

Company Update
Buy (maintained)

17 September 2019 – 5:30 PM

MARKET PRICE: EUR7.45

TARGET PRICE: EUR9.70 (from EUR9.92)

Heating, Smart gas metering
Data

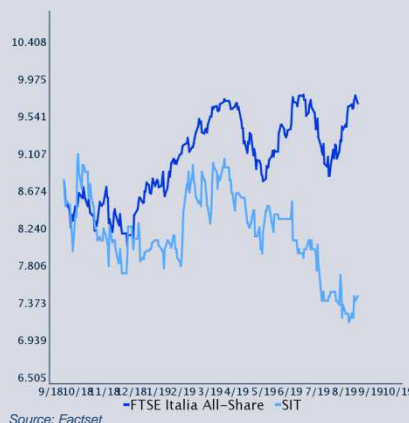
Shares Outstanding (m):	25.01
Market Cap. (EURm):	186.31
Enterprise Value (EURm):	271.98
Free Float (%):	26.6%
Av. Daily Trad. Vol. (m):	0.00
Main Shareholder:	SIT Technologies 73.4%
Reuters/Bloomberg:	SIT.MI SIT IM
52-Week Range (EUR)	7.2 10.0

Source: Factset, UbiBanca estimates

Performance

	1m	3m	12m
Absolute	-0.7%	-11.3%	-23.0%
Rel. to FTSE IT	-8.0%	-16.4%	-25.5%

Source: Factset

Graph area Absolute/Relative 12 M


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Hard times, but ready to rebound

The challenging market trend emerged in the past few months continued in the second quarter of the year but we were surprised by the bounce of the Smart Gas Metering (up 47% in 2Q19 and 28.9% in the first half) which limited the group's sales decline to 1.6% (4.6% in 1H19). Still, the slowdown of the Heating division (-15.2% in the second quarter) depressed EBITDA adjusted to 8.4% from 10.9% in 2Q18. Excluding non-recurring items (mostly the impact of IFRS 16) EBITDA beat our expectations and was even above last year. Below the operating line, SIT was penalised by higher financial charges and taxes and the bottom line dropped by 46% in the first half, below our expectations, while net debt increased to EUR87.6 million due to NWC absorption and the first time adoption of IFRS 16 (EUR6.8 million impact). One again, positive news was the backlog of the Smart Gas Metering division which anticipates a sales growth of at least 23% in 2019. The management guided for a progressive recovery in the coming months (positive July for Heating) even if revenues should remain slightly below 2018. EBITDA is expected at around EUR45 million, slightly below our previous estimate. Our feeling is that SIT has touched the bottom and therefore we expect a progressive fundamentals rebound in the coming quarter which could drive the share performance in future. Therefore, we confirm our positive stance with a new target price of EUR9.70 (vs. EUR9.92 before) implying >30% upside.

- > 1H19 results were in line with our estimates as for sales, above our forecasts for EBITDA and EBIT and lower at net profit level. The second half of the year should see a progressive recovery even if sales and margins should not reach 2018 results. We fine-tuned our estimates slightly lowering revenues and EBITDA forecasts with a 2019-21 average negative impact on the bottom line of around 7%.
- > SIT is strongly investing to expand its product range with innovative solutions to increase the share of wallet in the Heating division and to develop new meter devices. The recent victory of an international tender for the development of hydrogen meters is a good signal.
- > We have slightly reduced our target price to EUR9.70 per share (from EUR9.92) which implies >30% upside. The share is currently trading at an average discount to peers of 36% (48% on EV/EBITDA, 23% on P/E). Buy reiterated.

