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Diffusione presunta

Oggetto : The Board of Directors of the CAREL
Industries Group approves the consolidated
2018 first nine months results

Testo del comunicato

Vedi allegato.

Press Release

The Board of Directors of the CAREL Industries Group approves the consolidated 2018 first nine months results

- Consolidated revenue of €208.40 million, up 8.4% compared with the first nine months of 2017 (+10.7% at constant exchange rates);
- EBITDA equal to €38.28 million (18.4% of revenue for the period), -4.1% compared with the first nine months of 2017;
- Consolidated adjusted EBITDA equal to €43.64 million (20.9% of revenue for the period), +9.4% compared with the first nine months of 2017;
- Consolidated net profit equal to €24.80 million (-0.3% compared with the net result for the first nine months of 2017);
- Adjusted net profit equal to €28.76 million (+15.6% compared with the first nine months of 2017)
- Consolidated net financial position positive by €14.94 million.

Brugine, 12 November 2018 – The Board of Directors of CAREL Industries S.p.A. ('CAREL', or the 'Company' or the 'Parent Company'), which met today, approved the results for the first nine months of 2018.

Francesco Nalini, Group CEO, stated: "The operating results recorded during the first nine months of 2018 confirm the growth trend already reported in the first two quarters of this year and have to be added to the excellent performance of the last three years. This is even more important taking into account the Group's ability to increase revenue while maintaining high profitability, measured in terms of EBITDA margin, which, in fact, stands at above 20% (excluding non-recurring costs equal to approximately 5 million euros linked to the listing of the Company on the Italian Stock Exchange in the STAR segment) despite the negative impact due to currency exchange rates, recurring costs arising from the aforementioned listing and some other minor items. The achievement of this result is linked to the pursuit of maximum operating efficiency that, together with constant innovation, energy saving and customer care, constitute Carel's DNA and allow us to look with optimism to the global challenges that await us".

Revenue

Revenue totalled €208.40 million compared with €192.19 million as at 30 September 2017, up 8.4% year on year. The performance of several currencies in which the Group operates had a negative effect on this result, in particular the US dollar and the Brazilian real: at constant exchange rates the growth in Group revenue compared with 30 September 2017 would have been 10.7%.

This performance essentially confirms the positive trend already recorded during the first half of the year and derives primarily from a strong growth in the refrigeration sector, equal to approximately 11 million euros (+16.6% compared to the same period of the previous year), driven by Carel's ability to exploit significant business opportunities thanks to innovation and commercial strength. To this is added the important contribution of the HVAC sector, which grew by more than 7 million euros (+6.0% compared to the same period of 2017) in part due to up-selling and cross-selling drivers, also made possible by the Group's long-term relationship with most of its customers.

From a geographical perspective, at constant exchange rates, an increase has been reported in all areas of reference. Particularly important, in this perspective is the comparison with the first half of the year: in fact the trend reversal in the Asia - Pacific South quadrant, which shifted into positive territory and a growth acceleration in the North America area, is highlighted.

Lastly, note that compared with the same period of the previous financial year, Revenue was positively impacted by a change in the scope of consolidation linked to the full consolidation of Alfaco Polska S.p.z.o.o. following the Group taking control on 1 June 2017.

Table 1 Revenue by business area (*thousands euro*)

	30.09.2018	30.09.2017	Var. %	FX Var.%
HVAC Revenue	126,557	119,443	6.0%	8.1%
REF. Revenue	76,952	65,997	16.6%	19.2%
Total Core Revenue	203,509	185,441	9.7%	12.0%
No-Core Revenue	4,892	6,746	-27.5%	-26.9%
Total Revenue	208,401	192,187	8.4%	10.7%

Table 2 Revenue by geographical area (*thousands euro*)

