

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

CAREL

# CAREL INDUSTRIES S.p.A. 2019 - Q1 Results

15<sup>th</sup> May 2019

# Q1 2019 – Highlights

## ECONOMICS

- In Q1 2019 the implementation of the strategic guidelines continued, leading to a growth in revenues equal to 19.5%, benefitting mainly from:
  - **Organic Growth (+3.7m€)** – All the geographic areas reported a growth
  - **Hygromatik and Recuperator (+8.7m€)** – In line with business plan and expectations. Integration process on track.
- **EBITDA margin in line with FY 2018**
- **Tax-rate equal to 19%**

## FINANCIALS

- **Growth in NFP (+18.4m€)** mainly linked to the adoption of the **IFRS 16 (14.7m€)** and to the seasonal increase in NWC.

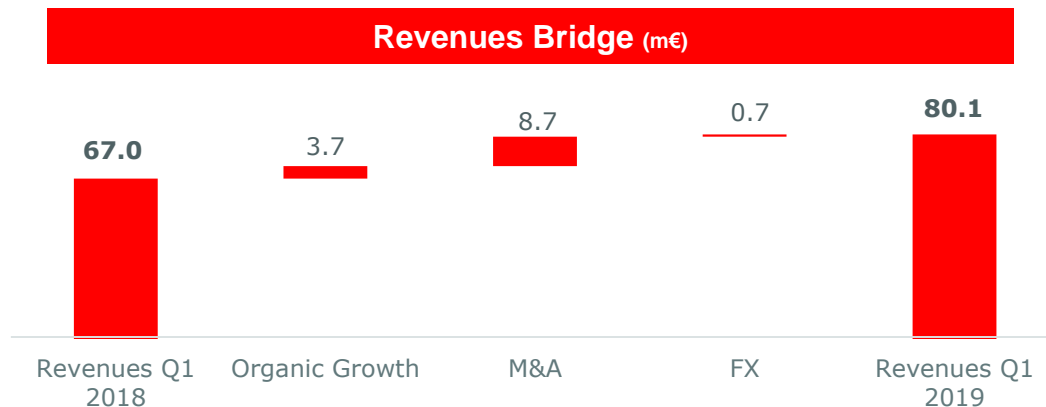
## STRATEGY

- **Production footprint expansion plan on track:** the plants should come on stream by the end of 1H 2019.
- **Geographic expansion:** opening of CAREL Ukraine branch in January 2019
- **Services:** the “Go-to-market” phase is in line with expectation and the commercial phase should start by the end of 2019.

# Q1 2019 – Growth in all the economic KPIs

KPIs			
m€	Q1 2018	Q1 2019	Δ%
Revenue	67.0	80.1	19.5%
Revenue FX Adj.	67.0	79.4	18.4%
Revenue (no M&A)	67.0	71.4	6.4%
EBITDA	13.2	15.7*	18.9%
EBITDA/Revenue	19.7%	19.6%	
Net Profit	8.2	8.9	8.4%
Capex	1.7	4.9	n.r.

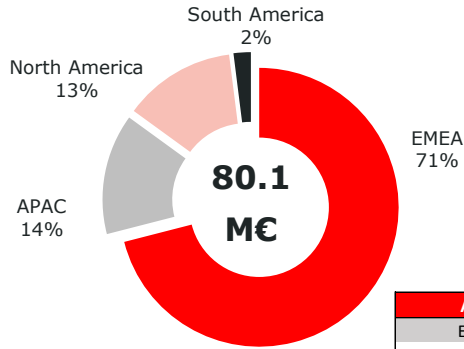
\*Including the contribution from Hygromatik and Recuperator equal to +1.8m€ and the impact of the adoption of IFRS 16 equal to 1.1m€



- **Revenue +19.5%:** The significant growth in revenues is attributable both to organic growth (+3.7m€) and to the excellent results of Hygromatik and Recuperator (+8.7m€), not included in the consolidation perimeter in Q1 2018.
- **EBITDA +18.9%:** the growth in the top-line is substantially reflected at the EBITDA level, which includes 1.8m€ from Hygromatik and Recuperator and benefitted also from the IFRS 16 adoption (+1.1m€). EBITDA includes as well. approx. 0.5m€ of recurring costs from IPO not present in Q1 2018.
- **Net Profit +8.4%:** The bottom-line is positively impacted by the operating results together with a lower tax-rate compared to 2018.
- **Capex:** International footprint expansion plan on track, resulting in a significant Capex growth.

# Q1 2019 – Revenue breakdowns

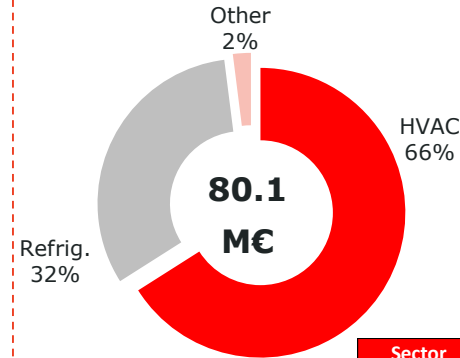
## Breakdown by region



Area	Q1 2018	Q1 2019	Δ%	Δ% fx
EMEA	46.5	56.9	22.3%	22.6%
APAC	9.9	11.4	15.8%	13.7%
Americas (North)	8.8	9.9	12.6%	4.2%
Americas (South)	1.8	1.8	1.9%	4.7%
<b>Total Revenue</b>	<b>67.0</b>	<b>80.1</b>	<b>19.5%</b>	<b>18.4%</b>

- **Positive growth in all the geographic areas**, both at current and constant exchange rate.
- **EMEA** positively impacted by Hygromatik and Recuperator consolidation.
- **Americas (North)** performance limited by the saturation of the US plant.
- **Americas (South)** improving in spite of an unfavorable economic scenario

## Breakdown by sector



Sector	Q1 2018	Q1 2019	Δ%	Δ% fx
HVAC	41.8	53.0	26,8%	25,3%
Refrig.	23.6	25.8	9,6%	9,1%
<b>Core Revenue</b>	<b>65.4</b>	<b>78.9</b>	<b>20,6%</b>	<b>19,5%</b>
No core	1.6	1.2	-25,0%	-25,1%
<b>Total Revenue</b>	<b>67.0</b>	<b>80.1</b>	<b>19,5%</b>	<b>18,4%</b>

- **Strong growth in HVAC** sector driven also by the change in scope of consolidation (Hygromatik and Recuperator), net of which, **Refrigeration would still be the fastest growing sector.**
- **Expected decline in no core revenues.**

