SIT

Company presentation

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- Smart Gas Metering business description
- Key financials

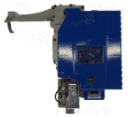
SIT develops and manufactures measuring devices and systems for the safety, comfort and performance of domestic gas equipment

Heating

SIT

Mechanical Controls

Electronic Controls


Integrated Systems

Fans

Flue Exhaust Systems

Sensors

Smart Gas Metering

MeteRSit

Gas meters

Professional cooking and catering

Domestic appliances

Fireplaces

Space Heaters

Instantaneous Water Heaters

Boilers

Pellet Stoves

Water Heaters

SMART GRIDS

SIT at a glance

Organic growth in revenues and stable margins

Revenues 2016FY	288,1€	Revenues CAGR 2012-2016	+6,6%
Ebitda *Adjusted** FY2016	44,6€	Ebitda *Adjusted** margin FY2016	15,5%
		Average Ebitda Adj margin 2012-2016	*14,1%*

Market and technological leadership

- SIT is the world's top name in the production of multifunctional mechanical safety gas valves
- 79 registered patents and strong co-development relationships with key multinational customers
- Smart Gas Metering business with highly innovative technology and interesting growth opportunities

Global coverage and international manufacturing footprint

- Over 70% of sales in foreign markets
- 4 production plants in Italy and 4 located in Romania , The Netherlands, Mexico, China
- 43% of sales is manufactured overseas
- Global coverage of sales organization

SIT was listed on AIM Italy via a reverse merger with Industrial Stars of Italy 2 (SPAC) (20 July 2017)

Transition to Main Market in Milan Stock Exchange (MTA) planned for H12018

*Ebitda *Adjusted* excludes extraordinary and non recurring items

Main customers

Heating

Smart Gas Metering

Milestones in SIT history

1953: Established by Pierluigi and Giancarlo de' Stefani

1964 – 1997: international expansion

- 1964, first mechanical control exported to Germany
- 1974, first foreign European subsidiary in the Netherlands
- 1980s, new subsidiaries in US and Australia
- 1997, Chinese subsidiary in Shanghai

1999 – 2017: greenfield and acquisitions

- 1999, acquisition of ENCON, a Dutch manufacturer of electronic boards for gas appliances
- 2000, Mexican production site built from greenfield, acquisition of CATOBA and BRAY BURNERS
- 2004, acquisition of NATALINI, established manufacturer of fans and flue exhaust kits based in Macerata (Italy)
- 2010s, production capacity increase in Italy, NL, Romania (new plant in Brasov) and China (new plant in Suzhou)

2009 – 2016: Smart Gas Metering from scratch

- 2009, a joint venture (MeteRSit) was established to operate in the Smart Gas Metering business
- 2014, totality of the shares were bought out by SIT
- 2016, Metersit Romania was established and capacity increase was built in Brasov, Romania

2014: LBO, SAP and IFRS/IAS implementation

- Federico de Stefani acquired the 100% shares of SIT (opco SIT la precisa) through a LBO financed by BNP and Blackrock
- Worldwide SAP implementation went live on 1.1.2014
- Transition to IFRS/IAS accounting standards

2017 – AIM Italia listing via a reverse merger with Industrial Stars of Italy 2 (SPAC) (20 July 2017)

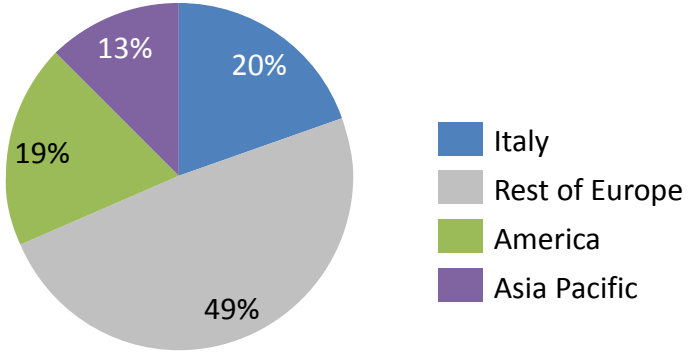
SIT currently operates two business divisions

Heating

2016 Sales: 250,4 €
(87% of total)

Components and systems for the control, regulation and safety of gas appliances for domestic heating, cooking and large catering facilities

Sales breakdown by geography (2016)

