



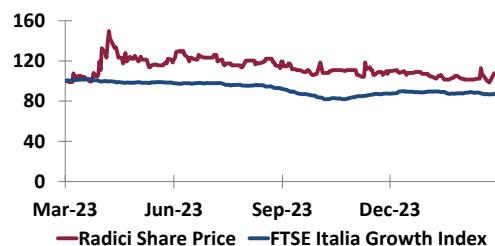
**FLASH NOTE**

**OUTPERFORM**

**Current Share Price (€): 1.14**

**Target Price (€): 2.10**

**Radici - 1Y Performance**



Source: S&P Capital IQ - Note: 20/03/2023=100

**Company data**

ISIN number	IT0005379737
Bloomberg code	RAD:IM
Reuters code	RADIC.MI
Industry	Manufacturing
Stock market	Euronext Growth Milan
Share Price (€)	1.14
Date of Price	20/03/2024
Shares Outstanding (m)	8.8
Market Cap (€m)	10.0
Market Float (%)	24.9%
Daily Volume	0
Avg Daily Volume YTD	4,649
Target Price (€)	2.10
Upside (%)	84%
Recommendation	OUTPERFORM

**Share price performance**

	1M	3M	6M	1Y
Radici - Absolute (%)	6%	-2%	-6%	8%
FTSE Italia Growth (%)	0%	1%	-4%	-12%
1Y Range H/L (€)			1.58	1.04
YTD Change (€) / %			0.00	0%

Source: S&P Capital IQ

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**Entering circular economy through Turfreyclers acquisition**

**Deal rationale and structure**

Radici announced the acquisition of Turfreyclers, owned by the parent Miro Radici Family of Companies, a producer of engineered systems to recycle artificial turf. The deal consideration is €0.51m: €0.25m at closing and €0.26m by the end of the year. FY23 key figures of Turfreyclers are €2m revenues, €0.2m EBITDA (11.4% margin), net cash of €0.03m. Radici has acquired a 26% shareholding and through an intercompany agreement with the related party Miro Radici, which retains a 25% shareholding, will act as control shareholder including management of the subsidiary and consolidation of accounts.

**Turfreyclers, from waste to circular economy**

Turfreyclers designs and develops engineered systems to recycle artificial turf in all its components (sand, grass and both polymeric and vegetal infill materials), transforming waste into recycled materials reusable as secondary raw materials. Systems portfolio includes fixed and movable equipments, which remove and separate all components in the synthetic turf at end of lifecycle. Turfreyclers also designs and produces customized machinery under specific customer requirements. The engineered process is protected by an Italian patent and by a patent application filed in the United States. In the last three years Turfreyclers has sold plants in the United States, Norway and Australia.

**Stock performance: +10% after the announcement**

Following the acquisition announcement, shares gained 10%. Overall, Radici share price increased by 8% over last 12 months, outperforming the Italia Growth Index which lost 12% over the same period.

**2024-25 guidelines and estimates revision**

Radici FY23 key figures are €56m revenues, €4.9m EBITDA (8.8% margin), net debt of €16m. According to management, consolidated revenues are expected at nearly €66m (10% margin) in 2024 and over €70m (11% margin) in 2025. Net debt at €18m in 2024 and €15m in 2025. On the back of management guidance, we align our estimates for the next years, factoring-in the Turfreyclers acquisition effect on sales and profitability, the updated revenues mix target and the €5.5m capex plan anticipated for 2024-25.

**Sustainability adds to OUTPERFORM rating**

Following the expected impact of the acquisition, we have reperformed the valuation accordingly and we add 2026 to our estimate period; we will integrate 2023 figures when full financial information will be available. The revised DCF points to €2.10 target price, with a 84% potential upside on current share price, and we confirm the OUTPERFORM rating on the stock.

