

SIT (Under Review)

SIT IM; SIT-IT

SIT - Key Data**9M24 Results First Take: Cost Base Revision Ongoing**

■ **Sales decreased slightly in 3Q24** (-4.4% in 3Q24; -8% yoy in 9M24 yoy), however, the company stated that the 3Q positive heating sector's seasonality effect was smoother than expected. In detail: 3Q24 Heating & Ventilation Division performed in line with 3Q23 (-1.3% yoy), with Italy up 9.7%, Europe ex-Italy down 11.5% (with better 3Q24 yoy vs.2Q24 yoy), America was up 23.9% yoy and Asia Pacific down 5.5%. The positive performance in Italy (14.6% of H&V Division sales) was due to an increase in Central Heating components sales, and applications unrelated to heating or combustion (e.g. catering and cooker hoods performed well) while the Direct Heating business was in line with 3Q23. In Europe(47.4% of H&V sales) Turkey drove sales down due to Central Heating; Central Europe countries' sales decreased due to Central Heating (especially heat recovery units and heat pump components, due to a weak overall sector). Revenues in the Americas (23% of H&V sales) were driven by direct heating (fireplaces). Metering division sales dropped by 10.7% yoy in 3Q24, with revenues from the Smart Gas Metering business unit down 20.7%, affected by shipping delays that should be recovered over the year, (the company confirmed the order book in line with forecasts) and the Water Metering sales up by 12%;

■ **EBITDA margin in 3Q24** was 80bps down yoy, with an implied 13.7% decrease yoy in EBITDA due to decreasing sales volumes. EBITDA margin in 9M24 was 40bps up, at 8.7%. The company reassured about the cost base revision plan, which is proceeding on time (industrial footprint, day-by-day cost control, efficiencies in SIT's headquarters). 9M24 EBIT came out at EUR -1.5M (EUR -20.2M in 9M23, when it included a EUR 19.5M negative result of assets impairment). Net financial charges were EUR 8.7M (and included a one-off charge of EUR 3.9M as amortized cost of amended banking contracts, accounted for in 1H24). The net loss in 9M24 was EUR 8.3M;

■ **The net debt** was EUR 159M (in line with 9M23 and vs. EUR 153.7M at YE23) after positive operating cash flow at EUR 3.6M. Capex was EUR 11.8M. As for capex, the company confirmed that 50/60% of FY24 capex is being allocated to new products.

What we think: The revenue decline was attributable to lower volumes in the Heating segment in Europe, reflecting the weakness of the overall sector. The downwards guidance revision in EBITDA margin was driven by lower expected volumes, while the cost-cutting plan is on time. We saw strong confidence in the new projects emerging from the tone of the conference call. We believe that the recovery postponement is strictly related to the sector

where the company operates and it is not a specific issue. As for the financial distress, the company confirmed that the banks are backing the business plan offering ongoing support. We are revising our estimates, to incorporate the new FY24 guidance provided by SIT on 18 October (H&V sales are seen down by low double digit yoy; Metering Division sales in line with FY23, EBITDA margin slightly higher yoy, net debt EUR 145/150M) and 9M24 results.

08/11/2024	Engineering		
Target Price (€)	Under Review		
Rating	Under Review		
Mkt price (€)	1.0		
Mkt cap (EUR M)	24.2		
Main Metrics (€ M)	2024E	2025E	
Revenues	307.6	326.5	
EBITDA	30.14	33.76	
EPS (EUR)	-0.09	0.02	
Net debt/-cash	150.6	145.9	
Ratios (x)	2024E	2025E	
Adj. P/E	Neg.	50.4	
EV/EBITDA	5.8	5.0	
EV/EBIT	81.8	25.2	
Debt/EBITDA	5.0	4.3	
Div yield (%)	0	0	
Performance (%)	1M	3M	12M
Absolute	11.9	-36.5	-54.8
Rel. to FTSE IT All Sh	11.3	-40.4	-62.2

Source: FactSet, Company data, Intesa Sanpaolo Research estimates

Intesa Sanpaolo is Corporate Broker to SIT

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SIT - 3Q/9M24 results

EUR M	3Q23A	3Q24A	yoy %	9M23A	9M24A	yoy %
Total revenues	75.2	71.9	-4.4	242.1	222.8	-8.0
o/w Heating	52.7	52.1	-1.3	176.1	155.5	-11.7
o/w Metering	21.6	19.3	-10.7	64.0	65.1	1.8
EBITDA	6.8	5.9	-13.7	20.0	19.4	-3.1
Margin (%)	9.0	8.2		8.3	8.7	
EBIT	-0.3	-1.4		-20.2	-1.5	
Margin (%)	NM	NM		NM	NM	
Pre-tax	-2.0	-2.7		-24.9	-10.2	
Net Result attr.	-1.2	-2.2		-19.4	-8.3	
Net Result adjusted	-0.8	-2.2		0.9	-5.3	
Net debt	159.0	159.0		159.0	159.0	

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