



Radici Pietro Industries & Brands S.p.A.

Roadshow Presentation

October 2019



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Speakers



Ivan Palazzi
CEO

Textile industry manager with thirty years experience.

After having followed the group's landing in China for 3 years, earning an MBA at MIP (Milan Polytechnic) and having gained 3 years of experience in Germany, he returned to Italy at the head of Radici in 2012.

From its arrival the group has doubled its turnover, reaching around 90 different countries.



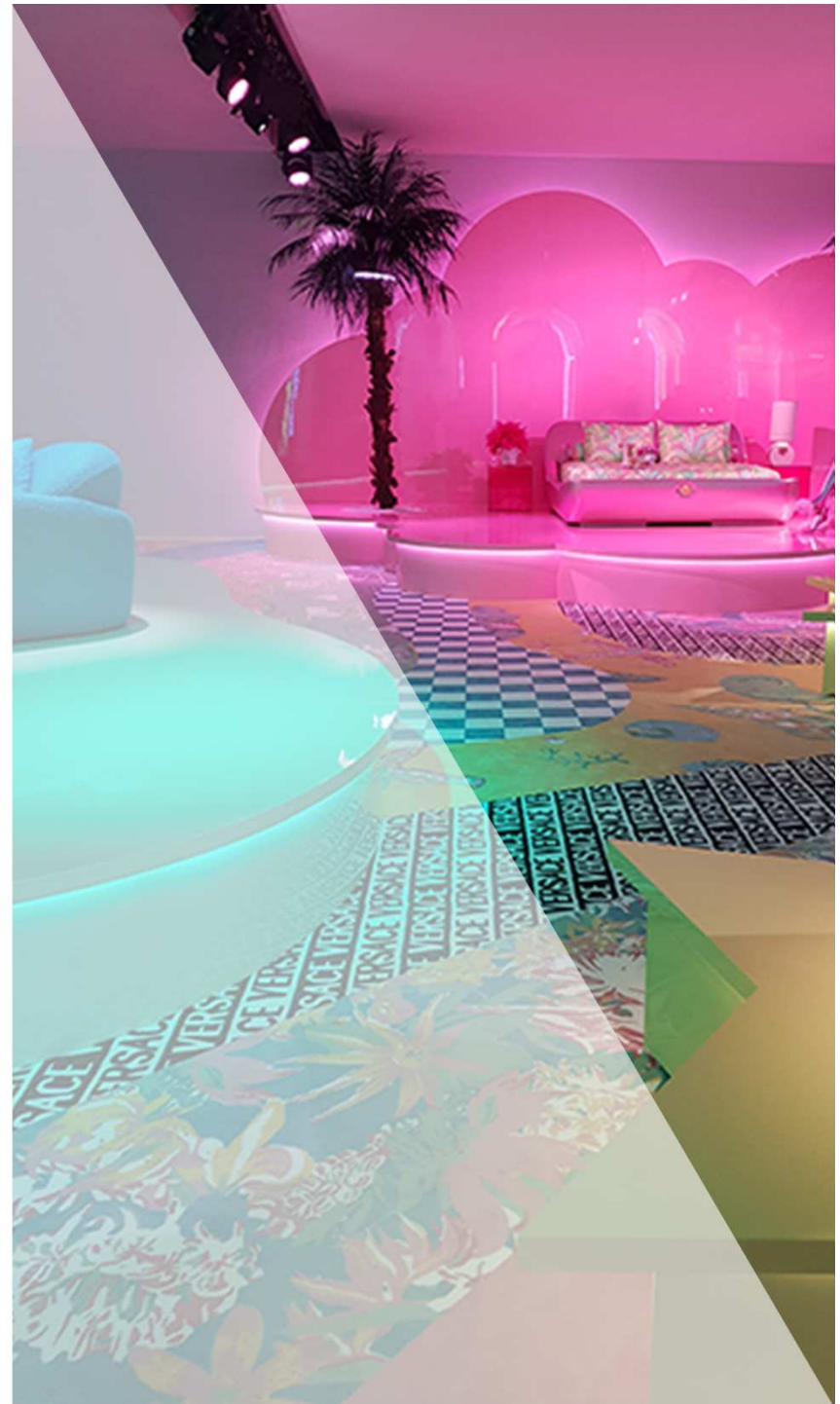
Giuseppe Morettini
Attorney with proxy for legal
and financial affairs

Lawyer in civil, corporate, banking and tax law. He has collaborated with the tax and legal firm Tremonti e Associati and holds a master's degree in tax law and business law from the Bocconi University.

He deals with corporate reorganization, M&A and capital market operations in the infrastructure, energy, real estate, logistics, textile and banking sectors. He is also a director of various companies and banks.



Company Overview



Milestones



1950

Foundation of
Filatura di Cazzano
S. Andrea S.p.A.

Foundation of the
division
specializing in
preformed
carpets and textile
accessories for the
automotive sector



1972

Launch of
SIT-IN Brand

Acquisition
of the
company
Due Palme
S.p.A., holder
of the DUE
PALME brand



1998

Change of
denomination in
Radici Pietro Industries
& Brands S.p.A.

RADICI PIETRO
INDUSTRIES & BRANDS S.p.A.