Financials

	2018	2019E	2020E	2021E
Revenues (EURm)	359.69	350.57	358.03	365.99
EBITDA (EURm)	43.82	45.22	48.33	51.24
EBITDA margin (%)	12.2%	12.9%	13.5%	14.0%
EBIT (EURm)	23.96	22.72	23.13	25.44
EPS (EUR)	1.02	0.50	0.58	0.68
CFPS (EUR)	1.57	0.98	1.80	1.73
DPS (EUR)	0.28	0.28	0.30	0.32

Source: Company Data, UBI Banca estimates

Ratios

	priced on 16 September 2019			
	2018 *	2019E	2020E	2021E
P/E(x)	10.0	15.0	12.8	10.9
P/CF(x)	5.7	5.8	4.9	4.5
P/BV(x)	1.9	1.4	1.3	1.3
Dividend Yield	2.8%	3.8%	4.0%	4.3%
EV/EBITDA(x)	7.3	6.0	5.3	4.6
Debt/Equity (x)	0.6	0.6	0.5	0.3
Debt/EBITDA (x)	1.6	1.8	1.3	0.8

Source: UBI Banca estimates * based on 2018 average price

Key Financials

(EURm)	2018	2019E	2020E	2021E
Revenues	359.69	350.57	358.03	365.99
EBITDA	43.82	45.22	48.33	51.24
EBIT	23.96	22.72	23.13	25.44
NOPAT	16.05	15.23	15.50	17.04
Free Cash Flow	7.90	-0.78	21.90	28.26
Net Capital Employed	196.74	210.89	202.32	189.98
Shareholders' Equity	125.40	130.83	138.36	147.98
Net Financial Position	71.33	80.07	63.97	42.00

Source: Company data, UBI Banca estimates

Key Profitability Drivers

	2018	2019E	2020E	2021E
Net Debt/Ebitda (x)	1.6	1.8	1.3	0.8
Net Debt/Equity (x)	0.6	0.6	0.5	0.3
Interest Coverage (%)	5.0	4.0	6.6	11.1
Free Cash Flow Yield (%)	3.2%	nm	11.8%	15.2%
ROE (%)	19.5%	9.5%	10.5%	11.6%
ROI after tax (%)	7.5%	6.6%	6.7%	7.7%
ROCE (%)	7.5%	6.6%	6.7%	7.7%

Source: Company data, UBI Banca estimates

Key Valuation Ratios

	2018 *	2019E	2020E	2021E
P/E (x)	nm	15.0	12.8	10.9
P/BV (x)	2.6	1.4	1.3	1.3
P/CF (x)	33.5	5.8	4.9	4.5
Dividend Yield (%)	2.8%	3.8%	4.0%	4.3%
EV/Sales (x)	1.0	0.8	0.7	0.6
EV/EBITDA (x)	6.8	6.0	5.3	4.6
EV/EBIT (x)	12.7	12.0	11.0	9.2
EV/CE (x)	1.5	1.3	1.3	1.2

Source: Company data, UBI Banca estimates

* Based on 2018 average price

Key Value Drivers

(%)	2018	2019E	2020E	2021E
Payout	27.5%	56.3%	51.6%	46.7%
NWC/Sales	2.1%	4.4%	2.3%	1.7%
Capex/Sales	-8.3%	-7.2%	-6.5%	-4.1%

