Banca Profilo

Company Update

2023 targets confirmed both for Industrial Hub and Ecospace

April 28th, at 17:30

FY22 results confirmed Group's growth path

In 2022, Sciuker confirmed strong Value of Production (VoP) growth at €193.8mln (+88.3% yoy) above our estimates at €172.9mln and the Company's budget target of €175mln. Growth was also driven by the integration of Teknika and GC Infissi. Concerning VoP breakdown, the Industrial Hub increased by 57% yoy to €92mln and Ecospace moved to €101.8mln from €48.8mln a year earlier. EBITDA rose by 46% yoy to €42mln, in line with our expectations (€41.7mln), with margin contracting to 21.7% (27.9% in 2021), more than we had expected (24.1%). Net income came in at €20.7mln (+38.8% yoy), basically in line with our projection at €21.3mln. At the end of 2022, Net Cash was €1.4mln and compares to Net Debt of €2.2mln at the end of 2021. *[Please refer to our Company Update on October, 28th 2022].*

Strategic guidelines and 2023 targets confirmed

SGK Group will continue its growth path through i) geographic penetration driven by the Retail network expansion through "SCK Finestre Store" new openings in Italy; ii) projects acquisitions to enhance margins, iii) R&D investments for the development of new "green" products; iv) production capacity increase and integration among the subsidiaries within the Industrial Hub; v) commercial development Hole Box concept and vi) energy and seismic building upgrading through Ecospace solutions. The Company confirmed its 2023 targets with VoP at €224mln and EBITDA at €55.4mln. Despite recent changes in the political scenario regarding tax incentives on building energy requalification (Ecobonus), Ecospace current backlog falls under the transitional rules (Decree Law 11/2022) that still allow for the application of the original tax credit assignment process to all interventions covered by CILA on the date of publication of the same Decree in the Official Gazette (November 2022). Furthermore, SCK Group signed a partnership with Deutsche Bank Easy that allows to replace the invoice discount without any impact on customers.

2023-25 estimates revision

According to new rules of the tax credits on residential energy efficiency upgrades and, since Ecospace current backlog includes entirely projects which have started with CILA, we assume the €350mln backlog to be completed by 2025. We forecast Ecospace revenues to grow at 12.8% 2022-25 CAGR. Overall, we revised our estimate on VoP, assuming a 16.6% 2022-25 CAGR to reach €307.4mln. We project EBITDA to reach €49.3mln (vs our previous €53.4mln) in 2023E or 22% margin, below our previous estimate at 24.2%. *[Please refer to our Company Update on October, 28th 2022].* We plan EBITDA to grow at 18.7% CAGR over the period 2022-2025 reaching €70.3mln or 22.9% margin, vs our previous estimates at 24.6% in 2024. We project net cash at €1.8mln at the end of 2023E and to rise on average by about €5mln per year over the 2023-25E period to €16.8mln.

Valuation: BUY confirmed; 12-month TP cut to €15.1

We reduced our 12-month target price to €15.1/share as the simple average of DCF (€17/share) and market multiples valuations (€13.1/shares). It also prices in some business plan organic execution risk beyond 2023 amid new rules on Ecobonus 110. Higher WACC and lower cumulated 2023-25 FCFs and TV (compared to our previous Company Update), mainly due to higher cash absorption from Net Working Capital, led to a decrease in DCF valuation. Our DCF model is based upon: 2023E-2025E cumulated FCFs at €54mln (vs previous €78mln); Terminal Value FCF of €21mln (vs previous €26mln); 7.3% WACC (vs previous 7%) and 2% perpetual growth rate (unchanged).

Market multiples valuation is based on median 2023-24E EV/EBITDA at 5.2x (vs previous 5.4x). Sciuker currently trades some 50% below its peers' average despite higher potential sales growth and marginality.

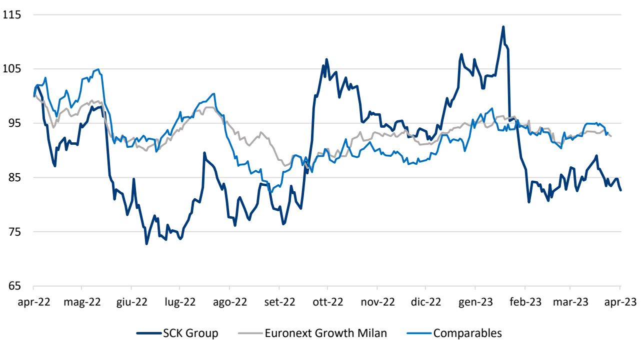
Our 12-month target price shows an implied multiple of 6.6x in 2023, well above peers' average.

Target Price	**€15.1 (from €17)**
Recommendation	**BUY confirmed**
Company Profile	
Ticker	SCK IM (BBG), SCK-IT (FactSet)
Reference Industry	Industrials – Building Products
Stock exchange	Italian Stock Exchange
Reference Index	Euronext Growth Milan
Market Data	
Last Closing Price (as of April 27th)	€6.3
Number of shares (mln)	21.7
Market cap. (mln)	€138
1Y performance	
Absolute	-17.8%
Max / Min	5.6/8.7
Average daily volumes	46,346

Main Financials

(€, 000)	**2022**	**2023E**	**2024E**	**2025E**
Revenues	**129,178**	**162,185**	**199,208**	**227,826**
yoy change	*77.7%*	*25.6%*	*22.8%*	*14.4%*
Value of Production	**193,799**	**224,431**	**269,047**	**307,381**
yoy change	*88.3%*	*15.8%*	*19.9%*	*14.2%*
EBITDA	**42,020**	**49,277**	**60,577**	**70,347**
margin (%)	*21.7%*	*22.0%*	*22.5%*	*22.9%*
EBIT	**35,462**	**40,933**	**49,061**	**57,330**
margin (%)	*18.3%*	*18.2%*	*18.2%*	*18.7%*
EBT	**32,415**	**37,404**	**43,533**	**51,015**
margin (%)	*16.7%*	*16.7%*	*16.2%*	*16.6%*
Net profit	**20,659**	**23,839**	**27,745**	**32,513**
margin (%)	*10.7%*	*10.6%*	*10.3%*	*10.6%*
Net Debt (cash)	**(1,444)**	**(1,796)**	**(8,878)**	**(16,846)**
Shareholders Equity	**55,486**	**79,325**	**102,101**	**128,793**
Operating Net Working Capital	39,361	45,582	62,715	83,947
Free Cash Flow	**4,009**	**12,135**	**19,608**	**22,353**

1Y rebased performance



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SWOT analysis

STRENGTHS	WEAKNESSES
• Leader manufacturer of high-quality windows • Strong company commitment to sustainability • Strongly investing on corporate culture, brand and innovative marketing • Structured and trained sales force driven by commercial performance • Industrialized production in a sector traditionally characterized by craftsmanship • Distinctive and wide offering including patented products • High margins and cash generator thanks to a rigorous cost policy and supply management • Synergies from GC Infissi and Teknika integration	• NWC optimization needed • The size of the Company • Integration between the holding and the subsidiaries

OPPORTUNITY	THREATS
• Very fragmented Italian reference market • Roll out of management contracts • Ad-hoc European partnerships for expanding the Industrial core business • Large potential Italian addressable market • M&A opportunities to increase production capacity in the Industrial Hub	• Competition within existing players, especially large manufacturers • High growth rates could lead to cost management issues • Evolving and less favourable rules for tax incentives for energy requalification expenditure • Still high raw materials, energy, transportation costs and interest rates

FY22 results

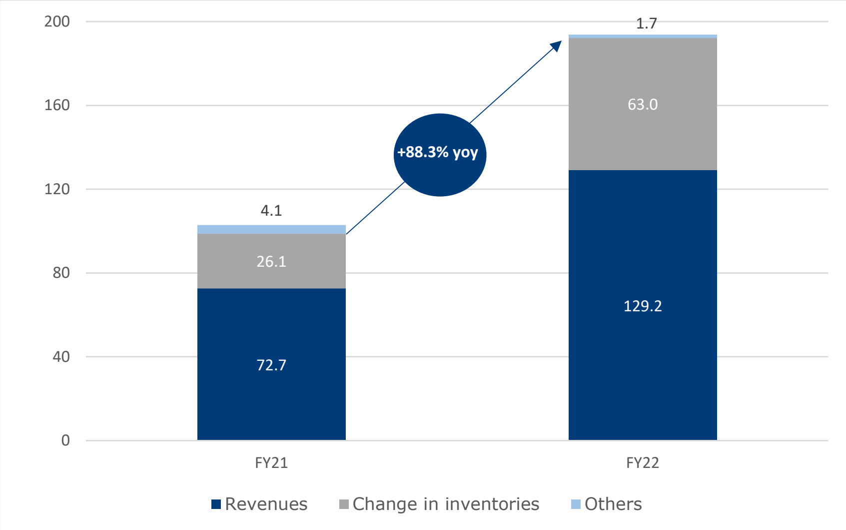
Historical performance analysis

Income Statement

FY22: strong VoP growth to €193.8mln

Sciuker Group published its FY22 results, confirming strong Value of Production (VoP) growth at €193.8mln (+88.3% yoy) above our estimates at €172.9mln and the Company's budget target of €175mln, also driven by the integration of Teknika and GC Infissi. *[Please refer to our Company Update on October, 28th 2022]*. Concerning VoP breakdown, the Industrial Hub increased by 57% yoy to €92mln and Ecospace recorded €101.8mln (from €48.8mln a year earlier). The incidence of change in inventories, mainly referred to Ecospace's Work in Progress (~85%), on VoP increased from 25% in 2021 to 32% in 2022.

