

Italy – Textile Flooring

Fairly sustainable targets in a challenging environment

29th November 2021

2022-23 COMPANY GUIDANCE

RIC: RADIC.MI
BBG: RAD IM

Last 11-Nov, Radici Pietro announced a revised guidance for 2022 and provided investors with FY-23 targets as well. The next two years will see a gradual recovery of the Marine and Residential & Contract segments to pre-Covid levels, while the Sport division is anticipated to continue its growing trend. Profitability is expected to benefit from a more favourable revenue mix and a better operating leverage.

Rating:

Buy

Price Target:

€ 2.20 (€ 2.50)

Upside/(Downside): 37.9%

Last Price: € 1.60

Market Cap.: € 13.9m

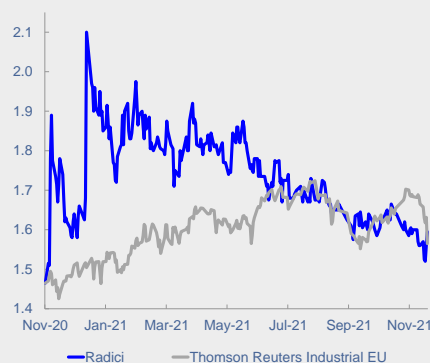
1Y High/Low: € 2.12 / € 1.51

Avg. Daily Turn. (3M, 6M): € 12k, € 11k

Free Float: 24.1%

Major shareholders:

MRFoC	69.9%
Radici Family	6.0%



Stock price performance

	1M	3M	12M
Absolute	-2.7%	-3.3%	-15.6%
Rel.to FTSE IT Growth	-2.4%	-1.6%	-79.4%
Rel.to Peers median	-1.7%	-1.3%	-87.1%

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New estimates aligned with company guidance. New PT at € 2.20/s (€ 2.50). Buy

The current significantly unfavourable environment that characterises some of the industries in which the group operates has forced Radici Pietro to revise downwards its expectations for FY-22. In our view, the new guidance reasonably factors in the tough market conditions under which the Automotive segment is forecast to operate in the 2022-23 period and a gradual recovery of the Marine segment starting from 2022. We believe the updated figures are reasonable and fairly sustainable. On the back of the new company guidance, we have updated our model almost aligning our 2022-23 projections with the targets announced to the market. The combined result is an average 7.3% and 17.9% reduction in revenues and EBITDA in 2022-23. 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 € 2.20/s (€ 2.50), with an upside of 37.9% to current price levels. Long-term Buy reiterated.

New company guidance: revenues at € 54m and € 60m in 2022-23, respectively

€ m	2021e (Unch.)	2022e (New)	2022e (Old)	% Diff.	2023e (New)
Total Revenues	47.0	54.0	68.0	(21)	60.0
EBITDA	2.2	4.0	6.7	(40)	5.5
% margin	4.7%	7.4%	9.9%		9.2%
Net Profit	(1.3)	0.5	2.8	(82)	-
NFP (cash)	18.0	18.0	20.0		-

Source: Company data

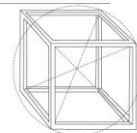
The new guidance incorporates a slower-than-expected recovery in the Marine and Residential & Contract segments due to their massive exposure to the travel & hospitality sector, still affected by the pandemic. The Marine segment is experiencing some slowdown in orders because of a temporary postponement of cruise ship refitting by ship owners. In 2022-23, total revenues are anticipated to grow by 15% and 11% YoY, respectively, driven by a gradual return to pre-Covid levels of the Marine and Residential & Contract segments coupled with the strong performance of the Sport segment, which is expected to exceed the FY-19 turnover already in 2021. The Automotive segment is projected to suffer from the effects of the industry's current tough situation over the next few years.

Focus on product innovation, Sport division and energy efficiency

The key strategic drivers that will sustain growth in the next years are: 1) a focus on new innovative products and projects, such as VIREX®, the innovative antibacterial and antiviral treatment for textile floorings; 2) the strengthening of the Sport segment, thanks to artificial turf systems that are 100% micro-plastic free, eco-friendly and recyclable and offer high-level performance, reliability and competitive prices; 3) commercial expansion into new geographical areas and market segments thanks to a development of the sales network; 4) energy efficiency thanks to a 2.4 MWh photovoltaic plant able to cover 40% of the group's annual energy requirement.