Source: Company data, UBI Banca estimates

Recent Developments

- > SIT has proven to be resilient in a difficult market environment: sales in the Heating division were down 15.2% in the second quarter due to lower volumes mostly in Turkey (-46.1% in 1H19 also due to the adoption of the Energy Related Products directive in Turkey which pushed up volumes in 1H18) and China (-30.9%) where the so called “from coal to gas” program remains in standby. On the opposite, the US grew significantly (+16.1% in 1H19, +8.5% excluding the positive forex impact) thanks to continuous market share gains in the storage water heating segment. Also UK performed well (+1.9%). The Smart Gas Metering division increased by 28.9% in the first half of the year, accelerating in 2Q19 (+47%), driven by the progressive market share gains in the Italian residential market. The backlog of the Smart Gas Metering division was EUR88.7 million at June-19, thus implying a further growth in the second part of the year. Overall, consolidated revenues declined by 4.6% in the first half with a negative impact of volumes/mix of 4.2% and selling prices of about 1.5% (mainly related to Smart Gas Metering).
- > Contrary to our expectations, EBITDA increased by 4.8% in the first half (and by 35.6% in 2Q19), benefitting from the first time adoption of IFRS 16 (the new standard for the lease accounting) which increased EBITDA by EUR1.3 million and other non-recurring items (+EUR2.7 million contribution). Stripping out these positive impacts, EBITDA margin would have been 11.4% in 1H19 from 13.3% in 1H18, a slight decline considering the volume erosion (which reduced EBITDA by around EUR2.2 million). We highlight the reduction of service costs (from 13.1% to 12.2%) which in our view clearly shows that the accelerated capex plan is finally bearing fruits.
- > After EUR11 million of D&A, EBIT was EUR10.1 million (-8.1% vs. 1H18). Financial charges strongly increased in the first half (to EUR3.4 million vs. EUR2.3 million in 1H18) due to the fair value accounting of SIT warrants (EUR1.1 million negative impact). After a tax rate of 30%, SIT reported a net profit of EUR4.2 million compared with EUR8.4 million in 1H18.
- > After EUR7.7 million of net capex, EUR7 million of dividends and EUR14.8 million of NWC absorption tied to higher inventories which reflect the sharp increase of the Smart Gas Metering order backlog and the Heating business seasonality, net debt increased to EUR87.1 million (from EUR71.3 million at Dec-18 and EUR80.9 million at June-18). As a result, gearing now stands at 0.67x (vs. 0.57x at Dec-18) and net debt/EBITDA at 1.96x (from 1.63x at Dec-18).
- > Following an international tender, in September SIT has been selected by UK Government to develop hydrogen meters. UK Government aims to replace methane gas with hydrogen in both commercial and residential appliances, cutting in this way CO2 emission. SIT should produce by the first quarter of 2021 a meter prototype which guarantees safety and the precise measurement of hydrogen flows exploiting its thermo-mass technology (already utilized for methane gas). The news is clearly positive even if we believe additional revenues would eventually come only in the second part of 2021.

Figure 1 – 1H19 consolidated results

(EURm)	1H18A	1H19A	% Chg.	1H19E UBI	% Chg. Vs UBI
Heating	142.3	123.1	-13.5%	127.1	-3.1%
Smart metering	32.9	42.4	28.9%	36.5	16.2%
Total sales	175.2	167.2	-4.6%	163.6	2.2%
EBITDA Adjusted	23.4	19.1	-18.2%	16.9	12.8%
Margin (%)	13.3%	11.4%		10.3%	
EBITDA	20.2	21.1	4.8%	18.3	15.2%
Margin (%)	11.5%	12.6%		11.2%	
EBIT	11.0	10.1	-8.1%	7.3	37.7%
Margin (%)	6.3%	6.0%		4.5%	
Net Result attributable	8.1	4.5	-44.5%	5.5	-17.7%

Source: Company data, UBI Banca estimates

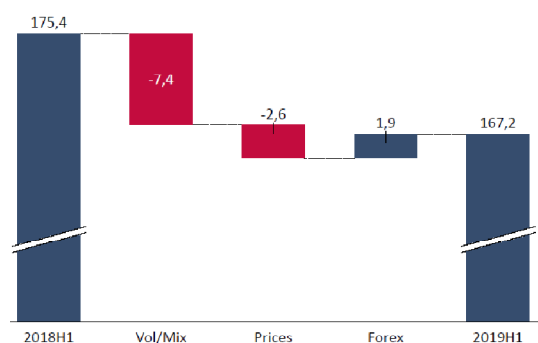
Figure 2 – 2Q19 consolidated results

(EURm)	2Q18A	2Q19A	% Chg.
Heating	71.9	61.0	-15.2%
Smart metering	16.8	24.7	47.0%
Total sales	88.0	86.6	-1.6%
EBITDA Adj.	9.6	7.3	-23.6%
Margin (%)	10.9%	8.4%	
EBITDA	6.4	8.6	35.6%
Margin (%)	7.2%	10.0%	
D&A	-4.8	-5.6	17.8%
EBIT	1.6	3.0	89.1%
Margin (%)	1.8%	3.5%	
Net debt	80.9	87.6	8.3%

