



# Company presentation and 2020FY results

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May 2021

## AGENDA

1. **Company overview**
2. **Market scenario and priorities for SIT**
3. **Key financials**
4. **Heating business**
5. **Metering business**
  - **Smart Gas Metering**
  - **Water Metering**



*Annex: Regulatory statement and disclaimer*

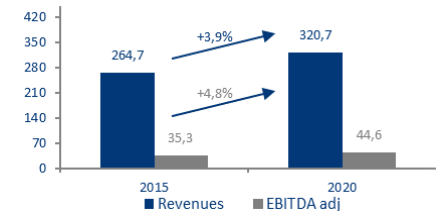
## **Company overview**

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# SIT at a glance

- SIT develops and manufactures **measuring devices for the gas and water meters sector** and **systems** for safety and high performance of **domestic gas appliances**
- SIT currently operates in **two business divisions**:
- **Heating**: SIT has a dominant position in all segments of the **domestic gas heating** and large catering sector
- **Metering**: SIT has developed a highly innovative technology that has enabled a stunning growth in the Italian **smart gas meter market** reaching  $\approx 35\%$  market share and over €88m turnover in 2019
- In 2020 SIT acquired **JANZ**, an established player of the **water metering market** with leadership position in the Iberian area and Latin America
- Over **65% of the sales are realized outside Italy** through a global sales network coverage
- SIT holds **74 patents** and strong co-development relationships with long term customers
- Sustained and consistent organic growth in both revenues (3,9% 5Y sales CAGR) and margins (4,8% 5Y EBITDA adj CAGR)



# Heating

- SIT develops and manufactures components and systems for control, performance, emission regulation and safety of gas appliances for domestic heating and large catering facilities
- 2020 business sales: €249,0m (77,6%)



## Products



Mechanical controls



Electronic controls



Integrated systems



Fans



Flue exhaust systems

## Appliances



Boilers



Water heaters



Fireplaces



Pellet stoves



Space heaters



Instantaneous water heaters



Professional cooking and catering

## Customers



**BOSCH**



**Vaillant**

**LENNOX**



**BAXI**



**Electrolux**



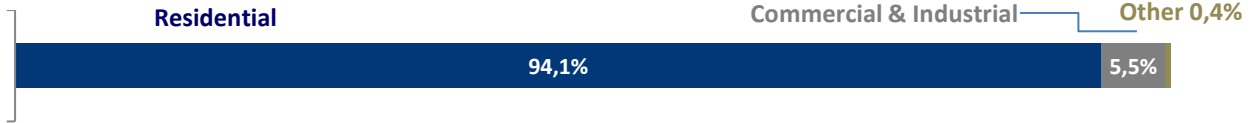
**ARISTON**  
THERMO GROUP

**VIESSMANN**



- SIT has developed a new generation of connected and remotely controlled static gas meters that measure directly the gas consumption in cubic meters (without need of any compensation devices)

- 2020 business sales: €68,6m (21,4%)



## Products



Residential Smart Gas Meters



Commercial & Industrial Smart Gas Meters

## Appliances



Smart Grids

## Customers



# Water Metering

- Founded in 1915 and based in Lisbon, JANZ develops solutions for the water management market. The company produces and distributes water meters – within a fully integrated manufacturing process – water meters components and accessories. JANZ offers also water meter repair services
- Product portfolio includes volumetric meters, single-jet meters and multi-jet meters also with telemetry applications “My Water” as well as chambers, registers and other OEM components

## Products



Residential meters



Industrial and commercial meters



Chambers

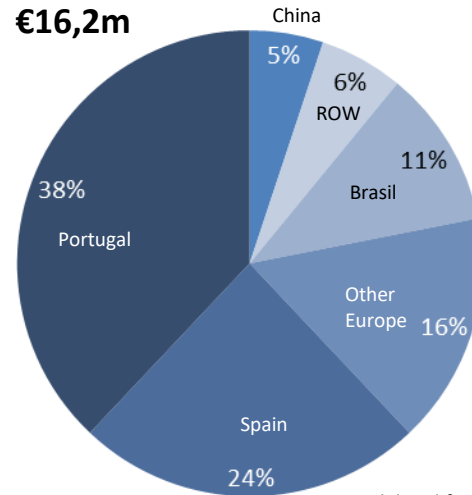


Registers



Technology and accessories

## 2020 sales by geography



Consolidated from 1.1.21

## Customers



# Global coverage...





# ...on a local for local production base

## Italy – Padova, HQ and R&D Labs



- All centralized SG&A functions
- R&D (mechanical controls, electronics, integrated systems, new product platforms)
- Labs for R&D and reliability (new project will upgrade and expand lab facilities for both Heating and Smart Gas Metering and for hydrogen and biogas applications)

## Italy - Milano



- Smart Gas Metering head office
- Sales & tender management
- R&D department
- Procurement & quality



## Italy – Rovigo, Macerata



- Mechanical controls, Integrated systems, Sensors, Smart Gas Meters
- Captive aluminum die casting and machining
- High volumes automated assembly lines
- Flue exhaust systems, Fans

## Portugal – Lisbon

- Water metering HQ
- R&D facilities
- Water meter, registers and volumetric chambers production



## Tunisia – Tunis



- Plastics suppliers insourced in Jul 2020
- Newco established in Nov 2020
- Electronics for Metering and Heating applications
- Start of production in Q2 2021

## Romania - Brasov



- Mechanical controls, Integrated systems, Smart Gas Meters
- High and low volumes assembling
- Direct shipments