Radici Pietro, key financials and ratios

€ m	2019PF	2020	2021e	2022e	2023e
Total Revenues	59.4	43.0	47.0	53.5	59.0
EBITDA	6.8	0.6	2.2	3.8	5.0
EBIT	4.0	0.1	(0.8)	1.0	2.2
Net profit	5.6	(0.9)	(1.5)	0.4	1.6
NFP (cash)/debt	22.0	20.0	20.5	18.4	13.4
EBITDA margin	11.4%	1.4%	4.7%	7.2%	8.4%
EBIT margin	6.7%	0.1%	-1.8%	1.9%	3.8%
EPS €	0.64	(0.10)	(0.17)	0.05	0.18
EPS growth	293.5%	-116.3%	-65.6%	128.9%	262.8%
Free Cash Flow Yield	-13.9%	-7.0%	-4.0%	15.0%	6.7%
PER x	3.9	neg.	neg.	31.9	8.8
PCF x	2.6	neg.	9.2	4.3	3.2
EV/Sales x	0.74	0.80	0.73	0.60	0.46
EV/EBITDA x	6.5	56.1	15.7	8.4	5.5
EV/EBIT x	11.0	n.m.	neg.	31.1	12.2



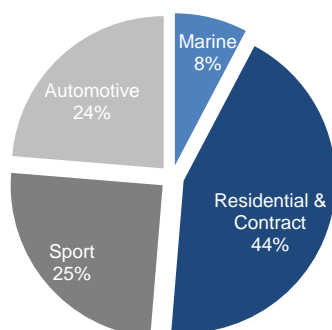
The Company at a Glance

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

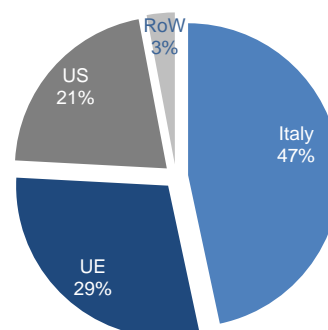
The group's global export sales are 53% of total revenues. 44% of turnover comes from the Residential & Contract segment, 25% from Sport, 24% from Automotive and 8% from Marine.

Radici Pietro has undertaken a good growth path since current management was established in 2012: a 2.6% entirely organic CAGR in the 2012-20 period, (7.9% CAGR₁₂₋₁₉, not considering FY-20 as it was deeply affected by Covid-19). In 2020, revenues were € 43.0m. Adjusted EBITDA was € 1.3m and Net Profit was negative by € 0.9m. Net Financial Position was € 20.0m.

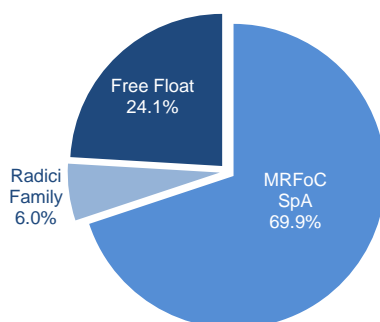
2020 breakdown by industry...



... and by geography



Shareholder structure



Peer group absolute performance

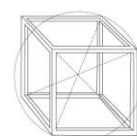
%	1D	1W	1M	3M	6M	YTD
Aquafil SpA	(4.4)	(6.3)	(8.0)	(2.1)	13.7	47.4
Balta Group NV	(1.2)	(1.6)	(10.0)	(10.4)	(3.8)	14.1
Interface Inc	(6.8)	(5.1)	6.5	4.7	(6.4)	45.6
Mohawk Industries Inc	(2.4)	0.5	(1.0)	(13.9)	(16.7)	24.5
Somec SpA	(5.3)	(3.7)	0.9	9.7	45.1	89.4
Tarkett SA	(0.3)	(5.8)	(7.2)	(7.2)	(8.1)	28.9
Victoria PLC	0.0	2.4	0.5	3.8	8.0	65.6
Median	(2.4)	(3.7)	(1.0)	(2.1)	(3.8)	45.6
Radici Pietro SpA	2.2	2.2	(2.7)	(3.3)	(12.1)	(24.0)

