

# LU-VE

Sector: Industrials

# OUTPERFORM

Price: Eu23.80 - Target: Eu28.90

## Effective Cost Management To Protect Margins

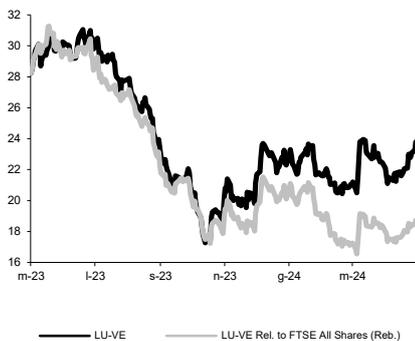
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### Stock Rating

|                    |           |       |       |
|--------------------|-----------|-------|-------|
| Rating:            | Unchanged |       |       |
| Target Price (Eu): | Unchanged |       |       |
|                    | 2024E     | 2025E | 2026E |
| Chg in Adj EPS     | 0.1%      | 0.0%  | 0.0%  |

**Next Event 1H24 Revenues**  
 Results Out 11 July 2024

### LU-VE - 12M Performance



### Stock Data

 Reuters code: LUVE.MI  
 Bloomberg code: LUVE IM

| Performance             | 1M          | 3M    | 12M    |
|-------------------------|-------------|-------|--------|
| Absolute                | 6.0%        | 9.7%  | -20.8% |
| Relative                | 2.0%        | -2.0% | -47.6% |
| 12M (H/L)               | 31.05/17.28 |       |        |
| 3M Average Volume (th): | 20.08       |       |        |

### Shareholder Data

|                           |       |
|---------------------------|-------|
| No. of Ord shares (mn):   | 22    |
| Total no. of shares (mn): | 22    |
| Mkt Cap Ord (Eu mn):      | 529   |
| Total Mkt Cap (Eu mn):    | 529   |
| Mkt Float - Ord (Eu mn):  | 202   |
| Mkt Float (in %):         | 38.2% |
| Main Shareholder:         |       |
| Liberali Family           | 45.8% |

### Balance Sheet Data

|                                 |       |
|---------------------------------|-------|
| Book Value (Eu mn):             | 246   |
| BVPS (Eu):                      | 11.09 |
| P/BV:                           | 2.1   |
| Net Financial Position (Eu mn): | -115  |
| Enterprise Value (Eu mn):       | 644   |

■ **1Q24 results: good margins and cash generation.** In 1Q24 Lu-ve reported turnover of Eu141.9mn (-6.3% YoY), a figure that had already been announced to the market on 15 April. It is interesting to note that the decline is entirely due to the heat exchangers market for heat pumps. Net of this segment, turnover was up 4.9% YoY. Quarterly EBITDA came to Eu19.6mn, +2.3% YoY and +3.2% vs. our estimate: the margin improved from 12.7% in 1Q23 to 13.8% thanks to a Eu2.2mn reduction in costs, which more than offset the negative volume effect. Adj. net profit closed at Eu10.1mn, +18.2% YoY and +46% vs. our estimate thanks to lower financial charges (positive impact of Eu2.6mn from the line linked to IFRS16 costs). Net debt at the end of March was Eu137.1mn, Eu3mn better than expected, a reduction of Eu24.3mn vs. March 2023, after a Eu9.1mn dividend payment.

■ **Management outlook for the remainder of the year.** Management confirmed the benefits of the cost optimisation programme will continue in the coming quarters. The supply chain is normalising, with clear benefits both in terms of costs and inventory levels. The heat pump business (12.5% of 1H23 revenues, 10% of FY23) is now expected to experience a more gradual recovery: it represented just 3.4% of 1Q24 sales and should contribute to about 5% of FY24 sales. A clarification on the incentive scheme, expected after the European elections, is crucial to accelerate a market recovery that is in any case needed in order to meet net zero emission targets. More in general, Lu-ve has a number of international opportunities, especially in the datacentre cooling business (new industrial capacity in China and in the US will be available at the end of the CapEx programme). The display cabinets business continues to recover, especially with smaller customers. Clients retain a strong focus on green regulations and new stores and warehouses are using natural refrigerants. Finally, while the tumble dryer business is recovering strongly, the ho.re.ca business is experiencing a softer trend.

■ **Change in estimates.** In light of a more prudent outlook for heat pumps, we are trimming our FY24 revenue forecasts by 1.3%. According to our new estimates, we expect revenues to be down 8% in 2Q24 but then recover by 8.6% YoY in 2H24. This strong acceleration, as already pointed out, is largely driven by a significantly different comparison on the heat pump business (in 4Q23 the business had already fallen to almost 1Q24 level). As a consequence, we expect the contribution from other businesses to grow about 10% in 2H24. On the other hand, we are raising our EBITDA margin estimate by 10bp (from 13.2% to 13.3%), thanks to cost savings. All in all, we are leaving our 2024 and 2025 EPS forecasts unchanged.

■ **OUTPERFORM confirmed; target Eu28.9 unchanged.** 1Q24 results showed resilient margins, a trend we expect to continue in 2Q24. Volatility in the heat pump business is strong but does not affect the industry's long-term outlook, which remains promising. In detail, the group remains positively exposed to supportive trends like the enforcement of increasingly strict environmental regulations, the developing needs for refrigeration tools linked to rising urban populations and the cooling needs of datacentres and renewable electricity generation plants.

| Key Figures & Ratios   | 2022A | 2023A | 2024E | 2025E | 2026E |
|------------------------|-------|-------|-------|-------|-------|
| Sales (Eu mn)          | 619   | 617   | 620   | 672   | 712   |
| EBITDA Adj (Eu mn)     | 79    | 80    | 82    | 90    | 96    |
| Net Profit Adj (Eu mn) | 37    | 39    | 36    | 40    | 43    |
| EPS New Adj (Eu)       | 1.675 | 1.753 | 1.612 | 1.806 | 1.946 |
| EPS Old Adj (Eu)       | 1.675 | 1.753 | 1.611 | 1.806 | 1.947 |
| DPS (Eu)               | 0.380 | 0.400 | 0.420 | 0.440 | 0.460 |
| EV/EBITDA Adj          | 7.8   | 8.9   | 7.8   | 7.0   | 6.3   |
| EV/EBIT Adj            | 12.2  | 13.7  | 11.9  | 10.5  | 9.5   |
| P/E Adj                | 14.2  | 13.6  | 14.8  | 13.2  | 12.2  |
| Div. Yield             | 1.6%  | 1.7%  | 1.8%  | 1.8%  | 1.9%  |
| 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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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:         | 25.21 % |
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| NEUTRAL:     | 27.73 % |
| UNDERPERFORM | 00.84 % |
| SELL:        | 00.00 % |

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|              |         |
|--------------|---------|
| BUY:         | 38.78 % |
| OUTPERFORM:  | 51.02 % |
| NEUTRAL:     | 10.20 % |
| UNDERPERFORM | 00.00 % |
| SELL:        | 00.00 % |

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|----------|---|------------|
|          |   |            |

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