SIT GROUP
ITALY / Industrials

Company results

BUY (Unchanged)
Target: € 14 (Unchanged)
Risk: High

STOCK DATA	
Price € (Ind Stars of Italy 2)	9.68
Bloomberg code	SIT IM EQUITY
Market Cap. (€ mn)	229.97
Free Float	28%
Shares Out. (mn)	23.7
52-week range	9.34 - 12.12
Daily Volumes (mn)	0.003

PERFORMANCE	1M	3M	12M
Absolute	0%	-9%	-16%
Rel. to FTSE all shares	-3%	-3%	-11%

MAIN METRICS*	2017	2018E	2019E
Revenues	324.0	366.8	387.1
Adjusted EBITDA	45.8	50.5	54.5
Adj. net income	12.2	23.2	26.4
Adj. EPS - € cents	48	88	100
DPS ord - € cents	25	23	24

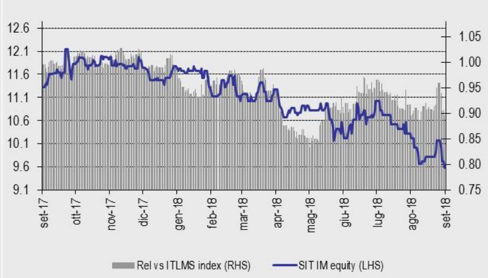
MARKET RATIO*	2017	2018E	2019E
P/E adj (FD)	20.0 x	11.0 x	9.7 x
EV/EBITDA adj (FD)	6.9 x	6.5 x	5.7 x
ROCE	10.1%	9.6%	12.4%

REMUNERATION*	2017	2018E	2019E
Div. Yield ord	2.6%	2.4%	2.5%
FCF yield	-0.1%	0.9%	10.1%

INDEBTEDNESS*	2017	2018E	2019E
NFP	-65	-69	-49
Debt/EBITDA (adj)	1.4 x	1.4 x	0.9 x
Interests cov (adj)	1.0 x	20.8 x	11.2 x

** After business combination and fully diluted*

PRICE ORD LAST 365 DAYS



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EQUITA

STRONG IMPROVEMENTS ALSO IN 1H18

The overall judgement on SIT's 1H18 results is neutral. SIT posted a significant growth YoY (+8.1% in Ebitda and +260% in Net Income - in line with forecasts) with both Heating and Metering contributing to the improvement. Some uncertainties emerged on the NFP (due to deteriorated working capital) but receivables already recovered in the past weeks and the FY debt guidance has been confirmed. We are trimming our Ebitda by -1% on the FY18. Positive view is confirmed (BUY). SIT appears cheap in light of its good fundamentals.

■ Solid improvement on a YoY base (Ebitda +8%; NI +260%).

In the 1H18 SIT reported:

- **Sales at €175.4mn (+17.6% YoY)** vs €167mn expected
- **Ebitda Adjusted at €23.4mn (+8.1% YoY)** vs €24mn expected
- **Net income Adjusted at €11.2mn (+261% YoY)** vs €11.3mn expected
- **Nfp at €-80.9mn** (€-65mn reported in FY17) vs €-73mn expected

As indicated above, sales growth has been strong in both the "Heating" (+10% YoY with Italy, Turkey and US compensating for the slowdown in China) and "Metering" (+65%YoY thanks to the tenders awarded during both 2017-2018) divisions. Although Ebitda margin decreased at a higher rate than forecasted (now at 13.3% vs 14.2% of 2017), the absolute return is confirmed in line with forecasts, thanks to a stronger trend in volumes. Profitability is expected to recover in 2H thanks to new investment in capacity and de-bottleneck in logistics. **NFP deteriorated in the period due to working capital absorption. SIT, anyway, confirmed that:**

a. **trend mainly comes from the particular "seasonality" of 2018**;
b. **receivables have already recovered in the past weeks;**
c. **Nfp is expected in the region of €67-70mn on the full year** (in line).

The overall judgement on numbers is consequently neutral. We are trimming our Ebitda forecast by -1% only for 2018 (to account for a slightly lower profitability)

■ Indications from the call

- **Visibility is strong in Metering** with 2018 sales now 100% covered, and backlog pointing at a 30% coverage of 2019 sales
- **M&A is moving ahead,** with Sit working at 3 possible deals (out of which 2 have an advanced stage of discussion)
- **Mta listing procedure will be completed in the next few months.**
- **Despite negative news flow in Turkey, the region is posting a +32% growth in sales** (Turkey is 15% of divisional sales)

■ BUY is confirmed. Too cheap for the improving outlook

We are confirming our positive view on SIT which we believe has:

