

SIT

Partial Business Rethinking

SIT released a two-speed 1H23 sales trend: Heating and Ventilation (74% of total revenues) down 21.8% and Metering (25.4%) up 24.1%. Group profitability sharply decreased. Despite the current changes in the overall heating sector, we believe that the company is going to reinforce its business in the expected growing segments.

Tough semester due to the heating business

SIT released quite a weak 2Q23, with a similar trend as 1Q23, and overall in line with our estimates. An unexpected goodwill write-down, in view of the recent trend and outlook on domestic gas boilers' use, weighed down EBIT and net profit.

2023 outlook

The company provided a clear outlook for the coming months. Smart gas Metering sales are expected up high double-digits, thanks to key projects with domestic customers. Water Metering sales are expected up between 10% and 15%. Heating and Ventilation sales are expected to slow down further in 2H23 (no positive seasonality). Total sales are expected down further vs. 1H23. Cost reductions are already in place with structural effects from the beginning of FY24. The adjusted EBITDA margin should be below double-digits (or below 10%). Net debt is planned to be in line with 1H23. The company also stated that management is working on projects to accelerate internationalization and redesign the business portfolio, targeting growth segments and cash generation.

Our new estimates: we see a bottom in FY23E

Our new estimates incorporate the company's outlook for FY23E. As for FY24E, we do not see a significant recovery in the Heating division, while Metering sales should continue to increase. The metering division accounts for approximately 30% of SIT's core revenues in FY24E in our estimates. In FY24E, we incorporate SIT's profitability increase thanks to the company's actions on costs; we also expect favourable working capital dynamics, which should help debt reduction. In our view, SIT is adapting its business model to a further shrinking fossil fuel heating end-market, which is driven by the transition to electrification. Moreover, energy efficiency needs are already increasing the demand for some products that are in SIT's portfolio. Therefore, we think that the company is positioning itself to other, growing, segments. We also recall that the company has recently developed many interesting projects. All in all, we believe that SIT could materially benefit from its business shift once the end market has recovered from the current stalemate.

Valuation

Following our estimates revision, we set a **new target price of EUR 4.2/share** (from EUR 5.7/share). Given a 37% potential upside, we confirm **our BUY rating**.

9 October 2023: 8:52 CET

Date and time of production

BUY

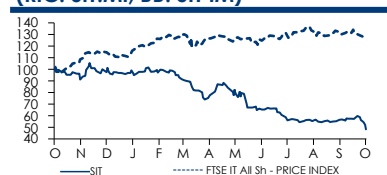
Target Price: EUR 4.2
(from EUR 5.7)

Italy/Engineering & Machinery
Company Results

EXM

Price Performance

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



SIT - Key Data

Price date (market close)	05/10/2023
Target price (€)	4.2
Target upside (%)	37.25
Market price (€)	3.06
Market cap (EUR M)	76.77
52Wk range (€)	6.68/3.06

Y/E Dec (EUR M)	FY22A	FY23E	FY24E
Revenues	393.3	324.5	341.9
EBITDA	38.21	26.61	35.21
EBIT	19.25	-16.50	7.91
Net income	19.96	-16.42	2.97
EPS (EUR)	0.43	0.08	0.12
Net debt/-cash	130.5	144.9	138.7
Adj P/E (x)	16.9	36.7	25.9
EV/EBITDA (x)	8.2	8.3	6.1
EV/EBIT (x)	16.4	Neg.	27.2
Div ord yield (%)	0	0	0

Source: Company data, FactSet and Intesa Sanpaolo Research estimates

Intesa Sanpaolo Research Dept.

