

Company: **Sciuker Frames** Rating: **BUY** Target Price: **€5.4/share (from €9.0)** Sector: **Building Products**

Industrial Hub weakness; regulatory uncertainty

June 24, 2024 at 18:00

FY23 results: Industrial Hub disappoints growth promises

In FY23, revenue increased by 27.7% to €164.9m thanks to the change in the consolidation perimeter. VoP declined by 38.6% yoy to €118.9m due to the completion of Ecospace backlog. On a pro-forma basis (consolidation of acquisitions from January 2023), revenue amounted to €201.7m, including: i) €115.9m from the Industrial Hub (+105% yoy, but -13% on a like-for-like basis), 21% below our estimate [*Company Update on 30th October 2023*] and ii) €85.8m from Ecospace, much higher than our €21m for the accelerated work-in-progress of Ecobonus backlog. Pro forma VoP stood at €157.7m, 21% below our estimate and Company's guidance of €200m. Adj. EBITDA weakened to €36.1m (-16.4% yoy), with a one-off margin of 30.4%. Pro forma adj. EBITDA came in at €43.7m, slightly below our estimate (€44.5m) and Company's guidance of €45m. As of December 2023, Net Debt rose to €81.3m from a Net Cash position of €1.4m at the end of 2022, mainly due to delays in transferring tax credits, which reached €98.7m.

Strengthening deWol Industries and readying Ecospace for EU "Green House" Directive

The acquisitions of D&V Serramenti S.r.l. and Diquigiovanni S.r.l. have led to the formation of deWol Industries, Italy's largest operator in window and solar screen design and production. The Group plans to expand its Retail presence, finalizing the SCK Finestre Store monobrand project and expanding the multibrand distribution network. It also aims at aligning its energy and seismic upgrade business through Ecospace, with the new EU's Green Directive.

FY24 Guidance: EBITDA over €20m and Net Debt back below €40m

In 2024, the market is expected to encounter challenges due to the expiration of tax incentives in the Building sector. Additionally, the upcoming implementation of the "Green House" Directive has created a wait-and-see attitude among customers, likely compelling the Company to reduce prices and offer discounts to maintain production volumes. The Company cautiously forecasts an EBITDA over €20m in 2024, reduced margins and Net Debt below €40m. A gradual market recovery is expected from 2025.

FY24-25 (E) downward revision; added FY26 (E)

In response to missing FY23 estimates, especially in the Industrial Hub, and the Company's poor guidance, we cut our FY24-25 (E) revenue forecast for the Industrial Hub downward by about 25%. Industrial Hub's revenue is now expected to grow at a CAGR of 29.6% FY23-26 (E). Ecospace revenue is projected to decrease at a CAGR of -39.5% FY24-26 (E), with no significant changes from our previous estimates. Our revised forecast for FY24 EBITDA is €24.2m, a 46% cut from previous estimates. We project adj. EBITDA to grow at a CAGR of 3.4% FY23-26 (E). We expect the adj. EBITDA margin to dip below 20% in FY24 before recovering from 2025 onwards to reach 20.9% in FY26. We anticipate a notable decrease in Net Debt in the upcoming years, fuelled by the collection of 2023 tax credits and positive OCFs.

Valuation: BUY confirmed; 12-month TP cut to €5.4 (from €9.0)

We reduced our 12-month TP to €5.4/share as the simple average of DCF (€7.7/share) and market multiples valuations (€3.0/share). Our DCF estimates, which incorporate a 20% execution risk in both future positive cash flows and 2024 (E) tax credits collection, project cumulative FCFs of €28.5m for FY24-26 (E), a terminal value of €16.3m (vs previous €21.2 m). New FCFs are significantly lower than our old estimates mainly due to lower EBIT and increased cash absorption by OWC in FY24 (E). WACC is assumed at 8.5%, down from previous 9.3%, for lower risk-free rate. Market multiples valuation is based on a higher median FY24 (E) EV/EBITDA at 4.8x (vs previous 4.1x). The big cut in our projections together with the significant rise in Net Debt at the end of 2023 led to a reduction in the valuation.

| Company Profile | | | | |
|-------------------------------|--------------------------|--------------|--------------|--------------|
| Bloomberg | SCK-IM | | | |
| FactSet | SCK-IT | | | |
| Stock exchange | Italian Stock Exchange | | | |
| Reference Index | FTSE Italia Growth Index | | | |
| Market Data | | | | |
| Price (as of June 24, 2024) | € 2.7 | | | |
| Number of shares (mln) | 21.7 | | | |
| Market cap. (mln) | € 58.9 | | | |
| 1-Year Performance | | | | |
| Absolute | -59.4% | | | |
| Max/Min | 6.9/2.7 | | | |
| (€/mln) | FY23 | FY24 (E) | FY25 (E) | FY26 (E) |
| Revenue | 79.2 | 126.3 | 146.4 | 172.4 |
| Other revenue | (46.0) | (9.7) | (3.4) | (0.4) |
| Value of Production | 118.9 | 133.5 | 156.9 | 191.0 |
| | yoy | -38.6% | 12.3% | 17.5% |
| Adj. EBITDA | 36.1 | 24.2 | 31.8 | 39.9 |
| | Adj. EBITDA margin | 30.4% | 18.1% | 20.2% |
| EBIT | 16.9 | 16.0 | 23.3 | 30.6 |
| | EBIT margin | 14.2% | 12.0% | 14.8% |
| Net income | (2.5) | 6.4 | 13.8 | 20.6 |
| | Net profit margin | -2.1% | 4.8% | 8.8% |
| Net Financial Position (Cash) | | | | |
| Shareholders' equity | 72.6 | 79.0 | 90.0 | 106.5 |
| Net Operating Working Capital | 24.7 | 41.7 | 42.8 | 48.3 |
| CapEx | 19.8 | 4.0 | 4.0 | 4.0 |
| Free Cash Flow | (11.3) | (2.8) | 18.7 | 20.4 |

1-Year rebased performance


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SWOT analysis

STRENGTHS

- A full range of high-quality windows and accessories offering
- Strong company commitment to sustainability
- Strongly investing on corporate culture, brand and innovative marketing
- Structured and trained sales force driven by commercial performance
- Industrialized production in a sector traditionally characterized by craftsmanship
- Distinctive and wide offering including patented products
- A wide portfolio of patented products
- Synergies from horizontal integration

WEAKNESSES

- The size of the Company

OPPORTUNITY

- Very fragmented Italian reference market
- Roll out of management contracts
- Ad-hoc European partnerships for expanding the Industrial core business
- Large potential Italian addressable market
- M&A opportunities to increase production capacity in the Industrial Hub

THREATS

- Competition within existing players, especially large manufacturers
- Integration process within the Group
- Less favourable rules for tax incentives for energy requalification expenditure
- Still high raw materials, energy, transportation costs and interest rates

FY23 results: Industrial Hub disappoints, marginality surprises

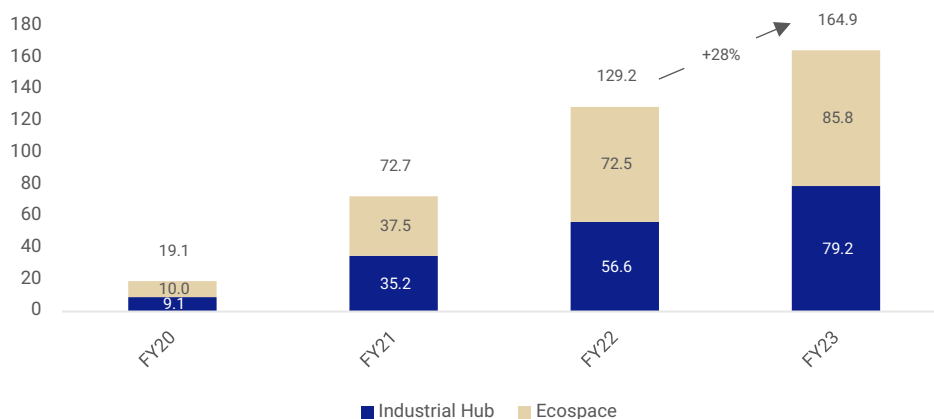
It should be noted that, contrary to previous disclosures and affecting the comparability of reported results with our earlier estimates and Company's guidance, the consolidation of D&V Serramenti S.r.l. and Diquigiovanni S.r.l. occurred only in the second half of 2023.

FY23 Revenue +28% yoy from acquisitions and Ecospace

Group revenue in FY23 was €164.9m (+27.7% yoy). Specifically, 52% of the turnover came from Ecospace, 12% from Sciuker Frames, 10% from G.C. Infissi, 8% by Teknika, 9% by D&V Serramenti S.r.l. and 9% by Diquigiovanni S.r.l. The significant increase in turnover compared to the previous year is mainly due to the change in the scope of consolidation with the acquisition of D&V Serramenti S.r.l. and Diquigiovanni S.r.l. in the second half of 2023.

While overall revenue appears to be only about 2% below our FY23 (E) estimate of €167.9m [Please refer to our Company Update on 30th October 2023], a closer look reveals that (i) Ecospace outperformed expectations due to an accelerated closure of construction sites (€85.8m (A) vs €21.0m (E)) but (ii) the Industrial Hub's revenue fell significantly short of our estimate (€79.2m (A) vs €146.9m (E)), impacted by the non-consolidation of the first-half results of the newly acquired Serramenti S.r.l. and Diquigiovanni S.r.l. and the disappointing performance of the other subsidiaries (Industrial Hub's revenue decrease 13% yoy on a like-for-like basis).

Figure 1: Revenue by segment 2020-23 (€/mln)

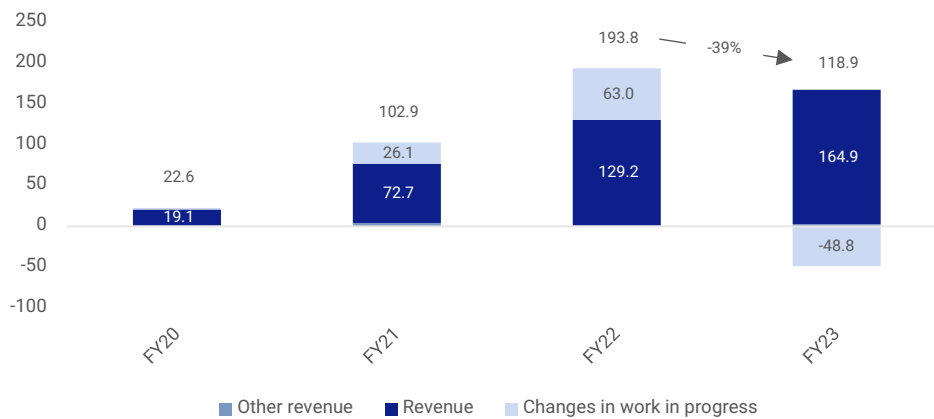


Source: Banca Profilo elaborations on Company data

FY23 VoP -39% yoy due to WIP contraction

The Group recorded a VoP of €118.9m in FY23, a 38.6% decrease year-over-year. This decline is primarily attributed to the completion of Superbonus and Super-Sismabonus construction projects, which significantly reduced the works in progress that had been recorded at the end of 2022.

