3.5	40.5
Present value	1.0	1.1	1.5	1.6	2.3	26.0
WACC	9.9%	9.9%	9.9%	9.9%	9.9%	
Long-term growth rate	1.0%					

Source: CFO SIM

Table 7 – Radici Pietro, DCF derived from:

€ m	
Total EV present value €m	33.5
	<i>thereof terminal value</i>
	78%
NFP last reported	(16.5)
Pension last reported	(1.3)
Equity value €m	15.7
# shares m	8.8
Equity value €/s	1.80
<i>% upside/(downside)</i>	63.6%

Source: CFO SIM

The application of our DCF model produces an equity value of Radici Pietro of € 15.7m, € 1.80/s.

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value between **€ 1.54 – 2.08/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 **€ 1.55 – 2.06/s (free risk range between 4.75% and 3.25%)** and, 3) if compared to changes in the risk premium, including small size premiums, it results in an equity value of **€ 1.33 – 2.36/s (risk premium range between 10.50 % and 7.50%)**.

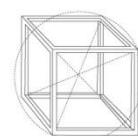


Table 8 – Radici Pietro, equity value sensitivity to changes in terminal growth rate

€ m	0.25%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%
Present value of CF	7.5	7.5	7.5	7.5	7.5	7.5	7.5
PV of terminal value	23.8	24.5	25.2	26.0	26.8	27.7	28.6
Total value	31.3	32.0	32.8	33.5	34.4	35.2	36.1
NFP last reported	(16.5)	(16.5)	(16.5)	(16.5)	(16.5)	(16.5)	(16.5)
Pension last reported	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)
Equity value €m	13.5	14.2	15.0	15.7	16.6	17.4	18.3
# shares m	8.8	8.8	8.8	8.8	8.8	8.8	8.8
Equity value €/s	1.54	1.61	1.70	1.80	1.88	1.98	2.08

Source: CFO SIM

Table 9 – Radici Pietro, equity value sensitivity to changes in free risk rate

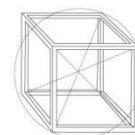
€ m	3.25%	3.50%	3.75%	4.00%	4.25%	4.50%	4.75%
Present value of CF	7.7	7.6	7.6	7.5	7.5	7.5	7.4
PV of terminal value	28.3	27.5	26.7	26.0	25.3	24.6	24.0
Total value	35.9	35.1	34.3	33.5	32.8	32.1	31.4
NFP last reported	(16.5)	(16.5)	(16.5)	(16.5)	(16.5)	(16.5)	(16.5)
Pension last reported	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)
Equity value €m	18.1	17.3	16.5	15.7	15.0	14.3	13.6
# shares m	8.8	8.8	8.8	8.8	8.8	8.8	8.8
Equity value €/s	2.06	1.96	1.87	1.80	1.70	1.62	1.55

Source: CFO SIM

Table 10 – 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	7.8	7.7	7.6	7.5	7.5	7.4	7.3
PV of terminal value	30.9	29.1	27.5	26.0	24.6	23.4	22.2
Total value	38.6	36.8	35.1	33.5	32.1	30.8	29.5
NFP last reported	(16.5)	(16.5)	(16.5)	(16.5)	(16.5)	(16.5)	(16.5)
Pension last reported	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)
Equity value €m	20.8	19.0	17.3	15.7	14.3	13.0	11.7
# shares m	8.8	8.8	8.8	8.8	8.8	8.8	8.8
Equity value €/s	2.36	2.15	1.96	1.80	1.62	1.47	1.33

Source: CFO SIM



Market Multiples

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

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

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

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

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

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

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

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

Table 11 – Radici Pietro, peer group summary table

€ m	Country	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA %	Sales CAGR ₂₂₋₂₅	EBITDA CAGR ₂₂₋₂₅	EBIT CAGR ₂₂₋₂₅	EPS CAGR ₂₃₋₂₅	NFP /EBITDA
Aquafil SpA	Italy	213	703	85	12.0%	3.1%	1.9%	2.6%	27.3%	2.4
Belysse Group NV	Belgium	38	344	40	11.6%	n.a.	n.a.	n.a.	n.m.	n.a.
Interface Inc	USA	422	1,220	155	12.7%	4.1%	18.6%	24.9%	41.3%	n.a.
Mohawk Industries Inc	USA	5,780	10,077	1,260	12.5%	-1.3%	-0.8%	-1.3%	17.9%	1.2
Somec SpA	Italy	199	370	33	8.9%	9.1%	27.4%	118.1%	41.1%	(0.2)
Tarkett SA	France	818	3,058	265	8.7%	n.a.	n.a.	n.a.	n.m.	1.2
Victoria PLC	UK	612	1,667	232	13.9%	14.1%	11.9%	20.7%	9.1%	1.9
Median		422	1,220	155	12.0%	4.1%	11.9%	20.7%	27.3%	1.2
Radici Pietro Industries & Brands SpA	Italy	10	59	5	8.3%	7.5%	15.7%	46.3%	25.8%	3.2

