CAREL INDUSTRIES S.p.A.

2019 - H1 Results

9th September 2019

H1 2019 – Highlights

H1 2019 overall results in line with expectations and guidelines:
improvement in revenues, profitability and NWC compared to Q1 2019.

ECONOMICS

- **The continuous implementation of the strategic guidelines has led to an increase in revenues equal to 20.3%**, benefitting mainly from:
  - **Organic Growth (+7.3%)** – All the geographic areas reported a growth.
  - **Hygromatik and Recuperator (+18.1m€)** – In line with business plan.
- **EBITDA adj. margin 20.5% (EBITDA reported margin 20.2%) vs. 20.0% in Q1 2019.**

FINANCIALS

- **Growth in NFP (+16.9m€)** mainly linked to the adoption of the **IFRS 16.**
- **Cash absorbed by NWC halved** compared to Q1 2019.

STRATEGY

- **Production footprint expansion plan on track**: the new plant in China and the expansion of the US plant are completed.
- **Geographic expansion:** opening of CAREL Ukraine branch in January 2019.
- **Services:** the “Go-to-market” phase is in line with expectations.

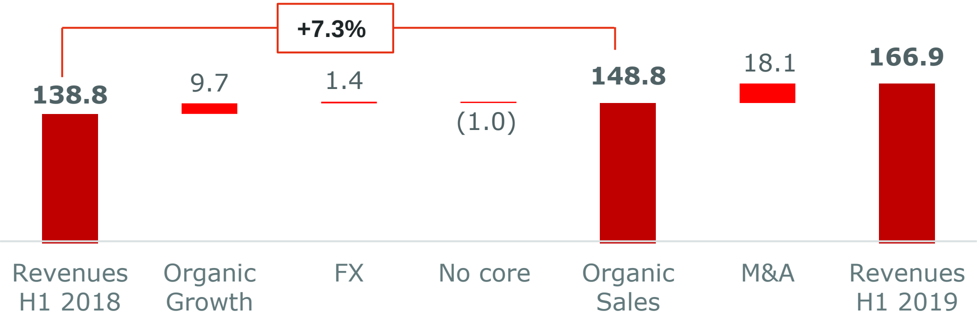
H1 2019 – Improvement compared to Q1 2019

KPIs

m€	H1 2018	H1 2019	Δ%
Revenue	138.8	166.9	*20.3%*
Revenue FX Adj.	138.8	165.6	*19.3%*
Revenue (no M&A)	138.8	148.9	*7.3%*
EBITDA	24.2	33.7*	*39.4%*
EBITDA Adj.**	29.2	34.2*	*17.1%*
EBITDA Adj/Revenue	*21.0%*	*20.5%*	
Net Profit	15.6	19.0	*21.7%*
Capex	7.2	11.2	*54.9%*

**Including the contribution from Hygromatik and Recuperator equal to +3.9m€ and the impact of the adoption of IFRS 16 equal to 2.0m€*
*** 2018 EBITDA adj. for non recurring costs (5m€) related to IPO; 2019 EBITDA adj. for non-recurring costs (0.5m€) related to IPO/M&A*

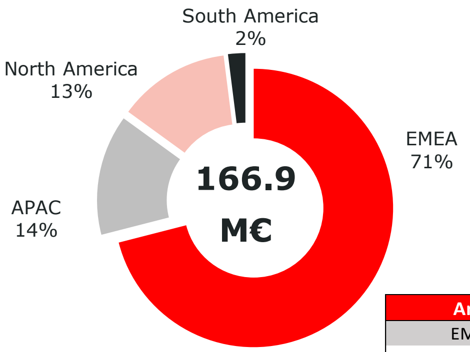
Revenues Bridge (m€)



