

Italy – Textile Flooring

A solid-roots firm: weak short-term scenario, long-term Buy

16th June 2020

INITIATION OF COVERAGE

RIC: RADIC.MI
BBG: RAD IM

Radici Pietro is a unique player when compared with traditional textile flooring manufacturers: its positioning towards a vast array of industries coupled with a wide selling proposition are definitely key competitive advantages. The group is unquestionably well positioned to benefit from a future demand trend reversal.

Rating:

Buy

Price Target:

€ 2.70

Upside/(Downside): 57.9%

Last Price: € 1.71

Market Cap.: € 14.6m

1Y High/Low: € 3.20 / € 1.40

Free Float: 23.2%

Major shareholders:

MRFoC 70.7%
Radici Family 6.1%



Stock price performance

	1M	3M	12M
Absolute	17.1%	11.0%	n.a.
Rel.to AIM Italia	12.8%	-3.9%	n.a.
Rel.to Peers median	6.6%	2.5%	n.a.

Analysts:

Luca Arena
+39 02 30343 395
luca.arena@cfosim.com

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

Initiation of coverage with a PT of € 2.70/s: long-term Buy

CFO SIM initiates the coverage of Radici Pietro with a Buy recommendation and PT of € 2.70/s, 57.9% upside, based on a DCF valuation. 2020 is projected to be severely hit by COVID-19 related decline in consumption, despite partial mitigation thanks to the group's flexible cost structure. The company offers more than enough equity and near zero intangible, in addition to long-term debt facilities required to adequately run operations. The firm is properly equipped to weather the current poor business conditions and to benefit from a future demand trend reversal. Furthermore, despite the significant changes into the group's reference markets stemming from COVID-19, Radici Pietro decided to define and present to the market a three-year business plan (2020-22). Radici Pietro is one of the very few bold issuers listed on the AIM Italia that have provided the market with medium-term guidance. Thus we believe the management has appropriate control of the variables influencing the business and the budgeting process is properly managed.

A leading vertical integrated player in the global textile flooring market

Founded in 1950 close to Bergamo (Italy), Radici Pietro is a leading international player in the textile flooring market, designing, manufacturing and selling high-end carpet floorings, artificial turf and non-woven fabrics, 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 raw materials processing to the production of finished goods, including the quality control, testing phases and the distribution. Radici Pietro covers almost 90 countries, serving more than 2,000 customers in four different industries: Residential & Contract, Marine, Sport and Automotive.

Sales and margins affected by COVID-19 in short term, but ready to face the storm

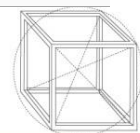
On the back of the group 2020-22 business plan presented to investors, our 2020 estimates are roughly aligned with the guidance provided to the market. However, the low visibility related to the future trend demand stemming from the crisis generated by the COVID-19 pandemic, prompts us to adopt a more conservative stance for 2021 and 2022: CAGR₁₉₋₂₂ is anticipated at 2.3% compared to 4.5% reported in the company business plan. We believe margins will suffer in the short term: EBITDA margin is expected at 3.1%, 8.1% and 9.4% in 2020-22 vs. 11.4% in 2019. The company guidance shows an EBITDA margin of 3.4%, 8.6% and 9.9% in 2020-21-22 respectively.

Full production capacity exploitation and international expansion

Radici Pietro strategy is aimed at strengthening its competitive positioning and at increasing the group export. Group strategy is focused on: 1) organic growth, investing in new machineries and equipment; 2) international expansion, enlarging the distribution network by adding agents; 3) increase margins, via costs saving, change in revenue mix and full exploitation of the production capacity; 4) looking for M&A opportunities i.e. companies with productive process not yet covered by the group or able to enlarge the selling proposition.

Radici Pietro, key financials and ratios

€ m	2018PF	2019PF	2020e	2021e	2022e
Total Revenues	60.3	59.4	40.0	56.0	63.6
EBITDA	4.6	6.8	1.2	4.6	6.0
EBIT	1.9	4.0	(2.2)	1.7	2.8
Net profit	1.4	5.6	(2.5)	1.0	2.0
NFP (cash)/debt	29.7	22.0	19.3	21.0	20.6
EBITDA margin	7.7%	11.4%	3.1%	8.1%	9.4%
EBIT margin	3.1%	6.7%	-5.6%	3.0%	4.3%
EPS €	0.17	0.65	(0.29)	0.11	0.23
EPS growth	27.5%	293.5%	-144.3%	138.5%	109.5%
Free Cash Flow Yield	-	4.3%	-0.3%	-11.6%	2.5%
PER x	-	3.9	neg.	15.4	7.3
PCF x	-	2.6	14.6	3.8	2.8
EV/Sales x	-	0.74	0.85	0.64	0.55
EV/EBITDA x	-	6.5	27.4	7.8	5.9
EV/EBIT x	-	11.0	neg.	21.4	12.8



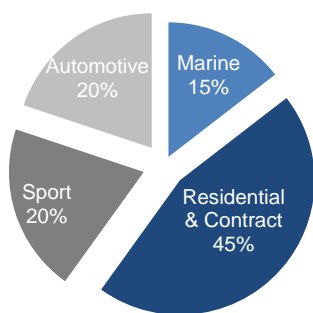
The Company at a Glance

Founded in 1950 in Cazzano Sant'Andrea, close to Bergamo (Italy), Radici Pietro is a leading international player in the textile flooring market, designing, manufacturing and selling high-end carpet floorings, artificial turf and non-woven fabrics, 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 raw materials processing to the production of finished goods, including the quality control, testing phases and distribution. Radici Pietro covers almost 90 countries, serving more than 2,000 customers in four different industries: Residential & Contract, Marine, Sport and Automotive.

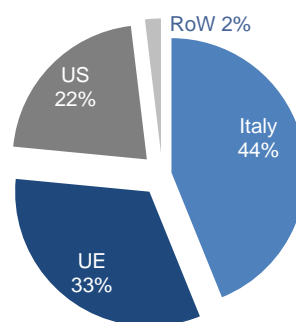
The group global export sales are 56% of total revenues. 45% of turnover comes from the Residential & Contract segment, 20% from Sport, 20% from Automotive and 15% from Marine. In terms of products, tufting accounts for 39%, non-woven for 18%, artificial turf for 15% and weaving for 13%, while the remaining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

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

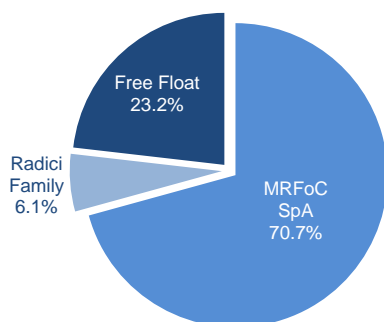
2019PF breakdown by industry...



... and by geography



Shareholder structure



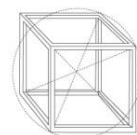
Peer group absolute performance

%	1D	1W	1M	3M	6M	YTD
Aquafil SpA	0.4	(13.4)	18.1	38.7	(39.8)	(40.6)
Balta Group NV	0.0	(5.5)	(4.3)	(30.0)	(57.4)	(59.9)
Interface Inc	1.7	(19.8)	(0.5)	10.2	(50.1)	(48.8)
Mohawk Industries Inc	(0.0)	(15.5)	13.7	14.4	(28.9)	(28.3)
Somec SpA	(2.3)	1.6	4.1	8.5	(27.7)	(24.2)
Tarkett SA	1.4	(12.8)	10.8	(0.4)	(28.5)	(31.5)
Victoria PLC	(5.3)	(15.9)	10.6	7.1	(46.9)	(47.7)
Median	0.0	(13.4)	10.6	8.5	(39.8)	(40.6)
Radici Pietro SpA	0.0	1.8	17.1	11.0	(25.7)	(27.8)

Peers group multiples table

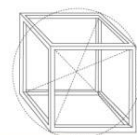
Price & EV multiples x	SALES FY1	SALES FY2	EBITDA FY1	EBITDA FY2	EBIT FY1	EBIT FY2	PER FY1	PER FY2
Aquafil SpA	0.84	0.70	6.8	5.1	32.0	14.8	45.5	11.4
Balta Group NV	0.70	0.56	8.4	4.8	31.5	9.3	neg.	3.2
Interface Inc	0.92	0.79	7.8	5.6	11.6	7.8	9.2	6.1
Mohawk Industries Inc	1.09	0.96	9.7	7.0	25.9	12.8	28.7	14.3
Somec SpA	0.81	0.63	9.4	6.4	22.4	11.1	32.7	14.6
Tarkett SA	0.47	0.43	6.9	5.1	34.7	14.0	n.m.	14.0
Victoria PLC	0.90	1.01	5.3	6.1	7.7	7.8	6.2	12.5
Median	0.84	0.70	7.8	5.6	25.9	11.1	28.7	12.5
Radici Pietro SpA	0.85	0.64	27.4	7.8	neg.	21.4	neg.	15.4

