

Company update
Buy (maintained)

05 October 2020 – 5:30 PM

MARKET PRICE: **EUR4.58**

TARGET PRICE: **EUR9.20 (from EUR7.55)**
Heating, Smart gas metering
Data

Shares Outstanding (m):	25.01
Market Cap. (EURm):	114.5
Enterprise Value (EURm):	201.9
Free Float (%):	26.1%
Av. Daily Trad. Vol. (m):	0.01
Main Shareholder:	SIT Technologies 73.4%
Reuters/Bloomberg:	SIT.MI SIT IM
52-Week Range (EUR)	4.1 7.2

Source: Factset, UBI Banca estimates

Performance

	1m	3m	12m
Absolute	4.2%	1.9%	-22.6%
Rel. to FTSE IT	7.8%	5.5%	-12.6%

Source: Factset

Graph area Absolute/Relative 12 M


Source: Factset

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Better than expected 1H20 results, FY guidance upgraded

SIT reported 2Q20 results with revenues in line with our estimates but with a much better profitability. Sales declined by 30.9% in the quarter (-20.3% in 1H20) but with a different trend: while Heating was down 20.8%, being hit by the lockdowns in Europe and the US but recovering in Asia/Pacific, Gas Smart Metering, which is totally sold in Italy, suffered from the lockdown which prevented from installing gas meters at home, dropping by 56.4%. In this dreadful scenario, SIT was able to report a stable 2Q20 EBITDA margin at 10.4% (11.4% in 1H20), surpassing our estimates, as the impact of dropping volumes was offset by lower raw material costs and by effective cost cutting measures. Adding EUR1.3 million of forex gains and the lack of taxation, net result declined by just by 15% (-39% excluding forex gains) landing at EUR3.8 million compared with our breakeven estimate. Net debt increased to EUR89 million from EUR78 million at Dec-19 due to the seasonal NWC absorption and capex for EUR4.2 million. Following better than expected results, and a guidance which now targets 2H20 sales in line with last year and some margin improvement, we increased our 2020 EBITDA estimates by 24%. Our target price goes to EUR9.20 (from EUR7.55) offering a remarkable upside.

- We were impressed by the resilience of SIT, particularly for the Heating business, in a challenging scenario. Orders are growing again and the company will resume its investment plan after the slowdown of 1H20. In particular, the new plant in Tunisia should start activities in 1Q21, increasing the EBITDA margin. We also highlight two negatives: Smart Gas Metering projects in India and UK have been postponed due to the COVID-19 outbreak and therefore this division should report lower than expected sales in 2021, and a potential acquisition which was expected to be finalized in 3Q20 did not materialize (even if the management expect a positive conclusion by year-end).
- SIT anticipated a second half in line with 2H19 with a growing profitability compared with 1H20, excluding further breakdowns period. This means that revenues should slowdown in 2020 at a low double-digit rate (we estimate -11%) while EBITDA could be close to EUR40 million surpassing our old forecast by >25%. Investment plan should be resumed already in 2H20, with capex expected at around EUR15 million this year and EUR22 million in 2021.
- Our new target price of EUR9.20 (from EUR7.55) reflects our new estimates and a lower free risk rate (now at 2.0% from 3.0%) and implies an upside of >100%. SIT is trading 67% below industry rates on 2020-22 EV/EBITDA and at a P/E discount of 57%. But rating strongly reiterated.

