

Nice Footwear

Sector: Footwear



(Already) a solid history of kept promises

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.

FY22 Financials beating our expectations

NFT reported sound results for the FY ending April 2022 above our estimates, thanks to an outstanding 2H and confirming the better seasonality of S/S and the prompt and effective price revision following sharp cost inflation. NFT recorded (i) VoP at €32.8mn (+51% y/y), (ii) EBITDA at €3.4mn vs. €2.3mn, (iii) Net Profit at €1.3mn (+44% y/y) and (iv) Net Debt down to €2.7mn, thanks to IPO proceeds.

Strategy delivery on track, strong execution skills

In less than a year, Nice Footwear has been able to deliver most of its IPO promises despite global adverse scenarios, Covid-19, supply chain stress and current macro uncertainties. In chronological order, we count:

1. Favaro and Emmegi acquisitions strengthening the Group "Made in Italy" footprint and luxury offer of footwear and accessories;
2. New operational headquarter (4,000 sq. meters) in the Riviera del Brenta fashion district for a smoother integration of new subsidiaries;
3. The new high potential JV between NFT and Avirex (60%-40%) aimed at the creation, production & distribution of a new collection in EMEA.

P&L 23E up + more cautious into 25E: EPS CAGR at 24%

Thanks to NFT focus on luxury and geographic diversification we are reviewing FY23E estimates up, while being more cautious on the medium-term, given the current macro-outlook. Still, by 2025E we expect (i) VoP at €43.5mn (10% CAGR), (ii) EBITDA margin at 12.8% (also thanks to Avirex JV), (iii) Net Profit at €2.4mn and (iv) Net Cash of €1.1mn thanks to normalization of working capital and strong operating profitability.

Fair Value p/s at €14.8 (€14.6 fully-diluted)

We adjust NFT fair value per share at €14.8 (from €16.1) and fair value per fully-diluted share at €14.6 (from €15.8) mainly due to exogenous factors such as the soaring volatility on global markets and hiking interest rates (impacting WACC) and the massive peers' de-rating since our last report. Still, we confirm the potential of NFT stock (+38% upside) given (i) undemanding valuation; (ii) greater resiliency of the high-end (luxury) and fastest-growing (sneakers) products; (iii) strong execution capabilities of top management.

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Fair Value (€)	14.8
Market Price (€)	10.7
Market Cap. (€m)	21.9

KEY FINANCIALS (€mn)	4/2022A	4/2023E	4/2024E
VALUE OF PRODUCTION	32.8	37.7	40.8
EBITDA	3.4	4.4	5.1
EBIT	1.9	3.0	3.7
NET PROFIT	1.3	1.7	2.0
EQUITY	10.8	12.6	14.9
NET FIN. POS.	-2.7	-2.5	-1.5
EPS (€)	0.6	0.8	1.0
DPS (€)	0.0	0.0	0.0

Source: Nice Footwear (historical figures)
Value Track (2023E-24E estimates)

KEY RATIOS	4/2022A	4/2023E	4/2024E
EBITDA MARGIN (%)	10.4	11.7	12.4
EBIT MARGIN (%)	5.6	8.0	9.0
NET DEBT / EBITDA (x)	0.8	0.6	0.3
NET DEBT / EQUITY (x)	0.3	0.2	0.1
EV/SALES (x)	0.8	0.7	0.6
EV/EBITDA (x)	7.4	5.8	4.9
EV/EBIT (x)	13.6	8.5	6.8

Source: Nice Footwear (historical figures)
Value Track (2023E-24E estimates)

STOCK DATA

FAIR VALUE (€)	14.8-14.6(*)
MARKET PRICE (€)	10.70
SHS. OUT. (m)	2.0
MARKET CAP. (€m)	21.9
FREE FLOAT (%)	26.8
AVG. -20D VOL. (#)	1,568
RIC / BBG	NFT.MI / NFT IM
52 WK RANGE	9.18-16.00

Source: Stock Market Data

(*) Fully-Diluted Scenario

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.

Key Financials

€'000	4/2022A	4/2023E	4/2024E	4/2025E
Value of Production	32.8	37.7	40.8	43.5
Chg. % YoY	50.9%	14.9%	8.1%	6.6%
EBITDA	3.4	4.4	5.1	5.6
EBITDA Margin (%)	10.4%	11.7%	12.4%	12.8%
EBIT	1.9	3.0	3.7	4.2
EBIT Margin (%)	5.6%	8.0%	9.0%	9.6%
Net Profit	1.3	1.7	2.0	2.4
Chg. % YoY	43.7%	36.6%	18.1%	17.4%
Adjusted Net Profit	1.3	1.7	2.0	2.4
Chg. % YoY	38.1%	36.6%	18.1%	17.4%
Net Fin. Position	-2.7	-2.5	-1.5	1.1
Net Fin. Pos. / EBITDA (x)	0.8	0.6	0.3	nm
Capex	-3.3	-1.7	-1.8	-1.4
OpFCF b.t.	-3.2	1.4	3.1	4.1
OpFCF b.t. as % of EBITDA	-94.1%	32.2%	61.0%	73.8%

Source: Nice Footwear (historical figures), Value Track (estimates)

Investment case

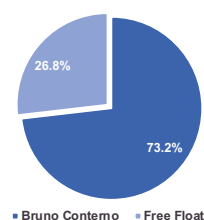
Strengths / Opportunities

- ◆ 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

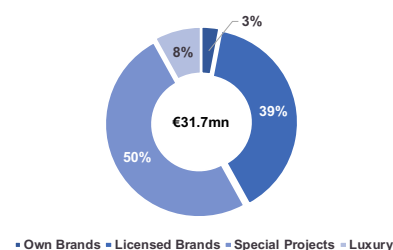
- ◆ Small size and only one owned brand vs. large US and Asia brand owners
- ◆ Lack of Direct-To-Consumer channel that would provide higher margins
- ◆ Potential concentration risk on suppliers