Sit-in Sport
Impianti
foundation



2005

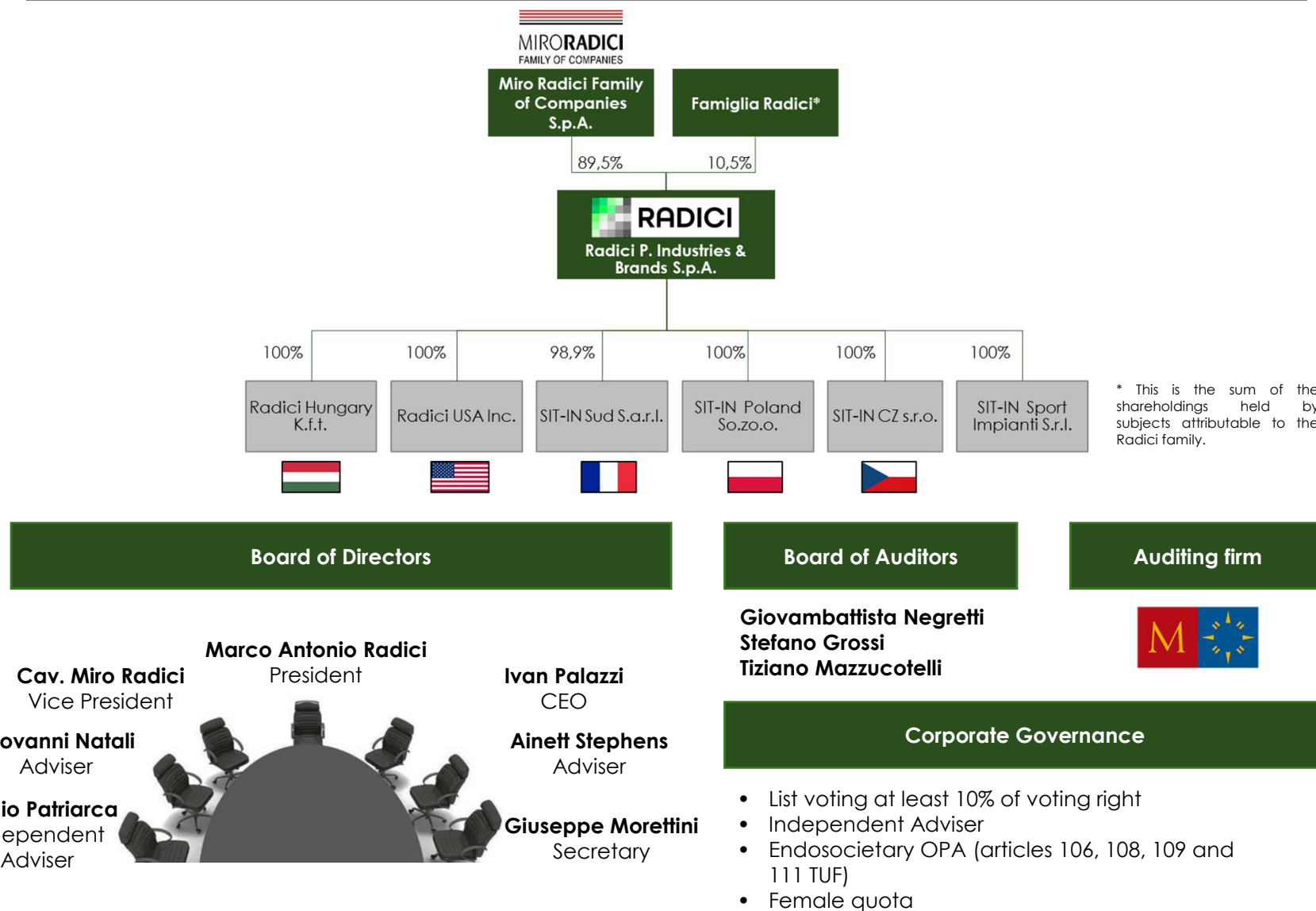
Redefinition of the
group's core business
and product
innovation.
New commercial
alliances.



2012 – 2018



Shareholders & Corporate Governance



Radici at a glance

Radici is the operating holding company of the Radici Group (hereinafter the "Group") active in the textile sector since 1950.

The Group operates in the **textile flooring market**, through production units in Italy and Hungary and commercial branches in the USA, Poland, the Czech Republic and France.

The Group's offer consists of **textile coverings**:



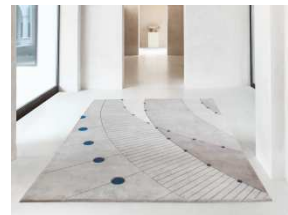
Tufting & Weaving Carpet



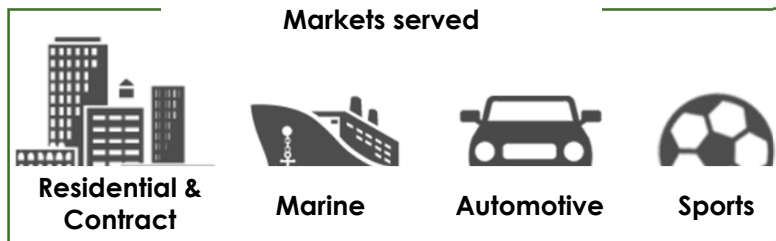
Artificial Turf



Needlefelt – Non Woven



Marketed products and complementary services

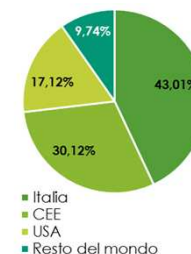


Customers are mainly leading luxury firms, shipyards and shipowners, international hotel chains, car manufacturers, sports federations and associations.

Financial highlights – pro forma*		
	(€/000)	
	FY17	FY18
Net revenues	57.105	60.258
EBITDA	3.627	4.622
Income	1.115	1.420
PFN adj.	22.333	23.238
PN	22.920	24.279

* The financial data is pro-forma to take into consideration the sale of 51% of the investment in ROI Automotive Srl, in favor of the parent company, which therefore does not fall within the scope of listing.

2018 turnover by geographical area



Turnover Evolution 2012 -2018 (€/M)



Fonte: Dati gestionali.

RADICI

@radici1950

From a traditional material to contemporary and innovative surface ...

Key Success Factors



Track Record

Since 2012, when the current management was established, the Group has embarked on a path of growth that, to date, has led to a commercial penetration in over 90 countries, doubling its turnover.



Cross Selling & Up Selling

Single point of contact for its customers. The products offered are made internally by Group companies, but also commercialized goods, which currently have an increasing weight in terms of turnover.



Diversification

Over the years, the Group has relied on production synergies to develop different types of products, to be allocated to new markets, so as to mitigate the risk relating to a single sector.



International Presence

The Group oversees strategic countries, both through the presence of production sites and sales offices abroad and through the network of distributors it uses.



Made In Italy

Range of products appreciated throughout the world, an expression of the excellence of Made In Italy.



