

SIT

A Temporary Slowdown in Heating

The uncertainty surrounding the heating sector makes us more prudent on FY23E expectations. We barely see a recovery in the heating business' top line and profitability in the following quarters; therefore, we see FY23E as a transitional year. However, we continue to see SIT as a global player capable to ride the wave of the energy transition for a number of reasons: 1) SIT is investing in the Ventilation field, creating a new dedicated division; 2) SIT should continue to benefit from the substitution effect of more efficient heating systems as the EU ban on gas boilers should not be enforced soon, in our view; 3) hydrogen-ready boilers are available, but the business is affected by the lack of infrastructure in most European countries: SIT is ready to capture a new challenge; 4) the Smart Gas Metering BU is seen posting increasing sales, thanks to SIT's leadership on the Italian market and the Water Metering BU should benefit from innovations (the ultrasonic smart water meters should boost sales in FY25E). We expect the Heating and Ventilation BU to normalise in FY24/25E, and the Metering BUs to grow strongly from 2023E.

FY22 results held up well

Core sales were up by 3.4% yoy (+10.2% in 4Q22), better than our estimates. The Heating division sales increased by 5.7% yoy (EUR 315.3M), basically driven by the restocking in the sector, a phenomenon that reversed in 1Q23. Sales in the Metering division decreased slightly in FY22 (-5.7% yoy to EUR 72.5M) but rallied in 4Q22. The adjusted EBITDA margin came in at 12%, better than our estimates.

Strong slowdown in 1Q23 as a reflection of the destocking in the heating sector

In 1Q23, sales plunged by 10.3%, driven by the drop in the Heating division (-17.6%), affected by the strong destocking from customers, after abundant procurement in FY22. However, sales in the Smart Metering division grew by 23% (Smart Gas Metering up 33%; Water Metering up 7%). EBITDA decreased by over 43% yoy.

Estimates revision: in FY23/25E Smart Gas Metering and Water Metering BUs seen up

The demand in the heating sector is uncertain, given the overstocking in the whole supply chain. Therefore, the company sees a negative FY23 outlook on revenues yoy, with a possible improvement in demand by year-end. Short-term planned savings in operating costs should preserve profitability, with lower corporate/discretionary costs and manufacturing optimisation. Cash generation should come from working capital, capex reduction and a strategic review of the operating model. The company adds that Heating and Ventilation Division fundamentals remain positive, based on the global geographical footprint and the role of gas in the energy transition; Smart Gas Metering benefits from a strong competitive position in the domestic market and tender repricing. We cut our EPS estimates by 37% in FY23E and 17% in FY24E vs. our previous forecasts.

Valuation

Following our estimates fine tuning, **we set a new target price of EUR 5.7/share** (from EUR 8.4/share), based on the average between our DCF model (fair value of EUR 5.2/share) and relative valuation. Given a 36% potential upside, **we confirm our BUY rating**.

2 June 2023: 7:28 CET

Date and time of production

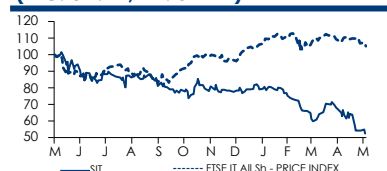
BUY

Target Price: EUR 5.7
(from EUR 8.4)

Italy/Engineering & Machinery
Company Results

EXM

Price Performance
(RIC: SIT.MI, BB: SIT IM)



SIT - Key Data

Price date (market close)	31/05/2023
Target price (EUR)	5.7
Target upside (%)	36.36
Market price (EUR)	4.18
Market cap (EUR M)	104.87
52Wk range (EUR)	7.96/4.11

Y/E Dec (EUR M)	FY22A	FY23E	FY24E
Revenues	393.3	355.9	379.3
EBITDA	38.21	39.15	47.41
EBIT	19.25	14.15	22.42
Net income	19.96	7.94	14.38
EPS (EUR)	0.43	0.32	0.57
Net debt/-cash	130.5	115.4	90.26
Adj P/E (x)	16.9	13.2	7.3
EV/EBITDA (x)	8.2	5.6	4.1
EV/EBIT (x)	16.4	15.6	8.7
Div ord yield (%)	0	0	0