1. **A good position in its reference market**. With a relevant global market share (up to 50% in the mechanical controls), in a rising market
2. **Attractive underlying market drivers and visible outlook,** thanks to a good mix of regulatory requirements, continued urbanization/gas penetration and higher technological requirements which sustain an expected prolonged trend of gas equipment substitution/expansion.
3. **A strong FCF generation allowing for different growth strategies.** With 70 €mn of cash available SIT can pursue either additional M&A options or a more generous dvd policy
4. **An attractive valuation.** SIT is currently trading at 9.7x PE adj. (ex PPA); 6x P/CF; 5.7x EV/EBITDA with a 14% Ebitda margin, and a yield of 2.5%. This is particularly attractive considering the 8% cagr of Ebitda and 32% cagr of NI expected through 2020, on the base of reasonable assumptions (and excluding any M&A additional contribution). This is some -30-40% discount vs peers.

MAIN FIGURES € mn	2015	2016	2017	2018E	2019E	2020E
Revenues	**264.1**	**288.1**	**324.0**	**366.8**	**387.1**	**402.4**
Growth	2%	9%	12%	13%	6%	4%
EBITDA	**32.2**	**43.5**	**44.2**	**46.8**	**54.5**	**57.6**
Growth	-4%	35%	2%	6%	17%	6%
Adjusted EBITDA	**35.3**	**44.6**	**45.8**	**50.5**	**54.5**	**57.6**
Growth	3%	26%	3%	10%	8%	6%
EBIT	**12.0**	**23.5**	**25.2**	**26.2**	**33.2**	**35.9**
Growth	-10%	95%	7%	4%	27%	8%
Profit before tax	**-5.4**	**5.1**	**-21.4**	**23.8**	**28.3**	**32.8**
Growth	8%	-194%	-520%	-211%	19%	16%
Net income	**0.4**	**1.7**	**-23.3**	**18.6**	**22.2**	**24.0**
Growth	-105%	302%	-1442%	-180%	19%	8%
Adj. net income	**4.7**	**5.2**	**12.2**	**23.2**	**26.4**	**28.2**
Growth	-179%	11%	135%	90%	14%	7%

MARGIN	2015	2016	2017	2018E	2019E	2020E
Ebitda Margin	12.2%	15.1%	13.6%	12.8%	14.1%	14.3%
Ebitda adj Margin	13.4%	15.5%	14.2%	13.8%	14.1%	14.3%
Ebit margin	4.6%	8.1%	7.8%	7.1%	8.6%	8.9%
Pbt margin	-2.0%	1.8%	-6.6%	6.5%	7.3%	8.1%
Ni rep margin	0.2%	0.6%	-7.2%	5.1%	5.7%	6.0%
Ni adj margin	1.8%	1.8%	3.8%	6.3%	6.8%	7.0%

SHARE DATA	2015	2016	2017	2018E	2019E	2020E
EPS - € cents	na	6.9	-92.3	70.1	83.6	90.4
Growth	n.m.	-	-	920%	-191%	29%
Adj. EPS - € cents	na	20.6	48.4	87.7	99.6	106.4
Growth	-	-	-	326%	106%	21%
DPS ord - € cents	na	0.0	24.7	23.3	24.0	24.0
BVPS - €	na	2.7	4.2	4.5	5.1	5.7

VARIOUS - € mn	2015	2016	2017	2018E	2019E	2020E
Capital emloyed	220	203	180	196	193	186
FCF	na	20	0	2	26	31
Capex	-	-9	-17	-38	-16	-14
Working capital assets	25	15	15	20	19	19

INDEBTNESS - €mn	2015	2016	2017	2018E	2019E	2020E
NFP	-154	-125	-65	-69	-49	-24
D/E (adj)	na	1.80 x	0.62 x	0.58 x	0.36 x	0.16 x
Debt/EBITDA (adj)	na	2.8 x	1.4 x	1.4 x	0.9 x	0.4 x
Interests cov (adj)	na	2.4 x	1.0 x	20.8 x	11.2 x	18.3 x

MARKET RATIOS	2015	2016	2017	2018E	2019E	2020E
P/E ord	na	142.5 x	-10.5 x	13.8 x	11.6 x	10.7 x
P/E ord Adj	na	47.6 x	20.0 x	11.0 x	9.7 x	9.1 x
PBV	na	3.6 x	2.3 x	2.2 x	1.9 x	1.7 x
P/CF	na	11.4 x	-57.1 x	6.5 x	5.9 x	5.6 x