Giada Cabrino - Research Analyst
giada.cabrino@intesaspaolo.com

1H23 Results

Tough semester due to the heating business

Revenues decreased by 17.5% yoy in 2Q23 and were dragged down by the Heating and Ventilation division (-25.8% yoy in 2Q23, slowing down further vs. 1Q23); this performance was spread in almost all the geographies and reflects the still high level of stock of SIT's customers, who are facing the very weak demand from consumers. In detail, sales in Italy (-27.9% in 1H23 yoy) suffered also from the cut in fiscal incentives, which affected all products, including, in the Direct Heating segment, Pellet Stoves appliances (-70% vs. 1H22 when they benefitted from high volumes due to high gas prices). Sales in Europe (-5.2% yoy) benefitted from the positive performance in Turkey (18.9% of division sales; particularly, Fans for Central Heating applications grew, thanks to the easy comparison base) and in the UK (8.1% of division sales), where flues exhaust sales were very strong. The performance in Central Europe was in line with that of Italy, but with Heat Recovery Units up by 34% yoy. Sales in the US (-48.8% at constant forex yoy in 1H23) suffered from a drop in Water Heating Storage and in the Direct Heating applications of fireplaces (given the lower number of new buildings' constructions). Sales in Asia (-15.6% at constant forex yoy in 1H23) saw the Chinese market performing better in 2Q23 qoq and Australia down double-digits.

Revenues -14.3% yoy in 1H23

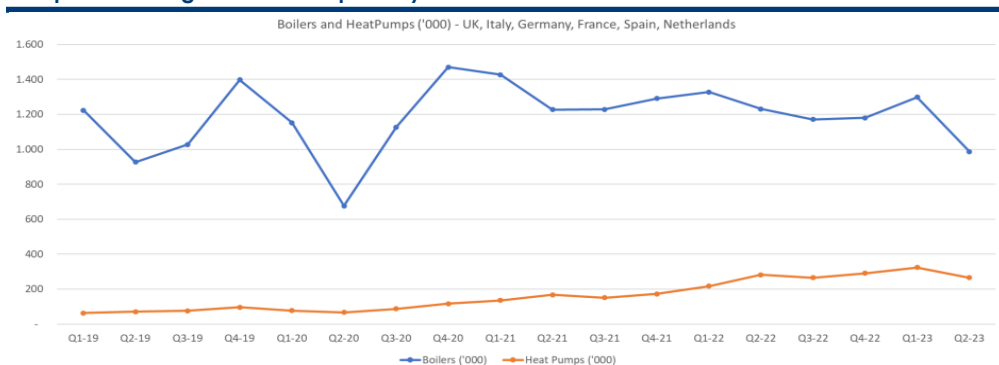
SIT – 1H23 Heating & Ventilation division sales geo-mix

EUR M	2Q22A	2Q23A	yoy%	1H22A	1H23A	yoy%
Italy	15.0	9.7	-35.3	29.9	21.6	-27.9
% on sales	18.3	16.0		18.9	17.5	
Europe (ex-Italy)	33.3	31.2	-6.3	67.7	64.1	-5.2
% on sales	40.7	51.4		42.9	51.9	
America	23.0	11.1	-51.7	42.0	22.8	-45.7
% on sales	28.1	18.3		26.6	18.5	
Asia/Pacific	10.4	8.7	-16.3	18.3	14.8	-18.9
% on sales	12.7	14.3		11.6	12.0	
Total core sales	81.8	60.7	-25.8	157.8	123.4	-21.8

A: actual; Source: Company data

From the picture below, we note that the overall European Heating end-market dropped substantially in 2Q23 both in the Boilers and Heat Pumps sectors. Drivers were, in our view, lower spending allocated from households, unclear and distorting announcements made by some countries on the gas ban in home heating, and phasing-out of fiscal incentives.

European Heating end-market quarterly trend



Source: Company data on EHI – European Heating Industry, Aug 31 2023

The Metering division is continuing its growth path, up 25% yoy in 2Q23 and growing its incidence on total sales, now at 25.4% (1H23) vs. 17.5% (1H22). In detail, sales from Smart Gas Metering were EUR 29.5M in 1H23 (+36.2% yoy, +39.1% in 2Q23 yoy), thanks to SIT's strong positioning in Italy and new developments and replacement projects undertaken by major utility customers. Sales from the Water Metering business grew by 2.9% in 1H23 to EUR 12.8M, with a slight slowdown in 2Q23 that we do not see as worrying.

Adjusted EBITDA decreased by around 32% yoy in 2Q23, driven by lower volumes; adjustments refer to restructuring costs. Adjusted EBIT in 2Q23 was slightly negative. EBIT (EUR -21.6M in 2Q23) was impacted by a EUR 17M goodwill write-down, which was made in view of the trend and the outlook for the use of domestic gas boilers, as a result of energy transition programmes. Net income was negative for EUR 19.5M in 2Q23.