Financials

	2019	2020E	2021E	2022E
Revenues (EURm)	352,2	313,2	323,1	346,7
EBITDA (EURm)	48,7	39,1	42,6	49,2
EBITDA margin (%)	13,8%	12,5%	13,2%	14,2%
EBIT (EURm)	24,7	15,1	17,6	22,2
EPS (EUR)	0,80	0,38	0,49	0,60
CFPS (EUR)	0,78	0,69	1,51	1,82
DPS (EUR)	0,14	0,14	0,20	0,30

Source: Combanv Data, UBI Banca estimates

Ratios
priced on 2 October 2020

	2019 *	2020E	2021E	2022E
P/E(x)	9,8	12,0	9,4	7,6
P/CF(x)	10,0	6,6	3,0	2,5
P/BV(x)	1,3	0,7	0,7	0,7
Dividend Yield	1,8%	0,0%	3,4%	5,0%
EV/EBITDA(x)	5,7	5,2	4,4	3,4
Debt/Equity (x)	0,53	0,53	0,41	0,28
Debt/EBITDA (x)	1,6	2,4	1,5	0,9

Source: UBI Banca estimates * based on 2019 average price

Key Financials

(EURm)	2019	2020E	2021E	2022E
Revenues	352,2	313,2	323,1	346,7
EBITDA	48,7	39,1	42,6	49,2
EBIT	24,7	15,1	17,6	22,2
NOPAT	16,6	10,1	11,8	14,9
Free Cash Flow	-3,4	1,5	16,1	22,9
Net Capital Employed	226,0	235,1	229,1	221,2
Shareholders' Equity	147,6	153,6	162,3	172,4
Net Financial Position	78,4	81,5	66,8	48,8

Source: Company data, UBI Banca estimates

Key Profitability Drivers

	2019	2020E	2021E	2022E
Net Debt/Ebitda (x)	1,6	2,4	1,5	0,9
Net Debt/Equity (x)	0,53	0,53	0,41	0,28
Interest Coverage (%)	5,9	4,7	7,6	11,1
Free Cash Flow Yield (%)	-1,8%	1,4%	14,3%	20,4%
ROE (%)	14,6%	6,3%	7,7%	9,0%
ROI after tax (%)	6,9%	3,9%	4,6%	5,9%
ROCE (%)	7,8%	4,4%	5,1%	6,6%

Source: Company data, UBI Banca estimates

Key Valuation Ratios

	2019 *	2020E	2021E	2022E
P/E (x)	9,8	12,0	9,4	7,6
P/BV (x)	1,3	0,7	0,7	0,7
P/CF (x)	10,0	6,6	3,0	2,5
Dividend Yield (%)	1,8%	0,0%	3,4%	5,0%
EV/Sales (x)	0,79	0,64	0,58	0,49
EV/EBITDA (x)	5,7	5,2	4,4	3,4
EV/EBIT (x)	11,3	13,4	10,6	7,6
EV/CE (x)	1,24	0,86	0,82	0,76

Source: Company data, UBI Banca estimates

* Based on 2019 average price

Key Value Drivers

(%)	2019	2020E	2021E	2022E
Payout	17,6%	36,8%	40,9%	49,6%
NWC/Sales	8,3%	14,0%	12,8%	10,4%
Capex/Sales	6,5%	5,0%	6,7%	6,5%

