

SIT

Transitional FY24 Ahead of New Projects' Full Impact

While we see a still tough 1H24 for SIT, 2H24 should record some improvement and FY25 should benefit from a stronger Water Metering business. The reorganization plan should safeguard profitability and help generate cash already this year to help reduce the still high debt. The long-awaited normalisation of the heating sector supply chain may also materialise, in our view, while a wide range of new business projects, not fully incorporated in our estimates, should have a small positive impact already in FY25E.

FY23 and 1Q24 results reflected the heating sector's weakness

FY23 and 1Q24 revenues fell by roughly the same extent with no sequential quarterly improvement, reflecting the Heating and Ventilation division's lower volumes. Unclear regulation at the European level, an end to fiscal support in Italy, as well as high inflation and interest rates weighed on the overall heating sector. The US market's performance was hit by the contraction in new home sales, which affected demand for Direct Heating (especially fireplaces for which SIT is a leading components producer in the US). Storage Water Heating product sales were also down. Smart Gas Metering and Water Metering divisions performed well both in FY23 and 1Q24. Net debt was still high at the end of March 2024 but we note the main shareholder's reiterated commitment to reducing it.

Reorganisation and new projects may help offset H&V late customer restocking

SIT has completed the internal reorganisation to contain its cost base and it has expanded into new, complementary businesses through new partnerships. We see FY24E as transitional, with efforts on the cost base feeding through on the EBITDA margin, seen up by 100/200bps yoy, according to management who also pointed to a net debt improvement. We should have more visibility on the Heating and Ventilation division's potential long-awaited normalisation in July/August when customers start placing orders. Given the current low visibility, we forecast the division's FY25E revenues as flat/slightly up. The Metering division's revenues should increase at a double digit due to the SmartIO water meter's rollout. We also expect SIT's JVs to have a positive yet small impact on FY25E, although they are not included in our forecasts.

Estimates' trimming and valuation

We moved to a fully DCF-based valuation for SIT, which we think better represents the company's fundamentals vs. our previous blended multiples/DCF valuation method. Following our estimates' trimming, we set a **new target price of EUR 2.2** (WACC= 8.9%, g= 1.5%).

SIT – Key data

| Y/E Dec (EUR M) | 2022A | 2023A | 2024E | 2025E |
|-------------------|-------|--------|-------|-------|
| Revenues | 393.3 | 326.3 | 329.1 | 347.3 |
| EBITDA | 38.21 | 21.68 | 32.92 | 35.91 |
| EBIT | 10.56 | -25.22 | 1.82 | 4.50 |
| Net income | 11.21 | -23.39 | -3.24 | 0.37 |
| Adj. EPS (EUR) | 0.43 | -0.02 | -0.13 | 0.01 |
| Net debt/-cash | 130.5 | 153.7 | 147.2 | 141.9 |
| Adj P/E (x) | 16.9 | Neg. | Neg. | NM |
| EV/EBITDA (x) | 8.2 | 12.0 | 5.9 | 5.3 |
| EV/EBIT (x) | 29.9 | Neg. | NM | 42.2 |
| Div ord yield (%) | 0 | 0 | 0 | 0 |
| FCF Yield (%) | -10.4 | -16.0 | -5.7 | 8.6 |

Source: Company data and Intesa Sanpaolo Research estimates. Priced at 17/06/2024

18 June 2024: 10:47 CET

Date and time of production

BUY

Target Price: EUR 2.2
(from EUR 4.2)

Italy/Engineering & Machinery
Company Results

EXM

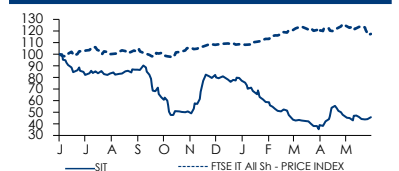
SIT - Key Data

| Price date (market close) | 17/06/2024 |
|---------------------------|------------|
| Target price (€) | 2.2 |
| Target upside (%) | 14.58 |
| Market price (€) | 1.92 |
| Market cap (EUR M) | 48.21 |
| 52Wk range (€) | 4.20/1.49 |

EPS – DPS changes

| (€) | 2024E | 2025E | 2024 | 2025 |
|-------|--------|-------|------|---------|
| | EPS ▼ | EPS ▼ | chg% | chg% |
| Curr. | -0.129 | 0.015 | NM | NM |
| Prev. | 0.118 | 0.345 | - | - |
| | DPS = | DPS ▼ | chg% | chg% |
| Curr. | 0.000 | 0.000 | - | -100.00 |
| Prev. | 0.000 | 0.450 | - | - |

Price Perf. (RIC: SIT.MI BB: SIT IM)



Source: FactSet and Intesa Sanpaolo Research estimates

Intesa Sanpaolo Research Dept.

