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Societa' : SIT

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Informazione
Regolamentata

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Oggetto : SIT, consolidated revenues of Euro 242 million in Q3 2023. Strong performance of Metering, +24% to Euro 64.0 million

Testo del comunicato

Vedi allegato.

SIT, consolidated revenues of Euro 242 million in Q3 2023.

Strong performance of Metering, +24% to Euro 64.0 million

Highlights

In the first nine months of 2023, SIT achieved:

- **Consolidated revenues** of Euro 242.1 million (-16.6% compared to the first nine months of 2022);
- **Sales of the Heating & Ventilation Division** of Euro 176.1 million (-25.0% compared to the same period of 2022);
- **Sales of the Metering Division of Euro** of Euro 64.0 million (+24.4% compared to the same period of 2022), of which Smart Gas Metering for Euro 44.5 million (+34.7%) and Water Metering for Euro 19.5 million (+5.9%);
- **Consolidated adjusted EBITDA** of Euro 21.9 million (-38.4% compared to the same period of 2022);
- **Consolidated adjusted net profit** of Euro 0.9 million, 0.4% of revenues, compared to Euro 8.2 million in the first nine months of 2022, equal to 2.8% of revenues;
- **Impairment of Heating & Ventilation goodwill** of Euro 17.0 million in light of the expected macrotrend in the sector;
- **Consolidated net profit** of Euro -19.4 million compared to Euro 10.5 million in the first nine months of 2022;
- **Cash flow from operation** for the first nine months of 2023 amounted to Euro -22.3 million after investments of Euro 16.6 million;
- **Net financial position** of Euro 159.0 million (Euro 138.7 million at September 30, 2022).

In the third quarter of 2023, the results are:

- **Consolidated revenues** of Euro 75.2 million, -21.4% compared to the same quarter of 2022;
- **Sales of the Heating & Ventilation Division of Euro** 52.7 million, -31.5% compared to the third quarter of 2022;
- **Metering Division sales** of Euro 21.6 million, +25.2% compared to the third quarter of 2022, of which Smart Gas Metering sales of Euro 14.9 million (+31.9%) and Water Metering of Euro 6.7 million (+12.2%).

Padova, 9 November 2023 - The Board of Directors of **SIT S.p.A.**, a company listed on the Euronext Milan segment of the Italian Stock Exchange, at today's meeting chaired by **Federico de' Stefani**, **Chairman and Chief Executive Officer of SIT**, approved the consolidated results for the first nine months of 2023.

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Federico de' Stefani, Chairman and CEO of SIT, commented:

"The third quarter of 2023 confirms the fundamental trends of the sectors in which we operate. In the first 9 months of the year, the performance of the Metering Division was particularly strong, with year-on-year growth of close to 25%. This is thanks to the group's good positioning in the Italian market, the new development projects of the Smart Gas Metering division and the positive quarterly results of Water Metering.

In order to improve profitability levels, the group is implementing its cost containment strategies, which are largely structural. We expect results in this regard starting from 2024, but we can already observe partial improvements given by the actions activated so far. Part of this programme is the start of the negotiation procedure for the downsizing of our production facilities in the Netherlands.

Finally, on the R&D front, we are working on various projects, including international ones, which will allow the group to enter segments that are not yet covered, including heat pumps".

KEY FINANCIALS

| (Euro.000) | 9M 23 | % | 9M 22 | % | diff% |
|--|----------|---------|----------|--------|---------|
| Revenues from contracts with customers | 242.097 | 100.0% | 290.384 | 100.0% | (16.6%) |
| EBITDA adjusted | 21.939 | 9.1% | 35.593 | 12.3% | (38.4%) |
| EBITDA | 20.038 | 8.3% | 26.768 | 9.2% | (25.1%) |
| EBIT adjusted | 1.194 | 0.5% | 15.370 | 5.3% | (92.2%) |
| EBIT | (20.207) | (8.3%) | 6.545 | 2.3% | - |
| EBT | (24.850) | (10.3%) | 11.440 | 3.9% | - |
| Net income adjusted | 882 | 0.4% | 8.246 | 2.8% | (89.3%) |
| Net income | (19.379) | (8.0%) | 10.479 | 3.6% | - |
| Cash flow from operating activities | (22.276) | | (28.281) | | |

| (Euro.000) | 30/09/2023 | 31/12/2022 | 30/09/2022 |
|------------------------------------|------------|------------|------------|
| Net financial debt | 158.963 | 130.501 | 138.687 |
| Net trade working capital | 85.247 | 73.752 | 81.026 |
| Net trade working capital/Revenues | 26.3% | 18.8% | 20.9% |

