Nice Footwear Spa

Sector: Footwear

Nice Footwear for stepping up

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Nice Footwear is an Italian player in the design, production and distribution of sports and leisure footwear, with own, licensed and third parties' collections. It has recently entered the women luxury segment and was listed on Euronext Growth Milan in November 2021.

Agile, light business model focused on sneakers (so far)

Nice Footwear story started as a producer of a small own brand, but since 2016 new shareholders have created a portfolio of five licenses and built a credible business to support international brands in their sport footwear strategy. Now it is one of the few firms that offer an end-to-end service, which includes design, development, production (mostly in Asia) and distribution. Back in June 2021, the company acquired a niche producer of women luxury shoes to expand its offer to premium "Made in Italy". Pro-forma FY21 revenues (April 2021A) are split as follows: own brand 6%, licensed brands 35%, special projects 48%, luxury manufacturing 11%.

Strategy: more own brands and more "Made in Italy"

The global sneaker industry has plenty of growth ahead (10% CAGR into 2025E) and the "must have" status achieved by athleisure is triggering a strong demand of end-to-end support from large fashion/lifestyle brands whose core business is not footwear. Nice Footwear intends to capture the rising demand of end-users via own brands and licenses, as well as the booming demand from brands via special collaborations (increasingly in the premium segment). In order to exploit this potential, the company defined an articulated growth strategy: (1) develop own brands and a DTC strategy; (2) increase exposure to "Made in Italy"; (3) strengthen distribution network; (4) M&A (brands, e-commerce).

Brilliant financial profile, with some execution risk

We expect the Group to keep growing fast (18% top line CAGR to €39mn by FY24E) while EBITDA should post a 22% 3yrs CAGR and allow a cumulated €8.5mn cash generation (incl. €4.6mn net IPO proceeds). Our model factors a few key assumptions: purchase of a new premium brand (joint venture) by end of FY23E, widening of Ellesse license in FY24E, sizeable cross selling in special projects (23% revenues CAGR to FY24). Yet, additional M&A and re-leverage potential are not factored at this stage.

€16.0 Fair Equity value per share

We set our fair value per share at €16.0, based on peers' relative multiples and DCF. Stock would trade at implied EV/Sales multiples of 1.2x-1.0x and EV/EBITDA Adj. multiples of 10.1x-7.9x for FY22E-FY23E (i.e. ending April 2022-23). Fair multiples are aligned to closest domestic peers and imply a discount in excess of 30% vs. international leaders.

Fair Value (€)	**16.0**
Market Price (€)	**12.9**
Market Cap. (€m)	**26.3**

KEY FINANCIALS (€mn)	4/2021A	4/2022E	4/2023E
REVENUES FROM SALES	23.7	26.7	31.9
EBITDA ADJ	2.8	3.2	4.0
EBIT ADJ	1.8	2.1	3.0
NET PROFIT ADJ	1.1	1.3	1.9
EQUITY	4.0	11.3	13.3
NET FIN. POS.	-4.7	1.8	2.2
EPS ADJ. (€)	0.8	0.7	0.9
DPS (€)	0.0	0.0	0.0

Source: Nice Footwear (historical figures). 4/2021A data are pro-forma Value Track (2022E-23E estimates)

KEY RATIOS	4/2021A	4/2022E	4/2023E
EBITDA MARGIN (%)	11.7	11.9	12.7
EBIT MARGIN (%)	7.7	8.0	9.6
NET DEBT / EBITDA (x)	1.7	nm	nm
NET DEBT / EQUITY (x)	1.2	0.0	0.0
EV/SALES (x)	1.0	0.9	0.8
EV/EBITDA ADJ(x)	8.6	7.8	6.0
EV/EBIT ADJ (x).	13.2	11.6	8.0

Source: Nice Footwear (historical figures). 4/2021A data are pro-forma Value Track (2022E-23E estimates). 4/2022E data are adjusted for IPO Tax Credit of €425k

STOCK DATA	
FAIR VALUE (€)	16.0
MARKET PRICE (€)	12.9
SHS. OUT. (m)	2.05
MARKET CAP. (€m)	26.3
FREE FLOAT (%)	26.83
AVG. -20D VOL. (#)	33,692
RIC / BBG	NFT.MI / NFT IM
52 WK RANGE	12.50-17.49

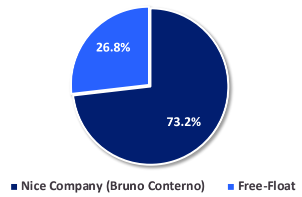
Source: Stock Market Data

EQUITY RESEARCH PRODUCED ON BEHALF OF BPER BANCA ACTING AS SPECIALIST ON NICE FOOTWEAR SHARES

Business Description

Nice Footwear is the Italian partner of reference for the design, production and distribution of sports and leisure footwear. These "shoe trends architects" provide a wide offer, reaching consumers with a proprietary label (Kronos), licenses and third parties brands ("special projects"). Thanks to a highly digitalized approach, a full control on the whole supply chain, the exposure to the "Made in Italy" luxury segment and the international presence of the Group, Nice Footwear is set for a sharp growth from here on out.

Shareholders Structure



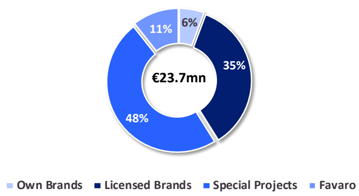
Source: Nice Footwear

Key Financials

€'000	4/2021PF	4/2022E	4/2023E	4/2024E
Revenues from Sales	**23,655**	**26,745**	**31,912**	**38,956**
Chg. % YoY	-2.5%	13.1%	19.3%	22.1%
Value of Production	**24,278**	**27,470**	**31,912**	**38,956**
Chg. % YoY	-1.5%	13.1%	16.2%	22.1%
EBITDA Adjusted	**2,774**	**3,184**	**4,047**	**5,022**
EBITDA Margin (%)	11.7%	11.9%	12.7%	12.9%
EBIT Adjusted	**1,817**	**2,131**	**3,070**	**3,997**
EBIT Margin (%)	7.7%	8.0%	9.6%	10.3%
Net Profit	**1,118**	**1,731**	**1,890**	**2,522**
Chg. % YoY	97.4%	54.8%	9.2%	33.4%
Net Profit Adjusted	**1,154**	**1,306**	**1,890**	**2,522**
Chg. % YoY	nm	13.2%	44.7%	33.4%
Net Fin. Position	**-4,682**	**1,799**	**2,156**	**3,802**
Net Fin. Pos. / EBITDA (x)	1.7	nm	nm	nm
Capex	-1,620	-1,917	-1,292	-1,392
OpFCF b.t.	**-1,180**	**1,725**	**2,190**	**3,002**
OpFCF b.t. as % of EBITDA	-42.5%	47.8%	54.1%	59.8%

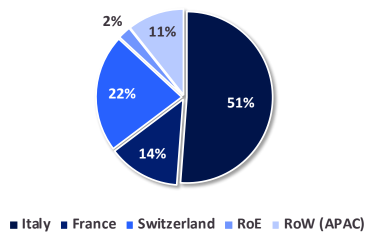
Source: Nice Footwear (historical figures), Value Track (estimates);
EBITDA, EBIT, Net Profit are adjusted net of the IPO Tax Credit of €425k

Sales breakdown by products



Source: Nice Footwear

Sales breakdown by geography



Source: Nice Footwear

Investment case

Strengths / Opportunities

- Sneakers as a "must have", fastest growing sector of the footwear industry
- End-to-end business model, from design to distribution, keeping full control on each step of the supply chain
- Favaro acquisition giving access to the luxury "Made in Italy" segment
- High digitalization level determining material time and costs savings

Weaknesses / Risks

- Small size and only 1 proprietary brand vs. large US and Asia brand owners
- Lack of Direct-To-Consumer channel that would provide higher margins
- Potential concentration risk on suppliers

Stock multiples @ €16.0 Fair Value

	4/2022E	4/2023E
EV / SALES (x)	1.2	1.0
EV / EBITDA Adj. (x)	10.1	7.9
EV / EBIT Adj.(x)	15.1	10.4
EV / CAP.EMP. (x)	3.4	2.9
OpFCF Yield (%)	5.4	6.9
P / E Adj. (x)	25.8	17.8
P / BV (x)	2.9	2.5
Div. Yield. (%)	0.0	0.0

Source: Value Track (VT base-case scenario)

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Special thanks to Emanuele Sessa for his cooperation in writing this report

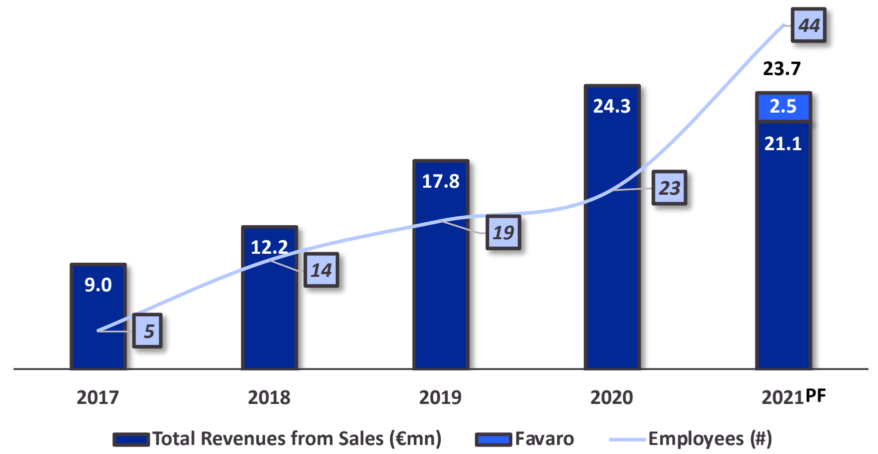
Nice Footwear at a glance

Nice Footwear ("the Group", "the Company") is the Italian partner of reference for the design, production and distribution of sports and leisure footwear. It has recently entered the women luxury segment with the acquisition of Favaro Manifattura Calzaturiera and is listed on Euronext Growth Milan since November 2021. The Group manages its own brand Kronos and five brands under license agreements (Lotto, Ellesse, Conte of Florence, Fred Mello, Avirex), as well as the design and production of sneakers for third parties, all belonging to the "athleisure" segment.

Key differentiators for the Company are the full control over the entire value chain, the highly digitalized approach, and the exposure to the luxury footwear segment.

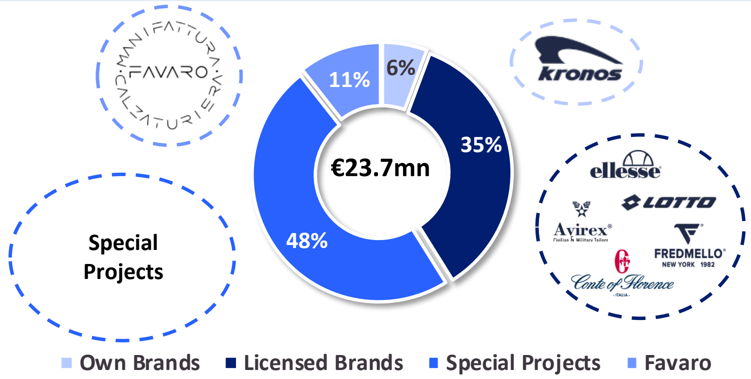
Nice Footwear manufactures ca. 2mn shoes per year, with 2,500 new items and pro-forma revenues of €23.7mn (FY ended in April 2021), out of which approximately 50% generated in Italy.

Nice Footwear: Revenues and number of employees (FY 4/2017-FY 4/2021PF)



Source: Nice Footwear

Nice Footwear: Revenues 2021PF Breakdown and Brands Portfolio



Source: Nice Footwear

Nice Footwear: Group presence over the entire value chain

Source: Nice Footwear

Executive Summary

An end-to-end solution provider for mass and premium footwear

Nice footwear is **totally focused on footwear with a twofold business model**: it develops, produces and distributes sneakers for its small **proprietary brand and a chunk of tier-2 licensed brands** and, on the other hand, it develops and produces **sneakers for third parties** ("special projects" division). In addition, in June 2021, management has acquired a niche luxury shoe manufacturer, adding the luxury "Made in Italy" segment to their style and manufacturing offer.

Since the entrance of the current major shareholder and CEO, the Company 1) has posted a CAGR of 27% (2017FY17-2021PF), despite the Covid-19 outbreak; 2) has acquired five new licenses and 3) has created the €11.4mn revenues "special projects" division from scratch, now representing ca 48% of Group FY21 revenues (pro-forma).

Plenty of room for additional growth

The **sneaker** industry has still plenty of growth ahead, with global revenues forecasted to post a **10.3% CAGR into 2025E**, based on a number of structural trends. Sneakers have become a "must have" in all fashion collections, for any brand wherever positioned. This goes beyond the **increasing demand of shoes from end-users** (consumers), as it also has triggered a **strong demand of end-to-end support from large fashion/lifestyle brands**, especially those whose core business is not footwear centric.

Hence, Nice Footwear can capture both the rising demand of end-users - via own brands and licenses – and the soaring demand of collaborations and end-to-end support from international brands. Also, following the acquisition of Favaro (top-end shoe manufacturing "Made in Italy") the Company is well positioned to offer support on the entire value chain and from brand/mass products to exclusive and luxury collections.

Favaro acquisition: very attractive in terms of price and potential

In June 2021, Nice Footwear has **acquired 80%** of **Favaro Manifattura Calzaturiera S.r.l.** ("Favaro") for €800k, with the aim of increasing vertical integration, entering the premium/luxury women footwear segment and acquiring the *know-how* and status of "Made in Italy" shoe manufacturer for the future diversification of its sneakers' offer. The price paid for the acquisition appears extremely attractive, as it implies an Enterprise Value of ca. €950k compared to €2.5mn revenues (0.4x) and €449k EBITDA (2.1x). Despite the integration costs required and the very limited spare production capacity, **the deal seems extremely attractive** also in light of:

- Growth potential of Favaro itself (currently capped by capacity constrains);
- Sizeable cost synergies (integration of sites, digitalization of the development and sample phase, process standardization and best practice sharing);
- Revenues synergies, namely cross selling opportunities for special projects to global brands;
- Specific *know-how* transfer, i.e. Favaro should allow Nice Footwear to launch premium models/collections for sneakers.

High digitalization and strong ESG profile despite the small size

Nice Footwear has been boasting a **high digitalization level** since its inception, allowing for the dematerialization of the developing and sampling process as well as a material reduction of sample collections, which in turn leads to material **savings both in terms of time and costs** –other than representing a much **more effective** alternative in supporting operations in times of limited travelling and social distancing.

Moreover, Nice Footwear value chain is characterized by **sustainable processes, certifications** of environmental and ethical practices as well as by the presence of **eco-sustainable shoe models** (e.g. Fred Mello Lincoln model, F/W 2021), putting the Group in a favourable position to lead the trend towards 100% eco-sustainable sneakers. Indeed, the Company issued its first Sustainability Report for FY2020.

Significant growth and FCF generation according to our forecasts

In order to exploit the Group growth potential, management defined an **articulated growth strategy**: (1) strengthen own brands and develop a Direct-To-Consumer strategy; (2) increase exposure to "Made in Italy" via capacity increase, synergies and cross selling in the premium segment; (3) enhance distribution network and value chain control, firstly in Asia; (4) M&A (brands, e-commerce).

As a result of the above actions, we expect Nice Footwear to keep growing quite fast, forecasting **a 18% top line CAGR to €39mn by 2024E**. Over the same period, EBITDA should post a 22% CAGR, with EBITDA margin at 12.9% by 2024E. We also expect a **cumulated deleverage of €8.5mn** in the next three years, including €4.6mn of net proceeds of the IPO finalized in November 2021.

Our model factors a few key assumptions: a) purchase of a new premium brand (in partnership) by the end of FY23E, b) widening of the Ellesse license in FY24E, c) sizeable cross-selling in special projects (revenues CAGR of 23% to FY24). On the other hand, we also assume d) *Conte of Florence* license to be discontinued due to uncertain licensor's outlooks and we do not include yet **a few additional activities potentially viable by the Group** (e.g. a DTC platform and further M&A), made possible by the solid financial situation and the re-leverage potential post IPO, as well as the prospective **upside for Favaro growth**.

€16.0 fair Equity Value per share

In order to evaluate the business, we used two methodologies: DCF model and relative peers' multiples. However, given the difficulty to find truly comparable companies, we built and analyzed three different panels of peers to benchmark on key features (e.g. business mix, size, channels) and value drivers (growth, margins).

We initiate coverage on Nice Footwear with a **€16.0 Equity Value p/s** (ca. €34mn Equity Value), based on outstanding number of shares and including the full exercise of the warrants issued at IPO (while at the moment we are not considering the impact of "Detachable Warrants", as they are still incorporated into the shares). At fair value, the stock would trade at.**1.2x-1.0x EV/Sales and 10.1x-7.9x EV/EBITDA for FY2022E-2023E** (i.e. April 2022- April 2023). This is aligned to the selected domestic peers and to the consumer good names listed on Euronext Growth Milan. On the other hand, it implies a material discount to the group of large international brands identified (average top line of €2.7bn). Those companies represent potential clients of Nice Footwear but they do enjoy much richer market ratings, supported by sounder margins, returns on capital and balance sheets.

A few potential risks / weaknesses

Business is young and small, with a certain execution risk

Nice Footwear turnover is still small if compared to listed peers in the footwear market, whether they are brand owners or large European and Asian manufacturers. Also, the Company is **relatively young** as it entered its core business segments (licensee and designer/manufacturer for third parties) only in 2016.

Despite a management team characterized by a high level of seniority, strong experience in the sector and a good track record, we see a **certain execution risk** attached to the Company growth strategy. In particular, we expect Nice Footwear management to add a premium brand shortly, to recover the license of Ellesse in key markets such as France and Benelux, to integrate Favaro successfully and to double its special collaborations' business both in Europe and Asia.

Still high concentration among clients and suppliers

The company may face a potential **concentration risk on both suppliers' and brands' sides.**

As for its suppliers, the first two **Chinese** providers – part of the same conglomerate – still deal with 44% of total purchases, despite a gradual diversification policy in place. Also, the Chinese market represents almost 90% of total finished good purchases. Hence, despite the Company boasts suppliers also in other Asian countries, sudden crises, price hikes or shortages in China may impact Nice Footwear supply chain and business.

As for brands, those under license represent ca 35% of total revenues, with **Ellesse** alone weighting for about 23% of total. In addition, the top two "special projects-brands" account together for 32% of total revenues. Hence, the loss of a large license (e.g. Ellesse) or of one of key clients of special projects would have a material short-term impact on sales and margins.

Portfolio includes tier 2 brands and limited geographic exposure, with no DTC yet

As of today, Nice Footwear's only own brand is Kronos, a brand currently focused on men and kids collections and specialized in soccer and basket sneakers, with an appeal limited to the domestic market. At the moment, even including licenses - which are focused on Italy, France and Switzerland - the Company sells all its products in Europe.

Therefore, the **Company will need** to carry material **investments a) in own brands (both Kronos and new ones)** to get this business line to a certain scale and to allow a profitable DTC (Direct-To-Consumer) strategy and **b) in stronger distribution networks in Europe, Asia** and, in the longer run, United States.

Lastly, we see **the lack of a DTC channel** (namely an e-commerce platform) as a weak point, as the Group would be able to sell products directly to consumers at higher margins, as well as to get first-party data and capitalize on direct contact-points with end-users.

Valuation

Averaging peers multiple analysis and DCF valuation methods, we initiate coverage on Nice Footwear with a €16.0 equity value p/s (ca. €34mn equity value), based on outstanding number of shares and including the slightly dilutive effect of the full exercise of outstanding warrants. At fair value, the stock would trade at 1.2x-1.0x EV/Sales and 10.1x-7.9x EV/EBITDA over 2022E-2023E (i.e. FY ending April 2022-April 2023).

DCF methodology returns a €17.1 fair value per share, based on a 10.5% WACC and a 2% perpetuity growth rate. Peers analysis comprehends large international footwear brand owners, Italian groups focused on footwear and/or with business models similar to Nice Footwear, as well as small Italian consumer goods companies listed on Euronext Growth Milan. Applying domestic peers average multiples to Nice Footwear financials, relative valuation returns a value of €14.9 p/s.

The traditional business of Nice Footwear (footwear) hints at very traditional techniques such as DCF and relative peer multiples as core valuation methodologies. However, its particular and articulated business model – own brands, licenses, third parties' manufacturing – outlines a challenging identification of appropriate peers.

Overall, our valuation suggests a **€16.0 fair Equity Value per share**, implying **1.2x-1.0x EV/Sales and 10.1x-7.9x EV/EBITDA multiples for FY2022E-23E** (FY to April 2022E-23E).

Nice Footwear: Sensitivity of implicit stock trading multiples between €14.5 p/s and €17.5 p/s

Equity Value (mn)	EV / Sales (x)		EV / EBITDA Adj. (x)		EV / EBIT Adj. (x)		P/E Adj. (x)	
	4/2022E	4/2023E	4/2022E	4/2023E	4/2022E	4/2023E	4/2022E	4/2023E
€ 14.5	1.1	0.9	9.1	7.1	13.6	9.3	23.4	16.1
€ 15.0	1.1	0.9	9.4	7.3	14.1	9.7	24.2	16.7
€ 15.5	1.2	1.0	9.8	7.6	14.6	10.0	25.0	17.3
€ 16.0	**1.2**	**1.0**	**10.1**	**7.9**	**15.1**	**10.4**	**25.8**	**17.8**
€ 16.5	1.2	1.0	10.4	8.1	15.6	10.7	26.6	18.4
€ 17.0	1.3	1.1	10.8	8.4	16.1	11.0	27.4	18.9
€ 17.5	1.3	1.1	11.1	8.6	16.6	11.4	28.2	19.5

Source: Value Track Analysis *EBITDA, EBIT, Net Profit 2022E are adjusted for IPO Tax Credit of €425k*

Peers' Analysis

Peers' analysis leads to a **€14.9 fair Equity Value p/s**, based on selected Italian comparables' EV/Sales and EV/EBITDA multiples for FY2021E and FY2022E.

Choice of comparables

Given the peculiarity of Nice Footwear business model, it is not straight-forward to identify appropriate direct comparables. Consequently, we focused on companies boasting one or a combination of the following features, namely:

a) articulated **business model** that is exposed to brands (more or less appealing, owned or under licenses) as well as to traditional B2B manufacturing;

b) single **product** proposition, i.e. footwear;

c) relatively limited track record and **size**, in absolute terms or relative to the reference industry.

The final outcome is that we need to consider more clusters in order to bring to the valuation exercise all the above components of Nice Footwear investment case, i.e. business model, product and size. In particular we have adopted the following peers' group:

- "**International Footwear Leaders**" - The large international brands owners of the sport footwear industry, including companies such as Skechers, Crocs, Wolverine World Wide. Worthy to note, "hotshot" groups such as Nike, Adidas and Puma were not included in our sample because of the high incidence on total sales from non-footwear products (i), the substantial retail and B2C exposure (ii), and the business model totally dependent on own iconic brands (iii);
- "**Selected Italian Players**" - The Italian names that we consider are close to the Company either because of the product (footwear, Geox) or because of the business model (Pattern in outerwear and Safilo in eyewear);
- "**Italian Consumer Goods Small & Mid Cap**" - The smaller domestic names listed on Euronext Growth Milan and exposed to various consumer sectors (both as B2B and B2C), even if far from apparel/accessories.

Additional peers' details and description can be found in the Appendix.