Source: Company data, UBI Banca estimates

Recent Developments

- > SIT has proven to be resilient in a dramatic market environment: sales in the Heating division were down 20.8% in the second quarter due to lower volumes in every country with the only exception of Asia/Pacific which benefitted from higher sales in Middle East and a recovering market in China. Italy (-44%) was severely impacted due to the production shutdown in March and April and the closing of several major customers. Europe, particularly UK, and America also performed poorly. The Smart Gas Metering division dropped by 56.4% in 2Q20 (-36% in the first half), as the installation of gas meters in Italy (the only reference market at the moment) was interrupted for the lockdowns and started again only in June. Overall, consolidated revenues declined by 20.3% in the first half (-30.9% in 2Q20), entirely due to lower volumes.
- > Contrary to our expectations, SIT was able to keep a healthy EBITDA even in front of a dramatic sales drop. 2Q20 EBITDA margin increased compared with 2Q19 (10.4% vs 10.0% in 2Q19), benefitting from lower raw materials prices and from effective cost cutting measures.
- > After EUR5.8 million of D&A, EBIT was EUR0.5 million in 2Q20 vs. our expectation of an operating loss of around EUR2 million. Financial charges strongly decreased in the first half (to EUR1.4 million vs. EUR3.7 million in 1H19) thanks to EUR1.3 million of forex gains on the Mexican Pesos and EUR0.3 million gains on the fair value accounting of SIT warrants (EUR1.1 million negative impact in 1H19). The lack of taxation allowed SIT to report a net profit of EUR3.8 million just 15% below the first half of 2019 (EUR4.5 million).
- > After EUR4.2 million of net capex, EUR3.5 million of dividends and EUR14.0 million of NWC absorption tied to lower trade payables (SIT strategically decided to support its suppliers) and lower non-recourse factoring, net debt increased to EUR88.9 million (from EUR78.4 million at Dec-19 and EUR87.6 million at June-19). As a result, gearing now stands at 0.62x (vs. 0.53x at Dec-19) and net debt/EBITDA at 2.08x (from 1.61x at Dec-19). We highlight that SIT currently has around EUR41 million of liquidity and available credit lines.
- > The rump-up of production is proceeding in the newly acquired plant in Tunisia, to which a second plant will be added (for rent and with limited investments). The new plant will be at full capacity from 2H22 with insourcing of productions now outsourced followed by a gradual shift of activities from Italy and the Netherlands and partly from Romania. Therefore, any restructuring costs will be set aside only at the end of 2021.

Figure 1 – 1H20 consolidated results

(EURm)	1H19A	1H20A	% Chg.	1H20E UBI	% Chg. Vs UBI
Heating	123,1	104,7	-15,0%	100,0	4,7%
Smart metering	42,4	27,2	-36,0%	35,0	-22,4%
Total sales	167,2	133,4	-20,3%	137,0	-2,7%
EBITDA Adj.	19,1	15,2	-20,7%	12,3	22,9%
Margin (%)	11,4%	11,4%		9,0%	
EBITDA	21,1	15,2	-28,3%	12,3	22,9%
Margin (%)	12,6%	11,4%		9,0%	
D&A	(11,0)	(11,4)		(11,0)	
EBIT	10,1	3,8	-62,6%	1,3	184,1%
Margin (%)	6,0%	2,8%		1,0%	
Net Result attr.	4,5	3,8	-15,5%	0,1	nm
Net debt	87,6	88,9	1,4%	95,0	-6,5%

Source: Company data, UBI Banca estimates

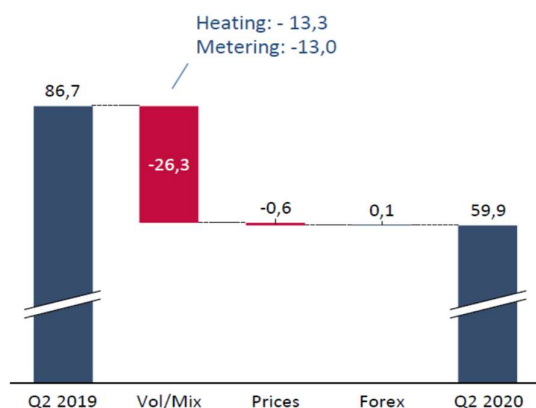
Figure 2 – 2Q20 consolidated results

(EURm)	2Q19A	2Q20A	% Chg.
Heating	61,0	48,3	-20,8%
Smart metering	24,8	10,8	-56,4%
Total sales	86,7	59,9	-30,9%
EBITDA	8,7	6,2	-27,8%
Margin (%)	10,0%	10,4%	
D&A	(5,7)	(5,8)	1,1%
EBIT	3,0	0,5	-83,4%
Margin (%)	3,4%	0,8%	
Pre tax	na	(2,5)	
Net Result attr.	na	(1,6)	

Source: Company data

Figure 3 – 2Q20 revenues bridge (EURm)

