

Company update

Buy (maintained)

31 March 2021 – 5:30 PM

MARKET PRICE: EUR7.24

TARGET PRICE: EUR11.13 (from EUR10.36)

Heating, Smart gas metering

Data

Shares Outstanding (m):	25.01	
Market Cap. (EURm):	181.1	
Enterprise Value (EURm):	297.7	
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)	4.10	7.26

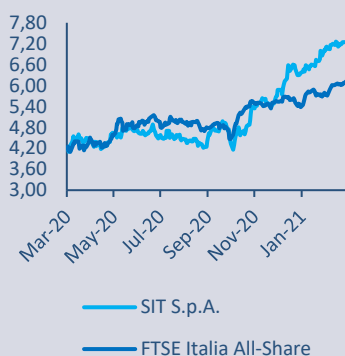
Source: Factset, UBI Banca estimates

Performance

	1m	3m	12m
Absolute	5.5%	23.1%	72.4%
Rel. to FTSE IT	-2.3%	12.4%	26.3%

Source: Factset

Graph area Absolute/Relative 12 M



Source: Factset

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Sound results in 4Q20, more to come

4Q20 reversed the negative sales trend of the first nine months of the year with the Heating division growing by 7.8%. EBITDA adjusted margin was above our expectations at 13% and net profit was the triple of our estimates. In addition, SIT doubled the DPS to EUR0.28 per share offering an attractive 3.9% yield at current market price. 2021 should see an acceleration of the Heating division, which is supported by a strong order backlog, the first contribution of the new plant in Tunisia and the integration of the recently acquired Janz which should lead to a high single-digit growth of the top line. On the negative side, we highlight the reduction of Smart Gas Metering division due to the end of the roll-out in Italy and the delay of gas smart metering projects in UK and India and soaring raw material prices which should prevent significant EBITDA margin improvements. This said, despite the strong share performance (+51% since our latest report of November 10, 2020) we confirm our positive stance: SIT remains undervalued in our view with an average discount to peers of >50% despite its technological leadership, its strong free cash flow generation, its diversification strategy (entrance in the water smart meters), potential reduction of production costs thanks to the new plant in Tunisia and a robust balance sheet. Our new EUR11.13 target price (from EUR10.36) offers >50% upside.

- > 2020 revenues were down 8.9% but margins remained substantially stable (and even increased on adjusted basis) despite the impact of the COVID-19 outbreak. The 2020 net result, which surpassed our forecast, was positive for EUR13.2 million or -10% vs. 2019 on adjusted basis. Net debt reached EUR115.8 million from EUR78.4 million at Dec-19 due to the acquisition of Janz, IFRS 16 and NWC absorption.
- > The company expects sales to grow at a mid/high single-digit rate, including the consolidation of Janz. EBITDA should increase in absolute term even if margin should remain stable or slightly decrease.
- > Our new target price of EUR11.13 (from EUR10.36) reflects our new estimates (with the introduction of 2023) and the relative valuation now applied to 2021-23 multiples. It implies upside of >50%.
- > Main risks are growing raw material prices, potential constraints at the supply chain (not at the moment) and new lockdowns which could slowdown the introduction of smart gas meters in India and UK.

Financials

	2020	2021E	2022E	2023E
Revenues (EURm)	320,7	339,9	356,9	369,6
EBITDA (EURm)	43,6	45,7	49,4	52,3
EBITDA margin (%)	13,6%	13,5%	13,9%	14,2%
EBIT (EURm)	19,6	19,7	20,9	22,9
EPS (EUR)	0,53	0,61	0,61	0,65
CFPS (EUR)	0,74	1,21	2,08	1,79
DPS (EUR)	0,28	0,30	0,35	0,40

Source: Combanv Data. UBI Banca estimates

Ratios

	priced on 30 March 2020			
	2020 *	2021E	2022E	2023E
P/E(x)	9,5	11,9	11,8	11,1
P/CF(x)	6,7	6,0	3,5	4,0
P/BV(x)	0,8	1,1	1,1	1,0
Dividend Yield	5,6%	4,1%	4,8%	5,5%
EV/EBITDA(x)	5,7	6,5	5,6	5,0
Debt/Equity (x)	0,76	0,69	0,53	0,43
Debt/EBITDA (x)	2,65	2,42	1,80	1,46