Figure 1: SCK Group VoP composition in FY21-22 (€, mln)



Source: Banca Profilo elaborations on Company data

FY22: COGS at €151.8, above our estimate at €131.3mln

Cost of Goods Sold (COGS) was €151.8mln in 2022, above our estimates of €131.3mln, with an increase of the incidence on VoP by 6% to 78.3%.

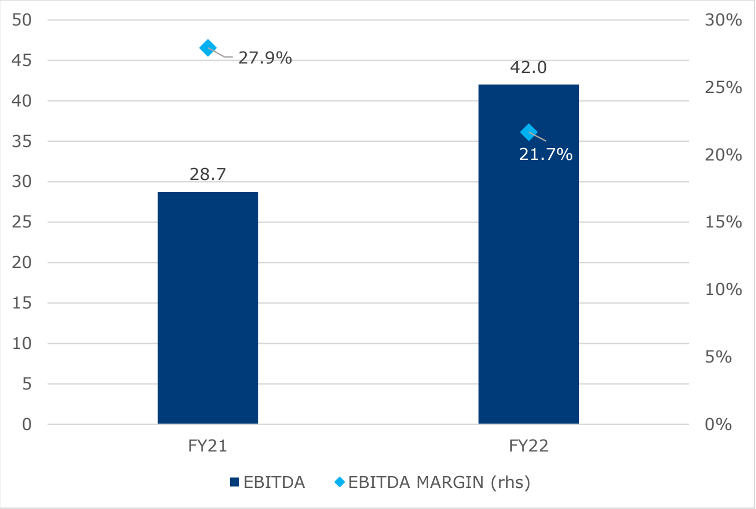
In 2022, COGS included:

- €41mln (€22.2mln in FY21) of raw materials costs, which increased for the integration of Teknika and GC Infissi; in fact, the incidence on VoP stayed basically flat just above 20%;
- €96.7mln (€45.2mln in FY21) of services costs, with incidence on VoP increasing to 50% from 44% in 2021, deriving from the development of the Ecospace activity which implies the recurring to outsourced labour force and advisory;
- €12.8mln (€5.8mln in FY21) of labour cost, basically stable on VoP at 6.6% from previous 5.7%. Labour costs increased following Teknika consolidation and new hirings at GC Infissi and Sciuker Frames. At the end of 2022, SCK Group counted 304 employees vs 143 a year earlier.

FY22: EBITDA margin at 21.7%, contracted from 27.9% in 2021

EBITDA rose by 46% yoy to €42mln, in line with our expectations (€41.7mln), with margin contracting to 21.7% (27.9% in 2021), more than estimated (24.1%).

Figure 2: SCK Group EBITDA evolution FY21-22 (€/mln and %)



Source: Banca Profilo elaborations and estimates on Company data

FY22: Net income at €20.7mln (+39% yoy)

Group Net income rose to €20.7mln (+39% yoy) and basically in line with our projection at €21.3mln.

Table 1: SCK Group Profit & Loss 1H20-1H22 (€/000)

Profit & Loss (€/000)	2021	2022 Old	2022 Actual
Revenues	**72,688**	**167,755**	**129,178**
Industrial business		83,754	83,600
Ecospace		84,001	45,600
yoy	*280.5%*	*130.8%*	*77.7%*
Change in inventories	62,971	1,750	62,971
% on VoP	*32%*	*1%*	*32%*
Others	1,650	3,459	1,650
% on VoP	*1%*	*2%*	*1%*
Value of production	**102,909**	**172,964**	**193,799**
yoy	*355.4%*	*68.1%*	*88.3%*
Raw materials	(22,210)	(33,213)	(40,987)
	-22%	-19%	-21%
Labour costs	(5,825)	(47,824)	(12,776)
	-6%	-28%	-7%
Service costs	(45,186)	(49,256)	(96,678)
	-44%	-28%	-50%
Leases and rentals	(326)	(326)	(408)
Other operating costs	(617)	(679)	(930)
EBITDA	**28,745**	**41,667**	**42,020**
margin	*27.9%*	*24.1%*	*21.7%*
margin	*27.2%*	*24.1%*	*21.7%*
D&A	(3,266)	(3,554)	(3,180)
amortization	(314)	(943)	(312)
depreciation	(1,777)	(2,611)	(2,486)
Receivables' write off	(1,175)	-	(382)
Provision for risks	(1,961)	-	(3,378)
EBIT	**23,518**	**38,113**	**35,462**
margin	*22.9%*	*22.0%*	*18.3%*
Net financial expenses	(2,611)	(6,153)	(3,047)
EBT	**20,907**	**31,960**	**32,415**
Taxes	(6,022)	(10,691)	(11,756)
tax rate	*28.8%*	*33.5%*	*36.3%*
Net profit	**14,885**	**21,269**	**20,659**
margin	*14.5%*	*12.3%*	*10.7%*

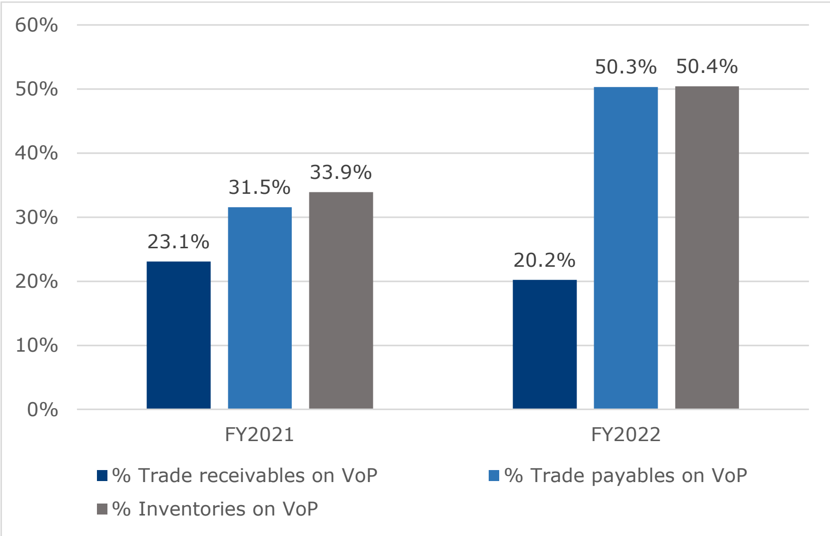
Source: Banca Profilo elaborations and estimates on Company data

Balance Sheet

FY22: Net Operating Working Capital at 20.3% of VoP from 25.5% in 2021

At the end of December 2022, Net Operating Working Capital stood at €39.4mln in line with our estimate (vs €26.2mln at the end of 2021), including trade receivables for €39.1mln, trade payables for €97.6mln and inventories of €97.7mln. The incidence of trade payables and inventories on VoP rose from 31.5% and 33.9% at the end of 2021 to 50.3% and 50.4% respectively at the end of 2022, while the incidence of trade receivables on VoP decreased from 23.1% to 20.2%. Approximately 71% of trade receivables relates to Ecospace.

Figure 3: SCK Group NOWC on VoP from FY21-22 (%)

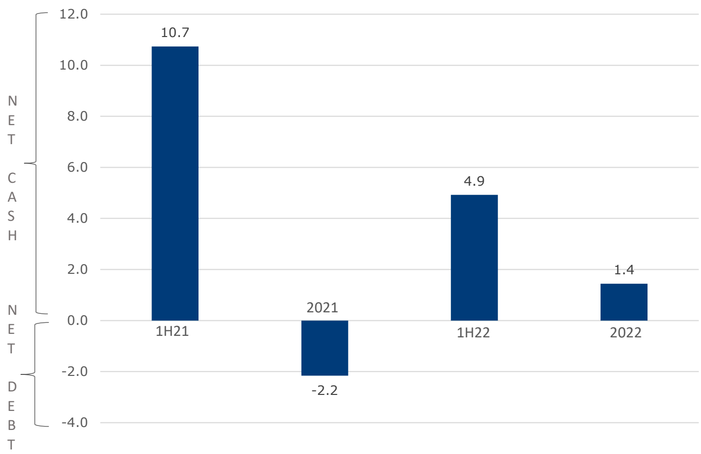


Source: Banca Profilo elaborations and estimates on Company data

Net cash at €1.4mln at the end of 2022

At the end of 2022, Net Cash was €1.4mln and compares to Net Debt of €2.2mln at the end of 2021.