EV FIGURES	2015	2016	2017	2018E	2019E	2020E
EV/Sales (Fully Diluted)	na	1.3 x	1.0 x	0.9 x	0.8 x	0.7 x
EV/EBITDA (Fully Diluted)	na	8.7 x	7.1 x	7.1 x	5.7 x	5.0 x
EV/EBIT (Fully Diluted)	na	16.1 x	12.5 x	12.6 x	9.3 x	8.0 x
EV/CE (Fully Diluted)	na	1.9 x	1.7 x	1.7 x	1.6 x	1.5 x

REMUNERATION	2015	2016	2017	2018E	2019E	2020E
Div. Yield ord	na	0.0%	2.6%	2.4%	2.5%	2.5%
FCF yield	na	8.0%	-0.1%	0.9%	10.1%	12.0%
ROE	na	2.5%	-22.1%	15.7%	16.5%	15.8%
ROCE	na	8.3%	10.1%	9.6%	12.4%	13.9%

Source: EQUITA SIM estimates and company data

ITALY AND EUROPE THE MAIN CONTRIBUTORS

The overall judgement on SIT's 1H18 results is neutral. The group posted a significant growth on an YoY base (+8.1%in Ebitda and +260% in Net Income – in line with forecasts) with both "Heating" and "Metering" contributing to the achieved improvement.
Some uncertainties emerged on the NFP (due to deteriorated working capital) but the conference call provided for both clarifications and confirmed guidance on the FY18.

In the 1H18 Sit reported:
- **Sales at €175.4mn (+17.6% YoY)** vs €167mn expected;
- **Ebitda Adjusted at €23.4mn (+8.1% YoY)** vs €24mn expected;
- **Net income Adjusted at €11.2mn (+261% YoY)** vs €11.3mn expected;
- **Nfp at €-80.9mn** (vs €-65mn reported in FY2017) vs €-73mn expected.

In the following table a summary of the reported figures.

1H18 RESULTS

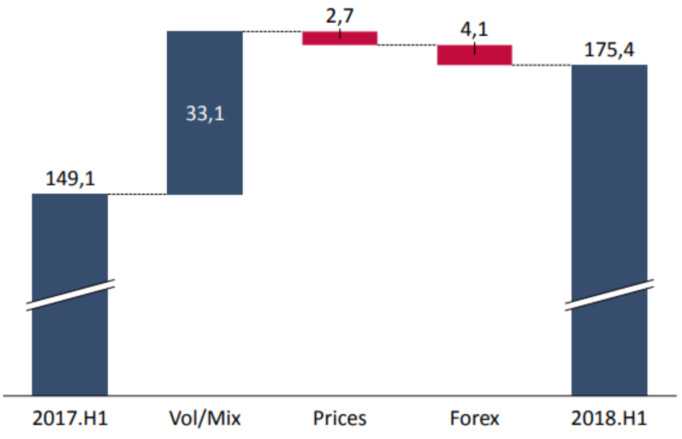
	1H 17	1H18 EST		1H18 REP	
	SIT	EQUITA	YoY	SIT	YoY
1 - REVENUES - €mn	**149.1**	**166.7**	**11.8%**	**175.39**	**17.6%**
Of which volumes growth - €mn	-	28.0	-	33.1	-
Of which price growth - €mn	-	-3.0	-	-2.7	-
Of which currencies growth - €mn	-	-7.4	-	-4.1	-
EBITDA reported - €mn	21.6	20.7	-4.3%	20.0	-7.3%
Resolution of CEO contract	0.0	2.5	-	2.5	-
STAR listing costs	0.0	0.9	-	0.9	-
Other	0.0	-0.1	-	-0.1	-
2 - EBITDA adjusted - €mn	**21.6**	**24.0**	**11.1%**	**23.4**	**8.1%**
Ebitda margin	14.5%	14.4%	-	13.3%	-
NET INCOME reported - €mn	0.9	8.5	nm	8.4	nm
Warrant price adjustemnt (non monetary) €mn	0.0	-1.9	nm	-1.9	nm
NET INCOME post warrant adj - €mn	0.9	6.6	nm	6.5	+ 5.6 €mn
Non recurrings - €mn	0.0	2.5	nm	2.5	nm
Depreciation of PPA - €mn	2.2	2.2	nm	2.2	nm
3 - NET INCOME Adjusted - €mn	**3.1**	**11.3**	**264%**	**11.2**	**261%**
Net Income margin	2.1%	6.8%	-	6.4%	-
4 - NFP - €mn	**-65.1**	**-73.0**	**-7.9 €mn**	**-80.9**	**-15.8€mn**

Source: Company data and EQUITA SIM estimates

More in details, in the period:

- **SALES registered a boost of +17.6% with the Heating Division (87% of sales) growing by +10.3% YoY and the Metering division (13.4% of sales) posting a +65% improvement YoY.** As indicated above, the main contributors have been Italy (with a +37.1% increase YoY) and Europe (with a +17.4% increase YoY mainly thanks to the good performance of Turkey) which more than compensated the decrease of China (-6.6%YoY) due to some delays in the national gas infrastructure construction (which is slowing down the Coal to Gas conversion).
  Both the "Heating" and "Metering" division appear to be in good shape, with underlying market trends being solid across all products lines. As indicated by the group, volumes appear to be particularly strong at €33.1mn contribution, partially compensated by a reduction in prices (€-2.7mn) and a negative impact from the currency depreciation for €-4.1mn (mainly USD). The bridge of sales is showed in the following table

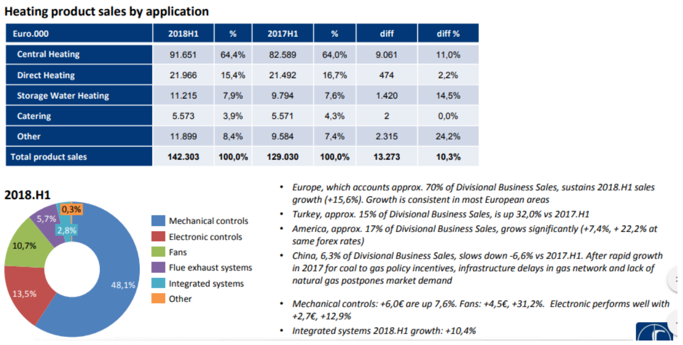
BRIDGE OF SALES



Source: Company presentation

In the following picture we show a summary of the trend registered in the 2 divisions (Heating and Metering)

HEATING DIVISION – Sales performance

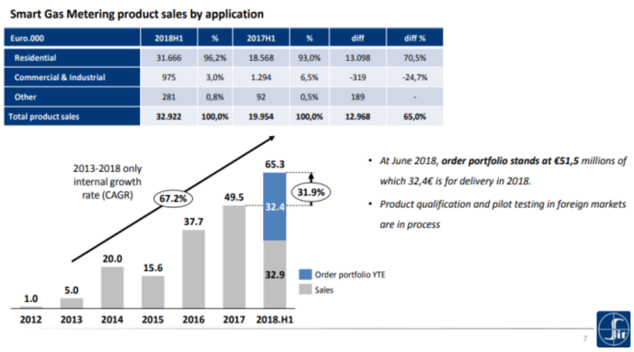


Heating product sales by application

Euro.000	2018H1	%	2017H1	%	diff	diff %
Central Heating	91.651	64,4%	82.589	64,0%	9.061	11,0%
Direct Heating	21.966	15,4%	21.492	16,7%	474	2,2%
Storage Water Heating	11.215	7,9%	9.794	7,6%	1.420	14,5%
Catering	5.573	3,9%	5.571	4,3%	2	0,0%
Other	11.899	8,4%	9.584	7,4%	2.315	24,2%
Total product sales	**142.303**	**100,0%**	**129.030**	**100,0%**	**13.273**	**10,3%**

Source: Company presentation

METERING DIVISIONS - Sales performance



Smart Gas Metering product sales by application

Euro.000	2018H1	%	2017H1	%	diff	diff %
Residential	31.666	96,2%	18.568	93,0%	13.098	70,5%
Commercial & Industrial	975	3,0%	1.294	6,5%	-319	-24,7%
Other	281	0,8%	92	0,5%	189	-
Total product sales	**32.922**	**100,0%**	**19.954**	**100,0%**	**12.968**	**65,0%**

Source: Company presentation

In the following picture we report a summary of the geographical contribution to Sales at consolidated level

PRODUCT SALES BY GEOGRAPHY

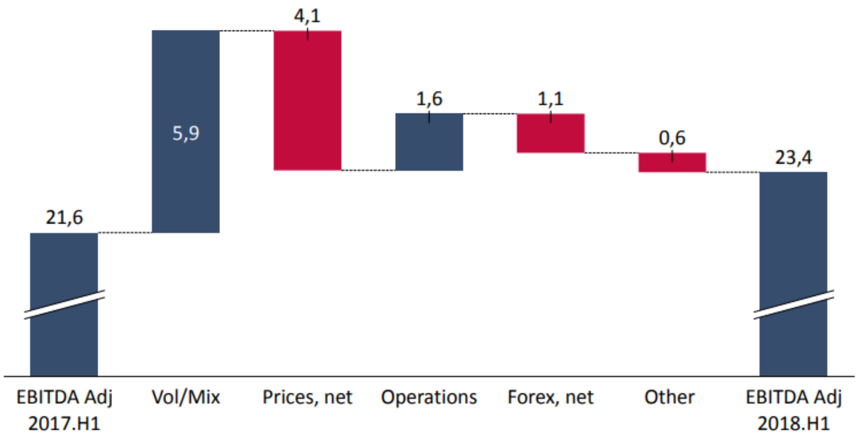
Euro.000	2018H1	%	2017H1	%	diff	diff %
Italy	59.864	34,1%	43.981	29,5%	15.883	36,1%
Europe (excluding Italy)	75.997	43,3%	64.718	43,4%	11.279	17,4%
America	25.032	14,3%	23.484	15,7%	1.548	6,6%
Asia/Pacific	14.500	8,3%	16.941	11,4%	-2.441	-14,4%
Total revenues	**175.391**	**100%**	**149.124**	**100%**	**26.267**	**17,6%**