Adjusted EBITDA in line with our estimates

Net financial charges were EUR -3.1M vs. EUR 6.3M of 1H22 (when there was the impact of the mark-to-market of warrants). Income taxes were positive for EUR 4.7M deriving from the accrual of deferred tax assets from recoverable losses of some foreign companies.

Operating cash flow was EUR 15.1M vs. EUR 24.4M in 1H22, after EUR 16M absorption from NWC (which included one-off cash out from a settlement agreement reached with a customer) vs. EUR 22.6M absorption of 1H22. However, the net commercial working capital was rather stable vs. YE22 in absolute value, showing a little increase in inventories (built up for gas metering) and lower receivables and payables. Capex was EUR 10.5M.

Net debt was EUR 146.4M, up from EUR 130M at YE22 and EUR 122.6M at the end of June 2022. Net debt/EBITDA LTM was 3.88x; SIT had asked, and obtained, a waiver on June covenants, whose reset is ongoing.

SIT – 1H23 results

EUR M	2Q22A	2Q23E	2Q23A	yoy %	A/E %	1H22A	1H23E	1H23A	yoy %	A/E %
Total revenues	100.9	84.9	83.3	-17.5	-1.9	194.7	168.5	166.9	-14.3	-0.9
o/w Heating and Ventilation	81.8	62.1	60.7	-25.8	-2.3	157.8	124.8	123.4	-21.8	-1.2
o/w Metering	17.6	22.2	22.0	25.1	-0.8	34.1	42.6	42.4	24.1	-0.5
EBITDA	9.2	6.4	4.9	-46.2	-23.2	23.8	14.7	13.2	-44.5	-10.1
Margin (%)	9.1	7.6	5.9			12.2	8.7	7.9		
EBITDA adj.	9.2	6.4	6.2	-32.2	-3.3	23.8	14.7	14.5	-39.2	-1.6
Margin (%)	9.1	7.6	7.4			12.2	8.7	8.7		
EBIT	2.5	0.0	-21.6			10.51	1.6	-20.0		
Margin (%)	2.5	NM	NM			5.4	1.0	NM		
EBIT adj.	2.5	0.0	-0.8			10.5	1.6	0.8		
Margin (%)	2.5	NM	NM			5.4	1.0	0.5		
Net Result	1.8	-0.4	-19.5	NM	NM	14.2	1.0	-18.2	NM	NM
Net result adj.	0.9	-0.4	0.3	NM	NM	6.2	1.0	1.6	NM	NM
Net debt	122.6	139.1	146.4	19.4	5.3	122.6	139.1	146.4		

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

Earnings Outlook

SIT provided a clear outlook for the coming months. Smart gas Metering sales are expected up high double-digits, thanks to key projects with domestic customers. Water Metering sales are expected up between 10% and 15%. Heating and Ventilation sales are expected to slow down further in 2H23 (no positive seasonality). Total sales are expected further down vs. 1H23. Cost reductions are already in place with structural effects from the beginning of FY24. The adjusted EBITDA margin is expected below double-digit (or below 10%). Net debt should be in line with 1H23. The company also stated that management is working on projects to accelerate internationalization and redesign the business portfolio, targeting growth segments and cash generation.

Our new estimates incorporate the company's outlook for FY23E. As for FY24E, we do not see a significant recovery in the Heating division, whose sales should rebound by a modest 3%, while Metering's sales should continue to increase. The metering division accounts for approximately 30% of SIT's core revenues in FY24E. We expect Smart Gas Metering sales up by 12%, also thanks to increasing market share in the domestic market, and Water Metering sales up by 15%, in line with the expected mid-term growth. In FY24E, we incorporate SIT's profitability increase, thanks to the company's actions on costs; we also expect favourable working capital dynamics, which should help debt reduction, despite EUR 24M capex. In FY25E, we expect the same dynamics as in FY24 on the revenues side and improving profitability as well as slight debt reduction.

