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SECTOR	Materials	KEY PEOPLE	Gennaro Gargiulo (CEO) Ferdinando Gargiulo (COO) Michele Inserra (General Manager) Alfonso Gambardella (Fin. Controller)
INDUSTRY	Construction Materials		
SUB-INDUSTRY	Non Wood Building Materials		
SOLE SHAREHOLDER	Gielle Group Srl (100%)		
OPERATING CENTRE	Scafati (SA), Italy	NUMBER OF EMPLOYEES	96 (FY18)

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QUICK LOOK

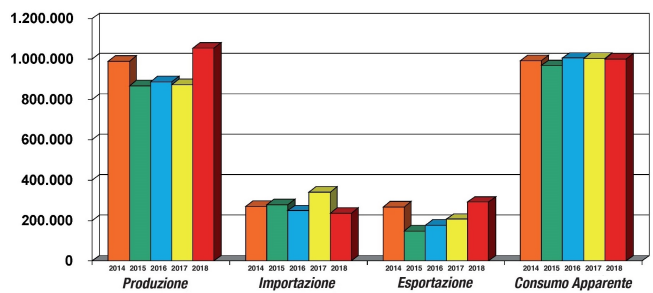
La Tecnica nel Vetro (*Bloomberg ticker: TECVET*) is an Italian company operating in the sector of **flat glass processing and transformation**. The company produces a wide range of glass (*monolithic, insulating, laminated, jumbo-size, screen printing glass, enamelled, special glass*) with industrial and artistic applications in the **building sector**. Since its establishment in **1999**, the company has evolved from a small firm with fragmented regional sales to an industrial entity among the main players in the Italian market.

HIGHLIGHTS

- MARKET OVERVIEW** - According to data compiled by **Assovetro** (*TECVET is among its members*), Italian flat glass **production** has reached 1,054,763 tons in 2018 (+20.7% YoY). Italian flat glass **exports** have risen to 291,339 tons in 2018 (+41% YoY), confirming the positive trend started in 2016. The decrease in **imports** to 236,669 tons (-30% YoY) has led to a positive balance between exports and imports in 2018 (+54,670 tons), after three years of deficit in a row.
- OWNERSHIP** - La Tecnica nel Vetro SpA is controlled at 100% by **Gielle Group Srl**, whose shares are equally splitted between Gennaro Gargiulo and Ferdinando Gargiulo (*the former is also the sole director of TECVET*). The **capital increase** of EUR 290,000 completed in 2017 (*for EUR 100,000 in cash*) has brought the company's capital to EUR 1.98 mln.
- BUSINESS DIVERSIFICATION (1)** - La Tecnica nel Vetro serves **builders** and construction professionals both **in Italy and abroad** (*Malta, Switzerland, United States, United Arab Emirates, etc.*): in 2018, **foreign sales** accounted for **24.1%** of the total (*4.6% in 2017*). Business outside Italy doesn't expose TECVET to **currency risk** because foreign orders are typically contracted and invoiced in Euro.
- BUSINESS DIVERSIFICATION (2)** - As of July 12, 2018, TECVET's **order book** included 130 orders for a value of about **EUR 12.7 mln** (*15% under processing*). The largest order, related to the construction of the **Tirana stadium** (*Albania*) for the client Lesko Srl, has a value of EUR 2.2 mln (*equal to 17% of the overall book*). The 5 largest orders cover the 57% of the order book.
- STRATEGY** - TECVET's **Business Plan** (*as of December 2017*) forecasts in **2020** a **turnover** slightly below **EUR 19 mln**, an **EBITDA margin** of **25%** and a **NFP-on-EBITDA ratio** of **1.6x**; the **current ratio** is expected to gradually weaken to **0.8x**. As for profitability, the 2017-2020 Plan expects **ROE**, **ROI** and **ROS** to hit **25.9%**, **16.4%** and **13.9%** respectively at the end of the four-year period.
- INCOMING CHALLENGES** - In September 2013, TECVET has started the acquisition of **Mexall Glass Srl** (*a company under creditor protection operating in the flat glass sector*) for a total of EUR 6,465,000, to be paid in 52 increasing monthly installments plus a **final installment** of EUR 3,255,000 (*in June 2018*). In 2017, TECVET has requested and obtained from Mexall's commissioners a **deferral** of the payment terms. As of July 2019, **negotiations** are underway with **BPER Leasing** for the sale of an industrial building "from which to obtain the funding needed to pay the final price for the definition of Mexall Glass creditor protection procedure".

