



SCK keeps growing for sustainable heritage

October 28th, at 15:00

1H22 results confirm Group's growth trend

In 1H22 VoP came in at €83.4m (€35.9m in 1H21), which represents 57% of our FY22 VoP projection (€146.1m). [Please refer to our Company Update on March, 3rd 2022]. VoP increase was driven by: i) sales volumes increase, following 2021 capex for production capacity expansion in the Industrial core business and ii) increasing activity in Ecospace solutions for energy and seismic upgrading on existing residential buildings. EBITDA came in at €19.9m (from €9m in 1H21), which is 55% of our EBITDA estimate at €37m. In terms of breakdown, EBITDA deriving from the Industrial business stood at €12.5m or 30% margin, whereas that referring to Ecospace was €6.9m or 18% margin. At the end of June 2022, Net Cash was €4.9m showing a cash flow generation of about €7m in the first semester.

2022-2024 Business Plan update and upgrade

SCK Group focus remains on energy requalification of Italian residential buildings both through windows upgrade (SCK Industrial core business) and energy efficiency solutions (Ecospace). SCK Group has become the first "Centre of Frames" with a Made-in-Italy design with its HOLE BOX, a complete and integrated offering including window frames (Sciuker and GC Infissi), fixtures and accessories (Teknika) able to improve the energy class of the Italian residential housing market. In relation to energy efficiency solutions, Ecospace has set new contracts which include a gradual decrease of tax credits in line with new rules (Ecobonus at 110% until 2023, down to 70% in 2024 and to 65% in 2025). On October the 25th, SCK Group raised its 2022-2024 business plan targets: VoP at €175m in 2022 growing to €279m in 2024 (vs previous €153m and €231m respectively); EBITDA margin at 24.3% in 2022 (vs previous 24.9%) and improving to 25.1% in 2024; Capex for organic growth above €40m (vs previous €27.6m) and Net cash at €14.3m at end of 2022 increasing to €82m at the end of 2024 (vs previous €12.6m and €67.5m respectively).

Upward revision of our 2022E-2024E estimates

Given the Company's continued growth, both in the Industrial and Ecospace businesses, we revised upward our estimates. We now expect a 53.3% 2021-2024 revenue CAGR to reach €262m, well above our previous estimate at 37.8% and €190.3m respectively. VoP is now seen growing at a 86% 21-24 CAGR to reach €270.2m, well above our previous projection at 73.8% and €206.2m respectively. We estimate EBITDA to grow at 33.4% CAGR over the period 2021-2024 to reach €66.5m or 24.6% margin, vs our previous 23% CAGR or 25.3% margin. According to SCK Business Plan, we increased cumulated CapEx to €40m over the period 2022-2024E, up from our previous estimate at €25.1m. Finally, we forecast net cash at €14m at the end of 2022 to rise on average by about €25m per year over 2022-24 to reach €65m, which compares to our previous estimate at €59.7m.

Valuation: BUY confirmed; 12-month TP raised to €17

We confirm our BUY recommendation and raise our 12-month target price to €17/share as the simple average of DCF (€22.5/share) and market multiples valuations (€11.5/shares). Higher WACC and declining multiples (compared to our previous Company Update) have been offset by higher cumulated 2022-2024E FCFs and Terminal Value leading to an increase of our 12-month target price.

To run the DCF model, we used 2022E-2024E cumulated FCFs at €78m (vs previous €50.2m), a Terminal Value FCF of €26m, computed as the FY22-24 average (vs previous €16.7m), 7% WACC (vs previous 6.1%) and 2% perpetual growth rate (unchanged). Market multiples valuation is based on median 2022-23E EV/EBITDA at 5.4x. Sciuker currently trades some 30% below its peers' average despite higher potential growth and significantly higher marginality.

Target Price

€17 (from €16.1)

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 October 27th) €8.1
Number of shares (mln) 21.7
Market cap. (mln) €174.5

1Y performance

Absolute +12.4%
Max / Min 5.6/11
Average daily volumes 110,920

Main Financials

(€, 000)	2021	2022E	2023E	2024E
Revenues	72,688	167,755	214,276	261,986
yoy change	280.5%	130.8%	27.7%	22.3%
Value of Production	102,909	172,964	220,935	270,178
yoy change	355.4%	68.1%	27.7%	22.3%
EBITDA	28,000	41,667	53,417	66,517
yoy change	248.6%	48.8%	28.2%	24.5%
margin (%)	27.2%	24.1%	24.2%	24.6%
EBIT	22,773	38,113	47,872	59,538
margin (%)	22.1%	22.0%	21.7%	22.0%
EBT	20,907	31,960	38,752	50,317
margin (%)	20.3%	18.5%	17.5%	18.6%
Net income	14,885	21,269	27,461	35,657
margin (%)	20.5%	12.7%	12.8%	13.6%
Net Debt (cash)	2,159	(13,987)	(38,779)	(65,602)
Shareholders Equity	41,222	56,474	77,854	107,158
Operating Net Working Capital	26,206	38,052	47,943	56,737
Fixed assets	24,077	41,024	45,693	44,413
Net invested capital	43,381	42,487	39,075	41,557
Capex and acquisitions	(11,804)	(19,500)	(16,700)	(5,400)
Free Cash Flow	(16,599)	17,669	16,584	43,740

1Y-monthly normalized performance



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SWOT analysis

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • Leader manufacturer of high-quality windows • 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 techniques in a sector traditionally characterized by craftsmanship • Distinctive product portfolio • A wide portfolio of patented products • High margins and cash generator driven by a rigorous cost and working capital management • Fresh cash-in deriving from the warrant exercise for further solid growth and improving profitability • Synergies from GC Infissi and Teknika integration 	<ul style="list-style-type: none"> • NWC optimization needed • The size of the Company
OPPORTUNITY	THREATS
<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Competition within existing players, especially large manufacturers • High growth rates could lead to cost management issues • Higher than expected elasticity to the size of fiscal incentives for energy requalification expenses • Persisting increase in raw materials, energy and transportation costs

1H22 financial performance

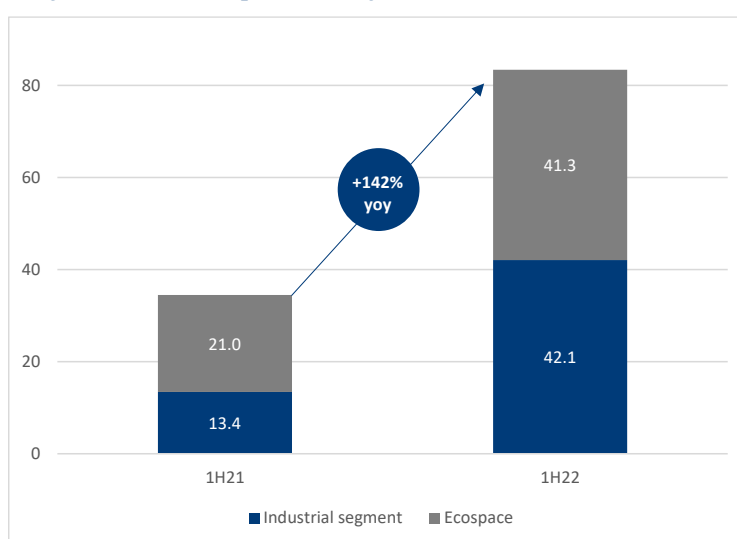
Main operating and financial data

Income Statement

1H22: strong VoP growth to €83.4mln

Sciuker Frames released its 1H22 results: the Value of Production came in at €83.4mln (€35.9mln in 1H21), which represents 57% of our FY22 VoP projection (€146.1mln). [Please refer to our Company Update on March, 3rd 2022]. VoP increase was driven by: i) sales volumes increase, following 2021 capex for production capacity expansion in the Industrial core business and ii) increasing activity in Ecospace solutions energy and seismic upgrading on existing residential buildings.

