# SCK Group

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**Full Company Report** **Reason: Initiation of coverage** ***25 November 2021***

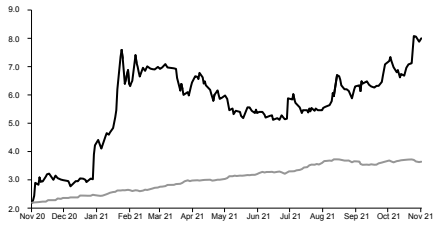
| **Buy** | |
|---|---|
| *Initiating Coverage* | |
| **Share price: EUR** | **8.00** |
| *closing price as of 24/11/2021* | |
| **Target price: EUR** | **14.00** |

| **Upside/Downside Potential** | **75.0%** |
|---|---|
| *Reuters/Bloomberg* | SCK.MI/SCK IM |
| **Market capitalisation (EURm)** | **174** |
| Current N° of shares (m) | 22 |
| **Free float** | **42%** |
| Daily avg. no. trad. sh. 12 mth (k) | 196 |
| Daily avg. trad. vol. 12 mth (k) | 1,284.71 |
| Price high/low 12 months | 8.10 / 2.29 |
| Abs Perfs 1/3/12 mths (%) | 12.68/44.40/265.30 |

| **Key financials (EUR)** | **12/20** | **12/21e** | **12/22e** |
|---|---|---|---|
| Sales (m) | 23 | 105 | 138 |
| EBITDA (m) | 8 | 31 | 40 |
| *EBITDA margin* | *34.0%* | *29.1%* | *28.9%* |
| EBIT (m) | 6 | 28 | 35 |
| *EBIT margin* | *26.9%* | *27.0%* | *25.4%* |
| Net Profit (adj.)(m) | 2 | 14 | 17 |
| ROCE | 28.4% | 35.7% | 34.2% |
| Net debt/(cash) (m) | 2 | (3) | (7) |
| *Net Debt Equity* | *0.2* | *-0.1* | *-0.1* |
| Net Debt/EBITDA | 0.3 | -0.1 | -0.2 |
| Int. cover(EBITDA/Fin.int) | 9.9 | 5.2 | 5.8 |
| EV/Sales | 1.5 | 1.6 | 1.2 |
| EV/EBITDA | 4.3 | 5.6 | 4.2 |
| EV/EBITDA (adj.) | 4.3 | 6.9 | 5.1 |
| EV/EBIT | 5.5 | 6.1 | 4.8 |
| P/E (adj.) | 13.1 | 12.3 | 10.2 |
| P/BV | 2.7 | 4.2 | 3.1 |
| *OpFCF yield* | *22.9%* | *29.9%* | *25.2%* |
| *Dividend yield* | *0.0%* | *2.3%* | *1.6%* |
| EPS (adj.) | 0.21 | 0.65 | 0.78 |
| BVPS | 1.03 | 1.91 | 2.56 |
| DPS | 0.00 | 0.19 | 0.13 |

**Shareholders**

H.Arm 51%; Marco Cipriano 4%; Romina Cipriano 2%;




*Source: FactSet*

SCK GROUP — FTSE AIM Italia (Rebased)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## Perfect timing to tap into an unprecedented framework

**SCK Group is among the largest players in the Italian window market, with a specific focus on the residential segment. Three strategic acquisitions over the last 18 months (Ecospace, GC Infissi and Teknika) have radically expanded the group, which now aims at becoming a leading Italian player in "Hole Box management", as it is an integrated, one-stop supplier for any component required around a "simple" window. The exceptionally strong momentum the Italian construction industry is going through supports the medium-term perspectives and leaves room for a significant upside. We initiate our coverage with a EUR 14/sh target price and a Buy recommendation.**

- ✓ **Sciuker Frames** is the "beating heart" of the group. Based in Contrada (Avellino), the company has developed and patented 19 innovative technical solutions for wooden-aluminium frames over its 25-year life, as well as the related industrial processing steps.
- ✓ As of 2020, the group has started to expand into adjacent segments in order to create a leading, integrated Italian player. In particular, SCK has added PVC and aluminium window frames to its offer by acquiring **GC Infissi** in January 2021, while in November it finalised the acquisition of **Teknika**, a small Italian company focused on window "accessories" (shutters, blinds, shutter casings, mosquito nets and frame side insulation). SCK thus aims to offer its customers complete "Hole Box Management", as it is an integrated, one-stop supplier for any component required around a "simple" window.
- ✓ The timely integration (June 2020) of **Ecospace** is creating strong synergies with SCK's core business and is boosting cash generation to support an ambitious scale-up plan. Ecospace is a general contractor focused on renovations under the **"Superbonus" framework** (a favourable tax credit scheme for the renovation of dwellings, which pays back to customers 110% of the amount they spend on renovation work).
- ✓ SCK's core business has always been focused on improving the energy efficiency of dwellings, and now – more than ever – the company has tapped into its know-how to help reach the ambitious CO2 emissions targets. As such, **SCK's mission is intrinsically environment oriented**. Moreover, a number of initiatives have been implemented to improve its direct and indirect environmental footprint, including the launch of "Foresta Sciuker" (to mop up one tonne of CO2), the minimisation and recycling of industrial waste and the installation of solar panels to self-produce electricity to power the production facilities.
- ✓ On 5 October 2021, SCK presented its **maiden 2021/24 business plan**. We deem the targets to 2023 reachable as SCK is riding (with perfect timing) the "Italian renovation wave" and is integrating companies (GC and Teknika) that are perfectly synergic with its core business. As regards the industrial core business, we have taken a more cautious view since a significant share (~30% in our estimates) is Superbonus-driven until 2023, while this component is likely to lose steam as of 2024. Indeed, although the 110% Superbonus is in place and fully funded until 2023, further extensions will need specific approval and additional public funding, which ought to be provided year by year under the annual budget law.
- ✓ **We initiate our coverage with a target price of EUR 14/sh and a Buy recommendation**, based on a DCF valuation (terminal growth rate 1.5%, WACC 8.25%) supported by a multiple comparison.


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Banca Akros

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# Investment Case

SCK Group is among the largest players in the Italian window market, with a specific focus on the residential segment.

**Sciuker Frames** is the "beating heart" of the group. Based in Contrada (Avellino), the company has **developed and patented 19 innovative technical solutions** for wooden-aluminium frames over its 25-year life, as well as the related industrial processing steps.

As of 2020, the group has started to expand into adjacent segments, in order to create a leading, integrated Italian player. In particular, SCK has added PVC and aluminium window frames to its offer by acquiring **GC Infissi** in January 2021, while in November it finalised the acquisition of **Teknika**, a small Italian company focused on window "accessories" (shutters, blinds, shutter casings, mosquito nets and frame side insulation). SCK thus aims to offer its customers complete "**Hole Box Management**" as it is an integrated, one-stop supplier for any component required around a "simple" window. The group also boasts a nationwide network of more than 500 resellers, as well as direct relationships with contractors, such as Abitare In.

The renovation of dwellings is key to achieving the EU's challenging 2030/50 energy efficiency targets as more than 40% of energy (and CO2) is produced to heat and cool residential buildings. Likewise, the targets set by the Italian government point at significant cuts in real estate power consumption, which soars as buildings get older.

In this context, the **timely integration of the Superbonus-linked renovation business** is creating strong synergies with SCK's core business and is boosting the cash generation to support the ambitious **scale-up plan**.

The Superbonus has triggered an **unprecedently strong demand** in Italy, particularly as of Q2 2021, which greatly exceeds the current capacity. However, **windowmakers are struggling to keep up with the demand**, thus leading to longer times to fulfil orders. Indeed, most players, i.e. small and micro-companies with poorly industrialised processes (particularly in the PVC segment), cannot scale up their capacity to match the new demand.

As such, the largest and most industrialised players can easily take advantage of this situation. Moreover, they can also lever **unusually higher visibility**, given the need for longer production plans.

**We initiate our coverage with a target price of EUR 14/sh and a Buy recommendation**. We deem the targets to 2023 reachable, as SCK is riding (with perfect timing) the "Italian renovation wave" and is integrating companies (GC and Teknika) that are perfectly synergic with its core business. As regards the industrial core business, we have taken a more cautious view since a significant share (~30% in our estimates) is Superbonus-driven until 2023, while this component is likely to lose steam as of 2024. Indeed, although the 110% Superbonus is in place and fully funded until 2023, further extensions will need specific approval and additional public funding, which ought to be provided year by year under the annual budget law.

# SWOT Analysis

## Strengths

- ✓ **Premium business**: solid leadership in wooden-aluminium windows
- ✓ **Patents**: 19 filings protecting products and industrial processes
- ✓ **Well-industrialised processes**: possibility to scale up capacity rapidly
- ✓ **Flexible cost structure**: production phases externalised, based on long-standing contracts
- ✓ **Distribution**: reseller network spanning the whole country, mimicking the GDP distribution; 5 directly-owned SCK stores
- ✓ **Superbonus**: strong boost to short-term cash generation and profitability in line with the group's average

## Weaknesses

- ✓ **M&A**: possible difficulties in replicating SCK's peculiar production structure in newly acquired companies
- ✓ **Scale-up phase**: possible shortfalls in organic development
- ✓ **Country risk**: lack of geographic diversification; Superbonus renovations even more concentrated (only in Campania region)

## Opportunities

- ✓ **Ecological transition**: huge need for renovation in residential real estate
- ✓ **Direct government support** for end customers: structural tax credit framework, temporary boost from Superbonus (and possibility to factor the tax credit)
- ✓ **Highly fragmented market**: particularly in aluminium and PVC windows
- ✓ **Expansion into the accessory market**: further boost to revenue synergies by integrating the product portfolio
- ✓ **Expansion abroad**

## Threats

- ✓ **PVC and aluminium window markets**: larger competitors operating in Italy that are used to price competition
- ✓ **International companies**: large multinational groups with a comparable product portfolio
- ✓ **Subsidy-driven market**: huge contribution from public support schemes to the whole market (~37% of the whole demand linked to "ecobonuses" – before Superbonus)
- ✓ **Cyclical market**: building and construction market cycles

# Company profile

## Company history

Sciuker Frames was founded as "System s.a.s." in 1999 to design, make and sell wooden-glass and wooden-aluminium window frames. Since the very beginning, it has focused on internal R&D thanks to the **Sciuker Lab**. Founded in 2001, the company has developed and patented the **Stratec**, **LegaTec overlap thermal profile** and **Offline technologies**, among others, which still differentiate SCK's products.

In 2004, Sciuker opened its first store in Avellino. In 2016, H.Arm, a company owned by Sciuker's main shareholders (Marco and Romina Cipriano) bought a majority stake in Hubframe, a Swiss company specialised in the import and export trading of windows, doors, blinds and shutters.

In 2018, the shareholder structure was reshuffled around H.Arm: Marco and Romina Cipriano swapped their stake in Sciuker (58.5% and 31.5% respectively) for H.Arm's 80% stake in Hubframe. As a result, the Cipriano brothers owned (through H.Arm) a 89.55% stake in Sciuker, which in turn fully owned Hubframe.

**Sciuker was listed on the Italian AIM Market in 2018**. Thanks to the IPO, Sciuker floated 3.57m newly-issued shares (29.4% of the increased share capital) at EUR 1.4/sh, thus raising EUR 5m.

In 2019, the group exhibited its products at the **Fenestration Bau**, a leading trade fair held in Shanghai, thanks to the partnership with the Chinese company Wind Constructions Building Materials. The internationalisation process slowed down during the Covid-19 pandemic, but has resumed in 2021.

In 2020, Sciuker sold the stake in Hubframe and acquired 80% of Ecocontract srl, a general contractor focused on energy-efficient renovation work. The newly acquired subsidiary, which was later renamed **Sciuker Ecospace**, is driving the group's growth at a sustained pace thanks to the strong demand for residential building renovations under the so-called "**Superbonus 110%**".

In February 2021, Sciuker announced it had acquired **GC Infissi**, an Italian PVC and aluminium window manufacturer based in Agliè (Turin); this acquisition marked a further step in the group's expansion towards a comprehensive offer of all solutions and products linked to the window, so-called "**hole box management**".

In May 2021, the group successfully closed its warrant programme with a 99% subscription rate and raised a further EUR 20.1m.

During the presentation of the 2021/24 business plan, the management announced it intended to complete the **translisting from the AIM market to the STAR segment by summer 2022**.

# Business model

Sciuker's core business includes the design, production and sale of windows. In particular, the company manufactures well-designed premium window frames in compliance with the highest standards of energy efficiency.

Sciuker has gained significant know-how in wooden-aluminium and wooden structural-glass frames and, following the acquisition of GC Infissi in early-2021, has started expanding into new segments, including PVC and aluminium windows. Moreover, the company envisages further expansion into the market of ancillary products, which include blinds, shutters, shutter casings, mosquito nets and awnings.

Since H2 2020, the group has also been managing Ecospace, a general contractor specialised in residential-buildings renovation work under the "110% Superbonus" framework.

## Products and technology

The group has registered a number of trademarks (Sciuker, Stratec, Stratek, Minimal Frame Isik, Overlap Thermal Profile) as well as 19 patents, including:

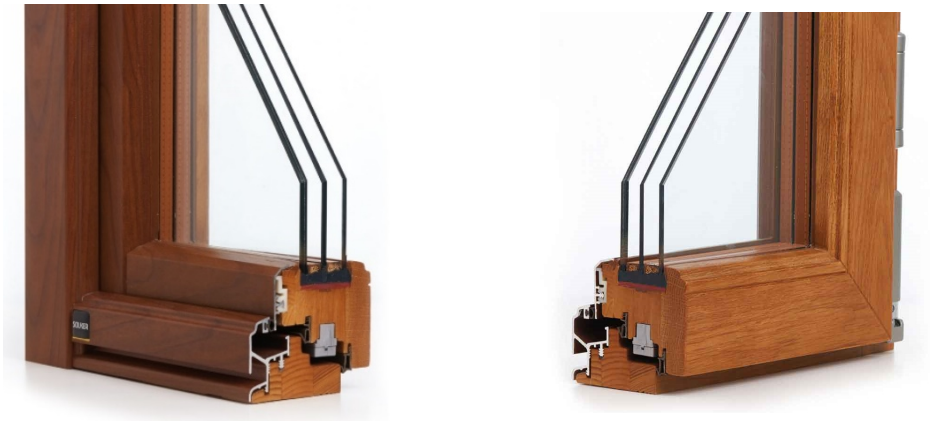
- ✓ **Stratec**, which stands for "**stra**tified **tec**hnology", as it's based on a substrate made of a "technologically performing" wood (fatwood, generally pine, with low thermal and acoustic conductivity), on which a finer wood veneer is applied, resulting in a 4-layer frame. Consequently, the frame is much lighter than it would be if it were made of solid wood, and allows the manufacturer to reduce scrap, while producing a refined window. Moreover, the stratification allows Sciuker to offer its customers a wide range of colours (such as teak, cherry and walnut). Finally, the finger joints that are applied to each layer prevent the frame from warping, thus keeping the windows' mechanical features throughout its life.
- ✓ **LegaTec overlap thermal profile**. The multi-layer wooden frame is covered on the outside with an aluminium layer and an acrylic resin film to protect the surface. The combined insulating layer protects the wooden frame and needs no maintenance; Sciuker products carry a 20-year warranty.
- ✓ **Mixed 90°/45° junction**. Sciuker has developed a unique joint that allows a mixed junction: externally, the planks are jointed perpendicularly, thus giving them a "traditional" look. Internally, the frames are jointed at 45° to strengthen their structure.

**Skill** is the entry level product, as its production process does not include the varnishing of wood and the gluing of the aluminium layer.

**Skill**

*Source: company website*

**Stratek**



*Source: company website*

**Offline** and **Exo** are large, sliding windows designed to minimise the frame width and maximise the exposure to sunlight. Indeed, thanks to the "**Offline 36/48**" technology, which includes a "hidden frame" solution (part of the structure is built into the wall), the room can receive 35% more sunlight than it can with ordinary windows.

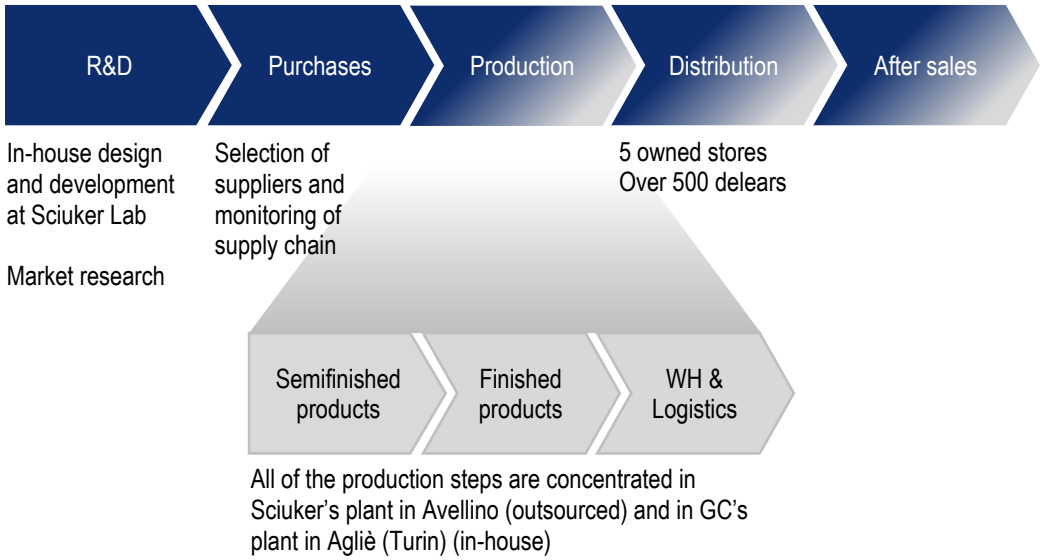
**Offline** **Exo**

*Source: company website*

Since 2020, Sciuker has also started to manufacture and sell the **VELT nZEB** (nearly-Zero Energy Building) collection, i.e. windows specifically designed for Superbonus-linked replacement with extremely-high insulating characteristics.

## Value chain

**SCK Group: value chain**




*Source: company data*

Since its very beginning, Sciuker has paid great attention to the design phase in order to develop and manufacture premium products. Established in 2001, **Sciuker Lab** is one of SCK Group's critical success factors, as it has developed and registered 19 patents. Although the founding family, particularly Mr. Marco Cipriano and his father Mr. Rocco Cipriano, used to be directly engaged in R&D activities, we note that the personal bonds have got looser and R&D has turned into an industrialised activity, thereby making the group less reliant on single professionals' skills and contribution.

Moreover, **process innovation** has been pursued through collaboration with high-standing external partners. For instance, Sciuker has co-designed and developed a new CNC machine with Barberan SA, a Spanish company specialised in machinery for wood finishing. This machine, which came into operation in September 2019, has allowed Sciuker to cut processing times by 80% and to increase capacity by 70% while reducing energy consumption and optimising warehouse management. The **industrialisation of the production phase is a key distinctive factor in the Italian window market**, as a large share of the windows market is made of quasi-craft, small and micro-companies. Moreover, all of Sciuker's wooden-aluminium frames go through the same production process, thus simplifying the **scalability of the model** and **reducing the time-to-market**; one should bear in mind that almost every window is tailor-made.

The group has adopted a **flexible production model**: while it oversees the entire production phase, which is concentrated in its facility in Contrada (Avellino), **most of the operations are outsourced**. Indeed, the supply of raw materials is managed by SCK Group directly, whereas the assembly, installation, post-sales service and maintenance activities are contracted out to a local company on a long-term basis. As such, the company can lever a **flexible cost structure**, in particular for labour costs. SCK Group itself only employed 13 people as at the end of 2020, whereas more than 110 people were provided by the contractor.

## Production facilities

The group runs 5 facilities, of which 2 are close to the Contrada (Avellino) headquarters, 2 in Agliè (Turin), being acquired following the GC Infissi deal, and 1 in Cressa (Novara) acquired through the Teknika deal.

| | Location | Surface (sqm) | Employees | Activities | Note |
|---|---|---|---|---|---|
| **Sciuker perimeter** | Avellino | 20,000 | 150 | Wooden-aluminium (production)<br>Wood-structural glass (production) | Operating |
| | Avellino | 50,000 | 90 | Wooden-aluminium (assembly)<br>Wood-structural glass (assembly) | To be completed by end-2021 |
| | *Avellino* | *5,000* | *37* | *Wooden frames* | *Under construction* |
| **GC Infissi perimeter** | Turin | 5,000 | 60 | PVC | Operating |
| | Turin | 10,000 | 80 | Aluminium frames | Operating |
| **Teknika** | Novara | 20,000 | na | Accessories | Operating |

*Source: SCK Group's 2021/24 business plan*

**The current aggregated production capacity, according to the 2021/24 business plan, stands at ~50k pcs p.a. (vs. 35k in 2020).**

According to company data, the Avellino plant was running at nearly half capacity in 2020 (2 shifts, 5 days a week), but since January 2021 it has been operating at full capacity (3 shifts, 7 days a week), which means it can make windows worth more than EUR 30m in revenues alone.

The acquisition of a **new 50K sqm facility in Avellino**, announced on 26 October 2021, is meant to expand and improve Sciuker's operations and logistics. The assembly phase will be moved from the original Contrada plant to the new area, where each product will have a dedicated assembly line. At the same time, the reorganisation will free up space in Contrada, thus enhancing the processing capacity. The company expects to reach ~300K sqm window capacity p.a. as of January 2022.

Another 5k sqm plant for wooden windows is currently under construction.

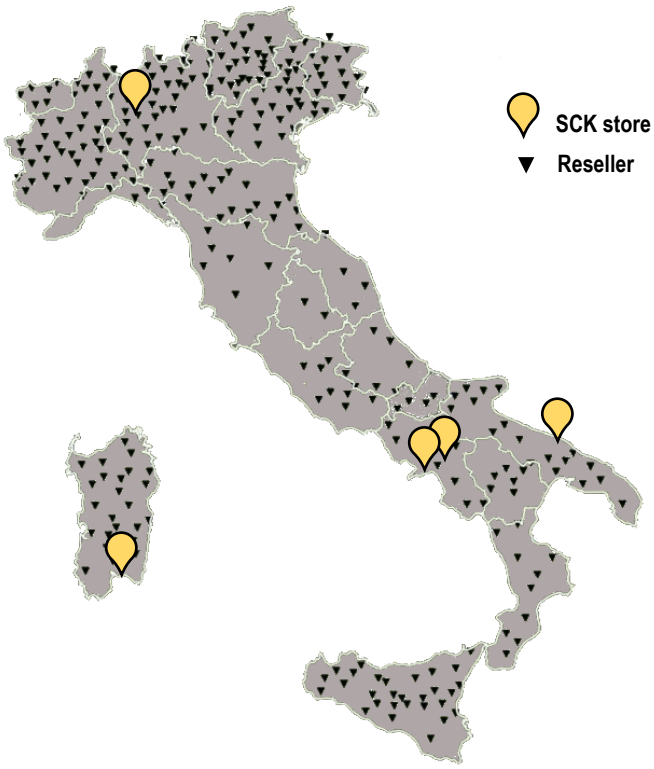
## Distribution

In 2017, the group started to implement a new distribution strategy based on a couple of strongholds:

- ✓ 5 directly-owned store (in Avellino, Naples, Cagliari, Bari and Milan); the latter was opened in October 2021 and is the first one under the "SCK Store" brand, which groups Sciuker Frames' and, as of 2021, GC Infissi's products;
- ✓ 4 multi-brand Urban Stores (3 in Rome, 1 in Palermo);
- ✓ 500 dealers, with significantly strengthened presence in northern and central Italy after the acquisition of GC Infissi.

The group also has direct connections with professional clients (for instance with Abitare In) when dealing with large residential projects.

**SCK Group: distribution network**




*Source: company data*

## Public support and tax credits

It is worth mentioning that the group has benefitted and still benefits from government initiatives to support entrepreneurial activity, namely:

- ✓ **ZES (Special economic areas,** DL 91/2017 "Decreto Sud"): this is a specific scheme designed to simplify red tape and provide direct support for investments in some areas of southern Italy, particularly in Campania, Calabria, Puglia, Molise and Sicily. As regards the financial support, companies are entitled to a tax credit of 20/45% (small enterprises), 15/35% (medium) or 10/25% (large), in any case capped at EUR 50m for each investment project. SCK's investment in Avellino falls within this scheme and the company is entitled to the subsidies for "medium enterprises".
- ✓ **"Innovative machinery" announcement** by the Ministry of Economic Development for southern Italy: in 2019, Sciuker applied for the co-funding of the new Barberan CNC machine (~EUR 3m in investments) and obtained EUR 1.05m in non-repayable grants and EUR 1.20m in soft loans.
- ✓ **Basket Bond "Campania"**: "Basket bonds" are alternative financial instruments specifically designed to support Italian SMEs and mid-cap companies and are arranged by the Italian state investment fund Cassa Depositi e Prestiti (CDP). In particular, a "Campania Bond" is an ~EUR 150m fund that underwrites minibonds and in turn issues ABS, which are underwritten by CDP and MedioCredito Centrale. On 14 April 2020, SCK issued a 7-year bond worth EUR 3m to support its R&D activity.

