

UPDATE

EQUITY RESEARCH

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# Nusco

Euronext Growth Milan | Industrial | Italy

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Rating

**BUY**

unchanged

Target Price

**€ 3,40**

prev. € 3,15

Risk



Medium

Upside potential

**222,4%**

## Stocks performance relative to FTSE Italia Growth



### Stock Data

Price	€ 1,06
Target price	€ 3,40
Upside/(Downside) potential	222,4%
Ticker	NUS IM
Market Cap (€/mln)	€ 19,64
Enterprise Value (€/mln)	€ 22,01
Free Float (% on ordinary shares)	20,4%
Shares Outstanding	18.615.502
52-week high	€ 1,61
52-week low	€ 0,73
Average Daily Volumes (3 months)	19.120

Key Financials (€/mln)	FY23A	FY24E	FY25E	FY26E
Revenues	56,73	62,00	68,50	74,50
VoP	58,69	63,50	70,00	76,00
EBITDA	7,24	8,40	9,60	11,20
EBIT	4,33	6,10	7,40	9,00
Net Profit	2,20	3,65	4,55	5,65
EBITDA margin	12,8%	13,5%	14,0%	15,0%
EBIT margin	7,6%	9,8%	10,8%	12,1%
Net Profit margin	3,8%	5,7%	6,5%	7,4%

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Stock performance	1M	3M	6M	1Y
Absolute	-4,9%	-18,3%	-9,3%	-24,5%
to FTSE Italia Growth	-3,9%	-17,9%	-2,0%	-10,0%
to Euronext STAR Milan	-3,9%	-18,2%	-15,1%	-18,6%
to FTSE All-Share	-12,2%	-29,2%	-25,9%	-48,5%
to EUROSTOXX	-10,9%	-28,3%	-25,9%	-44,0%
to MSCI World Index	-8,0%	-27,0%	-22,2%	-51,2%

Main Ratios	FY22A	FY23E	FY24E	FY25E
EV/EBITDA	3,0x	2,6x	2,3x	2,0x
EV/EBIT	5,1x	3,6x	3,0x	2,4x
P/E	8,9x	5,4x	4,3x	3,5x

## FY23A Results

In the consolidated financial statement as of December 31, 2023, the first full-year of consolidation following the acquisition of Pinum Doors & Windows in 2022, Nusco reports revenues of € 56.73 million, an increase of 11.4% compared to the end-of-year figure for 2022, which was € 50.92 million. Of the total revenue, 61.0% (€ 34.60 million) is generated in Italy, while the remaining 39.0% (€ 22.13 million) comes from abroad, mainly from countries in the European Union. The period's Adjusted EBITDA reached a record value of € 7.24 million, up 39.1% vs. FY22A (€ 5.20 million), with a margin of 12.8%; EBIT amounted to € 4.33 million, corresponding to an EBIT margin of 7.6%. Net Income was also positive, reaching € 2.20 million, doubling (+94.7%) the previous year's figure, equal to € 1.13 million.

## Estimates Update

In light of the results published in the annual report for FY23A, we have adjusted our estimates for both the current year and the following years. In particular, we estimate an FY24E value of production of € 63.50 million, and an EBITDA of € 8.40 million, corresponding to a margin of 13.5%. In the following years, we expect the value of production to rise to € 76.00 million (CAGR 23A-26E: 9.0%) in FY26E, with EBITDA equal to € 11.20 million (corresponding to a margin of 15.0%), up from € 7.24 million in FY23A (corresponding to an EBITDA margin of 12.8%).

## 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 € 63.3 million. **The target price is therefore € 3.40 (prev. € 3.15), with a BUY rating and MEDIUM risk.**