FY23 outlook

Our new estimates: we see a bottom in FY23E

SIT – New vs. old estimates FY2325E

EUR M	2023E Old	2023E New	2023E New/Old %	2024E Old	2024E New	2024E New/Old %	2025E Old	2025E New	2025E New/Old %
Total revenues	355.9	324.5	-8.8	379.3	341.9	-9.9	404.9	365.9	-9.6
Core sales	350.3	320.1	-8.6	373.7	337.4	-9.7	399.1	361.4	-9.5
o/w Heating and Ventilation	261.7	231.5	-11.6	274.8	238.4	-13.2	288.6	250.4	-13.2
o/w Metering	88.6	88.6	0.0	98.8	99.0	0.2	110.6	111.0	0.4
EBITDA Adj.	39.1	28.6	-26.9	47.4	35.2	-25.7	53.4	41.7	-22.0
% margin	11.0	8.8		12.5	10.3		13.2	11.4	
EBIT	14.2	-16.5	-216.6	22.4	7.9	-64.7	27.7	14.4	-48.0
% margin	4.0	-5.1		5.9	2.3		6.8	3.9	
Net result	7.9	-16.4	-306.7	14.4	3.0	-79.3	18.8	8.7	-53.8
Net result Adj.	7.9	2.1	-73.6	14.4	3.0	-79.3	18.8	8.7	-53.8
Net Debt/-Cash	115.4	144.9		90.3	138.7		72.7	134.8	

E: estimates; Source: Intesa Sanpaolo Research

SIT – New estimates FY23/25E

EUR M	2022A	2023E	yoy %	2024E	yoy %	2025E	yoy %
Total revenues	393.3	324.5	-17.5	341.9	5.4	365.9	7.0
Core sales	387.9	320.1	-17.5	337.4	5.4	361.4	7.1
EBITDA Adj.	47.1	28.6	-39.3	35.2	23.1	41.7	18.5
% margin	12.0	8.8		10.3		11.4	
EBIT	10.6	-16.5	-256.3	7.9	-147.9	14.4	82.1
% margin	2.7	-5.1		2.3		3.9	
Net result	11.2	-16.4	-246.5	3.0	-118.1	8.7	191.8
Net result Adj.	10.9	-16.4	-250.7	3.0	-118.1	8.7	191.8
Net Debt/-Cash	130.5	144.9	11.0	138.7	-4.3	134.8	-2.8

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

In our view, SIT is adapting its business model to a further shrinking fossil fuel heating end-market, which is driven by the transition to electrification. Moreover, energy efficiency needs are already increasing the demand for some products that are in SIT's portfolio (see Heat Recovery Units whose sales increased double-digits in 1H23). Therefore, the company is positioning itself to other, growing, segments; for example, Ventilation appliances and Electronic components have reached a high single-digit percentage of total Heating and Ventilation division. We recall that SIT has recently developed many interesting projects: a joint venture with e-Novia for the development of a new hydrogen generation and storage system for residential use; it bought a 10% stake in UpSens, with which it will develop further synergies in air quality solutions, particularly in the CMV (Controlled Mechanical Ventilation) segment. Some of the projects, including the Metering division, should bear fruits in FY24E, in our view. However, we believe that SIT could materially benefit from its business shift once the end market has recovered from the current stalemate.

Valuation

Following our estimates revision, we set a **new target price of EUR 4.2/share** (from EUR 5.7/share). Given a 37% potential upside, **we confirm our BUY rating**. Our target price is based on the average of a DCF model (fair value of EUR 3.5/share) and relative valuations, based on the average of the multiples of international companies and of certain Italian industrial companies. This returns a fair value of EUR 5.9/share using international companies and EUR 3.4/share using Italian companies.

SIT - Valuation summary ok

Method	New valuation	Weighting %	02/06/2023	Delta
DCF	3.5	33	5.2	-33.6
Italian companies	3.4	33	5.1	-33.3
International companies	5.9	33	6.8	-13.2
Target price	4.2		5.7	-26.3
Current price	3.06		4.18	-26.8
Potential upside %	37.3		36.4	

Source: Intesa Sanpaolo Research estimates

Our DCF valuation is based on unchanged WACC vs. our previous update.

