

Radici: on track to reach FY21 targets



October 26th, 2021, at 19:00

1H21: some good signs of recovery

Despite the effects of the pandemic continue to significantly affect some Radici's end-markets, mainly Marine and Automotive, first-half financial figures showed some good signs of recovery, with revenues up 13% yoy to €21.8m and EBITDA margin improving to 3.7% from 1.9% in 1H20. Revenue breakdown by geography showed a general recovery, except for a slight yoy contraction in the European Union; similarly, the breakdown by end-market showed signs of business acceleration in all segments, except for the Marine one, where revenues declined 26% yoy to €1.4m, due to the temporary postponement of some cruise ship refitting and refurbishment projects, while new ship constructions continued regularly. Particularly positive the upturn in the Sport segment, where revenue grew by 25% yoy to €5.4m, driven by the demand for artificial turf surfaces intended for sports fields.

FY21 guidance confirmed

On the back of 1H21 results, Radici confirmed its FY21 revenue guidance of €47m (+9% yoy); the Company also expects EBITDA of €2.2m (margin at 4.7% up from 1.4% in FY20) and a Net Loss of €1.3m. However, the revenue mix is estimated to change a bit, as lower-than-expected sales in the Automotive segment - indirectly affected by materials shortages - should be offset by a better-than-expected performance in the Sports division, strongly driven by the growing demand of Padel fields. As for FY22, the Company is working on a budget revision that is going to be published on November 11th.

Fine tuning to our 2021E-2023E estimates

From our previous Company Update (April 27th, 2021) we made no significant changes to our 2021E-2023E estimates, waiting for the Company to publish its updated Industrial Plan in mid-November. As for P&L figures, we revised the revenue mix, reducing the estimates on revenues from the Automotive sector and increasing those deriving from the Sports one, while confirming the aggregate expected figure for the explicit period. FY21 revenue is estimated at €46.8m, in line with our previous estimate and aligned to the Company's target (€47m), to then grow at a 2020-23E CAGR of 15% to €65.1m (in line with our previous estimate). As for the cost structure, for both FY21 and FY22 we raised the incidence of the cost of raw materials by one percentage point, at 51% and 52% respectively, given a global context characterized by shortages of various raw materials and semi-finished products; alongside, we revised downwards FY22 and FY23 estimate on labor costs following a declining and lower-than-expected company workforce. The two opposite effects are expected to almost offset each other. We thus confirm our estimates on FY21 EBITDA at €2m, with implicit EBITDA margin improving at 4% from 1.4% in 2020 (in line with our previous estimate). For FY22 and FY23 EBITDA margin is estimated to progressively improve until reaching 11% in 2023, thanks to the increase in turnover and the partial amortization of fixed costs. As for Balance Sheet items, we have revised upwards our estimates on Net Debt for the entire explicit period, since the sale of a non-recourse credit of approximately €2.2m has been indefinitely postponed. The significant improvement in the NFP is therefore expected to occur in 2023, year in which Radici is expected to sell a non-strategic property worth €4m.

Valuation: BUY confirmed, TP revised at €2.2

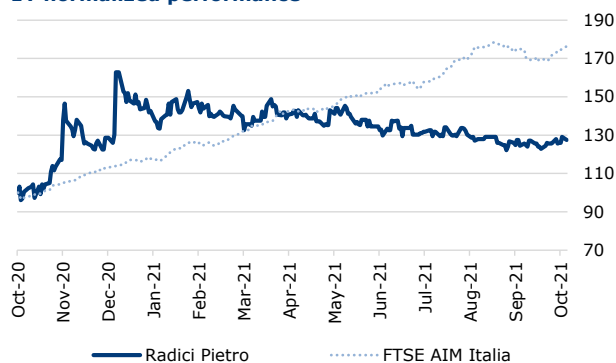
We confirm our BUY recommendation with a 12-month Target Price of €2.2, down from our previous €2.4, a downside almost entirely attributable to the derating of multiples. The Target Price is computed as the simple average of DCF valuation, equal to €2.3/share (unchanged), and market multiples valuation on 2022E-2023E median EV/EBITDA of 6.8x (vs previous 7.4x), equal to €2.1/share (vs previous €2.5/share).

Target Price (€)	2.2 from 2.4
Recommendation	BUY
Last closing price	1.64
Number of shares (mln)	8.7
Market capitalization (€, mln)	14.3
Performance	from IPO
Absolute	-47%
Max / Min	3.2/1.2
Average daily volumes	14,516

(€, mln)	2019	2020	2021E	2022E	2023E
Revenue	59.4	43.0	46.8	56.9	65.1
yoy (%)	-1%	-28%	9%	22%	14%
EBITDA	6.8	0.6	2.0	4.5	6.9
margin (%)	11%	1%	4%	8%	11%
EBIT	4.0	0.1	(0.4)	1.9	4.1
margin (%)	7%	0%	-1%	3%	6%
Net Income	5.6	(0.9)	(1.2)	1.2	3.4
margin (%)	9%	-2%	-2%	2%	5%
Net Debt	22.0	20.0	19.4	20.5	14.7
Sh. Equity	33.8	32.5	31.3	32.5	35.9
Capex	2.9	2.2	0.9	3.4	3.2
FCF	0.5	3.3	0.1	0.3	1.8

Source: Banca Profilo estimates and elaborations, Company data.

1Y normalized performance



Francesca Sabatini

Head of Equity Research

francesca.sabatini@bancaprofilo.it

+39 02 58408 461

Benedetta Sorge

Equity Research Analyst

benedetta.sorge@bancaprofilo.it

+39 02 58408 570

Sales Desk

+39 02 58408 478

Contents

1H21 results.....	3
<i>Income Statement</i>	<i>3</i>
<i>Balance Sheet</i>	<i>5</i>
<i>Significant events after the end of the first year-half</i>	<i>6</i>
Company's guidance and strategy and our updated estimates	7
<i>Corporate guidance and growth strategy.....</i>	<i>7</i>
<i>Our updated 2021E-2023E estimates.....</i>	<i>7</i>
<i>Details on 2021E-2023E Income Statement estimates</i>	<i>7</i>
<i>Details on 2021E-2023E Balance Sheet estimates</i>	<i>10</i>
<i>Details on 2021E-2023E Free Cash Flow estimates.....</i>	<i>12</i>
Valuation: BUY recommendation confirmed.....	13
<i>Valuation update.....</i>	<i>13</i>
<i>DCF Valuation.....</i>	<i>14</i>
<i>Relative valuation on market multiples</i>	<i>16</i>
DISCLAIMER	19

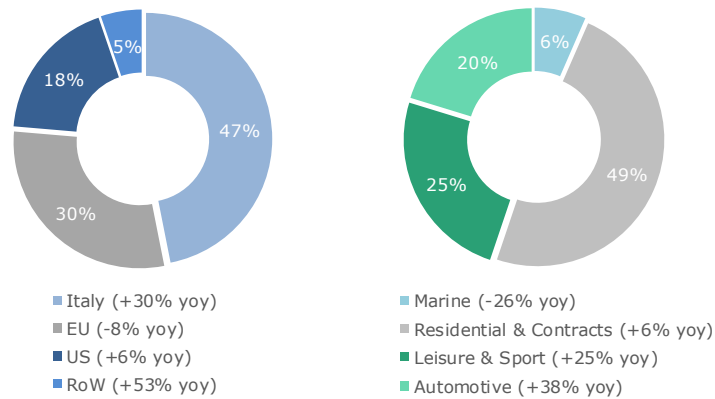
1H21 results

Income Statement

FY21 revenue +13% yoy to €21.8mln; on track to reach the 2021 target (€47mln)

In the 1H21 Radici recorded a 12.6% yoy increase in revenues reaching €21.8mln, equal to 46% of the €47mln estimated for FY21 by both us and the Company's management. The revenue breakdown by geographic area showed a general recovery in all areas, except for an 8% yoy contraction recorded in the European Union. Similarly, the breakdown by end-market showed good signs of recovery in all segments, except for the Marine one, where revenues declined 26.4% yoy to €1.4mln, due to the temporary postponement of cruise ship refitting and refurbishment projects by some customers, while activities with shipowners for new constructions regularly carried on. As for the Automotive sector, the 38% yoy growth in turnover is mainly to be attributed to the base effect, since the Company still experiences operational difficulties related to the indirect effects of the shortage of semiconductors. The Sports segment grew by 25.4% yoy to €5.4mln, driven by increasing demand for artificial turf surfaces, strongly sought for the creation of sports fields, in particular Padel ones. The Residential & Contract segment grew by 6.4% yoy to €10.6mln.