Source: UBI Banca estimates \* based on 2020 average price

**Key Financials**

(EURm)	2020	2021E	2022E	2023E
Revenues	320,7	339,9	356,9	369,6
EBITDA	43,6	45,7	49,4	52,3
EBIT	19,6	19,7	20,9	22,9
NOPAT	13,1	13,2	14,0	15,4
Free Cash Flow	-22,5	9,9	29,0	21,2
Net Capital Employed	269,0	272,2	258,3	253,3
Shareholders' Equity	153,2	161,4	169,2	176,8
Net Financial Position	115,8	110,8	89,1	76,5

Source: Company data, UBI Banca estimates

**Key Profitability Drivers**

	2020	2021E	2022E	2023E
Net Debt/Ebitda (x)	2,7	2,4	1,8	1,5
Net Debt/Equity (x)	0,76	0,69	0,53	0,43
Interest Coverage (%)	5,0	6,9	10,2	9,2
Free Cash Flow Yield (%)	-18,0%	5,4%	16,0%	11,7%
ROE (%)	8,8%	9,6%	9,2%	9,5%
ROI after tax (%)	4,8%	4,5%	4,8%	5,4%
ROCE (%)	5,3%	4,9%	5,3%	6,0%

Source: Company data, UBI Banca estimates

**Key Valuation Ratios**

	2020 *	2021E	2022E	2023E
P/E (x)	9,5	11,9	11,8	11,1
P/BV (x)	0,8	1,1	1,1	1,0
P/CF (x)	6,7	4,6	3,5	4,1
Dividend Yield (%)	5,6%	4,1%	4,8%	5,5%
EV/Sales (x)	0,77	0,85	0,75	0,69
EV/EBITDA (x)	5,7	6,3	5,4	4,9
EV/EBIT (x)	12,6	14,6	12,7	11,1
EV/CE (x)	0,92	1,10	1,07	1,04

Source: Company data, UBI Banca estimates

\* Based on 2020 average price

**Key Value Drivers**

(%)	2020	2021E	2022E	2023E
Payout	52,9%	49,4%	57,2%	61,1%
NWC/Sales	14,4%	16,3%	12,7%	12,0%
Capex/Sales	4,0%	6,0%	6,5%	6,4%

Source: Company data, UBI Banca estimates

### Recent Developments

- SIT reported 4Q20 results with revenues above our estimates and with a much better profitability. Sales increased by 5% in the quarter (-8.9% in 2020) but with a different trend: while Heating was up 7.8% (+9.9% at same forex) confirming the sound recovery already experienced in 3Q20, Gas Smart Metering dropped by 5.5%. By geography, in the quarter Italy was down 7.6% due to the Smart Gas Metering division which supplies only the Italian market (in Italy Heating was down 4.8%), Europe increased by 11.8% mostly due to Turkey, America was up 12.3% with lower revenues for mechanical controls in fireplaces offset by strong trend of storage water heating, while Asia was up 9.9% mainly for China.
- Despite the sharp grow of raw materials, which represented nearly 61% of revenues vs. 57.5% in 4Q19, the EBITDA margin reached 12% in 4Q20 (13.0% on adjusted basis) compared with 13.0% last year and 13.6% in 2020. This much better than expected result was possible thanks to effective cost cutting measures which reduced the impact of services costs.
- The bottom line came to EUR1.8 million in the quarter and EUR13.2 million in the full year, surpassing our estimate, even if it was 34% lower than in 2019, which, however, benefitted from EUR3.7 million non-recurring tax gains.
- Following EUR12.7 million of net capex (vs. EUR23 million in 2019), the acquisition cost of Janz of EUR28.4 million, a higher-than-expected NWC absorption which reflects the turnover acceleration of 4Q20 and the impact of IFRS 16 (EUR11.6 million), net debt increased to EUR115.5 million with gearing up to 0.76x (0.53x in 2019) and net debt/EBITDA adjusted growing to 2.60x (from 1.62x in 2019). We highlight that SIT currently has around EUR42 million of cash and liquidities.
- Operating NWC rose to 15.5% of sales (from 9.9% in 2019) due to higher trade receivables and inventories. Capital employed rose to EUR269 million (from EUR226 million) due to the Janz acquisition (which added EUR20 million of goodwill, with the PPA still to be allocated) and higher NWC, reducing the capital turnover to 1.19x (from 1.56x in 2019).
- SIT doubled the DPS of EUR0.28 per share (from EUR0.14 in 2019), with a pay-out ratio of 53% (vs. an average of around 29% in the past three years) and a dividend yield of 3.9% at current market price.
- Last February, SIT Technologies, which controlled 75.5% of SIT share capital and 18.3% of the outstanding warrants, launched a voluntary public purchase offer on all outstanding 4,27 million warrants issued by SIT at a price of EUR0.40 for each warrant in cash with a premium of 107.6% vs. the closing price before the announcement. The tender offer was completed on March 12 with a subscription of 50.5% and an outlay of EUR0.86 million. The Offer was not aimed to delist the SIT Warrants from the MTA market of the Italian Stock Exchange but had the target to provide an exit option for warrant holders while reducing the dilution risk for SIT Technologies deriving from the possible exercise of the warrants and the consequent issuance of new SIT shares, in case the monthly average price of the SIT shares would exceed EUR9.30. Outstanding warrants not controlled by SIT Technologies are now 2.11 million and are currently trading above the offer price.

