Banca Profilo

Company Update

Relentless Sciuker: significant cash-in to support further solid growth

SCIUKER FRAMES

April, 30th at 18:00

Strong growth in 2020: results above our estimates

Sciuker Frames reported 2020 results above our estimates: Value of Production jumped to €22.6mln from €11.9mln in 2019 (vs our projection at €19.3mln), boosted by Ecospace's orders for energy building requalification interventions supported by Ecobonus 110 tax incentives. Adjusted EBITDA (netted by the cost of credit sold) improved to €6mln from €2.6mln in 2019 (vs our forecast at €5.6mln) with a margin of 26.5%. Results were robust even in terms of Net income, which rose from €0.3mln to €2.7mln leaving some space for dividends distribution. DPS has been set at €0.37/share for a total cash out of €4mln.

Likelihood of Eco110 extension until 2023

The Eco110 will keep playing a key driver in the Construction industry as it fosters the demand for energy-saving real estate restructuring. €18.6bn have been allocated by the Italian Government for energy renovation intervention until 2022. At the end of April, in the "Piano Nazionale per la Ripresa e Resilienza (Pnnr)" the 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 started renovation interventions through the Eco110. An extension of Eco110 over 2022, including also residential buildings, is likely, addressing financial sources in the new budget Law 2022. It is considered a key measure to reduce CO_2 emission as agreed within the European Union. Residential buildings are, in fact, responsible for most of CO_2 emission in cities. In our projections, we assumed a 50% chance for the extension of Eco110 over 2022.

Upward revision of our 2021-2022 estimates and setting a defensible 2023E

We raised our 2021-2023 estimates following: i) GC Infissi acquisition and integration of PVC windows as a new business line; ii) a revised Company guidance above our forecast (ex GC Infissi); iii) Ecospace revenues and orders intake in the first two months of 2021 already at 70% of our full-year projections; iv) Sciuker Frames new strategic partnerships with Enel X and Abitare In. In 2023E, we assumed a 50% chance of Eco110 extension over 2022, including half of Ecospace's 2022 orders intake. Furthermore, we estimated revenue growth driven by the synergies coming from the integration of GC Infissi. We now project a 72% Value of Production CAGR 2020-2023E, which compares to our previous 34%, with a peak at €118mln in 2022E and a sustainable level of €109mln in 2023E (vs previous €46mln). In terms of adjusted EBITDA, we expect a decrease to 23% (vs previous 27%), mainly due to a dilutive effect brought by GC Infissi. Finally, we estimate unlevered FCFs at €32.1mln in 2021E-2023E with an annual average at €10.7mln (vs previous €26mln and €8.7mln respectively), but a defensible level of €9.5mln from 2023 onward given our 50% chance of Eco110 postponement over 2022.

Valuation updated: fully diluted Price target at €9.5; BUY

Given the warrant deeply in the money, in our valuation update we include the exercise of all warrants. Therefore, we now estimate 21.8mln of shares (previous at 10.9mln) and a cash-in of €20.3mln at the end of May.

In such a fully diluted scenario, we set our 12-month price target at €9.5/share, as the average of DCF and market multiple valuations. DCF is based on an estimated defensible perpetual yearly cash flow of €9.5mln, while market multiples are applied on a sustainable 2023 adjusted EBITDA of €24.7mln. Given the significant potential upside on Sciuker's current price, we confirm our BUY recommendation.

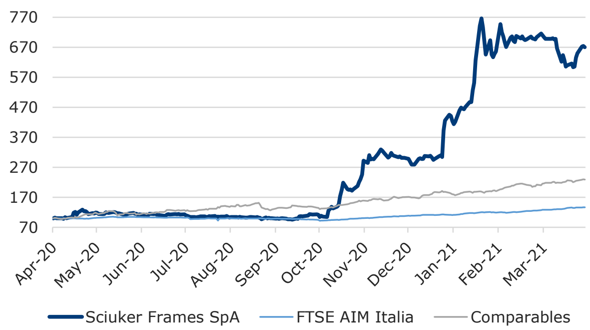
Potential main risks to our estimates are: on the downside, any negative changes of Eco110 current law assumptions; on the upside, a structured business plan to include the use of fresh cash for further solid growth and improving profitability.

Target Price €9.5 (fully-diluted)	**from €9.00**		
Recommendation	**BUY**	**from**	**BUY**
Price as of April 28th			6.64
Number of shares (mln)			10.9
Market capitalization (€mln)			73.0
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**	**93.6**	**102.9**	**96.3**
yoy change	*59.7%*	*389.8%*	*295.9%*	*-6.4%*
VoP	**22.6**	**107.2**	**117.9**	**109.5**
yoy change	*89.8%*	*374.6*	*10.0%*	*-7.2%*
EBITDA adj.	**6.0**	**25.0**	**27.7**	**24.7**
margin	*26.5%*	*23.3%*	*23.5%*	*22.6%*
EBIT adj.	**2.1**	**21.5**	**22.7**	**18.9**
margin	*9.5%*	*20.0%*	*19.3%*	*17.3%*
Net income	**2.7**	**11.8**	**12.5**	**11.3**
margin	*12.1%*	*11.0%*	*10.6%*	*10.3%*
NIC	15.1	20.8	23.4	26.5
Net debt (cash)	**3.4**	**(19.4)**	**(29.4)**	**(36.5)**
Equity	11.7	40.2	52.8	63.0
FCF	3.3	10.9	11.7	9.5

Source: Banca Profilo estimates and elaborations, Company data.

1Y Normalized Performance



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Executive summary

Sciuker Frames in a nutshell: key investment drivers

2020: VoP jumped to €22.6mln with adj EBITDA margin at 26.5% driven by Ecospace

Despite Covid-19 outbreak, Sciuker Group reported strong growth mainly driven by Ecobonus 110%. In 2020, Value of Production rose to €22.6mln (+90% yoy), €13.7mln deriving from Sciuker Frames and €10.8mln from Ecospace.
In the past three years Sciuker showed revenue CAGR18-20 at 43.8%.
In 2020, EBITDA improved to €7.7mln from previous €2.6mln, with a margin increasing at 34% from previous 21.5%. However, to have a better representation of the Group's margin, EBITDA is adjusted at €6mln, netted by the cost of credit sold to be included among financial expenses. Sciuker Frames contributed with an EBITDA adjusted of €3.1mln (+22% yoy) while the general contractor Ecospace reported an EBITDA adjusted at €2.9mln.
Thus, the Group EBITDA adjusted margin stood at 26.5%.

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

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 more than €18bn allocated by previous 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 (Pnnr)" 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.

Ecospace accelerating orders intake drives Group revenue and marginality in 2021-2023E

In the first two months of activity and thanks to the Eco110 fiscal incentive, Ecospace reached an order backlog of €38.7mln, that already represents the 70% of our old FY21 estimates and the 64.5% of Company's FY21 outlook; ii) Ecospace revenues already stood at €59.1mln (€58.9mln our estimate for the entire FY21), given by the €20.4mln from the FY20 and the new orders.
We therefore revised upwards our estimates about Ecospace order.
In 2021E and 2022E 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 2022. In 2023E we assumed a 50% chance of the Eco110 postponement to 2023 and, therefore, a half of Ecospace's orders intake compared to 2022 to take in consideration the chance of Eco110 extension.

GC Infissi acquisition: product diversification through M&A.
In 2021-2023 we project additional revenue of €42mln coming from GC

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 doors. Since 2017 GC has expanded its activity to aluminium windows. Thanks to a production space of 20k square meters, GC Infissi can produce up to 150 units per day. GC Infissi FY20 preliminary results showed €8.9mln of revenues (-12% yoy), €0.1mln of EBITDA (-67% yoy) and a Net Debt of €1.5mln (vs €1.1mln at the end of 2019). The decrease in revenues and margin was mainly due to the stop of production during the lockdown. Thanks to the synergies between GC and Sciuker Frames, the Company expects GC Infissi turnover to reach €13.4mln with €1mln of EBITDA in 2021 and a medium-term target at €25mln with EBITDA margin at 15% leveraging both on Sciuker's distribution network and orders intake by Ecospace. In order to acquire the 63.5% of GC Infissi, Sciuker Frames will mainly use the financial resources deriving from the warrant exercise in May, paying €2mln of cash plus 50.000 of Sciuker's shares on 15th January 2026. In addition, if Sciuker shares have a value below €10 on January 1st, 2026, the Group will pay the difference to the vendors. Current GC Infissi CEO, S. Campo, will keep leading the Company. Thanks to this acquisition Sciuker will consolidate its market leadership and it will expand its offering through PVC and aluminium windows and frames. This is an opportunity to take new market shares in the windows Industry. In the past years, the PVC was characterized by a positive path and it represents the product most sold in the windows and frames segment, together with aluminium. Moreover, both Companies could benefit of economies of scale in terms of cost saving and stronger relationship with suppliers. In our 2021-2023 projections we assumed an 80% chance to reach GC announced targets.

Strategic partnerships as growth booster
In 2021-2023 we project additional revenue of €30mln coming from strategic agreements

During the first month of 2021, Sciuker Frames signed two important agreements that will boost Company's growth in the following years:
i) Sciuker Frames announces a strategic partnership with AbitareIn for the supply of windows and frames for its projects pipeline. The agreement could affect, over the next 5 years, residential building interventions for a total of over 2.500 units divided into several projects located in different areas in Milan. This strategic partnership enables Sciuker Frames to consolidate its directional segment and to improve the functionality of the windows supplied and installed by integrating the techniques adopted by AbitareIn. This partnership could contribute with over €50mln of revenues in the directional segment for the next 5 years. In our 2021-2023 projections we assumed €18mln revenue increase coming from this agreement;
ii) Sciuker Frames signed an important agreement with Enel X for the supply and installation of windows and doors as part of Enel X's "Vivi Meglio Unifamiliare" offer. The offer covers technological works (heat pumps, photovoltaics, electric charging stations, etc.) and windows, for owners of detached or semi-detached houses who want to make their homes more efficient by leveraging on the legislation set out in Italy's the so-called "Superbonus 110%". Customers will not have to pay for the work in advance thanks to the tax credit transfer, and with Enel X, there will be no extra costs for the initial inspection and preparation of the Energy Performance Certificate. Enel X sells the "Vivi Meglio Unifamiliare" offer and acts as the General Contractor. By adopting a standardized approach, it is possible to complete the technology and fixtures work in an average of just seven days after the goods are received by the contractors working on the site. Just two weeks after the start of the collaboration with Enel X, Sciuker Frames has already received more than 50 orders for a total amount of over €1.5mln. In our 2021-2023 projections we assumed €12mln additional revenue coming from this agreement.

Main corporate strategies and 2021E-2023E estimates

Revenues CAGR18-20 at 43.8%.

In the past three years Sciuker showed constant revenue growth; CAGR18-20 is 43.8%.

2021 Company guidance above our expectation: VoP at €100mln (ex GC Infissi)

In April, the Company released a new guidance on FY21 (pre GC Infissi acquisition): Group Value of Production at €100mln from the previous €22.6mln in FY20 and adjusted EBITDA margin at 25%, lower than 26.5% in 2020 due to higher contribution from Ecospace, which means higher cost of credit sold. FY21 Company outlook will be driven by Group organic growth thanks to strategic partnerships, new investments and M&A transaction and Ecospace contribution.
As regards to Ecospace the Group announced: i) orders at €38.7mln, representing 64.5% of Company's FY21 outlook and ii) revenues at €59.1mln, including €20.4mln from FY20 backlog.
In addition, the Group projected GC Infissi medium-term turnover target of €25mln with EBITDA margin at 15% leveraging on Sciuker's distribution network and Ecospace's orders intake.

