

Teknika: new gears in SCK Hole Box

November, 26th at 18:00

SCIUKER
FRAMES

Teknika acquisition

On November, the 10th, Sciuker Frames announced the acquisition of the 60% of Teknika Group for €2.9mln. Teknika has been active in the production of mosquito nets since 2006. Thanks to a production site of about 7,000 square meters, Teknika produces an average of 300 mosquito nets per day, with peaks of 600 per day in May to July period. Teknika employs 50 people and in FY20 it reported €6.1mln of revenues with an EBITDA margin of 11%; at the end of December it showed a net cash position of €330k. As regards to 2021 projections, Teknika sees €8mln turnover, €0.9mln EBITDA and a positive NFP. Considering synergies, Sciuker projects Teknika reaching €30mln sales in 2024 with an EBITDA margin at 24% deriving mainly from: i) Group's retail distribution; ii) partnerships with consolidated customers; iii) Superbonus 110%. Following Teknika acquisition, Sciuker Frames Group has become the first pole of frames and solar shading with a Made in Italy design, expanding significantly the range of its accessories by inserting mosquito nets, roller shutters, thermal insulating monoblocks, external curtains and bioclimatic pergolas. With Teknika, the Group completes its own HOLE BOX, its integrated offering including both energy efficiency fixtures and accessories.

Ecobonus postponement at 70% in 2024 for its key role in reducing CO2 emissions

According to draft 2022 Italian Budget Law, the Ecobonus is expected to remain at 110% in 2023 (on expenses occurred until 31st December 2023). However, the discount will be reduced to 70% for expenses made in 2024, while for expenses falling in 2025, the tax deduction will be down to 65%.

The Ecobonus is considered a key measure to reduce the CO2 emission as agreed with the European Union. Residential buildings are responsible for most of CO2 emission in cities with windows and frames having a key role in guaranteeing thermal and acoustic insulation. The houses with old fixtures are highly heat dispersive (up to 40% of the total), leading to increasing CO2 levels and bill costs.

Upward revision of our 2021E-2024E estimates

Following Teknika acquisition and the Ecobonus planned postponement, we revised upward our projections driven by i) higher synergies within the Group, among Sciuker, GC Infissi, Ecospace and Teknika; ii) new investments to expand production capacity and products offering; iii) new strategic partnership through Sciuker Frames and iv) Ecobonus as a key booster for Ecospace growth. Therefore, we now project a 60.3% (vs previous 54.4%) Value of Production CAGR (2020-2024E), to reach €149.4mln in 2024E (vs previous €128.3mln) with an adjusted EBITDA margin around 25% (vs previous 24%) driven by higher Ecospace contribution. At the end of 2024, we expect a net cash of €68.5mln (vs previous €70.8mln).

Valuation updated: Price target raise to €15.5; BUY

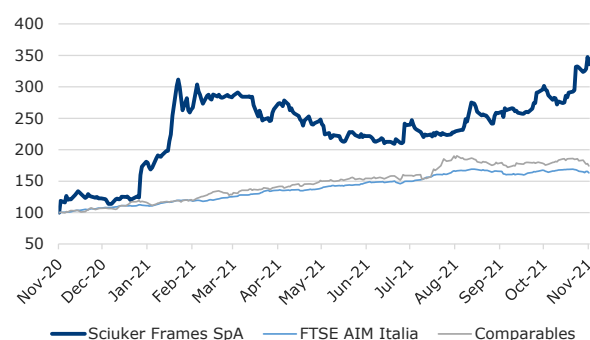
We raise our 12-month price target to €15.5/share from €14, as the average of DCF and market multiple valuations. DCF is based on an estimated perpetual yearly cash flow of €19.5mln, while market multiples are applied on a sustainable 2024 adjusted EBITDA of €40.9mln. Given the significant potential upside on Sciuker's current price, we confirm our BUY recommendation. Potential main risks to our estimates are: on the downside, any negative changes of Eco110 current law assumptions; on the upside, a structured business plan to include the use of fresh cash for further solid growth and improving profitability.

Target price	€15.5	From	€14
Recommendation	BUY	from	BUY
Price as of November 26 th			€8.1
Number of shares (mln)			21.7
Market capitalization (€mln)			170.6
Market segment			FTSE AIM ITALIA
Performance			from IPO
Absolute			+636%
Max / Min			8.3/0.4
Average daily volumes ('000)			170.6

(€mln)	2020	2021E	2022E	2023E
Revenue	19.1	99.9	124.5	165.9
yoy change	59.7%	423%	24.6%	33.3%
VoP	22.6	109.1	136.0	179.1
yoy change	89.8%	382.8%	24.7%	31.7%
Adj. EBITDA	6.0	26.5	33.8	45.6
margin	26.5%	24.3%	24.8%	25.5%
Adj. EBIT	2.1	20.2	23.5	33.7
margin	9.5%	18.6%	17.3%	18.8%
Net income	2.7	13.9	15.7	22.2
margin	12.1%	12.8%	11.6%	12.4%
NIC	15.1	38.2	45.5	51.7
Net debt (cash)	3.4	(4.7)	(14.2)	(27.4)
Equity	11.7	42.9	59.6	79.1
FCF	3.3	(13.5)	1.6	10.1

Source: Banca Profilo estimates and elaborations, Company data.

1Y Normalized Performance



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Executive summary

Sciuker Frames in a nutshell: key investment drivers

Strong growth in 1H21: Despite Covid-19 outbreak, the related restrictions, the scarcity of raw material resources and the general increase in costs of supplying, the Group reported a strong 1H21 results. The growth was mainly driven by a policy of optimization of production resources and an investment policy. The investments in industry 4.0, consolidated during the 1H21, allowed the Company to record a significant improvement in margins, maintaining a constant growth trend, despite the context. In detail, the value of production in 1H21 increase to €35.6mln from the previous €4.6mln seen at 1H20, mainly driven by Ecospace activity. Results were robust even in terms of Net income, which rose from €141k in 1H20 to €4.3mln in 1H21.

2021-2024 business plan focused on sustainability

Windows and frames have a key role in guaranteeing thermal and acoustic insulation. The houses with old fixtures are characterized by a high volume of heat dispersion (up to 40% of the total), which increase CO2 levels and bill costs. Almost the 70% of the 12mln residential buildings in Italy were built before the enactment of the anti-seismic and energy efficiency regulations. Thus, their replacement of old fixtures with high-performance products could potentially bring significant short-term benefit in both environmental and economic terms. The Group estimates revenues increase from €105mln in FY21 to €155 in 2024E with a peak in 2023 at €190mln due to Eco110 contribution expected to expire in FY23. In terms of EBITDA margin, the Group projects an average above 24% in the period 21E-24E. As regards balance sheet projections, in the period, Sciuker estimates Capex for €50mln to increase production capacity and products offer and it is expected to end the FY24 with a cash of €81.2mln that could be addressable to M&A activities.

Ecospace as main driver in FY21 growth

As regards Ecospace, at the beginning of October, the Group announced that: i) Ecospace had reached orders for €173.1mln, well above our old FY21 estimates of €85mln; ii) Ecospace revenues already stood at €121.2mln (€79mln our estimate for the entire FY21), given by the €20.4mln from the FY20 and the new orders.

Ecobonus is expected to be postponed until 2025 as driver to CO2 emission reduction

According to draft 2022 Italian Budget Law, the Ecobonus is expected to remain at 110% in 2023 (on expenses occurred until 31st December 2023). However, the discount will be reduced to 70% for expenses made in 2024, while for expenses falling in 2025, the tax deduction will be down to 65%.

The Ecobonus is considered a key measure to reduce the CO2 emission as agreed with the European Union. Residential buildings are responsible for most of CO2 emission in cities with windows and frames having a key role in guaranteeing thermal and acoustic insulation. The houses with old fixtures are highly heat dispersive (up to 40% of the total), leading to increasing CO2 levels and bill costs.

Teknika acquisition

On November, the 10th, Sciuker Frames announced the acquisition of the 60% of Teknika Group for €2.9mln. Teknika has been active in the production of mosquito nets since 2006. Thanks to a production site of about 7,000 square meters, Teknika produces an average of 300 mosquito nets per day, with peaks of 600 per day in May to July period. Teknika employs 50 people and in FY20 it reported €6.1mln of revenues with an EBITDA margin of 11%; at the end of December it showed a net cash position of €330k. As regards to 2021 projections, Teknika sees €8mln turnover, €0.9mln EBITDA and a positive NFP. Considering synergies, Sciuker projects Teknika reaching €30mln sales in 2024 with an EBITDA margin at 24% deriving mainly from: i) Group's retail distribution; ii) partnerships with consolidated customers; iii) Superbonus 110%. Following Teknika acquisition, Sciuker Frames Group has become the first pole of frames and solar shading with a Made in Italy design, expanding significantly the range of its accessories by inserting mosquito nets, roller shutters,

thermal insulating monoblocks, external curtains and bioclimatic pergolas. With Teknika, the Group completes its own HOLE BOX, its integrated offering including both energy efficiency fixtures and accessories.

Main corporate strategies and 2021E-2024E estimates

Raising our FY21-24 estimates following Teknika acquisition and Ecobonus postponement

Following Teknika acquisition and the chance of Ecobonus postponement at 110% in 2023, at 70% in 2024 and at 65% in 2025, we revised upwards our projections consolidating Teknika from FY21 and adding Ecospace contributes in FY24 driven by Ecobonus.

Moreover, we believe that Group growth will be also boosted by synergies between Sciuker, GC Infissi, Ecospace and Teknika.

Moreover, in October, the Group released its new strategic plan 2021-2024 confirming its key strategic lines:

- increasing the B2B business through the acquisition of management projects, which give higher margins and visibility;
- growing in Italy through expansion and diversification of its distribution network;
- expanding in foreign markets through partnerships and M&A;
- investing in machinery to increase the production capacity
- expanding the product range through M&A;
- reducing CO2 emission at 55% until 2030 and become carbon-neutral until 2050.