	30.09.2018	30.09.2017	Var. %	FX Var.%
Western Europe	108,078	96,737	11.7%	11.8%
Other European countries, Middle East and Africa	35,170	29,365	19.8%	20.2%
North America	26,335	26,631	-1.1%	6.1%
South America	5,648	6,338	-10.9%	1.4%
Asia Pacific South	9,241	9,670	-4.4%	1.6%
Asia Pacific North	23,927	23,445	2.1%	5.4%
Total	208,401	192,187	8.4%	10.7%

EBITDA

Consolidated EBITDA as at 30 September 2018 stood at €38.28 million, equivalent to 18.4% of revenue for the period, a fall of 4.1% compared with the figure of €39.89 million recorded as at 30 September 2017. This decrease is entirely attributable to the non-recurring costs incurred in the first half of 2018 for Listing on the STAR market of Borsa Italiana S.p.A. (the 'Listing'), equal to €5.37 million and mainly incurred by the Parent Company.

Excluding these costs, adjusted EBITDA actually stood at €43.64 million (equal to 20.9% of revenue for the period), an increase of 9.4% compared with the same period of the previous year.

This positive performance follows the increase in revenues and is characterised by a significant improvement in efficiency, which offset higher recurring costs mainly linked to the aforementioned Listing, the expansion of the Group's international footprint, together with negative exchange rate effect and the persistent shortage situation in electronic components.

Net profit

The net result of €24.80 million was negatively impacted by the non-recurring effect of the above-mentioned Listing costs.

Excluding the latter, the (adjusted) net result stood at €28.76 million compared with €24.87 million for the first nine months of the previous year, with an increase of 15.6% for the period (+18.6% at constant exchange rates).

Consolidated net financial position

The net financial position was positive by €14.94 million compared with the positive figure of €40.24 million as at 31 December 2017.

This decrease is mainly due to payment of €30 million dividends, partially counterbalanced by significant cash generation. The latter benefited from the growing operating results that covered both greater investments and an increase in net working capital, the latter mainly due to higher inventories linked to the global "shortage" situation of electronic components.

Outlook for the management

The performance recorded at 30 September 2018 shows a growth in revenue of 8.4% (10.7% net of the exchange rate impact) substantially in line with expectations, also thanks to the continuous implementation of the strategic guidelines that have historically oriented Group's actions: innovation, energy saving and Customer care.

This implementation will continue in the last quarter of the year together with the expansion plan for Carel's industrial footprint through the further development of some production sites, including Croatian, US and Chinese ones.

In the absence of significant changes in the economic and sector scenario, for the 2018 full year, the Group expects to maintain a trend of revenue growth similar to that of the first half of 2018. Excluding non-recurring costs linked to the Listing on the Italian Stock Exchange, profitability (in terms of EBITDA margin) at the end of 2018 is expected to be in line with the one achieved in the previous year. All this should enable cash generation able to confirm the financial soundness of the Group.

CONFERENCE CALL

The results as at 30 September 2018 will be illustrated tomorrow, 13 November 2018, at 10.00 (CET) during a conference call with the financial community, which will also be the subject of a webcast in *listen only* mode at www.carel.com Investor Relations section.

The CFO, Giuseppe Viscovich, stated, pursuant to paragraph 2 of Article 154-bis of the Consolidated Finance Act, that the accounting information in this press release corresponds to the documented results, accounts and bookkeeping records.

For further information

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CAREL

The CAREL Group is a leader in the design, production and global marketing of technologically advanced components and solutions for excellent energy efficiency in the control and regulation of air conditioning ("HVAC") and refrigeration equipment and systems. CAREL is focused on several vertical niche markets with extremely specific needs, catered for with dedicated solutions developed comprehensively for these requirements, as opposed to mass markets.

The Group designs, produces and markets hardware, software and algorithm solutions aimed at both improving the performance of the units and systems they are intended for and for energy saving, with a globally recognised brand in the HVAC and refrigeration markets (overall "HVAC/R") in which it operates and, in the opinion of the Company management, with a distinctive position in the reference niches in those markets.

