

Nusco	Italy	FTSE AIM Italia	Building Products
Rating: BUY	Target Price: € 2,35	Initiation of Coverage	Risk: Medium

Stock performance	1M	3M	6M	1Y
absolute	N/A	N/A	N/A	N/A
to FTSE AIM Italia	N/A	N/A	N/A	N/A
to FTSE STAR Italia	N/A	N/A	N/A	N/A
to FTSE All-Share	N/A	N/A	N/A	N/A </td
to EUROSTOXX	N/A	N/A	N/A	N/A
to MSCI World Index	N/A	N/A	N/A	N/A

Stock Data

Price	€ 1,30
Target price	€ 2,35
Upside/(Downside) potential	81,0%
Bloomberg Code	NUS IM Equity
Market Cap (€m)	€ 19,09
EV (€m)	€ 20,90
Free Float (Greenshoe Included)	26,10%
Share Outstanding (Greenshoe Included)	14.682.500
52-week high	N/A
52-week low	N/A
IPO Price (04/08/2021)	€ 1,20

Key Financials (€m)	FY19A	FY20A	FY21E	FY22E
Revenues	19,3	15,4	20,3	23,5
VoP	20,0	17,0	21,2	23,5
EBITDA	3,2	1,3	3,2	3,8
EBIT	1,6	0,1	2,4	2,7
Net Profit	0,3	-0,4	1,3	1,5
EBITDA margin	16,7%	8,5%	15,8%	16,2%
EBIT margin	8,4%	0,7%	11,6%	11,5%
Net Profit margin	1,4%	-2,4%	6,2%	6,4%

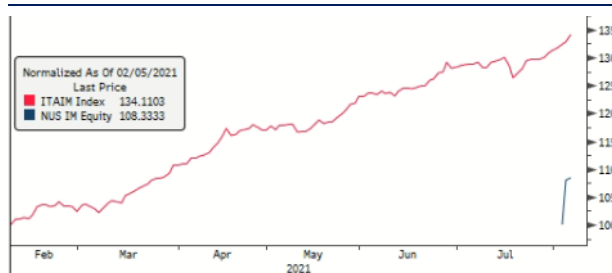
Main Ratios	FY19A	FY20A	FY21E	FY22E
EV/EBITDA (x)	6,5	16,0	6,5	5,5
EV/EBIT (x)	12,9	201,4	8,9	7,7
P/E (x)	73,0	N/A	15,3	12,7

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Stocks performance relative to FTSE AIM Italia



Company Overview

Nusco Spa, based in Nola (NA), is a company active since 2011 in the production of doors and sale of doors and windows under the brand name "NUSCO". The Company operates on two main Business Units: doors (including interior doors and security doors) and windows (including windows/window frames, shutters, and grids). The Company is part of a Group active since 1968 in the wood industry and in the real estate sector. Nusco boasts an important commercial network composed of: single brand franchising throughout Italy (46 on December 31, 2020), a showroom of more than 2,000 m², a network of authorized dealers (around 1,000) and 3 foreign commercial representative offices in Romania, Kuwait, and Azerbaijan.

Market

The Italian construction market generated a value of approximately € 118 billion in 2020. The demand for doors and windows and facades, in line with the construction market, shows a significant decrease in 2020, equal to approximately 7.6%, reaching approximately € 4,420 million. In 2021, the market is expected to reach € 4,589 million. In the period from 2007 to 2020, tax incentives for upgrading the energy efficiency of buildings contributed to support the demand for doors and windows. In fact, revenues generated thanks to tax incentives increased from € 0.5 billion in 2007 to € 1.4 billion in 2020. In 2019, before the decrease observed in the last year, the value was even equal to € 1.8 billion.

Valuation Update

We have conducted the valuation of Nusco's equity value based on the DCF methodology and market multiples of comparable companies sample. 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 €41.4 Mln. The equity value of Nusco using the market multiples is equal to €27.7 Mln. The result is an average equity value of approx. €34.5 Mln. The target price is €2.35, BUY rating and MEDIUM risk.

Contents

1.	Company overview.....	3
1.1	Business activities	3
1.2	Company history	4
1.3	Shareholders and Group structure	5
1.4	Key people.....	6
2.	Business model	7
2.1	Value proposition.....	7
2.2	Business process	8
2.3	Portfolio of Products and Services.....	10
2.4	Clients and Providers	13
2.5	Franchising	16
2.6	Environment and R&D	17
2.7	Marketing.....	18
2.8	Advantages for Stakeholders	18
3.	The market	20
3.1	Buildings.....	20
3.2	Doors and Windows.....	21
3.3	Wooden doors and windows	23
3.4	Tax incentives.....	25
3.5	Impact of tax incentives.....	26
4.	Competitive positioning.....	27
4.1	Swot	28
5.	Economics & Financials.....	29
5.1	FY20A Results.....	30
5.2	FY21E – FY24E Estimates	32
5.3	Use of proceeds	35
6.	Valuation	36
6.1	DCF Method	36
6.2	Market multiples.....	38
7.	Equity Value	41

1. Company overview

1.1 Business activities

Nusco SpA, based in Nola (NA), is a company active since 2011 in the production of doors and sale of doors and windows under the brand name “NUSCO”. The Company operates on two main Business Units: doors (including interior doors and security doors) and windows (including windows/window frames, shutters, and grids). The Company is part of a Group active since 1968 in the wood industry and in the real estate sector.

The Group was established thanks to the activity of its founder, Mario Felice Nusco (father of Luigi Nusco, current CEO and President of the BoD and Michele Nusco, current member of the BoD), who set up a handicraft laboratory for the production of wooden doors. The Nusco marketing brand has been present on the market for over sixty years, especially in southern Italy, and is recognized as one of the main players in the market. The Group consists of 22 companies related to the homonymous family, with activities located in Italy and Romania and operating in the production and marketing of doors and windows and the development, management, and valorization of real estate.

Nusco carries out its production activity in Nola through four plants located within few kilometers and well connected with the main places for the transport of goods. The four plants are owned by companies belonging to the Group, one of them is used for the development of the door line, while the other three are used for the development of windows, produced by Modo Srl (Group Company), with which an exclusive relationship has been contractually defined with Nusco itself, which markets the above-mentioned windows under its own brand.

In addition to this, Nusco boasts an important commercial network composed of:

- single-brand franchising throughout Italy (46 on December 31, 2020), with particular concentration in central and southern Italy;
- a showroom of more than 2,000 m² of surface (owned by Nusco Immobili Industriali Srl, Group Company), located in Nola, that allows selling directly to potential private customers;
- a large network of authorized dealers (around 1,000) that has allowed indirect sales even in several foreign countries in the past;
- three foreign commercial representative offices in Romania, Kuwait, and Azerbaijan.

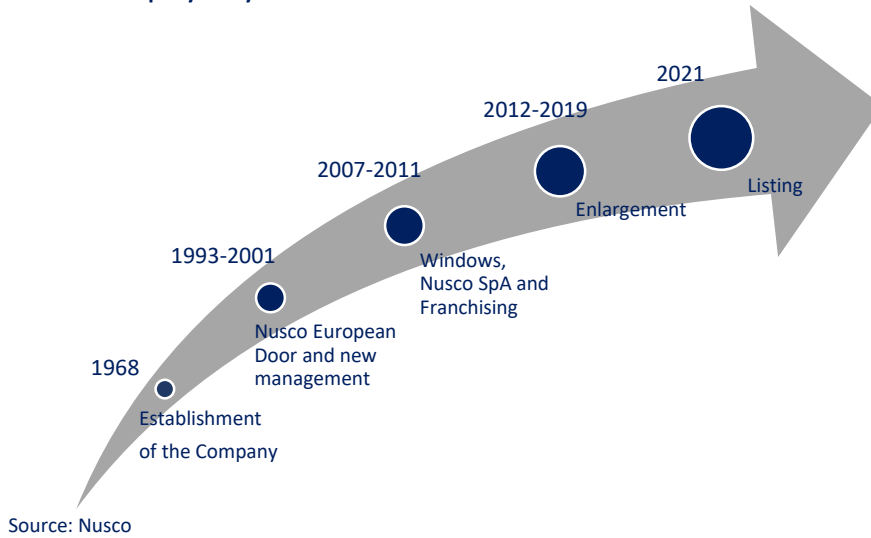
Chart 1 – Nusco Products



Source: Nusco

1.2 Company history

Chart 2 – Company Story



- In 1968, at the initiative of Mr. Mario Nusco, the artisan workshop for the production of wooden doors which, in more than fifty years of history, became the present Nusco SpA, was established.
- In 1993, Nusco European Doors Snc of Nusco Mario Felice was established with Mario Nusco as Sole Director, a company active in the production of wooden doors. After a few years of activity, in 2001, Nusco European Doors Snc was transformed into Nusco Porte SpA, with a new management team and a new Board of Directors composed of Mr. Mario Felice Nusco, Luigi Nusco, and Michele Nusco.
- In 2007, the expansion of the production range began with the opening to the window market thanks to the opening of a new production plant (in a building whose property is attributable to the Group) in Nola for the production of wood and aluminum windows developed by Modo Srl but sold under the “NUSCO” brand. Later, in 2011, the industrial and commercial branch of the company was transferred from Nusco Porte SpA to Nusco SpA, a newly established company. Moreover, during the same year, the launch of the new franchising model takes place with the first openings in Campania, in Salerno and Avellino.
- In 2012, the Company expanded its product range with the launch of a new line of PVC windows developed by Modo and sold under the “NUSCO” brand. Later, in 2015, the production of shutters and iron grates was started, also in this case, the products were developed by Modo but sold under the “NUSCO” brand. Finally, during 2019, the franchise network was significantly expanded with the first openings of the stores in Rome and the increase in the number of franchises in other regions.
- On 04/08/2021 Nusco has concluded the listing on the AIM Italia market aiming to find resources finalized on the acceleration of its growth process.

1.3 Shareholders and Group structure

Table 1 – Shareholders

Shareholders	Share
Nusco Invest Srl	73.90%
Market	26.10%

Source: Nusco

Nusco is 73.90% owned by Nusco Invest Srl and 26.10% owned by the market. Nusco Invest Srl is, in turn, held: 47.7% by Mario Nusco, founder of the Company, 1.9% by Luigi Nusco, son of the founder and current CEO and Chairman of the BoD, 0.1% by Nusco Immobili Industriali Srl and the remaining 50.3% by Nusco Trade Srl (Romanian company). Nusco Trade Srl, in turn, is 98.6% controlled by the Luxembourgish company Golden Share SA, 1.4% controlled by Nusco Immobili Industriali Srl, and 0.001% controlled by Mario Nusco. Finally, Golden Share is held: 14.2% by Matilde Durante, Marketing Manager of the Company, 14.2% by Sorana Nusco, 23.9% by Michele Nusco, son of the founder and current member of BoD, 23.9% by Mario Nusco, and the remaining 23.9% by Luigi Nusco. The above values have been computed assuming the full exercise of the greenshoe.

