

SIT (BUY)**SIT Meters in the first 100% Hydrogen Houses**

Market Mover	Positive	Neutral	Negative
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What's up? SIT announced the delivery of its prototype hydrogen meters in the first houses powered entirely by hydrogen. The project is the result of a partnership between the UK's gas distribution networks NGN and Cadent along with the Government's Department of Business, Energy and Industrial Strategy and aims to develop a safe, efficient and technologically advanced use for hydrogen in private homes and commercial buildings. Construction is expected to be completed by the end of May 2021 and houses will also contain Bosch boilers that use hydrogen power safety valves created by SIT. The news confirms SIT's technological leadership in clean-burning gas like hydrogen, which is the new frontier to reduce carbon emissions.

What we think: Although the news has no impact on SIT's fundamentals, it is important from a technological and strategic standpoint: hydrogen is one of the most promising upcoming technologies to reduce carbon emission as, unlike natural gas which accounts for over 30% of carbon emissions, hydrogen produces no carbon emissions and could be key to achieving zero carbon emissions by 2050 (UK target). SIT is a first mover in hydrogen and we think it could therefore play a key role in the European energy transition programmes. **We remain positive on the share.**

Note: Intesa Sanpaolo took over equity coverage of SIT on 12/4/2021; the ISP-UBI Equity Ratings Reconciliation Table and the archive of ex-UBI's previously published research reports are available at the following link:

<https://group.intesasanpaolo.com/it/research/equity---credit-research/equity>

SIT - Key Data

04/05/2021	Engineering		
Target Price (EUR)	11.1		
Rating	BUY		
Mkt price (EUR)	7.46		
Mkt cap (EUR M)	187		
Main Metrics (€ M)	2021E	2022E	2023E
Revenues	339.9	356.9	369.6
EBITDA	45.73	49.44	52.30
EPS (EUR)	0.61	0.61	0.65
Net debt/-cash	110.8	89.12	76.51
Ratios (x)	2021E	2022E	2023E
Adj. P/E	12.3	12.2	11.4
EV/EBITDA	6.5	5.6	5.0
EV/EBIT	15.1	13.2	11.5
Debt/EBITDA	2.4	1.8	1.5
Div yield (%)	4.0	4.7	5.4
Performance (%)	1M	3M	12M
Absolute	4.5	16.6	70.3
Rel. to FTSE IT All Sh	5.1	7.1	23.3

Source: FactSet, Company data, Intesa Sanpaolo Research estimates

Intesa Sanpaolo is Corporate Broker to SIT

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