

Italy – Textile Flooring

Resilient numbers resulted in a partial confirmation of guidance

12th October 2022

H1-22 RESULTS RELEASE

RIC: RADIC.MI
BBG: RAD IM

2022 interim results showed growing top line supported by a solid recovery in almost all the business divisions and a more than proportional progression in margins, thanks to timely price increases. Nonetheless, the uncertain economic outlook prompted the company to confirm the FY-22 guidance only with regard to revenues and net financial position.

Rating:

Buy

Price Target:

€ 1.80 (€ 2.30)

Upside/(Downside): **93.5%**

Last Price: € 0.93

Market Cap.: € 8.2m

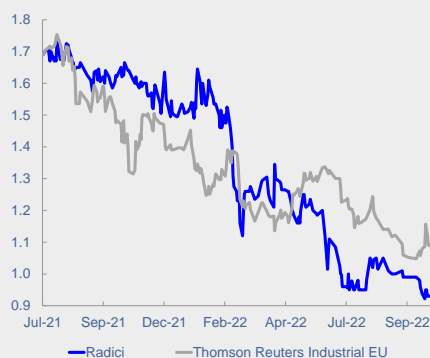
1Y High/Low: € 1.72 / € 0.91

Avg. Daily Turn. (3M, 6M): € 4k, € 9k

Free Float: 24.9%

Major shareholders:

MRFoC 69.2%
Radici Family 6.0%



Stock price performance

	1M	3M	12M
Absolute	-6.1%	-2.5%	-42.1%
Rel.to FTSE IT Growth	-1.2%	2.0%	-23.9%
Rel.to Peers median	2.4%	14.7%	-3.0%

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New DCF-based PT equal to € 1.80/s (€ 2.30), 93.5% upside. Still a Buy

On the back H1-22 results, Radici Pietro partially confirmed its guidance for 2022, as a result of a solid recovery in sales in almost all divisions, offset by surging raw materials and energy prices. Following the interim results, we fine-tuned our model, leaving top line assumptions unchanged but factoring in higher raw materials and overhead costs to reflect the current inflationary pressure. The combined result is an average 4.2% and 31.2% decrease in EBITDA and Net Profit, respectively, in 2022-24. Moreover, CFO has updated the DCF valuation criteria, bringing the Free Risk Rate up to date. The combined result is a new DCF-based PT of € 1.80/s (€ 2.30), 93.5% upside. In particular, the downgrade is almost entirely due to the sharp increase in the free risk rate from 1.05% to 2.46% (200d moving average) since our last valuation update. We reiterate the Buy recommendation.

Revenues up by 25.4% YoY to € 27.3m, driven by Marine and Residential & Contract

Total revenues increased by 25.4% YoY to € 27.3m, well on track to reach the FY-22 guidance, driven by a solid recovery in all the business divisions, except for Automotive, thanks to the wide product portfolio of the group and its strategic market positioning. The Marine segment more than doubled YoY to € 2.9m (11% of total), as a consequence of the solid recovery of the cruise industry in H1-22 compared to the same period of 2021, which was affected by ship owners' postponement of vessel refitting activities. The Residential & Contract's revenues soared by 44.8% YoY to € 15.3m (56% of total), in light of surging volumes compared to the first half of 2021. The Sport segment reached revenues of € 6.3m (23% of total), up by 17.5% YoY, on the back of solid demand for the company's artificial turf surfaces. Conversely, the prolonged disruption of global supply chains is still affecting the Automotive division, which declined 36.2% YoY to € 2.8m (10% of total), broadly in line with management's expectations.

EBITDA doubled YoY thanks to operating leverage and timely price increases

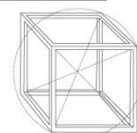
EBITDA jumped to € 1.7m, 5.8% margin, compared to € 0.8m, 3.6% margin, reported in H1-21. The increase in margin was driven by higher revenues as well as the timely price increases made in order to counter surging raw materials and energy prices. EBIT stood at € 0.1m, 0.4% margin (negative for € 0.7m in H1-21), after D&A of € 1.6m, broadly in line with H1-21 figures. Net Profit was negative for € 0.1m, significantly improved from € 1.1m loss in H1-21, after financial charges of € 0.3m and a tiny positive exchange rate effect.

