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CONNECT

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Oggetto : SIT BoD approves 2020 Half-Year Results

<i>Testo del comunicato</i>

Vedi allegato.



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PRESS RELEASE

SIT leaves the "pandemic" half-year behind: Heating business resilient, while margin holds up. H2 2020 consolidated revenues forecast to be in line with H2 2019.

Margin recovery, Heating division rebound to pre-COVID levels and new strategic initiatives will drive Group over coming months.

Chairman and CEO Federico de' Stefani: "The pandemic has not dampened our desire to grow".

SIT in H1 2020 returned:

- Consolidated revenues of Euro 133.4 million (-20.3% on H1 2019);
- Heating Division sales of Euro 104.7 million (-15.0% on H1 2019);
- Smart Gas Metering Division sales of Euro 27.2 million (-36.0% on H1 2019);
- Consolidated EBITDA of Euro 15.2 million (-28.3% on H1 2019);
- Consolidated Net Profit of Euro 3.8 million (-15.5% on H1 2019);
- Net financial position at June 30, 2020 of Euro 88.9 million (Euro 78.4 million at end of 2019).

Q2 2020 reports:

- Consolidated revenues of Euro 59.9 million (-30.9% on Q2 2019);
- Heating Division sales of Euro 48.3 million (-20.8% on Q2 2019);
- Smart Gas Metering Division sales of Euro 10.8 million (-56.4% on Q2 2019);
- Consolidated EBITDA of Euro 6.2 million (-27.8% on Q2 2019).

Main period developments:

- In the first half of the year, the gas boilers market in the main European countries declined 16.7% on H1 ¹2019, -27.3% in the second quarter alone;
- In the second quarter, although ensuring business continuity and maintaining strong customer and supplier relations, SIT was impacted by the Coronavirus lockdown - reporting a revenue contraction of approx. 30% compared to the same quarter of the previous year;
- Cost-cutting and timely flexibility measures in the quarter contained the impact on operating margins, with EBITDA decreasing 27.8% on the same period of the previous year;
- Amid the general uncertainty caused by COVID, SIT obtained from the banks new unsecured lending, totalling Euro 35.5 million.

¹ Source: EHI – European Heating Industry.



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Padua, September 28, 2020

The Board of Directors of SIT S.p.A., listed on the main market of the Italian Stock Exchange, in a meeting today presided over by Federico de' Stefani, the Chairman and Chief Executive Officer, approved the consolidated H1 2020 results.

*"We are leaving behind a truly unpredictable and difficult six months, handled in an exemplary manner by the entire management team, as in fact has been explicitly acknowledged by our top customers" stated **Federico de' Stefani, Chairman and CEO of SIT S.p.A.** The climate has now decisively changed and we have begun to bring revenues and margins back to pre-pandemic levels. While on the one hand we dealt with the contingent situation in the period, on the other we never lost sight of our strategic planning, working closely on M&A's." In this regard, in July we announced the new production facility in Tunisia that will strengthen SIT's positioning and competitiveness."*

KEY FINANCIALS

(Euro.000)	1H 2020	%	1H 2019	%	diff	diff %
Revenues from contracts with customers	133,357	100.0%	167,243	100.0%	-33,886	-20.3%
EBITDA	15,155	11.4%	21,126	12.6%	-5,971	-28.3%
EBIT	3,779	2.8%	10,095	6.0%	-6,316	-62.6%
Result before taxes (EBT)	3,631	2.7%	6,418	3.8%	-2,787	-43.4%
Net profit/(loss) of the period	3,822	2.9%	4,524	2.7%	-702	-15.5%
Cash flow from operating & investing activities	-1,938		477		-2,415	

(Euro.000)	30/06/2020	31/12/2019	30/06/2019
Net Financial Position	-88,850	-78,379	-87,581
Net trade working capital	43,073	34,971	36,903
Net trade working capital/Revenues ⁽¹⁾	16.1%	9.9%	10.9%

(1) Annualized

H1 2020 consolidated revenues were Euro 133.4 million, decreasing 20.3% over the first half of 2020 (Euro 167.2 million).

(Euro.000)	1H 2020	%	1H 2019	%	diff	diff %
Heating	104,668	78.5%	123,107	73.6%	-18,439	-15.0%
Smart Gas Metering	27,152	20.4%	42,431	25.4%	-15,279	-36.0%
Total business revenues	131,820	98.8%	165,538	99.0%	-33,718	-20.4%
Other revenues	1,537	1.2%	1,706	1.0%	-169	-9.9%
Total revenues	133,357	100.0%	167,243	100.0%	-33,887	-20.3%

Heating Division sales amounted to Euro 104.7 million, compared to Euro 123.1 million (-15.0% compared to H1 2019).