Furthermore, the Group updated on new corporate targets:

- at the end of April, the Company announced the acquisition of GC Infissi, expanding its product range to PVC windows and frames;
- the consolidation of Ecospace as a booster of Group turnover;
- more than €20mln of cash-in deriving from the warrant exercise in May;
- postponement of Ecobonus until 2025.

Finally, the Group has a long term aim to invest its cash through M&A deals to expand its business both in terms of products and markets.

2021E-2024E raising estimates on Group synergies

Therefore, we now project a 60.3% (vs previous 54.4%) Value of Production CAGR (2020-2024E), to reach €149.4mln in 2024E from €109mln in 2021E.

In 2023, we expect the Group to peak in terms of revenue driven by Ecospace's planned robust orders intake. Ecospace's turnover will be boosted by the Italian tax incentive 110% Ecobonus (or Eco110) until the end of 2023E.

In 2024 we cautiously assumed the 50% of possibility that the tax incentive will be postponed but with a lower percentage of refund as it is reported in the 2022 Italian budget law draft at 70% and not at 110% as it is for 2023E. Thus, to include the risks, in 2024E we cautiously projects one third of 2023E Ecospace revenues.

2021E-2024E strong growth supported by all integrated businesses

Moreover, we project: i) double-digit revenue growth in Sciuker Frames driven by strategic partnerships; ii) GC Infissi growth at a CAGR 2020-2024E of 58% to €35mln in 2024 and iii) Teknika sales to growth at a CAGR 2020-2024E at 53% to €34mln in 2024, both due to Group synergies driven by the integration in one Group product as the HOLE BOX.

Ecobonus as Ecospace booster

In 2022E we used the same backlog-revenue mechanism in Ecospace that we used in 2020 and 2021E: 70% of orders to become turnover the year of intake and the remaining 30% the following year but with a limit to complete all orders by the end of December 2023, as the Eco110 law dictates. However, to include More in details we expect Ecospace order backlog to stand at €80mln in 2022E (vs our previous forecast at €55mln).

As regards to Sciuker Frames, we include in our revenues estimates the strategic partnerships with Enel X and AbitareIn as growth contributors in 2021E-2024E

(€38mIn) Moreover, in 2021E-2024E, Sciuker sales through Ecospace activity will be the booster for Company revenues. In details, we now estimate an increase in Sciuker revenues from €28mIn in 2021 to €71mIn in 2024E (previous seen at €29mIn in 2021 to €36mIn in 2023E).

Moreover, we now expect an adjusted EBITDA margin around 25% (vs previous 24%) driven by higher Ecospace contribution. At the end of 2024, we project a net cash of €68.5mIn (vs previous €70.8mIn).

Valuation

DCF approach to appraise a fast-growing business model

Given our expectations of positive FCFs starting from 2021, we used a DCF model as a valuation method.

Multiple valuation on fixture manufacturing players

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

A selected sample of listed comparables in the Fixture Manufacturing industry: EV/EBITDA 2022E at 7.6x

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

Our sample of similar players active in the larger Fixtures Manufacturing industry, shows a medium value EV/EBITDA 2022E of 7.6x.

DCF assumptions: €11.3mIn average yearly FCF

To run a DCF model, we use our projections of unlevered FCFs for the 2021-2024 explicit period: €45mIn cumulated and €11.3mIn as yearly average (vs previous €34.2mIn and €8.6mIn respectively).

To assess the Terminal Value, we used what we consider a perpetually sustainable free cash flow at €19.5mIn (vs previous €18.9mIn), given by the average of the FCFs in the period 2022-2023. Finally, we assumed 2% perpetual growth rate (unchanged).

DCF valuation: €16.33/share

The DCF method leads us to an Enterprise Value of €349.9mIn (vs previous €335.3mIn) and to an Equity Value of €354.6mIn (vs previous €339.8mIn) showing a fair value of €16.33/share (vs previous €15.64/share).

Moreover, in the DCF we include net cash at the end of 2021E at €4.7mIn.

Market multiples valuation: €14.6/share

Our relative valuation is based on peers' average EV/EBITDA 2022E at 7.6x. In terms of EBITDA we used a defensible adjusted EBITDA, that in 2024E at €40.9mIn, which includes a 50% chance of Ecobonus postponement with a reduction of 70% and not at 110% in 2024. This leads to an Equity Value of €317.1mIn (vs previous €269.1mIn) or €14.6/share (vs previous before €12.39/share).

TP at €15.5/share (vs previous €14/share); BUY confirmed

We set our 12-month Target Price at €15.5/share as the average of DCF and market multiple valuations. Given the significant potential upside on Sciuker's closing price (as of 26th November 2021), we confirm our BUY recommendation.

SWOT analysis

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • Leader manufacturer of high-quality windows • Strong company commitment in eco-sustainable practices • Strongly investing on corporate culture, brand and innovative marketing • A structured, trained sales force driven by commercial performance • Industrialized production techniques in a sector traditionally characterized by craftsmanship • Distinctive product portfolio • A wide portfolio of patented products • High margins and cash generator driven by a rigorous cost and working capital management • Fresh cash-in deriving from the warrant exercise for further solid growth and improving profitability • New synergies deriving from GC Infissi and Teknika acquisition 	<ul style="list-style-type: none"> • NWC optimization needed • Competition by PVC windows have lower production costs • A low-structured Finance Department • Sciuker Ecospace revenue growth path is high related to tax incentive Ecobonus 110%
OPPORTUNITY	THREATS
<ul style="list-style-type: none"> • Very fragmented Italian reference market • Roll out of management contracts • “Ecobonus” • Ad-hoc international partnerships and/or bolt on acquisitions • Large potential Italian addressable market 	<ul style="list-style-type: none"> • Competition within existing players, especially large manufacturers • High growth rates could lead to cost management issues • Company size • Unexpected changes in the Eco110 law

Ecobonus 110%

Ecobonus is expected to be postponed until 2025 as driver to CO2 emission reduction

In the 2022 draft Italian Budget Law, the Ecobonus deduction will remain at 110% on expenses occurred until 31 December 2023. The discount will be reduced to 70% for expenses made in 2024, while for expenses falling in 2025, the tax deduction will be put down to 65%.

The Ecobonus is considered a key measure to reduce CO2 emission as agreed with the European Union. Residential buildings are responsible for most of CO2 emission in cities. In our projections, we assumed a 50% chance for the extension of Ecobonus.

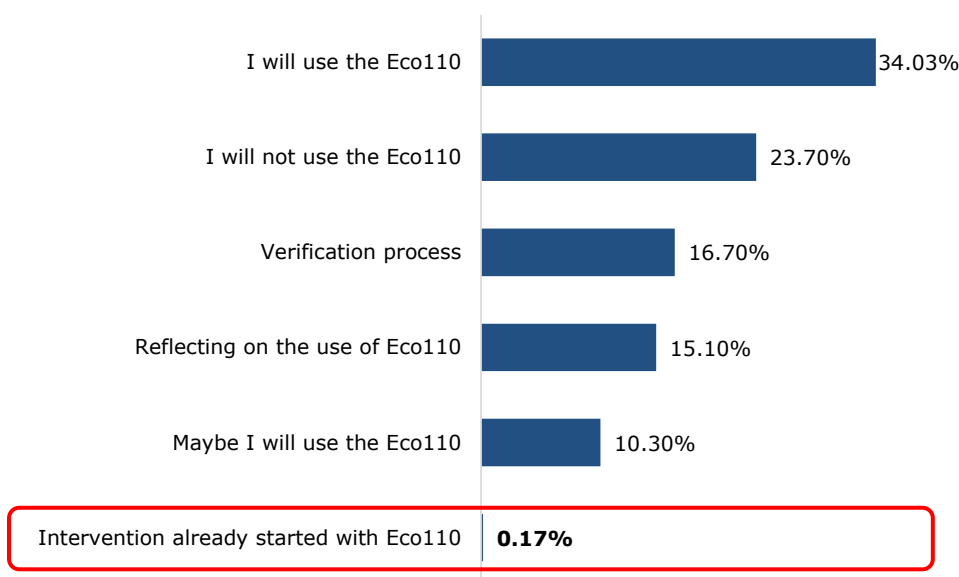
Only the 0.17% of renovation intervention started with the Eco110

In June 2020, the Italian Government approved the "Super Bonus" allowing 110% tax reduction for energy efficiency building restructuring from July 2020 to December 2021. The Ecobonus will keep playing a key driver for the construction industry as it increases the demand for energy-saving real estate restructuring.

There are €18.6bn allocated by the previous Italian Government (including €10.26bn from the Recovery Fund) for energy renovation intervention until 2022. At the end of April, in the "Piano Nazionale per la Ripresa e Resilienza (Pnrr)" current Government announced the extension of the Law until June 2023, but only for public housing.

In March 2021, only the 0.17% of Italian population has already started renovation intervention through the Ecobonus; 34% would like to start, while 17% is on verification process.