Sciuker Frames has also been qualified as an "**Innovative SME**" ("PMI Innovativa") since 9 May 2018. The framework includes:

- ✓ Consulting services for internationalisation strategies by the state agency ICE (Italian Trade & Investment Agency);
- ✓ Easier access to the Ministry of Economic Development's Fund for SMEs, which offers guarantees on loans for up to 80% of the amount and up to EUR 2.5m;
- ✓ Possibility to offer employees tax-free share-based compensation;
- ✓ Tax incentives for investors.

# Growth strategy

The group's growth strategy is based on the following pillars:

- ✓ **Organic growth**: the company aims at expanding the current capacity and the network of dealers, including the opening of the first "SCK-branded" store in Milan, which will offer the whole range of the group's products. The ultimate target is to create a **leading Italian brand** in windows that is highly recognisable and characterised by premium, well-designed products.
  - **Synergies**: Sciuker's integration strategy is being proven effective, as GC Infissi's turnover is set to grow nearly 30% above the stand-alone projections, after its products were included into Sciuker's distribution network. Besides the obvious cost synergies, **revenue synergies** are the key lever of the industrial integration.
  - **Abitare In agreement:** in March 2021, Sciuker Frames and Abitare In signed an agreement to supply more than 2,500 dwellings with windows over the following 5 years, for a total value of about EUR 50m for Sciuker. In 2018/19, Sciuker already delivered to Abitare In more than EUR 4.8m in wooden-aluminium and wooden-structural glass windows.
- ✓ **Accessories and ancillary products**: SCK group is planning to expand its product portfolio into the "ecosystem" centred on the window, including blinds, shutters, shutter casings, mosquito nets and awnings. Indeed, the management are striving to transform the group into a leading one-stop supplier centred on "**hole box management**" by providing a range of solutions that are **fully certified** from the environmental standpoint.
- ✓ **M&A**: this activity will be key in adding the ancillary products. Like in GC Infissi case, SCK aims at acquiring "technological and production platforms", i.e. small companies with an "industrial" structure and whose products could be integrated into SCK's product portfolio.
- ✓ **Internationalisation**. In 2019, Sciuker exhibited its products at the **Fenestration Bau**, a leading trade fair held in Shanghai, thanks to the partnership with the Chinese company Wind Constructions Building Materials. The internationalisation process slowed down during the Covid-19 pandemic, before has resumed in 2021.

## Public support to renovate residential buildings

Since 1997, the Italian government has launched a range of initiatives to support the renovation of privately-owned real estate, with a specific focus on residential buildings. The typical form has been a tax credit amounting to a certain percentage of the gross expenses (which has varied between 36 and 50%) and a lower VAT rate (10% instead of the current 22% ordinary rate).

After 2010, Italy started to enforce measures to specifically support the renovation work, in line with the EU guidelines, in order to improve the "energy performance", including consumption and heat losses. Indeed, the European Commission estimated (2010) that buildings account for 40% of the energy consumption and 36% of the greenhouse gas emissions in Europe, and that nearly 75% of the current real estate is "inefficient". Moreover, renovation of the total real estate stock could cut the energy consumption and the emissions by 5/6%, but only 1% of the total real estate is usually renovated each year.

Among other measures, the Italian law include:

- ✓ a 50% and 65% "Ecobonus", which can also be obtained by the suppling company in order to grant the end customer a heavily discounted price, thus immediately capitalising the 10-year tax credit;
- ✓ the 90% "Façade bonus", an initiative launched in 2020 to recover and renovate the façade of buildings in urban areas, without any budget limits and including those owned by companies;
- ✓ the 110% "Superbonus", which we will discuss in the following paragraph.

## 110% Superbonus: an opportunistic investment to accelerate industrial growth

Immediately after the first Covid-19 wave in Italy, the Italian government launched the "110% Superbonus", an unprecedented tax credit designed to be transferred to banks, thus paying back to the customer the entire amount they had spent on renovation work.

In particular, a house owner can apply for the Superbonus to cover some "**driving work**", such as the installation of thermal cladding, the replacement of heating systems (heat pumps) and the application of structural anti-seismic reinforcement (extending the previous "Sismabonus"). In addition, a number of "**dragged interventions**" are admitted, as long as at least one driving work is realised, and include the installation of other energy-efficiency solutions, photovoltaic plants, home automation systems and charging stations for EV.

The regulation sets tight requirements on transmittance and energy efficiency parameters, as well as the upper budget limit for each category.

**110% Superbonus: summary of eligible work and budget limits**

| Category | Intervention | Budget limit (EUR K) | | |
|---|---|---|---|---|
| | | Single-family dwelling | Block of flats (2 to 8 dwellings)* | Block of flats (>8 dwellings)* |
| Driving work | Thermal cladding | 50 | 40 | 30 |
| | Heating system replacement | 30 | 20 | 15 |
| | Anti-seismic reinforcement | 96 for each dwelling | | |
| Dragged work | PV panels and storage batteries | 48 (≤2.4/kW for PV plant, ≤1.0/kWh for storage batteries) | | |
| | Charging stations | 2 | 1.5 each for up to 8 stations<br>1.0 each for more than 8 stations | |
| | Windows, blinds | 60 | 60 | 60 |

*Source: Agenzia delle Entrate, ENEA (*) budget limits for each dwelling*

The end customer (and taxpayer) has three ways to benefit from the Superbonus:

- ✓ **Tax credit**: the total amount, divided into 5 yearly instalments, is subtracted from the individual's taxable income,
- ✓ **Transferred to banks**: the end customer immediately transfers the credit to banks or financial institutions, which retain ~6/8% of the amount as fees; the customer can also transfer a portion of the credit, as long as the work is 30% or 60% complete.
- ✓ **Transferred to the contractor**: the company that realises the renovation work takes on the tax credit and gives the end customer a massive rebate.

## Acquisition of Ecospace

SCK Group immediately understood the enormous potential of this public support. On 2 July 2020, the group bought an 80% stake in Eco Contract, a small general contractor founded in May 2020 to coordinate renovation work under the 110% Superbonus framework. The subsidiary was later re-branded and renamed **Ecospace**.

The initial consideration was EUR 0.3m, with the following earn-out clause:

| Earnout (EURm) | conditions | | | actual results |
|---|---|---|---|---|
| | date | cumulated backlog | EBITDA margin | cumulated backlog |
| 0.3 | 10-Feb-21 | >EUR 15m | *15/20%* | EUR 31.3m |
| 0.3 | 10-Jul-21 | >EUR 22m | *15/20%* | EUR 80.1m (as at 24 May) |
| 0.3 | 10-Nov-21 | >EUR 29m | *15/20%* | EUR 173.1m (as at 18 Oct) |

*Source: company data*

The company has not disclosed any details about profitability, but, based on the FY 20 and H1 21 results, we assume the EBITDA margin exceeded 20%, thus triggering both the earnout conditions.

SCK Group's stake in Ecospace increased to 88% in H1 21 when it acquired a further 8% stake from the founder for an undisclosed amount.

Thanks to this acquisition, Sciuker was among the first Italian companies to start renovation work under the Superbonus framework, mainly in the Campania region. The company's backlog has rapidly increased, especially in 2021. At the end of 2020, the group had a EUR 31.2m backlog, of which EUR 10.8m was booked as work-in-progress ("SAL – stato avanzamento lavori"). At the end of H1 21, the cumulated backlog exceeded EUR 100m, and on 18 October 2021 it reached EUR 173m.

Moreover, given the soaring demand for Superbonus-linked renovation, Sciuker can choose the most profitable projects, which yield an ~20/25% EBITDA margin for the general contractor (i.e. excluding the "industrial margin" Sciuker has on windows that it supplies).

### Business model

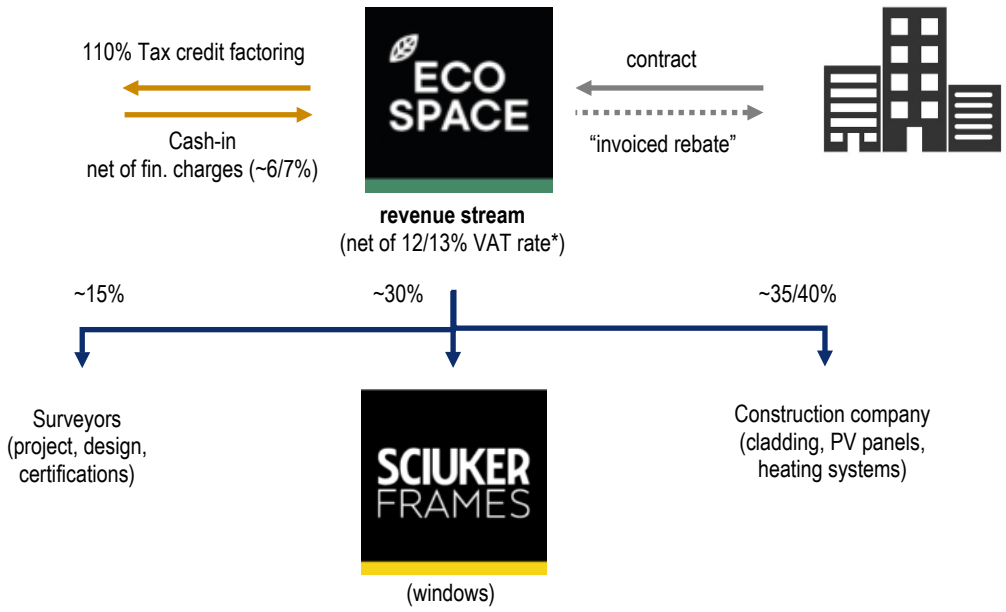
Ecospace signs contracts with end customers (with a specific focus on blocks of flats) and passes on the contracts to three external suppliers. In particular, Sciuker Frames gets the contract for windows, which usually accounts for ~30% of the global revenue stream.

The group usually offers the end customer the "invoiced rebate" solution and takes on the factoring of the tax credit, which usually entails financial charges of ~6/7% of the total amount.

Ecospace has also signed a CAR (Contractor's All Risks) insurance policy with a leading multinational insurance group that covers both customers and the contractor for work done by subcontractors for 10 years.

Indeed, renovation work has to comply with a number of strict technical requirements to be entitled to the 110% tax credit, including the energy performance and the physical characteristics of the employed materials.

**Sciuker Ecospace's business model**




*Source: company data, Banca Akros estimates*
*(*) VAT is computed as a weighted average between the ordinary rate (22%) and the subsidised rate for renovation work (10%)*

At the moment, Ecospace has more than EUR 100m in credit lines with banks, including EUR 50m with Monte dei Paschi thanks to a partnership signed in H1 2021, to factor the tax credits.

## Enel X partnership

It is worth mentioning that the group also partnered with Enel X in early-2021, as the latter wanted to provide a complete package of intervention in residential buildings, leveraging its strong commercial network. Enel X's solutions are mainly for heating systems, solar panels, charging stations for EVs and window replacement, as the company aims at minimising the in-site working time (they claim they can complete work within 7 days after the materials and products have been shipped). SCK Group usually acts as a mere supplier of windows.

On 16 March 2021, Enel X and Sciuker jointly announcedthat in just two weeks they had received 50 orders for windows, worth more than EUR 1.5m for Sciuker.

## Acquisition of GC Infissi

As mentioned above, GC Infissi is the first step towards SCK's long-term industrial and commercial objectives.

Established in 2007, GC Infissi is focused on PVC windows, which account for ~90% of the company's turnover, whereas production of aluminium frames was part of the expansion project started in 2017. The distribution network currently mostly covers northern and central Italy.

Sciuker expects GC's revenues to increase by ~30% already in 2021 compared with the stand-alone forecasts thanks to the revenue and distribution synergies. Moreover, cost efficiencies ought to support the EBITDA margin, on top of the volume effect.

As regards mid-term targets, the expansion of the product portfolio, as well as a thorough integration, ought to push revenues up to EUR 25m, with an EBITDA margin of at least 15%.

**GC Infissi: key financials and projections**

| EURm | 2019 | 2020 | Δ% Y/Y | Stand alone | | Post-acquisition | | |
|---|---|---|---|---|---|---|---|---|
| | | | | 2021e | Δ% Y/Y | 2021e | Δ v.stand alone | Mid-term ambition |
| Revenue | 10.1 | 8.9 | *-12%* | 10.3 | *16%* | 13.4 | *30%* | 25.0 |
| EBITDA | 0.3 | 0.1 | *-67%* | 0.6 | *x6* | 1.0 | *67%* | >3.8 |
| *margin* | *3.0%* | *0.9%* | | *5.8%* | | *7.5%* | | *>15%* |
| Net debt | 1.1 | 1.5 | *36%* | | | | | |

*Source: company data*

Sciuker acquired a 63.5% stake in GC Infissi for EUR 2m. The group will also transfer, as an earn-out clause, 50K Sciuker shares to the vendors on 15 January 2026 and will compensate for the negative difference between the market price and the EUR 10/sh, if any. Thus, the total consideration was EUR 2.5m, implying an enterprise value of ~EUR 5.4m, or 5.5x EV/EBITDA on FY 2021 forecasts including synergies.

The previous owners of GC, Saverio Campo and Carmine Garofalo, still own the remaining 36.5% of the company and are entitled to appoint 2 out of 5 members of the Board of Directors.

## Acquisition of Teknika

On 10 November 2021, SCK Group announced it had signed an agreemento to acquire 60% of Teknika. This acquisition marks SCK's entry into the window accessory market, as hinted by the management in the business plan they presented in October 2021.

Established in 2011 and headquartered near Novara, Teknika focuses on mosquito nets, blinds, awnings, shutter casing and frame side insulation.

| EURm | 2019 | 2020 | Δ% Y/Y | Stand alone | | Post-acquisition |
|---|---|---|---|---|---|---|
| | | | | 2021e | Δ% Y/Y | Mid-term ambition |
| Revenue | 4.9 | 6.3 | *65%* | ~8.0 | *27%* | 30.0 |
| EBITDA | 0.3 | 0.7 | *256%* | ~0.9 | *33%* | >7.2 |
| *margin* | *5.4%* | *10.7%* | | *11.3%* | | *>24%* |
| Net debt | na | (0.3) | | <0 | | |

*Source: company data*

As in GC Infissi's case, the main boost to Teknika's performance will be the revenue synergies linked to the extended range of products included to offer complete "Hole Box Management".

Sciuker will pay EUR 2.9m for the 60% stake in Teknika. EUR 2.2m will be paid in cash and EUR 0.7m through 46.7K Sciuker's shares at EUR 15 each. Like in the GC Infissi deal, this is the minimum value for the vendors; on 15 January 2026, Sciuker will compensate for the negative difference between the market price and this threshold, if any. The earn-out clause also includes EUR 1m, to be paid if Teknika's revenues will have reached at least EUR 12m in 2022.Thus, the total consideration will be EUR 3.9m, implying an enterprise value of ~EUR 3.6m, or 4x EV/EBITDA based on the FY 2021 stand-alone forecasts.

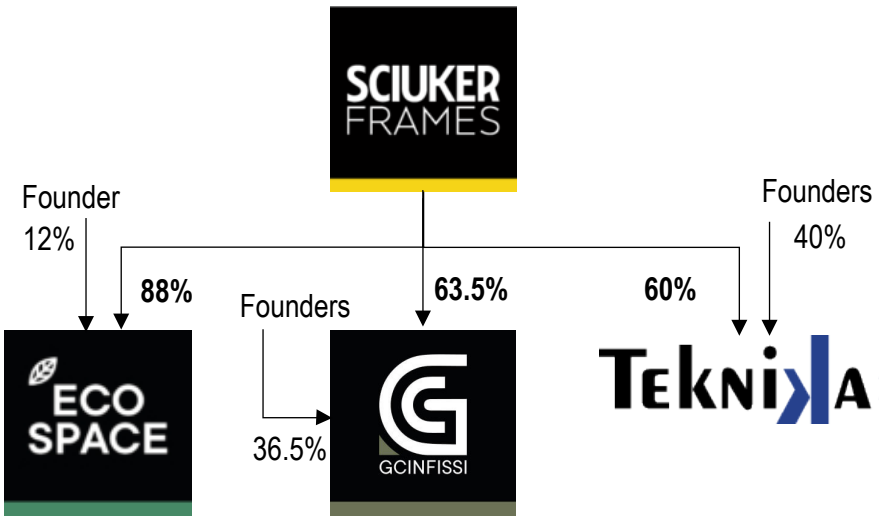
The previous owners of Teknika, Emanuele and Alberto Verdina, still own the remaining 40% of the company and are confirmed as Teknika's CEO and Chairman, respectively.

# Company structure

## Group structure

The group structure as at 30 June 2021 was as follows.

**Shareholder structure**

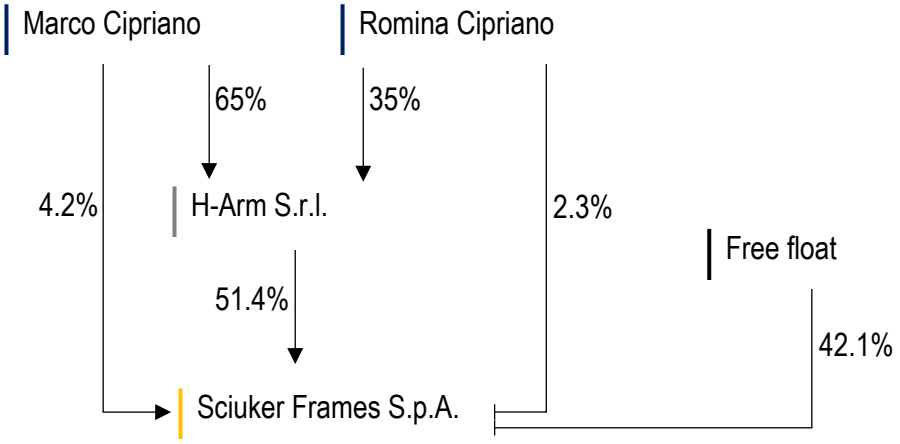



*Source: company data*

## Shareholders

The Cipriano brothers, the founders, are the main shareholders with 57.9% of the company, directly and indirectly.

**Shareholder structure**




*Source: company data*

The share capital is composed of 21,719,097 ordinary shares without par value.

On 22 June 2021, the group finalised a capital increase through the conversion of the "2018/21 Warrant" issued after the IPO. The strike price for each window cumulatively

increased by 10% compared with the IPO price (EUR 1.4/sh). The exercise ratio was set at 1:1.

The stake owned by H-Arm was diluted to 51.4% (it was 60.3% on 31 December 2020) following the warrant conversion on 22 June 2021 as the founders sold 2m warrants (~9.2% of Sciuker's final share capital) to selected financial investors under a 90-day lock-up agreement.

| Exercise window | Outstanding rights | Strike price | Underwritten shares | Cash-in (EURk) |
|---|---|---|---|---|
| 1st – May 2019 | 10,924,100 | 1.54 | - | - |
| 2nd – May 2020 | 10,924,100 | 1.69 | - | - |
| 3rd – May 2021 | 10,924,100 | 1.86 | 10,794,997 | 20,079 |

*Source: company data*

## Governance

The BoD is composed of five members, namely:

- ✓ **Marco Cipriano**, Chairman and CEO, graduated in economics at the University of Salerno and has been working in Sciuker with his sister Romina since its foundation in 1996. He was made a director in 2013 and became Chairman and CEO in 2015. In 2009, as a member of a pool of investors, he acquired the US Avellino football club, which he chaired for three years. The club was restructured, and the team managed to reach the second-level championship, after it had sunk into the non-professional categories. In 2017, he founded the "Marco Cipriano Academy", an organisation focused on training entrepreneurs and managers, with a great deal of attention to corporate responsibility.
- ✓ **Romina Cipriano**, Deputy Chairman, has been working in Sciuker with his brother Marco since 1996.
- ✓ **Riccardo Maria Monti**, non-executive director since 2019. He graduated in economics at the University of Naples and has gained significant knowledge in expansion and internalisation strategies for traditional "Made-in-Italy" sectors as well as more technological businesses. Between 1998 and 2012, he managed the growth and internationalisation process of Value Partners, a Milan-based consulting group. Between 2012 and 2016, he was deputy chairman at SIMEST, a state-owned company specialised in financial support and managerial advisory to Italian companies wanting to expand abroad, and chairman of ICE (a governmental export promoting agency) and Assocamerestero. In 2012/13, he was also an adviser for internationalisation at the Ministry of Economic Development. In 2016, he briefly chaired Grandi Stazioni, during the last stages of the privatisation process, and was later appointed chairman at Italferr, an engineering company that is part of the state railway group Ferrovie dello Stato Italiane.
- ✓ **Luca Bottone**, non-executive director. He has been a manager in several financial institutions over the past 15 years, during which he has gained knowledge in scale-up projects, business development and operations streamlining. In particular, in 2007/12, he worked as a consultant, a senior manager of Financial Innovations, an advisory company specialised in innovative finance and risk management development. Between 2012 and 2016, he worked for Banca Farmafactoring as a risk and compliance specialist, and later as head of risk management. In 2016, he was Chief Risk Officer at Banca Progetto, while the following year he joined the fintech start-up Credimi as Chief Risk & Compliance Officer and later as Chief Lending & Risk Models Officer. He has been General Manager at Sciuker Frames since July 2021.

- ✓ **Diana D'Isanto**, independent director. Graduated in liberal arts and philosophy, she has specialised in CSR strategy and reporting, as well as communication on ESG matters and stakeholder engagements. She was a senior consultat at RGA between 2006 and 2014, then she worked for EY as a manager until 2018, after the acquisition of RGA. Since 2018, she has been a senior consultant at The European House-Ambrosetti. She was appointed director at Sciuker Frames in April 2021.

**Remuneration policy**

The directors' remuneration is only based on fixed elements. The shareholders set the total remuneration package for board members when discussing the yearly budget during the the AGM; the board members themselves then decide the remuneration for each member .

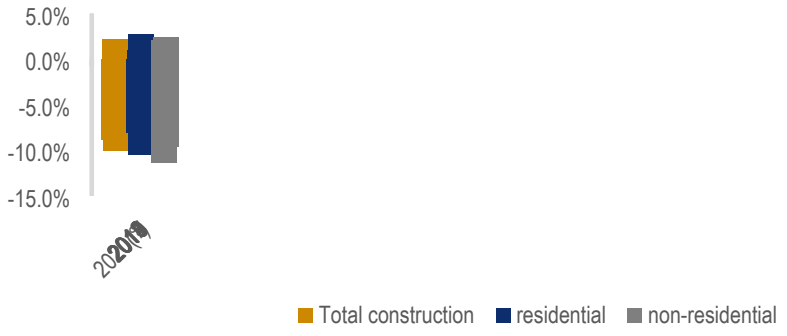
The remuneration budget for the BoD was EUR 280K in 2020 and has been raised to EUR 350K for 2021.

# Reference market

## Italian construction market

After the 2008 crisis, the Italian construction market entered a 10-year weak phase, which hit the residential segment particularly hard and, within the latter, new constructions. The market only stabilised towards the end of the decade and the first signs of recovery were recorded in 2019. There was a promising start to 2020, before the Covid-19 pandemic started.

**Italian construction market (Δ% Y/Y)**

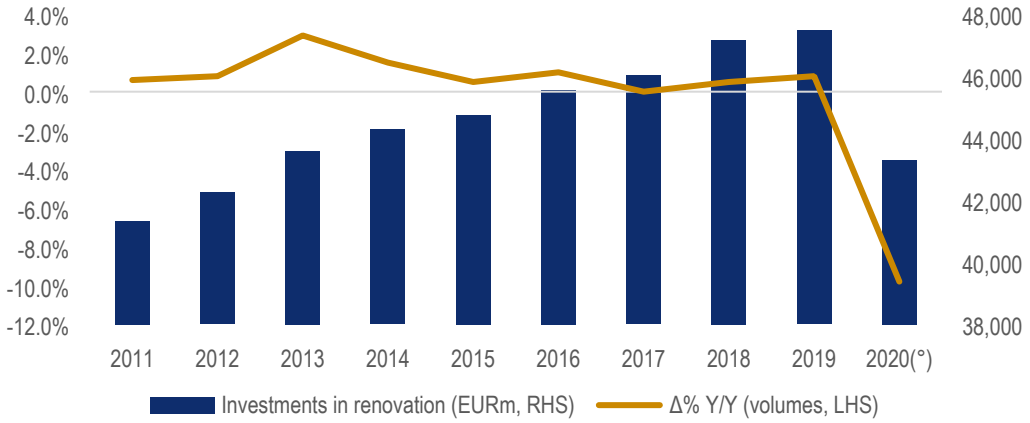



*Source: ANCE Observatory's Report February 2021*

The pandemic also affected investments in renovation work, which accounted for nearly 37% of the total construction spend and 74% of the residential spend.

The decline is mainly due to the pandemic and the two lockdowns in 2020; in particular, we note that construction sites were shut in March and April. However, the introduction of the 110% Superbonus (decree 34/2020, "Decreto Rilancio", in July 2020) somehow contributed to slow down the rebound in renovation spend in 2020, due to the high uncertainty over the new framework.

