Banca Profilo

Company Update

Soaring orders intake at Ecospace; production and tech investments at Sciuker Frames speed up growth and marginality

SCIUKER FRAMES

January, 20th at 18:00

Target Price (€)	**9.00**	**from**	**4.0**
Recommendation	**BUY**	**fom**	**BUY**
Price as of January 19th			3.07
Number of shares (mln)			10.9
Market capitalization (€mln)			32.3
Market segment			FTSE AIM ITALIA

Performance	**from IPO**
Absolute	+119%
Max / Min	3.4/0.4
Average daily volumes ('000)	148.9

(€mln)	2019	2020E	2021E	2022E
Revenue	**12.0**	**18.3**	**72.3**	**86.0**
yoy change	*29.5%*	*52.5%*	*295.9%*	*19.0%*
VoP	**11.9**	**19.3**	**78.1**	**93.3**
yoy change	*12.8%*	*61.9%*	*305.4%*	*19.4%*
EBITDA	**2.6**	**6.7**	**27.4**	**33.0**
margin	*21.5%*	*34.8%*	*35.1%*	*35.3%*
EBIT	**0.9**	**3.3**	**16.0**	**19.4**
margin	*7.6%*	*17.2%*	*20.4%*	*20.8%*
Net income	**0.3**	**1.8**	**8.3**	**10.2**
margin	*2.2%*	*9.1%*	*10.6%*	*10.9%*
NIC	15.9	14.0	14.9	15.7
Net debt (cash)	**7.6**	**3.7**	**(3.7)**	**(13.1)**
Equity	8.3	10.3	18.6	32.5
FCF	(0.7)	4.0	9.1	11.8

Source: Banca Profilo estimates and elaborations, Company data.

Soaring orders intake at Ecospace drive Sciuker's guidance above our estimates

In December, the Company released a new guidance on 2020: revenue higher than €18mln, above our estimate at €15.6mln, boosted by the acceleration of orders intake at Ecospace driven by the Ecobonus 110% fiscal incentive on energy efficiency building restructuring. Moreover, the Company announced €31.2mln of orders backlog and €10.8mln of revenue at Ecospace in 2020, above our estimates at €20mln and €6mln respectively. In January, the Company released its guidance on 2021: €15mln of orders intake and revenue per quarter at Ecospace, above our projection at €50mln for the whole year. Finally, the Company announced the extension of the Eco110 to the end of December 2022.

Upward revision of our 2020 estimates

Following the updated Company guidance, we raised our estimate on 2020: VoP from €15.6mln (+31% yoy) to €19.3mln (+62% yoy), including the contribution of Ecospace at €10.8mln (from €6mln) and EBITDA from €3.7mln to €6.7mln or from 24% to 35% margin, driven by the increased contribution of Ecospace which shows higher marginality than Sciuker Frames'. On the Balance Sheet, main changes to our projections derive from a more flexible structure and shorter cycle of Net Working Capital at Ecospace compared to Sciuker Frames', leading to a Group net debt of €3.7mln at the end of 2020 (€7.6mln in 2019), well below our forecast at €13.2mln.

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

Following our estimates revision on 2020, we increased our forecast on 2021 and 2022 including the Company's indication on the contribution of Ecospace to the Group's revenue, EBITDA and Net Working Capital. In 2023E we assumed: i) no extension of the Eco110; ii) a third of Ecospace's orders intake compared to 2021-2022 as we suppose it will keep working as a traditional general contractor, especially active in the efficiency building restructuring field and iii) double digit revenue growth in Sciuker Frames driven by machinery upgrade and process automation leading to production capacity expansion. We now project a 40% Value of Production CAGR (2019-2023E), which compares to our previous 29%, with a peak at €93mln in 2022E and a sustainable level of €46mln in 2023E (vs previous €32.5mln). In terms of EBITDA margin, we expect it to peak at 35% in 2022 and we set it at a defensible 25% in 2023E. Finally, we estimate unlevered FCFs at €26.8mln in 2021E-2023E with an annual average at €8.9mln, but a defensible level of €5.9mln from 2023 onward. Main risk to our estimates is any negative change in the Ecobonus 110% tax incentive law on which Ecospace 2021 and 2022 projections have been built.

Valuation updated: Target Price raised to €9.0; BUY

We increased our TP from €4/share to €9/share, following the updated guidance on Ecospace in terms of revenue, marginality and cash contribution to the Group. Our Target Price derives from the average of DCF and market multiple valuations based on, respectively, an estimated defensible perpetual yearly cash flow of €5.9mln and 2023E EBITDA of €11.7mln. Given the significant potential upside on Sciuker's current price, we confirm our BUY recommendation.

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Executive summary

Sciuker Frames in a nutshell: key investment drivers

2020 Company preliminary results: revenues expected higher than €18mln

On December, the 18th, the Company released a guidance on 2020: it expects revenues to be higher than €18mln (+50% yoy), beating our estimates at €15.6mln. Revenue booster is the acceleration at Ecospace orders intake and therefore its contribution to the Group's turnover and marginality. Ecospace closed 2020 with a backlog worth €31.2mln, above our estimate at €20mln, adding €10.8mln to Group's sales, higher than our projection at €6mln.

Ecobonus 110%: the key driver for the construction industry

In June, the Italian Government approved the "Super Bonus" regarding a 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.
According to the Company's press release in January, the 110% Ecobonus should be extended to the end of 2022; this is however, subject to the final approval by the Council of the European Union.

Acquisition of Ecospace to strengthen the use of tax credit incentives through the Ecobonus 110%

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. The acquisition was an upgrade of Sciuker's announced and set up strategy to cash the opportunities of already-existing tax incentives for energy efficiency interventions. Sciuker paid Ecospace €0.3 mln and a variable fee of €0.9 mln subject to the signing of contracts relating to energy requalification interventions, by Ecospace. In terms of synergies, Ecospace brings into Sciuker higher marginality and a much more flexible and simple net working capital. Moreover, within the energy efficiency activities, Ecospace offers Sciuker's windows to upgrade building insulation. More in details, windows and frames weigh between 30%-40% of whole building site cost.

Ecospace accelerating orders intake drives the Group revenue and marginality in 2020-2022E

In less than one year of activity and thanks to the Eco110 fiscal incentive, in 2020 Ecospace reached an order backlog of €31.2mln, beating our estimate of €20mln, and brought into the Group €10.8mln revenue, above our expectation at €6mln, improving marginality to 35%, higher than our projection at 24%. Moreover, Sciuker released a guidance on 2021: Ecospace will contribute for €22.1mln to the Group revenue, higher than our forecast at €14mln. Finally, Sciuker announced the postponement of 110% Ecobonus to December 2022 and guided to €15mln of orders intake per quarter at Ecospace, or €60mln of order backlog at the end of FY21, above our estimate at €50mln. We therefore revised upwards our estimates including these accelerated trends at Ecospace.

New investments to increase Sciuker Frames production capacity

Sciuker Frames completed the installation of two new innovative machines thanks to the funding obtained by MISE in July 2019, for a total investment of €3mln. These two new innovative machines will improve its production process thanks to the most modern technologies and the most advanced software, expanding by 35% the Company's production capacity to 50k windows per year.

Main corporate strategies and 2021E-2023E estimates

2016-2019 Revenue CAGR at 12%

Since 2016, Sciuker's revenues grew constantly; the Company reported an average growth of 12% (CAGR 2016-2019).

2020-2021 Company guidance above our expectation

In December the Company released a new guidance on 2020: revenue higher than €18mln, above our estimate at €15.6mln, boosted by the acceleration of orders intake at Ecospace driven by the Ecobonus 110% fiscal incentive on energy efficiency building restructuring, which will last until the end of 2022. Moreover, the Company announced €31.2mln of orders backlog and €10.8mln of revenue at Ecospace in 2020, above our estimates at €20mln and €6mln respectively. In January the Company released a new guidance on 2021: €15mln of orders intake and revenue per quarter at Ecospace, above our projection at €50mln.

