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approves 9M 2019 results

Testo del comunicato

Vedi allegato.

Press Release

The Board of Directors of the Group CAREL Industries approves the consolidated results as at 30 September 2019

- Consolidated revenues of € 247.7 million, growth of 18.9% compared to the first nine months of 2018 (+17.9% based on constant exchange rates). Excluding the contribution from the companies Hygromatik and Recuperator, the growth reached +6.0%, with revenues of € 220.9 million (+5.0% at constant exchange rates).
- Consolidated EBITDA of € 49.6 million (20.0% of revenues for the period), +29.6% compared to the first nine months of 2018;
- Consolidated net income of € 28.3 million, +14.1% over the net income in the first nine months of 2018;
- Negative consolidated net financial position of € 75.4 million.

Brugine, 11 November 2019 – The Board of Directors of CAREL Industries S.p.A. ('CAREL' or the 'Company' or the 'Parent Company'), which met today, approved the results as at 30 September 2019.

Francesco Nalini, Chief Executive Officer of the Group, said: "Revenues recorded in the first nine months of 2019 show a 18.9% increase compared to the same period in 2018, thanks to the organic contribution of all the geographic areas and the expansion of the scope of consolidation through the two companies acquired last December (Hygromatik and Recuperator). Also from a financial point of view, performance was positive, with cash absorbed by net working capital halving compared with the first half of this year. These results are even more significant in the light of an unfavourable global economic scenario and demonstrate the resilience and good balance of the Group's business portfolio. It is also important to underline CAREL's ability to pursue its strategic priorities effectively and promptly. During the summer, the two-year plan to expand the Company's production footprint was substantially completed. Thanks to this, we will be able to support our development plans focusing on innovation in the service of energy efficiency and environmental sustainability."

Revenues

Revenues amounted to €247.7 million, compared to €208.4 million as of 30 September 2018, with a +18.9% percentage increase. The slight decrease in the growth rate compared to the first half of this year (+20.3%) is due to the expected normalisation of revenues in North America and a further temporary slowdown in the European refrigeration market, mainly due to the deterioration of the economic scenario.

All geographical areas (EMEA, Asia Pacific, North America and South America) and all segments (HVAC and Refrigeration) contributed to this performance. The strategy of diversifying the target markets, the strong push for cross-selling and consolidation of the customer portfolio and the continuous updating of the solutions proposed have therefore proved effective even in a context of general market uncertainty. The contribution from Hygromatik and Recuperator was approximately €26.8 million. The exchange rate effect was positive by approximately €2.0 million, mainly as a result of the strengthening of the US dollar.

The geographical area that recorded the greatest organic increase in percentage terms was North America, with a growth in revenues of around 20%. EMEA (Europe, Middle East, Africa) also reported double-digit growth thanks to the contribution of the newly-acquired companies mentioned above and despite the slowdown in the main economies of the eurozone. Performance in APAC (Asia Pacific) was positive, with growth of 10%, despite persistent volatility, mainly due to the introduction of duties on US/China trade. Finally, South America as an area recorded growth of over 5%, driven mainly by the positive trend in Brazil.

When it comes to the individual business areas, the very high growth in HVAC once again benefited from the effect of the inclusion of Hygromatik and Recuperator in the consolidation area, while the performance recorded in the Refrigeration sector was mainly due to organic growth. During the first nine months of the year, this sector experienced a slowdown in its growth rate, due mainly to the European macro-economic scenario, which showed significant negative signs during that same period.

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

	30.09.2019	30.09.2018	Delta %	Delta fx %
HVAC revenue	163,238	126,557	29.0%	27.8%
REF revenue	80,819	76,952	5.0%	4.4%
Total core revenue	244,057	203,509	19.9%	19.0%
Non-core revenue	3,637	4,892	-25.7%	-25.7%
Total revenue	247,694	208,401	18.9%	17.9%

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

	30.09.2019	30.09.2018	Delta %	Delta fx %
EMEA	173,610	143,248	21.2%	21.4%
APAC	36,505	33,169	10.1%	8.6%
North America	31,628	26,335	20.1%	13.2%
South America	5,950	5,648	5.3%	5.6%
Net Revenue	247,694	208,401	18.9%	17.9%

EBITDA

Consolidated EBITDA as at 30 September 2019 amounted to €49.6 million up by 29.6% compared to the €38.3 million recorded as at 30 September 2018. The main elements that supported this performance are linked to the lower non-recurring costs incurred for the listing on the Stock Exchange and for the M&A operations, which in the first nine months of 2018 weighed in at about €5.4 million, while in the first nine months of 2019 they weighed in at about €0.6 million, with the contribution of Hygromatik and Recuperator (at about €5.7 million), in addition to the positive effect deriving from the adoption of IFRS 16 (about €2.9 million).