## Netherlands - Hoogeveen



- Electronic controls
- Electronics R&D
- European and US customers

## Mexico - Monterrey



- Mechanical controls
- Markets served: N.A.F.T.A., Australia and Argentina

## China - Suzhou

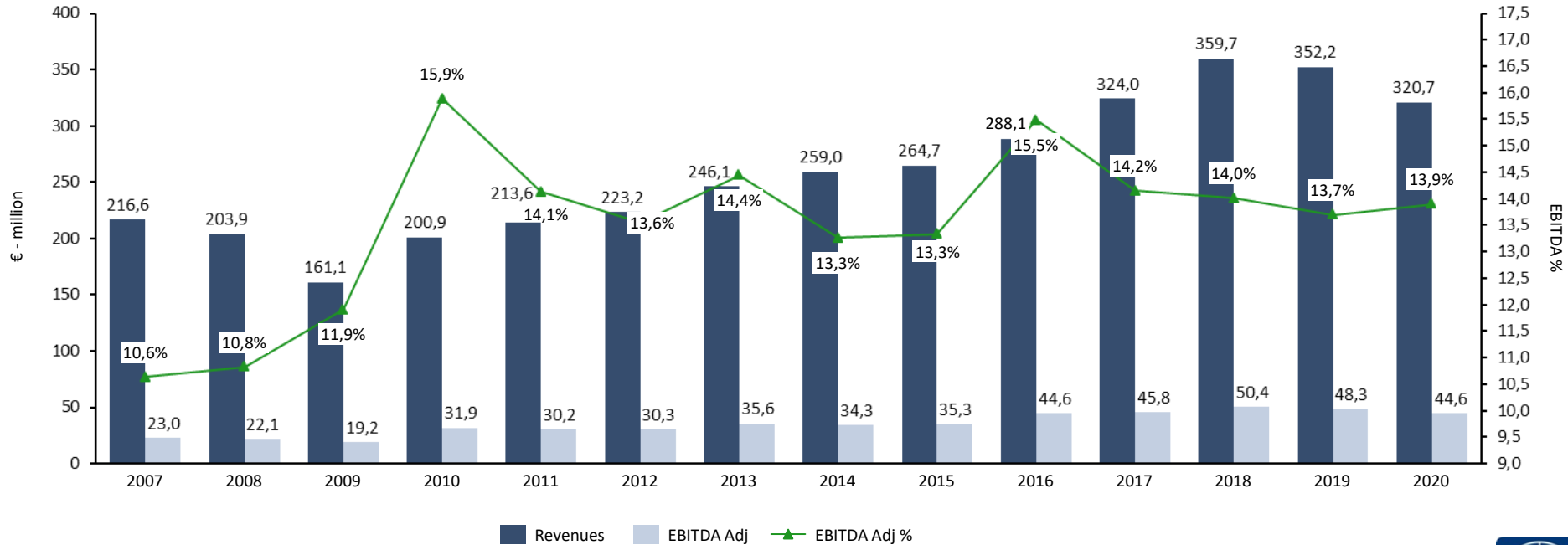


- Mechanical controls
- Purchasing hub
- Located since 2014
- Local and international OEM customers



# A strong organic growth path

- In the long run SIT has achieved stable and solid organic growth rates both in revenues and margins
- In the 10y ending in 2019, before Covid impact, CAGR was 8,1% in revenues and 9,4% in EBITDA adj
- SIT business model maintains strong resilience in global slowdowns, in both 2009 and 2020 crisis
- Rebound in 2010 and 2021E thanks to core business nondiscretionary demand



**Market scenario and priorities for SIT**

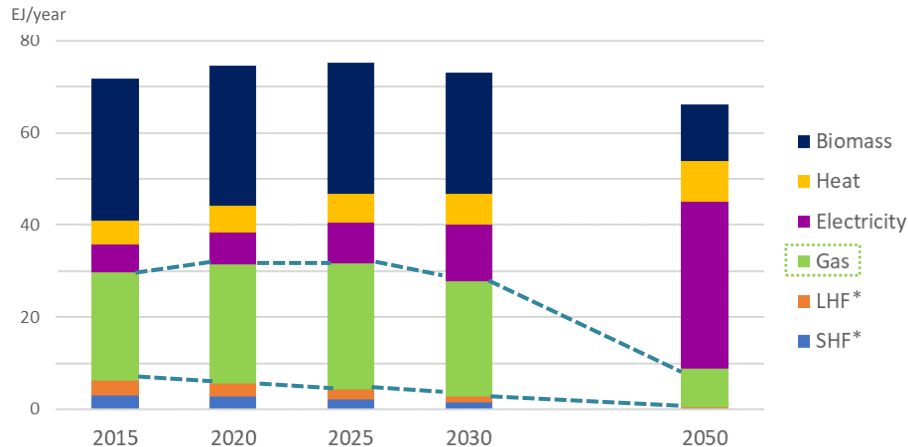
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# Decarbonization

## Scenario macro trends

### Global residential heating and cooking



\*LHF: Liquid Hydrocarbon Fuel

\*SHF: Solid Hydrocarbon Fuel

## Implications and priorities for SIT

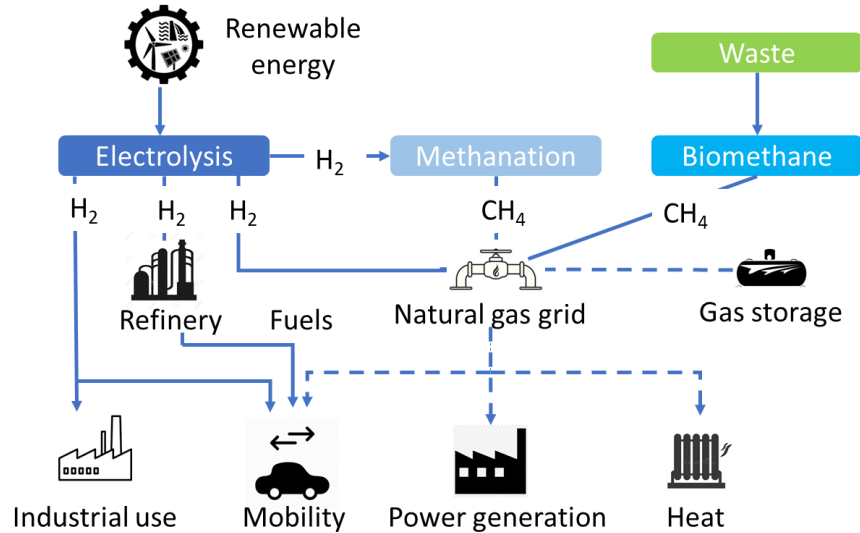
- Gas will maintain a key role at least for the next decade
- Maximize return from current profit pool
- Evaluate adjacencies not linked to gas consumption for mid-long term opportunities

