

Sciuker: a sustainable business plan

October, 20th at 18:00

SCIUKER
FRAMES

Growth path trend continues in 1H21

Despite Covid-19 outbreak, the related restrictions, the scarcity of raw materials and the stretching of the supply chain, the Group reported strong 1H21 results. Growth was mainly driven by production optimization and investments. The Company finalized the investments in industry 4.0 and recorded significant margins improvement in 1H21. Moreover, Value of Production rose to €35.6mln in 1H21 from 4.6mln in 1H20, mainly driven by Ecospace. 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. Buildings with old fixtures are characterized by a high volume of heat dispersion (up to 40% of the total), which increases CO2 levels and bill costs. Almost 70% of the 12mln residential buildings in Italy were built before the enactment of the anti-seismic and energy efficiency regulations. Thus, the replacement of old fixtures with high-performance products could potentially bring significant short-term environmental and economic benefits. 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 to Balance Sheet projections, Sciuker estimates €50mln Capex to increase production capacity and products offering and expects to end the FY24 with a net cash position of €81.2mln to be addressed to M&A activities.

Upward revision of our 2022E-2023E estimates and setting a defensible 2024E

Following Sciuker Frames Group FY21E-24E business plan release in October we confirm our 2021 estimates, and we revised upward our projections for 2022E-2023E driven by i) higher synergies between Sciuker, GC Infissi and Ecospace; ii) new investments to expand production capacity and products offering; iii) new strategic partnership through Sciuker Frames. In 2024 we cautiously assumed that the tax incentive will not be postponed. Therefore, we now project a 54.4% VoP CAGR (2020-2024E), to reach €128.3mln in 2024E from €107mln in 2021E. As regard to marginality we now see an adjusted EBITDA margin around 24% vs previous 23.2%. At the end, we expect a net cash of €70.8mln.

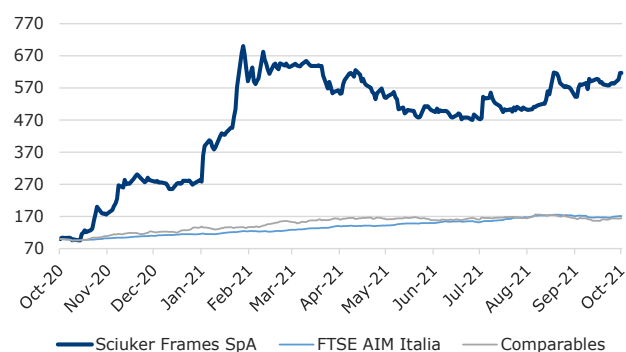
Valuation updated: Price target raise to €14; BUY

We raise our 12-month price target to €14/share from €9.5, as the average of DCF and market multiple valuations. DCF is based on an estimated defensible perpetual yearly cash flow of €18.9mln, while market multiples are applied on a sustainable 2024 adjusted EBITDA of €29.7mln. 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	€14	From	€9.5
Recommendation	BUY	from	BUY
Price as of October 20 th			6.6
Number of shares (mln)			21.7
Market capitalization (€mln)			144.27
Market segment			FTSE AIM ITALIA
Performance			from IPO
Absolute			+374%
Max / Min			8.3/0.4
Average daily volumes ('000)			170.6

(€mln)	2020	2021E	2022E	2023E
Revenue	19.1	97.9	118.0	153.5
yoy change	59.7%	412.5	20.5	30.1
VoP	22.6	107.1	129.6	170.1
yoy change	89.8%	374.6	21.0%	31.3%
Adj. EBITDA	6.0	25.9	27.8	24.7
margin	26.5%	24.2%	24.5%	24.2%
Adj. EBIT	2.1	21.2	24.4	32.6
margin	9.5%	19.8%	18.9%	19.2%
Net income	2.7	11.8	12.5	11.3
margin	12.1%	12.1%	10.6%	7.4%
NIC	15.1	38.3	46.7	49.8
Net debt (cash)	3.4	(4.4)	(12.5)	(29.3)
Equity	11.7	42.8	59.2	79.1
FCF	3.3	(15.7)	3.2	27.8



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Executive summary

Sciuker Frames in a nutshell: key investment drivers

Strong growth in 1H21: revenues +671% yoy 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, there 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.

Main corporate strategies and 2021E-2024E estimates

Raising FY22-24 estimates following the new strategic plan release

Following Sciuker Frames Group FY21-24 business plan release in October we confirm our 2021 estimates whereas we revised upwards our projections in 2022 and forward, also adding 2024.

High growth perspectives driven by several initiatives

Main corporate strategies are:

- acquisition of management projects to guarantee high margins, visibility and the possibility of expanding the order portfolio, planning production activities with long-term visibility;
- Italian market development through the further reinforcement of the indirect network of distributors, investments in two additional Sciuker sales points and the agreement signed with a leading operator of the large-scale retail trade;
- growth in foreign markets through partnership with local operators;
- machinery upgrade and production process automation (Industry 4.0) improvement to expand the production capacity;
- opening a new Sciuker Frames store in Milan to reach premium customers, mainly linked to architectural firms, with a focus on products with the highest standards and technology (Exo and Offline);
- R&D investments for products development;
- Ecospace as a booster to Group revenues in the following years.
- Increasing Group's synergies, implementing in Ecospaces efficiency work the supply of Sciuker's products which consolidates its result both directly with the effect on its turnover and through Ecospace revenues;
- Introduction of a new business line in PVC thanks to the acquisition of GC Infissi. The Group will also benefit of economies of scale and a better bargaining power with suppliers.

2022E-2023E raising estimates basing on the increase of Group synergies

We upward revised our projection in the 2022E-2023E driven by i) higher synergies between Sciuker, GC Infissi and Ecospace; ii) new investments to expand production capacity and products line; iii) new strategic partnership through Sciuker Frames.

2021E-2023E strong growth supported by all integrated businesses

Therefore, we now project a 54.4% Value of Production CAGR (2020-2024E), to reach €128.3mIn in 2024E from €107mIn estimated in 2021E.

In 2023E 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 that the tax incentive will not be postponed; ii) Ecospace will ended its activities that was mainly driven by Eco110, thus Ecospace revenues contribution equal to zero; iii) a double-digit revenue growth in Sciuker Frames driven by strategic partnerships; iv) GC Infissi growth at a CAGR 2020-2024E of 58% to €35mIn in 2024, driven by integration synergies.

Synergies between GC Infissi and Sciuker as main driver in the following years

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.

More in details we expect Ecospace order backlog to stand at €80mIn in 2022E (vs our previous forecast at €55mIn).

Ecospace and strategic partnerships as boosters in Sciuker Frames 21E-24E revenues

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 (€30mIn) Moreover, in 2021E-2023E, Sciuker sales through Ecospace activity will be the booster for Company revenues. In details, we now estimate an increase in Sciuker revenues from €29mIn in 2021 to €93mIn in 2024E (previous seen at €29mIn in 2021 to €36mIn in 2023E).

Valuation

DCF approach to appraise a scalable business

Given Sciuker scalable business and the potential increase in revenues and marginality brought by the various initiatives developed by the Company, it is possible to use a DCF method as a valuation approach.

For what concerns the relative valuation, since there is no listed entity which operates in the same business of Sciuker, we concentrate our benchmarking analysis on listed players active in the larger industry of Fixture Manufacturing.

A selected sample of listed comparables in the Fixture Manufacturing industry: EV/EBITDA at 8.0x

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 2021E-2022E of 8.0x.

DCF assumptions

To run a DCF model, we use our projections of unlevered FCFs for the 2021E-2024E explicit period: €34.2mln cumulated and €8.6mln as yearly average (vs previous €32.1mln and €10.7mln respectively).

To assess the Terminal Value, we used what we consider a perpetually sustainable free cash flow at €18.9mln (vs our previous €9.5mln), which cautiously not considers the chance of Eco110 law extension over 2023 and thus the freezing of Ecospace activities. Finally, we assumed 2% perpetual growth rate (unchanged vs our previous expectations).

DCF valuation: fair value at €15.64/share

The DCF method leads us to an Enterprise Value of €335.3mln (vs our previous €197mln) and to an Equity Value of €339.8mln (from previous €216.5mln) showing a fair value of €15.64/share (vs previous €9.91/share).

Moreover, in the DCF we include net cash at the end of 2021E at €4.4mln.

Market multiples valuation: €12.39/share

Our relative valuation is based on peers' average EV/EBITDA 2021E at 8.9x. In terms of EBITDA we decided to use a defensible EBITDA level, which is our projection of adjusted EBITDA in 2023 at €24.7mln, which includes the non-postponement of Eco110 postponement over 2024. This leads to an Equity Value of €269.1mln (vs previous €199.1mln) or €12.39/share (vs previous before €9.11/share). In our previous update (30th April 2021) the EV/EBITDA 2021E stood at 8.9x.

TP at €14/share (from previous €9.5/share); BUY confirmed

We set our 12-month Target Price at €14/share as the average of DCF and market multiple valuations. Given the significant potential upside on Sciuker's closing price (as of 20th October 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 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: the construction and window markets

Industry update

Building and construction industry expected to recover in 2021 after the 2020 Covid-19 slowdown

Covid-19 outbreak in 2020 had a severe impact on the building and construction industry, halting its recovery path since 2017. In 2020, the construction sector registered a 5.9% slowdown. However, latest UNICMI report (July 2021) updated its estimates on the building and construction industry, which is now expected to rebound by 9.2% yoy from previous estimate at +7.5%.

