

SIT (BUY)**Feedback from Roadshow**

What's up? In Heating, the positive volume trend should continue in the coming quarters and water meters should continue to perform well too. Gas Smart Metering should decline by around 15% in FY22. SIT is looking for new acquisitions to develop new technologies and penetrate new markets.

- **Heating:** SIT confirmed that the positive trend reported in 1Q22 (sales up 7.9%) should continue at least in the next two quarters, according to the current order backlog, driven by incentives and higher gas prices, which are accelerating the replacement of old heating systems (a new heating system can save >20% of the gas bill). The company increased its selling prices from Jan-22 reversing higher raw material prices to customers;
- **Gas Smart Metering:** The weak results reported in 1Q22 (sales down 37%) were also caused by the shortage of electronic components but revenues should recover in the coming quarters with an expected decline around 15% in the full year. The main target remains to penetrate the UK market (23M of meters to be replaced) leveraging on SIT's high-quality products, which are currently in the certification phase from utilities. India is still strategic, as the country needs to replace 40M meters (of which 4M should be smart). UK and India together can generate EUR 8M sales in 2022 and potentially EUR 15M in 2023. Finally, the company highlighted that a new rollout should start in Italy from 2024, replacing GPRS with 5G and with new gas meters containing new features (for example earthquake sensors) tailored on the clients' requests;
- **Water Metering:** Janz should continue to perform well and should further accelerate when the ultrasonic technology is introduced. The first products should be available in Italy in 2023/24;
- **Strategy:** SIT confirmed its commitment towards potential M&A. The aim in water metering is to penetrate new markets and accelerate on new technologies (ultrasonic meters); in the heating business, the strategy is to increase the weight of non-gas products (now at around 20%) and potential acquisitions could accelerate the introduction of new products such as Hybrid heating systems (heat-pump and gas heating systems together) and hydrogen-ready boilers, which could become compulsory in Europe from 2028. As for Gas Smart Metering, the strategy is to penetrate new markets and, in the long term, move from a product supplier role to a service supplier one.

What we think: Overall, reassuring messages. We reiterate our positive stance.

SIT - Key Data

16/05/2022	Engineering		
Target Price (EUR)	12.4		
Rating	BUY		
Mkt price (EUR)	6.42		
Mkt cap (EUR M)	161		
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	11.1	7.8	6.8
EV/EBITDA	5.0	4.1	3.5
EV/EBIT	11.3	8.1	6.6
Debt/EBITDA	1.9	1.4	0.94
Div yield (%)	4.7	6.2	7.0
Performance (%)	1M	3M	12M
Absolute	-20.5	-35.7	-15.1
Rel. to FTSE IT All Sh	-18.3	-28.0	-13.2

Source: FactSet, Company data, Intesa Sanpaolo Research estimates

Intesa Sanpaolo is Corporate Broker to SIT

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