NFP declined to € 15.6m thanks to a good free cash flow generation

Net Financial Position came in at € 15.6m (debt) from € 17.6m reported at year-end 2021, as a result of 1) operating cash flow of € 1.2m, also thanks to a wise WC management, 2) capex of € 0.5m, 3) the collection of a financial receivable of € 0.9m, and 4) € 0.4m cash-in stemming from the warrants conversion.

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	3.4	5.0	5.6
EBIT	0.1	(0.1)	0.6	2.2	2.8
Net profit	(0.9)	(0.9)	0.1	1.6	2.2
NFP (cash)/debt	20.0	17.5	18.0	13.0	11.7
EBITDA margin	1.4%	4.8%	6.4%	8.4%	8.9%
EBIT margin	0.1%	-0.2%	1.1%	3.7%	4.5%
EPS €	(0.10)	(0.10)	0.01	0.18	0.25
EPS growth	n.m.	5.7%	n.m.	n.m.	40.2%
Free Cash Flow Yield	-11.9%	22.1%	-5.8%	11.3%	15.9%
PER x	neg.	neg.	n.m.	5.2	3.7
PCF x	neg.	10.9	2.8	1.9	1.6
EV/Sales x	0.80	0.74	0.49	0.36	0.32
EV/EBITDA x	56.1	15.2	7.6	4.3	3.6
EV/EBIT x	n.m.	neg.	44.9	9.7	7.0



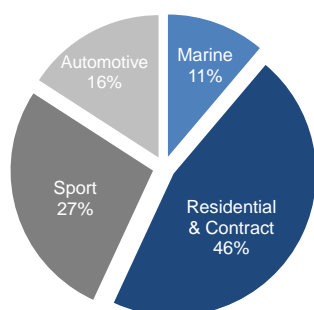
The Company at a Glance

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.

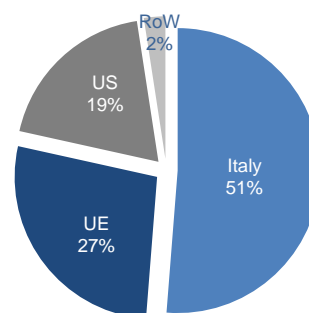
The group's global export sales make up 49% of total revenues. 46% of turnover comes from the Residential & Contract segment, 27% from Sport, 16% from Automotive and 11% from Marine.

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% CAGR₁₂₋₁₉, not considering FY-20 and FY-21, which were deeply affected by 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.

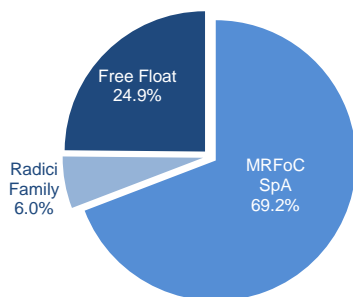
2021 breakdown by industry...



... and by geography



Shareholder structure



Peer group absolute performance

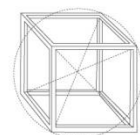
%	1D	1W	1M	3M	6M	YTD
Aquafil SpA	(3.8)	(7.5)	(16.4)	(17.2)	(20.1)	(33.9)
Balta Group NV	0.0	0.0	(5.0)	(11.9)	(55.8)	(48.5)
Interface Inc	(0.8)	(1.1)	(2.6)	(21.2)	(18.7)	(36.3)
Mohawk Industries Inc	1.9	(3.5)	(8.5)	(23.9)	(21.6)	(46.7)
Somec SpA	0.0	(2.2)	(21.7)	(28.6)	(22.5)	(41.6)
Tarkett SA	(0.8)	(1.3)	(0.3)	2.0	(0.3)	(36.4)
Victoria PLC	(6.4)	(5.3)	(28.7)	(13.6)	(46.1)	(65.7)
Median	(0.8)	(2.2)	(8.5)	(17.2)	(21.6)	(41.6)
Radici Pietro SpA	0.0	(2.1)	(6.1)	(2.5)	(23.1)	(38.0)

