

LU-VE

Sector: Industrials

OUTPERFORM

Price: Eu29.15 - Target: Eu33.00

Supportive Indications from FY22 Results

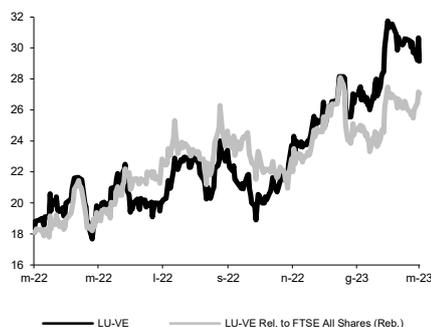
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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 32.00 to 33.00		
	2023E	2024E	2025E
Chg in Adj EPS	1.5%	2.3%	

Next Event 1Q23 Revenues
 Results Out 14 April 2023

LU-VE - 12M Performance



Stock Data

Reuters code:	LUVE.MI		
Bloomberg code:	LUVE IM		
Performance	1M	3M	12M
Absolute	-7.2%	17.1%	61.0%
Relative	-0.1%	9.6%	53.2%
12M (H/L)	31.75/17.68		
3M Average Volume (th):	20.71		

Shareholder Data

No. of Ord shares (mn):	22
Total no. of shares (mn):	22
Mkt Cap Ord (Eu mn):	648
Total Mkt Cap (Eu mn):	648
Mkt Float - Ord (Eu mn):	247
Mkt Float (in %):	38.2%
Main Shareholder:	
Liberali Family	45.8%

Balance Sheet Data

Book Value (Eu mn):	230
BVPS (Eu):	10.36
P/BV:	2.8
Net Financial Position (Eu mn):	-134
Enterprise Value (Eu mn):	782

- **Solid 4Q22 results, as expected; good start to the year.** 4Q22 sales, already communicated to the market, were up 12.9% YoY. Quarterly EBITDA, before extraordinary charges mainly related to a bonus for employees, was Eu16.9mn, in line with our forecast and up 7.7% YoY, with an 11.2% margin. In FY22, adj. EBITDA rose c.Eu18mn, of which Eu16mn from the growth in sales volumes and Eu2mn from the ability to offset Eu80.7mn of cost increases with a Eu82.7mn price effect. Net debt as at YE22 was Eu142.3mn, slightly better than our expectations, showing a clear improvement in working capital in the quarter (the ratio of working capital to sales in the previous 12 months was 17.9% as at end-December, from 24.5% as at end-September). In the press release the company said that in the first 2 months of 2023, product turnover amounted to Eu90.8mn, just 1% lower than in Jan-Feb '22, which provided a very tough comparison base, while order intake has grown over 18%, taking the order book value to Eu216.2mn, up 14.5% on December 2022.
- **Confirming our positive view on 2023 and 2024.** The green transition is accelerating after the introduction of the US Inflation Reduction Act and also thanks to some new initiatives to be launched by the EU to tackle the US programme. Importantly, the outlook is terrific for heat pumps (Lu-Ve is investing to expand production capacity and we expect group heat pump revenues to more than double in 2023, potentially reaching 13% of total turnover), while datacentres and industrial cooling should also keep on growing. There is a more mixed outlook in some other market segments, but Lu-Ve can show great resilience as supermarkets are not only seeking to achieve greater energy efficiency but also to continue customer proximity strategies that require hefty investments (e.g., new refrigerated vehicles for frequent reassortments), while, in the tumble dryer segment, the group's status is enhanced by its role as a key supplier of components to top-end manufacturers. In terms of pricing, Lu-Ve has already announced a 5% rise in cooling system prices as of January 2023 to factor in higher transformation costs, while automatic price adjustments (indexed to copper and aluminium) might drive average prices down, but with a beneficial impact on percentage margins. **As for 2023/24, we are upgrading our revenue forecasts** by 0.8%/+0.9% (now foreseen up +5.9%/7.0 YoY). In terms of margins, we are leaving our 2023/24 EBITDA margin forecasts unchanged. All in all, we are raising EPS by 1.5% for 2023 and 2.3% for 2024. Looking at cash flow, we expect NWC to go from 17.9% of sales at YE22 to 16.3% at YE23, while we are confirming CapEx assumptions in 2023-24 (Eu50mn and Eu45mn).
- **OUTPERFORM confirmed; TP Eu33.0 (from Eu32.0).** Our new price reflects the rollover of our valuation. Our new estimates remain slightly more conservative than management's medium-term ambition to achieve high single-digit revenue growth coupled with a 14%-15% EBITDA margin. The group remains well exposed to trends supporting the business: 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 or renewable electricity generation plants. Important tailwinds come in the form of the group's exposure to the heat pump business, but also from benefits linked to the onshoring of suppliers from Asia.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	492	619	655	701	757
EBITDA Adj (Eu mn)	61	79	84	91	101
Net Profit Adj (Eu mn)	27	37	36	41	48
EPS New Adj (Eu)	1.203	1.678	1.627	1.858	2.139
EPS Old Adj (Eu)	1.206	1.590	1.602	1.816	
DPS (Eu)	0.350	0.380	0.400	0.420	0.440
EV/EBITDA Adj	8.8	7.8	9.4	8.3	7.3
EV/EBIT Adj	15.4	12.2	14.8	12.8	10.9
P/E Adj	24.2	17.4	17.9	15.7	13.6
Div. Yield	1.2%	1.3%	1.4%	1.4%	1.5%
Net Debt/EBITDA Adj	2.0	1.8	1.6	1.2	0.8

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