

# Never stop moving up to ride market opportunities Ecospace materially speeding up Sciuker's growth



November, 6<sup>th</sup> at 18:00

## Sciuker promptly catches market opportunities. Ecospace set to drive up substantially Sciuker's results

Sciuker is a chameleonic firm; it has never stopped studying market trends to anticipate rising opportunities, even in the complex and uncertain Covid-19 scenario. In July, Sciuker acquired 80% of Sciuker Ecospace, a general contractor active in the energy saving building restructuring, currently focused on the Eco110 bonus, mainly addressed to condominiums. Customers will benefit from a 110% tax credit when they approve a building energy efficiency intervention. Furthermore, Sciuker's sustainable high-performance windows, in terms of thermal insulation, fully embrace the new fiscally-incentive law.

## 1H20: Sciuker's margins show resilience to Covid-19

In 1H20 turnover declined by 26% yoy to €4.7m, due to production suspension during Covid-19 outbreak and related lockdown. However, thanks to its variable cost structure, the Company improved its EBITDA margin by 200bps to 18.4%. At the end of June 2020, net financial debt stood at €10.6m, up from €7.7m at the end of 2019, for increasing new working capital.

## 2020E-2023E: growth traction and business resilience by Ecospace integration

We included Ecospace projections into Sciuker's, which estimates we left unchanged. We expect Ecospace order backlog to stand at €20m in 2020, to reach €50m in 2021 and again at €20m in 2022. Thus, considering the consolidation of Ecospace, we now forecast: 31% revenues growth to €15.6m (vs previous Sciuker-only €9.6m) in 2020 and 29% revenue CAGR in 2019-2023E (vs previous 15%) to €32.5m (vs previous €20.5m). We expect a turnover peak in 2021 and 2022 as, under current law, the "superbonus" will last to December 2021, but it might be potentially extended to 2024. According to our assumptions on the order to revenue transformation mechanism, we estimate revenue at €59m in 2021 (vs previous Sciuker-only €15m) and at €55m in 2022 (vs previous €17m). We project a 25% Ecospace EBITDA margin with the consolidated Ecospace-Sciuker standing at 23.9% in 2020E (vs prior Sciuker-only 23.1%) to reach 26.3% in 2023E. We now see cumulated expected 2020E-2023E operating cash flows at €28.3m (vs previous €12.2m), which will be partially invested in Capex and NWC needs (above €12m), ending with cumulated FCFs at €16m (vs previous €6.4m).

## What is next?

What will be Sciuker's next challenge? Top management is already at work in setting up partnerships with universities to develop a circular eco-friendly production within Sciuker. Recycling raw materials, converting old fixtures which are replaced for energy saving, is one of Sciuker's next goals.

## Valuation updated including Ecospace: Target Price increased to €4.0; BUY confirmed

We significantly increased our TP from €1.62/share to €4.00/share for the integration of Ecospace projections into Sciuker's. Target Price derives from the average of DCF and market multiple valuations. Given the significant potential upside on Sciuker's current price, we confirm our BUY recommendation.

<b>Target Price (€)</b>	<b>4.00</b>	<b>from</b>	<b>1.62</b>
<b>Recommendation</b>	<b>BUY</b>	<b>from</b>	<b>BUY</b>

Price as of November 4 <sup>th</sup>	1.3
Number of shares (mln)	10.9
Market capitalization (€mln)	14.2
Market segment	FTSE AIM ITALIA

<b>Performance</b>	<b>from IPO</b>
Absolute	-11%
Max / Min	1.63/0.38
Average daily volumes ('000)	126.3

(€mln)	2019	2020E	2021E	2022E
<b>Revenue</b>	<b>12.0</b>	<b>15.6</b>	<b>59.1</b>	<b>55.4</b>
yoy change	29.5%	30.6%	278.1%	-6.3%
<b>EBITDA</b>	<b>2.6</b>	<b>3.7</b>	<b>14.7</b>	<b>13.9</b>
margin	21.5%	23.9%	24.9%	25.3%
<b>EBIT</b>	<b>0.9</b>	<b>1.8</b>	<b>12.1</b>	<b>11.2</b>
margin	7.6%	11.6%	20.5%	20.4%
<b>Net income</b>	<b>0.3</b>	<b>0.6</b>	<b>5.2</b>	<b>4.7</b>
margin	2.2%	3.6%	8.9%	8.6%
NIC	15.9	22.0	24.9	22.5
<b>Net debt (cash)</b>	<b>7.6</b>	<b>13.2</b>	<b>10.8</b>	<b>3.7</b>
Equity	8.3	8.8	14.1	18.8
FCF	(0.7)	(3.9)	5.6	9.7

Source: Banca Profilo estimates and elaborations, Company data.

## Francesca Sabatini

Head of Equity Research  
francesca.sabatini@bancaprofilo.it  
+39 02 58408 461

## Maria Teresa Di Grado

Equity Research  
mariateresa.digrado@bancaprofilo.it  
+39 02 58408 298

Sales Desk  
+39 02 58408 478

## Contents

<b>Executive summary .....</b>	<b>3</b>
<i>Sciuker Frames in a nutshell: key investment drivers .....</i>	<i>3</i>
<i>Main Financial data (1H20) and estimates (2020E-2023E).....</i>	<i>4</i>
<i>Valuation .....</i>	<i>5</i>
<i>Major announcement and key risks .....</i>	<i>5</i>
<b>SWOT analysis .....</b>	<b>7</b>
<b>1H20 results and milestones: .....</b>	<b>8</b>
<i>The Company's evolution and shareholdings .....</i>	<i>8</i>
<i>1H20 results.....</i>	<i>9</i>
<b>Strategy and estimates .....</b>	<b>12</b>
<i>Corporate strategies .....</i>	<i>12</i>
<i>Focus on: 2020E estimates benchmarking .....</i>	<i>12</i>
<i>Our estimates 2020E-2023E: growth traction and business resilience by Ecospace integration.....</i>	<i>14</i>
<b>Valuation .....</b>	<b>19</b>
<i>DCF Valuation.....</i>	<i>19</i>
<i>Relative Valuation on multiples .....</i>	<i>20</i>
<b>Shareholders' structure.....</b>	<b>23</b>
<b>Convertible bond cum warrant.....</b>	<b>24</b>
<i>DISCLAIMER .....</i>	<i>28</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 <sup>st</sup> 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 67%</i>	The Group is controlled by Marco Cipriano and Romina Cipriano who own the 67% stake and the Free Float (33%).
<i>€12mIn of sales in 2019; an enormous growth potential in a €2.8bn market</i>	Sciuker is a leader in its niche, with enormous growth potentials. In 2019, the Company's turnover increased by 29.5% to €12mIn, which is only a very little part of its reference Italian market (€2.8bn in 2019).
<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>Low assessment risk</i>	Sciuker has a governance well focused on execution and assessment risks related to its building sites. Sciuker Group insures all employees working on the building site both direct Sciuker's and sub-contracts' specialists.
<i>High product quality combined with an industrialized production</i>	<p>Sciuker's management expertise, long lasting partnerships with customers, workers fidelity, successful track record, marketing and brand investments, are key entry barriers.</p> <p>Sciuker differentiates from all other players for adopting industrial production techniques in a sector traditionally characterized by craftsmanship.</p> <p>Sciuker is always focused to develop a circular eco-friendly production. Moreover, its sustainable high-performance windows, in terms of thermal insulation, fully embrace the new fiscally-incentive law.</p>
<i>Ecobonus 110% as key driver for construction industry</i>	In June, the Italian Government launched the law "Super Bonus" regarding a 110% tax reduction for energy efficiency interventions between 1 July 2020 and 31 December 2021. The Ecobonus will keep playing a key driver for the construction industry as it increases the demand for energy-saving real estate restructuring.
<i>Acquisition of Eco Contract to strengthen the use of tax credit incentives through the Ecobonus 110%</i>	Sciuker acquired the 80% of the startup Eco Contract. The Startup is active in the energy efficiency such thermal insulation, including fixtures replacement, interventions relating to photovoltaic systems both in condominium buildings and single-family houses. Eco Contract's customers will pay the cost of the intervention through the transfer of 110% tax credit. The acquisition is in line with the strategy adopted by Sciuker, which has always operated through tax incentives for energy efficiency interventions. Sciuker will pay a fixed amount of €0.3 mln and a variable fee of €0.9 mln subject to the signing of contracts relating to energy requalification interventions, by Eco Contract. The Startup has already signed contracts for €6 mln and has pending contract for approximately €36 mln. Following the acquisition, Eco Contract was

renamed Sciuker Ecospace S.r.l.

Regarding the synergies, the subsidiary implements the efficiency work also with the supply of Sciuker's products which will consolidate its result both directly with the effect on its turnover and through Ecospace revenues.

Windows and frames weigh between 30%-40% of whole building site cost; therefore, synergies with Ecospace will drive Sciuker's revenue and, at the same time, reduce its risk of execution related to its dealer's sales channel especially in current highly uncertain Covi-19 scenario.

### *Main Financial data (1H20) and estimates (2020E-2023E)*

**2016-2019 Revenue CAGR at 12%**

Since 2016, Sciuker's revenues grew constantly; the Company reported an average growth of 12% (CAGR 2016-2019).

**1H20 financials: revenues at €4.7mln; 18.4% EBITDA margin +200bsp**

In 1H20 revenues declined by 26% yoy to €4.7mln, due to production suspension during Covid-19 outbreak and related lockdown. However, thanks to its variable cost structure, the Company improved its EBITDA margin by 200bps to 18.4%. At the end of June 2020, net financial debt stood at €10.6mln, up from €7.7mln at the end of 2019, for increasing new working capital needs.

**High growth perspectives driven by several initiatives**

Main corporate strategy are:

- 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 a new Sciuker Frames store in Milan 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 to enter new geographies, both in Europe and China;
- R&D investments for products development and further improvement in productivity and process automation (Industry 4.0);
- new opportunities deriving from the acquisition of Ecospace. This startup is active in the energy saving building restructuring, through thermal insulation, including fixtures replacement, photovoltaic systems installations, especially in condominiums.