# From EBITDA to Net Profit

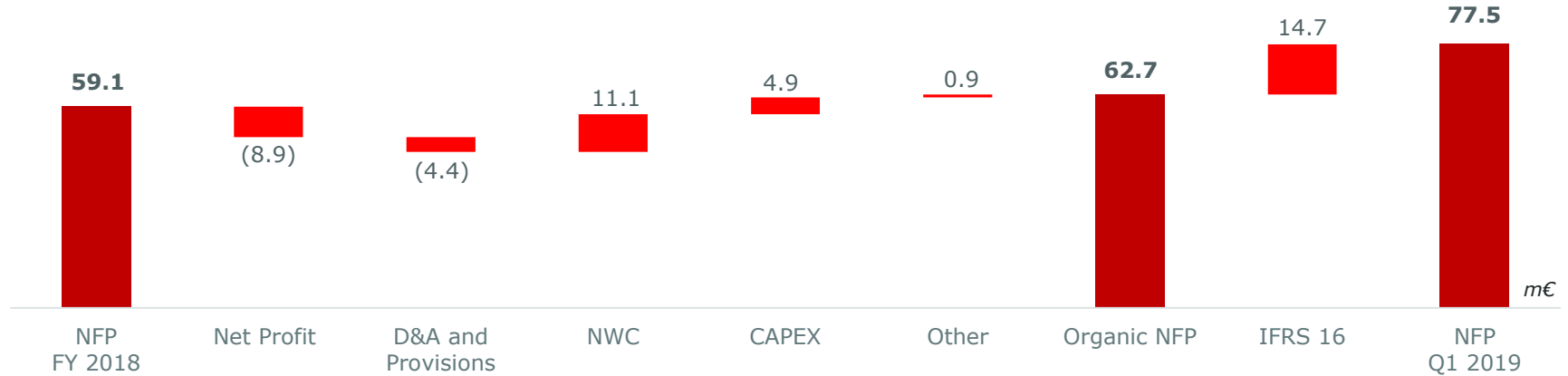
	K€	Q1 '18	<b>Q1 '19</b>	Δ%
EBITDA		13,222	<b>15,718</b>	18.9%
	<i>D&amp;A</i>	-1,961	<b>-4,052</b>	
	<i>Impairment</i>			
EBIT		11,260	<b>11,666</b>	3.6%
	<i>Financial (charges)/income</i>	97	<b>-266</b>	
	<i>FX gains/losses</i>	-550	<b>-435</b>	
	<i>Companies cons with e.m.</i>			
EBT		10,807	<b>10,965</b>	1.5%
	<i>Taxes</i>	-2,627	<b>-2,095</b>	
	<i>Minorities</i>	-10	<b>-17</b>	
Group net profit		8,171	<b>8,854</b>	8.4%

- Higher D&A mainly linked to: the change in scope of consolidation, to higher Capex in 2018 and to the **adoption of IFRS 16 (0.9m€)**

- Financial charges/income affected by **higher interests expenses due to the loans for the M&A transactions.**

- **Lower tax-rate (approx. 19% against 24% in Q1 2018)** due mainly to the **Patent Box mechanism**

# Q1 2019 – NFP Bridge



- **The 18.4m€ increase in NFP is mainly linked to the adoption of the IFRS 16 (+14.7m€).**
- **FFO 13.3m€:** which covered higher capex (due to the deployment of the production plants expansion plan) and partly the seasonal increase in NWC.
- **NWC +11.1m€** due mainly to seasonal effect in receivables and higher use of stocks (due to the stocks reduction plan) with less purchases and consequently less payables.

# Closing Remarks



Overall good results: **the good balance in CAREL's product portfolio** is confirmed by a solid growth in all the geographic areas even in presence of an **uncertain macro-economic scenario**.



Hygromatik and Recuperator integration process on track: **high single-digit top-line growth** of the two combined companies, **representing a significant improvement compared to previous years**



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



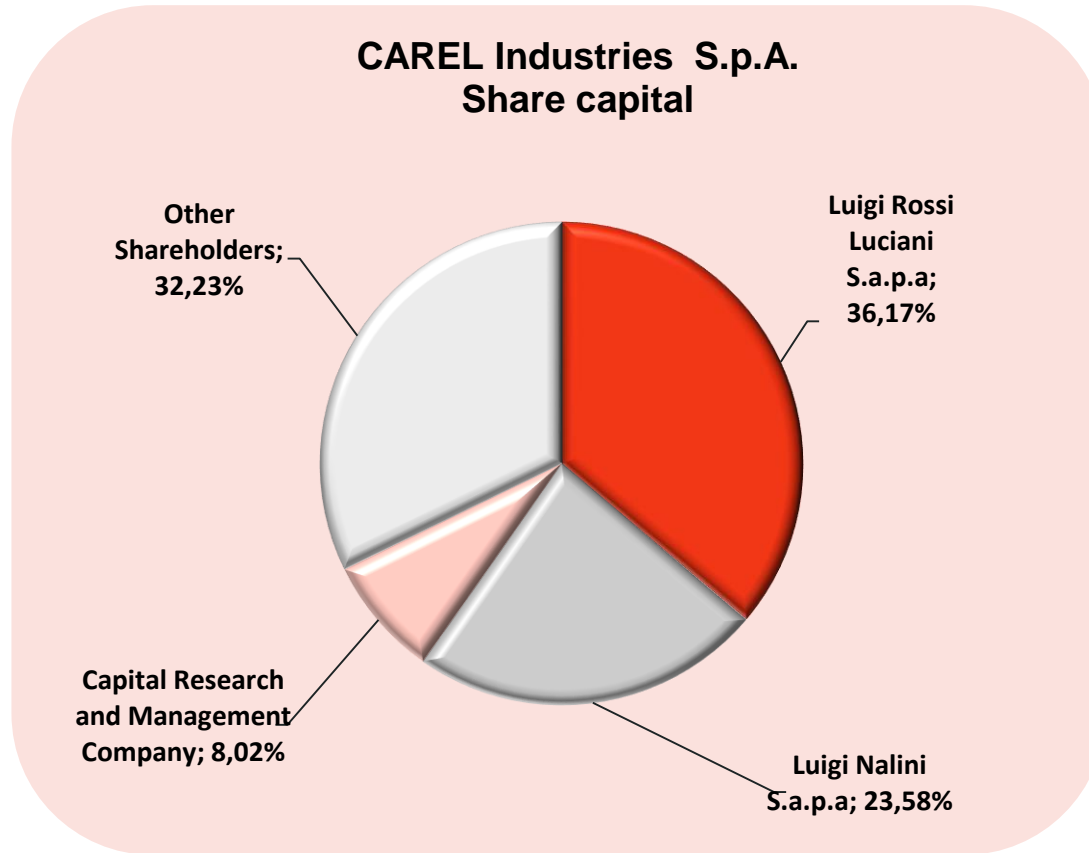
**Stabilization in the inventory trend confirmed**; further improvements are expected in the coming months