Figure 1: Use of Ecobonus 110%

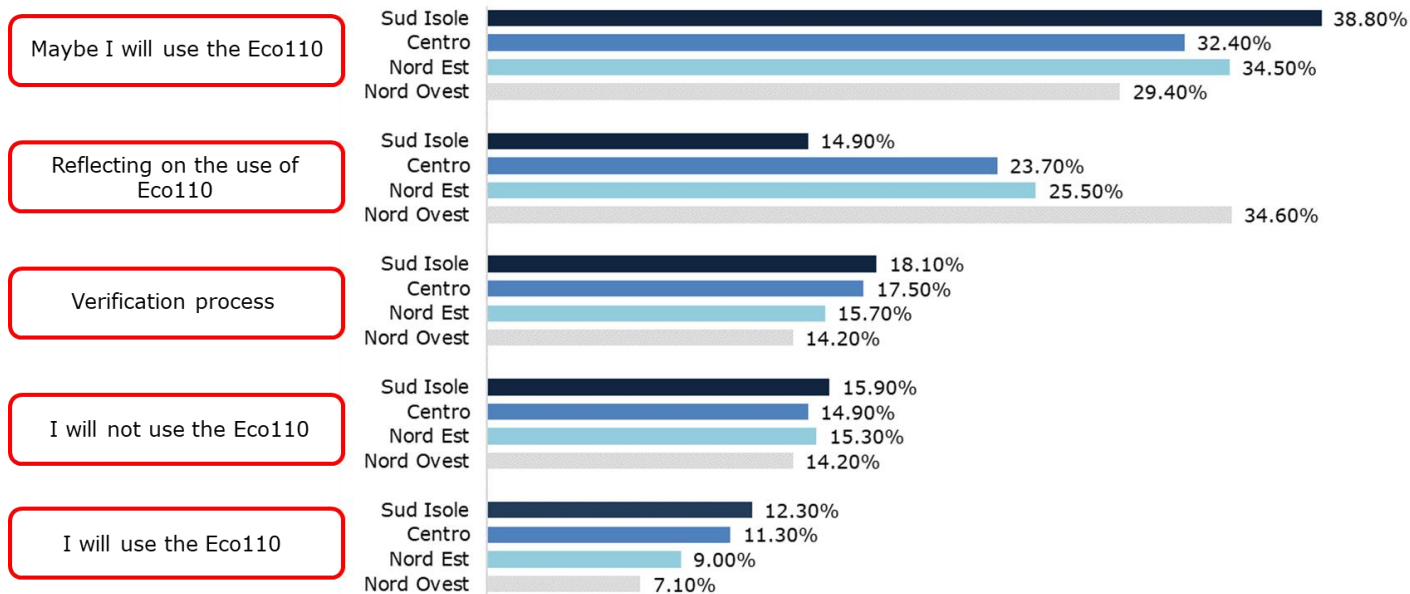


Source: Mikaline reaserch

The South of Italy showed a great attitude to use the Eco110

Most of the people that showed a good inclination to use the Ecobonus 110% are located in the south of Italy, where Sciuker is mostly active through Ecospace.

Figure 2: Geographical breakdown about Eco110% appeal



Source: Mikaline research

Campania: the fourth region in terms of invested amount

At the end of September, investments with requirements for Ecobonus 110% detractions were about 46.2k worth €7.5bn. The highest number of observations was related to single-family house whereas, in terms of condominiums, these led with €3.6bn.

Lombardia is the main region both in terms of units and value, respectively at 6.3k depositions and €1.3bn. Campania, that is Sciuker’s reference market, is the fourth region in terms of amount invested (€627.5mln).

Sciuker sustainability

Windows and frames play a key role to reduce CO2 emissions

Windows and frames have a key role in guaranteeing thermal and acoustic insulation. The houses with old fixtures are characterized by a high volume of heat dispersion (up to 40% of the total), which increase CO2 levels and bill costs. Almost the 70% of the 12mln residential buildings in Italy were built before the enactment of the anti-seismic and energy efficiency regulations. Thus, there replacement of old fixtures with high-performance products could potentially bring significant short-term benefit in both environmental and economic terms.

Therefore, the company mission, is to improve the living comfort of the condominium through the installation of new fixtures, thermal insulation, photovoltaic systems and electric columns. To date, the Sciuker Group has reduced CO2 emissions by approximately 17,000 tons, increasing the average value of the property by 20%.

Sciuker Frames 100% recycles wood waste

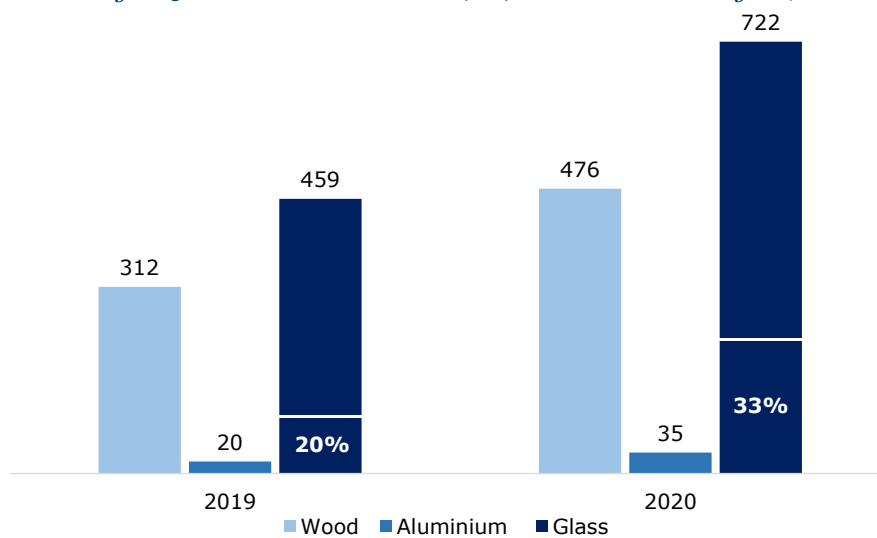
Since its foundation, the company produces windows with the minimum use of plastic materials and highly performing in terms of thermal and acoustic insulation with respect to the external environment.

The main materials used by Sciuker Frames are:

- wood, 100% FSC certified forests, in full respect of the territory and biodiversity;
- aluminium, 100% UNI 6060 certified or REACH6 (laminar aluminium);
- the glass, 100% Saint Gobain certified.

The wood, once it reaches the end of its life, follows a real recycling process. Thanks to the Circle Frames Project, a circuit created in partnership with accredited suppliers the wood waste becomes secondary raw material useful for the creation of new panels ecological and is used for heating the production plant and sold to local pellet producers. The significant increase in the use of raw materials compared to 2019 is attributable to the increase in orders registered in 2020 driven by the Ecobonus 110%.

Figure 3: Raw material consume (ton; in % the amount recycled)



Source: Banca Profilo elaborations on Company data

High degree of attention to ESG issues, with remarkable initiatives in the environmental sustainability

#Sciukerforplanet project

Sciuker Frames has always paid great attention to sustainability and corporate social responsibility. For almost 1/4 of a century, it has been designing and manufacturing only natural windows with the use of low environmental impact materials and processes.

In February 2018, the Sciuker Frames Forest was born, with the support of the Ministry of the Environment, which will offset 1,000,000 kg of CO2 starting from 2018, through the creation of new green lungs in Italy.

Sciuker’s customers has the possibility to adopt a tree in their name in the Sciuker Frames Forest. They will be able to monitor its growth and, also, the offset CO2, through the 4planet.sciuker.it website. During its life cycle, each tree can compensate on average for the CO2 produced by a home refrigerator over a period of 7 years or 600 journeys in the Milanese underground from Rho to Sesto. Together with the tree, Sciuker Frames also gives customers “Sprout”, a pencil with a seed of plants with the aim to make a small “green” contribution.

A factory environment friendly

Sciuker Frames factory was designed to be as efficient as possible paying close attention to the environment:

- thanks to 1,368 photovoltaic panels installed on the roof of Sciuker’s production plant, every year the Group offset about 80% of energy needs. For

instance, in 2017 the Group avoided the production of 151,616 kg of CO₂ into the atmosphere, equivalent to 500 planted trees;

- optimization of processing waste: the 100% of the wood wasted from the production of windows and frames is used for heating the production plant and sold to local pellet producers;
- Sciuker's employees mostly use methane cars, to reduce pollution;
- for several years Sciuker has adopted a scrupulous recycling. 70% of product's waste is recycled and reintroduced into the market. This is mainly thanks to the use of natural and 100% recyclable raw materials, such as wood and aluminium;
- Sciuker's wood grows only in properly managed and certified PEFC and FSC forests, in full respect of the territory and biodiversity.

Group structure

Teknika acquisition

Teknika acquisition

On 10th November, Sciuker Frames announced the acquisition of the 60% of Teknika Group for €2.9mIn (4.3x 2021 EBITDA).

Teknika is a company based in Piedmont, in the province of Novara (Cressa) established in 2006 from the union of the expertise in mosquito nets developed over many years of experience by the two partners Alberto and Emanuele Verdina.

The company has a share capital of €50k, previously held in equal parts by Mr. Alberto Verdina and Mr. Emanuele Verdina, which cover operational roles and they also represented respectively the Chairman and Chief Executive Officer of the Company.

Teknika produces from 300 to 600 (peak season) mosquito nets per day

More in details, thanks to a production plant of about 7,000 square meters, Teknika manufactures an average of 300 mosquito nets per day, with peaks to 600 per day in May to July. However, Teknika could increase its current daily production by about 200 unit acquiring new production lines with an estimated investment of about €15k and introducing 4 new people.

As regards to mosquito nets, the catalogue includes the production and sale of various types of mosquito nets: outdoor, pleated line, built-in, large dimensions, fixed panels, roller blinds and Venetian blinds. Teknika also produced and sales a product line dedicated to roller shutters and sunshades.

Teknika commercial structure includes 4 employees dedicated exclusively to the commercial activity as well as executive customers. Geographic distribution mainly refers to Piedmont, Lombardy, Liguria, Valle d'Aosta and France.

FY20: €6.1mIn; 11% EBITDA margin

Teknika currently employs 50 people and in 2020, it reported €6.1mIn of revenues with an EBITDA of €675k, meaning a margin at 11%; net cash stood at €330k at the end of December.

As regards 2021 forecast of the stand-alone the Company foresaw revenue of €8mIn, with an EBITDA of €0.9mIn and a positive NFP.

