EQUITA

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SIT GROUP | 1H19 Results

BUY *(Unchanged)*

Target: € 10 *(Prev. €11.4)* | Risk: High

EQUITY RESEARCH

Italy | Industrials

STOCK DATA	
Price € (Ind Stars of Italy 2)	8.60
Bloomberg code	SIT IM
Market Cap. (€ mn)	215.1
Free Float	28%
Shares Out. (mn)	23.7
52-week range	7.48 - 11.05
Daily Volumes (mn)	0.003

PERFORMANCE	1M	3M	12M
Absolute	-2%	6%	-20%
Rel. to FTSE all shares	2%	2%	-7%

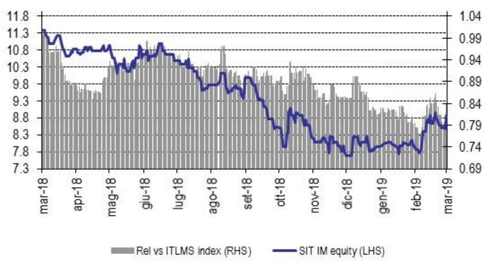
MAIN METRICS*	2018	2019E	2020E
Revenues	359.7	359.8	367.8
Adjusted EBITDA	50.4	50.2	51.9
Adj. net income	24.2	23.1	24.5
Adj. EPS - € cents	91	87	93
DPS ord - € cents	28	28	28

MARKET RATIO*	2018	2019E	2020E
P/E adj (FD)	9.4 x	9.9 x	9.3 x
EV/EBITDA adj (FD)	6.0 x	5.9 x	5.3 x
ROCE	8.3%	9.6%	10.3%

REMUNERATION*	2018	2019E	2020E
Div. Yield ord	3.3%	3.3%	3.3%
FCF yield	-4.0%	6.2%	12.3%

INDEBTEDNESS*	2018	2019E	2020E
NFP	-71	-64	-44
Debt/EBITDA (adj)	1.4 x	1.3 x	0.8 x
Interests cov (adj)	n.m.	11.4 x	23.6 x

PRICE ORD LAST 365 DAYS



GOOD METERING BUT HEATING IS STILL SUFFERING

Sit's results came out almost in line with expectations at operating level and debt (Ebitda -7.7% YoY), but lower than forecasted at Adj. Net Income level (-54% YoY), due to higher D&A and taxes. In line with the trends already emerged during the last months, Heating (-12.8% YoY or 74% of Ebitda) is still suffering, while Metering (+29.6% YoY or 25% of Ebitda) is even better than expected. Order backlog would suggest Metering to remain strong for the whole year, while visibility on Heating recovery is still low. We have reduced NI forecasts by -14% and valuation by -12% to €10ps confirming the BUY call. At 9.2x PE adj. in 2020 SIT discounts already the bad news in heating (-35% discount vs peers in 2020)

■ Metering significantly up (+29.6%) but heating still weak (-12.8%)

Sit's results came out almost in line with expectations at operating level and debt, but lower than forecasted at Adjusted Net Income level (due to higher D&A and taxes). **More in details in the 1H19:**

- **Sales at €167.2mn (-4.6% YoY)** vs €165mn expected;
- **Ebitda Adjusted at €21.7mn (-7.3% YoY)** vs €21.5mn expected;
- **Net Income adjusted at €5.82mn (-54.9%YoY)** vs €6.7mn expected;
- **Nfp (incl. IFRS16) at €87.6mn** vs €84mn expected:

As indicated, the decrease in Sales was expected and mainly generated by:

- **A weak performance of the Heating division (-12.8% YoY at 74% of Ebitda)** impacted by the continued reduction in Chinese demand (-26.9% YoY), and the general Global Economic slowdown;
- **A very good contribution of the Metering division (+29.6% YoY up to 25% of Ebitda),** thanks to the continued roll out of smart gas meters in Italy (as per current regulation) and to the increase in market share.