Nice Footwear: International Footwear Leaders (at EUR/USD 1.12)

- **Crocs, Inc.**: Casual Foootwear – Market Cap: €8.5bn – Sales: €1.2bn
- **Skechers USA, Inc.**: Footwear, Apparel, Accessories – Market Cap: €6.2bn - Sales: €4.1bn
- **Steven Madden, Ltd.**: Footwear, Apparel, Accessories– Market Cap: €3.3bn - Sales: €1.1bn
- **Wolverine World Wide, Inc.**: Footwear – Market Cap: €2.3bn - Sales: €1.6bn
- **Deckers Outdoor Corporation**: Footwear – Market Cap: €9.7bn - Sales: €2.3bn
- **CCC S.A.**: Footwear, Consumer Goods - Market Cap: €1.2bn - Sales: €1.2bn
- **Yue Yuen Industrial**: Footwear – Market Cap: €2.5bn - Sales: €7.5bn

Nice Footwear: Selected Italian Players

- **Pattern**: Apparel – Market Cap: €87.7mn – Sales: €52.6mn
- **Geox Spa**: Footwear – Market Cap: €270.5mn – Sales: €535.0mn
- **Safilo Group Spa**: Eyewear – Market Cap: €424.6mn – Sales: €780.0mn

Italian Consumer Goods Small & Mid Cap

- **Gibus**: Furniture - Market Cap: €80.1mn - Sales: €45.1mn
- **Fope**: Jewlery - Market Cap: €62.5mn - Sales: €26.0mn
- **Euro Cosmetic**: Cosmetics - Market Cap: €40.9mn - Sales: €27.8mn
- **Cover 50**: Luxury trousers - Market Cap: €36.1mn - Sales: €21.9mn
- **Culti Milano**: Household and Personal Care – Market Cap: €40.9mn – Sales: €13.5mn
- **Monnalisa**: Childwear clothing - Market Cap: €20.3mn - Sales: €33.0mn
- **G.Fedon**: Style accessories - Market Cap: €16.0mn - Sales: €43.3mn
- **Trendevice**: Mobile electronic devices - Market Cap: €13.8mn - Sales: €9.8mn
- **Gismondi**: Jewlery - Market Cap: €12.8mn - Sales: €6.8mn

Source: Various, Value Track Analysis

Nice Footwear vs peers: business model, size, growth and profitability

In order to better understand the rationale behind the different market ratings of the stocks considered, we run a benchmark on a few levels.

- When comparing Nice Footwear to its peers in terms of **business model**, we note a strong similarity with Pattern (and to some extent Safilo), as it generates most revenues from third parties' manufacturing (akin to Nice Footwear's special projects). All international leaders generate the great majority of their sales from footwear products, hence sharing the "footwear-only" trait of Nice Footwear - despite most of them have a visible (and growing) exposure to retail and e-commerce, according to a growing focus on DTC strategies in the industry.

Nice Footwear: Peers' Business Model

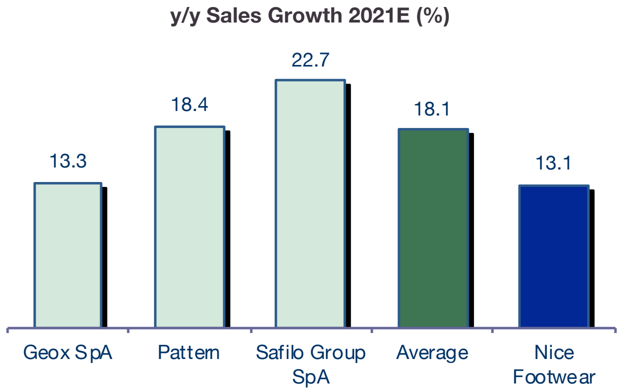
Company	Revenues model			Product Mix		Channels	
	Own Brands	Licenses	Third Parties	Footwear	Others	Wholesale B2B	DTC
International Footwear Leaders							
Crocs, Inc.	✔			100%	0%	50%	50%
Skechers USA, Inc.	✔			n.a.	n.a.	73%	27%
Steven Madden, Ltd.	✔	✔	✔	79%	21%	80%	20%
Wolverine World Wide, Inc.	✔	✔		n.a.	n.a.	75%	25%
Deckers Outdoor Corporation	✔			100%	0%	58%	42%
CCC S.A.		✔		79%	21%	5%	95%
Yue Yuen Industrial		✔	✔	100%	0%	100%	0%
Selected Italian Players							
Pattern			✔	0%	100%	100%	0%
Geox SpA	✔			82%	18%	56%	44%
Safilo Group SpA	✔	✔	✔	0%	100%	n.a.	n.a.
Italian Consumer Goods Small Cap	✔	✔	✔		✔	✔	✔
Nice Footwear	✔	✔	✔	**100%**	**0%**	**100%**	**0%**

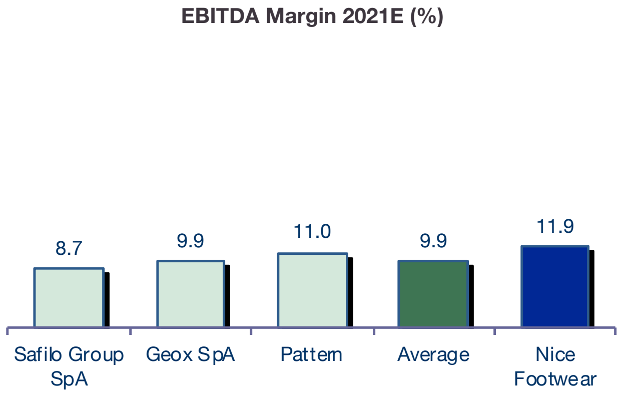
Source: Value Track Analysis *(*)"Direct-to-consumers", including online sales*

- In terms of **size**, international footwear leaders posted revenues above €1bn in 2020FY, owning or having licenses of renowned brands, with a global appeal and geographic exposure. While Skechers is the largest American group included in the panel (~€4.1bn revenues FY20), Yue Yuen is the Hong-Kong-based giant in the athletic and casual footwear manufacturing and retail industry with over €7.5bn in sales reported in FY20. On the other hand, Pattern, Geox and Safilo all have revenues below €1bn, with an average of ca. €460mn in FY20. Italian small caps do not reach €50mn in sales, representing the closest peers to Nice when dealing with size metrics.
- Regarding **growth and profitability**, Nice Footwear is in line with respect to the selected Italian pool of comparables, however lagging behind international peers:
  - Among Italian comparables, Nice Footwear y/y growth is below the average (however Revenues CAGR 2019A-22E is above), while EBITDA margins are very much aligned, signaling the similarity of business models. In addition, Nice reports a better ROIC (20.5%) than Italian peers (16.8%);
  - Average sales growth rate is much higher (ca. 35%) if we look at global footwear leaders. However, considering the 2019A-22E revenues CAGR, Nice Footwear is expected to grow stronger than the total average (including international players, ca. 12.6% vs. 11.3%). Also in terms of EBITDA growth, we record a much better CAGR 2019A-22E for Nice Footwear with respect to the total average (33.6% vs 16.1%). EBITDA margins are higher for international

peers, as these companies have DTC ("direct-to-consumers") sales points such as retail stores and e-commerces. Still, data is scattered depending on the focus of each company on the different ends of the value chain.

Nice Footwear: Industrial performance (*) vs. Selected Italian Players

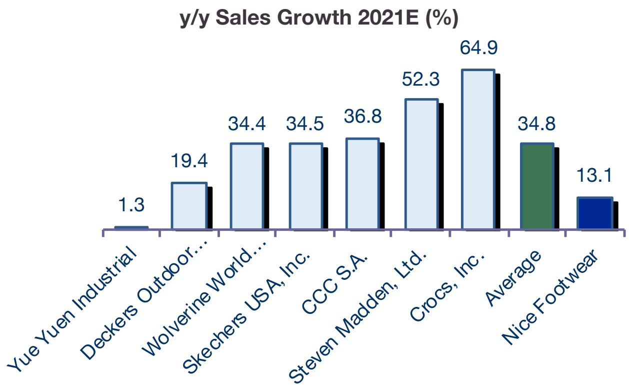


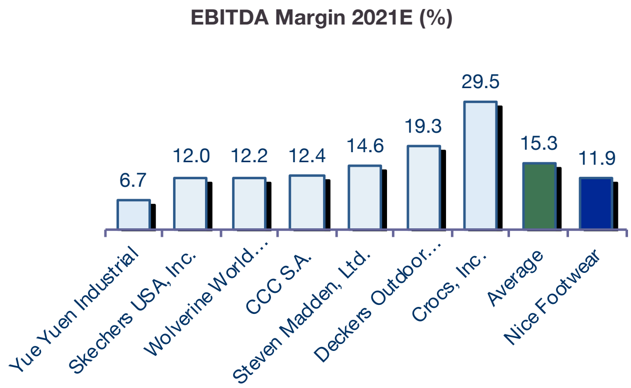


Source: Market Consensus, Value Track Analysis

(*)Nice Footwear 2021Efigures correspond to April 2022E

Nice Footwear: Industrial performance (*) vs. International Footwear Leaders

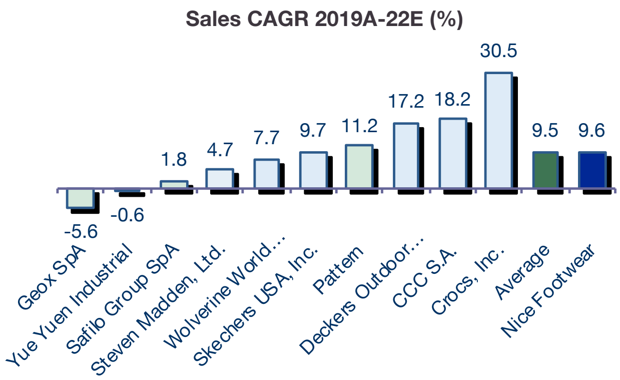


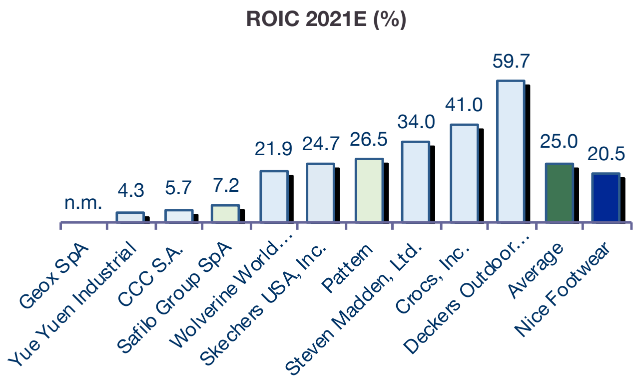


Source: Market Consensus, Value Track Analysis

(*)Nice Footwear 2021E figures correspond to April 2022E

Nice Footwear: Industrial performance (*) vs. all Peers





Source: Market Consensus, Value Track Analysis

(*)Nice Footwear 2019A-2022E figures correspond to April 2020A-April 2023E

Key relative multiples

In terms of multiples, we concentrate on EV/Sales and EV/EBITDA, as the most representative for the analyzed market (see the Appendix for more details and for multiples on single stocks).

As for the market ratings of the three panels, we highlight:

- International footwear leaders trading at 1.9x-1.6x EV/Sales and 11.1x-9.2x EV/EBITDA on FY2021E-2022E respectively. The cluster is dominated by US-based players such as Crocs, Deckers and Steven Madden, with 2021E EV/EBITDA levels over 13x, driven by above average profitability margins, outstanding ROIC values and net cash positions;
- Selected Italian players trading at average multiples of 1.0x-0.9x EV/Sales and 10.1x-7.4x EV/EBITDA for FY2021E and 2022E;
- Italian consumer good small caps trading at higher EV/Sales, thanks to their higher revenues growth expectations compared to more mature Italian names.

The table below reports average and median multiples of the three panels considered and, not surprisingly, domestic peers' multiples imply a discount with respect to global leaders, which has been steadily widening, and currently averages around 32%.

Nice Footwear: Peers' stock trading multiples

Peers Cluster	Market Cap (€mn)	EV / Sales (x)		EV / EBITDA (x)	
		2021E	2022E	2021E	2022E
International Footwear Leaders - Average	**4,703**	**1.9**	**1.6**	**11.1**	**9.2**
International Footwear Leaders – Median	3,437	1.3	1.1	10.5	8.6
Selected Italian Players - Average	**267**	**1.0**	**0.9**	**10.1**	**7.4**
Selected Italian Players - Median	271	1.0	0.8	10.1	6.5
Discount (-) / Premium vs. International Leaders Average	*n.m.*	*-45%*	*-47%*	*-8%*	*-20%*
Italian Consumer Goods Small &-Mid cap – Average	**35**	**1.2**	**1.0**	**8.3**	**6.3**
Italian Consumer Goods Small &-Mid cap – Median	35	1.1	1.0	8.2	6.4
Discount (-) / Premium vs. International Leaders Average	*n.m.*	*-37%*	*-40%*	*-25%*	*-31%*

Source: Market Consensus, Value Track Analysis

On the back of the benchmark carried in the previous section and the considerations above, we get to the following conclusions:

1. **International leading players may be more a reference and potential long-term target** for Nice Footwear, **rather than direct valuation peers**, given the gap in terms of brand positioning, international presence, DTC strategies, consolidation potential;
2. **Focus on selected Italian players and domestic small caps** of the consumer goods' sector to evaluate Nice Footwear.

Hence, our Equity Value range is determined by applying **domestic peers average EV/Sales and EV/EBITDA multiples for FY2021E and FY2022E** to Nice Footwear FY2022E (ending April 2022E and adjusted for IPO Tax Credit of €425k) and FY2023E (ending April 2023E) financials.

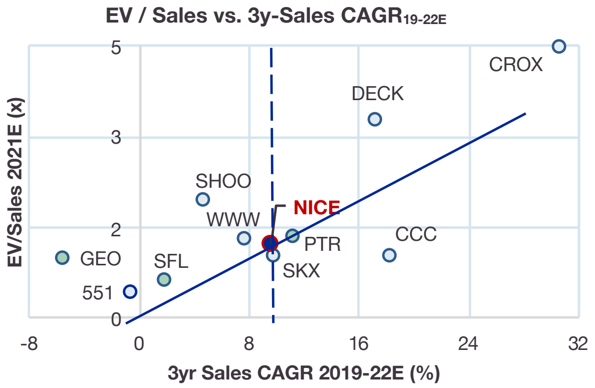
Nice Footwear: Valuation at "Fair" Multiples

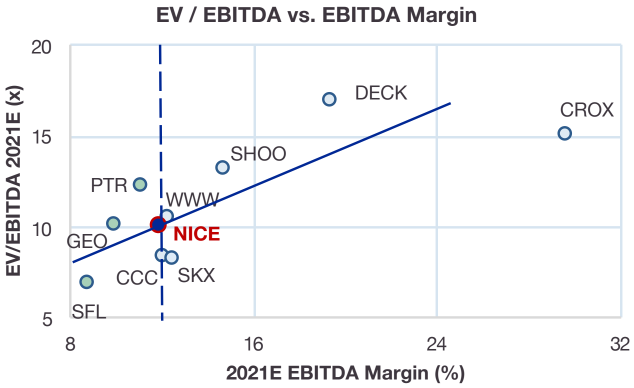
Peers Cluster	EV/Sales (x)		EV/EBITDA (x)	
	2021E	2022E	2021E	2022E
Selected Italian Players – Avg Multiples	1.0	0.9	10.1	7.4
Italian Consumer Goods Small-Mid Cap – Avg Multiples	1.2	1.0	8.3	6.3
Nice Footwear Valuation (€mn)	**4/2022E**	**4/2023E**	**4/2022E**	**4/2023E**
Equity Value (based on Selected Italian Players)	29.2	29.3	33.8	31.7
Equity Value (based on Italian Cons. Goods S/M Caps)	33.3	32.8	27.9	27.3
Nice Footwear Implied Equity Value (Average)	30.7			
Proceeds from Outstanding Warrants	0.7			
Nice Footwear Fair Equity Value (diluted)	31.4			
NOSH (incl. exercise Outstanding Warrants) (mn)	2.1			
Nice Footwear Fair Equity Value p/s (€)	**14.9**			

Source: Value Track Analysis. Peers' 2021E-22E multiples are applied to Nice Footwear financials of FY ending April 2022E-23E respectively

The following valuation maps show correlation patterns between profitability, growth and multiples of Nice Footwear (at €16.0 fair value p/s), of selected Italian players, as well as of the international leaders.

Nice Footwear: Value Maps vs all peers





Source: Market Consensus, Value Track Analysis

Nice Footwear 2021E figures correspond to April 2022E

Discounted Cash Flow model

Our main assumptions for DCF are a) 0% debt target capital structure, i.e. Nice Footwear being able to generate steady free cash flows while not recurring to additional debt financing in the future; b) 10.5% WACC (matching the cost of equity); c) perpetuity growth rate ranging between 1.5% and 2.5%.

The model leads to a **€17.1 fair Equity Value per share**.

DFC – Key Assumptions

- 2022E (April 2022) used as base year for valuation and financial forecasts starting from 2023E to 2030E;
- 2.0% risk free rate in line with medium term target inflation;
- Unlevered Beta at 0.96 (average between Shoe and Apparel industries) and Implied Equity Risk premium ERP at 6.23% (see Damodaran online web site);
- 2.5% Small Size Risk Premium, appropriate when dealing with small sized companies;
- 3.8% after-tax cost of debt implicitly calculated considering the above-mentioned 2.0% risk free rate to which a 3.0% credit spread is added;
- WACC adding up to 10.5%, matching Nice Footwear cost of equity already as of 2023E;
- Terminal value at 2030E obtained applying a 1.5%-2.5% Perpetuity Growth Rate range.

Nice Footwear: DCF model outcome

	€mn
PV of future Cash flow FY 2023E-2030E	13.4
PV of Terminal Value @ 2030E with g=2.0%	20.5
Fair Enterprise Value	**33.8**
Net Fin. Position 2022E (April 2022)	1.8
Minorities (Favaro 20%)	-0.3
Fair Equity Value	**35.4**
Proceeds from Outstanding Warrants	0.7
NOSH (incl. exercise of Outstanding Warrants)	2.1
Fair Equity Value per share (€)	**17.1**

Source: Value Track Analysis

Nice Footwear: DCF Sensitivity Analysis - Equity Value p/s

Equity value		Perpetuity Growth Rate				
		1.0%	**1.5%**	**2.0%**	**2.5%**	**3.0%**
WACC	**9.5%**	18.06	18.76	19.56	20.47	21.52
	10.0%	16.99	17.59	18.27	19.04	19.93
	10.5%	16.03	16.55	**17.14**	17.80	18.55
	11.0%	15.17	15.63	16.14	16.70	17.34
	11.5%	14.39	14.80	15.24	15.73	16.28

Source: Value Track Analysis

Valuation Summary

Our €16.0 fair value per share is calculated on a dilutive scenario, i.e. considering the full conversion of 54,990 "Warrant Nice Footwear 2021-2026" issued at IPO. Warrants have a €13.0 strike price and can be exercised on nine different periods between October 2022 and October 2026. Worthy to note, our base case is not properly a fully-diluted scenario, as at the moment we are not considering the impact of 204,990 "Detachable Warrants" (whose estimated market value is €0.02 per warrant at average recent stock price of €13.20 p/s) as they are still incorporated into Nice Footwear shares (to be detached in September 2022).

Nice Footwear: Valuation Summary

	DCF	Multiples	Average
Current Situation – Outstanding NOSH			
Fair Equity Value (€mn)	35.4	30.7	33.0
Number of Shares (mn)	2.0	2.0	2.0
Fair Equity Value p/s	**17.25**	**14.96**	**16.11**
Base Case Scenario – Diluted for Outstanding Warrants			
Fair Equity Value (€mn)	36.1	31.4	33.7
Number of Shares (mn)	2.1	2.1	2.1
Fair Equity Value p/s	**17.14**	**14.91**	**16.02**
Fully Diluted Scenario – Diluted for Outstanding and Detachable Warrants			
Fair Equity Value (€mn)	38.7	34.0	36.4
Number of Shares (mn)	2.3	2.3	2.3
Fair Equity Value p/s	**16.77**	**14.74**	**15.76**

Source: Value Track Analysis

Company background

Nice Footwear is an Italian footwear manufacturer, dealing end-to-end from style to distribution in the sneaker segment. The Group has recently entered the women luxury segment with the acquisition of Favaro Manifattura Calzaturiera. The firm manages its own brand Kronos as well as five brands in license (Lotto, Ellesse, Conte of Florence, Fred Mello, Avirex) belonging to the athleisure segment.

Since current CEO and main shareholder took over the company in 2016, revenues are up from €9mn to ca. €24mn, with EBITDA up 6x to €2.8mn (all FY21 pro-forma).

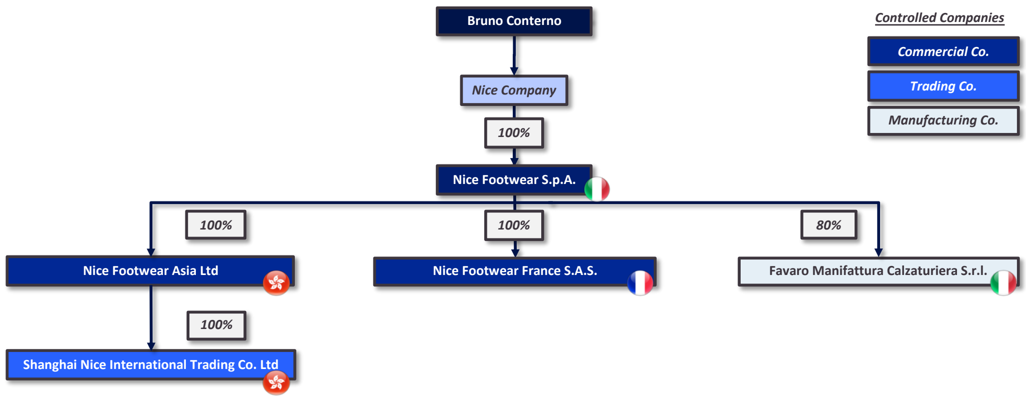
The IPO is a key step for growth, as it will allow the firm to take advantage of M&A opportunities, support DTC strategy via e-commerce, capacity expansion and further international development.

Historical milestones: a metamorphosis in 5 years

Nice Footwear was founded in Vicenza (today's headquarter location) under the name of "ALM Licensing S.r.l." and was focused on managing the brand Kronos, whose royalties represented the only source of income for the company. This was the case until 2016, when Bruno Conterno took over the business, starting the Company metamorphosis. In brief:

- **2016** - Bruno Conterno, former CEO of ALM, acquired 100% of the company and changed its name into Nice Footwear S.r.l. The business model moved from passive concession of its own brand **Kronos** to licenses, to the development of new technical solutions in order to satisfy emerging needs of the footwear sector: Nice Footwear became a **complete partner for the development and production of quality footwear**. In the same year, the **Ellesse** brand license was acquired;
- **2018** - **Nice Footwear Asia Ltd.** was established in Hong Kong, a strategic step for the evolution of the Group business. Nice Footwear obtains the license of **Avirex** and **Conte of Florence** brands;
- **2019** - The registered office was moved to the fashion center of via Monte Napoleone in Milan, with the inauguration of a prestigious **showroom**. The transformation from S.r.l. to S.p.A took place;
- **2020** - Nice footwear issued a Minibond listed on ExtraMotPro3 and presented its first Sustainability Report. In the same year, Nice Footwear became part of the Veneto Face-Design cluster. More, Shanghai Nice International Trading Co. Ltd. was established and the Group also acquired **Lotto** and **Fred Mello** licenses;
- **2021** - the Company established Nice Footwear France S.A.S. based in Paris and finalized the acquisition of 80% of the shares of **Favaro Manifattura Calzaturiera** S.r.l.("Favaro") in June, allowing Nice footwear to gain the "Made in Italy" status.

Shareholding structure



Source: Nice Footwear Admission Document

Management

Nice Footwear top management is represented by a group of senior professionals, coming from renowned companies of the leisure and sports footwear market, with complementary experience, *know-how* and backgrounds.

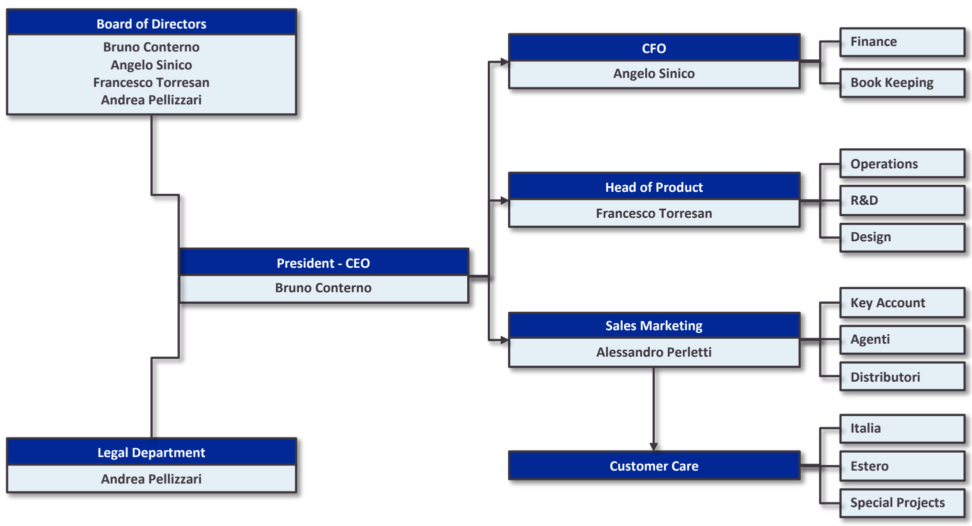
Bruno Conterno (main shareholder, CEO and Chairman): previous experiences as CEO for Favor Trade S.r.l. and Nicelander Ltd. Since 2009 he holds the position of CEO of Nice Footwear (former ALM) and from 2016 he has control (initially 100% stake, now 80%) of the company;

Angelo Sinico (CFO): certified auditor and accountant with over 30 years of experience as financial and administrative officer;

Francesco Torresan (Head of product): over 20 years' experience in footwear as designer in Bonis, Tommy Hilfiger, Levi's, Napapijri and as product manager for Lotto. From 2017 COO and R&D manager of Nice Footwear. He owns a 20% stake in Nice Footwear's holding company;

Alessandro Perletti (Sales marketing): over past 20 years sales and commercial manager for Febos, Brand Diffusion, Tommy Hilfiger, Diadora, Sixty and others. From 2018 in Nice Footwear.