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	80.3	36.1	3.2
Terminal value	142.1	63.9	5.7
Total Enterprise value	222.3	100.0	8.9
- Pension Provision	-5.1		-0.2
- Net cash/-debt 2022A	-130.5		-5.2
Total Equity value	86.7		3.5
Fully diluted number of shares (M)	25.1		
Fair value per share (EUR)	3.5		

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	347.4	3,561	9.9	11.8	11.7	5.4	6.8	6.8
Beijer Ref	9.9	5,037	25.2	22.6	20.5	15.5	12.9	11.9
Emerson Electric	88.9	50,792	21.0	18.9	17.3	13.4	13.6	12.6
Trane Technologies	190.7	43,556	22.7	20.5	18.3	15.8	15.2	14.0
Landis + Gyr	65.5	1,892	18.8	14.7	12.3	9.9	8.8	7.4
Lindab International	13.6	1,076	14.6	12.5	10.6	8.7	8.2	7.4
NIBE Industrier	6.0	12,049	25.5	22.7	19.8	16.4	14.3	12.7
Resideo Technologies	14.8	2,187	10.7	8.8	7.4	4.8	4.7	3.9
Schneider Electric	154.1	88,297	19.6	18.0	16.5	13.2	12.9	12.0
SPX Corporation	76.6	3,493	18.9	17.3	16.2	12.1	11.6	11.4
Sulzer	86.7	2,972	12.5	11.9	11.2	6.9	6.7	6.3
Weir Group	21.0	5,463	15.8	14.7	13.3	10.1	9.8	9.1
Average			17.9	16.2	14.6	11.0	10.5	9.6

Priced at market close on 05/10/2023; 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	119	12.0	10.1	9.7	3.8	3.8	3.6
Interpump*	4,558	14.5	13.2	13.4	8.9	7.9	8.5
LU-VE*	476	15.8	13.4	9.9	8.0	7.0	6.2
Sabaf	181	16.3	9.5	7.9	6.9	5.2	4.6
Ariston*	2,103	10.0	9.0	8.3	9.2	8.4	
Average		13.7	11.0	9.8	7.4	6.5	5.7

Priced at market close on 05/10/2023; Source: FactSet and *Intesa Sanpaolo Research estimates for P/E 23/24E and EV/EBITDA 23/24E

SIT – Valuation with trading multiples

EUR M	2023E	P/E (x)		2025E	2023E	EV/EBITDA (x)		2025E
		2024E				2024E		
Average International peers	17.9	16.2		14.6	11.0	10.5		9.6
Net profit	-16.4	3.0		8.7				
EBITDA					26.6	35.2		41.7
EV					293.1	368.5		401.9
Net debt					-144.9	-138.7		-134.8
Equity value	NM	48.1		126.5	148.2	229.8		267.1
Value per share (EUR)	NM	1.9		5.0	5.9	9.2		10.6
Average Italian companies	13.7	11.0		9.8	7.4	6.5		5.7
Net profit	NM	3.0		8.7				
EBITDA					26.6	35.2		41.7
EV					196.0	227.8		238.5
Net debt					-144.9	-138.7		-134.8
Equity value	NM	32.8		85.4	51.1	89.1		103.7
Value per share (EUR)	NM	1.3		3.4	2.0	3.5		4.1

NM: not meaningful; 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.

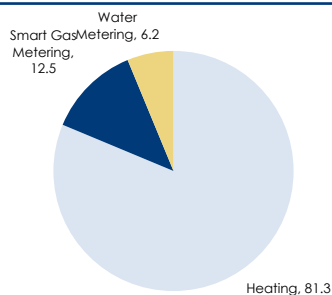
Key data

Mkt price (€)	3.06	Free float (%)	98.4
No. of shares	25.09	Major shr	SIT Tech.
52Wk range (€)	6.68/3.06	(%)	73.4
Reuters	SIT.MI	Bloomberg	SIT IM
Performance (%)	Absolute	Rel. FTSE IT All Sh	
-1M	-15.2	-1M	-11.4
-3M	-13.8	-3M	-11.0
-12M	-51.7	-12M	-61.8

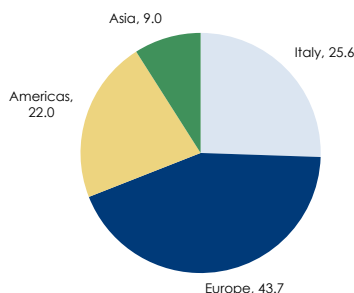
Estimates vs. consensus

EUR M (Y/E Dec)	2022A	2023E	2023C	2024E	2024C	2025E	2025C
Sales	393.3	324.5	NM	341.9	NM	365.9	NM
EBITDA	38.21	26.61	NM	35.21	NM	41.71	NM
EBIT	19.25	-16.50	NM	7.91	NM	14.41	NM
Pre-tax income	22.31	-22.50	NM	3.91	NM	11.41	NM
Net income	19.96	-16.42	NM	2.97	NM	8.67	NM
Adj. EPS	0.43	0.08	NM	0.12	NM	0.35	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 05/10/2023)