**The constant deployment of our strategic guidelines, together with a growing orders intake make us confident in relations to a further improvement in performance in the coming quarters.**

# Annexes



# Shareholding structure



# Income statement and Balance Sheet

## Income statement

	K€	Q1_2018	Q1_2019	Delta %
Revenues		67,031	80,097	19.5%
Other revenues		359	609	69.6%
Operative costs		(54,169)	(64,988)	20.0%
<b>EBITDA</b>		<b>13,222</b>	<b>15,718</b>	<b>18.9%</b>
Depreciation and impairments		(1,961)	(4,052)	106.6%
<b>EBIT (Risultato Operativo)</b>		<b>11,260</b>	<b>11,666</b>	<b>3.6%</b>
<b>EBT (earn before taxes)</b>		<b>10,807</b>	<b>10,965</b>	<b>1.5%</b>
Taxes		(2,627)	(2,095)	-20.3%
<b>Net result of the period</b>		<b>8,181</b>	<b>8,871</b>	<b>8.4%</b>
Non controlling interest		10	17	73.0%
<b>Group net result</b>		<b>8,171</b>	<b>8,854</b>	<b>8.4%</b>

## Balance sheet

	K€	FY 2018	Q1_2019	Delta %
Fixed Capital		131,364	148,749	13.2%
Working Capital		53,383	65,024	21.8%
Empl. defined benefit plans		(7,333)	(7,383)	0.7%
<b>Net invested capital</b>		<b>177,414</b>	<b>206,390</b>	<b>16.3%</b>
Equity		118,288	128,909	9.0%
Net financial position (asset)		59,125	77,481	31.0%
<b>Total</b>		<b>177,414</b>	<b>206,390</b>	<b>16.3%</b>

# Company profile

# Leading provider of advanced control solutions for HVAC/R

## Growing key markets

- **HVAC:** Industrial, Residential, Commercial
- **Refrigeration:** Food Retail and Food Service

## Leadership in premium niches

- **Control solutions**
- **High Efficiency** applications

## Innovation focus

- **3 R&D centers** (Italy, China and US)
- **c. 6%<sup>1</sup> of Revenues** invested in R&D

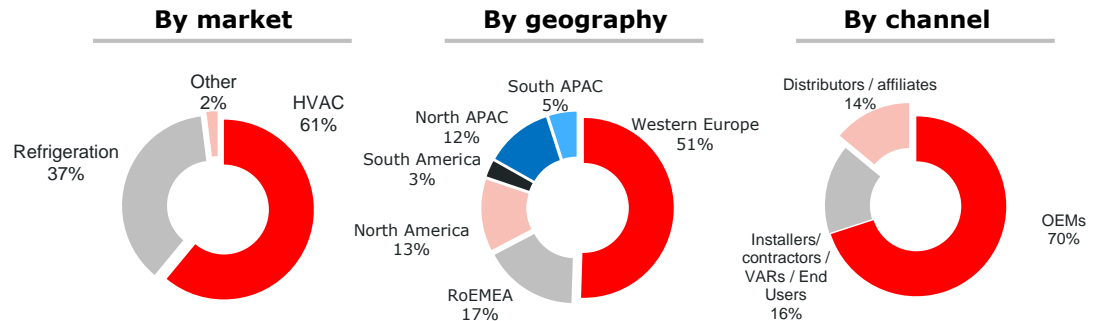
## Global footprint

- **9 production plants** (4x Italy, Croatia, Germany, China, US and Brazil)

## Key financials – 2018A

Revenue	Adj. EBITDA	EBITDA margin	Adj. Net income
€280m	€55m	~20%	€38m
+11% CAGR 2015A-18A	+14% CAGR 2015-18A	~120bps Margin expansion 2015A-18A	+21% CAGR 2015A-18A

## Revenue breakdown - 2018A



Source: Company information as of Mar-19

Note: 1) avg. 2015A-18A; 2) Value Added Resellers

Note: financial data refer to consolidated accounts of CAREL Industries S.p.a. 2015-2018 IFRS. Comparability might be affected by change in consolidation perimeter

# We operate in attractive niches across a wide range of end-markets...

## HVAC

### Industrial

#### Data Centers



#### Industry and Process



#### Pharma and Food



### Residential

#### Residential



### Commercial

#### Shopping Centers



#### Office Space



#### Recreational



## Refrigeration

### Food Retail

#### Convenience Stores



### Food Service

#### Restaurant Chains



#### Hypermarkets



#### Refrigerated Merchandisers



# ...through a one-stop-shop portfolio of components and platforms

## Programmable controls



Electronic controls easily programmable and customizable

## HMI and unit terminals



User interfaces for units and systems

## Parametric controls



Entry level electronic controllers

## Heat exchangers



Heat exchangers for AHU

## Isothermal humidifiers



Steam production systems

## Adiabatic humidifiers and evaporative coolers



Pressure water atomizers

## Power solutions



Electrical panels

## Sensors and protection devices



Temperature/humidity and air quality sensors

## Electronic expansion valves & drivers



Electronic valves for the modulation of refrigerant flow

## Speed controllers & inverters



Speed control devices for BLDC compressors

## Compressors<sup>1</sup>



BLDC compressors

## Remote management, monitoring systems, IoT



Solution for local / remote management monitoring and optimization

## Services



Innovative services based on the IoT capabilities

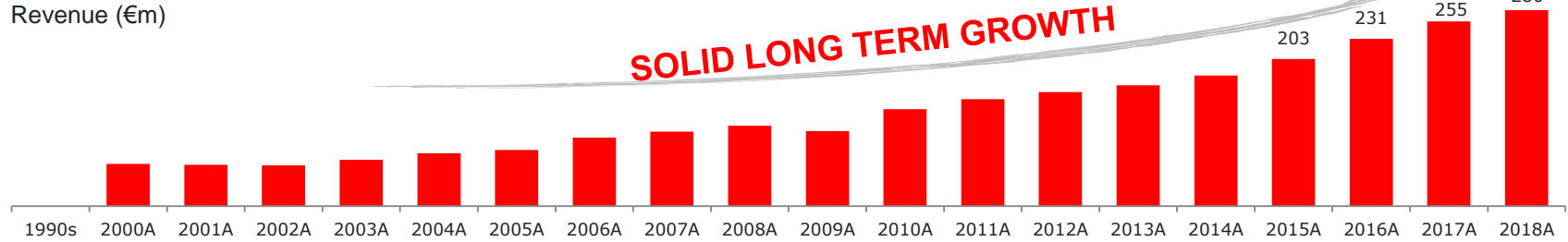
**Distinctive ability to meet customers' demand for tailored integrated solutions using standard platforms**

