

The CAREL logo is a red oval with a white border containing the word "CAREL" in white, bold, sans-serif capital letters. The background of the slide is a collage of financial charts, including a line graph in the top left, a bar chart in the bottom left, and a pie chart in the top right, all in shades of blue and red.

CAREL

CAREL INDUSTRIES S.p.A. FY Results 2018

7th March 2019

2018 - Main achievements

Jun

- **IPO** – the first IPO in the main segment of Borsa Italiana in 2018 and one of the few.
- Acquisition of a residual 51% stake in Carel Japan which is now fully owned by Carel
- First full line of **programmable controls** implemented in USA.

Jul-Aug

Further implementation of **the Carel global expansion strategy** through the opening of two additional branches, one in **Singapore and one in Morocco**

Aug

The building of the new production **plant in China**, which will be **three times larger** than the current one, started in August. The plant is expected to come on stream by spring 2019.

Nov - Dec

Completion of Hygromatik and Recuperator transactions

Dec

Start of the **expansion project of the production plant in US** which will **double its production capacity**

2018 – Implementation of the strategic guide-lines

2018 results highlights: +9.7% in Revenue; 19.7% EBITDA Margin adj.; +18.9% Net profit adj.
Thanks to the implementation of CAREL's strategic guidelines.



CAREL reported a significant growth in revenues (+8.9%) net of Hygromatik/Recuperator contribution thanks to its ability to:

ORGANIC GROWTH

- take advantage from **cross-selling and up-selling** activity, offering the most advanced solutions in its niches.
- leverage its **direct and skilled sales-force** in order to **increase its market share**.

M&A

Completion of two important transactions, 100% share capital of **Hygromatik and Recuperator**:

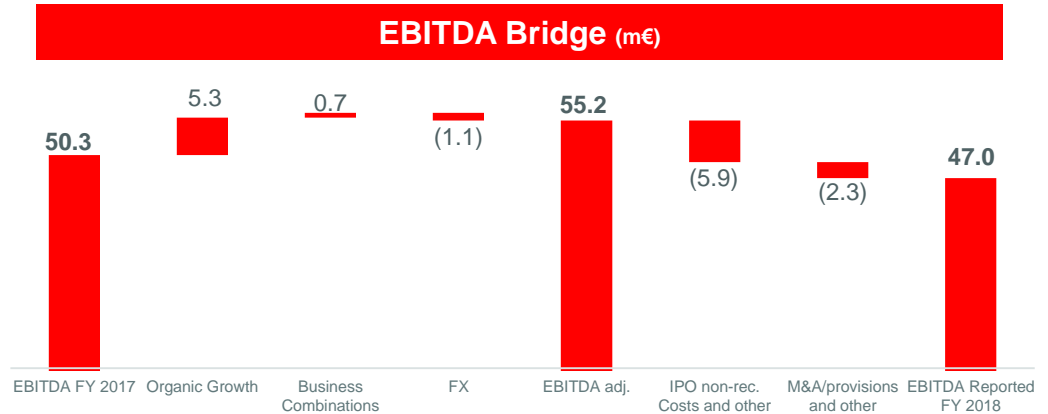
- **Hygromatik** will help to **increase the Group's market share** in **humidification sector** in **German-speaking countries**
- **Recuperator** will enable the Group to **improve its positioning** in **AHUs sector**

DIGITAL SERVICES

The Company is **extremely focused** on the **development of digital services** linked to CAREL's hardware and expertise in thermodynamics. A number of pilot projects have already been launched and their **"Go-to-market" phase is expected to be implemented in 2019**.

