

Italy – Textile Flooring

Well on track to reach the 2021 targets

11<sup>th</sup> October 2021

H1-21 RESULTS RELEASE

RIC: RADIC.MI  
BBG: RAD IM

Radici Pietro reported a good set of 2021 interim results, showing increasing sales almost in all the business segments and a more than proportional margin progression. The recovery foreseen in the second half of 2021 is happening, mainly in the Marine and Residential & Contract segments, thus prompting the company to confirm its guidance for 2021.

Rating:

**Buy**

Price Target:

**€ 2.50**

Upside/(Downside): 57.7%

Last Price: € 1.59

Market Cap.: € 13.8m

1Y High/Low: € 2.12 / € 1.24

Avg. Daily Turn. (3M, 6M): € 10k, € 11k

Free Float: 24.1%

Major shareholders:

MRFoC	69.9%
Radici Family	6.0%



Stock price performance

	1M	3M	12M
Absolute	-2.5%	-8.1%	14.9%
Rel.to AIM Italia	1.8%	-16.9%	-49.8%
Rel.to Peers median	1.0%	-10.9%	-110.7%

Analysts:

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

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

Estimates fine-tuned, Rating and PT confirmed

On the back of H1-21 results coupled with the confirmation of the company guidance for 2021, we fine-tuned our model basically leaving the P&L estimates unchanged and only incorporating a slight increase in NWC in 2021 stemming from some possible delays in the receivables collection process related to certain clients operating in the Automotive sector. The combined result is a 10.4% increase in NFP in 2021. Please note that our estimates for FY-21 are basically aligned with the company guidance and entail a fairly sustainable implicit top line growth of 7.0% in H2-21 in order to reach the target. Moreover, we have updated our DCF model by bringing the free risk rate up to date, which declined from 0.86% to 0.71%, thus counterbalancing the increase in NFP forecast for 2021. As a consequence, we confirm our DCF-based PT of € 2.50/s, offering a 57.7% upside to current price levels. We reiterate the long-term Buy recommendation on the stock.

Sales up by 12.6% YoY. A recovering Q2 more than counterbalanced a weak Q1

H1-21 revenues grew by 12.6% YoY, reaching € 21.8m. The first semester 2021 was characterised by a weak Q1, still deeply affected by the pandemic, while Q2 showed the first signs of recovery almost in all the divisions. The Marine segment declined 26.4% YoY to € 1.4m, as a consequence of the temporary postponement of cruise ship refitting and refurbishment by ship owners on the back of the sharp slowdown in the cruise market. The Residential & Contract segment totalled € 10.6m, up 6.4% YoY. The Sports segment grew by 25.4% YoY to € 5.4m, thanks to the increasing demand for artificial turf surfaces. The Automotive segment posted € 4.4m, up by 38.3%. Despite the positive performance in H1, the Automotive market is completely stuck in the second part of the year on the back of the shortage of certain components coupled with a falling demand.

EBITDA grew more than proportionately to revenues

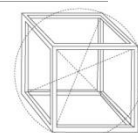
EBITDA was € 0.8m, 3.6% margin, almost doubling YoY thanks to increasing sales volumes. D&A were almost stable YoY, thus EBIT benefited from higher sales too (€ -0.7m vs € -1.1m in H1-20). Net loss was to the tune of € 1.1m, broadly in line with H1-20. It is worth noting that in H1-20 the bottom line was positively affected by non-recurrent financial income to the tune of € 0.4m. Thus, excluding non-recurrent items, net loss diminished by almost 25% YoY. NFP was € 20.6m (debt) vs € 20.0m at end-20.

The good signs of recovery allow the company to confirm its FY-21 targets

On the back of the positive H1-21 results, the company confirmed its guidance for 2021 (i.e. revenues of € 47.0m, EBITDA of 2.2m, Net loss of € 1.3m), even if with a slightly different revenue mix, namely lower-than-expected sales in the Automotive segment counterbalanced by better-than-expected performance of the Sports division. Moreover, Radici Pietro is working on a budget revision for FY-22, which will be communicated to the market next 11-Nov.

Radici Pietro, key financials and ratios

€ m	2019PF	2020	2021e	2022e	2023e
Total Revenues	59.4	43.0	47.0	56.5	65.0
EBITDA	6.8	0.6	2.2	4.5	6.4
EBIT	4.0	0.1	(0.8)	1.4	3.3
Net profit	5.6	(0.9)	(1.5)	0.8	2.6
NFP (cash)/debt	22.0	20.0	20.5	21.5	17.5
EBITDA margin	11.4%	1.4%	4.7%	7.9%	9.8%
EBIT margin	6.7%	0.1%	-1.8%	2.6%	5.2%
EPS €	0.64	(0.10)	(0.17)	0.09	0.30
EPS growth	293.5%	-116.3%	-65.6%	150.3%	247.8%
Free Cash Flow Yield	-13.9%	-7.1%	-4.0%	-7.0%	-1.2%
PER x	3.9	neg.	neg.	18.2	5.2
PCF x	2.6	neg.	9.1	3.7	2.4
EV/Sales x	0.74	0.80	0.73	0.62	0.48
EV/EBITDA x	6.5	56.1	15.6	7.9	4.9
EV/EBIT x	11.0	n.m.	neg.	24.5	9.4



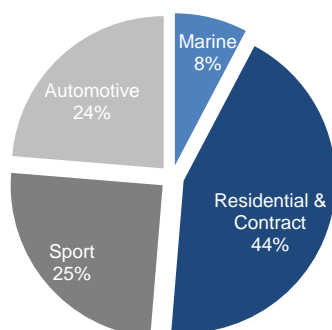
## The Company at a Glance

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, Sports and Automotive.

