



Constructions, Enclosures, Structures

What prospects does the market recovery offer

Carmine Garzia

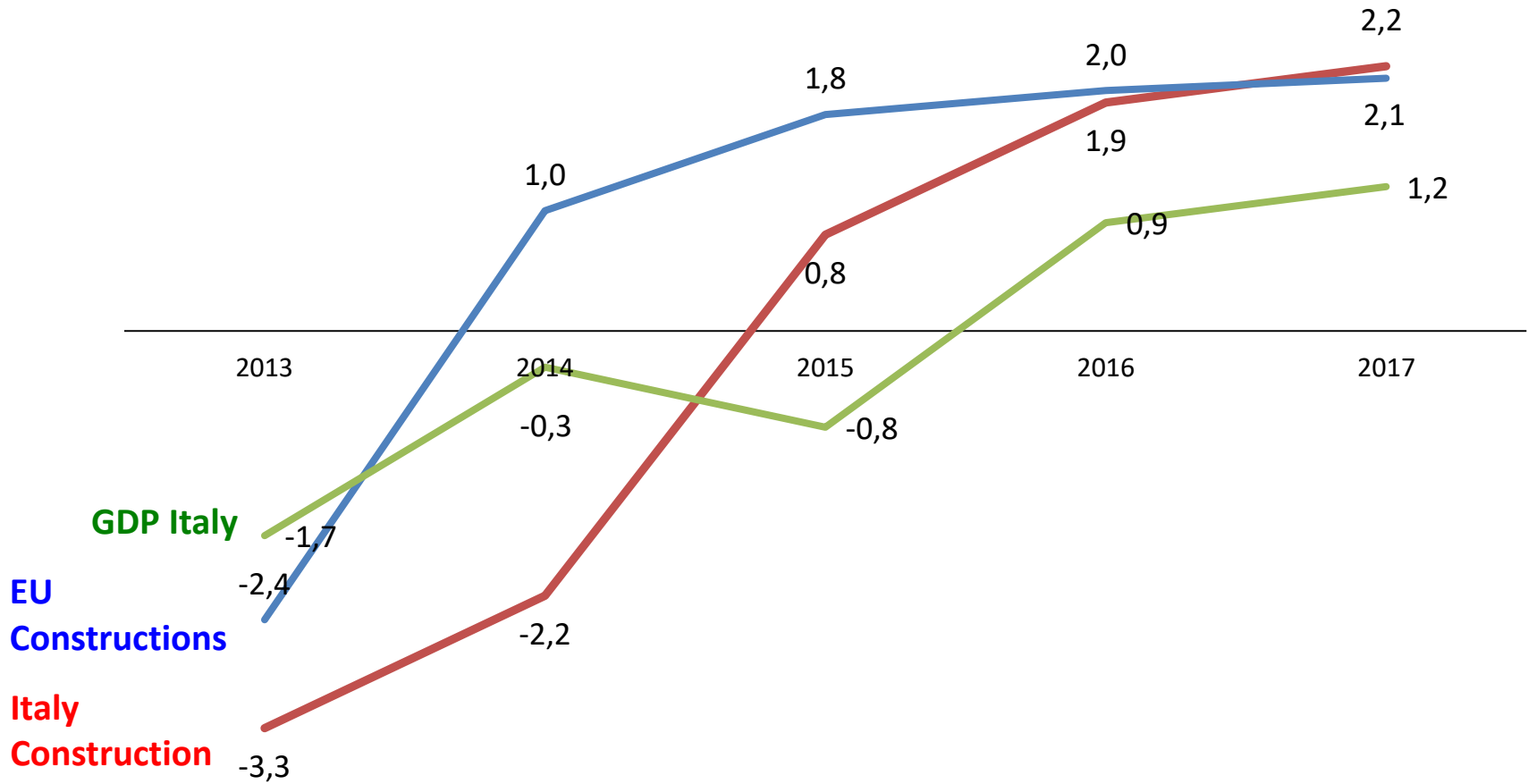
UNICMI Economic Studies Office

Milan, November 16, 2017

How much is the recovery worth? How long will it last?

Investment trends in the construction sector

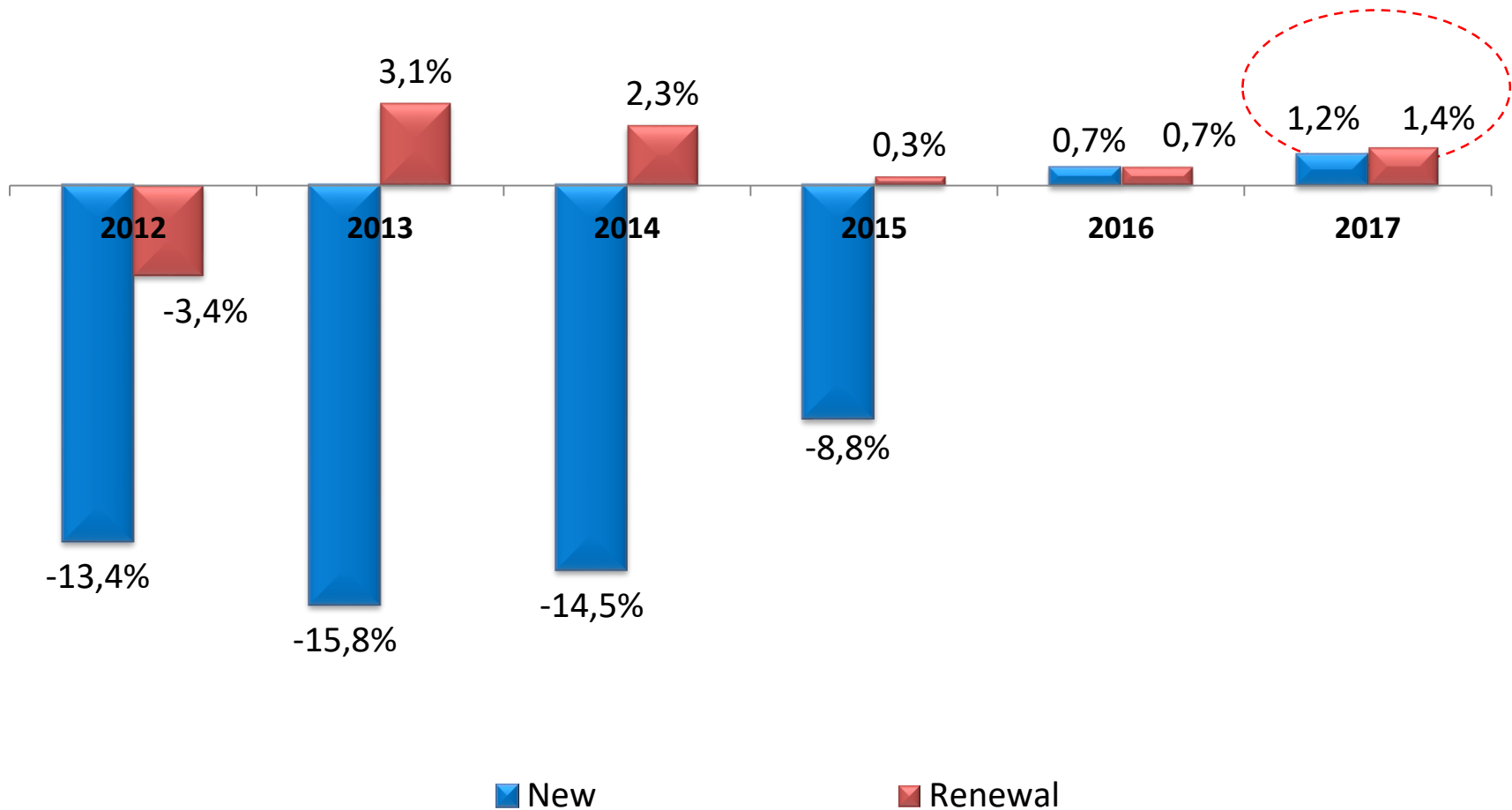
Growth rates at constant prices (%)



Investment trends in the construction sector

The recovery in the residential sector is worth about 900 million Euros of investment

Investment in construction residential (Million Euro)

