H1 2020 – Results presentation

September 28, 2020

Highlights

- Q2 consolidated revenues are **€ 59,5** million, **-30,9%** vs Q2 2019, accounting the major effect of the covid shutdown
- Q2 Divisional sales:
  - Heating accounts **€48,3** million at **-20,8%** vs same period of 2019
  - Smart Gas Metering with **€10,8** million is **-56,4%** vs 2019
- H1 consolidated revenues are **€ 133,4** million, **-20,3%** vs previous H1
- In the Heating business in Q2 Asia/Pacific grows (€+0,7m, +11,9%) rebounding from Q1, while Europe accounts a lower decrease (18,4%) due to new products introduced by customers and final market growth in central Europe
- H1 EBITDA of **€15,2** million (11,4% of revenues) vs **€21,1** million (12,6% of revenues) at H1 2019
- Net debt at **€88,9** million vs €101,6 million at end of Q1 vs €78,4 million at end of 2019; includes IFRS 16 effect of €5,4 and reflects seasonal build up of stock and extended support provided to supply chain

Key financial results

€m, unless otherwise stated	H1 2020	%	H1 2019	%	*Chg. YoY*
Revenues	133,4	*100,0%*	167,2	*100,0%*	*(20,3%)*
EBITDA	15,2	*11,4%*	21,1	*12,6%*	*(28,3%)*
EBIT	3,8	*2,8%*	10,1	*6,0%*	*(62,6%)*
EBT	3,6	*2,7%*	6,4	*3,8%*	*(43,4%)*
Net income	3,8	*2,9%*	4,5	*2,7%*	*(15,5%)*
Cash flow from operations	(2,1)		0,5		
NTWC	43,1		36,9		
Net financial debt	88,9		87,6		

€m, unless otherwise stated	Q2 2020	%	Q2 2019	%	*Chg. YoY*
Revenues	59,9	*100,0%*	86,7	*100,0%*	*(30,9%)*
EBITDA	6,2	*10,4%*	8,7	*10,0%*	*(27,8%)*
EBIT	0,5	*0,8%*	3,0	*3,4%*	*(83,4%)*
EBT	(1,3)	*(2,1%)*	3,2	*3,7%*	*(140,1%)*
Net income	(0,3)	*(0,6%)*	n.a	*n.a*	-

- Revenues display the following divisional trends:
  - Heating: - 15,0%
  - Metering: -36,0%
- EBITDA includes net volume effect of € -10,8m
- EBIT accounts depreciation of €11,4m approx. in line with previous H1 (€11,0m)
- Net income at 2,9% of revenues vs 2,7% of previous H1
- Operating cash flow of € -2,1m vs €0,5m after capex of €4,2m and €7,7m respectively
- Net financial debt stands at €88,9m vs €87,6m at same period of 2019 vs €78,4 at end of 2019
- Q2 2020 EBITDA at 10,4% of revenues vs 10,0% of previous H1 (vs 12,1% of Q1 2020)