Below you can find a brief description of the main companies, in addition to Nusco SpA, belonging to the Group:

- Golden Share SA: holding Company;
- Nusco Trade Srl: holding Company;
- Nusco Invest Srl: holding Company;
- Nusco Immobiliara SA: real estate holding for the development and management of real estate;
- Agora Srl: deals with the Nola real estate complex;
- Pinum Doors & Window Srl: deals with the production and marketing of doors and windows;
- Nusco Immobili Industriali Srl: owner of the real estate where the showroom, the plant for the production of windows of Modo Srl, and the registered and productive office of Nusco SpA are situated;
- IMTL Srl: owner of the two buildings where the production plants of windows in wood and PVC of Modo Srl are placed;
- Modo Srl: deals with the production of windows for Nusco SpA;
- Nusco Edilizia Meridionale Srl: a real estate company that manages and carries out rental activities for certain buildings;
- Nusco Mario Immobiliare Srl: a real estate company that manages and carries out rental activities for certain buildings;
- Nusco Immobiliare Srl: A real estate company that manages and carries out rental activities for certain buildings;
- Nusco Residential Park Srl. Currently, three shipyards are under construction: One in Cicciano where there was an old pasta factory that will be demolished, on the area of about 20,000 square meters there will be a real estate complex of 94 apartments, commercial premises, garage, and a municipal villa, one in the municipality of Camposano, for the construction of a park with 26 apartments and commercial premises and, finally, another in Cicciano for the construction of 7 villas and a building with 8 apartments;
- Saviano Residential Park Srl: the Company has acquired, with two local entrepreneurs, an industrial property, used once as a shoe factory and now in disuse for years, in the municipality of Saviano, on which to design a real estate and commercial complex.

1.4 Key people

Luigi Nusco – CEO and President of BoD

He graduated in Economics and specialized in Business Administration. In 2001 he actively entered the management of Nusco. With his arrival, he has managed to give a new impulse to business development through the renewal of development strategies and continuing the process of internationalization. In 2011, he was the protagonist of the launch of the franchising project, the first in the doors and windows sector.

Guerino Vassalluzzo – CFO

He graduated in Economics and Commerce with a specialization in Financial Planning and Strategic Finance. He began his career in 1988 in various positions, including the one of Financial planning and management control Manager at different companies of the Italgrani Group and Di Gennaro SpA. He joined Nusco in 2003 as CFO.

Nello Lucio – Commercial Director

He began his career in sales at a young age and joined Nusco in 1989 as a sales consultant. He is one of the protagonists of the company's growth and in 2000 he was appointed Commercial Director with the task of coordinating also the export activities. Since 2007, with the introduction of window range, he has been coordinating up-selling and cross-selling actions that enable the company to successfully expand into the retailer world.

Matilde Durante – Marketing Manager

She has a degree in AeroSpace Engineering and a Master's degree in Marketing & Communication. Since 2008, she has been supporting Nusco as a Brand Manager. The Company benefits from her innovative drive in marketing, particularly evident within the digitization processes launched. In addition to this, her scope also extends to research and development activities.

2. Business model

2.1 Value proposition

Nusco is able to generate value for its customers through a wide product portfolio, of high quality, and in continuous updating in the face of constant investments in product innovation. In fact, Nusco is able to offer its customers: products that guarantee high safety, fast delivery and assembly times, living comfort, and cleaning during the installation phase.

In addition, the attention to the client is demonstrated by the Company at each stage of the Customer relationship:

- In the initial phase of the relationship, providing advice at home and the possibility to request a quotation. The Company is able to guarantee this service thanks to its territorial presence, also through franchises and authorized dealers;
- In the delivery phase of the products, carrying out the service quickly;
- During the assembly phase of the product, ensuring that the service is carried out by dealers or franchisees duly trained by Nusco or committing themselves directly to the assembly in case of sales to private customers carried out in the showroom of Nola;
- During the after-sales phase, ensuring full support for any additional customer needs.

In order to always guarantee a quality service that generates value for the customer, Nusco:

- Has developed a user-friendly application and an online touchpoint (via its own website) to help to view and purchase products more quickly;
- Allows the customization of the products, in order to make them conform to their needs;
- It has provided an extensive marketing network, including franchising shops and a dedicated showroom, in order to make its sales points easily accessible to its customers (both Italian and foreign).

2.2 Business process

As mentioned, the Company operates on two main Business Units: doors (including interior doors and security doors) and windows (including windows/window frames, shutters, and grids). In the two different lines, Nusco follows different processes in order to guarantee the best possible service for customers and a good level of marginality.

2.2.1 Business Unit Doors

The historical business, linked to the production and sale of doors, is based on a process composed of six steps: order reception, procurement and internal logistics, product processing, assembly of finished products, control and shipping, and after-sales assistance.

Chart 3 – Business Process Doors



Source: Nusco, elaboration Integrae SIM

Receiving order

The receipt of sales orders may derive from the different channels used by the Company and may also take place thanks to the pre-sales services provided (such as on-site analysis and product testing).

Procurement and Internal Logistics

Once received, sales orders are processed and, through the issuance of the production list, the manufacturing process is started. The starting point of this process is the collection of materials from the Company's warehouse and their positioning on the production line.

Product processing

Following the positioning of the materials on the production line, profiles useful for the production of the finished product are obtained. In fact, the materials are first cut and then all the necessary operations (drilling, sanding, and painting) are completed.

Finished goods assembly

Once the step of working the profiles has been completed, the step in which the profiles themselves are assembled in order to obtain the finished product is carried out.

Control and shipping

Assembled finished products are inspected, packaged, and shipped. The shipment ends at the place designated by the customer, allowing, thanks to previous visits, to reduce the risk of appearance of any problems due to the assembly. The assembly is generally outsourced to the respective dealers (specially trained by Nusco) unless the purchase is carried out at the company showroom.

After-sales

Once the assembly phase has been completed, the Company offers its customers an after-sales service in order to satisfy further needs such as repairs, checks, and/or other problems.

2.2.2 Business Unit Windows

Regarding the production and sales of windows, the Company uses the services of Modo Srl. Modo Srl is a company specialized in the production of windows, inside the Nusco Group, that carries out its services exclusively for Nusco SpA. As for this business unit, the Company follows a four-step process: order reception, procurement and internal logistics, control and shipping, and after-sales assistance.

Chart 4 – Business Process Windows



Source: Nusco, elaboration Integrae SIM

Receiving order

The receipt of sales orders may derive from the different channels used by the Company and may also take place thanks to the pre-sales services provided (such as on-site analysis and product testing).

Procurement and Internal Logistics

Once received, sales orders are sent to Modo Srl, to which are also sent the relative specifications and possible items of customization. Finally, together with the sales order, the materials necessary to finalize the job are also sent.

Control and shipping

The finished products developed by Modo are then sent to Nusco for the quality control phase and for the subsequent packaging. At the end of these steps, the product is sent to the end customer for installation at the desired location. The assembly phase is in many cases outsourced but, in the case of purchases in the showroom owned by Nusco by physical persons, this activity can also be carried out by the company.

After-sales

Once the assembly phase has been completed, the Company offers its customers an after-sales service in order to satisfy further needs such as repairs, checks, and/or other problems.

2.3 Portfolio of Products and Services

Nusco offers a varied and integrated catalog of interior doors, security doors, windows, and shutters of medium/high range and numerous lines in prompt delivery. The doors are manufactured with care in the choice of design, using quality materials and using advanced production technologies and the line of security doors has been certified to guarantee high anti-break standards. Regarding the windows, the Company designs and manufactures a range of technologically advanced windows, capable of guaranteeing thermal and acoustic insulation capabilities. Finally, the Company markets shutters and grates in both iron and aluminum, adaptable to many residential contexts.

Interior doors

Chart 5 – Interior Doors



Source: Nusco

The Company offers interior doors in the following categories:

- Solid wood doors: solid wood Platinum line, top of the range collection of the Company, characterized by rich details and a wide choice of models and colors, with the possibility to choose between oak and walnut in their different finishes. The line can be inserted in different types of environment, with numerous combinations of style, covers, and frames, allowing each customer to create their own customized model;
- Lacquered, pantographed, and engraved doors: the products belonging to this category (Artwork line), are obtained with mechanical cutters to create the plays of lines that make the offered product special. The doors are then lacquered by the paint team. Artwork doors are modern in style and come in a variety of colors;
- Flush frame and sliding systems: the flush frame door meets the need for a minimal door coplanar with the furniture (door in color with the wall and suitable to solve problems inherent in particular positionings such as understairs and storerooms). Among the most innovative solutions, the Company offers the coplanar variant and the Magic system, which represents a modern alternative to the most classic sliding systems.

Security doors

Chart 6 – Security Doors



Source: Nusco

The Company's offer also includes a line of doors and security doors certified Class 3 antiburglar (the antiburglar classes indicate the degree of safety that the door or window is able to generate on a scale from 1 to 6). Thanks to advanced production systems used by the company, the customer is offered the possibility to customize the security door according to his aesthetic taste. Security doors typically have a size of 1,250 x 2,500 millimeters. Nusco, however, thanks to its expertise is able to realize and offer to its customers also double-leaf doors.

Windows

Chart 7 – Windows



Source: Nusco

The Company's offer of windows includes products designed and manufactured by Modo Srl and sold under the trademark of Nusco. The Company offers products capable of combining aesthetics and performance. In fact, for Nusco, the objective is to offer a product that meets the customer's needs in terms of technical characteristics, also acting as a complement of furniture. This result is possible thanks to the wide range of windows, including PVC, wood, and wood-aluminum windows.

Shutters

Chart 8 – Shutters



Source: Nusco

The shutters offered by the Company can be grouped into the following categories:

- Iron shutters: the iron shutters (certified class 3 antiburglar, on a scale from 1 to 6) and the grates offered by the Company are characterized by aesthetic refinement and the ability to adapt to urban contexts. The Nusco shutters guarantee solidity, resistance capacity, darkening, and protection from external bad weather;
- Aluminum shutters. The aluminum shutters offered by the Company are characterized by strength, reliability and safety, and versatility in shape and style. These characteristics make the Nusco shutters in aluminum adaptable to many residential contexts.

Fire doors

Chart 9 – Fire Doors



Source: Nusco

Starting in the second half of 2021, Nusco will begin the sales of fire doors (known as REI), whose development took place during 2020. This type of door is typically used in the hotel sector, where the legally established requirements of resistance, tightness, and insulation must be respected. Fire doors must respect certain characteristics such as impact resistance, self-closing, and radiation levels. These characteristics must follow the strict safety regulations UNI 9723:1990 A1. Typically, these doors tend to be esthetically unappealing and noisy. To enter this new market segment, Nusco has developed a new line of fire doors, paying particular attention to the aesthetic aspect and to noise reduction.

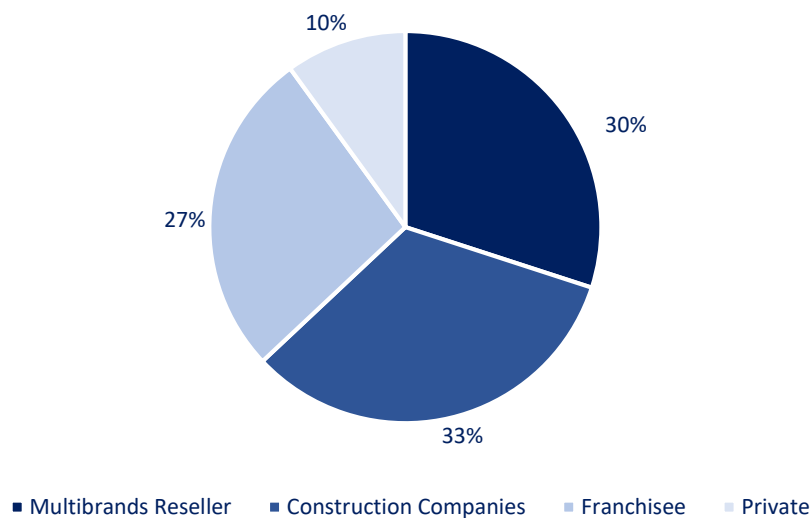
The fire doors designed by Nusco have the following characteristics:

- REI 30 or higher: according to current regulations, hotel fire doors must be certified at least as REI 30, and must be checked every eight years;
- Noise attenuation: to ensure greater comfort for guests, hotel doors must ensure a high level of noise attenuation of at least 30db;
- Durability: doors must be designed to withstand heavy and long-term use.

