

Company Note

SIT

Positive 2Q21 Results, Guidance Upgraded Again

2Q21 results confirmed the positive trend of the first quarter, with sales up by 63% and EBITDA margin above our expectations. SIT for the second time in a year increased its 2021 outlook and now expects sales up 15-20%, with an EBITDA margin in line with 2020. We raise our 2021-23E forecasts and confirm our BUY rating, with a new target price at 14.5/share.

1H21 results

SIT reported better than expected 2Q21 results, with sales up by 62.8% (+46% lfl) and a strong performance of both Heating and Metering divisions. The EBITDA margin reached 14.2% vs. 10.4% in 2Q20 and 8.5% in 2Q19. Net result was positive for EUR 1.5M (EUR 3.5M on an adjusted basis). Net debt increased to EUR 121M from EUR 115.8M at Dec-20, due to the seasonal trade WC absorption. SIT is refinancing its debt and in August signed a new five-year credit facility for EUR 90M, with interest rate linked to ESG certifications.

Outlook and estimates

For the second time this year, SIT increased its sales outlook for 2021, which now points to a second half of the year in line with 1H21, thus implying a sales growth of 15-20% for both Heating and Smart Metering divisions. EBITDA should increase in absolute terms with margins in line with 2020 (vs. margins in line or slightly down expected before) as the positive volume impact would be offset by rising raw material prices, lower volumes at Gas Metering and overhead costs in Tunisia. We reviewed our estimates increasing the top line (+5.2% on average in 2021-23E) and EBITDA (+8.0%).

Valuation

Despite the strong share performance (+80% YTD), SIT is trading at a nearly 50% discount to peers, which is not justified in our view, also in light of the strong fundamentals rebound of 1H21 and the bright prospects of the heating market, rapidly moving towards the adoption of eco-friendly devices. **We raise our target price to EUR 14.5/sh** (from EUR 12.1/sh) **and confirm our BUY rating**. The main risks are growing raw material prices, potential constraints in the supply chain (not at the moment) and the low visibility we have on the development of Gas Metering, due to the completion of the roll-out in Italy and the delays in India and the UK.

Equity

MID CORPORATE

27 September 2021: 13:11 CET

Date and time of production

BUY

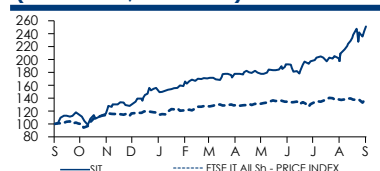
Target Price: EUR 14.5

(from EUR 12.1)

Italy/Engineering & Machinery
Update

MTA

Price Performance
(RIC: SIT.MI, BB: SIT IM)



SIT - Key Data

Price date (market close)	24/09/2021		
Target price (EUR)	14.5		
Target upside (%)	36.79		
Market price (EUR)	10.60		
Market cap (EUR M)	265.08		
52Wk range (EUR)	10.6/4.2		
Price performance %	1M	3M	12M
Absolute	27.1	29.9	151.2
Rel. to FTSE IT All Sh	27.3	26.9	82.3

Y/E Dec (EUR M)	FY20A	FY21E	FY22E
Revenues	320.7	383.3	383.4
EBITDA	43.62	52.78	51.76
EBIT	19.62	26.98	23.26
Net income	13.23	17.15	15.55
EPS (EUR)	0.54	0.73	0.62
Net debt/-cash	115.8	113.4	93.09
Adj P/E (x)	9.3	14.6	17.0
EV/EBITDA (x)	5.5	7.2	6.9
EV/EBIT (x)	12.3	14.0	15.4
Div ord yield (%)	5.6	2.8	3.3

Source: Company data, FactSet and Intesa Sanpaolo Research estimates

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2Q/1H21 Results

The key points of results were:

