

SIT (BUY)**Results Preview**

Possible Surprise	Positive	Neutral	Negative
-------------------	----------	---------	----------

Results due on May 12: We expect a positive quarter, with an increase of both sales and profitability. We estimate revenues to increase by >15% for the Heating division, which benefits from the rebound already evident in the second half of 2020. Gas Smart Metering should decline by around 8%, due to the slowdown of the rollout of gas meters in Italy. However, SIT will consolidate Janz for the first time in the Smart Metering division and we forecast a contribution of around EUR 4M. Altogether, sales should reach EUR 86M with an increase of 17% (12% lfl). We forecast the EBITDA margin improving to 15.2% vs. 12.1% in 1Q20, thanks to: 1) a favourable comparison as March-20 was penalised by the shutdown of SIT's plants; and 2) the recent raw material price hike (aluminium spot price was up 12% in the quarter and copper price rose by 14%) should not impact 1Q21, as the company purchases raw materials based on a price list valid for an average of three months. We estimate a net result at EUR 5.7M (+37% yoy), also thanks to a very low tax rate, due to the fiscal benefits coming from the Patent Box. We assume net debt to increase to EUR 123M (from EUR 115.8M at December 2020), reflecting the seasonal NWC absorption.

What we think: We believe that SIT will confirm its outlook for 2021, which points to a mid/high single-digit rate, including the consolidation of Janz, which should add around EUR 20M sales according to our estimates, and to a stable EBITDA in absolute terms or a slight decrease in margin, due to rising raw material prices, higher R&D investments, new hirings at the Heating division and costs for travelling and exhibitions if travel restrictions ease partially offset by further production efficiencies stemming from the new plant in Tunisia.

SIT - Key Data

11/05/2021	Engineering		
Target Price (EUR)	11.1		
Rating	BUY		
Mkt price (EUR)	7.60		
Mkt cap (EUR M)	190		
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	12.5	12.4	11.6
EV/EBITDA	6.6	5.6	5.1
EV/EBIT	15.3	13.3	11.6
Debt/EBITDA	2.4	1.8	1.5
Div yield (%)	3.9	4.6	5.3
Performance (%)	1M	3M	12M
Absolute	1.6	15.9	73.9
Rel. to FTSE IT All Sh	-0.2	8.2	22.2

Source: FactSet, Company data, Intesa Sanpaolo Research estimates

Intesa Sanpaolo is Corporate Broker to SIT

Marco Cristofori - Research Analyst
+39 02 6275 3015
marco.cristofori@intesasanpaolo.com

SIT - 1Q21 preview

EUR M	1Q20A	FY20A	1Q21E	1Q yoy %	FY21E
Revenues	73.4	320.7	86.0	17.1	339.9
o/w Heating	56.4	249.0	66.0	17.0	273.9
o/w Smart Metering	16.4	68.6	19.0	16.2	66.0
EBITDA Adj.	8.9	44.6	13.1	47.0	45.7
Margin (%)	12.1	13.9	15.2	25.6	13.5
EBIT	3.3	19.6	7.1	116.0	19.7
Margin (%)	4.5	6.1	8.3	84.4	5.8
Pre-tax income	4.9	16.0	6.4	30.3	16.9
Net Result attr.	4.2	13.4	5.7	36.8	15.2
Net debt	101.6	115.8	123.0	21.1	110.8

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research