Source: Thomson Reuters Eikon

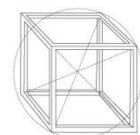
Peer group multiples table

Price & EV multiples x	SALES FY1	SALES FY2	EBITDA FY1	EBITDA FY2	EBIT FY1	EBIT FY2	PER FY1	PER FY2
Aquafil SpA	0.59	0.54	4.8	4.4	11.0	9.3	neg.	8.4
Balta Group NV	0.57	0.48	4.3	3.4	5.9	4.7	neg.	3.9
Interface Inc	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	8.5	7.1
Mohawk Industries Inc	0.66	0.64	4.5	4.4	6.6	6.4	6.8	7.3
Somec SpA	0.27	0.25	3.6	2.8	12.6	5.5	28.6	14.3
Tarkett SA	0.40	0.39	5.8	4.9	27.0	15.0	35.3	15.6
Victoria PLC	1.04	0.36	7.1	2.3	16.5	5.2	7.7	6.8
Median	0.58	0.43	4.7	3.9	11.8	5.9	8.5	7.3
Radici Pietro SpA	0.49	0.36	7.6	4.3	44.9	9.7	n.m.	5.2

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)	(26.7)	(29.3)	(31.3)
Services	(12.1)	(11.5)	(13.8)	(15.2)	(16.2)
Personnel expenses	(7.8)	(8.0)	(9.0)	(9.1)	(9.5)
Other opex	(1.4)	(1.2)	(1.2)	(1.2)	(1.3)
EBITDA	0.6	2.1	3.4	5.0	5.6
D&A	(0.6)	(2.2)	(2.8)	(2.8)	(2.8)
EBIT	0.1	(0.1)	0.6	2.2	2.8
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)	0.1	1.6	2.3
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)	0.1	1.6	2.2
Net Profit adj.	(0.9)	(0.9)	0.1	1.6	2.2
Balance sheet (€ m)	2020	2021	2022e	2023e	2024e
Net Working Capital	20.9	19.2	22.0	23.5	25.1
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)	(7.1)	(7.6)
Net Invested Capital	52.4	49.4	49.9	46.4	47.3
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	31.9	33.4	35.6
Financial Liabilities & Equity	52.4	49.4	49.9	46.4	47.3
Cash Flow statement (€ m)	2020	2021	2022e	2023e	2024e
Total net income	(0.9)	(0.9)	0.1	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	0.5	0.4
Cash Flow from Oper. (CFO)	(1.6)	0.9	3.9	4.9	5.4
Change in NWC	2.3	1.7	(2.9)	(1.5)	(1.6)
FCF from Operations (FCFO)	0.7	2.6	1.0	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	(0.5)	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)	(0.5)	5.0	1.3
Financial ratios	2020	2021	2022e	2023e	2024e
EBITDA margin	1.4%	4.8%	6.4%	8.4%	8.9%
EBIT margin	0.1%	-0.2%	1.1%	3.7%	4.5%
Net profit margin	-2.1%	-1.9%	0.1%	2.7%	3.5%
Tax rate	-30.7%	-15.1%	4.5%	4.5%	4.5%
Op NWC/Sales	47.9%	41.9%	40.6%	39.3%	39.3%
Interest coverage x	13.45	(6.77)	0.91	0.24	0.19
Net Debt/EBITDA x	32.71	8.20	5.25	2.62	2.09
Debt-to-Equity x	0.61	0.55	0.57	0.39	0.33
ROIC	-1.7%	-1.7%	0.1%	3.4%	4.7%
ROCE	0.1%	-0.2%	1.0%	3.6%	4.5%
ROACE	0.1%	-0.2%	1.0%	3.7%	4.6%
ROE	-2.8%	-2.7%	0.2%	4.7%	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	8.81	8.81	8.81
Number of shares Fully Diluted # m	9.82	9.82	8.81	8.81	8.81
Average Number of shares Fully Diluted # m	9.82	9.82	9.31	8.81	8.81
EPS stated €	(0.10)	(0.10)	0.01	0.18	0.25
EPS adjusted €	(0.10)	(0.10)	0.01	0.18	0.25
EBITDA €	0.07	0.25	0.39	0.56	0.64
EBIT €	0.01	(0.01)	0.07	0.25	0.32
BV €	3.73	3.65	3.62	3.79	4.04
FCFO €	0.08	0.30	0.12	0.39	0.43
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



H1-22 Results

Radici Pietro achieved resilient 2022 interim results thanks to a solid recovery registered in almost all the business divisions, backed by its strategic product diversification and market positioning. Margins improved thanks to growing top line and timely price increases, although the uncertainty surrounding the global economic outlook and the inflationary environment prompted the company's management to confirm FY-22 guidance only with regard to total revenues and net financial position.

