Nice Footwear Spa

Sector: Footwear

VALUETRACK
Analysts
Valentina Romitelli
Tel: +39 02 80886654
valentina.romitelli@value-track.com
Filippo Mazzoleni
filippo.mazzoleni@value-track.com

Climbing the value chain through M&A

Nice Footwear is the Italian partner of reference for design, production and distribution of sneakers, with own, licensed and third parties' collections. Since 2021, the Group has entered the "Made in Italy" luxury footwear and accessories segment with the acquisition of Favaro and Emmegi.

1H22: Strong turnover but worse margins and NWC mngt

Nice Footwear reported a better-than-expected top line as of 1H22 (May-October 2021), with Group Revenues at €14.4mn. However, the business was affected by the usual seasonality (F/W characterized by lower profitability vs. S/S), by the persistent disruption of the global supply chain and tightening raw materials costs. Nevertheless, we expect improved financials in 2H22 as a result of (i) better seasonality, (ii) synergies between Nice Footwear and recent acquisitions, (iii) raw materials costs partially passed on to customers and NWC starting to normalize, and (iv) enhanced efficiency in Asian-based business units.

M&A strategically fitting and value enhancing

In January 2022, Nice Footwear has acquired 80% of the share capital of EMMEGI, a Padua-based company active in the production of women's handbags for the premium/luxury segment.

The acquisition was finalized at ca. 1.6x EV/EBITDA on preliminary data, including put/call on minorities to be exercised in the next 3 years. In the light of the strategic fit, the price paid and the room for potential synergies, we believe the acquisition of Emmegi will be value enhancing, other than confirming management's ability to promptly catch attractive business opportunities, as already demonstrated with Favaro's deal.

FY22-24E: Booming sales and gradual margins expansion

On the back of 1H22 results, expectations on 2H, the acquisition of Emmegi and the update provided by management on Group strategies, we fine tuned our 2022E-24E estimates, with top line revised upwards and growing 20% $CAGR_{21PF-24E}$ to €40.8mn in 2024E, EBITDA cut in current FY and due to accelerate over 2023-24E to ca. €5.1mn (2024E EBITDA margin at 12.4%) and Net Cash Position at €1.9mn in 2024E, after NWC normalization.

Fair Value confirmed at €16.0 per share

The factors mentioned above – value enhancing M&A, strong top line, short term margin pressure – combine with rising rates/WACC and steady peers' multiples, driving to an unchanged fair value of €16.0 p/s (diluted for outstanding warrants). At such fair value, NFT stock would trade at 1.2x-1.0 EV/Sales and 10.7x-8.0x EV/EBITDA over 2022E-23E.

Fair Value (€)	**16.0**
Market Price (€)	**12.0**
Market Cap. (€m)	**24.6**

KEY FINANCIALS (€mn)	4/2021A	4/2022E	4/2023E
REVENUES FROM SALES	23.7	29.7	33.9
EBITDA	2.8	3.3	4.1
EBIT	1.8	2.2	3.1
NET PROFIT	1.1	1.4	1.9
EQUITY	4.0	11.0	13.0
NET FIN. POS.	-4.7	-0.7	1.2
EPS (€)	0.6	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	10.9	12.1
EBIT MARGIN (%)	7.7	7.3	9.1
NET DEBT / EBITDA (x)	1.7	0.2	nm
NET DEBT / EQUITY (x)	1.2	0.1	0.0
EV/SALES (x)	1.2	0.9	0.7
EV/EBITDA (x)	10.6	7.9	5.8
EV/EBIT (x).	16.1	11.8	7.7

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

STOCK DATA	
FAIR VALUE (€)	16.0
MARKET PRICE (€)	12.0
SHS. OUT. (m)	2.05
MARKET CAP. (€m)	24.6
FREE FLOAT (%)	26.8
AVG. -20D VOL. (#)	3,998
RIC / BBG	NFT.MI / NFT IM
52 WK RANGE	11.6-16.0

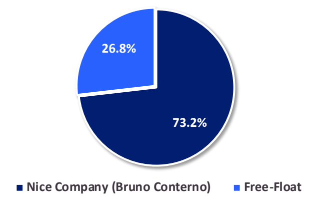
Source: Stock Market Data

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 sneakers, operating across six business units with a comprehensive offer of a proprietary label (Kronos), licensed brands and third parties collections ("special projects"). Thanks to highly experienced and creative professionals ("shoe trends architects"), the extremely efficient digitalized approach, the full control over the entire supply chain, the entrance into the "Made in Italy" luxury segment and the international presence, Nice Footwear is set for a sharp growth.