Source: Company data

Figure 3 – Revenues bridge (EURm)

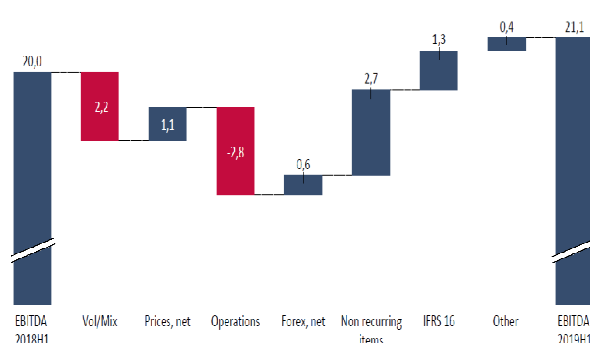
Both volumes and prices contributed to the revenues slowdown of 1H19. Forex had a slight positive impact.



Source: Company data

Figure 4 – EBITDA bridge (EURm)

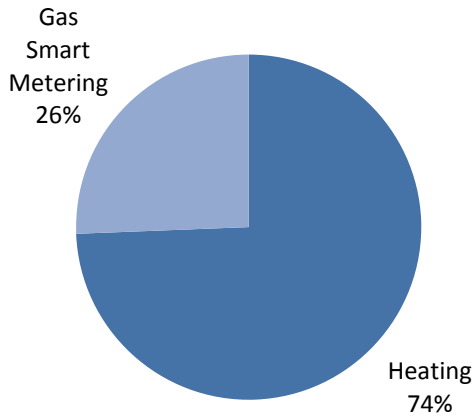
The improvement of the EBITDA in 1H19 is mostly due to non-recurring items.



Source: Company data

Figure 5 – 1H19A revenues breakdown by product

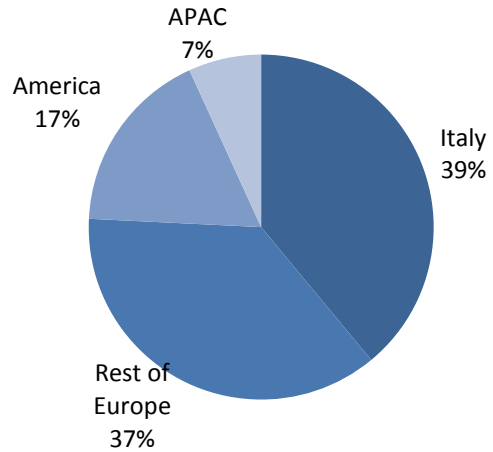
While Smart Gas Metering rose 29.6% in 1H19, the Heating division dropped by 12.8%. These different trends accelerated in the second quarter of the year.



Source: Company data, Factset

Figure 6 – 1H19A revenues breakdown by area

Revenues in Italy increased by 8.9% driven by smart gas metering division while the rest of Europe performed poorly (-19% mostly due to Turkey). China reported a 30.96% slowdown while the US were up 16.3%.