Source: CFO SIM, Thomson Reuters Eikon

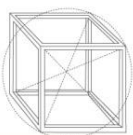




Income statement (€ m)	2018PF	2019PF	2020e	2021e	2022e
Total Revenues	60.3	59.4	40.0	56.0	63.6
Value of Production	62.1	63.9	38.2	56.6	64.9
Raw material and processing	(31.2)	(30.5)	(16.8)	(28.0)	(32.1)
Services	(15.5)	(16.0)	(12.2)	(14.2)	(16.2)
Personnel expenses	(9.4)	(9.3)	(7.2)	(8.7)	(9.3)
Other opex	(1.2)	(1.3)	(0.8)	(1.1)	(1.3)
EBITDA	4.6	6.8	1.2	4.6	6.0
D&A	(2.8)	(2.8)	(3.5)	(2.9)	(3.2)
EBIT	1.9	4.0	(2.2)	1.7	2.8
Financials	(0.4)	2.0	(0.7)	(0.7)	(0.7)
Re/(Devaluation) of financial assets	(0.0)	(0.3)	0.3	0.0	0.0
Extraordinary	0.0	0.0	0.0	0.0	0.0
Pre-Tax profit	1.5	5.8	(2.6)	1.0	2.1
Income taxes	(0.1)	(0.2)	0.1	(0.0)	(0.1)
Minorities	0.0	0.0	0.0	0.0	0.0
Net Profit	1.4	5.6	(2.5)	1.0	2.0
Net Profit adj.	1.4	5.6	(2.5)	1.0	2.0
Balance sheet (€ m)	2018PF	2019PF	2020e	2021e	2022e
Net Working Capital	20.0	23.2	20.9	23.6	25.4
Net Fixed Assets	34.4	34.2	32.7	33.8	34.1
Equity Investments	1.3	0.0	0.0	0.0	0.0
Other M/L Term A/L	(1.8)	(1.6)	(3.0)	(4.2)	(4.7)
Net Invested Capital	54.0	55.8	50.6	53.2	54.9
Net Financial Position	29.7	22.0	19.3	21.0	20.6
Minorities	0.0	0.0	0.0	0.0	0.0
Group's Shareholders Equity	24.3	33.8	31.3	32.3	34.3
Financial Liabilities & Equity	54.0	55.8	50.6	53.2	54.9
Cash Flow statement (€ m)	2018PF	2019PF	2020e	2021e	2022e
Total net income	1.4	5.6	(2.5)	1.0	2.0
Depreciation	2.8	2.8	3.5	2.9	3.2
Other non-cash charges	2.9	(0.4)	(1.4)	1.1	0.5
Cash Flow from Oper. (CFO)	7.1	8.0	(0.4)	5.0	5.7
Change in NWC	(2.6)	(3.2)	2.3	(2.7)	(1.8)
FCF from Operations (FCFO)	4.5	4.7	2.0	2.3	3.9
Net Investments (CFI)	(2.2)	(7.3)	1.2	(4.0)	(3.5)
Free CF to the Firm (FCFF)	2.2	(2.5)	3.1	(1.7)	0.4
CF from financials (CFF)	(2.9)	5.2	(2.9)	0.0	0.0
Free Cash Flow to Equity (FCFE)	(0.6)	2.7	0.2	(1.7)	0.4
Financial ratios	2018PF	2019PF	2020e	2021e	2022e
EBITDA margin	7.7%	11.4%	3.1%	8.1%	9.4%
EBIT margin	3.1%	6.7%	-5.6%	3.0%	4.3%
Net profit margin	2.4%	9.4%	-6.2%	1.7%	3.1%
Tax rate	4.4%	2.9%	4.5%	4.5%	4.5%
Op NWC/Sales	32.2%	36.4%	54.7%	41.6%	39.1%
Interest coverage x	0.19	(0.51)	(0.29)	0.40	0.24
Net Debt/EBITDA x	6.42	3.25	15.55	4.61	3.45
Debt-to-Equity x	1.22	0.65	0.62	0.65	0.60
ROIC	2.6%	10.0%	-4.9%	1.8%	3.6%
ROCE	3.0%	5.8%	-3.8%	2.7%	4.3%
ROACE	3.1%	6.1%	-3.5%	2.8%	4.4%
ROE	5.8%	16.5%	-7.9%	3.0%	5.8%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Per share figures	2018PF	2019PF	2020e	2021e	2022e
Number of shares # m	8.62	8.62	8.62	8.62	8.62
Number of shares Fully Diluted # m	8.62	9.92	9.92	9.92	9.92
Average Number of shares Fully Diluted # m	8.62	9.27	9.92	9.92	9.92
EPS stated €	0.16	0.65	(0.29)	0.11	0.23
EPS adjusted €	0.16	0.65	(0.29)	0.11	0.23
EBITDA €	0.54	0.79	0.14	0.53	0.69
EBIT €	0.22	0.46	(0.26)	0.19	0.32
BV €	2.82	3.92	3.63	3.74	3.98
FCFO €	0.52	0.55	0.23	0.27	0.45
FCFF €	0.26	(0.29)	0.36	(0.20)	0.04
FCFE €	(0.07)	0.31	0.02	(0.20)	0.04
Dividend €	0.00	0.00	0.00	0.00	0.00



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1. Investment Summary

Radici Pietro is a **unique player** when compared with the traditional textile flooring manufacturers: its **strategic positioning within several industries** coupled with a **wide product portfolio** with **several types of textile coverings** are definitely among the key success factors for the group. Although the dramatic rapid spread of COVID-19 will certainly have a significant impact on the global economy in the short-term, we believe Radici Pietro will be able to face the storm on the back of: 1) its widespread offer of products and services; 2) a decent diversification within several industries; 3) high client loyalty; 4) a solid balance sheet structure (FY-19PF group equity of € 33.8m).

Founded in 1950 in Cazzano Sant'Andrea (Bergamo, Italy), Radici Pietro is a **leading player in the textile flooring market**, designing, manufacturing and selling **high-end carpet floorings, artificial turf and non-woven fabrics, 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 raw materials processing 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**: Residential & Contract, Marine, Sport and Automotive.

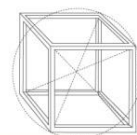
The firm has offered a good growth path since the current management establishment in 2012: **7.9% turnover CAGR₁₂₋₁₉, entirely organic**. FY-19PF revenues were € 59.4m, EBITDA reached € 6.8m (11.4% margin) and Net Profit totalled € 5.6m. NFP was € 22.0m. **Export sales are 56% of total revenues. 45%** of turnover comes from **Residential & Contract** segment, **20%** from **Sport**, **20%** from **Automotive** and **15%** from **Marine**.

Radici Pietro development strategy is aimed at strengthening its competitive positioning and at increasing the group's international expansion. Radici Pietro's principal strategy is focused on: 1) **organic growth**, investing in acquiring new machineries and equipment; 2) **international expansion**, enlarging the distribution network by adding new sole and multi-firm agents to the group's salesforce; 3) **increase the business profitability**, through cost savings, change in revenue mix and full exploitation of the production capacity; 4) looking for **M&A opportunities** among companies operating productive process phases not yet covered by the group or able to enlarge the group's product portfolio.

Compared to the group 2020-22 business plan presented to investors, **our 2020 estimates are roughly aligned with the guidance provided to the market**. However, the low visibility related to the future trend demand stemming from the crisis generated by the COVID-19 pandemic, prompts us to adopt a **more conservative stance for 2021 and 2022**: CAGR₁₉₋₂₂ is anticipated at 2.3% compared to 4.5% reported in the company business plan. We believe margins will suffer in the short term: EBITDA margin is expected at 3.1%, 8.1% and 9.4% in 2020-22 vs. 11.4% in 2019. The company guidance shows an EBITDA margin of 3.4%, 8.6% and 9.9% in 2020-21-22 respectively.

CFO SIM initiates the coverage of Radici Pietro with a long term Buy recommendation and PT of € 2.70/s, 57.9% upside. 2020 is projected to be severely hit by COVID-19 related decline in consumption, despite partial mitigation thanks to the group's flexible cost structure. The group offers more than enough equity and near zero intangibles, in addition to long-term debt facilities required to adequately run operations. The firm **is properly equipped to weather the current poor business conditions** and to **benefit from a future demand trend reversal**. Furthermore, despite of the significant changes into the group's reference markets stemming from COVID-19, Radici Pietro decided to define and present to the market a three-year business plan (2020-22). **Radici Pietro is one of the very few bold issuers listed on the AIM Italia which provided the market with medium-term guidance.** Thus we believe the management has appropriate control of the variables influencing the business and the budgeting process is properly managed.

The key investment **risks** in Radici Pietro include: 1) impact on economics and balance sheet profile triggered by a deep decline in global economic growth or geopolitical instability; 2) COVID-19 pandemic might put under pressure manufacturing activities for longer than expected; 3) the rise of new productive technologies, not implemented by the group, may reduce its competitive advantage; 4) foreign exchange rate risk exposure; 5) the departure of one or a few key relevant people.



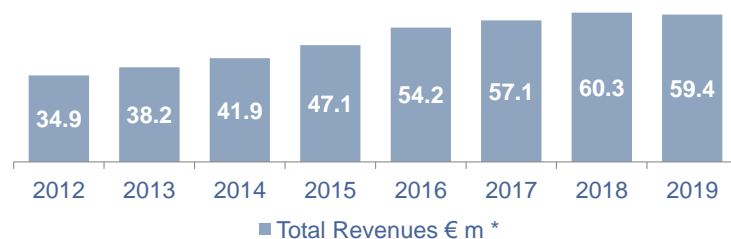
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- 1) **Residential & Contract**: tufting, weaving and non-woven floorings, primarily for luxury hotels, houses, offices, catwalks and boutiques.
- 2) **Marine**: tufting, weaving, artificial turf and non-woven floorings for cruise ships, ferries and 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**: tufting and non-woven fabrics for car interiors.

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

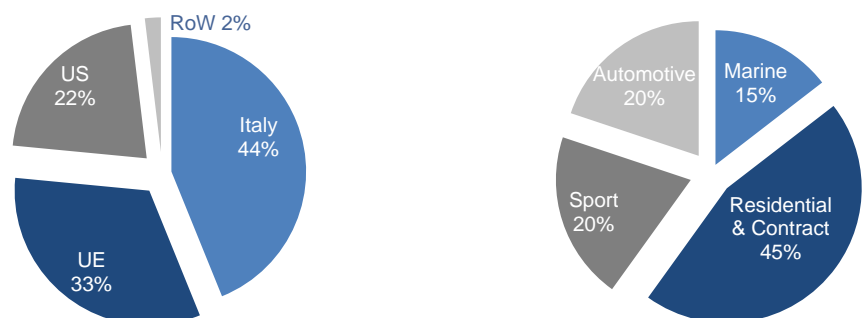
Chart 1 – Radici Pietro, 2012-19 top line evolution*



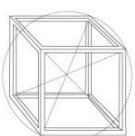
Source: Company data *excluding from the scope of consolidation ROI Automotive Technology

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

Chart 2 – Radici Pietro, 2019 top line breakdown by geography and industry



Source: Company data

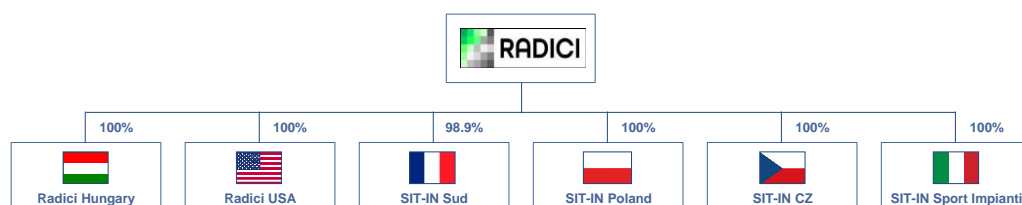


3. Group and Shareholder Structure

The group is composed by the operating holding company Radici Pietro Industries & Brands, who controls the other two productive 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 clients in almost 90 countries worldwide, thanks to more than 240 employees.**

In occasion of the IPO, the management decided to exclude the subsidiary ROI Automotive Technology from the scope of listing, selling 51% of the company to the parent company MRFoC for € 3.5m with a Put/Call mechanism on the remaining 49%.

Chart 3 – Radici Pietro, group structure



Source: CFO SIM elaboration on company data

Radici Pietro went public on 26-Jul-19 on the AIM Italia 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.** Simultaneously to the capital increase of € 6.2m, 1,098,350 warrants were assigned free of charge as following: 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 might be assigned, one for every 10 shares subscribed and held at least for a 12 month continuous period starting from the IPO date. Currently the **free float is 23.2%.**

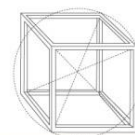
The **warrant exercise periods** will be between 1-Jun and 22-Jun (included) in 2020, 2021 and 2022 respectively. The exercise price will be € 3.41/s for the first exercise period, € 3.75/s for the second one and € 4.13/s for the third one, with a conversion ratio of one share every warrant held.

The **pre-IPO shareholders** (MRFoC SpA and the Radici family members) entered 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	70.7%	6.094	61.5%	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
Free Float	23.2%	1.997	33.2%	3.295
Total	100.0%	8.617	100.0%	9.915

Source: CFO SIM elaboration on Company data



4. The Reference Market: Textile Flooring

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

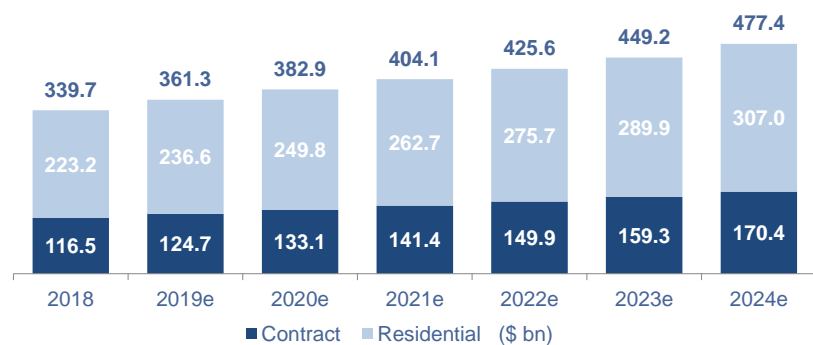
4.1. Residential & Contract

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

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

The global Residential & Contract flooring market was worth **\$ 339.7bn in 2018**, and it is expected to grow with a **CAGR₁₈₋₂₄ of 5.8%**, reaching **\$ 477.4bn in 2024**, mainly thanks to 1) **fast urbanisation**, 2) **increasing restructuring activities** and 3) **investment growth in the construction sector**.

