

# LU-VE

Sector: Industrials

# OUTPERFORM

Price: Eu21.45 - Target: Eu28.90

## Cost Efficiencies to Protect Margins, Top Line Recovery in 2H

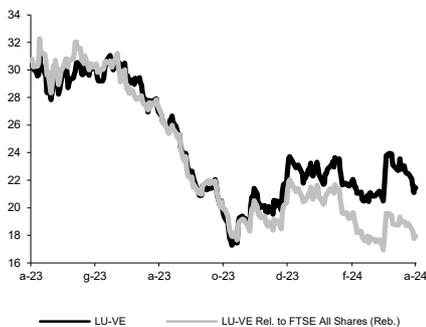
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### Stock Rating

<b>Rating:</b>	Unchanged		
<b>Target Price (Eu):</b>	Unchanged		
	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>Chg in Adj EPS</b>	-0.3%	-0.3%	-0.3%

**Next Event 1Q24 Results**  
 Results Out 13 May 2024

### LU-VE - 12M Performance



### Stock Data

Reuters code:	LUVE.MI		
Bloomberg code:	LUVE IM		
<b>Performance</b>	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute	4.6%	-3.6%	-30.2%
Relative	5.7%	-14.9%	-49.8%
12M (H/L)	31.40/17.28		
3M Average Volume (th):	19.76		

### Shareholder Data

No. of Ord shares (mn):	22
Total no. of shares (mn):	22
Mkt Cap Ord (Eu mn):	477
Total Mkt Cap (Eu mn):	477
Mkt Float - Ord (Eu mn):	182
Mkt Float (in %):	38.2%
Main Shareholder:	
Liberali Family	45.8%

### Balance Sheet Data

Book Value (Eu mn):	246
BVPS (Eu):	11.08
P/BV:	1.9
Net Financial Position (Eu mn):	-115
Enterprise Value (Eu mn):	592

■ **On 15 April, Luve published key figures to 31 March 2024:** turnover from products in 1Q was Eu141.3mn (-6.2% YoY) while the order book as at end-March was Eu168.8mn, up 8.1% compared to 31 December 2023, albeit over 20% down on end-March 2023 (as a consequence of a normalisation in order collection, as explained by management). Quarterly revenues were slightly below our estimates (-2.6% or Eu3.7mn in absolute terms). Once more we note that in 1Q23 and 2Q23 revenues from heat pumps were very strong (overall, c.Eu40mn of revenues in 1H23), while the contribution in 2H23 was significantly weaker (c.Eu20mn). We think that net of revenues from the heat pump business (which we estimate down c.70% YoY in 1Q24 on a very tough comparison base), the other businesses will have seen revenues rise by 3%-4%.

■ **We expect 1Q24 EBITDA to have remained broadly stable YoY.** Despite the declining quarterly top line performance, we expect the company to have kept adjusted EBITDA almost flat YoY in absolute terms thanks to cost efficiencies, the initial impact of which were already seen in 4Q23. In detail, we expect 1Q24 EBITDA to have fallen 0.9% YoY to Eu19.0mn, with the margin on sales going from 12.7% in 1Q23 to 13.4% in 1Q24. At bottom line, we expect quarterly net profit to have reached Eu6.9mn, down from Eu8.6mn in 1Q23, excluding non-recurring items, after slightly rising financial charges. Net debt should have reached Eu140mn as at the end of March 2024, almost Eu13mn higher than at YE23 due to normal seasonal cash absorption, but Eu21mn better than the figure as at end-March 2023.

■ **Change in estimates.** In light of 1Q24 product revenue trends, which we expect to continue in 2Q24, we are trimming our FY24 revenue forecasts by 1.1%. According to our new estimates, we expect 2H24 product revenues to be up 10% YoY. This strong acceleration, as previously pointed out, is largely driven by a significantly different comparison on the heat pump business (we are expecting this to improve in 2H24, but still forecast a drop of almost 27% YoY in FY24). As a consequence, we expect the contribution from other businesses to grow about 3% in 1H24 and then 7.5% in 2H24. On the other hand, we are raising our EBITDA margin estimate by 20bp (from 13.0% to 13.2%), a level that we still see as potentially conservative. All in all, we are leaving our 2024 and 2025 EPS forecasts broadly unchanged (-0.3%).

■ **OUTPERFORM confirmed; target Eu28.9 unchanged.** 1Q24 results should show resilient margins, confirming management's excellent 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) developing needs for refrigeration tools linked to rising urban populations; 3) the migration of heating systems from gas to electric through the use of heat pumps; 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	628	677	717
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	1.611	1.806	1.947
EPS Old Adj (Eu)	1.675	1.753	1.616	1.812	1.953
DPS (Eu)	0.380	0.400	0.420	0.440	0.460
EV/EBITDA Adj	7.8	8.9	7.2	6.4	5.8
EV/EBIT Adj	12.2	13.7	11.0	9.6	8.6
P/E Adj	12.8	12.2	13.3	11.9	11.0
Div. Yield	1.8%	1.9%	2.0%	2.1%	2.1%
Net Debt/EBITDA Adj	1.8	1.6	1.4	1.1	0.8

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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.

Reports on all companies listed on the S&P500 Index, most of those on the MIBEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

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:	25.21 %
OUTPERFORM:	46.22 %
NEUTRAL:	27.73 %
UNDERPERFORM	00.84 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (50 in total) is as follows:

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

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Emitente	%	Long/Short
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