Shareholders Structure



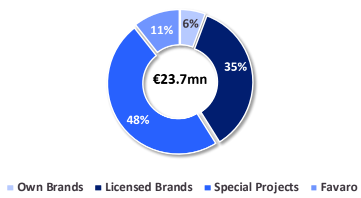
Source: Nice Footwear

Key Financials

€'000	4/2021PF	4/2022E	4/2023E	4/2024E
Revenues from Sales	**23,655**	**29,748**	**33,932**	**40,782**
Chg. % YoY	-2.5%	25.8%	14.1%	20.2%
Value of Production	**24,278**	**30,473**	**33,932**	**40,782**
Chg. % YoY	-1.5%	25.5%	11.4%	20.2%
EBITDA Adjusted	**2,774**	**2,829**	**4,119**	**5,068**
EBITDA Margin (%)	11.7%	9.5%	12.1%	12.4%
EBIT Adjusted	**1,817**	**1,752**	**3,091**	**3,981**
EBIT Margin (%)	7.7%	5.9%	9.1%	9.8%
Net Profit	**1,118**	**1,431**	**1,869**	**2,476**
Chg. % YoY	97.4%	28.0%	30.6%	32.5%
Net Profit Adjusted	**1,154**	**1,006**	**1,869**	**2,476**
Chg. % YoY	nm	-12.8%	85.8%	32.5%
Net Fin. Position	**-4,682**	**-705**	**1,198**	**1,915**
Net Fin. Pos. / EBITDA (x)	1.7	0.2	nm	nm
Capex	-1,620	-1,917	-1,467	-1,592
OpFCF b.t.	**-1,180**	**-369**	**3,005**	**2,826**
OpFCF b.t. as % of EBITDA	-42.5%	-11.3%	73.0%	55.8%

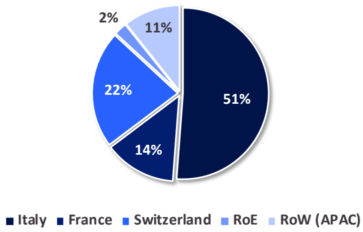
Source: Nice Footwear (historical figures), Value Track (estimates);
4/22E EBITDA, EBIT, Net Profit are adjusted net of the IPO Tax Credit of €425k

Sales breakdown by products



Source: Nice Footwear, 4/2021PF

Sales breakdown by market



Source: Nice Footwear, 4/2021PF

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 and Emmegi acquisitions give access to the luxury "Made in Italy"
- High digitalization level determining material time and costs savings

Weaknesses / Risks

- Small size and only one owned 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 (x)	10.7	8.0
EV / EBIT (x)	16.0	10.7
EV / CAP.EMP. (x)	3.0	2.8
OpFCF Yield (%)	-1.1	9.1
P / E. (x)	23.5	18.0
P / BV (x)	3.0	2.6
Div. Yield. (%)	0.0	0.0

Source: Value Track (VT base-case scenario)

1H22 Financials

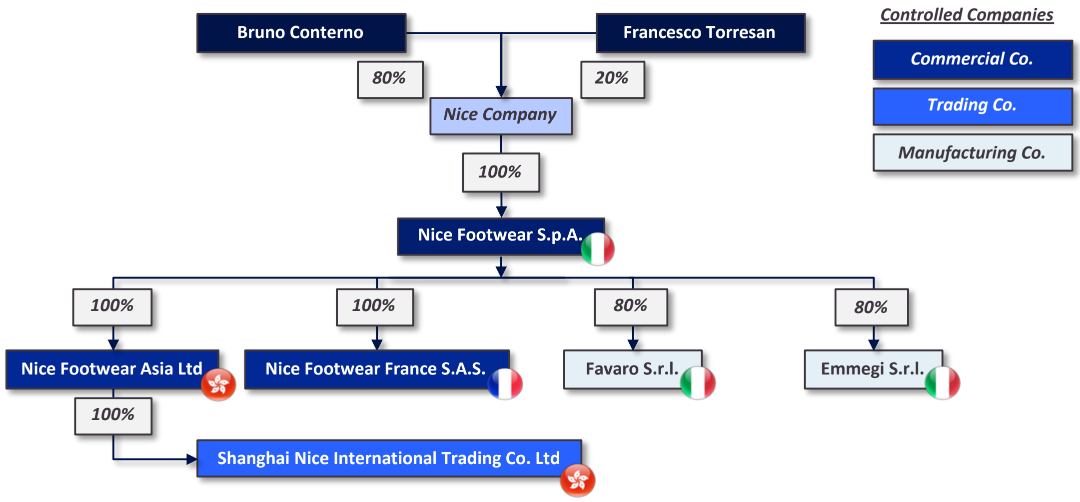
Introduction

1H22 Nice Footwear financial figures confirm the seasonality of the Group reference market, with the Fall/Winter season (delivered in 1H, i.e. May-October 2021) characterized by lower profitability compared to Spring/Summer. In addition, during the period considered the whole industry was affected by the continued disruption of the global supply chain and by tightening raw materials costs. Yet, Nice Footwear was able to report a better-than-expected turnover, driven by ever increasing volumes and by the first synergies following the acquisition of Favaro Manifattura Calzaturiera Srl.

Nice Footwear Group

We remind that at the end of the semester Nice Footwear Group included the following legal entities: the parent company Nice Footwear SpA, Nice Footwear Asia Ltd (based in Hong Kong and owning 100% of Shanghai Nice International Trading Co. Ltd), Nice Footwear France SaS and the 80% of Favaro. In January 2022, Nice Footwear announced the acquisition of another "Made in Italy" champion, which did not contribute to the interim results and discussed further below.

Nice Footwear: Group Structure



Source: Nice Footwear Admission Document

Since the acquisition of Favaro was realized on June 21st, 2021 and the commercial subsidiaries abroad were created over 2018-2021 with not significant contribution in 1H21 yet, there are no interim comparison data for the Group as a whole.