Table 1 – Radici Pietro, H1-22 results

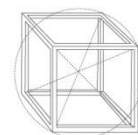
€ m	H1-22	H1-21	% YoY
Marine	2.9	1.4	n.m.
Residential & Contract	15.3	10.6	44.8
Sport	6.3	5.4	17.5
Automotive	2.8	4.4	(36.2)
Total Revenues	27.3	21.8	25.4
Other	2.6	0.5	
Value of Production	30.0	22.3	34.4
Raw material and processing	(15.8)	(11.3)	
Services	(7.8)	(5.6)	
Personnel expenses	(4.4)	(4.1)	
Other opex	(0.3)	(0.6)	
EBITDA	1.7	0.8	n.m.
% margin	5.8	3.6	
D&A	(1.6)	(1.5)	
EBIT	0.1	(0.7)	n.m.
% margin	0.5	(3.3)	
Financials	(0.3)	(0.4)	
Pre-Tax profit	(0.1)	(1.1)	88.8
% margin	(0.4)	(4.9)	
Income taxes	0.0	0.0	
Tax rate	n.m.	n.m.	
Minorities	-	-	
Net Profit	(0.1)	(1.1)	93.1
% margin	(0.3)	(4.9)	
Net debt / (cash)*	15.6	17.6	(11.0)

Source: company data *compared to FY-21

Total revenues increased by 25.4% YoY to € 27.3m, well on track to reach the FY-22 guidance, driven by a **solid recovery in all the business divisions, except for Automotive**, thanks to the group's wide product portfolio and its strategic market positioning. In terms of geographies, the domestic market grew by 34% YoY while the European market soared by 33% YoY, also in the wake of the Russia-Ukraine conflict.

In terms of business lines:

- The **Marine segment more than doubled YoY to € 2.9m (11% of total)**, as a consequence of the solid recovery of the cruise industry in H1-22 compared to the same period of 2021, which was affected by ship owners' postponement of vessel refitting activities.
- The **Residential & Contract segment soared by 44.8% YoY to € 15.3m (56% of total)**, in light of surging volumes compared to the first half of 2021.
- The **Sport segment reached revenues of € 6.3m (23% of total)**, up by 17.5% YoY, on the back of solid demand for the company's artificial turf surfaces.
- The prolonged disruption of global supply chains is still affecting the **Automotive division, which declined 36.2% YoY to € 2.8m (10% of total)**, broadly in line with management's expectations.

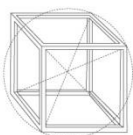


EBITDA jumped to € 1.7m, 5.8% margin, compared to € 0.8m, 3.6% margin, reported in H1-21. The increase in margin was driven by higher revenues as well as the timely price increases made in order to counter surging raw materials and energy prices.

EBIT stood at € 0.1m, 0.4% margin (negative for € 0.7m in H1-21), after D&A of € 1.6m, broadly in line with H1-21 figures.

Net Profit was negative for € 0.1m, significantly improved from € 1.1m loss in H1-21, after financial charges of € 0.3m and a tiny positive exchange rate effect.

Net Financial Position came in at € 15.6m (debt) from € 17.6m reported at year-end 2021, as a result of 1) operating cash flow of € 1.2m, also thanks to a wise WC management, 2) capex of € 0.5m, 3) the collection of a financial receivable of € 0.9m, and 4) a cash-in of € 0.4m stemming from the warrants conversion.



Estimates, Valuation & Risks

Radici Pietro reported 2022 interim results broadly in line with the FY-22 expectations included in both the company's budget and CFO SIM's estimates: Marine and Residential & Contract divisions propelled the group's recovery coupled with the continuous growth of the Sport segment, while Automotive is still suffering from the reference market's difficulties caused by supply chain issues.

The 2022 guidance was partially confirmed: despite the successful actions aimed at minimising the impact of the sharp increase in raw materials and energy prices, the worsening of both the Russia-Ukraine conflict and the global macroeconomic scenario led management to confirm the guidance only with regard to top line (ca. € 54m) and NFP (ca. € 18m). Revenues reported in H1-22 are slightly above 50% of FY-22 projections while NFP is well ahead of target.

