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Price (€)	7.0
Shares in issue (m)	25
Mkt Cap (€m)	176
Net debt (€m)	116
EV (€m)	292
BVPS (€)	6.2

#### Share price performance

1m	0.6%
3m	6.7%
12m	-18.4%
12 m high/low	12/5.7
Ave daily vol (30D)	3,279

#### Shareholders

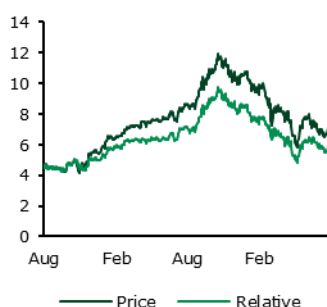
Sit Technologies Spa	74.6%
Canaccord Genuity	1.8%
Azimut Capital	0.7%
Kairos Partners	0.7%
Amber Capital	0.6%
ZENIT	0.5%
Norges Bank	0.5%
Az Legan	0.4%
Pharus Management	0.2%
River & Mercantile	0.1%
Total for top 10	79.9%
Free float	25.4%

#### Next news

Q3's Q4

#### Business description

Gas heating components and smart gas and water meters



## SALES STILL UP DESPITE METERING DECLINE

SIT's first half results see overall revenue growth continue despite the expected continued slowdown in gas metering sales in Italy. Both heating and water metering have continued to grow strongly. EBITDA margin has dropped with higher transport and logistic costs but key component and raw material costs have been passed on. With the top end of full-year guidance reiterated, we see the company managing well in a volatile and uncertain market.

#### Sales growth of 2.3%

SIT has released its first half results for the six-month period to 30 June 2022. Overall sales grew 2.3% to €194.7m compared with H1 21. EBITDA fell 17.5% to €23.8m largely due to higher logistics and transport costs which added c.€3.0m to operating costs. SIT has been able to pass component and raw material cost increases to the market so that while the EBITDA margin has fallen, it remains relatively healthy at 12.2%. The company has also continued to keep inventory high to protect customers from shortages and guarantee service. Heating has continued to grow strongly, up 9.1% overall with growth in most areas except non-Italian Europe where Turkey was weak (down 8.7%) and the UK fell 22.5% due to customers inability to complete orders due to delivery delays of other components. It is hoped that this position can reverse as components become available. The Americas have seen strong growth up 27.7% as has Asia/Pacific up 25.9%.

#### Full-year guidance for 3% to 5% sales growth

As expected, metering suffered from further reduced sales in the Italian smart meter market leading to a reduction in overall metering division sales of 20.9%. However, water metering was up 25.2% continuing to justify the Janz acquisition. Despite volatility in the markets and some key areas of uncertainty, SIT expects sales growth of between 3% to 5% with sales at top end of around €400m in line with previous guidance. The company also expects an EBITDA margin of 12% to 13%. The company's approach to supply chain issues and pricing has left in it a good position in our view and with some component costs such as copper now off their high points we see this margin guidance as achievable. We have trimmed our forecasts to bring sales down to the low end of the guidance range which gives €393m from €398m. We have also taken EBITDA margin to the middle of the range giving €49m down from €52m. This slightly reduces our central case DCF-based valuation which is now at €12.7 from €13.0.

€,'000 Dec	2020a	2021a	2022e	2023e	2024e	2025e
Sales	320,731	380,521	392,653	412,296	425,241	439,019
EBITDA	43,622	51,246	48,794	56,291	61,133	67,270
PBT	15,991	11,706	15,022	21,509	25,262	30,229
EPS	53.6	33.4	46.2	66.2	77.8	93.0
CFPS	-61.0	107.8	42.0	114.7	132.5	150.0
DPS	28.0	30.0	32.0	33.6	35.3	37.1
Net Debt (Cash)	115,800	107,256	109,442	93,677	73,436	48,878
Debt/EBITDA	2.7	2.1	2.2	1.7	1.2	0.7
P/E	13.1	21.0	15.1	10.6	9.0	7.5
EV/EBITDA	6.7	5.5	5.8	4.8	4.1	3.3
EV/sales	0.9	0.8	0.7	0.7	0.7	0.7
FCF yield	-8.7%	15.4%	6.0%	16.4%	18.9%	21.4%
Div yield	4.0%	4.3%	4.6%	4.8%	5.0%	5.3%