The geographic distribution of Heating Division sales was as follows:



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(Euro.000)	1H 2020	%	1H 2019	%	diff	diff %
Italy	18,664	17.8%	25,504	20.7%	-6,840	-26.8%
Europe (excluding Italy)	50,903	48.6%	57,372	46.6%	-6,471	-11.3%
The Americas	24,477	23.4%	28,960	23.5%	-4,481	-15.5%
Asia/Pacific	10,624	10.2%	11,271	9.2%	-647	-5.7%
Total revenues	104,668	100.0%	123,107	100.0%	-18,439	-15.0%

The drop in sales in the period was particularly evident in **Italy** (which accounts for 17.8% of division sales), reporting a 26.8% decline due to the severity of the lockdown impact on some of the major Italian customers and in view of a section of the customer base operating in sectors such as pallet stoves and catering applications.

Europe (excluding Italy) accounts for 48.6% of division sales and in H1 2020 reported an 11.3% contraction (Euro 6.5 million), of which nearly 50% relating to the UK market, down 32.2% on the same period of the previous year.

Also in Europe, sales in Turkey - 10.9% of Heating business sales - decreased 3.8% on H1 2019. Other central European markets saw growth following the introduction of new product platforms by customers and end-market growth.

On the **American market**, sales declined 15.5% in the first half of 2020 (-17.4% at like-for-like exchange rates), which - in addition to the COVID-related uncertainties (particularly for the fireplace market) - reflects the particularly mild winter season.

Asia/Pacific, which in the period was down Euro 0.6 million (-5.7%), saw a recovery in the second quarter (Euro +0.7 million, +11.9%), thanks to the partial pick up in China on the first quarter (now in line with the 2019 performance) and the rebound of the Middle Eastern markets (Euro +1.0 million). The **Australian market** was also impacted in the period (Euro -0.3 million, -8.9%).

Smart Gas Metering Division sales in H1 2020 of Euro 27.2 million were down 36.0% on Euro 42.4 million in H1 2019. Sales in the second quarter totalled Euro 10.8 million, declining 56.4%, due to slowing installations in Italy caused by the lockdown, which require the physical presence of personnel. H1 2020 revenues were all substantially generated on the domestic market.

In terms of products, period sales for residential meters amounted to Euro 25.4 million (93.4% of total sales), while sales for commercial & industrial meters amounted to Euro 1.6 million.

In terms of costs, the purchase of raw materials and consumables, including changes in inventories, was Euro 68.3 million, accounting for 51.2% of revenues, compared to 53.8% in the same period of 2019, demonstrating the Group's prompt and effective capacity to optimise costs amid the temporary shutdown of production during the lockdown.

Service costs of Euro 17.6 million decreased 13.7% compared to the same period of the previous year, accounting for a substantially similar proportion of revenues compared with the first half of 2019. Personnel expense in the first half of 2020 was Euro 31.5 million, accounting for 23.6% of revenues (21.4% in the same period of the previous year), decreasing Euro 4.2 million, thanks to the recourse to the social security schemes made available for the COVID emergency and the absence of the MBO accrual in the first half of 2020.

Amortisation, depreciation and write-downs totalled Euro 11.6 million, in line with the same period of the previous year (Euro +0.4 million) due to the temporary deferment of investments scheduled for H1 2020 due to the COVID emergency.



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H1 2020 EBITDA was Euro 15.2 million, compared to Euro 21.1 million in the previous year (respectively a 11.4% and 12.6% margin). The reduction in EBITDA reflects the general contraction in sales volumes during the lockdown and the partial absorption of period production and operating costs.

H1 2020 EBIT was Euro 3.8 million, compared to Euro 10.1 million in H1 2019 (respectively 2.8% and 6.0% margin).

Net financial charges in H1 2020 totalled Euro 1.4 million, decreasing Euro 1.7 million on the same period of 2019 (Euro 3.2 million). This account reflects the change in value of the Warrants issued by the company, which in the period generated net income of Euro 1.4 million.

The profit before taxes of Euro 3.6 million (2.7% of sales) includes exchange gains of Euro 1.3 million.

Income taxes in the first half of 2020 were a positive Euro 0.2 million, compared to a charge of Euro 1.9 million in the same period of 2019. The figure includes the deferred tax effect in the period, in addition to tax supports under the Relaunch Decree.

The net profit for the period was Euro 3.8 million (2.9% margin), compared to Euro 4.5 million (2.7% margin in H1 2019). The second quarter reported substantial break-even.

