

FY22 results: first take

March 31th, at 09:30

FY22 results, above our estimates, confirm Group's strong growth

Sciuker Group published its FY22 results, confirming strong VoP growth at €193.8m (+88.3% yoy) above our estimates at €172.9m and the Company's budget target of €175m. Revenue breakdown was: the Industrial pole with €92m (+57% yoy) and Ecospace with €101.8m (+109% yoy), both above our estimates at €83m and €84m respectively. Adj. EBITDA increased by 50% yoy to €43.2m, above our forecast at €41.6m, with margin contracting to 22.3% (27.2% in 2021). Net income came in at €20.7m (+38.8% yoy) and basically in line with our projection at €21.2m. At the end of 2022, Net Cash stood at €1.4m, improving from net debt of €2.2m at the end of 2021. Our estimate for the end of 2022 was -€13.9m (cash positive) as we expected lower Capex. [Please refer to our Company Update on October, 28th 2022].

Strategic guidelines for 2023-2025E

In strategic terms, the Group will continue its growth path through i) energy and seismic upgrading through Ecospace solutions; ii) geographic penetration driven by the Retail network expansion through "SCK Finestre Store" new openings in Italy; iii) projects acquisitions to enhance margins, iv) R&D investments for the development of new "green" products; vi) production capacity increase and integration among the subsidiaries within the Industrial Hub and v) commercial development Hole Box concept.

Moreover, the Company confirmed its 2023 targets: VoP at €224m with EBITDA of €55.4m, compared to our estimates at €220m and €53.4m respectively. [Please refer to our Company Update on October, 28th 2022].

Lastly, SCK BoD approved the carry forward the entire net income of the year with no dividend distribution.

BUY confirmed; 12-month target price Under Review

Sciuker currently trades at a double digit discount to its peers' median 5.7x and 4.9x on EV/EBITDA 23-24 respectively.

We confirm our BUY recommendation but put our 12-month target price under review to finalize estimates revision and include our view on the interest rates path in DCF model. [Please refer to our Company Update on October, 28th 2022].

Target Price

Recommendation

Company Profile

Ticker
Reference Industry
Stock exchange
Reference Index

UNDER REVIEW (from €17)

BUY confirmed

SCK IM (BBG), SCK-IT (FactSet)
Industrials – Building Products
Italian Stock Exchange
Euronext Growth Milan

Market Data

Last Closing Price €6.4
Number of shares (mln) 21.7
Market cap. (mln) €142

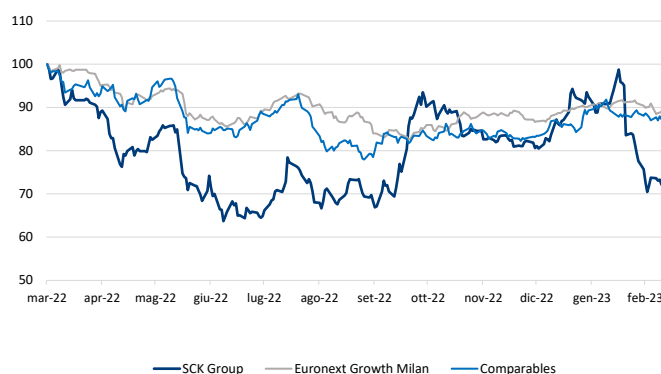
1Y performance

Absolute -25.1%
Max / Min 5.6/8.8
Average daily volumes 47,528

Main Financials

| (€, 000) | 2020 | 2021 | 2022 |
|-------------------------------|---------------|----------------|----------------|
| Revenues | 19,105 | 72,688 | 129,178 |
| yoy change | 59.7% | 280.5% | 77.7% |
| Value of Production | 22,598 | 102,909 | 193,799 |
| yoy change | 89.8% | 355.4% | 88.3% |
| EBITDA | 5,982 | 28,745 | 42,021 |
| margin (%) | 26.5% | 27.2% | 21.7% |
| EBIT | 2,149 | 23,518 | 35,462 |
| margin (%) | 9.5% | 22.9% | 18.3% |
| EBT | 3,840 | 20,907 | 31,960 |
| margin (%) | 17.0% | 20.3% | 18.5% |
| Net income | 2,743 | 14,885 | 20,658 |
| margin (%) | 14.4% | 20.5% | 10.7% |
| Net Debt (cash) | 3,501 | 2,159 | (1,445) |
| Shareholders Equity | 11,682 | 41,222 | 55,485 |
| Operating Net Working Capital | 1,839 | 26,206 | 39,360 |
| Fixed assets | 14,366 | 24,077 | 36,000 |
| Net invested capital | 15,183 | 43,381 | 54,040 |

1Y relative performance



Francesca Sabatini

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

Eleonora Chetri

Equity Research Analyst
eleonora.chetri@bancaprofilo.it
+39 02 58408 298

Sales Desk
+39 02 58408 478

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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 |

The reference market

SCK competitive arena

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. FY22 revenue at €974mIn and 9.5% EBITDA margin

Deceuninck NV, founded in 1953 and headquartered in Hooglede-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 2021, Deceuninck NV generated total revenues of around €838mIn.