# Economics & Financials

TABLE 1 – ECONOMICS & FINANCIALS

INCOME STATEMENT (€/mln)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenues	50,92	56,73	62,00	68,50	74,50
Other Revenues	1,42	1,96	1,50	1,50	1,50
<b>Value of Production</b>	<b>52,34</b>	<b>58,69</b>	<b>63,50</b>	<b>70,00</b>	<b>76,00</b>
COGS	31,37	32,38	35,00	39,00	42,00
Services	10,05	12,51	13,00	13,80	14,50
Use of assets owned by others	0,49	0,69	0,90	0,95	1,00
Employees	5,09	5,76	6,00	6,40	7,00
Other Operating Expenses	0,13	0,12	0,20	0,25	0,30
<b>EBITDA</b>	<b>5,20</b>	<b>7,24</b>	<b>8,40</b>	<b>9,60</b>	<b>11,20</b>
<i>EBITDA Margin</i>	<i>9,9%</i>	<i>12,8%</i>	<i>13,5%</i>	<i>14,0%</i>	<i>15,0%</i>
<i>Extraordinary Items</i>	<i>0,03</i>	<i>(0,52)</i>	<i>(0,20)</i>	<i>(0,20)</i>	<i>(0,20)</i>
D&A	2,69	2,38	2,10	2,00	2,00
<b>EBIT</b>	<b>2,54</b>	<b>4,33</b>	<b>6,10</b>	<b>7,40</b>	<b>9,00</b>
<i>EBIT Margin</i>	<i>5,0%</i>	<i>7,6%</i>	<i>9,8%</i>	<i>10,8%</i>	<i>12,1%</i>
Financial Management	(0,64)	(0,88)	(0,90)	(0,90)	(0,90)
<b>EBT</b>	<b>1,91</b>	<b>3,45</b>	<b>5,20</b>	<b>6,50</b>	<b>8,10</b>
Taxes	0,77	1,25	1,55	1,95	2,45
<b>Net Income</b>	<b>1,13</b>	<b>2,20</b>	<b>3,65</b>	<b>4,55</b>	<b>5,65</b>
<b>CONSOLIDATED BALANCE SHEET (€/mln)</b>					
<b>Fixed Assets</b>	<b>18,00</b>	<b>18,26</b>	<b>18,70</b>	<b>19,20</b>	<b>19,70</b>
Account receivable	16,02	19,14	18,00	20,50	23,00
Inventories	11,63	10,26	13,00	14,50	16,00
Account payable	12,15	12,89	10,00	10,50	11,00
<b>Operating Working Capital</b>	<b>15,50</b>	<b>16,51</b>	<b>21,00</b>	<b>24,50</b>	<b>28,00</b>
Other	(0,15)	(5,27)	(5,70)	(6,50)	(7,00)
<b>Net Working Capital</b>	<b>15,35</b>	<b>11,24</b>	<b>15,30</b>	<b>18,00</b>	<b>21,00</b>
Severance & Other Provisions	2,36	1,54	2,00	2,10	2,20
<b>NET INVESTED CAPITAL</b>	<b>30,98</b>	<b>27,96</b>	<b>32,00</b>	<b>35,10</b>	<b>38,50</b>
Share Capital	21,00	21,00	21,00	21,00	21,00
Reserves	1,73	2,38	4,59	8,24	12,79
Net Income	0,84	2,20	3,65	4,55	5,65
<b>Equity</b>	<b>23,57</b>	<b>25,59</b>	<b>29,24</b>	<b>33,79</b>	<b>39,44</b>
Cash & Cash Equivalent	1,48	3,58	4,74	5,99	7,44
Short Term Debt	2,64	5,47	2,30	2,20	2,00
M/L Term Financial Position	6,25	0,47	5,20	5,10	4,50
<b>Net Financial Position</b>	<b>7,42</b>	<b>2,37</b>	<b>2,76</b>	<b>1,31</b>	<b>(0,94)</b>
<b>SOURCES</b>	<b>30,98</b>	<b>27,96</b>	<b>32,00</b>	<b>35,10</b>	<b>38,50</b>