Shareholders Structure



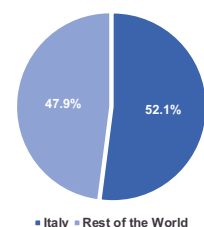
Source: Nice Footwear

Sales breakdown by products



Source: Nice Footwear, FY22

Sales breakdown by market



Source: Nice Footwear, FY22

Stock multiples @ €14.8 Fair Value

	4/2023E	4/2024E
EV / SALES (x)	0.9	0.8
EV / EBITDA (x)	7.8	6.5
EV / EBIT (x)	11.3	9.1
EV / CAP.EMP. (x)	2.3	2.0
OpFCF Yield (%)	4.2	9.3
P / E. (x)	17.6	14.9
P / BV (x)	2.4	2.1
Div. Yield. (%)	0.0	0.0

Source: Value Track Analysis

FY22 Financials beating our expectations

Introduction

Nice Footwear (NFT) reported sound results for the full year ending April 30th, 2022 (“FY22”), registering a terrific double-digit growth for all main financial indicators with respect to both FY21 and FY21 Pro-Forma (i.e. including Favaro, despite being acquired in June '21, i.e. in FY22).

These outcomes have been achieved thanks to an outstanding second semester, confirming the better seasonality of the spring/summer period and the effective reaction of the Group in revising prices in the new rising costs scenarios, which provided a clear relief on Gross Margin.

NFT exceeded our estimates for top line and EBITDA, beating our forecast by ca. 8% and 5%, respectively. However, D&A and Impairments overloaded EBIT more than expected, as Net Working Capital did on the Group Net Financial Position.

Key Financials

We highlight:

- ◆ **Value of Production at €32.8mn**, +51%y/y on FY21 and +35% on FY21PF;
- ◆ **EBITDA at €3.4mn** vs. €2.3mn of FY21 and €2.8mn of FY21PF;
- ◆ **EBIT at €1.9mn**, gaining ca. €400k and €100k on FY21 and FY21PF, respectively;
- ◆ **EBITDA Margin at 10.4%** and **EBIT Margin at 5.6%**, losing ca. 30 and 110 bps on FY21;
- ◆ **Net Profit at €1.3mn**, posting a 44% growth y/y on FY21 and exceeding FY21PF by ca. €200k;
- ◆ **Net Debt at €2.7mn**, brought down by ca. €1.3mn vs. FY21 also thanks to IPO proceeds.

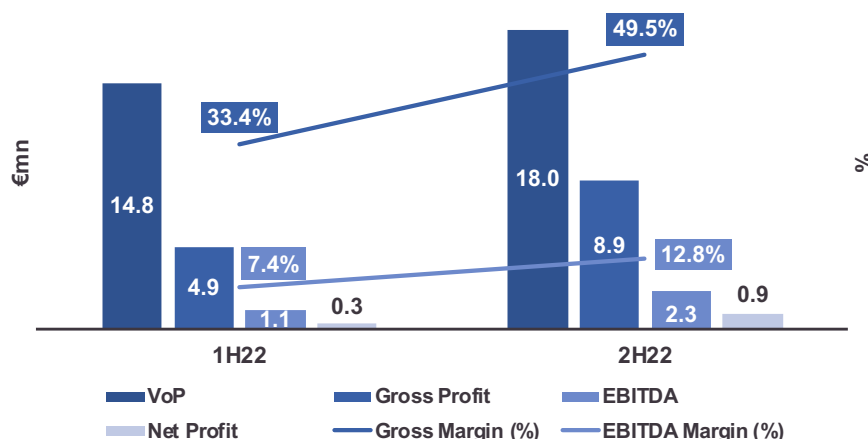
Nice Footwear: Key Financials FY22 vs FY21, actual vs estimates

(€mn, IT GAAP)	FY21	FY22	Δy/y (%)	FY21PF	FY22	Δy/y (%)	FY22E	FY22A	ΔA/E (%)
Value of Production	21.8	32.8	51.0%	24.3	32.8	35.3%	30.5	32.8	7.7%
EBITDA	2.3	3.4	46.4%	2.8	3.4	22.7%	3.3	3.4	4.6%
EBITDA Margin (%)	10.7%	10.4%	-32bps	11.4%	10.4%	-106bps	10.7%	10.4%	-31bps
EBIT	1.5	1.9	26.2%	1.8	1.9	1.9%	2.2	1.9	-15.0%
EBIT Margin (%)	6.7%	5.6%	-111bps	7.5%	5.6%	-184bps	7.1%	5.6%	-150bps
Net Profit	0.9	1.3	43.7%	1.1	1.3	13.1%	1.4	1.3	-11.7%
Net Financial Position	-4.0	-2.7	1.3	-4.7	-2.7	2.0	-0.7	-2.7	-2.0

Source: Nice Footwear, Value Track Analysis

We also underline the **sharp performance of the Company in the second semester of the FY**, with all the main financials of 2H22 contributing between 55% (VoP) and 73% (Net Profit) on the full-year results. Indeed, all the expected 2H trends outlined in our last report have been confirmed: (i) the **better seasonality of S/S vs. F/W**, (ii) **higher raw materials and services costs rebated on final consumers**, and (iii) **the higher efficiency on Asian-based facilities**, boosting the margin performance of 2H.