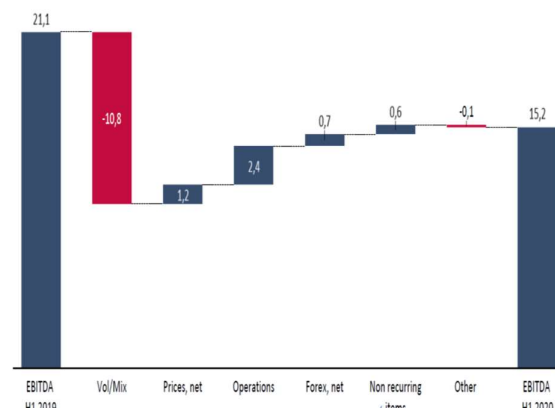
Volumes dropped significantly in Gas Smart Metering due to the COVID-19 outbreak but also Heating suffered, particularly in Italy.



Source: Company data

Figure 4 – 1H20 EBITDA bridge (EURm)

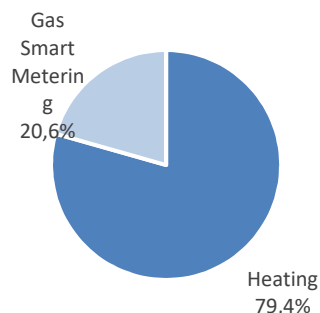
Clearly lower volumes depressed profitability, which, however, benefitted from a positive price impact and effective cost cutting measures.



Source: Company data

Figure 5 – 1H20A revenues breakdown by product

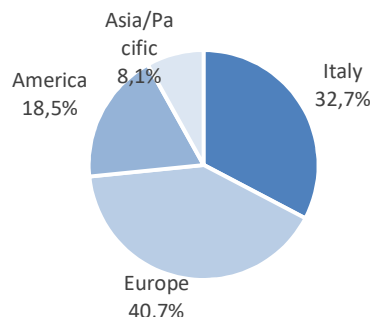
COVID-19 outbreak hit SIT: Heating division declined by 15% in 1H20, with a sharp slowdown in the second quarter and Smart Gas Metering division was down 36% (-56% in 2Q20).



Source: Company data

Figure 6 – 1H20 revenues breakdown by area

Revenues in Italy dropped by 33% penalized by Smart Gas Metering division, Europe declined by 12% and the US by 15%. Only Asia/Pacific limited the slowdown thanks to the recovery in 2Q20 of Middle East and flat sales in China.



Source: Company data

Financial Projections

- > SIT reported better-than-expected results in the first half of the year and therefore our estimates are overly conservative while our worst-case scenario is over. Visibility is clearly improving even if there is always the risk of further lockdowns which could jeopardize our forecasts.
- > We slightly increased our 2020 sales estimate based on a better trend for Heating, as already happened in 1H20, which should grow by around 2% in the second half. Gas Smart Metering should continue to decline but at a lower rate compared with 1H20 as installations are recovering and were even accelerated by some customers. The order backlog of this division has reached EUR41.6 million at June-20: adding EUR27.2 million already reported in 1H20, we would come to a potential turnover of EUR68.6 million in 2020, excluding further orders which could come within the end of the year.
- > EBITDA is expected to increase in the second half and we estimate it could surpass EUR39 million, an increase of 24% vs. our previous estimates. As a result, the bottom line should land at around EUR9.5 million, allowing a dividend distribution (not expected in our previous estimates). Net debt should be around EUR81 million, as NWC should stabilize around June level while capex should resume also for the new plant in Tunisia.
- > Also 2021 should be a challenging year: Gas Smart Metering should be penalized by the postponement of the rollout in UK and India, which we assume should contribute only in the second half of the year, while the rollout in Italy should be progressively concluded. On the opposite, the Heating division is expected to grow significantly (+8%) recovering all the sales losses of 2020, on the back of the rump up of the plant in Tunisia and the launch of new products. We expect an improvement of the EBITDA margin to >13% thanks to cost cutting actions already taken and lower production costs in Tunisia. We estimate a net profit of around EUR12 million, still below 2019 but with a significant increase compared with our previous estimate. Net debt should slightly decrease thanks to a higher operating cash flow even if NWC should not change significantly as the company has decided to support its suppliers and capex should increase to >EUR20 million.
- > 2022 should see the new plant in Tunisia fully operational and a progressive penetration of SIT gas meters in India and UK. Therefore, we expect a sharp recovering of the Smart Gas Metering division (+22%) while Heating should grow around 4%. EBITDA margin is expected to improve further, surpassing 2019 level, leading to a bottom line above EUR15 million.
- > At the conference call, the management confirmed potential acquisitions for both divisions. In particular, SIT could be interested in acquiring companies outside Italy in the Smart Gas Metering business while the Heating division aims to increase its presence in electronics. However, also due to the COVID-19 outbreak, a conclusion is still far to come. Still, we do not rule out that at least one acquisition should be finalized within the end of the year.

