

Company Update

Buy (maintained)

05 April 2016

MARKET PRICE: EUR9.75

TARGET PRICE: EUR12.91 (from EUR12.56)

*Heat exchangers, refrigeration*

**Data**

Shares Outstanding (m):	19.5
Market Cap. (EURm):	190.6
Enterprise Value (EURm):	195.1
Free Float (%):	25.9%
Av. Daily Trad. Vol. (m):	0.01
Main Shareholder:	Liberali family 53.9%
Reuters/Bloomberg:	LUVE.MI LUVE IM
52-Week Range (EUR)	9.1 11.9

**Performance**

	1m	3m	12m
Absolute	7.1%	-2.5%	-9.2%
Rel. to FTSE IT	10.5%	13.7%	17.0%

**Graph area Absolute/Relative 12 M**



**Marco Cristofori**  
[marco.cristofori@ubibanca.it](mailto:marco.cristofori@ubibanca.it)  
Tel. +39 0277814393  
Website: [www.ubibanca.com](http://www.ubibanca.com)

**2015 results broadly in line, sound 2016 kickoff**

LU-VE 2015 results were broadly in line with our expectations: there was a slight decline in sales in the second half of the year due to the difficult market conditions in Russia and the drop in the oil&gas market. The EBITDA margin on VoP declined to 12.2% (from 14.4% in 2014) and was impacted by non-recurring costs (EUR2.9 million in 2015). Stripping out these costs, the EBITDA margin would have been 13.4%. 2015 net profit was EUR9.1 million (also due to a lower tax charge) allowing a DPS of EUR0.2 (a 2% yield, in line with estimates) while the net cash position at Dec-15 was EUR4.2 million. Two positives emerged: 1) sales in 1Q16 increased by 12.6% supported by an order backlog up 20% at Mar-16, 2) LU-VE has started the process to be listed on the MTA by the end of the year or in 1Q17. Following 2015 results, we have fine tuned our estimates (and added those for 2018) with little change in EPS (-3% on average in 2016-17). In our view, LU-VE remains an attractive buying opportunity although we believe any rally in the share price is only likely following new acquisitions to enter new markets (primarily the US and Asia). These would be possible due to the cash inflow from ISI (EUR50 million). Our new EUR12.91 target price offers >30% upside.

- > While value of production was substantially flat in 2H15 (-3.5%), EBITDA fell 20% due to non-recurring costs (of EUR1.7 million) and rising labour costs. Attributable Net Profit benefited from lower taxes and was EUR5 million (EUR9.1 million in the full year). Net cash was EUR4.2 million at Dec-15 with strong cash generation also helped by a further reduction in NWC (now at 5.3% of sales vs. 6.8% in 2014).
- > Following 2015 results, we have reduced our EBITDA estimates by 6% on average in 2016-17 reflecting higher service labour costs. Nevertheless, our 2016-17 EPS declines by only 3% on average, as it benefits from a lower tax rate. Our new estimates of the net financial position imply net cash of EUR4 million at Dec-16 rising to EUR20 million at Dec-18, excluding potential acquisitions.
- > Following the changes to our estimates and the reduction in the risk-free rate from 3% to 2.5%, our new target price is EUR12.91 per share (from EUR12.56), which implies upside of >30%. LU-VE is trading at a 38% discount to the average 2016 EV/EBITDA of its peers. Buy reiterated.

**Financials**

	2015	2016E	2017E	2018E
Revenues (EURm)	212.3	223.0	230.9	238.7
EBITDA (EURm)	26.2	30.4	32.8	35.4
EBITDA margin (%)	12.3%	13.7%	14.2%	14.8%
EBIT (EURm)	13.9	17.4	19.4	21.8
EPS (EUR)	0.47	0.61	0.68	0.77
CFPS (EUR)	1.16	1.16	1.25	1.36
DPS (EUR)	0.20	0.21	0.24	0.27

Source: Company Data, UBI Banca Estimates

**Ratios**

	2015*	2016E	2017E	2018E
P/E(x)	22.6	15.9	14.2	12.7
P/CF(x)	9.9	7.9	7.3	6.8
P/BV(x)	1.7	1.5	1.4	1.3
Dividend Yield	1.9%	2.2%	2.5%	2.7%
EV/EBITDA(x)	8.0	6.4	5.8	5.0
Debt/Equity (x)	-0.0	-0.0	-0.1	-0.1
Debt/EBITDA (x)	-0.2	-0.1	-0.3	-0.6