Sales performance

Consolidated Revenues by Division

| (Euro.000) | 9M 23 | % | 9M 22 | % | diff | diff % |
|-----------------------|----------------|-------------|----------------|-------------|-----------------|----------------|
| Heating & Ventilation | 176.096 | 72.7% | 234.798 | 80.9% | (58.702) | (25.0%) |
| Metering | 63.958 | 26.4% | 51.400 | 17.7% | 12.558 | 24.4% |
| Total sales | 240.054 | 99.2% | 286.198 | 98.6% | (46.144) | (16.1%) |
| Other revenues | 2.043 | 0.8% | 4.186 | 1.4% | (2.144) | (51.2%) |
| Total revenues | 242.097 | 100% | 290.384 | 100% | (48.287) | (16.6%) |

Consolidated Revenues by Region

| (Euro.000) | 9M 23 | % | 9M 22 | % | diff | diff % |
|--------------------------|----------------|-------------|----------------|-------------|-----------------|----------------|
| Italy | 73.509 | 30.4% | 66.913 | 23.0% | 6.596 | 9.9% |
| Europe (excluding Italy) | 112.607 | 46.5% | 132.180 | 45.5% | (19.573) | (14.8%) |
| The Americas | 34.065 | 14.1% | 62.604 | 21.6% | (28.539) | (45.6%) |
| Asia/Pacific | 21.916 | 9.1% | 28.687 | 9.9% | (6.771) | (23.6%) |
| Total revenues | 242.097 | 100% | 290.384 | 100% | (48.287) | (16.6%) |

Consolidated revenues for the first nine months of 2023 amounted to Euro 242.1 million, with a decrease of 16.6% compared to the same period of 2022 (Euro 290.4 million).

Heating & Ventilation Division

Sales of the Heating & Ventilation Division in the first nine months of 2023 amounted to Euro 176.1 million, -25.0% compared to Euro 234.8 million in the same period of 2022 (-24.4% at constant exchange rates).

Also in the third quarter of 2023, the Heating end market was in sharp contraction compared to the previous year, due both to the interruption of sector incentives and the uncertainty of the legislative framework relating to gas appliances. The impact of inflation and high interest rates on the spending power of households also contributed to the contraction.

In this market context, SIT customers are operating with stock levels that are still consistent because of the 2022 demand dynamics and established in the past to cope with the uncertainties arising in the supply chain, especially in electronics.

The following table shows sales breakdown by geography of the Heating & Ventilation Division according to management accounting criteria:

| (Euro.000) | 9M 23 | % | 9M 22 | % | diff | diff % |
|--------------------------|----------------|-------------|----------------|-------------|-----------------|----------------|
| Italy | 28.527 | 16.2% | 45.092 | 19.2% | (16.565) | (36.7%) |
| Europe (excluding Italy) | 92.003 | 52.2% | 101.046 | 43.0% | (9.043) | (8.9%) |
| The Americas | 32.476 | 18.4% | 59.846 | 25.5% | (27.370) | (45.7%) |
| Asia/Pacific | 23.090 | 13.1% | 28.814 | 12.3% | (5.724) | (19.9%) |
| Total revenues | 176.096 | 100% | 234.798 | 100% | (58.702) | (25.0%) |

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Sales in Italy decreased by 36.7% compared to the same period of 2022. This trend affected all the main product families and was driven by changes in sector incentives as well as the slowdown in home renovations. It is worth noting the particularly negative trend in the Direct Heating segment, of applications for Pellet Stoves (-76.0%) which in 2022 had benefited from the sharp increase in gas prices.

As far as **Europe, excluding Italy**, is concerned in the first nine months of 2023 there was a reduction in sales of Euro 9.0 million, equal to 8.9% compared to the same period of the previous year. Turkey, the leading shipping market with 18.9% of divisional sales, recorded a growth trend of 32.9% equal to Euro 8.3 million, mainly thanks to Fans for Central Heating applications, that were penalized by supply problems in the same period of 2022. UK, 8.1% of divisional sales, marks a trend in the first nine months of 2023 substantially in line with the same period of 2022, noting a different trend between product families with a growth of Euro 2.0 million (+29.4%) in Flues compared to the same period of 2022. As for Central Europe, the overall trend in the period was in line with the Division (-28.1%), with sales of Heat Recovery Units increasing by Euro 1.1 million, +13.8% compared to the same period of 2022.

