

**Heating, Smart gas metering**

**Data**

Shares Outstanding (m):	24.01
Market Cap. (EURm):	234.79
Enterprise Value (EURm):	311.17
Free Float (%):	27.7%
Av. Daily Trad. Vol. (m):	0.01
Main Shareholder:	SIT Technologies 72.1%
Reuters/Bloomberg:	SIT.MI SIT IM
52-Week Range (EUR)	9.6 12.1

Source: Factset, UbiBanca estimates

**Performance**

	1m	3m	12m
Absolute	-2.2%	-6.4%	-13.8%
Rel. to FTSE IT	-1.7%	-1.9%	-9.0%

Source: Factset

**Graph area Absolute/Relative 12 M**



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## Mixed results in 1H18 and new managerial organization

The positive volume trend already evident in the second part of 2017 continued in 1H18 with a stunning growth for the Smart Gas Metering division (+65%) and a good performance for the Heating division (+10.3%). As expected, EBITDA margin was penalised by production bottlenecks caused by the rapid increase in volumes and higher raw materials costs. In addition, SIT reported EUR3.3 million of non-recurring costs tied to the MTA listing and the lay-off cost of the previous CEO. However, EBITDA margin adjusted reached 13.3% with limited erosion compared with 1H17 when it was 14.5%, and net profit reached EUR8.4 million vs. less than EUR1 million in 1H17, while net debt increased to EUR80.9 million due to growing capex and NWC absorption (to be partially recovered in the rest of the year). The company is also adopting a new organisation with two new top managers (COO and CPO) and a new Digital Transformation department. Against this backdrop, the share slightly underperformed the market and is now trading at an average discount to peers of >40%. We simply fine-tuned our estimates with a minimal impact on EBITDA (-1.6% on average in 2018-20), while our target price is now EUR12.77 (vs. EUR13.34 before) implying >30% upside. Positive stance confirmed.

- > 1H18 results were above our estimates as for sales, EBITDA adjusted and net profit but net debt was pushed up by the sharp increase of NWC (higher inventories and trade receivables) which should be only partially reabsorbed by the end of the year. The strong volume trend reported by both divisions despite the slowdown of China support our expectation for further sales growth in the coming months.
- > Following the exit of Mr. Camilli, the former CEO, SIT is changing its managerial organization with the hiring of new top managers and the creation of Digital Transformation department to drive the company's migration to innovative digital technologies. The new organization coupled with the ongoing accelerated capex plan, which is expected to increase production capacity by 30%, should support the margin recovery and the sales growth expected in the coming years.
- > We have slightly reduced our target price to EUR12.77 per share (from EUR13.34) which implies >30% upside. Buy.

**Financials**

	2017	2018E	2019E	2020E
Revenues (EURm)	323.46	357.95	368.01	376.87
EBITDA (EURm)	44.09	46.63	52.70	54.73
EBITDA margin (%)	13.6%	13.0%	14.3%	14.5%
EBIT (EURm)	25.17	26.93	32.00	33.73
EPS (EUR)	-0.97	0.77	0.88	0.93
CFPS (EUR)	0.86	1.10	1.86	1.94
DPS (EUR)	0.25	0.27	0.30	0.35

Source: Company Data, UBI Banca estimates

**Ratios**

	priced on 12 September 2018			
	2017 *	2018E	2019E	2020E
P/E(x)	nm	12.6	11.1	10.5
P/CF(x)	33.5	6.3	5.8	5.6
P/BV(x)	2.6	2.0	1.8	1.6
Dividend Yield	2.2%	2.8%	3.1%	3.6%
EV/EBITDA(x)	7.8	6.7	5.6	5.0
Debt/Equity (x)	0.6	0.6	0.4	0.2
Debt/EBITDA (x)	1.5	1.5	1.0	0.6

Source: UBI Banca estimates \* based on 2017 average price

## Key Financials

(EURm)	2017	2018E	2019E	2020E
Revenues	323.46	357.95	368.01	376.87
EBITDA	44.09	46.63	52.70	54.73
EBIT	25.17	26.93	32.00	33.73
NOPAT	16.86	18.04	21.44	22.60
Free Cash Flow	3.27	1.58	23.15	26.68
Net Capital Employed	170.86	188.70	186.58	181.60
Shareholders' Equity	105.75	118.36	133.11	148.28
Net Financial Position	65.10	70.34	53.47	33.32