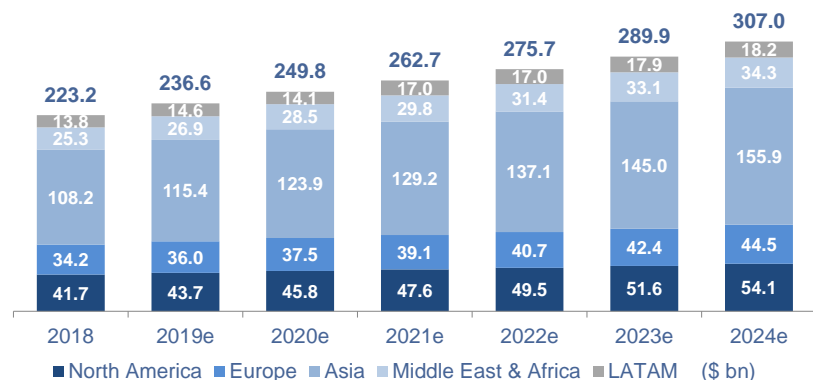
Chart 4 – Radici Pietro, Residential & Contract global market trend



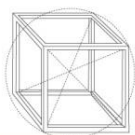
Source: Quasar Analysis, antecedent COVID-19

Residential segment represented **65.7% of the market in 2018**, totalling **\$ 223.2bn** and is anticipated to grow with a **5.5% CAGR₁₈₋₂₄**. In **2024 it is expected at \$ 307.0bn**, corresponding to 64.3% market share.

Chart 5 – Radici Pietro, Residential segment by geography



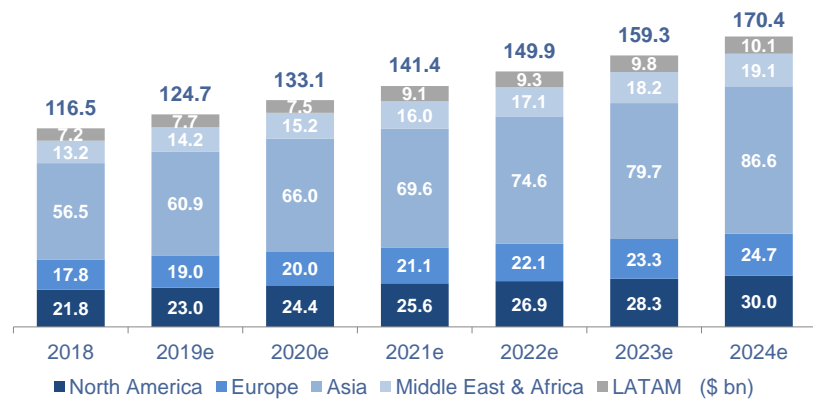
Source: Quasar Analysis, antecedent COVID-19



In terms of geography, **Asia** is the largest market, standing at **\$ 108.2bn in 2018** (48.5% of total), and it **is expected to outperform the global Residential segment** (CAGR₁₈₋₂₄ 6.3% vs. 5.5% respectively), accounting for over 50% of the market in 2024.

Contract segment represented **34.3% of the market in 2018**, totalling **\$ 116.5bn** and it is anticipated to grow with a **6.5% CAGR₁₈₋₂₄**. In 2024 it is expected at **\$ 170.4bn**, corresponding to 35.7% market share. The increase in market share will be driven by rising investments in offices and commercial / institutional buildings.

Chart 6 – Radici Pietro, Contract segment by geography



Source: Quasar Analysis, antecedent COVID-19

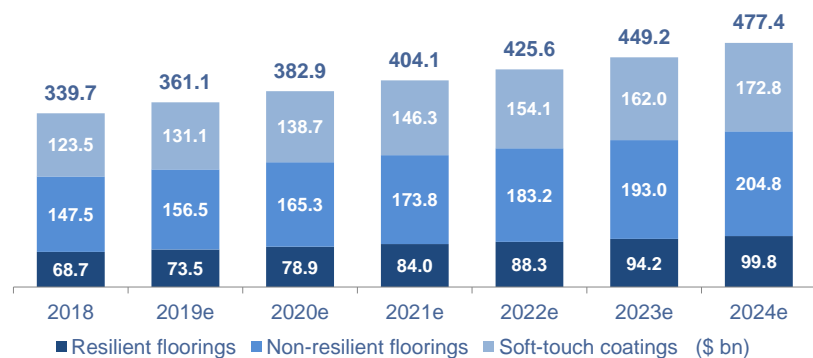
Asia is still the wider market in terms of geography also in the Contract segment, accounting for **\$ 56.5bn in 2018** (48.5% of total), and it **is expected to grow faster than the global Contract segment** (CAGR₁₈₋₂₄ 7.4% vs. 6.5% respectively), representing over 50% of the market in 2024.

Furthermore, the Residential & Contract market can be segmented in three flooring categories: 1) resilient floorings, 2) non-resilient floorings and 3) soft-touch coatings.

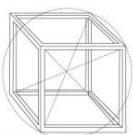
- **Resilient floorings:** rubber, PVC, linoleum, tartan.
- **Non-resilient floorings:** ceramic, clay, cementum, stone.
- **Soft-touch coatings:** textile coverings, namely carpets.

Radici Pietro operates mainly in the **soft-touch coatings** niche, which totalled worldwide **\$ 123.5bn in 2018** and it is anticipated to reach **\$ 172.8bn in 2024**, growing with a **5.8% CAGR₁₈₋₂₄**.

Chart 7 – Radici Pietro, Residential & Contract global market by flooring categories



Source: Quasar Analysis, antecedent COVID-19

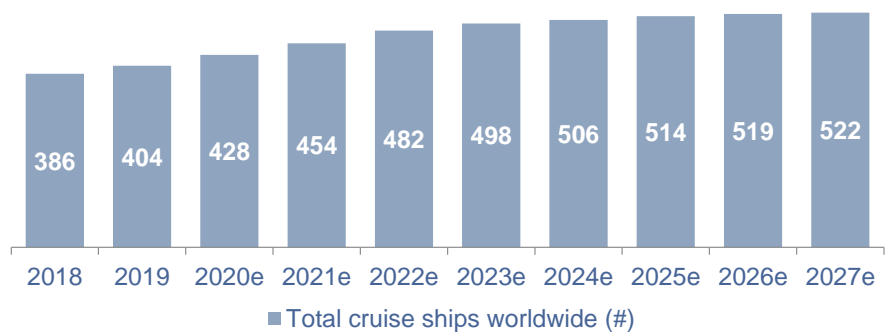


4.2. Marine

With reference to the Marine market, Radici Pietro provides shipyards and ship-owners with tufting, 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 offer a unique experience to their guests**, not only enlarging their commercial proposition with new destinations, but also **focusing on the vessel's interior design**. Design firms are involved in every phase of the design process, including the carpets and floorings choice, most of which are custom designed and produced for a sole ship.

In 2019 the cruise industry worldwide numbered 404 ships and served **27.8 million passengers** for a total **\$ 41.6bn revenues** (+4.0% YoY). The cruise ships **order book extended to 2027 includes over 100 new vessels**, corresponding to a total order book value of \$ 65.5bn, an average capacity of over 2,000 passengers per ship and an average cost of \$ 580m per ship.

Chart 8 – Radici Pietro, number of cruise ships worldwide

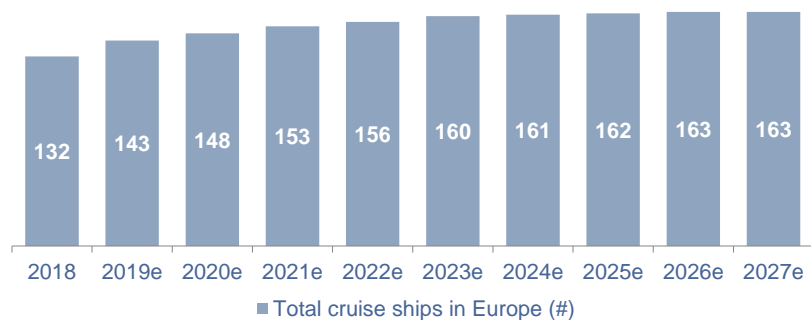


Source: 2020 Cruise Industry News Annual Report and Cruise Ship Orderbook

According to the "Cruise Ship Orderbook" report published by Cruise Industry News last Mar-20, **the global number of cruise ships is anticipated to grow with a CAGR₁₉₋₂₇ of 3.3%, reaching over 520 vessels in 2027.**

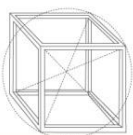
In 2019 the largest cruise company worldwide was Carnival Corporation with a market share of 41.8%, followed by Royal Caribbean (23.8%), Norwegian Cruise Line (9.0%), MSC Cruises (8.6%) and Genting Hong Kong (3.7%).

Chart 9 – Radici Pietro, number of cruise ships in Europe



Source: 2019 Cruise Industry News Annual Report, antecedent COVID-19

The European cruise industry in 2018 numbered 132 ships and served **8.3 million passengers** (vs. 7.8 million in 2017). The number of cruise ships in Europe is anticipated to grow with a **CAGR₁₈₋₂₇ of 2.4%**, reaching over 160 vessels.



4.3. Sport

Radici Pietro started to produce artificial turf in 2005, exploiting the several synergies with via textile flooring manufacturing. **Artificial turf is a surface made by synthetic fibres**, namely polyethylene, polypropylene, and polyamides, **providing the appearance of natural grass**. It finds the **highest use for sports pitches** due to its high durability, low maintenance, all weather utility and eco-friendly features. Indeed, the artificial turf has a low impact on the environment, 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 has **application also in leisure and landscaping sectors**, offering several lucrative opportunities to the players operating in this niche.

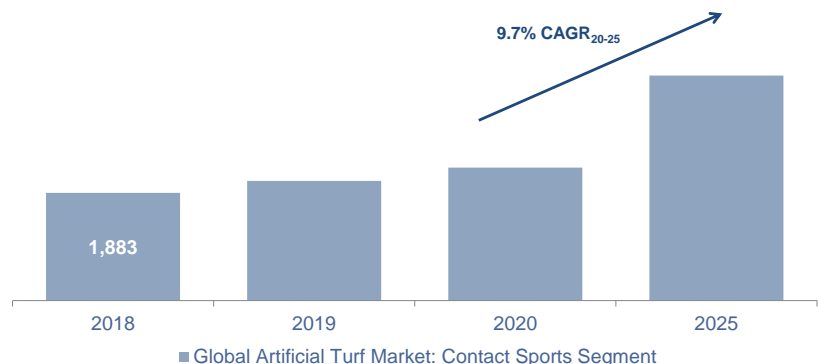
Chart 10 – Radici Pietro, comparison between FIFA Quality Turf and Natural Grass

Factors	FIFA Quality Turf	Natural Grass
Playing Time	3000 hours of play per year and no degradation of quality	680-816 hours of play per year and maintenance is required
Revenue Generation	Can be used for sports, community events, and other revenue generating activities	Cannot be used always, because maintenance is required after heavy play, which implies less revenue generation
Environment	Less use of water and pesticides	Requires appropriate soil conditions and proper natural environment
Rate of Investment (ROI)	The return from investment is three times more than natural grass	Slower ROI, due to high maintenance cost
Sport Performance	Better than natural grass	Better than low quality artificial turf

Source: Act Global, Mordor Intelligence Analysis

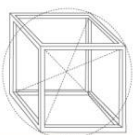
The **global artificial turf market totalled \$ 3.89bn in 2018** and it is expected to grow at a **CAGR₂₀₋₂₅ of 11.1%**. The development of the artificial turf market will be driven mainly by: 1) the increasing attention to sustainability; 2) unfavourable climatic conditions for the growth of natural grass in certain areas; 3) the remarkable rise in the number of sports events; 4) the growing demand of artificial turf for landscape and leisure solutions.