Source: Thomson Reuters Eikon

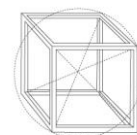
Peer group multiples table

Price & EV multiples x	SALES FY1	SALES FY2	EBITDA FY1	EBITDA FY2	EBIT FY1	EBIT FY2	PER FY1	PER FY2
Aquafil SpA	0.90	0.81	6.7	5.8	18.2	13.3	neg.	14.2
Balta Group NV	0.58	0.54	4.3	3.9	8.2	7.0	neg.	5.6
Interface Inc	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	14.7	12.8
Mohawk Industries Inc	1.18	1.09	6.9	6.5	9.7	9.2	11.6	11.5
Somec SpA	0.67	0.61	6.5	5.7	14.0	9.2	36.1	19.9
Tarkett SA	0.60	0.55	6.7	5.6	18.6	12.9	25.6	16.3
Victoria PLC	2.14	1.89	12.9	11.3	26.7	20.1	31.3	24.3
Median	0.78	0.71	6.7	5.7	16.1	11.1	25.6	14.2
Radici Pietro SpA	0.73	0.60	15.7	8.4	neg.	31.1	neg.	31.9

Sources: CFO SIM, Thomson Reuters Eikon



Income statement (€ m)	2019PF	2020	2021e	2022e	2023e
Total Revenues	59.4	43.0	47.0	53.5	59.0
Value of Production	63.9	43.6	47.7	54.2	59.7
Raw material and processing	(30.5)	(21.7)	(22.7)	(25.8)	(28.4)
Services	(16.0)	(12.1)	(11.9)	(13.6)	(14.9)
Personnel expenses	(9.3)	(7.8)	(9.5)	(9.9)	(10.3)
Other opex	(1.3)	(1.4)	(1.4)	(1.2)	(1.2)
EBITDA	6.8	0.6	2.2	3.8	5.0
D&A	(2.8)	(0.6)	(3.0)	(2.8)	(2.7)
EBIT	4.0	0.1	(0.8)	1.0	2.2
Financials	2.0	(0.8)	(0.6)	(0.6)	(0.6)
Re/(Devaluation) of financial assets	(0.3)	0.0	0.0	0.0	0.0
Extraordinary	0.0	0.0	0.0	0.0	0.0
Pre-Tax profit	5.8	(0.7)	(1.4)	0.5	1.7
Income taxes	(0.2)	(0.2)	(0.1)	(0.0)	(0.1)
Minorities	0.0	0.0	0.0	0.0	0.0
Net Profit	5.6	(0.9)	(1.5)	0.4	1.6
Net Profit adj.	5.6	(0.9)	(1.5)	0.4	1.6
Balance sheet (€ m)	2019PF	2020	2021e	2022e	2023e
Net Working Capital	23.2	20.9	22.6	22.8	24.1
Net Fixed Assets	34.2	36.1	34.1	32.8	28.5
Equity Investments	0.0	0.0	0.0	0.0	0.0
Other M/L Term A/L	(1.6)	(4.6)	(5.3)	(5.8)	(6.2)
Net Invested Capital	55.8	52.4	51.5	49.8	46.4
Net Financial Position	22.0	20.0	20.5	18.4	13.4
Minorities	0.0	0.0	0.0	0.0	0.0
Group's Shareholders Equity	33.8	32.5	31.0	31.4	33.0
Financial Liabilities & Equity	55.8	52.4	51.5	49.8	46.4
Cash Flow statement (€ m)	2019PF	2020	2021e	2022e	2023e
Total net income	5.6	(0.9)	(1.5)	0.4	1.6
Depreciation	2.8	0.6	3.0	2.8	2.7
Other non-cash charges	(3.9)	(1.3)	0.6	0.5	0.5
Cash Flow from Oper. (CFO)	4.5	(1.6)	2.1	3.8	4.8
Change in NWC	(3.2)	2.3	(1.7)	(0.2)	(1.3)
FCF from Operations (FCFO)	1.3	0.7	0.4	3.6	3.4
Net Investments (CFI)	(3.2)	(1.7)	(1.0)	(1.5)	1.6
Free CF to the Firm (FCFF)	(1.9)	(1.0)	(0.6)	2.1	5.0
CF from financials (CFF)	4.6	1.4	0.0	(0.0)	0.0
Free Cash Flow to Equity (FCFE)	2.7	0.5	(0.6)	2.1	5.0
Financial ratios	2019PF	2020	2021e	2022e	2023e
EBITDA margin	11.4%	1.4%	4.7%	7.2%	8.4%
EBIT margin	6.7%	0.1%	-1.8%	1.9%	3.8%
Net profit margin	9.4%	-2.1%	-3.2%	0.8%	2.7%
Tax rate	2.9%	-30.7%	-7.1%	4.5%	4.5%
Op NWC/Sales	36.4%	47.9%	47.4%	42.0%	40.4%
Interest coverage x	(0.51)	13.45	(0.71)	0.56	0.26
Net Debt/EBITDA x	3.25	32.71	9.33	4.79	2.69
Debt-to-Equity x	0.65	0.61	0.66	0.59	0.41
ROIC	10.0%	-1.7%	-2.9%	0.9%	3.4%
ROCE	5.8%	0.1%	-1.3%	1.6%	3.4%
ROACE	6.1%	0.1%	-1.3%	1.7%	3.5%
ROE	16.5%	-2.8%	-4.9%	1.4%	4.8%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Per share figures	2019PF	2020	2021e	2022e	2023e
Number of shares # m	8.72	8.72	8.72	8.72	8.72
Number of shares Fully Diluted # m	9.82	9.82	9.82	9.82	9.82
Average Number of shares Fully Diluted # m	9.27	9.82	9.82	9.82	9.82
EPS stated €	0.64	(0.10)	(0.17)	0.05	0.18
EPS adjusted €	0.64	(0.10)	(0.17)	0.05	0.18
EBITDA €	0.78	0.07	0.25	0.44	0.57
EBIT €	0.46	0.01	(0.09)	0.12	0.26
BV €	3.87	3.73	3.55	3.60	3.78
FCFO €	0.14	0.08	0.05	0.41	0.39
FCFF €	(0.22)	(0.11)	(0.06)	0.24	0.58
FCFE €	0.31	0.05	(0.06)	0.24	0.58
Dividend €	0.00	0.00	0.00	0.00	0.00