2.4 Clients and Providers

2.4.1 Clients

Chart 10 – Clients Weight by Category

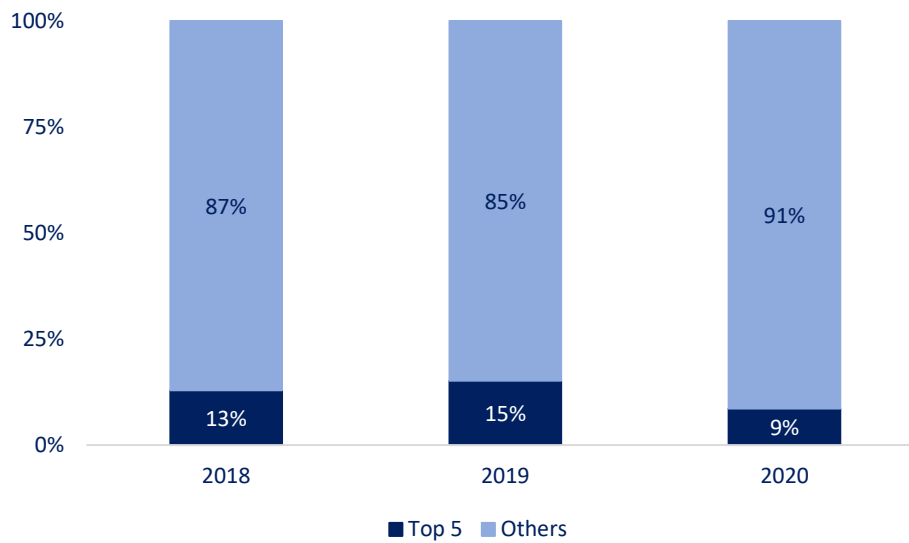


Source: Nusco

Nusco's clients can be divided into four main categories:

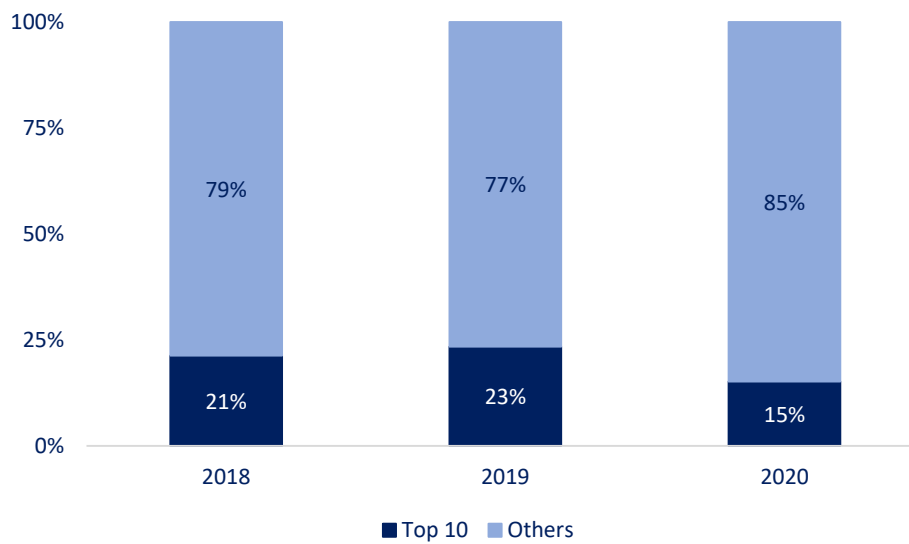
- Multi-brand reseller (30% turnover 2020 and 24% turnover 2019): multi-brand stores spread throughout Italy and authorized to sell Nusco products;
- Construction companies (33% turnover 2020 and 29% turnover 2019): building and construction companies with which the Company also maintains direct relations for important orders of goods used in real estate developments;
- Franchisee (27% turnover 2020 and 30% turnover 2019): Nusco-branded stores managed by affiliates that are constantly trained and aligned with the commercial policies identified by the Company;
- Private clients (10% turnover 2020 and 17% turnover 2019): final clients who, through the Nusco showroom in Nola (NA), can select and buy the Company's products.

Chart 11 – Top 5 Clients Weight



Source: Nusco

Chart 12 – Top 10 Clients Weight

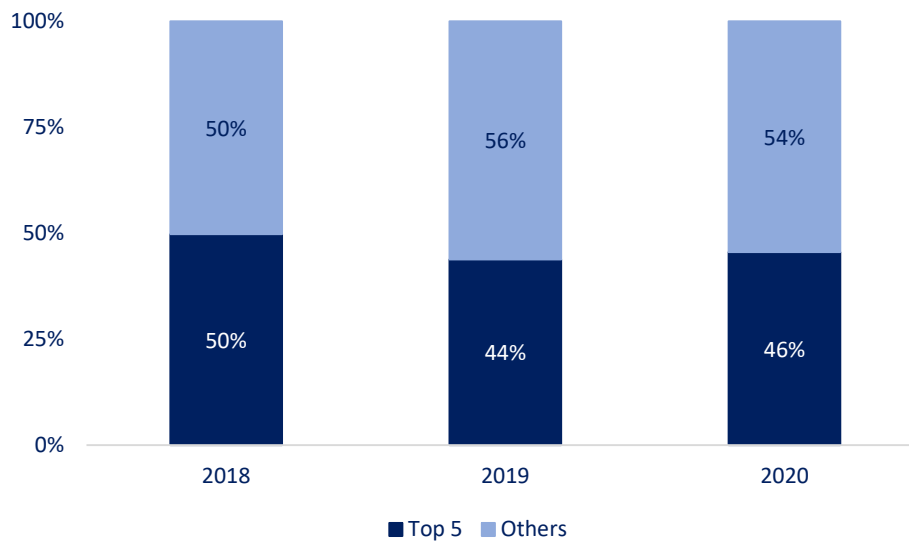


Source: Nusco

In addition to a good level of diversification by category of clients, Nusco has a very low level of concentration of revenues toward the major clients both analyzing the five largest clients year by year and analyzing the top ten. This represents a strength of the Company since this type of client portfolio allows reducing considerably the riskiness of the revenues generated.

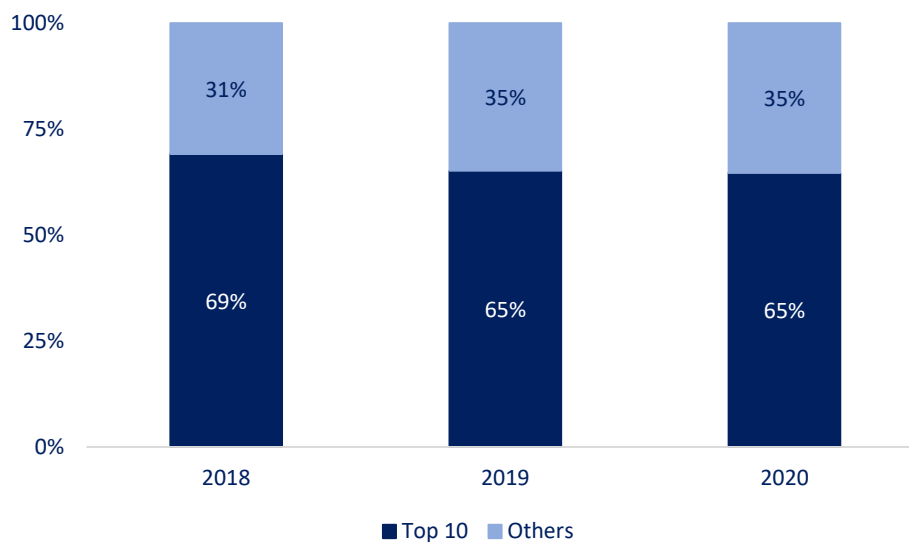
2.4.2 Providers

Chart 13 – Top 5 Providers Weight



Source: Nusco

Chart 14 – Top 10 Providers Weight



Source: Nusco

While analyzing Nusco's providers' portfolio, there is no particular risk of concentration toward the main counterparties, and no particular dependence on individual providers is observed. Moreover, among the most important providers of the Company we also find Modo Srl and Pinum Doors & Windows Srl, both companies belonging to Nusco Group.

Nusco's providers can be divided into two categories:

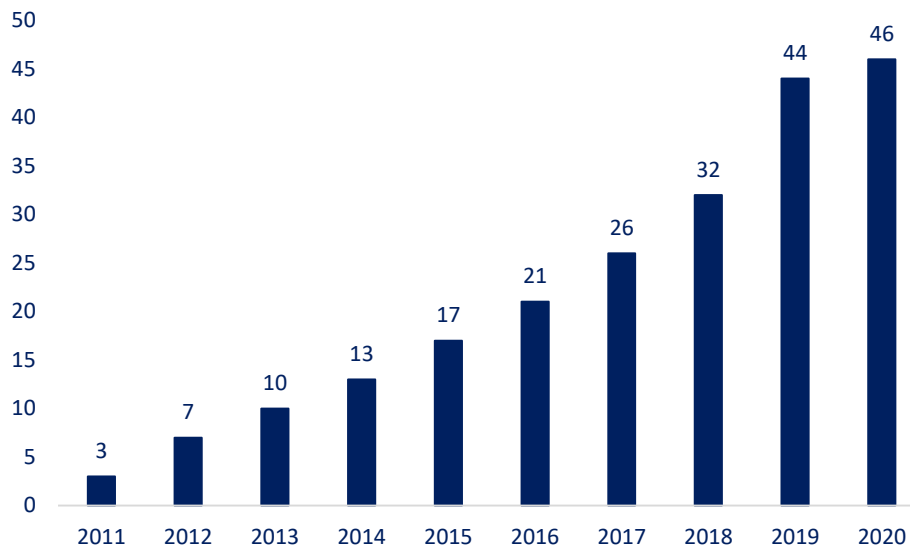
- **Materials providers:** the Company uses a wide network of providers of materials such as wood, iron, glass, and aluminum from which it can procure for the production of doors;
- **Providers of finished products:** the Company, in view of the high complexity of some products, such as PVC windows, directly buys semi-finished and/or finished products. This category of providers also includes some subsidiaries of the Group with which commercial agreements are in place, such as Modo Srl (which supplies finished

products for the window line) and Pinum Doors & Windows Srl (which supplies mainly semi-finished products).

2.5 Franchising

Nusco started to operate through franchising in 2011, also thanks to several multi-brand retailers who worked with the Company, and, given the good results obtained with Nusco products, they requested the possibility of reselling these products in territorial exclusivity, exploiting the brand's recognition.

Chart 15 – N° of Franchising



Source: Nusco

Over the years, Nusco has improved this commercial formula to the best, as evidenced by the growth in the number of open franchises that reached 46 during 2020.

This formula has important advantages for both Nusco and its affiliates:

- **Advantages for Nusco:**
 - Direct capillary presence in the national territory;
 - Improved brand recognition and brand awareness;
 - Business scalability;
 - Rapid response to the needs expressed by the market and customers;
 - Low investment in design, training, and technological integration;
 - Ability to segment the market to identify the best promotional strategy.

- **Affiliate Benefits:**
 - Visibility and recognizability thanks to the Nusco brand;
 - Single contact point for the entire product portfolio;
 - Territorial exclusivity;
 - Free design of the showroom;
 - Initial and continuing training;
 - Ongoing assistance;
 - Exclusive supply of informative and promotional material;

- Work on order without the need to equip a warehouse.

The franchise relationship has been refined over the years in order to guarantee the best possible result for both the Company and its affiliates. The relationship between the parties is managed by Company agents/sales managers following the launch of the new franchisees. The affiliates are given all the material necessary to start the activity as regards: store design, inventory, printed advertising material, and pre and post-sales assistance. In addition to this, affiliates are provided with a technical-commercial training course to gain all the knowledge they need to develop their business. On the other hand, charges, obligations, and commitments are established by contract, that the Affiliate must comply with in order not to affect the image and the commercial formula identified by the Company.

