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Price (€)	8.4
Shares in issue (m)	25
Mkt Cap (€m)	211
Net debt (€m)	78
EV (€m)	289
BVPS (€)	6.0

Share price performance

1m	9.9%
3m	12.3%
12m	80.3%
12 m high/low	8/4
Ave daily vol (30D)	14,030

Shareholders

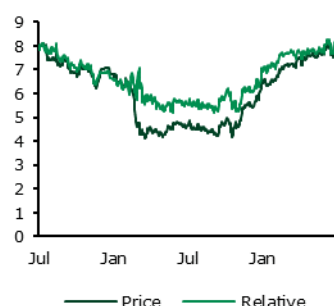
Sit Technologies Spa	74.9%
Azimet Holding Spa	1.2%
Julius Baer Group Lt	1.0%
Marlborough Fund Man	0.9%
Zenit Sgr Spa	0.6%
Norges Bank	0.5%
Banca Sella Holding	0.2%
Banque Degroof Peter	0.2%
City Financial Inves	0.1%
Compam Funds	0.0%
Total for top 10	79.5%
Free float	25.1%

Next news

Q2s Q2

Business description

Gas heating components and smart gas and water meters



US MARKET SHARE GROWTH OPPORTUNITY

SIT continues to find opportunities with strong strategic fit and today has announced the acquisition of the electronic valves business of Emerson Electric. This will allow the company to expand its offering in North American markets and to grow market share in this new product line.

Acquisition from Emerson Electric

SIT has announced the acquisition of the NGA (New Generation Atmospheric) product line from Emerson Electric (EMR US). The business focuses on electronic valves for gas storage water heaters. The transaction will see SIT acquiring the product, related patents and production lines from Emerson. SIT plans to install the production lines at its existing facility in Monterrey, Mexico, relocating from Emerson's facilities, also in Mexico. Consideration has not been disclosed at the vendor's request, but we expect it to be broadly within current capex expectations and it will be funded from the company's own funds.

Opportunity to grow market share

SIT already supplies mechanical valves for gas storage water heaters in North America so the acquisition widens the company's offering into an existing market. This is significant with electronic valves accounting for 73% of the market in the US. The deal will allow SIT to expand its current storage heater product range. The market is currently delivering single digit growth, although SIT should be able to grow market share given its strengths elsewhere. SIT estimates that it can take NGA's market share from below 5% currently to 15% in three year's time which should put turnover at around €15m. We would additionally expect some synergistic benefits in margin terms as production is integrated into the Monterrey facility. While we are not changing forecasts at this stage, at the very least we see this deal as de-risking the medium term outlook.

€,'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	10.4	15.7	15.0	14.5	12.3	11.1
EV/EBITDA	5.9	7.5	7.1	6.7	6.2	5.8
EV/sales	0.8	1.0	0.9	0.9	0.9	0.9
FCF yield	4.8%	-7.2%	10.4%	11.4%	13.9%	15.3%
Div yield	1.7%	3.3%	3.5%	3.7%	3.8%	4.0%

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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	2019a	2020a	2021e	2022e	2023e	2024e
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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