Figure 2: Value of Production 2020-23 (€/mln)



Source: Banca Profilo elaborations on Company data

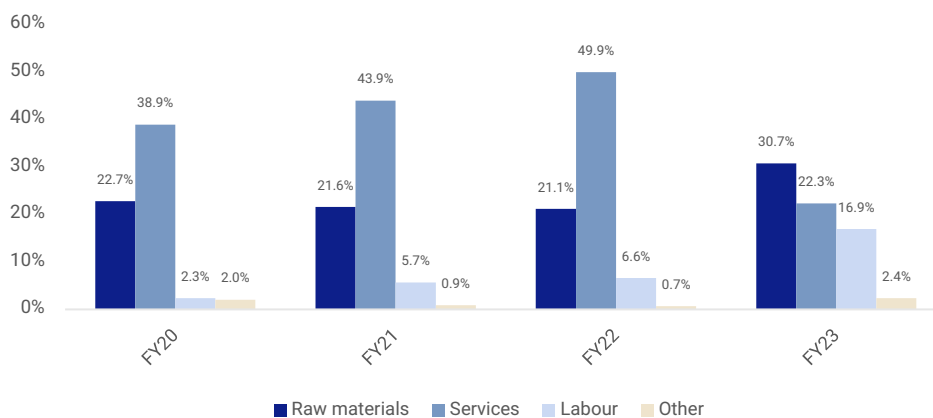
Revolutionized cost structure

In FY23, the cost of raw materials was €36.5mln, down from €41.0mln in FY22. Despite this reduction in absolute terms, its impact on the VoP increased from 21.1% to 30.7%, driven by a general rise in raw material costs.

Service costs totaled €26.5mln in FY23, a significant drop from €96.7mln in FY22. As a percentage of VoP, these costs represented 22.3%, a sharp decline from 49.9% in FY22. The decrease in the impact on VoP is attributed to Ecospace S.r.l., which, despite generating higher turnover compared to the previous year (+18% yoy), primarily completed projects that were already in advanced stages by the end of 2022. In other words, the cessation of new construction sites has reduced the need for subcontracted jobs.

Conversely, labor costs rose to €20.1mln in FY23 from €12.8mln in FY22, reflecting the consolidation effects of Diquigiovanni S.r.l. and D&V Serramenti S.r.l. As a percentage of VoP, labor costs increased from 6.6% to 16.9%.

Figure 3: Incidence of costs on VoP 2020-23



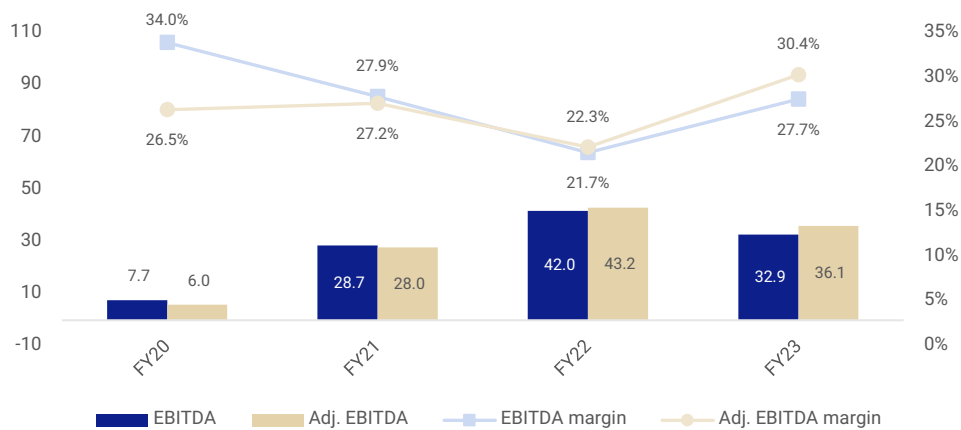
Source: Banca Profilo elaborations on Company data

FY23 adj. EBITDA margin improved to 30.4% above our FY23 (E)

EBITDA declined to €32.9mln (-22% yoy) with margin improving 600bps to 27.7%. Adjusted for non-recurring expenses and income, EBITDA was €36.1mln (-16.4% yoy) and 26% below our FY23 (E). This resulted in an adjusted EBITDA margin of 30.4%, up 810bps yoy and 550bps above our FY23 (E). The majority of the €3.7mln in non-recurring expenses were related to costs for finalizing the acquisitions of Diquigiovanni S.r.l. and D&V Serramenti S.r.l.

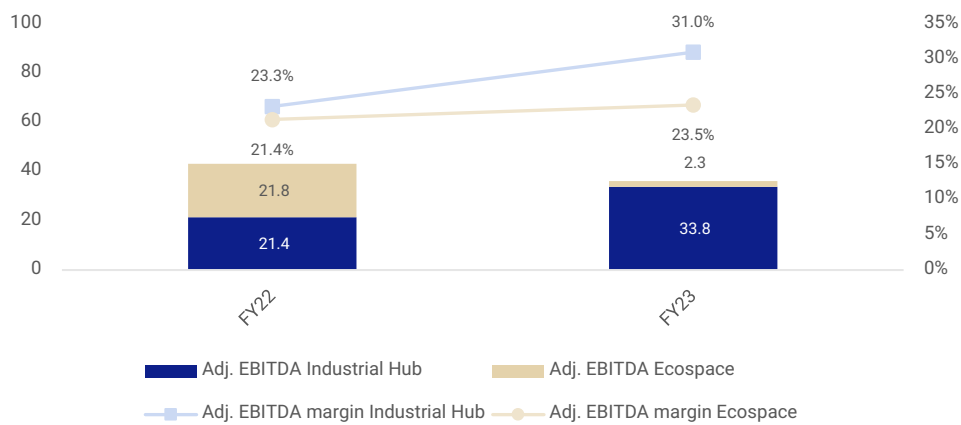
Specifically, the adj. EBITDA of the Industrial Hub was €33.8mln, representing 31% of its VoP, while the adj. EBITDA attributable to Ecospace was €2.3mln, representing 23.5% of its VoP.

Figure 4: EBITDA (€/mln) and EBITDA margin on VoP 2020-23



Source: Banca Profilo elaborations on Company data

Figure 5: EBITDA (€/mln) and EBITDA margin on VoP by segment 2022-23

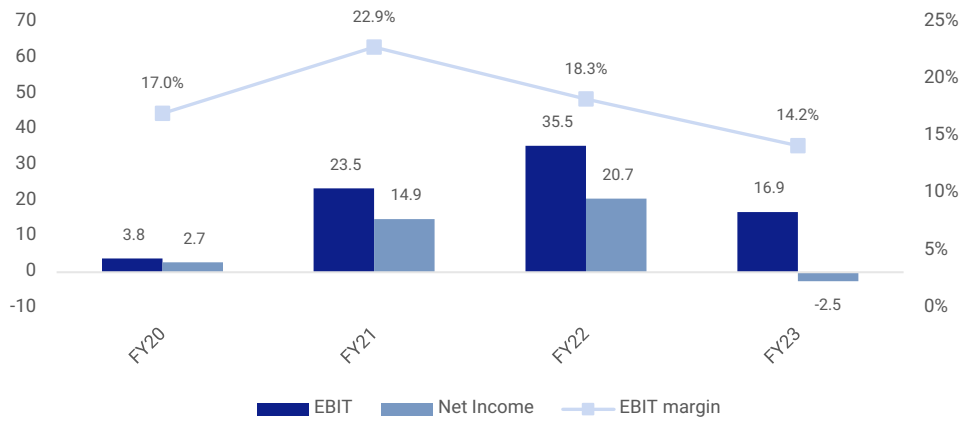


Source: Banca Profilo elaborations on Company data

Net Loss driven by Ecospace

EBIT for the year amounted to €16.9mln, or 14.2% of VoP, a decrease of 52.4% from the €35.5mln reported in 2022. The net result for the year was a loss of €2.5mln, compared to a profit of €20.7mln in 2022. This loss was primarily due to Ecospace's provisions for risk and interest expenses incurred for the mobilization of tax credits, totaling €21.5mln.

Figure 6: EBIT, Net Profit (€/mln) and EBIT margin 2020-23



Source: Banca Profilo elaborations on Company data

Table 1: Income Statement 2020-23 (€/th)

| | | Profit & Loss | | | | |
|-------------------------------|---------------------------|---------------|----------------|----------------|----------------|----------------|
| | | FY20 | FY21 | FY22 | FY23 OLD | FY23 |
| Industrial Hub | | 9,105 | 35,188 | 56,632 | 146,882 | 79,165 |
| | <i>% on Revenue</i> | 47.7% | 48.4% | 43.8% | 87.5% | 48.0% |
| Eospace | | 10,000 | 37,500 | 72,546 | 21,040 | 85,762 |
| | <i>% on Revenue</i> | 52.3% | 51.6% | 56.2% | 12.5% | 52.0% |
| Revenue | | 19,105 | 72,688 | 129,178 | 167,922 | 164,927 |
| | <i>yoy</i> | 113.1% | 280.5% | 77.7% | 30.0% | 27.7% |
| Other Revenue | | 3,493 | 30,221 | 64,621 | 32,430 | (46,029) |
| | <i>% on VoP</i> | -15.5% | -29.4% | -33.3% | 16.2% | 38.7% |
| Value of Production | | 22,598 | 102,909 | 193,799 | 200,352 | 118,898 |
| | <i>yoy</i> | 89.8% | 355.4% | 88.3% | 3.4% | -38.6% |
| Cost of raw materials | | (5,141) | (22,210) | (40,987) | (40,369) | (36,537) |
| | <i>% on VoP</i> | 22.7% | 21.6% | 21.1% | 20.1% | 30.7% |
| Cost of services | | (8,784) | (45,186) | (96,678) | (96,016) | (26,487) |
| | <i>% on VoP</i> | 38.9% | 43.9% | 49.9% | 47.9% | 22.3% |
| Lease and rentals cost | | (110) | (326) | (408) | (498) | (799) |
| | <i>% on VoP</i> | 0.5% | 0.3% | 0.2% | 0.2% | 0.7% |
| Other operating expenses | | (352) | (617) | (930) | (1,658) | (2,051) |
| | <i>% on VoP</i> | 1.6% | 0.6% | 0.5% | 0.8% | 1.7% |
| Labour cost | | (529) | (5,825) | (12,776) | (17,268) | (20,145) |
| | <i>% on VoP</i> | 2.3% | 5.7% | 6.6% | 8.6% | 16.9% |
| EBITDA | | 7,682 | 28,745 | 42,020 | 44,543 | 32,879 |
| | <i>EBITDA margin</i> | 34.0% | 27.9% | 21.7% | 22.2% | 27.7% |
| Adj. EBITDA | | 5,982 | 28,000 | 43,206 | 44,543 | 36,131 |
| | <i>Adj. EBITDA margin</i> | 26.5% | 27.2% | 22.3% | 22.2% | 30.4% |
| D&A | | (1,607) | (3,266) | (3,180) | (5,934) | (5,422) |
| | <i>% on VoP</i> | 7.1% | 3.2% | 1.6% | 3.0% | 4.6% |
| Provisions and write-downs | | (2,226) | (1,961) | (3,378) | (3,492) | (10,552) |
| | <i>% on VoP</i> | 9.9% | 1.9% | 1.7% | 1.7% | 8.9% |
| EBIT | | 3,849 | 23,518 | 35,462 | 35,116 | 16,905 |
| | <i>EBIT margin</i> | 17.0% | 22.9% | 18.3% | 17.5% | 14.2% |
| Financial income and expenses | | (9) | (2,611) | (3,047) | (2,937) | (13,547) |
| | <i>% on VoP</i> | 0.0% | 2.5% | 1.6% | 1.5% | 11.4% |
| EBT | | 3,840 | 20,907 | 32,415 | 32,179 | 3,358 |
| | <i>Pretax margin</i> | 17.0% | 20.3% | 16.7% | 16.1% | 2.8% |
| Taxes | | (1,096) | (6,022) | (11,756) | (11,670) | (5,841) |
| | <i>Tax rate</i> | 28.5% | 28.8% | 36.3% | 36.3% | 173.9% |
| Net income | | 2,743 | 14,885 | 20,659 | 20,509 | (2,483) |
| | <i>Net profit margin</i> | 12.1% | 14.5% | 10.7% | 10.2% | -2.1% |