**Italian residential market: investments in renovation (EURm, Δ% Y/Y)**

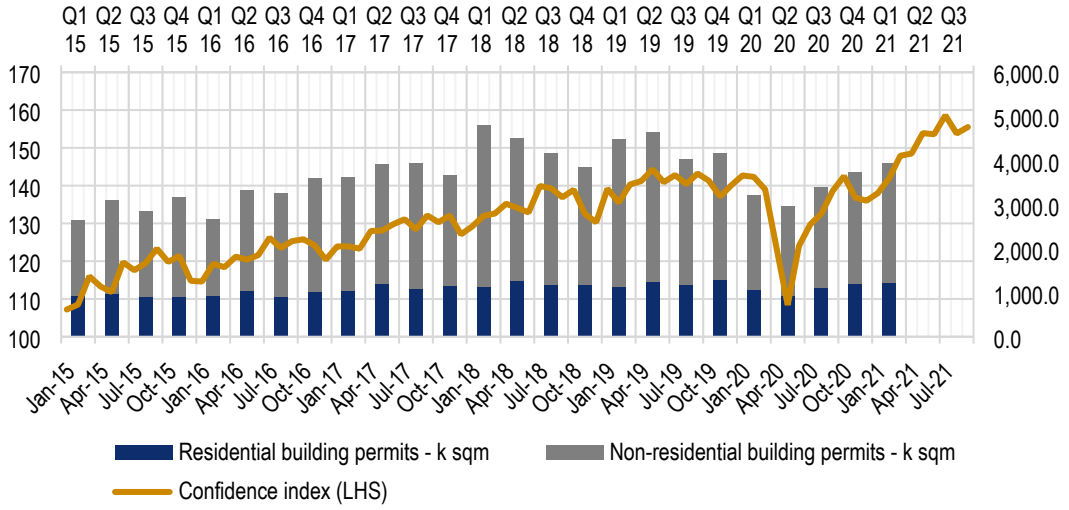



*Source: ANCE Observatory's Report February 2021*

By contrast, the Superbonus is currently one of the main drivers of the recovery in residential construction.

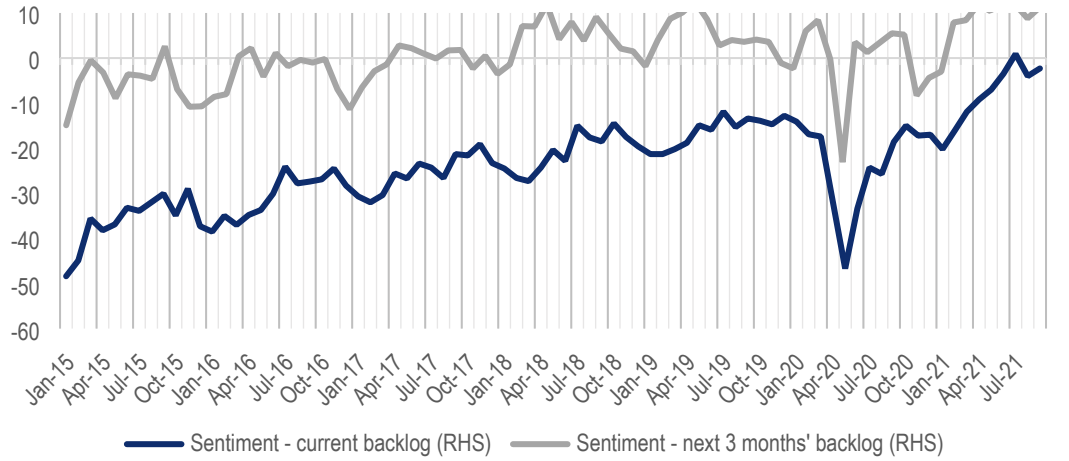
Finally, we note that, among construction companies, all confidence indices have reached the highest levels in a decade, thus testifying to the exceptionally strong momentum in the industry.

**Italian construction market: confidence index and building permits (k sqm)**




*Source: Istat*

**Italian construction market: sentiment (excess of positive answers, monthly survey)**

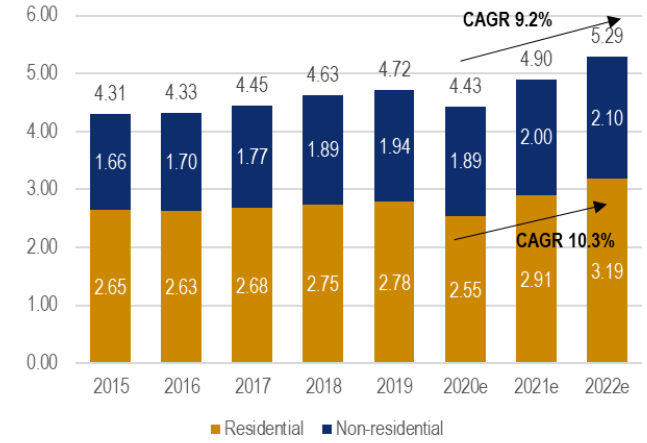



*Source: Istat*

## Italian window market

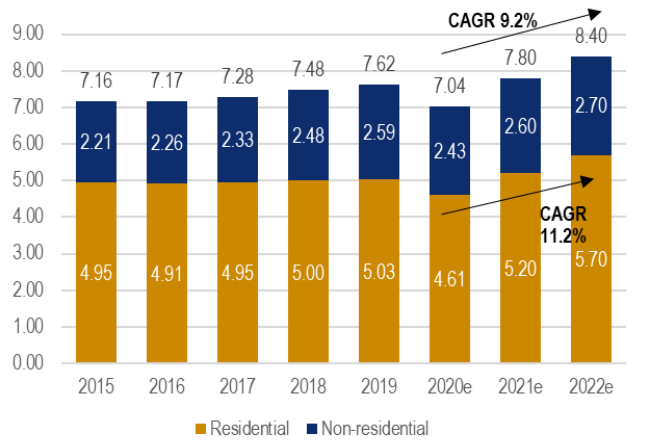
Over the last few years, the Italian window market has grown moderately, from EUR 4.3 (2015) to EUR 4.7bn (2019), before it fell in 2020. However, we point out that the increase in the residential segment's value was barely in line with inflation (1.2% CAGR 2015/19), whereas volumes were stable around 5m pcs p.a, which is likely to be the "standard demand" that the national production capacity will be able to match.

**Italian window market 2015/22e (value, EURm)**




*Source: UNICMI, WindowMarket*

**Italian window market 2015/22e (volumes, m pcs)**




*Source: UNICMI, WindowMarket*

The breakdown by type of window frame shows a sliding trend in all-wooden windows, whose market share is being eroded by the **expansion of PVC windows**, which are also embracing the **premium residential** and the **non-residential** segments.

At the end of 2020, PVC accounted for 43% of the total volumes, followed by aluminium (33%) and wood (26%). The **PVC windows' growing market share** has been increasingly met by **imports**, which recorded an 8.3% CAGR in the 2015/20 timeframe. In particular, imports mainly come from **Poland**, with over EUR 40m in 2020 (nearly doubled in the last five years), followed by Germany and Austria (both stable at ~EUR 20m p.a. each).

UNICMI highlights that import values are based on the industrial purchasing price, whereas a 2.4x factor needs to be applied to estimate the impact on the end market. Consequently, the contribution from imports to residential installations is seen at ~EUR 276m (2020), i.e. ~10% of the residential market demand.

Finally, the UNICMI report shows that ~37% of window makers' revenues (roughly stable between 2017 and 2020) is linked to the tax bonuses.

## Outlook

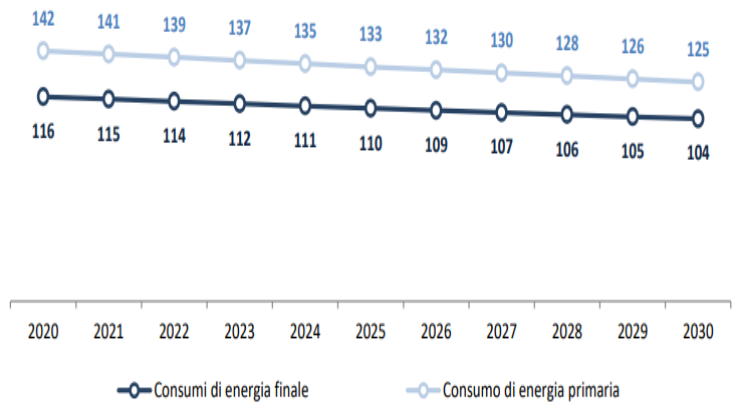
The market is in good shape; the acceleration between Q2 2021 and Q3 2021 was definitely above expectations. **In October 2021, UNICMI raised its outlook on construction investments for 2021 and 2022 to 9.2% Y/Y and 6.9% Y/Y** (vs. 7.5% and 5.4% respectively).

The acceleration is mainly driven by the residential segment, which is now seen growing by 14.7% Y/Y and 10.5% Y/Y in 2021 and 2022 (vs. the previous 12.7% and 9.1% resp.). Likewise, windows for the residential market are now expected to grow by 14% and 9.5% Y/Y.

## Environmental targets and renovation work

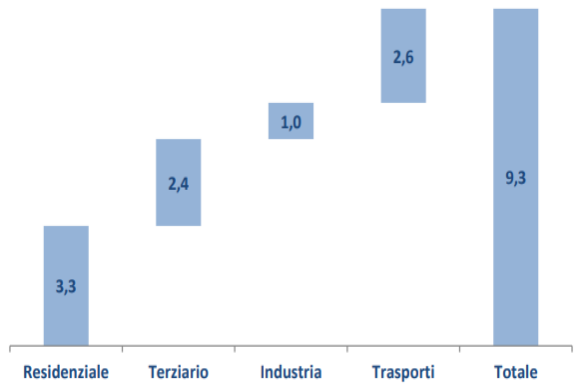
The **PNIEC** (Integrated National Energy and Climate Plan) approved in 2019 sets demanding targets for the reduction in energy consumption, in the region of 0.8% p.a. in 2021/30 compared with the average consumption in 2016/18. **The residential sector is expected to contribute more than one third to total energy savings.**

**Energy consumption targets (Mtep)**




*Source: PNIEC (December 2019)*

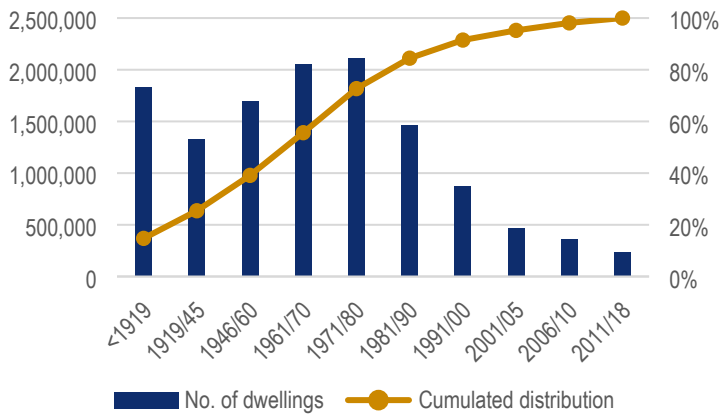
**Contribution to the aggregate energy savings (Mtep)**




*Source: PNIEC (December 2019)*

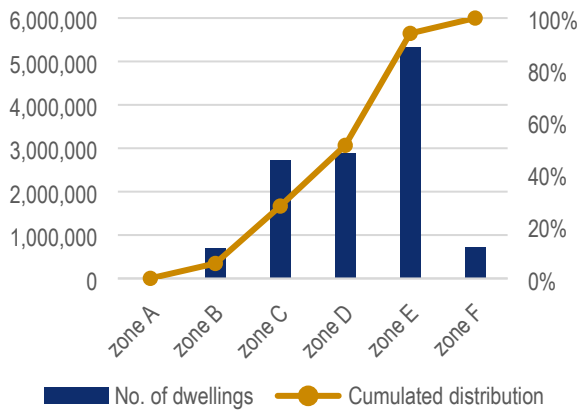
Residential real estate is composed of ~12.4m buildings, o/w ~32m dwellings. 60% of buildings were built more than 45 years ago (i.e. before the first law on energy efficiency came into force in 1976). The scenario is even worse when we look at the "climatic zones": indeed, 72% of residential buildings are in D, E or F zones, i.e. the coldest ones, where inhabitants are allowed to keep heating systems running for up to 12/14 hours a day from mid-October to April.

**Residential buildings by year of construction (no. and %)**




*Source: ENEA's 2020 annual report*

**Residential buildings by climatic zone (no. and %)**



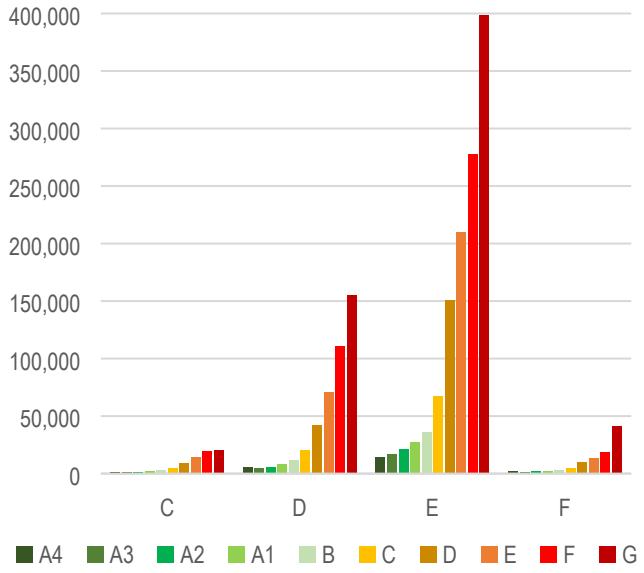

*Source: ENEA's 2020 annual report*

The data collected by ENEA in its 2020 report actually cover just ~13% of residential real estate, based on the 4.5m APEs (Attestato Prestazione Energetica - energy performance certification) that were issued between 2016 and 2019. In any case, and despite the very tiny sample available (less than half of the total number of APE is suitable for the analysis), it shows some clear trends.

Firstly, **72% of residential buildings fall under the F and G classes (i.e. the most energy-consuming).**

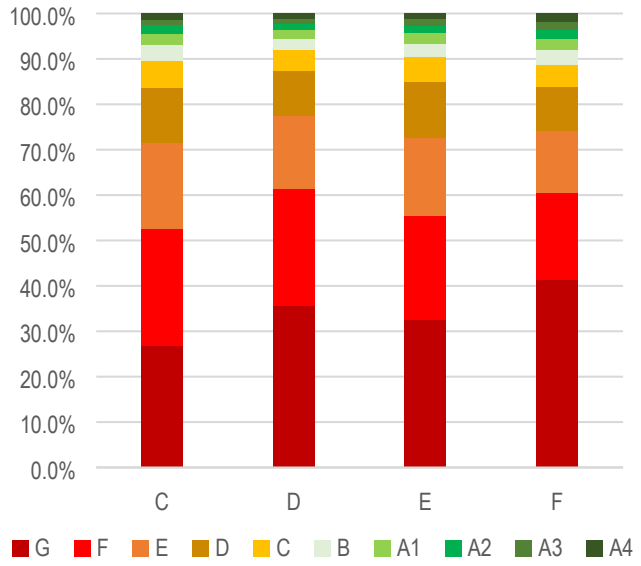
Nevertheless, **the stock of the best performers (A4-B) increased from 7% to 10% between 2016 and 2019**, thus showing the effectiveness of the laws the government has passed since 2015.

**APE 2016/19: no. of dwellings by class and climatic zone**




*Source: ENEA's 2020 annual report*

**APE 2016/19: share of dwellings by class**

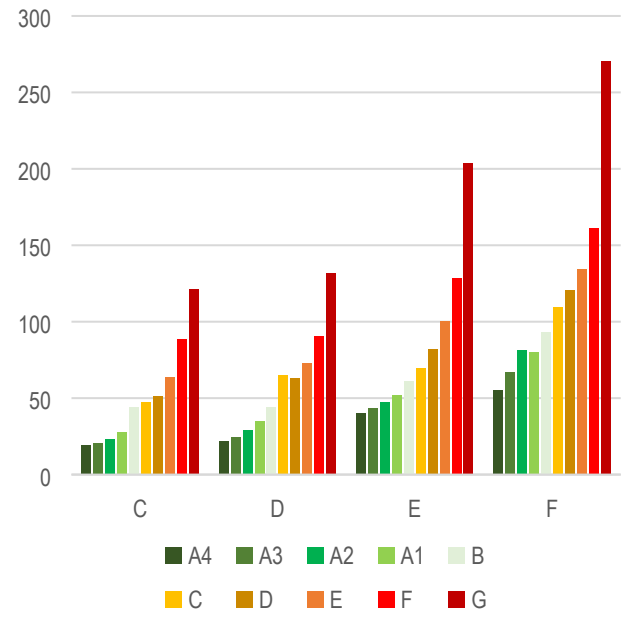



*Source: ENEA's 2020 annual report*

The report also highlights that **more than 93% of new constructions fall under the best classes (A4-B)**, which is in clear acceleration even compared with the number of houses built in recent years (2016/19), where this share accounts for 75% of the total buildings.

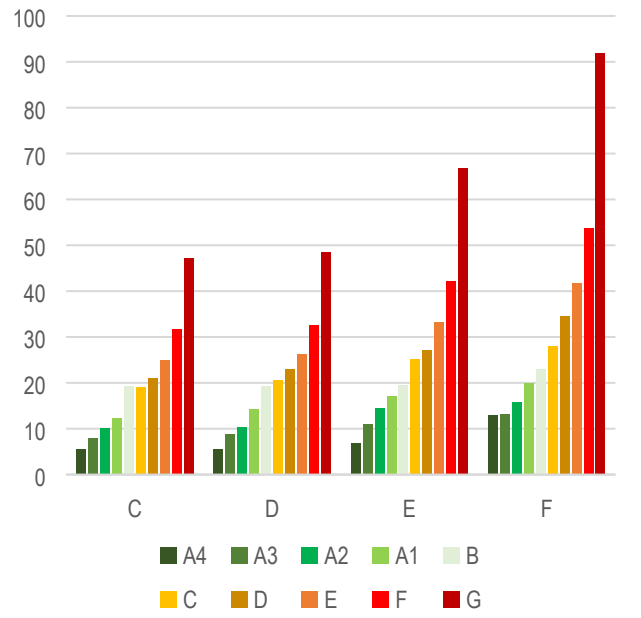
The consumption and emission profiles show the nearly exponential progression of the average energy consumption as the class lowers.

**APE 2016/19: avg. energy consumption (KWh/sqm p.a.)**




*Source: ENEA's 2020 annual report*

**APE 2016/19: avg. CO2 emissions (kg CO2/sqm p.a.)**




*Source: ENEA's 2020 annual report*

The December 2019 PNIEC estimated that the average "**virtual renovation rate**" (based on the average reduction in energy consumption in 2014/18) **stood at 0.26%**, thanks to the Ecobonus subsidies. Nevertheless, the renovation rate will have to **accelerate to 0.7%** in order to reach the 2030 objectives and, looking at the net-zero target by 2050, a "**further effort will be required**".

**We point out that these forecasts were published before the "Fit for 55" plan**. As such, it is likely that these goals will be upgraded, and the related public subsidies will be extended accordingly.

## 110% Superbonus: funding and current statistics

For the time being, the total funding envisaged by the **National Resiliency and Recovery Plan** (PNRR), Mission 2 "Ecological transition", amounts to EUR 15.4bn, which ought to cover the **renovation of 50K buildings per year in 2021/22, with 0.2 Mtep less energy consumed and 0.7 Mt less CO2 produced annually**.

**This means that the opportunities arising from the energy-efficiency work in Italy are far from coming to an end**, given the average obsolescence of the residential real estate and the demanding targets for the reduction in power consumption.

**Windows** play a key role in this challenge, as they **account for 25 to 40% of the heat waste in residential buildings**.

**At the moment, Prime Minister Mr Draghi's government has extended the Superbonus to June 2023** (or December 2023, provided that work is at least 60% complete as at June 2023), compared with the previous deadline scheduled in June 2022. New funds are expected to be provided to cover the extension.

As per the draft budget law passed by the government in mid-October, **the Superbonus tax credit will be lowered to 70% in 2024 and to 65% in 2025**.

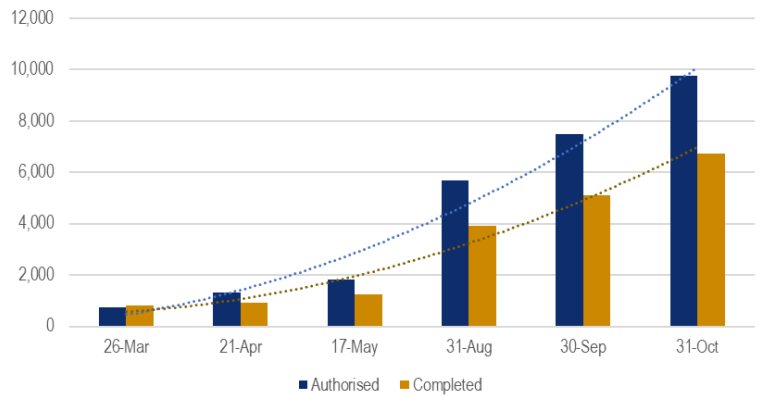
**Italian PNRR funds for "Green revolution and ecological transition" (EURbn)**

| | | | | | | Detail | | |
|---|---|---|---|---|---|---|---|---|
| | | PNRR | ReactEU | Other funds | Total funds | Exp. renov. area | Exp. energy savings | Exp. CO2 savings |
| M2C1 | Circular economy and sustainable agriculture | 5.27 | 0.50 | 1.20 | 6.97 | | | |
| M2C2 | Energy transition and sustainable mobility | 23.78 | 0.18 | 1.40 | 25.36 | | | |
| **M2C3** | **Energy efficiency and renovation of buildings** | **15.36** | **0.32** | **6.56** | **22.24** | **36.5m sqm** | **0.21m tep/year** | **0.72m tCO2/year** |
| 3.1 | Energy efficiency of state-owned real estate | 1.21 | | | | | | |
| 3.2 | Energy efficiency of public and private residential buildings | 13.95 | | | | | | |
| **3.2.1** | **110% Ecobonus and Sismabonus** | **13.95** | | | **~18(*)** | **>100K buildings, 36m sqm** | **0.19m tep/year** | **0.67m tCO2/year** |
| 3.3 | District heating | 0.20 | | | | | | |
| M2C4 | Protection of environment and water resources | 15.06 | 0.31 | 0.00 | 15.37 | | | |
| **Total** | | **59.47** | **1.31** | **9.16** | **69.94** | | | |

*Source: Italian PNRR documents, press sources (*) total funds according to press sources*

As at the end of October 2021, ENEA said that ~EUR 9.7bn in investments in Superbonus-linked renovations had been authorised, and more than 69% were already concluded. **57.7K buildings were involved**, broadly in line with the government's 2-year targets, bearing in mind that only ~2K applications were filed and ~EUR 200m in investments was recorded in 2020. Applications for the Superbonus have clearly picked up over the last few months, as shown in the chart below.

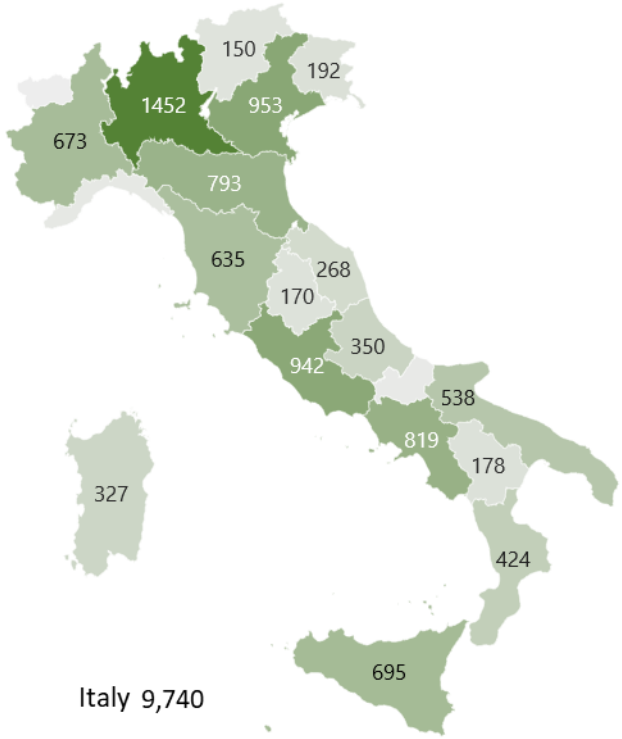
**Superbonus: worked authorised and completed (EURm, cumulative)**




*Source: ENEA - Monthly statistics are available only since August.*

Blocks of flats accounted for just 15% of the total applications but attracted ~49% of the total investments.

**110% Superbonus: Renovation work authorised (EURm, as at 31 October 2021)**




*Source: ENEA monthly report*

# Competitive environment

The Italian market is extremely fragmented; ~78% of the global value is in the hands of small companies (between EUR 0.5m and EUR 1.5m in revenues) that provide a wide range of products, thereby reaching most market segments. UNICMI estimates that ~2,000 limited liability companies operate in the Italian market of metal frames, with only 500 generating more than EUR 1m in revenues.