Figure 1 – 2020 consolidated results

(EURm)	2019A	2020A	% Chg.	2020E	% Chg.
Heating	260,0	249,0	-4,2%	244,2	2,0%
Smart metering	88,6	68,6	-22,6%	69,0	-0,5%
Total sales	352,2	320,7	-8,9%	313,2	2,4%
<b>EBITDA Adj.</b>	<b>48,3</b>	<b>44,6</b>	<b>-7,7%</b>	<b>42,2</b>	<b>5,7%</b>
<b>Margin (%)</b>	<b>13,7%</b>	<b>13,9%</b>		<b>13,5%</b>	
EBITDA	48,7	43,6	-10,5%	41,2	5,9%
Margin (%)	13,8%	13,6%		13,2%	
D&A	(24,0)	(24,0)	0,0%	(23,0)	4,4%
EBIT	24,7	19,6	-20,7%	18,2	7,8%
Margin (%)	7,0%	6,1%		5,8%	
Pre tax	21,3	16,0	-25,0%	15,0	6,6%
<b>Net Result attr.</b>	<b>19,9</b>	<b>13,2</b>	<b>-33,6%</b>	<b>12,0</b>	<b>10,2%</b>
Net debt	78,4	115,8	47,6%	108,0	7,2%

Source: Company data, UBI Banca estimates

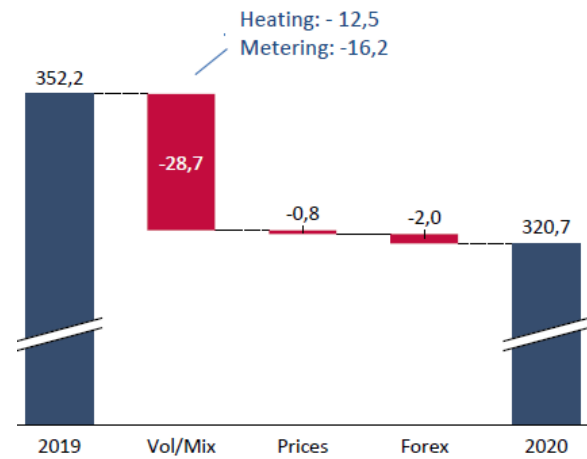
Figure 2 – 4Q20 consolidated results

(EURm)	4Q19A	4Q20A	% Chg.	4Q20E	% Chg.
Heating	69,3	74,7	7,8%	69,6	7,3%
Smart metering	19,1	18,1	-5,5%	18,4	-2,0%
<b>Total sales</b>	<b>89,4</b>	<b>93,8</b>	<b>4,9%</b>	<b>86,3</b>	<b>8,7%</b>
<b>EBITDA Adj.</b>	<b>10,4</b>	<b>12,2</b>	<b>17,3%</b>	<b>10,2</b>	<b>19,6%</b>
<b>Margin (%)</b>	<b>11,6%</b>	<b>13,0%</b>		<b>11,8%</b>	