New 2022-23 company guidance

Last 11-Nov, Radici Pietro updated its guidance for FY-22, which had previously been announced to the market in Jun-20 at the time of the 2020-22 business plan presentation. Furthermore, the company confirmed its budget for FY-21 (revised in Mar-21) also providing investors with a guidance for FY-23.

Radici Pietro revised downwards its targets for 2022 mainly on the back of a **slower-than-expected recovery in the Marine and Residential & Contract** segments due to their massive exposure to the travel & hospitality sector, deeply affected by the Covid-19 pandemic in the 2020-21 period. In particular, the Marine segment is experiencing some slowdown in orders because of a temporary postponement of cruise ship refitting and refurbishment by ship owners on the back of the sharp decline in the cruise market.

Table 1 – Radici Pietro, new company guidance for 2022-23

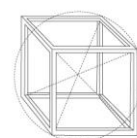
€ m	2020	2021e	2022e	2023e	% CAGR ₂₀₋₂₃	Old 2022e	% Diff.
Marine	3.3	3.3	5.0	8.5	37	9.5	(47)
Residential & Contract	18.7	23.0	27.5	28.5	15	29.9	(8)
Sport	10.7	12.7	14.5	16.0	14	15.0	(3)
Automotive	10.2	8.0	7.0	7.0	(12)	13.6	(49)
Total Revenues	43.0	47.0	54.0	60.0	12	68.0	(21)
EBITDA¹	1.3	2.2	4.0	5.5	61	6.7	(40)
% margin	3.1%	4.7%	7.4%	9.2%		9.9%	
Net Profit	(2.2)	(1.3)	0.5	-		2.8	(82)
Y/E net debt (net cash)	18.8	18.0	18.0	-		20.0	
Debt/EBITDA (x)	14.3	8.2	4.5	-		3.0	
Group Equity	32.5	31.0	32.0	-		35.7	
% YoY							
Marine	-62%	-1%	52%	70%		-	
Residential & Contract	-31%	23%	20%	4%		-	
Sport	-11%	18%	14%	10%		-	
Automotive	-14%	-21%	-13%	0%		-	
Total Revenues	-28%	9%	15%	11%		-	
% on total revenues							
Marine	8%	7%	9%	14%		14%	
Residential & Contract	44%	49%	51%	48%		44%	
Sport	25%	27%	27%	27%		22%	
Automotive	24%	17%	13%	12%		20%	