**2020E-2023E estimates revision: no changes in our estimates on Sciuker, but integrating Ecospace 2020E revenues at €15.6mln (from €9.6mln Sciuker only)**

We included Ecospace projections into Sciukers', which estimates we left unchanged. We expect Ecospace order backlog to stand at €20mln in 2020, to reach €50mln in 2021 and again at €20 mln in 2022. Thus, considering the consolidation of Ecospace, in 2020E, we now forecast: 31% revenues growth to €15.6mln (vs previous Sciuker-only €9.6mln) in 2020 and 29% revenue CAGR in 2019-2023E (vs previous 15%) to €32.5mln (vs previous Sciuker-only €20.5mln). We expect a turnover peak in 2021 and 2022 as, under current law, the "superbonus" will last to December 2021, but it might be potentially extended to 2024. According to our assumptions on the order to revenue transformation mechanism, we estimate revenue at €59mln in 2021 (vs previous Sciuker-only €15mln) and at €55mln in 2022 (vs previous €17mln). We

**EBITDA margin of**

23.9% in 2020E (from 23.1%)

€16.0mIn cumulated FCF (from €6.3mIn)

project a 25% Ecospace EBITDA margin with the consolidated Eco Space-Sciuker standing at 23.9% in 2020E (vs prior Sciuker-only 23.1%) to reach 26.3% in 2023E. We now see cumulated expected operating cash flows at €28.3mIn in 2020E-2023E (vs previous €12.2mIn); they will be partially invested in Capex (€6mIn) and NWC needs (€6.4mIn), ending with cumulated FCFs of €16mIn (vs previous €6.4mIn).

## 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, in 2019, Sciuker's listed peers showed lower growth and margins: a mean sales growth of 3.5% (vs 12.8%) and EBITDA margin of 12.5% (vs 21.5%). In 2020, the Sector's average is still seen to report a limited decline (-3.3%) in revenues (with a 6.3% expected rebound in 2021) and a 80bps contraction in EBITDA margin to 11.7% in 2020E.

*DCF assumptions*

We run a DCF model, using our projections of FCFs for the explicit 2020E-2023E period (a total of €16.0mIn, or an annual average of €4.0mIn vs prior seen at €6.4mIn and €1.6mIn) plus a Terminal Value of €65.0mIn (prior €35mIn). We used a WACC of 8.3% (vs 6.6% seen in our previous update) and a 2% perpetual growth rate.

*DCF Valuation: €4.23/share*

The DCF method leads us to an Enterprise Value of €59.5mIn and an Equity Value of €46.3mIn showing a value at €4.23/share, higher than our prior DCF valuation at €2.28/share, including €10.9mIn of Net debt estimated at the end of 2020.

*Relative Valuation: €3.72/share*

Our relative valuation based on the average value of EV/EBITDA 2020E-2021E leads up to an Equity Value of €40.7mIn, or €3.72/share. The average value of EV/EBITDA 2020E-2021E has gone from 6.3x in our previous study to 6.9x as of November 2<sup>nd</sup> 2020.

*TP increased at €4.0/share (from €1.62/share) BUY confirmed*

We set our new TP at €4.0/share (up from previous €1.62/share) as the average of the DCF and market multiple valuations, implying a potential upside higher than 200% on Sciuker's closing price (as of 4<sup>th</sup> November 2020). We thus confirm our BUY recommendation.

We now ended with a higher valuation and potential upside of the market value due to the consolidation of the new Company acquired by Sciuker, Sciuker Eco Space and its potential contribution to the Group. Furthermore, the Company to deal with this high uncertain scenario strengthen its net financial position.

## Major announcement and key risks

*Major 2020 announcements: financing strengthening; tax credit opportunity for retailers; commercial*

- Major 2020 announcements are:
  1. the signing of supply agreements, including a mass market retailer and various foreign partnerships which will bring results in 2020;
  2. at the end of December 2019, the Company signs with Abitare In S.p.A. a further agreement for the supply of fixtures for the "Palazzo Naviglio" residential project in Milan for €0.7mIn;

*partnerships and  
agreements;  
catching always new  
market opportunities*

3. the presentation of Sciuker Frames window collections scheduled at Superus showroom, the third high quality door manufacturer in Shandong in China. The development plan in the Chinese market provided the identification of a medium-high target distribution channel and thanks to the new commercial partnership with Superus. Sciuker Frames would have reached about 1,500 dealers in China. The event was cancelled due to the Covid-19 health emergency, but the Company thinks it will be rescheduled at the end of 2020;
4. Sciuker signed an agreement with an Energy Company to promote the selling of its windows through the use of tax credit related to the energy efficiency improvement of buildings, the so-called "Ecobonus" which will allow Sciuker's retailers to sell windows at half price and gain significant market shares in 2020-2021 and to mitigate the Coronavirus impacts;
5. Sciuker has entered into an exclusive agreement with the fintech Credimi to manage the payment with the consumers that use the Ecobonus tax credit;
6. Sciuker approved the issue, of one or more convertible bonds in ordinary shares (with warrants) for an amount up to €5mln;
7. Sciuker will issue a non-convertible bond worth €3mln with a 7-year maturity (the so-called Basket Bond), within a financing operation promoted by Campania region;
8. Sciuker has announced a Buyback programme with the aim to use own shares for supporting the liquidity of the security and for incentive plans (including M&A);
9. Sciuker has announced that will open a flagship store in Milan located in Melchiorre Gioia street. This new opening is in line with Sciuker's strategy to strengthen and invest in its directional segment focusing on new buildings and luxury hotels;
10. Sciuker has signed an agreement for the supply of fixtures for €2 mln with Borio Mangiarotti regarding the project "Sei Milano";
11. Sciuker has started the first two construction sites in Italy through the 110% Ecobonus for energy requalification;
12. Sciuker through its subsidiary Sciuker Ecospace, signed six contracts as General Contractor to energy efficiency interventions that will benefit of 110% Superbonus tax credit. Sciuker Ecospace's portfolio orders amounts €6mln.

Key risks:

- high growth rates can lead to cost management issues and challenge the Net Working Capital control;
- higher than projected negative impact of Covid-19 on 2020 estimates;
- rising competition;
- Sciuker Ecospace revenue growth path is related to tax incentive Ecobonus 110%.

## SWOT analysis

### STRENGTHS

- Leader manufacturer of high-quality windows
- 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 margins and cash generator driven by a rigorous cost and working capital management
- Robust financial structure supported by recent POCs'

### WEAKNESSES

- NWC optimization needed
- Competition by PVC windows have lower production costs
- A low-structured Finance Department
- Sciuker Ecospace revenue growth path is high related to tax incentive Ecobonus 110%

### OPPORTUNITY

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

### THREATS

- Competition within existing players, especially large manufacturers
- High growth rates could lead to cost management issues
- Company size

## 1H20 results and milestones:

### The Company's evolution and shareholdings

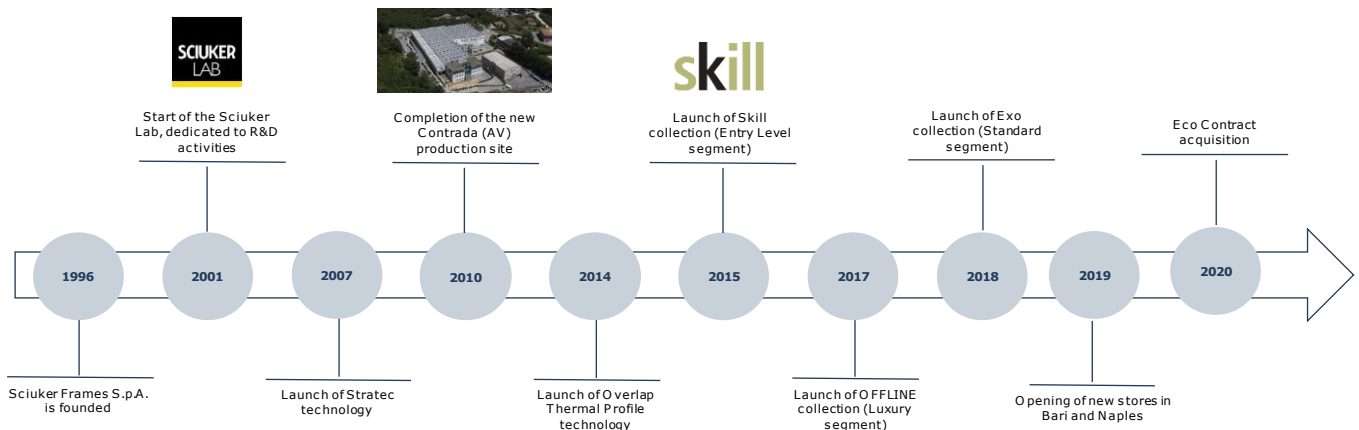
*Sciuker Frames: an integrated company active in windows manufacturing.*

*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 focuses on standard products*

*Sciuker's expansion through M&A*

Sciuker Frames S.p.A. ("Sciuker") was founded in 1996. In 2001 "Sciuker Lab" was set up as an R&D department. In 2004 the first Sciuker Frames Store has been opened in Avellino. In 2007 the "Stratec" technology has been patented. In 2010 "Contrada" (Avellino) new production site was completed as a highly Eco sustainable manufacturing plant. In 2014, the new "Overlap Thermal Profile" technology was implemented to develop the "Skill" collection, which is focused to entry level products. In 2016, Sciuker's Swiss subsidiary "Hubframe SA" was set up. The "OFFLINE" collection dedicated to the "Luxury" segment was launched in 2017. In 2018, the "EXO" collection was introduced as a more "standardized" range of offer. In 2019 Sciuker's own retail network comprises: 4 "Urban Stores" (3 in Rome and 1 in Palermo) and 4 "Sciuker stores" (Bari, Cagliari, Naples and Switzerland). In 2020 Sciuker has announced that will open a flagship store in Milan. This new opening is in line with Sciuker's strategy to strengthen and invest in its directional segment focusing on new buildings and luxury hotels. This new flagship store will increase Company's market share in the luxury segment. In July, Sciuker has announced the acquisition of 80% of the startup Ecospace. The Startup is operative in the energy efficiency such thermal insulation, including fixtures replacement, interventions relating to photovoltaic systems both in condominium buildings and single-family houses.