Source: Banca Profilo elaborations on Company data

NOWC decreased 37.7% driven by Eospace

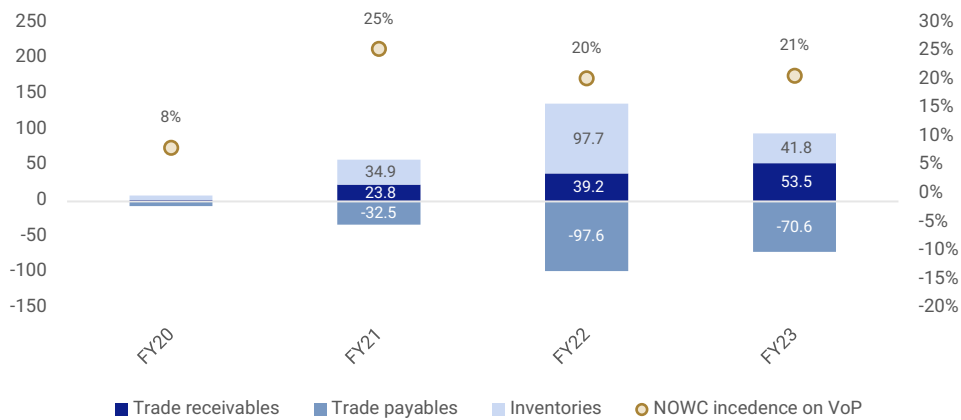
From December 2022, net invested capital rose €100mln to €153.9mln. This includes a €49mln rise in intangible assets, primarily due to the recognition of goodwill for the acquired companies Diquigiovanni S.r.l. and D&V Serramenti S.r.l.

At the end of 2023, Net Operating Working Capital (NOWC) decreased to €24.7mln from €39.4mln a year earlier for a reduction in Inventories, which fell to €41.8mln from €97.7mln, more than offsetting the increase in Trade Receivables (from €39.2mln to €53.5mln) and the decline in Trade Payables (from €97.6mln to €70.6mln). The reduction in Inventories and the decrease in Trade payables were both due to the completion of Eospace construction projects and the absence of new ones.

Net Working Capital (NWC) increased by 162.7%, or €42.1mln, reaching €67.9mln compared to €25.9mln as of December 31, 2022. The figure is significantly influenced by tax credits, which surged to €98.7mln, marking a 747.6% year-over-year increase. Of these, €55mln are tax

credits accrued by Ecospace related to the “Superbonus 110%” initiative, which have been accrued but are not yet reflected in the tax accounts.

Figure 7: Net Operating Working Capital 2020-23 (€/mln)



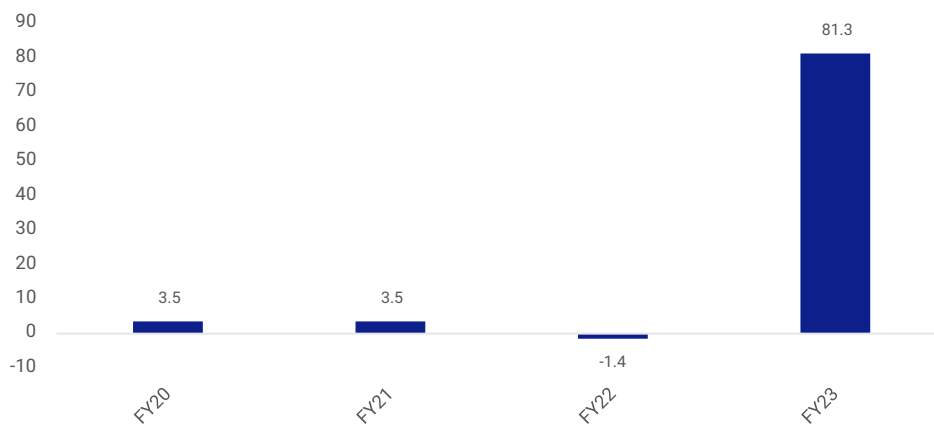
Source: Banca Profilo elaborations on Company data

Net Debt surged to €81.3mln from acquisitions

Net Debt worsened from a net cash position of €1.4mln at the end of 2022 to a net debt position of €81.3mln, which includes: i) the consolidation of D&V Serramenti S.r.l. and Diquigiovanni S.r.l., ii) financial liabilities to support these acquisitions and iii) €29.7mln in receivables from banks for tax credits, which have been later collected by 15 March 2024.

It should be noted that the Superbonus Decree of May 23, 2024, which eliminated the invoice discount and credit transfer mechanisms for energy and seismic upgrades and introduced a ten-year deduction spread for 2024 expenses, does not impact the Group's accrued and accruing tax credits.

Figure 8: Net Debt (Cash) 2020-23 (€/mln)



Source: Banca Profilo elaborations on Company data

Table 2: Balance Sheet 2020-23 (€/th)

| Balance Sheet | | | | | |
|--------------------------------------|---------------|---------------|----------------|----------------|----------------|
| | FY20 | FY21 | FY22 | FY23 OLD | FY23 |
| Intangible assets | 1,223 | 7,343 | 8,254 | 46,018 | 57,296 |
| Tangible fixed assets | 13,140 | 16,734 | 27,689 | 39,191 | 40,340 |
| Financial assets | 3 | 0 | 51 | 54 | 66 |
| Fixed Assets | 14,366 | 24,077 | 35,994 | 85,263 | 97,702 |
| Inventories | 6,037 | 34,906 | 97,746 | 79,092 | 41,812 |
| <i>% on VoP</i> | <i>26.7%</i> | <i>33.9%</i> | <i>50.4%</i> | <i>39.5%</i> | <i>35.2%</i> |
| Trade receivables | 2,183 | 23,763 | 39,171 | 54,558 | 53,504 |
| <i>% on VoP</i> | <i>9.7%</i> | <i>23.1%</i> | <i>20.2%</i> | <i>27.2%</i> | <i>45.0%</i> |
| Trade payables | (6,381) | (32,463) | (97,556) | (59,820) | (70,632) |
| <i>% on COGS w/o labour cost</i> | <i>44.4%</i> | <i>47.5%</i> | <i>70.2%</i> | <i>29.9%</i> | <i>107.2%</i> |
| Net Operating Working Capital | 1,839 | 26,206 | 39,361 | 73,830 | 24,684 |
| <i>% on VoP</i> | <i>8.1%</i> | <i>25.5%</i> | <i>20.3%</i> | <i>36.9%</i> | <i>20.8%</i> |
| Other current assets | 4,244 | 7,830 | 13,533 | 14,925 | 102,538 |
| Other current liabilities | (3,857) | (11,120) | (27,030) | (39,150) | (59,288) |
| Net Working Capital | 2,226 | 22,916 | 25,864 | 49,605 | 67,934 |
| <i>% on VoP</i> | <i>9.9%</i> | <i>22.3%</i> | <i>13.3%</i> | <i>24.8%</i> | <i>57.1%</i> |
| Funds | (943) | (2,094) | (2,412) | (4,602) | (5,734) |
| Non current assets | 1,059 | 1,129 | 1,398 | 3,661 | 4,213 |
| Non current liabilities | (1,525) | (2,647) | (6,802) | (6,000) | (10,171) |
| Net Invested Capital | 15,183 | 43,381 | 54,042 | 127,873 | 153,944 |
| CapEx | 0 | 11,804 | 14,746 | 20,400 | 19,819 |
| <i>% on VoP</i> | <i>0.0%</i> | <i>11.5%</i> | <i>7.6%</i> | <i>10.2%</i> | <i>16.7%</i> |
| Intangible | | 6,434 | 1,289 | 3,000 | 1,746 |
| Tangible | | 5,370 | 13,457 | 17,400 | 18,073 |
| Share capital | 1,092 | 2,236 | 2,172 | 2,253 | 2,253 |
| Reserves | 5,508 | 22,101 | 21,949 | 72,272 | 44,794 |
| Accumulated profit/loss | 2,339 | 2,000 | 10,706 | 0 | 28,048 |
| Group Net Income | 2,743 | 13,547 | 20,659 | 20,509 | (2,483) |
| Minorities Net Group | 0 | 1,338 | 3,880 | 1,898 | 1,305 |
| Shareholders' Equity | 11,682 | 39,884 | 55,486 | 96,931 | 72,612 |
| Net Financial Position (Cash) | 3,501 | 3,497 | (1,444) | 30,942 | 81,332 |

Source: Banca Profilo elaborations on Company data

Table 3: Free Cash Flows 2023-26 (E) (€/th)

| Free Cash Flow | | | | | |
|-----------------------|--------------|-----------------|----------------|-----------------|-----------------|
| | FY20 | FY21 | FY22 | FY23 OLD | FY23 |
| Adj. EBIT | 2,149 | 22,773 | 36,648 | 35,116 | 20,157 |
| <i>Tax rate</i> | <i>28.5%</i> | <i>28.8%</i> | <i>36.3%</i> | <i>28.0%</i> | <i>173.9%</i> |
| NOPAT | 1,536 | 16,214 | 23,357 | 25,284 | (14,905) |
| D&A | 1,607 | 3,266 | 3,180 | 5,934 | 5,422 |
| Changes in Funds | 361 | 1,151 | 318 | 2,190 | 3,322 |
| Changes in NOWC | 3,141 | (24,367) | (13,155) | (34,469) | 14,677 |
| CapEx | 0 | (11,804) | (14,746) | (20,400) | (19,819) |
| Free Cash Flow | 6,645 | (15,540) | (1,046) | (21,461) | (11,303) |

Source: Banca Profilo elaborations on Company data

Corporate Strategy and FY24-26 (E)

Corporate strategy and FY24 guidance

deWol is the largest Italian operator in the design and production of windows

The acquisition of D&V Serramenti S.r.l. and Diquigiovanni S.r.l. add to recent M&A transactions and allow the Group to become the Italian largest operator in the design and production of windows and solar screens.