EBITDA	11,6	11,2	-3,5%	8,8	27,5%
Margin (%)	13,0%	12,0%		10,2%	
D&A	(7,2)	(6,7)	-6,7%	(5,7)	18,1%
EBIT	4,4	4,5	2,0%	3,1	44,8%
Margin (%)	4,9%	4,8%		3,6%	
<b>Net Result attr.</b>	<b>3,7</b>	<b>1,8</b>	<b>-50,5%</b>	<b>0,6</b>	<b>208,0%</b>

Source: Company data, UBI Banca estimates

Figure 3 – Sales bridge in 2020 (EURm)

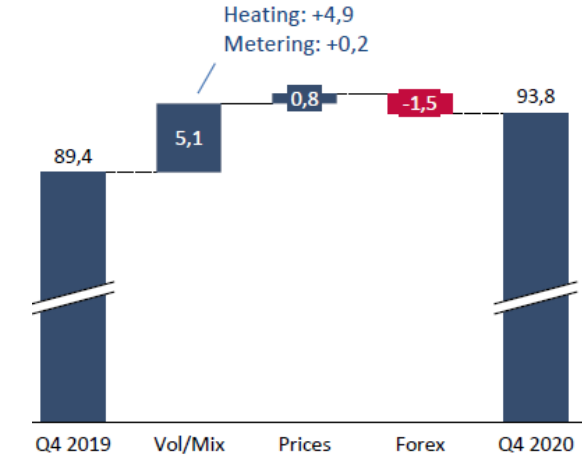
The revenues decline was caused by lower volumes in both divisions....



Source: Company data

Figure 4 - Sales bridge in 4Q20 (EURm)

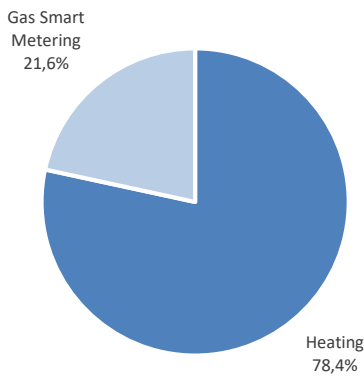
...but in the last quarter of the year volumes significantly recovered.



Source: Company data

Figure 5 – 2020A revenues breakdown by product

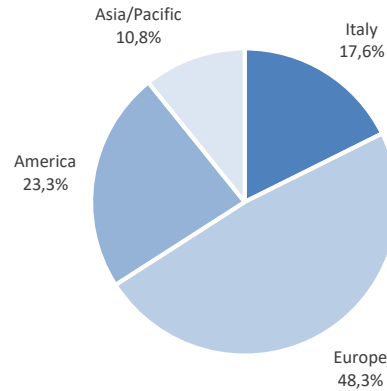
While Heating division declined by 4,2% in 2020, but with a sound recovery in the second part of the year, Smart Gas Metering division was down 22.6%.



Source: Company data

Figure 6 – 2020A revenues breakdown by area

Revenues in Italy were down 13.6% due to the slowdown of the Smart Gas Metering division while Europe and Asia were broadly stable. North America declined by 5.7%.