Figure 1: Italian construction investment trend vs Italian GDP

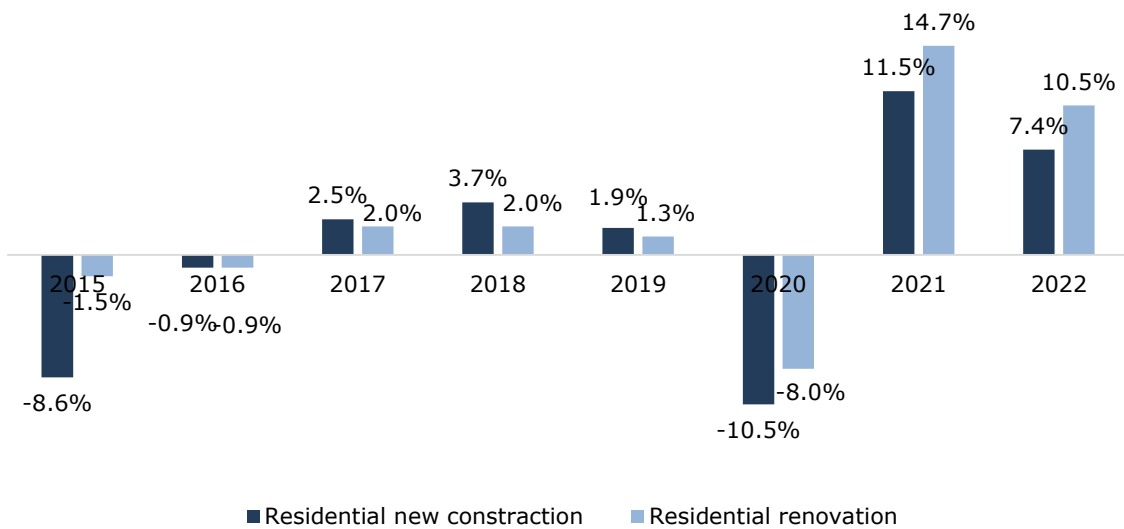


Source: UNICMI

The 2021 expected rebound in the construction industry will be driven by investments in building renovation

In 2020, the construction segment was worth €103bn, including €58bn deriving from the residential construction, which generated €2.5bn of windows and frames. Investments in residential new buildings are estimated to decrease by 10.5% yoy in 2020 with a rebound in 2021 at +11.5% yoy (previously seen at +4.5% yoy) while the renovation interventions are estimated at respectively -8.0% yoy and +14.7% yoy (previously +4.5% yoy). These represent the highest increases in the past 15 years.

Figure 2: Italian construction investment trend

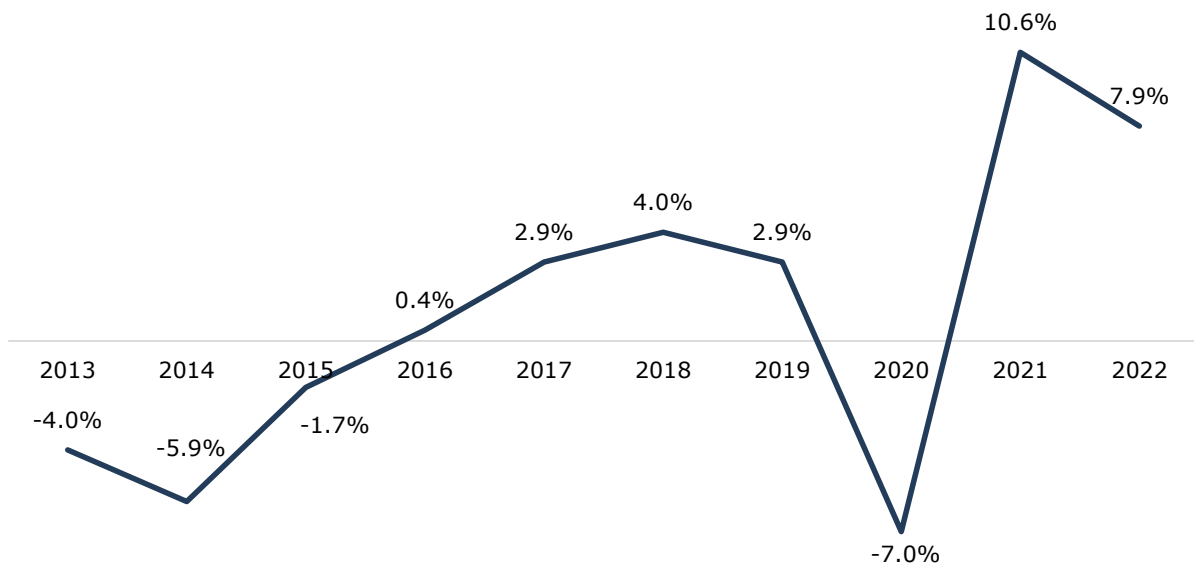


Source: UNICMI

In 2021, windows and frames are seen at +10.6% (vs previous +8.6%)

In 2020, the windows and frames market declined by 7%; in 2021, a 10.6% rebound is expected from previous estimate at +8.6%; in 2022 the recovery path will continue with growth seen at 7.9%.

Figure 3: Windows and frames revenues increase

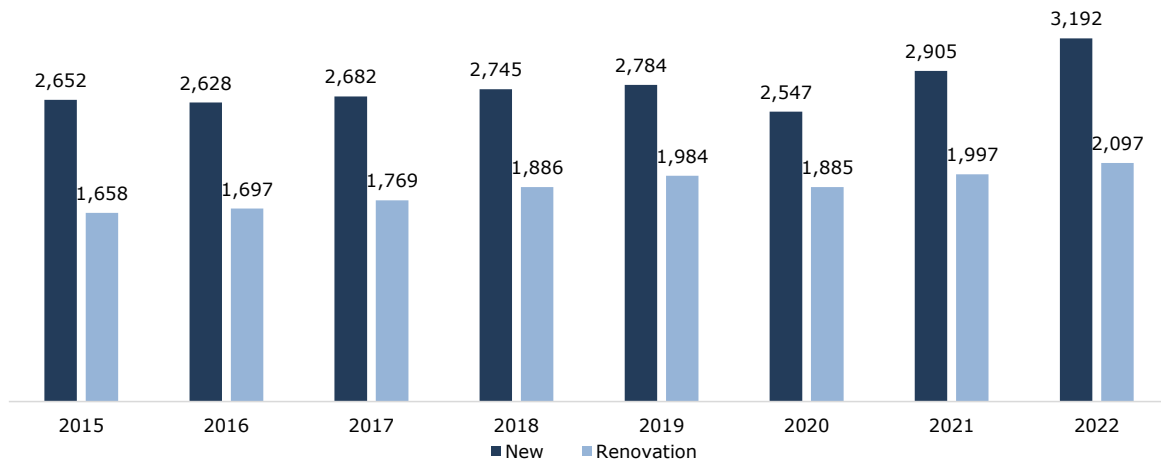


Source: UNICMI

In 2022, window and frames demand is projected above €3bn

The windows and frames market in the residential building was worth €2.5bn in 2020 (-8% yoy); in 2021 it is expected to increase by 14% yoy and to reach €3.2bn in 2022.

Figure 4: Italian windows and frames demand (€mln)

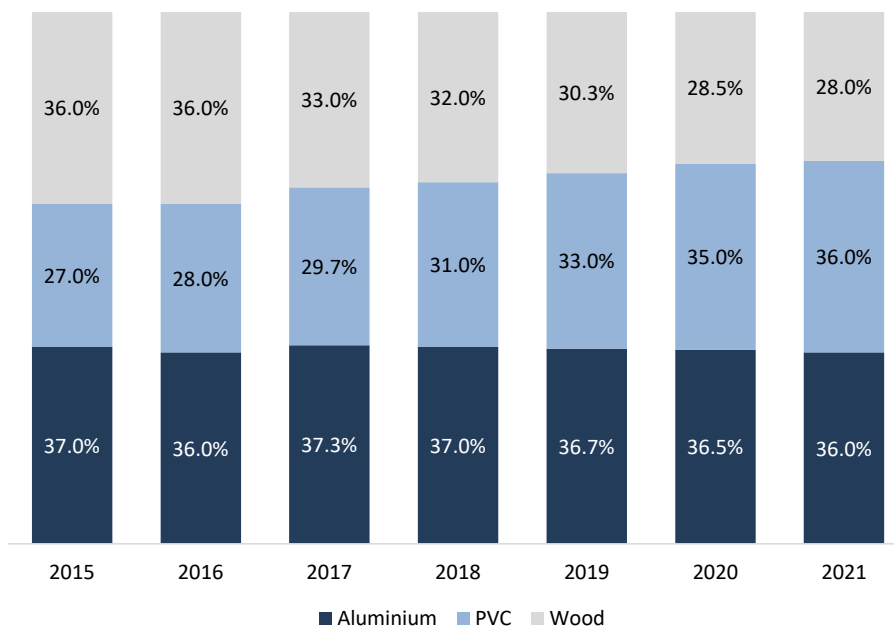


Source: UNICMI

PVC windows and frames continue to gain market share driven by home restructuring

The aluminium windows and frames market accounts for the 36.5% of the industry, followed by PVC with 36% and wooden windows at 28.5%. In terms of units, PVC windows are market leader with 43% share in 2020, followed by aluminium at 33% and wood at 26%. Against aluminium and wood, PVC continues to gain market shares driven by the renovation interventions.

Figure 5: windows and frames Italian market share per type

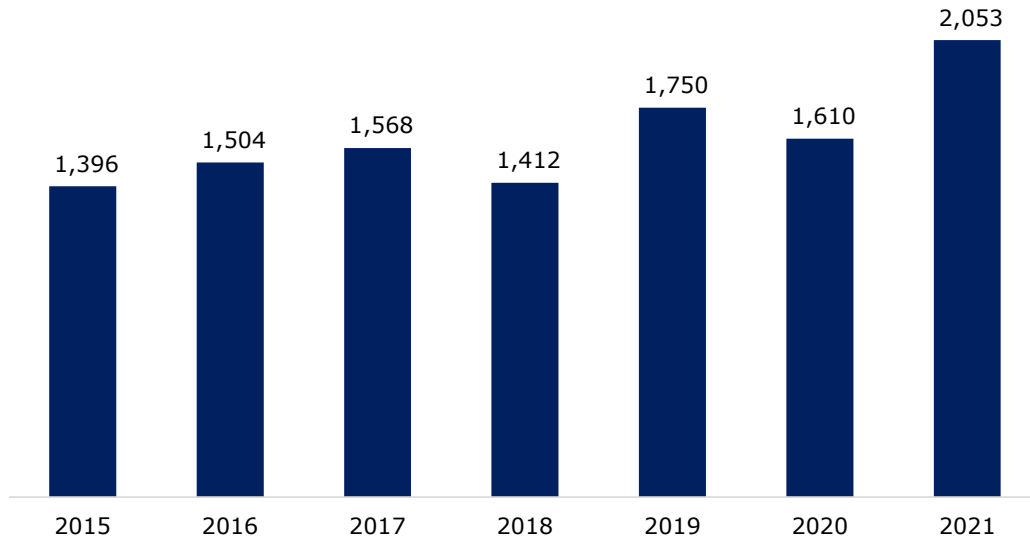


Source: UNICMI

€2.1bn in 2021 mainly driven by tax incentive

The demand of windows and frames has been driven by tax incentives and it is expected to increase to €2.1bn in 2021 from €1.6bn in 2020. This represents the highest level since 2015.