FY 2018 – Growth expectations confirmed

KPIs			
m€	FY 2017	FY 2018	Δ%
Revenue	255.4	280.2	9.7%
Revenue FX Adj. ^{(1) (3)}	255.4	284.6	11.4%
EBITDA	50.3	47.0	-6.7%
EBITDA Adj. ⁽²⁾	50.9	55.2	8.5%
<i>EBITDA adj./Revenue</i>	19.9%	19.7%	
Net Profit	31.2	30.8	-1.3%
Net Profit Adj. ⁽²⁾	31.5	37.5	18.9%
Capex	10.0	18.4	>80%



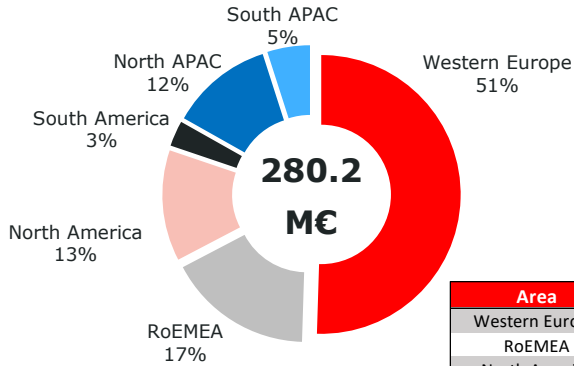
- **Revenue +9.7% (+11.4% Adj):** The steady growth in revenue throughout 2018 (which would have been +11.4% net of FX impact) is linked to the deployment of CAREL's strategy and includes 2.1m€ from Recuperator/Hygromatik consolidation.
- **EBITDA adj. +8.5%:** the growth achieved in the first half of the year is also substantially confirmed in the second half-year with a profitability in line with 2017 in spite of higher recurring costs (IPO; production footprint expansion, FX, etc).
- **Net Profit adj. +18.9%:** The bottom line is positively impacted by the operating results together with a lower tax-rate compared to 2017, the latter benefitting from a number of non-recurring elements (patent-box contribution for ~2.1m€)
- **Capex >80%:** International footprint expansion plan on track, resulting in a Capex growth higher than 80%
- **Dividend:** Dividend proposal equal to 0.1€ per share, with a pay-out ratio of approx. 30%

⁽¹⁾Net of FX impact

⁽²⁾Net of IPO/M&A and other non-recurring costs ⁽³⁾Including 2.1m€ contribution from Hygromatik/Recuperator and 3.0m€ from Alfaco

FY 2018 – Revenue breakdowns

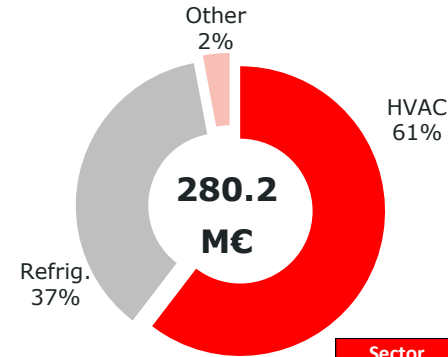
Breakdown by region



Area	m€		m€	
Area	FY 2018	FY 2017	Δ%	Δ% fx
Western Europe	143.1	125.7	13.9%	14.0%
RoEMEA	47.5	41.3	15.2%	15.6%
North America	35.5	34.6	2.5%	7.2%
South America	7.5	8.3	-9.5%	1.8%
South APAC	12.9	12.9	0.3%	5.2%
North APAC	33.7	32.7	3.0%	5.8%
Totale Revenues	280.2	255.4	9.7%	11.4%

- Net of FX impact, **revenue grew in all the geographical areas** with a double-digit growth in Europe thanks also to high-efficiency components, which drove the cross-selling and up-selling activities.
- In the second part of the year, recovery in the sales trend in US, South America and South APAC

Breakdown by sector



Sector	m€		m€	
Sector	FY 2018	FY 2017	Δ%	Δ% fx
HVAC	171.7	158.5	8.3%	9.9%
Refrig.	102.3	88.5	15.5%	17.6%
Core Revenue	274.0	247.0	10.9%	12.7%
No core	6.2	8.4	-25.9%	-25.4%
Total Revenue	280.2	255.4	9.7%	11.4%

