

Italy – Textile Flooring

Preliminary results confirm the margins recovery path

20th December 2023

FY-23 PRELIMINARY RESULTS

RIC: RADIC.MI
BBG: RAD IM

Radici Pietro recently disclosed selected FY-23 preliminary figures, showing mid-single digit YoY revenue growth mainly thanks to a solid second part of the year. The management's cost mitigation actions coupled with a more profitable revenue mix drove margins up more than proportionately compared to top line.

Rating:

Buy

Price Target:

€ 1.80

Upside/(Downside): 59.3%

Last Price: € 1.13

Market Cap.: € 9.9m

1Y High/Low: € 1.61 / € 0.96

Avg. Daily Turn. (3M, 6M): € 5k, € 11k

Free Float: 24.9%

Major shareholders:

MRFoC 69.2%
Radici Family 6.0%



Stock price performance

	1M	3M	12M
Absolute	-3.4%	-5.0%	17.7%
Rel.to FTSE IT Growth	-7.9%	0.3%	30.0%
Rel.to Peers	-11.7%	2.8%	41.3%

Analysts:

Gianluca Mozzali
+39 02 30343 396
gianluca.mozzali@cfosim.com

Luca Solari
+39 02 30343 397
luca.solari@cfosim.com

Preliminary figures broadly aligned with forecasts. Estimates, rating and PT confirmed

On 18th December, Radici Pietro disclosed certain 2023 preliminary figures: Total Revenues and EBITDA came in fairly aligned with both the company's Budget 2023 as well as CFO SIM's forecast. The vast and well-diversified product portfolio composed of several innovative products, coupled with the mitigation actions on energy costs surely drove top line growth and facilitated the strong increase in margin. The company will unveil FY-23 results on March 25th. Estimates, rating and PT confirmed.

€ m	FY-23	FY-22	% YoY	Budget 2023	% diff	CFO SIM FY-23e	% diff
Total Revenues	~ 56.0	53.5	~ +5%	59.7	~ (6.2)	59.5	~ (5.9)
EBITDA	~ 4.8	3.7	~ +30%	5.0	~ (4.0)	4.9	~ (2.0)
% margin	~ 8.6%	6.9%	~ +170bps	8.3%	~ +30bps	8.3%	~ +30bps

Preliminary revenues at € 56.0m, up by 5% YoY and broadly in line with expectations

Radici Pietro's FY-23 preliminary revenues were ca. € 56.0m, up by 5% YoY (€ 53.5m in FY-22). The figure is approximately 6% below both the company's Budget 2023 (€ 59.7m) as well as our expectations (€ 59.5m). Nevertheless, in H2-23, revenues grew by almost 11% YoY, showing a certain acceleration compared to the first semester of the year, when the group reported revenues broadly unchanged compared to H1-22.

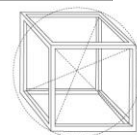
€ m	H1-22	H2-22	FY-22	H1-23	H2-23	FY-23
Total Revenues	27.3	26.2	53.5	27.0	29.0	56.0
EBITDA	1.7	2.0	3.7	2.1	2.7	4.8
% margin	6.3%	7.5%	6.9%	7.9%	9.2%	8.6%

EBITDA went up by 30% YoY to € 4.8m, with margins expanding by 170bps

EBITDA jumped to € 4.8m, up by 30% YoY compared to € 3.7m reported in FY-22, and broadly aligned with both the company's 2023 Budget (€ 5.0m) as well as our estimate (€ 4.9m). EBITDA increased more than proportionally compared to top line in light of a good second part of the year sustained by significant cost savings stemming from cost mitigation actions put in place by the group. It is worth remembering that a 2.4 MWh photovoltaic plant able to cover around 40% of the group's annual energy requirement came into operation at the beginning of the year. EBITDA margin expanded by approximately +170bps YoY reaching 8.6% of total revenues, approximately 30bps higher compared to both the company's budget and CFO SIM's estimate. According to our calculation, the H2-23 EBITDA margin was more than 9%, compared to 7.5% and 7.9% registered in H2-22 and H1-23, respectively. Additionally, the FY-23 EBITDA margin exceeded that achieved in FY-19 (by excluding an extraordinary profit of € 2m reported that year).