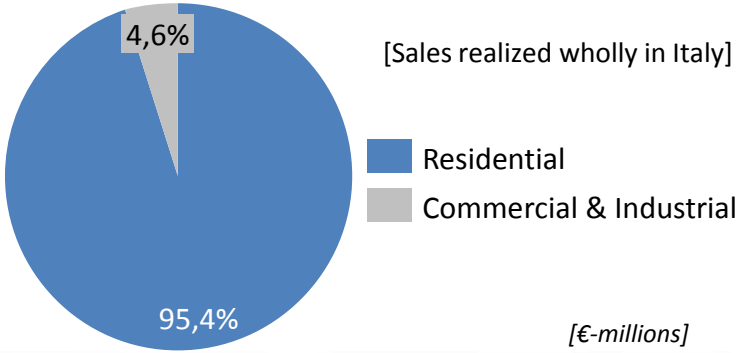


Smart Gas Metering

2016 Sales: 37,8 €
(13% of total)

A new generation of intelligent remotely controlled static gas meters measuring directly the standard volume in cubic meters (without need of any compensation devices)

Sales breakdown by application (2016)



[€-millions]

Heating business division – market segments and products

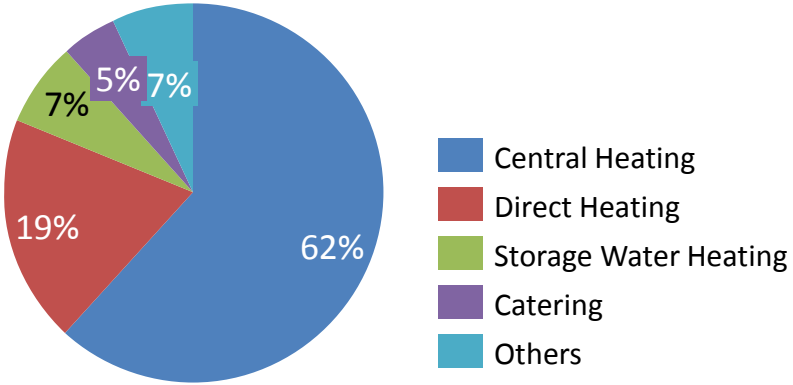
SIT operates significantly in the following market segments:

- **Central Heating**, boilers for domestic and water heating
- **Direct Heating**, gas stoves and fireplaces for room heating
- **Storage Water Heating** for domestic hot water
- **Catering**, professional and collective gas cooking appliances

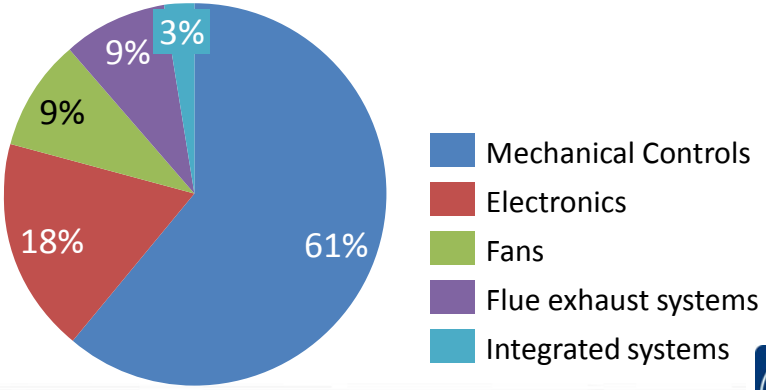
Current product families include:

- **Mechanical controls**, multifunctional safety valves for gas
- **Electronic controls**, mainboards for gas control and regulation; devices for remote control and user interface and displays
- **Fans**, applications for heating and cooking devices
- **Integrated systems**, pre tested and assembled modules for condensing gas boilers
- **Flues exhaust kits,** for domestic boilers

Sales breakdown by market segment (2016)



Sales breakdown by product family (2016)



Heating business division – strong competitive position

	Mechanical controls	Electronic controls
Central Heating	• 34% of Group revenues • Market share ~50% • #1 globally	• 12% of Group revenues • Market share ~14% (excluding captive production)
Direct Heating	• 12% of Group revenues • Market share ~25%	• 5% Group revenues
Storage Water Heating	• 7% of Group revenues • Market share ~14%	

SIT has significant market share in relevant Heating segments and is market leader for more than 1/3 of its total turnover

Note: Since at the moment there is no existing reliable market research which provide the required level of detail, nor any official data, the statements of key information, the assessments concerning the positioning of SIT Group and the assessments regarding the market and the market segments of the reference market are based exclusively on assessments carried out by SIT's management, in accordance to its own knowledge of the market and its analysis of the data gathered. For such reason, these statements and assessments may not be updated and/or may also be quite approximate. Due to the lack of reliable and standardized data and of market data provided by third parties, these assessments are necessarily subjective and are provided, unless otherwise specified, by SIT on the basis of the analysis of the data it, as a company, has gathered. These evaluations and the performance of the industries in which SIT operates could prove to be different from those assumed due to the known and unknown risks, the uncertainties and other causes.

