

Italy – Textile Flooring

Solid growth trajectory keeps improving fundamentals

9th October 2024

H1-24 RESULTS RELEASE

RIC: RADIC.MI
BBG: RAD IM

In H1-24, Radici Pietro posted high-single digit top line growth underpinned by the robust progression of the Marine and Sport segments, coupled with a more than proportional progression in margins. Budget 2024 projections for Revenues and EBITDA confirmed. The preliminary agreement for the sale of a portion of the industrial facility in 2025 could furtherly optimise the operating structure and accelerate deleveraging.

Rating:

Buy

Price Target:

€ 2.50 (€ 2.20)

Upside/(Downside): 131.5%

Last Price: € 1.08

Market Cap.: € 9.5m

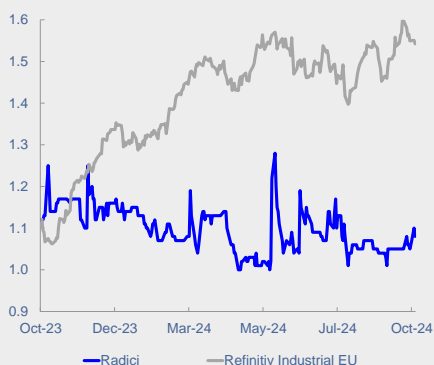
1Y High/Low: € 1.35 / € 0.99

Avg. Daily Turn. (3M, 6M): € 6k, € 19k

Free Float: 24.9%

Major shareholders:

MRFoC 69.2%
Radici Family 6.0%



Stock price performance

	1M	3M	12M
Absolute	4.9%	-0.9%	-6.1%
Rel.to FTSE IT Growth	3.1%	-0.4%	-6.0%
Rel.to Peers median	5.3%	-9.4%	0.8%

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Estimates fine-tuned: new DCF-based PT of € 2.50/s (€ 2.20). Buy reiterated

Decent 2024 interim results and solid order backlog led the company's management to confirm the projections of the 2024 Budget as regards Revenues and EBITDA. In view of H1-24 results release, we have updated our estimates by factoring in 1) a fine-tuning of Total Revenues, 2) a substantial revision in the mix, comprising a stronger progression of the Marine segment, above the 2024 Budget, as well as weaker performance of the Residential & Contract, 3) an upward revision in D&A charges and, 4) more favourable NWC dynamics. The combined result is a slight decrease in Total Revenues and EBITDA in 2024-26, namely on average by 0.9% and 2.5%, respectively, along with a 27.0% cut in Net Debt in the same period. Moreover, we have updated the valuation criteria, bringing the risk-free rate up to date (from 4.18% to 3.80%). Our new DCF-based PT points to € 2.50/s (€ 2.20), 131.5% upside. We reiterate our positive stance and Buy recommendation.

Total revenues up by 8.4%, mostly driven by the brilliant result of the Marine segment

Total Revenues rose by 8.4% YoY to € 29.3m (€ 27.0m in H1-23). In terms of business lines, Marine (26% of the total), soared by 47.8% YoY to € 7.8m (€ 5.2m in H1-23), benefitting from gains in market share; Residential & Contract (44% of the total) was down by 5.2% YoY to € 13.0m (€ 13.7m in H1-23), still affected by a global contraction in the reference markets; Sport (21% of the total) jumped by 37.5% YoY to € 6.1m (€ 4.4m in H1-23), primarily resulting from a change in business model as the company now takes part to tenders as a General Contractor; Automotive (9% of the total) came in sharply lower to € 2.5m, down by 31.7% YoY from € 3.7m, due to the harsh contraction experienced by the automotive market, although the award of several new contracts is expected to lead to a recovery of previous volumes in 2025.

EBITDA rose more than proportionally to top line, benefitting from operating leverage

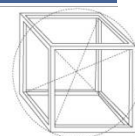
EBITDA rose by 17.5% YoY to € 2.5m, 8.6% margin (€ 2.1m, 7.9% margin in H1-23), thus more than proportionally to top line, mainly benefitting from higher sales and a better absorption of fixed costs. Following slightly higher D&A expenses YoY, EBIT was € 0.8m, 2.8% margin, compared to € 0.5m, 1.8% margin, in H1-23, as a result of the abovementioned reasons. Bottom line turned positive for € 0.3m, 1.0% margin compared to negative € 0.1m in the first semester of 2023, primarily resulting from higher EBIT, slightly lower net financial charges and a positive currency translation effect.

