Banca Profilo

Company Update

Company:	Rating:	Target Price:	Sector:
Sciuker Frames SpA	BUY	€5.4/share (unchanged)	Building Products

Tax credit collection: the path to financial relief

Oct 29th, 2024 at 18:00

1H24: VoP (+8.3% yoy), margins down (as expected), tax credits still uncollected

VoP increased from €65.0mln to €70.3mln (+8.3% yoy), which represents 53% of our previous FY24E (€133.5mln) *[Please refer to our Company Update on June 24th, 2024]*. Growth was primarily driven by the recent consolidation of Diquigiovanni, D&V Serramenti and DMR Serramenti. In terms of revenue breakdown, Sciuker Ecospace unexpectedly remains the largest contributor, accounting for 55.1% (€33.3mln), while the Industrial Hub represents the remaining 44.9% (€27.1mln). The shift in revenue mix from high-margin energy retrofit projects to core industrial activities has begun to weigh on margins, indeed, EBITDA declined from €17.9mln to €10.7mln (-40.1% yoy) with a margin of 15.2% (-12.3pp yoy). Net profit reached €0.4mln (-96.2% yoy), impacted by €6.0mln in financial expenses. By the end of June, Net Debt rose to €86.3mln from €81.3mln at the end of 2023, mainly for the increase in NOWC (+€8.9mln, or +36%); almost all the cumulative tax credits from the 85% earthquake bonus and 110% Superbonus credits remain to be collected.

FY24 guidance update: VoP>€140mln, EBITDA>€25mln and Net Debt<€50mln

The 2024 market saw a slowdown due to the expiration of building sector tax incentives, coupled with a cautious customer stance ahead of the upcoming Green House Directive, prompting some margin concessions to sustain production levels. Despite these pressures, management has updated its FY24 guidance, now forecasting VoP exceeding €140mln, EBITDA above €25mln (up from previous "over €20mln") and Net Debt below €50mln (worsened from prior "under €40mln"). In the coming years, the Group aims to expand its Retail footprint by completing the SCK Finestre monobrand store project and broadening its multibrand distribution network, while separately preparing to leverage Ecospace's expertise for the EU Green Directive rollout.

FY24-26E estimates fine-tuning

After incorporating the half-year results and the updated Company guidance, we have revised our FY24E VoP estimate upward by 5% to €140.2mln, driven by stronger-than-expected contributions from Ecospace due to ongoing projects. Given the higher financial expenses recorded in 1H24, we have adjusted the profit margin projection downward from 4.8% to 3.1% for FY24E. Other forecasts remain stable, with the EBITDA margin expected to stay below 20% in FY24 before recovering in 2025. Net debt is projected at €37.5mln by year-end, supported by the collection of tax receivables stated by the Company and effective working capital management.

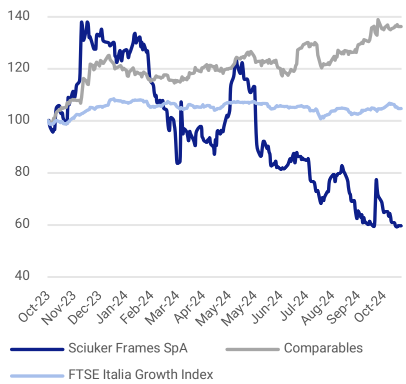
Valuation: 12-month TP at €5.4/share (unchanged); BUY confirmed

Our updated DCF estimates, which incorporate a 20% execution risk in both future positive cash flows and 2024E tax credits collection, project cumulative FCFs of €41.7mln for 2025-27E, an increase from the previous €28.5mln for 2024-26E. The Terminal FCF, obtained as the average of the adj. FCF over the period, has fallen to €13.9mln (from €16.3mln), while the WACC increased to 9.1% (previously 8.5%) due to a higher cost of debt. Overall, these adjustments lead to an updated fair value estimate of €6.0/share (down from €7.7/share). For the relative valuation, we advanced by one year and applied the peer group's median EV/EBITDA multiple for FY25E, which is 5.1x, above SCK's current trading multiple of 1.4x (as of October 25th, 2024). This adjustment results in a fair value of €4.9/share, up from the previous €3.0/share. Reflecting the updated valuations, we maintained unchanged our 12-month target price (TP) at €5.4 per share *[Please refer to our Company Update on June 24th, 2024]*. Given the upside potential between SCK's current closing price and our target, we reiterate our BUY recommendation.

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 25th, 2024)	€ 1.96
Number of shares (mln)	21.7
Market cap. (mln)	€ 42.6
1-Year Performance	
Absolute	-40.4%
Max/Min	4.5/2.0

(€/mln)	FY23	FY24E	FY25E	FY26E
Value of Production	**118.9**	**140.2**	**157.5**	**191.7**
yoy	*-38.6%*	*17.9%*	*12.4%*	*21.7%*
EBITDA	**32.9**	**25.2**	**31.8**	**40.0**
EBITDA margin	*27.7%*	*18.0%*	*20.2%*	*20.9%*
EBIT	**16.9**	**16.9**	**23.3**	**30.7**
EBIT margin	*14.2%*	*12.1%*	*14.8%*	*16.0%*
Net income	**(2.5)**	**4.3**	**13.0**	**18.6**
Net profit margin	*-2.1%*	*3.1%*	*8.3%*	*9.7%*
Net Financial Position (Cash)	**81.3**	**37.5**	**31.4**	**25.0**
Shareholders' equity	72.6	76.9	87.4	102.3
Net Operating Working Capital	24.7	32.0	36.7	45.7
CapEx	18.9	4.0	4.0	4.0
Free Cash Flow	**(10.4)**	**7.9**	**14.8**	**17.0**

1-Year rebased performance



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Contents

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

- Rising financing costs
- High exposure to the regulatory framework
- The size of the Company

OPPORTUNITY

- Green and sustainable building trends
- Large potential Italian addressable market
- Very fragmented Italian reference market
- Roll out of management contracts
- M&A or strategic partnerships for international expansion

THREATS

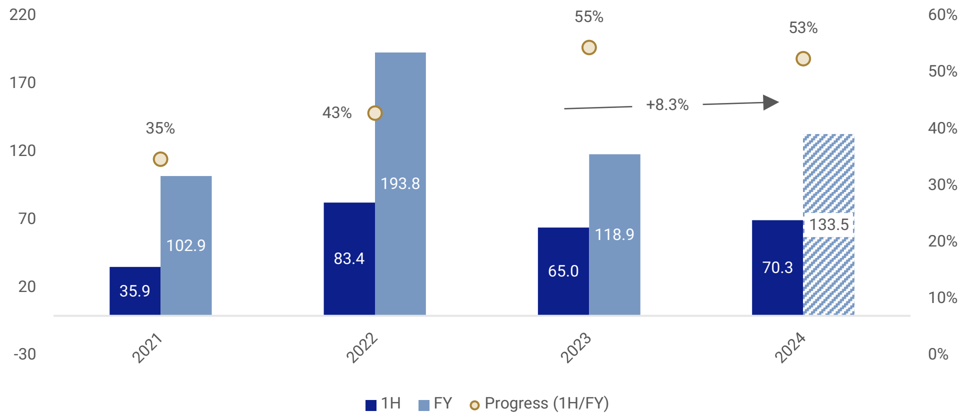
- Regulatory and technological changes
- Intensified competition
- Integration process within the Group
- Less favourable rules for tax incentives for energy requalification expenditure

1H24 results: VoP in line, margins down and updated guidance

1H24 VoP increased by 8.3% yoy to €70.3mln

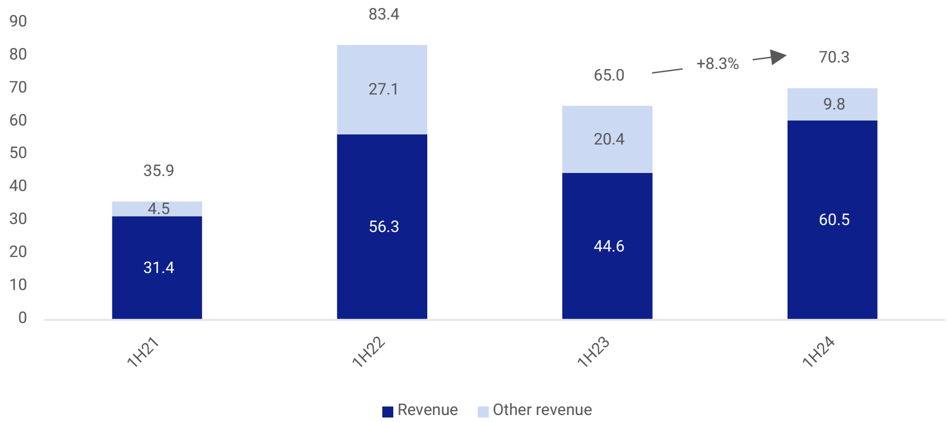
In 1H24, the Group's Value of Production (VoP) rose 8.3% yoy from €65.0mln to €70.3mln, reaching 53% of our previous FY24E estimate of €133.5mln *[Please refer to our Company Update on June 24th, 2024]*. All revenues were generated in the Italian market.