Source: CFO SIM, Refinitiv Eikon

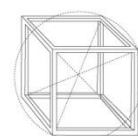


Table 12 – Radici Pietro, peer group EV multiples table

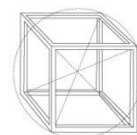
x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
Aquafil SpA	0.59	0.54	0.49	4.9	4.1	3.9
Belysse Group NV	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Interface Inc	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Mohawk Industries Inc	0.73	0.67	0.59	5.8	4.9	4.1
Somec SpA	0.53	0.40	0.43	5.9	3.7	3.8
Tarkett SA	0.37	0.33	n.a.	4.3	3.4	n.a.
Victoria PLC	0.63	0.60	0.58	4.5	4.3	4.0
Median	0.59	0.54	0.54	4.9	4.1	3.9
Radici Pietro Industries & Brands SpA	0.43	0.39	0.34	5.2	4.6	4.0
% Prem./disc.)	(27.0)	(27.5)	(35.8)	6.0	12.3	1.5

Source: CFO SIM, Refinitiv Eikon

Table 13 – Radici Pietro, peer group EV & price multiples table

x	EBIT FY1	EBIT FY2	EBIT FY3	PER FY1	PER FY2	PER FY3
Aquafil SpA	12.0	8.8	8.5	14.4	9.1	8.9
Belysse Group NV	n.a.	n.a.	n.a.	4.8	2.4	n.a.
Interface Inc	n.a.	n.a.	n.a.	6.7	4.4	3.4
Mohawk Industries Inc	10.2	7.8	6.5	11.1	9.1	8.0
Somec SpA	11.9	6.3	6.0	19.2	12.2	9.6
Tarkett SA	12.3	8.1	n.a.	15.2	9.6	n.a.
Victoria PLC	8.2	7.5	7.1	9.0	8.3	7.5
Median	11.9	7.8	6.8	11.1	9.1	8.0
Radici Pietro Industries & Brands SpA	12.1	9.8	7.8	7.1	5.5	4.5
% Prem./disc.)	2.4	24.4	14.9	(35.7)	(38.9)	(43.5)

Source: CFO SIM, Refinitiv Eikon



Peer Stock Performance

Radici Pietro was listed on Euronext Growth Milan on 26th July 2019 at € 3.10/share, corresponding to a post-money market capitalisation of € 26.7m. The stock reached a 1Y maximum price of € 1.31/s on 20-Apr-22 and a minimum price of € 0.91/s on 10-Oct-22.

Table 14 – Radici Pietro, peer group and index absolute performance

	1D	1W	1M	3M	6M	YTD	1Y
Aquafil SpA	2.2	(1.1)	(1.7)	(21.5)	(2.7)	(19.5)	(22.7)
Belysse Group NV	(0.5)	(4.1)	(3.7)	(14.6)	(26.7)	(7.5)	(69.1)
Interface Inc	2.2	4.6	2.8	(28.0)	(23.7)	(19.6)	(37.6)
Mohawk Industries Inc	1.3	4.7	4.3	(16.4)	2.8	(3.0)	(19.8)
Somec SpA	(0.3)	1.1	4.0	(14.6)	28.7	(11.7)	2.5
Tarkett SA	0.0	(0.8)	3.7	(2.1)	(2.4)	7.8	(3.4)
Victoria PLC	0.5	0.0	(3.5)	(14.6)	14.1	(2.7)	(36.2)
Median	0.5	0.0	2.8	(14.6)	(2.4)	(7.5)	(22.7)
Radici Pietro Industries & Brands SpA	(3.5)	0.0	4.3	(0.9)	18.3	(3.9)	(15.4)
MSCI World Index	0.1	1.5	5.6	3.3	16.3	8.6	(4.5)
EUROSTOXX	(0.3)	1.3	5.4	3.6	22.7	12.8	7.4
FTSE Italia All Share	(0.6)	1.7	6.6	6.6	29.0	16.2	10.2
FTSE Italia STAR	(0.5)	0.5	1.4	(1.5)	16.2	5.6	(7.9)
FTSE Italia Growth	(0.2)	(0.6)	1.5	(2.0)	5.6	0.9	(10.7)

Source: Refinitiv Eikon

Table 15 – Radici Pietro relative performances

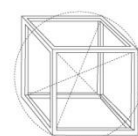
	1D	1W	1M	3M	6M	YTD	1Y
To peer Peers Median	(4.0)	0.0	1.4	13.7	20.6	3.5	7.3
To MSCI World Index	(3.6)	(1.5)	(1.3)	(4.2)	2.0	(12.6)	(10.9)
To EUROSTOXX	(3.2)	(1.3)	(1.1)	(4.5)	(4.5)	(16.7)	(22.8)
To FTSE Italia All Share	(2.9)	(1.7)	(2.3)	(7.5)	(10.7)	(20.2)	(25.6)
To FTSE Italia STAR	(3.0)	(0.5)	2.9	0.6	2.0	(9.5)	(7.5)
To FTSE Italia Growth	(3.3)	0.6	2.8	1.1	12.7	(4.9)	(4.7)

Source: Refinitiv Eikon

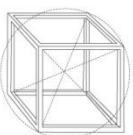
Risks

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

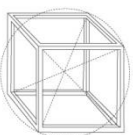
- Impact on P&L and balance sheet profiles triggered by a sharp decline in global economic growth and geopolitical instability;
- The Covid-19 pandemic might put the manufacturing activities under pressure for longer than expected;
- The introduction of new production technologies, not implemented by the group, may reduce its competitive advantage;
- Exposure to foreign exchange rate risk;
- Departure of one, or a few, of the key people.



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DATE	TARGET PRICE	RATING
18/04/2023	€1.80	BUY
12/10/2022	€1.80	BUY
12/04/2022	€2.30	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.