Source: Company data, Factset

Financial Projections

- > SIT confirmed some revenues erosion in the full year with a high-single digit decline for the Heating division (therefore slightly improving compared with the first half of the year when revenues were down 13.5%), also due to the difficulties in China and Turkey which should continue in the coming months, while Smart Gas Metering should grow at least by 23% according to the current backlog (EUR88.7 million at June-19). EBITDA should reach EUR45 million, with some margin improvement in 2H19 thanks to higher volumes and further efficiencies. As a result, we slightly reduced our sales projections for 2019, thus implying a sales decline of 0.6% in the second half of the year (-4.6% for Heating and +24% for Smart Gas Metering). We expect an EBITDA margin close to 13.0% in the full year and 12.4% on adjusted basis with 13.1% in 2H19 (we do not expect any non-recurring costs). According to the management, net debt at year-end is expected at around EUR75 million before the impact of IFRS 16.
- > For 2020 and 2021 we confirm our view of a limited sales growth (+2.1% in 2020 and +2.2% in 2021). We also reduced our EBITDA forecast by 2.0% on average and our EBIT by 4%. We also increased our financial charges expectations and the projected tax rate resulting in a reduction of around 7% of the bottom line on average.
- > Net debt expectations have been increased as around EUR6 million capex have been postponed from 2019 to 2020. We now expect EUR80 million net debt at Dec-19 progressively declining to EUR42 million at Dic-21.

Figure 7 - Old vs. new estimates

(EUR)	2018A	2019E		2020E		2021E	
		Old	New	Old	New	New	New
Revenues	359.7	359.2	350.6	365.0	358.0	373.7	366.0
% change			-2.4%		-1.9%		-2.1%
EBITDA	43.8	47.1	45.2	49.3	48.3	52.3	51.2
% change			-3.9%		-1.9%		-2.1%
EBITDA adjusted	50.4	45.8	43.3	49.3	48.3	52.3	51.2
% change			-5.3%		-1.9%		-2.1%
EBIT	24.0	22.6	22.7	24.1	23.1	26.5	25.4
% change			0.8%		-3.9%		-4.1%
EBIT adjusted	30.5	22.6	22.7	24.1	23.1	26.5	25.4
% change			0.8%		-3.9%		-4.1%
Pre-tax profit	32.2	18.9	17.0	20.6	19.6	24.2	23.1
% change			-9.7%		-4.6%		-4.4%
Net profit attributable	24.4	14.1	12.4	15.2	14.5	17.9	17.1
% change			-12.1%		-4.6%		-4.4%
Net financial debt (cash)	71.3	79.4	80.1	60.2	64.0	37.8	42.0
% change			0.9%		6.2%		11.1%
EBITDA margin	12.2%	13.1%	12.9%	13.5%	13.5%	14.0%	14.0%
EBITDA margin adj	14.0%	12.7%	12.4%	13.5%	13.5%	14.0%	14.0%
EBIT margin	6.7%	6.3%	6.5%	6.6%	6.5%	7.1%	7.0%

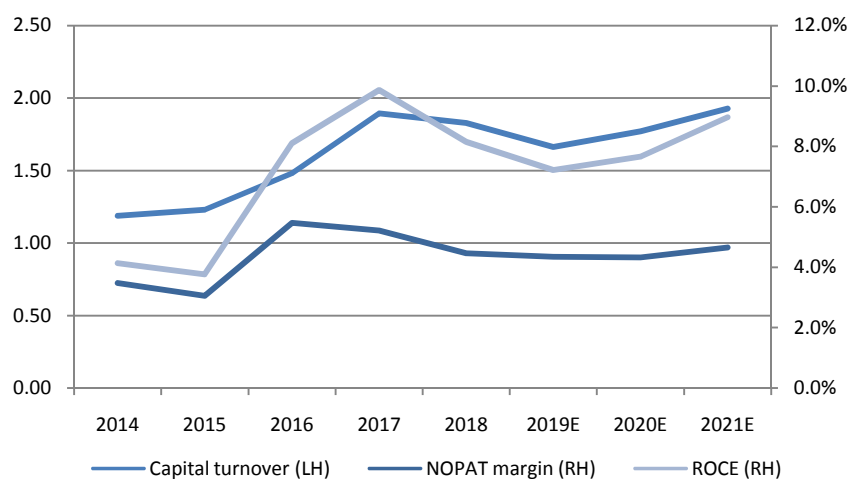
Source: Company data, UBI Banca estimates