Finally, the franchisee must guarantee certain technical specifications:

- Location of the store in commercial, central, or semi-central areas with parking facilities;
- Store area of about 120-150 m²;
- A staff composed of at least one other resource in addition to the store owner;
- Duration of the contract is between 6-12 years;
- Catchment area of at least 30,000 inhabitants,
- Initial investment of the affiliate between approximately € 60,000 and € 100,000.

2.6 Environment and R&D

The Company is committed to investing in research and development activities, also thanks to the relations established with primary consulting companies and research entities (such as the University of Salerno), in order to guarantee increasingly high-performing products to its customers and to carry out its activity with the utmost respect for the environment. From the environmental point of view, in fact, the totality of the processing waste is separated, recycled, and disposed ecologically, moreover, the windows produced have a very low content of volatile organic compounds (VOCs).

In the field of research and development, we can identify a series of sources of innovation from the Company and a series of solutions developed:

- Sources of innovation:
 - Pull market innovation: it consists in planning innovation strategies, based on the continuous comparison with customers and business functions closer to the lead-users;
 - Technology push innovation: consists in the development of new technologically advanced products;
 - Design-driver: it consists in the development of products characterized by a new design thanks also to the attribution of particular and distinctive meanings.
- Solutions developed:
 - Power9000: new PVC, 82.5 mm, class 3 antiburglar profile, with the possibility to match the LUMAX system, which guarantees 25% more light than standard windows;
 - Sintesy W70: aluminum wood system fully coated with high-strength synthetic decorative surfaces;

- Modern aluminum solutions: used for the realization of large glass surfaces, windows, verandas, continuous walls, skylights, partition walls, and large sliding windows;
- Fire doors: innovative project sponsored by the Department of Materials Technology of the University of Salerno.

2.7 Marketing

The Company works with great commitment in marketing activities thanks also to a specific department that deals with:

- monitoring and carrying out of promotional initiatives;
- design and updating of presentation material and operating tools used by the sales network (e.g. price lists and catalogs);
- coordination and management of relations with media agencies, public relations, and the press office;
- internal and/or addressed to the sales network newsletter and information;
- web and social media management (Facebook, Instagram, YouTube, and LinkedIn);
- additional brand and sales support needs.

During 2020 and in the first part of 2021, Nusco, as a testimony to its constant commitment to marketing, has put in place advertising activities aimed at increasing the brand's reputation in the territory, also in view of the opening of new single-brand franchising stores in the national territory. These activities include sponsorship during the Serie A matches, advertising articles in important newspapers and magazines, radio spots, advertising campaign on Sky Italia, digital marketing campaigns, sponsorship of football teams (Benevento Calcio, Salernitana, Avellino and Nola Calcio), and SEO and SEM activities.

2.8 Advantages for Stakeholders

The Company, in carrying out its activities, pays particular attention to the value creation for all the subjects with which it comes into contact:

- **Environment:** the Company pays attention to the environment thanks to the use of techniques aimed at reducing the environmental impact and adopts policies for recycling the waste generated by the production process;
- **Clients:** the Company aims to meet the needs of its clients. In addition, feedback is analyzed through customer satisfaction surveys that can generate initiatives aimed at improving the service;
- **Providers:** relationships with providers are controlled through tables of comparison with local associations and the adoption of transparent policies in the allocation of their supply orders;
- **Employees:** Nusco uses integrated management systems, developing growth plans, talent management, and training paths adapted to organizational needs;
- **Enterprise:** over the years the Company has shown sustainable growth of its business, helping to increase the competitive level of the market. This was also possible thanks to transparent management, with well-defined objectives and shared by all the corporate bodies;
- **Shareholders and Funders:** through the economic sustainability of the developed business, the Company has the objective of generating a return for both shareholders and funders;

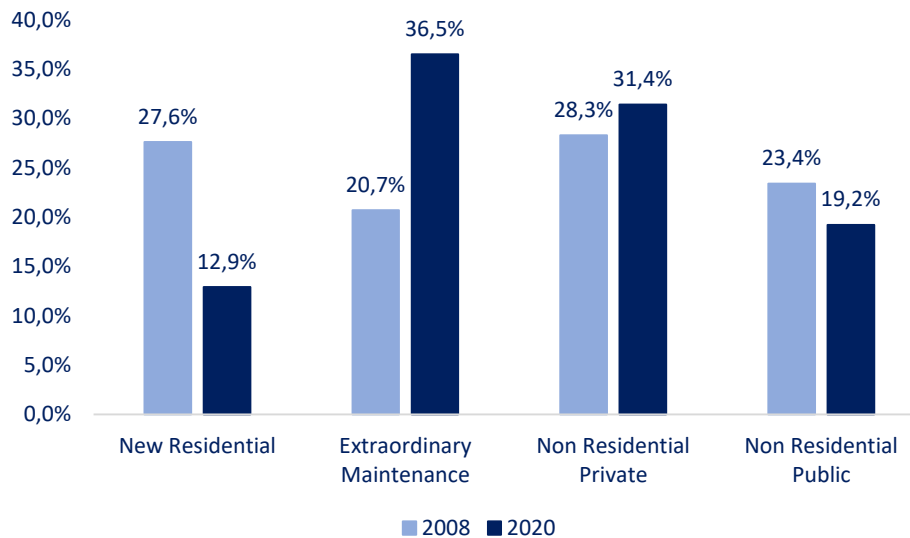
- **Institutions:** interactions with national and local institutions can lead to cooperation in the development and security of the territory and emergency management;
- **Community:** the Company supports and participates in cultural, environmental, sports, and social initiatives promoted also by ONLUS and organizations involved in social affairs.

3. The market

Nusco, in the course of its business, interfaces with the building market, with particular reference to doors and windows. The market in question is characterized by important fiscal incentives.

3.1 Buildings

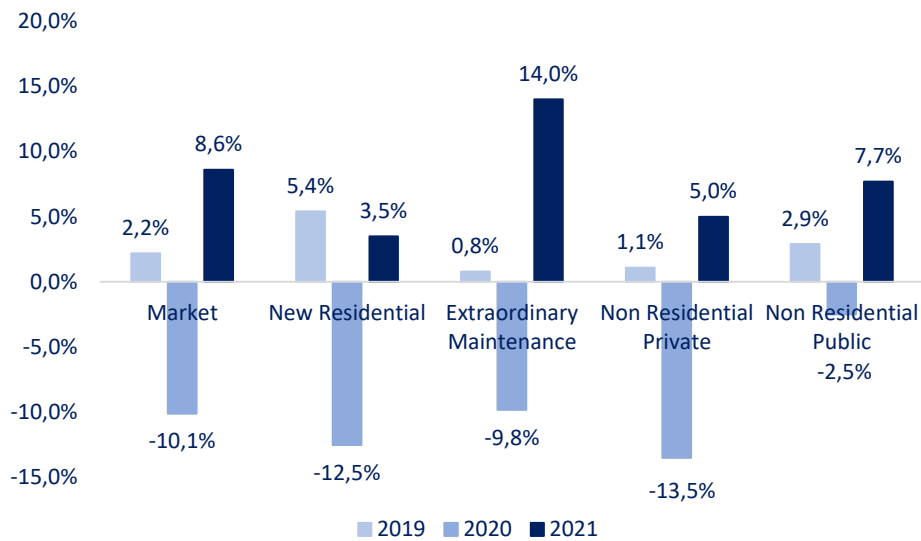
Chart 16 – Buildings Market by Category 2008-2020



Source: Economic Observatory on the Construction Industry, Directorate for Economic Affairs, Finance and Study Center, February 2021

Based on the estimates of ANCE, analyzing the Italian construction market which generated a value of approximately € 118 billion, it is observed that the expenses incurred, during 2020A, are divided as follows: 12.9% linked to new residential buildings, 36.5% linked to extraordinary maintenance, 31.4% linked to private non-residential buildings and the remaining 19.2% linked to public non-residential buildings. Observing the same breakdown for the year 2008, some significant differences can be seen. In particular, the same expenditure in 2008 was divided as follows: 27.6% linked to new residential buildings, 20.7% linked to extraordinary maintenance, 28.3% linked to private non-residential buildings, and the remaining 23.4% linked to public non-residential buildings. The most obvious difference is the extraordinary maintenance costs which, from 2008 to 2020, increased their market share by around 16 percentage points. This difference, in addition to a change in market logic, can certainly be partly attributed to the presence of important fiscal incentives.

Chart 17 – Buildings Market Trend by Category

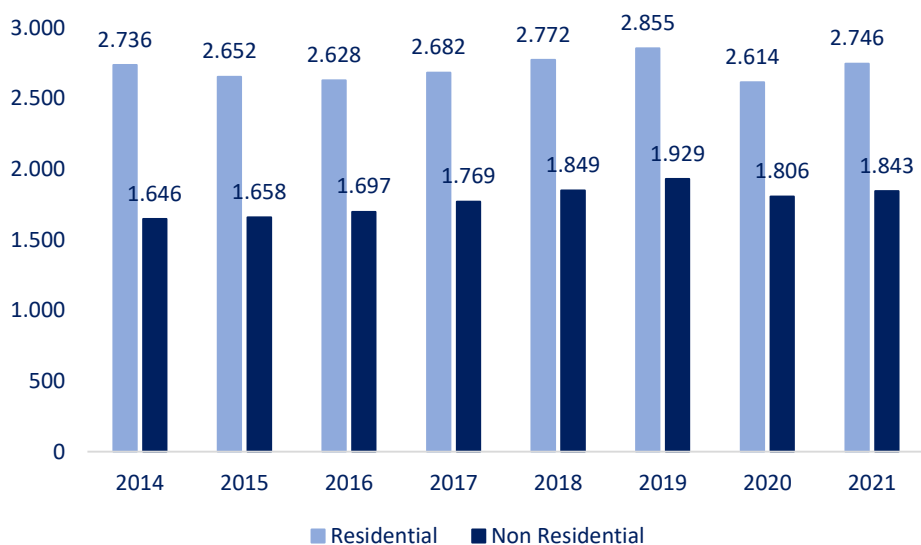


Source: Economic Observatory on the Construction Industry, Directorate for Economic Affairs, Finance and Study Center, February 2021

According to ANCE estimates, the construction market, in 2020, reaching around € 118 billion, decreased by around 10.1% compared to 2019. All the categories analyzed decreased, the largest decrease was estimated for the private non-residential construction market (-13.5%), while the decrease in public non-residential construction (-2.5%) is more contained. For the current year, according to ANCE estimates, the market will be able to improve its turnover in each of the recognized categories, bringing the total value to an increase of approximately 8.6%. In this case, the biggest growth should be due to the extraordinary maintenance sector, which is expected to grow by around 14%.