■ Indications from the conference

- **The outlook for metering remains attractive** (1H19 order backlog would suggest a +23%/+25% in sales for the division in 2019) while **the heating segment remains under pressure,** with the exception of the US market. July and August signed an improvement, but the visibility remains low;
- **New initiatives have been launched in the field of "lean" production and "digital transformation"** from which management expects some 3-4 €mn costs benefit at regime (2021);
- **New investments in R&D has been also launched** with the aim to introduce new solutions (mainly in the field of electronic components).
- **For what regards M&A, Sit is confident to achieve a deal through 2020.**

■ Reducing estimates and valuation. BUY is confirmed

In light of the low visibility in the recovery of the heat division, **we are reducing our Net Income forecasts in the region of -14% from 2020 onwards, cutting our valuation by -12% to €10ps**. We **have confirmed our BUY recommendation** as we believe Sit has:

1. **A good position in its reference market**. With a relevant global market share (up to 50% in the mechanical controls);
2. **Attractive underlying market drivers and visible outlook in metering,** thanks to a good mix of regulatory requirements, continued urbanization/gas penetration and higher technological requirements;
3. **An attractive valuation.** SIT is currently trading at 9.3x PE adj. (ex PPA); 5.6x EV/EBITDA with a 14% Ebitda margin, and a yield of 3.8% as measured on 2020. This is some -30%/-35% discount vs industrial peers.

MAIN FIGURES € mn	2016	2017	2018	2019E	2020E	2021E
Revenues	**288.1**	**324.0**	**359.7**	**359.8**	**367.8**	**375.4**
Growth	9%	12%	11%	0%	2%	2%
EBITDA	**43.5**	**44.2**	**44.0**	**50.2**	**51.9**	**53.8**
Growth	35%	2%	-1%	14%	3%	4%
Adjusted EBITDA	**44.6**	**45.8**	**50.4**	**50.2**	**51.9**	**53.8**
Growth	26%	3%	10%	0%	3%	4%
EBIT	**23.5**	**25.2**	**24.0**	**28.2**	**29.2**	**30.9**
Growth	95%	7%	-5%	18%	4%	6%
Profit before tax	**5.1**	**-21.4**	**32.2**	**23.8**	**27.0**	**30.4**
Growth	-194%	-520%	-251%	-26%	13%	13%
Net income	**1.7**	**-23.3**	**24.4**	**18.9**	**20.3**	**22.4**
Growth	302%	-1442%	-205%	-23%	7%	10%
Adj. net income	**5.2**	**19.2**	**24.2**	**23.1**	**24.5**	**26.6**
Growth	11%	268%	26%	-4%	6%	9%

MARGIN	2016	2017	2018	2019E	2020E	2021E
Ebitda Margin	15.1%	13.6%	12.2%	13.9%	14.1%	14.3%
Ebitda adj Margin	15.5%	14.2%	14.0%	13.9%	14.1%	14.3%
Ebit margin	8.1%	7.8%	6.7%	7.8%	7.9%	8.2%
Pbt margin	1.8%	-6.6%	9.0%	6.6%	7.3%	8.1%
Ni rep margin	0.6%	-7.2%	6.8%	5.2%	5.5%	6.0%
Ni adj margin	1.8%	5.9%	6.7%	6.4%	6.7%	7.1%

SHARE DATA	2016	2017	2018	2019E	2020E	2021E
EPS - € cents	6.9	-92.4	92.1	71.3	76.5	84.5
Growth	n.m.	-	1239%	-177%	-17%	19%
Adj. EPS - € cents	20.6	75.9	91.1	87.3	92.5	100.5
Growth	-	-	343%	15%	2%	15%
DPS ord - € cents	0.0	24.7	28.0	28.3	28.3	28.3
BVPS - €	2.7	4.2	4.7	5.2	5.7	6.2

VARIOUS - € mn	2016	2017	2018	2019E	2020E	2021E
Capital emloyed	203	180	207	212	204	191
FCF	20	0	-9	14	28	36
Capex	-9	-17	-38	-22	-15	-15
Working capital assets	15	15	19	24	25	20

INDEBTNESS - €mn	2016	2017	2018	2019E	2020E	2021E
NFP	-125	-65	-71	-64	-44	-15
D/E (adj)	1.80 x	0.62 x	0.57 x	0.47 x	0.29 x	0.09 x
Debt/EBITDA (adj)	2.8 x	1.4 x	1.4 x	1.3 x	0.8 x	0.3 x
Interests cov (adj)	2.4 x	1.0 x	n.m.	11.4 x	23.6 x	107.7 x