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Latest Events: Results

- FY23 revenues decreased by 17% yoy (-18.2% in 4Q23 yoy). Heating and Ventilation revenues dropped by 25.8% (-28.1% yoy in 4Q23, reflecting the positive seasonality typical of 2H). There was a trend reversal in 4Q23 in the Heating end-market, but SIT's customers did not restock, and the improvement did not translate into an increase in product sales. The division's 1Q24 revenues were down double digit (-23.6% yoy). The company stated that some geographies performed ahead of budget;
- The Metering division performed strongly (+22% yoy), with Smart Gas Metering at EUR 60M (+24% yoy in FY23), thanks to the strong positioning on the Italian market and positive cycle, and Water Metering at EUR 28.6M (+18.5% yoy). 1Q24 sales increased by 1.4% yoy, reflecting the flat performance of Smart Gas Metering with a robust 2024 backlog at around EUR 57M, and a 9.1% increase in Water Metering sales;
- FY23 adj. EBITDA was EUR 29M, down 38.5% yoy due to the negative impact of lower volumes, only partially offset by the Metering division's positive performance and by the overall cost base streamlining. EBITDA reported was EUR 21.7M and included restructuring costs (e.g. the parent company's reorganisation and the Dutch production facility shutdown). EBIT was negative for EUR 25.2M, affected by the Heating division's goodwill write-down. 1Q24 EBITDA declined 23.4% yoy (9.2% on total revenues, down 70bps yoy); EBIT was negative for EUR 0.493M;
- FY23 net income was negative for EUR 23.4M (EUR -0.3M adj. net income) after EUR 6.9M of financial charges and EUR 7.9M in tax revenues thanks to deferred tax assets; in 1Q24 total financial charges were EUR 1.6M. After positive taxes (EUR 0.206M), the net loss was EUR 1.8M;
- YE23 net debt was EUR 153.7M after EUR 14.9M cash flow from operations' absorption (including the cash-out for a settlement with a customer that occurred in 1Q23 and EUR 23M capex), despite a more supportive net working capital impact vs. FY22. Net debt at March-end increased to EUR 161.1M on the back of a EUR 6M net trade working capital absorption (heating and ventilation inventory seasonality and inventories build up for smart Gas Metering; flat payables and receivables but different use of factoring in 1Q24) and EUR 4.4M capex;
- Debt renegotiation: SIT signed amending agreements on some bank financing aimed at extending the debt maturity by 2 years, re-modulating the repayment profile, and redefining the financial covenants related to the mid-term financing. Moreover, SIT's main shareholder Technologies S.A.P.A. (52.88%-ownership) provided a EUR 5M shareholder loan (5% annual rate interest, with capitalisation of related financial charges and convertible into SIT's capital and/or equity).

SIT – 4Q/FY23 results

| EUR M | 4Q22A | 4Q23E | 4Q23A | yoy % | A/E % | FY22A | FY23E | FY23A | yoy % | A/E % |
|-----------------------------|--------------|-------------|-------------|--------------|------------|--------------|--------------|--------------|--------------|------------|
| Total revenues | 102.9 | 82.4 | 84.2 | -18.2 | 2.2 | 393.3 | 324.5 | 326.3 | -17.0 | 0.6 |
| o/w Heating and Ventilation | 80.5 | 55.4 | 57.9 | -28.1 | 4.5 | 315.3 | 231.5 | 234.0 | -25.8 | 1.1 |
| o/w Smart Metering | 21.1 | 24.6 | 24.7 | 16.8 | 0.2 | 72.5 | 88.6 | 88.6 | 22.2 | 0.0 |
| EBITDA Adj. | 11.5 | 6.7 | 7.0 | -38.9 | 5.0 | 47.1 | 28.6 | 29.0 | -38.5 | 1.3 |
| Margin (%) | 11.2 | 8.1 | 8.4 | | | 12.0 | 8.8 | 8.9 | | |
| EBIT | 4.2 | 3.7 | -5.0 | | | 10.6 | -16.5 | -25.2 | | |
| Margin (%) | 4.1 | 4.5 | | | | 2.7 | | | | |
| Net Result | 0.7 | 3.0 | -4.0 | | | 11.2 | -16.4 | -23.4 | | |
| Net debt | 130.5 | 144.9 | 153.7 | | | 130.6 | 144.9 | 153.7 | | |