Source: Company information as of Mar-19

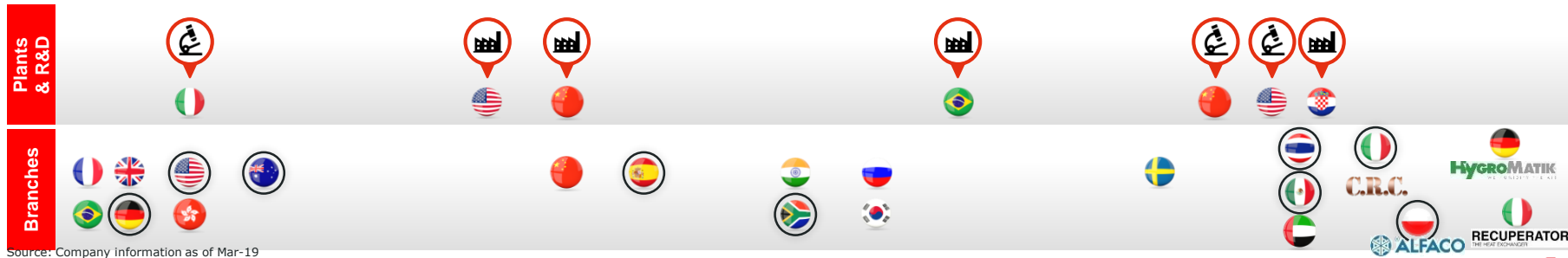
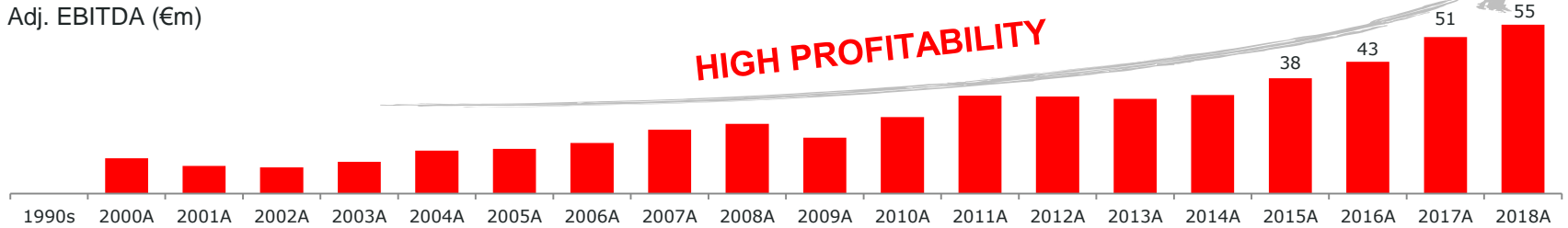
Note: 1) developed with partners

# Long track record of profitable organic growth

Revenue (€m)



Adj. EBITDA (€m)

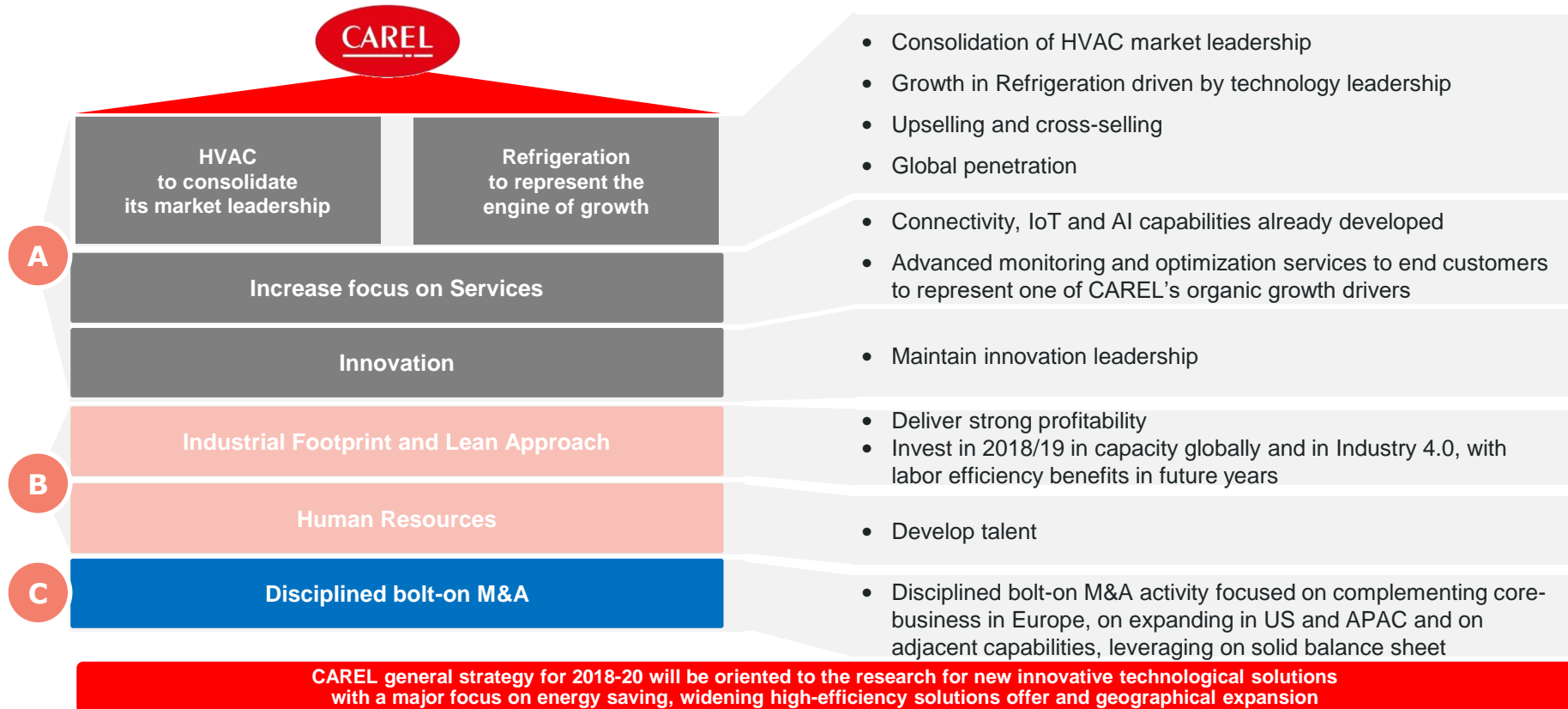


Source: Company information as of Mar-19  
 Note: financial data refer to consolidated accounts of CAREL Industries S.p.a. for the period 2011A-2018A (IFRS 2015A- 2018A; ITA GAAP 2011A-2014A) and CAREL S.p.a. for the period 2000A-2010A (ITA GAAP). Comparability might be affected by change in reporting standard and in consolidation perimeter.