In relation to profitability, understood as the ratio between EBITDA and Revenues, this was 20.0%, an increase compared to 30 September 2018 (18.4%) and substantially in line with the results of the first half of this year (20.2%). Excluding the aforementioned non-recurring costs, the margin was 20.3% compared to 20.9% as at 30 September 2018.

Net income

The net result, equal to €28.3 million, increased by 14.1% compared to €24.8 million as at 30 September 2018.

The increase can be attributed to the absence of non-recurring costs related to the listing on the Stock Exchange recorded in the same period of 2018 and at the change in the consolidation scope (inclusion of Hygromatik and Recuperator). These elements more than offset higher financial charges.

Consolidated net financial position

The net financial position was negative €75.4 million compared to €59.1 million at 31 December 2018.

This change is primarily due to the accounting effect of the adoption of IFRS 16 of €14.0 million. In addition, approximately €11.1 million deriving from the “redemption” of the values allocated to intangible assets and goodwill deriving from the allocation of the purchase price of the companies acquired at the end of 2018, Recuperator S.p.A. and Hygromatik GmbH, pursuant to Article 15, paragraph 10 bis of Italian Legislative Decree no. 185/2008 (*for further detail, see the paragraph entitled “Significant events in the first nine months of the year”*). Net of these elements, the net financial position would have been down by about €8.8 million, thanks to the strong cash generation that allowed both the investments for the period, equal to about €16.3 million and the dividends, equal to about €10 million, to be covered. The cash absorbed by the net working capital decreased further compared to the first six months of the year, mainly due to the reduction in tax receivables and the improvement in the trend in inventory management.

Significant events in the first nine months of the year

On 1 July 2019, Carel Industries S.p.A. performed the so-called "redemption" of the values (approximately 69.5 million) allocated to intangible assets and goodwill deriving from the allocation of the purchase price of the companies acquired at the end of 2018, Recuperator S.p.A. and Hygromatik GmbH, pursuant to Art. 15, paragraph 10 bis of Italian Legislative Decree no. 185/2008. This operation involved the payment of a substitute tax of 16% on the excess costs allocated and recorded in the consolidated financial statements as at 31 December 2018. The payment, amounting to approximately €11.1 million, allows, as from financial year 2021 to the extent of 1/5 for each financial year, depreciation of the above-mentioned values to be deducted in the Parent Company's tax return determining an overall gross tax benefit of approximately 19 million, calculated with a 27.9% tax-rate. At 30 September 2019, the amount paid was recorded under Non-Current Assets under Other Non-Current Assets.

On 16 September 2019, the subsidiary Carel USA Inc. acquired 100% of the shares of Enersol Inc, a historic Canadian distributor of Carel products based in Quebec. This transaction is part of the strategy to expand the commercial network aimed at strengthening the relationship with end customers to consolidate the leadership position of the Carel Group. The value of the transaction has been recorded under the item Equity Investments, since, at the date of this document, all the information necessary for consolidation purposes was not yet available.

Business outlook

The results as at 30 September 2019 are substantially in line with the performance reported in the first half of this year. The results achieved are particularly positive considering the continuing uncertainty about the growth of the main world economies, in particular in the eurozone countries. In presence of the current trend, for 2019 year-end revenues should experience a mid-single digit growth, excluding the contribution coming from Hygromatik and Recuperator, while profitability could be slightly lower than that recorded in the first nine months of the year as a result of operating leverage.

OTHER BOARD OF DIRECTORS RESOLUTIONS

Implementation of the incentive plan called "Performance Shares 2018-2022", approved by CAREL Industries Shareholders' meeting on the 7th of September 2018

The Board of Directors of CAREL proceeded to identify the beneficiaries of the incentive plan for the second vesting period, 2019-2021, also establishing the "Base Number of Shares" (as defined in the regulation of the Incentive Plan and in the Information Document drawn up pursuant to art. 114bis of the TUF and published pursuant to Article 84bis of the Issuers' Regulations) for the same vesting period, 2019-2021, for a total of approximately 0.06% of CAREL share capital.