As a consequence, **we have fine-tuned our model by leaving our top line assumptions unchanged while factoring in higher raw materials and overhead costs** to reflect the rampant inflationary pressure. The combined result is an **average 4.2% and 31.2% decrease in EBITDA and Net Profit, respectively, in 2022-24.**

Table 2 – Radici Pietro, 2022e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Total Revenues	53.5	53.5	0.0	0.0
EBITDA	3.4	3.8	(10.8)	(0.4)
% margin	6.4	7.2		
EBIT	0.6	1.0	(41.5)	(0.4)
% margin	1.1	1.9		
Net Profit	0.1	0.4	(88.6)	(0.4)
% margin	0.1	0.8		
Y/E net debt (net cash)	18.0	18.0	0.2	0.0

Source: CFO SIM

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

€ m	New	Old	% Diff.	€ m Diff.
Total Revenues	59.0	59.0	0.0	0.0
EBITDA	5.0	5.0	(1.0)	(0.0)
% margin	8.4	8.5		
EBIT	2.2	2.2	(2.2)	(0.0)
% margin	3.7	3.8		
Net Profit	1.6	1.6	(2.9)	(0.0)
% margin	2.7	2.7		
Y/E net debt (net cash)	13.0	13.0	0.1	0.0

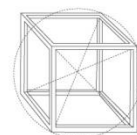
Source: CFO SIM

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	5.6	5.6	(0.8)	(0.0)
% margin	9.5	9.6		
EBIT	2.8	2.9	(1.6)	(0.0)
% margin	4.8	4.9		
Net Profit	2.2	2.2	(1.9)	(0.0)
% margin	3.7	3.8		
Y/E net debt (net cash)	11.7	11.7	0.3	0.0

Source: CFO SIM

Moreover, CFO has **updated the DCF valuation criteria**, bringing the Free Risk Rate up to date. The combined result is a **new DCF-based PT of € 1.80/s** (€ 2.30), with an upside of 93.5% to current price levels.



CFO SIM reiterates its long-term Buy recommendation on the stock. Over the last three years, characterised by the pandemic in 2020-21 along with raw materials shortages and rising inflation in 2022, Radici Pietro has proven it can cope with challenging business environments thanks to a high quality and diversified product portfolio as well as a superior management control. Moreover, the group is properly equipped to weather the current market conditions thanks to more than enough equity at its disposal in addition to long-term debt facilities required to adequately run operations.

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 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)	2.46%
Beta levered (x)	1.00
Required ROE	11.5%

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 6 – Radici Pietro, DCF model

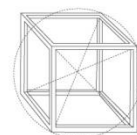
€ m	2022e	2023e	2024e	2025e	2026e	Term. Val.
EBIT	0.6	2.2	2.8	3.7	4.6	
Tax rate	4.5%	4.5%	4.5%	27.5%	27.5%	
Operating profit (NOPAT)	0.6	2.1	2.7	2.7	3.3	
Change working capital	(2.9)	(1.5)	(1.6)	(0.9)	(0.1)	
Depreciation	2.8	2.8	2.8	2.4	2.0	
Investments	(1.5)	(2.5)	(2.5)	(2.3)	(2.0)	
Free Cash Flows	(0.9)	0.9	1.4	2.0	3.2	42.1
Present value	(0.9)	0.8	1.1	1.5	2.3	29.5
WACC	8.8%	8.8%	8.8%	8.8%	8.8%	
Long-term growth rate	1.0%					

Source: CFO SIM

Table 7 – Radici Pietro, DCF derived from:

€ m	
Total EV present value €m	34.3
	<i>thereof terminal value</i>
	86%
NFP last reported	(17.5)
Pension last reported	(1.3)
Equity value €m	15.4
# shares m	8.8
Equity value €/s	1.80
<i>% upside/(downside)</i>	93.5%

Source: CFO SIM



The application of our DCF model produces an equity value of Radici Pietro of € 15.4m, € 1.80/s (€ 2.30).

