

Italy – Textile Flooring

Interim results corroborate FY-23 forecasts

19th October 2023

H1-23 RESULTS RELEASE

RIC: RADIC.MI
BBG: RAD IM

H1-23 results showed double-digit growth of margins and broadly unchanged top line. Profitability benefitted from operating leverage as well as lower energy costs, although a spike in financial charges led to a slightly negative bottom line. The company confirmed its guidance 2023, in light of a positive outlook supported by an order backlog at historically high levels.

Rating:

Buy

Price Target:

€ 1.80

Upside/(Downside): 60.7%

Last Price: € 1.12

Market Cap.: € 9.9m

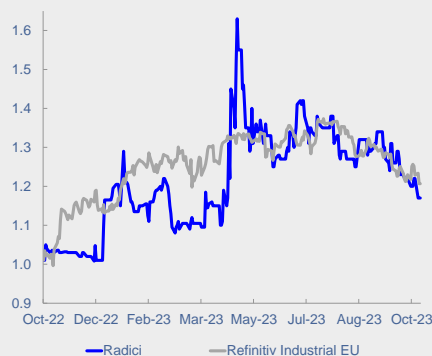
1Y High/Low: € 1.61 / € 0.96

Avg. Daily Turn. (3M, 6M): € 11k, € 20k

Free Float: 24.9%

Major shareholders:

MRFoC 69.2%
Radici Family 6.0%



Stock price performance

	1M	3M	12M
Absolute	-11.1%	-13.8%	16.7%
Rel.to FTSE IT Growth	-3.5%	-1.2%	27.5%
Rel.to Peers	0.3%	14.0%	34.6%

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Estimates fine-tuned: PT unchanged at € 1.80/s. Buy reiterated

Despite a still challenging environment, management confirmed the 2023 Budget with respect to both revenues (€ 59.7m) and EBITDA (€ 5.0m), in light of an order backlog at historically high levels and declining inflationary effects. As a result, we have fine-tuned our model by leaving our top line assumptions unchanged, although comprising a different revenue mix, whereas we factored in higher D&A expenses and financial charges, in order to reflect the current interest rate environment. The combined result envisages unchanged estimates with respect to Total Revenues and EBITDA, combined with an average 7.2% and 32.1% decrease in EBIT and Net Profit, respectively, in 2023-25. Moreover, CFO has updated its DCF valuation criteria, bringing the Free Risk Rate up to date. The combined result is an unchanged PT of € 1.80/s, 60.7% upside. Buy recommendation confirmed.

Revenues almost unchanged at € 27.0m. Marine rose by 82% YoY

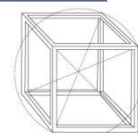
Total revenues reached € 27.0m, broadly unchanged YoY, as a result of a solid recovery in the Marine and Automotive segments offset by a slowdown in the Residential & Contract and Sport segments. The geographical breakdown exhibits a strong performance in the US market (+13.7%) along with a tiny rise in the domestic market (+4.3%), whereas UE sales fell by 17.5% YoY, still affected by the knock-on effects of the Russia-Ukraine conflict. In terms of business lines: Marine (19% of revenues) soared by 82% YoY to € 5.2m, (€ 2.9m in H1-22), driven by a solid recovery in the cruise industry, both as regards ship refitting and construction. Residential & Contract (51% of revenues) reached € 13.7m, down 10.9% YoY, mainly affected by a contraction in the European market. Sport decreased to € 4.4m, down from € 6.3m in H1-22, as a consequence of some slowdown in the disbursement of NRRP-related funds earmarked for sports infrastructures. Automotive increased by 31.9% YoY to € 3.7m (€ 2.8m in H1-22), thanks to a general improvement in the industry, heavily impacted by a prolonged two-year supply chain disruption.

EBITDA climbed to € 2.1m, with margin improved by ca. 160bps

EBITDA went up by 23.6% to € 2.1m, 7.9% margin (€ 1.7m, 6.3% margin in H1-22), mainly benefiting from the company's operating leverage and lower energy costs. We should mention that a 2.4 MWh photovoltaic plant came into operation as of the beginning of the year and is foreseen to cover 40% of the group's annual energy requirement. After broadly unchanged D&A expenses, EBIT was € 0.5m, 1.8% margin, compared to € 0.1m, 0.5% margin in H1-22. Net loss was € 93k (€ 75k in H1-22), in the wake of rising financial charges due to the several rate hikes occurred as of the beginning of the year and an adverse exchange rate effect. Net Financial Position came in at € 17.4m, compared to € 16.4m at year-end 2022, because of an increase in NWC of about € 1.0m and Capex of € 0.8m. Net Equity stands at € 32.4m.

