

Company Note
MID CORPORATE
SIT
2 February 2022: 7:42 CET

Date and time of production

New Estimates for a New Scenario

The sharp gas price growth is accelerating the replacement of heating systems worldwide, thus supporting expected volumes for SIT's Heating division and selling prices are also growing as the company is able to transfer higher production costs to clients. As a result, we raise our 2022-23E sales forecasts while leaving substantially unchanged our EBITDA. Our target price is now EUR 13.7/sh.

BUY
Target Price: EUR 13.7
(from EUR 15.4)

Italy/Engineering & Machinery
Update

2021 preliminary sales

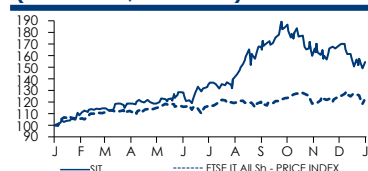
SIT reported core sales of EUR 375.2M in 2021 with an increase of 18.1%, slightly below our expectations. The heating division was up nearly 20% in 2021, broadly in line with our forecast, with an increase of 3.5% in the last quarter of the year, surpassing the pre-Covid level while the Smart Metering division was up 12.2% in the full year thanks to the contribution of Janz (EUR 20M), which more than offset the expected decline of smart gas metering (-16.8%). Full year results will be released on 22 March.

Outlook and Estimates

Rising gas prices (+68% in the past 12 months) coupled with mounting inflation have changed the scenario for 2022. In particular, the sharp rise in the gas price has stimulated the replacement of old boilers and the fiscal incentives are confirmed, while higher production costs are reflected in higher selling prices. We therefore now expect a double-digit sales growth this year for the Heating division while EBITDA should grow in absolute terms but with a lower margin vs. 2021. Overall, we increased our 2022-23E estimates by 5.3% on sales, by 1% on EBITDA and by 7.5% at the EPS level.

Valuation

Following our estimates revision and the stock market drop (our peer sample was down 12% last month), we lower **our target price to EUR 13.7/share** (from EUR 15.4/share). In our view, SIT remains undervalued given the current 31% discount to 2021-23E EV/EBITDA of peers, the sound prospects of the heating market and the potential expansion outside Italy of the Smart Metering division. In addition, we see SIT as a pioneer in the next generation of heating systems, namely hydrogen heating systems. The main risks are possible constraints in the supply chain and the low visibility we have on the development of Gas Metering, due to the completion of the roll-out in Italy.

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

SIT - Key Data

Price date (market close)	28/01/2022		
Target price (EUR)	13.7		
Target upside (%)	41.53		
Market price (EUR)	9.68		
Market cap (EUR M)	242.87		
52Wk range (EUR)	12.0/6.4		
Price performance %	1M	3M	12M
Absolute	-10.0	-18.0	53.2
Rel. to FTSE IT All Sh	-6.6	-16.4	26.4

Y/E Dec (EUR M)	FY20A	FY21E	FY22E
Revenues	317.6	375.2	409.0
EBITDA	43.62	52.09	54.61
EBIT	19.62	26.29	26.11
Net income	13.23	11.03	17.86
EPS (EUR)	0.54	0.70	0.71
Net debt/-cash	115.8	119.6	102.6
Adj P/E (x)	9.3	13.8	13.6
EV/EBITDA (x)	5.5	7.0	6.3
EV/EBIT (x)	12.3	13.8	13.2
Div ord yield (%)	5.6	3.1	3.6

Source: Company data, FactSet and Intesa Sanpaolo Research estimates

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2021 Preliminary Revenues

SIT reported 2021 preliminary revenues which were 2% below our estimate, with the Heating division in line and the Smart Metering division 6% below our forecast. In detail:

- **Stable core sales in 4Q21, up 18.1% in the full year:** SIT reported core sales of EUR 375.2M in 2021 with an increase of 18.1%, slightly below our expectations. In the last quarter of the year, sales were substantially stable at EUR 92.3M and 4.4% above 4Q19 which was not impacted by Covid 19;
- **Breakdown by division:** The Heating division was up nearly 20% in 2021, broadly in line with our forecast, with an increase of 3.5% in the last quarter of the year. As expected, there was a reduction of the growth rate which was up 26.7% in the first nine months due to the uncertainties about the renovation of the Superbonus 110% in Italy. Still, we highlight that Heating sales surpassed by nearly 15% 2019 revenues. Smart Metering division declined by 17% in 4Q21 (but was up 12.2% in the full year) with a drop of 42.5% in Gas Smart Metering due to the completion of the rollout in Italy, missing our expectations. Janz contributed with EUR 19.9M of sales in the full year, with an increase of 23.6% vs. 2020, in line with our forecast.

- **Full year results will be released on March 22.**

2021 preliminary revenues 2% below expectations...

... with Heating division in line and Smart Metering 6% below estimates

SIT – Preliminary 4Q21/2021 revenues

EUR M	4Q19A	4Q20A	4Q21A	4Q yoy %	4Q/4Q19 %	2019A	2020A	2021E	2021A	21 A/E %	yoy %	21/19 %
Product revenues	88.4	92.8	92.3	-0.5	4.4	348.7	317.6	383.3	375.2	-2.1	18.1	7.6
o/w Heating	69.3	74.7	77.3	3.5	11.6	260.0	249.0	301.2	298.2	-1.0	19.8	14.7
o/w Smart Metering	19.1	18.1	15.0	-17.0	-21.6	88.6	68.6	82.0	77.0	-6.1	12.2	-13.1
o/w Smart Metering organic (ex Janz)	19.1	18.1	10.4	-42.5	-45.6	88.6	68.6	62.0	57.1	-7.9	-16.8	-35.6

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

Earnings Outlook

While 2021 sales were slightly below our expectations, we believe that the rising gas prices coupled with mounting inflation have changed the scenario for 2022. In particular, the sharp rise in the gas price (+68% spot price in the past 12 months and +21% since the beginning of the year) has stimulated the replacement of central heating systems, old boilers and water heaters with lower energy consumption appliances. In addition, the fiscal incentives, throughout all of Europe but also in the US, to improve the energy efficiency of dwellings while reducing emissions, should further support the growth of the Heating division which is now expected to increase by around 13% in 2022, or 4% above our previous estimates. This growth implies volumes up mid-single digit but also a significant selling prices increase (we recall that SIT's components are essential for the safety of heating systems but represent less than 10% of the production cost of boilers) as SIT will transfer to clients the increase of the raw material prices. The only risk we see in our scenario is the potential shortage of chips and electronic components which could create production bottlenecks.

Gas price is pushing up Heating volumes

We also increased our estimates for Smart Metering, thanks to the contribution of Janz, expected at EUR 24M (an increase of 20%) and a softer slowdown of gas metering (-15.7% expected) as we believe the company should be able to increase its presence in foreign markets and primarily in the UK. Altogether, we now expect 2022 sales to reach EUR 409M or +9% vs. 2021.

As for EBITDA, we believe SIT should be able to transfer the higher raw material prices to clients while inflation on labour costs should be offset by the transfer of part of the production to the new plant in Tunisia which is already operational. As a result, our EBITDA estimate for 2022E has been increased by 0.7% in absolute terms, with the margin slightly down compared with 2021. Net income is now expected to approach EUR 18M with an increase of 12% compared with our previous estimates.

2022 EBITDA margin expected at 13.3%

We think 2023E should see an easing of the current challenging conditions of the supply chain while the transfer of part of the production in Tunisia should be at regime and therefore we assume a sizeable EBITDA margin improvement. The net result should surpass EUR 23M. Cash generation should remain healthy up to 2023 and we believe net debt should be progressively reduced to around EUR 81M at Dec-23.