Figure 1: VoP 1H21-1H24 (€/mln)



Source: Banca Profilo elaborations on Company data

Figure 2: Revenue and VoP 1H21-1H24 (€/mln)



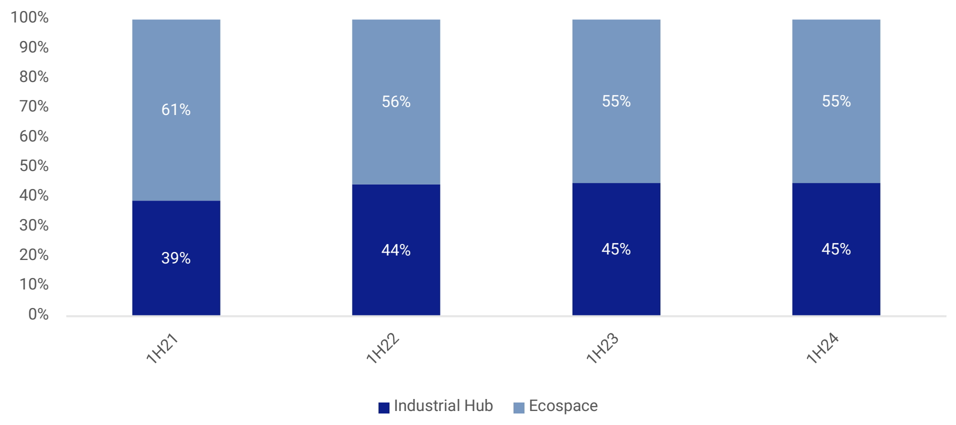
Source: Banca Profilo elaborations on Company data

1H24 Revenue Surged 35.7% yoy to €60.5mln, boosted by consolidations

Consolidated revenue totalled €60.5mln (+35.7%yoy), with Sciuker Ecospace contributing the largest share at 55.1%, followed by Sciuker Frames (26.7%), Diquigiovanni S.r.l. (24.7%), D&V Serramenti S.r.l. (22.5%) and Teknika (12.2%), with the remaining 13.9% from GC Infissi S.r.l. and DMR S.r.l. The lower contribution from Sciuker Frames is due to internal transfers that bolster Sciuker Ecospace's reported revenue.

The year-over-year revenue growth reflects the recent consolidation of Diquigiovanni, D&V Serramenti and DMR, as well as a strategic pivot by deWol Group from energy retrofit projects toward core industrial production, successfully offsetting declines in energy-related volumes.

Figure 3: Revenue breakdown by segment 1H21-1H24



Source: Banca Profilo elaborations on Company data

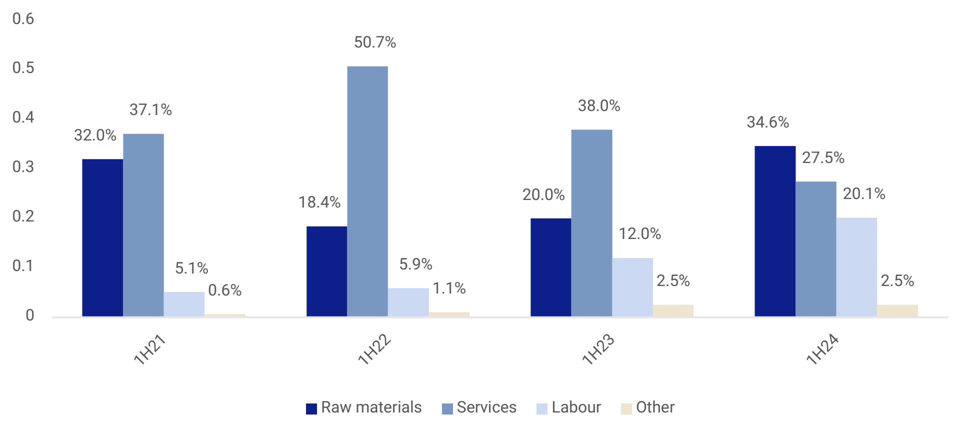
Cost structure shifted: Raw materials up, Services down

As already manifested in the annual results for 2023, the cost structure has changed over the past year, with the cost of raw materials now being the main item. For 1H24, raw materials and consumables expenses rose to €24.4mln, up 88% yoy from €13.0mln in 1H23, representing 34.6% of VoP. This increase reflects a significant revenue reduction at Ecospace S.r.l., which helped maintain raw material costs below 20% but led to higher service costs. As Ecospace, operating as a General Contractor, shifted production to specialized subcontractors, service expenses rose accordingly.

Indeed, service costs for 1H24 reached €19.3mln, down 21.7% yoy from €24.7mln in 1H23, representing 27.5% of VoP versus 38.0% the prior year.

Labour costs rose sharply to €14.1mln in 2024, up 81.4% yoy from €7.8mln in 2023. This increase is primarily due to the addition of personnel expenses from newly consolidated subsidiaries Diquigiovanni S.r.l., D&V Serramenti S.r.l. and DMR S.r.l. As a percentage of VoP, labour costs increased from 12.0% to 20.1%.

Figure 4: Incidence of costs on VoP 1H21-1H24



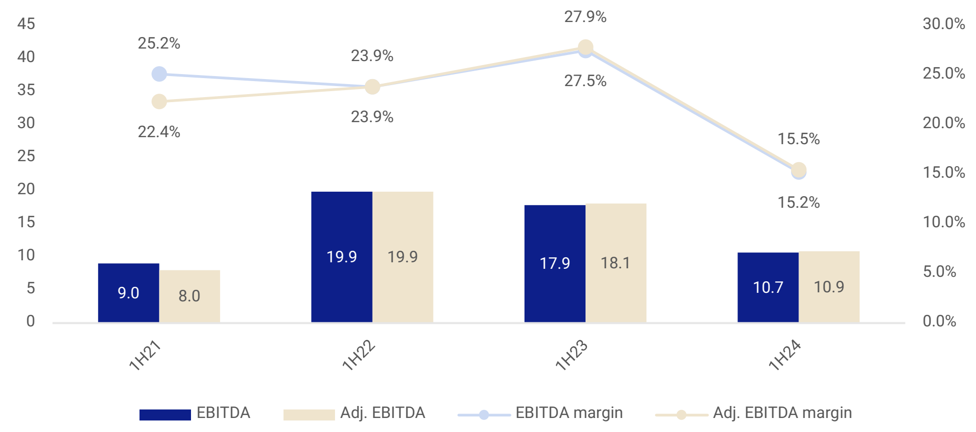
Source: Banca Profilo elaborations on Company data

EBITDA dropped 40% yoy to €10.7mln as shift to core industrial business weighs on margin

In 1H24, EBITDA declined by 40.1% yoy from €17.9mln to €10.7mln, representing a margin of 15.2% on VoP (down over 12pp from 27.5% in 1H23). This margin contraction reflects a shift from high-margin energy retrofit projects in previous years to the core industrial business, which, while providing steady returns, operates at a lower margin.

On an adjusted basis, EBITDA was €10.9mln (-39.8% yoy), with a margin of 15.5%, still down over 12pp from 27.9%.

Figure 5: EBITDA (€/mln) and EBITDA margin on VoP 1H21-1H24

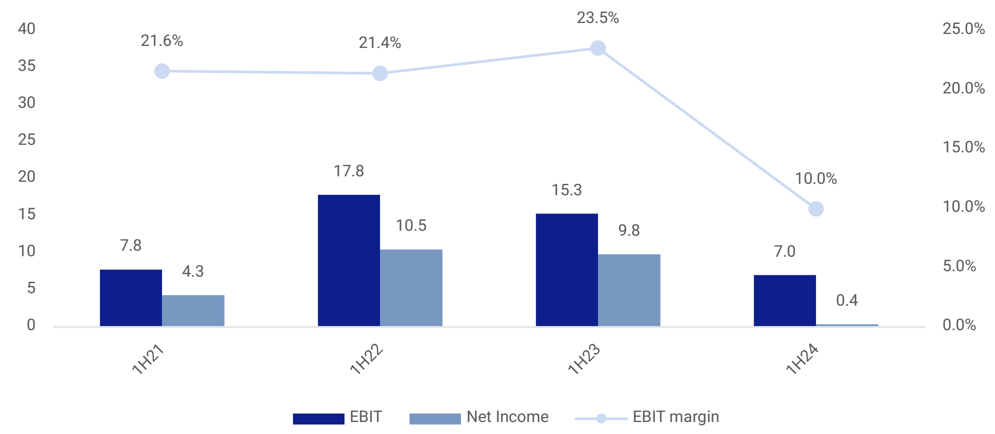


Source: Banca Profilo elaborations on Company data

Financial expenses weighed on Net Income (€0.4mln)

EBIT for 1H24 reached €7.0mln, representing 10.0% of VoP, marking a 54.2% yoy decline from €15.3mln in 1H23. Net profit for the period was €0.4mln, down significantly from €9.8 mln in 1H23, primarily due to elevated financial expenses totaling €6.0mln for the half-year, which exerted substantial pressure on the bottom line.