Figure 1: SCK Group revenue by business in 1H21-1H22 (€, mln)



Source: Banca Profilo elaborations on Company data

1H22: COGS at €63.5mln

Cost of Goods Sold was €63.5mln, including:

- €15.4mln (€11.5mln in 1H21) of raw material costs, which represented 18% of FY22 VoP, versus our FY22 estimates of 25%. Growth of raw material costs derived from the significant volumes increase;
- €42.3mln (€13.3mln in 1H21) of service costs, which represented 51% of FY22 VoP versus our estimate of 39%. This increase came especially from Ecospace;
- €4.9mln (€1.8mln in 1H21) related to labour cost, which represented 6% of FY22 VoP, versus our FY22 estimates of 5%. Labour costs rose following Teknika consolidation and the recruitment of new personnel at GC Infissi.

1H22: Industrial core business the sales driver

VoP growth derived primarily from the Industrial core business (Sciuker Frames, GC Infissi and Teknika) which reported €42.1mln (+213% yoy), whereas Ecospace VoP came in at €41.3mln (+96% yoy).

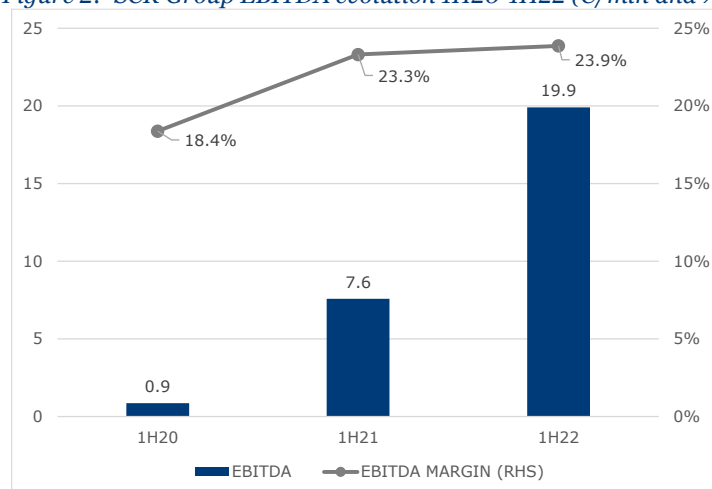
1H22: EBITDA margin improved at 23.9% from 23.3% in 1H21 driven by the Industrial business

EBITDA came in at €19.9mln (from €9mln in 1H21), which is 55% of our EBITDA estimate at €37mln. In terms of breakdown, EBITDA deriving from the Industrial business stood at €12.5mln or 30% margin, whereas that referring to Ecospace was €7.4mln or 18% margin. Group EBITDA margin rose to 23.9% from 23.3% in 1H21, yet some 1% below our FY22 forecast.

No more differences
between EBITDA and
Adj. EBITDA

Starting from the first semester 2022, SCK Group changed the accounting of the financial expenses related to tax credit disposals; therefore old adjusted EBITDA is now comparable to EBITDA with some -4/5% effect on sales.

Figure 2: SCK Group EBITDA evolution 1H20-1H22 (€/mln and %)



Source: Banca Profilo elaborations and estimates on Company data

1H22: Net income
€10.5mln from
€4.3mln in 1H21

Group Net income rose to €10.5mln in 1H22 from €4.3 in 1H21, including D&A at €2mln, net financial expenses at €2.4mln and a 32% tax rate.

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

Profit & Loss (€/000)	1H20	2020	1H21	2021	1H22
Revenues	3,043	19,105	31,436	72,688	56,310
Others	1,616	3,493	3,028	30,221	27,106
Value of production	4,659	22,598	34,464	102,909	83,416
<i>Polo Industriale</i>			13,441		42,100
<i>Ecospace</i>			21,023		41,300
yoy	-26.1%	89.8%	639.7%	355.4%	142.0%
Raw materials	(1,963)	(5,141)	(11,488)	(22,210)	(15,355)
% on VoP	-42%	-23%	-33%	-22%	-18%
Labour costs	(259)	(529)	(1,835)	(5,825)	(4,938)
% on VoP	-6%	-2%	-5%	-6%	-6%
Service costs	(1,337)	(8,784)	(13,324)	(45,186)	(42,331)
% on VoP	-29%	-39%	-39%	-44%	-51%
Leases and rentals	(82)	(110)	(99)	(326)	(318)
% on VoP	-2%	0%	0%	0%	0%
Other operating costs	(162)	(352)	(134)	(617)	(567)
% on VoP	-3%	-2%	0%	-1%	-1%
EBITDA	856	7,682	7,584	28,745	19,907
margin	18.4%	34.0%	22.0%	27.9%	23.9%
EBITDA Adjusted			8,033	28,000	19,907
<i>Polo Industriale</i>					12,500
<i>Ecospace</i>					7,400
margin			23.3%	27.2%	23.9%
D&A	(510)	(1,607)	(1,007)	(3,266)	(2,062)
amortization	(95)	(300)	(160)	(314)	(148)
depreciation	(403)	(952)	(835)	(1,777)	(1,010)
Receivables' write off	(13)	(355)	(12)	(1,175)	(145)
Provision for risks	-	(2,226)	(270)	(1,961)	(759)
EBIT	346	3,849	6,307	23,518	17,845
margin	7.4%	17.0%	18.3%	22.9%	21.4%
Net financial expenses	(144)	(9)	(1,484)	(2,611)	(2,423)
EBT	202	3,840	4,823	20,907	15,422
Taxes	(61)	(1,096)	(1,973)	(6,022)	(4,936)
tax rate	30.2%	28.5%	40.9%	28.8%	32.0%
Net profit	141	2,744	2,850	14,885	10,486
margin	3.0%	12.1%	8.3%	14.5%	12.6%

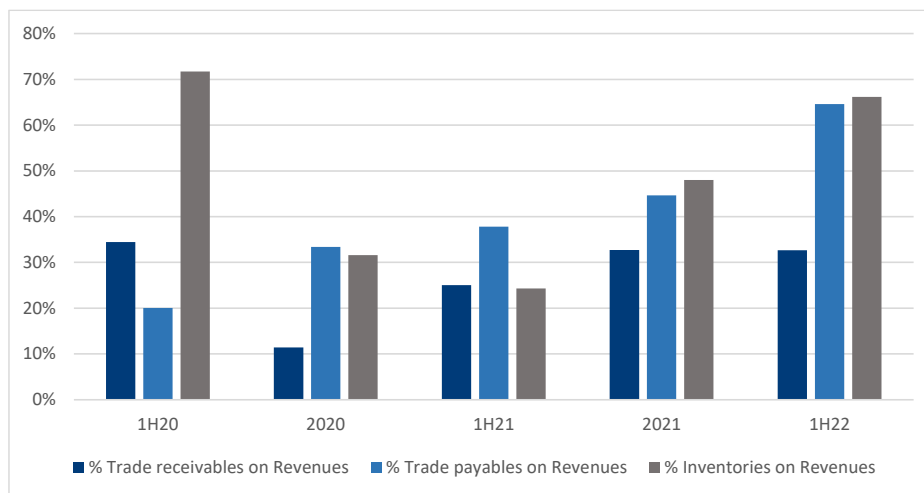
Source: Banca Profilo elaborations and estimates on Company data

Balance Sheet

30.06.22: Net Operating Working Capital rose to €33.3m (from €26.2m at 31.12.21)

At the end of June 2022, Net Operating Working Capital stood at €33.3 (vs €26.2m at the end of December 2021), including trade receivables for €31.9m, trade payables for €63.1m and inventories of €64.5m. The incidence of trade payables and inventories on revenues rose from 45% and 48% at the end of 2021 to 65% and 66% respectively at the end of June 2022, while the incidence of trade receivables on revenues remained stable (33%).