SIT – Estimates revision, % changes

EUR M	2021E Old	2021E New	2021E New/Old %	2022E Old	2022E New	2022E New/Old %	2023E Old	2023E New	2023E New/Old %
Value of production	383.3	378.4	-1.3	386.9	412.2	6.5	408.6	432.1	5.7
Sales	383.3	375.2	-2.1	386.9	409.0	5.7	408.6	428.8	4.9
o/w Heating	301.3	298.2	-1.0	323.9	337.0	4.0	333.6	353.8	6.1
o/w Smart Metering	82.0	77.0	-6.1	63.0	72.0	14.3	75.0	75.0	0.0
EBITDA Adj.	52.8	52.1	-1.3	54.2	54.6	0.7	60.3	61.1	1.3
% margin	13.8	13.8		14.0	13.3		14.8	14.2	
EBIT	27.0	26.3	-2.5	23.7	26.1	10.0	31.0	31.8	2.6
% margin	7.0	6.9		6.1	6.3		7.6	7.4	
Net result	11.6	11.0	-4.9	15.9	17.9	12.1	22.8	23.4	2.8
Net result Adj.	18.2	17.6	-3.1	15.9	17.9	12.1	22.8	23.4	2.8
Net Debt/(Cash)	121.4	119.6	-1.5	101.5	102.6	1.1	80.0	81.5	1.8

E: estimates; Source: Intesa Sanpaolo Research

Valuation

Our **new target price of EUR 13.7/share** (from EUR 15.4/share) reflects our new estimates but also the recent sharp drop of the market (our peer sample was down 12% last month, SIT declined by 10%) and offers 41% upside prompting us to **confirm our BUY rating**. We believe SIT represents an attractive long-term investment, due to its technological leadership in the Heating sector where it is a frontrunner in the hydrogen transition, its strong free cash flow generation, its diversification strategy, 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 International peers of around 36% (48% on 2021-23 EV/EBITDA and 24% on P/E).

New target price at EUR 13.7/sh

SIT – Valuation summary

Method - EUR	New valuation	Weighting %	11/11/2021	Delta %
DCF	11.6	33	10.6	9.5
Italian companies	14.0	33	16.8	-16.7
International companies (30% discount)	15.4	33	18.9	-18.2
Target price	13.7		15.4	-11.3
Current price	9.68		11.15	-13.2
Potential upside %	41.0		38.1	

Source: Intesa Sanpaolo Research estimates

Our target price is based on the average of a DCF (fair value of EUR 11.6/share) and relative valuations based on both the average of the multiples (both P/E and EV/EBITDA) of international companies (applying a 30% discount to reflect the company's low liquidity and smaller size compared to other listed companies) and the average of certain Italian industrial companies. These methods give a fair value of EUR 15.4/share using international companies and EUR 14.0/share using Italian companies.

Our DCF valuation incorporates a WACC of 7.5% based on the following assumptions: risk-free rate at 1.0%, market risk premium at 6.5%, Beta levered at 1.7x (based on the average beta of European Machinery sector; Source: Damodaran Jan-22) and a perpetual growth rate of 2.0%. Our DCF valuation implies 6.3x EV/EBITDA at terminal value.

SIT – DCF valuation

	EUR M	% Weighting	Per share (EUR)
Sum of PV 2021-29 FCF	141.4	34.4	5.65
Terminal value	270.0	65.6	10.80
Total Enterprise value	411.4	100.0	16.45
- Pension Provision	-6.1		-0.24
- Net cash (debt)	-115.8		-4.63
Total Equity value	289.5		11.58
Fully diluted number of shares (m)	25.0		
Fair value per share (EUR)	11.58		

