



Performance analysis of steelwork manufacturers

Budgets 2019, forecasts 2020-2021

UNICMI Economic Studies Office

Milan, March 10, 2021

Introduction

- The objective of this report is to analyze the aggregate performance of companies operating in metal construction for the construction industry (metal carpentry).
- Companies' performance was analyzed considering four profiles: growth, profitability, productivity and financial structure. An analysis of the sustainability of companies' business models was conducted by comparing growth, profitability and financial strength.
- The work is divided and in two parts:
 1. Analysis of growth, profitability, productivity and financial structure performance based on 2019 financial statements, with estimates for the year 2020 and forecasts for the period through 2021;
 2. focus on the twenty (top 20) largest companies (in terms of revenue).

The companies analyzed

- The sample consists of 93 companies with an aggregate turnover of 1.4 billion Euros. The smallest company has a turnover of 689,000 Euros, the largest of 344 million Euros.
- The total number of employees is 5,602 in 2019, which equates to 62 average employees per company.

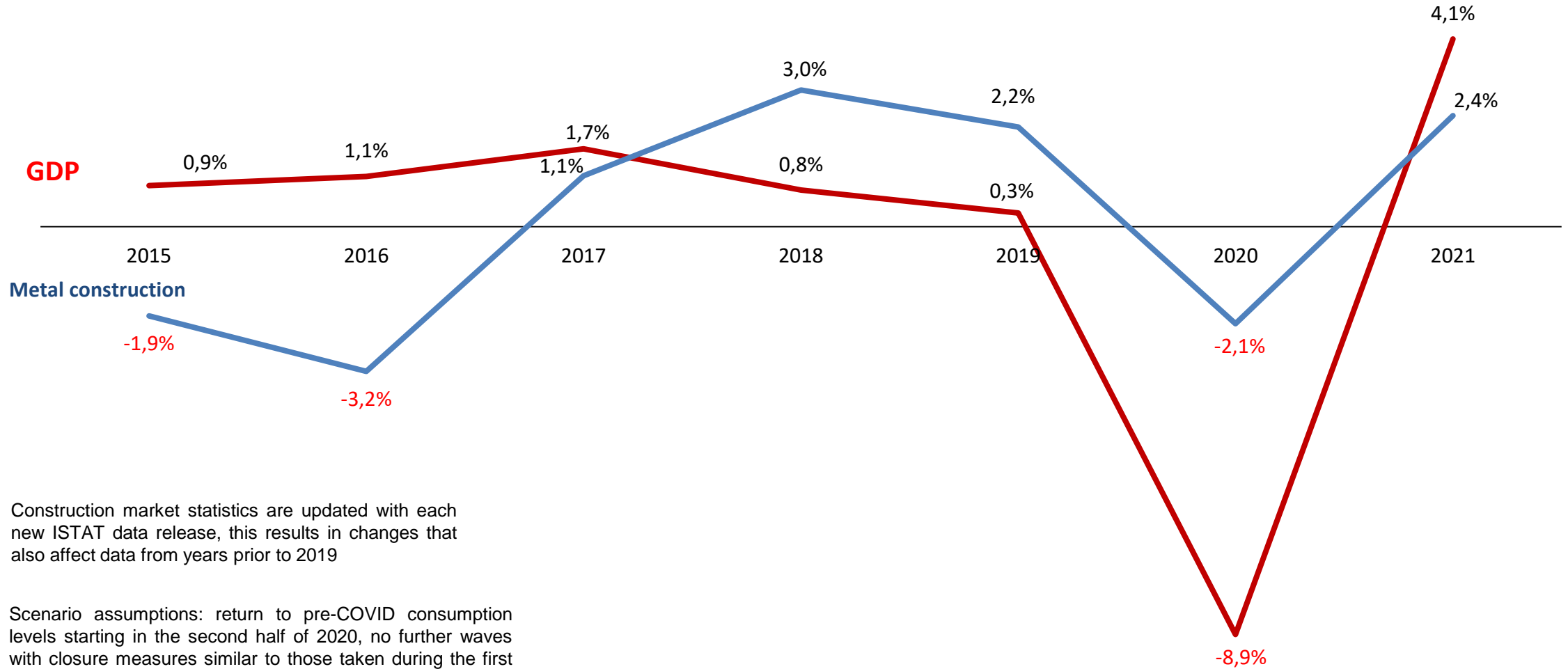
Sample analyzed 2019

Companies	93
Sample aggregate turnover	1.445.125.321 €
Average turnover	15.538.982 €
Average number of employees	62

Investment trends in the metal construction sector

- The metal construction sector was characterized by satisfactory growth levels from 2017 onward. 2020 and the Covid19 pandemic weighed on the total Italian economy causing a halt in the recovery of construction investment
- The metal fabrication sector declined -2.1%, a substantially small figure compared to GDP forecasts that project a -8.9% decline.
- The pandemic has weighed heavily on the non-residential segment which has recorded a decline of -6% in 2020.
- In 2021, the Italian economy is expected to recover with GDP growth rates of around 4%. The carpentry sector will grow at lower rates, around 1.7%.
- In 2021, the non-residential segment will experience growth rates of approximately 2% while the infrastructure segment will experience growth of approximately 1.4%.

Investment trends in the metal construction sector



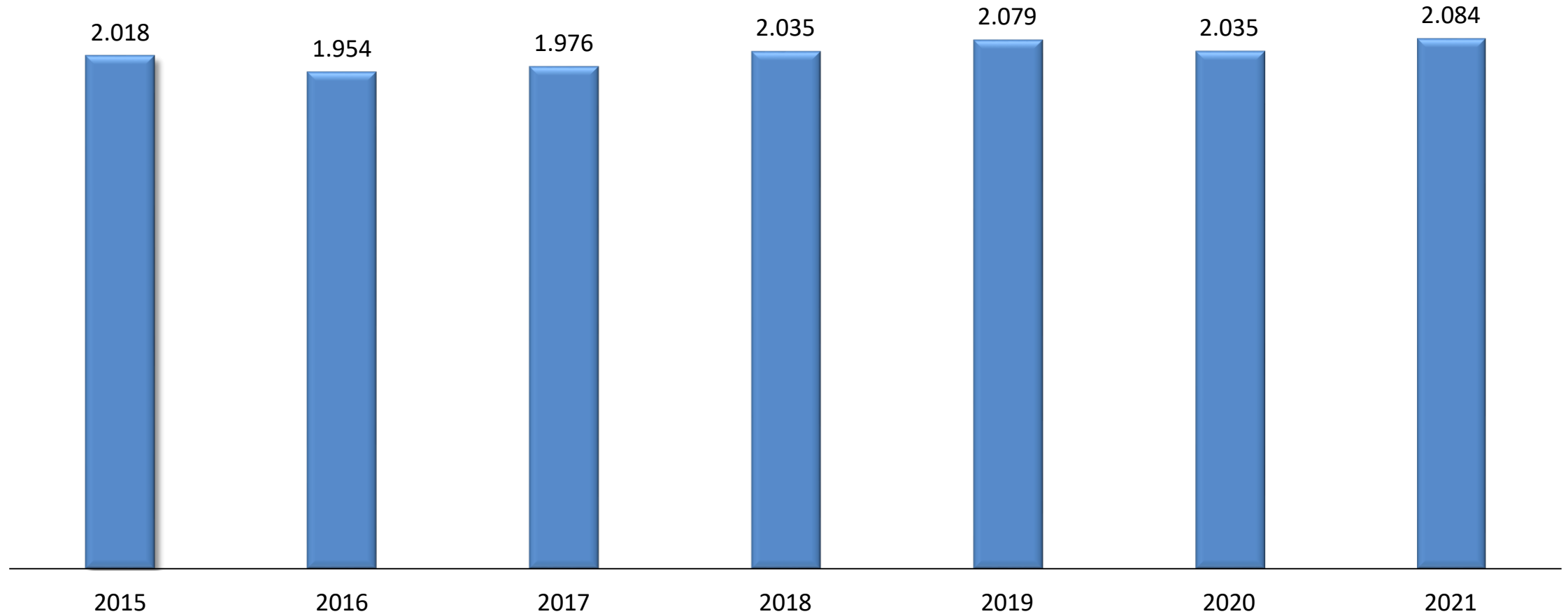
Construction market statistics are updated with each new ISTAT data release, this results in changes that also affect data from years prior to 2019

Scenario assumptions: return to pre-COVID consumption levels starting in the second half of 2020, no further waves with closure measures similar to those taken during the first wave, no financial shocks

Elaborations on ISTAT data; 2020, 2021 estimated data

Investment trends in the metal construction sector

Total demand for metal constructions (mln Euro)