CONSOLIDATED CASH FLOW (€/mln)	FY22A	FY23A	FY24E	FY25E	FY26E
EBIT	2,54	4,33	6,10	7,40	9,00
Taxes	0,77	1,25	1,55	1,95	2,45
<b>NOPAT</b>	<b>1,77</b>	<b>3,08</b>	<b>4,55</b>	<b>5,45</b>	<b>6,55</b>
D&A	2,69	2,38	2,10	2,00	2,00
Change in receivable	(0,87)	4,11	(4,06)	(2,70)	(3,00)
Change in inventories	(3,35)	(3,12)	1,14	(2,50)	(2,50)
Change in payable	(5,67)	1,37	(2,74)	(1,50)	(1,50)
Change in others	5,45	0,74	(2,89)	0,50	0,50
Change in NWC	2,70	5,12	0,43	0,80	0,50
Change in provisions	0,48	(0,82)	0,46	0,10	0,10
<b>OPERATING CASH FLOW</b>	<b>4,07</b>	<b>8,75</b>	<b>3,05</b>	<b>4,85</b>	<b>5,65</b>
Capex	(9,99)	(2,64)	(2,54)	(2,50)	(2,50)
<b>FREE CASH FLOW</b>	<b>(5,93)</b>	<b>6,11</b>	<b>0,51</b>	<b>2,35</b>	<b>3,15</b>
Financial Management	(0,64)	(0,88)	(0,90)	(0,90)	(0,90)
Change in Financial Debt	2,77	(2,95)	1,56	(0,20)	(0,80)
Change in Equity	4,78	(0,18)	0,00	0,00	0,00
<b>FREE CASH FLOW TO EQUITY</b>	<b>0,99</b>	<b>2,10</b>	<b>1,16</b>	<b>1,25</b>	<b>1,45</b>

Source: Nusco financial statements and Integrae SIM estimates

## 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 business unit, focused on interior and armored doors; and a Windows business unit, 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, who had first started a craft workshop for the production of wooden doors. The Nusco brand has now been around for over sixty years, initially making its mark in Southern Italy, and now recognized as one of the market's leading players. 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.

## FY23A Results

TABLE 2 – ACTUAL VS ESTIMATES FY23A VS FY23E

€/mln	Revenues	EBITDA	EBITDA %	EBIT	Net Income	NFP
FY23A	58,69	7,24	12,8%	4,33	2,20	2,37
FY23E	54,00	6,35	12,0%	4,25	2,35	6,00
Change	8,7%	13,9%	0,8%	1,9%	-6,2%	n/a

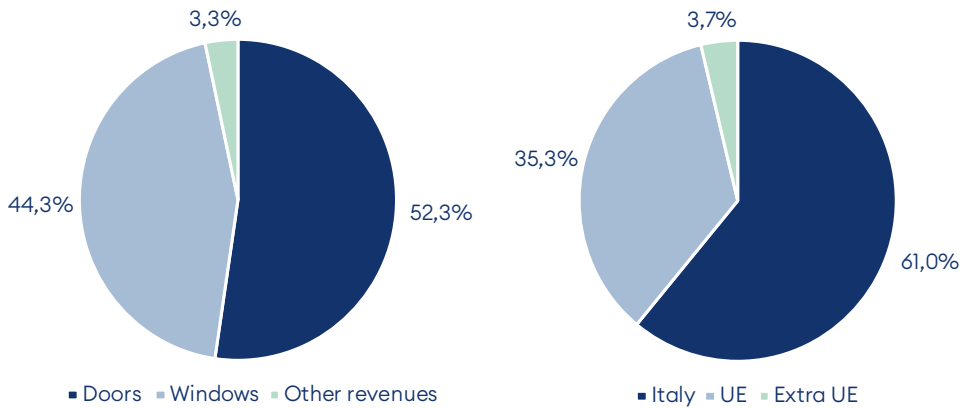
Source: Integrae SIM

In the annual results press release of March 28, 2024, Guerino Vassalluzzo, President and CEO of the company, commented: *“We are proud of the results achieved in 2023, as they confirm, on the one hand, the competence of the Group’s development strategy, which has proved solid in terms of turnover and profitability, and, on the other hand, the consolidation of the business in a reference market that, in the last year in particular, showed signs of weakness, due to the reduction in state incentives for construction in Italy, and the crisis in the real estate sector more generally. I am very confident in the path that we have started out on and that we will continue to carry forward over the following months: the Group continues to strengthen itself from a financial point of view, to grow in terms of skills and innovation, and to invest in research and development, in order to guarantee quality offerings and consolidate itself as an authoritative player in its reference market. In this sense, the decision to approve a free capital increase is an act of gratitude for all our shareholders who have placed their complete trust in our Group and our business. Through this operation, we intend to further improve our capital structure, provide a solid basis to face future challenges, and seize growth opportunities on the market, by offering our shareholders the opportunity to increase their stake in the company without necessarily having to invest in additional financial resources.”*