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	4,116	16.5	15.2	14.7	9.9	8.2	7.7
Beijer Ref	5,653	57.5	45.1	38.1	43.8	27.3	23.6
Emerson Electric	48,330	23.0	18.5	17.0	14.5	12.1	11.0
Honeywell	124,539	25.1	22.6	20.4	17.5	16.0	14.7
Ingersoll-Rand	36,628	28.5	24.6	22.2	20.8	16.3	15.0
Landis + Gyr	1,649	20.2	18.0	14.2	13.7	10.3	8.1
Lindab International	1,944	23.8	20.1	19.1	16.0	12.0	11.1
NIBE Industrier	14,712	50.5	45.8	40.7	45.1	24.8	22.1
Resideo Technologies	3,045	15.1	12.1	10.2	6.0	4.8	3.5
Schneider Electric	83,967	25.0	22.0	19.6	18.8	14.5	12.9
SPX Corporation	2,031	22.2	18.0	15.1	14.7	9.4	7.5
Sulzer	2,816	18.8	17.9	16.8	8.7	7.7	7.1
Weir Group	5,305	24.6	18.8	16.8	13.9	11.4	10.3
Average		27.0	23.0	20.4	18.7	13.5	11.9
SIT at market price*	243	19.4	13.6	10.4	6.5	6.4	5.4
% premium/-discount		-28.1	-40.8	-49.1	-65.2	-52.2	-54.6

Priced at market close on 28/01/2022; 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	147	12.3	13.7	12.2	6.5	6.0	5.3
Interpump	5,776	27.9	23.3	22.0	19.9	13.9	12.8
LU-VE	487	25.0	19.8	16.3	11.8	9.2	8.0
Sabaf	285	10.2	10.0	9.3	6.4	6.3	5.6
Average		18.8	16.7	15.0	11.2	8.8	7.9
SIT at market price*		19.4	13.6	10.4	6.5	6.4	5.4
% premium/-discount		3.0	-18.6	-30.6	-41.6	-27.1	-32.0

Priced at market close on 28/01/2022; Source: FactSet and *Intesa Sanpaolo Research estimates

SIT – Valuation with trading multiples

EUR M, x	P/E			EV/EBITDA		
	2021E	2022E	2023E	2021E	2022E	2023E
Average International peers	27.0	23.0	20.4	18.7	13.5	11.9
Net profit	11.0	17.9	23.4			
EBITDA				52.1	54.6	61.1
EV				975.6	734.8	727.2
Net debt				-119.6	-102.6	-81.5
Equity value	297.5	410.3	477.3	856.0	632.2	645.7
Value per share (EUR)	11.9	16.4	19.0	34.1	25.2	25.7
Average Italian companies	18.8	16.7	15.0	11.2	8.8	7.9
Net profit	11.0	17.9	23.4			
EBITDA				52.1	54.6	61.1
EV				581.3	481.7	484.9
Net debt				-119.6	-102.6	-81.5
Equity value	207.9	298.6	350.5	461.7	379.2	403.4
Value per share (EUR)	8.3	11.9	14.0	18.4	15.1	16.1

Source: Intesa Sanpaolo Research estimates

At our target price, SIT would trade at 8.3x 2022E EV/EBITDA, which is still below the average multiple of our peers' sample (13.5x for international companies and 8.8x for Italian companies) and 19.3x P/E (23.0x for international companies and 16.7x for Italian companies).

SIT – Implicit multiples in our EUR 13.7/sh target price

X	2022E	2023E
P/E	19.3	14.7
EV/EBITDA	8.3	7.0
EV/EBIT	17.3	13.6
EV/Sales	1.11	1.00
EV/CE	1.67	1.63
P/BV	2.05	1.89
P/CF	6.97	6.89

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, particularly, is a leading driver of development. In this area, SIT is working alongside the most significant multinational firms, those for whom it has always been strategic suppliers.

SIT – ESG green paper



Source: Company data

SIT Group monitors on a continuous basis the production activities commissioning to external laboratories to analyse and report the compliance with 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 manufacturing 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.

Environmental sustainability

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 has 2,484 employees, including the workforce of companies established and acquired by SIT in the second half of 2020 with a strong percentage of female (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. Commitment takes the form of technical measures, such as increasing automation and designing appropriate workstations, as well as

Social sustainability

enlisting expert employees to provide specific training. A total of 11 workplace injuries (applying to both employees and external workers) occurred across the group's sites during 2020. No injury occurred causing serious consequences for workers. A total of approximately 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 female. One Director has been appointed in charge of ESG. The company also has 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. In July 2021 an executive Director in charge for sustainability was appointed, who introduced a new sustainability governance while SIT adopted a long-term incentive program with 20% of pay-out related to ESG KPIs. We also highlight that the 2021 MBO program includes ESG targets with 20-25% weighting on total KPIs.

