

Sciuker Frames: overlooking the green

November, 12th 2019 at 19:00



A growing leading niche player in the Fixtures Manufacturing market

Sciuker Frames was founded in 1996, as a leading National integrated group mainly active in the design, development, production and marketing of windows in wood-aluminium and structural wood-glass. The Company operates within a market strongly related to the construction industry, both new buildings and renovations. The Group is controlled by Marco and Romina Cipriano who own a 66% stake; Free Float is 29%. In 2018 the Company generated €10.5m revenues, which compares to its related €1.3bn worth of the Italian market.

A changing business model: high investments to move from batch to order based production

Sciuker differentiates from all other players for adopting industrialized production techniques in a sector traditionally characterized by craftsmanship. Furthermore, management is focusing its investments on stocks and machinery in order to move the production processes from batch to order based.

A 100% eco-sustainable company

Sciuker, as a 100% eco-sustainable company, has decided to forgo production with non-eco-friendly materials which, in the near future, could meet stringent regulations. The Company works with 100% recyclable and non-polluting materials only.

Financials: 1H19 results on track to our estimates

1H19 figures confirm the Group's historical positive path. Sales stood at €6.3m (+13.6% yoy). Over 55% of 1H19 revenues are linked to the Skill collection (entry-level), around 25% to the Isik collection (standard-level), 18% Stratek (standard-level). We see high potential on future development of the Offline collection (luxury-level). EBITDA increased from €0.7m in 1H18 to €1m in 1H19, with margin improving 340bps to 16.4%. 1H19 revenue growth has been driven by the acquisition of significant orders with management customers such as Abitare In. At the end of June, Net debt stood at €6.6m from €5.3m at the end of 2018.

Strategic development and our 2019E-2023E estimates

Corporate strategy includes: further acquisition of management projects; Italian market development through a stronger brand awareness; investments in machinery for Industry 4.0; new store opening in Milan; international partnerships and M&A opportunities from US to China.

In our estimates, we project a 22% revenue CAGR (2018-2023E) for the Group to reach €27m. In 2023E we estimate EBITDA at €5.5m (19% margin), €1.9m Net income and a substantial Net debt neutrality. Cumulated operating FCF in 2019E-2023E are seen at €12.8m, partially invested in Capex and operating NWC needs. In 2019E, we estimate revenue to increase 37% yoy to ca. €14m with EBITDA margin around 17%. The major driver for this growth can be identified in the "Decreto Crescita". At the end of 2019E we see a Net debt of €3.5m and FCF of €2.4m, mainly driven by NWC reduction.

Valuation: DCF and market multiples lead to a TP of €1.82/share

In order to perform Sciuker valuation we adopted both DCF and relative multiple methods. Through cumulated FCF 2019E-2023E of €6.8m and a TV of €33.8m we get to an EV of €31m and an Equity Value of €24.2m. This finally led us to a valuation of €2.22/share. Our relative valuation based on listed comparable companies similar to Sciuker and on the average 2019E-2020E EV/EBITDA multiple (9.5x and 7.0x), led to an Equity Value of €15.5m and to €1.42/share. We set our TP at €1.82/share, implying a potential upside higher than 40% on Sciuker's closing price (as of 11th November 2019). Our recommendation is BUY.

Target Price (€) **1.82**
Recommendation **BUY**

Price as of November 11th 1.28
Number of shares (mln) 10.9
Market capitalization (€mln) 14
Market segment FTSE AIM ITALIA

Performance **from IPO**
Absolute -8.6%
Max / Min 1.55/0.39
Average daily volumes ('000) 187.6

(€mln)	2018	2019E	2020E	2021E
Revenue	10.5	14.4	17.4	19.6
yoy change	-4.6%	36.9%	20.5%	12.8%
EBITDA	1.9	2.4	3.0	3.5
margin	17.7%	16.7%	17.3%	17.8%
EBIT	0.8	1.1	1.1	1.5
margin	7.5%	7.3%	6.2%	7.7%
Net income	0.1	0.4	0.4	0.6
margin	1.3%	2.5%	2.2%	3.0%
NIC	13.0	11.6	12.8	11.8
Net debt	5.3	3.5	4.4	2.8
Equity	7.7	8.0	8.4	9.0
FCF	(2.6)	2.4	(0.6)	1.8

Source: Banca Profilo estimates and elaborations, Company data.

Francesca Sabatini

Head of Equity Research

francesca.sabatini@bancaprofilo.it

+39 02 58408 461

Alessandro Pizzini

Equity Research

alessandro.pizzini@bancaprofilo.it

+39 02 58408 298

Sales Desk

+39 02 58408 478

Contents

Executive summary	3
<i>Sciuker Frames in a nutshell: key investment drivers</i>	<i>3</i>
<i>Main Financial data (2017-2018) and estimates (2019E-2023E)</i>	<i>3</i>
<i>Valuation</i>	<i>4</i>
<i>Key risks</i>	<i>5</i>
SWOT analysis	6
The reference market: the construction and window markets	7
<i>Sciuker Frames competitive arena: strategic positioning and competitive advantages</i>	<i>11</i>
Sciuker Frames overview and business model	14
<i>The Group overview and activities</i>	<i>14</i>
<i>The distinctive business model</i>	<i>17</i>
<i>Management: long experience in the Group and sound track record</i>	<i>20</i>
Historical operating and financial performance	22
<i>Main operating and financial data</i>	<i>22</i>
Strategy and estimates	28
<i>Corporate strategies</i>	<i>28</i>
<i>Our estimates 2019E-2023E</i>	<i>29</i>
Valuation	35
<i>DCF Valuation</i>	<i>35</i>
<i>Relative Valuation on multiples</i>	<i>36</i>
Shareholders and offering structure	39
<i>DISCLAIMER</i>	<i>43</i>

Executive summary

Sciuker Frames in a nutshell: key investment drivers

<i>Sciuker Frames: a leading Italian player in the production of windows</i>	Sciuker Frames is a National integrated group active in the design, development, production and marketing of windows in wood-aluminium and structural wood-glass in addition to the production of wooden shutters. The Company sells mainly in Italy and Switzerland and operates within a market strongly related to the construction market, both new buildings and renovations.
<i>Founded in 1996</i>	Sciuker Frames S.p.A. was founded in 1996 under the name "System S.r.l.". On 1 st of June 2018 the transformation into S.p.A. occurred, with change of the company name in "Sciuker Frames".
<i>A wide portfolio of patents</i>	Group's R&D department "Sciuker Lab" is the core centre for development. Furthermore, Sciuker can benefit from a wide portfolio of patents.
<i>Cipriano Family at 66%</i>	The Group is controlled by Marco Cipriano and Romina Cipriano who own the 66% stake; the remaining stakes are represented by Rocco Cipriano and Giuseppe Montagna Maffongelli (ca. 3% and 1% respectively) and the Free Float (29%).
<i>In 2019 the Italian window market is expected to be worth €1.3bn</i>	In 2017, the Italian window market had a value of about €1.2bn, for approximately 3.9mln units. The market has experienced a decline of several years which brought production in 2016 to a total value of about €1,182mln, down about €271mln compared to 2013 one. Windows demand has been growing since 2015, when it was at value of about 3.7mln units, and according to IC estimates the demand in 2021 is expected to reach almost 4.6mln units. Also, according to IC estimates, in 2021 the Italian window market should return to 2013 levels (around €1.4bn).
<i>Above €10mln of sales in 2018</i>	Sciuker is a leader in its niche, with enormous growth potentials. In 2018 the Company generated €10.5mln, which compares to the above mentioned €1.3bn worth of the Italian market in 2019E.
<i>Switching the first production phase from batch to order based</i>	Management is focusing investments on stocks and machinery in order to move the first production phase from batch to order based
<i>High product quality combined with an industrialized production</i>	Sciuker's management expertise, long lasting partnerships with customers, workers fidelity, successful track record, marketing and brand investments, are key entry barriers. Sciuker differentiates from all other players for adopting industrial production techniques in a sector traditionally characterized by craftsmanship.

Main Financial data (2017-2018) and estimates (2019E-2023E)

<i>Constant revenue growth of Italian market</i>	Since 2016, Sciuker revenues registered a constant growth (2016-2018 CAGR at 4%, vs its reference market average at 6%).
<i>2018 financials: €10.5mln revenue with 16.7% EBITDA margin</i>	In 2018, Sciuker reported €10.5mln of VoP, €1.9mln of EBITDA with margin at 16.7% and €0.1mln of Net income. It showed a leveraged financial structure with €5.3mln of Net debt and €7.7mln of Equity. The NWC on sales ratio stood at 38% at the end of 2018, coming from the stock piling and typical high weight of receivables in this Industry. Trade receivables accounted for €3.8mln at the end of 2018.

High growth perspectives driven by several initiatives

Main corporate strategy is developed through several different guidelines:

- acquisition of management projects to guarantee high margins, visibility and the possibility of expanding the order portfolio, planning production activities with long-term visibility;
- Italian market development through the further reinforcement of the indirect network of distributors, investments in two additional Sciuker sales points and the agreement signed with a leading operator of the large-scale retail trade;
- growth in foreign markets through partnership with local operators in China, Kazakhstan and Spain and spot supply agreements with local operators in Switzerland and South America;
- investment in machinery that guarantees the expansion of production capacity within the Fratte plant or the opening of a new delocalised plant in Macedonia and Tunisia;
- Opening of store in Milan in order to reach premium customers, mainly linked to architectural firms, with a focus on products with the highest standards and technology (Exo and Offline);
- External growth through M&A is also possible to enter new geographies, both in Europe and China.

Our estimates 2019E-2023E

In our estimates, we project a 22% revenue CAGR (2018-2023E) for the Group to reach €27mIn. In 2023E we estimate EBITDA of €5.5mIn (19% margin), €1.9mIn Net income and a substantial Net debt (cash) neutrality. Cumulated operating FCF in 2019E-2023E is seen at €12.8mIn, partially invested in Capex and operating NWC needs. In 2019E, we estimate revenue to increase 37% yoy to ca. €14mIn with EBITDA margin around 17%. The 2019E Net debt of €3.5mIn and FCF of €2.4mIn are mainly driven by NWC, especially stocks.

Valuation

DCF approach to appraise a scalable business

Given Sciuker scalable business and the potential increase in revenues and marginality brought by the various initiatives developed by the Company, it is possible to use a DCF method as a valuation approach.

For what concerns the relative valuation, since there is no listed entity which operates in the same business of Sciuker, we concentrate our benchmarking analysis on listed players active in the larger industry of Fixture Manufacturing.

A selected sample of listed comparables in the Fixture Manufacturing industry

Within this Sector we analyzed Deceuninck NV (Belgium), Agta Record Ltd (Switzerland), Inwido AB (Sweden), Eurocell Plc (UK), SafeStyle Plc (UK), Apogee Enterprises (USA), Pgt innovations (USA).

On average, consensus expects growth of 4.1% in 2019E and 5% in 2020E, with EBITDA margin respectively at 11.8% and 12.9%.

DCF assumptions

We run a DCF model, using our projections of FCF for the explicit 2019E-2023E period, which lead to cumulated FCFs of €6.8mIn (an annual average of €1.4mIn) plus a Terminal Value of €33.8mIn. We used a WACC of 6.1% and a perpetual growth rate of 2%.

DCF Valuation

The DCF method leads us to an Enterprise Value of €31mIn and an Equity Value of €24.2mIn or €2.22/share, as of a Net debt at 1H19.

Relative Valuation

Our relative valuation based on listed comparable companies similar to Sciuker developed on average 2019E-2020E EV/EBITDA multiple (9.5x and 7.0x) led to an Equity Value of €15.5mIn and therefore to €1.42/share.

*TP and
recommendation*

We then set our TP at €1.82/share as an average of the DCF and relative valuations, implying a potential upside of >40% on closing price (as of 8th November 2019), therefore our recommendation is BUY.

*Key risks**Our estimates
execution risks*

On track to 2019E figures:

- 1H19 figures confirm the Group's historical positive path. Sales stood at €6.3mln (+13.6% yoy). Over 55% of 1H19 revenues are linked to the Skill collection, around 25% Isik collection, 18% Stratek and 2% relative to shutters. EBITDA increased from €0.7mln in 1H18 to €1mln in 1H19, with margin improving 340bps to 16.4%;
- 2019 revenue growth is driven by significant orders by management customers (such as Abitare In), with whom Sciuker has signed various agreements for the supply of Skill products. Major 2019 announcements are:
 1. the signing of various supply agreements, including a mass market retailer and various foreign partnerships, which will bring results in 2020;
 2. attendance to the MADE EXPO 2019 sector fair in March 2019
 3. launch of the new EXO collection at MADE EXPO and signing of the first sales contracts in May 2019
 4. trademark registration in China and attendance to two of the most important international events in Asia: International Building Exhibition (Guangzhou); Fenestration Bau at the Shanghai New International Exhibition.
- at the end of June, Net debt rose to €6.6mln from €5.3mln at the end of 2018, partially due to the notice of the financial debt resulting from the properties leased, in accordance to IFRS 16. Despite this, we believe we are on track to our 2019E estimates since we expect the reduction of stock in 2019 compared to the stock piling in 2018.

Key risks:

- potential revenue growth coming from the "Decreto Crescita" has not been fully included into our estimates in order to evaluate the effects within the end of 2019 and the beginning of 2020;
- high growth rates can lead to cost management issues and challenge the Net Working Capital control;
- rising competition.

SWOT analysis

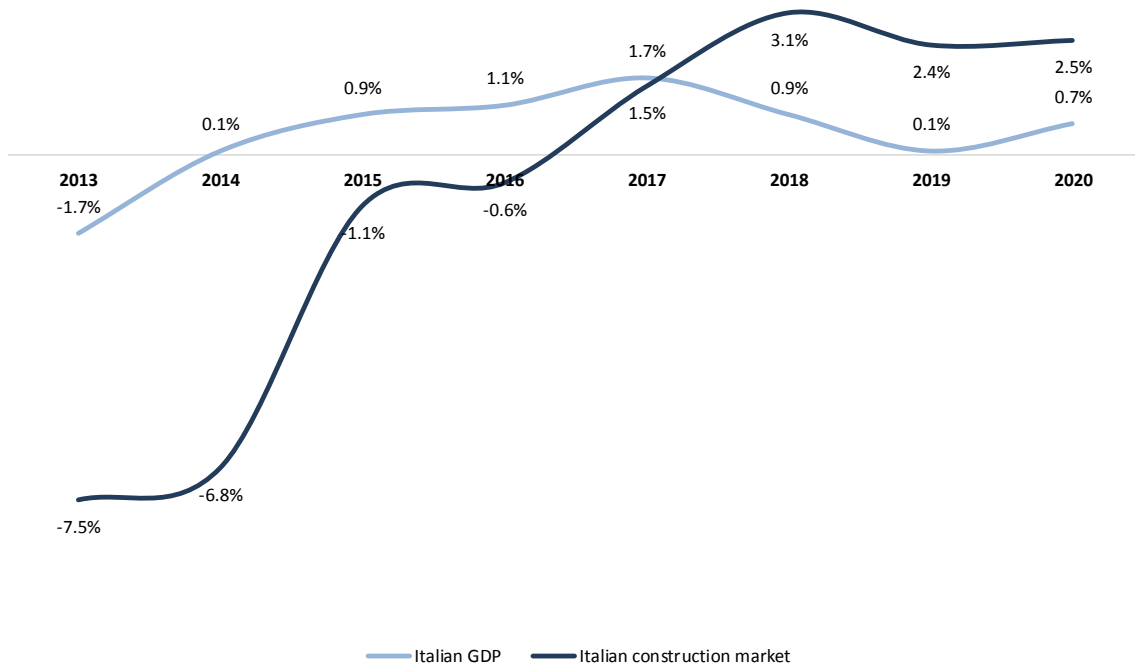
STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • Leader manufacturer of high quality windows and shutters • Strong company commitment in eco-sustainable practices • Strongly investing on corporate culture, brand and innovative marketing • A structured, trained sales force driven by commercial performance • Industrialized production techniques in a sector traditionally characterized by craftsmanship • Distinctive product portfolio • A wide portfolio of patented products • High availability of skilled labor on site • High margins and cash generator driven by a rigorous cost and working capital management • Strong cross selling skills 	<ul style="list-style-type: none"> • High NWC/Sales ratio • NWC optimization needed • Competition by PVC windows have lower production costs • Finance department to be strengthened • Strong leverage

OPPORTUNITY	THREATS
<ul style="list-style-type: none"> • Very fragmented Italian reference market • Strong roll out of management contracts • “Decreto Crescita” • Ad-hoc international partnerships and/or bolt on acquisitions • Large potential Italian addressable market 	<ul style="list-style-type: none"> • High level of competition within the existing players • High growth rates could lead to cost management issues • Very small company size • Competition from large producers (eg. Oknoplast) capable of a strong price competition

The reference market: the construction and window markets

The Company is active in the design, development, production and marketing of windows in wood-aluminium and structural wood-glass in addition to the production of wooden shutters. The Company sells mainly in Italy and Switzerland and operates within a market strongly related to the construction market, both new buildings and renovations.