3.2 Doors and Windows

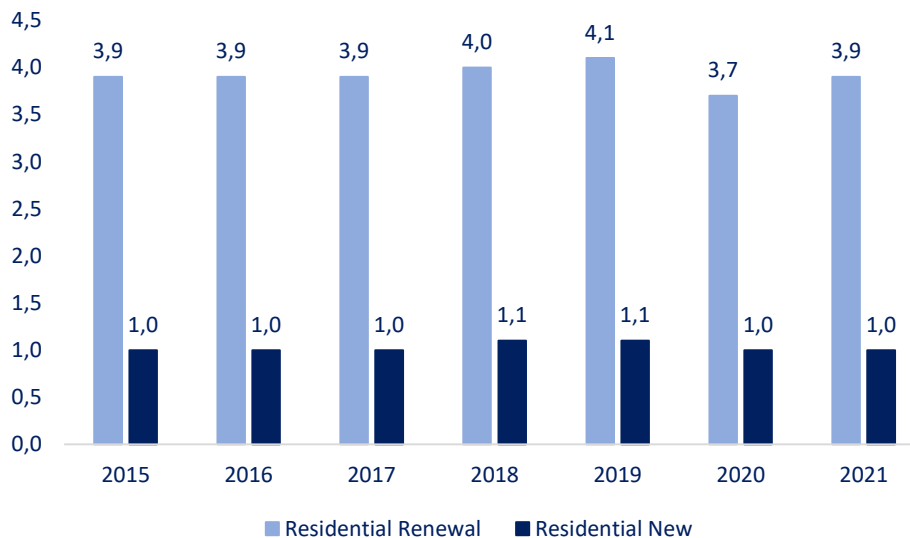
Chart 18 – Doors and Windows Demand 2014-2021 (data in € mln)



Source: Dossier Forum Doors and Windows, 2021

The demand for doors and windows and facades, in line with the construction market, shows a significant decrease in 2020 compared to 2019, equal to approximately 7.6%, reaching approximately € 4,420 million. In previous years, however, demand had been characterized by a steady growth with CAGR 2016-2019 of about 3.4%. For next year, in line with the construction market, the sector is expected to grow by about 3.8% in this case. This growth is expected for both the residential segment (+5% approximately) and the non-residential segment (+2% approximately). In 2021, the market is expected to reach € 4,589 million of which € 2,745 million residential and € 1,843 million non-residential.

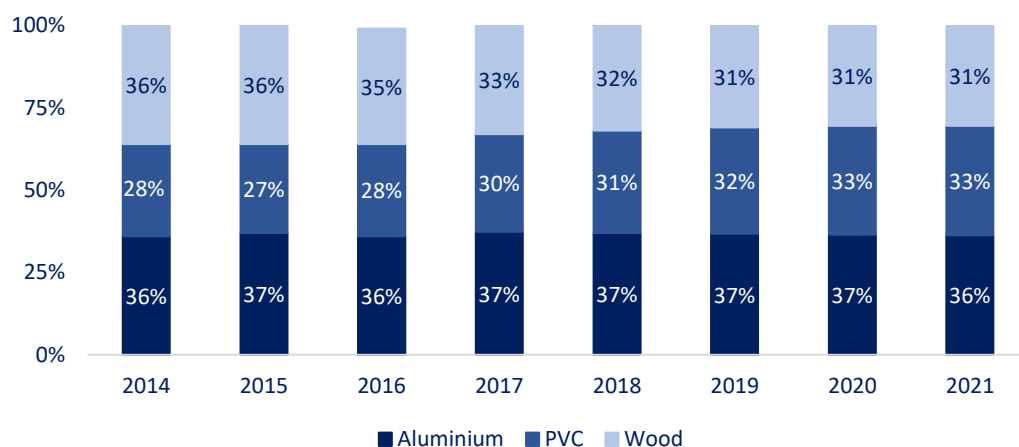
Chart 19 – Windows Sold 2015-2021 (data in mln)



Source: Dossier Forum Doors and Windows, 2021

Analyzing the windows market in the residential sector, it can be seen that a share of about 80% of the windows sold is linked to renovation operations and the remaining 20% to the “new” segment. As mentioned above, this market fell during 2020. The total number of windows sold went from 5.2 million in 2019 to 4.7 million in 2020. Again, a recovery is expected in 2021. The number of windows sold is estimated to be approximately 4.9 million, of which 3.9 million are linked to the renewal segment and 1 million are linked to the new segment.

Chart 20 – Doors and Windows by Material 2014-2021

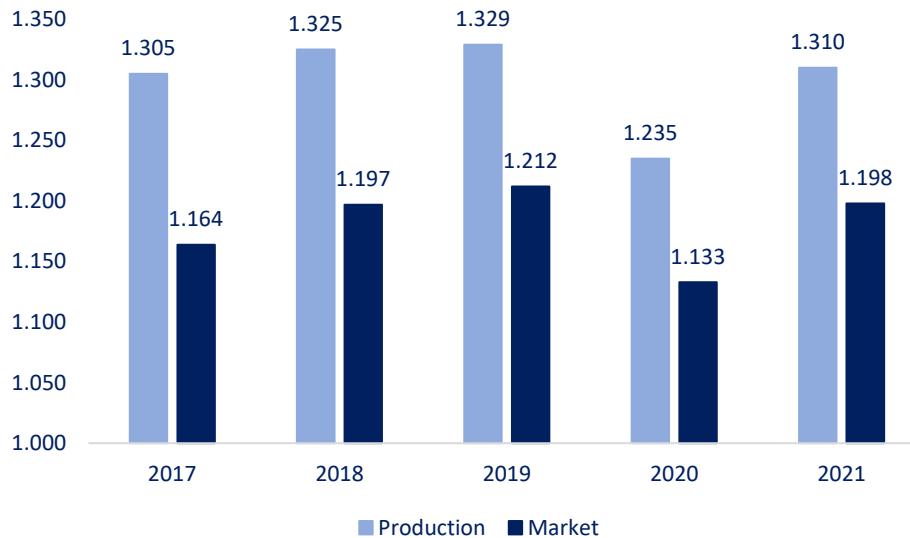


Source: Dossier Forum Doors and Windows, 2021

The market of doors and windows can be analyzed from the point of view of the materials used. There are basically three materials involved: aluminum, PVC, and wood. Over the years, an overall reduction in the use of wood has been observed, whose market share went from around 36% in 2014 to around 31% in 2020. Even next year, based on estimates, a 31% share of the total is expected. The use of aluminum is substantially constant, the share increased from about 36% in 2014 to about 37% in 2020. The market share for PVC increased continuously from 28% in 2014 to 33% in 2020. 33% is also estimated for 2021.

3.3 Wooden doors and windows

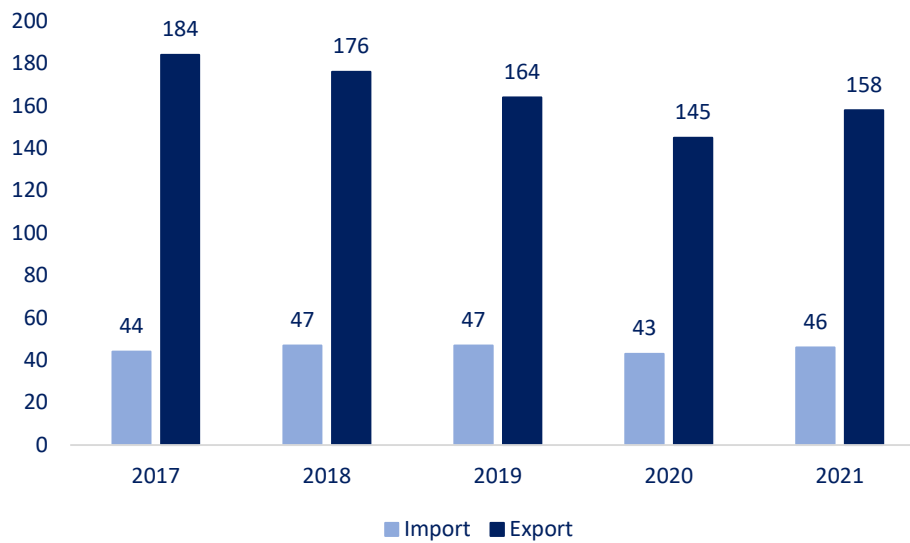
Chart 21 – Production and Market (Data in €mln)



Source: Cerved elaboration on ISTAT data cod. ATECO 16.23.1 - Wooden doors and windows (excluding security doors), 2020

Looking at the market of wooden doors and windows, according to Cerved's analysis, there is a substantial balance between supply and demand over the years. As expected, in 2020, there was a reduction both in terms of production and in terms of the market. According to the analysis, the market is mainly supported by the growth of the door segment, while the wooden window segment shows a slight decrease due to the increased diffusion of windows in other materials (mainly PVC).

Chart 22 – Import and Export (Data in €mln)



Source: Cerved elaboration on ISTAT data cod. ATECO 16.23.1 - Wooden doors and windows (excluding security doors), 2020

In 2019, the domestic market grew by 1.3%, while export, which accounts for a minor share of the overall market, declined by about 6.5%. According to the Cerved report, which assumes a “baseline scenario” for 2020, an 11.6% decrease in export compared to 2019 is expected. This decline is expected to be followed by an estimated 9% increase in 2021. In 2020, imports are estimated to decrease by 8.5% compared to 2019, with an expected recovery of 6.3% in 2021.

3.4 Tax incentives

In the Company's reference market, there are some important tax benefits: Ecobonus 50% and Superbonus 110%. A summary table of the main characteristics of these standards follows:

Table 2 – Ecobonus and Superbonus

	Ecobonus 50%	Superbonus 110%
Deduction	Tax bonus up to 50% of the total expenses incurred to perform the work of upgrading the energy efficiency	110% Superbonus if the replacement of the doors and windows occurs at the same time as other work that affects the entire building in a more extensive manner
Requirements	<ul style="list-style-type: none"> - Property already recorded or in the phase of recording - Beneficiary in order with the payment of taxes - Building with a heating system 	<ul style="list-style-type: none"> - Property already recorded or in the phase of recording - Beneficiary in order with the payment of taxes - Building with a heating system
Installation requirements	<ul style="list-style-type: none"> - It must be a replacement of doors and windows - The operation must relate to items installed in a heated room facing the outside - The new items must ensure a thermal transmittance (Uw) lower than or equal to the limit transmittance value shown in table 2 of the D.M. - Expenses incurred up to 2023 with respect to the type of intervention 	<ul style="list-style-type: none"> - Expenses incurred up to 2023 with respect to the type of intervention - Need of an appraisal drawn up by a qualified expert (engineer, architect, surveyor, or expert) enrolled in the professional register - Insulation of at least 25% of the walls of the building - Installation of heating systems using condensation boilers or heat pumps. Improvement of at least 2 energy classes or, if not possible, the maximum technically achievable improvement to be attested by APE certification is required.
Bonus Usage	<ul style="list-style-type: none"> - Deduction in tax return divided into 10 annual installments - Transfer of credit also to banks and financial institutions - Discount on the invoice, then recovered as tax credit 	<ul style="list-style-type: none"> - Deduction in income tax declaration divided into 5 annual installments - Transfer of credit also to banks and financial institutions - Discount in the invoice, then recovered as tax credit

Source: www.pmi.it; www.fiscoetasse.com

3.5 Impact of tax incentives

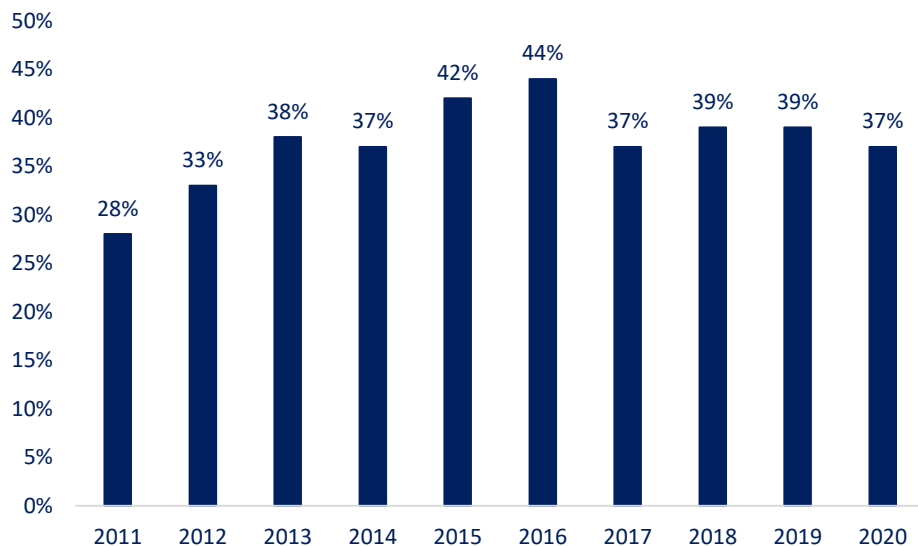
Chart 23 – Doors and Windows Sold with Fiscal Incentive 2007-2020 (Data in €bln)



Source: Report on the Italian housing market, number_2021, UNICMI, 2021

In the period from 2007 to 2020, tax incentives for upgrading the energy efficiency of buildings contributed to support the demand for doors and windows. In fact, according to UNICMI estimates, revenues generated by tax incentives increased from € 0.5 billion in 2007 to € 1.4 billion in 2020. In 2019, before the decrease observed in the last year, the value was even equal to € 1.8 billion.