FY24E: sales at €30mIn driven mainly by Group synergies

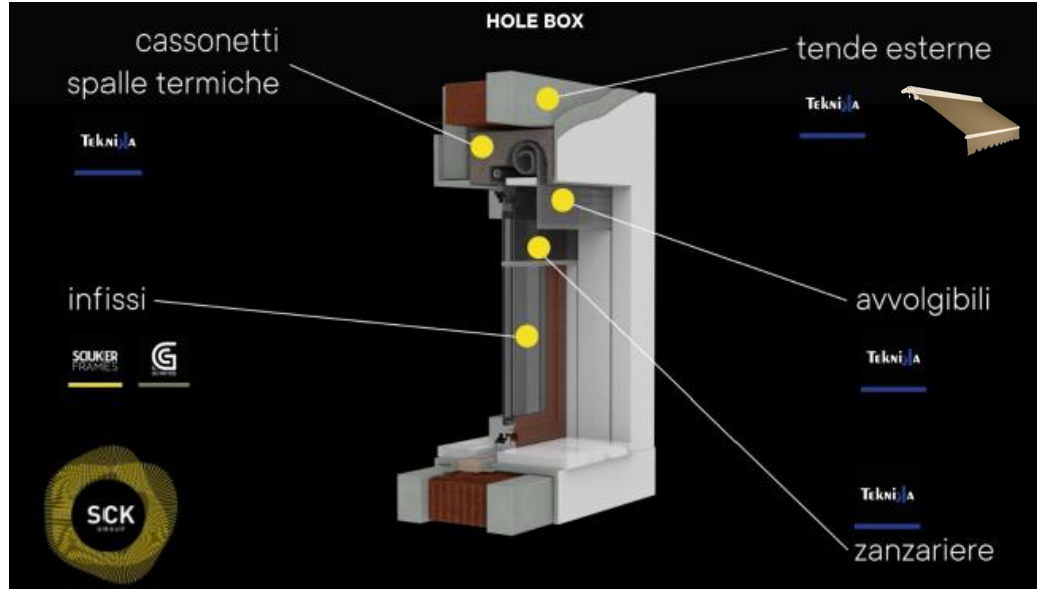
Considering synergies within the Group, in 2024 Sciuker projects Teknika revenues at €30mIn with an EBITDA margin at 24% taking advantage from: i) Group's retail distribution; ii) partnerships with consolidated customers and iii) Superbonus 110%.

Teknika contributes to the expansion of Sciuker Frames HOLE BOX offering

Following Teknika acquisition, Sciuker Frames Group has become the first pole of frames and solar shading with a Made in Italy design. The acquisition of Teknika allows the Group to significantly expand its offering integrating frames with

accessories like mosquito nets, roller shutters, thermal insulating monoblocks, external curtains and bioclimatic pergolas. Thus, the Group expands its own HOLE BOX, a complete and integrated offering with fixtures and accessories ready for the market of the energy efficiency of the Italian housing stock.

Figure 4: Sciuker Frames Hole Box



Source: Company data

Acquiring the 60% of Teknika for €2.9mln

As regard to the acquisition structure, Sciuker Frames bought 30% from each owner (Emanuele and Alberto Verdina). The cost of acquisition is €2.9mln, to be paid on the closing date (estimated before December, the 31st 2021) in i) cash for €2.2mln and ii) 46,700 treasury shares valued €15 each, on which the sellers have entered a lock-up commitment until January the 15th 2026. If, on January the 1st 2026, the shares of Sciuker Frames have a lower value than €15/share, Sciuker will pay the sellers an amount equal to the difference between the guaranteed value and the arithmetic average between December the 1st and the 31st 2025.

In addition to the Price, it is envisaged that, if 2022 "revenues from sales and services" are higher than €12mln, Sciuker Frames will pay the Sellers an additional €1mln.

Moreover, Emanuele Verdina will hold the CEO position and Alberto Verdina the Chairman position in Teknika.

FY21 Teknika contribution to Group at €8mln with €900k EBITDA

This acquisition will allow the Group:

- to integrate plants worth €0.3mln;
- to consolidate specialized product skills;
- €8mln revenues, €900k margins and cash flows from January 1st 21.

Group structure update

Shareholders: Cipriano Family at 51%; 42% free float

The Group is controlled by Marco Cipriano, founder and CEO, and by Romina Cipriano, with a cumulated 51% stake through the holding H.Arm. Free Float is 42%.

SCK Group the first frames polo made in

Sciuker Frames Group become the first pole of frames and solar shading with a Made in Italy design. Through the acquisitions the Group significantly expand the range of

Italy

its windows, frames and accessories, producing one full-integrated product: the HOLE BOX with fixtures and accessories ready for the energy efficiency market.

Ecospace

In July 2020, Sciuker announced the acquisition of 80% of a start-up called Ecospace. The Startup is active in the energy efficiency interventions such as thermal insulation, including fixtures replacement, photovoltaic systems, both within condominiums and single-family houses.

GC Infissi

At the end of April 2021, Sciuker announced the acquisition of 63.5% of GC Infissi based in Piedmont. The Company is mainly active in the production and processing of windows and frames in PVC (representing the 90% of its business) and also in the production of doors. Since 2017, GC has diversified its product range into aluminium windows. Thanks to a production space of 10k square meters, GC Infissi can produce up to 150 units per day. According to 2020 preliminary results the Company should registers revenues at €8.4mln (-17% yoy due to Covid-19 impact) and an EBITDA adjusted margin at 1.51% (down from previous 4.31%).

Through GC Infissi Sciuker Frames took the opportunity to enter in the business of PVC windows and frames, which represents the biggest market share. Moreover, both Companies could benefit of economies of scale in terms of cost saving and stronger relationship with suppliers.

Sciuker Group will acquire the Company for €2mln of cash (representing 10% of cash in from warrants exercise) plus 50.000 of Sciuker's shares.

Teknika

Teknika is a company based in Piedmont, in the province of Novara (Cressa) established in 2006 from the union of the expertise in mosquito nets developed over many years of experience by the two partners Alberto and Emanuele Verdina.

With a production space of about 7,000 square meters, Teknika produces an average of 300 mosquito nets per day, with peaks of 600 per day in the periods from May to July.

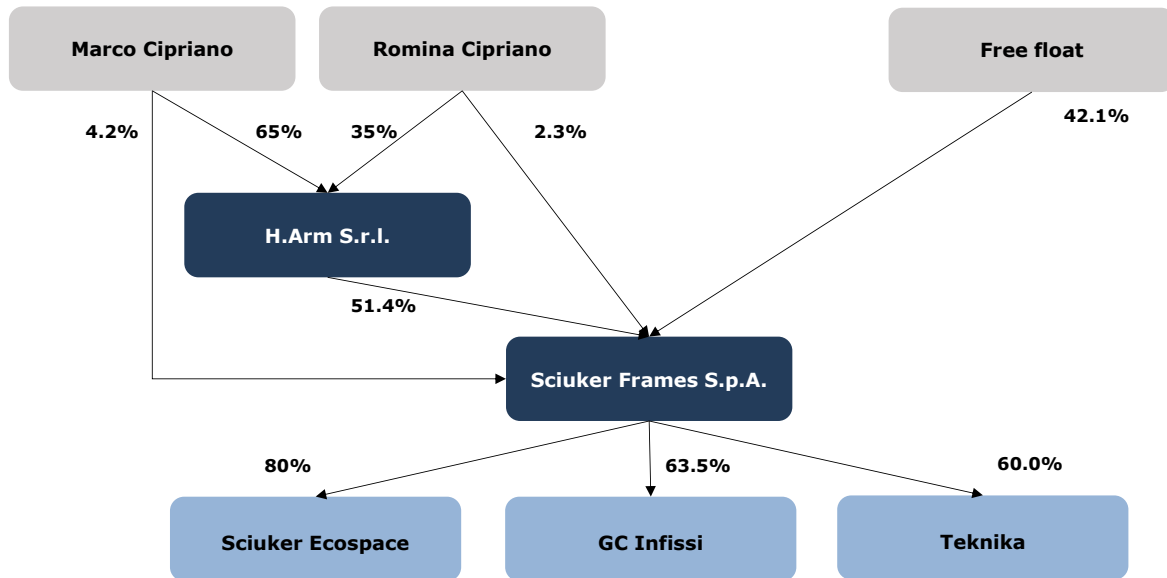
As regards mosquito nets, the catalogue includes the production and sale of various types of mosquito nets: outdoor, pleated line, built-in, large dimensions, fixed panels, roller blinds and Venetian blinds. Teknika also produced and sales a product line dedicated to roller shutters and sunshades.

Company end market is mainly related to Piedmont, Lombardy, Liguria and Valle d'Aosta and France.

Teknika currently employs 50 people and at the end of 31 December 2020 the Company reported €6.1mln of revenues with an EBITDA of €675k, meaning a margin at 11% and a net cash of €330k.

Sciuker Frames Group acquired Teknika on 10th November for €2.9m (€2.2mln in cash and €0.7mln through Sciuker Frames shares).

Figure 5: Group structure



Source: Banca Profilo elaborations on Company data

Raising 2021-2024 following Teknika acquisition

Main operating and financial data

Raising our FY21-24 estimates following Teknika acquisition and Ecobonus postponement

Following Teknika acquisition and the chance of Ecobonus postponement at 110% in 2023, at 70% in 2024 and at 65% in 2025, we revised upwards our projections consolidating Teknika from FY21 and adding Ecospace contributes in FY24 driven by Ecobonus.

Moreover, we believe that Group growth will be also boosted by synergies between Sciuker, GC Infissi, Ecospace and Teknika.

Moreover, in October, the Group released its new strategic plan 2021-2024 confirming its key strategic lines:

- increasing the B2B business through the acquisition of management projects, which give higher margins and visibility;
- growing in Italy through expansion and diversification of its distribution network;
- expanding in foreign markets through partnerships and M&A;
- investing in machinery to increase the production capacity
- expanding the product range through M&A;
- reducing CO2 emission at 55% until 2030 and become carbon-neutral until 2050.

Furthermore, the Group updated on new corporate targets:

- at the end of April, the Company announced the acquisition of GC Infissi, expanding its product range to PVC windows and frames;
- the consolidation of Ecospace as a booster of Group turnover;
- more than €20mln of cash-in deriving from the warrant exercise in May;
- postponement of Ecobonus until 2025.

Finally, the Group has a long term aim to invest its cash through M&A deals to expands its business both in terms of products and markets.