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.

Corporate governance

Savings from loans related to the achievement of ESG goals

SIT – Key Data

Rating BUY	Target price (EUR/sh) Ord 13.7	Mkt price (EUR/sh) Ord 9.68	Sector Engineering & Machinery		
Values per share (EUR)	2019A	2020A	2021E	2022E	2023E
No. ordinary shares (M)	25.01	25.01	25.09	25.11	25.11
Total no. of shares (M)	25.01	25.01	25.09	25.11	25.11
Market cap (EUR M)	195.13	124.79	242.87	243.07	243.07
Adj. EPS	0.60	0.54	0.70	0.71	0.93
CFPS	0.78	0.74	1.0	2.0	2.0
BVPS	5.9	6.1	6.3	6.7	7.3
Dividend ord	0.14	0.28	0.30	0.35	0.40
Income statement (EUR M)	2019A	2020A	2021E	2022E	2023E
Revenues	348.7	317.6	375.2	409.0	428.8
EBITDA	48.74	43.62	52.09	54.61	61.14
EBIT	24.73	19.62	26.29	26.11	31.79
Pre-tax income	21.32	15.99	13.29	22.05	29.29
Net income	19.93	13.23	11.03	17.86	23.43
Adj. net income	14.90	13.41	17.63	17.86	23.43
Cash flow (EUR M)	2019A	2020A	2021E	2022E	2023E
Net income before minorities	19.9	13.2	11.0	17.9	23.4
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	-22.6	4.1	-1.7
Operating cash flow	19.5	18.6	25.3	49.3	49.9
Capital expenditure	-23.0	-12.7	-24.2	-25.0	-20.2
Financial investments	0	0	0	0	0
Acquisitions and disposals	0	-28.4	0	0	0
Free cash flow	-3.4	-22.5	1.1	24.3	29.7
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	-3.8	17.0	21.1
Balance sheet (EUR M)	2019A	2020A	2021E	2022E	2023E
Net capital employed	226.0	269.0	276.8	270.2	263.7
of which associates	0	0	0	0	0
Net debt/-cash	78.4	115.8	119.6	102.6	81.5
Minorities	0	0	0	0	0
Net equity	147.6	153.2	157.3	167.6	182.2
Minorities value	0	0	0	0	0
Enterprise value	273.5	240.5	362.4	345.6	324.6
Stock market ratios (x)	2019A	2020A	2021E	2022E	2023E
Adj. P/E	13.1	9.3	13.8	13.6	10.4
P/CFPS	10.0	6.7	9.6	4.9	4.9
P/BVPS	1.3	0.81	1.5	1.5	1.3
Payout (%)	23	52	43	49	43
Dividend yield (% ord)	1.8	5.6	3.1	3.6	4.1
FCF yield (%)	-1.8	-18.0	0.5	10.0	12.2
EV/sales	0.78	0.76	0.97	0.85	0.76
EV/EBITDA	5.6	5.5	7.0	6.3	5.3
EV/EBIT	11.1	12.3	13.8	13.2	10.2
EV/CE	1.2	0.89	1.3	1.3	1.2
D/EBITDA	1.6	2.7	2.3	1.9	1.3
D/EBIT	3.2	5.9	4.5	3.9	2.6
Profitability & financial ratios (%)	2019A	2020A	2021E	2022E	2023E
EBITDA margin	14.0	13.7	13.9	13.4	14.3
EBIT margin	7.1	6.2	7.0	6.4	7.4
Tax rate	6.5	17.3	17.0	19.0	20.0
Net income margin	5.7	4.2	2.9	4.4	5.5
ROCE	10.9	7.3	9.5	9.7	12.1
ROE	14.6	8.8	7.1	11.0	13.4
Interest cover	5.9	5.0	2.0	6.4	12.7
Debt/equity ratio	53.1	75.5	76.0	61.2	44.7
Growth (%)		2020A	2021E	2022E	2023E
Sales		-8.9	18.1	9.0	4.9
EBITDA		-10.5	19.4	4.8	12.0
EBIT		-20.7	34.0	-0.7	21.7
Pre-tax income		-25.0	-16.9	65.9	32.8
Net income		-33.6	-16.6	61.9	31.2
Adj. net income		-10.0	31.5	1.3	31.2