- Net of the expected sales reduction in the low-profitability no-core sector, **the growth would have been 10.9% (+12.7% excl. FX impact)**.
- **Significant growth in the refrigeration sector** both in absolute (+13.8m€) and in percentage terms (+17.6%)*₅

^(*)Net of FX impact

From EBITDA to Net Profit

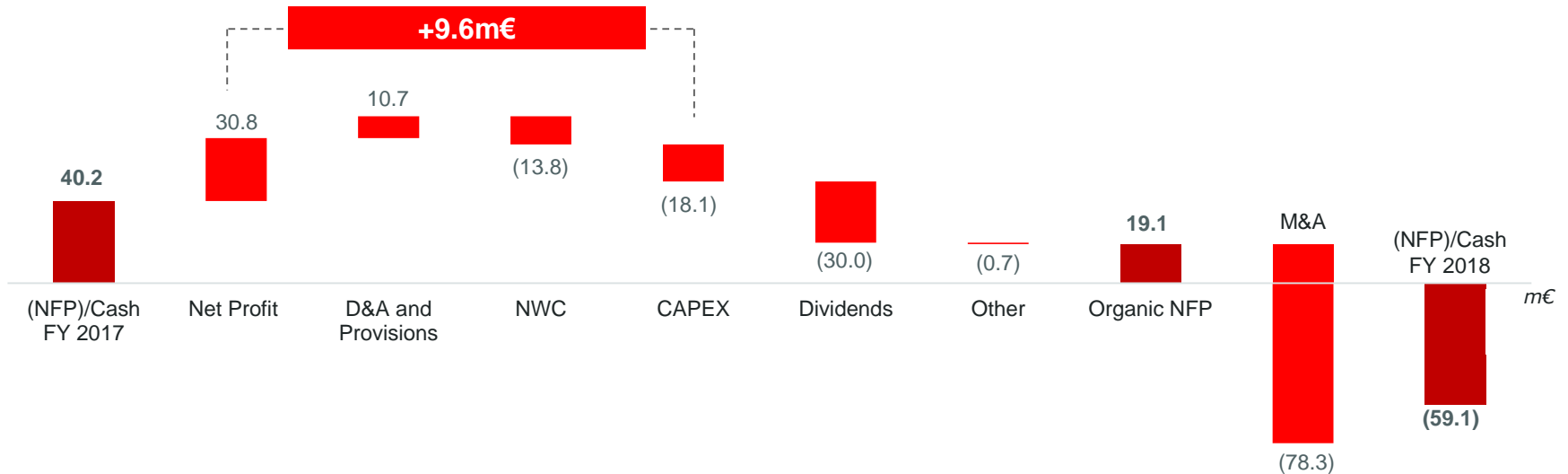
	K€	FY '17	FY '18	Δ%
EBITDA		50,337	46,986	-6.7%
	D&A	-8,076	-9,119	
	Impairment			
EBIT		42,261	37,867	-10.4%
	Financial (charges)/income	451	-136	
	FX gains/losses	-814	-352	
	Companies cons with e.m.	-20	15	
EBT		41,878	37,394	-10.7%
	Taxes	-10,714	-6,643	
	Minorities	-47	-74	
Group net profit		31,117	30,678	-1.4%

- Higher D&A mainly linked to the **Carel's footprint expansion project** (Croatia, Italy, US)

- Financial charges/income affected by:
 - the **disinvestment in life insurance** for approximately **46m€**.
 - **Higher interests expenses due to M&A transactions**

- **Lower tax-rate (approx. 18% against 26% in FY 2017)** due to the effects of the "patent-box" mechanism.