Source: Company presentation

- **EBITDA adjusted registered an increase of +8.1%, with a deterioration in the overall profitability (Ebitda margin at 13.3% vs 14.4% in 2017).** The reduction in margin has been higher than forecasted due to the still prolonged impact of the bottleneck in serving the Asian market (which causes some un-efficiencies mainly in the logistic and the product delivery). Bottlenecks will be solved through capacity investments which should start to contribute in the 2H of the year (thus taking marginality back to more normalized levels - ie 14%).

In the following table we show a bridge of the Ebitda in 2017

BRIDGE OF EBITDA - €mn

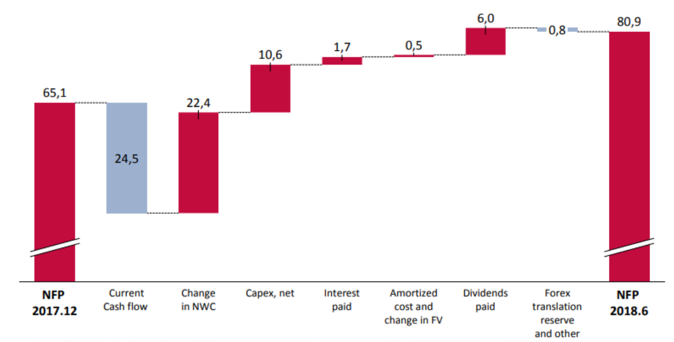


Source: Company presentation

- **NET INCOME benefited from a much lower than expected interest charges and taxes.** The debt reimbursement occurred with the capital increase and the cash injection from the Spac combination allowed to halve the Nfp exposure with consequent lower financial expenditures.

- **NFP showed the highest difference vs expectations, with a €-80.9 mn registered vs €-73mn expected.** As indicated by Sit, the increase almost entirely comes from a deterioration of the working capital which absorbed some € 22mn in the period. As explained, the volatility of the Asian market (with a strong demand during the first months of the year and a slowdown in the latest weeks), caused some tensions on the value chain (several stop and go in the production have been registered), with clients asking for some delay in payments. Despite the significant deterioration, Sit indicated that the particular seasonality of 2018 has been already partially absorbed in the past weeks and that it will be fully recovered through the rest of the year. **Sit, in fact, provided a guidance of around €-67-70mn NFP on the FY18, which is basically in line with our expectations**

BRIDGE NFP - €mn



Source: Company presentation

NET WORKING CAPITAL DETERIORATION

Euro.000	2018.6	2017.12	Diff vs 2017.12	2017.6	Diff vs 2017.6
Inventory	59.108	38.130	20.978	46.073	13.035
Accounts receivables	58.708	52.126	6.582	43.934	14.774
Accounts payables	81.374	68.367	13.007	62.348	19.026
Net Trade Working Capital - Reported	**36.442**	**21.889**	**14.553**	**27.659**	**8.783**
NTWC / Revenues	**10,3% (*)**	**6,8%**	**3,5%**	**9,2%(*)**	**1,1%**
Non recourse factoring	12.399	9.098	3.301	10.061	3.296
Capex accounts payables	3.716	4.680	-964	2.323	1.393
Net Trade Working Capital – Adjusted	**52.557**	**35.667**	**16.890**	**40.043**	**13.472**
NTWC Adjusted /Revenues	**14,9%(*)**	**11,0%**	**3,8%**	**13,3%(*)**	**1,8%**

NTWC @ End of Period

(*) annualized

Source: Company presentation

Summary

As indicated above, the overall judgement on SIT's 1H18 results is neutral:

- **Sales (+17.6% YoY)** are showing attractive growth rates (with strong contribution of both Heating and Metering divisions);
- **Ebitda is posting a +8.1% YoY** with a lower profitability which is anyway caused by non-recurring elements (debottleneck expected in 2018);
- **Net income is boosted (+261% YoY)** by the lower financial charges from debt refinancing;
- **Debt appears to be under control** (FY18 guidance confirmed) despite the deterioration in working capital registered in 1H (already partially recovered in the past weeks).

