

# Nusco

# ISIM INTEGRÆ

Euronext Growth Milan | Building Products | Italy

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Rating

**BUY**

unchanged

Target Price

**€ 3,15**

prev. € 3,00

Risk



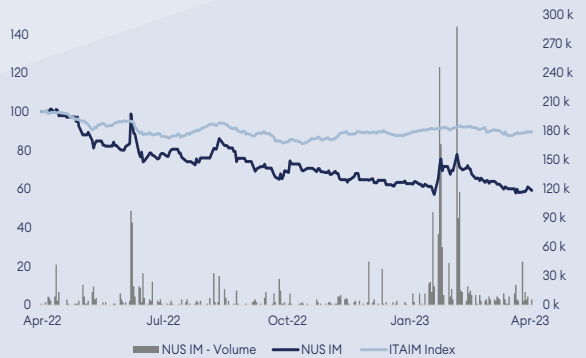
Medium

Upside potential

**146,2%**

Key Financials (€/mln)	FY22A*	FY23E	FY24E	FY25E
Revenues	50,9	55,0	60,5	66,3
VoP	52,3	56,0	61,6	67,5
EBITDA	5,2	6,5	7,6	9,0
EBIT	2,5	4,4	5,5	6,9
Net Profit	1,1	2,7	3,5	4,5
EBITDA margin	10,2%	11,8%	12,6%	13,6%
EBIT margin	5,0%	8,0%	9,1%	10,4%
Net Profit margin	2,2%	4,9%	5,8%	6,8%

## Stocks performance relative to FTSE Italia Growth



### Stock Data

Price	€ 1,28
Target price	€ 3,15
Upside/(Downside) potential	146,2%
Ticker	NUS IM
Market Cap (€/mln)	€ 23,83
EV (€/mln) (NFP - Operating)	€ 29,46
Free Float	20,64%
Share Outstanding	18.615.002
52-week high	€ 2,20
52-week low	€ 1,23
Average daily volumes (3 months)	25.500

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Stock performance	1M	3M	6M	1Y
Absolute	-2,63%	-3,14%	-10,19%	-12,74%
to FTSE Italia Growth	-0,45%	-3,58%	-11,33%	-9,56%
to Euronext STAR Milan	-0,47%	-7,45%	-17,96%	-9,76%
to FTSE All-Share	-2,49%	-14,92%	-29,76%	-30,50%
to EUROSTOXX	-3,11%	-10,69%	-25,87%	-28,25%
to MSCI World Index	0,70%	-3,42%	-9,17%	-6,46%

Main Ratios	FY22A	FY23E	FY24E	FY25E
EV/EBITDA	5,7x	4,5x	3,9x	3,3x
EV/EBIT	11,6x	6,7x	5,4x	4,3x
P/E	21,1x	8,8x	6,8x	5,3x

## FY22A Results

In the pro-forma consolidated financial statements as at December 31, 2022, Nusco Group announced net revenues of € 50.92 million, deriving, in addition to the important contribution from the newly acquired company (which performed excellently, particularly in the second half-year), above all from organic growth driven by the expansion of the franchising network, and by better diversification and customization in the commercial pipeline. EBITDA for the period amounted to € 5.20 million, generated respectively for € 3.20 million by the Windows BU and for €2.00 million by the Doors BU; EBIT, equal to € 2.54 million, was negatively affected by the high value of the item in relation to depreciation and amortization, equal to € 2.69 million, but Net Income is still positive for € 1.13 million.

## Estimates Update

In light of the results published in the Annual Report for FY22A, we have adjusted our estimates for both the current year and the coming years. In particular, we estimate an FY23E Value of Production equal to € 56.00 million, and EBITDA equal to € 6.50 million, corresponding to a margin of 11.8%. In the following years, we expect the Value of Production to rise to € 67.50 million (CAGR 22Y-25E: 8.9%) in FY25E, with EBITDA equal to € 9.00 million (corresponding to a margin of 13.6%), up from € 5.20 million in FY22A (corresponding to an EBITDA Margin of 10.2%).

