

Company update

Buy (maintained)

18 June 2019 – 5:30 PM

MARKET PRICE: EUR8.40

TARGET PRICE: EUR9.92 (from EUR11.55)

Heating, Smart gas metering

Data

Shares Outstanding (m):	25.01
Market Cap. (EURm):	210.06
Enterprise Value (EURm):	295.05
Free Float (%):	26.6%
Av. Daily Trad. Vol. (m):	0.01
Main Shareholder:	SIT Technologies 73.4%
Reuters/Bloomberg:	SIT.MI SIT IM
52-Week Range (EUR)	7.7 11.0

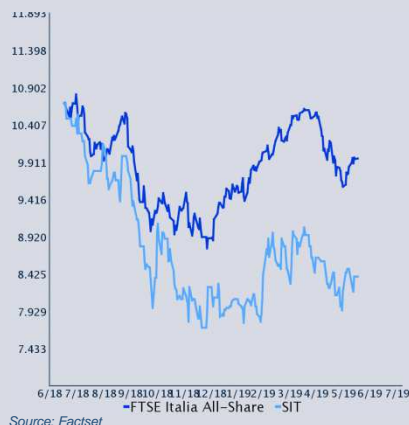
Source: Factset, UBI Banca estimates

Performance

	1m	3m	12m
Absolute	1.2%	-2.6%	-20.8%
Rel. to FTSE IT	3.4%	-0.2%	-14.1%

Source: Factset

Graph area Absolute/Relative 12 M



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## Resilient in a challenging market

SIT reported an unexciting first quarter with a significant volume slowdown in the Heating division (-13.3%, mostly caused by Turkey, Italy and China), partially offset by the Smart Gas Metering division (up 9.6%), which lowered the top line by 7.6%. However, the company was able to keep its EBITDA margin substantially unchanged (15.5% vs. 15.8%, also thanks to the first time adoption of IFRS 16 which increased EBITDA by EUR0.7 million) confirming the effectiveness of SIT's accelerated capex plan that has reduced inefficiencies while increasing production capacity. Positive news was the backlog of the Smart Gas Metering division which anticipates a sales growth of at least 15% this year. SIT confirmed its outlook for flattish revenues and stable EBITDA margin. Against this backdrop, we fine tuned our estimates slightly lowering EBITDA margin and incorporating higher D&A costs with a negative impact on the bottom line of around 20% on average in 2019-21 while net debt projections have been increased to incorporate the new accounting standard (IFRS 16) and higher capex. A potential volume recovery in the Heating division, not expected before winter 2019-20, should allow a significant profitability increase driven by higher operating flexibility made possible by the deployment of the accelerated capex plan which has been already concluded. Therefore, we reiterate our positive stance on the share which is trading at an average discount to peers of 28% (41% on EV/EBITDA and 15% on P/E). The main risk remains a continuous volume slowdown which would affect profitability.

- > Overall, the Smart Gas Metering division is beating our estimates and should perform strongly this year but the Heating division could continue to see volume erosion. The potential revival of the "Coal to Gas policy" in China could significantly boost Heating volumes in the future.
- > Last April all the performance shares (250k) were converted into ordinary shares: the conversion, with 1x5 ratio, has increased the outstanding share number to 25 million from 24 million before with a negative impact on EPS and our target price of around 4.2%. Following the conversion, SIT Technologies, which was the only owner of performance shares, increased its stake to 73.4% (from 72% before) thus lowering the free float to 26.6%.
- > We have reduced our target price by 14% to EUR9.92 per share (from EUR11.55) which implies nearly 20% upside. Buy.

Financials

	2018	2019E	2020E	2021E
Revenues (EURm)	359.69	359.17	364.99	373.67
EBITDA (EURm)	43.82	47.05	49.27	52.31
EBITDA margin (%)	12.2%	13.1%	13.5%	14.0%
EBIT (EURm)	23.96	22.55	24.07	26.51
EPS (EUR)	1.02	0.57	0.61	0.72
CFPS (EUR)	1.57	1.24	1.70	1.76
DPS (EUR)	0.28	0.28	0.30	0.32

