

SCIUKER FRAMES

BUY

Sector: Industrials

Price: Eu7.18 - Target: Eu15.20

A Window on Growth and Sustainability

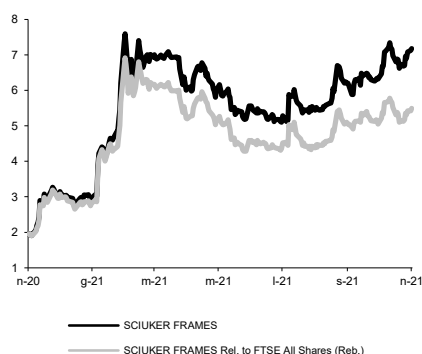
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Stock Rating

Rating: BUY (new coverage)
Target Price (Eu): 15.20 (new coverage)

	2021E	2022E	2023E
Chg in Adj EPS			

SCIUKER FRAMES - 12M Performance



Stock Data

 Reuters code: SCK.MI
 Bloomberg code: SCK IM

Performance	1M	3M	12M
Absolute	13.6%	32.0%	267.1%
Relative	8.9%	27.0%	235.7%
12M (H/L)			7.59/1.91
3M Average Volume (th):			160.18

Shareholder Data

No. of Ord shares (mn):	22
Total no. of shares (mn):	22
Mkt Cap Ord (Eu mn):	156
Total Mkt Cap (Eu mn):	156
Mkt Float - Ord (Eu mn):	66
Mkt Float (in %):	42.1%
Main Shareholder:	
H. Arm.	51.4%

Balance Sheet Data

Book Value (Eu mn):	40
BVPS (Eu):	1.84
P/BV:	3.9
Net Financial Position (Eu mn):	-1
Enterprise Value (Eu mn):	191

- A leading player in the Italian windows market, with an eye on sustainability.** Founded in 1996, Sciuker Group is an Italian company active in the design, development, manufacture and marketing of windows and window frames. The company specialises in environmentally-friendly design, with a clear focus on product style and quality through the use of specially-selected, environmentally-sustainable raw materials and Italian craftsmanship. Furthermore, as of 2020 the company, through the subsidiary Ecospace, is also acting as a general contractor for energy efficiency projects, using its expertise in the sector and thus being able to take full advantage of the incentives introduced by the government with the "Relaunch" decree.
- Major building renovation wave to generate a market boom.** The European Commission, through the European Green Deal, aims to make Europe the first climate-neutral continent by 2050, with the intermediate target of reducing greenhouse gas emissions by at least 55% by 2030. Key will be cutting emissions from buildings, which are responsible for 36% of the continent's greenhouse gas emissions. To date, 75% of buildings in the EU are energy inefficient and only 1% of buildings are renovated every year. To reach the emission reduction targets set by the Green Deal, this renewal rate will have to at least double, which is why a new wave of building renovations is expected over the coming years, enhancing visibility on the significant growth expected in Sciuker's reference market.
- Sound balance sheet and ample FCF generation support important CapEx plan:** in this market context, we estimate an important change of pace for the company in the next few years, that after having multiplied its turnover by 9 between 2019 and 2021, it is expected to further increase the total turnover from Eu102mn expected in 2021 to Eu162mn in 2024. We believe this is achievable thanks to the major Eu45mn investment plan planned by management and made possible by resources gathered during 2021 through the exercise of warrants (approximately Eu20mn) and the important cash generation expected thanks to the resources generated by Ecospace as part of general contractor activity in the projects carried out under the 110% Superbonus. We also believe that an FCF of Eu18mn on average in the 2022-2024 period may support the company's external expansion plans; it is targeting acquisitions to complete its product range and enter foreign markets.
- Initiating coverage with a BUY rating.** Sciuker has established itself on the market over the past 25 years thanks to the quality of its products and a unique proprietary technology, Stratec. A wave of opportunities is arising from the need for building renovation dictated by targets for lowering greenhouse gas emissions: thanks to an important investment plan and shrewd acquisitions completed in 2021, we believe that Sciuker is today in a prime position to take this wave at the flood. Moreover, the significant FCF that will be generated over the next few years will enable the company to carry out more acquisitions, further enriching its product range and expanding into other geographical markets. Our valuation gives us a target price of Eu15.2 per share, thus, given the significant upside to the current price (>100%!), we begin our coverage with a BUY rating.

Key Figures & Ratios	2019A	2020A	2021E	2022E	2023E
Sales (Eu mn)	12	23	102	132	178
EBITDA Adj (Eu mn)	3	6	25	33	46
Net Profit Adj (Eu mn)	0	2	12	16	23
EPS New Adj (Eu)	0.024	0.211	0.567	0.723	1.076
EPS Old Adj (Eu)					
DPS (Eu)	0.000	0.370	0.113	0.145	0.215
EV/EBITDA Adj	6.6	2.6	7.8	5.7	3.6
EV/EBIT Adj	18.7	7.2	9.7	7.7	4.6
P/E Adj	nm	34.0	12.7	9.9	6.7
Div. Yield	0.0%	5.2%	1.6%	2.0%	3.0%
Net Debt/EBITDA Adj	3.0	0.4	0.0	-0.1	-0.5

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SCIUKER FRAMES – Key Figures

Profit & Loss (Eu mn)	2018A	2019A	2020A	2021E	2022E	2023E
Sales	11	12	23	102	132	178
EBITDA	2	3	8	30	40	55
EBIT	1	1	4	25	31	45
Financial Income (charges)	-0	-0	-1	-6	-7	-8
Associates & Others	0	0	0	0	0	0
Pre-tax Profit	0	1	4	19	25	36
Taxes	-0	-0	-1	-6	-7	-11
Tax rate	73.5%	49.8%	28.6%	29.0%	29.0%	29.0%
Minorities & Discontinued Operations	0	0	-0	-1	-2	-2
Net Profit	0	0	2	12	16	23
EBITDA Adj	2	3	6	25	33	46
EBIT Adj	1	1	2	20	24	36
Net Profit Adj	0	0	2	12	16	23
Per Share Data (Eu)	2018A	2019A	2020A	2021E	2022E	2023E
Total Shares Outstanding (mn) - Average	11	11	11	22	22	22
Total Shares Outstanding (mn) - Year End	11	11	11	22	22	22
EPS f.d	0.012	0.024	0.211	0.567	0.723	1.076
EPS Adj f.d	0.012	0.024	0.211	0.567	0.723	1.076
BVPS f.d	0.702	0.758	1.069	1.843	2.453	3.384
Dividend per Share ORD	0.000	0.000	0.370	0.113	0.145	0.215
Dividend per Share SAV	0.000	0.000	0.000	0.000	0.000	0.000
Dividend Payout Ratio (%)	0.0%	0.0%	175.3%	20.0%	20.0%	20.0%
Cash Flow (Eu mn)	2018A	2019A	2020A	2021E	2022E	2023E
Gross Cash Flow	2	2	6	17	24	33
Change in NWC	-4	-1	4	-12	-5	-5
Capital Expenditure	-0	-3	-3	-21	-17	-6
Other Cash Items	0	0	0	0	0	0
Free Cash Flow (FCF)	-2	-2	7	-16	3	23
Acquisitions, Divestments & Other Items	3	-0	-2	1	3	3
Dividends	0	0	0	-4	-2	-3
Equity Financing/Buy-back	0	0	0	20	0	0
Change in Net Financial Position	-5	-2	5	1	3	23
Balance Sheet (Eu mn)	2018A	2019A	2020A	2021E	2022E	2023E
Total Fixed Assets	10	12	14	34	45	43
Net Working Capital	4	5	1	13	18	23
Long term Liabilities	-1	-1	-1	-6	-12	-18
Net Capital Employed	13	16	14	41	51	49
Net Cash (Debt)	-5	-8	-2	-1	2	25
Group Equity	8	8	12	40	53	74
Minorities	0	0	0	0	0	0
Net Equity	8	8	11	40	53	73
Enterprise Value (Eu mn)	2018A	2019A	2020A	2021E	2022E	2023E
Average Mkt Cap	11	9	13	156	156	156
Adjustments (Associate & Minorities)	0	0	0	-34	-34	-34
Net Cash (Debt)	-5	-8	-2	-1	2	25
Enterprise Value	16	17	15	191	188	165
Ratios (%)	2018A	2019A	2020A	2021E	2022E	2023E
EBITDA Adj Margin	17.7%	21.6%	26.5%	24.1%	25.0%	25.8%
EBIT Adj Margin	7.5%	7.6%	9.5%	19.4%	18.5%	20.1%
Gearing - Debt/Equity	69.5%	92.3%	20.5%	2.5%	-4.2%	-33.7%
Interest Cover on EBIT	2.7	2.4	4.9	4.2	4.8	5.4
Net Debt/EBITDA Adj	2.9	3.0	0.4	0.0	-0.1	-0.5
ROACE*	6.7%	6.2%	25.6%	92.0%	67.9%	89.7%
ROE*	2.2%	3.3%	23.6%	48.4%	34.0%	37.1%
EV/CE	1.3	1.2	1.0	6.9	4.1	3.3
EV/Sales	1.5	1.4	0.7	1.9	1.4	0.9
EV/EBITDA Adj	8.5	6.6	2.6	7.8	5.7	3.6
EV/EBIT Adj	20.2	18.7	7.2	9.7	7.7	4.6
Free Cash Flow Yield	-1.3%	-1.4%	4.3%	-8.2%	1.4%	11.9%
Growth Rates (%)	2018A	2019A	2020A	2021E	2022E	2023E
Sales	-4.6%	12.9%	89.8%	350.2%	30.0%	34.7%
EBITDA Adj	-22.3%	37.6%	133.1%	310.8%	34.5%	39.0%
EBIT Adj	-38.2%	14.4%	137.8%	819.9%	23.9%	46.6%
Net Profit Adj	-80.5%	100.8%	776.4%	433.8%	27.7%	48.7%
EPS Adj	-80.5%	100.8%	776.4%	168.5%	27.7%	48.7%
DPS			nm	-69.4%	27.7%	48.7%

*Excluding extraordinary items

Source: Intermonte SIM estimates

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Executive Summary

A leading player in the Italian windows market, with an eye on sustainability. Founded in 1996, Sciuker Group is an Italian company active in the design, development, manufacture and marketing of windows and window frames. The company specialises in environmentally-friendly design, with a clear focus on product style and quality through the use of specially-selected, environmentally-sustainable raw materials and Italian craftsmanship. Furthermore, as of 2020 the company, through the subsidiary Ecospace, is also acting as a general contractor for energy efficiency projects, using its expertise in the sector and thus being able to take full advantage of the incentives introduced by the government with the "Relaunch" decree.

Major building renovation wave to generate a market boom. The European Commission, through the European Green Deal, aims to make Europe the first climate-neutral continent by 2050, with the intermediate target of reducing greenhouse gas emissions by at least 55% by 2030. Key will be cutting emissions from buildings, which are responsible for 36% of the continent's greenhouse gas emissions. To date, 75% of buildings in the EU are energy inefficient and only 1% of buildings are renovated every year. To reach the emission reduction targets set by the Green Deal, this renewal rate will have to at least double, which is why a new wave of building renovations is expected over the coming years, enhancing visibility on the significant growth expected in Sciuker's reference market.

Sound balance sheet and ample FCF generation support important CapEx plan: in this market context, we estimate an important change of pace for the company in the next few years, that after having multiplied its turnover by 9 between 2019 and 2021, it is expected to further increase the total turnover from Eu102mn expected in 2021 to Eu162mn in 2024. We believe this is achievable thanks to the major Eu45mn investment plan planned by management and made possible by resources gathered during 2021 through the exercise of warrants (approximately Eu20mn) and the important cash generation expected thanks to the resources generated by Ecospace as part of general contractor activity in the projects carried out under the 110% Superbonus. We also believe that an FCF of Eu18mn on average in the 2022-2024 period may support the company's external expansion plans; it is targeting acquisitions to complete its product range and enter foreign markets.

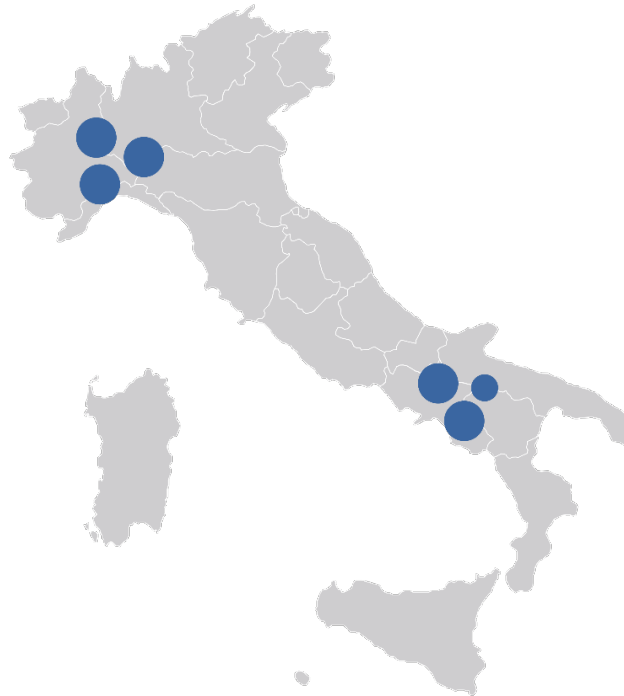
Initiating coverage with a BUY rating. Sciuker has established itself on the market over the past 25 years thanks to the quality of its products and a unique proprietary technology, Stratec. A wave of opportunities is arising from the need for building renovation dictated by targets for lowering greenhouse gas emissions: thanks to an important investment plan and shrewd acquisitions completed in 2021, we believe that Sciuker is today in a prime position to take this wave at the flood. Moreover, the significant FCF that will be generated over the next few years will enable the company to carry out more acquisitions, further enriching its product range and expanding into other geographical markets. Our valuation gives us a target price of Eu15.2 per share, thus, given the significant upside to the current price (>100%!), we begin our coverage with a BUY rating.