Source: Company data, FactSet and Intesa Sanpaolo Research estimates

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Recent Events

FY22 results

FY22 total sales stood at EUR 393.3M (+3.4% yoy). FY22 adjusted EBITDA was EUR 47.1M, around 5% better than our estimates. The adjusted EBITDA margin was 12%. Net debt was in line with expectations. In detail:

- **2022 core sales were up 3.4% to EUR 387.9M and up by 10.2% to EUR 101.7M in 4Q22.** Other revenues were EUR 5.45M. Core revenues were better than our estimates, which pointed for flat sales in FY22E and down 3.8% in 4Q22E. Core revenues also beat the guidance provided by the company at the beginning of November, which foresaw flat revenues in 2022 yoy. There was a sharp and unexpected acceleration in 4Q22. We outline that both in 4Q22 and in FY22 end-price increases more than offset the lower volume-mix, thus confirming the premium positioning of the offer, and that in 4Q22 volumes were only slightly down (EUR -0.8M effect);

SIT – 4Q/FY22 sales preview

EUR M	4Q21A	4Q22E	yoy %	FY21A	FY22E	yoy %
Core revenues	92.3	88.8	-3.8	375.2	375.0	0
o/w Heating	77.4	76.2	-1.5	298.3	311.0	4.3
o/w Smart Metering	14.9	12.6	-15.5	76.9	64.0	-16.8

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

- **Breakdown by division: The Heating division** sales were up by 5.7% (+2.5% at constant forex) in FY22 to EUR 315.3M; in 4Q22, sales rose by 4.1% (+1% at constant forex), better than our expected slight decrease and in acceleration vs. 3Q22, when they were up 1% yoy. In 4Q22, sales in Italy were down 13% due to the tough comparison base of 4Q21 (Superbonus had pushed sales up) while in all the other regions sales were up: Europe +4.5%, US +9.6%, APAC +14%. Revenues in **the Metering division** surprised on the upside and reached EUR 72.5M in FY22 at -5.7% yoy (vs. -16.8% in our estimates); in 4Q22 they increased by 41.7% (our estimates pointed to a 15.5% decrease in 4Q22 yoy). Smart Gas Metering sales were better than expected in FY22, at EUR 48.4M, down 15.4% yoy (-32% in our estimates at EUR 39M) and up 47.2% in 4Q22 (-42% in our estimates). Revenues of Water Metering were EUR 24.2M in FY22 (in line with our estimates of EUR 25M), for an increase of 22.2% yoy (+28.7% in 4Q22);
- **FY22 adjusted EBITDA margin was 12%** (11.4% expected), **adj. EBITDA was around 5% better than our estimates, while dropping by 8% yoy:** the positive price effect fully offset the negative volume/mix effect, operation costs increased by EUR 6M (mainly due to logistic and transport costs), forex had a positive impact for EUR 1.6M. In 4Q22, adj. EBITDA was by far better than expected (24% higher than estimates and +24.2% yoy). We understood that there is room to increase the operational efficiency (the Tunisia plant will be at full steam by the end of the year) and the first improvements in terms of productivity have already materialised, partially offset by high labour costs. We recall that FY22 EBITDA was affected by an EUR 8.9M one-off accrual for a dispute settlement;
- **Net income was EUR 11.2M in FY22** and benefitted from EUR 8.7M deriving from the change in the warrants' fair value (expired in 2022). Excluding the warrant effect, net financial charges would have been EUR 4.2M and adjusted net income would have been EUR 10.9M (vs. net income adjusted of EUR 16.3M in FY21);
- **Net debt was in line with expectations at EUR 130.5M** (up from EUR 106.7M at YE21): the increase came from the trade working capital absorption (EUR 27M). SIT built up inventories along the year to satisfy the demand from customers (basically of electronic components). Investments were EUR 26.9M (flat yoy). Free cash flow was negative for EUR 13M. No dividend distribution was planned.