Figure 1: Geographic and sector 1H-21 revenue breakdown (% on total)

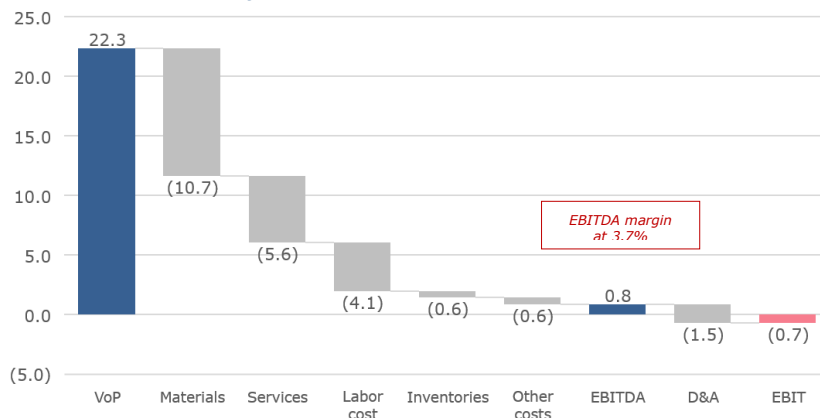


Source: Banca Profilo elaborations on Company data.

EBITDA margin improved at 3.7% from 1.9% in 1H20

Cost of Goods Sold stood at €21.5mln, up €1.5mln but down in terms of incidence on revenue (98.7% compared to 103.1% in the 1H20), due to the lower incidence of both fixed and variable costs. As for raw materials, Radici has managed to contain the appreciation by transforming it into an increase in the selling price, a commercial practice made possible by the high level of quality of Radici's products. Consequently, the marginality improved, with the EBITDA margin at 3.7% compared to 1.9% in the first half of 2020 and 1.4% in FY20. Following D&A equal to €1.5mln, in line with 1H20, and financial expenses equal to €0.4mln, the half year ended with a net loss of €1.1mln compared to the loss of €1mln in 1H20 which however included some €0.4mln of extraordinary income deriving from the disposal of ROI Automotive.

Figure 2: 1H-21 cost structure, € mln



Source: Banca Profilo elaborations on Company data.

Table 1: Radici Profit & Loss 1H19 (PF) – 1H21

Profit & Loss (€ mln)			
	1H 2019 (PF)	1H 2020	1H 2021
	30/06/2019	30/06/2020	31/12/2021
Revenue	30.3	19.4	21.8
	yoy	-36%	13%
Changes in unfinished & finished goods	0.2	0.6	-0.2
Changes in fixed assets for internal works	0.3	0.0	0.0
Other Revenues	0.7	0.3	0.7
Value of production	31.4	20.3	22.3
	yoy	-35.3%	9.8%
Cost of raw materials	(16.2)	(10.1)	(10.7)
	% on revenues	54%	49%
Cost of purchased services	(8.1)	(5.7)	(5.6)
	% on revenues	27%	26%
Costs for the use of third-party assets	(0.2)	(0.3)	(0.3)
	% on revenues	1%	1%
Labour cost	(4.8)	(3.9)	(4.1)
	% on revenues	16%	19%
# employees			
Labor cost per unit			
Purchases and changes in inventories	0.9	0.3	(0.6)
	% on revenues	-3%	3%
Other operating costs	(0.3)	(0.2)	(0.3)
	% on revenues	1%	1%
Cost of goods sold	(28.9)	(20.0)	(21.5)
EBITDA	2.6	0.4	0.8
	EBITDA Margin on revenues	8.5%	3.7%
D&A	(1.4)	(1.4)	(1.5)
	% on revenues	5%	7%
EBIT	1.2	(1.1)	(0.7)
	EBIT Margin on revenues	4.0%	-3.3%
Net financial income (expenses)	(0.4)	0.1	(0.4)
	% on revenues	1%	2%
Financial adjustments	(0.0)	0.0	
EBT	0.8	(1.0)	(1.1)
	EBT Margin on revenues	3%	-5%
Income Tax Expense	(0.1)	(0.0)	0.0
	Tax rate	18.2%	n.a.
Net Income	0.7	(1.0)	(1.1)
	Net Income Margin on revenues	2.2%	-4.9%

Source: Banca Profilo elaborations on Company data

Balance Sheet

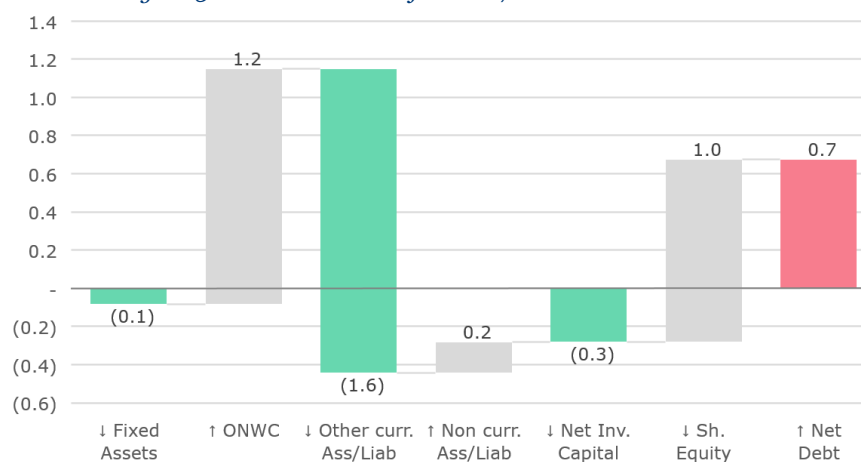
Net Invested Capital almost unchanged at €52.3mln

NOWC increased by €1.2mln, with an incidence on 12-months revenues up to 43% from 42% at the end of December, following an increase in trade receivables more than proportional to the increase in turnover that offset a 4% decrease in inventories. Other current assets saw a €0.6mln reduction in tangible fixed assets held for sale due to the failure of a purchase agreement of a Radici's property by a third party. With fixed assets remaining almost unchanged compared to December 2020, Net Invested Capital stood at €52.3mln, almost equal to December 2020 value of €52.4.

The decline in Shareholders' equity led to a €0.7mln increase in Net Debt

Shareholders' equity decreased by €1mln to €31.5mln in the first six months of the year, due to the Net Loss recorded in the period. Consequently, being Net Invested Capital almost equal, Radici recorded an increase in Net Debt, up by €0.7mln to €20.6mln.

Figure 3: 1H-21 evolution of the €0.7mln increase in Net Debt



Note: In grey (green) the changes that generated a worsening (improvement), and therefore an increase (a decrease) in Net Debt.

The arrow to the left of the balance sheet figures (x axis) indicates the movement recorded in the Balance Sheet from December to June.

Source: Banca Profilo elaborations on Company data.

Table 2: Balance Sheet 1H-19 – 1H-21

	Balance Sheet (€ mln)				
	1H 2019 (PF) 30/06/2019	FY 2019 (PF) 31/12/2019	1H 2020 30/06/2020	FY 2020 31/12/2020	1H 2021 31/12/2021
Intangible Assets	0.5	1.4	1.8	2.0	2.1
Property, Plant & Equipment	33.4	32.8	32.4	34.1	34.0
Financial Assets	1.1	0.0	0.0	0.0	0.0
Fixed Assets	35.0	34.2	34.2	36.1	36.1
Trade Receivable	16.6	16.0	11.4	9.4	10.7
Inventories	21.2	21.4	22.1	20.3	19.5
Trade Payable	(16.7)	(14.1)	(10.3)	(11.5)	(10.7)
Net Operating Working Capital	21.2	23.2	23.2	18.2	19.5
% on revenues	<i>n.a.</i>	39%	47%	42%	47%
trade receivables (% on revenues)	<i>n.a.</i>	27%	23%	22%	26%
inventories (% on revenues)	<i>n.a.</i>	36%	45%	47%	47%
trade payables (% on materials & services)	<i>n.a.</i>	30%	26%	34%	33%
Other current assets	6.2	6.2	2.9	5.7	4.6
Other current liabilities	(2.6)	(2.1)	(2.4)	(1.6)	(2.1)
Non current assets	1.0	1.1	1.1	1.1	1.1
Non current liabilities	(6.9)	(6.8)	(6.7)	(7.1)	(6.9)
Of which Funds	(1.9)	(1.9)	(1.8)	(2.0)	(1.9)
Of which tax payable	(5.0)	(4.9)	(4.9)	(5.1)	(5.1)
Invested Capital	53.8	55.8	52.3	52.4	52.2
Capex	0.9	2.9	1.4	2.3	0.0
Intangible	0.3	1.6	0.2	0.3	
Tangible	0.6	1.3	1.1	1.9	
% on revenues	3%	5%	7%		
Shareholders' equity	25.3	33.8	32.5	32.5	31.5
Share capital	25.6	36.8	36.8	36.8	36.8
Reserves and Retained Earnings	(0.3)	(3.0)	(4.3)	(4.3)	(5.3)
Share capital attributable to third parties	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	(0.0)	(0.0)	0.0	0.0
Consolidated Shareholders' Equity	25.3	33.8	32.6	32.5	31.5
Net debt (cash)	28.5	22.0	19.7	20.0	20.6
Cash and cash equivalents	(0.7)	(2.9)	(0.4)	(3.4)	(0.5)
Liquid financial investments	0.0	(3.2)	0.0	0.0	0.0
Suplus funds	0.0	(0.2)	0.0	0.0	0.0
Debts	29.2	28.4	20.1	23.4	21.1

