



SITspa

MEDIA INFORMATION

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SIT: SAFETY, INNOVATION, TECHNOLOGY

SIT, headquartered in Padua, is a leading enterprise which operates through two divisions. The **Heating Division designs, produces and distributes components and systems** for the **control and safety of gas-based domestic heating** and catering equipment. The Group operates in the Smart Gas Metering sector (with the subsidiary **MeterSit**), producing new generation remote meters with real-time consumption readings and communication.

SIT is a **global leader** in its sector, while transforming itself from a **mechanical engineering enterprise into a business which can increasingly marry this aspect with electronics** in order to successfully take on the challenges that industry 4.0 presents for the global markets.

The company has a pervasive presence in our daily lives. So much so that across the **world one out of every two families** with a gas heating appliance has a SIT component in their home. The company is led by the Executive Chairman **Federico de' Stefani**, the son of one of the founders (with a 72% controlling stake) and is listed on the main segment of the **Italian Stock Exchange**.



Founded in **1953 by Pierluigi and Giancarlo de' Stefani** under the name SIT La Precisa, from the 1960's to the 1990's the company made significant headway on its markets (also internationally), culminating in 1997 with the opening of the Shanghai branch. From the end of the 1990's, acquisitions were made in the Netherlands and in Italy, with production capacity investments in Italy, the Netherlands, Romania, China and Mexico. In **2009**, the subsidiary MeterSit was incorporated (initially as a JV) and has become a pillar for business development.



The Group comprises **6 production companies** located in **Italy, Mexico, the Netherlands, Romania and China**. This geographic spread permits a “local” approach to the multinational development of the business, with the setting up of continental platforms to serve local markets.

SIT has significant market share in its operating regions and is the **global leader with over 1/3 of sector turnover**. The far-reaching **commercial network**, the **cutting-edge technology**, the **constant focus on innovation** - also in partnership with its main customers - **the major R&D investment** and **the commitment to its personnel** have enabled SIT to carve out this position.

KEY NUMBERS (at 31.12.2018)

2018 revenues	Euro 359.7 million (65% outside Italy)
Employees	2,019
Production facilities	6
Countries served	66
Patents	90
R&D Investment	4% annual revenue
Investment in Rovigo hub (2018)	Euro 30 million
Products manufactured per year	29 million

In the **Heating** segment, making up approx. 80% of 2018 revenues, SIT products can be found in many types of gas applications, such as **boilers for heating and safe hot water** (the main component), **stoves and gas fire places, applications for the production of safe hot water and professional kitchens**.

Smart Gas Meters are the **new intelligent meters which communicate data in real time**, measuring consumption accurately and with remote management. **The particular measurement technology developed by SIT** (known as **thermo-mass**) ensures **greater measurement precision** and a **significant reduction** in the physical size of the meter.

The **replacement of old gas meters** with new generation meters produced according to the new European directives (Directive EC 2009/73) provided the opportunity to develop this business. SIT has a **smart meter market share in excess of 30%** in Italy and is committed to introducing new communication protocols to make these products suitable for **international markets**, both within Europe and outside Europe.

SIT’s main clients include major domestic and international operators such as in the Heating segment **Ariston, Baxi, Bosch, De Longhi, Electrolux and Vaillant** and for Smart Gas Metering **Italgas and 2I Rete Gas**.

SIT'S GLOBAL PRESENCE



STOCK MARKET DRIVEN GROWTH

The project to list SIT on the stock market is a central pillar to the Group's growth and development.

Market leadership, stable earnings, an ability to innovate and major internal and external growth potential are the keys to success on which SIT presents itself to the financial markets.

SIT was initially listed on July 20, 2017 on the **AIM segment** of the Italian Stock Exchange through merging with the Special Purpose Acquisition Company (SPAC) **Industrial Stars of Italy 2**, promoted by **Attilio Arietti**, founder and Chairman of Oaklins Arietti, and **Giovanni Cavallini**, former Chairman of Interpump.



The injection of new capital by the SPAC (approx. Euro 50 million) and the majority shareholder, the **improved financial structure** and **strong cash generation** have opened further growth opportunities for SIT - both organically (**investments in innovation and production**) and through acquisitions.