Organizational structure (pre- IPO)



Source: Nice Footwear

Recent events

The acquisition of Favaro Manifattura Calzaturiera (June 2021)

In June 2021, Nice Footwear acquired 80% of Favaro Manifattura Calzaturiera for €800k (EV/EBITDA 2.1x), with the aim of vertically integrating the supply chain, entering the luxury women footwear segment and acquiring the *know-how* and status of "Made in Italy" shoe manufacturer. The residual capital will remain in the hand of the Favaro family, while target and bidder own a put and a call option, respectively. The call option must be exercised by September 2024 at a price equal to 20% of Favaro's equity with a floor of €200k plus a bonus of € 100k if the average EBITDA FY2021-23 is at least equal to €450k. The put option must be exercised between October and December 2024.

Favaro Manifattura Calzaturiera key financials

Data in €k	31/12/2018	31/12/2019	31/12/2020	30/04/2021 (*)
Revenues	1,932	2,989	2,416	2,511
y/y	-	+54,7%	-19%	+3,9%
EBITDA	301	780	415	449
EBITDA Margin (%)	15.6%	26.1%	17.1%	17.9%
Net Financial Position [cash (+)/ debt (-)]	-132	-303	-140	46

Source: Nice Footwear *(*) Last 12 months and assuming assets' spin-off pre-acquisition*

Listing on Euronext Growth Milan

The acquisition of Favaro Manifattura Calzaturiera is part of Nice Footwear development path begun in 2020 with the issue of the minibond listed on ExtraMotPro3.

On November 18th, 2021, Nice Footwear was listed on Euronext Growth Milan issuing 549,900 shares (including Greenshoe) at a share price of €10 p/s for a total turnover and gross proceeds of ca. €5.5mn. Free float is now at 26.8% and could arrive at ca. 28.6% depending on warrants exercise. The €4.7mn net IPO proceeds (ca. €0.8mn IPO costs) will be used to support the firm's development plan that should envisage some M&A opportunities, integration and digitalization processes, capacity expansion and further international development.

Nice Footwear investment program aims to create an Italian pole of excellence in the design and production of sneakers and luxury footwear. Being listed on Euronext Growth Milan is the key element to support the next steps of the Company metamorphosis:

- **strengthen** the current business lines (including **Kronos)** by investing in **new** athleisure **collections** and marketing;
- further develop Favaro manufacturing and digital capabilities and enter the prestige **"Made in Italy"** sneakers segment;
- further invest in **Nice Footwear Asia**, in order to bring in-house a few key steps still outsourced (quality and supply chain control);
- finance **potential M&A** opportunities finalized at vertical and horizontal integration. In this direction, we note that three potential targets have been indicated by management:
    1. joint venture with an international fashion brand willing to expand into footwear;
    2. e-commerce platform finalized at obtaining a direct sales channel for own brands and licenses and to better interact with final consumers;
    3. companies operating in the fashion/footwear sector with strong specialization in certain areas of the supply chain to favor horizontal integration.

Business Model

Nice Footwear operates through four lines of business: own brand (Kronos) or 6% of FY21 pro-forma revenues, licensed brands (35%), special projects to third parties' brands (48%) and Favaro Manifattura Calzaturiera (11%).

The company defines its people as "shoe trends architects". Indeed, Nice Footwear offers an end-to-end service from style & design (carried out in Italian headquarters) to production (outsourced mostly in China) and distribution for both its brands as well as third parties'. The recently acquired Favaro is focused on luxury shoe manufacturing, all 100% "Made in Italy".

Special projects represent the fastest growing line of business, which we expect to keep growing above average, boosted by its Asian subsidiary. Kronos brand (despite its relatively low price point) boasts the highest gross margin, i.e. 40% vs licensed brands average of 26%.

Nice Footwear value chain

Nice Footwear detains full control over every step of the product chain, participating directly at every stage but manufacturing, where a continuous selection and auditing process of Asian partners takes place, with the aim of maintaining the highest quality standards required. The shoes industry follows a seasonal cycle consisting of a spring/summer and a fall/winter season, but the different phases of the supply chain are valid for both (more details in the Appendix):

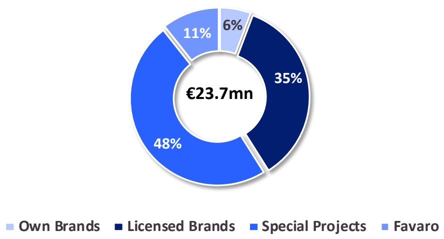
- **Style & design** - This step is entirely carried out within the "Shoe Trends Architecture Lab" in Vicenza and represents the first step of the creation of a new collection. The aim is drawing the key trends and styles for each brand and market segment to drive and support designers and customers.
- **Development** - The development of each collection is carried out, starting with a careful selection of raw materials, leathers and fabrics and ending up with the production of samples with the support of Asian partners.
- **Sales** – The sales campaigns start in the company's showrooms, where collections are presented and orders collection starts (for own and licensed brands), or where brand managers present new samples to the clients' buyers and key items are selected for production.
- **Production** – Production is launched on the back of orders collected and with the support of clients' letters of credit. Production orders are issued to Asian partners, which deal with the local manufacturing factories, while Nice Footwear Asian subsidiaries coordinate and supervise the process.
- **Distribution** - Products are distributed on international markets with a retail strategy that ranges from chains to small clothing and footwear stores, via specialized authorized agents and distributors.

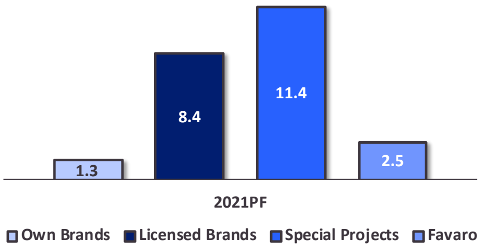
Four lines of business

The value chain described above is applied to four lines of business, whose revenues are split as illustrated in the charts below, in detail:

1. **Own brand(s)**;
2. **Licensed brands**;
3. **Special projects**;
4. **Favaro Manifattura Calzaturiera**.

Revenues by business line - FY21PF (€ mn)





Source: Nice Footwear

Own Brand (6% of pro-forma revenues)

Nice Footwear own brand is Kronos. The brand was born in the '70s identifying with football and basketball shoes, both for professionals and amateurs, boasting collaborations with important teams such as Fiorentina and Olimpia Milano. Since its birth, Kronos has always offered excellent materials and workmanship at the best possible price, i.e. at a sell-out price between €30-€70.

For Kronos, Nice Footwear deals with the development, production and distribution of all men's and children's collections.

As for 2021PF, Kronos revenues account for ca. 6% of total turnover, but it has the highest gross margin (40%) among all categories of the Group. Strategy-wise, Nice Footwear is trying to give a more casual style to Kronos while increasing marketing investments to gain market share.

Kronos

Source: Nice Footwear

Licensed Brands (35% of pro-forma revenues)

The second largest line of products is represented by licensed brands, for which the firm takes care of designing, production and distribution, depending on the specific agreement. Currently, Nice Footwear has five major brands in license (with contracts all expiring between December 2022 and December 2024).

Licensed Brands

Brand	Revenue	Overview	Collection	Sell-out
ellesse	23%	*The brand was with Leonardo Servadio's invention of jet-pants ski pants inspired by jeans. He asserts himself as a status symbol in the sport world: from tennis to football, to Formula 1, to skiing, to surfing, to golf;*	▪ Men ▪ Women ▪ Kids	€ 100-160
LOTTO New license	4%	*The brand was born from the footwear district of Montebelluna, a brand that since the 1970s has walked various fields from Wimbledon to the World Cup. Lotto has always boasted collaborations with prominent athletes;*	▪ Men ▪ Women ▪ Kids	€ 100-140
Avirex	4%	*Avirex is an international brand that originally produced leather jackets for the US Army, Air Force and Navy*	▪ Men ▪ Kids	€ 50-90
Conte of Florence	4%	*Conte of florence a brand that is positioned in the world of sport, from rowing to winter sports. Among its most illustrious testimonials there are ski legends such as Hermann Maier and Rok Petrovic, as well as several national ski teams;*	▪ Men	€ 60-100
FREDMELLO NEW YORK 1982 New license	0,4%	*The brand appeared on the market in 2006, quickly establishing itself as one of the protagonists in luxury casual, a pioneer of metropolitan chic. In 2010 he approaches the world of engines and vintage cars.*	▪ Men	€ 80-120

Source: Nice Footwear

For licensed brands, Nice Footwear takes care of the following activities in every selected market:

- **Ellesse (Italy)**: development and creation of all the men's, women's and children's collections;
- **Lotto (France)**: development and realization of all men's, women's and children's collections for a pool of selected customers;
- **Avirex (Europe)**: development, production and distribution of all men's and children's collections;
- **Conte of Florence (Europe, UAE)**: exclusive license of Conte of Florence Footwear throughout Europe and development and production of all men's collections;
- **Fred Mello (Europe, UK, China)**: development and creation of all men's collections.

Nice Footwear has recently started to be more selective in on-boarding new licenses, focusing on brands that share the philosophy of the firm in terms of product positioning and future strategies.

Based on the pro forma consolidated turnover as of April 2021A, licensed brands account for 35% of total revenues, with an average gross margin (net of royalties) of 26%.

Special Projects (48% of pro-forma revenues)

Nice Footwear has enhanced its business model traditionally linked to the design and marketing of own and licensed brands with the introduction and development of new collections created for well-known third-parties' brands in the international fashion industry. The process involves the study of trends, the development of prototypes and samples, production and, if required, distribution.

Special projects account for ca. 48% of 2021PF revenues and have an average gross margin of 29%. This business line includes Nice Footwear Asia, which is entirely focused on special projects (no revenues from own and licensed brands).

Nice Footwear is increasingly focusing on special projects rather than licensed brands, as they have a higher average gross margin (no royalties to pay) and allow the Group to collaborate with brands that belong to premium segments of footwear and fashion markets.

Favaro Manifattura Calzaturiera (11% of pro-forma revenues)

Favaro Manifattura Calzaturiera – acquired by Nice Footwear in June 2021 - is a niche manufacturer with a typical family organization and capital structure. It is specialized in the production of high-end women's shoes for prestigious fashion houses and offers services related to production, sampling and technical assistance by means of pre-feasibility analyses on materials, processes and products.

The company is based in Fossò (Venice), in the heart of the Riviera del Brenta which is the house of many luxury footwear manufacturers and a core shoe district.

Favaro has a prestigious customer base and high-profile partners, and boasts an attractive brand portfolio, well balanced on established and emerging brands. With annual production of around 25k pairs of shoes and a €2.5mn top line, Favaro has margins above Nice Footwear despite its smaller size.

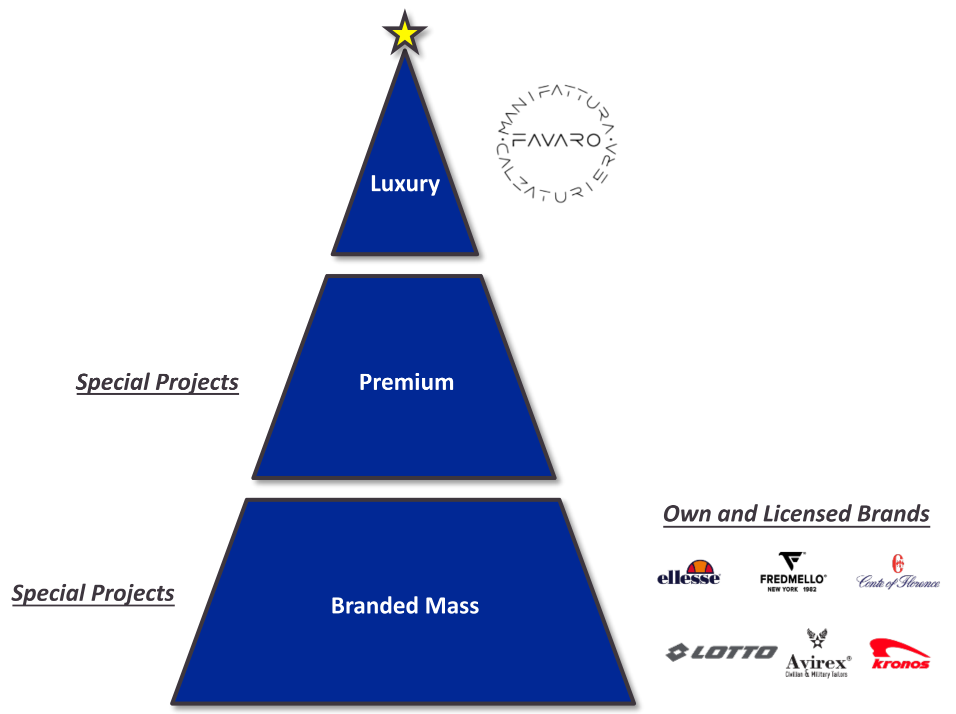
It has a material growth potential even on a standalone basis, both in terms of revenues and margins. More importantly, Favaro "Made in Italy" feature represents the enabling factor for Nice Footwear to expand in the premium/luxury footwear segment (sneakers included).

Brands' and clients' product positioning

The acquisition of Favaro shoe factory allows Nice Footwear to face the market with a well-diversified product portfolio, enhanced by the addition of the women/luxury segment.

On the other hand, own and licensed brands belong to the branded mass segment, characterized by collections mostly focused on men and kids with lower sell-out prices and gross margins.

Brand positioning (own brand, licenses, special projects)



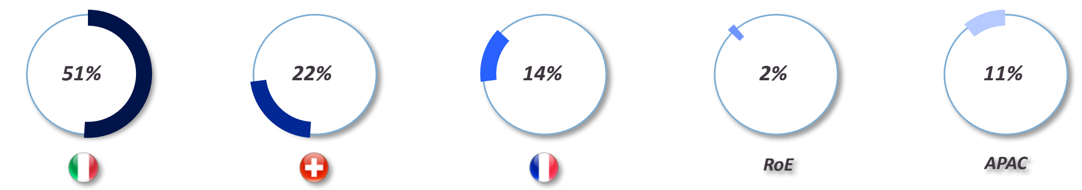
Source: Nice Footwear

Key clients and suppliers – concentration still high

The company has a commercial presence in Europe and Asia with showrooms in Hong Kong, Paris, Milan, marketing its products in over 30 countries. Yet, the main markets served besides Italy are France, Switzerland and China, while production is localized between Italy (10%) and Asia (90% of which mostly in China but also Taiwan, Vietnam, Cambodia; see Appendix for more details).

The chart below refers to Nice Footwear consolidated revenues excluding Favaro, whose geographic mix is very similar (90% Europe, 10% Asia), as its clients are mostly domestic, despite its shoes selling on global scale.

Breakdown of revenues by geographical data (FY21)



Source: Nice Footwear

As we can see from the chart above, most of Nice Footwear revenues (89%) come from Europe, while only 11% from the APAC region. This picture is due to a few structural elements:

- Kronos does not have a global appeal yet;
- Licenses have all very limited geographic exposure outside Europe;
- Favaro consolidation and the increasing focus on the luxury segment is likely to maintain a strong exposure to European brands, as long as there is not direct distribution;
- Special projects could build a sizeable presence outside Europe, albeit this is more likely to occur in Asia in the medium term, while the US market seems a longer-term target.

Key clients and suppliers 2020/2021

Key Clients 2021FY

Clients	Brands	% Sales
Client 1	Special Project 1	18.6%
Client 2	ellesse	15.9%
Client 3	ellesse, Lotto	13.1%
Client 4	Special Project 2	10.3%
Client 5	Kronos, Conte of Florence, Avirex	6.2%
Client 6	Special Project 3	6.0%
Client 7	Kronos, ellesse, Lotto	4.7%
Client 8	ellesse	4.3%
Client 9	Conte of Florence, Avirex	2.3%
Client 10	ellesse, Conte of Florence, Avirex	1.9%

Key Suppliers 2021FY

Suppliers	Country	Goods	% Sales
Supplier 1	China	Footwear	35.4%
Supplier 2	China	Footwear	8.2%
Supplier 3	Italy	Footwear	8.1%
Supplier 4	Italy	Footwear	6.9%
Supplier 5	China	Footwear	6.5%
Supplier 6	Italy	Logistic	4.1%
Supplier 7	China	Footwear / Equipment	4.0%
Supplier 8	China	Royalties	2.6%
Supplier 9	China	Footwear	1.9%
Supplier 10	China	Logistic	1.6%

Source: Nice Footwear

The company has embarked on a process of rationalizing the customers and brands portfolio over the past two years to achieve greater diversification and lower credit risk during the pandemic. Nevertheless, Nice Footwear first three clients account for 47.6% of the revenues.

The current panel of footwear suppliers is primarily made up of intermediaries that, other than performing specialized activities within the manufacturing process (such as sampling and chemical analyses), act as a link between Nice Footwear and factories. The Group first three suppliers account for 53.7% of purchase costs.

Digitalization and sustainable process/product as differentiating features

Nice Footwear proposes itself on the reference market as a precursor of a new standard for the design and manufacture of footwear, both in terms of technologies and sustainability.

The company has spent ca. €2.2mn on research and innovation investments over the last three years, as the R&D department focuses on:

- Realization of innovative product (e.g., post-racing and active running);
- New technology development (soft impact and shock system);
- Research for ultralight soles;
- Development of high-tech uppers;
- Patent of augmented reality 3D software.

Digitalized creativity: 3D headset with augmented reality

In the footwear design phase, customers have the opportunity to test Nice Footwear creativity thanks to the patented 3D software and the use of virtual reality, which allows a realistic reproduction of dimensions and details of shoes renderings.

The software acts as a real footwear processor that, thanks to a better perception of details developed in a three-dimensional environment, allows the firm to simplify the design modification process compared to physical samples. Hence, a sustainable revolution in terms of time and use of the service:

- Reduction of 50% of production costs of samples and of product and material waste;
- Time reduction for client's choice up to 80%;
- Better perception of dimensions and details;
- Possibility to work simultaneously in different places/headquarters/showrooms.

Such a solution has already proven to be extremely effective, especially since the pandemic outbreak created an environment of reduced travelling and social distancing.

Sustainable process and footwear

The importance of business ethics, innovation, resource training and a sustainable supply chain led Nice Footwear to publish the first Sustainability Report in 2020.

Nice Footwear's sustainability

Source: Nice Footwear

In 2021, Nice Footwear designed and created Fred Mello's first sustainable sneaker, i.e. the "Lincoln" model in the off-white "dirty" variant. The shoe expresses the ambition to protect the planet through the use of highly sustainable components and materials while offering uncompromising quality.

Despite these models still represent a marginal part of main international brands' collection and turnover, management is highly committed to differentiate itself and make its way to provide premium sustainable footwear.

Indeed, sustainability is at the core of Nice Footwear's operation, that's why over the years the firm obtained a series of certification that testifies the commitment to create a sustainable workplace for its employees and for the environment.

Nice Footwear's certifications

FFC Fair Factories Clearinghouse · TF Traceability & Fashion · Biocide Conform Regulation · BSCI · Persistent Organic Pollutants · OEKO-TEX® Confidence in Textiles Standard 100 · REACH Compliant · Global Recycled Standard

Source: Nice Footwear

Reference market

The footwear industry had been growing steadily at mid-single digits (5 % CAGR 2012-2019) prior to the pandemic outbreak. Between 2020 and 2025, it is expected to grow at an annual rate of 8.3%, reaching total revenues of ca. $566bn in 2025. Interestingly, the sneakers segment is forecasted to grow at a faster pace (10.3% CAGR 2020-2025), according to Statista.

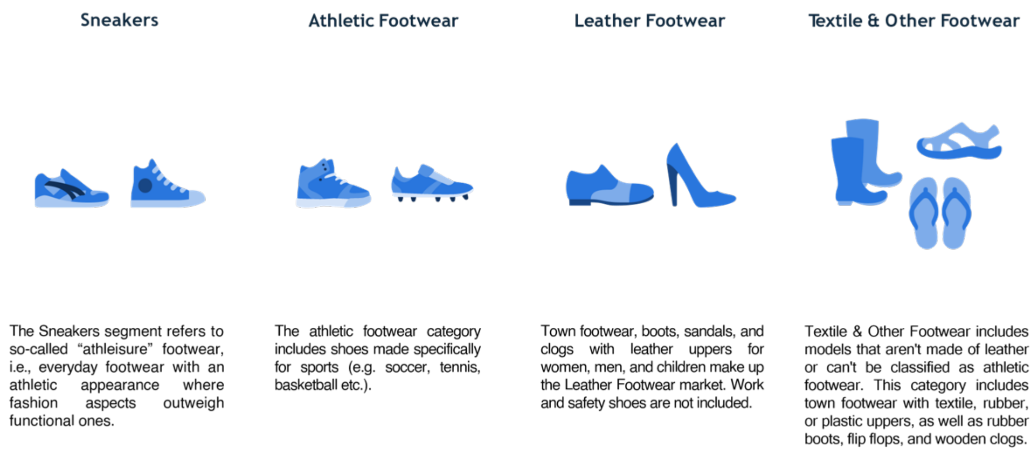
There are different key drivers shaping sneakers growth: (i) rise of emerging markets as potential customers, (ii) increase in sales via DTC channels, (iii) increase in sporting footwear spending by women, (iv) increase in footwear luxury spending, (v) more attention to sustainability (+58% SKU 2017-2020).

As reported by Statista, with the exception of premium and luxury footwear – for which "Made in Italy" is still a winning feature - , production is almost always outsourced to Asia (87.6% of footwear production was located in APAC region in 2020) despite China's allure is fading.

Global footwear market outlook

In 2020, the global footwear industry generated a total value of approximately $380bn, including the four segments described below.

The Footwear market is divided into four segments



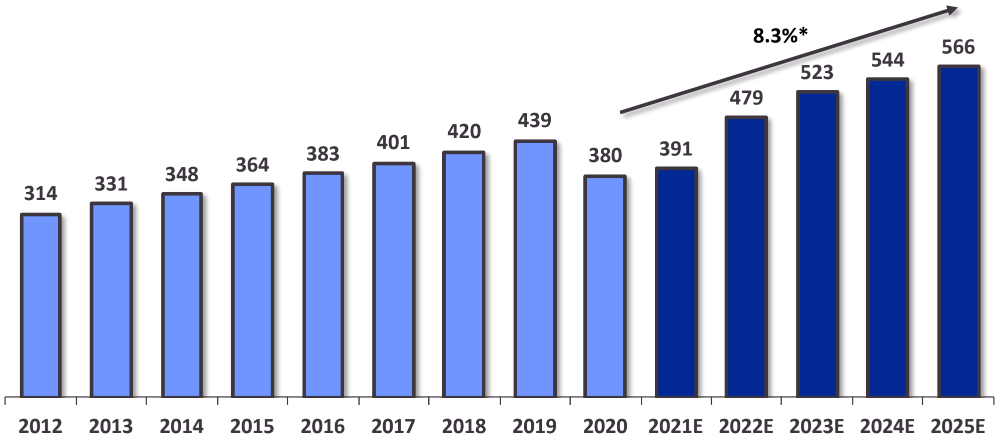
Source: Statista (updated in August 2021)

Prior to the pandemic outbreak, this industry had been reporting a steady mid-single digit growth (5% CAGR 2012-2019), and it is expected to recover to pre-Covid levels over the next few years. In particular:

- The pandemic acted as an external shock to consumption and to traditional brick-and-mortar stores in particular, due to closures and social distancing. Furthermore, manufacturing plants had been closed and shipping had been hampered;
- As a result, revenues for the Footwear market in 2020 have been severely impacted (-13% y/y), as online stores were unable to offset "offline" sales decline.
- The pandemic-induced shock is expected to be fully absorbed by end of 2022E, and global revenues should go back to their long-term growth trend line.

