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Price (€)	7.5
Shares in issue (m)	25
Mkt Cap (€m)	189
Net debt (€m)	116
EV (€m)	305
BVPS (€)	6.0

Share price performance

1m	0.5%
3m	14.2%
12m	74.9%
12 m high/low	8/4
Ave daily vol (30D)	21,533

Shareholders

Sit Technologies Spa	74.9%
Azimut Holding Spa	1.2%
Julius Baer Group Lt	1.0%
Marlborough Fund Man	0.9%
Zenit Sgr Spa	0.6%
Norges Bank	0.5%
Banca Sella Holding	0.2%
Banque Degroof Peter	0.2%
City Financial Inves	0.1%
Compam Funds	0.0%
Total for top 10	79.5%
Free float	25.1%

Next news

Q2s Q2

Business description

Gas heating components and smart gas and water meters



Q1 SHOWS STRONG GROWTH

The Q1 results from SIT showed strong growth benefiting from the Janz acquisition and showing good recovery in key elements of the heating business. Historically SIT has enhanced both market share and margins through constant product development and these results saw growth in fan products and C&I metering driven by new product introductions. A stronger outlook statement is encouraging and we have made a modest increase to our FY 21 forecasts resulting in a small increase in our base case valuation which rises to €11.7 from €11.5.

Underlying sales growth of c.20%

SIT has reported its Q1 results for the period to 31 March 2021. These show strong headline growth in revenues, up 26.2% to €92.7m. This growth was partly driven by the first-time consolidation of the Janz water metering acquisition which added €4.8m of sales. Adjusting for this, underlying growth was still strong at 19.7% with heating showing sales up 25%, 28.5% adjusted for forex. EBITDA grew 69% to €15.1m with margin improving from 12.1% to 16.2%. This was despite operating costs increasing as a result of new hiring and logistics costs and has benefited from underlying efficiencies, mix changes and pricing improvements. The company benefited from a one-off tax gain of €1.8m resulting from a patent box ruling but even before this the net income margin grew from 5.3% to 8.0%.

COVID bounce and new products help growth

Heating has seen the strongest growth as key segments emerge from COVID related slow downs. North America in particular saw sales up 44.3% with direct heating up 56% and storage water heating up 54%. Italy saw heating grow by 23.4% as new products were introduced to the market with fans up 39%. The gas metering market was broadly flat with residential meters declining by 3.1% but commercial and industrial meters up 61% as a new generation of product families gained traction.

Our base case valuation modestly raised to €11.7

SIT has improved guidance with the company now expecting low double-digit growth in FY 21. We have modestly increased our forecasts for the year to reflect this with revenue increasing to €354m from €344m and EBITDA to €46.1m from €45.5m. Our DCF derived base case valuation sees a small rise to €11.7 from €11.5 as a result.

€,'000 Dec	2019a	2020a	2021e	2022e	2023e	2024e
Sales	352,207	320,731	353,838	354,215	368,724	380,663
EBITDA	48,720	43,622	46,114	48,560	52,892	56,661
PBT	21,320	15,991	16,651	17,948	21,332	24,087
EPS	81.0	53.6	56.0	58.2	68.3	76.1
CFPS	40.3	-61.0	87.3	96.1	117.0	128.7
DPS	14.0	28.0	29.4	30.9	32.4	34.0
Net Debt (Cash)	78,421	115,800	105,356	92,477	74,440	53,559
Debt/EBITDA	1.6	2.7	2.3	1.9	1.4	0.9
P/E	9.3	14.1	13.5	13.0	11.0	9.9
EV/EBITDA	5.5	7.0	6.6	6.3	5.8	5.4
EV/sales	0.8	0.9	0.9	0.9	0.8	0.8
FCF yield	5.3%	-8.1%	11.6%	12.7%	15.5%	17.1%
Div yield	1.9%	3.7%	3.9%	4.1%	4.3%	4.5%

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FINANCIAL MODEL

Profit and Loss Account

€ '000, DEC	2019a	2020a	2021e	2022e	2023e	2024e
Turnover						
Heating	265,646	249,003	274,912	272,409	277,857	283,414
Smart Gas Metering	89,318	68,634	56,172	56,172	61,789	64,261
Smart Water Metering	0	0	19,530	22,434	25,770	29,602
Other	-2,757	3,094	3,225	3,201	3,308	3,387
Total	352,207	320,731	353,838	354,215	368,724	380,663
Operating profit						
Heating	15,313	14,125	14,021	13,893	15,282	17,005
Smart Gas Metering	9,420	5,491	4,494	5,055	6,179	6,426
Smart Water Metering	0	0	2,100	2,580	3,092	3,552
Other	0	0	0	0	0	0
Operating profit	24,733	19,616	20,614	21,528	24,553	26,983
P&L Account						
Turnover	352,207	320,731	353,838	354,215	368,724	380,663
Operating Profit	24,733	19,616	20,614	21,528	24,553	26,983
Investment income	-20	0	0	0	0	0
Net Interest	-3,393	-3,625	-3,963	-3,580	-3,221	-2,896
Pre Tax Profit (UKSIP)	21,320	15,991	16,651	17,948	21,332	24,087
Goodwill amortisation	0	0	0	0	0	0
Exceptional Items	0	0	0	0	0	0
Pre Tax Profit (FRS3)	21,320	15,991	16,651	17,948	21,332	24,087
Tax	-1,392	-2,766	-2,831	-3,590	-4,480	-5,299
Post tax exceptionals	0	0	0	0	0	0
Minorities	0	0	0	0	0	0
Net Profit	19,928	13,225	13,821	14,358	16,852	18,788
Dividend	-6,969	-3,476	-7,136	-7,259	-7,629	-8,000
Retained	12,959	9,749	6,685	7,099	9,223	10,788
EBITDA	48,720	43,622	46,114	48,560	52,892	56,661
EPS (c) (UKSIP)	81.02	53.56	55.97	58.15	68.25	76.09
EPS (c) (FRS3)	81.02	53.56	55.97	58.15	68.25	76.09
FCFPS (c)	40.26	-61.01	87.25	96.06	117.00	128.70
Dividend (c)	14.00	28.00	29.40	30.90	32.40	34.00