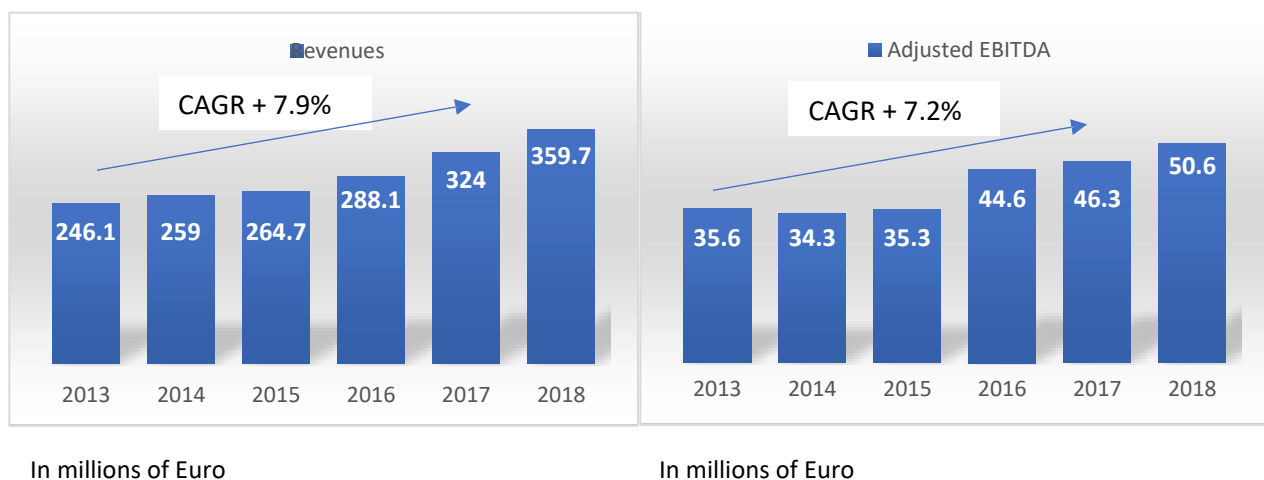
The Business Combination with Indstars 2 has also significantly cut financial charges following the simultaneous debt restructuring, with an estimated saving of approx. Euro 15 million (estimate calculated on 2016 figures).

On November 28, 2018, SIT completed the transfer to the main segment (**Mercato Telematico Azionario**) of the Italian Stock Exchange. The main benefits from this step were the greater visibility among strategic partners and institutional investors, in addition to improved share liquidity as accessing a larger capital market with a wider range of potential investors.

A SOLID AND HIGHLY-PERFORMING ENTERPRISE

SIT over recent years has delivered operating - financial performances which highlight the capacity of the company to generate **significant and stable earnings** alongside a well-managed **balance sheet**.

SIT **revenues** in the 2013-2018 period in fact grew at a compound annual growth rate (CAGR) of **7.9%** to Euro **359.7 million** in the last year (+11% over 2017), with an **Adjusted EBITDA** which over the same period has risen **7.2%** and a margin within the **13.3% to 15.1%** range (14.1% in 2018).



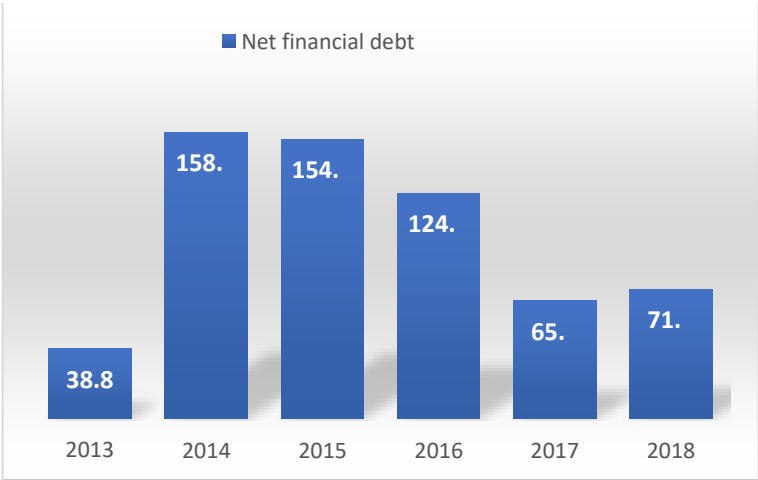
Both business divisions contributed to these strong results.

The **Heating Division** (revenues of **Euro 287 million**) reported growth of 4.7%, driven by strong performances on the European and American markets. China however reported a slowdown due to the suspension of the government incentive plan (“coal to gas policy”), which was fully operational in 2017.

The **Smart Gas Metering** Division (sales of Euro 72.1 million) reported growth of **45.9%** on 2017, enabling us to consolidate the strong competitive position on the Italian market. The Smart Meters business for the Group represents a major growth driver considering that, in the period 2013-2018, extraordinary sales figures have been reported with **compound annual growth of 70.5%**.