Chart 11 – Radici Pietro, global artificial turf market: contact sports segment (\$ m)



Source: Mordor Intelligence Analysis, antecedent COVID-19

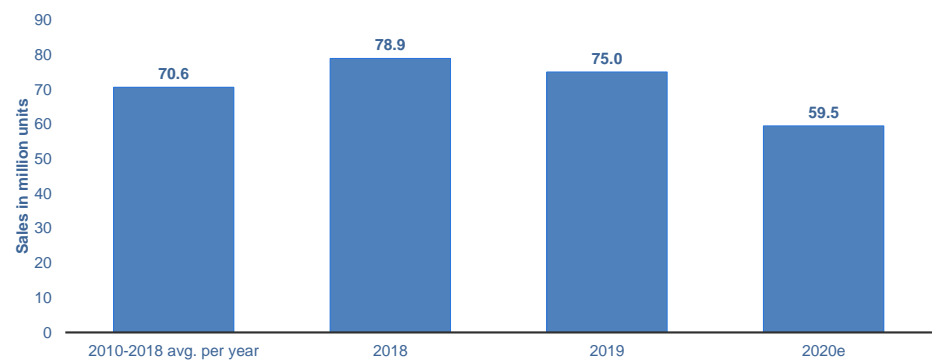
By usage, **contact sport** is the wider segment within the global artificial turf market, accounting **\$ 1.88bn in 2018 (almost 50% of total)** and is anticipated to grow with a **CAGR₂₀₋₂₅ of 9.7%**. Otherwise, the value for artificial turf used for **landscape**, globally, was **\$ 212m in 2018** and is expected to record a healthy **CAGR₂₀₋₂₅ of 12.7%**.



4.4. Automotive

The textile flooring market includes also fabrics for car interiors, car mats and luggage compartments trims. Radici Pietro manufactures tufting and non-woven carpets for the main global car manufacturers. **In 2019 75.0m cars were sold worldwide**, down 4.9% YoY. The global automotive industry expects to sell **59.5 million cars in 2020**, with a **dramatic decrease of over 20% YoY**. The sector is projected to experience a downward trend on the back of a slowing global economy stemming from the advent of the COVID-19 pandemic in all key economies. Previously, it had been estimated that international car sales were on track to reach 80 million in 2020.

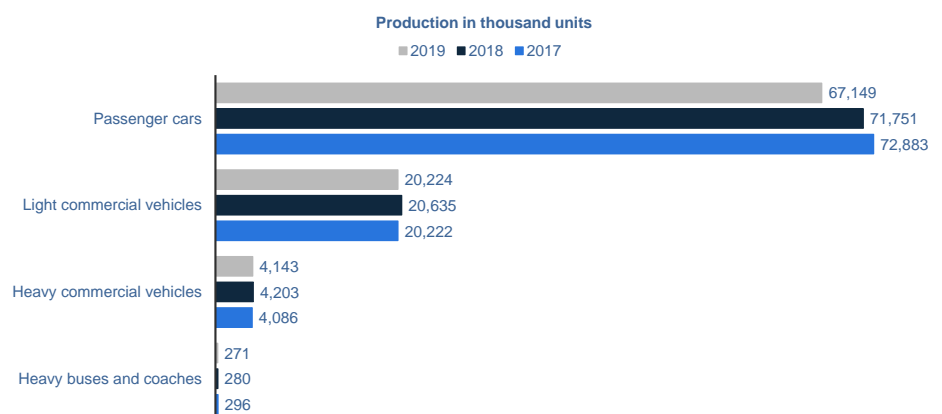
Chart 12 – Radici Pietro, global car sales historical trend



Source: Statista

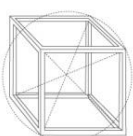
In terms of production, **in 2019 92.0m motor vehicles worldwide were manufactured, down 5.2% YoY (CAGR₀₀₋₁₉ +2.5%), of which 67.1m passenger cars (down 6.4% YoY)**. Due to the COVID-19 pandemic, it was estimated that production output in the European automotive industry could be 880,000 units lower than usual if assembly plants were kept shut for 13 business days. It was also estimated that China could suffer a loss of about 1.7m vehicles worth of production due to coronavirus-related work stoppages.

Chart 13 – Radici Pietro, global motor vehicles production 2017-19 trend by type



Source: Statista

Concerning the medium term, **it is expected that 110m vehicles will be produced by 2025 and 117m by 2030**. Furthermore, In light of growing population levels and increasing affluence in emerging markets, global automobile production is projected to exceed the 100 million units mark soon.

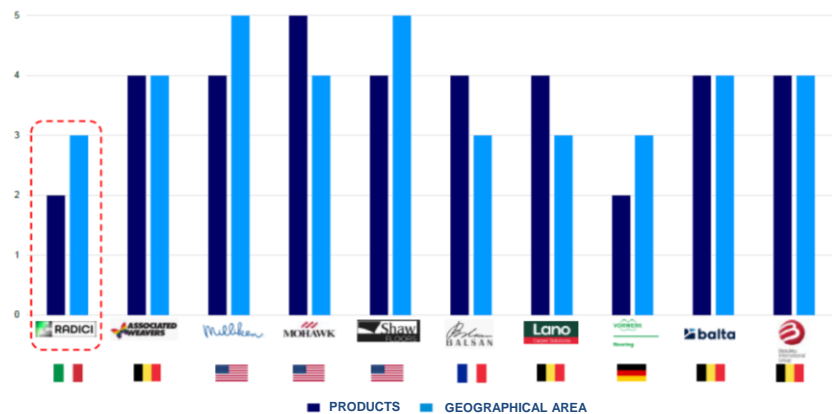


5. Competitive Arena, Addressable Market

Radici Pietro's addressable market stands within **textile flooring segment of Residential & Contracts, Marine, Sport and Automotive industries**. The group has the ability to provide a wide range of products, from carpet to artificial turf, intercepting all customer needs. Furthermore, all kinds of textile flooring can be customised maintaining competitive prices compared to the competitors, thanks to an extremely flexible production organisation.

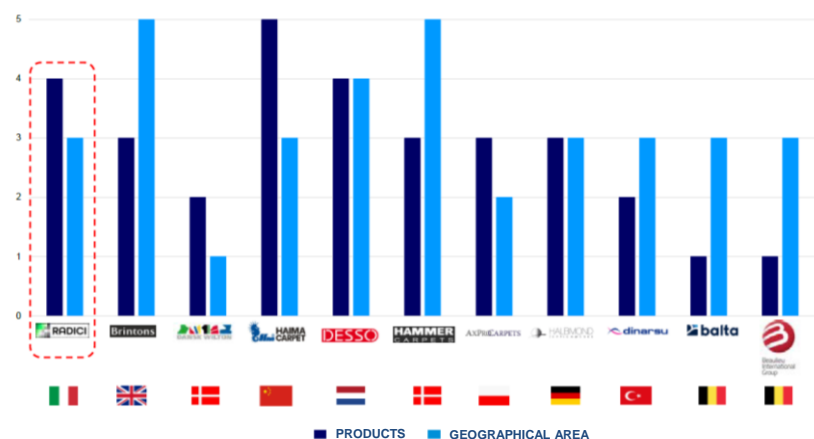
In the **Residential & Contract** industry, the group serves customers in Europe, US, Middle East and Africa with several varieties of carpets (namely tufting, printed and Wilton). Its **strengths** are: 1) a **capillary sales network**, 2) **high product diversification**, 3) **good value for money** and 4) a **tailor made approach**.

Chart 14 – Radici Pietro, competitive arena in Residential segment



Source: Company elaboration

Chart 15 – Radici Pietro, competitive arena in Contract segment



Source: Company elaboration

Concerning the **Marine** industry, **the group provides carpet and artificial grass both to shipyards and ship-owners**. The shipyard works to the building of new cruise ships, ferries and yachts, while the ship-owner turns to Radici Pietro when it has to refit or refurbish the interiors of its vessels.

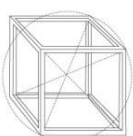
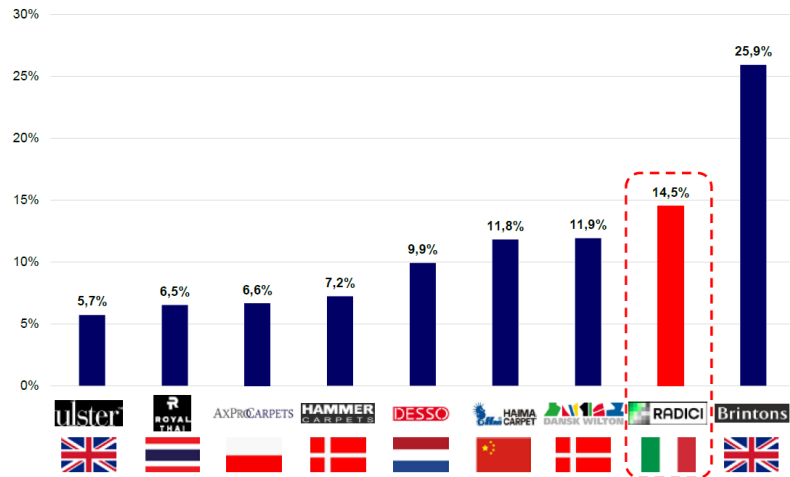


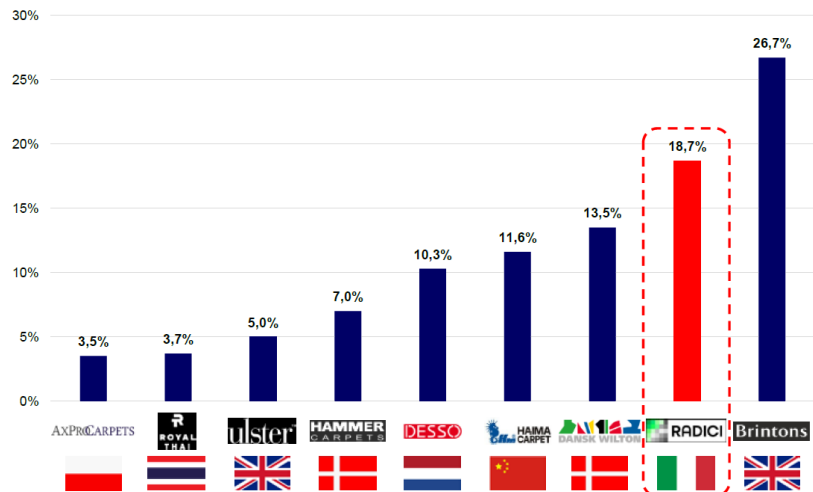
Chart 16 – Radici Pietro, market share in ships building niche



Source: Company elaboration

In the **ship-building** niche, the group has a global **market share of about 15%**, while in the **refitting & refurbishment** of almost **19%**, according to the Issuer's management.