Source: Banca Profilo elaborations on Company data

Significant events after the end of the first year-half

Commercial structure's strengthening

The Group has announced the strengthening of the commercial structure for the Automotive segment as well as for the Residential & Contract one. Radici has in fact entered into an exclusive agreement with Mr. Andrè Giuseppe Feole to support the Automotive sector, and with Svend Aage Nielsen, former CEO and commercial manager of the Ege Carpets group who led the group during a long period of both organic and for external lines, to support the Residential & Contract expansion.

Company's guidance and strategy and our updated estimates

Corporate guidance and growth strategy

FY21 guidance confirmed

On the back of 1H-21 results in line with its internal estimates, Radici confirmed the FY21 guidance (Revenues of €47.0mIn, EBITDA of €2.2mIn and Net loss of €1.3mIn), but said to expect a slightly different revenue mix, which will see a worse-than-expected performance in the Automotive segment, however offset by a better-than-expected performance in the Sports segment. More specifically, in the Automotive segment, Radici is indirectly affected by the shortage of semiconductors which is forcing Tier1s to revise downwards their demand. In the Sports sector, on the other hand, Radici has been benefiting from the growing demand for artificial grass for sports use, driven in particular by the construction of new Padel Paddle fields. Moreover, the Company is working on a budget revision for FY22 figures, which will be communicated to the market on November 11th.

Mitigation of pandemic's impacts

Radici will continue to implement several measures aimed at countering the effects of the pandemic on business and its employees, such as: i) social safety nets available and vacation periods not yet taken to reduce the incidence of labor costs, ii) postponement of some deferred commercial costs, iii) investment program postponement with the exclusion of non-deferrable CapEx, and iv) extension of the repayment terms of some loans, among the others.

The driving forces that will guide the growth of Radici in the long run: product innovation and focus on sustainability

As for medium-long term growth strategies, the Company confirmed its expansion plans, which is based on:

- product innovation, with mainly antibacterial, antiviral, and environmentally friendly brand new products;
- geographical expansion, especially in North Africa, Eastern Europe and the Middle East;
- intense marketing activities as well as collaborations with designers and architects;
- potential strategic opportunities for acquisitions, both upstream and downstream.

Our updated 2021E-2023E estimates

Fine tuning on 2021E-2023E estimates:

- 20-23E revenue CAGR of 15%
- 21E-23E average EBITDA margin of 8%
- 20-23E overall €5.3mIn decrease in Net Debt

From our previous Company Update (April 27th, 2021) we made no significant changes to our 2021E-2023E estimates, waiting for the Company to publish its updated Industrial Plan in mid-November. Main income statement figures are confirmed: revenues are still expected to grow at a 2020-23E CAGR of 15%, to €65.1mIn (in line with our previous estimate), while EBITDA is forecast to be €6.9mIn in 2023, with margin improving to 11% (vs our previous estimates of €6.7mIn and 10%, respectively). As for Balance Sheet items, we have revised upwards our estimates on Net Debt for the entire explicit period since the sale of a non-recourse credit of approximately €2.2mIn has been indefinitely postponed. The significant improvement in the NFP is therefore expected to occur in 2023, year in which Radici is expected to sell a non-strategic property worth €4mIn.

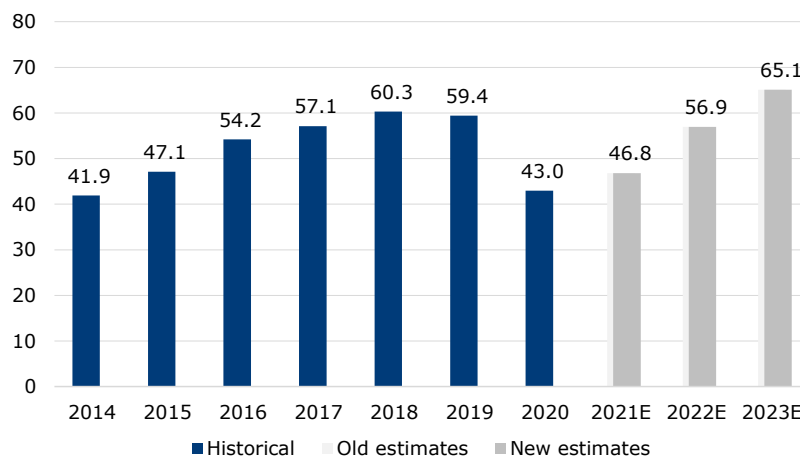
Details on 2021E-2023E Income Statement estimates

Main Income Statement lines confirmed

As for P&L figures, we changed a bit the expected revenue mix, reducing the estimates on revenues from the Automotive sector and increasing those deriving from the Sports one, while confirming the aggregate values for the explicit period. FY21 revenue is estimated at €46.8mIn, in line with our previous estimate and aligned to the Company's target (€47mIn), to then grow at a 2020-23E CAGR of 15% to €65.1mIn. As for the cost structure, for both FY21 and FY22 we raised the incidence of the cost of raw

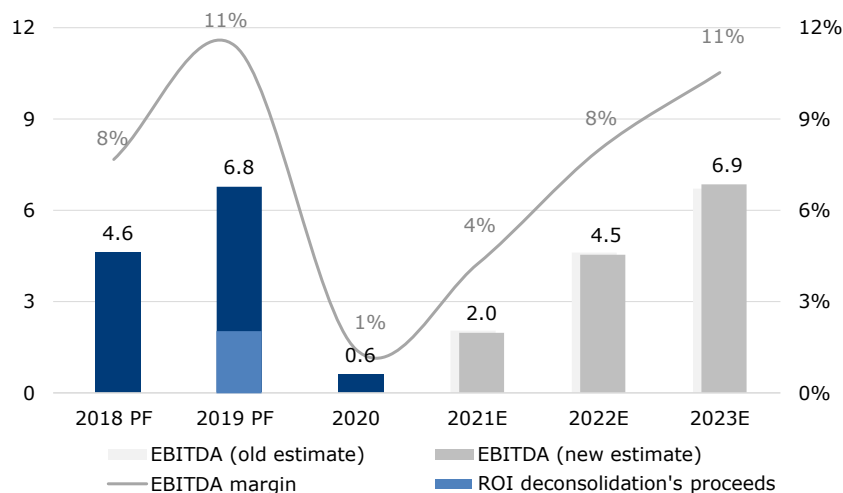
materials by one percentage point, at 51% and 52% respectively, given a global context characterized by shortages of various raw materials and semi-finished products; alongside, we revised downwards FY22 and FY23 estimate on labor costs following a declining and lower-than-expected company workforce. The two opposite effects are expected to almost offset each other. We thus confirm our estimates on FY21 EBITDA at €2mIn, with implicit EBITDA margin improving at 4% from 1.4% in 2020 (in line with our previous estimate). For FY22 and FY23 EBITDA margin is estimated to progressively improve until reaching 11% in 2023, thanks to the increase in turnover and the partial amortization of fixed costs. Over 2021E-2023E, cumulated D&A is estimated to be €7.6mIn, slightly up from our previous estimate of €7.2mIn following the change in the depreciation rates on tangible fixed assets. Tax rate is estimated unchanged at 4% (in line with our previous estimates), corresponding to the payment of IRAP only, as the IRES taxable income is transferred to the parent company and offset by previous group tax losses, enough to offer a medium-term coverage. We expect the Company to close the fiscal year with a Net Loss of €1.2mIn (vs our previous estimate of €0.9mIn), due to an increase in amortization estimates; this result would theoretically represent a worsening compared to the Net Loss of €0.9mIn recorded in FY20, but it is necessary to remember the previous year the Company recorded some €0.4mIn extraordinary income deriving from the residual disposal of ROI Automotive. The recovery in earnings is estimated to start in 2022, with an expected Net Profit of €1.2mIn (vs previous €1.3mIn) that should improve further in 2023 to €3.4mIn (in line with our previous estimate).