In the consolidated financial statements as of December 31, 2023, the first year of full-year consolidation following the acquisition of Pinum Doors & Windows in 2022, Nusco reported sales revenues of € 56.73 million, up 11.4% from the end of 2022 figure of € 50.92 million. Of the total revenues, 61.0% (€ 34.60 million) came from Italy, while the remaining 39.0% (€ 22.13 million) was generated abroad, mainly in countries of the Union European.

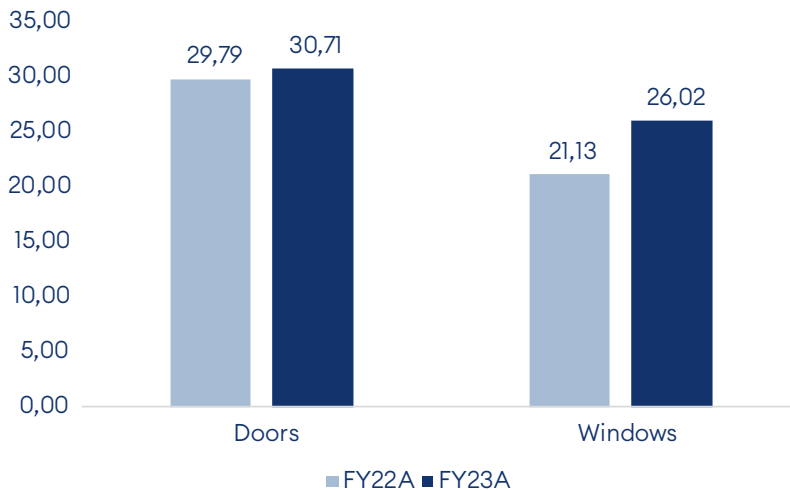
The growth was driven by positive results for both business units of the Group: the Doors BU generated revenues of € 30.71 million in 2023, marking a 3.1% improvement compared to € 29.79 million in FY22A, and contributing 52.3% to the total value of production; the Fixtures BU, on the other hand, generated € 26.02 million, marking a YoY growth of 23.2% compared to the 2022 figure (€ 21.13 million), and contributing 44.3% to the value of production.

CHART 1 – REVENUES BREAKDOWN BY SEGMENT & GEOGRAPHY



Source: Nusco

CHART 2 – REVENUES BREAKDOWN BY BU FY23A VS FY22A



Source: Nusco

The Adjusted EBITDA for the period, taking into account extraordinary and non-recurring items of € 0.52 million attributable mainly to credit losses and costs incurred in relation to the subsidiary Modo Srl, attained a record value of € 7.24 million, marking a 39.1% increase from the FY22A figure of € 5.20 million, with a margin on the value of production of 12.8%, up by approximately 3 percentage points compared to 9.9% in 2022. The Doors BU had an impact of € 3.07 million (+52.4% vs. € 2.01 million in FY22A) and a margin of 10.0%, while the Fixtures BU generated an Adjusted EBITDA of € 4.17 million, up 30.7% from € 2.75 million in 2022, with a margin of 16.1%.

EBIT, after amortization and depreciation of € 2.38 million, and considering the effects of the aforementioned extraordinary components of € 0.52 million, amounted to € 4.33 million, corresponding to an EBIT margin of 7.6%. In 2022, the figure was € 2.54 million, with a revenue margin of 5.0%. Finally, Net Income also came in positive at € 2.20 million, almost doubling (+94.7%) the figure for the previous year of € 1.13 million.

On the balance sheet, the NFP marked a clear improvement, going from € 7.42 million as of December 31, 2022 to € 2.37 million in the financial year just ended, thanks to the cash flows generated by core activities and better management of working capital. The figure is also a clear improvement on our previous estimate of € 6.00 million, with an NFP/EBITDA ratio of 0.32x.