Figure 8 – 2H19E estimates

(EURm)	2H18A	2H19E	% Chg.
Heating	144.7	138.1	-4.6%
Smart metering	39.2	47.0	19.9%
Total sales	184.5	183.3	-0.6%
Value of production	184.3	183.3	-0.5%
EBITDA Adj.	21.6	23.4	8.1%
Margin (%)	11.7%	12.7%	
EBITDA	23.7	24.1	1.9%
Margin (%)	12.8%	13.1%	
EBIT	13.0	12.6	-2.6%
Margin (%)	7.0%	6.9%	
Net Result attributable	16.0	7.9	-50.6%

Source: Company data, UBI Banca estimates

Figure 9 – 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 EUR9.70 per share (vs. EUR9.92 before) based on the average of a DCF (fair value of EUR10.98 per share), an EV/CE versus ROACE/WACC (EUR7.09 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 EUR11.30 per share using international companies and EUR9.41 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 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 EUR9.15. The current market price of outstanding warrants (EUR0.65) compares with a negative theoretical warrant price.
- > At the target price, the company would trade at 7.3x 2019 EV/EBITDA, which is still below the average multiple of our international peer sample (11.6x) and broadly in line with Italian peers (7.8x).

Figure 10 – Valuation summary

(EUR)		Weight	18/06/2018	Delta
DCF	10.98	25%	11.27	-2.6%
Italian companies (10% discount)	9.41	25%	9.44	-0.3%
International companies (20% discount)	11.30	25%	11.42	-1.1%
EV/ROACE	7.09	25%	7.53	-5.8%
Target price	9.70		9.92	-2.2%
Current price	7.45		8.40	-11.3%
Potential upside	30.1%		18.0%	

Source: Company data, UBI Banca estimates

Figure 11 – DCF Valuation

Our DCF valuation is based on a WACC of 7.6% and implies an EV/EBITDA of 6.0x at terminal value

	Valuation (EUR m)	% Weight	Per share (EUR)
Sum of PV 2019-27 FCF	128.1	37%	5.12
Terminal value	217.9	63%	8.71
Total Enterprise value	346.0	100%	13.84
- Pension Provision	(6.4)		(0.25)
- Net cash (debt)	(65.1)		(2.60)
Total Equity value	274.6		10.98
Number of shares outstanding (m)	25.0		
Fair value per share (EUR)	10.98		

Source: UBI Banca estimates

Figure 12 – ROACE and WACC projections

(EURm), %	2015	2016	2017	2018E	2019E	2020E
Capital employed	214	194	171	197	211	202
average	215.8	204.2	182.4	183.8	203.8	206.6
EBIT	12	23	25	24	23	23
Taxes on EBIT	(3.4)	(6.6)	(7.0)	(6.7)	(6.4)	(6.5)
NOPAT	9	17	18	17	16	17
ROACE	4.0%	8.3%	9.9%	9.4%	8.0%	8.1%
WACC	6.9%	7.2%	7.1%	8.0%	7.1%	7.1%
ROACE - WACC	-2.9%	1.0%	2.8%	1.4%	0.9%	0.9%

Source: UBI Banca estimates

Figure 13 – ROACE fair value estimate

Average ROACE (2019-2021)	8.5%
Average WACC (2019-2021)	7.1%
EV / Invested Capital	1.19
Average CE 2019-21	201
Enterprise Value (EUR million)	239
Less:	
Average net debt 2019-21 (EUR million)	62.0
Equity Value (EUR million)	177.3
number of shares	25.0
Fair value per ordinary share (EUR)	7.09

Source: UBI Banca estimates

Figure 14 - Relative valuation based on International companies (priced on 16 September 2019)

SIT is trading at an average discount of 40% on 2018-20 EV/EBITDA and at an average discount of 23% on P/E.