Plants & Machinery

Plants and machine park unique in the world, difficult to replicate by variety; net book value lower than their residual useful value.



Flexibility

Flexibility in the ability to create and sell even small volumes and customize them, while maintaining competitive prices, compared to other players.

Future programs and strategies

Organic Growth



Expansion of the machinery fleet

The Group's strong investment is in heavy investments in machinery and equipment. Road that management wants to continue to pursue. Specifically, it intends to purchase two looms for tufting weaving, a new dyeing line for semi-finished tufting, a dilouring machine for needled fabrics and a production plant for SBR granules, intended for the artificial grass sector, a new steam thermofixing system saturated for twisted wool yarns.



Energy efficiency improvement

Also planned is the installation of a 1.2 MW cogeneration plant aimed at self-supplying electricity, steam and hot water and a LED relamping operation on the internal and external neon lights present in the plant.



Commercial action

The objective is to expand its customer portfolio through a commercial penetration, which is combined in two ways: strengthening the commercial structure, identifying sales agents on site (mainly in North Africa, Eastern Europe and the Middle East); implement marketing activities and focus on architecture and design studies, in order to influence the market.



Improvement in margins

The Group intends to improve the profitability of its business through:

- the cost reduction due to the expected energy efficiency; greater focus on outlet markets with higher added value (sports and marine);
- reduction in incidence of fixed and variable costs followed by the effect of volumes to increase the use of production facilities;
- increase in the MDC as the increase in costs foreseen for the strengthening of the commercial and technical structure is in fact limited with respect to the increase in revenues.

External growth



Strategic acquisitions

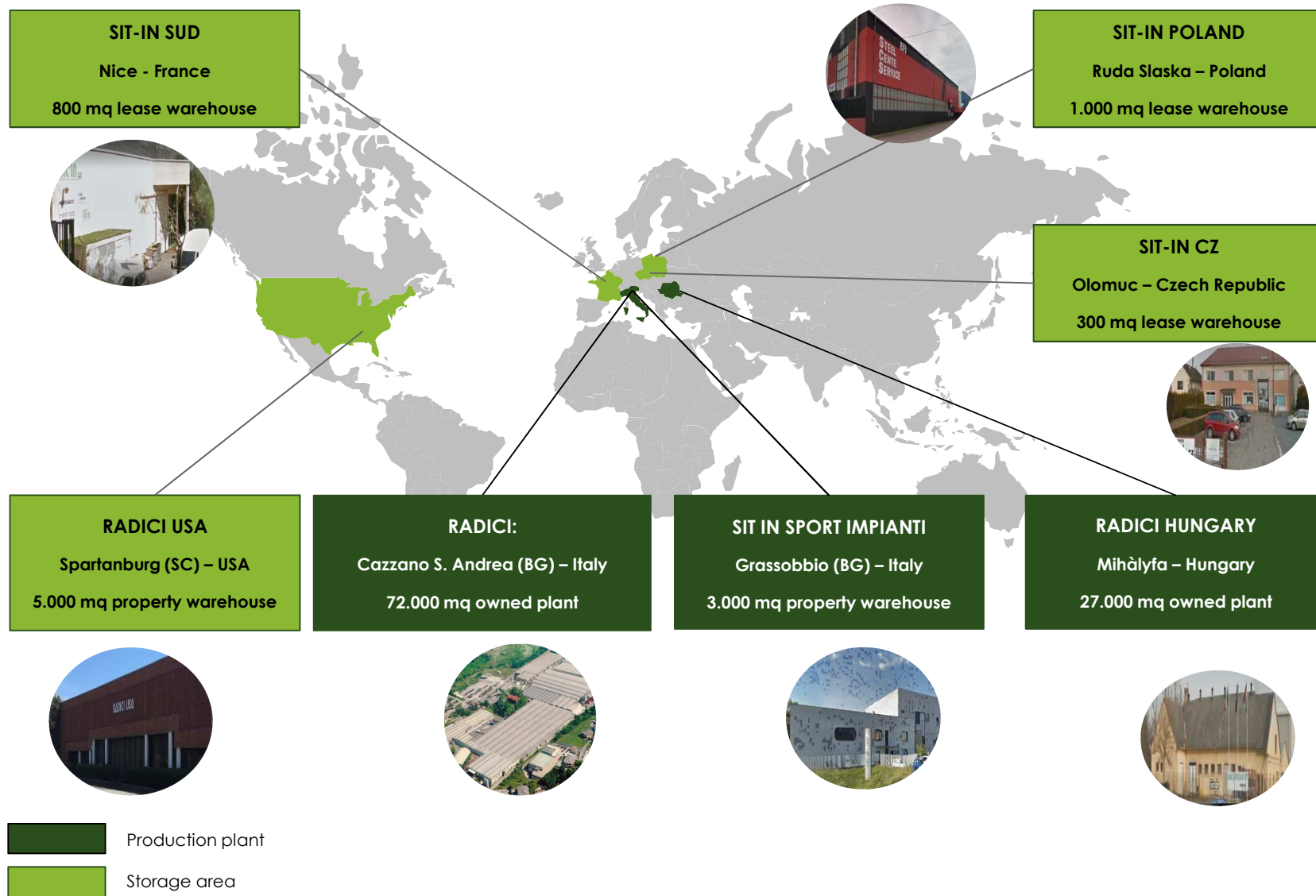
In order to complete the growth strategy and seize the opportunities that come from the market, the Group intends to make acquisitions in the axminster carpet manufacturer sector, in order to integrate the downstream process and expand its production range, reducing any external and parallel risks consolidating its presence in some strategic markets. Furthermore, the Group intends to internalize, through acquisitions, also the activity of dyeing wool staple.