Chart 24 – Share of Doors and Windows Sold with Fiscal Incentive 2011-2020



Source: Report on the Italian housing market, number_2021, UNICMI, 2021

The importance of tax incentives is also demonstrated by the share of turnover of manufacturers of metal doors and windows generated thanks to incentives of this type, equal to 37% in 2020. In this case, the data is substantially in line with the last years.

4. Competitive positioning

Table 3 – Main Competitor (2019 data)

	Revenues	EBITDA	EBITDA Margin	EBIT	EBIT Margin	Net Income	Net Income Margin	NFP	NFP/EBITDA
Scigno	51,68	11,29	21,8%	2,22	4,3%	-2,05	-4,0%	49,27	4,4x
Bertolotto Porte	31,32	3,37	10,7%	1,76	5,6%	1,25	4,0%	18,63	5,5x
Cocif	32,09	3,17	9,9%	0,17	0,5%	0,08	0,2%	7,20	2,3x
Garofoli	36,63	1,38	3,8%	0,18	0,5%	0,11	0,3%	3,05	2,2x
Gidea	21,93	0,66	3,0%	0,32	1,4%	0,57	2,6%	-1,46	N/A
MEDIAN	32,09	3,17	9,9%	0,32	1,4%	0,11	0,3%	7,20	3,3x
Nusco	19,28	3,23	16,7%	1,62	8,4%	0,26	1,4%	-2,60	N/A

Source: AIDA, elaboration Integrae SIM

In the development of its business, the Company competes with some important players in the Italian market.

The Group has some important distinctive features:

- **Leadership.** The Company has a leadership position in the Campania market of doors and windows, and a fair presence in the rest of the national territory, mainly in Central-South Italy;
- **Brand Awareness.** The brand “Nusco” is a historic Italian brand, well recognized especially in Southern Italy (where the Company generated about 80% of its 2020 turnover) and has been present on the door and window market since the seventies;
- **The expertise of shareholders and management.** The Nusco family has always been involved in the management of the company and in the more than 60 years of activity has developed, together with the management team, important know-how in the reference business;
- **Franchising and territorial presence.** The franchise allows the transfer of its commercial know-how to the affiliates. Thanks to this channel (46 single-brand franchisees as of December 31, 2020, and 49 to date), to its own showroom, and to its authorized multi-brand retailers (about 1,000), the Company is able to effectively cover the national territory;
- **Customer portfolio.** The Company works on a contract basis and has a wide customer portfolio consisting of construction companies, franchisees and multi-brand private retailers. Orders start with the receipt of the sales order and are processed quickly thanks to an efficient company organization and a flexible business model;
- **Innovation:** The Company has a strong willingness to innovate in order to expand its offer. In this field, the Company exploits collaborations with research centers of the University of Salerno.

4.1 Swot

Strengths:

- Internalized production: the Company shows a high production integration thanks also to the support of the other Group companies that allow flexibility and customization of the products;
- Brand awareness: fame and recognizability of the “NUSCO” brand. This allows the Company to avoid price wars with competitors;
- “Tailor-made” production: the Company is able to put in place tailor-made manufacturing processes for products under “NUSCO” brand in order to best meet the needs of the customers;
- Specialized R&D department: the efforts in this field allow to create new products to be launched that can guarantee the Company the position of first-mover on the market of doors and windows.

Weaknesses:

- Difficulties in obtaining certified wood materials: to ensure the lowest possible environmental impact, local wood or wood from certified forests (Forestry Council) should be used. However, in some cases, these materials are difficult to find;
- Poor geographical diversification: to date, the Company is one of the main players in Campania, but in the regions of Northern Italy, it is still at a disadvantage compared to other competitors. The foreign market is also poorly covered.

Opportunities:

- Ecobonus: tax incentives are the manifestation of a government policy that is attentive to environmental issues and energy efficiency;
- Rather fragmented market without a true leader, this could allow gaining new market share more easily.

Threats:

- Reduction or cancellation of government incentives: this would result in a slowdown in the activity;
- Post-Covid 19 crisis: this could lead to a contraction in demand in the medium term;
- Macroeconomic risks: again, demand could shrink in the medium term.

5. Economics & Financials

Table 4 – Economics & Financials

INCOME STATEMENT (€/mln)	FY19A	FY20A	FY21E	FY22E	FY23E	FY24E
Revenues	19,28	15,41	20,30	23,50	26,30	28,10
Other Revenues	0,76	1,58	0,90	0,00	0,00	0,00
Value of Production	20,04	16,99	21,20	23,50	26,30	28,10
COGS	13,99	13,25	14,55	16,30	18,10	19,30
Services	1,21	1,18	1,65	1,85	2,00	2,10
Use of assets owned by others	0,41	0,17	0,40	0,10	0,10	0,10
Employees	1,14	0,96	1,25	1,30	1,45	1,50
Other Operating Expenses	0,06	0,12	0,15	0,15	0,15	0,15
EBITDA	3,23	1,30	3,20	3,80	4,50	4,95
<i>EBITDA Margin</i>	<i>16,7%</i>	<i>8,5%</i>	<i>15,8%</i>	<i>16,2%</i>	<i>17,1%</i>	<i>17,6%</i>
Writedowns and Extraordinary Items	0,72	1,20	0,15	0,15	0,20	0,20
D&A	0,89	0,00	0,70	0,95	0,95	1,00
EBIT	1,62	0,10	2,35	2,70	3,35	3,75
<i>EBIT Margin</i>	<i>8,4%</i>	<i>0,7%</i>	<i>11,6%</i>	<i>11,5%</i>	<i>12,7%</i>	<i>13,3%</i>
Financial Management	(0,23)	(0,16)	(0,50)	(0,50)	(0,50)	(0,15)
EBT	1,39	(0,06)	1,85	2,20	2,85	3,60
Taxes	1,13	0,30	0,60	0,70	0,95	1,20
Net Income	0,26	(0,36)	1,25	1,50	1,90	2,40
BALANCE SHEET (€/mln)	FY19A	FY20A	FY21E	FY22E	FY23E	FY24E
Fixed Assets	1,65	4,60	5,60	5,20	4,70	4,15
Account receivable	12,01	12,39	12,30	13,40	14,40	14,60
Inventories	2,66	4,72	3,15	3,20	3,30	3,40
Account payable	2,98	6,05	3,20	3,60	4,10	4,50
Operating Working Capital	11,69	11,07	12,25	13,00	13,60	13,50
Other	(0,85)	0,35	(0,05)	(0,35)	(0,60)	(1,15)
Net Working Capital	10,84	11,42	12,20	12,65	13,00	12,35
Severance Indemnities & Other Provisions	0,33	1,56	1,55	1,55	1,55	1,55
NET INVESTED CAPITAL	12,16	14,46	16,25	16,30	16,15	14,95
Share Capital	18,01	18,01	17,13	17,13	17,13	17,13
Reserves	(3,51)	(5,00)	0,11	1,36	2,86	4,76
Net Income	0,26	(0,36)	1,25	1,50	1,90	2,40
Equity	14,76	12,64	18,49	19,99	21,89	24,29
Cash & Cash Equivalent	0,23	2,95	8,59	9,04	9,39	12,04
Short Term Debt	1,70	1,74	1,60	1,85	2,00	2,00
M/L Term Financial Position	(4,06)	3,03	4,75	3,50	1,65	0,70
Net Financial Position	(2,60)	1,82	(2,24)	(3,69)	(5,74)	(9,34)
SOURCES	12,16	14,46	16,25	16,30	16,15	14,95
CASH FLOW (€/mln)	FY20A	FY21E	FY22E	FY23E	FY24E	
EBIT	0,10	2,35	2,70	3,35	3,75	
Taxes	0,30	0,60	0,70	0,95	1,20	
NOPAT	(0,20)	1,75	2,00	2,40	2,55	
D&A	0,00	0,70	0,95	0,95	1,00	
Change in receivable	(0,38)	0,09	(1,10)	(1,00)	(0,20)	
Change in inventories	(2,06)	1,57	(0,05)	(0,10)	(0,10)	
Change in payable	3,07	(2,85)	0,40	0,50	0,40	
Change in others	(1,20)	0,40	0,30	0,25	0,55	
<i>Change in NWC</i>	<i>(0,58)</i>	<i>(0,78)</i>	<i>(0,45)</i>	<i>(0,35)</i>	<i>0,65</i>	
Change in provisions	1,22	(0,01)	0,00	0,00	0,00	
OPERATING CASH FLOW	0,44	1,66	2,50	3,00	4,20	
Capex	(2,94)	(1,70)	(0,55)	(0,45)	(0,45)	
FREE CASH FLOW	(2,50)	(0,04)	1,95	2,55	3,75	
Financial Management	(0,16)	(0,50)	(0,50)	(0,50)	(0,15)	
Change in Financial Debt	7,13	1,58	(1,00)	(1,70)	(0,95)	
Change in Equity	(1,75)	4,60	0,00	0,00	0,00	
FREE CASH FLOW TO EQUITY	2,72	5,64	0,45	0,35	2,65	

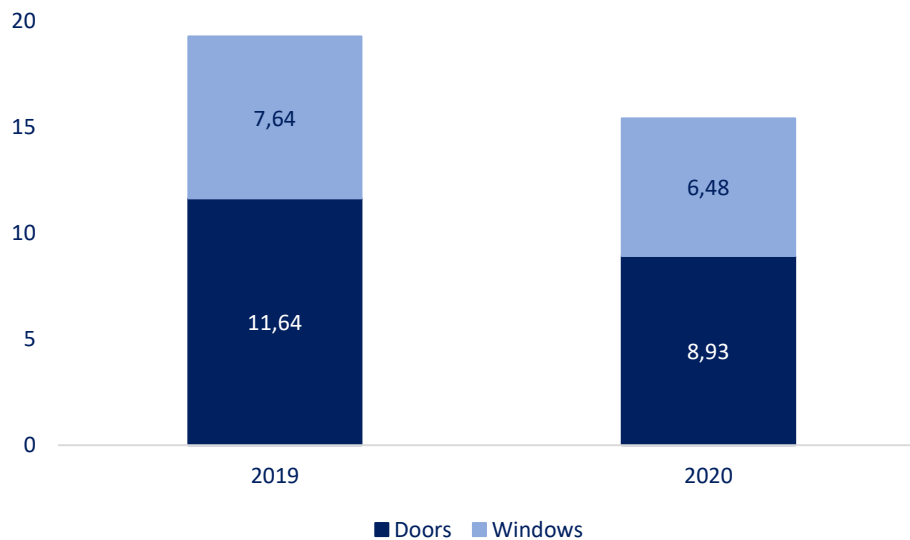
Source: estimates by Integrae SIM

5.1 FY20A Results

During 2020, Nusco's business was penalized by the Covid 19 pandemic. In fact, the Company had a total business stop from 12 March to 4 May and, in the second half of the year, despite the overall improvement of the situation, delays in terms of processing of orders have occurred due to the entry into the red zone of Campania for the months of November and December and to the general discomfort due to the difficulty of moving between municipalities within the region. This has had important effects on the private and reseller channel. In order to limit the impact of the pandemic situation, the Company has benefited from: the redundancy fund, the suspension of payment of tax debts, the delay of payments to non-strategic providers, bank moratoria, and funding obtained by Banca Progetto with the guarantees of Mediocredito.