Figure 4: SCK Group Net Debt/Cash evolution FY21-22 (€, mln)



Source: Banca Profilo elaborations and estimates on Company data

Table 2: Sciuker Balance Sheet FY21-FY22 (€/000)

Balance Sheet (€/000)	2021	2022E Old	2022E Actual
Inventories	34,906	76,104	97,746
% on VoP	*33.9%*	*44.0%*	*50.4%*
Trade receivables	23,763	39,782	39,171
% on VoP	*23.1%*	*23.0%*	*20.2%*
Trade payables	(32,463)	(77,834)	(97,556)
% on VoP	*31.5%*	*45.0%*	*50.3%*
Operating Net Working Capital	**26,206**	**38,052**	**39,361**
% on VoP	*25.5%*	*22.0%*	*20.3%*
Other current assets & liabilities	(3,290)	(11,900)	(13,497)
Net Working Capital	**22,916**	**26,152**	**25,864**
% on VoP	*22.3%*	*15.1%*	*13.3%*
Intangibles	7,343	14,785	8,254
Materials	16,734	25,238	27,689
Financials	-	1,000	51
Fixed assets	**24,077**	**41,024**	**35,994**
Net Invested Capital	**43,381**	**42,487**	**54,042**
Equity	**41,222**	**56,474**	**55,486**
Share capital	2,236	2,236	2,172
Reserves	22,101	31,631	21,949
Accumulated profit/loss	2,000	-	10,706
Net profit	13,547	19,357	18,496
Minorities	1,338	3,250	2,163
Net debt (cash)	**2,159**	**(13,987)**	**(1,444)**
Liabilities	**43,381**	**42,487**	**54,042**

Source: Banca Profilo elaborations on Company data

Our 2023-25 estimate revision

Corporate strategies

SCK Group strategic guidelines

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

Invoice discount continues for the entire backlog

Despite recent changes in the political scenario regarding tax incentives on building energy requalification (Ecobonus), SCK Group confirmed its 2022-2024 Business Plan goals as Ecospace current backlog, which is worth some €350mln, falls under the transitional rules (Decree Law 11/2022) that still allow for the application of the original tax credit assignment process to all interventions covered by CILA on the date of publication of the same Decree in the Official Gazette (November 2022). In fact, new rules will accelerate the execution of work in progress and the cash in of backlog.
The Group pointed out that the energy requalification of buildings remains a major issue as the European Energy Performance Building Directive (EPBD) set precise rules and 2030 goals of residential building energy efficiency upgrade. We will wait to know and evaluate the path the Italian Government will set towards energy savings and sustainability to achieve these European goals.

SCK Group and Deutsche Bank Easy together to replace the invoice discount

Furthermore, SCK Group signed a partnership with Deutsche Bank Easy that allows to replace the invoice discount without any impact on customers. As per art. 11 of Gazzetta Ufficiale the only way for customers is to pay 100% of the invoice and then use the related credit over a 10-year period. The partnership with Deutsche Bank Easy will fully replace the original instrument, leaving the financial profile of the purchase of windows and sunscreens unchanged. Specifically, the customer will continue, at the time of purchase, to make a transfer equal to 50% of the amount and the remaining 50% will be financed by Deutsche Bank Easy over 10 years at 0 rate and 0 APR; therefore, the amount of the repayment instalments of this financing will be of an amount equal to the tax credit deducted by the customer from time to time.

Example of partnership between Sck Group and Deutsche Bank Easy

As an example, if the price of a set of windows is €10k, the customer will pay 50% (€5k) by bank transfer and the other 50% can be financed at zero interest over 10 years, which is repaid through tax deductions of the same amount over 10 years.

Network expansion through "SCK Finestre Store" new openings in Italy

On the 19th of January 2023, SCK Group set up SCK Force S.r.l., a wholly owned subsidiary of Sciuker Frames S.p.A with the task of centralising all sales and marketing activities of the new and ambitious SCK Window Stores project. The project envisages a radical transformation of the sales outlets into mono-brand showrooms for the sale of made-in-Italy designed windows and sunscreens and of energy requalification solutions. As mentioned in the 2022-2024 Business Plan Update, over €20mln will be invested in two years to transform the best 400 Italian retailers into SCK Finestre Stores with annual turnover target of €200mln, to be divided among Sciuker Frames, GC Infissi and Teknika products. The new SCK Stores will cover the entire national territory with a distribution designed according to population concentration, the average age of properties and GDP.

Confirmed its 2023 targets: VoP at €224mln; EBITDA at €55.4mln

Considering the FY2022 results and the strategic lines, SCK Group confirmed its 2023 Business Plan targets, which was presented to the financial community on October, the 25th: VoP at €224mln with EBITDA of €55.4mln or 24.7% margin.

2023-25 estimate revision

Income Statement

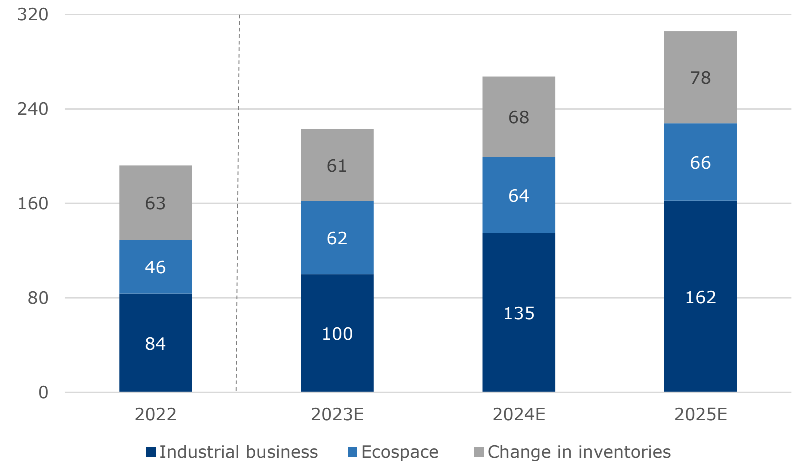
Estimate revision for Ecobonus business

According to new rules concerning the tax credits on residential energy efficiency upgrade and since Ecospace current backlog includes entirely projects which have started with CILA, we assume the €350mln backlog to be completed by 2025. Overall, we forecast Ecospace revenues to grow at 12.8% 2022-25 CAGR to reach €65.5mln in 2022.

Change in inventories now include inventories from Ecospace and Industrial Hub

Given the large number of changes in inventories in 2022, we decided to include it in our estimates. This item will consist mostly of Ecospace's inventories (about 85% of inventories) and the remainder from the Industrial Hub. Therefore, since in the last research the changes in inventories did not include this variation, the revenues from Industrial Hub and from Ecobonus cannot be compared with the old estimates.

Figure 5: SCK Group inventories breakdown 2022-2025E (€/mln)

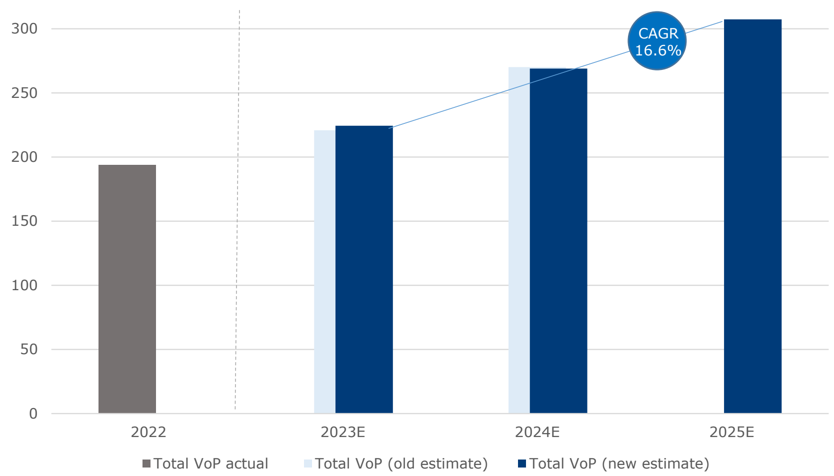


Source: Banca Profilo elaborations and estimates on Company data

VoP 22-25 CAGR of 16.6% to more than €307mln

Overall, we revised our estimate on VoP, assuming a 16.6% 2022-25 CAGR to reach €307.4mln, vs or previous projection at a 38% 2021-24 CAGR, reaching €270.2mln. *[Please refer to SCK Group Company Update on October 28, 2022].* In 2022-2025, we assume the Industrial core business to grow on average by 25%, whereas Ecospace at 12.8% CAGR.

Figure 6: Old vs new estimates on SCK Group VoP – FY 2022-2025E (€/mln)



Source: Banca Profilo elaborations and estimates on Company data

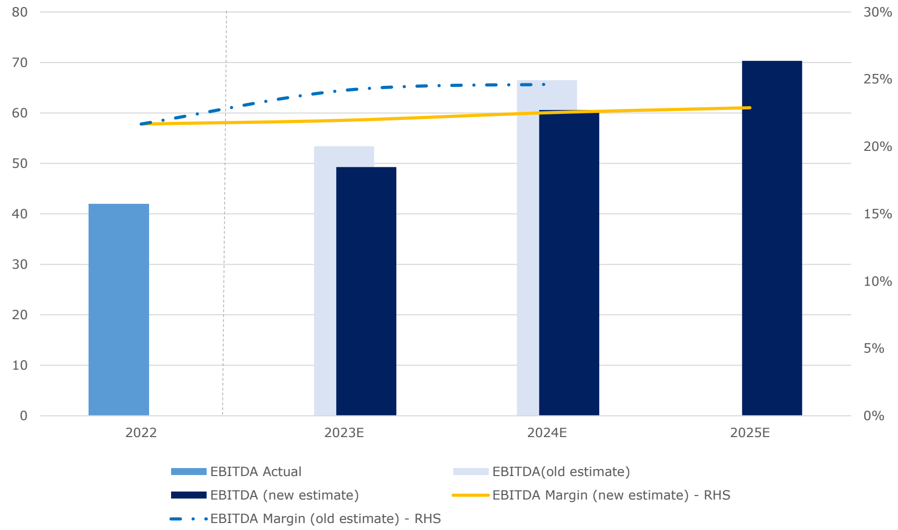
Incidence of labour cost and service cost on VoP to remain stable

In our last Company Update [*[Please refer to our Company Update on October, 28th 2022]*, we assumed an internalisation process of human resources, mainly from Ecospace, from 2022; hence, we had partially offset the increase in labour costs with a decrease in services costs. This process has not happened and in the current Ecobonus scenario, we assume this process will not start; hence, we now see the incidence of labour and service costs on VoP in line with past years. In details, over the period 2023-2024, we forecast i) the average incidence of labour cost on VoP at 7% (in line with 2022) vs our previous estimate at 27% and ii) the average incidence of service costs on VoP at 49% (50% in 2022) vs our previous projection at 28%.