Source: Company data, UBI Banca estimates

## Key Profitability Drivers

	2017	2018E	2019E	2020E
Net Debt/Ebitda (x)	1.5	1.5	1.0	0.6
Net Debt/Equity (x)	0.6	0.6	0.4	0.2
Interest Coverage (%)	0.5	5.7	8.6	9.6
Free Cash Flow Yield (%)	1.2%	0.7%	9.9%	11.4%
ROE (%)	-22.1%	15.7%	15.9%	15.1%
ROI after tax (%)	7.9%	8.8%	10.3%	11.4%
ROCE (%)	9.2%	10.0%	11.4%	12.3%

Source: Company data, UBI Banca estimates

## Key Valuation Ratios

	2017 *	2018E	2019E	2020E
P/E (x)	nm	12.6	11.1	10.5
P/BV (x)	2.6	2.0	1.8	1.6
P/CF (x)	33.5	6.3	5.8	5.6
Dividend Yield (%)	2.2%	2.8%	3.1%	3.6%
EV/Sales (x)	1.0	0.9	0.8	0.7
EV/EBITDA (x)	6.8	6.7	5.6	5.0
EV/EBIT (x)	12.7	11.6	9.2	8.1
EV/CE (x)	1.5	1.6	1.6	1.5

Source: Company data, UBI Banca estimates

\* Based on 2017 average price

## Key Value Drivers

(%)	2017	2018E	2019E	2020E
Payout	75.0%	34.8%	33.9%	37.6%
NWC/Sales	0.7%	3.7%	2.5%	1.3%
Capex/Sales	5.4%	6.9%	5.8%	5.3%

Source: Company data, UBI Banca estimates

### Recent Developments

- > The positive trend of the last part of 2017 continued in 1H18: sales in the Heating division were up 10.3%, a stunning result for a mature market mainly driven by substitution. This was made possible by the positive performance of Turkey (up 32% thanks to the adoption of the directive “Energy Related Products”) and by the good performance of Italy (+12.1%) and the rest of Europe. On the opposite, the Chinese market which was booming in 2017 (+37%) was down 6.6% as the government incentives (so called “from coal to gas”) were put on hold up to the end of the year due to the lack of natural gas. The Smart Gas Metering division increased by 65% in the first half of the year driven by the progressive substitution of gas meters in the Italian residential market (directive ARG/GAS/155/15 of November 2015 which requires substitution of 60% of total meters by 2019). The backlog of the Smart Gas Metering division was EUR51.5 million at June-18, of which EUR32.4 million in 2018, thus implying a further growth in the second part of the year. Overall, consolidated revenues increased by 17.6% in the first half with a positive impact of volumes and mix of >22%, partially offset by a reduction in average selling prices of about 1.8% and a negative forex impact (2.7% of sales), mostly in the US where sales were up 7.7% in EUR and 22.2% in USD.
- > As expected, EBITDA margin declined compared with last year due to strong demand which caused production constraints and, therefore, extra costs (for example some materials had to be transported by air) and to higher raw material costs. In addition, SIT was hit by EUR3.3 million of non-recurring charges (EUR2.5 million for the lay-off cost of the previous CEO and EUR0.9 million for the cost of moving to MTA). On adjusted basis, EBITDA increased by 8.1% with a margin of 13.3% compared with 14.5% in 1H17.
- > After EUR9.2 million of D&A (of which EUR3.1 million related to the purchase price allocation on the buyout of 2014), EBIT was EUR11 million (EUR14.3 million on adjusted basis). As expected, financial charges strongly declined in the first half (EUR2.3 million vs. EUR8 million in 1H17) due to the cash inflow generated by the business combination and the company also reported EUR3 million of financial income due to the fair value accounting of SIT warrants, performance shares and derivatives. After a tax rate of 26%, SIT reported a net profit of EUR8.4 million compared with EUR0.9 million in 1H17.
- > After EUR10.6 million of net capex, EUR6 million of dividends and EUR22.4 million of NWC absorption tied to the booming volumes that increased both inventories and trade receivables (also causing an increase of non-performing trade receivables partially offset by assignments of receivables without recourse), net debt increased to EUR80.9 million. As a result, gearing now stands at 0.74x (vs. 0.62x at Dec-17) and net debt/EBITDA at 1.90x (from 1.48x at Dec-17).
- > The accelerated capex plan announced by the company is going on and SIT announced the creation of an industrial hub in Rovigo, revamping its two plants with an investment of EUR25 million over the 2018-2019 period and hiring about one hundred new employees, in addition to the over 500 currently employed locally. With the acquisition of sustainable technologies and machinery, production capacity can be boosted by approx. 25%, according to the management.
- > In August, Mr. Camilli, former CEO and General Director of the company, left SIT with a settlement agreement which implies EUR2.55 million golden parachute already accounted in 1H18. In July, a press release of SIT reported

