#RatingChange

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Sciuker Frames Buy (Hold)

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Italy | Capital goods

MCap: EUR127.7m

Target Price:	EUR10.00 (7.30)	**Change in TP:**	37.0%
Current Price:	EUR5.88	**Change in Sales:**	3.7% 22E/19.0% 23E
Up/downside:	70.1%	**Change in Adj. EBIT:**	4.1% 22E/22.3% 23E
Market data:	30 September 2022	**Change in Adj. EPS:**	7.3% 22E/29.4% 23E

Bloomberg: SCK IM	Reuters: SCK.MI
Free float	42.1%
Avg. daily volume (EURm)	0.2
YTD abs performance	-44.0%
52-week high/low (EUR)	11.00/5.58

Upgrade to Buy, estimates and TP raised

Why this report?

We upgrade our rating on Sciuker Frames from Hold to Buy after increasing our 2022-24E EPS estimates (by 29% for 2023 and 53% for 2024) and our TP by 37% from EUR7.3 to EUR10, suggesting 70% upside. We are becoming more optimistic following strong H1 2022 results with encouraging cash generation bringing it to a net cash position at end-June, and the updates on the Ecospace business (new order intakes, guaranteed sale of tax credits of up to EUR375m, and new contracts transferring extra-costs to clients). The company remains exposed to fiscal benefits from refurbishments, which we cautiously assume will fall from 110% until end-2023E to 65% from 2024E onwards.

Key findings

- In its H1 P&L, Sciuker reported encouraging cash generation, boding well for the future.
- Sciuker Ecospace has recently disclosed new contracts worth EUR57m as well as a new partnership for the sale of the tax credits of up to EUR375m.

Deconstructing the forecasts

- Given the recent updates on the Ecospace business, we raise its sales for the 2022-24E period by 15% on average, we expect 200bp higher 2024E margins, and better cash generation in 2022E.
- We lift our forecasts thanks to these components, leading to a EUR10.0 target price which, given the 70% upside, sees us upgrade our rating from Hold to Buy.

FY to 31/12 (EUR)	12/22E	12/23E	12/24E
Sales (m)	192.3	258.4	212.9
EBITDA adj (m)	47.7	63.3	49.0
EBIT adj (m)	40.8	54.5	40.0
Net profit adj (m)	24.5	33.6	24.6
Net financial debt (m)	1.8	-15.8	-47.1
FCF (m)	6.5	24.9	41.4
EPS adj. and ful. dil.	1.13	1.55	1.13
Consensus EPS	0.93	1.26	na
Net dividend	0.34	0.46	0.34
FY to 31/12	**12/22E**	**12/23E**	**12/24E**
P/E adj and ful. dil.	5.2	3.8	5.2
EV/EBITDA	3.1	2.1	2.0
EV/EBIT	3.6	2.4	2.5
FCF yield	4.5%	17.5%	29.1%
Dividend yield	5.8%	7.9%	5.8%
ND(F+IFRS16)/EBITDA	0.0	-0.2	-1.0
Gearing	2.8%	-17.0%	-42.9%
ROIC	45.6%	41.3%	25.5%
EV/IC	1.9	1.2	0.9

Sector Most Pref.	Sector Least Pref.
CAF	Wärtsilä
GEA Group	
Hexagon	

Investment case

- Sciuker Frames has leadership positioning in the premium niche of the Italian windows market thanks to recognised technologies and a widespread presence in the country.
- The windows market is historically dependent on tax incentives (30-40% of the total since 2016) and these are the key growth driver of Sciuker's outstanding performance thanks to its Ecospace business for the Superbonus 110%. The group is pursuing M&A to generate efficiencies and further enlarge its product portfolio and capacity.
- Its activity has a positive correlation with sustainability, as it can have a huge impact on residential CO2 reduction.

Catalysts

- Further M&A activities and collaboration with key partners enlarging product portfolio.
- Supportive fiscal measures will enhance company performance.
- Positive backlog supporting growth's sustainability.

Valuation methodology

- Due to the unsustainable high fiscal incentives, we have forecast two different scenarios assuming a lower tax deduction rate. These flows are evaluated with a DCF model using a high WACC (12.3%) and a 2.0% terminal growth rate. The EUR10.0 TP is calculated as the average of them.
- At our TP the stock would trade at 1.1x EV/sales 2022E and at 3.8x EV/EBITDA 2023E, above its peers.

Risks to our rating

- 2022 and 2023 are still booming years as they are supported by fiscal incentives, which are due to decline for 2024.
- Company’s planned growth is higher than the overall market, entailing an extensive market share gain.
- Supply chain disruption can lead to delays and to margin compression as well as cash absorption from working capital.

Booming H1, encouraging 2022 FY outlook

H1 2022 value of production only 19% lower than FY 2021

Sciuker already published its preliminary figures on 1 September, releasing its value of production, EBITDA, and net debt. The top line amounted to EUR83m, which is the highest value the group has ever reached in the first six months, more than 1.3x higher than previous year (EUR36m) and only 19% lower than FY 2021. The underlying reasons are a full consolidation of the companies acquired in 2021 GC Infissi (H1 2021) and Teknika (H2 2021) as well as a further progress in the Sciuker Ecospace business accounting for around 55% of group's sales.

On the cost side, raw materials grew less than consolidated revenues since the group has been able to compensate for higher prices on some materials with an expense reduction on others. Energy price increases have not had a material effect since Sciuker was able to supply itself through proprietary photovoltaic panels. The cost of services increase (more than doubled from last year) is due to a temporary misalignment from the expansion of the Ecospace business. All in all, EBITDA grew from EUR9m to EUR20m on a year-over-year basis, showing an overall 140bps lower marginality (from 25.2% to 23.8%). However, the company has reported that it expects an improvement in the second half of the year for the already cited misalignment.

Group net profit more than doubled YOY

Consequently, given a D&A of EUR2.1m (EUR1.2m in H1 2021), EBIT was around EUR10m higher than in H1 2021 (EUR17.8m versus EUR7.8m) with an overall in-line marginality (21.4% versus 21.6%). Financial charges were at a same level as in FY 2021 (EUR2.4m); we highlight that the company underwrote two interest rate swaps in 2020 set to expire in 2026. Given EUR4.9m of taxes, group net profit then amounted to EUR10.5m: more than double H1 2021 (EUR4.3m) and just 30% below the full year result in 2021 (EUR14.9m).