Consolidated revenues – H1

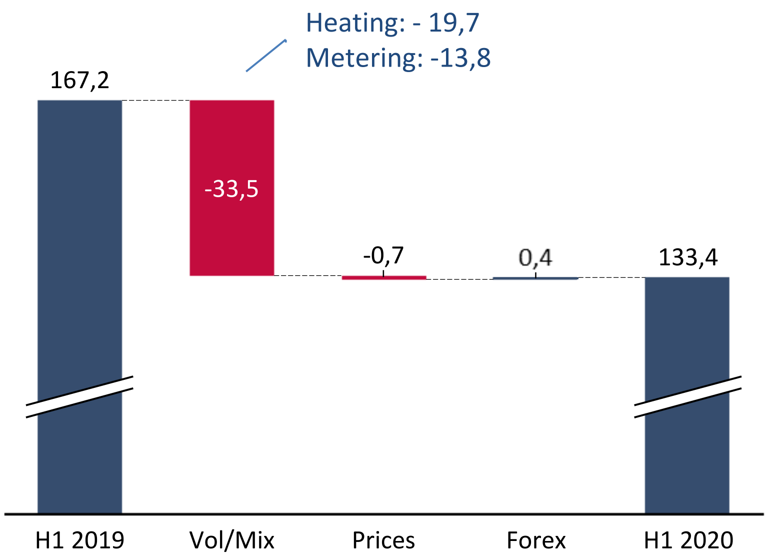
Breakdown by Division

€m, unless otherwise stated	H1 20	%	H1 19	%	*Chg. YoY*
Heating	104,7	*78,5%*	123,1	*73,6%*	*(15,0%)*
Smart Gas Metering	27,2	*20,4%*	42,4	*25,4%*	*(36,0%)*
Total business sales	**131,8**	***98,8%***	**165,5**	***99,0%***	***(20,4%)***
Other revenues	1,5	*1,2%*	1,7	*1,0%*	*(9,8%)*
Total revenues	**133,4**	***100,0%***	**167,2**	***100,0%***	***(20,3%)***

Breakdown by geography

€m, unless otherwise stated	H1 20	%	H1 19	%	*Chg. YoY*
Italy	43,6	*32,7%*	65,2	*39,0%*	*(33,1%)*
Europe (excuding Italy)	54,3	*40,7%*	61,5	*36,8%*	*(11,7%)*
America	24,7	*18,5%*	29,1	*17,4%*	*(15,3%)*
Asia/Pacific	10,8	*8,1%*	11,4	*6,8%*	*(5,7%)*
Total revenues	**133,4**	***100,0%***	**167,2**	***100,0%***	***(20,3%)***

Consolidated revenue bridge (€m)



Consolidated revenues – Q2

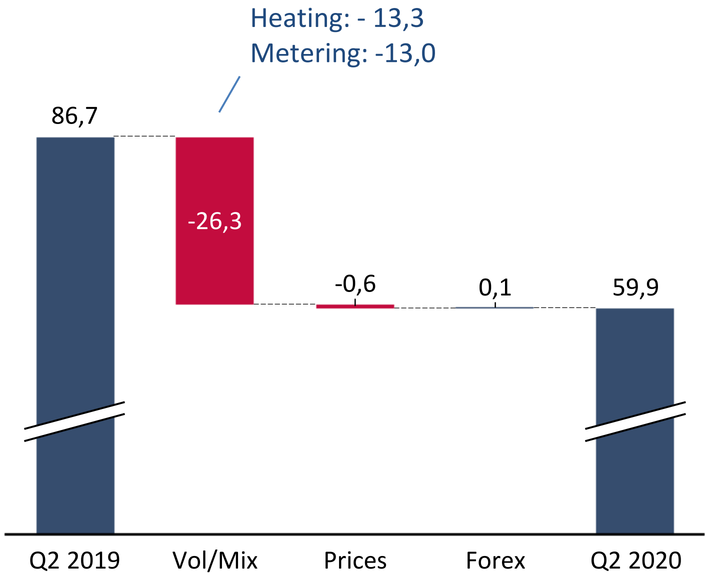
Breakdown by Division

€m, unless otherwise stated	Q2 20	%	Q2 19	%	Chg. YoY
Heating	48,3	*80,6%*	61,0	*70,4%*	*(20,8%)*
Smart Gas Metering	10,8	*18,0%*	24,8	*28,6%*	*(56,4%)*
Total business sales	**59,1**	***98,6%***	**85,8**	***99,0%***	***(31,1%)***
Other revenues	0,9	*1,4%*	0,9	*1,0%*	*(5,0%)*
Total revenues	**59,9**	***100,0%***	**86,7**	***100,0%***	***(30,9%)***

