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Price (€)	10.3
Shares in issue (m)	25
Mkt Cap (€m)	256
Net debt (€m)	78
EV (€m)	335
BVPS (€)	6.0

#### Share price performance

1m	22.9%
3m	25.6%
12m	142.9%
12 m high/low	10.6/4
Ave daily vol (30D)	36,061

#### Shareholders

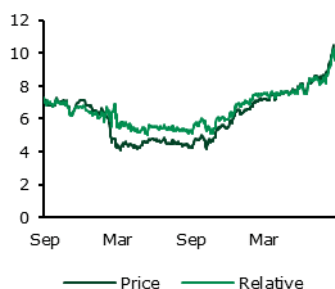
Sit Technologies Spa	68.7%
Marlborough Fund Man	1.1%
Julius Baer Group Lt	1.0%
Azimut Holding Spa	0.7%
Zenit Sgr Spa	0.5%
Norges Bank Investme	0.5%
Banque Degroof Peter	0.1%
Symphonia Sgr Spa	0.1%
Gam Holding Ag	0.1%
Banca Sella Holding	0.1%
Total for top 10	72.9%
Free float	31.3%

#### Next news

Ints Q3

#### Business description

Gas heating components and smart gas and water meters



## REBOUND IN H1 AND BETTER H2 AHEAD

SIT's first half results have come in slightly above guidance with both heating and metering showing strong growth. A better second half is now in prospect although we temper a better sales forecast with some margin of caution as raw material costs are likely to impact the gas metering business. Overall, we see better profits and our base case valuation rise to €12.1 from €11.3.

### Growth across the board

SIT's first half results show revenue slightly above the published guidance €190.3m, showing strong growth, up 42.7% compared with the first half in 2020 and up 34.8% on a like-for-like basis before the impact of the Janz acquisition. Heating grew 38.3% and smart gas metering was up 59.0%. The newly acquired water Janz metering business contributed €9.9m. The recovery in heating was to an extent signalled but at the margin, smart gas metering in Italy has done a little better than expected, benefitting from early replacement of older smart meters.

### EBITDA margin expanded

EBITDA came in at €28.9m up 91% with EBITDA margin expanding from 11% to 15% and suggesting that the company is avoiding the worst of raw material pricing pressure in the supply chain. While the purchase cost of raw materials and consumables have increased much of this was due to the consolidation of Janz and the recovery of production post lockdown. However, metering is likely to see some impact of higher raw material prices and we would expect a slight trimming of the margin in H2 as a result of this together with infrastructure spend on the Tunisian facility.

### Guidance raised for H2

Looking to H2, the company is guiding to improved growth with sales in line with H1, pointing to full year growth of 15% to 20%. We have increased our forecast revenue to €377m up 17.5% on FY 20. With costs in the gas business likely to be slightly higher we are looking for an EBITDA margin of 12.5% giving a new EBITDA forecast of €46.4m. With a slight stronger base for future year growth our DCF based base case valuation increases from €11.3 to €12.1. This valuation assumes no benefit from potential developments in the hydrogen industry which remain strongly in play as policy develops across Europe.

€,'000 Dec	2019a	2020a	2021e	2022e	2023e	2024e
Sales	352,207	320,731	376,821	370,714	386,643	399,241
EBITDA	48,720	43,622	46,392	48,947	53,769	58,382
PBT	21,320	15,991	16,929	18,335	22,210	25,809
EPS	81.0	53.6	56.9	59.4	71.1	81.5
CFPS	40.3	-61.0	84.6	101.0	119.4	134.1
DPS	14.0	28.0	29.4	30.9	32.4	34.0
Net Debt (Cash)	78,421	115,800	106,014	91,918	73,291	51,080
Debt/EBITDA	1.6	2.7	2.3	1.9	1.4	0.9
P/E	12.7	19.1	18.0	17.3	14.4	12.6
EV/EBITDA	6.9	8.5	8.0	7.6	6.9	6.4
EV/sales	1.0	1.2	1.0	1.0	1.0	0.9
FCF yield	3.9%	-6.0%	8.3%	9.9%	11.6%	13.1%
Div yield	1.4%	2.7%	2.9%	3.0%	3.2%	3.3%