According to the latest Statista projections, the footwear market should report a CAGR of 8.3% between 2020 and 2025, reaching total revenues of $566bn by 2025.

Worldwide footwear revenues ($bn)



Source: Statista (updated August 2021) (*) CAGR 2020A-25E

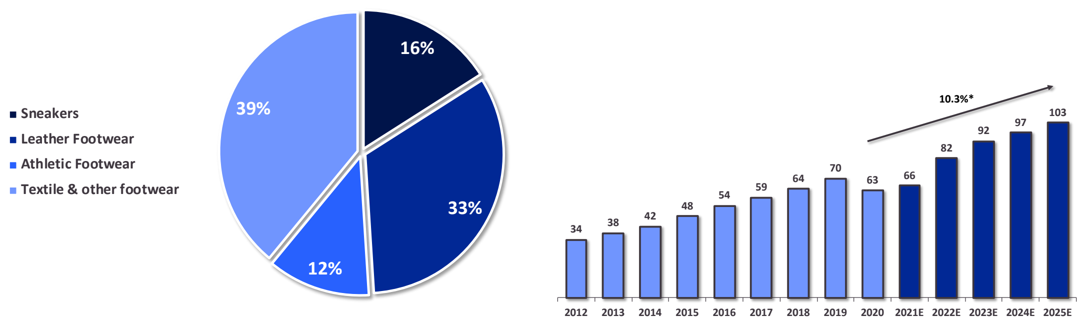
The "sneakerization process": comfort and style to define a new concept of urban footwear

Sneakers refer to the so-called "athleisure" footwear, or rather sports style shoes for everyday use where the relevance of style exceeds functional characteristics.

The sneakers' segment represents approximately 16% of total footwear sector sales, for a value of $63.2bn in 2020, and it has consistently performed better than the sector as a whole over the past ten years. In fact:

- Revenues of global sneakers witnessed a 10.9% CAGR (2012-2019) in the pre-Covid period;
- Segment turnover reported a 10% reduction in 2020 y/y due to store closures and implications of emergency measures. However, it should recover by the first half of 2022.
- It is expected to keep growing at a pace much faster than the other segments (10.3% CAGR 2020-2025).

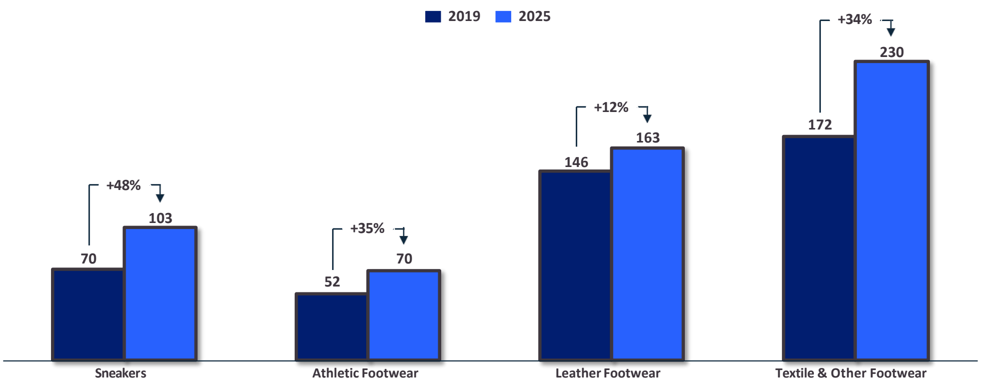
Breakdown of footwear sales by segment (lhs) and worldwide sneakers revenue in $ bn (rhs)



Source: Statista (Updated August 2021) (*) CAGR 2020A-25E

Sneakers currently represent the second smallest segment of the footwear market and, despite the fast growth expected, it should still represent just more than 18% of total footwear revenues by 2025, thus leaving further room for secular growth.

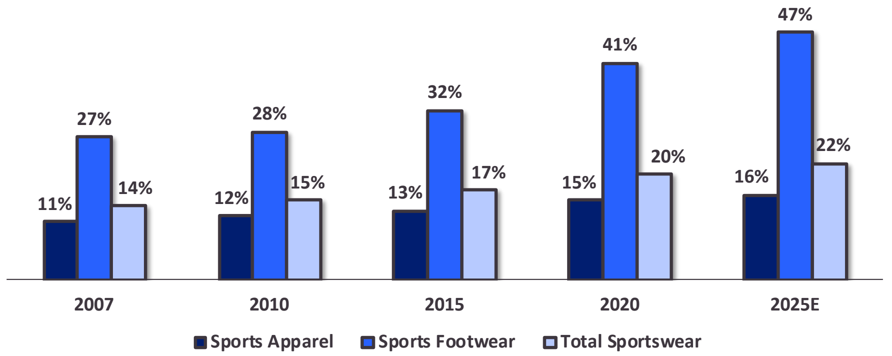
Footwear worldwide revenues by segment ($bn)



Source: Statista

Consumers are buying more sportswear for a variety of reasons, including a penchant for "athleisure" and a wider trend toward casual footwear. This transition is likely to intensify as consumers are projected to spend more time working from home. According to Truefit's fashion genome data, athleisure orders have increased by 84% since the outbreak began. Furthermore, as shown in the chart below, sports-inspired clothes and footwear rise faster than others, according to Euromonitor.

Sports apparel and footwear penetration in the overall apparel and footwear industry



Source: Euromonitor, HSBC calculation

Footwear "casualization" or "sneakerization" (trend towards casual footwear/sneakers) process is also affected by demographic changes, as birth rates decline, and populations get older. In particular, the category of people over the age of 55 is the fastest growing one, implying changes in consumption patterns as older consumers search more for comfort than self-expression.

The key growth drivers of sneakers (details in the Appendix)

In our view, the key industry trends that are expected to foster growth in the sneakers segment are:

1. Increase in **footwear spending in China**: rising of emerging markets not only as manufacturing sites but also as consumer markets;
2. Online sales as key tool of the "**Direct-To-Consumer**" (DTC) strategy: fashion players optimizing the online experience while finding persuasive ways to integrate the human touch;
3. Increase in **female athletic shoes purchases**: women engagement in the sporting goods business is growing (e.g., women outnumbering men in running since 2019);
4. **Upward repositioning**: appeal of the luxury segment going well beyond its growth potential and resiliency, as it also enjoys much better profitability;
5. **Sustainability**: sporting goods firms increasing sustainable SKUs at a 58% CAGR from 2017 to 2020 while establishing lofty environmental, social, and governance (ESG) goals.

The competitive landscape of Nice Footwear

Nice Footwear is a partner offering a 360-degree service for the creation of footwear, differentiating itself from mere manufacturers as well as from companies with a pure commercial/licensing approach. It is able to provide full support, from design & style to production and logistics.

These capabilities are available for those players that typically do not own a dedicated department or team for footwear, and Nice Footwear offers its support under different services and/or manufacturing contracts ("special projects" and Favaro). Nice Footwear runs also a B2C business, on the back of its brand licenses and of its owned brand Kronos.

Hence, the actual competitors for Nice Footwear are:

- B2B service and manufacturing companies offering support to brands in sport footwear and, following the acquisition of Favaro, in luxury footwear;
- Owners and licenses of brands with a B2C offer and products positioned close to those of the brands owned or licensed to Nice Footwear;
- Players with a mixed model (B2B plus own or licensed brands).

Competition is therefore extremely differentiated and fragmented, yet in the following table we spot a few names, boasting relatively limited size and product positioning comparable to Nice Footwear.

Competitive landscape of Nice Footwear

		Production Phases					Business Lines			Nice Footwear Business Unit Competitors		
	Country	Design & Style	Development	Digital	Production	Distribution	Own Brands	License	Special Projects	Own Brands	License	Special Projects
NiCE Footwear	🇮🇹	✓	✓	✓	✓	✓	✓	✓	✓	—	—	—
FEBOS	🇮🇹	✓				✓	✓	✓	✓		✓	✓
U.B.C.	🇮🇹	✓				✓		✓		✓	✓	
CM	🇮🇹				✓				✓			✓
LEOshoes	🇮🇹				✓				✓			✓
MARC FISHER	🇺🇸	✓	✓	✓	✓	✓	✓	✓			✓	

Source: Nice Footwear, Value Track Analysis

On the Italian territory, Nice Footwear has a few competitors specialized only in one/two steps of the whole process, while those with a more integrated business model are mostly foreign names. We consider these companies as competitors of Nice Footwear in one or more of its business lines, albeit in some cases they could also become clients, as they would require Nice Footwear support for those phases not managed directly. In more details:

- **Febos** - Italian company known for footwear collections development, footwear distribution and brand consulting with a turnover of €26.8mn (2019). It currently has four brands under license (Gant, Napapijri, Blauer, BePositive) and one in co-ownership (Apepazza). Febos can be considered a competitor not only in the B2B business, but also for its the licensed brands line.
- **United Brand Company** - With a turnover of €28.5mn (2019), it is involved in the design and production of footwear for five licensed brands (Sergio Tacchini, Benetton, Gas Jean, Carrera Footwear, Roberto Cavalli Sport). This firm can be considered a competitor for the licenses and special projects divisions of Nice Footwear, as the style and sell-out prices of such collections are comparable to the ones of Nice Footwear.
- **Gruppo Manifatture Italiane** - The firm is active in the production of luxury footwear with more than 750 thousand pairs of shoes produced a year and ca. €80mn revenues (2019). As the firm is particularly skilled in the production and the development of luxury shoes, it competes with the special project business division as well as with Favaro Manifattura Calzaturiera.
- **Leo Shoes** - Italian company known for the production of footwear for more than 20 international fashion brands, boasting a turnover of €155.4mn (2019) and an annual production of about 2.2 million pair of shoes. The style and creation department develops new collection depending on clients' needs as well as according to the latest trends. Leo Shoes is a direct competitor on special projects.
- **Marc Fisher** - Marc Fisher ($42.5mn revenues in 2020) is by far the most direct competitor of Nice Footwear, given its end-to-end solutions and the good digitalization level. The firm is specialized in the designing, sourcing and distribution of fashion footwear. It also owns a proprietary brand (Marc Fisher) and a few renowned international brands under license (Guess, Calvin Klein, Tommy Hilfiger). Marc Fisher is focused on women products, but it is a competitor of Nice Footwear for all units except for the luxury segment (Favaro) due to the different product positioning.

Worthy to note, international leaders of the footwear sector such as the well renowned Nike, Adidas, Puma, as well as international peers previously identified in the "Valuation", do not represent Nice Footwear competitors given their size, global exposure, brand awareness, high incidence on total sales from non-footwear products, substantial retail and B2C exposure, business model totally dependent on own iconic brands.

However, the **increasing demand of shoes from consumers** has also triggered a **strong demand of end-to-end support from large fashion/lifestyle brands**, especially those whose core business is not footwear-centric. Hence, Nice Footwear can capture both the rising demand of end-users - via own brands and licenses – and the soaring demand of collaborations and end-to-end support from international brands.

Details on global brands' business models, on how they operate and on their relative market share can be found in the Appendix.

Company strategy

The company is willing to directly capture the growing demand of sports footwear as well as the demand for a reliable, end-to-end partner by large fashion/lifestyle brands willing to provide to their customers a footwear or sneaker line, which is now a "must have" for every brand.

The Group plans to exploit this growth potential through an articulated strategy, from strengthening and expanding the own brands portfolio, increasing the exposure to "Made in Italy" luxury segment, enhancing the distribution network, developing a DTC strategy and searching for additional M&A opportunities and further expansion on international territories.

Nice Footwear: center of excellence

Nice Footwear aims at creating a pole of excellence in the design, production and distribution of sneakers and luxury footwear through internal and external growth. In particular, Nice Footwear growth strategy focuses on the following areas:

- Expansion of current own brands' portfolio;
- Strengthened presence in the luxury segment;
- Expansion of distribution network;
- Growth of special projects business line, also thanks to cross selling opportunities;
- Direct access to clients (DTC strategy) via an e-commerce platform;
- Potential acquisition of small domestic players in the footwear/fashion sector;

Expand and strengthen own brands

Nice Footwear current portfolio lacks a strong and high potential proprietary brand. Now, management intends to strengthen Kronos and acquire another brand with a premium positioning and international appeal.

#1 Kronos: new collection and distribution channels

Nice Footwear's own brand Kronos was born in the 1970s and the main target was football and basketball shoes, both for professionals and amateurs, boasting collaborations with important names such as Fiorentina and Olimpia Milano.

Now, management wants to increase Kronos's sale volume and give it a more casual style, riding the athleisure wave. In order make it, the firm is committed to a three-point strategy:

1. Design new athleisure collections;
2. Invest in marketing in order to point out the new casual style of the brand;
3. Enlarge current distribution channels, as Kronos is distributed almost exclusively in Italy.

#2 New proprietary brand through a new partnership in the fashion industry

Part of the growth strategy is the insertion of a new proprietary brand positioned in the luxury segment with the aim of developing also a 100% sustainable collection.

Given the size of the company and its limited expertise in DTC channels (i.e. brand management, marketing, retailing), management would rather partner with a fashion firm, in order to match complementary backgrounds. The new brand could therefore come through the creation of a joint venture agreement with a successful international fashion player, that doesn't have a dedicated footwear business unit yet.

The key rationale of this move would be:

- Capitalize on both partners strength points, i.e. Nice Footwear products and production expertise and partner's marketing and brand management *know-how*;
- Exploit the brand extension potential in a high-growing product category (footwear/sneakers) and segment (premium/luxury);
- Reach full operational control and direct involvement in the business strategy over a high potential brand otherwise "out of reach";
- Benefit from a potentially high gross margin product line.

Joint venture with a fashion firm

Rationale	Timing	Incl. in VT Estimates
Full operational control over the development of a new proprietary brand (in partnership) with the support of a structured group	6-12 months	✓

Source: Nice Footwear

More and more luxury shoes

Thanks to the recent acquisition of Favaro Manifattura Calzaturiera, - specialized in the production of high-end women's shoes for prestigious fashion houses – Nice Footwear envisages an attractive growth potential in this segment, in particular to a) exploit Favaro potential (in terms of top line and margins); b) exploit potential synergies with Nice Footwear (on revenues and costs) and c) leverage on its *know-how* to enter new business segments.

#1 Exploit Favaro's potential

Favaro is based in the heart of the Riviera del Brenta, a district that is home of many luxury footwear manufacturers, and it is supplier of real prestige names. Demand for products of this level is extremely strong and the company's growth is currently limited by lack of process automation and digitalization as well as capacity constraints. This suggests that it would be possible to unlock its potential by:

- Introducing technologies, digitalization and process standards of Nice Footwear to manage properly acceleration of growth preserving quality and client loyalty;
- Integrate operations and increasing gradually output capacity by expanding the production site and increasing headcount to meet demand and expand client portfolio. Production capacity is currently capped at 25-30k pair of shoes per year and the goal is to double it up;
- Reducing the size gap towards competitors and benefitting from scale effect on margins.

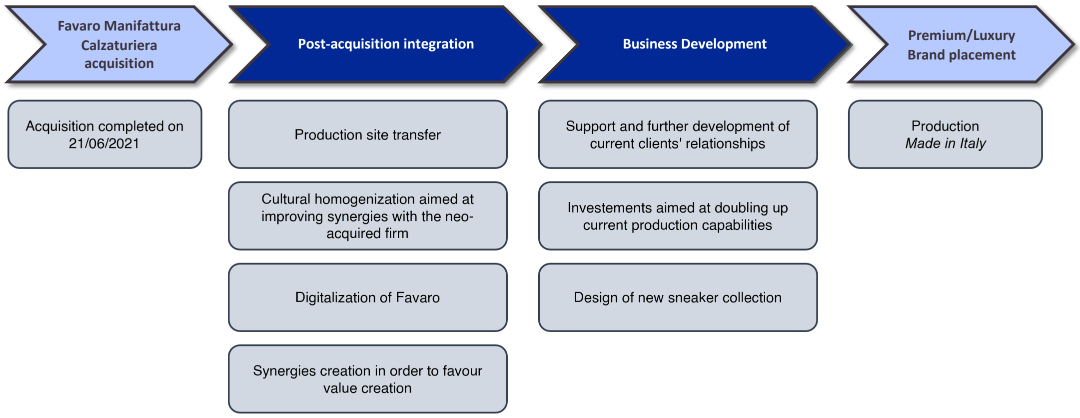
#2 Revenues and cost synergies

Besides developing the existing business model and client base of Favaro, Nice Footwear wants to a) exploit potential cost synergies, and b) expand its client portfolio towards the luxury segment, i.e. design and produce luxury "Made in Italy" sneakers with the newly acquired firm - footwear accounts for about one third of global luxury goods market.

In terms of integration and production capacity, the steps required are:

- Adapting the 3D software technology already used by Nice Footwear, in order to reduce time (just 2 weeks to sample a new collection) and costs (up to 80%) of the sampling process. The process is already in act and will take up to 1 year to be completed;
- Integrate the production sites and investing in CapEx in order to further improve output capacity by adding a new line devoted to the luxury sneakers production.

Nice Footwear: Favaro growth strategy



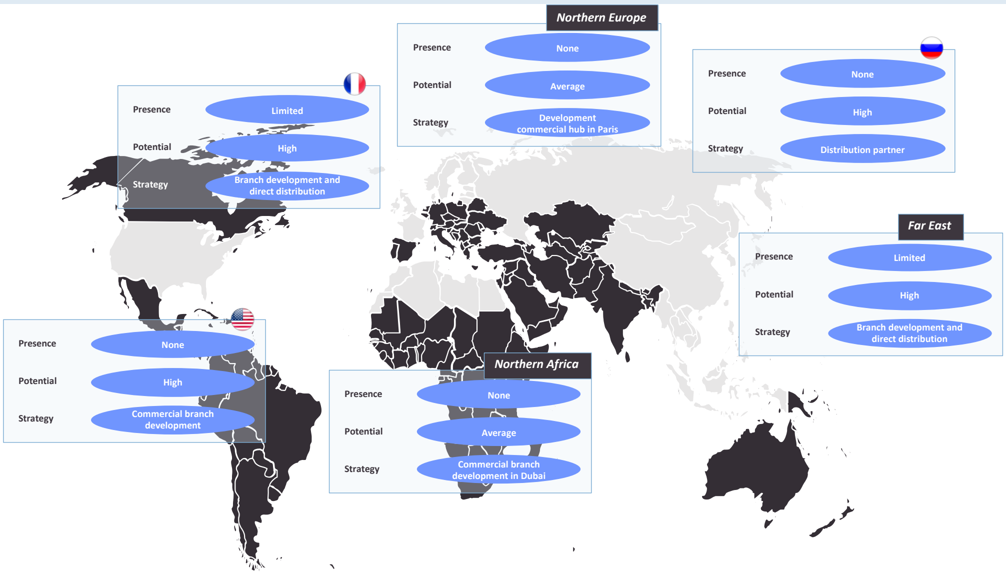
Source: Nice Footwear

Expansion of distribution network

Management intends to strengthen its geographic footprint, namely:

- In France through the recently opened branch/showroom in Paris and in specific markets as Russia and Emirates with new distribution agreements and commercial branch;
- In Asia, where the firm is planning to invest more resources, as China in particular is showing up also as a growing consumer market. Here, the Hong Kong branch manages the relation with local intermediaries, but management intends to a) finalize agreements directly with production factories, in order to better deal with the expected increase in volumes through the development of Shanghai Nice International Trading Co. Ltd.; b) internalize some activities currently carried out by intermediaries.

Nice Footwear's geographical expansion opportunities



Source: Nice Footwear

Shift of focus from licenses to special projects

According to top management, the firm will slowly move its focus from design and marketing of licensed brands to collaborations with large international premium brands and own brands.

As for **licensed brands**, the key strategic pillars are the following:

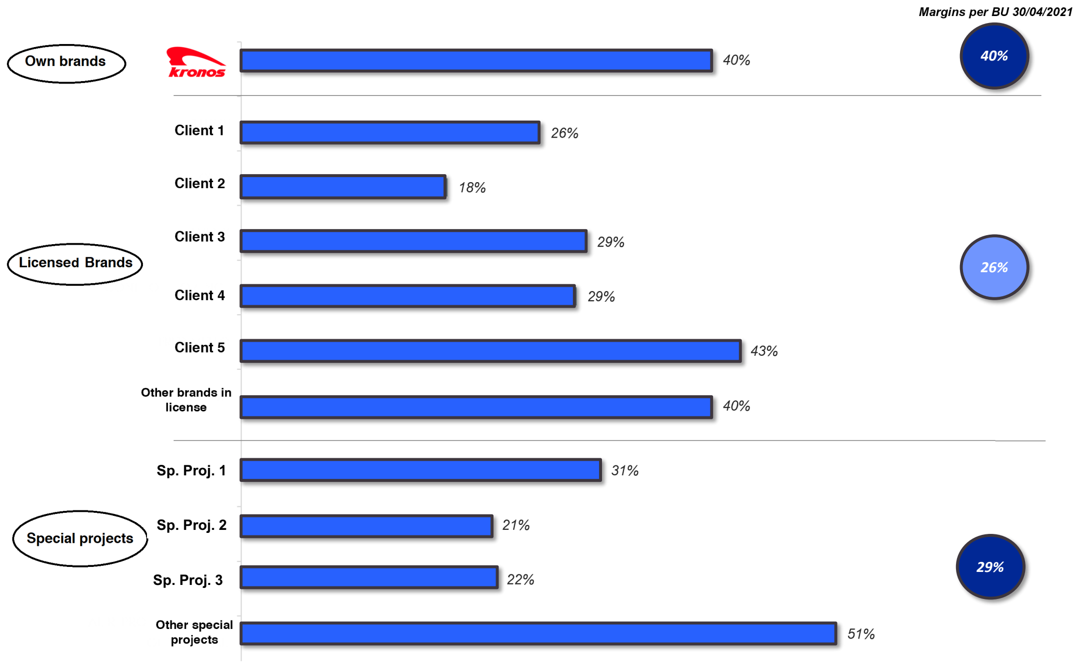
- Enlarge target market of existing brands by introducing sneakers designed for women (currently only *Ellesse* and *Lotto* offer sneakers for women);
- No active search of new licenses and new brands will be considered only if offering strong positioning, high potential, international breath and strong support by brand owner;
- For new brands or upon renewals management intends to add way-out clauses in order to keep maximum flexibility to cease collaborations, should future acquisitions or other strategic agreements by Nice Footwear require it;
- As for *Conte of Florence*, where the owner is facing financial troubles, the company rules out a straight acquisition of the brand and has an opportunistic approach, i.e. it keeps producing and distributing as long as the licensee does not require to cease or the brand is sold.

In our forecasts we assume a) no new licensed brands; b) *Ellesse* agreement to extend to France and Benelux and c) *Conte of Florence* license not renewed and production stopped in 2023.

As for **special projects** (48% of 2021PF revenues), the firm expects their contribution to revenues to grow by 2024. The rationale behind the willingness to focus on special projects is due to a few reasons:

- Higher margins compared to existing licenses, as there are no royalties involved;
- These projects allow to entry the international prestige brands and fashion houses, where material cross selling opportunities may arise globally;
- Despite special projects are formally supply contracts for services and products, as for the large multinational brand groups the process of becoming supplier is long and complex and hence the collaborations tend to last for many years;
- The Asian market offers a very attractive potential for this segment line.

Nice Footwear's margins breakdown



Source: Nice Footwear: Margins computed as: Revenues – COGS - Royalties

Cross selling opportunities

Nice Footwear has entered the business of special projects, i.e. design, development and production of sneakers for third parties, relatively recently (in 2016) and since then management has been able to secure a steadily increasing client portfolio. We believe the Company has still plenty of room ahead to keep growing and cross selling may represent a key factor.

Nice Footwear may sign contracts for designing and producing new and existing collections for brands belonging to the same clients already served, as licensee or service/product supplier, increasing the "share of wallet" of current clients.

Potential acquisition of an e-commerce platform to start a DTC strategy

Online sales in the sports footwear market are booming, and online stores and marketing are the most effective means to get closer to final customers, manage the brand and boost margins (DTC gross margins around 70%) by selling at full retail price.

For this reason, the management is on its way for a potential acquisition of an e-commerce platform, with steps being the following:

- Nice Footwear would avoid building an e-commerce platform from scratch, as it would be too risky if compared to the resources needed, time consumption and time to market;
- Target e-commerce platform should already have a sound number of active users, a top-rated logistic platform and client service;
- Investments required would include a) the price of the platform (acquisition in cash); b) increased marketing efforts (SEO and cross media launch).

