

LU-VE

Sector: Industrials

OUTPERFORM

Price: Eu24.40 - Target: Eu31.60

Focus on Margins In Volatile Business Scenario

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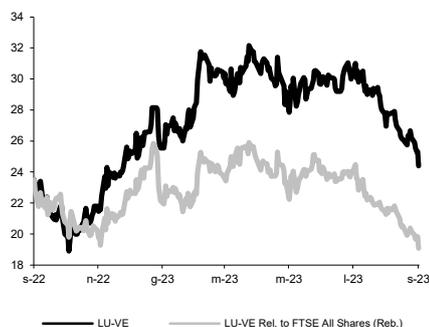
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 33.00 to 31.60		
	2023E	2024E	2025E
Chg in Adj EPS	-5.1%	-5.4%	-3.7%

Next Event 9M23 Revenues

Results Out 10 October 2023

LU-VE - 12M Performance



Stock Data

Reuters code:	LUVE.MI		
Bloomberg code:	LUVE IM		
Performance	1M	3M	12M
Absolute	-9.5%	-18.0%	3.8%
Relative	-10.4%	-20.8%	-24.0%
12M (H/L)	32.15/18.90		
3M Average Volume (th):	17.80		

Shareholder Data

No. of Ord shares (mn):	22
Total no. of shares (mn):	22
Mkt Cap Ord (Eu mn):	543
Total Mkt Cap (Eu mn):	543
Mkt Float - Ord (Eu mn):	207
Mkt Float (in %):	38.2%
Main Shareholder:	
Liberali Family	45.8%

Balance Sheet Data

Book Value (Eu mn):	229
BVPS (Eu):	10.28
P/BV:	2.4
Net Financial Position (Eu mn):	-137
Enterprise Value (Eu mn):	680

■ **2Q23 results in line with record 2Q22.** 2Q23 product revenues, up 1.6% YoY to Eu168.9mn, were announced on 13 July. EBITDA (before non-recurring charges of Eu0.7mn which did not feature in our estimates) was Eu23.4mn, up 1.7% YoY and 4% better than forecast. Revenues were supported not only by the heat pump segment but also by the business with data centres. The Eu0.5mn YoY EBITDA improvement is due to a combination of different factors: a Eu2.5mn positive contributions from prices and a Eu0.3mn cost reduction were offset by a Eu2.4mn negative volume effect. EBIT (including the aforementioned non-recurring charges) closed at Eu14.0mn, 1.5% better than expected. Thanks to lower-than-forecast financial and tax charges, restated net profit was Eu12.5mn, up 6.9% YoY and 19% better than our estimates. Net debt as at end-June 2023 was Eu160.2mn, slightly higher than as at end-June 2022 (Eu155.4mn) and slightly above our estimate.

■ **Management outlook.** In terms of outlook, management underlined that the previously-expected recovery in investments from the supermarket and HORECA sector has not materialised so far; the group can nevertheless rely on broad revenue diversification, and notwithstanding some increasing business volatility in the short term, is working to safeguard profitability. As for heat pumps, while the long-term outlook remains extremely positive, 2H23 sales should be hit by the postponement of some incentive schemes to 2024 (in Germany in particular) and by a general cooling of the housing renovation market. On the other hand, the outlook remains very promising in the business with data centres. More in general, the group's competitive positioning appears extremely safe, in terms of customer trust, technological know-how and production capacity.

■ **Change in estimates.** Considering the extremely tough comparison, 1H23 results showed good resilience, but the business outlook remains quite uncertain for the coming months. As for 2023/24, we are lowering our revenue forecasts by 3.7%/3.9% due to the above-mentioned temporary postponements in the heat pump business and a more gradual recovery in business with supermarkets (for this reason, we are cutting 2025 revenues by only 2.4%). Conversely, in terms of margins, we are leaving our 2023/24 EBITDA margin forecasts unchanged at 12.8% and 13.1% of sales respectively. All in all, we are lowering our 2023 and 2024 EPS forecasts by 5.1% and 5.4% respectively (slightly lower tax rate in 2023).

■ **OUTPERFORM confirmed; target from Eu33.0 to Eu31.6.** 1H23 results confirmed the group's resilience thanks to a successful business diversification strategy. The fine-tuning of our estimate is entirely due to temporary market problems, while the long-term outlook remains safe and promising. In detail, the group remains well exposed to supportive trends: 1) the enforcement of increasingly strict environmental regulations; 2) the migration of heating systems from gas to electric through the use of heat pumps; 3) developing needs for refrigeration tools linked to rising urban populations; 4) the creation of effective cold chains in developing countries; 5) cooling needs of data centres and renewable electricity generation plants.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	492	619	631	674	738
EBITDA Adj (Eu mn)	61	79	81	88	99
Net Profit Adj (Eu mn)	27	37	34	39	46
EPS New Adj (Eu)	1.203	1.678	1.544	1.757	2.061
EPS Old Adj (Eu)	1.203	1.678	1.627	1.858	2.139
DPS (Eu)	0.350	0.380	0.400	0.420	0.440
EV/EBITDA Adj	8.8	7.8	8.4	7.5	6.5
EV/EBIT Adj	15.4	12.2	13.4	11.7	9.8
P/E Adj	20.3	14.5	15.8	13.9	11.8
Div. Yield	1.4%	1.6%	1.6%	1.7%	1.8%
Net Debt/EBITDA Adj	2.0	1.8	1.7	1.4	1.0