- **Heating revenues** were up 53.7% in 2Q21 (+55.5% at same forex) and 38.3% in 1H21 driven by fiscal incentives to replace old boilers, and, in Italy, by the 110% Superbonus. Italy was up 104% in the quarter, Europe 62% (with a strong Turkey and UK), Asia/Pacific 28% and the US 24% thanks to the booming trend of fireplaces and water storage. The market trend remains positive, with a good visibility in the coming months too;
- **Metering sales** more than doubled in 2Q21 and were up 59.0% in the first half of the year. Gas Smart Metering increased by 56% thanks to an easy comparison with 2Q20 when the installation of gas meters was stopped for the lockdown, but were down 32% compared with 2Q19 due to the rollout of gas meters in Italy. Around 5% of sales were outside Italy (in India, Croatia and Greece) and the company expects to reach 5-10% of divisional sales outside Italy in the full year. Janz contributed with EUR 5.1M of sales in the quarter (EUR 9.9M in 1H21). Gas Metering backlog was EUR 20M at June-21, corresponding to 29% of 2020A revenues, strongly down compared with March-21 when it was EUR 31.4M;
- **Altogether, sales reached EUR 190.3M in 1H21** with an increase of 42.7% (+34.8% lfl) and EUR 97.6M in 2Q21 (+62.8% and +46% lfl). We recall that product sales had already been disclosed in July;
- **EBITDA margin reached 14.2% vs. 10.4% in 2Q20 and 8.5% in 2Q19**, surpassing our estimates, thanks to: 1) the volume impact for EUR 14.7M, which includes also the contribution of Janz, 2) a favourable comparison as 2Q20 was penalised by the shutdown of the SIT's plants, and 3) lower incidence of labour costs (20.7% vs. 25.6%) partially offset by higher raw material costs and overhead costs in the new plant in Tunisia. Pricing was slightly negative in the quarter (EUR 1.2M impact) but positive in 1H21 (EUR 0.6M);
- **An EBIT margin at 7.2% in 2Q21:** after EUR 6.8M of D&A, slightly up vs. last year, EBIT reached EUR 7.0M compared with EUR 0.5M in 2Q20. In 1H21, EBIT margin was 8.5%;
- **1H21 pre-tax result penalised by warrants' fair value:** as expected, SIT accounted around EUR 3M for the fair value of warrants, which are currently in the money (EUR 9.3 strike price). In addition, the company accounted EUR 0.6M charge for derivatives unwinding leading to EUR 4.9M of financial charges (EUR 2.2M adjusted) and to a pre-tax profit of EUR 11.4M in 1H21 (EUR 3.6M in 2Q21);
- **Net result at EUR 9.5M in 1H21 (+149%),** above our estimates, also thanks to a positive tax contribution of EUR 1.8M (recorded in 1Q21), due to the fiscal benefits coming from the patent box. Net result on adjusted basis was EUR 10.5M vs. EUR 3.6M in 1H20;
- **Net debt up to EUR 121M** (from EUR 115.8M at Dec-20), in line with expectations, due to the seasonal increase of trade NWC now at 16.6% of sales vs. 16.1% at June-20, which reflects inventory trend to support growing volumes for the Heating sector and the consolidation of Janz (EUR 7.9M NWC). Capex was EUR 8.0M in the first half, in line. We highlight that SIT currently has around EUR 56M of cash and liquidity. We recall that SIT is refinancing its debt and in August signed a new 5-year credit facility for EUR 90M with interest rate linked to ESG certifications.

Heating: the positive trend continues

Metering: more than doubling thanks to an easy comparison and the addition of Janz

EBITDA margin improved thanks to higher volumes

Warrants and unwinding derivatives hitting EBT

Net result above expectations

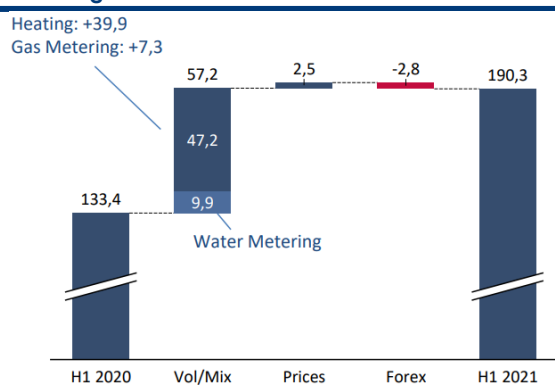
Net debt in line

SIT – 2Q/1H21 results

EUR M	2Q19A	2Q20A	1H20A	FY20A	2Q21A	2Q21E	2Q A/E %	2Q yoy %	2Q/2Q19 %	1H21A	1H yoy %
Revenues	86.7	59.9	133.4	320.7	97.6	97.3	0.3	62.8	12.6	190.3	42.7
o/w Heating	61.0	48.3	104.7	249.0	74.2	74.2	0.0	53.7	21.7	144.7	38.3
o/w Smart Metering	24.8	10.8	27.2	68.6	21.9	22.0	-0.6	103.0	-11.6	43.2	59.0
EBITDA	7.3	6.2	15.2	44.6	13.8	12.9	6.9	121.5	88.8	28.9	90.6
Margin (%)	8.5	10.4	11.4	13.9	14.2	13.3				15.2	33.6
EBIT	3.0	0.5	3.8	19.6	7.0	6.7	4.9	NM	136.5	16.2	329.4
Margin (%)	3.4	0.8	2.8	6.1	7.2	6.9				8.5	201.0
Pre-tax	0.0	-2.5	3.6	16.0	3.6	3.2	12.8	NM		11.4	213.5
Net result	0.0	-0.3	3.8	13.2	1.5	0.9	59.8	NM		9.5	149.1
Net debt	87.6	88.9	88.9	115.8	121.0	118.0	2.5	36.2	38.1	121.0	36.2