Figure 3: SCK Group NOWC on Revenues from 1H20-1H22 (%)

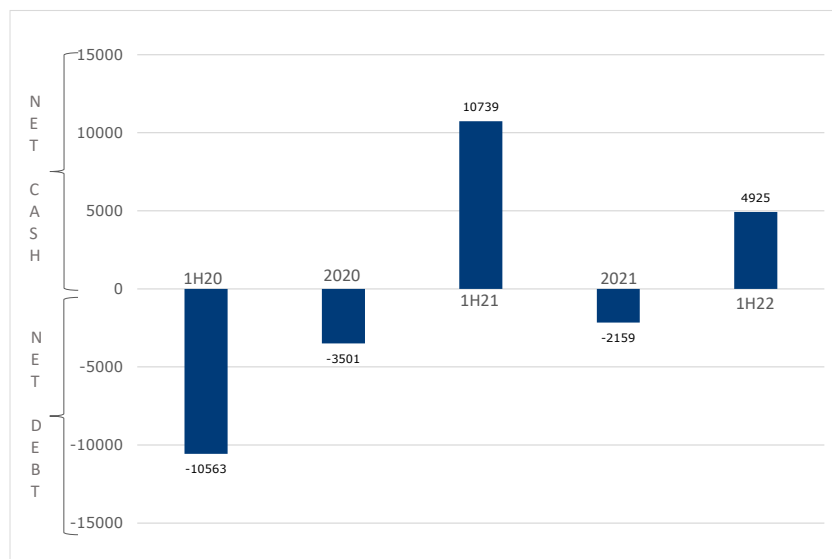


Source: Banca Profilo elaborations and estimates on Company data

Net cash at €4.9m (from €2.2 of net debt at the end of 2021)

At the end of June 2022, Net Cash was €4.9m showing a cash flow generation of about €7m in the first semester. Our estimate was about €12m at the end of 2022.

Figure 4: SCK Group Net Debt/Cash evolution 1H20-1H22 (%)



Source: Banca Profilo elaborations and estimates on Company data

Table 2: Sciuker Balance Sheet 1H20-1H22 (€/000)

Balance Sheet (€/000)	1H20	2020	1H21	2021	1H22
Inventories	6,225	6,037	11,556	34,906	64,542
% on Revenues	72%	32%	24%	48%	66%
Trade receivables	2,992	2,183	11,902	23,763	31,854
% on Revenues	34%	11%	25%	33%	33%
Trade payables	(1,739)	(6,381)	(17,953)	(32,463)	(63,056)
% on Revenues	-20%	-33%	-38%	-45%	-65%
Operating NWC	7,478	1,839	5,505	26,206	33,341
Other current assets & liabilities	(222)	387	(2,607)	(3,290)	(9,679)
Net Working Capital	7,256	2,226	2,898	22,916	23,662
Intangibles	1,040	1,223	3,554	7,343	7,593
Materials	11,761	13,140	16,498	16,734	17,582
Financials	-	3	-	-	-
Fixed assets	12,801	14,366	20,052	24,077	25,175
Funds	(415)	(943)	(1,647)	(2,094)	(6,334)
Other non curr. assets & liabilities	(657)	(466)	(1,266)	(1,518)	(2,207)
Net Invested Capital	18,985	15,183	20,037	43,381	40,294
Shareholders' Equity	8,422	11,682	30,776	41,222	45,219
Share capital	1,092	1,092	2,208	2,236	2,172
Reserves	4,895	5,508	22,266	22,101	21,802
Accumulated profit/loss	2,294	2,339	2,002	2,000	10,750
Group Net profit	141	2,743	4,300	13,547	10,485
Minorities Net Group	-	-	-	1,338	-
Dividendi	-	-	-	-	-
Net debt	10,563	3,501	(10,739)	2,159	(4,925)
Liabilities	18,984	15,183	(15)	43,381	40,294

Source: Banca Profilo elaborations on Company data

Business Plan update

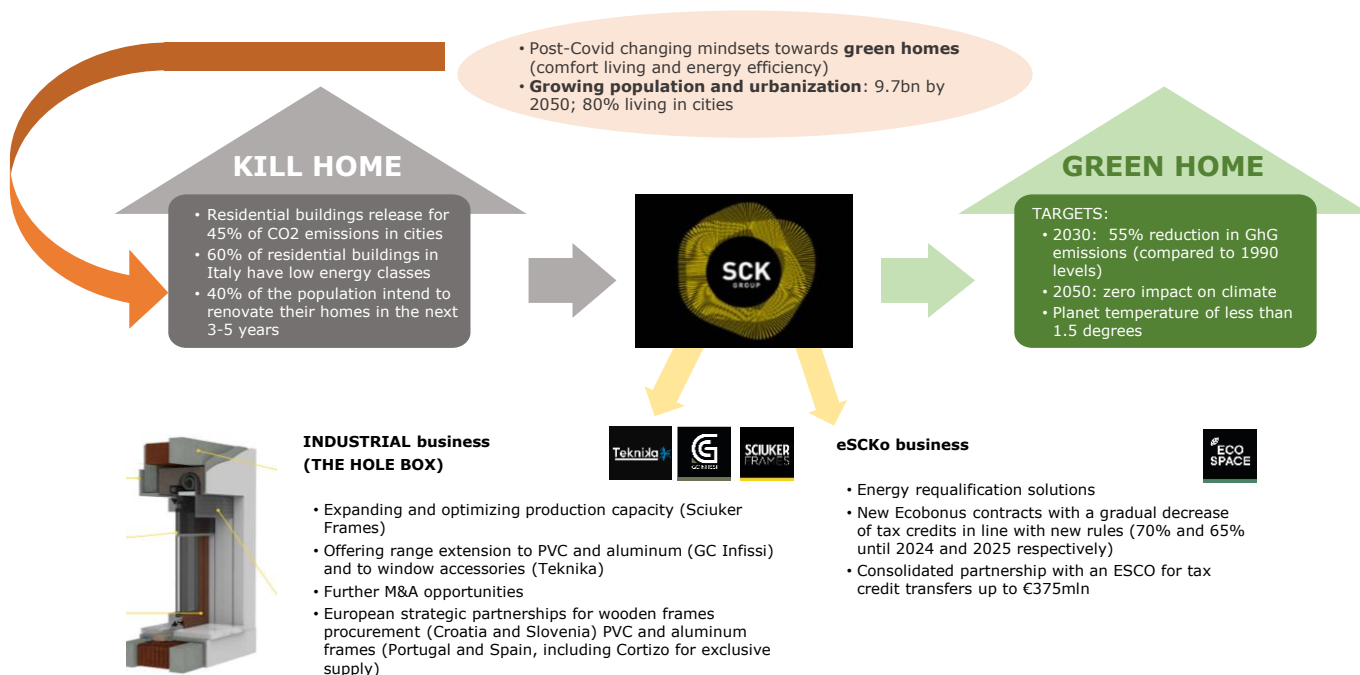
Corporate strategies: business growth for sustainable heritage

Business Plan update on 25th October

On October, the 25th, SCK Group updated its Business Plan and raised its 2022-2024 targets.

The Group's focus remains on energy requalification of Italian residential buildings both through windows upgrade (SCK Industrial core business) and energy efficiency upgrade solutions (Ecospace). Therefore, Group mission is "to increase residential buildings energy efficiency, improving living comfort, reducing energy consumption and CO2 emissions, saving on utility bills".

Figure 5: SCK Group strategy



Source: Banca Profilo elaborations on Company data

60% of Italian residential buildings these are in inefficient energy classes, responsible for 45% of CO2 emissions

There are approximately 25mln residential buildings in Italy and around 60% of these are in inefficient energy classes (class F-G), responsible for 45% of CO2 emissions. After Covid-19, Italians have changed their perspective on housing, claiming that they prefer to live in green houses with living comfort, energy efficiency and bill savings. According to Eurostat, 40% of the population intends to renovate their homes in the next 3-5 years.

Moreover, ONU forecasts that in 2050 the world will be populated by approximately 9.7bn people, 80% living in cities, which need to be prepared to meet new challenges. The "window" plays a crucial role urban development and energy efficiency upgrade of our cities.