EBITDA margin basically stable at 22-23% over three years

Following our revenue and operating costs projections, we end up with EBITDA increasing to €49.3mln (vs our previous €53.4mln) in 2023E or 22% margin, below our previous estimate at 24.2%. We plan EBITDA to grow at 18.7% CAGR over the period 2022-2025 to reach €70.3mln or 22.9% margin, vs our previous estimates at a 32.3% 21-24 CAGR. Overall, our EBITDA margin expectations have worsened from 24.3% to 22.5%, on average in 2023-2025E.

Figure 7: Old vs new estimates on EBITDA and EBITDA margin - FY 2022-2025E (€/mln and %)



Source: Banca Profilo elaborations and estimates on Company data

Net profit at €24mln in 2023E to over €32mln in 2025E

Net profit is now seen at approximately €23.8mln in 2023E, below our previous estimates at €27.5mln. In 2022-2025E, net profit is expected to grow at a some 16.3% CAGR (vs old projections of 33.8% CAGR over 2021-24) to reach €32.5mln in 2025E.

Table 3: Profit & Loss evolution (Old vs New) 2022-2025E

Profit & Loss (€/000)	2022 Old	2022 Actual	2023E Old	2023E New	2024E Old	2024E New	2025 New
Revenues	**167,755**	**129,178**	**214,276**	**162,185**	**261,986**	**199,208**	**227,826**
Industrial business	83,754	83,600	114,953	99,928	159,884	134,992	162,325
Ecospace	84,001	45,600	99,323	62,256	102,102	64,216	65,501
yoy	*130.8%*	*77.7%*	*27.7%*	*25.6%*	*22.3%*	*22.8%*	*14.4%*
Change in inventories	1,750	62,971	2,240	60,596	2,788	68,189	77,905
% on VoP	*1%*	*32%*	*1%*	*27%*	*1%*	*25%*	*25%*
Others	3,459	1,650	4,419	1,650	5,404	1,650	1,650
% on VoP	*2%*	*1%*	*2%*	*1%*	*2%*	*1%*	*1%*
Value of production	**172,964**	**193,799**	**220,935**	**224,431**	**270,178**	**269,047**	**307,381**
yoy	*68.1%*	*88.3%*	*27.7%*	*15.8%*	*22.3%*	*19.9%*	*13.8%*
Raw materials	(33,213)	(40,987)	(45,308)	(45,221)	(55,692)	(54,211)	(61,935)
	-19%	-21%	-21%	-20%	-21%	-20%	-20%
Labour costs	(47,824)	(12,776)	(59,358)	(16,461)	(69,958)	(19,676)	(22,891)
	-28%	-7%	-27%	-7%	-26%	-7%	-7%
Service costs	(49,256)	(96,678)	(61,713)	(111,959)	(76,680)	(132,871)	(150,266)
	-28%	-50%	-28%	-50%	-28%	-49%	-49%
Leases and rentals	(326)	(408)	(391)	(490)	(509)	(588)	(705)
Other operating costs	(679)	(930)	(747)	(1,023)	(821)	(1,125)	(1,238)
EBITDA	**41,667**	**42,020**	**53,417**	**49,277**	**66,517**	**60,577**	**70,347**
margin	*24.1%*	*21.7%*	*24.2%*	*22.0%*	*24.6%*	*22.5%*	*22.9%*
D&A	(3,554)	(3,180)	(5,545)	(4,433)	(6,979)	(5,481)	(6,122)
amortization	(943)	(312)	(1,809)	(563)	(2,059)	(813)	(852)
depreciation	(2,611)	(2,486)	(3,736)	(3,488)	(4,921)	(4,286)	(4,888)
Receivables' write off	-	(382)	-	(382)	-	(382)	(382)
Provision for risks	-	(3,378)	-	(3,912)	-	(6,035)	(6,895)
EBIT	**38,113**	**35,462**	**47,872**	**40,933**	**59,538**	**49,061**	**57,330**
margin	*22.0%*	*18.3%*	*21.7%*	*18.2%*	*22.0%*	*18.2%*	*18.7%*
Net financial expenses	(6,153)	(3,047)	(9,120)	(3,529)	(9,221)	(5,528)	(6,316)
EBT	**31,960**	**32,415**	**38,752**	**37,404**	**50,317**	**43,533**	**51,015**
Taxes	(10,691)	(11,756)	(11,291)	(13,565)	(14,660)	(15,788)	(18,502)
tax rate	*33.5%*	*36.3%*	*29.1%*	*36.3%*	*29.1%*	*36.3%*	*36.3%*
Net profit	**21,269**	**20,659**	**27,461**	**23,839**	**35,657**	**27,745**	**32,513**
margin	*12.3%*	*10.7%*	*12.4%*	*10.6%*	*13.2%*	*10.3%*	*10.6%*

Source: Banca Profilo elaborations and estimates on Company data

Balance Sheet

Operating net Working Capital will rise by about €15mln on average per year

Regarding the Balance Sheet projections, we expect Net Operating Working Capital to increase by €44.5mln over 2023-2025 (or by €15mln per year on average) with incidence on VoP to move from 20.3% in 2023E (vs our previous estimate at 21.7%) to 27% in 2025E.

In details, we forecast a decrease of the incidence of the inventories and trade payables on VoP, with stock at 43% in 2025E (from 50% in 2022), and trade payables at 39% (from 50% in 2022). Opposite, we see trade receivables to increase their weigth on VoP from 20% in 2022 to 23% in 2025E.

Net Cash at €1.8mln in 2023E to reach some €17mln in 2025E

We project net cash at €1.8mln at the end of 2023 to rise on average by about €5 mln per year over the 2023-25E period to reach €16.8mln.

Table 4: Balance Sheet evolution (Old vs New) 2022-2025E

Balance Sheet (€/000)	2022E Old	2022E Actual	2023E Old	2023E New	2024E Old	2024E New	2025E New
Inventories	76,104	97,746	89,920	110,951	108,071	124,937	133,517
% on VoP	*44.0%*	*50.4%*	*40.7%*	*49.4%*	*40.0%*	*46.4%*	*43.4%*
Trade receivables	39,782	39,171	48,606	45,362	56,737	59,761	71,350
% on VoP	*23.0%*	*20.2%*	*22.0%*	*20.2%*	*21.0%*	*22.2%*	*23.2%*
Trade payables	(77,834)	(97,556)	(90,583)	(110,731)	(108,071)	(121,983)	(120,920)
% on VoP	*45.0%*	*50.3%*	*41.0%*	*49.3%*	*40.0%*	*45.3%*	*39.3%*
Operating Net Working Capital	**38,052**	**39,361**	**47,943**	**45,582**	**56,737**	**62,715**	**83,947**
% on VoP	*22.0%*	*20.3%*	*21.7%*	*20.3%*	*21.0%*	*23.3%*	*27.3%*
Other current assets & liabilities	(11,900)	(13,497)	(24,100)	(23,799)	(17,800)	(24,602)	(25,533)
Net Working Capital	**26,152**	**25,864**	**23,843**	**21,783**	**38,937**	**38,113**	**58,413**
% on VoP	*15.1%*	*13.3%*	*10.8%*	*9.7%*	*14.4%*	*14.2%*	*19.0%*
Intangibles	14,785	8,254	16,316	12,321	14,420	11,669	11,355
Materials	25,238	27,689	28,176	51,234	28,494	52,186	51,798
Financials	1,000	51	1,200	-	1,500	-	-
Fixed assets	**41,024**	**35,994**	**45,693**	**63,554**	**44,413**	**63,855**	**63,153**
Net Invested Capital	**42,487**	**54,042**	**39,075**	**77,529**	**41,557**	**93,224**	**111,947**
Equity	**56,474**	**55,486**	**77,854**	**79,325**	**107,158**	**102,101**	**128,793**
Share capital	2,236	2,172	2,236	2,172	2,236	2,172	2,172
Reserves	31,631	21,949	44,907	51,151	63,547	67,526	86,544
Accumulated profit/loss	-	10,706	-	-	-	-	-
Net profit	19,357	18,496	24,993	21,343	32,451	24,840	29,109
Minorities	3,250	2,163	5,718	4,659	8,923	7,564	10,968
Net debt (cash)	**(13,987)**	**(1,444)**	**(38,779)**	**(1,796)**	**(65,602)**	**(8,878)**	**(16,846)**
Liabilities	**42,487**	**54,042**	**39,075**	**77,529**	**41,557**	**93,224**	**111,947**

Source: Banca Profilo elaborations and estimates on Company data

Free Cash Flow

Cumulated FCFs at €54mln or €18mln as yearly average

According to our Profit & Loss and Balance Sheet estimates, Free Cash Flow generation should reach €22.4mln in 2025E. We now project cumulated FCFs at €54.1mln or €18mln as yearly average, which is below our previous estimates at €77.9mln and €25.9mln respectively mainly due to higher cash absorption by net operating working capital over 2023-25E.