Breakdown by geography

€m, unless otherwise stated	Q2 20	%	Q2 19	%	Chg. YoY
Italy	17,5	*29,2%*	36,4	*42,0%*	*(52,0%)*
Europe (excuding Italy)	23,4	*39,1%*	29,2	*33,6%*	*(19,7%)*
America	12,4	*20,7%*	15,2	*17,6%*	*(18,7%)*
Asia/Pacific	6,6	*11,1%*	5,9	*6,8%*	*11,9%*
Total revenues	**59,9**	***100,0%***	**86,7**	***100,0%***	***(30,9%)***

Q2 Consolidated revenue bridge (€m)



Heating sales

Q2 Heating sales by geography

€m, unless otherwise stated	Q2 20	%	Q2 19	%	Chg. YoY
Italy	7,1	14,7%	12,7	20,8%	(44,0%)
Europe (excuding Italy)	22,2	45,9%	27,1	44,5%	(18,4%)
America	12,4	25,7%	15,2	25,0%	(18,7%)
Asia/Pacific	6,6	13,7%	5,9	9,7%	11,9%
Total business sales	**48,3**	**100,0%**	**61,0**	**100,0%**	**(20,8%)**

H1 Heating sales by geography

€m, unless otherwise stated	H1 20	%	H1 19	%	Chg. YoY
Italy	18,7	17,8%	25,5	20,7%	(26,8%)
Europe (excuding Italy)	50,9	48,6%	57,4	46,6%	(11,3%)
America	24,5	23,4%	29,0	23,5%	(15,5%)
Asia/Pacific	10,6	10,2%	11,3	9,2%	(5,7%)
Total business sales	**104,7**	**100,0%**	**123,1**	**100,0%**	**(15,0%)**

- Italy. Q2 decrease of 44,0% reflects severe shutdown of major customers due to covid and presence of Italian clients in Direct Heating (pellet stoves) and Catering applications.
- Europe. Q2 down €5,0m, -18,4%, of which UK (4,3% of divisional sales) explains decrease of €2,5m,-54,8% caused by plant shutdown and stock reduction by distributors; Q2 UK boiler end-market is down 35%
- Turkey (10,9% of divisional sales) is down 6,3% vs Q2, down 3,8% vs H1 2019
- Other central European markets grow thanks to new products and boiler end-market growth
- America, Q2 is down €2,8m, -18,7%, -20,1% at same forex. Major wholesalers were affected by mild winter impact on OEM demand
- Asia/Pacific, Q2 reflects positive performance of Middle East (€+1,0m), while China is flat. Australia accounts lockdown effect (€-0,2m, -8,9%)

Smart Gas Metering sales

Q2 Metering sales by application

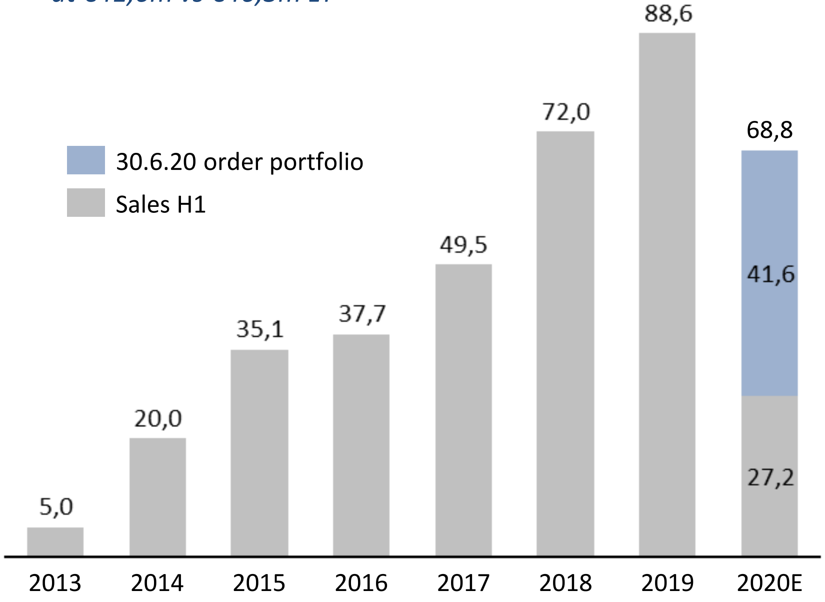
€m, unless otherwise stated	Q2 20	%	Q2 19	%	Chg. YoY
Residential	9,9	*92,1%*	23,3	*94,2%*	*(57,4%)*
Commercial & Industrial	0,8	*7,0%*	1,4	*5,5%*	*(44,4%)*
Other	0,1	*0,9%*	0,1	*0,3%*	*22,2%*
Total business sales	**10,8**	***100,0%***	**24,8**	***100,0%***	***(56,4%)***

