

Nusco	Italy	Euronext Growth Milan	Building Products
Rating: BUY (unch.)	Target Price: € 3,00 (Prev. € 2,80)	Update	Risk: Medium

Stock performance	1M	3M	6M	1Y
absolute	-2,98%	-11,56%	-29,08%	-41,41%
to FTSE Italia Growth	3,95%	-7,84%	-12,86%	-21,56%
to Euronext STAR Milan	3,06%	-2,40%	-6,94%	-8,21%
to FTSE All-Share	3,65%	-12,48%	-12,98%	-20,28%
to EUROSTOXX	2,23%	-11,12%	-16,95%	-22,91%
to MSCI World Index	6,24%	-5,83%	-9,35%	-18,46%

Stock Data	
Price	€ 1,50
Target price	€ 3,00
Upside/(Downside) potential	99,7%
Bloomberg Code	NUS IM Equity
Market Cap (€m)	€ 27,92
EV (€m)	€ 33,56
Free Float	21,08%
Share Outstanding	18.615.002
52-week high	€ 2,70
52-week low	€ 1,40
Average daily volumes (3m)	4.200

Key Financials (€m)	FY21A	FY22E	FY23E	FY24E
Revenues	24,9	46,0	51,0	54,0
VoP	25,6	47,0	51,0	54,0
EBITDA	2,6	6,0	7,3	8,3
EBIT	1,5	4,6	5,8	6,7
Net Profit	0,4	2,5	3,3	3,9
EBITDA margin	10,4%	13,0%	14,2%	15,4%
EBIT margin	6,1%	10,0%	11,3%	12,4%
Net Profit margin	1,6%	5,4%	6,4%	7,2%

Main Ratios	FY21A	FY22E	FY23E	FY24E
EV/EBITDA (x)	12,9	5,6	4,6	4,0
EV/EBIT (x)	22,1	7,3	5,8	5,0
P/E (x)	68,3	11,2	8,6	7,2

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Stocks performance vs Euronext Growth



1H22A Results

At the end of the first half of 2022, the Company recorded a turnover of € 15.58 million, 46.0% up compared to € 10.67 million in 1H21A. EBITDA in the current period stood at € 1.56 million, up from 1H21A when it amounted to € 1.46 million (+7.0%). The Company's EBITDA margin stood at 10.0% over the period and decreased compared to 13.7% in 1H21A. EBIT, after amortization and depreciation for a total of € 0.40 million and extraordinary income and expenses for a total of € 0.05 million, amounted to € 1.11 million, 1.4% down compared to 1H21A (€ 1.13 million). At the end of the analyzed period, the NFP amounted to € 7.44 million, a worsening compared to 31 December 2021, when it amounted to € 5.63 million.

Estimates Update

In light of the results published in the half-yearly report for 1H22A, we modify our estimates both for the current year and for the coming years. In particular, we estimate the FY22E value of production equal to € 47.00 million and EBITDA of € 6.00 million, corresponding to a marginality of 13.0%. For subsequent years, we expect the value of production to increase up to € 54.00 million (CAGR FY21A-24E: 28.2%) in FY24E, with EBITDA of € 8.30 million (corresponding to an EBITDA margin of 15.4%), up from € 5.59 million in FY21A (corresponding to an EBITDA margin of 47.1%).

Valuation Update

We have conducted the valuation of Nusco's equity value based on the DCF methodology. The DCF method (which in the calculation of the WACC includes for prudential purposes also a specific risk of 2.5%) provides an equity value of € 55.8 million. The target price is € 3.00 (prev. 2.80), BUY rating and MEDIUM risk.