that rumoured litigations between Mr. Camilli were unfounded. Mr. De Stefani, Executive Chairmen and major shareholder of SIT is replacing Mr. Camilli for the time being. The company also announced an internal reorganisation hiring two new top managers (Mr. Giulio Prandi as Chief Operating Officer and Mr. Valdinoci as Chief Product Officer) and introducing the Digital Transformation department to support the company's migration to innovative digital technologies.

- > SIT, which was expected to transfer to the MTA market segment by July 2018, has suspended the “translisting” procedure as the Stock Exchange Authority required the publication of interim results. According to the management, the company is now expected to be listed on the MTA by the end of the year.
- > We also remind that on August 10 the lock up agreement with the promoters, Giober S.r.l. belonging to Giovanni Cavallini and Spaclab S.r.l. and Spaclab 2 S.r.l. belonging to Attilio Arietti, has expired. Therefore, 1.68 million shares or around 7% of the company could be put on the market in the coming months.

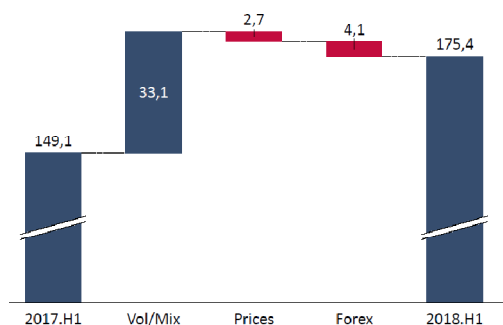
Figure 1 – 1H18 consolidated results

(EURm)	1H17A	1H18A	% Chg.	1H18E UBI	% Chg. Vs UBI
Heating	129.0	142.3	10.3%	137.0	3.9%
Smart metering	20.0	32.9	65.0%	27.0	21.9%
<b>Total sales</b>	<b>149.0</b>	<b>175.2</b>	<b>17.6%</b>	<b>164.0</b>	<b>6.8%</b>
Value of production	149.1	175.4	17.6%	164.1	6.9%
<b>EBITDA Adjusted</b>	<b>21.6</b>	<b>23.4</b>	<b>8.1%</b>	<b>21.1</b>	<b>10.5%</b>
<b>Margin (%)</b>	<b>14.5%</b>	<b>13.3%</b>		<b>12.9%</b>	
<b>EBITDA</b>	<b>21.6</b>	<b>20.2</b>	<b>-6.9%</b>	<b>21.1</b>	<b>-4.6%</b>
<b>Margin (%)</b>	<b>14.5%</b>	<b>11.5%</b>		<b>12.9%</b>	
EBIT	12.5	11.0	-12.3%	11.1	-1.4%
Margin (%)	8.4%	6.3%		6.8%	
<b>Net Result attributable</b>	<b>0.9</b>	<b>8.4</b>	<b>nm</b>	<b>6.9</b>	<b>22.1%</b>

Source: Company data, UBI Banca estimates

Figure 2 – Value of production bridge (EURm)

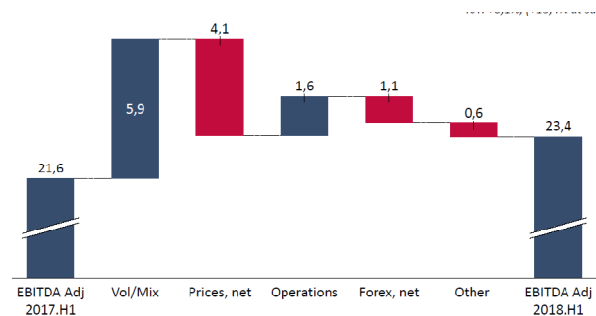
The main drivers of sales growth were stronger volumes and a better product mix. Forex and prices had a slight negative impact.