Figure 6: tax credit impact on windows and frames demand

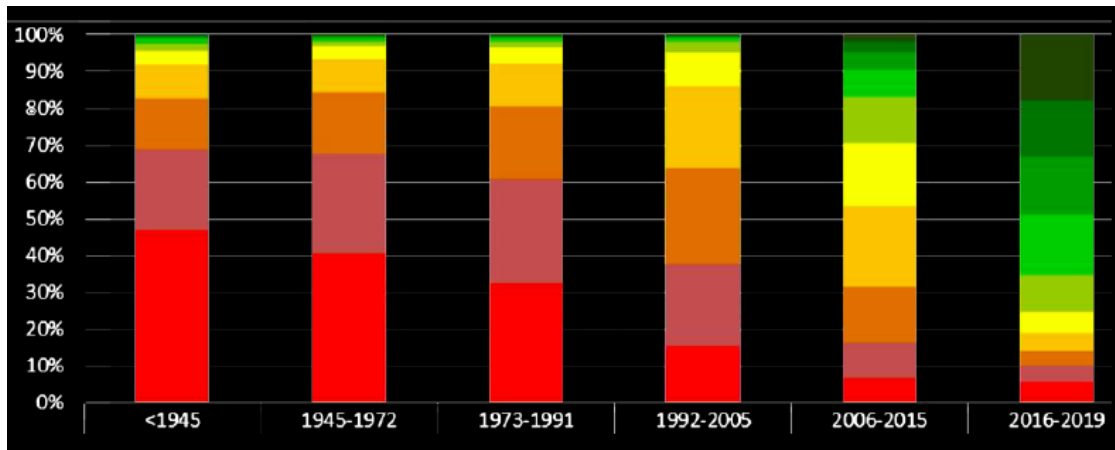


Source: UNICMI

Tax incentives as a booster for the windows and frames demand

Regarding the outlook, the windows market is expected to growth mainly driven by the recovery of the residential sector through tax incentives, such as the Ecobonus 110%. Tax incentives represent the 70% of windows and frames demand. However, due to the economic uncertainty, consumers will continue to prefer mid-range products with a good relationship between price and insulation performance.

Figure 7: house distribution per energetic class



Source: Catasto energetico nazionale

38% of CO2 emission are produced by houses

The 38% of CO2 emission are produced by houses. As today, the 75% of European houses are not in line with the energetic profile needed to reach the EU goal of zero CO2 emission. Focusing on Italian market, that is composed by more than 31mln of houses, more than 60% not belong to classes inefficient energy.

Ecobonus 110%

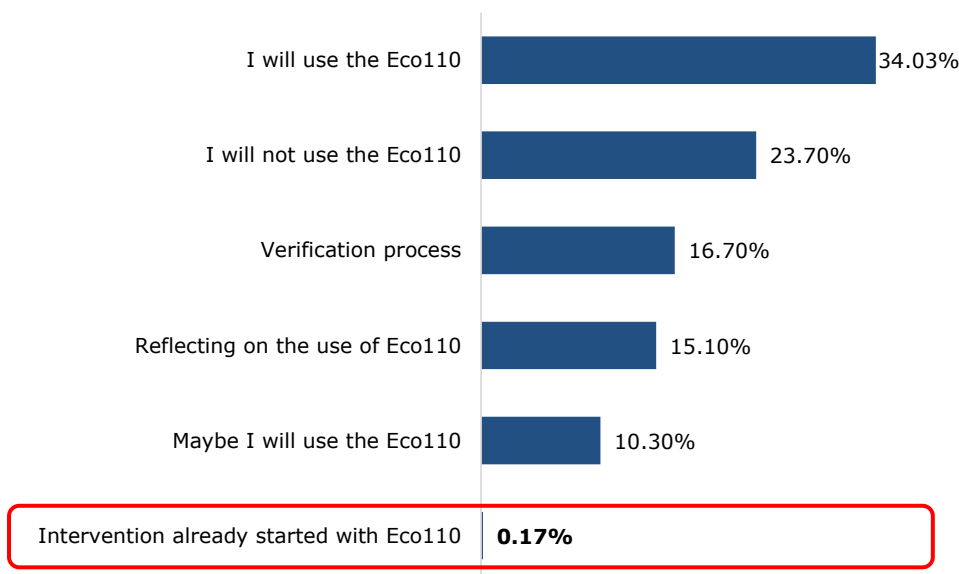
Only the 0.17% of renovation intervention started with the Eco110

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 8: Use of Ecobonus 110%

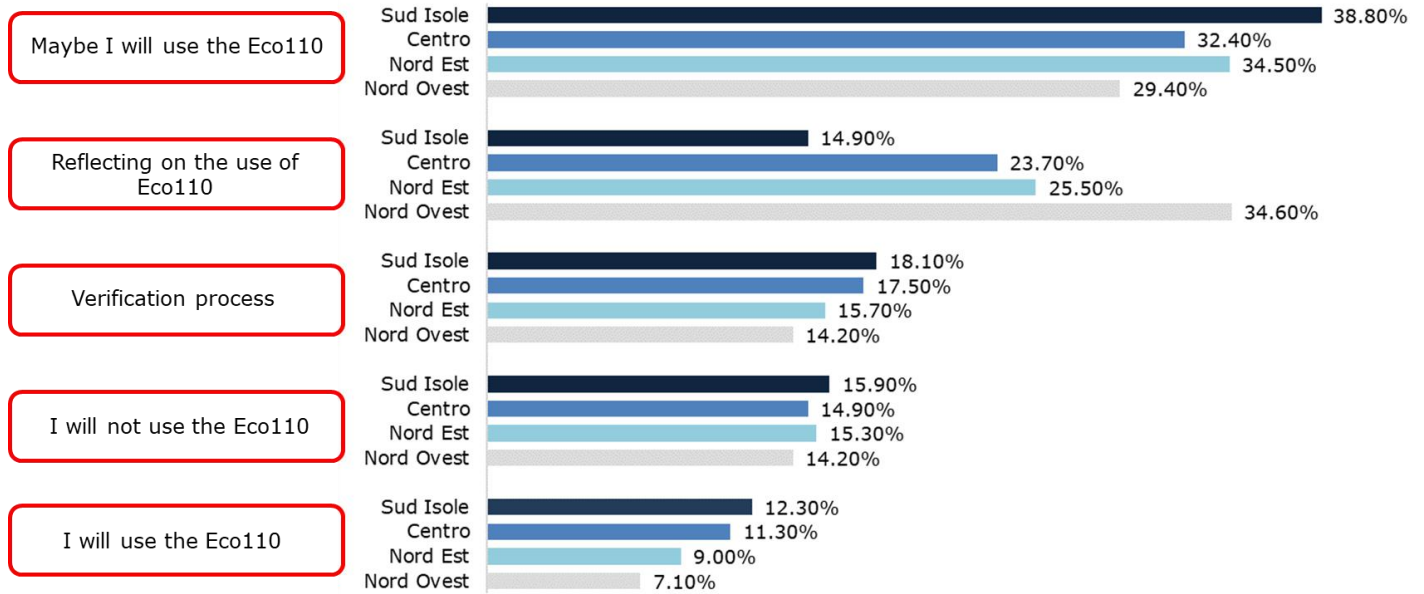


Source: Mikaline reaserch

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 9: Geographical breakdown about Eco110% appeal



Source: Mikaline research

Possible extension of Ecobonus 110% to 2023. We assumed a 50% chance

It is expected that the Italian Government will extend the Ecobonus 110% to 2023 including the residential buildings, introducing more financial sources in the new budget Law 2022, as it is considered an important measure to reduce the 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 110%.

Campania: the fourth region in terms of invested amount

At the end of September, investments with requirements for Ecobonus 110% deductions 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

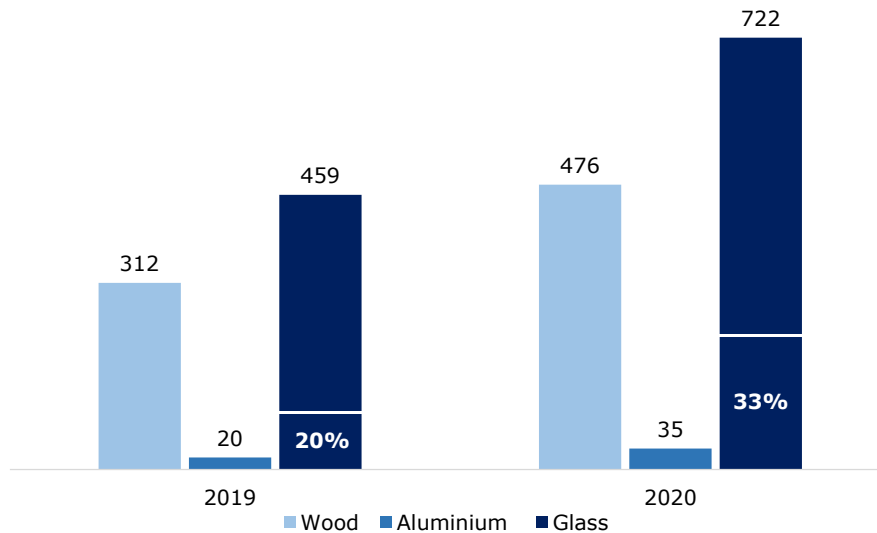
Since its foundation, the company produces windows with the minimum use of plastic materials and highly performing in terms of thermal and acoustic insulation with respect to the external environment.

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 10: 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.

1H21 financial performance

1H21 Main operating and financial data

Strong growth in 1H21: revenues +671% yoy

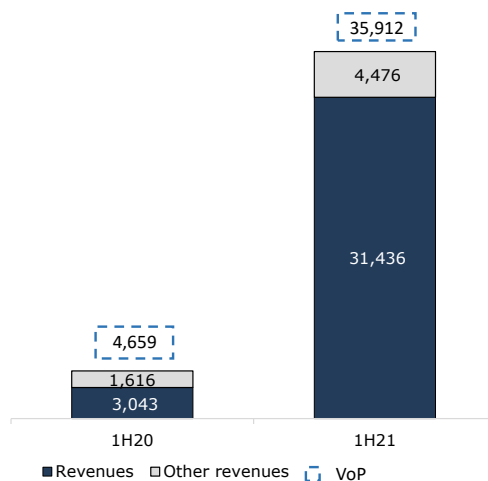
Despite Covid-19 outbreak and the related restrictions, the scarcity of raw material resources and the general increase in costs of supplying, the Group reported a strong 1H21 results.