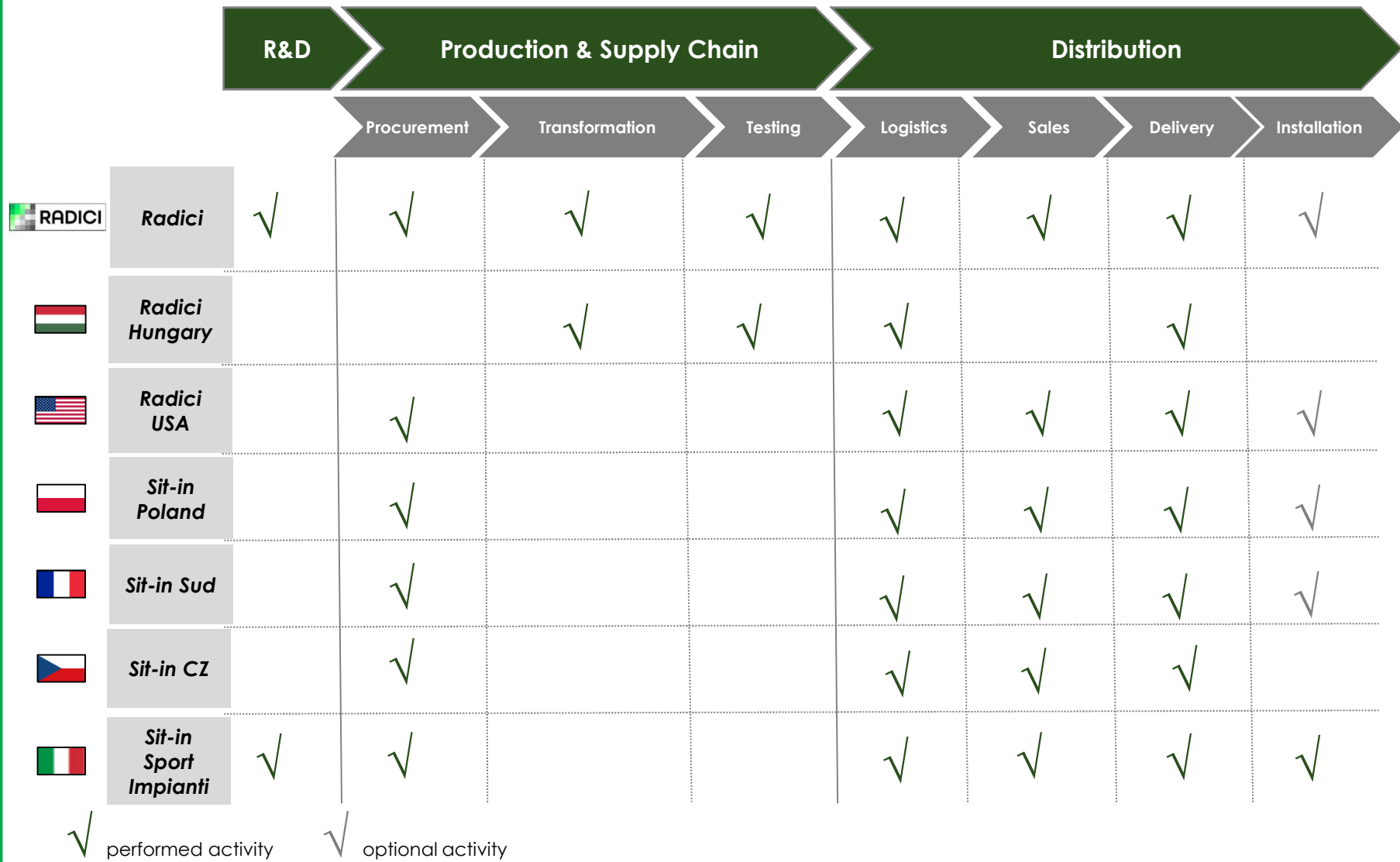
Business Model



Factories and Warehouses

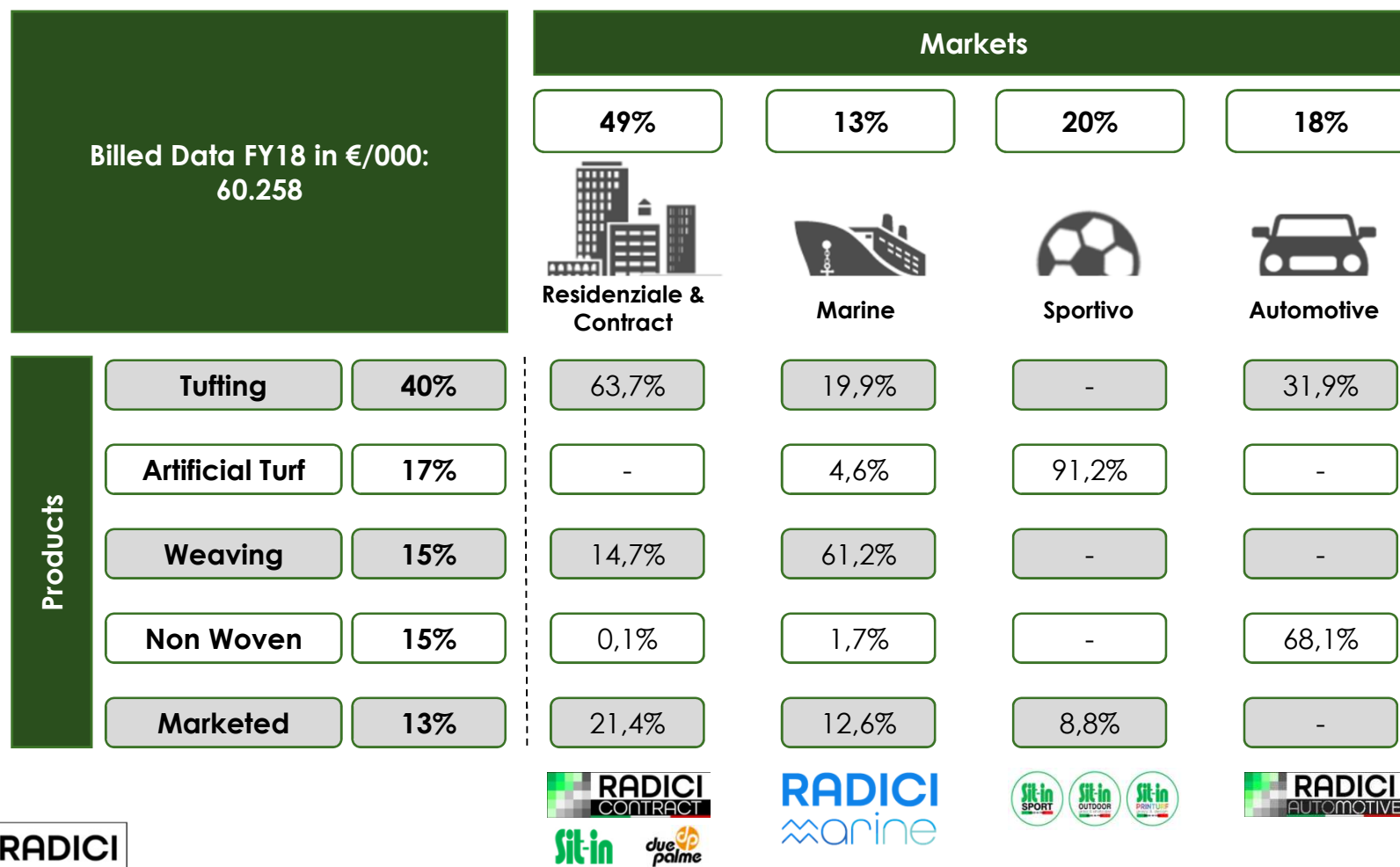


Group Value Chain





















Products matrix and outlet markets

- Radici offers a **wide range of textile coverings** (in wool, polyamide and polyester) **for flooring**, aimed at satisfying the needs of a **plurality of outlet sectors**.
- In this way the Company is able to obtain a differentiation of **anti-cyclical products / markets**.



Offered Products

Products	Offer				Markets
Tufting	Specials 	Collection 	Solution Dyed 	Yarn Dyed 	Residential & Contract Marine Automotive
	Sports 	Playground 	Outdoor 		Marine Sports
Weaving	Specials 	Collection 			Residential & Contract Marine
	Liscio 	Dilour 	Resin coated 	Coupled 	Residential & Contract Marine Automotive
Marketed Products	Axminster 	Handtufted 	Rugs 	Tiles 	Residential & Contract Marine Sports
 RADICI					

Corporate Social Responsibility

- To spread its sustainability, the Group has independently developed the first Sustainability Report, in 2019 it aims to obtain a Corporate Social Responsibility (CSR) certificate from an external body.

ENVIRONMENT



Radici implements a **waste recovery policy** and only 1/3 of the industrial waste produced is disposed of in disposal facilities



Thanks to major investments, the Company has been able to reduce electricity and natural gas consumption by 30% and 39% respectively over the last 5 years.



The Company uses water from a culvert, **minimizing waste**.



The Company has **ISO14001 certification** of its environmental management system.



The Company develops products and systems with **low environmental impact** that contribute to obtaining **LEED credits**. It also develops products starting from raw materials obtained from the **circular economy**.



SOCIAL



Radici takes great care of the **satisfaction** of its staff, as WFSGI certifies - PLEDGE - CODE OF CONDUCT (issued by Mazars).