## FINANCIAL MODEL

### Profit and Loss Account

€,'000, Dec	2020a	2021a	2022e	2023e	2024e	2025e
<b>Turnover</b>						
Heating	249,003	298,251	315,579	321,890	328,328	334,895
Smart Gas Metering	68,634	57,113	47,665	57,198	59,486	61,866
Smart Water Metering	0	19,800	23,934	27,493	31,581	36,277
Other	3,094	5,357	5,476	5,715	5,846	5,981
<b>Total</b>	<b>320,731</b>	<b>380,521</b>	<b>392,653</b>	<b>412,296</b>	<b>425,241</b>	<b>439,019</b>
<b>Operating profit</b>						
Heating	14,125	17,375	14,201	17,704	19,700	23,443
Smart Gas Metering	5,491	4,855	3,337	5,148	5,949	6,187
Smart Water Metering	0	2,100	2,633	3,299	3,790	4,353
Other	0	0	0	0	0	0
<b>Operating profit</b>	<b>19,616</b>	<b>24,330</b>	<b>20,170</b>	<b>26,151</b>	<b>29,438</b>	<b>33,983</b>
<b>P&amp;L Account</b>	<b>2020a</b>	<b>2021a</b>	<b>2022e</b>	<b>2023e</b>	<b>2024e</b>	<b>2025e</b>
Turnover	320,731	380,521	392,653	412,296	425,241	439,019
Operating Profit	19,616	24,330	20,170	26,151	29,438	33,983
Investment income	0	31	0	0	0	0
Net Interest	-3,625	-12,655	-5,148	-4,642	-4,176	-3,754
Pre Tax Profit (UKSIP)	15,991	11,706	15,022	21,509	25,262	30,229
Goodwill amortisation	0	0	0	0	0	0
Exceptional Items	0	0	0	0	0	0
Pre Tax Profit (IFRS)	15,991	11,706	15,022	21,509	25,262	30,229
Tax	-2,766	-3,462	-3,605	-5,162	-6,063	-7,255
Post tax exceptionals	0	0	0	0	0	0
Minorities	0	0	0	0	0	0
Net Profit	13,225	8,243	11,417	16,347	19,199	22,974
Dividend	-3,476	-6,890	-7,407	-7,901	-8,296	-8,716
Retained	9,749	1,353	4,010	8,446	10,903	14,258
EBITDA	43,622	51,246	48,794	56,291	61,133	67,270
EPS (p) (UKSIP)	53.56	33.39	46.24	66.21	77.76	93.05
EPS (p) (IFRS)	53.56	33.39	46.24	66.21	77.76	93.05
FCFPS (p)	-61.01	107.76	42.00	114.65	132.49	149.96
Dividend (p)	28.00	30.00	32.00	33.60	35.30	37.10

Source: Company data, Longspur Research estimates

### KEY POINTS

- FY 21 sees first year of contribution from Janz
- FY 22 sees gas heating and water metering sales strongly up
- FY 22 slightly weaker in gas metering as metering programme delays linger
- FY 23 sees gas heating continue and some growth returning in gas metering
- Some margin depression remains in FY 22 but broadly well managed
- Impact of Tunisian manufacturing improves gross margins from FY 23 onwards