Sales in **America** fell by 45.7% (exchange rate impact is not material). The reduction affected Storage Water Heating applications for Euro 8.6 million, while Direct Heating applications for fireplaces (-18.8 million Euros, -56.4%) were affected by the negative trend of new buildings to which this segment is related.

Sales in the **Asia/Pacific area** decreased by 19.9% (-14.8% on a like-for-like exchange rate basis) to Euro 23.1 million in the nine months compared to Euro 28.8 million in the same period of 2022. As for China, sales in the third quarter decreased by 12.9% compared to the same period of 2022, bringing sales for the nine months to -15.1% (-8.6% on a like-for-like exchange rate basis). In the first nine months of 2023, Australia recorded sales of Euro 4.8 million, down 28.3% (23.3% at constant exchange rates).

Metering Division

Sales in the Metering Division amounted to Euro 64.0 million compared to Euro 51.4 million, with an increase of 24.4% compared to the same period of the previous year.

In the first nine months of 2023, **sales in the Smart Gas Metering** segment amounted to Euro 44.5 million, up 34.7% compared to the first nine months of 2022. The performance is due to the group's good positioning in the Italian market and the new development and replacement projects launched by its main customers. Sales in Italy accounted for 95.8% of the total, while sales abroad, equal to 4.2% of the total, were made in Greece and Central Europe.

Sales in Water Metering amounted to Euro 19.5 million, up 5.9% compared to the first nine months of 2022. Sales were achieved in Portugal (18.6%), Spain (38.4%), the rest of Europe (32.2%) and America and Asia (7.6% and 3.0% respectively).

Economic performance

Consolidated revenues for the first nine months of 2023 amounted to Euro 242.1 million, recording a decrease of 16.6% compared to the same period of 2022 (Euro 290.4 million).

Adjusted EBITDA amounted to Euro 21.9 million, down 38.4% compared to the same period of the previous year (Euro 35.6 million) and was affected by the volume effect, especially in the Heating &

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Ventilation division, only partially offset by the Metering division and by efficiency and cost containment measures.

Adjusted EBIT is equal to Euro 1.2 million (0.5% of revenues) compared to Euro 15.4 million (5.3% of revenues) in the first nine months of 2022.

The goodwill impairment of Euro 17.0 million, already reported in the half-year financial statements, was carried out considering the trend and scenarios envisaged in the use of gas appliances in domestic heating as a result of the energy transition.

The group's **operating result (EBIT)** was particularly affected by the impairment test and went from Euro 6.5 million in the first nine months of 2022 to Euro -20.2 million in the first nine months of 2023.

Net financial expense for the first nine months of 2023 amounted to Euro 5.2 million compared to net financial income of Euro 6.5 million in the same period of the previous year. It should be noted that in the first nine months of 2022 the amount was influenced by the change in fair value deriving from the market value of the Warrants, which resulted in a financial gain of Euro 8.7 million.

Adjusted net financial expense, net of the non-recurring items, amounted to Euro 5.2 million in the first nine months of 2023, compared to Euro 2.2 million in the same period of the previous year.

Taxes for the period amounted to Euro 5.5 million and reflect the accrual of deferred tax assets deriving from recoverable tax losses accounted by certain foreign companies.

The **net result** for the period amounted to a loss of Euro 19.4 million compared to a profit of Euro 10.5 million in the same period of 2022.

The **adjusted net result**, net of non-recurring effects and write-downs of assets described above, amounted to Euro 0.9 million (0.4% of revenues) compared to Euro 8.2 million (2.8%) in the same period of 2022.

Financial performance

As of September 30, 2023, net financial debt amounted to Euro 159.0 million compared to Euro 130.5 million as of December 31, 2022 and Euro 138.7 million as of September 30, 2022.