-2030: 55% reduction in gas emissions
-2050: climate neutrality
-Planet temperature goal at 1.5 degrees

The European Commission is committed to a 55% reduction in greenhouse gas emissions by 2030 (compared to 1990 levels) and to become the first climate-neutral continent by 2050. Moreover, the Paris agreement set the 1.5°C target for our planet temperature and calls for countries to take concerted climate action to reduce gas emission and limit global warming.

Group's strategy:

- Industrial business expansion
- Ecospace business development

SCK Group aims at extending its Industrial core business through production capacity expansion and processes optimization at Sciuker Frames, GC Infissi and Teknika, but also through European partnerships. Furthermore, the Group will develop Ecospace and its solutions for residential building energy efficiency upgrade.

Industrial business growth and expansion: the HOLE BOX offering

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. Following the Teknika acquisition, SCK Group has become the first "Centre of Frames" with a Made-in-Italy design. The Group has set up its HOLE BOX, a complete and integrated offering including frames, fixtures and accessories ready able to upgrade the energy class of the Italian residential housing market.

The Industrial core business development goes through:

- 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).

Energy requalification with eSCKo business

Ecospace offers energy requalification solutions for residential buildings. On September, the 7th, it renewed its historically consolidated strategic partnership with an Italian global ESCO for the direct transfer of Suberbonus 110 tax credits, signing an agreement worth up to €175mln with an additional indirect transfer worth €200mln. Moreover, the Group has set new Ecobonus contracts addressed mainly to condominiums with a gradual decrease of tax credits in line with new rules (70% and 65% until 2024 and 2025 respectively).

SCK Group updated estimates for 2022-2024E
2022-2024 targets raised

VoP close to €280mln
EBITDA margin at 25%
and net cash over €80mln in 2024E

SCK Group raised its 2022-2024 business plan targets as follow:

- VoP at €175mln in 2022 growing to €278.8mln in 2024 (vs previous €153mln and €231mln respectively);
- EBITDA margin at 24.3% in 2022 (vs previous 24.9%) and improving to 25.1% in 2024 (in line with previous forecast);
- Capex for organic growth above €40mln (vs previous €27.6mln) of which €19.5mln in 2022, €16.7mln in 2023 and €5.4mln in 2024;
- Net cash at €14.3mln at end of 2022 increasing to €82mln at the end of 2024 (vs previous €12.6mln and €67.5mln respectively).

Table 3: SCK Group Business Plan (Old vs New) 2022-2024E (€/mln)

€/mln	2022E		2023E		2024E	
	OLD	NEW	OLD	NEW	OLD	NEW
Value of Production	153	175	205	224	231.9	278.8
EBITDA	38.1	42.5	52.8	55.4	58.2	70
EBITDA margin	24.9%	24.3%	25.7%	24.7%	25,1%	25.1%
CapEx	16.5	19.5	5.7	16.7	5.4	5.4
Net Cash	12.6	14.3	38.4	48	67.5	82

Source: Banca Profilo elaborations on Company data

Our 2022-2024E estimates revision

Old adjusted EBITDA is now comparable to EBITDA with some -4/5% effect on revenues

Since in the first semester SCK Group has changed the accounting of the financial expenses related to tax credit disposals; the original adjusted EBITDA is now comparable to EBITDA with some -4/5% effect on revenues.

Ecobonus tax credits gradually declining to 70% and 65%.

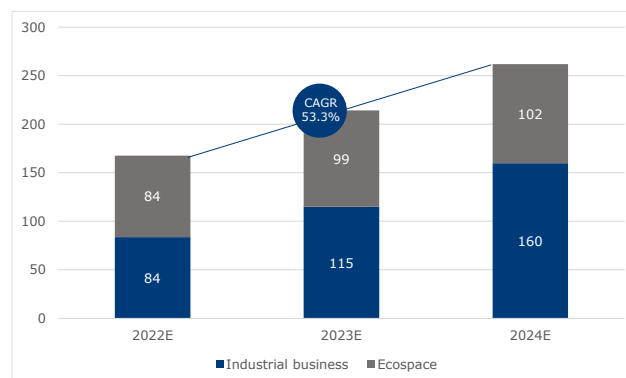
According to new rules, tax credits on residential energy efficiency upgrade will gradually decrease from 110% until the end of 2023 to 70% in 2024 and 65% in 2025. Ecospace has already set new contracts which include this gradual reduction of fiscal incentives. From 15th September to 25th October 2022, the Group acquired contracts with incentives of less than 110 for an amount of €38mln compared to a half-year value in 2020 of €25mln regarding to Superbonus 110%.

Income Statement

SCK revenues to grow at a 21-24 CAGR of 53.3% to reach up to €262mln

Given the Company's continued growth, both in the Industrial and Ecospace business, we revised upward our estimate on revenues, assuming a 53.3% 2021-2024 CAGR to reach €262mln, well above our previous estimate at 37.8% to €190.3mln respectively. [Please refer to SCK Group Company Update on March, 3rd 2022]. We assumed that the Industrial core business and Ecospace will grow equally in 2022, while the first will accelerate over 2023-24 reaching a weight on Group revenue of some 60%.

Figure 6: SCK Group breakdown 2022-2024E (€/mln)

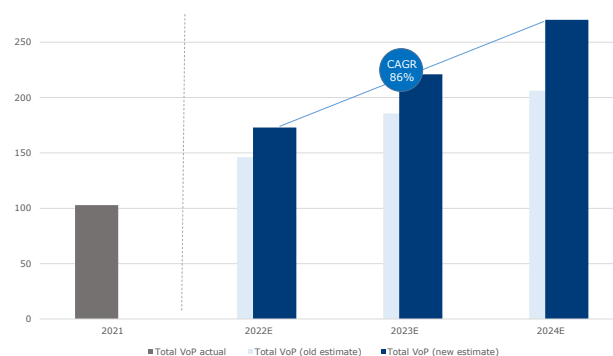


Source: Banca Profilo elaborations and estimates on Company data

VoP: 86% 21-24 CAGR to reach €270.2mln

According to our estimates, SCK Group VoP is set to grow at a 86% 21-24 CAGR to reach €270.2mln, well above our previous projection at 73.8% and €206.2mln respectively.

Figure 7: Old vs new estimates on SCK Group VoP – FY 2021-2024E (€/mln)



Source: Banca Profilo elaborations and estimates on Company data

Incidence of labour cost on VoP is set to increase at 27% vs previous 5%

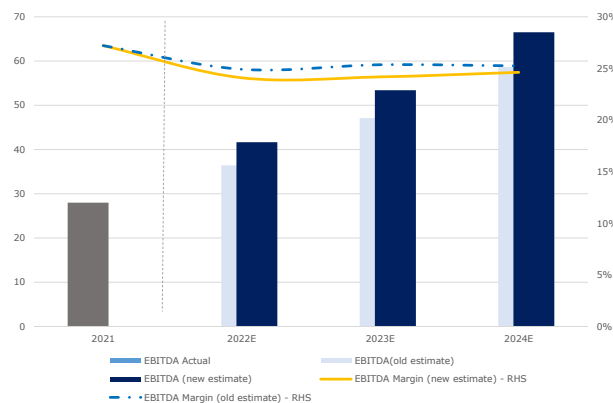
According to management, the Company has started to internalise resources that were previously outsourced. Therefore, we partially offset the increase in labour costs with the decrease in service costs.

Overall, we expect the incidence of labour cost on VoP at 27% on average, vs previous 5%; while the incidence of services costs on Vop at 28% on average, vs previous 36%.

EBITDA margin at 24.6% in 2024E from 24.1% in 2022E

Following our revenue and operating cost projections, we end up with EBITDA increasing to €43.2m (vs our previous €36.4m) in 2022E with a marginality of 24.1%, slightly below our previous estimate at 24.9%. We plan EBITDA to grow at 33.4% CAGR over the period 2021-2024 to reach €66.5m or 24.6% margin, vs our previous estimates at a 23% CAGR or 25.3% margin. Overall EBITDA margin average over 2022-2024E is now seen improving to 24.3%, vs previous estimate of 25.2% on average.