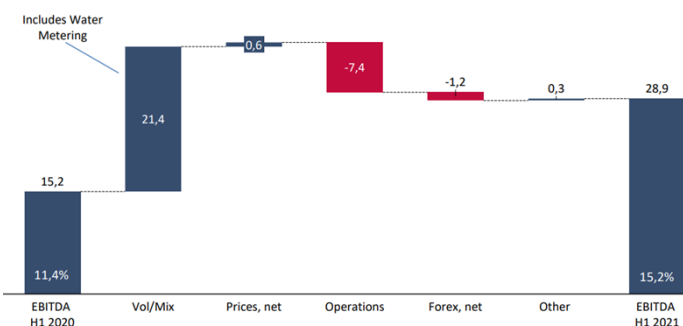
NM: not meaningful; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research estimates

SIT – Sales bridge in 1H21



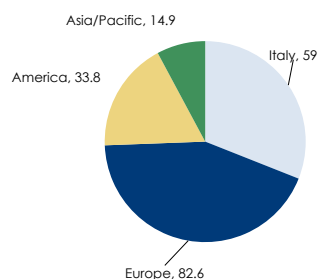
Source: Company data

SIT – EBITDA bridge in 1H21



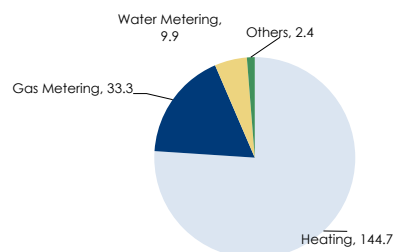
Source: Company data

SIT – 1H21 revenues breakdown by region (%)



Source: Company data and Intesa Sanpaolo Research

SIT – 1H21 revenues breakdown by product (%)



Source: Company data and Intesa Sanpaolo Research

Earnings Outlook

For the second time this year, SIT increased its sales outlook for 2021, which now points to a second half of the year in line with 1H21, thus implying a sales growth of 15-20% for both Heating and Smart Metering divisions. The Heating division should be the main driver thanks to a solid order intake and the positive trend that, according to management, should continue in 2022 too. Janz should continue to grow in the US and in its core markets (Spain, Portugal) and the company is developing new products, which should arrive in the market in 2023 (in Italy too). Smart gas metering remains in a weak position, with the completion of the roll-out of meters in Italy (now at 75-80%) and the delay of the roll-out in UK and India.

EBITDA should increase in absolute terms, with margins in line with 2020 (vs. margins in line or slightly down expected before) as the positive volume impact would be offset by rising raw material prices, lower volumes for the Gas Smart Metering sector, new hiring at the Heating division and overhead costs in Tunisia. Still, SIT is not worried by the ongoing growth of raw material prices, which can be passed to clients in the Heating division, thanks to the high technological content of SIT products coupled with their low incidence on the total production cost of central heating devices (5-10%). On the opposite, according to management, it is difficult to increase selling prices for Smart Gas Meters and therefore we expect some impact on profitability next year. The main concern remains the potential (at this stage) shortage of components that could create production bottlenecks. SIT also stated that net debt should decline at year-end compared with June-21.

Following 2Q21 results and the upgrading of the outlook, we revised our estimates:

- For 2021, we incorporate an organic growth of 13% (vs. 5% before), leading to an increase of 7% vs. our old forecasts. We now expect an EBITDA margin of around 13.8%, in line with 2020. EBIT increases to EUR 26.2M, while the bottom line should reach EUR 17.2M reflecting the EUR 3M impact for the fair value of warrants recorded in 1H21 and the EUR 0.6M charge for derivatives unwinding. Our new estimates imply around EUR 193M sales in 2H21 (+3%) with an EBITDA margin at 12.4%, below the first half due to the impact of rising raw material prices, lower volumes at Smart Gas Metering and overhead costs in Tunisia;