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.

Nonetheless the strong increase in windows demand, the Group has managed to minimize the impact of the increase in the cost of raw materials and production, thanks to a solid and diversified network of strategic suppliers.

In detail, the value of production in 1H21 increase to €35.6mln from the previous €4.6mln seen at 1H20.

Figure 11: Sciuker Frames revenue 1H20-1H21



Source: Banca Profilo elaborations on Company data

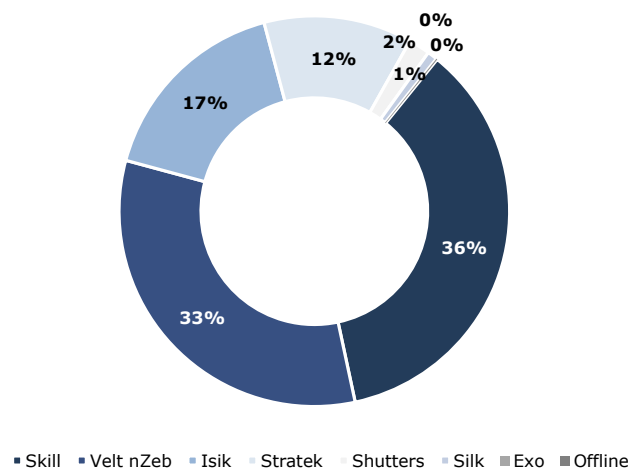
Eco Space as revenues driver

In the 1H21 sales stood at €31.4bn, of which the 61% derived from Sciuker Ecospace, 21% from Sciuker Frames and the 18% by G.C. Infissi.

The significant increase in turnover compared to the previous 1H21 is also mainly due consolidation of Sciuker Ecospace which took place in the 2H20 and to GC Infissi which took place in the 1H21.

With reference to the turnover achieved by Sciuker Frames the turnover increase was mainly driven by Skill segment (reaching the 36% of revenues) and by the new line introduced in the 2020 Velt nZeb with the 33% of sales. This new line is characterized by high energy performance wood-aluminium system specifically designed for the renovation in compliance with "Casa Clima" standards.

Figure 12: Revenue breakdown 1H21 by segment



Source: Banca Profilo elaborations on Company data

Cost structure: 85% variables, of which more than 35% are service costs

Analysing the Group cost structure, in 1H21 variable costs accounted for the 85% of total cost base. Among variable expenses:

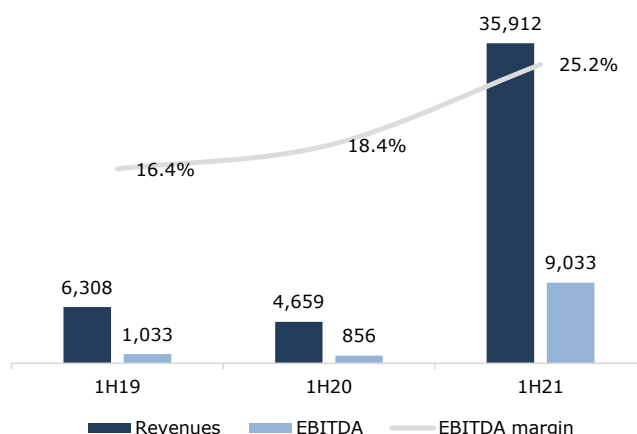
- raw materials stood at €12.01mIn with an incidence on revenues at 33.5%. The increase is mainly driven by sales growth. This expenses are mainly related to Sciuker Frames activities;
- services costs stood at €13.3mIn with an incidence on revenues at 37.1%. The increase both in absolute terms and in percentage is mainly related to Ecospace activities, which through the subcontracting of the energy efficiency works incurs significant costs for services;
- labour costs stood at €1.8mIn, with an incidence on revenues at 5%. The increase is mainly due to the consolidation of GC Infissi.

EBITDA margin at 25.2% from the 18.4% in 1H20

In 1H21 EBITDA stood at €9mIn, from the previous €856k with an incidence on the value of production of 25.2% from 18.4% recorded in 1H20. This growth derives from the synergies developed into Group activities.

However, to have a better representation of the Group's margin, EBITDA is adjusted at €8mIn, netted by the cost of credit sold to be included among financial expenses. Thus, the Group EBITDA adjusted margin stood at 22.4%.

Figure 13: Sciuker revenue and margins 1H19-1H21 (€/000 and %)



Source: Banca Profilo elaborations and estimates on Company data

Net income up to €4.3mIn (€0.1mIn in 1H20)

In 1H21, Group's net income was €4.3mIn, including €1mIn as D&A, €270k as provisions and a 31.5% tax rate.

Table 1: Sciuker Profit & Loss 1H20-1H21

Profit & Loss (€/000)	1H20	1H21
Revenues	3,043	31,436
	<i>yoy</i>	933.1%
Others	1,616	4,476
Value of production	4,659	35,912
	<i>yoy</i>	670.8%
Raw materials	(1,963)	(11,488)
	<i>% on VoP</i>	-42%
Labour costs	(259)	(1,835)
Service costs	(1,337)	(13,324)
Leases and rentals	(82)	(99)
Other operating costs	(162)	(134)
EBITDA	856	9,033
	<i>margin</i>	18.4%
Cost of fiscal credit sold		(1,000)
EBITDA Adjusted		8,033
	<i>margin</i>	22.4%
D&A	(510)	(1,007)
Provision for risks	-	(270)
EBIT adjusted	346	7,756
	<i>margin</i>	7.4%
EBIT	346	7,756
	<i>margin</i>	7.4%
Net financial expenses	(144)	(1,484)
EBT	202	6,273
Taxes	(61)	(1,973)
	<i>tax rate</i>	30.2%
Net profit	141	4,300
	<i>margin</i>	3.0%
		12.0%

Source: Banca Profilo elaborations and estimates on Company data

Balance Sheet: new investments to expand the production

On the Balance Sheet side, at the end of 1H21, the Group had €20mIn of Fixed assets, increasing from €14.5mIn seen at the end of 2020 following €2.3mIn investments in

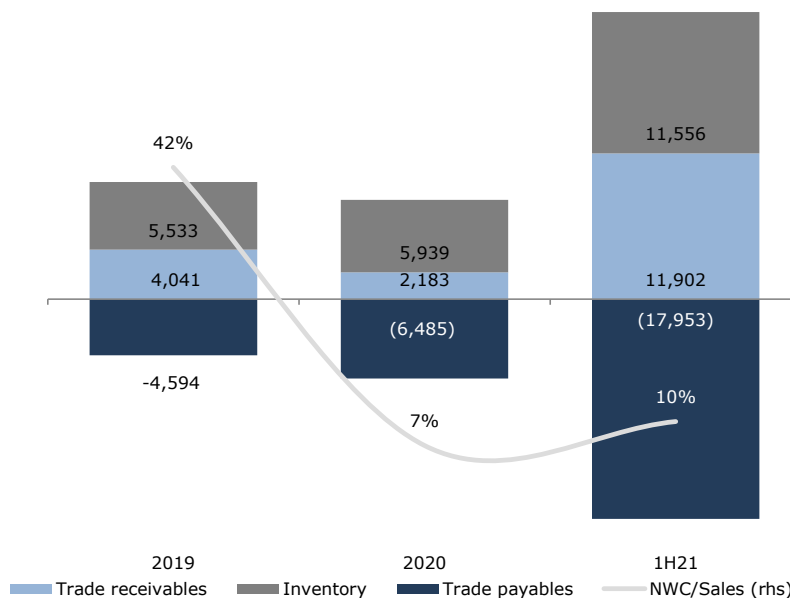
plant

tangible assets referred to the expansion of the production plant and investments in Industry 4.0 supported by Mi.S.E.

NWC increase following production growth and raw materials higher cost

Net Working Capital increase to €5.5mIn from the previous €1.6mIn in FY20, following: i) the exponential production growth and ii) higher raw materials that doubled its costs. However, ONWC incidence on revenues slightly increase to 10% from the previous 7% seen at the end of FY20

Figure 14: Sciuker operating net working capital 2019-2021 (€/000 and %)

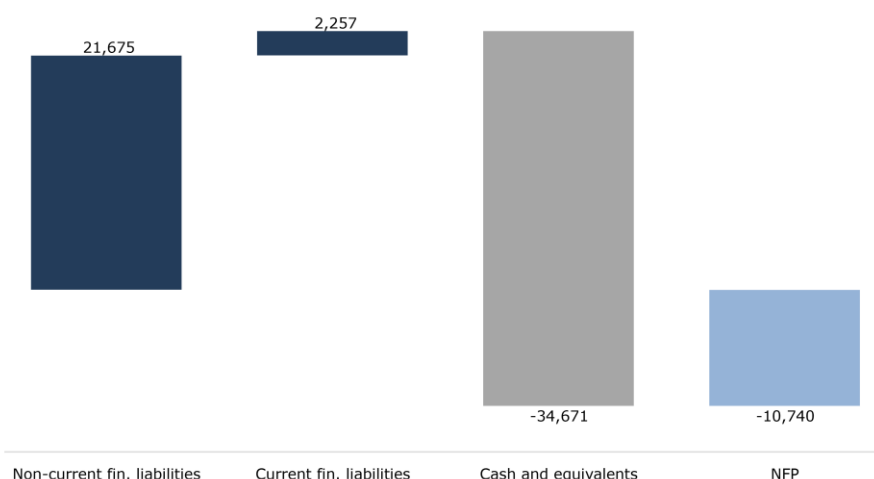


Source: Banca Profilo elaborations and estimates on Company data

Net cash at €10.7mIn from €3.4mIn of net debt at FY20

At the end of 1H21, Sciuker reported a net cash of €10.7mIn, from a net debt of €3.4mIn at the end of FY20. The significant improvement recorded mainly derives from a better Group operational management as well as from the capital increase operation through the exercise of warrants.