Source: Company Data, UBI Banca estimates

Ratios

	priced on 17 June 2019			
	2018 *	2019E	2020E	2021E
P/E(x)	10.0	14.9	13.8	11.7
P/CF(x)	5.7	5.8	5.4	5.0
P/BV(x)	1.9	1.6	1.5	1.4
Dividend Yield	2.8%	3.3%	3.6%	3.8%
EV/EBITDA(x)	7.3	6.3	5.6	4.8
Debt/Equity (x)	0.6	0.6	0.4	0.3
Debt/EBITDA (x)	1.6	1.7	1.2	0.7

Source: UBI Banca estimates \* based on 2018 average price

### Key Financials

(EURm)	2018	2019E	2020E	2021E
Revenues	359.69	359.17	364.99	373.67
EBITDA	43.82	47.05	49.27	52.31
EBIT	23.96	22.55	24.07	26.51
NOPAT	16.05	15.11	16.13	17.76
Free Cash Flow	7.90	-0.79	24.94	28.73
Net Capital Employed	196.74	211.91	201.00	188.98
Shareholders' Equity	125.40	132.54	140.76	151.18
Net Financial Position	71.33	79.37	60.24	37.80

Source: Company data, UBI Banca estimates

### Key Profitability Drivers

	2018	2019E	2020E	2021E
Net Debt/Ebitda (x)	1.6	1.7	1.2	0.7
Net Debt/Equity (x)	0.6	0.6	0.4	0.3
Interest Coverage (%)	5.0	6.1	6.9	11.5
Free Cash Flow Yield (%)	3.2%	nm	11.9%	13.7%
ROE (%)	19.5%	10.7%	10.8%	11.9%
ROI after tax (%)	7.5%	6.6%	7.0%	8.1%
ROCE (%)	8.7%	7.4%	7.8%	9.1%

Source: Company data, UBI Banca estimates

### Key Valuation Ratios

	2018 *	2019E	2020E	2021E
P/E (x)	10.0	14.9	13.8	11.7
P/BV (x)	1.9	1.6	1.5	1.4
P/CF (x)	5.7	5.8	5.4	5.0
Dividend Yield (%)	2.8%	3.3%	3.6%	3.8%
EV/Sales (x)	0.89	0.8	0.8	0.7
EV/EBITDA (x)	7.3	6.3	5.6	4.8
EV/EBIT (x)	13.4	13.1	11.4	9.5
EV/CE (x)	1.5	1.4	1.4	1.3

Source: Company data, UBI Banca estimates

\* Based on 2018 average price

### Key Value Drivers

(%)	2018	2019E	2020E	2021E
Payout	27.5%	49.5%	49.3%	44.7%
NWC/Sales	2.1%	3.5%	2.4%	1.8%
Capex/Sales	8.3%	8.8%	4.8%	4.1%

Source: Company data, UBI Banca estimates

### **Recent Developments**

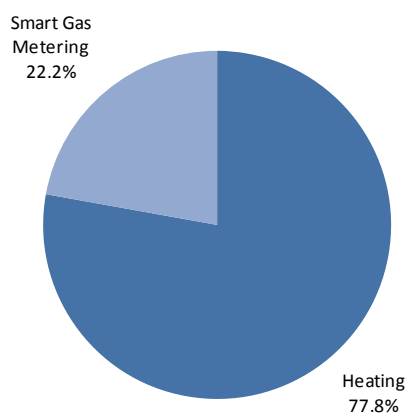
- > SIT reported sales, down 7.6% (-8.8% at same forex rate), and EBITDA (-14.5% on adjusted basis) below our expectations in 1Q19. The Heating division dropped 11.7% mostly due to unfavourable comparison: Turkey (-52%) and Italy (-12.2%) suffered as volumes in 1Q18 were exceptionally high (also due to the adoption of the Energy Related Products directive in Turkey which pushed up volumes in 1Q18) and China was down nearly 26% due to the stand-by of the “Coal to Gas policy” which was operational in 1Q18. Ukraine and Czech Republic were also weak while the US grew significantly (+19.4%). The Smart Gas Metering division increased by 9.6% with a strong performance in the commercial & industrial segment (+53%) and lower growth for residential (+8%) but the positive news is the backlog for delivery in 2019 of the Smart Gas Metering division which reached EUR65.2 million at Mar-19; adding EUR17.7 million of revenues reported in the first quarter of the year, revenues in the full year should at least reach EUR82.9 million which is above our EUR80.8 million forecasts.
- > EBITDA decreased by 9.4% in the quarter, even if it benefitted from the first time adoption of IFRS 16 (the new standard for the lease accounting) which increased EBITDA by EUR0.7 million. Stripping out this positive impact, EBITDA margin would have been down to 14.6% from 15.8% in 1Q18, a slight decline considering the volume and price erosion (which reduced EBITDA by around EUR2.6 million), which in our view clearly shows that the accelerated capex plan is finally bearing fruits (EUR1.2 million according to the company). After EUR5.4 million of D&A, EBIT was EUR7.1 million, -24% compared with 1Q18.
- > Following the first time adoption of IFRS 16, which increased net debt by EUR6.7 million, EUR5 million of net capex and a higher NWC absorption caused by the inclusion within trade receivables of EUR14.7 million of non-recourse factoring, net debt increased to EUR91.0 million from EUR71.3 million at Dec-18.
- > Last April all the performance shares (250k) were converted into ordinary shares: the conversion, with 1x5 ratio, has increased the outstanding share number to 25 million from 24 million before. The negative impact on EPS and our target price is around 4.2%. Following the conversion, SIT Technologies, which was the only owner of performance shares, increased its stake to 73.4% (from 72% before) thus lowering the free float to 26.6%. In addition, the AGM approved a new buyback program up to 10% of the share capital and lasting 18 months. The new program will be used for future stock option programs and to sustain the liquidity of the share.