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value between € 1.43 – 2.14/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 € 1.47 – 2.08/s (free risk range between 3.21% and 1.71%) and, 3) if compared to changes in the risk premium, including small size premiums, it results in an equity value of € 1.22 – 2.46/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	4.8	4.8	4.8	4.8	4.8	4.8	4.8
PV of terminal value	26.7	27.6	28.5	29.5	30.6	31.7	32.9
Total value	31.5	32.4	33.3	34.3	35.4	36.5	37.7
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)
Equity value €m	12.6	13.5	14.4	15.4	16.5	17.6	18.8
# shares m	8.8	8.8	8.8	8.8	8.8	8.8	8.8
Equity value €/s	1.43	1.53	1.64	1.80	1.87	2.00	2.14

Source: CFO SIM

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

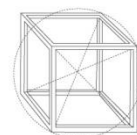
€ m	1.71%	1.96%	2.21%	2.46%	2.71%	2.96%	3.21%
Present value of CF	4.9	4.8	4.8	4.8	4.8	4.7	4.7
PV of terminal value	32.3	31.3	30.4	29.5	28.7	27.9	27.1
Total value	37.2	36.2	35.2	34.3	33.4	32.6	31.8
NFP last reported	(17.5)	(17.5)	(17.5)	(17.5)	(17.5)	(17.5)	(17.5)
Pension last reported	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)
Equity value €m	18.3	17.3	16.3	15.4	14.6	13.7	12.9
# shares m	8.8	8.8	8.8	8.8	8.8	8.8	8.8
Equity value €/s	2.08	1.96	1.85	1.80	1.65	1.56	1.47

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	5.0	4.9	4.8	4.8	4.7	4.7	4.6
PV of terminal value	35.6	33.3	31.3	29.5	27.9	26.4	25.0
Total value	40.5	38.2	36.2	34.3	32.6	31.0	29.6
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)
Equity value €m	21.6	19.4	17.3	15.4	13.7	12.2	10.7
# shares m	8.8	8.8	8.8	8.8	8.8	8.8	8.8
Equity value €/s	2.46	2.20	1.96	1.80	1.56	1.38	1.22

Source: CFO SIM



Market Multiples

Radici Pietro operates in the textile flooring market. It designs, manufactures and sells a wide range of 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 11 – Radici Pietro, peer group summary table

€ m	Country	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA %	Sales CAGR ₂₁₋₂₄	EBITDA CAGR ₂₁₋₂₄	EBIT CAGR ₂₁₋₂₄	EPS CAGR ₂₂₋₂₄	NFP /EBITDA
Aquafil SpA	Italy	217	679	84	12.3%	9.0%	10.8%	20.3%	19.9%	2.2
Balta Group NV	Belgium	55	322	43	13.4%	7.8%	6.0%	12.3%	n.m.	3.0
Interface Inc	USA	615	1,288	175	13.6%	n.a.	n.a.	n.a.	n.m.	n.a.
Mohawk Industries Inc	USA	6,355	12,507	1,834	14.7%	8.8%	3.5%	8.1%	5.2%	1.1
Somec SpA	Italy	152	300	22	7.5%	17.3%	22.5%	46.4%	68.0%	(3.2)
Tarkett SA	France	813	2,978	205	6.9%	n.a.	n.a.	n.a.	n.m.	1.8
Victoria PLC	UK	541	1,603	236	14.7%	12.2%	12.6%	8.3%	9.2%	4.8
Median		541	1,288	175	13.4%	9.0%	10.8%	12.3%	14.6%	2.0
Radici Pietro Industries & Brands SpA	Italy	8	53	3	6.4%	12.5%	37.8%	n.m.	n.m.	5.3

Source: CFO SIM, Thomson Reuters Eikon

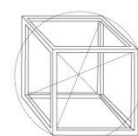


Table 12 – Radici Pietro, peer group EV multiples table

x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
Aquafil SpA	0.59	0.54	0.49	4.8	4.4	3.9
Balta Group NV	0.57	0.48	0.38	4.3	3.4	2.6
Interface Inc	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Mohawk Industries Inc	0.66	0.64	0.60	4.5	4.4	4.0
Somec SpA	0.27	0.25	0.29	3.6	2.8	2.9
Tarkett SA	0.40	0.39	n.a.	5.8	4.9	n.a.
Victoria PLC	1.04	0.36	0.35	7.1	2.3	2.3
Median	0.58	0.43	0.38	4.7	3.9	2.9
Radici Pietro Industries & Brands SpA	0.49	0.36	0.32	7.6	4.3	3.6
% Prem./disc.)	(15.4)	(16.9)	(16.9)	64.0	10.1	24.2