Source: UBI Banca Estimates \* based on average 2015 price

### Key Financials

(EURm)	2015	2016E	2017E	2018E
Revenues	212.3	223.0	230.9	238.7
EBITDA	26.2	30.4	32.8	35.4
EBIT	13.9	17.4	19.4	21.8
NOPAT	10.3	12.9	14.4	16.2
Free Cash Flow	9.4	6.1	10.0	17.1
Net Capital Employed	121.6	130.1	135.1	134.1
Shareholders' Equity	122.4	130.4	139.6	149.9
Net Financial Position	-4.2	-4.0	-8.4	-19.9

Source: Company data, UBI Banca estimates

### Key Profitability Drivers

	2015	2016E	2017E	2018E
Net Debt/EBITDA (x)	-0.2	-0.1	-0.3	-0.6
Net Debt/Equity (x)	-0.0	-0.0	-0.1	-0.1
Interest Coverage (%)	4.1	19.4	27.8	36.4
Free Cash Flow Yield (%)	4.6%	3.2%	5.3%	9.0%
ROE (%)	7.4%	9.2%	9.6%	10.0%
ROI (%)	7.5%	9.4%	10.2%	11.4%
ROCE (%)	10.2%	12.7%	13.8%	15.4%

Source: Company data, UBI Banca estimates

### Key Valuation Ratios

	2015	2016E	2017E	2018E
P/E (x)	22.6	15.9	14.2	12.7
P/BV (x)	1.7	1.5	1.4	1.3
P/CF (x)	9.9	7.9	7.3	6.8
Dividend Yield (%)	1.9%	2.2%	2.5%	2.7%
EV/Sales (x)	1.0	0.9	0.8	0.7
EV/EBITDA (x)	8.0	6.4	5.8	5.0
EV/EBIT (x)	15.1	11.2	9.8	8.2
EV/CE (x)	1.7	1.5	1.4	1.3

Source: Company data, UBI Banca estimates

### Key Value Drivers

(%)	2015	2016E	2017E	2018E
Payout	43.0%	35.0%	35.0%	35.0%
NWC/Sales	2.1%	2.7%	3.4%	3.8%
Capex/Sales	6.2%	6.5%	6.2%	3.9%

Source: Company data, UBI Banca estimates

### Recent Developments

- > 2H15 results were slightly below our expectations with revenues down 2.8% and a lower than expected EBITDA margin (although it was higher than in the first half of the year). Value of production declined to EUR106.5 million (-3.5%) due to the negative currency impact and the decline in the Power Gen applications and close controls (where some important orders for railways were completed). Core application (refrigeration) was up despite lower investments by some GDO chains in France and the UK and the decline in the Russian market.
- > Although the gross margin rose slightly, the EBITDA margin declined to 13.0% (from 15.7%) in 2H15 mostly due to non-recurring costs (EUR2.9 million in the full year, of which EUR0.9 million related to the listing, EUR0.7 million for the SAP implementation, EUR0.9 million for restructuring and EUR0.4 million for machinery relocations). Excluding non-recurring costs, the EBITDA margin was 13.5% in the full year vs. 14.6% in 2014, a good result in our view considering the difficult market environment.
- > In 2015, EBIT declined to EUR13.9 million (-33%) after EUR12.3 million of D&A costs. However, the Net Attributable Result was down only 10% compared to 2014 due to a significant reduction in both financial charges and tax rate (9% compared with 28% last year) favoured by a better geographic mix and lower minorities. LU-VE announced a dividend of EUR0.20 per share, bang in line with our estimates. This gives a payout ratio of 43% and a 2% yield at current market price.
- > Net cash, which benefits from the cash inflow from the business combination with ISI (EUR50 million), reached EUR4.2 million at Dec-15. There was also a further reduction in NWC, which declined to 5.3% of sales (6.8% in 2014). As expected, capex grew significantly in the year (EUR13.2 million vs. EUR10.9 million in 2014).
- > The company has started the process to be listed on the MTA (*Mercato Telematico Azionario*) by the end of the year or in 1Q17.
- > In February, LU-VE acquired a 10% minority stake in its Czech Republic subsidiary, with an investment of EUR2 million. We expect a negligible impact on the P&L.
- > Management confirmed that LU-VE is actively looking for new acquisitions of companies with similar product ranges but with a presence in new markets (North America and in Asia) or with innovative technologies (patented), utilising the cash inflow from the merger with ISI and potentially also financial leverage. Currently there are three dossiers on the table but no deadline has been given.