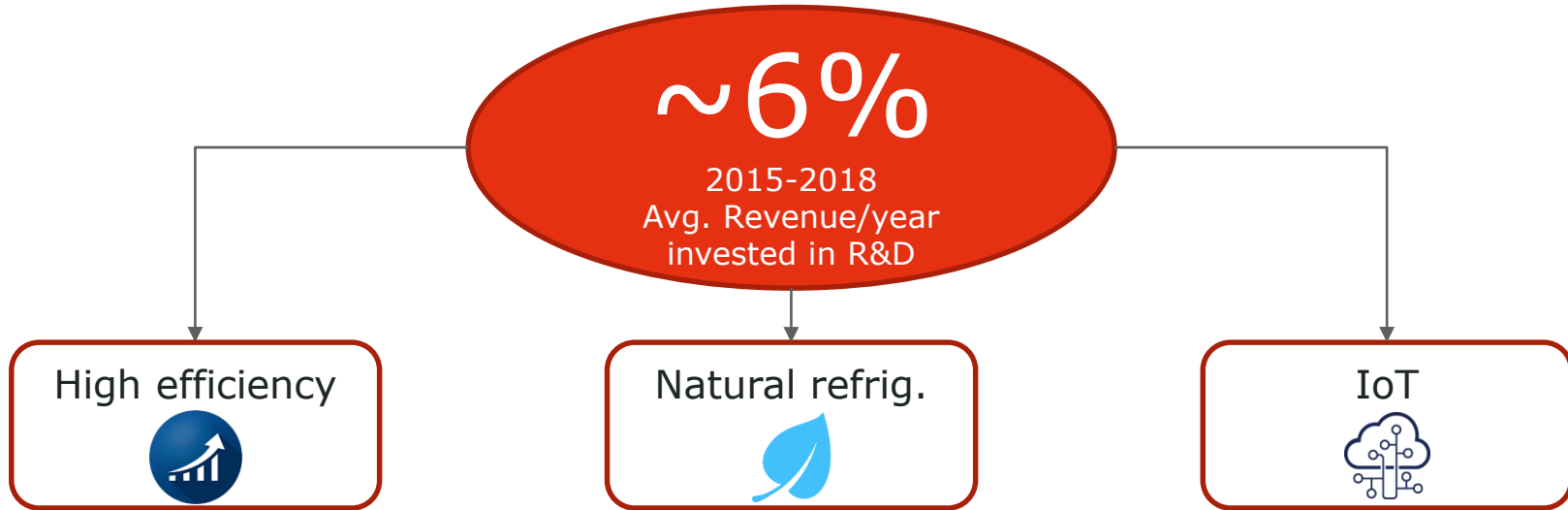
FY 2018 – (NFP)/Cash Bridge



- **Positive FCF generation (+9.6m€):** FFO equal to ~41.5m€ thanks to very positive operating results.
- **NWC +13.8m€** due to higher inventory level, caused by global electronic shortage/lead time extension. An improvement (approx. 2m€, net of M&A effects) compared to 9M 2018 already in place and further normalization is expected in 2019.
- **Strong increase in Capex (>80%)** compared to last year, devoted to footprint expansion project.
- **30m€ extraordinary dividend.**
- **Net of M&A activity (-78.3m€)** the company would have been net-cash positive (+19.1m€)

Sustainability as a strategic pillar

Sustainability has always been an essential element driving CAREL strategy



Closing Remarks

2018 confirms:

- the **good balance and resiliency** of CAREL's business portfolio
- the ability of the Company in **achieving expected results** and **effectively pursuing its strategy**

Development capex plan in line with the deployment program, in order to support organic growth.