Smart Gas Metering - driven by regulation and smart technology

Attractive business opportunity

- The mission of MeteRSit , wholly owned subsidiary, is to offer to gas distribution companies a new generation of highly innovative, electronic, remotely controlled smart gas meters

- The business opportunity arises from the Italian directive ARG/gas155/08 issued by the relevant Authority (AEEG) and from the European directive on smart gas metering (EU 2009/73)

- The **attractiveness** of the business opportunity for SIT is based on:
  - Product designed on innovative micro thermal-flow sensor technology that measures standard cubic meters of consumption without any need of compensation devices
  - Competitors based on standard technology (volumetric)
  - Italy as the first market for massive roll out of residential smart gas meters
  - Growth in foreign markets

RESIDENTIAL SMART GAS METERS

(from 4 to 10 m³ph flow)

GPRS (point to point)

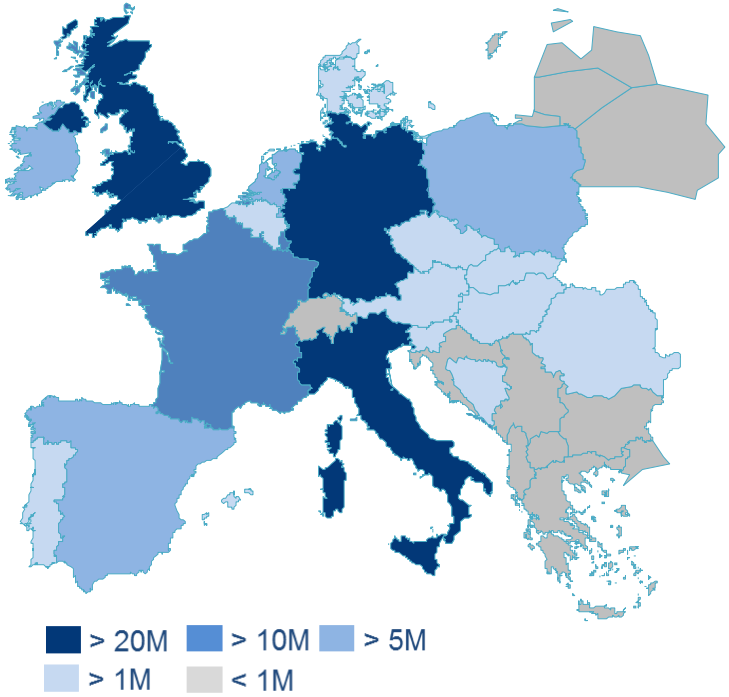
Wireless MBUS (point to multipoint)

COMMERCIAL & INDUSTRIAL SMART GAS METERS

(from 16 to 40 m³ph flow)