Table 1: H1 2022 key figures (EURm)

P&L	H1-20	H1-21	FY -21	H1-22	2022 vs 21	H1 22 vs FY 21	2022 vs 20
Value of production	**4.7**	**35.9**	**102.9**	**83.4**	**132%**	**-19%**	**Nm**
Raw materials	-1.9	-11.5	-22.2	-15.4	34%	-31%	Nm
Cost of services	-1.3	-13.3	-45.2	-42.3	NM	-6%	Nm
Personnel	-0.3	-1.8	-5.8	-4.9	169%	-15%	Nm
Others, net	-0.3	-0.2	-0.9	-0.9	Nm	-7%	Nm
EBITDA	**0.9**	**9.0**	**28.7**	**19.9**	**120%**	**-31%**	**Nm**
Margin (%)	**18.4%**	**25.2%**	**27.9%**	**23.9%**			
D&A	-0.6	-1.2	-2.1	-2.1	107%	Nm	Nm
EBIT	**0.3**	**7.8**	**23.5**	**17.8**	**130%**	**-24%**	**Nm**
Margin (%)	**7.4%**	**21.6%**	**22.9%**	**21.4%**			
Financial charges	-0.1	-1.5	-2.6	-2.4	63%	-7%	Nm
Profit before tax	**0.2**	**6.3**	**20.9**	**15.4**	**146%**	**-26%**	**Nm**
Taxes	-0.1	-2.0	-6.0	-4.9	150%	-18%	Nm
Group net profit	**0.1**	**4.3**	**14.9**	**10.5**	**144%**	**-30%**	**Nm**
Minorities	0.0	0.4	1.5	0.6	61%	-59%	
Net profit	0.1	3.9	13.4	9.9	152%	-26%	Nm

Source: Kepler Cheuvreux

Net cash (EUR5m) versus EUR2m of debt at the end of 2021

Moreover, the company reported supportive cash generation with the core business able to more than offset the EUR20m increase in working capital due to the business expansion. In fact, inventories moved from EUR6m at the end of FY 2021 to EUR65m in H1 2022, mainly due to EUR55m of products under development. Consequently, the net financial position improved from EUR2m at the end of December 2021 to being cash positive (EUR5m) at the end of June 2022.

Sciuker Ecospace business is delivering well, and clarifying some uncertainties

A brief recall on Ecospace business

As published last July in our 360-report, (link) the Sciuker Frames group comprises the Sciuker Ecospace company, which is a general contractor for Superbonus 110%-related projects. Superbonus 110% is a fiscal incentive that guarantees a 110% tax credit on works to improve buildings' energy efficiency in Italy and it expires at the end of 2023 for condominiums (the focus of Ecospace), while in 2024 and 2025 it is set to apply a 70% and a 65% deduction rate. There is also the so-called "Ecobonus", which has a similar purpose and was introduced in 2008: it has lower deduction rates (50% for the replacement of windows and frames). The table below outlines the main features of the Superbonus 110% incentives for condominiums.

Table 2: Superbonus 110% – current main conditions for condominiums (Sciuker Ecospace core business)

Beneficiary	Deduction	Terms and conditions
Condos and individual buildings	110%	Until 2023
	70%	2024
	65%	2025

Source: Kepler Cheuvreux

A new decree facilitating the marketability of Superbonus 110%

One of the peculiarities of the Superbonus 110% incentive is the tax credit's marketability, since it can be sold to credit institutions such as banks (which accounted for most of these transactions) or to private companies. To facilitate this, last September the Italian government approved the "Decreto Aiuti Bis", a decree that establishes that the responsibility for the sale of tax credits made from fraudulent Superbonus 110% projects is attributable to the seller in the event of wilful misconduct and gross negligence; otherwise, it is only attributable to whomever has planned the works.

What's new following the election results?

Moreover, the September Italian elections saw the victory of the centre-right coalition. There has since been much conjecture about the possible evolution of Superbonus 110% given that the Five Star Movement, previously its strongest supporter, is no longer governing. The 110% deduction rate should be guaranteed in 2023, as it has also been appreciated by Lega Nord, which formed part of both the old and the new government. However, we will have greater certainty with the approval of the 2023 budget law in December. Regarding the fate of Superbonus 110% after 2023, coalition leader Giorgia Meloni has promoted the idea of accelerating the lowering of the deduction rates, from 70% to 65% in 2024 but also of extend it for further years (source: *Il Messagerro*).

Meanwhile, the Ecospace business has continued to deliver well, with significant new agreements providing more reliability and visibility on its development following the expiry of Superbonus 110% by 2023. Here we report the most significant events that occurred in September:

Ecospace' s business has been further secured and has underwritten new contracts

- Sciuker Ecospace has renewed the partnership with the most important Italian energy services companies (ESCOS; we assume Enel X given the long-established partnership with Sciuker, as reported in our 360 report) regarding the sale of up to EUR375m of its tax credits. Of this, EUR175m are direct funds, meaning they pertain to the activities carried out by the group, while the remaining EUR200m is indirect funds involving the externalised operations. This, along with the pre-existing agreements (like the EUR50m agreement with MPS bank), should guarantee that Ecospace can sell its tax credits regardless of external shocks such as if banks were to stop acquiring them.

- The signing of new 49 projects last September worth EUR57m, leading to an overall backlog value of EUR223m for the sole Ecospace division. Specifically, these results confirm an outstanding 2022 for this business unit, as the contracts stipulated in 2022 are worth EUR153m. In fact, the 2022-23 industrial plan's revenues targets for Sciuker Ecospace were EUR156m, EUR68m, and EUR88m, respectively. As specified by the company in its press release, every contract stipulated by the end of September should be completed in 2023 and will qualify for a 110% tax deduction.

New contracts tackling lower deduction from 2024

- In its press release, Sciuker Frames also declared that it has some contracts ready, which should be signed in October, with a new key feature for future projects to tackle lower deduction rates. In fact, works completed by the end of 2023 should benefit from a 110% tax deduction on the invoices while projects terminated in 2024 will be under a 110% regime for the part of the works completed until the end of 2023 and under a 70% tax benefit for the remainder. A similar rationale can then be carried forward for 2025 and for the following years. Consequently, Sciuker Ecospace will agree with its customers (i.e. the owner of the house) for the company to keep receiving the portion covered by the fiscal incentives as a tax credit while the remainder is to be paid directly by the client. In this way, the company should not be affected by a lower deduction rate, apart from structurally lower demand that we have already factored in.