Figure 7 - Old vs. new estimates

(EUR)	2019A	2020E		2021E		2022E	
		Old	New	Old	New	New	New
Revenues	352,2	300,7	313,2	325,5	323,1	336,0	346,7
% change			4,2%		-0,7%		3,2%
EBITDA	48,7	31,5	39,1	39,0	42,6	45,9	49,2
% change			24,2%		9,3%		7,1%
EBITDA adjusted	48,3	31,5	39,1	39,0	42,6	45,9	49,2
% change			24,2%		9,3%		7,1%
EBIT	24,7	7,5	15,1	13,2	17,6	18,9	22,2
% change			101,8%		33,7%		17,1%
EBIT adjusted	24,9	7,5	15,1	13,2	17,6	18,9	22,2
% change			101,8%		33,7%		17,1%
Pre-tax profit	21,3	6,5	11,9	10,9	15,3	16,9	20,2
% change			83,6%		40,8%		19,1%
Net profit attributable	19,9	5,1	9,5	8,2	12,2	12,7	15,1
% change			88,3%		48,3%		19,1%
Net financial debt (cash)	78,4	73,8	81,5	55,2	66,8	37,9	48,8
% change			10,3%		21,0%		28,8%
EBITDA margin	13,8%	10,5%	12,5%	12,0%	13,2%	13,7%	14,2%
EBITDA margin adj	13,7%	10,5%	12,5%	12,0%	13,2%	13,7%	14,2%
EBIT margin	7,0%	2,5%	4,8%	4,0%	5,4%	5,6%	6,4%

Source: Company data, UBI Banca estimates

Figure 8 – 2H20E estimates

(EURm)	2H19A	2H20E	% Chg.
Heating	136,9	139,6	1,9%
Gas Smart Metering	46,2	41,8	-9,4%
Total sales	185,0	179,9	-2,8%
EBITDA Adj.	29,2	23,9	-18,0%
Margin (%)	15,8%	13,3%	
EBITDA	27,6	23,9	-13,3%
Margin (%)	14,9%	13,3%	
EBIT	14,6	11,3	-22,7%
Margin (%)	7,9%	6,3%	
Net Result attributable	15,4	5,7	-63,1%

Source: Company data, UBI Banca estimates

Valuation

- Since the upcoming of COVID-19 outbreak at mid February SIT's share price has dropped by >30% reflecting the potential impact of the crisis and the slump of the industry multiples. However, considering the positive IH20 results and the higher visibility we have at this point of the year, we believe investors have overpenalized the company.
- Based on our new estimates, and on a free risk rate which has been reduced to 2.0% (from 3.0%) we set a new target price at EUR9.20 (from EUR7.55) or an increase of 22%. This is based on the average of a DCF (fair value of EUR7.94 per share) and relative valuations based on both the average of the multiples of international companies (applying a 30% 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 EUR11.64 per share using international companies and EUR8.01 per share using Italian companies. Our target price implies an upside of >100% to the current market price.
- Outstanding warrants (5.23 million) can be exercised after 1 month from the merger and within five years at EUR0.1 per share based on ratio ranging from 0.001 at EUR9.31 per share up to 0.287 at EUR13.0 per share (the threshold price above which breaks the acceleration condition). The current market price of outstanding warrants (EUR0.27) compares with a negative theoretical warrant price.
- At the target price, the company would trade at 7.1x 2021 EV/EBITDA, which is still well below the average multiple of our international companies peer sample (12.8x) and in line with Italian companies, and on 18.8x P/E (21.7x for international companies and 14.5x for Italian companies).