Figure 8: Old vs new estimates on EBITDA and EBITDA margin - FY 2021-2024E (€/mln and %)



Source: Banca Profilo elaborations and estimates on Company data

Net profit at €21.3m in 2022E to reach €35.7m in 2024E

Net profit is now seen at approximately €21m in 2022E, above our previous estimates at €17.6m. In 2021-2024E, net profit is expected to grow at a some 34% CAGR (vs old projections of 17.5% CAGR) to reach €35.7m in 2024E.

Table 4: Profit & Loss evolution 2021-2024E

Profit & Loss (€/000)	2021	2022E Old	2022E New	2023E Old	2023E New	2024E Old	2024E New
Revenues	72,688	133,828	167,755	169,484	214,276	190,261	261,986
Industrial business			83,754		114,953		159,884
Ecospace			84,001		99,323		102,102
yoy	280.5%	37.4%	130.8%	26.6%	27.7%	12.3%	22.3%
Change in inventories	1,750	4,375	1,750	6,168	2,240	7,675	2,788
% on VoP	1%	3%	1%	3%	1%	4%	1%
Others	3,459	7,875	3,459	10,080	4,419	8,294	5,404
% on VoP	2%	5%	2%	5%	2%	4%	2%
Value of production	102,909	146,078	172,964	185,733	220,935	206,230	270,178
yoy	355.4%	42.0%	68.1%	27.1%	27.7%	15.2%	22.3%
Raw materials	(22,210)	(36,249)	(33,213)	(50,205)	(45,308)	(64,377)	(55,692)
	-22%	-25%	-19%	-27%	-21%	-31%	-21%
Labour costs	(5,825)	(7,518)	(47,824)	(10,355)	(59,358)	(10,462)	(69,958)
	-6%	-5%	-28%	-6%	-27%	-5%	-26%
Service costs	(45,186)	(57,413)	(49,256)	(66,982)	(61,713)	(69,827)	(76,680)
	-44%	-39%	-28%	-36%	-28%	-34%	-28%
Leases and rentals	(326)	(722)	(326)	(1,048)	(391)	(1,390)	(509)
Other operating costs	(617)	(977)	(679)	(1,243)	(747)	(1,499)	(821)
EBITDA	28,745	43,198	41,667	55,899	53,417	58,674	66,517
margin	27.9%	29.6%	24.1%	30.1%	24.2%	28.5%	24.6%
D&A	(3,266)	(7,974)	(3,554)	(9,148)	(5,545)	(10,246)	(6,979)
Provision for risks	(1,961)	(2,353)	-	(2,989)	-	(2,805)	-
EBIT	23,518	32,871	38,113	43,763	47,872	45,623	59,538
margin	22.9%	22.5%	22.0%	23.6%	21.7%	22.1%	22.0%
Net financial expenses	(2,611)	(7,150)	(6,153)	(9,034)	(9,120)	(7,370)	(9,221)
EBT	20,907	25,721	31,960	34,729	38,752	38,253	50,317
Taxes	(6,022)	(8,135)	(10,691)	(11,449)	(11,291)	(14,173)	(14,660)
tax rate	28.8%	31.6%	33.5%	33.0%	29.1%	37.1%	29.1%
Net profit	14,885	17,585	21,269	23,280	27,461	24,080	35,657
margin	14.5%	12.0%	12.3%	12.5%	12.4%	11.7%	13.2%

Source: Banca Profilo elaborations and estimates on Company data

Balance Sheet

Operating net Working Capital will rise by about €10m per year

Regarding the Balance Sheet projections, we expect Net Operating Working Capital to increase by €30m over 2022-2024 with decreasing incidence on VoP to 22% in 2022E (vs 25.5% in 2021 and our previous 22%) to reach 21% in 2024E (vs our previous 35%). In details, we forecast an increase in inventories and trade payables by about €73m and €76m respectively, with stock on VoP at 42% (from 34% in 2021 and vs our previous at 49%), and trade payables to weight 42% on VoP (from 31% in 2021 and vs our previous 72%). Opposite, we see trade receivables to reduce their incidence on VoP from 23.1% in 2021 to 21% in 2024E.

2022-2024E cumulated Capex at €40m

According to Business Plan, we estimate CapEx at some €40m over the period 2022-2024E, well above our previous estimate at €25.1m.

Net Cash at €14m in 2022E to reach €65m in 2024E

We project net cash at €14m at the end of 2022 to rise on average by about 25m per year over the 2022-24E period to reach €65.6m, above our previous estimate of €59.7m.

Table 5: Balance Sheet evolution 2021-2024E

Balance Sheet (€/000)	2021	2022E Old	2022E New	2023E Old	2023E New	2024E Old	2024E New
Stock	34,906	73,259	76,104	91,591	89,920	100,056	108,071
% on VoP	33.9%	50.2%	44.0%	49.3%	40.7%	48.5%	40.0%
Accounts receivables	23,763	85,788	39,782	108,466	48,606	120,067	56,737
% on VoP	23.1%	58.7%	23.0%	58.4%	22.0%	58.2%	21.0%
Accounts payables	(32,463)	(106,067)	(77,834)	(135,699)	(90,583)	(147,698)	(108,071)
% on VoP	31.5%	72.6%	45.0%	73.1%	41.0%	71.6%	40.0%
Operating Net Working Capital	26,206	52,980	38,052	64,358	47,943	72,425	56,737
% on VoP	25.5%	36.3%	22.0%	34.7%	21.7%	35.1%	21.0%
Other current assets & liabilities	(3,290)	(14,460)	(11,900)	(21,894)	(24,100)	(17,323)	(17,800)
Net Working Capital	22,916	38,520	26,152	42,463	23,843	55,101	38,937
% on VoP	22.3%	26.4%	15.1%	22.9%	10.8%	26.7%	14.4%
Intangibles	7,343	3,869	14,785	3,628	16,316	3,398	14,420
Materials	16,734	32,916	25,238	31,554	28,176	28,365	28,494
Financials	0	1,586	1,000	1,598	1,200	1,610	1,500
Fixed assets	24,077	38,372	41,024	36,781	45,693	33,373	44,413
Funds	(2,094)	(18,215)	(22,192)	(23,004)	(27,963)	(29,624)	(39,297)
Other non current assets & liabilities	(1,518)	(1,375)	(2,497)	(1,375)	(2,497)	(1,375)	(2,497)
Net Invested Capital	43,381	57,301	42,487	54,865	39,075	57,476	41,557
Equity	41,222	51,332	56,474	93,062	77,854	117,183	107,158
Share capital	2,236	2,235	2,236	2,235	2,236	2,235	2,236
Reserves	22,101	22,101	31,631	63,831	44,907	84,798	63,547
Accumulated profit/loss	2,000	-	-	-	-	-	-
Net profit	13,547	20,926	19,357	20,926	24,993	21,645	32,451
Minorities	1,338	6,071	3,250	6,071	5,718	8,506	8,923
Net debt (cash)	2,159	5,969	(13,987)	(38,197)	(38,779)	(59,708)	(65,602)
Liabilities	43,381	57,301	42,487	54,865	39,075	57,476	41,557

Source: Banca Profilo elaborations and estimates on Company data

Free Cash Flow

Cumulated FCFs at €78m or €26m as yearly average

According to our Profit & Loss and Balance Sheet estimates, Free Cash Flow generation should reach €43.7m in 2024E, some +52% above our previous estimate of €28.8m. We now project cumulated FCFs at €78m or €26m as yearly average, which is above our previous estimates at €50.2m and €16.7m respectively. Even if the CapEx are 65% higher than our previous forecast, cumulated FCF surged from our previous estimates mainly driven by higher EBIT.