Legend: R&D centre Plants Acquisitions of local distributors



# Well-articulated strategies to continue the growth track record



Source: Company information as of Mar-18



# Leading provider of advanced energy efficient control solutions



# 1 High-tech leader in attractive niches of the HVAC/R industry

Focus on attractive niches...

...resulting in leadership positioning

High value applications

...CONSOLIDATED  
IN **HVAC** PREMIUM NICHES

...INNOVATION-ORIENTED  
IN **REFRIGERATION**

Deep knowledge of final applications is key

**33%<sup>1</sup>**  
European market share  
in *Chillers*



In Europe

**SIGNIFICANT ROOM** FOR  
FURTHER EXPANSION

Energy efficiency and high performance are critical

**46%<sup>1</sup>**  
European market share  
in *Roof-tops*



In Europe

**BREAK-THROUGH**  
INNOVATIONS

**-50% kWh<sup>3</sup>**  
HEEZ energy consumption

Requirement for tailored and customizable solutions

**41%<sup>1</sup>**  
market share  
In *CCU for Data Centers<sup>2</sup>*



**Higher efficiency<sup>4</sup>**  
Rotary DC technology

**GROWING PRESENCE**  
Globally

Source: Company information as of Mar-18, BSRIA (Mar-17)

Note: 1) 2016 market shares calculated on # of units based on BSRIA market data and management elaborations; 2) close control units for data centers in US, UK and Italy; 3) tested by third-party laboratory compared to Top-ten EU benchmarks; 4) compared to average semi-hermetic

## 2 Attractive market growth supported by secular trends

### Secular trends...



#### GROWING POPULATION

- Improvement in **LIVING STANDARDS** increasing demand for HVAC/R



#### CHANGE IN CONSUMER HABITS

- Focus on **WASTE REDUCTION** in food sector
- Increase in number of convenience stores/**FRESH FOOD**



#### GLOBAL GROWTH

- **ECONOMIC ACTIVITY** driving demand for HVAC/R



#### INTERNET OF THINGS

- Increasing adoption of **AUTOMATION TECHNOLOGIES** and **CONNECTED SOLUTIONS**

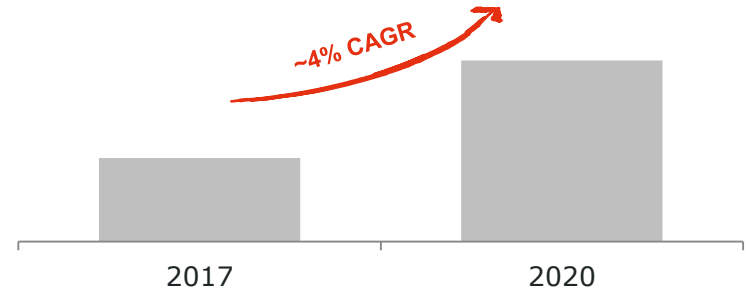
Source: Company information as of May-18, BSRIA (Mar-18), PlanetRetail (Dec-17)

Note: 1) Based on management elaboration on BSRIA data on Rooftop, Chillers, AHU and Datacenters applications, based on report dated Mar-2018; 2) Based on management elaboration on PlanetRetail data on Food Retail and Food Service segments

### ...supporting attractive market growth

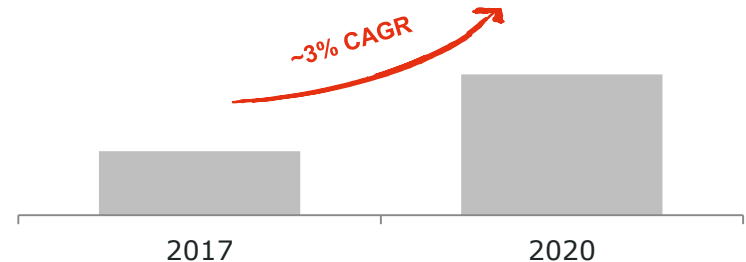
#### Reference HVAC Market

Market value (€m)<sup>1</sup>

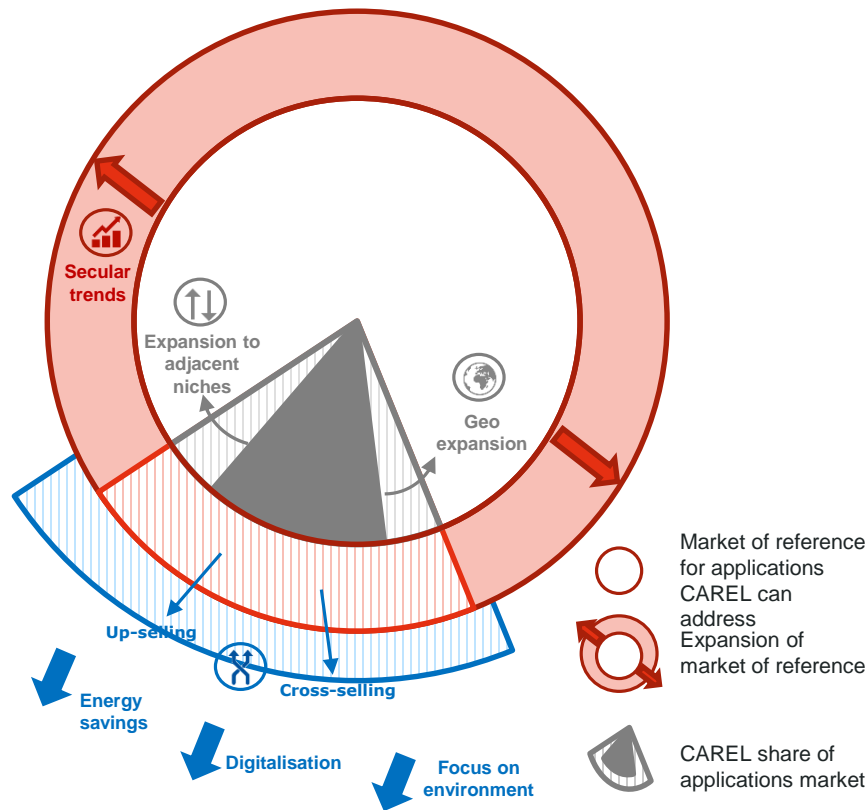
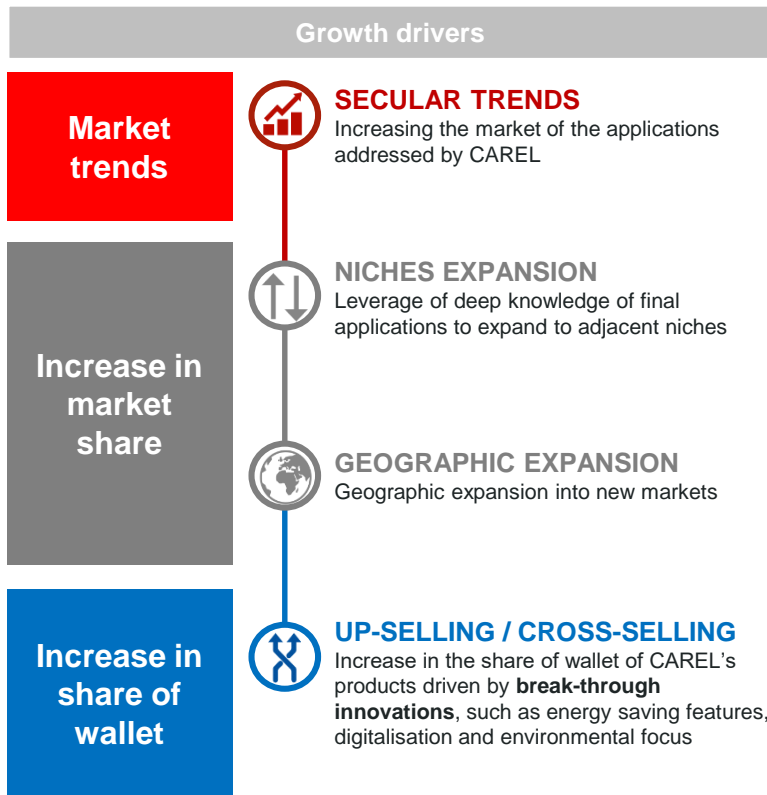