Figure 1: Sciuker main milestones



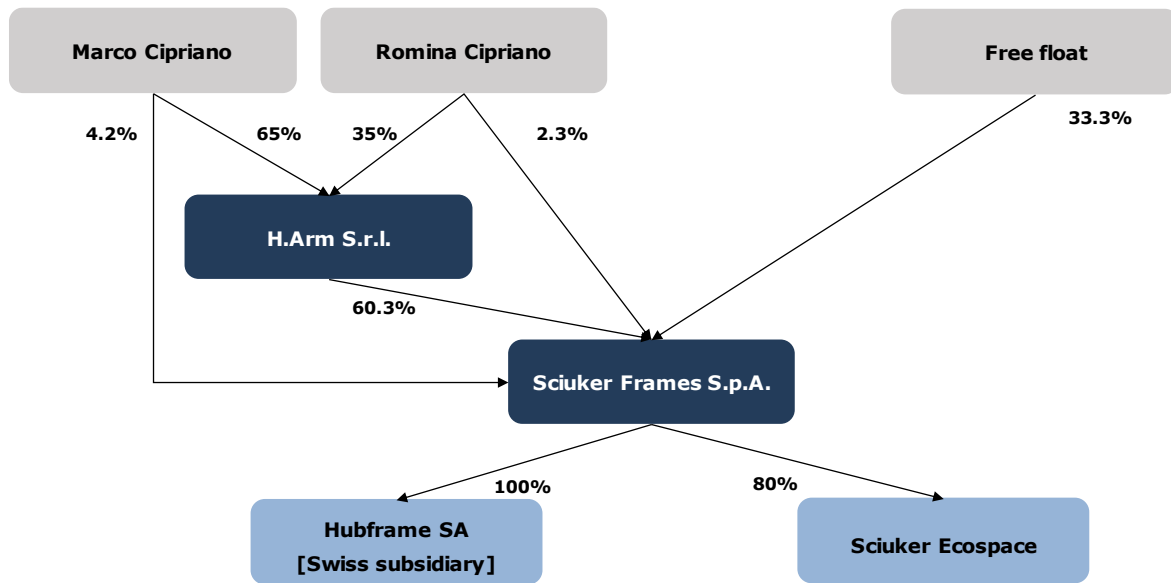
Source: Banca Profilo elaborations on Company data

*Sciuker's ownership: H.Arm at 60.3%*

The Group is controlled by H.Arm S.r.l. which owns a 60.3% stake (held by Marco and Romina Cipriano, owning 65% and 35% respectively). Marco Cipriano direct hold the 4.2% of Sciuker while Romina Cipriano the 2.3%. Market free float is 33.3%



Figure 2: Sciuker Frames Group perimeter



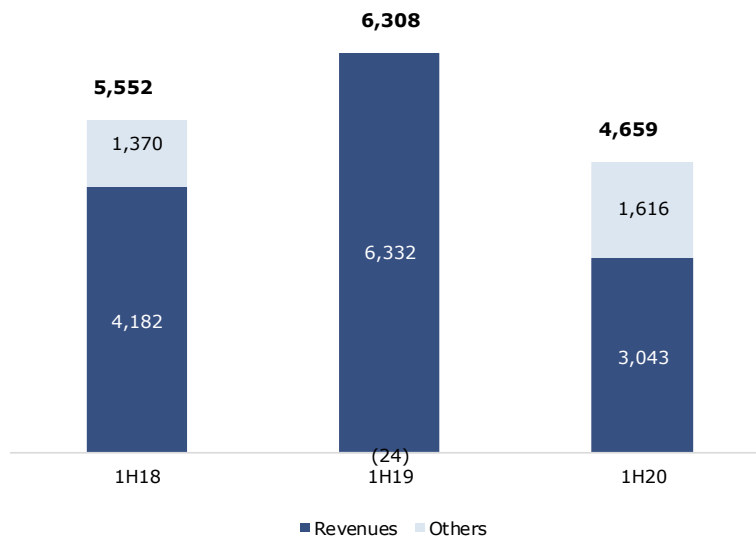
Source: Banca Profilo elaborations on Company data

**1H20 results**

**1H20: Value of Production -26% yoy due to Covid-19 impact**

In 1H20 Sciuker reported a 26% yoy decrease in its Value of Production to €4.7mIn, corresponding to 49% of our old estimates for the FY20. Sales decline was mainly due to Covid-19; during the lockdown, the Company had to stop the production for three months.

Figure 3: Sciuker Frames revenue 1H18-1H20

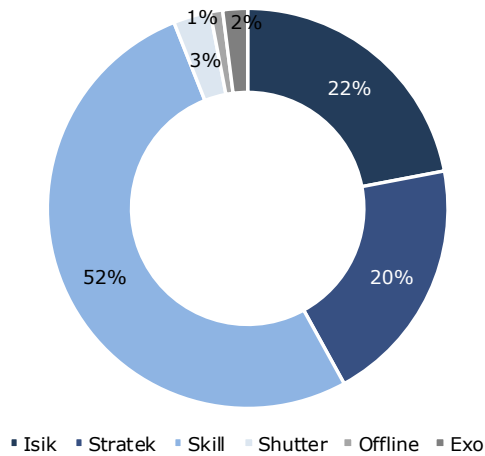


Source: Banca Profilo elaborations on Company data

**1H20 turnover at €3mIn: Isik and Stratek collections remain mainly contributors**

Regarding revenues breakdown by segment, main contributor in 1H20 was again the entry-level Skill collection (52% of sales) and the standard level Isik and Stratek collections (22% and 20% of sales respectively).

Figure 4: Revenue breakdown 1H20 by segment



Source: Banca Profilo elaborations on Company data

**1H20: Italy accounting for 90% of sales**

In the 1H20, more than 90% of sales are from Italy. Since October 2019, Company’s products sold through retail channel increased boosted by the Italian law “Decreto Crescita”.

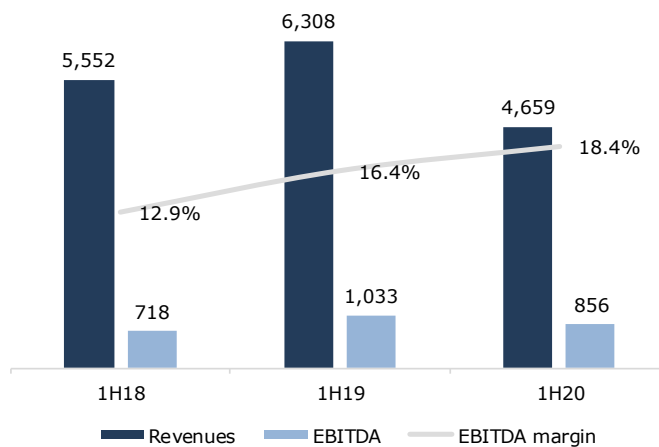
**A flexible cost structure: variable costs at 80% of revenues**

In 1H20, Sciuker confirmed its variable cost structure with variable expenses accounting for 80% of its cost base. Moreover, variable costs weighted for 65% of revenues.

**EBITDA margin +200bps to 18.4% in 1H20**

Despite the stop of production and the closure of its retails for over three months, thanks to a policy of optimization, a cost structure mainly based on variable expenses and investments in 4.0 industry, the Company’s EBITDA margin improved to 18.4% in 1H20 from 16.4% in 1H19. In the first six months of 2020, EBITDA stood at €856k, representing 39% of our prior FY2020 estimates.

Figure 5: Sciuker revenue and margins 1H18-1H20 (€/000 and %)



Source: Banca Profilo elaborations and estimates on Company data

1H20 net income unchanged at €141k

In 1H20, Sciuker's net income was €141k, including D&A at €510k, financial expenses at €144k and a 30% tax rate.

Table 1: Sciuker Interim Main Financials 1H19-1H20

Profit & Loss (€/000)	1H19	1H20
<b>Revenues</b>	<b>6,332</b>	<b>3,043</b>
Others	(24)	1,616
<b>Value of production</b>	<b>6,308</b>	<b>4,659</b>
	<i>yoy</i>	<i>-26.1%</i>
Raw materials	(2,067)	(1,963)
Labour costs	(281)	(259)
Service costs	(2,757)	(1,337)
Leases and rentals	(77)	(82)
Other operating costs	(92)	(162)
<b>EBITDA</b>	<b>1,033</b>	<b>856</b>
	<i>margin</i>	<i>16.4%</i>
D&A	(433)	(510)
Provision for risks	(108)	-
<b>EBIT</b>	<b>492</b>	<b>346</b>
	<i>margin</i>	<i>7.8%</i>
Net financial expenses	(157)	(144)
<b>EBT</b>	<b>336</b>	<b>202</b>
Taxes	(185)	(61)
	<i>tax rate</i>	<i>55.0%</i>
<b>Net profit</b>	<b>151</b>	<b>141</b>
	<i>margin</i>	<i>2.4%</i>

Balance Sheet (€/000)	1H19	1H20
Operating NWC	5,069	7,478
Fixed assets	10,987	12,801
<b>Net Invested Capital</b>	<b>14,477</b>	<b>18,984</b>
Equity	7,854	8,422
<b>Net debt</b>	<b>6,622</b>	<b>10,562</b>

Source: Banca Profilo elaborations and estimates on Company data

**Balance Sheet:**  
new investments in tangible assets

NWC to be optimized

Net debt increased to €10.6m due to an increase in Operating NCW needs

On the Balance Sheet side, at the end of June 2020, the Group showed €12.8m of Fixed assets (+16.5% yoy) and €7.5m of Net Operating Working Capital (from €5m at the end of 2019). The Operating Net Working Capital on sales stood at 86.2%, in this Industry the ratio is typically high. Moreover, the increase in NWC is mainly due to a growth in inventories that worth 71.1% on sales at €6.2m attributable to Sciuker's stop of production during the lockdown.

At the end of June 2020, Net Debt Stood at €10.6m, increasing from €7.6m at the end of 2019. The growth is mainly due to an increase in Operating Net Workin Capital needs. In the 1H20 Sciuker repaid account payables for approximately €1m. To repay this debt Sciuker used the financial instrument subscribed, the so called "Basket Bond" issued by Campania Region. The loan, issued during the lockdown, allow the Company to prompted revised its strategic plan and commercial contract with its suppliers.

## Strategy and estimates

### Corporate strategies

Main corporate strategy consists of:

- Increasing the B2B business through the acquisition of management projects, which give higher margins and visibility;
- Growing in Italy through the expansion of the distribution network and the diversification of the distribution channels;
- Expanding in foreign markets through partnerships in China, Kazakhstan, South America and Spain, but also through M&A deals;
- Investing in machinery to increase the production capacity in Italy, but also setting up production plants in Macedonia and Tunisia;

*Ecobonus: a new instrument to face the Covid-19 emergency and be ready for a rapid rebound*

In 2018, the Italian Government approved the so called "Ecobonus", allowing for tax credit related to energy efficiency enhancing through the substitution of windows. The tax credit would allow a 50% deduction on the window retail price.

To better manage the Ecobonus, Sciukers' customers pays 50% of the retail price and transfer its tax credit to Sciuker's dealer, who, at its turn, transfers the tax credit to an important Energy Company, which will pay the dealer at the end of March 2021. At the same time, Sciuker anticipates the 50% of the order value to its dealer thanks to another partnership with an important financial Company that will audit and manage all communication between dealers and Erario. Sciuker will use the Ecobonus to mitigate the negative impact on sales from the Coronavirus emergency and related lockdown.

*Sciuker strengthened its financial structure to face the Covid-19 emergency and to be ready to invest in the future*

Moreover, in this highly uncertain scenario, Sciuker strengthened its financial structure through the issue of a convertible bond (up to €5mln), a non-convertible bond derived from the Campania Region project named "Basket Bond" and a loan (€1.5mln) guaranteed by Medio Credito Centrale Fund.