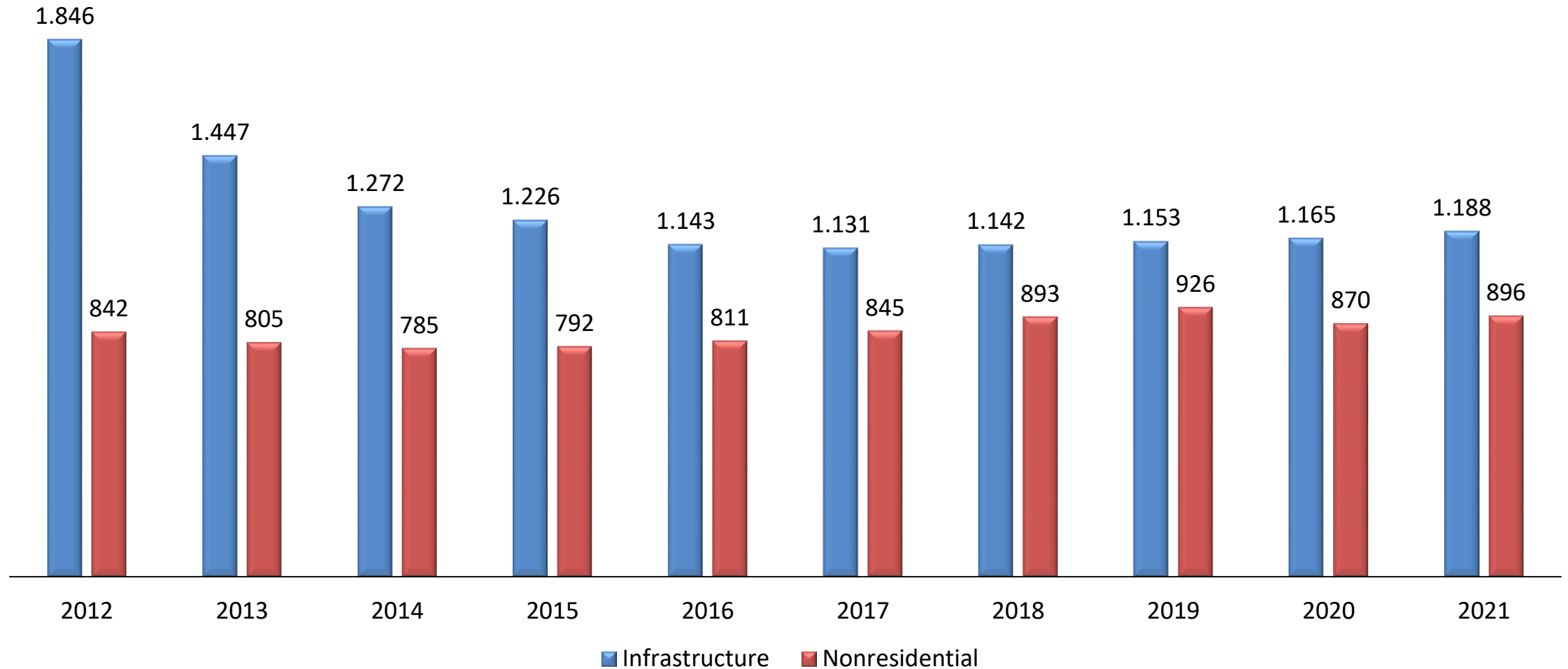
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Elaborations on ISTAT data;
2020, 2021 estimated data

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Investment trends in the metal construction sector

Demand of metallic constructions (mln Euro)



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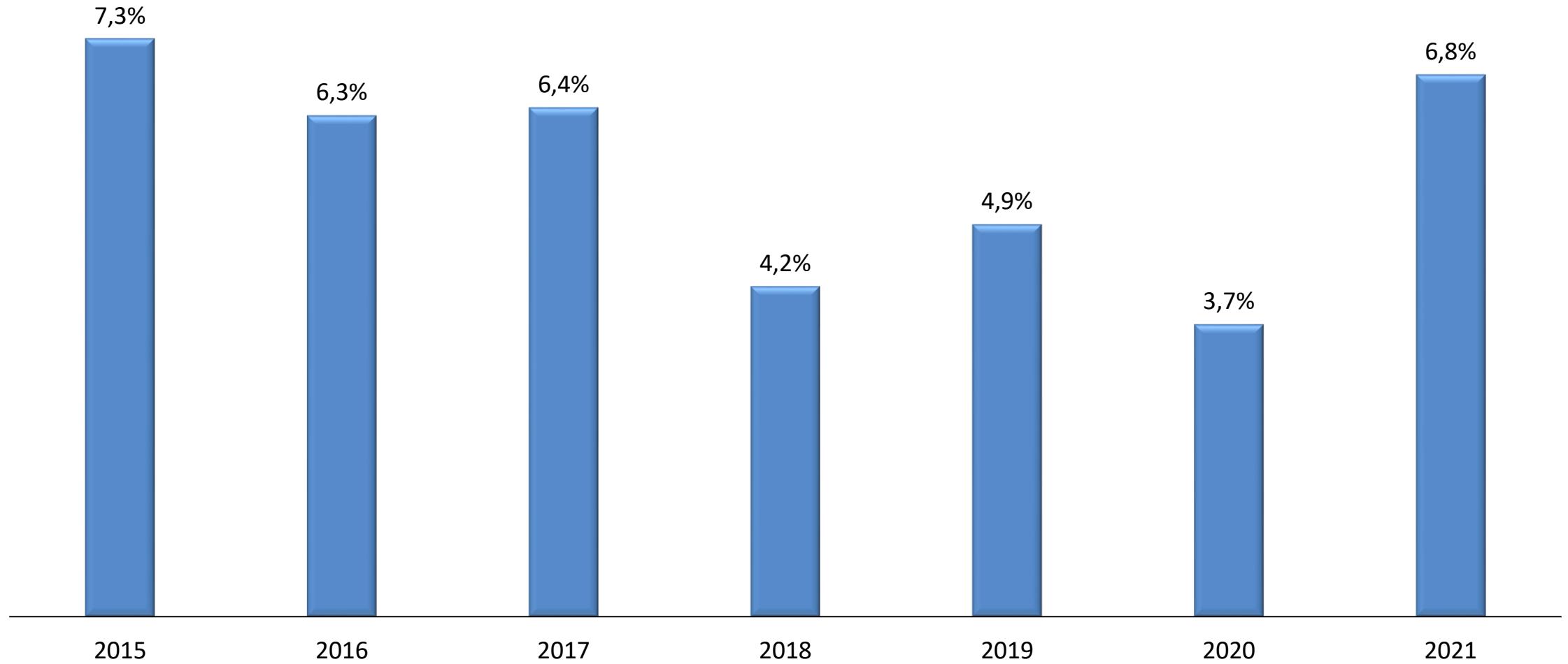
Aggregate Performance Analysis

Profitability and produttività

- The profitability analysis shows good performance in commercial profitability (ROS) from 2015 to 2017. The last two years analyzed show a decrease in profitability mainly due to an increase in production costs. In 2020, a further decrease in ROS is expected with a value around 3.7%.
- Return on investment follows a similar trend to ROS although it is expected to decrease more in 2020 at around 2.6%.
- 2021 will be the year of recovery with ROS and ROIC values returning to pre-crisis levels.
- The productivity of employees is stable throughout the period considered with average values around 250,000 euros per employee. The productivity of tangible assets was characterized by an increasing trend until 2016. Since 2017, a stabilization around 3.5 is observed.