The Company provides for its employees a **sponsorship** of 50% of the price of meals within the canteen.



Radici provides advanced **contractual formulas** for its employees.

The Company is very attentive to social issues, to the point that every year it sponsors **local NGOs**.



The management of company personnel includes extensive **training courses**, both internal and external, and collaboration with secondary schools and local universities for the development of insertion plans.

GOVERNANCE



Radici protects minorities (by statute, 10% list vote for the appointment of the BoD and the board of statutory auditors).



Radici has appointed a **woman** as a member of the Board.



Leverage on decentralized **delegation processes** at all levels through the development of figures with the responsibility of **process owners**.



ECONYL stainable carpet at the inauguration of the new Chopard boutique, New Bond Street (London)



Outlet Market



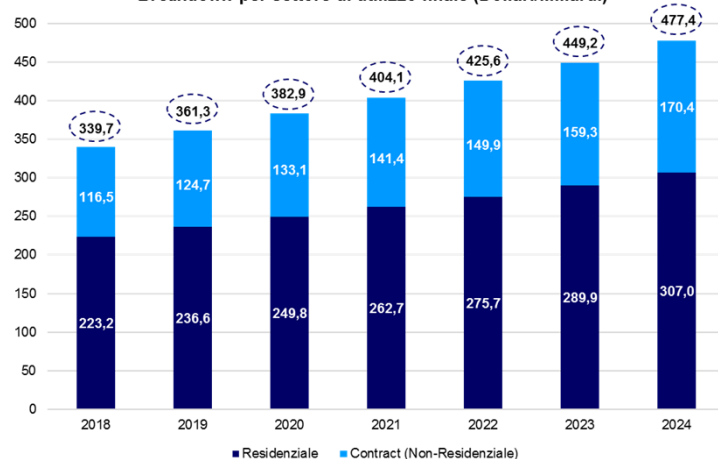


Resid. & Contract Market



In 2018, the Residential Flooring & Contract market recorded sales of approximately 339.7 billion dollars globally. Future estimates forecast, for the period 2019 - 2024, constant growth at around **CAGR19-24 + 5.7%**.

Breakdown per settore di utilizzo finale (Dollari/Miliardi)



Source: Quasar Analysis

% Incidence

49 %

Group Customers

Residential and primary luxury firms

International hotel chains

Strategic goals of the Group

- Acquisition of market shares towards countries with high growth rates where Made in Italy is highly appreciated, such as North Africa, Middle East, Eastern Europe.
- The Company will intervene enhancing the design and marketing department, in order to become increasingly influencers.
- Therefore he intends to collaborate with architectural firms for the continuous development of new graphic proposals; collaborate with design schools in order to spread the culture of textile flooring; propose not only textile flooring.



