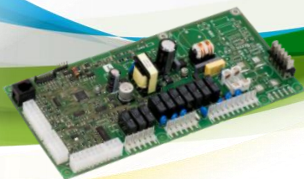




# Company presentation and 2019Q1 results



July 2019

- SIT overview
- Heating business
- Smart Gas Metering business
- Key financials
- 2019Q1 results

Annexes



## Organic growth of revenues and margins

- |                                |                 |                                     |           |
|--------------------------------|-----------------|-------------------------------------|-----------|
| ▪ 2018FY Revenues:             | 359,7€ (+11,0%) | ▪ 2013FY - 2018FY Revenues:         | CAGR 7,9% |
| ▪ 2018FY EBITDA adjusted*:     | 50,6€ (+9,1%)   | ▪ 2013FY - 2018FY EBITDA adjusted*: | CAGR 7,2% |
| ▪ 2018FY Net income adjusted*: | 19,6€ (+32,3%)  |                                     |           |

## Market and technological leadership

- Attractive business case: dominant position in the gas Heating market and high growth in the Smart Gas Metering business
- SIT is the world's top name in multifunctional controls for residential gas boilers
- 90 patents (of which 15 pending) and strong co-development relationships with key multinational customers
- Smart Gas Metering business with highly innovative technology and interesting growth opportunities

## Global coverage and international manufacturing footprint

- Approx. 65% of sales in foreign markets through global sales network coverage
- 6 production plants in Italy, Romania, The Netherlands, Mexico and China with approx. 45% of sales manufactured overseas

## Organic growth opportunities

### HEATING

- Share of wallet through Integrated Systems in European boilers
- Market share increase in US Water Heating market
- Transition to gas heating in developing countries supported by regional and national policies (China)

### SMART GAS METERING

- Market share increase in domestic roll out of residential smart gas metering (currently at approx.50% of replacement)
- Roll out of residential smart gas metering in foreign countries (India, UK)

# SIT develops and manufactures measuring devices and systems for the safety, comfort and performance of domestic gas equipment

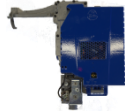
## Heating



Mechanical Controls



Electronic Controls



Integrated Systems



Fans



Flue Exhaust Systems



Sensors

## Smart Gas Metering



Gas meters



**PROFESSIONAL COOKING AND CATERING**



**Fireplaces**



**Space Heaters**

**Instantaneous Water Heaters**



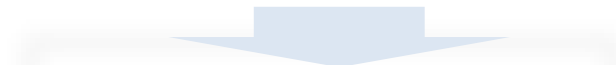
**Boilers**



**Pellet Stoves**



**Water Heaters**



**SMART GRIDS**



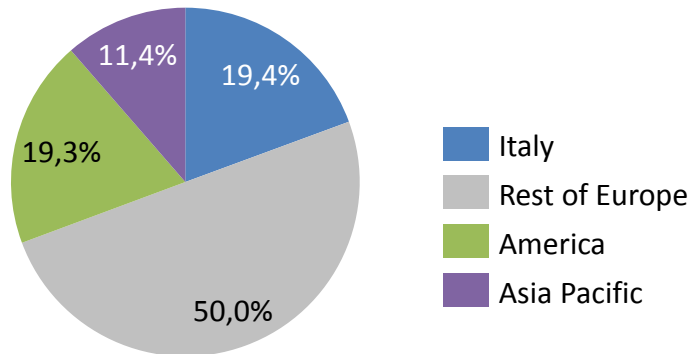
# SIT currently operates two business divisions

## Heating

2018 sales: 287,0 €  
(79,9%)

Components and systems for the control, regulation and safety of gas appliances for domestic heating, cooking and large catering facilities

Sales breakdown by geography (2018)



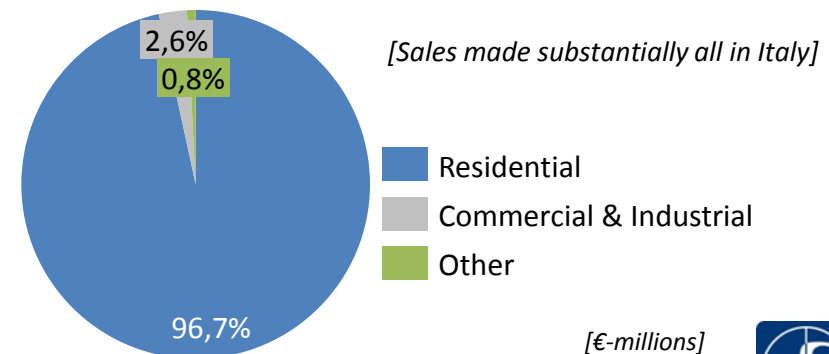
## Smart Gas Metering

2018 sales : 72,1 €  
(20,1%)



A new generation of intelligent remotely controlled static gas meters measuring directly the standard volume in cubic meters (without need of any compensation devices)

Sales breakdown by application (2018)



[€-millions]



## Heating



## Smart Gas Metering



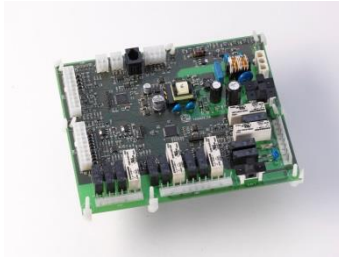
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# Central Heating: boilers combining heating and domestic hot water



SIT is the world's top name in the production of multifunctional, regulating, safety gas valves.