Nice Footwear : P&L Seasonality 1H22 vs 2H22



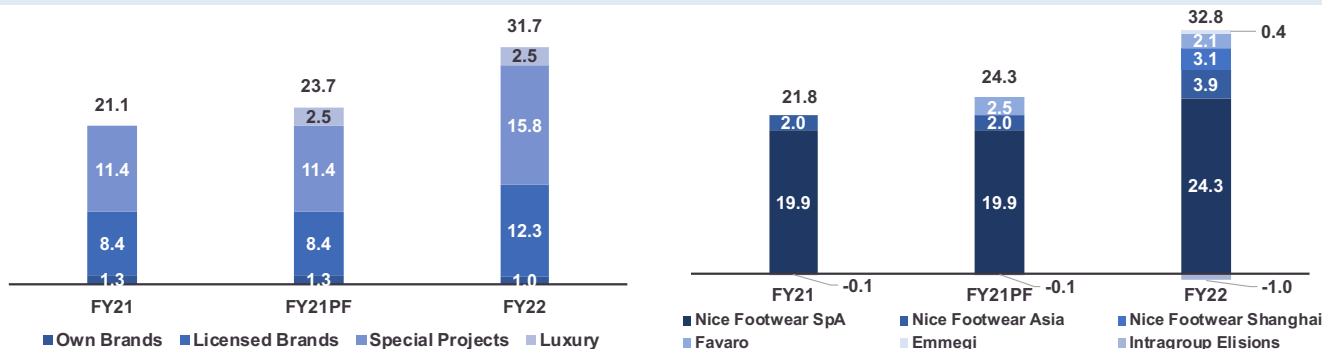
Source: Nice Footwear, Value Track Analysis

Profit & Loss

Nice Footwear **Value of Production** exceeded our forecasts, reporting a **51% growth y/y at €32.8mn**, driven by (i) an increase in sold volumes, (ii) higher average prices to rebate higher costs on customers, (iii) the substantial growth of Nice Footwear Asia (from €2.0mn to €3.9mn) and Special Projects (+39%), and (iv) the contribution for 12 months of Favaro and for 4 months of Emmegi.

The one downside was the lower amount of sales of Favaro vs. FY21PF, however explained by clients' cautiousness, requiring some trial period to better understand execution skills on output quality and quantity when dealing with a new owner, a common approach in the luxury fashion industry. Now that the relationship has been consolidated, new opportunities and cross-selling synergies can start.

Nice Footwear: Revenues from Sales breakdown by products (FY22, lhs) and VoP breakdown by legal entity (rhs, *)



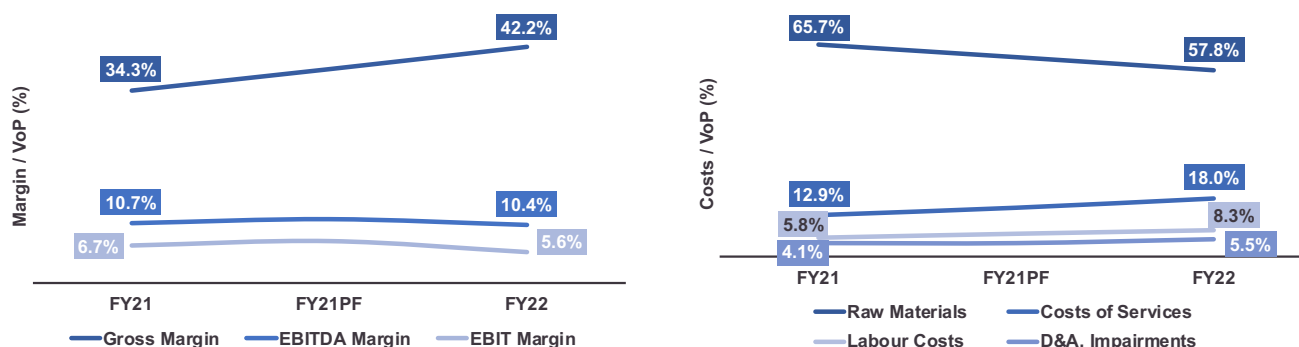
Source: Nice Footwear, Value Track Analysis, (*) Nice Footwear Shanghai and Emmegi consolidated only in FY22 (Emmegi for only 4 months)

Profitability wise, NFT registered an 8 ppt increase at **Gross Margin** level, passing from **34% to 42% y/y**, with **Gross Profit at €13.9mn** (calculated as VoP minus Raw Materials), once again a signal of pricing policy benefits and of the Group capabilities on preserving gross margins during challenging circumstances.

However, while **EBITDA Margin** remained at around **10.4%** despite the increasing weight of Costs of Services (procurement, shipping, custom tolls) and Labour Costs, **EBIT Margin** mildly suffered from greater D&A expenses (at €1.3mn vs. €0.9mn in FY21PF), reducing by ca. 100bps to 5.6%, with **EBIT at €1.9mn**.

Thanks to almost flat financial charges, an FX profit of ca. €200k, no exceptional losses and lower minorities, **Net Profit reported a double-digit growth vs. FY21PF at €1.3mn.**

Nice Footwear: Profitability Evolution FY21-FY22



Source: Nice Footwear, Value Track Analysis

Nice Footwear: P&L FY21-FY22

(€mn, IT GAAP)	FY21	FY21PF	FY22	Δy/y PF (%)
Revenues from Sales	21.1	23.7	31.7	33.8%
Other VoP Components	0.6	0.6	1.2	
Value of Production	21.8	24.3	32.8	35.2%
Raw Materials	-14.3	-15.0	-19.0	
Gross Profit	7.5	9.3	13.9	49.6%
<i>Gross Margin (%)</i>	34.3%	38.2%	42.2%	
Costs of Services	-2.8	-3.7	-5.9	
Use of Third Parties' Assets	-1.0	-1.0	-1.3	
SG&A	-0.1	-0.1	-0.5	
Labour Costs	-1.3	-1.7	-2.7	
EBITDA	2.3	2.8	3.4	22.7%
<i>EBITDA Margin (%)</i>	10.7%	11.4%	10.4%	
D&A	-0.9	-1.0	-1.6	
EBIT	1.5	1.8	1.9	1.9%
<i>EBIT Margin (%)</i>	6.7%	7.5%	5.6%	
Net Financial Charges	-0.3	-0.3	-0.3	
FX profit (+) / FX loss (-)	-0.2	-0.2	0.2	
Non-Op. / Exceptional Items	0.0	0.0	0.0	
Pretax profit	0.9	1.3	1.8	36.7%
Taxes	-0.1	-0.1	-0.5	
Group Net Profit	0.9	1.2	1.3	6.5%
Minorities	0.0	-0.1	0.0	
Net Profit	0.9	1.1	1.3	13.1%