Radici Pietro, key financials and ratios

€ m	2021	2022	2023e	2024e	2025e
Total Revenues	44.2	53.5	59.5	63.0	66.5
Value of Production	45.7	58.0	60.2	63.8	67.3
EBITDA	2.1	3.7	4.9	5.3	5.7
EBIT	(0.1)	0.9	1.9	2.3	2.8
Net profit	(0.9)	0.2	0.7	1.2	1.8
NFP (cash)/debt	17.5	16.5	17.2	16.0	14.4
NFP (cash)/debt adj.	17.5	16.5	17.2	16.0	14.4
EBITDA margin	4.8%	6.9%	8.3%	8.4%	8.6%
EBIT margin	-0.2%	1.8%	3.2%	3.7%	4.2%
EPS €	(0.10)	0.02	0.08	0.14	0.20
EPS growth	5.7%	n.m.	n.m.	81.5%	40.5%
Free Cash Flow Yield	18.3%	-1.1%	-6.9%	12.4%	15.8%
PER x	neg.	53.6	14.4	7.9	5.6
PCF x	10.9	3.4	2.7	2.4	2.1
EV/Sales x	0.74	0.50	0.46	0.41	0.37
EV/EBITDA x	15.2	7.2	5.5	4.9	4.3
EV/EBIT x	neg.	28.3	14.1	11.1	8.8





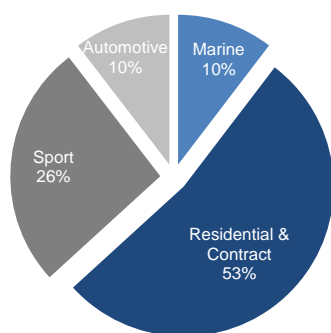
The Company at a Glance

Founded in 1950 in Cazzano Sant'Andrea, close to Bergamo (Italy), Radici Pietro is a leading international player in the textile flooring market. It designs, manufactures, and sells high-end carpets, artificial turfs and non-woven fabrics, all of which are 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 serves almost 90 countries and more than 2,000 customers in four different industries: Residential & Contract, Marine, Sport, and Automotive.

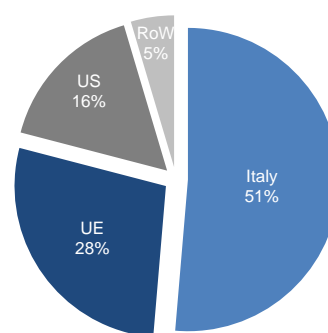
The group's global export sales make up 49% of total revenues. 53% of turnover comes from the Residential & Contract segment, 26% from Sport, 10% from Automotive and 10% from Marine.

Radici Pietro has undertaken a good growth path since current management was established in 2012: a 4.4% entirely organic CAGR in the 2012-22 period, (7.9% CAGR₁₂₋₁₉, not considering the last three years, which were deeply affected by the pandemic). In 2022, revenues were € 53.5m, EBITDA was € 3.7m and Net Profit reached € 0.2m. Net Financial Position amounted to € 16.6m

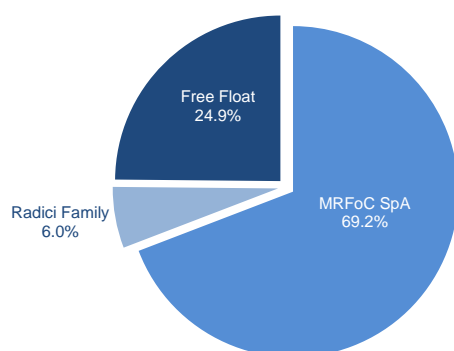
2022 breakdown by industry...