SIT is the main player for the non captive electronic controls market



Air management technology (Fans and Exhaust systems) complete SIT traditional offering



Innovative solutions for sub-assembled and pre-tested integrated systems (modules) for condensing boilers





# Direct heating: fireplaces and stoves (both gas and pellet)



- SIT provides mechanical controls (gas valves and sensors), electronic controls (main boards, remote controls and user interfaces) and fans for gas fireplaces, stoves and spaceheaters
- Main markets are North America, UK and Europe



# Storage Water Heating for domestic water heating



SIT provides  
mechanical controls  
and pilots



- Markets include North America, Argentina and Australia
- New efficiency standards and electronic features have been recently introduced in the US market providing opportunities to increase technological content and differentiation of offering



- SIT provides mechanical controls and fans for (i) collective and community cooking appliances and (ii) high end cooker hoods
- Main markets are Europe and USA
- SIT is market leader in Europe



- SIT overview
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# Smart Gas Metering - driven by regulation and smart technology

- European directive on smart gas metering (EU 2009/73)
- Italy: early adopter with directive ARG/gas155/08 issued by the national Authority (AEEG)
- European installed base over 120 million pcs



Domusnext®

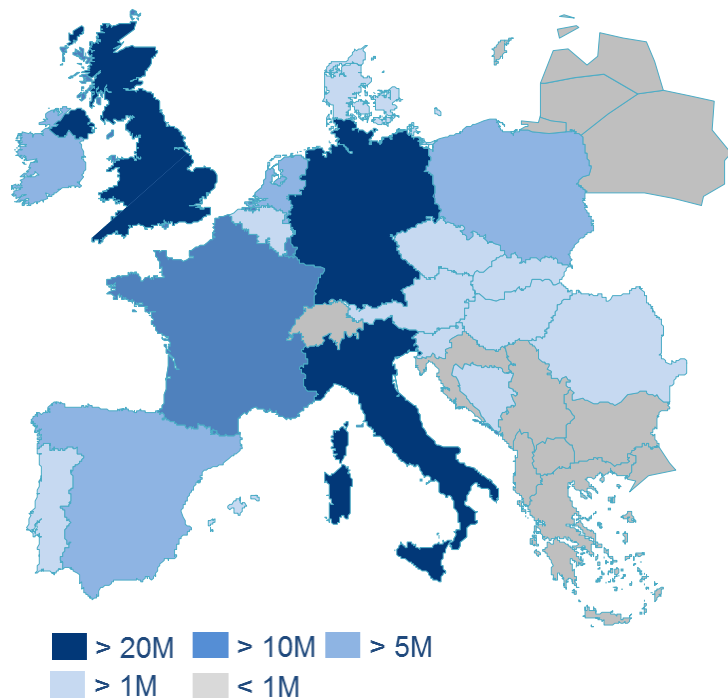


- Innovative **thermo-flow sensor technology** that provides accurate measurement features in all conditions without add-on of compensation devices or calculations – truly disruptive, particularly on Commercial & Industrial applications
- Complete range of smart gas meters for both Residential and Commercial & Industrial purposes
- All major communication standards and protocols supported
- Developed and assembled with modular approach



# Smart Gas Metering – market size provides growth potential

*European Gas Meter installation base is over 120 million units*



Source: Berg Insight (M2M Research Series 2016 - Smart Metering in Europe)

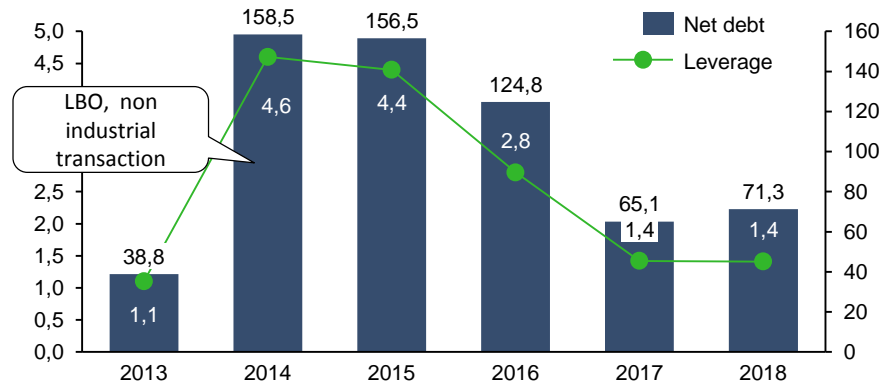
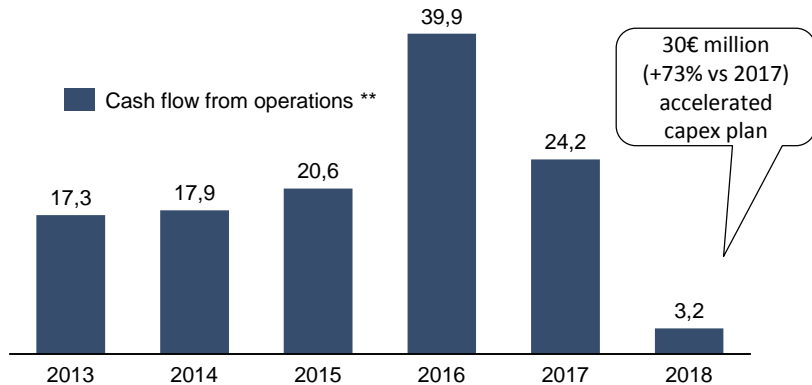
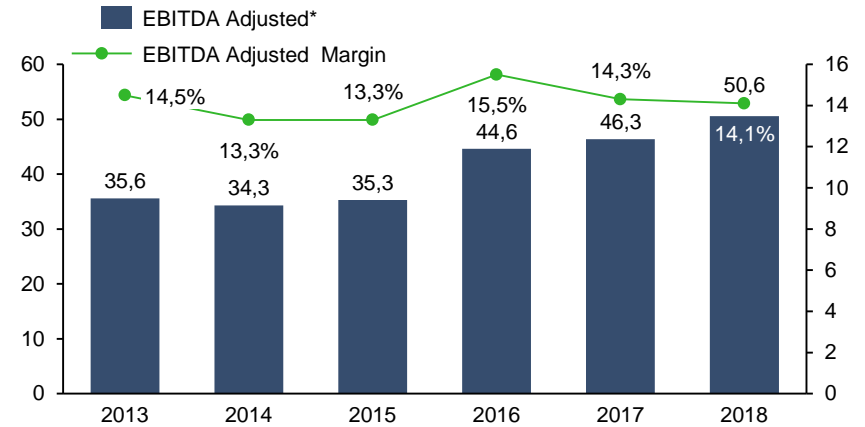
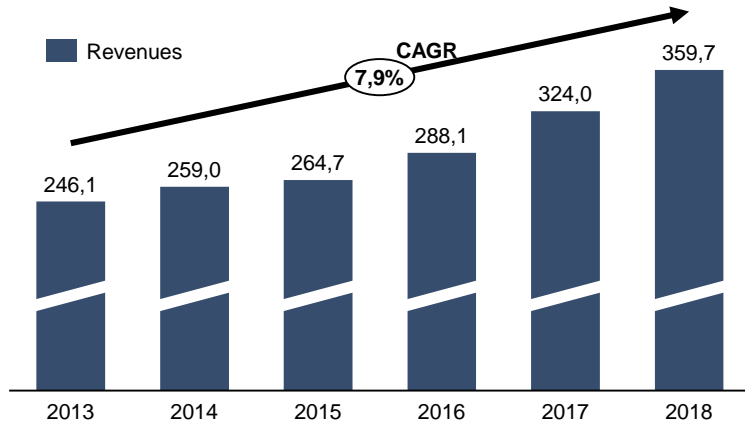
To current date main European countries are in different stages of massive residential meters roll-out plans