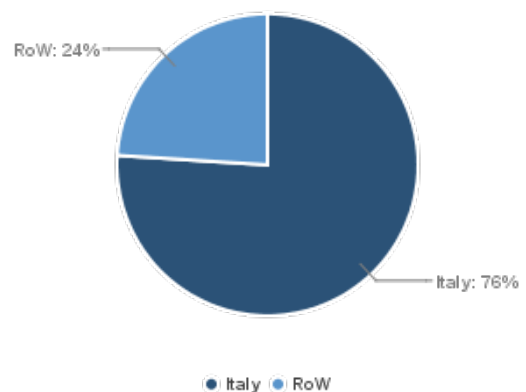
TOTALE VETRO PIANO

anni 2014-2015-2016-2017-2018 (tonn.)



Fonte: Assovetro

SALES (FY18)



FIGURES

INCOME STATEMENT

(in EUR thd)	Dec 2018	Dec 2017	Dec 2016	Dec 2015	Dec 2014
Operating revenue (Turnover)	13.759,98	12.486,91	10.879,17	9.226,99	6.951,69
Costs of goods sold	n.a.	n.a.	n.a.	n.a.	n.a.
Gross profit	n.a.	n.a.	n.a.	n.a.	n.a.
Gross margin (%)	n.a.	n.a.	n.a.	n.a.	n.a.
Costs of employees	2.982,39	2.017,98	1.699,18	1.440,12	1.456,98
EBITDA	1.985,91	1.475,57	1.563,62	1.220,7	565,67
EBITDA margin (%)	14,43%	11,82%	14,37%	13,23%	8,14%
Depreciation & Amortization	1.176,01	918,02	890,32	594,2	195,9
Operating P/L [=EBIT]	809,9	557,55	673,29	626,5	369,77
EBIT margin (%)	5,89%	4,47%	6,19%	6,79%	5,32%
P/L before tax [=EBT]	383,58	272,58	349,14	300,55	181,29
EBT margin (%)	2,79%	2,18%	3,21%	3,26%	2,61%
P/L for period [=Net income]	294,62	236,6	272,95	126,05	132,59