Figure 15: 1H21 Sciuker net financial position (€/000)



Source: Banca Profilo elaborations and estimates on Company data

Table 2: Sciuker Balance Sheet 1H20-1H21

Balance Sheet (€/000)	1H20	1H21
Stock	6,225	11,556
Accounts receivables	2,992	11,902
Accounts payables	(1,739)	(17,953)
Operating Net Working Capital	7,478	5,505
Other current assets & liabilities	(222)	(2,607)
Net Working Capital	7,256	2,898
Intangibles	1,040	3,554
Materials	11,761	16,498
Financials	-	-
Fixed assets	12,801	20,052
Funds	(415)	(1,647)
Other non current assets & liabilities	(657)	(1,266)
Net Invested Capital	18,984	20,037
Equity	8,422	30,777
Share capital	1,092	2,208
Reserves	4,895	22,266
Accumulated profit/loss	2,294	2,002
Net profit	141	4,300
Net debt (cash)	10,562	(10,740)
Liabilities	18,984	20,037

Source: Banca Profilo elaborations on Company data

Raising 2022-2023 and adding 2024 estimate following Sciuker strategic plan release

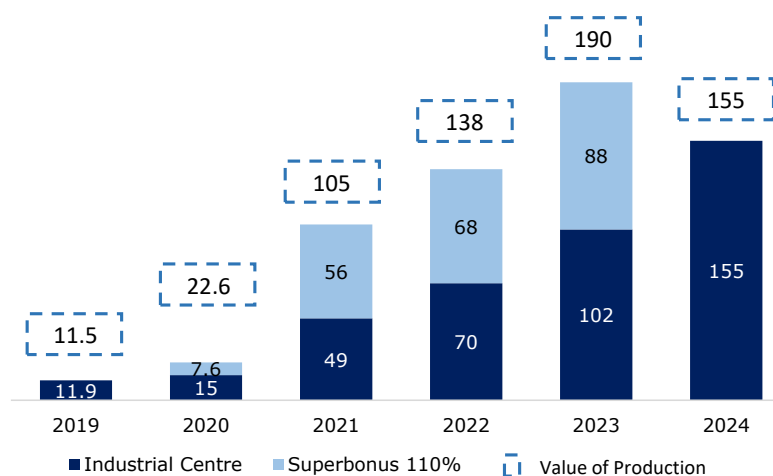
Main operating and financial data and Sciuker business plan

Raising FY22-24 estimates following the new strategic plan release

Following Sciuker Frames Group FY21-24 business plan release in October we confirm our 2021 estimates whereas we revised upwards our projections in 2022 and forward, also adding 2024.

More in details, the Group estimates revenues increase from €105m in FY21 to €155 in 2024E with a peak in 2023 at €190m due to Ecobonus 110% expected to expire in FY23. As regards Ecobonus110%, Sciuker estimates that the tax incentives will generate around 50% of Group's revenues.

Figure 16: Sciuker Frames business plan

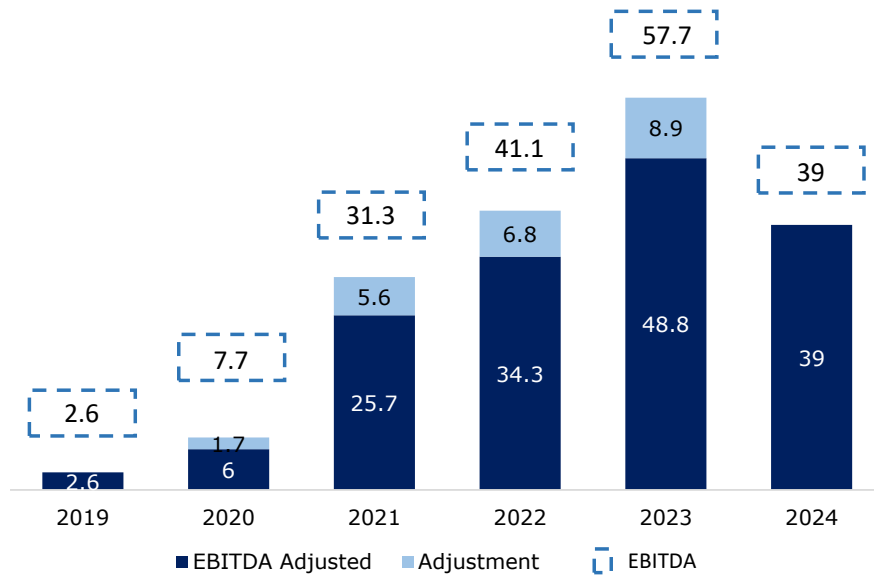


Source: Banca Profilo elaborations and estimates on Company data

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 €173.1m, well above our old FY21 estimates of €85m; ii) Ecospace revenues already stood at €121.2m (€79m our estimate for the entire FY21), given by the €20.4m from the FY20 and the new orders.

Figure 17: Sciuker Frames EBITDA business plan

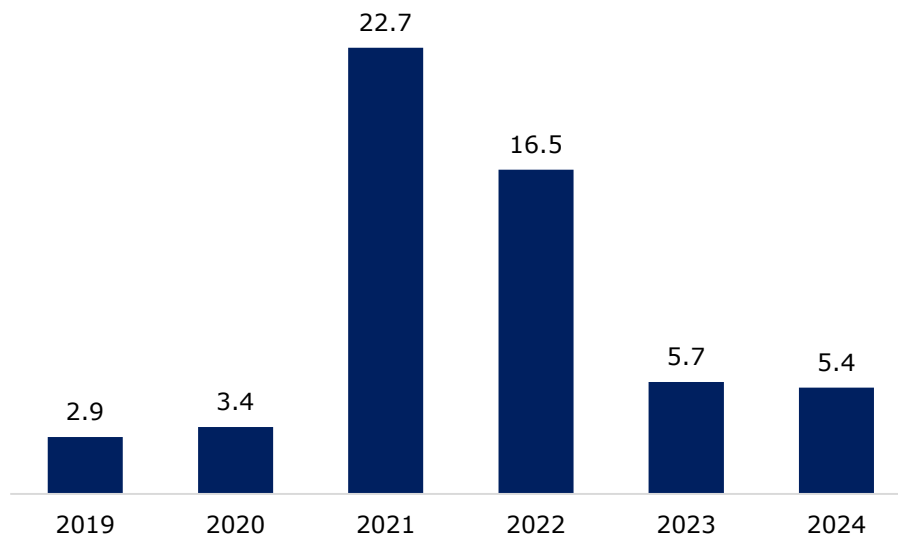


Source: Banca Profilo elaborations and estimates on Company data

Sciuker Group expected 21E-24E marginality above 24%

Regarding the marginality the group projects an Adjusted EBITDA margin higher than 24% in the period 2021E-2024E. The adjusted EBITDA is expected to increase from €2.6m in 2019 to €39m in 2024E with a peak at €57.7m driven by Ecospace activities. The growth mainly reflected revenues trend.

Figure 18: Sciuker Frames CAPEX projections



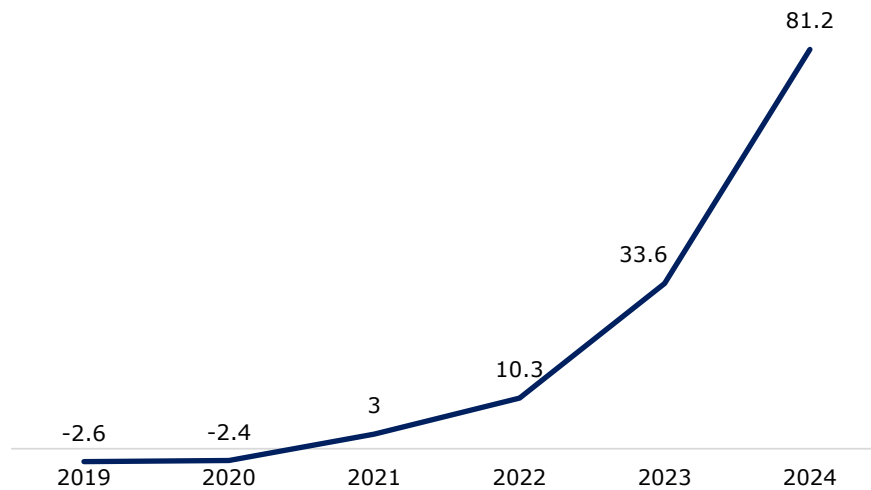
Source: Banca Profilo elaborations and estimates on Company data

Sciuker Frames Group projected €50m of Capex in the 21-24E

According to Sciuker Frames business plan, the Group projects to invest the cash derived from the warrants exercise and the cash generated by its own business in investments to increase production capacity and to introduce new cross-selling

products. Thus, the Company projects more than €50mIn of Capex in the period 2021E-2024E.

Figure 19: Sciuker Frames net cash projections



Source: Banca Profilo elaborations and estimates on Company data

*At the end of 24E
Sciuker projects
€81.2mIn of cash that
could be used for M&A*

As regard the net financial position, the Group expected a net cash of €81.2mIn at the end of 2024E from the previous €2.6mIn of debt in 2019, only including organic growth investments. The Group said that strategic M&A deal will be valued in the in the following years to consolidate Sciuker Frames market share and to accelerate its growth path.

Updated corporate strategies

The Group confirmed 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 €20mIn of cash-in deriving from the warrant exercise in May;
- postponement of Eco110 until 2023.

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.

2022E-2023E estimates upward revision and adding 2024E

2022E-2023E raising estimates basing on the increase of Group synergies

We upward revised our projection in the 2022E-2023E driven by i) higher synergies between Sciuker, GC Infissi and Ecospace; ii) new investments to expand production capacity and products line; iii) new strategic partnership through Sciuker Frames.

2021E-2023E strong growth supported by all integrated businesses

Therefore, we now project a 54.4% Value of Production CAGR (2020-2024E), to reach €128.3m in 2024E from €107m estimated in 2021E.

In 2023E 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 that the tax incentive will not be postponed; ii) Ecospace will ended its activities that was mainly driven by Eco110, thus Ecospace revenues contribution equal to zero; iii) a double-digit revenue growth in Sciuker Frames driven by strategic partnerships; iv) GC Infissi growth at a CAGR 2020-2024E of 58% to €35m in 2024, driven by integration synergies.