H1 Metering sales by application

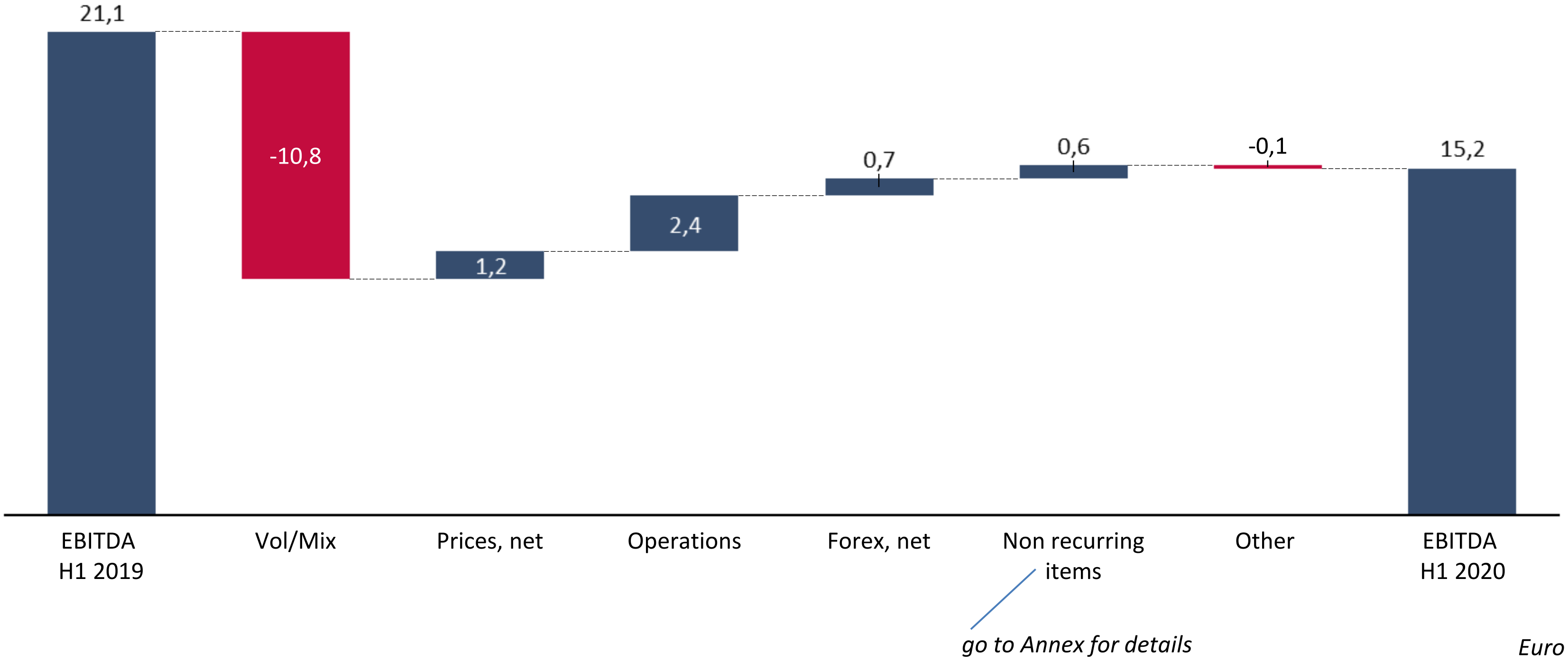
€m, unless otherwise stated	H1 20	%	H1 19	%	Chg. YoY
Residential	25,4	*93,5%*	40,0	*94,4%*	*(36,6%)*
Commercial & Industrial	1,6	*6,0%*	2,2	*5,3%*	*(27,8%)*
Other	0,1	*0,5%*	0,1	*0,3%*	*(8,3%)*
Total business sales	**27,2**	***100,0%***	**42,4**	***100,0%***	***(36,0%)***