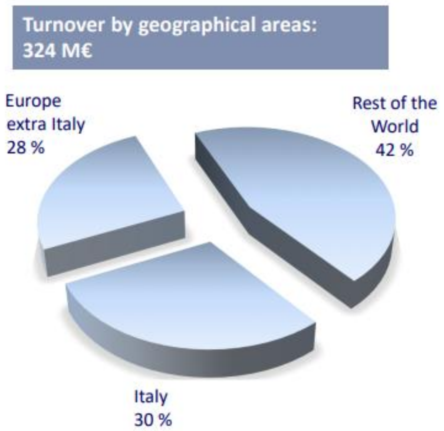
MARKET RATIOS	2016	2017	2018	2019E	2020E	2021E
P/E ord	142.4 x	-9.3 x	9.3 x	12.1 x	11.2 x	10.2 x
P/E ord Adj	47.6 x	11.3 x	9.4 x	9.9 x	9.3 x	8.6 x
PBV	3.6 x	2.1 x	1.8 x	1.7 x	1.5 x	1.4 x
P/CF	11.4 x	-50.7 x	5.1 x	5.6 x	5.3 x	5.0 x

EV FIGURES	2016	2017	2018	2019E	2020E	2021E
EV/Sales (Fully Diluted)	1.3 x	0.9 x	0.8 x	0.8 x	0.8 x	0.7 x
EV/EBITDA (Fully Diluted)	8.7 x	6.5 x	6.9 x	5.9 x	5.3 x	4.6 x
EV/EBIT (Fully Diluted)	16.0 x	11.4 x	12.7 x	10.6 x	9.5 x	8.0 x
EV/CE (Fully Diluted)	1.9 x	1.6 x	1.5 x	1.4 x	1.4 x	1.3 x

REMUNERATION	2016	2017	2018	2019E	2020E	2021E
Div. Yield ord	0.0%	2.9%	3.3%	3.3%	3.3%	3.3%
FCF yield	8.0%	-0.1%	-4.0%	6.2%	12.3%	15.7%
ROE	2.5%	-22.1%	19.5%	13.8%	13.5%	13.6%
ROCE	8.3%	10.1%	8.3%	9.6%	10.3%	11.7%

Source: Company data and EQUITA SIM estimates

BUSINESS DESCRIPTION

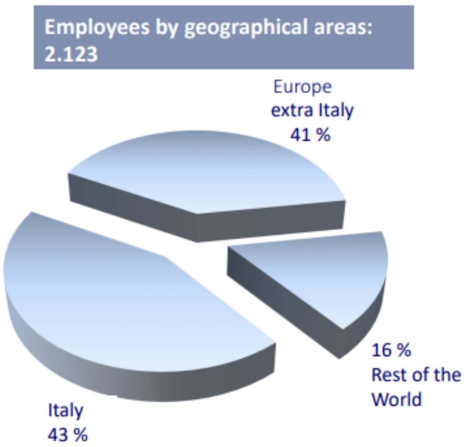


"SIT", established in 1953 by the "de' Stefani" family, **is an "Industrial Player" active in the manufacturing of "systems and components"** for **the gas equipment**. Headquartered in Padova (PD), "SIT" is a multinational company which annually deals with 30 mn of produced units, out of which 75% are sold internationally.

The above described activities are organized and managed in two business units:

1. **The "Heating Division" (75% of sales) which designs, produces and distributes systems and components**, for the safety, regulation, comfort and performance of the gas equipment used in the domestic heating, in the cooking facilities as well as in domestic appliances and water heaters.

2. **The "Smart Gas Metering" division (25% of sales) which designs, engineers and produces meters for the gas market,** with smart functionalities including the "remote" control, measurement, readership and communication of gas consumptions.