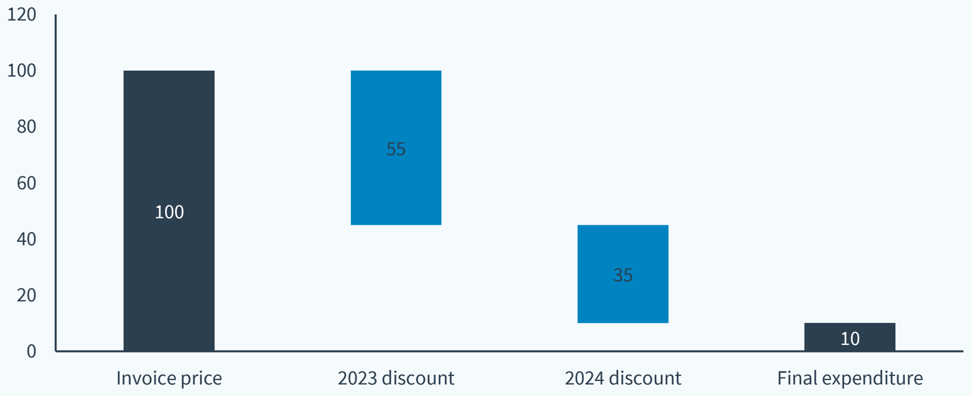
A bigger and safer business

To sum up, the Sciuker Ecospace company has had a very dynamic September, improving its backlog noticeably with 49 new contracts worth EUR57m, and it has been able to hedge against some risks that we outlined in the 360 report.

Among them, we cited the risk of a reduction in the marketability of these tax credits, as most banks have stopped buying them (or have limited such operations to individual clients) because they had already reached full capacity under Italian law, which states that tax credits cannot be higher than the taxes banks should pay. As outlined above, this risk is fully hedged by the EUR375m agreement with an ESCO on the sale of tax credits. The other highly significant risk was in relation to the outlook for the years following the expiry of the Superbonus 110% and its consequent replacement by a lower tax credit. While we have only low visibility on how customers will react to the lower tax deductibility, the fact that Ecospace is set to stipulate in its new contracts that customers will soon only be covered for part of the 110% discount (and by other incentives for the remainder) is certainly encouraging.

We have simulated the final expenditure of a typical customer who agrees on a project worth a notional invoice price of EUR100 whose works are 50% completed in 2023 and the remainder in 2024. As things stand, the customer should benefit from a 90% discount (55% in 2023 and 35% in 2024), which means this fiscal scheme can still be considered very appealing. Assuming a lower discount as reported above from 2024, i.e. from 70% to 65%, the final price would be EUR12.5 instead of EUR10.0, which would certainly entail an overall relevant discount (87.5%).

Chart 1: New Sciuker Ecospace contracts – scheme for projects completed 50% 2023 and 50% in 2024

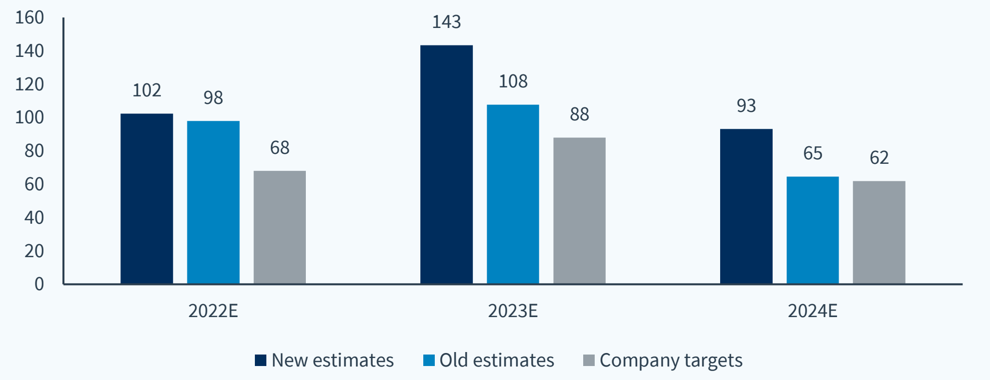


Source: Kepler Cheuvreux

We raise our estimates on the Ecospace business

Consequently, we raise our 2022-24 sales estimates for the Ecospace business to factor in the new EUR50m contracts, assuming that all potential new contracts as confirmed by the EUR375m ESCO agreement. Given that most of these contracts are planned to be accounted for in 2023, this is the period during which our expectations have grown the most on an absolute basis, from EUR108m to EUR143m of revenues. The new 2022 revenue forecast amounts to EUR102m versus a previous value of EUR98m as a small part of works from the recently agreed contracts should already be undertaken this year. The increase in 2024E sales (>37% upside) from EUR65m to EUR89m reflects the fact that the company is negotiating new contracts through the abovementioned mechanism.

Chart 2: Sciuker Ecospace new estimates (EURm)



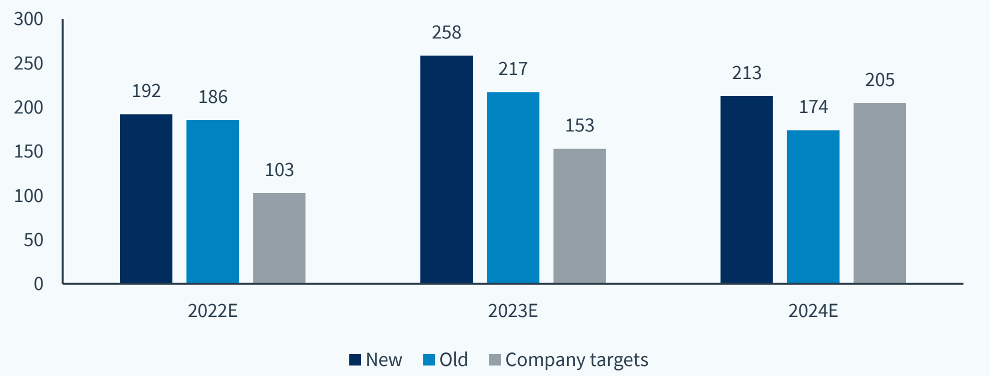
Source: Kepler Cheuvreux

We raise our estimates to factor in these new key updates

We raise our 2022-24 revenues by 15% on average

As reported in our 360 report, the windows and frames part of the business related to Sciuker Ecospace projects (where we note Ecospace is a general contractor company) is externalised and accounted for in the so-called Industrial division (which comprises the results of the rest of the group). Consequently, given our estimates on this business, which represent 30% of the project, we raise our 2022-24 consolidated revenues forecasts accordingly. The biggest revision is therefore in 2023 and 2024, up by 19% and 22% and reaching EUR258m and EU213m, respectively.