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

In 2022-23, total revenues are anticipated to grow by 15% and 11% YoY, respectively, driven by a gradual return to pre-Covid levels of the Marine and Residential & Contract segments coupled with the strong performance of the **Sport division, which is expected to exceed its FY-19 turnover already in 2021**. In the coming years, the **Automotive segment is projected to suffer from the effects** of the difficult times faced by the industry, currently dealing with a shortage of some components and a significant increase in the prices of certain raw materials.

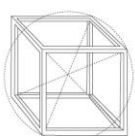
EBITDA is expected to rise to € 4.0m, 7.4% margin, in 2022, and to € 5.5m, 9.2% margin, in 2023, thanks to a more profitable revenue mix coupled with a better **exploitation of the operating leverage**. It is worth noting that the group's current production facilities are able to support a turnover up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

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



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

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



Estimates, Valuation & Risks

The current significantly unfavourable environment that characterises some of the industries in which the group operates has forced Radici Pietro to revise downwards its expectations for FY-22, elaborated in Jun-20 at the time of the 2020-22 business plan presentation. In particular, 1) the **Marine segment is experiencing some slowdown in orders** because of a temporary postponement of cruise ship refitting and refurbishment by ship owners on the back of the sharp slowdown in the cruise market and 2) the **Automotive segment is projected to suffer from the effects of the industry's current tough situation in the coming years**. On the other hand, **the Sport segment is registering a good performance**, thanks to products characterised by high-level performance and competitive prices.

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

On the back of the new company guidance for the 2022-23 period, **we have updated our model almost aligning our 2022-23 projections with the guidance provided by the group to the market**. We left our estimates for FY-21 unchanged. Furthermore, we halved the expected amount of capex for 2022-23 (€ 4.0m vs our previous estimate of € 8.0m), consistently with the group's decision to focus only on strategic investments in order to keep the Net Financial Position under control. The combined result is an average **7.3% and 17.9% reduction in revenues and EBITDA in 2022-23**.

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

€m	New	Old	% Diff.	€m Diff.
Total Revenues	53.5	56.5	(5.4)	(3.0)
EBITDA	3.8	4.5	(13.6)	(0.6)
% margin	7.2	7.9		
EBIT	1.0	1.4	(27.9)	(0.4)
% margin	1.9	2.6		
Net Profit	0.4	0.8	(42.6)	(0.3)
% margin	0.8	1.3		
Y/E net debt (net cash)	18.4	21.5	(14.2)	(3.1)

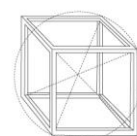
Source: CFO SIM

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

€m	New	Old	% Diff.	€m Diff.
Total Revenues	59.0	65.0	(9.2)	(6.0)
EBITDA	5.0	6.4	(22.1)	(1.4)
% margin	8.4	9.8		
EBIT	2.2	3.3	(33.2)	(1.1)
% margin	3.8	5.2		
Net Profit	1.6	2.6	(40.2)	(1.1)
% margin	2.7	4.1		
Y/E net debt (net cash)	13.4	17.5	(23.6)	(4.1)

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 PT of € 2.20/s** (€ 2.50), with an upside of 37.9% to current price levels.



