SIT (BUY) SIT IM; SIT-IT

2Q26: Guidance Intact, Strong NFP improvement

Vs. our estimates (SIT-IT)	Above	In Line	Below

Results. SIT released mixed 2Q26 results, with revenues down and broadly in line with our estimates, driven by H&V's positive seasonality skewed towards 2H and short-term delivery policies by the main customer, which affected Smart Gas Metering's 2Q26 revenues. 2Q26 EBITDA margin was lower than our estimates. However, the operating cash flow in the semester was very strong and led to an unexpected reduction in net debt to EUR 125.8M. In detail:

- **H&V Division revenues decreased by 4.3% in 2Q26 yoy (-3.9% at constant forex) and by 1.6% yoy in 1H26 (flat at constant forex).** Sales in Italy decreased by 12.7% yoy, showing the same mix as in 1Q26 (positive Direct Heating and Ventilation, negative Central Heating); sales in Europe continued their trend, marking the third consecutive quarter of yoy growth (+6.4% yoy in 2Q26, driven by Turkey and Central Europe); sales in America dropped by 4.5% in 2Q26 yoy (-6.5% yoy in 1H26, -1.7% at constant forex), with growing Direct Heating and weak Central Heating and Storage Water Heating. APAC still down double digit. 2Q26 Metering Division sales were affected by short-term delivery policies by SIT's main customer in gas metering: Smart Gas Metering revenues decreased by 18.8% to EUR 14M while Water Metering sales grew by 12.9% yoy to EUR 9.2M.
- **EBITDA in 2Q26 decreased by 22.6%** (EBITDA is reported, and our estimate is also on a reported basis, with no adjustments) and includes the impact of the MBO (management incentive plan) after 2 years of absence; excluding this impact, EBITDA margin would be in line with our expectations (according to our calculations on MBO amount) and would have reflected basically lower volumes yoy. In 1H26, EBITDA margin was up 40bps;
- **SIT closed 1H26 with a small profit** (below our estimates, due to lower EBIT and higher taxes than expected) vs. a small loss in 1H25;
- **Net Trade Working Capital** change generated EUR 5.9M cash (EUR10.3M cash absorption in1H25) thanks to better management of receivables and payables. Capex was EUR 5.6M (vs. EUR 3.6M in 1H25);
- **Operating cash flow** was EUR 15.9M vs. EUR 1.3 M in 1H25, leading the net debt to EUR 125.8M, better than expected. SIT completed an EUR 100M refinancing agreement to optimize the debt profile and support future growth and investments;
- **Guidance for FY26 was confirmed:** revenues up low single digit yoy (mid-single digit in 2H26, driven by good visibility in H&V for 3Q26 and business seasonality and Metering trend in line with 2Q26). Profitability improvement (given the cost base under control in 1H26 and better operating leverage, which paves the way for margin expansion). Strong earnings improvement. Net debt at YE26 expected at EUR 130M.

What we think: The guidance was confirmed, so we see limited read-through from 2Q26. Furthermore, we believe the introduction of an MBO reinforces the credibility of management's guidance. **Rating BUY and TP EUR 3.4.**

SIT - Key Data

06/08/2026			Engineering
Target Price (EUR)			3.4
Rating			BUY
Mkt price (EUR)			2.7
Mkt cap (EUR M)			67.0
Main Metrics (EUR M)	**2026E**	**2027E**	**2028E**
Revenues	327.4	351.5	373.7
EBITDA	43.82	47.46	50.82
EPS (EUR)	0.27	0.43	0.53
Net debt/-cash	130.3	119.0	108.7
Ratios (x)	**2026E**	**2027E**	**2028E**
Adj. P/E	10.0	6.3	5.0
EV/EBITDA	4.5	3.9	3.5
EV/EBIT	11.7	9.0	7.4
Debt/EBITDA	3.0	2.5	2.1
Div yield (%)	0	0	0
Performance (%)	**1M**	**3M**	**12M**
Absolute	23.6	-1.1	121.6
Rel. to FTSE IT All Sh	22.4	-10.1	71.0

Source: FactSet, Company data, Intesa Sanpaolo Research estimates

Intesa Sanpaolo SpA is Corporate Broker to SIT

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