LU-VE

OUTPERFORM

Sector: Industrials

Price: Eu41.60 - **Target: Eu47.80**

Reasons To Remain Positive After A Strong Performance

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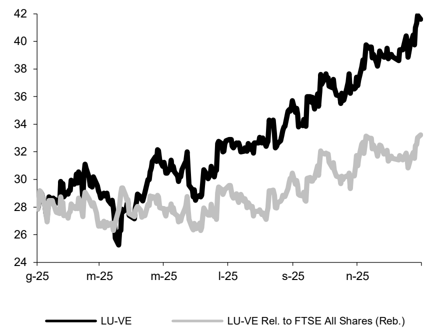
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 42.50 to 47.80
	2025E	**2026E**	**2027E**
Chg in Adj EPS	0.1%	0.1%	0.1%

Next Event: FY25 Results
Results Out 13 March 2026

LU-VE - 12M Performance



Stock Data			
Reuters code:			LUVE.MI
Bloomberg code:			LUVE IM
Performance	**1M**	**3M**	**12M**
Absolute	7.4%	12.7%	49.1%
Relative	6.1%	4.4%	24.3%
12M (H/L)			41.90/25.25
3M Average Volume (th):			16.55

Shareholder Data	
No. of Ord shares (mn):	22
Total no. of shares (mn):	22
Mkt Cap Ord (Eu mn):	925
Total Mkt Cap (Eu mn):	925
Mkt Float - Ord (Eu mn):	353
Mkt Float (in %):	38.2%
Main Shareholder:	
Liberali Family	45.8%

Balance Sheet Data	
Book Value (Eu mn):	306
BVPS (Eu):	13.76
P/BV:	3.0
Net Financial Position (Eu mn):	-45
Enterprise Value (Eu mn):	970

OUTPERFORM confirmed, target raised to Eu47.8 from Eu42.50. 4Q25 revenues have shown a sharp QoQ acceleration, with an order backlog remaining very high. In 2026, margins should benefit from positive operating leverage in the presence of high single-digit organic growth. After CapEx of Eu35mn in 2025, the company expects to invest Eu25mn in 2026, having already achieved sufficient capacity. There are very attractive projects in new data centres in Europe and beyond. Finally, in terms of M&A, the company is scouting opportunities to reinforce its positioning in the US data centre business. The healthy diversification of turnover across unrelated sectors remains a key factor for success.

- **Reasons to remain positive after a strong stock rally.** The stock has risen 50% in the last 12 months, significantly outperforming the rest of the market. Valuation multiples are no longer as cheap as in the past (about 10x EV/ EBITDA and 20x P/E on 2026) but they are still at a significant discount to the peer group. We see fundamental reasons to remain positive on the name: 1) revenue growth is expected to show a solid acceleration in FY26 (+7% exp.) vs. FY25 (+3%), with an easy comp in 1Q; 2) in the last 3 years the group has managed to achieve significant efficiencies, with the EBITDA margin improving by c.200bp despite a lack of revenue growth, an element that can now represent a tailwind in the presence of a promising outlook; 3) in addition to cost management, Lu-Ve has shown great ability in neutralising the impact from a spike in raw materials, from volatile ForEx and from the introduction of tariffs, thanks to a local-for-local approach, 4) Lu-Ve enjoys a strong technology edge and it is in a position to grow its market share in the US and Asia, especially in cooling systems for data centres; 5) the group has completed a significant market cycle and has great working capital management, so we expect FCF generation to improve significantly as of 2026. In conclusion, we think the stock can continue to re-rate thanks to the fact the company is perceived as a high-quality industrial mid-cap, with a strong and reliable management team and supportive newsflow ahead.
- **Business outlook.** In terms of the outlook, the company foresees an increase in sales in the coming quarters in light of a solid order book, improved demand in some segments, and completion of an important investment cycle. At present, Lu-Ve is acquiring low-to-mid-size orders in data centres, but there is a good pipeline of larger projects. Heat pumps are performing ahead of expectations, with 9M25 revenues up 40% YoY (growing well above the market). Commercial refrigeration is expected to keep on growing: orders of display cabinets are a promising indicator. They have good visibility on winning a new order in UK in the nuclear business.
- **Change in estimates.** In this report we are not changing our P&L estimates, after the release of 4Q25 revenue figures that were in line with our forecasts. We are slightly raising our FCF forecast, now assuming a 3% yield in 2025 and 5% in 2026.
- **Our target price change** is mainly driven by assuming a 3.5% sustainable long-term growth rate (from 3.0%), while our DCF model still factors in a WACC of 8.3%.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	617	589	606	648	693
EBITDA Adj (Eu mn)	80	83	88	94	101
Net Profit Adj (Eu mn)	39	40	41	45	51
EPS New Adj (Eu)	1.753	1.798	1.851	2.040	2.272
EPS Old Adj (Eu)	1.753	1.798	1.850	2.039	2.270
DPS (Eu)	0.400	0.420	0.440	0.460	0.480
EV/EBITDA Adj	8.9	7.8	9.1	10.3	9.2
EV/EBIT Adj	13.7	11.7	13.3	14.9	12.9
P/E Adj	23.7	23.1	22.5	20.4	18.3
Div. Yield	1.0%	1.0%	1.1%	1.1%	1.2%
Net Debt/EBITDA Adj	1.6	1.2	0.9	0.5	0.1

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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)

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Frequency of research: quarterly.

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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:	32.33%
OUTPERFORM:	39.10%
NEUTRAL:	27.82%
UNDERPERFORM:	00.75%
SELL:	00.00%

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NEUTRAL:	14.87%
UNDERPERFORM:	01.35%
SELL:	00.00%

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