The company at a glance

A leading player in the Italian windows market, with an eye on sustainability. Founded in 1996, Sciuker Group is an Italian company active in the design, development, manufacture and marketing of windows and window frames. The company specialises in environmentally-friendly design, with a clear focus on product style and quality through the use of specially selected environmentally sustainable raw materials and Italian craftsmanship.

The group's activities are carried out at two different production areas: the first in Campania, in the Avellino area, where the historic plants of Sciuker Frames S.p.A. are located, and the second in Piedmont, where the production plants of the two recent acquisitions, GC Infissi and Teknika, are located. As of today, the company employs approximately 537 including both internal and external personnel.

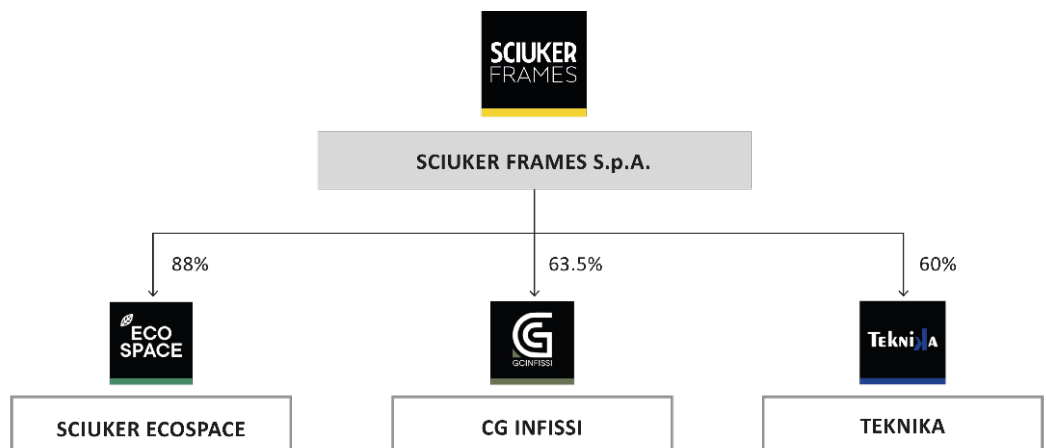
Production Plants



Source: Company presentation

An agile company able to reap the benefits of a favourable fiscal framework through its Ecospace subsidiary. Furthermore, after buying 80% of Eco Contract (now Sciuker Ecospace) in 2020, the company has also acted as a general contractor for projects to improve energy efficiency and earthquake proofing, which are eligible for the fiscal benefits introduced by the so-called “Relaunch” decree. Ecospace’s involvement in principal construction projects on building envelopes, as defined by the Relaunch decree, helps generate ancillary business for the parent company, by supplementing the energy efficiency works with the supply of Sciuker Frames windows. As a result, the parent company can enhance its earnings through the direct impact of its own increased turnover as well as the revenues generated by its subsidiary.

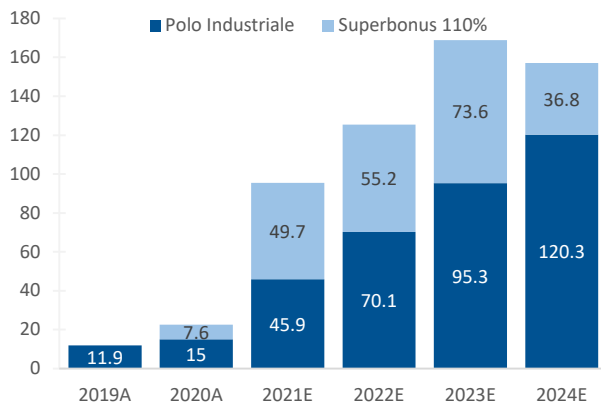
Sciuker Group – Group Structure



Source: Company Presentation

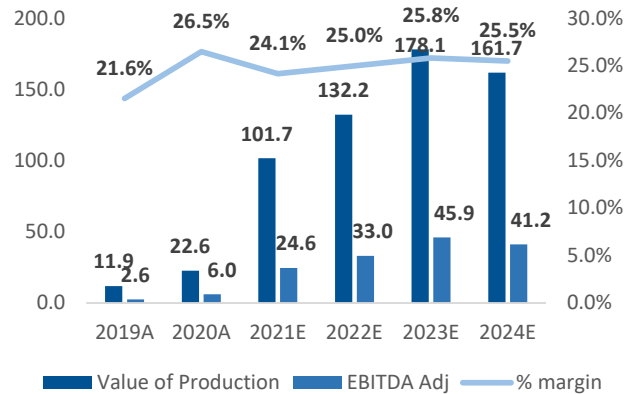
Key financials are sound and healthy. we estimate an important change of pace for the company in the next few years, that after having multiplied its turnover by 9 between 2019 and 2021, it is expected to further increase the total turnover from Eu102mn expected in 2021 to Eu162mn in 2024. We believe this is achievable thanks to the major Eu45mn investment plan planned by management and made possible by resources gathered during 2021 through the exercise of warrants (approximately Eu20mn) and the important cash generation expected thanks to the resources generated by Ecospace as part of general contractor activity in the projects carried out under the 110% Superbonus. We also believe that an FCF of Eu18mn on average in the 2022-2024 period may support the company's external expansion plans; it is targeting acquisitions to complete its product range and enter foreign markets.

Net Revenues evolution



Source: Intermonte SIM

EBITDA Adj. margin evolution



Source: Intermonte SIM

SWOT Analysis

Strengths

- Leading positioning in the Italian window market
- Ability to offer a full range of window products with a focus on sustainability
- An agile and flexible cost structure capable of guaranteeing high margins
- Extensive and committed sales force coverage throughout Italy
- A robust balance sheet that makes investments possible in research and development and for expansion of production capacity, as well as for acquisitions
- The recent conversion of the warrants has led to a further injection of liquidity, used to accelerate the planned investments necessary for an important jump in size

Opportunities

- Exploitation of cross-selling opportunities with recently acquired companies
- Consolidation of a market that is highly fragmented in Italy
- Expansion abroad
- Agreements recently signed with AbitareIn and Enel X

Source: Intermonte SIM

Weaknesses

- The core market is heavily influenced by the granting of tax incentives
- Lack of geographical diversification
- High level of NWC expected
- Non-leadership position in the PVC market

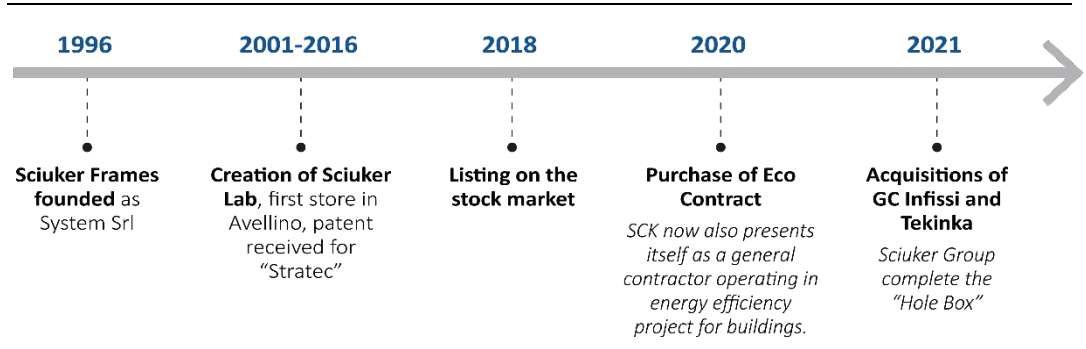
Threats

- Reduction of tax incentives for building renovation
- Execution risk on general contractor activities
- Failure to handle such explosive top line growth
- Competition with larger producers
- Scarcity of raw materials and difficulties in finding the qualified personnel necessary to sustain the expected strong growth rate

Company History

- **1996:** Sciuker Frames founded as System S.r.l.
- **2001:** creation of Sciuker Lab, dedicated to research and development activity, which over the years has developed a range of patented technology currently used by the company
- **2004:** opening of the first directly-operated store in Avellino
- **2007:** patent received for “Stratec” technology, paving the way for the Isik, Stratek and Skill collections.
- **2013:** completion of the group’s main production site, at Contrada, in Avellino province
- **2016:** foundation of Swiss subsidiary Hubframe
- **2018:** listing on Borsa Italiana’s AIM, as the company becomes a joint stock company, changing its name to Sciuker Frames S.p.A.
- **2020:** purchase of 80% of Eco Contract (subsequently renamed as Sciuker Ecospace); the company now also presents itself as a general contractor operating in energy efficiency projects for buildings. Control of Hubframe sold.
- **2021:** Sciuker Frames acquires 63.5% of GC Infissi, a company active in the manufacturing, processing and installation of PVC and aluminium window frames, and 60% of Teknika, involved in the production of mosquito nets, roller blinds, thermal insulation monoblocks, and awnings, which combine with the window frame to make the one-piece “Hole Box”.

Sciuker Group – Timeline

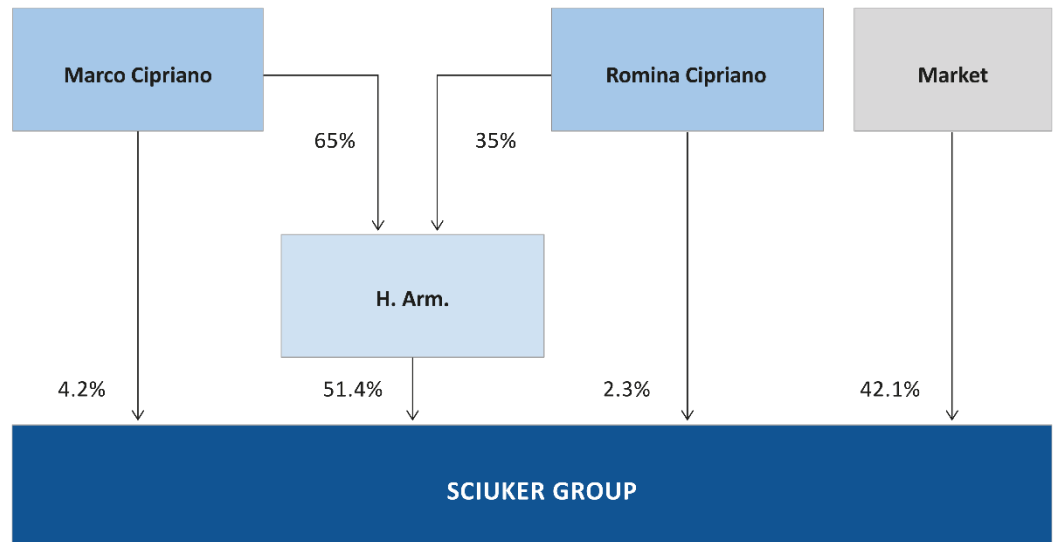


Source: Company Presentation

Shareholding

Ordinary shares in Sciuker Frames were listed for trading on AIM Italia, the Italian Stock Exchange's alternative investment market, on 3rd August 2018, while management has recently announced a goal to move to the STAR segment of the MTA market by 2022. Following the last conversion window of the warrants issued at the time of the IPO (in May 2021), 10,794,997 new ordinary shares were issued, meaning that as of today the share capital consists of 21,719,097 ordinary shares, 51.4% of which are owned by H.Arm (a vehicle controlled 65% by Marco Cipriano and 35% by Romina Cipriano), 4.2% by Marco Cipriano, CEO and Chairman of the company, and 2.3% by Romina Cipriano, Vice Chairman. The free float thus represents ~42.1% of the capital, a parameter that is already in line with the minimum requirements for moving onto the STAR segment

Sciuker Group – Shareholders



Source: Company Presentation

Management

- **Marco Cipriano (CEO and Chairman):** after receiving a science-based high school diploma in 1993, he studied Business Administration at the Università degli Studi di Salerno. He began his professional career at the company in 1999, covering the role of Director for the period from 2013 to 2015. In addition to his dedicated work for the company, he also founded the Marco Cipriano Academy in 2017.
- **Romina Cipriano (Vice Chairman):** gained a science-based high school diploma in 1994, and from 1996 started a professional career at the company alongside her brother Marco, both as shareholder and Director.
- **Luca Bottone (General Manager):** a Director of various financial intermediaries over a period of 15 years, he managed complex corporate growth, business development and operational optimisation projects, gradually developing a wide range of transferable technical expertise. He has a strong educational background, with a PhD in international research into financial system regulation and risk management processes. A regular speaker at conferences and external university lectures.

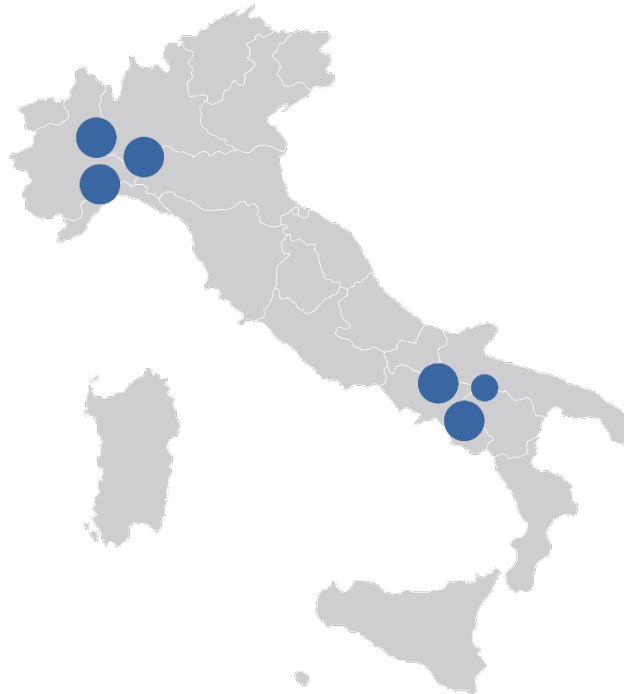
Business Overview

Founded in 1996, Sciuker Frames is an Italian company active in the design, development, manufacture and marketing of windows and window frames in natural materials, such as wood/aluminium and wood/structural glass. The company specialises in environmentally-friendly design, with a clear focus on product style and quality through the use of specially selected environmentally sustainable raw materials and Italian craftsmanship.