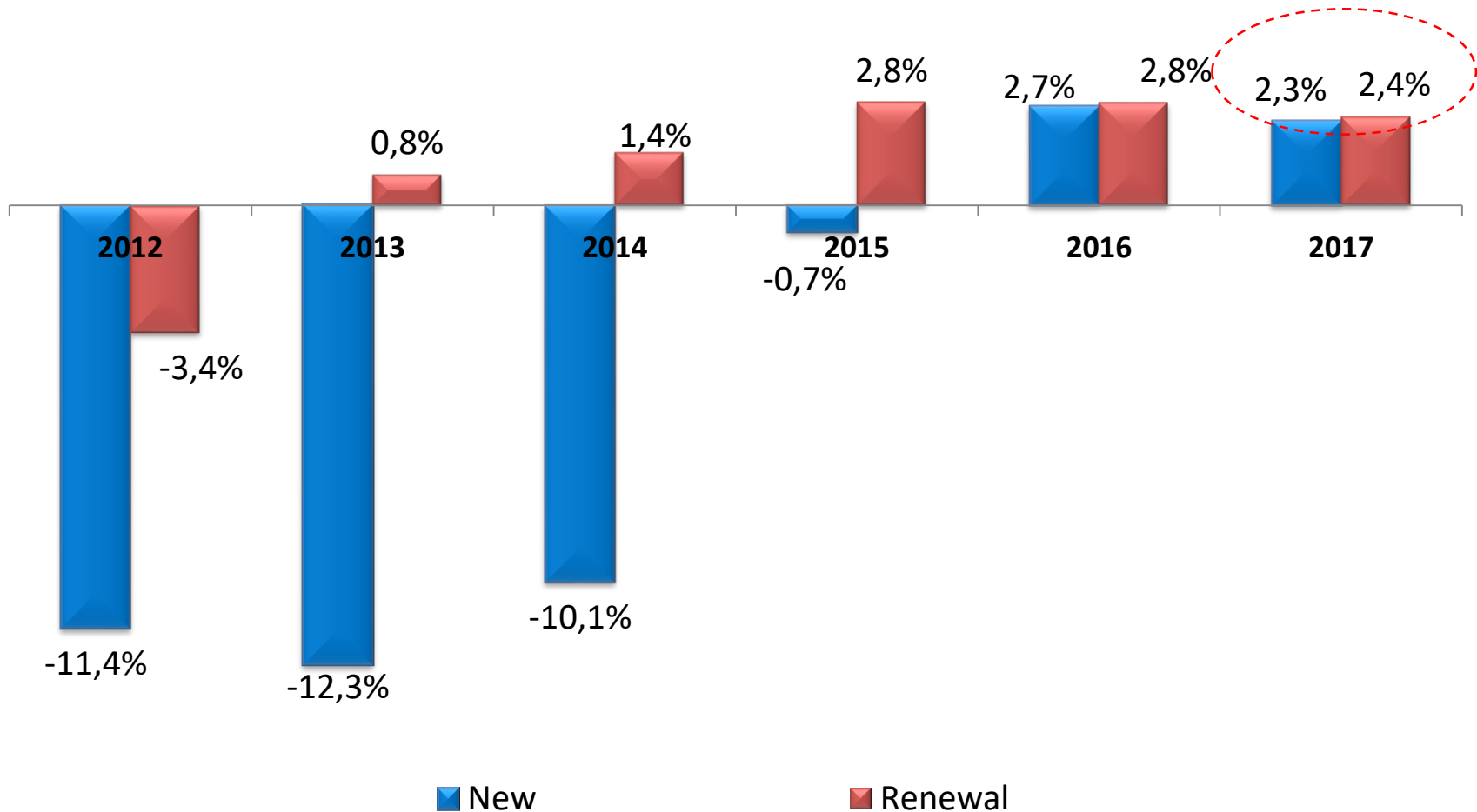


Source: elaboration on ISTAT and EUROCONSTRUCT data, 2016 data estimated

Investment trends in the construction sector

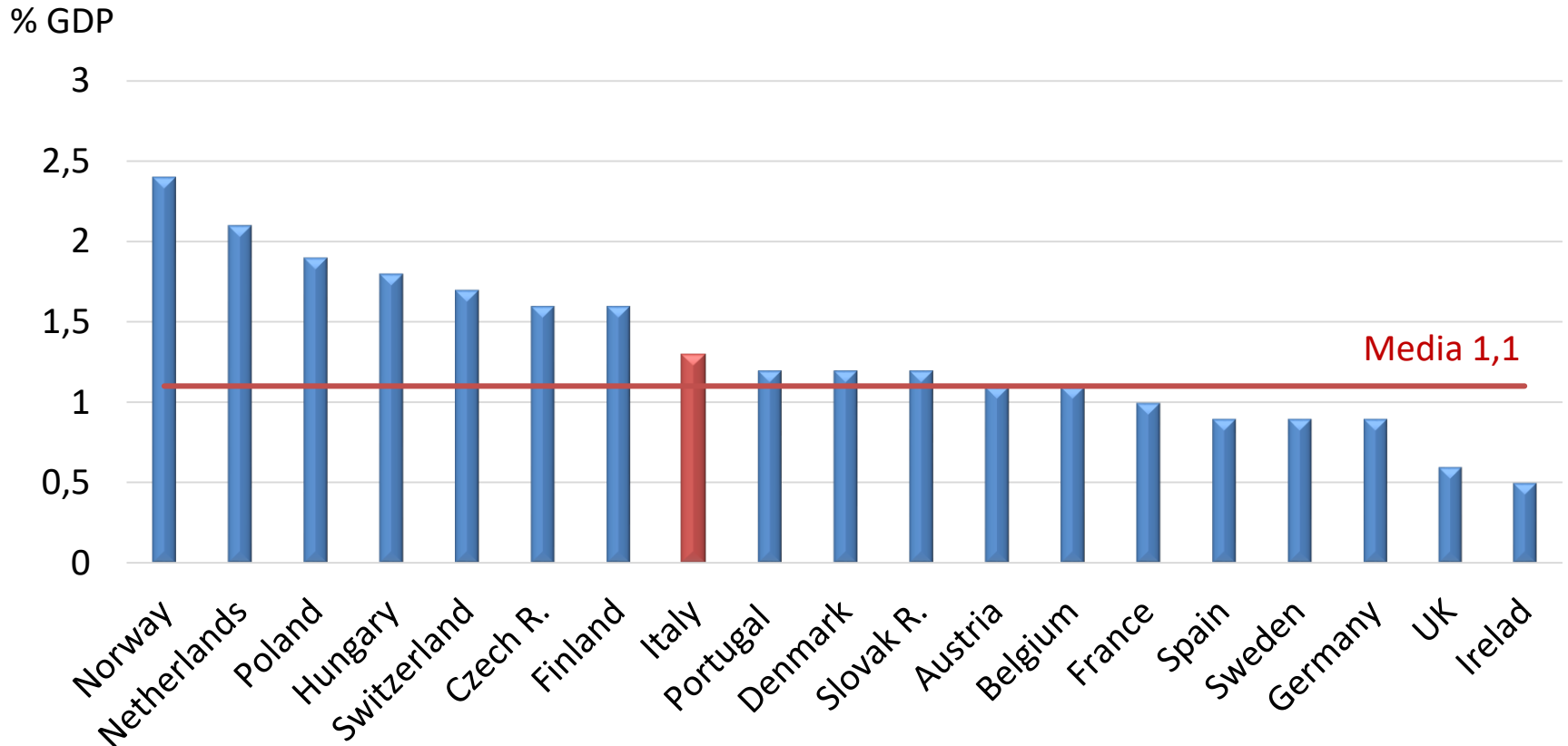
The recovery in the NON-residential sector is worth about 1 billion Euros in investments

Investment in non-residential construction residential (Million Euro)



