



**#madebySIT**

**SIT hosts the media & financial community**

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**October 1, 2019**

## AGENDA

1. **Company overview**
2. **Market scenario and priorities for SIT**
3. **Customers trends**
4. **Financial guidelines**



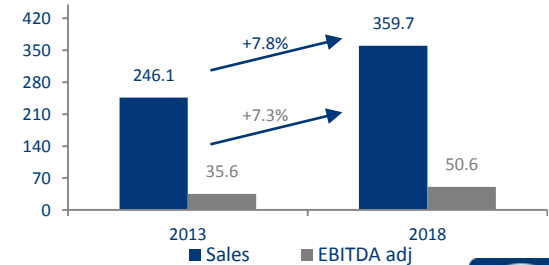
## Company overview

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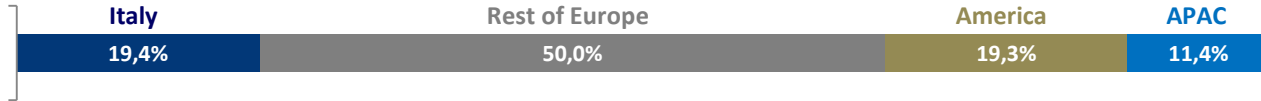
# SIT at a glance

- SIT develops and manufactures **measuring devices and systems** for safety and high performance of **gas equipment**
- SIT currently operates in two business divisions and holds **90 patents** and strong **co-development relationships** with long term customers
  - **Heating**: SIT has a **dominant position** in all the segments of the domestic heating and large catering sector
  - **Smart Gas Metering**: SIT owns highly innovative technology that has enabled a stunning 5 year CAGR in the Italian market (+70.5%)
- Approximately **65% of the sales are concluded outside Italy** through a global sales network coverage
- Sustained and consistent **organic growth in both revenues** (7.8% 2013-18 sales CAGR) **and margins** (7.3% 2013-18 EBITDA adj CAGR)



# Heating

- SIT develops and manufactures components and systems for the control, regulation and safety of gas appliances for domestic heating, cooking and large catering facilities
- Revenues - 2018: €287.0m (79.9%)



## Products

Mechanical controls

Electronic controls

Integrated systems

Fans

Flue exhaust systems

Sensors

## Appliances

Boilers

Water heaters

Fireplaces

Pellet stoves

Space heaters

Instantaneous water heaters

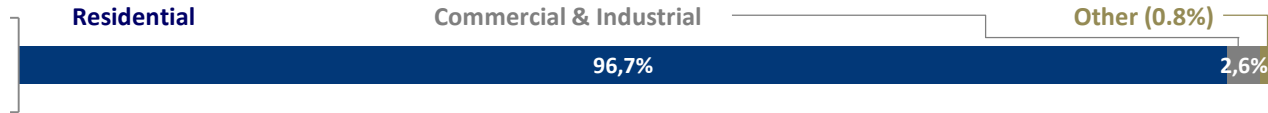
Professional cooking and catering

## Customers



# Smart Gas Metering

- SIT has developed a new generation of connected and remotely controlled static gas meters that measure directly the gas consumption in cubic meters (without need of any compensation devices)
- Revenues - 2018: €72.1m (20.1%)



## Products



Smart Gas Meters

## Appliances



Smart Grids

## Customers



# Global coverage...



# ...on a local for local production base

## Headquarter

### Padova - Italy



- All centralized SG&A functions
- R&D (mechanical controls, electronics, integrated systems, new product platforms)
- Labs for R&D and reliability (new project will upgrade and expand lab facilities for both Heating and Smart Gas Metering)

### Milano

- Smart Metering Head office
- Sales & Tender Management
- R&D department
- Procurement & Quality



## Italy

### Rovigo



- Mechanical controls, Integrated systems, Sensors, Smart Gas Meters
- Captive aluminum die casting and machining
- High volumes automated assembly lines



### Macerata



- Flue exhaust systems, Fans
- R&D department and testing facilities
- Assembly lines, direct shipments to customers

## Abroad

### Brasov - Romania



- Mechanical controls, Integrated systems, Smart Gas Meters
- High and low volumes assembling
- Direct shipments and direct inspections