1. Economics & Financials

Table 1 – Economics & Financials

INCOME STATEMENT (€/mln)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenues	15,41	24,91	46,00	51,00	54,00
Other Revenues	1,58	0,69	1,00	0,00	0,00
Value of Production	16,99	25,60	47,00	51,00	54,00
COGS	13,25	20,37	31,10	33,60	35,50
Services	1,18	0,82	2,70	2,75	2,80
Use of assets owned by others	0,17	0,51	1,80	1,90	1,80
Employees	0,96	1,25	4,60	4,70	4,80
Other Operating Expenses	0,12	0,07	0,80	0,80	0,80
EBITDA	1,30	2,59	6,00	7,25	8,30
<i>EBITDA Margin</i>	<i>8,5%</i>	<i>10,4%</i>	<i>13,0%</i>	<i>14,2%</i>	<i>15,4%</i>
Writedowns and Extraordinary Items	1,20	(0,05)	(0,20)	(0,20)	(0,20)
D&A	0,00	1,12	1,60	1,70	1,80
EBIT	0,10	1,52	4,60	5,75	6,70
<i>EBIT Margin</i>	<i>0,7%</i>	<i>6,1%</i>	<i>10,0%</i>	<i>11,3%</i>	<i>12,4%</i>
Financial Management	(0,16)	(0,74)	(1,10)	(1,20)	(1,30)
EBT	(0,06)	0,78	3,50	4,55	5,40
Taxes	0,30	0,37	1,00	1,30	1,50
Net Income	(0,36)	0,41	2,50	3,25	3,90
BALANCE SHEET (€/mln)	FY20A	FY21A	FY22E	FY23E	FY24E
Fixed Assets	4,60	10,69	17,10	16,50	16,10
Account receivable	12,39	12,67	16,60	15,50	16,00
Inventories	4,72	5,96	10,50	10,00	9,80
Account payable	6,05	6,70	10,00	9,00	9,20
Operating Working Capital	11,07	11,93	17,10	16,50	16,60
Other	0,35	2,55	(2,20)	(1,00)	0,40
Net Working Capital	11,42	14,48	14,90	15,50	17,00
Severance Indemnities & Other Provisions	1,56	1,88	1,90	1,95	2,00
NET INVESTED CAPITAL	14,46	23,29	30,10	30,05	31,10
Share Capital	18,01	17,13	21,00	21,00	21,00
Reserves	(5,00)	0,11	0,52	3,02	6,27
Net Income	(0,36)	0,41	2,50	3,25	3,90
Equity	12,64	17,65	24,02	27,27	31,17
Cash & Cash Equivalent	2,95	0,49	3,32	3,42	4,07
Short Term Debt	1,74	2,29	2,50	1,30	1,30
M/L Term Financial Position	3,03	3,83	6,90	4,90	2,70
Net Financial Position	1,82	5,63	6,08	2,78	(0,07)
SOURCES	14,46	23,29	30,10	30,05	31,10
CASH FLOW (€/mln)	FY20A	FY21A	FY22E	FY23E	FY24E
EBIT	0,10	1,52	4,60	5,75	6,70
Taxes	0,30	0,37	1,00	1,30	1,50
NOPAT	(0,20)	1,15	3,60	4,45	5,20
D&A	0,00	1,12	1,60	1,70	1,80
Change in receivable	(0,38)	(0,28)	(3,93)	1,10	(0,50)
Change in inventories	(2,06)	(1,24)	(4,54)	0,50	0,20
Change in payable	3,07	0,66	3,30	(1,00)	0,20
Change in others	(1,20)	(2,20)	4,75	(1,20)	(1,40)
<i>Change in NWC</i>	<i>(0,58)</i>	<i>(3,06)</i>	<i>(0,42)</i>	<i>(0,60)</i>	<i>(1,50)</i>
Change in provisions	1,22	0,33	0,02	0,05	0,05
OPERATING CASH FLOW	0,44	(0,47)	4,80	5,60	5,55
Capex	(2,9)	(7,2)	(8,0)	(1,1)	(1,4)
FREE CASH FLOW	(2,50)	(7,68)	(3,21)	4,50	4,15
Financial Management	(0,16)	(0,74)	(1,10)	(1,20)	(1,30)
Change in Financial Debt	7,13	1,35	3,28	(3,20)	(2,20)
Change in Equity	(1,75)	4,60	3,87	0,00	0,00
FREE CASH FLOW TO EQUITY	2,72	(2,46)	2,84	0,10	0,65