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;
- external growth through M&A to complete Sciuker windows and frames offer in order to support the Group to reach 25% EBITDA margin and €50mln of revenues at the end of 2023E;
- Ecospace as a booster to Group revenues in the following years. At the end of 2020, Ecospace signed 20 contracts as General Contractor to energy efficiency interventions that will benefit of 110% Superbonus tax credit. As today, Sciuker Ecospace's portfolio orders amounts €31.2mln contributing with €10.8mln to Group's revenues;
- 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.

Raising estimates on 2021-2022 and setting a defensible 2023E

2021E VoP at €107.2mln from previously seen at €78mln

EBITDA margin adjusted in the 2021-2023E at 23% from the

Following i) GC Infissi acquisition with the introduction of PVC windows as new business line; ii) Sciuker Group outlook released above our estimates (ex GC Infissi consolidation); iii) Ecospace revenues and order backlog in the first two months of activity already represented the 70% of our estimates and the 64.5% of their guidance; iv) new strategic partnerships through Sciuker, we increased our forecasts on 2021-2023. In our 2023 estimates we project Ecospace's revenues including only half of its backlog order at 2022E to take in consideration the possibility of law extension. We estimate a potential growth overall the Group mainly driven by the synergies between the companies. We now project a 72% Value of Production CAGR (2020-2023E), which compares to our previous 34%, with a peak at €118mln in 2022E and a sustainable level of €109mln in 2023E (vs previous €46mln). In terms of *previous 27% due to GC Infissi dilution effect*

€32.1mln cumulated FCF (from €26mln)

EBITDA margin adjusted, we expect a decrease at 23% during the period (previous seen around 27%), mainly due to a dilution effect deriving from GC Infissi. Finally, we estimate unlevered FCFs at €32.1mln in 2021E-2023E with an annual average at €10.7mln (previously seen at €26mln and €8.7mln respectively), but a defensible level of €9.5mln from 2023 onward to take in consideration the chance of Eco110% extension until 2023

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 7.3x

Within this Sector we analyzed Deceuninck NV (Belgium), Inwido AB (Sweden), Eurocell Plc (UK), SafeStyle Plc (UK), Apogee Enterprises (USA), Pgt innovations (USA).
Our sample of similar players active in the larger Fixtures Manufacturing industry, shows an average EV/EBITDA 2021E-2022E of 7.3x.

DCF assumptions

To run a DCF model, we use our projections of unlevered FCFs for the 2021E-2023E explicit period: €32.1mln cumulated and €10.7mln as yearly average (vs previous €26mln and €8.7mln respectively).

To assess the Terminal Value, we used what we consider a perpetually sustainable free cash flow at €9.5mln (vs our previous €5.7mln), which includes a 50% chance of Eco110 law extension over 2022. Finally, we assumed 2% perpetual growth rate (unchanged vs our previous expectations) and a WACC of 6.7%.

DCF valuation: fully diluted fair value at €9.91/share

The DCF method leads us to an Enterprise Value of €197mln (vs our previous €114.1mln) and to an Equity Value of €216.7mln (from previous €117mln) showing a fair value of €9.91/share (vs previous €10.37/share).
Given the fully diluted scenario, the fair value decreased for the doubling number of shares from 10.9mln to 21.8mln. Moreover, in the DCF we include net cash at the end of 2021E at €19.4mln.

Market multiples valuation: fully diluted €9.11/share

Our relative valuation is based on peers' average EV/EBITDA 2021E-2022E at 7.3x. 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 a 50% chance of Eco110 postponement over 2022. This leads to an Equity Value of €199.1mln (vs previous €84.3mln) or €9.11/share (vs previous before €€7.7/share). In our previous update (19th January 2021) the EV/EBITDA 2021E stood at 7.5x.
Moreover, we assume the conversion of all warrants, thus we use i) the estimated net cash at the end of 2021 of €19.4mln; ii) the new number of shares at 21.8mln from previous 10.9mln.

Fully-diluted TP at €9.5/share (from previous non-diluted TP at €9.0); BUY confirmed

We set our 12-month Target Price at €9.5/share in our fully-dilution scenario, as the average of DCF and market multiple valuations. Given the significant potential upside on Sciuker's closing price (as of 27th April 2021), we confirm our BUY recommendation.

Major announcement and key risks

Major 2021 announcements: i) new strategic partnerships; ii) introduction of new business line through GC Infissi; iii) financing strengthening;

Major 2021 announcements are:

1. In the first two months of 2021, Ecospace already reached its backlog target of €15mln per quarter. At the beginning of March the Company registered €38.7mln of orders and €59.1mln of revenues, including €20.4mln from the previous year;
2. Sciuker Frames sold 2,000,000 warrants to selected investors for a total cash in of €6.7mln. Main shareholders will use the cash in to finance the capital increase through their warrants subscription in May;
3. The Group, due to the increase of its marginality and free cash flow decided to turn down the investment agreement with Atlas Special Opportunities, which set the option of issuing convertible bonds up to €5mln by August 1 2023;
4. Sciuker frames announced the acquisition of GC Infissi to expand its offer with PVC windows and frames business line;
5. Sciuker signed a strategic partnership with AbitareIn for the supply of windows and frames for its current projects' pipeline. This partnership could contribute with over €50mln of revenues in the next 5 years;
6. Sciuker Frames signed an important agreement with Enel X for the supply and installation of windows and doors as part of Enel X's "Vivi Meglio Unifamiliare" offer. Just two weeks after the start of the collaboration with Enel X, Sciuker Frames has already received more than 50 orders for a total amount of over €1.5mln;
7. Sciuker Frames, through its subsidiary Ecospace, has signed a strategic partnership with Banca Monte dei Paschi di Siena for the transfer of €50mln of tax credits generated from the energy efficiency interventions under the legislation Ecobonus 110%. Thanks to this partnership Sciuker Ecospace will increase to €100mln the ability to transfer its tax credit, improving also the marginality on the energy efficiency interventions;
8. Sciuker Frames re-opened its collaboration with its Chinese partner Wind Constructions Building materials, presenting Sciuker's collections at the international fair of building and construction in Shanghai in March.

Key downside risks to our revised estimates are:

- cost management and net working capital issues in a scenario of significant and fastly accelerating growth;
- higher than projected negative impact of Covid-19;
- rising competition;
- any change in the Eco110 law, including the lack of a formal approval by the European Commission for its extension to the end of 2022;

Key upside risks to our revised estimates are:

- the extension of Eco110 to the end of 2023

SWOT analysis

STRENGTHS	WEAKNESSES
• 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	• 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
• 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	• 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

2020 Industry update

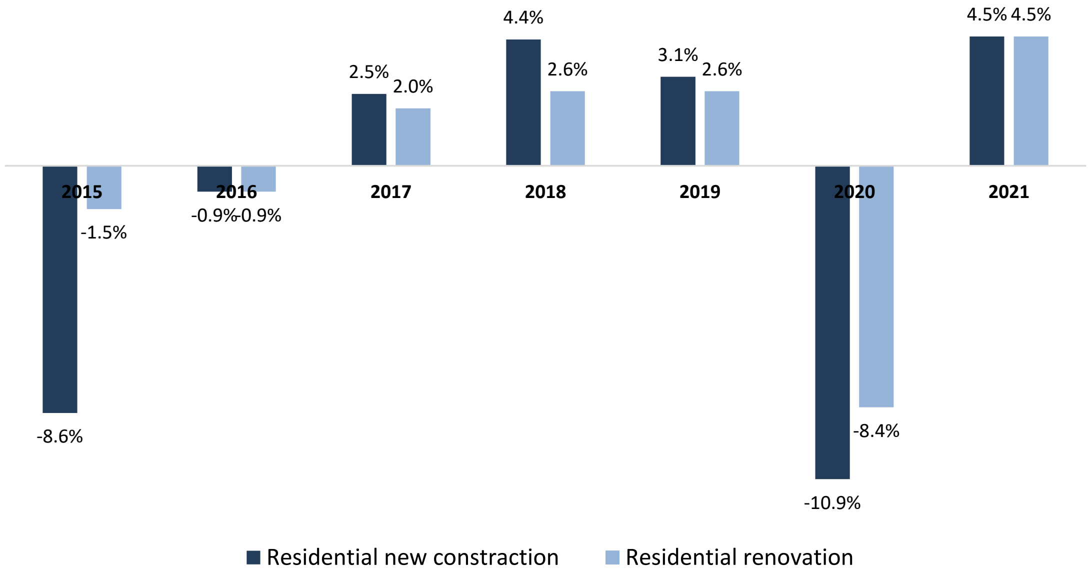
Building and construction industry expected to recover in 2021 after a slowdown in the 2020 due to Covid-19

Covid-19 pandemic had a severe impact on the building and construction industry in 2020, halting the recovery path since 2017. In the 2020 the construction sector registered a 6.5% slowdown, showing a better scenario than expected in the 1H forecasts. In 2021 an industry rebound of +3.6% yoy is expected.

In 2020 the construction segment was worth €102.3bn, including €58.9bn deriving from the residential construction, which generated €2.6bn of windows and frames.

Investments in residential new buildings are estimated to decrease by 10.9% yoy in 2020 with a rebound in 2021 at +4.5% yoy while the renovation interventions are estimated at respectively -8.4% yoy and +4.5% yoy.

Figure 1: Investments in residential buildings

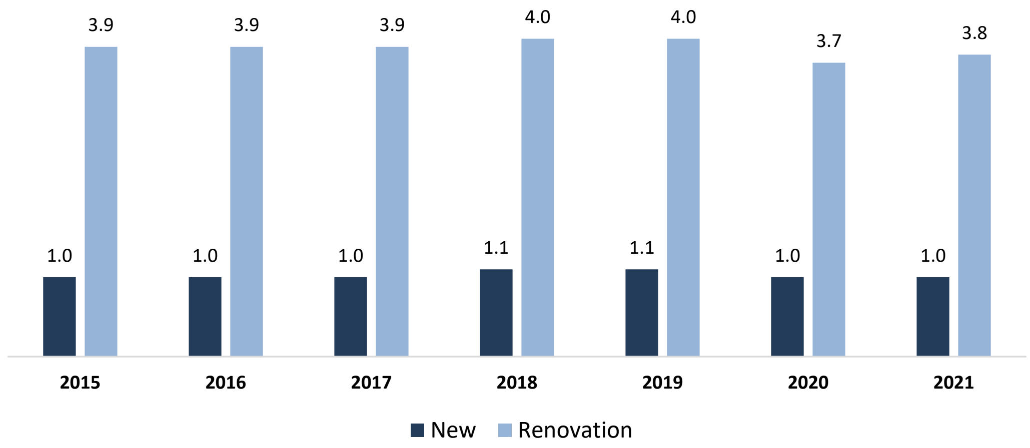


Source: UNICMI

The renovation as main growth driver for windows and frames demand in residential buildings

As regards to windows and frames segment, in 2020 a 7.7% contraction is estimated while a 3.9% yoy recovery is projected in 2021. The residential building windows and frames were worth €2.6bn 2020 and they are seen at €2.7bn in 2021. Main growth driver is energy requalification which includes 3.7mln unit of new windows and frames in 2020. This number is expected to increase to 3.8mln in 2021.