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.

raising estimates on 2020-2022 and setting a defensible 2023E

Following our estimates revision on 2020, we increased our forecast on 2021 and 2022 including the Company's indication on the contribution of Ecospace to the Group's revenue, EBITDA and Net Working Capital cycle. In 2023E we assumed: i) no extension of the Eco110; ii) a third of Ecospace's orders intake compared to 2021-2022 as we suppose it will keep working as a traditional general contractor, active especially in the energy efficiency building restructuring and iii) a double digit revenue growth in Sciuker Frames driven by machinery improvement and process automation leading to the expansion of its production capacity.

2021E VoP at €78.1mln from €59mln

EBITDA margin of 35% in 2021E (from 25%)

€26.8mln cumulated FCF (from €7.1mln)

We now project a 40% Value of Production CAGR (2019-2023E), which compares to our previous 29%, with a peak in revenue at €93mln in 2022E and a sustainable level of €46mln in 2023E (vs previous €32.5mln). In terms of EBITDA margin, we expect it to peak at 35% in 2022 and we set it at a defensible 25% in 2023E. In terms of unlevered FCFs we estimate €26.8mln in 2021E-2023E with an annual average at €8.9mln, but a defensible level of €5.4mln from 2023 onward.

Main risk to our estimates is any negative change in the Ecobonus 110% tax incentive law on which Ecospace 2021 and 2022 projections are built.

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 7.0

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 7.0x.

DCF assumptions

To run a DCF model, we use our projections of unlevered FCFs for the 2021E-2023E explicit period: €26.8mln cumulated and €8.9mln as yearly average average (vs previous €16mln and €4.0mln in the period 2020E-2023E).
In order to assess the Terminal Value, we used what we consider a sustainable perpetual Free Cash Flow at €5.9mln, thus excluding any postponement of the Eco110 law over 2022. Finally, we assumed 2% perpetual growth rate and a WACC of 7.3%.

DCF valuation: €10.4/share

The DCF method leads us to an Enterprise Value of €117mln (vs our previous €59.4mln) and to an Equity Value of €113mln (from previous €46.3mln) showing a fair value of €10.4/share (vs previous €4.2/share), including the Net debt at the end of 2020 at €3.7mln.

Market multiples valuation: €7.7/share

Our relative valuation is based on peers' average EV/EBITDA 2021E at 7.5x. In terms of EBITDA we decided to use a defensible EBITDA level, which is our projection of EBITDA in 2023 at €11.7mln. This leads to an Equity Value of €84.3mln (vs previous €40.7mln) or €7.7/share (vs previous before €3.72/share). In our previous update the average EV/EBITDA 2020-2021E stood at 6.9x.

TP increased at €9.0/share (from €4.0/share) BUY confirmed

We increased our TP from €4/share to €9/share for the updated Company guidance on Ecospace contribution in terms of revenue, marginality and cash to the Group in 2020-2022. Target Price derives from the average of DCF and market multiple valuations based on an estimated defensible perpetual yearly cash flow of €5.9mln and 2023E EBITDA of €11.7mln, respectively. Given the significant potential upside on Sciuker's current price, we confirm our BUY recommendation.

Major announcement and key risks

Major 2020 announcements: financing strengthening; tax credit opportunity for retailers; commercial partnerships and agreements; catching always new market opportunities

- Major 2020 announcements are:
  1. the signing of supply agreements, including a mass market retailer and various foreign partnerships which will bring results in 2020;
  2. at the end of December 2019, the Company signs with Abitare In S.p.A. a further agreement for the supply of fixtures for the "Palazzo Naviglio" residential project in Milan for €0.7mln;
  3. the presentation of Sciuker Frames window collections scheduled at Superus showroom, the third high quality door manufacturer in Shandong in China. The development plan in the Chinese market provided the identification of a medium-high target distribution channel and thanks to the new commercial partnership with Superus. Sciuker Frames would have reached about 1,500 dealers in China. The event was cancelled due to the Covid-19 health emergency, but the

Company thinks it will be rescheduled at the end of 2020;

4. Sciuker signed an agreement with an Energy Company to promote the selling of its windows through the use of tax credit related to the energy efficiency improvement of buildings, the so-called "Ecobonus" which will allow Sciuker's retailers to sell windows at half price and gain significant market shares in 2020-2021 and to mitigate the Coronavirus impacts;
5. Sciuker has entered into an exclusive agreement with the fintech Credimi to manage the payment with the consumers that use the Ecobonus tax credit;
6. Sciuker approved the issue, of one or more convertible bonds in ordinary shares (with warrants) for an amount up to €5mln;
7. Sciuker will issue a non-convertible bond worth €3mln with a 7-year maturity (the so-called Basket Bond), within a financing operation promoted by Campania region;
8. Sciuker has announced a Buyback programme with the aim to use own shares for supporting the liquidity of the security and for incentive plans (including M&A);
9. Sciuker has announced that will open a flagship store in Milan located in Melchiorre Gioia street. This new opening is in line with Sciuker's strategy to strengthen and invest in its directional segment focusing on new buildings and luxury hotels;
10. Sciuker has signed an agreement for the supply of fixtures for €2 mln with Borio Mangiarotti regarding the project "Sei Milano";
11. Sciuker has started the first two construction sites in Italy through the 110% Ecobonus for energy requalification;
12. Sciuker Frames completed the installation of two new innovative machines thanks to the funding obtained from MISE in July 2019. The total investment of €3mln includes €1mln as a non-repayable fund and €1.2mln of interest-free loan. In addition, the Company can also use the tax advantage of hyper-amortization for over €1mln. These two new innovative machines will improve its production process thanks to the most modern technologies and the most advanced software, leading the Company's production capacity to 50k windows per year;
13. Sciuker through its subsidiary Sciuker 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;
14. Taking into consideration the postponement of 110% regulation until 31 December 2022 the Group projected Ecospace orders at €15mln per quarter reaching a total of €60mln at the end of 2021;
15. Sciuker Frames has approved revenues estimate for the FY20 at €18mln, +50% yoy, above our previous projection of €15.6mln. The growth was driven by Ecospace contribution;
16. Sciuker Frames announced the divestment of its Swiss subsidiary, Hub Frames, for €1mln to Giuntex, generating a capital gain of €0.1mln.

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

- 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
- Robust financial structure supported by recent POCs'

WEAKNESSES

- 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

- 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

THREATS

- Competition within existing players, especially large manufacturers
- High growth rates could lead to cost management issues
- Company size
- Unexpected changes in the Eco110 law

FY2020 expected closing

2020 new company guidance and estimates upward revision

2020E estimates revised upwards on Ecospace strong orders intake

Following Sciuker Frames Group guidance release in December, including a revenue target in 2020E and Ecospace order backlog, both above our estimates, we revised upwards our projections in 2020 and forward.
More in details, at the end of December, the Group announced: i) that Ecospace had reached an order backlog worth €31.2mln at the end of December, above our estimate at €20mln and ii) that its expected contribution to 2020 Group's revenue was €10.8mln, higher than our forecast at €6mln, with the remaining €20.4mln contributing to 2021 Group's revenue.

Figure 1: Ecospace revenue contribution to Sciuker Frames Group as announced by the Company

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

Source: Banca Profilo elaborations and estimates on Company data

2020E VoP now seen at €19.3mln (+62% yoy) driven by Ecospace contribution

Because of the update in Group guidance, we raised our estimate on 2020E revenue from €15.6mln (+31% yoy) to €19.3mln (+62% yoy), including Ecospace contribution at €10.8mln (from previous €6mln).
We therefore raised our projection on 2020E EBITDA from €3.7mln to €6.7mln or from a 24% to a 35% EBITDA margin, driven by the increased contribution of Ecospace which shows a higher marginality than Sciuker Frames'.
Finally, our new estimates include Ecospace provisions related to risk linked to the fiscal assets set by the Italian Government in the Ecobonus 110% mechanism. Our net income forecast is now at €1.7mln, higher than our previous at €0.6mln.