2021E-2024E raising estimates on Group synergies

Therefore, we now project a 60.3% (vs previous 54.4%) Value of Production CAGR (2020-2024E), to reach €149.4mIn in 2024E from €109mIn in 2021E. In 2023, we expect the Group to peak in terms of revenue driven by Ecospace’s planned robust orders intake. Ecospace’s turnover will be boosted by the Italian tax incentive 110% Ecobonus (or Eco110) until the end of 2023E.

In 2024 we cautiously assumed the 50% of possibility that the tax incentive will be postponed but with a lower percentage of refund as it is reported in the 2022 Italian budget law draft at 70% and not at 110% as it is for 2023E. Thus, to include the risks, in 2024E we cautiously projects one third of 2023E Ecospace revenues.

2021E-2024E strong growth supported by all integrated businesses

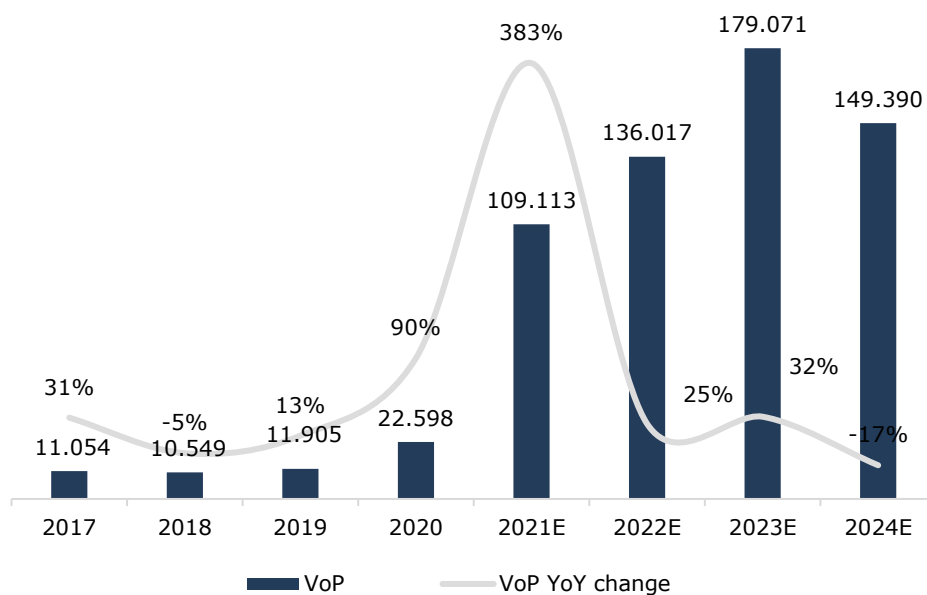
Moreover, we project: i) double-digit revenue growth in Sciuker Frames driven by strategic partnerships; ii) GC Infissi growth at a CAGR 2020-2024E of 58% to €35mIn in 2024 and iii) Teknika sales to growth at a CAGR 2020-2024E at 53% to €34mIn in 2024, both due to Group synergies driven by the integration in one Group product as the HOLE BOX.

Ecobonus as Ecospace booster

In 2022E we used the same backlog-revenue mechanism in Ecospace that we used in 2020 and 2021E: 70% of orders to become turnover the year of intake and the remaining 30% the following year but with a limit to complete all orders by the end of December 2023, as the Eco110 law dictates. However, to include More in details we expect Ecospace order backlog to stand at €80mIn in 2022E (vs our previous forecast at €55mIn).

As regards to Sciuker Frames, we include in our revenues estimates the strategic partnerships with Enel X and AbitareIn as growth contributors in 2021E-2024E (€38mIn) Moreover, in 2021E-2024E, Sciuker sales through Ecospace activity will be the booster for Company revenues. In details, we now estimate an increase in Sciuker revenues from €28mIn in 2021 to €71mIn in 2024E (previous seen at €29mIn in 2021 to €36mIn in 2023E).

Figure 6: Sciuker Group revenue trend 2017-2024E (€/000 and %)



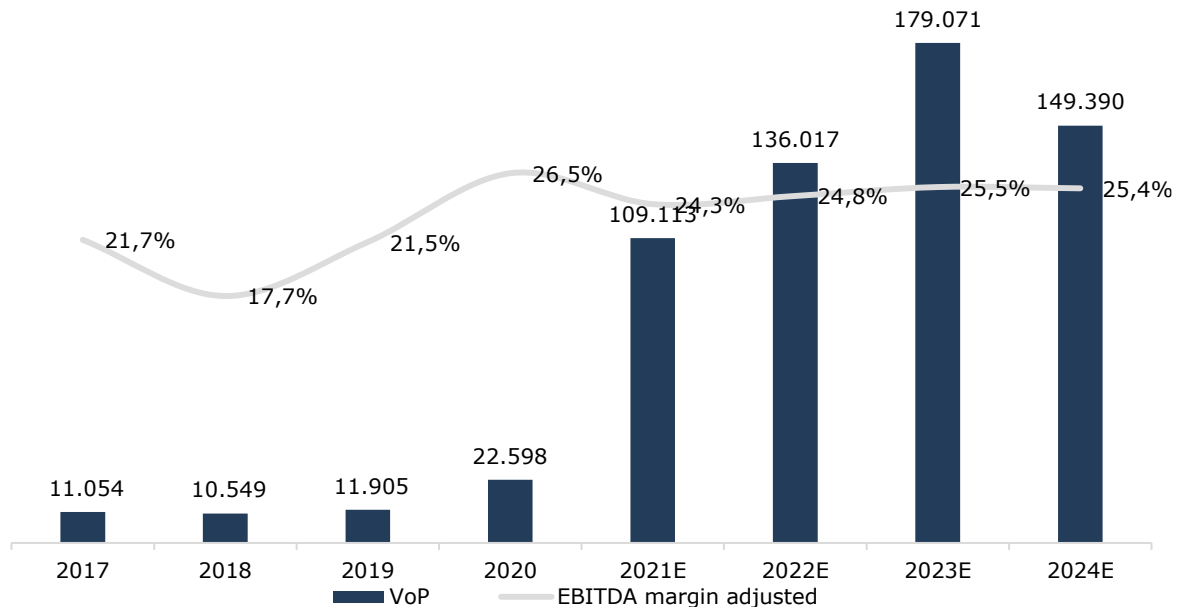
Source: Banca Profilo elaborations and estimates on Company data

2021E-2024E cost assumptions

Regarding our costs’ assumptions in the period 2021E-2024E, the major cost is represented by service cost, mainly related to Ecospace subcontracts costs in the average of 42% on Group’s VoP. Moreover, we also seen an increase of raw materials

costs due to higher Sciuker’s revenues estimated and the consolidation of GC Infissi and Teknika.

Figure 7: Revenue and EBITDA margin trend 2017-2024E (€/000 and %)



Source: Banca Profilo elaborations and estimates on Company data

2021E-2024E: adjusted EBITDA margin at 25% vs previous 24%

We now expect an adjusted EBITDA at €26.4m in 2021 (€25.6m previously estimated), €40.6m in 2022 (vs prior €31.7m), €51.6m in 2023 (vs prior €50m) to decrease in 2024 at €40.9m (vs prior €29.7m) due the reduction in Ecospace activities as we partially consider the postponement of Ecobonus in 2024.

In terms of margin we now project Adjusted EBITDA margin increasing from 24.3% in 2021E to 25.4% in 2024E (vs previous 24.2% in 2021E to 23.2% 2024E).

We now see an increase in both Adjusted EBITDA and marginality thanks to the consolidation of Teknika in Sciuker Frames Group.

Moreover, the increase in 2024E marginality from 23.2% previously estimated to 25.4% now seen is also due to Ecospace activity given by the chance of Ecobonus postponement as written in the 2022 italian budget law draft and not considered in our previous report.

Moreover, we raised our EBITDA’s projections mainly consider also the improvement of Group synergies.

Net profit close to €14m in 2024E (vs previous €12.9m)

The projected EBITDA will be partially absorbed by higher financial expenses, due the cost of credit sold considered 11/12 as current expense while the remaining part is attributable to Provision for risks. Moreover, we estimate high D&A due to the consideration of Capex increase to expands the productivity capacity.

We end up with Net profit of €13.9m in 2024E (vs previous €12.9m).

Table 1: Sciuker Frames Profit & Loss 2020-2024E

Profit & Loss (€/'000)	2020	2021E Old	2021E New	2022E Old	2022E New	2023E Old	2023E New	2024E Old	2024E New
Revenues	19.105	97.921	99.921	118.020	124.454	153.490	165.857	117.417	137.730
Others	3.493	9.192	9.192	11.564	11.564	16.614	13.214	10.868	11.660
Value of production	22.598	107.113	109.113	129.583	136.017	170.105	179.071	128.285	149.390
	<i>yoy</i>	89,8%	374,0%	382,8%	21,0%	24,7%	31,3%	17,2%	-12,2%
EBITDA	7.682	31.484	32.073	38.484	40.595	50.036	51.633	29.736	40.932
	<i>margin</i>	34,0%	29,4%	29,4%	29,7%	29,8%	29,4%	28,8%	27,4%
Cost of fiscal credit sold	(1.700)	(5.600)	(5.600)	(6.800)	(6.800)	(8.900)	(6.000)	-	(3.000)
EBITDA Adjusted	5.982	25.884	26.473	31.684	33.795	41.136	45.633	29.736	37.932
	<i>margin</i>	26,5%	24,2%	24,3%	24,5%	24,8%	24,2%	23,2%	25,4%
D&A	(1.607)	(3.339)	(4.925)	(4.896)	(7.974)	(5.542)	(9.148)	(6.422)	(10.246)
Provision for risks	(2.226)	(1.298)	(1.298)	(2.353)	(2.353)	(2.997)	(2.755)	(2.255)	(2.505)
EBIT Adjusted	2.149	21.247	20.249	24.434	23.468	32.597	33.730	21.059	25.180
	<i>margin</i>	9,5%	19,8%	18,6%	18,9%	17,3%	18,8%	16,4%	16,9%
EBIT	3.849	26.847	25.849	31.234	30.268	41.497	39.730	21.059	28.180
	<i>margin</i>	17,0%	25,1%	23,7%	24,1%	22,3%	24,4%	22,2%	18,9%
Net financial expenses	(9)	(5.982)	(5.982)	(7.150)	(7.150)	(9.126)	(6.468)	(1.320)	(4.070)
EBT	3.840	20.865	19.868	24.084	23.118	32.371	33.262	19.738	24.110
Taxes	(1.096)	(5.984)	(5.943)	(7.063)	(7.406)	(9.582)	(11.038)	(6.812)	(10.213)
	<i>tax rate</i>	28,5%	28,7%	29,9%	29,3%	32,0%	29,6%	34,5%	42,4%
Net profit	2.743	14.881	13.924	17.021	15.711	22.789	22.224	12.926	13.897
	<i>margin</i>	12,1%	13,9%	12,8%	13,1%	11,6%	13,4%	10,1%	9,3%