Among the leading players, and thus Sciuker's competitors, we name the Italy-based Finstral and Secco Sistemi, as well as the local branches of Drutex and Oknoplast (both headquartered in Poland) and Qfort (Romania). These international players focus on PVC frames and their business models mainly lever huge scales and competitive pricing.

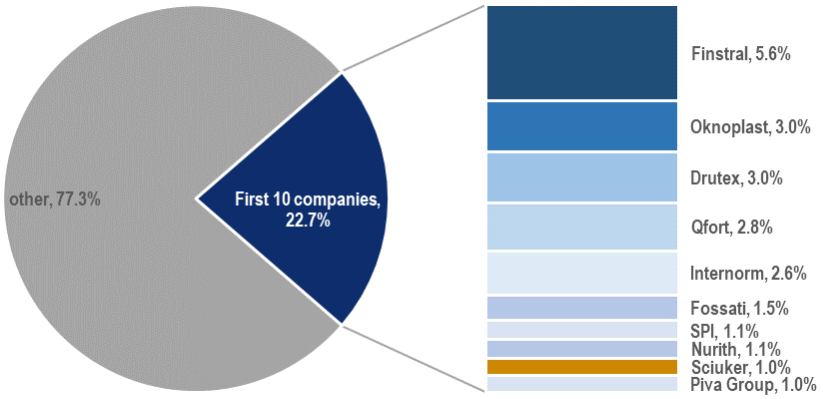
A large chunk of the market is occupied by micro-companies or sole-proprietorships, which often have poorly industrialised or semi-artisanal processes and consist of a single-product business in a limited area.

The latest in-depth analysis available dates back to 2018 (Source: IC Market Tracking, Sciuker's IPO filing).

We note that the absolute size (EUR 1.2bn vs. EUR 2.6bn) and performance for 2017 (+2.5% Y/Y vs. +1.9%) differ from those estimated by UNICMI, as the latter includes the broad windows and curtain wall market, whereas IC Market Tracking has probably identified the window market in a stricter sense.

The following charts show the market share of the 10 largest manufacturers. We highlight that Sciuker's data were based on 2017 sales (i.e. ~EUR 11m). Assuming low-to-mid-single-digit market growth, and ~EUR 45m revenues for Sciuker at the end of 2021 (including GC Infissi and excluding the revenues booked by Ecospace as a general contractor), **Sciuker now stands among the three largest window makers in Italy**.

**Italian window market: market share (2017)**

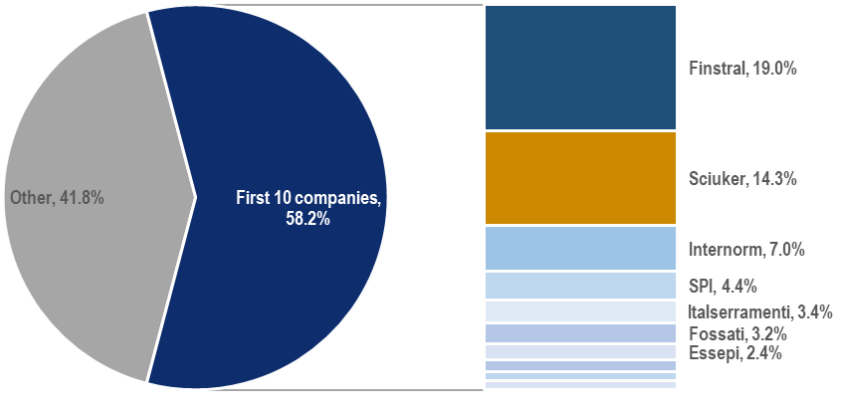



*Source: IC Market Tracking, Sciuker's IPO filing*

When we look at the wooden-aluminium segment, we notice that the market is much more concentrated, and **Sciuker already stood as a leading manufacturer back in 2017**.

This segment is perceived as a premium/luxury product segment and the higher concentration is probably linked to the more demanding technological know-how required in the production process.

**Italian wooden/aluminium window market: market share (2017)**




*Source: IC Market Tracking, Sciuker's IPO filing*

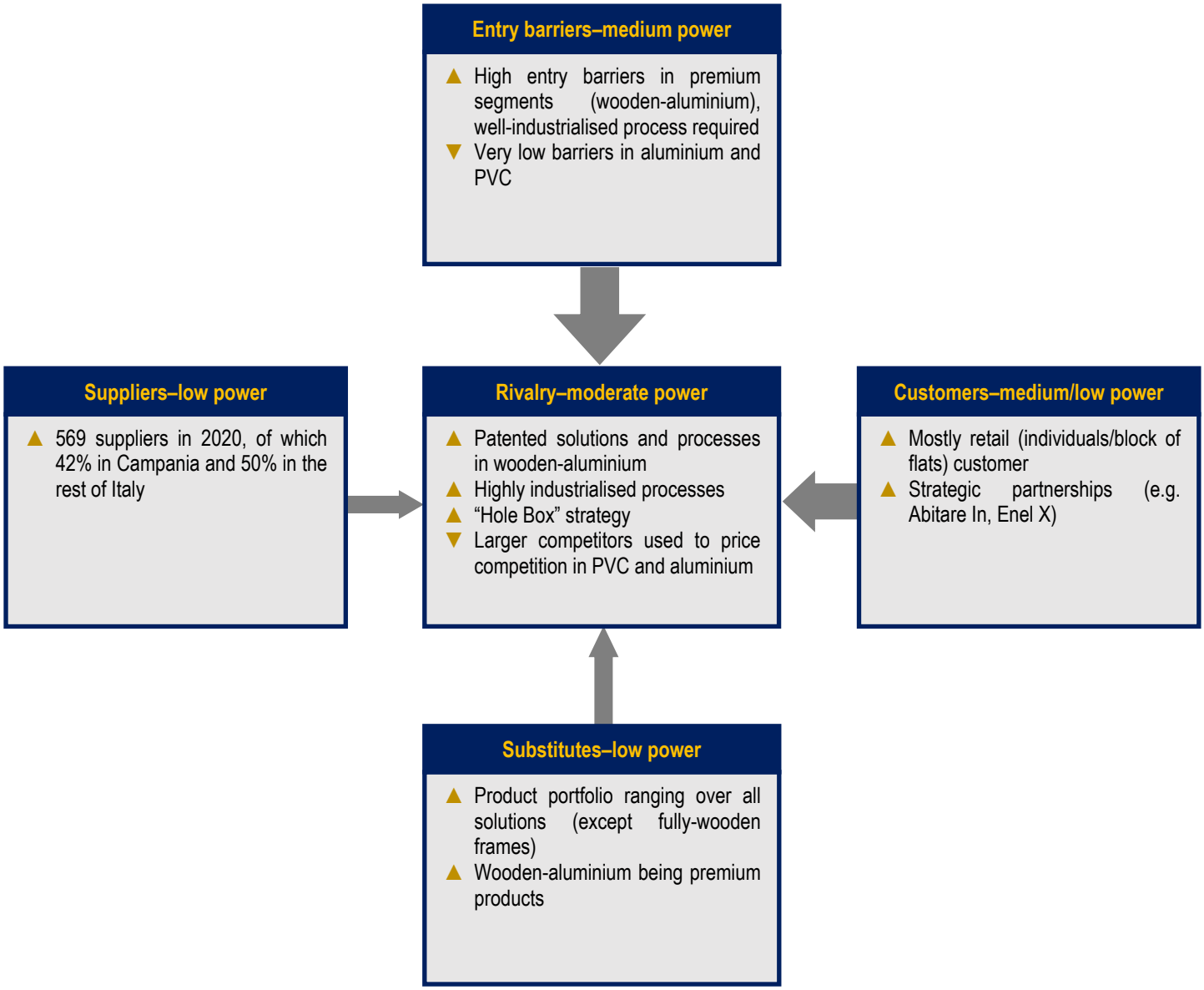
As regards the current trading conditions, we highlight the following:

- ✓ **Fragmentation as an opportunity**: the huge number of players with "zero-plus" market share is likely an opportunity for M&A rather than a threat for the leading companies. Nevertheless, as we have mentioned above, very few companies are ready to scale up.
- ✓ **110% superbonus-driven demand**: the soaring demand for new windows, due to energy efficiency regulations, is exceeding the current capacity. As such, we see the current environment extremely supportive for those companies that already operate on a large scale and that can set out a profitable growth path. In particular, this unprecedented demand-side spike is causing a strong tailwind:
    - price increases (mainly to offset the adverse dynamics of raw material costs) are easily absorbed by the market;
    - companies are planning their production over longer and longer timeframes, thereby **increasing visibility**. For instance, during the business plan presentation Sciuker's CEO, said that they were planning production on a 12/18-month base, compared with the common budget terms of "a few months".
- ✓ **PVC and aluminium market**: by acquiring GC Infissi, SCK has entered a more challenging segment in which also international groups, more used to price competition, boast well-known brands and relevant market shares. In any case, we argue that the peculiar trading conditions and the pent-up demand are likely to ease the competitive pressure, at least while the government subsidised renovation scheme continues to boost residential sector demand.

## Porter Analysis

The Porter analysis for SCK Group shows a strong competitive position.

We highlight that the **government support** for renovation work, mainly though tax credits, is probably the **most important key factor**, and is able to shape the demand in this industry as it has proved to be one of its main drivers over the last decade.




▲ supportive item
▼ adverse item

# ESG Focus

SCK's core business has always been focused on improving energy efficiency of dwellings and now – more than ever – it has tapped into its know-how to help reach the ambitious CO2 emissions targets, through the Superbonus-linked renovations.

As such, SCK's mission is intrinsically environmentally-oriented. Moreover, the group has undertaken a number of initiatives to improve both its direct and indirect environmental footprint, including **sciuker4planet**: since 2018, Sciuker has been planting a tree for each customer in Parco Nord in Milan, the aim being to neutralise a tonne of CO2.

In 2021, the group voluntarily published its first Sustainability report, which covers only Sciuker Frames' perimeter.

## Raw materials and waste recovery

SCK employs three types of raw materials and semi-finished products:

- ✓ **Wood**: 100% FSC (Forest Stewardship Council) certified;
- ✓ **Aluminium**: 100% certified in compliance with UNI 6060 (for profiles) or REACH (laminated);
- ✓ **Glass**: 100% certified by Saint Gobain in compliance with UNI EN 1279.

The patented solutions, in particular the 4-layer pine-wood frames, have enabled Sciuker to minimise waste. At the Contrada plant, scrap wood (which is usually a few centimetres thick out of a 6-meter piece of wood) is recycled to make wood panels. Chips and sawdust are collected in a silo and burnt in a 2.7MW boiler, which covers nearly all the production facility's thermic needs.

In 2020, the group also employed 33% of recycled wood (vs. 20% in 2019).

## Energy consumption

SCK has installed a 250 kWp solar plant on the roof of its facility in Contrada, which generated ~58% of the electricity consumed in 2020. The group is planning to expand the plant to cover up to ~80% of Sciuker's needs.

56% of Sciuker's thermic needs are met by biomass (mainly scrap wood). The remainder is mainly for the car fleet, whose fuel mix is dominated by methane (~64%) and diesel fuel (~36%).

## ESG Scorecards

| SCK Group | NO | WIP | OK | Comments/Descriptions |
|---|---|---|---|---|
| ESG projects/activities/certifications | | | | #sciuker4planet<br>Purchased wood compliant with FSC standards<br>Management model compliant with D.Lgs. 231 |
| Materiality Matrix (GRI or Others) | | | | as of 2020 |
| Sustainability Report (CSR) | | | | as of 2020 |
| Sustainability Plan / Defined ESG Goals | | | | mainly "programmatic" qualitative goals |
| ESG Ratings | | | | |

*Source: Banca Akros on company data*

## ESG Positioning

| SCK Group | Below | In line | Above | Comments/Descriptions |
|---|---|---|---|---|
| **Environment** | | | | |
| GHG emission cut ($CO_2$ reduction) | | | | -8% in Scope 1, +5% in Scope 2; other emissions (NOx, SOx,VOC and PM) -8% avg. |
| Water consumption | | | | -21% (owing to the 2-month stop due to Covid-19 lockdown) |
| Electricity & Power consumption | | | | 58% of electricity need covered by PV plant<br>-20% fuel consumption<br>84% of low-emission fuels (56% biomass, 28% natural gas for traction) |
| Waste reduction | | | | scrap wood fully recycled or burnt to generate heat |
| **Social** | | | | |
| Social engagement | | | | 80% of permanent workers (v. 73% in 2019); 86% of full-time contracts (v. 64% in 2019)<br>valorisation of Rione Forcella in Naples |
| Accident index | | | | no accidents in 2019/20 |
| Gender Equality | | | | |
| Training / Employees satisfaction | | | | |
| **Governance** | | | | |
| BoD composition | | | | 2 independent directors out of 5 members |
| Top management ESG Involvement. | | | | |

*Source: Banca Akros on company datat*

## SCK Group: SDGs

| Topic | KPIs | 2020 Achieved Goal | Strategic Goal |
|---|---|---|---|
| **Health & Safety in the Workplace** | accidents | zero | n.a. |
| | welfare | Ongoing | Further development of smart-working, parental benefits, welfare plan |
| | safety, energy and enivornmental management system | Ongoing | Implementation of ISO 9001- and ISO 14001-compliant models<br>ISO 45001 certification of safety mgmt system |
| **Personnel Training** | training hours | 600 (+82% at Sciuker, +12% at outsourced company) | n.a. |
| | permanent workers | 100% at Sciuker, 81% at outsourced company | n.a. |
| **Product quality and sustainability** | Wood certification compliant with FSC standard | 100% | Obtaining FSC's "CoC" Chain of Custody certification |
| | Aluminium | 100% certified compliant with UNI 6060 | Finding new solutions for aluminium recycling |
| | Glass | 100% certified compliant with UNI EN 1279 | Development of new processes to recover glass from end-life windows |
| | Plastic packaging | partially replaced with wooden or cardbord boxes | zero-plastic |
| **Energy** | self-produced electricity | 58% of Sciuker's need | ~80% |
| | R410A cooling gas | ongoing | Fully replaced with low-impact solutions |

*Source: Banca Akros on company data*

# Financials

Sciuker has built a peculiar business model which levers a flexible cost structure, which in turn has allowed the group to reach sound EBITDA margins and is expected to effectively yield profitable growth while scaling up operations.

The acquisition of GC Infissi and Teknika has partially changed this characteristic as it brought a "standard", more rigid cost structure. Furthermore, the scale-up phase the company is going through, including a more dynamic M&A activity, is changing the group's size substantially, thus bearing a much higher execution risk than before.

As such, we point out that the analysis of historic data might not be meaningful to fully understand the SCK Group's current potential and risks. Finally, financials are only comparable since 2017, when the company first applied IAS/IFRS principles.

## 2017/20 overview

We show the last years' P&L trend below.

For 2020, we have separated the value of production based on the new definition provided by the company in its 2021/24 business plan, i.e. "**Industrial revenue**", which includes the core window business, and "**Superbonus**", i.e. Ecospace's turnover as a general contractor, net of the infra-group revenue. Indeed, the revenue passed on to Sciuker by Ecospace falls under the "industrial revenue" definition.

**P&L: 2017/20 overview**

| EURm | 2017pf* | 2018 | Δ% Y/Y | 2019 | Δ% Y/Y | 2020 | Δ% Y/Y | CAGR 2017/20 |
|---|---|---|---|---|---|---|---|---|
| Sales | 9.81 | 9.24 | *-5.8%* | 12.0 | *29.5%* | 19.1 | *59.7%* | *24.9%* |
| **Value of production** | **11.1** | **10.5** | ***-4.6%*** | **11.9** | ***12.9%*** | **22.6** | ***89.8%*** | ***26.9%*** |
| ***o/w Industrial revenue*** | ***11.1*** | ***10.5*** | ***-4.6%*** | ***11.9*** | ***12.9%*** | ***15.0*** | ***26.0%*** | ***10.7%*** |
| ***o/w Superbonus 110%*** | **-** | **-** | | **-** | | ***7.60*** | **-** | |
| Raw materials | (2.91) | (2.14) | *-26.6%* | (2.41) | *12.7%* | (5.14) | *114%* | *20.9%* |
| Services | (4.72) | (5.54) | *17.3%* | (5.94) | *7.4%* | (8.78) | *47.8%* | *23.0%* |
| Third-party asset | (0.21) | (0.20) | | (0.19) | | (0.11) | | *nm* |
| Labour costs | (0.47) | (0.53) | *12.2%* | (0.59) | *10.5%* | (0.53) | *-10.0%* | *3.7%* |
| Other income/expenses | (0.34) | (0.28) | | (0.21) | | (0.35) | | *nm* |
| Exceptional items | (0.12) | (0.67) | | (0.00) | | 0.00 | | *nm* |
| **Adj. EBITDA** | **2.28** | **1.20** | ***-47.3%*** | **2.57** | ***114%*** | **7.69** | ***200%*** | ***50.0%*** |
| *Adj. EBITDA Margin* | *20.6%* | *11.4%* | *-9.2pp* | *21.5%* | *10.2pp* | *34.0%* | *12.5pp* | |
| EBITDA | 2.40 | 1.87 | *-22.3%* | 2.57 | *37.6%* | 7.68 | *199%* | *47.4%* |
| D&A | (1.12) | (1.08) | | (1.66) | | (3.83) | | |
| **EBIT** | **1.28** | **0.79** | ***-38.3%*** | **0.90** | ***14.4%*** | **3.85** | ***326%*** | ***44.4%*** |
| *EBIT Margin* | *11.6%* | *7.5%* | *-4.1pp* | *7.6%* | *0.1pp* | *17.0%* | *9.4pp* | |
| Net financial costs | (0.21) | (0.30) | | (0.38) | | (0.01) | | |
| **Pretax profit/(loss)** | **1.07** | **0.49** | ***-53.8%*** | **0.52** | ***6.1%*** | **3.84** | ***632%*** | ***53.1%*** |
| Taxes | (0.40) | (0.36) | | (0.26) | | (1.10) | | |
| *Tax rate* | *37.0%* | *73.5%* | | *49.8%* | | *28.6%* | | |
| **Net income** | **0.67** | **0.13** | ***-80.6%*** | **0.26** | ***100.8%*** | **2.74** | ***943%*** | ***59.6%*** |

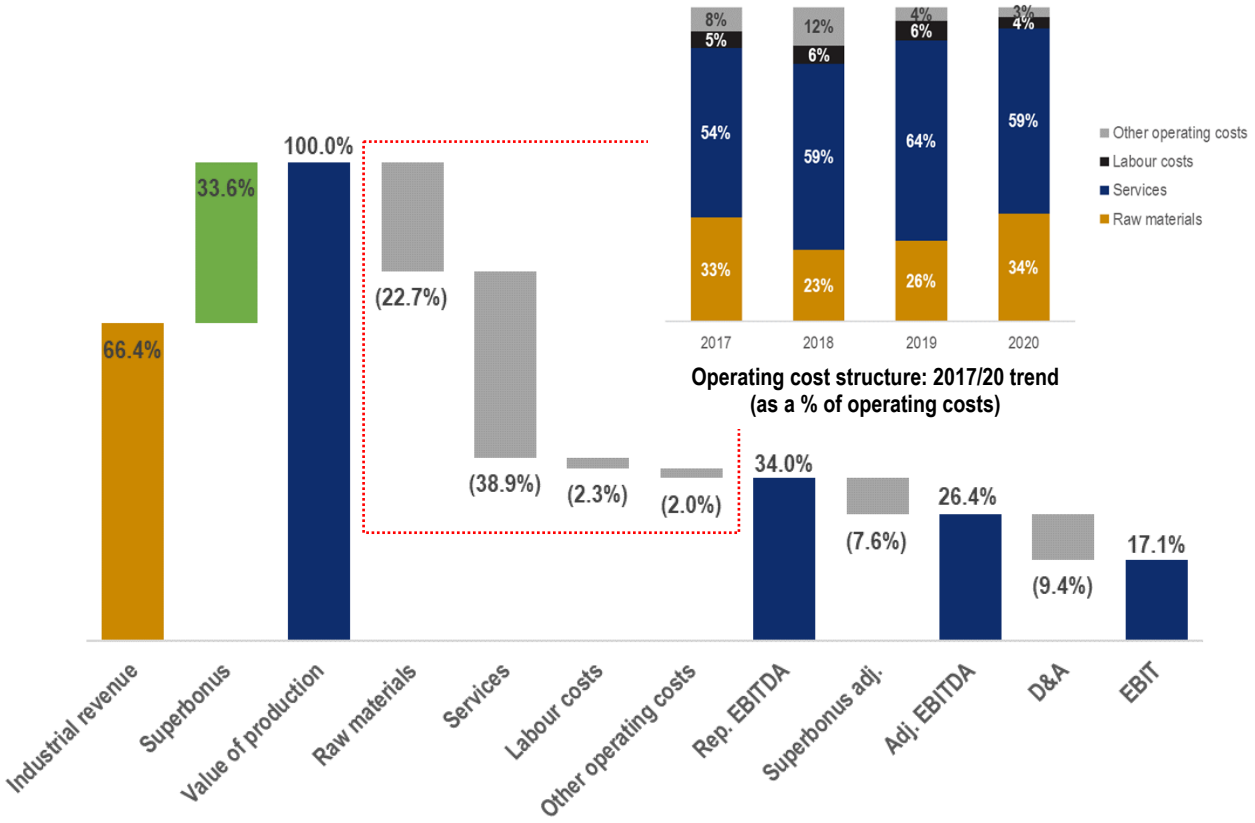
*Source: company data (*) 2017 pro-forma consolidated figures (including the Swiss subsidiary Hub Frame SA, discontinued and sold in 2020)*

We note a rather stable trend in profitability since 2017, except in 2018, which was impacted by an ~13% increase in the variable unit production costs (from EUR 75/sqm to EUR 85/sqm) paid to the outsourced supplier. The impact on the EBITDA margin was ~6pp.

The chart below shows SCK's specific cost structure in which "Services" includes the costs paid for the outsourced steps (production, assembly, maintenance, after-sales) and account for ~60% of the operating costs above EBITDA, or 40% of the value of production.

Labour costs only relate to the workforce directly employed at Sciuker, i.e. 13 people (mainly managers and employees) in 2020, out of 123 globally involved in the group's operations.

**Revenue and cost structure: 2020 detail (as a % of value of production)**




*Source: Banca Akros on company data*

It is worth noting that the FY 2020 EBITDA included the "extraordinary" income (EUR 1.7m out of EUR 6m, or an ~7.5pp contribution to the 34% EBITDA margin) from the Superbonus, as the factored tax credit implies, by definition, a 10% "premium" on the invoiced renovation costs. Most of this premium (6/7%) is retained by banks as financial charges.

As such, EBITDA is boosted by an "optical effect", since the surplus is booked above EBITDA, whereas financial charges only impact below the EBIT line. **The actual FY 20 EBITDA margin ought to be in the region of 26.5**%, in any case ~5pp above the 2019 level.

## Balance sheet, cash flows and financial position

A sharp increase in investments in fixed assets started in 2019, with yearly capex jumping to 27% of revenues in FY 2019 and 16% in FY 2020, compared with the average ~4% in previous years. However, the proceeds from the 2018 IPO (EUR 5m) covered most of the investments and the negative cash flows in 2018/19.

Moreover, we note a significantly higher incidence of NWC on revenues in the 2018/19 period, which topped at 44/40% in FY 2018 and FY 2019 respectively, before it declined to 6% in 2020. The anomalous high level was probably due to higher inventories (between 45% and 50% of revenue) held by the trading subsidiary Hub Frame, as well as the group's strategy to stockpile materials and parts to better seize opportunities in 2020. Although the physical stocks declined sharply at the end of 2020 (-52%, releasing EUR 1.5m in cash flow), work-in-progress offset this effect as it increased by roughly the same amount. The latter also included the share of Superbonus renovations that had not yet reached the 30, 60 or 100% completion milestones, i.e. the thresholds that trigger recognition of the tax credit and, consequently, allow the contractor to invoice work and factor the credit.

The incidence of trading receivables also dropped sharply after the disposal of Hub Frame (11% in FY 20 vs. 34% in FY 19).

Among the risk funds, we note that the group has overall earmarked EUR 468K (of which EUR 202K in FY 2020) for risks linked to litigations with the Italian tax authority, mainly referred to the tax credit for "disadvantaged areas" recognised in 2010, 2011, 2012 and 2015.