Profitability

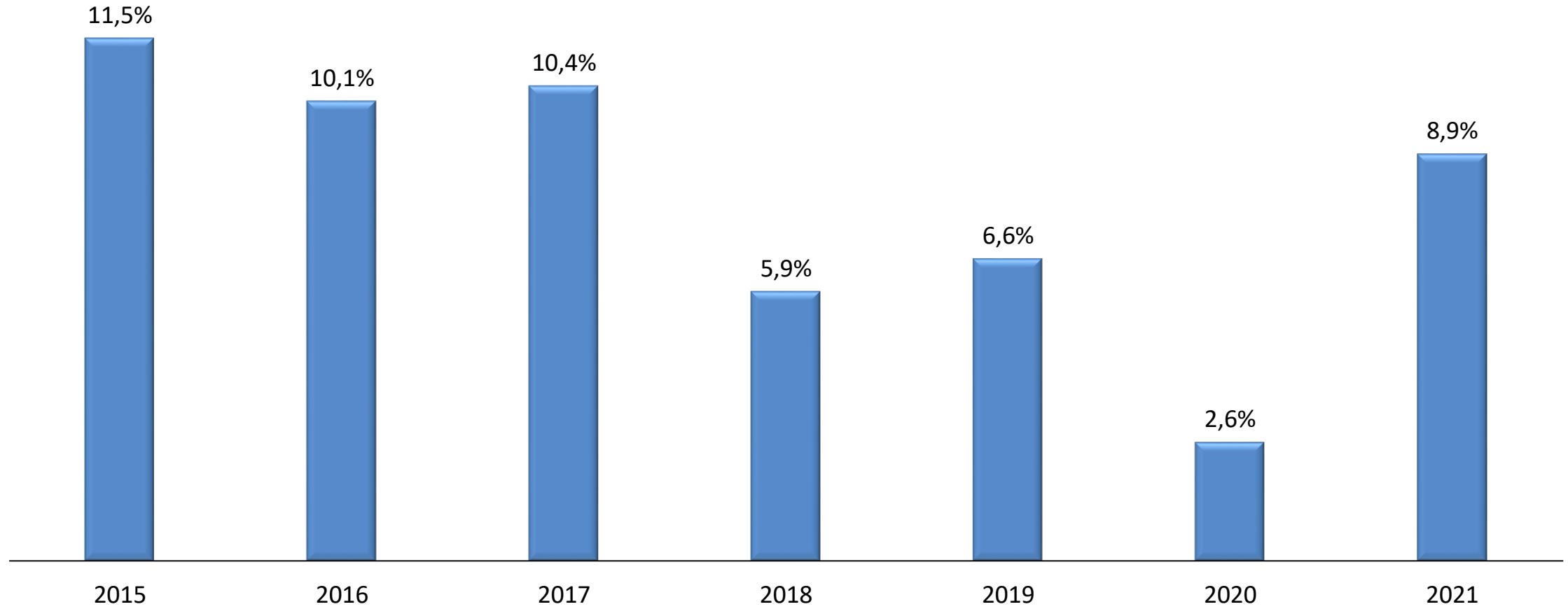
ROS



2020, 2021 estimated data

Profitability

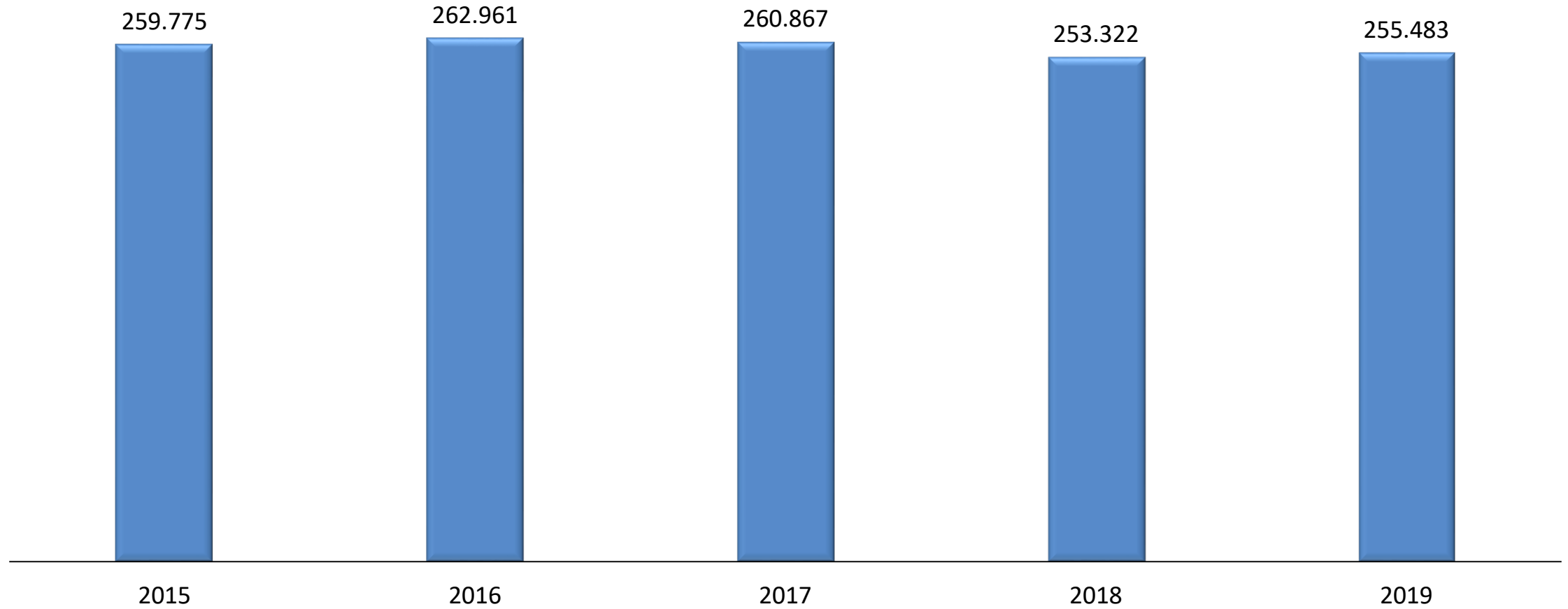
ROIC



2020, 2021 estimated data

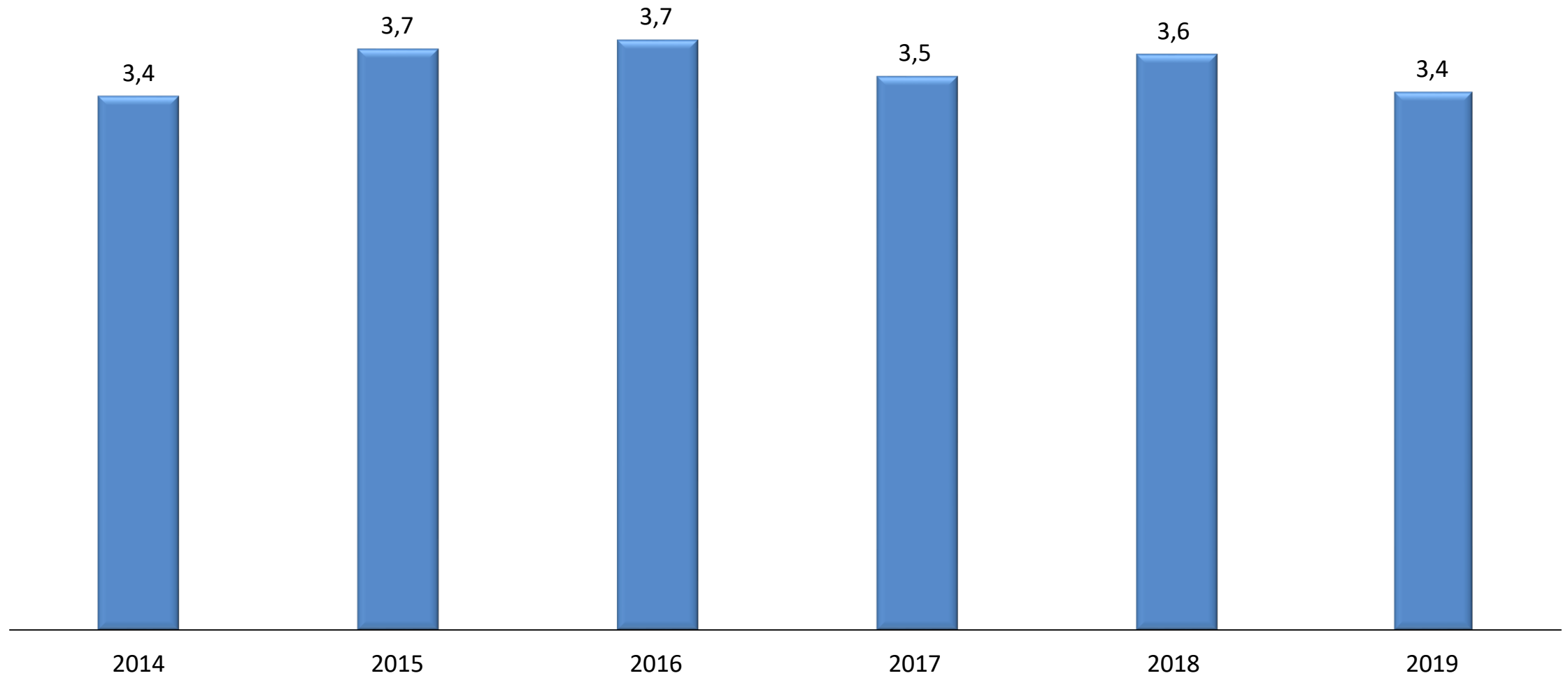
Productivity

Revenues per employee



Productivity

Material investment productivity

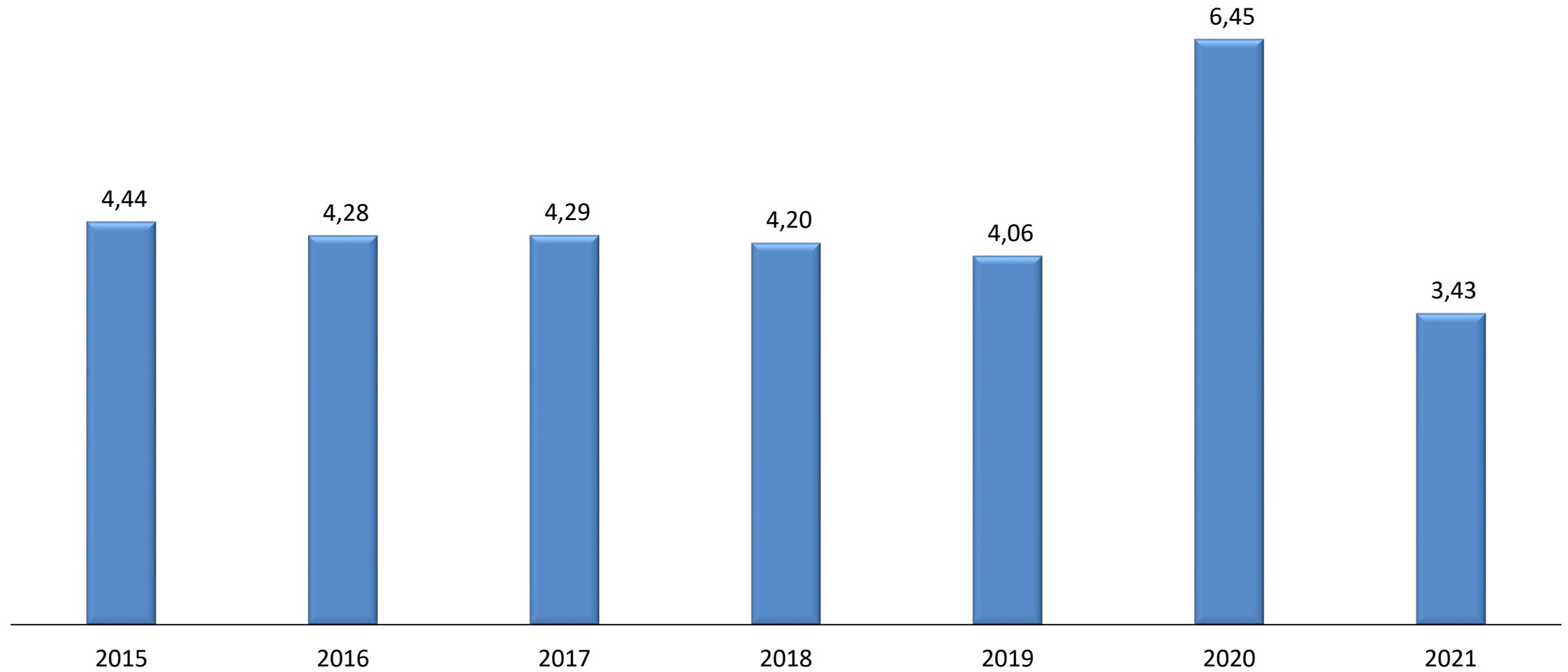


Financial Structure

- The borrowing rate has been affected by a decreasing trend through 2019. In 2020, it is expected to increase with a value of 6.45 mainly due to the economic situation due to the Covid19 pandemic. In 2021, a return to better values than the average of the pre-pandemic years is expected.
- The NFP/EBITDA showed a decrease (indicating an improvement in the financial structure) through 2016. An increase is observed in 2018 mainly due to a worsening of the Net Financial Position. A return to lower values of 1.75 is noted in 2019.