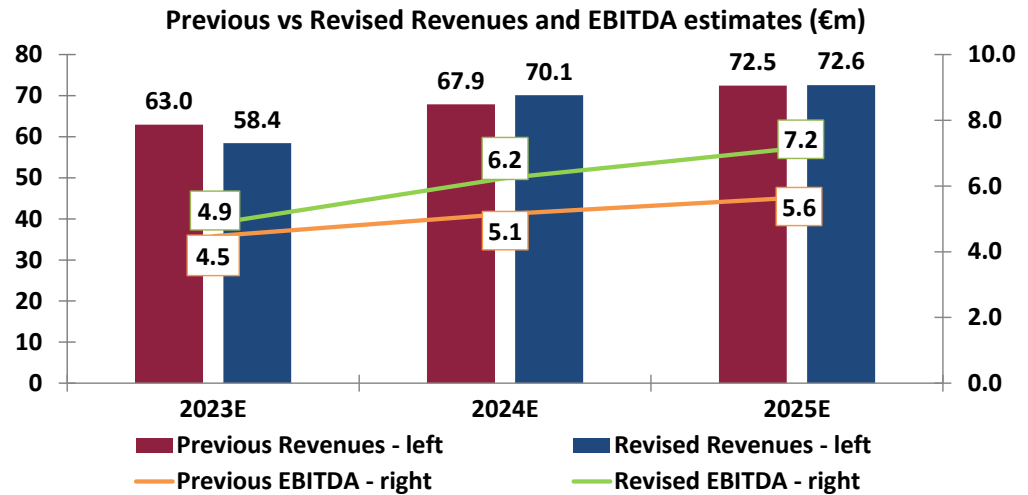
**KEY FINANCIALS AND ESTIMATES**

€m	2022	2023E	2024E	2025E	2026E
<b>Sales</b>	<b>53.5</b>	<b>56.1</b>	<b>66.1</b>	<b>70.7</b>	<b>76.0</b>
Total Revenues	58.0	58.4	70.1	72.6	79.1
<b>EBITDA</b>	<b>3.7</b>	<b>4.9</b>	<b>6.2</b>	<b>7.2</b>	<b>7.9</b>
Margin on Sales	7%	9%	9%	10%	10%
<b>EBIT</b>	<b>0.9</b>	<b>2.1</b>	<b>3.2</b>	<b>3.8</b>	<b>4.5</b>
<b>Net Income (Loss)</b>	<b>0.2</b>	<b>1.0</b>	<b>1.8</b>	<b>2.2</b>	<b>2.7</b>
<b>Net (Debt) Cash</b>	<b>(16.5)</b>	<b>(15.9)</b>	<b>(17.9)</b>	<b>(15.8)</b>	<b>(13.3)</b>
<b>Equity</b>	<b>32.5</b>	<b>33.5</b>	<b>35.3</b>	<b>37.5</b>	<b>40.2</b>

*Radici Pietro Industries & Brands, listed on Euronext Growth Milan, is a producer of textile flooring solution such as tufting and weaving carpets, artificial turf and non-woven. Production is carried out all in house and products are sold worldwide, mostly through established relationship with high standing partners and distributors. With over 70 years of experience, Radici reaches over 2,000 mostly B2B customers in 90 countries, including fashion retailers, shipyards, professional sporting facilities, high-class hospitality and automotive industry.*

## Estimates revision

### Change in estimates



Source: EnVent Research

€m	Revised			Previous			Change %		
	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
<b>Sales</b>	56.1	66.1	70.7	59.3	64.7	70.7	-5%	2%	0%
<b>Revenues</b>	58.4	70.1	72.6	63.0	67.9	72.5	-7%	3%	0%
<b>EBITDA</b>	4.9	6.2	7.2	4.5	5.1	5.6	8%	21%	27%
<i>Margin</i>	8%	9%	10%	7%	8%	8%			
<b>EBIT</b>	2.1	3.2	3.8	1.8	2.5	2.8	16%	29%	34%
<i>Margin</i>	4%	5%	5%	3%	4%	4%			
<b>Net Income (Loss)</b>	1.0	1.8	2.2	0.8	1.3	1.7	22%	32%	32%
<b>Net (Debt) Cash</b>	15.9	17.9	15.8	15.1	13.8	11.2			
<i>Net Debt / EBITDA</i>	-3.3x	-2.9x	-2.2x	-3.4x	-2.7x	-2.0x			