Figure 2: Investments in residential buildings (mln units)

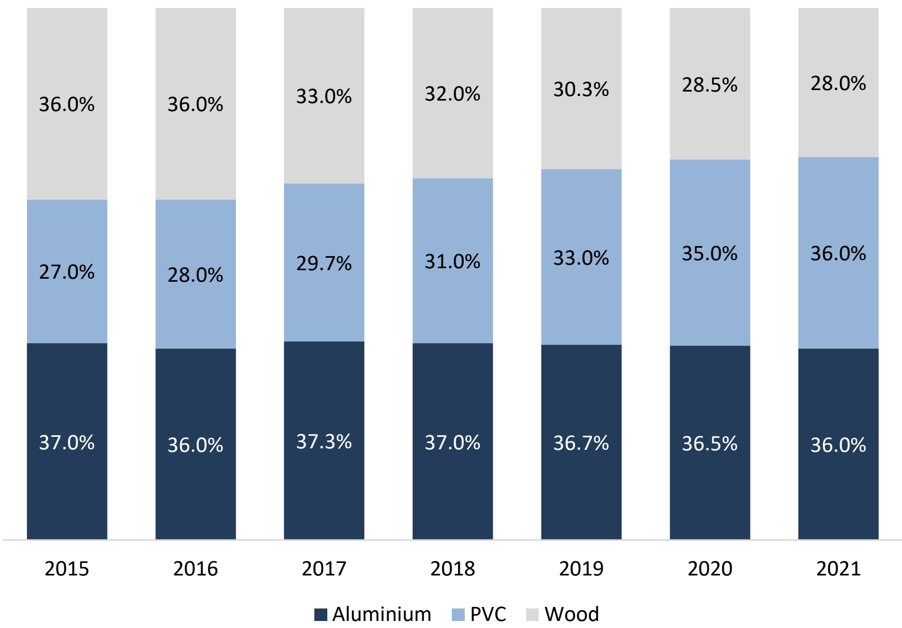


Source: UNICMI

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

The aluminium windows and frames market segment represents the 36.5% of the industry and it is worth €4.4bn, followed by PVC with 35% market share and strong growth in the last two years. Wooden windows represent 28.5% of the industry. In terms of units, PVC windows are market leader with 41% share, 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 3: windows and frames Italian market share per type



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%. However, due to the economic uncertainty, consumers will continue to prefer mid-range products with a good relationship between price and insulation performance.

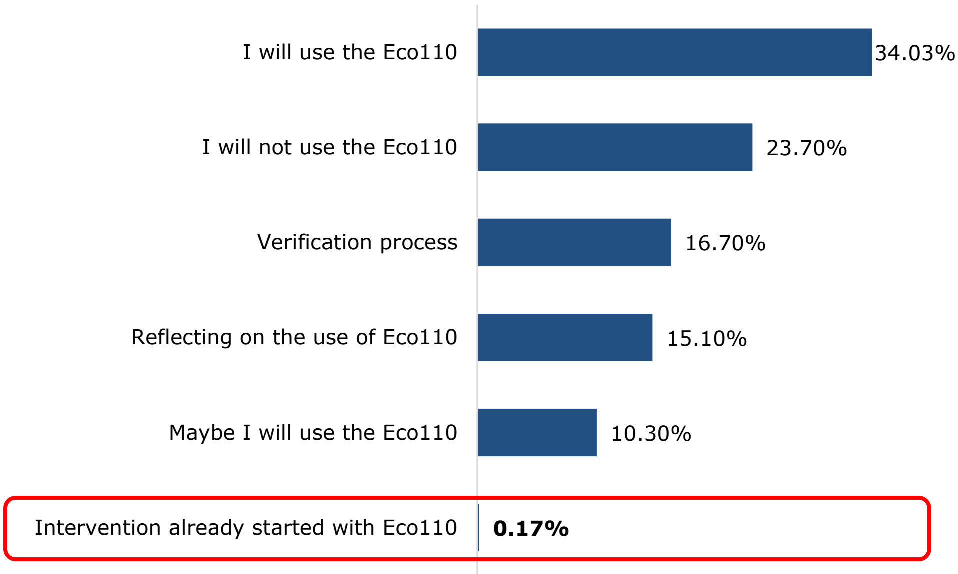
Only the 0.17% of renovation intervention started with the Eco110

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 (Pnnr)" 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 4: Use of Ecobonus 110%

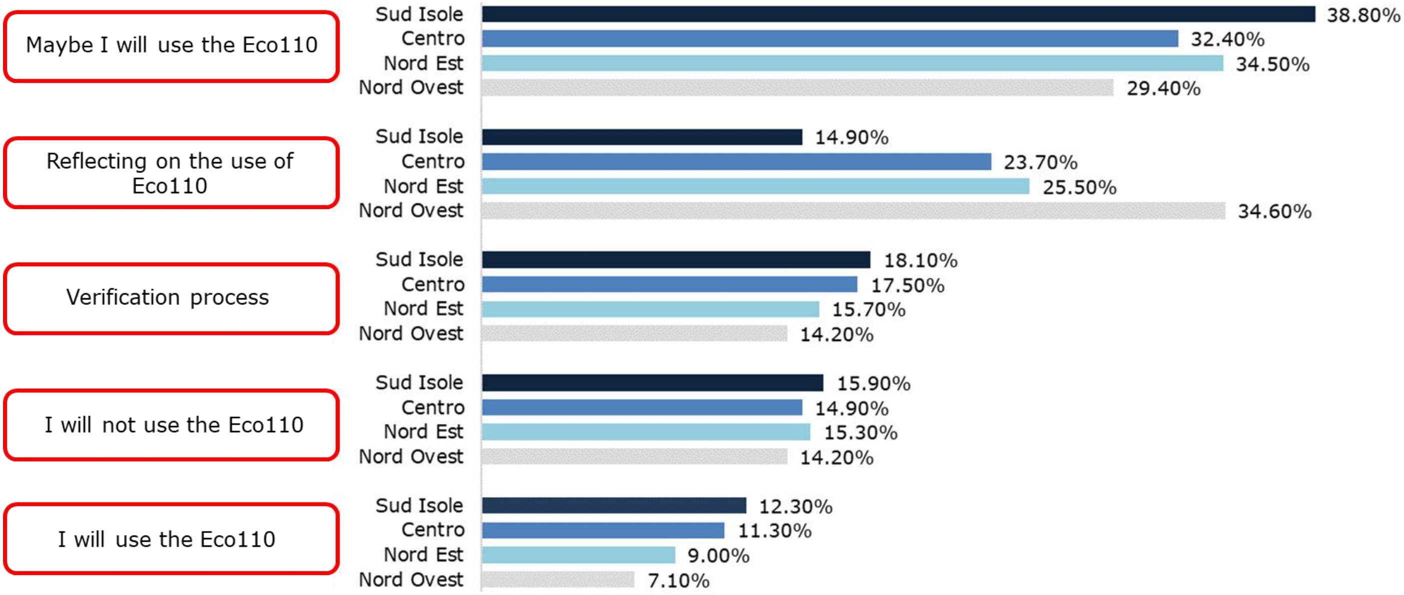


Source: Mikaline reasearch

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 5: 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%.

Sciuker sustainability

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

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.

#Sciukerforplanet project

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.

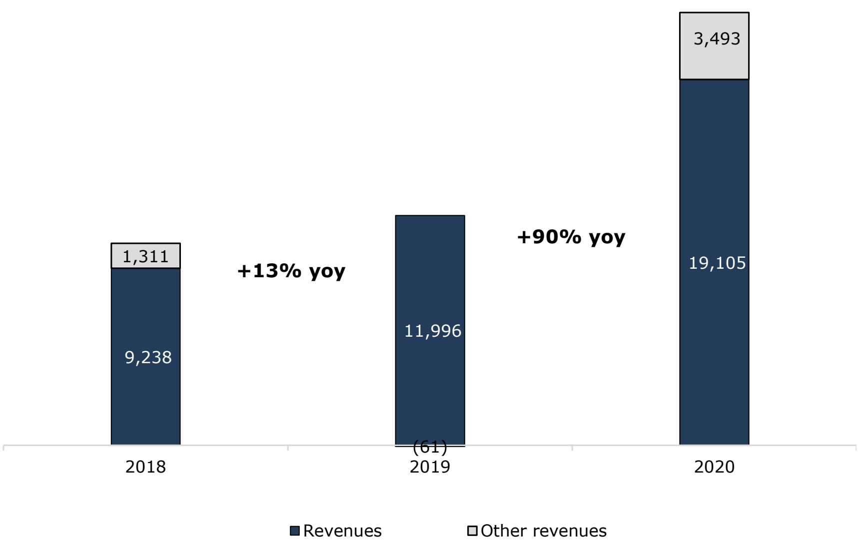
Historical operating and financial performance

Main operating and financial data

2018-2020: 43.8% revenue CAGR

Despite Covid-19 outbreak, Sciuker Group reported strong growth mainly driven by Ecobonus 110%. In 2020, Value of Production rose to €22.6mln (+90% yoy), €13.7mln deriving from Sciuker Frames and €10.8mln from Ecospace. In 2020 there was an increase in Other revenues deriving from Ecobonus 110%. In details, the 10% of Ecospace sales coming from renovation project with Ecobonus 110% netted by VAT tax are included into Other revenues. These revenues are then adjusted for 1/11 to provision for risk whereas, 11/12 to financial expenses as they represent a cost during the current year.
In the past three years Sciuker showed revenue CAGR18-20 at 43.8%.

Figure 6: Sciuker Frames revenue 2018-2020

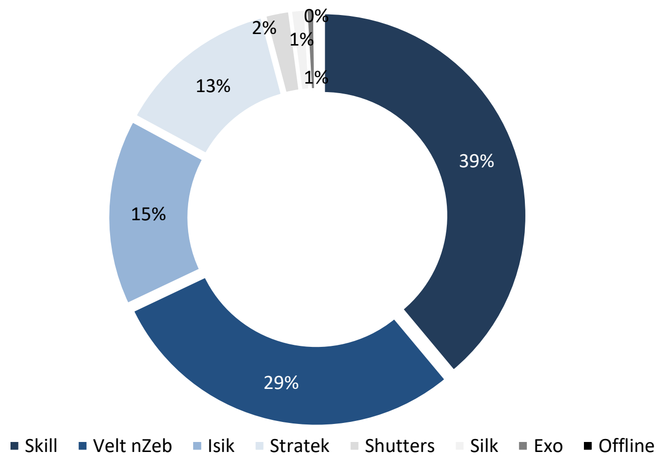


Source: Banca Profilo elaborations on Company data

The new line Velt nZeb as revenues driver

In 2020, the turnover increase was mainly driven by Skill segment (reaching the 39% of revenues) and by the new line introduced in the 2020 Velt nZeb with the 29% 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 7: Revenue breakdown 2020 by segment

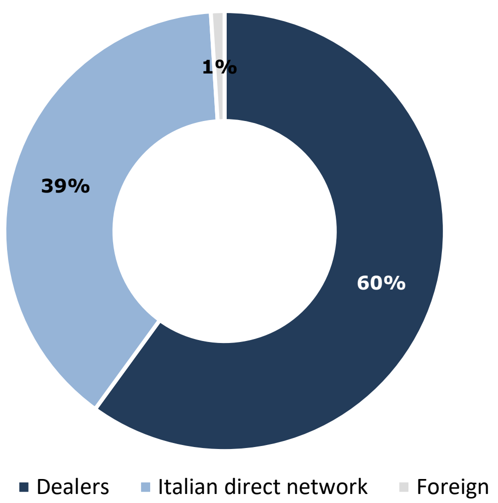


Source: Banca Profilo elaborations on Company data

2020: Italy accounting for most of sales. Retail growth driven by "Decreto Crescita"

Italian market accounted for most of sales in 2020.
Starting from June 2020, retail turnover increased thanks to change in marketing policy focused on "Decreto Crescita", whereas the dealer segment accounted for 60% of revenues, in line with 2019 (57%).

Figure 8: FY20 revenues breakdown by sales channel



Source: Banca Profilo elaborations on Company data

Ecospace revenue contribution at €10.8mln in 2020

At the end of 2020, Ecospace order backlog stood at €31.2mln; it contributed to Group revenues with €10.8mln, while the remaining €20.4mln will be attributed to FY21.