Smart Gas Metering – market size provides growth potential

European Gas Meter installation base is over 120 million units

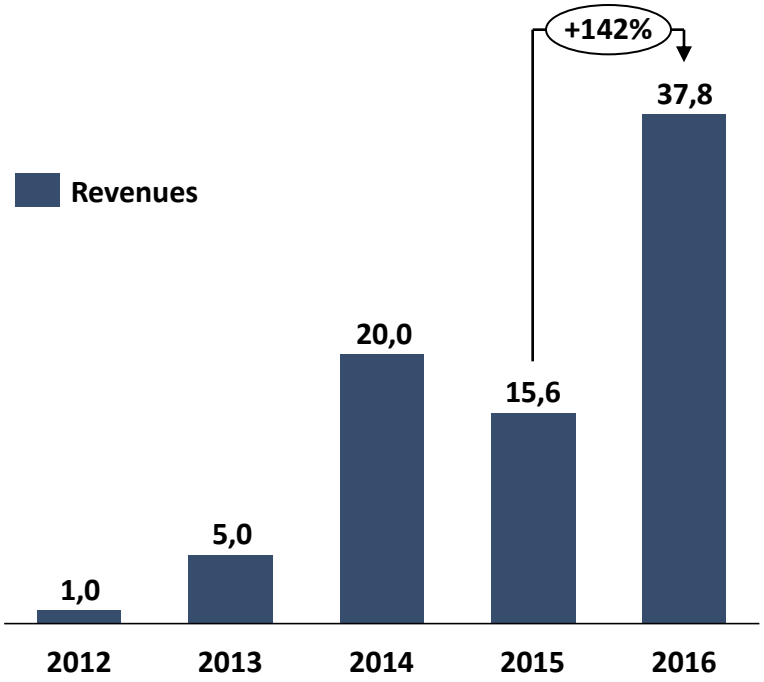


Source: Berg Insight (M2M Research Series 2016 - Smart Metering in Europe

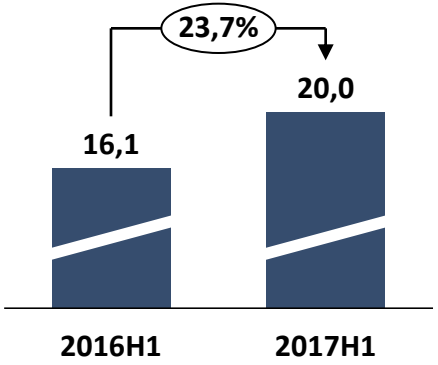
To current date main European countries are in different stages of massive residential meters roll-out plans

- **UK**: regulatory framework (SMET2) requires to complete replacement of 100% of existing meters by 2020. Roll out recently shifted to July 2018, allowing to install SMET1 meters up to this date.
- **Italy**: ARG/GAS/554/15 issued in Nov 2015 requires substitution of 60% of total meters by 2019. Currently (2017E) substitution or assigned is 35% of the installed base.
- **Germany:** former cost/benefit analysis had a negative outcome and roll out plan is currently on hold; cost/benefit analysis update is expected
- **France:** cost/benefit analysis had a positive outcome and first wave of roll out plan is defined. Second wave is expected in 2019
- **Spain:** former cost/benefit analysis had a negative outcome; cost/benefit analysis update is expected
- **Netherlands:** regulatory framework defined in 2013 and roll-out plan defined in 2014 and roll out in course

Smart Gas Metering – trend in sales



- Trend in Smart Gas Metering sales confirms consolidation of Italian Residential meter massive roll-out plan



- Sales evolution confirms growth potential
- Order portfolio on 30.6.2017 is 31,1€ (+25%) of which 25,7€ with expected revenue in 2017FY

[€-millions]

