Milan, 11 September 2023

Italian Equity Research – 1H23 Results

LU-VE

OUTPERFORM

Sector: Industrials

Price: Eu24.40 - **Target: Eu31.60**

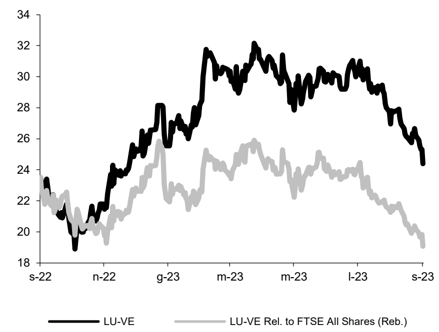
Focus on Margins In Volatile Business Scenario

Andrea Randone +39-02-77115.364
andrea.randone@intermonte.it

Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 33.00 to 31.60
	2023E	**2024E**	**2025E**
Chg in Adj EPS	-5.1%	-5.4%	-3.7%

Next Event 9M23 Revenues
Results Out 10 October 2023

LU-VE - 12M Performance



Stock Data			
Reuters code:			LUVE.MI
Bloomberg code:			LUVE IM
Performance	**1M**	**3M**	**12M**
Absolute	-9.5%	-18.0%	3.8%
Relative	-10.4%	-20.8%	-24.0%
12M (H/L)			32.15/18.90
3M Average Volume (th):			17.80

Shareholder Data	
No. of Ord shares (mn):	22
Total no. of shares (mn):	22
Mkt Cap Ord (Eu mn):	543
Total Mkt Cap (Eu mn):	543
Mkt Float - Ord (Eu mn):	207
Mkt Float (in %):	38.2%
Main Shareholder:	
Liberali Family	45.8%

Balance Sheet Data	
Book Value (Eu mn):	229
BVPS (Eu):	10.28
P/BV:	2.4
Net Financial Position (Eu mn):	-137
Enterprise Value (Eu mn):	680

- **2Q23 results in line with record 2Q22.** 2Q23 product revenues, up 1.6% YoY to Eu168.9mn, were announced on 13 July. EBITDA (before non-recurring charges of Eu0.7mn which did not feature in our estimates) was Eu23.4mn, up 1.7% YoY and 4% better than forecast. Revenues were supported not only by the heat pump segment but also by the business with data centres. The Eu0.5mn YoY EBITDA improvement is due to a combination of different factors: a Eu2.5mn positive contributions from prices and a Eu0.3mn cost reduction were offset by a Eu2.4mn negative volume effect. EBIT (including the aforementioned non-recurring charges) closed at Eu14.0mn, 1.5% better than expected. Thanks to lower-than-forecast financial and tax charges, restated net profit was Eu12.5mn, up 6.9% YoY and 19% better than our estimates. Net debt as at end-June 2023 was Eu160.2mn, slightly higher than as at end-June 2022 (Eu155.4mn) and slightly above our estimate.
- **Management outlook**. In terms of outlook, management underlined that the previously-expected recovery in investments from the supermarket and HORECA sector has not materialised so far; the group can nevertheless rely on broad revenue diversification, and notwithstanding some 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 the business with data centres. More in general, the group's competitive positioning appears extremely safe, in terms of customer trust, technological know-how and production capacity.
- **Change in estimates**. Considering the extremely tough comparison, 1H23 results showed good resilience, but the business outlook remains quite uncertain for the coming months. As for 2023/24, we are lowering our revenue forecasts by 3.7%/3.9% due to the above-mentioned temporary postponements in the heat pump business and a more gradual recovery in business with supermarkets (for this reason, we are cutting 2025 revenues by only 2.4%). Conversely, in terms of margins, we are leaving our 2023/24 EBITDA margin forecasts unchanged at 12.8% and 13.1% of sales respectively. All in all, we are lowering our 2023 and 2024 EPS forecasts by 5.1% and 5.4% respectively (slightly lower tax rate in 2023).
- **OUTPERFORM confirmed; target from Eu33.0 to Eu31.6.** 1H23 results confirmed the group's resilience thanks to a successful business diversification strategy. The fine-tuning of our estimate is entirely due to temporary market problems, while the long-term outlook 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 data centres and renewable electricity generation plants.