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

SIT – 1Q24 results

| EUR M | 1Q23A | 1Q24E | 1Q24A | yoy % | A/E % |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|
| Total revenues | 83.6 | 68.8 | 69.0 | -17.4 | 0.4 |
| o/w Heating and Ventilation | 62.7 | 47.0 | 47.9 | -23.6 | 1.9 |
| o/w Smart Metering | 20.4 | 21.2 | 20.7 | 1.4 | -2.5 |
| EBITDA | 8.3 | 6.1 | 6.4 | -23.4 | 3.5 |
| Margin (%) | 9.9 | 9.0 | 9.2 | | |
| EBIT | 1.6 | -0.8 | -0.5 | | |
| Margin (%) | 1.9 | | | | |
| Net Result | 1.3 | -2.2 | -1.8 | | |
| Net debt | 143.1 | 160.0 | 161.1 | | |

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

FY24 Outlook and Estimates' Revision

Company FY24 guidance

SIT provided a positive outlook for the Metering division, seeing high single-digit growth yoy thanks to the awarded tenders and positive cycle. The Heating and Ventilation division should recover by the year-end with improvements qoq and 2Q24 down at a single digit, with 2H24 increasing vs. 1H24. The company's focus is on EBITDA and net debt containment. EBITDA should benefit thanks to EUR 2M of structural cost savings and EUR 2.5M in plant reorganisation, with EBITDA improving by 100/200 bps yoy. Capex should be in the range of EUR 20/25M and net debt at YE24 should be around EUR140/147M.

Estimates' revision

Our FY24E estimates are broadly aligned with the company's guidance, which we see as achievable given SIT's internal reorganisation to contain its cost base in response to the sluggish heating end-market and the operating leverage triggered by the Tunisian plant; we do not expect one-off costs in FY24E. We expect net debt improvement driven by higher free cash flow generation yoy and lower net working capital absorption vs. FY23.

There should be more visibility on a possible normalization in the Heating and Ventilation division in July/August when customers start placing the bulk of their orders. Given the current low visibility, we forecast FY25E Heating and Ventilation division's revenues flat/slightly up and see the Metering division's revenues up double digit thanks to the SmartIO water meter's rollout in Italy and other selected European markets. We point out that around EUR 900M of NRRP (National Recovery and Resilience Plan) funds are allocated in Italy to support water waste reduction, with meter substitution among the most important projects. We forecast further debt reduction, based on the progressively better free cash flow generation. While not included in our forecast, we expect SIT JVs, namely Panasonic JV, MBT JV, Hybitat (end of 2025), to have a positive yet small impact in FY25E.

SIT – New vs. old estimates FY24/25E

| EUR M | 2024E Old | 2024E New | 2024E New/Old % | 2025E Old | 2025E New | 2025E New/Old % |
|--------------------------------|--------------|--------------|--------------------|--------------|--------------|--------------------|
| Total sales | 341.9 | 329.1 | -3.8 | 365.9 | 347.3 | -5.1 |
| Core sales | 337.4 | 325.3 | -3.6 | 361.4 | 343.5 | -4.9 |
| o/w Heating and Ventilation | 238.4 | 230.6 | -3.3 | 250.4 | 235.2 | -6.1 |
| o/w Smart Metering | 99.0 | 94.8 | -4.3 | 111.0 | 108.3 | -2.4 |
| EBITDA Adj. | 35.2 | 32.9 | -6.5 | 41.7 | 35.9 | -13.9 |
| % margin on total sales | 10.3 | 10.0 | | 11.4 | 10.3 | |
| EBIT | 7.9 | 1.8 | -76.9 | 14.4 | 4.5 | -68.7 |
| % margin on total sales | 2.3 | 0.6 | | 3.9 | 1.3 | |
| Net result | 3.0 | -3.2 | -209.0 | 8.7 | 0.4 | -95.8 |
| Net result Adj. | 3.0 | -3.2 | -209.0 | 8.7 | 0.4 | -95.8 |
| Net Debt/-Cash | 138.7 | 147.2 | | 134.8 | 141.9 | |