... and by geography



Shareholder structure



Peer group absolute performance

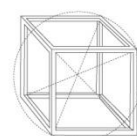
%	1D	1W	1M	3M	6M	YTD
Aquafil SpA	(2.8)	(14.6)	(18.4)	(38.9)	(54.0)	(63.4)
Belysse Group NV	(5.7)	(3.6)	(14.8)	(34.7)	(36.8)	(39.3)
Interface Inc	(2.6)	(1.3)	(3.9)	1.7	17.3	(5.1)
Mohawk Industries Inc	(2.1)	(3.8)	(11.4)	(27.9)	(17.7)	(20.6)
Somec SpA	0.0	(0.3)	(5.2)	(6.8)	0.0	(11.1)
Tarkett SA	5.6	(1.2)	(4.8)	(15.1)	(20.3)	(15.1)
Victoria PLC	8.7	(10.6)	(39.5)	(44.9)	(19.2)	(20.7)
Median	(2.1)	(3.6)	(11.4)	(27.9)	(19.2)	(20.6)
Radici Pietro SpA	0.0	(2.6)	(11.1)	(13.8)	(11.1)	(2.2)

Source: Refinitiv Eikon

Peer group multiples table

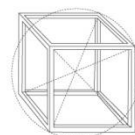
Price & EV multiples x	SALES FY1	SALES FY2	EBITDA FY1	EBITDA FY2	EBIT FY1	EBIT FY2	PER FY1	PER FY2
Aquafil SpA	0.52	0.47	5.4	4.4	56.6	19.6	n.m.	n.m.
Belysse Group NV	0.50	0.45	4.5	3.3	9.6	5.5	12.5	2.4
Interface Inc	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	10.8	8.6
Mohawk Industries Inc	0.65	0.60	5.1	4.3	8.9	6.8	8.7	7.4
Somec SpA	0.58	0.51	7.4	5.8	17.3	11.1	31.1	17.2
Tarkett SA	0.35	0.31	4.3	3.3	13.9	8.3	16.1	8.5
Victoria PLC	0.23	0.21	1.6	1.4	2.6	2.3	6.7	6.1
Median	0.51	0.46	4.8	3.8	11.8	7.6	11.6	7.9
Radici Pietro Industries & Brands SpA	0.46	0.41	5.5	4.9	14.1	11.1	14.4	7.9

Source: CFO SIM, Refinitiv Eikon





Income statement (€ m)	2021	2022	2023e	2024e	2025e
Total Revenues	44.2	53.5	59.5	63.0	66.5
Value of Production	45.7	58.0	60.2	63.8	67.3
Raw material and processing	(22.9)	(29.7)	(30.1)	(31.9)	(33.7)
Services	(11.5)	(15.3)	(15.4)	(16.3)	(17.2)
Personnel expenses	(8.0)	(8.5)	(8.6)	(9.0)	(9.4)
Other opex	(1.2)	(0.8)	(1.2)	(1.3)	(1.3)
EBITDA	2.1	3.7	4.9	5.3	5.7
D&A	(2.2)	(2.7)	(3.0)	(3.0)	(2.9)
EBIT	(0.1)	0.9	1.9	2.3	2.8
Financials	(0.6)	(0.7)	(1.2)	(1.0)	(0.9)
Re/(Devaluation) of financial assets	(0.0)	0.0	0.0	0.0	0.0
Extraordinary	0.0	0.0	0.0	0.0	0.0
Pre-Tax profit	(0.7)	0.3	0.7	1.3	1.8
Income taxes	(0.1)	(0.1)	(0.0)	(0.1)	(0.1)
Minorities	0.0	0.0	0.0	0.0	0.0
Net Profit	(0.9)	0.2	0.7	1.2	1.8
Net Profit adj.	(0.9)	0.2	0.7	1.2	1.8
Balance sheet (€ m)	2021	2022	2023e	2024e	2025e
Net Working Capital	19.2	21.3	23.4	24.3	25.3
Net Fixed Assets	35.8	34.1	33.6	33.1	32.7
Equity Investments	0.0	0.0	0.0	0.0	0.0
Other M/L Term A/L	(5.6)	(6.4)	(6.6)	(7.0)	(7.4)
Net Invested Capital	49.4	49.0	50.4	50.4	50.6
Net Financial Position	17.5	16.5	17.2	16.0	14.4
Minorities	0.0	0.0	0.0	0.0	0.0
Group's Shareholders Equity	31.8	32.5	33.2	34.4	36.2
Financial Liabilities & Equity	49.4	49.0	50.4	50.4	50.6
Cash Flow statement (€ m)	2021	2022	2023e	2024e	2025e
Total net income	(0.9)	0.2	0.7	1.2	1.8
Depreciation	2.2	2.7	3.0	3.0	2.9
Other non-cash charges	(0.5)	0.0	0.2	0.4	0.4
Cash Flow from Oper. (CFO)	0.9	2.9	3.9	4.6	5.1
Change in NWC	1.7	(2.2)	(2.1)	(0.9)	(1.0)
FCF from Operations (FCFO)	2.6	0.8	1.8	3.7	4.1
Net Investments (CFI)	(0.2)	0.0	(2.5)	(2.5)	(2.5)
Free CF to the Firm (FCFF)	2.4	0.8	(0.7)	1.2	1.6
CF from financials (CFF)	(5.7)	(0.4)	0.0	0.0	0.0
Free Cash Flow to Equity (FCFE)	(3.3)	0.4	(0.7)	1.2	1.6
Financial ratios	2021	2022	2023e	2024e	2025e
EBITDA margin	4.8%	6.9%	8.3%	8.4%	8.6%
EBIT margin	-0.2%	1.8%	3.2%	3.7%	4.2%
Net profit margin	-1.9%	0.3%	1.2%	2.0%	2.6%
Tax rate	-15.1%	31.5%	4.5%	4.5%	4.5%
Op NWC/Sales	0.4%	0.4%	0.4%	0.4%	0.4%
Interest coverage x	(6.77)	0.73	0.62	0.44	0.34
Net Debt/EBITDA x	8.20	4.49	3.50	3.02	2.53
Debt-to-Equity x	0.55	0.51	0.52	0.46	0.40
ROIC	-1.7%	0.4%	1.4%	2.5%	3.5%
ROCE	-0.2%	1.7%	3.4%	4.0%	4.6%
ROACE	-0.2%	1.7%	3.4%	4.0%	4.6%
ROE	-2.7%	0.6%	2.1%	3.6%	4.9%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Per share figures	2021	2022	2023e	2024e	2025e
Number of shares # m	8.72	8.81	8.81	8.81	8.81
Number of shares Fully Diluted # m	9.82	8.81	8.81	8.81	8.81
Average Number of shares Fully Diluted # m	9.82	9.31	8.81	8.81	8.81
EPS stated €	(0.10)	0.02	0.08	0.14	0.20
EPS adjusted €	(0.10)	0.02	0.08	0.14	0.20
EBITDA €	0.25	0.42	0.56	0.60	0.65
EBIT €	(0.01)	0.11	0.22	0.27	0.32
BV €	3.65	3.69	3.76	3.91	4.10
FCFO €	0.30	0.09	0.21	0.42	0.46
FCFF €	0.28	0.09	(0.08)	0.14	0.18
FCFE €	(0.37)	0.05	(0.08)	0.14	0.18
Dividend €	0.00	0.00	0.00	0.00	0.00