Source: Company data

### Financial Projections

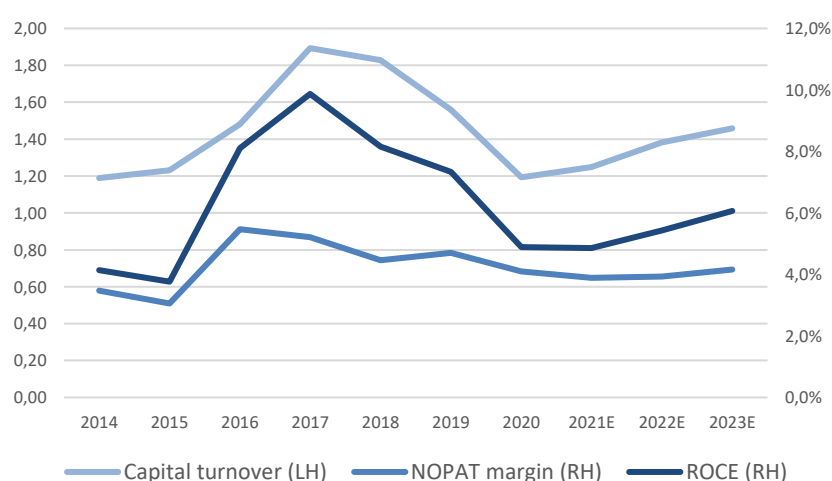
- SIT anticipated a 2021 growing at a mid/high single-digit rate, including the consolidation of Janz which should add around EUR20 million sales according to our estimates. In other words, organic growth should be minimal this year as the sound recovery of the Heating business, which is experiencing a booming order intake particularly in Europe, should be offset by lower Smart Gas Metering revenues due to the completion of the roll-out of meters in Italy (now at 75-80%) and the delay of the roll out in UK and India due to the COVID-19 outbreak, which could resume only in the second half of the year (according to the management, Smart metering sales outside Italy should reach 10% of the divisional revenues, or around EUR5 million). For these reasons the management expects 1Q21 sales slightly lower than previous year.
- EBITDA should grow in absolute term but remain stable or slightly decrease in margin due to raising raw material prices (which already increased in 4Q20), higher R&D investments, new hiring at the Heating division and costs for travelling and exhibitions if travel restriction would finish, partially offset by further production efficiencies stemming from the new plant in Tunisia. As a result, we now expect an EBITDA Adjusted margin of around 13.5% compared with 13.9% reported in 2020. The EBIT should remain broadly stable at around EUR20 million and the bottom line should reach EUR15 million in 2021, also supported by positive fiscal items. Net debt should decline despite higher capex thanks to growing operating cash flow.
- The management stated that problems on the supply chain are limited at the moment while longer transportation timing, particularly to Eastern Europe, is creating some troubles.
- 2022 and 2023 should see further improvements for the Heating division on the back of new environmental-friendly regulations and national incentives (for example the “110% Ecobonus” in Italy). Smart Metering division should benefit from the penetration in India and UK, the growing contribution of Janz and the second wave of smart gas metering in Italy which should start in 2023. Altogether, we estimate sales to reach EUR370 million in 2023 with a 4.8% CAGR since 2020. EBITDA margin should progressively improve reaching 14.2% in 2023 while the bottom line should surpass EUR16 million in 2023. We also increased our DPS projections adopting a higher pay-out ratio (>50%) which should offer attractive dividend yields (>4% on the current market price).

Figure 7 - Old vs. new estimates

(EUR)	2020A	2021E		2022E		2023E
		Old	New	Old	New	New
<b>Revenues</b>	320,7	341,1	339,9	366,7	356,9	369,6
% change			-0,3%		-2,7%	
<b>EBITDA</b>	<b>43,6</b>	<b>46,0</b>	<b>45,7</b>	<b>53,5</b>	<b>49,4</b>	<b>52,3</b>
% change			-0,5%		-7,5%	
<b>EBITDA adjusted</b>	<b>44,6</b>	<b>46,0</b>	<b>45,7</b>	<b>53,5</b>	<b>49,4</b>	<b>52,3</b>
% change			-0,5%		-7,5%	
EBIT	19,6	19,0	19,7	24,5	20,9	22,9
% change			3,9%		-14,4%	
EBIT adjusted	19,6	19,0	19,7	24,5	20,9	22,9
% change			3,9%		-14,4%	
Pre-tax profit	16,0	16,1	16,9	21,9	18,9	20,4
% change			4,6%		-13,8%	
<b>Net profit attributable</b>	<b>13,2</b>	<b>12,9</b>	<b>15,2</b>	<b>16,4</b>	<b>15,3</b>	<b>16,4</b>
% change			17,7%		-6,9%	
<b>Net financial debt (cash)</b>	<b>115,8</b>	<b>96,3</b>	<b>110,8</b>	<b>75,7</b>	<b>89,1</b>	<b>76,5</b>
% change			15,1%		17,8%	
<b>EBITDA margin</b>	<b>13,6%</b>	<b>13,5%</b>	<b>13,5%</b>	<b>14,6%</b>	<b>13,9%</b>	<b>14,2%</b>
<b>EBITDA margin adj</b>	<b>13,9%</b>	<b>13,5%</b>	<b>13,5%</b>	<b>14,6%</b>	<b>13,9%</b>	<b>14,2%</b>
<b>EBIT margin</b>	<b>6,1%</b>	<b>5,6%</b>	<b>5,8%</b>	<b>6,7%</b>	<b>5,9%</b>	<b>6,2%</b>