Figure 1 – 1Q19 results (EURm)

(EURm)	1Q18A	1Q19A	% Chg.
Heating	70.4	62.1	-11.7%
Smart metering	16.1	17.7	9.6%
Total sales	87.2	80.6	-7.6%
<b>EBITDA Adj.</b>	<b>13.8</b>	<b>11.8</b>	<b>-14.5%</b>
<b>Margin (%)</b>	<b>15.8%</b>	<b>14.6%</b>	
<b>EBITDA</b>	<b>13.8</b>	<b>12.5</b>	<b>-9.4%</b>
<b>Margin (%)</b>	<b>15.8%</b>	<b>15.5%</b>	
D&A	-4.4	-5.4	22.7%
EBIT	9.4	7.1	-24.5%
<b>Margin (%)</b>	<b>10.8%</b>	<b>8.8%</b>	
<b>Net debt</b>	<b>85.1</b>	<b>91.0</b>	<b>6.9%</b>

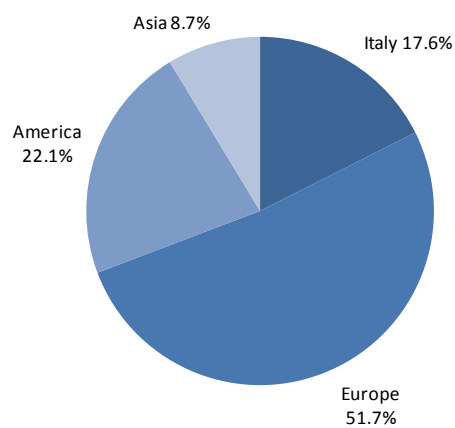
Source: Company data

Figure 2 – 1Q19A revenues breakdown by product



Source: Company data, Factset

Figure 3 – 1Q19A revenues breakdown by area



Source: Company data, Factset

**Financial Projections**

- > SIT confirmed its guidance for 2019: the Heating division should report a slight volume slowdown (we believe around 5%) being impacted by the macroeconomic deceleration in Europe and the difficulties in China and Turkey, while revenues in the Smart Gas Metering division should grow at a double digit rate (we now estimate +20%), being supported by the significant order backlog, and the installations should continue also in 2020 providing visibility for this division. In this scenario, EBITDA margin is expected to be in line with 2018 as the negative impact of the volume erosion in the Heating division should be offset by further efficiencies and higher operating flexibility made possible by the deployment of the accelerated capex plan which has been concluded last year. According to the management, net debt at year-end is expected at around EUR75 million, above our old EUR62.8 estimate reflecting higher capex, which should be similar to 2018 (around EUR30 million) as the company should invest in new laboratories in order to increase its share of wallet in the Heating division, increasing in this way revenues even with a stable reference market, and the impact of the adoption of IFRS 16 which also increased net debt by EUR6.7 million at Mar-19.
- > Following 1Q19 results, we fine tuned our estimates: we slightly reduced our top line reflecting weaker-than-expected volumes. For 2020 and 2021 we confirm our view of a limited sales growth (+1.6% in 2020 and +2.4% in 2021) driven by the Smart Gas Metering division. As a result we forecast a CAGR of 1.3% in the consolidated top line in 2018-21 excluding potential acquisitions (no growth for the Heating division and 7.7% CAGR for the Smart Gas Metering division). Clearly, the potential revival