H1-23 Results

Radici Pietro's 2023 interim results exhibit almost unchanged top line compared to the first semester of 2022, primarily due to a solid recovery in the Marine and Automotive segments offset by a slowdown in Residential & Contract and Sport. In particular, the latter suffered from a slowdown in NRRP-related projects. **Margins grew double-digit thanks to operating leverage as well as lower energy costs**, although a spike in financial charges led to a slightly negative bottom line.

Table 1 – Radici Pietro, H1-23 results

€ m	H1-23	H1-22	% YoY
Marine	5.2	2.9	82.0
Residential & Contract	13.7	15.3	(10.9)
Sport	4.4	6.3	(29.9)
Automotive	3.7	2.8	31.9
Total Revenues	27.0	27.3	(1.1)
Other	0.6	2.6	
Value of Production	27.6	30.0	(7.8)
Raw material and processing	(13.1)	(15.8)	
Services	(7.6)	(7.8)	
Personnel expenses	(4.5)	(4.4)	
Other opex	(0.3)	(0.3)	
EBITDA	2.1	1.7	23.6
% margin	7.9	6.3	
D&A	(1.6)	(1.6)	
EBIT	0.5	0.1	n.m.
% margin	1.8	0.5	
Financials	(0.6)	(0.3)	
Pre-Tax profit	(0.1)	(0.1)	16.3
% margin	(0.4)	(0.5)	
Income taxes	0.0	0.0	
Tax rate	n.m.	n.m.	
Minorities	-	-	
Net Profit	(0.1)	(0.1)	n.m.
% margin	(0.3)	(0.3)	
Net Financial Position debt / (cash)*	17.4	16.5	5.5

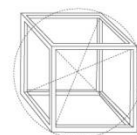
Source: company data *compared to FY-22

Total revenues reached € 27.0m, broadly unchanged YoY, as a result of a solid recovery in the Marine and Automotive segments offset by a slowdown in Residential & Contract and Sport. The geographical breakdown of revenues exhibits **a strong performance in the US (+13.7%)** along with a tiny rise in the domestic market (+4.3%), which accounted for € 14.3m, 53% of total. On the contrary, European sales fell by 17.5% YoY, still affected by the knock-on effects of the Russia-Ukraine conflict.