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## FINANCIAL MODEL

### Profit and Loss Account

€,'000, Dec	2019a	2020a	2021e	2022e	2023e	2024e
<b>Turnover</b>						
Heating	265,646	249,003	280,514	275,257	280,762	286,378
Smart Gas Metering	89,318	68,634	73,330	69,664	76,630	79,696
Smart Water Metering	0	0	19,530	22,434	25,770	29,602
Other	-2,757	3,094	3,447	3,360	3,481	3,566
<b>Total</b>	<b>352,207</b>	<b>320,731</b>	<b>376,821</b>	<b>370,714</b>	<b>386,643</b>	<b>399,241</b>
<b>Operating profit</b>						
Heating	15,313	14,125	14,026	13,763	15,442	17,183
Smart Gas Metering	9,420	5,491	4,766	5,573	6,897	7,970
Smart Water Metering	0	0	2,100	2,580	3,092	3,552
Other	0	0	0	0	0	0
<b>Operating profit</b>	<b>24,733</b>	<b>19,616</b>	<b>20,892</b>	<b>21,916</b>	<b>25,431</b>	<b>28,704</b>
<b>P&amp;L Account</b>	<b>2019a</b>	<b>2020a</b>	<b>2021e</b>	<b>2022e</b>	<b>2023e</b>	<b>2024e</b>
Turnover	352,207	320,731	376,821	370,714	386,643	399,241
Operating Profit	24,733	19,616	20,892	21,916	25,431	28,704
Investment income	-20	0	0	0	0	0
Net Interest	-3,393	-3,625	-3,963	-3,581	-3,221	-2,896
Pre Tax Profit (UKSIP)	21,320	15,991	16,929	18,335	22,210	25,809
Goodwill amortisation	0	0	0	0	0	0
Exceptional Items	0	0	0	0	0	0
Pre Tax Profit (FRS3)	21,320	15,991	16,929	18,335	22,210	25,809
Tax	-1,392	-2,766	-2,878	-3,667	-4,664	-5,678
Post tax exceptionals	0	0	0	0	0	0
Minorities	0	0	0	0	0	0
Net Profit	19,928	13,225	14,051	14,668	17,546	20,131
Dividend	-6,969	-3,476	-7,136	-7,259	-7,629	-8,000
Retained	12,959	9,749	6,915	7,409	9,916	12,131
EBITDA	48,720	43,622	46,392	48,947	53,769	58,382
EPS (c) (UKSIP)	81.02	53.56	56.91	59.41	71.06	81.53
EPS (c) (FRS3)	81.02	53.56	56.91	59.41	71.06	81.53
FCFPS (c)	40.26	-61.01	84.59	100.99	119.39	134.08
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 slightly weaker 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 in part due to Tunisian overhead increases
- 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	62,298	61,289	63,922	66,005
Trade Debtors	57,176	65,518	73,078	71,893	74,983	77,426
Other Debtors	21,624	26,293	26,293	26,293	26,293	26,293
Trade Creditors	-73,331	-72,203	-82,829	-81,487	-84,988	-87,757
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	266,150	259,463	250,752	240,673
Cash etc	34,064	42,328	572	4,009	13,044	26,621
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	106,014	91,918	73,291	51,080
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	20,140	27,549	37,466	49,597
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	266,150	259,463	250,752	240,673
Net Assets	147,566	153,221	160,136	167,545	177,461	189,592
Total Equity	147,566	153,221	160,136	167,545	177,461	189,592

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	20,892	21,916	25,431	28,704
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	-2,842	63	-3,218	-2,771
Operating cash flow	37,761	33,597	43,551	49,010	50,551	55,612
Tax paid	-4,894	-6,315	-2,766	-2,878	-3,667	-4,664
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	-3,581	-3,221	-2,896
Net dividends	-6,969	-3,476	-7,136	-7,259	-7,629	-8,000
Residual cash flow	207	-20,282	9,787	14,096	18,627	22,211
Equity issued	-685	-775	0	0	0	0
Change in net borrowing	-4,298	37,379	-9,786	-14,096	-18,627	-22,211
Adjustments	3,209	-16,782	0	0	0	0
Total financing	-1,774	19,822	-9,786	-14,096	-18,627	-22,211

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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