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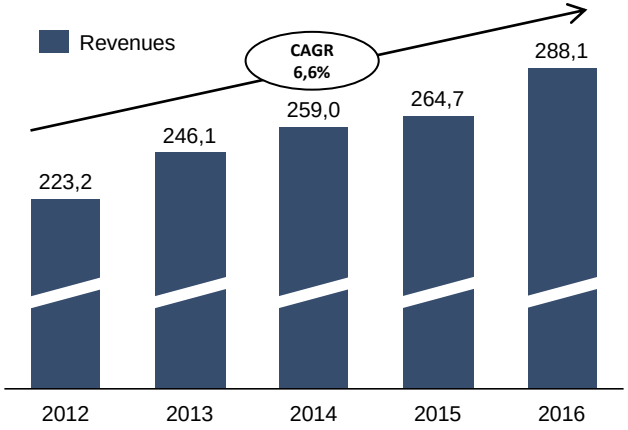
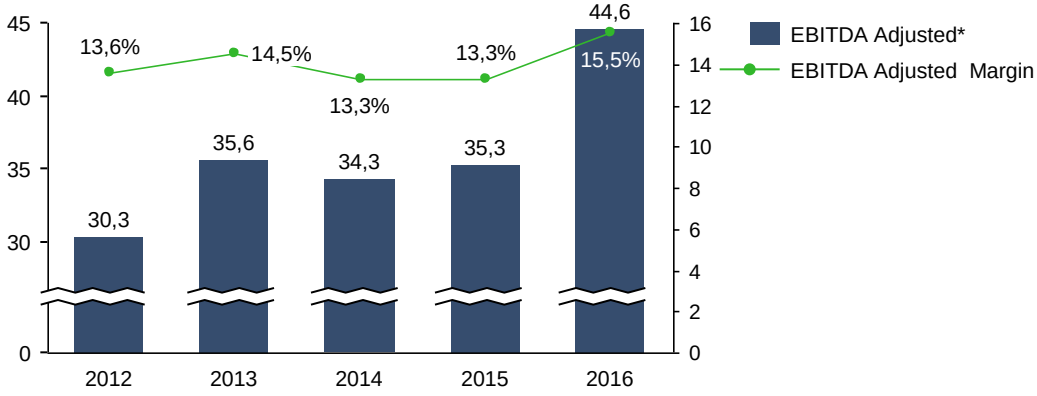
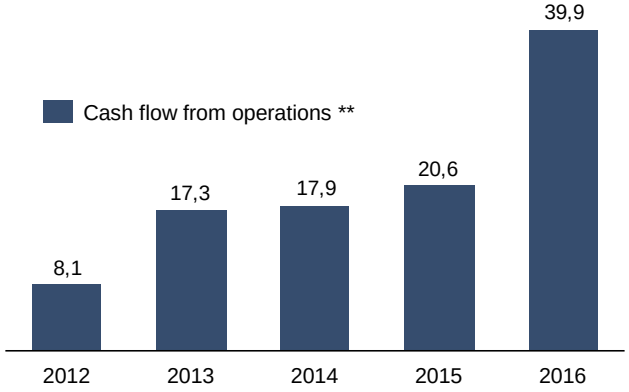
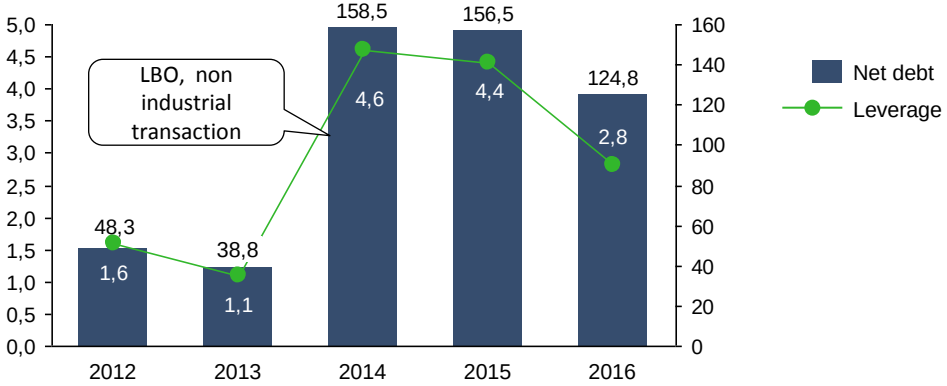
Key financials









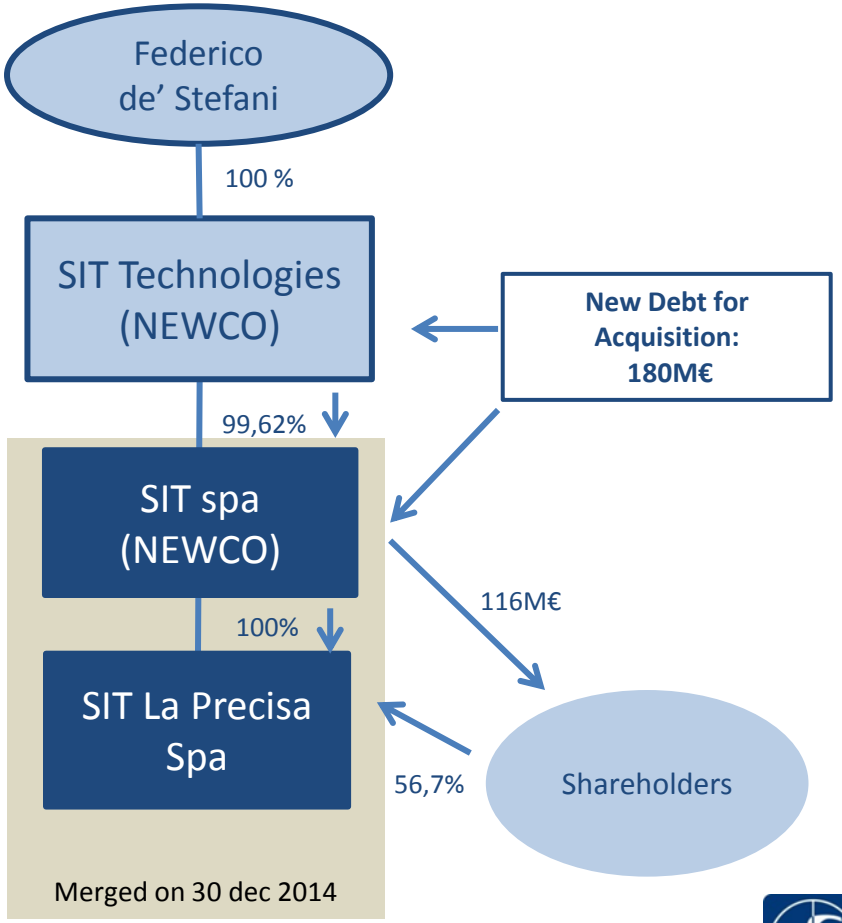
*Ebitda *Adjusted* excludes extraordinary and non recurring items