- **UK:** regulatory framework (SMET2) requires to complete replacement of 100% of existing meters by 2020. Roll out recently shifted to Mar 2019, allowing to install SMET1 meters up to this date.
- **Italy:** ARG/GAS/554/15 issued in Nov 2015 requires substitution of 60% of total meters by 2019. Currently (2018A) substitution or assigned is estimated 50% of the installed base.
- **Germany:** former cost/benefit analysis had a negative outcome and roll out plan is currently on hold; cost/benefit analysis update is expected
- **France:** cost/benefit analysis had a positive outcome and first wave of roll out plan is defined. Second wave is expected in 2019
- **Spain:** former cost/benefit analysis had a negative outcome; cost/benefit analysis update is expected
- **Netherlands:** regulatory framework defined in 2013 and roll-out plan defined in 2014 and roll out in course

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# Key financials



\*Ebitda *Adjusted* excludes extraordinary and non recurring items

\*\*Cash flow from operations is before debt service

[€-millions]





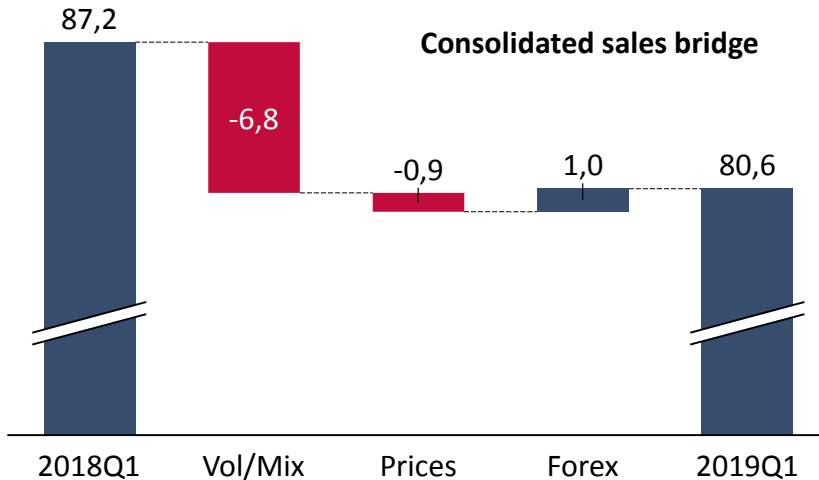
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# 2019Q1 – Revenues

## Breakdown by Division

Euro million	2019Q1	%	2018Q1	%	diff %
Heating	62,1	77,1%	70,4	80,7%	(11,7%)
Smart Gas Metering	17,7	21,9%	16,1	18,5%	9,6%
<b>Total business sales</b>	<b>79,8</b>	<b>99,0%</b>	<b>86,5</b>	<b>99,1%</b>	<b>(7,8%)</b>
Other revenues	0,8	1,0%	0,8	0,9%	6,7%
<b>Total revenues</b>	<b>80,6</b>	<b>100%</b>	<b>87,2</b>	<b>100%</b>	<b>(7,6%)</b>