Chart 3: 2022-24 revenues revision (EURm)



Source: Sciuker Frames, Kepler Cheuvreux

2023-24E EPS up by 29% and 53% respectively

We also raise 2024 margins given the higher profitability of the Ecospace subsidiary (the last time it disclosed its EBITDA margin in 2020, it was 38.4% versus an overall 34.0% at group level). Specifically, we have revised 2024 EBITDA margin by 220bps from 20.8% to 23.0% while we leave it unchanged for 2022(24.8%) and 2023 (24.5%) given that H1 figures were overall in line with our full-year guidance and because the higher contribution from Sciuker Ecospace in relation to the overall business should offset further cost inflation next year.

We leave amortisation broadly unchanged over 2022-24, as we have pushed back some capex expenses from 2022 to the next two years with the overall value in the 2022-24 period stable at EUR32m. We also decrease our financial charges estimates given the consequent lower financial debt (EUR2m vs. EUR20m) thanks to the improved cash generation and we leave interest rates unchanged given the two IRS expiring in 2026.

We therefore raise our forecasts on 2022E EBIT from EUR39m to EUR41m, while we see a value of EUR55m for 2023E (from previous EUR45m) and of EUR40m for 2024E (from previous EUR28m). All in all, 2023E and 2024E net profit is 29% and 53% better than our previous estimates, respectively, while in 2022E it is marginally better (7%).

Table 3: 2022-24 P&L estimates revision (EURm)

	2022E			2023E			2024E		
	Old	New	%	Old	New	%	Old	New	%
Revenues	**186**	**192**	**3.7%**	**217**	**258**	**19.0%**	**174**	**213**	**22.3%**
Gross margin	141	146	3.7%	165	196	19.0%	129	162	25.6%
margin (%)	76.0%	76.0%		76.0%	76.0%		74.0%	76.0%	
Other mon. costs	-95	-98	3.7%	-112	-133	19.0%	-93	-113	21.8%
EBITDA	**46.0**	**47.7**	**3.7%**	**53.2**	**63.3**	**19.0%**	**36.3**	**49.0**	**35.0%**
margin (%)	**24.8%**	**24.8%**		**24.5%**	**24.5%**		**20.8%**	**23.0%**	
Non-mon. costs	-6.8	-6.8	1.1%	-8.6	-8.8	1.6%	-8.7	-9.0	3.2%
EBIT	**39.2**	**40.8**	**4.1%**	**44.6**	**54.5**	**22.3%**	**27.5**	**40.0**	**45.1%**
margin (%)	**21.2%**	**21.2%**		**20.5%**	**21.1%**		**15.8%**	**18.8%**	
Financial charges	-3.4	-2.4	-29.4%	-3.9	-1.9	-51.3%	-2.4	-1.4	-41.7%
Profit before taxes	35.8	38.4	7.3%	40.7	52.6	29.4%	25.1	38.6	53.4%
Taxes	-10.4	-11.1	7.3%	-11.8	-15.3	29.4%	-7.3	-11.2	53.4%
Group net profit	**25.4**	**27.3**	**7.3%**	**28.9**	**37.4**	**29.4%**	**17.8**	**27.4**	**53.4%**
Minorities	-2.6	-2.8	7.3%	-2.9	-3.8	29.4%	-1.8	-2.8	53.4%
Net profit	**22.9**	**24.5**	**7.3%**	**26.0**	**33.6**	**29.4%**	**16.0**	**24.6**	**53.4%**

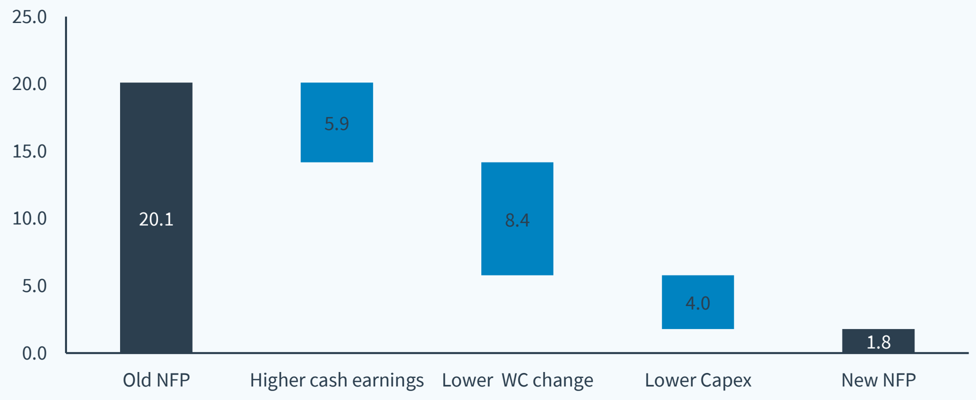
Source: Kepler Cheuvreux

Net financial debt from a previously estimated EUR20m to EUR2m

The net debt should amount to EUR1.8m at end-202E, in line with 2021 (EUR2.2m), against a previously estimated debt increase to EUR20m. The main drivers are:

- EUR8m lower cash absorption from working capital given H1 2022 showing a good control concerning this component.
- EUR4m postponement of expected capex from 2022 to 2023 and 2024 (EUR2m to each year) given the expenses of the first half.
- EUR6m better cash earnings generation given the new estimates on 2022 EBIT and financial charges.

Chart 4: 2022E net financial debt revision (EURm)



Source: Kepler Cheuvreux

Valuation revision: TP from EUR7.3 to EUR10.0, and upgrade from Hold to Buy

Given the higher estimates for the 2022-24 period and for the reasons we have laid out above, we also carry forward these trends for the following years in our 2023-28 DCF model, entailing better cash generation and an overall improved performance.

Furthermore, we maintain our valuation methodology made of two different scenarios depending on Sciuker Ecospace's business evolution, from which we arrive at the target price calculated as the average value of the two. The underlying assumptions are therefore:

- A terminal growth rate of 2%.

- A WACC of 12.3% (same of previous valuation), reflecting: 1) a risk-free rate of 3.2%; 2) a market risk premium of 8.3% (points 1 and 2 are house assumptions); 3) a beta of 1.1 given the small size of the company and its business cyclicality; 4) a gross cost of debt of 4.0%; and 5) a leverage ratio of 0%, as the group is soon set to be cash positive.
- Minorities valued at 6.5x 2023E earnings (in line with the whole group valuation) and discounted to the end of 2022.
- Net financial debt of EUR1.8m in 2022E.