SIT – Key Data

Rating BUY	Target price (€/sh) Ord 4.2		Mkt price (€/sh) Ord 3.06		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	76.84	76.84	76.84
Adj. EPS	0.54	0.65	0.43	0.08	0.12	0.35
BVPS	6.1	6.1	6.6	5.9	6.1	6.4
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	324.5	341.9	365.9
EBITDA	43.62	51.22	38.21	26.61	35.21	41.71
EBIT	19.62	24.33	19.25	-16.50	7.91	14.41
Pre-tax income	15.99	11.71	22.31	-22.50	3.91	11.41
Net income	13.23	8.24	19.96	-16.42	2.97	8.67
Adj. net income	13.41	16.31	10.90	2.10	2.97	8.67
Cash flow (EUR M)	2020A	2021A	2022A	2023E	2024E	2025E
Net income before minorities	13.2	8.2	20.0	-16.4	3.0	8.7
Depreciation and provisions	24.0	26.9	19.0	43.1	27.3	27.3
Others/Uses of funds	-3.8	-1.7	-0.7	-21.8	1.3	-17.3
Change in working capital	-14.8	4.4	-28.3	11.5	-1.4	6.7
Operating cash flow	18.6	37.8	9.9	16.4	30.3	25.4
Capital expenditure	-12.7	-26.1	-26.4	-15.0	-24.0	-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	1.4	6.3	7.4
Dividends	-3.5	-6.9	-7.3	0	0	0
Equity changes & Non-op items	-11.3	4.2	0	-15.8	0	0
Net change in cash	-37.4	9.0	-23.8	-14.4	6.3	7.4
Balance sheet (EUR M)	2020A	2021A	2022A	2023E	2024E	2025E
Net capital employed	269.0	260.4	296.0	294.0	290.7	295.5
of which associates	0	0	0	0	0	0
Net debt/-cash	115.8	106.7	130.5	144.9	138.7	134.8
Minorities	0	0	0	0	0	0
Net equity	153.2	153.7	165.5	149.1	152.0	160.7
Minorities value	0	0	0	0	0	0
Enterprise value	240.5	321.0	315.1	221.8	215.5	211.6
Stock market ratios (x)	2020A	2021A	2022A	2023E	2024E	2025E
Adj. P/E	9.3	13.1	16.9	36.7	25.9	8.9
P/CFPS	6.7	5.7	13.3	4.7	2.5	3.5
P/BVPS	0.81	1.4	1.1	0.52	0.51	0.48
Payout (%)	52	46	0	0	0	130
Dividend yield (% ord)	5.6	3.5	0	0	0	14.7
FCF yield (%)	-18.0	5.5	-8.9	1.8	8.1	5.1
EV/sales	0.75	0.84	0.80	0.68	0.63	0.58
EV/EBITDA	5.5	6.3	8.2	8.3	6.1	5.1
EV/EBIT	12.3	13.2	16.4	Neg.	27.2	14.7
EV/CE	0.89	1.2	1.1	0.75	0.74	0.72
D/EBITDA	2.7	2.1	3.4	5.4	3.9	3.2
D/EBIT	5.9	4.4	6.8	Neg.	17.5	9.4
Profitability & financial ratios (%)	2020A	2021A	2022A	2023E	2024E	2025E
EBITDA margin	13.6	13.5	9.7	8.2	10.3	11.4
EBIT margin	6.1	6.4	4.9	-5.1	2.3	3.9
Tax rate	17.3	29.6	10.6	27.0	24.0	24.0
Net income margin	4.1	2.2	5.1	-5.1	0.9	2.4
ROCE	7.3	9.3	6.5	-5.6	2.7	4.9
ROE	8.8	5.4	12.5	-10.4	2.0	5.5
Interest cover	5.0	1.7	4.1	-2.7	2.0	4.8
Debt/equity ratio	75.5	69.5	78.9	97.2	91.2	83.9
Growth (%)		2021A	2022A	2023E	2024E	2025E
Sales		18.6	3.4	-17.5	5.4	7.0
EBITDA		17.4	-25.4	-30.4	32.4	18.5
EBIT		24.0	-20.9	NM	NM	82.1
Pre-tax income		-26.8	90.6	NM	NM	NM
Net income		-37.7	NM	NM	NM	NM
Adj. net income		21.6	-33.2	-80.8	41.8	NM