Figure 4: Radici revenue trend 2014-2023E (€, mln)



Source: Banca Profilo elaborations and estimates

Figure 5: EBITDA (€, mln) and EBITDA margin (%) trend 2018-2023E



Source: Banca Profilo elaborations and estimates

Table 3: Radici Profit & Loss 2018PF-2023E (€ mln)

		Profit & Loss (€ mln)								
		2018 PF	2019 PF	2020	2021E		2022E		2023E	
					Old	New	Old	New	Old	New
Revenue		60.3	59.4	43.0	46.8	46.8	56.9	56.9	65.1	65.1
	yoy		-1%	-28%	9%	9%	22%	22%	14%	14%
Changes in unfinished & finished goods		-0.1	0.8	-0.6	0.1	0.0	0.7	0.7	1.3	1.3
Changes in fixed assets for internal works		0.6	0.3	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Other Revenues		1.2	3.4	1.2	0.8	0.9	0.8	0.8	0.8	0.8
Value of production		62.1	63.9	43.6	47.7	47.7	58.5	58.5	67.2	67.2
	yoy		3%	-32%	9%	9%	23%	22%	15%	15%
Cost of raw materials		(30.5)	(30.8)	(21.5)	(23.4)	(23.6)	(28.8)	(29.3)	(33.9)	(34.1)
	% on revenues	51%	52%	50%	50%	51%	51%	52%	52%	52%
Cost of purchased services		(15.5)	(16.0)	(12.1)	(12.9)	(12.8)	(15.1)	(15.1)	(16.8)	(16.8)
	% on revenues	26%	27%	28%	27%	27%	27%	27%	26%	26%
Costs for the use of third-party assets		(0.6)	(0.7)	(0.8)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
	% on revenues	1%	1%	2%	1%	1%	1%	1%	1%	1%
Labour cost		(9.4)	(9.3)	(7.8)	(8.1)	(8.1)	(9.4)	(8.9)	(9.7)	(9.3)
	% on revenues	16%	16%	18%	17%	17%	16%	16%	15%	14%
Purchases and changes in inventories		(0.7)	0.4	(0.1)	(0.1)	(0.0)	0.3	0.3	0.6	0.6
	% on revenues	1%	-1%	0%	0%	0%	-1%	-1%	-1%	-1%
Other operating costs		(0.6)	(0.6)	(0.7)	(0.6)	(0.6)	(0.3)	(0.3)	(0.2)	(0.2)
	% on revenues	1%	1%	2%	1%	1%	1%	1%	0%	0%
Cost of goods sold		(57.5)	(57.1)	(43.0)	(45.6)	(45.8)	(53.8)	(53.9)	(60.5)	(60.4)
	% on revenues	95%	96%	100%	98%	98%	95%	95%	93%	93%
					129%	4%				
EBITDA		4.6	6.8	0.6	2.0	2.0	4.6	4.5	6.7	6.9
	EBITDA Margin on revenues	8%	11%	1%	4%	4%	8%	8%	10%	11%
D&A		(2.6)	(2.8)	(0.4)	(2.2)	(2.3)	(2.5)	(2.6)	(2.6)	(2.7)
	% on revenues	4%	5%	1%	5%	5%	4%	4%	4%	4%
Write-downs		(0.2)	0.0	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
EBIT		1.9	4.0	0.1	(0.2)	(0.4)	2.0	1.9	4.0	4.1
	EBIT Margin on revenues	3%	7%	0%	0%	-1%	4%	3%	6%	6%
Net financial income (expenses)		(0.4)	2.0	(0.8)	(0.7)	(0.7)	(0.7)	(0.7)	(0.5)	(0.5)
	% on revenues	1%	-3%	2%	2%	2%	1%	1%	1%	1%
Financial adjustments		(0.0)	(0.3)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBT		1.5	5.8	(0.7)	(0.9)	(1.2)	1.4	1.2	3.5	3.5
	EBT Margin on revenues	2%	10%	-2%	-2%	-2%	2%	2%	5%	5%
Income Tax Expense		(0.1)	(0.2)	(0.2)	0.0	0.0	(0.1)	(0.0)	(0.1)	(0.1)
	Tax rate	4.4%	2.9%	n.a.	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Net Income		1.4	5.6	(0.9)	(0.9)	(1.2)	1.3	1.2	3.4	3.4
	Net Income Margin on revenues	2.4%	9.4%	-2.1%	-2.0%	-2.5%	2.3%	2.0%	5.2%	5.2%

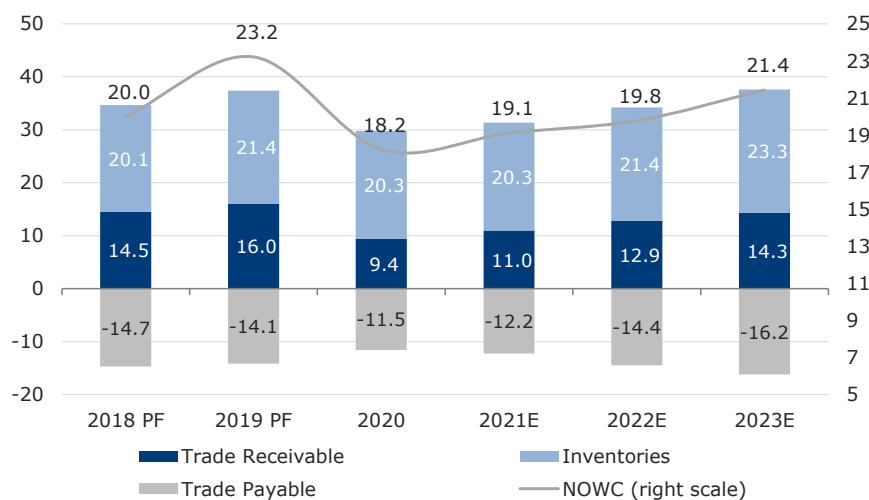
Source: Banca Profilo elaborations and estimates

Details on 2021E-2023E Balance Sheet estimates

Indefinite postponement of an already planned €2.2mln credit assignment; Net Debt estimates thus revised upwards

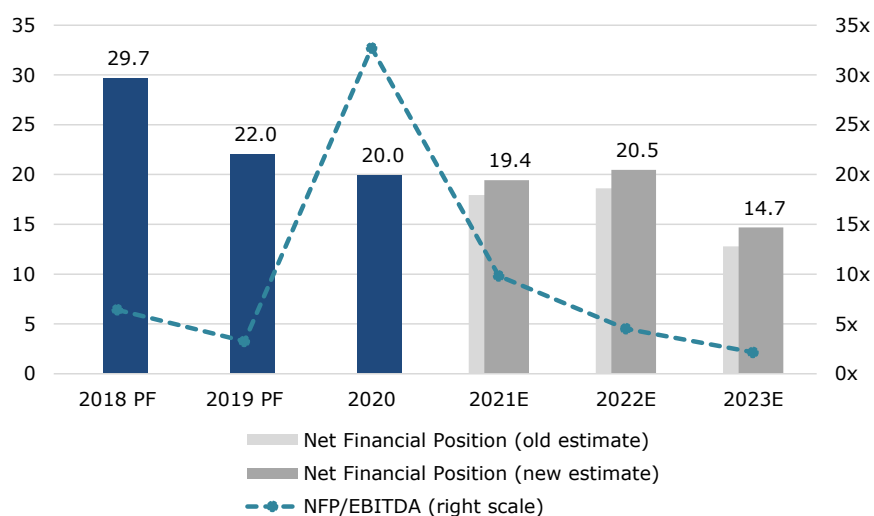
As for Balance Sheet figures, we have revised slightly downwards the estimates on tangible fixed assets by about €0.5mln per year, due to an increase in the estimated depreciation rate and the cut to the estimated CapEx for FY21, from €1.1mln to €0.9mln. We have confirmed our estimate on Net Operating Working Capital figures, while we have significantly revised upwards 2021E-2023E forecasts for Other Current Assets by about €1.8mln on average per year, as an already planned sale without recourse of a receivable relating to ROI Automotive has been indefinitely postponed. These two items' revision has produced an annual average upwards revision of €1.4mln in Net Invested Capital estimate, now expected at €50.8mln at the end of 2021 (vs previous €49.5mln) and at €50.6mln at the end of the explicit period (vs previous €49.0mln); consequently, we have revised upwards our forecast on Net Debt for the entire explicit period. Net Debt is thus expected at €19.4mln at the end of the current fiscal year (vs previous estimate of €17.9mln), yet an improvement from FY20 ending (€20.0mln). A significant NFP improvement should occur in 2023, thanks to lower Net Invested Capital needs, rising Shareholders' Equity and the already planned sale of a non-strategic property worth €4mln.