Chart 17 – Radici Pietro, market share in refitting & refurbishment niche



Source: Company elaboration

The **artificial turf segment in Europe is highly fragmented**, with a plethora of producers offering both artificial grass for outdoors, namely for leisure and landscaping, and for sport pitches (i.e. football, rugby, tennis, paddle, golf, ...). In terms of square meters manufactured in 2017, **the group is the 11th player with 1.3 million of m²** (85% for sport use and the remainder for landscaping or decorative purposes). Furthermore, the group's strategy focuses on the strengthening of its international presence (namely in Africa, US, India and Saudi Arabia) and the development of new innovative surfaces in artificial grass, further enhancing the ecological, sustainable and recyclable aspects.

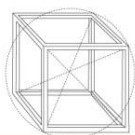
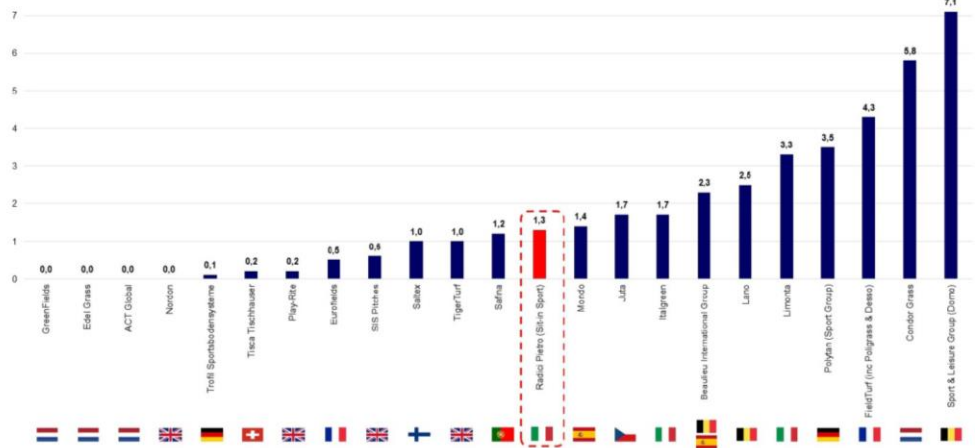


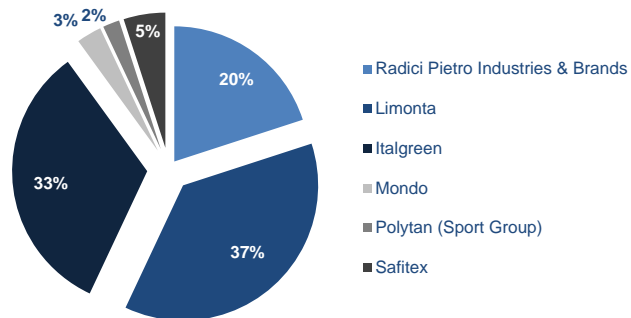
Chart 18 – Radici Pietro, European artificial turf market – 2017 production (millions of m²)



Source: Company elaboration

Noteworthy, in Italy during 2018, 150 football fields were constructed using artificial turf approved by Italian football federations (i.e. Lega Nazionale Dilettant – LND and Federazione Italiana Giuoco Calcio – FIGC), of which 30 Radici Pietro produced.

Chart 19 – Number of football fields in artificial turf made in Italy in 2018 by producer



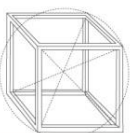
Source: Company elaboration

The group also manufactures textile coverings for the **Automotive** market, namely tufting carpets and non-woven fabrics. A high share of the group competitors provides its customers with only one kind of product, whilst very **few players, which includes Radici Pietro, are able to offer both tufting carpets and non-woven fabrics**. Furthermore, the group is able to develop bespoke solutions and to produce several categories of non-woven fabrics, namely flat, dilour, resin coated and coupled.

Chart 20 – Radici Pietro, competitive arena in Automotive industry



Source: Company elaboration



6. Business Model

Radici Pietro is a **leading global player in the textile flooring market**, serving **over 2,000 clients** in almost **90 countries worldwide**. The group provides its customers with a **wide range of textile coverings for flooring** made by various materials, namely wool, polyamide and polyester. Thanks to its vast offer and almost 70 years of experience, **Radici Pietro is able to work for several industries:**

- **Residential & Contract:** it includes the residential segment, namely textile floorings for house interiors, and contract segment, composed by hotels, hospitals, offices, catwalks and boutiques.
- **Marine:** the group offers to shipyards and ship-owners bespoke solutions for the textile coverings of cruise ships, ferries and luxury yachts, both for new buildings and refurbishment or refitting.
- **Sport:** the group produces artificial turf for football fields, tennis courts, golf courses, sportsgrounds and landscaping.
- **Automotive:** Radici Pietro provides several car manufacturers with fabrics for car interiors, car mats and luggage compartments trims.

The **product portfolio** includes high-end carpet floorings, artificial turf and non-woven fabrics. In detail:

- **Woven carpet:** the weaving is a method of textile production in which **two distinct sets of yarns (weft and warp) are interlaced at right angles to form a fabric**. The woven carpet is realised by weft and warp yarns in jute, polypropylene and polyester, whilst the visual part of the carpet is composed by 100% wool or mixed wool/polyamide yarns. This type of product mainly addresses **Residential & Contract** and **Marine** markets.
- **Tufting carpet:** the tufting technology is a type of weaving in which **only the warp yarn is inserted on a primary base**. Using different types of yarns, namely nylon, wool, mixed wool/polyamide and wool/polyester, the tufting carpet addresses several markets: **Residential & Contract, Marine** and **Automotive**.
- **Artificial turf:** In 2005, the group started to produce artificial turf, exploiting the significant synergies with the textile manufacture. The yarns can be made by polypropylene (mainly for tennis courts and sportsgrounds), polyethylene (for football fields and landscaping) or mixed polypropylene/polyethylene. The artificial turf produced by the group is also **certified by a few domestic and international sports associations** (i.e. FIFA, International Tennis Federation and International Rugby Board, LND, FIGC). This products category mainly addresses **Sport** and **Marine** markets.
- **Non-woven fabric:** it is a **fabric-like material** made from staple fibres (short) and long fibres, which are **neither woven or knitted**, such as felt. The group manufactures non-woven fabrics with **100% recycled polyester** staple fibres. These fabrics are used in the **Automotive** sector, mainly for car interiors, car mats and luggage compartment trims.
- **Other products:** the group also markets items produced by a few strategic partners, such as carpets (different from those manufactured internally), glue adhesives and cleaning products.

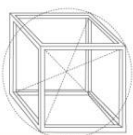


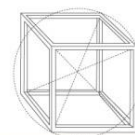
Chart 21 – Radici Pietro, 2019PF revenues breakdown by product and market

FY-19PF Revenues € 59.4m		Residential & Contract	Marine	Sport	Automotive
		45%	15%	20%	20%
Tufting	39%	62.8%	25.0%	-	24.9%
Artificial Turf	15%	-	4.5%	90.2%	-
Weaving	13%	12.7%	55.2%	-	-
Non Woven	18%	0.1%	1.9%	-	75.1%
Marketed	15%	24.4%	13.4%	9.8%	-

Source: Company data

The group 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 the quality control, testing phases and the 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. Noteworthy, the group obtained last Oct-19 the “**recyclable plastic**” certification for ReTURF, the **artificial turf 100% recyclable** developed by the subsidiary Sit-in Sport. Furthermore, the R&D activity allows Radici Pietro to introduce in its product portfolio an **artificial turf 100% micro-plastic free**, specifically developed for football pitches. The focus on sustainability and the circular economy is also corroborated by the **partnership** signed **between Radici Pietro and Aquafil** (a leading player in the production of nylon yarns, listed on STAR segment of Borsa Italiana) for the manufacture of **textile flooring in ECONYL** (a nylon yarn stemming from nylon waste, namely fishing nets and production waste) **for the Marine industry**.
- 2) **Production & Supply Chain:** the group directly manages the procurement of raw materials, the production and the 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 need is covered by the Hungarian subsidiary production. The remainder is acquired from third parties, as well as the other types of yarns.
 - **Transformation:** the production takes place in 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 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 the 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 by insurance policies. **The Issuer and its subsidiaries run sales activities, in addition to a distribution network composed by 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 the textile flooring. In particular, the subsidiary **Sit-in Sport Impianti takes care of installing artificial turf surfaces in a few Northern Italian regions.**

Chart 22 – Radici Pietro, value chain

	R&D	Production & Supply Chain			Distribution			
		Procurement	Transformation	Testing	Logistics	Sales	Delivery	Installation
Radici Pietro	●	●	●	●	●	●	●	●
Radici Hungary			●	●	●		●	
Radici USA		●			●	●	●	●
Sit-in Poland		●			●	●	●	●
Sit-in Sud		●			●	●	●	●
Sit-in CZ		●			●	●	●	
Sit-in Sport Impianti	●	●			●	●	●	●

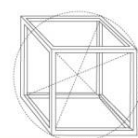
● Carried out activity ● On demand activity

Source: Company data

Since 2018, Radici Pietro voluntarily draws up the **sustainability report**, underling its attention to the *Corporate Social Responsibility* principles. The group has also implemented several activities to reduce the environmental impact of its business:

- A **waste recovery policy** allows the group to recover almost 2/3 of the waste produced every year.
- Over the last five years, the **electricity and natural gas consumption** has been reduced by 30% and 39% respectively.
- The **water consumption has been reduced by 23% in 2013-2018 period**, thanks to the use of water coming from a culvert under the production plant in Cazzano Sant'Andrea (Bergamo, Italy).
- The **development of products with low environmental impact**, namely the aforementioned artificial turf 100% recyclable/ micro-plastic free and the textile coverings made in ECONYL, the nylon yarn stemming from nylon waste developed by Aquafil, 100% regenerated and sustainable.

Furthermore, the group has planned for 2021 the **installation of a 1.2 MW cogeneration plant aimed at covering almost 70% of its electricity need**, in addition to the substitution of all neon lights with LED lights.



7. Strategy, Use of IPO Proceeds

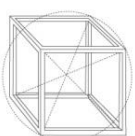
Radici Pietro development strategy is aimed at **strengthening the group competitive positioning in its reference markets** and at **increasing the international expansion**. The group's growth path is sustained by the **€ 6.2m IPO proceeds** and is based on both organic and external growth, with the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

Radici Pietro's principal strategy is focused on:

- **Organic growth:** the group is planning to increase its production capacity investing € 6.3m in acquiring new machineries and equipment, namely:
 - 1) two looms for tufting weaving;
 - 2) an in line dyeing machine for semi-finished tufting;
 - 3) a 'dilour' machine for needled fabrics;
 - 4) a saturated steam thermo-fixing system for wool twisted yarns.

Furthermore, the group is implementing several marketing activities to intercept architectural and design firms, which are potential partners in developing new products and attract new clients.

