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Oggetto : SIT S.p.A.: Board of Directors approves Q1
2023 financial results.

Testo del comunicato

Vedi allegato.

SIT S.p.A.: Board of Directors approves Q1 2023 financial results

Smart Gas Metering growth beats expectations, while Group fundamentals remain strong

Highlights

SIT for Q1 2023 reports:

- **Consolidated revenues** of Euro 83.6 million (-10.9% on Q1 2022);
- **Heating Division sales** of Euro 62.7 million (-17.6% on Q1 2022);
- **Metering Division Sales** of Euro 20.4 million (+23.2% on Q1 2022), including Smart Gas Metering sales of Euro 13.7 million (+33.0%) and Water Metering sales of Euro 6.7 million (+7.0%);
- **Consolidated EBITDA** of Euro 8.3 million (-43.5% on Q1 2022);
- **Consolidated adjusted net profit** of Euro 1.3 million (1.6% margin), compared to Euro 5.3 million in Q1 2022 (5.6% margin);
- **Operating cash flow** of Euro -10.3 million, after investments of Euro 5.0 million;
- **Net financial position** of Euro 143.1 million (Euro 124.8 million in Q1 2022).

Padua, May 18, 2023 - The Board of Directors of SIT S.p.A., listed on the Euronext Milan segment of the Italian Stock Exchange, in a meeting today presided over by Federico de' Stefani, the Chairperson and Chief Executive Officer, approved the consolidated Q1 2023 results.

Federico de' Stefani, Chairperson and Chief Executive Officer of SIT stated:

"SIT in Q1 2023 operated within an environment in which inflation and high interest rates impacted end consumption propensity, and which was shaped also by the uncertain regulatory environment in terms of sector incentives.

Against this backdrop, SIT's Heating & Ventilation division was affected by continued destocking, due to the exceptionally high stock levels throughout the supply chain as a result of the volatility experienced in 2022.

The Smart Gas Metering business unit of the Metering division beat expectations by leveraging its domestic market leadership, while the Water Metering business unit performed in line with expectations.

Against the wider global economic backdrop which continues to be affected by uncertainty and complexity, we have taken both short and long-term focused actions to offset the impacts of these external factors. These include cost-cutting, the optimisation of capex and the strengthening of our internal structure, which was possible thanks to the development of the organisation in March with the launch of the "Ventilation" business, alongside the original core "Heating" business. This shift shall allow us to focus more effectively on our core markets, paying closer attention to technological innovations so as to supply products which ensure ongoing domestic appliance energy efficiency improvements.

We also confirm the Group's solid fundamentals, as highlighted by the global role of gas in supporting the energy transition and SIT's leadership on its core markets".

KEY FINANCIALS

(Euro.000)	Q1 23	%	Q1 22	%	change %
Revenues from contracts with customers	83,552	100.0%	93,810	100.0%	-10.9%
EBITDA	8,293	9.9%	14,668	15.6%	-43.5%
EBIT	1,597	1.9%	8,031	8.6%	-80.1%
Result before taxes (EBT)	172	0.2%	14,110	15.0%	-98.8%
Net Profit	1,338	1.6%	12,389	13.2%	-89.2%
Adjusted Net Profit	1,338	1.6%	5,251	5.6%	-74.5%
Cash flow from operating activities	(10,330)		(17,119)		

(Euro.000)	31/03/2023	31/12/2022	31/03/2022
Net financial debt	143,087	130,503	124,752
Net trade working capital	77,846	73,752	70,350
Net trade working capital/Revenues	23.0%	18.8%	18.5%

Sales performance

Consolidated Revenues by Division

(Euro.000)	Q1 23	%	Q1 22	%	diff	diff %
Heating & Ventilation	62,659	75.0%	76,062	81.1%	(13,403)	(17.6%)
Metering	20,382	24.4%	16,546	17.6%	3,836	23.2%
Total sales	83,041	99.4%	92,608	98.7%	(9,567)	(10.3%)
Other revenues	510	0.6%	1,201	1.3%	(691)	(57.5%)
Total revenues	83,552	100%	93,810	100%	(10,258)	(10.9%)