Figure 6: Net working capital composition and dynamics in 2018-2023E (€, mln)



Source: Banca Profilo elaborations and estimates

Figure 7: Net Financial Position dynamics in 2018-2023E (€, mln)



Source: Banca Profilo elaborations and estimates

Table 4: Radici Balance Sheet 2018-2023E (€ mln)

Balance Sheet (€ mln)									
	2018 PF	2019 PF	2020	2021E		2022E		2023E	
				Old	New	Old	New	Old	New
Intangible Assets	0.3	1.4	2.0	1.8	1.8	1.8	1.8	1.8	1.9
Property, Plant & Equipment	34.1	32.8	34.1	33.4	33.0	34.3	33.8	30.1	29.4
Financial Assets	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fixed Assets	35.7	34.2	36.1	35.1	34.8	36.1	35.6	31.9	31.3
Trade Receivable	14.5	16.0	9.4	11.0	11.0	12.9	12.9	14.3	14.3
Inventories	20.1	21.4	20.3	20.3	20.3	21.4	21.4	23.3	23.3
Trade Payable	(14.7)	(14.1)	(11.5)	(12.2)	(12.2)	(14.3)	(14.4)	(16.1)	(16.2)
Net Operating Working Capital	20.0	23.2	18.2	19.1	19.1	20.0	19.8	21.5	21.4
% on revenues	33%	39%	42%	41%	41%	35%	35%	33%	33%
trade receivables (% on revenues)	24%	27%	22%	24%	24%	23%	23%	22%	22%
inventories (% on revenues)	33%	36%	47%	43%	43%	38%	38%	36%	36%
trade payables (% on materials & services costs)	32%	30%	34%	34%	34%	33%	33%	32%	32%
Other current assets	6.3	6.2	5.7	2.9	4.5	3.3	5.3	3.5	5.6
Other current liabilities	(2.1)	(2.1)	(1.6)	(1.6)	(1.6)	(1.7)	(1.7)	(1.7)	(1.7)
Non current assets	1.0	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Non current liabilities	(7.0)	(6.8)	(7.1)	(7.1)	(7.1)	(7.2)	(7.1)	(7.3)	(7.1)
Of which Funds	(1.9)	(1.9)	(2.0)	(2.1)	(2.0)	(2.1)	(2.0)	(2.2)	(2.0)
Of which tax payable	(5.0)	(4.9)	(5.1)	(5.1)	(5.1)	(5.1)	(5.1)	(5.1)	(5.1)
Net Invested Capital	54.0	55.8	52.4	49.5	50.8	51.5	53.0	49.0	50.6
CapEx	2.4	2.9	2.2	1.1	0.9	3.4	3.4	3.2	3.2
Intangible	0.3	1.6	0.3	0.2	0.2	0.6	0.6	0.6	0.5
Tangible	2.1	1.3	1.9	0.9	0.8	2.8	2.8	2.6	2.6
% on revenues	4%	5%	5%	2%	2%	6%	6%	5%	5%
Shareholders' equity	24.3	33.8	32.5	31.5	31.3	32.9	32.5	36.2	35.9
Share capital	25.6	36.8	36.8	36.8	36.8	36.8	36.8	36.8	36.8
Reserves and Retained Earnings	(1.3)	(3.0)	(4.3)	(5.3)	(5.5)	(4.0)	(4.3)	(0.6)	(0.9)
Share capital attributable to third parties	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	(0.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Consolidated Shareholders' Equity	24.3	33.8	32.5	31.5	31.3	32.9	32.5	36.2	35.9
Net debt (cash)	29.7	22.0	20.0	17.9	19.4	18.6	20.5	12.8	14.7
Cash and cash equivalents	(0.3)	(2.9)	(3.4)	(3.8)	(2.3)	(1.9)	(0.0)	(3.5)	(1.6)
Liquid financial investments	0.0	(3.2)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Suplus funds	0.0	(0.2)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debts	29.9	28.4	23.4	21.7	21.7	20.5	20.5	16.3	16.3

Source: Banca Profilo elaborations and estimates

Details on 2021E-2023E Free Cash Flow estimates

Cumulative 2021-2023 Free Cash Flow of €2.2mln

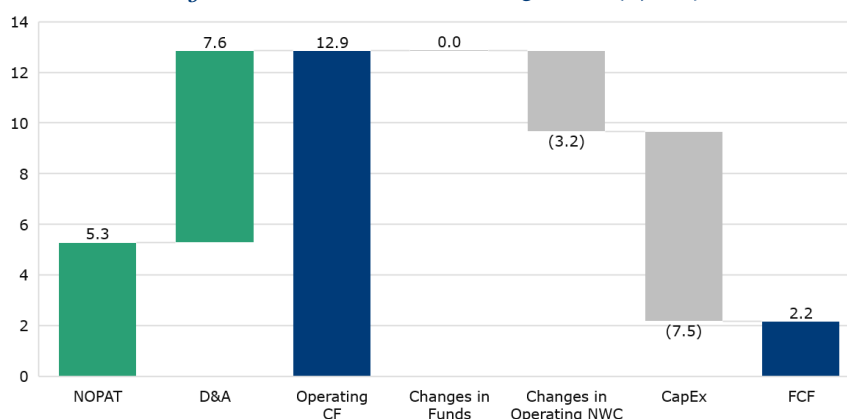
According to our revised Profit & Loss and Balance Sheet estimates, we forecast a three-year cumulated Free Cash Flow of €2.2mln (almost in line with our previous estimate of €2.1mln), including €7.5mln of capex (vs previous €7.7mln) and €3.2mln of NOWC needs (vs previous €3.3mln).

Table 5: Radici Free Cash Flow 2018-2023E (€, mln)

	Cash Flows (€ mln)								
	2018 PF	2019 PF	2020	2021E		2022E		2023E	
			New	Old	New	Old	New	Old	New
EBIT	1.9	4.0	0.1	(0.2)	(0.4)	2.0	1.9	4.0	4.1
Tax rate	4%	3%	n.a.	4%	4%	4%	4%	4%	4%
NOPAT	1.8	3.9	(0.1)	(0.2)	(0.4)	2.0	1.8	3.9	3.9
D&A	2.6	2.8	0.4	2.2	2.3	2.5	2.6	2.6	2.7
Operating Cash Flow	4.4	6.7	0.3	2.0	1.9	4.4	4.4	6.5	6.6
Changes in Funds	(1.0)	(0.0)	0.1	0.0	(0.0)	0.1	0.0	0.1	0.0
Changes in Operating NWC	(2.7)	(3.2)	5.0	(0.9)	(0.9)	(0.8)	(0.7)	(1.5)	(1.7)
CapEx	(2.4)	(2.9)	(2.2)	(1.1)	(0.9)	(3.4)	(3.4)	(3.2)	(3.2)
Free Cash Flow	(1.7)	0.5	3.2	0.0	0.1	0.3	0.3	1.8	1.8

Source: Banca Profilo elaborations and estimates

Figure 8: Cumulative 2021E-2023E FCFs (€, mln)



Source: Banca Profilo elaborations and estimates

Valuation: BUY recommendation confirmed

Valuation update

Fair value confirmed at €2.3/share

Since our previous Company Update (April 27th, 2021), we almost confirmed all main DCF inputs:

- the cumulative cash flows in the explicit period at €2.2mln (vs previous estimate of €2.1mln),
- the terminal value cash flow at €2.3mln, and
- the WACC at 6.8%.

As a result of unchanged inputs, the fair value from DCF remained constant and equal to €2.3 per share.

