SIT (BUY)

Results Preview

Possible Surprise	Positive	Neutral	Negative

Results due on 9 November: Our 9M23E estimates take into account the FY23 outlook provided by the company at its 1H23 results presentation, which foresees: Smart gas Metering sales up high double-digits, thanks to key projects with domestic customers; Water Metering sales up between 10% and 15%; Heating and Ventilation sales down further in 2H23E yoy vs. 1H23 yoy (no positive seasonality). Therefore, total sales are expected further down vs. 1H23 yoy. Cost reductions are already in place with structural effects from the beginning of FY24E. The FY23E adjusted EBITDA margin is expected below double-digit (or below 10%). YE23 net debt should be in line with 1H23. Management is working on projects to accelerate internationalisation and redesign the business portfolio, targeting growth segments and cash generation. We expect total revenues to decrease by 23% yoy in 3Q23E (Heating and Ventilation -32% yoy; Metering up 18% yoy) and EBITDA to reach EUR 6.9M. We point out that in 1H23, EBIT 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. Therefore, our expected 9M23E EBIT is negative for EUR -17M.

What we think: We expect the company to confirm its FY23 guidance and to give some flavour on the industry's overall trend.

SIT - Key Data

01/11/2023			Engineering
Target Price (€)			4.2
Rating			BUY
Mkt price (€)			2.06
Mkt cap (EUR M)			52
Main Metrics (€ M)	**2023E**	**2024E**	**2025E**
Revenues	324.5	341.9	365.9
EBITDA	26.61	35.21	41.71
EPS (EUR)	0.08	0.12	0.35
Net debt/-cash	144.9	138.7	134.8
Ratios (x)	**2023E**	**2024E**	**2025E**
Adj. P/E	24.7	17.4	6.0
EV/EBITDA	7.4	5.4	4.5
EV/EBIT	Neg.	24.1	12.9
Debt/EBITDA	5.4	3.9	3.2
Div yield (%)	0	0	21.8
Performance (%)	**1M**	**3M**	**12M**
Absolute	-42.3	-42.5	-66.2
Rel. to FTSE IT All Sh	-41.2	-38.3	-71.9

Source: FactSet, Company data, Intesa Sanpaolo Research estimates

Intesa Sanpaolo is Corporate Broker to SIT

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SIT – 3Q/9M23 preview

EUR M	3Q22A	3Q23E	yoy %	9M22A	9M23E	yoy %
Total revenues	**95.7**	**73.7**	**-23.0**	**290.4**	**240.6**	**-17.2**
o/w Heating and Ventilation	77.0	52.3	-32.0	234.8	175.7	-25.2
o/w Metering	17.3	20.4	18.0	51.4	62.7	22.0
EBITDA Adj.	11.8	6.9	-41.4	35.6	20.1	-43.5
Margin (%)	12.3	9.4		12.3	8.4	
EBIT	-4.0	1.9	NM	6.5	-17.0	NM
Margin (%)	NM	NM		2.3	NM	
Pre-tax	-5.4	0.1	NM	11.4	-22.7	-298.5
Net Result attr.	-3.7	0.8	NM	10.5	-17.4	NM
Net Result adjusted	2.1	0.8	NM	8.2	2.4	-70.5
Net debt	138.7	154.0		138.7	154.0	

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