Figure 1: Investments in construction market 2013-2020



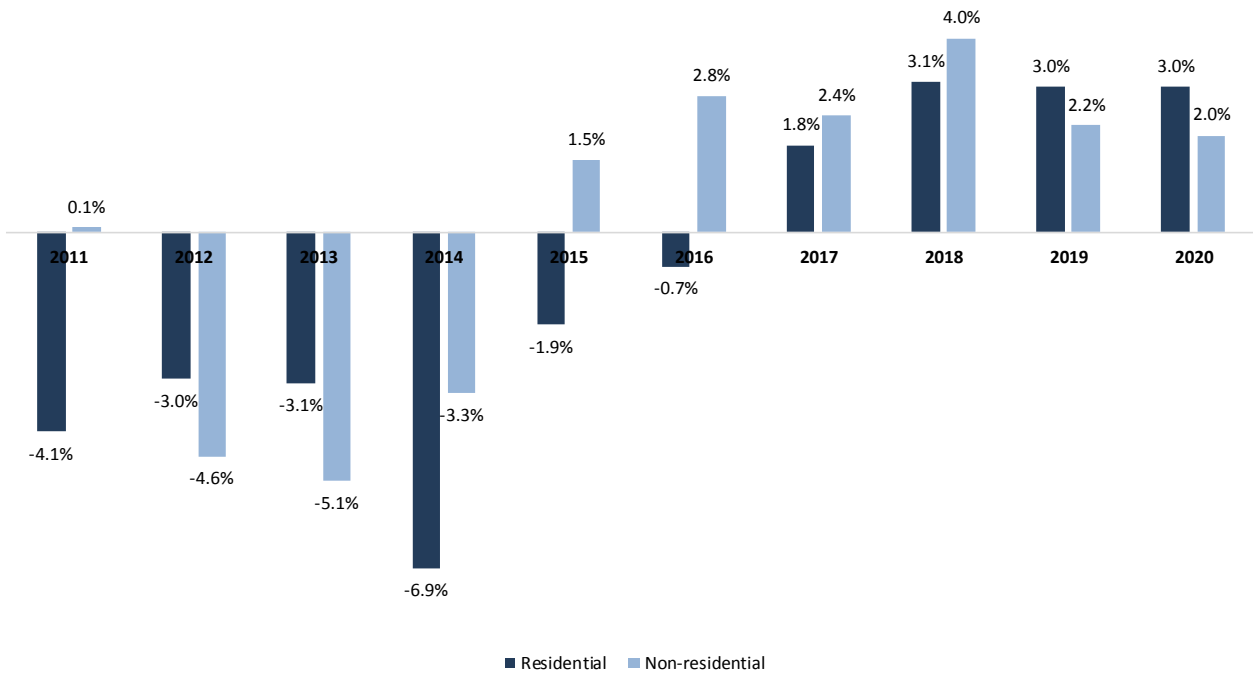
Source: UNICMI processing of ISTAT data; May 2019

Italian construction market expected to grow 2.4% yoy in 2019

According to the Report prepared by UNICMI, the construction sector has returned to growth after a long period of crisis. Between 2008 and the 2015 the sector was mainly affected by the market crisis related to new construction, going through a period of eight consecutive years of decrease.

The window market is closely linked to the construction industry, which in 2019 is estimated to grow in Italy at a rate of 2.4%, to reach an expected increase of 2.5% in 2020.

Figure 2: Investments in construction market (Residential vs Non-residential)



Source: UNICMI processing of ISTAT data; May 2019

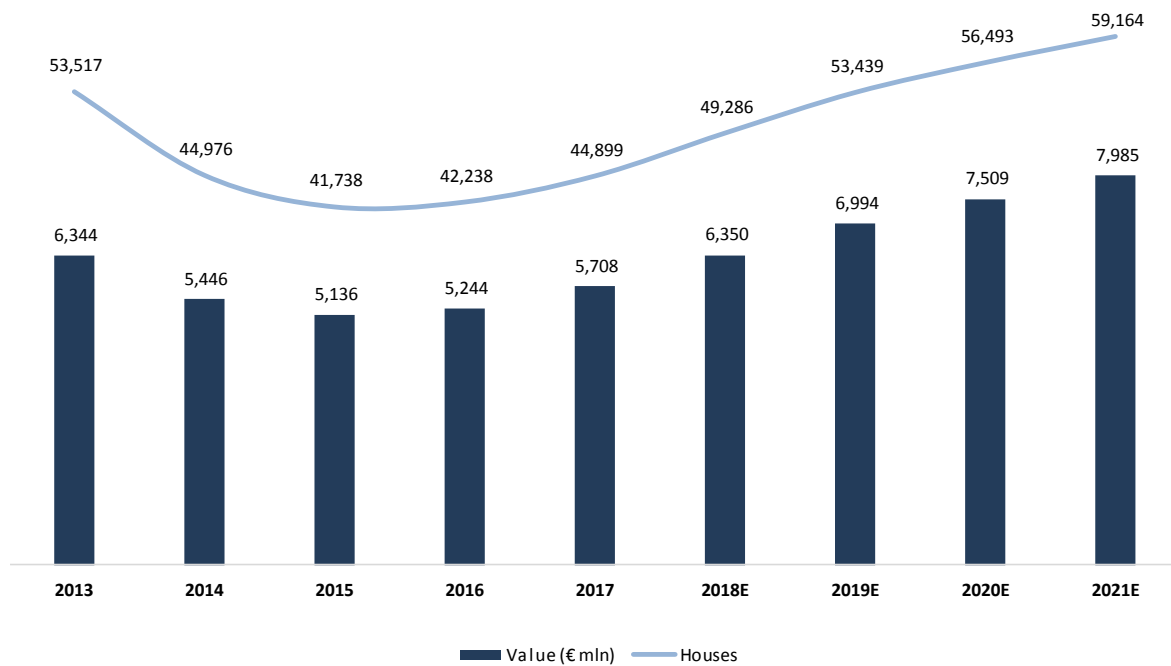
In 2019 the residential segment is expected at +3% yoy

After the two recessions (2008/2009 and 2011/2012), which crashed the construction industry in Italy, there has been a reversal of the trend, with regard both to new constructions and renewals. This trend has been driven from GDP improvement and tax incentive policies addressed to renovation and modernization works. In terms of growth rate, in 2019 the non-residential segment is seen at +2.2% yoy while the residential segment should grow by 3% yoy.

Within the residential market the restructuring segment is the master

Within the residential market, the restructuring segment is worth around double compared to the new construction industry. Growth expectations for the residential segment are related to new real estate initiatives which contributed to the development of the demand for new homes in Italy, with an expected CAGR above 7% between 2017 and 2021. During 2021 the number of new residential constructions should exceed 60,000, with an estimated value close to €8bn.

Figure 3: Homes market in Italy

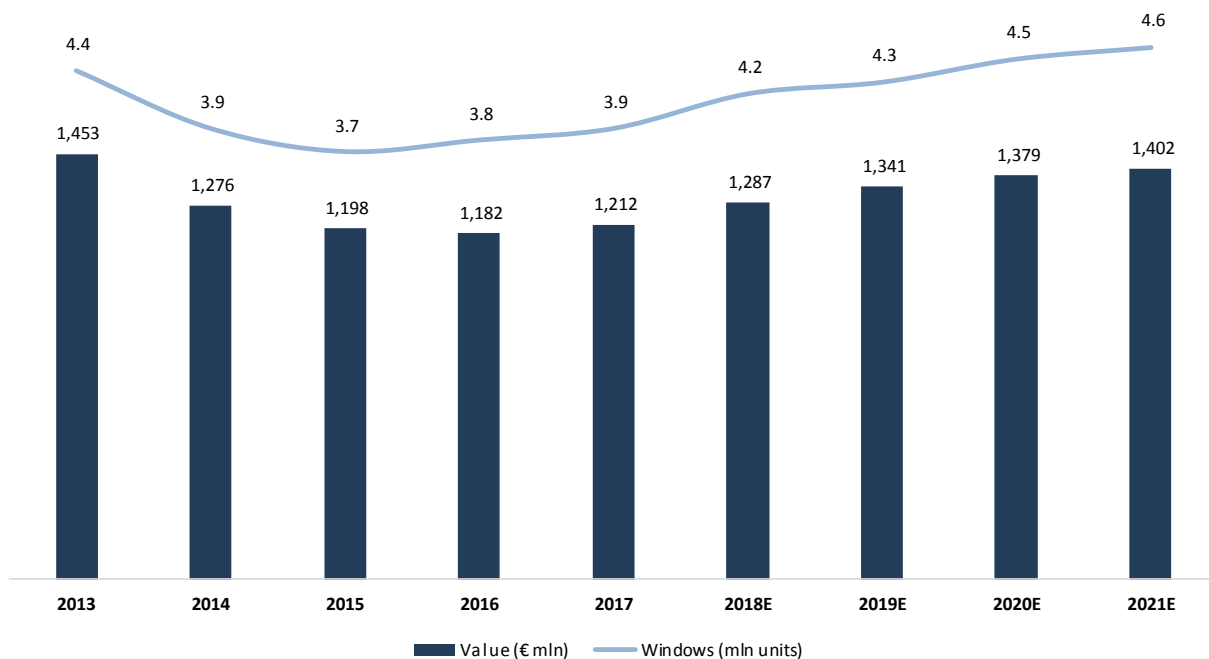


Source: IC Market Tracking – Windows in Italy 2018

In 2019 the Italian window market worth is expected to be €1.3bn

In 2017, the Italian window market had a value of about €1.2bn, for approximately 3.9 million units. The market has experienced a decline of several years which brought production in 2016 to a total value of about €1,182mln, down about €271mln compared to 2013. Windows demand has been growing since 2015, when it was about 3.7mln units, and according to Interconnection Consulting estimates the demand in 2021 is expected to reach almost 4.6mln units. Furthermore, in 2021 the Italian window market should return to 2013 levels (around €1.4bn).

Figure 4: Italian window market



Source: IC Market Tracking – Windows in Italy 2018

Rising National demand for windows The recovery of the National demand for windows entails a simultaneous increase in National production and imports. The National production in 2017 was worth about 3.5mln units, with an annual growth of about 3.2%. In 2017, imports of windows, equal to about 788k units in 2017, exceeded exports (394k pieces) of about 393k units. The domestic demand for windows in 2017 has therefore settled at a value of around 3.9mln units. According to IC estimates, in 2021 the National demand for windows will reach almost 4.6mln units, of which over 1mln will be imported. Production in 2021 is estimated to grow by about 507k units compared to 2017, with an increase in exports of about 47k units.

The Italian window market driven by replacements At the end of 2017, the number of windows in residential buildings, offices, schools and hotels amounted to 216.1mln units, of which: 208mln installed in buildings exclusively for residential use; 3.5mln in office buildings; 2.1mln in schools and 2mln in hotels. The overall transparent surface is therefore approximately of 405.2mln square meters. This is a significant figure as it represents the overall potential demand for the coming decades, in a market driven by the replacement of pre-existing windows. The windows are mainly replaced for: i) wearing; ii) malfunction; iii) noise protection. Other reasons for the replacement of the fixtures are related to energy saving, aesthetic reasons, often in the context of an overall redevelopment of the building. Last but not least, security might be another reason for window replacing against intrusion.

Residential window stock: wood prevails with a 55% followed by aluminium (24%) The current residential window stock has followed, over time, the developing process of the building construction sector. The traditional windows have been replaced with new models, in terms of both technology and materials. In the past, windows were exclusively in wood, then those in aluminium, steel, PVC and a mix of materials have increased their weight. Most of the external doors and windows in the Italian homes are still made of wood (55%), followed by aluminium (24%), PVC (11%) and steel or a mix of wood with other materials (10%).

- 73mln windows (in buildings built before the 1960s) are mainly made of wood (51%), followed by aluminium (25%) and PVC (12%). These are windows that have undergone a replacement cycle at least once.
- 96mln windows (in houses built between the 1960s and 1980s) have undergone 1 or 2 replacements. The use of wood was still prevalent but there was also a significant increase in the use of aluminium.
- 39mln windows (in buildings constructed after 1990) have not yet had, in most of the cases, no need for replacement (at least for wear) and still maintain the original fixtures, also in this case predominantly in wood.

Italian window market by material The window market can finally be divided according to the materials used. According to 2017 data we have:

- Metal – 45% stake;
- PVC – 25.7% stake;
- Mixed (wood / metal and PVC / metal) – 7.2% and 6.3% respectively.

The reference market of Sciuker Frames is currently represented only by the wood / metal segment (7.2%) but in the next future an extension to the solid-wood and solid-metal sectors is expected, leading to a coverage up to 68% of the market.

Sciuker Frames: only wooden and metal windows (7.2% of the market) The Italian market has been benefiting for several years of important tax benefits:

- In 2007, the Ministry of Economy and Finance, with a law dated February 19, established the deduction for the energy requalification costs of the existing buildings;
- In 2018, in order to favor the recovery and the building renovation, the budget law has approved the deduction of 50% of the expenses related to the purchase and installation of windows.

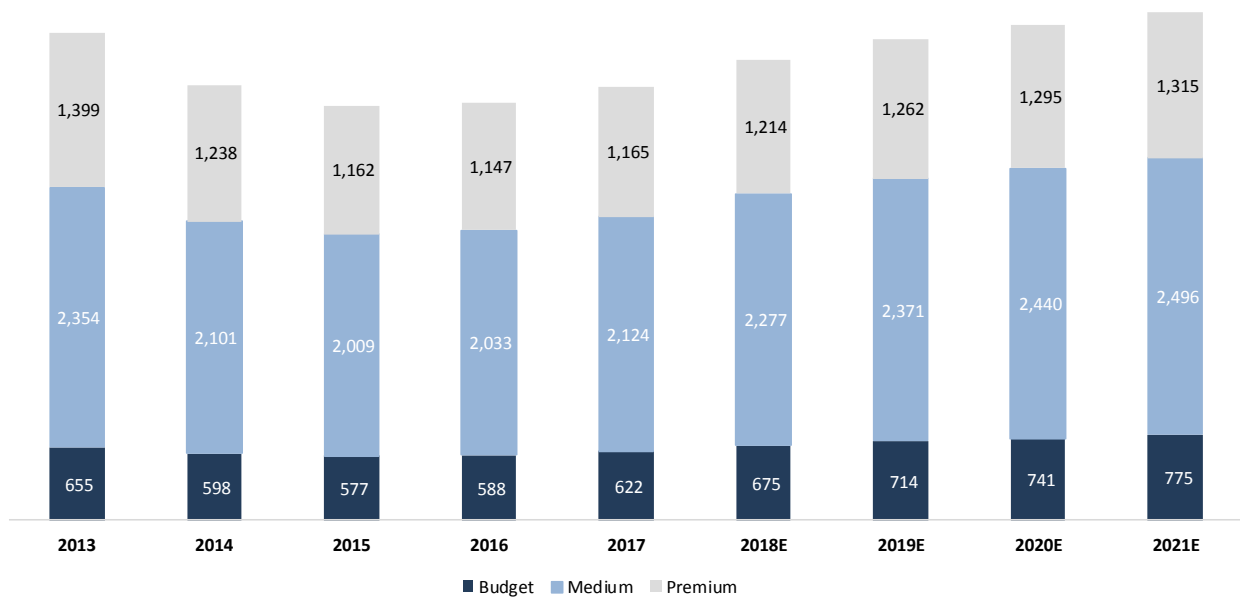
Swiss window market With regard to the Swiss fixtures market, in 2017 it registered a 5.3% increase in volumes for the wood / aluminium segment, followed by a +4.4% PVC / metal and a 3.7% for 100% aluminium.
New buildings recorded an increase of 4.9% (restructuring +2.4%), with the residential sector up by 4.7% against 2.8% in the non-residential sector.

Sciuker Frames competitive arena: strategic positioning and competitive advantages

Sciuker Frames: wooden-aluminium and structural wooden glass windows We are analysing Sciuker’s competitive environment focusing on its core business consisting of design, development, production and marketing of windows in wood-aluminium and structural wood-glass.