Figure 9 – Valuation summary

(EUR)		Weight	14/05/2020	Delta
DCF	7,94	33%	8,09	-1,8%
Italian companies (10% discount)	8,01	33%	6,32	26,7%
International companies (30% discount)	11,64	33%	8,24	41,3%
Target price	9,20		7,55	21,8%
Current price	4,58		4,18	9,6%
Potential upside	100,8%		80,6%	

Source: Company data, UBI Banca estimates

Figure 10 – DCF Valuation

Our DCF valuation is based on a WACC of 6.9% and implies an EV/EBITDA of 5.6x at terminal value

	Valuation (EUR m)	% Weight	Per share (EUR)
Sum of PV 2020-28 FCF	99,7	35%	3,99
Terminal value	183,6	65%	7,34
Total Enterprise value	283,2	100%	11,33
- Pension Provision	(6,2)		(0,25)
- Net cash (debt)	(78,4)		(3,13)
Total Equity value	198,6		7,94
Number of shares outstanding (m)	25,0		
Fair value per share (EUR)	7,94		

Source: UBI Banca estimates

Figure 11 - Relative valuation based on International companies (priced on 2 October 2020)

SIT is trading at an average discount of 67% on 2020-22 EV/EBITDA and at an average discount of 57% on P/E.

	Market Cap. (EURm)	P/E			EV/EBITDA		
		2020E	2021E	2022E	2020E	2021E	2022E
Bucher Industries	3.367	29,9 x	20,3 x	15,9 x	13,3 x	10,0 x	8,8 x
Beijer Ref	3.530	49,0 x	39,0 x	34,6 x	26,3 x	22,1 x	19,9 x
Emerson Electric	33.434	19,9 x	19,2 x	17,0 x	12,4 x	11,7 x	11,0 x
Honeywell International	99.212	24,2 x	21,3 x	19,3 x	16,5 x	15,0 x	14,0 x
Ingersoll-Rand	25.307	32,2 x	26,4 x	22,5 x	18,5 x	16,3 x	14,6 x
Landis +Gyr Group	1.364	19,6 x	13,4 x	11,3 x	10,2 x	7,6 x	6,7 x
Lindab International	1.197	19,6 x	17,7 x	16,4 x	11,3 x	10,1 x	9,2 x
NIBE Industrier	11.473	49,9 x	44,6 x	42,1 x	29,0 x	26,3 x	24,7 x
Schneider Electric	60.506	26,8 x	21,3 x	18,8 x	15,8 x	13,3 x	11,8 x
SPX Corporation	1.795	17,1 x	15,6 x	14,4 x	11,1 x	9,7 x	8,2 x
Sulzer	2.305	18,8 x	12,7 x	11,0 x	7,9 x	5,9 x	5,1 x
TT Electronics	390	18,9 x	13,6 x	11,1 x	10,3 x	8,4 x	7,2 x
Weir Group	3.669	19,4 x	16,4 x	14,4 x	11,3 x	9,9 x	8,9 x
Average		26,6 x	21,7 x	19,2 x	14,9 x	12,8 x	11,5 x
SIT at market price	115	12,0 x	9,4 x	7,6 x	5,2 x	4,4 x	3,4 x
% premium (discount)		-54,7%	-56,8%	-60,5%	-65,4%	-65,7%	-70,3%

Source: Factset, UBI Banca estimates

Figure 12 - Relative valuation based on Italian companies (priced on 2 October 2020)