## Valuation Update

We conducted our valuation of the equity value of Nusco based on the DCF method. The DCF method (including, for prudential purposes, a specific risk of 2.5% in the calculation of the WACC) returned an equity value of € 58.7 million. **The target price, therefore, is € 3.15 (prev. € 3,00), BUY rating, and MEDIUM risk.**

# Economics & Financials

TABLE 1 – ECONOMICS & FINANCIALS

INCOME STATEMENT (€/mln)	FY21A	FY22A*	FY23E	FY24E	FY25E
Revenues	24,91	50,92	55,00	60,50	66,30
Other Revenues	0,69	1,42	1,00	1,10	1,20
<b>Value of Production</b>	<b>25,60</b>	<b>52,34</b>	<b>56,00</b>	<b>61,60</b>	<b>67,50</b>
COGS	20,37	31,37	32,00	35,00	38,00
Services	0,82	10,05	11,00	12,00	13,00
Use of assets owned by others	0,51	0,49	0,80	0,90	0,95
Employees	1,25	5,09	5,30	5,70	6,10
Other Operating Expenses	0,07	0,13	0,40	0,40	0,45
<b>EBITDA</b>	<b>2,59</b>	<b>5,20</b>	<b>6,50</b>	<b>7,60</b>	<b>9,00</b>
<i>EBITDA Margin</i>	<i>0,10</i>	<i>10,2%</i>	<i>11,8%</i>	<i>12,6%</i>	<i>13,6%</i>
<i>Writedowns and Extraordinary Items</i>	<i>0,05</i>	<i>0,03</i>	<i>(0,20)</i>	<i>(0,20)</i>	<i>(0,20)</i>
D&A	1,12	2,69	1,90	1,90	1,90
<b>EBIT</b>	<b>1,52</b>	<b>2,54</b>	<b>4,40</b>	<b>5,50</b>	<b>6,90</b>
<i>EBIT Margin</i>	<i>0,06</i>	<i>5,0%</i>	<i>8,0%</i>	<i>9,1%</i>	<i>10,4%</i>
Financial Management	(0,74)	(0,64)	(0,70)	(0,70)	(0,70)
<b>EBT</b>	<b>0,78</b>	<b>1,91</b>	<b>3,70</b>	<b>4,80</b>	<b>6,20</b>
Taxes	0,37	0,77	1,00	1,30	1,70
<b>Net Income</b>	<b>0,41</b>	<b>1,13</b>	<b>2,70</b>	<b>3,50</b>	<b>4,50</b>
<b>CONSOLIDATED BALANCE SHEET (€/mln)</b>					
<b>Fixed Assets</b>	<b>10,69</b>	<b>18,00</b>	<b>18,00</b>	<b>18,20</b>	<b>18,60</b>
Account receivable	12,67	16,02	14,00	16,00	18,50
Inventories	5,96	11,63	13,00	14,00	15,50
Account payable	6,70	12,15	8,00	9,00	11,00
<b>Operating Working Capital</b>	<b>11,93</b>	<b>15,50</b>	<b>19,00</b>	<b>21,00</b>	<b>23,00</b>
Other	2,55	(0,15)	(5,50)	(6,50)	(7,50)
<b>Net Working Capital</b>	<b>14,48</b>	<b>15,35</b>	<b>13,50</b>	<b>14,50</b>	<b>15,50</b>
Severance Indemnities & Other Provisions	1,88	2,36	1,95	2,00	2,10
<b>NET INVESTED CAPITAL</b>	<b>23,29</b>	<b>30,98</b>	<b>29,55</b>	<b>30,70</b>	<b>32,00</b>
Share Capital	17,13	21,00	21,00	21,00	22,00
Reserves	0,11	1,73	2,57	5,27	8,77
Net Income	0,41	0,84	2,70	3,50	4,50
<b>Equity</b>	<b>17,65</b>	<b>23,57</b>	<b>26,27</b>	<b>29,77</b>	<b>35,27</b>
Cash & Cash Equivalent	0,49	1,48	3,12	4,37	7,27
Short Term Debt	2,29	2,64	2,40	2,30	2,00
M/L Term Financial Position	3,83	6,25	4,00	3,00	2,00
<b>Net Financial Position</b>	<b>5,63</b>	<b>7,42</b>	<b>3,28</b>	<b>0,93</b>	<b>(3,27)</b>
<b>SOURCES</b>	<b>23,29</b>	<b>30,98</b>	<b>29,55</b>	<b>30,70</b>	<b>32,00</b>