Financial Structure

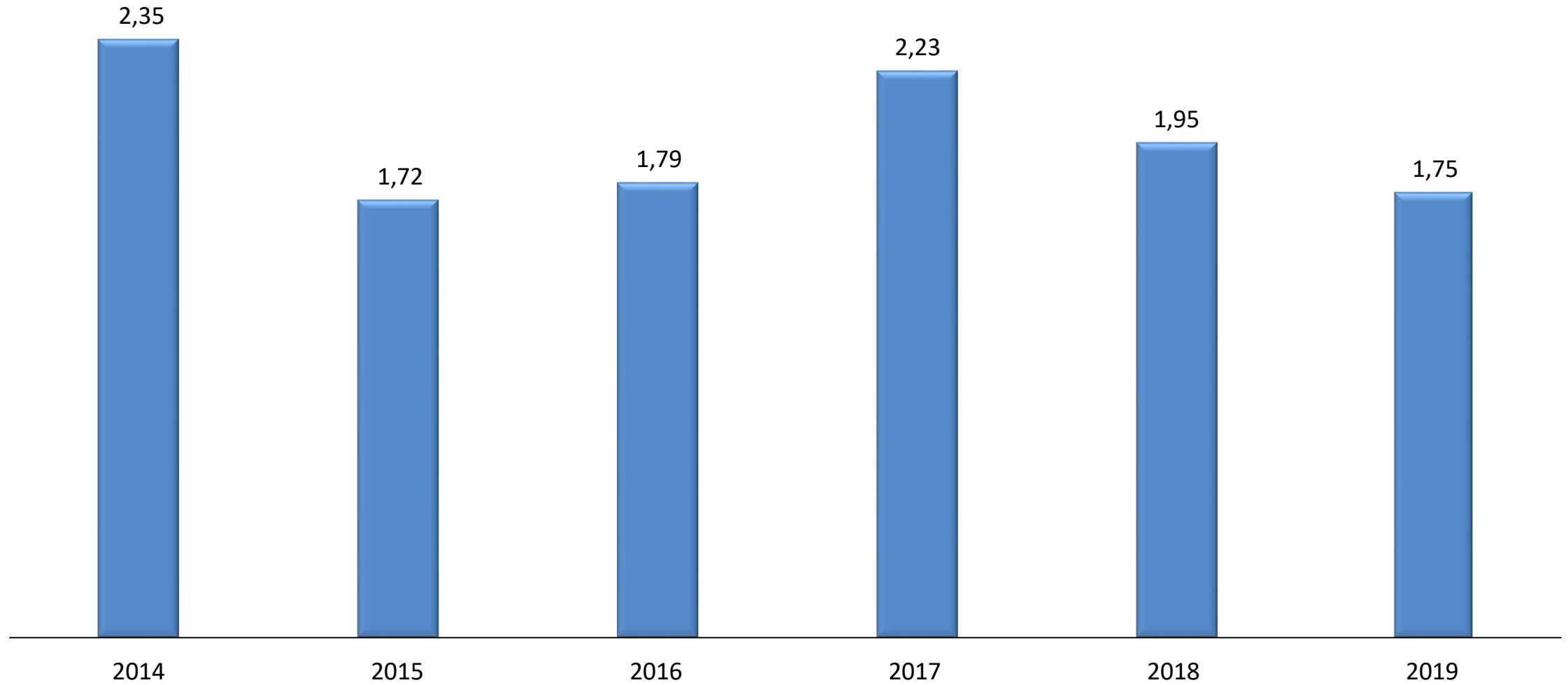
Initial Debt rate



2020, 2021 estimated data

Financial Structure

NFP/EBITDA



Focus on top 20 companies

The characteristics of the companies

- The analysis of the largest companies was carried out considering the top 20 companies operating in the metal carpentry sector by net revenue. The aggregate turnover of the companies considered is just under one billion Euros. The average turnover is about 49.2 million Euros. Compared to the total aggregate sample, the average number of employees per company is higher and stands at 178.

Top 20 Companies

Number of companies	20
Average turnover	49.292.927 €
Average number of employees	178
Aggregate turnover	985.858.531 €