SIT – 2H21 estimates

EUR M	2H19A	2H20A	2H21E	vs 2H/2H20 %	vs 2H/2H19 %
Revenues	185.0	187.4	193.0	3.0	4.4
o/w Heating	136.9	144.3	156.6	8.5	14.4
o/w Smart Metering	46.2	41.5	38.8	-6.4	-15.9
EBITDA adj.	29.2	29.4	23.9	-18.9	-18.2
Margin (%)	15.8	15.7	12.4		
EBIT	14.6	15.8	10.8	-32.1	-26.6
Margin (%)	7.9	8.5	5.6		
Net result	15.4	9.4	7.6	-18.9	-50.5
Net debt	78.4	115.8	113.4	-2.1	44.6

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

- 2022 should see further improvements for the Heating division on the back of new environmental-friendly regulations and national incentives (for example the “110% Superbonus” in Italy) but we are more conservative on Metering division, which could see lower volumes for the postponement of the roll-out in India and UK. We

2021 guidance upgraded once again

EBITDA margin in line with 2020

2021: sales projections increased by 7%, EBITDA by 8% but bottom line confirmed

We are now more conservative on 2022 Metering division

also incorporated higher raw material prices, thus leading to a slight decrease of the EBITDA margin compared with our previous estimates;

- We believe the current challenging conditions of the supply chain should be behind us in 2023, while the transfer of part of the production in Tunisia should start to bear fruit. Therefore, we anticipate a recovery of the EBITDA margin, which should reach 14.8% leading to a bottom line surpassing EUR 22M. We estimate sales to surpass EUR 400M in 2023 with an 8% CAGR since 2020.

SIT - 2021E, 2022E and 2023E estimates revision

EUR M	2021E Old	2021E New	2021E New/Old %	2022E Old	2022E New	2022E New/Old %	2023E Old	2023E New	2023E New/Old %
Sales	358.4	383.3	7.0	370.8	383.4	3.4	383.8	404.0	5.3
o/w Heating	286.4	301.3	5.2	297.8	319.4	7.2	303.8	329.0	8.3
o/w Smart Metering	72.0	82.0	13.9	73.0	64.0	-12.3	80.0	75.0	-6.3
EBITDA Adj.	48.2	52.8	9.4	51.3	51.8	0.9	54.3	59.7	9.8
% margin	13.5	13.8		13.8	13.5		14.2	14.8	
EBIT	22.4	27.0	20.2	20.8	23.3	11.7	25.0	30.3	21.3
% margin	6.3	7.0		5.6	6.1		6.5	7.5	
Net result	17.6	17.2	-2.7	15.2	15.5	2.3	18.0	22.2	23.7
Net result adj.	17.6	18.2	3.0	15.2	15.5	2.3	18.0	22.2	23.7
Net debt/-cash	113.2	113.4	0.2	90.6	93.1	2.7	76.8	77.6	1.0

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

Valuation

SIT strongly outperformed the market growing by 40.6% since our latest report ("1Q21 Results Above Expectations and Higher Guidance", 14 May 2021) and was up 151% in the last twelve months (vs. +34% of FTSE Italy).

Still, our investment case on the stock remains intact due to its technological leadership, its strong free cash flow generation, its diversification strategy, potential reduction of production costs thanks to the new plant in Tunisia, a robust balance sheet and the current significant undervaluation, with an average discount to peers of nearly 50%. As a result, **we confirm a BUY rating with a new target price of EUR 14.5/sh (from EUR 12.1/sh)**, which benefits from our new estimates and the increase of peers' multiples.

BUY confirmed, new target price at EUR 14.5/sh

SIT – Valuation summary

Method - EUR	New valuation	Weight %	14/05/2021	Delta %
DCF	10.3	33	10.1	2.3
Italian companies	15.3	33	11.7	31.0
International companies (30% discount)	17.9	33	14.6	22.8
Target price	14.5		12.1	19.8
Current price	10.60		7.54	40.6
Potential upside %	37.1		60.9	

Source: Intesa Sanpaolo Research estimates

Our target price is based on the average of a DCF (fair value of EUR 10.3/sh) and relative valuations based on both the average of the multiples of international companies (applying a 30% discount to reflect the company's low liquidity and its smaller size compared to other listed companies) and the average of certain Italian industrial companies. This gives a fair value of EUR 17.9/sh using international companies and EUR 15.3/sh using Italian companies. Our target price implies an upside of >37% to the current market price.