Figure 1 – 2H15 and 2015 results

(EURm)	2H14A *	2H15A *	% Chg.	2014***	2015A	% Chg.
Sales	107,2	104,2	-2,8%	212,1	209,1	-1,4%
Value of production	110,3	106,5	-3,5%	218,9	215,3	-1,6%
EBITDA	17,3	13,8	-20,4%	31,4	26,2	-16,6%
Margin (%)	15,7%	13,0%		14,4%	12,2%	
EBIT	11,9	8,2	-31,1%	20,8	13,9	-33,1%
Margin (%)	10,8%	7,7%		9,5%	6,5%	
Net Result	7,6	5,0	-34,4%	10,1	9,1	-10,1%
Net debt (cash)	49,4	(4,2)	nm	49,4	(4,2)	nm

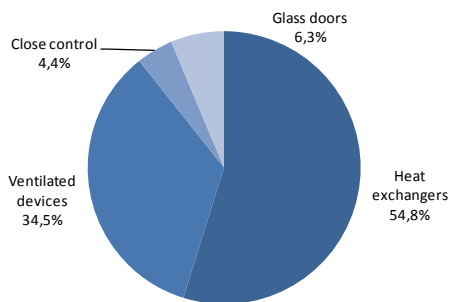
Source: Company data

\* Calculated deducting 1H under Italian GAAP

\*\* Reclassified under IAS

*Figure 2 – 2015 sales breakdown by product*

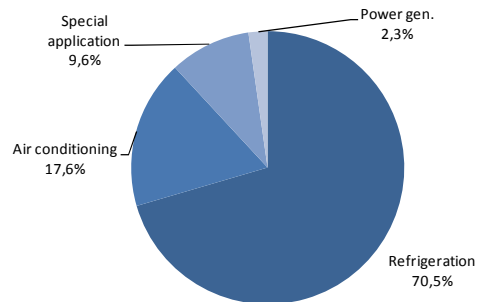
While heat exchanger and close controls revenues were down, mostly due to lower sales to Oil & Gas clients and the end of some railway projects, other product sales rose; in particular glass doors were up 23%



Source: Company data

*Figure 3 – 2015 sales breakdown by application*

Refrigeration sales rose 3.8% in 2015 but Air conditioning was down 3.3%. Power Gen sales fell 54% and Special applications declined by 8%.



Source: Company data

### Financial Projections

- > Our estimates are now based on International Accounting Standards (IAS), adopted by the company along with 2015 results. The main difference compared with the Italian accounting standards (Italian GAAP) that were previously used relates to the treatment of goodwill amortization (15 years duration and EUR2.9 million in 2014 under Italian GAAP), which is not permitted under IAS (but is substituted by an annual impairment test).
- > The company has not published any official targets for top line growth or operating profitability for 2016. However LU-VE expects an improved performance on the back of the strong sales increase reported in the first quarter of 2016 (+12.6%) and its sound order backlog (+20% at Mar-16). However, we highlight that LU-VE typically has a visibility of around two months and, therefore, the revenue growth of 1Q16 cannot be extrapolated for the full year.
- > We have fine tuned our 2016-17 estimates and introduced 2018 forecasts: our revenues and VoP projections are mainly unchanged: we expect top line growth of around 5.1% this year, driven by a good performance in refrigeration (around 70% of VoP), while Power Gen and special applications are expected to decline further. For 2017-18, we have assumed moderate top line growth of around 3.5% p.a. The EBITDA margin should gradually improve although our estimates show a slight decline for 2016-17 (on average 5.5% compared to our previous estimates) due to an increase in labour costs. We have not incorporated any further non-recurring costs.
- > Net profit estimates are substantially confirmed as the reduction in EBITDA is offset by a lower tax rate (now expected at 25% in 2016, 26% in 2017 and 27% in 2018). Our new estimates for the net financial position, which reflect higher capex (>EUR14 million p.a. in 2016-18, with a decline to EUR9.4 million in 2018) and lower operating cash flow, imply net cash of EUR4 million at Dec-16 rising to EUR20 million at Dec-18, excluding any potential acquisitions.