Rank of top 20 companies

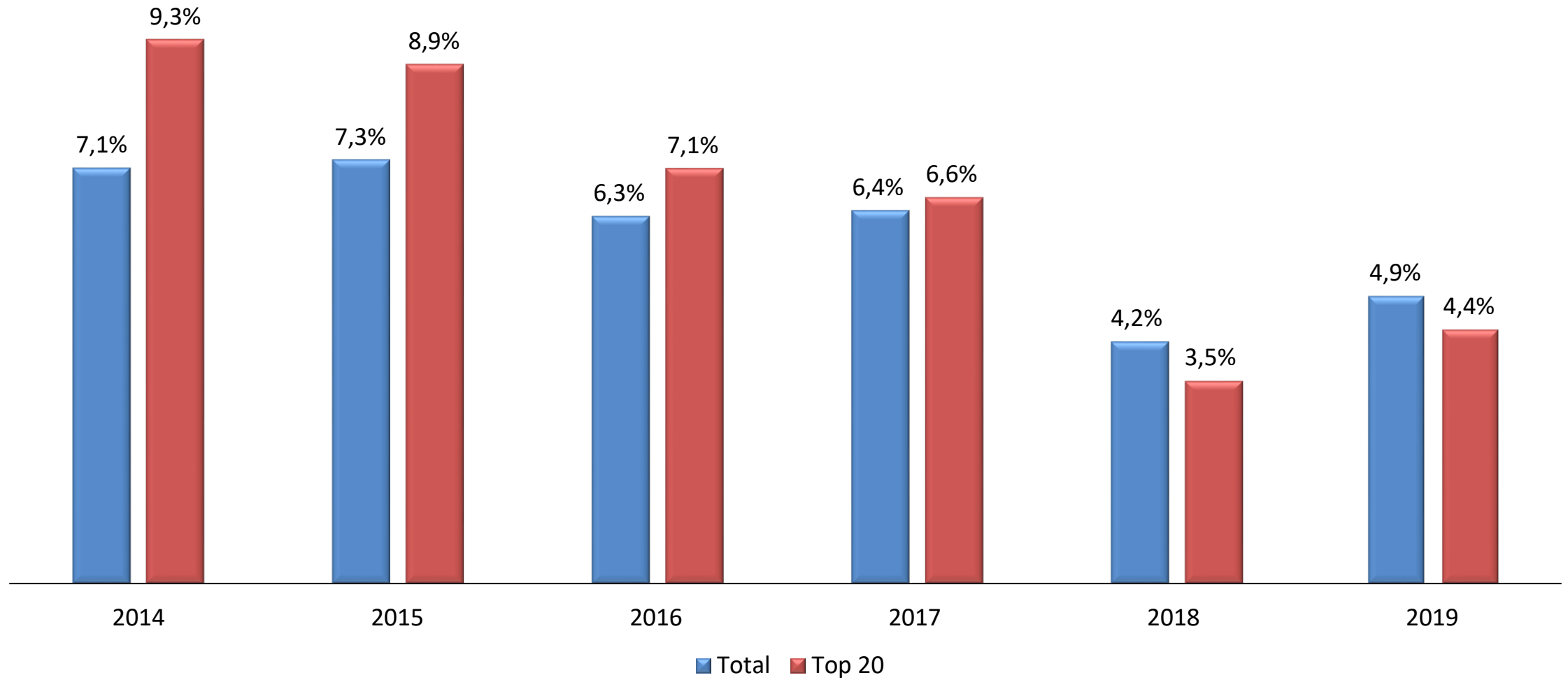
COMPANY	Revenues 2019 (Euro)	Revenue CAGR (2015 - 2019)	Average ROS (2015 - 2019)	Average initial debt rate (2015 - 2019)
CIMOLAI	344.597.450	-3,0%	7,4%	5,44
PICHLER PROJECTS	113.317.754	4,7%	3,2%	8,09
SEMAT	52.443.098	7,6%	8,3%	5,95
SIMEON	50.361.699	15,1%	3,3%	4,68
EDILSIDER	49.625.592	-1,6%	13,4%	2,90
COMEL	36.968.452	2,0%	8,6%	2,28
MAEG CONSTRUCTIONS	35.155.119	-10,0%	4,1%	5,59
BIT	30.539.937	2,1%	0,6%	5,31
CASTALDO	29.595.413	-2,0%	4,3%	5,82
M.B.M.	29.516.753	9,6%	2,1%	4,59
CARPENTRY C.S.	28.286.582	8,6%	9,9%	1,50
COMET SOUTH	27.823.893	9,3%	10,1%	3,08
LMV	22.522.450	-13,5%	-3,8%	5,21
AEROTECHNICAL LIGHT CARPENTRY	22.062.032	21,7%	3,8%	2,33
ARCHES.JIA	20.683.641	27,3%	2,7%	15,83
CARNOVALI	19.946.561	26,4%	10,4%	2,45
S.I.F.A.	19.726.445	4,6%	2,9%	11,55
OEMMEPI	18.724.757	6,9%	4,6%	1,56
NALDI	17.845.078	8,5%	2,9%	4,77
GIUGLIANO	16.115.825	-18,5%	8,9%	2,80

Profitability

- Over the 2014-2017 period, return on sales (ROS) is higher for large companies. In 2018 and 2019, large companies will experience lower ROS performance than the industry total.
- The return on invested capital (ROIC) is stable for the total sample while an increase in ROIC is observed for large companies until 2017. In 2018 and 2019 there is a general deterioration in profitability, with better performance for the total sample. In 2019, equal ROIC levels are observed for the total sample and large companies with a value of 6.6%