Our DCF valuation incorporates a WACC of 6.6% based on the following assumptions: risk-free rate at 1.0%, market risk premium at 6.5%, Beta levered at 1.5 (based on the average beta of European Machinery sector – Source: Damodaran Jan-21) and a perpetual growth rate of 1.0%. Our DCF valuation implies 6.4x EV/EBITDA at terminal value.

SIT – DCF valuation

	EUR M	% Weight	Per share (EUR)
Sum of PV 2021-29 FCF	138.6	36	5.54
Terminal value	241.7	64	9.67
Total Enterprise value	380.3	100	15.21
- Pension Provision	-6.1		-0.24
- Net cash (debt)	-115.8		-4.63
Total Equity value	258.5		10.34
Fully diluted number of shares (M)	25.0		
Fair value per share (EUR)	10.34		

Source: Intesa Sanpaolo Research estimates

SIT – Peer comparison based on international peers

(x)	Market Cap. EUR M	P/E			EV/EBITDA		
		2021E	2022E	2023E	2021E	2022E	2023E
Bucher Industries	4,301	18.7	16.9	16.2	10.2	9.1	8.5
Beijer Ref	6,886	65.5	56.1	52.1	39.2	34.9	33.3
Emerson Electric	49,152	23.6	21.1	19.3	14.7	13.2	12.0
Honeywell	129,192	27.1	23.9	21.7	18.5	16.7	15.5
Ingersoll-Rand	37,170	30.1	26.0	23.8	19.1	17.3	16.1
Landis + Gyr	1,636	24.9	17.9	15.6	12.1	9.6	8.5
Lindab International	1,837	19.4	19.8	18.2	13.8	11.6	10.5
NIBE Industrier	21,834	76.2	69.9	63.7	38.0	34.8	31.7
Resideo Technologies	3,129	15.2	12.1	10.7	6.1	5.1	3.7
Schneider Electric	85,275	25.5	23.1	21.1	16.4	14.8	13.5
SPX Corporation	2,118	22.8	18.7	17.3	12.7	10.4	8.4
Sulzer	4,289	24.8	20.8	19.1	10.9	9.8	9.0
Weir Group	5,198	22.0	19.1	17.1	12.8	11.3	10.3
Average		30.4	26.6	24.3	17.3	15.3	13.9
SIT at market price	265	15.5	17.0	11.9	7.3	7.0	5.8
% premium/-discount		-49.2	-35.8	-51.0	-57.8	-54.0	-58.1

Price at market close on 24/09/2021; Source: FactSet and Intesa Sanpaolo Research estimates

SIT – Peer comparison based on Italian companies

(x)	Market Cap. EUR M	P/E			EV/EBITDA		
		2021E	2022E	2023E	2021E	2022E	2023E
Gefran	150	15.0	14.5	13.4	6.8	6.4	5.7
Interpump	6,418	32.1	26.9	25.2	18.8	15.8	14.6
LU-VE	529	26.4	20.8	17.9	12.0	10.1	8.9
Sabaf	276	9.1	9.1	8.3	5.6	5.4	4.7
Average		20.6	17.8	16.2	10.8	9.4	8.5
SIT at market price		15.5	17.0	11.9	7.3	7.0	5.8
% premium/-discount		-25.1	-4.3	-26.4	-32.7	-25.3	-31.3

Price at market close on 24/09/2021; Source: FactSet and Intesa Sanpaolo Research estimates

SIT – Valuation with trading multiples

EUR M	P/E (x)			EV/EBITDA (x)		
	2021E	2022E	2023E	2021E	2022E	2023E
Average International peers	30.4	26.6	24.3	17.3	15.3	13.9
Net profit	17.2	15.5	22.2			
EBITDA				52.8	51.8	59.7
EV				911.3	791.0	830.7
Net debt				-113.4	-93.1	-77.6
Equity value	522.1	413.0	540.6	798.0	697.9	753.1
Value per share (EUR)	20.9	16.5	21.6	31.9	27.9	30.1
Average Italian companies	20.6	17.8	16.2	10.8	9.4	8.5
Net profit	17.2	15.5	22.2			
EBITDA				52.8	51.8	59.7
EV				570.6	487.1	506.2
Net debt				-113.4	-93.1	-77.6
Equity value	354.1	277.1	360.1	457.2	394.0	428.6
Value per share (EUR)	14.2	11.1	14.4	18.3	15.8	17.1

Source: Intesa Sanpaolo Research estimates

At the target price, the company would trade at 9.2x 2021 EV/EBITDA, which is still below the average multiple of our peer sample (17.5x for international companies and 10.9x for Italian companies) and on 21.7x P/E (30.8x for international companies and 20.8x for Italian companies).