Table 6: Free Cash Flow evolution 2021-2024E

Cash flow (€ 000)	2021	2022E Old	2022E New	2023E Old	2023E New	2024E Old	2024E New
EBIT	22,773	26,071	38,113	34,963	47,872	39,023	59,538
taxes	(7,618)	(9,125)	(12,750)	(12,237)	(16,014)	(13,658)	(19,917)
NOPAT	15,155	16,946	25,364	22,726	31,858	25,365	39,621
D&A	3,266	7,974	3,554	9,148	5,545	10,246	6,979
Operating cash flow	18,421	24,920	28,917	31,874	37,403	35,611	46,600
Operating Net Working Capital change	(24,367)	(14,249)	(11,846)	(11,378)	(9,891)	(8,067)	(8,794)
Other funds	1,151	5,213	20,098	4,789	5,772	6,620	11,334
Capex	(11,804)	(14,000)	(19,500)	(5,700)	(16,700)	(5,400)	(5,400)
FCF	(16,599)	1,884	17,669	19,585	16,584	28,764	43,740

Source: Banca Profilo elaborations and estimates on Company data

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.

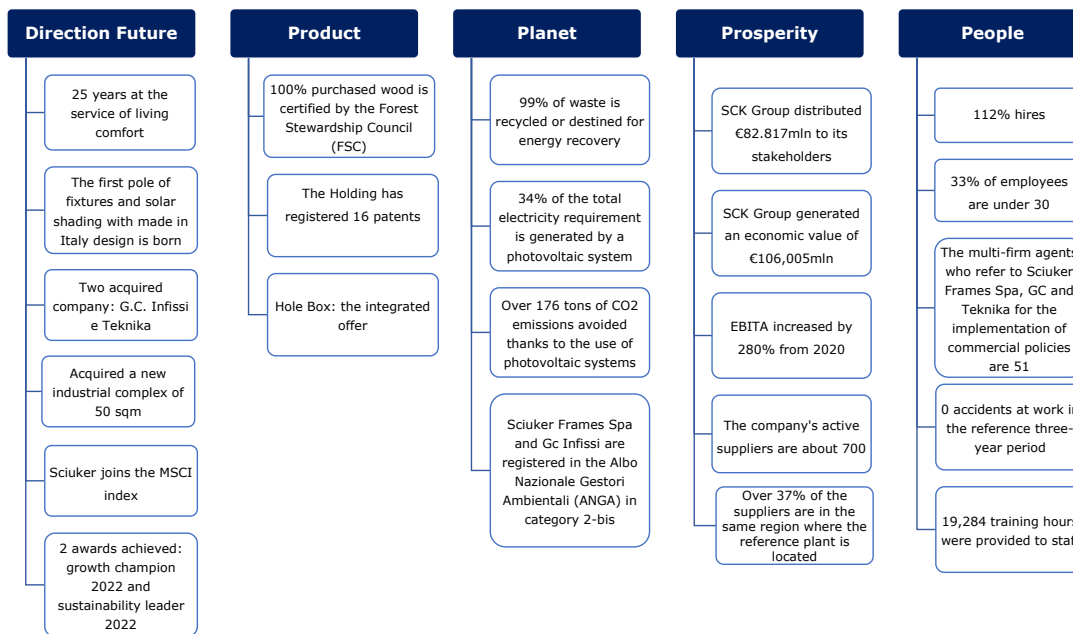
Sustainability for SCK Group

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 9: 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 10: 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 7: 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 8: GHG emissions (ton CO2 equivalent) from 2019 to 2021

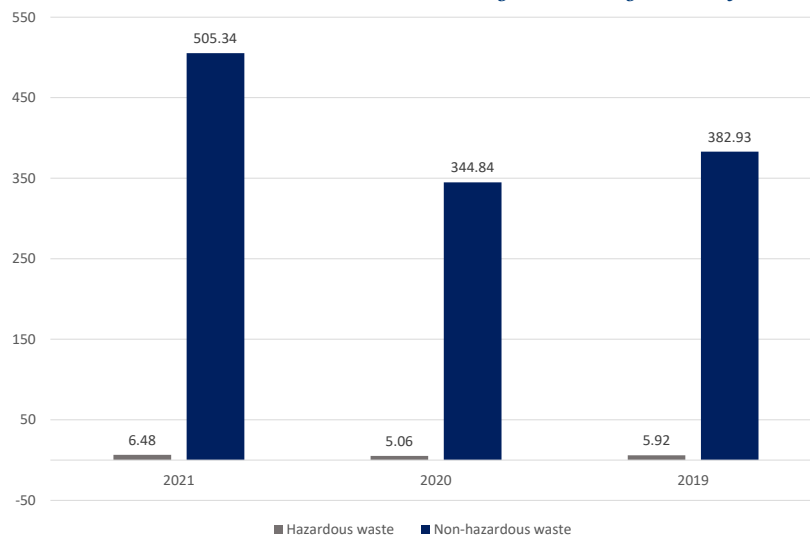
Direct emissions Scope 1	2019	2020	2021
Natural Gas heating	0	0	27,12
Diesel fuel for generator sets	0,08	0,08	0,08
Diesel for company vehicles	11,69	11,34	12,64
Natural Gas for company vehicles	18,40	15,33	21,81
Biomasses	3,19	2,36	4,54
Total emissions scope 1	33,36	29,11	66,19

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



Source: Banca Profilo elaborations on Company data

Social issues



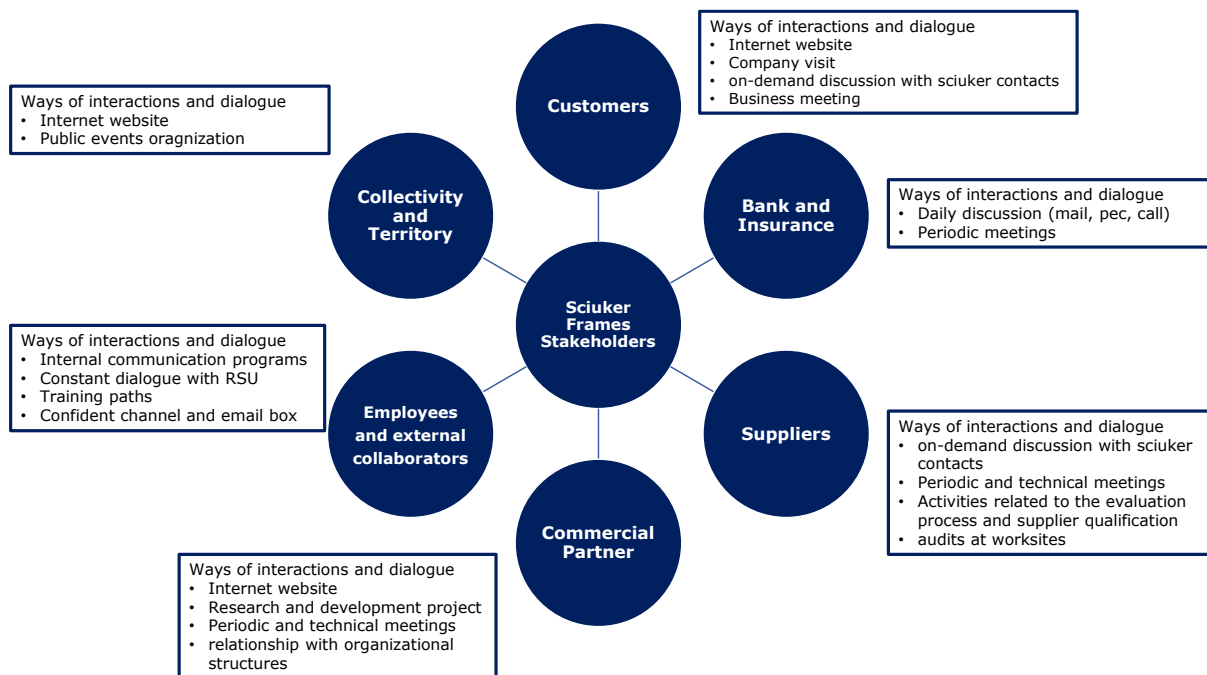
Relationship with suppliers

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 12: Sciuker Frames stakeholder involvement and dialogue