BALANCE SHEET

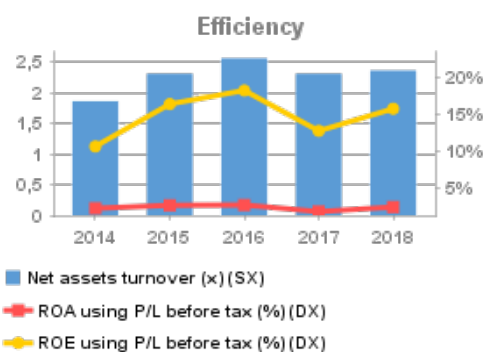
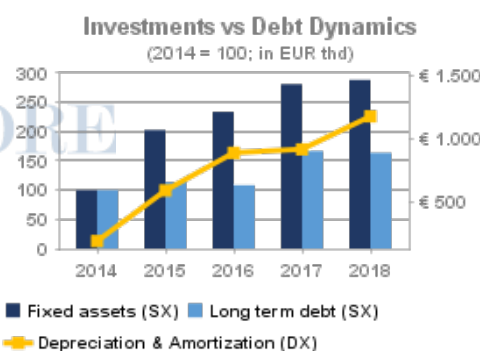
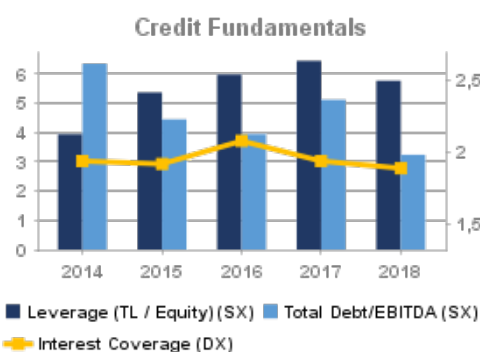
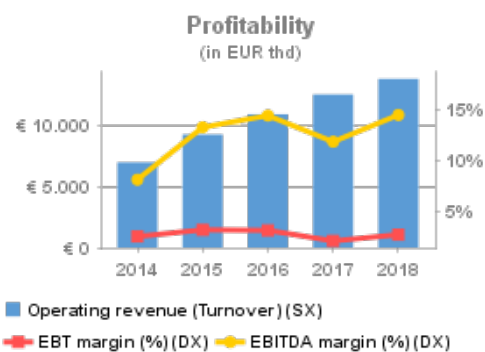
(in EUR thd)	Dec 2018	Dec 2017	Dec 2016	Dec 2015	Dec 2014
ASSETS					
Other current assets	1.080,44	1.010,48	1.083,19	968,01	1.494,41
Cash & cash equivalent	85,04	61,62	41,97	84,7	1.319,3
Stock	2.497,67	1.859,73	969,56	496,27	122,28
Debtors	4.613,67	4.991,66	4.574,58	4.381,84	3.951,26
CURRENT ASSETS	8.191,78	7.861,86	6.627,32	5.846,12	5.567,95
Intangible fixed assets	642,62	328,1	283,36	177,23	81,19
Tangible fixed assets	7.742,18	7.844,02	6.512,17	5.719,57	2.827,04
FIXED ASSETS	8.384,8	8.172,13	6.795,53	5.896,8	2.908,24
TOTAL ASSETS	16.576,58	16.033,99	13.422,85	11.742,92	8.476,19
LIABILITIES & EQUITY					
Loans	3.667,98	4.741,41	4.337,18	3.513,69	1.906,83
Creditors	3.657,28	3.727,7	2.972,87	2.471,58	2.412,88
Other current liabilities	3.414,12	2.162,91	1.870,22	1.768	408,65
CURRENT LIABILITIES	10.739,37	10.632,02	9.180,28	7.753,28	4.728,37
Long term debt	2.759,84	2.812,92	1.827,07	1.916,16	1.685,77
NON-CURRENT LIABILITIES	3.389,08	3.248,46	2.320,39	2.146,41	2.030,64
SHAREHOLDERS FUNDS	2.448,12	2.153,51	1.922,18	1.843,23	1.717,18
TOTAL SHAREH. FUNDS & LIAB.	16.576,57	16.033,99	13.422,85	11.742,92	8.476,19

FREE CASH FLOW TO FIRM

(in EUR thd)	Dec 2018	Dec 2017	Dec 2016	Dec 2015	Dec 2014
Cash from Operations	2.823,78	600,99	878,93	371,9	n.a.
Capex	-723,98	-3.047,17	-1.496,44	-3.318,63	n.a.
Interest Expense	428,74	286,96	324,4	325,95	190,6
Tax Rate	24%	24%	31,4%	31,4%	31,4%
FCFF	2.425,64	-2.228,1	-394,97	-2.723,13	n.a.

Source: Bloomberg, Bureau van Dijk, Financial Statements, KPMG

Note: FCFF = CFO - |Capex| + Interest Expense * (1 - Tax Rate)



- FINANCIAL RESULTS** - La Tecnica nel Vetro highlights a **positive trend in income**: from 2014 to 2018, its **turnover** has almost doubled, **EBITDA margin** has achieved a significant growth (+6.3pp) and all FYs have been closed with a **profit** (despite a slowdown in FY17 and a substantially flat dynamic of EBIT margin and EBT margin). The company shows a skew in its funding structure towards **short-term debt** (76% of the total); the **current ratio** has constantly remained at values lower than 1 (0.83 on average over the five-year period). FY18 has been the first year showing a positive **free cash flow**.
- INDUSTRY** - The main players in the Italian flat glass industry are the Italian subsidiaries of international conglomerates **Saint Gobain**, **AGC**, **NSG-Pilkington** and **Sisecam** (the first three are among TECVET's commercial partners). Italian peers of La Tecnica nel Vetro are medium-sized and large companies located in **central-northern Italy** in the regions of Lombardy (Vetraria Bergamasca Tecnovetro, Predari Vetri, Vetrodomus, Vetraria Fratelli Colpani, Vetro G), Veneto (Union Glass, Zanatta Vetro) and Marche (Nova Vetro). As reported by the company, La Tecnica nel Vetro ranks among the **top 5 companies** in Italy in the sector of flat glass transformation.