E: estimates; Source: Intesa Sanpaolo Research estimates

SIT – New estimates FY24/25E

| EUR M | 2023A | 2024E | yoy % | 2025E | yoy % |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|
| Total sales | 326.3 | 329.1 | 0.9 | 347.3 | 5.5 |
| Core sales | 322.6 | 325.3 | 0.8 | 343.5 | 5.6 |
| o/w Heating and Ventilation | 234.0 | 230.6 | -1.5 | 235.2 | 2.0 |
| o/w Smart Metering | 88.6 | 94.8 | 7.0 | 108.3 | 14.3 |
| EBITDA Adj. | 29.0 | 32.9 | 13.6 | 35.9 | 9.1 |
| % margin on total sales | 8.9 | 10.0 | | 10.3 | |
| EBIT | -25.2 | 1.8 | NM | 4.5 | 146.9 |
| % margin on total sales | | 0.6 | | 1.3 | |
| EBIT Adj. | 0.1 | 1.8 | NM | 4.5 | 146.9 |
| % margin on total sales | | 0.6 | | 1.3 | |
| Net result | -23.4 | -3.2 | NM | 0.4 | NM |
| Net result Adj. | -0.4 | -3.2 | NM | 0.4 | NM |
| Net Debt/-Cash | 153.7 | 147.2 | | 141.9 | |

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

Investments in Products and Innovation

The current environment

EU member states will have 2 years to incorporate the EPBD Directive (Energy Performance of Buildings Directive, whose implementation has not yet started by the Italian government) into single-state laws. The EPBD basic guidelines envisage an average reduction in primary energy use by residential buildings of 16% by 2030 vs. 2020 and of 20-22% by 2035, and a fully decarbonised building stock by 2050. As far as SIT is concerned, the agreement will help the EU to reach its target for the gradual phase-out of fossil fuel-powered boilers by 2040. Subsidies for the installation of such boilers' will be banned from 1 January 2025.

SIT projects (a recap)

- **Ventilation** has become part of SIT's core business to improve the gas, hybrid, biomethane, and hydrogen heating systems' efficiency and develop indoor ventilation and air quality solutions. With its current know-how, SIT is moving towards new market segments to proactively respond to customer needs;
- **Metering:** In 2023, SIT launched the **SmartIO ultrasonic residential water meter**, developed in a joint venture with the Swiss technology partner GWF. It will be produced in the purpose-built factory in Lisbon from 2Q24;
- **Partnerships** have accelerated the company's entry into business segments complementary to traditional ones and increased the opportunities linked to competitive scenarios and regulatory changes:
 - SIT announced a partnership with **Panasonic** for the launch of a new complete fan solution for residential **heat pumps**. We expect the new fan to be on the market next year;
 - Through the **MBT JV**, SIT aims to position itself as a European leader in the design and production of **fans for cooker hoods, induction hobs, and pellet stoves**. Growth opportunities will arise from the upgrade of EU energy labels, defined by the ECOlabelling regulation, that will take effect from 1 January 2025. All manufacturers of hoods, induction hobs and kitchens will have to adapt their products to comply with the new legislation;
 - SIT has entered into an agreement with the **Optoi** group and its subsidiary Upsens in the field of air quality solutions, particularly in the **VMC segment** (Controlled Mechanical Ventilation);
 - SIT has participated in the "**Hybitat**" joint venture with e-Novia to develop a new system for the generation and **storage of green hydrogen** for residential use, which is expected to become one of the more effective ways to provide storage to homes and small businesses with clean energy for heating, ventilation, and air conditioning systems.

Some examples of new solutions already developed or under development

In terms of developments on gas combustion systems, the technical solution system Flexapro has been recognised by the market, according to management, as an important solution to better equip gas heatings in their role as a "bridge" towards decarbonisation as it can dynamically adapt to the type of fuel introduced: from methane to biogas, blend, up to 100% hydrogen.

In the gas fireplaces segment for the US market, an electronic platform for controlling fireplaces with new remote controls is under development and should replace a system that has been on the market for over 10 years.

In the Heating & Ventilation division, in collaboration with some customers SIT is testing a new advanced family of motors, suitable for boiler fans but also for motors dedicated to VMC (Controlled Mechanical Ventilation) and heat pump applications, where SIT's approach is to internalise the control electronics.