**Cash flow from operations is before debt service

[€-millions]

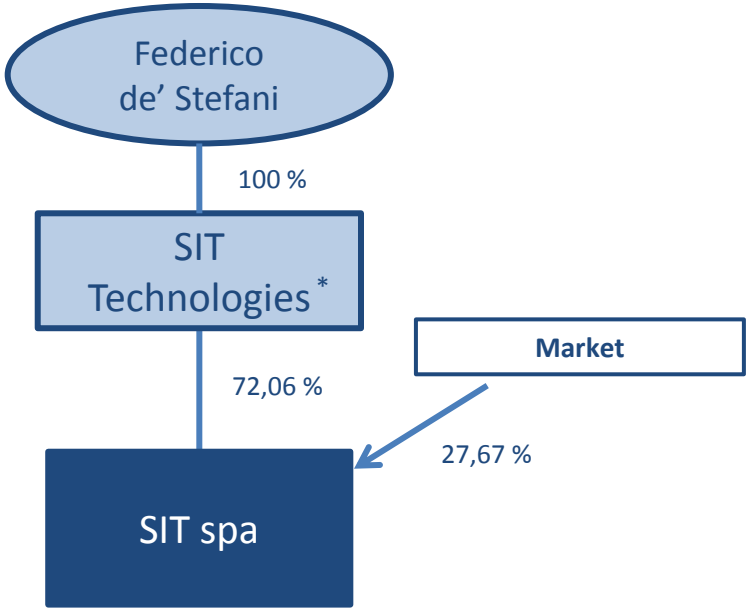
Change in 2014 net debt was due to LBO

- In 2014 Federico de Stefani, acquired the 56,7% of SIT shares from other shareholders via LBO transaction using the 100% owned Newco SIT Technologies
- Equity value of the transaction was 116€
- Funding was provided at two levels:
  - SIT spa (newco): senior bank debt: 120€
  - SIT Technologies: subordinated debt 60€
- Proceeds were used for (i) payment of the acquisition (ii) reimbursement of existing debt at Opco level (iii) transaction costs
- Since 2014 all debt service and repayment was timely executed
- At EoP2016 outstanding gross debt was 159€



[€-millions]

Listing on AIM Italy on 20 July 2017 via reverse merger with Industrial Stars of Italy2 (SPAC)



Shareholder structure as of 1 Sept 2017 (**)

(*) fully diluted post-warrant conversion: 68,2%
(**) includes 0,27% Treasury shares

Reverse merger and concurrent listing of SIT provided a new capital structure:

- Shareholder loan cancellation by SIT Technologies and increase in equity of 8€
- Cash contribution by SPAC of 50,5€
- Refinancing of senior bank debt for 135€

Following **proforma accounts**, performed by a big four accounting firm , calculates the effect of new structure on **2016FY** consolidated financials

	2016	
	SIT Group	Pro-forma
Revenues	288,1	288,1
EBITDA *Adjusted*	44,6	44,6
EBIT	23,5	23,2
Financial Charges	(19,7)	(4,7)
Net Income *Adj****	**1,7**	**13,7**
Net debt	124,8	66,3

(***) excludes FV accounting of SPAC and warrants

[€-millions]

2017 H1 financials (before IPO that took place on July 20)

- Consolidated Sales growth: +14,4€ (+10,7% vs 2016H1)

  Heating sales: 129,1€ (+10,5€, +9,0%)

  Smart Gas Metering sales: 20,0€ (+3,9€, +23,7%)

- Consolidated EBITDA growth: +0,6€ (+2,9%)

€.000	2017H1	%	2016H1	%	YoY	%
Revenues	149.124	100,0%	134.728	100,0%	14.396	10,7%
EBITDA	21.609	14,5%	20.997	15,6%	612	2,9%
EBIT	12.521	8,4%	11.343	8,4%	1.178	10,4%
Financial charges	8.002	5,4%	9.336	6,9%	(1.334)	-14,3%
Net Income	912	0,6%	1.954	1,5%	(1.042)	-53,3%
Net debt	126.950		158.582		(31.632)	

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