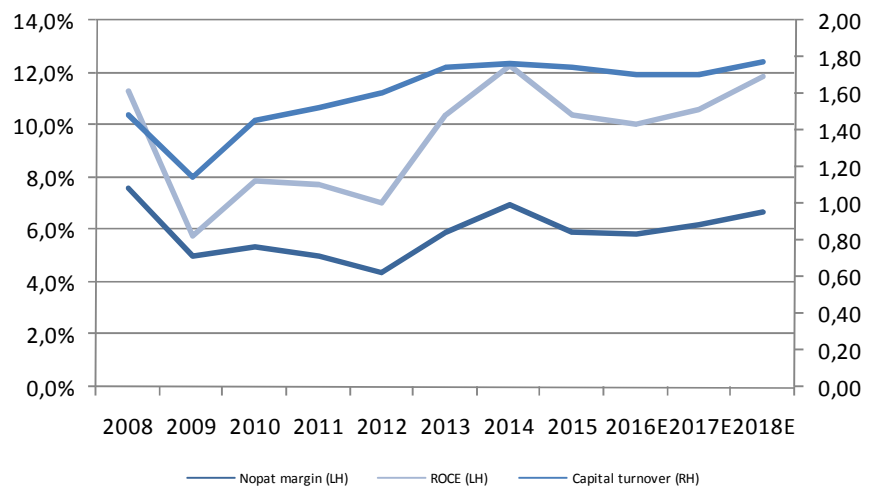
Figure 4 – New vs. old estimates

(EUR)	2015A	2016E		2017E		2018E
		Old	New	Old	New	New
Revenues	212.3	223.2	223.0	231.2	230.9	238.7
% change			-0.1%		-0.1%	
VoP	215.3	230.0	226.4	238.2	234.6	242.8
% change			-1.6%		-1.5%	
<b>EBITDA</b>	<b>26.2</b>	<b>32.4</b>	<b>30.4</b>	<b>34.5</b>	<b>32.8</b>	<b>35.4</b>
<b>% change</b>			<b>-6.1%</b>		<b>-4.9%</b>	
EBIT	13.9	18.8	17.4	20.7	19.4	21.8
% change			-7.0%		-5.9%	
Pre-tax profit	13.9	23.0	17.4	24.9	19.4	21.8
% change			-24.2%		-22.0%	
<b>Net profit attributable</b>	<b>10.5</b>	<b>17.9</b>	<b>16.5</b>	<b>20.0</b>	<b>18.7</b>	<b>21.2</b>
<b>% change</b>			<b>-7.3%</b>		<b>-6.1%</b>	
Net financial debt (cash)	(4.2)	(18.6)	(4.0)	(28.3)	(8.4)	(19.9)
% change			-78.7%		-70.4%	

Source: Company data, UBI Banca estimates

Figure 5 - NOPAT margin, Capital Turnover and ROCE trend

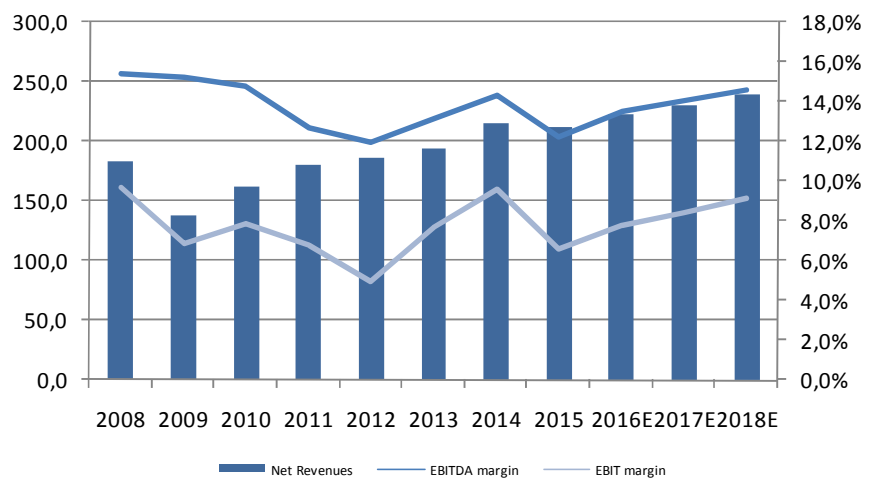
ROCE slightly declined in 2015 due to the reduction of the NOPAT margin, while capital turnover remained broadly stable. In coming years, we expect ROCE to reach 12%



Source: Company data, UBI Banca estimates

Figure 6 – Revenue, EBITDA and EBIT trend

After the slowdown in the EBITDA margin in 2015, we expect a gradual recovery towards LU-VE's historical level (14-15%)