Source: Nice Footwear, Value Track Analysis

Balance Sheet / Cash Flow Statement

We remind that during FY22 (November 2021) Nice Footwear was listed on Euronext Growth Market, collecting ca. **€5.5mn gross IPO proceeds** for 26.8% of the Company share capital. Beyond this, FY22 Cash Flow was impacted by:

- ◆ **Net Fixed Assets** increasing to €5.0mn after CapEx of ca. €3.3mn, including IPO capitalized costs (for ca. €970k) and R&D (€1.3mn) to furtherly enhance NFT technological and environmentally friendly approach on footwear supply chain. More, Fixed Assets also increased due to the acquisition and consolidation of Emmegi, finalized in the second half of the year;
- ◆ **Net Working Capital** heightened to €9.2mn, i.e. 28% of VoP vs. 23% of FY21PF, draining ca. €3.3mn y/y but experiencing some normalization vs. 1H22 (at 55% of VoP). Far-East lockdowns and restrictions easing up improved delivery times in the second semester, however supply chain factors such as procurement and energy costs inflation represents the challenges of the next quarters.

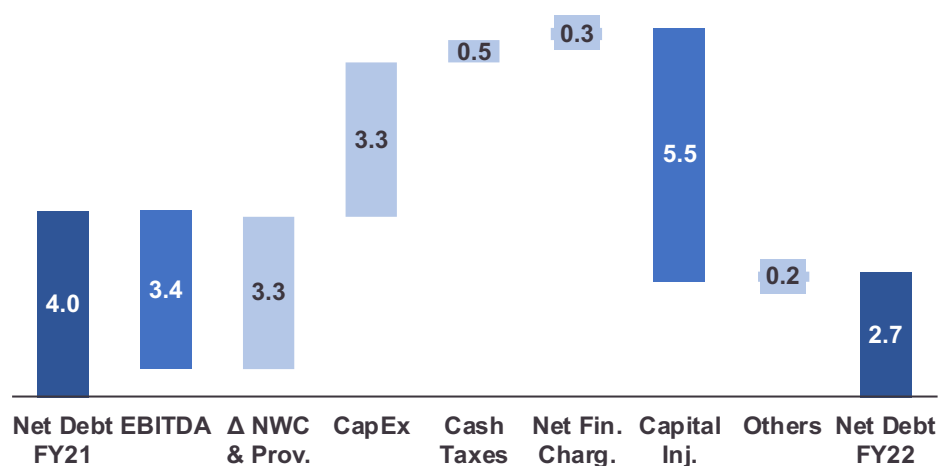
As a consequence, **Net Debt stood at €2.7mn** as of April 30th, 2022, vs. €4.0mn of previous year, benefitting from the solid operating performance of the period and from the IPO capital injection.

Nice Footwear: Balance Sheet FY21-FY22

(€mn, IT GAAP)	FY21	FY21PF	FY22
Net Fixed Assets	2.9	3.4	5.0
Net Working Capital	5.5	5.6	9.2
As a % of VoP	25.2%	22.9%	28.1%
Provisions	0.3	0.3	0.7
Total Capital Employed	8.1	8.7	13.5
Group Net Equity	4.1	4.0	10.8
Net Fin. Position [i.e. Net Debt (-) Cash (+)]	-4.0	-4.7	-2.7

Source: Nice Footwear, Value Track Analysis

Nice Footwear : Cash Flow Statement FY21-FY22



Source: Nice Footwear, Value Track Analysis

Great execution on IPO “promises”

In less than one year, and despite Covid-19 last waves before and global macroeconomic, geopolitical and inflationary uncertainties now, Nice Footwear has been able to deliver most of the “actions” identified and described during its IPO process (November 2022), all without losing a single client.

The integration on Favaro, the acquisition of Emmegi, the new operational headquarter and the recently announced Joint Venture agreement confirm once again the validity of NFT business model and the reliability of its management.

Nice Footwear + Avirex = Avirex Accessories Srl

The deal at a glance

On September 29th, 2022, Nice Footwear BoD approved the creation of a Joint Venture with Avirex, leading international brand specialized in the production of leather jackets for US army, air force and navy. Avirex is already present in NFT brand portfolio with a multi-year license agreement for the commercialization of its footwear collection in the EMEA region. Now, the two Groups have agreed to escalate this relationship with the establishment of **Avirex Accessories Srl**, aimed at the creation, development and distribution of Avirex footwear and accessories, such as backpacks and travel bags. The agreement implies Avirex

1. to grant the exclusive use of the Avirex brand for the new footwear proposition to the JV;
2. to get a 40% stake in the JV.

Terms of the deal

We expect the deal to be closed in line with our forecasts (already included in our latest estimates), i.e. with a €700k-€750k exit fee paid by Nice Footwear to get out of the existing license agreement and secure the new long-term contract, gaining control on the JV with a 60% share, leaving 40% of Capital / Net Profit to Avirex as non-controlling interest. The first official collection offered by the JV should be the 2023 fall/winter season, corresponding to the FY ending in April 2024, also this in line with our estimates.