Improved profitability and favourable NWC dynamics led to a rapid deleveraging in H1

Net Financial Position came in at € 13.1m, considerably improving from € 16.0m posted at year-end 2023, mainly reflecting Op. CF of € 4.1m, in light of a favourable NWC dynamic, (i.e. lower receivables and higher payables), partially offset by Capex of € 1.5m, primarily consisting of 1) € 100k of intangible capex, 2) roughly € 1.0m of tangible capex, including the activities aimed at improving the energy efficiency of the Italian production facility and, 3) the cash outlay relative to the acquisition of 100%TurfRecyclers in Mar-24.

Radici Pietro, key financials and ratios

€ m	2022	2023	2024e	2025e	2026e
Total Revenues	53.5	56.0	64.0	69.5	74.8
Value of Production	58.0	57.6	65.5	70.7	75.9
EBITDA	3.7	4.9	6.3	7.4	8.4
EBIT	0.9	1.7	3.0	4.3	5.3
Net Profit	0.2	0.5	1.7	2.7	3.0
NFP (cash)/debt	16.5	16.0	15.3	10.9	8.2
EBITDA margin	6.9%	8.8%	9.8%	10.7%	11.2%
EBIT margin	1.8%	3.0%	4.7%	6.1%	7.1%
Net Profit margin	0.3%	0.8%	2.6%	3.8%	3.9%
EPS €	0.02	0.05	0.19	0.30	0.34
EPS growth	n.m.	n.m.	n.m.	56.8%	11.2%
EV/Sales x	0.50	0.47	0.39	0.29	0.24
EV/EBITDA x	7.2	5.4	3.9	2.8	2.1
EV/EBIT x	28.3	15.6	8.2	4.8	3.3
PER x	53.6	22.6	5.6	3.6	3.2



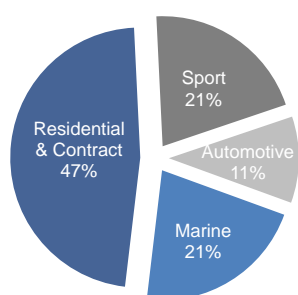
The Company at a Glance

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 covers almost 90 countries, serving more than 2,000 customers in four different industries: Residential & Contract, Marine, Sport and Automotive.

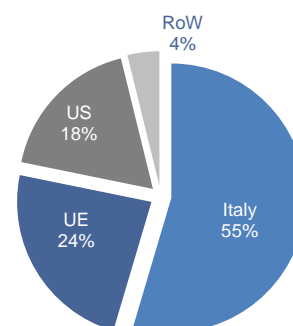
The group's global export sales make up 45% of total revenues. 47% of turnover comes from the Residential & Contract segment, 21% from Sport and Marine and 11% from Automotive.

Radici Pietro has undertaken a good growth path since current management was established in 2012: a 4.4% entirely organic CAGR in the 2012-23 period, and exhibited a robust recovery following the pandemic outbreak (CAGR₂₁₋₂₃ equal to 12.6%). In 2023, revenues were € 56.0m, EBITDA was € 4.9m and Net Profit reached € 0.5m. Net Financial Position stood at € 16.0m.

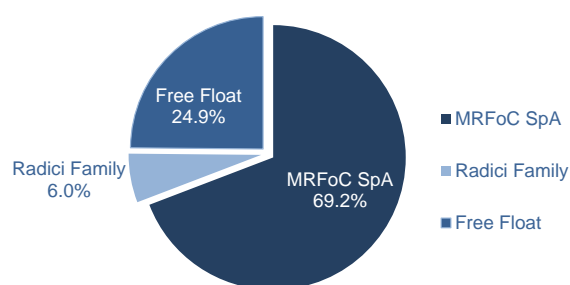
2023 breakdown by industry...



... and by geography



Shareholder structure



Peer group absolute performance

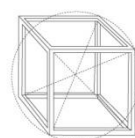
%	1D	1W	1M	3M	6M	YTD
Aquafil SpA	(1.1)	(6.1)	(9.8)	(37.2)	(39.9)	(46.5)
Belysse Group NV	(1.7)	(1.7)	(4.4)	9.4	(7.4)	21.5
Interface Inc	0.5	(2.1)	2.9	29.2	11.5	45.1
Mohawk Industries Inc	0.2	(2.5)	3.8	41.4	24.3	50.3
Somec SpA	(2.4)	1.8	(16.5)	(15.7)	(4.4)	(50.2)
Tarkett SA	(3.4)	(4.4)	6.0	8.5	2.0	(1.1)
Victoria PLC	(2.7)	(4.9)	(0.5)	(18.1)	(51.5)	(57.2)
Median	(1.7)	(2.5)	(0.5)	8.5	(4.4)	(1.1)
Radici Pietro SpA	(1.8)	1.9	4.9	(0.9)	(5.3)	(5.3)