SIT – 4Q/FY22 results

EUR M	4Q21A	4Q22E	4Q22A	yoy %	2021A	2022E	2022A	yoy %
Total revenues*	94.3	101.4	102.9	9.1	380.5	393.1	393.3	3.4
o/w Heating*	77.3	80.2	80.5	4.1	298.2	315.0	315.3	5.7
o/w Smart Metering*	14.9	21.1	21.1	41.7	77.0	72.6	72.5	-5.7
EBITDA Adj.	9.3	9.3	11.5	24.2	51.2	44.9	47.1	-8.0
Margin (%)	9.8	9.2	11.2		13.5	11.4	12.0	
EBIT	1.4	1.5	4.1	201.1	24.3	8.0	10.6	-56.6
Margin (%)	1.4	1.5	4.0		6.4	2.0	2.7	
Net Result attr.	-0.8	1.0	0.7	NM	8.2	11.5	11.2	35.9
Net debt	106.7	129.7	130.5	22.3	106.7	129.7	130.5	22.3

*4Q22E and FY22E revenues are preliminary figures; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

1Q23 results

The FY22 results are indicative to better understand the trend of 1Q23, when:

- Sales decreased by 10.3% yoy due to the -17.6% drop in the Heating Division (slightly worse than expected), while the Metering Division sales grew by 23% (in line with the expected trend). Volumes decreased by EUR 15M yoy, offset by only EUR 4.3M price effect and unmeaningful forex. **In detail, the Heating division was affected by the strong destocking by customers (after abundant stock procurement in 2022);** revenues in Italy were down by 20%; in America, they dropped by 41% at constant forex, affected by the issue (now solved) with a client and by the shrinking market of fireplaces (which was strong in 2022); sales in Rest of Europe decreased by 4%, with Turkey up 49%, thanks to fan sales (up overall 9%); the UK showed flat sales yoy; APAC sales decreased by 22%. The Metering division grew strongly (+23.2% yoy), as expected, thanks to SIT's leadership in Italy in the Smart Gas Metering and the new developments and replacement projects launched by the main customers; Water Metering revenues were up 7% (budgeted up double-digit in FY23);
- EBITDA decreased by 43.5% (worse than our estimates) to EUR 8.3M, with a 9.9% margin: the negative volume effect (-EUR 6.7M) impacted EBITDA, offset by a low price-mix effect (EUR 1.3M). Moreover, operating costs rose by EUR 0.7M; EBIT was EUR 1.6M after EUR 6.7M D&A;
- Net income was EUR 1.3M after EUR 1.7M net financial charges, following higher debt vs. YE22 (as a reminder, in 1Q22 the company booked EUR 7.1M financial income from the FV of warrants, now expired);
- Net debt was EUR 143M (EUR 130M at YE22) after EUR 14.4M cash absorption from net working capital (which includes a one-off dispute settlement with a customer accrued in FY22). Trade working capital dynamics show an increase in inventories (mostly finished products), due to the destocking and long lead time orders placed in FY22 (at fixed conditions); capex was EUR 5M (EUR 3.1M in 1Q22).

SIT – 1Q23 results

EUR M	1Q22A	1Q23A	1Q23E	yoy%	A/E %
Revenues	92.6	83.0	84.7	-10.3	-2.0
o/w Heating	76.1	62.7	64.7	-17.6	-3.1
o/w Smart Metering	16.5	20.4	20.0	23.2	1.9
Total revenues	93.8	83.6	84.8	-10.9	-1.4
EBITDA	14.7	8.3	9.1	-43.5	-8.9
Margin (%)	15.6	9.9	10.8		
EBIT	8.0	1.6	2.1	-80.1	-24.0
Margin (%)	8.6	1.9	2.5		
Pre-tax	14.1	0.2	0.8	-98.8	-78.5
Net Result	12.4	1.3	0.7	-89.2	89.8
Net debt	124.8	143.1	140	14.7	2.2

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

Recent reorganisation

At the beginning of April, the company announced a reorganisation of its business units: we think that the change should allow SIT to respond more quickly and effectively to the market's needs, also providing the Ventilation business line with a good boost to development. In detail:

- **Heating and Ventilation BU:** SIT's historical core business, which provides solutions for efficiency improvement in heating appliances using gas, hybrid solutions, biomethane and hydrogen, has been enriched with the offer of solutions for ventilation and indoor air quality. Walter Albè was appointed head of this Business Unit. Before joining SIT, he worked for Whirlpool and Ariston Thermo;
- **Smart Gas Metering BU:** The unit is active in the design and manufacture of gas meters for residential and industrial systems and provides new digital technologies for data reading and consumption control. Head of this division will be Giulio Prandi, former Chief Operating Officer. He has been working for SIT since 2018;
- **Water Metering BU:** The unit provides water consumption measurement solutions, with both traditional and smart technologies to utilities and municipalities. It will continue to be headed by Gianpaolo Anselmi, who has overseen the Water Metering since the acquisition of Janz (end of 2020).

Tomaso Valdinoci will be Chief Product Officer of SIT. The heads of the three Business Units and the CPO will report to CEO and Chairman Federico de' Stefani.

Earnings Outlook

Outlook

The demand in the heating sector is uncertain, given the overstocking in the whole supply chain. Thus, SIT sees a negative FY23 outlook on revenues yoy, with a possible improvement in demand by year-end. Short-term planned savings in operating costs should preserve profitability, with lower corporate/discretionary costs and manufacturing optimisation. Cash generation should come from working capital, capex reduction and a strategic review of the operating model. SIT adds that Heating and Ventilation fundamentals remain positive, based on the global geographical footprint and the role of gas in the energy transition; Smart Gas Metering benefits from a strong competitive position in the domestic market and tender repricing.

Estimates revision

As such, we see FY23E as tough in terms of organic growth in Heating and Ventilation, with normalisation only in FY24/25E, also given its focus in non-gas technologies (e.g. electronic components for CMV and heat pumps, or fans and ventilation components, which it already produces). We expect the EBITDA margin to drop by 110bps vs. our previous estimates in FY23E, given the lower volumes and the only partial benefit from cost reductions.

SIT – New vs. old estimates FY23/24E

EUR M	2023E Old	2023E New	2023E New/Old %	2024E Old	2024E New	2024E New/Old %
Total sales	397.8	355.9	-10.5	416.6	379.3	-8.9
Core sales	392.3	350.3	-10.7	410.9	373.7	-9.1
o/w Heating	321.3	261.7	-18.5	330.9	274.8	-16.9
o/w Smart Metering	71.0	88.6	24.8	80.0	98.8	23.6
EBITDA Adj.	48.1	39.1	-18.6	55.2	47.4	-14.1
% margin	12.1	11.0		13.3	12.5	
EBIT	19.2	14.2	-26.3	25.4	22.4	-11.7
% margin	4.8	4.0		6.1	5.9	
Net result	12.7	7.9	-37.4	17.4	14.4	-17.4
Net result Adj.	12.7	7.9	-37.4	17.4	14.4	-17.4
Net Debt/-Cash	110.2	115.4	4.7	94.6	90.3	-4.4

Source: Intesa Sanpaolo Research estimates

In FY24E and FY25E, we see a recovery in Heating and Ventilation, with revenues up 5% yoy, also helped by the contribution of the new business. The smart Gas Metering BU should grow double-digit, thanks to SIT's leadership in the Italian market and the benefit from the second wave of smart gas metering substitution. As for the Water Metering Business Unit, we expect revenues up double-digit both in FY23E (+14% to EUR 27.5M) and in FY24E (+15% to EUR 31.7M); in FY25E, we expect the full positive contribution for the ultrasonic business with sales up 20%. Profitability in FY24/25E should increase, driven by the Tunisian plant operations and other operating cost improvements. We expect net debt to decrease, thanks to net working capital improvements and lower capex than previously expected, which should be concentrated on business-specific expenditures.