In Smart Gas Metering, SIT has obtained all product certifications for the UK market's new smart meters, which should also work with a 23% hydrogen mix.

In 2022, SIT's Metersit won Italgas Reti's tender to develop in 2023 a new generation of smart meters, which are scheduled to be released in 2024. Metersit has also developed an innovative gas meter for the industrial sector (G40), which will go on the market this year.

In our understanding, 50/60% of EUR 24M of expected FY24 capex should be allocated to new product development, namely smart gas meter (G40) industrialisation, the development of Panasonic, MBT JV, Hybitat and SmartIO JVs (ultrasonic water meter developed by Janz in cooperation with GWF).

Valuation

We moved to a fully DCF-based valuation for SIT, which we think better reflects the company's fundamentals vs. our previous blended multiples/DCF valuation method.

Following our estimates' revision, we set a **new target price of EUR 2.2**. Given an around 15% potential upside, **we confirm our BUY rating**. Our WACC is 8.9% and is based on a 3.75% risk-free rate, 6.5% market risk premium, 1.7x beta and 1.5% g.

SIT - WACC calculation (%)

| | |
|---------------------|------------|
| Risk free rate | 3.75 |
| Debt spread | 1.0 |
| Cost of debt [net] | 3.3 |
| Market risk premium | 6.5 |
| Beta (x) | 1.7 |
| Cost of equity | 14.8 |
| Weight of Debt | 51.8 |
| Weight of Equity | 48.2 |
| WACC | 8.9 |

Source: Intesa Sanpaolo Research estimates

SIT – DCF valuation

| | Valuation EUR M | % Weighting | Per share EUR |
|----------------------------------|-----------------|--------------|---------------|
| Sum of PV 2024-32 FCF | 73.4 | 34.5 | 2.9 |
| Terminal value | 139.6 | 65.5 | 5.6 |
| Total Enterprise value | 213.0 | 100.0 | 8.5 |
| - Pension Provision | -5.1 | | (0.2) |
| - Net cash/-debt 2023A | -153.7 | | (6.1) |
| Total Equity value | 54.2 | | 2.16 |
| Fully diluted number of shares M | 25.1 | | |
| Fair value per share EUR | 2.2 | | |

Source: Intesa Sanpaolo Research estimates

Peer's multiples: a quick overview

SIT – Peer comparison based on international peers

| x | Mkt Price | Mkt Cap. | P/E | | EV/EBITDA | |
|----------------------------|------------|-----------|-------------|-------------|-------------|--------------|
| | EUR | | EUR M | 2024E | 2025E | 2024E |
| Bucher Industries | 369.4 | 3,786 | 13.5 | 13.6 | 7.6 | 7.4 |
| Beijer Ref | 14.6 | 7,427 | 35.1 | 30.0 | 20.2 | 18.3 |
| Emerson Electric | 99.6 | 56,988 | 19.5 | 17.7 | 17.0 | 15.3 |
| Trane Technologies | 308.4 | 69,815 | 31.3 | 27.9 | 22.0 | 20.2 |
| Landis + Gyr | 78.0 | 2,254 | 15.9 | 13.9 | 9.7 | 8.6 |
| Lindab International | 21.4 | 1,689 | 22.2 | 16.5 | 11.9 | 10.2 |
| NIBE Industrier | 4.2 | 8,447 | 44.0 | 25.0 | 21.7 | 14.8 |
| Resideo Technologies | 18.3 | 2,666 | 10.2 | 9.5 | 6.3 | 6.0 |
| Schneider Electric | 221.2 | 127,002 | 26.4 | 23.4 | 17.3 | 15.6 |
| SPX Corporation | 126.4 | 5,843 | 25.3 | 22.5 | 16.9 | 15.2 |
| Sulzer | 123.8 | 4,241 | 15.1 | 14.0 | 8.6 | 8.0 |
| Weir Group | 23.9 | 6,197 | 16.7 | 14.9 | 10.6 | 9.7 |
| Average | | | 22.9 | 19.1 | 14.1 | 12.4 |
| SIT* | 1.8 | 46 | NM | NM | 5.9 | 5.2 |
| Premium/-discount % | | | | | NM | -57.9 |