### Hoogeveen - Netherlands



- Electronic controls
- Electronics R&D
- European and US customers

### Monterrey - Mexico



- Mechanical controls
- Markets served: N.A.F.T.A., Australia and Argentina

### Suzhou - China

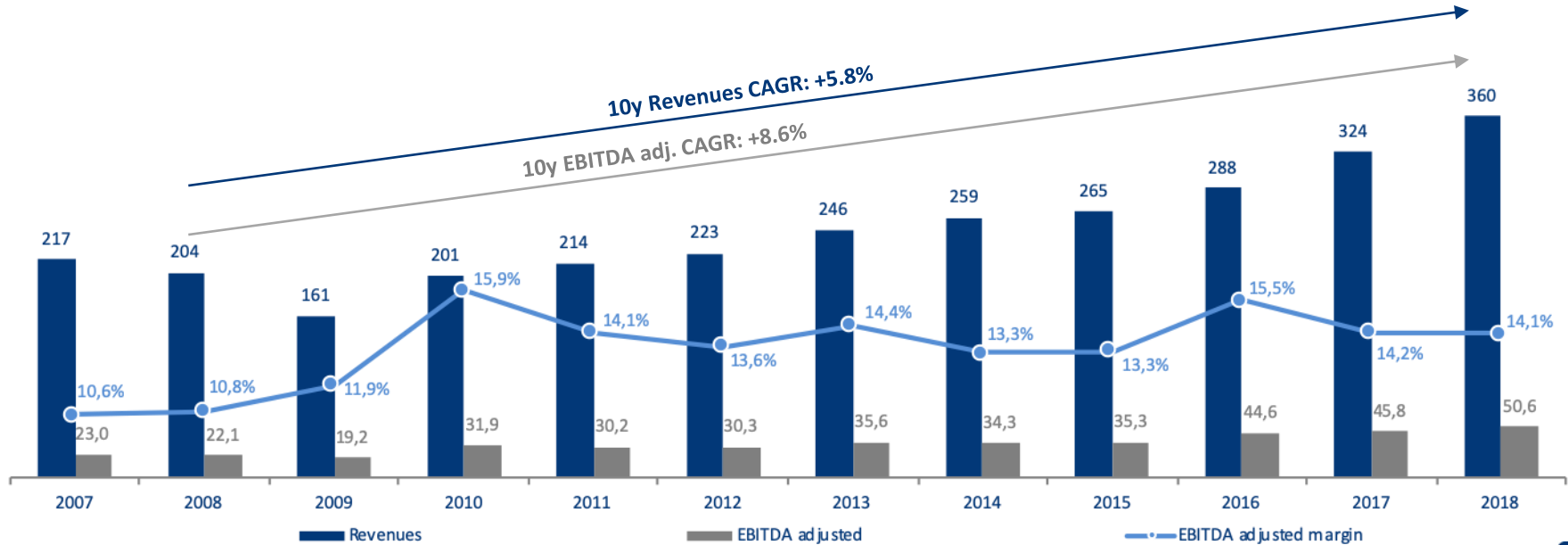


- Mechanical controls
- Purchasing hub
- Moved to new plant in 2014
- Local and international OEM customers



# A strong organic growth path

- SIT was able to achieve growing revenues in the long run: the 5.8% 10 year CAGR came with an improvement in our margins (+8.6% 10 year EBITDA adj. CAGR)
- Some cyclicalty is inherent the business we operate but SIT was able to reach new heights after the periodical slowdown of the past



## Market scenario and priorities for SIT

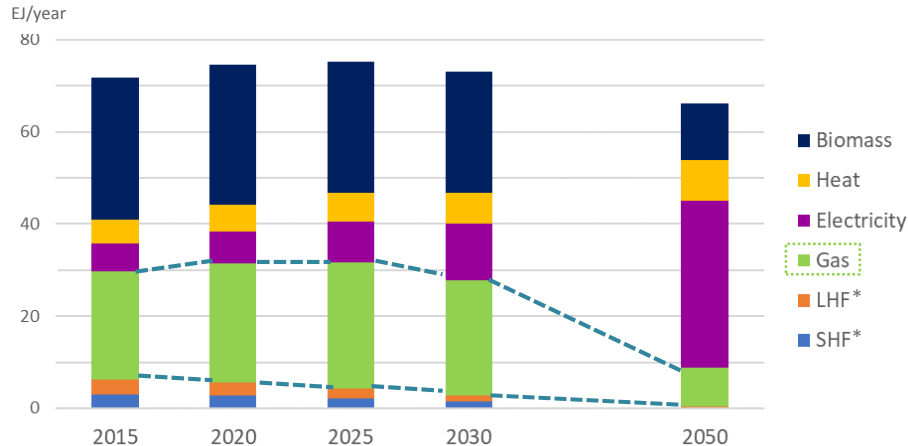
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# Decarbonization