2023 therefore ended on a very positive note for Nusco, which, during the year, also inaugurated a new franchise showroom in Dubai and single-brand store in Tripoli. The Group is therefore continuing on its growth path, strengthening its commercial network, and consolidating its presence on its international reference market. Furthermore, in the first months of 2024, work began on the new factory in Romania in relation to the newly acquired Pinum D&W Srl. The new factory will be completed in the first quarter of 2025, and will have a surface area of 20,000 m<sup>2</sup>, dedicated to the production of doors and frames with cutting-edge manufacturing systems.

On approval of the consolidated financial statements, the Board of Directors resolved to propose to the extraordinary Shareholders' Meeting a free increase in share capital, up to a maximum of € 1.66 million, allocated from the extraordinary reserve. The proposal is to assign free shares to shareholders in the ratio of one to every fourteen shares owned on a certain date, yet to be defined, in the month of May.

Finally, we note that, at the end of April 2024, the Group will present its Sustainability Report for the second consecutive year. The goal of the report is to communicate Nusco's commitment in the ESG field to its community of stakeholders, in a clear and transparent manner, highlighting the company's work and objectives from an environmental, social and economic point of view. In this regard, the Group plans to install a further 500 KW of photovoltaic modules on its main factory in Nola, Naples, in addition to the existing 200 KW, which will allow it to become energy self-sufficient and therefore make significant savings on utilities costs.

## FY24E – FY26E Estimates

TABLE 3 – ESTIMATES UPDATES FY24E - FY26E

€/mln	FY24E	FY25E	FY26E
<b>Revenues</b>			
New	63,5	70,0	76,0
Old	61,6	67,5	0,0
Change	3,1%	3,7%	n/a
<b>EBITDA</b>			
New	8,4	9,6	11,2
Old	7,8	9,0	0,0
Change	8,4%	6,7%	n/a
<b>EBITDA %</b>			
New	13,5%	14,0%	15,0%
Old	12,8%	13,6%	n/a
Change	0,7%	0,4%	n/a
<b>EBIT</b>			
New	6,1	7,4	9,0
Old	5,7	6,9	0,0
Change	8,0%	7,2%	n/a
<b>Net Income</b>			
New	3,7	4,6	5,7
Old	3,4	4,2	0,0
Change	9,0%	8,3%	n/a
<b>NFP</b>			
New	2,8	1,3	(0,9)
Old	3,7	0,5	0,0
Change	n/a	n/a	n/a

Source: Integrae SIM

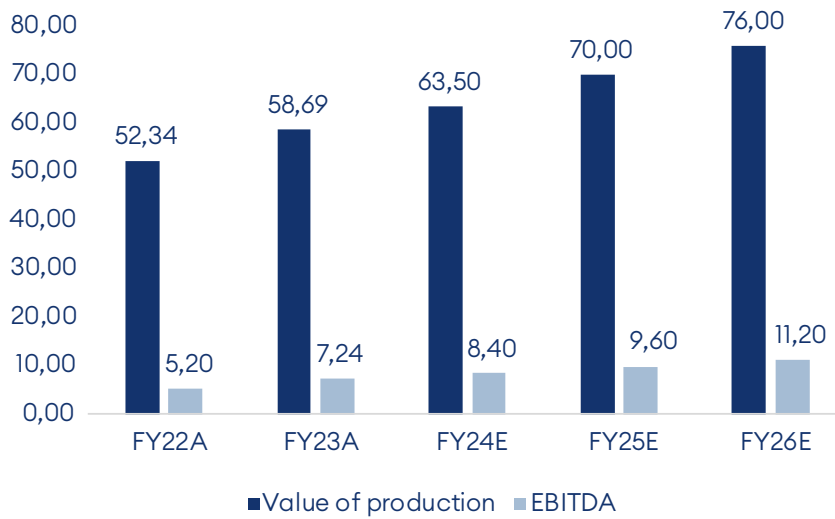
In light of the results published in the annual report for FY23A, we have adjusted our estimates for both the current year and the following years.

In particular, we estimate an FY24E value of production of € 63.50 million, and an EBITDA of € 8.40 million, corresponding to a margin of 13.5%. In the following years, we expect the value of production to rise to € 76.00 million (CAGR 23A-26E: 9.0%) in FY26E, with EBITDA equal to € 11.20 million (corresponding to a margin of 15.0%), up from € 7.24 million in FY23A (corresponding to an EBITDA margin of 12.8%).