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

DCF

In our DCF-based valuation, we assess explicit estimates until 2025 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 4 – 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)	0.78%
Beta levered (x)	1.00
Required ROE	9.8%

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 5 – Radici Pietro, DCF model

€ m	2021e	2022e	2023e	2024e	2025e Term. Val.
EBIT	(0.8)	1.0	2.2	3.2	4.3
Tax rate	4.5%	4.5%	4.5%	4.5%	27.5%
Operating profit (NOPAT)	(0.8)	1.0	2.1	3.1	3.1
Change working capital	(1.7)	(0.2)	(1.3)	(0.7)	(0.1)
Depreciation	3.0	2.8	2.7	2.4	2.0
Investments	(1.0)	(1.5)	(2.5)	(2.0)	(2.0)
Free Cash Flows	(0.5)	2.1	1.0	2.7	3.0
Present value	(0.5)	2.0	0.9	2.2	2.2
WACC	7.6%	7.6%	7.6%	7.6%	7.6%
Long-term growth rate	1.0%				

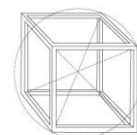
Source: CFO SIM

Table 6 – Radici Pietro, DCF derived from:

€ m	
Total EV present value €m	40.9
	thereof terminal value
	83%
NFP last reported	(20.0)
Pension last reported	(1.6)
Equity value €m	19.3
# shares m	8.7
Equity value €/s	2.20
% upside/(downside)	37.9%

Source: CFO SIM

The application of our DCF model produces an equity value of Radici Pietro of € 19.3m, € 2.20/s (€ 2.50).



The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value between € 1.78 – 2.74/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 € 1.84 – 2.64/s (free risk range between 1.53% and 0.03%) and, 3) if compared to changes in the risk premium, including small size premiums, it results in an equity value of € 1.52 – 3.16/s (risk premium range between 10.50 % and 7.50%).

Table 7 – 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	6.8	6.8	6.8	6.8	6.8	6.8	6.8
PV of terminal value	30.4	31.5	32.7	34.1	35.5	37.0	38.7
Total value	37.2	38.3	39.5	40.9	42.3	43.8	45.5
NFP last reported	(20.0)	(20.0)	(20.0)	(20.0)	(20.0)	(20.0)	(20.0)
Pension last reported	(1.6)	(1.6)	(1.6)	(1.6)	(1.6)	(1.6)	(1.6)
Equity value €m	15.6	16.7	17.9	19.3	20.7	22.2	23.9
# shares m	8.7	8.7	8.7	8.7	8.7	8.7	8.7
Equity value €/s	1.78	1.92	2.06	2.20	2.37	2.55	2.74

Source: CFO SIM

Table 8 – Radici Pietro, equity value sensitivity to changes in free risk rate

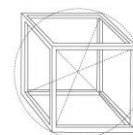
€ m	0.03%	0.28%	0.53%	0.78%	1.03%	1.28%	1.53%
Present value of CF	6.9	6.9	6.8	6.8	6.8	6.7	6.7
PV of terminal value	37.7	36.4	35.2	34.1	33.0	31.9	30.9
Total value	44.6	43.3	42.0	40.9	39.7	38.7	37.6
NFP last reported	(20.0)	(20.0)	(20.0)	(20.0)	(20.0)	(20.0)	(20.0)
Pension last reported	(1.6)	(1.6)	(1.6)	(1.6)	(1.6)	(1.6)	(1.6)
Equity value €m	23.0	21.7	20.4	19.3	18.1	17.1	16.0
# shares m	8.7	8.7	8.7	8.7	8.7	8.7	8.7
Equity value €/s	2.64	2.49	2.35	2.20	2.08	1.96	1.84

Source: CFO SIM

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

€ m	7.50%	8.00%	8.50%	9.00%	9.50%	10.00%	10.50%
Present value of CF	7.0	6.9	6.9	6.8	6.7	6.7	6.6
PV of terminal value	42.1	39.1	36.4	34.1	31.9	30.0	28.2
Total value	49.1	46.0	43.3	40.9	38.7	36.7	34.9
NFP last reported	(20.0)	(20.0)	(20.0)	(20.0)	(20.0)	(20.0)	(20.0)
Pension last reported	(1.6)	(1.6)	(1.6)	(1.6)	(1.6)	(1.6)	(1.6)
Equity value €m	27.5	24.5	21.7	19.3	17.1	15.1	13.3
# shares m	8.7	8.7	8.7	8.7	8.7	8.7	8.7
Equity value €/s	3.16	2.80	2.49	2.20	1.96	1.73	1.52