# Power to gas

## Scenario macro trends

## Implications and priorities for SIT

### Power to gas and H<sub>2</sub> role

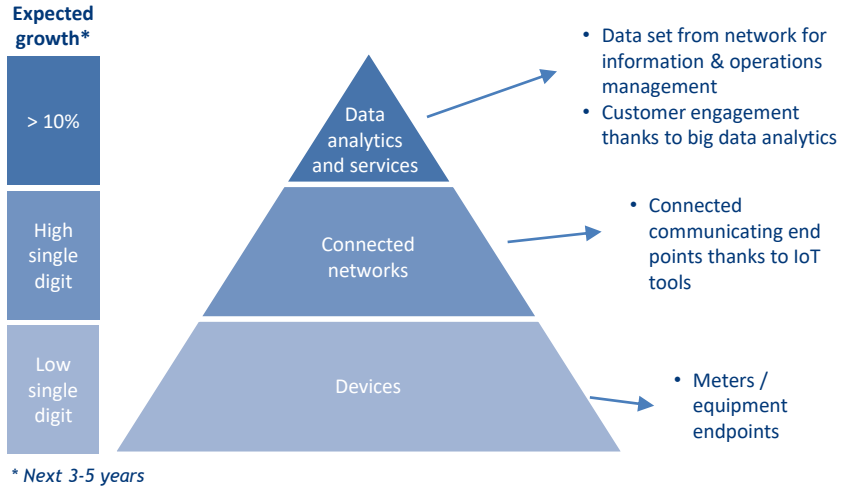


- Hydrogen and biomethane will be injected into the network
- Adapt and prepare products for H<sub>2</sub> / biomethane

# Servitization

## Scenario macro trends

### From devices to services



## Implications and priorities for SIT

- Market growth led by network solutions, new services and big data analytics
- Investigate opportunities for servitization
- From devices to IoT and intelligent equipment, data management and services

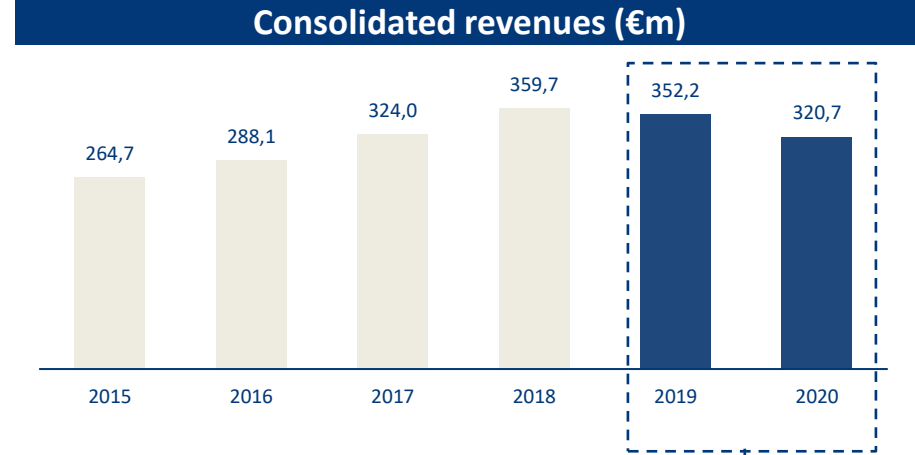
## Key financials

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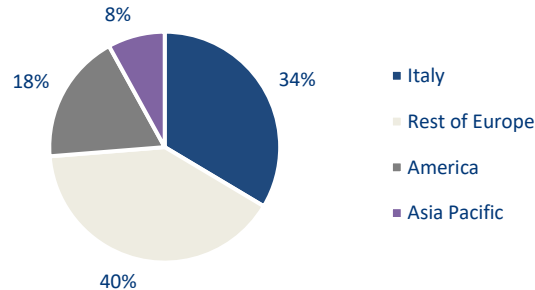


# Consolidated revenues

- Solid and consistent **organic revenue growth** (+4,0% 5Y CAGR) even after accounting for Covid effect in 2020
- **Heating** solutions account for 77,6% of revenues with a 4,2% YoY decrease in 2020, (+7,8% Q4 2020 vs Q4 2019)
- **Smart Gas Metering** decreased by 22,6% as foreign sales start-up was delayed by Covid (in UK and India)
- Over **65%** of 2020 revenues are **overseas**



### 2020 revenues by geography



### Revenues by division

€m, unless otherwise stated	FY 20	%	FY 19	%	Chg. YoY
Heating	249,0	77,6%	260,0	73,8%	(4,2%)
Smart Gas Metering	68,6	21,4%	88,6	25,2%	(22,6%)
<b>Total business sales</b>	<b>317,6</b>	<b>99,0%</b>	<b>348,7</b>	<b>99,0%</b>	<b>(8,9%)</b>
Other revenues	3,1	1,0%	3,6	1,0%	(13,0%)
<b>Total revenues</b>	<b>320,7</b>	<b>100,0%</b>	<b>352,2</b>	<b>100,0%</b>	<b>(8,9%)</b>

