

LU-VE

Sector: Industrials

OUTPERFORM

Price: Eu30.20 - Target: Eu36.40

Solid Margins and Cash Generation Continued in 4Q24

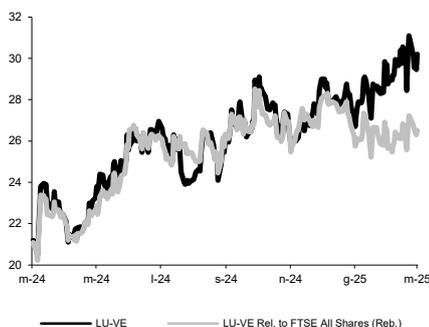
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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 31.50 to 36.40		
	2025E	2026E	2027E
Chg in Adj EPS	2.2%	0.8%	

Next Event: 1Q25 Revenues
 Results Out 7 April 2025

Lu-Ve - 12M Performance



Stock Data

Reuters code:	LUVE.MI
Bloomberg code:	LUVE IM

Performance	1M	3M	12M
Absolute	5.0%	4.1%	43.5%
Relative	3.4%	-6.1%	29.6%
12M (H/L)	31.10/20.50		
3M Average Volume (th):	10.55		

Shareholder Data

No. of Ord shares (mn):	22
Total no. of shares (mn):	22
Mkt Cap Ord (Eu mn):	671
Total Mkt Cap (Eu mn):	671
Mkt Float - Ord (Eu mn):	256
Mkt Float (in %):	38.2%
Main Shareholder:	
Liberali Family	45.8%

Balance Sheet Data

Book Value (Eu mn):	276
BVPS (Eu):	12.40
P/BV:	2.4
Net Financial Position (Eu mn):	-81
Enterprise Value (Eu mn):	752

■ **FY24 results better than expected, especially cash flow.** We note that the group had already released product revenues for FY24 on 13 January 2025. Regarding 4Q24 results, EBITDA was Eu18.5mn, up 4.9% YoY and 2.8% better than expectations, thanks to a 70bp YoY EBITDA margin improvement to 12.2%; net profit, at Eu8.7mn, was considerably higher than our estimate of Eu6.0mn thanks to lower financial charges, partly helped by profit on FX and a lower IFRS impact on the P&L from interest rate hedging. Very good cash generation, with net debt as at end-December of Eu97.5mn, was markedly better than our estimate of Eu112.6mn thanks to tight control of working capital. The board has proposed a Eu 0.42 p.s. dividend.

■ **Business outlook.** Looking at 2025, management foresees 1Q25 revenues slightly lower YoY due to temporary postponements of some large projects, while the commercial refrigeration and tumble dryer businesses are doing well. Contracts for data centre cooling systems or industrial refrigeration remain important revenue drivers, but their contribution is more skewed to 2H25; orders are already in the backlog. The outlook for the heat-pump market remains uncertain; however, the year has started positively, and the business might provide some upside potential. In this continuing volatile environment, the company is working to safeguard margins and cash generation, confident of its competitive advantage in technological terms and of the benefits that could flow as soon as the two new plants in China and in the United States become fully operational. The local-for-local industrial approach should provide good protection against the risk of tariffs, a possible advantage compared to other EU competitors operating in the US.

■ **Change in estimates.** Despite a weaker start to the year, we are leaving our revenue forecasts broadly unchanged. Conversely, on margins, we are raising our 2025 and 2026 estimates by 20bp. All in all, having also adjusted the tax rate upwards, we are making positive changes (+2.4%/+0.8%) to 2025/26 EPS. As for cash flow, we expect NWC to sales to consolidate the excellent results of 2024, while CapEx will be quite high in 2025 (Eu38mn in our estimates) to complete the new plant in the US, but we foresee a sustainable level of ca. Eu25mn from 2026. Overall, we expect the FCF yield around 7% in 2026.

■ **OUTPERFORM confirmed; target from Eu31.5 to Eu36.4.** Once again, in 4Q24 Lu-Ve managed to improve EBITDA thanks to management's unwavering efforts on enacting cost efficiencies and to healthy diversification of turnover across unrelated sectors. The most pleasant surprise was cash generation, with excellent control of working capital. Our target revision from Eu31.5 to Eu36.4 is largely to reflect the improved cash profile (better NWC and lower CapEx). Revenue trends in 1H25 will remain mixed; however, looking ahead, cost savings, which are safeguarding current profitability, will improve operational leverage in the coming years when top line growth should recover, supported by a positive outlook for all business segments.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	617	589	614	657	702
EBITDA Adj (Eu mn)	80	83	88	94	101
Net Profit Adj (Eu mn)	39	40	40	45	50
EPS New Adj (Eu)	1.753	1.798	1.805	2.017	2.253
EPS Old Adj (Eu)	1.753	1.663	1.766	2.002	
DPS (Eu)	0.400	0.420	0.440	0.460	0.480
EV/EBITDA Adj	8.9	7.8	8.6	7.6	6.7
EV/EBIT Adj	13.7	11.7	12.8	11.2	9.6
P/E Adj	17.2	16.8	16.7	15.0	13.4
Div. Yield	1.3%	1.4%	1.5%	1.5%	1.6%
Net Debt/EBITDA Adj	1.6	1.2	0.9	0.5	0.0