Table 1: Sciuker main changes in 2020E Profit and Loss estimates

Profit & Loss (€/000)		2018	2019	2020E Old	2020E New
Revenues		**9,238**	**11,966**	**15,628**	**18,254**
Others		1,311	(62)	(67)	1,020
Value of production		**10,549**	**11,904**	**15,560**	**19,274**
	yoy	*-4.6%*	*12.8%*	*30.7%*	*61.9%*
Raw materials		(2,135)	(2,405)	(5,079)	(2,560)
Labour costs		(532)	(588)	(568)	(605)
Service costs		(5,536)	(5,943)	(10,505)	(9,405)
Leases and rentals		(202)	(192)	(254)	(102)
Other operating costs		(279)	(210)	(454)	(500)
EBITDA		**1,866**	**2,565**	**3,712**	**6,707**
	margin	*17.7%*	*21.5%*	*23.9%*	*34.8%*
D&A		(967)	(1,322)	(1,738)	(1,345)
Provision for risks		(109)	(341)	(172)	(2,044)
EBIT		**791**	**901**	**1,802**	**3,318**
	margin	*7.5%*	*7.6%*	*11.6%*	*17.2%*
Net financial expenses		(295)	(379)	(599)	(539)
EBT		**496**	**522**	**1,204**	**2,780**
Taxes		(363)	(261)	(643)	(1,028)
	tax rate	*73.1%*	*50.0%*	*53.4%*	*37.0%*
Net profit		**133**	**261**	**561**	**1,751**
	margin	*1.3%*	*2.2%*	*3.6%*	*9.1%*

Source: Banca Profilo elaborations and estimates on Company data

Operating Net Working Capital optimization thanks to Ecospace's simpler structure

On the Balance sheet side, main changes to our projections follow a simpler structure and cycle of Ecospace's Operating Net Working Capital compared to Sciuker Frames'. More in details, we reduced the Group stock since Ecospace has no stock as it operates as general contractor, we increased receivables and payables as they both show a longer turnover in Ecospace. As a consequence, we end up with a lower Operating Net Working Capital at the end of December 2020 (€3.8mln) compared to our previous estimate (€7.8mln).

As regards to Capex, we project €3.2mln in to two new innovative machines funded though the financing by MISE in July 2019. These two new innovative machines will improve Sciuker Frames' production processes thanks to their highly innovative technologies and most advanced software, expanding by 35% the Company's production capacity to 50k windows per year.

Higher EBIT lead to a positive cash flow

In terms of cash flow, the upwards revision of our 2020 estimates lead to an increase in cash flows from €-3.9mln to €4mln in 2020, including the acquisition of Ecospace and capex. At the end of 2020 the Group is expected to show a net debt position of €3.7mln, much lower than we originally projected (€13.2mln).

Table 2: Sciuker main changes in 2020E Balance Sheet estimates

Balance Sheet (€/000)	2018	2019	2020E Old	2020E New
Stock	4,589	5,533	6,926	5,120
Accounts receivables	3,829	4,041	5,533	8,214
Accounts payables	(3,127)	(4,594)	(4,691)	(9,553)
Operating Net Working Capital	**5,291**	**4,980**	**7,768**	**3,781**
Other current assets & liabilities	(1,224)	(158)	536	(222)
Net Working Capital	**4,067**	**4,822**	**8,304**	**3,559**
Intangibles	1,568	1,130	1,574	1,879
Materials	8,631	11,051	12,869	13,157
Financials	17	17	17	60
Fixed assets	**10,215**	**12,198**	**14,460**	**15,096**
Funds	(387)	(582)	(469)	(3,411)
Other non current assets & liabilities	(897)	(507)	(264)	(1,204)
Net Invested Capital	**12,998**	**15,931**	**22,031**	**14,039**
Equity	**7,671**	**8,283**	**8,844**	**10,293**
Share capital	1,092	1,092	1,092	1,092
Reserves	4,461	4,848	7,190	7,450
Accumulated profit/loss	1,984	2,081	-	-
Net profit	133	261	561	1,751
Net debt (cash)	**5,328**	**7,648**	**13,187**	**3,746**
Liabilities	**12,998**	**15,931**	**22,031**	**14,039**

Cash flow (€ 000)	2018	2019	2020E Old	2020E New
EBIT	791	901	1,802	3,318
taxes	(363)	(261)	(541)	(995)
NOPAT	**428**	**640**	**1,262**	**2,323**
D&A	967	1,322	1,738	1,345
Operating cash flow	**1,395**	**1,962**	**3,000**	**3,668**
Operating Net Working Capital change	(3,551)	311	(2,788)	1,199
Other funds	21	195	(113)	2,829
Capex	(429)	(3,162)	(4,000)	(3,700)
FCF	**(2,564)**	**(694)**	**(3,901)**	**3,996**

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 the expansion of its distribution network and the diversification of the distribution channels;
- Expanding in foreign markets through partnerships and M&A;
- Investing in machinery to increase the production capacity;

And updated on new corporate targets following:

- at the end of 2020, the Company announced new investments expanding by 35% the Company's production capacity to 50k windows per year;

- the acquisition and consolidation of Ecospace as a booster of Group turnover for the following years.

Finally, the Group has a long term aim to reach a sustainable and robust €50mln turnover with 25% of EBITDA margin from 2023E, including external growth through M&A deals that will allow the Group to expand its range of offer, in the window frames.

2021E-2023E estimates upward revision on Ecospace accelerating order backlog and Eco110 extension

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

2021E VoP at €78.1mln from €59mln

EBITDA margin of 35% in 2021E (from 25%)

Following the Group's updated guidance and the upward revision of our projections on 2020, we raised our estimates on 2021 and forward.
Moreover, in January, the Company released a guidance on 2021: €15mln of orders intake and revenue per quarter at Ecospace, above our projection at €50mln for the whole year.
Finally, the Group announced the extension of Eco110 to the end of 2022; nevertheless this is subject to the formal approval by the European Commission
Thus, we now project a 40% Value of Production CAGR (2019-2023E), which compares to our previous 29%, and reach €46mln in 2023E (vs previous €32.5mln).
In 2021E and 2022E we expect the Group to peak in terms of revenue and EBITDA 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) no extension of the Eco110; ii) a third of Ecospace's orders intake compared to 2021 and 2022 as a traditional general contractor, active especially in efficiency building restructuring and iii) a double digit revenue growth in Sciuker Frames.
In 2021E and 2022E we used the same baklog-revenue mechanism in Ecospace that we used in 2020: 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 2022, as the Eco110 law dictates.
More in details we expect Ecospace order backlog to stand at €31.2mln in 2020 (vs previous €20mln) and at €55mln in 2021 and in 2022 (vs previous €50mln and €30mln respectively).
In 2023, assuming no extension of the Eco110, we project some €18mln of Ecospace contribution to the Group's revenue, which we see at €46mln, including Sciuker Frames's revenue expectation. We assume this turnover as sustainable for the whole Group in the lack of an extension of Eco110.

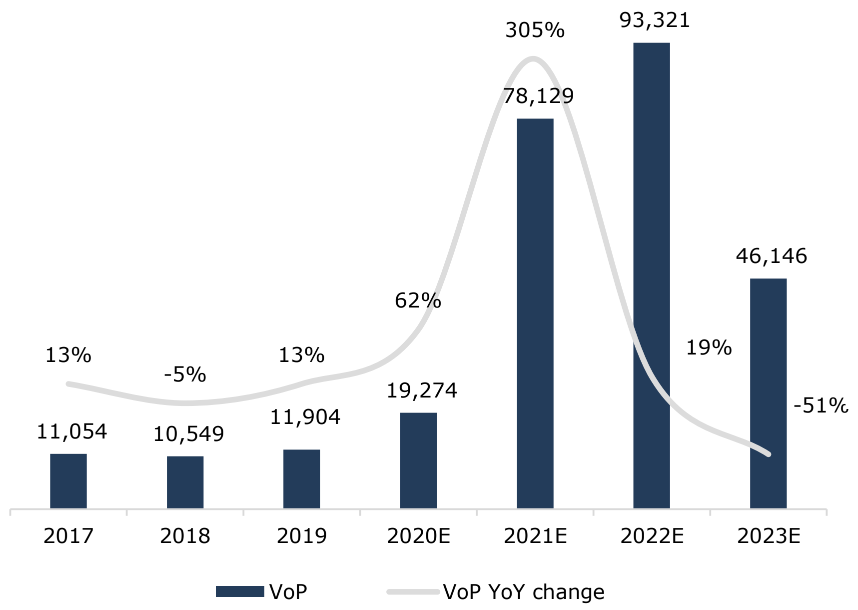
Figure 2: Ecospace revenue contribution to Sciuker Frames Group estimates

