

SCIUKER FRAMES

BUY

Sector: Industrials

Price: Eu7.14 - Target: Eu15.80

Accretive M&A, Creating the Italian Leader in Window Frames

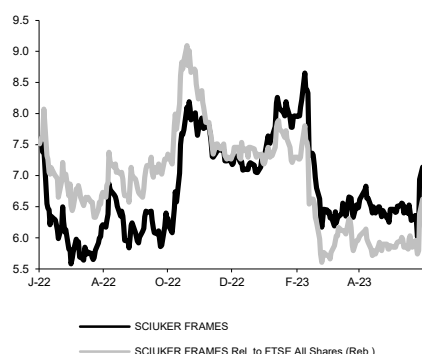
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| Stock Rating | | | |
|--------------------|-----------|-------|-------|
| Rating: | Unchanged | | |
| Target Price (Eu): | Unchanged | | |
| | 2023E | 2024E | 2025E |
| Chg in Adj EPS | 0.0% | 0.0% | |

Next Event

1H23 Results Out on September 29th

SCIUKER FRAMES - 12M Performance



| Stock Data | | | |
|-------------------------|-----------|-------|--------|
| Reuters code: | SCK.MI | | |
| Bloomberg code: | SCK IM | | |
| Performance | 1M | 3M | 12M |
| Absolute | 10.5% | 10.5% | -4.4% |
| Relative | 12.4% | 14.3% | -14.0% |
| 12M (H/L) | 8.65/5.58 | | |
| 3M Average Volume (th): | 26.25 | | |

| Shareholder Data | |
|---------------------------|-------|
| No. of Ord shares (mn): | 22 |
| Total no. of shares (mn): | 22 |
| Mkt Cap Ord (Eu mn): | 155 |
| Total Mkt Cap (Eu mn): | 155 |
| Mkt Float - Ord (Eu mn): | 65 |
| Mkt Float (in %): | 42.1% |
| Main Shareholder: | |
| H. Arm. | 51.4% |

| Balance Sheet Data | |
|---------------------------------|------|
| Book Value (Eu mn): | 76 |
| BVPS (Eu): | 3.68 |
| P/BV: | 1.9 |
| Net Financial Position (Eu mn): | 18 |
| Enterprise Value (Eu mn): | 160 |

■ **Two strategic acquisitions and the birth of deWol Industries...** Sciuker Frames has announced the signing of two binding contracts for the acquisition of the entire share capital of Diquigiovanni Srl (DQG) and D&V Serramenti (D&V). Following these transactions, Sciuker Group will be renamed deWol Industries (Design Way of Living), covering a constellation of brands (Sciuker Frames, GC Infissi, D&V, DQG, Ecospace, Teknika). DeWol Industries will rely on seven production sites distributed across Italy, in Avellino, Turin, Novara, Verona, and Vicenza.

■ **... creating the largest Italian player in the design and production of windows and window frames.** These transactions will allow the group to i) consolidate its leadership position in all market segments; ii) implement economies of scale and strengthen margins; iii) start the internationalisation process in those markets where DQG is already active; iv) launch specific promotional activity for the public sector, already served by D&V; v) centralise all the design and distribution activities of aluminium frames.

■ **Multiples paid at 4.4x-4.7x FY23 EV/EBITDA.** The two acquired companies' budgets for FY23 target a cumulative top line of €65mn and EBITDA of €12mn. The multiples paid, which also include potential earn-out payments (the valuation of the paper component of the earn-out is based on the market price of SCK shares on the announcement date) are similar for the two target companies and equate to c.4.4x-4.7x EV/EBITDA for DQG/D&V based on their 2023 budgets.

■ **EPS accretion of 11% (assuming no synergies), or 22% including potential synergies.** If we assume zero synergies from the transaction, we calculate EPS accretion of c.11%, after factoring in the additional financial charges on roughly €40mn of new debt raised for the acquisition. We believe some synergies can be achieved, however, and we have therefore run a simple simulation to account for both the cost of financing and the level of possible synergies on COGS (improving purchasing power, greater production specialisation) and on OpEx, as potential cost savings may arise given the proximity of the two acquired companies and their respective plants. Hence, according to our base case assumption (c.2% of cost savings on cumulative COGS and OpEx along with a 7.5% interest rate on new debt), the result will be c.22% accretion on pro-forma 2023E EPS.

■ **New strategic plan underway:** the group expects a pro-forma Value of Production of around €300mn and pro-forma EBITDA of around €65mn for 2023E. DeWol's management has given a 2026 Value of Production target of €500mn and an EBITDA target of €100mn, through organic growth and potentially through other M&A (contributing a maximum of €50mn to the VoP target).

■ **BUY; target unchanged.** From our point of view, these two acquisitions look positive because they are in line with the strategy of investing liquidity to consolidate leadership in the window/door frames segment and extending the footprint to foreign markets. We will update our model and valuation as soon as the two transactions are finalised. It is also worth pointing out that our current 2024 standalone estimates are more cautious than management indications.

| Key Figures & Ratios | 2020A | 2021A | 2022A | 2023E | 2024E |
|------------------------|-------|-------|-------|-------|-------|
| Sales (Eu mn) | 23 | 103 | 194 | 239 | 211 |
| EBITDA Adj (Eu mn) | 6 | 27 | 42 | 59 | 51 |
| Net Profit Adj (Eu mn) | 2 | 14 | 18 | 30 | 25 |
| EPS New Adj (Eu) | 0.211 | 0.624 | 0.852 | 1.383 | 1.131 |
| EPS Old Adj (Eu) | 0.211 | 0.624 | 1.102 | 1.383 | 1.131 |
| DPS (Eu) | 0.370 | 0.280 | 0.255 | 0.415 | 0.339 |
| EV/EBITDA Adj | 2.6 | 5.7 | 4.4 | 2.7 | 2.6 |
| EV/EBIT Adj | 7.2 | 7.1 | 5.2 | 3.1 | 3.1 |
| P/E Adj | 33.8 | 11.4 | 8.4 | 5.2 | 6.3 |
| Div. Yield | 5.2% | 3.9% | 3.6% | 5.8% | 4.8% |
| Net Debt/EBITDA Adj | 0.4 | 0.1 | 0.0 | -0.3 | -0.9 |