Source: Refinitiv Eikon

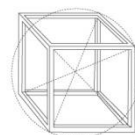
Peer group multiples table

EV % Price multiples x	SALES FY1	SALES FY2	EBITDA FY1	EBITDA FY2	EBIT FY1	EBIT FY2	PER FY1	PER FY2
Aquafil SpA	0.48	0.45	4.4	3.4	40.1	11.0	n.m.	24.1
Belysse Group NV	0.62	0.58	4.2	4.0	8.1	7.1	3.5	10.5
Interface Inc	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	13.9	12.5
Mohawk Industries Inc	1.06	0.97	7.8	6.8	13.5	11.6	15.5	13.4
Somec SpA	0.42	0.36	6.1	4.7	26.3	12.1	n.m.	25.5
Tarkett SA	0.30	n.a.	3.8	n.a.	7.4	n.a.	8.9	n.a.
Victoria PLC	0.56	0.51	4.2	3.7	9.0	7.9	5.3	6.0
Median	0.52	0.51	4.3	4.0	11.2	11.0	8.9	13.0
Radici Pietro SpA	0.39	0.29	3.9	2.8	8.2	4.8	5.6	3.6

Sources: CFO SIM, Refinitiv Eikon



Income statement (€ m)	2022	2023	2024e	2025e	2026e
Total Revenues	53.5	56.0	64.0	69.5	74.8
Value of Production	58.0	57.6	65.5	70.7	75.9
Raw material and processing	(29.7)	(27.1)	(31.9)	(34.4)	(37.0)
Services	(15.3)	(15.7)	(16.4)	(17.3)	(18.6)
Personnel expenses	(8.5)	(9.0)	(10.0)	(10.5)	(10.8)
Other opex	(0.8)	(0.8)	(1.0)	(1.1)	(1.2)
EBITDA	3.7	4.9	6.3	7.4	8.4
D&A	(2.7)	(3.2)	(3.3)	(3.2)	(3.1)
EBIT	0.9	1.7	3.0	4.3	5.3
Financials	(0.7)	(1.2)	(1.1)	(1.0)	(1.0)
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	0.3	0.5	2.0	3.3	4.4
Income taxes	(0.1)	(0.0)	(0.1)	(0.1)	(0.9)
Minorities	0.0	0.0	(0.2)	(0.5)	(0.6)
Net Profit	0.2	0.5	1.7	2.7	3.0
Adjusted Net Profit	0.2	0.5	1.7	2.7	3.0
Balance sheet (€ m)	2022	2023	2024e	2025e	2026e
Net Working Capital	21.3	23.1	24.9	27.2	29.3
Net Fixed Assets	34.1	32.3	32.5	29.6	28.7
Equity Investments	0.0	0.0	0.0	0.0	0.0
Other M/L Term A/L	(6.4)	(6.6)	(7.3)	(7.4)	(7.4)
Net Invested Capital	49.0	48.9	50.2	49.4	50.7
Net Financial Position	16.5	16.0	15.3	10.9	8.2
Minorities	0.0	0.0	0.2	0.6	1.2
Group's Shareholders Equity	32.5	32.8	34.7	37.8	41.3
Financial Liabilities & Equity	49.0	48.9	50.2	49.4	50.7
Cash Flow statement (€ m)	2022	2023	2024e	2025e	2026e
Total net income	0.2	0.5	1.9	3.1	3.5
Depreciation	2.7	3.2	3.3	3.2	3.1
Other non-cash charges	0.0	0.1	0.9	0.6	0.5
CF from Operations (CFO)	2.9	3.8	6.0	6.8	7.1
Change in NWC	(2.2)	(1.8)	(1.8)	(2.3)	(2.1)
FCF from Operations (FCFO)	0.8	2.1	4.2	4.6	5.0
Net Investments (CFI)	0.0	(1.5)	(3.5)	(0.2)	(2.3)
Free CF to the Firm (FCFF)	0.8	0.5	0.7	4.4	2.7
CF from Financials (CFF)	(0.4)	(0.7)	1.0	0.0	0.0
Free Cash Flow to Equity (FCFE)	0.4	(0.2)	1.7	4.4	2.7
Financial ratios	2022	2023	2024e	2025e	2026e
EBITDA margin	6.9%	8.8%	9.8%	10.7%	11.2%
EBIT margin	1.8%	3.0%	4.7%	6.1%	7.1%
Net profit margin	0.3%	0.8%	2.6%	3.8%	3.9%
Tax rate	31.5%	1.5%	4.5%	4.5%	20.0%
Op NWC/Sales	0.4%	0.4%	0.4%	0.4%	0.4%
Interest coverage x	0.73	0.72	0.35	0.23	0.18
Net Debt/EBITDA x	4.49	3.24	2.43	1.47	0.97
Debt-to-Equity x	0.51	0.49	0.44	0.29	0.20
ROIC	0.4%	1.0%	3.4%	5.4%	5.8%
ROCE	1.7%	3.1%	5.1%	6.8%	8.0%
ROACE	1.7%	3.1%	5.3%	7.0%	8.3%
ROE	0.6%	1.4%	4.9%	7.0%	7.1%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Per share figures	2022	2023	2024e	2025e	2026e
Number of shares # m	8.81	8.81	8.81	8.81	8.81
Number of shares Fully Diluted # m	8.81	8.81	8.81	8.81	8.81
Average Number of shares Fully Diluted # m	9.31	8.81	8.81	8.81	8.81
EPS stated €	0.02	0.05	0.19	0.30	0.33
EPS adjusted €	0.02	0.05	0.19	0.30	0.33
EBITDA €	0.42	0.56	0.71	0.84	0.95
EBIT €	0.11	0.19	0.34	0.48	0.61
BV €	3.69	3.73	3.96	4.37	4.83
FCFO €	0.09	0.23	0.48	0.52	0.57
FCFF €	0.09	0.06	0.08	0.49	0.31
FCFE €	0.05	(0.02)	0.20	0.49	0.31
Dividend €	0.00	0.00	0.00	0.00	0.00