Source: NUSCO and Integrae SIM estimates

1.1 1H22A Results

Table 2 – 1H22A vs 1H21A

€/mln	Revenues	EBITDA	EBITDA %	EBIT	Net Income	NFP
1H22A	15,58	1,56	10,0%	1,11	0,53	7,44
1H21A	10,67	1,46	13,7%	1,13	0,60	5,63*
Change	46,0%	7,0%	-3,6%	-1,4%	-11,9%	N.A

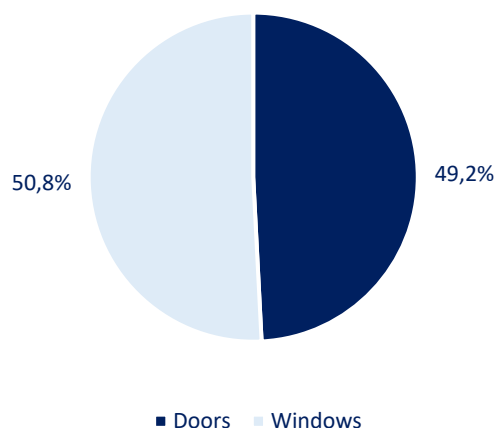
Source: Integrae SIM

*NFP as of 31/12/2021

Through a press release, the Company, commenting on the half-yearly results, states that: *"We are satisfied with the economic and financial results obtained in the first half of 2022, with a sectoral picture that is still largely positive, also in relation to orders already acquired so far, registering a growth of about 46% compared to the first six months of 2021. The trend will undoubtedly continue to be positively influenced by the extension of the incentives inherent to redevelopment, enhanced with the superbonus, and the interventions linked to the PNRR, confident in a stabilization of the legislation. Nusco will for sure pursue investments in research and innovation for the development of products with high-quality standards and high-added value for all our customers and partners. We expect positive prospects for the second half of 2022, also thanks to the favorable trend of the current reference sector, despite the uncertainties that the market offers today with a macroeconomic context conditioned by the uncertainties related to the Russian-Ukrainian conflict and the further accentuation of the difficulties related to price growth and delays in the supply of the main raw materials and energy costs"*.

At the end of the first half of 2022, the Company recorded a turnover of € 15.58 million, 46.0% up compared to € 10.67 million in 1H21A. Responsible for this growth is the good performance of both Business Units (BU), Doors and Windows, which, thanks to the strategy of expansion and improvement of the products offered, undertaken by the Company, have managed to take advantage of the positive performance of the sector. In fact, thanks to the various public incentives, Superbonus 110% and Ecobonus above all, the market continued in the growth that already started in 2021. Similarly, there was a significant increase in the portfolio of orders to be processed (+47.0%), which went from a value of € 6.30 million to 1H21A to an amount of € 9.30 million at the end of the period analyzed.

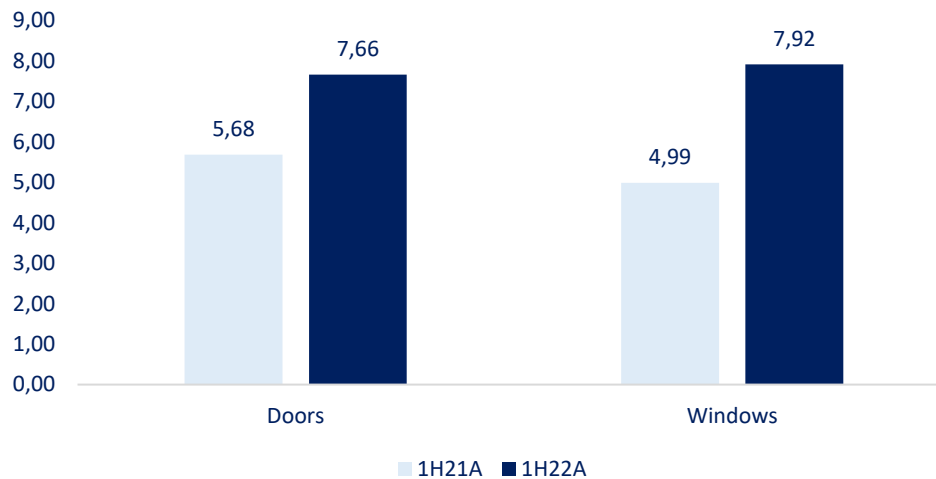
Chart 1 – Revenues Breakdown by BU 1H22A



Source: Integrae SIM

Nusco's turnover in 1H22A is attributable to the activity of the two business lines: the Doors BU contributed 49.2% of turnover, down compared to 53.2% of 1H21A, while the impact of the Windows BU increased from 46.8% for 1H21A to 50.8% of the period under analysis.