In addition, thanks to the acquisitions completed in 2021, the company has further extended its product offering. Thanks to the acquisition of G.C. Infissi, the company has entered the production of fixtures in aluminium and PVC, while the acquisition of Teknika has enabled the company to enter production of mosquito nets, roller blinds, thermal insulation monoblocks and awnings, which combine with the window frame to make the one-piece "Hole Box".

The group's activities are carried out at two different production areas: the first in Campania, in the Avellino area, where the historic plants of Sciuker Frames S.p.A. are located, and the second in Piedmont, where the production plants of the two recent acquisitions, GC Infissi and Teknika, are located. As of today, the company employs approximately 537 including both internal and external personnel.

Production Plants



Source: Company presentation

Over the years the company has created a system of window frames based on patented proprietary technology. Indeed, thanks to the technology developed internally at the Sciuker Lab, the company manufactures frames with technical characteristics that set them apart from traditional equivalents.

Specifically, the Sciuker Lab develops solutions dedicated to optimising production processes and selecting the best natural raw materials, both in terms of design quality and energy efficiency, with the aim of transforming the window from its functional status to a design feature.

Sciuker Lab's capabilities and design expertise have allowed the company to infuse natural materials with stability, lightness, thermal insulation, environmental sustainability and designer features, all realised through an industrial process that promotes Italian craftsmanship without stinting on security features, guaranteed by the integration with anti-burglar home security systems.

Products

Collezione Skill (segmento Entry Level)



Collezione Stratek Collezione Isik Collezione Exo⁽²⁾ (segmento Premium)



Collezione Offline⁽³⁾ (segmento Lusso)



Source: Company presentation

Products are designed, manufactured and marketed according to an integrated organisational model, in which the company oversees the entire production and distribution chain, from research and development, through production and distribution to sales and the after-sale support phase. On the one hand, this model ensures the quality of the product and its conformity with the standards set by the company, while on the other it guarantees the efficiency of the production and distribution phases, enhancing customer satisfaction.

All of the work on the frames is carried out at the group's plants, including manufacture and assembly of the components. Sciuker has an extensive presence throughout Italy thanks to a commercial network of agents, 500 resellers and 5 directly-managed stores (in Avellino, Milan, Naples, Bari and Cagliari). Its coverage of the entire country is also ensured by intensive location-based marketing, carried out through online advertising, aimed at addressing the specific target segment for each of the products sold, as well as outdoor advertising campaigns (i.e. posters and billboards), events dedicated to sector professionals, including architects, engineers and designers operating on a national scale, social media marketing, and events dedicated specifically to agents and resellers.

Furthermore, after buying 80% of Eco Contract (now Sciuker Ecospace) in 2020, the company has also acted as a general contractor for projects to improve energy efficiency and earthquake proofing, which are eligible for the fiscal benefits introduced by the so-called "Relaunch" decree. Ecospace's involvement in principal construction projects on building envelopes, as defined by the Relaunch decree, helps generate ancillary business for the parent company, by supplementing the energy efficiency works with the supply of Sciuker Frames windows. As a result, the parent company can enhance its earnings through the direct impact of its own increased turnover as well as the revenues generated by its subsidiary.

With longstanding experience in the sale of tax credits and the commitment of a team of highly-qualified experts, Sciuker Ecospace employs the best technology available on the market to carry out renovations of condominium buildings, using fiscal incentives to ensure that the individual condominium does not incur any costs, with the entire project being paid for through the sale of the associated tax credit.

The key factors in the company's success are:

- **focus on the product:** the attention and care put into realising products is evident in the use of high-quality materials as well as meticulous and unstinting quality control throughout the value chain. Procurement of raw materials, which takes place through selected suppliers, ensures high quality standards for finished products;
- **product innovation:** from entry-level to luxury, the firm's products stand out on the market due to the ability to combine innovation, creativity, and the latest styling trends with product security, safety, durability, acoustic comfort, technology, and design.
- **a wide range with extensive personalisation possibilities:** the huge product range, with "bespoke" design and colour options, enables the company to offer products suited to the varied demands of the core market, as well as the possibility of carrying out customisation for special orders;
- **an efficient commercial and distribution system:** the distribution model adopted by the company is the consequence of combining the efficiency and flexibility of distribution through a select network of agents and resellers with control of strategic distribution choices, and the direct management of commercialisation by the Customer Management department or by specific markets.

- protective of the environment and environmentally efficient: the Issuer's decisions have always been guided by concern for the environment, something the company intends to maintain intact. To this end, research carried out at Sciuker Lab, motivated by an eco-sustainability ideal, has enabled the company to conceive, design and produce frames that ensure maximum energy efficiency;
- certified and sustainable raw materials: wood, the principal raw material, is only sourced from properly managed PEFC and FSC pine forests, fully respecting biodiversity and the landscape thanks to continuous and controlled reforestation.
- internationally-recognised certification: products comply with prevailing requirements for the purpose of obtaining the CE marking, and with the Class A CasaClima standards for high energy efficiency, while the company is certified UNI EN ISO 9001:2008 and UNI EN ISO 14001:2004.

Business Model

The company's business model allows it to cover the entire production and distribution chain, from design and manufacture to marketing, sales and after-sales assistance, in order to guarantee product quality and production efficiency. The image below outlines the phases of the value chain, which correspond to specific company functions.

Sciuker Frames – Business Model



Source: Intermonte SIM

Phase 1: “Design and Development”

The production and distribution process begins with the design stage, carried out by Sciuker Lab. This research and development centre is made up of a group of technical experts and designers under the guiding hand of CEO Marco Cipriani, assisted by engineers Rocco Cipriano and Ruggero Galasso, who constantly seek out the best solutions that are economically more efficient and can meet the specific needs of the frames market, without sacrificing process sustainability, the use of natural materials and the profit margins of the end products.

In particular, Sciuker Lab analyses current market trends and develops new solutions that are in line with emerging demand and the technological developments the department envisages influencing the windows market in the medium to long term. To this end, Sciuker Lab's goal has always been to combine carefully selected natural materials with Italian craftsmanship, dedicating significant attention to both the design of the final product and the essential features of window frames, including thermal and sound insulation and automation.

The high standing and quality of Sciuker Lab's activities are clearly demonstrated by the accreditation obtained by the company from various EEA notified laboratories, guaranteeing the quality with which Sciuker Frames products are designed and manufactured, with constant quality control.

Thanks to the results delivered by Sciuker Lab, the company's products are known for their significant innovative elements, as well as the distinctive use of materials and technology. The main drivers behind Sciuker Lab's decisions and investments are:

- **Technological:** the company's process optimisation is aimed at reducing production waste, timeframes and environmental impact;
- **Product-based:** the selection of high-performing, innovative materials that match the requirements of the reference market.

The design process is always driven by analysis of the main market trends and constant dialogue with the network of partners, along with the input of the sales team and stores, who can help identify and satisfy the preferences of the end customer.

In particular, the research and development activity carried out by the Issuer is focused on:

- Market research and analysis;
- Definition of product development plans;
- Execution of feasibility studies, activity planning and supplier selection, in partnership with the Head of Procurement;
- Sending specific requests to suppliers;
- Tests with suppliers. These tests involve the manufacture of components for which the moulds are made to order; before forwarding the order of the required quantity to feed into the production flow, samples are made for validation, with the possibility of requesting a change to the mould (for example, seals, aluminium profile, clips);
- Prototype development;
- Simulation of the functionality of the prototypes with repeated work cycles; manufactured frames are put through various trials and tested to ensure they are watertight;

- Frames tested by external laboratories;
- Execution of installation tests at the company's plant with the use of specific sub-frames;
- Execution of tests on the packaging used for protection during delivery;
- Industrial manufacturing of the product based on the relative prototypes.

Phase 2: Procurement

The next phase of the value chain involves the procurement of raw materials (i.e. wood, aluminium, glass, ironware and seals), and is overseen by the centralised Procurement Office to ensure the procurement policy is consistent with the volumes sold by the company. Procurement of raw materials is a particularly important part of the Sciuker Frames production cycle. The company therefore selects its suppliers very carefully, in order to guarantee a constant supply of products of the highest quality. In particular, the Procurement Office is responsible for: drawing up agreements with suppliers (using the technical specifications defined by Sciuker Lab), managing purchase orders, and supervising procurement staff. The choice of suppliers is made by the Head of Procurement based on specific market research. Quote requests are sent exclusively to suppliers that can guarantee a flow of raw materials and a level of service in line with the company's expectations and compatible with the specific features of the product being manufactured. Where possible, the Head of Procurement draws up an annual supply agreement with suppliers, establishing conditions and processes for the purchase of raw materials. The identification of raw materials and the products required in the production process is also managed by the Head of Procurement, with support for the Heads of Manufacturing and Research & Development (regarding specific consumer trends).

Phase 3: Production

Production is carried out at the group's various plants, which carry out all of the work for the manufacture of frames, from component production to assembly. Environmental protection considerations are important at every stage of the production process: indeed, nearly all manufacturing waste is used to fuel the heating system, with any excess sold to local pellet manufacturers.

Quality control is carried out on the components made at every stage of the production process. In particular, the production process is divided into two stages:

- *First phase* (from the initial raw materials to the standard semi-finished product): involves the manufacture of products for the warehouse (semi-finished products), mainly comprising carpentry and joinery activity. This phase is fully automated, thanks to computer numerical control machine technology that maximises the use of resources and reduces processing times. In particular, the first phase of production involves the following processes: Profiling, Stratification, Cutting, Milling, Finishing and Coating, Door Assembly.
- *Second phase* (from the semi-finished to the finished product): involves completion of the product; carried out according to individual specifications, with manual labour that allows a high-quality, handmade finish. Specifically, this second phase involves the following processes: sealing, aluminium cutting, ironwork, special products, glass, silicone sealing, aluminium profiling, testing, shutters, final quality control and packaging.

The majority of the production phases are mechanised, enabled by the use of machines whose various axes are controlled by encoders capable of following repetitive work processes based on a pre-set programme. These machines are normally linked to manufacturing software to transmit data from the work site to remote sites. With regard to production, it is worth highlighting that the company has subcontracted the workforce responsible for the production process, involving the construction and assembly of window frames and fixtures in wood and aluminium, including installation, after-sales assistance, ordinary maintenance on the equipment, as well as those dedicated to cleaning, gardening and front office services.

Phase 4: Distribution

The company's logistical organisation allows it to benefit from reduced storage times for finished products allowing rapid delivery to customers. The warehouse oversees receipt and checking of raw materials from suppliers, facilitating traceability. Part of the warehouse is also equipped for storage of standard semi-finished products, ready for customisation; finally, the warehouse carries out the packaging of the finished product. On average, the production cycle lasts 8 weeks, varying based on the collection and the specific features of each order. For example, production of fixtures in the Skill collection, dedicated to the entry level, has average duration of six weeks.

The company's distribution system guarantees an extensive presence across Italy, Indeed, Sciuker sells its products throughout Italy using the following distribution networks:

- *5 directly-managed stores*, located in Avellino, Milan, Naples, Bari and Cagliari. The company has dedicated in-store staff who, with the support of the "Finestra 3000" software and drawing on the expertise of employees in the company's technical department, can provide bespoke quotes to end customers, which are then transmitted to the company for production after written acceptance has been provided.
- *multi-mandate agents*. Based on the agency contracts currently in place, the Agents are tasked with signing contracts with resellers and/ or end customers for the sale of products pertaining to their own area of expertise, without power of representation. In any case, at its own discretion the company can accept or reject the orders proposed by the Agents, without any right for the Agent to receive any fee or compensation in the event of a sale that is not approved. The Agents are also involved in promoting the products through scheduled visits and product demonstrations at clients' premises.
- *500 resellers*, spread across the country.

Moreover, in recent years the company has supplemented its commercial network through the signing of key account contracts relating to the installation of fixtures on major residential developments, such as the agreements signed with AbitareIn.

Phase 5: After-Sales

In support of the company's product offer, it also provides after-sales services to the end customer. To this end, the company offers support and training to its commercial partners, as well as much longer guarantees on its products than required by law (i.e. two years for contracts signed with end consumers, one year in all other cases).

Assistance is overseen by the company's technical and commercial staff, who follow the client to guarantee maximum satisfaction. Indeed, the end client is offered support on the quotation process, delivery, claims, any product defects, guarantee rights and payments. All areas, both pre-sale and after-sale, are followed by the company on a step-by-step basis.

Specifically, resellers receive training on the use of quotation software, correct management of the stores, sales techniques and installation, in order to improve the overall service provided to the end client. Moreover, the company provides its clients with:

- A 20-year guarantee for LegaTec coating (exclusively on external products from the Skill collection); the coating protects frames from adverse weather conditions, salt and graffiti;
- A 15-year guarantee for the functionality of windows and shutters. This guarantee relates to the general performance of the product, which is guaranteed as long as installation is completed correctly according to the defined rules;
- A 10-year guarantee for aluminium coating, with particular reference to any bubbles, detachment or flaking;
- A 10-year guarantee against the formation of condensation on double glazing;
- A 4-year guarantee for the seals.

Outlook: Stricter emission regulations require a building renovation wave

Europe targets to become the first climate-neutral continent by 2050

The European Green Deal, presented by the Commission on 11 December 2019, sets the goal of making Europe the first climate-neutral continent by 2050. The European Climate Law, which enters force this month, enshrines in binding legislation the EU's commitment to climate neutrality and the intermediate target of reducing net greenhouse gas emissions by at least 55% by 2030, compared to 1990 levels. The EU's commitment to reduce its net greenhouse gas emissions by at least 55% by 2030 was communicated to the UNFCCC in December 2020 as the EU's contribution to meeting the goals of the Paris Agreement. As a result of the EU's existing climate and energy legislation, the EU's greenhouse gas emissions have already fallen by 24% compared to 1990, while the EU economy has grown by around 60% in the same period, decoupling growth from emissions. This tried and tested legislative framework forms the basis of this package of legislation.