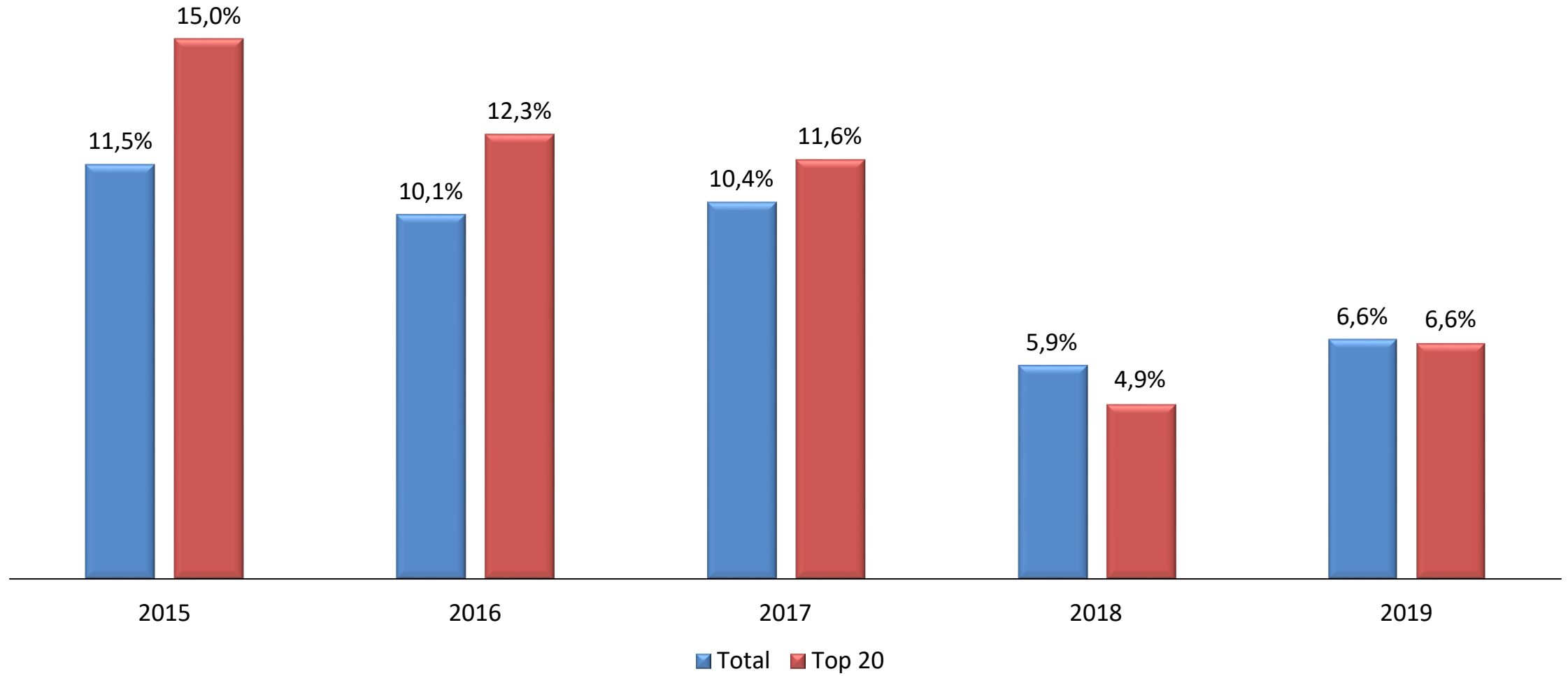
Profitability

ROS



Profitability

ROIC

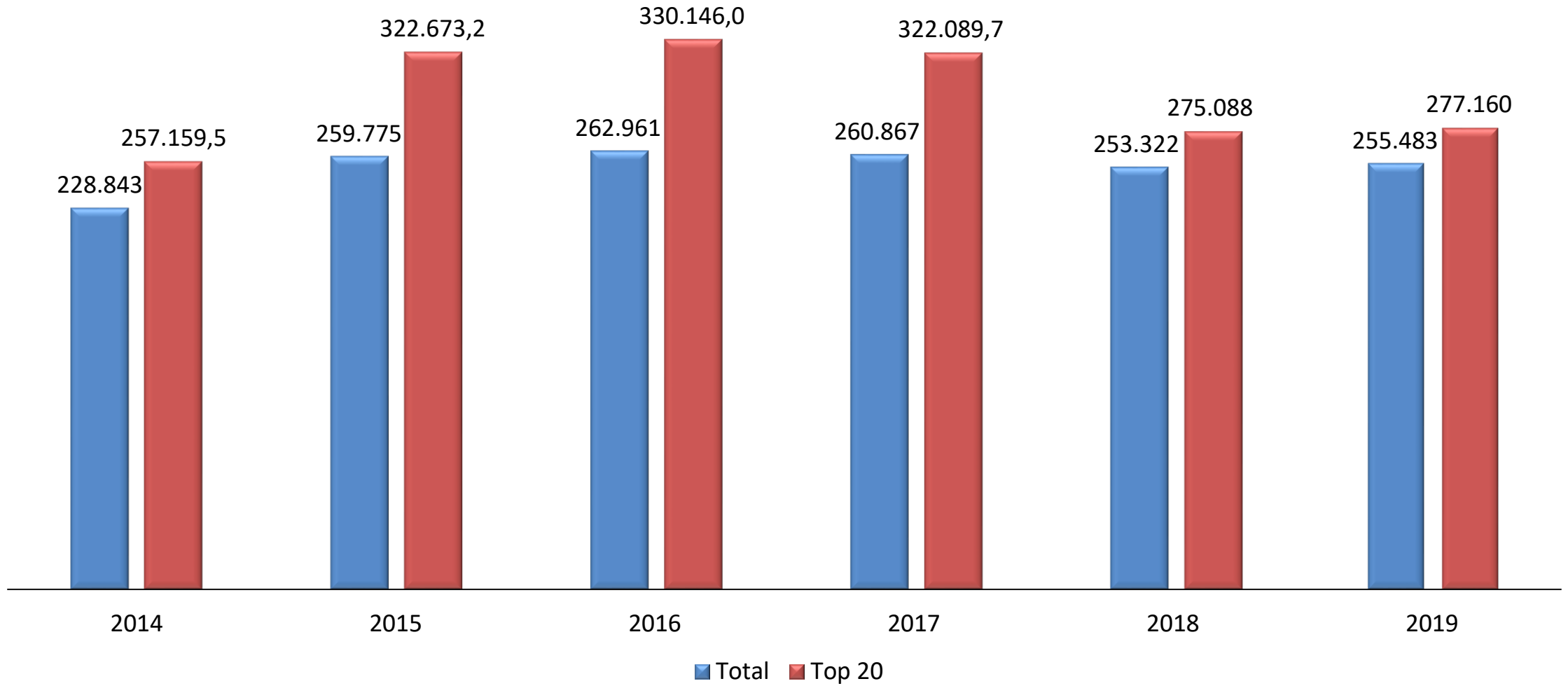


Productivity

- Revenue per employee at larger firms is higher than the sample as a whole. From 2015 to 2017, there is an increase in the productivity of large firms with values above the industry average. In 2018 and 2019, the performance of larger firms will decline, but still remain higher than the sample total.
- The productivity of tangible assets has an overall positive trend from 2014 onwards. In the last two years, the index is affected by a decline due to the reduction in turnover that affected larger companies.

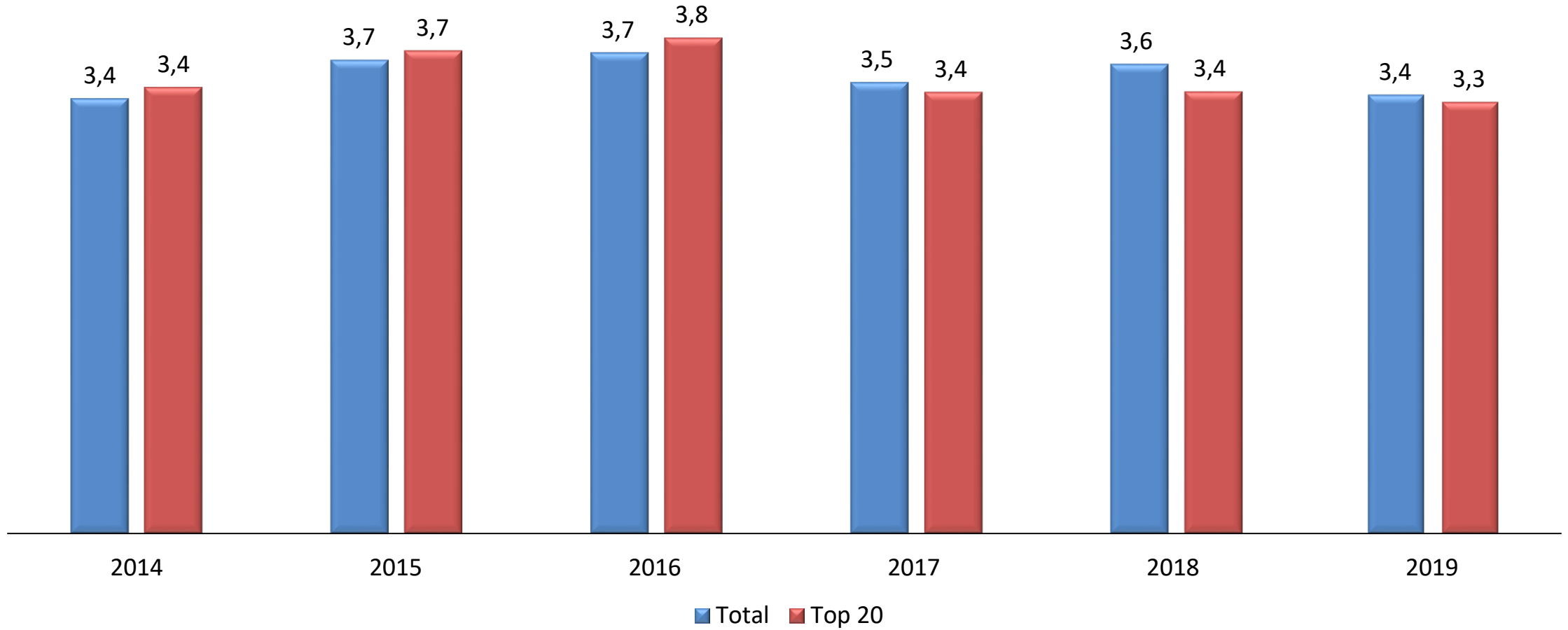
Productivity

Revenues per employee



Productivity

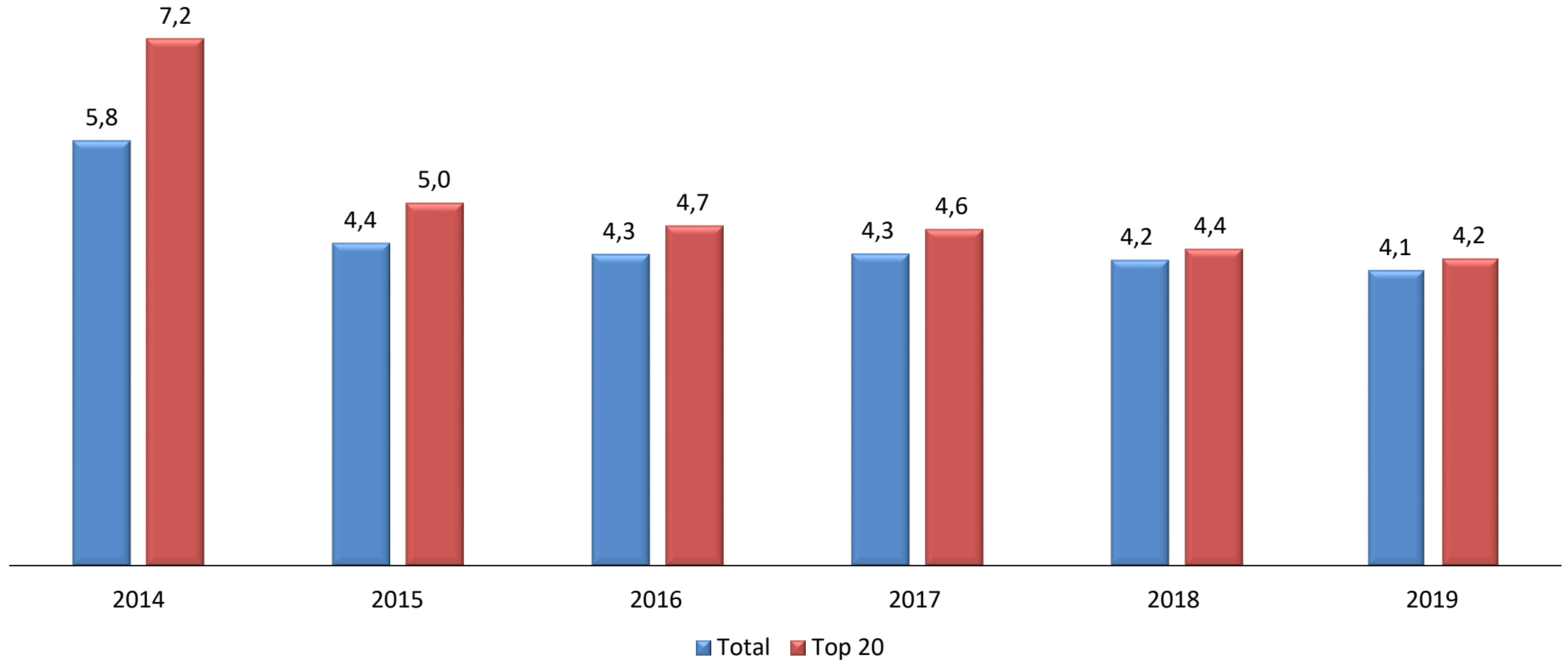
Productivity of tangible investments



- The rate of indebtedness is characterized by substantial stability both for the total sample and for the large companies. Large companies are structurally characterized by higher debt than the total sample due to the size of the works, which involve a higher cash absorption determined by inventories (works in progress). The NFP/EBITDA ratio grows significantly from 2016 onwards for large companies as a result precisely of increased operations on major contracts. It can be said that the growth in the size of orders and company size (turnover) physiologically leads to an increase in financial tension.