After such extraordinary organically-driven growth, SIT expects in the coming years **growth at more contained levels** and the cornerstone of our activities will be **improved margins** and **cash flow optimisation**.

The **debt structure was altered** in 2014 with the acquisition by Federico de' Stefani, through SIT Technologies, of the holdings of the other family members by means of a family buy-out supported through bank loans and by the parent company. A **new financial structure** was put in place in 2017, allowing the bank loans and the loans from the subsidiaries to be repaid early.



In millions of Euro

A FUTURE-FOCUSED APPROACH SINCE THE BEGINNING

SIT is focusing on the **technological development of its products** in the belief that innovation will drive the business's future growth.

The business looks in particular to the development of **electronic and mechanical solutions that are increasingly integrated**, able to communicate with the external environment through the **most modern internet of things technology (IOT)**, easy to use and at the same time capable of maximising comfort performance while **reducing energy consumption as much as possible**.

In Electronics, new products continue to be developed with the aim of improving SIT's presence in this sector, in particular in the form of co-design projects focusing on remote control, **colour touchscreen control panels**, the **integration of Home Automation devices** (integration with Amazon Alexa and Google Home) and integrated multi-burner applications which use oxygen sensors.

SIT is also working on developing **meter intelligence so that they not only measure consumption but communicate with the boiler** (cut supply in the case of faults, malfunctioning) and therefore become an **integral part of domotics**.



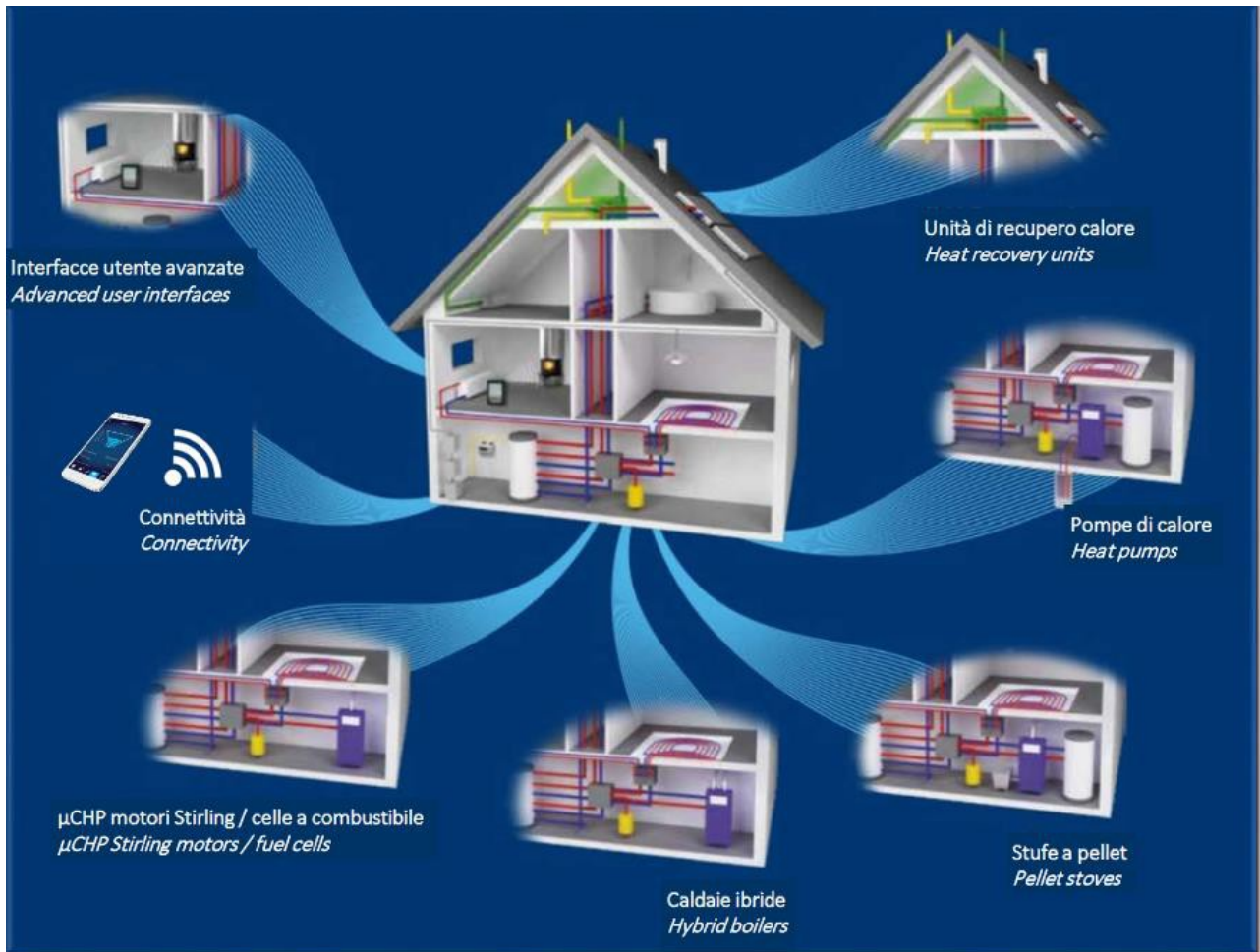
For domotics applications, a new NB-IoT meter using the **4G technology** designed for meter sensors has been developed. This application will have advantages such as reduced battery consumption and therefore **lower environmental impact**, together with improved communication quality.