Inwido (Sweden): wooden windows and door manufacturer. FY22 revenue at SEK 9.5bn and 13.9% EBITDA margin

Inwido AB, founded in 2002 and headquartered in Malmo (Sweden) engages in the provision of windows and door solutions. Its activities include manufacturing and export of wood-based window and door. It operates through the following geographical segments: Sweden-Norway, Finland, Denmark, and Emerging Business Europe. In 2021, the Group recorded revenues of approximately SEK 7.7bn.

Eurocell (UK): PVC windows manufacturer FY22 revenue at GBP 381mIn and 13.6% EBITDA margin

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 2021, Eurocell Plc generated total revenues of around GBP 343mIn.

SafeStyle (UK): PVC window and door manufacturer FY22 revenue at GBP 154mIn and 1.8% EBITDA margin

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 2021, SafeStyle Plc generated total revenues of approximately GBP 143mIn.

Apogee Enterprises (USA): glass metal window and door manufacturer FY22 revenue at \$1.3bn and 10.7% EBITDA margin

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 2021, Apogee Enterprises generated total revenues of approximately \$1.3bn.

Pgt innovations (USA): window and door manufacturer FY21 revenue at \$1.5bn and 16% EBITDA margin

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 2021, Pgt innovations generated total revenues of approximately \$1.1bn.

Edac (IT)
 FY21 revenue at
 €87mln and 24.2%
 EBITDA margin

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 2021 the Company reported revenues at €87mln.

Nusco (IT)
 FY21 revenue at
 €15.4mln and 16.8%
 EBITDA margin

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 2021 the Company reported revenues at €15.4mln.

Table 1: Sciuker competitive arena; growth prospects, cash flows and risk comparability criteria

| Company | Sales growth | | | | EBITDA margin | | | |
|-----------------------|---------------|--------------|--------------|--------------|---------------|--------------|--------------|--------------|
| | 2021 | 2022 | 2023E | 2024E | 2021 | 2022 | 2023E | 2024E |
| Deceuninck NV | 30.5% | 16.2% | -1.4% | 2.6% | 11.3% | 10.5% | 11.1% | 12.1% |
| Inwido AB | 15.6% | 23.6% | -5.0% | -1.4% | 14.7% | 14.2% | 12.2% | 12.6% |
| Eurocell Plc | 33.0% | 11.1% | 1.0% | 3.1% | 15.2% | 14.5% | 12.8% | 13.4% |
| SafeStyle UK Plc | 26.5% | 7.7% | 3.7% | 8.7% | 10.2% | 1.8% | 5.7% | 8.1% |
| Apogee Enterprises | 3.3% | 1.0% | 9.8% | 1.5% | 11.4% | 11.3% | 11.6% | 11.4% |
| Pgt innovations | 31.6% | 28.5% | -0.4% | 3.8% | 14.7% | 18.2% | 16.6% | 16.9% |
| EdiliziAcrobatica | 94.4% | 49.6% | 3.8% | 12.6% | 24.2% | 24.3% | 22.5% | 21.3% |
| Nusco | -0.1% | 31.8% | 18.2% | 16.7% | 16.8% | 15.8% | 16.7% | 18.2% |
| Mean | 29.4% | 21.2% | 3.7% | 6.0% | 14.8% | 13.8% | 13.7% | 14.2% |
| Sciuker Frames | 355.4% | 88.3% | 27.7% | 27.7% | 27.2% | 21.7% | 24.2% | 24.2% |

Source: Banca Profilo elaborations on Facset and Company data

EV/EBITDA 2023-24E:
 5.7x and 4.9x

The median EV/EBITDA 2023-24E slightly increased to 5.7x and 4.9x vs previous EV/EBITDA 2023 at 4.6x. [Please refer to our company update on October, the 28th 2022]. Sciuker Group currently trades at double digit discount to peers' median.

