

18 March 2022

Adam Forsyth

adam.forsyth@longspur.com

+44 (0) 131 357 6770

Price (€)	8.5
Shares in issue (m)	25
Mkt Cap (€m)	207
Net debt (€m)	78
EV (€m)	292
BVPS (€)	6.0

#### Share price performance

1m	-7.2%
3m	-18.3%
12m	17.7%
12 m high/low	12/6.8
Ave daily vol (30D)	13,160

#### 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



#### LOAN TARGETS GREEN ECONOMY AND R&D

**A new loan for SIT highlights the fundability of the company. We see the targeted spend on R&D facilities as important as new opportunities are emerging. Recent progress in hydrogen meters and in digital security shows the benefits of the company's R&D work.**

#### €15m loan agreed

SIT has announced that it has agreed a €15m loan with Cassa Depositi e Prestiti. The main using of proceeds will be towards projects associated with the green economy and for the construction of R&D laboratories at the groups new headquarters. This facility will allow the company to develop and test new products alongside clients.

#### R&D has driven value

New production development has been a key component in SIT's business development, allowing it to secure and maintain strong relationships with its market leading customer base. We see further investment here as positive especially as new opportunities are emerging in areas such as water and hydrogen. With the recent certification of hydrogen meters for residential and commercial use as well as digital security certification, the benefits of an active R&D programme are evident in our view.

€,'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	10.5	15.9	15.1	14.3	12.0	10.4
EV/EBITDA	6.0	7.5	6.9	6.2	5.3	4.5
EV/sales	0.8	0.9	0.8	0.8	0.8	0.7
FCF yield	4.7%	-7.2%	9.8%	12.0%	14.0%	15.8%
Div yield	1.6%	3.3%	3.5%	3.6%	3.8%	4.0%

Produced in association with:



Nigel Robinson

+44 20 3519 8451

nrobinson@enventcapitalmarkets.uk

This is a marketing communication. It has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition of dealing ahead of the dissemination of investment research. However, Longspur Research has put in place procedures and controls designed to prevent dealing ahead of marketing communications. For institutional clients use only. Please see important regulatory disclaimers and disclosures at the end of this note.

## 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>	<b>2019a</b>	<b>2020a</b>	<b>2021e</b>	<b>2022e</b>	<b>2023e</b>	<b>2024e</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

# Equity Research Disclaimers

## Non-independent research

This report has been commissioned by the issuer and prepared and issued by Longspur Research, in consideration of a fee payable by the issuer. It is Non-Independent Research and a marketing communication under the FCA's Conduct of Business Rules. It is not Investment Research as defined by the FCA's Rules and has not been prepared in accordance with legal requirements designed to promote Investment Research independence and is also not subject to any legal prohibition on dealing ahead of the dissemination of Investment Research. We do not hold out this research material as an impartial assessment of the values or prospects of the company.

Notwithstanding this, Longspur Research has procedures in place to manage conflicts of interest which may arise in the production of Research, which include measures designed to prevent dealing ahead of Research.

## Minor non-monetary benefit

This Research is a minor non-monetary benefit as set out in Article 12 (3) of the Commission Delegated Directive (EU) 2017/593. The Research is paid for by a corporate client of Longspur Research) and can be distributed free of charge.

## Copyright

Copyright 2019 Longspur Capital. This Communication is being supplied to you solely for your information and may not be reproduced, redistributed or passed to any other person or published in whole or in part for any purpose without the prior consent of Longspur Research. Additional information is available upon request.

## Regulated by the FCA

Longspur Research Longspur Research is a trading name of Longspur Capital Limited, authorised and regulated by the Financial Conduct Authority (FRN 839313). Longspur Capital is registered in England, company number 11011596.

## No warranty as to accuracy or completeness

All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report and have not sought for this information to be independently verified.

Opinions contained in this report represent those of the Longspur Research analyst at the time of publication. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations. No representation or warranty is made as to the accuracy or completeness of the information included in this Research and opinions expressed may be subject to change without notice. Longspur Research does not undertake any obligation to revise such forward-looking statements to reflect the occurrence of unanticipated events or changed circumstances.