Source: CFO SIM



Market Multiples

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

We have included seven peers in our sample. They are both domestic and foreign B2B players, operating in the same industries as those being targeted by Radici Pietro:

Aquafil SpA: the company provides filaments for textile floorings to carpet manufacturers and synthetic fibres for the clothing, swimwear, and sportswear sectors. Aquafil provides engineering services, such as the supply of complete production plants, supervision of erection and start-ups, training for plant operators, and 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 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 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 10 – Radici Pietro, peer group summary table

€m	Country	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA %	Sales CAGR ₂₀₋₂₃	EBITDA CAGR ₂₀₋₂₃	EBIT CAGR ₂₀₋₂₃	EPS CAGR ₂₁₋₂₃	NFP /EBITDA
Aquafil SpA	Italy	303	545	73	13.4%	11.7%	16.0%	50.0%	28.8%	2.6
Balta Group NV	Belgium	89	628	85	13.5%	6.6%	12.0%	26.5%	34.8%	3.3
Interface Inc	USA	798	1,023	137	13.4%	7.3%	8.0%	10.7%	12.9%	n.a.
Mohawk Industries Inc	USA	10,499	9,828	1,688	17.2%	10.2%	18.2%	28.4%	5.8%	0.6
Somec SpA	Italy	231	271	28	10.3%	18.5%	30.0%	107.2%	55.6%	(1.8)
Tarkett SA	France	1,205	2,760	244	8.8%	3.9%	-6.8%	-5.9%	39.5%	1.8
Victoria PLC	UK	1,494	1,105	183	16.6%	17.9%	12.8%	16.2%	15.5%	4.8
Median		798	1,023	137	13.4%	10.2%	12.8%	26.5%	28.8%	2.2
Radici Pietro Industries & Brands SpA	Italy	14	47	2	4.7%	11.2%	101.3%	241.9%	n.m.	9.3

Sources: CFO SIM, Thomson Reuters Eikon

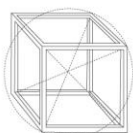


Table 11 – Radici Pietro, peer group EV multiples table

x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
Aquafil SpA	0.90	0.81	0.26	6.7	5.8	1.8
Balta Group NV	0.58	0.54	0.50	4.3	3.9	3.5
Interface Inc	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Mohawk Industries Inc	1.18	1.09	1.00	6.9	6.5	5.6
Somec SpA	0.67	0.61	0.57	6.5	5.7	5.3
Tarkett SA	0.60	0.55	0.50	6.7	5.6	4.7
Victoria PLC	2.14	1.89	1.24	12.9	11.3	7.4
Median	0.78	0.71	0.53	6.7	5.7	5.0
Radici Pietro Industries & Brands SpA	0.73	0.60	0.46	15.7	8.4	5.5
% Prem./disc.)	(6.6)	(14.7)	(13.3)	132.9	46.5	9.6

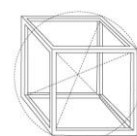
Sources: CFO SIM, Thomson Reuters Eikon

Table 12 – Radici Pietro, peer group EV & price multiples table

x	EBIT FY1	EBIT FY2	EBIT FY3	PER FY1	PER FY2	PER FY3
Aquafil SpA	18.2	13.3	4.0	neg.	14.2	12.3
Balta Group NV	8.2	7.0	6.1	neg.	5.6	4.5
Interface Inc	n.a.	n.a.	n.a.	14.7	12.8	11.6
Mohawk Industries Inc	9.7	9.2	7.9	11.6	11.5	10.4
Somec SpA	14.0	9.2	8.0	36.1	19.9	14.9
Tarkett SA	18.6	12.9	10.3	25.6	16.3	13.2
Victoria PLC	26.7	20.1	16.1	31.3	24.3	23.5
Median	16.1	11.1	7.9	25.6	14.2	12.3
Radici Pietro Industries & Brands SpA	neg.	31.1	12.2	neg.	31.9	8.8
% Prem./disc.)	-	180.2	53.4	-	125.4	(28.3)

Sources: 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 currently it looks 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 € 2.12/s on 4-Jan-21 and a minimum price of € 1.51/s on 26-Nov-21.