*Vol/Mix:*

*Heating, -9,4€, -13,3%*

*Smart Gas Metering, +2,5€, +15,5%*

*Price: mainly related to Smart Gas Metering*

*Forex: is all in Heating*

# 2019Q1 - Heating sales by geography

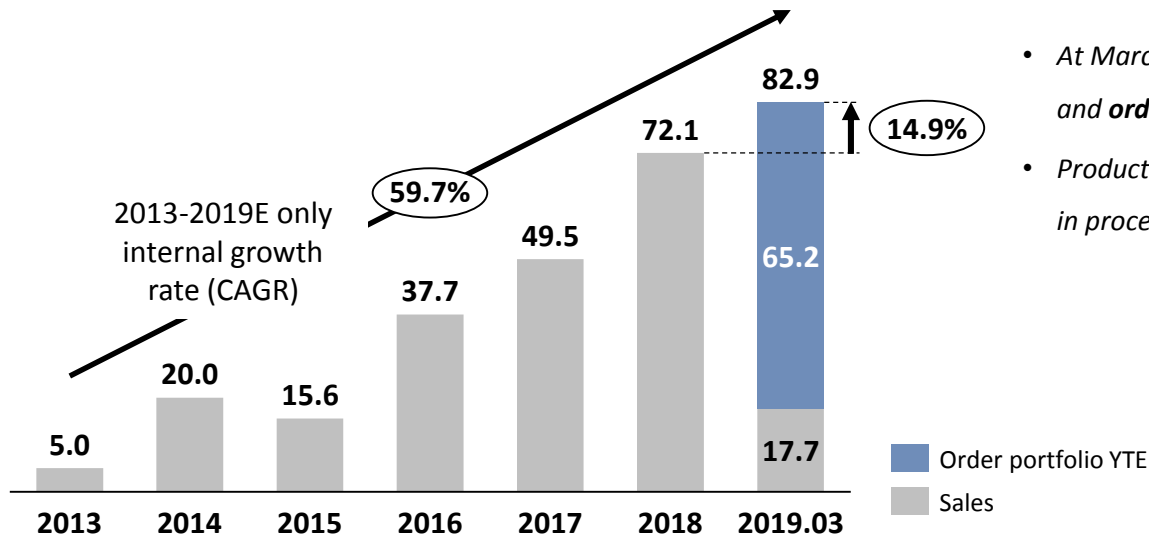
Euro million	2019Q1	%	2018Q1	%	diff %
Italy	10,9	17,6%	12,4	17,7%	(12,2%)
Europe (excluding Italy)	32,1	51,7%	39,8	56,6%	(19,4%)
America	13,7	22,1%	11,5	16,3%	19,4%
Asia / Pacific	5,4	8,6%	6,6	9,4%	(18,8%)
<b>Total business sales</b>	<b>62,1</b>	<b>100%</b>	<b>70,4</b>	<b>100%</b>	<b>(11,7%)</b>

- *Italy reflects exceptional demand in 2018Q1*
- *Main drivers of sales trend in Europe (-7,7€) are:*
  - *Turkey (-6,6€, -51,7%, going from 17,9% to 9,8% of Divisional business sales) because of change in regulation that took place in 2018Q1 (adoption of ErP – Energy Related Products directive);*
  - *Ukraine and Cekia respectively -1,0€, -61,5% and -0,6€, -19,6% for different seasonality;*
  - *UK (approx. 11,1% of Divisional sales) is up 17,1%, +1,0€.*
- *America grows significantly (+2,2€, +19,4%, +1,3€, 10,9% at same forex rates)*
- *Trend in Asia/Pacific (-1,2€) is mainly due to*
  - *China, 4,3% of Divisional sales, which accounts -0,9€, -25,8% as the government incentive program (Coal to Gas policy), which was still effective in 2018Q1, is temporarily on hold and has been so for the remaining part of 2018FY*

# 2019Q1 - Smart Gas Metering keeps growing

## Smart Gas Metering business sales by application

Euro million	2019Q1	%	2018Q1	%	diff %
Residential	16,7	94,6%	15,5	96,0%	8,0%
Commercial & Industrial	0,9	5,0%	0,6	3,6%	52,9%
Other	0,1	0,4%	0,1	0,4%	(4,3%)
<b>Total business sales</b>	<b>17,7</b>	<b>100%</b>	<b>16,1</b>	<b>100%</b>	<b>9,6%</b>



- At March 2019, **business sales are €17,7** (+9,6% vs. 2019Q1) and **order portfolio stands at €65,2** for delivery in 2019
- Product qualification and pilot testing in foreign markets are in process