The Group plans to drive its growth through several key initiatives:

- reshaping the business related to energy and seismic upgrades, an activity managed by the subsidiary Ecospace, in line with the targets set by the European Community's Green Directive;
- intensifying its commercial presence in the window and sunscreen retail market by completing the SCK Finestre Store monobrand project and expanding its multibrand retail operations;
- pursuing additional acquisitions of high-margin "directional" projects to broaden the range of products offered through the Contractor channel, and initiating a presence in the Public Administration (P. A.) segment by leveraging Ecospace's SOA and ESCO qualifications;
- investing in R&D to develop new environmentally friendly products;
- continuing investments in production facilities, integrating the Industrial Hub, and commercially implementing the Hole Box.

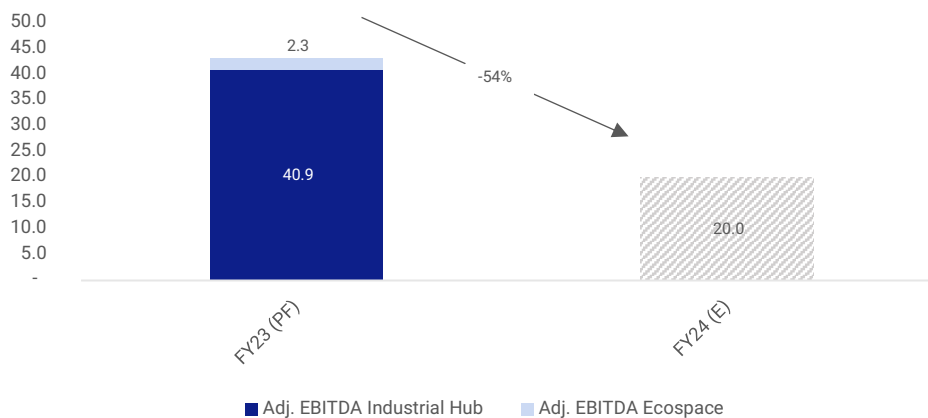
FY24 Guidance:
 >€20mIn EBITDA
 <€40mIn Net Debt

2024 is expected to be particularly challenging, with the market likely shrinking due to the elimination of tax incentives in the construction sector. In this scenario, the company has made conservative estimates to ensure a reasonable level of profitability in 2024, anticipating a strong market rebound in 2025 following the implementation of the European "Green House" Directive in Italy.

Specifically, the Group projects consolidated EBITDA to exceed €20mIn in 2024, with Net Debt falling below €40mIn. The significant reduction in Net Debt is primarily due to the collection of tax credits accrued in 2023, which will be sold under existing agreements with major banks.

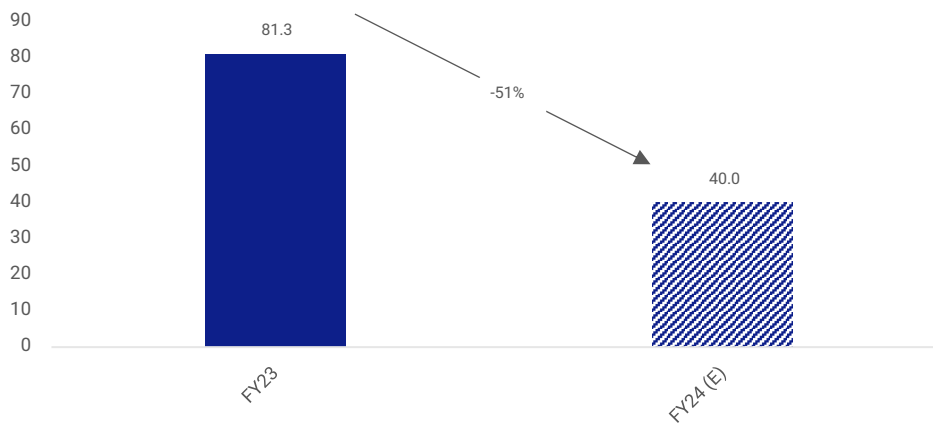
When compared to the FY23 Pro forma EBITDA, which includes the consolidation of newly acquired companies from January 1, 2023, the estimate reflects a decrease of up to 54% in the company's EBITDA, dropping from €43.2mIn to €20.0mIn.

Figure 9: Guidance - EBITDA 2023-24 (E) (€/mIn)



Source: Banca Profilo elaborations on Company data

Figure 10: Guidance - Net Debt (Cash) 2023-24 (E) (€/mln)



Source: Banca Profilo elaborations on Company data

FY24-25 (E) downward revision; added FY26 (E)

Industrial Hub revenue to grow at a CAGR of 30% 2023-26 (E)

Regarding revenue from the Industrial Hub, we have lowered our FY24-25 (E) by around 25% based on the Company's guidance, which expects the market to decline in 2024. We now anticipate the Industrial Hub's revenue to achieve a CAGR of 30% 2023-26 (E). In the short term, our projection for FY24 (E) anticipates revenue from the Industrial Hub to be €126.3mln, down from our previous forecast of €168.3mln.

Eospace revenue to decline at a CAGR of -39% 2023-26 (E)

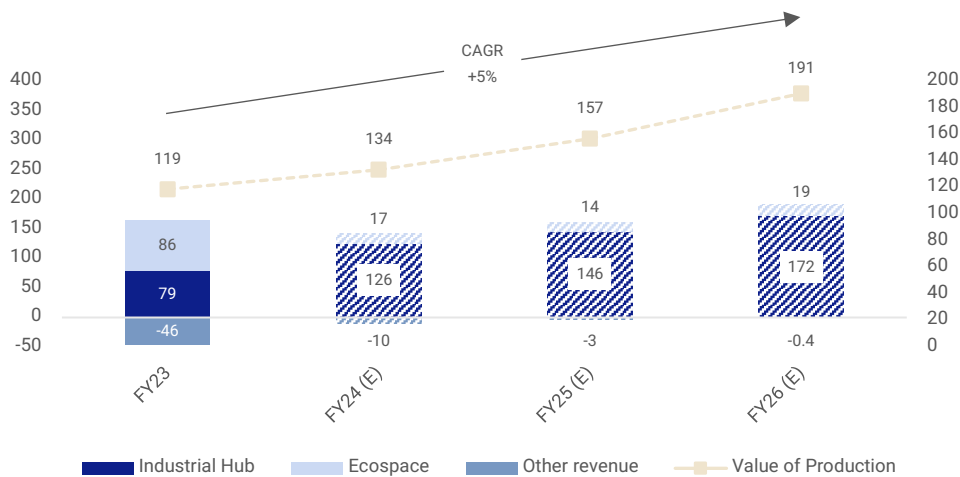
Regarding revenue from Eospace, our previous estimates already accounted for the halt in new procurement and delays in the transfer of tax credits. We have made only slight revisions to our FY24-25 (E), expecting an accelerated closure of construction sites, which shifts some revenues from 2025 to 2024. After a significant reduction in volumes, with turnover constrained by the existing backlog, we anticipate the new business model related to the P. A. and energy design, linked to the European Green Directive, to be implemented and show effects from 2026 onwards.

Overall we anticipate Eospace's revenue to decline at a CAGR of -39% 2023-26 (E). In the short term, our projection for FY24 (E) anticipates revenue from Eospace to be €17.0mln, up from our previous forecast of €15.8mln.

VoP to grow at a CAGR of 17% 2023-26 (E)

The Group's VoP is projected to grow at a CAGR of 5% 2023-26 (E). In the short term, our projection for FY24 (E) anticipates a VoP of €133.5mln, down 34% from our previous forecast of €201.3mln. This adjustment aligns with the Company's revised 2024 outlook and guidance.

Figure 11: Revenue and Value of Production 2023-26 (E) (€/mln)



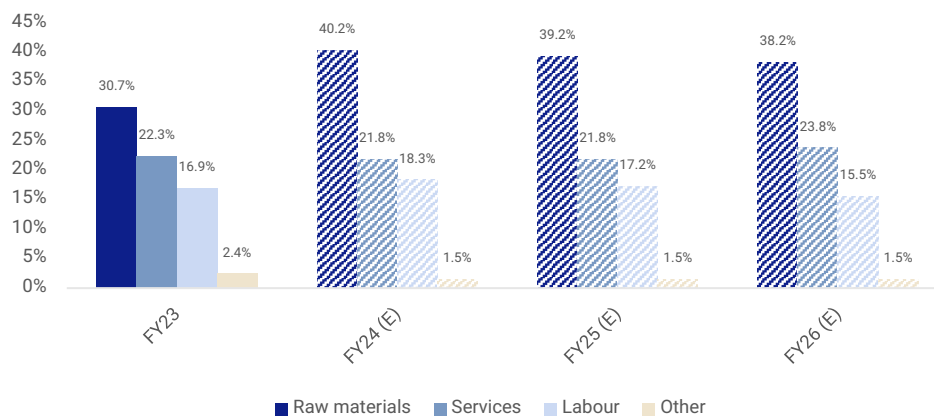
Source: Banca Profilo elaborations and estimates on Company data

Margins threatened by Regulatory uncertainty

The cost structure changed significantly in 2023, with a notable reduction in the incidence of service costs on the VoP due to the slowdown in Ecospace's activities. We expect this cost structure to remain stable in the coming years.

However, management anticipates a substantial decrease in margins in 2024 followed by a slow recovery. This is primarily due to a market environment marked by regulatory uncertainty. The impending implementation of the "Green House" Directive has led to a wait-and-see attitude among customers, which is expected to force the Company to reduce prices and/or offer ad hoc discounts to maintain optimal production volumes.