Table 13 – Radici Pietro, peer group and index absolute performance

	1D	1W	1M	3M	6M	YTD	1Y
Aquafil SpA	(4.4)	(6.3)	(8.0)	(2.1)	13.7	47.4	71.5
Balta Group NV	(1.2)	(1.6)	(10.0)	(10.4)	(3.8)	14.1	21.3
Interface Inc	(6.8)	(5.1)	6.5	4.7	(6.4)	45.6	72.8
Mohawk Industries Inc	(2.4)	0.5	(1.0)	(13.9)	(16.7)	24.5	31.8
Somec SpA	(5.3)	(3.7)	0.9	9.7	45.1	89.4	95.4
Tarkett SA	(0.3)	(5.8)	(7.2)	(7.2)	(8.1)	28.9	28.2
Victoria PLC	0.0	2.4	0.5	3.8	8.0	65.6	81.4
Median	(2.4)	(3.7)	(1.0)	(2.1)	(3.8)	45.6	71.5
Radici Pietro Industries & Brands SpA	2.2	2.2	(2.7)	(3.3)	(12.1)	(24.0)	(15.6)
MSCI World Index	(2.2)	(2.7)	(1.3)	(0.1)	5.1	16.4	20.9
EUROSTOXX	(4.1)	(5.2)	(2.9)	(2.5)	1.7	15.3	17.3
FTSE Italia All Share	(4.4)	(5.3)	(3.9)	(1.0)	2.7	17.0	17.4
FTSE Italia STAR	(2.1)	(4.4)	(4.0)	(2.1)	12.3	36.0	45.5
FTSE Italia Growth	(1.0)	(1.2)	(0.4)	(1.7)	16.3	51.5	63.7

Source: Thomson Reuters Eikon

Table 14 – Radici Pietro relative performances

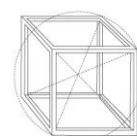
	1D	1W	1M	3M	6M	YTD	1Y
To peer Peers Median	4.6	5.9	(1.7)	(1.3)	(8.3)	(69.7)	(87.1)
To MSCI World Index	4.4	5.0	(1.4)	(3.3)	(17.2)	(40.5)	(36.5)
To EUROSTOXX	6.3	7.4	0.1	(0.8)	(13.8)	(39.4)	(32.9)
To FTSE Italia All Share	6.7	7.6	1.2	(2.4)	(14.8)	(41.1)	(33.0)
To FTSE Italia STAR	4.3	6.6	1.2	(1.3)	(24.4)	(60.0)	(61.1)
To FTSE Italia Growth	3.2	3.5	(2.4)	(1.6)	(28.4)	(75.6)	(79.4)

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 productive technologies, not implemented by the group, may reduce its competitive advantage;
- Exposure to foreign exchange rate risk;
- Departure of one, or a few, of the key people.



ANALYST CERTIFICATION

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

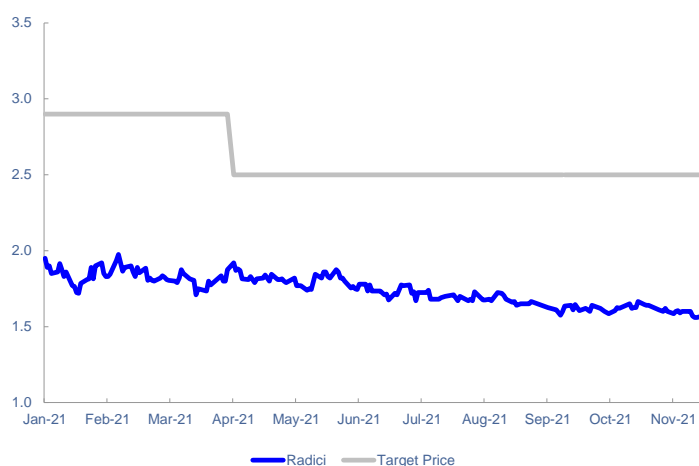
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DATE	TARGET PRICE	RATING
29/11/2021	€2.20	BUY
11/10/2021	€2.50	BUY
12/04/2021	€2.50	BUY
18/03/2021	€2.90	BUY
30/09/2020	€2.90	BUY

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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.

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