However, with respect to 1H22, we believe worth to signal:

- **Revenues from Sales at €14.4mn** and **Value of Production at €14.8mn**;
- **Gross Profit**, i.e. Value of Production net of Raw Materials Expenses and Changes of Inventory, **at €4.9mn** and **Gross Margin at 34.5% of Sales**;
- **EBITDA at €1.1mn** and **EBITDA Margin at 7.7%**;
- **Net Profit at €0.3mn**, net of ca. €19k minorities related to Favaro;
- **Net Debt** of €7.0mn, compared to €4.7mn of FY21 pro-forma (all prior to IPO).

In the tables below 1H22 results will be compared, as a reference, to FY2021 pro-forma results, i.e. full year financials assuming a 12 month consolidation for Favaro.

Nice Footwear Group: Key financials FY21PF - 1H22

(€mn, IT GAAP)	2021PF	1H22
Revenues from Sales	**23.7**	**14.4**
Value of Production	**24.3**	**14.8**
Gross Profit	**9.3**	**4.9**
Gross Margin (As a % of Sales)	*39.2%*	*34.5%*
EBITDA	**2.8**	**1.1**
EBITDA Margin (As a % of Sales)	*11.7%*	*7.7%*
Net Profit	**1.1**	**0.3**
Net Fin. Position [i.e. Net Debt (-) Cash (+)]	**-4.7**	**-7.0**

Source: Nice Footwear, Value Track Analysis

The results above came as the net result of the following main trends:

1. **Strong and fast execution delivering higher-than-expected turnover**;
2. **Seasonality effect and procurement costs drowning profitability**;
3. **Global supply chain delays reducing cash conversion**.

Strong and fast execution delivering higher than expected turnover

During 1H22, Nice Footwear operated in adverse market settings, somewhat improved with respect to FY21 (FY ending April 2021), but with the footwear sector still far from its pre-pandemic market size levels and with some foreign countries still experiencing stores closures.

Nonetheless, the Group performance was supported by i) the higher demand for sneakers vs. other shoe models; ii) Nice Footwear lean value chain, characterized by highly digitalized design and integrated production and distribution processes; iii) the handcrafted, "Made in Italy" premium manufacturing approach of Favaro.

Both Nice Footwear SpA and Nice Footwear Asia overcame our predictions, recording significant volumes in the first semester despite the F/W season being characterized by a narrower offer vs. S/S (e.g. no sandals, flip flops, kids' line).

Seasonality effect and procurement costs drowning profitability

The sneaker industry is often characterized by a worse revenues mix in the F/W season, with the S/S period leveraging on its broader offer and greater demand to collect higher margins and then to achieve better fixed cost coverage at Group level.

In addition, the rise of raw materials prices, procurements costs, shipping charges and customs tolls due to exogenous factors was yet another hostile factor impacting Nice Footwear profitability in 1H22. We understand that the tight timing of these factors put Nice Footwear in a though position to recover higher costs through price increases and this policy had a very limited impact during 1H. According to management, the pricing revisions started to become effective in H2, providing clear relief on gross margins.

Global supply chain delaying cash conversion

Pandemic has also been hitting hard on Nice Footwear cash conversion. Combined with procurement issues, new lockdowns and restrictions in the Far-East caused major delays in the transportation and delivery process. These delays caused in turn a strong concentration of invoicing in the last weeks of the semester, triggering a ripple effect on cash collection, very much postponed into H2. As of 1H22, Net Working Capital has indeed built up, with Net Debt consequently worsening.

Our view on 2H22E

Despite the mentioned challenges, 2H22 is due to be a very strong semester for Nice Footwear as (i) the fashion industry should keep recovering and experience a **better seasonality** in S/S, (ii) the synergies between Favaro and Nice Footwear (and the integration of Emmegi) are expected to bring benefits both at top line and margins level; (iii) higher **raw materials' costs should be passed on to the final consumer,** following market leaders strategies, (iv) higher **efficiency on the Asian-based facilities** of the Group are expected.

Nice Footwear Group: P&L FY21PF - 1H22

(€mn, IT GAAP)	2021PF	1H22
Revenues from Sales	**23.7**	**14.4**
Change of Inventories	0.0	0.0
R&D and other tax credits	0.6	0.2
Other Revenues	0.1	0.3
Value of Production	**24.3**	**14.8**
Raw Materials	-15.0	-9.9
Gross Profit	**9.3**	**4.9**
Gross Margin (%)	*39.2%*	*34.5%*
Use of Third Parties' Assets	-1.0	-0.4
SG&A (incl. Services Costs)	-3.8	-2.3
Labour Costs	-1.7	-1.1
EBITDA	**2.8**	**1.1**
EBITDA Margin (%)	*11.7%*	*7.7%*
D&A	-1.0	-0.5
EBIT	**1.8**	**0.6**
EBIT Margin (%)	*7.7%*	*4.4%*
Net Financial Charges	-0.3	-0.1
FX profit (+) / FX loss (-)	-0.3	0.0
Pre tax profit	**1.3**	**0.5**
Taxes	-0.1	-0.1
Group Net Profit	**1.2**	**0.4**
Minorities	-0.1	0.0
Net Profit	**1.1**	**0.3**