Figure 12: Incidence of costs on VoP 2023-26 (E)



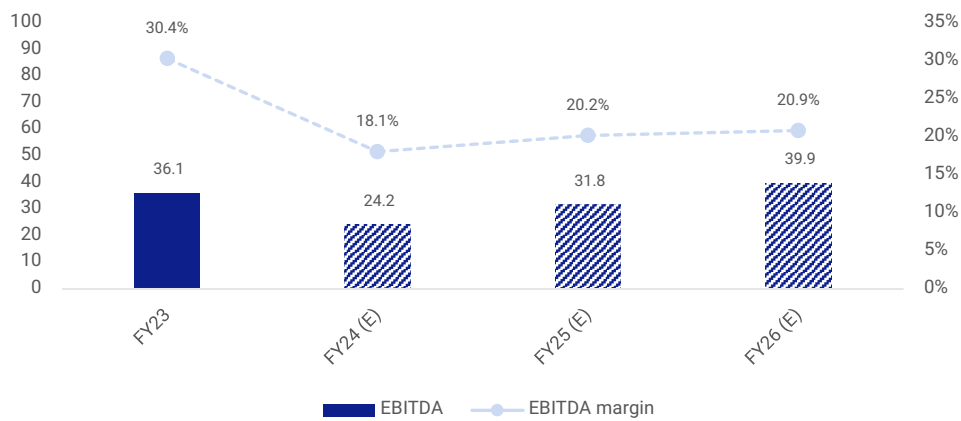
Source: Banca Profilo elaborations and estimates on Company data

FY24 (E) EBITDA revised to €24.2mln; Growth projected to €39.9mln by FY26

We end up with FY24 (E) EBITDA at €24.2mln, in line with the Company's updated guidance of over €20mln and nearly half of our previous estimate of €45.1mln. We anticipate EBITDA to grow at a CAGR of 3.4% 2023-26 (E), reaching €39.9mln by FY26 (E).

The FY24 (E) EBITDA margin is expected to dip below 20%, settling at 18.1%, but we forecast a recovery starting in FY25 (E), achieving 20.9% by FY26 (E).

Figure 13: EBITDA (€/mln) and EBITDA margin on VoP 2023-26 (E)



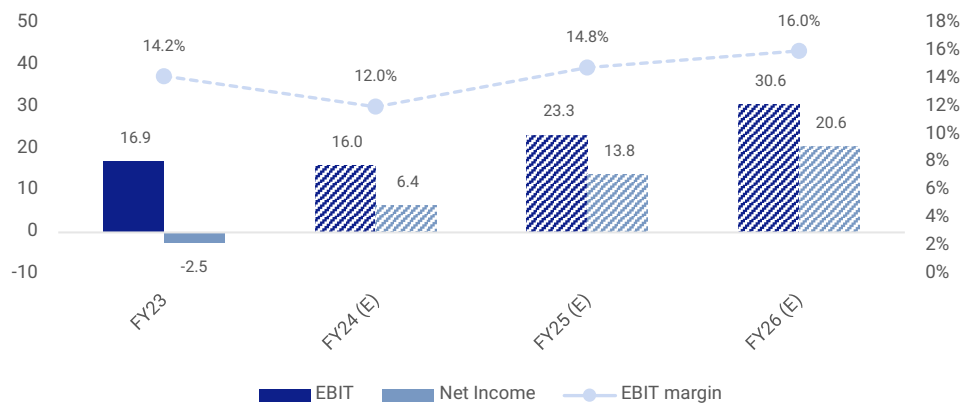
Source: Banca Profilo elaborations and estimates on Company data

EBIT at €15.5mln and return to profit in FY24 (E)

EBIT for FY24 (E) is now projected at €16.0mln, significantly below our previous estimate of €35.5mln. EBIT is expected to grow at a CAGR of 21.9% 2023-26 (E), reaching €30.6mln by FY26 (E).

The bottom line is anticipated to turn positive in 2024, with a projected net profit of €6.4mln, and to increase to €20.6mln by FY26 (E).

Figure 14: EBIT, Net Profit (€/mln) and EBIT margin 2023-26 (E)



Source: Banca Profilo elaborations and estimates on Company data

Table 4: Pro forma Income Statement 2023-26 (E) (€/th)

| | | Profit & Loss | | | | | |
|-------------------------------|--------------------|----------------|-----------------|----------------|-----------------|----------------|----------------|
| | | FY23 | FY24 (E) OLD | FY24 (E) | FY25 (E) OLD | FY25 (E) | FY26 (E) |
| Industrial Hub | | 79,165 | 168,341 | 126,256 | 188,843 | 146,353 | 172,439 |
| | % on Revenue | 48.0% | 91.4% | 88.1% | 92.3% | 91.3% | 90.1% |
| Ecospace | | 85,762 | 15,780 | 17,000 | 15,780 | 14,000 | 19,000 |
| | % on Revenue | 52.0% | 8.6% | 11.9% | 7.7% | 8.7% | 9.9% |
| Revenue | | 164,927 | 184,121 | 143,256 | 204,623 | 160,353 | 191,439 |
| | yoy | 27.7% | 9.6% | -13.1% | 11.1% | 11.9% | 19.4% |
| Other Revenue | | (46,029) | 17,150 | (9,708) | 1,370 | (3,408) | (408) |
| | % on VoP | 38.7% | 8.5% | 7.3% | 0.7% | 2.2% | 0.2% |
| Value of Production | | 118,898 | 201,270 | 133,548 | 205,992 | 156,945 | 191,031 |
| | yoy | -38.6% | 0.5% | 12.3% | 2.3% | 17.5% | 21.7% |
| Cost of raw materials | | (36,537) | (40,554) | (53,726) | (41,506) | (61,569) | (73,031) |
| | % on VoP | 30.7% | 20.1% | 40.2% | 20.1% | 39.2% | 38.2% |
| Cost of services | | (26,487) | (92,431) | (29,083) | (90,479) | (34,178) | (45,422) |
| | % on VoP | 22.3% | 45.9% | 21.8% | 43.9% | 21.8% | 23.8% |
| Lease and rentals cost | | (799) | (598) | (589) | (717) | (693) | (843) |
| | % on VoP | 0.7% | 0.3% | 0.4% | 0.3% | 0.4% | 0.4% |
| Other operating expenses | | (2,051) | (1,990) | (1,472) | (2,388) | (1,730) | (2,106) |
| | % on VoP | 1.7% | 1.0% | 1.1% | 1.2% | 1.1% | 1.1% |
| Labour cost | | (20,145) | (20,640) | (24,492) | (24,013) | (27,003) | (29,703) |
| | % on VoP | 16.9% | 10.3% | 18.3% | 11.7% | 17.2% | 15.5% |
| EBITDA | | 32,879 | 45,057 | 24,185 | 46,889 | 31,773 | 39,927 |
| | EBITDA margin | 27.7% | 22.4% | 18.1% | 22.8% | 20.2% | 20.9% |
| Adj. EBITDA | | 36,131 | 45,057 | 24,185 | 46,889 | 31,773 | 39,927 |
| | Adj. EBITDA margin | 30.4% | 22.4% | 18.1% | 22.8% | 20.2% | 20.9% |
| D&A | | (5,422) | (6,098) | (5,822) | (7,000) | (5,771) | (5,991) |
| | % on VoP | 4.6% | 3.0% | 4.4% | 3.4% | 3.7% | 3.1% |
| Provisions and write-downs | | (10,552) | (3,508) | (2,328) | (3,591) | (2,736) | (3,330) |
| | % on VoP | 8.9% | 1.7% | 1.7% | 1.7% | 1.7% | 1.7% |
| EBIT | | 16,905 | 35,451 | 16,036 | 36,298 | 23,266 | 30,606 |
| | EBIT margin | 14.2% | 17.6% | 12.0% | 17.6% | 14.8% | 16.0% |
| Financial income and expenses | | (13,547) | (3,050) | (6,620) | (3,050) | (2,811) | (208) |
| | % on VoP | 11.4% | 1.5% | 5.0% | 1.5% | 1.8% | 0.1% |
| EBT | | 3,358 | 32,401 | 9,415 | 33,248 | 20,456 | 30,398 |
| | Pretax margin | 2.8% | 16.1% | 7.1% | 16.1% | 13.0% | 15.9% |
| Taxes | | (5,841) | (11,751) | (3,047) | (12,058) | (6,620) | (9,837) |
| | Tax rate | 173.9% | 36.3% | 32.4% | 36.3% | 32.4% | 32.4% |
| Net income | | (2,483) | 20,650 | 6,369 | 21,190 | 13,836 | 20,561 |
| | Net profit margin | -2.1% | 10.3% | 4.8% | 10.3% | 8.8% | 10.8% |

Source: Banca Profilo elaborations and estimates on Company data

Increase in NOWC and collection of Tax credits by FY24 (E)

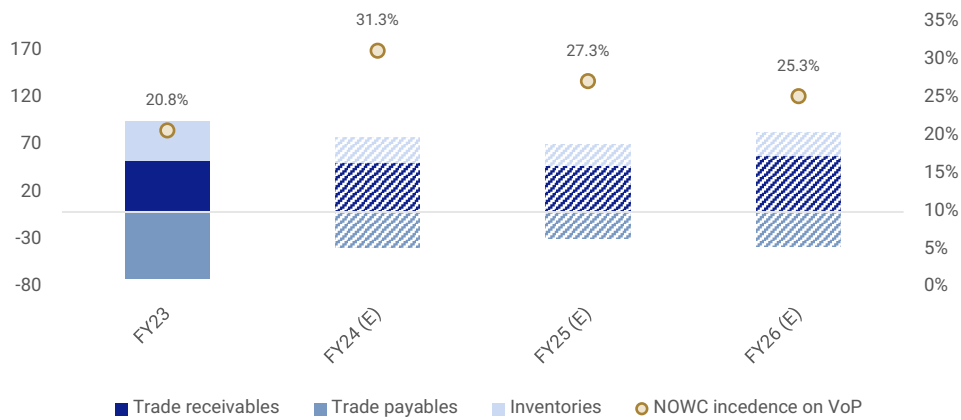
We anticipate that Fixed assets will remain relatively stable over the next three years, with no expected reduction in goodwill resulting from acquisitions.

Conversely, we foresee an increase in Net Operating Working Capital (NOWC) starting in 2024, aiming to return to 2022 levels, driven by a significant reduction in Trade Payables in FY24 (E). Specifically, we project NOWC to rise by €17.1m in FY24 (E), reaching €41.7m (previously €78.2m): we plan for Inventories to be at €26.9m, Trade receivables at €52.1m and Trade payables at €37.3m.

Over the period 2023-26, NOWC is expected to increase by €23.6m, with its impact on VoP projected to reach 25.3% by FY26 (E), after a temporary increase from 20.8% at the end of 2023 to 31.3% in FY24 (E).