Consolidated Revenues by Geographic Area

(Euro.000)	Q1 23	%	Q1 22	%	diff	change %
Italy	25,044	30.0%	24,587	26.2%	457	1.9%
Europe (excluding Italy)	40,168	48.1%	41,436	44.2%	(1,268)	(3.1%)
America	11,957	14.3%	19,475	20.8%	(7,518)	(38.6%)
Asia/Pacific	6,383	7.6%	8,312	8.9%	(1,929)	(23.2%)
Total revenues	83,552	100%	93,810	100%	(10,258)	(10.9%)

Consolidated revenues in Q1 2023 amounted to Euro 83.6 million, decreasing 10.9% on the same period of 2022 (Euro 93.8 million).

Heating & Ventilation Division

Heating & Ventilation division sales in Q1 2023 amounted to Euro 62.7 million, decreasing 17.6% on Euro 76.1 million in Q1 2022 (-18.2% at like-for-like exchange rates).

The first quarter was impacted by sector-wide factors such as the developing regulatory framework, inflation and high interest rates, in addition to the supply chain instability of 2022, which saw stock levels increase throughout the chain. The reduction of client stock levels resulted in a significant drop in sales compared to the same period of the previous year, which in fact was boosted by the demand emerging from the post-COVID recovery and was fully supported by incentives.

The following table presents Heating & Ventilation Division core sales by region according to management criteria:

(Euro.000)	Q1 23	%	Q1 22	%	diff	change %
Italy	11,911	19.0%	14,893	19.6%	(2,982)	(20.0%)
Europe (excluding Italy)	32,956	52.6%	34,337	45.1%	(1,381)	(4.0%)
America	11,698	18.7%	18,983	25.0%	(7,285)	(38.4%)
Asia/Pacific	6,094	9.7%	7,849	10.3%	(1,755)	(22.4%)
Total sales	62,659	100%	76,062	100%	(13,403)	(17.6%)

Sales in **Italy** contracted 20.0% on the same period of the previous year. This contraction was seen to a similar extent across all application segments and reflects the changes to sector incentives and the uncertainty - also due to the announcements effect - impacting the home renovation market. Within the Direct Heating segment, Space Heaters (+150%) performed strongly, while Pellet Stove sales contracted (-23.2%), in line with the general market performance.

Sales in **Europe (excluding Italy)** in Q1 2023 decreased Euro 1.4 million (-4.0%) on the same period of the previous year. Turkey, the top shipping market with 19.5% of division sales, grew 49.0%, particularly thanks to Fans for Central Heating applications, impacted by supplier difficulties in Q1 2022. The UK, accounting for 8.6% of division sales, meanwhile reported a performance in line with Q1 2022. Central Europe saw a reduction of Euro 2.2 million (-17.2%) for the Central Heating division, while Heat Recovery Unit sales grew (+29%, Euro 0.7 million).

Sales in the **Americas** contracted 38.4% (-41.2% at like-for-like exchange rates). The reduction affected Water Heating Storage for Euro 4.1 million, while the Direct Heating applications of fireplaces (-Euro 3.2 million, -35.2%) were impacted by the poor new constructions performance to which this segment is linked.

Asia/Pacific contracted 22.4% (-20.2% at like-for-like exchange rates), with sales of Euro 6.1 million in the quarter (Euro 7.8 million in Q1 2022). Contractions are reported both for China (5.7% of the division), down 26.5%, and Australia (2.8% of division), contracting 25.4%, due also to the exceptionally high comparable sales in Q1 2022.

Metering Division

Metering Division sales in Q1 2023 totalled Euro 20.4 million, compared to Euro 16.5 million in the same period of 2022, up 23.2%.

Smart Gas Metering sales in Q1 2023 totalled Euro 13.7 million, up 33.0% on Q1 2022. The performance was due to the Group's strong positioning on the Italian market and the new development and replacement projects launched by the major clients. Sales in Italy accounted for 94.5% of the total, while overseas sales accounted for 5.5% (from Greece and Central Europe).

