



## ITALIAN WAKE-UP CALL



MEDIOBANCA  
SECURITIES

### SIT (N) - 2Q23A sales and profitability below MBe. Visibility over Heating demand remains limited

SIT unveiled last Friday its full set of 2Q/1H23 results, followed by a conference call. Looking at the main figures, we highlight:

- **2Q23 sales** stood at €83m, implying an YoY decline of -17%. This was 5% below our estimate of €87m.

As we were expecting, the Metering division continued its growing path driven by +39% YoY in Gas (Water was slightly down).

On the other hand, Heating was down -26% YoY, below our expectation;

- **2Q23 adj. EBITDA** was €6.2m implying an YoY decline of over -30% and EBITDA margin of 7.4%.

This compares to our estimate of 10.2%, to 2Q22 of 9.1% and to 1Q23 of 9.9%;

- **Adj. Net profit** came in at €0.3m vs €0.9m in 2Q22 and €0.5m in MBe.

Net profit was supported by €4.7m income taxes in 1H due to accrual of deferred tax assets deriving from the recoverable tax losses matured by a number of overseas companies.

Reported figures were adjusted mainly to factor in write-down of Heating & Ventilation goodwill for €17.0m based on sector outlook;

- Finally, looking at the balance sheet, NFP sequentially increased from €143m in 1Q23 to €146m (MBe €138m).

Worth to highlight that SIT drew up a prior waiver request to its main lenders on June 30 NFP/EBITDA covenant and that the waiver was granted.

As for the FY outlook, the company expects i) sales reducing vs 1H23, ii) FY23 adj. EBITDA margin below the double-digit threshold (MBe 11.0%), iii) FY23 NFP overall in line with €146m as of June 30 (MBe €114m).

By business unit, management declared to expect i) further slowdown in Heating, ii) good growth pace in Gas metering (high double-digit), iii) +10/15% YoY in Water metering.

Management also held a conference call, in our view, main takeaways were:

- i) visibility in the Heating segment remains limited,
- ii) strategy is aimed at covering all existing solutions in the reference end market,
- iii) inventories are increasing mainly in the Gas metering division to support solid demand,

iv) significant effort in R&D may allow to anticipate the production of components for electric solutions,

v) trend in raw material costs is improving vs last year, while the company is experiencing some labor inflation pressures.

We have a Neutral rating on the name.

**SIT - 2Q/1H23 results vs Mediobanca estimates**

€m	2Q23A	2Q22A	% YoY	2Q22E	A/E	1H23A	1H22A	% YoY	1H23E	A/E
Total sales	83.3	100.9	-17%	87.4	-5%	166.9	194.7	-14%	170.9	-2%
EBITDA Adj.	6.2	9.2	-32%	8.9	-31%	14.5	23.8	-39%	17.2	-16%
<i>EBITDA margin</i>	7.4%	9.1%		10.2%		8.7%	12.2%		10.1%	
EBIT Adj.	-0.8	2.5	nm	2.1	nm	0.8	10.5	nm	3.7	-79%
<i>EBIT margin</i>	-1.0%	2.5%		2.4%		0.5%	5.4%		2.2%	
Adj. Net profit	0.3	0.9	-67%	0.5	-35%	1.6	6.2	-73%	1.8	-9%
Net Debt/(Cash)	146.4	122.6		137.7		146.4	122.6		137.7	

Source: Mediobanca Securities