- **Revenue +20.3%**: The significant growth in revenues (accelerating compared to Q1 2019=19.5%) is attributable both to organic growth (+9.7m€) and to the excellent results of Hygromatik and Recuperator (+18.1m€), not included in the consolidation perimeter in H1 2018.
- **EBITDA adj. +17.1%**: the growth in the top-line is substantially reflected at the EBITDA level, which includes 3.9m€ from Hygromatik and Recuperator and benefitted also from the IFRS 16 adoption (+2.0m€). EBITDA includes as well. approx. 0.8m€ of recurring costs from IPO not present in H1 2018 and 0.4m€ costs related to US/China duties.
- **Net Profit 21.7%**: Net of the '18-'19 non-recurring costs, the bottom-line would have been substantially stable in spite of higher financial charges and tax rate (23% vs. 20.5% in 1H 2018).
- **Capex**: International footprint expansion plan on track, resulting in a significant Capex growth.

H1 2019 – Revenue breakdowns

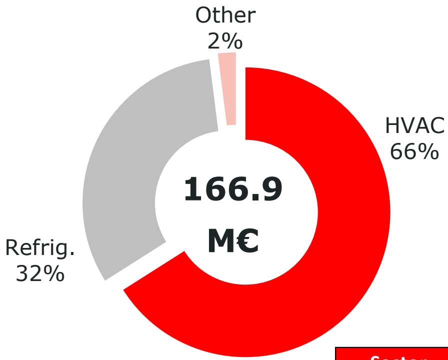
Breakdown by region



Area	H1 2018 m€	H1 2019 m€	Δ%	Δ% fx
EMEA	96.8	117.9	21.8%	22.1%
APAC	21.1	23.1	9.5%	8.3%
Americas (North)	17.2	22.2	28.7%	20.3%
Americas (South)	3.7	3.7	0.7%	2.8%
Total Revenue	**138.8**	**166.9**	**20.3%**	**19.3%**

- **Positive growth in all the geographic areas maintained**, with a significant **improvement in North America** thanks to the overcoming of the logistic issues experienced in Q1 2019.
- **EMEA** positively impacted by Hygromatik and Recuperator consolidation.
- **APAC** – Significant growth in spite of higher volatility in the area.
- **Americas (South)** stable results impacted by the negative geopolitical scenario.

Breakdown by sector



Sector	H1 2018 m€	H1 2019 m€	Δ%	Δ% fx
HVAC	85.4	110.5	29.4%	28.1%
Refrig.	49.9	53.9	8.0%	7.4%
Core Revenue	**135.3**	**164.4**	**21.5%**	**20.5%**
No core	3.5	2.5	-28.0%	-28.1%
Total Revenue	**138.8**	**166.9**	**20.3%**	**19.3%**

- **Strong growth in HVAC** sector driven also by the change in scope of consolidation (Hygromatik and Recuperator).
- **Expected decline in no core revenues,** net of which the growth in the top line would have been ~1% higher.