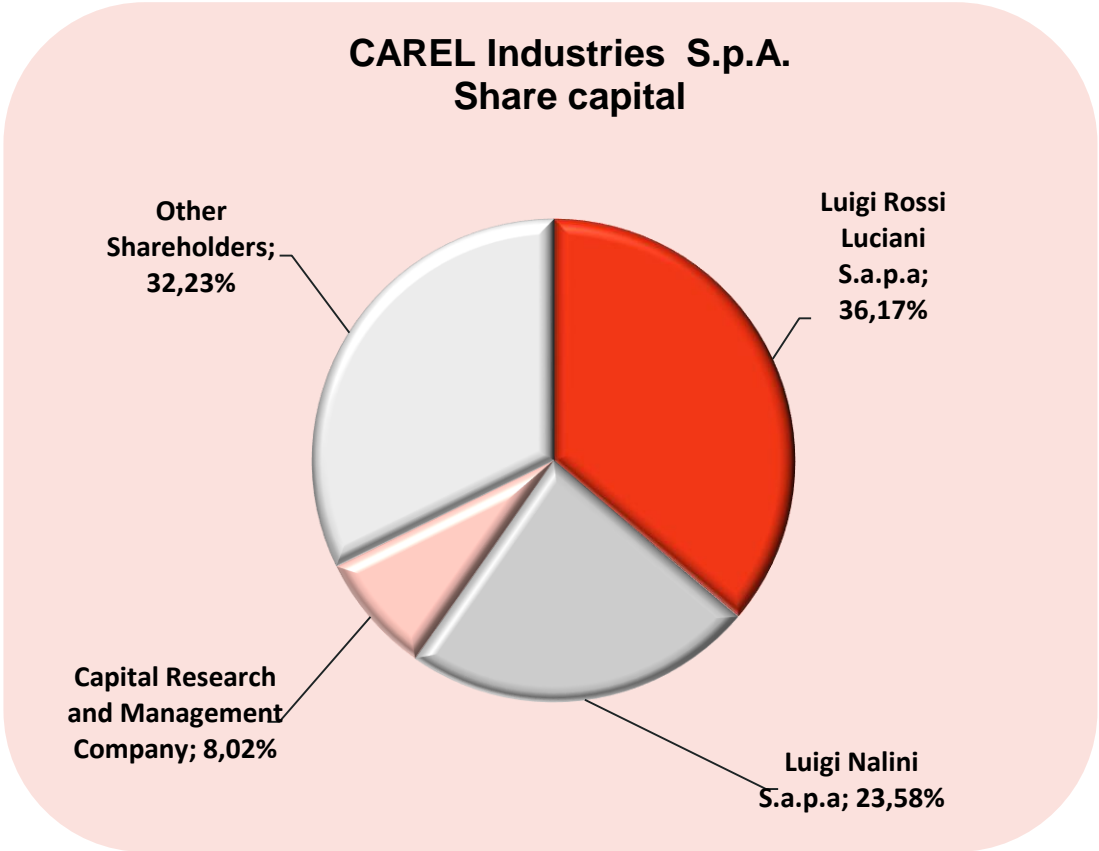
Dividend proposal in line with CAREL's dividend policy

High-efficiency, innovation, digital services and customer-care will be our pivotal strategic guidelines, which will drive CAREL's activity in the next future

As of today we don't see any signs of trend inversion, in our niches, compared to what with we experienced in last years.

Annexes

Shareholding structure



Income statement and Balance Sheet

Income statement

	K€	FY 2017	FY 2018	Var. %
Revenues		255,449	280,220	9,7%
Other revenues		2,131	3,147	47,7%
Operative costs		(207,242)	(236,381)	14,1%
Operative costs adj		(206,721)	(228,158)	10,4%
EBITDA		50,337	46,986	-6,7%
EBITDA ADJ		50,858	55,209	8,6%
Depreciation and impairments		(8,076)	(9,119)	12,9%
EBIT (Risultato Operativo)		42,261	37,867	-10,4%
EBT (earn before taxes)		41,878	37,394	-10,7%
Taxes		(10,714)	(6,643)	-38,0%
Net result of the period		31,164	30,752	-1,3%
Non controlling interest		-47	-74	56,8%
Group net result		31,117	30,678	-1,4%

Balance sheet

	K€	FY 2017	FY 2018	var %
FIXED ASSETS		37,411	131,364	251.1%
WORKING CAPITAL		46,353	53,383	15.2%
EMPL. DEF. BENEFIT PLAN		(5,687)	(7,333)	28.9%
NET CAPITAL INVESTED		78,077	177,414	127.2%
EQUITY		118,316	118,288	0.0%
NET FINANCIAL POSITION		(40,239)	59,125	-246.9%
TOTAL		78,077	177,414	127.2%