

SIT (BUY)**1Q22 Results**

Vs. our estimates	Above	In Line	Below
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Results. Overall, SIT reported 1Q22 revenues in line with our estimates but a better profitability. The key points of results were:

- **Revenues up 0.9%.** SIT reported revenues in line with our estimates in 1Q22 but with a different mix: the Heating division increased by 7.9% (+6% at same forex) thanks to the good performance of direct and central heating and the jump of the catering segment which was up 77%. Italy was up 4.3%, Europe 4.8% (with Russia, which represented 4.1% of divisional sales, down 10.4%), the US 8.9% while Asia (mostly China) increased by 30.6%. Gas Smart Metering was strongly down (-37.3%) due to the end of the rollout in Italy and the low penetration of foreign markets (just 9.3% of divisional sales) while Janz performed above expectations with a revenues increase of nearly 30%. The Gas Metering backlog was EUR 27.6M, of which EUR 2.2M in foreign markets. Altogether, sales should reached EUR 92.6M;
- **EBITDA margin reached 15.9% vs. 16.4% in 1Q21 and our 13.4% forecast,** thanks to: 1) a positive price impact (EUR 1.9M), which offset higher raw material costs; 2) a positive FX impact for EUR 1.1M; and 3) higher logistic and transport costs for around EUR 1.6M and higher R&D costs;
- **Net result at EUR 12.4M (+60%),** thanks to a positive impact stemming from the fair value of the warrants of EUR 7.1M. Net result on an adjusted basis was EUR 5.3M, down 26.8% vs. 1Q21 but still above our expectations;
- **Net debt up to EUR 124.8M** (from EUR 106.7M at Dec-21), slightly above our estimates due to the sharp increase of NWC now at 18.5% of sales vs. 14.2% at Mar-21. This was due to the strategic increase of inventories YTD to face potential bottlenecks in the supply chain and maintain high customer service levels. Capex was EUR 5.4M, in line;
- **Outlook:** SIT provided an outlook for 2022 which includes the impact of the Russia-Ukraine conflict. Sales are expected to grow by around 4/5%, approaching EUR 400M, with an EBITDA margin at around 13%. These numbers are substantially in line with our FY22 expectations.

What we think: Overall, 1Q22 results were above expectations and we highlight SIT's capacity to transfer at least the growing raw material costs to customers. The trend of the Heating business remains positive and Water Meters business performed above expectations. On the negative side, we underline the weak performance of the Gas Smart Metering division and the difficulties in penetrating new markets. 1Q22 should be the worst of the year and the company's outlook supports our full year estimates.

SIT - Key Data

12/05/2022	Engineering		
Target Price (EUR)	12.4		
Rating	BUY		
Mkt price (EUR)	6.00		
Mkt cap (EUR M)	151		
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	10.4	7.3	6.4
EV/EBITDA	4.8	3.9	3.3
EV/EBIT	10.8	7.8	6.3
Debt/EBITDA	1.9	1.4	0.94
Div yield (%)	5.0	6.7	7.5

Performance (%)	1M	3M	12M
Absolute	-21.7	-39.9	-20.4
Rel. to FTSE IT All Sh	-18.3	-31.8	-17.9

Source: FactSet, Company data, Intesa Sanpaolo Research estimates

Intesa Sanpaolo is Corporate Broker to SIT

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SIT – 1Q22 results

EUR M	1Q21A	FY21A	1Q22E	1Q22A	1Q A/E %	1Q yoy %
Revenues	91.8	375.2	91.0	92.6	1.8	0.9
o/w Heating	70.5	298.3	75.0	76.1	1.4	7.9
o/w Smart Metering	21.3	76.9	16.0	16.5	3.4	-22.2
EBITDA	15.1	51.2	12.2	14.7	20.7	-2.5
Margin (%)	16.4	13.7	13.4	15.9		
EBIT	9.2	24.3	5.2	8.0	55.6	-13.0
Margin (%)	10.1	6.4	5.7	8.7		
Pre tax	7.7	11.7	3.2	14.1	346.5	82.7
Net Result	8.0	16.3	2.7	12.4	361.2	55.1
Net Result Adj.	7.2	16.3	2.7	5.3	97.3	-26.4
Net debt	101.4	106.7	124.0	124.8	0.6	23.1

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