Acquisition of an e-commerce platform

Rationale	Timing	Incl. in VT Estimates
• New sales channel for own brands and licenses • Showcase for end-to-end marketing and advertising • Promote sustainability • Interaction with the final consumer (co-creationof the product)	12-24 months	✕

Source: Nice Footwear

Potential acquisition of companies operating in the fashion / footwear sector

Another M&A opportunity indicated by management for the longer term lies in the possibility to take advantage of potential synergies from a target company in the fashion/footwear sector, located in the same region and positioned consistently with Nice Footwear or Favaro.

Acquisition of a firm operating in the fashion / footwear sector

Rationale	Timing	Incl. in VT Estimates
• Including in the Group companies specialized in certain areas of the supply chain currently less developed (e.g., production and commercial) • Horizontal integration	6-12 months	✕

Source: Nice Footwear

Historical Financials

Up until April 2020, Nice Footwear posted terrific growth rates both in terms of Revenues from Sales and EBITDA (39% and 53% CAGR FY17-FY20, respectively). Covid-19 implications, the strategic rationalization of the brands portfolio and the loss of the Ellesse license in the French market contributed to a top line shrinkage of about 12.9% in 2021. However, a substantial revenue mix reshuffling towards special projects, coupled with the acquisition of Favaro Manifattura Calzaturiera, mitigated the sales decrease and boosted the Group profitability. Despite a flexible costs structure and an "assets light" business model, Net Debt increased by €1.7mn, driven up by clients' payments delay due to pandemic-related stores closures – or by €2.3mn on pro-forma basis.

Introduction

Since Nice Footwear reporting periods close on April 30th, we refer to the year ended on April 30th, 2019-2020-2021, as "FY2019-FY2020-FY2021".

The footwear business is characterized by high seasonality trends and consists of a F/W ("fall/winter") and a S/S ("spring/summer") seasons, which contribute to revenues of the first half (April-Sept) and second half (Oct- March) of the fiscal year respectively. This general rule of the fashion industry is "diluted" by online business, *capsule* and flash collections and other *spot* initiatives.

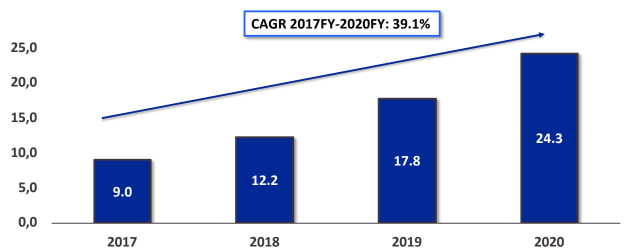
Nice Footwear consolidated financials are built in accordance with Italian OIC accounting principles (**IT GAAP**).

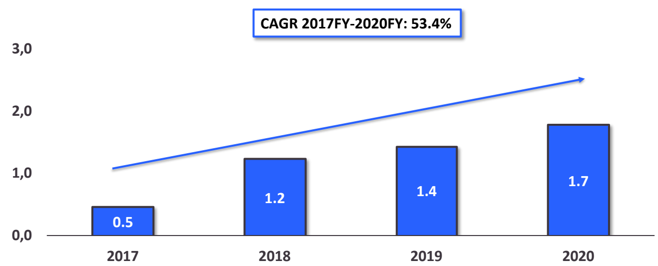
Following the acquisition of Favaro Manifattura Calzaturiera ("Favaro") - finalized on June 21st, 2021 - we report both consolidated and pro-forma ("PF") figures for FY21, which are just a simulation of historical financials with a 12-month contribution from Favaro.

Key 2020-2021 financials at a glance

After the Chairman and CEO Bruno Conterno took over Nice Footwear in 2016, revitalizing the business model and considerably broadening the brand portfolio, the Group posted a terrific 39% Revenues and 53% EBITDA $CAGR_{FY17-FY20}$ reaching €24.3mn and €1.7mn in FY20, respectively.

Nice Footwear: Revenues from Sales and EBITDA evolution FY2017-2020





Source: Nice Footwear

While FY20 figures were not impacted by the pandemic, as the contribution of March and April is generally very marginal, FY21 financials show the full impact of Covid-19 outbreak on Company operations: given the Group reporting period 2021FY included both the first and second wave of the pandemic. Yet, Nice Footwear flexible, technologically advanced and vertically integrated business model has allowed the Company to react and minimize the negative impact.

More in details, regarding FY2021 financial profile, we highlight:

- **Revenues from Sales at €21.1mn**, decreasing by 12.9% y/y on a like-for-like basis. Looking at PF data, Sales stand at €23.7mn, i.e. -2.5% y/y;
- **EBITDA margin at 11.0%**, up by 400bps y/y (by 470bps to 11.7% including Favaro), thanks to a better revenues mix following management decision to focus on more profitable projects;
- **Net Debt rising to ca. €4.0mn** (€4.7mn assuming Favaro acquisition and consolidation) despite a "light" asset structure, due to trade receivables building up for clients' stores closures related to Covid-19.

Nice Footwear: Key financial items 2020FY-21FY

(€mn, IT GAAP)	2020FY	2021FY	2021PF
Revenues from Sales	**24.3**	**21.1**	**23.7**
EBITDA	1.7	2.3	2.8
EBITDA Margin (%)	**7.0%**	**11.0%**	**11.7%**
EBIT	0.8	1.5	1.8
EBIT Margin (%)	3.4%	6.9%	7.7%
Net Profit	**0.6**	**0.9**	**1.1**
OpFCF before Tax	1.1	-0.8	-1.2
Net Fin. Position [i.e. Net Debt (-) Cash (+)]	**-2.4**	**-4.0**	**-4.7**

Source: Nice Footwear, Value Track Analysis

Profit & Loss analysis

Nice Footwear P&L reveals a business with significant operating profitability potential, highly dependent on the Group revenue mix, distributed among proprietary brands, licensed brands and special projects. As far as FY21 financials are concerned, we outlined several key features, being:

- Revenues from Sales suffering due to (i) Covid-19 related clients' stores closures; (ii) the strategic rationalization and reduction of brands and clients portfolio; (iii) the temporary loss of Ellesse license in the French market (worth 52% of revenues in FY20). However, a better sales mix supported the top line;
- "Light" cost structure, with the great majority (ca. 88%) of operating expenses being variable costs. Cost flexibility together with a better revenue mix and efficient raw material costs management paved the way to a substantial margins' growth, with EBITDA increasing by an exceptional 37.1% y/y (+63.6% pro-forma) to €2.3mn (€2.8mn pro-forma);
- Higher D&A expenses (due to revaluation of the Kronos brand) and passive financial interests (due to the €3mn minibond issued in July 2020) do not prevent Nice Net Profit to rise by ca. 55% to €880k (€1.1 pro-forma).

Top line at a turning point: FY21 marked the first steps towards a better sales mix

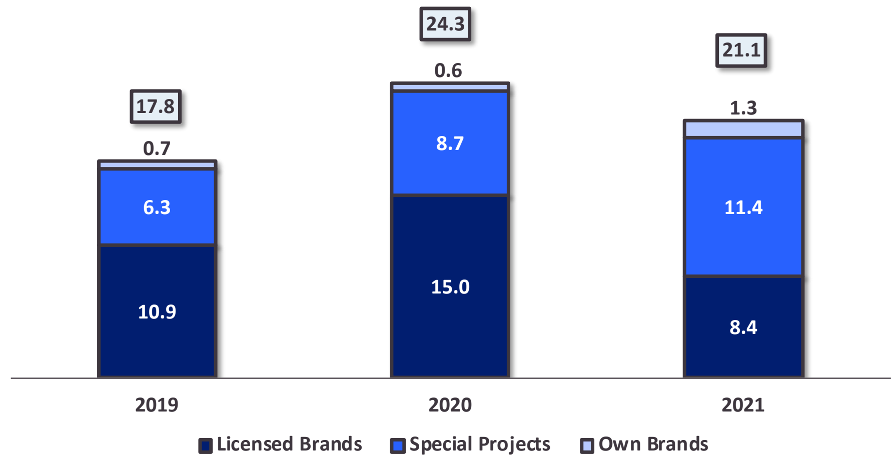
As stated above, Revenues from Sales experienced a 12.9% decline in FY21 with respect to FY20 (-2.5% on pro-forma basis). Reasons are threefold:

1. **Covid-19** imposing orders reduction from clients as they were either forced to close their stores or at least develop additional costs and inventory management measures, therefore slowing Nice Footwear production line;
2. Temporary geographical downsizing of the **Ellesse license**, with Nice losing the contract relative to the production and distribution of the brand on the French market, shrinking Ellesse contribution to Group Sales from €12.6mn (52% of the total) in FY20 to €5.5mn (26%) in FY21. It should be noted, however, that the renewal of the Ellesse license for the French market with potential expansion to the Benelux area is under negotiation;
3. Strategic **rationalization** of **brands and clients portfolio**, i.e. management decision to focus on clients' profitability and revenue mix (special projects and licenses) at the expense of volumes sold discontinued a few marginal licenses (e.g., Romeo Gigli).

On the other hand, top line contraction could have been more severe if some rapid and effective decisions were not put in place throughout the year. In particular:

- **Better revenue mix**. Indeed, the growing contribution of premium brands within the special projects division improved Nice Footwear average price per unit;
- New special projects collaborations boosting **Nice Footwear Asia Ltd performance**. Here the Group was able to exploit relevant opportunities with brands belonging to large multinational Groups including private labels) on the local markets and the Hong-Kong-based subsidiary top line almost tripled to €2.0mn in FY21. Considering both Nice Footwear SpA and Asia Ltd, special projects revenues grew by 32% y/y, going from ca. 36% to 54%. of total sales
- Worthy to notice is also the y/y growth of **Kronos**, more than doubling FY20 €0.6mn to €1.3mn in FY21, with an incidence on sales of 6% (vs. 3% in 2020).

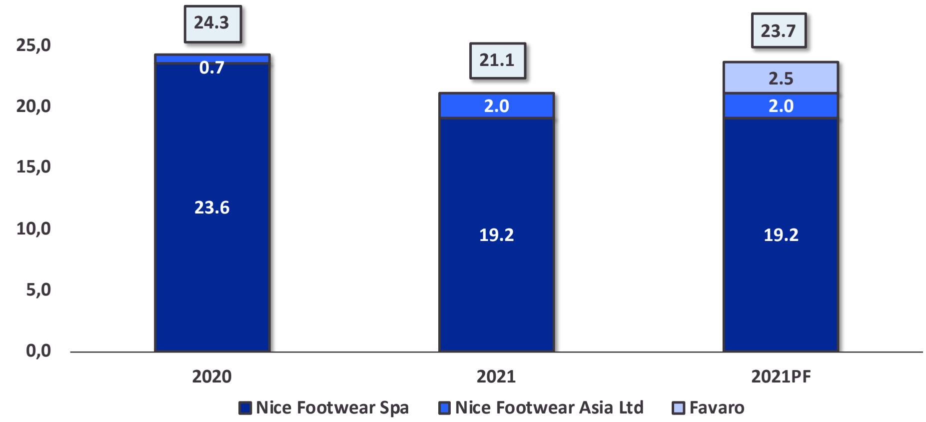
Nice Footwear: Revenue mix reshuffling FY19-21 (€mn)



Source: Nice Footwear

- **Favaro acquisition** should allow Nice Footwear to access the high-end premium and luxury "Made in Italy" footwear segment, characterized by higher average prices per unit and far better margins. During FY21 Favaro recorded ca. €2.5mn of revenues, to be added to the consolidated €21.1mn posted by Nice Footwear to get the pro-forma top line figure of €23.7mn. Comparing this outcome to FY20, the y/y decline is reduced at just 2.5%.

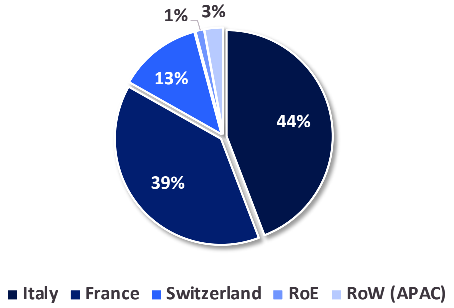
Nice Footwear: Revenues evolution FY20-21

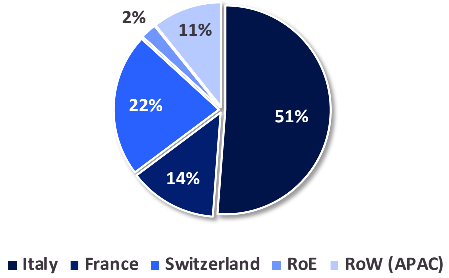


Source: Nice Footwear

- **Switzerland sales**. While Ellesse licenses and the French market represented a negative driver in FY21, Switzerland reported steady revenues. Italy and the rest of Europe almost stood in line with FY20. Italy now weights for ca. 51% of total, followed by Switzerland and France.

Nice Footwear: Revenue breakdown by market in FY20 (lhs) and FY21 (rhs)





Source: Nice Footwear Data exclude Favaro

Nice Footwear Value of Production also benefits from certain tax credits (operating grants for e.g., “Bonus Moda”, “Formazione 4.0”), €353k and €594k in FY20 and FY21, respectively.

Nice Footwear 2020FY-21FY

(€mn, IT GAAP)	2020FY	2021FY	Chge y/y	2021PF
Revenues from Own Brands	0.6	1.3	*> 100.0%.*	1.3
Revenues from Licensed Brands	15.0	8.4	*-44.1%*	8.4
Revenues from Special Projects	8.7	11.4	*32.0%*	11.4
o/w Nice Footwear Spa	8.0	9.4	*18.5%*	9.4
o/w Nice Footwear Asia Ltd (*)	0.7	2.0	*54.0%*	2.0
Favaro	-	-	*n.m.*	2.5
Total Revenues from Sales	**24.3**	**21.1**	*-12.9%*	**23.7**
R&D and other tax credits	0.4	0.6	*68.3%*	0.6
Value of Production	**24.6**	**21.8**	*-11.7%*	**24.3**

Source: Nice Footwear, Value Track Analysis *(*) Nice Footwear Asia Ltd works only with Special Projects*

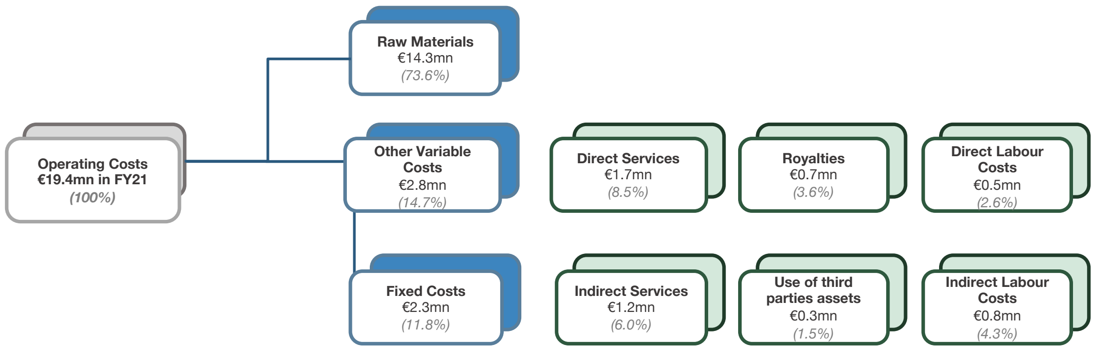
Highly flexible cost structure

Variable costs (costs of goods sold) account for ca. 88% of Nice Footwear aggregate cost structure (excluding D&A and exceptional items), reflecting a very light model, particularly dependent on raw materials costs fluctuations. Variable costs weighted 81.1% of total sales in FY21 and 83.1% in FY20.

This cluster comprehends:

- **Raw materials** amounted to 14.3mn in FY21 (~68% of revenues) vs. €17.4mn in FY20 (~72% of revenues), representing the most prominent cost element of Nice Footwear P&L. Incidence on sales was reduced thanks to the ongoing cost management process characterized by securing both delivery agreements with final producers and the replacement of credit letters transfers (subjected to high commission fees charged on purchases) with cash accounts;
- **Direct services** costs include ancillary expenses on purchases, transportation costs and customs duties. Direct services doubled their weight on sales (ca. 8% vs 4%) in FY21, attributable to an extraordinary increase in transport costs due clients' requests to stock products and postpone deliveries following shops closures due to Covid-19;
- **Royalties** relate to the licenses business, therefore decreased in line with the reduction of revenues from this cluster. They are calculated as a percentage of sales generated through licensed brands (usually ca. 8%-10%) and in 2021 halved to €0.7mn from €1.4mn of FY20;
- **Direct labour** costs were flat in absolute values but slightly incrementing their incidence on sales, which is however a minor cost (ca. 2%).

Nice Footwear Operating Costs Structure FY21

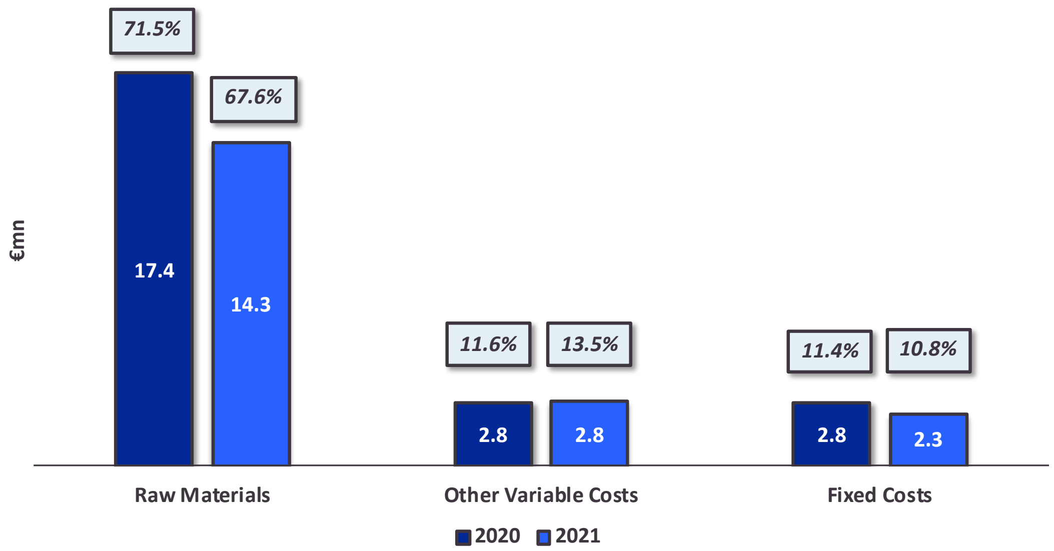


Source: Nice Footwear, Value Track Analysis. Data exclude Favaro

Overall, Costs of Goods Sold totaled €17.1mn in 2021 vs €20.2mn in 2020 and hence, despite the lower revenues, the Company **Gross Margin increased to 21.8%** in 2021 from 18.4%, almost entirely attributable to the efficient management of raw materials.

On the other hand, fixed costs account for ca. €2.3mn in 2021 or 12% of total OpEx and 11% of sales (flattish over FY20 and FY21). They include indirect services (~6% of sales), use of third-parties assets (~2%) and indirect labour (~4%).

Nice Footwear Operating Costs Structure and incidence on Revenues from Sales (%) FY20-21



Source: Nice Footwear, Value Track Analysis

EBITDA up 37% y/y, despite top line shrinkage

The better revenue mix focused on special projects and own brands, coupled with efficient raw materials costs management and Nice Asia economies of scale allowed the Group to record a terrific 37% EBITDA growth y/y, despite the decline in revenues. In absolute terms, **EBITDA reached €2.3mn, with a margin on sales of ca. 11.0%** (+400 bps y/y).

Adding Favaro to the consolidation perimeter, EBITDA margin further increase to 11.7%, thanks to the more profitable brands it manufactures - on a standalone basis, Favaro recorded a ca. 18% EBITDA margin.

Below the EBITDA line, we note:

- **D&A** of €779k to be compared to €627k in 2020 driven by higher amortization charges almost doubled due to the revaluation of Kronos brand as intangible assets;
- **Impairments** (credit) of €80k;
- **EBIT** growing more than proportional than EBITDA at 77.8% y/y, to €1.5mn from €0.8mn. EBIT margin standing at 6.9% in 2021 (7.7% pro-forma) vs. 3.4% in 2020.

Less than proportional increase of Net Profit (yet +55% y/y)

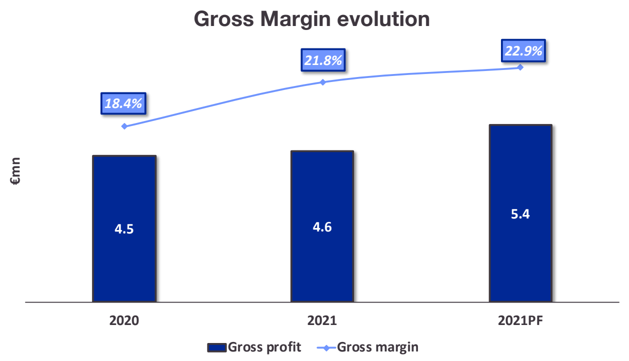
Despite higher net financial charges and FX losses due to extreme volatility of the US dollar (90% of purchases and sales are expressed in $), FY21 **Net Profit climbed to €880k** (€1.1mn pro-forma) vs €566k in 2020, i.e. +55.3% y/y, a weaker figure compared to EBIT growth. In more detail:

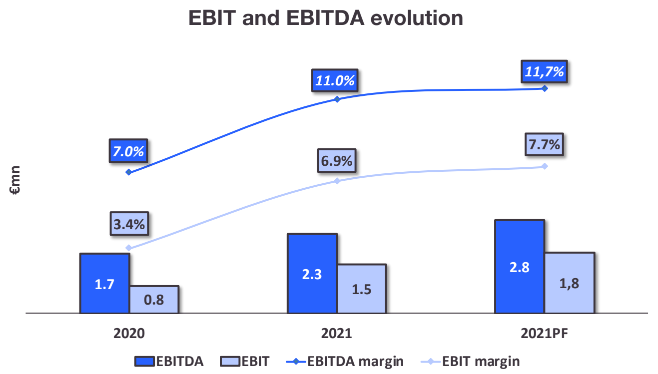
- On July 2nd, 2020, Nice Footwear issued a €3mn minibond on ExtraMOT PRO3 segment of Borsa Italiana with a maturity of 6 year and a fixed interest rate of 4.375%. Hence, **Net Financial Charges** doubled y/y to €257k due to the higher interest rate of the bond with respect to the other sources of funding of the Group;
- Nice Footwear enjoys a good match of revenues and costs expressed in **foreign currencies** (i.e. US dollar), as most of purchases are carried in Asia and are dollar denominated, and most of

revenues are equally dollar denominated. As a consequence, the currency risk is limited to the gross margin and historically by the simultaneity of payments/cash-in (sales and purchases invoices had broadly the same dates and down payments to suppliers were made through the partial transfer of credit letters directly from clients). As in April 2020 management took the decision to substitute credit letters transfers with account cash payments, from FY21 some delay and potential FX mismatch have been created between invoices and payments. Due to the high volatility of the $ in 2021, the **FX loss** reached €234k in 2021 from around €16k in 2020.

- The actual tax rate was at just 6.0% in FY21, thanks to the impact of tax credits (R&D and others), which were sizeable relative to pretax result.

Nice Footwear: Profitability evolution FY20-21





Source: Nice Footwear, Value Track Analysis

Nice Footwear: P&L FY20-21

(€mn, IT GAAP)	2020FY	2021FY	Chge y/y	2021PF
Value of Production	**24.6**	**21.8**	*-11.7%*	**24.3**
Raw Materials	-17.4	-14.3	*n.m.*	-15.0
Other Variable Costs	-2.8	-2.8	*n.m.*	-3.8
Gross Profit	**4.5**	**4.6**	***3.2%***	**5.4**
Gross Margin (%)	18.4%	21.8%	*340bps.*	22.8%
Fixed Costs	-2.8	-2.3	*n.m.*	-2.6
EBITDA	**1.7**	**2.3**	***37.1%***	**2.8**
EBITDA Margin (%)	7.0%	11.0%	*400bps*	11.7%
D&A	-0.6	-0.8	*n.m.*	-0.9
Impairments	-0.2	-0.1	*n.m.*	-0.1
EBIT	**0.8**	**1.5**	***77.8%***	**1.8**
EBIT Margin (%)	3.4%	6.9%	*350bps*	7.7%
Net Financial Charges	-0.1	-0.3	*n.m.*	-0.3
FX profit (+) / FX loss (-)	-0.0	-0.3	*n.m.*	-0.3
Pre tax profit	**0.7**	**0.9**	***27.4%***	**1.3**
Taxes	-0.2	-0.1	*n.m.*	-0.1
Group Net Profit	**0.6**	**0.9**	***55.3%***	**1.2**
Minorities to Favaro Shareholders	0.0	0.0	*n.m.*	-0.1
Net Profit	**0.6**	**0.9**	***55.3%***	**1.1**

Source: Nice Footwear, Value Track Analysis

Balance Sheet analysis

The flexible operational costs structure is also mirrored in the balance sheet, with Nice Footwear being very "fixed assets light", while Net Working Capital has been inflating with respect to total revenues (26.0% FY21), driven up by a considerable amount of Trade Receivables, as the Group decided to meet clients' payments postponement needs caused by the pandemic.