5 YEARS HISTORICALS RESULTS

MAIN METRICS	2013	2014	2015	2016	2017	2018
Heating Revenues	239.9	235.6	247.2	249.8	274.0	287.0
Smart Meters Revenues	5.9	20.0	15.6	37.8	49.5	72.1
REVENUES - €mn	**245.8**	**258.4**	**264.1**	**288.1**	**324.0**	**359.7**
Growth %	-	-96.2%	2971.9%	5.1%	2.2%	9.1%
EBITDA adj - €mn	**35.4**	**34.3**	**35.3**	**44.6**	**45.8**	**50.4**
Growth %	-	-3.0%	2.8%	26.4%	2.7%	9.9%
Ebitda margin %	14.4%	13.3%	13.4%	15.5%	14.2%	14.0%
NET INCOME adj (Ex ppa)	**9.5**	**-6.0**	**4.7**	**5.2**	**12.2**	**23.3**
Growth %	-	nm	nm	10.6%	135.3%	90.6%

Source: Company data and EQUITA SIM estimates

■ Pillars of the equity story and summary of the expected growth

Considering the success of the past 60 years, we believe the future strategy of the group will mainly be addressed to:

1. **Increase the "share of wallet"** of SIT's product within the same device, also providing more integrated solution to its own clients
2. **Consolidate its geographical presence** (mainly in Europe for the metering)
3. **Increase market share in America & Asia** also through new products and functionalities
4. **Entering new countries** thanks to an already well established logistic platform
5. **Exploit the regulatory framework allowances in the metering system** (mainly in Europe short term but also in other areas – ie Middle East)
6. **Improving capital structure and debt refinancing process** to allow for significant lower interest charges going forward
7. **Exploit eventual M&A** opportunities thanks to relevant FCF generation

Strengths / Opportunities	Weaknesses /Threats
- Consolidated long term presence in the industry with premium market share in the main products	- Complex logistics
- Global presence both with strong logistic platform	- Time to market requirements (sector characteristic)
- High technological content and highly automated process, in critical components for gas equipment	- Short term visibility
- Regulatory requirements helping business development	- Highly specific products in certain markets (ie US)
- Increasing penetration of gas usage at global level	- Low share of complete solutions
- Increase "Share of Wallet" of SIT components in SIT's product	- Increasing competition in mature markets, and in china (especially in the direct Heating)
- M&A opportunities on more balance capital structure	- Higher penetration of the "District" heating systems
- Increasing regulatory requirements (on polluting issue and energy savings) driving product substitution	- Exposure to regulatory frameworks (regulatory risk)
	- Exposure to currency fluctuation

METERS JUMPED IN THE QUARTER BU HEATING IS STILL WEAK

Sit's results came out almost in line with expectations at operating level (Ebitda -7.7% YoY) and debt, but lower than forecasted at Adjusted Net Income level (due to higher D&A and taxes). In line with the trends already emerged during the last months, Heating (74% of Ebitda) is still suffering while Metering (25% of Ebitda) is even better than expected. More in details in the 1H19:

- **Sales at €167.2mn (-4.6% YoY)** vs €165mn expected;
- **Ebitda Adjusted at €21.7mn (-7.3% YoY)** vs €21.5mn expected;
- **Net Income adjusted at €5.82mn (-54.9%YoY)** vs €6.7mn expected;
- **Nfp (incl. IFRS16) at €87.6mn** vs €84mn expected:

A summary of the reported figures as well as a comparison with our expectations is showed in the following table. We focus on the "Adjusted figures" which exclude the one-offs registered at Operating level as well as the fair value of the outstanding warrant under the SPAC mechanism in the Net financial charges.

1H19 RESULTS

	1H 18	1H19 EST		1H19 REP	
	SIT	EQUITA	YoY	SIT	YoY
REVENUES - €mn	**175.39**	**165.00**	**-5.9%**	**167.24**	**-4.6%**
Heating - €mn	141.18	64.50	-54.3%	123.11	-11.7%
Smart Gas Metering - €mn	32.74	17.00	-48.1%	42.43	9.6%
Other revenues - €mn	1.47	83.50	5572.6%	1.71	15.9%
EBITDA Reported (incl. IFRS16)- €mn	**20.03**	**nm**	**nm**	**21.13**	**5.5%**
MD severance costs	2.50	-	-	-	-
Listing to MTA segment	0.90	-	-	-	-
Building relocation and start up	-	-	-	0.80	-
Insurance rembursement	-	-	-	-0.80	-
Provision for CEO post IPO	-	-	-	0.40	-
Other	-	-	-	0.20	-
EBITDA Adjusted (incl. IFRS16)- €mn	**23.43**	**21.50**	**-8.2%**	**21.73**	**-7.3%**
Ebitda adj. margin	13.4%	13.0%	-	13.0%	-
NET INCOME Reported - €mn	**8.42**	-	-	**4.52**	**-46.3%**
Non recurring in Ebitda net - €mn	2.58	-	-	0.46	-
Fair value of warrants net- €mn	1.90	-	-	0.84	-
NET INCOME Adjusted - €mn	**12.9**	**6.70**	**-48.1%**	**5.82**	**-54.9%**
NFP (incl. IFRS16) - €mn	**-78.48**	**-84.0**	**-5.5 €mn**	**-87.58**	**- 9.1 €mn**