Radici Pietro, key financials and ratios

€ 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
EBITDA	2.1	3.7	4.9	5.3	5.7
EBIT	(0.1)	0.9	1.9	2.3	2.8
Net profit	(0.9)	0.2	0.7	1.2	1.8
NFP (cash)/debt	17.5	16.5	17.2	16.0	14.4
NFP (cash)/debt adj.	17.5	16.5	17.2	16.0	14.4
EBITDA margin	4.8%	6.9%	8.3%	8.4%	8.6%
EBIT margin	-0.2%	1.8%	3.2%	3.7%	4.2%
EPS €	(0.10)	0.02	0.08	0.14	0.20
EPS growth	5.7%	n.m.	n.m.	81.5%	40.5%
Free Cash Flow Yield	18.3%	-1.1%	-6.9%	12.4%	15.8%
PER x	neg.	53.6	14.4	7.9	5.6
PCF x	10.9	3.4	2.7	2.4	2.1
EV/Sales x	0.74	0.50	0.46	0.41	0.37
EV/EBITDA x	15.2	7.2	5.5	4.9	4.3
EV/EBIT x	neg.	28.3	14.1	11.1	8.8



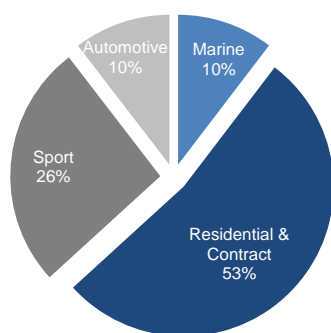
The Company at a Glance

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 serves almost 90 countries and more than 2,000 customers in four different industries: Residential & Contract, Marine, Sport, and Automotive.

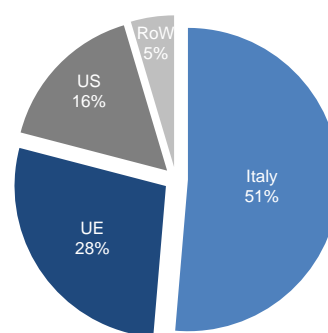
The group's global export sales make up 49% of total revenues. 53% of turnover comes from the Residential & Contract segment, 26% from Sport, 10% from Automotive and 10% from Marine.

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

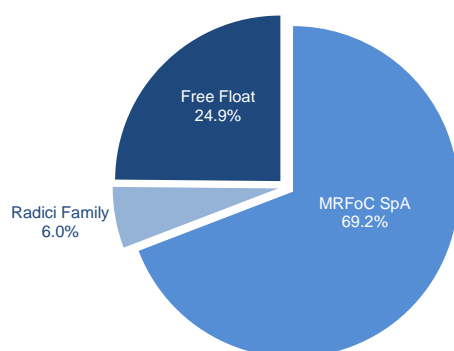
2022 breakdown by industry...



... and by geography



Shareholder structure



Peer group absolute performance

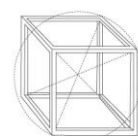
%	1D	1W	1M	3M	6M	YTD
Aquafil SpA	3.6	6.0	14.6	14.8	(20.1)	(48.2)
Belysse Group NV	(5.7)	(3.5)	(13.2)	(18.7)	(45.5)	(42.1)
Interface Inc	3.5	10.3	25.1	27.7	48.4	26.4
Mohawk Industries Inc	1.4	14.7	24.4	13.9	3.5	2.2
Somec SpA	0.0	(0.7)	(1.7)	(7.8)	(7.2)	(12.9)
Tarkett SA	2.0	1.5	1.8	(11.2)	(16.4)	(19.7)
Victoria PLC	4.6	21.1	8.3	(48.1)	(43.8)	(32.0)
Median	2.0	6.0	8.3	(7.8)	(16.4)	(19.7)
Radici Pietro SpA	(2.6)	(1.7)	(3.4)	(5.0)	(9.6)	(1.3)

Source: Refinitiv Eikon

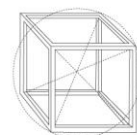
Peer group multiples table

Price & EV multiples x	SALES FY1	SALES FY2	EBITDA FY1	EBITDA FY2	EBIT FY1	EBIT FY2	PER FY1	PER FY2
Aquafil SpA	0.61	0.57	8.0	4.9	n.m.	18.7	n.m.	45.6
Belysse Group NV	0.55	0.51	4.8	3.6	10.7	6.2	n.m.	2.9
Interface Inc	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	14.5	13.5
Mohawk Industries Inc	0.78	0.74	6.1	5.5	10.7	9.3	11.3	10.5
Somec SpA	0.67	0.56	9.4	7.0	25.8	14.5	49.5	22.1
Tarkett SA	0.30	0.27	3.6	3.1	11.0	8.5	11.8	9.8
Victoria PLC	0.18	n.m.	1.3	n.m.	2.3	n.m.	8.3	7.5
Median	0.58	0.56	5.4	4.9	10.7	9.3	11.8	10.5
Radici Pietro Industries & Brands SpA	0.46	0.41	5.5	4.9	14.1	11.1	14.4	7.9