From EBITDA to Net Profit

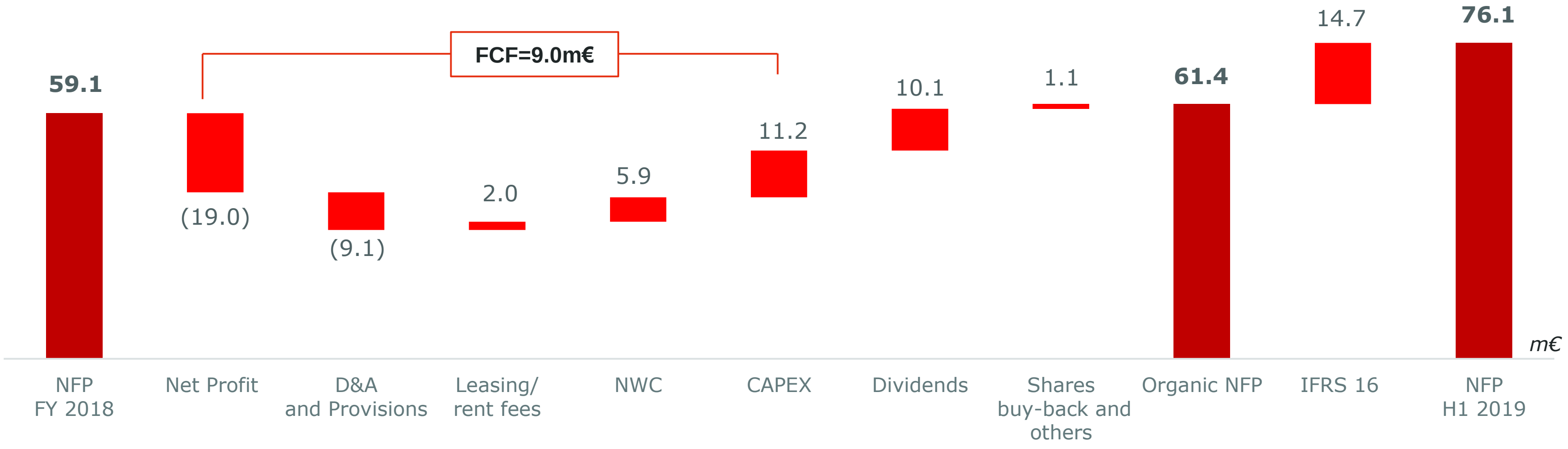
K€	H1 '18	**H1 '19**	Δ%
EBITDA	24,165	**33,687**	39.4%
D&A	*-4,175*	***-8,143***	
Impairment			
EBIT	19,990	**25,544**	27.8%
Financial (charges)/income	*66*	***-682***	
FX gains/losses	*-418*	***-326***	
Companies cons with e.m.	*15*	***136***	
EBT	19,653	**24,673**	25.5%
Taxes	*-4,030*	***-5,660***	
Minorities	*-27*	***-23***	
Group net profit	15,596	**18,990**	21.7%

- Higher D&A mainly linked to: the change in scope of consolidation, to higher Capex in 2019 and to the **adoption of IFRS 16 (2.0m€)**

- Financial charges/income affected by **higher interests expenses due to the loans for the M&A transactions and the absence of the positive contribution coming from life insurances present in 1H 2018.**

- **Higher tax rate (approx. 23% against 20.5% in H1 2018)** due mainly to a number of elements linked to China (dividend distribution and a less favorable tax-rate) and to Parent Company tax-rate.

H1 2019 – NFP Bridge



- **Net of the effects derived from the adoption of IFRS 16, the NFP would have been substantially stable (including the dividend payment and the buy-back plan).**
- **FFO 26.1m€:** which easily covered higher capex (due to the deployment of the production plants expansion plan) and the increase in NWC.
- **NWC +5.9m€** due mainly to the increase in revenues (and subsequently in receivables). The increase has halved compared to Q1 2019 thanks to an improvement in inventory (as expected) and to a decrease in tax credits.

Closing Remarks

The resilience of the **CAREL's product portfolio** is confirmed by an **improvement in the top-line and profitability performance together with a lower NWC compared to Q1 2019,** even in presence of significant signals proving a possible global economic slow-down.

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

The footprint expansion plan launched in 2018 is substantially completed: The inauguration of the new plant in China held in July and the US plant already operating.

