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Research

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Price (p)	6.22
Shares in issue (m)	25
Mkt Cap (£m)	156
Net debt (£m)	107
EV (£m)	263
BVPS (p)	620.6

Share price performance

1m	1.3%
3m	3.3%
12m	-37.3%
12 m high/low	10.1/5.7
Ave daily vol (30D)	3,208

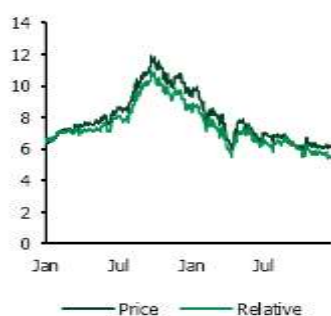
Shareholders

Sit Technologies	74.6%
Marlborough Fund	1.8%
Mediolanum Gest'	1.0%
Azimut Holding Spa	0.7%
Julius Baer Group Lt	0.5%
Zenit Sgr Spa	0.5%
Norges Bank	0.5%
B. Degroof Peter	0.4%
Aviva Investors	0.2%
Kbc Group Nv	0.2%
Total for top 10	80.3%
Free float	25.4%
Source: Bloomberg	29 Nov 22

Next news Q3's Q4

Business description

Gas heating components and smart gas and water meters industry



PRELIMS SHOW REVENUE GROWTH

SIT's initial release of preliminary results for FY 22 show continued growth in the heating business offsetting the decline in smart gas metering as the Italian smart meter programme comes to an end. Water metering also shows good growth and now accounts for a third of metering sales. While heating remains an area of strong opportunity, water metering and the new opportunity in controlled mechanical ventilation show an increasingly diverse business.

Water metering becoming material

SIT has released the preliminary statement of revenue for FY 22 which shows group sales at €387.6m up 3.3% on the previous year and slightly ahead of our forecast €383.3m. 81.3% of sales were from the heating business which grew 5.6%. Metering was down 5.7% as it continues to factor in the well-signalled decline in sales for smart gas meters as the Italian installation programme matures. Heating metering sales fell 15.2%. However, water metering sales grew 21.6% and now accounts for a third of all metering sales.

€,'000 Dec	2020a	2021a	2022e	2023e	2024e	2025e
Sales	320,731	380,521	383,301	408,136	424,028	437,838
EBITDA	43,622	51,246	45,753	49,119	56,855	64,533
PBT	15,991	11,706	11,792	13,951	20,397	26,697
EPS	53.6	33.4	36.3	42.9	62.8	82.2
CFPS	-61.0	107.8	28.1	79.5	107.5	131.4
DPS	28.0	30.0	32.0	33.6	35.3	37.1
Net Debt (Cash)	115,800	107,256	112,861	105,766	91,690	71,726
Debt/EBITDA	2.7	2.1	2.5	2.2	1.6	1.1
P/E	0.1	0.2	0.2	0.1	0.1	0.1
EV/EBITDA	6.2	5.1	5.9	5.3	4.4	3.5
EV/sales	0.8	0.7	0.7	0.7	0.6	0.6
FCF yield	-9.8%	17.3%	4.5%	12.8%	17.3%	21.1%
Div yield	4.5%	4.8%	5.1%	5.4%	5.7%	6.0%