*** at YE 2018*
Source: Company data and EQUITA SIM estimates

As indicated above, the decrease in Sales was expected and mainly generated by:

1. **A weak performance of the Heating division (-12.8% YoY at 74% of Ebitda)** impacted by:
   - the continued slowdown in Chinese demand (-26.9% YoY), which suffered from both the prolonged delays in the "switch from coal to gas" government program as well as from the general Global Economic slowdown (also exacerbated by the duty war with Us). The comparison with 2018 figures is also "unfair" considering 2018 showed a boom of the Chinese demand during the 1H of the year;
   - a weak European contribution (-17.8% YoY) mainly due to the slowdown in Turkey and Italy;
   - a very strong US improvement (+16.1% YoY) thanks to a mix of new product commercialization and to strong underlying market demand.

2. **A very good contribution of the Metering division (+29.6% YoY up to 25% of Ebitda),** thanks to the continued roll out of smart gas meters in Italy (as per current regulation) and to the increase in the market share, due to the difficulties of some competitors to serve local distribution companies.

A summary of the trend in sales from a divisional perspective is provided in the following picture.

DIVISIONAL SALES

Euro million	2019H1	%	2018H1	%	diff %
Heating	123,1	73,6%	141,2	80,5%	(12,8%)
Smart Gas Metering	42,4	25,4%	32,7	18,7%	29,6%
Total business sales	**165,5**	**99,0%**	**173,9**	**99,2%**	**(4,8%)**
Other revenues	1,7	1,0%	1,5	0,8%	15,8%
Total revenues	**167,2**	**100%**	**175,4**	**100%**	**(4,6%)**

Source: Company presentation

The geographical split and the historical trend in Heating sales is showed in the following table. As you can observe, the division registered a 3.6% Cagr growth in the period 2013-2018 all based on "organic" improvements.

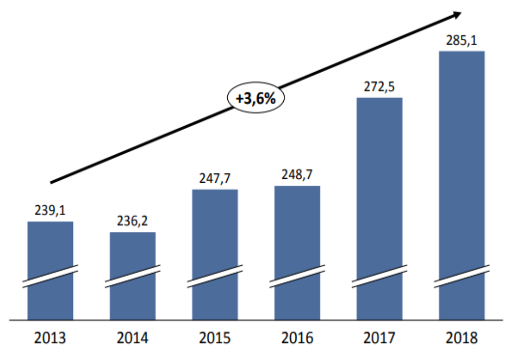
HEATING GEOGRAPHICAL SPLIT

Euro million	2019H1	%	2018H1	%	diff %
Italy	25,5	20,7%	28,4	20,1%	(10,1%)
Europe (excluding Italy)	57,4	46,6%	72,4	51,3%	(20,8%)
America	29,0	23,5%	24,9	17,7%	16,1%
Asia / Pacific	11,3	9,2%	15,4	10,9%	(26,9%)
Total business sales	**123,1**	**100%**	**141,2**	**100%**	**(12,8%)**

- *Italy reflects exceptional demand in 2018H1 due to export to China by Italian OEMs within Coal to Gas policy*
- *In Europe Turkey (-10,1€, -46,1%) because of change in regulation that took place in 2018H1*
- *America grows significantly (+4,0€, +16,1%, +8,8% at same forex rates)*
- *Trend in Asia/Pacific is mainly due to China which accounts -2,7€, -30,9% as the government incentive program (Coal to Gas policy) slowed down significantly*