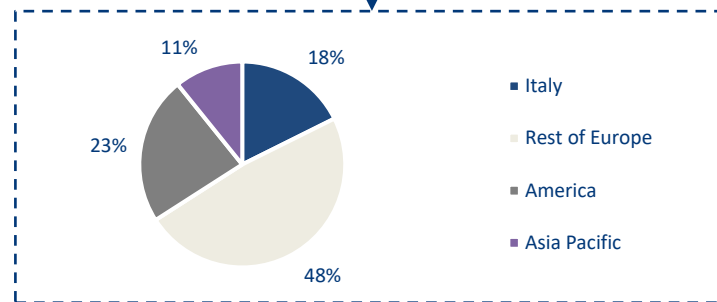


# Heating sales

## Heating business sales by geography

€m, unless otherwise stated	FY 20	FY 19	Chg. %
Italy	43,9	50,9	(13,6%)
Rest of Europe	120,2	120,8	(0,5%)
America	58,0	61,5	(5,7%)
Asia Pacific	26,9	26,9	(0,1%)
<b>Total Heating</b>	<b>249,0</b>	<b>260,0</b>	<b>(4,2%)</b>

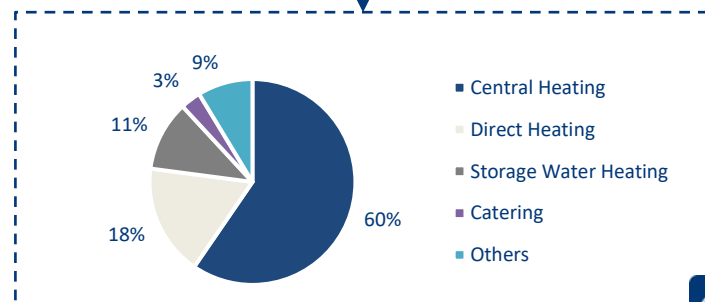
## Breakdown by geography of 2020 sales



## Heating business sales by market segment

€m, unless otherwise stated	FY 20	FY 19	Chg. %
Central Heating	148,3	152,1	(2,5%)
Direct Heating	43,6	51,3	(15,0%)
Storage Water Heating	27,5	24,5	12,4%
Catering	8,0	10,6	(24,6%)
Others	21,6	21,5	0,4%
<b>Total Heating</b>	<b>249,0</b>	<b>260,0</b>	<b>(4,2%)</b>

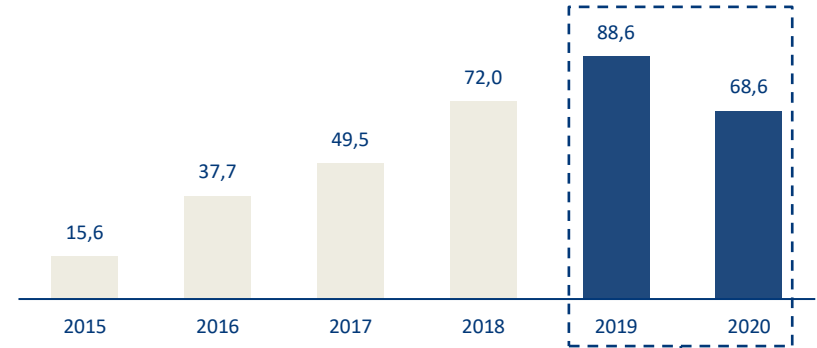
## Breakdown by market segment of 2020 sales



# Smart Gas Metering sales

- Smart Gas Metering has an impressive growth story as a newcomer in the metering business
- SIT has introduced a disruptive new technology that as been accepted and validated in both Italian and foreign markets
- Italy (approx. 21m residential meters installed base) was the first major EU market to adopt EU2008 gas directive; mandatory smart gas meters replacement targets were set and achieved by main players
- SIT has achieved ≈35% share in domestic market with over 5 million pcs installed to date
- In 2020 SIT achieved UK product certification
- 2020 sales development start up in UK and India were delayed by Covid lockdown effect in these key growth markets

## Smart Gas Metering business sales (€m)

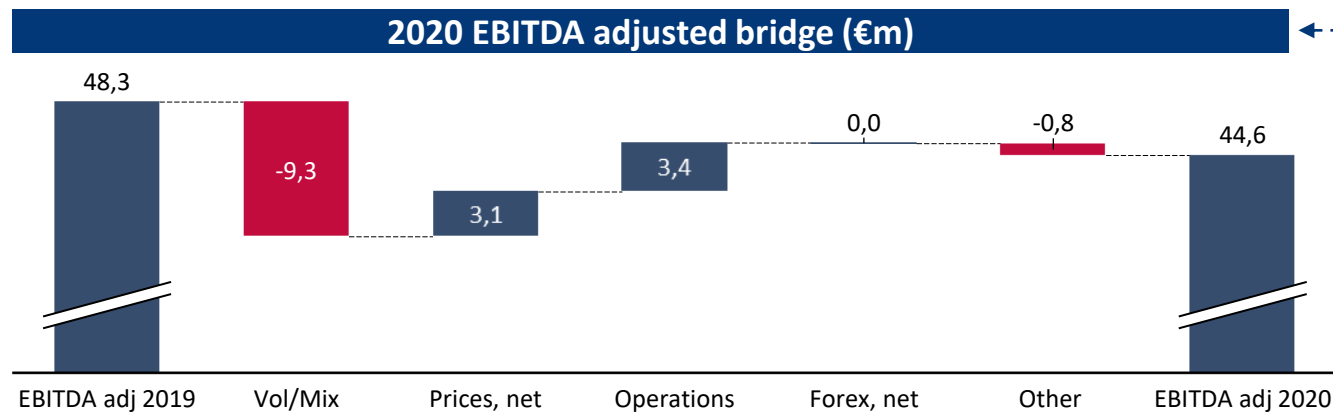
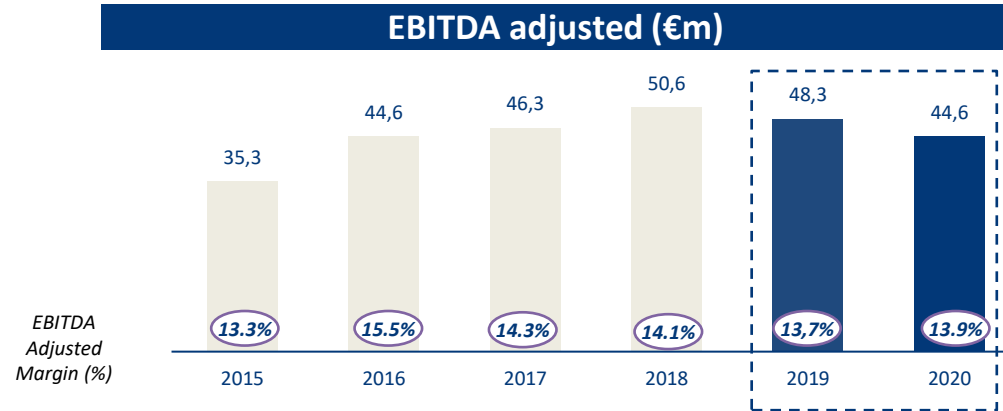