CONSOLIDATED CASH FLOW (€/mln)	FY22A*	FY23E	FY24E	FY25E
EBIT	2,54	4,40	5,50	6,90
Taxes	0,77	1,00	1,30	1,70
<b>NOPAT</b>	<b>1,77</b>	<b>3,40</b>	<b>4,20</b>	<b>5,20</b>
D&A	2,69	1,90	1,90	1,90
Change in receivable	(3,35)	2,02	(2,00)	(2,50)
Change in inventories	(5,67)	(1,37)	(1,00)	(1,50)
Change in payable	5,45	(4,15)	1,00	2,00
Change in others	2,70	5,35	1,00	1,00
Change in NWC	(0,87)	1,85	(1,00)	(1,00)
Change in provisions	0,48	(0,41)	0,05	0,10
<b>OPERATING CASH FLOW</b>	<b>4,07</b>	<b>6,74</b>	<b>5,15</b>	<b>6,20</b>
Capex	(10,0)	(1,9)	(2,1)	(2,3)
<b>FREE CASH FLOW</b>	<b>(5,93)</b>	<b>4,83</b>	<b>3,05</b>	<b>3,90</b>
Financial Management	(0,64)	(0,70)	(0,70)	(0,70)
Change in Financial Debt	2,77	(2,49)	(1,10)	(1,30)
Change in Equity	4,78	0,00	0,00	1,00
<b>FREE CASH FLOW TO EQUITY</b>	<b>0,99</b>	<b>1,64</b>	<b>1,25</b>	<b>2,90</b>

Source: Nusco and Integrae SIM estimates \*pro-forma data

## Company Overview

Nusco SpA, based in Nola, in the Metropolitan City of Naples, is an Italian company active since 2011 in the production of doors and the marketing of doors, windows and frames in wood, PVC, aluminum and iron under the NUSCO brand. The Company has two main Business Units: a Doors BU, focused on interior and armored doors; and a Windows BU, focused on windows, frames and shutters. The company is part of a Group active since 1968 in the wood industry and the real estate sector.

The Group was founded by Mario Felice Nusco (the father of Luigi Nusco, the current CEO and Chair of the Board of Directors), who had first started a craft workshop for the production of wooden doors. The Nusco brand has thus been marketed for over sixty years, particularly in Southern Italy, and is recognizable as one of the leading players on the market. The Group is made up of multiple subsidiaries belonging to the Nusco family, with activities in Italy and Romania, operating in the production and marketing of doors and windows, and in the management and development of real estate assets.

TABLE 2 – ACTUAL VS ESTIMATES FY22A

€/mln	Revenues	EBITDA	EBITDA %	EBIT	Net Income	NFP
FY22A	52,34	5,20	10,2%	2,54	1,13	7,42
FY22E	47,00	6,00	13,0%	4,60	2,50	6,08
<i>Change</i>	11,4%	-13,3%	-2,8%	-44,7%	-54,7%	N.A

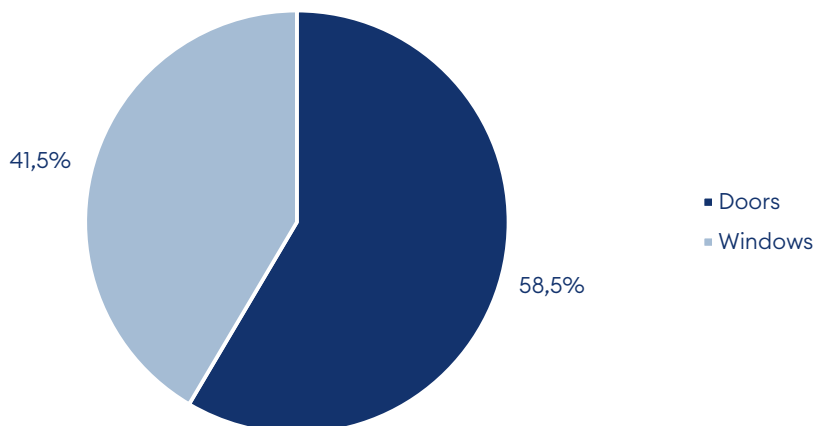
Source: Integrae SIM

Commenting on the annual results in a press release on March 28, 2023, Luigi Nusco, CEO and Chair of BoD of the Company, stated: *“In a particularly complex year from a macro-economic and geopolitical point of view such as 2022, which led to inflationary pressure and the scarcity of raw materials in all the main economic sectors, the Group managed to achieve very positive results. It was, in fact, a turning point for Nusco, which recorded a consolidated turnover of over € 50.00 million, thanks to the development of cutting-edge production solutions and the introduction of new commercial proposals, to which was added the acquisition of Pinum, allowing us to further consolidate our strategic positioning on the international market. All this was accompanied by strong growth in sales volumes. Furthermore, the excellent result in terms of margins was determined by greater industrial efficiency, with the introduction of increasingly automated and eco-sustainable plants and machinery that guarantee a significant reduction in waste, greater efficiency, and a consequent reduction in production costs.”*