Source: Company presentation

HISTORICAL TREND IN HETING SALES



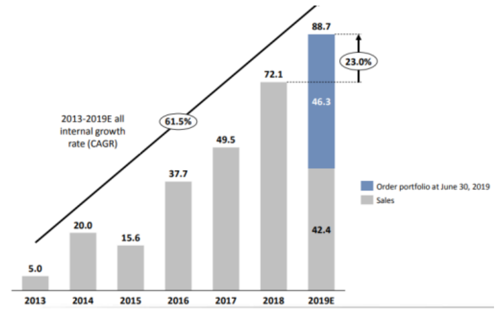
The main composition of the Heating sales is, instead, showed in the following table. Currently Sit sells meters only for the Italian market with geographical diversification expected in the coming years (starting from the Uk).

METERING SALES COMPOSITION

Euro million	2019H1	%	2018H1	%	diff %
Residential	40,0	94,4%	31,7	96,7%	26,4%
Commercial & Industrial	2,2	5,3%	1,0	3,0%	130,7%
Other	0,1	0,3%	0,1	0,3%	42,5%
Total business sales	**42,4**	**100%**	**32,7**	**100%**	**29,6%**

Source: Company presentation

METERING SALES AND BACKLOG



The YoY improvement of the Heating division is remarkable, with Sit not only benefiting from the already signed contracts, but also increasing its market share by capturing market quota of competitors (which proved to be "unable" to deliver product in time)**.** The market share of Sit in the Metering division, jumped to above 30%, with an order backlog of €46.3mn. **This currently points to an expected annual sales growth for 2019, in the region of +23%/+25%.**

■ Debt also impacted by the IFRS16 adjustments

The debt position of SIT is showed in the following table

DIVISIONAL SALES

Euro million	2019H1	2018H1
Current cash flow	**23,0**	**24,5**
Change in net working capital	**(14,8)**	**(21,3)**
Capex, net	**(7,7)**	**(11,6)**
Cash flow from operations	**0,5**	**(8,4)**
Financial charges, paid and accrued	(1,6)	(1,7)
Dividends paid	(7,0)	(6,0)
IFRS 16 - Leases	(0,6)	-
Other	(0,4)	0,4
Change in net debt	**(9,1)**	**(15,8)**

Net debt - BoP reported	**71,3**	**65,1**
IFRS 16 - BoP initial recognition	**7,1**	**-**
Net debt - EoP	**87,6**	**80,9**

Source: Company presentation

As indicated in the conference call, Sits expect to improve the net working capital position during the 2H of the year, and Is looking to achieve a 75-80 €MN pfn by the end of the year, including the higher investments for the headquarter restructuring the R&D Enhancement.

MESSAGES FROM THE CONFERENCE CALL

1. **The outlook for metering remains attractive.** As indicated above, the order backlog would suggest a +23%/+25% in sales for the division. From the 1Q2020 SIT should be able to acquire the certification for the UK market, which will allow to serve the country in the coming years. SITS expect the Uk market to be worth some 15 mn pieces out of which the group can initially gain a 5%-10% market share. The second generation of the metering is adding savings in the performance and cost and the 3rd generation (which is expected from 2021), will add additional benefits. Sit has also been awarded as partner for the development of a new technology for the UK market in the field of Hydrogen measurements. Although this is at a very initial stage, it may represents an interesting opportunity for SIT in the coming years.

2. **The heating segment remains under pressure, with the exception of the US market**. The global economic slowdown impacted performance of China and Europe. Sit indicated that July and August signed an improvement, but the outlook remains uncertain and the visibility remains low.

3. **New initiatives have been launched in the field of “lean” production and “digital transformation” from which management expects some 3-4 €mn of benefits at Ebitda level at regime** (not included in our expectations);

4. **New investments in R&D has been also launched** with the aim to introduce new solutions (mainly in the field of electronic components and integrated system). Sit is realising that the industry is somewhat transforming into “digital” thus requiring both “mechanical” and “electronic” component to work together in integrated products. The aim is to progressively increase the share of wallet of Sit’s component in OEM solutions.

5. **For what regards M&A, Sit is confident to achieve a deal through 2020.** The target will be companies that help to expand the integrated solutions.