Worthy to mention, our 2021PF Net Debt differs from Nice Footwear admission document as we shifted €0.7k from current liabilities (Net Working Capital) to financial liabilities related to the remaining debt amount towards Favaro shareholders.

Nice Footwear: Balance Sheet Structure FY20-21

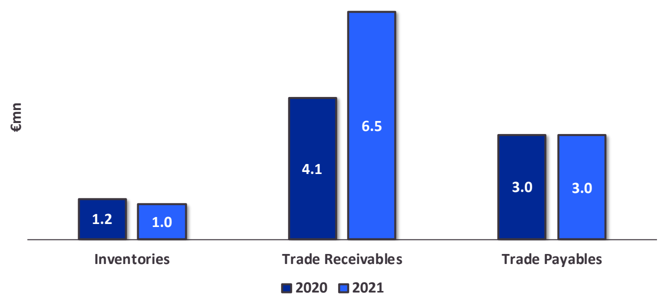
(€mn, IT GAAP)	2020FY	2021FY	2021PF
Net Fixed Assets	1.7	2.9	3.5
Net Working Capital	3.1	5.5	5.6
As % of Total Revenues	*12.8%*	*26.0%*	*23.5%*
Provisions	0.2	0.3	0.3
Total Capital Employed	**4.6**	**8.1**	**8.7**
As % of Total Revenues	*19.0%*	*38.2%*	*36.7%*
Group Net Equity	2.2	4.1	4.0
Net Fin. Position [i.e. Net Debt (-) Cash (+)]	**-2.4**	**-4.0**	**-4.7**

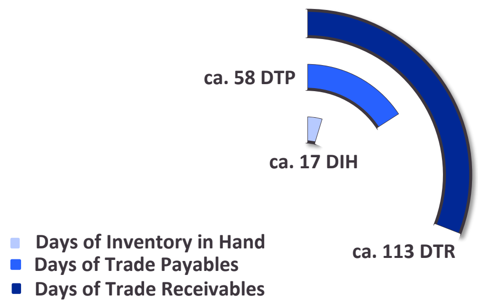
Source: Nice Footwear, Value Track Analysis

Looking at FY20-FY21 variations, we point out:

- **Net Fixed Assets** increasing by €1.2mn due to the revaluation of the Kronos brand (intangible) and to capital expenditures relative to die and mold involved in Nice Footwear manufacturing processes. We also note that the pro-forma balance sheet reports ca. €636k worth of goodwill related to Favaro acquisition;
- **Net Working Capital** at ca. €5.5mn, i.e. 1.8x 2020 level; while inventories and payables remained nearly flat, trade receivables swell by 61% despite revenues declining y/y, with DTR going from ca. 61 in 2020 to ca. 113 in 2021. The significant increase in receivables reflects the departure delays relative to the 2021 S/S collection (February/March instead of the usual December/January). Indeed, due to store closures, clients requested to postpone Nice Footwear deliveries, resulting in an extraordinary turnover and receivables concentration close to the end of the fiscal year, with payment deadlines set in May/June 2021.

Nice Footwear: Operating Working Capital (lhs, FY20-21) and Cash Conversion Cycle (rhs, FY21)





Source: Nice Footwear, Value Track Analysis

Nice Footwear: Net Working Capital Structure FY20-21

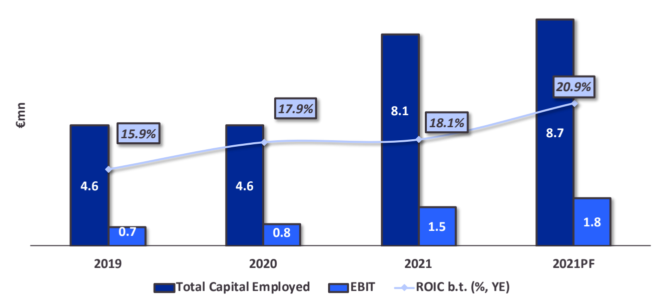
(€mn, IT GAAP)	2020FY	2021FY	2021PF
Inventories	1.2	1.0	1.1
Trade Receivables	4.1	6.5	6.7
Trade Payables	3.0	3.0	3.2
Operating Working Capital	**2.2**	**4.6**	**4.6**
Other Current Assets	1.1	1.3	1.5
Other Current Liabilities (non-financial)	0.3	0.4	0.6
Net Working Capital	**3.1**	**5.5**	**5.6**
as % of Total Revenues	***12.6%***	***26.0%***	***23.5%***

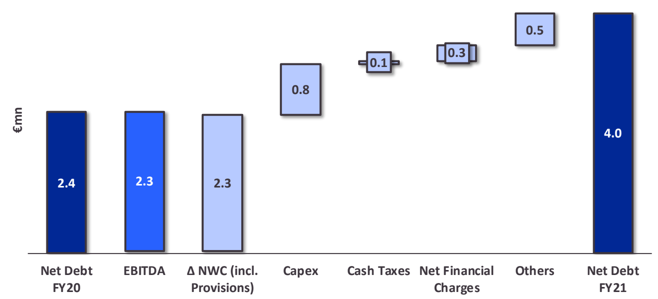
Source: Nice Footwear, Value Track Analysis

Returns and Cash Flow

Despite net working capital levels building up and thanks to the low fixed assets base and light cost structure, total capital employed by the Group was able to generate increasing levels of profitability over the last few periods. Thanks to higher margins, Favaro strengthened the Group ROIC, reaching 20.9% on a pro-forma basis compared to 18.1% considering only Nice Footwear.

Nice Footwear: Return on Invested Capital b.t. (%) (lhs, FY20-21) and Net Debt Evolution (rhs, FY20-21)





Source: Nice Footwear, Value Track Analysis

Thanks to its light fixed assets structure Nice Footwear cash flow conversion is particularly attractive, especially at the EBITDA – CapEx level. However, working capital dynamics have been more uncertain, absorbing all operating free cash flow in FY21. Overall, Net Debt increased by ca. €1.7mn to €4.0mn.

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Nice Footwear: Cash Flow Statement FY20-21

(€mn, IT GAAP)	2020FY	2021FY
EBITDA	1.7	2.3
CapEx	-0.6	-0.8
Net Working Capital requirements	-0.0	-2.4
Change in Provisions	0.0	0.1
OpFCF b.t.	**1.1**	**-0.8**
As a % of EBITDA	*63.1%*	*-35.9%*
Cash Taxes	-0.2	-0.1
OpFCF a.t.	**0.9**	**-0.9**
Net Financial Charges	-0.1	-0.3
Dividends paid	0.0	0.0
Others	-0.2	-0.5
Net Cash generated (absorbed)	**0.6**	**-1.7**
Net Fin. Position [i.e. Net Debt (-) Cash (+)]	**-2.4**	**-4.0**

Source: Nice Footwear, Value Track Analysis

Forecasts 2022E-24E

Our 2022E-24E forecasts outlines: 1) Revenues at €39mn by FY24E, with a $CAGR_{21PF\text{-}24E}$ of 18%; 2) EBITDA margin at ca. 12.9% in 2024E; 3) Net Financial Position strengthened to €3.4mn in 2024E thanks to €4.6mn of IPO net proceeds and a solid FCF generation. We underline that our estimates are based on current operations, also assuming a) the termination of one license in FY23E; b) the widening of the Ellesse license in FY24E; c) the purchase of a new brand in partnership by the end of FY23E, d) sizeable cross-selling opportunities. Nice Footwear has a variety of additional growth opportunities that could positively impact the Group financials and that have not been factored.

Estimates guidelines

As far as 2022E-24E financial forecasts are concerned, we note that our estimates are:

- Built in accordance with IT GAAP principles;
- Based on pro-forma figures (i.e. including Favaro);
- Post-money, i.e. including IPO proceeds;
- Developed bottom-up, i.e. driven by the expected evolution of Nice Footwear portfolio of brands, including a new brand acquired via a joint venture agreement, and assuming the loss of one of the current licenses (*Conte of Florence*);
- Adjusted for IPO Tax Credit of €425k (linked to IPO costs) included in 2022E Value of Production

Key forecasts

For the next three fiscal periods, we estimate:

- **Revenues from Sales to grow at 18.1% $CAGR_{21PF\text{-}24E}$**, up to €39.0mn in 2024E, with own brands and special projects leading the way in terms of annual average growth (ca. 25% and 23% $CAGR_{21PF\text{-}24E}$, respectively);
- **EBITDA margin at 12.9%** in 2024E, gradually improving from 11.7% of FY21PF as the higher profitability of own brands and special projects should be accompanied by a lower incidence on sales of raw materials and royalties and only partially offset by rising marketing and labour costs;
- **EBIT at €4.0mn** in 2024E, growing more than proportional with respect to EBITDA, as the amount of capital expenditures required to expand Favaro production capacity, develop the new own brand line and boost operations in Asia should not exceed an annual amount of €1.3mn;
- **Net Financial Position to significantly improve by 2024E at ca. €3.4mn**, thanks to €4.7mn of net IPO proceeds and a ca. 52% operating free cash flow (before tax) conversion rate.

Nice Footwear: Key financials 2021PF-24E

(€mn, IT GAAP)	2021PF	2022E	2023E	2024E
Revenues from Sales	**23.7**	**26.7**	**31.9**	**39.0**
EBITDA	2.8	3.2 (*)	4.0	5.0
EBITDA Margin	**11.7%**	**11.9%**	**12.7%**	**12.9%**
EBIT	1.8	2.1 (*)	3.0	4.0
EBIT Margin	7.7%	8.0%	9.5%	10.2%
Net profit	**1.1**	**1.3 (*)**	**1.8**	**2.5**
Net Fin. Position [i.e. Net Debt (-) Cash (+)]	**-4.7**	**1.8**	**2.2**	**3.8**

Source: Nice Footwear, Value Track Analysis (Forecasts) *(*) Adjusted for IPO Tax Credit of €425k*

Profit & Loss forecasts

Revenues from Sales consistently growing at 18% CAGR

We expect **Nice Footwear to grow at 18.1% CAGR$_{21PF-24E}$**, up to €39.0mn in 2024E, as a result of the following trends:

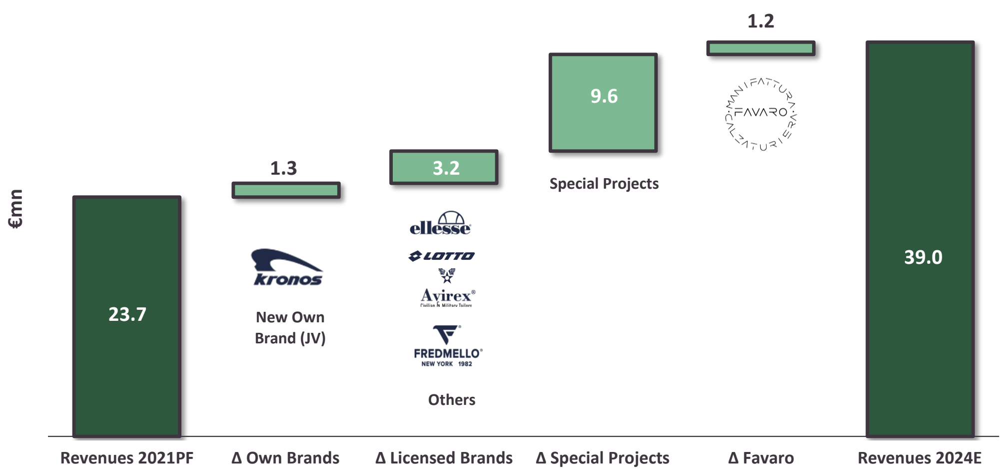
- **Own brands** boasting the highest annual growth rate (25.1% CAGR$_{21PF-24E}$), driven by the new brand to be acquired under a joint venture agreement in 2022E. While Kronos should post a high-single digit growth over the next three years, following a brand repositioning strategy towards the "athleisure" sector, the new brand should start generating revenues in 2023E and approach the €1mn sales threshold in 2024E. The new label should be positioned among premium brands, therefore enhancing the quality and the perception of the brand portfolio. This would ultimately imply higher average prices per unit sold and a better marginality.
- **Licensed brands** expected to post the lowest growth rate, as the management is continuing its strategy of sales mix reshuffling towards higher-margins projects. However, the cluster should be pulled up by the Ellesse brand, as the Group ought to re-acquire the license for the French market and to add the Benelux area to the new deal, meaning ca. €9.1mn in 2024E. Important to notice, we assume the loss of Conte of Florence from Nice Footwear portfolio, as the company is currently facing liquidation procedures.
- On the other hand, **special projects** are forecasted to grow at 22.6% CAGR$_{21PF-24E}$, boosted by the recent collaboration with a new premium brand (both in Europe and Asia) that should add ca. €1.9mn already as of 2023E and by the steady escalation of the top 3 special projects-brands, that should jointly deliver over €38mn (on a cumulative basis) between 2022E and 2024E.
- **Favaro** should experience a 13.7% CAGR$_{21PF-24E}$, thanks to a relevant stream of investments (ca. €600k) planned to be deployed over the next few years to boost its production capacity. Thanks to the high average prices of the luxury brands Favaro produces and to the potential synergies that the merger could unlock, we do not exclude an additional expansion and positive significant shifts in sales from the Favaro division.

Nice Footwear: Revenues from sales breakdown 2021PF-24E

(€mn, IT GAAP)	2021PF	2022E	2023E	2024E	CAGR$_{21PF-24E}$
Revenues from Own Brands	**1.3**	**1.5**	**2.1**	**2.6**	***25.1%***
As a % of Total Sales	*5.7%*	*5.8%*	*6.7%*	*6.8%*	*n.m.*
Revenues from Licensed Brands	**8.4**	**8.8**	**8.5**	**11.6**	***11.5%***
As a % of Total Sales	*35.4%*	*32.9%*	*26.5%*	*29.8%*	*n.m.*
Revenues from Special Projects	**11.4**	**13.7**	**18.2**	**21.0**	***22.6%***
o/w Nice Footwear Spa	9.4	11.2	14.9	17.1	*21.8%*
o/w Nice Footwear Asia Ltd	2.0	2.5	3.3	4.0	*25.8%*
As a % of Total Sales	*48.3%*	*51.3%*	*56.9%*	*54.0%*	*n.m.*
Revenues from Favaro	**2.5**	**2.7**	**3.2**	**3.7**	***13.7%***
As a % of Total Sales	*10.6%*	*10.1%*	*9.9%*	*9.5%*	*n.m.*
Total Revenues from Sales	**23.7**	**26.7**	**31.9**	**39.0**	***18.1%***
R&D and other tax credits	0.6	0.7 (*)	0.0	0.0	*n.m.*
Value of Production	**24.3**	**27.5**	**31.9**	**39.0**	***17.1%***

Source: Nice Footwear, Value Track Analysis (Forecasts) *(*) o/w €425k for IPO Tax Credit*

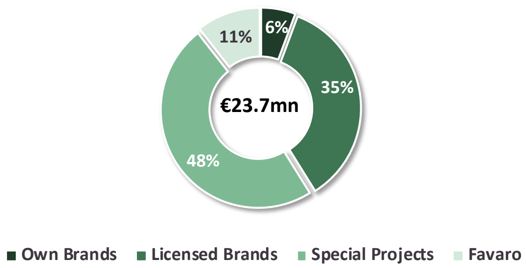
Nice Footwear: Revenues from Sales bridge 2021PF-24E

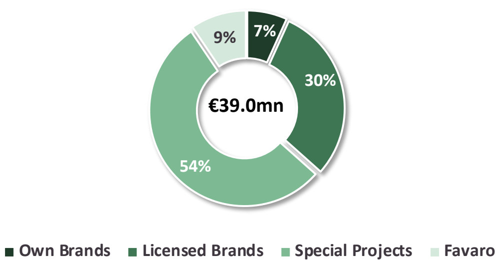


Source: Nice Footwear, Value Track Analysis (Forecasts)

Following different growth paths, special projects ought to increment their weight on sales, going from 48% in 2021PF to 54% in 2024E, at the expense of licensed brands (-5 pp) and Favaro (-2 pp).

Nice Footwear: Revenues mix 2021PF (lhs) and 2024E (rhs)

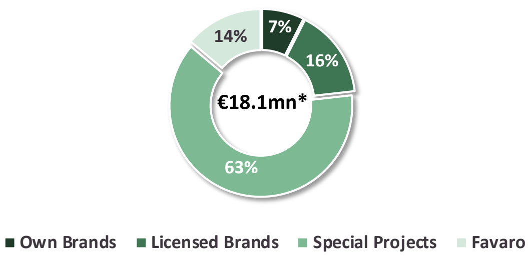


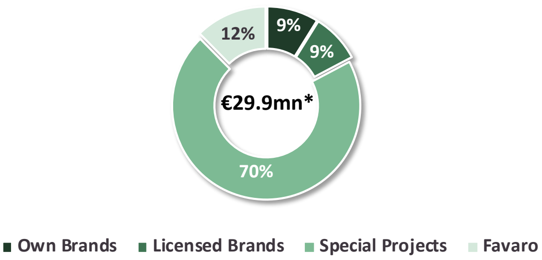


Source: Nice Footwear, Value Track Analysis (Forecasts)

Such difference could have been even more severe if it wasn't for Ellesse. Indeed the Italian brand should be the only licensed brand to maintain a substantial share on revenues (already at 22% in 2021PF). Stripping out Ellesse financials from 2021PF and 2024E top line, we note how licensed brands share decrease by 7 percentage points between the period, in line with Nice Footwear repositioning strategy towards special projects and the premium segment of the footwear market.

Nice Footwear: Revenues mix 2021PF (lhs) and 2024E (rhs) without Ellesse contribution



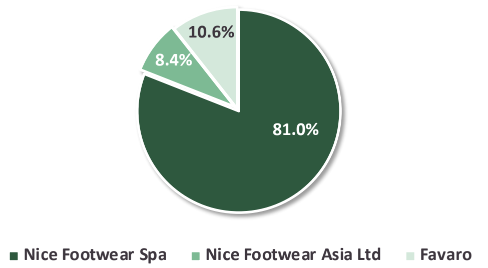


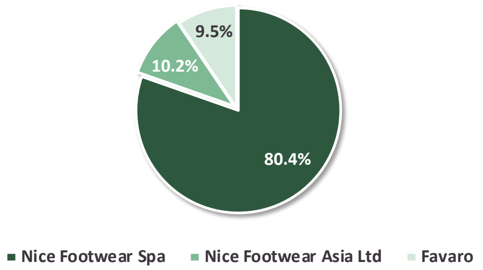
Source: Nice Footwear, Value Track Analysis (Forecasts)

(*) Not considering Ellesse (Licensed Brand)

About the entity breakdown of the top line, Nice Footwear Asia Ltd is forecasted only to marginally raise its contribution to the Group total revenues. Still, the Hong-Kong based subsidiary should report €4.0mn as of 2024E, doubling 2021PF figure.

Nice Footwear: Revenues breakdown by legal entity 2021PF (lhs) and 2024E (rhs)





Source: Nice Footwear, Value Track Analysis (Forecasts)

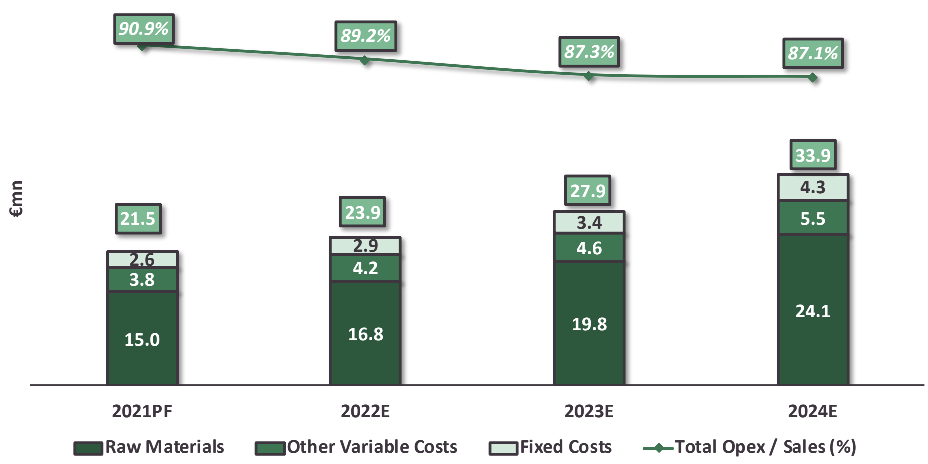
Profitability gradually improving

We estimate Nice to gradually enhance its **EBITDA margin up to ca. 12.9% in 2024E**, with **EBITDA growing in absolute value to €5.0mn in 2024E**, i.e. recording a more than proportional CAGR with respect to the top line (21.9%) driven by:

- Improved raw materials management, already started in 2021 also thanks to the introduction of cash accounts instead of the expensive letters of credit transfers;
- Special projects and owned brands increasing their weight on total sales at the expense of licensed brands, implying lower royalties to be paid by the Group;
- R&D, marketing and labour costs increasing their incidence as necessary investments for the structural expansion of the Group. However, some positive operating leverage effect on the remaining fixed costs should be achieved.

Overall, operating expenses are predicted to reach €33.9mn in 2024E, i.e. 87.1% of revenues (vs. 90.9% in 2021PF).

Nice Footwear: Operating Expenses breakdown and incidence on Sales



Source: Nice Footwear, Value Track Analysis (Forecasts)

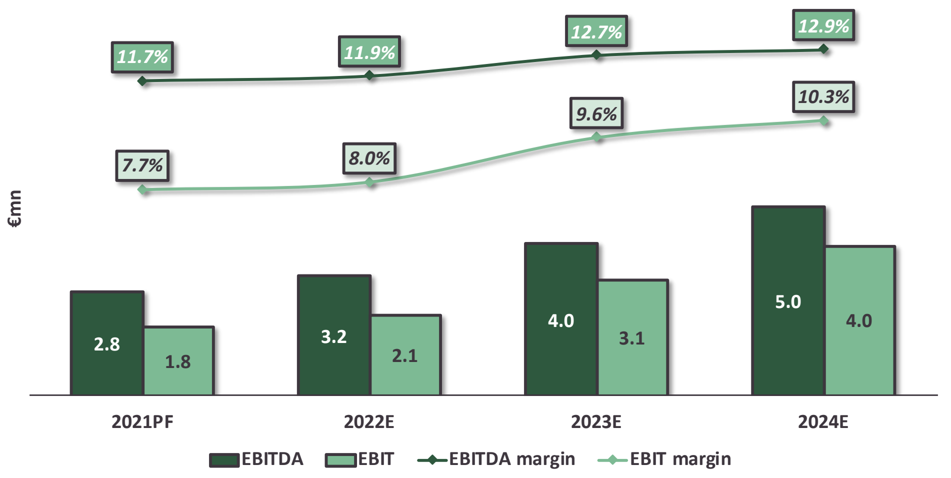
Nice Footwear: From VoP down to EBITDA 2021PF-24E

(€mn, IT GAAP)	2021PF	2022E	2023E	2024E
Value of Production	**24.3**	**27.5**	**31.9**	**39.0**
Raw Materials	-15.0	-16.8	-19.8	-24.1
Other Variable Costs	-3.8	-4.2	-4.6	-5.5
Gross Profit	**5.4**	**6.1 (*)**	**7.5**	**9.3**
Gross Margin	22.9%	22.9%	23.4%	23.8%
Fixed Costs	-2.6	-2.9	-3.4	-4.3
EBITDA	**2.8**	**3.2 (*)**	**4.0**	**5.0**
EBITDA Margin	11.7%	11.9%	12.7%	12.9%

Source: Nice Footwear, Value Track Analysis (Forecasts) *(*) Adjusted for IPO Tax Credit of €425k*

Thanks to the light business model that does not need relevant expenditures, D&As should not represent an excessive burden for the Company, with **EBIT** growing at a higher pace than EBITDA, i.e. **29.9% CAGR$_{21PF-24E}$** and EBIT margin expected to rise up to 10.2% by 2024E.