Euro million



# 2019Q1 - Key financial results

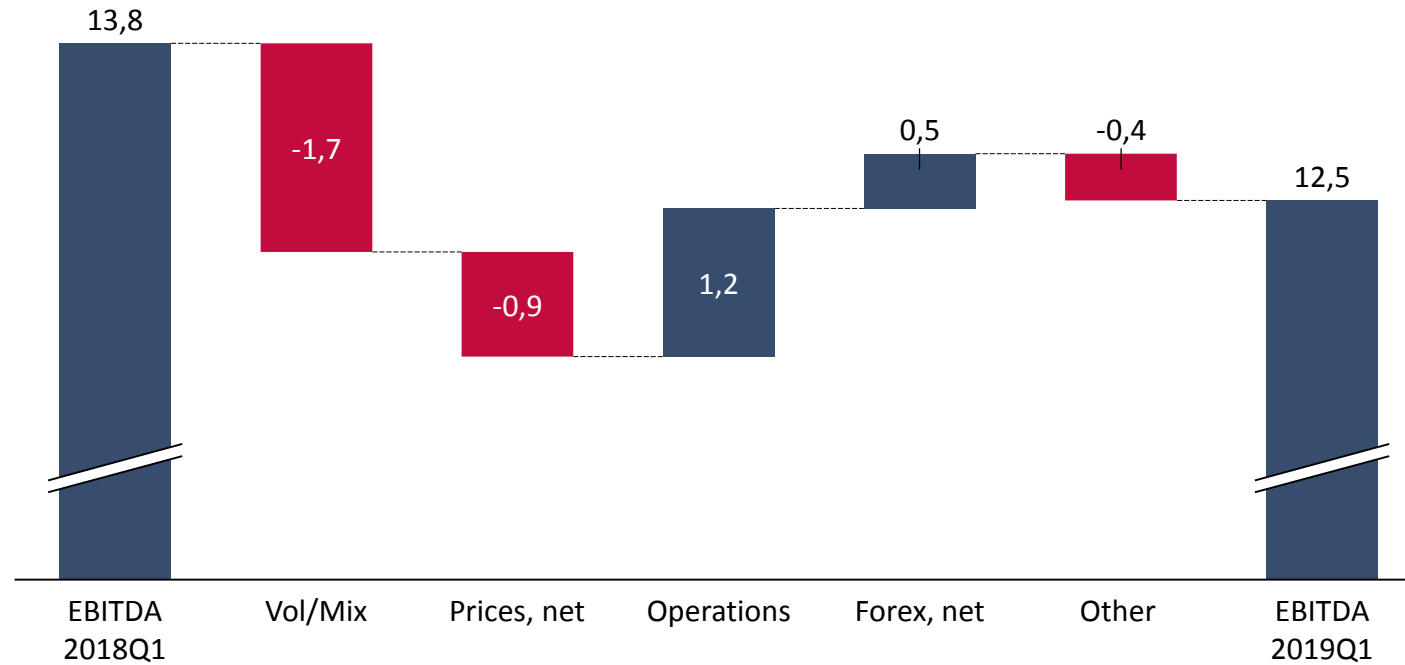
(Euro million)	2019Q1	%	2018Q1	%	diff%
Revenues	80,6	100,0%	87,2	100,0%	-7,6%
EBITDA <sup>(1)</sup>	12,5	15,5%	13,8	15,8%	-9,6%
EBIT <sup>(1)</sup>	7,1	8,9%	9,4	10,8%	-24,0%
Cash flow from operations	(12,2)		(19,8)		
NTWC	46,6	14,2%	47,3	13,4%	
Net financial debt <sup>(1)</sup>	91,0		85,1		

(1) First time adoption of IFRS 16 – Leases has the following impact on 2019Q1 financials: EBITDA +0,7€, EBIT +0,2€, Net financial debt +6,7€.

- Change in revenues of -7,6% is due to:
  - Heating, -8,3€, -11,7%
  - Smart Gas Metering, +1,5€, +9,6%
- At same forex rates revenues are -8,8%
- EBITDA, 12,5€, 15,5% of revenues reflects the improved efficiencies in internal operations and product redesign that have partially offset the decrease in revenues
- EBIT is 7,1€, 8,9% of revenues and accounts the increase in fixed cost due to the 2018FY accelerated capex plan
- 2019Q1 Cash flow from operations is -12,2€ after capex for 5,0€ (+20% vs LY)
- 2019.03 NTWC includes non recourse factoring for 14,7€ (0,6€ in 2018.03)

# 2019Q1 – EBITDA bridge

Euro million



- New product development
  - In the Heating sector, at the main industry trade exhibition (Frankfurt – ISH), SIT disclosed an advanced stage concept for a new platform of Integrated Systems that was very well received by customers
  - Product development for the US market of Water Heating applications is on going and the new platform will be introduced to target customers
  - In the Smart Gas Metering business substantial R&D resources are focused on the UK certification (that has revealed being a very high product specification standard)
- JV with local partner in India is being addressed as a possible way to grow in the Smart Gas Metering market
- Performance improvement initiatives:
  - Lean production projects extended from Romanian plant to other plants
  - Kick off of a company wide Digital transformation assessment and roadmap
- New organization with better Divisional integration has been deployed in the operations area

- The positive outlook for the **Smart Gas Metering** business is supported by the significant order backlog and consolidated improvement in product cost thanks to redesign and purchasing economies
- In the **Heating Division** volumes are expected to slightly contract versus the previous year also due to general economic conditions and external regulatory and policy framework
- Improvement initiatives will be partially offset by volume decrease and higher fixed cost base deriving from 2018 accelerated capex
- Overall, in the absence of significant changes in the general economy, the 2019FY target is to substantially maintain 2018FY revenue and operating margin levels



## Annexes

- Group history and milestones
- Heating business division – market segments and products
- 2014 LBO transaction
- April 2019 shareholder base
- Sales coverage and global manufacturing footprint
- Quality certifications and standards
- Regulatory statements
- Disclaimer

# Milestones in SIT history

## 1953: Established by Pierluigi and Giancarlo de' Stefani

## 1964 – 1997: international expansion

- 1964, first mechanical control exported to Germany
- 1974, first foreign European subsidiary in the Netherlands
- 1980s, new subsidiaries in US and Australia
- 1997, Chinese subsidiary in Shanghai

## 1999 – 2017: greenfield and acquisitions

- 1999, acquisition of ENCON, a Dutch manufacturer of electronic boards for gas appliances
- 2000, Mexican production site built from greenfield, acquisition of CATOBA and BRAY BURNERS
- 2004, acquisition of NATALINI, established manufacturer of fans and flue exhaust kits based in Macerata (Italy)
- 2010s, production capacity increase in Italy, NL, Romania (new plant in Brasov) and China (new plant in Suzhou)

## 2009 – 2016: Smart Gas Metering from scratch

- 2009, a joint venture (MeterRSit) was established to operate in the Smart Gas Metering business
- 2014, totality of the shares were bought out by SIT
- 2016, Metersit Romania was established and capacity increase was built in Brasov, Romania

## 2014: LBO, SAP and IFRS/IAS implementation

- Federico de Stefani acquired the 100% shares of SIT (opco SIT la precisa) through a LBO financed by BNP and Blackrock
- Worldwide SAP implementation went live on 1.1.2014
- Transition to IFRS/IAS accounting standards