## Breakdown by application

€m, unless otherwise stated	FY 20	%	FY 19	%	Chg. YoY
Residential	64,6	94,1%	84,5	95,4%	(23,6%)
Commercial & Industrial	3,8	5,5%	3,8	4,3%	(2,1%)
Other	0,3	0,5%	0,3	0,3%	9,5%
<b>Total business sales</b>	<b>68,6</b>	<b>100,0%</b>	<b>88,6</b>	<b>100,0%</b>	<b>(22,6%)</b>

# EBITDA adjusted

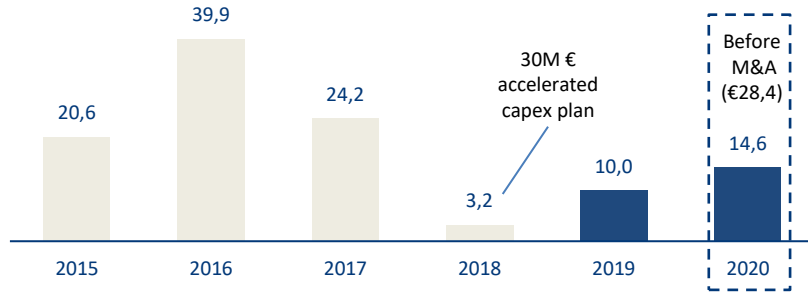
- Stable margin on revenues at mid double-digit level (5Y average stands at 14,2%)
- 2020 decrease is mainly due to volume effect only partially off set by net price and operations improvement
- Productivity and efficiency increase was highly effective also in the Covid partial lockdown scenario



# Cash flow and net debt

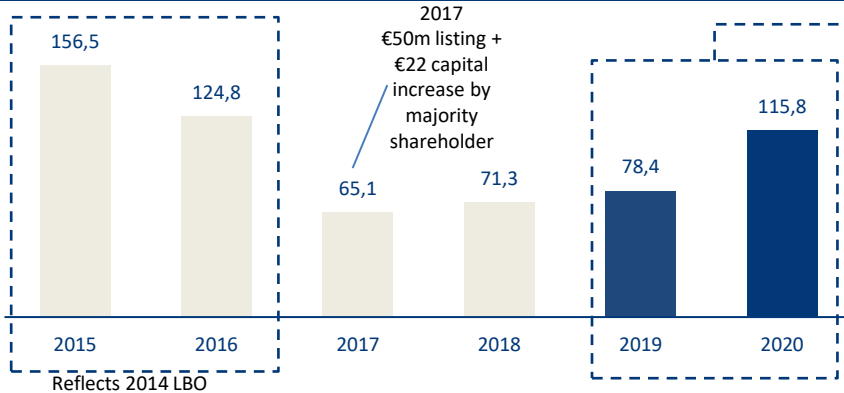
## Cash flow from operations (€m)

*CFO is before debt service*

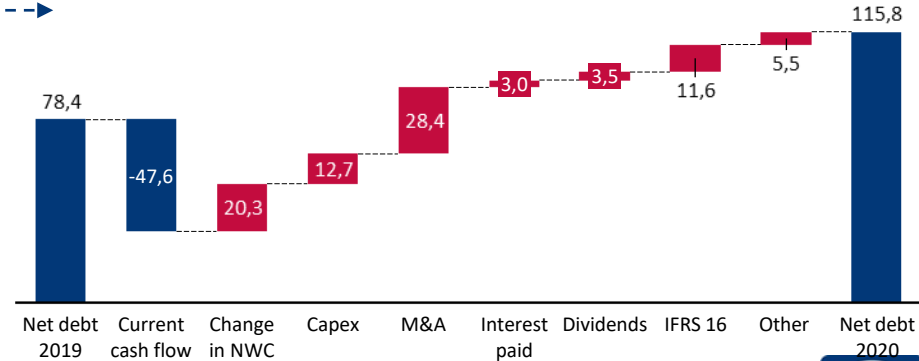


- Cash flow generation in 2018 and 2019 has been affected by accelerated capex plan in production capacity increase and new R&D labs
- 2020 increase in NWC reflects change in seasonality (post covid rebound, with high Q1 21 outlook); includes M&A (JANZ) consolidation for €5,6m on 31 dec 20
- Net Debt/EBITDA adjusted: 2,6 vs 1,6 of LY

## Net debt (€m)



## 2020 change in net debt (€m)



# SIT shares

## Current shareholder base

Updated at April, 15 2021	n. ordinary shares	%
SIT Technologies S.p.A	18.725.779	74,88%
Treasury shares	401.517	1,61%
Market	5.880.169	23,51%
<b>Total</b>	<b>25.007.465</b>	<b>100,0%</b>

- No outstanding special or performance shares

ISIN	IT0005262149
Bloomberg	SIT:IM
Reuters	SIT.MI
Industry	INDUSTRIA
Super Sector	EDILIZIA E MATERIALI
Market Segment	MTA

## Comments

- Outstanding SIT Warrants: n. 5.224.733
- Convertible between share price of €9,30 - € 13.00 (with a max of 0.2868 conversion rate)
- Expiring in July 2022
- Max n. of ordinary shares to be issued due to warrant exercise: 1.498.453
  