Table 5: Free Cash Flow evolution 2022-2025E

Cash flow (€ 000)	2022	2023E	2024E	2025E
EBIT	35,462	40,933	49,061	57,330
taxes	(9,929)	(11,461)	(13,737)	(16,053)
NOPAT	**25,533**	**29,472**	**35,324**	**41,278**
D&A	3,180	4,433	5,481	6,122
Operating cash flow	**28,713**	**33,904**	**40,805**	**47,400**
Operating Net Working Capital change	(13,155)	(6,221)	(17,133)	(21,231)
Other funds	318	1,152	1,337	1,185
Capex	(11,867)	(16,700)	(5,400)	(5,000)
FCF	**4,009**	**12,135**	**19,608**	**22,353**

Source: Banca Profilo elaborations and estimates on Company data

Estimates execution risks

Our projections include some key risks on the downside:

- Evolving and less favourable rules for tax incentives for building energy requalification expenditure (Ecobonus).

And on the upside:

- M&A opportunities to increase production capacity in the Industrial Hub.

Valuation

DCF method and market multiples

Given positive FCF in 2022 and our expectations of positive FCFs from 2023, a DCF method well adapts as a valuation approach for SCK Group. Furthermore, we have selected a sample of listed international "comparables" for relative valuation through market multiples.

DCF Valuation

€54mln cumulated FCFs (vs previous €78mln)
Terminal value at €21mln (vs previous €26mln)

To run a DCF model, we used our FCFs 2023-2025 projections. We expect cumulated 2023E-2025E Free Cash Flows at €54.1mln, below our previous estimate of €78mln *[Please refer to SCK Group Company Update on October, 28th 2022]*. The FCF used in the Terminal Value is the FY24-FY25 average at €21mln, below our previous estimate at €26mln due to higher cash absorption by net operating working capital over 2023-25E. To get to the Equity Valuation, we used the latest available Net Cash (at the end of December 2022) of €1.4mln, below Net Cash at €4.9mln the end of June 2022.

Table 6: DCF Valuation

DCF Valuation	2023E	2024E	2025E	TV
Free Cash Flows (€ 000)	12,135	19,608	22,353	20,981
years	1	2	3	
discount factor	0.93	0.87	0.81	
NPV Cash flows (€ 000)	11,313	17,044	18,116	
Sum of NPVs (€ 000)	11,313	28,358	46,474	
Terminal Value (€ 000)				399,044
NPV Terminal Value (€ 000)				323,395
Enterprise Value (€ 000)				**369,869**
Net debt 2022 (€ 000)				(1,444)
Minorities 2022				2,163
Equity Value (€ 000)				**369,150**
number of shares ('000)				21,719
Per share value (€)				**17.0**

Source: Banca Profilo estimates and elaborations

WACC: 7.3% vs previous 7%

To discount FCFs, we considered a 7.3% WACC, higher than our last Company Update at 7%, mainly due to higher risk-free rate and consequent cost of debt.
The WACC derived from:

- Risk Free rate of 4.8% (from 4.7%), as implicitly expected by consensus on the 30Y Italian BTP yield curve (100 day-moving average), including an expected increase in interest rates (+0.5bps);
- market risk premium of 5.5% (unchanged);
- a leveraged beta of 1 (from previous 1.1);
- cost of debt of 6% (from previous 5%).
- target debt-to-equity ratio of 50% (unchanged);

In order to assess the Terminal Value, we used a perpetual growth rate of 2%.

Table 7: WACC calculation

WACC Calculation	
perpetual growth rate	2.0%
WACC	**7.3%**
risk free rate (30Y) (Bloomberg projections)	4.8%
equity risk premium	5.5%
beta	1.0
KE	10%
cost of debt	6.0%
tax rate	28%
KD	4.3%

Source: Banca Profilo estimates and elaborations

DCF valuation: €17/share

The DCF method leads us to an Enterprise Value of €369.9mln (vs previous €495.3mln) and to an Equity Value of €369.2mln (vs previous €489mln) showing a fair value of €17/share, below our previous Company Update (on October, the 28th) at €22.5/share mainly due to lower cumulated 2023-2025 FCFs and Terminal Value and higher WACC.

Sciuker competitive arena

We provide a list of peers that best adapts to Sciuker Frames business model. We concentrate our selection on listed players active in a business similar to Sciuker's one, the larger industry of Fixtures Manufacturing. Within this sector we selected: Deceuninck NV (Belgium), Inwido AB (Sweden), Eurocell Plc (UK), SafeStyle Plc (UK), Apogee Enterprises (USA), Pgt innovations (USA), Edac (IT), Nusco (IT).

Deceuninck (Belgium): PVC window and door manufacturer. FY22 revenue at €974mln and 9.5% EBITDA margin

Deceuninck NV, founded in 1953 and headquartered in Hooglede-Gits (Belgium), engages in the design and manufacture of Polyvinyl Chloride (PVC) systems for windows and doors, roofline and cladding, interior, and outdoor living. It operates through the following geographic segments: Western Europe, Central and Eastern Europe, North America, and Turkey and Emerging Markets. In 2021, Deceuninck NV generated total revenues of around €838mln.

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

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

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

Eurocell Plc, founded in 1974, with headquarters in Alfreton (UK), is a holding company, which engages in the extrusion of PVC window and building products to the new and replacement window market and the sale of building materials across the UK. It operates through the Profiles and Building Plastics segments. In 2021, Eurocell Plc generated total revenues of around GBP 343mln.

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

SafeStyle Plc, founded in 1992, headquartered in Bradford (UK), engages in sale, manufacture, and installation of polyvinyl chloride un-plasticized windows and doors for the homeowner replacement market. Its products include sash windows, bay windows and composite guard doors. The firm offers marketing, sales, survey, manufacturing and installation services. In 2021, SafeStyle Plc generated total revenues of approximately GBP 143mln.

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

Apogee Enterprises, founded in 1949 and headquartered in Minneapolis (USA), engages in the design and development of glass and metal products and for enclosing commercial buildings, farming and displays. The company operates through four segments: Architectural Glass, Architectural Services, Architectural Framing Systems and Large-Scale Optical Technologies. The Architectural Glass segment fabricates glass used in customized window and curtain wall systems comprising the outside skin of commercial and institutional buildings. The Architectural Services segment provides building glass and curtain wall installation services. The Architectural Framing Systems segment designs, engineers, finishes and fabricates the aluminum frames used in customized window, curtain wall, storefront, and entrance systems. In 2021, Apogee Enterprises generated total revenues of approximately $1.3bn.

Pgt innovations (USA): window and door manufacturer

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

FY22 revenue at $1.5bn and 16% EBITDA margin

PGT Custom Windows and Doors, CGI, and WinDoor. In 2021, Pgt innovations generated total revenues of approximately $1.1bn.

Edac (IT) FY22 revenue at €148.1mln

EdiliziAcrobatica engages in outdoor construction works using double safety rope access techniques. Its services include facade and wall clean-up, balcony repair, roof renovation, and facade painting. The company was founded by Riccardo Iovino in 1994 and is headquartered in Genoa, Italy. In 2021 the Company reported revenues at €87mln.

Nusco (IT) FY22 revenue at €50.9mln and 6% EBITDA margin

Nusco manufactures and markets interior doors and frames. It offers its products in wood, PVC, aluminum, and iron under the "NUSCO" brand. The firm operates through Doors Business Unit and Windows Business Unit. The Doors Business Unit produces doors and markets armored doors. The Windows Business Unit engages in the production and marketing of windows, shutters, and iron gratings. The company was founded by Mario Nusco in 1968 and is headquartered in Nola, Italy. In 2021 the Company reported revenues at €15.4mln.

Market multiples

EV/EBITDA to assess the market multiples valuation of SCK Group

To assess a relative valuation through the market multiples approach, we selected a sample of eight listed companies in the Fixtures Manufacturing industry, “comparables” to SCK: 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).

SCK trades at significant discount to main peers

SCK trades 50% below its peers’ average in terms of EV/EBITDA 23-24 (2.6x vs 5.2x), despite higher potential sales growth and better EBITDA margin (22.2% vs 13.9%).