Synergies between GC Infissi and Sciuker as main driver in the following years

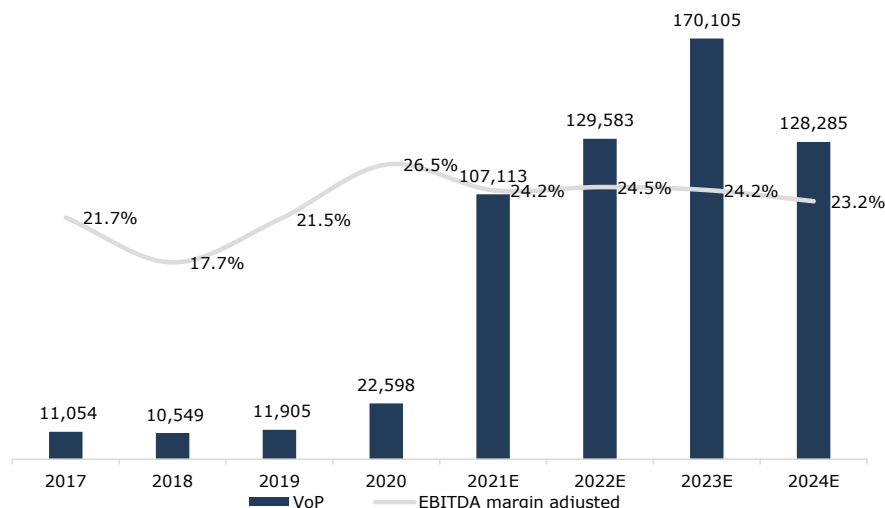
In 2022E we used the same backlog-revenue mechanism in Ecospace that we used in 2020 and 2021E: 70% of orders to become turnover the year of intake and the remaining 30% the following year but with a limit to complete all orders by the end of December 2023, as the Eco110 law dictates.

More in details we expect Ecospace order backlog to stand at €80m in 2022E (vs our previous forecast at €55m).

Ecospace and strategic partnerships as boosters in Sciuker Frames 21E-24E revenues

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 (€30m). Moreover, in 2021E-2023E, Sciuker sales through Ecospace activity will be the booster for Company revenues. In details, we now estimate an increase in Sciuker revenues from €29m in 2021 to €93m in 2024E (previous seen at €29m in 2021 to €36m in 2023E).

Figure 20: Sciuker Group revenue trend 2017-2024E (€/000 and %)

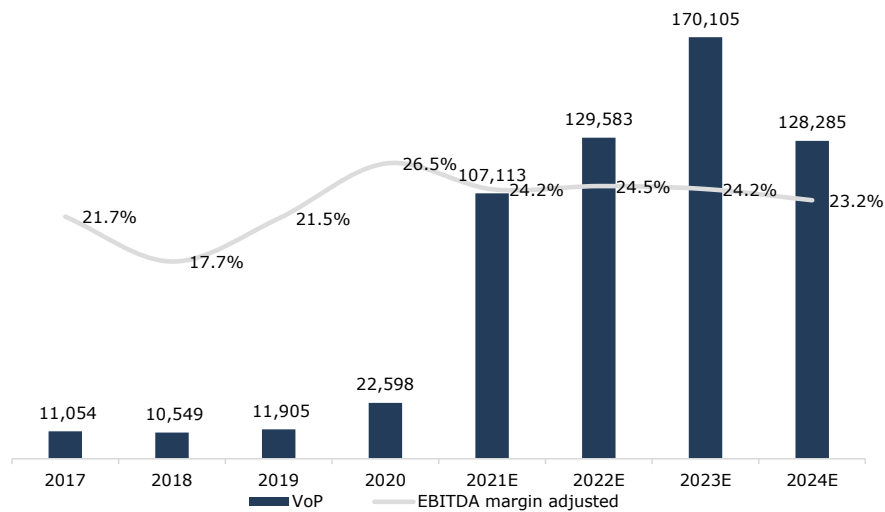


Source: Banca Profilo elaborations and estimates on Company data

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 44% 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.

Figure 21: Revenue and EBITDA margin trend 2017-2023E (€/000 and %)



Source: Banca Profilo elaborations and estimates on Company data

2021E-2024E: adjusted EBITDA margin at an average of 24% vs a previous 23%

We now expect an adjusted EBITDA at €25.6mln in 2021, €31.7mln in 2022, €50mln in 2023 to decrease in 2024 at €29.7mln due the end of Ecospace activities as we not consider the postponement of Eco110 after 2023.

Moreover, the integration of GC Infissi will be dilutive in terms of marginality. Thus, we now project 2021 adjusted EBITDA margin at 24.2% (from previous 23.3%), 24.5% in 2022 (vs previous 23.5%), 24.2% in 2023 (vs 23.5%) and we now estimate an EBITDA margin of 23.2% in 2024, mainly due to a decrease in Ecospace contribution, for a conservative estimate of Eco110 expansion over 2022.

As regards EBITDA, we raised our estimates mainly consider i) higher Ecospace revenues contribution on Group VoP; ii) improvement of Group synergies.

Net profit almost at €13mln in 2024E (vs previous €11.3mln in 2023E)

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 €12.9mln in 2024E (vs previous €11.3mln in 2023E).

Table 3: Sciuker Frames Profit & Loss 2020-2024E

Profit & Loss (€/000)	2020	2021E Old	2021E New	2022E Old	2022E New	2023E Old	2023E New	2024E New
Revenues	19,105	93,572	97,921	102,941	118,020	96,324	153,490	117,417
Others	3,493	13,673	9,192	14,981	11,564	13,137	16,614	10,868
Value of production	22,598	107,245	107,113	117,922	129,583	109,461	170,105	128,285
<i>yoy</i>	89.8%	374.6%	374.0%	10.0%	21.0%	-7.2%	31.3%	17.2%
EBITDA	7,682	35,039	31,484	38,349	38,484	33,036	50,036	29,736
<i>margin</i>	34.0%	32.7%	29.4%	32.5%	29.7%	30.2%	29.4%	23.2%
Cost of fiscal credit sold	(1,700)	(10,000)	(5,600)	(10,595)	(6,800)	(8,320)	(8,900)	-
EBITDA Adjusted	5,982	25,039	25,884	27,754	31,684	24,716	41,136	29,736
<i>margin</i>	26.5%	23.3%	24.2%	23.5%	24.5%	22.6%	24.2%	23.2%
D&A	(1,607)	(1,909)	(3,339)	(2,366)	(4,896)	(2,825)	(5,542)	(6,422)
Provision for risks	(2,226)	(1,665)	(1,298)	(2,670)	(2,353)	(2,949)	(2,997)	(2,255)
EBIT Adjusted	2,149	21,465	21,247	22,718	24,434	18,943	32,597	21,059
<i>margin</i>	9.5%	20.0%	19.8%	19.3%	18.9%	17.3%	19.2%	16.4%
EBIT	3,849	31,465	26,847	33,313	31,234	27,263	41,497	21,059
<i>margin</i>	17.0%	29.3%	25.1%	28.3%	24.1%	24.9%	24.4%	16.4%
Net financial expenses	(9)	(10,015)	(5,982)	(10,629)	(7,150)	(8,594)	(9,126)	(1,320)
EBT	3,840	21,450	20,865	22,684	24,084	18,669	32,371	19,738
Taxes	(1,096)	(9,635)	(5,984)	(10,178)	(7,063)	(7,362)	(9,582)	(6,812)
<i>tax rate</i>	28.5%	44.9%	28.7%	44.9%	29.3%	39.4%	29.6%	34.5%
Net profit	2,743	11,815	14,881	12,506	17,021	11,307	22,789	12,926
<i>margin</i>	12.1%	11.0%	13.9%	10.6%	13.1%	10.3%	13.4%	10.1%

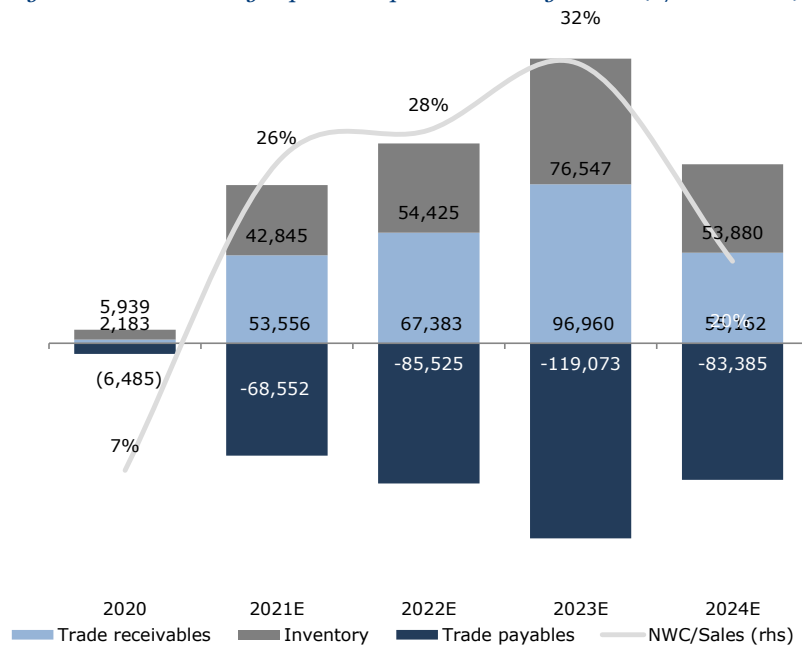
Source: Banca Profilo elaborations and estimates on Company data

*Balance Sheet:
increasing Capex;
higher ONWC due to
revenues growth and
raise of raw materials
increase*

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

- €42.1mln Capex (vs previous €12mln in the period 2021E-2023E), 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 €8.3mln in 2024E (vs previous €6.8mln in 2023E), from €33.3mln in 2021E (previously estimated at €3.2mln), reflecting the increase in Sciuker's revenues, which weigh on stock and the raise of raw materials increase. In 2021E-2024E Operating NWC is now projected at 22.6% of sales (vs previous 13.3%).