	2020	2021E	2022E
Ecospace backlog	€31.2mln	€55mln	€55mln
Ecospace Revenues	€10.8mln	€58.9mln	€71.3mln

Source: Banca Profilo elaborations and estimates on Company data

Figure 3: Sciuker Frames revenue trend 2017-2023E

(€/000 and %)



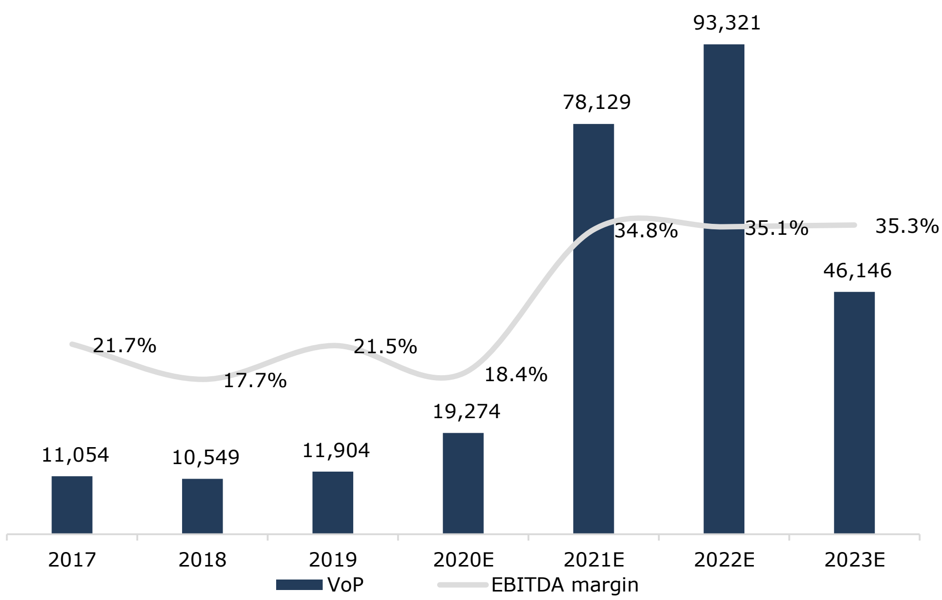
Source: Banca Profilo elaborations and estimates on Company data

2020E-2023E cost assumptions

Regarding our costs' assumptions in the period 2020E-2023E, the major cost is represented by service cost, mainly related to Ecospace subcontracts costs in the average of 59% 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.

Figure 4: Revenue and EBITDA margin trend 2017-2023E

(€/000 and %)



Source: Banca Profilo elaborations and estimates on Company data

2021E-2022E: EBITDA margin at 35% from 25.% previous seen

2021E-2023E, we now expect EBITDA to increase from €27.4mln in 2020E (vs prior seen at €14.7mln) to reach €11.6mln at the end of 2023E (vs previous €8.6mln). Given the increase in other revenues, not linked to costs, deriving from Italian Government provisions and the increase of Ecospace contribute to the Group that is characterized by high marginality, we now project an EBITDA margin higher than

priorly expected in the period 2021E-2022E at an average of 35% (previous seen at 25%).
However, in the 2023E, we end up with lower margin value at 25.2% (previous seen at 26.3%), due to the less contribution from Ecospace, precautional estimating the end of Ecobonus 110% valid until 2022E.

Net profit above €3.6mln in 2023E (vs previous €2.2mln)

The projected improvement in EBITDA will be partially absorbed by lower financial expenses and D&A, due to the consideration of only maintenance investments in the period 2022E-2023E following the big improvements in terms of productivity capacity of this year. We end up with Net profit of €3.6mln in 2023E (vs previous €2.2mln).

Table 3: Sciuker Frames Profit & Loss 2018-2023E

Profit & Loss (€/000)	2018	2019	2020E Old	2020E New	2021E Old	2021E New	2022E Old	2022E New	2023E Old	2023E New
Revenues	**9,238**	**11,966**	**15,628**	**18,254**	**59,089**	**72,265**	**55,360**	**86,018**	**32,943**	**45,735**
Others	1,311	(62)	(67)	1,020	(30)	5,863	(347)	7,304	(419)	411
Value of production	**10,549**	**11,904**	**15,560**	**19,274**	**59,059**	**78,129**	**55,013**	**93,321**	**32,524**	**46,146**
yoy	*-4.6%*	*12.8%*	*30.7%*	*61.9%*	*279.5%*	*305.4%*	*-6.8%*	*19.4%*	*-40.9%*	*-50.6%*
Raw materials	(2,135)	(2,405)	(5,079)	(2,560)	(16,545)	(3,475)	(13,287)	(3,998)	(7,742)	(7,673)
Labour costs	(532)	(588)	(568)	(605)	(686)	(1,130)	(784)	(1,355)	(882)	(1,848)
Service costs	(5,536)	(5,943)	(10,505)	(9,405)	(59,066)	(46,086)	(53,783)	(55,521)	(23,854)	(25,796)
Leases and rentals	(202)	(192)	(254)	(102)	(764)	(181)	(738)	(228)	(500)	(277)
Other operating costs	(279)	(210)	(454)	(500)	(794)	(950)	(374)	(614)	(401)	(741)
EBITDA	**1,866**	**2,565**	**3,712**	**6,707**	**14,696**	**27,436**	**13,912**	**32,960**	**8,552**	**11,660**
margin	*17.7%*	*21.5%*	*23.9%*	*34.8%*	*24.9%*	*35.1%*	*25.3%*	*35.3%*	*26.3%*	*25.3%*
D&A	(967)	(1,322)	(1,738)	(1,345)	(1,968)	(1,672)	(2,083)	(1,717)	(2,193)	(1,772)
Provision for risks	(109)	(341)	(172)	(2,044)	(650)	(9,796)	(609)	(11,816)	(362)	(2,307)
EBIT	**791**	**901**	**1,802**	**3,318**	**12,078**	**15,968**	**11,220**	**19,427**	**5,997**	**7,580**
margin	*7.5%*	*7.6%*	*11.6%*	*17.2%*	*20.5%*	*20.4%*	*20.4%*	*20.8%*	*18.4%*	*16.4%*
Net financial expenses	(295)	(379)	(599)	(539)	(846)	(855)	(1,113)	(882)	(1,281)	(829)
EBT	**496**	**522**	**1,204**	**2,780**	**11,233**	**15,113**	**10,107**	**18,545**	**4,716**	**6,752**
Taxes	(363)	(261)	(643)	(1,028)	(5,996)	(6,801)	(5,395)	(8,345)	(2,517)	(3,038)
tax rate	*73.1%*	*50.0%*	*53.4%*	*37.0%*	*53.4%*	*45.0%*	*53.4%*	*45.0%*	*53.4%*	*45.0%*
Net profit	**133**	**261**	**561**	**1,751**	**5,237**	**8,312**	**4,712**	**10,200**	**2,199**	**3,713**
margin	*1.3%*	*2.2%*	*3.6%*	*9.1%*	*8.9%*	*10.6%*	*8.6%*	*10.9%*	*6.8%*	*8.0%*

Source: Banca Profilo elaborations and estimates on Company data

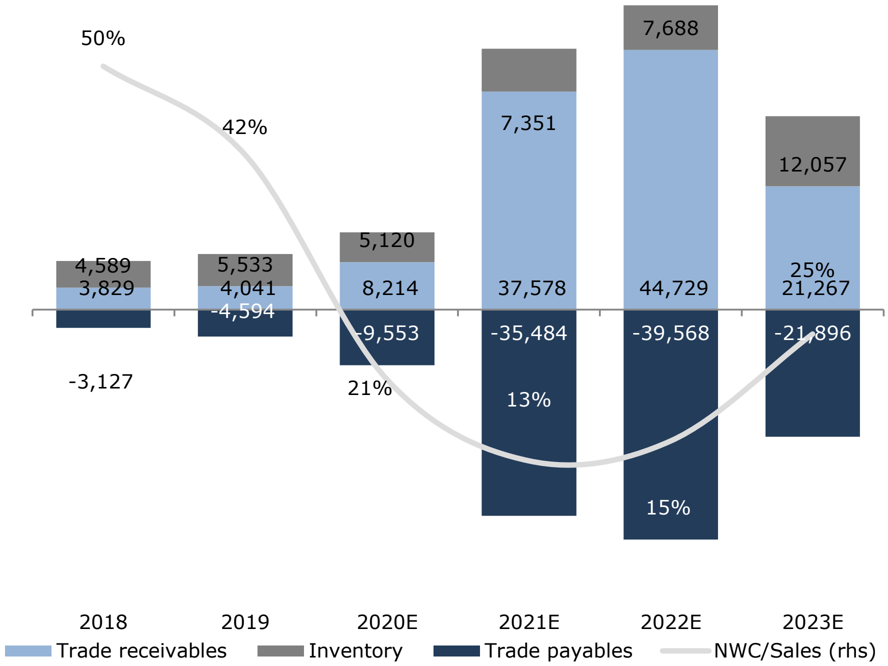
Balance Sheet: increasing Capex; optimized NWC thanks to the flexible and simple structure at Ecospace