## Scenario macro trends

### Global residential heating and cooking



\*LHF: Liquid Hydrocarbon Fuel

\*SHF: Solid Hydrocarbon Fuel

## Implications and priorities for SIT

- Gas will maintain a key role at least for the next decade
- Maximize return from current profit pool
- Evaluate adjacencies not linked to gas consumption for mid-long term opportunities

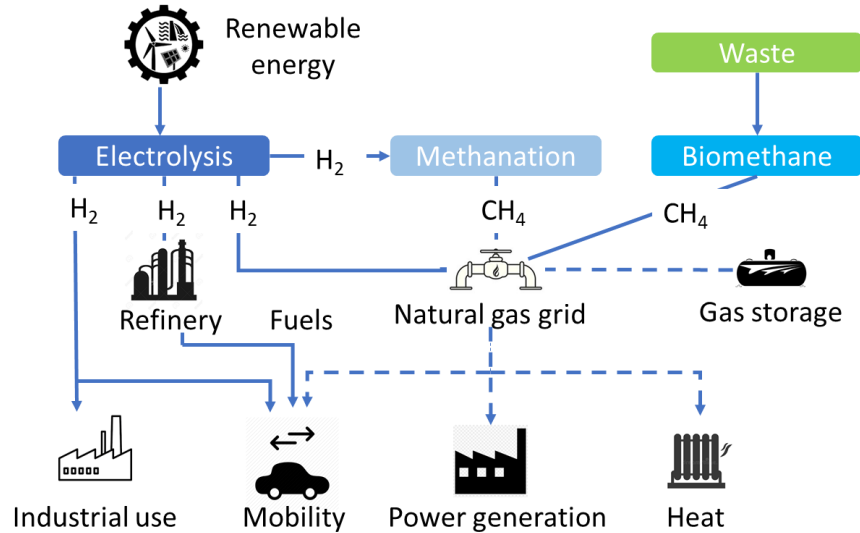


# Power to gas

## Scenario macro trends

## Implications and priorities for SIT

### Power to gas and H<sub>2</sub> role

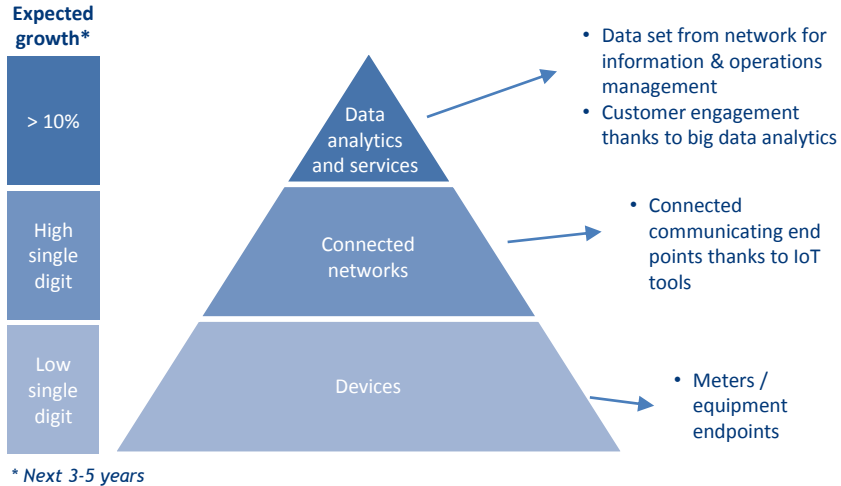


- Hydrogen and biomethane will be injected into the network
- Adapt and prepare products for H<sub>2</sub> / biomethane

# Servitization

## Scenario macro trends

### From devices to services



## Implications and priorities for SIT

- Market growth led by network solutions, new services and big data analytics
- Investigate opportunities for servitization
- From devices to IoT and intelligent equipment, data management and services