Chart 2 – Revenues Breakdown by BU 1H22A vs 1H21A



Source: Integrae SIM

As can be seen from the previous graph, the Business Unit that contributed most to the increase in turnover is the Windows line, which went from € 4.99 million in 1H21A to a value of € 7.92 million as of 20 June 2022 with a growth of 58.6%. It follows the doors line, which with an increase of 34.4% in 1H22A amounted to € 7.66 million of turnover against a value of € 5.68 million in the previous period. The Company also reported that the portfolio of orders to be processed, as of 30 September 2022, amounted to € 9.90 million, more than double the € 4.80 million of 30 September 2021.

EBITDA in the current period stood at € 1.56 million, up from 1H21A when it amounted to € 1.46 million (+7.0%). In particular, the Doors BU, EBITDA margin of 5.7% contributed to the company's result of € 0.44 million, while the Windows line recorded an EBITDA of € 1.13 million with an EBITDA margin of 14.2%. The Company's EBITDA margin stood at 10.0% over the period and decreased compared to 13.7% in 1H21A. This variation is attributable to the increase in direct material costs, and production costs. EBIT, after amortization and depreciation for a total of € 0.40 million and extraordinary income and expenses for a total of € 0.05 million, amounted to € 1.11 million, 1.4% down compared to 1H21A (€ 1.13 million). Consequently, the EBIT margin also worsens, reaching 7.1%. Net Income, as of 30 June 2022 amounted to € 0.53 million, down compared to € 0.60 million in the previous period.

At the end of the analyzed period, the NFP amounted to € 7.44 million, a worsening compared to 31 December 2021, when it amounted to € 5.63 million. This variation is due on the one hand to the decrease in tax payables following the repayment of some overdue installments and on the other to the increase in payables to banks of € 1.10 million for the repayment of overdue installments according to the respective amortization plans and the stipulation of two loans for a total of € 1.80 million. In the first months following the end of the half-year, however, the Company announced (14/07/22) the approval of the acquisition of Pinum Doors & Windows, operating in Romania in the same sector as Nusco, with the offer of a wide range of products; Pinum, in 2021, generated a value of production of € 17.40 million and EBITDA of € 1.77 million. On 30 September 2022, however, the newly acquired company recorded

revenues of € 16.30 million, 41.0% up compared to € 11.60 million as of 30 September 2021, with an order backlog of € 7.30 million.

The transaction, involving a share of 99.97% of the share capital, represents a further consolidation of the strategic positioning and an important milestone for the Company's growth and internationalization objectives, also thanks to the synergies deriving in terms of optimization of the internal structure and the further strengthening of the commercial network. Nusco finalized the purchase through the proposed resolution of a paid share capital increase in favor of Parfin Sarl, Pilum's majority shareholder: the capital increase was approved on 3 August 2022, for a total amount of € 6.50 million and a total of 3,992,752 new ordinary shares, offered for subscription to Parfin Sarl.

As a result, the Group's structure, following the acquisition, includes the Parent Company Nusco SpA held by Nusco Invest Srl for 58.3%, by Parfin Sarl for 21.1%, and by the market for the remaining part, equal to 20.6%. The effects of the transaction on the financial statements will be visible already at the end of the year, as the Parent Company will fully consolidate all its subsidiaries.