Figure 9: Ecospace revenue contribution to Sciuker Frames Group

	2020	2021
Ecospace backlog	€31.2mln	
Ecospace revenues	€10.8mln	€20.4mln

Source: Banca Profilo elaborations and estimates on Company data

Cost structure: 91% variables, of which more than 50% are service costs

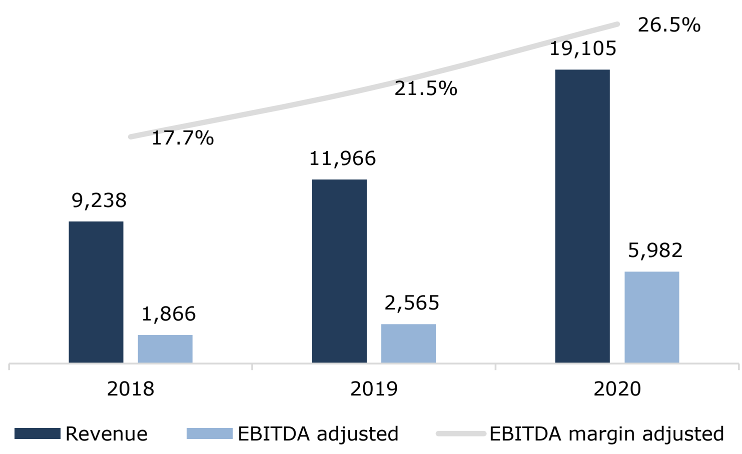
Analysing the Group cost structure, in 2020 variable costs accounted for the 91% of total cost base. Among variable expenses, raw materials stood at 49% and services (commercial and industrial services) at 51%. Raw materials costs mainly deriving from Sciuker Frames business, on the other hand the services costs are attributable to Ecospace.

EBITDA adjusted margin at 26.5%

In 2020, EBITDA improved to €7.7mln from previous €2.6mln, with a margin increasing at 34% from previous 21.5%. However, to have a better representation of the Group's margin, EBITDA is adjusted at €6mln, netted by the cost of credit sold to be included among financial expenses. Sciuker Frames contributed with an EBITDA adjusted of €3.1mln (+22% yoy) while the general contractor Ecospace reported an EBITDA adjusted at €2.9mln.
Thus, the Group EBITDA adjusted margin stood at 26.5%.

Figure 10: Sciuker revenue and margins 2018-2020

(€/000 and %)



Source: Banca Profilo elaborations and estimates on Company data

Net income up to €2.7mln (€0.3mln in 2019) leading to dividend distribution

In 2020, Group's net income was €2.7mln, including €1.6mln as D&A, €2.2mln as provisions and a 28.5% tax rate.
Following the net income increase, Sciuker decided to distribute a dividend of €0.37 per share for a total cash out of €4.04mln. The payment will be on 3rd May 2021.

Table 1: Sciuker Profit & Loss 2018-2020

Profit & Loss (€/000)		2018	2019	2020
Revenues		**9,238**	**11,966**	**19,105**
	yoy	*-5.8%*	*29.5%*	*59.7%*
Others		1,311	(61)	3,493
Change in inventories		(680)	(560)	1,906
	% on VoP	*-6%*	*-5%*	*8%*
Others		1,991	499	1,587
	% on VoP	*19%*	*4%*	*7%*
Value of production		**10,549**	**11,905**	**22,598**
	yoy	*-4.6%*	*12.9%*	*89.8%*
Raw materials		(2,135)	(2,406)	(5,141)
	% on VoP	*-20%*	*-20%*	*-23%*
Labour costs		(532)	(588)	(529)
Service costs		(5,536)	(5,943)	(8,784)
Leases and rentals		(202)	(192)	(110)
Other operating costs		(279)	(210)	(352)
EBITDA		**1,866**	**2,565**	**7,682**
	margin	*17.7%*	*21.5%*	*34.0%*
Cost of fiscal credit sold				(1,700)
EBITDA Adjusted				**5,982**
	margin			*26.5%*
D&A		(967)	(1,322)	(1,607)
Provision for risks		(109)	(341)	(2,226)
EBIT		**791**	**901**	**3,849**
	margin	*7.5%*	*7.6%*	*17.0%*
Net financial expenses		(295)	(379)	(10)
EBT		**496**	**522**	**3,839**
Taxes		(363)	(261)	(1,096)
	tax rate	*73.1%*	*50.0%*	*28.5%*
Net profit		**133**	**261**	**2,743**
	margin	*1.3%*	*2.2%*	*12.1%*

Source: Banca Profilo elaborations and estimates on Company data

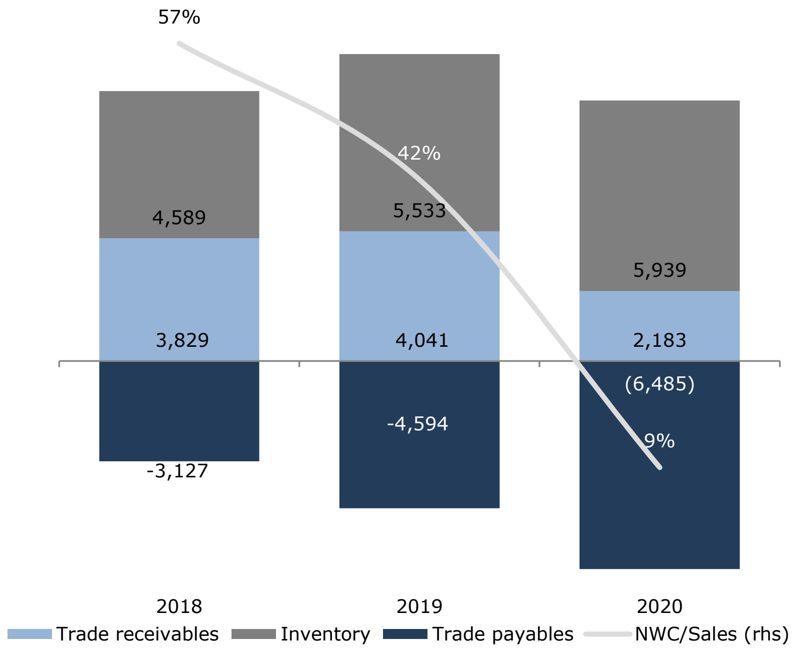
Balance Sheet: new investments to expand the production plant

On the Balance Sheet side, at the end of 2020, the Group had €14.5mln of Fixed assets, increasing from €12.2mln seen at the end of 2019 following €3.1mln investments in tangible assets referred to the expansion of the production plant and investments in Industry 4.0 supported by Mi.S.E.

NWC optimization thanks to a leaner structure in Ecospace

Net Working Capital decreased to €2.0mln (-58% yoy) thanks to a leaner structure and cycle in Ecospace that has no stock piling, higher receivables but also significant payables towards its subcontractors.

Figure 11: Sciuker operating net working capital 2018-2020 (€/000 and %)

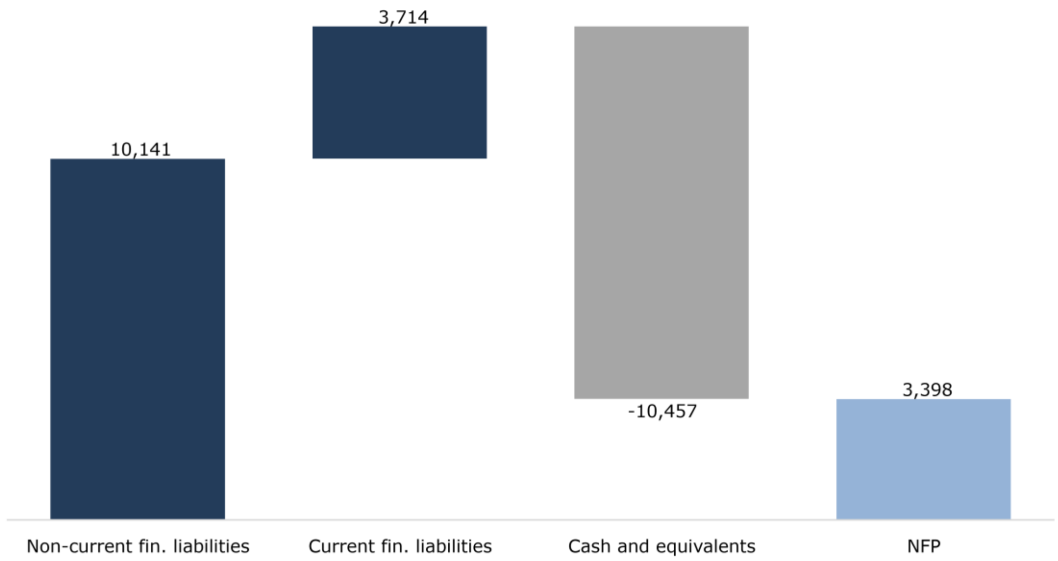


Source: Banca Profilo elaborations and estimates on Company data

Net debt down to €3.4mln thanks to a quicker NWC turnover in Ecospace

At the end of December 2020, net debt decreased to €3.4mln, from €7.6mln a year earlier, mainly thanks to Ecospace contribution with a quicker Net Working Capital turnover.
Credit lines were also used to finance investments in Industry 4.0.

Figure 12: 2020 Sciuker net financial position (€/000)



Source: Banca Profilo elaborations and estimates on Company data

Table 2: Sciuker Balance Sheet 2018-2020

Balance Sheet (€/000)	2018	2019	2020
Stock	4,589	5,533	5,939
Accounts receivables	3,829	4,041	2,183
Accounts payables	(3,127)	(4,594)	(6,485)
Operating Net Working Capital	**5,291**	**4,980**	**1,637**
Other current assets & liabilities	(1,224)	(158)	387
Net Working Capital	**4,067**	**4,822**	**2,024**
Intangibles	1,568	1,130	1,223
Materials	8,631	11,051	13,238
Financials	17	17	3
Fixed assets	**10,215**	**12,198**	**14,464**
Funds	(387)	(582)	(942)
Other non current assets & liabilities	(897)	(507)	(466)
Net Invested Capital	**12,998**	**15,931**	**15,080**
Equity	**7,671**	**8,283**	**11,682**
Share capital	1,092	1,092	1,092
Reserves	4,461	4,848	5,508
Accumulated profit/loss	1,984	2,081	2,339
Net profit	133	261	2,743
Net debt (cash)	**5,328**	**7,648**	**3,398**
Liabilities	**12,998**	**15,931**	**15,080**

Source: Banca Profilo elaborations on Company data

Free Cash Clow improved from -€0.7mln in 2019 to +€3.5mln in 2020

In 2020, Free Cash Flow improved to €3.5mln from -€0.7mln in 2019 thanks to higher EBIT, €3.1mln of cash generation from operating NWC and €3.5mln of capex cash absorption.

Table 3: Sciuker Free Cash Flow 2017-2020

Cash flow (€/000)	2017	2018	2019	2020
EBIT Adjusted	1,277	791	901	2,149
taxes	(395)	(363)	(261)	(645)
NOPAT	**882**	**428**	**640**	**1,504**
D&A	1,025	967	1,322	1,607
Operating cash flow	**1,907**	**1,395**	**1,962**	**3,111**
Operating Net Working Capital change	(1,946)	(3,551)	311	3,343
Other funds	(32)	21	195	360
Capex	(1,691)	(429)	(3,162)	(3,532)
FCF	**(1,763)**	**(2,564)**	**(694)**	**3,282**

Source: Banca Profilo elaborations and estimates on Company data

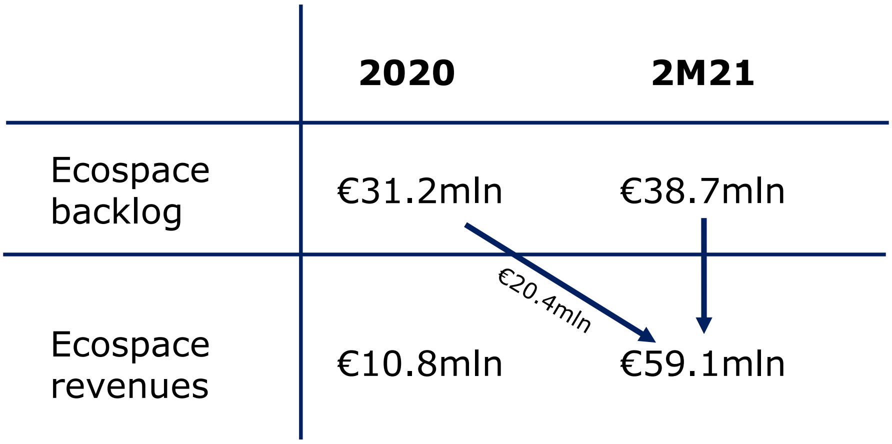
Raising 2021 estimate following Sciuker guidance update

Main operating and financial data

2021E estimates revised upwards on Ecospace strong orders intake

Following Sciuker Frames Group outlook release in April, including a revenue target in 2021E and Ecospace order backlog (both above our estimates) and the consolidation of GC Infissi, we revised upwards our projections in 2021 and forward.
More in details, as regards Ecospace, at the beginning of March, the Group announced that: i) Ecospace had reached orders for €38.7mln, that already represents the 70% of our old FY21 estimates and the 64.5% of Company's FY21 outlook; ii) Ecospace revenues already stood at €59.1mln (€58.9mln our estimate for the entire FY21), given by the €20.4mln from the FY20 and the new orders.