We expect Net Working Capital (NWC) to halve in FY24 (E), decreasing from €67.9m in FY2023 to €30.6m. This change is driven by the full collection of Tax credits during the year, as forecasted by the management.

Figure 15: Net Operating Working Capital 2023-26 (E) (€/mln)



Source: Banca Profilo elaborations and estimates on Company data

€12m CapEx over FY24-26 (E)

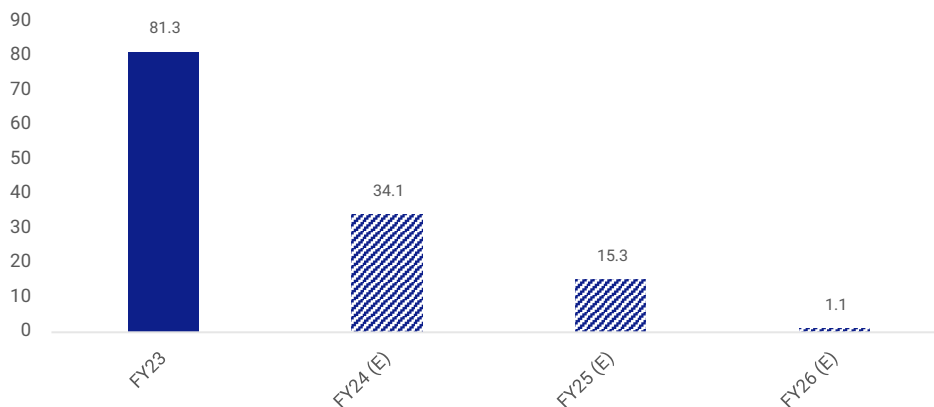
Regarding investments, we anticipate €12m in CapEx over the next three years to bolster company development.

Net Debt under €40m in FY24 (E)

We anticipate a significant reduction in Net Debt over the coming years from its outlier level recorded at the end of 2023. Specifically, by the end of 2024, we project Net Debt to decrease to €34.1m, aligning with the new Company guidance pointing to a Net Debt below €40m by then. This reduction will be facilitated by the realization of tax credits accrued in 2023, which are slated for disposal under existing agreements with major banks.

Additionally, positive contributions from operating cash flows in subsequent years are expected to further decrease Net Debt to €1.1m by the end of 2026.

Figure 16: Net Debt (Cash) 2023-26 (E) (€/mln)



Source: Banca Profilo elaborations and estimates on Company data

Table 5: Pro Forma Balance Sheet 2023-26 (E) (€/th)

| Balance Sheet | | | | | | |
|--------------------------------------|----------------|-----------------|----------------|-----------------|----------------|----------------|
| | FY23 | FY24 (E) OLD | FY24 (E) | FY25 (E) OLD | FY25 (E) | FY26 (E) |
| Intangible assets | 57,296 | 43,166 | 57,115 | 43,344 | 56,915 | 56,772 |
| Tangible fixed assets | 40,340 | 41,528 | 43,734 | 40,648 | 42,598 | 40,085 |
| Financial assets | 66 | 54 | 66 | 54 | 66 | 66 |
| Fixed Assets | 97,702 | 84,747 | 100,915 | 84,047 | 99,579 | 96,923 |
| Inventories | 41,812 | 79,455 | 26,932 | 81,319 | 22,233 | 25,152 |
| <i>% on VoP</i> | <i>35.2%</i> | <i>39.5%</i> | <i>20.2%</i> | <i>39.5%</i> | <i>14.2%</i> | <i>13.2%</i> |
| Trade receivables | 53,504 | 54,808 | 52,083 | 56,094 | 48,653 | 59,219 |
| <i>% on VoP</i> | <i>45.0%</i> | <i>27.2%</i> | <i>39.0%</i> | <i>27.2%</i> | <i>31.0%</i> | <i>31.0%</i> |
| Trade payables | (70,632) | (56,068) | (37,267) | (53,264) | (28,102) | (36,115) |
| <i>% on COGS w/o labour cost</i> | <i>107.2%</i> | <i>27.9%</i> | <i>43.9%</i> | <i>25.9%</i> | <i>28.6%</i> | <i>29.7%</i> |
| Net Operating Working Capital | 24,684 | 78,194 | 41,748 | 84,148 | 42,784 | 48,256 |
| <i>% on VoP</i> | <i>20.8%</i> | <i>38.9%</i> | <i>31.3%</i> | <i>40.9%</i> | <i>27.3%</i> | <i>25.3%</i> |
| Other current assets | 102,538 | 16,276 | 4,909 | 17,987 | (4,776) | (4,150) |
| Other current liabilities | (59,288) | (33,995) | (16,035) | (30,683) | (13,904) | (15,840) |
| Net Working Capital | 67,934 | 60,476 | 30,621 | 71,452 | 24,105 | 28,265 |
| <i>% on VoP</i> | <i>57.1%</i> | <i>30.0%</i> | <i>22.9%</i> | | <i>15.4%</i> | <i>14.8%</i> |
| Funds | (5,734) | (5,217) | (6,671) | (5,699) | (7,912) | (9,713) |
| Non current assets | 4,213 | 4,014 | 1,888 | 4,461 | 2,113 | 2,523 |
| Non current liabilities | (10,171) | (986) | (9,171) | 461 | (8,171) | (7,171) |
| Net Invested Capital | 153,944 | 138,966 | 113,082 | 130,882 | 105,314 | 107,626 |
| CapEx | 19,819 | 5,000 | 4,000 | 4,000 | 4,000 | 4,000 |
| <i>% on VoP</i> | <i>16.7%</i> | <i>2.5%</i> | <i>3.0%</i> | <i>1.9%</i> | <i>2.5%</i> | <i>2.1%</i> |
| Intangible | 1,746 | 228 | 351 | 550 | 351 | 351 |
| Tangible | 18,073 | 7,372 | 3,649 | 4,950 | 3,649 | 3,649 |
| Share capital | 2,253 | 2,253 | 2,253 | 2,253 | 2,253 | 2,253 |
| Reserves | 44,794 | 88,861 | 70,359 | 104,491 | 73,960 | 83,684 |
| Accumulated profit/loss | 28,048 | 0 | 0 | 0 | 0 | 0 |
| Group Net Income | (2,483) | 19,600 | 6,369 | 19,849 | 13,836 | 20,561 |
| Minorities Net Group | 1,305 | 2,948 | 2,092 | 4,289 | 3,132 | 4,431 |
| Shareholders' Equity | 72,612 | 113,661 | 78,981 | 130,882 | 90,049 | 106,499 |
| Net Financial Position (Cash) | 81,332 | 25,305 | 34,101 | 19,325 | 15,264 | 1,128 |

Source: Banca Profilo elaborations and estimates on Company data

Cumulated FCFs at
€36.3mln in FY24-26
(E)

As a result, we anticipate another negative FCF in FY24 (E) before turning positive from FY25 (E) onwards, reaching €20.4mln in FY26 (E). Cumulative FCFs for the period FY24-26 (E) are projected at €36.3mln. The adjustments at FY24-25 (E) FCFs are primarily attributed to lower EBIT and increased cash absorption by OWC in FY24 (E).

Table 6: Pro Forma Free Cash Flows 2023-26 (E) (€/th)

| Free Cash Flow | | | | | | |
|-----------------------|-----------------|-----------------|----------------|-----------------|---------------|---------------|
| | FY23 | FY24 (E) OLD | FY24 (E) | FY25 (E) OLD | FY25 (E) | FY26 (E) |
| Adj. EBIT | 20,157 | 35,451 | 16,036 | 36,298 | 23,266 | 30,606 |
| <i>Tax rate</i> | <i>173.9%</i> | <i>28.0%</i> | <i>28.0%</i> | <i>28.0%</i> | <i>28.0%</i> | <i>28.0%</i> |
| NOPAT | (14,905) | 25,525 | 11,546 | 26,135 | 16,752 | 22,036 |
| D&A | 5,422 | 6,098 | 5,822 | 7,000 | 5,771 | 5,991 |
| Changes in Funds | 3,322 | 615 | 937 | 482 | 1,241 | 1,801 |
| Changes in NOWC | 14,677 | (4,364) | (17,064) | (5,954) | (1,036) | (5,471) |
| CapEx | (19,819) | (7,600) | (4,000) | (5,500) | (4,000) | (4,000) |
| Free Cash Flow | (11,303) | 20,273 | (2,759) | 22,163 | 18,727 | 20,357 |

Source: Banca Profilo elaborations and estimates on Company data

Valuation

DCF method and market multiples

Given SCK potential cash generating business model, a DCF method well adapts as a valuation approach. In addition, we have curated a selection of international listed companies, referred to as peers, aligning with SCK profile. This allows us to establish an appropriate sample for relative valuation using market multiples.

At the end of 2023, Net Debt stands as an outlier, primarily driven by a substantial accumulation of tax credits during the year. Management anticipates these credits will be fully collected in 2024. For valuation purposes only and across both methods, we aim to utilize the forecasted Net Debt for the end of 2024, factoring in a 20% execution risk related to the sale of all tax credits, to reach €51.3mln.

DCF valuation

Adj. cumulative FCFs at €28.5mln in FY24-26 (E)

To run a DCF model, we employed our projections of free cash flows (FCFs) for the FY24-26 (E) explicit period, totalling €36.3mln in cumulative FCF. We factored in a 20% execution risk on the positive FCFs expected for FY25-26 (E), considering the Company's historical cash burn tendency. This adjustment resulted in a calculated cumulative FCF of €28.5mln over the three-year period.

We would consider the FY26 (E) adj. FCF of €16.3mln as the Terminal Value cash flow (vs previous €21.2mln). *[Please refer to our Company Update on 30th October 2023].*

8.5% WACC

We would use an 8.5% WACC (vs previous 9.3%) derived from:

- a risk-free rate at 4.4%, (vs previous 5.3%) as implicitly expected by consensus on the 30Y Italian BTP yield curve (moving average of the last 100 days). The reduction is due to the slowdown in inflation and the gradual return to more expansionary monetary policy;
- a market risk premium equal to 5.5% (unchanged);
- a levered beta of 1.0 coming from the average of chosen listed peers (unchanged);
- a target Debt-to-Equity (D/E) ratio of 43% (vs previous 30%);
- a cost of debt equal to 7.5% (unchanged);
- a tax rate of 28%;
- a perpetual growth rate of 2.0% to assess the Terminal Value.