Source: Banca Profilo elaborations on Company data

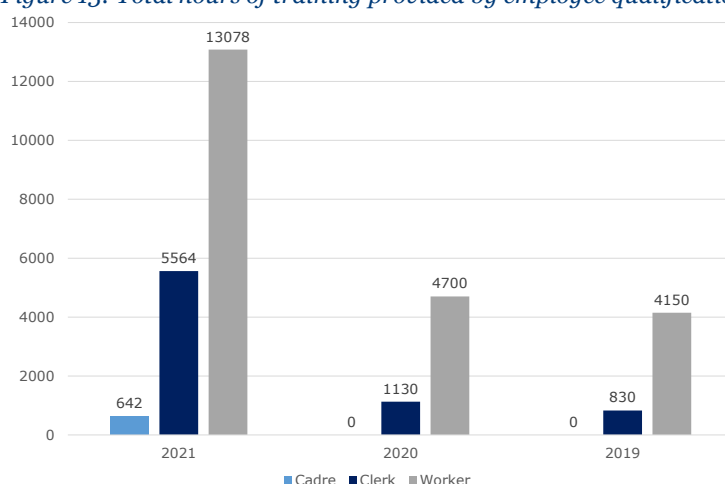
Health and safety at work

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 13: 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 9: 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 10: 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

Valuation

DCF method and market multiples

Given our expectations of positive FCFs starting from 2022, 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

€78mln cumulated FCFs (vs previous €50mln)
Terminal value at €26mln (vs previous €16.7mln)

To run a DCF model, we used our FCFs 2022-2024 projections, deriving from our P&L and Balance Sheet estimates. We expect cumulated 2022E-2024E Free Cash Flows at €78mln, above our previous estimate of €50.2mln [*Please refer to SCK Group Company Update on March, 3rd 2022*]. The FCF used in the Terminal Value has been set equal to FY22-FY24 average at €26mln, above our previous estimate at €16.7mln. To get the Equity Valuation, we used the latest available Net Cash (at the end of June 2022) of €4.9mln, well above €2.2mln Net Debt at the end of December 2021.

Table 11: DCF Valuation

DCF Valuation	2022E	2023E	2024E	TV
Free Cash Flows (€ 000)	17,669	16,584	43,740	25,997
years	1	2	3	
discount factor	0.93	0.87	0.82	
NPV Cash flows (€ 000)	16,519	14,497	35,747	
Sum of NPVs (€ 000)	16,519	31,016	66,763	
Terminal Value (€ 000)				524,376
NPV Terminal Value (€ 000)				428,554
Enterprise Value (€ 000)				495,316
Net debt 1H22 (€ 000)				4,925
Minorities 2021E				1,338
Equity Value (€ 000)				489,053
number of shares ('000)				21,719
Per share value (€)				22.5

Source: Banca Profilo estimates and elaborations

WACC: 7% vs previous 6.1%

To discount FCFs, we considered a 7% WACC, higher than our last Company Update at 6.1%, mainly due to higher risk-free rate.

The WACC derived from:

- Risk Free rate of 4.4% (from 3%), as implicitly expected by consensus on the 30Y Italian BTP yield curve (100 day-moving average), including an expected increase in interest rates (+0.75bps from previous +0.5bps);
- market risk premium of 5.5% (unchanged);
- a leveraged beta of 1.1 (unchanged);
- after tax (33%) cost of debt of 5% (unchanged).
- target debt-to-equity ratio of 50% (unchanged);

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

Table 12: WACC calculation

WACC Calculation	
perpetual growth rate	2.0%
WACC	7.0%
risk free rate (30Y) (Bloomberg projections)	4.7%
equity risk premium	5.5%
beta	1.1
KE	10.6%
cost of debt	5.0%
tax rate	33%
KD	3.3%

Source: Banca Profilo estimates and elaborations

DCF valuation:
€22.5/share

The DCF method leads us to an Enterprise Value of €495.3mIn (vs previous €385.6mIn) and to an Equity Value of €489mIn (vs previous €382.5mIn) showing a fair value of €22.5/share, above our previous Company Update (on March 3rd) at €17.6/share mainly due to higher cumulated 2022-2024E FCFs and Terminal Value, despite 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.
FY21 revenue at
€838mIn and 11.3%
EBITDA margin

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

Inwido (Sweden):
wooden windows and
door manufacturer.
FY21 revenue at SEK
7.7bn and 14.7%
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
FY21 revenue at GBP
343mIn and 15.2%
EBITDA margin

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

SafeStyle (UK): PVC
window and door
manufacturer
FY21 revenue at GBP
143mIn and 10.2%
EBITDA margin

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

Apogee Enterprises
(USA): glass metal
window and door
manufacturer
FY21 revenue at
\$1.3bn and 11.4%
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

FY21 revenue at \$1.1bn and 14.7% EBITDA margin

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

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

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

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

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

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 30% below its peers' average in terms of EV/EBITDA 22-23 (3.9x vs 5.4x), despite higher potential sales growth and better EBITDA margin (24% vs 14%).

Table 13: Market multiples

Company	EV / Sales		EV / EBITDA	
	2022E	2023E	2022E	2023E
Deceuninck NV	0.4x	0.4x	3.7x	3.5x
Inwido AB	0.7x	0.7x	5.8x	5.8x
Eurocell Plc	0.4x	0.4x	3.1x	3.0x
SafeStyle UK Plc	0.2x	0.2x	2.2x	2.0x
Apogee Enterprises	0.8x	0.8x	7.9x	7.2x
Pgt innovations	1.2x	1.2x	10.5x	7.3x
EdiliziAcrobatica	1.0x	0.9x	5.7x	4.4x
Nusco	1.6x	1.3x	12.3x	8.0x
Median	0.8x	0.8x	5.7x	5.1x
Sciuker Frames	1.0x	0.8x	4.2x	3.3x
<i>premium (discount)</i>			-24%	-33%

Source: Banca Profilo elaborations on elaborations on FactSet (as of 27th October 2022)

Table 14: Sample benchmarking on revenue growth and EBITDA margin

Company	Sales growth			EBITDA margin		
	2021	2022E	2023E	2021	2022E	2023E
Deceuninck NV	30.5%	14.9%	-3.7%	11.3%	10.9%	11.9%
Inwido AB	15.6%	20.6%	-5.0%	14.7%	13.8%	12.9%
Eurocell Plc	33.0%	11.9%	-2.2%	15.2%	14.6%	14.5%
SafeStyle UK Plc	26.5%	10.1%	13.1%	10.2%	5.1%	8.7%
Apogee Enterprises	3.3%	8.7%	-1.9%	11.4%	12.5%	11.7%
Pgt innovations	31.6%	29.0%	1.5%	14.7%	17.2%	16.2%
EdiliziAcrobatica	94.4%	36.9%	10.9%	24.2%	20.2%	20.5%
Nusco	-0.1%	31.8%	18.2%	16.8%	15.8%	16.7%
Mean	29.4%	20.5%	3.9%	14.8%	13.8%	14.1%
Sciuker Frames	355.4%	68.1%	27.7%	27.2%	24.1%	24.2%

Source: Banca Profilo estimates and elaborations on Factset and company data (as of October 27th, 2022)

*Median FY22-23
EV/EBITDA: 5.4x*

To compute valuation through market multiples, we chose the median FY 2022-23E EV/EBITDA at 5.4x. We derived an Enterprise Value of €255.7mIn and an Equity Value of €250mIn or €11.5/share, down from previous €14.5/share following multiples de-rating.

Table 15: Market multiples valuation

Relative Valuation on market multiples 2022-23E			
EV/EBITDA		EBITDA	
2022E	2023E	2022	2023
5.7x	5.1x	41,667	53,417
ENTERPRISE VALUE		NET DEBT 1H22	
239,231.9	272,209.1	4,925	
EQUITY VALUE			
250,795.5			
Price per share			11.5

Source: Banca Profilo elaborations on elaborations on FactSet (as of 27th October 2022)

*BUY confirmed;
TP raised to €17/share*

We set our 12-month target price at €17/share (vs previous €16.1), as the simple average of DCF (€22.5/share) and market multiples valuations (€11.5/shares). Higher WACC and declining multiples (compared to our previous Company Update) have been offset by higher cumulated 2022-2024E FCFs and Terminal Value leading to an increase of our 12-month target price.