Source: Company data

Figure 3 – EBITDA Adjusted bridge (EURm)

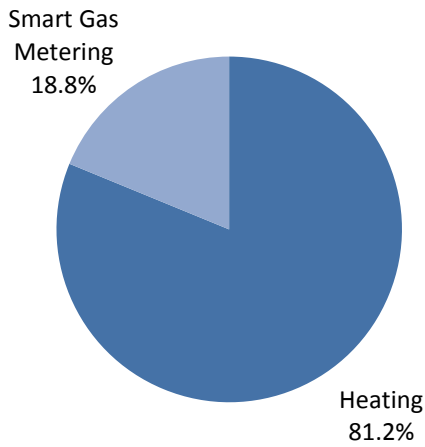
The negative impact of lower prices and production bottlenecks slightly reduced EBITDA margin in 2017.



Source: Company data

Figure 4 – 1H18A revenues breakdown by product

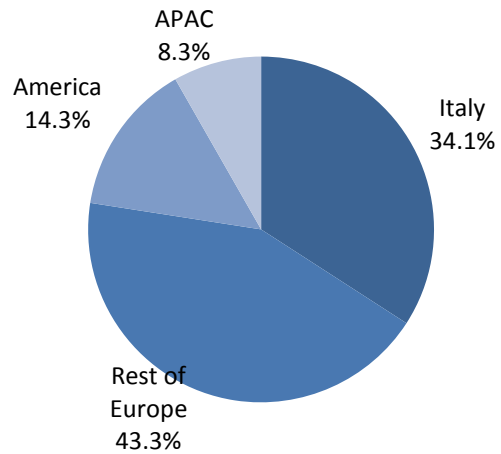
Both divisions reported healthy growth rates in 1H18: Heating rose 10.3% and Smart Gas Metering rose 65.0%.



Source: Company data

Figure 5 – 1H18A revenues breakdown by area

Revenues in Italy increased by 36% driven by the smart gas metering division while Turkey (+32%) also performed well. Only China reported a 6.6% slowdown after the stunning growth of 2017.



Source: Company data

### Financial Projections

- > SIT did not provide any specific guidance for the full year but clearly the strong order intake of the Smart Gas Metering division (EUR32.4 million to be delivered in the second half of the year) and the positive trend of the Heating division in all countries, with the only exception of China provide a solid support for our sales growth expectations for 2018. The company is expected to continue to incur extra costs to overcome production capacity bottlenecks but, following the investments already realized in the first part of the year, EBITDA margin should improve compared with the first half. As a result, we confirmed our sales projections for 2018, thus implying a sales growth of 4.7% in the second half of the year (2% for Heating and 17% for Smart Gas Metering). EBITDA margin is expected to reach 13.0% in the full year and 13.9% on adjusted basis with 14.5% in 2H18 (we do not expect any non-recurring costs).
- > We simply fine tuned our 2019 and 2020 forecasts. Revenues have been slightly reduced while EBITDA margin remained unchanged with an improvement caused by increased efficiency and economies of scale. Altogether we forecast a CAGR of 5.2% in the consolidated top line in 2017-20 excluding potential acquisitions (3.8% CAGR for the Heating division and 12.4% CAGR for the Smart Gas Metering division). Net profit should reach EUR18.6 million this year, growing to EUR21 million in 2019 and EUR22 million in 2020.
- > Net debt should decline compared with June-18, when it was EUR80.9 million thanks to the reduction of NWC which was exceptionally high in the first part of the year.