Figure 13: Ecospace revenue contribution to Sciuker Frames Group as announced by the Company



Source: Banca Profilo elaborations and estimates on Company data

2021 Group guidance: strong growth driven by Ecospace; VoP at €100mln

In April, Sciuker released its guidance on 2021:

- it expects Group Value of Production at €100mln before GC Infissi acquisition from previous €22.6mln;
- it projects a 25% adjusted EBITDA margin, slightly below 2020 due to higher contribution from Ecospace, which means higher cost of credit sold;

The FY21 Company outlook will be driven by Group organic growth thanks to strategic partnerships, new investments, M&A transaction and Ecospace activity.

2021E VoP now seen at €107.2mln mainly driven by Ecospace

We therefore raised our estimates on 2021 following: i) Group guidance upward revision; ii) Ecospace first months' backlog well above our expectations; and iii) the integration of GC Infissi.
We now see Value of Production at €107.2mln up from €22.6mln in 2019 and from our previous estimate at €78.1mln.
We assume:

- €30mln Sciuker Frames up from €11.9 in 2019, mainly driven by the synergies with Ecospace, new strategic partnership with Enel X and the agreement with AbitareIn that will boost the directional segment;
- €80mln Ecospace, including €20.4mln deriving from the 2020 backlog and 70% of SAL related to FY21 projected orders at €85mln;
- €11mln from GC Infissi (+20.3% yoy), returning at pre-covid levels;
- €14mln of infra-group revenues, estimated as the windows and frames sold through Ecospace assumed at some 20% of Ecospace turnover.

We thus raised our projection on 2021 EBITDA from €27.4mln to €35.2mln, yet with

Adjusted EBITDA margin seen at 23% for GC Infissi consolidation and dilution

la lower margin due to GC Infissi consolidation, which shows a lower EBITDA margin compared to Sciuker Frames and Ecospace. We now forecast a 32.7% EBITDA margin from our previous estimate at 35.1% (vs 34% in 2020).

To give a better representation of Company marginality we netted the EBITDA by €10.0mln as cost of fiscal credit sold and we end up with an EBITDA adjusted at €25.0mln with a margin at 23.3%, slightly below the 26.5% in 2020 due to GC Infissi consolidation and dilution (estimated EBITDA margin around 8% in 2021).

In 2021, we expect net financial expensed to reach €10mln linked to the fiscal assets set by the Italian Government in the Ecobonus 110% mechanism. Finally Net income should come out at €12mln, higher than our previous forecast at €8mln.

Table 4: Sciuker main changes in 2021E Profit and Loss estimates

Profit & Loss (€/000)		2020	2021E Old	2021E New
Revenues		**19,105**	**72,265**	**93,572**
Others		3,493	5,863	13,673
Value of production		**22,598**	**78,129**	**107,245**
	yoy	*89.8%*	*305.4%*	*374.6%*
EBITDA		**7,682**	**27,436**	**35,039**
	margin	*34.0%*	*35.1%*	*32.7%*
Cost of fiscal credit sold		(1,700)	(5,890)	(10,000)
EBITDA Adjusted		**5,982**	**21,546**	**25,039**
	margin	*26.5%*	*27.6%*	*23.3%*
D&A		(1,607)	(1,672)	(1,909)
Provision for risks		(2,226)	(9,796)	(1,665)
EBIT Adjusted		**2,149**	**15,968**	**21,465**
	margin	*9.5%*	*20.4%*	*20.0%*
EBIT		**3,849**	**15,968**	**31,465**
	margin	*17.0%*	*20.4%*	*29.3%*
Net financial expenses		(9)	(855)	(10,015)
EBT		**3,840**	**15,113**	**21,450**
Taxes		(1,096)	(6,801)	(9,635)
	tax rate	*28.5%*	*45.0%*	*44.9%*
Net profit		**2,743**	**8,312**	**11,815**
	margin	*12.1%*	*10.6%*	*11.0%*

Source: Banca Profilo elaborations and estimates on Company data

Operating Net Working Capital optimization brough by a leaner structure in Ecospace

On the Balance sheet side, main changes to our projections follow a leaner structure and cycle of Ecospace's Operating Net Working Capital compared to Sciuker Frames'. More in details, we increased Group stock since we estimated a higher contribution from Sciuker, partially offset by Ecospace structure that has no stock piling, higher receivables but also significant payables towards its subcontractors. Moreover, GC Infissi Operating NWC has low impact, weighing only 14% on revenues.

We end up with a lower Operating Net Working Capital at the end of December 2021, at €3.2mln (vs our previous estimate at €10.2mln), including €1.5mln of GC Infissi operating NWC.

As regards to Capex, we project €4.0mln to improve Sciuker Frames' production processes through innovative technologies and the most advanced software.

Higher EBIT led to positive cash flows

In order to estimate the cash flow, we start from the adjusted EBIT, which excludes the cost of credit sold (deriving from the Ecobonus 110%) accounted in Other revenues. Thus, Cash Flows move from €8.7mln to €10.9mln in 2021E, including the acquisition of GC Infissi and capex.

Warrants exercise lead to strong cash position

At the end of 2021, we project net cash at €19.4mln (vs our previous estimate at €2.9mln), which includes the cash-in deriving from the warrant exercise at €20.3mln and the cash-out to acquire GC Infissi for €2mln.

Table 5: Sciuker main changes in 2021E Balance Sheet and Cash Flows estimates

Balance Sheet (€/000)	2020	2021E Old	2021E New
Stock	5,939	7,351	13,574
Accounts receivables	2,183	37,578	7,503
Accounts payables	(6,485)	(34,693)	(17,857)
Operating Net Working Capital	**1,637**	**10,236**	**3,219**
% on sales	*8.6%*	*14.2%*	*3.4%*
Other current assets & liabilities	387	(222)	364
Net Working Capital	**2,024**	**10,014**	**3,583**
Intangibles	1,223	1,306	2,345
Materials	13,238	14,288	17,779
Financials	3	60	75
Fixed assets	**14,464**	**15,654**	**20,199**
Funds	(942)	(8,793)	(1,570)
Other non current assets & liabilities	(466)	(1,204)	(1,375)
Net Invested Capital	**15,080**	**15,671**	**20,837**
Equity	**11,682**	**18,604**	**40,195**
Share capital	1,092	1,092	2,185
Reserves	5,508	9,201	27,541
Accumulated profit/loss	2,339	-	167
Net profit	2,743	8,310	10,301
Net debt (cash)	**3,398**	**(2,932)**	**(19,358)**
Liabilities	**15,080**	**15,671**	**20,837**

Cash flow (€ 000)	2020	2021E Old	2021E New
EBIT	2,149	15,968	21,465
taxes	(645)	(5,589)	(7,513)
NOPAT	**1,504**	**10,379**	**13,952**
D&A	1,607	1,672	1,909
Operating cash flow	**3,111**	**12,051**	**15,861**
Operating Net Working Capital change	3,343	(5,995)	(1,582)
Other funds	360	5,381	628
Capex	(3,532)	(2,700)	(4,000)
FCF	**3,282**	**8,737**	**10,907**

Source: Banca Profilo elaborations and estimates on Company data

Updated corporate strategy and revised estimates

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;

Furthermore, the Group updated on new corporate targets:

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

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

2021E-2023E estimates upward revision on Ecospace accelerating order backlog and GC Infissi integration

2021E-2023E raising estimates on 2021 and 2022 and setting a defensible 2023E

Following the 2021E estimate increase both in Ecospace and Sciuker, we upward revised our projection also in the 2022E-2023E driven by i) synergies between Sciuker and GC Infissi; ii) the chance of Eco110 extension to 2023E; iii) new strategic partnership through Sciuker Frames.

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

Therefore, we now project a 71.5% Value of Production CAGR (2020-2023E), which compares to our previous 33.8%, to reach €109.5mln in 2023E (vs previous €46.1mln).

In 2022E 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 2022. In 2023E we assumed: i) a 50% chance of Eco110 extension over 2022 and therefore we projected 50% of Ecospace's orders backlog reached at the end of 2022; iii) a double-digit revenue growth in Sciuker Frames driven by strategic partnerships and by Ecospace activity to €37mln in 2023; iv) GC Infissi growth at a CAGR 2020-2023E of 27% to €17mln in 2023, 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 €80mln in 2022E (vs our previous forecast at €55mln).

In 2023, assuming a 50% chance of Eco110 renewal, we project half of Ecospace 2022 backlog and therefore orders at €40mln.

50% change of Eco110 extension over 2022

As regards to Sciuker Frames, we include in our revenues estimates the new strategic partnerships with Enel X and AbitareIn as growth contributors in 2021E-2023E (€30mln) Moreover, in 2021E-2022E, Sciuker sales through Ecospace activity will be the booster for Company revenues. In details, we now estimate an increase in Sciuker revenues from €29mln in 2021 to €36mln in 2023E (previous seen at €13.3mln and €27.8mln respectively).