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

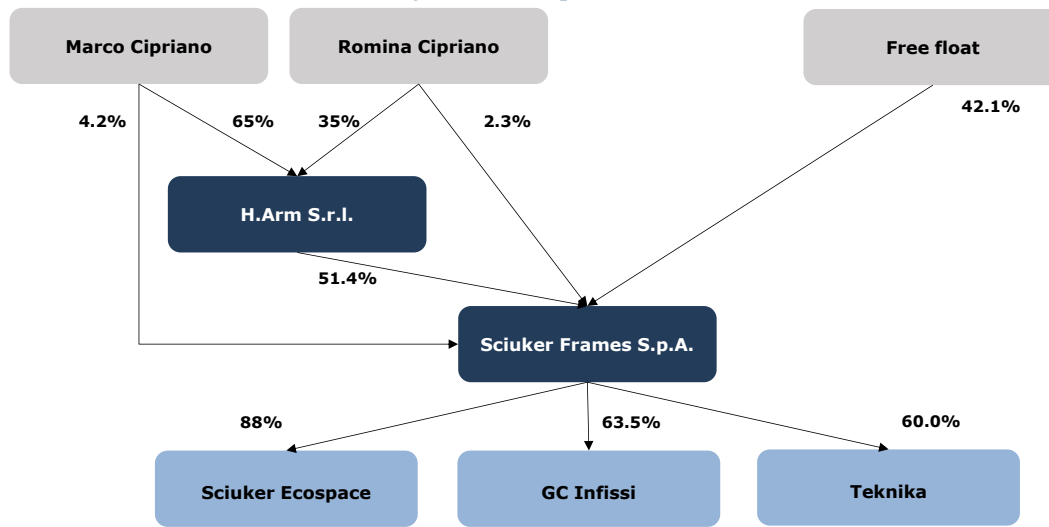
Appendix

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.r.l. controlled at 60%;
 - Sciuker Ecospace S.r.l owned at 88%.

Figure 14: 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

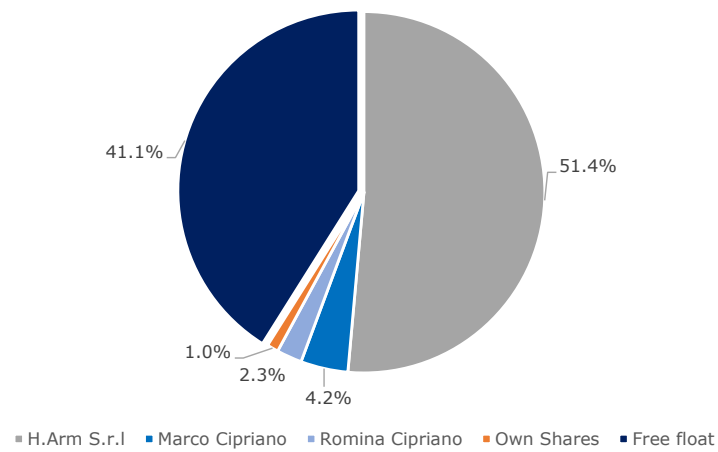
In November 2021, Sciuker acquired Teknika, a company based in the province of Novara with a plant of about 7k square meters, which produces an average of 300 mosquito nets per day. Teknika also produces and markets roller shutters and sunshades. In addition to expand its offering to windows accessories, 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 15: Ownership of the Group (%)



Source: Banca Profilo elaborations on Company data. Data as of October 27th, 2022


**SCK Group
"ID Card"**

Recommendation

BUY

Target Price

17.0 €

Upside

108%
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 aluminium) 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. Following the Teknika acquisition, SCK Group has become the first "Centre of Frames" with a Made-in-Italy design. The Group has set up its HOLE BOX, a complete and integrated offering including frames, fixtures and accessories ready able to upgrade the energy class of the Italian residential housing market. 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. On September, the 7th, it renewed its historically consolidated strategic partnership with an Italian global ESCO for the direct transfer of Suberbonus 110 tax credits, signing an agreement worth up to €175mln with an additional indirect transfer worth €200mln. Moreover, the Group has set new Ecobonus contracts addressed mainly to condominiums with a gradual decrease of tax credits in line with new rules (70% and 65% until 2024 and 2025 respectively).

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 margins and cash generator driven by a rigorous cost and working capital management
- Fresh cash-in deriving from the warrant exercise for further solid growth and improving profitability
- Synergies deriving from GC Infissi and Teknika acquisition

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

Weaknesses

- The size of the Company
- NWC optimization needed

Threats

- Competition within existing players, especially large manufacturers
- High growth rates could lead to cost management issues
- Higher than expected elasticity to the size of fiscal incentives for energy efficiency
- Persisting increase in raw materials, energy and transportation costs

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 Eco Contract with 70 and 65% fiscal credit
- Synergies with GC Infissi and Teknika
- Structured business plan to include the use of fresh cash for further solid growth and improving profitability

Main risks

- Rising price competition from international Fixtures Manufacturing players
- Less than expected growth of foreign markets
- Loss of control over big orders receivables

**SCK Group
"ID Card"**

 Recommendation
BUY

 Target Price
17.0 €

 Upside
108%

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Main Financials

(€, 000)	2021	2022E	2023E	2024E
Revenues	72,688	167,755	214,276	261,986
<i>yoy change</i>	280.5%	130.8%	27.7%	22.3%
Value of Production	102,909	172,964	220,935	270,178
<i>yoy change</i>	355.4%	68.1%	27.7%	22.3%
EBITDA	28,000	41,667	53,417	66,517
<i>yoy change</i>	248.6%	48.8%	28.2%	24.5%
<i>margin (%)</i>	27.2%	24.1%	24.2%	24.6%
EBIT	22,773	38,113	47,872	59,538
<i>margin (%)</i>	22.1%	22.0%	21.7%	22.0%
EBT	20,907	31,960	38,752	50,317
<i>margin (%)</i>	20.3%	18.5%	17.5%	18.6%
Net income	14,885	21,269	27,461	35,657
<i>margin (%)</i>	20.5%	12.7%	12.8%	13.6%
Net Debt (cash)	2,159	(13,987)	(38,779)	(65,602)
Shareholders Equity	41,222	56,474	77,854	107,158
Operating Net Working Capital	26,206	38,052	47,943	56,737
Fixed assets	24,077	41,024	45,693	44,413
Net invested capital	43,381	42,487	39,075	41,557
Capex and acquisitions	(11,804)	(19,500)	(16,700)	(5,400)
Free Cash Flow	(16,599)	17,669	16,584	43,740

Solvability ratios

	2021	2022E	2023E	2023E
Net debt (cash) / EBITDA	0.1x	-0.3x	-0.7x	-1.0x
Net debt (cash) / Equity	0.1x	-0.2x	-0.5x	-0.6x
Net debt (cash) / Net Invested	5.0%	-32.9%	-99.2%	-157.9%

Company Description

Company Sector	Fixture manufacturer
Price (€)	8.10
Number of shares ('000)	21,719
Market Cap (€mln)	177.0
Reference Index	Eurindex Growth Milan
Main Shareholders	Marco Cipriano, Romina Cipriano
Main Shareholder stake	51%
Free Float	41%
Daily Average Volumes ('000)	170.6
Sample of comparables	Deceuninck NV, Inwido AB, Eurocell Plc, SafeStyle UK Plc, Apogee Enterprises, Pgt innovations, Nusco, EDAC

Fixtures manufacturing: data of SCK

	2022E	2023E
Revenue Growth (yoy)	130.8%	27.7%
Adjusted EBITDA margin	24.1%	24.2%

Fixtures manufacturing: multiples of peers

	2022E	2023E
EV / Sales	0.8x	0.8x
EV / EBITDA	5.7x	5.1x

Average data

Source: Facsset, Bloomberg, Banca Profilo estimates and elaborations

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