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

ESG Matrix

SIT - ESG Matrix

Main KPIs		2020	2021	2022	Target
E	Emissions				
	CO2eq (Scope 1) tons k	5.0	5.7	4.8	Scope 1 and Scope 2: -12% CO2 emissions
	CO2eq (Scope 2 location based) tons k	9.3	11.1	11.1	NA
	CO2eq (Scope 2 market based) tons k	11.7	14.2	14.0	The % reduction will be defined for every single project
	Circular Economy				
	Total hazardous waste	653.0	643.0	432.0	NA
	% of total waste	16.2	16.2	11.6	NA
	% Electricity from renewable	NA	NA	NA	Assessment and definition of energy saving actions for every plan in Italy
	Water withdrawals (m3/ton)	126.5	142.6	138.2	NA
	Notes (Environmental):				
S	Women in leadership roles (%)	8.6	10.5	9.5	NA
	Training hrs per capita (No.)	24.2	27.4	25.8	NA
	Turnover ratio (%)	44.8	48.9	43.9	NA
	Work related injuries per M of working hours	3.5	4.2	3.9	NA
	Ethical code	Yes	Yes	Yes	\\
G	Independent directors' rate (%)	57.1	57.1	57.1	NA
	Women in BoD (%)	42.9	42.9	42.9	NA
	Anti-corruption	Yes	Yes	Yes	\\
	Management Remuneration Policy linked to ESG goals	Yes	Yes	Yes	\\
	ESG Report	Yes	Yes	Yes	\\
	Shareholders'/Consulting Agreement	No	No	No	\\
	Loyalty Shares	No	No	No	\\

Note: the indicators +/- refer to how the company, in ISP view, is progressing towards its targets and/or vs. its historic trend; //: no explicit targets; Source: Company data and Intesa Sanpaolo Research elaboration

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

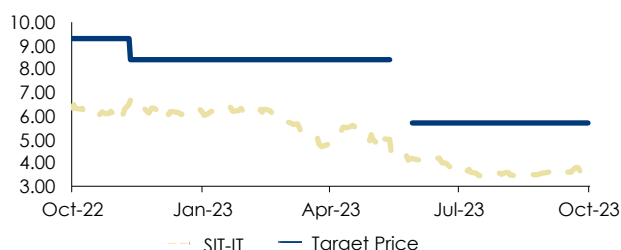
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Target price and market price trend (-1Y)**Historical recommendations and target price trend (-1Y)**

Date	Rating	TP (EUR)	Mkt Price (EUR)
02-Jun-23	BUY	5.7	4.2
19-May-23	Under Review	Under Review	4.3
15-Nov-22	BUY	8.4	6.7

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Intesa Sanpaolo Research Dept.

Gregorio De Felice - Head of Research	+39 02 8796 2012	gregorio.defelice@intesasnpaolo.com
--	------------------	-------------------------------------

Equity&Credit Research

Alberto Cordara	+39 02 4127 8647	alberto.cordara@intesasnpaolo.com
Giampaolo Trasi	+39 02 8794 9803	giampaolo.trasi@intesasnpaolo.com

Equity Research

Monica Bosio (Head)	monica.bosio@intesasnpaolo.com
Alberto Artoni	alberto.artoni@intesasnpaolo.com
Luca Bacoccoli	luca.bacoccoli@intesasnpaolo.com
Davide Candela	davide.candela@intesasnpaolo.com
Oriana Cardani	oriana.cardani@intesasnpaolo.com
Marco Cristofori	marco.cristofori@intesasnpaolo.com
Antonella Frongillo	antonella.frongillo@intesasnpaolo.com
Renato Gargiulo	renato.gargiulo@intesasnpaolo.com
Manuela Meroni	manuela.meroni@intesasnpaolo.com
Elena Perini	elena.perini@intesasnpaolo.com
Bruno Permutti	bruno.permutti@intesasnpaolo.com