H1-24 Results

Radici Pietro reported a solid set of 2024 interim results characterised by high-single digit revenues growth thanks to the brilliant performance posted by the Marine and Sport segments, only partially offset by a slowdown registered by the Residential & Contract and Automotive. As a consequence, EBITDA rose more than proportionally to top line and, in light of almost unchanged costs below EBIT, bottom line turned positive.

In light of satisfactory H1-24 results and solid order backlog, **the management confirmed the projections outlined in the Budget 2024** with respect to both Revenues (€ 65.9m, + 17.6% YoY) as well as EBITDA (€ 6.6m, 10.0% margin, + 33.4% YoY).

Table 1 – Radici Pietro, H1-24 results

€ m	H1-24	H1-23	% YoY
Marine	7.8	5.2	47.8
Residential & Contract	13.0	13.7	(5.2)
Sport	6.1	4.4	37.5
Automotive	2.5	3.7	(31.7)
Total Revenues	29.3	27.0	8.4
Δ in finished products + Other Revenues	3.8	0.6	n.m.
Value of Production	33.1	27.6	19.8
Raw material and processing	(16.3)	(13.1)	
Services	(8.5)	(7.6)	
Personnel expenses	(5.4)	(4.5)	
Other opex	(0.4)	(0.3)	
EBITDA	2.5	2.1	17.5
% margin	8.6	7.9	
D&A	(1.7)	(1.6)	
EBIT	0.8	0.5	69.5
% margin	2.8	1.8	
Financials	(0.5)	(0.6)	
Pre-Tax profit	0.3	(0.1)	n.m.
% margin	1.1	(0.4)	
Income taxes	(0.0)	0.0	
Tax rate	2.6%	n.m.	
Minorities	-	-	
Net Profit	0.3	(0.1)	n.m.
% margin	1.0	(0.3)	
Net debt / (cash)*	13.1	16.0	(18.0)

Source: Company data, *compared to FY-23

Total Revenues rose by 8.4% YoY to € 29.3m (€ 27.0m in H1-23), driven by the brilliant performance of the Marine (+47.8% YoY) and Sport (+37.5% YoY) segments, only partially offset by the subdued results delivered by the Residential & Contract and Automotive segments. The sharp decline of the latter, in particular, primarily reflects a harsh contraction in the reference market. In greater detail:

- **Marine (26% of the total)**, soared by 47.8% YoY to € 7.8m (€ 5.2m in H1-23) benefitting from gains in market share;
- **Residential & Contract (44% of the total)** was down by 5.2% YoY to € 13.0m (€ 13.7m in H1-23), still affected by a global contraction in the reference markets;
- **Sport (21% of the total)** jumped by 37.5% YoY to € 6.1m (€ 4.4m in H1-23), primarily resulting from a change in business model as the company now takes part to tenders as a General Contractor. It is worth to underline that H1-23 were also negatively impacted by a slowdown in the disbursement of NRRP-driven funds earmarked for sport infrastructures;
- **Automotive (9% of the total) came in sharply lower to € 2.5m**, down by 31.7% YoY from € 3.7m in H1-23, due to the meaningful contraction experienced by the automotive market. However, the management announced that the award of several new contracts with major automotive players is expected to lead to a recovery of previous volumes in 2025.