Source: Company data, UBI Banca estimates

Figure 8 – Trend in the NOPAT margin, Capital Turnover and ROCE



Source: Company data, UBI Banca estimates

## Valuation

- SIT's newsflow has strongly improved since last October, when the company announced the acquisition of Janz followed by 3Q20 results above expectations. Consequently, the share strongly outperformed growing by 55% in less than six months. Still, we believe there is further room for outperforming in the coming months thanks to the positive momentum of the Heating business, the cost reduction coming from the new plant in Tunisia, the integration of Janz which could generate cross-selling synergies and the penetration in the UK and Indian markets of Smart Gas Metering in the second half of the year. For all these reasons, we confirm a Buy rating with a new target price of EUR11,13 (from EUR10.36) which benefits from our new estimates (with the introduction of 2023) and the relative valuation now applied to 2021-23 multiples.
- Our target price is based on the average of a DCF (fair value of EUR10.14 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 EUR14,08 per share using international companies and EUR9.18 per share using Italian companies. Our target price implies an upside of >50% to the current market price.
- At the target price, the company would trade at 8.6x 2021 EV/EBITDA, which is still below the average multiple of our peer sample (15.4x for international companies and 9.1x for Italian companies) and on 18.3x P/E (26.4x for international companies and 18.2x for Italian companies).

Figure 9 – Valuation summary

(EUR)		Weight	10/11/2020	Delta
DCF	10,14	33%	9,21	10,1%
Italian companies (10% discount)	9,18	33%	8,79	4,5%
International companies (30% discount)	14,08	33%	13,09	7,6%
<b>Target price</b>	<b>11,13</b>		<b>10,36</b>	<b>7,4%</b>
Current price	7,24		4,80	50,8%
Potential upside		53,8%	115,9%	

Source: Company data, UBI Banca estimates

Figure 10 – DCF Valuation

**Our DCF valuation is based on a WACC of 5.9% and implies an EV/EBITDA of 6.9x at terminal value**

	Valuation (EUR m)	% Weight	Per share (EUR)
Sum of PV 2021-29 FCF	127,9	34%	5,12
Terminal value	247,5	66%	9,90
<b>Total Enterprise value</b>	<b>375,4</b>	<b>100%</b>	<b>15,01</b>
- Pension Provision	(6,1)		(0,24)
- Net cash (debt)	(115,8)		(4,63)
<b>Total Equity value</b>	<b>253,5</b>		<b>10,14</b>
Number of shares outstanding (m)	25,0		
<b>Fair value per share (EUR)</b>	<b>10,14</b>		

Source: UBI Banca estimates



Figure 11 - Relative valuation based on International companies (priced on 31 March 2021)