2013 – 2019 Metering sales trend and 2020 backlog (€M)

Current order portfolio stands at €41,6m vs €46,3m LY



H1 EBITDA bridge



Euro millions

From EBITDA to net income – H1

€m, unless otherwise stated	H1 2020	*% of sales*	H1 2019	*% of sales*	*Chg. YoY*
EBITDA	**15,2**	***11,4%***	**21,1**	***12,6%***	***(28,3%)***
D&A, impairment of assets	11,4		11,0		
EBIT	**3,8**	***2,8%***	**10,1**	***6,0%***	***(62,6%)***
Net financial (charges)/income	(1,4)		(3,1)		
Net forex (charges)/income	1,3		(0,6)		
EBT	**3,6**	***2,7%***	**6,4**	***3,8%***	***(43,4%)***
Taxes	0,2		(1,9)		
Net income	**3,8**	***2,9%***	**4,5**	***2,7%***	***(15,5%)***
Net financial (charges)/income adjusted	**(1,7)**	***(1,2%)***	**(2,0)**	***(1,2%)***	***(15,1%)***
Net income adjusted	**3,6**	***2,7%***	**5,8**	***3,5%***	***(38,8%)***

- Depreciation is basically in line with previous H1 also due to temporary postponement of 2020 capex
- Net financial charges/income include the change in FV of the SIT Warrants
    - 2019H1: charges for €1,1m
    - 2020H1: income for €0,3m
- Net forex income of €1,3m mainly due to EUR/MXN, was €2,2m in Q1 2020
- Taxes include the revenues for tax losses transferred to parent company for €0,6m and the effect of covid tax benefits applied in the period for €0,2m
- Net financial charges adjusted are net of FV accounting effects of equity instruments
- Net income adjusted includes adjustments for non recurring operating items and FV accounting

Net trade working capital

€m, unless otherwise stated	2020.06	2019.12	2020.06 vs 2019.12	2019.06	2018.12	2019.06 vs 2018.12	2020.06 vs 2019.06
Inventory	61,4	51,1	10,3	62,4	52,2	10,2	(1,0)
Accounts receivables	41,4	57,2	(15,8)	52,3	52,0	0,3	(11,0)
Accounts payables	59,7	73,3	(13,6)	77,8	74,8	3,0	(18,1)
Net Trade Working Capital	**43,1**	**35,0**	**8,1**	**36,9**	**29,5**	**7,4**	**6,2**
NTWC/Revenues	***16,1%***	***9,9%***	***6,1%***	***10,9%***	***8,2%***	***2,7%***	***5,1%***
AR (adjusted for non recourse factoring)/Revenues	***17,6%***	***19,3%***	***-1,7%***	***19,7%***	***18,1%***	***1,6%***	***-2,1%***

- NTWC increase of €6,2m vs previous H1 is mainly due to trend in AP (volumes and extended supply chain support) and lower level of non-recourse factoring
- Inventory level and trend vs end of previous year reflects positive outlook for following months and industry seasonality