Following the acquisition of Pinum Doors & Windows Srl (“Pinum”), a Romanian company operating in the production and marketing of doors and window frames, completed in August 2022, Nusco prepared its first Consolidated Financial Statements, including in its scope the newly acquired company from the closing of the Half-yearly Financial Statements as at June 30, 2022. In order to better represent the management effects of the acquisition on the Group’s business, in addition to the overall impact of costs and revenues, with a view to comparability with the results of the next few years, the consolidated data of the pro-forma income statement will be taken as *full year*, considering the economic indications for the subsidiary Pinum for the entire year and not *pro rata temporis*.

In the pro-forma consolidated financial statements as at December 31, 2022, Nusco Group announced net revenues of € 50.92 million, deriving, in addition to the important contribution from the newly acquired company (which performed excellently, particularly in the second half-year), above all from organic growth driven by the expansion of the franchising network, and by better diversification and customization in the commercial pipeline. Considering only the results of the Parent Company, in order to compare them with FY21A, it should be noted that the values are very positive even net of the acquisition: Nusco saw revenues grow by 22.9%, from € 24.91 million in FY21A to € 30.61 million in FY22A.

CHART 1 – REVENUES BREAKDOWN BY SEGMENT



Source: Nusco

Of Total Revenues, 58.5% came from the Doors BU, for a total of € 29.80 million, while the Windows BU contributed the remaining 41.5%, equal to € 21.12 million in revenues. The Value of Production therefore, taking into account other revenues of € 1.42 million, settled at an overall value of € 52.34 million, projecting the Group towards a higher competitive level on a par with the leading European operators in the sector.

EBITDA for the period amounted to € 5.20 million, generated respectively for € 3.20 million by the Windows BU and for € 2.00 million by the Doors BU. The most significant contribution to margins is therefore more attributable to the former, which, despite recording lower turnover, managed to obtain higher margins (15.1% at FY22A) compared to the latter, which maintained an EBITDA Margin of approximately 6.8%. The Group's EBITDA Margin is thus 10.2%.

EBIT, equal to € 2.54 million, was negatively affected by the high value of the item in relation to depreciation and amortization, equal to € 2.69 million, including the value of the goodwill of the newly acquired Pinum. However, the EBIT Margin remained positive, equal to 5.0%, and consequently also the Net Income, positive for € 1.13 million.

On the balance sheet, the NFP, equal to € 7.42 million of debt, was affected by investments to finance working capital, above all in terms of goods and materials stock, in order to be less exposed to supply chain criticalities. Nonetheless, the Company's ability to generate cash through the core business was confirmed, allowing it to maintain an NFP/EBITDA ratio of 1.43x.

In particular, we note that, in July, the Extraordinary Shareholders' Meeting approved a capital increase of € 6.50 million, aimed at financing the acquisition of Pinum, and carried out through a share swap. Thus, Parfin Sarl, which held the share capital, received 3,922,775 newly issued ordinary shares as consideration for its controlling share.

The integration of Pinum's business will certainly lead the Group to strengthen its competitive position in the reference market, improving its international presence, and its control of the entire value chain. Nusco's main goal continues to be the growth of sales of its products and of its size and standing in the market, following on from a period of expansion in recent years, driven not only by the Italian Government's Superbonus 110% tax relief, but also, subsequently, by an ever-increasing demand for energy efficiency in both residential and non-residential buildings.

Pursuing this goal in 2022, Nusco continued to open new franchised single-brand sales points (6 in 2022) and to further introduce diversification and customization into its commercial offerings, in addition to continuing to boost its technological development activities and to raise the quality standards of its products and industrial processes.