- Dividends paid since public listing:
  - €0,25 per share in 2018
  - €0,28 per share in 2019
  - €0,14 per share in 2020 (*Covid contingency plan*)
  - €0,28 per share in 2021



# Key take aways

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- SIT maintains a solid position in its reference markets with a relevant global market share in key sectors - **SIT is a global leader in over 30% of its revenue**
- Growth opportunities and product development roadmap in the **Heating** business clearly defined and underway with **growth opportunities in key US markets**
- **Smart gas metering** and **water metering** offer exposure to complementary and sustainable business growth drivers in key markets related to fundamental trends in
  - Smart grid management/smart cities
  - Connectivity
  - Sustainability
- **Hydrogen** opportunities in both heating and metering business

**Heating business**

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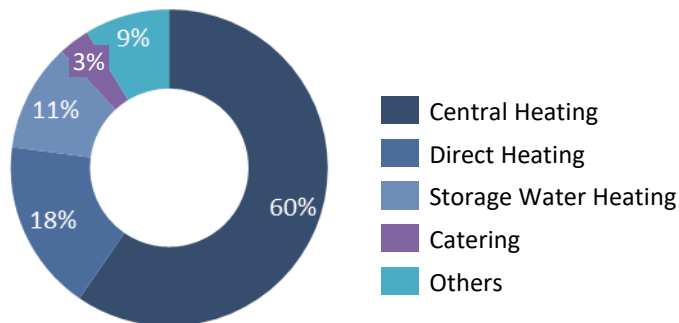


# Market segments and products

SIT operates in these main market segments:

- **Central heating** ▶ Boilers for domestic and water heating
- **Direct heating** ▶ Gas stoves and fireplaces for room heating
- **Storage water heating** ▶ Boilers for domestic water heating
- **Catering** ▶ Professional and collective gas cooking appliances

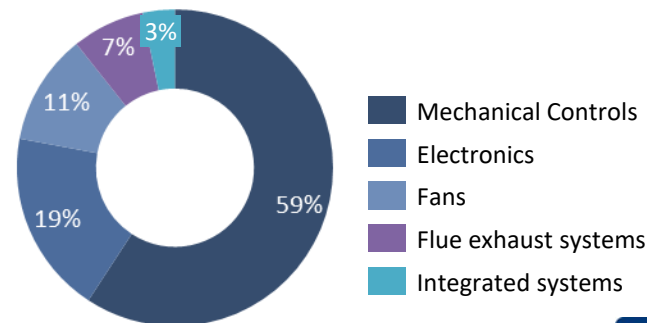
2020 sales



Current product families include:

- **Mechanical controls** ▶ Multifunctional regulating safety gas valves
- **Electronic controls** ▶ Mainboards, devices and displays
- **Fans** ▶ Applications for heating and cooking hoods
- **Integrated systems** ▶ Pre tested and assembled modules for condensing gas boilers
- **Flues exhaust kits** ▶ For domestic boilers

2020 sales





# Central heating

- The Central heating business relates to boilers combining home heating and domestic hot water



## Products

- SIT is the world's top name in the production of multifunctional, regulating, safety gas valves



- SIT is the main player for the non captive electronic controls market



- Air management technology (Fans and Exhaust systems) complete SIT traditional offering



- Innovative solutions for sub-assembled and pre-tested integrated systems (modules) for condensing boilers



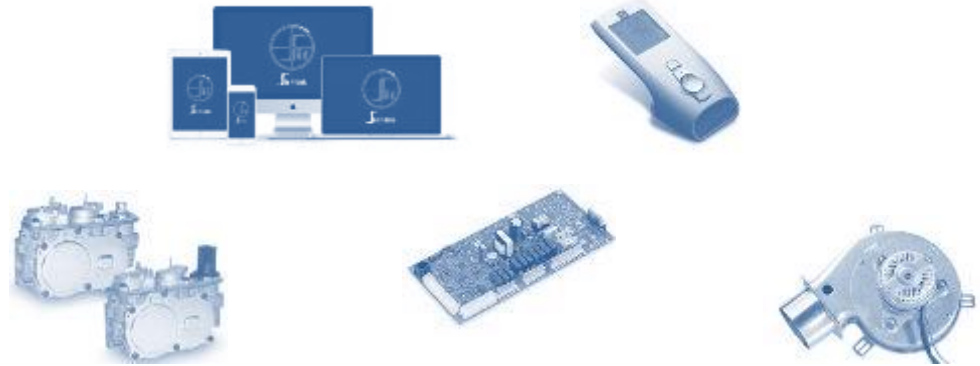
# Direct heating

- The Direct heating business is connected with fireplaces and stoves (being both gas and pellet)



## Products

- SIT provides mechanical controls (gas valves and sensors), electronic controls (main boards, remote controls and user interfaces) and fans for gas fireplaces, stoves and spaceheaters
- SIT main markets in this business are North America, United Kingdom and Europe



# Storage water heating

- The Storage water heating business regards water heating for domestic purposes

## Products

- New efficiency standards and electronic features have been recently introduced in the US market providing opportunities to increase technological content and differentiation of offering
- SIT main markets in this business are North America, Argentina and Australia
- SIT provides mechanical controls and pilots



# Professional cooking and catering appliances







- The professional cooking and catering appliances business relates to equipments used in the food preparation industry (mainly restaurants and catering servicers)

## Products

- SIT provides mechanical controls and fans for collective and community cooking appliances and high end cooker hoods
- SIT main markets in this business are the United States and Europe (where the company is market leader)