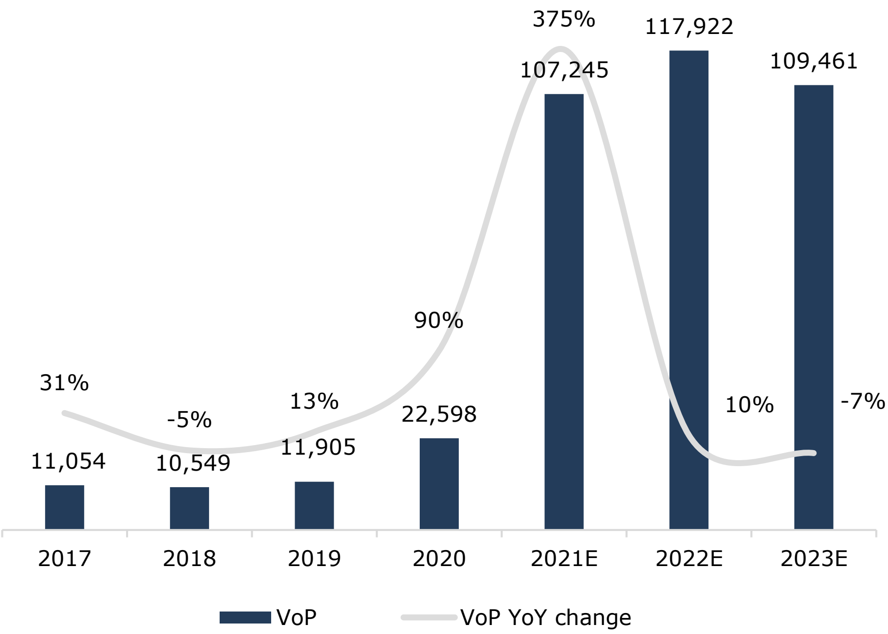
Figure 14: Ecospace revenue contribution to Sciuker Frames Group estimates

	2020	2021E	2022E	2023E
Ecospace backlog	€31.2mln	€85mln	€80mln	€40mln
Ecospace revenues	€10.8mln	€79.9mln	€81.5mln	€64mln

Source: Banca Profilo elaborations and estimates on Company data

Figure 15: Sciuker Frames revenue trend 2017-2023E

(€/000 and %)

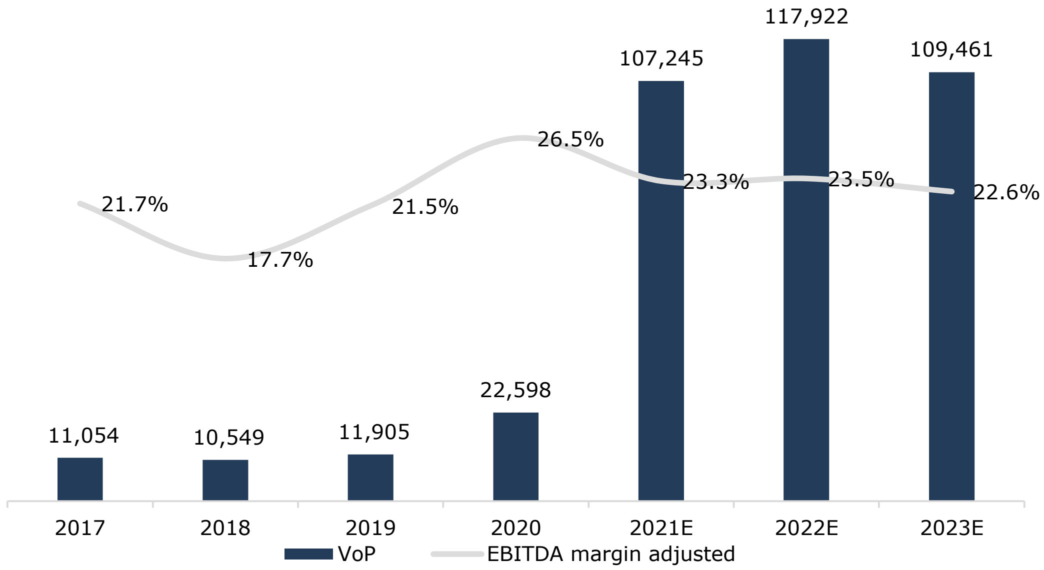


Source: Banca Profilo elaborations and estimates on Company data

2021E-2023E cost assumptions

Regarding our costs' assumptions in the period 2021E-2023E, the major cost is represented by service cost, mainly related to Ecospace subcontracts costs in the average of 46% on Group's VoP. Moreover, we raised the labour costs as we considered the introduction of new human resources to support the Group's growth. Now we also seen an increase of raw materials costs due to higher Sciuker's revenues estimated and the consolidation of GC Infissi,

Figure 16: Revenue and EBITDA margin trend 2017-2023E (€/000 and %)



Source: Banca Profilo elaborations and estimates on Company data

2021E-2022E: adjusted EBITDA margin at 23.4% down from 27.6% due to GC Infissi dilution

We now expect an adjusted EBITDA at €25mln in 2021, €27.8mln in 2022 to decrease in 2023 at €24.7mln due to lower Ecospace contribution.
Moreover, the integration of GC Infissi will be dilutive in terms of marginality. Thus, we now project 2021 adjusted EBITDA margin at 23.3% (from previous 27.6%), 23.5% in 2022 and 22.6% in 2023 (vs 27.7% and 25.3% respectively), mainly due to a decrease in Ecospace contribution, for a conservative estimate of Eco110 expansion over 2022.

Net profit above €11mln in 2023E (vs previous €3.7mln)

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 €11.3mln in 2023E (vs previous €3.7mln).

Table 6: Sciuker Frames Profit & Loss 2020-2023E

Profit & Loss (€/000)		2020	2021E Old	2021E New	2022E Old	2022E New	2023E Old	2023E New
Revenues		**19,105**	**72,265**	**93,572**	**86,018**	**102,941**	**45,735**	**96,324**
Others		3,493	5,863	13,673	7,304	14,981	411	13,137
Value of production		**22,598**	**78,129**	**107,245**	**93,321**	**117,922**	**46,146**	**109,461**
	yoy	*89.8%*	*305.4%*	*374.6%*	*19.4%*	*10.0%*	*-50.6%*	*-7.2%*
EBITDA		**7,682**	**27,436**	**35,039**	**32,960**	**38,349**	**11,660**	**33,036**
	margin	*34.0%*	*35.1%*	*32.7%*	*35.3%*	*32.5%*	*25.3%*	*30.2%*
Cost of fiscal credit sold		(1,700)	(5,890)	(10,000)	(7,150)	(10,595)	-	(8,320)
EBITDA Adjusted		**5,982**	**21,546**	**25,039**	**25,810**	**27,754**	**11,660**	**24,716**
	margin	*26.5%*	*27.6%*	*23.3%*	*27.7%*	*23.5%*	*25.3%*	*22.6%*
D&A		(1,607)	(1,672)	(1,909)	(1,717)	(2,366)	(1,772)	(2,825)
Provision for risks		(2,226)	(9,796)	(1,665)	(11,816)	(2,670)	(2,307)	(2,949)
EBIT Adjusted		**2,149**	**15,968**	**21,465**	**19,427**	**22,718**	**7,580**	**18,943**
	margin	*9.5%*	*20.4%*	*20.0%*	*20.8%*	*19.3%*	*16.4%*	*17.3%*
EBIT		**3,849**	**15,968**	**31,465**	**19,427**	**33,313**	**7,580**	**27,263**
	margin	*17.0%*	*20.4%*	*29.3%*	*20.8%*	*28.3%*	*16.4%*	*24.9%*
Net financial expenses		(9)	(855)	(10,015)	(882)	(10,629)	(829)	(8,594)
EBT		**3,840**	**15,113**	**21,450**	**18,545**	**22,684**	**6,752**	**18,669**
Taxes		(1,096)	(6,801)	(9,635)	(8,345)	(10,178)	(3,038)	(7,362)
	tax rate	*28.5%*	*45.0%*	*44.9%*	*45.0%*	*44.9%*	*45.0%*	*39.4%*
Net profit		**2,743**	**8,312**	**11,815**	**10,200**	**12,506**	**3,713**	**11,307**
	margin	*12.1%*	*10.6%*	*11.0%*	*10.9%*	*10.6%*	*8.0%*	*10.3%*

Source: Banca Profilo elaborations and estimates on Company data

Balance Sheet: increasing Capex; optimized NWC thanks to a leaner structure in Ecospace

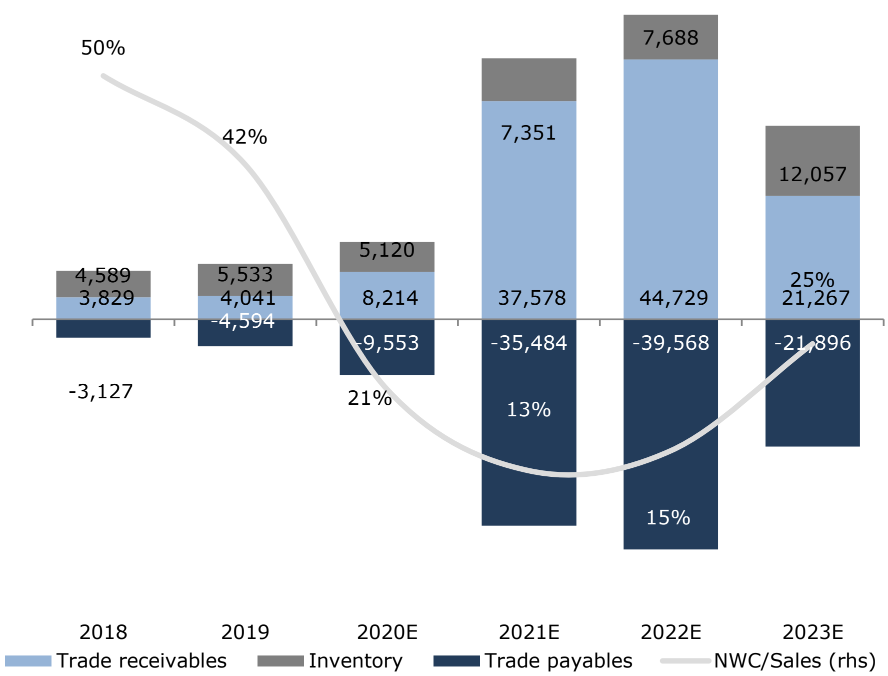
Concerning our Balance Sheet projections in 2021E-2023E, we included:

- €12mln Capex (vs previous €3.7mln), mainly due to Sciuker's production capacity expansion.

Operating Net Working Capital at €6.4mln in 2023E (vs previous €12.6mln), from €3.2mln in 2021E, reflecting the increase in Sciuker's revenues, which weigh on stock. In 2021E-2023E Operating NWC is now projected at 5.8% of sales (vs previous 26.8%) for a leaner structure in Ecospace.

Figure 17: Net working capital composition and dynamics

(€/000 and %)



Source: Banca Profilo elaborations and estimates on Company data

Table 7: Sciuker Frames Balance Sheet 2020-2023E

Balance Sheet (€/000)	2020	2021E Old	2021E New	2022E Old	2022E New	2023E Old	2023E New
Stock	5,939	7,351	13,574	7,688	12,902	12,057	13,890
Accounts receivables	2,183	37,578	7,503	44,729	7,631	21,267	8,634
Accounts payables	(6,485)	(34,693)	(17,857)	(38,687)	(16,590)	(20,750)	(17,421)
Operating Net Working Capital	**1,637**	**10,236**	**3,219**	**13,730**	**3,944**	**12,573**	**5,103**
Other current assets & liabilities	387	(222)	364	(222)	364	(222)	364
Net Working Capital	**2,024**	**10,014**	**3,583**	**13,508**	**4,307**	**12,351**	**5,467**
Intangibles	1,223	1,306	2,345	1,211	1,733	1,094	1,764
Materials	13,238	14,288	17,779	13,186	19,536	12,051	20,890
Financials	3	60	75	60	87	60	99
Fixed assets	**14,464**	**15,654**	**20,199**	**14,457**	**21,357**	**13,205**	**22,754**
Funds	(942)	(8,793)	(1,570)	(10,148)	(1,110)	(8,479)	(968)
Other non current assets & liabilities	(466)	(1,204)	(1,375)	(1,204)	(1,375)	(1,204)	(1,375)
Net Invested Capital	**15,080**	**15,671**	**20,837**	**16,612**	**23,180**	**15,873**	**25,878**
Equity	**11,682**	**18,604**	**40,195**	**32,514**	**37,311**	**32,514**	**37,311**
Share capital	1,092	1,092	2,185	1,092	2,185	1,092	2,185
Reserves	5,508	9,201	27,541	27,709	38,930	27,709	38,930
Accumulated profit/loss	2,339	-	167	-	-	-	-
Net profit	2,743	8,310	10,301	3,713	(3,804)	3,713	(3,804)
Net debt (cash)	**3,398**	**(2,932)**	**(19,358)**	**(12,189)**	**(17,260)**	**(16,641)**	**(11,433)**
Liabilities	**15,080**	**15,671**	**20,837**	**16,612**	**23,180**	**15,873**	**25,878**

Source: Banca Profilo elaborations and estimates on Company data

Strong increase in Sciuker Frames cash due to warrants exercise

Given the warrant deeply in the money, we assumed the exercise of all warrants. Thus, we estimate a cash-in of €20.3mln, considering the strike price at €1.86 and 10.9mln of warrants. Outstanding shares will thus double from 10.9mln to 21.8mln Therefore, waiting to hear from the management about the use of this cash-in, we estimate an increase in Group net cash from €19.5mln (including the cash out of

€2mln for GC Infissi acquisition) to €36.5mln in 2023E.