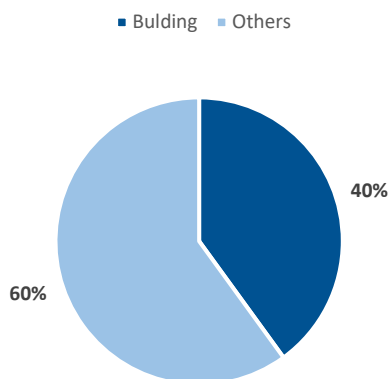
The Commission conducted extensive impact assessments before presenting these proposals to measure the opportunities and costs of the green transition. In September 2020, a comprehensive impact assessment underpinned the Commission's proposal to increase the EU's 2030 net emissions reduction target to at least 55% compared to 1990 levels. It showed that this target is both achievable and beneficial. The EU's long-term budget for the next seven years will provide support for the green transition. 30% of programmes under the €2 trillion 2021-2027 Multiannual Financial Framework and NextGenerationEU are dedicated to supporting climate action; 37% of the €723.8 billion Recovery and Resilience Facility, which will finance Member States' national recovery programmes under NextGenerationEU, is allocated to climate action.

Climate change and environmental degradation are an existential threat to Europe and the world. To overcome these challenges, the European Green Deal will transform the EU into a modern, resource-efficient and competitive economy, ensuring:

- no net emissions of greenhouse gases by 2050
- economic growth decoupled from resource use
- no person and no place left behind

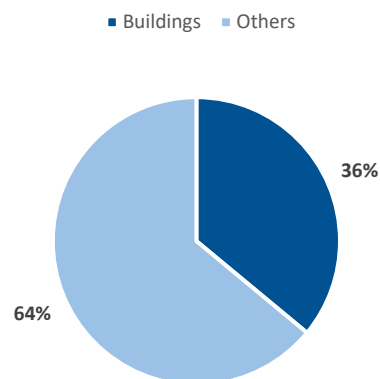
Buildings are a central part of our daily lives, and we spend a large part of our days in them - at home, at work, or in our spare time. In its different forms - homes, workplaces, schools, hospitals, libraries or other public buildings - the built environment is, however, the single largest energy consumer in the EU and one of the largest carbon dioxide emitters. Collectively, buildings in the EU are responsible for 40% of the bloc's energy consumption and 36% of greenhouse gas emissions, which mainly stem from construction, usage, renovation, and demolition.

Buildings account for 40% of energy consumed...



Source: EU Commission

And 36% of energy-related greenhouse gas emissions



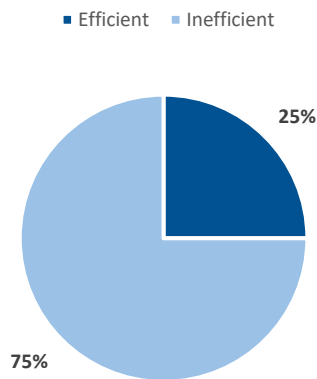
Source: EU Commission

Improving energy efficiency in buildings therefore has a key role to play in achieving the ambitious goal of carbon-neutrality by 2050, set out in the European Green Deal.

Reforming the EU building stock. Today, roughly 75% of the EU building stock is energy inefficient. This means that a large part of the energy used goes to waste. Such energy loss can be minimised by improving existing buildings and striving for smart solutions and energy efficient materials when constructing new houses. Renovating existing buildings could reduce the EU's total energy consumption by 5-6% and lower

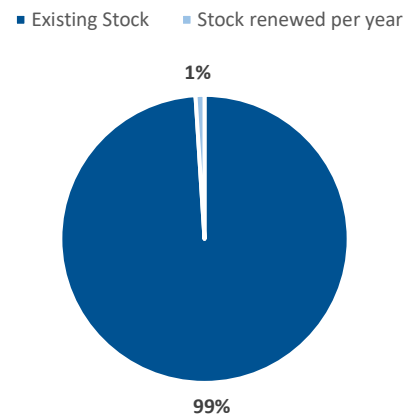
carbon dioxide emissions by about 5%. Yet, on average, less than 1% of the national building stock is renovated each year. (Member State rates vary from 0.4% to 1.2%.) In order to meet EU climate and energy objectives, the current rates of renovations should at least double.

Roughly 75% of EU building stock is energy inefficient



Source: EU Commission

National Building Stock renovated every year



Source: EU Commission

The EU recently introduced new ambitious policies to help steer member states towards better energy efficiency in buildings. Knowing that cost is often the major hurdle to renovation, the new rules also ease access to financing for improving the building stock. The Energy Performance of Buildings Directive (EPBD) 2010/31/EU and the Energy Efficiency Directive (EED) 2012/27/EU were revised in 2018, as part of the “Clean energy for all Europeans” package, to better reflect the EU’s aim of driving the clean energy transition. Taken together, some of the most important elements in the directives include:

- reinforced long-term renovation strategies for EU countries
- nearly zero-energy buildings
- energy performance certificates
- consideration for health and well-being (air pollution), e-mobility (e-charging points), and smart technology (smart meters, self-regulation equipment) in new buildings
- EU countries need to write the new and revised provisions of the EPBD into national law by 10 March 2020.

In addition, each EU country needs to present its strategy for tackling energy in buildings for the 2021-2030 period through its integrated national energy and climate plans (NECPs). The cumulative impact of these efforts at national level will feed into the overall goal of reaching a 32.5% energy efficiency target by 2030 for the EU.

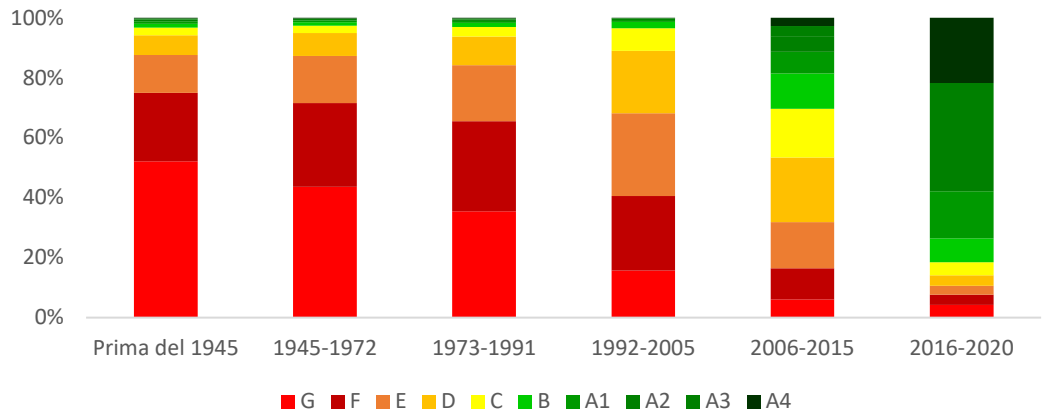
Innovating and investing for smarter buildings. Through Horizon 2020 research and innovation projects, the EU invests in grants or loans that help to boost technology and best practice in the sector. Appliances like smart meters, better performing materials and digital tools contribute to energy efficiency and can help consumers to better control their energy consumption and save money. The EU also supports and finances energy efficiency projects through the European Investment Bank (EIB), which lends money to projects that contribute to reaching the EU’s energy and climate goals. To boost building renovation, the European Commission has announced the intention of launching the new ‘renovation wave’ initiative, as part of the European Green Deal. The aim is to increase the rate of renovation of existing buildings and bring together the different actors in the sector to develop financing possibilities, promote investments in buildings and pool renovation efforts.

Benefiting the environment and citizens. EU rules on energy efficiency in buildings show a clear and positive impact. Since the first measures were introduced under national building codes, energy consumption in new buildings of today has halved compared to typical buildings from the 1980s. Besides the environmental gains from lower energy use, people across the EU will also benefit from improved energy efficiency in their homes, at work, in schools, and in other buildings. Energy efficient buildings will result in lower energy bills and reduced energy demand. In some cases, they will also benefit from increased renewable energy sources. These changes will also lead to better air quality and improved health.

What about Italy?

The 2020 Annual report on Energy Certification of Buildings by ENEA and CTI shows a slowly improving situation, but most buildings in Italy are in the least efficient energy classes. Almost 60% of national building stock is shown to have poor levels of energy performance, i.e. in the F-G energy efficiency classes. To a large extent, the buildings concerned were put up between 1945 and 1972 (39.9%) with a substantial percentage (20.2%) of pre-1945 buildings. Nevertheless, thanks above all to significant renovation and new construction, in the 2016-2019 period the percentage of high energy efficiency buildings in Italy rose from ca. 7% to 10% of the total. Due to the tightening of the requirements for obtaining the Superbonus – accessible only via an improvement of two energy efficiency classes or by achieving the highest class – we should expect an even more pronounced improvement in the next few years.

Italian Buildings - Energy efficiency classes



Source: SIAPE (Sistema Informativo sugli Attestati di Prestazione Energetica)

The residential sector accounts for ca. 85% of the sample Energy Performance Statements (Italian acronym APE) analysed (a figure in line with the split between residential and non-residential buildings, 89% and 11% respectively, based on the 2011 ISTAT census). Looking at the distribution by energy class, there is a clear prevalence of F and G in the residential sector (ca. 70%), while in non-residential C and D prevail.

Hence, considering that Italian building stock comprises ca. 31mn dwellings and that ca. 60% of these are in energy classes that indicate a lack of efficiency, we can estimate the approximate number of dwellings to upgrade in the coming years / decades in order to take the sector to the zero emission target as at least 18mn. To achieve this target it appears clear that private initiatives by individuals need to be bolstered by a system of incentives in order to significantly accelerate work to improve energy efficiency.

The Italian government has adopted a number of measures for this purpose in the last few years, with ever increasing tax rebates to incentivise householders to improve the energy efficiency of their homes. In a move to encourage this, the 110% Superbonus has been introduced. Basically, the 110% Superbonus is an incentive that aims to make homes safer and more efficient, allowing householders to carry out eligible work at no cost. The Super Ecobonus is aimed at facilitating energy efficiency upgrades such as thermal insulation of the building envelope and replacement of heating systems. Once at least one of the principal interventions is carried out, the beneficiary can perform an ancillary intervention such as **replacement of window frames, solar shielding**, installation of PV solar systems, battery storage systems, charging columns for electric vehicles, home domotics systems, elimination of barriers to access for disabled persons or those aged over 65 years, and many others. **All these interventions (principal and ancillary) must entail a minimum improvement of at least two energy efficiency classes** for the building or for the functionally independent housing unit having one or more private entrances from the outside in a multi-household building. More information on the Superbonus is given in the appendix.

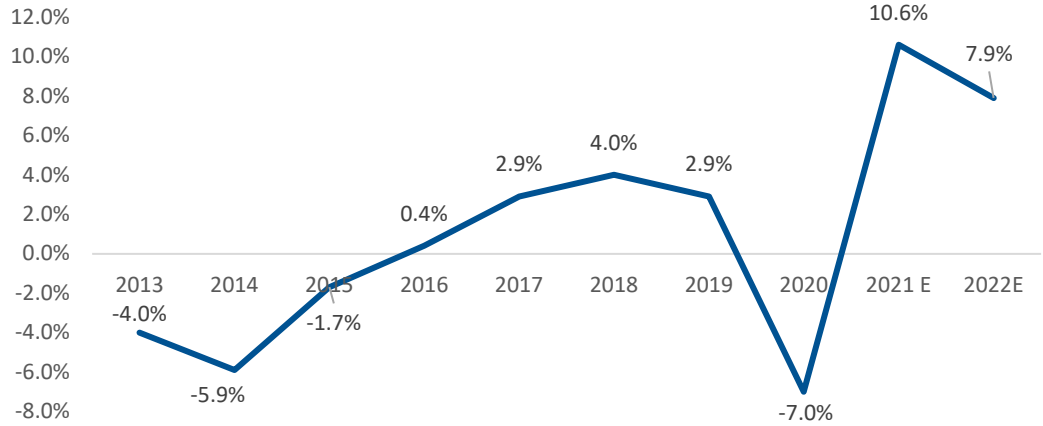
The window market in Italy

The Economic Research Department of UNICMI (National Association of Metallic Building Envelope and Window/Door Manufacturers) published an update in October 2021 to the 2020 Italian building envelope report containing forecasts for year-end 2021 and projections for 2022 on the Italian window and curtain walling market.

The latest market data shows a recovery of the construction sector by 9.2% in 2021 (in July 2021 the figures pointed to a 7.5% recovery); the residential renovation sector is set to grow 14.7% in 2021 and 10.5% in 2022, generating aggregate turnover for the 2021-2022 two-year period of Eu14bn. New residential

building will also resume growth, up 11.5% in 2021 and +7.4% in 2022, the highest rates in the last 20 years. The window market in 2021 will grow 10.6% (previous indication +8.6%); the recovery will continue in 2022 at +7.9%. In the residential segment, demand for windows will grow 14% in 2021 and 9.5% in 2022, again at the highest rates in the last 20 years. In non-residential, windows and curtain walling will grow 5.9% in 2021 and 5% in 2022.

