

## SIT (Outperform, TP €9.00)

Market Cap. €156.05m		Price: € 6.24		(Giuseppe Grimaldi +39 02 8829 412)	
	Turnover	Net Profit	PE Adj.	PBV	Yield
2020	321	13			
2021E	344	15	10.7	1.0	4.6
2022E	358	18	8.5	0.9	4.8

Source: Mediobanca Securities

**1Q21 results were a strong beat. FY21 sales guidance increased with softer margins due to cost inflation**

**Event** Yesterday SIT reported its 1Q21 set of numbers providing an update on its outlook.

**Comment/Financials** The company reported a beat across the board with a strong heating demand translating into a better than expected EBITDA and FCF in the quarter. Looking at the main lines we would highlight the following:

- ◆ **1Q21 Sales** stood at €92.7m (+26.2% YoY or +19.4% YoY at constant perimeter), which was ahead of our figure pointing to €82.5m. The stronger than expected result was due to a higher organic growth. By division, heating was the main driver of the strong top-line performance increasing by +25% YoY, while smart metering grew by +30% YoY, mainly reflecting the change in perimeter of Janz;
- ◆ **1Q21 EBITDA** was €15.1m (+69% YoY) vs MBe of €12.2. Margin stood at of 16.2% and expanded by 410bps YoY thanks to volumes and efficiencies with a better than average contribution of new Water metering business;
- ◆ **1Q21 EBIT** of at €9.2m was higher than MBe of €5.7m, reflecting stronger EBITDA growth in the quarter;
- ◆ **1Q21 Net income** was €8.0m vs MBe of €3.8m with patent box benefit more than offsetting the negative effect of the FV of warrants;
- ◆ **1Q21 Net debt** closed at €110.4m (from €115.8m at end of FY20) vs MBe of €142.0m. The better than expected result was due both lower capex and working capital reversal in the quarter.

A summary of the main lines compared to our estimate is provided in the table below.

**1Q21 - Results summary**

€m	1Q21A	1Q20A	% chg.	1Q21E	A vs E
Total sales	92.7	73.4	26%	82.5	12%
EBITDA	15.1	8.9	69%	12.2	23%
EBITDA margin	16.2%	12.1%		14.8%	
EBIT	9.2	3.3	181%	5.7	63%
EBIT margin	10.0%	4.5%		6.9%	
Net profit	8.0	4.2	92%	3.8	110%
Net Debt/(Cash)	110.4	101.6		142.0	

Source: Mediobanca Securities

With regard to the outlook the management improved its sales guidance expecting now a low-double-digit growth (up from mid/high digit growth) and this compares to our estimate of +7% YoY increase in 2021. Meanwhile, consolidated EBITDA is expected to grow with margin declining slightly taking into account the increase in raw materials.

**View/Action** Overall a strong start of the year with demand strength exceeding our expectation. Raw material inflation is set to remain a headwind, but a strong demand should mitigate the effect on the EBITDA recovery.

We have an Outperform rating on the share.

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