#### Reference Refrigeration Market

Number of outlets (#)<sup>2</sup>



# 2 Growth is driven by market trends and focused strategic actions...



# 2 ...and favoured by up-selling and cross-selling

FROM PRODUCT PLATFORMS TO INTEGRATED ELECTRONIC SOLUTIONS...

PRODUCT PLATFORMS



From a **COMBINATION OF PRODUCTS**  
FROM DIFFERENT PLATFORMS



To an **ECOSYSTEM TO QUICKLY**  
ADOPT NEW TECHNOLOGIES

SYSTEMS



...IN THE HVAC AND REFRIGERATION MARKETS

HVAC

Example of a **CHILLER UNIT**

Before



Refrigeration

Example of a **BEVERAGE COOLER**

Before



# 3 Positioning and innovation capability hard to replicate

**~6% OF REVENUE<sup>1</sup>**

Invested annually in R&D

## PROPRIETARY SOFTWARE

Vast library of proprietary software modules developed over the past 10 years: **maximizing customizations and reducing time-to-market**

## RESEARCH COLLABORATION

With Tier-1 Universities and Research Institutions



**13% OF TOTAL WORKFORCE**

dedicated to R&D

**3 R&D CENTRES**

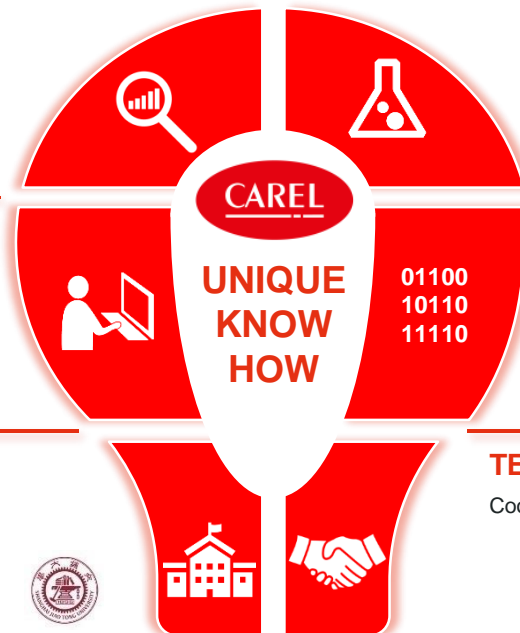
## COMBINING 5 DOMAINS

- Hardware & Firmware
- Software
- Mechanics
- Thermodynamics
- IoT

## TECHNOLOGICAL PARTNERS

Cooperation with technology leaders

**TOSHIBA**



**AWARD WINNING BUSINESS**

Timeline of awards (left side):

- Nov-13**: Electrolux Supplier Award (Image: Group of men with award)
- Jan-16**: AHR Expo Innovation Award (Image: Exhibition booth)
- Apr-17**: China Refrigeration Innovation Award (Image: Award certificate)

Timeline of awards (right side):

- Sep-17**: World Beverage Innovation Award (Image: Two men with award)
- Oct-17**: RAC Cooling Industry Award (Image: Award certificate and product)
- Apr-18**: China Refrigeration Award (Image: Award certificate and product)

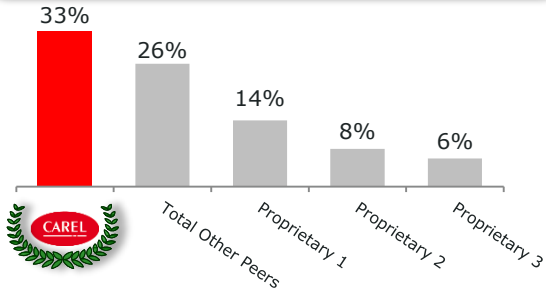
Source: Company information as of Mar-19  
Note: 1) avg. 2015A-18A

# 3 Leadership position in HVAC OEM premium niches...

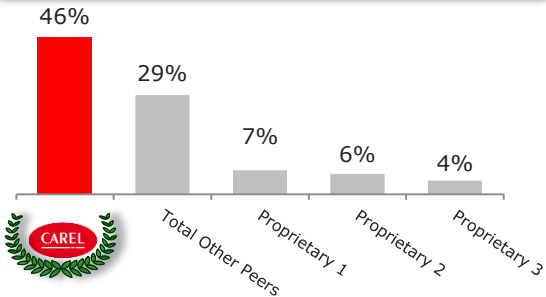
Leadership positioning in premium niches...

...with no perfect comparable

Chiller European Market Share<sup>1</sup>



Rooftop European Market Share<sup>2</sup>



	CAREL	OEM proprietary solutions	Large diversified competitors	EM / Low cost competitors
<b>Vertical niche approach</b>	✓✓✓	✓✓	✓	✓✓✓
<b>Innovation pace &amp; knowledge of final applications</b>	✓✓✓	✓	✓✓	✓✓
<b>Integrated solutions</b>	✓✓✓	✓	✓✓	✓
<b>Global operations</b>	✓✓✓	✓✓	✓✓✓	✓
<b>Flexibility for tailored solutions</b>	✓✓✓	✓✓	✓	✓✓✓
<b>Economies of scale</b>	✓✓✓	✓	✓✓	✓

Source: Management elaborations based on BSRIA data for the year 2016 (based on report dated Mar-17)  
 Note: 1) Total other minor proprietary c.13%; 2) Total other minor proprietary c.8%








3

# ...and leading in innovation in the refrigeration market

Leveraging on HVAC experience...