Revenues (2013=100)					
Company	Dic 2017	Dic 2016	Dic 2015	Dic 2014	Dic 2013
La Tecnica nel Vetro SpA	282,52	246,14	208,76	157,28	100,00
Nova Vetro Srl	97,21	94,93	90,71	92,47	100,00
Pilkington Italia SpA	88,82	91,95	95,89	89,64	100,00
AGC Flat Glass Italia Srl	92,92	123,28	77,73	96,11	100,00

EBITDA Margin (%)					
Company	Dic 2017	Dic 2016	Dic 2015	Dic 2014	Dic 2013
La Tecnica nel Vetro SpA	11,82	14,37	13,23	8,14	9,44
Nova Vetro Srl	6,57	2,78	2,62	3,29	5,95
Pilkington Italia SpA	10,83	4,75	n.a.	5,58	1,20
AGC Flat Glass Italia Srl	4,25	3,38	4,36	2,85	4,68

EBIT Margin (%)					
Company	Dic 2017	Dic 2016	Dic 2015	Dic 2014	Dic 2013
La Tecnica nel Vetro SpA	4,47	6,19	6,79	5,32	6,51
Nova Vetro Srl	3,62	0,28	0,19	0,67	3,66
Pilkington Italia SpA	4,06	-1,48	-3,09	-1,39	-5,98
AGC Flat Glass Italia Srl	2,29	1,70	1,94	0,42	1,77

Interest Coverage					
Company	Dic 2017	Dic 2016	Dic 2015	Dic 2014	Dic 2013
La Tecnica nel Vetro SpA	1,94	2,08	1,92	1,94	4,21
Nova Vetro Srl	10,58	0,50	0,22	0,67	2,99
Pilkington Italia SpA	156,70	-31,54	n.a.	-0,81	-3,08
AGC Flat Glass Italia Srl	1,67	1,35	1,36	0,37	1,54

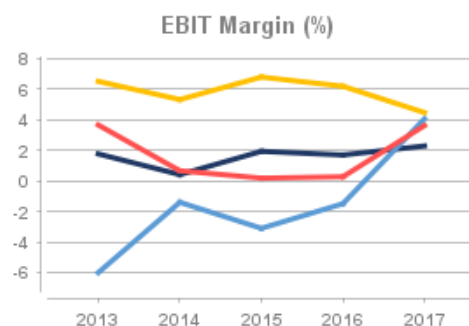
Net Debt to EBITDA					
Company	Dic 2017	Dic 2016	Dic 2015	Dic 2014	Dic 2013
La Tecnica nel Vetro SpA	5,08	3,92	4,38	4,02	2,80
Nova Vetro Srl	4,16	8,74	9,15	7,32	4,94
Pilkington Italia SpA	-0,03	-0,05	-0,11	-0,11	-0,14
AGC Flat Glass Italia Srl	2,48	2,04	-0,01	-0,03	-0,02

Current Ratio					
Company	Dic 2017	Dic 2016	Dic 2015	Dic 2014	Dic 2013
La Tecnica nel Vetro SpA	0,74	0,72	0,75	1,18	1,09
Nova Vetro Srl	2,31	2,67	1,40	1,26	1,28
Pilkington Italia SpA	1,98	1,84	1,72	1,96	2,19
AGC Flat Glass Italia Srl	2,14	1,88	2,31	2,21	2,18

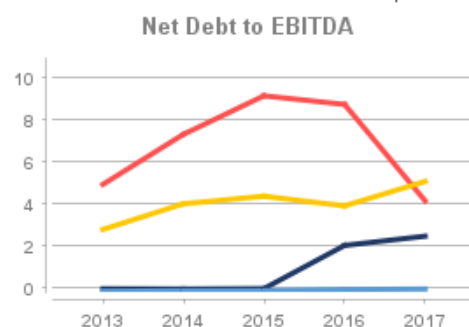
Common Equity to Total Assets (%)					
Company	Dic 2017	Dic 2016	Dic 2015	Dic 2014	Dic 2013
La Tecnica nel Vetro SpA	13,43	14,32	15,70	20,26	34,32
Nova Vetro Srl	38,12	43,18	34,38	37,34	36,45
Pilkington Italia SpA	66,06	69,09	72,15	57,61	57,60
AGC Flat Glass Italia Srl	55,49	45,89	67,58	59,22	55,68