SIT – New estimates FY23/25E

EUR M	2022A	2023E	yoy chg.	2024E	yoy chg.	2025E	yoy chg.
Total sales	393.3	355.9	-9.5	379.3	6.6	404.9	6.7
Core sales	387.9	350.3	-9.7	373.7	6.7	399.1	6.8
EBITDA Adj.	47.1	39.1	-16.9	47.4	21.1	53.4	12.7
% margin	12.0	11.0		12.5		13.2	
EBIT	10.6	14.2	34.1	22.4	58.4	27.7	23.6
% margin	2.7	4.0		5.9		6.8	
Net result	11.2	7.9	-29.2	14.4	81.0	18.8	30.6
Net result Adj.	10.9	7.9	-27.1	14.4	81.0	18.8	30.6
Net Debt/-Cash	130.5	115.4	-11.6	90.3	-21.8	72.7	-19.4

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

Valuation

Following our estimates fine tuning, we set a **new target price of EUR 5.7/share** (from EUR 8.4/share). Given a 36% potential upside, **we confirm our BUY rating**. Our target price is based on the average of a DCF model (fair value of EUR 5.2/share) and relative valuations, based on the average of the multiples of international companies (applying a 50% discount to reflect its low liquidity and smaller size compared to other listed companies) and of certain Italian industrial companies (applying a 40% discount). This returns a fair value of EUR 6.8/share using international companies and EUR 5.1/share using Italian companies.

Our new EUR 5.7/sh target price

SIT - Valuation summary

Method	New valuation	Weighting %	15/11/2022	Delta
DCF	5.2	33	5.8	-10.1
Italian companies (40% discount)	5.1	33	8.9	-43.3
International companies (50% discount)	6.8	33	10.5	-35.4
Target price	5.7		8.4	-32.4
Current price	4.18		6.30	-31.9
Potential upside %	36.4		33.5	

Source: Intesa Sanpaolo Research estimates

Our DCF valuation is impacted by the increase of the risk-free rate to 4% from the 3% used previously. We also updated our Beta to 1.7x (source: Damodaran January 2023). This translates into a WACC now at 10.0% vs. 9.1% previously.

SIT - WACC calculation (%)

Risk free rate	4.0
Debt spread	1.0
Cost of debt [net]	3.5
Market risk premium	6.5
Beta (x)	1.7
Cost of equity	15.1
Weight of Debt	44.1
Weight of Equity	55.9
WACC	10.0

Source: Intesa Sanpaolo Research estimates

SIT - DCF valuation

	Valuation (EUR M)	% Weighting	Per share (EUR)
Sum of PV 2023-31 FCF	138.2	51.9	5.50
Terminal value	128.3	48.1	5.11
Total Enterprise value	266.6	100.0	10.6
- Pension Provision	-5.1		-0.2
- Net cash/-debt 2022A	-130.5		-5.2
Total Equity value	131.0		5.2
Fully diluted number of shares (M)	25.1		
Fair value per share (EUR)	5.2		

Source: Intesa Sanpaolo Research estimates

SIT – Peer comparison based on international peers

x	Mkt Price (EUR)	Mkt Cap. (EUR M)	P/E			EV/EBITDA		
			2023E	2024E	2025E	2023E	2024E	2025E
Bucher Industries	402.0	4,120	12.5	13.5	13.4	6.8	7.4	7.3
Beijer Ref	13.7	6,978	33.4	29.0	26.0	20.2	15.3	14.0
Emerson Electric	74.3	42,445	19.0	17.2	15.6	12.3	14.6	13.5
Trane Technologies	155.8	35,532	19.7	18.0	16.1	13.8	13.4	12.6
Landis + Gyr	83.0	2,399	22.5	20.5	17.9	12.8	11.6	10.2
Lindab International	15.3	1,205	16.4	14.3	12.2	9.5	9.0	8.1
NIBE Industrier	9.3	18,680	38.1	33.3	29.7	23.7	21.2	19.0
Resideo Technologies	15.5	2,283	8.7	7.4	6.6	4.4	4.7	3.9
Schneider Electric	164.0	93,659	20.8	19.3	17.7	13.9	12.9	12.1
SPX Corporation	71.5	3,258	19.6	18.0	18.4	12.7	12.2	12.5
Sulzer	75.9	2,600	11.8	11.2	11.3	6.5	6.3	6.0
Weir Group	20.0	5,184	15.9	14.5	13.1	10.0	9.6	8.8
Average			19.9	18.0	16.5	12.2	11.5	10.7