of “Coal to Gas policy” in China would have a significant positive impact still not reflected in our estimates. We also reduced our EBITDA forecast by 4.3% on average and our EBIT by 19% reflecting higher D&A costs. We note that 2019 benefits from the first time adoption of IFRS 16 which should increase EBITDA by around EUR2.8 million and EBIT by around EUR0.8 million. Altogether, our bottom line estimates have been reduced by 20% on average.

*Figure 4 – Impact of IFRS 16 on 2019 estimates*

The new IFRS 16 reclassified lease assets in the balance sheet increasing both fixed assets and net debt. At P&L, it increased EBITDA (as leasing fee is no longer accounted) but also D&A and financial charges.

(EURm)	Old estimates	IFRS 16 impact	Old estimates post IFRS	New estimates	% change
Revenues	363.4	0.0	363.4	359.2	-1.2%
EBITDA	49.4	2.8	52.2	47.1	-9.9%
% margin	13.6%		14.4%	13.1%	
D&A	-21.5	2.0	-23.5	-24.5	4.3%
EBIT	27.9	0.8	28.7	22.6	-21.5%
% margin	7.7%		7.9%	6.3%	
Net financial debt (cash)	62.8	6.7	69.5	79.4	14.3%

Source: Company data, UBI Banca estimates

Figure 5 - Old vs. new estimates

(EUR)	2018A	2019E		2020E		2021E	
		Old	New	Old	New	Old	New
<b>Revenues</b>	<b>359.7</b>	<b>363.4</b>	<b>359.2</b>	<b>367.9</b>	<b>365.0</b>	<b>375.2</b>	<b>373.7</b>
% change			-1.2%		-0.8%		-0.4%
<b>EBITDA</b>	<b>43.8</b>	<b>49.4</b>	<b>47.1</b>	<b>51.9</b>	<b>49.3</b>	<b>54.0</b>	<b>52.3</b>
% change			-4.8%		-5.0%		-3.2%
<b>EBITDA adjusted</b>	<b>50.4</b>	<b>49.4</b>	<b>45.8</b>	<b>51.9</b>	<b>49.3</b>	<b>54.0</b>	<b>52.3</b>
% change			-7.4%		-5.0%		-3.2%
<b>EBIT</b>	<b>24.0</b>	<b>27.9</b>	<b>22.6</b>	<b>30.2</b>	<b>24.1</b>	<b>32.1</b>	<b>26.5</b>
% change			-19.3%		-20.2%		-17.5%
<b>EBIT adjusted</b>	<b>30.5</b>	<b>27.9</b>	<b>22.6</b>	<b>30.2</b>	<b>24.1</b>	<b>32.1</b>	<b>26.5</b>
% change			-19.3%		-20.2%		-17.5%
<b>Pre-tax profit</b>	<b>32.2</b>	<b>24.2</b>	<b>18.9</b>	<b>26.7</b>	<b>20.6</b>	<b>28.6</b>	<b>24.2</b>
% change			-22.2%		-22.9%		-15.4%
<b>Net profit attributable</b>	<b>24.4</b>	<b>18.2</b>	<b>14.1</b>	<b>19.7</b>	<b>15.2</b>	<b>21.2</b>	<b>17.9</b>
% change			-22.2%		-22.9%		-15.4%
<b>Net financial debt (cash)</b>	<b>71.3</b>	<b>62.8</b>	<b>79.4</b>	<b>44.8</b>	<b>60.2</b>	<b>22.8</b>	<b>37.8</b>
% change			26.5%		34.4%		65.8%
<b>EBITDA margin</b>	<b>12.2%</b>	<b>13.6%</b>	<b>13.1%</b>	<b>14.1%</b>	<b>13.5%</b>	<b>14.4%</b>	<b>14.0%</b>
<b>EBIT margin</b>	<b>6.7%</b>	<b>7.7%</b>	<b>6.3%</b>	<b>8.2%</b>	<b>6.6%</b>	<b>8.6%</b>	<b>7.1%</b>