Figure 6: EBIT, Net Profit (€/mln) and EBIT margin 1H21-1H24



Source: Banca Profilo elaborations on Company data

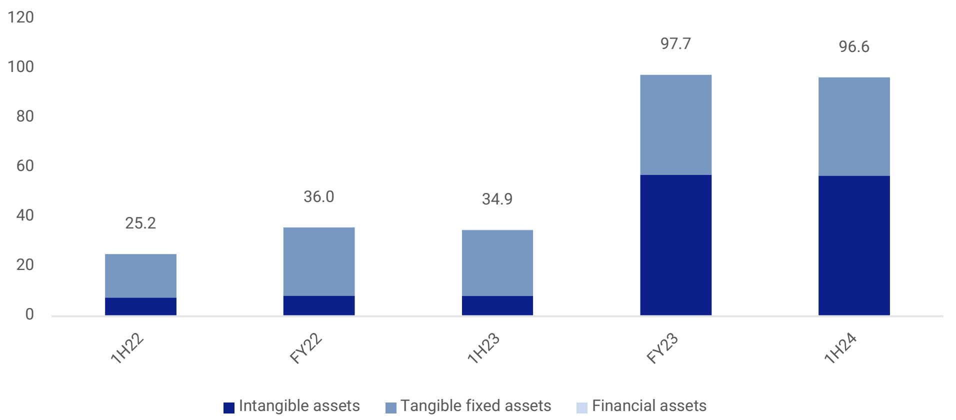
Table 1: Income Statement 1H22-1H24 (€/mln)

Profit & Loss (€/mln)		1H22	FY22	1H23	FY23	1H24
Industrial Hub		25.0	56.6	20.0	79.2	27.1
	% on Revenue	*44.4%*	*43.8%*	*44.9%*	*48.0%*	*44.9%*
Ecospace		31.3	72.5	24.6	85.8	33.3
	% on Revenue	*55.6%*	*56.2%*	*55.1%*	*52.0%*	*55.1%*
Revenue		**56.3**	**129.2**	**44.6**	**164.9**	**60.5**
	yoy	*79.1%*	*77.7%*	*-20.8%*	*27.7%*	*35.7%*
Other Revenue		27.1	64.6	20.4	(46.0)	9.8
	% on VoP	*-32.5%*	*-33.3%*	*-31.4%*	*38.7%*	*-14.0%*
Value of Production		**83.4**	**193.8**	**65.0**	**118.9**	**70.3**
	yoy	*132.3%*	*88.3%*	*-22.1%*	*-38.6%*	*8.3%*
Cost of raw materials		(15.4)	(41.0)	(13.0)	(36.5)	(24.4)
	% on VoP	*18.4%*	*21.1%*	*20.0%*	*30.7%*	*34.6%*
Cost of services		(42.3)	(96.7)	(24.7)	(26.5)	(19.3)
	% on VoP	*50.7%*	*49.9%*	*38.0%*	*22.3%*	*27.5%*
Lease and rentals cost		(0.3)	(0.4)	(0.2)	(0.8)	(0.3)
	% on VoP	*0.4%*	*0.2%*	*0.4%*	*0.7%*	*0.4%*
Other operating expenses		(0.6)	(0.9)	(1.4)	(2.1)	(1.5)
	% on VoP	*0.7%*	*0.5%*	*2.1%*	*1.7%*	*2.1%*
Labour cost		(4.9)	(12.8)	(7.8)	(20.1)	(14.1)
	% on VoP	*5.9%*	*6.6%*	*12.0%*	*16.9%*	*20.1%*
EBITDA		**19.9**	**42.0**	**17.9**	**32.9**	**10.7**
	EBITDA margin	*23.9%*	*21.7%*	*27.5%*	*27.7%*	*15.2%*
Adj. EBITDA		**19.9**	**43.2**	**18.1**	**36.1**	**10.9**
	Adj. EBITDA margin	*23.9%*	*22.3%*	*27.9%*	*30.4%*	*15.5%*
D&A		(1.3)	(3.2)	(2.0)	(5.4)	(3.4)
	% on VoP	*1.6%*	*1.6%*	*3.1%*	*4.6%*	*4.9%*
Provisions and write-downs		(0.8)	(3.4)	(0.6)	(10.6)	(0.3)
	% on VoP	*0.9%*	*1.7%*	*0.9%*	*8.9%*	*0.4%*
EBIT		**17.8**	**35.5**	**15.3**	**16.9**	**7.0**
	EBIT margin	*21.4%*	*18.3%*	*23.5%*	*14.2%*	*10.0%*
Financial income and expenses		(2.4)	(3.0)	(1.2)	(13.5)	(5.3)
	% on VoP	*2.9%*	*1.6%*	*1.8%*	*11.4%*	*7.6%*
EBT		**15.4**	**32.4**	**14.1**	**3.4**	**1.7**
	Pretax margin	*18.5%*	*16.7%*	*21.7%*	*2.8%*	*2.4%*
Taxes		(4.9)	(11.8)	(4.3)	(5.8)	(1.3)
	Tax rate	*32.0%*	*36.3%*	*30.4%*	*173.9%*	*77.4%*
Net income		**10.5**	**20.7**	**9.8**	**(2.5)**	**0.4**
	Net profit margin	*12.6%*	*10.7%*	*15.1%*	*-2.1%*	*0.5%*

Source: Banca Profilo elaborations on Company data

As of June 30th, 2024, Fixed Assets remained stable at €96.6mln, net of amortization, write-downs and new CapEx (totaling €3.1mln). This figure includes €56.8mln in Intangible Assets, which include goodwill of €55.2mln from recent acquisitions, and €39.7mln in Tangible Assets.

Figure 7: Fixed assets 1H22-1H24 (€/mln)



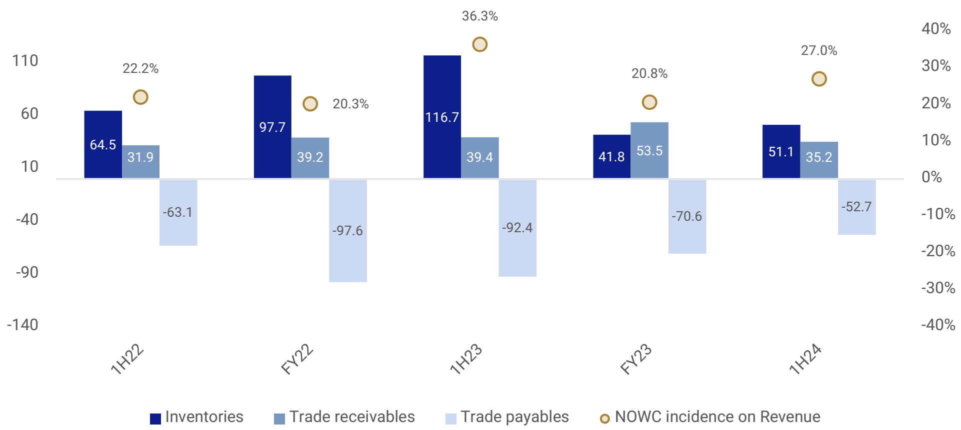
Source: Banca Profilo elaborations on Company data

NOWC increased to €33.6mln (27.0% of VoP); Significant uncollected tax credits

As of June 30th, 2024, Net Operating Working Capital (NOWC) rose 36.0% to €33.6mln, up from €24.7mln at the end of 2023. Key changes included an increase in Inventories, which grew to €51.1mln from €41.8mln, while Trade receivables decreased to €35.2mln from €53.5mln and Trade payables fell from €70.6mln to €52.7mln. Despite these fluctuations, NOWC incidence on VoP increased from 20.8% to 27.0%, indicating a growing investment in working capital relative to overall production.

Net Working Capital (NWC) remained stable at €68.8mln, up slightly from €67.9mln as of December 31, 2023. This figure is significantly impacted by tax credits, which constitute €54.5mln, primarily reflecting accrued tax bonuses held by the various subsidiaries and other current financial assets totalled €50.0mln, representing most of the 85% earthquake bonus and 110% Superbonus credits from the subsidiary Ecospace. These credits pertain to the portion of tax credits available in the tax box and are freely transferable.

Figure 8: NOWC 1H22-1H24 (€/mln)

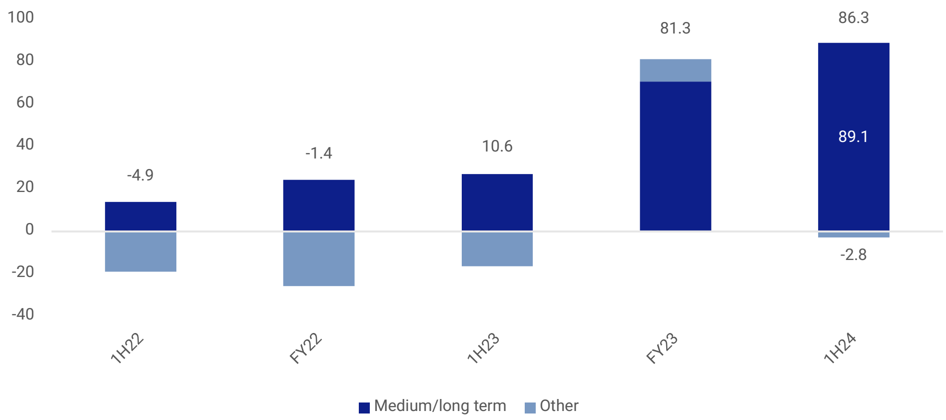


Source: Banca Profilo elaborations on Company data

Net Debt rose further to €86.3mln

As of June 2024, Net Debt increased further to €86.3mln, up from €81.3mln at the end of December 2023. This figure comprises €89.1mln in medium to long-term debt, offset by €2.8mln in cash, cash equivalents and derivative instruments after accounting for short-term debt.