On the balance sheet, we expect an improvement in the NFP, which according to our estimates will go from € 2.37 million of debt in FY23A to a cash positive value of € 0.94 million.

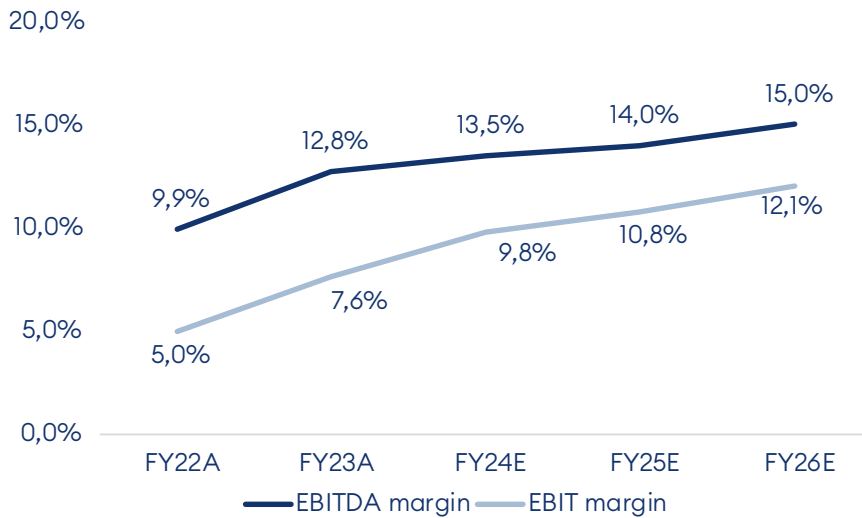


CHART 3 – VOP AND EBITDA FY22A - 26E (€/MLN)