Cash flow and net debt

Change in net debt

€m, unless otherwise stated	H1 2020	H1 2019
Current cash flow	**16,1**	**23,0**
Change in NTWC	**(8,7)**	**(7,9)**
Other working capital	**(5,3)**	**(6,9)**
Capex, net	**(4,2)**	**(7,7)**
Cash flow from operations	**(2,1)**	**0,5**
Financial charges, paid and accrued	(1,4)	(1,6)
Dividends paid	(3,5)	(7,0)
IFRS 16 - Leases	(0,7)	(0,6)
Other	(2,9)	(0,4)
Change in net debt	**(10,5)**	**(9,1)**
Net debt - BoP	**78,4**	**78,5**
Net debt - EoP	**88,9**	**87,6**

- Current cash flow decrease of €6,9m vs previous H1 mainly due to reduction in EBTIDA (€6,0m)
- NTWC burns €8,7m vs end of 2019 for less AR factoring, increase in supplier payments and stock building for high season
- Other WC items absorb €5,3m mainly for taxes and VAT credit
- Capex are approx. 40% lower than previous H1 for covid hold on non-core initiatives
- Dividends paid are 50% lower than previous year for covid contingency plan decided during lockdown
- In H1 2020, Other items refers for €2,7m to translation reserve

- In Q2 2020, €25,5m new debt facilities were drawn to manage potential covid liquidity needs
- Reimbursement of existing facilities for €10,1m was timely executed

Net financial position

€m, unless otherwise stated	30/06/2020	31/12/2019	30/06/2019
(Cash & cash equivalents)	(41,1)	(34,1)	(35,0)
Current debt, net	35,7	19,7	17,9
Non current debt	87,2	85,0	94,9
MTM derivatives	1,6	2,0	3,0
IFRS 16 - Leases	5,4	5,7	6,8
Net debt - EoP	**88,9**	**78,4**	**87,6**

- Net Debt/LTM EBITDA adjusted: 2,27 vs 1,79 of LY vs 1,62 of 2019FY

Final comments and outlook

- SIT has in place a cross functional task force to monitor and manage the impact of covid on all operations and has deployed strict safety measures in all plants and subsidiaries world wide. Smart working and other workplace solutions have been adopted in accordance to current legislation and sanitary best practices
- In this scenario, performance outlook is still dependent on the uncertain impact of second wave covid emergencies or mandatory shutdown

- In the second half of 2020 consolidated sales outlook is expected basically in line with second half of 2019. In particular sales from the Heating Division are expected higher as compared to previous outlook, confirming the resilience of the business even in this unpredicted and extraordinary situation. This trend would bring FY consolidated sales to a low double digit decrease vs previous year
- EBITDA should reflect a positive recovery trend due to volumes and improved efficiencies expected in the second part of 2020 bringing the FY EBITDA margin slightly lower than previous year
- Our capex plan will resume in the second part of 2020 after the postponement of several initiatives and non core projects during the covid slowdown. We expect to finalize capex in the second half of 2020 bringing the full year amount in the range of approx. 15 million euro

ANNEXES

Non recurring operating items

Reported EBITDA includes the following non recurring items:

	Q2 2020	***Q2 2019***
Managing director severance costs	-	-
Translisting to MTA	-	-
Captive shopfloor relocation	-	0,8
Insurance reimbursement	-	(0,8)
Provision for CEO post IPO bonus	-	0,4
Change in previous years provisions	-	0,2
Other	-	(0,0)
Total non recurring operating items	**-**	***0,6***
IFRS 16 impact on EBITDA	***(0,5)***	***(0,6)***

Reported EBITDA includes the following non recurring items:

	H1 2020	***H1 2019***
Managing director severance costs	-	-
Translisting to MTA	-	-
Captive shopfloor relocation	-	0,8
Insurance reimbursement	-	(0,8)
Provision for CEO post IPO bonus	-	0,4
Change in previous years provisions	-	0,2
Other	-	(0,0)
Total non recurring operating items	**-**	***0,6***
IFRS 16 impact on EBITDA	***(1,0)***	***(1,3)***

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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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