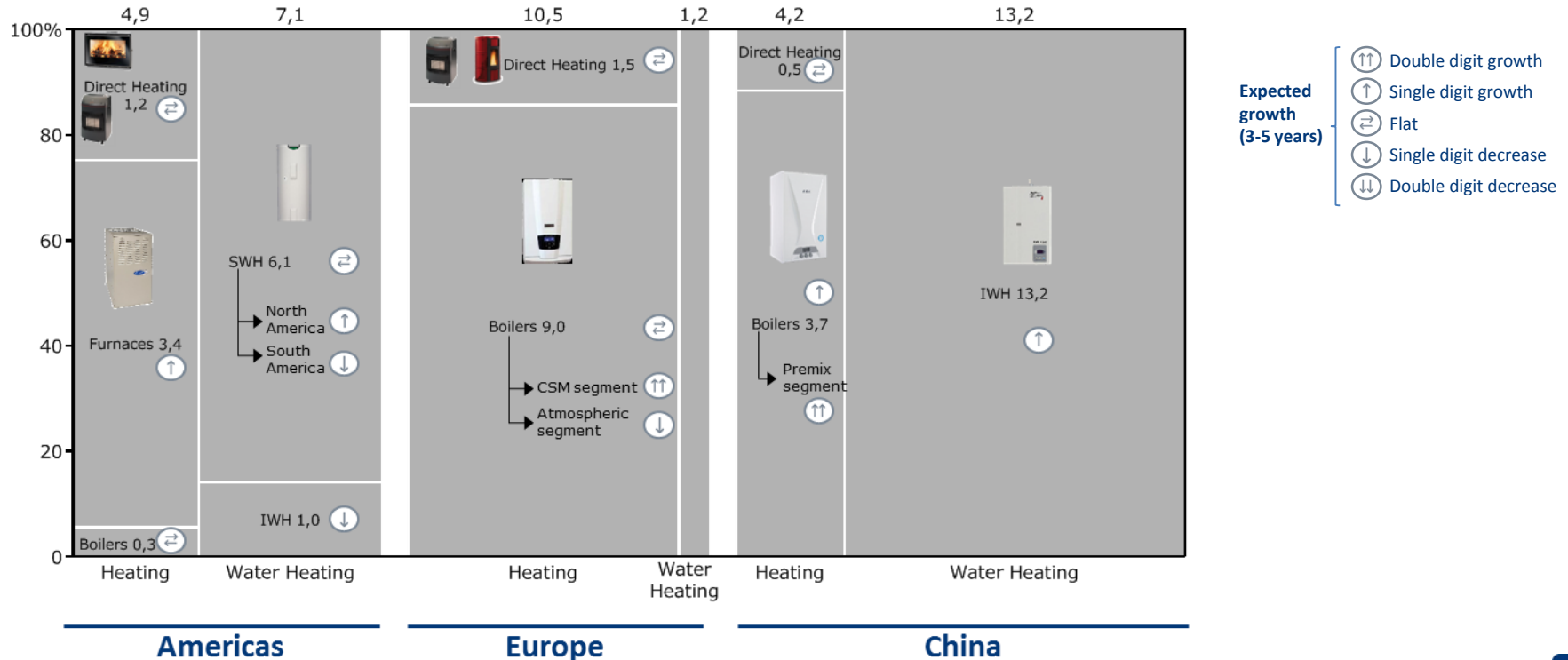
## Heating – Market, competitors and development priorities

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# Heating addressable market – underlying size and trend

2018 Volumes in Mpcs/year



# Heating competition overview

		Valves					CMS		Integrated systems	Electronics		Fans						Flues
		Boilers	SWH	IWH	Fireplace	Furnace	Valve	Electronics		BIC - IFC/DF	Connectivity	Premix <40 kW	Premix <70 kW	Premix <40 kW	Std. Efficiency	Pellet	Cooker Hoods	
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<b>Cox Geelen</b>																		✓





# Heating development priorities

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- Gas adaptive and combustion management solutions
- Integrated systems



- Renewal of fan product line-up (improved performance and new applications)



- New products development to strengthen offering for North America



- Aftermarket

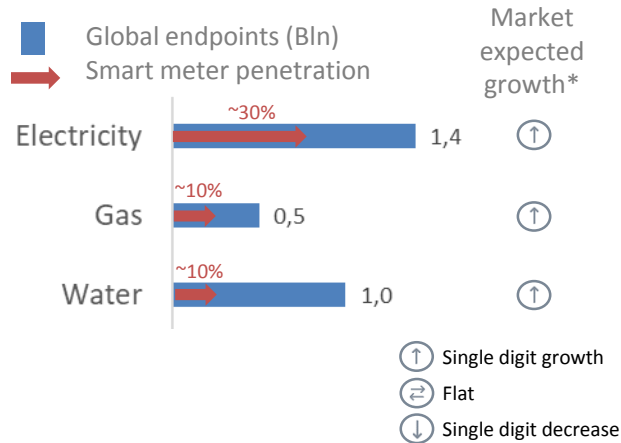
**Metering – Market, competitors and development priorities**