Relative market multiples valuation down from €2.5/share to €2.1

As regards to the relative valuation, we kept using the average EV/EBITDA multiple for the two-year period 2022E-2023E, in order to have EBITDA figures as consistent as possible with a post-pandemic "new-normal" scenario; however, from our previous Company Update, the average multiple recorded a 8% derating, from 7.4x to 6.8x. As for the other inputs, the cumulative 2022E-2023E EBITDA of Radici underwent an appreciation of 1%, while the Net Debt used, that at the end of 1H21 (€20.6mln), was 3% higher than the Net Debt at the end of 2020 used in the previous valuation (€20.0 mln). This led to an Equity Value of €18.1mln (vs previous €22.1mln) or €2.1/share (vs previous €2.5).

Target Price revised downwards to €2.2 from €2.4; BUY confirmed

We set Radici's 12-month Target Price at €2.2 (from our previous €2.4), a downside entirely attributable to the downward revision of the implicit price in multiples following a derating of the average multiple.

We, therefore, confirm our BUY recommendation.

Figure 9: Banca Profilo's Target Prices since Radici's IPO



Source: Banca Profilo elaborations on FactSet data, as of October 25th

DCF Valuation

DCF assumptions:

- 21E-23E cumulated FCFs at €2.2mln
- Terminal Value cash flow at €2.3mln

To run a DCF model, we used our projections for the 2021E-2023E explicit period: €2.2mln of cumulated Free Cash Flows (vs our previous estimate at €2.1mln), including €7.5mln of cumulated capex (vs previous €7.7mln) and €3.2mln of NOWC needs (vs previous €3.3mln).

In order to get to the Equity Valuation, we considered Net Debt at the end of June, equal to €20.6mln (vs €20.0mln used in our latest update and referred to end of December 2020).

We confirmed the Terminal cash flow at €2.3mln, which represents the implied Free Cash Flow in a medium-long term scenario for Radici, which is based on a revenue target of €80mln and an EBITDA margin of 11% (in line with our previous estimate).

Table 6: Cash Flow

Cash flow (€/mln)	2021E	2022E	2023E	Over
EBIT	(0.4)	1.9	4.1	
Tax Rate	4%	4%	4%	
NOPAT	(0.4)	1.8	3.9	
D&A	2.3	2.6	2.7	
Changes in Funds	(0.0)	0.0	0.0	
Changes in Operating NWC	(0.9)	(0.7)	(1.7)	
CapEx	(0.9)	(3.4)	(3.2)	
Free Cash Flow (FCF)	0.1	0.3	1.8	2.3

Source: Banca Profilo estimates and elaborations

WACC of 6.8% (in line with our previous estimates)

We applied a WACC of 6.8%, in line with our previous estimates, given almost unchanged inputs. The WACC was derived from:

- risk free rate of 3.0%, as implicitly expected by consensus on the 30Y Italian BTP yield curve (moving average of the last 100 days) with an estimated increase in interest rates (in line with our previous estimate);
- market risk premium equal to 5.5% (in line with our previous estimate);
- re-levered beta of 1.2, coming from the average of chosen listed peers to Radici (in line with our previous estimate);
- target debt to equity structure, with 60% weight of Equity (in line with our previous estimates)
- tax rate of 25% (up from the current 4%, assuming a normalization in the long run).

Table 7: WACC calculation

WACC Calculation	
Perpetual growth rate	2.0%
WACC	6.8%
Risk free rate (Italy 30 + Projected increase)	3.0%
Equity Risk Premium	5.5%
Beta	1.20
Cost of Equity	9.6%
After-tax cost of debt	2.7%
Tax rate	25.0%

Source: Banca Profilo estimates and elaborations

DCF Fair Value unchanged at €2.3/share

The DCF method leads us to an Enterprise Value of €40.3mln and an Equity Value of €19.6mln or €2.3/share (in line with our previous estimate).

Table 8: DCF valuation

DCF Valuation (€ mln, except for the target price)	2021E	2022E	2023E	Over
Free Cash Flow (FCF)	0.1	0.3	1.8	2.3
Years	1.0	2.0	3.0	
Discount factor	0.94	0.88	0.82	
NPV Cash flows	0.0	0.3	1.5	
Sum of NPVs	0.0	0.3	1.8	
Terminal Value				46.9
NPV Terminal Value				38.5
Enterprise Value				40.3
Net Financial Position 1H21				20.6
Minorities FY2020				-
Equity Value				19.6
Current outstanding shares				8.7
Target Price (€)				2.3

Source: Banca Profilo estimates and elaborations

Relative valuation on market multiples

Radici's selected competitors: Victoria, Tarkett, Balta and Mohawk

In order to assess a relative valuation of Radici through the market multiples approach, we selected as "comparables": Victoria, Tarkett, Balta and Mohawk Industries. We updated our double overlap analysis by end-market and geographical exposure with 1H-21 figures and we ended up with immaterial changes compared to results coming from FY20 data.

Figure 10: Radici's competitive arena

Competitive Arena		End-markets				Score	Geographic areas				Score	Average score [30% as minimum threshold]
		Residential & Contract	Marine	Sport & Landscaping	Automotive		Italy	Rest of Europe	USA	Rest of the World		
IT	RADICI	49%	7%	25%	20%		47%	29%	18%	5%		
UK	Victoria PLC	X	X	X		80%	13%	72%	0%	15%	28%	54%
FR	Tarkett	X	X	X		80%	2%	40%	34%	24%	20%	50%
BE	Balta	X			X	69%	5%	50%	37%	7%	24%	46%
US	Mohawk	X				49%	3%	23%	58%	16%	20%	34%

Source: Banca Profilo estimates and elaborations on Company and FactSet data
Note: elaborations are based on 1H21 data and, where not available, on FY20 data

Table 9: Market multiples

Company	EV / EBITDA			EV / Sales			P / E		
	2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E
25/10/2021									
Victoria PLC	11.4x	10.1x	9.6x	2.0x	1.8x	1.7x	28.4x	23.0x	21.3x
Tarkett SA	7.5x	6.3x	5.6x	0.7x	0.6x	0.6x	23.8x	16.5x	13.8x
Balta Group SA	4.9x	4.3x	N.A.	0.6x	0.6x	N.A.	11.5x	5.6x	5.0x
Mohawk Industries Inc	7.6x	7.2x	6.8x	1.3x	1.3x	1.2x	12.9x	11.9x	10.9x
Mean	7.8x	7.0x	7.3x	1.2x	1.1x	1.2x	19.1x	14.2x	12.7x
Median	7.5x	6.7x	6.8x	1.0x	1.0x	1.2x	18.4x	14.2x	12.3x
Radici Pietro Industries & Brands	17.6x	7.7x	5.1x	0.7x	0.6x	0.5x	N.D.	10.3x	3.5x

Source: Banca Profilo estimates and elaborations on FactSet data (as of October 25th)

EV/EBITDA 2022E-2023E of 6.8x

In light of 2020-2021 deteriorated fundamentals and in order to have EBITDA figures as consistent as possible with a post-pandemic "new-normal" scenario, we excluded 2020-2021 multiples from the calculation, sampling the median EV/EBITDA for 2022 and 2023. Our sample shows an average EV/EBITDA 2021E-2023E of 6.8x (vs previous 7.4x), from which we derived an average Equity Value of €18.0mIn, equal to a per share value of €2.1 (vs previous Equity Value of €22.1mIn and €2.5 per share).

Table 10: EV/EBITDA market multiple

Valuation on EV/EBITDA market multiple (€ mln, except for the target price)		
	2022E	2023E
Median EV/EBITDA best peers	6.7x	6.8x
Average 2022E-2023E	6.8x	
EBITDA	4.5	6.9
Enterprise Value	30.6	46.6
Net Financial Position 1H21		20.6
Current Minorities	0.0	0.0
Equity Value	10.0	26.0
Average Equity Value		18.0
Current outstanding shares		8.7
Price per share (€)	2.1	

Source: Banca Profilo estimates and elaborations on FactSet data (as of October 25th)



Radici "ID Card"

October 26th, 2021 - 17:40

Recommendation

BUY

Target Price

2.2 €

Upside

31%

Company Overview

Radici was founded in 1950, in Cazzano S. Andrea (Bergamo), as a spinning factory for the design and production of woven carpet, blankets and bedspreads. Since then, Radici has gradually transformed itself into a small international Company active in almost 90 countries and serving more than 2,000 customers in four different industries. As of today, the Group manufactures and distributes carpets, artificial grass and other textile products for residential use and for customers of various industries such as car manufacturers, cruise operators, hotel chains and leading luxury firms. The business stands out for the visibility of its revenue, thanks to multi-year supply contracts, for the several product certifications and its unique plants and motor pool, both elements acting as barriers to entry, and for the high degree of production flexibility and product customization. Although the economic effects of Covid-19 and related containment measures continue to have a tangible impact on some Radici's end-markets, mainly Marine and Automotive, the long-term drivers remain intact. Radici is set to expand its business and improve its profitability further, thanks to: i) the narrowing of the production gap, ii) the consolidation of existing commercial relationships and the expansion of the same in Eastern Europe, the Middle East and North Africa, iii) the creation of new product lines, increasingly sustainable and innovative, and iv) the reduction of fixed costs incidence. According to our revised 2020E-2023E estimates, after the drop in 2020, revenue are expected to grow at a 2020-23E CAGR of 15% to €65.1mln, while EBITDA should reach €6.9mln in FY23, with EBITDA margin improving to 11%. As for Balance Sheet items, we have revised upwards our estimates on Net Debt for the entire explicit period, since the sale of a non-recourse credit of approximately €2.2mln has been indefinitely postponed. The significant improvement in the NFP is therefore expected to occur in 2023, year in which Radici is expected to sell a non-strategic property worth €4mln.