...CAREL is a leader in innovation

			Large diversified competitors	EM / Low cost competitors
 <b>HEOS SISTEMA</b> Waterloo system with DC tech for refrigeration	2014			
 <b>HECU SISTEMA</b> High efficiency condensing unit control for multi-split refrigeration system	2015			
 <b>HEEZ</b> Control solution for refrigerated merchandiser with rotary DC tech	2017			
 <b>EMJ</b> Winner at China Refrigeration award 2018	2018			
<b>Vertical niche approach</b>		✓✓✓	✓✓	✓✓✓
<b>Innovation pace &amp; knowledge of final applications</b>		✓✓✓	✓✓	✓
<b>Integrated solutions</b>		✓✓✓	✓✓	✓
<b>Global operations</b>		✓✓✓	✓✓✓	✓
<b>Flexibility for tailored solutions</b>		✓✓✓	✓✓	✓✓✓
<b>Economies of scale</b>		✓✓✓	✓✓	✓

Source: Company info; Management elaborations

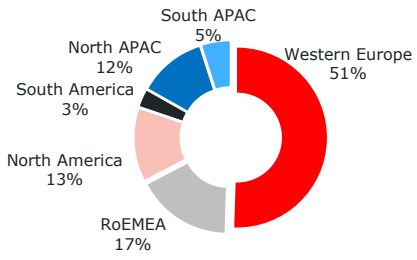


# 4 Highly efficient global operations serving locally...

**GLOBAL PRODUCTION FOOTPRINT**

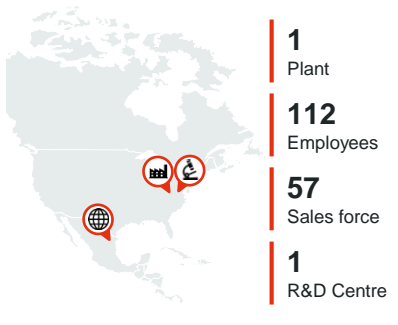
**DIRECT AND HIGHLY SKILLED SALES NETWORK**

**BEST POSITIONED TO CAPTURE GLOBAL GROWTH OPPORTUNITIES**

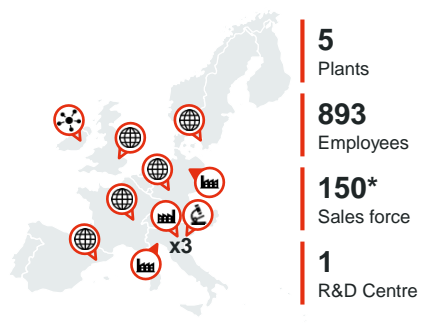


**Revenue 2018A breakdown by geography**

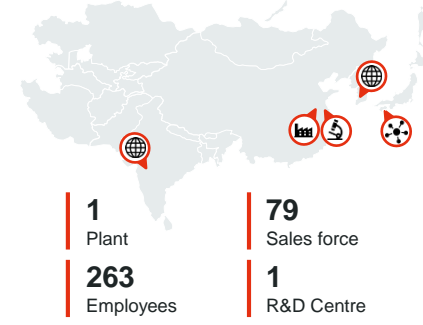
## NORTH AMERICA



## WESTERN EUROPE



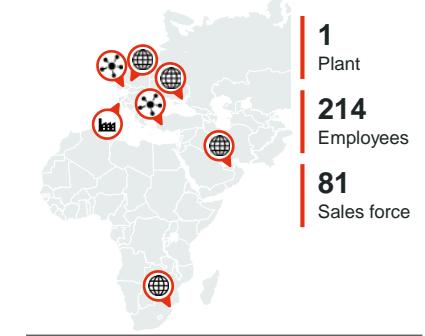
## NORTH APAC



## SOUTH AMERICA



## RoEMEA



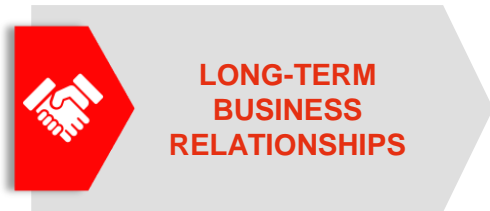
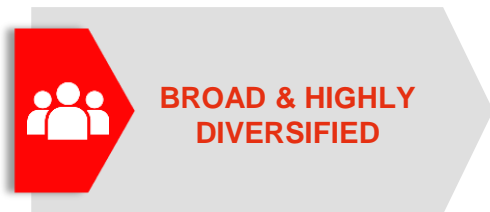
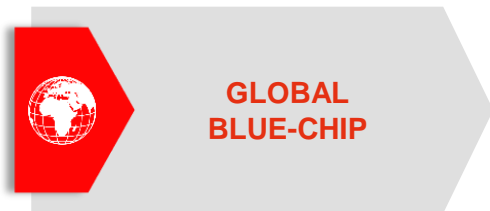
## SOUTH APAC



Legend: R&D centres Plants Commercial subsidiaries Affiliates

Source: Company information as of Mar-18; audited IFRS consolidated financials as of Dec-18  
\* Excluding Hygromatik/Recuperator