Table 2 – Radici Pietro, H1-24 revenues by geography and industry

€ m	H1-24	H1-23	% YoY	% on H1-24	% on H1-23
Italy	15.6	14.3	8.7	53%	53%
EU	7.3	7.1	3.6	25%	26%
US	6.0	4.6	31.3	21%	17%
RoW	0.4	1.1	(62.7)	1%	4%
Total Revenues	29.3	27.0	8.4	100%	100%
Marine	7.8	5.2	47.8	26%	19%
Residential & Contract	13.0	13.7	(5.2)	44%	51%
Sport	6.1	4.4	37.5	21%	16%
Automotive	2.5	3.7	(31.7)	9%	14%
Total Revenues	29.3	27.0	8.4	100%	100%

Source: Company data

Total Revenues breakdown by geography exhibited stable contributions. In particular, Italy accounted for 53% of the total, followed by EU (25%), US (21%, showing a YoY growth rate in excess of 31%) and Rest of the World (1%), which slumped by more than half compared to the first half of 2023.

EBITDA rose by 17.5% YoY to € 2.5m, 8.6% margin (€ 2.1m, 7.9% margin in H1-23), thus more than proportionally to top line, mainly benefitting from higher sales and a better absorption of fixed costs.

Following slightly higher D&A expenses (€ 1.7m vs € 1.6m in H1-23), **EBIT was € 0.8m, 2.8% margin**, compared to € 0.5m, 1.8% margin, in H1-23, as a result of the abovementioned reasons. **Bottom line turned positive for € 0.3m, 1.0% margin** compared to negative € 0.1m in the first semester of 2023, primarily resulting from higher EBIT, lower net financial charges and a positive currency translation effect.

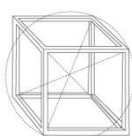
Table 3 – Radici Pietro, H1-24 Op. NWC

€ m	H1-24	FY-23	Δ € m
Inventories	25.3	22.1	3.3
Receivables	12.0	14.7	(2.6)
Payable	(14.3)	(12.8)	(1.5)
Op. NWC	23.1	24.0	(0.8)

Source: Company data

Net Financial Position came in at € 13.1m, considerably improving from € 16.0m posted at year-end 2023, mainly reflecting Op. CF of € 4.1m, in light of a favourable NWC dynamic, (i.e. lower receivables and higher payables), partially offset by Capex of € 1.5m, primarily consisting of 1) € 100k of intangible investments, 2) roughly € 1.0m of tangible investments, including the activities aimed at improving the energy efficiency of the Italian production facility and, 3) the cash disbursement relative to the acquisition of 100%TurfRecyclers in Mar-24. **Net Equity stood at € 33.2m**.

Noteworthy, in July, **Radici Pietro entered into a preliminary agreement for the sale of a portion of the industrial facility** located in Cazzano Sant'Andrea, currently rented to a third-party. The transaction, whose closing is anticipated within Jan-2025, **will provide a cash-in to the tune of € 2.3m**, expected to free up resources to be redeployed to better use.



Estimates, Valuation & Risks

Radici Pietro 2024 interim results, characterised by high-single digit top line growth, once again showcased the **strategic diversification of the company across different product categories and geographical market served**, allowing the mitigation of operational risks. In fact, in H1-24, the outstanding performance of the Marine segment as well as a robust recovery of the Sport segment allowed to more than offset the modest slowdown in the Residential & Contract and the sharp contraction in the Automotive segments. EBITDA rose more than proportionally, benefitting from operating leverage effects.

Beyond higher revenues, **in the short-term profitability is expected to benefit from two main factors**: 1) the predicted investments aimed at completely renovate the lighting system of the Italian production facility as well as, 2) the growing share on total revenues of the Sport segment. Indeed, the recently-acquired 100%TurfRecyclers boasts margins well above the group's average.

Decent 2024 interim results and solid order backlog led the company's management to **confirm the projections of the 2024 Budget as regards Revenues** (€ 65.9m, + 17.6% YoY) and **EBITDA** (€ 6.6m, 10.0% margin, + 33.4% YoY).

Moreover, **the sale of a portion of the industrial facility** in Cazzano Sant'Andrea, whose closing is anticipated within Jan-2025, **will provide a cash-in to the tune of € 2.3m** and is expected to optimise the overall operation structure.

In view of H1-24 results release, we have updated our estimates by factoring in 1) a fine-tuning of Total Revenues, 2) a substantial revision in the mix, comprising a stronger progression of the Marine segment, above the 2024 Budget, as well as weaker performance of the Residential & Contract, 3) an upward revision in D&A charges and, 4) more favourable NWC dynamics. **The combined result is a slight decrease in Total Revenues and EBITDA in 2024-26, namely on average by 0.9% and 2.5%, respectively, along with a 27.0% cut in Net Debt in the same period.**

The decline of NFP is widely imputable to the **cash-in arising from the asset disposal in 2025** while we **prudentially did not factor in the potential capital gain** to be recognised on the income statement.