*Sciuker's expansion through M&A*

In July, Sciuker has announced the acquisition of 80% of the start-up Ecospace. The Start-up is operative in the energy efficiency such thermal insulation, including fixtures replacement, interventions relating to photovoltaic systems both in condominium buildings and single-family houses.

### Focus on: 2020E estimates benchmarking

*2020E estimates revised upwards for Ecospace consolidation*

The Covid-19 rapid and massive outbreak in Italy and its related lockdown led to the closing of Sciuker's activity with a significant potential impact on sales, already considered in our previous Company Update. However, we now included Ecospace projections into Sciukers', which estimates we left unchanged. In order to estimate Ecospaces revenues, we based on the assumption about its portfolio order considering the 60% of order backlog as sales in the same year and the remaining part in the next year. As main driver of Ecospace portfolio order we consider the Ecobonus, thus we expect a turnover peak in 2021 and 2022 as, under current law, the "superbonus" will last to December 2021, but it might be potentially extended to 2024. Therefore, considering the Ecospace consolidation in Sciuker's balance sheet, we revised our projections upwards considering its impact from 2H20.

Table 2: Sciuker main changes in 2020E estimates

Profit & Loss (€/000)	2018	2019	2020E Old	2020E New
<b>Revenues</b>	<b>9,238</b>	<b>11,966</b>	<b>9,628</b>	<b>15,628</b>
Others	1,311	(62)	(67)	(67)
<b>Value of production</b>	<b>10,549</b>	<b>11,904</b>	<b>9,560</b>	<b>15,560</b>
yoy	-4.6%	12.8%	-19.7%	30.7%
<b>EBITDA</b>	<b>1,866</b>	<b>2,565</b>	<b>2,212</b>	<b>3,712</b>
margin	17.7%	21.5%	23.1%	23.9%
D&A	(967)	(1,322)	(1,384)	(1,738)
Provision for risks	(109)	(341)	(106)	(172)
<b>EBIT</b>	<b>791</b>	<b>901</b>	<b>722</b>	<b>1,802</b>
margin	7.5%	7.6%	7.6%	11.6%
Net financial expenses	(295)	(379)	(556)	(599)
<b>EBT</b>	<b>496</b>	<b>522</b>	<b>166</b>	<b>1,204</b>
Taxes	(363)	(261)	(89)	(643)
tax rate	73.1%	50.0%	53.4%	53.4%
<b>Net profit</b>	<b>133</b>	<b>261</b>	<b>77</b>	<b>561</b>
margin	1.3%	2.2%	0.8%	3.6%

Balance Sheet (€/000)	2018	2019	2020E Old	2020E New
Stock	4,589	5,533	4,617	6,926
Accounts receivables	3,829	4,041	3,604	5,533
Accounts payables	(3,127)	(4,594)	(3,753)	(4,691)
<b>Operating Net Working Capital</b>	<b>5,291</b>	<b>4,980</b>	<b>4,468</b>	<b>7,768</b>
% on sales	57.3%	41.6%	46.4%	49.7%
Other current assets & liabilities	(1,224)	(158)	(691)	536
<b>Net Working Capital</b>	<b>4,067</b>	<b>4,822</b>	<b>3,776</b>	<b>8,304</b>
Intangibles	1,568	1,130	1,094	1,574
Materials	8,631	11,051	11,933	12,869
Financials	17	17	17	17
<b>Fixed assets</b>	<b>10,215</b>	<b>12,198</b>	<b>13,044</b>	<b>14,460</b>
Funds	(387)	(582)	(480)	(469)
Other non current assets & liabilities	(897)	(507)	(702)	(264)
<b>Net Invested Capital</b>	<b>12,998</b>	<b>15,931</b>	<b>15,639</b>	<b>13,727</b>
<b>Equity</b>	<b>7,671</b>	<b>8,283</b>	<b>8,360</b>	<b>8,844</b>
Share capital	1,092	1,092	1,092	1,092
Reserves	4,461	4,848	7,190	7,190
Accumulated profit/loss	1,984	2,081	-	-
Net profit	133	261	77	561
Minorities	-	-	-	-
<b>Net debt (cash)</b>	<b>5,328</b>	<b>7,648</b>	<b>7,279</b>	<b>13,187</b>
<b>Liabilities</b>	<b>12,998</b>	<b>15,931</b>	<b>15,639</b>	<b>22,031</b>

Cash flow (€ 000)	2018	2019	2020E Old	2020E New
EBIT	791	901	722	1,802
taxes	(363)	(261)	(89)	(541)
<b>NOPAT</b>	<b>428</b>	<b>640</b>	<b>634</b>	<b>1,262</b>
D&A	967	1,322	1,384	1,738
<b>Operating cash flow</b>	<b>1,395</b>	<b>1,962</b>	<b>2,018</b>	<b>3,000</b>
Operating Net Working Capital ch	(3,551)	311	512	(2,788)
Other funds	21	195	(102)	(113)
Capex	(429)	(3,162)	(2,230)	(4,000)
<b>FCF</b>	<b>(2,564)</b>	<b>(694)</b>	<b>198</b>	<b>(3,901)</b>

Source: Banca Profilo elaborations and estimates on Company data

*2020E sales now seen at +30.6% yoy (vs prior -19.7% yoy) for Ecospace consolidation*

As regard as revenues, including our estimates related to Sciuker Ecospace, we now expect an increase in Sciuker turnover at +30.6% yoy (from previous seen at -19.7% yoy due to Covid-19 impact and Sciuker only sales) to reach €15.6mln at the end of 2020E (prior at €9.6mln). Our estimates on Sciuker remain unchanged, we added €6mln of revenues deriving from our projection about its subsidiary.

*EBITDA margin will improve thanks to thanks to Sciuker's variable cost structure*

Following the revenues growth trend and the Sciuker cost's structure mainly based on variable expenses, we now estimate a partially increase in terms of EBITDA margin at 23.9% (from our previous 23.1%). In 2020E we see an EBITDA at €3.7mln (from €2.2mln) higher than the value reported in the 2019 at €2.6mln because of the increase in turnover. In 2020, we expect service expenses almost doubling their 2019 value (€10.5mln from €5.9mln) mainly because of Ecospace (€4.5mln priorly estimated Sciuker only).

*Capex increase to support further growth*

On the Balance sheet side, main changes to our projections regards: stock piling, longer time to receivables but also longer time to payables. The increase in Operating Net Working Capital is in line with 1H20 (€7.5mln vs 7.8mln now seen in the FY20), but higher than the previous estimation at €4.5mln reflecting the increase in Company's revenues. Nonetheless this increase, we now estimate Operating Working Capital on sales in line with our prior projection at 49.7% vs the old 46.4%.

As regard as Capex, we now upwardly revised Sciuker's investments at €4.0mln (vs previous €2.2mln) considering Ecospace acquisition and the use of the new financial sources issued by the Company to support the further Group's growth and to mitigate the impact of Covid-19 on Sciuker business.

*Higher Capex an NWC needs lead to negative FCF in 2020E*

Nonetheless the increase in revenues growth we end up with a negative FCF of €3.9mln vs prior positive €0.2mln. The decrease is mainly due to higher Capex now seen at €4mln (vs prior €2.2mln), including the investment in Ecospace, and higher Operating Net Working Capital needs at €2.8mln (vs previous positive change at €0.5).

### *Our estimates 2020E-2023E: growth traction and business resilience by Ecospace integration*

*Ecospace as booster of Sciuker growth*

We revised our 2020E-2023E estimates to consolidate the acquisition of Ecospace, maintaining our old estimate regarding Sciuker with the negative Covid-19 effects already included.

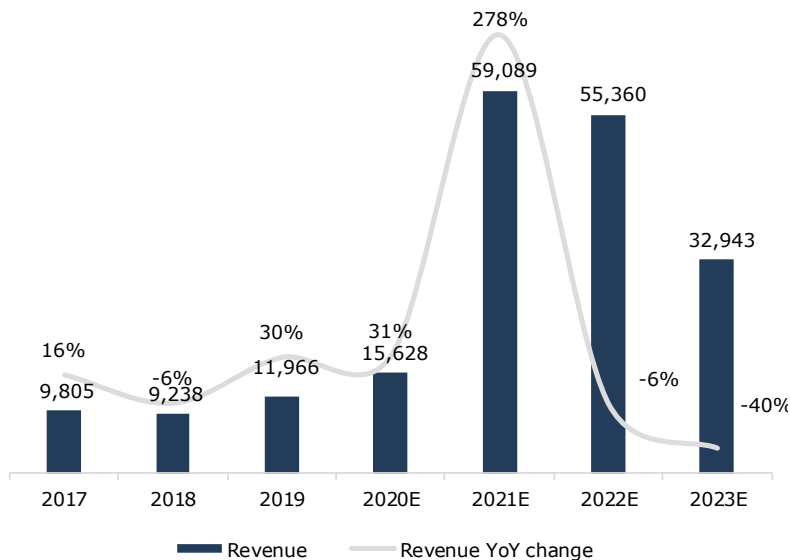
Therefore, we now project a 29% Value of Production CAGR (2019-2023E) (vs previous 15%) to reach €32.5mln in 2023E (vs previous €20.5mln).

In our 2021E revenues projection, Sciuker will reach its record mainly thanks to Ecospace contribution. In detail, we considered a peak in 2021E Ecospace turnover boosted by the Italian tax incentive 110% Ecobonus that should be valid until the 2021, after this year we have considered a slow revenue decline in Ecospace portfolio order. In detail, we expect Ecospace order backlog to stand at €20mln in 2020, to reach €50mln in 2021 and again at €20mln in 2022.

*Isik and Stratek segment will benefit from Ecospace new orders*

Starting from 2020E, Sciuker's only sales driver will be the Skill product line, contributing with 44% to Sciuker's VoP. At the same time, we now expect an increase in revenues contribution by Isik and Stratek, respectively seen at an average of 30% and 20% of Sciuker's VoP. The increase in these two segments will be driven by the contribution of Sciuker's products to Ecospace new orders.

