

# LU-VE

Sector: Industrials

# OUTPERFORM

Price: Eu22.95 - Target: Eu27.80

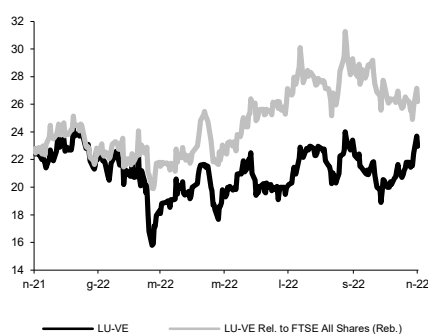
## Innovation and Diversification Will Support 2023 Results

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### Stock Rating

<b>Rating:</b>	Unchanged		
<b>Target Price (Eu):</b>	from 27.20 to 27.80		
	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
<b>Chg in Adj EPS</b>	4.8%	-2.3%	-2.2%

### LU-VE - 12M Performance



### Stock Data

Reuters code:	LUVE.MI
Bloomberg code:	LUVE IM

Performance	1M	3M	12M
Absolute	12.0%	0.0%	0.7%
Relative	-5.5%	-6.3%	13.1%
12M (H/L)	24.20/15.80		
3M Average Volume (th):	5.72		

### Shareholder Data

No. of Ord shares (mn):	22
Total no. of shares (mn):	22
Mkt Cap Ord (Eu mn):	510
Total Mkt Cap (Eu mn):	510
Mkt Float - Ord (Eu mn):	195
Mkt Float (in %):	38.2%
Main Shareholder:	
Matteo Liberali	45.8%

### Balance Sheet Data

Book Value (Eu mn):	206
BVPS (Eu):	9.28
P/BV:	2.5
Net Financial Position (Eu mn):	-145
Enterprise Value (Eu mn):	656

■ **Strong quarterly results.** 3Q22 product sales, announced on 13 October, came to Eu145.5mn, up 13.8% YoY and slightly better than our forecast. We had no detailed estimates on margins because this is the first time that quarterly data has been published (Lu-Ve recently joined the STAR segment). In 3Q22, adj. EBITDA was Eu19.1mn, up 2.5% YoY. EBITDA growth in the quarter is the fruit of the increase in volumes (+Eu3.8mn) which more than offset cost increases net of price rises. In the quarter, the group booked Eu4.4mn in non-cash items related to derivatives, taking net profit to Eu11.9mn, up 45.8% YoY (on restated figures net profit would have been up 18% to Eu9.7mn). In terms of the cash position, net debt as at end-September was Eu171.3mn, up Eu16mn in the quarter after Eu27mn of NWC absorption (24.5% on LTM sales).

■ **Current trading and outlook.** In the press release the company said that it expects a positive 4Q22, in line with the 9M22 trend, partly in light of the order book. Looking ahead to 2023, management sees opportunities to grow sales volumes: while some market segments are slowing (supermarkets are postponing certain investments, tumble dryers reflect the slowdown in the domestic appliance business) the outlook remains very positive for heat pumps (demand is booming), datacentres and industrial cooling. In terms of pricing, Lu-Ve has already announced a 5% rise in cooling system prices as of January 2023 to factor in higher transformation costs, while automatic price adjustments (indexed to copper and aluminium) might drive average prices down but with a beneficial impact on margins. Despite a tough comparison in 1H, the Group remains well positioned for the transition to more efficient and sustainable solutions, with important trends supporting the business: 1) the enforcement of increasingly strict environmental regulations; 2) developing needs for refrigeration tools linked to rising urban populations; 3) the creation of effective cold chains in developing countries; 4) the migration of heating systems from gas to electric through the use of heat pumps; 5) cooling needs of datacentres or renewable electricity generation plants.

■ **Change in estimates.** In light of quarterly indications, there is scope to raise our FY22 revenue forecasts by 2.2%. Our 4Q22 revenue forecast implies +0.6% YoY growth. As for 2023, we are upgrading our revenue forecast by 1.5% (now foreseen +1.0% YoY vs. +1.7%). In terms of margins, we are leaving our 2022/23 EBITDA margin forecasts unchanged, while we are assuming a higher cost of financing. All in all, we are raising EPS by 4.8% for 2022 while trimming EPS by 2.3%/2.2% for 2023/24. In terms of cash flow, we expect NWC to go from 24.5% of sales at the end of September to 17.7% at YE22 (still above the 14.4% ratio at YE21).

■ **OUTPERFORM confirmed; target Eu27.8 (from Eu27.2).** 3Q results showed stronger-than-expected trends. Although we are maintaining quite a cautious short-term view to be consistent with the current macro outlook, we are still extremely confident on the company's prospects, as it remains a major beneficiary of huge green investment programmes in the US and EU. Important tailwinds are not only its exposure to the heat pump business (expected to more than double in 2023, reaching 10% of group turnover) but also benefits linked to the onshoring of suppliers from Asia.

Key Figures & Ratios	2020A	2021A	2022E	2023E	2024E
Sales (Eu mn)	401	492	602	608	646
EBITDA Adj (Eu mn)	46	61	77	78	84
Net Profit Adj (Eu mn)	13	27	35	33	38
EPS New Adj (Eu)	0.606	1.206	1.552	1.497	1.688
EPS Old Adj (Eu)	0.606	1.206	1.481	1.532	1.727
DPS (Eu)	0.270	0.350	0.350	0.350	0.350
EV/EBITDA Adj	8.4	8.8	8.5	8.1	7.1
EV/EBIT Adj	23.9	16.3	14.9	14.7	12.4
P/E Adj	37.9	19.0	14.8	15.3	13.6
Div. Yield	1.2%	1.5%	1.5%	1.5%	1.5%
Net Debt/EBITDA Adj	2.3	2.0	1.9	1.6	1.1

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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) 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.

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:	22.13 %
OUTPERFORM:	48.36 %
NEUTRAL:	27.87 %
UNDERPERFORM	01.64 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (52 in total) is as follows:

BUY:	38.46 %
OUTPERFORM:	50.00 %
NEUTRAL:	11.54 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short
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