Also in terms of connectivity, an **application which allows for prepaid gas consumption** through a recharge system is under development. This functionality permits a simpler and more cost-efficient management of gas consumption in second homes and in dwellings not inhabited on a continuous basis. By viewing the residual cubic meters directly on the app, only the amount needed for a limited period of time can be recharged and therefore **fixed costs can be avoided**.

The particular meter technology developed by SIT provides more accurate measurement, a significant reduction in the physical size of the meter and allows for the **measurement of differing types of methane gas** (including for example biogas) with the same product, distributed through the network at various pressure levels, while **hydrogen metering is currently being tested**.

This feature opens up additional opportunities for the enterprise in countries who have set a **zero-carbon emissions** goal, such as in particular the **United Kingdom** and the **Netherlands**.

CONNECTED HOMES EMERGING TECHNOLOGIES



ROVIGO FACILITIES, SIT'S MANUFACTURING CORE

SIT's manufacturing core has been located in **Rovigo for over 30 years**. This location is a key hub of SIT's **technological know-how development** and an international competence center for die-casting.

This manufacturing competence center was chosen to both boost and streamline global production capacity as the focus of an **investment plan** (approx. **Euro 30 million**) whose pillar was the **development of the facility** and the creation of an **integrated logistics hub in Italy** and of a **hundred new jobs**. The construction of a **new workshop** has also begun in this area.



We have therefore reached the third chapter linking SIT to Rovigo. This bond has organically developed since the founders Pierluigi and Giancarlo de' Stefani placed their trust in the region.

In **1981**, the de' Stefani family acquired the **Imer facility** (now Rovigo 1) - then a de-commissioned textiles factory - to make it their main plant. The foundry department and the main processes are located here. SIT Sensori's works were also stepped up in 2014, centering on the manufacturing of atmospheric analysers, gas valves and thermostats and sensing elements. The growth continued in 2004 with the acquisition of the **Gasco facility** (now Rovigo 2).



Area: 4,200 sq. mtrs.

production capacity:

- 3.6 million valves assembled

ROVIGO 1 FACILITY



Surface area: over 32,000 sq. mtrs., of which
16,500 covered

Production capacity:

- 3.2 million kg of aluminium for valve bodies
- 15 die-casting islands
- 11.5 million die-casts
- 3.2 million magnetic groups
- 3 million thermocouples for thermostat valves

ROVIGO 2 FACILITY

SUSTAINABILITY AS A DAILY COMMITMENT

Sustainability for SIT is a **strategic focus** and at the same time a **daily commitment**. This is due to the fact that the concepts of home and workplace **safety** and **energy efficiency** are **written into the business's DNA**.

The Smart Gas Metering division in fact develops products to facilitate the immediate control of consumption by the end-user, **enabling more informed behaviour - and therefore cutting waste - while at the same time reducing environmental impacts**. Investments to develop these operations are entirely focused on the **energy transition** from gas to even cleaner combustibles, with a goal of **zero emissions**.

Concrete examples of SIT's focus on actions driven by sustainability include at the Rovigo plant, for example, the installation of a new washing machine to wash aluminium die-castings with **water and surfactants** instead of chemical products.

At the same facility, independently-controlled **LED lighting** solutions were also introduced to contribute to energy saving.



The development of **Human capital** is an additional pillar of the sustainability policy. SIT focuses in particular on the **training** of its personnel. In 2018, the company focused on lean transformation training, involving around 60 manual and administrative employees for a total of approximately **1,330 training hours**. The lean transformation of our Romanian facility also began, accompanied by several training activities to be further strengthened in 2019 and continue in 2020.

Training also focused on **workplace safety**.

In 2019, an initiative in this area involving approximately 400 people for a total of **3,722 training hours** concluded.