

SIT (Outperform, TP €13.60)

| | Market Cap. €226.07m | Price: € 9.04 | (Emanuele Negri +39 02 8829 855) | | |
|-------|----------------------|---------------|----------------------------------|-----|-------|
| | Turnover | Net Profit | PE Adj. | PBV | Yield |
| 2020 | 321 | 13 | 8.9 | 0.8 | 5.6 |
| 2021E | 378 | 9 | 13.7 | 1.5 | 3.2 |
| 2022E | 386 | 19 | 11.6 | 1.4 | 3.3 |

Source: Mediobanca Securities

CFO reiterates SIT's growth strategy and underlines company's effort to cope with supply chain disruption and inflation

Event Market Insight published yesterday some statements from Mr. Fogolin, SIT's CFO.

Comment/Financials In our view, key highlights from the article are the following:

- ◆ **Growth strategy confirmed in all business divisions** - Mr. Fogolin highlighted the main pillars of company's strategy, namely i) pursuing further growth within the water metering business mainly thanks to the positive market trend and to synergies with the gas metering division, ii) boosting geographical diversification in the smart gas metering to offset the expected slowdown of the Italian market (mainly driven by the end of the roll-out process), iii) confirming the leadership position in the heating segment in Europe leveraging emission reduction trends and iv) increasing the current market share in the US even thanks to the acquisition completed in 2021;
- ◆ **Supply chain disruption managed through the reinforcement of the procurement structure** - To cope with supply chain disruption and shortages, SIT reinforced the procurement structure in all the geographical reference areas and implemented a validation process for alternative components to be used within the production process, thus reducing the risk of concentration;
- ◆ **Cost inflation managed with pass-through mainly in the heating division** - In the heating division, where it has remarkable pricing power thanks to its significant market share, SIT passed increased costs to customer in 2021 and will implement the same strategy in 2022. On the other hand, in the metering division, the pass-through was more difficult during 2021 because the order backlog was mainly established during 2020 through public tenders. Nevertheless, in 2022 company will have more room to partially transfer higher costs to customers.

View/Action Messages provided are in line with SIT's company strategy. We see the company as well positioned to grab opportunities coming from emission reduction trends and incentives, mainly thanks to the strong market positioning and to the know-how developed in the hydrogen segment. We confirm our Outperform rating on the name.

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