	Market Cap. (EURm)	P/E			EV/EBITDA		
		2019E	2020E	2021E	2018E	2019E	2020E
Bucher Industries	2,998	14.5 x	14.7 x	13.8 x	8.0 x	7.7 x	7.1 x
Beijer Ref	2,765	33.6 x	29.8 x	27.4 x	20.6 x	19.4 x	17.8 x
Emerson Electric	36,724	18.0 x	17.2 x	15.5 x	11.0 x	10.6 x	10.0 x
Honeywell International	108,742	20.5 x	18.6 x	17.0 x	14.2 x	13.0 x	12.4 x
Ingersoll-Rand	27,223	19.4 x	17.4 x	16.0 x	12.9 x	11.7 x	10.9 x
Landis + Gyr	2,343	16.1 x	15.2 x	14.6 x	10.2 x	9.7 x	9.3 x
Lindab International	740	11.6 x	11.4 x	10.6 x	7.4 x	6.8 x	6.1 x
NIBE Industrier	5,937	27.5 x	25.2 x	23.4 x	17.4 x	15.8 x	14.6 x
Schneider Electric	46,885	16.3 x	14.9 x	13.8 x	11.0 x	10.1 x	9.2 x
SPX Corporation	1,654	15.5 x	14.2 x	14.9 x	9.7 x	8.5 x	8.3 x
Sulzer	3,190	17.5 x	14.7 x	13.6 x	8.6 x	7.3 x	6.6 x
Weir Group	467	13.9 x	12.6 x	11.4 x	8.4 x	7.6 x	6.9 x
Average		18.7 x	17.1 x	16.0 x	11.6 x	10.7 x	9.9 x
SIT at market price	186	15.0 x	12.8 x	10.9 x	6.0 x	5.3 x	4.6 x
% premium (discount)		-19.8%	-25.2%	-32.0%	-48.2%	-50.5%	-54.1%
SIT Group valuation on multiples (EUR)		9.3	10.0	11.0	17.8	18.1	18.7

Source: Factset, UBI Banca estimates

Figure 15 - Relative valuation based on Italian companies (priced on 16 September 2019)

	Market Cap. (EURm)	P/E			EV/EBITDA		
		2018E	2019E	2020E	2018E	2019E	2020E
Gefran	96	12.4 x	11.3 x	9.9 x	4.8 x	4.3 x	4.1 x
Interpump	3,138	18.3 x	17.7 x	16.4 x	11.0 x	10.2 x	9.4 x
LU-VE	223	10.5 x	8.3 x		7.5 x	5.9 x	
Sabaf	156	15.6 x	13.1 x	12.2 x	7.8 x	6.8 x	6.4 x
Average		14.2 x	12.6 x	12.8 x	7.8 x	6.8 x	6.6 x
SIT at market price	186	15.0 x	12.8 x	10.9 x	6.0 x	5.3 x	4.6 x
% premium (discount)		5.6%	1.8%	-15.3%	-22.6%	-22.3%	-31.1%
SIT Group valuation on multiples		7.1	7.3	8.8	10.8	10.6	11.9

Source: Factset, UBI Banca estimates

Figure 16 – Implicit multiples based on our EUR9.70 target price

	2019E	2020E	2021E
P/E	19.5	16.7	14.2
EV/EBITDA	7.3	6.5	5.7
EV/EBIT	14.4	13.5	11.4
EV/Sales	0.94	0.87	0.79
P/BV	1.85	1.75	1.64
P/CF	9.88	5.38	5.61

Source: UBI Banca estimates

Income Statement

(EURm)	2018	2019E	2020E	2021E
Net Revenues	359.69	350.57	358.03	365.99
EBITDA	43.82	45.22	48.33	51.24
EBITDA margin	12.2%	12.9%	13.5%	14.0%
EBIT	23.96	22.72	23.13	25.44
EBIT margin	6.7%	6.5%	6.5%	7.0%
Net financial income /expense	-4.80	-5.70	-3.50	-2.30
Associates & Others	13.07	0.00	0.00	0.00
Profit before taxes	32.23	17.02	19.63	23.14
Taxes	-7.81	-4.60	-5.10	-6.02
Minorities & discontinuing ops	0.00	0.00	0.00	0.00
Net Income	24.42	12.43	14.53	17.12

