

SIT (BUY)**Results Preview**

Possible Surprise	Positive	Neutral	Negative
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Results due on 11 May: We expect a mixed quarter, with sales substantially flat and some EBITDA margin erosion. Revenues should increase by >6% for the Heating division, which benefits from the positive trend of last year. However, we forecast that the Smart Metering division should decline by around 25%, due to the slowdown of the rollout of gas meters in Italy coupled with the difficulties of penetrating new markets. Janz should continue to grow and we forecast a contribution of around EUR 6M. Altogether, sales should reach EUR 91M. The EBITDA margin is expected to decline to 13.4% vs. 16.4% in 1Q21, due to: 1) the impact of higher raw materials and production costs, which is difficult to transfer to customers for gas smart metering; and 2) the impact, from March, of the Russia-Ukraine conflict (we recall that SIT's direct sales in Russia are around 5% of the heating revenues, or around EUR 15M). Net result is expected at EUR 2.7M before potential adjustments for the fair value of the warrants. We also forecast an increase of net debt (EUR 124M vs. EUR 106.7M at Dec-21) due to growing inventories, as SIT strategically aims to avoid any shortage in the supply chain in order to satisfy its customers.

What we think: We believe that SIT will release its outlook for 2022, which was not provided along with FY21 results due to the increased uncertainties concerning supply chain constraints, cost inflation, and the impact of the Russia/Ukraine crisis. We also expect more details on the ongoing contingency plan to replace a strategic supplier of electronic components based in Ukraine.

SIT - Key Data

10/05/2022	Engineering
Target Price (EUR)	12.4
Rating	BUY
Mkt price (EUR)	5.96
Mkt cap (EUR M)	150

Main Metrics (€ M)	2022E	2023E	2024E
Revenues	399.5	418.7	439.3
EBITDA	51.73	59.24	63.92
EPS (EUR)	0.58	0.83	0.94
Net debt/-cash	99.71	81.01	59.81
Ratios (x)	2022E	2023E	2024E
Adj. P/E	10.3	7.2	6.3
EV/EBITDA	4.8	3.9	3.3
EV/EBIT	10.8	7.7	6.2
Debt/EBITDA	1.9	1.4	0.94
Div yield (%)	5.0	6.7	7.6

Performance (%)	1M	3M	12M
Absolute	-20.7	-39.2	-22.6
Rel. to FTSE IT All Sh	-13.9	-28.0	-16.3

Source: FactSet, Company data, Intesa Sanpaolo Research estimates

Intesa Sanpaolo is Corporate Broker to SIT

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SIT - 1Q22 preview

EUR M	1Q21A	FY21A	1Q22E	yoy %	FY22E
Revenues	91.8	375.2	91.0	-0.8	394.0
o/w Heating	70.5	298.3	75.0	6.4	322.0
o/w Smart Metering	21.3	76.9	16.0	-24.7	72.0
EBITDA Adj.	15.1	51.2	12.2	-19.2	51.7
Margin (%)	16.4	13.7	13.4		13.1
EBIT	9.2	24.3	5.2	-44.1	23.1
Margin (%)	10.1	6.4	5.7		5.8
Pre tax	7.7	11.7	3.2	-59.1	19.1
Net Result adj.	8.0	16.3	2.7	-66.4	14.5
Net debt	101.4	106.7	124.0	22.4	99.7

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