Investment trends in the construction sector

Investment in transportation and infrastructure, 2016, % GDP

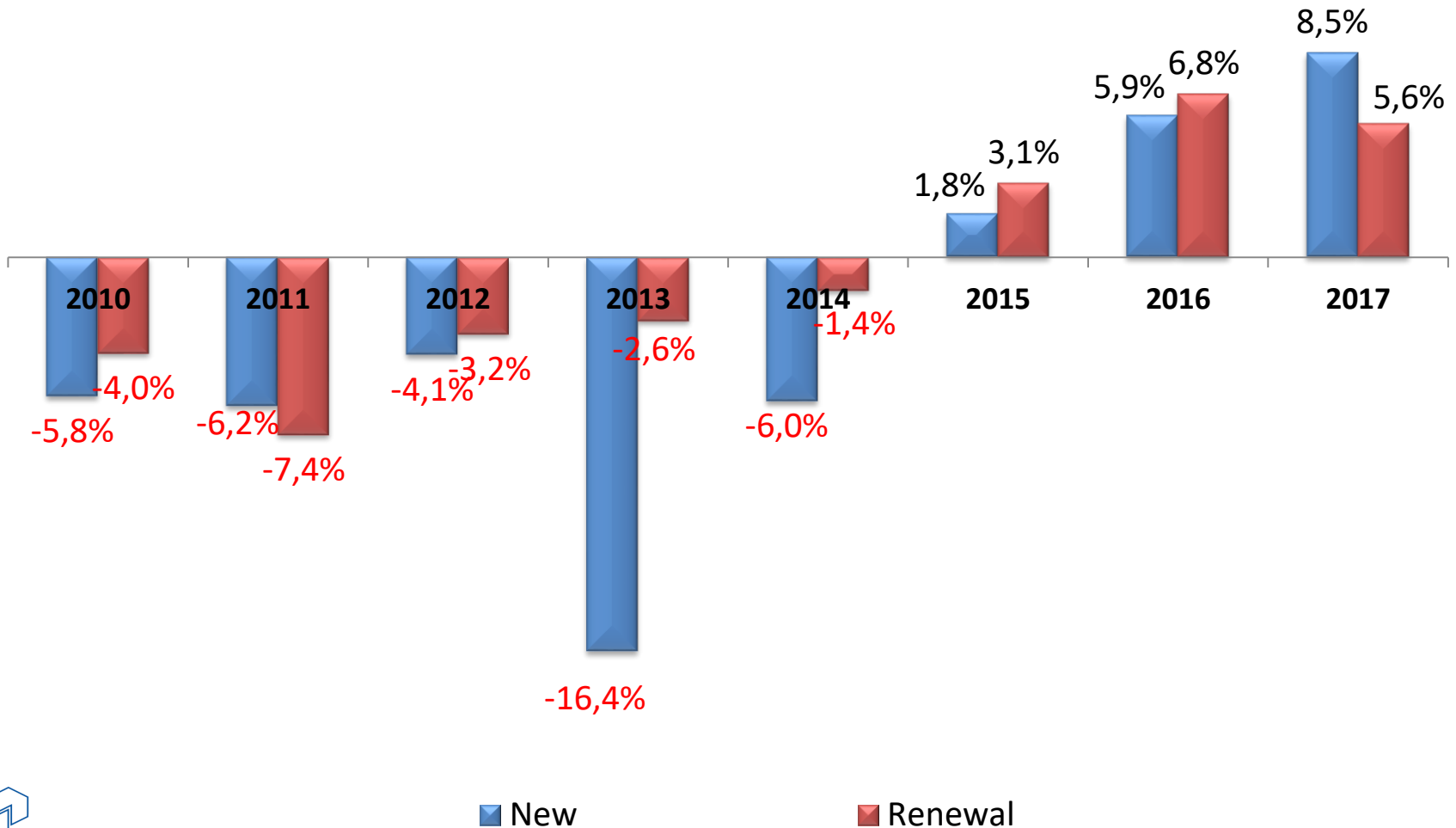


Source: elaboration on EUROCONSTRUCT data, 2016 data estimated

Investment trends in the construction sector

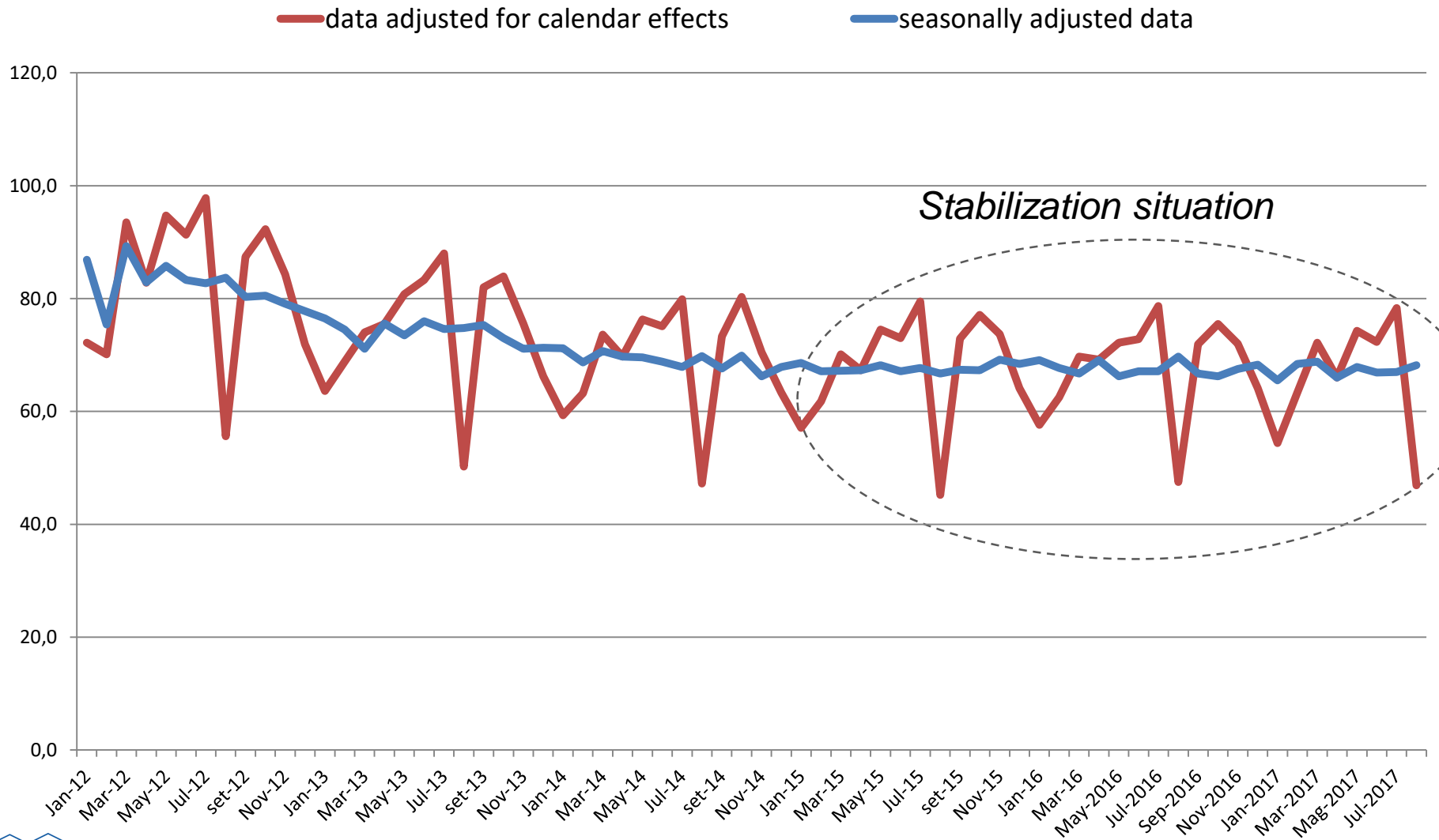
Growth is worth around 2.4 billion euros and will mainly involve road works

Investments in civil engineering (%)



Trends and prospects in the construction industry

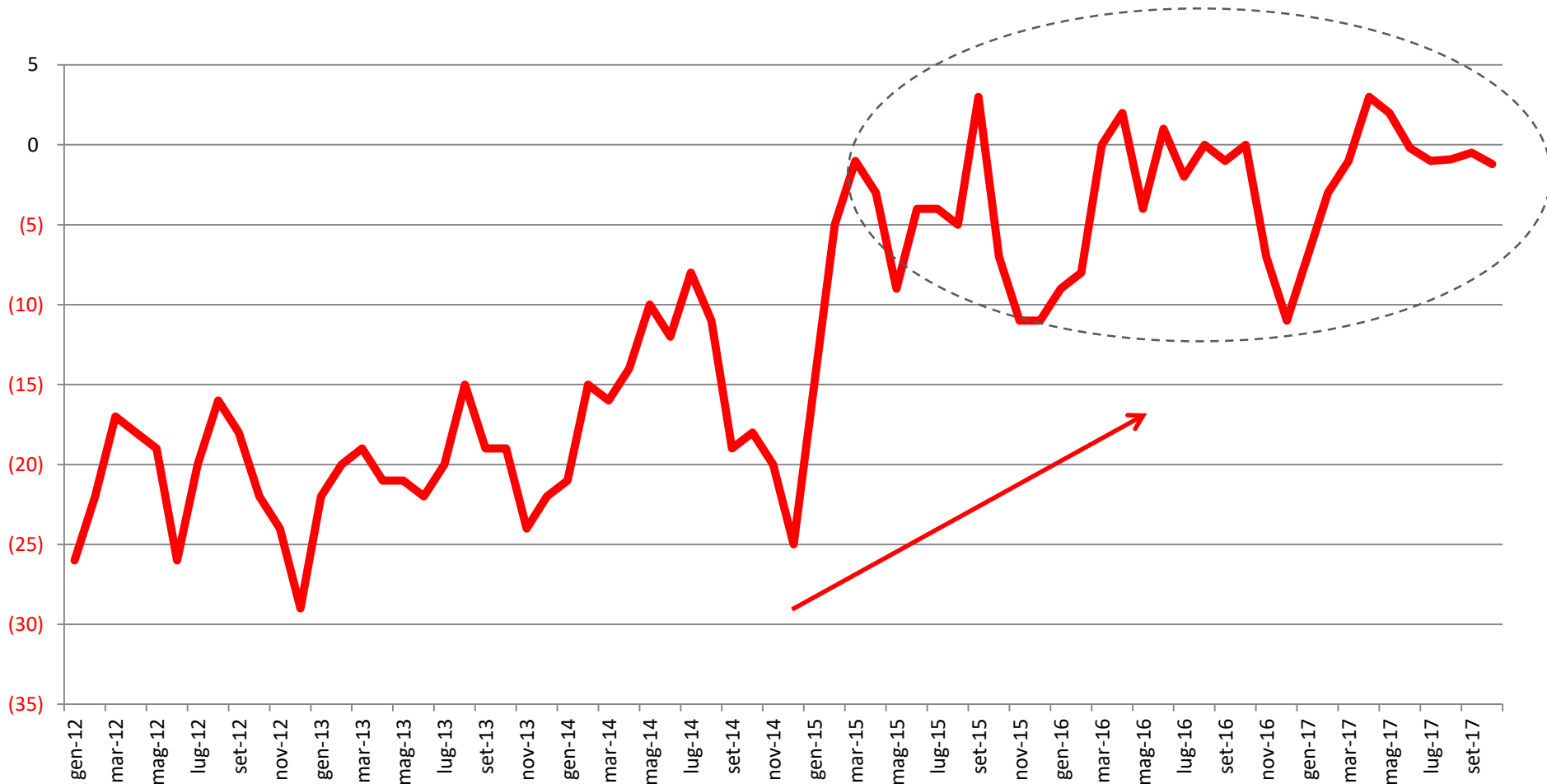
PRODUCTION IN CONSTRUCTION INDEX



Trends and prospects in the construction industry

The index is back in the positive zone and **the trend is likely to turn positive**