Source: Nice Footwear, Value Track Analysis

Nice Footwear Group: Balance Sheet FY21PF - 1H22

(€mn, IT GAAP)	2021PF	1H22
Net Fixed Assets	3.4	3.3
Net Working Capital	5.6	8.5
As a % of Sales	*23.5%*	*58.9%*
Provisions	0.3	0.5
Total Capital Employed	**8.7**	**11.2**
Group Net Equity	**4.0**	**4.2**
Net Fin. Position [i.e. Net Debt (-) Cash (+)]	**-4.7**	**-7.0**

Source: Nice Footwear, Value Track Analysis

Nice Footwear Group: Cash Flow Statement FY21PF - 1H22

(€mn, IT GAAP)	2021PF	1H22
EBITDA	2.8	1.1
CapEx	-1.6	-0.2
Net Working Capital requirements	-2.5	-2.9
Change in Provisions	0.2	0.2
OpFCF b.t.	**-1.2**	**-1.8**
As a % of EBITDA	*-42.5%*	*-166.9%*
Cash Taxes	-0.1	-0.1
OpFCF a.t.	**-1.3**	**-2.0**
Capital Injections	0.0	0.0
Net Financial Charges	-0.3	-0.1
Dividends paid	0.0	0.0
Others (incl. Fin. Investments)	-0.8	-0.2
Net Cash generated	**-2.3**	**-2.3**
Net Fin. Position [i.e. Net Debt (-) Cash (+)]	**-4.7**	**-7.0**

Source: Nice Footwear, Value Track Analysis

Nice Footwear SpA

While there are no meaningful interim data for the Group as a whole, some comparison analysis can be performed on Nice Footwear SpA (parent company) on a standalone basis.

For the 1H21-1H22 periods, we highlight:

- **Value of Production increasing by 37% y/y to €11.1mn**, indicating the strong organic growth of the Group, net of Favaro acquisition;
- **Gross Profit growing less than proportionally to €3.8mn**, and Gross Margin losing ca. 200bps y/y, confirming the impact of higher raw materials expenses;
- **EBITDA Margin at 7.3%**, vs 8.3% of prior year (-100 bps, despite higher transportation costs and SG&As to support the new Group structure);
- **Net Profit at €0.2mn** (ca. 2x y/y) also as a result of lower financial charges.

Nice Footwear SpA: Key Financials 1H21 - 1H22

(€mn, IT GAAP)	1H21	2H21	1H22	*y/y (%)*
Value of Production	**8.1**	**11.8**	**11.1**	***37.0%***
Gross Profit	**2.9**	**3.9**	**3.8**	***29.3%***
Gross Margin (As a % of VoP)	*36.2%*	*33.2%*	*34.1%*	*-203bps*
EBITDA	**0.7**	**1.3**	**0.8**	***19.6%***
EBITDA Margin (As a % of VoP)	*8.3%*	*11.2%*	*7.3%*	*-106bps*
Net Profit	**0.1**	**0.6**	**0.2**	***n.m.***

Source: Nice Footwear, Value Track Analysis

Emmegi Acquisition: strategically fitting and value enhancing

The deal at a glance

On January 19th, 2022, Nice Footwear has **acquired 80% of the share capital of EMMEGI** S.r.l. ("Emmegi"), a Padua-based company active since 1977 that represents an excellence in the Italian production of women's handbags for the premium and luxury segment. Thanks to the acquisition, Nice Footwear will be able take a further step in the creation of the pole of excellence of sneakers and accessories in the Riviera del Brenta "Made in Italy" fashion district, while entering in the luxury handbags production segment.

As of Dec 2021, and based on preliminary data, Emmegi achieved Revenues from Sales for ca. €1.8mn, EBITDA for ca. €0.4mn, Net Profit for ca. €0.3mn and reported a Net Financial Debt of ca. €25k.

Terms of the deal suggests an attractive price

We calculate Nice Footwear to have finalized the **acquisition of 80% of Emmegi at ca. 1.5x 2021 EV/EBITDA**. Indeed, Nice has agreed to pay €480k for the purchase of 80% of Emmegi share capital, with Emmegi valued at an implied EV of €625k. In addition, Nice Footwear and the Seller have agreed mutual put / call options relating to the residual 20% share capital, based on the following conditions:

- Call Option: to be exercised between the closing date (19-01-2022) and the third year after the closing date (however not after September 30th, 2025);
- Put Option: to be exercised between January 1st, 2025 and December 31st, 2025.

The consideration for the Call/Put option is equal to the sum between:

i. 20% of Emmegi Net Equity if it is at least equal to €120k at the Call option exercise date;

ii. €60k as a bonus if EBITDA of the last reported fiscal year is at least equal to €300k.

Still, in the case of the exercise of the Call option, the price paid could not be lower than €120k.

As of today, with Emmegi reporting EBITDA above €300k but Net Equity below €600k, Nice Footwear would pay ca. €180k for the remaining 20% stake, i.e. a multiple of 1.6x FY21 EV/EBITDA.

Potential synergies with Nice Footwear Group

The acquisition of Emmegi should allow Nice Footwear to strengthen its competitive positioning in the luxury segment (building upon the acquisition of Favaro) and entering the "Made in Italy" handbags manufacturing business, further expanding its presence with large international clients and supporting the Group growth plan that focuses on collaborations with premium brands.

