Intermonte

Milan, 15 May 2023

Italian Equity Research – 1Q23 Results

LU-VE

OUTPERFORM

Sector: Industrials

Price: Eu30.05 - **Target: Eu33.00**

Strong Business Resilience Thanks To Diversification

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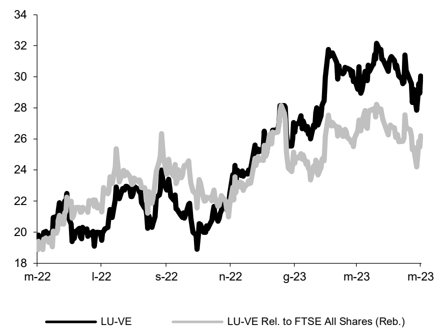
- **1Q23 results stable YoY despite tough comparison.** This is the first time the group has published 1Q results, following its recent move to the STAR segment, and for this reason we didn't have detailed quarterly estimates. We note that Lu-Ve had already released product revenues of Eu150.6mn, +4% YoY: the excellent growth in the heat pump, air conditioning and datacentre segments was partly offset, as expected, by lower demand for heat exchangers for tumble dryers and a slow start in the HORECA and display cabinets sectors, although the latter has shown the first signs of recovery in recent weeks. **Quarterly EBITDA was Eu19.2mn (12.7% of revenues), in line YoY**. If we adjust 1Q22 EBITDA for non-recurring costs, we note a Eu0.7mn YoY contraction due to a combination of different factors: positive contributions of Eu1.7mn from volumes and Eu2.8mn from prices, offset by a Eu5.2mn cost increase; notably, at current raw material prices, cost inflation would have been just Eu3.3mn, while the remaining Eu1.9mn impact comes from the use of safety stock, built up at higher prices than currently in force. This effect will not continue in the coming quarters. As for net income, adjusting for non-recurring items, the 1Q23 bottom line would have been Eu8.0mn vs. Eu10.5mn in 1Q22, reflecting an increase of c.Eu1.3mn in financial charges. **Net debt at the end of March 2023 was Eu161.4mn,** up Eu19mn from YE22 because positive operating cash flow of Eu15mn was more than offset by Eu6.2mn of CapEx and Eu27.9mn of NWC absorption, driven by business seasonality.
- **Management outlook**. In light of an order book of Eu218.6mn at the end of March (+15.8% vs. the YE22 figure), management expects 1H23 performance to be in line YoY. Even if business visibility remains low, 2H23 revenues should slightly exceed 1H23. Clearly, the outlook remains excellent 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).
- **Estimates confirmed**. Considering the extremely tough comparison, 1Q23 results showed good resilience, but the business outlook remains quite uncertain for the coming months. As for 2023/24, we are confirming our revenue forecasts assuming +5.9%/7.0% YoY growth. In terms of margins, we are also leaving our 2023/24 EBITDA margin forecasts unchanged at 12.8% and 13.1% on sales respectively.
- **OUTPERFORM confirmed; Eu33.0 TP unchanged.** We expect Lu-Ve to confirm good resilience this year thanks to a successful business diversification strategy. Our medium-term estimates remain slightly more conservative than management's ambition to achieve high single-digit revenue growth coupled with a 14%-15% EBITDA margin. 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 data centres and renewable electricity generation plants.

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)	1.203	1.678	1.627	1.858	2.139
DPS (Eu)	0.350	0.380	0.400	0.420	0.440
EV/EBITDA Adj	8.8	7.8	9.6	8.5	7.5
EV/EBIT Adj	15.4	12.2	15.1	13.2	11.2
P/E Adj	25.0	17.9	18.5	16.2	14.0
Div. Yield	1.2%	1.3%	1.3%	1.4%	1.5%
Net Debt/EBITDA Adj	2.0	1.8	1.6	1.2	0.8

Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2023E	**2024E**	**2025E**
Chg in Adj EPS	0.0%	0.0%	0.0%

Next Event 1H23 Revenues
Results Out 13 July 2023

LU-VE - 12M Performance



Stock Data			
Reuters code:			LUVE.MI
Bloomberg code:			LUVE IM
Performance	**1M**	**3M**	**12M**
Absolute	-2.9%	0.2%	59.2%
Relative	-1.8%	0.1%	44.5%
12M (H/L)			32.15/18.90
3M Average Volume (th):			16.34

Shareholder Data	
No. of Ord shares (mn):	22
Total no. of shares (mn):	22
Mkt Cap Ord (Eu mn):	668
Total Mkt Cap (Eu mn):	668
Mkt Float - Ord (Eu mn):	255
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:	2.9
Net Financial Position (Eu mn):	-134
Enterprise Value (Eu mn):	802

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- 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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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;
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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:	20.83 %
OUTPERFORM:	51.67 %
NEUTRAL:	25.83 %
UNDERPERFORM	01.67 %
SELL:	00.00 %

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OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
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Emittente	%	Long/Short

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