

LU-VE

Sector: Industrials

OUTPERFORM

Price: Eu26.30 - Target: Eu31.50

Results Confirm Ability to Enrich Margins and Cash Profile

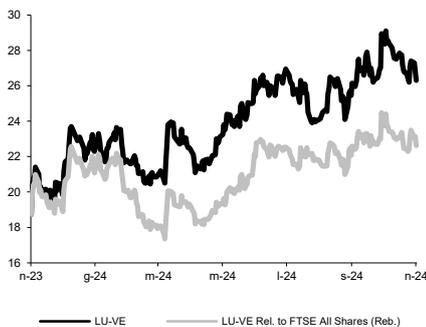
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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 31.00 to 31.50		
	2024E	2025E	2026E
Chg in Adj EPS	1.7%	-3.8%	-1.2%

Next Event: FY24 Revenues
 Results Out January 2025

Lu-Ve - 12M Performance



Stock Data

Reuters code:	LUVE.MI		
Bloomberg code:	LUVE IM		
Performance	1M	3M	12M
Absolute	-9.2%	9.1%	40.3%
Relative	-7.5%	4.1%	24.1%
12M (H/L)	29.10/19.54		
3M Average Volume (th):	7.61		

Shareholder Data

No. of Ord shares (mn):	22
Total no. of shares (mn):	22
Mkt Cap Ord (Eu mn):	585
Total Mkt Cap (Eu mn):	585
Mkt Float - Ord (Eu mn):	223
Mkt Float (in %):	38.2%
Main Shareholder:	
Liberali Family	45.8%

Balance Sheet Data

Book Value (Eu mn):	246
BVPS (Eu):	11.07
P/BV:	2.4
Net Financial Position (Eu mn):	-113
Enterprise Value (Eu mn):	697

■ **Another good quarter for margins and cash generation.** Lu-Ve already reported 3Q24 product turnover of Eu140mn, flat YoY, on 7 October. It is important to underline that, net of heat pump trends, quarterly product turnover was up 6.3% YoY, an acceleration on the 1H24 trend (+1.0% YoY). The order book as at 30 September 2024 was Eu172mn, in line with the figure as at 30 September 2023, and slightly higher than at 30 June 2024. Quarterly EBITDA came to Eu21.1mn, up 5.4% YoY and +4.8% vs. our estimates: the margin improved from 13.9% in 3Q23 to 14.9% thanks to a reduction in costs. Adjusted net profit came to Eu9.0mn, -7.9% YoY due to a higher tax rate. Net debt at the end of September 2024 was Eu125.8mn, Eu7.8mn higher than expected, mainly because of higher lease liabilities (+Eu5mn in 3Q24). Net cash generation in the last 12 months amounted to Eu59mn, after an accelerated CapEx programme of Eu13mn.

■ **Business outlook.** The company envisages 2024 closing with revenues down YoY, but EBITDA “equal to or above 2023 due to action on structural costs”. Among the most promising businesses, management sees cooling systems for data centres, which Lu-Ve is pushing in the USA and China in particular, with the aim of boosting the contribution to total revenues from 6-7% to 15% in two/three years; heat exchangers for supermarket display cabinets; and those for high-efficiency tumble dryers. A new important revenue stream will come from cooling systems for emergency generators at nuclear power stations, for which Lu-Ve has won an order in the United Kingdom: the project, for which the first lots will be delivered in 2025, is worth Eu27mn for Lu-Ve and could pave the way for other important contracts (negotiations are in progress on two other projects with EdF and one with Ansaldo Energia). The heat pump market remains the area of greatest concern; however, medium-term expectations remain cautiously optimistic.

■ **Change in estimates.** We are factoring in slightly more cautious forecasts into our 2024 revenue estimates. Visibility on 2025 remains low, and we now only expect limited improvements in the heat pump business, while we expect the nuclear business to contribute c.Eu4mn in revenues. Finally, the traditional core business (i.e. net of heat pumps and nuclear) should grow 4.3% YoY in 2025 from Eu560mn by 30/40bp. Conversely, in terms of margins, we are raising our 2024 and 2025 estimates by 30/40bp. All in all, having also adjusted the tax rate upwards, we are making minor changes (+1.7%/-3.8%/-1.2%) to 2024/25/26 EPS.

■ **OUTPERFORM confirmed; target from Eu31.0 to Eu31.5.** Once again, in 3Q24 Lu-Ve managed to improve EBITDA by Eu1.1mn (without any adjustment), thanks to management’s prompt reaction in enacting cost efficiencies and to the healthy diversification of turnover across unrelated sectors. Equally noteworthy was cash generation, with excellent control of working capital. Looking forward, cost savings, which are safeguarding this year’s profitability, will improve operational leverage in the coming years when top line growth should recover supported by a positive outlook for all business segments, including heat pumps, which remain a pillar of Repower EU targets. We confirm our positive view on the stock, adjusting up our target thanks to the roll-over of the valuation.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	619	617	585	616	659
EBITDA Adj (Eu mn)	79	80	82	87	93
Net Profit Adj (Eu mn)	37	39	37	39	45
EPS New Adj (Eu)	1.675	1.753	1.663	1.766	2.002
EPS Old Adj (Eu)	1.675	1.753	1.636	1.837	2.026
DPS (Eu)	0.380	0.400	0.420	0.440	0.460
EV/EBITDA Adj	7.8	8.9	8.5	7.8	7.0
EV/EBIT Adj	12.2	13.7	12.7	11.7	10.3
P/E Adj	15.7	15.0	15.8	14.9	13.1
Div. Yield	1.4%	1.5%	1.6%	1.7%	1.7%
Net Debt/EBITDA Adj	1.8	1.6	1.4	1.0	0.7

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- 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)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium of 5.5% are being used.

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:	28.24 %
OUTPERFORM:	48.09 %
NEUTRAL:	23.67 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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BUY:	55.74 %
OUTPERFORM:	34.43 %
NEUTRAL:	09.83 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short
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