## 2017 – AIM Italia listing via merger with Industrial Stars of Italy 2 (SPAC) - 20 July 2017

## 2018 – Main market listing (MTA) - 28 November 2018

# Heating business division – market segments and products

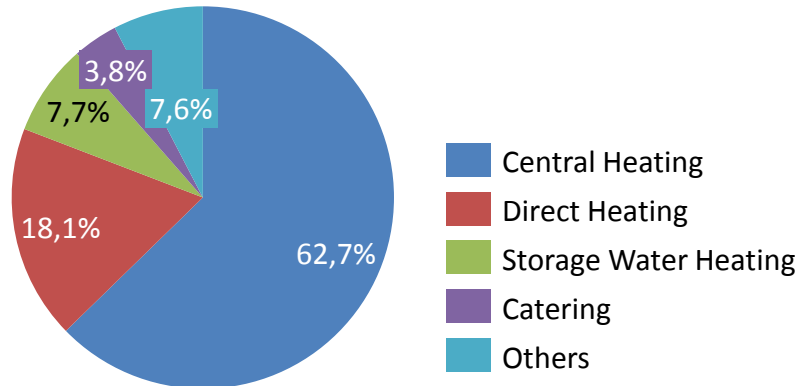
SIT operates significantly in the following market segments:

- **Central Heating**, boilers for domestic and water heating
- **Direct Heating**, gas stoves and fireplaces for room heating
- **Storage Water Heating** for domestic hot water
- **Catering**, professional and collective gas cooking appliances and high end cooker hoods

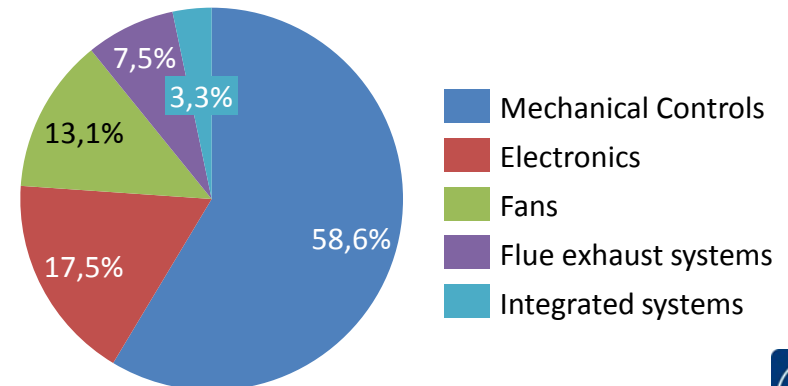
Current product families include:

- **Mechanical controls**, multifunctional safety valves for gas
- **Electronic controls**, mainboards for gas control and regulation; devices for remote control and user interface and displays
- **Fans**, applications for heating and cooking devices
- **Integrated systems**, pre tested and assembled modules for condensing gas boilers
- **Flues exhaust kits**, for domestic boilers

Sales breakdown by market segment (2018)



Sales breakdown by product family (2018)



# Heating business division – strong competitive position

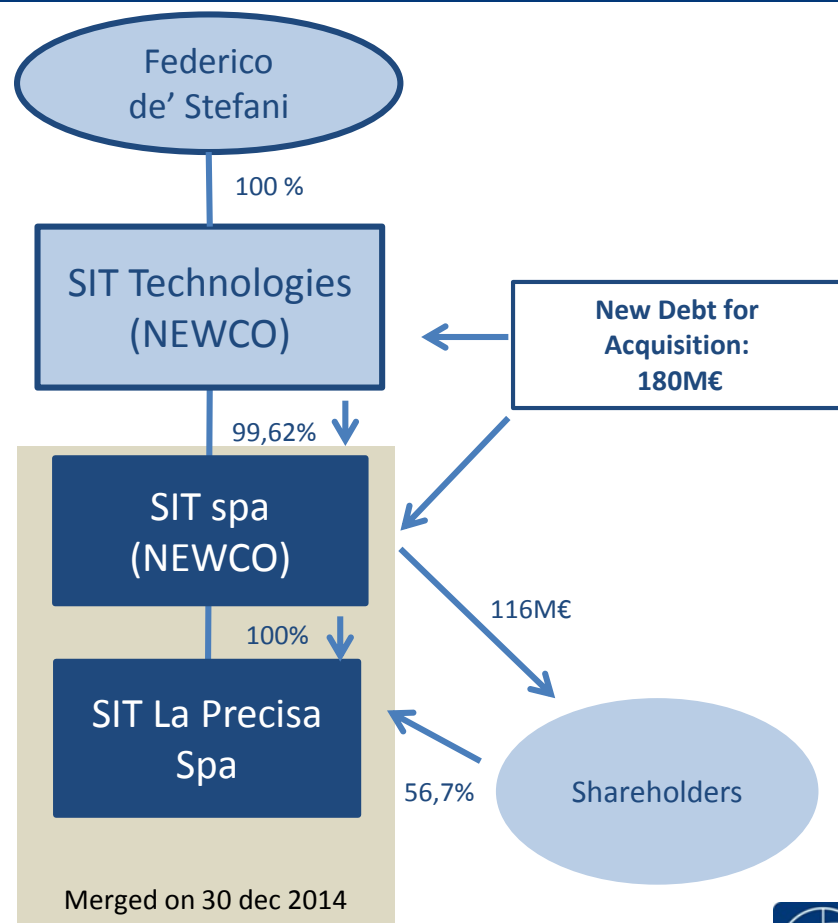
	Mechanical controls	Electronic controls
Central Heating	<ul style="list-style-type: none"><li>• 34,4% of Divisional revenues</li><li>• Market share ~50%</li><li>• #1 globally</li></ul>	<ul style="list-style-type: none"><li>• 10,6% of Divisional revenues</li><li>• Market share ~14% (excluding captive production)</li></ul>
Direct Heating	<ul style="list-style-type: none"><li>• 10,7% of Divisional revenues</li><li>• Market share ~22%</li></ul>	<ul style="list-style-type: none"><li>• 4,0% Divisional revenues</li></ul>
Storage Water Heating	<ul style="list-style-type: none"><li>• 7,6% of Divisional revenues</li><li>• Market share ~14%</li></ul>	