This report is solely for informational purposes and is not intended to be used as the primary basis of investment decisions. Longspur Research has not assessed the suitability of the subject company for any person. Because of individual client requirements, it is not, and it should not be construed as, advice designed to meet the particular investment needs of any investor. This report is not an offer or the solicitation of an offer to sell or buy any security.

Longspur Research has no authority whatsoever to make any representation or warranty on behalf of any of its corporate finance clients, their shareholders or any other persons similarly connected.

## Information purposes only

This Research is designed for information purposes only. Neither the information included herein, nor any opinion expressed, are deemed to constitute an offer or invitation to make an offer, to buy or sell any financial instrument or any option, futures or other related derivatives. Investors should consider this Research as only a single factor in making any investment decision. This Research is published on the basis that Longspur Research is not acting in a fiduciary capacity. It is also published without regard to the recipient's specific investment objectives of recipients and is not a personal recommendation. The value of any financial instrument, or the income derived from it, may fluctuate.

## Take own advice

The information that we provide should not be construed in any manner whatsoever as, personalised advice. Also, the information provided by us should not be construed by any subscriber or prospective subscriber as Longspur Research's solicitation to effect, or attempt to effect, any transaction in a security. The securities described in the report may not be eligible for sale in all jurisdictions or to certain categories of investors.

## Longspur Research may have a position

At any time, Longspur Research or its employees may have a position in the securities and derivatives (including options or warrants) of the companies researched and this may impair the objectivity of this report. Longspur Research may act as principal in transactions in any relevant securities, or provide advisory or other services to any issuer of relevant securities or any company connected therewith.

## Only for eligible counterparties and professional clients. Not for retail

This Communication is being distributed in the United Kingdom and is directed only at (i) persons having professional experience in matters relating to investments, i.e. investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "FPO") (ii) high net-worth companies, unincorporated associations or other bodies within the meaning of Article 49 of the FPO and (iii) persons to whom it is otherwise lawful to distribute it. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of persons and in any event and under no circumstances should persons of any other description rely on or act upon the contents of this document (nor will such persons be able to purchase shares in the placing).

### **MAR Formal disclosure of conflicts**

This report has been commissioned by the issuer and prepared and issued by Longspur Research in consideration of a fee payable by the issuer. Fees are paid upfront in cash without recourse. A draft has been sent to the issuer for comment and it has been appropriately amended.

Neither Longspur Research nor the analyst have any holdings in the issuer. Longspur Research may from time to time provide the issuer with of consultancy advice.

See webpage for additional MAR disclosures.

### **GDPR**

For further information about the way we use your personal data please see our Third Party Privacy Notice at <https://longspur.com/privacypolicy.html> or at such other place as we may provide notice of from time to time. We may contact you about industry news, offers and information relating to our products and services which we think would be of interest to you. You can tell us you do not wish to receive such communications by emailing [michelle.elsmore@longspur.com](mailto:michelle.elsmore@longspur.com).

Laven Consulting Limited (incorporated and registered in England and Wales with company number 10918441) ("Laven") acting through its Paris branch located at 128 Rue La Boetie 75008, Paris, France as designated representative of Two Sigma Investments LP ("Company"), in accordance with art. 27 of the General Data Protection Regulation (the Regulation (EU) 2016/679) ("GDPR"). The Company has mandated Laven to be the European representative of the Company with regards to any communications or enquiry from the Supervisory Authority and/or data subjects on all issues related to the processing of personal data. Please contact Laven on [info@eurorep.eu](mailto:info@eurorep.eu); the postal address is FAO EuroRep, c/o Laven Partners, 128 Rue La Boetie 75008, Paris, France. When contacting Laven regarding the Company please quote the name of the company and the Ref: 0085.

### **Severability Applicable law**

Exclusion of Liability: To the fullest extent allowed by law, Longspur Research shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out or in connection with the access to, use of or reliance on any information contained on this note.

Longspur Research  
10 Castle Street,  
Edinburgh. EH2 3AT  
UK

Longspur Capital  
20 North Audley Street,  
London. W1K 6WE  
UK