HVAC is the main Group market, representing 62% of the Group's revenue in the financial year ended 31 December 2017, while the refrigeration market accounted for 35% of the Group's revenue.

The Group commits significant resources to research and development ("Research and Development"), an area which plays a strategic role in helping it maintain its leadership position in the reference HVAC/R market niches, with special attention focused on energy

efficiency, the reduction of the impact on the environment, trends relating to the use of natural refrigerant gases, automation and remote connectivity (the Internet of Things), and the development of data driven solutions and services.

The Group operates through 21 subsidiaries and 7 production plants located in various countries. As at 31 December 2017, 80% of the Group's revenue were generated outside of Italy and 51% outside of Western Europe.

Original Equipment Manufacturers or OEMs, suppliers of complete units for applications in the HVAC/R markets, make up the main category of the Company's customers on which the Group focuses to build long-term relations. As at 31 December 2017, over 80% of the Group's major customers in the HVAC market and more than 67% in the refrigeration market have been customers of CAREL for over 10 years. "Major customers" are defined as the 60 top customers in terms of sales in each market that, in total, have generated around 50% of the Group's revenue for each reference market.

The accounting statements of the Group CAREL Industries, not subject to independent audit, are illustrated below.

Consolidated Statement of financial position (€'000)	30.09.2018	Restated 31.12.2017
Property, plant and equipment	27,562	22,405
Intangible assets	13,130	13,031
Equity-accounted investments	336	327
Other non-current assets	1,456	1,648
Deferred tax assets	4,863	4,141
Non-current assets	47,346	41,552
Trade receivables	61,048	54,643
Inventories	51,633	37,773
Current tax assets	626	846
Other current assets	5,484	4,555
Current financial assets	11,119	47,076
Cash and cash equivalents	68,642	43,900
Current assets	198,552	188,793
TOTAL ASSETS	245,898	230,345
Equity attributable to the owners of the parent	111,294	118,068
Equity attributable to non-controlling interests	338	248
Total equity	111,632	118,316
Non-current financial liabilities	29,654	21,671
Provisions for risks	1,770	1,650
Defined benefit plans	5,679	5,687
Deferred tax liabilities	1,924	1,662
Non-current liabilities	39,026	30,671
Current financial liabilities	35,164	29,066
Trade payables	39,453	35,018
Current tax liabilities	3,102	2,279
Other current liabilities	17,522	14,995
Current liabilities	95,240	81,359
TOTAL LIABILITIES AND EQUITY	245,898	230,345

Consolidated Statement of profit or loss

<i>(€'000)</i>	30.09.2018	30.09.2017
Revenue	208,401	192,187
Other revenue	1,125	957
Costs of raw materials, consumables and goods and changes in inventories	(83,863)	(78,170)
Services	(36,144)	(27,391)
Capitalised development expenditure	1,618	1,130
Personnel expense	(51,680)	(47,816)
Other expense, net	(1,182)	(1,004)
Amortisation, depreciation and impairment losses	(6,409)	(5,896)
OPERATING PROFIT	31,867	33,997
Net financial income	107	438
Net exchange rate losses	(227)	(726)
Share of profit (loss) of equity-accounted investees	15	(117)
PROFIT BEFORE TAX	31,762	33,592
Income taxes	(6,964)	(8,724)
PROFIT FOR THE PERIOD	24,798	24,868
Non-controlling interests	45	37
PROFIT FOR THE PERIOD ATTRIBUTABLE TO THE OWNERS OF THE PARENT	24,753	24,831

Consolidated Statement of comprehensive income

<i>(€'000)</i>	30.09.2018	30.09.2017
Profit for the period	24,798	24,868
Items that may be subsequently reclassified to profit or loss:		
- Fair value gains (losses) on hedging derivatives net of the tax effect	(9)	8
- Exchange differences	(1,565)	(4,143)
Items that may not be subsequently reclassified to profit or loss:		
- Actuarial gains on employee benefits net of the tax effect	62	
Comprehensive income	23,286	20,733
attributable to:		
- Owners of the parent	23,227	20,740
- Non-controlling interests	59	(7)

