

LU-VE

Sector: Industrials

OUTPERFORM

Price: Eu18.34 - Target: Eu28.00

Margins to Hold Up Well in Volatile Business Scenario

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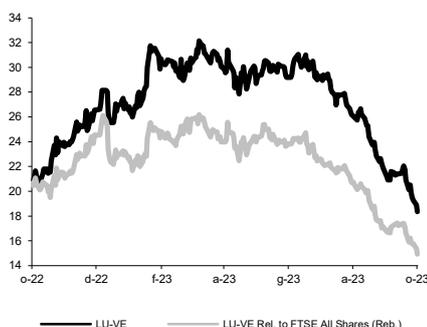
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 31.60 to 28.00		
	2023E	2024E	2025E
Chg in Adj EPS	-5.2%	-12.3%	-14.6%

Next Event 9M23 Results

Results Out 13 November 2023

LU-VE - 12M Performance



Stock Data

Reuters code:	LUVE.MI
Bloomberg code:	LUVE IM

Performance	1M	3M	12M
Absolute	-15.9%	-37.4%	-11.2%
Relative	-12.2%	-32.3%	-34.1%
12M (H/L)	32.15/18.34		
3M Average Volume (th):	12.09		

Shareholder Data

No. of Ord shares (mn):	22
Total no. of shares (mn):	22
Mkt Cap Ord (Eu mn):	408
Total Mkt Cap (Eu mn):	408
Mkt Float - Ord (Eu mn):	156
Mkt Float (in %):	38.2%
Main Shareholder:	
Liberali Family	45.8%

Balance Sheet Data

Book Value (Eu mn):	227
BVPS (Eu):	10.20
P/BV:	1.8
Net Financial Position (Eu mn):	-139
Enterprise Value (Eu mn):	547

- 3Q23 revenues lower than expected.** On 10 October 2023, LU-VE announced that product turnover in 9M23 was Eu460.0mn (+0.7% YoY or -0.6% YoY on a like-for-like basis). 3Q23 turnover therefore fell 3.5% YoY, c.7% below our estimate. As at 30 September 2023, the order book stood at Eu172.0mn, down 12.4% on 30 September 2022. We note that management had already said a reduction in the order book was foreseeable and put it down to the progressive normalisation of the supply chain, which, thanks to more reliable delivery times, enables customers to book orders closer to the required delivery date.
- We expect 3Q23 EBITDA to have remained flat YoY.** Despite the slightly declining quarterly top line performance, we expect the 3Q23 EBITDA margin to have stayed in line with 1H23 (13.3% on sales) and 50bp above 3Q22, partly thanks to a better trend in the price of raw materials, partly thanks to the optimisation of a number of cost lines. At bottom line, we expect quarterly net profit to have reached Eu7.0mn, down from Eu9.6mn in 3Q22, excluding non-recurring items. We expect net debt to have stood at Eu167mn as at the end of September 2023, down about Eu4mn compared to the corresponding figure at the end of 3Q22.
- Change in estimates.** In terms of outlook, management underlined that the previously-expected recovery in investments from the supermarket and HORECA sector has not materialised yet; the group can nevertheless rely on broad revenue diversification, and despite increasing business volatility in the short term, is working to safeguard profitability. As for heat pumps, while the long-term outlook remains extremely positive, 2H23 sales should be hit by the postponement of some incentive schemes to 2024 (in Germany in particular) and by a general cooling of the housing renovation market. On the other hand, the outlook remains very promising in business with datacentres, mobile transport and industrial cooling (power gen. and other applications). As for 2023/24, we are lowering our revenue forecasts by 4.0%/7.4% due to the above-mentioned postponements in the heat pump business and a more gradual recovery in business with supermarkets. Conversely, in terms of margins, we are leaving our 2023/24 EBITDA margin forecasts broadly unchanged at 12.9% and 13.0% of sales respectively. All in all, we are lowering our 2023 and 2024 EPS forecasts by 5.2% and 12.3% respectively.
- OUTPERFORM confirmed; target from Eu31.6 to Eu28.0.** Margins should have shown resilience in 3Q23. Our estimate cut is due to specific situations that don't affect the industry's long-term outlook, which remains safe and promising. In detail, the group remains well 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	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	492	619	606	624	681
EBITDA Adj (Eu mn)	61	79	78	81	89
Net Profit Adj (Eu mn)	27	37	33	34	39
EPS New Adj (Eu)	1.203	1.678	1.465	1.541	1.760
EPS Old Adj (Eu)	1.203	1.678	1.544	1.757	2.061
DPS (Eu)	0.350	0.380	0.400	0.420	0.440
EV/EBITDA Adj	8.8	7.8	7.0	6.5	5.7
EV/EBIT Adj	15.4	12.2	11.2	10.3	8.8
P/E Adj	15.3	10.9	12.5	11.9	10.4
Div. Yield	1.9%	2.1%	2.2%	2.3%	2.4%
Net Debt/EBITDA Adj	2.0	1.8	1.8	1.5	1.1