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

€ m	New	Old	Δ %.	Δ € m
Total Revenues	64.0	65.0	(1.6)	(1.0)
EBITDA	6.3	6.5	(3.5)	(0.2)
% margin	9.8	10.0		
EBIT	3.0	3.3	(7.8)	(0.3)
% margin	4.7	5.0		
Net Profit	1.7	1.9	(9.8)	(0.2)
% margin	2.6	2.9		
Net debt / (net cash)	15.3	18.2	(15.9)	(2.9)

Source: CFO SIM

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

€ m	New	Old	Δ %.	Δ € m
Total Revenues	69.5	69.9	(0.6)	(0.4)
EBITDA	7.4	7.6	(2.9)	(0.2)
% margin	10.7	10.9		
EBIT	4.3	4.5	(5.2)	(0.2)
% margin	6.1	6.4		
Net Profit	2.7	2.9	(6.9)	(0.2)
% margin	3.8	4.1		
Net debt / (net cash)	10.9	15.4	(29.1)	(4.5)

Source: CFO SIM

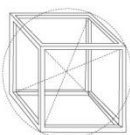


Table 6 – Radici Pietro, 2026e new/old estimates

€ m	New	Old	Δ %.	Δ € m
Total Revenues	74.8	75.2	(0.5)	(0.4)
EBITDA	8.4	8.5	(1.2)	(0.1)
% margin	11.2	11.3		
EBIT	5.3	5.4	(1.5)	(0.1)
% margin	7.1	7.2		
Net Profit	3.0	3.0	(0.4)	(0.0)
% margin	3.9	3.9		
Net debt / (net cash)	8.2	12.8	(36.1)	(4.6)

Source: CFO SIM

Moreover, we have updated the **DCF valuation criteria**, bringing the risk-free up to date (from 4.18% to 3.80%). **Our new DCF-based PT points to € 2.50/s (€ 2.20)**, with an upside of 131.5% from current price levels. **Buy reiterated.**

DCF

In our DCF-based valuation, we assess explicit estimates until 2028 and assume 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 7 – WACC derived from:

Interest costs, pre-tax	5.0%
Tax rate	27.5%
Int. costs, after taxes	3.6%
Risk premium, incl. small size premium	9.0%
Risk-free (10Y Gov. Bond 200 days simple moving average)	3.80%
Beta levered (x)	1.00
Required ROE	12.8%

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 8 – Radici Pietro, DCF model

	2024e	2025e	2026e	2027e	2028e	TV
EBIT	3.0	4.3	5.3	5.4	5.7	
Tax rate	4.5%	4.5%	20.0%	27.5%	27.5%	
Operating profit (NOPAT)	2.9	4.1	4.3	3.9	4.1	
Change working capital	(1.8)	(2.3)	(2.1)	(1.1)	(0.1)	
Depreciation	3.3	3.2	3.1	2.5	2.0	
Investments	(3.5)	(2.5)	(2.3)	(2.1)	(2.0)	
Free Cash Flows	0.9	2.4	3.0	3.2	4.0	45.2
Present value	0.8	2.2	2.4	2.4	2.7	30.1
WACC	10.0%	10.0%	10.0%	10.0%	10.0%	
Long-term growth rate	1.0%					

Source: CFO SIM

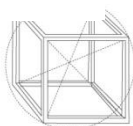


Table 9 – Radici Pietro, DCF derived from:

€ m	
Total EV present value €m	40.6
<i>thereof terminal value</i>	74%
NFP last reported	(16.0)
Pension provision	(1.1)
Minorities (valued at 10x PER)	(1.8)
Equity value €m	21.7
# shares m	8.81
Equity value €/s	2.50
% upside/(downside)	131.5%

Source: CFO SIM

The application of our DCF model returns **an equity value of Radici Pietro of € 21.7m, € 2.50/s (€ 2.20).**

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value between **€ 2.18 – 2.80/s (perpetuity range between 0.25% and 1.75%)**, while, 2) if compared to changes in the risk-free rate, it produces an equity value of **€ 2.20 – 2.77/s (risk-free range between 4.55% and 3.05%)** and, 3) if compared to changes in the risk premium, including small size premiums, it results in an equity value of **€ 1.96 – 3.11/s (risk premium range between 10.50 % and 7.50%)**.