SWOT Analysis

Strengths

- Partial revenue visibility, thanks to multi-year supply contracts
- Business diversification in terms of product, reference end-market and geographical market
- Different certifications on products and unique plants and motor pool that act as barriers to entry
- Production flexibility even for minimum volumes and strong degree of product customization

Weaknesses

- High incidence of Cost of Goods Sold on revenue, equal to about 95%
- Level of indebtedness which could partially limit the possibilities of financing for M&A operations

Opportunities

- New business opportunities coming from the recently developed textile product that eliminate the viral load of Covid-19
- Penetration of Emerging markets, characterized by rapid population growth and urbanization
- Increase in market share in the United States thanks to products with a better quality-price ratio than competitors
- Increasing demand for sustainable products, in line with the Company' remarkable initiatives in the environmental sustainability

Threats

- Shifting consumer preferences from soft to hard flooring in the residential segment
- Presence in markets characterized by a high competition
- Challenging market environment in the automotive sector, where chip shortage recovery may not happen until 2023 and may indirectly cause a decline in new orders

Main catalysts

- 👍 Product innovation that will strengthen the Group's competitive positioning
- Penetration of new geographical markets, especially in Emerging countries
- Consolidation of existing commercial relationships and expansion of the customer base
- Increase in turnover and efficiency related to the narrowing of the production gap

Main risks

- 👎 Risks associated with the stability of the network of agents and distributors
- Risks related to the contraction of demand and / or the deterioration of the macroeconomic context

Radici "ID Card"

Recommendation

BUY

Target Price

2.2 €

Upside

31%

October 26th, 2021 - 17:40

Main Financials

(€ mln)	2018	2019	2020	2021E	2022E	2023E
Revenue	60.3	59.4	43.0	46.8	56.9	65.1
<i>yoy change</i>	6%	-1%	-28%	9%	22%	14%
Cost of goods sold	(57.5)	(57.1)	(43.0)	(45.8)	(53.9)	(60.4)
<i>Margin on revenue (%)</i>	95%	96%	100%	98%	95%	93%
EBITDA	4.6	6.8	0.6	2.0	4.5	6.9
<i>yoy change</i>		47%	-91%	225%	129%	51%
<i>EBITDA margin on revenue (%)</i>	8%	11%	1%	4%	8%	11%
EBIT	1.9	4.0	0.1	-0.4	1.9	4.1
<i>EBIT margin on revenue (%)</i>	3%	7%	0%	-1%	3%	6%
EBT	1.5	5.8	(0.7)	(1.2)	1.2	3.5
<i>Margin on revenue (%)</i>	2%	10%	-2%	-2%	2%	5%
Net income	1.4	5.6	(0.9)	(1.2)	1.2	3.4
<i>Margin on revenue (%)</i>	2%	9%	-2%	-2%	2%	5%
Net debt (cash)	29.7	22.0	20.0	19.4	20.5	14.7
Consolidated Shareholders' Equity	24.3	33.8	32.5	31.3	32.5	35.9
Net Operating Working Capital	20.0	23.2	18.2	19.1	19.8	21.4
Capex	2.4	2.9	2.2	0.9	3.4	3.2
Free Cash Flow	(1.7)	0.5	3.3	0.1	0.3	1.8

Solvability Ratios

	2018	2019	2020	2021E	2022E	2023E
Net Debt (cash)/Equity	1.2x	0.7x	0.6x	0.6x	0.6x	0.4x
Net Debt (cash)/EBITDA	6.4x	3.2x	32.7x	9.8x	4.5x	2.1x
EBIT Interest Coverage Ratio	2.2x	5.0x	0.1x	-0.6x	2.6x	7.0x

Financial and Operative ratios

	2018	2019	2020	2021E	2022E	2023E
Operating WC Turnover	3.0	2.6	2.4	2.4	2.9	3.0
Asset Turnover	0.8	0.7	0.6	0.6	0.7	0.8
ROE	6%	13%	5%	9%	12%	12%
ROA	2%	7%	3%	5%	7%	7%
ROCE	4%	15%	7%	10%	14%	14%
ROIC	3%	17%	7%	14%	21%	21%

Source: FactSet, Banca Profilo estimates and elaborations

Market data

Company Sector	Building Materials
Last closing price	1.65
Number of shares (mln)	8.7
Market Cap (€ mln)	14.3
Reference Index	FTSE AIM ITALIA
Main Shareholders	Miro Radici Family of Companies SpA
Main Shareholder stake	71%
Free Float	23%
Daily Average Volumes	14,544
Sample of comparables	Victoria PLC, Tarkett, Balta, Mohawk

Data of peers

	2020	2021E	2022E	2023E
Revenue Growth (yoy)	-4%	15%	6%	5%
EBITDA Margin	12%	15%	16%	18%
<i>Median data</i>				

DISCLAIMER**ANALYST'S AND BANK'S INFORMATION**

THIS DOCUMENT CONCERNING NEODECORTECH S.P.A. (THE "ISSUER" OR THE "COMPANY") HAS BEEN DRAFTED BY FRANCESCA SABATINI WHO IS EMPLOYED BY BANCA PROFILO S.P.A. ("THE BANK") AS FINANCIAL ANALYST; FRANCESCA SABATINI IS RESPONSIBLE FOR THE DRAFTING OF THE DOCUMENT.

BANCA PROFILO S.P.A. IS A BANK AUTHORISED TO PERFORM BANKING AND INVESTMENT SERVICES; IT IS PART OF BANCA PROFILO BANKING GROUP (THE "GROUP") AND IT IS SUBJECT TO THE MANAGEMENT AND CO-ORDINATION OF AREPO BP S.P.A. (THE "PARENT COMPANY"). SATOR PRIVATE EQUITY FUND "A" LP (THE "PARENT ENTITY") HOLDS INDIRECT CONTROL PARTICIPATION INTERESTS IN BANCA PROFILO.

THE BANK IS REGISTERED WITH THE ITALIAN BANKING ASSOCIATION CODE NO. 3025 AND IS SUBJECT TO THE REGULATION AND SURVEILLANCE OF THE BANK OF ITALY AND OF CONSOB (COMMISSIONE NAZIONALE PER LE SOCIETÀ E LE BORSE). THE BANK HAS PREPARED THIS DOCUMENT FOR ITS PROFESSIONAL CLIENTS ONLY, PURSUANT TO DIRECTIVE 2004/39/EC AND ANNEX 3 OF THE CONSOB REGULATION ON INTERMEDIARIES (RESOLUTION N. 16190). THIS DOCUMENT IS BEING DISTRIBUTED AS OF [OCTOBER 27TH].

THE ANALYST FRANCESCA SABATINI WHO HAS DRAFTED THIS DOCUMENT HAS SIGNIFICANT EXPERIENCE IN BANCA PROFILO S.P.A. AND OTHER INVESTMENT COMPANIES. THE ANALYST AND ITS RELATIVES DO NOT OWN FINANCIAL INSTRUMENTS ISSUED BY THE ISSUER AND SHE DOES NOT ACT AS SENIOR MANAGER, DIRECTOR OR ADVISOR FOR THE ISSUER. THE ANALYST DOES NOT RECEIVE BONUSES, INCOME OR ANY OTHER REMUNERATION CORRELATING, DIRECTLY OR INDIRECTLY, TO THE SUCCESS OF THE INVESTMENT BANKING OPERATIONS OF BANCA PROFILO S.P.A.