## FY23E – FY25E Estimates

TABLE 3 – ESTIMATES UPDATES FY23E - FY25E

€/mln	FY23E	FY24E	FY25E
<b>Revenues</b>			
New	56,0	61,6	67,5
Old	51,0	54,0	N.A
Change	9,8%	14,1%	N.A
<b>EBITDA</b>			
New	6,5	7,6	9,0
Old	7,3	8,3	N.A
Change	-10,3%	-8,4%	N.A
<b>EBITDA %</b>			
New	11,8%	12,6%	13,6%
Old	14,2%	15,4%	N.A
Change	-2,4%	-2,8%	N.A
<b>EBIT</b>			
New	4,4	5,5	6,9
Old	5,8	6,7	N.A
Change	-23,5%	-17,9%	N.A
<b>Net Income</b>			
New	2,7	3,5	4,5
Old	3,3	3,9	N.A
Change	-16,9%	-10,3%	N.A
<b>NFP</b>			
New	3,3	0,9	(3,3)
Old	2,8	(0,1)	N.A
Change	N.A	N.A	N.A

Source: Integrae SIM

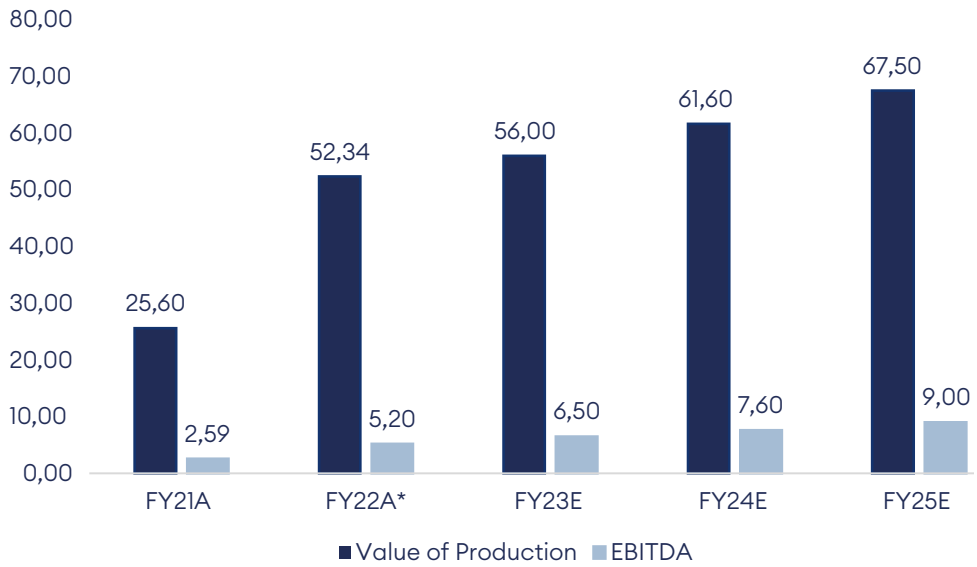
In light of the results published in the Annual Report for FY22A, we have adjusted our estimates for both the current year and the coming years.

In particular, we estimate an FY23E Value of Production equal to € 56.00 million, and EBITDA equal to € 6.50 million, corresponding to a margin of 11.8%. In the following years, we expect the Value of Production to rise to € 67.50 million (CAGR 22Y-25E: 8.9%) in FY25E, with EBITDA equal to € 9.00 million (corresponding to a margin of 13.6%), up from € 5.20 million in FY22A (corresponding to an EBITDA Margin of 10.2%).

On the balance sheet, we expect an improvement in the NFP, which according to our estimates will go from € 7.42 million of debt in FY22A to a positive cash value of € 3.27 million.