Nice Footwear: Profitability evolution 2021PF-24E



Source: Nice Footwear, Value Track Analysis (Forecasts)

Below the EBIT line, some debt maturities should reduce net financial charges, despite the higher average interest rate to be paid as a consequence of the newly issued minibond. Also, FX exposure is expected to improve, however depending on EUR/$ exchange rate volatility.

The implicit tax rate should be ca. 28% in 2022E and around 31% in the following years. As a result, **Net Profit should reach €2.5mn in 2024E**, implying a 31% CAGR$_{21PF-24E}$.

Nice Footwear: Profit & Loss 2021PF-24E

(€mn, IT GAAP)	2021PF	2022E (*)	2023E	2024E	CAGR 21PF-24E
Revenues from Sales	**23.7**	**26.7**	**31.9**	**39.0**	***18.1%***
R&D and other tax credits	0.6	0.7	0.0	0.0	*n.m.*
Value of Production	**24.3**	**27.5**	**31.9**	**39.0**	***17.1%***
Raw Materials	-15.0	-16.8	-19.8	-24.1	*n.m.*
Other Variable Costs	-3.8	-4.2	-4.6	-5.5	*n.m.*
Gross Profit	**5.4**	**6.5**	**7.5**	**9.3**	***19.6%***
Gross Margin (%)	22.9%	24.4%	23.4%	23.8%	*n.m.*
Fixed Costs	-2.6	-2.9	-3.4	-4.3	*n.m.*
EBITDA	**2.8**	**3.2**	**4.0**	**5.0**	***21.9%***
EBITDA Margin (%)	11.7%	11.9%	12.7%	12.9%	*n.m.*
D&A	-1.0	-1.1	-1.0	-1.0	*n.m.*
EBIT	**1.8**	**2.1**	**3.1**	**4.0**	***30.1%***
EBIT Margin (%)	7.7%	8.0%	9.6%	10.3%	*n.m.*
Net Financial Charges	-0.3	-0.2	-0.1	-0.1	*n.m.*
FX profit (+) / FX loss (-)	-0.3	-0.1	-0.1	-0.1	*n.m.*
Pretax profit	**1.3**	**1.9**	**2.9**	**3.8**	***44.2%***
Taxes	-0.1	-0.5	-0.9	-1.2	*n.m.*
Group Net Profit	**1.2**	**1.4**	**2.0**	**2.6**	***30.2%***
Minorities	-0.1	-0.1	-0.1	-0.1	*n.m.*
Net Profit	**1.1**	**1.3**	**1.9**	**2.5**	***31.2%***

Source: Nice Footwear, Value Track Forecasts (*) 2022E EBITDA, EBIT, Pre-Tax, Net Profit adjusted for IPO Tax Credit of €425k

Balance Sheet and Cash Flow forecasts

Thanks to the IPO of November 2021, Nice Footwear collected €5.5mn gross proceeds (€4.6mn net of €850k estimated costs, which we assume are capitalized), which should secure a positive Net Financial Position already as of end of FY2022E. Indeed we expect NFP to reach €1.8mn as of 2022E and further improve to €3.8mn as of 2024E.

We expect the Group to bring forth ca. €7.8mn of cumulated Operating Free Cash Flow before taxes over the 2022E-24E period, with an average EBITDA conversion ratio of ca. 60% (all data excluding IPO costs capitalized and included in FY22E Capex). Over the same period, **cumulated deleverage should amount to €8.5mn**, which includes est. €4.6mn of IPO net proceeds and €0.8mn cash out for the acquisition of the new brand under JV. Net of these events the **organic Free Cash Flow over FY22E-24E would be €4.6mn.**

Such an outcome should be achieved as a result of:

- **Net Fixed Assets** increasing to just €5.7mn (€4.9mn net of IPO capitalized costs). Indeed, the projected Capex plan includes ca. €1.2mn-€1.3mn per year, sufficient to expand Favaro production capacity, develop the new own brand line and boost operations in Asia over the next three-year period. Financial assets should increase by ca. €0.8mn due the acquisition of the new brand via joint venture agreement;

- **Net Working Capital** progressively converging to 19%-18% of sales (closer to FY19-20 levels) as, especially from 2023E onwards, deliveries and related cash collection conditions should normalize again post the Covid-19 turmoil. We see NWC at ca. €6.9mn in 2024E.

Nice Footwear: Balance Sheet Structure 2021PF-24E

(€mn, IT GAAP)	2021PF	2022E	2023E	2024E
Net Fixed Assets	3.4	4.3	5.4	5.7
Net Working Capital	5.6	5.6	6.2	6.9
As a % of Revenues from Sales	*23.5%*	*20.8%*	*19.3%*	*17.6%*
Provisions	0.3	0.3	0.4	0.5
Total Capital Employed	**8.7**	**9.5**	**11.1**	**12.1**
Group Net Equity	4.0	11.3	13.3	15.9
Net Fin. Position [i.e. Net Debt (-) Cash (+)]	**-4.7**	**1.8**	**2.2**	**3.8**

Source: Nice Footwear, Value Track Analysis (Forecasts)

Nice Footwear: Cash Flow Statement 2021PF-24E

(€mn, IT GAAP)	2021PF	2022E	2023E	2024E
EBITDA	2.8	3.6 (*)	4.0	5.0
CapEx	-1.6	-1.9 (**)	-1.3	-1.4
Net Working Capital requirements	-2.5	0.0	-0.6	-0.7
Change in Provisions	0.2	0.0	0.0	0.1
OpFCF b.t.	**-1.2**	**1.7**	**2.2**	**3.0**
As a % of EBITDA	*-42.5%*	*47.8%*	*54.1%*	*59.8%*
Cash Taxes	-0.1	-0.5	-0.9	-1.2
OpFCF a.t.	**-1.3**	**1.2**	**1.3**	**1.8**
Capital Injections	0.0	5.5	0.0	0.0
Net Financial Charges	-0.3	-0.2	-0.1	-0.1
Dividends paid	0.0	0.0	0.0	0.0
Others (incl. Fin. Investments)	-0.8	-0.1	-0.8 (***)	-0.1
Change in Net Debt/Cash	**-2.3**	**6.5**	**0.4**	**1.6**
Net Fin. Position [i.e. Net Debt (-) Cash (+)]	**-4.7**	**1.8**	**2.2**	**3.8**

Source: Nice Footwear, Value Track Forecasts

(*) Including €425k of IPO Tax Credit

(**) Including €850k of IPO Capitalized Costs and €250k intangible Capex for New Own Brand JV

(***) New Own Brand JV, also €750k as Fin. Investments

Appendix 1 – Nice Footwear SWOT analysis

Strengths

- **Sneaker sector is the fastest growing** one inside the footwear category with an expected CAGR of 10.3% between 2020 and 2025. Sneakers are now a "must have" item in each collection and brand, notwithstanding its positioning.
- Nice Footwear is one of the few players able to offer an **end-to-end solution** - from development to distribution – to apparel/fashion/lifestyle brands willing to externalize their footwear business. The business model offers high level of creativity, flexibility and confidentiality, tailor made service, control over the supply chain;
- Recent acquisition of Favaro Manifattura Calzaturiera allows Nice Footwear to broad its offer to the **luxury "Made in Italy" segment**, which is characterized by higher margin and growth rates;
- **High digitalization level** which allows dematerialization of the developing and sampling process, determining a material saving in terms of timing and costs – and supports operations in times of limited travelling and social distancing;
- Management characterized by a **high level of seniority** with many years of experience in the sector and high commitment to the firm;
- **Attractive ESG profile**: the business's value chain is characterized by sustainable processes, certifications of environmental and ethical operations as well as by the presence of eco-sustainable shoe models (e.g. Fred Mello Lincoln model, F/W 2021) which put Nice Footwear in the position to lead the trend towards 100% eco-sustainable sneakers;
- **Flexible model and attractive financial profile**: flexible revenues model (offering both licensing agreements, full outsourcing contracts or high-end manufacturing) and capital requirements are quite low (the firm is not subject to inventory risk, credit risk is extremely low – orders are backed up by letters of credit – and mass production is outsourced).

Weaknesses

- **Business size is small** if compared to affirmed peers in the footwear market such as brand owner of large European or Asian manufacturers and the Company is relatively young as it entered the current business only in 2016.
- Nice Footwear's only own brand is Kronos, a brand currently focused on men and kids and specialized in soccer and basket, with an appeal limited to the domestic market. Hence the **Company will need** to carry material **investments in own brands (both Kronos and new ones).**
- **Limited geographical coverage**: currently Nice Footwear sells its products in Europe (89%) and in limited quantity in the APAC region (11%) and management plans further investments to better penetrate Europe, Asia and in the longer run the United States market;
- **Lack of a DTC (Direct-To-Customer) channel** (e-commerce) where to directly sell its products with higher margin, getting first-party data and direct contact to end-consumers. An e-commerce could also help Nice Footwear interact with its clients in order to receive feedbacks for new footwear collections;

Opportunities

- The firm can take advantage of **M&A opportunities** to build a new proprietary brand thanks to a joint venture with a known fashion house and to acquire an e-commerce platform to develop a DTC channel.
- Thanks to the acquisition of Favaro, Nice Footwear can design a new collection of **luxury sneakers "Made in Italy"**, leveraging on its *know-how* and client portfolio.
- The firm is planning to invest more resources in **Asia, turning into a growing consumer market** for sneakers, rather than only a manufacturing site.
- As the number of clients served is growing and Nice Footwear is building a strong credibility in the industry, it may a) increase the share of wallet of current clients; b) sign contracts to design and distribute other brands belonging to clients already served, taking advantage of **cross selling opportunities.**

Threats

- The Company may face a potential **concentration risk on its suppliers' side,** as the first two Chinese suppliers – part of the same conglomerate – still deal with ca. 44% of total purchases, despite the policy of gradual diversification in place.
- In addition, as ca. 56% of all Nice Footwear's footwear suppliers are based in China, and most of current purchases in value terms come from this market, the firm could incur in a major cost pressure should **labour costs in China** rise suddenly much faster than the rest of Asia.
- Revenues linked to most licensed brands are expected to grow at a slower pace of own brands and special projects, however they still represent 35% of total. Hence the **loss of a large license** (e.g. *Ellesse*) would have a material short term impact on the company revenues and margins.

Appendix 2 – Sneakers growth drivers

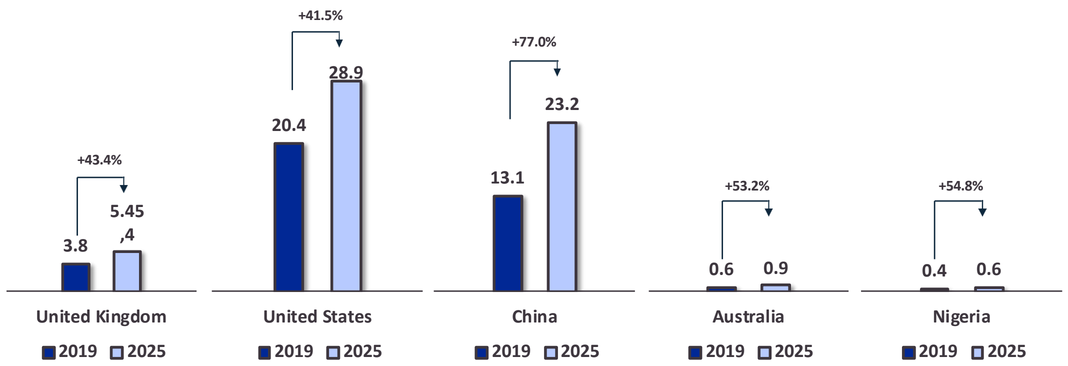
There are different key drivers shaping sneakers growth: (i) rise of emerging markets as potential customers, (ii) increase in sales via DTC channels, (iii) increase in sporting footwear spending by women, (iv) increase in footwear luxury spending, (v) more attention to sustainability (+58% SKU 2017-2020).

#1 Increase in footwear spending in China

The most important driver for global footwear growth is the rising of emerging markets not only as manufacturing sites but also as consumer markets. GDP and consumer spending is migrating away from established markets in North America and Central and Western Europe and towards emerging markets in Asia, Eastern Europe, the Middle East, Africa, and Latin America.

The fashion markets have already felt the effects of this shift, with roughly half of all expenditures taking place outside of North America and Europe. In particular, the sneakers segment is the one expected to grow the most, recording an expected growth in revenues of 77% in China compared to 41.5% of USA from 2019 to 2025.

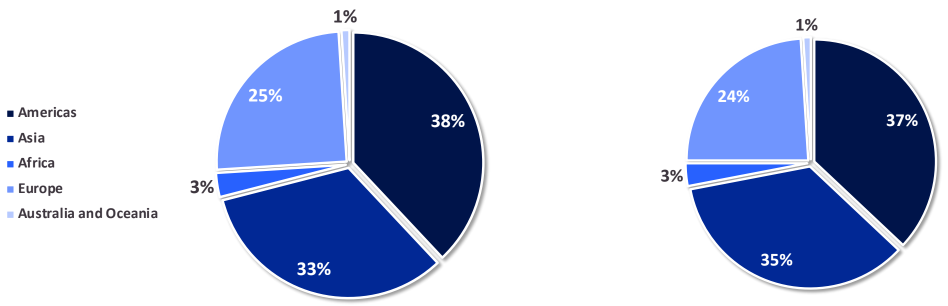
Breakdown of sneakers revenue and growth by country in billion US$



Source: Statista

As from the graph below, Americas represents the region with the highest share of sneakers market revenues based on 2020 data, immediately followed by Asia (33%) and Europe (25%). In 2025 the breakdown will show Asia to report a small gain of 2% in market share, driven in particular by Chinese buyers.

Breakdown of revenues for sneakers by region for 2019 (left) and 2025 (right)



Source: Statista

#2 Online sales as key tool of the DTC strategy

The pandemic has increased consumers' willingness to acquire sporting and athleisure items online, and it is believed that this trend will continue. Furthermore, six out of ten consumers cite the ability to shop on their phones as a key factor in deciding which brands to buy from. As online penetration accelerates and shoppers demand ever-more sophisticated digital interactions, fashion players are optimizing the online experience and channel mix while finding persuasive ways to integrate the human touch.

E-commerce's share of global sportswear revenues up to 2020 (%)

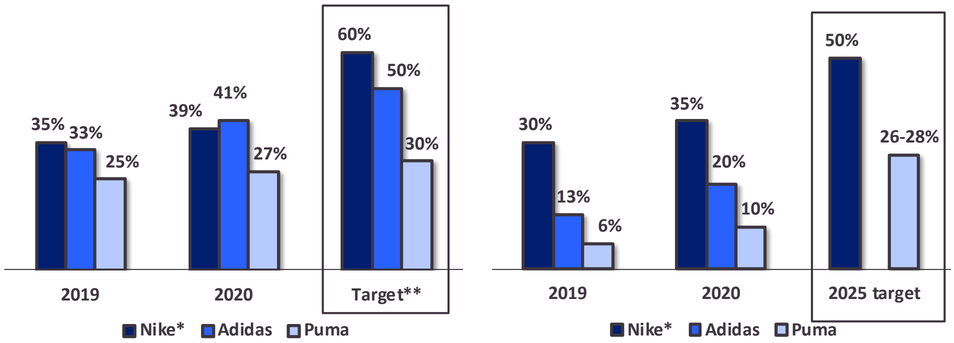
Source: Euromonitor, HSBC

The increase in e-commerce sportswear revenues as a percentage of the total turnover has been steady over the last years, but the closing of physical store due to Covid-19 pandemic has abruptly enhanced this trend. This tendency is expected to increase even more due to changes in shopping habits of consumer as well as by footwear brands' strategy.

Digitalization had already begun prior to the pandemic - it has only accelerated in subsequent quarters – and online retail is profitable and provides greater data and brand exposure. In particular, selling more and more online allows companies to:

- Operate in a more controlled environment to improve product/service quality and brand image;
- Improve real time sell-out data and customer profiling;
- Increase profitability by generating higher margins, especially in case of proprietary e-commerce channels (DTC);
- Increase collaboration and communication with factories on fit requirements, as well as incorporating customer feedback into design decisions.

DTC as a percentage of group sales (lhs) and online as a percentage of group sales (rhs)



Source: Euromonitor, HSBC(*) FY May n+1; (**)FY25 targets for Nike and adidas, and FY22 for Puma

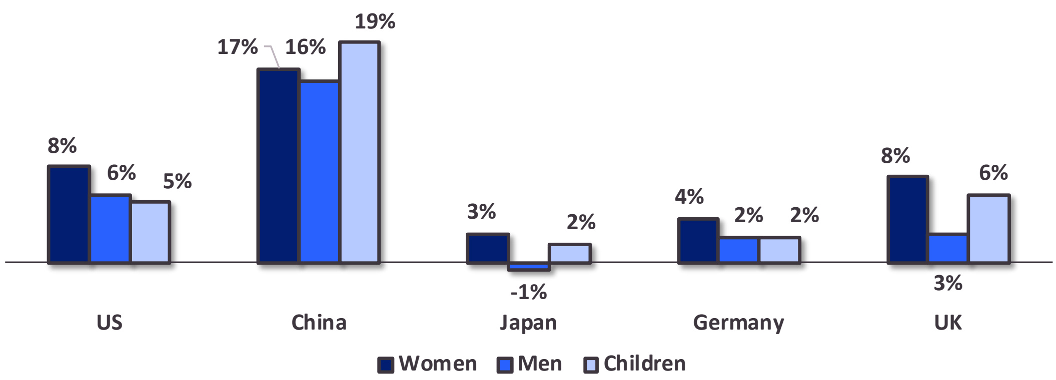
Nike DTC segment approached 40% of the brand's business turnover and management expect to reach 60% by 2025. Nike now targets digital sales (owned and partnered) to represent 50% of the total by 2025 with third parties' platforms accounting only for 10% in order to not dilute margins by selling goods through online intermediaries. This explains why the pursuit of margins by footwear brands is literally emptying the inventory of third-parties' online marketplaces.

#3 Increase in female athletic shoes purchase: the future is female

Female engagement in the sporting goods business is increasing. According to a recent McKinsey analysis (Sporting goods 2021, Jan 2021), women have outnumbered men in running since 2019.

As shown in the graphic below, the female sports segment beat the male and child segments in most of the top five markets prior to COVID-19 and this trend is expected to continue.

Women were a key growth driver of sportswear market (2016-2019 CAGR)



Source: McKinsey Sporting Goods 2021 report, HSBC

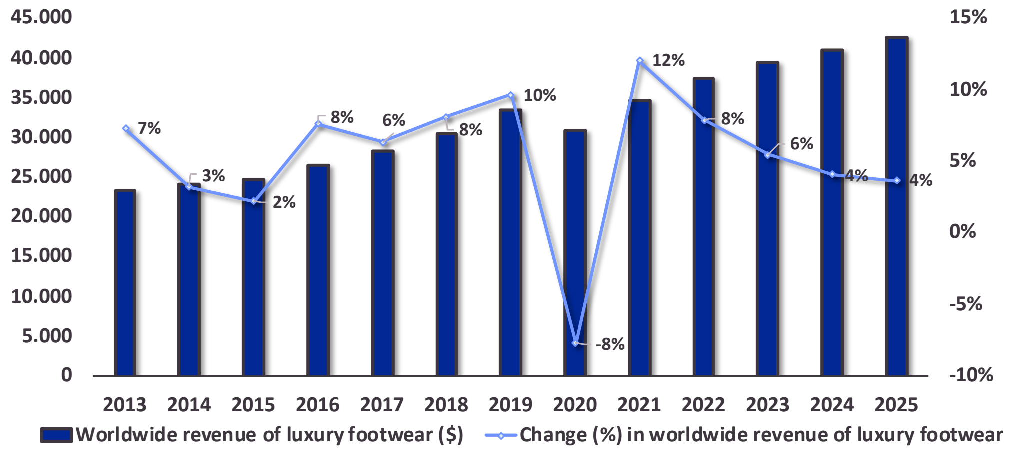
#4 Luxury footwear: attractive and growing across segments, including sneakers

One of the most attractive segments of the footwear market is the luxury niche, which, based on 2020 market data, represents 8% of total footwear revenues. As for the overall luxury sector, the up-end footwear segment has proven to be extremely resilient in economic downturns, with 2020 revenues down by 7.7% y/y and back to pre-Covid levels quite promptly, i.e. by end of 2021E.

The attractiveness of this segment is twofold:

1. According to Statista, the expected growth of this segment will normalize after 2022 with a 2020-2025 CAGR (7.2%) remaining above its long-term trend;
2. Appeal of the luxury segment goes well beyond its growth potential and resiliency, as it does enjoy a very high revenue multiplier (luxury footwear sell out prices can be set up to 12 times the cost of the good sold).

Worldwide luxury footwear revenue ($'000)



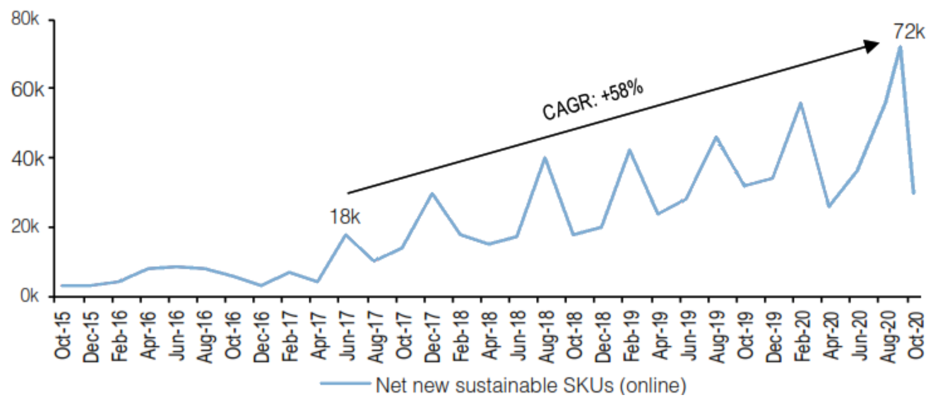
Source: Statista

#5 Sustainability

Sustainability is a hot topic in every industry and for younger consumers is an important consideration. When it comes to sustainability, companies are now walking the walk rather than just talking the talk. As customers scrutinize firms more closely, sustainability has taken center stage in the athletic goods market.

Allbirds, a sneaker startup based in San Francisco, has gained notoriety in the Bay Area's IT landscape. Natural fibers such as wool and eucalyptus tree fibers are used to make the company's products as environmentally friendly as feasible.

Increasing numbers of sustainable SKUs(*) in sporting goods industry



Source: McKinsey Sporting Goods 2021 Report, HSBC estimates *(*) SKU: Stock Keeping Units*

According to the McKinsey sporting goods research, in the digital realm, sporting goods firms have said to increase net new sustainable SKUs to 72,000 in 2020 from 18,000 in 2017, a 58% CAGR. Furthermore, multinational athletic goods corporations have established lofty environmental, social, and governance (ESG) goals.

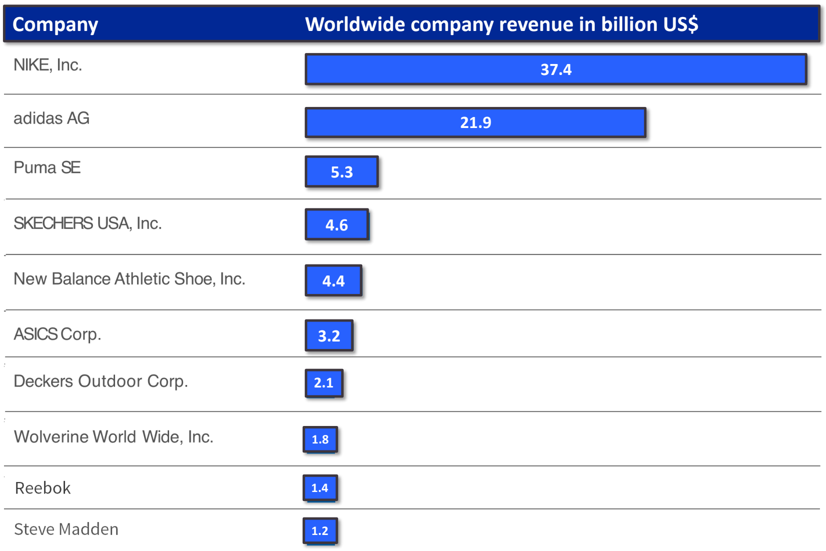
Appendix 3 – Worldwide footwear leaders

Key players of the athleisure market dominate the B2C offer

Global athleisure/athletic footwear brands dominate the landscape and in particular Nike and Adidas do play the lion's share, leading also in terms of innovation, customer and industry trends setting. They have mastered the art of marketing for a long time and created the first truly global footwear brands. Furthermore, they have broken down the traditional barrier between suppliers and retailers by opening their own retail stores and online stores.