- **International expansion:** Radici Pietro is enlarging its distribution network, adding new sole and multi-firm agents to its salesforce, in order to penetrate new fast-growing strategic areas, namely Northern Africa, Eastern Europe and Middle East. The group is also looking for local partners for the promotion and commercialisation of its product portfolio, focusing on Residential & Contract and Sport markets.
- **Increase in business profitability,** thanks to:
 - ✓ Cost reduction stemming from the energy efficiency investments.
 - ✓ Change in revenue mix, with the increase in the contribution of the higher value added segments, namely Sport and Marine.
 - ✓ Full exploitation of the production capacity (now at 70%).
 - ✓ Operating leverage, namely fixed costs grow less than proportionally compared to top line.
- **Pursuing external growth opportunities:** M&A opportunities are looked for among companies operating productive process phases not yet covered by the group or able to enlarge the group product portfolio.



8. 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 favorable and unfavorable to achieve 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 exploit to its advantage.
- **Threats:** elements in the environment that could cause trouble or be detrimental for the business or project.

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

S.W.O.T. ANALYSIS

STRENGTHS

- ❑ **Leading player in textile flooring:** 70 years of experience and over 2,000 clients in almost 90 countries
- ❑ **Wide product portfolio** with several types of textile coverings for flooring
- ❑ **Vertical integration:** from raw material processing to finished goods distribution
- ❑ **International presence:** 56% of FY-19PF turnover

WEAKNESSES

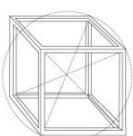
- ❑ **Exposure to foreign currencies**
- ❑ Few key relevant people represent a **vital asset** for the company
- ❑ **Limited fire power for M&A and development:** NFP adj./EBITDA 2.8x in FY-19PF

OPPORTUNITIES

- ❑ The increased market attention to **sustainability and circular economy**
- ❑ Penetration in **new fast growing markets**, such as Northern Africa, Eastern Europe and Middle East
- ❑ **Operating leverage:** volumes growth translate into a more than proportional enlargement in 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 under pressure manufacturing activities for longer than expected



9. FY-19 Pro Forma Results

In the occasion of the IPO a group structure rearrangement occurred: the subsidiary ROI Automotive Technologies (previously 100% controlled by Radici Pietro) was excluded from the scope of consolidation selling to MRFoC (the Issuer's parent company) 51% of the company. **Pro forma results show the economic and financial situation of the group without ROI Automotive Technologies**, consistently with the scope of listing.

Table 2 – Radici Pietro, FY-19 pro forma results

€ m	2019PF	2018PF	% YoY
Marine	8.6	7.8	10.5
Residential & Contract	27.0	29.5	(8.5)
Sport	12.0	12.0	0.0
Automotive	11.8	10.9	7.9
Total Revenues	59.4	60.3	(1.4)
Other	4.4	1.8	143.5
Value of Production	63.9	62.1	2.9
Raw material and processing	(30.5)	(31.2)	
Services	(16.0)	(15.5)	
Personnel expenses	(9.3)	(9.4)	
Other opex	(1.3)	(1.2)	
EBITDA	6.8	4.6	46.6
% margin	11.4	7.7	
D&A	(2.8)	(2.8)	
EBIT	4.0	1.9	114.3
% margin	6.7	3.1	
Financials	2.0	(0.4)	
Re/(Devaluation) of financial assets	(0.3)	(0.0)	
Extraordinary	-	-	
Pre-Tax profit	5.8	1.5	287.3
% margin	9.7	2.5	
Income taxes	(0.2)	(0.1)	
Tax rate	2.9%	4.4%	
Minorities	-	-	
Net Profit	5.6	1.4	293.5
% margin	9.4	2.4	
NFP (Cash)	22.0	29.7	(25.7)
NFP (Cash) adj.	18.8	23.2	(19.2)

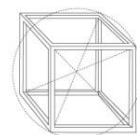
Source: Company data, CFO SIM analysis

In 2019 pro forma revenues declined by 1.4% to € 59.4m, of which € 33.4m was realised abroad (56% of total). Residential & Contract dropped by 8.5% YoY to € 27.0m, mainly as a result of less orders abroad of certain textile floorings. Otherwise, the **Marine segment grew by 10.5% YoY, reaching € 8.6m**, driven by the rise of the reference market, both in terms of number of new ships built and vessels' refitting or refurbishment. **The Automotive division totalled € 11.8m, up 7.9% YoY**, thanks to a few multi-annual orders gained mainly in the US. **Sport sales was € 12.0m**, in line with the previous year.

The huge increase in other revenues, which totalled € 4.4m vs. € 1.8m of FY-18PF, was mainly attributable to the ROI deconsolidation: the deal allowed the group to achieve certain one-off profits (€ 2.0m), previously inhibited, as they had been considered intragroup.

EBITDA was € 6.8m, 11.4% margin, soaring by 370bps vs. FY-18. The increase in margin was almost entirely related to the aforementioned profits stemming from the ROI deconsolidation.

EBIT reached € 4.0m, 6.7% margin, after € 2.8m D&A, in line with the previous year.



Net profit totalled € 5.6m, 9.4% margin, after almost € 2.0m of net financial income (vs. € 0.5m of pro-forma net financial charges in 2018), € 0.3m of write-downs of financial assets and € 0.2m of income taxes.

The massive amount of financial income (€ 3.3m vs. € 0.3m in FY-18) was mainly related to the aforementioned sale of 51% of ROI Automotive Technology.

Net Financial Position, including a € 6.4m payable to the parent company MRFoC, stood at **€ 22.0m debt** vs. € 29.7m in FY-18, mainly as a result of almost € 6.2m fresh resources stemming from the IPO.

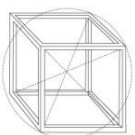
In the adjusted Net Financial Position, € 3.2m of held-for-trading securities were not included and the payable to shareholder was offset by:

- € 3.1m non-current receivable stemming from 51% sale of ROI to MRFoC.
- € 3.3m stemming from the likely put & call option exercise on the remaining 49% of ROI shares.

10. 2020-22 Business Plan

Despite of the significant changes to the group's reference markets stemming from COVID-19 pandemic, Radici Pietro decided to define and present to the market a three-year business plan (2020-22), being one of the very few bold companies of the AIM segment of Borsa Italiana to do this.

This unprecedented crisis affected greatly all the industries served by the group, namely Marine, Residential & Contract, Sport and Automotive. In Italy **the production activity of the group was suspended from March 23rd to April 26th**, in response to an Italian Government decree issued with the aim to contain the COVID-19 spread. Furthermore, Radici Pietro voluntary decided to interrupt the production activity of the Hungarian subsidiary, too. **A strategy to contain costs and to postpone certain financial obligations** has been already settled by the group, namely: 1) make use of the Wages Guarantee Fund (i.e. "Cassa Integrazione", a subsidy granted by the Italian National Insurance Institute – INPS) for most of the employees for maximum nine weeks; 2) all the investments anticipated for 2020 has been deferred, except for the necessary ones; 3) a temporary suspension of certain bank liability repayments and the extension of maturities of the short-term self-liquidating credit lines.



Industrial highlights:

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

Financial highlights:

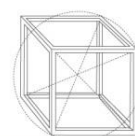
- **2020:** the group anticipates revenues of Marine, Residential & Contract, Automotive and Sport segments will plummet by almost 50%, 30%, 30% and 15% respectively. Thus, total revenues are expected to drop by 31% YoY to € 41.0m in 2020, on the back of almost one month of total lockdown and nearly zero revenues coupled with a considerable lowering demand stemming from COVID-19 global pandemic. EBITDA is projected to stand at € 1.4m, 3.4% margin and Net Profit is expected to be negative for € 2.3m. CAPEX are limited to the necessary ones (€ 1.5m).
- **2021:** the management is pretty confident about the trend reversal in 2021, driven by Sport and Automotive segments growth, coupled with the Marine industry restart. Turnover is anticipated to rise by 41% YoY, reaching € 58.0m. EBITDA is expected to the tune of € 5.0m, 8.6% margin. CAPEX is estimated at € 3.9m, including € 1.8m for the cogeneration plant, € 1.7m for new machineries and equipment and € 0.4m to strengthen the commercial activity.
- **2022:** all the reference markets should recover to pre-COVID levels and show the pre-crisis growth rates. Thus, total revenues are anticipated to increase by 17% to € 68.0m, with an EBITDA of € 6.7m, corresponding to 9.9% EBITDA margin. Net profit is projected to reach € 2.8m. CAPEX is estimated at € 3.6m, including € 3.2m for new machineries & equipment and € 0.4m to strengthen the commercial activity.

Overall **total revenues show a 4.5% CAGR in 2019-22 period**, compared with a 7.9% CAGR₁₂₋₁₉.

Table 3 – Radici Pietro, 2020-22 business plan financial highlights

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

Source: Company data



11. Financial Forecasts

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 carpet floorings, artificial turf and non-woven fabrics, chiefly custom-made. The group has displayed a decent growth path since the current management was established in 2012: 7.9% turnover CAGR in 2012-2019 period, entirely organic.

Nonetheless, the necessary severe restrictions on people mobility introduced in order to contain the dramatic rapid expansion of COVID-19 has had a **significant impact on production, trade and consumption worldwide**.

As aforementioned, In Italy **the production activity of the group was suspended from March 23rd to April 26th**, in response to an Italian Government decree issued with the aim to contain the COVID-19 spread. Radici Pietro voluntary decided to interrupt the production activity of the Hungarian subsidiary, too.

Furthermore, given **almost all customer categories served by the group, have suffered during the lockdown period** (i.e. shipyards, car makers, homebuilders, etc.), we believe **Radici Pietro business will be to a certain extent stuck in the short-term**. Nevertheless, the **strategical positioning within several industries** (namely Marine, Residential & Contract, Sport and Automotive), coupled with a **wide product portfolio** with several types of textile coverings will be definitely among the **key success factors for the group in the medium-term**.

Our 2020 estimates are roughly aligned with the guidance provided to the market. However, the low visibility related to the future demand trend stemming from the crisis generated by the COVID-19 pandemic, prompts us to adopt **a more conservative stance for 2021 and 2022**. All in all, our top line progression estimates are based on a recessive scenario for 2020 and a gradual recovery as from 2021:

- **Marine** business is anticipated to collapse by 53.0% YoY in 2020. We expect a temporary slowdown of cruise tourism and, as a direct consequence, of shipyards activity. Ship-owners are postponing certain investments already scheduled, namely both building of new cruise ships and refurbishment or refitting of old vessels. All in all, **CAGR₁₉₋₂₂ is estimated to -0.7%**.
- **Residential & Contract** is expected to grow with a conservative **CAGR₁₉₋₂₂ of 1.8%** (compared to 5.6% anticipated for the reference market in the same period in a pre COVID-19 scenario).
- **Sport** segment is anticipated to grow with a **CAGR₁₉₋₂₂ of 6.2%**, driven by the increasing demand of artificial turf pitches as a result of: 1) the increasing attention to sustainability; 2) unfavourable climatic conditions for the growth of natural grass in certain areas; 3) the remarkable rise in the number of sports events.
- **Automotive** business is forecasted to drop by 36.5% YoY in 2020, on the back of certain difficulties to gain new orders and lower volumes stemming from the car-manufacturers factory lockdowns worldwide, due to the spread of COVID-19 pandemic. However, we anticipate a timid recovery already as from 2021. Concerning the Automotive business we estimate a **CAGR₁₉₋₂₂ of 1.2%**.

Overall, **CFO SIM expects consolidated top line to show a 2.3% CAGR₁₉₋₂₂**.