BUY CONFIRMED WITH REDUCED TGT PRICE OF €10 (-12%)

Mainly as a consequence of the lower expected results in the Heating division (whose outlook remains uncertain) we are reducing SIT's net income in the region of -14%. We have also reduced our target price by -12% down to €10ps accounting for lower sector multiple and the lower income assumption.

We have confirmed out BUY recommendation. Despite the worse outlook in Heating, in fact, the metering is performing above expectations and we believe that, at 9.2x adjusted PE in 2020, the group already discounted the short term negative outlook in Heating.

The valuation summary is showed in the following table. Our target price implies a 14.9x PE as measured on 2020.

SUMMARY VALUATION

	TGT	Weight	Valuation	VALUE	Consideration
EV @ P/E RATIO	313.9	50%	PE 2019:	11.0 x	Avg PE 2020
EV @ DCF METHOD	386.0	50%	EXIT ROCE:	8%	1.% G; 5.6% Wacc
AVERAGE ENTERPRISE VALUE	**350.0**	**nm**	**nm**	**nm**	
Nfp	-84.0	nm	End of 2019 Nfp inc IFRS		
Minorities	0.0	nm	Nm		
Provisions	-5.2	nm	50% BV		
EQUITY VALUE	**260.8**	**nm**			
Shares	26.1	nm			
TARGET PRICE	**10.0**	**nm**	**Implied 2020 PE:**	**14.9 x**	
Upside	34.0%				

Source: EQUITA SIM estimates

We believe SIT 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. **An attractive valuation.** SIT is currently trading at 9.3x PE adj. (ex PPA); 5.6x EV/EBITDA with a 14% Ebitda margin, and a yield of 3.8% as measured on 2020. This is some -30%/-35% discount vs industrial peers

In the following table we report a peer analysis with the main reference metrics

PEERS COMPARISON

Stock	PE Adj.			EV EBITDA			EBITDA MARGIN			Dvd Yield			D / Ebitda		
-	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E
Brembo	15.1 x	15.3 x	14.5 x	7.0 x	6.7 x	6.2 x	19.3%	19.0%	19.0%	2.3%	2.5%	2.7%	0.6 x	0.4 x	0.2 x
Interpump	17.7 x	17.5 x	16.5 x	11.0 x	10.3 x	9.5 x	23.0%	23.2%	23.3%	0.9%	1.1%	1.3%	0.9 x	0.5 x	0.1 x
Datalogic	13.4 x	12.6 x	11.6 x	8.1 x	7.3 x	6.6 x	15.7%	16.2%	16.5%	3.1%	3.4%	3.7%	-0.2 x	-0.4 x	-0.7 x
Sabaf	16.8 x	14.3 x	13.3 x	7.8 x	6.9 x	6.5 x	17.3%	17.1%	17.4%	4.1%	4.1%	4.3%	2.5 x	2.3 x	2.1 x
Elica	22.0 x	15.7 x	11.5 x	6.2 x	5.3 x	4.7 x	9.0%	10.1%	10.6%	1.4%	1.9%	2.6%	1.5 x	1.1 x	0.8 x
Ima	20.4 x	16.8 x	15.3 x	10.7 x	9.1 x	8.3 x	17.9%	18.8%	19.0%	3.1%	3.3%	3.5%	2.0 x	1.5 x	nm
Carel	27.4 x	25.5 x	21.0 x	19.0 x	17.1 x	15.4 x	20.9%	21.2%	na	1.2%	1.3%	na	0.4 x	0.1 x	na
Industrials panel	**19.0 x**	**16.8 x**	**14.8 x**	**10.0 x**	**8.9 x**	**8.2 x**	**17.6%**	**17.9%**	**17.6%**	**2.3%**	**2.5%**	**3.0%**	**1.1 x**	**0.8 x**	**0.5 x**
SIT (FD)	**8.2 x**	**11.1 x**	**9.3 x**	**5.4 x**	**6.0 x**	**5.6 x**	**14.0%**	**13.6%**	**14.1%**	**3.8%**	**3.8%**	**3.8%**	**1.4 x**	**1.8 x**	**1.6 x**
Implied Discount	**-57%**	**-34%**	**-37%**	**-45%**	**-33%**	**-31%**	**nm**	**nm**	**nm**	**nm**	**nm**	**nm**	**nm**	**nm**	**nm**