Figure 9: Net Debt (Cash) 1H22-1H24 (€/mln)



Source: Banca Profilo elaborations on Company data

Table 2: Balance Sheet 1H22-1H24 (€/mln)

Balance Sheet (€/mln)		1H22	FY22	1H23	FY23	1H24
Intangible Assets		7.6	8.3	8.2	57.3	56.8
Tangible Fixed Assets		17.6	27.7	26.7	40.3	39.7
Financial Assets		0.0	0.1	0.1	0.1	0.1
Fixed Assets		**25.2**	**36.0**	**34.9**	**97.7**	**96.6**
Inventories		64.5	97.7	116.7	41.8	51.1
	% on VoP	*0.1%*	*50.4%*	*66.6%*	*35.2%*	*41.1%*
Trade receivables		31.9	39.2	39.4	53.5	35.2
	% on VoP	*0.0%*	*20.2%*	*22.5%*	*45.0%*	*28.3%*
Trade payables		(63.1)	(97.6)	(92.4)	(70.6)	(52.7)
	% on COGS w/o labour cost	*0.1%*	*0.1%*	*0.1%*	*0.1%*	*0.1%*
Net Operating Working Capital		**33.3**	**39.4**	**63.7**	**24.7**	**33.6**
	% on VoP	*0.0%*	*20.3%*	*36.3%*	*20.8%*	*27.0%*
Other current assets		8.8	13.5	11.9	102.5	96.5
Other current liabilities		(18.5)	(27.0)	(26.7)	(59.3)	(61.3)
Net Working Capital		**23.7**	**25.9**	**48.9**	**67.9**	**68.8**
	% on VoP	*0.0%*	*13.3%*	*27.9%*	*57.1%*	*55.4%*
Funds		(6.3)	(2.4)	(3.2)	(5.7)	(8.4)
Non-current assets		1.5	1.4	1.5	4.2	4.4
Non-current liabilities		(3.7)	(6.8)	(6.0)	(10.2)	(0.6)
Net Invested Capital		**40.3**	**54.0**	**76.1**	**153.9**	**160.9**
CapEx		**3.2**	**11.0**	**0.6**	**18.9**	**3.1**
	% on VoP	*0.0%*	*5.7%*	*0.3%*	*15.9%*	*2.5%*
Intangible		0.2	0.0	0.0	0.8	0.0
Tangible		2.9	11.0	0.5	18.1	3.1
Share capital		2.2	2.2	2.2	2.3	2.3
Reserves		21.8	21.9	22.0	44.8	44.4
Accumulated profit/loss		10.8	10.7	31.4	28.0	27.5
Group Net Income		10.5	20.7	9.8	(2.5)	0.4
Minorities Net Group		2.3	3.9	4.1	1.3	1.7
Shareholders' Equity		**45.2**	**55.5**	**65.5**	**72.6**	**74.6**
Net Financial Position (Cash)		**(4.9)**	**(1.4)**	**10.6**	**81.3**	**86.3**

Source: Banca Profilo elaborations on Company data

Table 3: Free Cash Flows 1H22-1H24 (€/mln)

Free Cash Flow (€/mln)						
		1H22	FY22	1H23	FY23	1H24
Adj. EBIT		17.8	36.6	15.5	20.2	7.2
	Tax rate	*32.0%*	*36.3%*	*30.4%*	*173.9%*	*77.4%*
NOPAT		**12.1**	**23.4**	**10.8**	**(14.9)**	**1.6**
D&A		1.3	3.2	2.0	5.4	3.4
Changes in Funds		4.2	0.3	0.8	3.3	2.7
Changes in NOWC		(7.1)	(13.2)	(24.4)	14.7	(8.9)
CapEx		(3.2)	(11.0)	(0.6)	(18.9)	(3.1)
Free Cash Flow		**7.4**	**2.7**	**(11.3)**	**(10.4)**	**(4.3)**

Source: Banca Profilo elaborations on Company data

Strategy and estimates

Corporate strategies 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, in the integration of the Industrial Hub and in the commercial implementation of the Hole Box.

New FY24 guidance:

>€140mln VoP

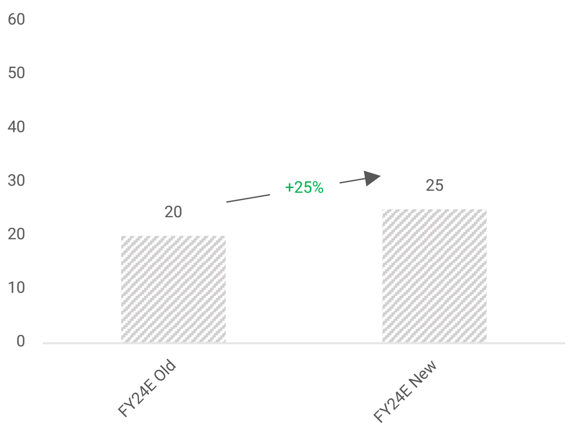
>€25mln EBITDA (from >€20mln)

<€50mln Net Debt (from <€40mln)

In our previous report *[Please refer to our Company Update on June 24th, 2024]*, we noted management's expectation of a challenging year due to reductions in tax incentives for the construction sector. Consequently, the Company provided conservative guidance for FY24, anticipating a significant market rebound in 2025 driven by the implementation of the European "Green House" Directive in Italy. However, following half-year results, guidance has been revised:

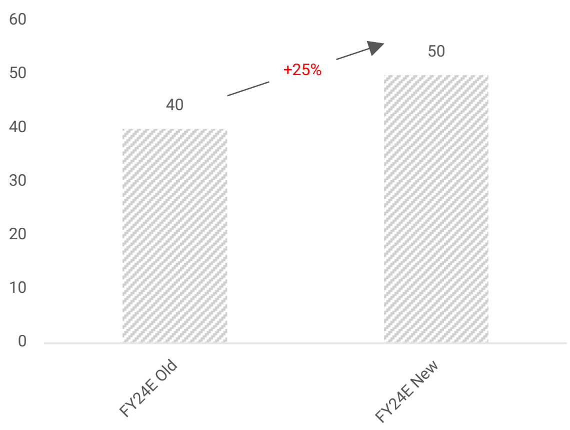
- Revenue for FY24 is now projected to exceed €140mln (+18% yoy);
- EBITDA is now anticipated to exceed €25mln (-31% yoy), up from the prior estimate of "over €20mln" (+25%); and
- Net debt is expected to fall below €50mln (-39% yoy), revised from "below €40mln," primarily due to the collection of tax credits accrued in 2023, which will be collected under existing agreements with major banks.

Figure 10: Guidance - EBITDA FY24E (€/mln)



Source: Banca Profilo elaborations on Company data

Figure 11: Guidance - Net Debt FY24E (€/mln)



Source: Banca Profilo elaborations on Company data

Our 2024E-26E estimates: fine tuning

FY24E Industrial Hub Revenue revised down

We have revised our FY24 revenue estimate for the Industrial Hub down by 28%, from €126.3mln to €91.2mln *[Please refer to our Company Update on June 24th, 2024]*, reflecting higher-than-expected sales by Sciuker Ecospace, which absorbed a significant portion of Sciuker Frames SpA's production capacity. In 1H24, the division's sales reached only 30% of this revised target, though typically, the second half of the year contributes more substantially to total annual sales. Given these adjustments, we now forecast a revenue CAGR of 25% for the Industrial Hub over FY23-26E, down from our prior estimate of 30%.

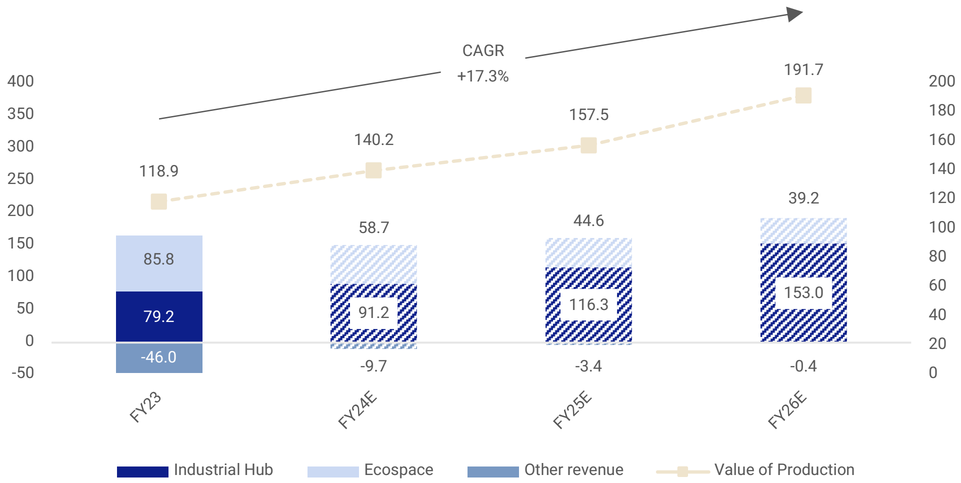
FY24E Ecospace Revenue revised up

Ecospace's sales have significantly outperformed expectations, with 1H24 results nearly double our prior annual estimate. Consequently, we have revised our FY24 sales projection upward to €58.7mln, with an improved revenue CAGR forecast for FY23-26E of -23%, up from our previous estimate of -39%.

FY24E VoP revised up to €140.2mln

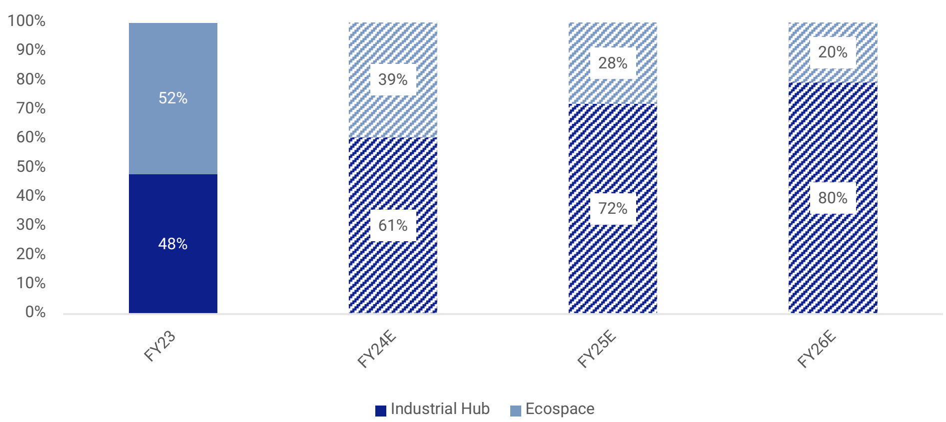
We maintain our VoP CAGR projection of 17% over FY23–26E for the Group. However, for FY24E, our revised VoP estimate is now €140.2mln, up 5% from our previous forecast of €133.5mln, in line with the Company's updated guidance for the year.

