

**SIT (BUY)****1H23 Results Preview**

Possible Surprise	Positive	Neutral	Negative
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**Results due on 29 September:** We expect SIT to release quite weak 2Q23, dragged down by the adverse trend in the heating sector. We expect the dynamics in the heating business seen in 1Q23 to have slightly exacerbated in 2Q23: destocking by customers, uncertainties triggered by regulation (although Germany has recently eased the ban on oil and gas boilers), fading out of fiscal incentives in Italy, and an overall weak US market. On the other hand, we expect the Metering division to have grown strongly, driven by both Smart Gas Metering, where SIT has a consolidated market position in Italy and is increasing market share, and Water Metering which is also benefitting from the launch of new products. On the back of a -15.9% drop in the top line in 2Q23, fully due to volumes, we expect profitability (EBITDA margin adj.) to have decreased by 29.9%. On the debt side (which already includes the impact of the one-off dispute settlement with a customer accrued in FY22), we do not expect significant changes in terms of working capital dynamics.

**What we think:** We still consider FY23 as a transitional year in the heating business, while we see the Metering business in good health. We expect some hints on the company's outlook for 2H23 performance from the conference call on 1H23 results.

**SIT - Key Data**

22/09/2023	Engineering		
Target Price (€)	5.7		
Rating	BUY		
Mkt price (€)	3.63		
Mkt cap (EUR M)	91		
Main Metrics (€ M)	2023E	2024E	2025E
Revenues	355.9	379.3	404.9
EBITDA	39.15	47.41	53.45
EPS (EUR)	0.32	0.57	0.75
Net debt/-cash	115.4	90.26	72.71
Ratios (x)	2023E	2024E	2025E
Adj. P/E	11.5	6.3	4.9
EV/EBITDA	5.3	3.8	3.1
EV/EBIT	14.6	8.1	5.9
Debt/EBITDA	2.9	1.9	1.4
Div yield (%)	0	0	12.4
Performance (%)	1M	3M	12M
Absolute	2.5	-13.6	-46.6
Rel. to FTSE IT All Sh	0.4	-16.1	-58.3

Source: FactSet, Company data, Intesa Sanpaolo Research estimates

Intesa Sanpaolo is Corporate Broker to SIT

**Giada Cabrino** - Research Analyst  
giada.cabrino@intesasnpaolo.com

**Marco Cristofori** - Research Analyst  
marco.cristofori@intesasnpaolo.com

**SIT – 2Q/1H23 preview**

EUR M	2Q22A	2Q23E	2Q yoy%	1H22A	1H23E	1H yoy%
<b>Total revenues</b>	<b>100.9</b>	<b>84.9</b>	<b>-15.9</b>	<b>194.7</b>	<b>168.5</b>	<b>-13.5</b>
o/w Heating	81.8	62.1	-24.0	157.8	124.8	-20.9
o/w Smart Metering	17.6	22.2	26.0	34.1	42.6	24.7
<b>EBITDA adj.</b>	<b>9.2</b>	<b>6.4</b>	<b>-29.9</b>	<b>23.8</b>	<b>14.7</b>	<b>-38.2</b>
<b>Margin (%) on revenues</b>	<b>9.1</b>	<b>7.6</b>		<b>12.2</b>	<b>8.7</b>	
EBIT	2.5	0.013	-99.5	10.5	1.6	-84.7
Margin (%) on revenues	2.5	0.0		5.4	1.0	
Pre-tax	2.7	-0.5	NM	16.8	-0.3	NM
<b>Net Result</b>	<b>1.8</b>	<b>-0.4</b>	<b>NM</b>	<b>14.2</b>	<b>1.0</b>	<b>NM</b>
Net debt	122.6	139.1		122.6	139.1	

NM: not meaningful; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research estimates