**Balance sheet: 2017/20 overview**

| EURm | 2017pf | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Intangible fixed assets | 1.74 | 1.57 | 1.13 | 1.22 |
| Net tangible assets | 8.96 | 8.63 | 11.05 | 13.14 |
| Financial assets | 0.07 | 0.05 | 0.05 | (0.46) |
| **Fixed assets** | **10.77** | **10.25** | **12.23** | **13.90** |
| Net working capital (NWC) | 0.27 | 3.13 | 4.29 | 1.12 |
| Severance indemnity fund | (0.10) | (0.11) | (0.13) | (0.11) |
| Other risk and provision funds | (0.27) | (0.28) | (0.46) | (0.83) |
| **NET CAPITAL EMPLOYED** | **10.67** | **13.00** | **15.93** | **14.08** |
| **Shareholders' equity** | **4.23** | **7.67** | **8.28** | **11.24** |
| Minorities' equity | 0.00 | 0.00 | 0.00 | 0.44 |
| Cash and marketable securities | (0.67) | (1.41) | (2.05) | (11.46) |
| Financial short-term debt | 2.47 | 2.50 | 4.63 | 3.71 |
| Financial l/m term debt | 4.63 | 4.24 | 5.06 | 10.14 |
| **Net financial debt** | **6.43** | **5.33** | **7.65** | **2.40** |
| **NET INVESTED CAPITAL** | **10.67** | **13.00** | **15.93** | **14.08** |

As regards the net financial debt as at 31 December 2020:

- ✓ EUR 4.05m medium/long term loans, of which EUR 1.6m are bank loans and EUR 3.0m are related to the Basket Bond Campania;
- ✓ EUR 6.05m of other long-term loans, including the soft loans for the investments in the PV plant and the innovative machinery.

Ecospace's contribution to cash generation was already strong in 2020, as showed by the EUR 5.25m free cash flow in FY 2020, in spite of EUR 3.5m capex. In particular, Ecospace brought in ~EUR 4.3m in cash in 5 months, of which EUR 2.2m as cash flow before NWC (i.e. an ~70% cash conversion on EBITDA) and another EUR 2.1m from NWC.

NWC included EUR 3.6m in payables compared with EUR 1.5m in receivables and inventories. We believe this was only a temporary effect, probably due to the fast ramp up of Ecospace's business towards the end of the year, it's unlikely to repeat again to that extent.

**Cash flow: 2017/20 overview**

| EURm | 2017pf | 2018 | 2019 | 2020 | |
|---|---|---|---|---|---|
| | | | | SCK Group | o/w Ecospace |
| EBITDA | 2.40 | 1.87 | 2.57 | 7.68 | 3.16* |
| - taxes | (0.40) | (0.36) | (0.26) | (1.10) | (0.94) |
| +/- NWC changes and other | (1.38) | (3.74) | (0.99) | 0.23 | 2.12 |
| **OCF** | **0.62** | **(2.24)** | **1.32** | **6.81** | **4.34*** |
| - Net interests | (0.21) | (0.30) | (0.38) | (0.01) | (0.04) |
| - Capex | (0.49) | (0.42) | (3.22) | (3.52) | - |
| *As a % of Value of production* | *4.4%* | *4.0%* | *27.0%* | *15.6%* | |
| - Acquisition / + disposals of asset | (0.31) | 0.97 | 0.00 | (0.02) | - |
| - Other | 0.00 | (1.91) | (0.04) | 1.99 | - |
| **FCFE** | **(0.38)** | **(3.89)** | **(2.32)** | **5.25** | **4.30** |
| - Capital increase | - | 5.00 | - | - | - |
| - Dividends | - | - | - | - | - |
| **Net decrease/(increase) in NFP** | **(0.38)** | **1.11** | **(2.32)** | **5.25** | **4.30** |

*Source: Banca Akros on company data;*

*(*) EBITDA and OCF are shown net of the provision for financial charges linked to Superbonus credit factoring, which totalled EUR 1.71m. Though they should be booked below EBIT, we consider them an operating cost, in order not to overrate EBITDA and OCF.*

## H1 2021 results

H1 2021 results were particularly strong, thanks to a couple of combined factors:

- ✓ The recovery in Sciuker's revenue, compared with the weak H1 20 (-26% Y/Y) due to the stop to production under the national anti-Covid measures;
- ✓ The consolidation of GC Infissi, which contributed ~EUR 6/7m to industrial turnover;
- ✓ The acceleration in Ecospace's turnover, which more than doubled sequentially and accounted for more than 60% of SCK group's revenue. Likewise, backlog jumped to just above EUR 100m compared with EUR 31m orders collected in H2 2020 (gross of ~EUR 10.5m booked as revenue or work-in-progress in the same period).

As regards costs, we note the increase in **raw materials**, which almost doubled industrial revenue (5.9x vs. 3.0x), mainly due to the higher production and cost inflation. Anyway, the management said that the rising prices, particularly of wood (which doubled Y/Y), were completely offset by increases in selling prices. **Labour costs** outpaced industrial revenue growth due to the consolidation of GC Infissi, which, unlike Sciuker, has an in-house workforce. Finally, **services** included, as usual, the costs of the outsourced operations at Sciuker's plant in Avellino, as well as Ecospace's Superbonus activities that are contracted out.

When it comes to profitability, we note the margin dilution, mainly linked to the consolidation of GC Infissi. Indeed, the subsidiary books a mid-single-digit EBITDA margin, compared with the group's average between 25 and 30% (including Ecospace).

**P&L: H1 2021 results and overview**

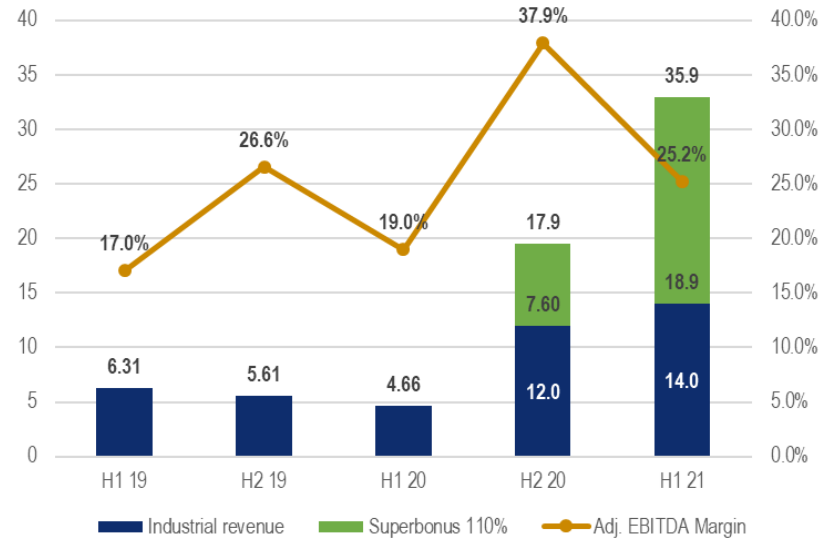
| | H1 19 | H2 19 | H1 20 | H2 20 | H1 21 | Δ% Y/Y |
|---|---|---|---|---|---|---|
| Sales | 6.33 | 5.65 | 3.04 | 16.1 | 31.4 | *10.3x* |
| **Value of production** | **6.31** | **5.61** | **4.66** | **17.9** | **35.9** | ***7.7x*** |
| ***o/w Industrial revenue*** | ***6.31*** | ***5.61*** | ***4.66*** | ***12.0*** | ***14.0*** | ***3.0x*** |
| ***o/w Superbonus 110%*** | **-** | **-** | **-** | ***7.60*** | ***18.9*** | |
| Raw materials | (2.07) | (0.34) | (1.96) | (3.18) | (11.5) | *5.9x* |
| Services | (2.76) | (3.19) | (1.34) | (7.45) | (13.3) | *10.0x* |
| Labour costs | (0.28) | (0.31) | (0.26) | (0.27) | (1.84) | *7.1x* |
| Other operating expenses | (0.13) | (0.29) | (0.22) | (0.24) | (0.22) | |
| **Adj. EBITDA** | **1.08** | **1.49** | **0.88** | **6.80** | **9.04** | ***10.2x*** |
| *Adj. EBITDA Margin* | *17.0%* | *26.6%* | *19.0%* | *37.9%* | *25.2%* | *6.2pp* |
| EBITDA | 1.04 | 1.54 | 0.86 | 6.83 | 9.03 | *10.6x* |
| D&A | (0.54) | (1.12) | (0.51) | (3.32) | (1.28) | |
| **EBIT** | **0.49** | **0.42** | **0.35** | **3.50** | **7.76** | ***22.4x*** |
| *EBIT Margin* | *7.8%* | *7.5%* | *7.4%* | *19.5%* | *21.6%* | *14.2pp* |
| **Pretax profit/(loss)** | **0.34** | **0.20** | **0.20** | **3.64** | **6.27** | ***31.1x*** |
| **Net income** | **0.15** | **0.12** | **0.14** | **2.60** | **4.30** | ***30.5x*** |

*Source: company data*

In H1 21, SCK invested EUR 6.7m in capex, mostly covered by the cash flow from operating activities (EUR 5.3m).

On 29 April 2021, the AGM approved the payout of a EUR 37c DPS, which corresponded to a cash outflow of ~EUR 4m. The AGM also authorised a share buy-back plan for up to EUR 1m total investment (raised to EUR 2.5m on 25 June 2021), which was temporarily suspended on 13 September 2021 after the company had acquired 1.23% of its share capital (~267K own shares). Finally, the conversion of 99% of the outstanding warrants brought in ~EUR 20.1m on 31 May 2021.

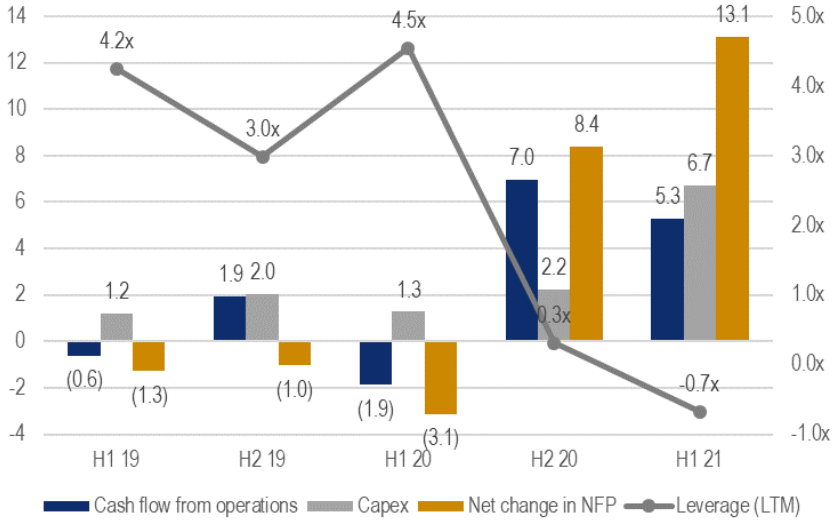
**Revenue and EBITDA margin: H1 19/H1 21 trend**




*Source: Banca Akros on company data*

The timely capital increase through the conversion of warrants helped the group keep the net financial position under control, in spite of the acceleration in capex.

**Cash flow and leverage: H1 19/H1 21 trend**




*Source: Banca Akros on company data*

# 2021/24 Business plan

On 5 October 2021, SCK Group presented its maiden 2021/24 business plan.

**2021/24 business plan: targets**

| | 2019a | 2020a | 2021e | 2022e | 2023e | 2024e | CAGR 20/24 |
|---|---|---|---|---|---|---|---|
| **Revenue** | **11.6** | **22.6** | **105.0** | **138.0** | **190.0** | **155.0** | ***62%*** |
| Industrial revenue | 11.6 | 15.0 | 49.0 | 70.0 | 102.0 | 155.0 | *79%* |
| Superbonus | - | 7.6 | 56.0 | 68.0 | 88.0 | - | |
| EBITDA | 2.6 | 7.7 | 31.3 | 41.1 | 57.7 | 39.0 | |
| **EBITDA adj.** | **2.6** | **6.0** | **25.7** | **34.3** | **48.9** | **39.0** | ***60%*** |
| *EBITDA adj. Margin* | *21.8%* | *26.5%* | *24.5%* | *24.9%* | *25.7%* | *25.2%* | |
| Capex | 2.9 | 3.4 | 22.7 | 16.5 | 5.7 | 5.4 | |
| *As a % of revenue* | *24.4%* | *15.0%* | *21.6%* | *12.0%* | *3.0%* | *3.5%* | |
| **Net debt (cash)** | **7.6** | **2.4** | **(3.0)** | **(10.3)** | **(33.6)** | **(81.2)** | |

*Source: company presentation*

The **largest leap in the group's top line is clearly foreseen between 2020 and 2021**, when industrial revenues are expected to grow threefold and Ecospace will have started to deliver its full potential.

Moreover, given the generally undersupplied market, it takes longer to fulfil orders. From the manufacturer's point of view, this means gaining ever higher visibility, as production activities need to be scheduled over a longer timeframe. SCK Group currently has a **backlog that covers 85% of the FY 2022 revenue**. This means that the group has already managed to secure nearly EUR 110m in incremental revenue, or 70% of the 2023 target.

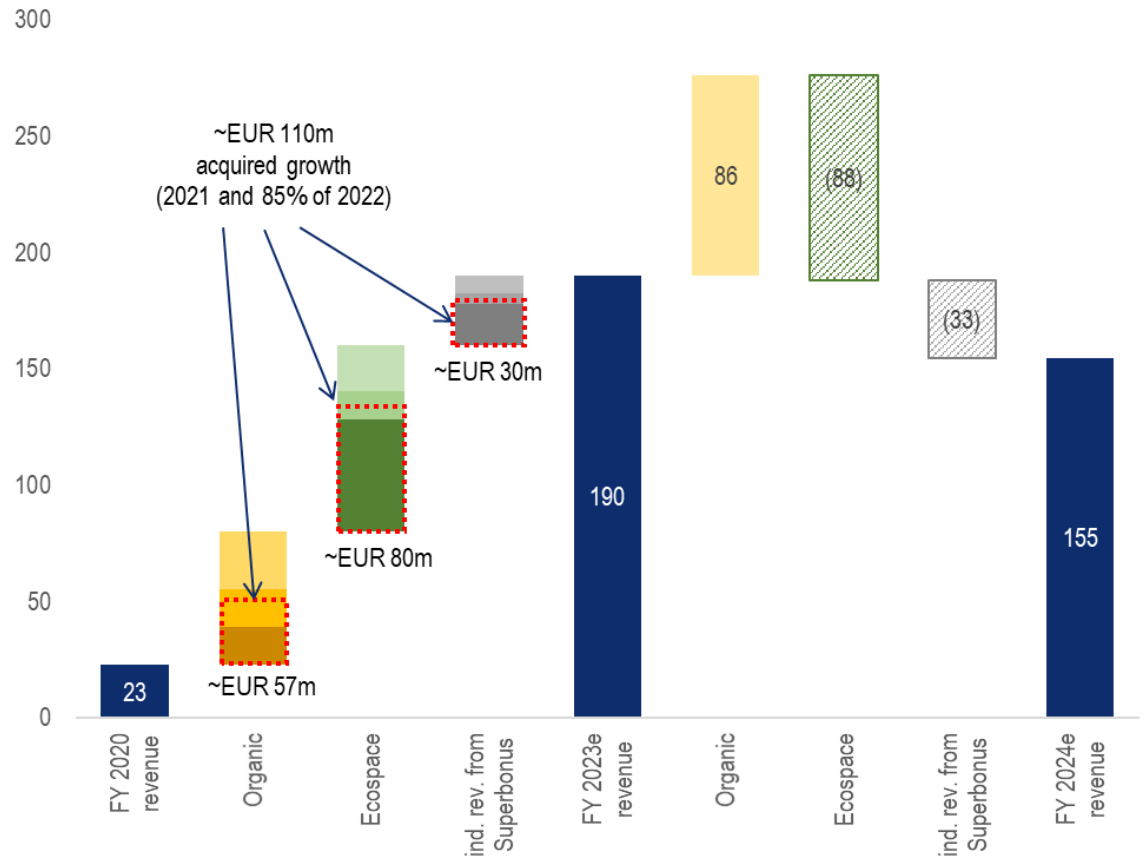
As regards the contribution from Ecospace, the management explained that the Superbonus revenue targets had been projected under the assumption of 30, 36 and 47 blocks of flats renovated in FY 2021, 2022 and 2023 respectively.

We split the analysis of revenue growth into two periods, 2020/23 and 2024, in the assumption the Superbonus will end in 2023, and we analysed the three main components separately.

- ✓ **Organic growth**: this includes the contribution from GC Infissi, along with revenue synergies, and Sciuker's current perimeter "industrial revenue";
- ✓ **Ecospace**: the contribution to the top line from the Superbonus, excluding the share passed on to Sciuker;
- ✓ **Industrial revenue from the Superbonus**: this is the additional turnover realised to supply Ecospace with windows for renovation projects. This component is Akros' estimate; it is based on an average 27.5% share of a renovation project's total amount that is spent for the replacement of windows.

The last two components are linked to the government subsidies and are due to cease effect as of 2024.

**2021/24 business plan: revenue growth breakdown**




*Source: Banca Akros on company data*

The **organic growth** component ought to contribute ~EUR 57m in FY 2021/23, of which EUR 16m both in 2021 (including ~EUR 12/13m from the first consolidation of GC Infissi) and in 2022. We estimate that the additional EUR 24m implies an ~45% increase in FY 2023 revenues vs. 2022, which ought to be supported by the ramp-up of the accessory business.

As regards the FY 2024 forecasts, the end of the 110% Superbonus is estimated to entail a loss of ~EUR 33m in revenue (Akros' estimate) from the industrial business on top of Ecospace's expected EUR 88m turnover in 2023. Consequently, the EUR 155m target implies an ~EUR 86m additional revenue, more than doubling Y/Y on an organic basis. We understand that a relevant share of this growth (~EUR 30m) is due to Teknika.

**We highlight that the business plan does not include the effects of the extended Superbonus to 2024.**

As regards **profitability**, Sciuker's flexible cost structure has proved effective during the initial stage of the scale-up phase. Furthermore, Ecospace booked a stable EBITDA margin at ~20/25% in its first year of activity, in line with the industrial business. As such, a Superbonus-driven revenue mix does not seem to be dilutive profitability-wise.

We also note that SCK has managed to raise prices without stalling demand (four price increases in 2021, mainly to offset the higher raw material costs), thus confirming the low elasticity to price, which is typical of premium and luxury goods. Although this "assimilation" may be temporary, at least to this extent, we believe this is a further characteristic of the business, which the group can lever to keep its profitability.

The **capex** plan envisages ~EUR 50m over the business plan timeframe, of which ~EUR 40m concentrated in 2021 and 2022. In particular, for 2021 SCK has committed:

- ✓ EUR 2.5m for GC Infissi (including the earnout);
- ✓ EUR 2.3m for the expansion of the production capacity in Contrada;
- ✓ EUR 0.9m for Ecospace (backlog-linked earnout);
- ✓ EUR 10m for a new 50K sqm facility in Avellino (o/w EUR 7m for the area and EUR 3m for the machinery), where Sciuker will move the assembly phase from the original plant in Contrada.
- ✓ EUR 3.9m for Teknika (including the earnout).

We understand that another ~EUR 15m will be invested in machinery, mainly in Avellino. A portion of the latter will come from the ZES non-repayable subsidy, which will lower SCK's capex by 35% (i.e. ~EUR 2/3m).

**Finally, the management announced that they were planning to translist Sciuker's shares from the AIM market to Borsa Italiana's STAR segment. The process is due to be completed by Summer 2022.**

# Estimates

SCK group's scale-up plan implies a strong contribution from temporary elements, as well as external growth, closely tied to structural and "organic" items.

We have projected our estimates over an 8-year period, divided into two sets:

- ✓ 2021/24: analytical estimates based on the business plan timeframe;
- ✓ 2025/28: projected estimates based on a gradual normalisation in growth rates and stable EBITDA margins.

## Analytical estimates

As regards revenues, **we argue that the company's targets to 2023 are reachable**, mainly thanks to the unusually high visibility, as well as the contribution from Ecospace. In particular, we believe that the Superbonus business might also lead to a possible slowdown in organic growth. Indeed, the management stressed that Ecospace was able to choose from among the most profitable contracts, implying that the company was receiving a fairly high number of requests for quotations. Furthermore, they said that the number and size of Superbonus projects were calibrated to employ SCK's production capacity proportionally.

This means that, were the organic channel to perform worse than expected, some additional renovation projects could be added to the portfolio. We highlight that, even assuming a different revenue mix, no significant dilutive impact on the EBITDA margin is expected.

By contrast, we expect GC Infissi to dilute profitability slightly, as its run-rate EBITDA margin is expected to be "at least" 15% (well below Sciuker's original ~25/30% perimeter margin) due to the different business segment and structural difference in outsourced and in-house operations between the two companies. We expect the integration of Teknika to be less dilutive, although we take a more conservative view (20% EBITDA margin, vs. ~11% in 2020/21e) compared with the 24% margin envisaged by SCK's management.

We note that Sciuker's original flexible cost structure mitigates the operating leverage in both directions, but also softens the downside risk, which we deem one of the main threats to such an ambitious scale-up plan. However, unless SCK manages to apply its peculiar production structure to the newly acquired companies, **the group's cost structure will likely get more rigid, thus becoming more sensitive to downside risks**.

All in all, we expect the **EBITDA margin** to remain **quite stable** over the forecast period, as the sound profitability at Ecospace ought to offset the lower (but increasing) margins at GC and Teknika between 2021 and 2023.

When it comes to cash generation, we highlight that **most of the capex plan is to be implemented between 2021 and 2022**. Although a significant upfront impact is expected on the operating cash flow, we note that the ~EUR 20m capital increase (completed through the warrant conversion in May 2021) covers ~44% of the forecast outflows.

As far as **2024 estimates** are concerned, we assume:

- ✓ More **conservative industrial revenue dynamics**: the >EUR 80m step-up in the group's revenue vs. 2023 is partly due to the accessory business as it is expected to contribute ~EUR 30m. Nevertheless, even excluding this item, the implied like-for-like growth ought to accelerate greatly (>130% Y/Y). As such, we have taken a more cautious approach and included **EUR 130m** (16% lower than the group's target, but still a 40% Y/Y increase) as **the "exit point" for our analytically estimated industrial revenue**. In our estimate, we have also included **some EUR 15m** as "industrial revenue **from the Superbonus**", as well as **EUR 45m from Ecospace** (vs. EUR 88m in 2023), implying turnover will be nearly halved compared with FY 2023, under the assumption of a more "normalised" activity with a 70/65% Superbonus.
- ✓ We assume the **adj. EBITDA margin** will decline slightly **to 23.5%**, based on a 26% margin from the windows business (with Sciuker at 33%, GC Infissi at 16%, weighted

at 60/40% respectively), while we expect the Superbonus to become slightly less profitable as the stabilisation of the framework and the end of the 110% bonus is likely to ease the demand pressure, which has exacerbated the undersupply and has helped push prices up, while at the same time the offer would have caught up, at least partially. On the other hand, the possibility to factor the tax credit will remain a significant support to the business. We have included a **20% EBITDA margin** compared with the ~25% estimate in 2021/23.

- ✓ A **significant NWC release**, linked to the decrease in receivables and work-in-progress at Ecospace, as we have projected a much more conservative contribution from the extension of Superbonus beyond 2023.
- ✓ A normalisation in **capex at ~3/4%** of annual revenues.

In any case, we highlight that the renovation business (particularly under the Superbonus) is closely tied to policymaker decision's and will likely need extra-funds in the public budget to be extended, on top of the EUR 18bn granted by the EU-backed PNRR. We expect these extensions to be passed along with the annual budget law year by year, as is being done regularly for "ordinary ecobonuses".