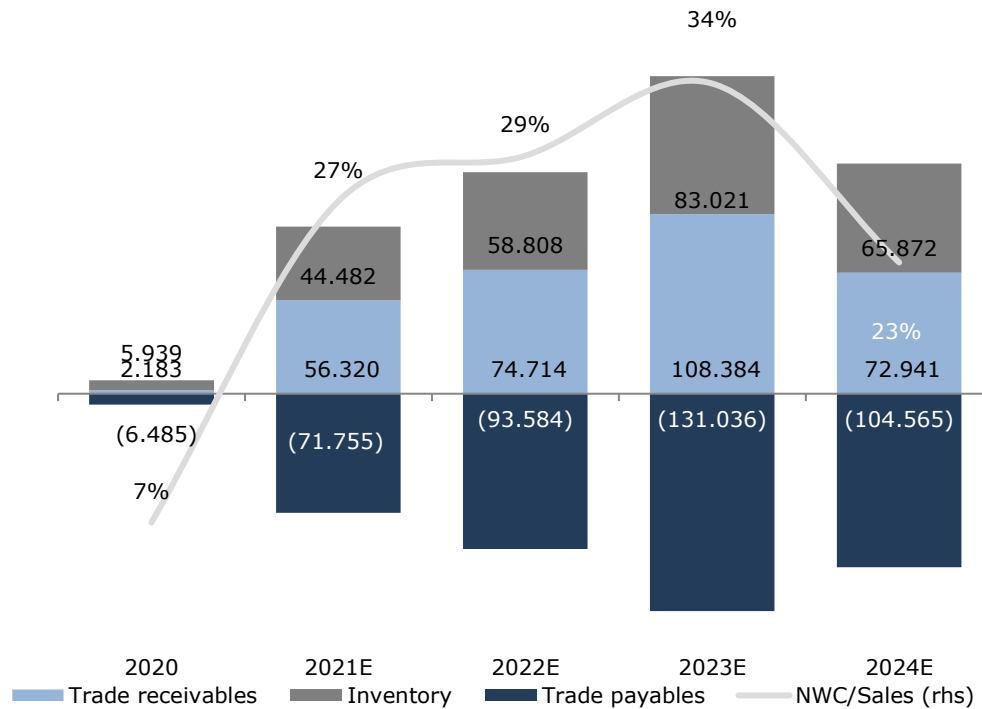
Source: Banca Profilo elaborations and estimates on Company data

Balance Sheet:
significant Capex;
higher ONWC due to
revenue growth and
raw materials increase

Concerning our Balance Sheet projections in 2021E-2024E, we included:

- €42.1mIn Capex (in line with our previous estimates), investing the net cash derived from the warrant exercise mainly in i) Sciuker's production capacity expansion; ii) group synergies.
- operating Net Working Capital at €34.2mIn in 2024E (vs previous €25.7mIn in 2024E), from €29mIn in 2021E (previously estimated at €27.8mIn), reflecting the consolidation of Teknika which weigh on stock and the raise of raw materials increase and the increase of Ecospace revenues in 2024E,. In 2021E-2024E Operating NWC is now projected at 24% of sales (vs previous 29.3%).

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



Source: Banca Profilo elaborations and estimates on Company data

Table 2: Sciuker Frames Balance Sheet 2020-2024E

Balance Sheet (€/000)	2020	2021E Old	2021E New	2022E Old	2022E New	2023E Old	2023E New	2024E Old	2024E New
Stock	5.939	42.845	44.482	54.425	58.808	76.547	83.021	53.880	65.872
Accounts receivables	2.183	53.556	56.320	67.383	74.714	96.960	108.384	55.162	72.941
Accounts payables	(6.485)	(68.552)	(71.755)	(85.525)	(93.584)	(119.073)	(131.036)	(83.385)	(104.565)
Operating Net Working Capital	1.637	27.849	29.047	36.283	39.938	54.433	60.369	25.657	34.247
% on sales	7,2%	26,0%	26,6%	28,0%	29,4%	32,0%	33,7%	20,0%	22,9%
Other current assets & liabilities	387	(10.123)	(10.235)	(13.923)	(14.460)	(21.123)	(21.894)	(17.323)	(17.323)
Net Working Capital	2.024	17.726	18.812	22.360	25.477	33.310	38.474	8.333	16.924
Intangibles	1.223	3.769	6.297	4.405	3.869	4.618	3.628	4.838	3.398
Materials	13.238	27.925	26.684	35.904	32.916	36.059	31.554	35.895	28.365
Financials	3	1.572	1.574	1.584	1.586	1.596	1.598	1.608	1.610
Fixed assets	14.464	33.266	34.555	41.894	38.372	42.274	36.781	42.341	33.373
Funds	(942)	(11.280)	(13.754)	(16.139)	(17.008)	(24.427)	(22.205)	(30.144)	(21.667)
Other non current assets & liabilities	(466)	(1.375)	(1.375)	(1.375)	(1.375)	(1.375)	(1.375)	(1.375)	(1.375)
Net Invested Capital	15.080	38.337	38.238	46.740	45.466	49.782	51.675	19.155	27.255
Equity	11.682	42.773	42.942	79.053	79.053	79.053	79.053	89.925	90.783
Share capital	1.092	2.185	2.235	2.185	2.235	2.185	2.235	2.185	2.235
Reserves	5.508	27.541	27.583	57.701	58.127	57.701	58.127	76.869	76.860
Accumulated profit/loss	2.339	167	433	-	-	-	-	-	-
Net profit	2.743	12.880	12.691	19.167	18.692	19.167	18.692	10.872	11.688
Net debt (cash)	3.398	(4.436)	(4.705)	(12.471)	(14.178)	(29.271)	(27.378)	(70.770)	(63.528)
Liabilities	15.080	38.337	38.238	46.740	45.466	49.782	51.675	19.155	27.255

Source: Banca Profilo elaborations and estimates on Company data

Strong cash generation: net cash from €4.4m in FY21 to €63.5m in FY24

As regards to the net financial position we estimate an FY21 increase in Group net cash from €4.7m (including €17m of investments in the year and the cash out for the acquisitions of GC Infissi and Teknika) to €63.5m in 2024E (vs previous seen at €70.8m of cash). We now project a lower net cash in 2024E mainly due to higher ONWC absorption related to higher revenues in the year deriving from Teknika consolidation and Ecospace revenues.

2021E-2024E: cumulated FCFs at €34m vs previous €32m

According to our Profit & Loss and Balance Sheet estimates, in 2021E-2024E, we forecast €99m of cumulated Operating Cash Flows (vs prior €84.8m), mainly used to finance €42m of Capex (unchanged) and €32.6m of NWC needs (vs previous €37.6m). Because of higher operating cash flows, partially absorbed by higher

Capex and higher NWC needs, we now forecast €45.1mIn of cumulated FCFs in 2021E-2024E (vs previous €34.2mIn).

Table 3: Sciuker Free Cash Flow evolution 2020-2024E

Cash flow (€/000)	2020	2021E	2022E	2023E	2024E
EBIT Adjusted	2.149	20.249	23.468	33.730	25.180
taxes	(645)	(7.087)	(8.214)	(11.805)	(8.813)
NOPAT	1.504	13.162	15.254	21.924	16.367
D&A	1.607	4.925	7.974	9.148	10.246
Operating cash flow	3.111	18.087	23.228	31.072	26.613
Operating Net Working Capital change	3.343	(27.410)	(10.891)	(20.431)	26.122
Other funds	360	12.812	3.254	5.197	(538)
Capex	(3.532)	(17.000)	(14.000)	(5.700)	(5.400)
FCF	3.282	(13.511)	1.591	10.138	46.797

Source: Banca Profilo elaborations and estimates on Company data

Estimates execution risks

Our projections include some key risks on the downside:

- cost management and net working capital control under high growth rates;
- higher than projected negative effects of a prolonged and persisting Covid-19 pandemic;
- any negative change in the Ecobonus 110% tax incentive law on which Ecospace 2021-2023 projections are built;
- lower than estimated synergies between Sciuker Frames, GC Infissi, Ecospace and Teknika;

And on the upside:

- Extension to 2024 of the Ecobonus for the entire discount at 110% tax incentive law (and not at 70% as it is expected).

Valuation

DCF approach to appraise a fast-growing business model

Given our expectations of positive FCFs starting from 2021, we used a DCF model as a valuation method.

Multiple valuation on fixture manufacturing players

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

DCF Valuation

DCF assumptions: €11.3mIn average yearly FCF

To run a DCF model, we use our projections of unlevered FCFs for the 2021-2024 explicit period: €45mIn cumulated and €11.3mIn as yearly average (vs previous €34.2mIn and €8.6mIn respectively).

To assess the Terminal Value, we used what we consider a perpetually sustainable free cash flow at €19.5mIn (vs previous €18.9mIn), given by the average of the FCFs in the period 2022-2023. Finally, we assumed 2% perpetual growth rate (unchanged).