Figure 6 - Old vs. new estimates

(EUR)	2017A	2018E		2019E		2020E	
		Old	New	Old	New	New	New
<b>Revenues</b>	<b>323.5</b>	<b>357.9</b>	357.9	370.9	368.0	381.3	376.9
<b>% change</b>			0.0%		-0.8%		-1.2%
VoP	324.0	358.4	358.5	371.4	368.6	381.9	377.4
% change			0.0%		-0.8%		-1.2%
<b>EBITDA</b>	<b>44.1</b>	<b>49.1</b>	<b>46.6</b>	<b>53.1</b>	<b>52.7</b>	<b>55.4</b>	<b>54.7</b>
<b>% change</b>			-5.0%		-0.8%		-1.2%
<b>EBITDA adjusted</b>	<b>45.8</b>	<b>50.3</b>	<b>50.0</b>	<b>53.1</b>	<b>52.7</b>	<b>55.4</b>	<b>54.7</b>
<b>% change</b>			-0.7%		-0.8%		-1.2%
EBIT	25.2	28.8	26.9	32.4	32.0	34.4	33.7
% change			-6.5%		-1.3%		-1.9%
EBIT adjusted	25.0	28.8	30.3	32.4	32.0	34.4	33.7
% change			5.1%		-1.3%		-1.9%
Pre-tax profit	-21.4	24.5	24.5	28.7	28.3	30.9	30.2
% change			-0.1%		-1.4%		-2.1%
<b>Net profit attributable</b>	<b>-23.3</b>	<b>18.9</b>	18.6	21.5	21.2	22.8	22.4
<b>% change</b>			-1.4%		-1.4%		-2.1%
<b>Net financial debt (cash)</b>	<b>65.1</b>	<b>65.3</b>	<b>70.3</b>	<b>49.1</b>	<b>53.5</b>	<b>29.6</b>	<b>33.3</b>
% change			7.7%		8.9%		12.8%
<b>EBITDA margin</b>	<b>13.6%</b>	<b>13.7%</b>	<b>13.0%</b>	<b>14.3%</b>	<b>14.3%</b>	<b>14.5%</b>	<b>14.5%</b>
<b>EBITDA margin adj</b>	<b>14.2%</b>	<b>14.0%</b>	<b>13.9%</b>	<b>14.3%</b>	<b>14.3%</b>	<b>14.5%</b>	<b>14.5%</b>
<b>EBIT margin</b>	<b>7.8%</b>	<b>8.0%</b>	<b>7.5%</b>	<b>8.7%</b>	<b>8.7%</b>	<b>9.0%</b>	<b>8.9%</b>

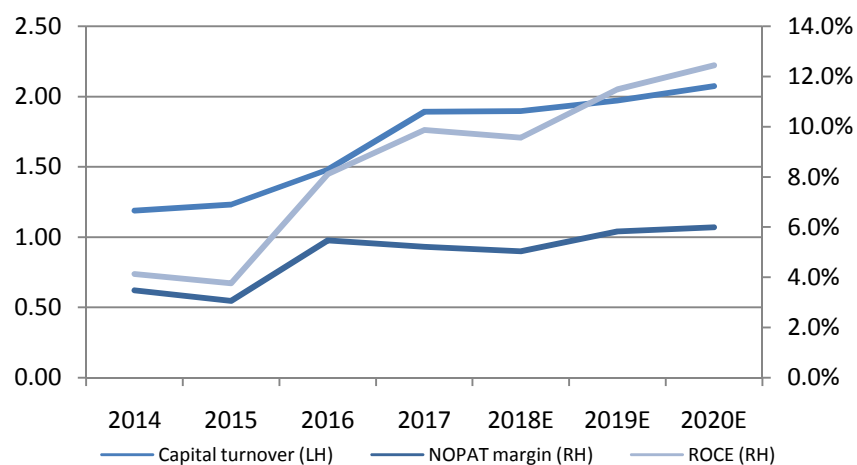
Source: Company data, UBI Banca estimates

Figure 7 – 2H18E estimates

(EURm)	2H17A	2H18E	% Chg.
Heating	145.0	148.1	2.2%
Smart metering	29.5	34.6	17.2%
Total sales	174.5	182.7	4.7%
Value of production	174.8	183.1	4.7%
<b>EBITDA Adj.</b>	<b>24.3</b>	<b>23.4</b>	<b>8.1%</b>
<b>Margin (%)</b>	<b>13.9%</b>	<b>12.8%</b>	
<b>EBITDA</b>	<b>22.4</b>	<b>26.5</b>	<b>17.9%</b>
<b>Margin (%)</b>	<b>12.8%</b>	<b>14.5%</b>	
EBIT	12.5	15.9	27.4%
Margin (%)	7.2%	8.7%	
<b>Net Result attr.</b>	<b>(24.4)</b>	<b>10.2</b>	<b>nm</b>