1.2 FY22E – FY24E Estimates

Table 3 – Estimates Updates FY22E - FY24E

€/mln	FY22E	FY23E	FY24E
Revenues			
New	46,0	51,0	54,0
Old	28,0	32,5	36,0
Change	64,3%	56,9%	50,0%
EBITDA			
New	6,0	7,3	8,3
Old	3,5	5,0	6,2
Change	71,4%	45,0%	33,9%
EBITDA %			
New	13,0%	14,2%	15,4%
Old	12,5%	15,4%	17,2%
Change	0,5%	-1,2%	-1,9%
EBIT			
New	4,6	5,8	6,7
Old	2,3	3,9	5,1
Change	100,0%	49,4%	31,4%
Net Income			
New	2,5	3,3	3,9
Old	1,2	2,4	3,4
Change	108,3%	38,3%	14,7%
NFP			
New	6,1	2,8	(0,1)
Old	4,3	2,2	(0,3)
Change	N.A	N.A	N.A

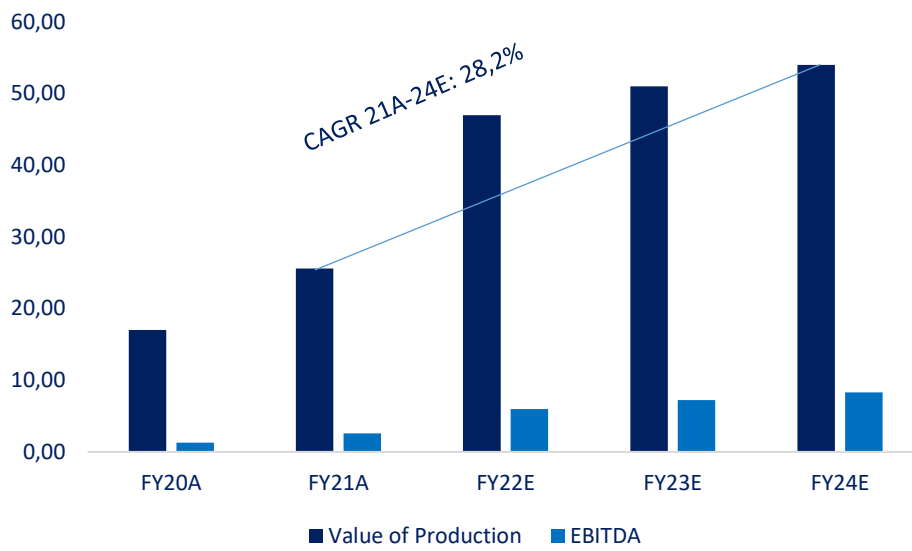
Source: Integrae SIM

In light of the results published in the half-yearly report for 1H22A, and taking into account the extraordinary transaction reported in the first months of the second half, we modify our estimates both for the current year and for the coming years.

In particular, we estimate the FY22E value of production equal to € 47.00 million and EBITDA of € 6.00 million, corresponding to a marginality of 13.0%. For subsequent years, we expect the value of production to increase up to € 54.00 million (CAGR FY21A-24E: 28.2%) in FY24E, with EBITDA of € 8.30 million (corresponding to an EBITDA margin of 15.4%), up from € 5.59 million in FY21A (corresponding to an EBITDA margin of 47.1%). The increase in the value of production recorded by the Company derives from the complete integration of the results of the target Pilum in the Nusco Group, pending the evaluation of the synergies and economies of scale that may have a strong impact in the coming years.

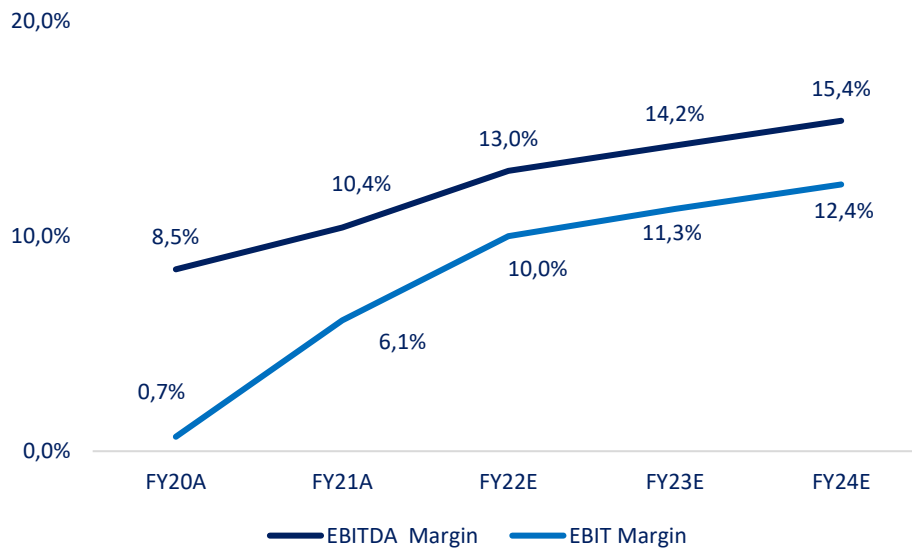
In terms of the Balance Sheet, in addition to the capital increase approved in August, we expect the NFP to reach a cash positive value in FY24E equal to € 0.07 million.