Based on the above information, the pandemic led to a reduction in revenues from € 19.28 million to € 15.41 million.

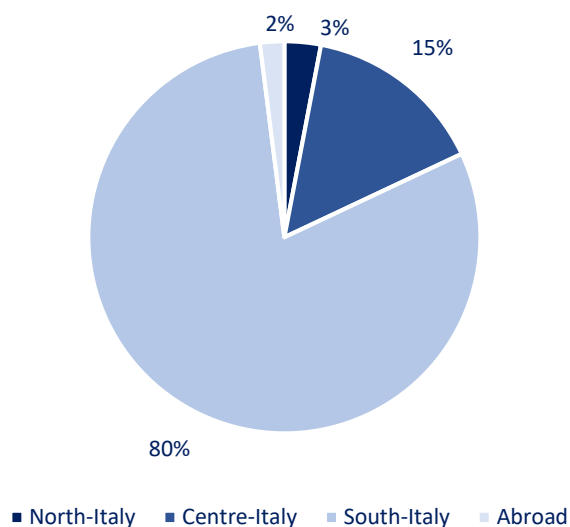
Chart 25 – Revenues by BU



Source: Nusco

In particular, the revenues from the doors BU went from € 11.64 million to € 8.93 million (a decrease of 23%), while the revenues from the windows BU went from € 7.64 million to € 6.48 million (a decrease of 15%). This led to an overall decrease of approximately 20% in revenues. In the light of these figures, the revenues from the doors BU went from 60 % of the total in 2019 to 58 % of the total in 2020. As a result, the share of revenues from the windows BU increased from 40% to 42%. The lower contraction of the windows Business Unit is also due to the tax incentives introduced and to the Company's willingness to focus more on the production of windows.

Chart 26 –Revenues by Geographical Area



Source: Nusco

The Company generates turnover throughout Italy and, in small part, also abroad. In particular, the majority of revenues come from Southern Italy (80% of turnover in 2020 and 80% of turnover in 2019). The residual part is subdivided as follows: 3% North Italy (4% in 2019), 15% Central Italy (12% in 2019) and 2% abroad (3% in 2019).

The decline in revenues in 2020 led to a decrease in EBITDA from € 3.23 million (€ 1.78 million windows BU and € 1.45 million doors BU) to € 1.30 million (€ 0.68 million windows BU and € 0.62 million doors BU). In addition to the reduction in turnover, the decline in EBITDA was affected by: a higher percentage incidence of the cost of direct materials of the doors BU and a general increase in production costs for the processing carried out by third parties (especially for services commissioned to Modo Srl which, at 31/12/20, had not yet generated the relative revenues). On the contrary, a positive effect was caused by the reduction in the cost of Employees, both direct and indirect, thanks to the use of the redundancy fund.

EBIT decreased from € 1.62 million to € 0.10 million, with a consequent decrease in EBIT margin from 8.4% to 0.7%. Net income also declined from € 0.26 million to - € 0.36 million. During the year, the Company has provided an important provision to the risk fund for potential tax disputes that may arise in the future. In respect of which the sole shareholder of Nusco has formally committed to providing the Company with the financial resources necessary for the possible request for the fulfillment of the liabilities up to the limit of the amount allocated to the fund.

At the level of Working Capital, there is a significant increase in inventories due to the increase in stock due to the production stop between March and April 2020 and to the slowdown in distribution following the second wave of pandemics. Then, as accounts receivables rise slightly, there is a significant increase in accounts payables due to: the purchase of machinery during 2020 for the new PVC plant, greater purchases of materials carried out strategically to benefit from quantity discounts, and the postponed payment toward providers considered not strategic by the Company.

As far as fixed assets are concerned, the growth is mainly due to the revaluation of the company's brand within the meaning of Law no.126/2020 for € 1.7 million. In addition to this,

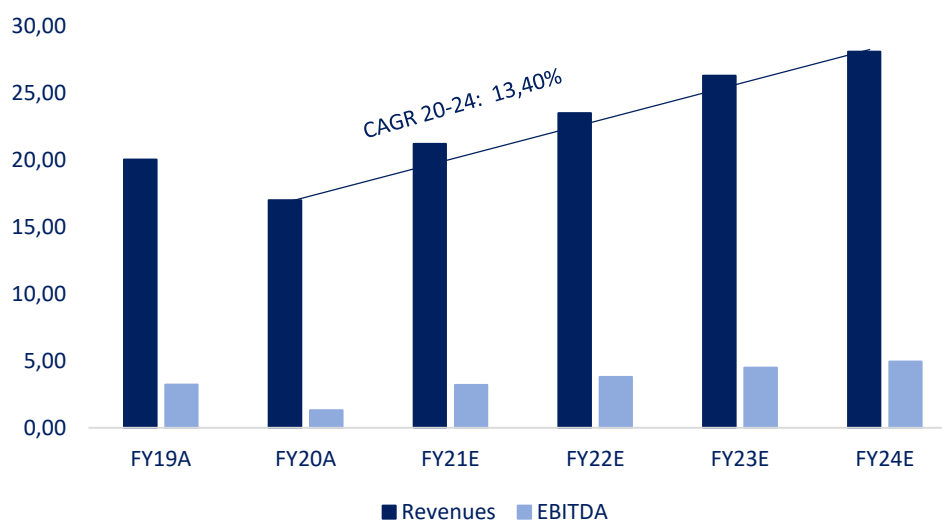
the Company made investments mainly related to the purchase of equipment used in the new PVC window plant inaugurated in September 2020.

At the level of Equity, a change is observed related to the higher value attributed to the brand and a further change due to the Company's choice not to collect shareholders' payables for future capital increase.

In view of the above variations, the NFP shows a worsening from - € 2.60 million (cash) to € 1.82 million.

5.2 FY21E – FY24E Estimates

Chart 27 – VoP, EBITDA19A-24E



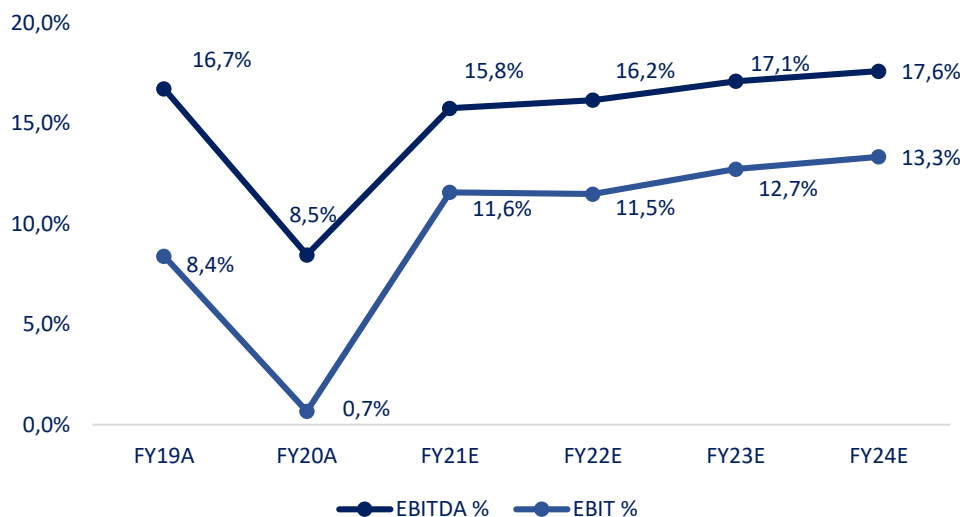
Source: processed by Integrae SIM

For the coming years we expect an increase in the Value of Production, which, according to our estimates, will go from € 16.99 million in 2020A to € 28.10 million in 2024E (CAGR20A-24E: 13.40%), thanks to the following main growth drivers:

- **Expansion of the commercial network.** We believe that the Company will be able to expand its commercial network through:
 - Increase in the number of franchises especially in the regions of Central-North Italy (some openings are already planned);
 - Agreements with multi-brand retailers and the addition of new commercial presence both foreign and national, especially in central-northern Italy;
- **Increase in production.** We believe that the Company will be able to increase its production capacity thanks to the acquisition of new technologically advanced and automated plants and machinery;
- **Marketing and digitization.** We believe that the Company will be able to take advantage of the opportunities arising from marketing and digitization by:
 - Investments in the digital sector in order to facilitate the customer's user experience and to enable the sale also through the online channel;
 - Increased brand awareness through targeted advertising campaigns that can also allow selling products with greater margins;
- **Research and Development.** We believe that major investments finalized by the Company in this area will lead to:

- Expansion of the product range with the offer of new products, such as fire doors;
- Development of products that are increasingly sustainable from an environmental point of view and consequently more requested by customers;
- **Opportunities deriving from the market:** we believe that the development of the construction market and of the doors and windows market will give important support to the growth of the Company;
- **Tax incentives:** we believe that the presence of important tax incentives (Ecobonus and Superbonus) will lead to significant growth in the demand for the Company's products. We also believe that, in addition to the increase in demand, these bonuses will lead customers to look for better quality products, with consequent benefit for Nusco in terms of sales volumes of high-price products;
- **M&A:** we believe that the Company can finalize acquisitions of companies that can be integrated with Nusco (driver not included in the estimates).

Chart 28 – EBITDA % and EBIT% 19A-24E

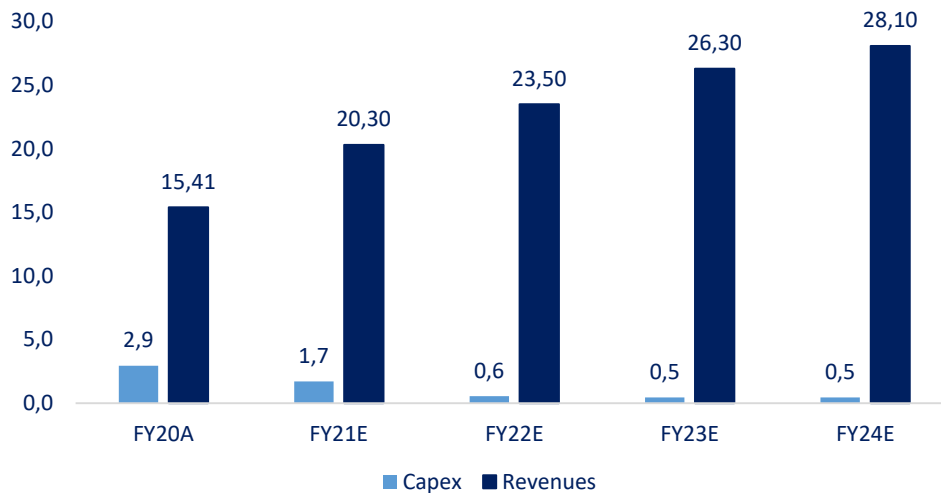


Source: elaboration Integræ SIM

Similarly, we expect EBITDA to increase from € 1.30 million in 2020A to € 4.95 million in 2024E, according to our estimates. We believe that Nusco can improve its marginality over the years of the business plan, mainly thanks to the following drivers:

- Greater contractual strength toward providers resulting from higher turnover;
- Leverage effect on operating costs and, in general, on most fixed costs;
- The possibility of transferring higher raw material costs to final sales prices, also thanks to tax incentives;
- The efficiency of production activity thanks to greater automation of processes and investments in equipment.