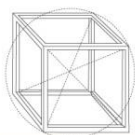


Table 4 – Radici Pietro, 2018PF-22e top line growth evolution breakdown

€ m	2018PF	2019PF	2020e	2021e	2022e	% CAGR ₁₉₋₂₂
Total Revenues	60.3	59.4	40.0	56.0	63.6	2.3
Marine	7.8	8.6	4.1	7.5	8.5	(0.7)
Residential & Contract	29.5	27.0	18.5	24.8	28.5	1.8
Sport	12.0	12.0	9.9	13.1	14.4	6.2
Automotive	10.9	11.8	7.5	10.6	12.2	1.2
% YoY						
Total Revenues	5.5	(1.4)	(32.8)	40.3	13.4	
Marine	46.0	10.5	(53.0)	86.0	12.0	
Residential & Contract	1.0	(8.5)	(31.5)	34.0	15.0	
Sport	7.5	0.0	(17.5)	32.0	10.0	
Automotive	(4.0)	7.9	(36.5)	42.0	15.0	
% on total						
Total Revenues	100.0	100.0	100.0	100.0	100.0	
Marine	13.0	14.5	10.2	13.5	13.3	
Residential & Contract	48.9	45.4	46.3	44.2	44.8	
Sport	19.9	20.2	24.8	23.3	22.6	
Automotive	18.2	19.9	18.8	19.0	19.3	

Source: Company data, CFO SIM estimates

Residential & Contract is anticipated to remain the largest addressable market in terms of revenues contribution (€ 28.5m in 2022, almost 45% of total), while Sport segment is expected to increase its share within consolidated revenues, reaching € 14.4m in 2022 (23% of total).

Bear in mind, **the huge increase in other revenues in 2019**, which totalled € 4.4m vs. € 1.8m of FY-18PF, **was mainly attributable to the ROI deconsolidation**: the deal allowed the group to achieve almost € 2.0m one-off profits, previously inhibited as they had been considered intragroup. Furthermore, also the profitability achieved by the group in 2019 was positively impacted by the aforementioned one-off items.

Table 5 – Radici Pietro, 2018PF-22e profitability evolution

€ m	2018PF	2019PF	2020e	2021e	2022e	% CAGR ₁₉₋₂₂
Total Revenues	60.3	59.4	40.0	56.0	63.6	2.3
Other	1.8	4.4	(1.7)	0.6	1.3	
Value of Production	62.1	63.9	38.2	56.6	64.9	0.5
Raw material and processing	(31.2)	(30.5)	(16.8)	(28.0)	(32.1)	
Services	(15.5)	(16.0)	(12.2)	(14.2)	(16.2)	
Personnel expenses	(9.4)	(9.3)	(7.2)	(8.7)	(9.3)	
Other opex	(1.2)	(1.3)	(0.8)	(1.1)	(1.3)	
EBITDA	4.6	6.8	1.2	4.6	6.0	(4.1)
% margin	7.7	11.4	3.1	8.1	9.4	
D&A	(2.8)	(2.8)	(3.5)	(2.9)	(3.2)	
EBIT	1.9	4.0	(2.2)	1.7	2.8	(11.6)
% margin	3.1	6.7	(5.6)	3.0	4.3	

Source: Company data, CFO SIM estimates

The costs structure is anticipated to be broadly stable (20-80 fixed and variable) and gross margin is predicted at 22.0% 2020 and at 23.5% in 2021-22 period. Furthermore, we expected almost € 2.0m of lower personnel expenses in 2020 thanks to the use of the Wages Guarantee Fund (i.e. "Cassa Integrazione"). As a result, **EBITDA margin is projected to fall to 3.1% in 2020 and gradually recover in 2021-22, reaching 9.4%**.

After D&A of € 3.5m (including € 900k of receivables and inventories write-off), EBIT margin is anticipated to turn into negative in 2020, growing up to 4.3% by 2022.

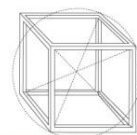


Table 6 – Radici Pietro, 2018PF-22e profitability evolution

€ m	2018PF	2019PF	2020e	2021e	2022e	% CAGR ₁₉₋₂₂
EBIT	1.9	4.0	(2.2)	1.7	2.8	(11.6)
% margin	3.1	6.7	(5.6)	3.0	4.3	
Financials	(0.4)	1.8	(0.4)	(0.7)	(0.7)	
Extraordinary	0.0	0.0	0.0	0.0	0.0	
Pre-Tax profit	1.5	5.8	(2.6)	1.0	2.1	(28.6)
% margin	2.5	9.7	(6.5)	1.8	3.3	
Income taxes	(0.1)	(0.2)	0.1	(0.0)	(0.1)	
Tax rate	4.4%	2.9%	4.5%	4.5%	4.5%	
Minorities	0.0	0.0	0.0	0.0	0.0	
Net Profit	1.4	5.6	(2.5)	1.0	2.0	(29.0)
% margin	2.4	9.4	(6.2)	1.7	3.1	

Source: Company data, CFO SIM estimates

Below EBIT, CFO SIM expects financial costs of € 0.4m in 2020 (including € 300k of financial income stemming from the ROI disposal) and € 0.7m in 2021-22. Tax burden is predicted stable at a 4.5% rate, on the back of a significant amount of past losses tax-deductible.

Table 7 – Radici Pietro, 2018PF-22e Net Financial Position and financial solidity

€ m	2018PF	2019PF	2020e	2021e	2022e
Year-end NFP (Cash)/Debt	29.7	22.0	19.3	21.0	20.6
Average (Cash)/debt	29.2	25.9	20.7	20.1	20.8
Gross debt	23.5	21.9	22.4	22.4	22.4
EBITDA	4.6	6.8	1.2	4.6	6.0
Shareholders' equity	24.3	33.8	31.3	32.3	34.3
Minorities	0.0	0.0	0.0	0.0	0.0
Interest charges	(0.4)	2.0	(0.7)	(0.7)	(0.7)
NFP/Equity	1.2	0.7	0.6	0.7	0.6
NFP/EBITDA	6.4	3.3	15.6	4.6	3.5
EBITDA/charges	12.8	n.m.	1.9	6.8	9.0
Debt/Equity	1.0	0.6	0.7	0.7	0.7

Source: Company data, CFO SIM estimates

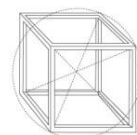
Net Financial Position is anticipated to decline to € 19.3m in 2020 as the disposal of the remaining 49% of ROI shares was completed last 29-May. As a consequence, the € 6.4m payable to the parent company MRFoC was offset by the ROI sale. The NWC reduction in 2020 stems by the turnover drop, although we anticipated an increase in DSO (100 days vs 98 days in 2019), an enlargement in inventory turnover (160 days in 2020 vs 131 days in 2019) and a reduction in DPO (95 days vs 111 days in 2019). Furthermore, CFO SIM anticipates **total capex for € 9.5m in 2020-22 period**, mainly for:

- 1) the 1.2MW cogeneration plant (€ 1.8m);
- 2) the purchase of new machineries to increase the production capacity (€ 6.3m);
- 3) the strengthening of commercial activity (€ 0.8m).

Table 8 – Radici Pietro, 2018PF-22e Net Financial Position and financial solidity

€ m	2018PF	2019PF	2020e	2021e	2022e
Op NWC	20.0	23.2	20.9	23.6	25.4
Inventories	20.1	21.4	17.5	19.2	20.6
Receivables	14.5	16.0	10.9	15.4	17.4
Payable	(14.7)	(14.1)	(7.6)	(11.0)	(12.6)
Op NWC/Sales	32.2	36.4	54.7	41.6	39.1
Capital Employed	61.2	68.9	58.1	60.8	63.6
Capital Employed turnover x	1.0	1.1	1.5	1.1	1.0
NFP debt/(cash)	29.7	22.0	19.3	21.0	20.6
NFP repayment YoY	0.9	(7.6)	(2.8)	1.7	(0.4)
ROACE%	3.1	6.1	(3.5)	2.8	4.4
ROCE %	3.0	5.8	(3.8)	2.7	4.3
ROE %	5.8	16.5	(7.9)	3.0	5.8
EBITDA - FCF Conversion %	48.5	9.3	(3.3)	(37.3)	6.2

Source: Company data, CFO SIM estimates



12. Valuation & Risks

CFO SIM initiates the coverage of Radici Pietro with a long term Buy recommendation and DCF based PT of € 2.70/s, 57.9% upside.

2020 is projected to be severely hit by the COVID-19 related shutdown and the consequent decline in consumption, even if this should be partially mitigated at margin level thanks to the group's flexible cost structure. The group offers more than enough equity and near zero intangibles in addition to long term debt facilities required to adequately run operations. **The firm is properly equipped to weather the current poor business conditions** and to benefit from a future demand trend reversal. In the **short term the business evolution visibility remains low and market volatility high.**

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

We believe **the most appropriate methodology** to get a reasonable valuation in the current market turmoil is through a **DCF model** based on standard settings for a small-cap (g=1.0%, beta=1.0 and WACC=8.0% with 30/70 debt/equity sustainable balance sheet structure). Thus, we get an **appraisal of Radici Pietro equity value of € 2.70/s, 57.9% upside.**

Furthermore, we also ran a market multiples analysis, setting up a sample of both domestic and foreign B2B players, operating in the same industries in which Radici Pietro is present, namely: Residential & Contract, Marine, Sport and Automotive. Nonetheless, the COVID-19 irrepressible contagion spread worldwide caused market nervousness and volatility: in the last 6M peers median stock performance plummeted by 39.8%, EUROSTOXX by 15.2% and FTSE AIM Italia by 12.6%. Thus, **we believe currently is not possible to get a reasonable appraisal of Radici Pietro equity value using the market multiples methodology.**

12.1. DCF

In the valuation via the DCF method, we assess explicit estimates until 2024 and assume long-term growth rate of 1.0%. Cash flows are discounted back at a weighted average cost of capital calculated according to the following parameters:

Table 9 - WACC derived from:

Interest costs, pre-tax	3.5%
Tax rate	27.5%
Inf. costs, after taxes	2.5%
Risk premium, incl. small size premium	9.0%
Risk-free (10Y Gov. Bond 200 days simple moving average)	1.33%
Beta levered (x)	1.00
Required ROE	10.3%

Source: CFO SIM, Thomson Reuters Eikon

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

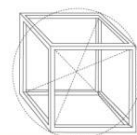


Table 10 - Radici Pietro, DCF model

€ m	2020e	2021e	2022e	2023e	2024e	Term. Val.
EBIT	(2.2)	1.7	2.8	3.9	5.4	
Tax rate	4.5%	4.5%	4.5%	4.5%	27.5%	
Operating profit (NOPAT)	(2.1)	1.6	2.6	3.7	3.9	
Change working capital	2.3	(2.7)	(1.8)	(1.5)	(0.1)	
Depreciation	3.5	2.9	3.2	3.0	2.0	
Investments	(2.0)	(4.0)	(3.5)	(2.5)	(2.0)	
Free Cash Flows	1.7	(2.2)	0.5	2.7	3.9	55.7
Present value	1.6	(1.9)	0.4	2.0	2.7	39.3
WACC	8.0%	8.0%	8.0%	8.0%	8.0%	
Long-term growth rate	1.0%					

Source: CFO SIM

Table 11 – Radici Pietro, DCF derived from:

€ m	
Total EV present value € m	44.1
	<i>thereof terminal value</i>
	89%
NFP adj. last reported	(18.8)
Pension last reported	(1.7)
Equity value € m	23.7
# shares m	8.6
Equity value €/s	2.70
% upside/(downside)	57.9%

Source: CFO SIM

The outcome of our DCF model set up an equity value of € 23.7m for Radici Pietro, € 2.70/s.

