

4Q21 and FY21 Results

Vs. our estimates	Above	In Line	Below
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Results. The key points of results were:

- **Revenues down 5.1% yoy in 4Q21.** We recall that sales were already disclosed in January (core sales at EUR 375.2M, +18.1% vs. 2020 with 4Q21 down 1.9% vs. 4Q20), with the Heating division up nearly 20% in 2021 (+3.5% in 4Q21) and Smart Metering up 12.2% yoy (but down 17% in 4Q21). Italy was down 40.8% in the quarter, due to the drop of Gas Smart Metering (water metering increased by 6.8% and Heating division was stable), Europe was up 24.2%, the US 17.5% thanks to the booming trend of fireplaces and water storage, while Asia/Pacific was up 1.2%;
- **Adjusted EBITDA margin declined to 9.8% vs. 13.0% in 4Q20**, somewhat below our expectations. The main reasons were: 1) the reduction of the profitability in the Smart Metering division, as there were difficulties in passing to customers higher production costs; 2) a higher incidence of labour costs (23.4% vs. 21.6% of sales) partially offset by lower raw material costs, and overhead costs in the new plant in Tunisia. EBIT reached EUR 1.4M in the quarter being penalised by higher D&A for the additional PPA amortisation of Janz;
- **Pre-tax result penalised by warrants fair value:** as expected, SIT accounted around EUR 9M in FY21 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 13.7M of financial charges (EUR 3.7M adjusted) and to a pre-tax profit of EUR 11.7M in FY21 (negative in 4Q21);
- **Net result adjusted at EUR 16.3M in FY21 (+21.6% yoy)**, also thanks to a positive tax contribution of EUR 1.8M, already recorded in 1H21, due to the fiscal benefits coming from the patent box. Stripping out all the adjustments, net result was EUR 8.2M vs. EUR 13.2M in FY20. SIT announced a DPS of EUR 0.30, bang in line with our estimate, with a pay-out ratio of 91% and a yield of 3.7% at current market prices;
- **Net debt down to EUR 106.7M** (from EUR 115.8M at Dec-20), below our expectations thanks to a sharp improvement of trade NWC now at 11.9% of sales vs. 15.5% in 2020 thanks to lower trade receivables. Capex were EUR 26.1M in FY21, in line;
- **Outlook:** Due to increased uncertainties concerning supply chain constraints, cost inflation, impact of Russia/Ukraine crisis, SIT did not supply any specific outlook for 2022. Still, the company is confident that the positive trend of its reference market will continue;
- **Russia:** direct sales in Russia are around 5% of the heating revenues (or around EUR 15M) and the company has no assets in the country. However, SIT also has a strategic supplier, part of a US multinational group, of electronic components in Ukraine (in the west part of the country, where the conflict is still not present), supplying 25% of SIT's needs. For this reason, the company has put in place a contingency plan and we believe it could slow down the transfer of production in Tunisia, keeping its industrial site in Holland operational. In our view, this would imply higher production costs with an impact on EBITDA margin this year.

What we think: Overall, FY21 results were slightly below our expectations, mostly due to the lower profitability of the Smart Metering division. The outlook remains positive, in particular for the Heating division, with the question mark of the temporary cost to face the Ukraine-Russia conflict and replace the strategic supplier based in Ukraine. The slowdown of profitability at the Smart Metering division should be surpassed in 2022, as SIT should benefit from new contracts at higher prices, while the company expects to start to penetrate the UK and Indian markets with its smart gas metering solutions.

SIT - Key Data

23/03/2022	Engineering		
Target Price (EUR)	13.7		
Rating	BUY		
Mkt price (EUR)	8.58		
Mkt cap (EUR M)	215		
Main Metrics (€ M)	2021E	2022E	2023E
Revenues	375.2	409.0	428.8
EBITDA	52.09	54.61	61.14
EPS (EUR)	0.70	0.71	0.93
Net debt/-cash	119.6	102.6	81.50
Ratios (x)	2021E	2022E	2023E
Adj. P/E	12.2	12.1	9.2
EV/EBITDA	6.4	5.8	4.9
EV/EBIT	12.7	12.2	9.3
Debt/EBITDA	2.3	1.9	1.3
Div yield (%)	3.5	4.1	4.7
Performance (%)	1M	3M	12M
Absolute	-4.7	-19.1	19.2
Rel. to FTSE IT All Sh	0.8	-11.3	17.3

Source: FactSet, Company data, Intesa Sanpaolo Research estimates

Intesa Sanpaolo is Corporate Broker to SIT

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SIT - 4Q21 and FY21 results

EUR M	4Q20A	4Q21E	4Q21A	4Q A/E %	4Q yoy %	2020A	FY21E	2021A	2021 A/E %	21/20 %
Revenues	93.8	89.0	94.3	6.0	-5.1	317.6	375.2	380.5	1.4	19.8
o/w Heating	74.7	77.3	77.3	0.0	3.5	249.0	298.2	298.3	0.0	19.8
o/w Smart Metering	18.1	15.0	15.0	0.0	-17.0	68.6	77.0	76.9	-0.1	12.1
EBITDA Adj.	12.2	12.2	9.3	-24.1	0.0	44.6	52.1	51.2	-1.7	14.8
Margin (%)	13.0	13.7	9.8			14.0	13.9	13.5		
EBIT	4.5	3.9	1.4	-65.3	-13.1	19.6	26.3	24.3	-7.5	24.0
Margin (%)	4.8	4.4	1.4			6.2	7.0	6.4		
Pre tax	2.8	1.9	-0.3	NM	-32.3	16.0	13.3	11.7	-12.0	-26.8
Net Result attr.	1.8	2.4	-0.8	NM	29.9	13.2	11.0	8.2	-25.1	-37.7
Net result adjusted	1.6	2.4	0.5	-78.7	50.0	13.4	17.6	16.3	-7.3	21.6
Net debt	115.8	119.6	106.7	-10.8	3.3	115.8	119.6	106.7	-10.8	-7.8

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