Source: EnVent Research

## Market multiples

Company	EV/Revenues			EV/EBITDA			EV/EBIT			P/E		
	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
Aquafil	0.7x	0.8x	0.8x	9.0x	6.7x	5.9x	neg	23.2x	17.2x	neg	41.8x	17.9x
Somec	0.7x	0.7x	0.6x	11.4x	8.5x	7.3x	41.5x	19.1x	13.5x	41.1x	27.7x	16.9x
Belysse	0.6x	0.6x	0.6x	4.8x	4.5x	4.0x	10.9x	8.6x	6.7x	neg	23.2x	11.2x
Interface	0.9x	0.8x	0.7x	7.8x	6.0x	5.2x	10.9x	8.1x	6.4x	15.1x	7.4x	5.4x
Mohawk	0.8x	0.8x	0.8x	6.4x	6.1x	5.6x	11.4x	10.5x	9.2x	11.4x	10.0x	8.7x
Tarkett	0.3x	0.4x	na	4.3x	5.2x	na	10.3x	12.0x	na	13.0x	14.1x	na
Victoria	1.0x	1.3x	1.2x	7.4x	10.2x	9.2x	12.8x	18.5x	17.0x	6.0x	21.6x	18.9x
<b>Mean</b>	<b>0.7x</b>	<b>0.8x</b>	<b>0.8x</b>	<b>7.3x</b>	<b>6.7x</b>	<b>6.2x</b>	<b>16.3x</b>	<b>14.3x</b>	<b>11.7x</b>	<b>17.3x</b>	<b>20.8x</b>	<b>13.2x</b>
<b>Mean w/out extremes</b>	<b>0.7x</b>	<b>0.7x</b>	<b>0.7x</b>	<b>7.1x</b>	<b>6.5x</b>	<b>6.0x</b>	<b>11.5x</b>	<b>13.8x</b>	<b>11.6x</b>	<b>13.2x</b>	<b>19.3x</b>	<b>13.7x</b>
<b>Median</b>	<b>0.7x</b>	<b>0.8x</b>	<b>0.8x</b>	<b>7.4x</b>	<b>6.1x</b>	<b>5.8x</b>	<b>11.2x</b>	<b>12.0x</b>	<b>11.3x</b>	<b>13.0x</b>	<b>21.6x</b>	<b>14.1x</b>

Source: EnVent Research on S&P Capital IQ, 20/03/2024

## Valuation

We have updated our DCF valuation and market multiples analysis.

### Discounted Cash Flows

Updated assumptions:

- Risk free rate: 3.2% (Italia 10-year government bonds interest rate – last 30 days average. Source: Bloomberg, March 2024)
- Market return: 11.9% (last 30 days average. Source: Bloomberg, March 2024)
- Market risk premium: 8.7%
- Beta: 1.0 (judgmental)
- Cost of equity: 11.9%
- Cost of debt: 6.5%
- Tax rate: 24% IRES
- 35% debt/(debt+equity)
- WACC calculated at 9.5%, according to above data, from previous 9.3%
- Perpetual growth rate after explicit projections (G): 3.0%
- Terminal value assumes a normalized sustainable EBIT margin of 11.0% from 8%
- Net debt as of 31/12/2023 at €16.0m as disclosed by Radici