Source: Company data, UBI Banca estimates

## Valuation

- > Given our revised estimates, a lower risk-free rate (2.5% down from 3%) and the increase in the multiples of peer companies since our last report, our target price has increased to EUR12.91 from EUR12.56 per share. This is based on the average of a DCF (fair value of EUR12.76 per share) and a relative valuation (based on both the average of the multiples of direct peers and the average of larger companies operating, though not exclusively, in the same sectors as LU-VE). This produces a fair value of EUR12.60 per share for direct peers and EUR13.36 for diversified companies.
- > Given our current estimate for upside potential of >30%, we confirm our Buy rating.
- > Outstanding warrants (7.5 million) may be exercised within five years from the business combination or 30 days if the average monthly price per share exceeds EUR13.0). Based on our target price, the intrinsic value of the outstanding warrant would be EUR3.61 compared with a current market price for the warrant of EUR1.05.
- > The company is currently trading at a 38% discount to the industry in terms of 2016-17 EV/EBITDA and at 4% discount in terms of P/E. At our EUR12.91 target price, the share would still trade at a 18% discount to the EV/EBITDA of its peers.

Figure 7 – Valuation summary

(EUR)	Current valuation	Weight	29/09/2015	Delta
DCF Valuation	12.76	33%	12.74	0.2%
Relative Valuation (focused companies)	12.60	33%	12.58	0.2%
Relative Valuation (diversified companies)	13.36	33%	12.36	8.1%
<b>Target Price</b>	<b>12.91</b>		<b>12.56</b>	<b>2.8%</b>
Current price	9.75		10.15	-3.9%
Potential upside	32.4%		23.7%	

Source: UBI Banca estimates

Our conservative DCF model produces a fair value of EUR12.76 per share based on the following assumptions:

- > a risk-free rate of 2.5%, reduced from 3% utilized before, which is our long-term assumption for the interest rate on Italian bonds;
- > a market risk premium of 4.5%;
- > a levered beta of 1.51 based on the average of the machinery industry in Europe (1.02 unlevered, source: Damodaran);
- > a terminal growth rate of 2% and an operating margin of 8.5% at terminal value,
- > A target debt/equity ratio of 40/60.

Figure 8 - WACC and embedded DCF assumptions

WACC assumptions		Embedded DCF assumptions	
Risk-free rate	2.5%	Revenue CAGR 2016-2024 (%)	1.5%
Debt spread (%)	2.5%	EBIT CAGR 2016-2024 (%)	2.0%
Cost of debt [net] (%)	3.7%	EBIT margin 2016 (%)	8.1%
Market risk premium (%)	4.5%	Target EBIT margin 2024 (%)	8.5%
Beta (x)	1.52	D&A. on sales (avg. 2016-2024) (%)	3.9%
Cost of equity (%)	9.4%	Capex on sales (avg. 2016-2024) (%)	4.2%
Weight of Debt	40%		
Weight of Equity	60%		
<b>WACC</b>	<b>7.1%</b>		

Source: UBI Banca estimates

Figure 9 – DCF Valuation

**Our DCF valuation implies an EV/EBITDA of 7.7x at terminal value**

	Valuation (EUR m)	% Weight	Per share (EUR)
Sum of PV 2016-24 FCF	80.6	32%	4.12
Terminal value	171.8	68%	8.79
<b>Total Enterprise value</b>	<b>252.4</b>	<b>100%</b>	<b>12.91</b>
- minorities	(3.4)		(0.18)
- Pension Provision	(3.3)		(0.17)
- Net cash (debt)	4.2		0.21
<b>Total Equity value</b>	<b>249.4</b>		<b>12.76</b>
Number of shares outstanding (m)	19.5		
<b>Fair value per share (EUR)</b>	<b>12.76</b>		

Source: UBI Banca estimates

Figure 10 - Relative valuation based on diversified companies

Peer multiples have grown significantly since our last report in Sept-15. Using the simple average of the diversified companies, LU-VE would be valued at EUR261 million while using the median of multiples its fair value would be EUR250 million.