As reported below, a combination of these inputs brings our DCF model to a EUR10.0 target price, as the average between fair values for the two scenarios at EUR11.0 and EUR9.0 per share, respectively.

Table 3: DCF details and key underlying assumptions

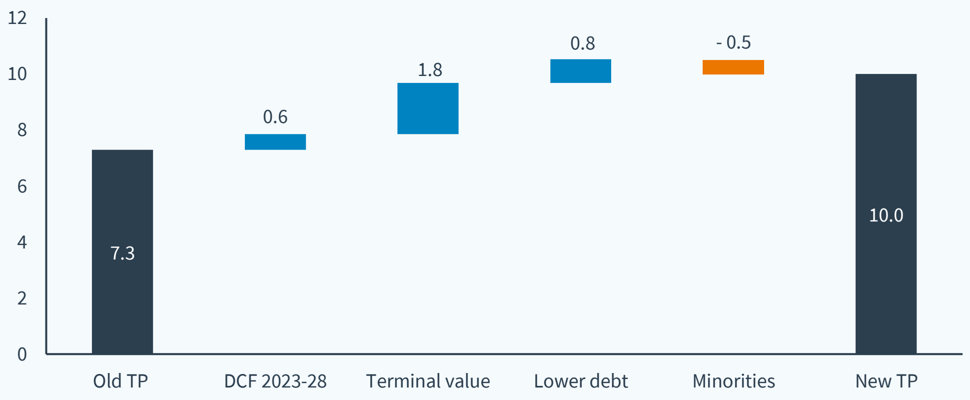
	Total (EURm)	Per share (EUR)	Assumptions	
DCF 2023-28	117	5.4	Beta	1.1
Terminal value	124	5.7	Equity risk premium	8.3%
EV	**241**	**11.1**	Risk-free rate	3.2%
Debt/(Cash)	2	0.1	Net cost of debt	4.0%
Minorities	-22	-1.0	Leverage	0.0%
Equity value	**217**	**10.0**	WACC	12.3%
			Terminal growth	2.0%

Source: Kepler Cheuvreux

The EUR2.7 per share increase in our target price (from EUR7.3 to EUR10.0) is therefore made up of the following components:

- EUR0.6 per share from higher 2023-28 discounted cash flow.
- EUR1.8 per share from higher terminal value.
- EUR0.8 per share from lower debt.
- Minus EUR0.5 per share deriving from a higher value of Sciuker frames' minorities calculated with an average P/E of 6.5x (in line with previous valuation but valuing more due to higher 2023E net profit).

Chart 5: TP revision breakdown (EUR per share)



Source: Kepler Cheuvreux

Finally, at our EUR10.0 target price, the company would trade at 1.1x EV/sales for 2022E (0.8x for 2023E), both above the peers' average due to the better expected cash generation. Regarding the EV/EBITDA ratio (though similar conclusions can be drawn also on EV/EBIT and P/E), it would trade at a 4.6x EV/EBITDA for 2022E (3.2x for 2023E), better than the current 2022 peer multiples but still at a discount for 2023E.

Table 4: Comparison with European listed peers

Name	Mkt cap (EUR m)	P/E		EV/Sales		EV/EBITDA		EBITDA margin (%)		EV/EBIT		EBIT margin (%)	
		2022E	2023E	2022	2023	2022	2023	2022E	2023E	2022	2023	2022E	2023E
Deceuninck	311	8.9x	8.7x	0.4x	0.3x	3.3x	2.8x	10.9%	11.8%	5.9x	4.6x	6.4%	7.2%
Epwin	122	8.4x	7.8x	0.6x	0.6x	5.2x	4.8x	11.1%	11.6%	9.5x	8.4x	6.0%	6.3%
Eurocell	180	6.5x	6.3x	0.6x	0.6x	4.2x	3.9x	14.5%	14.3%	7.3x	7.0x	8.9%	9.2%
Inwido	553	6.9x	7.3x	0.7x	0.7x	5.0x	5.2x	14.0%	13.6%	6.4x	6.8x	11.0%	10.9%
Safestyle	44	17.9x	5.2x	0.2x	0.2x	3.6x	2.1x	6.2%	9.7%	8.9x	3.2x	3.6%	6.9%
Average		**7.7x**	**7.0x**	**0.5x**	**0.5x**	**4.3x**	**3.8x**	**11.3%**	**12.2%**	**7.6x**	**6.0x**	**7.2%**	**8.1%**
Sciuker	132	8.9x	6.5x	1.1x	0.8x	4.6x	3.2x	24.8%	24.5%	5.4x	3.7x	21.2%	21.1%

Source: Kepler Cheuvreux

Company description

Sciuker Frames is an established producer in the Italian window market and the leader in the premium segment given the high quality and design features of its products. It has a capillary distribution network across the country and proprietary patented technologies. Fiscal incentives are a relevant component of the company's business (especially Superbonus 110%) and they are captured by the Sciuker Ecospace subsidiary. Sciuker was listed in 2018 and is controlled by the Cipriano family.

Management

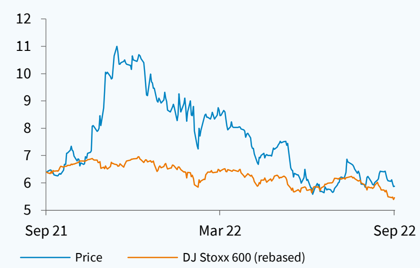
Marco Cipriano, Chairman and CEO
Francesco Barreca, CFO

Key shareholders

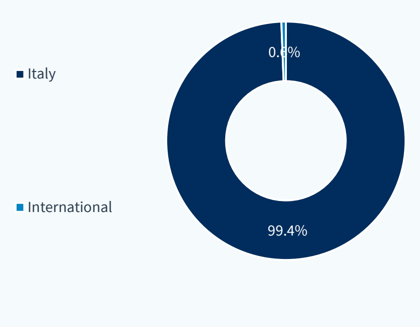
Free float	42.08%
H.Arm S.r.l. (Cipriano family)	51.42%
Marco Cipriano	4.23%
Romina Cipriano	2.26%