Table 2 – Radici Pietro, H1-23 Total Revenues breakdown by business line

€ m	H1-23	H1-22	% YoY	% on H1-23 revenues	% on H1-22 revenues
Marine	5.2	2.9	82.0	19%	11%
Residential & Contract	13.7	15.3	(10.9)	51%	56%
Sport	4.4	6.3	(29.9)	16%	23%
Automotive	3.7	2.8	31.9	14%	10%
Total Revenues	27.0	27.3	(1.1)	100%	100%

Source: company data



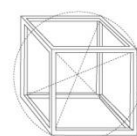
In terms of business lines:

- ✓ **Marine (19% of revenues) soared by 82% YoY to € 5.2m** (€ 2.9m in H1-22), driven by a solid recovery in the cruise industry, as regards both ship refitting and construction, coupled with the company's ability to gain market shares;
- ✓ **Residential & Contract (51% of revenues)** reached € 13.7m, down 10.9% YoY, mainly because of a contraction in the European market;
- ✓ **Sport (16% of revenues) decreased to € 4.4m**, compared to € 6.3m in H1-22, as a consequence of some slowdown in the disbursement of NRRP-related funds earmarked for sports infrastructures;
- ✓ **Automotive (14% of revenues) increased by 31.9% YoY to € 3.7m** (€ 2.8m in H1-22), thanks to a general improvement in the sector, heavily impacted by a prolonged supply chain disruption lasting two years.

EBITDA went up by 23.6% to € 2.1m, 7.9% margin (€ 1.7m, 6.3% margin in H1-22), mainly benefitting from operating leverage and lower energy costs. We should mention that a 2.4 MWh photovoltaic plant came into operation as of the beginning of the year and is foreseen to cover 40% of the group's annual energy requirement.

After broadly unchanged D&A expenses, **EBIT was € 0.5m, 1.8% margin**, compared to € 0.1m, 0.5% margin in H1-22. **Net loss was € 93k** (€ 75k in H1-22), in the wake of rising financial charges due to the several rate hikes occurred as of the beginning of the year and an adverse exchange rate effect.

Net Financial Position came in at € 17.4m, compared to € 16.4m at year end 2022, because of an increase in NWC of about € 1.0m and Capex of € 0.8m. **Net Equity stands at € 32.4m.**



Estimates, Valuation & Risks

H1-23 results corroborate FY-23 forecasts included in both the company's budget and CFO SIM's estimates, with respect to revenues and EBITDA, although with a different revenue mix. In fact, the faster-than-expected recovery of both the Marine and Automotive segments was offset by a slowdown in the Residential & Contract and Sport segments. In particular, the latter is expected to partially catch up in H2, as in H1 it suffered from a postponement of a few NRRP-funded projects.

Despite a still challenging environment, **management confirmed its 2023 guidance with respect to both revenues (€ 59.7m) and EBITDA (€ 5.0m)**, in light of an order backlog at historically high levels and declining inflationary effects.

As a result, **we have fine-tuned our model by leaving our top line assumptions unchanged, although comprising a different revenue mix**, whereas we factored in higher D&A expenses and financial charges, in order to reflect the current interest rate environment. The combined result envisages unchanged estimates with respect to Total Revenues and EBITDA, combined with an **average 7.2% and 32.1% decrease in EBIT and Net Profit, respectively, in 2023-25**.

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

€ m	New	Old	% Diff.	€ m Diff.
Total Revenues	59.5	59.5	(0.0)	(0.0)
EBITDA	4.9	4.9	(0.1)	(0.0)
% margin	8.3	8.3		
EBIT	1.9	2.1	(8.9)	(0.2)
% margin	3.2	3.5		
Net Profit	0.7	1.4	(49.4)	(0.7)
% margin	1.2	2.3		
Y/E net debt (net cash)	17.2	15.9	8.1	1.3

Source: CFO SIM

Table 4 – Radici Pietro, 2024e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Total Revenues	63.0	63.0	(0.1)	(0.1)
EBITDA	5.3	5.3	(0.2)	(0.0)
% margin	8.4	8.4		
EBIT	2.3	2.5	(7.1)	(0.2)
% margin	3.7	4.0		
Net Profit	1.2	1.7	(28.5)	(0.5)
% margin	2.0	2.8		
Y/E net debt (net cash)	16.0	14.8	7.7	1.1