	Market Cap. (EURm)	P/E		EV/EBITDA	
		2016E	2017E	2016E	2017E
NIBE Industrier AB	3.326	22.6 x	20.7 x	15.5 x	14.1 x
Walter Meier AG	223	19.7 x	16.0 x	11.9 x	10.7 x
Lindab International AB	550	13.1 x	11.4 x	9.1 x	7.9 x
Beijer Ref AB	978	21.2 x	19.0 x	15.0 x	13.7 x
Emerson Electric Co.	30.575	17.8 x	16.7 x	10.3 x	9.8 x
Johnson Controls, Inc.	22.076	10.3 x	9.2 x	8.2 x	6.4 x
Alfa Laval AB	5.917	14.6 x	15.1 x	9.7 x	9.7 x
SPX Corporation	564	13.6 x	11.3 x	7.4 x	6.0 x
Ingersoll-Rand Plc	13.863	15.7 x	14.3 x	9.7 x	9.1 x
United Technologies Corporation	73.715	15.4 x	14.4 x	9.1 x	8.9 x
<b>Average</b>		<b>16.4 x</b>	<b>14.8 x</b>	<b>10.6 x</b>	<b>9.6 x</b>
<b>LU-VE valuation on multiples (EURm)</b>		<b>196.2</b>	<b>197.8</b>	<b>326.7</b>	<b>324.2</b>

Source: Factset, UBI Banca estimates



Figure 11 - Relative valuation based on focused companies

Using a simple average for focused companies gives LU-VE a valuation of EUR246 million

	Market Cap. (EURm)	P/E		EV/EBITDA	
		2016E	2017E	2016E	2017E
Systemair AB	569	18.6 x	14.8 x	10.8 x	9.0 x
Centrotec sustainable	252	11.4 x	10.3 x	4.9 x	4.4 x
Lennox International	5.245	21.6 x	19.0 x	13.2 x	11.9 x
<b>Average</b>		<b>17.2 x</b>	<b>14.7 x</b>	<b>9.7 x</b>	<b>8.4 x</b>
<b>LU-VE valuation on multiples (EURm)</b>		<b>206.1</b>	<b>196.6</b>	<b>297.8</b>	<b>285.0</b>

Source: Factset, UBI Banca estimates

Figure 12 – Premium/discount to peers

At the current market price, the company is trading at an average EV/EBITDA discount of 35% to its peers, while it is trading at a 4% discount on P/E. At our EUR12.91 target price, LU-VE would still trade at a 17% discount to the EV/EBITDA of its peers.

	P/E		EV/EBITDA	
	2016E	2017E	2016E	2017E
Average multiple of peers	16.6 x	14.8 x	10.4 x	9.3 x
<b>LU-VE at market price (EUR9.75)</b>	<b>15.9 x</b>	<b>14.2 x</b>	<b>6.4 x</b>	<b>5.8 x</b>
% premium (discount)	-4.0%	-3.5%	-38.3%	-37.9%
<b>LU-VE at our target price (EUR12.91)</b>	<b>21.1 x</b>	<b>18.9 x</b>	<b>8.5 x</b>	<b>7.7 x</b>
% premium (discount)	27.1%	27.8%	-18.1%	-17.2%

Source: Factset, UBI Banca estimates

#### Income Statement

(EURm)	2015	2016E	2017E	2018E
Net Revenues	212.3	223.0	230.9	238.7
EBITDA	26.2	30.4	32.8	35.4
EBITDA margin	12.3%	13.7%	14.2%	14.8%
EBIT	13.9	17.4	19.4	21.8
EBIT margin	6.6%	7.8%	8.4%	9.2%
Net financial income /expense	-3.4	-0.9	-0.7	-0.6
Associates & Others	0.0	0.0	0.0	0.0
Profit before taxes	10.5	16.5	18.7	21.2
Taxes	-0.9	-4.1	-4.9	-5.7
Minorities & discontinuing ops	-0.5	-0.4	-0.5	-0.5
Net Income	9.1	12.0	13.4	15.0

Source: Company data, UBI Banca estimates

#### Balance Sheet

(EURm)	2015	2016E	2017E	2018E
Net working capital	4.4	6.0	7.8	9.2
Net Fixed assets	131.6	133.7	135.3	131.8
M/L term funds	-14.3	-9.6	-7.9	-6.8
Capital employed	121.6	130.1	135.1	134.1
Shareholders' equity	122.4	130.4	139.6	149.9
Minorities	3.4	3.7	3.9	4.2
Shareholders' funds	125.8	134.1	143.5	154.1
Net financial debt/(cash)	-4.2	-4.0	-8.4	-19.9