Key data charts

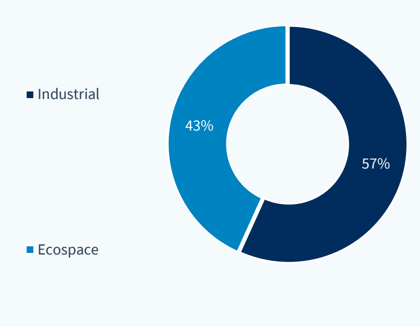
Price performance



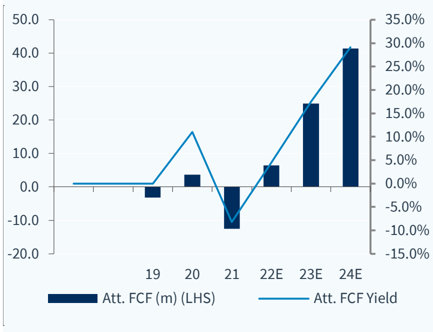
Sales split by region



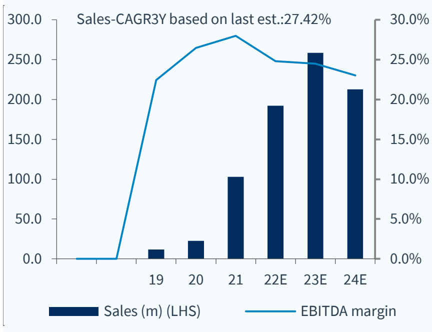
Sales split by division



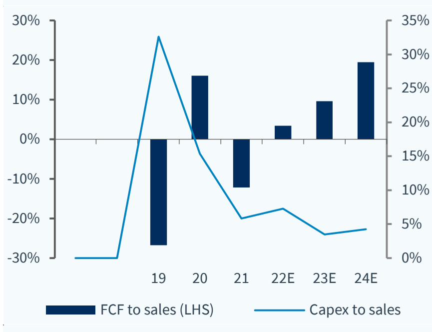
FCF



Sales and EBITDA margin



FCF and Capex to sales



SWOT analysis

Strengths

- Italian leadership in the premium segment of window frames.
- Positive correlation to sustainability.
- Patented proprietary technologies.
- High cash generation and marginality.

Weaknesses

- Exposure to 110% fiscal incentive set to expire in 2024.
- Negligibile geographic diversification.
- Flattish market trend.
- No distinction between chairman and CEO.

Opportunities

- Further M&A activity.
- Penetration in new markets.
- R&D success on new patented technologies.

Threats

- Raw materials availability and price inflation.
- Business plan execution risk in the industrial division.
- No renewal of fiscal incentives in Italy.
- Expiry of key patent in 2027.

Valuation table

Market data as of: 30 September 2022

FY to 31/12 (EUR)	12/19	12/20	12/21	12/22E	12/23E	12/24E
Per share data (EUR)						
EPS adjusted	0.02	0.11	0.62	1.13	1.55	1.13
% Change		340.8%	480.2%	83.4%	36.9%	-26.7%
EPS adjusted and fully diluted	0.02	0.11	0.62	1.13	1.55	1.13
% Change		340.8%	480.2%	83.4%	36.9%	-26.7%
EPS reported	0.02	0.11	0.62	1.13	1.55	1.13
% Change		340.8%	480.2%	83.4%	36.9%	-26.7%
EPS Consensus				0.93	1.26	
Cash flow per share	0.06	0.33	-0.30	0.94	1.56	2.32
Book value per share	0.76	0.52	1.83	2.81	4.06	4.68
DPS	0.00	0.19	0.28	0.34	0.46	0.34
Number of shares, YE (m)	10.9	21.7	21.7	21.7	21.7	21.7
Nbr of shares, fully diluted, YE (m)	10.9	21.7	21.7	21.7	21.7	21.7
Share price						
Latest price / year end	1.1	2.8	10.5	5.9	5.9	5.9
52 week high		3.3	11.0	10.7		
52 week low		0.7	2.9	5.6		
Average price (Year)		1.3	6.3	5.9	5.9	5.9
Enterprise value (EURm)						
Market capitalisation		27.6	137.4	127.7	127.7	127.7
Net financial debt	7.6	2.4	2.2	1.8	-15.8	-47.1
Pension provisions	0.0	0.0	0.0	0.0	0.0	0.0
IFRS 16 debt	0.0	0.0	0.0	0.0	0.0	0.0
Market value of minorities			0.0	18.7	18.7	18.7
MV of equity affiliates (net of tax)			0.0	0.0	0.0	0.0
Others			0.0	0.0	0.0	0.0
Enterprise value			139.5	148.2	130.7	99.4
Valuation						
P/E adjusted		12.0	10.3	5.2	3.8	5.2
P/E adjusted and fully diluted		12.0	10.3	5.2	3.8	5.2
P/E consensus				6.3	4.7	
P/BV		2.5	3.5	2.1	1.4	1.3
P/CF		3.9	na	6.2	3.8	2.5
Dividend yield (%)		14.6%	4.4%	5.8%	7.9%	5.8%
Dividend yield preference shares (%)		0.0%	0.0%	0.0%	0.0%	0.0%
FCF yield (%)		11.0%	-8.2%	4.5%	17.5%	29.1%
ROE (%)		23.6%	52.5%	48.7%	45.0%	25.9%
ROIC (%)		9.4%	53.6%	45.6%	41.3%	25.5%
EV/Sales			1.36	0.77	0.51	0.47
EV/EBITDA adj.			4.8	3.1	2.1	2.0
EV/EBIT adj.			5.9	3.6	2.4	2.5
EV/NOPAT			8.3	5.1	3.4	3.5
EV/IC			3.0	1.9	1.2	0.9
ROIC/WACC			4.3	3.7	3.4	2.1
EV/IC over ROIC/WACC			0.7	0.5	0.4	0.4

