LU-VE

OUTPERFORM

Sector: Industrials

Price: Eu31.30 - **Target: Eu36.40**

Business Trends Confirmed as Accelerating in 2H

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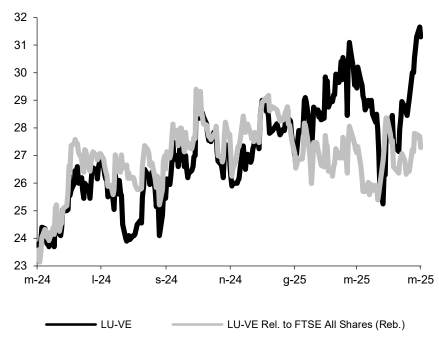
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2025E	**2026E**	**2027E**
Chg in Adj EPS	0.6%	0.8%	0.6%

Next Event: 1H25 Revenues
Results Out 10 July 2025

Lu-Ve - 12M Performance



Stock Data			
Reuters code:			LUVE.MI
Bloomberg code:			LUVE IM
Performance	**1M**	**3M**	**12M**
Absolute	13.2%	5.4%	34.6%
Relative	-4.5%	-0.3%	19.8%
12M (H/L)			31.65/23.50
3M Average Volume (th):			12.48

Shareholder Data	
No. of Ord shares (mn):	22
Total no. of shares (mn):	22
Mkt Cap Ord (Eu mn):	696
Total Mkt Cap (Eu mn):	696
Mkt Float - Ord (Eu mn):	266
Mkt Float (in %):	38.2%
Main Shareholder:	
Liberali Family	45.8%

Balance Sheet Data	
Book Value (Eu mn):	276
BVPS (Eu):	12.40
P/BV:	2.5
Net Financial Position (Eu mn):	-81
Enterprise Value (Eu mn):	777

- **Solid margins and cash flow, considering the soft revenue trend.** The group had already released 1Q25 product revenues on 7 April 2025, amounting to Eu133.5mn, down 5.5% YoY. At the same time, the order book as at the end of March 2025 came to Eu210.4mn, up 24.6% YoY and 20.8% higher than the figure at the end of December 2024. As for 1Q25 results approved yesterday, EBITDA was impacted by Eu0.4mn in one-off costs for the expansion of the new plant in Texas; net of this effect, EBITDA was Eu18.3mn, down 6.7% YoY and in line with expectations. The YoY gap in EBITDA is entirely related to lower volumes, while prices were stable and streamlining of costs (by Eu1.2mn) continued. Adjusted net profit, at Eu8.7mn, was higher than our Eu7.4mn estimate thanks to lower D&A and financial charges. Very good cash generation, with net debt as at end-March of Eu104.0mn, was markedly better than our estimate of Eu110.0mn thanks to tight control of working capital.
- **Business outlook.** Sales are projected to accelerate in 2H25, driven by high order backlog and the expected strengthening of market demand. However, the company underlines that short-term uncertainty remains high, posing challenges for near-term forecasts; specifically, management does not rule out possible delays in customer decision-making, especially for large data centre and power generation projects. However, for 2H25, contracts already awarded for data centre cooling systems and industrial refrigeration should go ahead according to plans and should drive revenues up. The outlook for the heat-pump market remains uncertain; however, the year has started positively, and the business might provide some upside potential. In this continuing volatile environment, the company is working to safeguard margins and cash generation, confident of its competitive advantage in technological terms and of the benefits that could flow thanks to the two new plants in China (already completed) and the United States (to be completed by YE25). The local-for-local industrial approach should provide good protection against the risk of tariffs, a possible advantage compared to other competitors.
- **Change in estimates.** Despite a soft start to the year, we are leaving our revenue forecasts unchanged. Consequently, we also confirm our EBITDA forecasts, merely factoring Eu1.2mn in one-off costs in FY25 related to the new Texas plant (of which Eu0.4mn already booked in 1Q25). Below EBITDA, in light of quarterly results, we are trimming D&A charges (mainly assuming a lower PPA impact).
- **OUTPERFORM confirmed; target Eu36.4 unchanged.** The strong trend for order intake provides reassurance that the coming quarters should see an acceleration and that our estimates for 4.5% YoY FY25 product revenue growth make sense. Besides this, management's unwavering efforts on extracting cost efficiencies and the healthy diversification of turnover across unrelated sectors remain important levers to adapt the strategy in a still volatile scenario. Looking ahead, cost savings will improve operational leverage in the coming years when the top line growth should recover, supported by a positive outlook for all business segments. We calculate the target using a DCF model that assumes a WACC of 9.1% (up from 8.7%) and a terminal growth rate of 3.0% (unchanged).

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	617	589	614	657	702
EBITDA Adj (Eu mn)	80	83	87	94	101
Net Profit Adj (Eu mn)	39	40	40	45	50
EPS New Adj (Eu)	1.753	1.798	1.815	2.034	2.266
EPS Old Adj (Eu)	1.753	1.798	1.805	2.017	2.253
DPS (Eu)	0.400	0.420	0.440	0.460	0.480
EV/EBITDA Adj	8.9	7.8	8.9	7.9	7.0
EV/EBIT Adj	13.7	11.7	13.1	11.5	9.9
P/E Adj	17.9	17.4	17.2	15.4	13.8
Div. Yield	1.3%	1.3%	1.4%	1.5%	1.5%
Net Debt/EBITDA Adj	1.6	1.2	0.9	0.5	0.1

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- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

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Frequency of research: quarterly.

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A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

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BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

NEUTRAL: stock performance expected at between +10% and – 10% compared to the market over a 12 month period;

UNDERPERFORM: stock expected to underperform the market by between –10% and -25% over a 12 month period;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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BUY:	32.59 %
OUTPERFORM:	37.78 %
NEUTRAL:	29.63 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

As at 31 March 2025 the distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (74 in total) is as follows:

BUY:	52.70 %
OUTPERFORM:	29.73 %
NEUTRAL:	17.57 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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