NM: not meaningful; Priced at market close on 14/06/2024; Source: FactSet and *Intesa Sanpaolo Research estimates for P/E 24/25E and EV/EBITDA 24/25E

SIT – Peer comparison based on Italian companies

| x | Market Cap. | P/E | | EV/EBITDA | |
|---------------------------------|-------------|-------------|-------------|--------------|--------------|
| | EUR M | 2024E | 2025E | 2024E | 2025E |
| Gefran | 127 | 11.0 | 13.2 | 4.5 | 4.1 |
| Interpump* | 4,673 | 17.8 | 16.6 | 10.0 | 9.2 |
| LU-VE* | 585 | 18.1 | 15.4 | 8.8 | 8.0 |
| Sabaf | 198 | 14.0 | 10.7 | 6.4 | 5.5 |
| Ariston* | 1,598 | 11.1 | 10.6 | 4.7 | 4.5 |
| Average | | 14.4 | 13.3 | 6.9 | 6.3 |
| SIT* | 46 | NM | NM | 5.9 | 5.2 |
| Premium/- discount % | | | NM | -14.5 | -16.2 |

NM: not meaningful; Priced at market close on 14/06/2024; Source: FactSet and *Intesa Sanpaolo Research estimates for P/E 24/25E and EV/EBITDA 24/25E

Valuation and Key Risks

Valuation basis

Our EUR 2.2 target price is derived from a DCF model (WACC 8.9%, g=1.5%).

Key Risks

Company specific risks:

- Concentration of smart gas metering roll-out in Italy;
- Supply chain risks;
- Potential shortage of components could reduce production;
- High amount of debt

Sector generic risks:

- Disruptive sector innovation which could affect the overall heating sector
- 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, Romania, China, Tunisia and Portugal, in addition to a commercial structure covering all global markets.

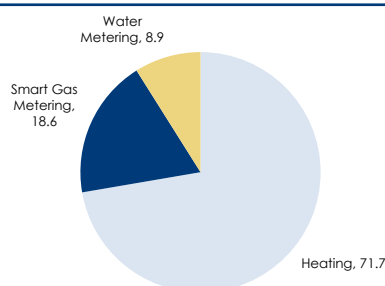
Key data

| | | | |
|------------------------|-----------------|----------------|----------------------------|
| Mkt price (€) | 1.92 | Free float (%) | 22.1 |
| No. of shares | 25.11 | Major shr | SIT Tech. |
| 52Wk range (€) | 4.20/1.49 | (%) | 73.4 |
| Reuters | SIT.MI | Bloomberg | SIT IM |
| Performance (%) | Absolute | | Rel. FTSE IT All Sh |
| -1M | -1.5 | -1M | 5.6 |
| -3M | -2.3 | -3M | 0.5 |
| -12M | -53.3 | -12M | -60.0 |

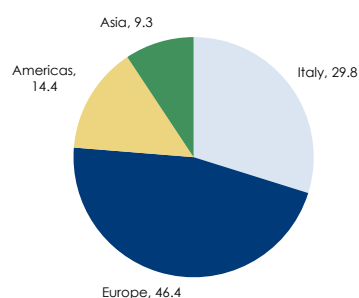
Estimates vs. consensus

| EUR M (Y/E Dec) | 2023A | 2024E | 2024C | 2025E | 2025C | 2026E | 2026C |
|-----------------|--------|-------|-------|-------|-------|-------|-------|
| Sales | 326.3 | 329.1 | NM | 347.3 | NM | NA | NA |
| EBITDA | 21.68 | 32.92 | NM | 35.91 | NM | NA | NA |
| EBIT | -25.22 | 1.82 | NM | 4.50 | NM | NA | NA |
| Pre-tax income | -31.30 | -3.68 | NM | 0.50 | NM | NA | NA |
| Net income | -23.39 | -3.24 | NM | 0.37 | NM | NA | NA |
| Adj. EPS (€) | -0.02 | -0.13 | NM | 0.01 | NM | NA | NA |

Sales breakdown by product (%)



Sales breakdown by geography (%)



Source: Company data, Intesa Sanpaolo Research estimates and FactSet consensus data (priced at market close of 17/06/2024)