Market segmentation

Residential

Contract

CAGR 19-24: +5,3%

CAGR 19-24: +6,4%

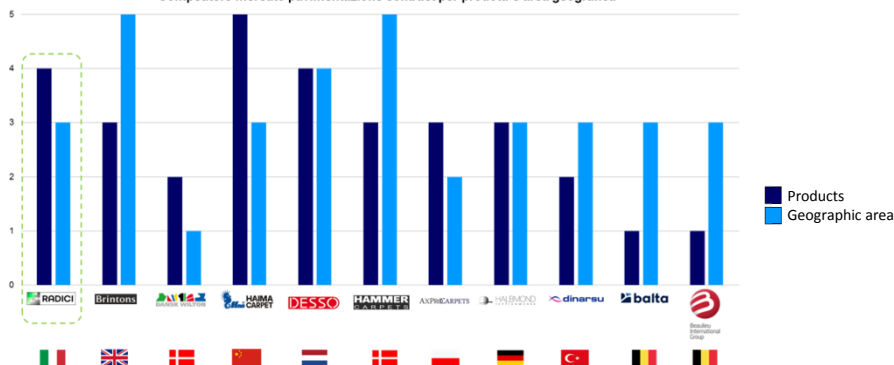
Industry drivers

Increasing of restructuring activities

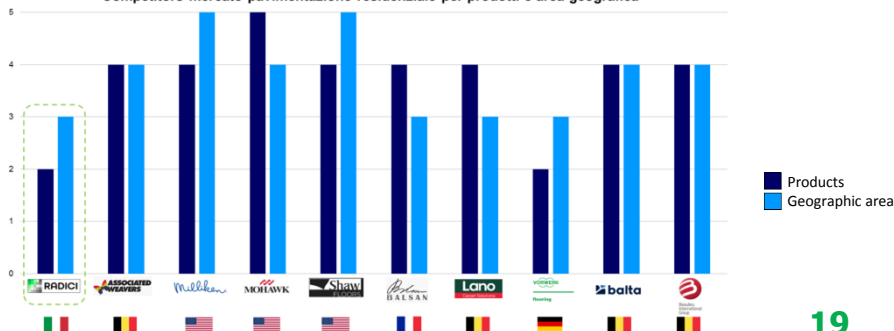
Increased investment in the construction sector

Fast urbanization

Competitors mercato pavimentazione contract per prodotti e area geografica



Competitors mercato pavimentazione residenziale per prodotti e area geografica



Source: Issuer's calculations based on available public data

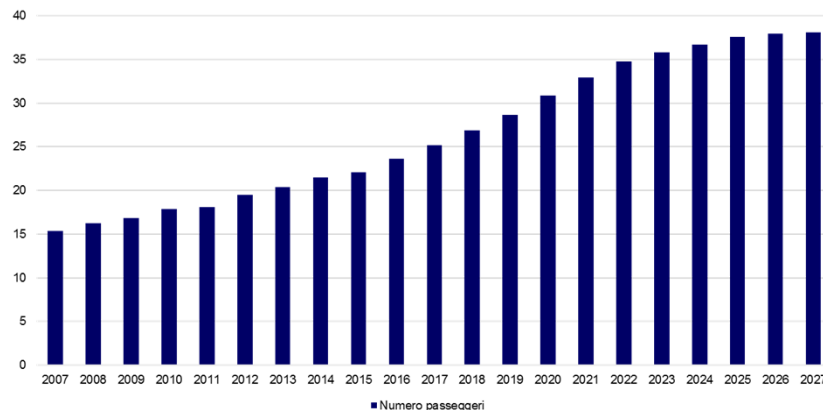


Marine Market



In 2018 the marine market globally recorded a turnover of around 40.0 billion Dollars, showing an increase of **+ 5.8%** compared to the previous year (37.8 billion Dollars in 2017). In terms of volumes, in 2018 the total number of ships produced amounted to n. 386 ships **(+21 vessels compared to 2017)** and it is expected to reach 472 ships produced at the end of 2027.

Passeggeri trasportati (Milioni) - Mondo



Source: 2019 Cruise Industry News Annual Report

% Incidence

13 %

Group Customers

Shipyards
(new buildings)

Shipowners
(refittings and
refurbishing)

Strategic goals of the Group

- Consolidation of current commercial relationships through the strengthening of the current internal organizational structure and the achievement of architecture and design studies, able to convey the shipowners' requests.
- Acquire as a direct customer of at least one other shipowner.
- Be approved by the major shipyards.
- Develop the ferries and yachts sector more.
- Strengthening of the design and marketing office and of the dedicated division, Radici Marine.
- Attendance at major global trade fairs.
- Product range expansion offered.



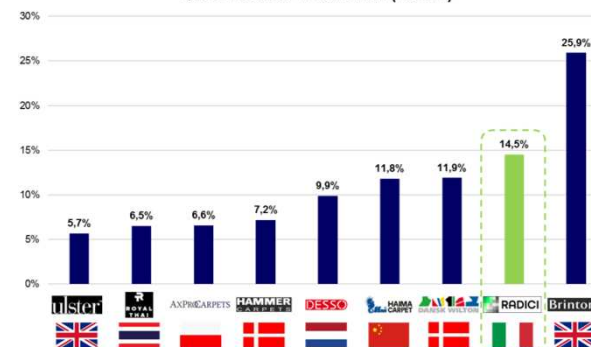
Passenger Volumes

2018
26,9 mln

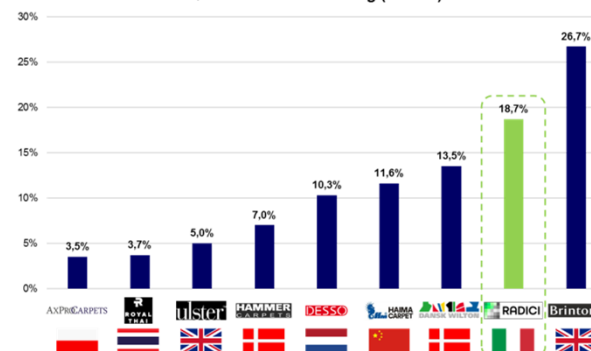
2027
38,1 mln

CAGR 19-27: +3,6%

Quote mercato - Nuove navi (volumi)