Source: CFO SIM

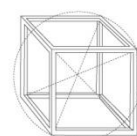
Table 5 – Radici Pietro, 2025e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Total Revenues	66.5	66.5	(0.0)	(0.0)
EBITDA	5.7	5.7	(0.1)	(0.0)
% margin	8.6	8.6		
EBIT	2.8	2.9	(5.4)	(0.2)
% margin	4.2	4.4		
Net Profit	1.8	2.2	(18.5)	(0.4)
% margin	2.6	3.2		
Y/E net debt (net cash)	14.4	13.2	9.4	1.2

Source: CFO SIM

Moreover, CFO has **updated the DCF valuation criteria**, bringing the Free Risk Rate up to date. The combined result is an unchanged **DCF-based PT of € 1.80/s, 60.7% upside**.

CFO SIM reiterates its long-term Buy recommendation on the stock.



DCF

In our DCF-based valuation, we have made explicit estimates until 2027 and assumed 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 6 – 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)	4.20%
Beta levered (x)	1.00
Required ROE	13.2%

Sources: CFO SIM, Refinitiv Eikon

Risk premium at 9.0% factors in the minute size of the company and virtually all concerns 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 7 – Radici Pietro, DCF model

€ m	2023e	2024e	2025e	2026e	2027e	TV
EBIT	1.9	2.3	2.8	3.7	4.8	
Tax rate	4.5%	4.5%	4.5%	27.5%	27.5%	
Operating profit (NOPAT)	1.8	2.2	2.7	2.7	3.5	
Change working capital	(2.1)	(0.9)	(1.0)	(0.5)	(0.1)	
Depreciation	3.0	3.0	2.9	2.5	2.0	
Investments	(2.5)	(2.5)	(2.5)	(2.3)	(2.0)	
Free Cash Flows	0.2	1.8	2.1	2.4	3.5	38.8
Present value	0.2	1.6	1.7	1.7	2.3	26.0
WACC	10.0%	10.0%	10.0%	10.0%	10.0%	
Long-term growth rate	1.0%					

Source: CFO SIM

Table 8 – Radici Pietro, DCF derived from:

€ m	
Total EV present value €m	33.6
	<i>thereof terminal value</i>
NFP last reported	77%
Pension last reported	(16.5)
Equity value €m	(1.3)
# shares m	15.8
Equity value €/s	8.81
% upside/(downside)	1.80
	60.7%

Source: CFO SIM

The application of our DCF model produces an equity value of Radici Pietro of € 15.8m, € 1.80/s.

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value between **€ 1.55 – 2.09/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 **€ 1.57 – 2.06/s (free risk range between 4.95% and 3.45%)** and, 3) if compared to changes in the risk premium, including small size premiums, it results in an equity value of **€ 1.36 – 2.35/s (risk premium range between 10.50 % and 7.50%)**.

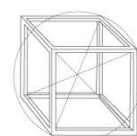




Table 9 – Radici Pietro, equity value sensitivity to changes in terminal growth rate

€ m	0.25%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%
Present value of CF	7.6	7.6	7.6	7.6	7.6	7.6	7.6
PV of terminal value	23.8	24.5	25.3	26.0	26.8	27.7	28.6
Total value	31.5	32.1	32.9	33.6	34.4	35.3	36.2
NFP last reported	(16.5)	(16.5)	(16.5)	(16.5)	(16.5)	(16.5)	(16.5)
Pension last reported	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)
Equity value € m	13.7	14.3	15.1	15.8	16.6	17.5	18.4
# shares m	8.8	8.8	8.8	8.8	8.8	8.8	8.8
Equity value €/s	1.55	1.63	1.71	1.80	1.89	1.99	2.09

Source: CFO SIM

Table 10 – Radici Pietro, equity value sensitivity to changes in free risk rate

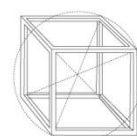
€ m	3.45%	3.70%	3.95%	4.20%	4.45%	4.70%	4.95%
Present value of CF	7.7	7.7	7.7	7.6	7.6	7.6	7.5
PV of terminal value	28.2	27.4	26.7	26.0	25.4	24.7	24.1
Total value	35.9	35.1	34.4	33.6	32.9	32.3	31.6
NFP last reported	(16.5)	(16.5)	(16.5)	(16.5)	(16.5)	(16.5)	(16.5)
Pension last reported	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)
Equity value € m	18.1	17.3	16.6	15.8	15.1	14.5	13.8
# shares m	8.8	8.8	8.8	8.8	8.8	8.8	8.8
Equity value €/s	2.06	1.97	1.88	1.80	1.72	1.64	1.57