Table 7: WACC calculation

| WACC Calculation | |
|-----------------------|-------------|
| Perpetual growth rate | 2.0% |
| WACC | 8.5% |
| Risk free rate (30Y) | 4.4% |
| Equity risk premium | 5.5% |
| Beta | 1.0 |
| KE | 9.9% |
| Cost of debt | 7.5% |
| Tax rate | 28.0% |
| KD | 5.4% |

Table 8: DCF Valuation

| | DCF Valuation (€/th) | | | | |
|------------------------------|----------------------|----------------|---------------|---------------|----------------|
| | FY23 | FY24 (E) | FY25 (E) | FY26 (E) | Over |
| Adj. Free Cash Flow | (11,303) | (2,759) | 14,982 | 16,286 | 16,286 |
| Years | | 1 | 2 | 3 | |
| Discount factor | | 0.92 | 0.85 | 0.78 | |
| NPV Free Cash Flows | | -2,542 | 12,722 | 12,744 | |
| Sum of NPVs | | | | | 22,923 |
| Terminal Value | | | | | 249,826 |
| NPV Terminal Value | | | | | 195,489 |
| Enterprise Value | | | | | 218,412 |
| Adj. Net Debt as of end 2024 | | | | | 51,252 |
| Equity Value | | | | | 167,160 |
| Number of shares (mln) | | | | | 21,719 |
| Per share value (€) | | | | | 7.7 |
| Current price (€) | | | | | 2.7 |

Source: Banca Profilo elaborations and estimates on Company data

DCF valuation: €7.7/share

The DCF method leads us to an Enterprise Value of €195.5mln (vs previous €279.4mln) and to an Equity Value of €167.2mln (vs previous €248.4mln) showing a fair value of €7.7/share,

below our previous valuation at €11/share [*Please refer to our Company Update on 30th October 2023*] mainly due to: (i) lower Terminal value and (ii) higher Net Debt.

SCK competitive arena

A sample of six listed companies We provide a list of peers that best adapts to SCK business model. We concentrate our selection on listed players active in a business like SCK's one, the larger industry of Fixtures Manufacturing. Within this sector we selected: Deceuninck NV (BE), Inwido AB (SE), Eurocell Plc (UK), Apogee Enterprises, Inc. (US), EdAc SpA (IT) and Nusco SpA (IT).

Deceuninck (BE): Deceuninck NV, founded in 1953 and headquartered in Hooglede-Gits (Belgium), engages in the design and manufacture of Polyvinyl Chloride (PVC) systems for windows and doors, roofline and cladding, interior, and outdoor living. It operates through the following geographic segments: Western Europe, Central and Eastern Europe, North America, and Turkey and Emerging Markets. In 2021, Deceuninck NV generated total revenues of around €838mln.
FY23 sales €866mln;
EBITDA margin 8.1%

Inwido (SE): 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.
FY23 sales SEK9.0bn;
EBITDA margin 15.4%

Eurocell (UK): Eurocell Plc, founded in 1974, with headquarters in Alfreton (UK), is a holding company, which engages in the extrusion of PVC window and building products to the new and replacement window market and the sale of building materials across the UK. It operates through the Profiles and Building Plastics segments. In 2021, Eurocell Plc generated total revenues of around GBP 343mln.
FY23 sales £365mln;
EBITDA margin 10.9%

Apogee Enterprises (US): 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.
FY23 sales \$1.4bn;
EBITDA margin 13.1%

EdAc (IT): EdiliziAcrobatica engages in outdoor construction works using double safety rope access techniques. Its services include facade and wall clean-up, balcony repair, roof renovation, and facade painting. The company was founded by Riccardo Iovino in 1994 and is headquartered in Genoa, Italy. In 2021 the Company reported revenues at €87mln.
FY23 sales €159mln;
EBITDA margin 12.9%

Nusco (IT): Nusco manufactures and markets interior doors and frames. It offers its products in wood, PVC, aluminum, and iron under the "NUSCO" brand. The firm operates through Doors Business Unit and Windows Business Unit. The Doors Business Unit produces doors and markets armored doors. The Windows Business Unit engages in the production and marketing of windows, shutters, and iron gratings. The company was founded by Mario Nusco in 1968 and is headquartered in Nola, Italy. In 2021 the Company reported revenues at €15.4mln.
FY23 sales €57mln;
EBITDA margin 11.1%

Key peers' financials

Sales growth and EBITDA margin well above competitors

After significant growth in recent years, SCK faces a setback in 2023, mainly due to regulatory changes, the removal of public incentives and the subsequent slowdown in Ecospace's activities. Despite this, we anticipate the Company will continue to grow faster than its peers. Furthermore, while margins are expected to decline in the next years, profitability is projected to remain well above the median of its competitors.

Table 9: SCK and Peers Sales Growth and EBITDA margin evolution (%)

| Company | Sales growth (yoy) | | | | | | EBITDA margin | | | | | |
|---------------------------|--------------------|---------------|--------------|---------------|--------------|--------------|---------------|--------------|--------------|--------------|--------------|--------------|
| | 2020 | 2021 | 2022 | 2023 | 2024 (E) | 2025 (E) | 2020 | 2021 | 2022 | 2023 | 2024 (E) | 2025 (E) |
| 18/06/2024 | | | | | | | | | | | | |
| Deceuninck nv | 1.3% | 30.5% | 16.2% | -11.1% | -2.9% | 5.4% | 12.8% | 10.1% | 6.7% | 8.1% | 13.4% | 13.4% |
| Inwido AB | | 15.6% | 23.6% | -6.0% | -4.1% | 5.6% | 13.8% | 15.3% | 14.3% | 15.4% | 13.8% | 15.3% |
| Eurocell Plc | -7.6% | 31.8% | 12.2% | -4.4% | -2.6% | 4.5% | 8.2% | 15.4% | 13.9% | 10.9% | 13.6% | 14.2% |
| Apogee Enterprises, Inc. | -10.3% | 4.1% | 9.9% | -1.7% | -3.7% | 0.3% | 11.2% | 4.0% | 10.9% | 13.1% | 13.4% | 13.9% |
| EdiliziAcrobatica SpA | 13.9% | 94.7% | 53.7% | 18.6% | 1.6% | 13.3% | 9.8% | 24.4% | 21.7% | 12.9% | 15.4% | 16.4% |
| Nusco SpA | -20.7% | 61.6% | 62.5% | 40.2% | 11.9% | 10.2% | 1.4% | 9.1% | 8.9% | 11.1% | 13.2% | 13.7% |
| Median best peers | -7.6% | 31.1% | 19.9% | -3.1% | -2.8% | 5.5% | 10.5% | 12.7% | 12.4% | 12.0% | 13.5% | 14.1% |
| Sciuker Frames SpA | 89.8% | 355.4% | 88.3% | -38.6% | 12.3% | 17.5% | 34.0% | 27.9% | 21.7% | 27.7% | 18.1% | 20.2% |

Source: Banca Profilo elaborations and estimates (as of June 18, 2024)

Market multiples

EV/EBITDA multiples

To assess a relative valuation of SCK through the market multiples relative approach, we selected a sample of listed national and international companies specialized in Fixtures Manufacturing.

Table 10: Market multiples

| Comparables | EV / EBITDA |
|---------------------------|-------------|
| 18/06/2024 | FY24 (E) |
| Deceuninck nv | 3.9x |
| Inwido AB | 8.3x |
| Eurocell Plc | 4.1x |
| Apogee Enterprises, Inc. | 8.1x |
| EdiliziAcrobatica SpA | 5.6x |
| Nusco SpA | 3.4x |
| Median | 4.8x |
| Sciuker Frames SpA | 5.9x |

Table 11: Relative valuation

| Valuation on EV/EBITDA market multiples (€/mln) | |
|---|--------------|
| | FY24 (E) |
| EV/EBITDA | 4.8x |
| EBITDA | 24.2 |
| Enterprise Value | 116.8 |
| Adj. Net Debt as of end 2024 | 51.3 |
| Equity Value | 65.6 |
| Number of shares (mln) | 21.7 |
| Price per share (€) | 3.0 |
| Current price (€) | 2.7 |

Source: Banca Profilo elaborations and estimates (as of June 18, 2024)

Median FY24 (E) EV/EBITDA at 4.8x

To compute valuation through market multiples, we use the median FY24 EV/EBITDA at 4.8x (as of June 18, 2024), reflecting a rerating from the previous 4.1x [Please refer to our Company Update on 30th October 2023].

Market multiples valuation: €3.0/share

The relative method leads us to an Enterprise Value of €116.8mln (vs previous €184.0mln) and to an Equity Value of €65.6mln (vs previous €153.0mln) or €2.7/share (vs previous €6.8/share), mainly due to: (i) lower FY24 (E) EBITDA and (ii) higher Net Debt.

BUY with 12-month price target at €5.4

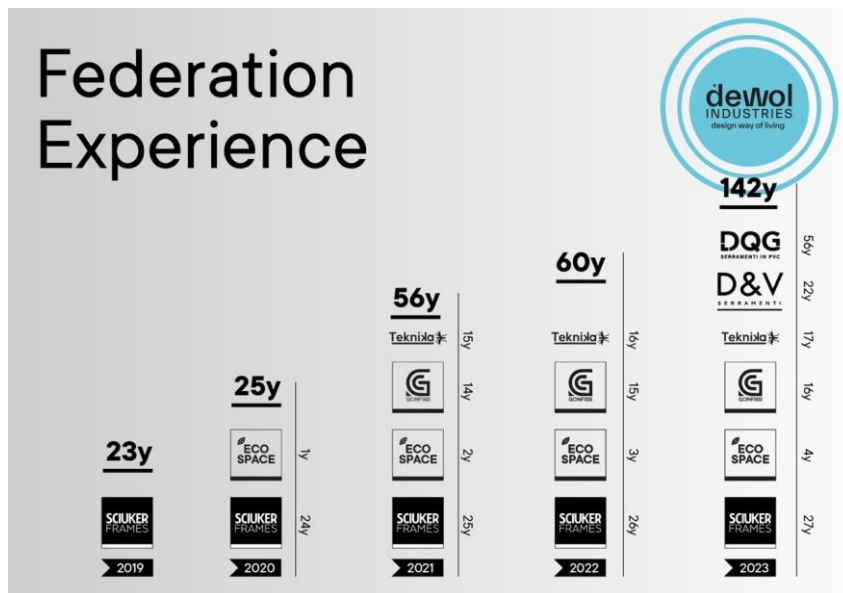
We took the simple average of the DCF and multiple valuation and ended up with a TP of €5.4/share (vs previous €9.0/share). Given the potential upside on SCK closing price (as of June 24, 2024), we set a BUY recommendation.