# Heating competition overview

		Valves					CMS		Integrated systems	Electronics		Fans						Flues
		Boilers	SWH	IWH	Fireplace	Furnace	Valve	Electronics		BIC - IFC/DF	Connectivity	Premix <40 kW	Premix <70 kW	Premix <40 kW	Std. Efficiency	Pellet	Cooker Hoods	
		✓	✓		✓		✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓
<b>resideo</b>		✓	✓			✓	✓		✓	✓								
<i>Robertshaw</i>			✓															
White Rodgers			✓		✓				✓									
<b>ERCO</b>		✓	✓															
<b>SIEMENS</b>		✓				✓	✓		✓	✓								
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GRUPPA IORRANO						✓	✓		✓	✓								
<b>ebmpapst</b>		✓				✓		✓	✓			✓	✓	✓	✓	✓	✓	✓
<b>FIME</b>												✓	✓	✓	✓	✓	✓	✓
<b>FASCO</b>												✓	✓	✓				
<i>SOHON</i>												✓			✓			
<b>M&amp;G</b>																		✓
<b>GROPPALI</b>																		✓
<b>Cox Geelen</b>																		✓



# Heating development priorities



- Gas adaptive and combustion management valves and solutions
- Complete platform for major customers: Electronics + valve+ fan+ ECMS + accessories
- Integrated systems



- Renewal of fan product line-up (improved performance and new applications)



- New products development to strengthen offering for North America



- Hydrogen: components and CMS



- Aftermarket

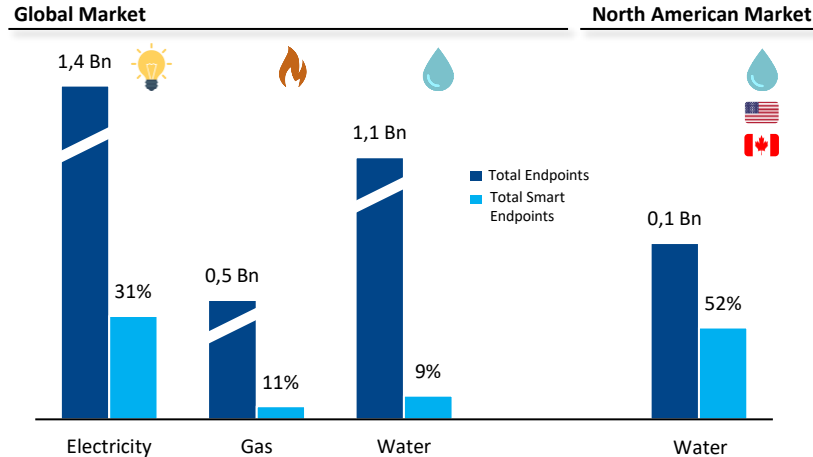
**SIT Metering business**

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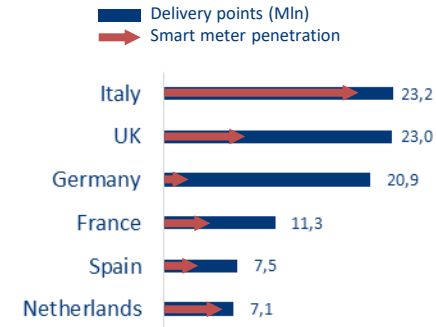
# Market size and smart penetration

## Global Endpoints<sup>1</sup>



- On global scale, still room for growth in terms of automation of endpoints
- Gas and Water Metering Markets exhibit the lowest smart penetration rate (11% and 9% respectively), therefore are expected to present a sound growth trend in the next years
- North American market is the most advanced, with 52% of smart water meters installed

## European Gas Delivery Points and smart penetration



- Opportunities in European markets both for replacement (e.g. Italy) and new installations (e.g. UK, Germany,...)



# Smart gas metering

- The business is driven by two major forces:
  1. Smart technology, deployed by regulation aiming at smart grids, network efficiency and consumer needs
  2. Data driven services through connected meters and devices

## Regulatory framework

- European directive on smart gas metering (EU 2009/73)
- Italy: early adopter with directive ARG/gas155/08 issued by the national Authority (AEEG)
- European installed base over 120 million pcs