A 100% eco-sustainable company Sciuker, as a 100% eco-sustainable company, has decided to forgo production with non-eco-friendly materials which, in the near future, could meet stringent regulations. The Company works with 100% recyclable and non-polluting materials only. Sciuker Frames windows are produced in "wood / aluminum" and "structural wood / glass". In the future the range is expected to be extended to 100% wooden and aluminium products. Sciuker’s products are positioned, according to their price level, in the "premium" segment of the market. This segment is expected to grow to a 30% share of the industry in 2021 and should be able to grow from 1,165mln units sold in 2017 to 1,315mln units forecast in 2021.

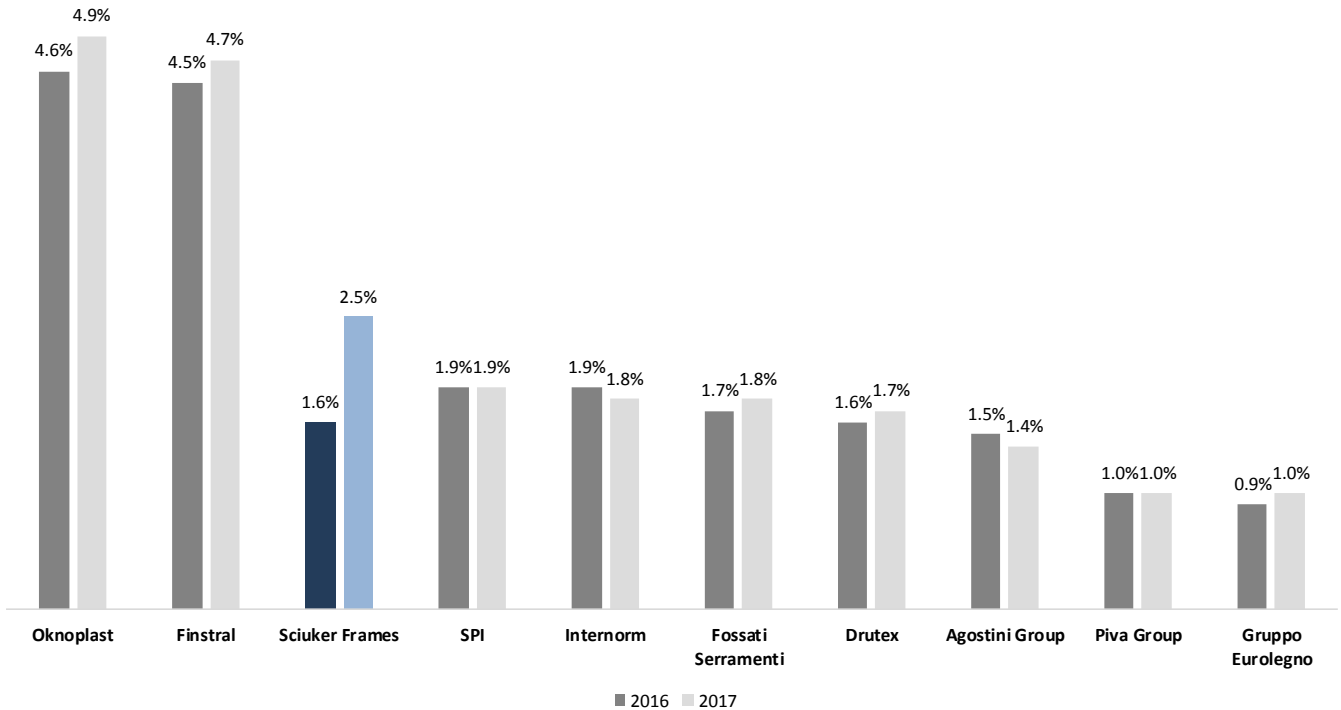
Figure 5: Italian window market by price level (figures in ‘000)



Source: IC Market Tracking – Windows in Italy 2018

A fragmented Italian market Italian fixtures market appears very fragmented. Most of the companies do not have a clear corporate identity and are active in fixture production with just one or two types of materials.
A growing number of small operators are increasingly focusing on the sole distribution and installation, abandoning research, development and concentrated production that will be increasingly in the hands of the major players.

Figure 6: Italian window market share – Premium price (figures in ‘000)



Source: IC Market Tracking – Windows in Italy 2018

A leading position in the premium segment: 2.5% market share

Within the “premium” segment, Sciuker Frames holds the third position by market share, equal to 2.5%, behind Finstral (4.7%) and Oknoplast (4.9%).

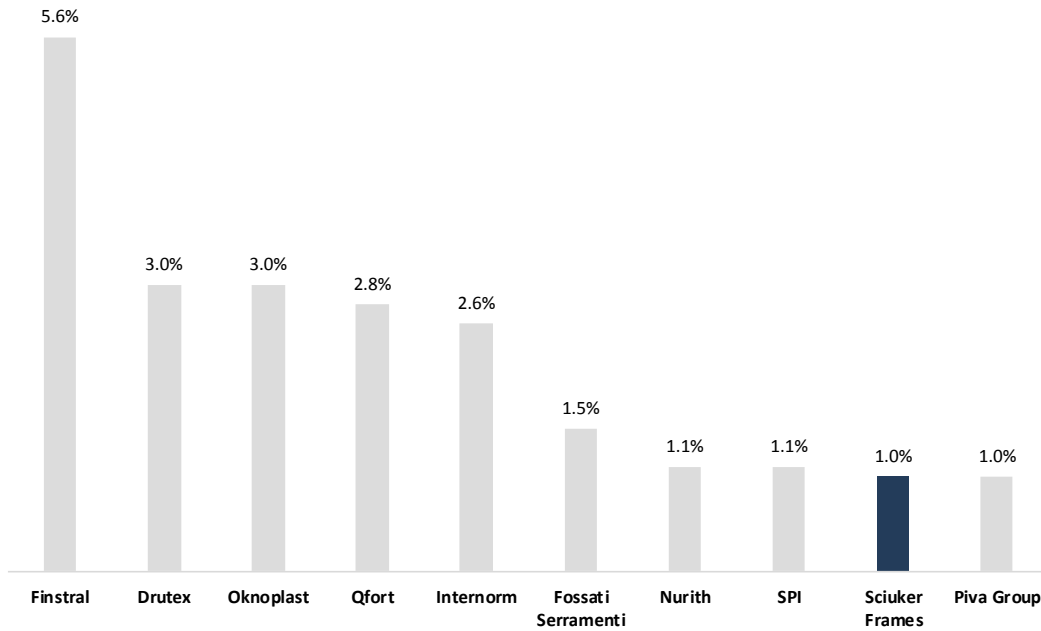
Italian window top market share: Sciuker 9th holding 1%

In 2017, 22.6% of the Italian market (in value) was held by 10 major players mainly focused on high production in PVC: Finstral, with 5.6% of the market, followed by the Polish producers Drutex and Oknoplast, both with 3% of the market and the Romanian Qfort (2.8%).

All the before mentioned competitors are distinguished from Sciuker Frames for high production in PVC.

Sciuker Frames, active only in the wood / metal segment, holds 1% of the market and it’s positioned at the ninth place.

Figure 7: Italian window market share by value

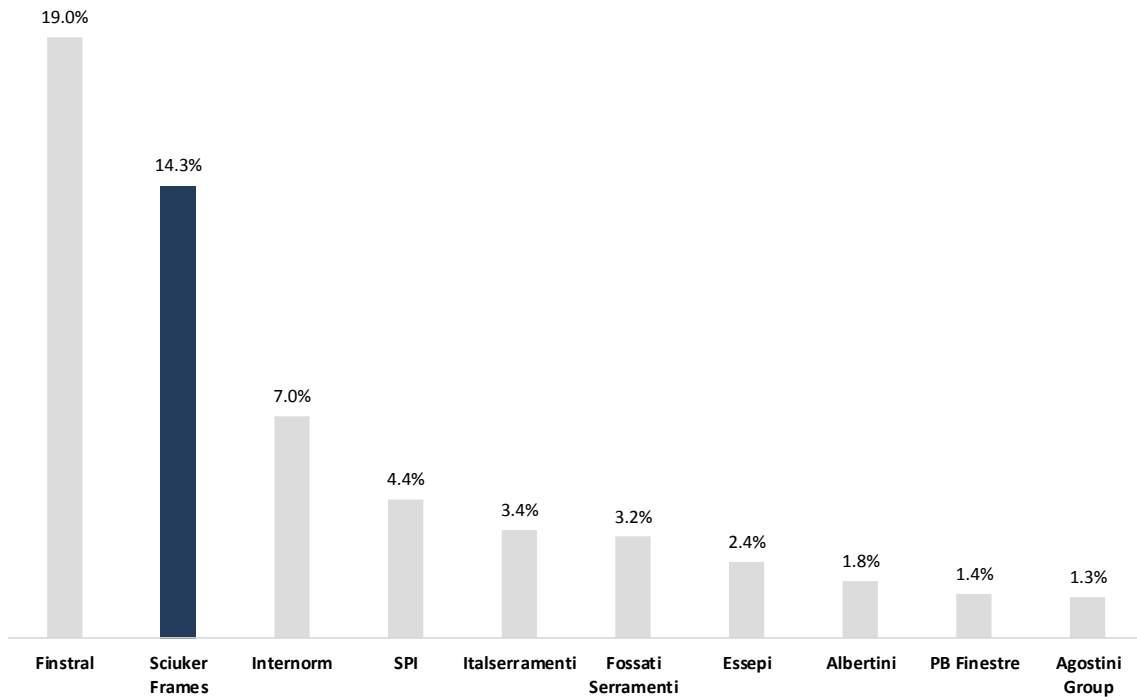


Source: IC Market Tracking – Windows in Italy 2018

Wood / metal window market share: Sciuker 2nd with 14%

But if we look at the specific wood / metal window market, Sciuker positions at the second place with a share of 14.3%, right behind Finstral which holds a share of about 19%.

Figure 8: Italian window market share by value – wood / metal segment



Source: IC Market Tracking – Windows in Italy 2018

Sciuker Frames overview and business model

The Group overview and activities

Sciuker Frames is a National integrated group active in the production of windows; Sciuker Lab is the R&D department; Contrada is the eco production site; Skill is the entry level collection; Offline is the luxury collection; EXO includes standard products

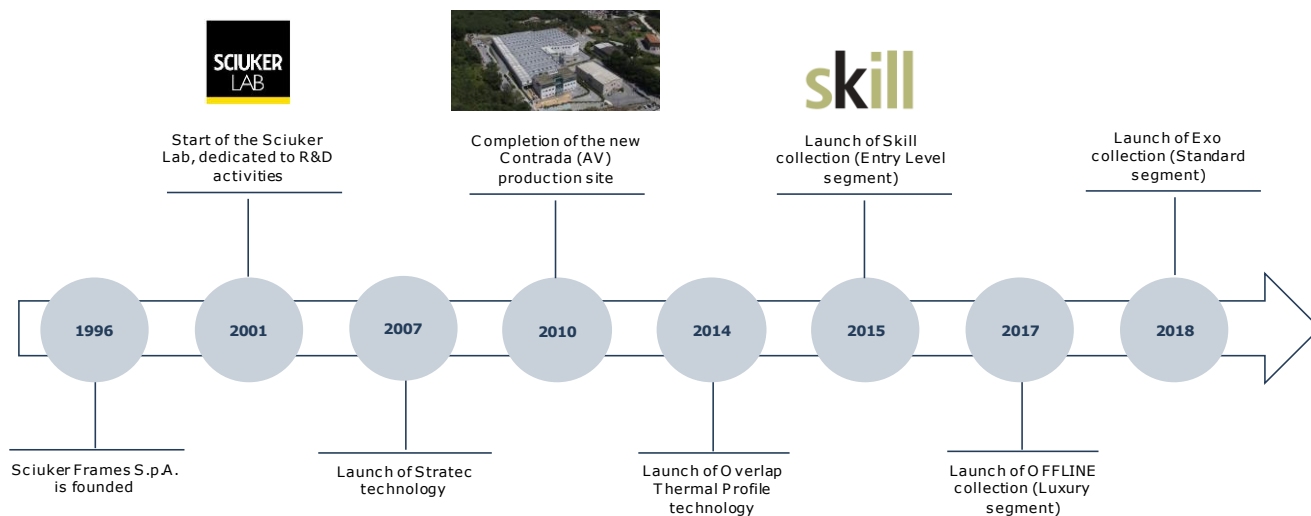
Sciuker Frames S.p.A. ("Sciuker") was founded in 1996 under the name "System S.r.l.". On the 1st of June 2018 the transformation into S.p.A. occurred, and its name changed into "Sciuker Frames".

In 2001 "Sciuker Lab" was started, a department fully dedicated to R&D activities. In 2004 the first Sciuker Frames Store has been opened in Avellino. In 2007 the "Stratec" technology has been patented. 2010 has seen the completion of the new production site of "Contrada" (Avellino) characterized by a very high level of Eco sustainability. In 2014, the new "Overlap Thermal Profile" technology was born to develop the "Skill" collection dedicated to the entry level segment which was launched in 2015. In 2016 the Swiss subsidiary "Hubframe SA", 100% owned by Sciuker Frames, has been set up.

The "OFFLINE" collection, dedicated to the "Luxury" market segment was launched in 2017.

In 2018, the "EXO" collection was introduced and it is to be addressed to the "Standard" market segment.

Figure 9: Sciuker main milestones



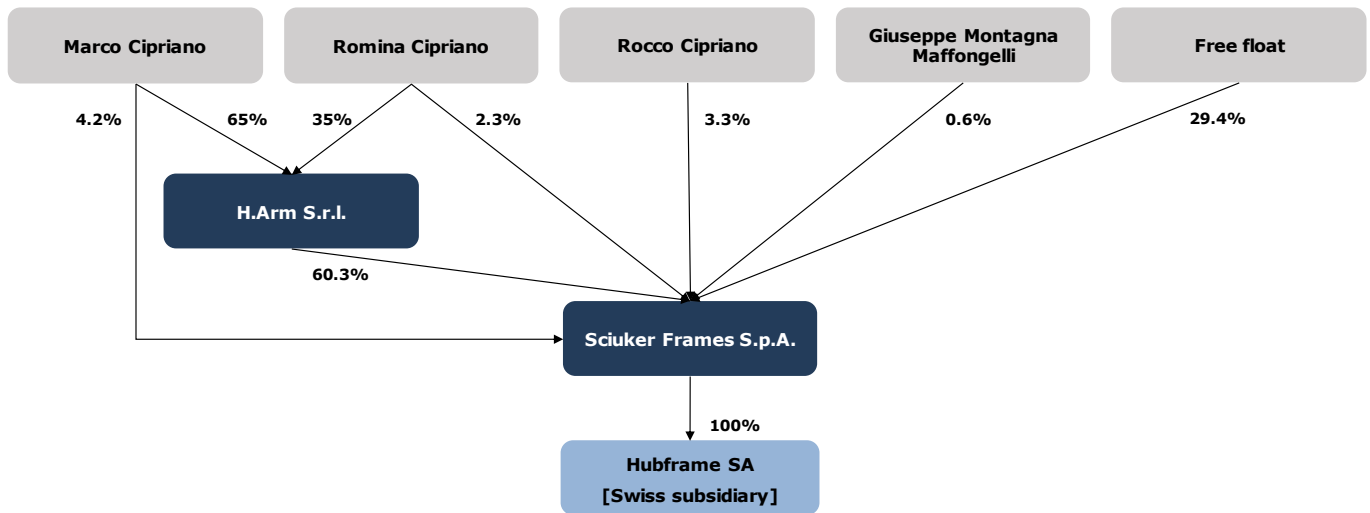
Source: Banca Profilo elaborations on Company data

The Group is controlled by its founder Marco Cipriano, which owns a 43.4% stake of the Company and his sister Romina, which holds a 23.4% stake.

More in detail: 60.3% of the share capital is held by H.Arm S.r.l. (held by Marco and Romina Cipriano with 65% and 35% respectively), followed by Marco Cipriano (4.2%), Rocco Cipriano (3.2%) and Romina Cipriano (2.3%). 29.4% is represented by Free Float on the market.

Furthermore, the Company holds 100% of Hubframe SA, a Swiss subsidiary.

Figure 10: Sciuker Frames Group perimeter



Source: Banca Profilo elaborations on Company data

Fixtures based on a patented technology

Sciuker Frames is an Italian company active in the design, development, production and marketing of windows made of natural materials such as wood aluminium and glass. Their design is eco-sustainable, with a high attention to quality and style. Over the years, the Group has been able to create a system of fixtures, based on a proprietary patented technology: in fact, thanks to the technologies developed by Sciuker Lab, fixtures are produced with distinctive technical characteristics compared to traditional ones.