Priced at market close on 26/05/2023; Source: FactSet

SIT – Peers comparison based on Italian companies

x	Market Cap. (EUR M)	P/E			EV/EBITDA		
		2023E	2024E	2025E	2023E	2024E	2025E
Gefran	137	13.8	10.3	10.1	4.1	4.0	3.8
Interpump*	5,749	17.4	15.9	16.4	10.5	9.4	10.2
LU-VE*	653	20.5	17.1	13.7	9.9	8.8	7.8
Sabaf	179	10.5	8.3	7.1	6.2	5.4	4.9
Ariston*	3,649	17.6	15.8	13.9	9.2	8.4	6.4
Average		16.0	13.5	12.2	8.0	7.2	6.6

Priced at market close on 26/05/2023; Source: FactSet and *Intesa Sanpaolo Research estimates for P/E 23/24E and EV/EBITDA 23/24E

SIT – Valuation with trading multiples

EUR M	P/E (x)			EV/EBITDA (x)		
	2023E	2024E	2025E	2023E	2024E	2025E
Average International peers	19.9	18.0	16.5	12.2	11.5	10.7
Net profit	7.9	14.4	18.8			
EBITDA				39.1	47.4	53.4
EV				478.3	545.9	571.1
Net debt				-115.4	-90.3	-72.7
Equity value	157.9	258.9	309.9	362.9	455.6	498.4
Value per share (EUR)	6.3	10.3	12.3	14.5	18.1	19.8
Average Italian companies	16.0	13.5	12.2	8.0	7.2	6.6
Net profit	7.9	14.4	18.8			
EBITDA				39.1	47.4	53.4
EV				313.0	341.4	354.2
Net debt				-115.4	-90.3	-72.7
Equity value	126.7	193.8	229.9	197.6	251.1	281.5
Value per share (EUR)	5.0	7.7	9.2	7.9	10.0	11.2

Source: Intesa Sanpaolo Research estimates

Valuation and Key Risks

Valuation basis

Our target price is derived from an average between a DCF model (a WACC of 10%, g=1.5%) and peers multiples' comparison (Italian and international multiples).

Key Risks

Company specific risks:

- End of the rollout of smart gas metering in Italy;
- Supply chain risks;
- Potential shortage of components could reduce production;
- Large component of goodwill (around 30% of capital employed)

Sector generic risks:

- The substitution of gas heating systems with green-energy devices (i.e. heat pumps) is accelerating
- Lengthy time to market for new products due to the length of the testing and homologation process.
- Inflation risk

Company Snapshot

Company Description

The SIT Group, through its 3 business units Heating and Ventilation Smart Gas Metering and Water Metering creates intelligent solutions for the control of environmental conditions and consumption measurement for a more sustainable world. A market-leading multinational company, listed on the MTA segment of Borsa Italiana, SIT aims to be the number one sustainable partner for energy and climate control solutions for its customers, focusing on experimentation and the use of alternative gases with low environmental profiles. The Group has production sites in Italy, Mexico, the Netherlands, Romania, China, Tunisia and Portugal, in addition to a commercial structure covering all global markets.

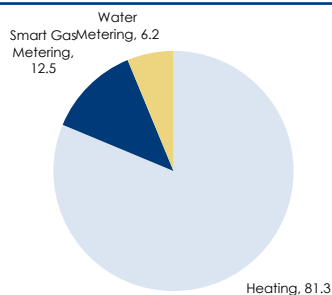
Key data

Mkt price (EUR)	4.18	Free float (%)	25.4
No. of shares	25.09	Major shr	SIT Tech.
52Wk range (EUR)	7.96/4.11	(%)	73.4
Reuters	SIT.MI	Bloomberg	SIT IM
Performance (%)	Absolute	Rel. FTSE IT All Sh	
-1M	-22.0	-1M	-18.9
-3M	-29.2	-3M	-25.1
-12M	-46.7	-12M	-49.3