The change in the net financial position is shown in the table below:

| Euro.000 | 9M 23 | 9M 22 |
|--|-----------------|-----------------|
| Cash flow from current activities (A) | 22.287 | 33.880 |
| Change in inventory | (5.116) | (28.790) |
| Change in account receivables | 14.344 | (4.224) |
| Change in account payables | (18.945) | (954) |
| Other changes in working capital and taxes | (18.226) | (7.104) |
| Cash flow generated (absorbed) from Working Capital (B) | (27.943) | (41.072) |
| CASH FLOW FROM OPERATING ACTIVITIES (A+B) | (5.656) | (7.192) |
| Cash flow from investing activities (C) | (16.620) | (21.089) |
| CASH FLOW FROM OPERATING & INVESTING ACTIVITIES (A+B+C) | (22.276) | (28.281) |
| Changes in interests paid or accrued | (5.236) | (1.617) |
| Change in MTM and amortized cost | 240 | 1.230 |
| Change in translation reserve | (1.469) | 1.215 |
| Other cash flows from current financial assets | 913 | 3.450 |
| Dividends paid | - | (7.299) |
| IFRS 16 | (632) | (655) |

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|---|-----------------|-----------------|
| Change in net financial position | (28.460) | (31.958) |
| Opening net financial position | 130.501 | 106.729 |
| Closing net financial position | 158.963 | 138.687 |

Cash flows for the first nine months of 2023 show the generation from current activities of Euro 22.3 million, compared to Euro 33.9 million in the same period of 2022.

In the first nine months of 2023, **the absorption of working capital** amounted to Euro 27.9 million compared to Euro 41.1 million. It should be noted that in the first quarter of 2023 settlement took place following the agreement reached during the third quarter of 2022 for the non-recurring dispute with a customer.

With regard to **trade working capital**, in the first nine months of 2023 there was a cash absorption of Euro 9.7 million, partly due to the increase in inventories in Smart Gas Metering to meet the order book in the second half of the year, and partly due to the reduction in the volumes of activities recorded in Heating & Ventilation in both trade receivables and payables. In the same period of 2022, the trend in trade working capital had recorded an absorption of Euro 34.0 million, mainly due to the trend in inventories for the expected sales volumes in Heating & Ventilation.

Investment flows amounted to Euro 16.6 million compared to Euro 21.1 million in the same period of 2022.

Cash flows from operations after investments therefore amounted to Euro -22.3 million compared to Euro -29.3 million in the same period of previous year.

Financial cash flows included interest of Euro 5.2 million in the period compared to Euro 1.6 million in the same period of 2022.

Significant events occurred after the closing of the reporting period.

The Company informs that today the Dutch subsidiary has begun the formal request to the competent employee participation body for consultation regarding the downsizing of the local production facility. The timing of the procedure will be defined according to local legislation while the overall project is expected to be completed in the first half of 2024.

Business Outlook

The Company confirms the 2023 outlook provided in the financial results reporting for the first half of 2023. Smart Gas Metering will maintain double-digit growth (20% ≈ 25%) while Water Metering is expected to grow between 10% and 15%. Considering the market trends in the Heating sector (such as uncertain regulation, the cancellation of incentives, the impact of inflation and high rates on the spending power of households) and the consequent excess stock in the whole value chain that makes destocking longer than expected, it is forecasted that the Heating & Ventilation division will record a reduction compared to the previous year between 25% and 30%.

At a consolidated level, the sales trend in the year compared to the previous year is expected to fall between 18% and 21%.

Adjusted EBITDA as at 31.12.2023 is expected to be between 9 and 10%. Net financial debt is forecasted in line with the first half of 2023, amounting to approximately Euro 150.0 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 the period are available on the website www.sitcorporate.it/en/ in the Investor Relations section.

Today at 3PM CET, SIT management will hold a **conference call** to present to the financial community and the press the Q3 2023 consolidated results. You may participate in the conference call by connecting to the following link: <https://rb.gy/gru7jw>