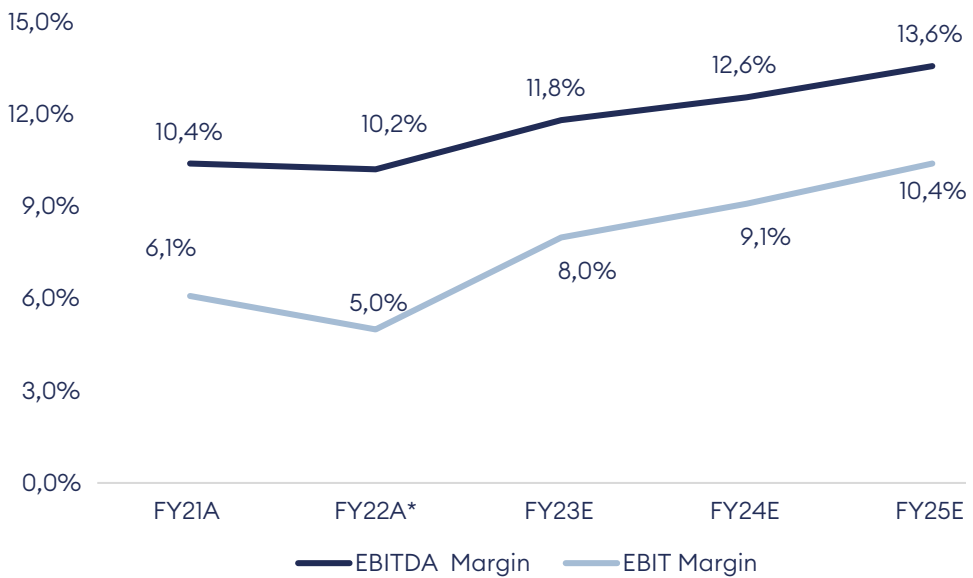


CHART 3 – VOP AND EBITDA FY21A - 25E



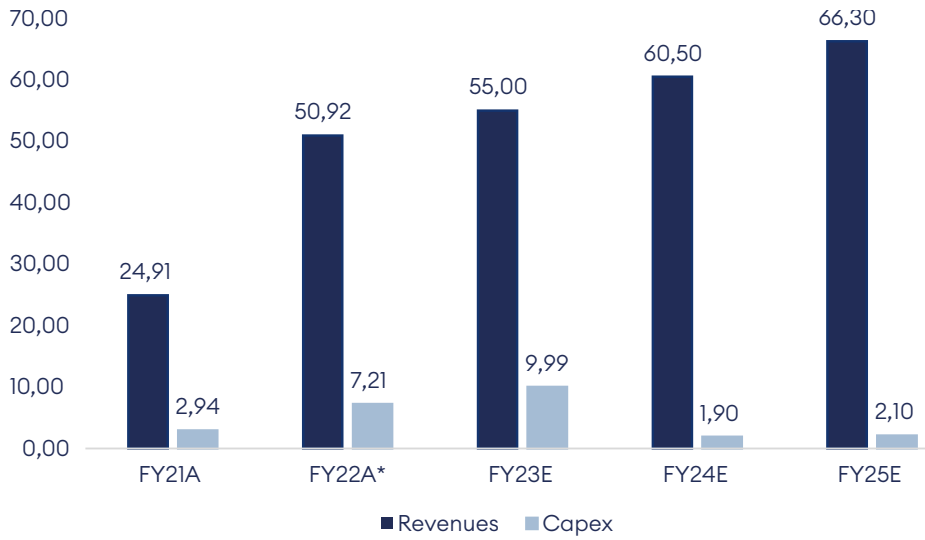
Source: Integrae SIM

CHART 4 – MARGIN FY21A - 25E



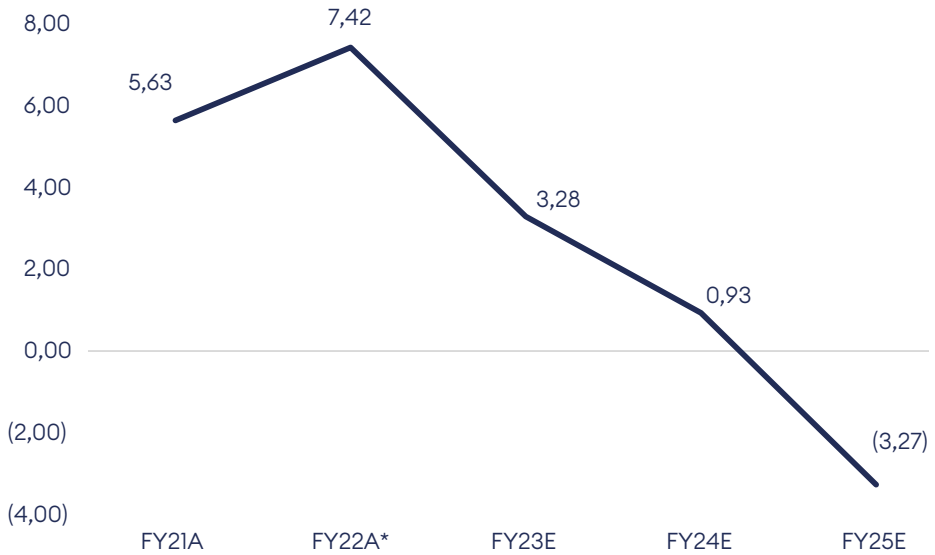
Source: Integrae SIM

CHART 5 – CAPEX FY21A - 25E



Source: Integrae SIM

CHART 6 – NFP FY21A - 25E



Source: Integrae SIM

# Valuation

We conducted our valuation of the equity value of Nusco on the basis of the DCF method.