In particular, the R&D department develops solutions dedicated both to the optimization of production processes, and to the choice of the best natural materials, in terms of design and energy efficiency, thus aiming to transform the window from a functional element to a furnishing element.

Tailor-made production process

Sciuker’s production process, allows a "tailor-made" processing. In addition, the Company has created its own "brand identity" in a very fragmented market. Currently, Sciuker covers three market segments through 5 different collections: entry Levell standard and from 2018 also the Luxury segment.

Eco-sustainable plant

Sciuker’s production plant is located in "Contrada" (AV) and fullfils eco-sustainability requirements. It covers on an area of 13,000 square meters and the 50% of energy required is produced by 1,368 photovoltaic panels.

Quite self-production of energy and recyclable raw materials

The annual production capacity of Contrada is up to 35,000 windows; in 2017 about 12,000 windows have been produced.

All raw materials used in the production process have a certification of origin in order to be compliant to the highest standards.

Production scraps are recycled either for heating the production plant or sold to local pellet producers. Raw materials (wood and aluminium) are 100% recyclable; however, after their processing, only the 70% of production scraps will be recycled in the production process, whereas the remaining portion is disposed as special waste.

Key success factors

Sciuker’s key success factors can be resumed as follows:

- excellence, specialization and centrality of products;
- top quality raw materials;
- innovation and style, quality and tradition;
- brand portfolio and brand identity;
- diversified and "customizable" offer;
- efficient commercial and logistic system;
- environmental protection and efficiency;

- certified and sustainable raw materials;
- international certifications.

Patented technologies allow stable and recurring margins

Sciuker's products are patented and sold under their own brand.

Sciuker Lab proprietary technologies allow for the production process stability for different products in terms of added value and raw materials (aluminium / structural glass, precious woods / technical woods).

The main patented technologies are:

- Stratec – consists in the use of a pine wood, laminated with a wooden thin layer in precious woods for the visible part of the window. This entails a considerable productive economy since with only one low-cost basic wood it is possible to produce prestigious fixtures; in addition, processing waste is reduced from 25/30% to 5%.
- LegaTec Overlap Thermal Profile – is the external protection of the wooden window frame with a thermo-profiled and economic solution compared to traditional wood-aluminum one. The innovation consists in the application of a "LegaTec" technological aluminum alloy sheet with an external acrylic-based resin thread. This solution improves thermal insulation and is very resistant to atmospheric agents, saltiness and scratches.
- Angular doors joint at 90° outside and at 45° inside.
- Offline 36 and 48 – It is the first multileaf wooden system of 36mm for a sliding lifting frame and of 48mm for casement windows. An example is the frame integrated in the masonry ("hidden frame").

Product peculiarities and eco-sustainability: laminated wood for strength and lighter weight

Sciuker's products are characterized by the use of laminated wood. It is a structural composite material made of many micro-laminates bonded and pressed together with a "finger joint" junction (in order to prevent the bending of the material).

This technique guarantees about twice the mechanical strength compared to traditional woods.

The use of laminated materials also reduces the weight of the door. Moreover, it ensures better thermal insulation and consequently greater energy savings. Only the last layer is made of high-quality materials while the other layers are made of less expensive materials but more efficient both in terms of thermal insulation and mechanics (traditional frames, in precious woods, have lower thermal coefficients). Therefore, Sciuker Frames windows can benefit from the government tax rebate for energy redevelopment.

An efficient technology for high quality products

The technology developed by the Company allows to add a final precious wood layer (teak, cherry-tree, zebrawood, walnut, chestnut) to the three intermediate layers that covers the profile of the window on the inside of the house.

The last layer is obtained with the spiral cut of the trunk (the traditional type of cut is "in section") to allow wood grain and surfaces texture homogeneity.

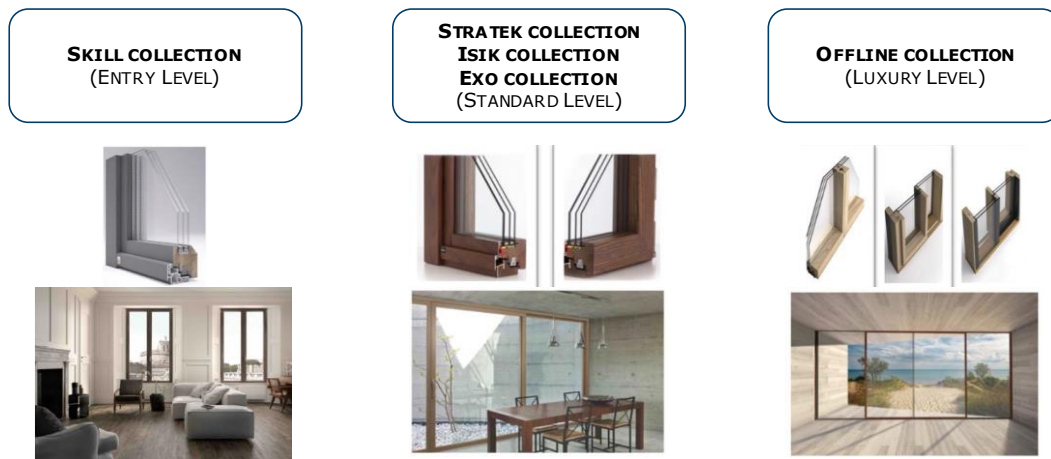
Product offering and segmentation: entry level with the Skill collection; standard level with the Stratek and Isik collection; lux level with the Offline collection

The current product portfolio serves three main segments of the reference market: entry level with the Skill collection; standard level with the Stratek and Isik collection; luxury level with the Offline collection.

The Offline collection was previewed in 2017; production has started at the end of 2018.

The EXO collection is part of a new patented model and it has been launched on the market in the first quarter of 2019.

Figure 11: Product segmentation

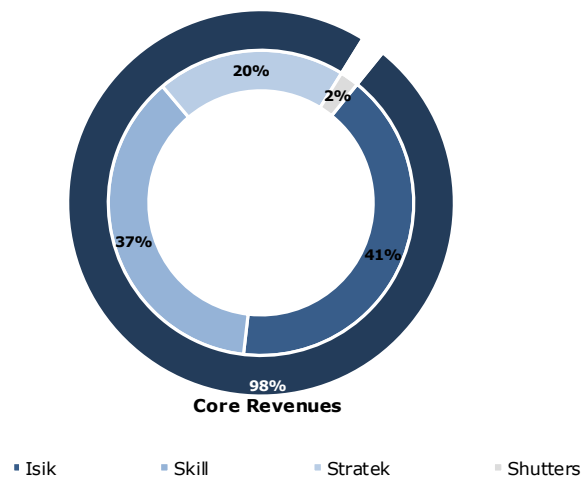


Source: Banca Profilo elaborations on Company data

The Standard level collections >60% of revenues

In 2018, the Isik line generated 41% of revenues, followed by the Skill line at 37% and Stratek at 20%. The Standard segment therefore covers more than 60% of total revenues.

Figure 12: FY18 revenues by product segment



Source: Banca Profilo elaborations on Company data

The distinctive business model

A fully integrated value chain

Sciuker’s business model covers the whole value chain from R&D to production and after-sales servicing, for a better control of product quality and production efficiency.

Figure 13: Sciuker Frames value chain



Source: Banca Profilo elaborations on Company data

Research & Development: the Sciuker Lab to find best solutions for fulfilling tech requirements and developments

Sciuker’s value chain begins with the planning and design phase, carried out by the Sciuker Lab. The Management believes that the Sciuker Lab, one of the Company’s keys of success. The Research & Development centre includes a group of technicians and designers, who constantly discuss to find the best solutions and to satisfy the specific needs of the window and door market, without sacrificing the sustainability of the processes.

The Sciuker Lab analyses current market trends and develops new solutions in line with new requirements and technological developments. It aims to combine the naturalness of the materials with Italian craftsmanship, paying great attention not only to the design, but also to the key requirements of doors and windows, which include thermal and sound insulation, automation and remote access.

Raw materials procurement: selection of suppliers for the right time to market

The procurement of raw materials is a key phase of the production cycle: the Group carefully selects and consolidate its suppliers, in order to guarantee the time to market of high quality products.

Main purchases of raw materials are made with "trusted" suppliers:

- Dominowood – production and supply of wood.
- Drewexim – laminated wood and other components
- Renolit – film producer for surfaces sharpening and sealing.
- Friulevigatura – sanding of wooden components.
- Maico – hardware manufacturer.
- Metra Ragusa – aluminium for windows and fixtures.
- Ralox – extrusion of aluminum profiles.
- Wuerth – products and systems for fixing and assembly.

For the glass part only, Climalit certified double-glazing units are used. Climalit is the name of the double-glazing unit which allows to increase the performance of the glass in terms of thermal insulation, solar factor and light transmission. The single glass thickness range from 3 to 12 mm.

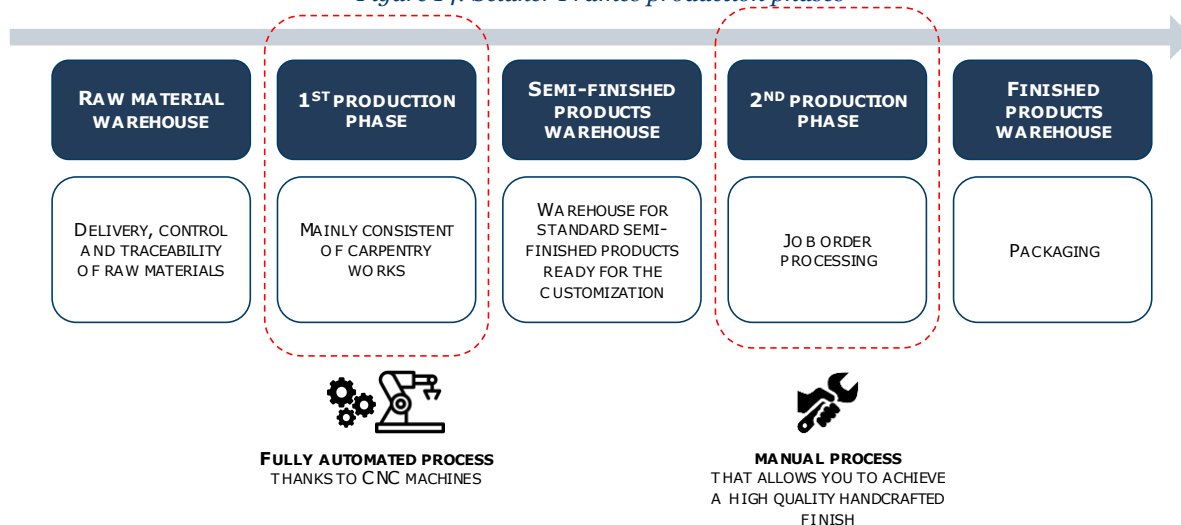
A two-phase production process: automated semi-finished products and "by order"

The production process is structured into two phases:

The automated production of semi-finished products "for the warehouse" and the "by order", personalized and manual production phase.

The production cycle takes about 8 weeks, depending on the type of collection and order’s specific characteristics. The production process of the entry-level "Skill" collection has an average duration of approximately 6 weeks.

Figure 14: Sciuker Frames production phases



Source: Banca Profilo elaborations on Company data

1st phase of the process: carpentry

The first phase of the production consists mainly of carpentry work. This phase is completely automated, thanks to the technology of computer numerical control machines that allows to maximize the use of resources and reduce production time.

Figure 15: 1st production phase

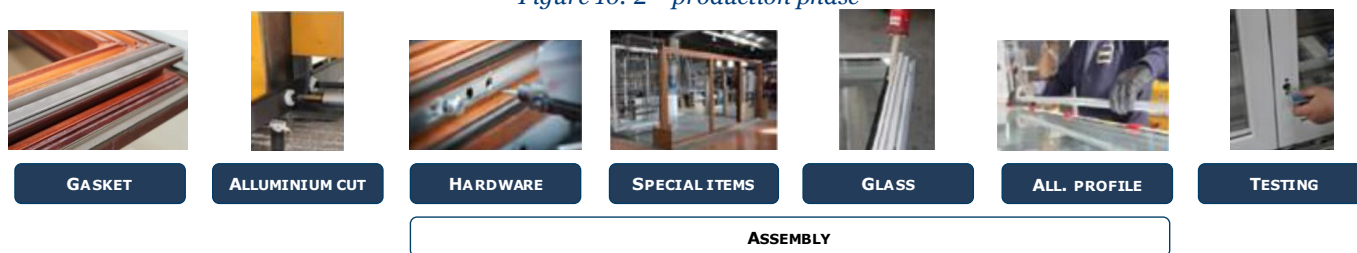


Source: Banca Profilo elaborations on Company data

2nd phase of the process: product customization

The second production phase concerns the completion of the products through the customization of the semi-finished products obtained from the first processing phase and it is based on the specific characteristics required by each individual customer. This phase is operated manually.

Figure 16: 2nd production phase

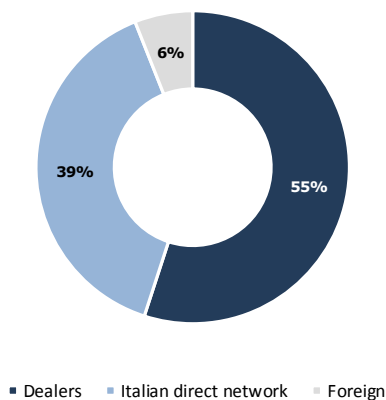


Source: Banca Profilo elaborations on Company data

Sales network: 55% of revenues from dealers

The Company has a network of around 300 dealers and two direct stores (Avellino and Cagliari). In Switzerland is present with a direct store in Lugano. In 2018, the dealer segment accounts for 55% of revenues, followed by Italian direct stores at 39%.

Figure 17: Revenue breakdown by sales channel



Source: Banca Profilo elaborations on Company data

Direct & Indirect network

Dealers are distributed for a 55% in the North, 31% in the Center and the remaining 14% in the South and Islands. Campania is served by the direct store of Avellino with a particularly dedicated sales network.

Within the indirect sales network there are 4 "Urban Stores" (3 in Rome and 1 in Palermo), multi-brand showrooms with an exhibition area dedicated to Sciuker.

Corporate clients with a dedicated sales force

Sciuker Frames has recently integrated its commercial activity with direct contacts with "Executive Clients", concerning job orders for the realization of fixtures in the context of large residential construction sites. These includes, a contract with "Abitare In" regarding a residential development in Milan (Maggiolina district).

Figure 18: Current stores location



Source: Banca Profilo elaborations on Company data

Management: long experience in the Group and sound track record

The Group is controlled by Marco Cipriano, founder and CEO, and by Romina Cipriano, with a post IPO stake of ca. 43% and ca. 23% respectively. Free Float is 29%. The Group can count on a strongly experienced management team:

Marco Cipriano: CEO and Chairman

Marco Cipriano, after obtaining his scientific diploma in 1993, studied at the Faculty of Business Economics of the University of Salerno. From 1999 he began his entrepreneurial activity at the Company, where he held the position of CEO. In parallel with the commitment made to the Company, Marco Cipriano founded the Marco Cipriano Academy in 2017.

Romina Cipriano: BoD member

Romina Cipriano obtained the scientific diploma in 1994 and since 1996 has undertaken, together with her brother Marco, her entrepreneurial activity at the Company, both as a partner and as a manager of the same.

Katia Ambrosone: CFO Degree in Economics and Business from the University of Naples Federico II (1993). Collaboration with Chartered Accountants of Naples, Avellino and Salerno from 1994 to 2001. Administrative Manager, Purchasing and Head of Quality and Environment System in Sciuker Frames S.p.A. until 2002. From 2014 Administrative Manager and Legal Affairs. From 2018 CFO.

