

20 January 2022

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Price (€)	9.6
Shares in issue (m)	25
Mkt Cap (€m)	241
Net debt (€m)	78
EV (€m)	319
BVPS (€)	6.0

**Share price performance**

1m	-7.7%
3m	-16.5%
12m	45.5%
12 m high/low	12/6.1
Ave daily vol (30D)	12,377

**Shareholders**

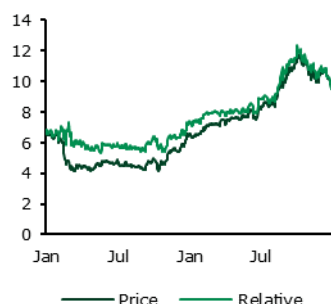
Sit Technologies Spa	68.7%
Marlborough Fund Man	1.1%
Julius Baer Group Lt	1.0%
Azimut Holding Spa	0.7%
Zenit Sgr Spa	0.5%
Norges Bank Investme	0.5%
Banque Degroof Peter	0.1%
Symphonia Sgr Spa	0.1%
Gam Holding Ag	0.1%
Banca Sella Holding	0.1%
Total for top 10	72.9%
Free float	31.3%

**Next news**

Ints Q3

**Business description**

Gas heating components and smart gas and water meters



**FULL YEAR CONFIRMS HEATING BOUNCE**

SIT's headline sales numbers for FY21 are broadly in line with our forecasts with the heating business showing a bounce from FY20 and the Janz acquisition delivering strong growth. Smart gas metering is slowing as expected while the geographic focus of demand transitions away from Italy. Other than truing up the revenues numbers we are not adjusting our forecasts and the broad picture remains unchanged in our view. We think the ability of the company to create performance from Janz shows its ability to integrate acquisitions and bodes well for the smaller NGA product line acquisition made in September.

**Heating and Janz show strong growth**

SIT has published the headline sales numbers for the year to 31 December 2021. These show an 18% increase on the previous year with total sales at €375.2m against €317.6m. Heating was strongly ahead at €298.2m, up 19.8%, more than recovering from the COVID related slowdown in FY 20. Smart gas metering has declined 16.8% to €57.1m in line with expectations that policy driven installations in Italy are now reaching saturation and other areas have yet to show significant growth although we expect this to come. This is also made up for by very strong growth at the Janz water metering business acquired at the end of 2020. Sales here grew 23.6% to €19.9m.

**Janz bodes well**

The outcome is broadly in line with our forecast sales of €377m with heating a bit better than we expected, offset by gas metering. We see the strong progress at Janz as boding well for further growth there and suggesting that the company can build on its more recent, if smaller, acquisition of the NGA electronic valve product line from Emerson Electric in the US. We are not adjusting forecasts at this stage other than to align the revenue with the actuals.

€,'000 Dec	2019a	2020a	2021e	2022e	2023e	2024e
Sales	352,207	320,731	378,661	370,714	386,643	399,241
EBITDA	48,720	43,622	46,222	48,947	53,769	58,382
PBT	21,320	15,991	16,759	18,335	22,210	25,809
EPS	81.0	53.6	56.3	59.4	71.1	81.5
CFPS	40.3	-61.0	83.0	102.0	119.4	134.1
DPS	14.0	28.0	29.4	30.9	32.4	34.0
Net Debt (Cash)	78,421	115,800	106,412	92,060	73,433	51,222
Debt/EBITDA	1.6	2.7	2.3	1.9	1.4	0.9
P/E	11.8	17.9	17.0	16.2	13.5	11.8
EV/EBITDA	6.6	8.2	7.5	6.8	5.8	5.0
EV/sales	0.9	1.0	0.8	0.9	0.8	0.8
FCF yield	4.2%	-6.4%	8.6%	10.6%	12.4%	14.0%
Div yield	1.5%	2.9%	3.1%	3.2%	3.4%	3.5%

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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	298,200	275,257	280,762	286,378
Smart Gas Metering	89,318	68,634	57,100	69,664	76,630	79,696
Smart Water Metering	0	0	19,900	22,434	25,770	29,602
Other	-2,757	3,094	3,461	3,360	3,481	3,566
<b>Total</b>	<b>352,207</b>	<b>320,731</b>	<b>378,661</b>	<b>370,714</b>	<b>386,643</b>	<b>399,241</b>
<b>Operating profit</b>						
Heating	15,313	14,125	14,910	13,763	15,442	17,183
Smart Gas Metering	9,420	5,491	3,712	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>20,722</b>	<b>21,916</b>	<b>25,431</b>	<b>28,704</b>
<b>P&amp;L Account</b>						
Turnover	352,207	320,731	378,661	370,714	386,643	399,241
Operating Profit	24,733	19,616	20,722	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	16,759	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	16,759	18,335	22,210	25,809
Tax	-1,392	-2,766	-2,849	-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	13,910	14,668	17,546	20,131
Dividend	-6,969	-3,476	-7,136	-7,259	-7,629	-8,000
Retained	12,959	9,749	6,774	7,409	9,916	12,131
EBITDA	48,720	43,622	46,222	48,947	53,769	58,382
EPS (c) (UKSIP)	81.02	53.56	56.34	59.41	71.06	81.53
EPS (c) (FRS3)	81.02	53.56	56.34	59.41	71.06	81.53
FCFPS (c)	40.26	-61.01	82.98	102.03	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	62,602	61,289	63,922	66,005
Trade Debtors	57,176	65,518	73,434	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	-83,234	-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	266,406	259,463	250,752	240,673
Cash etc	34,064	42,328	174	3,868	12,902	26,479
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	106,412	92,060	73,433	51,222
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	19,999	27,408	37,324	49,455
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	266,406	259,463	250,752	240,673
Net Assets	147,566	153,221	159,994	167,403	177,319	189,451
Total Equity	147,566	153,221	159,994	167,403	177,319	189,451

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	20,722	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	-3,069	290	-3,218	-2,771
Operating cash flow	37,761	33,597	43,152	49,237	50,551	55,612
Tax paid	-4,894	-6,315	-2,766	-2,849	-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	9,389	14,352	18,627	22,211
Equity issued	-685	-775	0	0	0	0
Change in net borrowing	-4,298	37,379	-9,388	-14,352	-18,627	-22,211
Adjustments	3,209	-16,782	0	0	0	0
Total financing	-1,774	19,822	-9,388	-14,352	-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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