Figure 22: Net working capital composition and dynamics (€/000 and %)



Source: Banca Profilo elaborations and estimates on Company data

Table 4: Sciuker Frames Balance Sheet 2020-2024E

Balance Sheet (€/000)	2020	2021E Old	2021E New	2022E Old	2022E New	2023E Old	2023E New	2024E New
Stock	5,939	13,574	42,845	17,035	54,425	18,613	76,547	53,880
Accounts receivables	2,183	7,503	53,556	9,244	67,383	10,477	96,960	55,152
Accounts payables	(6,485)	(17,857)	(68,552)	(21,497)	(85,525)	(22,692)	(119,073)	(83,385)
Operating Net Working Capital	1,637	3,219	27,849	4,782	36,283	6,398	54,433	25,657
% on sales	7.2%	3.0%	26.0%	4.1%	28.0%	5.8%	32.0%	20.0%
Other current assets & liabilities	387	364	(10,123)	364	(13,923)	364	(21,123)	(17,323)
Net Working Capital	2,024	3,583	17,726	5,146	22,360	6,762	33,310	8,333
Intangibles	1,223	2,345	3,769	1,733	4,405	1,764	4,618	4,838
Materials	13,238	17,779	27,925	19,536	35,904	20,890	36,059	35,895
Financials	3	75	1,572	87	1,584	99	1,596	1,608
Fixed assets	14,464	20,199	33,266	21,357	41,894	22,754	42,274	42,341
Funds	(942)	(1,570)	(11,280)	(1,699)	(16,139)	(1,601)	(24,427)	(30,144)
Other non current assets & liabilities	(466)	(1,375)	(1,375)	(1,375)	(1,375)	(1,375)	(1,375)	(1,375)
Net Invested Capital	15,080	20,837	38,337	23,428	46,740	26,540	49,782	19,155
Equity	11,682	40,195	42,773	63,020	79,053	63,020	79,053	89,925
Share capital	1,092	2,185	2,185	2,185	2,185	2,185	2,185	2,185
Reserves	5,508	27,541	27,541	51,325	57,701	51,325	57,701	76,869
Accumulated profit/loss	2,339	167	167	-	-	-	-	-
Net profit	2,743	10,301	12,880	9,510	19,167	9,510	19,167	10,872
Net debt (cash)	3,398	(19,358)	(4,436)	(29,406)	(12,471)	(36,480)	(29,271)	(70,770)
Liabilities	15,080	20,837	38,337	23,428	46,740	26,540	49,782	19,155

Source: Banca Profilo elaborations and estimates on Company data

Strong increase in Sciuker Frames cash from €4.4m of cash in FY21 to €70.8m in FY24

As regards the net financial position we estimate an FY21 increase in Group net cash from €4.4m (including €17m of investments in the year) to €70.8m in 2024E given by a decrease in Operating Net Working Capital due to low revenues estimated.

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

According to our Profit & Loss and Balance Sheet estimates, in 2021E-2024E, we forecast €84.8m of cumulated Operating Cash Flows (vs previous €48m in the 2021-2023E), mainly used to finance €42m of Capex (vs previous €12m in the 21-23E period) and €37.6m of NWC needs (vs previous €4.6m). Because of higher operating cash flows, partially absorbed by higher Capex and higher NWC needs, including the FY24 estimates we now forecast €34.2m of cumulated FCFs in 2021E-

2024E (vs previous €32.1mln).

Table 5: Sciuker Free Cash Flow evolution 2020-2024E

Cash flow (€ 000)	2020	2021E Old	2021E New	2022E Old	2022E New	2023E Old	2023E New	2024E New
EBIT	2,149	21,465	21,247	22,718	24,434	18,943	32,597	21,059
taxes	(645)	(7,513)	(7,436)	(7,951)	(8,552)	(6,630)	(11,409)	(7,371)
NOPAT	1,504	13,952	13,810	14,767	15,882	12,313	21,188	13,688
D&A	1,607	1,909	3,339	2,366	4,896	2,825	5,542	6,422
Operating cash flow	3,111	15,861	17,150	17,133	20,778	15,138	26,730	20,110
Operating Net Working Capital change	3,343	(1,582)	(26,212)	(1,563)	(8,434)	(1,500)	(1,500)	(1,499)
Other funds	360	628	10,338	129	4,859	(98)	8,288	5,718
Capex	(3,532)	(4,000)	(17,000)	(4,000)	(14,000)	(4,000)	(5,700)	(5,400)
FCF	3,282	10,907	(15,725)	11,699	3,203	9,539	27,818	18,929

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 and GC Infissi;

And on the upside:

- Extension to 2024 of the Ecobonus 110% tax incentive law

Valuation

DCF approach to appraise a fast-growing business model

Given our expectations of positive FCFs starting from 2021E, 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:
 €8.6mln average yearly FCF; €18.9mln as the defensible annual FCF

To run a DCF model, we use our projections of unlevered FCFs for the 2021E-2024E explicit period: €34.2mln cumulated and €8.6mln as yearly average (vs previous €32.1mln and €10.7mln respectively).

To assess the Terminal Value, we used what we consider a perpetually sustainable free cash flow at €18.9mln (vs our previous €9.5mln), which cautiously not considers the chance of Eco110 law extension over 2023 and thus the freezing of Ecospace activities. Finally, we assumed 2% perpetual growth rate (unchanged vs our previous expectations).

Table 6: Unlevered FCFs

Cash flow (€/000)	2020	2021E	2022E	2023E	2024E	TV
EBIT Adjusted	2,149	21,247	24,434	32,597	21,059	
taxes	(645)	(7,436)	(8,552)	(11,409)	(7,371)	
NOPAT	1,504	13,810	15,882	21,188	13,688	
D&A	1,607	3,339	4,896	5,542	6,422	
Operating cash flow	3,111	17,150	20,778	26,730	20,110	
Operating Net Working Capital change	3,343	(26,212)	(8,434)	(1,500)	(1,499)	
Other funds	360	10,338	4,859	8,288	5,718	
Capex	(3,532)	(17,000)	(14,000)	(5,700)	(5,400)	
FCF	3,282	(15,725)	3,203	27,818	18,929	18,929

Source: Banca Profilo estimates and elaborations

*DCF assumptions:
WACC at 6.8%*

We would apply a WACC of 6.8% (from prior 6.7%) 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 K_e from 10.3% to 10.2%.

Table 7: WACC calculation

WACC Calculation	
perpetual growth rate	2.0%
WACC	6.7%
risk free rate (30Y) (Bloomberg projections)	3.0%
equity risk premium	5.5%
beta	1.3
KE	10.2%
cost of debt	5.0%
tax rate	35%
KD	3.3%

Source: Banca Profilo estimates and elaborations

*DCF valuation: at
€15.64/share*

The DCF method leads us to an Enterprise Value of €335.3mln (vs our previous €197mln) and to an Equity Value of €339.8mln (from previous €216.5mln) showing a fair value of €15.64/share (vs previous €9.91/share).

Moreover, in the DCF we include net cash at the end of 2021E at €4.4mln.

Table 8: DCF valuation

DCF Valuation	2020E	2021E	2022E	2023E	2024E	TV
Free Cash Flows (€ 000)		(15,725)	3,203	27,818	18,929	18,929
years		1	2	3	4	
discount factor		0.94	0.88	0.82	0.77	
NPV Cash flows (€ 000)		(14,725)	2,809	22,841	14,554	
Sum of NPVs (€ 000)		(14,725)	(11,916)	10,925	25,479	
Terminal Value (€ 000)						402,995
NPV Terminal Value (€ 000)						309,857
Enterprise Value (€ 000)						335,337
Net debt 2021E (€ 000)						(4,436)
Equity Value (€ 000)						339,773
number of shares ('000)						21,719
Per share value (€)						15.64

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 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 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): **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 9: Market multiples

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%	2.6%	14.3%	14.6%	14.5%
Eurocell Plc	-7.6%	30.4%	2.5%	11.6%	15.3%	15.3%
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%	30.2%	9.9%	17.0%	14.8%	16.9%
EdiliziAcrobatica	13.9%	77.8%	32.5%	11.2%	18.8%	19.0%
Nusco	-20.1%	31.7%	18.2%	n.a.	15.8%	16.7%
Mean	-1.6%	29.7%	9.7%	11.5%	14.0%	15.3%
Sciuker Frames	89.8%	374.0%	21.0%	34.0%	29.4%	29.7%

Source: Banca Profilo elaborations on elaborations on FactSet (as of 15th October 2021)

EV/EBITDA
2021E-2022E
8.0x

Our sample of similar players active in the larger Fixtures Manufacturing industry, shows a medium value EV/EBITDA 2021E-2022E of 8.0x.

Table 10: Market multiples

Company	EV / Sales		EV / EBITDA	
	2021E	2022E	2021E	2022E
Deceuninck NV	0.7x	0.8x	5.8x	5.4x
Inwido AB	1.3x	1.3x	8.9x	8.8x
Eurocell Plc	0.9x	0.9x	5.8x	5.7x
SafeStyle UK Plc	0.5x	0.4x	4.6x	4.2x
Apogee Enterprises	0.9x	n.a.	9.1x	n.a.
Pgt innovations	1.3x	1.2x	8.9x	7.1x
Ediliziacrobatca	2.1x	1.6x	11.1x	8.2x
Nusco	2.0x	1.7x	13.0x	10.4x
Mean	1.2x	1.1x	8.9x	7.1x
Sciuker Frames	1.2x	1.0x	4.2x	3.5x

Source: Banca Profilo elaborations on elaborations on FactSet (as of 15th October 2021)

Table 11: Sample benchmarking

Company	Sales growth			EBITDA margin		
	2020	2021E	2022E	2020	2021E	2022E
Deceuninck NV	1.5%	8.8%	3.9%	13.4%	13.3%	13.4%
Inwido AB	0.8%	7.4%	2.9%	14.3%	14.7%	14.7%
Eurocell Plc	-7.6%	9.1%	7.4%	11.6%	16.0%	16.2%
SafeStyle UK Plc	-10.3%	23.1%	5.6%	1.7%	9.6%	10.3%
Apogee Enterprises	-9.2%	-2.9%	n.a.	11.1%	10.9%	n.a.
Pgt innovations	18.5%	19.0%	6.4%	17.0%	17.4%	18.0%
Mean	-1.1%	10.7%	5.2%	11.5%	13.6%	14.5%
Sciuker Frames	89.8%	374.6%	10.0%	34.0%	32.7%	32.5%

Source: Banca Profilo elaborations on elaborations on FactSet (as of 15th October 2021)

Market multiples valuation:
€12.39/share

Our relative valuation is based on peers' average EV/EBITDA 2021E at 8.9x. In terms of EBITDA we decided to use a defensible EBITDA level, which is our projection of adjusted EBITDA in 2023 at €24.7mln, which includes the non-postponement of Eco110 postponement over 2024. This leads to an Equity Value of €269.1mln (vs previous €199.1mln) or €12.39/share (vs previous before €9.11/share). In our previous update (30th April 2021) the EV/EBITDA 2021E stood at 8.9x.