## DCF Method

TABLE 4 – WACC

WACC			10,78%
D/E 53,85%	Risk Free Rate 3,51%	$\beta$ Adjusted 1,0	$\alpha$ (specific risk) 2,50%
$K_d$ 3,00%	Market Premium 9,73%	$\beta$ Relevered 1,3	$K_e$ 15,42%

Source: Integrae SIM

For prudential purposes, we included a specific risk of 2.5%. The result is therefore a WACC of 10,78%.

TABLE 5 – DCF VALUATION

DCF		% of EV
FCFO actualized	18,1	27,0%
TV actualized DCF	48,0	73,0%
<b>Enterprise Value</b>	<b>66,1</b>	<b>100%</b>
NFP	7,4	
<b>Equity Value</b>	<b>58,7</b>	

Source: Integrae SIM

With the above data and taking our estimates and assumptions as a reference, the result is an **equity value of € 58.7 million. The target price, therefore, is € 3.15 (prev. € 3.00).**  
**We confirm BUY rating and MEDIUM risk.**

TABLE 6 – EQUITY VALUE – SENSITIVITY ANALYSIS

€/mln	WACC							
		9,3%	9,8%	10,3%	10,8%	11,3%	11,8%	12,3%
Growth Rate (g)	2,5%	85,1	78,4	72,5	67,4	62,8	58,8	55,1
	2,0%	80,0	74,0	68,8	64,1	60,0	56,3	52,9
	1,5%	75,6	70,2	65,5	61,3	57,5	54,0	50,9
	1,0%	71,7	66,9	62,5	58,7	55,2	52,0	49,1
	0,5%	68,3	63,9	59,9	56,3	53,1	50,2	47,5
	0,0%	65,2	61,2	57,5	54,2	51,2	48,5	45,9
	-0,5%	62,5	58,7	55,4	52,3	49,5	46,9	44,5

Source: Integrae SIM

TABLE 7 – TARGET PRICE IMPLIED VALUATION MULTIPLES

Multiples	FY22A	FY23E	FY24E	FY25E
EV/EBITDA	12,7x	10,2x	8,7x	7,3x
EV/EBIT	26,0x	15,0x	12,0x	9,6x
P/E	51,8x	21,7x	16,8x	13,0x

Source: Integrae SIM

TABLE 8 – CURRENT PRICE IMPLIED VALUATION MULTIPLES

Main Ratios	FY22A	FY23E	FY24E	FY25E
EV/EBITDA	5,7x	4,5x	3,9x	3,3x
EV/EBIT	11,6x	6,7x	5,4x	4,3x
P/E	21,1x	8,8x	6,8x	5,3x

Source: Integrae SIM

# Disclosure Pursuant to Delegated Regulation UE n. 2016/958

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09/05/2022	1,88	Buy	2,80	Medium	Breaking News
18/07/2022	1,61	Buy	2,80	Medium	Breaking News
08/08/2022	1,79	Buy	2,80	Medium	Breaking News
17/10/2022	1,50	Buy	3,00	Medium	Update
08/02/2023	1,55	Buy	3,00	Medium	Breaking News

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### Rating system (long term horizon: 12 months)

The BUY, HOLD and SELL ratings are based on the expected total return (ETR – absolute performance in the 12 months following the publication of the analysis, including the ordinary dividend paid by the company), and the risk associated to the share analyzed. The degree of risk is based on the liquidity and volatility of the share, and on the rating provided by the analyst and contained in the report. Due to daily fluctuations in share prices, the expected total return may temporarily fall outside the proposed range

#### Equity Total Return (ETR) for different risk categories

Rating	Low Risk	Medium Risk	High Risk
BUY	ETR $\geq$ 7.5%	ETR $\geq$ 10%	ETR $\geq$ 15%
HOLD	-5% < ETR < 7.5%	-5% < ETR < 10%	0% < ETR < 15%
SELL	ETR $\leq$ -5%	ETR $\leq$ -5%	ETR $\leq$ 0%
U.R.	Rating e/o target price Under Review		
N.R.	Stock Not Rated		

#### Valuation methodologies (long term horizon: 12 months)

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