Table 10 – 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	10.5	10.5	10.5	10.5	10.5	10.5	10.5
PV of terminal value	27.6	28.4	29.3	30.1	31.1	32.1	33.1
Total value	38.1	38.9	39.7	40.6	41.6	42.5	43.6
NFP last reported	(16.0)	(16.0)	(16.0)	(16.0)	(16.0)	(16.0)	(16.0)
Pension last reported	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)
Minorities	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)
Equity value € m	19.2	20.0	20.9	21.7	22.7	23.7	24.7
# shares m	8.8	8.8	8.8	8.8	8.8	8.8	8.8
Equity value €/s	2.18	2.27	2.37	2.50	2.57	2.69	2.80

Source: CFO SIM

Table 11 – Radici Pietro, equity value sensitivity to changes in risk-free rate

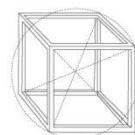
€ m	3.05%	3.30%	3.55%	3.80%	4.05%	4.30%	4.55%
Present value of CF	10.6	10.6	10.5	10.5	10.4	10.4	10.4
PV of terminal value	32.6	31.8	30.9	30.1	29.4	28.6	27.9
Total value	43.3	42.3	41.5	40.6	39.8	39.0	38.3
NFP last reported	(16.0)	(16.0)	(16.0)	(16.0)	(16.0)	(16.0)	(16.0)
Pension last reported	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)
Minorities	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)
Equity value € m	24.4	23.5	22.6	21.7	20.9	20.1	19.4
# shares m	8.8	8.8	8.8	8.8	8.8	8.8	8.8
Equity value €/s	2.77	2.66	2.56	2.50	2.37	2.29	2.20

Source: CFO SIM

Table 12 – 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	10.8	10.7	10.6	10.5	10.4	10.3	10.2
PV of terminal value	35.5	33.6	31.8	30.1	28.6	27.2	25.9
Total value	46.3	44.2	42.3	40.6	39.0	37.5	36.2
NFP last reported	(16.0)	(16.0)	(16.0)	(16.0)	(16.0)	(16.0)	(16.0)
Pension last reported	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)
Minorities	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)
Equity value € m	27.4	25.3	23.5	21.7	20.1	18.7	17.3
# shares m	8.8	8.8	8.8	8.8	8.8	8.8	8.8
Equity value €/s	3.11	2.88	2.66	2.50	2.29	2.12	1.96

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 13 – Radici Pietro, peer group summary table

€ m	Country	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA %	Sales CAGR ₂₃₋₂₆	EBITDA CAGR ₂₃₋₂₆	EBIT CAGR ₂₃₋₂₆	EPS CAGR ₂₄₋₂₆	NFP / EBITDA
Aquafil SpA	IT	79	583	64	10.9%	4.4%	24.9%	-299.7%	n.m.	3.1
Belysse Group NV	BE	31	289	42	14.5%	-0.3%	9.2%	21.7%	-25.5%	3.5
Interface Inc	US	972	1,199	162	13.5%	4.7%	14.6%	20.9%	18.0%	n.a.
Mohawk Industries Inc	US	8,941	9,815	1,334	13.6%	1.1%	5.5%	10.1%	13.7%	1.1
Somec SpA	IT	98	381	27	7.0%	4.8%	25.2%	158.0%	n.m.	2.4
Tarkett SA	FR	604	3,364	267	7.9%	n.a.	n.a.	n.a.	n.m.	1.5
Victoria PLC	UK	176	1,513	202	13.4%	3.3%	16.1%	-270.5%	-0.5%	3.3
Median		176	1,199	162	13.4%	3.8%	15.4%	15.5%	6.6%	2.8
Radici Pietro Industries & Brands SpA	IT	10	64	6	9.8%	10.1%	19.4%	46.4%	32.1%	2.4

Source: CFO SIM, Refinitiv Eikon

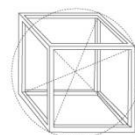


Table 14 – Radici Pietro, peer group EV multiples table

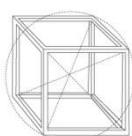
x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
Aquafil SpA	0.48	0.45	0.41	4.4	3.4	3.0
Belysse Group NV	0.62	0.58	0.54	4.2	4.0	3.6
Interface Inc	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Mohawk Industries Inc	1.06	0.97	0.90	7.8	6.8	6.1
Somec SpA	0.42	0.36	0.31	6.1	4.7	3.9
Tarkett SA	0.30	n.a.	n.a.	3.8	n.a.	n.a.
Victoria PLC	0.56	0.51	0.48	4.2	3.7	3.5
Median	0.52	0.51	0.48	4.3	4.0	3.6
Radici Pietro Industries & Brands SpA	0.39	0.29	0.24	3.9	2.8	2.1
% premium/(discount)	(25.3)	(42.4)	(50.2)	(8.3)	(30.4)	(42.3)

Source: CFO SIM, Refinitiv Eikon

Table 15 – Radici Pietro, peer group EV & price multiples table

x	EBIT FY1	EBIT FY2	EBIT FY3	PER FY1	PER FY2	PER FY3
Aquafil SpA	40.1	11.0	8.0	n.m.	24.1	5.5
Belysse Group NV	8.1	7.1	6.4	3.5	10.5	6.3
Interface Inc	n.a.	n.a.	n.a.	13.9	12.5	10.0
Mohawk Industries Inc	13.5	11.6	9.6	15.5	13.4	11.9
Somec SpA	26.3	12.1	8.0	n.m.	25.5	14.1
Tarkett SA	7.4	n.a.	n.a.	8.9	n.a.	n.a.
Victoria PLC	9.0	7.9	7.3	5.3	6.0	5.4
Median	11.2	11.0	8.0	8.9	13.0	8.1
Radici Pietro Industries & Brands SpA	8.2	4.8	3.3	5.6	3.6	3.2
% premium/(discount)	(26.8)	(56.5)	(58.6)	(36.7)	(72.3)	(60.4)

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 € 1.35/s on 11-Oct-23 and a minimum price of € 0.99/s on 22-Apr-24.