Quote mercato - Refitting (volumi)



Source: Issuer's calculations based on available public data

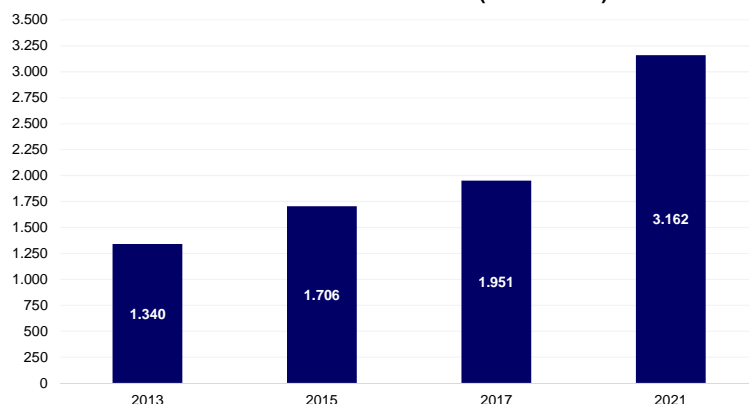


Sports Market



The value of the world market for artificial turf (artificial turf) in 2017, in terms of turnover, is around 2 billion euros, + 14% compared to 2015. For the period 2017 - 2021 it is estimated that this market will continue to grow until reach around 3.2 billion euros at the end of 2021, at a **CAGR17-21 + 12.8%**.

Mercato mondiale Erba Artificiale (Euro/Milioni)



Source: Primary consulting company

Market segmentation

Contact sports

Non-contact sports

Leisure

Landscaping

CAGR 17-21: +12,8%

Industry drivers

Variation of global climatic conditions

Increase in world population density

Preferenza di utilizzo di erba sintetica per la paesaggistica

% Incidence

20 %

Group customers

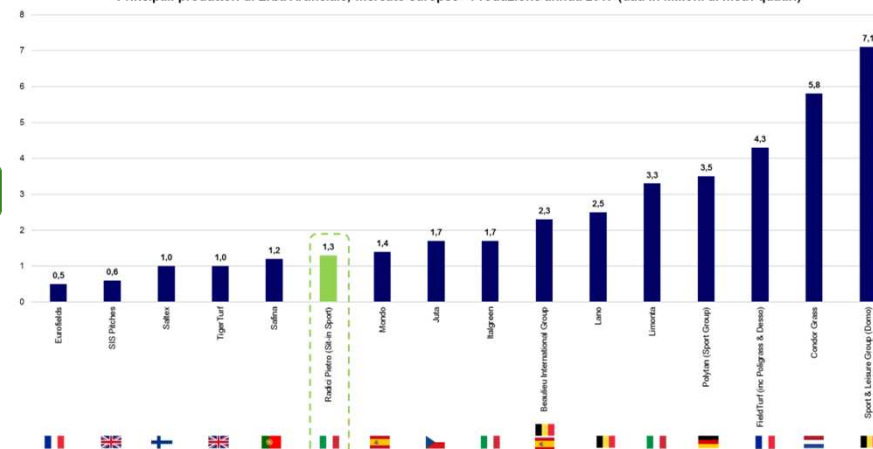
Residential, hotel chains and shipowners

Federations sports clubs and municipalities

Strategic goals of the Group

- Growth aimed at greater internationalization of the markets and an expansion of the range of proposed materials.
- Target markets: Africa, Central America, India, Saudi Arabia.
- Development of high quality tailor made products / systems.
- Collaboration with local strategic and institutional partners.
- Direct involvement in the institutional and decision-making bodies of the sector (FIFA, LND, ESTC, STCI).
- Lever on the development of ecologically sustainable products / systems for end-of-life recycling.

Principali produttori di Erba Artificiale, mercato europeo - Produzione annua 2017 (dati in Milioni di metri quadri)



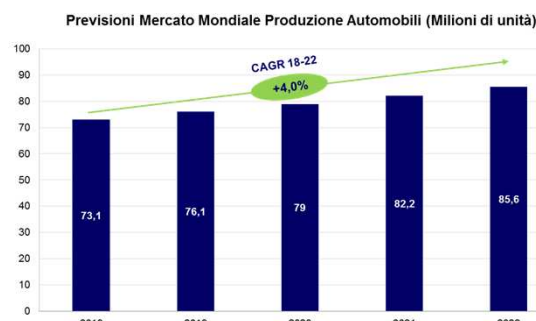
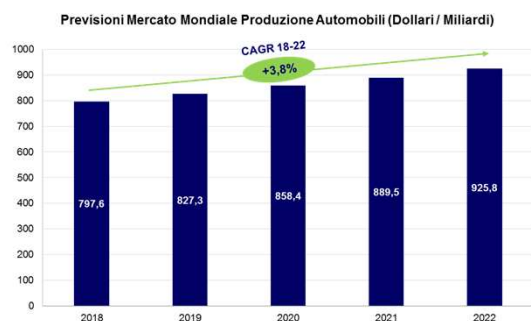
Source: Primary consulting company



Automotive Market



In 2017, the car manufacturing market recorded a turnover of around 773.3 billion dollars (+ 2.3% compared to 2016), registering a **CAGR13-17 + 0.5%**. In terms of volumes, during 2017 around 70.5 million units were produced (+ 2.2% compared to 2016), registering a **CAGR13-17 + 2.8%**.



The estimates for the period 2018 - 2022 foresee a growth at a **CAGR18-22 + 3.8%**, going from about 797.6 billion Dollars to 2018 to about 925.8 billion Dollars expected at the end of 2022. With reference to volumes in terms of cars produced, the estimates for the period 2018 - 2022 foresee growth at a **CAGR18-22 + 4.0%**, going from about 73.1 million units at 2018 to around 85.6 million expected at the end of 2022.