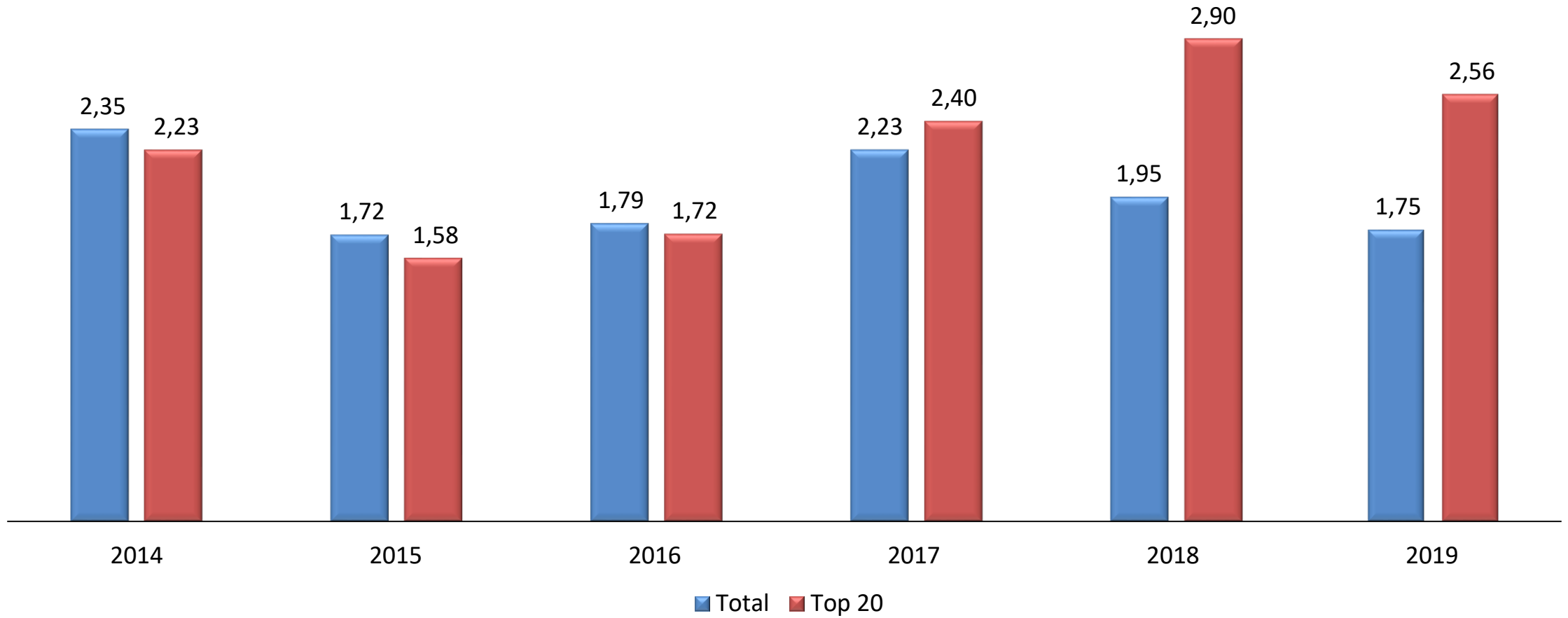
Financial Structure

Debt rate (initial)



Financial Structure

NFP/EBITDA



Sustainability of the business model

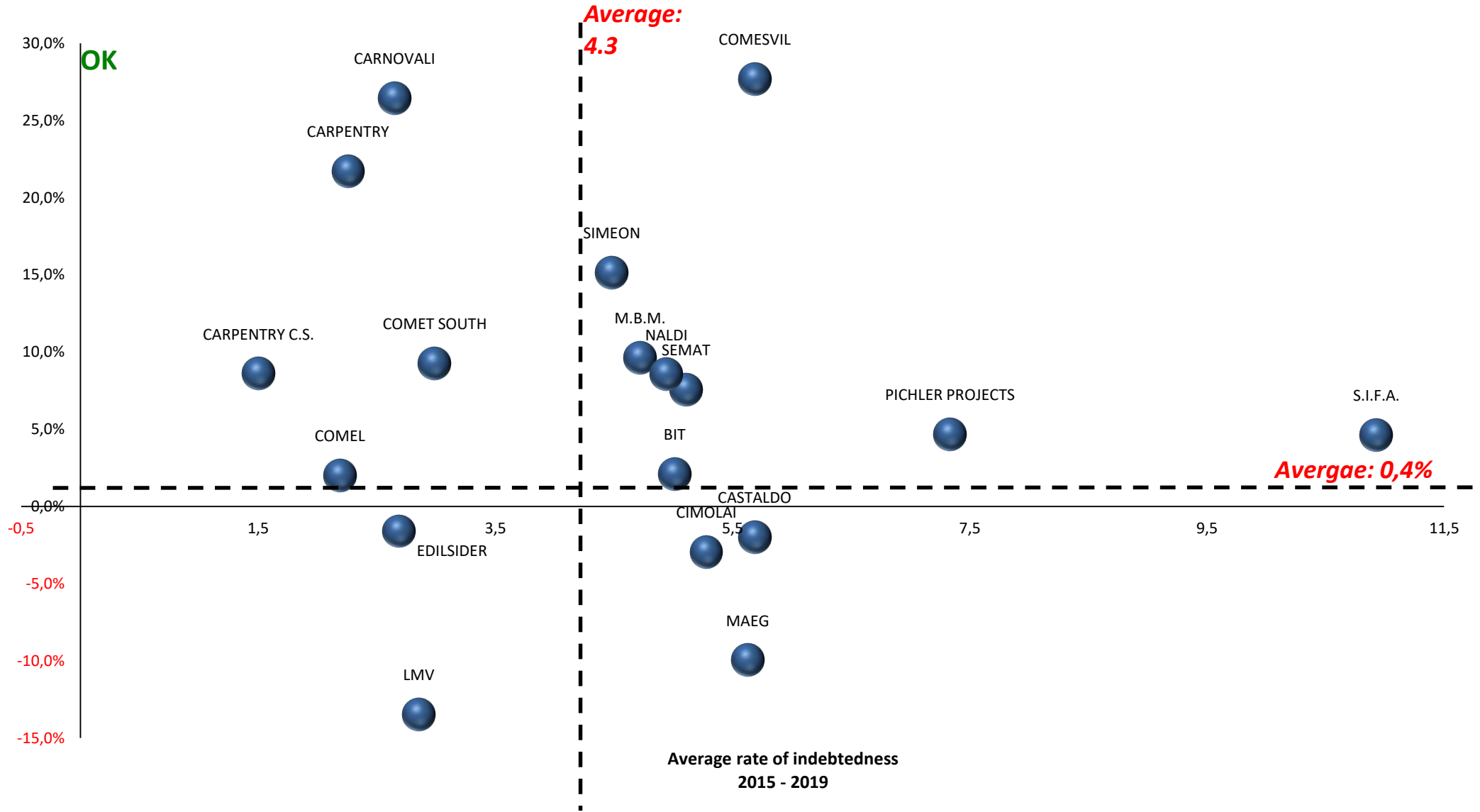
- A further analysis of the top 20 companies in the sector was devoted to the sustainability of business models. The analysis was carried out by jointly considering the indices of development, profitability and financial strength over a multi-year time frame (from 2015 to 2019).
- **Debt and Growth Rate (CAGR Revenues).** Five companies are in the virtuous quadrant and have therefore managed to grow while preserving debt
- Three companies are in the critical quadrant and are therefore characterized by negative growth and high debt.
- Most of the companies achieved satisfactory growth results but failed to contain debt. Two companies achieved negative growth performance but managed to maintain a low debt ratio.