# 4 ...diversified blue-chip customers



## HVAC

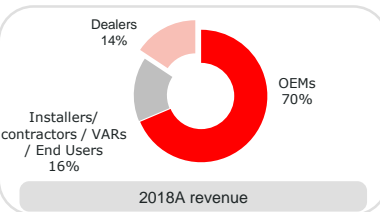


## REFRIGERATION



**>6,300**  
Customers  
In **c. 100**  
countries worldwide

**c. 5%**  
from first customer<sup>1</sup>  
**c. 25%**  
from top-15 customers<sup>2</sup>



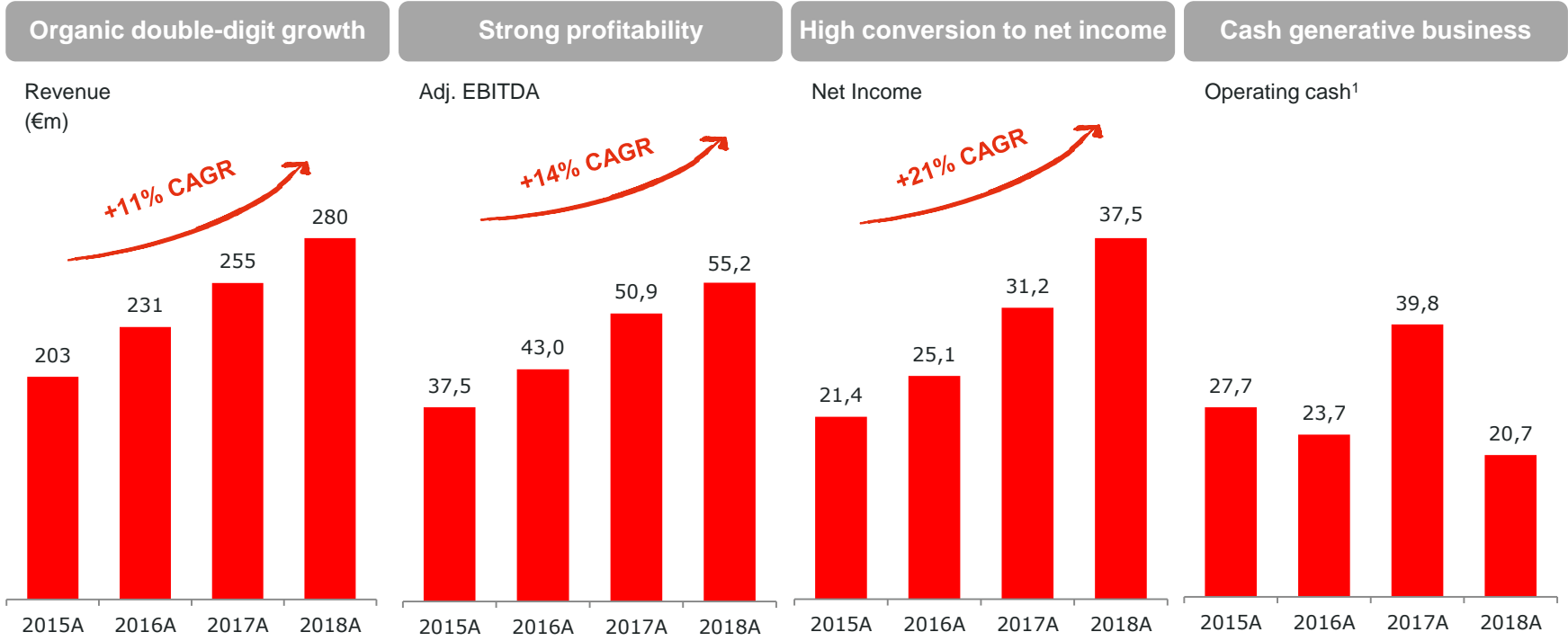
**>80%**  
of Top Customers<sup>3</sup>  
with CAREL for >10y

**>67%**  
of Top Customers<sup>3</sup>  
with CAREL for >10y

**Well-established relationships oriented to preserve and enhance the CUSTOMER LIFE-TIME VALUE**

Source: Company information as of Mar-18; audited IFRS consolidated financials as of Dec-17  
 Note: 1) as % of 2017 revenue; 2) as % of 2017 revenue for each market; 3) Top 60 customers accounting for approx. 50% of total revenue for each market

# 5 Track record of profitable organic growth



**Resulting in a solid balance sheet and strong value creation to shareholders**

Source: Company information as of Mar-19  
 Note: 2015-2018 IFRS  
 Note: 1) Operating cash calculated as cash flow from operations - Capex;



# 6 Global expansion, innovation and services

A



# 6 Pursuing external growth through disciplined bolt-on M&A



CAREL has performed **detailed analyses and scouting of potential targets**, thus promoting an **opportunistic approach** with a focus on **3 MAIN EXPANSION AREAS**:



M&A

# M&A - Recuperator



**RECUPERATOR**  
THE HEAT EXCHANGER



## • **Key Data:**

- ✓ Cash-out for equity = 25.7m€
- ✓ Company positive net-cash = 6.9m€
- ✓ 2017 Revenues = 16.4m€
- ✓ EBITDA = 1.7m€
- ✓ Employees = ~60

## • **Industrial fitting:**

- ✓ Small-size Company
- ✓ Complementary products
- ✓ Carel's commercial strength
- ✓ Cross-selling

## • **Financial fitting:**

- ✓ ~11x EV/EBITDA vs. CAREL'S ~15x
- ✓ Net-Cash in the BS
- ✓ Low impact on Carel's NFP

# M&A - HygroMatik

**HYGROMATIK**<sup>®</sup>  
WE HUMIDIFY THE AIR



WE HUMIDIFY THE AIR.



## • **Key Data:**

- ✓ Cash-out for equity = 56.1m€
- ✓ Enterprise Value = 59.0m€
- ✓ 2017 Revenues = 15.0m€
- ✓ EBITDA = 4.7m€
- ✓ Employees = ~60

## • **Industrial fitting:**

- ✓ Small-size Company
- ✓ Interesting geographic positioning
- ✓ Strong in after-sale services
- ✓ Cross-selling

## • **Financial fitting:**

- ✓ ~12.5x EV/EBITDA vs. CAREL's ~15x
- ✓ HygroMatik NFP substantially neutral.



# Disclaimer

This document has been prepared by CAREL Industries S.p.A for use during meetings with investors and financial analysts and is solely for information purposes. The information set out here in has not been verified by an independent audit company.

Neither the Company nor any of its subsidiaries, affiliates, branches, representative offices (the "Group"), as well as any of their directors, officers, employees, advisers or agents (the "Group Representatives") accepts any responsibility for/or makes any representation or warranty, express or implied, as to the accuracy, timeliness or completeness of the information set out herein or any other related information regarding the Group, whether written, oral or in visual or electronic form, transmitted or made available.

This document may contain forward-looking statements about the Company and/or the Group based on current expectations and opinions developed by the Company, as well as based on current plans, estimates, projections and projects of the Group. These forward-looking statements are subject to significant risks and uncertainties (many of which are outside the control of the Company and/or the Group) which could cause a material difference between forward-looking information and actual future results.

The information set out in this document is provided as of the date indicated herein. Except as required by applicable laws and regulations, the Company assumes no obligation to provide updates of any of the aforesaid forward-looking statements.

Under no circumstances shall the Group and/or any of the Group Representatives be held liable (for negligence or otherwise) for any loss or damage howsoever arising from any use of this document or its contents or otherwise in connection with the document or the aforesaid forward looking statements. This document does not constitute an offer to sell or a solicitation to buy or subscribe to Company shares and neither this entire document or a portion of it may constitute a recommendation to effect any transaction or to conclude any legal act of any kind whatsoever.

This document may not be reproduced or distributed, in whole or in part, by any person other than the Company. By viewing and/or accepting a copy of this document, you agree to be bound by the foregoing limitations