Deal rationale

Thanks to this new agreement, Nice Footwear should now:

- ◆ Get full operational control over the development of a premium brand such as Avirex in the high-growing footwear products category;
- ◆ Have the support of a structured, well-known and highly reliable international Group;
- ◆ Substantially increase the profitability of the brand within NFT portfolio. Indeed, we calculate that Avirex passing from a license to a JV agreement could boost the Group EBITDA margin by ca. 80bps in 2024E, owing to (i) higher mark-up, as the JV is the direct distributor and one step closer to the final consumer, only partially offset by slightly higher distribution and labour charges and (ii) lower royalties compared to previous licence agreement;
- ◆ Benefit from the greater visibility that Avirex gained in latest months thanks to a successful marketing campaign (including merch provider of the movie *Top Gun: Maverick*);
- ◆ Integrate the footwear offer with backpack and travel bags thanks to the acquisition of Emmegi (specialized in the production of leather bags).

On the other hand, Avirex will (i) strengthen its partnership with an extremely reliable supplier such as NFT, and (ii) get direct access to Nice creative and technological skills as well as the expertise to deal with premium and luxury brands in the footwear sector, crucial to revive Avirex footwear and accessories offer.

New operational headquarter: M&A integration proceeding at high speed

Back in March 2022, Nice Footwear signed a rental agreement for a productive real estate asset located in Padova, Italy, close to Riviera del Brenta strategic luxury pole for “Made in Italy” manufacturing (also current production site of Favaro and Emmegi).

Nice Footwear already shifted its production activities to this new building (previously owned by Safilo Group and dedicated to top-end licenses) characterized by ca. 4,000 square meters (with the approval to build vertically for other 8,000) and ready to become the Group “*Shoe Factory 4.0*” by welcoming Favaro (expected in next December / January) and Emmegi (FY2024) equipment, accelerating intragroup cross-selling and costs synergies. Indeed, the new headquarter will serve as NFT sole point of reference concerning design, purchasing, production, administration and R&D, all made operational by the Group software and thanks to the internal generation of energy with photovoltaic panels (helping cost efficiency, especially now with skyrocketing energy prices).

The rental agreement requires annual payment in the order of €250k, hence only €50k more than the current combined costs of Nice, Favaro and Emmegi structures. We expect cost synergies to do the rest, hence obtaining a much more business impactful structure for free (in terms of Opex).

A solid history of kept promises: where is Nice at with respect to the IPO

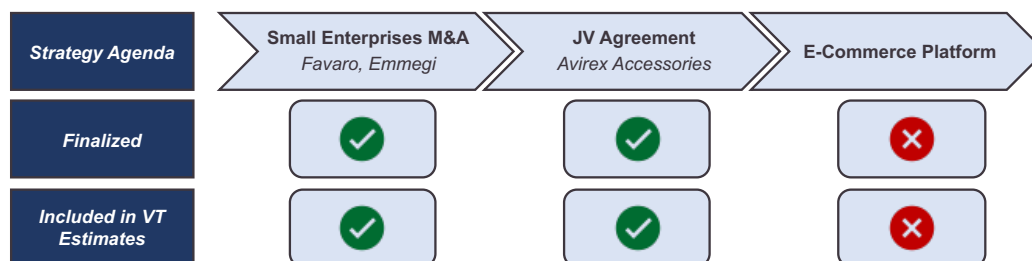
Back in December, our Initiation of Coverage outlined Nice Footwear’s three major short-term strategies (in order of execution timing), out of which #1 and #2 have been already finalized:

1. Creation of a joint venture with a leading international fashion player for the footwear segment: done, **Avirex Accessories Srl**;
2. Potential 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: done, **Favaro Srl** and **Emmegi Srl** (more info on these acquisitions in our IoC and Update Report of Feb. 2022).
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 and reached an agreement for the JV, while decided to postpone e-commerce to accelerate the development of Nice Footwear fashion luxury pole and the exploitation of all the potential synergies.

Still, all the steps of the growth strategy outlined at IPO have been confirmed and underline the reliability of Nice Footwear managers. Both the acquisition of Emmegi and the creation of a JV agreement are already included in our estimates.

Nice Footwear Group: Strategy Agenda



Source: Nice Footwear

Forecasts 2023E-25E

Changes in 2023E-24E estimates

Despite the great uncertainties on global economy and on consumer goods markets in particular, we expect NFT performance to prove quite resilient. Our confidence comes from (i) the strong results of FY22, (ii) recent strategic developments, (iii) increased focus on luxury/premium footwear and (iv) geographic diversification. In more details, changes in estimates regard:

- ◆ **Top line** forecasts are revised upwards in 2023E (+11.2%) and kept unchanged in 2024E, following a more cautious approach on the medium-term. We expect (i) luxury brands to come back strong after the “trial period” of FY2, previously described, (ii) Special Projects continuing their solid growth, especially in Asia after the great results of last year, (iii) Avirex Accessories contribution from 2024E (substitution of license with the JV agreement), while (iv) more licensed being discontinued.
- ◆ **Gross Profit** to benefit by a lower incidence of raw materials thanks to price rebates on customers (in line with what happened in 2H of FY22). **EBITDA** is revised up in absolute terms but a higher incidence of costs of services (transportation and energy, despite free-on-board and internal photovoltaic production offsetting some hikes) should take a toll on EBITDA margin (at 11.7% vs. 12.1% of last estimates). However, starting from 2024E, the heavier contribution from Emmegi (above 20% EBITDA margin), Avirex JV and a more efficient costs management should increase margins and offset the higher operating expenses required by the Group expansion. **EBIT** should be burdened by higher D&A (including the amortization of IPO capitalized costs) and **Net Profit** by higher financial charges, FX losses and minorities. On the mid/long-run, we expect the increasing contribution of the luxury business should imply a better revenues mix, resulting in even greater profitability;
- ◆ **Net Financial Position** weakened by the lower cash flow of FY22, longer working capital cycle (because of more inventory deposits to guarantee planned production growth) and slightly higher CapEx related to the whole Group (including Favaro and Emmegi) moving to the new operational headquarter, requiring new equipment and ancillary costs.