## Balance Sheet

€,'000, Dec	2020a	2021a	2022e	2023e	2024e	2025e
Fixed Asset Cost	319,738	354,434	377,354	397,347	417,840	438,845
Fixed Asset	-	-	-	-	-	-
Depreciation	229,510	256,395	285,019	315,159	346,854	380,141
Net Fixed Assets	90,228	98,039	92,335	82,188	70,987	58,704
Goodwill	98,070	87,946	87,946	87,946	87,946	87,946
Other intangibles	52,569	61,611	62,411	62,411	62,411	62,411
Investments	326	325	325	325	325	325
Stock	56,502	70,123	75,303	79,070	81,553	84,195
Trade Debtors	65,518	56,052	64,546	67,775	69,903	72,167
Other Debtors	26,293	29,273	29,273	29,273	29,273	29,273
Trade Creditors	-72,203	-80,752	-83,327	-87,495	-90,242	-93,166
Other Creditors <1yr	-21,777	-35,178	-35,178	-35,178	-35,178	-35,178
Creditors >1yr	-15,670	-15,804	-15,804	-15,804	-15,804	-15,804
Provisions	-4,740	-4,941	-4,941	-4,941	-4,941	-4,941
Pension	-6,095	-5,762	-5,762	-5,762	-5,762	-5,762
Capital Employed	269,021	260,932	267,128	259,808	250,470	240,171
Cash etc	42,328	46,667	19,723	22,572	31,188	45,283
Borrowing <1yr	51,542	24,758	12,917	11,625	10,462	9,416
Borrowing >1yr	106,586	129,165	116,249	104,624	94,161	84,745
Net Borrowing	115,800	107,256	109,442	93,677	73,436	48,878
Share Capital	96,152	96,162	96,162	96,162	96,162	96,162
Share Premium	9,586	5,676	5,676	5,676	5,676	5,676
Retained Earnings	13,225	8,243	12,253	20,698	31,602	45,859
Other	34,258	43,595	43,595	43,595	43,595	43,595
Minority interest	0	0	0	0	0	0
Capital Employed	269,021	260,932	267,128	259,808	250,470	240,171
Net Assets	153,221	153,676	157,686	166,131	177,035	191,292
Total Equity	153,221	153,676	157,686	166,131	177,035	191,292

Source: Company data, Longspur Research estimates

## KEY POINTS

- Net fixed assets expand with Tunisian development and Janz acquisition
- Working capital driven by turnover with slight margin on historic ratios as supply chain issues are managed
- Borrowing increases in FY 21 with Janz acquisition
- Refinancing assumed in FY 23

## Cashflow

€,000, Dec	2020a	2021a	2022e	2023e	2024e	2025e
Operating profit	19,616	24,330	20,170	26,151	29,438	33,983
Depreciation	24,006	26,885	28,624	30,140	31,695	33,288
Provisions	0	0	0	0	0	0
Other	3,939	963	0	0	0	0
Working capital	-13,964	7,554	-11,242	-4,384	-2,764	-3,175
Operating cash flow	33,597	59,731	37,551	51,907	58,368	64,095
Tax paid	-6,315	-6,475	-3,462	-3,605	-5,162	-6,063
Capex (less disposals)	-13,316	-22,361	-22,920	-19,993	-20,493	-21,005
Investments	-29,029	-4,288	-800	0	0	0
Net interest	-1,743	-2,975	-5,148	-4,642	-4,176	-3,754
Net dividends	-3,476	-6,890	-7,407	-7,901	-8,296	-8,716
Residual cash flow	-20,282	16,742	-2,186	15,765	20,241	24,557
Equity issued	-775	-3,912	0	0	0	0
Change in net borrowing	37,379	-8,544	2,186	-15,765	-20,241	-24,557
Adjustments	-16,782	-4,286	0	0	0	0
Total financing	19,822	-16,742	2,186	-15,765	-20,241	-24,557

Source: Company data, Longspur Research estimates

## KEY POINTS

- Working capital remains negative as company experiences continued growth across forecast period
- Capex remains high as company continues to invest
- Additional Capex spend on Tunisia in FY 22
- FY20 shows Janz acquisition cost in investments

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