SIT – Key Data

| Rating | Target price (€/sh) | | Mkt price (€/sh) | | Sector |
|---|---------------------|--------------|------------------|--------------|-------------------------|
| BUY | Ord 2.2 | | Ord 1.92 | | Engineering & Machinery |
| Values per share (EUR) | 2021A | 2022A | 2023A | 2024E | 2025E |
| No. ordinary shares (M) | 25.09 | 25.11 | 25.11 | 25.11 | 25.11 |
| Total no. of shares (M) | 25.09 | 25.11 | 25.11 | 25.11 | 25.11 |
| Market cap (EUR M) | 214.31 | 184.63 | 105.91 | 48.21 | 48.21 |
| Adj. EPS | 0.65 | 0.43 | -0.02 | -0.13 | 0.01 |
| BVPS | 6.1 | 6.6 | 5.7 | 5.6 | 5.6 |
| Dividend ord | 0.30 | 0 | 0 | 0 | 0 |
| Income statement (EUR M) | 2021A | 2022A | 2023A | 2024E | 2025E |
| Revenues | 380.5 | 393.3 | 326.3 | 329.1 | 347.3 |
| EBITDA | 51.22 | 38.21 | 21.68 | 32.92 | 35.91 |
| EBIT | 24.33 | 10.56 | -25.22 | 1.82 | 4.50 |
| Pre-tax income | 11.71 | 13.62 | -31.30 | -3.68 | 0.50 |
| Net income | 8.24 | 11.21 | -23.39 | -3.24 | 0.37 |
| Adj. net income | 16.31 | 10.90 | -0.44 | -3.24 | 0.37 |
| Cash flow (EUR M) | 2021A | 2022A | 2023A | 2024E | 2025E |
| Net income before minorities | 8.2 | 11.2 | -23.4 | -3.2 | 0.4 |
| Depreciation and provisions | 26.9 | 19.0 | 46.9 | 31.1 | 31.4 |
| Others/Uses of funds | -1.7 | -8.6 | -6.9 | 2.6 | 5.0 |
| Change in working capital | 4.4 | -23.3 | -10.5 | -6.1 | -9.6 |
| Operating cash flow | 37.8 | -1.7 | 6.1 | 24.4 | 27.2 |
| Capital expenditure | -26.1 | -30.3 | -23.0 | -24.0 | -18.0 |
| Financial investments | 0 | 0 | 0 | 0 | 0 |
| Acquisitions and disposals | 0 | 0 | 0 | 0 | 0 |
| Free cash flow | 11.7 | -28.1 | -16.9 | 0.4 | 9.2 |
| Dividends | -6.9 | -7.3 | 0 | 0 | 0 |
| Equity changes & Non-op items | 4.2 | 2.8 | -6.3 | 6.1 | -4.3 |
| Net change in cash | 9.0 | -32.6 | -23.2 | 6.5 | 4.9 |
| Balance sheet (EUR M) | 2021A | 2022A | 2023A | 2024E | 2025E |
| Net capital employed | 260.4 | 296.0 | 296.8 | 287.1 | 282.1 |
| of which associates | 0 | 0 | 0 | 0 | 0 |
| Net debt/-cash | 106.7 | 130.5 | 153.7 | 147.2 | 141.9 |
| Minorities | 0 | 0 | 0 | 0 | 0 |
| Net equity | 153.7 | 165.5 | 143.1 | 139.9 | 140.3 |
| Minorities value | 0 | 0 | 0 | 0 | 0 |
| Enterprise value | 321.0 | 315.1 | 259.6 | 195.4 | 190.1 |
| Stock market ratios (x) | 2021A | 2022A | 2023A | 2024E | 2025E |
| Adj. P/E | 13.1 | 16.9 | Neg. | Neg. | NM |
| P/CFPS | 5.7 | 16.7 | 17.3 | 2.3 | 2.2 |
| P/BVPS | 1.4 | 1.1 | 0.74 | 0.34 | 0.34 |
| Payout (%) | 46 | 0 | 0 | 0 | 0 |
| Dividend yield (% ord) | 3.5 | 0 | 0 | 0 | 0 |
| FCF yield (%) | 5.5 | -10.4 | -16.0 | -5.7 | 8.6 |
| EV/sales | 0.84 | 0.80 | 0.80 | 0.59 | 0.55 |
| EV/EBITDA | 6.3 | 8.2 | 12.0 | 5.9 | 5.3 |
| EV/EBIT | 13.2 | 29.9 | Neg. | NM | 42.2 |
| EV/CE | 1.2 | 1.1 | 0.87 | 0.68 | 0.67 |
| D/EBITDA | 2.1 | 3.4 | 7.1 | 4.5 | 4.0 |