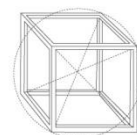
Source: CFO SIM, Thomson Reuters Eikon

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	11.0	9.3	7.7	neg.	8.4	7.1
Balta Group NV	5.9	4.7	3.6	neg.	3.9	2.8
Interface Inc	n.a.	n.a.	n.a.	8.5	7.1	n.a.
Mohawk Industries Inc	6.6	6.4	5.0	6.8	7.3	6.1
Somec SpA	12.6	5.5	4.6	28.6	14.3	10.2
Tarkett SA	27.0	15.0	n.a.	35.3	15.6	n.a.
Victoria PLC	16.5	5.2	5.8	7.7	6.8	6.4
Median	11.8	5.9	5.0	8.5	7.3	6.4
Radici Pietro Industries & Brands SpA	44.9	9.7	7.0	n.m.	5.2	3.7
% Prem./disc.)	281.1	63.9	39.2	n.m.	(28.7)	(42.1)

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.



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 € 1.72/s on 25-Oct-21 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	(3.8)	(7.5)	(16.4)	(17.2)	(20.1)	(33.9)	(28.1)
Balta Group NV	0.0	0.0	(5.0)	(11.9)	(55.8)	(48.5)	(42.6)
Interface Inc	(0.8)	(1.1)	(2.6)	(21.2)	(18.7)	(36.3)	(34.8)
Mohawk Industries Inc	1.9	(3.5)	(8.5)	(23.9)	(21.6)	(46.7)	(45.9)
Somec SpA	0.0	(2.2)	(21.7)	(28.6)	(22.5)	(41.6)	(22.3)
Tarkett SA	(0.8)	(1.3)	(0.3)	2.0	(0.3)	(36.4)	(39.1)
Victoria PLC	(6.4)	(5.3)	(28.7)	(13.6)	(46.1)	(65.7)	(58.4)
Median	(0.8)	(2.2)	(8.5)	(17.2)	(21.6)	(41.6)	(39.1)
Radici Pietro Industries & Brands SpA	0.0	(2.1)	(6.1)	(2.5)	(23.1)	(38.0)	(42.1)
MSCI World Index	(0.8)	(5.4)	(9.3)	(7.0)	(19.7)	(26.5)	(21.6)
EUROSTOXX	(0.6)	(4.3)	(7.8)	(5.5)	(14.5)	(23.6)	(19.5)
FTSE Italia All Share	(0.8)	(4.4)	(7.2)	(4.2)	(16.2)	(24.7)	(20.6)
FTSE Italia STAR	(1.1)	(4.8)	(7.3)	(11.7)	(22.3)	(36.2)	(30.4)
FTSE Italia Growth	(0.2)	(1.3)	(4.8)	(4.5)	(15.1)	(22.9)	(18.2)

Source: Thomson Reuters Eikon

Table 15 – Radici Pietro relative performances

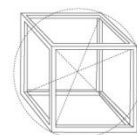
	1D	1W	1M	3M	6M	YTD	1Y
To peer Peers Median	0.8	0.1	2.4	14.7	(1.5)	3.6	(3.0)
To MSCI World Index	0.8	3.3	3.2	4.4	(3.4)	(11.5)	(20.4)
To EUROSTOXX	0.6	2.2	1.7	3.0	(8.6)	(14.4)	(22.5)
To FTSE Italia All Share	0.8	2.3	1.1	1.7	(6.9)	(13.3)	(21.4)
To FTSE Italia STAR	1.1	2.7	1.3	9.2	(0.8)	(1.8)	(11.6)
To FTSE Italia Growth	0.2	(0.8)	(1.2)	2.0	(8.1)	(15.1)	(23.9)

Source: Thomson Reuters Eikon

Risks

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

- Impact on P&L and balance sheet profiles triggered by a sharp decline in global economic growth 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
12/10/2022	€1.80	BUY
12/04/2022	€2.30	BUY
11/03/2022	€2.20	BUY
29/11/2021	€2.20	BUY
11/10/2021	€2.50	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.