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 data

Mkt price (EUR)	9.68	Free float (%)	26.1
No. of shares	25.09	Major shr	SIT Tech.
52Wk range (EUR)	12.0/6.4	(%)	73.4
Reuters	SIT.MI	Bloomberg	SIT IM
Performance (%)	Absolute		Rel. FTSE IT All Sh
-1M	-10.0	-1M	-6.6
-3M	-18.0	-3M	-16.4
-12M	53.2	-12M	26.4

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

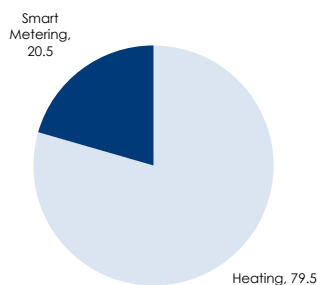
Sector generic risks:

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

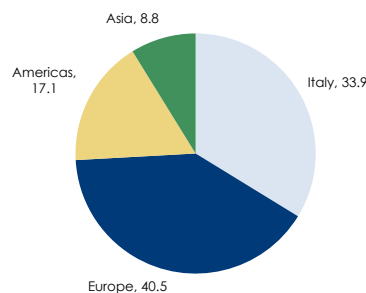
Estimates vs. consensus

EUR M (Y/E Dec)	2020A	2021E	2021C	2022E	2022C	2023E	2023C
Sales	317.6	375.2	NM	409.0	NM	428.8	NM
EBITDA	43.62	52.09	NM	54.61	NM	61.14	NM
EBIT	19.62	26.29	NM	26.11	NM	31.79	NM
Pre-tax income	15.99	13.29	NM	22.05	NM	29.29	NM
Net income	13.23	11.03	NM	17.86	NM	23.43	NM
EPS	0.54	0.70	NM	0.71	NM	0.93	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 28/01/2022)

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 eligible for listing have revenues below 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)

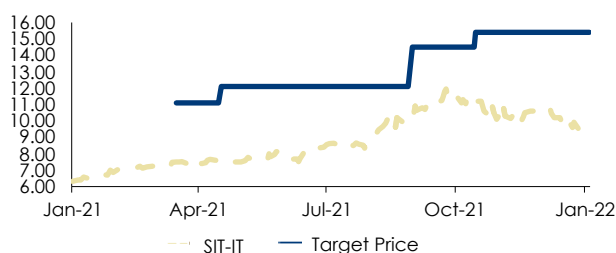
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Equity Rating Key (long-term horizon: 12M)

Long-term rating	Definition
BUY	If the target price is 20% higher than the market price
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
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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.
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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

Historical recommendations and target price trends (long-term horizon: 12M)

The 12M rating and target price history chart(s) for the companies currently under our coverage can also be found at Intesa Sanpaolo's website/Research/Regulatory disclosures: <https://group.intesasanpaolo.com/en/research/RegulatoryDisclosures/tp-and-rating-history-12-months->. Note: please also refer to <https://group.intesasanpaolo.com/it/research/equity-credit-research/equity> in applicable cases for the ISP-UBI Equity Ratings Reconciliation Table, the archive of ex-UBI's previously published research reports and 12M historical recommendations.

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

Date	Rating	TP (EUR)	Mkt Price (EUR)
11-Nov-21	BUY	15.4	11.1
27-Sep-21	BUY	14.5	10.6
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 January 2022)**

Number of companies considered: 124	BUY	ADD	HOLD	REDUCE	SELL
Total Equity Research Coverage relating to last rating (%)*	48	31	21	0	0
of which Intesa Sanpaolo's Clients (%)**	82	63	54	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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SHORT	Stock price expected to fall or underperform within three months from the time the rating was assigned due to a specific catalyst or event

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