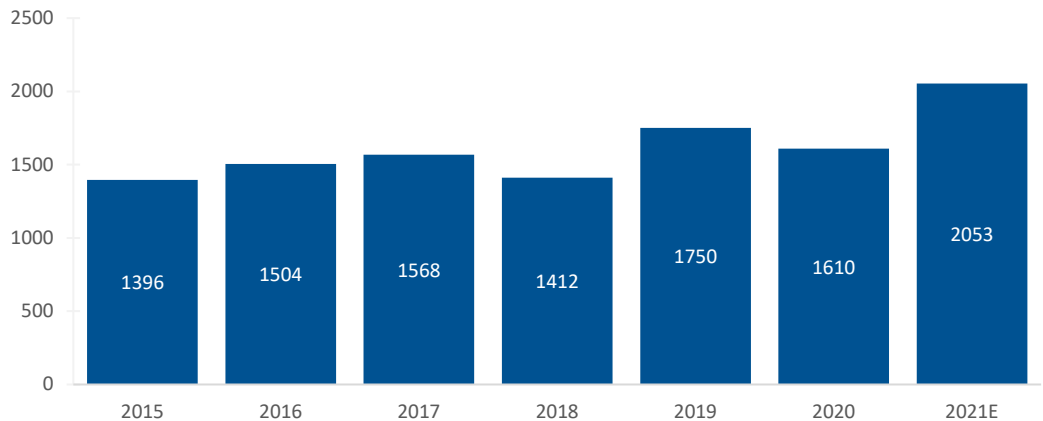
Revenue growth rate in the window and curtain walling sector



Source: Il mercato dei serramenti e delle facciate continue nel 2020 e 2021, UNICMI

Tax incentives for replacing fittings (a combination of the Bonus Casa, 110% Superbonus and the Ecobonus) will generate demand for window frames in 2021 of over Eu2bn, a figure not seen since 2013. Tax incentives are a structural component of demand and the incidence on sales of frames in the residential segment is 70% (86% considering residential renovation only).

Window frame demand generated by tax incentives (Eu mn)



Source: Il mercato dei serramenti e delle facciate continue nel 2020 e 2021, UNICMI

Reformulation or a watering down of the system of incentive could have a chilling effect on the recovery of the window sector. Were the Ecobonus incentive weakened or withdrawn, a significant slice of the market could be lost. It is worth remembering that according to UNICMI estimates, this measure amounts to ca. Eu1.6bn for 2021 (the last figure provided by ENEA put the amount at Eu1.3bn in 2019), thus the lion's share of the Eu2bn previously referred to for 2021.

In the worst case, if this type of incentive were completely withdrawn at least 70% of demand generated by the measure, estimated at Eu1.1bn (70% of Eu1.6bn), would evaporate, because ca. 86% of consumers are motivated to replace windows by the incentives (source: survey commissioned by UNICMI).

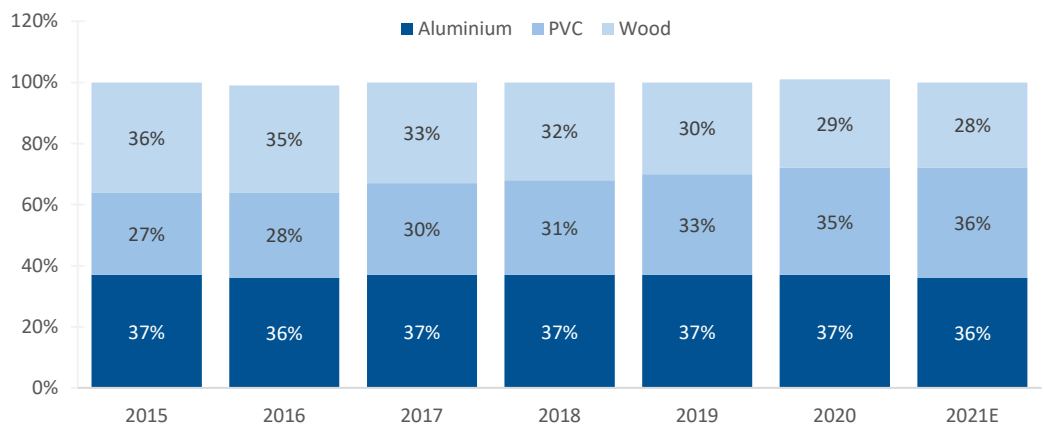
Competitive Positioning

The Italian window market is extremely fragmented: a handful of companies with a market share above 1% (10 companies according to research conducted in 2017 by IC Market Tracking) are flanked by a multitude of small operators (this category includes craft workshops that mainly work on a local basis with reduced resources). With a view to expanding market share, operators with shares below 1% can therefore be considered possible acquisition targets rather than threats.

The main companies operating in the same market segment as Sciuker are territorially concentrated in specific industrial districts, as well as varying in size and generally specialising in a specific production process (wood, aluminium, PVC, or mixed systems). Among the Company's competitors are important Italian firms such as Secco Sistemi and Finstral, but also international companies with a focus mainly on PVC production, such as Drutex, Oknoplast and Qfort. However, the strategies of these companies differ from Sciuker's, as they are based mainly on economies of scale, leveraging final prices that are on average lower than those charged by Sciuker, but with lower product quality.

Historically, Sciuker has differentiated itself from its competitors by positioning itself almost exclusively in top-of-the-range wood-aluminium windows, a market that represents approximately 28% of the window and door market in terms of value. In 2021, thanks to the acquisition of GC Infissi, the Group has also entered the market for PVC and aluminium products more significantly, thus covering the entire product range and enabling the exploitation of cross-selling and synergies of scale in the medium-long term.

Demand evolution (Value)



Source: Il mercato dei serramenti e delle facciate continue nel 2020 e 2021, UNICMI

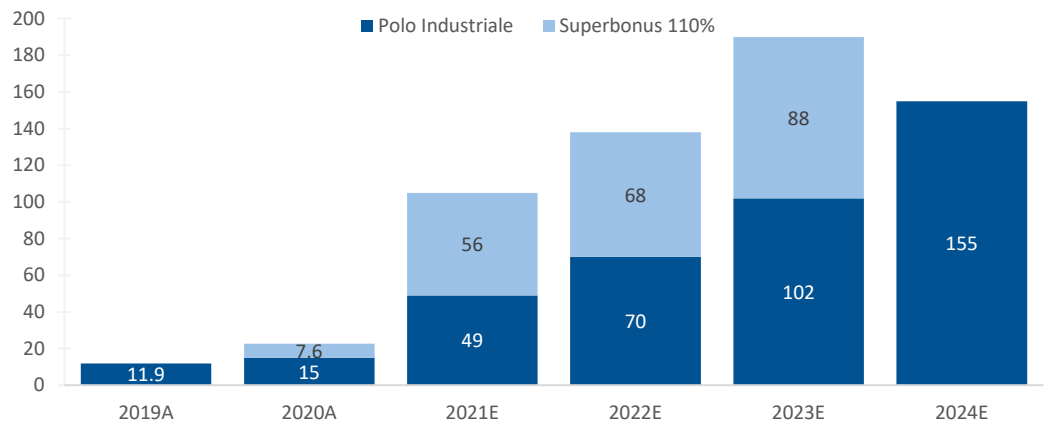
Company Strategy

Organic growth: Business Plan 2021/2024

The group intends to continue its growth trajectory based on the industrial guidelines that it has followed successfully in recent years, confirming the strategic model that rests on the four pillars of organic growth, sustainability, technological development and efficiency. The coming years will see the group pursuing new ambitions, such as the aim of consolidating a position as the leading Italian hub in window frames and solar shielding with Made in Italy design. In this respect, the group has rounded out its product range through the recent acquisition of GC Infissi, a specialist in PVC and aluminium frames, and thanks to the acquisition of Teknika that manufactures ancillary components for the window structure (“Hole Box”).

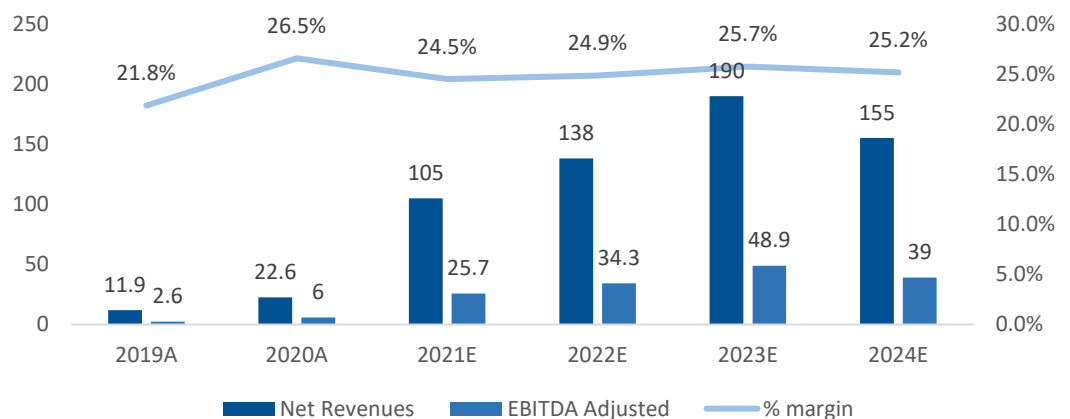
The group’s growth strategy involves an overall investment of around Eu45mn over the course of the business plan. Investment will be focused on expanding production and the product range. The aim is to bring the consolidated value of production to Eu155mn in 2024, deriving entirely from industrial activity, and therefore net of the contribution from the 110% Superbonus. However, we point out that since the business plan came out, the Government has proposed prolonging the Superbonus until 2025, albeit with fiscal benefits going down in the later years. We therefore think that the company’s Superbonus targets could prove conservative.

2021-2024 BP – Revenues evolution



Source: Company presentation

2021-2024 BP – Margins evolution



Source: Company presentation

The plan does not contemplate any external growth apart from the recently closed deals, with opportunities to be assessed from time to time over the duration of the business plan. Execution of any strategic M&A deals, with investments in majority stakes in companies with complementary businesses that can be integrated with the group’s activities, would have the objective of consolidating the company’s presence in its core market, as well as accelerating the organic growth trajectory.

External growth

The solid organic growth expected by the company for the next few years will be accompanied by an important external growth strategy, made possible by abundant cash generation, thanks in particular to the strong contribution from Eco Space. We believe that the main objectives of this strategy could be completion of the product range (as has occurred through the recent acquisitions of GC Infissi and Teknika, which we describe in the following paragraphs), and entry into new geographic markets, thus diversifying from the current purely domestic presence.

Recent M&A deals: GC Infissi

In April, the company announced the acquisition of 63.5% of GC Infissi from the two operational shareholders, Saverio Campo and Carmine Garofalo, respectively Chairman and Vice-Chairman. 90% of the company's production is focused on the manufacture of PVC frames, its core business. In the last 3 years the company has started an expansion process, extending production to aluminium frames. GC Infissi's current production capacity is 150 units per day, using an overall production space of 20,000m². The sales network was made up of resellers operating throughout the national territory with a focus on central and northern Italy. GC Infissi has 73 employees, and in 2020 generated Eu8.9mn in revenues and EBITDA of c.Eu0.1mn. 2020 results were influenced by production being halted in March, April and May as a result of Covid-19. Based on assumed synergies in terms of economies of scale and distribution benefits, Sciuker Frames believes that the contribution to the group's consolidated 2021 accounts may be Eu13.4mn in revenue terms and Eu1mn of EBITDA.

Economics: the contract stipulates that Sciuker Frames will buy 63.50% of the GC Infissi share capital from the sellers. The purchase price was set at Eu2mn in addition to the transfer of 50,000 Sciuker Frames shares to the sellers on 15th January 2026. Furthermore, Sciuker Frames has undertaken to remunerate the difference in value of shares as at 1st January 2026 if the share price were to fall below Eu10 per share on that date. The transaction also envisages that as of the date of closing, GC Infissi will be managed by a 5-strong Board of Directors, of which 3 to be appointed by Sciuker Frames and 2 by the sellers, subject to the approval of Sciuker Frames. Saverio Campo will remain the company Chairman, with Carmine Garofalo continuing in his role of Vice Chairman.

Rationale: execution of this deal will allow Sciuker Frames to: (i) consolidate its leadership position on the domestic market; (ii) expand and strengthen the offer of its products in Italy; (iii) execute the investment strategy for the growth and development of Sciuker Frames group, which involves the expansion of its activity both internally and externally.

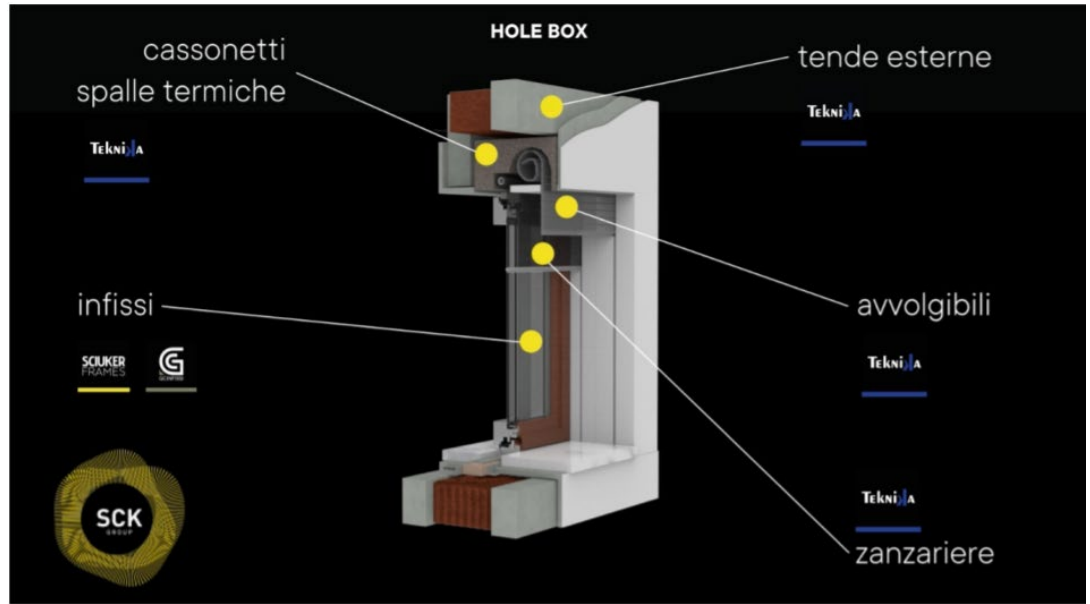
Recent M&A deals: Teknika

Sciuker Frames has signed a preliminary contract for the purchase of 60% of Teknika. The company's core business is the manufacture of mosquito nets, roller blinds, thermal insulation monoblocks, awnings and bioclimatic pergolas. Selling shareholders Alberto Verdina and Emanuele Verdina have operating roles in the company, and hold the roles of Chairman and CEO respectively. At today's date Teknika has 50 employees, and in 2020 it generated Eu6.3mn in revenues, with EBITDA of around Eu675k and a positive net financial position of Eu330k. The company's 2021 standalone forecast projects around Eu8mn in revenues, with EBITDA of Eu0.9mn and a positive NFP.