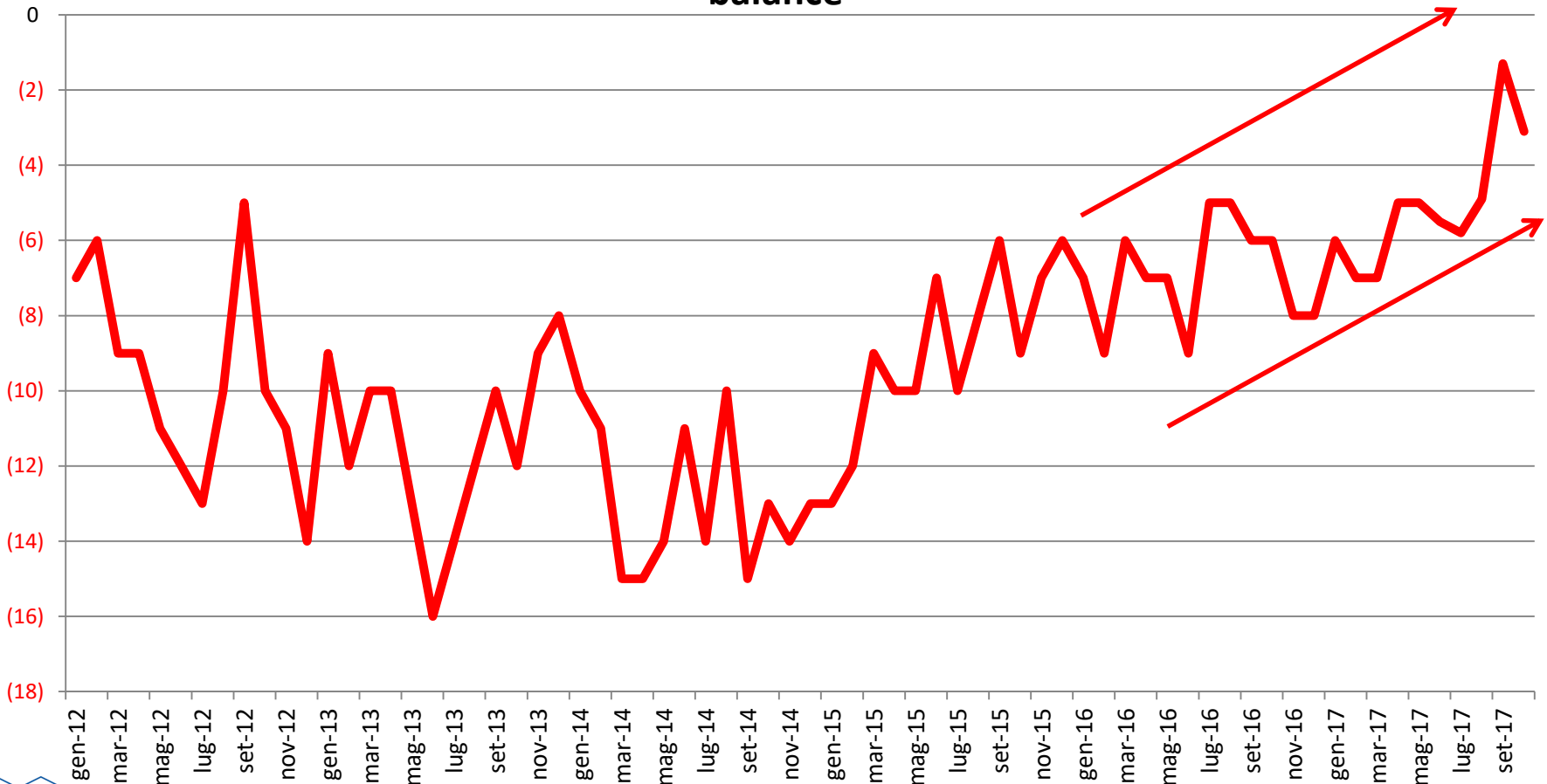
Order trend over the next three months - balance



Trends and prospects in the construction industry

Prices have rebounded and the index is quickly regaining the **positive zone**

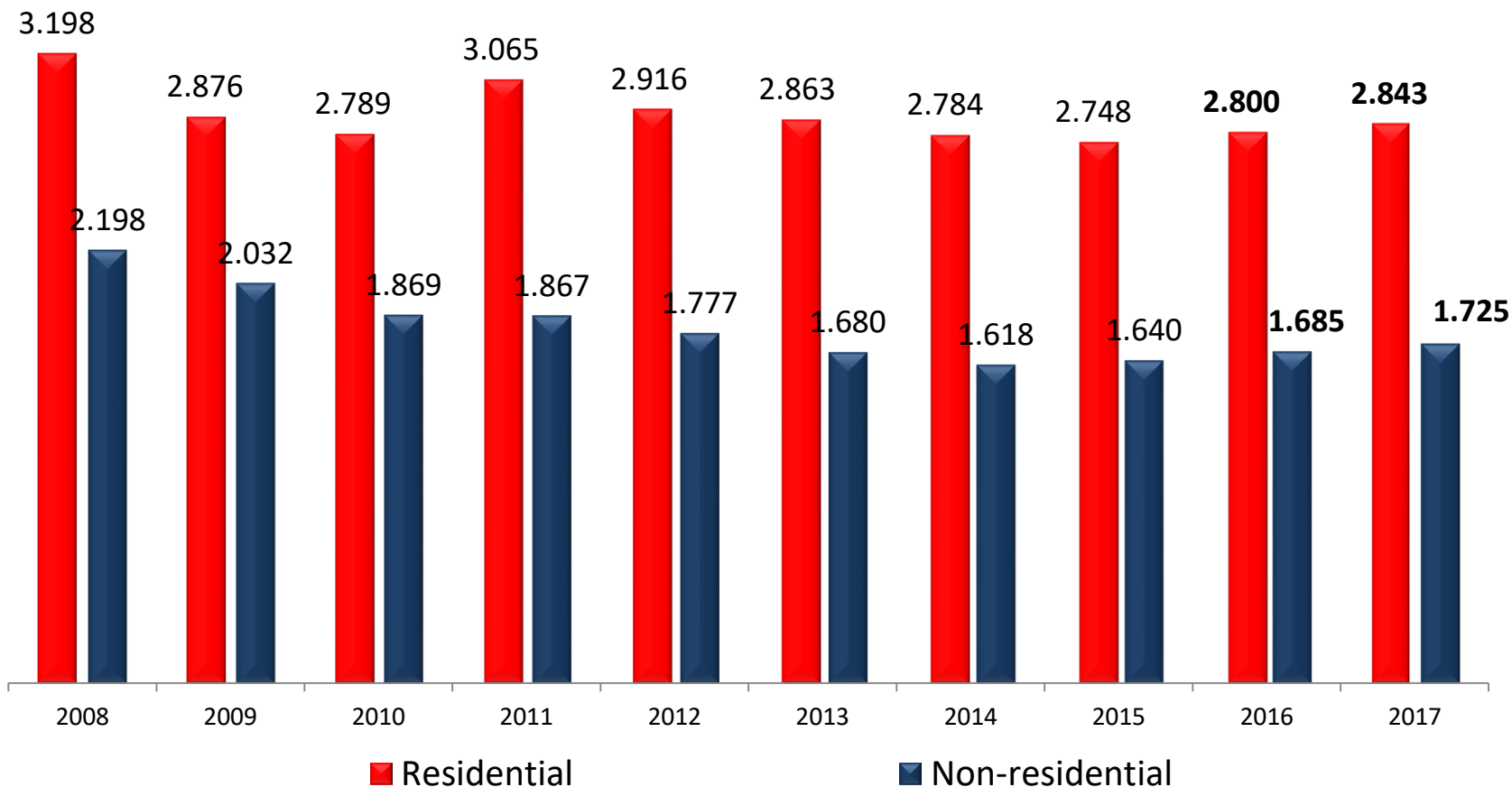
**Tendenza of prices charged by the company in the next three months -
balance**