Nice Footwear: New vs. Old estimates

(€mn)	2023E			2024E		
	Old	New	Δ (% , bps, €mn)	Old	New	Δ (% , bps, €mn)
Value of Production	33.9	37.7	11.2%	40.8	40.8	0.0%
Gross Profit	12.8	15.7	23.0%	15.4	17.0	10.4%
Gross Margin (%)	37.7%	41.7%	400bps	37.9%	41.8%	395bps
EBITDA	4.1	4.4	7.0%	5.1	5.1	0.0%
EBITDA Margin (%)	12.1%	11.7%	-46bps	12.4%	12.4%	0bps
EBIT	3.1	3.0	-2.4%	4.0	3.7	-8.3%
EBIT Margin (%)	9.1%	8.0%	-111bps	9.8%	9.0%	-81bps
Net Profit	1.9	1.7	-7.6%	2.5	2.0	-17.6%
Net Margin (%)	5.5%	4.6%	-93bps	6.1%	5.0%	-107bps
Net Financial Position	1.2	-2.5	-3.7	1.9	-1.5	-3.4
Group Net Equity	13.0	12.6	-0.4	15.6	14.9	-0.7
OpFCF b.t.	3.0	1.4	-52.7%	2.8	3.1	9.3%
OpFCF a.t.	2.1	0.6	-73.0%	1.6	2.0	23.9%

Source: Value Track Analysis

Therefore, for 2022E-25E (FY2025 included for the first time), we now expect:

- ◆ **Value of Production growing up to €43.5mn in 2025E** (11% CAGR_{22A-25E});
- ◆ **EBITDA at €5.6mn in 2025E**, with **EBITDA Margin at 12.8%** (vs. 10.4% of FY22);
- ◆ **EBIT strongly up at €4.2mn in 2024E**, rising more than proportionally vs. EBITDA;
- ◆ **Net Profit at €2.4mn**, i.e. at a CAGR of 24%;
- ◆ **Net Financial Position turning positive in 2025E to €1.1mn**, thanks to rising profitability and gradual normalization of working capital.

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

Nice Footwear Group: P&L 2022A-25E

(€mn, IT GAAP)	2022A	2023E	2024E	2025E	CAGR _{22A-25E}
Revenues from Sales	31.7	37.6	40.8	43.5	11.2%
Other VoP Components	1.2	0.1	0.0	0.0	
Value of Production	32.8	37.7	40.8	43.5	9.8%
Raw Materials	-19.0	-22.0	-23.7	-25.3	
Gross Profit	13.9	15.7	17.0	18.2	9.5%
<i>Gross Margin (%)</i>	<i>42.2%</i>	<i>41.7%</i>	<i>41.8%</i>	<i>41.9%</i>	<i>-34bps</i>
Costs of Services	-5.9	-6.7	-7.1	-7.5	
Use of Third Parties' Assets	-1.3	-1.1	-1.1	-1.1	
SG&A	-0.5	-0.5	-0.5	-0.5	
Labour Costs	-2.7	-3.1	-3.3	-3.5	
EBITDA	3.4	4.4	5.1	5.6	17.9%
<i>EBITDA Margin (%)</i>	<i>10.4%</i>	<i>11.7%</i>	<i>12.4%</i>	<i>12.8%</i>	<i>246bps</i>
D&A	-1.6	-1.4	-1.4	-1.4	
EBIT	1.9	3.0	3.7	4.2	31.3%
<i>EBIT Margin (%)</i>	<i>5.6%</i>	<i>8.0%</i>	<i>9.0%</i>	<i>9.6%</i>	<i>399bps</i>
Net Financial Charges (Incl. FX)	-0.1	-0.3	-0.3	-0.3	
Taxes	-0.5	-0.9	-1.1	-1.2	
Minorities	0.0	-0.1	-0.2	-0.3	
Net Profit	1.3	1.7	2.0	2.4	23.7%

Source: Nice Footwear, Value Track Analysis

Nice Footwear Group: Balance Sheet 2022A-25E

(€mn, IT GAAP)	2022A	2023E	2024E	2025E
Net Fixed Assets	5.0	5.3	6.4	6.5
Net Working Capital	9.2	10.6	10.9	11.0
<i>As a % of VoP</i>	<i>28.1%</i>	<i>28.1%</i>	<i>26.6%</i>	<i>25.2%</i>
Provisions	0.7	0.8	0.8	0.9
Total Capital Employed	13.5	15.1	16.4	16.5
Group Net Equity	10.8	12.6	14.9	17.6
Net Fin. Position [Net Debt (-) Cash (+)]	-2.7	-2.5	-1.5	1.1

Source: Nice Footwear, Value Track Analysis

Nice Footwear Group: Cash Flow Statement 2022A-25E

(€mn, IT GAAP)	2022A	2023E	2024E	2025E
EBITDA	3.4	4.4	5.1	5.6
CapEx	-3.3	-1.7	-1.8	-1.4
Δ NWC (incl. Δ Provisions)	-3.3	-1.3	-0.2	0.0
OpFCF b.t.	-3.2	1.4	3.1	4.1
<i>As a % of EBITDA</i>	<i>-94.1%</i>	<i>32.2%</i>	<i>61.0%</i>	<i>73.8%</i>
Cash Taxes	-0.5	-0.9	-1.1	-1.2
OpFCF a.t.	-3.7	0.6	2.0	2.9
Capital Injections	5.5	0.0	0.0	0.0
Net Financial Charges	-0.3	-0.3	-0.2	-0.2
Others (incl. Fin. Investments)	-0.2	-0.1	-0.8 (*)	-0.1
Net Cash generated	1.3	0.2	1.0	2.6
Net Fin. Position [Net Debt (-) Cash (+)]	-2.7	-2.5	-1.5	1.1

Source: Nice Footwear, Value Track Analysis, (*) Including ca. €750k related to Avirex JV agreement.