**P&L estimates (2021/24e)**

| | 2020 | 2021e | Δ% Y/Y | 2022e | Δ% Y/Y | 2023e | Δ% Y/Y | 2024e | Δ% Y/Y | CAGR 20/24e |
|---|---|---|---|---|---|---|---|---|---|---|
| **Value of production** | **22.6** | **105.0** | ***365%*** | **138.0** | ***31.4%*** | **190.0** | ***37.7%*** | **175.0** | ***-7.9%*** | **66.8%** |
| Industrial revenues | 15.0 | 49.0 | *227%* | 70.0 | *42.9%* | 102.0 | *45.7%* | 130.0 | *27.5%* | 71.6% |
| Sciuker Ecospace | 7.6 | 56.0 | *637%* | 68.0 | *21.4%* | 88.0 | *29.4%* | 45.0 | *-48.9%* | |
| **EBITDA rep.** | **7.7** | **30.6** | ***298%*** | **39.9** | ***30.5%*** | **54.4** | ***36.3%*** | **41.1** | ***-24.4%*** | **52.1%** |
| *EBITDA rep. Margin* | *34.0%* | *29.1%* | | *28.9%* | | *28.6%* | | *23.5%* | | |
| **EBITDA adj,** | **6.0** | **25.0** | ***318%*** | **33.1** | ***32.5%*** | **45.6** | ***37.7%*** | **41.1** | ***-9.8%*** | **61.9%** |
| *EBITDA adj. Margin* | *26.5%* | *23.8%* | | *24.0%* | | *24.0%* | | *23.5%* | | |
| D&A (*) | (3.8) | (2.3) | | (4.8) | | (5.2) | | (6.0) | | |
| **EBIT** | **3.8** | **28.3** | ***636%*** | **35.1** | ***24.0%*** | **49.2** | ***40.1%*** | **35.2** | ***-28.5%*** | **73.9%** |
| *EBIT margin* | *17.0%* | *27.0%* | | *25.4%* | | *25.9%* | | *20.1%* | | |
| Net financial charges | (0.0) | (4.9) | | (6.9) | | (8.6) | | (4.9) | | |
| Pretax profit/(loss) | 3.8 | 23.5 | *511%* | 28.2 | *20.3%* | 40.6 | *43.8%* | 30.3 | *-25.4%* | 67.6% |
| Taxes | (1.1) | (6.7) | | (8.1) | | (11.6) | | (8.6) | | |
| (Minorities) | (0.4) | (2.7) | | (3.2) | | (4.6) | | (3.4) | | |
| **Net attributable profit** | **2.3** | **14.1** | ***511%*** | **17.0** | ***20.3%*** | **24.4** | ***43.8%*** | **18.2** | ***-25.4%*** | **67.6%** |

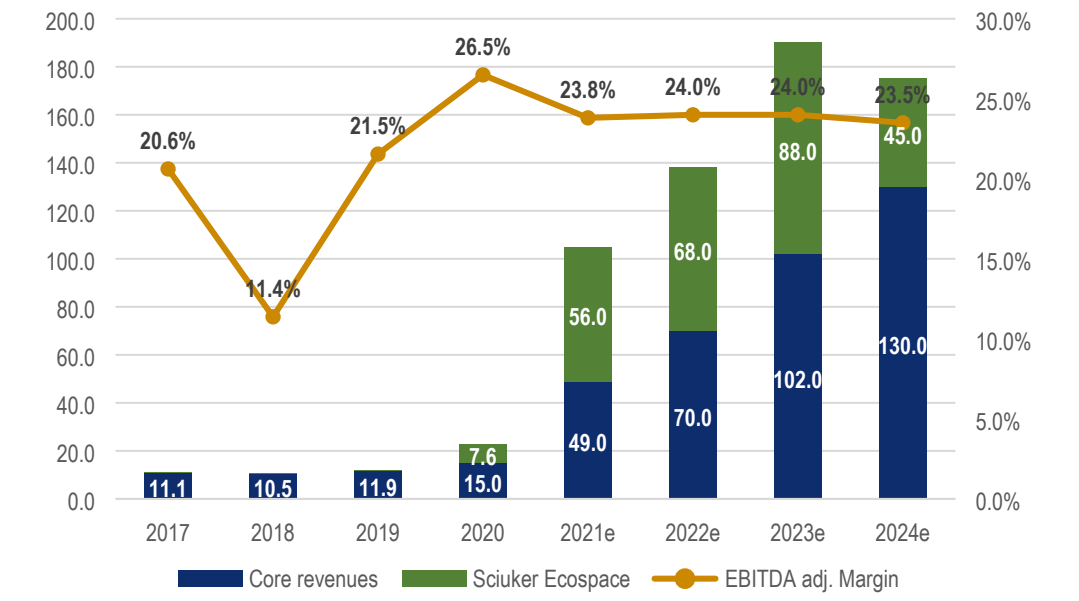
*Source: Banca Akros estimates*

**Cash flow and NFP estimates (2021/24e)**

| | 2020 | 2021e | 2022e | 2023e | 2024e |
|---|---|---|---|---|---|
| **EBITDA** | **7.7** | **30.6** | **39.9** | **54.4** | **41.1** |
| - Superbonus-related fin.charges | (1.7) | (4.9) | (5.9) | (7.6) | (3.9) |
| NWC changes | (3.2) | 7.7 | 1.5 | 2.2 | (7.3) |
| **OCF** | **5.1** | **11.3** | **24.4** | **33.0** | **35.9** |
| Capex | 3.5 | 25.2 | 17.3 | 6.7 | 6.1 |
| *As a % of revenue* | *15.6%* | *24.0%* | *12.5%* | *3.5%* | *3.5%* |
| **FCFE** | **5.3** | **(11.0)** | **6.9** | **26.6** | **27.5** |
| **Net debt/(cash)** | **2.4** | **(2.7)** | **(6.8)** | **(30.0)** | **(52.5)** |
| Leverage | 0.3x | (0.1x) | (0.2x) | (0.6x) | (1.3x) |

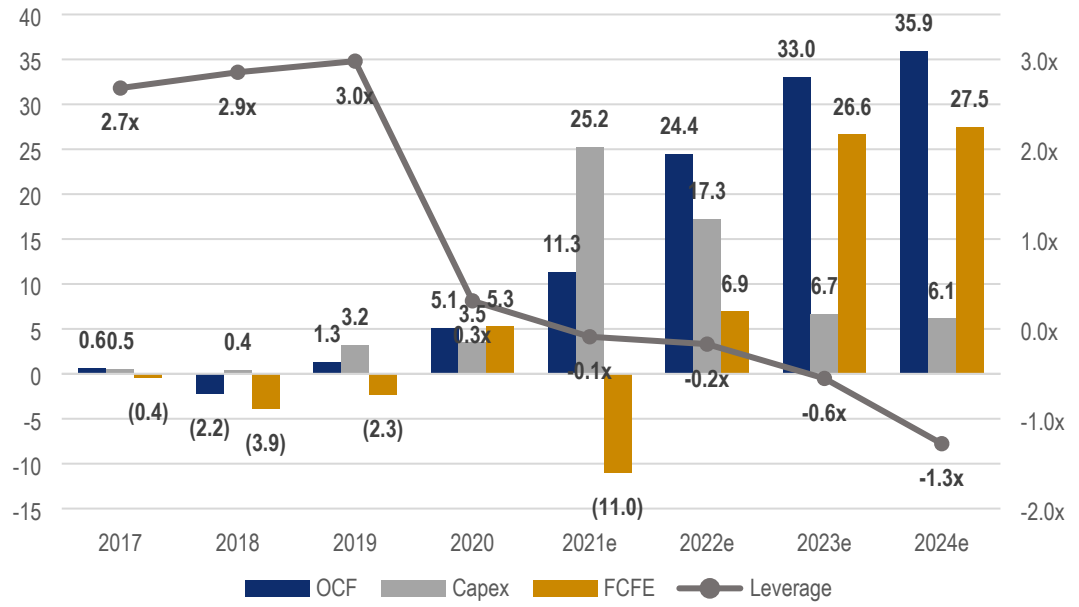
*Source: Banca Akros estimates*

**2017/24e revenue and profitability estimates**




*Source: Banca Akros estimates*

**2017/24e cash flow and leverage estimates**




*Source: Banca Akros estimates*

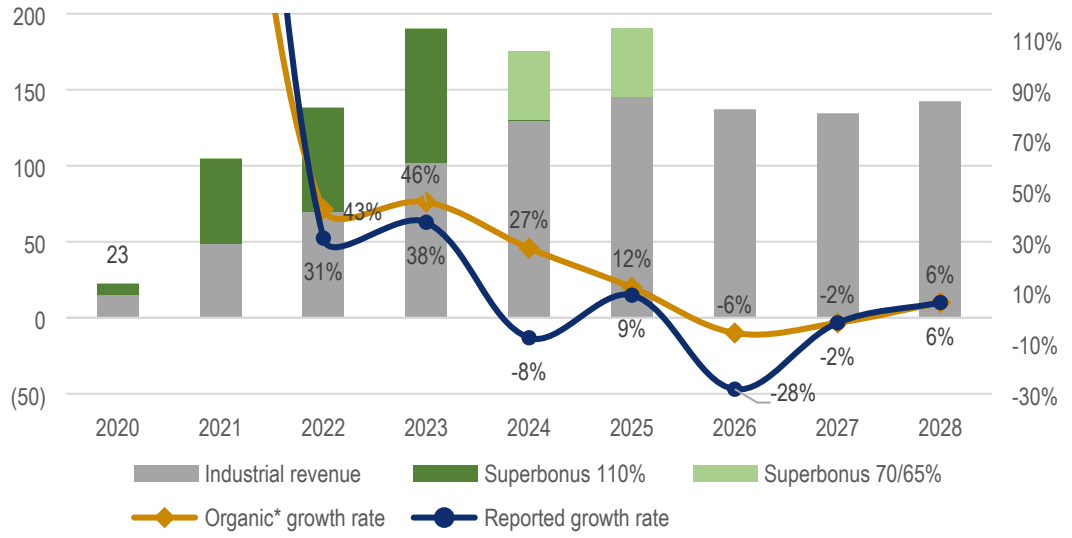
## Projections to 2028

Our 2025 estimates still factor in ~EUR 45m in revenues from the extended Superbonus as we have included in FY 2024 estimates, with the same, slightly diluted profitability. We assume the EBITDA margin will be back at a normal 24% level as of 2026.

Given the strong acceleration towards renovations, driven by the Superbonus, we argue that, in a "as is" scenario, a significant, cyclical setback is likely to affect the entire industry once the public support has ceased. That said, we must bear in mind that the 110% Superbonus is being funded by the EU-backed PNRR.

As such, we have projected an "organic" decline in 2026 and 2027, followed by a rebound in 2028, as shown in the chart below.

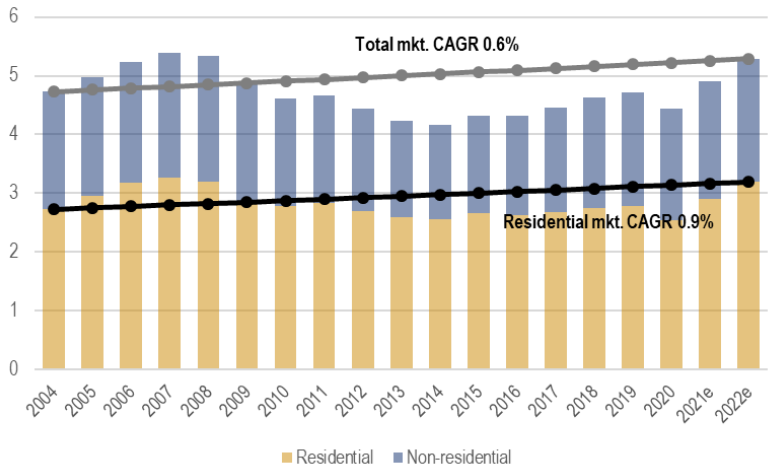
**2021/28e revenue trend and growth profile**




*Source: Banca Akros estimates*
*"Organic" defined as SCK's current perimeter turnover (Sciuker, GC Infissi, Teknika), excluding Ecospace and Industrial revenue from the Superbonus*

As regards our terminal growth rate, we have based our estimate on the 1% perpetual growth rate used on average for ESN's materials, construction & infrastructure panel, which is also consistent with the historical trend for the Italian residential window market over the last two decades.

**2004/22e Italian window market trend (EURbn)**




*Source: Banca Akros on UNICMI data*

We have added an additional 0.5% to factor in the boost given by the massively subsidised government renovations, which we expect to continue after 2030 in order to achieve the national net-zero emission target by 2050.

**2021/28e estimates**

| | 2021e | 2022e | 2023e | 2024e | 2025e | 2026e | 2027e | 2028e | Norm. Year |
|---|---|---|---|---|---|---|---|---|---|
| Net Sales | 105.0 | 138.0 | 190.0 | 175.0 | 190.6 | 136.9 | 134.1 | 142.2 | 144.3 |
| *% change* | *365%* | *31.4%* | *37.7%* | *-7.9%* | *8.9%* | *-28.2%* | *-2.0%* | *6.0%* | *1.5%* |
| EBITDA | 30.6 | 39.9 | 54.4 | 41.1 | 44.8 | 32.8 | 32.2 | 34.1 | 34.6 |
| *% margin* | *29.1%* | *28.9%* | *28.6%* | *23.5%* | *23.5%* | *24.0%* | *24.0%* | *24.0%* | *24.0%* |
| D&A | 2.3 | 4.8 | 5.2 | 6.0 | 6.5 | 4.7 | 4.6 | 4.8 | 4.9 |
| *% sales* | *2.2%* | *3.5%* | *2.7%* | *3.4%* | *3.4%* | *3.4%* | *3.4%* | *3.4%* | *3.4%* |
| EBIT | 28.3 | 35.1 | 49.2 | 35.2 | 38.3 | 28.2 | 27.6 | 29.3 | 29.7 |
| Taxes (Normative) | (8.1) | (10.0) | (14.1) | (10.0) | (10.9) | (8.0) | (7.9) | (8.4) | (8.5) |
| *Normative Tax Rate* | *28.6%* | *28.6%* | *28.6%* | *28.6%* | *28.6%* | *28.6%* | *28.6%* | *28.6%* | *28.6%* |
| **NOPLAT** | **20.2** | **25.1** | **35.2** | **25.1** | **27.4** | **20.1** | **19.7** | **20.9** | **21.2** |
| D&A | 2.3 | 4.8 | 5.2 | 6.0 | 6.5 | 4.7 | 4.6 | 4.8 | 4.9 |
| *% sales* | *2.2%* | *3.5%* | *2.7%* | *3.4%* | *3.4%* | *3.4%* | *3.4%* | *3.4%* | *3.4%* |
| **Gross Op. Cash Flow** | **22.5** | **29.9** | **40.3** | **31.1** | **33.9** | **24.8** | **24.3** | **25.8** | **26.1** |
| Capex | (25.2) | (17.3) | (6.7) | (6.1) | (5.9) | (5.6) | (5.4) | (5.1) | (4.9) |
| Change in NWC | (7.7) | (1.5) | (2.2) | 7.3 | (2.1) | 9.9 | 0.4 | (1.1) | 0.0 |
| **CF to be discounted** | **(10.4)** | **11.1** | **31.5** | **32.3** | **25.9** | **29.1** | **19.3** | **19.6** | **21.2** |

*Source: Banca Akros estimates*

# Valuation

We chose to base our valuation on a DCF model since this approach captures the growth expected over the 2021/24 period. We also provide a multiple comparison to support our assumptions.

**We have set a target price of EUR 14/sh based on our DCF model. Given the large implied upside, we initiate our coverage with a Buy recommendation.**

## DCF model: fair value of EUR 14.0/sh

We have incorporated a **limited execution risk** in our WACC estimate as most of the ambitious scale-up plan (and the expected cash generation) is due to take place in the next three years, in an extremely favourable environment boosted by the Superbonus framework.

Our 8.25% WACC estimate includes a 100% equity capital structure, given the net cash position we expect at the end of our forecasting period, a risk-free rate of 3.5%, a beta factor of 0.95 and a market risk premium of 5%.

**DCF analysis**

| | |
|---|---|
| Perpetual Growth Rate | *1.5%* |
| WACC | *8.25%* |
| **Terminal Value** | **319.4** |
| Discounting Rate of Terminal Value | 0.57 |
| Discounted Terminal Value | 181.8 |
| **Cumulated DFOCF** | **125.0** |
| Financial Assets as of 31/12/20 | (0.5) |
| **Enterprise Value (EUR mn)** | **306.4** |
| Net Financial Debt (EUR mn) as of 31/12/20 | (2.4) |
| Minorities market value (EUR mn) | (0.6) |
| **Equity Value (EUR mn)** | **303.3** |
| **Value per share (EUR)** | **14.0** |
| Price as at 24/11/21 (EUR) | 8.00 |
| **Upside (downside)** | ***75.0%*** |

**DCF sensitivity (WACC/terminal growth rate)**

| | Terminal growth rate (g) | | | | | | |
|---|---|---|---|---|---|---|---|
| **WACC** | ***0.75%*** | ***1.00%*** | ***1.25%*** | ***1.50%*** | ***1.75%*** | ***2.00%*** | ***2.25%*** |
| **6.75%** | 17.8 | 17.8 | 17.8 | **17.8** | 17.9 | 17.9 | 17.9 |
| **7.25%** | 16.3 | 16.3 | 16.3 | **16.3** | 16.4 | 16.4 | 16.4 |
| **7.75%** | 15.0 | 15.0 | 15.0 | **15.1** | 15.1 | 15.1 | 15.1 |
| **8.25%** | **13.9** | **13.9** | **13.9** | **14.0** | **14.0** | **14.0** | **14.0** |
| **8.75%** | 13.0 | 13.0 | 13.0 | **13.0** | 13.0 | 13.1 | 13.1 |
| **9.25%** | 12.1 | 12.2 | 12.2 | **12.2** | 12.2 | 12.2 | 12.2 |
| **9.75%** | 11.4 | 11.4 | 11.4 | **11.5** | 11.5 | 11.5 | 11.5 |

**DCF sensitivity (terminal EBITDA margin/terminal growth rate)**

| | Terminal EBITDA margin | | | | | | |
|---|---|---|---|---|---|---|---|
| **g** | ***21.0%*** | ***22.0%*** | ***23.0%*** | ***24.0%*** | ***25.0%*** | ***26.0%*** | ***27.0%*** |
| ***0.75%*** | 12.6 | 13.0 | 13.5 | **13.9** | 14.3 | 14.8 | 15.2 |
| ***1.00%*** | 12.6 | 13.1 | 13.5 | **13.9** | 14.4 | 14.8 | 15.2 |
| ***1.25%*** | 12.6 | 13.1 | 13.5 | **13.9** | 14.4 | 14.8 | 15.2 |
| ***1.50%*** | **12.7** | **13.1** | **13.5** | **14.0** | **14.4** | **14.8** | **15.3** |
| ***1.75%*** | 12.7 | 13.1 | 13.6 | **14.0** | 14.4 | 14.9 | 15.3 |
| ***2.00%*** | 12.7 | 13.1 | 13.6 | **14.0** | 14.4 | 14.9 | 15.3 |
| ***2.25%*** | 12.7 | 13.2 | 13.6 | **14.0** | 14.5 | 14.9 | 15.3 |

## Multiple comparison: fair value of EUR 13.3/sh

Despite the not negligible difference in size and business mix among the European and US listed peers we have selected, multiples are mostly crowded around median and average values.

It is worth mentioning the richer-than-average multiples Inwido trades at, which probably discount its dynamic M&A-driven growth strategy, with more than 50 acquisition over the past 20 years.

By contrast, we note the strong discount of the UK-based Safestyle, which ranges from 15% to 55% depending on the metrics (avg. 36%) compared to the remaining panel. The small size, along with the company's purely domestic business and the listing on the UK AIM market, probably explain the gap.

We argue that SCK stands in between the two extremes: M&A has been one of the main growth drivers in the last year (though no more deals are in sight, for the time being), while a country-risk factor should be factored in, coupled with the execution risk, which we have included in our WACC estimate. As such, **we deem a 10% discount is reasonable.**

We have not applied any liquidity discount since the market capitalisation has already exceeded EUR 170m, the free float is above 42% and the company will join the STAR index soon, which is likely to increase visibility and lower the liquidity discount (usually heavier on AIM companies).

We have based our multiple valuation on the **average value obtained from EBITDA, EBIT and net profit**. We have excluded the multiples based on sales, since they are much more scattered, while profitability-based valuations appear to be more consistent. The implied multiple on sales would have unfairly depressed SCK's valuation, given the higher-than-average profitability we expect compared with the peer group (≥23% vs. the average ~12%).

We have based our valuation on the **2021/23 average** since the mean EBITDA, EBIT and net profit we have projected for these years are close to our "normalised" exit values, thus reducing the potential distortions linked to the temporary effect of the Superbonus-linked business.

| | | *EBITDA adj.* | | | *EBIT* | | | *Net Profit* | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | *2021E* | *2022E* | *2023E* | *2021E* | *2022E* | *2023E* | *2021E* | *2022E* | *2023E* |
| **SCK Group** | | 25.0 | 33.1 | 45.6 | 28.3 | 35.1 | 49.2 | 14.1 | 17.0 | 24.4 |
| Multiple (average) | | **8.4** | **7.4** | **6.8** | **14.9** | **11.3** | **10.1** | **16.1** | **13.2** | **11.5** |
| Discount | **10%** | 7.5 | 6.7 | 6.1 | 13.4 | 10.2 | 9.1 | 14.5 | 11.8 | 10.3 |
| **Enterprise Value** | | **188.4** | **220.8** | **278.7** | **380.3** | **358.5** | **449.1** | **203.9** | **200.7** | **251.9** |
| - Net Debt | | 2.7 | 6.8 | 30.0 | 2.7 | 6.8 | 30.0 | | | |
| - Pension underfunding | | (0.5) | (0.7) | (0.9) | (0.5) | (0.7) | (0.9) | | | |
| Financial assets | | (0.5) | (0.5) | (0.5) | (0.5) | (0.5) | (0.5) | | | |
| - Minorities | | (2.6) | (5.1) | (8.8) | (2.6) | (5.1) | (8.8) | | | |
| **Equity Value** | | **187.6** | **221.2** | **298.5** | **379.4** | **359.0** | **468.9** | **203.9** | **200.7** | **251.9** |
| N. of shares | | 21,719 | 21,719 | 21,719 | 21,719 | 21,719 | 21,719 | 21,719 | 21,719 | 21,719 |
| **Equity Value per share** | | **8.6** | **10.2** | **13.7** | **17.5** | **16.5** | **21.6** | **9.4** | **9.2** | **11.6** |
| **Avg. Equity value per share** | | **13.3** | | | | | | | | |

## Peer group: key financial indicators

| | Net debt/ EBITDA20 | Sales 2021e | Sales 2022e | Sales 2023e | Revenue CAGR 20/23e | EBITDA margin 2021e | EBITDA margin 2022e | EBITDA margin 2023e | Net income 2021e | Net income 2022e | Net income 2023e | Net income CAGR 20/23e |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Deceuninck Nv | 0.34 | 821 | 831 | 872 | *10.7%* | *10.8%* | *13.7%* | *14.3%* | 24 | 48 | 57 | *32.8%* |
| Inwido Ab | 1.20 | 7,504 | 7,680 | 7,873 | *5.6%* | *12.4%* | *14.8%* | *14.8%* | 501 | 648 | 676 | *10.5%* |
| Eurocell Plc | 2.71 | 337 | 344 | 362 | *12.0%* | *14.3%* | *14.5%* | *14.7%* | 21 | 23 | 24 | *nm* |
| Safestyle Uk Plc | 0.45 | 144 | 152 | 160 | *12.2%* | *10.0%* | *10.3%* | *11.1%* | 6 | 7 | 8 | *nm* |
| Apogee Enterprises Inc | 1.97 | 1,281 | 1,303 | na | *nm* | *9.6%* | *11.7%* | *na* | 57 | 73 | na | *nm* |
| Pgt Innovations Inc | 2.58 | 1,151 | 1,339 | 1,392 | *16.4%* | *11.9%* | *15.9%* | *16.4%* | 45 | 88 | 110 | *34.4%* |
| Epwin Group Plc | 3.89 | 312 | 315 | 323 | *10.3%* | *8.2%* | *12.7%* | *12.7%* | 3 | 14 | 14 | *76.5%* |
| Jeld-Wen Holding Inc | 3.31 | 4,705 | 4,985 | 5,187 | *7.0%* | *10.0%* | *10.8%* | *11.3%* | 183 | 226 | 251 | *40.0%* |

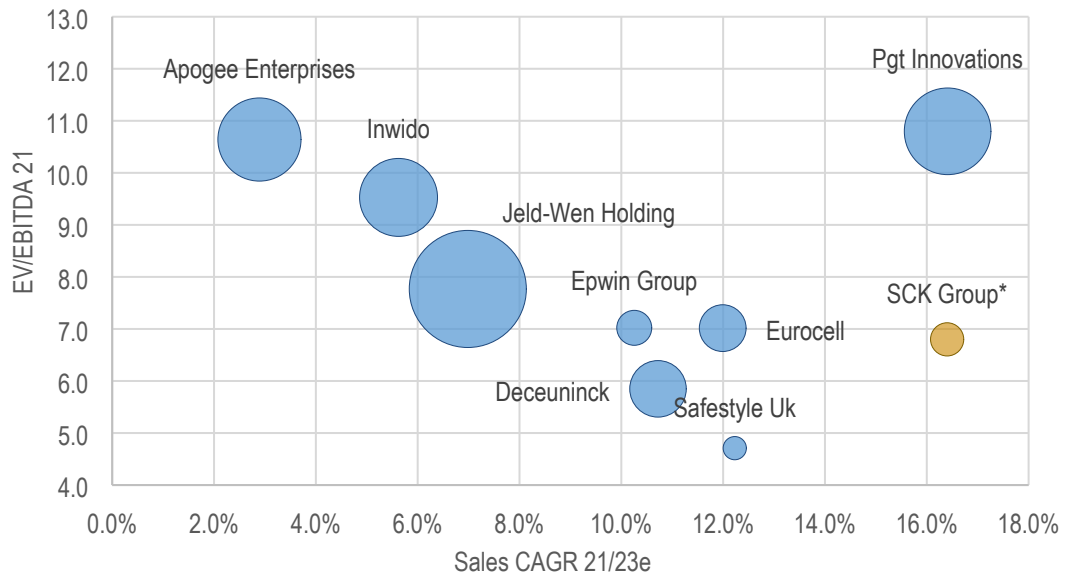
*Source: Bloomberg data as at 24 November 2021*

## Peer group: multiples

| | Currency | Mkt Cap (m) | EV/SALES 2021e | EV/SALES 2022e | EV/SALES 2023e | EV/EBITDA 2021e | EV/EBITDA 2022e | EV/EBITDA 2023e | EV/EBIT 2021e | EV/EBIT 2022e | EV/EBIT 2023e | P/E 2021e | P/E 2022e | P/E 2023e |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Deceuninck Nv | EUR | 498.3 | 0.7 | 0.7 | 0.7 | 5.8 | 5.3 | 4.8 | 9.4 | 7.8 | 7.1 | 12.2 | 10.6 | 8.9 |
| Inwido Ab | SEK | 9,686.4 | 1.4 | 1.4 | 1.4 | 9.5 | 9.5 | 9.2 | 12.3 | 12.2 | 11.8 | 14.8 | 14.9 | 14.3 |
| Eurocell Plc | GBp | 286.6 | 1.0 | 1.0 | 0.9 | 7.0 | 6.8 | 6.4 | 11.7 | 11.4 | 10.4 | 13.0 | 12.1 | 11.9 |
| Safestyle Uk Plc | GBp | 70.7 | 0.5 | 0.4 | 0.4 | 4.7 | 4.3 | 3.8 | 8.6 | 7.4 | 6.1 | 12.1 | 10.9 | 8.9 |
| Apogee Enterprises Inc | USD | 1,207.6 | 1.1 | 1.0 | na | 10.6 | 8.6 | na | 26.2 | 13.5 | na | 21.4 | 16.6 | na |
| Pgt Innovations Inc | USD | 1,311.2 | 1.6 | 1.4 | 1.3 | 10.8 | 8.5 | 7.9 | 17.2 | 12.3 | 10.9 | 22.2 | 15.6 | 13.3 |
| Epwin Group Plc | GBp | 160.1 | 0.8 | 0.8 | 0.8 | 7.0 | 6.4 | 6.2 | 14.8 | 11.8 | 11.5 | 14.7 | 11.5 | 11.1 |
| Jeld-Wen Holding Inc | USD | 2,395.0 | 0.8 | 0.8 | 0.7 | 7.8 | 6.8 | 6.3 | 12.9 | 10.3 | 9.2 | 14.1 | 10.8 | 9.5 |
| **Average** | | | **1.0** | **0.9** | **0.9** | **7.9** | **7.0** | **6.4** | **14.1** | **10.9** | **9.6** | **15.6** | **12.9** | **11.1** |
| **Average ex-Safestyle** | | | **1.1** | **1.0** | **1.0** | **8.4** | **7.4** | **6.8** | **14.9** | **11.3** | **10.1** | **16.1** | **13.2** | **11.5** |

*Source: Bloomberg data as at 24 November 2021*

**Value map: EV/EBITDA vs. sales CAGR 2021/23e**



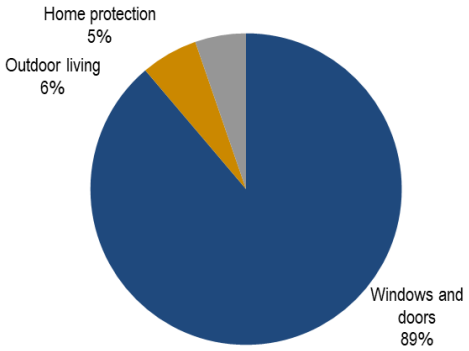

*Source: Banca Akros on company data*
**SCK Group's sales CAGR is computed over the 2021/28e timeframe*

# Appendix – Peer group

## Deceuninck NV

Deceuninck NV is a Belgium-based company that designs, manufactures and supplies PVC systems for windows and doors, roofline systems and cladding, interior and outdoor living in residential and light commercial buildings. The Deceuninck Group operates in more than 75 countries and has 35 subsidiaries, distinguished into three geographic segments: Europe (50% of FY 2020 sales), North America (23%) and Turkey & Emerging Markets (27%). Deceuninck runs 15 vertically integrated manufacturing facilities and manages 21 warehousing and distribution facilities.