Evolution of demand. Windows and curtain walls

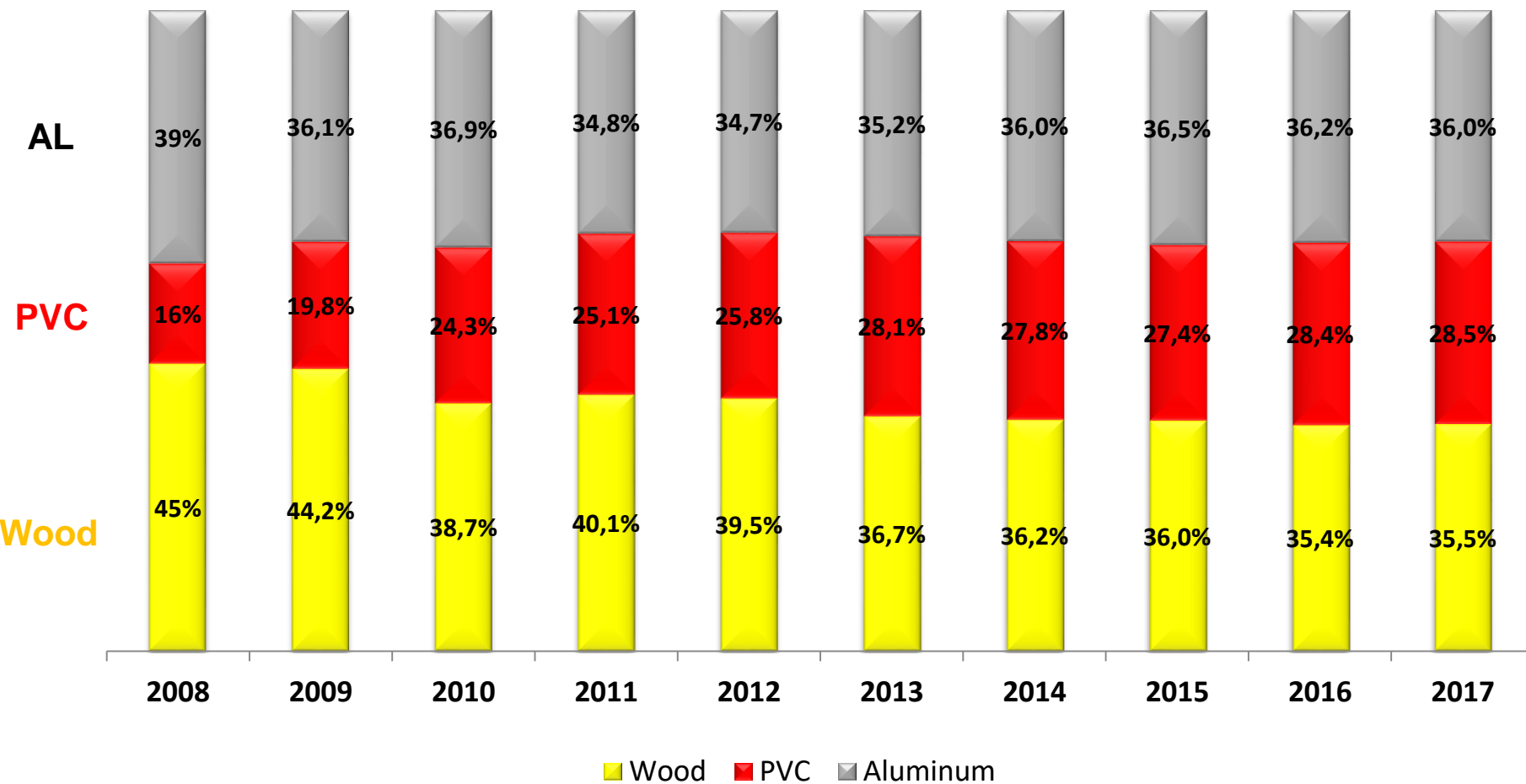
Demand for windows and curtain walls **grew by about 100 million in 2016 and by more than 90 million in 2017***

Question Windows and curtain walls (millions Euro)



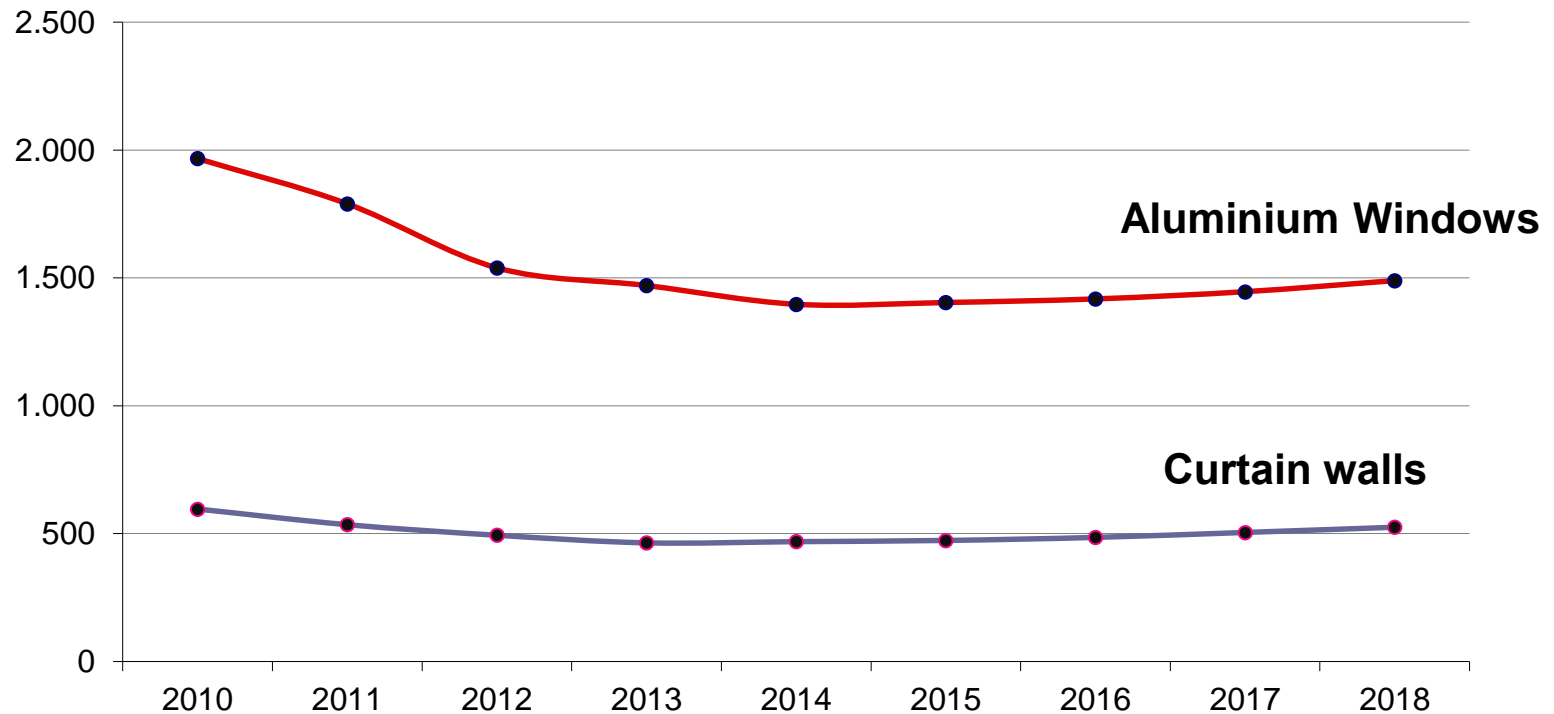
Evolution of demand. Windows and curtain walls