**SIT is trading at an average discount of 60% on 2020-23 EV/EBITDA and at an average discount of 51% on P/E.**

	Market Cap. (EURm)	P/E			EV/EBITDA		
		2021E	2022E	2023E	2021E	2022E	2023E
Bucher Industries	4.467	25,3 x	22,1 x	19,3 x	13,2 x	11,5 x	9,4 x
Beijer Ref	4.697	48,5 x	42,8 x	40,0 x	28,2 x	25,1 x	23,3 x
Emerson Electric	46.631	24,3 x	22,0 x	20,0 x	15,1 x	13,9 x	12,6 x
Honeywell International	129.339	27,7 x	24,6 x	22,4 x	19,0 x	17,4 x	16,4 x
Ingersoll-Rand	33.942	30,6 x	27,2 x	24,6 x	18,8 x	17,5 x	16,2 x
Landis+Gyr	1.594	19,2 x	14,9 x	19,2 x	10,8 x	8,9 x	
Lindab International	1.359	18,6 x	17,1 x	15,5 x	10,8 x	9,7 x	8,7 x
NIBE Industrier	13.204	47,0 x	42,7 x	37,4 x	27,8 x	25,6 x	23,2 x
Resideo Technologies	3.527	16,7 x	14,3 x	13,8 x	7,2 x	6,3 x	4,5 x
Schneider Electric	72.727	24,7 x	22,0 x	20,6 x	15,3 x	13,7 x	12,7 x
SPX Corporation	2.267	18,6 x	17,0 x	na	11,5 x	10,3 x	na
Sulzer	3.327	18,9 x	15,9 x	14,5 x	9,0 x	7,8 x	7,2 x
Weir Group	5.429	22,8 x	20,4 x	18,1 x	12,9 x	11,9 x	10,5 x
<b>Average</b>		<b>26,4 x</b>	<b>23,3 x</b>	<b>22,1 x</b>	<b>15,4 x</b>	<b>13,8 x</b>	<b>13,2 x</b>
<b>SIT at market price</b>	<b>181</b>	<b>11,9 x</b>	<b>11,8 x</b>	<b>11,1 x</b>	<b>6,3 x</b>	<b>5,4 x</b>	<b>4,9 x</b>
<b>% premium (discount)</b>		<b>-54,8%</b>	<b>-49,2%</b>	<b>-50,0%</b>	<b>-59,0%</b>	<b>-60,9%</b>	<b>-63,0%</b>

Source: Factset, UBI Banca estimates

Figure 12 - Relative valuation based on Italian companies (priced on 31 March 2021)

	Market Cap. (EURm)	P/E			EV/EBITDA		
		2021E	2022E	2023E	2021E	2022E	2023E
Gefran	105	15,1 x	13,2 x	12,0 x	5,6 x	4,9 x	4,5 x
Interpump	4.649	26,5 x	23,9 x	21,9 x	14,9 x	13,4 x	12,1 x
LU-VE	328	17,1 x	13,6 x	12,3 x	8,3 x	7,0 x	6,2 x
Sabaf	271	14,2 x	13,4 x	11,8 x	7,5 x	7,0 x	6,3 x
<b>Average</b>		<b>18,2 x</b>	<b>16,0 x</b>	<b>14,5 x</b>	<b>9,1 x</b>	<b>8,1 x</b>	<b>7,3 x</b>
<b>SIT at market price</b>	<b>181</b>	<b>11,9 x</b>	<b>11,8 x</b>	<b>11,1 x</b>	<b>6,3 x</b>	<b>5,4 x</b>	<b>4,9 x</b>
<b>% premium (discount)</b>		<b>-34,5%</b>	<b>-26,0%</b>	<b>-23,8%</b>	<b>-30,4%</b>	<b>-33,3%</b>	<b>-33,3%</b>

Source: Factset, UBI Banca estimates

Figure 13 - Implicit multiples based on our EUR11.13 target price

	2021E	2022E	2023E
P/E	18,3	18,2	17,0
EV/EBITDA	8,6	7,5	6,9
EV/EBIT	20,0	17,8	15,7
EV/Sales	1,16	1,05	0,97
P/BV	1,45	1,44	1,42
P/CF	1,72	1,65	1,57

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)	2020	2021E	2022E	2023E
Net Revenues	320,7	339,9	356,9	369,6
EBITDA	43,6	45,7	49,4	52,3
EBITDA margin	13,6%	13,5%	13,9%	14,2%
EBIT	19,6	19,7	20,9	22,9
EBIT margin	6,1%	5,8%	5,9%	6,2%
Net financial income /expense	-3,9	-2,9	-2,1	-2,5
Associates & Others	0,3	0,0	0,0	0,0
Profit before taxes	16,0	16,9	18,9	20,4
Taxes	-2,8	-1,7	-3,6	-4,1
Minorities & discontinuing ops	0,0	0,0	0,0	0,0
Net Income	13,2	15,2	15,3	16,4