Economics: the contract envisages Sciuker Frames buying 60% of the Teknika share capital from the sellers (30% from Emanuele Verdina and 30% from Alberto Verdina). The purchase price is Eu2.9mn, to be paid at closing as follows: (i) Eu2.2mn in cash proportional to the stake held by each selling shareholder, and (ii) Eu700k to be paid through the transfer to the sellers of 46,700 Sciuker Frames treasury shares valued at Eu15 per share, on which the sellers have committed to a lock-up to 15th January 2026. If Sciuker Frames shares are trading lower than the Guaranteed Value on 1st January 2026, the company would pay the sellers the difference between Guaranteed Value and the arithmetic mean of the closing value of the shares for the period from 1st December 2025 to 31st December 2025 inclusive on each of the shares transferred to the sellers, with payment to be made on 15th January 2026. The price would also be topped up if revenues from sales and services recorded in 2022 financial statements were above Eu12mn, with Sciuker Frames paying the sellers a further Eu1mn. Closing, which will take place upon satisfaction of the conditions precedent established in agreements similar to the Contract, is envisaged by 31st December 2021. Alberto Verdina and Emanuele Verdina will remain on the Board of Directors, in order to ensure operational continuity and efficiently deploy Teknika's capabilities and expertise.

Razionale: the purchase of Teknika enables the group to expand its range of accessories significantly, adding mosquito nets, roller blinds, thermal insulation monoblocks, awnings and bioclimatic pergolas. With this acquisition the group completes its “Hole Box”, making it a fully integrated product with fixtures and accessories that make it ready for the Italian residential energy efficiency market. The company believes that in 2024 Teknika will be able to generate turnover of Eu30mn with an EBITDA margin of at least 24%, exploiting the group’s retail distribution capabilities, partnerships with key clients and the opportunities created by the 110% Superbonus.

The “Hole Box”



Source: Company press release

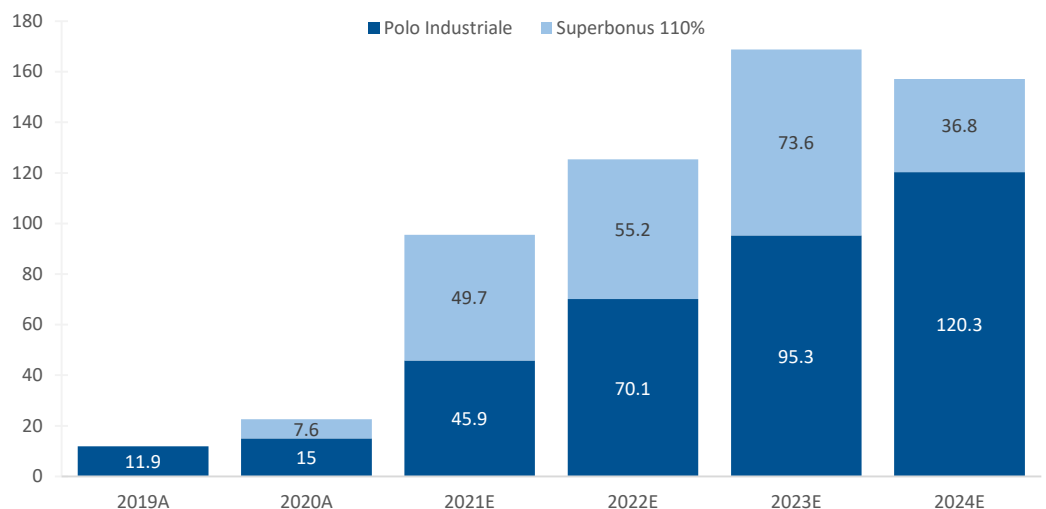
Estimates

Income statement

Top line trends. We estimate an important change of pace for the company in the next few years, that after having multiplied its turnover by 9 between 2019 and 2021, it is expected to further increase the total turnover from Eu102mn expected in 2021 to Eu162mn in 2024. Below are the main expected growth drivers:

- **Sciuker Frames:** we estimate major turnover growth in the company's historical core business, which we estimate can effectively more than quintuple from 2020 to 2024 (when the situation will gradually start to normalise following the gradual expiry of the 110% superbonus) thanks to the important investments that the company plans in the coming years which will allow for significant growth in production capacity, not only meeting traditional demand (retail), but also the demand deriving from the important agreements signed in recent years (AbitareIn, EnelX).
- **Ecospace:** as described in the previous paragraphs, starting from 2020 the company began operating as a general contractor in energy redevelopment projects linked to the 110% Superbonus (see appendix for more details). In the 2021 to 2023 period, we estimate that the subsidiary could complete works for 32 condominiums on average per year, taking cumulative revenues to Eu220mn (~Eu2.3mn per intervention). As it looks as if the Superbonus will be prolonged to 2025 but with declining rates (110% in 2022 and 2023, 70% in 2024, 65% in 2025), we assume that the contribution for 2024 will be half that for 2023, although we acknowledge that there would be upside to our estimate in the event of the measure being modified further. In support of our estimates, Ecospace has signed 68 contracts to date with a residual backlog of Eu173mn, basically covering all the turnover we expect by 2023.
- **GC Infissi:** We also expect significant growth in this area (about 3x from 2020 to 2024) thanks to the integration of the company into the Sciuker Group and the exploitation of its widespread distribution network. Furthermore, important investments are underway to increase the production capacity of the company's sites (mainly new automated machinery). As a consequence, we expect GC Infissi to reach a total turnover of Eu35mn by 2024, from the Eu13mn expected in 2021.
- **Teknika:** We expect that integration in Sciuker Group will lead to significant growth for this company, which will benefit from sales that include windows produced by Sciuker Frames and GC infissi, with the additional benefit from the wider distribution network than before. We estimate that turnover from this business could grow from Eu8mn expected for 2021 to around Eu30mn in 2024, in line with the indications provided in the acquisition press release.
- **Intercompany:** we underline that part of the revenues of Sciuker Frames S.p.A. in the 2021-2024 period will be realised through sales to the subsidiary Ecospace, and will therefore gradually fade out from 2024, once the incentives should gradually disappear.

Net Revenues evolution



Source: Intermonte SIM estimates (E) and Company data (A)

Adjusted EBITDA expanding from Eu6.0mn to Eu41.2mn. Regarding margins, we expect that after a decrease in profitability in 2021 due to the consolidation of GC infissi, which has structurally lower margins than Sciuker Frames (the PVC sector sees more price competition than wood-aluminum), margins will gradually rise again in the following years, peaking in 2023 thanks to the important volumes foreseen for

Ecospace. We emphasise that adjustments in EBITDA are downwards rather than upwards to reflect the cost of credit sold to the banking system under the 110% super bonus, which from an accounting point of view are below EBITDA, but to all intents and purposes represent an operating cost for the Ecospace business.

Moving down the P&L, between EBITDA and net profit we assume the following:

- D&A: expected to grow significantly from Eu1mn in 2020 to Eu7mn in 2024 due to the amortisation of the Eu45mn in CapEx expected in the 2021-2024 period.
- Tax rate: we expect it to remain at the 2020 level of around 29%, assuming no patent box/other fiscal incentives in future years.
- Minorities: to increase strongly due to the expected growth at Ecospace (12% minorities), GC Infissi (36.5% minorities) and Teknika (40% minorities).

Given the aforementioned developments, we forecast net profit growing from Eu2.3mn in 2020 to Eu20.7mn in 2024, a 73.0% CAGR.

P&L								
(Eu mn)	2017 A	2018 A	2019 A	2020 A	2021 E	2022 E	2023 E	2024 E
Net revenues	9.8	9.2	12.0	19.1	95.5	125.3	168.9	157.1
YoY growth	0.0%	-5.8%	29.5%	59.7%	400.0%	31.2%	34.7%	-7.0%
Others	0.9	1.3	0.5	1.6	6.2	6.9	9.2	4.6
Δ finished goods	0.3	0.0	-0.6	1.9	0.0	0.0	0.0	0.0
Value of production	11.1	10.5	11.9	22.6	101.7	132.2	178.1	161.7
YoY growth	0.0%	-4.6%	12.9%	89.8%	350.2%	30.0%	34.7%	-9.2%
EBITDA reported	2.4	1.9	2.6	7.7	30.2	39.8	54.8	45.7
YoY growth	0.0%	-22.3%	37.6%	199.3%	292.8%	32.1%	37.6%	-16.6%
EBITDA margin	21.7%	17.7%	21.6%	34.0%	29.7%	30.1%	30.8%	28.3%
Cost of credit sold	0.0	0.0	0.0	-1.7	-5.6	-6.8	-8.9	-4.5
EBITDA adjusted	2.4	1.9	2.6	6.0	24.6	33.0	45.9	41.2
EBITDA margin	21.7%	17.7%	21.6%	26.5%	24.1%	25.0%	25.8%	25.5%
D&A	-0.9	-0.9	-0.9	-1.3	-2.8	-6.1	-7.1	-6.8
Writedowns/Provision	-0.2	-0.1	-0.7	-2.6	-2.0	-2.5	-3.0	-1.5
EBIT reported	1.3	0.8	0.9	3.8	25.3	31.3	44.8	37.5
EBIT margin	11.5%	7.5%	7.6%	17.0%	24.9%	23.6%	25.1%	23.2%
EBIT adjusted	1.3	0.8	0.9	2.1	19.7	24.5	35.9	33.0
YoY growth	0.0%	-38.2%	14.4%	137.8%	819.9%	23.9%	46.6%	-8.1%
Restated EBIT margin	11.5%	7.5%	7.6%	9.5%	19.4%	18.5%	20.1%	20.4%
Financial Charges	-0.2	-0.3	-0.4	-0.8	-6.0	-6.5	-8.4	-4.7
Financial Income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Associates	0.0	0.0	0.0	0.8	0.0	0.0	0.0	0.0
Pretax	1.1	0.5	0.5	3.8	19.4	24.8	36.4	32.8
Taxes	-0.4	-0.4	-0.3	-1.1	-5.6	-7.2	-10.6	-9.5
tax rate	-37.0%	-73.5%	-49.8%	-28.6%	-29.0%	-29.0%	-29.0%	-29.0%
Minorities	0.0	0.0	0.0	-0.4	-1.5	-1.9	-2.5	-2.6
Net income	0.7	0.1	0.3	2.3	12.3	15.7	23.4	20.7
YoY growth	0.0%	-80.5%	100.8%	776.4%	433.8%	27.7%	48.7%	-11.6%

Source: Company data & Intermonte SIM Estimates

Balance Sheet and Cash Flow Statement

Substantial investments are planned for the 2021-2024 period to allow the company to make an important leap in size. The investment plan has been quantified at Eu45mn and will allow the company to expand its production capacity significantly through the acquisition of new machinery and new production spaces. For this purpose, the BoD recently approved the purchase of an industrial complex at Pianodardine (AV) with a surface area of c.50.000 m², over 12,000 m² of which is covered. The price to be paid for the purchase of the industrial complex, which forms part of the investment programme contained in the 2021-24 business plan, is c.Eu10mn, of which c.Eu7mn for the building and c.Eu3mn for investments in industrial machinery. The plant is strategically located in proximity to the area's major road and railway infrastructure, and the main building has two roof-mounted photovoltaic plants for a total installed capacity of 670KW: these plants were revamped in 2021 and will therefore generate enough energy to run the entire industrial complex, in keeping with SCK GROUP's green credentials.

In terms of the production process, the current headquarters at Contrada (AV) will become the technological hub for Sciuker Frames, responsible for 19 proprietary patents for the construction of doors, frames and special items, while the new industrial complex will be entirely dedicated to assembling the various collections (seals, ironworks and mounting glass) and the group's logistics. As a result of the purchase of the industrial complex, which will be fully up and running as of January 2022, the group's overall production capacity will reach 300,000 m² of sustainable windows per year.

As a consequence, we expect growth in fixed assets from Eu14mn in 2020 to Eu42mn at the end of the period.

In the next three years we expect an increase in the incidence of working capital compared to the levels of 2020, mainly linked to the activity as general contractor and the expansion of inventories to meet the strong demand foreseen from the expected renovation wave. This also reflects the impact of the increase in the price of materials on inventory.

We assume that the company will distribute 20% of its earnings in the coming years, retaining 80% to invest in research and development and to pursue potential external growth opportunities.

Bearing in mind the above, we would expect the NFP to turn positive in 2022, reaching Eu52.5mn as at the end of 2024, with FCF expected to average Eu18mn per year in 2022-2024.