Asset Turnover					
Company	Dic 2017	Dic 2016	Dic 2015	Dic 2014	Dic 2013
La Tecnica nel Vetro SpA	2,31	2,56	2,31	1,85	1,78
Nova Vetro Srl	1,04	1,02	0,92	0,95	1,05
Pilkington Italia SpA	0,72	0,67	0,62	0,56	0,57
AGC Flat Glass Italia Srl	1,22	1,70	1,16	1,39	1,50

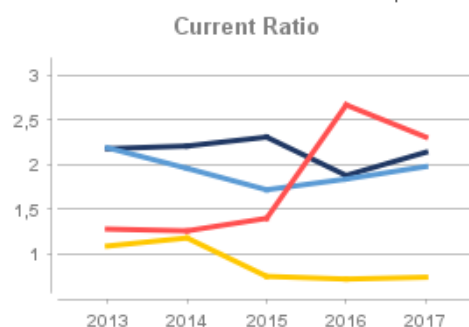
Return on Assets (%)					
Company	Dic 2017	Dic 2016	Dic 2015	Dic 2014	Dic 2013
La Tecnica nel Vetro SpA	1,70	2,60	2,56	2,14	4,75
Nova Vetro Srl	4,57	2,00	n.a.	1,11	3,43
Pilkington Italia SpA	-0,56	-21,40	-1,02	-2,05	-9,49
AGC Flat Glass Italia Srl	2,65	2,26	n.a.	0,58	0,31



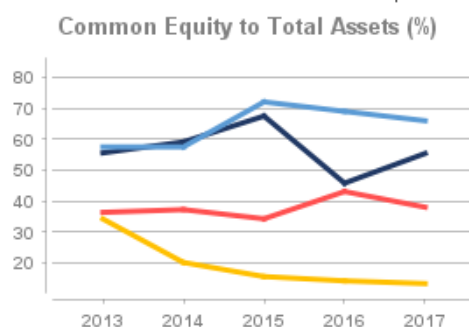
AGC Flat Glass Italia Srl Pilkington Italia SpA
Nova Vetro Srl La Tecnica nel Vetro SpA



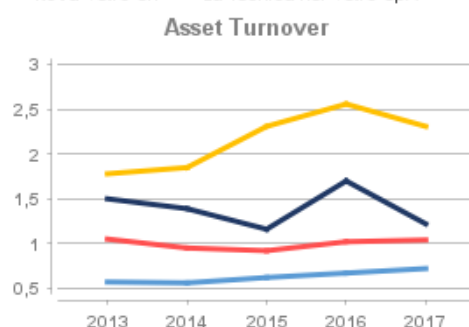
AGC Flat Glass Italia Srl Pilkington Italia SpA
Nova Vetro Srl La Tecnica nel Vetro SpA



AGC Flat Glass Italia Srl Pilkington Italia SpA
Nova Vetro Srl La Tecnica nel Vetro SpA



AGC Flat Glass Italia Srl Pilkington Italia SpA
Nova Vetro Srl La Tecnica nel Vetro SpA



AGC Flat Glass Italia Srl Pilkington Italia SpA
Nova Vetro Srl La Tecnica nel Vetro SpA

Source: Bloomberg, Bureau van Dijk, Financial Statements

INVESTMENT CASE

La Tecnica nel Vetro SpA - Sr Unsecured - Fixed 5.75% - November 2020 - (IT0005313041)