Source: Company data, UBI Banca estimates

**Balance Sheet**

(EURm)	2020	2021E	2022E	2023E
Net working capital	46,2	55,4	45,2	44,2
Net Fixed assets	248,2	243,9	239,8	235,5
M/L term funds	-25,5	-27,0	-26,7	-26,5
Capital employed	269,0	272,2	258,3	253,3
Shareholders' equity	153,2	161,4	169,2	176,8
Minorities	0,0	0,0	0,0	0,0
Shareholders' funds	153,2	161,4	169,2	176,8
Net financial debt/(cash)	115,8	110,8	89,1	76,5

Source: Company data, UBI Banca estimates

**Cash Flow Statement**

(EURm)	2020	2021E	2022E	2023E
NFP Beginning of Period	-78,4	-115,8	-110,8	-89,1
Group Net Profit	13,2	15,2	15,3	16,4
Minorities	0,0	0,0	0,0	0,0
D&A	24,0	26,0	28,5	29,4
Change in Funds & TFR	-1,8	-1,8	-1,8	-1,9
Gross Cash Flow	35,5	39,4	42,0	43,8
Change In Working Capital	-16,9	-9,1	10,1	1,0
Other	0,0	0,0	0,0	0,0
Operating Cash Flow	18,6	30,3	52,1	44,8
Net Capex	-12,7	-20,4	-23,1	-23,6
Other Investments	-28,4	0,0	0,0	0,0
Free Cash Flow	-22,5	9,9	29,0	21,2
Dividends Paid	-3,5	-7,0	-7,5	-8,8
Other & Chg in Consolid. Area	-11,3	2,1	0,2	0,1
Chg in Net Worth & Capital Incr.	0,0	0,0	0,0	0,0
Change in NFP	-37,4	4,9	21,7	12,6
NFP End of Period	-115,8	-110,8	-89,1	-76,5

Source: Company data, UBI Banca estimates

**Financial Ratios**

(%)	2020	2021E	2022E	2023E
ROE	8,8%	9,6%	9,2%	9,5%
ROI (pre-tax)	7,2%	6,6%	7,2%	8,1%
Net Fin. Debt/Equity (x)	0,76	0,69	0,53	0,43
Net Fin. Debt/EBITDA (x)	2,7	2,4	1,8	1,5
Interest Coverage	5,0	6,9	10,2	9,2
NWC/Sales	14,4%	16,3%	12,7%	12,0%
Capex/Sales	4,0%	6,0%	6,5%	6,4%
Pay Out Ratio	52,9%	49,4%	57,2%	61,1%

Source: Company data, UBI Banca estimates

**Per Share Data**

(EUR)	2020	2021E	2022E	2023E
EPS	0,53	0,61	0,61	0,65
DPS	0,28	0,30	0,35	0,40
Op. CFPS	0,74	1,21	2,08	1,79
Free CFPS	-0,90	0,39	1,16	0,85
BVPS	6,13	6,45	6,77	7,07

Source: Company data, UBI Banca estimates

**Stock Market Ratios**

(x)	2020 *	2021E	2022E	2023E
P/E	9,5	11,9	11,8	11,1
P/OpCFPS	6,7	6,0	3,5	4,0
P/BV	0,8	1,1	1,1	1,0
Dividend Yield (%)	5,6%	4,1%	4,8%	5,5%
Free Cash Flow Yield (%)	-18,0%	5,4%	16,0%	11,7%
EV (EURm)	246,8	297,7	275,7	262,8
EV/Sales	0,77	0,88	0,77	0,71
EV/EBITDA	5,7	6,5	5,6	5,0
EV/EBIT	12,6	15,1	13,2	11,5
EV/Capital Employed	0,92	1,09	1,07	1,04

Source: Company data, UBI Banca estimates

\* Based on 2020 average price

**Growth Rates**

(%)	2020	2021E	2022E	2023E
Growth Group Net Sales	-8,9%	6,0%	5,0%	3,6%
Growth EBITDA	-10,5%	4,8%	8,1%	5,8%
Growth EBIT	-20,7%	0,6%	6,1%	9,6%
Growth Net Profit	-33,6%	14,8%	0,7%	7,0%

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
5 October 2020	BUY	9.20	4.58
15 October 2020	BUY	9.89	4.68
10 November 2020	BUY	10.36	4.80