Figure 12: Revenue and VoP FY23-26E (€/mln)



Source: Banca Profilo elaborations and estimates on Company data

Figure 13: Revenue breakdown by segment FY23-26E

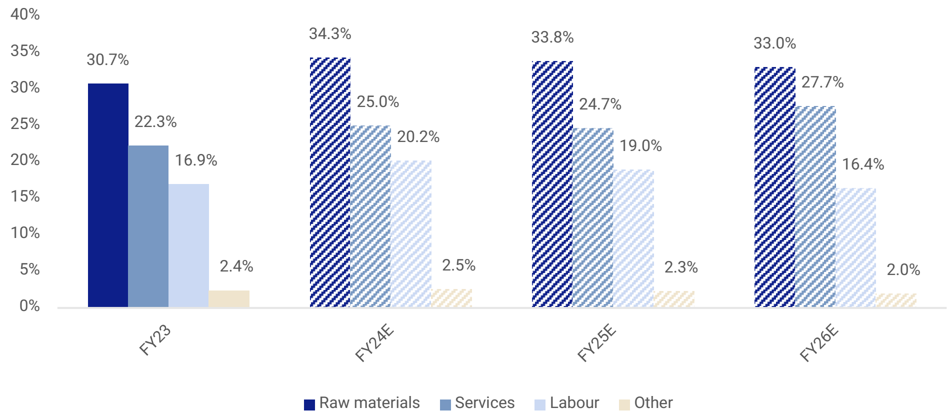


Source: Banca Profilo elaborations and estimates on Company data

Maintenance of the new cost structure

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. The cost structure for 2024 is holding steady as anticipated, though service costs as a percentage of VoP were higher in the first half than projected, while raw material costs increased at a slower rate. We have adjusted our estimates accordingly, with no expected impact on overall margins.

Figure 14: Incidence of costs on VoP FY23-26E

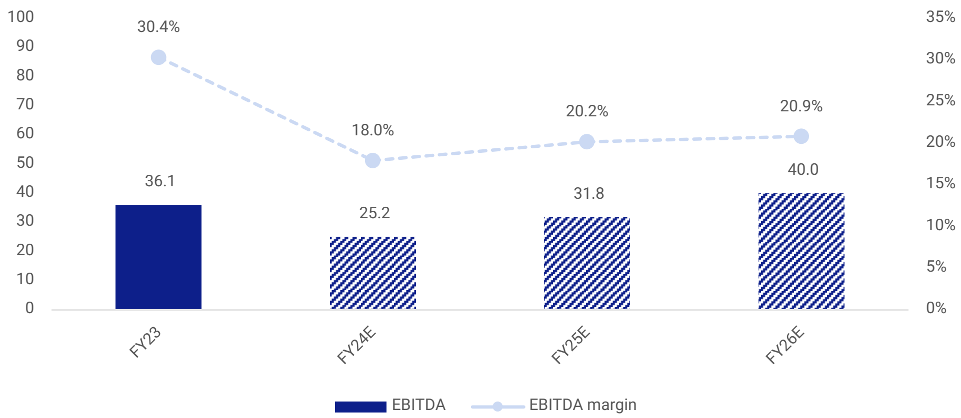


Source: Banca Profilo elaborations and estimates on Company data

FY24E EBITDA raised to €25.2mln (margin at 18.0%)

Given the increase in the VoP estimate, FY24E EBITDA estimate raise from €24.2mln to €25.2mln, with an almost unchanged margin at 18.0%. Furthermore, this estimate aligns with the Company's updated guidance for the year. Looking forward, we anticipate margin improvement as the Group stabilizes and Ecospace's operations resume, with margins projected to come back above 20% in the coming years.

Figure 15: EBITDA (€/mln) and EBITDA margin on VoP FY23-26E

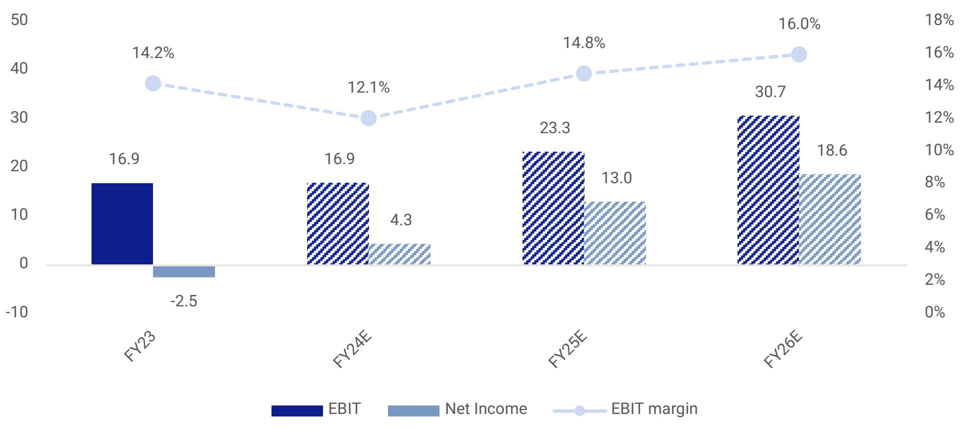


Source: Banca Profilo elaborations and estimates on Company data

FY24E Net Income revised down to €4.3mln due to higher financial expenses

For FY24E, EBIT is now projected to reach €16.9mln, up from the previous estimate of €16.0mln. The bottom line is expected to turn positive, with a projected net profit of €4.3mln, revised down from €6.4mln due to higher-than-anticipated financial expenses for the year.

Figure 16: EBIT, Net Profit (€/mln) and EBIT margin FY23-26E



Source: Banca Profilo elaborations and estimates on Company data

Table 4: Pro forma Income Statement FY23-26E (€/mln)

Profit & Loss (€/mln)		FY23	FY24E OLD	FY24E	FY25E OLD	FY25E	FY26E OLD	FY26E
Industrial Hub		79.2	126.3	91.2	146.4	116.3	172.4	153.0
	% on Revenue	*48.0%*	*88.1%*	*60.8%*	*91.3%*	*72.3%*	*90.1%*	*79.6%*
Ecospace		85.8	17.0	58.7	14.0	44.6	19.0	39.2
	% on Revenue	*52.0%*	*11.9%*	*39.2%*	*8.7%*	*27.7%*	*9.9%*	*20.4%*
Revenue		**164.9**	**143.3**	**149.9**	**160.4**	**160.9**	**191.4**	**192.1**
	yoy	*27.7%*	*-13.1%*	*-9.1%*	*11.9%*	*7.4%*	*19.4%*	*19.4%*
Other Revenue		(46.0)	(9.7)	(9.7)	(3.4)	(3.4)	(0.4)	(0.4)
	% on VoP	*38.7%*	*7.3%*	*6.9%*	*2.2%*	*2.2%*	*0.2%*	*0.2%*
Value of Production		**118.9**	**133.5**	**140.2**	**156.9**	**157.5**	**191.0**	**191.7**
	yoy	*-38.6%*	*12.3%*	*17.9%*	*17.5%*	*12.4%*	*21.7%*	*21.7%*
Cost of raw materials		(36.5)	(53.7)	(48.1)	(61.6)	(53.3)	(73.0)	(63.3)
	% on VoP	*30.7%*	*40.2%*	*34.3%*	*39.2%*	*33.8%*	*38.2%*	*33.0%*
Cost of services		(26.5)	(29.1)	(35.0)	(34.2)	(38.9)	(45.4)	(53.1)
	% on VoP	*22.3%*	*21.8%*	*25.0%*	*21.8%*	*24.7%*	*23.8%*	*27.7%*
Lease and rentals cost		(0.8)	(0.6)	(0.6)	(0.7)	(0.7)	(0.8)	(0.8)
	% on VoP	*0.7%*	*0.4%*	*0.4%*	*0.4%*	*0.4%*	*0.4%*	*0.4%*
Other operating expenses		(2.1)	(1.5)	(2.9)	(1.7)	(2.9)	(2.1)	(2.9)
	% on VoP	*1.7%*	*1.1%*	*2.1%*	*1.1%*	*1.9%*	*1.1%*	*1.5%*
Labour cost		(20.1)	(24.5)	(28.3)	(27.0)	(29.9)	(29.7)	(31.5)
	% on VoP	*16.9%*	*18.3%*	*20.2%*	*17.2%*	*19.0%*	*15.5%*	*16.4%*
EBITDA		**32.9**	**24.2**	**25.2**	**31.8**	**31.8**	**39.9**	**40.0**
	EBITDA margin	*27.7%*	*18.1%*	*18.0%*	*20.2%*	*20.2%*	*20.9%*	*20.9%*
D&A		(5.4)	(5.8)	(5.8)	(5.8)	(5.8)	(6.0)	(6.0)
	% on VoP	*4.6%*	*4.4%*	*4.2%*	*3.7%*	*3.7%*	*3.1%*	*3.1%*
Provisions and write-downs		(10.6)	(2.3)	(2.4)	(2.7)	(2.7)	(3.3)	(3.3)
	% on VoP	*8.9%*	*1.7%*	*1.7%*	*1.7%*	*1.7%*	*1.7%*	*1.7%*
EBIT		**16.9**	**16.0**	**16.9**	**23.3**	**23.3**	**30.6**	**30.7**
	EBIT margin	*14.2%*	*12.0%*	*12.1%*	*14.8%*	*14.8%*	*16.0%*	*16.0%*
Financial income and expenses		(13.5)	(6.6)	(10.5)	(2.8)	(4.1)	(0.2)	(3.1)
	% on VoP	*11.4%*	*5.0%*	*7.5%*	*1.8%*	*2.6%*	*0.1%*	*1.6%*
EBT		**3.4**	**9.4**	**6.4**	**20.5**	**19.2**	**30.4**	**27.6**
	Pretax margin	*2.8%*	*7.1%*	*4.6%*	*13.0%*	*12.2%*	*15.9%*	*14.4%*
Taxes		(5.8)	(3.0)	(2.1)	(6.6)	(6.2)	(9.8)	(8.9)
	Tax rate	*173.9%*	*32.4%*	*32.4%*	*32.4%*	*32.4%*	*32.4%*	*32.4%*
Net income		**(2.5)**	**6.4**	**4.3**	**13.8**	**13.0**	**20.6**	**18.6**
	Net profit margin	*-2.1%*	*4.8%*	*3.1%*	*8.8%*	*8.3%*	*10.8%*	*9.7%*