**Deceuninck: sales by segment**




*Source: Company data*

**Deceuninck: historical data and consensus forecasts**

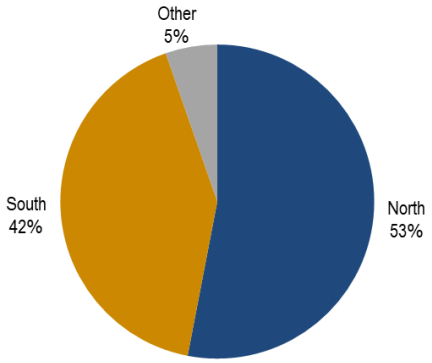
| EUR (m) | 2020 | 2021e | 2022e | 2023e | CAGR 21e-23e |
|---|---|---|---|---|---|
| **Revenue** | 642 | 821 | 831 | 872 | *3%* |
| **EBITDA** | 89 | 89 | 114 | 125 | *19%* |
| *(%)* | *14%* | *11%* | *14%* | *14%* | |
| **EBIT** | 49 | 49 | 77 | 85 | *32%* |
| ***(%)*** | *8%* | *6%* | *9%* | *10%* | |
| **Net Income** | 24 | 24 | 48 | 57 | *53%* |
| **Dividend Yield** | 1.7 | 1.7 | 2.1 | 2.1 | |
| **Net debt** | 30 | 56 | 9 | -41 | |
| **Net Debt/EBITDA** | 0.3 | 0.6 | 0.1 | -0.3 | |

*Source: Bloomberg*

## Inwido AB

Inwido AB is a Swedish manufacturer of windows and doors. The company develops, makes and sells high performing wooden and wooden-aluminium windows and doors. It provides a range of related services and accessories to consumers, carpenters, middlemen, building companies and manufacturers of prefabricated homes. The group mainly operates in two business areas, namely North (Norway, Sweden and Finland), with balanced sales between consumers (40%) and companies (60%), and South (Denmark, UK, Ireland, Poland), where consumers account for more than 90% of sales as it also groups the e-commerce channel. Inwido has a solid track record of M&A, with more than 50 acquisition over the past 20 years, and still represents one of the main growth drivers.

**Inwido: sales by segment**




*Source: Company data*

**Inwido: historical data and consensus forecasts**

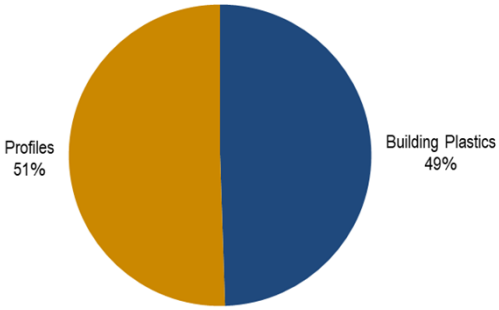
| SEK (m) | 2020 | 2021e | 2022e | 2023e | CAGR 21e-23e |
|---|---|---|---|---|---|
| **Revenue** | 6,681 | 7,504 | 7,680 | 7,873 | *2%* |
| **EBITDA** | 928 | 928 | 1,136 | 1,167 | *12%* |
| *(%)* | *14%* | *12%* | *15%* | *15%* | |
| **EBIT** | 691 | 691 | 885 | 915 | *15%* |
| ***(%)*** | *10%* | *9%* | *12%* | *12%* | |
| **Net Income** | 501 | 501 | 648 | 676 | *16%* |
| **Dividend Yield** | n.a. | 3.2 | 3.4 | 3.4 | |
| **Net debt** | 1,113 | 941 | 679 | 371 | |
| **Net Debt/EBITDA** | 1.2 | 1.0 | 0.6 | 0.3 | |

*Source: Bloomberg*

## Eurocell Plc

Eurocell Plc is a UK vertically integrated manufacturer of PVC windows, doors and roofline systems. It also provides building products to the new and replacement window market and the sale of building materials. The company operates through two segments: Profiles (51% of FY 2020 sales), which includes the extrusion and sale of uPVC windows and building products, as well as the management of a PVC recycling line; Building Plastics (49%), which includes the sale of foam PVC roofline products, doors and third-party products (sealants, tools and windows). The company mainly addresses the private RMI market (repair, maintenance and improvement), which accounts for 85% of group sales.

**Eurocell: sales by segment**




*Source: Company data*

**Eurocell: historical data and consensus forecasts**

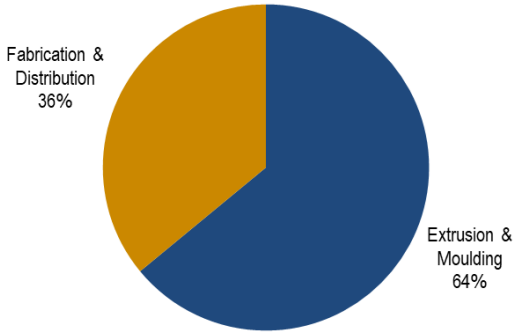
| GBP (m) | 2020 | 2021e | 2022e | 2023e | CAGR 21e-23e |
|---|---|---|---|---|---|
| **Revenue** | 258 | 337 | 344 | 362 | *4%* |
| **EBITDA** | 22 | 48 | 50 | 53 | *5%* |
| *(%)* | *8%* | *14%* | *14%* | *15%* | |
| **EBIT** | 1 | 29 | 30 | 33 | *6%* |
| ***(%)*** | *0%* | *9%* | *9%* | *9%* | |
| **Net Income** | -2 | 21 | 23 | 24 | *5%* |
| **Dividend Yield** | 3.7 | 3.7 | 4.0 | 4.0 | |
| **Net debt** | 58 | 18 | 15 | 9 | |
| **Net Debt/EBITDA** | 2.7 | 0.4 | 0.3 | 0.2 | |

*Source: Bloomberg*

## Epwin Group

Epwin Group is one of the UK's largest manufacturers and suppliers of PVC windows, doors, curtain walling, roofing, façade and cladding systems and composite decking. The group has acquired a portfolio of nationally recognised B2B brands, which represent a key sales channel; main customers include do-it-yourself stores, conservatory fabricators and installers, the public sector and the new housing market. Epwin's operating segments are: Extrusion and Moulding, (64% of FY 2020 sales), which includes the extrusion and marketing of PVC and aluminium window profile systems, PVC cellular roofline and cladding, decking, rigid rainwater and drainage products; and Fabrication and Distribution (36%), which includes the manufacturing, marketing and distribution of windows and doors, cellular roofline, cladding, rainwater, drainage and decking products. Geography-wise, almost 93% of FY 2020 sales come from the UK, whereas the rest of Europe account for 6% and other countries for 1%.

**Epwin: sales by segment**




*Source: Company data*

**Epwin: historical data and consensus forecasts**

| GBP (m) | 2020 | 2021e | 2022e | 2023e | CAGR 21e-23e |
|---|---|---|---|---|---|
| **Revenue** | 241 | 312 | 315 | 323 | *2%* |
| **EBITDA** | 26 | 26 | 40 | 41 | *27%* |
| *(%)* | *11%* | *8%* | *13%* | *13%* | |
| **EBIT** | 6 | 6 | 22 | 22 | *87%* |
| ***(%)*** | *3%* | *2%* | *7%* | *7%* | |
| **Net Income** | 3 | 3 | 14 | 14 | *135%* |
| **Dividend Yield** | 3.4 | 3.4 | 4.3 | 4.3 | |
| **Net debt** | 99 | 14 | 8 | 1 | |
| **Net Debt/EBITDA** | 3.9 | 0.5 | 0.2 | 0.0 | |

*Source: Bloomberg*

## SafeStyle PLC

Safestyle PLC is a UK-based company engaged in the sale, manufacture and installation of replacement uPVC windows and doors, composite doors, French windows and patio doors for the homeowner replacement market. The company has 33 sales branches and 13 distribution depots across the UK, where it generate its whole turnover.

**SafeStyle: sales by segment**

na

*Source: Company data*

**SafeStyle: historical data and consensus forecasts**

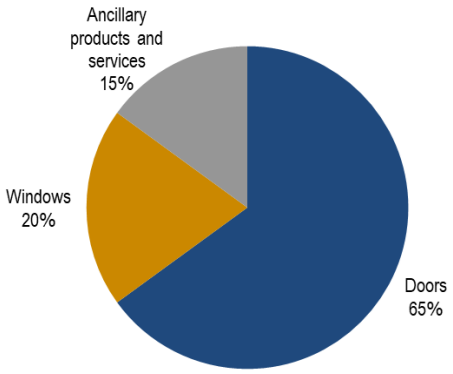
| GBP (m) | 2020 | 2021e | 2022e | 2023e | CAGR 21e-23e |
|---|---|---|---|---|---|
| Revenue | 113 | 144 | 152 | 160 | *5%* |
| EBITDA | 1 | 14 | 16 | 18 | *11%* |
| *(%)* | *1%* | *10%* | *10%* | *11%* | |
| EBIT | -5 | 8 | 9 | 11 | *19%* |
| *(%)* | *-4%* | *5%* | *6%* | *7%* | |
| Net Income | -5 | 6 | 7 | 8 | *17%* |
| Dividend Yield | 1.6 | 1.6 | 2.7 | 2.7 | |
| Net debt | 1 | 5 | 4 | 4 | |
| Net Debt/EBITDA | 0.4 | 0.3 | 0.2 | 0.2 | |

*Source: Bloomberg*

## Jeld-Wen Holding Inc.

Jeld-Wen holding is one of the world's largest door and window manufacturers. The company designs and distributes interior and exterior doors, with a specific focus on non-residential doors (in northern Europe and the DACH region) and low-cost solutions (in the USA, the UK and France), as well as wood, vinyl, aluminum windows, and related products for use in the new construction, with unitary prices ranging from USD 100/200 to 1,000. Its distribution channels include wholesalers, retailers and direct sales to individual contractors and consumers. The company has 140 manufacturing sites in 20 countriesand mainly sells in North America (60% of FY 2020 sales), Europe (28%), and Australasia (12%).

**Jeld-Wen: sales by segment**




*Source: Company data*

**Jeld-Wen: historical data and consensus forecasts**

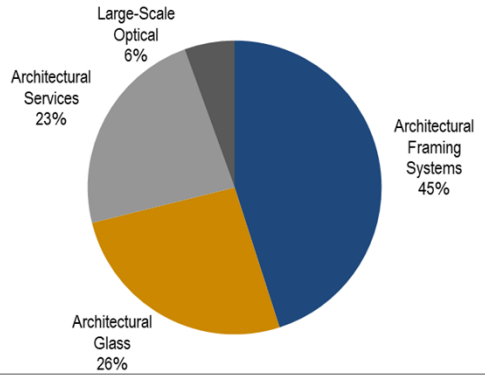
| USD (m) | 2020 | 2021e | 2022e | 2023e | CAGR 21e-23e |
|---|---|---|---|---|---|
| Revenue | 4,236 | 4,705 | 4,985 | 5,187 | *5%* |
| EBITDA | 379 | 472 | 538 | 586 | *11%* |
| *(%)* | *9%* | *10%* | *11%* | *11%* | |
| EBIT | 189 | 301 | 376 | 423 | *19%* |
| *(%)* | *4%* | *6%* | *8%* | *8%* | |
| Net Income | 92 | 183 | 226 | 251 | *17%* |
| Dividend Yield | n.a. | 0.0 | n.a. | n.a. | |
| Net debt | 1,254 | 1,133 | 951 | 733 | |
| Net Debt/EBITDA | 3.3 | 2.4 | 1.8 | 1.3 | |

*Source: Bloomberg*

## Apogee Enterprises

Apogee Enterprises is a US-based manufacturer of glass and metal products for the commercial construction market. The group operates through four business segments: Architectural Framing Systems (45% of FY 2020), engaged in making aluminium windows, curtainwall, storefront and entrance systems; Architectural Glass (26%), which coats and fabricates high-performance glass used in custom window and wall systems on commercial buildings; Architectural Services (23%), which include technical and project management services; and Large-Scale Optical products (6%), which provides value-added coated glass and acrylic products for specific applications. Apogee mainly serves the domestic US market (91%), whereas foreign sales (9%) are mainly realised in Canada and Brazil.

**Apogee: sales by segment**




*Source: Company data*

**Apogee: historical data and consensus forecasts**

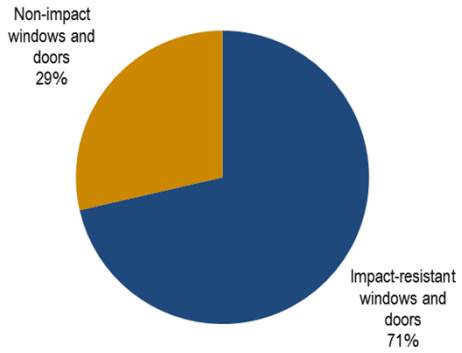
| USD (m) | 2020 | 2021e | 2022e | 2023e | CAGR 21e-23e |
|---|---|---|---|---|---|
| Revenue | 1,231 | 1,281 | 1,303 | n.a. | n.a. |
| EBITDA | 91 | 123 | 153 | n.a. | n.a. |
| *(%)* | *7%* | *10%* | *12%* | | |
| EBIT | 26 | 52 | 102 | n.a. | n.a. |
| *(%)* | *2%* | *4%* | *8%* | | |
| Net Income | 15 | 57 | 73 | n.a. | n.a. |
| Dividend Yield | 3.4 | 1.7 | 1.7 | na | |
| Net debt | 179 | n.a. | n.a. | n.a. | |
| Net Debt/EBITDA | 2.0 | n.a. | n.a. | n.a. | |

*Source: Bloomberg*

## PGT Innovations

PGT innovations, headquartered in the USA, is a manufacturer and supplier of aluminium, vinyl and laminated glass windows and doors for the residential market, as well as porch enclosure panels and garage door screens. PGT levers a network of some 2,000 distributors, through which it sells in south-eastern USA (85% of FY 2020 sales) and in western USA, central America and Canada (15%). The company generates around 70% of total sales from premium impact-resistant windows and doors and over 30% from non-impact window & door products. The home repair and remodelling end markets represent around 55% of PGT's sales while new construction markets account for the remainder. The company has also grown through a number of acquisitions, which have allowed PGT to reposition its business and become a leading US supplier.

**PGT Innovations: sales by segment**




*Source: Company data*

**PGT Innovations: historical data and consensus forecasts**

| USD (m) | 2020 | 2021e | 2022e | 2023e | CAGR 21e-23e |
|---|---|---|---|---|---|
| Revenue | 883 | 1,151 | 1,339 | 1,392 | *10%* |
| EBITDA | 137 | 137 | 213 | 228 | *29%* |
| *(%)* | *15%* | *12%* | *16%* | *16%* | |
| EBIT | 85 | 85 | 152 | 173 | *43%* |
| *(%)* | *10%* | *7%* | *11%* | *12%* | |
| Net Income | 45 | 45 | 88 | 110 | *56%* |
| Dividend Yield | n.a. | n.a. | n.a. | n.a. | |
| Net debt | 353 | 499 | 403 | 285 | |
| Net Debt/EBITDA | 2.6 | 3.6 | 1.9 | 1.2 | |

*Source: Bloomberg*

## SCK Group: Summary tables

| PROFIT & LOSS (EURm) | 12/2018 | 12/2019 | 12/2020 | 12/2021e | 12/2022e | 12/2023e |
|---|---|---|---|---|---|---|
| **Sales** | **10.5** | **11.9** | **22.6** | **105** | **138** | **190** |
| Cost of Sales & Operating Costs | -9.3 | -9.3 | -14.9 | -80.0 | -104.9 | -144.4 |
| Non Recurrent Expenses/Income | 0.7 | 0.0 | -0.0 | 5.6 | 6.8 | 8.8 |
| **EBITDA** | **1.9** | **2.6** | **7.7** | **30.6** | **39.9** | **54.4** |
| **EBITDA (adj.)*** | **1.2** | **2.6** | **7.7** | **25.0** | **33.1** | **45.6** |
| Depreciation | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **EBITA** | **1.9** | **2.6** | **7.7** | **30.6** | **39.9** | **54.4** |
| **EBITA (adj)*** | **1.2** | **2.6** | **7.7** | **25.0** | **33.1** | **45.6** |
| Amortisations and Write Downs | -1.0 | -1.3 | -1.6 | -2.3 | -4.8 | -5.2 |
| **EBIT** | **0.9** | **1.2** | **6.1** | **28.3** | **35.1** | **49.2** |
| **EBIT (adj.)*** | **0.2** | **1.2** | **6.1** | **22.7** | **28.3** | **40.4** |
| Net Financial Interest | -0.3 | -0.4 | -0.8 | -5.9 | -6.9 | -8.6 |
| Other Financials | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Associates | 0.0 | 0.0 | 0.8 | 1.0 | 0.0 | 0.0 |
| Other Non Recurrent Items | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Earnings Before Tax (EBT)** | **0.6** | **0.9** | **6.1** | **23.5** | **28.2** | **40.6** |
| Tax | -0.4 | -0.3 | -1.1 | -6.7 | -8.1 | -11.6 |
| *Tax rate* | *60.2%* | *30.2%* | *18.1%* | *28.6%* | *28.6%* | *28.6%* |
| Discontinued Operations | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Minorities | 0.0 | 0.0 | -0.4 | -2.7 | -3.2 | -4.6 |
| **Net Profit (reported)** | **0.2** | **0.6** | **4.5** | **14.1** | **17.0** | **24.4** |
| **Net Profit (adj.)** | **0.1** | **0.3** | **2.3** | **14.1** | **17.0** | **24.4** |

| CASH FLOW (EURm) | 12/2018 | 12/2019 | 12/2020 | 12/2021e | 12/2022e | 12/2023e |
|---|---|---|---|---|---|---|
| Cash Flow from Operations before change in NWC | 1.2 | 1.9 | 6.6 | 19.0 | 25.0 | 34.2 |
| Change in Net Working Capital | 2.9 | 1.2 | -3.2 | 7.7 | 1.5 | 2.2 |
| **Cash Flow from Operations** | **4.1** | **3.1** | **3.4** | **26.8** | **26.5** | **36.4** |
| Capex | 0.4 | 3.2 | 3.5 | 25.2 | 17.3 | 6.7 |
| Net Financial Investments | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Free Cash Flow** | **4.5** | **6.3** | **6.9** | **52.0** | **43.8** | **43.0** |
| Dividends | 0.0 | 0.0 | 0.0 | -4.0 | -2.8 | -3.4 |
| Other (incl. Capital Increase & share buy backs) | 3.2 | 0.1 | -1.0 | 23.0 | 0.7 | 1.2 |
| **Change in Net Financial Debt** | **7.7** | **6.4** | **6.0** | **70.9** | **41.7** | **40.9** |
| NOPLAT | 0.2 | 0.9 | 4.4 | 16.5 | 20.5 | 29.3 |

| BALANCE SHEET & OTHER ITEMS (EURm) | 12/2018 | 12/2019 | 12/2020 | 12/2021e | 12/2022e | 12/2023e |
|---|---|---|---|---|---|---|
| Net Tangible Assets | 8.6 | 11.1 | 13.1 | 34.0 | 45.8 | 46.7 |
| Net Intangible Assets (incl.Goodwill) | 1.6 | 1.1 | 1.2 | 3.3 | 3.9 | 4.5 |
| Right-of-Use Assets (Lease Assets) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net Financial Assets & Other | 0.1 | 0.0 | -0.5 | -0.5 | -0.5 | -0.5 |
| **Total Fixed Assets** | **10.3** | **12.2** | **13.9** | **36.8** | **49.3** | **50.7** |
| Inventories | 4.6 | 5.5 | 6.0 | 24.6 | 32.4 | 44.8 |
| Trade receivables | 4.9 | 4.1 | 2.2 | 21.6 | 28.5 | 34.1 |
| Other current assets | 1.8 | 2.6 | 3.1 | 12.9 | 22.7 | 15.7 |
| Cash (-) | -1.4 | -2.0 | -11.5 | -13.8 | -16.0 | -30.7 |
| **Total Current Assets** | **12.7** | **14.3** | **22.8** | **72.8** | **99.7** | **125** |
| **Total Assets** | **22.9** | **26.5** | **36.7** | **109.6** | **149.0** | **176.0** |
| Shareholders Equity | 7.7 | 8.3 | 11.2 | 41.4 | 55.5 | 76.5 |
| Minority | 0.0 | 0.0 | 0.4 | 2.6 | 5.1 | 8.8 |
| **Total Equity** | **7.7** | **8.3** | **11.7** | **43.9** | **60.6** | **85.3** |
| Long term interest bearing debt | 4.2 | 5.1 | 10.1 | 8.1 | 6.8 | 0.5 |
| Provisions | 0.3 | 0.5 | 0.8 | 3.9 | 5.1 | 7.0 |
| Lease Liabilities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other long term liabilities | 0.1 | 0.1 | 0.1 | 0.5 | 0.7 | 0.9 |
| **Total Long Term Liabilities** | **4.6** | **5.6** | **11.1** | **12.5** | **12.5** | **8.5** |
| Short term interest bearing debt | 2.5 | 4.6 | 3.7 | 3.0 | 2.5 | 0.2 |
| Trade payables | 4.2 | 4.7 | 6.4 | 34.4 | 45.4 | 62.8 |
| Other current liabilities | 3.9 | 3.3 | 3.9 | 15.8 | 27.9 | 19.3 |
| **Total Current Liabilities** | **10.6** | **12.6** | **13.9** | **53.2** | **75.8** | **82.2** |
| **Total Liabilities and Shareholders' Equity** | **22.9** | **26.5** | **36.7** | **109.6** | **149.0** | **176.0** |
| **Net Capital Employed** | **13.4** | **16.5** | **15.0** | **45.7** | **59.6** | **63.3** |
| **Net Working Capital** | **3.1** | **4.3** | **1.1** | **8.8** | **10.4** | **12.6** |

| GROWTH & MARGINS | 12/2018 | 12/2019 | 12/2020 | 12/2021e | 12/2022e | 12/2023e |
|---|---|---|---|---|---|---|
| *Sales growth* | *-4.6%* | *12.9%* | *89.8%* | *364.6%* | *31.4%* | *37.7%* |
| ***EBITDA (adj.)* growth*** | ***-47.3%*** | ***113.8%*** | ***199.5%*** | ***225.4%*** | ***32.5%*** | ***37.7%*** |
| *EBITA (adj.)* growth* | *-47.3%* | *113.8%* | *199.5%* | *225.4%* | *32.5%* | *37.7%* |
| *EBIT (adj)*growth* | *-81.4%* | *433.5%* | *388.7%* | *274.0%* | *24.6%* | *42.7%* |

