



**10 November 2023**

**SIT (N) – 3Q23 results and FY guidance overall in line with MBe on P&L. Touch higher NFP**

SIT published yesterday its full set of 3Q/9M23 results followed by a conference call. As for the main figures, we highlight:

- 3Q23 sales were €75m, a touch below our expectation of €78m, implying an YoY decline of 21%. By business division, Heating & Ventilation continued its declining path with -c.30% YoY in the quarter. On the other hand, Smart Metering grew supported by both Gas (+32% YoY) and Water (+12% YoY);
- 3Q23 adj. EBITDA came in at €7.5m with an EBITDA margin of 9.9%. This compares to our estimate of €7.8m EBITDA and 10.0% margin and with last year's €11.8m EBITDA and 12.3% EBITDA margin. Profitability was up QoQ as 2Q23 EBITDA margin was 7.4%;
- 9M bottom line was €0.9m from €8.2m last year. MBe pointed to €1.9m;
- As expected, NFP increased QoQ to €159m, touch above MBe of €152m. It was €146m at the end of June.

Company finally provided a more detailed guidance which includes: i) revenues down -18/21% YoY (MBe €321m, implying -18.4%), ii) adj. EBITDA margin in the range 9-10% (MBe €30.1m EBITDA, with 9.4% margin), iii) NFP at around €150m (MBe €144m). The projected sales trend should be the result of: -25/30% in Heating & Ventilation, +20/25% in Gas Metering and +10/15% in Water Metering. Company finally informed that its Dutch subsidiary implemented the formal request to the competent employee participation body for consultation regarding the downsizing of the local production facility. Completion of the process is expected in 1H24.

SIT's 3Q results were overall in line with our estimates at the P&L level and the provided guidance is aligned to our projections for FY23. NFP was slightly above expectations. By product category worth to highlight that Heating continued to decline impacted by destocking and regulatory uncertainties while Metering posted another positive quarter. Beyond 3Q23 results, main takeaways from the conference call, in our view, were i) profitability started to benefit from cost control actions which will support profitability in the next quarters, among these, we flag a different organization of the industrial footprint more skewed towards Tunisia, ii) Heating & Ventilation was down over -50% in Italy also burdened by direct heating, including pellet stoves, iii) European Heating market is expected to decline almost 30% in 4Q in both boilers and heat pumps, iv) company strategy remain centred on internationalization and new products. We have a Neutral rating on the name.

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