

**SIT (BUY)****Energy Performance of Buildings Directive Update**

Market Mover (SIT-IT)	Positive	Neutral	Negative
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**What's up?** The European Parliament and the European Council reached a provisional agreement on 7 December to reduce emissions and energy use in buildings across the EU, through the strengthened Energy Performance of Buildings Directive (EPBD). Some takeaways from the European Commission's press release:

- Each Member State will adopt its own national trajectory to reduce the average primary energy use in residential buildings by 16% by 2030 and by 20-22% by 2035, allowing national circumstances to be taken into account. Member states can choose which buildings to target and measures to take. National measures will have to ensure that at least 55% of the decrease in the average primary energy use is achieved through the renovation of the worst-performing buildings. For non-residential buildings, the revised rules require a gradual improvement via the minimum energy performance standards. This will lead to renovating 16% of the worst-performing buildings by 2030 and 26% by 2033;
- The revised EPBD contains measures to improve both the renovations' strategic planning and the tools for such renovations;
- The agreement will help the EU to phase out in a gradual manner boilers, powered by fossil fuels. Subsidies for such boilers' installation will be banned from 1 January 2025. The revised directive introduces a clear legal basis for the member states to set requirements for heat generators based on greenhouse gas emissions, the type of fuel used, or the minimum share of renewable energy used for heating. Member states will also have to set specific measures for phasing out fossil fuels in heating and cooling, with a target to phase out the fossil fuels-powered boilers by 2040.

The revised directive will make zero-emission buildings the standard for new buildings as of 1 January 2028 for publicly-owned buildings and as of 1 January 2030 for all other new buildings, with some possibility for exemptions.

Member states will also have to ensure that new buildings are solar-ready, meaning that they need to be fit for rooftop photovoltaic or solar thermal installations.

Next steps: the provisional agreement now requires the formal adoption by the European Parliament and the Council. Once this process is completed, the new legislation will be published in the Official Journal of the Union and enter into force.

**What we think:** The revised Directive outlines as a discriminating factor the type of fuel used, instead of the use (or ban) of heat boilers. It introduces a clear legal framework for member states to set the requirements for heat generators on the basis of greenhouse gas emissions, the type of fuel used, and the minimum share of renewable energy used for heating. Moreover, the phase-out of fossil fuels is postponed vs. the previously expected expiry date. We believe that SIT could benefit from the EPBD Directive since it is well equipped with components for hybrid boilers (working with biomethane, green hydrogen, blended solutions...), which could be considered among the best solutions in building renovations. It is also investing in heat pumps, a heating solution used in new buildings. **Rating BUY and TP EUR 4.2.**

**SIT - Key Data**

11/12/2023	Engineering		
Target Price (€)	4.2		
Rating	BUY		
Mkt price (€)	3.43		
Mkt cap (EUR M)	86		
<b>Main Metrics (€ M)</b>			
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
<b>Ratios (x)</b>			
Adj. P/E	41.1	29.0	9.9
EV/EBITDA	8.7	6.4	5.3
EV/EBIT	Neg.	28.4	15.3
Debt/EBITDA	5.4	3.9	3.2
Div yield (%)	0	0	13.1
<b>Performance (%)</b>			
Absolute	66.5	-5.2	-44.3
Rel. to FTSE IT All Sh	55.9	-11.6	-54.9

Source: FactSet, Company data, Intesa Sanpaolo Research estimates

Intesa Sanpaolo is Corporate Broker to SIT

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