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/en/

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Annex 1
BALANCE SHEET

| (Euro.000) | 30/09/2023 | 31/12/2022 |
|--|----------------|----------------|
| Goodwill | 70.946 | 87.946 |
| Other intangible assets | 51.824 | 55.276 |
| Property, plants and equipment | 103.523 | 106.103 |
| Investments | 632 | 630 |
| Non-current financial assets | 4.015 | 5.186 |
| Deferred tax assets | 15.050 | 10.492 |
| Non-current assets | 245.990 | 265.633 |
| Inventories | 98.206 | 91.352 |
| Trade receivables | 50.281 | 63.800 |
| Other current assets | 17.922 | 12.597 |
| Tax receivables | 4.664 | 2.280 |
| Other current assets | 7.305 | 6.269 |
| Cash and Cash Equivalents | 17.178 | 23.535 |
| Current assets | 195.556 | 199.833 |
| Total assets | 441.546 | 465.466 |
| Share capital | 96.162 | 96.162 |
| Total Reserves | 71.672 | 58.120 |
| Net Profit | (19.379) | 11.213 |
| Minority interests net equity | - | - |
| Shareholders' Equity | 148.455 | 165.495 |
| Medium/long-term loans and borrowings | 68.982 | 77.968 |
| Other non-current financial liabilities and derivative financial instruments | 51.955 | 53.553 |
| Provisions for risks and charges | 7.829 | 13.844 |
| Post-employment benefit provision | 5.108 | 5.093 |
| Other non-current liabilities | 23 | 4 |
| Deferred tax liabilities | 13.365 | 15.005 |
| Non-current liabilities | 147.263 | 165.467 |
| Short-term bank loans | 56.589 | 23.551 |
| Other current financial liabilities and derivative financial instruments | 5.920 | 5.235 |
| Trade payables | 63.240 | 81.400 |
| Other current liabilities | 19.422 | 23.113 |
| Financial instruments for Warrants | 656 | 1.205 |
| Tax payables | 145.827 | 134.504 |
| Current liabilities | 293.091 | 299.971 |
| Total Liabilities | 68.982 | 77.968 |
| Total Shareholders' Equity and Liabilities | 441.546 | 465.466 |

Annex 2
INCOME STATEMENT

| (Euro.000) | 9M 2023 | 9M 2022 |
|---|-----------------|----------------|
| Revenues from sales and services | 242.097 | 290.384 |
| Raw materials, ancillaries, consumables and goods | 133.308 | 183.510 |
| Change in inventories | (5.719) | (29.289) |
| Services | 34.909 | 40.228 |
| Personnel expense | 58.514 | 59.963 |
| Depreciation, amortisation and write-downs | 40.447 | 20.396 |
| Provisions | 463 | 8.381 |
| Other charges (income) | 383 | 650 |
| EBIT | (20.207) | 6.545 |
| Investment income/(charges) | - | - |
| Financial income | 543 | 9.274 |
| Financial charges | (5.696) | (2.764) |
| Net exchange gains (losses) | 510 | (1.615) |
| Impairments on financial assets | - | - |
| Profit before taxes | (24.850) | 11.440 |
| Income taxes | 5.471 | (961) |
| Net profit for the year | (19.379) | 10.479 |
| Minority interest result | - | - |
| Group net profit | (19.379) | 10.479 |

Annex 3
CASH FLOW STATEMENT

| (Euro.000) | 2023/09 | 2022/09 |
|---|-----------------|-----------------|
| Net profit | (19.379) | 10.479 |
| Amortisation & depreciation | 40.245 | 20.223 |
| Non-cash adjustments | 1.739 | 8.730 |
| Income taxes | (5.471) | 960 |
| Net financial charges/(income) | 5.153 | (6.512) |
| CASH FLOW FROM CURRENT ACTIVITIES (A) | 22.287 | 33.880 |
| <i>Changes in assets and liabilities:</i> | | |
| Inventories | (5.116) | (28.790) |
| Trade receivables | 14.344 | (4.224) |
| Trade payables | (18.945) | (954) |
| Other assets and liabilities | (15.612) | (4.441) |
| Income taxes paid | (2.614) | (2.663) |
| CASH FLOW GENERATED (ABSORBED) FROM CHANGES IN WORKING CAPITAL (B) | (27.943) | (41.072) |
| CASH FLOW FROM OPERATING ACTIVITIES (A + B) | (5.656) | (7.192) |
| CASH FLOW FROM INVESTING ACTIVITIES (C) | (16.620) | (21.089) |
| CASH FLOW FROM OPERATING & INVESTING ACTIVITIES (A + B + C) | (22.276) | (28.281) |
| <i>Financing activities:</i> | | |
| Interest paid | (4.472) | (1.617) |
| Repayment of non-current financial payables | (11.591) | (11.248) |
| Increase (decrease) current financial payables | 25.727 | 2.153 |
| Increase (decrease) other financial payables | (2.276) | (2.058) |
| New loans | 10.000 | 25.000 |
| Payment of dividends | - | (7.297) |
| Paid-in share capital increase | - | (537) |
| CASH FLOW FROM FINANCING ACTIVITIES (D) | 17.388 | 4.395 |
| Change in translation reserve | (1.469) | 1.752 |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C + D) | (6.357) | (22.134) |
| Cash & cash equivalents at beginning of the year | 23.535 | 46.667 |
| Increase (decrease) in cash and cash equivalents | (6.357) | (22.134) |
| Cash & cash equivalents at end of the year | 17.178 | 24.533 |

Fine Comunicato n.20105-56

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