2021E-2023E: cumulated FCFs at €32mln vs previous €26mln

According to our Profit & Loss and Balance Sheet estimates, in 2021E-2023E, we forecast €48mln of cumulated Operating Cash Flows (vs previous €33mln), mainly used to finance €12mln of Capex (vs previous €3.7mln) and €4.6mln of NWC needs (vs previous €8.3mln). Because of higher operating cash flows, partially absorbed by higher Capex and slightly lower NWC needs, we now forecast €32.1mln of cumulated FCFs in 2021E-2023E (vs previous €26.1mln).

Table 8: Sciuker Free Cash Flow evolution 2020-2023E

Cash flow (€ 000)	2020	2021E Old	2021E New	2022E Old	2022E New	2023E Old	2023E New
EBIT	2,149	15,968	21,465	19,427	8,587	7,580	3,806
taxes	(645)	(5,589)	(7,513)	(6,800)	(3,005)	(2,653)	(1,332)
NOPAT	**1,504**	**10,379**	**13,952**	**12,628**	**5,581**	**4,927**	**2,474**
D&A	1,607	1,672	1,909	1,717	2,366	1,772	2,825
Operating cash flow	**3,111**	**12,051**	**15,861**	**14,345**	**7,947**	**6,699**	**5,299**
Operating Net Working Capital change	3,343	(5,995)	(1,582)	(3,494)	(724)	1,157	(1,500)
Other funds	360	5,381	628	1,356	(461)	(1,669)	(142)
Capex	(3,532)	(2,700)	(4,000)	(500)	(4,000)	(500)	(4,000)
FCF	**3,282**	**8,737**	**10,907**	**11,707**	**2,762**	**5,686**	**(343)**

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:

- Extention to 2023 of the Ecobonus 110% tax incentive law compared to our 50% chance;

Valuation

DCF approach to appraise a fast-growing business model

Given our expectations of positive FCFs starting from 2020, 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: €10.7mln average yearly FCF; €9.5mln as the defensible annual FCF

To run a DCF model, we use our projections of unlevered FCFs for the 2021E-2023E explicit period: €32.1mln cumulated and €10.7mln as yearly average (vs previous €26mln and €8.7mln respectively).

To assess the Terminal Value, we used what we consider a perpetually sustainable free cash flow at €9.5mln (vs our previous €5.7mln), which includes a 50% chance of Eco110 law extension over 2022. Finally, we assumed 2% perpetual growth rate (unchanged vs our previous expectations).

Table 9: Unlevered FCFs

Cash flow (€/000)	2020	2021E	2022E	2023E
EBIT Adjusted	2,149	21,465	22,718	18,943
taxes	(645)	(7,513)	(7,951)	(6,630)
NOPAT	**1,504**	**13,952**	**14,767**	**12,313**
D&A	1,607	1,909	2,366	2,825
Operating cash flow	**3,111**	**15,861**	**17,133**	**15,138**
Operating Net Working Capital change	3,343	(1,582)	(1,563)	(1,500)
Other funds	360	628	129	(98)
Capex	(3,532)	(4,000)	(4,000)	(4,000)
FCF	**3,282**	**10,907**	**11,699**	**9,539**

Source: Banca Profilo estimates and elaborations

DCF assumptions: WACC at 6.7%

We would apply a WACC of 6.7% (from prior 7.2%) 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 lower WACC (6.7% vs old 7.3%) mainly due to better mix in terms of debt-to-equity target now seen at 50% weight on Debt vs previous at 30%.

Table 10: 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: fully diluted fair value at €9.91/share

The DCF method leads us to an Enterprise Value of €197mln (vs our previous €114.1mln) and to an Equity Value of €216.7mln (from previous €117mln) showing a fair value of €9.91/share (vs previous €10.37/share).
Given the fully diluted scenario, the fair value decreased for the doubling number of shares from 10.9mln to 21.8mln. Moreover, in the DCF we include net cash at the end of 2021E at €19.4mln.

Table 11: DCF valuation

DCF Valuation	2021E	2022E	2023E	TV
Free Cash Flows (€ 000)	10,907	11,699	9,539	9,539
years	1	2	3	
discount factor	0.94	0.88	0.82	
NPV Cash flows (€ 000)	10,219	10,268	7,844	
Sum of NPVs (€ 000)	10,219	20,487	28,331	
Terminal Value (€ 000)				205,287
NPV Terminal Value (€ 000)				168,803
Enterprise Value (€ 000)				**197,134**
Net debt 2021E (€ 000)				(19,358)
Equity Value (€ 000)				**216,492**
number of shares ('000)				21,848
Per share value (€)				**9.91**

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).

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 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 2018, 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 2019, 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 2019, SafeStyle Plc generated total revenues of approximately GBP 113mln.

Apogee Enterprises (USA): glass metal

Apogee Enterprises, founded in 1949 and headquartered in Minneapolis (USA), engages in the design and development of glass and metal products and for enclosing *window and door manufacturer*

commercial buildings, farming and displays. The company operates through four segments: Architectural Glass, Architectural Services, Architectural Framing Systems and Large-Scale Optical Technologies. The Architectural Glass segment fabricates glass used in customized window and curtain wall systems comprising the outside skin of commercial and institutional buildings. The Architectural Services segment provides building glass and curtain wall installation services. The Architectural Framing Systems segment designs, engineers, finishes and fabricates the aluminum frames used in customized window, curtain wall, storefront, and entrance systems. In FY21, Apogee Enterprises generated total revenues of approximately $1.2bn.

Pgt innovations (USA): window and door manufacturer

Pgt innovations, founded in 1980 and headquartered in North Venice (USA), engages in the manufacture and sale of windows and doors. It offers its products under the brands PGT Custom Windows and Doors, CGI, and WinDoor. In 2019, Pgt innovations generated total revenues of approximately $882mln.

Table 12: Market multiples

Company	Country	Currency	Price	Market Cap	Net debt	Minorities	EV
(mln)							
Deceuninck NV	BELGIUM	Euro	2.93	401	68.4	6.9	476.1
Inwido AB	SWEDEN	Swedish Krona	158.90	9,211	1,111.0	0.0	10,322.0
Eurocell Plc	UNITED KINGDOM	British Pounds	2.55	284	10.0	0.0	294.3
SafeStyle UK Plc	UNITED KINGDOM	British Pounds	0.63	86	-7.6	0.0	78.6
Apogee Enterprises	UNITED STATES	U.S. Dollar	35.82	923	203.1	0.0	1,126.6
Pgt innovations	UNITED STATES	U.S. Dollar	27.17	1,614	312.0	0.0	1,926.3
Sciuker Frames	**ITALY**	**Euro**	**6.68**	**73.0**	**-19.4**	**0.0**	**53.6**

Source: Banca Profilo elaborations on elaborations on FactSet (as of 27th April 2021)

EV/EBITDA 2021E-2022E 7.3x

Our sample of similar players active in the larger Fixtures Manufacturing industry, shows a medium value EV/EBITDA 2021E-2022E of 7.3x.

Table 13: Market multiples

Company	EV / Sales		EV / EBITDA	
	2021E	2022E	2021E	2022E
Deceuninck NV	0.7x	0.7x	5.1x	4.9x
Inwido AB	1.4x	1.4x	9.8x	9.5x
Eurocell Plc	1.0x	1.0x	6.6x	6.0x
SafeStyle UK Plc	0.6x	0.5x	5.9x	5.2x
Apogee Enterprises	0.9x	n.a.	8.5x	n.a.
Pgt innovations	1.8x	1.7x	10.5x	9.6x
Mean	**1.1x**	**1.1x**	**7.5x**	**7.0x**
Sciuker Frames	**0.5x**	**0.5x**	**1.5x**	**1.4x**

Source: Banca Profilo elaborations on elaborations on FactSet (as of 27th April 2021)

EV/EBITDA 21E-22E in line with its 1FY forward pre-pandemic average multiple

The Sample average EV/EBITDA 21-22 multiple is basically in line with its 1FY forward pre-pandemic EV/EBITDA (7.3x vs 7.0x) The multiple touched its lowest during the lockdown reflecting the stop of building and construction Industry activity. Since the beginning of 2021 it has started a recovery path.

Figure 18: 1FY forward comparables EV/EBITDA rerating since Sciuker's IPO

Source: Banca Profilo elaborations on Bloomberg data

Table 14: 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 27th April 2021)

Market multiples valuation: fully diluted €9.11/share

Our relative valuation is based on peers' average EV/EBITDA 2021E-2022E at 7.3x. 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 a 50% chance of Eco110 postponement over 2022. This leads to an Equity Value of €199.1mln (vs previous €84.3mln) or €9.11/share (vs previous before €€7.7/share). In our previous update (19th January 2021) the EV/EBITDA 2021E stood at 7.5x.

Moreover, we assume the conversion of all warrants, thus we use i) the estimated net cash at the end of 2021 of €19.4mln; ii) the new number of shares at 21.8mln from previous 10.9mln.

Table 15: Market multiples valuation

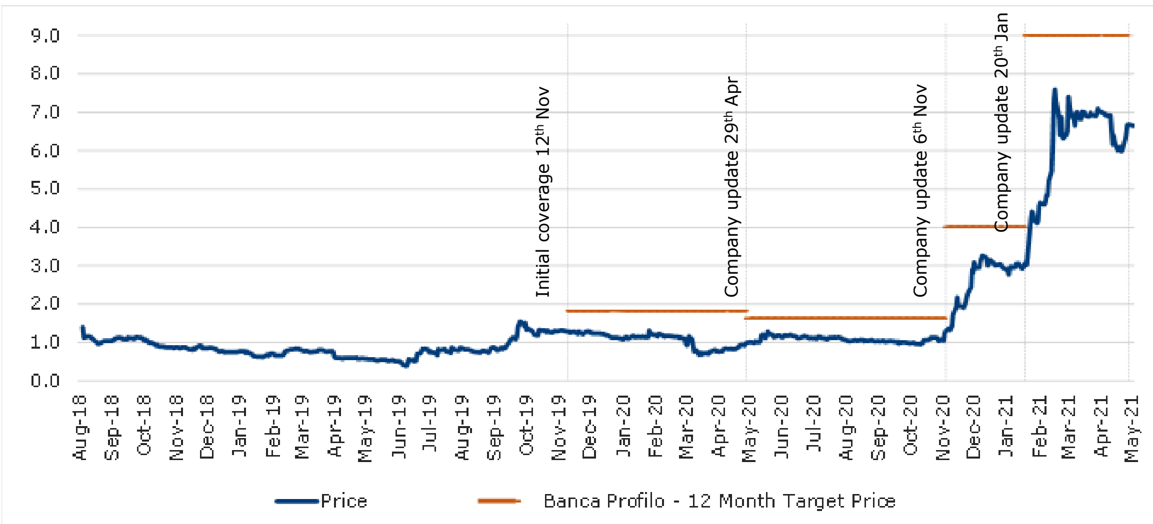
Relative Valuation on market multiples 2021E-2022E			
EV/EBITDA		**EBITDA adjusted**	
2021E	**2022E**	**2023E**	
7.5x	7.0x	24,716.2	
ENTERPRISE VALUE		**NET DEBT FY21**	
179,721.9		-19,357.8	
EQUITY VALUE			
199,079.6			
Price per share			**9.11**

Source: Banca Profilo elaborations on elaborations on FactSet (as of 27th April 2021)

Fully-diluted TP at €9.5/share (from previous non-diluted TP at €9.0); BUY confirmed

We set our 12-month Target Price at €9.5/share in our fully-dilution scenario, as the average of DCF and market multiple valuations. Given the significant potential upside on Sciuker's closing price (as of 27th April 2021), we confirm our BUY recommendation.