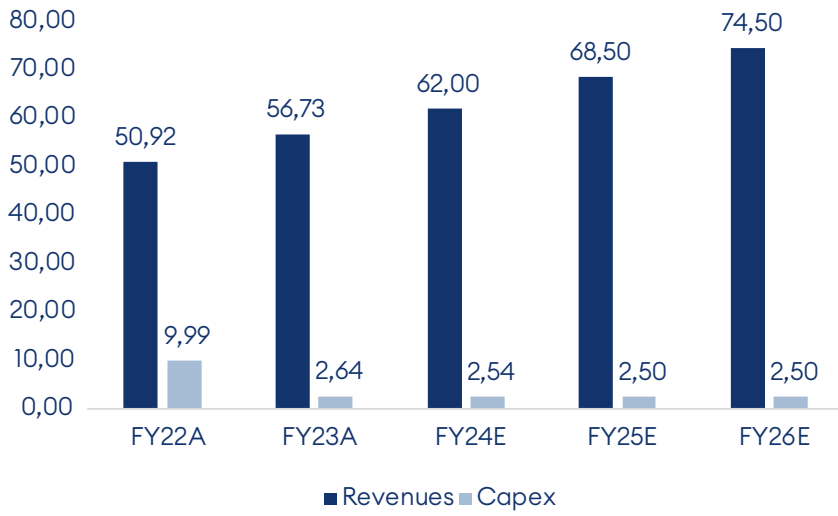
Source: Integrae SIM

CHART 4 – MARGIN FY22A - 26E



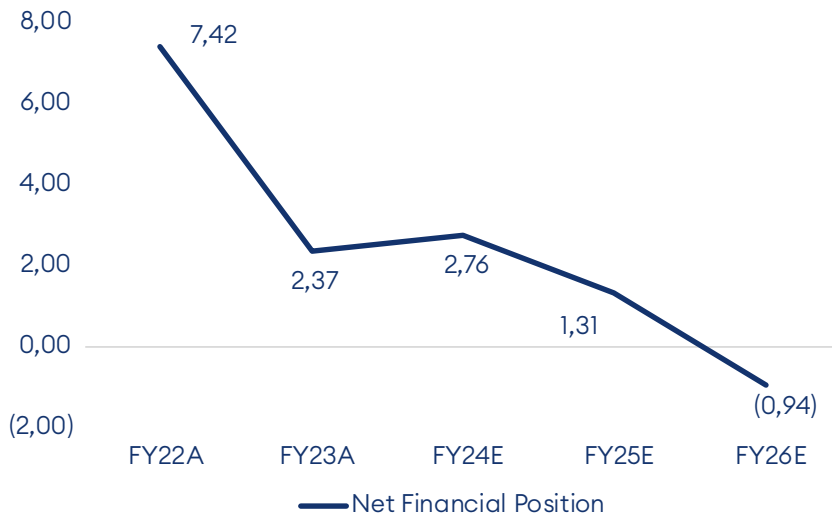
Source: Integrae SIM

CHART 5 - CAPEX FY22A - 26E (€/MLN)



Source: Integrae SIM

CHART 6 - NFP FY22A - 26E (€/MLN)



Source: Integrae SIM

# Valuation

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

## DCF Method

TABLE 4 – WACC

WACC				11,3%
D/E 42,9%	Risk Free Rate 3,2%	$\beta$ Adjusted 1,2	$\alpha$ (specific risk) 2,5%	
$K_d$ 3,5%	Market Premium 7,8%	$\beta$ Relevered 1,3	$K_e$ 15,1%	

Source: Integrae SIM

For prudential purposes, we included a specific risk equal to 2,5%. The result is a WACC of 11,3%.

TABLE 5 – DCF VALUATION

DCF		% of EV
FCFO Actualized	13,31	20,3%
TV Actualized DCF	52,37	79,7%
<b>Enterprise Value</b>	<b>65,68</b>	<b>100,0%</b>
NFP (FY23A)	2,37	
<b>Equity Value</b>	<b>63,32</b>	

Source: Integrae SIM

With the above data and taking our estimates and assumption as reference, the result is an equity value of € 63.32 million. The target price is therefore € 3.40 (prev. € 3.15). We confirm a BUY rating and MEDIUM risk.

TABLE 6 – EQUITY VALUE – SENSITIVITY ANALYSIS

€/mln	WACC							
		9,8%	10,3%	10,8%	11,3%	11,8%	12,3%	12,8%
Growth Rate (g)	3,0%	91,2	84,2	78,1	72,7	68,0	63,9	60,1
	2,5%	85,7	79,5	74,0	69,2	65,0	61,2	57,8
	2,0%	81,0	75,4	70,5	66,1	62,2	58,7	55,6
	1,5%	76,8	71,7	67,3	63,3	59,8	56,5	53,6
	1,0%	73,0	68,5	64,4	60,8	57,5	54,5	51,8
	0,5%	69,7	65,6	61,8	58,5	55,5	52,7	50,2
	0,0%	66,7	62,9	59,5	56,4	53,6	51,0	48,7

Source: Integrae SIM

TABLE 7 – TARGET PRICE IMPLIED VALUATION MULTIPLES

Multiples	FY22A	FY23E	FY24E	FY25E
EV/EBITDA	9,1x	7,8x	6,8x	5,9x
EV/EBIT	15,2x	10,8x	8,9x	7,3x
P/E	28,7x	17,3x	13,9x	11,2x

Source: Integrae SIM

TABLE 8 – CURRENT PRICE IMPLIED VALUATION MULTIPLES

Main Ratios	FY22A	FY23E	FY24E	FY25E
EV/EBITDA	3,0x	2,6x	2,3x	2,0x
EV/EBIT	5,1x	3,6x	3,0x	2,4x
P/E	8,9x	5,4x	4,3x	3,5x

Source: Integrae SIM

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

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The table below, shows INTEGRAE SIM's recommendation, target price and risk issued during the last 12 months:

Date	Price	Recommendation	Target Price	Risk	Comment
10/05/2023	1,39	Buy	3,15	Medium	Breaking News
08/08/2023	1,25	Buy	3,15	Medium	Breaking News
09/10/2023	0,98	Buy	3,15	Medium	Update
06/12/2023	1,00	Buy	3,15	Medium	Breaking News
09/02/2024	1,07	Buy	3,15	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)

The methods that INTEGRÆ 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) Integræ 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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