Evolution of window and door material market shares by value



Window and door market. Windows and curtain walls

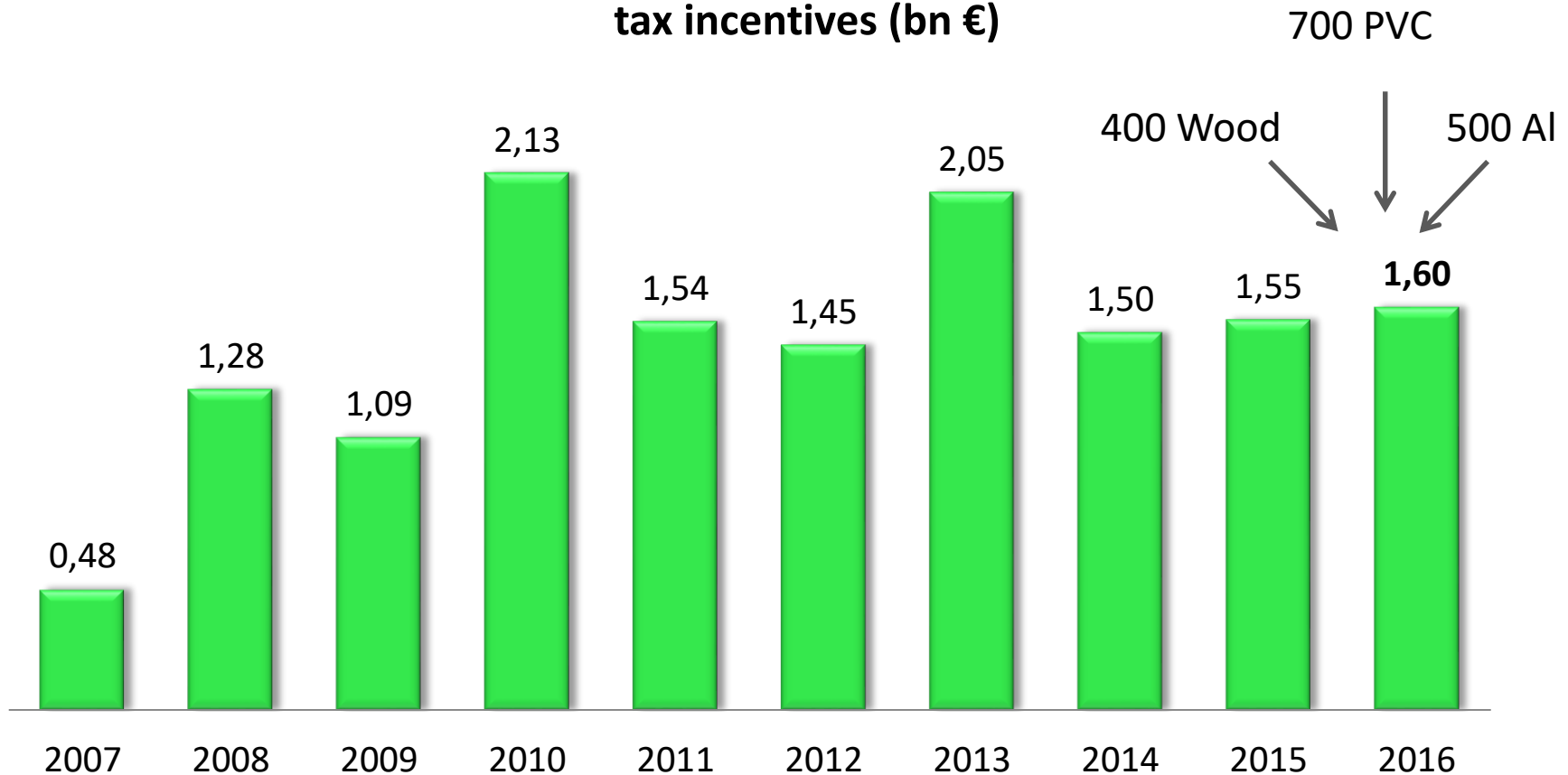
Evolution of metal windows and doors and curtain walls turnover (millions of Euro)



Demand trends. The impact of tax incentives

Average value of intervention **7,700 Euro**, up from 2015

Demand for windows and doors generated by tax incentives (bn €)



Demand trends. The impact of tax incentives

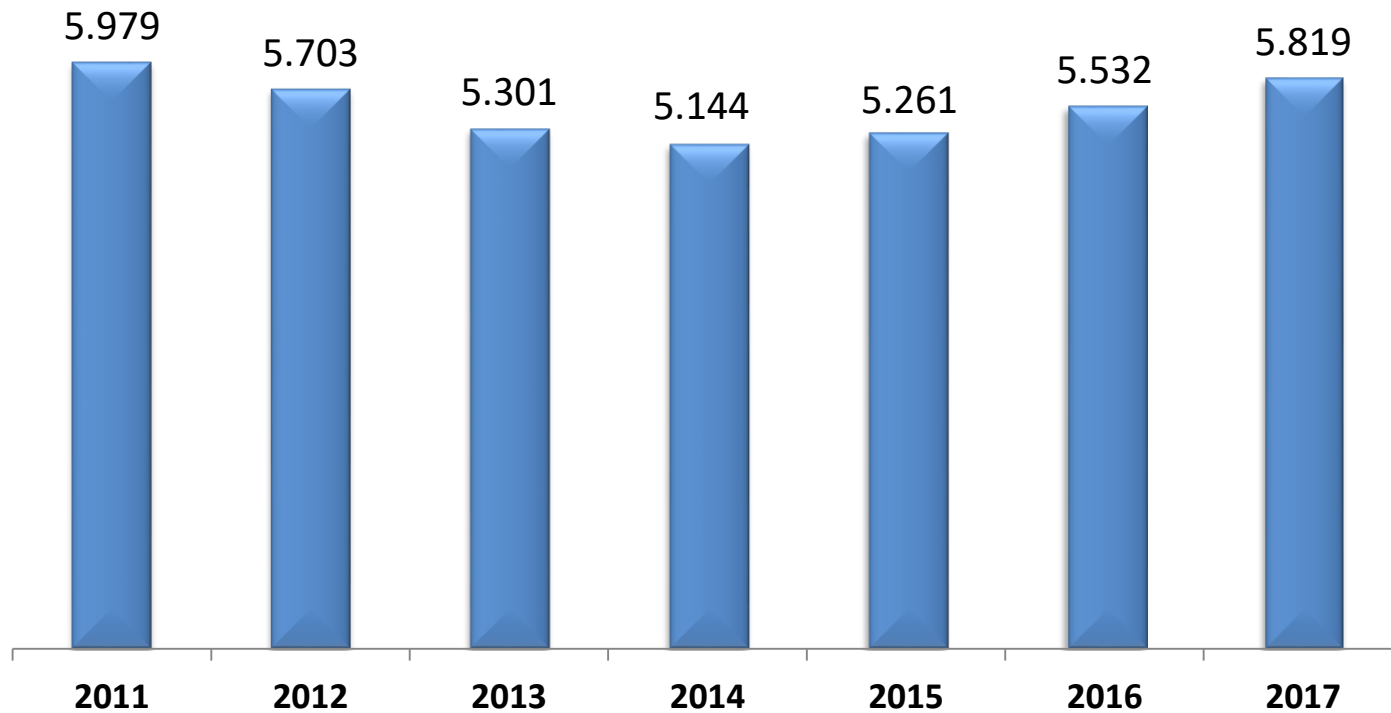
Tax incentives **account for 40% of the demand for windows and doors** in the Italian market

The reduction in tax incentives could generate a loss of around **300 million euros and 1,500 jobs** for the entire window and door sector.

Demand evolution. Metal constructions

The recovery also affects the metal constructions that, in the various sectors of construction, grow by about **300 million euros in 2017**

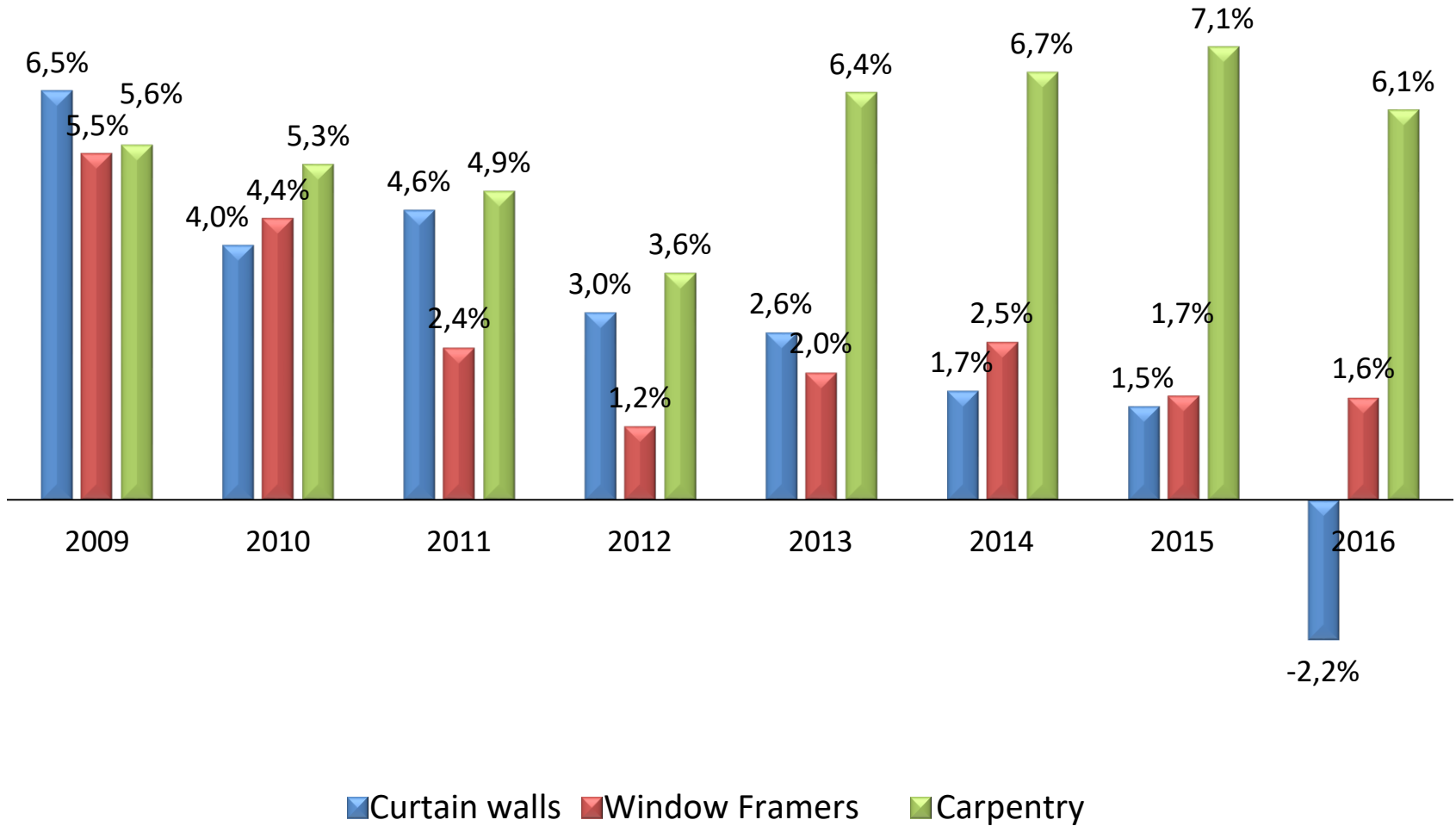
DEMAND METALLIC CONSTRUCTION (Mio Euro)



How are companies in the metal building and envelope industry doing? Are they ready for the upswing?