Water Metering sales totalled Euro 6.7 million, up 7.0% on Q1 2022, in line with budget forecasts for the period, which indicated double-digit percentage growth. Spain accounts for 30.7% of sales, Portugal for 17.8%, the rest of Europe for 42.1% and America and Asia respectively for 5.6% and 3.8%.

Operating performance

Q1 2023 **consolidated revenues** were Euro 83.6 million, decreasing 10.9% on the same period of 2022 (Euro 93.8 million).

Consolidated **EBITDA** in Q1 2023 was Euro 8.3 million (9.9% margin), contracting 43.5% on Euro 14.7 million (15.6% margin) for the same period of 2022.

The comparison between the two quarters depends largely on the impact of volumes, which was negative for Euro 6.7 million, and in particular the Heating & Ventilation performance. The segment was in fact impacted in the first quarter by a drop in demand throughout the production chain as a result of operator policies to reduce stock levels in view of the supply irregularities throughout 2022.

The net contribution of prices on EBITDA was positive for Euro 1.3 million. Operating costs increased Euro 0.7 million, due to the rise in processing costs (for approx. Euro 1.2 million), while benefiting for a similar amount from the reduction in logistics and transport costs. R&D and production costs increased. The impact of exchange rates on EBITDA was substantially neutral compared to the first quarter of the previous year.

EBIT in the period was Euro 1.6 million (1.9% margin), after amortisation, depreciation and write-downs of Euro 6.7 million (Euro 8.0 million in the previous year, 8.6% margin).

Net financial charges of Euro 1.7 million are reported for Q1 2023 (Euro 1.1 million in Q1 2022), with the increase due to the increase in the financial position and the higher interest rates. Financial income of Euro 7.1 million was reported in Q1 2022 as a result of the change in the fair value of the SIT warrants, subsequently settled in the third quarter.

The pre-tax profit was Euro 0.2 million (1.6% margin), compared to Euro 14.1 million (15.0% margin) in the previous year, with this figure including the benefit previously indicated of the SIT Warrant.

Income taxes overall report net income of Euro 1.2 million, as a result of the accrual of deferred tax assets by the parent company.

The net profit for Q1 was Euro 1.3 million (1.6% margin), compared to Euro 12.4 million in the same period of the previous year. In Q1 2022, the net profit adjusted for the effect of the Warrant was Euro 5.3 million (5.6% margin).

Cash Flow performance

The **net financial debt** at March 31, 2023 was Euro 143.1 million, compared to Euro 130.5 million at December 31, 2022 and Euro 124.8 million at March 31, 2022.

The movements in the net financial position are reported below:

(Euro.000)	Q1 23	Q1 22
Cash flow from current activities (A)	9,092	14,805
Change in inventories	(9,228)	(15,431)
Change in trade receivables	13,137	(3,230)
Change in trade payables	(7,117)	(5,616)
Change in other current assets and liabilities and for taxes	(11,213)	(4,502)
Cash flow from changes in Working Capital (B)	(14,421)	(28,779)
CASH FLOW FROM OPERATING ACTIVITIES (A + B)	(5,329)	(13,974)
Cash flow from investing activities (C)	(5,001)	(3,145)
CASH FLOW FROM OPERATING & INVESTING ACTIVITIES (A + B + C)	(10,330)	(17,119)
Interest	(1,979)	(614)
Acquisition of treasury shares	-	(470)
Equity changes	(589)	256
FV derivative changes	376	55
Other	(62)	(131)
Change in net financial position	(12,584)	(18,023)
Opening net financial position	130,503	106,729
Closing net financial position	143,087	124,752

Operating cash flows of Euro 9.1 million were generated in the first quarter of 2023, compared to Euro 14.8 million in the same period of 2022. In the first quarter of 2023, working capital absorbed Euro 14.4 million, compared to Euro 28.8 million. In Q1 2023, commercial working capital absorbed Euro 3.2 million, while absorbing Euro 24.3 million in Q1 2022, with the difference based on the Heating & Ventilation sales volumes reported for the two periods. An outflow for a non-recurring dispute settled in Q3 2022 is reported in Q1 2023.