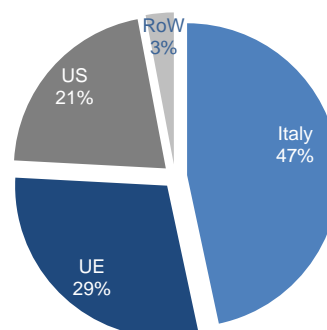
The group's global export sales are 53% of total revenues. 44% of turnover comes from the Residential & Contract segment, 25% from Sport, 24% from Automotive and 8% from Marine.

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% CAGR<sub>12-19</sub>, 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 for € 0.9m. Net Financial Position was € 20.0m.

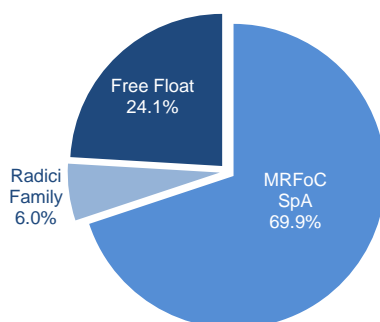
### 2020 breakdown by industry...



### ... and by geography



### Shareholder structure



### Peer group absolute performance

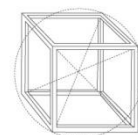
%	1D	1W	1M	3M	6M	YTD
Aquafil SpA	(0.1)	(0.1)	(6.7)	8.6	30.8	45.4
Balta Group NV	(4.0)	(7.0)	8.2	(8.9)	3.1	20.5
Interface Inc	0.3	0.8	10.4	3.6	24.0	49.5
Mohawk Industries Inc	(1.5)	(0.3)	(4.8)	(10.2)	(12.0)	26.7
Somec SpA	(2.7)	(6.3)	(7.2)	4.4	21.3	59.7
Tarkett SA	1.0	1.2	3.3	2.7	42.3	43.1
Victoria PLC	0.0	4.3	(3.4)	(10.5)	11.4	49.6
<b>Median</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(3.4)</b>	<b>2.7</b>	<b>21.3</b>	<b>45.4</b>
<b>Radici Pietro SpA</b>	<b>(0.9)</b>	<b>(3.4)</b>	<b>(2.5)</b>	<b>(8.1)</b>	<b>(15.5)</b>	<b>(24.5)</b>

Source: Thomson Reuters Eikon

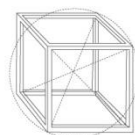
### Peer group multiples table

Price & EV multiples x	SALES FY1	SALES FY2	EBITDA FY1	EBITDA FY2	EBIT FY1	EBIT FY2	PER FY1	PER FY2
Aquafil SpA	0.93	0.84	6.8	5.8	18.5	13.2	neg.	14.9
Balta Group NV	0.60	0.55	4.6	4.0	8.3	7.1	neg.	5.9
Interface Inc	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	15.4	13.6
Mohawk Industries Inc	1.19	1.10	6.8	6.2	9.9	8.7	11.7	10.9
Somec SpA	0.54	0.51	5.4	4.8	11.3	8.6	30.7	17.0
Tarkett SA	0.65	0.60	7.2	6.0	19.4	13.2	27.1	16.8
Victoria PLC	2.00	1.82	11.6	10.4	19.1	16.1	30.3	24.5
<b>Median</b>	<b>0.79</b>	<b>0.72</b>	<b>6.8</b>	<b>5.9</b>	<b>14.9</b>	<b>10.9</b>	<b>27.1</b>	<b>14.9</b>
<b>Radici Pietro SpA</b>	<b>0.73</b>	<b>0.62</b>	<b>15.6</b>	<b>7.9</b>	<b>neg.</b>	<b>24.5</b>	<b>neg.</b>	<b>18.2</b>