Key Figures & Ratios	**2021A**	**2022A**	**2023E**	**2024E**	**2025E**
Sales (Eu mn)	492	619	631	674	738
EBITDA Adj (Eu mn)	61	79	81	88	99
Net Profit Adj (Eu mn)	27	37	34	39	46
EPS New Adj (Eu)	1.203	1.678	1.544	1.757	2.061
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	8.4	7.5	6.5
EV/EBIT Adj	15.4	12.2	13.4	11.7	9.8
P/E Adj	20.3	14.5	15.8	13.9	11.8
Div. Yield	1.4%	1.6%	1.6%	1.7%	1.8%
Net Debt/EBITDA Adj	2.0	1.8	1.7	1.4	1.0

Intermonte

DISCLAIMER (for more details go to DISCLAIMER)

IMPORTANT DISCLOSURES

The reproduction of the information, recommendations and research produced by Intermonte SIM contained herein and of any its parts is strictly prohibited. None of the contents of this document may be shared with third parties without authorisation from Intermonte.
This report is directed exclusively at market professional and other institutional investors (Institutions) and is not for distribution to person other than "Institution" ("Non-Institution"), who should not rely on this material. Moreover, any investment or service to which this report may relate will not be made available to Non-Institution.
The information and data in this report have been obtained from sources which we believe to be reliable, although the accuracy of these cannot be guaranteed by Intermonte. In the event that there be any doubt as to their reliability, this will be clearly indicated. The main purpose of the report is to offer up-to-date and accurate information in accordance with regulations in force covering "recommendations" and is not intended nor should it be construed as a solicitation to buy or sell securities.
This disclaimer is constantly updated on Intermonte's website www.intermonte.it under LEGAL INFORMATION. Valuations and recommendations can be found in the text of the most recent research and/or reports on the companies in question. For a list of all recommendations made by Intermonte on any financial instrument or issuer in the last twelve months consult the PERFORMANCE web page.
Intermonte distributes research and engages in other approved activities with respect to Major U.S. Institutional Investors ("Majors") and other Qualified Institutional Buyers ("QIBs"), in the United States, via Brasil Plural Securities LLC under SEC 15a-6 guidelines. Intermonte is not registered as a broker dealer in the United States under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and is not a member of the Securities Investor Protection Corporation ("SIPC"). Brasil Plural Securities LLC is registered as a broker-dealer under the Exchange Act and is a member of SIPC.

ANALYST CERTIFICATION

For each company mentioned in this report the respective research analyst hereby certifies that all of the views expressed in this research report accurately reflect the analyst's personal views about any or all of the subject issuer (s) or securities. The analyst (s) also certify that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation or view in this report.
The analyst (s) responsible for preparing this research report receive(s) compensation that is based upon various factors, including Intermonte's total profits, a portion of which is generated by Intermonte's corporate finance activities, although this is minimal in comparison to that generated by brokerage activities.
Intermonte's internal procedures and codes of conduct are aimed to ensure the impartiality of its financial analysts. The exchange of information between the Corporate Finance sector and the Research Department is prohibited, as is the exchange of information between the latter and the proprietary equity desk in order to prevent conflicts of interest when recommendations are made.
The analyst responsible for the report is not a) a resident of US; b) an associated person of a U.S. broker-dealer; c) supervised by a supervisory principal of a U.S. broker-dealer. This Research Report is distributed in the U.S. through Brasil Plural Securities LLC, 545 Madison Avenue, New York 10022.

GUIDE TO FUNDAMENTAL RESEARCH

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)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium of 5.5% are being used.
Frequency of research: quarterly.
Reports on all companies listed on the S&PMIB40 Index, most of those on the MIDEX 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.
Explanation of our ratings system:
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

CURRENT INVESTMENT RESEARCH RATING DISTRIBUTIONS

Intermonte SIM is authorised by CONSOB to provide investment services and is listed at n° 246 in the register of brokerage firms.
As at 30 June 2023 Intermonte's Research Department covered 118 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	23.08 %
OUTPERFORM:	52.99 %
NEUTRAL:	22.22 %
UNDERPERFORM	01.71 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (48 in total) is as follows:

BUY:	38.78 %
OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

CONFLICT OF INTEREST

In order to disclose its possible conflicts of interest Intermonte SIM states that:
Intermonte is acting as financial advisor to SAES Getters in relation to the partial voluntary tender offer on saving shares and mandatory conversion of saving shares into ordinary shares proposed by the company.
Within the last year, **Intermonte SIM** managed or co-managed/is managing or is co-managing an Institutional Offering and/or managed or co-managed/is managing or is co-managing an offering with firm commitment underwriting of the securities of the following Companies: Civitanavi Systems, GPI.
Intermonte SIM has provided in the last 12 months / provides / may provide investment banking services to the following companies: Aedes, Cy4Gate, Esprinet, GPI, Greenthesis (formerly Ambienthesis), Growens, Illimity Bank, Maire Tecnimont, Tinexta, Unidata and WIIT.
Intermonte SIM is acting as counterparty to WIIT Fin S.r.l. in connection with call and put options having WIIT S.p.A. shares and dividends as reference underlying.
Intermonte SIM is Specialist and/or Corporate Broker and/or Sponsor and/or Broker in charge of the share buy back activity of the following Companies: Abitare In, Aedes, Alkemy, Anima Holding, Aquafil, Avio, Azimut Holding, Banca Ifis, Banca Sistema, Cellularline, Civitanavi Systems, Cyberoo, Cy4gate, DeA Capital, Datrix, El.En, Eles, Elica, Emak, Esprinet, Expert AI, Fimit - Fondo Alpha, Fine Foods, Gefran, Go Internet, GPI, Greenthesis (formerly Ambienthesis), Gruppo Fos, GVS, IEG, Iervolino & Lady Bacardi Entertainment, IndelB, Luve, Matica Fintec, Notorious Pictures, Next Re SIIQ, Omer, Pharmanutra, Reevo, Relatech, Reply, Revo Insurance, Sababa Security, Saes Getters, Salcef, Sciuker Frames, Seco, Servizi Italia, Sesa, Seri Industrial, Somec, Tamburi, Tinexta, Tesmec, The Italian Sea Group, TXT, Unidata, Webuild and WIIT.
Intermonte SIM has a contractual commitment to act as liquidity provider on behalf of third parties for the following company: Banca Sistema.
Intermonte SIM performes as a market maker for the following companies: A2A, Anima, Atlantia, Autogrill, Azimut Holding, BAMI, Banca Generali, Banca Mediolanum, Brembo, Buzzi, CNHI, Enel, ENI, Exor, Fineco, FCA, FTMIB, Generali, Italgas, Iren, Intesa Sanpaolo, Leonardo, Mediobanca, Moncler, Mediaset, Pirelli&C, Prysmian, Poste, Ferrari, Saipem, Snam, STM, Tenaris, Telecom Italia, Telecom Italia sav, Terna, UBI, Unicredit, Unipol, UnipolSai.
Intermonte SIM, Intermonte SIM, through Websim, which constitute the digital division of Intermonte, acts as a Financial Content Provider on the following companies: Abitare In, Alkemy, Banca Sistema, Bifire S.P.A., B&C Speakers, Cleanbnb, Comer Industries, Crowdfundme, Cy4gate, Cyberoo, Digital Bros, Digital Magics, Doxee, Ediliziacrobatica Spa, Eles, Elica, Emak, Esi, Esprinet, Eviso, Fae Technology, Fiera Milano, Finanza.Tech, First Capital, Fope, FOS, Franchi Umberto Marmi, Giglio Group, Go Internet, GPI, Iervolino & Lady Bacardi Entertainment, Intercos, Intred, Iscc Fintech, Lindbergh, Lventure Group, Maps, Masi Agricola, Matica Fintec, Neodecortech, Nhoa, Notorious Pictures, Orsero Group, Osai Automation System, Racing Force Group, Relatech, Reti, Salcef Group, Sciuker Frames, Sebino, SGCompany, Solid World Group, Spindox Digital Soul, Supplymecapital, Tamburi, Tesmec, The Italian Sea Group, Tinexta, Tps Group, Trendevice, Triboo, Ulisse Biomed, Vantea Smart, Wiit.
Intermonte SIM SpA holds net long or short positions in excess of 0.5% of the overall share capital in the following issuers:

Emittente	%	Long/Short

INTERMONTE SIM is MIFID compliant - for our Best Execution Policy please check our Website MiFID
Further information is available