Source: Company data and EQUITA SIM estimates

SENSITIVITY

SENSITIVITY ANALYSIS						
		PE MULTIPLE 2020				
		9 x	10 x	11 x	12 x	13 x
EXIT ROCE	10.0%	10.2	10.6	10.9	11.5	11.9
	9.0%	9.8	10.2	10.5	11.0	11.4
	8.0%	9.3	9.7	**10.0**	10.5	10.9
	7.0%	8.6	9.0	9.3	9.8	10.2
	6.0%	7.7	8.1	8.4	8.9	9.3

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
- Significant increase in interest rates
- Fluctuation in exchange rates

P&L	2016	2017	2018	2019E	2020E	2021E
Revenues	**288**	**324**	**360**	**347**	**353**	**356**
Growth	9%	12%	11%	-4%	2%	1%
Total opex	-244	-278	-309	-300	-303	-305
Growth	6%	14%	11%	-3%	1%	1%
Margin	-85%	-86%	-86%	-86%	-86%	-86%
Adjusted EBITDA	**44.6**	**45.8**	**50.4**	**47.0**	**49.7**	**50.6**
Growth	26%	3%	10%	-6.7%	6%	2%
Margin	15%	14%	14%	14%	14%	14%
Depreciation& amortization	-20	-19	-20	-23	-24	-24
Provisions	0	0	0	0	0	0
Depreciation&provistion	**-20.0**	**-19.0**	**-20.0**	**-23.0**	**-24.0**	**-24.5**
EBIT	**23.5**	**25.2**	**24.0**	**24.6**	**25.7**	**26.1**
Growth	95%	7%	-5%	3%	4%	2%
Margin	8%	8%	7%	7%	7%	7%
Net financial profit/Expenses	-18.4	-46.5	8.3	-7.5	-5.2	-3.0
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	**-18.4**	**-46.5**	**8.3**	**-7.5**	**-5.2**	**-3.0**
Non recurring pre tax	0.0	0.0	0.0	0.0	0.0	0.0
Profit before tax	**5.1**	**-21.4**	**32.2**	**17.1**	**20.5**	**23.1**
Growth	-194%	-520%	-251%	-47%	20%	13%
Taxes	**-3.4**	**-2.0**	**-7.8**	**-3.9**	**-4.2**	**-6.1**
Tax rate	32%	32%	32%	33%	33%	33%
Minoritiy interests	**0.0**	**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	**1.7**	**-23.3**	**24.4**	**13.2**	**16.3**	**17.0**
Growth	302%	-1442%	-205%	-46%	24%	4%
Margin	1%	-7%	7%	4%	5%	5%
Adj. net income	**5.2**	**19.2**	**24.2**	**17.5**	**21.0**	**21.2**
Growth	11%	268%	26%	-27%	20%	1%
Margin	2%	6%	7%	5%	6%	6%

CF Statement	2016	2017	2018	2019E	2020E	2021E
Cash Flow from Operations	19	18	32.4	35.6	40.6	41.6
(Increase) decrease in OWC	10	0	-3.5	-5.3	0.3	5.2
(Purchase of fixed assets)	-9	-17	-38.0	-29.0	-29.0	-22.0
(Other net investments)	0	0	0.0	0.0	0.0	0.0
(Distribution of dividends)	0	0	-6.0	-7.0	-7.4	-7.4
Rights issue	14	52	0.0	0.0	0.0	0.0
Other	0	0	0.0	0.0	0.0	0.0
(Increase) Decrease in Net Debt	**34**	**52**	**-15.2**	**-5.7**	**4.5**	**17.4**

Source: Company data and EQUITA SIM estimates

INFORMATION PURSUANT TO EU REGULATION 2016/958 supplementing Regulation EU 596/2014 (c.d. MAR)

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RECOMMENDATION/RATING	Low Risk	Medium Risk	High Risk
BUY	ETR >= 10%	ETR >= 15%	ETR >= 20%
HOLD	-5% <ETR< 10%	-5% <ETR< 15%	0% <ETR< 20%
REDUCE	ETR <= -5%	ETR <= -5%	ETR <= 0%

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Date	Rec.	Target Price (€)	Risk	Comment
November 23, 2018	BUY(BUY)	11.4 (14)	High	Change in estimates

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