Source: Company data, UBI Banca estimates

Balance Sheet

(EURm)	2018	2019E	2020E	2021E
Net working capital	7.66	15.32	8.18	6.06
Net Fixed assets	218.50	218.50	218.69	210.22
M/L term funds	-29.42	-22.93	-24.55	-26.30
Capital employed	196.74	210.89	202.32	189.98
Shareholders' equity	125.40	130.83	138.36	147.98
Minorities	0.00	0.00	0.00	0.00
Shareholders' funds	125.40	130.83	138.36	147.98
Net financial debt/(cash)	71.33	80.07	63.97	42.00

Source: Company data, UBI Banca estimates

Cash Flow Statement

(EURm)	2018	2019E	2020E	2021E
NFP Beginning of Period	-65.10	-71.33	-80.07	-63.97
Group Net Profit	24.42	12.43	14.53	17.12
Minorities	0.00	0.00	0.00	0.00
D&A	19.86	22.50	25.20	25.80
Change in Funds & TFR	-1.18	-2.71	-1.76	-1.80
Gross Cash Flow	43.10	32.22	37.97	41.13
Change In Working Capital	-5.33	-7.66	7.14	2.12
Other	0.00	0.00	0.00	0.00
Operating Cash Flow	37.77	24.56	45.10	43.25
Net Capex	-29.87	-25.34	-23.20	-14.99
Other Investments	0.00	0.00	0.00	0.00
Free Cash Flow	7.90	-0.78	21.90	28.26
Dividends Paid	-6.00	-7.00	-7.00	-7.50
Other & Chg in Consolid. Area	-8.14	-0.95	1.20	1.21
Chg in Net Worth & Capital Incr.	0.00	0.00	0.00	0.00
Change in NFP	-6.23	-8.73	16.10	21.96
NFP End of Period	-71.33	-80.07	-63.97	-42.00

Source: Company data, UBI Banca estimates

Financial Ratios

(%)	2018	2019E	2020E	2021E
ROE	19.5%	9.5%	10.5%	11.6%
ROI (pre-tax)	11.2%	9.9%	10.0%	11.5%
Net Fin. Debt/Equity (x)	0.6	0.6	0.5	0.3
Net Fin. Debt/EBITDA (x)	1.6	1.8	1.3	0.8
Interest Coverage	5.0	4.0	6.6	11.1
NWC/Sales	2.1%	4.4%	2.3%	1.7%
Capex/Sales	-8.3%	-7.2%	-6.5%	-4.1%
Pay Out Ratio	27.5%	56.3%	51.6%	46.7%

Source: Company data, UBI Banca estimates

Per Share Data

(EUR)	2018	2019E	2020E	2021E
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)	2018 *	2019E	2020E	2021E
P/E	nm	15.0	12.8	10.9
P/OpCFPS	13.3	7.6	4.1	4.3
P/BV	2.6	1.4	1.3	1.3
Dividend Yield (%)	2.2%	3.8%	4.0%	4.3%
Free Cash Flow Yield (%)	1.2%	nm	11.8%	15.2%
EV (EURm)	344.36	271.98	255.60	233.37
EV/Sales	1.1	0.8	0.7	0.6
EV/EBITDA	7.8	6.0	5.3	4.6
EV/EBIT	13.7	12.0	11.0	9.2
EV/Capital Employed	2.0	1.3	1.3	1.2

Source: Company data, UBI Banca estimates

* Based on 2018 average price

Growth Rates

(%)	2018	2019E	2020E	2021E
Growth Group Net Sales	11.2%	-2.5%	2.1%	2.2%
Growth EBITDA	-0.6%	3.2%	6.9%	6.0%
Growth EBIT	-4.8%	-5.1%	1.8%	10.0%
Growth Net Profit	nm	-49.1%	16.9%	17.8%

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
18 June 2019	BUY	9.92	8.40