Table 4: Unlevered FCFs

Cash flow (€/000)	2020	2021E	2022E	2023E	2024E	TV
EBIT Adjusted	2.149	20.249	23.468	33.730	25.180	
taxes	(645)	(7.087)	(8.214)	(11.805)	(8.813)	
NOPAT	1.504	13.162	15.254	21.924	16.367	
D&A	1.607	4.925	7.974	9.148	10.246	
Operating cash flow	3.111	18.087	23.228	31.072	26.613	
Operating Net Working Capital change	3.343	(27.410)	(10.891)	(20.431)	26.122	
Other funds	360	12.812	3.254	5.197	(538)	
Capex	(3.532)	(17.000)	(14.000)	(5.700)	(5.400)	
FCF	3.282	(13.511)	1.591	10.138	46.797	19.509

Source: Banca Profilo estimates and elaborations

DCF assumptions:
WACC at 6.8%

We would apply a WACC of 6.8% (unchanged) derived from:

- risk free rate equal to 3.0%, as implicitly expected by consensus on the 30Y Italian BTP yield curve (moving average of the last 100 days);
- market risk premium at 5.5%;
- beta at 1.3 as the average of chosen listed peers;
- debt to equity target structure with a 50% weight on Debt, as we forecast a more balanced financial structure.

We end up with a WACC slightly above our previous estimates (6.8% vs 6.7%) due to a small decrease in Ke from 10.3% to 10.2%.

Table 5: WACC calculation

WACC Calculation	
perpetual growth rate	2,0%
WACC	6,8%
risk free rate (30Y) (Bloomberg projections)	3,0%
equity risk premium	5,5%
beta	1,3
KE	10,4%
cost of debt	5,0%
tax rate	35%
KD	3,3%

Source: Banca Profilo estimates and elaborations

DCF valuation:
€16.33/share

The DCF method leads us to an Enterprise Value of €349.9mln (vs previous €335.3mln) and to an Equity Value of €354.6mln (vs previous €339.8mln) showing a fair value of €16.33/share (vs previous €15.64/share).

Moreover, in the DCF we include net cash at the end of 2021E at €4.7mln.

Table 6: DCF valuation

DCF Valuation	2021E	2022E	2023E	2024E	TV
Free Cash Flows (€ 000)	(13.511)	1.591	10.138	46.797	19.509
years	1	2	3	4	
discount factor	0,94	0,88	0,82	0,77	
NPV Cash flows (€ 000)	(12.648)	1.394	8.317	35.939	
Sum of NPVs (€ 000)	(12.648)	(11.253)	(2.936)	33.002	
Terminal Value (€ 000)					412.604
NPV Terminal Value (€ 000)					316.868
Enterprise Value (€ 000)					349.871
Net debt 2021E (€ 000)					(4.705)
Equity Value (€ 000)					354.575
number of shares ('000)					21.719
Per share value (€)					16,33

Source: Banca Profilo estimates and elaborations

Relative Valuation on multiples

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

Deceuninck (Belgium): PVC window and door manufacturer

Deceuninck NV, founded in 1953 and headquartered in Hoogdele-Gits (Belgium), engages in the design and manufacture of Polyvinyl Chloride (PVC) systems for windows and doors, roofline and cladding, interior, and outdoor living. It operates through the following geographic segments: Western Europe, Central and Eastern Europe, North America, and Turkey and Emerging Markets. In 2020, Deceuninck NV generated total revenues of around €642mln.

Inwido (Sweden): wooden windows and door manufacturer

Inwido AB, founded in 2002 and headquartered in Malmö (Sweden) engages in the provision of windows and door solutions. Its activities include manufacturing and export of wood-based window and door. It operates through the following geographical segments: Sweden-Norway, Finland, Denmark, and Emerging Business Europe. In 2020, the Group recorded revenues of approximately SEK 6.7bn.

Eurocell (UK): PVC windows manufacturer

Eurocell Plc, founded in 1974, with headquarters in Alfreton (UK), is a holding company, which engages in the extrusion of PVC window and building products to the new and replacement window market and the sale of building materials across the UK. It operates through the Profiles and Building Plastics segments. In 2020, Eurocell Plc generated total revenues of around GBP 258mln.

SafeStyle (UK): PVC window and door manufacturer

SafeStyle Plc, founded in 1992, headquartered in Bradford (UK), engages in sale, manufacture, and installation of polyvinyl chloride un-plasticized windows and doors for the homeowner replacement market. Its products include sash windows, bay windows and composite guard doors. The firm offers marketing, sales, survey, manufacturing and installation services. In 2020, SafeStyle Plc generated total revenues of approximately GBP 113mln.

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

Apogee Enterprises, founded in 1949 and headquartered in Minneapolis (USA), engages in the design and development of glass and metal products and for enclosing commercial buildings, farming and displays. The company operates through four segments: Architectural Glass, Architectural Services, Architectural Framing Systems and Large-Scale Optical Technologies. The Architectural Glass segment fabricates glass used in customized window and curtain wall systems comprising the outside skin

of commercial and institutional buildings. The Architectural Services segment provides building glass and curtain wall installation services. The Architectural Framing Systems segment designs, engineers, finishes and fabricates the aluminum frames used in customized window, curtain wall, storefront, and entrance systems. In FY21, Apogee Enterprises generated total revenues of approximately \$1.2bn.

Pgt innovations (USA): window and door manufacturer **Pgt innovations**, founded in 1980 and headquartered in North Venice (USA), engages in the manufacture and sale of windows and doors. It offers its products under the brands PGT Custom Windows and Doors, CGI, and WinDoor. In 2020, Pgt innovations generated total revenues of approximately \$883mln.

Edac (IT) **EdiliziAcrobatica** engages in outdoor construction works using double safety rope access techniques. Its services include facade and wall clean-up, balcony repair, roof renovation, and facade painting. The company was founded by Riccardo Iovino in 1994 and is headquartered in Genoa, Italy. In 2020 the Company reported revenues at €44.7mln

Nusco (IT) **Nusco** manufactures and markets interior doors and frames. It offers its products in wood, PVC, aluminum and iron under the "NUSCO" brand. The firm operates through Doors Business Unit and Windows Business Unit. The Doors Business Unit produces doors and markets armored doors. The Windows Business Unit engages in the production and marketing of windows, shutters and iron gratings. The company was founded by Mario Nusco in 1968 and is headquartered in Nola, Italy. In 2020 the Company reported revenues at €15.4mln.

Table 7: Market multiples

Company	EV / Sales		EV / EBITDA	
	2021E	2022E	2021E	2022E
Deceuninck NV	0,7x	0,7x	5,5x	5,1x
Inwido AB	1,4x	1,4x	9,7x	9,4x
Eurocell Plc	0,9x	0,9x	5,8x	5,6x
SafeStyle UK Plc	0,4x	0,4x	4,5x	4,1x
Apogee Enterprises	1,1x	n.a.	10,8x	n.a.
Pgt innovations	1,4x	1,2x	9,8x	7,6x
Ediliziacrobatica	1,8x	1,4x	11,8x	9,3x
Nusco	2,0x	1,7x	13,0x	10,4x
Mean	1,2x	1,1x	9,8x	7,6x
Sciuker Frames	1,5x	1,2x	5,2x	4,1x

Source: Banca Profilo elaborations on elaborations on FactSet (as of 23rd November 2021)

EV/EBITDA 2022E
7.6x

Our sample of similar players active in the larger Fixtures Manufacturing industry, shows a medium value EV/EBITDA 2022E of 7.6x.

Table 8: Sample benchmarking

Company	Sales growth			EBITDA margin		
	2020	2021E	2022E	2020	2021E	2022E
Deceuninck NV	1,5%	26,9%	-3,6%	13,4%	12,7%	14,3%
Inwido AB	0,8%	12,5%	3,1%	14,3%	14,8%	14,9%
Eurocell Plc	-7,6%	30,4%	2,4%	11,6%	15,3%	15,2%
SafeStyle UK Plc	-10,3%	27,2%	5,4%	1,7%	10,0%	10,3%
Apogee Enterprises	-9,2%	0,7%	n.a.	11,1%	10,3%	n.a.
Pgt innovations	18,5%	31,1%	18,8%	17,0%	14,5%	15,6%
Ediliziacrobatika	13,9%	83,0%	28,4%	11,2%	15,5%	15,3%
Nusco	-20,1%	31,7%	18,2%	n.a.	15,8%	16,7%
Mean	-1,6%	30,4%	10,4%	11,5%	13,6%	14,6%
Sciuker Frames	89,8%	382,8%	24,7%	34,0%	29,4%	29,8%

Source: Banca Profilo elaborations on elaborations on FactSet (as of 23rd November 2021)

**Market multiples
valuation: €14.6/share**

Our relative valuation is based on peers' average EV/EBITDA 2022E at 7.6x. In terms of EBITDA we used a defensible adjusted EBITDA, that in 2024E at €40.9mln, which includes a 50% chance of Ecobonus postponement with a reduction of 70% and not at 110% in 2024. This leads to an Equity Value of €317.1mln (vs previous €269.1mln) or €14.6/share (vs previous before €12.39/share).