Sustainability of the business model

- **Growth (CAGR Revenues) and Sales Profitability (ROS).** Five companies out of the total are in the virtuous quadrant with high levels of growth and sales profitability. Only two companies are in the critical quadrant. The remaining 10 companies are in the intermediate quadrants, with eight achieving satisfactory growth performance but low margins. Two companies preserved marginality on sales at the expense of revenue growth.
- **Rate of debt and commercial profitability (ROS).** Four companies are in the virtuous quadrant. Eight companies are characterized by a high debt rate and poor profitability performance.
- Most companies have achieved satisfactory performance in terms of commercial profitability while maintaining high levels of debt.
- Only two companies, although characterized by poor profitability performance, recorded debt rates below the industry average.

Sustainability of the business model

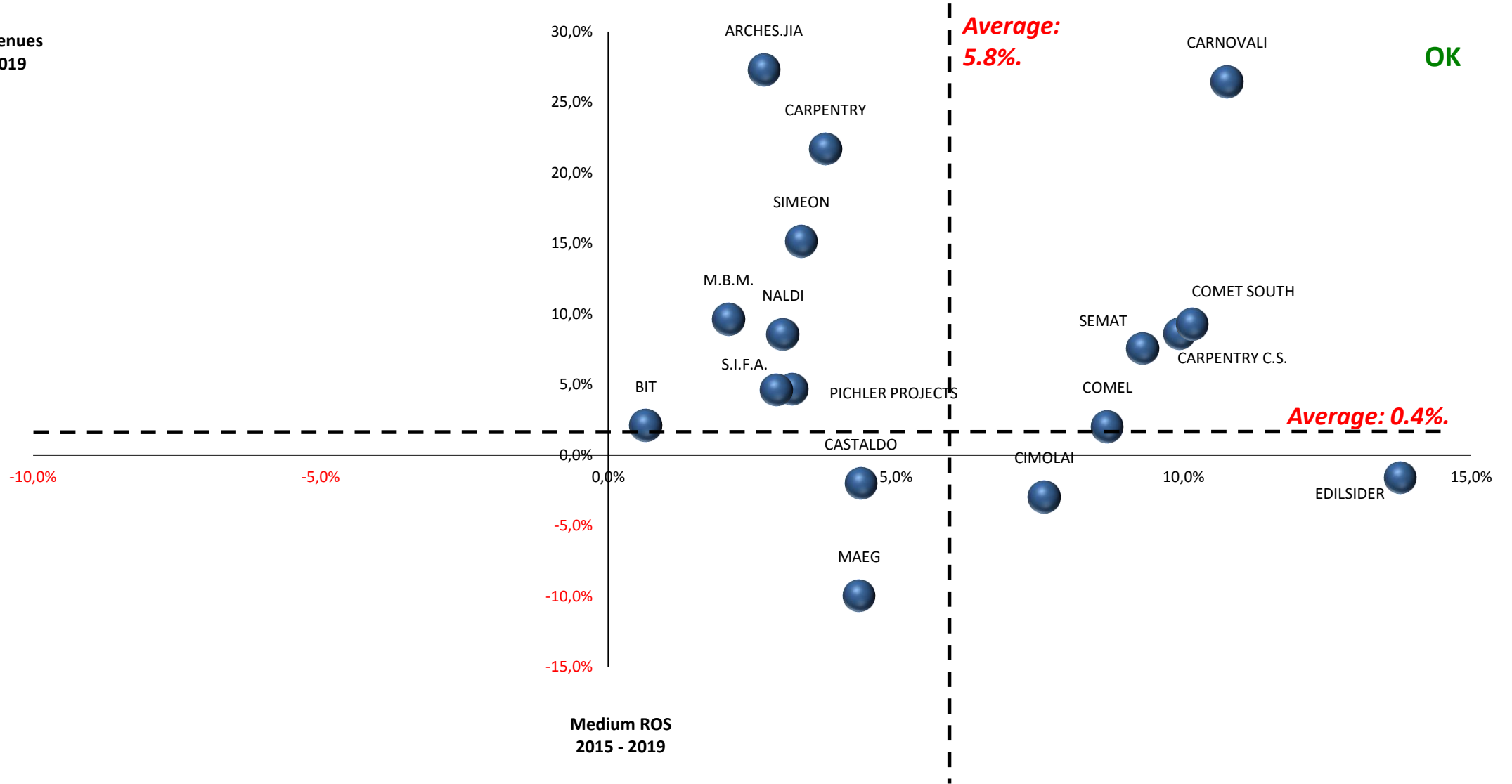
CAGR Revenues
2015 - 2019



Eliminated the outliers: Archi.Gia, Bodino.

Sustainability of the business model

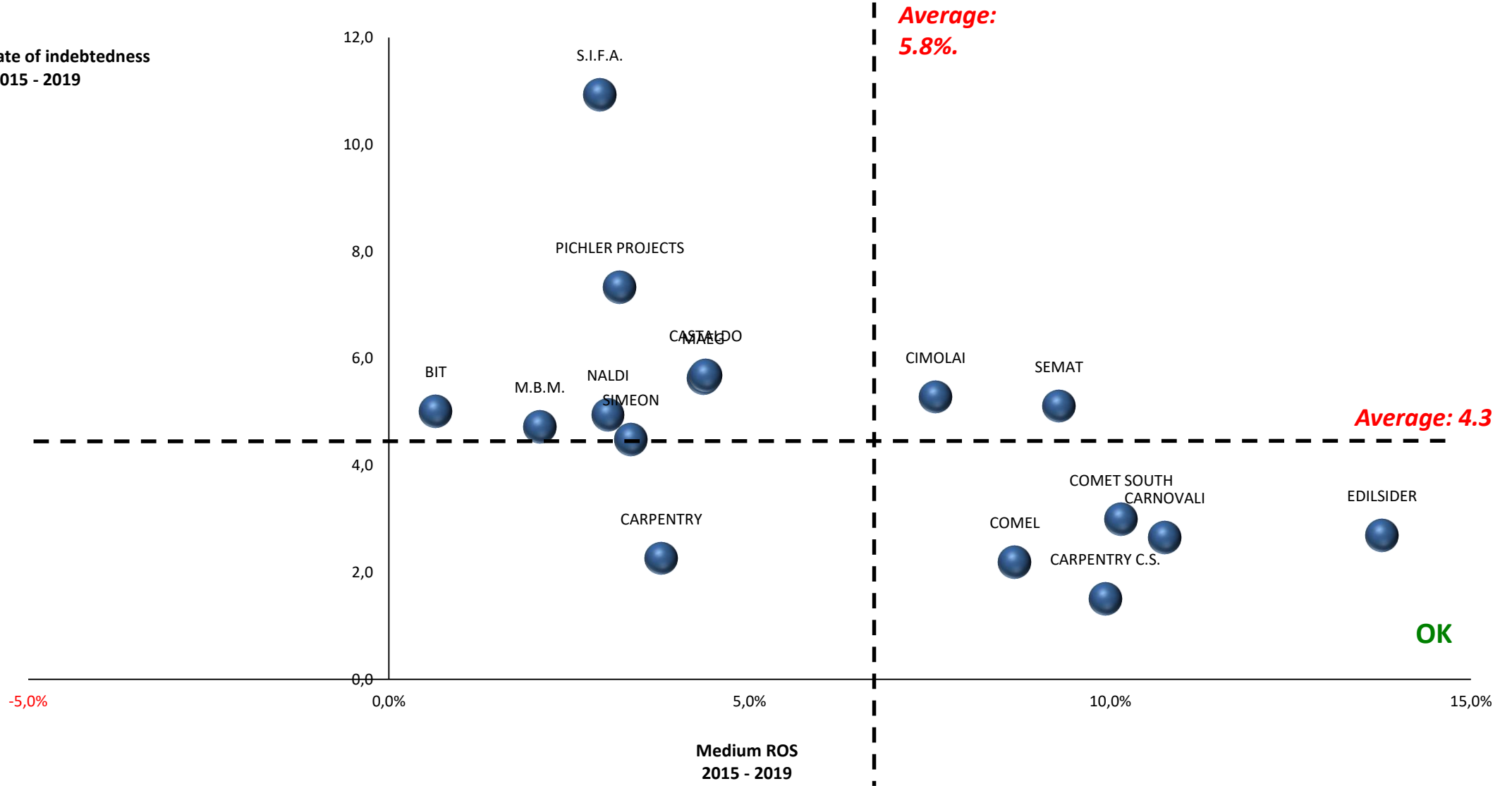
**CAGR Revenues
2015 - 2019**



Outliers eliminated: Bodino, LMV, Comesvil.

Sustainability of the business model

Average rate of indebtedness
2015 - 2019



Eliminated the *outliers*: Archi.gia, Comesvil, Bodino, LMV.



This report has been prepared by Prof. Carmine Garzia on the basis of data processed by the Economic Studies Office of UNICMI - Unione Nazionale delle Industrie delle Costruzioni Metalliche dell'Involucro e dei Serramenti (National Union of the Industries of Metal Constructions, Casings and Windows).

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