Business performance. Profitability

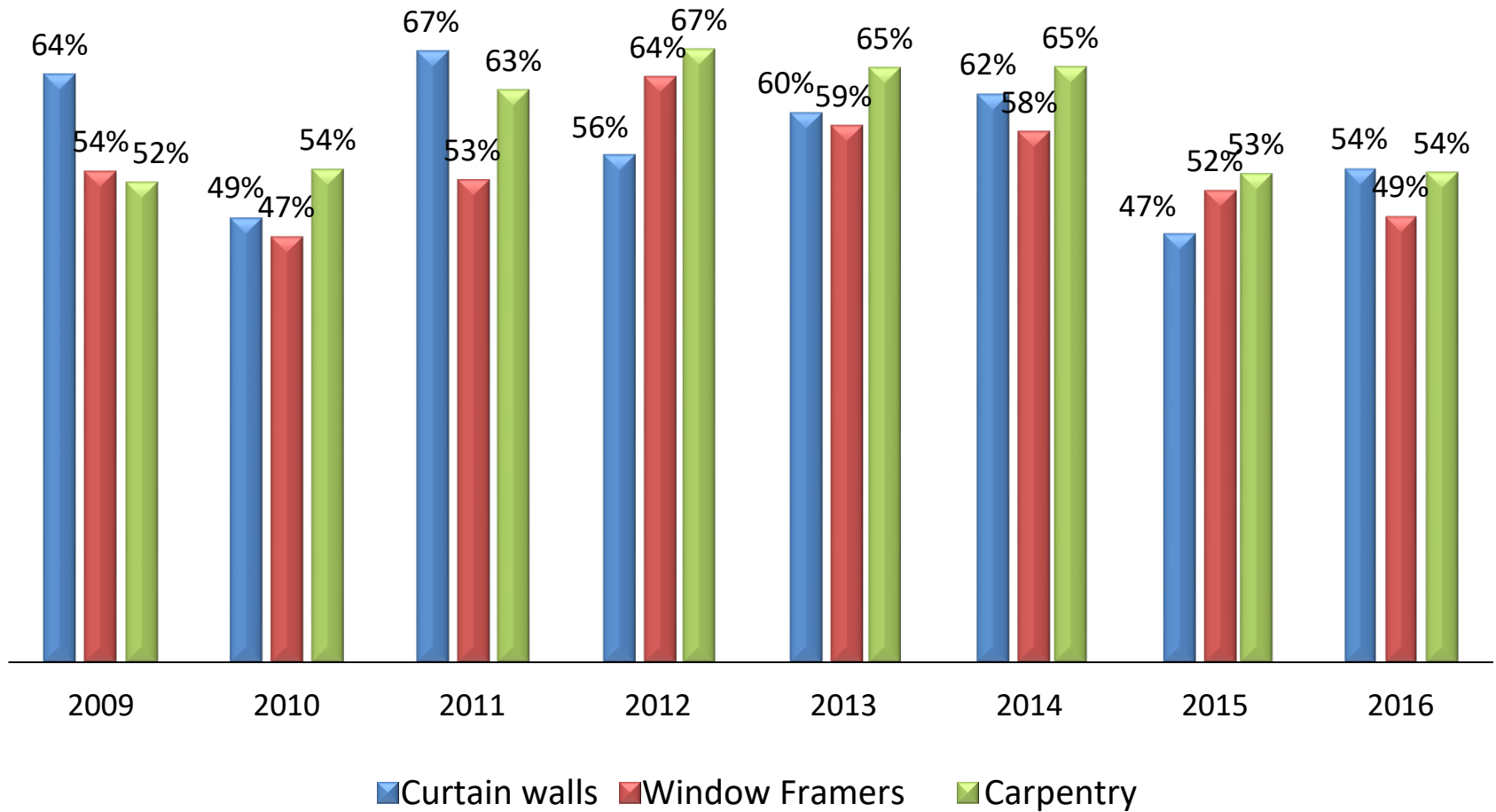
Sales Profitability (ROS)