P&L & BS lines	Highlights
SALES	Strong improvement on all lines. Italy and Turkey leading the way
EBITDA	Margins decreased more than expected due to bottleneck issues to be solved in 2H 2018
NET INCOME	Significantly up thanks to lower interest charges (from debt restructuring) and taxes
NFP	Working capital deterioration already recovered in past weeks. FY guidance confirmed

Source: EQUITA SIM

ADDITIONAL INDICATIONS FROM THE CONFERENCE CALL.

During the conference call Sit also provided the following indications:

1. **Visibility remains particularly high in the metering division.** SIT showed a backlog of €51.5mn at the end of the 1H out of which some €32.4mn is for deliveries in 2018. Considering the already achieved €32.9mn sales in the 1H18, our target for the FY18 is already achieved. The remaining € 19.1mn in backlog covers some 30% of 2019 expected sales for the division. Finally Sit expects some additional tenders to come in the next weeks (with deliveries in 2018-2019).
2. **M&A remains an opportunity** and the company is actively looking at 3 potential deals. Out of the 3 deals, 2 appear to be in advanced stage. As a consequence, something may emerge already in the coming months
3. **MTA listing procedure will restart soon.** The change of listing remains a priority and the group doesn't expect additional delay in the process which may be finalized in the next few months.
4. **Despite recent negative news flow in Turkey, the country is performing very well in the 1H.** The region (which accounts for 15% of the divisional sales) registered a +32% growth in Sales. As we understand from the company, recent decision on the contract currency changes, should not apply to Sit product lines.

In light of the achieved results and the indications from the conference call we are only slightly modifying our P&L and BS forecasts. More in details we are:

- **Slightly reducing our Ebitda forecast in the region of -1% from €51 mn to €50mn** (and consequently Net Income in the region of -2.8%) to account for the lower profitability registered in 1H18.
- **Slightly increasing Nfp by €-2mm** to account for the P&L impact and a moderate increase in the working capital

In the following table a summary of the applied changes:

CHANGE IN ESTIMATES - €mn				
	2017	**2018 E**	**2019 E**	**Reasoning**
Old Revenues	-	356.8	382.1	
Change	-	3%	1%	
Revenues - €mn	**324.0**	**366.8**	**387.1**	**Better volumes and pricing**
Old Ebitda	-	51.0	54.5	
Change	-	-1.0%	0%	
Ebitda - €mn	**45.8**	**50.5**	**54.5**	**Lower expected margins**
Old Net Income adj	-	23.9	26.2	
Change	-	-2.8%	1%	
Net Income adj - €mn	**12.2**	**23.2**	**26.4**	**Impact from Ebitda changes**
Old Nfp	-	-66.8	-49.3	
Change	-	-2	0	
Nfp - €mn	**-65.1**	**-68.9**	**-49.0**	**Change in working capital**

Source: Company data and EQUITA SIM estimates

CONFIRMING THE POSITIVE VIEW. BUY TGT €14

In light of the above considerations, we are confirming our positive view on SIT (BUY) with a target price (Fully Diluted) of €14 per share which offers an upside of 25% on current price.

We believe in fact that SIT has:

1. **A good position in its reference market**. With a relevant global market share (up to 50% in the mechanical controls), SIT is a very well established brand, highly diversified from a geographical perspective and with a strong list of consolidated clients (mainly OEMs).

   The high level of competence and the knowledge of the gas industry allow SIT to lever its position also in new upcoming opportunities.
2. **Attractive underlying market drivers and visible outlook,** thanks to a good mix of regulatory requirements, continued urbanization/gas penetration and higher technological requirements (ie on polluting issues) which sustain an expected prolonged trend of gas equipment substitution/expansion.
3. **Relevant short term catalysts,** thanks to a debt renegotiation program as well as the capital injection from the combination with INDSTARS2 which is allowing for a rapid and significant reduction in the financial costs.
4. **A strong FCF generation allowing for different growth strategies** (including M&A opportunities)
5. **An attractive valuation.** Taking into account the FULLY DILUTED numbers of shares, SIT is currently trading at 9.7x PE adj. (ex PPA); 6x P/CF; 5.7x EV/EBITDA with a 14% Ebitda margin, and a yield of 2.5%. This is particularly attractive considering the ~8% cagr of Ebitda and 32% cagr of NI expected through 2020, on the base of reasonable assumptions (and excluding any M&A additional contribution).