SIT – Implicit multiples in our EUR 14.5/sh target price

(x)	2021E	2022E	2023E
P/E	21.1	23.3	16.3
EV/EBITDA	9.1	8.9	7.5
EV/EBIT	17.9	19.8	14.7
EV/Sales	1.26	1.20	1.10
EV/CE	1.74	1.74	1.70
P/BV	2.22	2.12	1.96
P/CF	12.36	7.02	7.40

Source: Intesa Sanpaolo Research estimates

ESG Corner

Sustainability is part of SIT's mission and vision and, since 2018, the company publishes a sustainability report and monitors the environmental, social and economic impacts of its business activities, with a view to continuous improvement. In addition, SIT has begun numerous collaborations with leading institutions, universities and trade associations in order to define the near future for the use of alternative gases in domestic use. Hydrogen, in particular, is a leading driver of development. In this area, SIT is working alongside the most significant multinational firms, those for whom they have always been strategic suppliers.

SIT Group monitors on a continuous basis the production activities commissioning to external laboratories to analyse and report the compliance to the environmental regulation and intends to adopt a Carbon Footprint Systematic Approach to assess its impact on the environment in terms of carbon dioxide (CO₂) emissions resulting from the manufacture of three product categories: valves, electronic circuit boards, and fans. The company has implemented an Environmental Management System (EMS) at its production facilities in Rovigo (Italy), Monterrey (Mexico) and Brasov (Romania). The system defines specific monitoring and control procedures, assigns clear roles and responsibilities, and guarantees active communications with stakeholders and control bodies. The system also requires the production facilities to annually define initiatives to improve environmental performance.

SIT is committed to guaranteeing respect for diversity, the rights of individuals, general well-being and professional growth. At the end of December 2020, the company had 2,484 employees, including the workforce of companies established and acquired by SIT in the second half of 2020 with a strong percentage of women (around 61% of total workforce). Approximately 72% of group employees work in offices and facilities in Italy and Romania. Injury data for 2020 highlight the group's effective commitment to reducing its employee injury rate. Said commitment takes the form of technical measures, such as increasing automation and designing appropriate workstations, as well as enlisting expert employees to provide specific training. A total of 11 workplace injuries (applying to both employees and external workers) occurred across group sites during 2020. No injury occurred causing serious consequences for workers. A total of approx. 51,368 training hours were provided, during 2020 of which 60% for health and safety training.

SIT's Board has 7 Directors, of which 4 are independent and 3 are women. One Director has been appointed in charge for ESG. The company has also a Code of Ethics and a Control, Risks and Sustainability Committee which supports the evaluations and decisions of the Board of Directors concerning the Internal Control and Risk Management System, in addition to those concerning the approval of the relative periodic financial reports and non-financial statements.

We also recall that in 2021 SIT has signed two loans at favourable financial conditions related to the achievement of sustainability targets for a total value of EUR 130M.