With regards to our Balance Sheet projections in 2021E-2023E, we included:

- €3.7mln Capex (vs previous €2mln), mainly due to Sciuker's equipment manutention.
- Operating Net Working Capital at €11.4mln in 2023E (as previous seen at €11.4mln), from €9.4mln in 2021E, reflecting the increase in Sciuker's revenues that contribute with higher stock piling. In terms of Operating NWC on sales for the period 2021E-2023E we have now estimated a low medium weight at 17.7% (vs previous 24.5%) thanks to a decrease in Operating Working Capital on sales ratio in the 2021E-2022E (avg 14%), due to the high account payables deriving from Ecospace. Through the collaboration with Credimi, Sciuker should better manages Company's Operating NWC, thus we now estimate a decrease in terms of NWC/sales ratio during the 2021E-2022E years. Nonetheless the growth in revenues coming from Ecospace contribution, Sciuker has less than proportional impact on NWC/sales thanks to Ecospace management of account receivables and a business that does not have stock piling.

Figure 5: Net working capital composition and dynamics

(€/000 and %)



Source: Banca Profilo elaborations and estimates on Company data

Table 4: Sciuker Frames Balance Sheet 2018-2023E

Balance Sheet (€/000)	2018	2019	2020E Old	2020E New	2021E Old	2021E New	2022E Old	2022E New	2023E Old	2023E New
Stock	4,589	5,533	6,926	5,120	9,349	7,351	11,219	7,688	12,341	12,057
Accounts receivables	3,829	4,041	5,533	8,214	8,067	37,578	6,562	44,729	6,362	21,267
Accounts payables	(3,127)	(4,594)	(4,691)	(9,553)	(5,864)	(35,484)	(7,037)	(39,568)	(7,322)	(21,896)
Operating Net Working Capital	**5,291**	**4,980**	**7,768**	**3,781**	**11,552**	**9,445**	**10,744**	**12,849**	**11,381**	**11,428**
Other current assets & liabilities	(1,224)	(158)	536	(222)	1,113	(222)	1,000	(222)	606	(222)
Net Working Capital	**4,067**	**4,822**	**8,304**	**3,559**	**12,665**	**9,223**	**11,744**	**12,627**	**11,987**	**11,206**
Intangibles	1,568	1,130	1,574	1,879	1,378	1,306	1,142	1,211	866	1,094
Materials	8,631	11,051	12,869	13,157	12,127	14,288	10,825	13,186	9,463	12,051
Financials	17	17	17	60	17	60	17	60	17	60
Fixed assets	**10,215**	**12,198**	**14,460**	**15,096**	**13,522**	**15,654**	**11,984**	**14,457**	**10,346**	**13,205**
Funds	(387)	(582)	(469)	(3,411)	(1,006)	(8,793)	(976)	(10,148)	(683)	(8,479)
Other non current assets & liabilities	(897)	(507)	(264)	(1,204)	(264)	(1,204)	(264)	(1,204)	(264)	(1,204)
Net Invested Capital	**12,998**	**15,931**	**22,031**	**14,039**	**24,917**	**14,880**	**22,488**	**15,731**	**21,386**	**14,727**
Equity	**7,671**	**8,283**	**8,844**	**10,293**	**14,081**	**18,604**	**20,992**	**32,514**	**20,992**	**32,514**
Share capital	1,092	1,092	1,092	1,092	1,092	1,092	1,092	1,092	1,092	1,092
Reserves	4,461	4,848	7,190	7,450	7,752	9,201	17,701	27,709	17,701	27,709
Accumulated profit/loss	1,984	2,081	-	-	-	-	-	-	-	-
Net profit	133	261	561	1,751	5,237	8,310	2,199	3,713	2,199	3,713
Net debt (cash)	**5,328**	**7,648**	**13,187**	**3,746**	**10,836**	**(3,724)**	**3,694**	**(13,070)**	**394**	**(17,787)**
Liabilities	**12,998**	**15,931**	**22,031**	**14,039**	**24,917**	**14,880**	**22,488**	**15,731**	**21,386**	**14,727**

Source: Banca Profilo elaborations and estimates on Company data

Net debt gradually decline from €3.7mln in 2020E to a Net cash of €17.3 at the end of 2023E

We see Net debt to gradually decline from €3.7mln (previous seen at €13.2mln) at the end of 2020E to €17.3mln of cash in 2023E, based on current trends and management strategic optimization plans and investments.

We include also the two financial instruments issued by Sciuker in 2020: i) the convertible bond convertible bond (up to €5mln), assuming that Sciuker will exercise the tranches in 2021 and 2022 and ii) the €3mln non-convertible bond by the

Campania Region project named "Basket Bond"; iii) the loan issued in August with Intesa San Paolo for €1.5mln. At the end of 2023E we project Net cash at €0.4mln (previous seen at €3.4mln).

2021E-2023E: €26.8mln of Operating Cash Flows (vs prior €20mln) partially invested in Capex and NWC needs

According to our Profit & Loss and Balance Sheet estimates, in 2021E-2023E, we forecast €33mln of cumulated Operating Cash Flows (vs previous €25.2mln), partially used to finance €3.7mln of Capex (vs previous €2mln) and €7.6mln of NWC needs (vs previous €3.6mln). The higher NWC needs now forecasted reflects the increase in revenues thanks to Ecospace contribution to the Group. Because of higher operating cash flow, partially absorbed by higher Capex and slightly higher NWC needs, we now expect €26.8mln of cumulated FCFs in 2021E-2023E (vs previous €20mln).

Table 5: Sciuker Free Cash Flow evolution 2018-2023E

Cash flow (€ 000)	2018	2019	2020E Old	2020E New	2021E Old	2021E New	2022E Old	2022E New	2023E Old	2023E New
EBIT	791	901	1,802	3,318	12,078	15,968	11,220	19,427	5,997	7,580
taxes	(363)	(261)	(541)	(995)	(4,227)	(5,589)	(3,927)	(6,800)	(2,099)	(2,653)
NOPAT	**428**	**640**	**1,262**	**2,323**	**7,851**	**10,379**	**7,293**	**12,628**	**3,898**	**4,927**
D&A	967	1,322	1,738	1,345	1,968	1,672	2,083	1,717	2,193	1,772
Operating cash flow	**1,395**	**1,962**	**3,000**	**3,668**	**9,819**	**12,051**	**9,376**	**14,345**	**6,091**	**6,699**
Operating Net Working Capital change	(3,551)	311	(2,788)	1,199	(3,784)	(5,664)	808	(3,404)	(637)	1,421
Other funds	21	195	(113)	2,829	536	5,381	(29)	1,356	(293)	(1,669)
Capex	(429)	(3,162)	(4,000)	(3,700)	(1,000)	(2,700)	(500)	(500)	(500)	(500)
FCF	**(2,564)**	**(694)**	**(3,901)**	**3,996**	**5,571**	**9,068**	**9,655**	**11,796**	**4,661**	**5,951**

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 and 2022 projections are built

And on the upside:

- Extention to 2023 of the Ecobonus 110% tax incentive law;

Valuation

DCF approach to appraise a fast-growing business model

Given our expectations of positive FCFs starting from 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: €8.9mln average yearly FCF; €5.9mln as the defensible annual FCF

To run a DCF model, we use our projections of unlevered FCFs for the 2021E-2023E explicit period: €26.8mln cumulated and €8.9mln as yearly average (vs previous €16mln and €4.0mln in the period 2020E-2023E).