## SCK Group: Summary tables

| GROWTH & MARGINS | 12/2018 | 12/2019 | 12/2020 | 12/2021e | 12/2022e | 12/2023e |
|---|---|---|---|---|---|---|
| *Net Profit growth* | *-80.6%* | *100.8%* | *776.9%* | *511.3%* | *20.3%* | *43.8%* |
| *EPS adj. growth* | *-86.9%* | *100.8%* | *776.9%* | *207.5%* | *20.3%* | *43.8%* |
| *DPS adj. growth* | | | | *n.m.* | *-30.1%* | *20.0%* |
| *EBITDA (adj)* margin* | *11.4%* | *21.5%* | *34.0%* | *23.8%* | *24.0%* | *24.0%* |
| *EBITA (adj)* margin* | *11.4%* | *21.5%* | *34.0%* | *23.8%* | *24.0%* | *24.0%* |
| *EBIT (adj)* margin* | *2.2%* | *10.4%* | *26.9%* | *21.6%* | *20.5%* | *21.3%* |

| RATIOS | 12/2018 | 12/2019 | 12/2020 | 12/2021e | 12/2022e | 12/2023e |
|---|---|---|---|---|---|---|
| Net Debt/Equity | 0.7 | 0.9 | 0.2 | -0.1 | -0.1 | -0.4 |
| Net Debt/EBITDA | 2.9 | 3.0 | 0.3 | -0.1 | -0.2 | -0.6 |
| Interest cover (EBITDA/Fin.interest) | 6.3 | 6.8 | 9.9 | 5.2 | 5.8 | 6.3 |
| Capex/D&A | -43.8% | -243.4% | -218.8% | -1103.9% | -358.9% | -128.0% |
| Capex/Sales | -4.0% | -27.0% | -15.6% | -24.0% | -12.5% | -3.5% |
| NWC/Sales | 29.7% | 36.0% | 5.0% | 8.4% | 7.5% | 6.6% |
| ROE (average) | 2.2% | 3.3% | 23.6% | 53.6% | 35.0% | 36.9% |
| ROCE (adj.) | 1.3% | 5.5% | 28.4% | 35.7% | 34.2% | 46.0% |
| WACC | 8.3% | 8.3% | 8.3% | 8.3% | 8.3% | 8.3% |
| ROCE (adj.)/WACC | 0.2 | 0.7 | 3.4 | 4.3 | 4.1 | 5.6 |

| PER SHARE DATA (EUR)*** | 12/2018 | 12/2019 | 12/2020 | 12/2021e | 12/2022e | 12/2023e |
|---|---|---|---|---|---|---|
| Average diluted number of shares | 10.9 | 10.9 | 10.9 | 21.7 | 21.7 | 21.7 |
| EPS (reported) | 0.02 | 0.06 | 0.41 | 0.65 | 0.78 | 1.12 |
| EPS (adj.) | 0.01 | 0.02 | 0.21 | 0.65 | 0.78 | 1.12 |
| BVPS | 0.70 | 0.76 | 1.03 | 1.91 | 2.56 | 3.52 |
| DPS | 0.00 | 0.00 | 0.00 | 0.19 | 0.13 | 0.16 |

| VALUATION | 12/2018 | 12/2019 | 12/2020 | 12/2021e | 12/2022e | 12/2023e |
|---|---|---|---|---|---|---|
| EV/Sales | 1.3 | 1.6 | 1.5 | 1.6 | 1.2 | 0.8 |
| EV/EBITDA | 7.4 | 7.5 | 4.3 | 5.6 | 4.2 | 2.7 |
| **EV/EBITDA (adj.)*** | **11.4** | **7.5** | **4.3** | **6.9** | **5.1** | **3.2** |
| EV/EBITA | 7.4 | 7.5 | 4.3 | 5.6 | 4.2 | 2.7 |
| **EV/EBITA (adj.)*** | **11.4** | **7.5** | **4.3** | **6.9** | **5.1** | **3.2** |
| EV/EBIT | 15.3 | 15.5 | 5.5 | 6.1 | 4.8 | 2.9 |
| **EV/EBIT (adj.)*** | **58.9** | **15.6** | **5.5** | **7.6** | **5.9** | **3.6** |
| **P/E (adj.)** | **n.m.** | **44.7** | **13.1** | **12.3** | **10.2** | **7.1** |
| P/BV | 1.1 | 1.4 | 2.7 | 4.2 | 3.1 | 2.3 |
| Total Yield Ratio | 0.0% | 0.0% | 4.6% | 1.6% | 2.0% | 2.8% |
| EV/CE | 1.0 | 1.2 | 2.1 | 3.7 | 2.8 | 2.3 |
| OpFCF yield | 53.2% | 53.6% | 22.9% | 29.9% | 25.2% | 24.8% |
| OpFCF/EV | 32.8% | 32.5% | 20.9% | 30.3% | 26.1% | 29.8% |
| Payout ratio | 0.0% | 0.0% | 0.0% | 28.7% | 16.7% | 13.9% |
| Dividend yield (gross) | 0.0% | 0.0% | 0.0% | 2.3% | 1.6% | 2.0% |

| EV AND MKT CAP (EURm) | 12/2018 | 12/2019 | 12/2020 | 12/2021e | 12/2022e | 12/2023e |
|---|---|---|---|---|---|---|
| Price** (EUR) | 0.77 | 1.08 | 2.77 | 8.00 | 8.00 | 8.00 |
| Outstanding number of shares for main stock | 10.9 | 10.9 | 10.9 | 21.7 | 21.7 | 21.7 |
| **Total Market Cap** | **8.5** | **11.7** | **30.3** | **173.8** | **173.8** | **173.8** |
| Gross Financial Debt (+) | 6.7 | 9.7 | 13.9 | 11.1 | 9.3 | 0.8 |
| Cash & Marketable Securities (-) | -1.4 | -2.0 | -11.5 | -13.8 | -16.0 | -30.7 |
| **Net Financial Debt** | **5.3** | **7.6** | **2.4** | **-2.7** | **-6.8** | **-30.0** |
| Lease Liabilities (+) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Net Debt** | **5.3** | **7.6** | **2.4** | **-2.7** | **-6.8** | **-30.0** |
| **Other EV components** | **-0.1** | **0.0** | **0.5** | **0.5** | **0.5** | **0.5** |
| **Enterprise Value (EV adj.)** | **13.7** | **19.3** | **33.1** | **171.5** | **167.4** | **144.2** |

**Source: Company, Banca Akros estimates.**

*Notes*

** Where EBITDA (adj.) or EBITA (adj)= EBITDA (or EBITA) -/+ Non Recurrent Expenses/Income and where EBIT (adj)= EBIT-/+ Non Recurrent Expenses/Income - PPA amortisation*

***Price (in local currency): Fiscal year end price for Historical Years and Current Price for current and forecasted years*

****EPS (adj.) diluted= Net Profit (adj.)/Avg DIL. Ord. (+ Ord. equivalent) Shs. EPS (reported) = Net Profit reported/Avg DIL. Ord. (+ Ord. equivalent) Shs.*

Sector: Materials, Construction & Infrastructure/Building Materials: Other

Company Description: Sciuker Frames is the "beating heart" of the group. Based in Contrada (Avellino), the company has developed and patented 19 innovative technical solutions for wooden-aluminium frames over its 25-year life, as well as the related industrial processing steps. As of 2020, the group has started to expand into adjacent segments, in order to create a leading, integrated Italian player, by acquiring GC Infissi (PVC and aluminium, Jan-2021) and Teknika (accessories). The timely integration of the Superbonus-linked renovation business (through Ecospace) is creating strong synergies with SCK's core business and is boosting the cash generation to support the ambitious scale-up plan.

## European Coverage of the Members of ESN

| **Automobiles & Parts** | **Mem(*)** |
|---|---|
| Brembo | BAK |
| Faurecia | CIC |
| Ferrari | BAK |
| Gestamp | GVC |
| Indelb | BAK |
| Michelin | CIC |
| Pirelli & C. | BAK |
| Plastic Omnium | CIC |
| Sogefi | BAK |
| Stellantis | BAK |
| Valeo | CIC |
| **Banks** | **Mem(*)** |
| Banca Mps | BAK |
| Banco Sabadell | GVC |
| Banco Santander | GVC |
| Bankinter | GVC |
| Bbva | GVC |
| Bnp Paribas | CIC |
| Bper | BAK |
| Caixabank | GVC |
| Credem | BAK |
| Credit Agricole Sa | CIC |
| Intesa Sanpaolo | BAK |
| Societe Generale | CIC |
| Unicaja Banco | GVC |
| Unicredit | BAK |
| **Basic Resources** | **Mem(*)** |
| Acerinox | GVC |
| Altri | CBI |
| Arcelormittal | GVC |
| Ence | GVC |
| Imerys | CIC |
| Neodecortech | BAK |
| Semapa | CBI |
| The Navigator Company | CBI |
| Tubacex | GVC |
| **Chemicals** | **Mem(*)** |
| Air Liquide | CIC |
| Arkema | CIC |
| Plasticos Compuestos | GVC |
| **Consumer Products & Services** | **Mem(*)** |
| Abeo | CIC |
| Beneteau | CIC |
| Brunello Cucinelli | BAK |
| Capelli | CIC |
| De Longhi | BAK |
| Europcar | CIC |
| Fila | BAK |
| Geox | BAK |
| Givaudan | CIC |
| Groupe Seb | CIC |
| Hermes Intl. | CIC |
| Hexaom | CIC |
| Interparfums | CIC |
| Kaufman & Broad | IAC |
| Kering | CIC |
| L'Oreal | CIC |
| Lvmh | CIC |
| Maisons Du Monde | CIC |
| Moncler | BAK |
| Monnalisa | BAK |
| Ovs | BAK |
| Piaggio | BAK |
| Richemont | CIC |
| Safilo | BAK |
| Salvatore Ferragamo | BAK |
| Smcp | CIC |
| Swatch Group | CIC |
| Technogym | BAK |
| Tod'S | BAK |
| Trigano | CIC |
| Ubisoft | CIC |
| **Energy** | **Mem(*)** |
| Cgg | CIC |
| Ecoslops | CIC |
| Eni | BAK |
| Galp Energia | CBI |
| Gas Plus | BAK |
| Gtt | CIC |
| Maurel Et Prom | CIC |
| Plc | BAK |
| Repsol | GVC |
| Rubis | CIC |
| Saipem | BAK |
| Technip Energies | CIC |
| Technipfmc Plc | CIC |
| Tecnicas Reunidas | GVC |
| Tenaris | BAK |
| Totalenergies | CIC |
| Vallourec | CIC |
| **Fin. Serv. Holdings** | **Mem(*)** |
| Cir | BAK |
| Corp. Financiera Alba | GVC |
| Digital Magics | BAK |
| Eurazeo | CIC |
| Gbl | CIC |
| Peugeot Invest | CIC |
| Rallye | CIC |
| Tip Tamburi Investment Partners | BAK |
| Wendel | CIC |
| **Fin. Serv. Industrials** | **Mem(*)** |
| Abitare In | BAK |
| Dovalue | BAK |
| Nexi | BAK |
| Tinexta | BAK |
| **Financial Services Banks** | **Mem(*)** |
| Amundi | CIC |
| Anima | BAK |
| Azimut | BAK |
| Banca Generali | BAK |
| Banca Ifis | BAK |
| Banca Mediolanum | BAK |
| Banca Sistema | BAK |
| Bff Bank | BAK |
| Dea Capital | BAK |
| Finecobank | BAK |
| Illimity Bank | BAK |
| Mediobanca | BAK |
| Poste Italiane | BAK |
| Rothschild & Co | CIC |
| **Food & Beverage** | **Mem(*)** |
| Advini | CIC |
| Bonduelle | CIC |
| Campari | BAK |
| Danone | CIC |
| Diageo | CIC |
| Ebro Foods | GVC |
| Enervit | BAK |
| Fleury Michon | CIC |
| Italian Wine Brands | BAK |
| Lanson-Bcc | CIC |
| Laurent Perrier | CIC |
| Ldc | CIC |
| Lindt & Sprüngli | CIC |
| Nestle | CIC |
| Orsero | BAK |
| Pernod Ricard | CIC |
| Remy Cointreau | CIC |
| Tipiak | CIC |
| Vilmorin | CIC |
| Viscofan | GVC |
| Vranken | CIC |
| **Healthcare** | **Mem(*)** |
| Abionyx Pharma | CIC |
| Amplifon | BAK |
| Atrys Health | GVC |
| Biomerieux | CIC |
| Crossject | CIC |
| Diasorin | BAK |
| El.En. | BAK |
| Fermentalg | CIC |
| Fine Foods | BAK |
| Genfit | CIC |
| Gpi | BAK |
| Guerbet | CIC |
| Korian | CIC |
| Oncodesign | CIC |
| Orpea | CIC |
| Prim Sa | GVC |
| Recordati | BAK |
| Shedir Pharma | BAK |
| Theraclion | CIC |
| Vetoquinol | CIC |
| Virbac | CIC |
| **Industrial Goods & Services** | **Mem(*)** |
| Applus | GVC |
| Avio | BAK |
| Biesse | BAK |
| Bollore | CIC |
| Bureau Veritas | CIC |
| Caf | GVC |
| Catenon | GVC |
| Cellnex Telecom | GVC |
| Cembre | BAK |
| Clasquin | IAC |
| Cnh Industrial | BAK |
| Corticeira Amorim | CBI |
| Ctt | CBI |
| Danieli | BAK |
| Datalogic | BAK |
| Enav | BAK |
| Enogia | CIC |
| Exel Industries | CIC |
| Fiera Milano | BAK |
| Fincantieri | BAK |
| Getlink | CIC |
| Global Dominion | GVC |
| Haulotte Group | CIC |
| Interpump | BAK |
| Inwit | BAK |
| Leonardo | BAK |
| Logista | GVC |
| Manitou | CIC |
| Nicolas Correa | GVC |
| Openjobmetis | BAK |
| Osai | BAK |
| Prima Industrie | BAK |
| Prosegur | GVC |
| Prosegur Cash | GVC |
| Prysmian | BAK |
| Rai Way | BAK |
| Rexel | CIC |
| Saes | BAK |
| Salcef | BAK |
| Talgo | GVC |
| Teleperformance | CIC |
| Verallia | CIC |
| Vidrala | GVC |
| Zardoya Otis | GVC |
| **Insurance** | **Mem(*)** |
| Axa | CIC |
| Catalana Occidente | GVC |
| Cattolica Assicurazioni | BAK |
| Generali | BAK |
| Linea Directa Aseguradora | GVC |
| Mapfre | GVC |
| Net Insurance | BAK |
| Unipolsai | BAK |
| **Materials, Construction** | **Mem(*)** |
| Acs | GVC |
| Aena | GVC |
| Atlantia | BAK |
| Buzzi Unicem | BAK |

| | |
|---|---|
| Cementir | BAK |
| Cementos Molins | GVC |
| Clerhp Estructuras | GVC |
| Eiffage | CIC |
| Fcc | GVC |
| Ferrovial | GVC |
| Groupe Adp | CIC |
| Groupe Poujoulat | CIC |
| Groupe Sfpi S.A. | CIC |
| Herige | CIC |
| Holcim | CIC |
| Maire Tecnimont | BAK |
| Mota Engil | CBI |
| Obrascon Huarte Lain | GVC |
| Sacyr | GVC |
| Saint Gobain | CIC |
| Sergeferrari Group | CIC |
| Spie | CIC |
| Tarkett | CIC |
| Thermador Groupe | CIC |
| Vicat | CIC |
| Vinci | CIC |
| Webuild | BAK |
| **Media** | **Mem(*)** |
| Arnoldo Mondadori Editore | BAK |
| Atresmedia | GVC |
| Cairo Communication | BAK |
| Digital Bros | BAK |
| Gl Events | CIC |
| Il Sole 24 Ore | BAK |
| Ipsos | CIC |
| Jcdecaux | CIC |
| Lagardere | CIC |
| M6 | CIC |
| Mediaset | BAK |
| Mediaset Espana | GVC |
| Nrj Group | CIC |
| Publicis | CIC |
| Rcs Mediagroup | BAK |
| Tf1 | CIC |
| Universal Music Group | CIC |
| Vivendi | CIC |
| **Personal Care, Drug & Grocery S** | **Mem(*)** |
| Carrefour | CIC |
| Casino | CIC |
| Jeronimo Martins | CBI |
| Marr | BAK |
| Sonae | CBI |
| Unilever | CIC |
| Winfarm | CIC |
| **Real Estate** | **Mem(*)** |
| Almagro Capital | GVC |
| Igd | BAK |
| Lar España | GVC |
| Merlin Properties | GVC |
| Realia | GVC |

| | |
|---|---|
| **Retail** | **Mem(*)** |
| Burberry | CIC |
| Fnac Darty | CIC |
| Inditex | GVC |
| Unieuro | BAK |
| **Technology** | **Mem(*)** |
| Agile Content | GVC |
| Akka Technologies | CIC |
| Almawave | BAK |
| Alten | CIC |
| Amadeus | GVC |
| Atos | CIC |
| Axway Software | CIC |
| Capgemini | CIC |
| Cast | CIC |
| Esi Group | CIC |
| Exprivia | BAK |
| Gigas Hosting | GVC |
| Indra Sistemas | GVC |
| Lleida.Net | GVC |
| Memscap | IAC |
| Neurones | CIC |
| Reply | BAK |
| Sii | CIC |
| Sopra Steria Group | CIC |
| Stmicroelectronics | BAK |
| Tier 1 Technology | GVC |
| Visiativ | CIC |
| Vogo | CIC |
| **Telecommunications** | **Mem(*)** |
| Bouygues | CIC |
| Ekinops | CIC |
| Ezentis | GVC |
| Iliad | CIC |
| Nos | CBI |
| Orange | CIC |
| Telecom Italia | BAK |
| Telefonica | GVC |
| Tiscali | BAK |
| Unidata | BAK |
| Vodafone | BAK |
| **Travel & Leisure** | **Mem(*)** |
| Accor | CIC |
| Autogrill | BAK |
| Compagnie Des Alpes | CIC |
| Edreams Odigeo | GVC |
| Elior | CIC |
| Fdj | CIC |
| Groupe Partouche | IAC |
| I Grandi Viaggi | BAK |
| Ibersol | CBI |
| Int. Airlines Group | GVC |
| Melia Hotels International | GVC |
| Nh Hotel Group | GVC |
| Pierre Et Vacances | CIC |
| Sodexo | CIC |

| | |
|---|---|
| **Utilities** | **Mem(*)** |
| A2A | BAK |
| Acciona | GVC |
| Acea | BAK |
| Albioma | CIC |
| Alerion Clean Power | BAK |
| Audax | GVC |
| Derichebourg | CIC |
| Edp | CBI |
| Edp Renováveis | CBI |
| Enagas | GVC |
| Encavis Ag | CIC |
| Endesa | GVC |
| Enel | BAK |
| E-Pango | CIC |
| Erg | BAK |
| Falck Renewables | BAK |
| Greenalia | GVC |
| Greenvolt | CBI |
| Hera | BAK |
| Holaluz | GVC |
| Iberdrola | GVC |
| Iren | BAK |
| Italgas | BAK |
| Naturgy | GVC |
| Red Electrica Corporacion | GVC |
| Ren | CBI |
| Snam | BAK |
| Solaria | GVC |
| Terna | BAK |
| Voltalia | CIC |

LEGEND: BAK: Banca Akros; CIC: CIC Market Solutions; CBI: Caixa-Banco de Investimento; GVC: GVC Gaesco Valores, SV, SA — as at 11 October 2021

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(**) excluding: strategists, macroeconomists, heads of research not covering specific stocks, credit analysts, technical analysts

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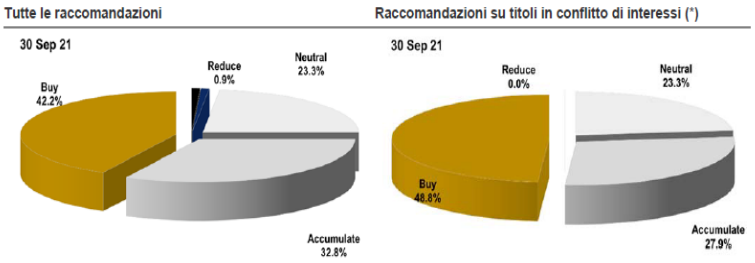
**Percentuale delle raccomandazioni al 30 settembre 2021**

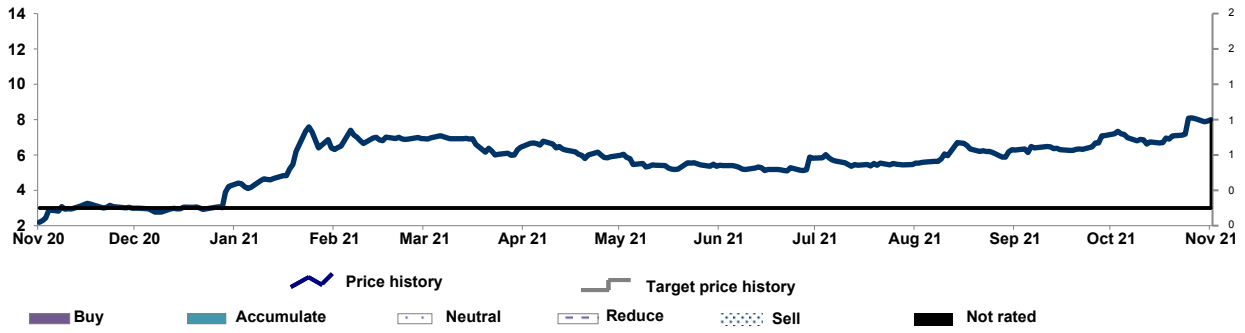



*(*) Si informa che la percentuale degli emittenti in potenziale conflitto di interessi con Banca Akros è pari al 37.07% del totale degli emittenti oggetto di copertura*

**Recommendation history for SCK GROUP**

| Date | Recommendation | Target price | Price at change date |
|---|---|---|---|
| 24-Nov-21 | Buy | 14.00 | 8.00 |

*Source: Factset & ESN, price data adjusted for stock splits.*
*This chart shows Banca Akros continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.*
*Current analyst: Gian Marco Gadini (since 25/11/2021)*



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The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy (B), Accumulate (A), Neutral (N), Reduce (R) and Sell (S)**.

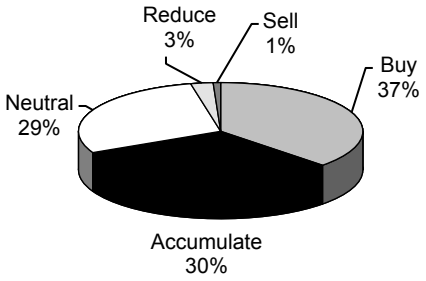
Furthermore, in specific cases and for a limited period of time, the analysts are allowed to rate the stocks as **Rating Suspended (RS)** or **Not Rated (NR)**, as explained below.

**Meaning of each recommendation or rating:**

- **Buy**: the stock is expected to generate total return of **over 15%** during the next 12-month
- **Accumulate:** the stock is expected to generate total return of **5% to 15%** during the next 12-month
- **Neutral**: the stock is expected to generate total return of **-5% to +5%** during the next 12-month
- **Reduce**: the stock is expected to generate total return of **-5% to -15%** during the next 12-month
- **Sell**: the stock is expected to generate total return **under -15%** during the next 12-month
- **Rating Suspended**: the rating is suspended due to: a) a capital operation (take-over bid, SPO, etc.) where a Member of ESN is or could be involved with the issuer or a related party of the issuer; b) a change of analyst covering the stock; c) the rating of a stock is under review by the Analyst.
- **Not Rated**: there is no rating for a stock when there is a termination of coverage of the stocks or a company being floated (IPO) by a Member of ESN or a related party of the Member.

Note: a certain flexibility on the limits of total return bands is permitted especially during higher phases of volatility on the markets.

**Banca Akros Ratings Breakdown**




For full ESN Recommendation and Target price history (in the last 12 months) please see ESN Website Link
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