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)	(3.0)	(3.0)	(2.9)
EBIT	(0.1)	0.9	1.9	2.3	2.8
Financials	(0.6)	(0.7)	(1.2)	(1.0)	(0.9)
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	0.7	1.3	1.8
Income taxes	(0.1)	(0.1)	(0.0)	(0.1)	(0.1)
Minorities	0.0	0.0	0.0	0.0	0.0
Net Profit	(0.9)	0.2	0.7	1.2	1.8
Adjusted Net Profit	(0.9)	0.2	0.7	1.2	1.8
Balance sheet (€ m)	2021	2022	2023e	2024e	2025e
Net Working Capital	19.2	21.3	23.4	24.3	25.3
Net Fixed Assets	35.8	34.1	33.6	33.1	32.7
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	50.4	50.4	50.6
Net Financial Position	17.5	16.5	17.2	16.0	14.4
Minorities	0.0	0.0	0.0	0.0	0.0
Group's Shareholders Equity	31.8	32.5	33.2	34.4	36.2
Financial Liabilities & Equity	49.4	49.0	50.4	50.4	50.6
Cash Flow statement (€ m)	2021	2022	2023e	2024e	2025e
Total net income	(0.9)	0.2	0.7	1.2	1.8
Depreciation	2.2	2.7	3.0	3.0	2.9
Other non-cash charges	(0.5)	0.0	0.2	0.4	0.4
Cash Flow from Oper. (CFO)	0.9	2.9	3.9	4.6	5.1
Change in NWC	1.7	(2.2)	(2.1)	(0.9)	(1.0)
FCF from Operations (FCFO)	2.6	0.8	1.8	3.7	4.1
Net Investments (CFI)	(0.2)	0.0	(2.5)	(2.5)	(2.5)
Free CF to the Firm (FCFF)	2.4	0.8	(0.7)	1.2	1.6
CF from financials (CFF)	(5.7)	(0.4)	0.0	0.0	0.0
Free Cash Flow to Equity (FCFE)	(3.3)	0.4	(0.7)	1.2	1.6
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%	3.2%	3.7%	4.2%
Net profit margin	-1.9%	0.3%	1.2%	2.0%	2.6%
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	0.62	0.44	0.34
Net Debt/EBITDA x	8.20	4.49	3.50	3.02	2.53
Debt-to-Equity x	0.55	0.51	0.52	0.46	0.40
ROIC	-1.7%	0.4%	1.4%	2.5%	3.5%
ROCE	-0.2%	1.7%	3.4%	4.0%	4.6%
ROACE	-0.2%	1.7%	3.4%	4.0%	4.6%
ROE	-2.7%	0.6%	2.1%	3.6%	4.9%
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	0.08	0.14	0.20
EPS adjusted €	(0.10)	0.02	0.08	0.14	0.20
EBITDA €	0.25	0.42	0.56	0.60	0.65
EBIT €	(0.01)	0.11	0.22	0.27	0.32
BV €	3.65	3.69	3.76	3.91	4.10
FCFO €	0.30	0.09	0.21	0.42	0.46
FCFF €	0.28	0.09	(0.08)	0.14	0.18
FCFE €	(0.37)	0.05	(0.08)	0.14	0.18
Dividend €	0.00	0.00	0.00	0.00	0.00



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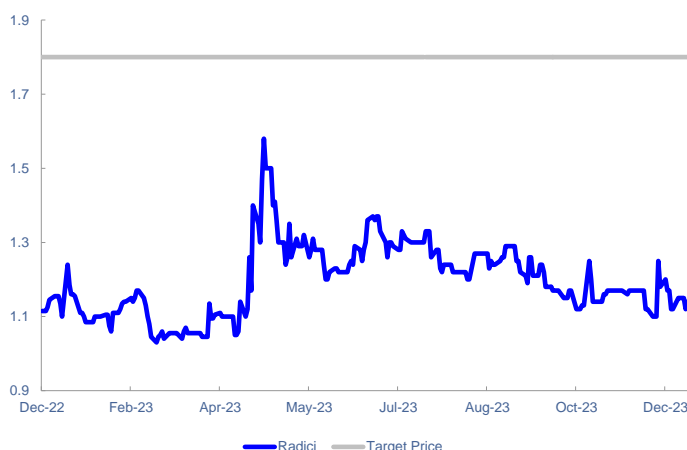
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DATE	TARGET PRICE	RATING
20/12/2023	€1.80	BUY
19/10/2023	€1.80	BUY
18/04/2023	€1.80	BUY
12/10/2022	€1.80	BUY

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

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