Sustainability is a key priority for SIT

Environmental sustainability

Social sustainability

Corporate governance

Savings from loans related to the achievement of ESG goals

SIT – Key Data

Rating BUY	Target price (EUR/sh) Ord 14.5	Mkt price (EUR/sh) Ord 10.60			Sector Engineering & Machinery
Values per share (EUR)	2019A	2020A	2021E	2022E	2023E
No. ordinary shares (M)	25.01	25.01	25.01	25.01	25.01
Total no. of shares (M)	25.01	25.01	25.01	25.01	25.01
Market cap (EUR M)	195.13	124.79	265.08	265.08	265.08
Adj. EPS	0.60	0.54	0.73	0.62	0.89
CFPS	0.78	0.74	1.2	2.1	2.0
BVPS	5.9	6.1	6.5	6.9	7.4
Dividend ord	0.14	0.28	0.30	0.35	0.40
Income statement (EUR M)	2019A	2020A	2021E	2022E	2023E
Revenues	352.2	320.7	383.3	383.4	404.0
EBITDA	48.74	43.62	52.78	51.76	59.66
EBIT	24.73	19.62	26.98	23.26	30.31
Pre-tax income	21.32	15.99	20.18	19.20	27.81
Net income	19.93	13.23	17.15	15.55	22.25
Adj. net income	14.90	13.41	18.15	15.55	22.25
Cash flow (EUR M)	2019A	2020A	2021E	2022E	2023E
Net income before minorities	19.9	13.2	17.2	15.5	22.2
Depreciation and provisions	24.0	24.0	25.8	28.5	29.4
Others/Uses of funds	-18.9	-3.8	11.1	-1.2	-1.2
Change in working capital	-5.5	-14.8	-24.7	8.7	-1.5
Operating cash flow	19.5	18.6	29.3	51.6	49.0
Capital expenditure	-23.0	-12.7	-22.0	-24.0	-24.8
Financial investments	0	0	0	0	0
Acquisitions and disposals	0	-28.4	0	0	0
Free cash flow	-3.4	-22.5	7.3	27.6	24.1
Dividends	-7.0	-3.5	-7.0	-7.5	-8.8
Equity changes & Other non-operating items	3.3	-11.3	2.1	0.2	0.1
Net cash flow	-7.1	-37.4	2.4	20.3	15.5
Balance sheet (EUR M)	2019A	2020A	2021E	2022E	2023E
Net capital employed	226.0	269.0	276.7	264.5	262.5
of which associates	0	0	0	0	0
Net debt/-cash	78.4	115.8	113.4	93.1	77.6
Minorities	0	0	0	0	0
Net equity	147.6	153.2	163.4	171.4	184.9
Minorities value	0	0	0	0	0
Enterprise value	273.5	240.5	378.4	358.2	342.7
Stock market ratios (x)	2019A	2020A	2021E	2022E	2023E
Adj. P/E	13.1	9.3	14.6	17.0	11.9
P/CFPS	10.0	6.7	9.0	5.1	5.4
P/BVPS	1.3	0.81	1.6	1.5	1.4
Payout (%)	23	52	41	56	45
Dividend yield (% ord)	1.8	5.6	2.8	3.3	3.8
FCF yield (%)	-1.8	-18.0	2.8	10.4	9.1
EV/sales	0.78	0.75	0.99	0.93	0.85
EV/EBITDA	5.6	5.5	7.2	6.9	5.7
EV/EBIT	11.1	12.3	14.0	15.4	11.3
EV/CE	1.2	0.89	1.4	1.4	1.3
D/EBITDA	1.6	2.7	2.1	1.8	1.3
D/EBIT	3.2	5.9	4.2	4.0	2.6
Profitability & financial ratios (%)	2019A	2020A	2021E	2022E	2023E
EBITDA margin	13.8	13.6	13.8	13.5	14.8
EBIT margin	7.0	6.1	7.0	6.1	7.5
Tax rate	6.5	17.3	15.0	19.0	20.0
Net income margin	5.7	4.1	4.5	4.1	5.5
ROCE	10.9	7.3	9.7	8.8	11.5
ROE	14.6	8.8	10.8	9.3	12.5
Interest cover	5.9	5.0	4.0	5.7	12.1
Debt/equity ratio	53.1	75.5	69.4	54.3	42.0
Growth (%)		2020A	2021E	2022E	2023E
Sales		-8.9	19.5	0.0	5.4
EBITDA		-10.5	21.0	-1.9	15.3
EBIT		-20.7	37.5	-13.8	30.3
Pre-tax income		-25.0	26.2	-4.9	44.9
Net income		-33.6	29.7	-9.3	43.1
Adj. net income		-10.0	35.4	-14.3	43.1

NM: not meaningful; NA: not available; Neg.: negative; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Company Snapshot

Company Description

The SIT Group, through its two divisions Heating and Smart Metering, creates intelligent solutions for the control of environmental conditions and consumption measurement for a more sustainable world. A market-leading multinational company, listed on the MTA segment of Borsa Italiana, SIT aims to be the number one sustainable partner for energy and climate control solutions for its customers, focusing on experimentation and the use of alternative gases with low environmental profiles. The Group has production sites in Italy, Mexico, the Netherlands, Romania, China, Tunisia and Portugal, in addition to a commercial structure covering all global markets.

Key Risks

Company specific risks:

- End of the rollout of smart gas metering in Italy;
- Large component of goodwill (around 30% of capital employed);
- Potential shortage of components could reduce production
- Negative impact from COVID-19 outbreak.

Sector generic risks:

- Raw material price hike
- Regulatory risk;
- Lengthy time to market for new products due to the length of the testing and homologation process.