The net financial debt at June 30, 2020 was Euro 88.9 million, compared to Euro 78.4 million at December 31, 2019. Cash flows in the period were as follows:

(Euro.000)	1H 2020	1H 2019
Cash flow from current activities (A)	16,119	23,021
Cash flow generated (absorbed) from Working Capital (B)	-13,962	-14,803
CASH FLOW FROM OPERATING ACTIVITIES (A + B)	2,157	8,218
Cash flow from investing activities (C)	-4,095	-7,741
CASH FLOW FROM OPERATING & INVESTING ACTIVITIES (A + B + C)	-1,938	477
Interest paid	-1,406	-1,623
Change in accrued interest on loans	-	-8
Amortised cost	-324	-254
FV change of derivatives	274	-609
Change in translation reserve	-2,827	789
Change in shareholders' equity and acquisition treasury	-129	-349
Dividends	-3,476	-6,969
IFRS 16	-645	-556
Change in net financial position	-10,471	-9,102
Opening net financial position ^{(1), (2)}	78,379	78,479
Closing net financial position ⁽²⁾	88,850	87,581

⁽¹⁾ The opening net financial debt at 1.1.2019 was adjusted for Euro 7,144 thousand to take account of the impact from the initial application of IFRS 16.

⁽²⁾ The Group's net financial position does not consider the financial liabilities for Warrants, as these items will not involve any financial outlay.



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In the first half of 2020, operating cash flows of Euro 16.1 million were generated, compared to Euro 23.0 million in the same period of 2019, substantially as a result of the decrease in EBITDA over the two periods of Euro 6.0 million.

Cash flows absorbed by changes in working capital amount to Euro 14.0 million, compared to Euro 14.8 million in H1 2019. This movement, in addition to reflecting reduced operations in the period, includes the increase in inventories of Euro 12.1 million from the beginning of the year, compared to Euro 10.6 million in the same period of 2019, required to satisfy the seasonality of sales through the procurement of sub-assembly components and production.

Cash investments in the first half of 2020 totalled Euro 4.1 million, compared to Euro 7.7 million in the first half of 2019. This reduction is due to the temporary suspension of certain projects during the lockdown.

Operating cash flows after investments therefore absorbed Euro 2.0 million, compared to Euro 0.5 million in the previous year.

Among the financing activity cash flows, in H1 2020 we indicate the payment of interest for Euro 1.4 million (Euro 1.6 million in H1 2019) and the payment of dividends for Euro 3.5 million (Euro 7.0 million in H1 2019), a reduction made in view of the COVID emergency related uncertainties.

The increase in the net financial debt in the first half of 2020 was therefore Euro 10.5 million, compared to Euro 9.1 million in the same period of 2019.

In the first half of 2020, against the uncertainties caused by the COVID emergency, the company obtained unsecured new funding from the banks to support company liquidity for a total of Euro 35.5 million, with Euro 25.5 million disbursed in the period.

Subsequent events and outlook

The COVID emergency and the uncertainties surrounding the developing Italian and global situation continues to be a major focus for the Group - both in terms of managing personnel and workspaces and with regards to the business impacts.

An inter-departmental task force launched at the start of the year monitors and manages the COVID impact on the organisation and on operations/projects. Safety measures and compliant conduct has been adopted at all facilities and offices globally, in accordance with government measures.

The operating forecasts for the second half of the year in this environment depend on the possible further impact of the health emergency and, particularly, any new lockdown, which is currently unpredictable.

Our current estimates - which do not take account of any new lockdown - for the second half of the year indicate consolidated revenues in line with the second half of 2019. In particular, we highlight the recovery of the Heating division, improving on initial forecasts, which has



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regained some of the ground lost in the first half of the year, confirming this business's resilience even against this unpredictable and extraordinary situation. In view of the improvement forecast for the second half of the year therefore, Group consolidated revenues are expected to see a low double-digit decline on 2019.

The annual EBITDA margin is expected to come in slightly down on 2019, thanks to a recovery on the basis of the volumes and efficiencies which are reasonably expected to emerge in the second part of 2020.

Investments shall pick up from the second half of 2020, following the postponement of non-core projects and initiatives during the lockdown and the slowdown to operations as a result of the pandemic, with total investment in the year estimated at approx. Euro 15 million.

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 H1 2020 are available on the website www.sitcorporate.it/en/in in the Investor Relations section.

The SIT Group, through its two divisions Heating and Smart Gas 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, the Netherlands, Romania, China and Tunisia, in addition to a commercial structure covering all global markets.