#### DCF Valuation

€m	2023E	2024E	2025E	2026E	Perpetuity
<b>Revenues</b>	<b>58.4</b>	<b>70.1</b>	<b>72.6</b>	<b>79.1</b>	<b>81.5</b>
<b>EBITDA</b>	<b>4.9</b>	<b>6.2</b>	<b>7.2</b>	<b>7.9</b>	<b>9.0</b>
<i>Margin</i>	<i>8.3%</i>	<i>8.9%</i>	<i>9.9%</i>	<i>10.0%</i>	<i>11.0%</i>
<b>EBIT</b>	<b>2.1</b>	<b>3.2</b>	<b>3.8</b>	<b>4.5</b>	<b>6.5</b>
<i>Margin</i>	<i>3.6%</i>	<i>4.5%</i>	<i>5.2%</i>	<i>5.6%</i>	<i>7.9%</i>
Taxes	(0.6)	(0.9)	(1.1)	(1.2)	(1.8)
<b>NOPAT</b>	<b>1.5</b>	<b>2.3</b>	<b>2.7</b>	<b>3.2</b>	<b>4.7</b>
D&A	2.7	3.1	3.4	3.5	2.5
Provisions	0.1	0.1	0.1	0.1	0.0
<b>Cash flow from operations</b>	<b>4.3</b>	<b>5.5</b>	<b>6.2</b>	<b>6.8</b>	<b>7.2</b>
Trade Working Capital	(0.9)	(2.6)	(1.7)	(1.8)	(2.0)
Other assets and liabilities	0.0	0.0	0.0	0.0	0.0
Capex	(2.3)	(4.3)	(2.0)	(2.0)	(2.5)
<b>Yearly unlevered free cash flow</b>	<b>1.1</b>	<b>(1.4)</b>	<b>2.6</b>	<b>3.0</b>	<b>2.6</b>
<b>Free Cash Flow to be discounted</b>		<b>(1.4)</b>	<b>2.6</b>	<b>3.0</b>	<b>2.6</b>
WACC	9.5%				
Long-term growth (G)	3.0%				
<b>Discounted Cash Flows</b>		<b>(1.3)</b>	<b>2.2</b>	<b>2.3</b>	
Sum of Discounted Cash Flows	3.1				
<b>Terminal Value</b>					<b>40.8</b>
Discounted TV	31.1				
<b>Enterprise Value</b>	<b>34.2</b>				
Net Debt as of 31/12/23	(16.0)				
<b>Equity Value</b>	<b>18.2</b>				

Source: EnVent Research

<b>DCF - Implied multiples</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
EV/Revenues	0.6x	0.5x	0.5x	0.4x
EV/EBITDA	7.1x	5.5x	4.8x	4.3x
EV/EBIT	16.1x	10.8x	9.0x	7.7x
P/E	18.0x	10.3x	8.2x	6.7x
<b>Discount of current market price vs DCF -24%</b>				
<b>Current market price - Implied multiples</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
EV/Revenues	0.4x	0.4x	0.4x	0.3x
EV/EBITDA	5.4x	4.2x	3.6x	3.3x
EV/EBIT	12.3x	8.2x	6.9x	5.8x
P/E	9.9x	5.7x	4.5x	3.7x

Source: EnVent Research

## Market multiples

We have updated our multiples valuation, applying to our 2023-24 estimates the median EV/Revenues and EV/EBITDA from the peer group. Considering the limited comparability of peers and market turmoil, we deem as more reliable the valuation through the DCF method.

<b>Application of market multiples</b>					
<b>Radici</b>		<b>Multiple</b>	<b>EV</b>	<b>Net Debt</b>	<b>Equity Value</b>
<b>2023E Sales</b>	56.1	0.7x	40.0	(16.0)	<b>24.0</b>
<b>2024E Sales</b>	66.1	0.8x	50.7	(16.0)	<b>34.7</b>
<b>Mean</b>					<b>29.4</b>
<b>2023E EBITDA</b>	4.9	7.4x	35.8	(16.0)	<b>19.8</b>
<b>2024E EBITDA</b>	6.0	6.1x	36.7	(16.0)	<b>20.7</b>
<b>Mean</b>					<b>20.2</b>

Source: EnVent Research

## Target price

<b>Radici Price per Share</b>	<b>€</b>
<b>Target Price</b>	<b>2.10</b>
Current Share Price (20/03/2024)	1.14
<b>Premium (Discount)</b>	<b>84%</b>

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The “OUTPERFORM”, “NEUTRAL”, AND “UNDERPERFORM” recommendations are based on the expectations within a 12-month period from the date of rating indicated in the front page of this publication.

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Rating system and rationale (12-month time horizon):

OUTPERFORM: stocks are expected to have a total return above 10%;

NEUTRAL: stocks are expected to have a performance between -10% and +10% consistent with market or industry trend and appear less attractive than Outperform rated stocks;

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The stock price indicated in the report is the last closing price on the day of Production.

Date and time of Production: 20/03/2024 h. 7.00pm

Date and time of Distribution: 21/03/2024 h. 7.17pm

## DETAILS ON STOCK RECOMMENDATION AND TARGET PRICE

Date	Recommendation	Target Price (€)	Share Price (€)
17/10/2022	OUTPERFORM	1.71	0.93
19/04/2023	OUTPERFORM	1.71	1.26
26/10/2023	OUTPERFORM	1.71	1.13
21/03/2024	OUTPERFORM	2.10	1.14

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