Source: CFO SIM

Table 11 – 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	7.8	7.8	7.7	7.6	7.6	7.5	7.4
PV of terminal value	30.7	29.0	27.4	26.0	24.7	23.5	22.4
Total value	38.5	36.7	35.1	33.6	32.3	31.0	29.8
NFP last reported	(16.5)	(16.5)	(16.5)	(16.5)	(16.5)	(16.5)	(16.5)
Pension last reported	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)
Equity value € m	20.7	18.9	17.3	15.8	14.5	13.2	12.0
# shares m	8.8	8.8	8.8	8.8	8.8	8.8	8.8
Equity value €/s	2.35	2.15	1.97	1.80	1.64	1.50	1.36

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 modernisation of plants.

Belysse 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 company 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 12 – Radici Pietro, peer group summary table

€ m	Country	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA %	Sales CAGR ₂₂₋₂₅	EBITDA CAGR ₂₂₋₂₅	EBIT CAGR ₂₂₋₂₅	EPS CAGR ₂₃₋₂₅	NFP /EBITDA
Aquafil SpA	Italy	97	602	58	9.7%	-1.3%	-4.9%	-13.6%	n.m.	3.7
Belysse Group NV	Belgium	25	325	36	11.1%	0.0%	11.0%	22.7%	n.m.	3.8
Interface Inc	USA	517	1,179	138	11.7%	1.3%	8.8%	12.7%	32.0%	n.a.
Mohawk Industries Inc	USA	4,904	10,522	1,343	12.8%	-0.1%	-0.4%	-0.2%	15.4%	1.5
Somec SpA	Italy	200	377	29	7.8%	11.0%	27.3%	75.6%	57.5%	0.6
Tarkett SA	France	642	3,026	247	8.2%	-5.6%	10.7%	14.4%	35.1%	1.7
Victoria PLC	UK	507	1,765	256	14.5%	2.4%	5.2%	29.2%	0.2%	(0.4)
Median		507	1,179	138	11.1%	0.0%	8.8%	14.4%	32.0%	1.6
Radici Pietro Industries & Brands SpA	Italy	10	59	5	8.3%	7.5%	15.7%	43.6%	59.7%	3.5

Source: CFO SIM, Refinitiv Eikon

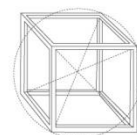




Table 13 – Radici Pietro, peer group EV multiples table

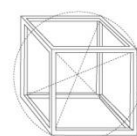
x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
Aquafil SpA	0.52	0.47	0.43	5.4	4.4	3.7
Belysse Group NV	0.50	0.45	0.39	4.5	3.3	2.7
Interface Inc	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Mohawk Industries Inc	0.65	0.60	0.57	5.1	4.3	4.0
Somec SpA	0.58	0.51	0.46	7.4	5.8	4.9
Tarkett SA	0.35	0.31	0.28	4.3	3.3	2.5
Victoria PLC	0.23	0.21	0.57	1.6	1.4	3.8
Median	0.51	0.46	0.44	4.8	3.8	3.7
Radici Pietro Industries & Brands SpA	0.46	0.41	0.37	5.5	4.9	4.3
% Prem./disc.)	(10.7)	(11.5)	(17.7)	14.2	27.3	13.9

Source: CFO SIM, Refinitiv Eikon

Table 14 – Radici Pietro, peer group EV & price multiples table

x	EBIT FY1	EBIT FY2	EBIT FY3	PER FY1	PER FY2	PER FY3
Aquafil SpA	56.6	19.6	10.7	n.m.	n.m.	8.0
Balta Group NV	9.6	5.5	4.2	12.5	2.4	1.8
Interface Inc	n.a.	n.a.	n.a.	10.8	8.6	6.2
Mohawk Industries Inc	8.9	6.8	6.2	8.7	7.4	6.5
Somec SpA	17.3	11.1	8.2	31.1	17.2	12.6
Tarkett SA	13.9	8.3	6.4	16.1	8.5	8.8
Victoria PLC	2.6	2.3	6.1	6.7	6.1	6.6
Median	11.8	7.6	6.3	11.6	7.9	6.6
Radici Pietro Industries & Brands SpA	14.1	11.1	8.8	14.4	7.9	5.6
% Prem./disc.)	20.1	46.1	38.2	23.8	0.0	(15.0)

Source: CFO SIM, Refinitiv Eikon



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 € 1.61/s on 13-Jan-23 and a minimum price of € 0.96/s on 21-Oct-22.