Table 8: Market multiples

Company	EV / Sales		EV / EBITDA	
	2023E	2024E	2023E	2024E
Deceuninck NV	0.5x	0.4x	4.2x	3.7x
Inwido AB	0.8x	0.8x	6.2x	6.2x
Eurocell Plc	0.6x	0.6x	4.5x	4.1x
SafeStyle UK Plc	0.2x	0.1x	2.6x	1.7x
Apogee Enterprises	0.8x	0.8x	6.5x	6.4x
Pgt innovations	1.4x	1.4x	8.7x	8.4x
Ediliziacrobatica	1.1x	0.8x	4.5x	4.3x
Nusco	1.2x	1.0x	7.2x	5.7x
Median	**0.8x**	**0.7x**	**5.4x**	**5.0x**
Sciuker Frames	**0.5x**	**0.5x**	**2.8x**	**2.3x**

Source: Banca Profilo elaborations on elaborations on FactSet (as of 26th April 2023)

Table 9: Sample benchmarking on revenue growth and EBITDA margin

Company	Sales growth				EBITDA margin			
	2021	2022	2023E	2024E	2021	2022	2023E	2024E
Deceuninck NV	30.5%	16.2%	-1.7%	3.0%	11.3%	10.5%	11.0%	12.1%
Inwido AB	15.6%	23.6%	-7.9%	-0.8%	14.7%	14.2%	12.5%	12.7%
Eurocell Plc	33.0%	11.1%	1.0%	3.1%	15.2%	14.5%	12.8%	13.4%
SafeStyle UK Plc	26.5%	7.7%	3.7%	8.7%	10.2%	1.8%	5.7%	8.1%
Apogee Enterprises	3.3%	9.2%	1.6%	1.5%	10.2%	11.3%	11.8%	11.8%
Pgt innovations	31.6%	28.5%	-0.4%	3.9%	14.6%	17.0%	16.3%	16.3%
Ediliziacrobatica	94.4%	49.6%	3.8%	30.4%	24.5%	23.6%	23.6%	18.9%
Nusco	-0.1%	31.8%	18.2%	16.7%	16.8%	15.8%	16.7%	18.2%
Mean	**29.4%**	**22.2%**	**2.3%**	**8.3%**	**14.7%**	**13.6%**	**13.8%**	**13.9%**
Sciuker Frames	***355.4%***	***88.3%***	***15.8%***	***19.9%***	***27.9%***	***21.7%***	***22.0%***	***22.5%***

Source: Banca Profilo estimates and elaborations on Factset and company data (as of 26th April 2023)

Median FY23-24 EV/EBITDA: 5.2x

To compute valuation through market multiples, we chose the median FY 2023-24E EV/EBITDA at 5.2x (vs previous 5.4x). We derived an Enterprise Value of €283.4mln and an Equity Value of €284.8mln or €13.1/share, above previous €11.5/share following higher 23-24 EBITDA estimates.

Table 10: Market multiples valuation

Relative Valuation on market multiples 2023-24E			
EV/EBITDA		**EBITDA**	
2023E	**2024E**	**2023**	**2024**
5.4x	5.0x	49,277	60,577
ENTERPRISE VALUE		**NET DEBT 22**	
264,454	302,339	-1,444	
EQUITY VALUE			
284,840			
Price per share			**13.1**

Source: Banca Profilo elaborations on elaborations on FactSet (as of 26th April 2023)

TP reduced to €15.1/share; BUY confirmed

We set our 12-month target price at €15.1/share (vs previous €17), as the simple average of DCF (€17/share) and market multiples valuations (€13.1/share).

Higher WACC and lower cumulated 2023-25 FCFs and TV (compared to our previous Company Update) led to a decrease in our 12-month target price. Our 12-month target price shows an implied multiple of 6.6x in 2023 compared to median peers' 2023 EV/EBITDA at 5.4x.

Given the significant potential upside on SCK Group's closing price, we confirm our BUY recommendation.

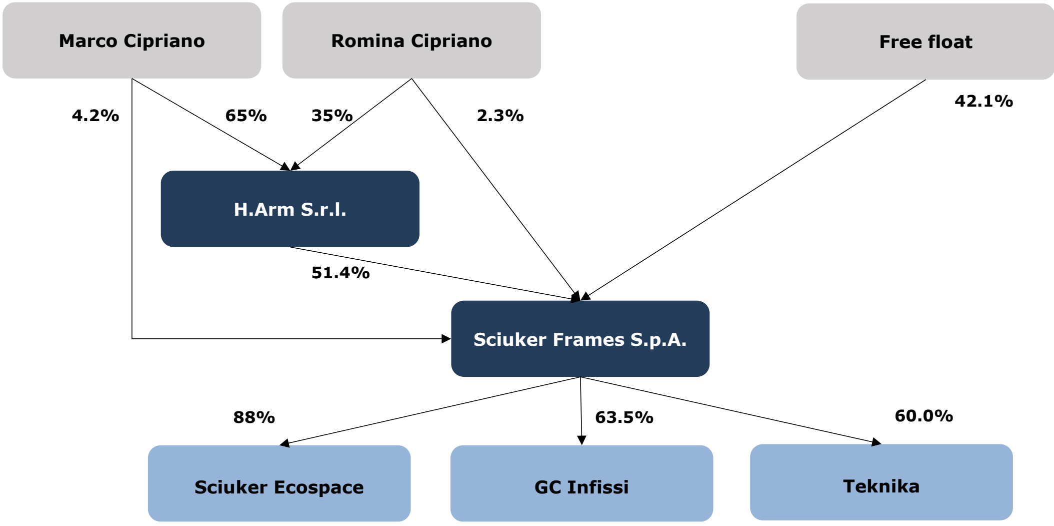
Appendix

Corporate structure

Sciuker Frames Spa is the holding directly controlling three subsidiaries

The Group is led by Sciuker Frames Spa acting as the operating holding directly controlling three subsidiaries:
- G.C. Infissi PVC owned at 63.5%;
- Teknika S.rl. controlled at 60%;
- Sciuker Ecospace S.r.l owned at 88%.

Figure 8: Group structure



Source: Banca Profilo elaborations on Company data

Sciuker Ecospace active in the energy efficiency interventions

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

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

In April 2021, Sciuker bought the 63.5% of GC Infissi based in Piedmont. The Company is mainly active in the production and processing of windows and frames in PVC (representing the 90% of its business) and doors. Since 2017, GC has diversified its product range into aluminium windows. Thanks to its plant of about 10k square meters, GC Infissi can produce up to 150 units per day. Through GC Infissi, Sciuker Frames entered into the business of PVC windows and frames, which represents the biggest market share. Moreover, both companies could benefit of economies of scale in terms of cost savings reinforcing their relationship with suppliers.

Teknika active in the production of mosquito nets

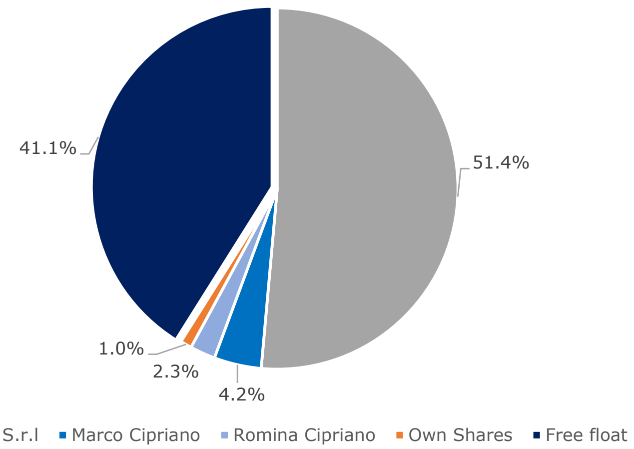
In November 2021, Sciuker acquired Teknika, a company based in the province of Novara with a plant of about 7k square meters, which produces an average of 300 mosquito nets per day. Tekinka also produces and markets roller shutters and sunshades. In addition to expand its offering to windows accessories,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

Ownership structure and free float

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

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

Figure 9: Ownership of the Group (%)



Source: Banca Profilo elaborations on Company data. Data as of April 27th, 2023

ESG Analysis

Sustainability Report

The first Sustainability Report in 2020

To best involve stakeholders and to communicate in an increasingly transparent way its ESG goals, Sciuker published its first Sustainability Report in 2020, in accordance with GRI standards.

Sustainability for SCK Group

ESG Advisory Board

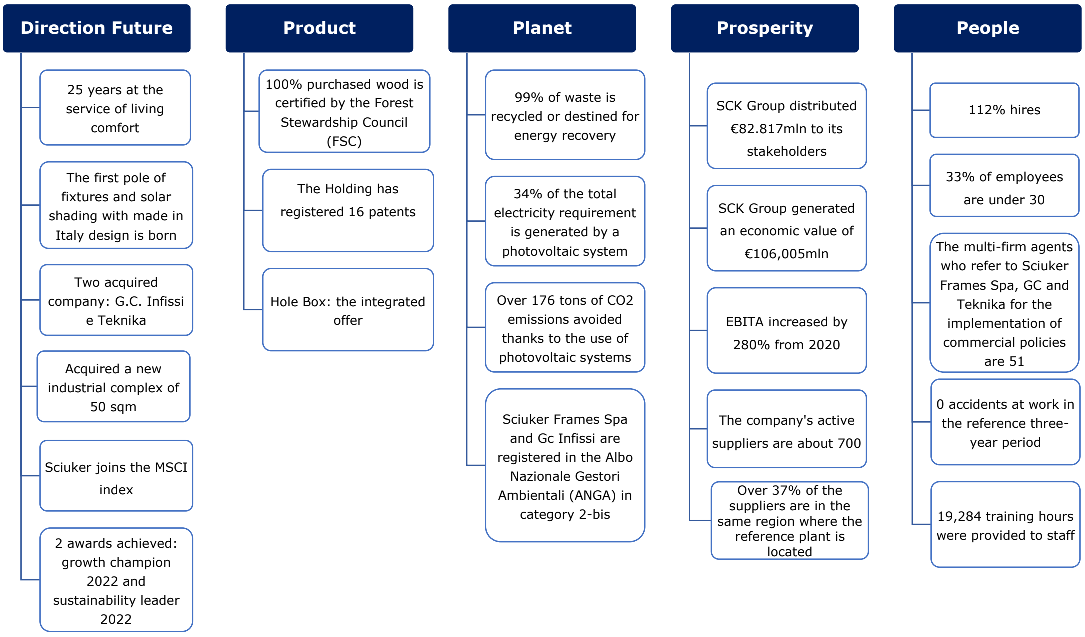
Sciuker BoD appointed an ESG Advisory Board to promote continuous integration of national and international ESG best practices. This Board will monitor the creation of value for shareholders in the medium-long term, in compliance with the principles of sustainable development.