Figure 6: Sciuker Frames revenue trend 2017-2023E  
(€/000 and %)

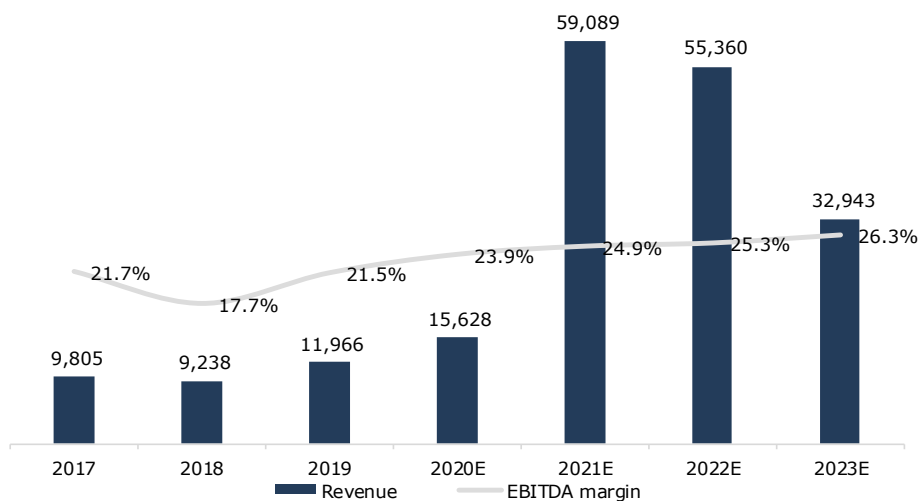


Source: Banca Profilo elaborations and estimates on Company data

**2020E-2023E cost assumptions**

Regarding our costs' assumptions in the period 2020E-2023E, we include an increase in raw materials due to the higher revenues path considered. Moreover, we also project an increase in service costs as mainly Ecospace's expense. In terms of labour costs, we slightly increase our projection 2021E-2023E considering Ecospace's.

Figure 7: Revenue and EBITDA margin trend 2017-2023E  
(€/000 and %)



Source: Banca Profilo elaborations and estimates on Company data

**2023E: EBITDA margin improving to 26% (21.5% in 2019)**

In 2020E-2023E, we now expect EBITDA to increase from €3.7m in 2020E (vs prior seen at €2.2m) to reach €8.6m at the end of 2023E (vs previous €5.5m). Nonetheless the increase in EBITDA from our prior projection driven by higher revenues, due to Sciuker's structure costs based on variable expense, we now projects an EBITDA margin higher than priorly expected in the 2020E-2021E at 23.9% and 24.9% (vs prior 23.1% and 24.5%), however we end with lower margin value due to the less contribution from Ecospace, precautional estimating the end of Ecobonus 110% valid until 2021E, but it could be extended at 2024E. Given Ecospace revenues and cost structure, in the consolidation we include an EBITDA margin of

25% per year.

*Net profit above €2.2m in 2023E (vs previous €1.1m)*

The projected improvement in EBITDA will be partially absorbed by increasing financial expenses and D&A due to the higher Capex estimated to support Group growth.

We end up with Net profit of €2.2m in 2023E (vs previous €1.1m).

*Table 3: Sciuker Frames Profit & Loss 2018-2023E*

Profit & Loss (€/000)	2018	2019	2020E Old	2020E New	2021E Old	2021E New	2022E Old	2022E New	2023E Old	2023E New
<b>Revenues</b>	<b>9,238</b>	<b>11,966</b>	<b>9,628</b>	<b>15,628</b>	<b>15,089</b>	<b>59,089</b>	<b>17,360</b>	<b>55,360</b>	<b>20,943</b>	<b>32,943</b>
Others	1,311	(62)	(67)	(67)	(30)	(30)	(347)	(347)	(419)	(419)
<b>Value of production</b>	<b>10,549</b>	<b>11,904</b>	<b>9,560</b>	<b>15,560</b>	<b>15,059</b>	<b>59,059</b>	<b>17,013</b>	<b>55,013</b>	<b>20,524</b>	<b>32,524</b>
yoy	-4.6%	12.8%	-19.7%	30.7%	57.5%	279.5%	13.0%	-6.8%	20.6%	-40.9%
<b>EBITDA</b>	<b>1,866</b>	<b>2,565</b>	<b>2,212</b>	<b>3,712</b>	<b>3,682</b>	<b>14,696</b>	<b>4,353</b>	<b>13,912</b>	<b>5,546</b>	<b>8,552</b>
margin	17.7%	21.5%	23.1%	23.9%	24.5%	24.9%	25.6%	25.3%	27.0%	26.3%
D&A	(967)	(1,322)	(1,384)	(1,738)	(1,554)	(1,968)	(1,759)	(2,083)	(2,199)	(2,193)
Provision for risks	(109)	(341)	(106)	(172)	(166)	(650)	(191)	(609)	(230)	(362)
<b>EBIT</b>	<b>791</b>	<b>901</b>	<b>722</b>	<b>1,802</b>	<b>1,962</b>	<b>12,078</b>	<b>2,403</b>	<b>11,220</b>	<b>3,117</b>	<b>5,997</b>
margin	7.5%	7.6%	7.6%	11.6%	13.0%	20.5%	14.1%	20.4%	15.2%	18.4%
Net financial expenses	(295)	(379)	(556)	(599)	(684)	(846)	(782)	(1,113)	(730)	(1,281)
<b>EBT</b>	<b>496</b>	<b>522</b>	<b>166</b>	<b>1,204</b>	<b>1,278</b>	<b>11,233</b>	<b>1,621</b>	<b>10,107</b>	<b>2,386</b>	<b>4,716</b>
Taxes	(363)	(261)	(89)	(643)	(682)	(5,996)	(865)	(5,395)	(1,274)	(2,517)
tax rate	73.1%	50.0%	53.4%	53.4%	53.4%	53.4%	53.4%	53.4%	53.4%	53.4%
<b>Net profit</b>	<b>133</b>	<b>261</b>	<b>77</b>	<b>561</b>	<b>596</b>	<b>5,237</b>	<b>756</b>	<b>4,712</b>	<b>1,113</b>	<b>2,199</b>
margin	1.3%	2.2%	0.8%	3.6%	4.0%	8.9%	4.4%	8.6%	5.4%	6.8%

Source: Banca Profilo elaborations and estimates on Company data

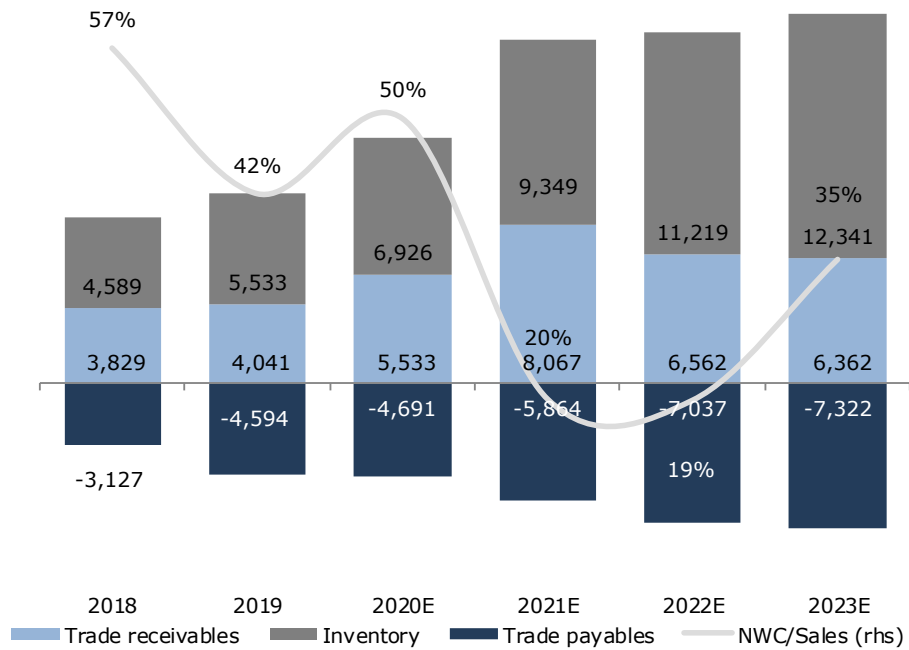
*Balance Sheet projections: increasing Capex but optimizing NWC thanks to the integration of Ecospace*

With regards to our Balance Sheet projections in 2020E-2023E, we included:

- €6m Capex (vs previous €5m), of which €4m in 2020E considering Ecospace acquisition and new investments to support Company growth thanks to the liquidity deriving from the financial instrument subscribed. In the following years we estimate lower Capex for Sciuker's equipment manutention at an average of €0.7m per year;
- Operating Net Working Capital at €11.4m in 2023E (vs previous €6.3m), from €7.8m in 2020E, reflecting the increase in Sciuker's revenues. In terms of Operating NWC on sales for the period 2020E-2023E we have now estimated a low medium weight at 30.8% (vs previous 37.4%) thanks to a decrease in Operating Working Capital on sales ratio in the 2021E-2022E (avg 19.5%). Through the collaboration with Credimi, Sciuker should better manages Company's Operating NWC, thus we now estimate a decrease in terms of NWC/sales ratio during the 2021E-2022E years. Nonetheless the growth in revenues coming from Ecospace contribution, Sciuker has less than proportional impact on NWC/sales thanks to Ecospace management of account receivables and a business that does not have stock piling.



Figure 8: Net working capital composition and dynamics  
(€/000 and %)



Source: Banca Profilo elaborations and estimates on Company data

Table 4: Sciuker Frames Balance Sheet 2018-2023E

Balance Sheet (€/000)	2018	2019	2020E Old	2020E New	2021E Old	2021E New	2022E Old	2022E New	2023E Old	2023E New
Stock	4,589	5,533	4,617	6,926	6,035	9,349	6,250	11,219	6,283	12,341
Accounts receivables	3,829	4,041	3,604	5,533	5,648	8,067	6,498	6,562	7,839	6,362
Accounts payables	(3,127)	(4,594)	(3,753)	(4,691)	(5,936)	(5,864)	(6,609)	(7,037)	(7,871)	(7,322)
<b>Operating Net Working Capital</b>	<b>5,291</b>	<b>4,980</b>	<b>4,468</b>	<b>7,768</b>	<b>5,748</b>	<b>11,552</b>	<b>6,138</b>	<b>10,744</b>	<b>6,251</b>	<b>11,381</b>
% on sales	57.3%	41.6%	46.4%	49.7%	38.1%	19.6%	35.4%	19.4%	29.8%	34.5%
Other current assets & liabilities	(1,224)	(158)	(691)	536	(691)	1,113	(691)	1,000	(691)	606
<b>Net Working Capital</b>	<b>4,067</b>	<b>4,822</b>	<b>3,776</b>	<b>8,304</b>	<b>5,056</b>	<b>12,665</b>	<b>5,447</b>	<b>11,744</b>	<b>5,560</b>	<b>11,987</b>
Intangibles	1,568	1,130	1,094	1,574	1,018	1,378	862	1,142	676	866
Materials	8,631	11,051	11,933	12,869	11,185	12,127	10,577	10,825	9,769	9,463
Financials	17	17	17	17	17	17	17	17	17	17
<b>Fixed assets</b>	<b>10,215</b>	<b>12,198</b>	<b>13,044</b>	<b>14,460</b>	<b>12,220</b>	<b>13,522</b>	<b>11,456</b>	<b>11,984</b>	<b>10,462</b>	<b>10,346</b>
Funds	(387)	(582)	(480)	(469)	(752)	(1,006)	(883)	(976)	(1,100)	(683)
Other non current assets & liabilities	(897)	(507)	(702)	(264)	(702)	(264)	(702)	(264)	(702)	(264)
<b>Net Invested Capital</b>	<b>12,998</b>	<b>15,931</b>	<b>15,639</b>	<b>13,727</b>	<b>15,823</b>	<b>12,252</b>	<b>15,319</b>	<b>10,744</b>	<b>14,220</b>	<b>9,399</b>
<b>Equity</b>	<b>7,671</b>	<b>8,283</b>	<b>8,360</b>	<b>8,844</b>	<b>8,956</b>	<b>14,081</b>	<b>9,712</b>	<b>20,992</b>	<b>10,824</b>	<b>20,992</b>
Share capital	1,092	1,092	1,092	1,092	1,092	1,092	1,092	1,092	1,092	1,092
Reserves	4,461	4,848	7,190	7,190	7,268	7,752	7,864	17,701	8,619	17,701
Accumulated profit/loss	1,984	2,081	-	-	-	-	-	-	-	-
Net profit	133	261	77	561	596	5,237	756	2,199	1,113	2,199
Minorities	-	-	-	-	-	-	-	-	-	-
<b>Net debt (cash)</b>	<b>5,328</b>	<b>7,648</b>	<b>7,279</b>	<b>13,187</b>	<b>6,867</b>	<b>10,836</b>	<b>5,607</b>	<b>3,694</b>	<b>3,396</b>	<b>394</b>
<b>Liabilities</b>	<b>12,998</b>	<b>15,931</b>	<b>15,639</b>	<b>22,031</b>	<b>15,823</b>	<b>24,917</b>	<b>15,319</b>	<b>22,488</b>	<b>14,220</b>	<b>21,386</b>