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value between € 2.27 – 3.33/s (perpetuity range between 0.25% and 1.75%), while 2) compared to changes in the free risk rate produces an equity value of € 2.32 – 3.24/s (free risk range between 2.08% and 0.58%) and 3) compared to changes in the risk premium, including small size premium results into an equity value of € 1.96 – 3.81/s (risk premium range between 10.50 % and 7.50%).

Table 12 – 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	35.2	36.5	37.8	39.3	40.8	42.5	44.3
Total value	40.0	41.3	42.7	44.1	45.7	47.3	49.1
NFP adj. last reported	(18.8)	(18.8)	(18.8)	(18.8)	(18.8)	(18.8)	(18.8)
Pension last reported	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)
Equity value € m	19.6	20.9	22.2	23.7	25.2	26.9	28.7
# shares m	8.6	8.6	8.6	8.6	8.6	8.6	8.6
Equity value €/s	2.27	2.42	2.58	2.70	2.93	3.12	3.33

Source: CFO SIM

Table 13 – Radici Pietro, equity value sensitivity to changes in free risk rate

€ m	0.58%	0.83%	1.08%	1.33%	1.58%	1.83%	2.08%
Present value of CF	4.9	4.9	4.9	4.8	4.8	4.8	4.8
PV of terminal value	43.4	41.9	40.6	39.3	38.0	36.8	35.7
Total value	48.3	46.8	45.4	44.1	42.8	41.6	40.5
NFP adj. last reported	(18.8)	(18.8)	(18.8)	(18.8)	(18.8)	(18.8)	(18.8)
Pension last reported	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)
Equity value € m	27.9	26.4	25.0	23.7	22.4	21.2	20.0
# shares m	8.6	8.6	8.6	8.6	8.6	8.6	8.6
Equity value €/s	3.24	3.06	2.90	2.70	2.60	2.46	2.32

Source: CFO SIM

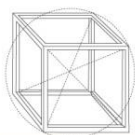


Table 14 – Radici Pietro, equity value sensitivity to changes in risk premium

€ m	7.50%	8.00%	8.50%	9.00%	9.50%	10.00%	10.50%
Present value of CF	5.0	5.0	4.9	4.8	4.8	4.7	4.7
PV of terminal value	48.3	44.9	41.9	39.3	36.8	34.7	32.7
Total value	53.3	49.9	46.8	44.1	41.6	39.4	37.3
NFP adj. last reported	(18.8)	(18.8)	(18.8)	(18.8)	(18.8)	(18.8)	(18.8)
Pension last reported	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)
Equity value € m	32.9	29.4	26.4	23.7	21.2	18.9	16.9
# shares m	8.6	8.6	8.6	8.6	8.6	8.6	8.6
Equity value €/s	3.81	3.42	3.06	2.70	2.46	2.20	1.96

Source: CFO SIM

12.2. Market Multiples

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

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

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

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

Interface Inc.: the company manufactures, markets, installs, and services products for the commercial and institutional interiors market. The company provides modular carpet, 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 offers windscreens, skylights, sky walls, and fire resistant products.

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

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

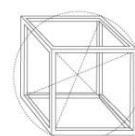


Table 15 – Radici Pietro, peer group summary table

€ m	Country	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA %	Sales CAGR ₁₉₋₂₂	EBITDA CAGR ₁₉₋₂₂	EBIT CAGR ₁₉₋₂₂	EPS CAGR ₂₀₋₂₂	NFP /EBITDA
Aquafil SpA	Italy	159	459	57	12.3%	0.2%	5.9%	7.2%	n.m.	4.0
Balta Group NV	Belgium	40	515	43	8.4%	1.0%	3.3%	7.6%	n.m.	7.5
Interface Inc	USA	439	1,025	121	11.8%	-1.1%	-3.0%	-3.9%	30.2%	4.2
Mohawk Industries Inc	USA	6,186	7,209	812	11.3%	-2.8%	-1.8%	-0.3%	63.1%	2.1
Somec SpA	Italy	131	220	19	8.6%	1.8%	10.5%	18.0%	80.3%	2.5
Tarkett SA	France	643	2,668	182	6.8%	-0.6%	-0.7%	2.5%	n.m.	3.4
Victoria PLC	UK	312	760	129	17.0%	2.4%	6.2%	20.1%	-3.5%	2.9
Median		312	760	121	11.3%	0.2%	3.3%	7.2%	46.6%	3.4
Radici Pietro Industries & Brands SpA	Italy	15	40	1	3.1%	2.3%	-4.1%	-11.6%	n.m.	15.6

Source: CFO SIM, Thomson Reuters Eikon

Table 16 – Radici Pietro, peer group EV multiple table

x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
Aquafil SpA	0.84	0.70	0.59	6.8	5.1	4.2
Balta Group NV	0.70	0.56	0.50	8.4	4.8	4.1
Interface Inc	0.92	0.79	0.72	7.8	5.6	5.3
Mohawk Industries Inc	1.09	0.96	0.85	9.7	7.0	5.4
Somec SpA	0.81	0.63	0.56	9.4	6.4	4.5
Tarkett SA	0.47	0.43	0.40	6.9	5.1	4.3
Victoria PLC	0.90	1.01	0.85	5.3	6.1	4.5
Median	0.84	0.70	0.59	7.8	5.6	4.5
Radici Pietro Industries & Brands SpA	0.85	0.64	0.55	27.4	7.8	5.9
% Prem./disc.)	1.4	(9.4)	(6.2)	250.9	40.6	31.7

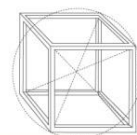
Source: CFO SIM, Thomson Reuters Eikon

Table 17 – Radici Pietro, peer group EV & price multiple table

x	EBIT FY1	EBIT FY2	EBIT FY3	PER FY1	PER FY2	PER FY3
Aquafil SpA	32.0	14.8	9.9	45.5	11.4	7.6
Balta Group NV	31.5	9.3	7.7	neg.	3.2	2.8
Interface Inc	11.6	7.8	7.3	9.2	6.1	5.4
Mohawk Industries Inc	25.9	12.8	8.4	28.7	14.3	10.8
Somec SpA	22.4	11.1	7.0	32.7	14.6	10.1
Tarkett SA	34.7	14.0	9.3	n.m.	14.0	9.8
Victoria PLC	7.7	7.8	6.3	6.2	12.5	6.7
Median	25.9	11.1	7.7	28.7	12.5	7.6
Radici Pietro Industries & Brands SpA	neg.	21.4	12.8	neg.	15.4	7.3
% Prem./disc.)	-	93.5	65.3	-	23.1	(3.4)

Source: CFO SIM, Thomson Reuters Eikon

Nonetheless, the COVID-19 irrepressible contagion spread worldwide caused market nervousness and volatility; in the last 6M peers median stock performance plummeted by 39.8%, EUROSTOXX by 15.2% and FTSE AIM Italia by 12.6%. Thus, **we believe currently is not reasonable to get an unbiased appraisal of Radici Pietro equity value using the market multiples methodology.**



12.3. Peer Stock Performance

Radici Pietro was listed on AIM Italia (Alternative Investment Market) on 26th July 2019 at € 3.10/share, corresponding to a market capitalisation post money of € 26.7m. The stock reached 1Y intraday maximum of € 3.20/s on 21-Oct-19 and a minimum of € 1.40/s on 1-Apr-20.

Table 18 – Radici Pietro, peer groups and indexes absolute performance

	1D	1W	1M	3M	6M	YTD	1Y
Aquafil SpA	0.4	(13.4)	18.1	38.7	(39.8)	(40.6)	(52.8)
Balta Group NV	0.0	(5.5)	(4.3)	(30.0)	(57.4)	(59.9)	(60.0)
Interface Inc	1.7	(19.8)	(0.5)	10.2	(50.1)	(48.8)	(44.3)
Mohawk Industries Inc	(0.0)	(15.5)	13.7	14.4	(28.9)	(28.3)	(35.8)
Somec SpA	(2.3)	1.6	4.1	8.5	(27.7)	(24.2)	(15.5)
Tarkett SA	1.4	(12.8)	10.8	(0.4)	(28.5)	(31.5)	(51.4)
Victoria PLC	(5.3)	(15.9)	10.6	7.1	(46.9)	(47.7)	(49.9)
Median	0.0	(13.4)	10.6	8.5	(39.8)	(40.6)	(49.9)
Radici Pietro Industries & Brands SpA	0.0	1.8	17.1	11.0	(25.7)	(27.8)	n.a.
MSCI World Index	0.3	(5.1)	5.0	27.5	(7.1)	(7.9)	1.9
EUROSTOXX	(0.3)	(6.2)	6.6	28.6	(15.2)	(14.8)	(6.4)
FTSE Italia All Share	0.4	(6.2)	8.8	26.5	(19.4)	(19.2)	(8.2)
FTSE STAR Italia	0.6	(4.6)	2.1	29.9	(12.4)	(12.0)	(0.9)
FTSE AIM Italia	0.2	(1.9)	4.3	14.9	(12.6)	(11.1)	(21.6)

Source: Thomson Reuters Eikon

Table 19 – Radici Pietro relative performances

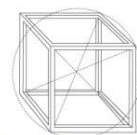
	1D	1W	1M	3M	6M	YTD	1Y
To peer Peers Median	0.0	15.2	6.6	2.5	14.1	12.7	-
To MSCI World Index	(0.3)	6.9	12.2	(16.5)	(18.5)	(19.9)	-
To EUROSTOXX	0.3	8.0	10.5	(17.5)	(10.4)	(13.0)	-
To FTSE Italia All Share	(0.4)	7.9	8.3	(15.5)	(6.3)	(8.6)	-
To FTSE STAR Italia	(0.6)	6.4	15.0	(18.9)	(13.2)	(15.9)	-
To FTSE AIM Italia	(0.2)	3.6	12.8	(3.9)	(13.1)	(16.7)	-

Source: Thomson Reuters Eikon

12.4. Risks

The principal investment **risks** in Radici Pietro include:

- Impact on economics and balance sheet profile triggered by a deep decline in global economic growth or geopolitical instability;
- COVID-19 pandemic might put under pressure manufacturing activities for longer than expected;
- The rise of new productive technologies, not implemented by the group, may reduce its competitive advantage;
- Foreign exchange rate risk exposure;
- The departure of one or a few key relevant people.



ANALYST CERTIFICATION

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

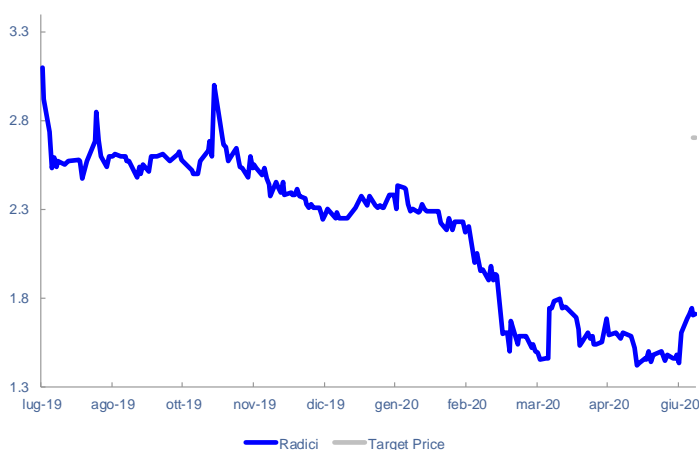
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DATE	TARGET PRICE	RATING
16/06/2020	€2.70	BUY

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