| D/EBIT | 4.4 | 12.4 | Neg. | 80.7 | 31.5 |
| Profitability & financial ratios (%) | 2021A | 2022A | 2023A | 2024E | 2025E |
| EBITDA margin | 13.5 | 9.7 | 6.6 | 10.0 | 10.3 |
| EBIT margin | 6.4 | 2.7 | -7.7 | 0.6 | 1.3 |
| Tax rate | 29.6 | 17.3 | 25.3 | 11.9 | 27.0 |
| Net income margin | 2.2 | 2.9 | -7.2 | -1.0 | 0.1 |
| ROCE | 9.3 | 3.6 | -8.5 | 0.6 | 1.6 |
| ROE | 5.4 | 7.0 | -15.2 | -2.3 | 0.3 |
| Interest cover | 1.7 | 2.2 | -4.1 | 0.3 | 1.1 |
| Debt/equity ratio | 69.5 | 78.9 | 107.4 | 105.3 | 101.1 |
| Growth (%) | | 2022A | 2023A | 2024E | 2025E |
| Sales | | 3.4 | -17.0 | 0.9 | 5.5 |
| EBITDA | | -25.4 | -43.3 | 51.9 | 9.1 |
| EBIT | | -56.6 | NM | NM | NM |
| Pre-tax income | | 16.4 | NM | 88.3 | NM |
| Net income | | 36.0 | NM | 86.2 | NM |
| Adj. net income | | -33.2 | NM | NM | 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 | | 2021 | 2022 | 2023 | Target | Trend |
|----------------|--|-------|-------|-------|---|-------|
| E | Emissions | | | | | |
| | CO2eq (Scope 1) tons k | 5.7 | 5.0 | 4.2 | Scope 1 and Scope 2 : -12% CO2 emissions | + |
| | CO2eq (Scope 2 location based) tons k | 11.1 | 11.5 | 10.7 | | + |
| | CO2eq (Scope 2 market based) tons k | 14.2 | 14.4 | 13.3 | The % reduction will be defined for every single project | + |
| | Scope 3 | NA | 9.3 | 6.4 | | + |
| | Circular Economy | | | | | |
| | Total hazardous waste (ton) | 643.0 | 432.0 | 256.8 | | + |
| | % of total waste | 16.2 | 11.6 | 9.3 | | + |
| | % Electricity from renewable | NA | NA | NA | Assessment and definition of energy saving actions for every plant in Italy | + |
| | Water withdrawals (m3/ton) Notes (Environmental): | 142.6 | 138.2 | 126.7 | | + |
| S | Women in leadership roles* (%) | 10.5 | 9.5 | 10.3 | | = |
| | Training hrs per capita (No.) | 27.4 | 25.8 | 17.5 | | - |
| | Turnover ratio (%) | 48.9 | 43.9 | 125.0 | | - |
| | Work related injuries per M of working hours | 4.2 | 3.9 | 2.7 | | + |
| | Ethical code | Yes | Yes | Yes | | |
| G | Independent directors' rate (%) | 57.1 | 57.1 | 57.1 | | = |
| | Women in BoD (%) | 42.9 | 42.9 | 42.9 | | = |
| | 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)

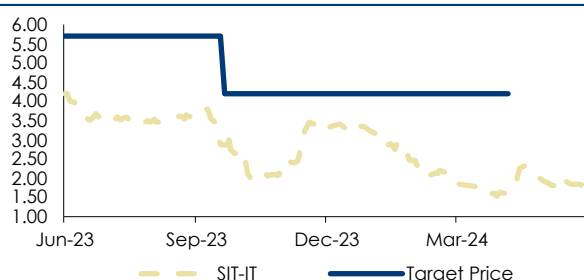
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|------------------|--|
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SIT:**Target price and market price trend (-1Y)****Historical recommendations and target price trend (-1Y)**

| Date | Rating | TP (EUR) | Mkt Price (EUR) |
|-----------|--------|--------------|-----------------|
| 25-Apr-24 | BUY | Under Review | 1.77 |
| 09-Oct-23 | BUY | 4.2 | 2.9 |

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|---|-----|------|------|
| Total Equity Research Coverage relating to last rating (%)* | 71 | 29 | 1 |
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