YTM	4.93%	CDS EUR 2Y SR	n.a.
MODIFIED DURATION	1.09	CDS EUR SR 5Y	n.a.
G-SPREAD	519.7 bps vs EUR Italy Sovereign Curve	COUNTRY RATING (Italy)	Moody's: Baa3 (Stable)
I-SPREAD	533.3 bps vs Euro Swaps Curve (S45)		S&P BBB (Negative)
ASW	521.3 bps vs Euro Swaps Curve (S45)		Fitch: BBB (Negative)
LIQUIDITY RISK	Illiquid	BOND RATING	Not Rated
ISSUE SIZE	EUR 5 mln / EUR 50 k	BBG PD (1Y)	n.a.
LEVEL OF CORPORATE DISCLOSURE	Adequate	TIMELINESS OF RESULTS REPORTING	Adequate

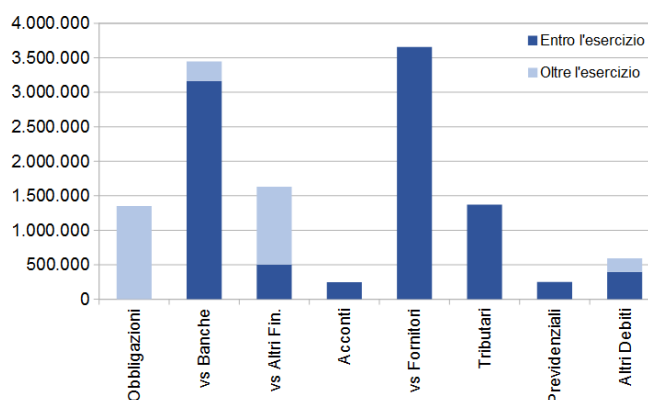
MAIN EXTERNAL RISK / RETURN FACTORS

Credit Risk	↓	Operational Risk	↓
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Source: Bloomberg, Banca Promos

- **BOND** - The fixed-rate **minibond** (5.75%), issued by TECVET in 2017 and due in **November 2020** (*bullet*), consists of 100 bearer notes with a nominal value of EUR 50,000 each, for a total amount of **EUR 5 mln**. The issue is not backed by any real or personal guarantee, provided by the issuer or by third parties. The bonds are listed on the Third Market (*MTF*) of the **Wiener Borse**.
- **LEVERAGE** - As highlighted in its 2018 financial statements, La Tecnica nel Vetro "shows a situation of **financial tension**". During 2018 the company has implemented a policy of **debt reduction** and **NFP improvement**. The decrease in **short-term bank debt** of approximately EUR 1 mln in FY18 has been obtained through **non-recourse factoring** of receivables from clients (*mainly "large companies with high creditworthiness"*) to factoring companies including **SACE** and **Banca IFIS**.

TECVET: Indebtedness FY18 (€)

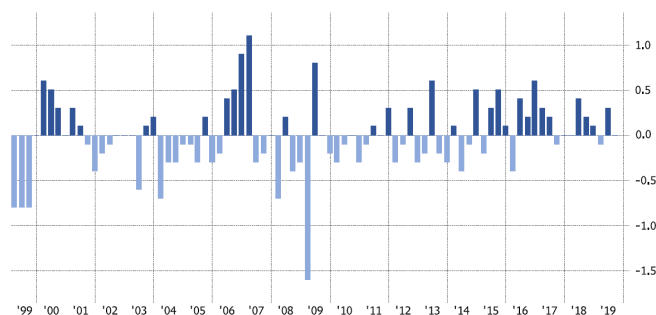


Fonte: La Tecnica nel Vetro (Bilancio 2018)

RISK FACTORS

- **CREDIT RISK** - The company achieves credit insurance through **Euler-Hermes "Eolis"** program (*coverage of each individual exposure at 80%*) and makes use of **Cerved's** customer monitoring services. **Concentration risk** is mitigated thanks to a sufficiently diversified customer base, that ranges from small glassworks to large orders.
- **OPERATIONAL RISK** - Operational risk arising from the management of properties, machineries, raw materials and semifinished goods is hedged through an **All Risks policy** signed with **Zurich**. The risk deriving from damages to products during the installation with third parties is partially hedged through a **CAR policy** issued by **Generali**. The risk coming from liabilities towards third parties for damages caused by products manufactured and sold is partly transferred through an **RC Products policy** issued by **UnipolSai**.

Eurostat Domestic PPI Shaping & Processing of Flat Glass Euro Area QoQ (%)



Fonte: Bloomberg

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