Source: UNICMI elaborations

Business performance. Financial structure

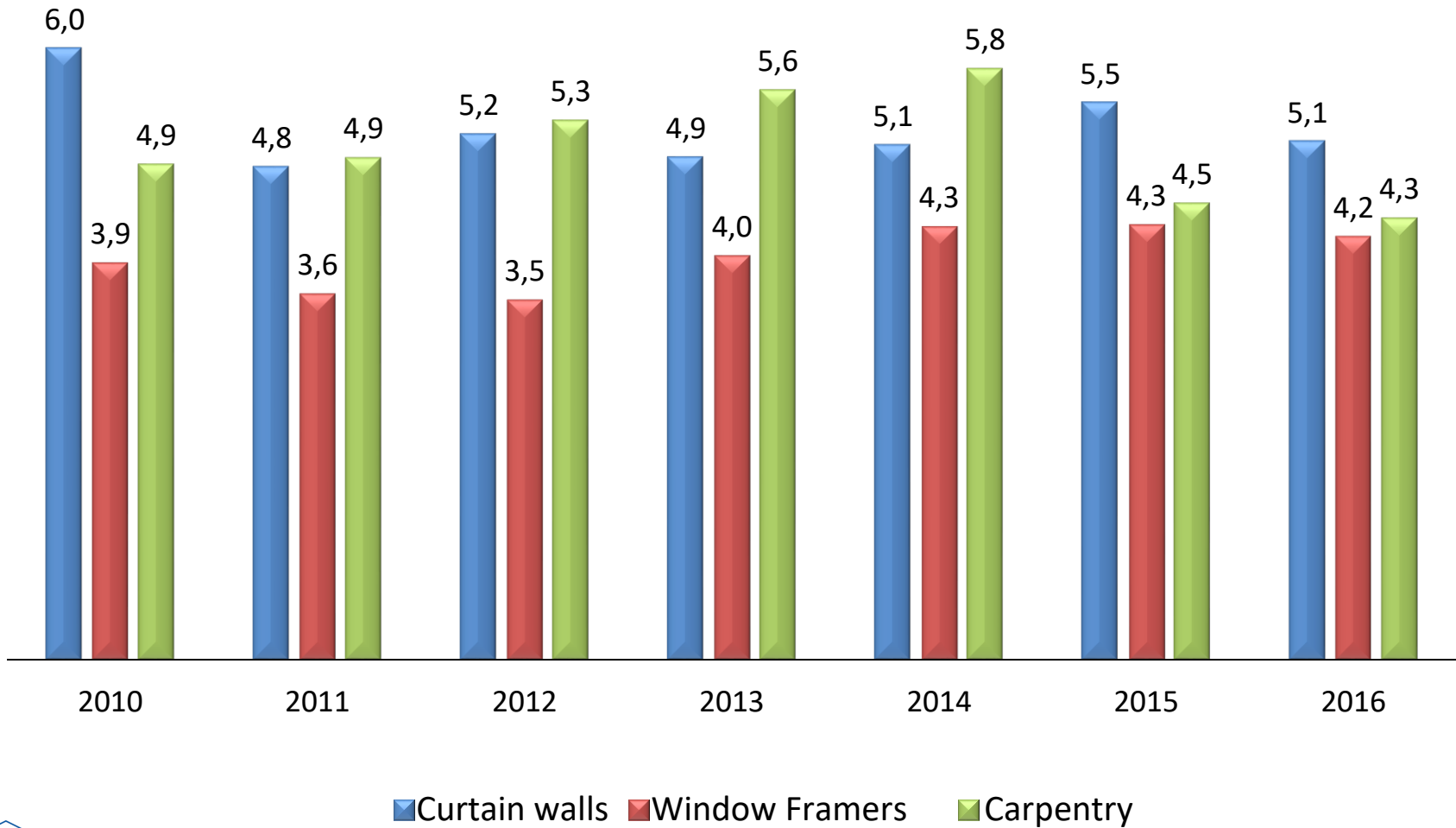
Total Credits/Revenues



Business performance. Financial structure

Italian corporate debt rate (2016): 2.47*

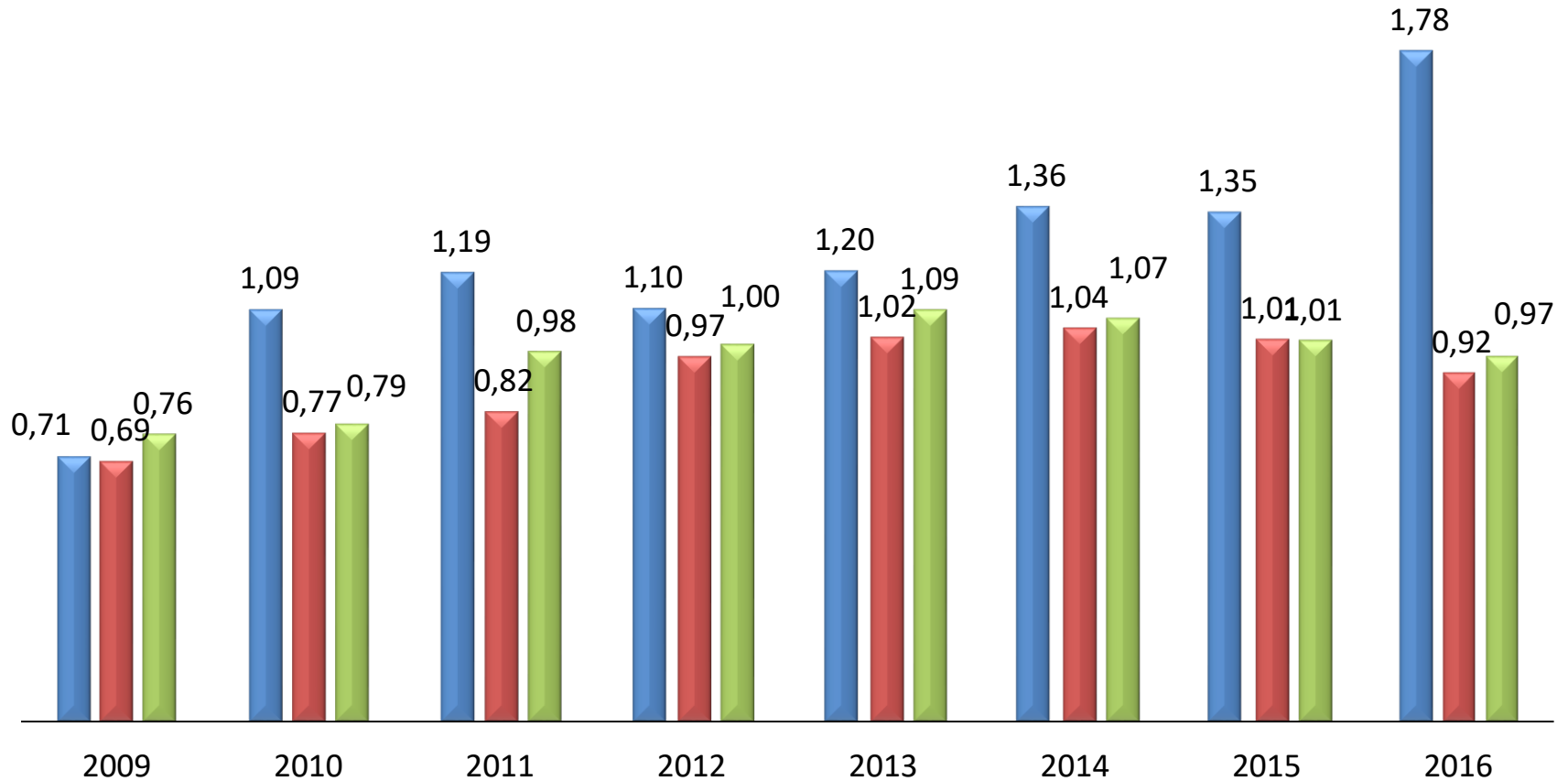
Initial Debt rate



Source: UNICMI elaborations, *MBRS, 2015

Business performance. Financial structure

Financial debt/equity



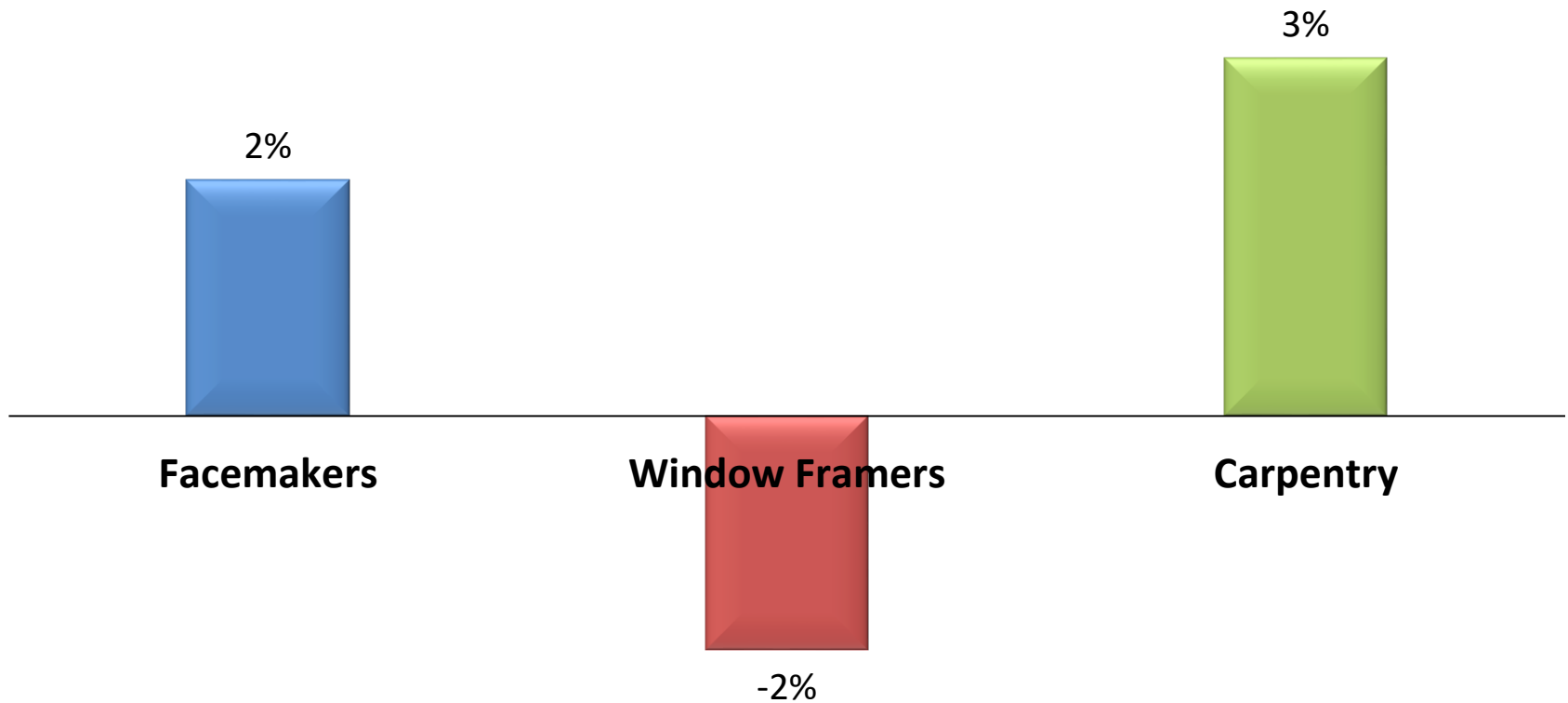
■ Curtain walls ■ Window Framers ■ Carpentry

Source: UNICMI elaborations

Investments

Companies have **stopped investing in facilities and infrastructure since 2009**

Investment growth materials (CAGR 2009 - 2016)



How to prepare for recovery?

Critical issues

1. Market **will not return to pre-crisis size**, especially for residential construction
2. Companies haven't **invested in tangible assets and know-how** for too many years
3. The **financial and capital situation is weak**, critical for some companies, interest rates are on the rise
4. **Large customers** are under severe margin pressure and are **financially vulnerable**

What to do to hook the recovery

1. Don't be tempted by the **growth trap of** sacrificing margins
2. Identify **market niches**: segments and geographic areas
3. Addressing the issue of **financial and capital consolidation**
4. Investing in **quality human resources** for **commercial development in Italy and abroad**
5. Invest in **communication, distribution** management and **customer relations**



This report has been prepared by Carmine Garzia on the basis of data compiled by the Economic Studies Office of UNICMI - Unione Nazionale delle Industrie delle Costruzioni Metalliche dell'Involucro e dei Serramenti.

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