Chart 3 – VoP and EBITDA FY20A - FY24E



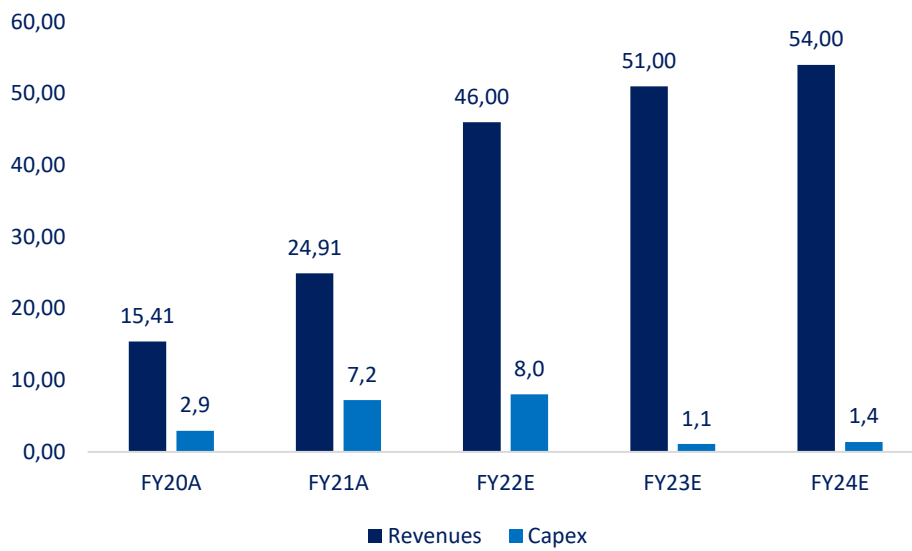
Source: Integrae SIM

Chart 4 – Margin FY20A - FY24E



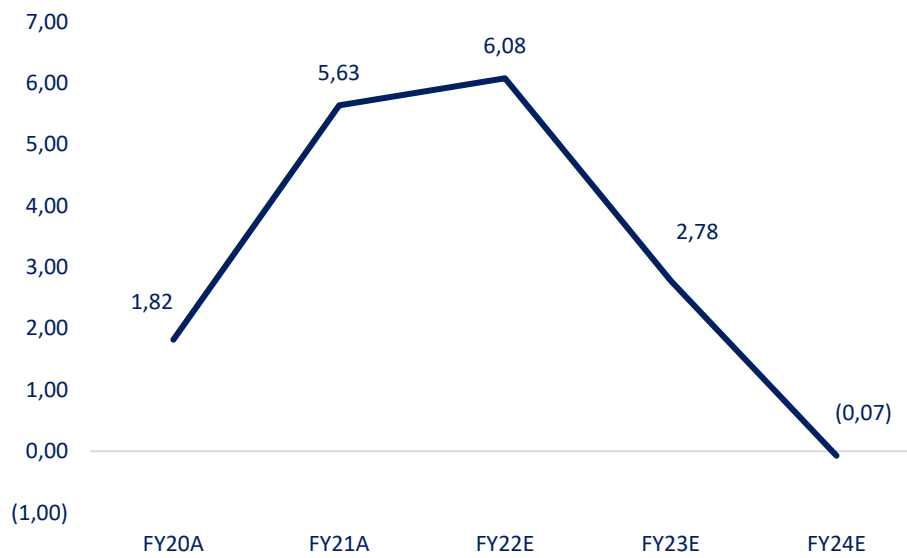
Source: Integrae SIM

Chart 5 – Capex FY20A - FY24E



Source: Integrae SIM

Chart 6 – NFP FY20A - FY24E



Source: Integrae SIM

2. Valuation

We have conducted the equity value valuation of Nusco based on the DCF methodology.