Source: Banca Profilo elaborations and estimates on Company data

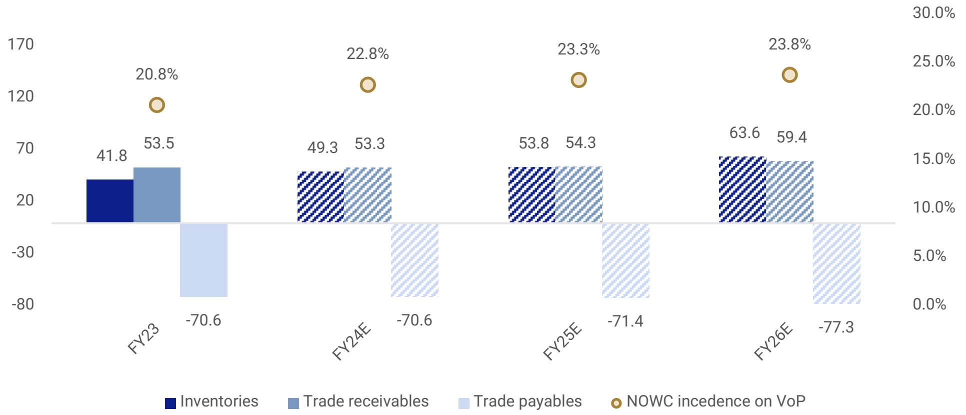
NOWC increase and collection of most tax credits by the end of 2024

We expect fixed assets to remain stable over the next three years, excluding any potential goodwill impairments related to recent acquisitions.

Conversely, we foresee an increase in NOWC starting in 2024, but lower than previously estimated. Specifically, we now project NOWC to rise by €7.3mln (vs previous €17.1mln) in FY24E, reaching €32.0mln (vs previous €41.7mln): we plan for Inventories to be at €49.3mln, Trade receivables at €53.3mln and Trade payables at €70.6mln. Over the period 2023-26E, NOWC is expected to increase by €21.0mln, with its impact on VoP projected to reach 23.8% by FY26E.

Furthermore, we expect Net Working Capital (NWC) to halve in FY24E, decreasing from €68.8mln in June 2024 to €31.5mln. This change is driven by the full collection of Tax credits during the year, as stated by the management.

Figure 17: NOWC FY23-26E (€/mln)



Source: Banca Profilo elaborations and estimates on Company data

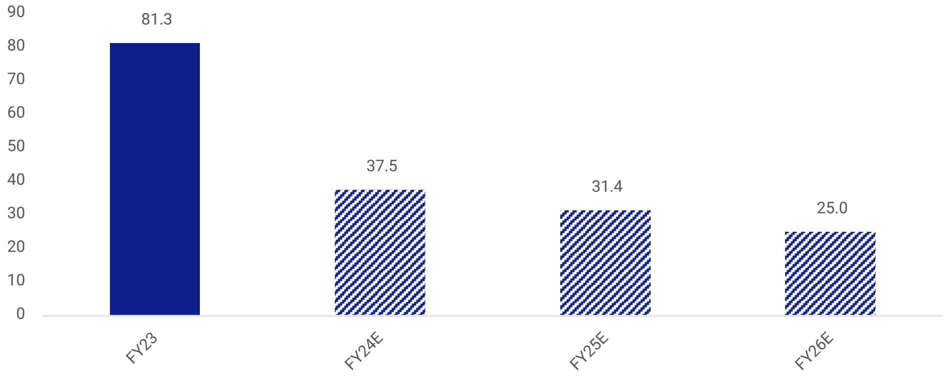
€12mln CapEx over FY24-26E

Regarding investments, we anticipate €12mln (unchanged) in CapEx over the next three years to bolster Group development.

Net Debt under €50mln by December 2024

We anticipate a significant reduction in Net Debt over the coming years from its current level. Specifically, by the end of 2024, we project Net Debt to decrease to €37.5mln (vs previous €34.1mln), aligning with the Company guidance pointing to a Net Debt below €50mln 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.

Figure 18: Net Debt (Cash) FY23-26E (€/mln)



Source: Banca Profilo elaborations and estimates on Company data

Table 5: Pro Forma Balance Sheet FY23-26E (€/mln)

Balance Sheet (€/mln)		FY23	FY24E OLD	FY24E	FY25E OLD	FY25E	FY26E OLD	FY26E
Intangible Assets		57.3	56.7	56.2	56.5	56.0	56.5	55.8
Tangible Fixed Assets		40.3	39.6	39.8	38.6	38.8	37.2	37.5
Financial Assets		0.1	0.1	0.1	0.1	0.1	0.1	0.1
Fixed Assets		**97.7**	**96.4**	**96.1**	**95.2**	**94.8**	**93.7**	**93.4**
Inventories		41.8	26.9	49.3	22.2	53.8	25.2	63.6
	% on VoP	*35.2%*	*20.2%*	*35.2%*	*14.2%*	*34.2%*	*13.2%*	*33.2%*
Trade receivables		53.5	52.1	53.3	48.7	54.3	59.2	59.4
	% on VoP	*45.0%*	*39.0%*	*38.0%*	*31.0%*	*34.5%*	*31.0%*	*31.0%*
Trade payables		(70.6)	(37.3)	(70.6)	(28.1)	(71.4)	(36.1)	(77.3)
	% on COGS w/o labour cost	*0.1%*	*43.9%*	*0.1%*	*28.6%*	*0.1%*	*29.7%*	*0.1%*
Net Operating Working Capital		**24.7**	**41.7**	**32.0**	**42.8**	**36.7**	**48.3**	**45.7**
	% on VoP	*20.8%*	*31.3%*	*22.8%*	*27.3%*	*23.3%*	*25.3%*	*23.8%*
Other current assets		102.5	4.9	51.5	(4.8)	42.1	(4.2)	41.7
Other current liabilities		(59.3)	(16.0)	(52.0)	(13.9)	(42.9)	(15.8)	(41.1)
Net Working Capital		**67.9**	**30.6**	**31.5**	**24.1**	**35.9**	**28.3**	**46.3**
	% on VoP	*57.1%*	*22.9%*	*22.5%*	*15.4%*	*22.8%*	*14.8%*	*24.1%*
Funds		(5.7)	(6.7)	(6.9)	(7.9)	(7.9)	(9.7)	(9.7)
Non current assets		4.2	1.9	2.0	2.1	2.1	2.5	2.5
Non current liabilities		(10.2)	(9.2)	(8.2)	(8.2)	(6.2)	(7.2)	(5.2)
Net Invested Capital		**153.9**	**113.1**	**114.5**	**105.3**	**118.8**	**107.6**	**127.3**
CapEx		**18.9**	**4.0**	**4.0**	**4.0**	**4.0**	**4.0**	**4.0**
	% on VoP	*15.9%*	*3.0%*	*2.9%*	*2.5%*	*2.5%*	*2.1%*	*2.1%*
Intangible		0.8	0.4	0.2	0.4	0.2	0.4	0.2
Tangible		18.1	3.6	3.8	3.6	3.8	3.6	3.8
Share capital		2.3	2.3	2.3	2.3	2.3	2.3	2.3
Reserves		44.8	70.4	70.4	74.0	72.1	83.7	81.4
Accumulated profit/loss		28.0	0.0	0.0	0.0	0.0	0.0	0.0
Group Net Income		(2.5)	6.4	4.3	13.8	13.0	20.6	18.6
Minorities Net Group		1.3	2.1	2.1	3.1	3.1	4.4	4.4
Shareholders' Equity		**72.6**	**79.0**	**76.9**	**90.0**	**87.4**	**106.5**	**102.3**
Net Financial Position (Cash)		**81.3**	**34.1**	**37.5**	**15.3**	**31.4**	**1.1**	**25.0**

Source: Banca Profilo elaborations and estimates on Company data

Cumulated FCFs at €39.7mln in FY24-26E

As a result, we project a positive free cash flow (FCF) of €7.9mln for FY24E, a notable improvement from the previous estimate of €2.8mln, primarily attributed to better-than-expected NOWC management. Cumulative FCF for the FY24-26E period is now forecasted at €39.7mln, up from the prior estimate of €36.3mln.

Table 6: Pro Forma Free Cash Flows FY23-26E (€/mln)

Free Cash Flow (€/mln)		FY23	FY24E OLD	FY24E	FY25E OLD	FY25E	FY26E OLD	FY26E
Adj. EBIT		20.2	16.0	16.9	23.3	23.3	30.6	30.7
	Tax rate	*173.9%*	*28.0%*	*27.9%*	*28.0%*	*27.9%*	*28.0%*	*27.9%*
NOPAT		**(14.9)**	**11.5**	**12.2**	**16.8**	**16.8**	**22.0**	**22.1**
D&A		5.4	5.8	5.8	5.8	5.8	6.0	6.0
Changes in Funds		3.3	0.9	1.2	1.2	1.0	1.8	1.8
Changes in NOWC		14.7	(17.1)	(7.3)	(1.0)	(4.7)	(5.5)	(8.9)
CapEx		(18.9)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)
Free Cash Flow		**(10.4)**	**(2.8)**	**7.9**	**18.7**	**14.8**	**20.4**	**17.0**

Source: Banca Profilo elaborations and estimates on Company data

Valuation

DCF method and market multiples

Given Sciuker Frames' projected cash generation, a DCF method is well-suited for valuation. Additionally, we have identified a sample of listed comparables to provide a relevant peer group for relative valuation using market multiples.