Income statement

FY to 31/12 (EUR)	12/19	12/20	12/21	12/22E	12/23E	12/24E
Sales	**11.9**	**22.6**	**102.9**	**192.3**	**258.4**	**212.9**
Gross profit	9.5	17.5	80.7	146.1	196.4	161.8
EBITDA reported	2.6	7.7	28.7	47.7	63.3	49.0
EBITDA adjusted	**2.7**	**6.0**	**28.8**	**47.7**	**63.3**	**49.0**
Depreciation and amortisation	-0.9	-1.3	-2.1	-2.7	-3.9	-4.6
Goodwill impairment	0.0	0.0	0.0	0.0	0.0	0.0
Other financial result and associates	-0.7	-2.6	-3.1	-4.2	-4.9	-4.4
EBIT reported	0.9	3.8	23.5	40.8	54.5	40.0
EBIT adjusted	**67.7**	**2.1**	**23.6**	**40.8**	**54.5**	**40.0**
Net financial items	-0.4	-0.8	-2.6	-2.4	-1.9	-1.4
Associates	0.0	0.8	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before tax	0.5	3.8	20.9	38.4	52.6	38.6
Tax	-0.3	-1.1	-6.0	-11.1	-15.3	-11.2
Net profit from continuing op.	0.3	2.7	14.9	27.3	37.4	27.4
Net profit from disc. activities	0.0	0.0	0.0	0.0	0.0	0.0
Net profit before minorities	0.3	2.7	14.9	27.3	37.4	27.4
Minorities	0.0	-0.4	-1.5	-2.8	-3.8	-2.8
Net profit reported	**0.3**	**2.3**	**13.4**	**24.5**	**33.6**	**24.6**
Adjustments	0.0	0.0	0.0	0.0	0.0	0.0
Net profit adjusted	**0.3**	**2.3**	**13.4**	**24.5**	**33.6**	**24.6**
Sales % Change		89.8%	355.4%	86.9%	34.4%	-17.6%
EBITDA reported % Change		199.3%	274.2%	65.9%	32.8%	-22.7%
EBITDA adjusted % Change		123.8%	381.7%	65.5%	32.8%	-22.7%
EBIT reported % Change		326.0%	511.3%	73.7%	33.5%	-26.7%
EBIT adjusted % Change		-96.8%	998.5%	73.2%	33.5%	-26.7%
Earnings before tax % Change		632.3%	444.9%	83.9%	36.9%	-26.7%
Net profit from cont. op. % Change		942.2%	443.1%	83.4%	36.9%	-26.7%
Net profit reported % Change		776.4%	480.2%	83.4%	36.9%	-26.7%
Net profit adjusted % Change		776.4%	480.2%	83.4%	36.9%	-26.7%
Gross profit margin (%)	79.8%	77.2%	78.4%	76.0%	76.0%	76.0%
EBITDA margin (%)	22.4%	26.5%	28.0%	24.8%	24.5%	23.0%
EBIT margin (%)	na	9.5%	22.9%	21.2%	21.1%	18.8%
Net profit margin (%)	2.2%	10.2%	13.0%	12.8%	13.0%	11.6%
Tax rate (%)	49.8%	28.6%	28.8%	29.0%	29.0%	29.0%
Payout ratio (%)	0.0%	175.3%	45.5%	30.0%	30.0%	30.0%
EPS reported (EUR)	0.02	0.11	0.62	1.13	1.55	1.13
EPS adjusted (EUR)	0.02	0.11	0.62	1.13	1.55	1.13
EPS adj and fully diluted (EUR)	0.02	0.11	0.62	1.13	1.55	1.13
DPS (EUR)	0.00	0.19	0.28	0.34	0.46	0.34
DPS,preference shares (EUR)	0.00	0.00	0.00	0.00	0.00	0.00
EPS reported % Change		340.8%	480.2%	83.4%	36.9%	-26.7%
EPS adjusted % Change		340.8%	480.2%	83.4%	36.9%	-26.7%
EPS adj and fully diluted % Change		340.8%	480.2%	83.4%	36.9%	-26.7%
DPS % Change		+chg	50.5%	21.0%	36.9%	-26.7%
Consensus Sales (EURm)				153.0	205.0	
Consensus EBITDA (EURm)				43.5	58.0	
Consensus EBIT (EURm)				38.5	51.6	
Consensus EPS (EUR)				0.93	1.26	

Cash flow statement

Market data as of: 30 September 2022

FY to 31/12 (EUR)	12/19	12/20	12/21	12/22E	12/23E	12/24E
Net profit before minorities	0.3	2.7	14.9	27.3	37.4	27.4
Depreciation and amortisation	0.9	1.3	2.1	2.7	3.9	4.6
Goodwill impairment	0.0	0.0	0.0	0.0	0.0	0.0
Change in working capital	0.5	3.7	-21.8	-17.7	-16.3	10.0
Others	-1.0	-0.6	-1.7	8.2	8.9	8.4
Levered post tax CF before capex	**0.7**	**7.1**	**-6.6**	**20.5**	**33.9**	**50.4**
% Change		926.0%	-chg	+chg	65.6%	48.7%
Capex	-3.9	-3.5	-6.0	-14.0	-9.0	-9.0
Free cash flow	**-3.2**	**3.6**	**-12.6**	**6.5**	**24.9**	**41.4**
% Change		+chg	-chg	+chg	285.0%	66.3%
Acquisitions	0.0	0.0	-5.0	0.0	0.0	0.0
Divestments	0.0	0.0	0.0	0.0	0.0	0.0
Dividend paid	0.0	0.0	-4.0	-6.1	-7.4	-10.1
Share buy back	0.0	0.0	0.0	0.0	0.0	0.0
Capital increases	0.0	0.0	20.1	0.0	0.0	0.0
Others	1.1	1.6	1.8	0.0	0.0	0.0
Change in net financial debt	**2.1**	**-5.3**	**-0.2**	**-0.4**	**-17.5**	**-31.3**
Change in cash and cash equiv.		16.6	-22.4	-0.6	13.0	37.0
Attributable FCF		3.0	-11.3	5.8	22.4	37.2
Cash flow per share (EUR)	0.06	0.33	-0.30	0.94	1.56	2.32
% Change		416.1%	-chg	+chg	65.6%	48.7%
FCF per share (EUR)		0.14	-0.52	0.27	1.03	1.71
% Change			-chg	+chg	285.0%	66.3%
Capex / Sales (%)	32.6%	15.4%	5.8%	7.3%	3.5%	4.2%
Capex / D&A (%)	414.0%	277.4%	287.1%	520.2%	233.3%	195.3%
Cash flow / Sales (%)	5.8%	31.4%	-6.4%	10.6%	13.1%	23.7%
FCF / Sales (%)	-26.8%	16.0%	-12.2%	3.4%	9.6%	19.4%
FCF Yield (%)		11.0%	-8.2%	4.5%	17.5%	29.1%
Unlevered FCF Yield (%)			-6.7%	5.1%	18.2%	38.5%