We included maintenance Capex to deploy “organic growth” of the business and Capex for plant development to Industry 4.0. Moreover, in our valuation we included Sciuker Ecospace impact and the validity of Ecobonus 110% until the end of 2022.

In order to assess the Terminal Value, we used what we consider a perpetually sustainable free cash flow at €5.9mln (vs our previous €4mln), thus excluding any postponement of the Eco110 law over 2022. Finally, we assumed 2% perpetual growth rate (unchanged vs our previous expectations).

Table 6: Unlevered FCFs

Cash flow (€/000)	2019	2020E	2021E	2022E	2023E	TV
EBIT	901	3,318	15,968	19,427	7,580	
taxes	(261)	(995)	(5,589)	(6,800)	(2,653)	
NOPAT	**640**	**2,323**	**10,379**	**12,628**	**4,927**	
D&A	1,322	1,345	1,672	1,717	1,772	
Operating cash flow	**1,962**	**3,668**	**12,051**	**14,345**	**6,699**	
Operating Net Working Capital change	311	1,199	(5,664)	(3,404)	1,421	
Other funds	195	2,829	5,381	1,356	(1,669)	
Capex	(3,162)	(3,700)	(2,700)	(500)	(500)	
FCF	**(694)**	**3,996**	**9,068**	**11,796**	**5,951**	**5,951**

Source: Banca Profilo estimates and elaborations

DCF assumptions: WACC at 7.3%

We would apply a WACC of 7.3% (from prior 8.3%) 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 1.1 as the average of chosen listed peers to Sciuker;
- debt to equity target structure with a 73% weight on Equity.

We end up with a lower WACC (8.3% vs old 6.6%) mainly due to a decrease in beta as the average of chosen listed peer to Sciuker (now seen at 1.1 from previous 1.6).

Table 7: WACC calculation

WACC Calculation	
perpetual growth rate	2.0%
WACC	**7.3%**
risk free rate (30Y) (Bloomberg projections)	3.0%
equity risk premium	5.5%
beta	1.1
KE	9.0%
cost of debt	4.0%
tax rate	35%
KD	2.6%

Source: Banca Profilo estimates and elaborations

DCF valuation: €10.37/share

The DCF method leads us to an Enterprise Value of €117mln (vs our previous €59.4mln) and to an Equity Value of €113mln (from previous €46.3mln) showing a fair value of €10.37/share (vs previous €4.2/share), including the Net debt at the end of 2020 at €3.7mln.

Table 8: DCF valuation

DCF Valuation	2019	2020E	2021E	2022E	2023E	TV
Free Cash Flows (€ 000)			9,068	11,796	5,951	5,951
years			1	2	3	
discount factor			0.93	0.87	0.81	
NPV Cash flows (€ 000)			8,454	10,253	4,823	
Sum of NPVs (€ 000)			8,454	18,707	23,530	
Terminal Value (€ 000)						115,366
NPV Terminal Value (€ 000)						93,485
Enterprise Value (€ 000)						**117,015**
Net debt 2020E (€ 000)						3,746
Equity Value (€ 000)						**113,269**
number of shares ('000)						10,924
Per share value (€)						**10.37**

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 2019, Deceuninck NV generated total revenues of around €634mln.

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 6.6bn.

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 279mln.

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 126mln.

Apogee Enterprises (USA): glass metal window and door manufacturer

Apogee Enterprises, founded in 1949 and headquartered in Minneapolis (USA), engages in the design and development of glass and metal products and for enclosing commercial buildings, farming and displays. The company operates through four segments: Architectural Glass, Architectural Services, Architectural Framing Systems and Large-Scale Optical Technologies. The Architectural Glass segment fabricates glass used in customized window and curtain wall systems comprising the outside skin of commercial and institutional buildings. The Architectural Services segment provides building glass and curtain wall installation services. The Architectural Framing Systems segment designs, engineers, finishes and fabricates the aluminum frames used in customized window, curtain wall, storefront, and entrance systems. In 2019, Apogee Enterprises generated total revenues of approximately $1.4bn.

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 $745mln.

Table 9: Market multiples

Company	Country	Currency	Price	Market Cap	Net debt	Minorities	EV
(mln)							
Deceuninck NV	BELGIUM	Euro	1.49	203	129.7	2.4	335.3
Agta Record Ltd	FRANCE	Euro	70.58	939	-139.1	0.0	799.9
Inwido AB	SWEDEN	Swedish Krona	102.90	5,965	1,730.0	0.0	7,694.9
Eurocell Plc	UNITED KINGDOM	British Pounds	1.83	202	23.0	0.0	225.4
SafeStyle UK Plc	UNITED KINGDOM	British Pounds	0.29	38	-6.3	0.0	32.0
Apogee Enterprises	UNITED STATES	U.S. Dollar	27.57	727	203.1	0.0	930.6
Pgt innovations	UNITED STATES	U.S. Dollar	17.68	1,042	280.0	0.0	1,322.5
Sciuker Frames	**ITALY**	**Euro**	**1.13**	**12**	**13.2**	**0.0**	**25.5**

Source: Banca Profilo elaborations on elaborations on FactSet (as of 18th January 2021)

EV/Sales 2021E-2022E 1.0x EV/EBITDA 2021E-2022E 7.0x

Our sample of similar players active in the larger Fixtures Manufacturing industry, shows a medium value EV/Sales 2021E-2022E of 1.0x and an average EV/EBITDA 2020E-2021E of 7.0x.

Table 10: Sample benchmarking

Company	Sales growth				EBITDA margin			
	2019	**2020E**	**2021E**	**2022E**	**2019**	**2020E**	**2021E**	**2022E**
Deceuninck NV	*-7.9%*	*1.5%*	*7.2%*	*3.6%*	*9.6%*	*12.6%*	*12.5%*	*13.1%*
Inwido AB	*-0.5%*	*1.5%*	*1.8%*	*1.9%*	*12.7%*	*14.2%*	*13.8%*	*13.9%*
Eurocell Plc	*10.0%*	*-7.9%*	*7.5%*	*6.3%*	*15.1%*	*12.0%*	*14.9%*	*16.3%*
SafeStyle UK Plc	*8.4%*	*-10.2%*	*22.9%*	*7.7%*	*5.0%*	*1.9%*	*7.8%*	*8.8%*
Apogee Enterprises	*-0.3%*	*-9.0%*	*-1.3%*	n.a.	*10.1%*	*10.8%*	*11.3%*	n.a.
Pgt innovations	*6.7%*	*16.4%*	*9.7%*	*2.2%*	*17.2%*	*17.0%*	*17.8%*	*17.9%*
Mean	**2.7%**	**-1.3%**	**8.0%**	**4.3%**	**11.6%**	**11.4%**	**13.0%**	**14.0%**
Sciuker Frames	***12.8%***	***61.9%***	***305.4%***	***19.4%***	***21.5%***	***34.8%***	***35.1%***	***35.3%***

Source: Banca Profilo elaborations on elaborations on FactSet (as of 18th January 2021)

Table 11: Market multiples

Company	EV / Sales		EV / EBITDA	
	2022E	**2022E**	**2021E**	**2022E**
Deceuninck NV	0.6x	0.6x	4.9x	4.5x
Inwido AB	1.3x	1.3x	9.4x	9.2x
Eurocell Plc	1.0x	1.0x	6.8x	5.9x
SafeStyle UK Plc	0.4x	0.3x	4.5x	3.7x
Apogee Enterprises	0.9x	n.a.	8.2x	n.a.
Pgt innovations	1.7x	1.7x	9.6x	9.4x
Mean	**1.0x**	**1.0x**	**7.5x**	**6.5x**
Sciuker Frames	**0.5x**	**0.4x**	**5.4x**	**1.3x**

Source: Banca Profilo elaborations on elaborations on FactSet (as of 18th January 2021)

Market multiples valuation: €7.7/share

Our relative valuation is based on peers' average EV/EBITDA 2021E at 7.5x. In terms of EBITDA we decided to use a defensible EBITDA level, which is our projection of EBITDA in 2023 at €11.7mln. This leads to an Equity Value of €84.3mln (vs previous €40.7mln) or €7.7/share (vs previous before €3.72/share). In our previous update (9th November 2020) the average EV/EBITDA 2020-2021E stood at 6.9x.