Source: Company data, UBI Banca estimates

Figure 8 – Trend in the NOPAT margin, Capital Turnover and ROCE



Source: Company data, UBI Banca estimates

### Valuation

- > Following the fine-tuning to our estimates we have set a new target price of EUR12.77 per share (vs. EUR13.34 before) based on the average of a DCF (fair value of EUR14.62 per share), an EV/CE versus ROACE/WACC (EUR10.96 fair value) and relative valuations based on both the average of the multiples of international companies (applying a 20% discount to reflect the company's low liquidity and its smaller size compared to other listed companies) and the average of certain Italian industrial companies (applying a 10% discount). This gives a fair value of EUR14.35 per share using international companies and EUR11.14 per share using Italian companies. Given the current estimated upside potential of >30%, we confirm our Buy rating.
- > Outstanding warrants (5.23 million) can be exercised after 1 month from the merger and within five years at EUR0.1 per share based on ratio ranging from 0.171 at current market price up to 0.287 at EUR13.0 per share (the threshold price above which breaks the acceleration condition). At EUR13.0, 1.5 million new shares will be issued, implying a dilution of 6.3%. On a fully diluted basis, our target price would decline to EUR12.6. The current market price of outstanding warrants (EUR1.61) is strongly above the theoretical warrant price (EUR0.48 based on our calculation).
- > At the target price, the company would trade at 8.2x 2018 EV/EBITDA, which is still below the average multiple of our international peer sample (12.6x) and broadly in line with Italian peers (8.0x).

Figure 9 – Valuation summary

(EUR)		Weight	04/04/2018	Delta
DCF	14.62	25%	15.04	-2.8%
Italian companies (10% discount)	11.14	25%	12.55	-11.2%
International companies (20% discount)	14.35	25%	14.23	0.8%
EV/ROACE	10.96	25%	11.53	-4.9%
<b>Target price</b>	<b>12.77</b>		<b>13.34</b>	<b>-4.3%</b>
Current price	9.78		11.10	-11.9%
Potential upside	30.5%		20.2%	

Source: Company data, UBI Banca estimates

Figure 10 – DCF Valuation

**Our DCF valuation is based on a WACC of 7.2% and implies an EV/EBITDA of 6.6x at terminal value**

	Valuation (EUR m)	% Weight	Per share (EUR)
Sum of PV 2018-26 FCF	151.6	36%	6.31
Terminal value	270.8	64%	11.28
<b>Total Enterprise value</b>	<b>422.3</b>	<b>100%</b>	<b>17.59</b>
- Pension Provision	(6.4)		(0.26)
- Net cash (debt)	(65.1)		(2.71)
<b>Total Equity value</b>	<b>350.9</b>		<b>14.62</b>
Number of shares outstanding (m)	24.0		
<b>Fair value per share (EUR)</b>	<b>14.62</b>		

Source: UBI Banca estimates



Figure 11 – ROACE and WACC projections

(EURm), %	2015	2016	2017	2018E	2019E	2020E
Capital employed	214	194	171	189	187	183
average	215.8	204.2	182.4	179.8	188.0	185.3
EBIT	12	23	25	27	33	35
Taxes on EBIT	(3.4)	(6.6)	(7.0)	(7.5)	(9.3)	(9.8)
NOPAT	9	17	18	19	24	25
ROACE	4.0%	8.3%	9.9%	10.8%	12.7%	13.5%
WACC	6.7%	6.9%	6.5%	6.6%	7.1%	7.6%
<b>ROACE - WACC</b>	<b>-2.7%</b>	<b>1.4%</b>	<b>3.4%</b>	<b>4.1%</b>	<b>5.6%</b>	<b>5.9%</b>

Source: UBI Banca estimates

Figure 12 – ROACE fair value estimate

<b>Average ROACE (2018-2020)</b>	<b>12.3%</b>
Average WACC (2018-2020)	7.1%
EV / Invested Capital	1.73
Average CE 2018-20	186
<b>Enterprise Value (EUR million)</b>	<b>323</b>
Less:	
Average net debt 2018-20 (EUR million)	52.4
<b>Equity Value (EUR million)</b>	<b>270.8</b>
number of shares	24.0
<b>Fair value per ordinary share (EUR)</b>	<b>11.28</b>

Source: UBI Banca estimates

Figure 13 - Relative valuation based on International companies (priced on 12 September 2018)

SIT is trading at an average discount of 48% on 2018-20 EV/EBITDA and at an average discount of 33% on P/E.