Table 16 – Radici Pietro, peer group and index absolute performance

%	1D	1W	1M	3M	6M	YTD	1Y
Aquafil SpA	(1.1)	(6.1)	(9.8)	(37.2)	(39.9)	(46.5)	(26.5)
Belysse Group NV	(1.7)	(1.7)	(4.4)	9.4	(7.4)	21.5	28.7
Interface Inc	0.5	(2.1)	2.9	29.2	11.5	45.1	93.1
Mohawk Industries Inc	0.2	(2.5)	3.8	41.4	24.3	50.3	90.4
Somec SpA	(2.4)	1.8	(16.5)	(15.7)	(4.4)	(50.2)	(50.9)
Tarkett SA	(3.4)	(4.4)	6.0	8.5	2.0	(1.1)	(6.9)
Victoria PLC	(2.7)	(4.9)	(0.5)	(18.1)	(51.5)	(57.2)	(70.5)
Median	(1.7)	(2.5)	(0.5)	8.5	(4.4)	(1.1)	(6.9)
Radici Pietro Industries & Brands SpA	(1.8)	1.9	4.9	(0.9)	(5.3)	(5.3)	(6.1)
MSCI World Index	0.4	0.0	4.0	3.2	8.3	16.6	29.2
EUROSTOXX	(0.3)	(0.4)	3.4	1.2	(0.5)	7.6	17.9
FTSE Italia All Share	(0.2)	(0.1)	1.6	(0.6)	(0.7)	10.4	21.6
FTSE Italia STAR	0.3	0.3	2.5	(3.1)	(2.2)	(3.2)	13.6
FTSE Italia Growth	0.1	0.2	1.8	(0.5)	(1.3)	(3.1)	(0.1)

Source: Refinitiv Eikon

Table 17 – Radici Pietro relative performances

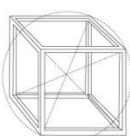
%	1D	1W	1M	3M	6M	YTD	1Y
To MSCI World Index	(2.2)	1.9	0.8	(4.1)	(13.5)	(21.8)	(35.3)
To EUROSTOXX	(1.5)	2.3	1.4	(2.1)	(4.8)	(12.9)	(24.0)
To FTSE Italia All Share	(1.6)	2.0	3.3	(0.3)	(4.5)	(15.7)	(27.7)
To FTSE Italia STAR	(2.1)	1.6	2.3	2.2	(3.1)	(2.0)	(19.6)
To FTSE Italia Growth	(1.9)	1.7	3.1	(0.4)	(4.0)	(2.1)	(6.0)
To Peers Median	(0.1)	4.4	5.3	(9.4)	(0.9)	(4.2)	0.8

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 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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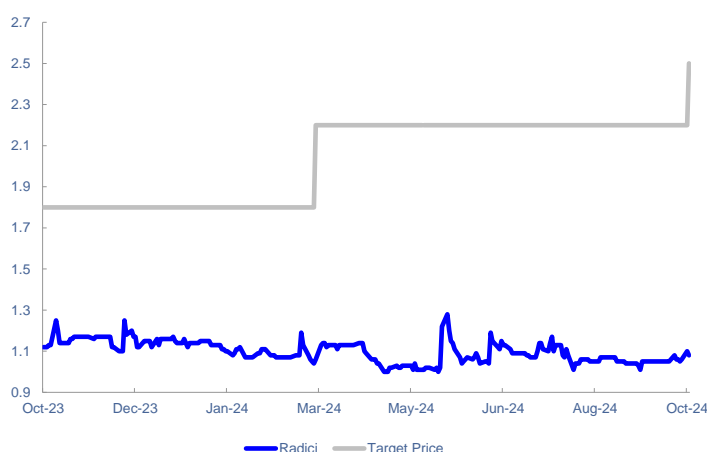
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DATE	TARGET PRICE	RATING
09/10/2024	€2.50	BUY
02/04/2024	€2.20	BUY
15/03/2024	€2.20	BUY
20/12/2023	€1.80	BUY
19/10/2023	€1.80	BUY
18/04/2023	€1.80	BUY

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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.