The chart below lists the top 10 sport footwear brands (although reported revenues refer to the whole business, i.e. including apparel and equipment).

Top 10 companies for sneakers revenues in 2020 ($bn)



Source: Corporate data, Value Track analysis

While the market for sneakers is dominated by the global sport brands (top three), there is a plethora of more recent players which entered the sneaker segment to exploit the secular trend of "casualization" and "sneakerization". Among them there are apparel/fashion names, retailers' private labels as well as premium and very exclusive luxury brands. Sneakers have become a "must have" and there is no brand without a sneakers offer.

…and focus on clients & retail, while outsourcing as much as possible

As sneakers are consumer products driven by innovation, fashion and design trends, shift in consumer preferences and more general social changes, it is key for sector brands to be as close as possible to final consumers and therefore to retail. As a consequence, leading names concentrate their strategy on brand management and extensive marketing efforts and increasing involvement in retail (more recently online). The "back-office" part of the value chain - namely industrialization, production and logistics – are outsourced, and despite the increasingly strict controls over the supply chain, most players purchase their sneakers from local suppliers (Asian manufacturers and, for very upper end items, smaller European niche producers).

If this is true for leading footwear and sneaker players, it is even more the case for players whose core business is not footwear, but apparel, accessories, equipment or other consumer goods. These brands are willing to exploit their extension potential, but have no expertise, neither dedicated resources to diversify into footwear. Hence, they tend to go for a high level of outsourcing, i.e. from design to distribution.

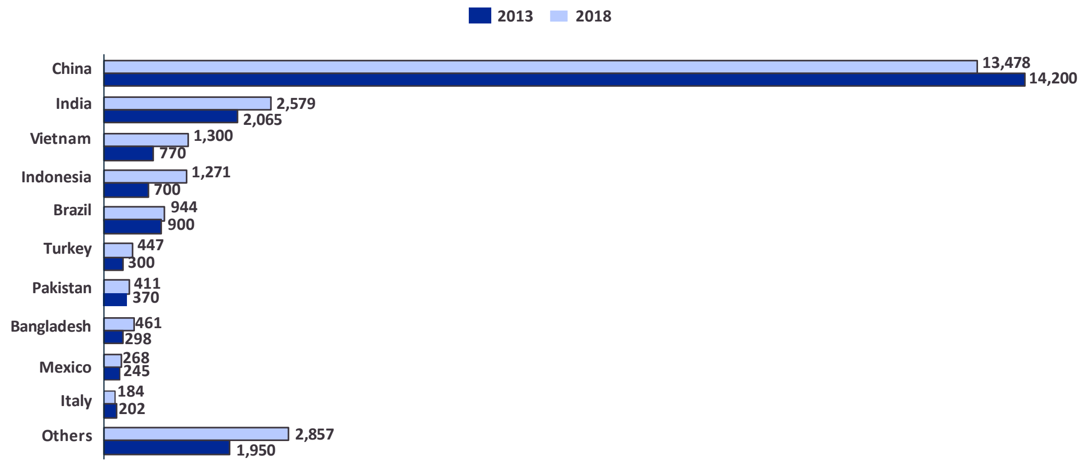
Hence, moving up in the value chain we find

- Large B2B manufacturers - as Ye Yuen Industrial Holding, \$8.4bn revenues, or Feng Tay Enterprises, \$2.4bn revenues - are partners of the global brands reported above and of large retailers (private labels);
- Smaller players offer a more or less wide range of services and sometimes manage directly a B2C business based on proprietary or licensed brands. Nice Footwear operates in this segment.

Production is virtually always outsourced (in Asia)

The sports footwear industry is labor-intensive and affected by various factors such as land resources, labour costs and raw material supply. Footwear manufacturers around the world shifted their focus to lower-cost countries in pursuit of profit maximization, resulting in constant movement of global shoemaking bases. The majority of footwear production is divided between China and a set of Southern-East Asian countries.

Footwear production in top manufacturers countries in million pairs (2013-2018)



Source: Statista Footwear Report 2020

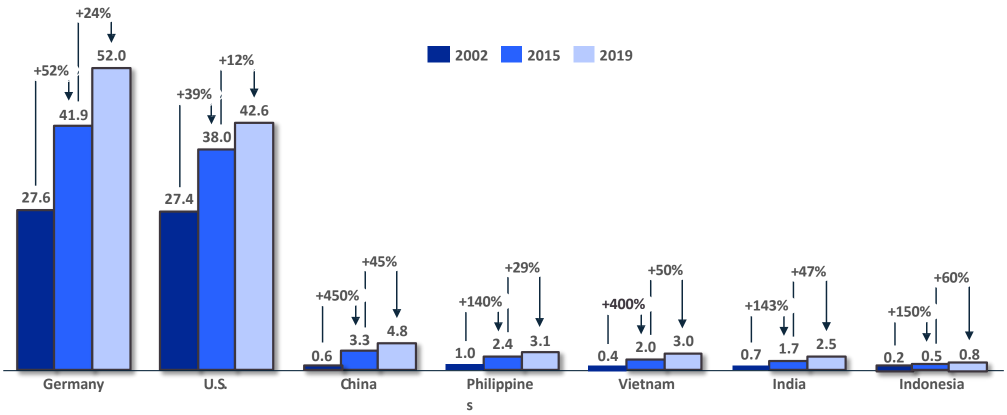
In 2020, 87.6% of footwear production was located in the Asia Pacific (APAC) region, versus only 3.2% in Europe and 1,5% of North America. China has been an excellent site for sports shoe corporations and their subcontractors in many ways: low wages, proximity to raw materials, huge manufacturing capabilities. These conditions are not to be found in Europe or North America.

…despite China allure is fading away

Nevertheless, in recent times, China is losing its appeal because of rising labour costs, on top of raw material and transport.

In China, the economic success and an ebbing flood of domestic migrants from the rural into the urban workforce has driven up manufacturing costs significantly. As a result, the footwear business has relocated production to other Southeastern Asian nations such as Vietnam and Indonesia, which offer cheaper hourly costs.

Manufacturing labor costs per hour in $



Source: Statista Footwear Report 2020

As we can see from the graph above, China is not the country who had the biggest growth in labour cost from 2015 to 2019 (+45%), but it is the one with highest labour cost in absolute value (4.8$/hour) if compared to other manufacturing sites in Asia. This difference in absolute value clearly explains why footwear companies are slowly moving their manufacturing sites to other Asian countries.

Another reason why footwear brands are moving away from China is because they are starting to deal with concentration risk: companies do not want to be stuck with manufacturing sites located in a single country whose job market and international trade dynamics (e.g., trade war between China and USA) may heavily impact production costs.

Despite all this, footwear giants keep producing their goods in China as it remains the only production site big enough to satisfy the volume of orders while maintaining a certain level of quality. Also, even other Southeastern Asian countries are suffering greater raw material costs, as being in their turn dependent on China when it comes to resources.

"Made in Italy" for premium and luxury footwear (including sneakers)

The difference in terms of cost of labour reported above is extremely evident if we compare Asian countries labour costs to the European ones, making luxury footwear the only type of footwear economically sustainable to produce in Europe given its higher margin.

In addition, for the luxury segment the "Made in Italy" feature is still extremely appreciated and Italian top end producers boasts output levels that are much smaller but with average selling prices (wholesale) between 6x-10x higher than mass market sneakers.

Appendix 5: Nice Footwear value chain

Nice Footwear detains full control over every step of the product chain, participating directly at every stage but manufacturing, where a continuous selection and auditing process of Asian partners takes place, with the aim of maintaining the highest quality standards required. The shoes industry follows a seasonal cycle consisting of a spring/summer and a fall/winter season, but the different phases of the supply chain are valid for both.

Nice Footwear value chain

Source: Nice Footwear

1. Style & Design

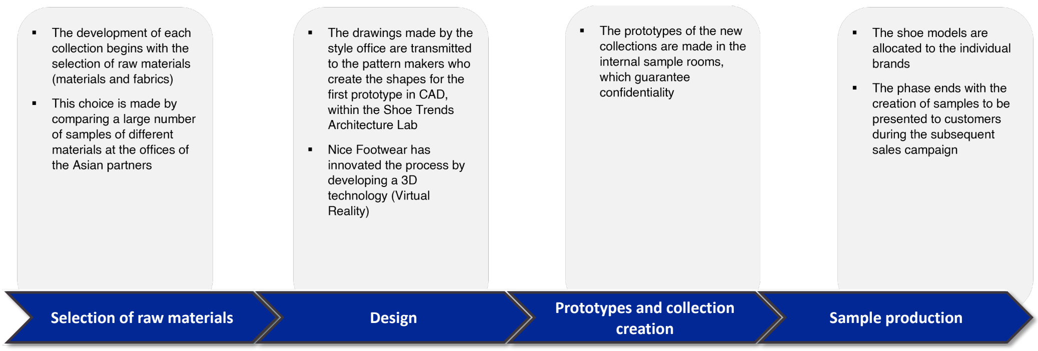
This step is entirely carried out within the "Shoe Trends Architecture Lab" in Vicenza and represents the first step of the creation of a new collection.

In the Style & Design phase, the Company carries out an analysis of the market searching for new trends and styles, depending on the positioning of each brand. The Company meets the main customers and agents, attends fashion capitals events and international fairs in order to retrieve information on fashion and material trends. At the end of the analysis and research process, complete reports called "Trend Books" are produced, which designers and customers carefully study and consult in search of inspiration.

2. Development

After the style and design phase, the development of each collection is carried out, starting with a careful selection of raw materials, leathers and fabrics and ending up with the production of samples with the support of Asian partners.

Development phase



Source: Nice Footwear

In the development phase, customers have the opportunity to verify the result of creativity thanks to the patented 3D software and the use of virtual reality, which allows to realistically reproduce dimensions and details of the shoes.

In order to preserve each brand confidentiality, secure the required specific creative effort and differentiation, avoid overlapping and cannibalization risks, these early phases are carried out very carefully and the creative team is organized accordingly. Also, management is keen to use different molds for each brand as this choice, although being more time and resources consuming, appears much safer relative to confidentiality.

3. Sales

After the development phase, the sales campaign starts and Nice Footwear welcomes customers in its showrooms in Vicenza, Milan, Hong Kong and soon Paris. The selling process is characterized by different phases depending on the type of product.

Selling strategies depending on the brand/client

Own and Licensed Brands

1. *Tailored meeting with clients*
2. *Collection's presentation*
3. *Collection of orders from customers*
4. *Start of production*

Special Projects

1. *Meeting with the buyer of the company of the Special Project*
2. *Presentation of the sampling*
3. *Choice of the most satisfying products*
4. *Start of production*

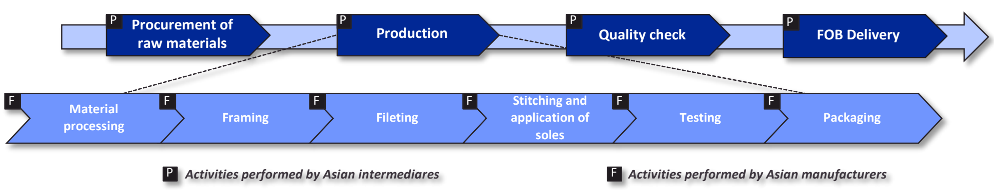
Source: Nice Footwear

4. Production

After collecting the orders, Nice Footwear requests the customer to open a letter of credit (in such a way that the production is financed by the client) and issues the production order to the local partner, who acts as an intermediary with the Asian manufacturing factories. More recently the Company has started to pay cash accounts to suppliers, given the higher costs of letters of credit relative to its own funding.

Through its subsidiaries in Asia, Nice Footwear is responsible for the coordination and supervision of production activities. Thereafter, products are shipped FOB (Free On Board) via the Asian logistic partner up to the shipping port and the end customer takes care of having the goods sent from the Chinese port at his own expenses.

Nice Footwear's production phase



Source: Nice Footwear

As for this phase, Nice Footwear is undergoing a verticalization process favored by the stable presence in Asia, aimed at internalizing the activities currently carried out by Asian intermediaries and entering into agreements directly with manufacturers in order to:

- Cope with the expected increase in volumes;
- Diversify the risks associated with outsourcing of production;
- Rely upon partners specialized in different product categories;
- Increase profitability.

This strategy of increasing control over the production chain in Asia is coupled with the recent acquisition of Favaro in Italy, which will allow Nice Footwear to manufacture directly premium products, requiring top quality standards and "Made in Italy" status.

5. Distribution

The products manufactured for the own and licensed brands are distributed on the Italian and international market with a mass and micro retail strategy that ranges from chains to small clothing and footwear stores, thanks to specialized authorized agents and distributors.

Distribution strategy

Gehographic Area	Abroad	Italy	
Sales Channel	Large-scale specialized distribution	Large-scale retail	Small-scale retail
Commercial structure	▪ Directional sale ▪ International Market Business Unit with dependent staff, ehich deals with managing customers present in ○ Southern Europe ○ Central / Eastern Europe ○ Western Europe ○ Rest of the world ▪ Resources> dedicated team that manages key accounts and after/sales services ▪ Sales through Distributors (France)	▪ Directional sale ▪ Resources: dedicated team that manages key accounts and after-sale service	▪ Directional sale with definition of Strategic Market Unit ▪ Sales through a network of Agents and Distributors ▪ Channel under development
Footwear	Casual/Lifestyle/Sportswear		

Source: Nice Footwear

Appendix 6: Peers' details

Peers' business and brands descriptions

Nice Footwear: International Footwear Leaders

Crocs, Inc. (€8.5bn Market Capitalization)

US-based company offering innovative casual footwear for women, men and children. Crocs offers a broad portfolio of all-season products, while remaining true to its rubber clogs like footwear heritage. The firm reported €1,234mn of revenues in FY2020 (50% wholesale, 24.1% retail, 25.9% online) and it has a current market capitalization of €8.5bn.

Skechers USA, Inc. (€6.2bn)

Headquartered in Southern California, offering stylish, innovative, and quality products at a reasonable price ranging from a diverse footwear collection to a growing range of apparel and accessories. The firm reported €4,091mn of revenues in FY2020 (73.6% wholesale, 26.3% retail) and it has a market capitalization of €6.2bn.

Steven Madden, Ltd (€3.3bn)

The firm, headquartered in New York States, designs, sources and markets fashion-forward footwear, accessories and apparel for women, men and children. In addition to marketing products under its own brands including Steve Madden, Dolce Vita, Steven by Steve Madden, DV Dolce Vita, Betsey Johnson, Blondo, GREATS, BB Dakota and Mad Love, Report, Madden Girl, Madden, Steve Madden is a licensee of various brands, including Anne Klein and Superga. Steve Madden also designs and sources products under private label brand names for various retailers. The firm reported $1,189mn revenues in FY2020 (60% footwear wholesale, 19.7% apparel wholesale, 20.3% retail) and currently has a market capitalization of €3.3bn.

Wolverine World Wide, Inc. (€2.3bn)

Headquartered in Michigan, United States, the firm is committed to advancing owned (Bates, Chaco, HyTest, Hush Puppies, Keds, Merrell, Saucony, Soft Style, Sperry, Stride Rite Children's Group, Wolverine, and Wolverine Leathers) and licensed brands (Cat Footwear and Harley-Davidson Footwear) with a global footprint spanning approximately 200 countries and territories and a rock-solid infrastructure. The firm reported €1,058mn of revenues in FY2020 of which 76,1% from wholesaling activities and 23,9% from retailing and it has a market capitalization of €2.3bn.

Deckers Outdoor Corporation (€9.7bn)

Footwear designer and distributor-based California, United States. Deckers portfolio of own brands includes: UGG, Teva, Sanuk, Hoka One One and Koolaburra. Deckers Brands products are sold in more than 50 countries through selected stores, 138 Company-owned stores, and online stores. The firm reported€2,266 of revenues in FY2020 (58% wholesale, 41.9% retail) and it has a market capitalization of €9.7bn.

CCC S.A. (€1.2bn)

Listed company from Poland with headquarters in Polkowice . The company operates according to a B2B2C and a B2C model. Indeed the firm is a footwear manufacturers but at the same time it sells shoes, care products , handbags , leather accessories, jewellery and bicycle equipment via retail, online and wholesale channels of a number of brands under license (Lasocki, Gino Rossi, New Balance, Puma, Skechers, Reebok, Lanetti, Gino Lanetti, Ottimo, Sprandi, Walcky, Cesare Cave, Vapiano) in the Central and Eastern European market. The firm reported €1,240mn of revenues in FY2020 (retail 47,8%, wholesale 2,8%, ecommerce 49%) with 79% of revenues coming from footwear. Furthermore the company has a current market capitalization of €1.2bn.

Yue Yuen Industrial (€2.5bn)

Taiwanese footwear manufacturer headquartered in Hong Kong. It is the largest branded athletic and casual footwear manufacturer in the world. It is an original equipment manufacturer (OEM) and original design manufacturer (ODM) for major international brand name companies such as Adidas, Asics, Converse, New Balance, Nike, Puma, Reebok, Salomon, and Timberland. The firm reported €7,516mn of revenues in FY2020, of which 56% from manufacturing activities and 44% from retailing, and it has a market capitalization of €2.5bn.

Source: Various, Value Track Analysis

Nice Footwear: Selected Italian Players

Pattern (€87.7mn)

Italian landmark for pattern-making, engineering, grading, prototyping and production of clothing collection for the most prestigious worldwide brands exclusively show and main lines for womenswear and menswear. Beside the B2B channel. Pattern has recently embraced a B2C model thanks to the acquisition of the brand ESEMPLARE which sales jackets in its retail and online store. The firm reported €52.6mn of revenues in FY2020 and it has a market capitalization of €87.7mn.

Geox Spa (€270.5mn)

Geox is a leading brand in the international lifestyle footwear Market. The success of Geox is due to the constant focus on the application of innovative solutions on the product (protected by patents) that guarantee both impermeability and breathability. The brand sells its product via retail stores as well as own and third party online stores. The firm reported €535mn of revenues in FY2020 (of which 89% in footwear segment) and it currently holds a market capitalization of €270.5mn.

Safilo Group Spa (€424.6mn)

Safilo is the world's second-largest manufacturer of optical (prescription and sunglasses) frames and the leading player in the high-end/luxury segment. Licensed brands include Banana Republic, BOSS, David Beckham, Elie Saab, Fendi, Fossil, Givenchy, havaianas, HUGO, Isabel Marant, Jimmy Choo, Juicy Couture, kate spade new york, Levi's, Liz Claiborne, Love Moschino, Marc Jacobs, Missoni, M Missoni, Moschino, Pierre Cardin, PORTS, rag&bone, Rebecca Minkoff, Tommy Hilfiger, Tommy Jeans and Under Armour. Own brands include Carrera, Polaroid, Smith, Safilo, Blenders, Privé Revaux e Seventh Street. It operates manufacturing sites in Italy, China and Slovenia as well as sourcing product in the US. The firm reported €780mn of revenues in FY2020 holding a market capitalization of €424.6mn.

Peers' key financial ratios

We remind that Nice Footwear 2022E-2023E data in the table below refer to 2023E-2024E financial years, as FY end on April 30th. Hence we compare the Company figures with peers' financial data as of December 31st of the previous year.

Nice Footwear: Peers' key financial ratios

Company	Sales (€mn)		EBITDA Margin (%)		ROIC b.t. (%)		ROE (%)		Net Debt/EBITDA(x)	
	2022E	2023E	2022E	2023E	2022E	2023E	2022E	2023E	2022E	2023E
Crocs, Inc.	2,034	2,436	29.5	28.9	41.0	35.2	69.1	37.1	0.9	0.8
Skechers USA, Inc.	5,503	6,132	12.0	12.6	24.7	25.2	14.1	14.4	0.0	0.0
Steven Madden, Ltd.	1,612	1,807	14.6	15.5	34.0	34.0	20.1	21.1	0.0	0.0
Wolverine World Wide, Inc.	2,142	2,526	12.2	12.4	21.9	23.5	16.3	27.5	1.9	1.4
Deckers Outdoor Corporation	2,705	3,053	19.3	20.5	59.7	51.3	22.3	21.2	0.0	0.0
CCC S.A.	1,697	1,964	12.4	12.0	5.7	12.5	17.8	34.1	2.3	2.5
Yue Yuen Industrial	7,616	8,831	6.7	9.2	4.3	10.3	3.1	8.1	1.2	0.7
International Footwear Leaders	**3,330**	**3,821**	**15.3**	**15.9**	**27.3**	**27.4**	**23.3**	**23.4**	**0.9**	**0.8**
Pattern	62	77	11.0	11.7	26.5	37.4	13.9	16.1	0.0	0.0
Geox SpA	606	679	9.9	14.6	nm	1.5	nm	nm	5.6	3.1
Safilo Group SpA	957	990	8.7	9.0	7.2	10.6	2.3	12.1	1.9	1.6
Selected Italian Players	**542**	**582**	**9.9**	**11.8**	**16.8**	**16.5**	**8.1**	**14.1**	**2.5**	**1.6**
Italian Consumer Goods small-cap	**31**	**36**	**15.2**	**15.6**	**26.0**	**25.2**	**10.6**	**11.8**	**1.6**	**1.7**
Total Average	**1,327**	**1,517**	**14.3**	**15.1**	**25.5**	**24.7**	**15.5**	**16.1**	**1.4**	**1.3**
Nice Footwear (*)	**27**	**32**	**11.9**	**12.7**	**20.5**	**27.5**	**12.0**	**14.4**	**0.0**	**0.0**

Source: Market Consensus, Value Track Analysis (*) Nice Footwear 2021E and 2022E figures refer to FY2022E (April 2022E) and FY2023E (April 20223E) respectively

Peers' Market Cap and stock trading multiples

Nice Footwear: Peers' stock trading multiples

Company	Market Cap (€mn)	EV / Sales (x)		EV / EBITDA (x)		P / E (x)	
		2022E	2023E	2022E	2023E	2022E	2023E
Crocs, Inc.	8,523	4.3	3.6	14.6	12.5	14.2	16.6
Skechers USA, Inc.	6,183	1.0	0.9	8.2	6.9	16.7	13.9
Steven Madden, Ltd.	3,338	2.0	1.8	13.7	11.3	20.1	15.9
Wolverine World Wide, Inc.	2,269	1.3	1.1	10.5	8.6	24.7	11.2
Deckers Outdoor Corporation	9,713	3.1	2.7	16.1	13.2	25.1	20.8
CCC S.A.	1,241	1.0	0.9	8.3	7.8	nm	30.5
Yue Yuen Industrial	2,472	0.4	0.3	6.0	3.7	22.2	8.1
International Footwear Leaders – Average	**4,820**	**1.9**	**1.6**	**11.1**	**9.2**	**20.5**	**16.7**
International Footwear Leaders – Median	**3,338**	**1.3**	**1.1**	**10.5**	**8.6**	**21.2**	**15.9**
Pattern	88	1.5	1.1	13.2	9.8	31.5	23.2
Geox SpA	271	1.0	0.8	10.1	5.8	nm	nm
Safilo Group SpA	425	0.6	0.6	7.1	6.5	nm	20.9
Italian Leaders – Average	**261**	**1.0**	**0.9**	**10.1**	**7.4**	**31.5**	**22.1**
Italian Leaders – Median	**271**	**1.0**	**0.8**	**10.1**	**6.5**	**31.5**	**22.1**
Cover 50	36	0.6	0.6	4.2	3.6	15.0	13.3
Culti Milano	41	1.8	1.5	8.3	6.6	15.1	12.6
Euro Cosmetic	41	1.2	1.1	7.0	6.3	13.9	16.1
G. Fedon	16	0.6	0.5	8.0	5.4	>50	>50
Fope	63	2.0	1.5	13.0	7.5	28.7	14.3
Gibus	80	1.1	1.0	5.7	5.2	9.3	9.0
Gismondi	13	1.5	1.3	9.5	7.2	22.4	14.9
Monnalisa	20	0.7	0.6	>30	8.5	>50	>50
Trendevice	14	1.1	0.7	10.5	6.4	>50	26.7
Italian Consumer Goods small-mid cap – Average	**36**	**1.2**	**1.0**	**8.3**	**6.3**	**17.4**	**15.3**
Italian Consumer Goods small-mid cap – Median	**36**	**1.1**	**1.0**	**8.2**	**6.4**	**15.1**	**14.3**
Total Average	**1,834**	**1.4**	**1.2**	**9.7**	**7.5**	**19.9**	**16.8**
Total Median	**88**	**1.1**	**1.0**	**8.9**	**6.9**	**20.1**	**15.4**

Source: Market Consensus, Value Track Analysis

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