More, the talented artisans of Emmegi, together with Nice Footwear and Favaro expertise and new capacity, should open up for **various production and commercial synergies**, including:

1. ***Cross-selling*** opportunities, as Emmegi and Favaro target clients mostly overlap;
2. *Know-how* on **digitalization**, as prototyping and sample collection, borrowed by sneakers and applicable to woman shoes and handbags,
3. Production and manufacturing synergies, e.g., **internalization of cutting phase** and **joint purchase of raw materials**;
4. New business **opportunities in the luxury sneakers and leather market segment**.

In the light of the strategic fit, the price paid and the room for potential synergies, we believe the **acquisition of Emmegi will be value enhancing** for the Group and it seems to confirm management's ability to promptly catch attractive business opportunities, following Favaro's deal closed less than one year ago.

Forecasts 2022E-24E

Strategy updates

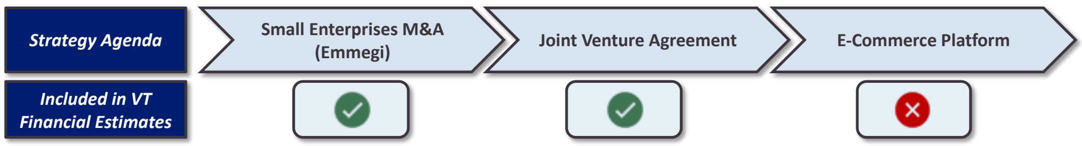
Back in December, our Initiation of Coverage outlined Nice Footwear's three major short-term strategies (in order of execution timing), out of which only **#1** was included in our financial estimates:

1. Constitution of a **joint venture agreement** with a leading international fashion player without a dedicated business unit for the footwear segment;
2. Eventual **acquisitions of small enterprises** focused on the "Made in Italy" fashion luxury segment to continue the business expansion in the Riviera del Brenta fashion district;
3. Potential acquisition of an **e-commerce platform** to open a *DTC* ("Direct-To-Consumers") point of sales and increase own brands' profitability.

So far, the Group capitalized on the opportunity to acquire Emmegi (part of **#2**), while decided to postpone joint venture and e-commerce agendas to accelerate the development of Nice Footwear fashion luxury pole and the exploitation of all the potential synergies.

While all the steps of the growth strategy outlined at IPO have been confirmed by management, despite an execution order slightly different from our initial assumptions, we remind that our model now only includes the Emmegi deal but also the acquisition of a proprietary brand in JV (**#1**) by FY24.

Nice Footwear Group: Strategy agenda



Source: Nice Footwear

Changes in 2022E-24E estimates

Following 1H22 interim results, our expectations on 2H22, the recent acquisition of Emmegi – which will contribute to FY22 for 4 months - and the update on the Group strategy provided by management, we are revising our 2022E-24E estimates.

In more details, we point out the following:

- **Top line** revised upwards considering latest 1H22 better than expected figures and Emmegi contribution, the latter contributing with ca. €500k, €2mn, €2.2mn in FY2022E-23E-24E, respectively. However, new revenues from the own brand of the potential JV have been shifted from FY2023E to FY2024E, together with the necessary investment amount;
- **Operating margins** reduced in FY2022E due to hiking raw materials costs that in the short term are only partially passed on to the final consumer. However, starting from FY2023E, the heavier contribution from Emmegi (above 20% EBITDA margin) and a more efficient costs management should increase margins and offset the higher operating expenses required by the Group expansion and the lack of new owned brands until FY24. On the mid/long-run, the superior contribution of the luxury business should imply a better revenues mix, resulting in even greater profitability;
- **Cash Flow** weakened by the lower profitability of FY2022E, the longer working capital cycle (expected to gradually improve starting from 2H22) and by the cost of the Emmegi acquisition (not factored in our previous estimates and due in 2H of FY22). More, Net Financial Position is also impacted by the shift of the JV investment from FY2023E to FY2024E.

Nice Footwear Group: New vs. Old estimates

	2022E			2023E			2024E		
(€mn)	Old	New	Change	Old	New	Change	Old	New	Change
Revenues from Sales	**26.7**	**29.7**	**11.2%**	**31.9**	**33.9**	**6.3%**	**39.0**	**40.8**	**4.7%**
EBITDA									
EBITDA Margin (%)									
EBITDA Adj.	**3.2**	**2.8**	**-11.2%**	**4.0**	**4.1**	**1.8%**	**5.0**	**5.1**	**0.9%**
EBITDA Margin (%)	*11.9%*	*9.5%*	*-240bps*	*12.7%*	*12.1%*	*-54bps*	*12.9%*	*12.4%*	*-46bps*
EBIT Adj.	**2.1**	**1.8**	**-17.8%**	**3.1**	**3.1**	**0.7%**	**4.0**	**4.0**	**-0.4%**
EBIT Margin (%)	*8.0%*	*5.9%*	*-208bps*	*9.6%*	*9.1%*	*-51bps*	*10.3%*	*9.8%*	*-50bps*
Net profit Adj.	**1.3**	**1.0**	**-23.0%**	**1.9**	**1.9**	**-1.1%**	**2.5**	**2.5**	**-1.8%**
Net Margin (%)	*4.9%*	*3.4%*	*-150bps*	*5.9%*	*5.5%*	*-42bps*	*6.5%*	*6.1%*	*-40bps*
Net Financial Position	**1.8**	**-0.7**	**-2.5**	**2.2**	**1.2**	**-1.0**	**3.8**	**1.9**	**-1.9**
Group Net Equity	11.3	11.0	-0.3	13.3	13.0	-0.3	15.9	15.6	-0.3
OpFCF b.t.	1.7	-0.4	-121.4%	2.2	3.0	37.3%	3.0	2.8	-5.9%
OpFCF a.t.	1.2	-0.8	-168.3%	1.3	2.1	63.1%	1.8	1.6	-9.7%