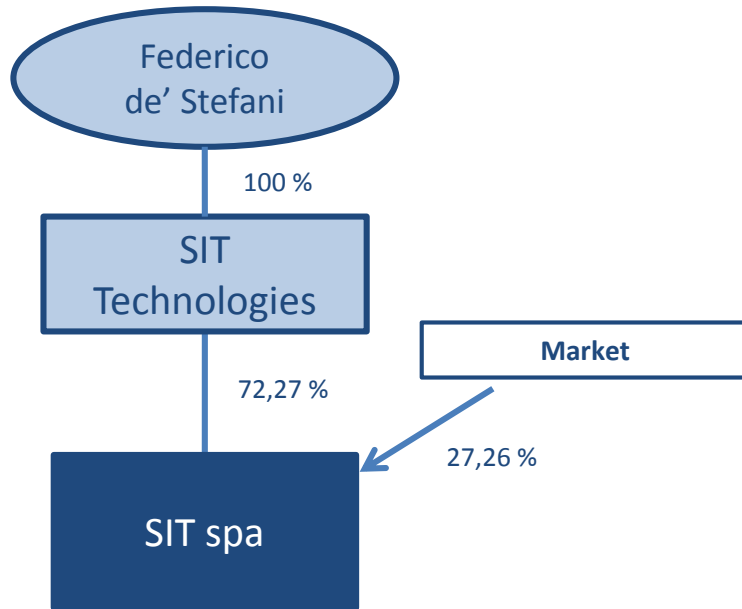
## SIT has significant market share in relevant Heating segments and is market leader for approx 1/3 of its total turnover

*Note: Since at the moment there is no existing reliable market research which provide the required level of detail, nor any official data, the statements of key information, the assessments concerning the positioning of SIT Group and the assessments regarding the market and the market segments of the reference market are based exclusively on assessments carried out by SIT's management, in accordance to its own knowledge of the market and its analysis of the data gathered. For such reason, these statements and assessments may not be updated and/or may also be quite approximate. Due to the lack of reliable and standardized data and of market data provided by third parties, these assessments are necessarily subjective and are provided, unless otherwise specified, by SIT on the basis of the analysis of the data it, as a company, has gathered. These evaluations and the performance of the industries in which SIT operates could prove to be different from those assumed due to the known and unknown risks, the uncertainties and other causes.*

# Change in 2014 net debt was due to LBO

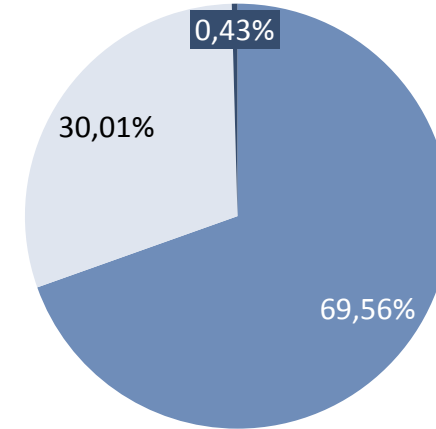
- In 2014 Federico de Stefani, acquired the 56,7% of SIT shares from other shareholders via LBO transaction using the 100% owned Newco SIT Technologies
- Equity value of the transaction was 116€
- Funding was provided at two levels:
  - SIT spa (newco): senior bank debt: 120€
  - SIT Technologies: subordinated debt 60€
- Proceeds were used for (i) payment of the acquisition (ii) reimbursement of existing debt at Opco level (iii) transaction costs
- Since 2014 all debt service and repayment was timely executed
- At EoP2016 outstanding gross debt was 159€
- In 2017 senior debt was refinanced (135€, non secured, 3,9y average duration) and shareholder loan completely reimbursed