Source: Company data, Longspur Research estimates

KEY POINTS

- FY 21 sees first year of contribution from Janz
- FY 22 broadly flat as COVID and metering programme delays linger
- FY 23 sees gas heating and metering sales recover to pre-COVID levels
- Some margin depression remains in FY 22
- Impact of Tunisian manufacturing improves gross margins from FY 23 onwards

Balance Sheet

€ '000, DEC	2019a	2020a	2021e	2022e	2023e	2024e
Fixed Asset Cost	284,822	319,738	339,637	360,034	377,440	395,281
Fixed Asset	-	-	-	-	-	-
Depreciation	205,504	229,510	255,010	282,042	310,380	340,058
Net Fixed Assets	79,317	90,228	84,627	77,992	67,060	55,224
Goodwill	78,138	98,070	98,070	98,070	98,070	98,070
Other intangibles	59,125	52,569	52,569	53,369	53,369	53,369
Investments	54	326	326	326	326	326
Stock	51,126	56,502	60,815	60,880	63,374	65,426
Trade Debtors	57,176	65,518	68,621	68,694	71,507	73,823
Other Debtors	21,624	26,293	26,293	26,293	26,293	26,293
Trade Creditors	-73,331	-72,203	-77,777	-77,860	-81,049	-83,674
Other Creditors <1yr	-20,525	-21,777	-21,777	-21,777	-21,777	-21,777
Creditors >1yr	-16,374	-15,670	-15,670	-15,670	-15,670	-15,670
Provisions	-4,142	-4,740	-4,740	-4,740	-4,740	-4,740
Pension	-6,201	-6,095	-6,095	-6,095	-6,095	-6,095
Capital Employed	225,987	269,021	265,261	259,481	250,668	240,574
Cash etc	34,064	42,328	1,230	3,450	11,894	24,142
Borrowing <1yr	23,318	51,542	10,659	9,593	8,633	7,770
Borrowing >1yr	89,167	106,586	95,927	86,335	77,701	69,931
Net Borrowing	78,421	115,800	105,356	92,477	74,440	53,559
Share Capital	96,152	96,152	96,152	96,152	96,152	96,152
Share Premium	10,360	9,586	9,586	9,586	9,586	9,586
Retained Earnings	14,228	13,225	19,910	27,009	36,232	47,020
Other	26,826	34,258	34,258	34,258	34,258	34,258
Minority interest	0	0	0	0	0	0
Capital Employed	225,987	269,021	265,261	259,481	250,668	240,574
Net Assets	147,566	153,221	159,905	167,004	176,227	187,015
Total Equity	147,566	153,221	159,905	167,004	176,227	187,015

Source: Company data, Longspur Research estimates

KEY POINTS

- Net fixed assets expand with Tunisian development and Janz acquisition
- Working capital driven by turnover with slight margin on historic ratios
- Borrowing increases in FY 21 with Janz acquisition
- Refinancing assumed in FY 23

Cashflow

€ '000, DEC	2019a	2020a	2021e	2022e	2023e	2024e
Operating profit	24,733	19,616	20,614	21,528	24,553	26,983
Depreciation	24,007	24,006	25,500	27,031	28,338	29,678
Provisions	0	0	0	0	0	0
Other	201	3,939	0	0	0	0
Working capital	-11,180	-13,964	-1,906	-814	-3,008	-2,563
Operating cash flow	37,761	33,597	44,208	47,746	49,883	54,098
Tax paid	-4,894	-6,315	-2,766	-2,831	-3,590	-4,480
Capex (less disposals)	-22,220	-13,316	-19,899	-20,396	-17,406	-17,841
Investments	-743	-29,029	0	-800	0	0
Net interest	-2,728	-1,743	-3,963	-3,580	-3,221	-2,896
Net dividends	-6,969	-3,476	-7,136	-7,259	-7,629	-8,000
Residual cash flow	207	-20,282	10,444	12,879	18,036	20,881
Equity issued	-685	-775	0	0	0	0
Change in net borrowing	-4,298	37,379	-10,444	-12,879	-18,036	-20,881
Adjustments	3,209	-16,782	0	0	0	0
Total financing	-1,774	19,822	-10,444	-12,879	-18,036	-20,881

Source: Company data, Longspur Research estimates

KEY POINTS

- Working capital remains negative as company experiences continued growth across forecast period
- Capex remains high as company continues to invest
- Additional Capex spend on Tunisia in FY 21 and FY 22
- FY20 shows Janz acquisition cost in investments

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