Investing activities absorbed cash of Euro 5.0 million, compared to Euro 3.1 million in 2022, reflecting the pipeline of projects introduced at the end of 2022.

Cash flows from operating activities after investments of Euro 10.3 million were therefore absorbed in the period, compared to an absorption of Euro 17.1 million in the preceding period.

In terms of financial activities cash flows, we highlight in the period interest of Euro 2.0 million, compared to Euro 0.6 million in the same period of 2022.

Subsequent events

There were no significant events subsequent to the first quarter of 2023.

Outlook

As a result of the exceptionally high stock levels throughout the sector supply chain, Heating demand levels remain highly uncertain. Inflation, in addition to the high interest rates, is also impacting an end consumer affected by the uncertain regulatory framework in terms of sector incentives.

Based on the current data, Heating & Ventilation Division sales for 2023 are still therefore expected to contract on the previous year, with demand possibly improving by the end of the year.

In order to protect profitability, over the short-term actions have been taken to reduce indirect and operating costs and to optimise production efficiency.

A strong boost to operating cash is targeted by reducing working capital and optimising and reducing not strategic capex, and also by strategically reviewing the market service operating model.

In view of the global role of gas in supporting the energy transition and SIT's industry leadership, the medium and long-term fundamentals of the company remain strong.

In the Gas Metering sector, SIT highlights the benefits from its strong competitive positioning on the domestic market, while for Water Metering the growth in Q1 2023 was in line with the budget, which forecasts growth of approx. 20% for the year.

Self-assessment of the Board of Statutory Auditors

In accordance with the conduct rules for Boards of Statutory Auditors of listed companies, the Board of Statutory Auditors of SIT has carried out the self-assessment of its members and the adequate composition of the Board itself, with reference to the requisites of professionalism, competence, integrity and independence required by law. The Board of Directors of the company examined the self-assessment report submitted by the Board of Statutory Auditors and acknowledged the adequacy of the self-assessment regarding the composition and functioning of the Board of Statutory Auditors itself.

Declaration of the manager responsible for the preparation of the Company's accounts

The manager responsible for the preparation of the Company's accounts, Paul Fogolin, hereby declares, as per article 154-bis, paragraph 2, of the "Testo Unico della Finanza", that all information related to the Company's accounts contained in this press release are fairly representing the accounts and the books of the Company.

This press release and the results presentation for the period are available on the website www.sitcorporate.it in the Investor Relations section.

Today at 4PM, SIT management will hold a **conference call** to present to the financial community and the press the Q1 2023 consolidated results. You may participate in the conference call by connecting to the following link: <https://shorturl.at/dfiKV>

The support documentation shall be published in the "Investor Relations" section on the company website (www.sitcorporate.it) before the conference call.

SIT, through the Heating&Ventilation, Smart Gas Metering and Water Metering Business Units, creates intelligent solutions for the control of environmental conditions and consumption measurement for a more sustainable world. A market-leading multinational company and listed on the Euronext Milan segment, 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, the Netherlands, Romania, China, Tunisia and Portugal, in addition to a commercial structure covering all global markets. SIT has signed up to the United Nations' Global Compact and its principles that promote doing business in a responsible way. SIT is also a member of the European Heating Industry and of the European Clean Hydrogen Alliance, in addition to the Community Valore Acqua per l'Italia ("Value Water for Italy Community") - www.sitcorporate.it