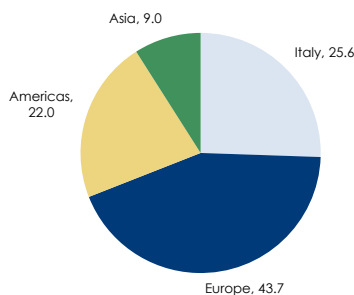
Estimates vs. consensus

EUR M (Y/E Dec)	2022A	2023E	2023C	2024E	2024C	2025E	2025C
Sales	393.3	355.9	NM	379.3	NM	404.9	NM
EBITDA	38.21	39.15	NM	47.41	NM	53.45	NM
EBIT	19.25	14.15	NM	22.42	NM	27.70	NM
Pre-tax income	22.31	10.45	NM	18.92	NM	24.70	NM
Net income	19.96	7.94	NM	14.38	NM	18.77	NM
EPS (EUR)	0.43	0.32	NM	0.57	NM	0.75	NM

Sales breakdown by product (%)



Sales breakdown by geography (%)



Source: Company data, Intesa Sanpaolo Research estimates and FactSet consensus data (priced at market close of 31/05/2023)

SIT – Key Data

Rating BUY	Target price (EUR/sh) Ord 5.7		Mkt price (EUR/sh) Ord 4.18		Sector Engineering & Machinery	
Values per share (EUR)	2020A	2021A	2022A	2023E	2024E	2025E
No. ordinary shares (M)	25.01	25.09	25.11	25.11	25.11	25.11
Total no. of shares (M)	25.01	25.09	25.11	25.11	25.11	25.11
Market cap (EUR M)	124.79	214.31	184.63	104.96	104.96	104.96
Adj. EPS	0.54	0.65	0.43	0.32	0.57	0.75
BVPS	6.1	6.1	6.6	6.9	7.5	8.2
Dividend ord	0.28	0.30	0	0	0	0.45
Income statement (EUR M)	2020A	2021A	2022A	2023E	2024E	2025E
Revenues	320.7	380.5	393.3	355.9	379.3	404.9
EBITDA	43.62	51.22	38.21	39.15	47.41	53.45
EBIT	19.62	24.33	19.25	14.15	22.42	27.70
Pre-tax income	15.99	11.71	22.31	10.45	18.92	24.70
Net income	13.23	8.24	19.96	7.94	14.38	18.77
Adj. net income	13.41	16.31	10.90	7.94	14.38	18.77
Cash flow (EUR M)	2020A	2021A	2022A	2023E	2024E	2025E
Net income before minorities	13.2	8.2	20.0	7.9	14.4	18.8
Depreciation and provisions	24.0	26.9	19.0	25.0	25.0	25.7
Others/Uses of funds	-3.8	-1.7	-0.7	3.7	2.6	-2.2
Change in working capital	-14.8	4.4	-28.3	9.2	-1.2	2.7
Operating cash flow	18.6	37.8	9.9	45.9	40.7	45.0
Capital expenditure	-12.7	-26.1	-26.4	-15.0	-18.0	-18.0
Financial investments	0	0	0	0	0	0
Acquisitions and disposals	-28.4	0	0	0	0	0
Free cash flow	-22.5	11.7	-16.5	30.9	22.7	27.0
Dividends	-3.5	-6.9	-7.3	0	0	0
Equity changes & Non-op items	-11.3	4.2	0	-15.8	2.4	-10.0
Net cash flow	-37.4	9.0	-23.8	15.1	25.1	17.0
Balance sheet (EUR M)	2020A	2021A	2022A	2023E	2024E	2025E
Net capital employed	269.0	260.4	296.0	288.8	278.1	279.3
of which associates	0	0	0	0	0	0
Net debt/-cash	115.8	106.7	130.5	115.4	90.3	72.7
Minorities	0	0	0	0	0	0
Net equity	153.2	153.7	165.5	173.4	187.8	206.6
Minorities value	0	0	0	0	0	0
Enterprise value	240.5	321.0	315.1	220.4	195.2	177.7
Stock market ratios (x)	2020A	2021A	2022A	2023E	2024E	2025E
Adj. P/E	9.3	13.1	16.9	13.2	7.3	5.6
P/CFPS	6.7	5.7	13.3	2.3	2.6	2.3
P/BVPS	0.81	1.4	1.1	0.61	0.56	0.51
Payout (%)	52	46	0	0	0	60
Dividend yield (% ord)	5.6	3.5	0	0	0	10.8
FCF yield (%)	-18.0	5.5	-8.9	29.4	21.6	26.2
EV/sales	0.75	0.84	0.80	0.62	0.51	0.44
EV/EBITDA	5.5	6.3	8.2	5.6	4.1	3.3
EV/EBIT	12.3	13.2	16.4	15.6	8.7	6.4
EV/CE	0.89	1.2	1.1	0.76	0.70	0.64
D/EBITDA	2.7	2.1	3.4	2.9	1.9	1.4
D/EBIT	5.9	4.4	6.8	8.2	4.0	2.6
Profitability & financial ratios (%)	2020A	2021A	2022A	2023E	2024E	2025E
EBITDA margin	13.6	13.5	9.7	11.0	12.5	13.2
EBIT margin	6.1	6.4	4.9	4.0	5.9	6.8
Tax rate	17.3	29.6	10.6	24.0	24.0	24.0
Net income margin	4.1	2.2	5.1	2.2	3.8	4.6
ROCE	7.3	9.3	6.5	4.9	8.1	9.9
ROE	8.8	5.4	12.5	4.7	8.0	9.5
Interest cover	5.0	1.7	4.1	3.8	6.4	9.2
Debt/equity ratio	75.5	69.5	78.9	66.5	48.1	35.2
Growth (%)		2021A	2022A	2023E	2024E	2025E
Sales		18.6	3.4	-9.5	6.6	6.7
EBITDA		17.4	-25.4	2.5	21.1	12.7
EBIT		24.0	-20.9	-26.5	58.4	23.6
Pre-tax income		-26.8	90.6	-53.1	81.0	30.6
Net income		-37.7	NM	-60.2	81.0	30.6
Adj. net income		21.6	-33.2	-27.1	81.0	30.6