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Annex 1 BALANCE SHEET

(Euro.000)	30/06/2020	31/12/2019
Goodwill	78,138	78,138
Other intangible assets	55,782	59,125
Property, plant & equipment	76,422	79,317
Investments in other companies	54	54
Non-current financial assets	382	1,531
Deferred tax assets	5,343	5,167
Non-current assets	216,121	223,332
Inventories	61,409	51,126
Trade receivables	41,352	57,176
Other current assets	12,674	10,133
Tax receivables	4,158	4,770
Other current financial assets	86	23
Cash and cash equivalents	41,055	34,064
Current assets	160,734	157,292
Total assets	376,855	380,624
Share capital	96,152	96,152
Total Reserves	42,471	31,486
Net profit/(loss)	3,822	19,928
Minority interest net equity	-	-
Shareholders' Equity	142,445	147,566
Medium/long-term loans and borrowings	87,242	85,029
Other non-current financial liabilities and derivative financial instruments	4,213	4,138
Provisions for risks and charges	4,278	4,142
Post-employment benefit provision	5,930	6,201
Other non-current liabilities	18	4
Deferred tax liabilities	15,393	16,370
Non-current liabilities	117,074	115,884
Short-term loans and borrowings	35,754	19,730
Other current financial liabilities and derivative financial instruments	2,782	3,588
Trade payables	59,688	73,331
Other current liabilities	14,858	15,957
Financial instruments for Warrants	1,306	1,567
Tax payables	2,948	3,001
Current liabilities	117,336	117,174
Total Liabilities	234,409	233,058
Total Shareholders' Equity and Liabilities	376,855	380,624



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Annex 2 INCOME STATEMENT

(Euro.000)	1H 2020	1H 2019
Revenues from sales and services	133,357	167,243
Raw materials, ancillaries, consumables and goods	80,728	99,945
Change in inventories	(12,457)	(9,969)
Service costs	17,553	20,343
Personnel expense	31,508	35,709
Depreciation, amortisation and write-downs	11,562	11,122
Provisions	299	224
Other charges (income)	385	(228)
EBIT	3,779	10,095
Investment income/(charges)	-	-
Financial income	461	255
Financial charges	(1,866)	(3,365)
Net exchange gains (losses)	1,257	(567)
Impairments on financial assets	-	-
Profit/(loss) before taxes	3,631	6,418
Income taxes	191	(1,894)
Net profit/(loss) for the period	3,822	4,524
Minority interest result	-	-
Group net profit/(loss)	3,822	4,524



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Annex 3 CASH FLOW STATEMENT

(Euro.000)	1H 2020	1H 2019
Net profit/(loss)	3,822	4,524
Amortisation & depreciation	11,376	11,030
Non-cash adjustments	-291	2,463
Income taxes	-191	1,894
Net financial charges/(income)	1,403	3,110
CASH FLOW FROM CURRENT ACTIVITIES (A)	16,119	23,021
Changes in assets and liabilities:		
Inventories	-12,126	-10,573
Trade receivables	14,445	-369
Trade payables	-10,980	3,021
Other assets and liabilities	-3,667	-5,085
Income taxes paid	-1,634	-1,797
CASH FLOW GENERATED (ABSORBED) FROM CHANGES IN WORKING CAPITAL (B)	-13,962	-14,803
CASH FLOW FROM OPERATING ACTIVITIES (A + B)	2,157	8,218
Investing activities:		
Investments in property, plant & equipment	-5,023	-7,514
Other changes in property, plant & equipment	6	69
Investments in intangible assets	-227	-299
Other changes in financial assets	1,149	3
CASH FLOW FROM INVESTING ACTIVITIES (C)	-4,095	-7,741
CASH FLOW FROM OPERATING & INVESTING ACTIVITIES (A + B + C)	-1,938	477
Financing activities:		
Interest paid	-1,406	-1,623
Repayment of non-current financial payables	-10,125	-8,437
Increase (decrease) current financial payables	2,347	-3,506
Increase (decrease) other financial payables	-956	-896
New finance	25,500	-
Dividend payments	-3,476	-6,969
Own shares	-129	-349
Change in translation reserve	-2,827	789
CASH FLOW FROM FINANCING ACTIVITIES (D)	8,928	-20,991
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C + D)	6,990	-20,514
Cash & cash equivalents at beginning of the year	34,065	55,494
Increase/(decrease) in cash and cash equivalents	6,990	-20,514
Cash & cash equivalents at end of the year	41,055	34,980

Fine Comunicato n.20105-57

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