Table 12: Market multiples valuation

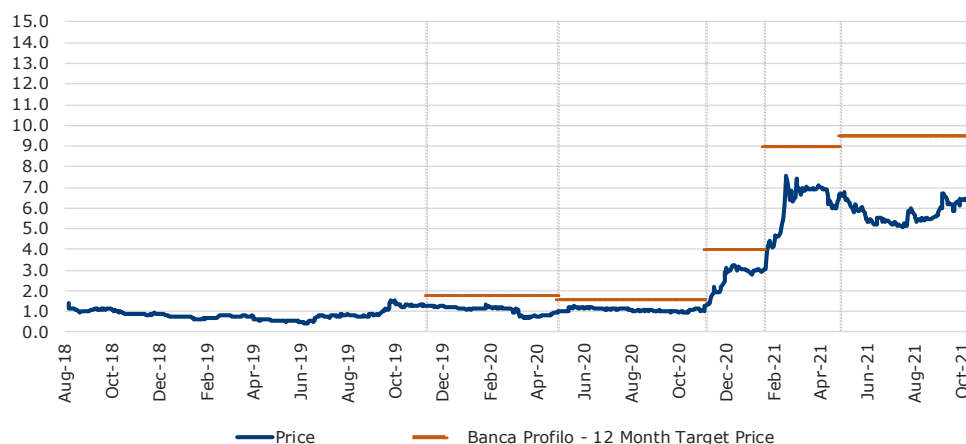
Relative Valuation on market multiples 2021	
EV/EBITDA	EBITDA adjusted
2021E	2024E
8.9x	29,736.0
ENTERPRISE VALUE	NET DEBT FY21
264,660.1	-4,436.4
EQUITY VALUE	
269,096.5	
Price per share	12.39

Source: Banca Profilo elaborations on elaborations on FactSet (as of 15th October 2021)

TP at €14/share (from previous €9.5/share); BUY confirmed

We set our 12-month Target Price at €14/share as the average of DCF and market multiple valuations. Given the significant potential upside on Sciuker's closing price (as of 20th October 2021), we confirm our BUY recommendation.

Figure 23: Banca Profilo's Target Prices since Sciuker's IPO



Source: Banca Profilo estimates and elaborations on Bloomberg data

Shareholders' structure

Shareholders:
Cipriano Family at 67%; 33% free float

Listed on the AIM at €1.4/share

The Group is controlled by Marco Cipriano, founder and CEO, and by Romina Cipriano, with a cumulated 67% stake through the holding H.Arm. Free Float is 33%.

The Company was listed on the AIM segment of the Milan Stock Exchange on the 3rd of August 2018 through a primary offering of 3,572,000 shares at €1.4/share. Total shares are 10,924,100 and the market capitalization is €14.2mIn (as of 4th November 2020).

Ecospace acquisition

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.

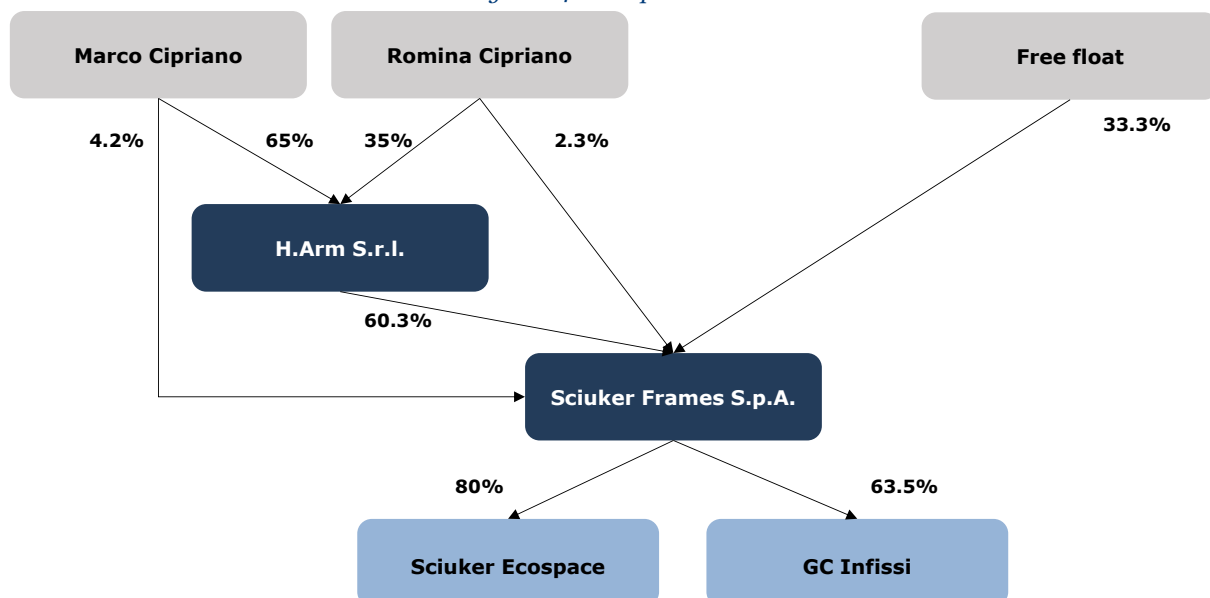
GC Infissi acquisition

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 €8.4mIn (-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 €2mIn of cash (representing 10% of cash in from warrants exercise) plus 50.000 of Sciuker's shares.

Figure 24: Group structure



Source: Banca Profilo elaborations on Company data

Cipriano's family at 57.9% stake

At the end of the third and last period of warrants exercise, 10,794,997 (98.8%) warrants have been exercised corresponding to a capital increase of €20.1mIn. With the new shareholding structure, Cipriano's Family stood at 57.9% whereas the free

Outstanding shares doubling to 21.7mln

float is at 42.1%. The dilution effect is 98.9%.

€20.3mln cash-in

Table 13: Shareholder structure post warrant exercise

Sciuker Frames S.p.A. shareholding structure	N° shares	N° warrants	N° subscribed warrants	N° shares post warrant subscription	Current shareholding structure	Shareholding structure post warrant subscription
H.Arm S.r.l.	6,590,110	6,584,110	4,584,110	11,174,220	60.3%	51.4%
Marco Cipriano	456,580	456,580	456,580	913,160	4.2%	4.2%
Romina Cipriano	245,850	245,850	245,850	491,700	2.3%	2.3%
Free float	3,631,560	3,631,560	5,508,457	9,140,017	33.2%	42.1%
Total	10,924,100	10,918,100	10,794,997	21,719,097	100.0%	100.0%

Source: Banca Profilo elaborations on Company data

Buyback programme

In April 2020, Sciuker approved a buyback programme for supporting stock liquidity and incentive plans (including M&A). The price of the repurchased shares will not be above the 15% of the day before market price. Regarding the trading number of shares, this will not exceed the 25% of the medium trading value based on the prior 20 days of trading. The total amount of purchased share cannot exceed the 10% of share capital.

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**Sciuker Frames
"ID Card"**

Recommendation

Target Price

Upside

BUY
14.0 €
122%
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. 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. Following Sciuker Frames Group FY21E-24E business plan release in October we confirm our 2021 estimates and we upward revised our projection for 2022E-2023E driven by i) higher synergies between Sciuker, GC Infissi and Ecospace; ii) new investments to expand production capacity and products line; iii) new strategic partnership through Sciuker Frames. In 2024 we cautiously assumed that the tax incentive will not be postponed. Therefore, we now project a 54.4% VoP CAGR (2020-2024E), to reach €128.3mln in 2024E from €107mln estimated in 2021E. As regard the marginality we now project an adjusted EBITDA margin around 24% vs previous considered at 23.2%. At the end We expected to end with a net cash of €70.8mln. We set our 12-month price target at €14/share, as the average of DCF and market multiple valuations. DCF is based on an estimated defensible perpetual yearly cash flow of €18.9mln, while market multiples are applied on a sustainable 2024 adjusted EBITDA of €29.7mln. 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 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

BUY

Target Price

14.0 €

Upside

112%

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Main Financials					
(€ mln)	2019	2020	2021E	2022E	2023E
Revenues	11,966	19,105	97,921	118,020	153,490
yoy change		59.7%	412.5%	20.5%	30.1%
Value of Production	11,905	22,598	107,113	129,583	170,105
yoy change		89.8%	374.0%	21.0%	31.3%
Adjusted EBITDA	2,565	5,982	25,884	27,754	24,716
yoy change		133.2%	332.7%	7.2%	-10.9%
margin (%)	17.7%	26.5%	24.2%	24.5%	24.2%
Adjusted EBIT	901	2,149	21,247	24,434	32,597
margin (%)	7.6%	9.5%	19.8%	18.9%	19.2%
EBT	522	3,840	20,865	24,084	32,371
margin (%)	4.4%	17.0%	19.5%	18.6%	19.0%
Net income	261	2,743	11,815	12,506	11,307
margin (%)	2.2%	14.4%	12.1%	10.6%	7.4%
Net Debt (cash)	7,648	3,398	(4,436)	(12,471)	(29,271)
Shareholders Equity	1,092	11,682	42,773	59,211	79,053
Operating Net Working Capital	4,980	1,637	27,849	36,283	54,433
Fixed assets	12,198	14,464	33,266	41,894	42,274
Net invested capital	15,931	15,080	38,337	46,740	49,782
Operating Free Cash Flow	1,962	3,111	17,150	20,778	26,730
Capex and acquisitions	(3,162)	(3,532)	(17,000)	(14,000)	(5,700)
Free Cash Flow	(694)	3,282	3,203	27,818	18,929

Solvability ratios					
	2019	2020	2021E	2022E	2023E
Net debt (cash) / EBITDA	3.0x	0.6x	-0.1x	-0.3x	-0.6x
Net debt (cash) / Equity	7.0x	0.3x	-0.1x	-0.2x	-0.4x
Net debt (cash) / Net Invested Capital	48.0%	22.5%	-11.6%	-26.7%	-58.8%

Source: Bloomberg, Banca Profilo estimates and elaborations

Company Description	
Company Sector	Fixture manufacturer
Price (€)	6.60
Number of shares ('000)	21,719
Market Cap (€mln)	73.0
Reference Index	FTSE AIM Italia
Main Shareholders	Marco Cipriano, Romina Cipriano
Main Shareholder stake	58%
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)	412.5%	20.5%
Adjusted EBITDA margin	24.2%	24.5%

Average data

Fixtures manufacturing: multiples of peers		
	2021E	2022E
EV / Sales	1.1x	1.1x
EV / EBITDA	7.5x	7.0x

Average data

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ADDITIONAL INFORMATION

THE BANK PROVIDES ALL OTHER ADDITIONAL INFORMATION, ACCORDING TO ARTICLE 114, PARAGRAPH 8 OF LEGISLATIVE DECREE 58/98 ("FINANCIAL DECREE") AND COMMISSION DELEGATED REGULATION (EU) 2016/958 AS OF 9 MARCH 2016 (THE "COMMISSION REGULATION") ON THE RELEVANT SECTION OF ITS WEBSITE (WWW.BANCAPROFILO.IT, IN THE SECTION "CLIENTI AZIENDALI E ISTITUZIONALI/ANALISI E RICERCA").