Source: Company data, UBI Banca estimates

## Valuation

- > We have reduced our target price by 14% to EUR9.92 per share (vs. EUR11.55 before) for two main reasons: 1) the conversion of all the performance shares finalised last April, which caused a dilution in our target price of around 4.2%, and 2) our estimates reduction. Our target price is based on the average of a DCF (fair value of EUR11.27 per share), an EV/CE versus ROACE/WACC (EUR7.53 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 (with a 10% discount). This gives a fair value of EUR11.42 per share using international companies and EUR9.44 per share using Italian companies. Given the current estimated upside potential of nearly 20% and the discount to peers (33% to international companies and 5% to Italian companies) 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 starting from EUR9.31 per share up to EUR13.0 per share (the threshold price above which breaks the acceleration condition) based on ratio ranging from 0.001 up to 0.287 at EUR13.0 per share. At EUR13.0, 1.5 million new shares will be issued, implying a dilution of 5.7%. On a fully diluted basis, our target price would decline to EUR9.35. The current market price of outstanding warrants (EUR0.80) compares with a negative theoretical warrant price.
- > At the target price, the company would trade at 7.0x 2019 EV/EBITDA, which is still below the average multiple of our peer sample (11.2x for international companies and 7.4x for Italian companies).

Figure 6 – Valuation summary

(EUR)		Weight	02/04/2019	Delta
DCF	11.27	25%	12.57	-10.3%
Italian companies (10% discount)	9.44	25%	11.12	-15.1%
International companies (20% discount)	11.42	25%	13.25	-13.8%
EV/ROACE	7.53	25%	9.29	-18.9%
<b>Target price</b>	<b>9.92</b>		<b>11.55</b>	<b>-14.2%</b>
Current price	8.40		8.30	1.2%
Potential upside	18.0%		39.2%	

Source: Company data, UBI Banca estimates

Figure 7 – DCF Valuation

**Our DCF valuation is based on a WACC of 8.2% and implies an EV/EBITDA of 5.6x at terminal value.**

	Valuation (EUR m)	% Weight	Per share (EUR)
Sum of PV 2019-27 FCF	146.5	41%	5.86
Terminal value	206.7	59%	8.26
<b>Total Enterprise value</b>	<b>353.2</b>	<b>100%</b>	<b>14.12</b>
- Pension Provision	(6.4)		(0.25)
- Net cash (debt)	(65.1)		(2.60)
<b>Total Equity value</b>	<b>281.8</b>		<b>11.27</b>
Number of shares outstanding (m)	25.0		
<b>Fair value per share (EUR)</b>	<b>11.27</b>		

Source: UBI Banca estimates

Figure 8 – ROACE fair value estimate

<b>Average ROACE (2019-2021)</b>	<b>9.2%</b>
Average WACC (2019-2021)	7.6%
EV / Invested Capital	1.22
Average CE 2019-21	192
<b>Enterprise Value (EUR million)</b>	<b>234</b>
<i>Less:</i>	
Average net debt 2019-21 (EUR million)	46.0
<b>Equity Value (EUR million)</b>	<b>188.4</b>
Number of shares	25.0
<b>Fair value per ordinary share (EUR)</b>	<b>7.53</b>

Source: UBI Banca estimates

Figure 9 - Relative valuation based on International companies (priced on 17 June 2019)