	Market Cap. (EURm)	P/E			EV/EBITDA		
		2020E	2021E	2022E	2020E	2021E	2022E
Gefran	63	28,2 x	10,5 x	7,6 x	4,7 x	3,6 x	3,0 x
Interpump	3.443	26,1 x	20,5 x	18,5 x	13,6 x	11,6 x	10,3 x
LU-VE	285	23,2 x	14,2 x	11,4 x	9,1 x	7,1 x	6,0 x
Sabaf	152	21,6 x	12,8 x	12,0 x	7,2 x	6,0 x	5,7 x
Average		24,8 x	14,5 x	12,4 x	8,6 x	7,1 x	6,2 x
SIT at market price	115	12,0 x	9,4 x	7,6 x	5,2 x	4,4 x	3,4 x
% premium (discount)		-51,4%	-35,4%	-38,8%	-40,2%	-37,9%	-44,9%

Source: Factset, UBI Banca estimates

Figure 13 - Implicit multiples based on our EUR9.20 target price

	2020E	2021E	2022E
P/E	24,2	18,8	15,2
EV/EBITDA	8,1	7,1	5,8
EV/EBIT	21,0	17,2	12,8
EV/Sales	1,01	0,94	0,82
EV/CE	1,35	1,32	1,28
P/BV	1,50	1,42	1,33
P/CF	13,27	6,08	5,05

Source: UBI Banca estimates

ESG PICTURE

Corporate Governance

Does the company have a combined Chair/CEO?	Yes
Percentage of independent directors	57.1% (4 out of 7)
Percentage of female directors	42.9% (3 out of 7)
Does the company have loyalty shares?	No
Does major shareholders (if any) have a "shareholders pact" in place?	Yes
Has the company adopted a "poison pill" or "change of control" clauses?	No
Potential dilution from stock options outstanding + not yet granted?	Yes
CEO remuneration detail (fixed salary)	EUR0.65 million
Chairman remuneration detail (fixed salary)	Combined Chair/CEO
Is the share price included in the MBO criteria?	Yes
Percentage of treasury shares	0.81%

Climate related risk

Has the company defined GHG-emissions targets?	Yes
How does the company assess climate-related risk?	
SIT Group monitors on continuous basis the production activities commissioning to external laboratories to analyze and report the compliance to the environmental regulation	

Social Responsibilities

Does the company publish a separated Sustainability report?	Yes
Does the company have a Chief SRI/CSR officer (or a committee)?	Yes
Does the Chief SRI/CSR officer votes in any of the company's committee?	Yes
Is the Investor Relation officer a different person from CFO (or other officers)?	Yes
Is the ESG strategy integrated in the Business Plan (or in the group strategy)?	Yes
Does the company have an ethical code?	Yes
How is the cybersecurity issue managed?	
The group recently updated the antivirus instruments in order to prevent cyberattacks and strengthen the firewall	

Income Statement

(EURm)	2019	2020E	2021E	2022E
Net Revenues	352,2	313,2	323,1	346,7
EBITDA	48,7	39,1	42,6	49,2
EBITDA margin	13,8%	12,5%	13,2%	14,2%
EBIT	24,7	15,1	17,6	22,2
EBIT margin	7,0%	4,8%	5,4%	6,4%
Net financial income /expense	-4,2	-3,2	-2,3	-2,0
Associates & Others	0,8	0,0	0,0	0,0
Profit before taxes	21,3	11,9	15,3	20,2
Taxes	-1,4	-2,4	-3,1	-5,0
Minorities & discontinuing ops	0,0	0,0	0,0	0,0
Net Income	19,9	9,5	12,2	15,1

Source: Company data, UBI Banca estimates

Balance Sheet

(EURm)	2019	2020E	2021E	2022E
Net working capital	29,3	43,8	41,3	36,0
Net Fixed assets	223,3	216,4	214,6	211,7
M/L term funds	-26,7	-25,1	-26,8	-26,6
Capital employed	226,0	235,1	229,1	221,2
Shareholders' equity	147,6	153,6	162,3	172,4
Minorities	0,0	0,0	0,0	0,0
Shareholders' funds	147,6	153,6	162,3	172,4
Net financial debt/(cash)	78,4	81,5	66,8	48,8