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Annex 1 BALANCE SHEET

(Euro.000)	31/03/2023	31/12/2022
Goodwill	87,946	87,946
Other intangible assets	53,822	55,276
Property, plant & equipment	106,354	106,103
Investments in other companies	630	630
Non-current financial assets	4,553	5,186
Deferred tax assets	12,301	10,492
Non-current assets	265,606	265,633
Inventories	101,466	91,352
Trade receivables	51,085	63,800
Other current assets	15,242	12,597
Tax receivables	2,144	2,280
Other current financial assets	7,081	6,269
Cash and cash equivalents	20,392	23,535
Current assets	197,410	199,833
Total assets	463,016	465,466
Share capital	96,162	96,162
Total Reserves	70,144	58,120
Net profit/(loss)	1,338	11,213
Minority interest net equity	-	-
Shareholders' Equity	167,644	165,495
Medium/long-term loans and borrowings	80,550	77,968
Other non-current financial liabilities and derivative financial instruments	52,856	53,553
Provisions for risks and charges	7,622	13,844
Post-employment benefit provision	5,026	5,093
Other non-current liabilities	17	4
Deferred tax liabilities	14,305	15,005
Non-current liabilities	160,376	165,467
Short-term loans and borrowings	32,773	23,551
Other current financial liabilities and derivative financial instruments	4,380	5,235
Trade payables	74,705	81,400
Other current liabilities	21,998	23,113
Tax payables	1,140	1,205
Current liabilities	134,996	134,504
Total Liabilities	295,372	299,971
Total Shareholders' Equity and Liabilities	463,016	465,466

Annex 2 INCOME STATEMENT

(Euro.000)	Q1 2023	Q1 2022
Revenues from sales and services	83,552	93,810
Raw materials, ancillaries, consumables and goods	51,309	61,095
Change in inventories	(10,246)	(15,725)
Service costs	13,169	13,499
Personnel expense	20,699	21,085
Depreciation, amortisation and write-downs	6,712	6,650
Provisions	126	102
Other charges (income)	188	(926)
EBIT	1,597	8,031
Investment income/(charges)	-	-
Financial income	539	7,264
Financial charges	(2,215)	(1,202)
Net exchange gains (losses)	251	17
Impairments on financial assets	-	-
Profit/(loss) before taxes	172	14,110
Income taxes	1,166	(1,721)
Net profit/(loss) for the period	1,338	12,389
Minority interest result	-	-
Group net profit/(loss)	1,338	12,389

Annex 3 CASH FLOW STATEMENT

(Euro.000)	2023/03	2022/03
Net profit/(loss)	1,338	12,389
Amortisation & depreciation	6,697	6,637
Non-cash adjustments	549	120
Income taxes	(1,168)	1,722
Net financial charges/(income)	1,676	(6,063)
CASH FLOW FROM CURRENT ACTIVITIES (A)	9,092	14,805
<i>Changes in assets and liabilities:</i>		
Inventories	(9,228)	(15,431)
Trade receivables	13,137	(3,230)
Trade payables	(7,117)	(5,616)
Other assets and liabilities	(9,829)	(3,521)
Income taxes paid	(1,384)	(981)
CASH FLOW GENERATED (ABSORBED) FROM CHANGES IN WORKING CAPITAL (B)	(14,421)	(28,779)
CASH FLOW FROM OPERATING ACTIVITIES (A + B)	(5,329)	(13,974)
CASH FLOW FROM INVESTING ACTIVITIES (C)	(5,801)	(5,445)
CASH FLOW FROM OPERATING & INVESTING ACTIVITIES (A + B + C)	(11,130)	(19,419)
<i>Financing activities:</i>		
Interest paid	(617)	(182)
Repayment of non-current financial payables	-	(1,248)
Increase (decrease) current financial payables	4,946	(246)
Increase (decrease) other financial payables	(753)	(742)
New financing	5,000	15,000
Dividend payments	-	-
Own shares	-	(470)
CASH FLOW FROM FINANCING ACTIVITIES (D)	8,576	12,112
Change in translation reserve	(589)	256
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C + D)	(3,143)	(7,051)
Cash & cash equivalents at beginning of the year	23,535	46,667
Increase/(decrease) in cash and cash equivalents	(3,143)	(7,051)
Cash & cash equivalents at end of the year	20,392	39,616

Fine Comunicato n.20105-34

Numero di Pagine: 11