

SIT (BUY)**Results Preview**

Possible Surprise	Positive	Neutral	Negative
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Results due on 3 November: We expect revenues to remain substantially flat in 3Q22E, while the EBITDA margin to decline, due to cost inflation. Revenues should increase by around 5% for the Heating division, which benefits from the positive market trend but the 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 with gas meters down 33%. Janz should continue to grow and we forecast a contribution of around EUR 6M (+11% vs. 3Q21). Altogether, sales should reach EUR 95M (EUR 290M in 9M22). We estimate the EBITDA margin to decline to 9.2% vs. 13.6% in 3Q21, due to: 1) the impact of higher raw materials and energy costs partially offset by higher selling prices which, however, for the gas smart metering, are difficult to transfer to customers; 2) the impact, from March, of the Russian-Ukrainian 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. We forecast an adjusted net result at EUR 0.9M in 3Q22E (EUR 7.1M in 9M22E but EUR 15.1M on a reported basis, i.e. considering the non-recurring gains on warrants). We expect an increase in net debt (EUR 135M vs. EUR 122.6M at June-22), reflecting the higher trading working capital, particularly inventories of electronics.

What we think: We expect SIT to confirm, or eventually reduce, its guidance for the full year (sales growth of around 3/5%, with an EBITDA margin at 12-13%) and to give some indications on 2023 during the conference call scheduled for the same day at 15:00 CET.

SIT - Key Data

27/10/2022	Engineering		
Target Price (EUR)	9.3		
Rating	BUY		
Mkt price (EUR)	6.18		
Mkt cap (EUR M)	155		
Main Metrics (€ M)	2022E	2023E	2024E
Revenues	393.5	410.5	430.6
EBITDA	48.59	52.74	57.49
EPS (EUR)	0.50	0.64	0.76
Net debt/-cash	117.4	100.7	84.12
Ratios (x)	2022E	2023E	2024E
Adj. P/E	12.4	9.6	8.1
EV/EBITDA	5.6	4.9	4.2
EV/EBIT	13.3	10.8	8.6
Debt/EBITDA	2.4	1.9	1.5
Div yield (%)	4.9	4.9	6.5
Performance (%)	1M	3M	12M
Absolute	-6.4	-7.8	-46.7
Rel. to FTSE IT All Sh	-11.5	-12.0	-35.2

Source: FactSet, Company data, Intesa Sanpaolo Research estimates

Intesa Sanpaolo is Corporate Broker to SIT

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SIT – 3Q/9M22 preview

EUR M	3Q21A	9M21A	FY21A	3Q22E	yoy %	9M22E	yoy %
Revenues	96.0	286.2	380.5	95.0	-1.0	289.7	1.2
o/w Heating	76.2	220.9	298.3	80.0	5.0	237.8	7.7
o/w Smart Metering	18.8	62.0	76.9	15.0	-20.4	49.1	-20.8
EBITDA Adj.	13.1	42.0	51.2	8.7	-33.0	32.6	-22.3
Margin (%)	13.6	14.7	13.7	9.2		11.2	
EBIT	6.8	23.1	24.3	1.7	-74.4	12.3	-46.8
Margin (%)	7.1	8.1	6.4	1.8		4.2	
Pre tax	0.7	12.1	11.7	1.2	73.1	18.1	49.2
Net Result attr.	-0.3	9.2	16.3	0.9	NM	15.1	64.8
Net Result adjusted	5.3	15.8	16.3	0.9	-83.0	7.1	-55.3
Net debt	123.7	123.7	106.7	135.0	9.1	135.0	9.1

A: actual; Source: Company data