At the end of June 2024, 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 €57.2mln.

DCF

€41.7mln of cumulated adj. FCF in FY25E-27E

To run a DCF model, we used our projections of FCFs for the 2025-27E explicit period: €52.1mln of cumulated FCFs (vs previous €36.3mln over 2024-26E). We continue to factor in a 20% execution risk on the positive FCFs expected for FY25-27E, considering the Company's historical cash burn tendency. This adjustment results in a cumulative adj. FCF of €41.7mln over the three-year period (vs previous €28.5mln over 2024-26E).

We would consider the average FCF over the 2025-27E period of €13.9mln as the Terminal FCF (vs previous €16.3mln).

9.1% WACC

We would use an 9.1% WACC (vs previous 8.5%) derived from:

- a risk-free rate at 4.30%, (vs previous 4.37%) as implicitly expected by consensus on the 30Y Italian BTP yield curve (moving average of the last 100 days);
- a market risk premium equal to 5.5% (unchanged);
- a levered beta of 1.05 coming from the average of chosen listed peers (unchanged);
- a target Debt-to-Equity (D/E) ratio of 43% (unchanged);
- a cost of debt equal to 9.5% (vs previous 7.5%);
- a perpetual growth rate of 2.0% (unchanged).

Table 7: WACC calculation

WACC Calculation	
Perpetual growth rate	2.0%
WACC	**9.1%**
Risk free rate (30Y)	4.30%
Equity risk premium	5.5%
Beta	1.05
KE	**10.0%**
Cost of debt	9.5%
Tax rate	27.9%
KD	**6.8%**

Table 8: DCF Valuation

DCF Valuation (€/mln)	FY25E	FY26E	FY27E	Over
Free Cash Flow	**11.9**	**13.6**	**16.2**	**13.9**
Years	1	2	3	
Discount factor	0.92	0.84	0.77	
NPV Free Cash Flows	10.9	11.4	12.5	
Sum of NPVs				22.3
Terminal Value				196.1
NPV Terminal Value				164.8
Enterprise Value				**187.1**
Adj. Net Debt as of end 2024				57.2
Equity Value				**129.8**
Number of shares (mln)				21.7
Per share value (€)				***6.0***
Current price (€)				1.96

Source: Banca Profilo elaborations and estimates on Company data

DCF valuation: €6.0/share

The DCF method leads us to an Enterprise Value of €187.1mln (vs previous €195.5mln) and to an Equity Value of €129.8mln (vs previous €167.2mln) showing a fair value of €6.0/share, down from previous €7.7/share *[Please refer to our Company Update on June 24th, 2024]*, primarily due to (i) a lower Terminal value, (ii) increased Net debt and (iii) a higher WACC, largely influenced by rising costs of debt.

Sciuker Frames' 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 NV (BE):

FY23 sales €866mln; EBITDA margin 10.7%

Deceuninck NV designs and manufactures PVC systems and accessories for residential and light commercial buildings. Its product offerings include PVC systems for windows, doors, sliding windows and doors, roller shutters and louver shutters. Additionally, the company provides outdoor living solutions such as terrace and fencing systems, along with wall cladding, roofline systems, wall and ceiling coverings, and window boards. Deceuninck operates across three geographical segments: Europe (its main revenue source), North America and Turkey & Emerging Markets.

In FY23 the Company reported revenue of €866.1mln (-11.1% yoy) and EBITDA of €92.9mln, with margin of 10.7%.

Inwido AB (SE):

FY23 sales SEK9.0bn; EBITDA margin 14.5%

Inwido AB is a leading building materials company specializing in windows and doors. The company operates in 34 business units across 12 countries, employing around 4,700 people. It operates through three primary sales channels: manufacturers of prefabricated homes, construction companies, and direct-to-consumer sales. Inwido markets products under corporate brands like Elitfonster and Tiivi, with most of its revenue generated in Sweden. The company also offers innovative "smart windows" featuring antibacterial glass, integrated camera surveillance and mobile-controlled locks. Inwido's operations are divided into four segments: Scandinavia, Eastern Europe, e-Commerce and Western Europe, with the Scandinavia segment contributing the largest share of revenue. The company has been listed on Nasdaq Stockholm since 2014.

In FY23 the Company reported revenue of SEK8.97bn (-6.0% yoy) and EBITDA of SEK1.30bn, with margin of 14.5%.

Eurocell Plc (UK):

FY23 sales £365mln; EBITDA margin 11.7%

Eurocell PLC is a manufacturer, distributor and recycler of Unplasticized PVC (UPVC), a type of building plastic. The company offers a range of products, including UPVC windows, doors, conservatories, skylights, roofs and roofline systems, as well as various interior and outdoor living solutions. Eurocell is organized into two divisions: Profiles and Building Plastics. The Profiles segment manufactures and sells window, door and conservatory profiles to fabricators, who then supply the final products to installers, retail outlets and homebuilders. The Building Plastics division sells and distributes Eurocell-branded roofline products and third-party related items to installers, small builders and roofing contractors. Eurocell operates mainly in the United Kingdom.

In FY23 the Company reported revenue of £364.,5mln (-4.4% yoy) and EBITDA of £42.7mln, with margin of 11.7%.

Apogee Enterprises (US):

FY23 sales $1.4bn; EBITDA margin 12.9%

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 FY23 the Company reported revenue of $1.42bn (-1.6% yoy) and EBITDA of $183.1mln, with margin of 12.9%.

EdAc (IT):

FY23 sales €159mln; EBITDA margin 14.0%

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 FY23 the Company reported revenue of €158.5mln (+18.6% yoy) and EBITDA of €22.1mln, with margin of 14.0%.

Nusco (IT):

FY23 sales €57mln; EBITDA margin 12.8%

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 FY23 the Company reported revenue of €56.6mln (+39.5% yoy) and EBITDA of €22.1mln, with margin of 12.8%.

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	Currency	Market Cap (mln)	Sales growth (yoy)				EBITDA margin			
25/10/2024			2022	2023	FY24E	FY25E	2022	2023	FY24E	FY25E
Deceuninck nv	Euro	333	*16.2%*	*-11.1%*	*-4.4%*	*4.9%*	*9.5%*	*10.7%*	*14.3%*	*14.9%*
Inwido AB	Swedish Krona	10,938	*23.6%*	*-6.0%*	*-2.7%*	*7.1%*	*14.0%*	*14.5%*	*14.0%*	*15.1%*
Eurocell Plc	British Pounds	184	*12.2%*	*-4.4%*	*-2.0%*	*4.4%*	*14.2%*	*11.7%*	*13.5%*	*14.1%*
Apogee Enterprises, Inc.	U.S. Dollar	1,644	*9.6%*	*-1.6%*	*-4.6%*	*5.7%*	*12.5%*	*12.9%*	*14.2%*	*14.0%*
EdiliziAcrobatica SpA	Euro	68	*53.7%*	*18.6%*	*0.0%*	*10.6%*	*25.7%*	*14.0%*	*10.7%*	*12.5%*
Nusco SpA	Euro	19	*62.2%*	*39.5%*	*7.3%*	*7.2%*	*10.0%*	*12.8%*	*14.9%*	*15.8%*
Mean best peers			***29.6%***	***5.8%***	***-1.1%***	***6.7%***	***14.3%***	***12.8%***	***13.6%***	***14.4%***
Median best peers			***19.9%***	***-3.0%***	***-2.4%***	***6.4%***	***13.2%***	***12.9%***	***14.1%***	***14.5%***
Sciuker Frames SpA	**Euro**	**42.6**	***88.3%***	***-38.6%***	***17.9%***	***12.4%***	***21.7%***	***27.7%***	***18.0%***	***20.2%***

Source: Banca Profilo elaborations and estimates (as of October 25th, 2024)

Market multiples

EV/EBITDA multiples

To assess a relative valuation of Sciuker Frames 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
25/10/2024	**FY25E**
Deceuninck nv	3.2x
Inwido AB	8.7x
Eurocell Plc	4.6x
Apogee Enterprises, Inc.	8.7x
EdiliziAcrobatica SpA	5.7x
Nusco SpA	2.6x
Median	**5.1x**
Sciuker Frames SpA	**1.4x**

Table 11: Relative valuation

Valuation on EV/EBITDA market multiples (€/mln)	
	FY25E
EV/EBITDA	**5.1x**
EBITDA	31.8
Enterprise Value	**163.8**
Adj. Net Debt as of end 2024	57.2
Equity Value	**106.6**
Number of shares (mln)	21.7
Price per share (€)	***4.9***
Current price (€)	1.96

Source: Banca Profilo elaborations and estimates (as of October 25th, 2024)

Median FY25E EV/EBITDA at 5.1x

To compute valuation through market multiples, we use the median FY25 EV/EBITDA at 5.1x (as of October 25th, 2024), above previous at 4.8x for FY24.

Market multiples valuation: €4.9/share

The relative valuation method results in an Enterprise Value of €163.8mln (up from previous €116.8mln) and to an Equity Value of €106.6mln (up from previous €65.6mln), or €4.9/share, compared to the prior €3.0/share *[Please refer to our Company Update on June 24th, 2024]*, primarily driven by a higher multiple and the higher EBITDA estimate for FY25E.

BUY confirmed with 12-month TP unchanged

Based on updated valuations, we maintained unchanged our 12-month target price to €5.4/share (unchanged), an average of the DCF and multiple valuation *[Please refer to our Company Update on June 24th, 2024]*. Given the potential upside on SCK's closing price (as of October 25th, 2024), we confirm our BUY recommendation.