Source: Company data, UBI Banca estimates

#### Cash Flow Statement

(EURm)	2015	2016E	2017E	2018E
NFP Beginning of Period	-49.4	4.2	4.0	8.4
Group Net Profit	9.1	12.0	13.4	15.0
Minorities	0.5	0.4	0.5	0.5
D&A	12.3	13.0	13.4	13.6
Change in Funds & TFR	-1.1	-1.1	-1.2	-1.2
Gross Cash Flow	20.8	24.3	26.1	27.9
Change In Working Capital	1.8	-1.6	-1.8	-1.4
Other	0.0	0.0	0.0	0.0
Operating Cash Flow	22.6	22.6	24.3	26.5
Net Capex	-13.2	-14.5	-14.3	-9.4
Other Investments	0.0	-2.0	0.0	0.0
Free Cash Flow	9.4	6.1	10.0	17.1
Dividends Paid	-3.0	-3.9	-4.2	-4.7
Other & Chg in Consolid. Area	-3.4	-2.4	-1.4	-0.9
Chg in Net Worth & Capital Incr.	50.6	0.0	0.0	0.0
Change in NFP	53.6	-0.2	4.4	11.5
NFP End of Period	4.2	4.0	8.4	19.9

Source: Company data, UBI Banca estimates

#### Financial Ratios

(%)	2015	2016E	2017E	2018E
ROE	7.4%	9.2%	9.6%	10.0%
ROI (%)	7.5%	9.4%	10.2%	11.4%
Net Fin. Debt/Equity (x)	-0.0	-0.0	-0.1	-0.1
Net Fin. Debt/EBITDA (x)	-0.2	-0.1	-0.3	-0.6
Interest Coverage	4.1	19.4	27.8	36.4
NWC/Sales	2.1%	2.7%	3.4%	3.8%
Capex/Sales	6.2%	6.5%	6.2%	3.9%
Pay Out Ratio	43.0%	35.0%	35.0%	35.0%

Source: Company data, UBI Banca estimates

#### Per Share Data

(EUR)	2015	2016E	2017E	2018E
EPS	0.47	0.61	0.68	0.77
DPS	0.20	0.21	0.24	0.27
Op. CFPS	1.16	1.16	1.25	1.36
Free CFPS	0.48	0.31	0.51	0.87
BVPS	6.26	6.67	7.14	7.67

Source: Company data, UBI Banca estimates

#### Stock Market Ratios

(x)	2015	2016E	2017E	2018E
P/E	22.6	15.9	14.2	12.7
P/OpCFPS	9.1	8.4	7.8	7.2
P/BV	1.7	1.5	1.4	1.3
Dividend Yield (%)	1.9%	2.2%	2.5%	2.7%
Free Cash Flow Yield (%)	4.6%	3.2%	5.3%	9.0%
EV (EURm)	209.9	195.1	190.6	178.8
EV/Sales	1.0	0.9	0.8	0.7
EV/EBITDA	8.0	6.4	5.8	5.0
EV/EBIT	15.1	11.2	9.8	8.2
EV/Capital Employed	1.7	1.5	1.4	1.3

Source: Company data, UBI Banca estimates

#### Growth Rates

(%)	2015	2016E	2017E	2018E
Growth Group Net Sales	-1.5%	5.1%	3.6%	3.4%
Growth EBITDA	-16.6%	16.1%	7.9%	7.9%
Growth EBIT	-33.1%	25.4%	11.5%	12.3%
Growth Net Profit	-10.1%	31.5%	11.9%	11.9%

Source: Company data, UBI Banca estimates

## Disclaimer

### Analyst Declaration

The analyst who prepared this report, and whose name and role appear on the front page, certifies that:

- a. the views expressed on the Company mentioned herein accurately reflects his personal views. It does not represent the views or opinions of the management of UBI Banca or any other company in or affiliated to the UBI Banca Group. It is possible that individuals employed by UBI Banca, or any other company in or affiliated to the UBI Banca Group, may disagree with the views expressed in this report;
- b. no direct or indirect compensation has been or will be received in exchange for any views expressed;
- c. the analyst does not own shares of the Company;
- d. neither the analyst nor any member of the analyst's household serves as an officer, director or advisory board member of the Company;
- e. the analyst does not receive bonuses, salaries, or any other form of compensation that is based upon specific investment banking transactions.

### About UBI Banca

This document has been prepared by UBI Banca, a bank authorized by the Bank of Italy to provide investment services pursuant to Article 1, Paragraph 5, letter a), b), c), c-bis), e) and f) of Legislative Decree, 24 February 1998, n° 58.