**SIT is trading at an average discount of 46% on 2019-21 EV/EBITDA and at an average discount of 20% on P/E.**

	Market Cap. (EURm)	P/E			EV/EBITDA		
		2019E	2020E	2021E	2019E	2020E	2021E
Bucher Industries	2,947	15.0 x	14.7 x	13.8 x	8.2 x	7.6 x	7.0 x
Beijer Ref	2,567	29.9 x	26.4 x	24.2 x	17.6 x	15.7 x	14.3 x
Emerson Electric	34,317	17.2 x	15.5 x	14.1 x	10.3 x	9.4 x	8.7 x
Honeywell International	111,735	21.3 x	19.4 x	17.8 x	14.7 x	13.6 x	12.9 x
Ingersoll-Rand	26,374	19.3 x	17.3 x	15.8 x	12.5 x	11.3 x	10.6 x
Lindab International	805	13.5 x	13.0 x	12.3 x	8.4 x	7.7 x	7.1 x
NIBE Industrier	6,371	28.2 x	26.1 x	24.5 x	18.5 x	16.8 x	15.6 x
Schneider Electric	43,445	14.7 x	13.7 x	13.2 x	10.1 x	9.4 x	8.8 x
SPX Corporation	1,219	12.1 x	10.9 x	11.8 x	7.4 x	6.4 x	6.5 x
Sulzer	2,948	16.1 x	14.1 x	12.9 x	7.9 x	7.0 x	6.3 x
Weir Group	430	12.9 x	11.7 x	10.8 x	7.8 x	7.0 x	6.2 x
<b>Average</b>		<b>18.2 x</b>	<b>16.6 x</b>	<b>15.5 x</b>	<b>11.2 x</b>	<b>10.2 x</b>	<b>9.4 x</b>
<b>SIT at market price</b>	<b>210</b>	<b>14.9 x</b>	<b>13.8 x</b>	<b>11.7 x</b>	<b>6.3 x</b>	<b>5.6 x</b>	<b>4.8 x</b>
<b>% premium (discount)</b>		<b>-18.4%</b>	<b>-17.0%</b>	<b>-24.6%</b>	<b>-44.0%</b>	<b>-45.0%</b>	<b>-48.8%</b>

Source: Factset, UBI Banca estimates

Figure 10 - Relative valuation based on Italian companies (priced on 17 June 2019)

	Market Cap. (EURm)	P/E			EV/EBITDA		
		2019E	2020E	2021E	2019E	2020E	2021E
Gefran	94	11.5 x	10.1 x	9.1 x	4.5 x	4.1 x	3.7 x
Interpump	2,924	16.9 x	16.0 x	14.8 x	10.1 x	9.3 x	8.5 x
LU-VE	253	12.2 x	9.2 x	8.3 x	8.0 x	6.4 x	5.9 x
Sabaf	163	14.0 x	13.2 x	12.3 x	6.9 x	6.5 x	6.0 x
<b>Average</b>		<b>13.7 x</b>	<b>12.1 x</b>	<b>11.1 x</b>	<b>7.4 x</b>	<b>6.5 x</b>	<b>6.0 x</b>
<b>SIT at market price</b>	<b>210</b>	<b>14.9 x</b>	<b>13.8 x</b>	<b>11.7 x</b>	<b>6.3 x</b>	<b>5.6 x</b>	<b>4.8 x</b>
<b>% premium (discount)</b>		<b>8.8%</b>	<b>13.7%</b>	<b>5.3%</b>	<b>-15.1%</b>	<b>-14.6%</b>	<b>-20.0%</b>

Source: Factset, UBI Banca estimates



Figure 11 – Implicit multiples based on our EUR9.92 target price

	2019E	2020E	2021E
P/E	17.5	16.3	13.8
EV/EBITDA	7.0	6.3	5.5
EV/EBIT	14.6	12.9	10.9
EV/Sales	0.92	0.85	0.77
P/BV	1.9	1.8	1.6
P/CF	8.0	5.8	5.6

Source: UBI Banca estimates

**Income Statement**

(EURm)	2018	2019E	2020E	2021E
Net Revenues	359.69	359.17	364.99	373.67
EBITDA	43.82	47.05	49.27	52.31
EBITDA margin	12.2%	13.1%	13.5%	14.0%
EBIT	23.96	22.55	24.07	26.51
EBIT margin	6.7%	6.3%	6.6%	7.1%
Net financial income /expense	-4.80	-3.70	-3.50	-2.30
Associates & Others	13.07	0.00	0.00	0.00
Profit before taxes	32.23	18.85	20.57	24.21
Taxes	-7.81	-4.71	-5.35	-6.30
Minorities & discontinuing ops	0.00	0.00	0.00	0.00
Net Income	24.42	14.14	15.22	17.92