CAGR		
Revenue	2013-2017	2018-2022
	+0,5%	+3,8%
Volumes	2013-2017	2018-2022
	+2,8%	+4,0%

Source: Global Car Manufacturing – MarketLine Industry Profile (Aprile 2018)

% Incidence

18 %

Group Customers

TIER 2 of car manufacturers

Strategic goals of the Group

- Internationalization of markets and customer diversification.
- Target markets: USA, Canada, Mexico and Brazil.
- Development of high quality tailor made products / systems.
- Leveraging on the logistics aspect thanks to the US branch that provides goods storage service on site.
- Leverage on the Q / P ratio of Radici products (on-site the cost of raw materials is very high).
- Development of ecologically sustainable products / systems for recycling purposes (latex free).
- Reduction in the weight of materials with the same performance.



Società	RADICI	DE SAEDLER	AGOTEX	Adler Pelzer Group	MISTEX	IP S.p.A.	betap	Rossiflor	CONDOR CARPETS	IDEAL	balta	faurecia	ARTILEX	flex
Tufting	●				●			●	●	●		●	●	●
Agugliati	●	●	●	●		●	●		●		●	●		

Source: Issuer's calculations based on available public data



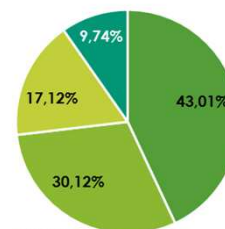
Financials



Financials

Income Statement (€/000)	FY17 (pro-forma)	FY18 (pro-forma)
Net revenues	57.105	60.258
YoY %	-	6%
Production value	58.579	62.073
YoY %	-	6%
Cost of raw materials	(31.152)	(30.514)
Cost for services	(14.030)	(15.542)
Costs for the use of third-party assets	(640)	(617)
Cost for staff	(9.404)	(9.449)
Change in raw materials inventories	1.431	(700)
Other costs	(1.157)	(629)
EBITDA	3.627	4.622
EBITDA %	6%	7%
D&A	(3.025)	(2.763)
EBIT	602	1.859
EBIT %	1%	3%
Financial income (charges)	(1.395)	(361)
Adjustments to financial assets	(104)	(12)
Extraordinary income (charges)	2.361	-
EBT	1.464	1.486
Taxes	(349)	(66)
Group net result	1.115	1.420
Balance Sheet (€/000)	FY17 (pro-forma)	FY18 (pro-forma)
Intangible assets	388	279
Tangible fixed assets	34.513	34.104
Financial fixed assets	5.721	5.394
Active Immobilized	40.622	39.777
Credits to Customers	11.446	14.538
Inventories	20.644	20.128
Debts to Suppliers	(14.705)	(14.661)
Other Credits / (Debts)	844	1.126
CCN	18.229	21.131
Funds	(7.158)	(6.952)
CIN	51.693	53.956
PN	22.920	24.279
Debts from banks	20.061	21.671
Debts v / members	2.276	6.439
Debts v / others	7.339	1.839
Cashier and eq.	(904)	(272)
PFN (cash desk)	28.772	29.677
Adjusted PFN	22.333	23.238
Sources of financing	51.693	53.956

Ricavi delle vendite 2018 (in %)



Evoluzione Fatturato 2012 – 2018 (€/M)



Improvement of the EBITDA margin, due to a careful procurement policy.

During 2017 the Company sold properties including the industrial building used by the same transferee, ROI Automotive Srl, generating **extraordinary income** of € 2.36 million. In order to normalize the EBITDA and EBIT items, these revenues were highlighted in the item Extraordinary income (expenses).

In its production chain, the Group benefits from plants and machinery that have a lower net carrying amount than their residual useful value (hidden values).

Within the **Immobilization item** Financial assets include non-current receivables for € 3.49 million deriving from the sale of 51% ROI Automotive S.r.l. towards the parent company MRFoC. To guarantee the transaction, MRFoC grants Radici a pledge registered on the quotas for sale. The sale price will be paid by 2032 also through offsetting of Debts to Members.

In 2017, the item **Payables to others** included payables to Radici Casa, a company wholly owned by the majority shareholder of MRFoC. During 2018, Radici Casa was incorporated into MRFoC (parent company of the Radici group) and for this reason, in the same year, the corresponding part of debt, amounting to € 3.65 million, was reclassified under **Payables to Shareholders**. The adjusted NFP does not include the Payables to shareholders (for € 6.43 million), since these debts will be offset, by 2032, partly through non-current receivables due from the parent company MRFoC, and partly from the credit deriving from the possible exercise of the put / call option for € 3.35 million.

Payables to banks are attributable to:
 about € 10.3 million in short-term debt, in self-liquidating form;
 about € 5.3 million in loans with maturity within 7 years;
 about € 6.1 million in mortgages with a maturity of over 7 years.








Note: The financial data is pro-forma to take into consideration the sale of 51% of the investment in ROI Automotive Srl, to the parent company MRFoC, which therefore does not fall within the scope of listing. The deed of sale will be stipulated when the Issuer submits the application for admission to Borsa Italiana S.p.A.



Deal structure



Deal structure

CAPITAL INCREASE		INDICATIVE TIMING	
Issuer	Radici Pietro Industries & Brands S.p.A.	Pre-admission	3Q 2019
Type	OPS	Admission / Listing	3Q 2019
Operation structure	Capital increase with private placement exempted pursuant to article 100 D. Lgs. 24/02/1998 n. 58 (TUF).		
Listing market	Milan - AIM Italia Market		
Expected collection	Up to € 10 million		
Greenshoe	15% of the offer for sale by the controlling shareholder		
Public floor	20% - 30%		
Warrant	<ul style="list-style-type: none"> Only to new shareholders, assignment of 1 warrant for every 2 shares. Warrants to the BoD (10% of the warrant offer). 		
Bonus share	Awarding of 1 Bonus share for every 10 shares. Loyalty period 12 months.		
Lock up	18/24 months		
		TEAM	
		Nomad & Global Coordinator	 BANCA FINNAT
		Financial Advisor	 AMBRO MOBILIARE
		Deal Counsel	 GIANNI-ORIGONI GRIPPO-CAPPELLI PARTNERS
		Co - Advisor	 Studio Porcaro Commercialisti & Avvocati
		Auditing firm	 MAZARS



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