Source: Value Track Analysis

2022E-24E estimates at a glance

Guidelines

Our forecasts for the next three fiscal periods are:

- Built in accordance with IT GAAP principles;
- Estimated including Favaro and Emmegi recent acquisitions, with Emmegi financials only counting for the 4 month period January-April 2022;
- Modelled including a new own brand revenue stream from a JV agreement due to start in 2024E;
- Not factoring potential future M&A deals;
- Reported with 2022E Gross Profit, EBITDA, EBIT, Net Profit and relative margins adjusted for IPO Tax Credit of €425k (linked to IPO costs), included in Value of Production.

Key Forecasts

For 2022E-24E, we now estimate:

1. **Revenues from Sales growing at 20% CAGR$_{21PF-24E}$**, up to €40.8mn in 2024E, driven by increasing volumes and higher average prices per unit sold also thanks to the expansion of the Group luxury pole (Favaro + Emmegi);
2. **EBITDA Margin at 12.4%** in 2024E, improving after 2022E, as raw materials heavy expenses should be rebated to the final consumer (as international footwear leaders are currently doing), and as we should assist to some economies of scale, both on raw materials and services costs, and benefit from the improving revenues mix;
3. **EBIT at €4.0mn** in 2024E, rising more than proportional with respect to EBITDA, as D&A should not exceed €1.0mn-€1.1mn each year;
4. **Net Financial Position turning positive as of 2023E** and reaching €1.9mn in 2024E thanks to €4.7mn of net IPO proceeds, rising profitability and gradual normalization of working capital.

Nice Footwear Group: Key Financials 2021PF-24E

(€mn, IT GAAP)	2021PF	2022E	2023E	2024E
Revenues from Sales	**23.7**	**29.7**	**33.9**	**40.8**
Value of Production	**24.3**	**30.5**	**33.9**	**40.8**
EBITDA Adjusted (*)	2.8	2.8	4.1	5.1
EBITDA Margin (As a % of Sales)	***11.7%***	***9.5%***	***12.1%***	***12.4%***
EBIT Adjusted	1.8	1.8	3.1	4.0
EBIT Margin (As a % of Sales)	*7.7%*	*5.9%*	*9.1%*	*9.8%*
Net profit Adjusted	**1.1**	**1.0**	**1.9**	**2.5**
Net Fin. Position [Net Debt (-) Cash (+)]	**-4.7**	**-0.7**	**1.2**	**1.9**

Source: Nice Footwear, Value Track Analysis *(*) FY22E EBITDA, EBIT, NP and margins adjusted for IPO Tax Credit of €425k*

For additional specifics on metrics drivers, we refer back to our initiation of coverage report of December 15th, 2021.

Nice Footwear Group: P&L 2021PF-24E

(€mn, IT GAAP)	2021PF	2022E	2023E	2024E	$CAGR_{21PF-24E}$
Revenues from Sales	**23.7**	**29.7**	**33.9**	**40.8**	***19.9%***
Others (incl. IPO Tax Credit)	0.6	0.7	0.0	0.0	*n.m.*
Value of Production	**24.3**	**30.5**	**33.9**	**24.3**	***19.9%***
Raw Materials	-15.0	-19.2	-21.1	-25.3	*n.m.*
Gross Profit Adj.	**9.3**	**10.9**	**12.8**	**15.4**	***18.5%***
Gross Margin (As a % of Sales)	*39.2%*	*36.5%*	*37.7%*	*37.9%*	*n.m.*
Operating Expenses	-6.5	-8.0	-8.7	-10.4	*n.m.*
EBITDA Adj.	**2.8**	**2.8**	**4.1**	**5.1**	***22.2%***
EBITDA Margin (As a % of Sales)	*11.7%*	*9.5%*	*12.1%*	*12.4%*	*n.m.*
D&A	-1.0	-1.1	-1.0	-1.1	*n.m.*
EBIT Adj.	**1.8**	**1.8**	**3.1**	**4.0**	***29.9%***
EBIT Margin (As a % of Sales)	*7.7%*	*5.9%*	*9.1%*	*9.8%*	*n.m.*
Net Financial Charges (Incl. FX)	-0.5	-0.2	-0.2	-0.2	*n.m.*
Taxes	-0.1	-0.4	-0.9	-1.2	*n.m.*
Minorities	-0.1	-0.1	-0.1	-0.1	*n.m.*
Net Profit Adj.(*)	**1.1**	**1.0**	**1.9**	**2.5**	***30.3%***

Source: Nice Footwear, Value Track Analysis *(*) Net Profit Reported expected at ca. €1.4mn*

Nice Footwear Group: Balance Sheet 2021PF-24E

(€mn, IT GAAP)	2021PF	2022E	2023E	2024E
Net Fixed Assets	3.4	4.8	5.2	6.5
Net Working Capital	5.6	7.3	7.0	7.7
As a % of Sales	*23.5%*	*24.5%*	*20.6%*	*18.9%*
Provisions	0.3	0.4	0.4	0.5
Total Capital Employed	**8.7**	**11.7**	**11.8**	**13.7**
Group Net Equity	4.0	11.0	13.0	15.6
Net Fin. Position [Net Debt (-) Cash (+)]	**-4.7**	**-0.7**	**1.2**	**1.9**