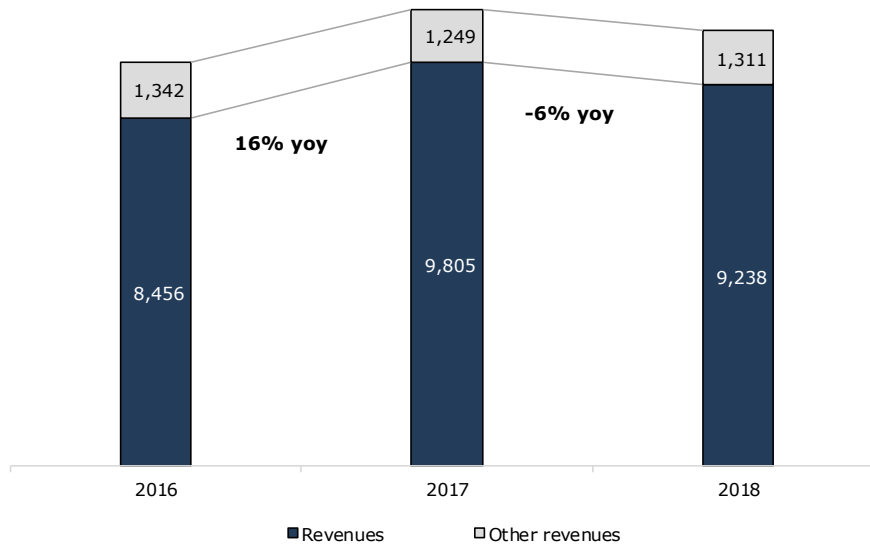
Historical operating and financial performance

Main operating and financial data

2016-2018: 4% revenue CAGR

Sciuker revenues increased by 4% on average in 2016-2018 period.

Figure 19: Sciuker Frames revenue 2016-2018

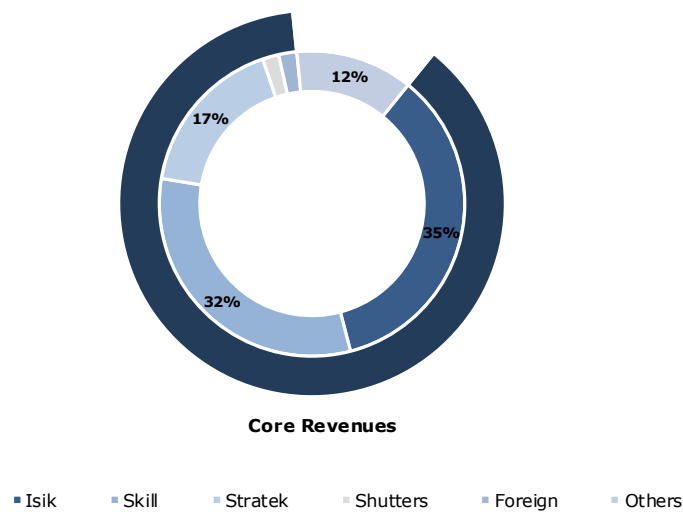


Source: Banca Profilo elaborations on Company data

2018 turnover: €10.5mln

In 2018, the Group Value of Production (VoP) reached €10.5mln due to a slowdown of the Swiss market. Sales contribution increased in Italy to 98% from 91% in 2017. Whereas in CH sales weight declined to 2% from 9% a year before.

Figure 20: Revenue breakdown 2018



Source: Banca Profilo elaborations on Company data

Isik as the leading collection with sales accounting for 35% of

As above mentioned, Italian sales accounted for the majority of sales in FY18, among these: Isik collection accounted for 35%; Skill collection accounted for 32%; Stratek

VoP

collection for 17%; Shutters for 2%.

Cost structure: 88% variables, of which 35% are the operational employees

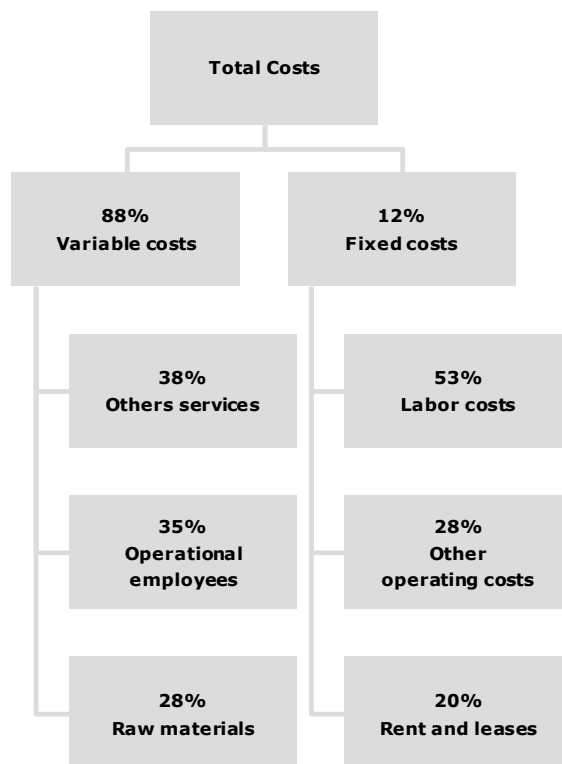
Analysing the Group cost base, in 2018 variable costs accounted for more than 88% of total cost base. Among variable expenses, operational employees weighted 35%, raw materials 28% and other services (mostly commercial services) 38%. Operational employees are considered as variable costs because Sciuker Frames relies on the cooperation of two Companies for the supply of labor in its production processes. According to this agreement, which is renewed every year, Sciuker must pay each company a sum calculated as €/MQ worked. Sciuker made this choice to maintain a flexible cost structure. The outsourcing of human resources allows Sciuker to reduce cost of structure.

Within the fixed costs, labor costs are related to the management and administration (53%), while the rest includes rent and leases.

A flexible cost structure: 62% of revenues are variable costs

Analysing the incidence of variable costs on revenue, this was 62% in 2018, mainly operational employees (25%) and raw materials (20%).

Figure 21: Cost structure-2018



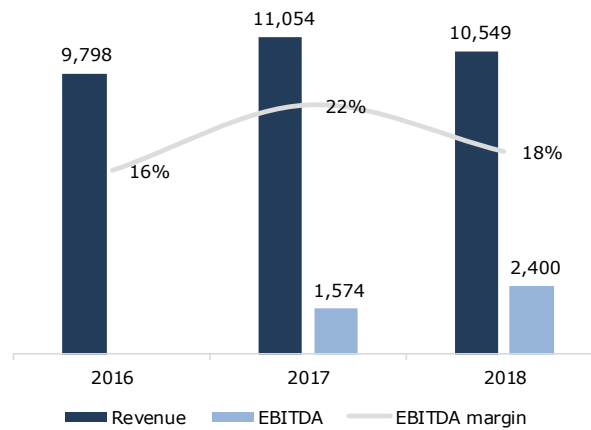
Source: Banca Profilo elaborations on Company data.

EBITDA margin down 4% in 2018 due to higher costs of operational employees and a slowdown of Swiss market

In 2018, Sciuker reported an EBITDA of €1.9mln, decreasing from €2.4mln in 2017 with EBITDA margin falling to 17.7% from 21.7%, partially due to the higher cost of operational employees (from 75 €/MQ in 2017 to 85 €/MQ in 2018) and a slowdown of the Swiss market.

Since the employees agreement is renewed yearly, the combination of a market slowdown has negatively impacted the margins

Figure 22: Sciuker revenue and margins 2016-2018
(€mln and %)



Source: Banca Profilo elaborations and estimates on Company data

Net income: €0.1mln in 2018

In 2018, the Group accounted €1mln as D&A (9% of revenue) and €0.3mln of net financial expenses, based on a 4% average interest cost. Tax rate was 73% in 2018 leading to a Net income of €0.1mln.

Table 1: Sciuker Profit & Loss 2017-2018

Profit & Loss (€/000)		2017	2018
Revenues		9,805	9,238
	<i>yoy</i>	16.0%	-5.8%
<i>Isik</i>		3,383	3,703
	<i>% on VoP</i>	31%	35%
<i>Stratek</i>		3,120	1,807
	<i>% on VoP</i>	28%	17%
<i>Skill</i>		2,137	3,343
	<i>% on VoP</i>	19%	32%
<i>Shutters</i>		267	181
	<i>% on VoP</i>	2%	2%
<i>Offline</i>		-	-
	<i>% on VoP</i>	0%	0%
<i>Exo</i>		-	-
	<i>% on VoP</i>	0%	0%
<i>Kit</i>		-	-
	<i>% on VoP</i>	0%	0%
<i>GDS</i>		-	-
	<i>% on VoP</i>	0%	0%
<i>Foreign</i>		901	202
	<i>% on VoP</i>	8%	2%
Others		1,249	1,311
Value of production		11,054	10,549
	<i>yoy</i>	12.8%	-4.6%
Raw materials		(2,908)	(2,135)
Labour costs		(474)	(532)
Service costs		(4,719)	(5,536)
Leases and rentals		(214)	(202)
Other operating costs		(338)	(279)
EBITDA		2,400	1,866
	<i>margin</i>	21.7%	17.7%
D&A		(1,025)	(967)
Provision for risks		(98)	(109)
EBIT		1,277	791
	<i>margin</i>	11.6%	7.5%
Net financial expenses		(209)	(295)
EBT		1,068	496
Taxes		(395)	(363)
	<i>tax rate</i>	37.0%	73.1%
Net profit		673	133
	<i>margin</i>	6.1%	1.3%

Source: Banca Profilo elaborations and estimates on Company data

Balance Sheet: capital intensive structure; NWC to be optimized

On the Balance Sheet side, at the end of 2018, the Group had €10.2mIn of Fixed assets, €5.3mIn of operating Net Working Capital financed by €10.2mIn of Total equity and €1.4mIn of Adj. Net debt.

The NWC on sales ratio stood at 38% at the end of 2018, coming from the typical high weight of receivables in this industry, especially in case of big management commercial contracts. Trade receivables accounted for €3.8mIn at the end of 2018.

Since the production process is composed by two phases (batch and order) it needs to keep a high level of stocks. For NWC optimization, a new machine has been purchased in 2019 to switch the production process from stock pile to order.

Table 2: Sciuker Balance Sheet 2017-2018

Balance Sheet (€/000)	2017	2018
Stock	2,281	4,589
Accounts receivables	3,296	3,829
Accounts payables	(3,837)	(3,127)
Operating Net Working Capital	1,740	5,291
Other current assets & liabilities	(1,417)	(1,331)
Net Working Capital	324	3,960
Intangibles	1,739	1,568
Materials	8,960	8,631
Financials	22	17
Fixed assets	10,721	10,215
Funds	(366)	(387)
Other non current assets & liabilities	(13)	(790)
Net Invested Capital	10,665	12,998
Equity	4,231	7,671
Share capital	735	1,092
Reserves	1,382	4,461
Accumulated profit/loss	1,441	1,984
Net profit	673	133
Minorities	-	-
Net debt (cash)	6,434	5,328

Source: Banca Profilo elaborations on Company data

Operating cash flow in 2018 at €1.4mIn absorbed by Capex (€0.4mIn) and NWC (€3.6mIn)

In 2018, Sciuker generated €1.4mIn of operating cash flow, which was invested in €0.4mIn capex and €3.6mIn operating NWC. The strong increase in NWC was mainly due to: i) the increase in raw materials to benefit of lower acquisition costs and to provide the needed materials to start the order based production in 2019; ii) the fulfilment of big management commercial contracts; iii) an increase in account receivables for longer DSO of management contracts. The dynamics led to a Free Cash Flow of €-2.6mIn.

Table 3: Sciuker Free Cash Flow 2017-2018

Cash flow (€ 000)	2017	2018
EBIT	1,277	791
taxes	(395)	(363)
NOPAT	882	428
D&A	1,025	967
Operating cash flow	1,907	1,395
Operating Net Working Capital change	(1,946)	(3,551)
Other funds	(32)	21
Capex	(1,691)	(429)
FCF	(1,763)	(2,564)

Source: Banca Profilo elaborations and estimates on Company data

Strategy and estimates

Corporate strategies

- Management projects:* Main corporate strategy consist of the following guidelines:
- increase the acquisition of management projects to guarantee higher margins, and long term visibility of planned production;
 - Italian market development through: i) further reinforcement of the network; ii) two additional Sciuker sales points; iii) the agreement with a leading operator of the large-scale retail trade;
 - growth in foreign markets through partnership with local operators in China, Kazakhstan and Spain and spot supply agreements with local operators in Switzerland and South America;
 - investment in either machinery that guarantees the expansion of production capacity within the Fratte plant or in a new delocalised plant in Macedonia and Tunisia;
 - opening of stores in Milan in order to reach premium customers, mainly linked to architects, with a focus on Exo and Offline products;
 - external growth through M&A to enter new geographies, both in Europe and China.

Decreto crescita: high potential from tax credit on renovation and energy upgrading

The Italian Government extended to 31st December 2019 the tax credit on property renovation and energy upgrading up to 70% of the amount of the restorations. The installation of windows and frames allows for a 50% deduction on IRES or IRPEF. Sciuker applies the discount directly to the end customers, thanks to an agreement signed with an ESCO for the transfer of the tax credits rose up to 31st December 2019. Sciuker Frames forecasts a strong increase in orders in the 4Q19. We partially included this benefits in our estimates, but we remain cautious in order to see the effects within the end of 2019 and the beginning of 2020.

Our estimates 2019E-2023E

Our estimates are stand alone, based on Sciuker current perimeter. Since the Company hasn't announced any explicit use of IPO proceeds we have kept them as available cash for growth.

The Group to outpace its reference market: 22% revenue CAGR 2018-2023E

We expect Sciuker to keep outpacing its reference market growth, given: i) its strategic and unique positioning; ii) a commercial push driven by the Government's "Decreto Crescita"; and iii) strategic partnership in major international markets. We project a 22% revenue CAGR (2018-2023E) for the Group to reach €27m in 2023E.

Product offering expansion

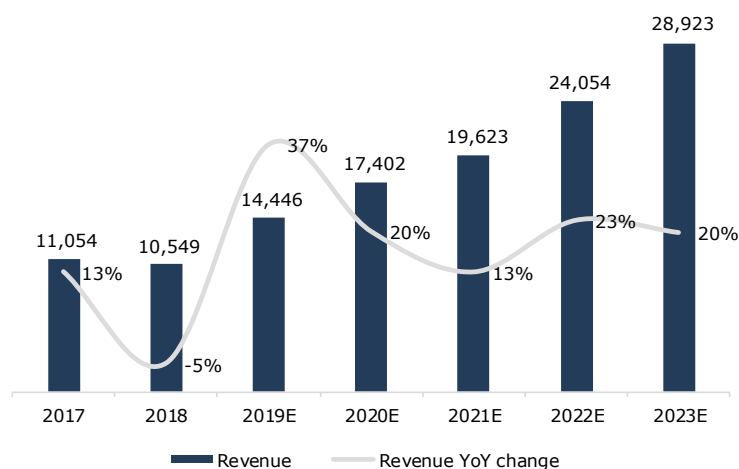
Starting from 2019E we expect 4 new product lines: Offline collection (luxury); Exo collection (luxury); Kit (turnkey solution mainly for foreign market); GDS (basic solution for the mass market retailers).

Revenue assumptions as a projection of squared meters

More in details, revenues are estimated as a projection of the square meters (sqm) produced for the average price per sqm. These two are different per each collection: price reaches its maximum in the Exo and Offline luxury collections at €620 and €743 respectively in 2019E. Foreign market is expected to more than double its weight on sales within 2020E.

For what concerns the other revenues we estimated that this value will be decreasing in the forecasted period in line with a focus on the core segments.

Figure 23: Sciuker Frames revenue trend (€mln) 2017-2023E



Source: Banca Profilo elaborations and estimates on Company data

Costs assumptions:

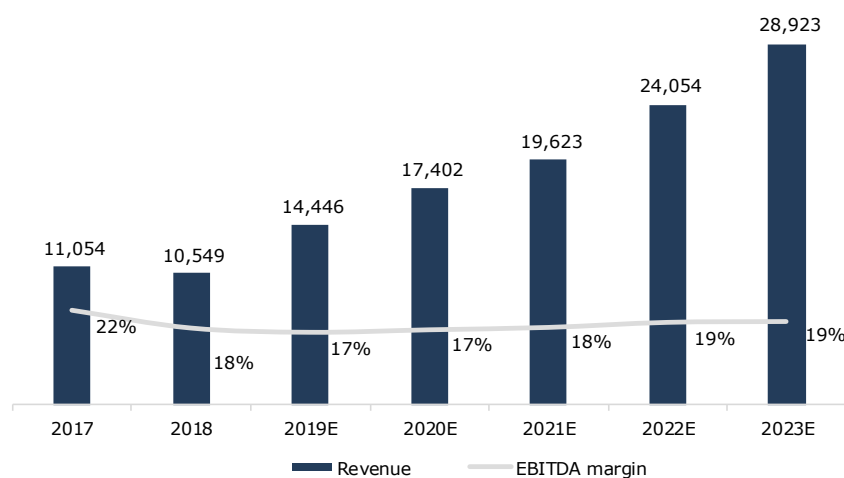
raw materials as a percentage of sales

operational employees as a function of the sqm produced

We project costs as follows:

- raw materials. Since the Company is moving from a batch production to a order production, raw materials weight on sales will increase for stock planning. In the 2019E-2023E period we project raw materials weight on sales at about 30% (vs 23% in 2018);
- personnel costs. Sciuker personnel is divided into two categories: management and administrative personnel which we kept flat for the estimated period, assuming only the hiring of a new CFO in 2020E. Operational employee costs has been estimated as a direct function of the produced square meters, assuming an unit cost of €85 per sqm.