## Company

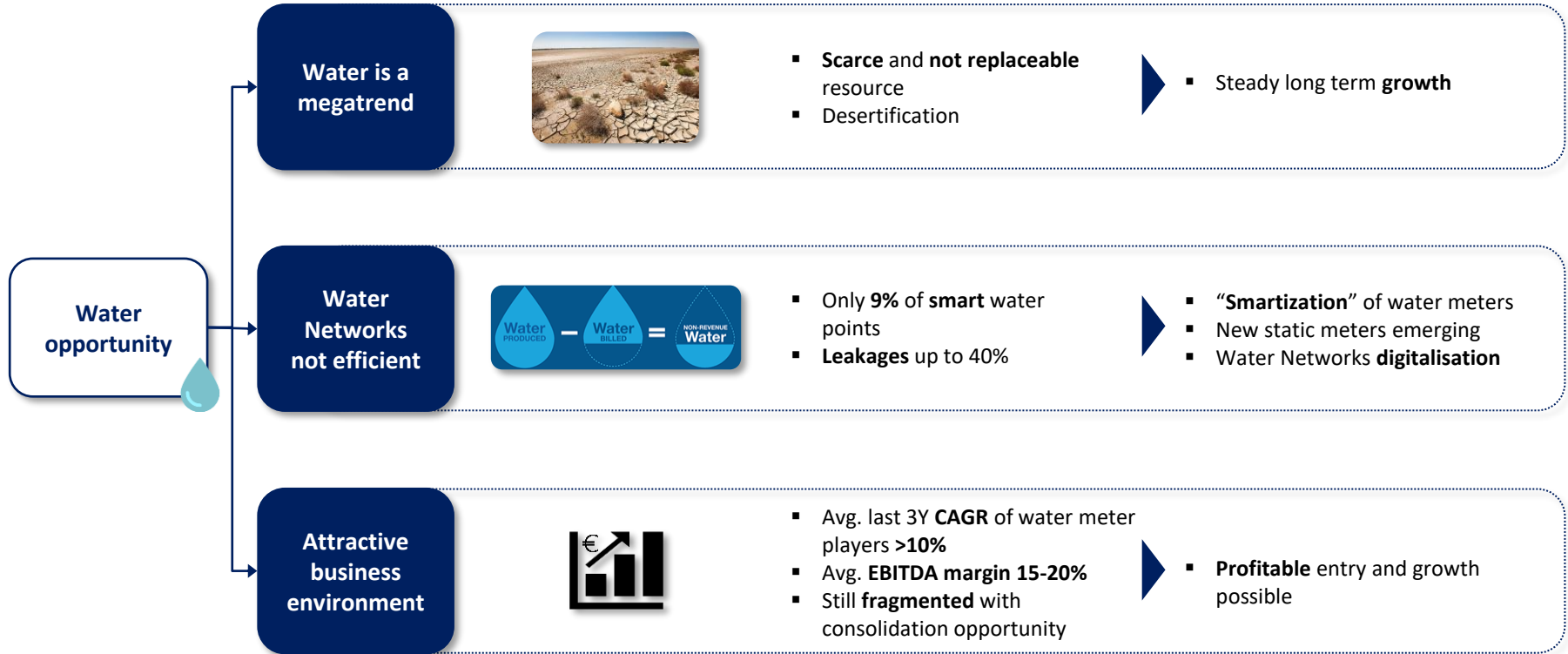


## Technology

- Innovative **thermo-flow sensor technology** that provides accurate measurement features in all conditions without add-on of compensation devices or calculations – truly disruptive, particularly on Commercial & Industrial applications
- Complete range of meters for both Residential and Commercial & Industrial purposes
- Developed and assembled with modular approach

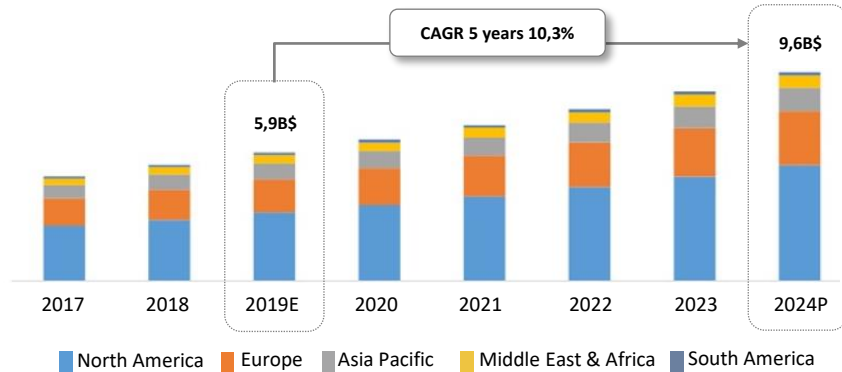


# Water Opportunity



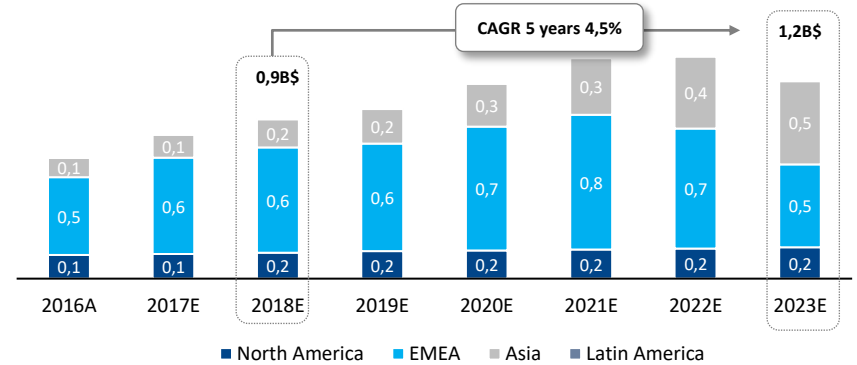
# Smart metering market trends

## Smart Water Metering Market Data<sup>1</sup>



- ~1/3 of installed base would be smart by the end of 2025<sup>2</sup>
- Smart Water Metering 10,3% growth rate up to 2024<sup>3</sup> driven by:
  - Aging infrastructure and increasing water consumption
  - Governments/utilities initiatives to reduce non revenue water, accurate meter reading and development of smart city infrastructure
  - Residential segment is expected to grow faster also boost by the need for billing accuracy

## Smart Gas Metering Market Data<sup>2</sup>

























































- Global market for smart gas meters is predicted to grow from 0,9B\$ in 2018 to 1,2B\$ in 2023
- Opportunities in European markets both for replacement (e.g. Italy) and new installations (e.g. UK )
- Italian market: expected to recover in 2023 thanks to replacement, after slower path until 2022 due to roll-out ending
- UK market deployment wave will peak to compensate Italian market decline from 2021 onwards
- Indian opportunity in smart meters

Sources: 1. MarketsandMarkets (August 2019); 2. IHS Markit (September 2017);






# Metering competitive landscape

	Gas Meters		Gas Network		Water Meters		Heat Meters	Electricity Meters	Software Solutions / Services	
	Residential	C&I	Transports & Distributors	Pressure Regulators	Residential	C&I			MDC / MDM	Smart Grids (NTW)
										
 	✓	✓								
 					✓	✓			✓	
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 	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Landis+Gyr 	✓			✓			✓	✓	✓	
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 								✓	✓	



# Metering development priorities



- Residential Meter Zigbee SMETS 2 
- Residential Meter Walk-by for India
- NB-IoT (Narrow Band Internet of Things) 
- LoRa 



- New Platform (Mechanics and Electronics)
- Ultra sonic water meter
- Water/gas synergy
- Ready for H, L, E + 23% H<sub>2</sub>



- Explore H<sub>2</sub> opportunities and prepare meters for H<sub>2</sub>/CH<sub>4</sub> blends
- Explore safety opportunities (% of H<sub>2</sub>, Pressure, Earthquake)



# Regulatory statement

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The manager responsible for the preparation of the company's accounts, Paul Fogolin, hereby declares, as per article 154-bis, paragraph 2, of the "Testo Unico della Finanza", that all information related to the company's accounts contained in this presentation are fairly representing the accounts and the books of the company.

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