In the following table the valuation of the group

SUMMARY VALUATION					
	TGT	Weight	Valuation	VALUE	Consideration
EV @ P/E RATIO	399.8	25%	PE 2019:	12.5 x	10% discount vs Avg PE 2019
EV @ EV/EBITDA RATIO	436.4	25%	EV/EBITDA 2019:	8.0 x	20% discount vs Avg EV/EBITDA 2019
EV @ DCF METHOD	463.0	50%	EXIT ROCE:	10%	1.5% G; 6.6% Wacc
AVERAGE ENTERPRISE VALUE	**440.8**	**nm**	**nm**	**nm**	
Nfp	-65.1	nm	End of 2017 Nfp		
Minorities	0.0	nm	nm		
Provisions	-4.6	nm	50% of end of 2017		
EQUITY VALUE	**371.0**	**nm**			
Shares	26.5	nm			
TARGET PRICE	**14.0**	**nm**	**Implied 2019 PE:**	**14.1 x**	
Upside	32.6%				

Source: Company data and EQUITA SIM estimates

We also report the main reference metrics and a comparison with the main industrial peers

MAIN REFERENCE MULTIPLES					
MARKET RATIOS	2015	2016E	2017	2018E	2019E
P/E ord	142.5 x	-10.5 x	13.8 x	11.6 x	10.7 x
P/E adj (Fully diluted)	47.6 x	20.0 x	11.0 x	9.7 x	9.1 x
PBV	3.6 x	2.3 x	2.2 x	1.9 x	1.7 x
P/CF	11.4 x	-57.1 x	6.5 x	5.9 x	5.6 x

Source: Company data and EQUITA SIM estimates

EV FIGURES					
	2015	2016	2017	2018E	2019E
EV/Sales (Fully Diluted)	1.3 x	1.0 x	0.9 x	0.8 x	0.7 x
EV/EBITDA (Fully Diluted)	8.7 x	7.1 x	7.1 x	5.7 x	5.0 x
EV/EBITDA adj (Fully Diluted)	8.4 x	6.9 x	6.5 x	5.7 x	5.0 x
EV/CE (Fully Diluted)	1.9 x	1.7 x	1.7 x	1.6 x	1.5 x

Source: Company data and EQUITA SIM estimates

REMUNERATION					
	2015	2016	2017	2018 E	2019 E
Div. Yield ord	0.0%	2.6%	2.4%	2.5%	2.5%
FCF yield	8.0%	-0.1%	0.9%	10.1%	12.0%
ROE	2.5%	-22.1%	15.7%	16.5%	15.8%
ROCE	8.3%	10.1%	9.6%	12.4%	13.9%

Source: Company data and EQUITA SIM estimates

INDEBTNESS					
	2015	2016	2017	2018 E	2019 E
NFP	-154	-125	-65	-69	-49
D/E (adj)	na	1.80	0.62	0.58	0.36
Debt/EBITDA (adj)	na	2.8 x	1.4 x	1.4 x	0.9 x
Interests cov (adj)	na	2.4 x	1.0 x	20.8 x	11.2 x

Source: Company data and EQUITA SIM estimates

Here the comparison with main peers in the segment. **As you can see Sit trades at significant discount vs peers**

PEERS COMPARISON

Stock	Price	Mkt Cap	PE Adj. 19E	P CF 19E	EV / Ebitda 19E	Ebitda Margin 19E	Dvd Yield 19E	D / Ebitda 19E
Brembo	11.45	3,823	12.4 x	8.1 x	6.8 x	19.7%	2.3%	0.1 x
Interpump	27.96	3,044	17.1 x	13.1 x	10.2 x	23.1%	1.2%	0.3 x
Sabaf	16.02	181	10.3 x	5.2 x	5.6 x	20.9%	4.3%	1.2 x
Components producers	70%		**13.3 x**	**8.8 x**	**7.6 x**	**21.2%**	**2.6%**	**0.6 x**
Ima	73.50	2,835	18.5 x	13.9 x	11.1 x	16.6%	2.7%	nm
Luve	10.05	221	15.5 x	6.2 x	8.0 x	12.1%	2.5%	1.8 x
Biesse	30.50	827	17.5 x	6.8 x	7.5 x	13.4%	1.2%	-
Prima Industrie	33.05	346	13.8 x	5.7 x	7.7 x	10.9%	1.4%	1.1 x
Machinery producers	30%		**16.3 x**	**8.1 x**	**8.6 x**	**13.2%**	**2.0%**	**1.4 x**
AVERAGE WEIGHTED			**14.2 x**	**8.6 x**	**7.9 x**	**18.8%**	**2.4%**	**0.8 x**
SIT (FD)			**9.7 x**	**5.9 x**	**5.7 x**	**14.3%**	**2.5%**	**0.9 x**
Implied Discount			**-31%**	**-31%**	**-27%**	**-24%**	**2%**	**10%**