Table 15 – Radici Pietro, peer group and index absolute performance

	1D	1W	1M	3M	6M	YTD	1Y
Aquafil SpA	(2.8)	(14.6)	(18.4)	(38.9)	(54.0)	(63.4)	(57.3)
Balta Group NV	(5.7)	(3.6)	(14.8)	(34.7)	(36.8)	(39.3)	(53.4)
Interface Inc	(2.6)	(1.3)	(3.9)	1.7	17.3	(5.1)	(11.8)
Mohawk Industries Inc	(2.1)	(3.8)	(11.4)	(27.9)	(17.7)	(20.6)	(17.9)
Somec SpA	0.0	(0.3)	(5.2)	(6.8)	0.0	(11.1)	25.1
Tarkett SA	5.6	(1.2)	(4.8)	(15.1)	(20.3)	(15.1)	(21.9)
Victoria PLC	8.7	(10.6)	(39.5)	(44.9)	(19.2)	(20.7)	(7.6)
Median	(2.1)	(3.6)	(11.4)	(27.9)	(19.2)	(20.6)	(17.9)
Radici Pietro Industries & Brands SpA	0.0	(2.6)	(11.1)	(13.8)	(11.1)	(2.2)	16.7
MSCI World Index	(1.3)	(1.6)	(2.9)	(6.4)	0.7	9.6	16.0
EUROSTOXX	(1.1)	(2.3)	(4.7)	(6.5)	(7.3)	5.2	13.6
FTSE Italia All Share	(0.8)	(1.1)	(3.9)	(2.7)	(0.7)	16.3	27.9
FTSE Italia STAR	(2.0)	(3.7)	(7.0)	(13.2)	(17.4)	(12.8)	(5.6)
FTSE Italia Growth	0.2	(1.4)	(7.6)	(12.7)	(14.3)	(14.1)	(10.8)

Source: Refinitiv Eikon

Table 16 – Radici Pietro relative performances

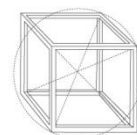
	1D	1W	1M	3M	6M	YTD	1Y
To peer Peers Median	2.1	1.0	0.3	14.0	8.1	18.4	34.6
To MSCI World Index	1.3	(1.0)	(8.2)	(7.4)	(11.8)	(11.8)	0.6
To EUROSTOXX	1.1	(0.3)	(6.4)	(7.3)	(3.8)	(7.4)	3.0
To FTSE Italia All Share	0.8	(1.5)	(7.2)	(11.2)	(10.4)	(18.5)	(11.3)
To FTSE Italia STAR	2.0	1.1	(4.1)	(0.6)	6.2	10.7	22.3
To FTSE Italia Growth	(0.2)	(1.3)	(3.5)	(1.2)	3.2	11.9	27.5

Source: Refinitiv 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 a longer period than expected;
- The introduction of new production 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.



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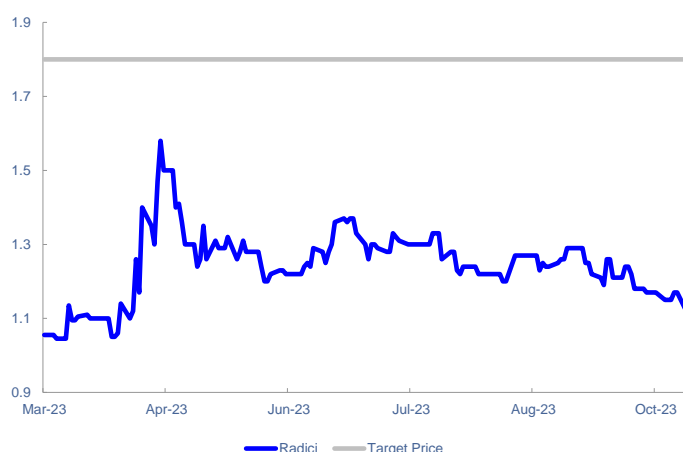
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DATE	TARGET PRICE	RATING
19/10/2023	€1.80	BUY
18/04/2023	€1.80	BUY
12/10/2022	€1.80	BUY

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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.