### General warning

This document is for information purposes only. This document (i) is not, nor may it be construed, to constitute, an offer for sale or subscription of or a solicitation of any offer to buy or subscribe for any securities issued or to be issued by the Company, (ii) should not be regarded as a substitute for the exercise of the recipient's own judgement. In addition, the information included in this document may not be suitable for all recipients. Therefore the recipient should conduct his own investigations and analysis of the Company and securities referred to in this document and make his own investment decisions without undue reliance on its contents. Neither UBI Banca, nor any other company of the UBI Banca Group, nor any of its directors, managers, officers or employees, accepts any liability whatsoever (in negligence or otherwise), and accordingly no liability whatsoever shall be assumed by, or shall be placed on, UBI Banca, or any other company of the UBI Banca Group, or any of its directors, managers, officers or employees, for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection with this document.

The information provided and the opinions expressed in this document are based upon information and data provided to the public by the Company or news otherwise public and refers to the date of publication of the document. The sources (press publications, financial statements, current and periodic release, as well as meetings and telephone conversations with Company representatives) are believed to be reliable and in good faith, but no representation or warranty, express or implied, is made by UBI Banca as to their accuracy, completeness or correctness. Past performance is not a guarantee of future results. Any opinions, forecasts or estimates contained herein constitute a judgement as at the date of this document, and there can be no assurance that the future results of the Company and/or any future events will be consistent with any such opinions, forecasts or estimates. Any information herein is subject to change, update or amendment without notice by UBI Banca subsequent to the date of this document, with no undertaking by UBI Banca to notify the recipient of this document of such change, update or amendment.

### Organizational and administrative arrangements to prevent conflicts of interests

UBI Banca maintains procedures and organizational mechanism (physical and non physical barriers designed to restrict the flow of information between Business Analysis Unit and the other areas/departments of UBI Banca) to prevent and professionally manage conflicts of interest in relation to investment research. For further information please see UBI Banca's website ([www.ubibanca.it](http://www.ubibanca.it)) "Meccanismi organizzativi ed amministrativi posti in essere per prevenire ed evitare conflitti di interesse in rapporto alle Ricerche".

### Disclosure of potential conflicts of interest

The outcome of the checks carried out is reported below:

- > UBI Banca acts as Specialist for LU-VE

On the basis of the checks carried out no other conflict of interest arose.

### Frequency of updates

UBI Banca aims to provide continuous coverage of the companies in conjunction with the timing of periodical accounting reports and any exceptional event that occurs affecting the issuer's sphere of operations and in any case at least twice per year. The companies for which UBI Banca acts as Sponsor or Specialist are covered in compliance with regulations of the market authorities. For further information please refer to [www.ubibanca.it](http://www.ubibanca.it).

### Valuation methodology

UBI Banca's analysts value the Company subject to their recommendations using several methods among which the most prevalent are: the Discounted Cash Flow method (DCF), the Economic Value Added method (EVA), the Value map method, the Multiple comparison method.

For further information please refer to [www.ubibanca.it](http://www.ubibanca.it).

**Ranking system**

UBI Banca's analysts use an "absolute" rating system, not related to market performance. The explanation of the rating system is listed below:

Buy: if the target price is 10% higher than the market price.  
Hold: if the target price is 10% below or 10% above the market price.  
Sell: if the target price is 10% lower than the market price.

Target price: the market price that the analyst believes that the share may reach within a one-year time horizon.

Market price: closing price on the day before the issue date of the report, appearing on the first page.

**Distribution**

This document is intended for distribution only by electronic and ordinary mail to "Professional Clients" and "Qualified Counterparties" as defined in Consob Regulation n. 16190 dated 29.10.2007..

This document may be distributed in the USA by a United States Securities and Exchange Commission ("SEC") registered broker dealer.

This document may not be distributed in Canada, Japan or Australia.

**Copyright**

This document is being supplied solely for the recipient's information and may not be reproduced, redistributed or passed on, directly or indirectly to any other person or published, in whole or in part, for any purpose without prior written consent by UBI Banca.

The copyright and intellectual property rights on the data are owned by UBI Banca Group, unless otherwise indicated. The data, information, opinions and valuations contained in this document may not be subject to further distribution or reproduction, in any form or via any means, even in part, unless expressly consented by UBI Banca.

By accepting this document the recipient agrees to be bound by all of the forgoing provisions.

**Distribution of ratings**

For further information regarding quarterly rating statistics and descriptions, please refer to [www.ubibanca.it](http://www.ubibanca.it).

**Historical ratings and target prices**

Date	Rating	Target Price (EUR)	Market Price (EUR)
8 July 2015	BUY	14.36	11.90
29 September 2015	BUY	12.56	10.15