Figure 24: Revenue (€mln) and EBITDA margin trend 2017-2023E



Source: Banca Profilo elaborations and estimates on Company data

2023E EBITDA:
improving to €5.5mln
(vs €1.9mln in 2018)
with margin at 19% (vs
17.7% in 2018)

In 2019E-2023E, we expect the Group to improve the EBITDA to €5.5mln (from €1.9mln in 2018) and EBITDA margin to 19% (from 17.7% in 2018) mainly driven by the rollout of new collections and foreign partnership.

Net income above
€1.9mln in 2023E (vs
€0.1mln in 2018).

With regards to net financial expenses, we project a flat interest rate of 4%, leading to some €200k per year. Furthermore, in 2019E, in order to move from a batch production to an order production, Sciuker planned a new series of machinery investments (Industry 4.0) to be financed by MISE (Ministry of Economic Development). The total relief amounts to €2.2mln: €1.1mln are non-repayable funds and €1.2mln is a zero-interest loan to be repaid in 7 years. Both are included in our estimates.

We end up with Net income improving from €0.4mln in 2018 to €1.9mln in 2023E.

Table 4: Sciuker Frames Profit & Loss 2017-2023E

Profit & Loss (€/000)		2017	2018	2019E	2020E	2021E	2022E	2023E
Revenues		9,805	9,238	12,566	15,543	17,846	22,489	27,296
	yoy	16.0%	-5.8%	36.0%	23.7%	14.8%	26.0%	21.4%
Isik		3,383	3,703	2,761	2,761	2,609	2,552	2,495
	% on VoP	31%	35%	19%	16%	13%	11%	9%
Stratek		3,120	1,807	2,141	2,141	2,141	2,012	2,141
	% on VoP	28%	17%	15%	12%	11%	8%	7%
Skill		2,137	3,343	5,988	7,132	7,303	8,468	8,610
	% on VoP	19%	32%	41%	41%	37%	35%	30%
Shutters		267	181	123	129	150	135	139
	% on VoP	2%	2%	1%	1%	1%	1%	0%
Offline		-	-	356	487	630	1,052	1,248
	% on VoP	0%	0%	2%	3%	3%	4%	4%
Exo		-	-	496	992	1,512	2,567	3,056
	% on VoP	0%	0%	3%	6%	8%	11%	11%
Kit		-	-	50	200	500	700	1,401
	% on VoP	0%	0%	0%	1%	3%	3%	5%
GDS		-	-	300	700	1,300	2,000	3,400
	% on VoP	0%	0%	2%	4%	7%	8%	12%
Foreign		901	202	350	1,000	1,701	3,002	4,805
	% on VoP	8%	2%	2%	6%	9%	12%	17%
Others		1,249	1,311	1,880	1,859	1,777	1,565	1,627
Value of production		11,054	10,549	14,446	17,402	19,623	24,054	28,923
	yoy	12.8%	-4.6%	36.9%	20.5%	12.8%	22.6%	20.2%
Raw materials		(2,908)	(2,135)	(4,305)	(5,186)	(5,848)	(7,168)	(8,619)
Labour costs		(474)	(532)	(532)	(576)	(576)	(576)	(576)
Service costs		(4,719)	(5,536)	(6,638)	(8,039)	(9,080)	(11,069)	(13,447)
Leases and rentals		(214)	(202)	(246)	(283)	(312)	(370)	(430)
Other operating costs		(338)	(279)	(308)	(308)	(308)	(308)	(308)
EBITDA		2,400	1,866	2,417	3,009	3,498	4,563	5,542
	margin	21.7%	17.7%	16.7%	17.3%	17.8%	19.0%	19.2%
D&A		(1,025)	(967)	(1,225)	(1,770)	(1,801)	(1,505)	(879)
Provision for risks		(98)	(109)	(137)	(169)	(194)	(244)	(297)
EBIT		1,277	791	1,055	1,071	1,504	2,814	4,366
	margin	11.6%	7.5%	7.3%	6.2%	7.7%	11.7%	15.1%
Net financial expenses		(209)	(295)	(263)	(247)	(231)	(215)	(200)
EBT		1,068	496	792	824	1,273	2,598	4,167
Taxes		(395)	(363)	(424)	(441)	(681)	(1,391)	(2,230)
	tax rate	37.0%	73.1%	53.5%	53.5%	53.5%	53.5%	53.5%
Net profit		673	133	368	383	591	1,208	1,936
	margin	6.1%	1.3%	2.5%	2.2%	3.0%	5.0%	6.7%

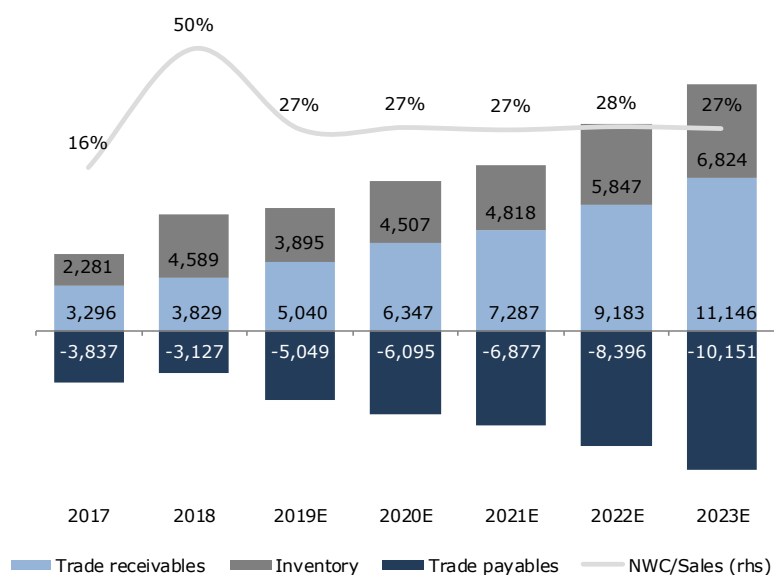
Source: Banca Profilo elaborations and estimates on Company data

Balance Sheet projections: increasing NWC (€2.5mIn) and Capex (€4mIn) for new machines

With regards to our Balance Sheet projections (2019E-2023E), we have included:

- €4mIn Capex, mostly tangible for the purchase of new machines needed for switching from a batch production to an order-based;
- €2.5mIn of operating Net Working Capital increase to €7.8mIn or 27% of sales, due to the typical stock piling and low receivables turnover in this Industry.

Figure 25: Net working capital composition and dynamics



Source: Banca Profilo elaborations and estimates on Company data

NWC optimisation on focus: from 50% in 2018 on average to 27% stock piling

In order to start the switching from a batch to an order based production, in 2018 NWC/Sales ratio strongly increased, this due to: i) a wider product portfolio; ii) an increase of the warehouse stocks; iii) a decrease in payables turnover in order to benefit from cheaper raw materials. Given the management focus on the optimization of the NWC, for the following years we project a lower NWC ratio, but still higher than its past years average due to the new production model.

Table 5: Sciuker Frames Balance Sheet 2017-2023E

Balance Sheet (€/000)	2017	2018	2019E	2020E	2021E	2022E	2023E
Stock	2,281	4,589	3,895	4,507	4,818	5,847	6,824
Accounts receivables	3,296	3,829	5,040	6,347	7,287	9,183	11,146
Accounts payables	(3,837)	(3,127)	(5,049)	(6,095)	(6,877)	(8,396)	(10,151)
Operating Net Working Capital	1,740	5,291	3,887	4,759	5,228	6,634	7,818
Other current assets & liabilities	(1,417)	(1,331)	(1,374)	(1,374)	(1,374)	(1,374)	(1,374)
Net Working Capital	324	3,960	2,513	3,385	3,854	5,260	6,444
Intangibles	1,739	1,568	1,331	1,384	1,406	1,276	1,142
Materials	8,960	8,631	8,512	8,919	7,497	6,373	5,877
Financials	22	17	20	20	20	20	20
Fixed assets	10,721	10,215	9,863	10,323	8,922	7,668	7,039
Funds	(366)	(387)	(424)	(510)	(575)	(715)	(843)
Other non current assets & liabilities	(13)	(790)	(401)	(401)	(401)	(401)	(401)
Net Invested Capital	10,665	12,998	11,550	12,796	11,801	11,812	12,239
Equity	4,231	7,671	8,039	8,422	9,013	10,221	12,157
Share capital	735	1,092	1,092	1,092	1,092	1,092	1,092
Reserves	1,382	4,461	6,578	6,947	7,329	7,921	9,128
Accumulated profit/loss	1,441	1,984	-	-	-	-	-
Net profit	673	133	368	383	591	1,208	1,936
Minorities	-	-	-	-	-	-	-
Net debt (cash)	6,434	5,328	3,511	4,374	2,787	1,591	81

Source: Banca Profilo elaborations and estimates on Company data

Net debt gradually decline from now on

We expect Net debt to gradually decline from €5.3mln at the end of 2018, based on current trends and management strategic optimization plans and investments.

€12.8mln of Operating Cash Flows partially dried out by Capex and Working Capital needs

According to our Profit & Loss and Balance Sheet estimates, in 2019E-2023E period we project €12.8mln of Operating Cash Flows, partially used to finance €4mln of Capex and almost €2.5mln of operating Net Working Capital increase.

Table 6: Sciuker Free Cash Flow evolution 2017-2023E

Cash flow (€ 000)	2017	2018	2019E	2020E	2021E	2022E	2023E
EBIT	1,277	791	1,055	1,071	1,504	2,814	4,366
taxes	(395)	(363)	(424)	(441)	(681)	(1,391)	(2,230)
NOPAT	882	428	631	630	823	1,423	2,136
D&A	1,025	967	1,225	1,770	1,801	1,505	879
Operating cash flow	1,907	1,395	1,856	2,399	2,623	2,928	3,015
Operating Net Working Capital change	(1,946)	(3,551)	1,404	(872)	(470)	(1,406)	(1,184)
Other funds	(32)	21	37	87	64	140	129
Capex	(1,691)	(429)	(870)	(2,230)	(400)	(250)	(250)
FCF	(1,763)	(2,564)	2,427	(616)	1,818	1,412	1,709

Source: Banca Profilo elaborations and estimates on Company data

1H19 on track to our 2019E estimates: EBITDA margin improving 340bps to 16.4%

On track to 2019E figures:

- 1H19 figures confirm the Group's historical positive path. Sales stood at €6.3mln (+13.6% yoy). Over 55% of 1H19 revenues are linked to the Skill collection, around 25% Isik collection, 18% Stratek and 2% relative to shutters. EBITDA increased from €0.7mln in 1H18 to €1mln in 1H19, with margin improving 340bps to 16.4%;
- 2019 revenue growth is driven by significant orders by management customers (such as Abitare In), with whom Sciuker has signed various agreements for the supply of Skill products. Major 2019 announcements are:
 1. the signing of various supply agreements, including a mass market retailer and various foreign partnerships, which will bring results in 2020;
 2. attendance to the MADE EXPO 2019 sector fair in March 2019
 3. launch of the new EXO collection at MADE EXPO and signing of the first sales contracts in May 2019
 4. trademark registration in China and attendance to two of the most important international events in Asia: International Building Exhibition (Guangzhou); Fenestration Bau at the Shanghai New International Exhibition.
- at the end of June, Net debt rose to €6.6mln from €5.3mln at the end of 2018, partially due to the notice of the financial debt resulting from the properties leased, in accordance to IFRS 16. Despite this, we believe we are on track to our 2019E estimates since we expect the reduction of stock in 2019 compared to the stock piling in 2018.

Table 7: Sciuker Frames 1H19 figures

Profit & Loss (€/000)	1H18	1H19
Revenues	4,182	6,332
Others	1,370	(24)
Value of production	5,552	6,308
	<i>yoy</i>	<i>13.6%</i>
Raw materials	(1,910)	(2,067)
Labour costs	(240)	(281)
Service costs	(2,473)	(2,757)
Leases and rentals	(90)	(77)
Other operating costs	(121)	(92)
EBITDA	718	1,033
	<i>margin</i>	<i>16.4%</i>
D&A	(402)	(433)
Provision for risks	(31)	(108)
EBIT	285	492
	<i>margin</i>	<i>7.8%</i>
Net financial expenses	(100)	(157)
EBT	185	336
Taxes	(81)	(185)
	<i>tax rate</i>	<i>55.0%</i>
Net profit	104	151
	<i>margin</i>	<i>2.4%</i>

Balance Sheet (€/000)	FY18	1H19
Operating NWC	5,291	5,069
Fixed assets	10,721	10,987
Net Invested Capital	12,998	14,477
Equity	7,671	7,854
Net debt	5,328	6,622

Source: Banca Profilo elaborations and estimates on Company data

Estimates execution risks

Key risks:

- potential revenue growth coming from the “Decreto Crescita” has not been fully included into our estimates in order to evaluate the effects within the end of 2019 and the beginning of 2020;
- high growth rates can lead to cost management issues and challenge the Net Working Capital control;
- rising competition.

Valuation

DCF approach to appraise a fast growing business model

Given a growing EBITDA and a NWC optimization (mainly stock) which have started in the 1H19 we expect a turnaround in the FCF to begin in 2019E for the coming years. Therefore we used a DCF model as a valuation method.

Multiple valuation on fixture manufacturing players

Furthermore, despite there is no listed entity which is perfectly comparable to Sciuker, we have selected a sample of listed players active in the larger industry of Fixtures Manufacturing.

DCF Valuation

DCF assumptions: €1.4mln yearly FCF on average

To run a DCF model, we use our projections of unlevered FCFs for the 2019E-2023E explicit period: €6.8mln cumulated and €1.4mln as yearly average.

We are including maintenance Capex to deploy "organic growth" of the business and Capex for plant development to Industry 4.0.

In order to assess the Terminal Value, we factor in:

- an average yearly unlevered FCF of €1.4mln;
- 2% perpetual growth rate.

Table 8: Unlevered FCFs

Cash flow (€ 000)	2019E	2020E	2021E	2022E	2023E	TV
EBIT	1,055	1,071	1,504	2,814	4,366	
taxes	(424)	(441)	(681)	(1,391)	(2,230)	
NOPAT	631	630	823	1,423	2,136	
D&A	1,225	1,770	1,801	1,505	879	
Operating cash flow	1,856	2,399	2,623	2,928	3,015	
Operating Net Working Capital change	1,404	(872)	(470)	(1,406)	(1,184)	
Other funds	37	87	64	140	129	
Capex	(870)	(2,230)	(400)	(250)	(250)	
FCF	2,427	(616)	1,818	1,412	1,709	1,350

Source: Banca Profilo estimates and elaborations

DCF assumptions: WACC at 6.1%

We would apply a WACC of 6.1% derived from:

- risk free rate of 3.4%, including the 30Y Italian BTP yield (Bloomberg, as of 11th November 2019) and 1% estimated increase of interest rates;
- market risk premium of 5%;
- beta at 0.6, coming from the average of chosen listed peers to Sciuker;
- D/E target at 0.4.

Table 9: WACC calculation

WACC Calculation	
perpetual growth rate	2.0%
WACC	6.1%
risk free rate (30Y) (Bloomberg projections)	3.4%
equity risk premium	5%
beta	0.8
KE	7.4%
cost of debt	4.3%
tax rate	30%
KD	3.0%

Source: Banca Profilo estimates and elaborations

DCF valuation:
€2.22/share

The DCF method leads us to an Enterprise Value of €31mln and an Equity Value of €24.2mln or €2.22/share, including the Net debt at 1H19.

Table 10: DCF valuation

DCF Valuation	2019E	2020E	2021E	2022E	2023E	TV
Free Cash Flows (€ 000)	2,427	(616)	1,818	1,412	1,709	1,350
years	1	2	3	4	5	
discount factor	0.94	0.89	0.84	0.79	0.74	
NPV Cash flows (€ 000)	2,288	(547)	1,524	1,116	1,273	
Sum of NPVs (€ 000)	2,288	1,741	3,264	4,380	5,653	
Terminal Value (€ 000)						33,846
NPV Terminal Value (€ 000)						25,210
Enterprise Value (€ 000)						30,863
Net debt end of 1H19 (€ 000)						6,622
Equity Value (€ 000)						24,241
number of shares (mln)						10,924
Per share value (€)						2.22

Source: Banca Profilo estimates and elaborations

Relative Valuation on multiples

We provide a list of peers that best adapts to Sciuker Frames business model. We concentrate our selection on listed players active in a business similar to Sciuker's one, the larger industry of Fixtures Manufacturing. Within this sector we selected: Deceuninck NV (Belgium), Agta Record Ltd (Switzerland), Inwido AB (Sweden), Eurocell Plc (UK), SafeStyle Plc (UK), Apogee Enterprises (USA), Pgt innovations (USA).