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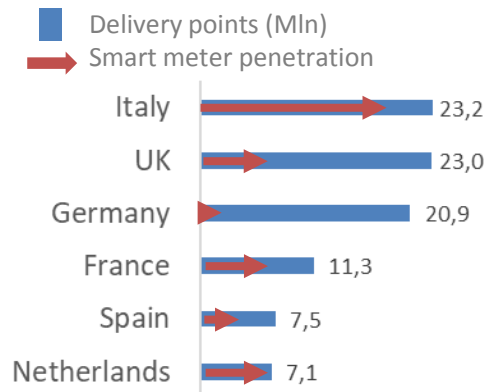


# Metering addressable market – underlying size and trend

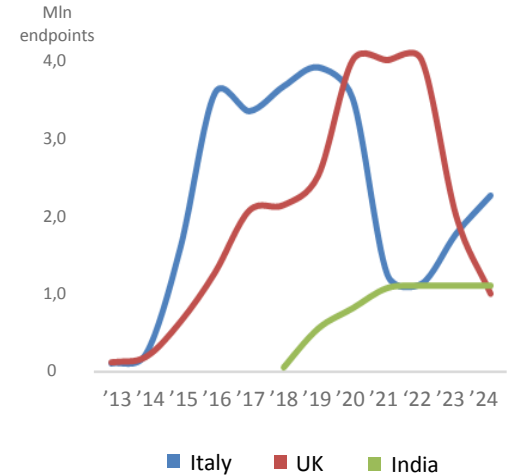
## Global endpoints



## European gas delivery points



## MeterSIT target markets














- On global scale, smart penetration will continue with moderate but constant growth expected in all market segments (+2-4% per year)

- Confirmed development opportunities in European Markets for new installations of smart meters and replacements

- UK market deployment will peak over the next 3 years
- Italian market expected to recover from 2023 thanks to replacement
- Indian opportunity in pre-paid and walk-by smart meters

# Smart Metering competition overview

		Gas		Gas network		Water		Heat	Electricity	Software solutions/services		
		Residential	C&I	Valve	Electronics	Residential meters	C&I meters	Meters	Meters	MDC / MDM	Smart Grids (NTW)	Data management
												



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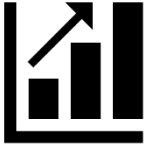


# Metering development priorities

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- Residential Meter Zigbee SMETS 2 for UK
- Residential Meter Walk-by for India
- NBIoT (Narrow Band Internet of Things)



- New Platform (New Mechanics and Electronics)



- Explore H2 opportunities and prepare meters for H2/CH4 blends (Hy4Heat award from BEIS - Department for Business, Energy & Industrial Strategy – UK Government)

# Key enabling factors

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- Digital transformation
  - Business model review through connectivity and servitization
  - Digital process reengineering and digital enablers (CRM, 3D printing, etc.)
  - Digital identity
- Lean manufacturing
- Industry 4.0
- New R&D Labs
- New R&D organization and new product development process
- After market enhancement

**Customers trends**

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# Heating Customers trends

## Geography



## Main Customers



## Key trends

- M&A, also intercontinental
- Connectivity
- High efficiency and low emission
- Home automation
- High efficiency
- Investment in all new technologies (heat pumps, hybrids, H<sub>2</sub>, solar )
- Servitization
- Gas adaptive,
- High performance
- Pollution reduction (coal to gas)
- Polarization of the market
- Product upscaling (condensing, branding)
- Focus from EU/North America players

Global trends

Continental trends

Implications for SIT

- Leverage worldwide footprint
- Exploit global product platforms and complete product solutions



# Metering Customers trends

## Main Customers



## Key trends

- Concentration (M&A and tenders)
- Good financially trend
- Investments in smart grids / smart metering
- Network digitalization and optimisation (balancing, leakages ...)
- Energy efficiency
  
- Concentration (M&A and tenders)
- Investment mainly for regulated activities
- Network digitalization, workforce enhancement
- Sustainability, Decarbonisation
- Combined purchasing of gas and electricity meters
- Multi “fuel” network data management (Water, District Heating, Gas and Electricity)

Gas  
distribution  
networks

Multi -  
Utilities

Implications  
for SIT

- Partnership to offer electricity and gas in UK
- Connected products, opportunity for servitization and datamanagement services

## Financial guidelines

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# Guidelines

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In the current macro scenario and in consideration of the initiatives underway, we expect:

- Organic top-line increase in the range of low single digit growth
- EBITDA margin in line with recent years average
- Capex in line with last 3 years average
- NFP expected stable/improving

# Regulatory statement

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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 presentation are fairly representing the accounts and the books of the company.

**Paul Fogolin**

*Chief Financial Officer*

paul.fogolin@sitgroup.it

**Investor Relations**

**Mara Di Giorgio**

+39 335 773 7417

investorrelations@sitgroup.it



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