Source: Company data, UBI Banca estimates

Cash Flow Statement

(EURm)	2019	2020E	2021E	2022E
NFP Beginning of Period	-71,3	-78,4	-81,5	-66,8
Group Net Profit	19,9	9,5	12,2	15,1
Minorities	0,0	0,0	0,0	0,0
D&A	24,0	24,0	25,0	27,0
Change in Funds & TFR	-2,7	-1,8	-1,8	-1,8
Gross Cash Flow	41,2	31,8	35,4	40,3
Change In Working Capital	-21,7	-14,4	2,4	5,3
Other	0,0	0,0	0,0	0,0
Operating Cash Flow	19,5	17,3	37,9	45,6
Net Capex	-23,0	-15,8	-21,8	-22,7
Other Investments	0,0	0,0	0,0	0,0
Free Cash Flow	-3,4	1,5	16,1	22,9
Dividends Paid	-7,0	-3,5	-3,5	-5,0
Other & Chg in Consolid. Area	3,3	-1,1	2,2	0,1
Chg in Net Worth & Capital Incr.	0,0	0,0	0,0	0,0
Change in NFP	-7,1	-3,1	14,7	18,0
NFP End of Period	-78,4	-81,5	-66,8	-48,8

Source: Company data, UBI Banca estimates

Financial Ratios

(%)	2019	2020E	2021E	2022E
ROE	14,6%	6,3%	7,7%	9,0%
ROI (pre-tax)	10,3%	5,9%	6,8%	8,8%
Net Fin. Debt/Equity (x)	0,53	0,53	0,41	0,28
Net Fin. Debt/EBITDA (x)	1,6	2,4	1,5	0,9
Interest Coverage	5,9	4,7	7,6	11,1
NWC/Sales	8,3%	14,0%	12,8%	10,4%
Capex/Sales	6,5%	5,0%	6,7%	6,5%
Pay Out Ratio	17,6%	36,8%	40,9%	49,6%

Source: Company data, UBI Banca estimates

Per Share Data

(EUR)	2019	2020E	2021E	2022E
EPS	0,80	0,38	0,49	0,60
DPS	0,14	0,14	0,20	0,30
Op. CFPS	0,78	0,69	1,51	1,82
Free CFPS	-0,14	0,06	0,64	0,92
BVPS	5,90	6,14	6,49	6,90

Source: Company data, UBI Banca estimates

Stock Market Ratios

(x)	2019	2020E	2021E	2022E
P/E	9,8	12,0	9,4	7,6
P/OpCFPS	10,0	6,6	3,0	2,5
P/BV	1,3	0,7	0,7	0,7
Dividend Yield (%)	1,8%	0,0%	3,4%	5,0%
Free Cash Flow Yield (%)	-1,8%	1,3%	14,0%	20,0%
EV (EURm)	279,8	201,9	186,9	168,6
EV/Sales	0,79	0,64	0,58	0,49
EV/EBITDA	5,7	5,2	4,4	3,4
EV/EBIT	11,3	13,4	10,6	7,6
EV/Capital Employed	1,24	0,86	0,82	0,76

Source: Company data, UBI Banca estimates

* Based on 2019 average price

Growth Rates

(%)	2019	2020E	2021E	2022E
Growth Group Net Sales	-2,1%	-11,1%	3,2%	7,3%
Growth EBITDA	11,2%	-19,8%	8,9%	15,4%
Growth EBIT	3,3%	-39,0%	16,5%	26,0%
Growth Net Profit	-18,4%	-52,3%	28,5%	23,7%

Source: Company data, UBI Banca estimates

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4 April 2019	BUY	11.55	8.30
18 June 2019	BUY	9.92	8.40
17 September 2019	BUY	9.51	6.90
11 November 2019	BUY	10.43	7.00
14 May 2020	BUY	7.55	4.18