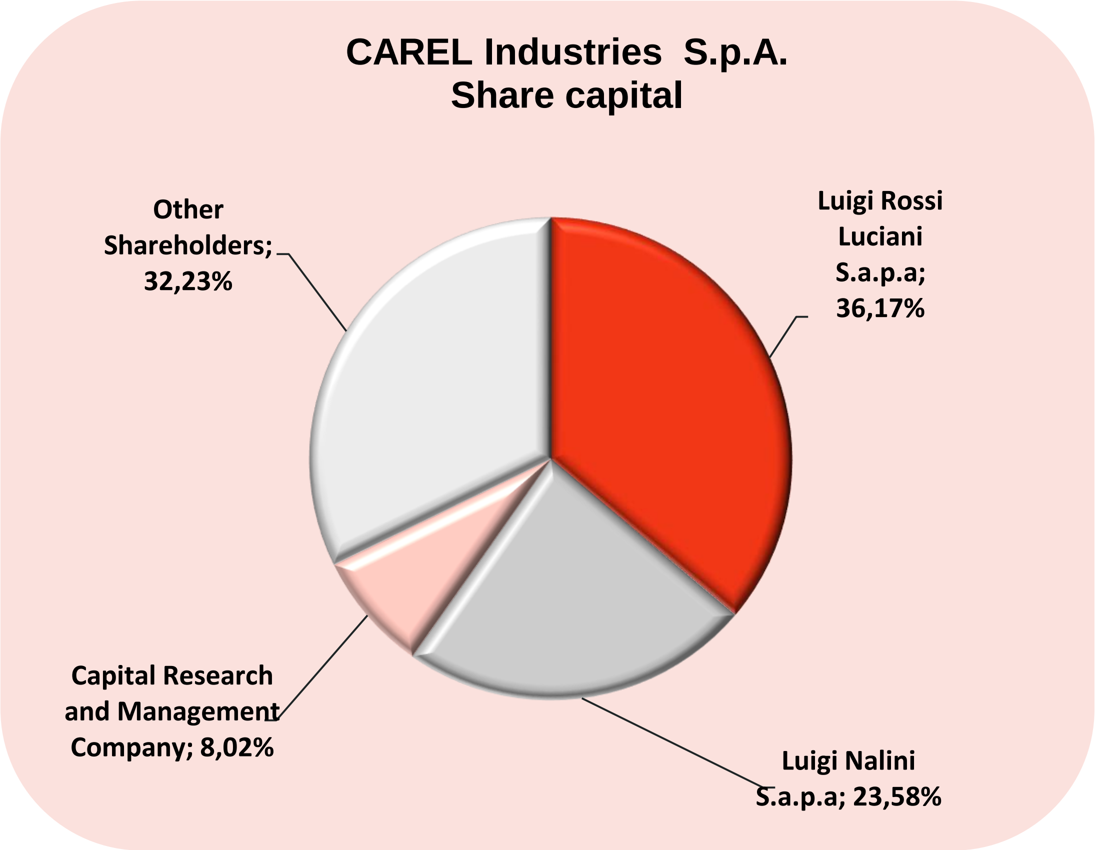
Improvement in the inventory trend confirmed.

Increased volatility in Europe and China and the difficult political situation in South America suggest a prudential stance in elaborating medium-term forecast.

Without significant further deterioration in the global macro-economic scenario, we expect for 2019 YE to keep a top-line growth pace and profitability close to what we achieved in 1H 2019.

Annexes

Shareholding structure



Income statement and Balance Sheet

Income statement

K€	H1_2018	H1_2019	Delta %
Revenues	138,793	166,904	20.3%
Other revenues	766	1,156	50.8%
Operative costs	(115,395)	(134,373)	16.4%
EBITDA	**24,165**	**33,687**	**39.4%**
Depreciation and impairments	(4,175)	(8,143)	95.0%
EBIT (Risultato Operativo)	**19,990**	**25,544**	**27.8%**
EBT (earn before taxes)	**19,653**	**24,673**	**25.5%**
Taxes	(4,030)	(5,660)	40.5%
Net result of the period	**15,623**	**19,012**	**21.7%**
Non controlling interest	27	23	-17.5%
Group net result	**15,596**	**18,990**	**21.8%**

Balance sheet

K€	FY 2018	H1 2019	Delta %
Fixed Capital	131,364	151,208	15.1%
Working Capital	53,383	59,313	11.1%
Employees defined benefit plai	(7,333)	(7,919)	8.0%
Net invested capital	**177,414**	**202,601**	**14.2%**
Equity	118,288	126,530	7.0%
Net financial position (asset)	59,125	76,071	28.7%
Total	**177,414**	**202,601**	**14.2%**

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