Deceuninck (Belgium):
PVC window and door manufacturer

Deceuninck NV, founded in 1953 and headquartered in Hooglede-Gits (Belgium), engages in the design and manufacture of Polyvinyl Chloride (PVC) systems for windows and doors, roofline and cladding, interior, and outdoor living. It operates through the following geographic segments: Western Europe, Central and Eastern Europe, North America, and Turkey and Emerging Markets. In 2018, Deceuninck NV generated total revenues of around €674mln.

Agta Record (CH): door manufacturer

Agta Record Ltd, founded in 1953, with headquarter in Fehraltorf (Switzerland), is engaged in the design, manufacture, maintenance, and installation of automatic doors

and industrial doors. It operates through the Europe and Rest of World, and North America geographical segments. In 2018, Agta Record Ltd generated revenues of around €378mln.

*Inwido (Sweden):
wooden windows and
door manufacturer*

Inwido AB, founded in 2002 and headquartered in Malmo (Sweden) engages in the provision of windows and door solutions. Its activities include manufacturing and export of wood-based window and door. It operates through the following geographical segments: Sweden-Norway, Finland, Denmark, and Emerging Business Europe. In 2018, the Group recorded revenues of approximately SEK 6.7bn.

*Eurocell (UK): PVC
windows manufacturer*

Eurocell Plc, founded in 1974, with headquarters in Alfreton (UK), is a holding company, which engages in the extrusion of PVC window and building products to the new and replacement window market and the sale of building materials across the UK. It operates through the Profiles and Building Plastics segments. In 2018, Eurocell Plc generated total revenues of around GBP 254mln.

*SafeStyle (UK): PVC
window and door
manufacturer*

SafeStyle Plc, founded in 1992, headquartered in Bradford (UK), engages in sale, manufacture, and installation of polyvinyl chloride un-plasticized windows and doors for the homeowner replacement market. Its products include sash windows, bay windows and composite guard doors. The firm offers marketing, sales, survey, manufacturing and installation services. In 2018, SafeStyle Plc generated total revenues of approximately GBP 116mln.

*Apogee Enterprises
(USA): glass metal
window and door
manufacturer*

Apogee Enterprises, founded in 1949 and headquartered in Minneapolis (USA), engages in the design and development of glass and metal products and for enclosing commercial buildings, farming and displays. The company operates through four segments: Architectural Glass, Architectural Services, Architectural Framing Systems and Large-Scale Optical Technologies. The Architectural Glass segment fabricates glass used in customized window and curtain wall systems comprising the outside skin of commercial and institutional buildings. The Architectural Services segment provides building glass and curtain wall installation services. The Architectural Framing Systems segment designs, engineers, finishes and fabricates the aluminum frames used in customized window, curtain wall, storefront, and entrance systems. In 2018, Apogee Enterprises generated total revenues of approximately \$1.4bn.

*Pgt innovations (USA):
window and door
manufacturer*

Pgt innovations, founded in 1980 and headquartered in North Venice (USA), engages in the manufacture and sale of windows and doors. It offers its products under the brands PGT Custom Windows and Doors, CGI, and WinDoor. In 2018, Pgt innovations generated total revenues of approximately \$699mln.

Table 11: Market multiples

Company	Country	Currency	Market Cap	Net debt	Minorities	EV
<i>(mln)</i>						
Deceuninck NV	BELGIUM	Euro	260	111.3	2.6	373.7
Agta Record Ltd	FRANCE	Euro	903	-76.7	0.0	826.1
Inwido AB	SWEDEN	Swedish Krona	3,846	2,156.0	5.1	6,007.2
Eurocell Plc	UNITED KINGDOM	British Pounds	210	23.5	0.0	233.2
SafeStyle UK Plc	UNITED KINGDOM	British Pounds	42	-0.3	0.0	41.5
Apogee Enterprises	UNITED STATES	U.S. Dollar	1,022	228.6	0.0	1,250.2
Pgt innovations	UNITED STATES	U.S. Dollar	857	314.1	0.0	1,171.5
Sciuker Frames	ITALY	Euro	14	6.6	0.0	20.6

Source: Banca Profilo elaborations on elaborations on FactSet (as of 11th November 2019)

*EV/Sales
2019E-2020E*

Our sample of similar players active in the larger Fixtures Manufacturing industry, shows a mean EV/Sales 2019E-2020E of 1x and a mean EV/EBITDA 2019E-2020E of

1x
EV/EBITDA
2019E-2020E
9.5x-7.0x

9.5x-7.0x. The premium at which Sciuker trades is partially due to its different business model, which highlights a higher growth potential and substantially higher margins.

Table 12: Sample benchmarking

Company	Sales growth				EBITDA margin			
	2017	2018	2019E	2020E	2017	2018	2019E	2020E
Deceuninck NV	2.4%	0.0%	-6.6%	2.8%	9.7%	10.5%	10.0%	11.0%
Agta Record Ltd	4.3%	1.9%	7.0%	4.0%	14.9%	13.6%	17.0%	17.1%
Inwido AB	12.3%	4.6%	-0.1%	0.9%	11.9%	12.0%	13.0%	13.4%
Eurocell Plc	9.8%	12.8%	10.0%	5.7%	14.4%	11.9%	13.6%	13.8%
SafeStyle UK Plc	-2.8%	-26.6%	10.2%	12.5%	10.6%	-5.6%	1.7%	6.2%
Apogee Enterprises	18.0%	7.6%	2.9%	5.2%	13.2%	11.7%	11.5%	12.3%
Pgt innovations	11.5%	36.7%	5.3%	4.1%	16.5%	18.2%	17.3%	17.8%
Mean	7.9%	5.3%	4.1%	5.0%	13.0%	10.3%	12.0%	13.1%
Sciuker Frames	12.8%	-4.6%	36.9%	20.5%	21.7%	17.7%	16.7%	17.3%

Source: Banca Profilo estimates and elaborations on FactSet (as of 11th November 2019)

Table 13: Market multiples

Company	EV / Sales		EV / EBITDA	
	2019E	2020E	2019E	2020E
Deceuninck NV	0.6x	0.6x	5.8x	5.1x
Agta Record Ltd	2.1x	2.0x	12.1x	11.6x
Inwido AB	0.9x	0.9x	6.9x	6.7x
Eurocell Plc	0.8x	0.8x	6.1x	5.7x
SafeStyle UK Plc	0.3x	0.3x	18.9x	4.7x
Apogee Enterprises	0.9x	0.8x	7.6x	6.7x
Pgt innovations	1.6x	1.5x	9.2x	8.6x
Mean	1.0x	1.0x	9.5x	7.0x
Sciuker Frames	1.4x	1.2x	8.5x	6.8x

Source: Banca Profilo estimates and elaborations on FactSet (as of 11th November 2019)

Market multiples
valuation: €1.42/share

Our relative valuation based on the peers' average EV/EBITDA 2019E-2020E led to an Equity Value of €15.5mln or €1.42/share.

Table 14: Market multiples valuation

Relative Valuation on market multiples			
EV/EBITDA		EBITDA	
2019E	2020E	2019E	2020E
9.5x	7.0x	2,416.9	3,009.3
ENTERPRISE VALUE		NET DEBT 1H19	
23,045.3	21,146.7	6,622.3	
EQUITY VALUE			
15,473.7			
Price per share			1.42

Source: Banca Profilo estimates and elaborations on FactSet (as of 11th November 2019)

TP at €1.82/share and
BUY recommendation

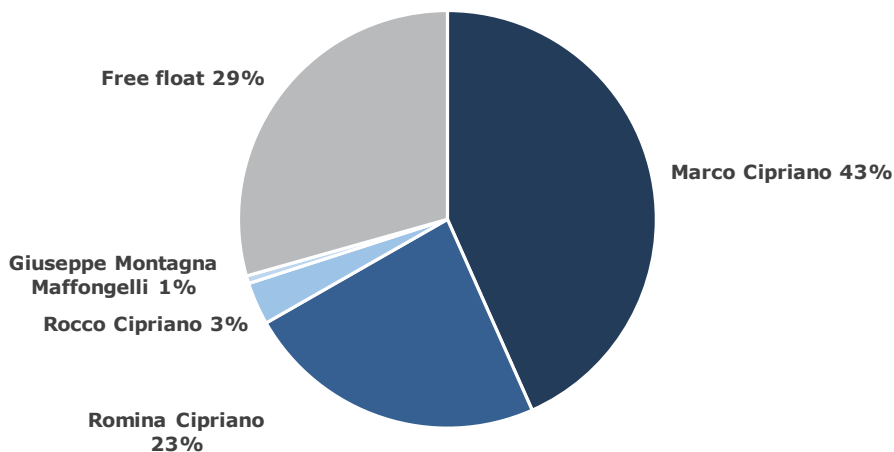
We set our TP at €1.82/share as the average of the DCF and market multiple valuations, implying a potential upside of >40% on Sciuker's closing price (as of 11th November 2019). Our recommendation is BUY.

Shareholders and offering structure

*Shareholders:
Cipriano Family at
66%; 29% freefloat*

The Group is controlled by Marco Cipriano, founder and CEO, and by Romina Cipriano, with a cumulated 66% stake through the holding H.Arm. Free Float is 29%.

Figure 26: Sciuker Frames shareholding structure

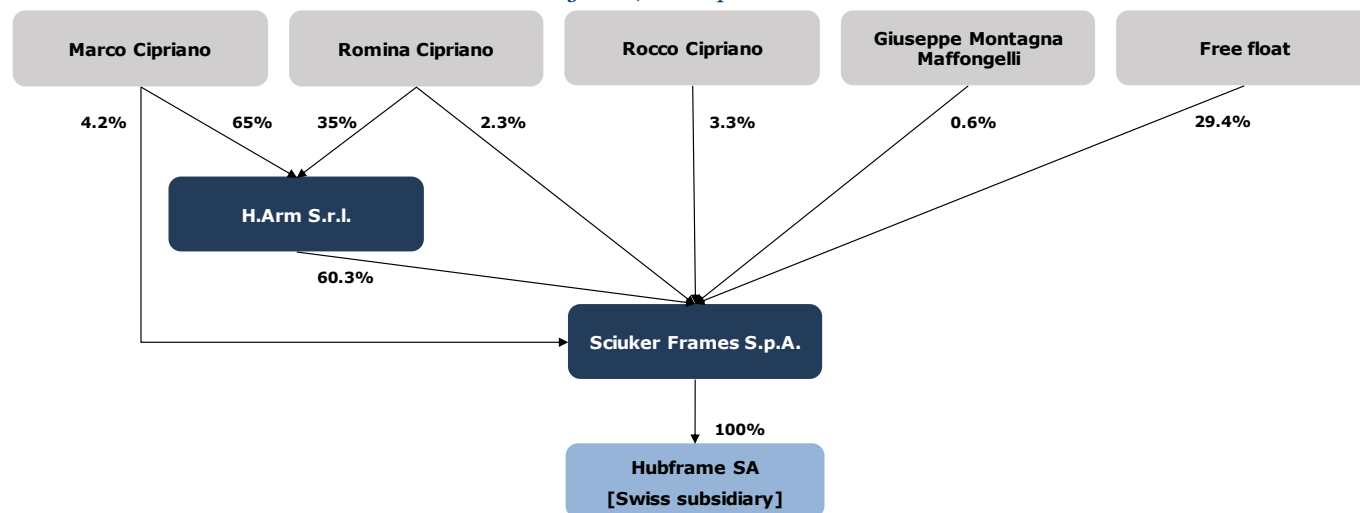


Source: Banca Profilo elaborations on Company data

*Listed on the AIM at
€1.4/share*

The Company was listed on the AIM segment of the Milan Stock Exchange on the 3rd of August 2018 through a primary offering of 3,572,000 shares at €1.4/share. Total shares are 10,924,100 and the market capitalization is €14mIn (as of 11th November 2019).

Figure 27: Group structure



Source: Banca Profilo elaborations on Company data

*18 months lock up
period*

Marco, Romina and Rocco Cipriano agreed to a lock-up period of 18 months from the day of the listing on AIM.

*Warrant strike prices
and exercise periods*

At IPO the Group issued 1 warrant per each ordinary share. The exercise periods are in August 2020 at the strike price of €1.69/share and in August 2021 at the strike price of €1.86/share.

In order to provide the potential dilution coming from the warrant exercise, we assumed the conversion of 100% of warrant held by the market. This would lead to a decrease in H.Arm controlling stake to 46.6% and into a dilution effect of 29.4%.

Table 15: Warrant dilution scenario analysis

Sciuker Frames S.p.A. shareholding structure	N° of ordinary shares	N° of warrant	N° of warrant subscribed	N° of ordinary shares post 2020 warrant subscription	Current shareholding structure	Shareholding structure post 2020 warrant subscription
H.Arm S.r.l.	6,584,110	6,584,110	-	6,584,110	60.3%	46.6%
Marco Cipriano	456,580	456,580	-	456,580	4.2%	3.2%
Rocco Cipriano	357,000	357,000	-	357,000	3.3%	2.5%
Romina Cipriano	245,850	245,850	-	245,850	2.3%	1.7%
Giuseppe Montagna Maffongelli	65,560	65,560	-	65,560	0.6%	0.5%
Free float	3,215,000	3,215,000	3,215,000	6,430,000	29.4%	45.5%
Total	10,924,100	10,924,100	3,215,000	14,139,100	100.0%	100.0%

Source: Banca Profilo elaborations on Company data

Fully diluted TP at €1.79/share

In case of a total exercise of the warrants held by the market our fully diluted TP would be equal to €1.79/share, obtained by: a DCF valuation leading to €2.1/share (from €2.22/share); a relative valuation leading to €1.48/share (from €1.42/share).


**Sciuker Frames
"ID Card"**

Recommendation

BUY

Target Price

1.82 €

Upside

42.0%
Company Overview

Sciuker Frames S.p.A. was founded in 1996 under the name "System S.r.l.". Sciuker is a National integrated group active in the design, development, production and marketing of windows in wood-aluminium and structural wood-glass in addition to the production of wooden shutters. The Company sells mainly in Italy and Switzerland and operates within a market strongly related to the construction market, both new buildings and renovations. In 2017, the Italian window market had a value of about €1.2bn, for approximately 3.9mln units. The market has experienced a decline of several years which brought production in 2016 to a total value of about €1,182mln, down about €271mln compared to 2013 one. Windows demand has been growing since 2015, when it was at value of about 3.7mln units, and according to IC estimates the demand in 2021 is expected to reach almost 4.6mln units. Also, according to IC estimates, in 2021 the Italian window market should return to 2013 levels (around €1.4bn). Sciuker is a leader in its niche, with enormous growth potentials. In 2018 the Company generated €10.5mln, which compares to €1.3bn worth of the Italian market in 2019E. Sciuker differentiates from all other players for adopting industrial production techniques in a sector traditionally characterized by craftsmanship. Furthermore, Management is focusing investments on stocks and machinery in order to move the production processes from batch to order based. 1H19 figures confirm the Group's historical positive path. Sales stood at €6.2mln (+12% yoy). Over 55% of 1H19 revenues are linked to the Skill collection, around 25% Isik collection, 18% Stratek and 2% relative to shutters. EBITDA shows a growth from €0.7mln in 1H18 to €1.1mln in 1H19, with margin improving 400bps to 16.9%. At the end of June, Net debt (cash) rose to €6.6mln from €5.3mln at the end of 2018. Despite this, we believe to be on track to our 2019E estimates since we expect a cash benefit coming from the higher level of stock accumulated in 2018 and expected to partially reduce in 2019E. In our estimates, we project a 22% revenue CAGR (2018-2023E) for the Group to reach €27mln. In 2023E we estimate EBITDA of €5.5mln (19% margin), €1.9mln Net income and a substantial net debt (cash) neutrality. The business plan execution risk is partially limited by a shareholders lock up period of 18 months after the listing.