5 main ESG areas

The Sustainability report identifies 5 main ESG areas:

- Direction Future: policies that reflect their values and guarantee an ethical condition of company activities, respect for people and the environment;
- Product: the Group manufactures fixtures using sustainable raw materials and with minimal environmental impact;
- Planet: business practices to reduce the pressure on natural resources;
- Prosperity: aims at the well-being of the community by promoting quality job opportunities in the area;
- People: protecting health and safety of employees within the workplace, promoting well-being and professional growth.

Figure 10: ESG impact areas



Source: Banca Profilo elaborations on Company data

Sustainability at the heart of the Group business

Through the integration of ESG factors in the business model of each subsidiary, SCK Group can optimize business processes and actively contribute to sustainable development. For years, the subsidiaries have been adopting Integrated Management Systems for solid compliance with national and international regulations by defining principles, procedures and roles, in keeping with the corporate vision.

Materiality Assessment

Materiality Assessment

The purpose of the Materiality analysis is to determine the most relevant issues for the Company and its stakeholders, and to decide which issues should be included in the Sustainability Report.

Figure 11: Materiality Assessment

Source: Banca Profilo elaborations on Company data

Environmental sustainability

Consumption and energy management

Sciuker Frames has a production capacity of about 35,000 windows per year and is equipped with 1,368 photovoltaic panels, capable at expressing a power output of 250 Wp. This ensures renewable electricity production for 34% of the Company annual needs and a substantial reduction in environmental impacts in terms of CO2.

Table 11: Greenhouse gas emissions avoided due to photovoltaics

	2019	2020	2021	2022*
Gj produced from photovoltaics	1,446	1,444	1,384	3,460
Avoided emissions (kg co2 equivalent)	203,191	201,530	176,400	441,000
Number of trees required to fix that amount of carbon	3,616	3,614	3,163	7,907

*preliminary estimates

Source: Banca Profilo elaborations on Company data

Emission monitoring and reduction

In 2021, the total greenhouse gas emissions were about 484.90 tons of CO2. However, the Group chose to meet part of its energy needs through energy produced by photovoltaic panels. This reduced 176.4 tons of CO2 equivalent emissions.

Table 12: GHG emissions (ton CO2 equivalent) from 2019 to 2021

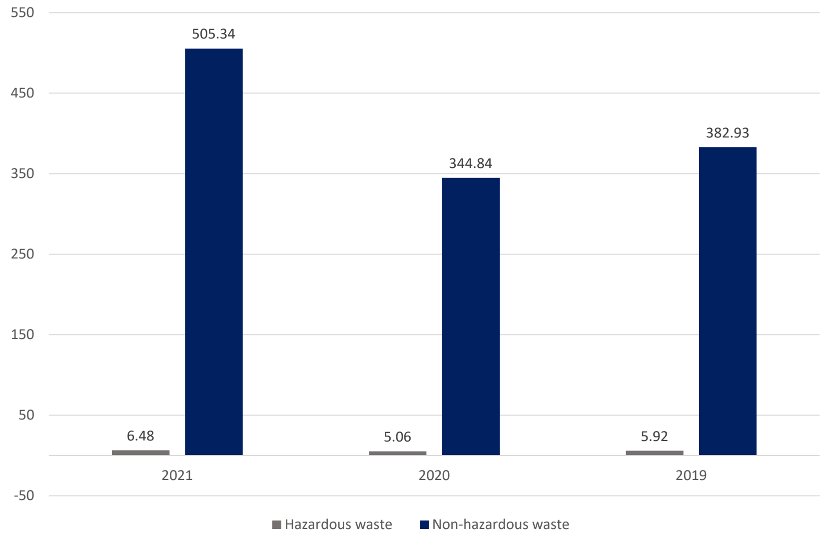
Direct emissions Scope 1	2019	2020	2021
Natural Gas heating	0	0	27,12
Diesel fuel for generator sets	0,08	0,08	0,08
Diesel for company vehicles	11,69	11,34	12,64
Natural Gas for company vehicles	18,40	15,33	21,81
Biomasses	3,19	2,36	4,54
Total emissions scope 1	33,36	29,11	66,19

Source: Banca Profilo elaborations on Company data

Responsible waste and water discharge management

Sciuker Frames S.p.A. carries out the separate collection of waste, using the relevant EWC code; only 1% of it (hazardous waste) is disposed of by incineration at authorized sites; the remainder is recycled or valorised into energy. This process is possible thanks to the use of raw materials natural and 100% recyclable, such as wood and aluminium.

Figure 12: Hazardous and Non-Hazardous waste generated by Sciuker frames (tons)



Source: Banca Profilo elaborations on Company data

Social issues

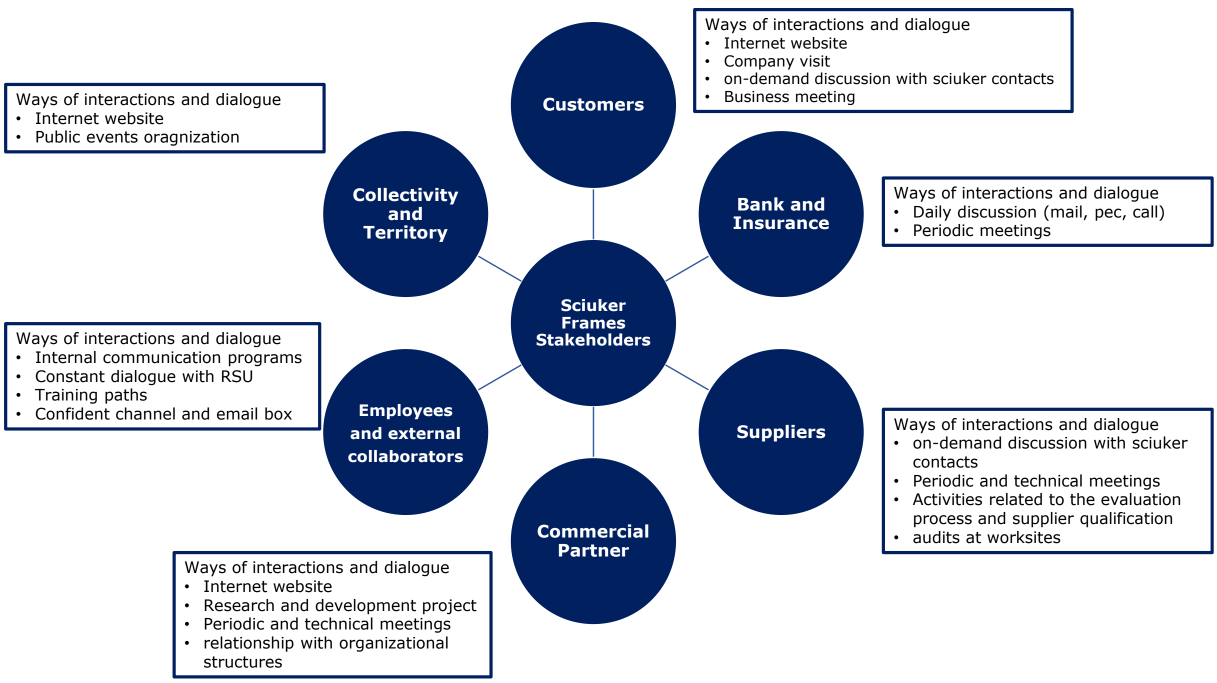
Relationship with suppliers

Suppliers selection takes place only when the suppliers in the Company Register are unable to meet procurement needs with reference to one or more categories of commodities or services. The inclusion of new suppliers into the Register requires three steps: an initial market research, a new supplier qualification activity and the submission of a request for quotation.

Stakeholder involvement and dialogue

Sciuker Frames is committed to developing a corporate culture focused on creating shared value for stakeholders through listening and dialogue.