A REDACTED VERSION OF THIS REPORT HAS BEEN DISCLOSED TO THE ISSUER TO PERMIT TO IT TO REVIEW AND COMMENT ON FACTUAL INFORMATION RELATING TO THE ISSUER AND THIS REPORT HAS BEEN AMENDED FOLLOWING SUCH DISCLOSURE PRIOR TO ITS FINAL DISSEMINATION.

THIS DOCUMENT IS BASED UPON INFORMATION THAT WE CONSIDER RELIABLE, BUT THE BANK HAS NOT INDEPENDENTLY VERIFIED THE CONTENTS HEREOF. THE OPINIONS, ESTIMATES AND PROJECTIONS EXPRESSED IN IT ARE AS OF THE DATE HEREOF AND ARE SUBJECT TO CHANGE WITHOUT NOTICE TO THE RECIPIENT. PAST PERFORMANCE IS NOT GUARANTEE OF FUTURE RESULTS.

THIS REPORT HAS BEEN PREPARED BY ITS AUTHORS INDEPENDENTLY OF THE COMPANY AND ITS SHAREHOLDERS, SUBSIDIARIES AND AFFILIATES. THE BANK HAS NO AUTHORITY WHATSOEVER TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATION OR WARRANTY ON BEHALF OF THE COMPANY, ANY OTHER PERSON IN CONNECTION THEREWITH. IN PARTICULAR, THE OPINIONS, ESTIMATES AND PROJECTIONS EXPRESSED IN IT ARE ENTIRELY THOSE OF THE AUTHOR HEREOF.

NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, IS MADE AS TO AND NO RELIANCE SHOULD BE PLACED ON THE FAIRNESS, ACCURACY, COMPLETENESS OR REASONABLENESS OF THE INFORMATION, OPINIONS AND PROJECTIONS CONTAINED IN THIS DOCUMENT, AND NONE OF THE BANK, THE COMPANY, NOR ANY OTHER PERSON ACCEPTS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM ANY USE OF THIS DOCUMENT OR ITS CONTENTS OR OTHERWISE ARISING IN CONNECTION THEREWITH.

NO DUPLICATION

NO PART OF THE CONTENT OF THE DOCUMENT MAY BE COPIED, FORWARDED OR DUPLICATED IN ANY FORM OR BY ANY MEANS WITHOUT THE PRIOR CONSENT OF THE BANK. BY ACCEPTING THIS REPORT, YOU AGREE TO BE BOUND BY THE FOREGOING LIMITATIONS.

NO OFFER OR SOLICITATION

THIS DOCUMENT DOES NOT CONSTITUTE AN OFFER OR INVITATION OR FORM PART OF AN OFFER, SOLICITATION OR INVITATION TO PURCHASE ANY SECURITIES, AND NEITHER THIS DOCUMENT NOR ANYTHING CONTAINED HEREIN SHALL FORM THE BASIS OF ANY CONTRACT OR COMMITMENT WHATSOEVER.

RECIPIENTS

THIS DOCUMENT IS GIVEN TO YOU SOLELY FOR YOUR INFORMATION ON A CONFIDENTIAL BASIS AND MAY NOT BE REPRODUCED OR REDISTRIBUTED, IN WHOLE OR IN PART, TO ANY OTHER PERSON. IN PARTICULAR, NEITHER THIS DOCUMENT NOR ANY COPY HEREOF MAY BE TAKEN OR TRANSMITTED IN OR INTO THE UNITED STATES (THE "U.S."), AUSTRALIA, CANADA OR JAPAN OR REDISTRIBUTED, DIRECTLY OR INDIRECTLY, IN THE U.S., AUSTRALIA, CANADA OR JAPAN. ANY FAILURE TO COMPLY WITH THIS RESTRICTION MAY CONSTITUTE A VIOLATION OF U.S., AUSTRALIAN, CANADIAN OR JAPANESE SECURITIES LAWS.

THIS DOCUMENT IS BEING DISTRIBUTED ONLY TO, AND IS DIRECTED ONLY AT, PERSONS WHO ARE QUALIFIED INVESTORS WITHIN THE MEANING OF ARTICLE 2(1) (E) OF THE PROSPECTUS DIRECTIVE (DIRECTIVE 2003/71/EC) (ALL SUCH PERSONS BEING REFERRED TO AS "RELEVANT PERSONS"). THIS DOCUMENT MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS COMMUNICATION RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS.

IN CASE THAT THIS DOCUMENT IS DISTRIBUTED IN ITALY IT SHALL BE DIRECTED ONLY AT QUALIFIED INVESTORS WITHIN THE MEANING OF ARTICLE 100(1) (A) OF LEGISLATIVE DECREE NO. 58 OF FEBRUARY 24, 1998, AS AMENDED, AND ARTICLE 34-TER, PARA. 1, LETT B), OF CONSOB REGULATION NO. 11971 OF 1999, AS AMENDED. THIS DOCUMENT IS NOT ADDRESSED TO ANY MEMBER OF THE GENERAL PUBLIC IN ITALY. IN NO CIRCUMSTANCES SHOULD THIS DOCUMENT CIRCULATE AMONG OR BE DISTRIBUTED TO (I) A MEMBER OF THE GENERAL PUBLIC, (II) INDIVIDUALS OR ENTITIES FALLING OUTSIDE THE DEFINITION OF "QUALIFIED INVESTORS" AS SPECIFIED ABOVE OR (III) TO DISTRIBUTION CHANNELS THROUGH WHICH INFORMATION IS OR IS LIKELY TO BECOME AVAILABLE TO A LARGE NUMBER OF PERSONS.

THE DISTRIBUTION OF THIS DOCUMENT IN OTHER JURISDICTIONS MAY BE RESTRICTED BY LAW AND PERSONS INTO WHOSE POSSESSION THIS DOCUMENT COMES SHOULD INFORM THEMSELVES ABOUT, AND OBSERVE, ANY SUCH RESTRICTION. ANY FAILURE TO COMPLY WITH THESE RESTRICTIONS MAY CONSTITUTE A VIOLATION OF THE LAWS OF ANY SUCH OTHER JURISDICTION.

CONFLICTS OF INTEREST

THE BANK MAY, FROM TIME TO TIME, DEAL IN, HOLD OR ACT AS MARKET MAKER OR ADVISER, BROKER OR BANKER IN RELATION TO THE FINANCIAL INSTRUMENTS, OR DERIVATIVES THEREOF, OF PERSONS, FIRMS OR ENTITIES MENTIONED IN THIS DOCUMENT, OR BE REPRESENTED IN THE GOVERNING BODIES OF THE COMPANY. IN FACT, THE BANK IS PRESENTLY CORPORATE BROKER OF THE ISSUER.

BANCA PROFILO S.P.A. HAS ADOPTED INTERNAL PROCEDURES FOR THE PREVENTION AND AVOIDANCE OF CONFLICTS OF INTEREST WITH RESPECT TO THE RECOMMENDATIONS, WHICH CAN BE CONSULTED ON THE RELEVANT SECTION OF ITS WEBSITE (WWW.BANCAPROFILO.IT), IN THE SECTION "CLIENTI AZIENDALI E ISTITUZIONALI/ANALISI E RICERCA".

EQUITY RESEARCH PUBLICATIONS IN LAST 12M

THE BANK PUBLISHES ON ITS WEBSITE WWW.BANCAPROFILO.IT, ON A QUARTERLY BASIS, THE PROPORTION OF ALL RECOMMENDATIONS THAT ARE 'BUY', 'HOLD', 'SELL' OR EQUIVALENT TERMS OVER THE PREVIOUS 12 MONTHS, AND THE PROPORTION OF ISSUERS CORRESPONDING TO EACH OF THOSE CATEGORIES TO WHICH SUCH PERSON HAS SUPPLIED MATERIAL SERVICES OF INVESTMENT FIRMS SET OUT IN SECTIONS A AND B OF ANNEX I TO DIRECTIVE 2014/65/EU OVER THE PREVIOUS 12 MONTHS.

ADDITIONAL INFORMATION

THE BANK PROVIDES ALL OTHER ADDITIONAL INFORMATION, ACCORDING TO ARTICLE 114, PARAGRAPH 8 OF LEGISLATIVE DECREE 58/98 ("FINANCIAL DECREE") AND COMMISSION DELEGATED REGULATION (EU) 2016/958 AS OF 9 MARCH 2016 (THE "COMMISSION REGULATION") ON THE RELEVANT SECTION OF ITS WEBSITE (WWW.BANCAPROFILO.IT), IN THE SECTION "CLIENTI AZIENDALI E ISTITUZIONALI/ANALISI E RICERCA".