Table 12: Market multiples valuation

Relative Valuation on market multiples 2021	
EV/EBITDA 2021E	**EBITDA**
7.5x	11,659.5
ENTERPRISE VALUE	**NET DEBT FY21**
88,001.9	3,745.9
EQUITY VALUE	
84,256.0	
Price per share	**7.71**

Source: Banca Profilo elaborations on elaborations on FactSet (as of 18th January 2021)

TP at €9.0/share (from €4.0/share) and BUY recommendation

We set our new TP at €9.0/share (up from previous €4.0/share) as the average of the DCF and market multiple valuations. Given the significant potential upside on Sciuker's closing price (as of 19th January 2021), we confirm our BUY recommendation.

Table 13: Liquidity indicators

Liquidity indicators		
Start Date	01/11/2020	17/08/2020
End Date	19/01/2021	31/10/2020
Days with no trades on total trading days	0%	2%
Average daily volume on free float	**4.61%**	**0.30%**

Source: Banca Profilo estimates and elaborations on Factset data

Significant improvement of stock liquidity since Novembre 2020

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

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%.

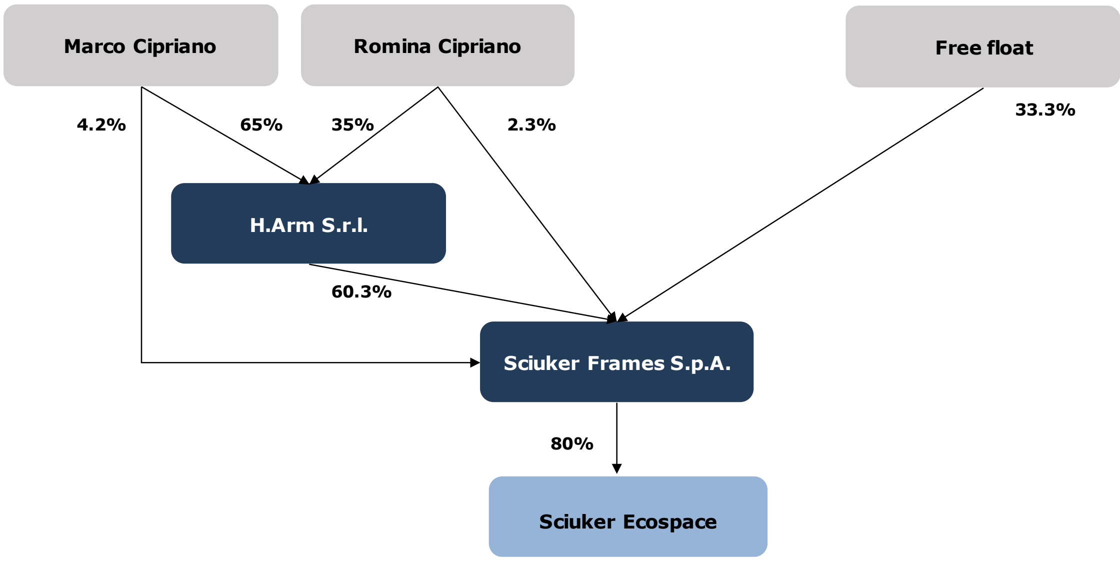
Listed on the AIM at €1.4/share

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, 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.

Figure 6: Group structure



Source: Banca Profilo elaborations on Company data

Warrant strike price and 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. Assuming the conversion of 100% of warrants held by the market, H.Arm stake would decline to 45.2% with a dilution effect of 33%.

Table 14: Warrant dilution scenario analysis

Sciuker Frames S.p.A. shareholding structure	N° of ordinary shares	N° of warrant	N° of warrant subscribed	N° of ordinary shares post 2020 warrant subscription	Current shareholding structure	Shareholding structure post 2020 warrant subscription
H.Arm S.r.l.	6,584,110	6,584,110	-	6,584,110	60.3%	45.2%
Marco Cipriano	456,580	456,580	-	456,580	4.2%	3.1%
Romina Cipriano	245,850	245,850	-	245,850	2.3%	1.7%
Free float	3,637,560	3,637,560	3,637,560	7,275,120	33.3%	50.0%
Total	**10,924,100**	**10,924,100**	**3,637,560**	**14,561,660**	**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.

Convertible bond cum warrant

Flexible instrument with a maximum value of €5mln, exercisable until 30 months

On March, Sciuker announced an agreement with Atlas fund for the issue of a flexible instrument, exercisable as needed until 30 months, with the aim of financing the Company's development plans both in directional and retail sector. The new instrument is a convertible bond in Sciukers' share cum warrant with a maximum value of €5mln and an annual coupon of 3%.

Four tranches each with a maximum of €2mln

The instrument is divided into four tranches exercisable by the shareholder after 90 days from each; for each tranche the Company will pay fixed commission of 5%. The first and second tranches are variable in amount (minimum €1mln and maximum €2mln); the third will be for an amount equal to the difference between €5mln and the total amount of the previous tranches, not exceeding €2mln; the fourth tranche will be the residual amount.

The bond can be repaid by the company at any time

The bond can be repaid by Sciuker: i) in advance at any time corresponding to the holders, in addition to the capital not yet reimbursed, a penalty and accrued interest; ii) three days before the due date, at the money, in addition to the accrued interest.

In case of conversion, Sciuker has the right to repurchase the bond at the money

Receiving notice of bond's conversion, Sciuker has the right to repurchase it, at the money, in addition to the payment of the accrued interest and a penalty. The conversion price will be equal to the nominal value divided by the average price of Sciukers' shares in the previous 20 trading days, discounted by 5%.

In the case of total conversion, the dilution effect will be 49.1% with Atlas fund as main shareholder

We assume the worst scenario, the case in which Atlas fund fully converts bonds for the maximum value of €5mln, because Sciuker cannot repay the capital, at a price based on the historical minimum of Sciukers' share (€0.55) discounted by 5%, thus at €0.475. In this case the converted shares are approximately 10.5mln, resulting a dilution of H-Arm share at 30.7% compared to the current 60.3% and a majority stake of Atlas fund at 49.1%.

Table 15: Conversion of total bond scenario analysis

Sciuker Frames S.p.A. shareholding structure	N° of ordinary shares	New shares converted	N° of ordinary shares post bond convertion	Current shareholding structure	Shareholding structure post bond conversion
H.Arm S.r.l.	6,584,110		6,584,110	60.3%	30.7%
Marco Cipriano	456,580		456,580	4.2%	2.1%
Romina Cipriano	245,850		245,850	2.3%	1.1%
Atlas		10,526,316	10,526,316	0.0%	49.1%
Free float	3,637,560		3,637,560	33.3%	17.0%
Total	**10,924,100**	**10,526,316**	**21,450,416**	**100.0%**	**100.0%**

Source: Banca Profilo elaborations on Company data

Warrants are linked to the bond issue with a strike price of €2.4 for the first 50% and €2.8 for the second one. Each warrant corresponds to one Sciuker's share

Each tranche of bonds is linked to a free issue of warrants equal to 30% of the nominal value of each tranche divided by the weighted average price of Sciukers' shares in the previous 30 trading days. Each warrant gives the right to receive a Sciuker's share at a strike price of €2.4 for the first 50% of warrants and of €2.8 for the remaining part. The warrants can be exercised between 01/08/2021 and 01/08/2023 for a maximum total amount of €10.4mln; they will no longer be exercisable when Sciukers' warrants already issued at IPO be exercised by 31/05/2021.