Source: Banca Profilo elaborations and estimates on Company data

*Net debt gradually decline from €13.2mln in 2020E to a Net cash of €0.4 at the end of 2023E*

We see Net debt to gradually decline from €13.2mln (previous seen at €7.3mln) at the end of 2020E, based on current trends and management strategic optimization plans and investments. We include also the two financial instruments issued by Sciuker in 2020: i) the convertible bond convertible bond (up to €5mln), assuming that Sciuker will exercise the tranches in 2021 and 2022 and ii) the €3mln non-convertible bond by the Campania Region project named "Basket Bond"; iii) the loan issued in August with Intesa San Paolo for €1.5mln. At the end of 2023E we project Net cash at €0.4mln (previous seen at €3.4mln).

*€28.3mln of Operating Cash Flows (vs prior €12.2mln) partially invested in Capex and NWC needs*

According to our Profit & Loss and Balance Sheet estimates, in 2020E-2023E, we forecast €28.3mln of cumulated Operating Cash Flows (vs previous €12.2mln), partially used to finance €6mln of Capex (vs previous €5mln) and €6.4mln of NWC needs (vs previous €1.3mln). The higher NWC needs now forecasted reflects the increase in revenues thanks to Ecospace contribution to the Group. Because of higher operating cash flow, partially absorbed by higher Capex and higher NWC needs, we now expect €16.0mln of cumulated FCFs in 2020E-2023E (vs previous €6.4mln).

Table 5: Sciuker Free Cash Flow evolution 2018-2023E

Cash flow (€ 000)	2018	2019	2020E Old	2020E New	2021E Old	2021E New	2022E Old	2022E New	2023E Old	2023E New
EBIT	791	901	722	1,802	1,962	12,078	2,403	11,220	3,117	5,997
taxes	(363)	(261)	(89)	(541)	(682)	(4,227)	(865)	(3,927)	(1,274)	(2,099)
<b>NOPAT</b>	<b>428</b>	<b>640</b>	<b>634</b>	<b>1,262</b>	<b>1,280</b>	<b>7,851</b>	<b>1,538</b>	<b>7,293</b>	<b>1,843</b>	<b>3,898</b>
D&A	967	1,322	1,384	1,738	1,554	1,968	1,759	2,083	2,199	2,193
<b>Operating cash flow</b>	<b>1,395</b>	<b>1,962</b>	<b>2,018</b>	<b>3,000</b>	<b>2,834</b>	<b>9,819</b>	<b>3,297</b>	<b>9,376</b>	<b>4,042</b>	<b>6,091</b>
Operating Net Working Capital ch	(3,551)	311	512	(2,788)	(1,280)	(3,784)	(391)	808	(113)	(637)
Other funds	21	195	(102)	(113)	272	536	131	(29)	217	(293)
Capex	(429)	(3,162)	(2,230)	(4,000)	(700)	(1,000)	(950)	(500)	(1,150)	(500)
<b>FCF</b>	<b>(2,564)</b>	<b>(694)</b>	<b>198</b>	<b>(3,901)</b>	<b>1,126</b>	<b>5,571</b>	<b>2,087</b>	<b>9,655</b>	<b>2,996</b>	<b>4,661</b>

Source: Banca Profilo elaborations and estimates on Company data

*Estimates execution risks*

Key risks:

- high growth rates can lead to cost management issues and challenge the Net

- Working Capital control;
- higher than projected negative impact of Covid-19 on 2020 estimates;
- rising competition;
- Ecospace revenues growth path is related to tax incentive Ecobonus 110%;
- Lower assessment risks related to Sciuker's building sites. Sciuker Group insures all employees working on the building site both direct Sciuker's and sub-contracts' specialists;
- Lower risk of execution related to Sciuker dealer's sales channel thanks to Ecospace's synergies that will drive Sciuker's revenue through the introduction of Sciuker's products in the building site.

## Valuation

### *DCF approach to appraise a fast-growing business model*

Given a growing EBITDA we expect a turnaround in the FCFs to begin in 2020E and for the following 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:  
€4.0mln yearly FCF on average

To run a DCF model, we use our projections of unlevered FCFs for the 2020E-2023E explicit period: €16.0mln cumulated and €4.0mln as yearly average (vs previous Sciuker-only estimates at €6.4mln and €1.6mln respectively).

We included maintenance Capex to deploy "organic growth" of the business and Capex for plant development to Industry 4.0. Moreover, in our valuation we included Sciuker Ecospace impact.

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

- an average yearly unlevered FCF of €4.0mln (vs €1.6mln in our previous expectations);
- 2% perpetual growth rate (unchanged vs our previous expectations).

*Table 6: Unlevered FCFs*

Cash flow (€/000)	2019	2020E	2021E	2022E	2023E	TV
EBIT	901	1,802	12,078	11,220	5,997	
taxes	(261)	(541)	(4,227)	(3,927)	(2,099)	
<b>NOPAT</b>	<b>640</b>	<b>1,262</b>	<b>7,851</b>	<b>7,293</b>	<b>3,898</b>	
D&A	1,322	1,738	1,968	2,083	2,193	
<b>Operating cash flow</b>	<b>1,962</b>	<b>3,000</b>	<b>9,819</b>	<b>9,376</b>	<b>6,091</b>	
Operating Net Working Capital change	311	(2,787)	(3,785)	808	(637)	
Other funds	195	(113)	536	(29)	(293)	
Capex	(3,162)	(4,000)	(1,000)	(500)	(500)	
<b>FCF</b>	<b>(694)</b>	<b>(3,900)</b>	<b>5,570</b>	<b>9,655</b>	<b>4,660</b>	<b>3,996</b>

*Source: Banca Profilo estimates and elaborations*

### *DCF assumptions: WACC at 8.3%*

We would apply a WACC of 8.3% (from prior 6.6%) derived from:

- risk free rate equal to 3.0%, as implicitly expected by consensus on the 30Y Italian BTP yield curve (moving average of the last 100 days);
- market risk premium at 5.5%;

- beta at 1.6, as the average of chosen listed peers to Sciuker;
- debt to equity target structure with a 64% weight on Equity.

We end up with a higher WACC (8.3% vs old 6.6%) mainly due to an increase in beta as the average of chosen listed peer to Sciuker (now seen at 1.6 from previous 1.2) and higher market risk premium now considered (5.5% vs prior 5%) due to the very uncertain scenario.

In order to get to the Equity Valuation, we would consider the adjusted net debt as of the end FY20, projected at €13.2mln, in order to include the new financial instrument issued in 1H20 and the effects of Ecospace integration.

Table 7: WACC calculation

WACC Calculation	
perpetual growth rate	2.0%
<b>WACC</b>	<b>8.3%</b>
risk free rate (30Y) (Bloomberg projections)	3.0%
equity risk premium	5.5%
beta	1.6
<b>KE</b>	<b>12.0%</b>
cost of debt	4.6%
tax rate	35%
<b>KD</b>	<b>3.0%</b>

Source: Banca Profilo estimates and elaborations

DCF valuation:  
€4.23/share

The DCF method leads us to an Enterprise Value of €59.5mln (vs our previous €32.5mln) and to an Equity Value of €46.3mln (from previous €24.9mln) showing a fair value of €4.23/share (vs previous €2.28/share), including the Net debt at the end of 2020 at €13.2mln.

Table 8: DCF valuation

DCF Valuation	2019	2020E	2021E	2022E	2023E	TV
Free Cash Flows (€ 000)		(3,900)	5,570	9,655	4,660	3,996
years		1	2	3	4	
discount factor		0.92	0.85		0.73	
NPV Cash flows (€ 000)		(3,602)	4,751	7,607	3,391	
Sum of NPVs (€ 000)		(3,602)	1,149	8,756	12,147	
Terminal Value (€ 000)						64,998
NPV Terminal Value (€ 000)						47,298
<b>Enterprise Value (€ 000)</b>						<b>59,446</b>
Net debt 2020E (€ 000)						13,185
<b>Equity Value (€ 000)</b>						<b>46,260</b>
number of shares ('000)						10,924
<b>Per share value (€)</b>						<b>4.23</b>

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): Deceuninck NV**, founded in 1953 and headquartered in Hooglede-Gits (Belgium),

*PVC window and door manufacturer*

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 2019, Deceuninck NV generated total revenues of around €634mln.

*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 2019, Agta Record Ltd generated revenues of around €404mln.

*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 6.6bn.

*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 2019, Eurocell Plc generated total revenues of around GBP 279mln.

*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 2019, SafeStyle Plc generated total revenues of approximately GBP 126mln.

*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 2019, 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 2019, Pgt innovations generated total revenues of approximately \$745mln.