Table 9: Market multiples valuation

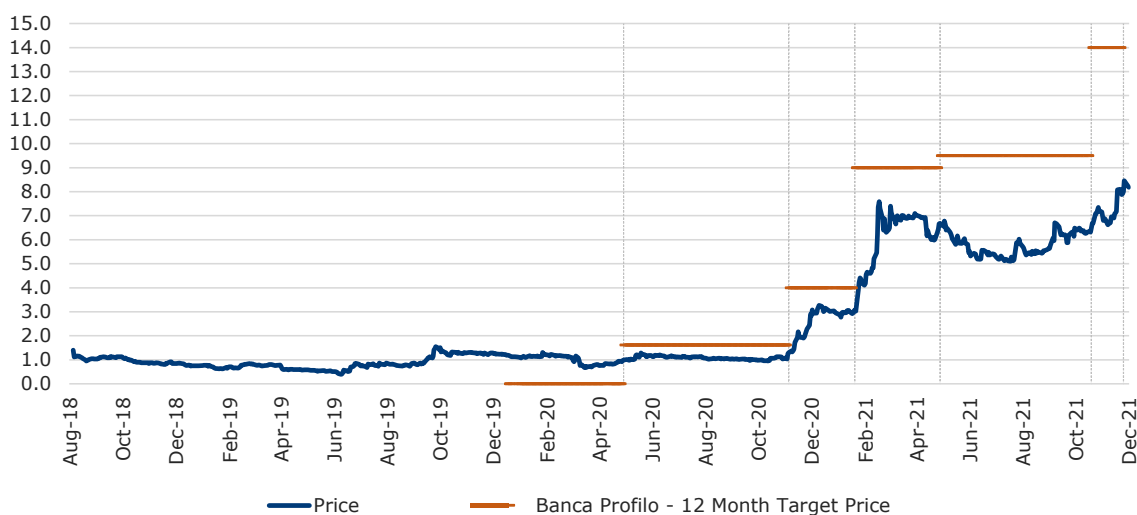
Relative Valuation on market multiples 2022	
EV/EBITDA	EBITDA adjusted
2022E	2024E
7,6x	40.931,6
ENTERPRISE VALUE	NET DEBT FY21
312.409,5	-4.704,7
EQUITY VALUE	
317.114,2	
Price per share	14,60

Source: Banca Profilo elaborations on elaborations on FactSet (as of 23rd November 2021)

TP at €15.5/share (vs previous €14/share); BUY confirmed

We set our 12-month Target Price at €15.5/share as the average of DCF and market multiple valuations. Given the significant potential upside on Sciuker’s closing price (as of 26th November 2021), we confirm our BUY recommendation.

Figure 9: Banca Profilo’s Target Prices since Sciuker’s IPO



Source: Banca Profilo estimates and elaborations on Bloomberg data

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**Sciuker Frames
"ID Card"**

Recommendation

Target Price

Upside

BUY
15.5 €
91%
Company Overview

Sciuker Frames S.p.A. was founded in 1996 under the name "System S.r.l.". Sciuker is a National integrated group active in the design, development, production and marketing of windows in wood-aluminium and structural wood-glass in addition to the production of wooden shutters. In July 2020, Sciuker acquired the 80% of the startup Ecospace. The Startup is active in the energy efficiency works, including thermal insulation, fixtures and boiler replacement, photovoltaic systems, within building restructuring both in condominium buildings and single-family houses. Customers will pay the cost of the intervention through the transfer of their 110% tax credit. As regards Ecospace, at the beginning of October, the Group announced that: i) Ecospace had reached orders for €173.1mln, well above our old FY21 estimates of €85mln; ii) Ecospace revenues already stood at €121.2mln (€79mln our estimate for the entire FY21), given by the €20.4mln from the FY20 and the new orders. Windows and frames have a key role in guaranteeing thermal and acoustic insulation. The houses with old fixtures are characterized by a high volume of heat dispersion (up to 40% of the total), which increase CO2 levels and bill costs. Almost the 70% of the 12mln residential buildings in Italy were built before the enactment of the anti-seismic and energy efficiency regulations. Thus, their replacement of old fixtures with high-performance products could potentially bring significant short-term benefit in both environmental and economic terms. On November, the 10th, Sciuker Frames announced the acquisition of the 60% of Teknika Group for €2.9mln. Teknika has been active in the production of mosquito nets since 2006. Thanks to a production site of about 7,000 square meters, Teknika produces an average of 300 mosquito nets per day, with peaks of 600 per day in May to July period. Teknika employs 50 people and in FY20 it reported €6.1mln of revenues with an EBITDA margin of 11%; at the end of December it showed a net cash position of €330k. As regards to 2021 projections, Teknika sees €8mln turnover, €0.9mln EBITDA and a positive NFP. Considering synergies, Sciuker projects Teknika reaching €30mln sales in 2024 with an EBITDA margin at 24% deriving mainly from: i) Group's retail distribution; ii) partnerships with consolidated customers; iii) Superbonus 110%. Following Teknika acquisition, Sciuker Frames Group has become the first pole of frames and solar shading with a Made in Italy design, expanding significantly the range of its accessories by inserting mosquito nets, roller shutters, thermal insulating monoblocks, external curtains and bioclimatic pergolas. With Teknika, the Group completes its own HOLE BOX, its integrated offering including both energy efficiency fixtures and accessories. Following Teknika acquisition and the Ecobonus planned postponement, we revised upward our projections driven by i) higher synergies within the Group, among Sciuker, GC Infissi, Ecospace and Teknika; ii) new investments to expand production capacity and products offering; iii) new strategic partnership through Sciuker Frames and iv) Ecobonus as a key booster for Ecospace growth. Therefore, we now project a 60.3% (vs previous 54.4%) Value of Production CAGR (2020-2024E), to reach €149.4mln in 2024E (vs previous €128.3mln) with an adjusted EBITDA margin around 25% (vs previous 24%) driven by higher Ecospace contribution. At the end of 2024, we expect a net cash of €68.5mln (vs previous €70.8mln). We raise our 12-month price target to €15.5/share from €14, as the average of DCF and market multiple valuations. DCF is based on an estimated perpetual yearly cash flow of €19.5mln, while market multiples are applied on a sustainable 2024 adjusted EBITDA of €40.9mln. Given the significant potential upside on Sciuker's current price, we confirm our BUY recommendation.

Potential main risks to our estimates are: on the downside, any negative changes of Eco110 current law assumptions; on the upside, a structured business plan to include the use of fresh cash for further solid growth and improving profitability.

SWOT Analysis
Strengths

- Leader manufacturer of high quality windows and shutters
- Strong company commitment in eco-sustainable practices
- Strongly investing on corporate culture, brand and innovative marketing
- A structured, trained sales force driven by commercial performance
- Industrialized production techniques in a sector traditionally characterized by craftsmanship
- Distinctive product portfolio
- A wide portfolio of patented products
- High availability of skilled labor on site
- High margins and cash generator driven by a rigorous cost and working capital management
- Strong cross selling skills
- Fresh cash-in deriving from the warrant exercise for further solid growth and improving profitability
- New synergies deriving from GC Infissi and Teknika acquisition

Opportunities

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

Weaknesses

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

Threats

- High level of competition within the existing players
- High growth rates could lead to cost management issues
- Very small company size
- Competition from large producers (eg. Oknoplast) capable of a strong price competition
- Unexpected changes in the Eco110 law

Main catalysts

- 👍 M&A deals to enter new geographies and new market niches
 - Quicker or higher margins improvement driven by NWC optimization
 - Further network expansion in the Italian market
 - The extension of Eco110
 - The increase of production capacity through new investment in "Industria 4.0"
 - Synergies with GC Infissi
 - Structured business plan to include the use of fresh cash for further solid growth and improving profitability

Main risks

- 👎 Rising price competition from international Fixtures Manufacturing players
- Less than expected growth of foreign markets
- Loss of control over big orders receivables
- Higher than projected negative impact of Covid-19 on 2020 estimates;
- Any change in the Eco110 law



Sciuker Frames "ID Card"

Recommendation

Target Price

Upside

BUY
15.5 €
91%

nov, 26 2021 - 17:29

Main Financials

(€ mln)	2019	2020	2021E	2022E	2023E
Revenues	11,966	19,105	99,921	124,454	165,857
yoy change		59.7%	423.0%	24.6%	33.3%
Value of Production	11,905	22,598	109,113	136,017	179,071
yoy change		89.8%	382.8%	24.7%	31.7%
Adjusted EBITDA	2,565	5,982	26,473	33,795	45,633
yoy change		133.2%	342.5%	27.7%	35.0%
margin (%)	17.7%	26.5%	24.3%	24.8%	25.5%
Adjusted EBIT	901	2,149	20,249	23,468	33,730
margin (%)	7.6%	9.5%	18.6%	17.3%	18.8%
EBT	522	3,840	19,868	23,118	33,262
margin (%)	4.4%	17.0%	18.2%	17.0%	18.6%
Net income	261	2,743	13,924	15,711	22,224
margin (%)	2.2%	14.4%	13.9%	12.6%	13.4%
Net Debt (cash)	7,648	3,398	(4,705)	(14,178)	(27,378)
Shareholders Equity	1,092	11,682	42,942	59,644	79,053
Operating Net Working Capital	4,980	1,637	29,047	39,938	60,369
Fixed assets	12,198	14,464	34,555	38,372	36,781
Net invested capital	15,931	15,080	34,555	38,372	36,781
Operating Free Cash Flow	1,962	3,111	(27,410)	(10,891)	(20,431)
Capex and acquisitions	(3,162)	(3,532)	(17,000)	(14,000)	(5,700)
Free Cash Flow	(694)	3,282	(13,511)	1,591	10,138

Solvability ratios

	2019	2020	2021E	2022E	2023E
Net debt (cash) / EBITDA	3.0x	0.6x	-0.2x	-0.4x	-0.6x
Net debt (cash) / Equity	7.0x	0.3x	-0.1x	-0.2x	-0.3x
Net debt (cash) / Net Invested Capital	48.0%	22.5%	-13.6%	-36.9%	-74.4%

Source: Bloomberg, Banca Profilo estimates and elaborations

Company Description

Company Sector	Fixture manufacturer
Price (€)	8.10
Number of shares ('000)	21,719
Market Cap (€mln)	182.7
Reference Index	FTSE AIM Italia
Main Shareholders	Marco Cipriano, Romina Cipriano
Main Shareholder stake	51%
Free Float	42%
Daily Average Volumes ('000)	170.6
Sample of comparables	Deceuninck NV, Inwido AB, Eurocell Plc, SafeStyle UK Plc, Apogee Enterprises, Pgt innovations

Fixtures manufacturing: data of peers

	2021E	2022E
Revenue Growth (yoy)	423.0%	24.6%
Adjusted EBITDA margin	24.3%	24.8%

Average data

Fixtures manufacturing: multiples of peers

	2021E	2022E
EV / Sales	1.2x	1.1x
EV / EBITDA	9.8x	7.6x

Average data

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