Profit and Loss Account

€,'000, Dec	2020a	2021a	2022e	2023e	2024e	2025e
Turnover						
Heating	249,003	298,251	308,566	323,994	330,474	337,084
Smart Gas Metering	68,634	57,113	45,465	50,011	55,013	57,213
Smart Water Metering	0	19,800	23,934	28,493	32,730	37,597
Other	3,094	5,357	5,337	5,638	5,811	5,944
Total	320,731	380,521	383,301	408,136	424,028	437,838
Operating profit						
Heating	14,125	17,375	12,034	12,960	16,524	20,225
Smart Gas Metering	5,491	4,855	2,273	2,501	4,126	5,721
Smart Water Metering	0	2,100	2,633	3,134	3,928	4,512
Other	0	0	0	0	0	0
Operating profit	19,616	24,330	16,940	18,595	24,577	30,458
P&L Account						
Turnover	320,731	380,521	383,301	408,136	424,028	437,838
Operating Profit	19,616	24,330	16,940	18,595	24,577	30,458
Investment income	0	31	0	0	0	0
Net Interest	-3,625	-12,655	-5,148	-4,643	-4,181	-3,761
Pre Tax Profit (UKSIP)	15,991	11,706	11,792	13,951	20,397	26,697
Goodwill amortisation	0	0	0	0	0	0
Exceptional Items	0	0	0	0	0	0
Pre Tax Profit (IFRS)	15,991	11,706	11,792	13,951	20,397	26,697
Tax	-2,766	-3,462	-2,830	-3,348	-4,895	-6,407
Post tax exceptionals	0	0	0	0	0	0
Minorities	0	0	0	0	0	0
Net Profit	13,225	8,243	8,962	10,603	15,501	20,290
Dividend	-3,476	-6,890	-7,407	-7,901	-8,296	-8,716
Retained	9,749	1,353	1,555	2,702	7,205	11,574
EBITDA	43,622	51,246	45,753	49,119	56,855	64,533
EPS (p) (UKSIP)	53.56	33.39	36.30	42.94	62.78	82.17
EPS (p) (IFRS)	53.56	33.39	36.30	42.94	62.78	82.17
FCFPS (p)	-61.01	107.76	28.15	79.54	107.54	131.39
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 up
- FY 22 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 24 onwards

Balance Sheet

€,'000, Dec	2020a	2021a	2022e	2023e	2024e	2025e
Fixed Asset Cost	319,738	354,434	379,854	402,410	425,529	449,227
Fixed Asset	-	-	-	-	-	-
Depreciation	229,510	256,395	285,209	315,733	348,010	382,086
Net Fixed Assets	90,228	98,039	94,646	86,677	77,519	67,141
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	73,510	78,273	81,320	83,969
Trade Debtors	65,518	56,052	63,008	67,091	69,703	71,973
Other Debtors	26,293	29,273	29,273	29,273	29,273	29,273
Trade Creditors	-72,203	-80,752	-81,342	-86,612	-89,985	-92,915
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	268,092	263,699	256,828	248,438
Cash etc	42,328	46,667	16,304	10,483	12,934	22,435
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	112,861	105,766	91,690	71,726
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	9,798	12,500	19,705	31,279
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	268,092	263,699	256,828	248,438
Net Assets	153,221	153,676	155,231	157,933	165,138	176,712
Total Equity	153,221	153,676	155,231	157,933	165,138	176,712

Source: Company data, Longspur Research estimates

KEY POINTS

- Net fixed assets expand with Tunisian development and Janz acquisition
- Working capital increases as company manages supply chain risks
- 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	16,940	18,595	24,577	30,458
Depreciation	24,006	26,885	28,813	30,524	32,278	34,075
Provisions	0	0	0	0	0	0
Other	3,939	963	0	0	0	0
Working capital	-13,964	7,554	-9,121	-4,093	-3,834	-3,500
Operating cash flow	33,597	59,731	36,632	45,026	53,021	61,033
Tax paid	-6,315	-6,475	-3,462	-2,830	-3,348	-4,895
Capex (less disposals)	-13,316	-22,361	-25,420	-22,556	-23,119	-23,697
Investments	-29,029	-4,288	-800	0	0	0
Net interest	-1,743	-2,975	-5,148	-4,643	-4,181	-3,761
Net dividends	-3,476	-6,890	-7,407	-7,901	-8,296	-8,716
Residual cash flow	-20,282	16,742	-5,605	7,095	14,076	19,964
Equity issued	-775	-3,912	0	0	0	0
Change in net borrowing	37,379	-8,544	5,605	-7,095	-14,076	-19,964
Adjustments	-16,782	-4,286	0	0	0	0
Total financing	19,822	-16,742	5,605	-7,095	-14,076	-19,964

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
- FY 20 shows Janz acquisition cost in investments

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