Table 9: Market multiples

Company	Country	Currency	Price	Market Cap	Net debt	Minorities	EV
<i>(mln)</i>							
Deceuninck NV	BELGIUM	Euro	1.49	203	129.7	2.4	335.3
Agta Record Ltd	FRANCE	Euro	70.58	939	-139.1	0.0	799.9
Inwido AB	SWEDEN	Swedish Krona	102.90	5,965	1,730.0	0.0	7,694.9
Eurocell Plc	UNITED KINGDOM	British Pounds	1.83	202	23.0	0.0	225.4
SafeStyle UK Plc	UNITED KINGDOM	British Pounds	0.29	38	-6.3	0.0	32.0
Apogee Enterprises	UNITED STATES	U.S. Dollar	27.57	727	203.1	0.0	930.6
Pgt innovations	UNITED STATES	U.S. Dollar	17.68	1,042	280.0	0.0	1,322.5
<b>Sciuker Frames</b>	<b>ITALY</b>	<b>Euro</b>	<b>1.13</b>	<b>12</b>	<b>13.2</b>	<b>0.0</b>	<b>25.5</b>

Source: Banca Profilo elaborations on elaborations on FactSet (as of 2<sup>nd</sup> November 2020)

EV/Sales  
2020E-2021E 0.8x  
EV/EBITDA  
2020E-2021E  
6.9x-

Our sample of similar players active in the larger Fixtures Manufacturing industry, shows a medium value EV/Sales 2020E-2021E of 0.8x and an average EV/EBITDA 2020E-2021E of 6.9x.

The premium at which Sciuker trades on EV/EBITDA 2020E-2021E (8.4x vs 6.3x respectively) is partially due to its substantially higher revenue growth and EBITDA margins both in the past (2019) and as potential (2020-2021).

Table 10: Sample benchmarking

Company	Sales growth				EBITDA margin			
	2019	2020E	2021E	2022E	2019	2020E	2021E	2022E
Deceuninck NV	-7.9%	-5.8%	6.4%	4.7%	9.6%	9.4%	10.2%	11.0%
Agta Record Ltd	8.1%	-4.1%	6.2%	n.a.	17.5%	15.7%	17.5%	n.a.
Inwido AB	-0.5%	1.5%	1.8%	1.9%	12.7%	14.2%	13.8%	13.9%
Eurocell Plc	10.0%	-11.7%	8.6%	6.6%	15.1%	10.8%	14.0%	16.0%
SafeStyle UK Plc	8.4%	-12.0%	15.1%	8.8%	5.0%	4.3%	7.5%	8.8%
Apogee Enterprises	-0.3%	-6.4%	0.4%	n.a.	10.1%	10.2%	10.8%	n.a.
Pgt innovations	6.7%	15.6%	5.9%	4.8%	17.2%	17.1%	17.6%	18.1%
<b>Mean</b>	<b>3.5%</b>	<b>-3.3%</b>	<b>6.3%</b>	<b>5.4%</b>	<b>12.5%</b>	<b>11.7%</b>	<b>13.1%</b>	<b>13.6%</b>
<b>Sciuker Frames</b>	<b>12.8%</b>	<b>30.7%</b>	<b>279.5%</b>	<b>-6.8%</b>	<b>21.5%</b>	<b>23.9%</b>	<b>24.9%</b>	<b>25.3%</b>

Source: Banca Profilo elaborations on elaborations on FactSet (as of 2<sup>nd</sup> November 2020)

Table 11: Market multiples

Company	EV / Sales		EV / EBITDA	
	2021E	2022E	2020E	2021E
Deceuninck NV	0.5x	0.5x	6.0x	5.2x
Inwido AB	1.1x	1.1x	8.0x	8.2x
Eurocell Plc	0.8x	0.8x	8.5x	6.0x
SafeStyle UK Plc	0.3x	0.2x	6.7x	3.4x
Apogee Enterprises	0.7x	n.a.	7.0x	6.6x
Pgt innovations	1.5x	1.4x	9.0x	8.2x
<b>Mean</b>	<b>0.8x</b>	<b>0.8x</b>	<b>7.5x</b>	<b>6.3x</b>
<b>Sciuker Frames</b>	<b>0.4x</b>	<b>0.5x</b>	<b>10.0x</b>	<b>6.9x</b>

Source: Banca Profilo elaborations on elaborations on FactSet (as of 2<sup>nd</sup> November 2020)

Market multiples  
valuation: €3.72/share

Our relative valuation is based on peers' average EV/EBITDA 2020E-2021E at 6.9x. This leads to an Equity Value of €40.7mln (vs previous €10.5mln) or €3.72/share (vs previous before €0.96/share). In our previous update (30<sup>th</sup> April 2020) the average EV/EBITDA 2020-2021E stood at 6.3x.

Table 12: Market multiples valuation

Relative Valuation on market multiples 2020E-2021E			
EV/EBITDA		EBITDA	
2020E	2021E	2020E	2021E
7.5x	6.3x	3,712.2	14,696.1
ENTERPRISE VALUE		NET DEBT FY20	
27,969.6	92,726.1	13,185.3	
EQUITY VALUE			
40,687.0			
Price per share			<b>3.72</b>

Source: Banca Profilo elaborations on elaborations on FactSet (as of 2<sup>nd</sup> November 2020)

**TP at €4.0/share (from €1.62/share) and BUY recommendation**

We set our new TP at €4.0/share (up from previous €1.62/share) as the average of the DCF and market multiple valuations. Given the significant potential upside on Sciuker's closing price (as of 4<sup>th</sup> November 2020), we confirm our BUY recommendation.

We end with a much higher valuation and potential upside due to the integration of Ecospace and related synergic contribution to Sciuker. Furthermore, Sciuker strengthened its net financial position to deal with current highly uncertain Covid-19 scenario.

Table 13: Liquidity indicators

	Liquidity indicators			
Start Date	31/05/2020	03/01/2020	03/08/2019	03/08/2018
End Date	28/10/2020	01/06/2020	31/12/2019	31/12/2018
Days with no trades on total trading days	2%	1%	0%	18%
<b>Average daily volume on free float</b>	<b>0.39%</b>	<b>0.94%</b>	<b>3.42%</b>	<b>0.35%</b>

Source: Banca Profilo estimates and elaborations on Factset data

**Liquidity discount**

To assess the stock's liquidity, we carried out an analysis on two indicators for four different periods, all consisting of approximately 100 trading days. It emerged that Sciuker's average daily trading volumes are very little if compared to its free float. We would then monitor the liquidity of the stock and eventually apply a liquidity discount.

## Shareholders' structure

**Shareholders:**  
Cipriano Family at 67%; 33% free float

The Group is controlled by Marco Cipriano, founder and CEO, and by Romina Cipriano, with a cumulated 67% stake through the holding H.Arm. Free Float is 33%.

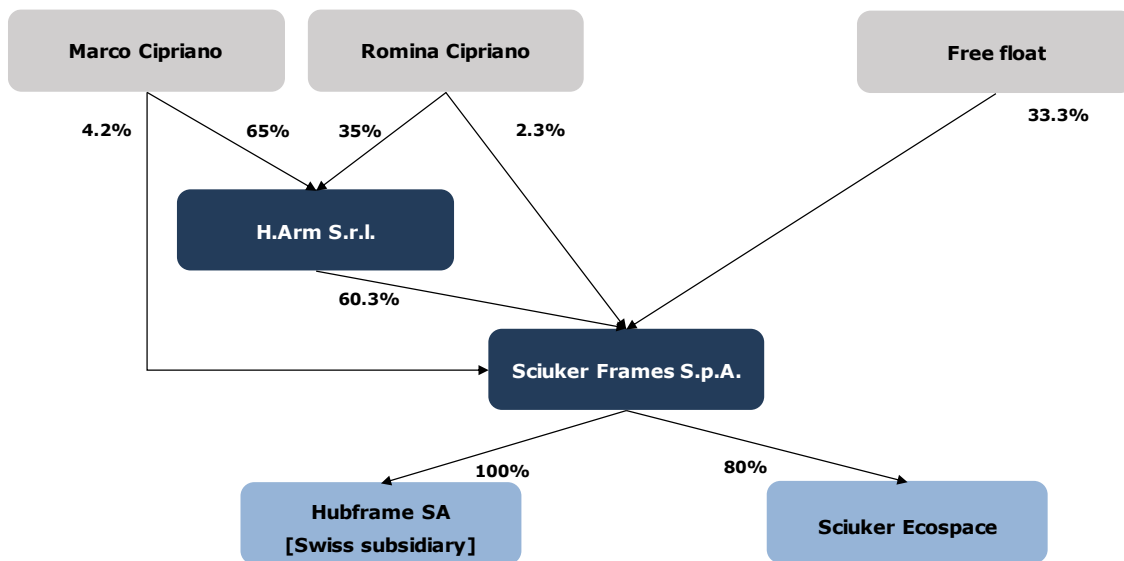
**Listed on the AIM at €1.4/share**

The Company was listed on the AIM segment of the Milan Stock Exchange on the 3<sup>rd</sup> 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 €14.2mIn (as of 4<sup>th</sup> November 2020).

**Ecospace acquisition**

In July, Sciuker announced the acquisition of 80% of a start-up called Ecospace. The Startup is active in the energy efficiency interventions such as thermal insulation, including fixtures replacement, photovoltaic systems, both within condominiums and single-family houses.

Figure 9: Group structure



Source: Banca Profilo elaborations on Company data

Warrant strike prices and exercise periods

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

Assuming the conversion of 100% of warrants held by the market, H.Arm stake would decline to 46.6% with a dilution effect of 30.6%.

Table 14: 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%
Romina Cipriano	245,850	245,850	-	245,850	2.3%	1.7%
Free float	3,637,560	3,215,000	3,215,000	6,852,560	33.3%	48.5%
<b>Total</b>	<b>10,924,100</b>	<b>10,501,540</b>	<b>3,215,000</b>	<b>14,139,100</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Banca Profilo elaborations on Company data

Buyback programme

In April 2020, Sciuker approved a buyback programme for supporting stock liquidity and incentive plans (including M&A). The price of the repurchased shares will not be above the 15% of the day before market price. Regarding the trading number of shares, this will not exceed the 25% of the medium trading value based on the prior 20 days of trading. The total amount of purchased share cannot exceed the 10% of share capital.

Convertible bond cum warrant

Flexible instrument with a maximum value of €5mIn, exercisable until 30 months

On March, Sciuker announced an agreement with Atlas fund for the issue of a flexible instrument, exercisable as needed until 30 months, with the aim of financing the Company's development plans both in directional and retail sector. The new instrument is a convertible bond in Sciukers' share cum warrant with a maximum value of €5mIn and an annual coupon of 3%.

Four tranches each with a maximum of €2mIn

The instrument is divided into four tranches exercisable by the shareholder after 90 days from each; for each tranche the Company will pay fixed commission of 5%. The first and second tranches are variable in amount (minimum €1mIn and maximum



€2mln); the third will be for an amount equal to the difference between €5mln and the total amount of the previous tranches, not exceeding €2mln; the fourth tranche will be the residual amount.