Earnings per share

Earnings per share (in Euros)	0.25	0.25
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Consolidated Statement of cash flows

(€'000)	30.09.2018	30.09.2017
Profit for the period	24,798	24,868
Adjustments for:		
Amortisation, depreciation and impairment losses	6,383	5,883
Accruals to/utilisations of provisions	1,205	455
Non-monetary net financial income	42	(345)
Income taxes	5	-
	32,433	30,861
Changes in working capital:		
Change in trade receivables and other current assets	(7,668)	(5,096)
Change in inventories	(15,103)	(4,291)
Change in trade payables and other current liabilities	7,768	2,936
Change in non-current assets	(847)	43
Change in non-current liabilities	420	(899)
Cash flows generated from operations	17,002	23,555
Net interest paid	(390)	(350)
Net cash flows generated by operating activities	16,612	23,205
Investments in property, plant and equipment	(9,193)	(3,787)
Investments in intangible assets	(2,595)	(1,741)
Disinvestments of financial assets	36,226	(0)
Disinvestments of property, plant and equipment and intangible assets	209	8
Interest collected	245	-
Investments in equity-accounted investees	-	-
Business combinations net of cash acquired	(124)	(2,910)
Cash flows generated by (used in) investing activities	24,767	(8,432)
Acquisitions of non-controlling interests	-	(400)
Capital increases	31	-
Dividend distributions	(30,000)	(7,500)
Increase in financial liabilities	33,166	37,718
Decrease in financial liabilities	(19,303)	(25,489)
Cash flows generated by (used in) financing activities	(16,106)	4,329
Change in cash and cash equivalents	25,273	19,102
Cash and cash equivalents - opening balance	43,900	28,845
Exchange differences	(531)	(1,672)
Cash and cash equivalents - closing balance	68,642	46,276

Consolidated Statement of changes in equity

(€'000)

	Share capital	Legal reserve	Translation reserve	Hedging reserve	Other reserves	Retained earnings	Profit for the period	Equity	Equity att, to non-controlling interests	Total equity
Balance at 1.01.2017	10,000	2,000	8,019	24	23,594	37,643	25,114	106,393	841	107,235
Owner transactions										
- Allocation of profit for the period					26,637	(1,523)	(25,114)	-	-	-
- Dividend distributions					(15,000)			(15,000)	-	(15,000)
- Change in consolidation scope					-	150	-	150	(550)	(400)
Total owner transactions	10,000	2,000	8,019	24	35,231	36,270	-	91,544	291	91,835
- Profit for the period							24,831	24,831	37	24,868
- Other comprehensive income (expense)			(4,099)	8	-	-	-	(4,091)	(44)	(4,135)
Total other comprehensive income (expense)	-	-	(4,099)	8	-	-	24,831	20,740	(7)	20,733
Balance at 30.09.2017	10,000	2,000	3,920	32	35,231	36,270	24,831	112,284	284	112,568
Balance at 1.01.2018	10,000	2,000	3,430	33	35,195	36,192	31,218	118,068	248	118,316
Owner transactions										
- Allocation of profit for the period					27,612	3,606	(31,218)	(0)	-	(0)
- Capital increases					-	-	-	-	31	31
- Dividend distributions					(30,000)	-	-	(30,000)	-	(30,000)
- Change in consolidation scope					-	-	-	-	-	-
Total owner transactions	10,000	2,000	3,430	33	32,807	39,798	-	88,068	279	88,347
- Profit for the period							24,753	24,753	45	24,798
- Other comprehensive expense			(1,579)	(9)	62	-	-	(1,526)	14	(1,512)
Total other comprehensive expense	-	-	(1,579)	(9)	62	-	24,753	23,227	59	23,287
Balance at 30.09.2018	10,000	2,000	1,851	24	32,869	39,798	24,753	111,294	338	111,632



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