Figure 13: Sciuker Frames stakeholder involvement and dialogue



Source: Banca Profilo elaborations on Company data

Health and safety at work

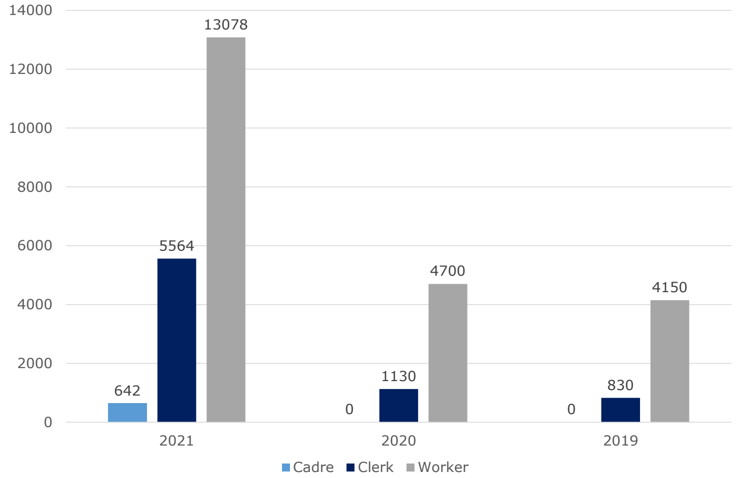
Corporate culture regarding health and safety and the propensity for continuous improvement in the behaviours and procedures adopted are indispensable goal for the Group. In recent years, there have been no cases of occupational injury or illness.

As per Legislative Decree n. 81/2008 (Testo Unico sulla Salute e Sicurezza), the company identifies four key figures: employer, prevention and protection service manager (RSPP), workers' safety representative (RLS) and competent doctor.

Training and skills development

Staff training courses have been developed considering everyone's needs and specific professional areas, seeking to stimulate learning of both hard and soft skills.

Figure 14: Total hours of training provided by employee qualification



Source: Banca Profilo elaborations on Company data

Governance

Governing bodies composition complies with Borsa Italiana rules

The almost equal presence of men and women in the BoD is in line with the recommendations by Borsa Italiana Corporate Governance Code, according to which at least one-third of the BoD should be made up of members of the less represented gender.

Table 13: Gender composition of governing bodies from 2019 to 2021

	2019			2020			2021		
	Women	**Men**	**Total**	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**
BoD	2	3	5	2	3	5	2	3	5
Internal Auditors	0	4	4	0	4	4	1	4	5
Supervisory Board	/	/	/	1	2	3	1	2	3
TOTAL	**2**	**7**	**9**	**3**	**9**	**12**	**4**	**9**	**13**
%	30%	70%	100%	25%	75%	100%	30%	70%	100%

Source: Banca Profilo elaborations on Company data

Sustainable human capital management

SCK Group Human Resources management aims at attracting talented professional skills, but also at creating a collaborative and positive work environment.
From 2019 to 2021, most staff were employed through full-time permanent contracts. The significant increase in staff (+228%) over the past year comes from the integration of acquired companies in 2021, but also by Ecospace business expansion.

Table 14: Employees number of SCK Group by type of employment and contract

	31/12/2019			31/12/2020			31/12/2021		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Temporary contract	0	28	28	0	23	23	15	133	148
Permanent contract	10	76	86	9	97	106	38	237	275
TOTAL	**10**	**104**	**114**	**9**	**120**	**129**	**53**	**370**	**423**
Full time	6	70	76	7	105	112	45	280	325
Part time	4	34	38	2	15	17	8	90	98
TOTAL	**10**	**104**	**114**	**9**	**120**	**129**	**53**	**370**	**423**

Source: Banca Profilo elaborations on Company data

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SCK Group "ID Card"

Recommendation	Target Price	Upside
BUY	**15.1 €**	**135%**

Company Overview

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

Following Teknika acquisition, Sciuker Frames Group has become the first "Centre of Frames" with a Made in Italy design. The acquisition of Teknika allows the Group to significantly expand its offering integrating frames (wooden and aluminum) with accessories like mosquito nets, roller shutters, thermal insulating monoblocks, external curtains and bioclimatic pergolas. Thus, the Group set its HOLE BOX, a complete and integrated offering with fixtures and accessories ready for the energy efficient Italian housing market. Through its Industrial business, SCK Group offers a solution for achieving thermal insulation and increasing the energy efficiency of residential buildings, through high-quality windows and sunscreens with a natural and made-in-Italy design. The Industrial core business development goes through: i) Expanding and optimizing production capacity (Sciuker Frames); Offering range extension to PVC and aluminium (GC Infissi) and window accessories (Teknika); Further M&A opportunities; European strategic partnerships for wooden frames procurement (Croatia and Slovenia) PVC and aluminium frames (Portugal and Spain, including Cortizo for exclusive supply). Ecospace offers energy requalification solutions for residential buildings. Despite recent change in the political scenario regarding tax incentives on building energy requalification (Ecobonus), SCK Group confirmed its 2022-2024 Business Plan goals as Ecospace current backlog, which is worth some €350mln, falls under the transitional rules (Decree Law 11/2022) that still allow for the application of the original tax credit assignment process to all interventions covered by CILA on the date of publication of the same Decree in the Official Gazette (November 2022). In fact, new rules will accelerate the execution of work in progress and the cash in of backlog.

SWOT Analysis

Strengths

- Leader manufacturer of high quality windows and shutters
- Strong company commitment to sustainability
- Strongly investing on corporate culture, brand and innovative marketing
- A structured, trained sales force driven by commercial performance
- Industrialized production in a sector traditionally characterized by craftsmanship
- Distinctive and wide offering including patented products
- A wide portfolio of patented products
- High margins and cash generator driven by a rigorous cost and working capital management
- Synergies deriving from GC Infissi and Teknika acquisition

Weaknesses

- The size of the Company
- NWC optimization needed
- Integration between the holding and the subsidiaries

Opportunities

- Very fragmented Italian reference market
- Roll out of management contracts
- "Ecobonus", even at gradually reducing tax credits
- Ad-hoc European partnerships for expanding the Industrial core business
- Large potential Italian addressable market
- M&A opportunities to increase production capacity in the Industrial business

Threats

- Competition within existing players, especially large manufacturers
- High growth rates could lead to cost management issues
- Evolving and less favourable rules for tax incentives for energy requalification expenditure
- Still high raw materials, energy, transportation costs and interest rates

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
Synergies with GC Infissi and Teknika

Main risks

Rising price competition from international Fixtures Manufacturing players
Less than expected growth of foreign markets
Loss of control over big orders receivables
Evolving and less favourable rules for tax incentives for energy requalification expenditure

Banca Profilo

Equity Research

SCK Group "ID Card"

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Recommendation	Target Price	Upside
BUY	**15.1 €**	**135%**

Main Financials

(€, 000)	2022	2023E	2024E	2025E
Revenues	129,178	162,185	199,208	227,826
yoy change	*77.7%*	*25.6%*	*22.8%*	*14.4%*
Value of Production	193,799	224,431	269,047	307,381
yoy change	*88.3%*	*15.8%*	*19.9%*	*14.2%*
EBITDA	42,020	49,277	60,577	70,347
margin (%)	*21.7%*	*22.0%*	*22.5%*	*22.9%*
EBIT	35,462	40,933	49,061	57,330
margin (%)	*18.3%*	*18.2%*	*18.2%*	*18.7%*
EBT	32,415	37,404	43,533	51,015
margin (%)	*16.7%*	*16.7%*	*16.2%*	*16.6%*
Net profit	20,659	23,839	27,745	32,513
margin (%)	*10.7%*	*10.6%*	*10.3%*	*10.6%*
Net Debt (cash)	(1,444)	(1,796)	(8,878)	(16,846)
Shareholders Equity	55,486	79,325	102,101	128,793
Operating Net Working Capital	39,361	45,582	62,715	83,947
Free Cash Flow	4,009	12,135	19,608	22,353

Fixtures manufacturing: multiples of peers

	2023E	2024E
Median EV / Sales	0.8x	0.7x
Median EV / EBITDA	5.4x	5.0x

Fixtures manufacturing: data of SCK

	2022	2023E	2024E
Revenue Growth (yoy)	88.3%	15.8%	19.9%
Adjusted EBITDA margin	*21.7%*	*22.0%*	*22.5%*

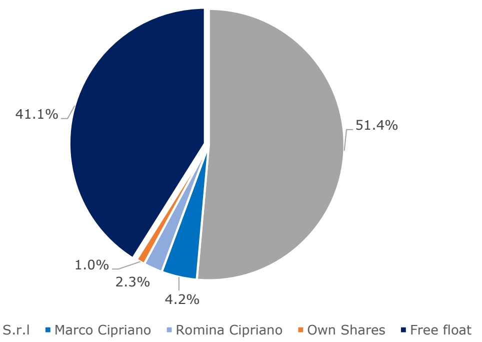
Fixtures manufacturing: average data of peers

	2022	2023E	2024E
Revenue Growth (yoy)	22.2%	2.3%	8.3%
Adjusted EBITDA margin	*13.6%*	*13.8%*	*13.9%*

Company Description

Company Sector	Fixture manufacturer
Price (€)	6.30
Number of shares ('000)	21,719
Market Cap (€mln)	138.0
Reference Index	Eurinext Growth Milan
Main Shareholders	Marco Cipriano, Romina Cipriano
Main Shareholder stake	51%
Free Float	41%
Daily Average Volumes ('000)	46,346.0
Sample of comparables	Deceuninck NV, Inwido AB, Eurocell Plc, SafeStyle UK Plc, Apogee Enterprises, Pgt innovations, Nusco, EDAC

Ownership structure and free float



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