Balance Sheet

(Eu mn)	2017 A	2018A	2019A	2020A	2021E	2022E	2023E	2024E
Tangible Assets	9.0	8.6	11.1	13.1	31.0	41.4	40.1	38.7
Intangible Assets	1.7	1.6	1.1	1.2	3.2	3.2	3.2	3.2
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial Assets	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1
Fixed Assets	10.8	10.3	12.2	14.4	34.3	44.7	43.3	42.0
Inventories	2.3	4.6	5.5	6.0	28.7	37.6	50.7	45.6
Trade Receivables	4.0	4.9	4.1	2.2	47.8	62.7	84.4	76.4
Trade Payables	-3.8	-3.1	-4.6	-6.4	-57.5	-74.2	-99.0	-91.7
Other current assets	0.3	1.4	2.0	3.1	3.1	3.1	3.1	3.1
Other current liabilities	-2.5	-3.6	-2.3	-3.9	-8.9	-10.9	-15.9	-15.9
Net Working Capital	0.3	4.1	4.8	1.1	13.2	18.3	23.4	17.4
Growth on sales	3.3%	1157%	19%	-77%	1075%	39%	28%	-25%
Provisions	-0.3	-0.3	-0.5	-0.8	-1.1	-1.5	-2.0	-2.5
Employees benefits	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Others	-0.1	-0.9	-0.5	-0.5	-5.3	-10.4	-15.9	-19.9
Net capital employed	10.7	13.0	15.9	14.1	41.0	51.0	48.7	36.9
Group's shareholders' equity	4.2	7.7	8.3	11.7	39.6	52.8	73.1	89.0
Total equity	4.2	7.7	8.3	11.7	40.0	53.3	73.5	89.5
- of which minorities	0.0	0.0	0.0	0.4	0.4	0.4	0.4	0.4
Net Cash (Debt)	-6.4	-5.3	-7.6	-2.4	-1.0	2.3	24.8	52.5

Source: Company data (A) and Intermonte SIM (E)

Cash Flow

(Eu mn)	2017 A	2018A	2019A	2020A	2021E	2022E	2023E	2024E
Net Profit	0.7	0.1	0.3	2.3	12.3	15.7	23.4	20.7
Amortization & Depreciation	1.1	1.1	1.7	3.8	4.8	8.6	10.1	8.3
Change in Working Capital	1.1	-3.7	-0.8	3.7	-12.1	-5.1	-5.1	5.9
Change in funds	-0.4	0.9	-0.2	0.4	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating CF	2.5	-1.6	1.0	10.2	5.1	19.2	28.4	34.8
Capex (Tang & Intang)	-1.7	-0.4	-3.2	-3.4	-20.7	-16.5	-5.7	-5.4
Acquisitions	0.0	0.0	0.0	0.0	-2.0	0.0	0.0	0.0
Disposals	0.0	0.8	0.2	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	-4.0	-2.5	-3.1	-4.7
Share Buy-back	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Rights Issue/ ipo	0.0	0.0	0.0	0.0	20.1	0.0	0.0	0.0
Other	-1.2	2.4	-0.3	-1.5	3.0	3.0	3.0	3.0
Cash Flow	-0.4	1.1	-2.3	5.3	1.4	3.2	22.5	27.8
NFP at the beg. of the year	-6.1	-6.4	-5.3	-7.6	-2.4	-1.0	2.3	24.8
Cash Flow: Cash/(Debt)	-0.4	1.1	-2.3	5.3	1.4	3.2	22.5	27.8
NFP at year end	-6.4	-5.3	-7.6	-2.4	-1.0	2.3	24.8	52.5

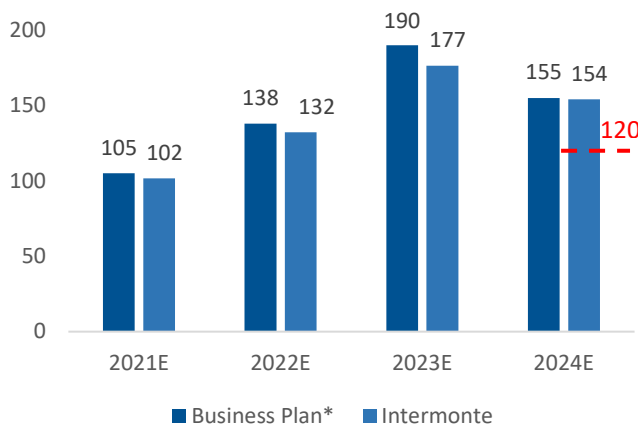
Source: Company data & Intermonte SIM Estimates

Intermonte Estimates vs Business Plan targets

As can be seen from the graphs below, our 2021-2023 estimates are generally more cautious than the company's business plan. Our more cautious approach is explained by the following considerations: 1) execution risk linked to the activity of general contractor, an activity in which the group has recently entered and where it must demonstrate that it is able to manage an ever-increasing volume of contracts, 2) difficulties in finding raw materials and workforce, at a time of very strong demand linked to the boom of interventions connected to the 110% superbonus.

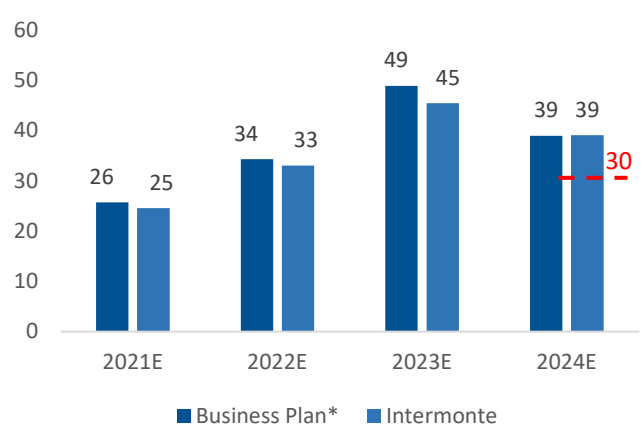
As for 2024, our estimates are broadly aligned to the company plan, but it must be borne in mind that our estimates already included a contribution from Ecospace thanks to the extension of the Superbonus incentives (albeit watered down from 2024), while the company's target did not include this contribution. Net of this item, our estimates would have been much more cautious than the company plan (Eu120mn VoP in 2024 and Eu30mn in EBITDA Adj., in red in the graph below).

Value of Production – Intermonte estimates vs Business Plan



Source: Intermonte SIM and Sciuiker Frames Business Plan
* BP does not include Superbonus extension

EBITDA Adjusted – Intermonte estimates vs Business Plan



Source: Intermonte SIM and Sciuiker Frames Business Plan
* BP does not include Superbonus extension

Valuation

Initiating coverage with a BUY rating. Sciuker has established itself on the market over the past 25 years thanks to the quality of its products and a unique proprietary technology, Stratec. A wave of opportunities is arising from the need for building renovation dictated by targets for lowering greenhouse gas emissions: thanks to an important investment plan and shrewd acquisitions completed in 2021, we believe that Sciuker is today in a prime position to take this wave at the flood. Moreover, the significant FCF that will be generated over the next few years will enable the company to carry out more acquisitions, further enriching its product range and expanding into other geographical markets. Our valuation gives us a target price of Eu15.2 per share, thus, given the significant upside to the current price (>100%!), we begin our coverage with a BUY rating.

Target price of Eu15.2 for >100% upside. We are setting a target price of Eu15.2 per share for SCK based on the simple average of the outcomes of a discounted cash flow (DCF) and market multiples. We have taken this approach in order to account for long-term growth of cash flow generation and multiples recognised to companies operating in the building products sector. At our target price, the stock would trade at 10.9x/7.4x 2022/2023 EV/EBITDA.

Valuation Summary

Method	Comment	Value (Eu ps)
DCF	WACC 7.5%, TGR 1.5%	15.4
Market Multiples	Current multiple on 2024 numbers discounted back	15.0
Target price		15.2
Current price		7.1
Upside/Downside		114%

Source: Intermonte SIM

Multiples at current price

	2021 E	2022 E	2023 E	2024 E
PE	12.6 x	9.9 x	6.6 x	7.5 x
FCF yield	-10.1%	1.7%	14.6%	19.0%
EV/SALES	1.9 x	1.4 x	0.9 x	0.8 x
EV/EBITDA	7.7 x	5.7 x	3.6 x	3.3 x
EV/EBIT	9.6 x	7.6 x	4.6 x	4.1 x

Source: Intermonte SIM

Multiples at target price

	2021 E	2022 E	2023 E	2024 E
PE	26.8 x	21.0 x	14.1 x	16.0 x
FCF yield	-4.7%	0.8%	6.9%	8.9%
EV/SALES	3.6 x	2.7 x	1.9 x	1.9 x
EV/EBITDA	14.9 x	10.9 x	7.4 x	7.6 x
EV/EBIT	18.5 x	14.8 x	9.5 x	9.5 x

Source: Intermonte SIM

Discounted Cash Flow

Conservative assumptions in terms of ERP and unlevered beta. Our discounted cash flow model has explicit estimates until 2028 based on detailed estimates to 2024, while for later years we cautiously estimate a gradual tapering of the benefits related to the Superbonus. We assume a WACC of 7.5% and a terminal growth rate of 1.5%. Our WACC is based on: i) a 2.0% risk-free rate; ii) an ERP of 6.0%, slightly higher than our usual ERP given the company's size; iii) an unlevered beta of 1.0; iv) D/E of 25.0%; v) a 1.5% pre-tax cost of debt; vi) a 27.5% long-term tax rate.

Fair value per share of Eu15.4. From such assumptions, we derive an enterprise value (EV) of Eu367.8mn, from which we subtract the YE21 NFP of Eu1mn, and the estimated value of the minorities in Ecospace (12%), GC infissi (36.5%) and Teknika (40%).

DCF									
(Eu mn)	2021 E	2022 E	2023 E	2024 E	2025 E	2026 E	2027 E	2028 E	TV
Value of production	101.7	132.2	178.1	161.7	151.2	139.8	146.8	154.2	156.5
YoY growth	350%	30%	35%	-9%	-7%	-8%	5%	5%	1.5%
EBITDA	30.2	39.8	54.8	45.7	40.8	36.4	38.2	40.1	39.1
% margin	29.7%	30.1%	30.8%	28.3%	27.0%	26.0%	26.0%	26.0%	25.0%
D&A	-4.8	-8.6	-10.1	-8.3	-8.0	-7.8	-7.6	-7.4	-6.0
EBIT IFRS	25.3	31.3	44.8	37.5	32.8	28.6	30.6	32.7	33.1
% margin	24.9%	23.6%	25.1%	23.2%	21.7%	20.4%	20.8%	21.2%	21.2%
Taxes	-7.4	-9.1	-13.0	-10.9	-9.5	-8.3	-8.9	-9.5	-9.6
tax rate	-29%	-29%	-29%	-29%	-29%	-29%	-29%	-29%	-29%
NOPAT	18.0	22.2	31.8	26.6	23.3	20.3	21.7	23.2	23.5
D&A	4.8	8.6	10.1	8.3	8.0	7.8	7.6	7.4	6.0
Change in WC	-12.1	-5.1	-5.1	5.9	1.1	1.1	-0.7	-0.7	-0.2
Capex	-20.7	-16.5	-5.7	-5.4	-5.1	-4.7	-4.9	-5.2	-5.8
Capex/Sales	-20.3%	-12.5%	-3.2%	-3.4%	-3.4%	-3.4%	-3.4%	-3.4%	-3.7%
FCF	-9.9	9.2	31.1	35.4	27.3	24.5	23.7	24.7	23.5
Discounting factor		0.93	0.86	0.79	0.75	0.70	0.65	0.60	0.60
Discounted Free cash flow		8.5	26.6	28.1	20.4	17.1	15.4	14.9	236.7
Discounted Free cash flows 22-28	131.0								
Terminal value	236.7								
Total EV (with DCF)	367.8								
Net financial position (YE21)	-1.0								
Treasury shares	1.8								
Minorities & Adjustments	-34.0								
Total EQUITY	334.6								
N. of shares (mn)	21.7								
TARGET PRICE (Eu)	15.4								
WACC	7.5%								
Terminal growth	1.5%								

Source: Intermonte SIM

Market multiples

As there are no listed companies with a business model perfectly comparable to Sciuker's, we have decided on a group of listed companies that are at least exposed to the buildings products market. Given that 2022 and 2023 numbers should be highly influenced by the benefits deriving from the Superbonus on the activity carried out through Ecospace, we have decided to evaluate the company on 2024 numbers, which are more normalised than the previous ones. We then applied a discount rate equal to WACC to bring the valuation back to today. On our explicit estimates for SCK, adjusted for the NFP and minorities in Ecospace (12%), GC Infissi (36.5%) and Teknika (40%), our model yields a fair value per share of Eu15.0.

Peers Multiples

Company name	Cntry	Mkt cap	EV/Sales			EV/EBITDA			EV/EBIT			PE		
			2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E
Deceuninck nv	BE	530	0.72 x	0.67 x	0.58 x	5.7 x	4.7 x	4.2 x	9.5 x	7.7 x	6.6 x	12.5 x	11.1 x	10.1 x
Inwido AB	SE	1,021	1.50 x	1.42 x	1.34 x	10.1 x	9.5 x	9.0 x	13.1 x	12.4 x	11.7 x	15.9 x	15.5 x	15.0 x
Eurocell Plc	GB	337	0.90 x	0.86 x	0.79 x	6.3 x	6.0 x	5.4 x	10.5 x	9.9 x	8.6 x	13.0 x	12.1 x	11.9 x
Safestyle UK Plc	GB	87	0.46 x	0.40 x	0.33 x	4.6 x	3.8 x	3.0 x	8.3 x	6.6 x	4.7 x	12.6 x	11.3 x	9.3 x
Apogee Enterprises	US	1,042	0.93 x	1.07 x	1.06 x	12.5 x	10.5 x	8.5 x	41.8 x	25.4 x	13.5 x	16.6 x	21.1 x	16.4 x
PGT Innovations	US	1,160	1.55 x	1.26 x	1.14 x	10.7 x	8.0 x	7.0 x	16.3 x	11.4 x	9.1 x	22.4 x	15.7 x	13.4 x
Nusco SpA	IT	37	1.98 x	1.67 x	1.43 x	12.6 x	10.0 x	8.0 x	17.1 x	13.9 x	10.3 x	29.3 x	22.2 x	15.9 x
EdiliziAcrobatica	IT	151	1.95 x	1.53 x	1.29 x	12.8 x	9.6 x	7.8 x				29.1 x	20.0 x	14.9 x
Median			1.21 x	1.17 x	1.10 x	10.6 x	8.7 x	7.4 x	13.3 x	11.4 x	9.1 x	16.2 x	15.6 x	14.2 x

Source: FactSet & Bloomberg

Peers comparison

	2024 Estimate	Multiple	EV	NFP & Adj.	Equity Value	NOSH	Equity ps
EV/EBITDA	41.2	10.6	437.0	11.6	448.6	21.7	20.7
EV/EBIT	33.0	13.3	438.3	11.6	449.9	21.7	20.7
PE	20.7	16.2			334.5	21.7	15.4
Average							18.9
Discount factor							0.79
Fair Value							15.0

Source: Intermonte SIM

Appendix

Sector Peers

FactSet Descriptions:

Deceuninck NV is a Belgian designer and producer of PVC systems for windows and doors, interior, roofline & cladding, and terraces. The company performs extrusion of PVC and the single base material Twinson. Founded in 1937, with its headquarters in Hooglede-Gits, the Deceuninck Group operates in more than 75 countries and has 35 subsidiaries across Europe, North America, and Asia, including in the United States, United Kingdom, Russia and Turkey.