Valuation

We adjust Nice Footwear **fair equity value per share (primary) at €14.8** (from €16.1) and **fair equity value per fully-diluted share at €14.6** (from €15.8), following a more cautious approach on the medium-term outlook given the current uncertainties on consumer goods. At €14.8 per share, Nice would trade at 0.9x-0.8x EV/Sales and 7.8x-6.5x EV/EBITDA FY2023E-FY2024E (i.e. FY ending April 2023-April 2024).

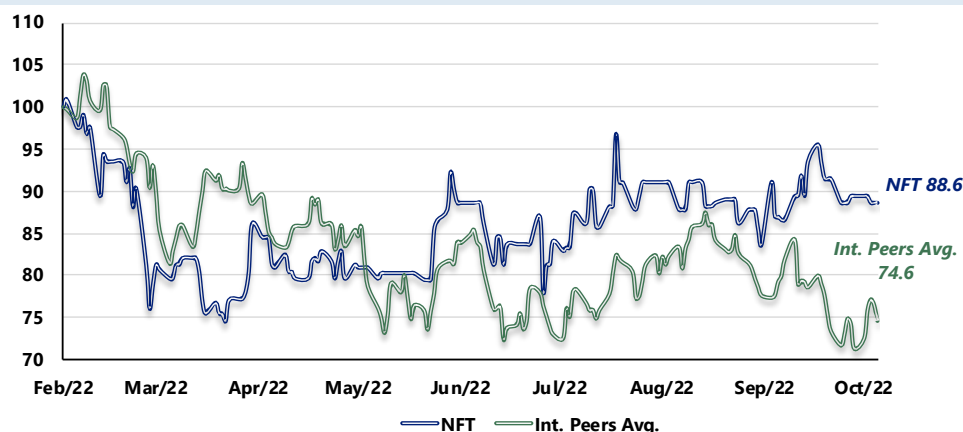
The downward revision of ca. 8% is mainly due exogenous factors, such as:

- Soaring volatility on global markets and hiking interest rates**, contributing to the increase of Italy risk premium (from 6.4% to 7.8%) and unlevered beta (slightly >1.0 from 0.96);
- Massive downsize of peers' market multiples**, with stock prices falling by over 20% on average since our last report of February (international peers by over 25% on average) and with consensus estimates not fully embedding yet the current market downturn.

On the other, while we have upgraded FY23E forecast in terms of revenues and EBITDA, the lower free cash flow and our more conservative stance on medium-term P&L assumptions have a negative impact on valuation.

Finally, we also believe that a few **soft factors** will keep supporting the stock, namely (i) exposure to the high-end side (luxury) and fastest-growing sector (sneakers) of the market and (ii) great strategy execution by top management.

Nice Footwear vs Peers' Stock Price Performance since VT Last Update (08/02/2022)



Source: Value Track Analysis

Nice Footwear Group: implicit stock trading multiples between €10.3 and €17.3 p/s

Equity Value (mn)	EV/Sales (x)		EV/EBITDA (x)		EV/EBIT (x)		P/E (x)	
	4/2023E	4/2024E	4/2023E	4/2024E	4/2023E	4/2024E	4/2023E	4/2024E
€ 10.3	0.7	0.6	5.7	4.7	8.3	6.6	12.2	10.4
€ 10.8	0.7	0.6	5.9	4.9	8.6	6.8	12.8	10.9
€ 12.8	0.8	0.7	6.8	5.7	10.0	8.0	15.2	12.9
€ 14.8	0.9	0.8	7.8	6.5	11.3	9.1	17.6	14.9
€ 15.8	1.0	0.9	8.2	7.0	12.0	9.7	18.8	15.9
€ 16.8	1.0	0.9	8.7	7.4	12.7	10.2	19.9	16.9
€ 17.3	1.0	0.9	8.9	7.6	13.0	10.5	20.5	17.4

Source: Value Track Analysis

Peers' Analysis

Comparables' analysis leads to €13.3 fair equity value per share (from €14.8) and €13.2 fair equity value per fully-diluted share. Our valuation is based on fair multiples of a mix of Italian footwear/outerwear players and consumer goods companies listed on Euronext Growth Milan.

The historical wide discount between international footwear leaders and domestic peers kept on reducing since Nice IPO and currently averages around 30% on EV/Sales multiples and only 10% on EV/EBITDA, mainly due to the more severe US stock market correction vs. Italian consumer goods players.

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	3,695	1.2	1.0	7.6	6.4
International Footwear Leaders – Median	3,346	0.9	0.8	6.8	5.8
Selected Italian Players - Average	280	0.8	0.7	7.4	5.6
Selected Italian Players - Median	189	0.7	0.6	6.7	5.6
<i>Discount (-) / Premium vs. International Leaders Average</i>	<i>n.m.</i>	<i>-36%</i>	<i>-36%</i>	<i>-2%</i>	<i>-13%</i>
Italian Consumer Goods Small&Mid-caps - Average	40	1.0	0.8	6.9	5.3
Italian Consumer Goods Small &-Mid cap - Median	40	0.9	0.8	6.7	5.4
<i>Discount (-) / Premium vs. International Leaders Average</i>	<i>n.m.</i>	<i>-18%</i>	<i>-23%</i>	<i>-9%</i>	<i>-17%</i>

Source: Market Consensus (10/10/2022), Value Track Analysis

Our peers' based fair equity value is determined by applying the average FY2022E-FY23E EV/Sales and EV/EBITDA multiples of the two clusters of domestic comparables to Nice Footwear FY2023E-FY24E (ending April 2023-2024) financials.