## Shareholder structure as of April 7, 2019

- SIT Spa owns 0,47% of Treasury Shares

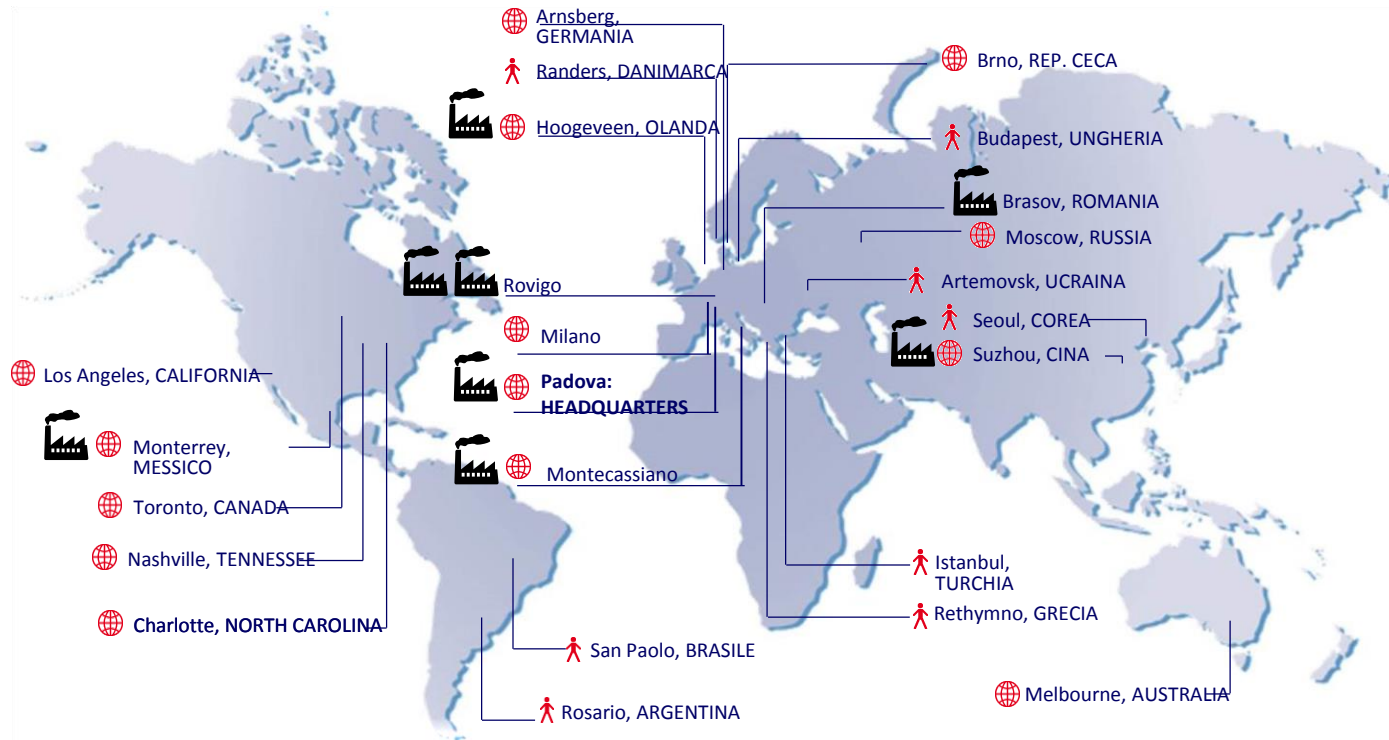


■ SIT Tech ■ Market ■ Treasury Shares

## Fully diluted scenario:

- Conversion of all n. 5.224.733 Warrants at €13.00, the acceleration share price (= 0,2868 conversion rate)
- Conversion of all n. 250.000 performance shares at 1:5 rate

# Global coverage of sales organization



-  **Production plant**
-  **Sales office**
-  **Agent**

# Manufacturing facilities based on *local for local* continental platforms



**Padova  
Italy**

- Headquarters
- All centralized SG&A functions
- R&D (mechanical controls, electronics, integrated systems, new product platforms)
- Labs for R&D and reliability (new project will upgrade and expand lab facilities for both Heating and Smart Gas Metering)

**Rovigo 1, Italy**



- Mechanical controls, Integrated systems, Sensors, Smart Gas Meters
- Captive aluminum die casting and machining
- High volumes automated assembly lines

**Rovigo 2**



**Brasov, Romania**



- Mechanical controls, Integrated systems, Smart Gas Meters
- High and low volumes assembly lines
- Direct shipments to customers and direct incoming inspection of components

**Macerata, Italy**



- Flue exhaust systems, Fans
- R&D department and testing facilities
- Assembly lines, direct shipments to customers

**Monterrey, Mexico**



- Mechanical controls
- Markets served: N.A.F.T.A., Australia and Argentina

**Suzhou, China**



- Mechanical controls
- Purchasing hub
- Moved to new plant in 2014

**Hoozeven, NL**



- Electronic controls
- Electronics R&D
- European and US customers served directly





# High quality standards and certifications

All plants comply with  
Quality System Certification  
ISO 9001:2000

Rovigo, Brasov and Monterrey  
facilities qualify for  
Environmental Management  
System Certification  
ISO 14001

**1965** - Product Certification DIN-DVGW

**1984** - Padova (Italy) plant Quality System Certification BS 5750

**1998** - Padova (Italy) plant Quality System Certification ISO 9001:1988

**1994** - Padova and Rovigo (Italy) plants Quality System Certification ISO 9001:1994

**1995** - Australian subsidiary Quality System Certification ISO 9001:1994

**2001** - Padova and Rovigo (Italy) plants Quality System Certification ISO 9001:2000

**2002** - Monterrey (Mexico) plant and Montecassiano plant Quality System Certification ISO 9001:2000

**2004** - English, Dutch and Australian subsidiaries Quality System Certification ISO 9001:2000

**2004** - Rovigo (Italy) plant Environmental Management System Certification ISO 14001

**2005** - Padova (Italy) plant - EMC testing laboratories Acknowledgement of “pre-compliance” testing activities according to EN 298 and conformity of this laboratory with EN ISO 17025

**2007** - Rovigo (Italy) plant Second production site Quality System Certification ISO 9001:2000

**2008** - Monterrey (Mexico) plant Environmental Management System Certification ISO 14001

**2009** - Brasov (Romania) plant Quality System Certification ISO 9001:2000

**2010** - Australian subsidiary, Padova, Rovigo and Pernumia plants Quality System Certification ISO 9001:2008

**2010** - Padova (Italy) – Testing Laboratory Acknowledgement of testing activity according EN ISO 17025 for gas controls European standards

**2013** - Suzhou (China) plant - Quality System Certification ISO 9001:2008

**2015** - Suzhou (China) plant - CGAC Manufacturing plant recognition

**2016** - Padova (Italy) – Testing Laboratory – CSA certificate of qualification

## **Regulatory statement:**

The manager responsible for the preparation of the company's accounts, Paul Fogolin, hereby declares, as per article 154-bis, paragraph 2, of the "Testo Unico della Finanza", that all information related to the company's accounts contained in this presentation are fairly representing the accounts and the books of the company.

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