Balance sheet

FY to 31/12 (EUR)	12/19	12/20	12/21	12/22E	12/23E	12/24E
Cash and cash equivalents	21.4	38.0	15.6	15.0	28.0	65.0
Inventories	5.5	6.0	34.9	58.0	81.4	70.0
Accounts receivable	4.1	2.2	23.8	58.0	85.0	72.9
Other current assets	0.0	0.0	0.0	0.0	0.0	0.0
Current assets	**31.0**	**46.2**	**74.2**	**130.9**	**194.4**	**207.9**
Tangible assets	11.1	13.1	16.7	20.6	20.4	20.2
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Other Intangible assets	1.1	1.2	7.3	18.7	21.8	24.2
Financial assets	0.0	0.0	0.0	0.0	0.0	0.0
Other non-current assets	0.0	0.1	0.1	0.1	0.1	0.1
Non-current assets	**12.2**	**14.4**	**24.2**	**39.5**	**42.3**	**44.5**
Short term debt	15.0	21.0	3.3	15.0	8.0	8.0
Accounts payable	4.6	6.4	32.5	69.5	93.5	65.8
Other short term liabilities	0.2	0.7	3.3	5.8	7.8	6.4
Current liabilities	**19.8**	**28.1**	**39.0**	**90.3**	**109.2**	**80.2**
Long term debt	14.0	19.4	14.5	1.8	4.2	9.9
Pension provisions	0.0	0.0	0.0	0.0	0.0	0.0
IFRS16 Debt	0.0	0.0	0.0	0.0	0.0	0.0
Other long term provisions	0.0	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	1.1	1.5	3.7	15.9	30.7	52.5
Non-current liabilities	**15.1**	**20.9**	**18.2**	**17.6**	**35.0**	**62.5**
Shareholders' equity	8.3	11.2	39.7	60.9	88.2	101.7
Minority interests	0.0	0.4	1.5	1.5	4.3	8.1
Total equity	**8.3**	**11.7**	**41.2**	**62.4**	**92.5**	**109.8**
Balance sheet total	**43.3**	**60.6**	**98.4**	**170.4**	**236.7**	**252.4**
% Change		40.2%	62.3%	73.2%	38.9%	6.6%
Book value per share (EUR)	0.76	0.52	1.83	2.81	4.06	4.68
% Change		-31.7%	253.2%	53.4%	44.7%	15.3%
Net financial debt	7.6	2.4	2.2	1.8	-15.8	-47.1
IFRS16 Debt	0.0	0.0	0.0	0.0	0.0	0.0
Pension provisions	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0
Net debt	7.6	2.4	2.2	1.8	-15.8	-47.1
Net fi. debt (+IFRS16) / EBITDA (x)	2.9	0.4	0.1	0.0	-0.2	-1.0
Trade working capital	5.1	1.8	26.2	46.4	72.9	77.1
Net working capital	4.8	1.1	22.9	40.6	65.2	70.7
NWC/Sales	40.5%	5.0%	22.3%	21.1%	25.2%	33.2%
Inventories/sales	46.5%	26.7%	33.9%	30.1%	31.5%	32.9%
Invested capital	17.1	15.6	47.1	80.1	107.4	115.2
Net fin. debt / FCF (x)	-2.4	0.7	-0.2	0.3	-0.6	-1.1
Gearing (%)	92.3%	20.5%	5.2%	2.8%	-17.0%	-42.9%
Goodwill / Equity (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

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Company Name	ISIN	Disclosure
Sciuker Frames	IT0005340051	KEPLER CHEUVREUX and the issuer have agreed that KEPLER CHEUVREUX will produce and disseminate investment research on the said issuer as a service to the issuer

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Name of the Research Analyst(s): Niccolo Guido Storer

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Research ratings

Kepler Cheuvreux rating split as of 03 October 2022		
Rating Breakdown	A	B
Buy	59%	67%
Hold	32%	26%
Reduce	5%	0%
Not Rated/Under Review/Accept Offer	4%	7%
Total	100%	100%

Source: Kepler Cheuvreux
A: % of all research recommendations
B: % of issuers to which material services of investment firms are supplied

12 months rating history

The below table shows the history of recommendations and target prices changes issued by KEPLER CHEUVREUX research department (Equity and Credit) over a 12 months period.

Company Name	Date	Business Line	Rating	Target Price	Closing Price
Sciuker Frames (EUR)	18/07/2022 04:57	Equity Research	Hold	7.30	5.70

Credit research does not issue target prices. Left intentionally blank.

Please refer to the following link https://research.keplercheuvreux.com/disclosure/stock/ for a full list of investment recommendations issued over the last 12 months by the author(s) and contributor(s) of this report on any financial instruments.

Equity research

Rating system

KEPLER CHEUVREUX equity research ratings and target prices are issued in absolute terms, not relative to any given benchmark. A rating on a stock is set after assessing the twelve months expected upside or downside of the stock derived from the analyst's fair value (target price) and in the light of the risk profile of the company. Ratings are defined as follows:

Buy: The minimum expected upside is 10% over next 12 months (the minimum required upside could be higher in light of the company's risk profile).

Hold: The expected upside is below 10% (the expected upside could be higher in light of the company's risk profile).

Reduce: There is an expected downside.

Accept offer: In the context of a total or partial take-over bid, squeeze-out or similar share purchase proposals, the offer price is considered to be fairly valuing the shares.

Reject offer: In the context of a total or partial take-over bid, squeeze-out or similar share purchase proposals, the offered price is considered to be undervaluing the shares.

Under review: An event occurred with an expected significant impact on our target price and we cannot issue a recommendation before having processed that new information and/or without a new share price reference.

Not rated: The stock is not covered.

Restricted: A recommendation, target price and/or financial forecast is not disclosed further to compliance and/or other regulatory considerations.

Due to share prices volatility, ratings and target prices may occasionally and temporarily be inconsistent with the above definition.

Valuation methodology and risks

Unless otherwise stated in this report, target prices and investment recommendations are determined based on fundamental research methodologies and relies on commonly used valuation methodologies such as Discounted Cash Flow (DCF), valuation multiples comparison with history and peers, Dividend Discount Model (DDM).

Valuation methodologies and models can be highly dependent on macroeconomic factors (such as the price of commodities, exchange rates and interest rates) as well as other external factors including taxation, regulation and geopolitical changes (such as tax policy changes, strikes or war). In addition, investors' confidence and market sentiment can affect the valuation of companies. The valuation is also based on expectations that might change rapidly and without notice, depending on developments specific to individual industries. Whichever valuation method is used there is a significant risk that the target price will not be achieved within the expected timeframe.

Unless otherwise stated, models used are proprietary. Additional information about the proprietary models used in this report is accessible on request.

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Regulators

Location	Regulator	Abbreviation
KEPLER CHEUVREUX S.A - France	Autorité des Marchés Financiers	AMF
KEPLER CHEUVREUX, Sucursal en España	Comisión Nacional del Mercado de Valores	CNMV
KEPLER CHEUVREUX, Frankfurt branch	Bundesanstalt für Finanzdienstleistungsaufsicht	BaFin
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