Source: Nice Footwear, Value Track Analysis

Nice Footwear Group: Cash Flow Statement 2021PF-24E

(€mn, IT GAAP)	2021PF	2022E	2023E	2024E
EBITDA	2.8	3.3	4.1	5.1
CapEx	-1.6	-1.9 (*)	-1.5	-1.6
NWC requirements / Chg. Provisions	-2.3	-1.7	0.4	-0.7
OpFCF b.t.	**-1.2**	**-0.4**	**3.0**	**2.8**
Cash Taxes	-0.1	-0.4	-0.9	-1.2
OpFCF a.t.	**-1.3**	**-0.8**	**2.1**	**1.6**
Capital Injections	0.0	5.5	0.0	0.0
Net Financial Charges	-0.3	-0.2	-0.1	-0.1
Others (incl. Fin. Investments)	-0.8	-0.6 (**)	0.0	-0.8 (***)
Net Cash generated	**-2.3**	**4.8**	**1.6**	**1.1**
Net Fin. Position [Net Debt (-) Cash (+)]	**-4.7**	**0.2**	**1.8**	**2.8**

Source: Nice Footwear, Value Track Analysis

(*) Including ca. €850k related to IPO capitalized costs;

(**) Including ca. €600k related to Emmegi acquisition;

(***) Including ca. €750k related to potential JV agreement.

Valuation

We confirm Nice Footwear fair value per share at €16.0 (diluted for outstanding warrants), averaging the outcomes of our DCF model and fair multiples with respect to peers. At €16.0 per share, Nice would trade at 1.2x-1.0x EV/Sales and 10.7x-8.0x EV/EBITDA FY2022E-FY2023E (i.e. FY ending April 2022-April 2023).

Following the release of H1 results and recent M&A, we confirm our valuation as a result of:

- **Estimates fine-tuning**, with upward revisions on top line but broadly flat operating margins. However, in the long run, the acquisition of Emmegi and the acceleration of the Group luxury business, coupled with a more effective raw materials costs management, should drive a considerable improvement of revenues mix, implying higher profitability;
- **(Nearly) steady Italian peers' multiples**, corresponding to our closest benchmarks for Nice Footwear relative valuation;
- **Higher WACC coupled with increased Free Cash Flows** in the medium term, with almost neutral effect on our DCF outcome.

Nice Footwear Group: implicit stock trading multiples between €12.0 and €18.0 p/s

Equity Value (mn)	EV/Sales (x)		EV/EBITDA (x)		EV/EBIT (x)		P/E (x)	
	4/2022E	4/2023E	4/2022E	4/2023E	4/2022E	4/2023E	4/2022E	4/2023E
€ 12.0	0.9	0.7	8.1	6.0	12.2	7.9	17.7	13.5
€ 14.0	1.0	0.8	9.4	7.0	14.1	9.3	20.6	15.8
€ 16.0	**1.2**	**1.0**	**10.7**	**8.0**	**16.0**	**10.7**	**23.5**	**18.0**
€ 17.0	1.2	1.0	11.4	8.5	17.0	11.3	25.0	19.1
€ 18.0	1.3	1.1	12.0	9.0	18.0	12.0	26.5	20.3

Source: Value Track Analysis

Peers' Analysis

Comparables' analysis leads to €14.7 fair equity value per share, based on fair multiples in line with a mix of Italian footwear/outerwear players and consumer goods companies listed on Euronext Growth Milan. Worthy to note, over the last two months, the historical wide discount between International footwear leaders and domestic peers has halved and currently averages around 15% - see table below - mainly due to the severe US stock market correction and volatility of the last few weeks.

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	**3,903**	**1.5**	**1.3**	**9.4**	**7.8**
International Footwear Leaders – Median	2,980	1.1	0.9	9.3	7.7
Selected Italian Players - Average	**331**	**1.0**	**0.8**	**10.6**	**7.4**
Selected Italian Players - Median	265	1.0	0.9	11.4	7.5
Discount (-) / Premium vs. International Leaders Average	*n.m.*	*-32%*	*-35%*	*13%*	*-5%*
Italian Consumer Goods Small&Mid caps - Average	**36**	**1.2**	**1.0**	**8.2**	**7.0**
Italian Consumer Goods Small &-Mid cap - Median	26	1.2	1.0	7.4	6.2
Discount (-) / Premium vs. International Leaders Average	*n.m.*	*-20%*	*-23%*	*-13%*	*-10%*

Source: Market Consensus, Value Track Analysis

Our peers-based fair equity value is determined by applying the average FY2021E-FY22E EV/Sales and EV/EBITDA multiples of the two clusters of domestic comparables to Nice Footwear FY2022E-FY23E (ending April 2022-2023) 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	0.8	10.6	7.4
Italian Consumer Goods Small-Mid Cap – Avg Multiples	1.2	1.0	8.2	7.0
Nice Footwear Valuation (€mn)	**4/2022E**	**4/2023E**	**4/2022E**	**4/2023E**
Equity Value (based on Selected Italian Players)	29.9	29.5	29.1	31.3
Equity Value (based on Italian Cons. Goods S/M Caps)	35.3	35.0	22.3	29.8
Nice Footwear Implied Equity Value (Average)	30.3			
Proceeds from Outstanding Warrants	0.7			
Nice Footwear Fair Equity Value (diluted)	31.0			
NOSH (incl. exercise Outstanding Warrants) (mn)	2.1			
Nice Footwear Fair Equity Value p/s (€)	**14.7**			