Chart 29 – Revenues, Capex 20A-24E



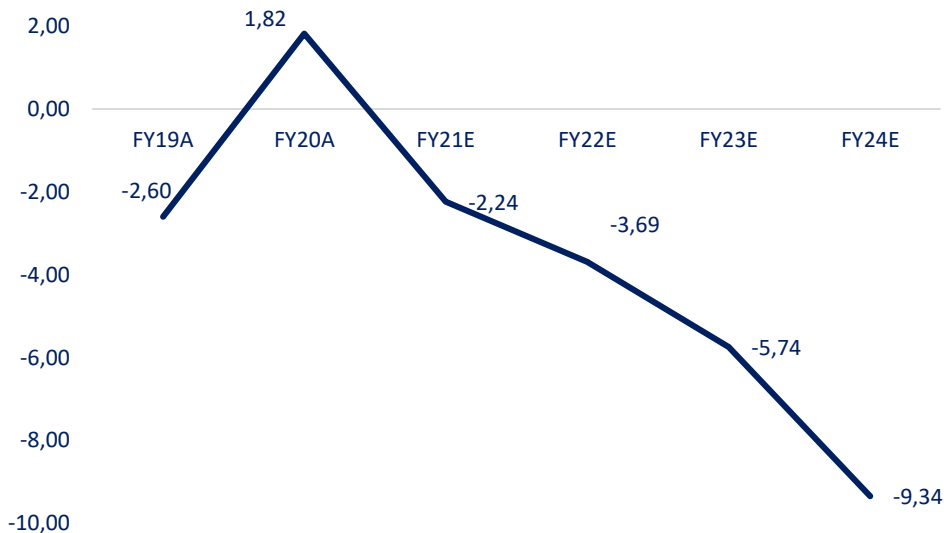
Source: processed by Integrae SIM

With regard to Capex, we believe that Nusco will continue to invest over the coming years. In particular, we believe that investments will be aimed at:

- Software integrated with the ICT systems of franchisees;
- Equipment and machinery to increase, make more efficient and automate the production process;
- Research and development activities aimed at expanding the product portfolio.

For 2021E, under Capex, listing costs are included.

Chart 30 - NFP 19A-24E



Source: processed by Integrae SIM

We believe that the Company can return to improve its NFP starting already from 2021E and with greater force in the coming years, thanks to the positive cash flows generated by its ordinary operations. The NFP shows a significant improvement in 2021E, thanks also to the collection resulting from the IPO operation.

Regarding the estimates of the days of collection of accounts receivables and payment of accounts payables, given the extraordinary nature of the year 2020A, we have taken as the basis for our estimates the year 2019A and we have foreseen a constant efficiency of the items deriving from the greater contractual strength that the Company will have as its volumes grow.

5.3 Use of proceeds

Nusco has concluded the listing on the AIM Italia market aiming to find the resources finalized to provide a greater impulse to the growth process. In particular, we believe that the Company will invest the proceeds of the listing to continue its growth both external and internal.

- Regarding internal growth, we believe that the strategy is to consolidate the Company's competitive positioning in its reference markets and accelerate organic growth. We, therefore, believe that the investments will be aimed at:
 - Expansion of the commercial network and the franchise network, especially in the regions of central and northern Italy, in order to increase territorial diversification;
 - Production increase and efficiency, investing in machinery for the reduction of production times, for greater automation, and the development of a new logistic platform for PVC windows;
 - Marketing and digitalization thanks to investments aimed at increasing brand reputation (such as advertising campaigns) and to allow greater digitization of both the distribution and commercial network and the offer of products also through an e-commerce channel;
 - Research and development for the development of new product lines and the reduction of the environmental impact of the goods offered to customers;
- Regarding external growth, we believe that Nusco will be able to complete acquisitions of small and medium-sized companies that can integrate both vertically in the production process and horizontally, going to widen the product offer.

6. Valuation

We have conducted the valuation of the Nusco equity range based on the DCF methodology and market multiples of a comparable Companies sample.

6.1 DCF Method

Table 5 – WACC

WACC		7,74%
Risk Free Rate	-0,12% α (specific risk)	2,50%
Market Premium	6,85% Beta Adjusted	0,9
D/E (average)	25,00% Beta Relevered	1,1
Ke	8,82% Kd	4,75%

Source: Integrae SIM

In particular:

- The Risk-Free Rate is represented by Rendistato of July 2021 with maturity between 3 years and 7 months and 4 years and 6 months;
- The Market Premium coincides with the premium for the Italian market risk calculated by Professor A. Damodaran;
- D/E was calculated based on estimates made by Integrae SIM;
- Ke was calculated using CAPM;
- The Alfa, i.e., specific additional risk, is typical of equity investments in companies characterised by small-scale operations. As we are dealing with small sizes, the small cap risk premium applied was equal to 2.5%, the average value of those suggested by the main studies carried out in this field (Massari Zanetti, 'Valutazione Finanziaria' (Financial Valuation'), McGraw-Hill, 2004, page 145, A. Damodaran, Cost of Equity and Small Cap Premium in Investment Valuation, Tools and Techniques for Determining the Value of Any Assets, III edition 2012, Guatri Bini, 'Nuovo Trattato sulla Valutazione delle Aziende' (New Insights on Corporate Valuation), 2009, page 236);
- The Beta was calculated based on competitors' 5-year unlevered Beta;
- The growth rate g , for prudence, has been set at 1%;
- Kd coincides with the Company's current debt cost.

These figures result in a WACC of 7.74%.

Table 6 – DCF Valuation

DCF Equity Value		41,4
FCFO actualized	6,8	17%
TV actualized DCF	32,3	83%
Enterprise Value	39,1	100%
NFP (FY21E)	(2,2)	

Source: Integrae SIM

Using the figures described above and taking our estimates and assumptions as a reference, the DCF valuation results in an **equity value of € 41.4 million**.

Table 7 – Equity Value – Sensitivity Analysis

€/mln		WACC						
		6,2%	6,7%	7,2%	7,7%	8,2%	8,7%	9,2%
Growth Rate (g)	2,5%	70,3	62,2	55,8	50,6	46,3	42,7	39,7
	2,0%	63,1	56,6	51,3	47,0	43,3	40,2	37,5
	1,5%	57,4	52,1	47,7	43,9	40,8	38,1	35,7
	1,0%	52,8	48,3	44,6	41,4	38,6	36,2	34,0
	0,5%	49,0	45,2	41,9	39,1	36,7	34,5	32,6
	0,0%	45,9	42,5	39,7	37,2	35,0	33,0	31,3
	-0,5%	43,1	40,2	37,7	35,5	33,5	31,7	30,2

Source: Integrae SIM

6.2 Market multiples

6.2.1 Panel Composition

Inwido AB (Sweden) supplies windows and doors. Its activities include the production and export of wooden windows and doors. It operates in the following geographic areas: Sweden-Norway, Finland, Denmark, and emerging Europe. The company was founded on September 4, 2002, and is based in Malmo, Sweden.

Tyman Plc (UK) operates as a provider of building components for the door and window industry. In particular, AmesburyTruth produces windows and hardware components for doors, windows, and closing systems. Tyman was founded on April 1st, 1993, and is based in London, United Kingdom.

PGT Innovations Inc (USA). The company's business consists in the production and sale of windows and doors. Offers its products under the PGT Custom Windows and Doors, CGI, and WinDoor brands. The company was founded by Rodney Hershberger in 1980 and is based in North Venice, USA.

Eurocell Plc (UK) is a holding company that produces PVC windows and building products for the installation of new windows and the replacement of windows. In addition, it is committed to the sale of construction materials throughout the UK. The company was founded in 1974 and is based in Alfreton, United Kingdom.

Table 8 – Comparables Financial Highlights (data in € mln)*

FY2020A	Inwido AB Sweden	Tyman Plc UK	PGT Innovations Inc. USA	Eurocell Plc UK	Peer Median	Nusco
Country						
Mkt Cap	693,4	768,1	981,0	268,7	730,8	
EV	803,9	939,1	1.269,8	333,8	871,5	
Profitability						
Revenues	637,5	644,5	773,9	290,2	641,0	15,4
EBITDA	89,1	115,6	131,6	34,0	102,4	1,3
EBIT	66,4	69,8	86,0	10,6	68,1	0,1
Net Profit	48,1	43,8	48,4	6,7	46,0	-0,4
EBITDA Margin	14,0%	17,9%	17,0%	11,7%	15,5%	8,5%
EBIT Margin	10,4%	10,8%	11,1%	3,7%	10,6%	0,7%
Net Profit Margin	7,5%	6,8%	6,3%	2,3%	6,5%	-2,4%
Capital Structure						
NFP	110,5	171,0	288,8	65,1	140,8	1,8
NFP/EBITDA	1,2x	1,5x	2,2x	1,9x	1,7x	1,4x

*PGT Innovations Data: 02/01/21

Source: Bloomberg

6.2.2 Multiples Method

Table 9 – Market Multiples

Company Name	EV/EBITDA (x)			EV/EBIT (x)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Inwido AB	10,6	9,8	9,5	13,2	12,8	12,4
Tyman Plc	8,9	8,6	8,0	11,0	10,6	10,1
PGT Innovations Inc.	9,5	8,5	7,8	13,5	11,5	10,6
Eurocell Plc	7,4	7,0	6,6	13,3	12,9	11,6
Peer median	9,2	8,5	7,9	13,3	12,1	11,1

Source: elaborated by Integrae SIM and market consensus

Table 10 – Market Multiples Valuation

€/mln	2021E	2022E	2023E
Enterprise Value (EV)			
EV/EBITDA	29,4	32,4	35,6
EV/EBIT	31,2	32,7	37,2
Equity Value			
EV/EBITDA	31,6	36,1	41,3
EV/EBIT	33,4	36,4	42,9
Equity Value post 25% discount			
EV/EBITDA	23,7	27,1	31,0
EV/EBIT	25,1	27,3	32,2
Average	24,4	27,2	31,6

Source: elaborated by Integrae SIM and market consensus

The equity value of Nusco using the market multiples EV/ EBITDA and EV/EBIT is approx. € 37.0 million. To this value, we have applied a discount of 25% to include in the price also the smaller liquidity that presumably will characterize Nusco stock regarding the comparables: the result is an **equity value of € 27.7 million**.

7. Equity Value

Table 11 – Equity value

Average Equity Value (€/mln)	34,5
Equity Value DCF (€/mln)	41,4
Equity Value multiples (€/mln)	27,7
Target Price (€)	2,35

Source: Integrae SIM

The result is an average equity value of € 34.5 Mln. **The target price is therefore € 2.35, BUY rating and MEDIUM risk.**

Table 12 – Implied Multiples – Sensitivity Analysis

Equity Value (€/mln)	EV/EBITDA			EV/EBIT		
	2021E	2022E	2023E	2021E	2022E	2023E
31,0	10,3x	8,6x	7,3x	14,0x	12,2x	9,8x
32,0	10,6x	8,9x	7,5x	14,4x	12,5x	10,1x
33,0	10,9x	9,2x	7,7x	14,8x	12,9x	10,4x
34,0	11,2x	9,4x	8,0x	15,2x	13,3x	10,7x
35,0	11,5x	9,7x	8,2x	15,7x	13,6x	11,0x
36,0	11,8x	10,0x	8,4x	16,1x	14,0x	11,3x
37,0	12,1x	10,2x	8,6x	16,5x	14,4x	11,6x

Source: Integrae SIM

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Equity Total Return (ETR) for different risk categories			
Rating	Low Risk	Medium Risk	High Risk
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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		

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