SWOT Analysis
Strengths

- Leader manufacturer of high quality windows and shutters
- Strong company commitment in eco-sustainable practices
- Strongly investing on corporate culture, brand and innovative marketing
- A structured, trained sales force driven by commercial performance
- Industrialized production techniques in a sector traditionally characterized by craftsmanship
- Distinctive product portfolio
- A wide portfolio of patented products
- High availability of skilled labor on site
- High margins and cash generator driven by a rigorous cost and working capital management
- Strong cross selling skills

Opportunities

- Very fragmented Italian reference market
- Strong roll out of management contracts
- "Decreto Crescita"
- Ad-hoc international partnerships and/or bolt on acquisitions
- Large potential Italian addressable market

Weaknesses

- High NWC/Sales ratio
- NWC optimization needed
- Competition by PVC windows have lower production costs
- Finance department to be strengthened
- Strong leverage

Threats

- High level of competition within the existing players
- High growth rates could lead to cost management issues
- Very small company size
- Competition from large producers (eg. Oknoplast) capable of a strong price competition

Main catalysts

- 👍 M&A deals to enter new geographies and new market niches
- Quicker or higher margins improvement driven by NWC optimization
- Further network expansion in the Italian market
- Stronger than expected revenue boost coming from "Decreto Crescita"

Main risks

- 👎 Rising price competition from international Fixtures Manufacturing players
- Less than expected growth of foreign markets
- Loss of control over big orders receivables

Sciuker Frames "ID Card"

Recommendation

BUY

Target Price

1.82 €

Upside

42.0%

nov, 12 2019 - 17:19

Main Financials

(€ mln)	2017	2018	2019E	2020E	2021E
Revenues	11,054	10,549	14,446	17,402	19,623
yoy change		-4.6%	36.9%	20.5%	12.8%
EBITDA	2,400	1,866	2,417	3,009	3,498
yoy change		-22.2%	29.5%	24.5%	16.3%
margin (%)	21.7%	17.7%	16.7%	17.3%	17.8%
EBIT	1,277	791	1,055	1,071	1,504
margin (%)	11.6%	7.5%	7.3%	6.2%	7.7%
EBT	1,068	496	792	824	1,273
margin (%)	9.7%	4.7%	5.5%	4.7%	6.5%
Net income	673	133	368	383	591
margin (%)	6.1%	1.3%	2.5%	2.2%	3.0%
Net Debt (cash)	6,434	5,328	3,511	4,374	2,787
Shareholders Equity	4,231	7,671	8,039	8,422	9,013
Operating Net Working Capital	1,740	5,291	3,887	4,759	5,228
Fixed assets	10,721	10,215	9,863	10,323	8,922
Net invested capital	10,665	12,998	11,550	12,796	11,801
Operating Free Cash Flow	1,907	1,395	1,856	2,399	2,623
Capex and acquisitions	(1,691)	(429)	(870)	(2,230)	(400)
Free Cash Flow	(1,763)	(2,564)	2,427	(616)	1,818

Costs and business scalability analysis

	2017	2018	2019E	2020E	2021E
Operative costs					
Total operative costs	(7,830)	(7,520)	(10,866)	(13,230)	(14,962)
of which variable	86.9%	86.5%	90.0%	91.2%	92.0%
of which fixed	13.1%	13.5%	10.0%	8.8%	8.0%
% on sales	70.8%	71.3%	75.2%	76.0%	76.2%
Most relevant costs					
Raw materials	(2,908)	(2,135)	(4,305)	(5,186)	(5,848)
% on sales	26.3%	20.2%	29.8%	29.8%	29.8%
Operational employees	(1,982)	(2,655)	(3,044)	(3,870)	(4,466)
% on sales	17.9%	25.2%	21.1%	22.2%	22.8%

Solvability ratios

	2017	2018	2019E	2020E	2021E
Net debt (cash) / EBITDA	2.7x	2.9x	1.5x	1.5x	0.8x
Net debt (cash) / Equity	1.5x	0.7x	0.4x	0.5x	0.3x
Net debt (cash) / Net Invested Capital	60.3%	41.0%	30.4%	34.2%	23.6%

Financial and Operative ratios

	2017	2018	2019E	2020E	2021E
Days of receivables	101	124	120	120	120
Days of payables	151	113	135	135	135
Inventories on sales	23.3%	49.7%	31.0%	29.0%	27.0%
Tax rate	37.0%	73.1%	53.5%	53.5%	53.5%
ROIC	6.3%	1.0%	3.2%	3.0%	5.0%
ROE	15.9%	1.7%	4.6%	4.5%	6.6%
Capex/Sales	15.3%	4.1%	6.0%	12.8%	2.0%
D&A to capex	60.6%	225.4%	140.8%	79.4%	450.2%
NWC to sales	15.7%	50.2%	26.9%	27.3%	26.6%

Source: Bloomberg, Banca Profilo estimates and elaborations

Company Description

Company Sector	Fixture manufacturer
Price (€)	1.28
Number of shares (mln)	10,924
Market Cap (€mln)	14.0
Reference Index	FTSE AIM Italia
Main Shareholders	Marco Cipriano, Romina Cipriano
Main Shareholder stake	43%, 23%
Free Float	29%
Daily Average Volumes ('000)	187.6
Sample of comparables	Deceuninck NV, Agta Record Ltd, Inwido AB, Eurocell Plc, SafeStyle UK Plc, Apogee Enterprises, Pgt innovations

Fixtures manufacturing: data of peers

	2018	2019E	2020E
Revenue Growth (yoy)	5.3%	4.1%	5.0%
EBITDA margin	10.3%	12.0%	13.1%
Net Debt / Equity		0.2x	

Average data

Fixtures manufacturing: multiples of peers

	2019E	2020E
EV / Sales	1.0x	1.0x
EV / EBITDA	9.5x	7.0x

Average data

DISCLAIMER

ANALYST'S AND BANK'S INFORMATION

THIS DOCUMENT CONCERNING NEODECORTECH S.P.A. (THE "ISSUER" OR THE "COMPANY") HAS BEEN DRAFTED BY FRANCESCA SABATINI WHO IS EMPLOYED BY BANCA PROFILO S.P.A. ("THE BANK") AS FINANCIAL ANALYST; FRANCESCA SABATINI IS RESPONSIBLE FOR THE DRAFTING OF THE DOCUMENT.

BANCA PROFILO S.P.A. IS A BANK AUTHORISED TO PERFORM BANKING AND INVESTMENT SERVICES; IT IS PART OF BANCA PROFILO BANKING GROUP (THE "GROUP") AND IT IS SUBJECT TO THE MANAGEMENT AND CO-ORDINATION OF AREPO BP S.P.A. (THE "PARENT COMPANY"). SATOR PRIVATE EQUITY FUND "A" LP (THE "PARENT ENTITY") HOLDS INDIRECT CONTROL PARTICIPATION INTERESTS IN BANCA PROFILO.

THE BANK IS REGISTERED WITH THE ITALIAN BANKING ASSOCIATION CODE NO. 3025 AND IS SUBJECT TO THE REGULATION AND SURVEILLANCE OF THE BANK OF ITALY AND OF CONSOB (COMMISSIONE NAZIONALE PER LE SOCIETÀ E LE BORSE). THE BANK HAS PREPARED THIS DOCUMENT FOR ITS PROFESSIONAL CLIENTS ONLY, PURSUANT TO DIRECTIVE 2004/39/EC AND ANNEX 3 OF THE CONSOB REGULATION ON INTERMEDIARIES (RESOLUTION N. 16190). THIS DOCUMENT IS BEING DISTRIBUTED AS OF [NOVEMBER, 23RD, 17:48].

THE ANALYST FRANCESCA SABATINI WHO HAS DRAFTED THIS DOCUMENT HAS SIGNIFICANT EXPERIENCE IN BANCA PROFILO S.P.A. AND OTHER INVESTMENT COMPANIES. THE ANALYST AND ITS RELATIVES DO NOT OWN FINANCIAL INSTRUMENTS ISSUED BY THE ISSUER AND SHE DOES NOT ACT AS SENIOR MANAGER, DIRECTOR OR ADVISOR FOR THE ISSUER. THE ANALYST DOES NOT RECEIVE BONUSES, INCOME OR ANY OTHER REMUNERATION CORRELATING, DIRECTLY OR INDIRECTLY, TO THE SUCCESS OF THE INVESTMENT BANKING OPERATIONS OF BANCA PROFILO S.P.A.

A REDACTED VERSION OF THIS REPORT HAS BEEN DISCLOSED TO THE ISSUER TO PERMIT TO IT TO REVIEW AND COMMENT ON FACTUAL INFORMATION RELATING TO THE ISSUER AND THIS REPORT HAS BEEN AMENDED FOLLOWING SUCH DISCLOSURE PRIOR TO ITS FINAL DISSEMINATION.

THIS DOCUMENT IS BASED UPON INFORMATION THAT WE CONSIDER RELIABLE, BUT THE BANK HAS NOT INDEPENDENTLY VERIFIED THE CONTENTS HEREOF. THE OPINIONS, ESTIMATES AND PROJECTIONS EXPRESSED IN IT ARE AS OF THE DATE HEREOF AND ARE SUBJECT TO CHANGE WITHOUT NOTICE TO THE RECIPIENT. PAST PERFORMANCE IS NOT GUARANTEE OF FUTURE RESULTS.

THIS REPORT HAS BEEN PREPARED BY ITS AUTHORS INDEPENDENTLY OF THE COMPANY AND ITS SHAREHOLDERS, SUBSIDIARIES AND AFFILIATES. THE BANK HAS NO AUTHORITY WHATSOEVER TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATION OR WARRANTY ON BEHALF OF THE COMPANY, ANY OTHER PERSON IN CONNECTION THEREWITH. IN PARTICULAR, THE OPINIONS, ESTIMATES AND PROJECTIONS EXPRESSED IN IT ARE ENTIRELY THOSE OF THE AUTHOR HEREOF.

NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, IS MADE AS TO AND NO RELIANCE SHOULD BE PLACED ON THE FAIRNESS, ACCURACY, COMPLETENESS OR REASONABLENESS OF THE INFORMATION, OPINIONS AND PROJECTIONS CONTAINED IN THIS DOCUMENT, AND NONE OF THE BANK, THE COMPANY, NOR ANY OTHER PERSON ACCEPTS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM ANY USE OF THIS DOCUMENT OR ITS CONTENTS OR OTHERWISE ARISING IN CONNECTION THEREWITH.

NO DUPLICATION

NO PART OF THE CONTENT OF THE DOCUMENT MAY BE COPIED, FORWARDED OR DUPLICATED IN ANY FORM OR BY ANY MEANS WITHOUT THE PRIOR CONSENT OF THE BANK. BY ACCEPTING THIS REPORT, YOU AGREE TO BE BOUND BY THE FOREGOING LIMITATIONS.

NO OFFER OR SOLICITATION

THIS DOCUMENT DOES NOT CONSTITUTE AN OFFER OR INVITATION OR FORM PART OF AN OFFER, SOLICITATION OR INVITATION TO PURCHASE ANY SECURITIES, AND NEITHER THIS DOCUMENT NOR ANYTHING CONTAINED HEREIN SHALL FORM THE BASIS OF ANY CONTRACT OR COMMITMENT WHATSOEVER.

RECIPIENTS

THIS DOCUMENT IS GIVEN TO YOU SOLELY FOR YOUR INFORMATION ON A CONFIDENTIAL BASIS AND MAY NOT BE REPRODUCED OR REDISTRIBUTED, IN WHOLE OR IN PART, TO ANY OTHER PERSON. IN PARTICULAR, NEITHER THIS DOCUMENT NOR ANY COPY HEREOF MAY BE TAKEN OR TRANSMITTED IN OR INTO THE UNITED STATES (THE "U.S."), AUSTRALIA, CANADA OR JAPAN OR REDISTRIBUTED, DIRECTLY OR INDIRECTLY, IN THE U.S., AUSTRALIA, CANADA OR JAPAN. ANY FAILURE TO COMPLY WITH THIS RESTRICTION MAY CONSTITUTE A VIOLATION OF U.S., AUSTRALIAN, CANADIAN OR JAPANESE SECURITIES LAWS.

THIS DOCUMENT IS BEING DISTRIBUTED ONLY TO, AND IS DIRECTED ONLY AT, PERSONS WHO ARE QUALIFIED INVESTORS WITHIN THE MEANING OF ARTICLE 2(1) (E) OF THE PROSPECTUS DIRECTIVE (DIRECTIVE 2003/71/EC) (ALL SUCH PERSONS BEING REFERRED TO AS "RELEVANT PERSONS"). THIS DOCUMENT MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS COMMUNICATION RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS.

IN CASE THAT THIS DOCUMENT IS DISTRIBUTED IN ITALY IT SHALL BE DIRECTED ONLY AT QUALIFIED INVESTORS WITHIN THE MEANING OF ARTICLE 100(1) (A) OF LEGISLATIVE DECREE NO. 58 OF FEBRUARY 24, 1998, AS AMENDED, AND ARTICLE 34-TER, PARA. 1, LETT B), OF CONSOB REGULATION NO. 11971 OF 1999, AS AMENDED. THIS DOCUMENT IS NOT ADDRESSED TO ANY MEMBER OF THE GENERAL PUBLIC IN ITALY. IN NO CIRCUMSTANCES SHOULD THIS DOCUMENT CIRCULATE AMONG OR BE DISTRIBUTED TO (I) A MEMBER OF THE GENERAL PUBLIC, (II) INDIVIDUALS OR ENTITIES FALLING OUTSIDE THE DEFINITION OF "QUALIFIED INVESTORS" AS SPECIFIED ABOVE OR (III) TO DISTRIBUTION CHANNELS THROUGH WHICH INFORMATION IS OR IS LIKELY TO BECOME AVAILABLE TO A LARGE NUMBER OF PERSONS.

THE DISTRIBUTION OF THIS DOCUMENT IN OTHER JURISDICTIONS MAY BE RESTRICTED BY LAW AND PERSONS INTO WHOSE POSSESSION THIS DOCUMENT COMES SHOULD INFORM THEMSELVES ABOUT, AND OBSERVE, ANY SUCH RESTRICTION. ANY FAILURE TO COMPLY WITH THESE RESTRICTIONS MAY CONSTITUTE A VIOLATION OF THE LAWS OF ANY SUCH OTHER JURISDICTION.

CONFLICTS OF INTEREST

THE BANK MAY, FROM TIME TO TIME, DEAL IN, HOLD OR ACT AS MARKET MAKER OR ADVISER, BROKER OR BANKER IN RELATION TO THE FINANCIAL INSTRUMENTS, OR DERIVATIVES THEREOF, OF PERSONS, FIRMS OR ENTITIES MENTIONED IN THIS DOCUMENT, OR BE REPRESENTED IN THE GOVERNING BODIES OF THE COMPANY. IN FACT, THE BANK IS PRESENTLY CORPORATE BROKER, AND NOMAD OF THE ISSUER.

BANCA PROFILO S.P.A. HAS ADOPTED INTERNAL PROCEDURES FOR THE PREVENTION AND AVOIDANCE OF CONFLICTS OF INTEREST WITH RESPECT TO THE RECOMMENDATIONS, WHICH CAN BE CONSULTED ON THE RELEVANT SECTION OF ITS WEBSITE (WWW.BANCAPROFILO.IT, IN THE SECTION "CLIENTI AZIENDALI E ISTITUZIONALI/ANALISI E RICERCA").

EQUITY RESEARCH PUBLICATIONS IN LAST 12M

THE BANK PUBLISHES ON ITS WEBSITE WWW.BANCAPROFILO.IT, ON A QUARTERLY BASIS, THE PROPORTION OF ALL RECOMMENDATIONS THAT ARE 'BUY', 'HOLD', 'SELL' OR EQUIVALENT TERMS OVER THE PREVIOUS 12 MONTHS, AND THE PROPORTION OF ISSUERS CORRESPONDING TO EACH OF THOSE CATEGORIES TO WHICH SUCH PERSON HAS SUPPLIED MATERIAL SERVICES OF INVESTMENT FIRMS SET OUT IN SECTIONS A AND B OF ANNEX I TO DIRECTIVE 2014/65/EU OVER THE PREVIOUS 12 MONTHS.

ADDITIONAL INFORMATION

THE BANK PROVIDES ALL OTHER ADDITIONAL INFORMATION, ACCORDING TO ARTICLE 114, PARAGRAPH 8 OF LEGISLATIVE DECREE 58/98 ("FINANCIAL DECREE") AND COMMISSION DELEGATED REGULATION (EU) 2016/958 AS OF 9 MARCH 2016 (THE "COMMISSION REGULATION") ON THE RELEVANT SECTION OF ITS WEBSITE (WWW.BANCAPROFILO.IT, IN THE SECTION "CLIENTI AZIENDALI E ISTITUZIONALI/ANALISI E RICERCA").