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

Discounted Cash Flow model

Our DCF gets to €17.4 fair equity value per share based on the following main assumptions:

- 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;
- 10.7% WACC (matching the cost of equity), as a result of 2.0% risk free rate, 0.96 unlevered beta, 6.42% Italian equity risk premium (Damodaran's last update) and 2.5% small size risk premium;
- Perpetuity growth rate at 2%, core range between 1.5% and 2.5%.

Nice Footwear: DCF model outcome

	€mn
PV of future Cash flow FY 2023E-2030E	15.1
PV of Terminal Value @ 2030E with g=2.0%	21.9
Fair Enterprise Value	**37.0**
Net Fin. Position 2022E (April 2022)	-0.7
Minorities (Favaro 20%, Emmegi 20%)	-0.5
Fair Equity Value	**35.8**
Proceeds from Outstanding Warrants	0.7
NOSH (incl. exercise of Outstanding Warrants)	2.1
Fair Equity Value per share (€)	**17.4**

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	**9.7%**	18.35	19.09	19.92	20.87	21.96
	10.2%	17.21	17.85	18.56	**19.37**	20.29
	10.7%	16.19	16.75	**17.36**	18.05	18.84
	11.2%	15.28	**15.76**	16.30	16.89	17.56
	11.7%	14.45	14.87	15.34	15.86	16.44

Source: Value Track Analysis. Value p/s assumes full exercise of outstanding 2021-2026 warrants

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" 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)	35.8	30.3	33.1
Number of Shares (mn)	2.0	2.0	2.0
Fair Equity Value p/s	**17.5**	**14.8**	**16.1**
Base Case Scenario – Diluted for Outstanding Warrants			
Fair Equity Value (€mn)	36.5	31.0	33.8
Number of Shares (mn)	2.1	2.1	2.1
Fair Equity Value p/s	**17.4**	**14.7**	**16.0**
Fully Diluted Scenario – Diluted for Outstanding and Detachable Warrants			
Fair Equity Value (€mn)	39.2	33.7	36.4
Number of Shares (mn)	2.3	2.3	2.3
Fair Equity Value p/s	**17.0**	**14.6**	**15.8**

Source: Value Track Analysis

Appendix

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.	5,375	2.9	2.4	9.4	8.8	10.4	9.4
Skechers USA, Inc.	5,825	0.9	0.8	7.9	6.6	16.2	13.5
Steven Madden, Ltd.	2,980	1.7	1.5	11.7	9.9	17.4	13.8
Wolverine World Wide, Inc.	1,942	1.1	0.9	9.3	7.7	17.3	9.6
Deckers Outdoor Corporation	7,823	2.6	2.2	13.3	11.0	21.2	17.6
CCC S.A.	927	0.9	0.8	8.7	6.9	nm	27.0
Yue Yuen Industrial	2,449	0.4	0.3	5.7	3.7	20.7	8.5
International Footwear Leaders – Average	**3,903**	**1.5**	**1.3**	**9.4**	**7.8**	**17.2**	**14.2**
International Footwear Leaders – Median	**2,980**	**1.1**	**0.9**	**9.3**	**7.7**	**17.4**	**13.5**
Pattern	86	1.3	0.9	12.0	7.5	30.7	19.5
Geox SpA	265	1.0	0.9	11.4	6.6	nm	nm
Safilo Group SpA	641	0.8	0.7	8.5	8.0	nm	32.1
Italian Leaders – Average	**331**	**1.0**	**0.8**	**10.6**	**7.4**	**30.7**	**25.8**
Italian Leaders – Median	**265**	**1.0**	**0.9**	**11.4**	**7.5**	**30.7**	**25.8**
Cover 50	35	0.7	0.6	5.7	4.5	11.0	9.2
Culti Milano	33	1.5	1.2	7.1	5.5	13.0	10.8
G. Fedon	15	0.5	0.5	7.8	5.2	>50	>50
Fope	78	2.3	2.0	13.8	9.7	27.8	18.5
Gibus	83	1.1	1.0	5.9	5.4	9.5	9.2
Gismondi	13	1.4	1.2	9.2	7.0	21.7	14.5
Monnalisa	19	0.7	0.6	>30	8.3	>50	>50
Trendevice	16	1.4	1.0	>30	10.6	>50	>50
Italian Consumer Goods small-mid cap – Average	**36**	**1.2**	**1.0**	**8.2**	**7.0**	**16.6**	**12.4**
Italian Consumer Goods small-mid cap – Median	**26**	**1.2**	**1.0**	**7.4**	**6.2**	**13.0**	**10.8**
Total Average	**1,589**	**1.3**	**1.1**	**9.2**	**7.4**	**18.1**	**15.2**
Total Median	**176**	**1.1**	**0.9**	**8.9**	**7.2**	**17.4**	**13.6**

Source: Market Consensus (03-02-2022), Value Track Analysis

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