In case of worst warrant scenario Atlas will have a capital share of 26.8%

To have an idea of the worst scenario linked to the exercise of all warrants we assumed that the weighted average price of Sciuker's share in the previous 30 training days is €0.39, thus the total warrants issued are 4mln. In case of all warrants are exercised by Atlas there will be a dilution effect of 26.8%

Table 16: Exercise of total warrant scenario analysis

Sciuker Frames S.p.A. shareholding structure	N° of ordinary shares	N° of warrant	N° of warrant subscribed	N° of ordinary shares post 2023 warrant subscription	Current shareholding structure	Shareholding structure post 2020 warrant subscription
H.Arm S.r.l.	6,584,110			6,584,110	60.3%	44.1%
Marco Cipriano	456,580			456,580	4.2%	3.1%
Romina Cipriano	245,850			245,850	2.3%	1.6%
Atlas		4,000,000	4,000,000	4,000,000	0.0%	26.8%
Free float	3,637,560			3,637,560	33.3%	24.4%
Total	**10,924,100**	**4,000,000**	**4,000,000**	**14,924,100**	**100.0%**	**100.0%**

Source: Banca Profilo elaborations on Company data

BancaProfilo

Equity Research

Sciuker Frames "ID Card"	Recommendation	Target Price	Upside
	BUY	**9.0 €**	**197%**

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 December, the Company released a new guidance on 2020: revenue higher than €18mln, above our estimate at €15.6mln, boosted by the acceleration of orders intake at Ecospace driven by the Ecobonus 110% fiscal incentive on energy efficiency building restructuring, which is expected to last until the end of 2022. Moreover, the Company announced €31.2mln of orders backlog and €10.8mln of revenue at Ecospace in 2020, above our estimates at €20mln and €6mln respectively. In January, the Company released its guidance on 2021: €15mln of orders intake and revenue per quarter at Ecospace, above our projection at €50mln for the whole year. Finally, the Company announced the extension of the Eco110 to the end of December 2022. Following the updated Company guidance, we raised our estimate on 2020: VoP from €15.6mln (+31% yoy) to €19.3mln (+62% yoy), including the contribution of Ecospace at €10.8mln (from €6mln) and EBITDA from €3.7mln to €6.7mln or from 24% to 35% margin, driven by the increased contribution of Ecospace which shows higher marginality than Sciuker Frames'. On the Balance Sheet, main changes to our projections derive from a more flexible structure and shorter cycle of Net Working Capital at Ecospace compared to Sciuker Frames', leading to a Group net debt of €3.7mln at the end of 2020 (€7.6mln in 2019), well below our forecast at €13.2mln. Following our estimates revision on 2020, we increased our forecast on 2021 and 2022 including the Company's indication on the contribution of Ecospace to the Group's revenue, EBITDA and Net Working Capital. In 2023E we assumed: i) no extension of the Eco110; ii) a third of Ecospace's orders intake compared to 2021-2022 as we suppose it will keep working as a traditional general contractor, especially active in the efficiency building restructuring field and iii) double digit revenue growth in Sciuker Frames driven by machinery upgrade and process automation leading to production capacity expansion. We now project a 40% Value of Production CAGR (2019-2023E), which compares to our previous 29%, with a peak at €93mln in 2022E and a sustainable level of €46mln in 2023E (vs previous €32.5mln). In terms of EBITDA margin, we expect it to peak at 35% in 2022 and we set it at a defensible 25% in 2023E. Finally, we estimate unlevered FCFs at €26.8mln in 2021E-2023E with an annual average at €8.9mln, but a defensible level of €5.9mln from 2023 onward. Main risk to our estimates is any negative change in the Ecobonus 110% tax incentive law on which Ecospace 2021 and 2022 projections have been built.

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

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"

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 2022

Banca Profilo

Sciuker Frames "ID Card"

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Recommendation	Target Price	Upside
BUY	**9.0 €**	**197%**

Main Financials

(€ mln)	2018	2019	2020E	2021E	2022E
Revenues	**9,238**	**11,966**	**18,254**	**72,265**	**86,018**
yoy change		*29.5%*	*52.5%*	*295.9%*	*19.0%*
Value of Production	**10,549**	**11,904**	**19,274**	**78,129**	**93,321**
yoy change		*12.8%*	*61.9%*	*305.4%*	*19.4%*
EBITDA	**1,866**	**2,565**	**6,707**	**27,436**	**32,960**
yoy change		*37.4%*	*161.5%*	*309.1%*	*20.1%*
margin (%)	*17.7%*	*34.8%*	*35.1%*	*35.3%*	*25.3%*
EBIT	**791**	**901**	**3,318**	**15,968**	**19,427**
margin (%)	*7.5%*	*7.6%*	*17.2%*	*20.4%*	*20.8%*
EBT	**496**	**496**	**2,780**	**15,113**	**18,545**
margin (%)	*4.7%*	*4.2%*	*14.4%*	*19.3%*	*19.9%*
Net income	**133**	**261**	**1,751**	**8,312**	**10,200**
margin (%)	*1.4%*	*2.2%*	*9.6%*	*11.5%*	*11.9%*
Net Debt (cash)	**5,328**	**7,648**	**3,746**	**(3,724)**	**(13,070)**
Shareholders Equity	**7,671**	**8,283**	**10,293**	**18,604**	**28,801**
Operating Net Working Capital	5,291	4,980	3,781	9,445	12,849
Fixed assets	10,215	12,198	15,096	15,654	14,457
Net invested capital	12,998	15,931	14,039	14,880	15,731
Operating Free Cash Flow	**1,395**	**1,962**	**3,668**	**12,051**	**14,345**
Capex and acquisitions	(429)	(3,162)	(3,700)	(2,700)	(500)
Free Cash Flow	**(2,564)**	**(694)**	**3,996**	**9,068**	**11,796**

Company Description

Company Sector	Fixture manufacturer
Price (€)	3.07
Number of shares ('000)	10,924
Market Cap (€mln)	32.30
Reference Index	FTSE AIM Italia
Main Shareholders	Marco Cipriano, Romina Cipriano
Main Shareholder stake	43%, 23%
Free Float	33%
Daily Average Volumes ('000)	148.9
Sample of comparables	Deceuninck NV, Inwido AB, Eurocell Plc, SafeStyle UK Plc, Apogee Enterprises, Pgt innovations

Solvibility ratios

	2018	2019	2020E	2021E	2022E
Net debt (cash) / EBITDA	2.9x	3.0x	0.6x	-0.1x	-0.4x
Net debt (cash) / Equity	0.7x	0.9x	0.4x	-0.2x	-0.5x
Net debt (cash) / Net Invested Capital	41.0%	48.0%	26.7%	-25.0%	-83.1%

Fixtures manufacturing: data of peers

	2021E	2022E
Revenue Growth (yoy)	8.0%	4.3%
EBITDA margin	*13.0%*	*14.0%*

Average data

Financial and Operative ratios

	2018	2019	2020E	2021E	2022E
Days of receivables	124	101	135	156	156
Days of payables	113	161	227	209	194
Inventories on sales	*49.7%*	*46.2%*	*60.0%*	*55.0%*	*50.0%*
Tax rate	*73.1%*	*50.0%*	*37.0%*	*45.0%*	*45.0%*
ROIC	*1.0%*	*1.6%*	*12.5%*	*55.9%*	*64.8%*
ROE	*1.7%*	*3.2%*	*17.0%*	*44.7%*	*35.4%*
Capex/Sales	*4.6%*	*26.4%*	*20.3%*	*3.7%*	*0.6%*
D&A to capex	225.4%	41.8%	36.4%	61.9%	343.4%
NWC to sales	57.3%	41.6%	20.7%	13.1%	14.9%

Fixtures manufacturing: multiples of peers

	2021E	2022E
EV / Sales	1.0x	1.0x
EV / EBITDA	7.5x	6.5x

Average data

Source: Bloomberg, Banca Profilo estimates and elaborations

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THE BANK PUBLISHES ON ITS WEBSITE WWW.BANCAPROFILO.IT, ON A QUARTERLY BASIS, THE PROPORTION OF ALL RECOMMENDATIONS THAT ARE 'BUY', 'HOLD', 'SELL' OR EQUIVALENT TERMS OVER THE PREVIOUS 12 MONTHS, AND THE PROPORTION OF ISSUERS CORRESPONDING TO EACH OF THOSE CATEGORIES TO WHICH SUCH PERSON HAS SUPPLIED MATERIAL SERVICES OF INVESTMENT FIRMS SET OUT IN SECTIONS A AND B OF ANNEX I TO DIRECTIVE 2014/65/EU OVER THE PREVIOUS 12 MONTHS.

ADDITIONAL INFORMATION

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