*The bond can be repaid by the company at any time*

The bond can be repaid by Sciuker: i) in advance at any time corresponding to the holders, in addition to the capital not yet reimbursed, a penalty and accrued interest; ii) three days before the due date, at the money, in addition to the accrued interest.

*In case of conversion, Sciuker has the right to repurchase the bond at the money*

Receiving notice of bond's conversion, Sciuker has the right to repurchase it, at the money, in addition to the payment of the accrued interest and a penalty. The conversion price will be equal to the nominal value divided by the average price of Sciukers' shares in the previous 20 trading days, discounted by 5%.

*In the case of total conversion, the dilution effect will be 49.1% with Atlas fund as main shareholder*

We assume the worst scenario, the case in which Atlas fund fully converts bonds for the maximum value of €5mln, because Sciuker cannot repay the capital, at a price based on the historical minimum of Sciukers' share (€0.55) discounted by 5%, thus at €0.475. In this case the converted shares are approximately 10.5mln, resulting a dilution of H-Arm share at 30.7% compared to the current 60.3% and a majority stake of Atlas fund at 49.1%.

*Table 15: Conversion of total bond scenario analysis*

Sciuker Frames S.p.A. shareholding structure	N° of ordinary shares	New shares converted	N° of ordinary shares post bond conversion	Current shareholding structure	Shareholding structure post bond conversion
H.Arm S.r.l.	6,584,110		6,584,110	60.3%	30.7%
Marco Cipriano	456,580		456,580	4.2%	2.1%
Romina Cipriano	245,850		245,850	2.3%	1.1%
Atlas		10,526,316	10,526,316	0.0%	49.1%
Free float	3,637,560		3,637,560	33.3%	17.0%
<b>Total</b>	<b>10,924,100</b>	<b>10,526,316</b>	<b>21,450,416</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Banca Profilo elaborations on Company data

*Warrants are linked to the bond issue with a strike price of €2.4 for the first 50% and €2.8 for the second one. Each warrant corresponds to one Sciuker's share*

Each tranche of bonds is linked to a free issue of warrants equal to 30% of the nominal value of each tranche divided by the weighted average price of Sciukers' shares in the previous 30 trading days. Each warrant gives the right to receive a Sciuker's share at a strike price of €2.4 for the first 50% of warrants and of €2.8 for the remaining part. The warrants can be exercised between 01/08/2021 and 01/08/2023 for a maximum total amount of €10.4mln; they will no longer be exercisable when Sciukers' warrants already issued at IPO be exercised by 31/05/2021.

*In case of worst warrant scenario Atlas will have a capital share of 26.8%*

To have an idea of the worst scenario linked to the exercise of all warrants we assumed that the weighted average price of Sciuker's share in the previous 30 trading days is €0.39, thus the total warrants issued are 4mln. In case of all warrants are exercised by Atlas there will be a dilution effect of 26.8%

*Table 16: Exercise of total warrant 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 2023 warrant subscription	Current shareholding structure	Shareholding structure post 2020 warrant subscription
H.Arm S.r.l.	6,584,110			6,584,110	60.3%	44.1%
Marco Cipriano	456,580			456,580	4.2%	3.1%
Romina Cipriano	245,850			245,850	2.3%	1.6%
Atlas		4,000,000	4,000,000	4,000,000	0.0%	26.8%
Free float	3,637,560			3,637,560	33.3%	24.4%
<b>Total</b>	<b>10,924,100</b>	<b>4,000,000</b>	<b>4,000,000</b>	<b>14,924,100</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Banca Profilo elaborations on Company data

**Sciuker Frames  
"ID Card"**

Recommendation

Target Price

Upside

**BUY**
**4.00 €**
**206%**
**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 2019, the Italian window market had a value of about €4.6bn, for approximately 4.3mln units. The 2019 confirmed the Industry positive path, began in 2016, in windows demand even if growth rate was affected by the global economic slowdown to 2.7% in 2019 from 3.7% in 2018. Assuming that the lockdown will last no more than the first quarter of 2020, projections see a growth contraction between 10%-15% in annual terms. Therefore, the expected nominal growth of construction investments could slow down to 2.1% in 2020 and the window consumption could drop to 1.4%. In the event the measures to contain the outbreak of Covid-19 would extend into the second quarter of 2020, demand and consumption growth would be much heavier hit.

2019 figures confirm the Group's historical positive path. Sales stood at €12mln (+30% yoy). Almost 50% of 2019 revenues are linked to the Skill collection, around 22% Isik collection, and 17% Stratek. EBITDA shows a growth of 37% yoy reaching the value of €2.6mln in 2019, and the margin touched its peak at 21.5%, improving 390bps yoy. At the end of December, Net debt (cash) net debt increased to €7.6mln from €5.3mln at the end of 2018. The Coronavirus outbreak and related lockdown will have a negative impact on Sciuker's 2020 numbers, hopefully limited to the first quarter. Therefore we revised downward our estimates on 2020. We are now expecting a 20% contraction in the positive path of Sciuker's revenue which will reach €9.6bn (vs previous €15.5bn) with a 15% CAGR 2019-2023E (vs previous 21.4%). Given that almost 90% of Sciuker's costs are variable, we still expect EBITDA margin to improve to 23% in 2020 (vs previous 17%). Cumulated operating cash flows of €12.2mln in 2020E-2023E (vs previous €11.0mln), will be partially invested in Capex and NWC needs ending with cumulated FCFs of €6.4mln (vs previous €4.3mln) thanks to the management focus on NWC optimization. However we believe that Sciuker is setting up strategic levers for a prompt reply to Covid-19 thanks to the so-called Ecobonus, a Government incentive that allows tax credit transfer (for energy efficiency on window renovations) corresponding to a 50% deduction on windows' final price, that will boost Sciuker's turnover from its Retail distribution channel. Furthermore the Company has set up further strategic agreements to kick its B2B sales and to expand its activity internationally. Finally, Sciuker, has strengthened its financial position through a convertible bond (up to €5mln) and a non-convertible bond by the Campania Region project (€3mln "Basket Bond").

**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
- "Ecobonus"
- 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  
 Higher than projected negative impact of Covid-19 on 2020 estimates;



## Sciuker Frames "ID Card"

Recommendation

**BUY**

Target Price

**4.00 €**

Upside

**206%**

nov, 06 2020 - 15:05

### Main Financials

(€ mln)	2018	2019	2020E	2021E	2022E
<b>Revenues</b>	<b>9,238</b>	<b>11,966</b>	<b>15,628</b>	<b>59,089</b>	<b>55,360</b>
yoy change		29.5%	30.6%	278.1%	-6.3%
<b>Value of Production</b>	<b>10,549</b>	<b>11,904</b>	<b>15,560</b>	<b>59,059</b>	<b>55,013</b>
yoy change		12.8%	30.7%	279.5%	-6.8%
<b>EBITDA</b>	<b>1,866</b>	<b>2,565</b>	<b>3,712</b>	<b>14,696</b>	<b>13,912</b>
yoy change		37.4%	44.7%	295.9%	-5.3%
margin (%)	17.7%	21.5%	23.9%	24.9%	25.3%
<b>EBIT</b>	<b>791</b>	<b>901</b>	<b>1,802</b>	<b>12,078</b>	<b>11,220</b>
margin (%)	7.5%	7.6%	11.6%	20.5%	20.4%
<b>EBT</b>	<b>496</b>	<b>496</b>	<b>1,204</b>	<b>11,233</b>	<b>10,107</b>
margin (%)	4.7%	4.2%	7.7%	19.0%	18.4%
<b>Net income</b>	<b>133</b>	<b>261</b>	<b>561</b>	<b>5,237</b>	<b>4,712</b>
margin (%)	1.4%	2.2%	3.6%	8.9%	8.5%
<b>Net Debt (cash)</b>	<b>5,328</b>	<b>7,648</b>	<b>13,187</b>	<b>10,836</b>	<b>3,694</b>
<b>Shareholders Equity</b>	<b>7,671</b>	<b>8,283</b>	<b>8,844</b>	<b>14,081</b>	<b>18,793</b>
Operating Net Working Capital	5,291	4,980	7,768	11,552	10,744
Fixed assets	10,215	12,198	14,460	13,522	11,984
Net invested capital	12,998	15,931	22,031	24,917	22,488
<b>Operating Free Cash Flow</b>	<b>1,395</b>	<b>1,962</b>	<b>(2,788)</b>	<b>(3,784)</b>	<b>808</b>
Capex and acquisitions	(429)	(3,162)	(4,000)	(1,000)	(500)
<b>Free Cash Flow</b>	<b>(2,564)</b>	<b>(694)</b>	<b>(3,901)</b>	<b>5,571</b>	<b>9,655</b>

### Company Description

Company Sector	Fixture manufacturer
Price (€)	1.30
Number of shares ('000)	10,924
Market Cap (€mln)	14.20
Reference Index	FTSE AIM Italia
Main Shareholders	Marco Cipriano, Romina Cipriano
Main Shareholder stake	43%, 23%
Free Float	33%
Daily Average Volumes ('000)	126.3
Sample of comparables	Deceuninck NV, Agta Record Ltd, Inwido AB, Eurocell Plc, SafeStyle UK Plc, Apogee Enterprises, Pgt innovations

### Solvability ratios

	2018	2019	2020E	2021E	2022E
Net debt (cash) / EBITDA	2.9x	3.0x	3.6x	0.7x	0.3x
Net debt (cash) / Equity	0.7x	0.9x	1.5x	0.8x	0.2x
Net debt (cash) / Net Invested Capital	41.0%	48.0%	59.9%	43.5%	16.4%

### Financial and Operative ratios

	2018	2019	2020E	2021E	2022E
Tax rate	73.1%	50.0%	53.4%	53.4%	53.4%
ROIC	1.0%	1.6%	2.5%	21.0%	21.0%
ROE	1.7%	3.2%	6.3%	37.2%	25.1%
Capex/Sales	4.6%	26.4%	25.6%	1.7%	0.9%
D&A to capex	225.4%	41.8%	43.5%	196.8%	416.6%
NWC to sales	57.3%	41.6%	49.7%	19.6%	19.4%

Source: Bloomberg, Banca Profilo estimates and elaborations

### Fixtures manufacturing: data of peers

	2020E	2021E
Revenue Growth (yoy)	-3.3%	6.3%
EBITDA margin	11.7%	13.1%

Average data

### Fixtures manufacturing: multiples of peers

	2020E	2021E
EV / Sales	0.9x	0.8x
EV / EBITDA	0.8x	7.5x

Median 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).

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, NOMAD AND SPECIALIST 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](http://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](http://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](http://WWW.BANCAPROFILO.IT), IN THE SECTION "CLIENTI AZIENDALI E ISTITUZIONALI/ANALISI E RICERCA").