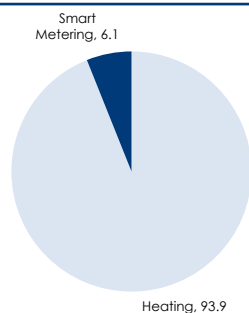
Key data

Mkt price (EUR)	10.60	Free float (%)	26.1
No. of shares	25.01	Major shr	SIT Tech.
52Wk range (EUR)	10.6/4.2	(%)	73.4
Reuters	SIT.MI	Bloomberg	SIT IM
Performance (%)	Absolute		Rel. FTSE IT All Sh
-1M	27.1	-1M	27.3
-3M	29.9	-3M	26.9
-12M	151.2	-12M	82.3

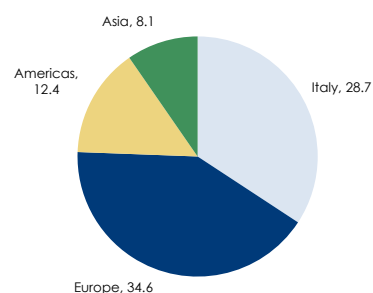
Estimates vs. consensus

EUR M (Y/E Dec)	2020A	2021E	2021C	2022E	2022C	2023E	2023C
Sales	320.7	383.3	NM	383.4	NM	404.0	NM
EBITDA	43.62	52.78	NM	51.76	NM	59.66	NM
EBIT	19.62	26.98	NM	23.26	NM	30.31	NM
Pre-tax income	15.99	20.18	NM	19.20	NM	27.81	NM
Net income	13.23	17.15	NM	15.55	NM	22.25	NM
EPS (EUR)	0.54	0.73	NM	0.62	NM	0.89	NM

Sales breakdown by product (%)



Sales breakdown by geography (%)



Source: Company data, Intesa Sanpaolo Research estimates and FactSet consensus data (priced at market close of 24/09/2021)

Our Mid Corporate Definition

Italy is characterised by a large number of non-listed and listed micro, small and medium-sized companies. Looking at the revenues of these Italian companies, around 5,000 companies have revenues ranging from EUR 50M-EUR 1,500M based on Intesa Sanpaolo elaborations. We define these companies as 'Mid Corporate'. Looking more specifically at Italian listed companies, we include in our Mid Corporate segment all STAR companies and those with a market capitalisation below EUR 1Bn.

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Equity rating key: (long-term horizon: 12M)

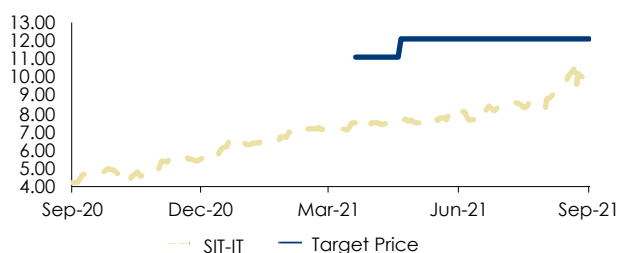
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Equity Rating Key (long-term horizon: 12M)

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ADD	If the target price is 10%-20% higher than the market price
HOLD	If the target price is 10% below or 10% above the market price
REDUCE	If the target price is 10%-20% lower than the market price
SELL	If the target price is 20% lower than the market price
RATING SUSPENDED	The investment rating and target price for this stock have been suspended as there is not a sufficient fundamental basis for determining an investment rating or target. The previous investment rating and target price, if any, are no longer in effect for this stock.
NO RATING	The company is or may be covered by the Research Department but no rating or target price is assigned either voluntarily or to comply with applicable regulations and/or firm policies in certain circumstances.
TENDER SHARES	We advise investors to tender the shares to the offer.
TARGET PRICE	The market price that the analyst believes the share may reach within a one-year time horizon
MARKET PRICE	Closing price on the day before the issue date of the report, as indicated on the first page, except where otherwise indicated

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Target price and market price trend (-1Y)**Historical recommendations and target price trend (-1Y)**

Date	Rating	TP (EUR)	Mkt Price (EUR)
14-May-21	BUY	12.1	7.6
12-Apr-21	BUY	11.1	7.5

Equity rating allocations (long-term horizon: 12M)**Intesa Sanpaolo Research Rating Distribution (at July 2021)**

Number of companies considered: 126	BUY	ADD	HOLD	REDUCE	SELL
Total Equity Research Coverage relating to last rating (%)*	44	35	21	0	0
of which Intesa Sanpaolo's Clients (%)**	82	73	39	0	0

* Last rating refers to rating as at end of the previous quarter; ** Companies on behalf of whom Intesa Sanpaolo and the other companies of the Intesa Sanpaolo Group have provided corporate and investment banking services in the last 12 months; percentage of clients in each rating category

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Equity rating key (short-term horizon: 3M)

Short-term rating	Definition
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