Inwido AB provides window and door solutions. Its activities include manufacturing and export of wood-based windows and doors. It operates through the following geographical segments: North and South. The company was founded on 4 September 2002 and is headquartered in Malmo, Sweden.

Eurocell Plc engages in the extrusion of PVC window and building products for the new and replacement window market and the sale of building materials across the UK. It operates through the Profiles and Building Plastics segments. The Profiles segment includes Vista Panels, S&S Plastics and Ecoplas. The Building Plastics segment consists of Security Hardware and Kent Building Plastics. The company was founded in 1974 and is headquartered at Alfreton in the United Kingdom.

Safestyle UK Plc engages in the sale, manufacture, and installation of polyvinyl chloride non-plasticised windows and doors for the homeowner replacement market. Its products include sash windows, bay windows and composite guard doors. The firm offers marketing, sales, survey, manufacturing, and installation services. The company was founded on 22 December 1992 and is headquartered in Bradford, in the United Kingdom.

Apogee Enterprises, Inc. engages in the design and development of architectural products and services. It also provides architectural glass, aluminum framing systems and installation services for buildings, as well as value-added glazing products for custom picture framing. The company operates through the following segments: Architectural Framing Systems, Architectural Glass, Architectural Services, and Large-Scale Optical Technologies. The Architectural Framing Systems segment designs, engineers, fabricates and finishes aluminium window, curtainwall, storefront and entrance systems for building exteriors. The Architectural Glass segment fabricates coated glass used in custom window and wall systems. The Architectural Services segment integrates technical services, project management, and field installation services to design, engineer, fabricate, and install building glass and curtainwall systems. The Large-Scale Optical Technologies (LSO) segment manufactures value-added coated glass and acrylic products for custom framing, museum, and technical glass markets.

PGT Innovations, Inc. engages in the manufacture and supply of windows and doors under the brand name PGT Custom Windows + Doors; CGI; WinDoor; Western Window Systems; Eze-Breeze; and CGI Commercial. It operates through the Southeast and Western geographical segments. The company was founded by Rodney Hershberger in 1980 and is headquartered in Nokomis, FL.

Nusco SpA manufactures and markets interior doors and frames. It offers its products in wood, PVC, aluminium, and iron under the "NUSCO" brand. The firm operates through the Doors Business Unit and the Windows Business Unit. The Doors Business Unit produces doors and markets armoured 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 at Nola, Italy.

Edilizia Acrobatica SpA carries out outdoor construction work 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.

Superbonus 110%

The 110% Superbonus is an incentive introduced in the “Relaunch” Decree-Law of 19 May 2020 that aims to make homes safer and more efficient. The Superbonus mechanism enables householders to carry out eligible work at no cost.

The Superbonus is split into two incentives: the Super Ecobonus facilitates energy efficiency upgrades; the Super Sismabonus incentivises works for earthquake proofing. The incentive was initially intended to involve a 110% rebate applied to expenditure sustained by eligible parties between 1 July 2020 and 30 June 2022, split into 5 equal annual amounts (4 equal annual amounts for expenses sustained in 2022). For ICAP (social housing providers) the deadline for rebating expenses is 31 December 2022, which can be extended to 30 June 2023 if at least 60% of the work is completed by 31 December 2022. For condominiums, the deadline is 31 December 2022 if at least 60% of the work is completed by 30 June 2022. However, in the 2022 budget law, which is yet to be approved, the Superbonus should be extended to 2023 in its original form but foresee a tapering of fiscal benefits from 110% to 70% in 2024 and then to 65% in 2025.

To be eligible for the Super Ecobonus, the works must involve at least one of the following, considered a principal intervention: thermal insulation of the building envelope (whether a single or multi-household building); replacement of individual household heating systems with a centralised system for the entire building; replacement of individual heating systems in single household buildings, or in individual units in multi-household buildings where such units are functionally independent from one another and each has one or more private entrances from the outside.

Once at least one of the principal interventions is carried out, the beneficiary can perform an **ancillary** intervention such as **replacement of window frames, solar shielding**, installation of PV solar systems, battery storage systems, charging columns for electric vehicles, home domotics systems, elimination of barriers to access for disabled persons or those aged over 65 years, and many others. **All these interventions (principal and ancillary) must entail a minimum improvement of at least two energy efficiency classes** for the building or for the functionally independent housing unit having one or more private entrances from the outside in a multi-household building.

For the Super Ecobonus, individuals can carry out work on a maximum of two housing units except for work on common areas that are always eligible regardless of the number of units possessed.

To receive the Super Sismabonus it is sufficient to carry out earthquake proofing work. In this case, it is also possible to use the 110% rebate for installation of PV and battery storage systems. There is no limit to the number of units on which work can be carried out. To be eligible for the 110% rebate the building must be located in seismic zones 1, 2 or 3.

The most interesting aspect of the tax incentive is the possibility for the client to carry out renovation work essentially free of charge; the beneficiary can opt for a 100% discounted invoice: the firm or firms carrying out the work apply a 100% discount and the work is performed without any outlay by the beneficiary. The company will thus benefit from a tax credit of 110% of the discount applied, to be spread over 5 equal annual amounts (or over 4 for expenses sustained in 2022). For example, if the total price for the works is Eu10,000 and the contractor applies a 100% discount on the invoice, the contractor is recognised a credit of Eu11,000.

Alternatively, the taxpayer can always pay for the works and then opt to cash in the rebate or transfer it to a third party (including to lending institutions).

This measure creates a virtuous market mechanism that offers benefits to all parties involved: the taxpayer can carry out renovation work free of charge, cut utility bills and enhance the value of the property; the contractor can increase turnover thanks to a higher volume of work; the government can improve the safety and efficiency of housing stock and support an increase in employment and incomes.

How does it work in practice?

To use the 110% Superbonus, the first step is verification by a qualified professional of the works that can be carried out. For the Super Ecobonus, this must involve verification that the proposed works will improve the energy efficiency by at least two classes. Once verification is obtained, the beneficiary can then approach a contractor or contractors, and decide whether to bear the expense and obtain the 110% tax rebate or opt for the 100% maximum discount on the invoice. In the second case, the contractor/s receive the 110% tax credit on the discounted amount.

As currently envisaged, according to the type of work, application must be made to the municipality for any required documentation and permits. For the purpose of certifying the improvement of energy efficiency by at least two classes, the technician must fill out two energy performance certificates, before and after the work, to be attached to the certification of work.

The certification must attest to the correct execution of works, compliance with technical requirements, expenditure limits and fairness of costs. The state of progress (SOP) can also be certified. A maximum of two SoP certificates are possible and must involve at least 30% of works each. The certification of work must then be sent to ENEA in digital format within 90 days of the work being completed or, for SoP certification, from the date of certification of the state of progress. On receipt of the certification of work or SoP certification, ENEA provides a digital receipt including an identifying code

Should the beneficiary wish to exercise the discounted invoice option or the transfer of the credit, a compliance check must be sought from a recognised professional or organisation (e.g. an accountant or Fiscal Advice Centre).

At this point, the beneficiary can inform the Tax Agency of the option chosen, using the appropriate form on the Agency website.

Thanks to the discounted invoice, the taxpayer can carry out the work free of charge, without any outlay, by transferring the tax credit to the contractor. In this case the contractor will obtain a 110% tax credit on the discount applied, which can be used to offset tax due or transferred on to other parties.

Use of the Superbonus thus requires compliance with certain procedures. Most of these were already part of the ordinary Eco and Sismabonus, while the new steps added are to guarantee that works are carried out in a proper manner. With a 110% incentive it is imperative that not one euro is wasted, and that the work carried out truly makes housing stock safer and more efficient.

What are the advantages for companies?

The Superbonus enables companies to benefit from additional order flow. A rebate above 100% on renovation work is an absolutely unprecedented development in Italy and facilitates the relaunch of a key economic sector. Thanks to raising the rebate to 110%, the introduction of the discounted invoice option and transfer of the credit, as well as the possibility of transferring the credit to lending institutions, all companies, including the smallest, can transfer tax credits to third parties at sustainable prices. All the most important lending institutions have already started offering products for purchasing tax credits, aimed at individuals and companies. Financing products have also been made available to bear the cost of works pending recognition of the tax credit by the Tax Agency

On issuing a discounted invoice and informing the Tax Agency, the contractor will receive the tax credit from day 10 onward of the following month. The contractor can use the credit to reduce its taxes paid in subsequent years if it decides to use the credits itself. Alternatively, it can transfer them in exchange for the required liquidity immediately. Moreover, the possibility of recognition of the tax credit on invoices issued on certification of state of progress will enable the contractor who has issued a discounted invoice to transfer the credit and obtain liquidity in a shorter time span.

Appendix: ESG Key Questions

Are Environmental, Social and Governance considerations part of the company's business strategy?

In addition to fulfilling its commercial and financial goals, Sciuker Frames is also committed to the betterment of society and generating value for different stakeholders: shareholders, customers and employees. Although the company is not obliged to draw up a non-financial statement pursuant to Legislative Decree 254/2016, it published its first sustainability report on a voluntary basis for 2020. Several years ago the company adopted an integrated Quality and Environmental Management System, which has ISO 9001 and ISO 14001 certification, guaranteeing solid compliance with the various domestic and international regulations.

Does the company have an anticorruption policy?

In order to ensure maximum transparency, ethics and rigour in the conduct of company activities, Sciuker Frames deemed it appropriate to adopt, through a Board of Directors resolution on 3rd March 2020, an Organisation, Management and Control model that complies with the provisions of Legislative Decree 231/2001 (MOG 231).

What were the company's main highlights in terms of environmental sustainability in 2020?

- in 2020 the company gained Single Environmental Authorisation (Autorizzazione Unica Ambientale - AUA)
- 60% of the company's electricity needs are generated through its proprietary photovoltaic plant
- 201 tons of CO2 avoided thanks to the use of photovoltaic panels
- 99% of waste generated by Sciuker Frames is recycled or used for energy generation

What are the company's main social responsibility highlights for 2020?

- 129 employees work at sites managed by the company (+13% vs. 2019), of which 13 employed directly by Sciuker Frames and 116 by subcontractors
- 100% of Sciuker employees are on permanent contracts (81% for production workers employed by the subcontractors)
- zero workplace injuries in the 2019-2020 period (considering both Sciuker Frames personnel and those managed by the subcontractors)
- 600 hours of training provided by Sciuker Frames in 2020, +82% YoY. Total pro-capita training hours: 46, of which 45 provided to women and 47 to men
- 31% of Sciuker Frames employees were female in 2020 (vs. 42% in 2019).

What are the board's key characteristics?

The Board of Directors consists of five members. The Chairman and CEO is Mr. Marco Cipriano, the Vice-Chair is Mrs. Romina Cipriano. There are two female directors, two non-executive directors and one independent director.

What are the main Sustainability Goals for the future?

- Obtaining ISO 45001 certification for the Health & Safety Management system implemented by Sciuker Frames
- Obtaining Forest Stewardship Council (FSC) Chain of Custody certification, dedicated to companies that transform and/ or sell products from forest (wood)
- research into solutions for the recovery and reuse of aluminium waste across all production processes
- Development of processes aimed at recovering and recycling aluminium and glass from end-of-life products
- elimination of the use of plastic materials currently used in packaging (stretch wrap)
- further expansion of photovoltaic plant so that electricity generated from renewable sources covers c.80% of the company's total needs
- replacement of R410A gas fuelling office heating systems with alternatives that contribute less to the greenhouse effect
- Implementation of the Workplace Health & Safety, Energy and Environmental Management system in compliance with ISO 9001, ISO 14001 and ISO 45001 standards, in order to define, monitor and improve processes relating to workers' health and safety.
- Development of performance models that enable monitoring and improvement of individual performance with a focus on professional development
- Development of a structured system of special rates and discounts for company employees and their families
- further implementation of smart working
- creation of a structured and accessible welfare plan that can be accessed by each employee through digital platforms

DETAILS ON STOCKS RECOMMENDATION			
Stock NAME	SCIUKER FRAMES		
Current Recomm:	BUY	Previous Recomm:	n.a.
Current Target (Eu):	15.20	Previous Target (Eu):	n.a.
Current Price (Eu):	7.18	Previous Price (Eu):	n.a.
Date of report:	17/11/2021	Date of last report:	n.a.

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/earnings (P/E), EV/EBITDA, EV/EBIT, price/sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

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BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

NEUTRAL: stock performance expected at between +10% and -10% compared to the market over a 12 month period;

UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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BUY:	17,36 %
OUTPERFORM:	52,89 %
NEUTRAL:	25,62 %
UNDERPERFORM:	04,13 %
SELL:	00,00 %

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NEUTRAL:	20,00 %
UNDERPERFORM:	00,00 %
SELL:	00,00 %

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IKF	0,57	SHORT
OLIDATA	0,74	SHORT

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