

Buy

Recommendation unchanged

Share price: EUR **8.47**

closing price as of 01/04/2022

Target price: EUR **15.00**

Target Price unchanged

Upside/Downside Potential **77.1%**

Reuters/Bloomberg

SCK.MI/SCK IM

Market capitalisation (EURm) **184**

Current N° of shares (m) 22

Free float **42%**

Daily avg. no. trad. sh. 12 mth (k) 154

Daily avg. trad. vol. 12 mth (k) 330.52

Price high/low 12 months 11.00 / 5.10

Abs Perfs 1/3/12 mths (%) -0.12/-19.33/22.40

Key financials (EUR) 12/20 12/21e 12/22e

Sales (m) 23 103 153

EBITDA (m) 8 30 44

EBITDA margin 34.0% 28.8% 28.4%

EBIT (m) 6 27 39

EBIT margin 26.9% 26.6% 25.3%

Net Profit (adj.)(m) 2 14 19

ROCE 28.4% 37.2% 34.4%

Net debt/(cash) (m) 2 1 (3)

Net Debt/Equity 0.2 0.0 0.0

Debt/EBITDA 0.3 0.0 -0.1

Int. cover(EBITDA/Fin. int) 9.9 6.1 6.3

EV/Sales 1.5 2.2 1.2

EV/EBITDA 4.3 7.7 4.2

EV/EBITDA (adj.) 4.3 8.2 4.9

EV/EBIT 5.5 8.4 4.7

P/E (adj.) 13.1 16.1 9.6

P/BV 2.7 5.5 3.2

OpFCF yield 22.9% 24.6% 26.9%

Dividend yield 0.0% 2.2% 1.5%

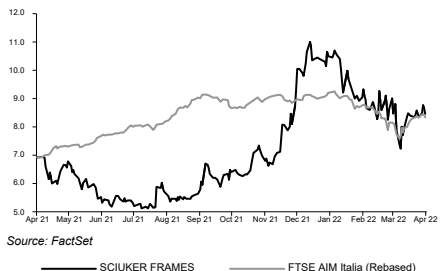
EPS (adj.) 0.21 0.65 0.88

BVPS 1.03 1.91 2.66

DPS 0.00 0.19 0.13

Shareholders

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



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New strategic partnerships to increase production capacity

The facts: SCK has announced that it had signed three new partnerships to increase the group's capacity.

Our analysis: In order to keep up with the rapidly increasing demand, SCK has scaled up its national production capacity both internally (by adding new facilities and extending the shifts to 24/7) and externally (through the acquisition of GC Infissi and Teknika).

As of 1 April 2022, a new business unit has been operating to import finished windows frames from foreign windowmakers. Indeed, SCK has selected three manufacturers (in Slovenia and Croatia for wooden-aluminium windows and in Portugal for PVC and aluminium) to expand its capacity.

The company reports that orders worth ~EUR 5m have already been sent, whereas the first deliveries were expected between the end of H1 2022 and September 2022.

SCK expects the new business unit to generate additional EUR 10/15m in revenues in FY 2022 and "at least" EUR 25m at run-rate as of 2023.

SCK's CEO, Mr. Cipriano, highlighted that this strategic choice would help the group to consolidate its position as a market leader in Italy and to expand the capacity needed to go ahead with the renovation projects under the 110% Superbonus framework. As a reminder, the company has already collected ~EUR 40m in new Superbonus orders for FY 2022, compared with a forecast of EUR 68m in revenues expected in the current year.

The group's press release did not include forecasts on the positive impact on EBITDA. Given that the selected companies are supposed to deliver windows in line with the group's standards, we expect sales prices to be in line with the group's average, and the EBITDA margin to be lower than 28% due to the outsourced production and the - likely higher - logistic costs.

Conclusion & Action: definitely good news. The company is increasing its capacity steadily and likely gaining market share in Italy. Based on the company's estimates and our prudential assumptions on profitability, the new business unit ought to boost the stock fair value by ~EUR 1.0/1.5 per share. However, we have cautiously decided not to include it in our valuation, given the uncertain macro scenario, the accelerating inflation and the slowdown expected in Italy's GDP growth.