Appendix

Corporate structure

| | |
|---|--|
| <p>Sciuker Frames S.p.A. is the holding directly controlling 7 subsidiaries</p> | <p>As of December 31, 2023, following the acquisitions completed during the year and the consolidation of other holdings, the Group is led by Sciuker Frames S.p.A. acting as the operating holding directly controlling seven subsidiaries:</p> <ul style="list-style-type: none"> • GC Infissi S.r.l. owned at 100% • Ecospace S.r.l. owned at 100% • SCK Force S.r.l. owned at 100% • Diquigiovanni S.r.l. owned at 100% through 100% ownership of Dewol Contract S.r.l. • D&V Serramenti S.r.l. owned at 100% through 100% ownership of Dewol Retail S.r.l. • Teknika S.r.l. controlled at 60% • DMR S.r.l. controlled at 60% |
| <p>Ecospace active in the energy efficiency interventions</p> | <p>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. In August 2023, Sciuker acquired the remaining 12% and owned 100% of Ecospace.</p> |
| <p>GC Infissi active in the production of windows and frames in PVC and in the production of doors</p> | <p>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. 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. In August 2023, Sciuker acquired the remaining part of 36.5%, reaching 100% of GC Infissi.</p> |
| <p>Teknika active in the production of mosquito nets</p> | <p>In November 2021, Sciuker acquired 60% of 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 inaugurated its new operational headquarter in Goiânia, a metropolis with over 2 million inhabitants not far from Brasilia.</p> |
| <p>SCK store with the aim of centralising all the commercial and marketing activities</p> | <p>In January 2023, the Group established SCK Force, a wholly owned subsidiary of Sciuker Frames, with the aim of centralising all the commercial and marketing activities of the new and ambitious SCK Finestre Store project, which envisages a radical transformation of the sales outlets into single-brand showrooms specialising in the sale of windows and doors and sunscreens with made-in-Italy design and in the planning of energy requalification, distributed throughout the country.</p> |
| <p>Acquisition of DQG and D&V and the set-up of deWool industries</p> | <p>At the beginning of June 2023, Sciuker Frames signed two agreements for the acquisition of 100% of Diquigiovanni (DQG) and D&V Serramenti, both active in the production of PVC windows and aluminium doors. The execution of the two acquisitions marks the birth of deWool Industries, a federation of brands (Sciuker Frames, GC Infissi, D&V, DQG, Ecospace and Teknika) which is the Italian largest operator in the design and production of windows and solar screens and leader in green design and energy transition.</p> |

Figure 17: History and experience of Sciuker Frames becoming deWol Industries



Source: Company data

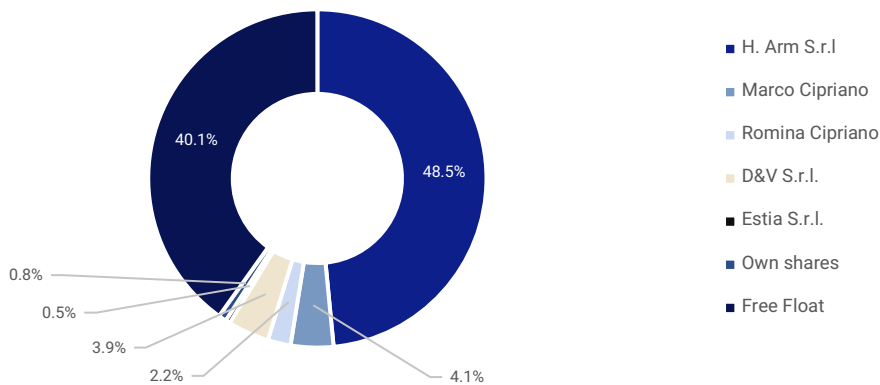
Ownership structure and free float

Cipriano family at 48.5%; Free float at 40%

Within the latest acquisitions process (Diquigiovanni S.r.l. and D&V Serramenti S.r.l.), Sciuker Frames issued 807,873 new ordinary shares in option to new shareholders (Estia S.r.l. and D&V Serramenti S.r.l.), for a total amount of €18,985,015.5 of which €80,787.3 was share capital and €18,904,228.2 share premium.

As a result, Sciuker share capital rose to €2,252,697.00 divided into 22,526,970 ordinary shares. The Group is controlled by Marco Cipriano, founder and CEO, and Romina Cipriano, with a cumulated 48.5% stake through the holding H. Arm. S.r.l. Free Float stands at 40.1%.

Figure 18: Shareholder structure



Source: Banca Profilo elaborations on Company data



Sciuker Frames SpA ID Card

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Recommendation

BUY

Target Price

5.4 €

Upside

98%

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. 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). In 2023, the acquisitions of Diquigiovanni (DQG) and D&V Serramenti, both active in the production of PVC windows and aluminium doors, marks the birth of deWol Industries, a federation of brands (Sciuker Frames, GC Infissi, D&V, DQG, Ecospace, Teknika, DQG and D&V Serramenti) which is the Italian largest operator in the design and production of windows and solar screens and leader in green design and energy transition.

SWOT Analysis

Strengths

- A full range of high-quality windows and accessories
- Strong company commitment to sustainability
- Strongly investing on corporate culture, brand and innovative marketing
- Structured and trained sales force driven by commercial performance
- Industrialized production in a sector traditionally characterized by craftsmanship
- Distinctive and wide offering including patented products
- A wide portfolio of patented products
- Synergies from horizontal integration

Weaknesses

- The size of the company

Opportunities

- Very fragmented Italian reference market
- Roll out of management contracts
- Ad-hoc European partnerships for expanding the Industrial core business
- Large potential Italian addressable market
- M&A opportunities to increase production capacity in the Industrial business

Threats

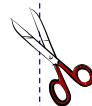
- Competition within existing players, especially large manufacturers
- Integration process within the Group
- Less favourable rules for tax incentives for energy requalification expenditure
- Still high raw materials, energy, transportation costs and interest rates

Main catalysts

- New public incentives from the EU's Green Directive
- M&A opportunities to increase production capacity in the Industrial Hub
- Horizontal integration and synergies between subsidiaries

Main risks

- Rising price competition from international Fixtures Manufacturing players
- Less than expected growth of foreign markets
- Regulatory uncertainty



Sciuker Frames SpA ID Card

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Recommendation

BUY

Target Price

5.4 €

Upside

98%

Main financial data

| (€/th) | FY22 | FY23 | FY24 (E) | FY25 (E) | FY26 (E) |
|--------------------------------------|----------------|-----------------|----------------|----------------|----------------|
| Value of Production | 193,799 | 118,898 | 133,548 | 156,945 | 191,031 |
| <i>yoy</i> | 88.3% | -38.6% | 12.3% | 17.5% | 21.7% |
| EBITDA | 42,020 | 32,879 | 24,185 | 31,773 | 39,927 |
| <i>EBITDA margin</i> | 21.7% | 27.7% | 18.1% | 20.2% | 20.9% |
| EBIT | 35,462 | 16,905 | 16,036 | 23,266 | 30,606 |
| <i>EBIT margin</i> | 18.3% | 14.2% | 12.0% | 14.8% | 16.0% |
| EBT | 32,415 | 3,358 | 9,415 | 20,456 | 30,398 |
| <i>Pretax margin</i> | 16.7% | 2.8% | 7.1% | 13.0% | 15.9% |
| Net income | 20,659 | (2,483) | 6,369 | 13,836 | 20,561 |
| <i>Net profit margin</i> | 10.7% | -2.1% | 4.8% | 8.8% | 10.8% |
| Net Financial Position (Cash) | (1,444) | 81,332 | 34,101 | 15,264 | 1,128 |
| Shareholders' Equity | 55,486 | 72,612 | 78,981 | 90,049 | 106,499 |
| Net Operating Working Capital | 39,361 | 24,684 | 41,748 | 42,784 | 48,256 |
| CapEx | 14,746 | 19,819 | 4,000 | 4,000 | 4,000 |
| Free Cash Flow | (1,046) | (11,303) | (2,759) | 18,727 | 20,357 |

Activity ratios

| | FY22 | FY23 | FY24 (E) | FY25 (E) | FY26 (E) |
|-----------------------------------|------|------|----------|----------|----------|
| Days of inventory On Hand (DOH) | 184 | 128 | 74 | 52 | 48 |
| Days of Sales Outstanding (DSO) | 74 | 164 | 142 | 113 | 113 |
| Number of days of payables | 256 | 391 | 160 | 104 | 109 |
| Fixed Assets Turnover ratio (FAT) | 5 | 1 | 1 | 2 | 2 |

Liquidity ratios

| | FY22 | FY23 | FY24 (E) | FY25 (E) | FY26 (E) |
|-----------------------|------|------|----------|----------|----------|
| Current ratio | 2 | 2 | 2 | 1 | 1 |
| Cash conversion cycle | 2 | -99 | 56 | 60 | 53 |

Solvency ratios

| | FY22 | FY23 | FY24 (E) | FY25 (E) | FY26 (E) |
|---------------------------|-------|------|----------|----------|----------|
| Net Debt (Cash)-to-Equity | 0.0x | 1.1x | 0.4x | 0.2x | 0.0x |
| Net Debt (Cash)-to-EBITDA | 0.0x | 2.5x | 1.4x | 0.5x | 0.0x |
| Interest Coverage ratio | 11.6x | 1.2x | 2.4x | 8.3x | 147.4x |

Profitability ratios

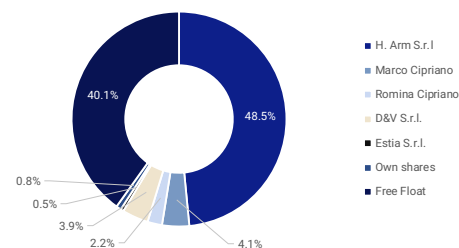
| | FY22 | FY23 | FY24 (E) | FY25 (E) | FY26 (E) |
|-----------------------------------|-------|-------|----------|----------|----------|
| Return On Invested Capital (ROIC) | 43.2% | -9.7% | 10.2% | 15.9% | 20.5% |
| Return On Capital Employed (ROCE) | 82.5% | 15.4% | 8.8% | 8.2% | 9.1% |

Source: Bloomberg, Facset, Banca Profilo estimates and elaborations

Company Description

| | |
|-----------------------------|---|
| Company Sector | Building Products |
| Price (as of June 24, 2024) | 2.7 |
| Number of shares (mln) | 21.7 |
| Market Cap (€/mln) | 59.6 |
| Reference Index | FTSE Italia Small Cap |
| Main Shareholders | H. Arm S.r.l. |
| Daily Average Volumes | 50,200 |
| Sample of comparables | Deceuninck (BE), Inwido (SE), Eurocell (GB), Apogee Enterprises (US), PGT Innovations (US), EdiliziAcrobatica (IT) and Nusco (IT) |

Group Structure



Data of peers

| Median | FY22 | FY23 | FY24 (E) | FY25 (E) |
|--------------------|-------|-------|----------|----------|
| Sales growth (yoy) | 19.9% | -3.1% | -2.8% | 5.5% |
| EBITDA margin | 12.4% | 12.0% | 13.5% | 14.1% |

Multiples of peers

| Mean | FY24 (E) | FY25 (E) |
|-----------|----------|----------|
| EV/EBITDA | 5.6x | 5.0x |

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