Corporate Broking Research

Alberto Francese (Head)	alberto.francese@intesasnpaolo.com
Gabriele Berti	gabriele.berti@intesasnpaolo.com
Giada Cabrino	giada.cabrino@intesasnpaolo.com
Davide Rimini	davide.rimini@intesasnpaolo.com
Arianna Terazzi	arianna.terazzi@intesasnpaolo.com

Credit Research

Maria Grazia Antola (Head)	maria.antola@intesasnpaolo.com
Alessandro Chiodini	alessandro.chiodini@intesasnpaolo.com
Dario Fasani	dario.fasani@intesasnpaolo.com
Melanie Gavin	melanie.gavin@intesasnpaolo.com
Maria Gabriella Tronconi	maria.tronconi@intesasnpaolo.com
Barbara Pizzarelli (Research Support)	barbara.pizzarelli@intesasnpaolo.com

Technical Analysis

Corrado Binda	corrado.binda@intesasnpaolo.com
Sergio Mingolla	antonio.mingolla@intesasnpaolo.com

Clearing & Data Processing

Anna Whatley (Head)	anna.whatley@intesasnpaolo.com
Stefano Breviglieri	stefano.breviglieri@intesasnpaolo.com
Maria Ermakova	maria.ermakova@intesasnpaolo.com
Annita Ricci	annita.ricci@intesasnpaolo.com
Wendy Ruggeri	wendy.ruggeri@intesasnpaolo.com
Elisabetta Bugliesi (IT support)	elisabetta.bugliesi@intesasnpaolo.com

Intesa Sanpaolo – IMI Corporate & Investment Banking Division

Bernardo Bailo - Head of Global Markets Sales	+39 02 7261 2308	bernardo.bailo@intesasnpaolo.com
--	------------------	----------------------------------

Equity Sales

Giorgio Pozzobon	+39 02 7261 5616	giorgio.pozzobon@intesasnpaolo.com
-------------------------	------------------	------------------------------------

Institutional Sales

Catherine d'Aragon	+39 02 7261 5929	catherine.daragon@intesasnpaolo.com
Francesca Bonacina	fancesca.bonacina1@intesasnpaolo.com	
Carlo Cavalieri	+39 02 7261 2722	carlo.cavalieri@intesasnpaolo.com
Laurent Kieffer	+44 20 7651 3653	laurent.kieffer@intesasnpaolo.com
Roberta Pupeschi	+39 02 7261 6363	roberta.pupeschi@intesasnpaolo.com
Federica Repetto	+39 02 7261 5517	federica.repetto@intesasnpaolo.com
Fabrizio Tito	+39 02 7261 7152	fabrizio.tito@intesasnpaolo.com
Mark Wilson	+39 02 7261 2758	mark.wilson@intesasnpaolo.com
Paola Parenti (Corporate Broking)	+39 02 7265 6530	paola.parenti@intesasnpaolo.com
Francesco Riccardi (Corporate Broking)	+39 02 7261 5966	francesco.riccardi@intesasnpaolo.com
Laura Spinella (Corporate Broking)	+39 02 7261 5782	laura.spinella@intesasnpaolo.com
Alessandro Bevacqua	+39 02 7261 5114	alessandro.bevacqua@intesasnpaolo.com
Lorenzo Pennati (Sales Trading)	+39 02 7261 5647	lorenzo.pennati@intesasnpaolo.com

Equity Derivatives Institutional Sales

Emanuele Manini	+39 02 7261 5936	emanuele.manini@intesasnpaolo.com
Enrico Ferrari	+39 02 7261 2806	enrico.ferrari@intesasnpaolo.com
Stefan Gess	+39 02 7261 5927	stefan.gess@intesasnpaolo.com
Edward Lythe	+44 20 7894 2456	edward.lythe@intesasnpaolo.com
Ferdinando Zamprotta	+39 02 7261 5577	ferdinando.zamprotta@intesasnpaolo.com

Gherardo Lenti Capoduri – Head of Market Hub	+39 02 7261 2051	gherardo.lenticapoduri@intesasnpaolo.com
---	------------------	--

E-commerce Distribution

Massimiliano Raposio	+39 02 7261 5388	massimiliano.raposio@intesasnpaolo.com
----------------------	------------------	--

Intesa Sanpaolo IMI Securities Corp.

Greg Principe (Equity Institutional Sales)	+1 212 326 1233	greg.principe@intesasnpaolo.com
---	-----------------	---------------------------------