Sources: CFO SIM, Thomson Reuters Eikon



Income statement (€ m)	2019PF	2020	2021e	2022e	2023e
Total Revenues	59.4	43.0	47.0	56.5	65.0
Value of Production	63.9	43.6	47.7	57.3	65.8
Raw material and processing	(30.5)	(21.7)	(22.7)	(27.2)	(31.2)
Services	(16.0)	(12.1)	(11.9)	(14.3)	(16.4)
Personnel expenses	(9.3)	(7.8)	(9.5)	(9.9)	(10.3)
Other opex	(1.3)	(1.4)	(1.4)	(1.4)	(1.4)
EBITDA	6.8	0.6	2.2	4.5	6.4
D&A	(2.8)	(0.6)	(3.0)	(3.0)	(3.0)
EBIT	4.0	0.1	(0.8)	1.4	3.3
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)	0.9	2.8
Income taxes	(0.2)	(0.2)	(0.1)	(0.1)	(0.1)
Minorities	0.0	0.0	0.0	0.0	0.0
Net Profit	5.6	(0.9)	(1.5)	0.8	2.6
Net Profit adj.	5.6	(0.9)	(1.5)	0.8	2.6
Balance sheet (€ m)	2019PF	2020	2021e	2022e	2023e
Net Working Capital	23.2	20.9	22.6	24.1	26.6
Net Fixed Assets	34.2	36.1	34.1	35.1	32.0
Equity Investments	0.0	0.0	0.0	0.0	0.0
Other M/L Term A/L	(1.6)	(4.6)	(5.3)	(6.0)	(6.6)
Net Invested Capital	55.8	52.4	51.5	53.2	51.9
Net Financial Position	22.0	20.0	20.5	21.5	17.5
Minorities	0.0	0.0	0.0	0.0	0.0
Group's Shareholders Equity	33.8	32.5	31.0	31.7	34.4
Financial Liabilities & Equity	55.8	52.4	51.5	53.2	51.9
Cash Flow statement (€ m)	2019PF	2020	2021e	2022e	2023e
Total net income	5.6	(0.9)	(1.5)	0.8	2.6
Depreciation	2.8	0.6	3.0	3.0	3.0
Other non-cash charges	(3.9)	(1.3)	0.6	0.7	0.7
Cash Flow from Oper. (CFO)	4.5	(1.6)	2.1	4.5	6.3
Change in NWC	(3.2)	2.3	(1.7)	(1.5)	(2.5)
FCF from Operations (FCFO)	1.3	0.7	0.4	3.0	3.8
Net Investments (CFI)	(3.2)	(1.7)	(1.0)	(4.0)	0.1
Free CF to the Firm (FCFF)	(1.9)	(1.0)	(0.6)	(1.0)	3.9
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)	(1.0)	3.9
Financial ratios	2019PF	2020	2021e	2022e	2023e
EBITDA margin	11.4%	1.4%	4.7%	7.9%	9.8%
EBIT margin	6.7%	0.1%	-1.8%	2.6%	5.2%
Net profit margin	9.4%	-2.1%	-3.2%	1.3%	4.1%
Tax rate	2.9%	-30.7%	-7.1%	11.6%	4.5%
Op NWC/Sales	36.4%	47.9%	47.4%	42.0%	40.4%
Interest coverage x	(0.51)	13.45	(0.71)	0.40	0.17
Net Debt/EBITDA x	3.25	32.71	9.33	4.82	2.74
Debt-to-Equity x	0.65	0.61	0.66	0.68	0.51
ROIC	10.0%	-1.7%	-2.9%	1.4%	5.1%
ROCE	5.8%	0.1%	-1.3%	2.2%	4.9%
ROACE	6.1%	0.1%	-1.3%	2.3%	5.1%
ROE	16.5%	-2.8%	-4.9%	2.4%	7.7%
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)	0.09	0.30
EPS adjusted €	0.64	(0.10)	(0.17)	0.09	0.30
EBITDA €	0.78	0.07	0.25	0.51	0.73
EBIT €	0.46	0.01	(0.09)	0.17	0.38
BV €	3.87	3.73	3.55	3.64	3.94
FCFO €	0.14	0.08	0.05	0.35	0.44
FCFF €	(0.22)	(0.11)	(0.06)	(0.11)	0.45
FCFE €	0.31	0.05	(0.06)	(0.11)	0.45
Dividend €	0.00	0.00	0.00	0.00	0.00



## 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.

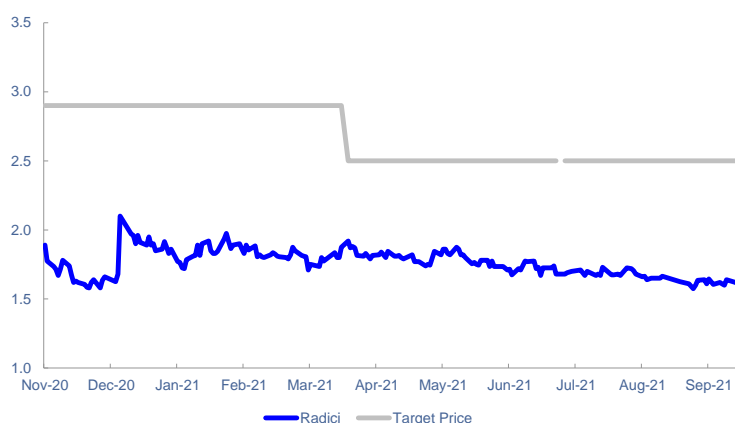
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DATE	TARGET PRICE	RATING
11/10/2021	€2.50	BUY
12/04/2021	€2.50	BUY
18/03/2021	€2.90	BUY
30/09/2020	€2.90	BUY

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- a **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% bands identified using the preceding criteria.

The rating is determined on the basis of the **expected absolute return 12 months forward** and not on the basis of the estimated out/underperformance relative to a market index. Thus, the rating can be directly linked with the estimated percentage difference between current price and target price. 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.