	Market Cap. (EURm)	P/E			EV/EBITDA		
		2018E	2019E	2020E	2018E	2019E	2020E
Bucher Industries	2,760	14.8 x	13.9 x	13.5 x	7.7 x	7.0 x	6.5 x
Beijer Ref	2,258	29.1 x	25.1 x	22.3 x	21.3 x	18.2 x	16.1 x
Emerson Electric	41,687	24.0 x	20.6 x	18.3 x	13.9 x	12.2 x	11.0 x
Honeywell International	104,694	20.1 x	18.4 x	17.0 x	14.1 x	12.8 x	11.8 x
Ingersoll-Rand	21,703	18.6 x	16.5 x	14.9 x	11.8 x	10.8 x	10.0 x
Lindab International	487	12.1 x	10.5 x	9.6 x	8.6 x	7.1 x	6.2 x
NIBE Industrier	5,123	27.1 x	24.5 x	22.9 x	16.8 x	15.3 x	14.1 x
Schneider Electric	39,601	15.1 x	13.8 x	12.9 x	10.2 x	9.3 x	8.7 x
SPX Corporation	1,251	14.9 x	12.9 x	11.9 x	10.1 x	8.1 x	7.1 x
Sulzer	3,645	21.2 x	17.6 x	15.7 x	12.7 x	10.6 x	9.4 x
Weir Group	4,606	14.5 x	12.0 x	10.8 x	11.4 x	8.9 x	7.8 x
<b>Average</b>		<b>19.2 x</b>	<b>16.9 x</b>	<b>15.4 x</b>	<b>12.6 x</b>	<b>10.9 x</b>	<b>9.9 x</b>
<b>SIT at market price</b>	<b>235</b>	<b>12.6 x</b>	<b>11.1 x</b>	<b>10.5 x</b>	<b>6.7 x</b>	<b>5.6 x</b>	<b>5.0 x</b>
<b>% premium (discount)</b>		<b>-34.4%</b>	<b>-34.5%</b>	<b>-32.0%</b>	<b>-47.1%</b>	<b>-49.0%</b>	<b>-49.4%</b>
<b>SIT Group valuation on multiples (EUR)</b>		<b>14.4</b>	<b>14.6</b>	<b>13.9</b>	<b>19.9</b>	<b>21.1</b>	<b>20.1</b>

Source: Factset, UBI Banca estimates

Figure 14 - Relative valuation based on Italian companies (priced on 12 September 2018)

	Market Cap. (EURm)	P/E			EV/EBITDA		
		2018E	2019E	2020E	2018E	2019E	2020E
Gefran	93	12.5 x	10.3 x	8.8 x	5.0 x	4.5 x	4.0 x
Interpump	3,092	20.6 x	19.0 x	17.6 x	12.0 x	10.8 x	9.8 x
LU-VE	222	15.4 x	11.8 x	10.0 x	8.0 x	6.4 x	5.5 x
Sabaf	185	14.7 x	12.5 x	11.6 x	7.1 x	6.4 x	6.2 x
<b>Average</b>		<b>15.8 x</b>	<b>13.4 x</b>	<b>12.0 x</b>	<b>8.0 x</b>	<b>7.0 x</b>	<b>6.4 x</b>
<b>SIT at market price</b>		<b>12.6 x</b>	<b>11.1 x</b>	<b>10.5 x</b>	<b>6.7 x</b>	<b>5.6 x</b>	<b>5.0 x</b>
<b>% premium (discount)</b>		<b>-20.1%</b>	<b>-17.3%</b>	<b>-12.5%</b>	<b>-16.7%</b>	<b>-20.5%</b>	<b>-21.3%</b>
<b>SIT Group valuation on multiples</b>		<b>11.6</b>	<b>10.7</b>	<b>10.0</b>	<b>11.7</b>	<b>11.8</b>	<b>11.9</b>

Source: Factset, UBI Banca estimates

Figure 15 – Implicit multiples based on our EUR12.77 target price

	2018E	2019E	2020E
P/E	16.5	14.4	13.7
EV/EBITDA	8.2	6.9	6.3
EV/EBIT	14.2	11.4	10.2
EV/Sales	1.07	0.99	0.92
P/BV	2.59	2.30	2.07
P/CF	11.63	6.87	6.58

Source: UBI Banca estimates

## Income Statement

(EURm)	2017	2018E	2019E	2020E
Net Revenues	323.46	357.95	368.01	376.87
EBITDA	44.09	46.63	52.70	54.73
EBITDA margin	13.6%	13.0%	14.3%	14.5%
EBIT	25.17	26.93	32.00	33.73
EBIT margin	7.8%	7.5%	8.7%	8.9%
Net financial income /expense	-46.87	-4.70	-3.70	-3.50
Associates & Others	0.33	2.25	0.00	0.00
Profit before taxes	-21.36	24.48	28.30	30.23
Taxes	-1.96	-5.88	-7.08	-7.86
Minorities & discontinuing ops	0.00	0.00	0.00	0.00
Net Income	-23.33	18.61	21.23	22.37