Table 2: Market multiples

| Company | EV / EBITDA | |
|-----------------------|-------------|-------------|
| | 2023E | 2024E |
| Deceuninck NV | 4.3x | 3.8x |
| Inwido AB | 6.5x | 6.4x |
| Eurocell Plc | 3.1x | 2.9x |
| SafeStyle UK Plc | 2.6x | 1.7x |
| Apogee Enterprises | 6.7x | 6.7x |
| Pgt innovations | 8.1x | 7.7x |
| EdiliziAcrobatica | 4.8x | 4.5x |
| Nusco | 6.8x | 5.3x |
| Median | 5.7x | 4.9x |
| Sciuker Frames | 2.7x | 2.2x |

Source: Banca Profilo elaborations on Facset and Company data

APPENDIX

SCK Group Business Model: the Hole Box

Sciuker Frames at a glance

For over 25 years, SCK Group has been designing wood-aluminium and wood-glass windows based on advanced technology, holding 19 patents. For this reason, the Company enjoys a unique and exclusive position on the market compared to other competitors. The material most frequently used by the Group for production is wood because it is a natural, renewable, ecological and recyclable product.

In details, Sciuker's business model is mainly focused on two activities:

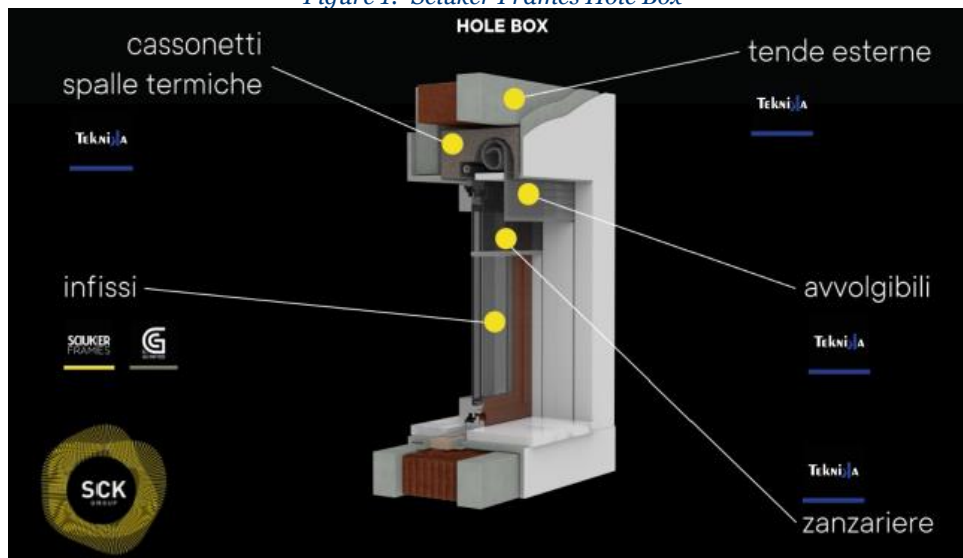
- Design and production of eco-friendly windows with Made in Italy design. The subsidiaries involved in these activities are Sciuker Frames SpA, GC Infissi and Teknika;
- Energy requalification of condominiums and housing units through the implementation of all the fiscal and environmental benefits enshrined in the Ecobonus Relaunch Decree 110%. The subsidiary that deals with this activity is Sciuker Ecospace.

Expansion of Sciuker Frames: the HOLE BOX offering

Following Teknika acquisition, Sciuker Frames Group has become the first "Centre of Frames" with a Made in Italy design. The acquisition of Teknika allows the Group to significantly expand its offering integrating frames (wooden and aluminum) with accessories like mosquito nets, roller shutters, thermal insulating monoblocks, external curtains and bioclimatic pergolas.

Thus, the Group set its HOLE BOX, a complete and integrated offering with fixtures and accessories ready for the energy efficient Italian housing market.