NM: not meaningful; NA: not available; Neg.: negative; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

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Italy is characterised by a large number of non-listed and listed micro, small and medium-sized companies. Looking at the revenues of these Italian companies, around 5,000 companies eligible for listing have revenues below EUR 1,500M based on Intesa Sanpaolo elaborations. We define these companies as 'Mid Corporate'. Looking more specifically at Italian listed companies, we include in our Mid Corporate segment all STAR companies and those with a market capitalisation of around EUR 1Bn.

Equity Research Publications in Last 12M

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Equity rating key: (long-term horizon: 12M)

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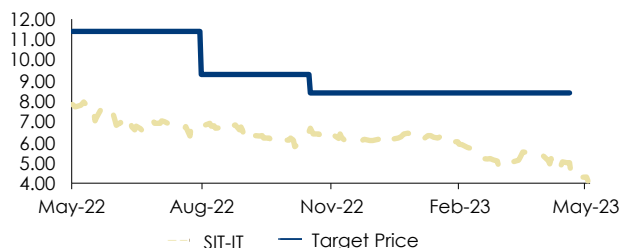
Equity Rating Key (long-term horizon: 12M)

Long-term rating	Definition
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HOLD	If the target price is in a range 10% below or 10% above the market price.
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Target price and market price trend (-1Y)



Historical recommendations and target price trend (-1Y)

Date	Rating	TP (EUR)	Mkt Price (EUR)
19-May-23	Under Review	Under Review	4.3
15-Nov-22	BUY	8.4	6.7
30-Aug-22	BUY	9.3	6.8

Equity rating allocations (long-term horizon: 12M)

Intesa Sanpaolo Research Rating Distribution (at April 2023)

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