Figure 19: Banca Profilo's Target Prices since Sciuker's IPO



Source: Banca Profilo estimates and elaborations on Bloomberg data

Significant improvement of stock liquidity since November 2020

In terms of the stock's liquidity, Sciuker's liquidity indicators show a significant improvement since November 2020 and set the stock as a liquid stock within the AIM segment of trading.

Table 16: Liquidity indicators

Liquidity indicators			
Start Date	05/02/2021	17/11/2020	29/08/2020
End Date	26/04/2021	05/02/2021	17/11/2020
Days with no trades on total trading days	0%	0%	0%
Average daily volume on free float	**5.22%**	**8.54%**	**3.00%**

Source: Banca Profilo estimates and elaborations on Factset data

Shareholders' structure

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

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%.

Listed on the AIM at €1.4/share

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 €14.2mln (as of 4th November 2020).

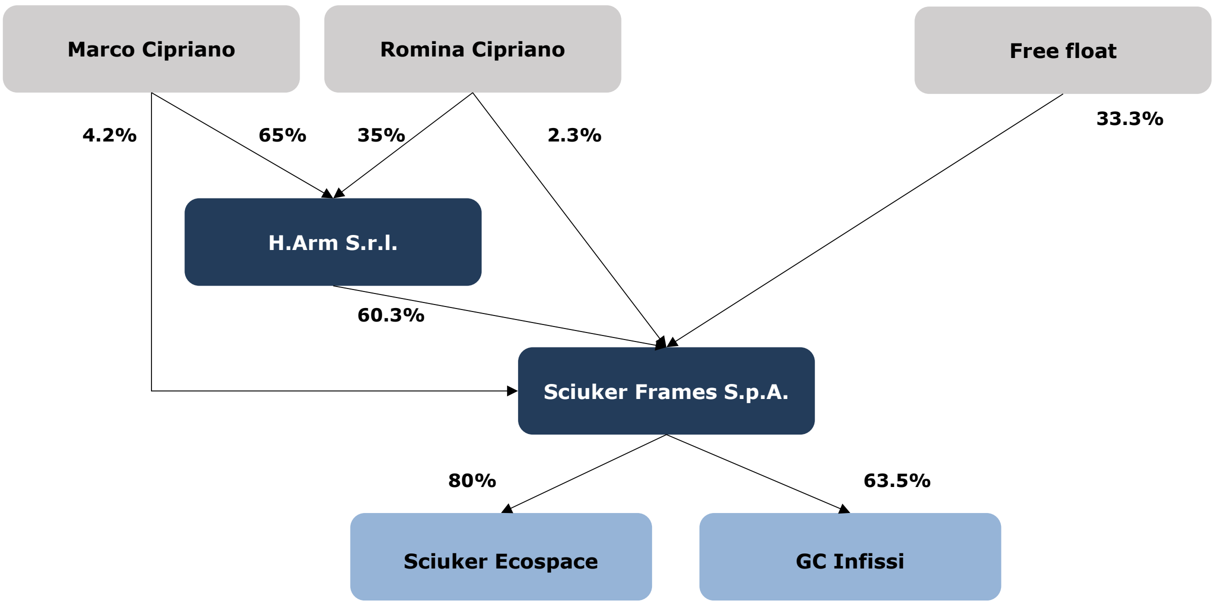
Ecospace acquisition

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 €8.4mln (-17% yoy due to Covid-19 impact) and an EBITDA adjusted margin at 1.51% (down from previous 4.31%).
Through GC Infissi Sciuker Frames took the opportunity to enter in the business of PVC windows and frames, which represents the biggest market share. Moreover, both Companies could benefit of economies of scale in terms of cost saving and stronger relationship with suppliers.
Sciuker Group will acquire the Company for €2mln of cash (representing 10% of cash in from warrants exercise) plus 50.000 of Sciuker's shares.

Figure 20: Group structure



Source: Banca Profilo elaborations on Company data

Warrant third exercise period

At IPO, the Group issued 1 warrant per each ordinary share. The last exercise period is between 17th of May 2021 and 31st of May 2021 at the strike price of €1.86/share.
Given that the warrants are deep in the money (€1.86 the strike price; €3.30 warrant price and €6.02 stock price at yesterday closing), we assumed the conversion of 100%.

Figure 21: Warrant third exercise period

	Strike price		Warrant price		Stock price
Warrant 3° exercise period	€1.86mln	+	€3.30	<	€6.64
			In the money		

Source: Banca Profilo elaborations on Company data and FactSet (as of 29th April 2021)

Cipriano's family sells warrants to finance the capital increase

Cipriano's family down to 57.5% stake

Outstanding shares doubling to 21.85mln

€20.3mln cash-in

Sciuker's main shareholders, Marco and Romina Cipriano, through their holding H.Arm transferred in two different tranches the warrants:
i) 800k warrants to selected investors, for €2.68mln (€3.35 per warrant);
ii) 1.2mln warrants to Mahrberg Wealth for €4.02mln (€3.35 per warrant).
Sciuker's main shareholders confirmed their commitment to subscribe the capital increase through warrants exercise using the cash in from the warrants sale. Therefore, Cipriano's family will hold a 57.5% stake of Sciuker's share capital, down from previous 66.7%.
The total cash in deriving from the warrant exercise will be €20.3mln as the strike price of €1.86 multiplied by 5.6mln warrants held by the market. Total number of outstanding shares will double to 21.85mln by May the 31th

Table 17: Warrant dilution scenario analysis

Sciuker Frames S.p.A. shareholding structure	N° shares	N° initial warrants	N° subscribed warrants after the transfer	N° shares post warrant subscription	Current shareholding structure	Shareholding structure post warrant subscription	
H.Arm S.r.l.	6,584,110	6,584,110	4,584,110	11,168,220	60.3%	51.1%	57.5%
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	3,637,560	3,637,560	5,637,560	9,275,120	33.3%	42.5%	
Total	**10,924,100**	**10,924,100**	**10,924,100**	**21,848,200**	**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.

BancaProfilo

Equity Research

Sciuker Frames "ID Card"	Recommendation	Target Price	Upside
	BUY	**9.5 €**	**45%**

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. In the first two months of activity and thanks to the Eco110 fiscal incentive, Ecospace reached an order backlog of €38.7mln and revenues at €59.1mln. The Eco110 will keep playing a key driver for the construction industry as it increases the demand for energy-saving real estate restructuring. There are more than €18bn allocated by the previous Italian Government for energy renovation intervention until 2022. At the end of April, in the "Piano Nazionale per la Ripresa e Resilienza (Pnnr)" the 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 Eco110. Thus, it is expected that the Italian Government will extend the Eco110 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. Following Company update, we increased our forecasts on 2021-2023. In our 2023 estimates we project Ecospace's revenues including only half of its backlog order at 2022E to take in consideration the possibility of law extension. We estimate a potential growth overall the Group mainly driven by the synergies between the companies. We now project a 72% Value of Production CAGR (2020-2023E), which compares to our previous 34%, with a peak at €118mln in 2022E and a sustainable level of €109mln in 2023E. In terms of EBITDA margin adjusted, we expect a decrease at 23% during the period, mainly due to a dilution effect deriving from GC Infissi. Finally, we estimate unlevered FCFs at €32.1mln in 2021E-2023E with an annual average at €10.7mln, but a defensible level of €9.5mln from 2023 onward to take in consideration the chance of Eco110% extension until 2023.

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

Weaknesses

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

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

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 to the end of 2023

The increase of production capacity thorugh new investiment 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, including the lack of a formal approval by the European Commission for its extension to the end of 2023

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Equity Research

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Sciuker Frames "ID Card"

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Recommendation	Target Price	Upside
BUY	**9.5 €**	**45%**

Main Financials

(€ mln)	2019	2020	2021E	2022E	2023E
Revenues	**11,966**	**19,105**	**93,572**	**102,941**	**96,324**
yoy change		*59.7%*	*389.8%*	*10.0%*	*-6.4%*
Value of Production	**11,905**	**22,598**	**107,245**	**117,922**	**109,461**
yoy change		*89.8%*	*374.6%*	*10.0%*	*-7.2%*
EBITDA adj.	**2,565**	**5,982**	**25,039**	**27,754**	**24,716**
yoy change		*133.2%*	*318.6%*	*10.8%*	*-10.9%*
margin (%)	*17.7%*	*26.5%*	*23.3%*	*23.5%*	*22.6%*
EBIT adj.	**901**	**2,149**	**21,465**	**22,718**	**18,943**
margin (%)	*7.6%*	*9.5%*	*20.0%*	*19.3%*	*17.3%*
EBT	**522**	**3,840**	**21,450**	**22,684**	**18,669**
margin (%)	*4.4%*	*17.0%*	*20.0%*	*19.2%*	*17.1%*
Net income	**261**	**2,743**	**11,815**	**12,506**	**11,307**
margin (%)	*2.2%*	*14.4%*	*12.6%*	*12.1%*	*11.7%*
Net Debt (cash)	**7,648**	**3,398**	**(19,358)**	**(29,406)**	**(36,480)**
Shareholders Equity	**1,092**	**11,682**	**40,195**	**52,835**	**63,020**
Operating Net Working Capital	4,980	1,637	3,219	4,782	6,398
Fixed assets	12,198	14,464	20,199	21,357	22,754
Net invested capital	15,931	15,080	20,837	23,428	26,540
Operating Free Cash Flow	**1,962**	**3,111**	**15,861**	**17,133**	**15,138**
Capex and acquisitions	(3,162)	(3,532)	(4,000)	(4,000)	(4,000)
Free Cash Flow	**(694)**	**3,282**	**10,907**	**11,699**	**9,539**

Company Description

Company Sector	Fixture manufacturer
Price (€)	6.56
Number of shares ('000)	10,924
Market Cap (€mln)	73.0
Reference Index	FTSE AIM Italia
Main Shareholders	Marco Cipriano, Romina Cipriano
Main Shareholder stake	43%, 23%
Free Float	33%
Daily Average Volumes ('000)	170.6
Sample of comparables	Deceuninck NV, Inwido AB, Eurocell Plc, SafeStyle UK Plc, Apogee Enterprises, Pgt innovations

Solvibility ratios

	2019	2020	2021E	2022E	2023E
Net debt (cash) / EBITDA	3.0x	0.6x	0.6x	-0.1x	-0.4x
Net debt (cash) / Equity	7.0x	0.3x	0.4x	-0.2x	-0.5x
Net debt (cash) / Net Invested Capital	48.0%	22.5%	26.7%	-25.0%	-83.1%

Fixtures manufacturing: data of peers

	2021E	2022E
Revenue Growth (yoy)	10.7%	5.2%
EBITDA margin	*13.6%*	*14.5%*

Average data

Financial and Operative ratios

	2019	2020	2021E	2022E	2023E
Days of receivables	101	48	48	48	48
Days of payables	136	191	194	194	185
Inventories on sales	*46.2%*	*43.2%*	*39.0%*	*41.0%*	*41.0%*
Tax rate	*50.0%*	*28.5%*	*44.9%*	*44.9%*	*44.9%*
ROIC	*1.6%*	*18.2%*	*56.7%*	*53.4%*	*42.6%*
ROE	*23.9%*	*23.5%*	*29.4%*	*23.7%*	*17.9%*
Capex/Sales	*26.4%*	*18.5%*	*4.3%*	*3.9%*	*4.2%*
D&A to capex	41.8%	45.5%	47.7%	59.1%	70.6%
NWC to sales	41.6%	8.6%	3.4%	4.6%	6.6%

Fixtures manufacturing: multiples of peers

	2021E	2022E
EV / Sales	1.1x	1.1x
EV / EBITDA	7.5x	7.0x

Average data

Source: Bloomberg, Banca Profilo estimates and elaborations

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