2.1 DCF Method

Table 4 – WACC

WACC		10,28%
Risk Free Rate	2,18% α (specific risk)	2,50%
Market Premium	9,08% Beta Adjusted	1,0
D/E (average)	42,86% Beta Relevered	1,3
Ke	13,76% Kd	3,00%

Source: Integrae SIM

For prudential purposes, we have included a specific risk of 2.5%. This results in a WACC of 10.28%.

Table 5 – DCF Valuation

DCF Equity Value		55,8
FCFO actualized	12,4	20%
TV actualized DCF	49,0	80%
Enterprise Value	61,4	100%
NFP (FY21A)	5,6	

Source: Integrae SIM

With the above data and taking as a reference our estimates and assumptions, the result is an **equity value of € 55.8 million. The target price is, therefore, € 3.00 (prev. €2.80). We confirm BUY rating and MEDIUM risk.**

Table 6 – Equity Value – Sensitivity Analysis

€/mln Growt	WACC	8,8%	9,3%	9,8%	10,3%	10,8%	11,3%	11,8%
	2,5%	84,0	76,8	70,6	65,2	60,5	56,3	52,6
2,0%	78,3	72,0	66,5	61,7	57,4	53,6	50,2	
1,5%	73,4	67,8	62,9	58,6	54,7	51,2	48,1	
1,0%	69,2	64,2	59,7	55,8	52,2	49,0	46,1	
0,5%	65,4	60,9	56,9	53,3	50,0	47,0	44,3	
0,0%	62,1	58,0	54,3	51,0	48,0	45,2	42,7	
-0,5%	59,2	55,4	52,0	48,9	46,1	43,6	41,2	

Source: Integrae SIM

Table 7 – Target Price Implied Valuation Multiples

Multiples	FY22E	FY23E	FY24E
EV/EBITDA	10,2x	8,5x	7,4x
EV/EBIT	13,3x	10,7x	9,2x

Source: Integrae SIM

Table 8 – Current Price Implied Valuation Multiples

Multiples	FY22E	FY23E	FY24E
EV/EBITDA	5,6x	4,6x	4,0x
EV/EBIT	7,3x	5,8x	5,0x

Source: Integrae SIM

Disclosure Pursuant to Delegated Regulation UE n. 2016/958

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Date	Price	Recommendation	Target Price	Risk	Comment
04/10/2021	2,37	Buy	3,60	Medium	Update
14/02/2022	2,14	Buy	3,60	Medium	Flash Note
04/03/2022	1,67	Buy	3,60	Medium	Flash Note
23/03/2022	2,17	Buy	2,80	Medium	Update
09/05/2022	1,88	Buy	2,80	Medium	Flash Note
18/07/2022	1,61	Buy	2,80	Medium	Flash Note
08/08/2022	1,79	Buy	2,80	Medium	Flash Note

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Equity Total Return (ETR) for different risk categories			
Rating	Low Risk	Medium Risk	High Risk
BUY	ETR >= 7.5%	ETR >= 10%	ETR >= 15%
HOLD	-5% < ETR < 7.5%	-5% < ETR < 10%	0% < ETR < 15%
SELL	ETR <= -5%	ETR <= -5%	ETR <= 0%
U.R.	Rating e/o target price Under Review		
N.R.	Stock Not Rated		

Valuation methodologies (long term horizon: 12 months)

The methods that INTEGRAE SIM SpA prefers to use for value the company under analysis are those which are generally used, such as the market multiples method which compares average multiples (P/E, EV/EBITDA, and other) of similar shares and/or sectors, and the traditional financial methods (RIM, DCF, DDM, EVA etc). For financial securities (banks and insurance companies) Integrae SIM SpA tends to use methods based on comparison of the ROE and the cost of capital (embedded value for insurance companies).

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- In the IPO phase, played the role of Global Coordinator.