Source: Company data, UBI Banca estimates

**Balance Sheet**

(EURm)	2018	2019E	2020E	2021E
Net working capital	7.66	12.69	8.94	6.85
Net Fixed assets	218.50	222.15	216.61	208.42
M/L term funds	-29.42	-22.93	-24.55	-26.30
Capital employed	196.74	211.91	201.00	188.98
Shareholders' equity	125.40	132.54	140.76	151.18
Minorities	0.00	0.00	0.00	0.00
Shareholders' funds	125.40	132.54	140.76	151.18
Net financial debt/(cash)	71.33	79.37	60.24	37.80

Source: Company data, UBI Banca estimates

**Cash Flow Statement**

(EURm)	2018	2019E	2020E	2021E
NFP Beginning of Period	-65.10	-71.33	-79.37	-60.24
Group Net Profit	24.42	14.14	15.22	17.92
Minorities	0.00	0.00	0.00	0.00
D&A	19.86	24.50	25.20	25.80
Change in Funds & TFR	-1.18	-2.71	-1.76	-1.80
Gross Cash Flow	43.10	35.93	38.66	41.92
Change In Working Capital	-5.33	-5.04	3.76	2.08
Other	0.00	0.00	0.00	0.00
Operating Cash Flow	37.77	30.89	42.42	44.00
Net Capex	-29.87	-31.68	-17.48	-15.28
Other Investments	0.00	0.00	0.00	0.00
Free Cash Flow	7.90	-0.79	24.94	28.73
Dividends Paid	-6.00	-7.00	-7.00	-7.50
Other & Chg in Consolid. Area	-8.14	-0.25	1.20	1.21
Chg in Net Worth & Capital Incr.	0.00	0.00	0.00	0.00
Change in NFP	-6.23	-8.04	19.14	22.44
NFP End of Period	-71.33	-79.37	-60.24	-37.80

Source: Company data, UBI Banca estimates

**Financial Ratios**

(%)	2018	2019E	2020E	2021E
ROE	19.5%	10.7%	10.8%	11.9%
ROI (pre-tax)	11.2%	9.8%	10.5%	12.0%
Net Fin. Debt/Equity (x)	0.6	0.6	0.4	0.3
Net Fin. Debt/EBITDA (x)	1.6	1.7	1.2	0.7
Interest Coverage	5.0	6.1	6.9	11.5
NWC/Sales	2.1%	3.5%	2.4%	1.8%
Capex/Sales	8.3%	8.8%	4.8%	4.1%
Pay Out Ratio	27.5%	49.5%	49.3%	44.7%

Source: Company data, UBI Banca estimates

**Per Share Data**

(EUR)	2018	2019E	2020E	2021E
EPS	1.02	0.57	0.61	0.72
DPS	0.28	0.28	0.30	0.32
Op. CFPS	1.57	1.24	1.70	1.76
Free CFPS	0.33	-0.03	1.00	1.15
BVPS	5.22	5.30	5.63	6.05

Source: Company data, UBI Banca estimates

**Stock Market Ratios**

(x)	2018 *	2019E	2020E	2021E
P/E	10.0	14.9	13.8	11.7
P/OpCFPS	6.5	6.8	5.0	4.8
P/BV	1.9	1.6	1.5	1.4
Dividend Yield (%)	2.8%	3.3%	3.6%	3.8%
Free Cash Flow Yield (%)	3.2%	nm	11.9%	13.7%
EV (EURm)	321.44	295.05	275.63	252.93
EV/Sales	0.89	0.8	0.8	0.7
EV/EBITDA	7.3	6.3	5.6	4.8
EV/EBIT	13.4	13.1	11.4	9.5
EV/Capital Employed	2.0	1.4	1.4	1.3

Source: Company data, UBI Banca estimates

\* Based on 2018 average price

**Growth Rates**

(%)	2018	2019E	2020E	2021E
Growth Group Net Sales	11.2%	-0.1%	1.6%	2.4%
Growth EBITDA	-0.6%	7.4%	4.7%	6.2%
Growth EBIT	-4.8%	-5.9%	6.8%	10.1%
Growth Net Profit	nm	-42.1%	7.7%	17.7%

Source: Company data, UBI Banca estimates

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4 October 2017	BUY	14.57	11.64
4 April 2018	BUY	13.34	11.10
12 September 2018	BUY	12.77	9.78
4 April 2019	BUY	11.55	8.30