Source: Bloomberg data and EQUITA SIM estimates

SENSITIVITY

SENSITIVITY

		Pe multiple				
	14.0	12.5	13.0	13.5	14.0	14.5
Roce	10%	12.7	12.9	13.0	13.1	13.2
	11%	13.2	13.3	13.5	13.6	13.7
	12%	13.8	13.9	14.0	14.1	14.3
	13%	13.9	14.1	14.2	14.3	14.4
	14%	14.2	14.4	14.5	14.6	14.7

Source: EQUITA SIM estimates

STATEMENT OF RISK

The primary elements that could positively/negatively impact SIT include:
- Negative changes in the sector's regulatory framework
- Increasing competition in the reference markets
- Worsening of the main economic drivers
- Significant increase in interest rates

P&L	2015	2016	2017	2018E	2019E	2020E
Revenues	**264**	**288**	**324**	**367**	**387**	**402**
Growth	2%	9%	12%	13%	6%	4%
Total opex	-229	-244	-278	-316	-333	-345
Growth	2%	6%	14%	14%	5%	4%
Margin	-87%	-85%	-86%	-86%	-86%	-86%
EBITDA	**32.2**	**43.5**	**44.2**	**46.8**	**54.5**	**57.6**
Growth	-4%	35%	2%	6%	17%	6%
Margin	12%	15%	14%	13%	14%	14%
Depreciation& amortization	-20	-20	-19	-21	-21	-22
Provisions	0	0	0	0	0	0
Depreciation&provistion	**-20.2**	**-20.0**	**-19.0**	**-20.6**	**-21.3**	**-21.7**
EBIT	**12.0**	**23.5**	**25.2**	**26.2**	**33.2**	**35.9**
Growth	-10%	95%	7%	4%	27%	8%
Margin	5%	8%	8%	7%	9%	9%
Net financial profit/Expenses	-17.4	-18.4	-46.5	-2.4	-4.9	-3.1
Profits/exp from equity inv	0.0	0.0	0.0	0.0	0.0	0.0
Other financial profit/Exp	0.0	0.0	0.0	0.0	0.0	0.0
Total financial expenses	**-17.4**	**-18.4**	**-46.5**	**-2.4**	**-4.9**	**-3.1**
Non recurring pre tax	0.0	0.0	0.0	0.0	0.0	0.0
Profit before tax	**-5.4**	**5.1**	**-21.4**	**23.8**	**28.3**	**32.8**
Growth	8%	-194%	-520%	-211%	19%	16%
Taxes	**5.7**	**-3.4**	**-2.0**	**-5.2**	**-6.2**	**-8.8**
Tax rate	36%	32%	32%	32%	33%	33%
Minoritiy interests	**0.2**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Non recurring post tax	0.0	0.0	0.0	0.0	0.0	0.0
Net income	**0.4**	**1.7**	**-23.3**	**18.6**	**22.2**	**24.0**
Growth	-105%	302%	-1442%	-180%	19%	8%
Margin	0%	1%	-7%	5%	6%	6%
Adj. net income	**4.7**	**5.2**	**12.2**	**23.2**	**26.4**	**28.2**
Growth	-179%	11%	135%	90%	14%	7%
Margin	2%	2%	4%	6%	7%	7%

CF Statement	2015	2016	2017	2018E	2019E	2020E
Cash Flow from Operations	na	19	17.6	45.0	39.9	45.1
(Increase) decrease in OWC	na	10	-0.4	-4.8	1.6	-0.7
(Purchase of fixed assets)	na	-9	-17.5	-38.0	-15.5	-13.5
(Other net investments)	na	0	0.1	0.0	0.0	0.0
(Distribution of dividends)	na	0	0.0	-6.0	-6.2	-6.4
Rights issue	na	14	52.2	0.0	0.0	0.0
Other	na	0	0.0	0.0	0.0	0.0
(Increase) Decrease in Net Debt	**na**	**34**	**52.0**	**-3.8**	**19.9**	**24.6**

Source: EQUITA SIM estimates and company data

INFORMATION PURSUANT TO ARTICLE 69 ET SEQ. OF CONSOB (Italian securities & exchange commission) REGULATION no. 11971/1999

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In the past EQUITA SIM has published studies on SIT GROUP

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Date	Rec.	Target Price (€)	Risk	Comment
29 September 2017	BUY (n.d.)	14 (n.d.)	High	Initiation of coverage

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	COMPANIES COVERED	COMPANIES COVERED WITH BANKING RELATIONSHIP
BUY	42.0%	52.2%
HOLD	54.4%	47.8%
REDUCE	3.6%	0.0%
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