Appendix: Corporate structure

Sciuker Frames S.p.A. is the holding directly controlling 7 subsidiaries

Following June 30th, 2024, Dewol Retail S.r.l. was merged into D&V Serramenti S.r.l. and Dewol Contract S.r.l. was integrated into Diquigiovanni S.r.l. Therefore, as of July 31st, 2024, the Group is led by Sciuker Frames S.p.A., which directly oversees seven subsidiaries:

- Sciuker Ecospace S.r.l owned at 100%
- GC Infissi PVC S.r.l. owned at 100%
- Teknika S.r.l. controlled at 60%
- DMR Serramenti S.r.l. controlled at 60%
- Diquigiovanni S.r.l. owned at 100%
- D&V Serramenti S.r.l. owned at 100%
- SCK Force S.r.l. owned at 100%.

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. In August 2023, Sciuker acquired the remaining 12% and owned 100% of Ecospace.

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. 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.

Teknika active in the production of mosquito nets

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 2mln inhabitants not far from Brasilia.

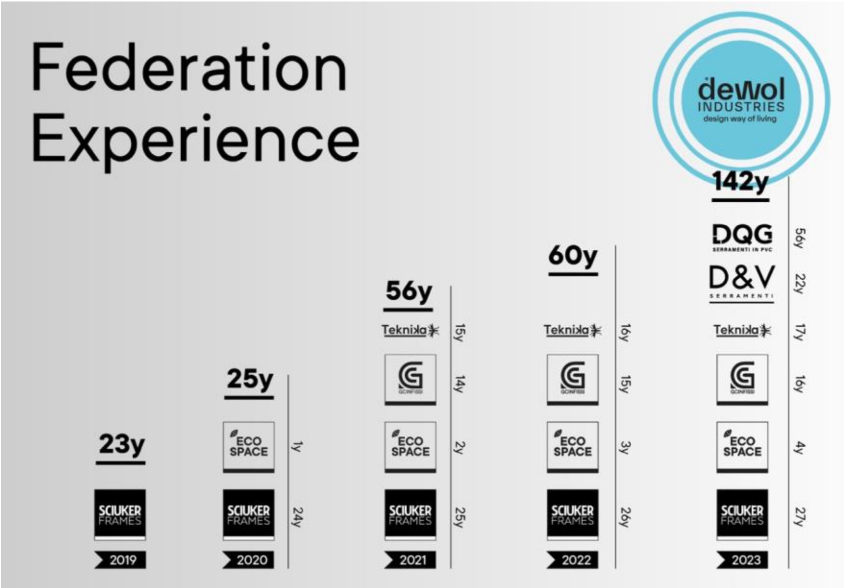
SCK store with the aim of centralising all the commercial and marketing activities

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.

Acquisition of DQG and D&V and the set-up of deWool industries

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 deWol 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.

Figure 19: History and experience of Sciuker Frames becoming deWol Industries



Source: Company data

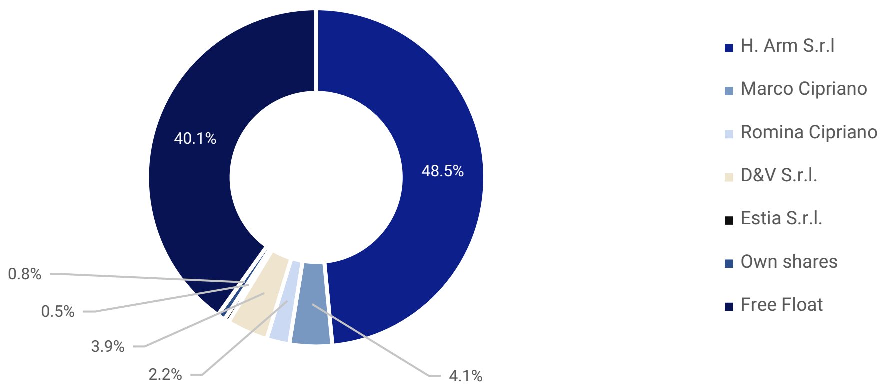
Ownership structure and free float

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 20: Shareholder structure



Source: Banca Profilo elaborations on Company data

Sciuker Frames SpA ID Card

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Recommendation	Target Price	Upside
BUY	5.4 €	177%

Company Overview

For over 25 years, SCK Group has been designing wood-aluminium and wood-glass windows based on advanced technology, holding 19 patents. For this reason, the Company enjoys a unique and exclusive position on the market compared to other competitors. The material most frequently used by the Group for production is wood because it is a natural, renewable, ecological and recyclable product. Following Teknika acquisition, Sciuker Frames Group has become the first "Centre of Frames" with a Made in Italy design. The acquisition of Teknika allows the Group to significantly expand its offering integrating frames (wooden and aluminum) with accessories like mosquito nets, roller shutters, thermal insulating monoblocks, external curtains and bioclimatic pergolas. Thus, the Group set its HOLE BOX, a complete and integrated offering with fixtures and accessories ready for the energy efficient Italian housing market. Through its Industrial business, SCK Group offers a solution for achieving thermal insulation and increasing the energy efficiency of residential buildings, through high-quality windows and sunscreens with a natural and made-in-Italy design. The Industrial core business development goes through: i) Expanding and optimizing production capacity (Sciuker Frames); Offering range extension to PVC and aluminium (GC Infissi) and window accessories (Teknika); Further M&A opportunities; European strategic partnerships for wooden frames procurement (Croatia and Slovenia) PVC and aluminium frames (Portugal and Spain, including Cortizo for exclusive supply). 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

Strenghts

- 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

- Rising financing costs
- High exposure to the regulatory framework
- The size of the company

Opportunities

- Green and sustainable building trends
- Large potential Italian addressable market
- Very fragmented Italian reference market
- Roll out of management contracts
- M&A or strategic partnerships for international expansion

Threats

- Regulatory and technological changes
- Intensified competition
- Integration process within the Group
- Less favourable rules for tax incentives for energy requalification expenditure

Main catalysts

New public incentives from the EU's Green Directive
M&A or strategic partnerships for international expansion
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

Recommendation	Target Price	Upside
BUY	**5.4 €**	**177%**

ott, 29 2024 - 11:55

Main financial data

(€/th)		FY22	FY23	FY24E	FY25E	FY26E
Value of Production		**193.8**	**118.9**	**140.2**	**157.5**	**191.7**
	yoy	*88.3%*	*-38.6%*	*17.9%*	*12.4%*	*21.7%*
EBITDA		**42.0**	**32.9**	**25.2**	**31.8**	**40.0**
	EBITDA margin	*21.7%*	*27.7%*	*18.0%*	*20.2%*	*20.9%*
EBIT		**35.5**	**16.9**	**16.9**	**23.3**	**30.7**
	EBIT margin	*18.3%*	*14.2%*	*12.1%*	*14.8%*	*16.0%*
EBT		**32.4**	**3.4**	**6.4**	**19.2**	**27.6**
	Pretax margin	*16.7%*	*2.8%*	*4.6%*	*12.2%*	*14.4%*
Net income		**20.7**	**(2.5)**	**4.3**	**13.0**	**18.6**
	Net profit margin	*10.7%*	*-2.1%*	*3.1%*	*8.3%*	*9.7%*
Net Financial Position (Cash)		**(1.4)**	**81.3**	**37.5**	**31.4**	**25.0**
Shareholders' Equity		55.5	72.6	76.9	87.4	102.3
Net Operating Working Capital		39.4	24.7	32.0	36.7	45.7
CapEx		11.0	18.9	4.0	4.0	4.0
Free Cash Flow		**2.7**	**(10.4)**	**7.9**	**14.8**	**17.0**

Activity ratios

	FY22	FY23	FY24E	FY25E	FY26E
Days of inventory On Hand (DOH)	184	128	128	125	121
Days of Sales Outstanding (DSO)	74	164	139	126	113
Number of days of payables	256	391	297	272	235
Fixed Assets Turnover ratio (FAT)	5	1	1	2	2

Liquidity ratios

	FY22	FY23	FY24E	FY25E	FY26E
Current ratio	2	2	2	1	1
Cash conversion cycle	2	-99	-30	-21	-1

Solvency ratios

	FY22	FY23	FY24E	FY25E	FY26E
Net Debt (Cash)-to-Equity	0.0x	1.1x	0.5x	0.4x	0.2x
Net Debt (Cash)-to-EBITDA	0.0x	2.5x	1.5x	1.0x	0.6x
Interest Coverage ratio	11.6x	1.2x	1.6x	5.7x	9.8x

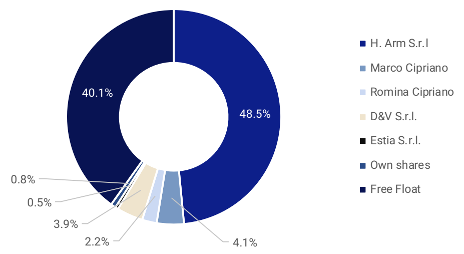
Profitability ratios

	FY22	FY23	FY24E	FY25E	FY26E
Return On Invested Capital (ROIC)	43.2%	-9.7%	10.7%	14.2%	17.4%
Return On Capital Employed (ROCE)	0.1%	0.0%	0.0%	0.0%	0.0%

Company Description

Company Sector	Building Products
Price (as of October 28, 2024)	2.0
Number of shares (mln)	21.7
Market Cap (€/mln)	42.6
Reference Index	FTSE Italia Small Cap
Main Shareholders	H. Arm S.r.l.
Daily Average Volumes	42,592
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	FY24E	FY25E
Sales growth (yoy)	19.9%	-3.0%	-2.4%	6.4%
EBITDA margin	13.2%	12.9%	14.1%	14.5%

Multiples of peers

Mean	FY24E	FY25E
EV/EBITDA	6.2x	5.1x

Source: Bloomberg, Facset, Banca Profilo estimates and elaborations

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