Figure 1: Sciuker Frames Hole Box



Source: Company data

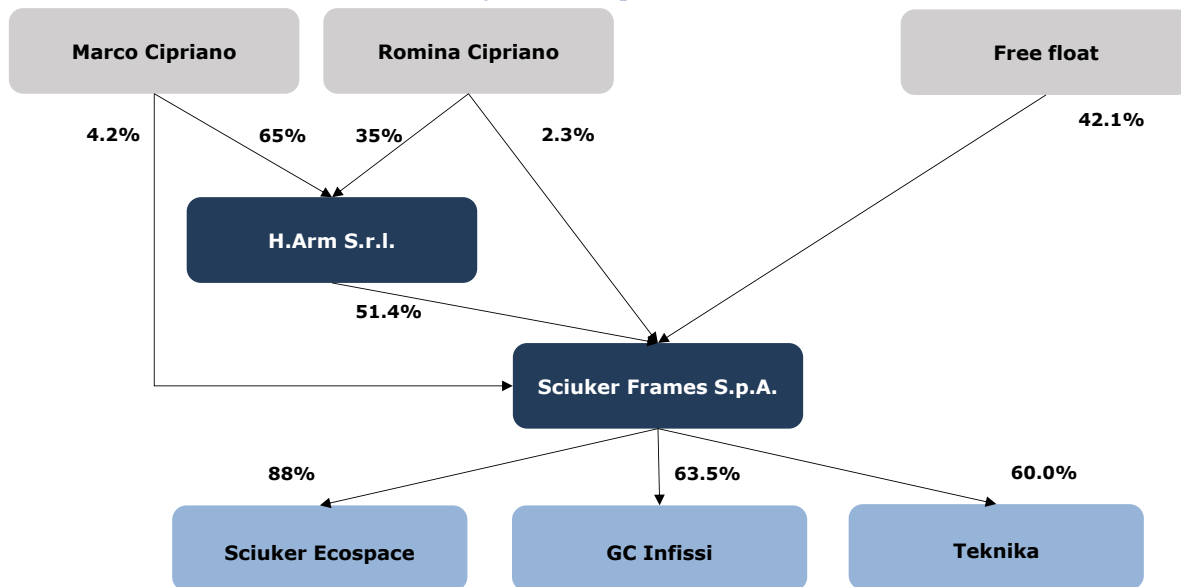
Corporate structure

Sciuker Frames Spa is the holding directly controlling three subsidiaries

The Group is led by Sciuker Frames Spa acting as the operating holding directly controlling three subsidiaries:

- G.C. Infissi PVC owned at 63.5%;
- Teknika S.r.l. controlled at 60%;
- Sciuker Ecospace S.r.l owned at 88%.

Figure 2: Group structure



Source: Banca Profilo elaborations on Company data

Sciuker Ecospace active in the energy efficiency interventions

In July 2020, Sciuker acquired Ecospace, which core business is the energy efficiency interventions such as thermal insulation, including fixtures replacement, photovoltaic systems, addressed to both condominiums and single-family houses. In 2021, Sciuker acquired an additional 8% and reached 88% of ownership.

GC Infissi active in the production of windows and frames in PVC and in the production of doors

In April 2021, Sciuker bought the 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 doors. Since 2017, GC has diversified its product range into aluminium windows. Thanks to its plant of about 10k square meters, GC Infissi can produce up to 150 units per day. Through GC Infissi, Sciuker Frames entered into 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 savings reinforcing their relationship with suppliers.

Teknika active in the production of mosquito nets

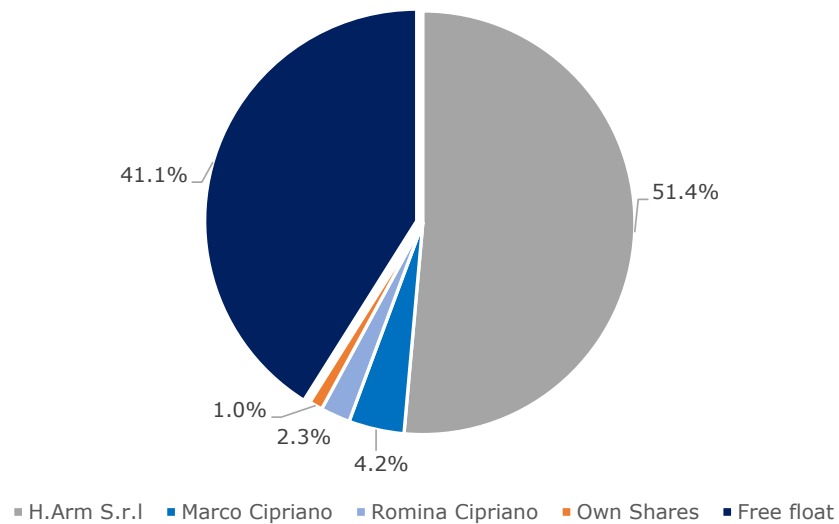
In November 2021, Sciuker acquired Teknika, a company based in the province of Novara with a plant of about 7k square meters, which produces an average of 300 mosquito nets per day. Tekinka also produces and markets roller shutters and sunshades. In addition to expand its offering to windows accessories, through its subsidiary Teknika, SCK Group has started a strategic partnership for the expansion in South America. In fact, TekniBraz is a spin-off of Teknika, which has recently inaugurated its new operational headquarter in Goiânia, a metropolis with over 2 million inhabitants not far from Brasilia.

Ownership structure and free float

*Shareholders:
Cipriano Family at
51%; 41% free float*

The Group is controlled by Marco Cipriano, founder and CEO, and Romina Cipriano, with a cumulated 51.4% stake through the holding H.Arm. Free Float stands at 41.1%.

Figure 3: Ownership of the Group (%)



Source: Banca Profilo elaborations on Company data. Data as of October 4th, 2022

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