

LU-VE

Sector: Industrials

OUTPERFORM

Price: Eu21.05 - Target: Eu28.90

Solid Margins and Cash Flow Generation in 4Q23

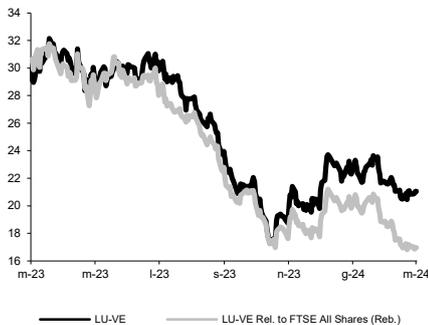
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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 28.00 to 28.90		
	2024E	2025E	2026E
Chg in Adj EPS	4.1%	2.7%	

Next Event 1Q24 Revenues
 Results Out 15 April 2024

LU-VE - 12M Performance



Stock Data

Reuters code:	LUVE.MI
Bloomberg code:	LUVE IM

Performance	1M	3M	12M
Absolute	-3.0%	-0.5%	-31.3%
Relative	-10.4%	-11.3%	-55.3%
12M (H/L)		32.15/17.28	
3M Average Volume (th):		13.13	

Shareholder Data

No. of Ord shares (mn):	22
Total no. of shares (mn):	22
Mkt Cap Ord (Eu mn):	468
Total Mkt Cap (Eu mn):	468
Mkt Float - Ord (Eu mn):	179
Mkt Float (in %):	38.2%
Main Shareholder:	
Liberali Family	45.8%

Balance Sheet Data

Book Value (Eu mn):	247
BVPS (Eu):	11.09
P/BV:	1.9
Net Financial Position (Eu mn):	-116
Enterprise Value (Eu mn):	584

■ **4Q23 adj. EBITDA up 4.4% YoY, cash flow generation better than expected.** On 13 March 2024 the group announced FY23 results, after product revenues had already been released on 14 January, corresponding to Eu606.8mn, in line with the FY22 figure (+0.3% YoY, or -0.7% on the same consolidation base). Focusing on 4Q23, product revenues came to Eu146.8mn, down 1% YoY (no scope changes), coming in +5.6% higher than our forecast. As for the order book, at the end of December 2023 it stood at Eu156.2mn, c.17% lower than the corresponding figure at the end of 2022. Despite the slightly declining quarterly top line performance, the 4Q23 EBITDA margin (11.5% on sales) was 30bp above the 4Q22 level (11.2%). At bottom line, quarterly net profit reached Eu8.2mn, excluding non-recurring items, compared to Eu4.4mn in 4Q22. Finally, net debt stood at Eu126.3mn as at the end of December 2023, Eu13mn lower than expected and down Eu16mn compared to the corresponding figure at the end of 2022. Notably NWC to sales, which were at 17.9% at the end of December 2022, came to 16.7% as at the end of December 2023, showing a normalising trend. FY23 CapEx came to Eu39mn, with some projects postponed to 2024.

■ **Management outlook.** Management sees 2024 as a further year of consolidation in terms of sales volumes, with important growth trends for certain applications (data centres and logistics centres), and possible upside for other applications (commercial refrigeration), combined with one area characterised by high volatility and possible risks (heat pump exchangers). This area, which represented approximately 10% of FY23 revenues, suffered a sudden and unexpected slowdown in demand in the final months of 2023. This phenomenon is seen as temporary and mainly attributable to economic factors. In this scenario, starting from 2H23, the Group has launched a series of projects to improve profitability, through investments in production automation, process reorganisation and cost control, which started to bear fruit in 4Q23.

■ **Change in estimates.** We are confirming our 3% revenue growth in 2024, with a stable EBITDA margin at 13%. All in all, thanks to a slightly higher 2023 comparison base, we are raising our 2024 and 2025 EPS forecasts by 4.1% and 2.7% respectively.

■ **OUTPERFORM confirmed; target from Eu28.0 to Eu28.9.** Margin resilience and cash flow generation in 4Q23 confirmed excellent management control and the clear benefits coming from business differentiation. Volatility in the heat pump business doesn't affect the industry's long-term outlook, which remains promising. In detail, the group remains positively 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 datacentres and renewable electricity generation plants.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	619	617	635	685	726
EBITDA Adj (Eu mn)	79	80	83	90	96
Net Profit Adj (Eu mn)	37	39	36	40	43
EPS New Adj (Eu)	1.675	1.753	1.616	1.812	1.953
EPS Old Adj (Eu)	1.675	1.527	1.552	1.765	
DPS (Eu)	0.380	0.400	0.420	0.440	0.460
EV/EBITDA Adj	7.8	8.9	7.1	6.3	5.7
EV/EBIT Adj	12.2	13.7	10.8	9.5	8.5
P/E Adj	12.6	12.0	13.0	11.6	10.8
Div. Yield	1.8%	1.9%	2.0%	2.1%	2.2%
Net Debt/EBITDA Adj	1.8	1.6	1.4	1.1	0.8

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

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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.

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BUY:	26.02 %
OUTPERFORM:	47.15 %
NEUTRAL:	26.02 %
UNDERPERFORM	00.81 %
SELL:	00.00 %

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OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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