

**SIT (BUY)****Results Preview**

Possible Surprise	Positive	Neutral	Negative
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**Results due on 4 August:** We expect a weak quarter, with substantially flat sales and a significant EBITDA margin erosion. Revenues should grow by >7% for the Heating division, benefitting from the positive market trend, but Smart Metering division should decline by around 20% 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 6.3M. Altogether, sales should reach EUR 97.4M (EUR 192M in 1H22E). EBITDA margin is expected to decline to 9.6% vs. 14.4% in 2Q21, due to: 1) the impact of higher raw materials and production costs, which is difficult to transfer to customers for gas smart meters; 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); and 3) much higher logistic costs. Net result is expected at EUR 0.8M (EUR 13.2M in 1H22 but EUR 6.0M on adjusted basis, i.e. stripping out the gains on the fair value of warrants). We also forecast a slight increase of net debt (EUR 130M vs. EUR 124.1M at Mar-22) due to growing inventories.

**What we think:** If our 2Q22 estimates are confirmed, we would consider the company's 2022 targets (sales growing by around 4/5%, approaching EUR 400M, with an EBITDA margin around 13%) as challenging.

**SIT - Key Data**

27/07/2022	Engineering		
Target Price (EUR)	11.4		
Rating	BUY		
Mkt price (EUR)	6.70		
Mkt cap (EUR M)	168		
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	113.9	93.63	64.63
Ratios (x)	2022E	2023E	2024E
Adj. P/E	11.6	8.1	7.1
EV/EBITDA	5.5	4.4	3.6
EV/EBIT	12.2	8.8	6.9
Debt/EBITDA	2.2	1.6	1.0
Div yield (%)	4.5	6.0	6.7
Performance (%)	1M	3M	12M
Absolute	-8.2	-6.4	-20.2
Rel. to FTSE IT All Sh	-4.5	4.4	-4.6

Source: FactSet, Company data, Intesa Sanpaolo Research estimates

Intesa Sanpaolo is Corporate Broker to SIT

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**SIT - 2Q/1H22 preview**

EUR M	2Q21A	1H21A	FY21A	2Q22E	yoy %	1H22E	yoy %	FY22E
<b>Revenues</b>	<b>97.6</b>	<b>190.3</b>	<b>380.5</b>	<b>97.4</b>	<b>-0.2</b>	<b>192.0</b>	<b>0.9</b>	<b>394.0</b>
o/w Heating	74.2	144.7	298.3	79.9	7.7	156.0	7.8	322.0
o/w Smart Metering	21.9	43.2	76.9	17.5	-20.3	34.0	-21.2	72.0
<b>EBITDA Adj.</b>	<b>13.9</b>	<b>28.9</b>	<b>51.2</b>	<b>9.3</b>	<b>-32.8</b>	<b>24.0</b>	<b>-16.9</b>	<b>51.7</b>
<b>Margin (%)</b>	<b>14.4</b>	<b>15.4</b>	<b>13.7</b>	<b>9.6</b>		<b>12.6</b>		<b>13.1</b>
EBIT	7.3	16.2	24.3	3.0	-59.3	11.0	-32.2	23.1
Margin (%)	7.6	8.5	6.4	3.0		5.7		5.8
Pre tax	4.0	11.4	11.7	1.6	-60.3	15.7	37.8	27.8
<b>Net Result attr.</b>	<b>1.8</b>	<b>9.5</b>	<b>16.3</b>	<b>0.8</b>	<b>-55.2</b>	<b>13.2</b>	<b>38.4</b>	<b>14.5</b>
Net debt	121.0	121.0	106.7	130.0	7.5	130.0	7.5	113.9

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