Nice Footwear: Valuation at "Fair" Multiples

Peers Cluster	EV/Sales (x)		EV/EBITDA (x)	
	2022E	2023E	2022E	2023E
Selected Italian Players – Avg Multiples	0.8	0.7	7.4	5.6
Italian Consumer Goods Small-Mid Cap – Avg Multiples	1.0	0.8	6.9	5.3
Nice Footwear Valuation (€mn)	4/2023E	4/2024E	4/2023E	4/2024E
Equity Value (based on Selected Italian Players)	25.3	24.0	28.9	25.6
Equity Value (based on Italian Cons. Goods S/M Caps)	33.2	29.6	26.6	24.2
Nice Footwear Implied Equity Value (Average)	27.2			
NOSH (mn)	2.0			
Nice Footwear Fair Equity Value p/s (€)	13.3			

Source: Value Track Analysis. Peers' 2022E-23E multiples applied to Nice Footwear financials of FY ending April 2023E-24E

Discounted Cash Flow model

Our DCF gets to a €16.4 fair equity value p/s (from €17.5) and €16.0 fair equity value per fully-diluted share, based on the following main assumptions:

- ◆ 11.7%-11.9% Rolling WACC (from 10.7% and matching NFT cost of equity as of FY25E, when the Group capital structure should become cash positive), as a result of 2.0% risk free rate (medium-/long-term target inflation), 1.01 unlevered beta, 7.8% Italian equity risk premium (from 6.4%, Damodaran's last update) and 2.0% small size risk premium;
- ◆ Perpetuity growth rate at 2%, core range between 1.5% and 2.5%;
- ◆ Minorities for the estimated value / potential acquisitions of remaining share capital of Favaro, Emmegi, Avirex JV.

Nice Footwear: DCF model outcome

DCF Model Outcome	€mn
PV of future Cash flow FY 2024E-2030E	16.1
PV of Terminal Value @ 2030E with g=2.0%	21.4
Fair Enterprise Value	37.5
Net Fin. Position 2023E (April 2023E)	-2.5
Minorities (Favaro 20%, Emmegi 20%, Avirex Accessories 40%)	-1.3
Fair Equity Value	33.6
NOSH (mn)	2.0
Nice Footwear Fair Equity Value p/s (€)	16.4

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	10.9%	17.3	17.9	18.6	19.4	20.3
	11.4%	16.3	16.8	17.5	18.2	18.9
	11.9%	15.4	15.9	16.4	17.0	17.7
	12.4%	14.5	15.0	15.5	16.0	16.6
	12.9%	13.8	14.2	14.6	15.1	15.6

Source: Value Track Analysis

Valuation Summary

Our €14.8 fair value per share is calculated on an outstanding number of share scenario, while our fully-diluted scenario (€14.6 p/s) considers the full conversion of 259,980 “Warrant Nice Footwear 2021-2026”, comprehending 54,990 warrants issued at IPO and assuming 204,990 warrants detached from NFT shares on 26/09/2022. Warrants have a €13.0 strike price (currently out-of-the-money) and can be exercised on nine different periods between October 2022 and October 2026.

Nice Footwear: Valuation Summary

	DCF	Multiples	Average
Current Situation – Outstanding NOSH			
Fair Equity Value (€mn)	33.6	27.2	30.4
Number of Shares (mn)	2.0	2.0	2.0
Fair Equity Value p/s	16.4	13.3	14.8
Fully Diluted Scenario – Diluted for Outstanding Warrants			
Fair Equity Value (€mn)	37.0	30.5	33.8
Number of Shares (mn)	2.3	2.3	2.3
Fair Equity Value p/s	16.0	13.2	14.6

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.	4,583	1.9	1.6	7.1	5.9	9.1	6.9
Skechers USA, Inc.	5,193	0.7	0.6	6.1	5.0	12.9	10.1
Steven Madden, Ltd.	2,109	1.0	1.0	6.7	6.5	9.3	8.9
Wolverine World Wide, Inc.	1,233	0.7	0.6	6.8	5.6	5.8	6.0
Deckers Outdoor Corporation	8,618	2.3	2.0	11.9	9.9	18.4	15.8
CCC S.A.	432	0.6	0.5	6.8	5.6	nm	nm
International Footwear Leaders – Average	3,695	1.2	1.0	7.6	6.4	11.1	9.6
International Footwear Leaders – Median	3,346	0.9	0.8	6.8	5.8	9.3	8.9
Pattern	89	1.0	0.8	9.3	7.0	27.8	18.9
Geox SpA	189	0.7	0.6	6.7	4.2	nm	15.9
Safilo Group SpA	563	0.6	0.6	6.3	5.6	16.0	15.5
Italian Leaders – Average	280	0.8	0.7	7.4	5.6	21.9	16.8
Italian Leaders – Median	189	0.7	0.6	6.7	5.6	21.9	15.9
Compagnia Dei Caraibi	66	1.1	0.9	8.7	6.7	16.6	13.1
Cover 50	39	0.8	0.7	5.5	5.1	15.2	13.8
Culti Milano	41	1.4	1.1	5.8	4.6	12.4	10.5
Gibus	66	0.7	0.7	3.6	3.3	6.4	5.9
Gismondi	17	1.3	1.1	10.3	7.1	18.0	10.7
Monnalisa	16	0.5	0.4	8.0	5.6	>50	16.3
Take Off	70	1.7	1.1	5.7	3.5	11.0	7.5
Trendevice	8	0.5	0.4	7.6	6.6	>50	>50
Italian Consumer Goods small-mid cap – Average	40	1.0	0.8	6.9	5.3	13.3	11.1
Italian Consumer Goods small-mid cap – Median	40	0.9	0.8	6.7	5.4	13.8	10.7
Total Average	1,372	1.0	0.9	7.2	5.8	13.8	11.7
Total Median	89	0.8	0.7	6.8	5.6	12.9	10.7

Source: Market Consensus (10/10/2022), Value Track Analysis

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