Source: Company data, UBI Banca estimates

## Balance Sheet

(EURm)	2017	2018E	2019E	2020E
Net working capital	2.33	13.08	9.21	4.78
Net Fixed assets	198.05	198.85	195.02	188.78
M/L term funds	-29.52	-23.23	-17.65	-11.96
Capital employed	170.86	188.70	186.58	181.60
Shareholders' equity	105.75	118.36	133.11	148.28
Minorities	0.00	0.00	0.00	0.00
Shareholders' funds	105.75	118.36	133.11	148.28
Net financial debt/(cash)	65.10	70.34	53.47	33.32

Source: Company data, UBI Banca estimates

## Cash Flow Statement

(EURm)	2017	2018E	2019E	2020E
NFP Beginning of Period	-124.77	-65.10	-70.34	-53.47
Group Net Profit	-23.33	18.61	21.23	22.37
Minorities	0.00	0.00	0.00	0.00
D&A	19.04	19.70	20.70	21.00
Change in Funds & TFR	12.43	-1.18	-1.21	-1.23
Gross Cash Flow	8.15	37.12	40.72	42.14
Change In Working Capital	12.46	-10.75	3.88	4.43
Other	0.00	0.00	0.00	0.00
Operating Cash Flow	20.60	26.37	44.60	46.57
Net Capex	-17.34	-24.78	-21.45	-19.89
Other Investments	0.00	0.00	0.00	0.00
Free Cash Flow	3.27	1.58	23.15	26.68
Dividends Paid	0.00	-6.00	-6.48	-7.20
Other & Chg in Consolid. Area	0.00	-0.82	0.20	0.67
Chg in Net Worth & Capital Incr.	56.40	0.00	0.00	0.00
Change in NFP	59.67	-5.23	16.87	20.15
NFP End of Period	-65.10	-70.34	-53.47	-33.32

Source: Company data, UBI Banca estimates

**Financial Ratios**

(%)	2017	2018E	2019E	2020E
ROE	-22.1%	15.7%	15.9%	15.1%
ROI (pre-tax)	11.8%	13.1%	15.4%	17.0%
Net Fin. Debt/Equity (x)	0.6	0.6	0.4	0.2
Net Fin. Debt/EBITDA (x)	1.5	1.5	1.0	0.6
Interest Coverage	0.5	5.7	8.6	9.6
NWC/Sales	0.7%	3.7%	2.5%	1.3%
Capex/Sales	-5.4%	-6.9%	-5.8%	-5.3%
Pay Out Ratio	-25.7%	34.8%	33.9%	37.6%

Source: Company data, UBI Banca estimates

**Per Share Data**

(EUR)	2017	2018E	2019E	2020E
EPS	-0.97	0.77	0.88	0.93
DPS	0.25	0.27	0.30	0.35
Op. CFPS	0.86	1.65	1.60	1.70
Free CFPS	0.14	0.24	0.94	1.11
BVPS	4.41	4.94	5.57	6.22

Source: Company data, UBI Banca estimates

**Stock Market Ratios**

(x)	2017 *	2018E	2019E	2020E
P/E	nm	12.6	11.1	10.5
P/OpCFPS	13.3	8.9	5.3	5.0
P/BV	2.6	2.0	1.8	1.6
Dividend Yield (%)	2.2%	2.8%	3.1%	3.6%
Free Cash Flow Yield (%)	1.2%	0.7%	9.9%	11.4%
EV (EURm)	344.36	311.17	294.00	273.57
EV/Sales	1.1	0.9	0.8	0.7
EV/EBITDA	7.8	6.7	5.6	5.0
EV/EBIT	13.7	11.6	9.2	8.1
EV/Capital Employed	2.0	1.6	1.6	1.5

Source: Company data, UBI Banca estimates

\* Based on 2017 average price

**Growth Rates**

(%)	2017	2018E	2019E	2020E
Growth Group Net Sales	12.5%	10.7%	2.8%	2.4%
Growth EBITDA	0.8%	5.7%	13.0%	3.8%
Growth EBIT	7.2%	7.0%	18.9%	5.4%
Growth Net Profit	0.0%	0.0%	14.1%	5.4%

Source: Company data, UBI Banca estimates

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