CONFERENCE CALL

The results as at 30 September 2019 will be illustrated tomorrow, 12 September 2019, at 9.30 (CET) during a conference call to 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.



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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 heating, ventilation and 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 (collectively, "HVAC/R") in which it operates and, in the opinion of the Company management, with a distinctive position in the relevant niches in those markets.

HVAC is the main Group market, representing 61% of the Group's revenues in the financial year ended 31 December 2018, while the refrigeration market accounted for 37% of the Group's revenues.

The Group commits significant resources to 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 23 subsidiaries and nine production plants located in various countries. As of 31 December 2018, approximately 80% of the Group's revenue was generated outside of Italy and 49% 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 relationships.

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

Consolidated Financial Statements at 30 September 2019

Consolidated Statement of financial position

<i>(€'000)</i>	30.09.2019	31.12.2018
Property, plant and equipment	59,180	37,560
Intangible assets	89,840	91,126
Equity-accounted investments	1,810	335
Other non-current assets	13,387	2,343
Deferred tax assets	4,218	4,128
Non-current assets	168,435	135,491
Trade receivables	64,820	59,951
Inventories	53,029	54,285
Current tax assets	2,492	6,055
Other current assets	6,098	6,001
Current financial assets	1,700	72
Cash and cash equivalents	61,992	55,319
Current assets	190,132	181,683
TOTAL ASSETS	358,567	317,174
Equity attributable to the owners of the parent	136,063	117,992
Equity attributable to non-controlling interests	352	296
Total equity	136,415	118,288
Non-current financial liabilities	99,859	68,866
Provisions for risks	1,495	1,332
Defined benefit plans	7,877	7,333
Deferred tax liabilities	11,314	11,820
Non-current liabilities	120,544	89,351
Current financial liabilities	39,241	45,651
Trade payables	38,138	41,289
Current tax liabilities	3,162	1,539
Provisions for risks	1,005	1,649
Other current liabilities	20,060	19,407
Current liabilities	101,607	109,535
TOTAL LIABILITIES AND EQUITY	358,567	317,174

Consolidated Statement of profit or loss

(€'000)	30.09.2019	30.09.2018
Revenue	247,694	208,401
Other revenue	1,963	1,125
Costs of raw materials, consumables and goods and changes in inventories	(104,258)	(83,863)
Services	(34,335)	(36,144)
Capitalised development expenditure	1,863	1,618
Personnel expense	(62,645)	(51,680)
Other expense, net	(689)	(1,182)
Amortisation, depreciation and impairment losses	(12,332)	(6,409)
OPERATING PROFIT	37,261	31,867
Net financial income	(990)	107
Net exchange rate losses	(62)	(227)
Share of profit (loss) of equity-accounted investees	135	15
PROFIT BEFORE TAX	36,344	31,762
Income taxes	(8,088)	(6,964)
PROFIT FOR THE PERIOD	28,257	24,798
Non-controlling interests	26	45
PROFIT FOR THE PERIOD ATTRIBUTABLE TO THE OWNERS OF THE PARENT	28,231	24,753

Consolidated Statement of comprehensive income

(€'000)	30.09.2019	30.09.2018
Profit for the period	28,257	24,798
Items that may be subsequently reclassified to profit or loss:		
- Fair value gains (losses) on hedging derivatives net of the tax effect	(551)	(9)
- Exchange differences	1,384	(1,565)
Items that may not be subsequently reclassified to profit or loss:		
- Discounted benefits to employees net of fiscal effect	(368)	62
Comprehensive income	28,722	23,286
attributable to:		
- Owners of the parent	28,666	23,227
- Non-controlling interests	56	59

Earnings per share

Earnings per share (in Euros)	0.28	0.25
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Consolidated Statement of cash flows

(€'000)	30.09.2019	30.09.2018
Profit for the period	28,257	24,798
Adjustments for:		
Amortisation, depreciation and impairment losses	12,332	6,383
Accruals to/utilisations of provisions	1,928	1,205
Non-monetary net financial income	926	42
Taxes	-	5
Capital gains/losses from the disposal of assets	(758)	-
	42,685	32,433
Changes in working capital:		
Change in trade receivables and other current assets	(957)	(7,668)
Change in inventories	275	(15,103)
Change in trade payables and other current liabilities	(2,258)	7,768
Change in non-current assets	450	(847)
Change in non-current liabilities	(350)	420
Cash flows generated from operations	39,845	17,002
Net interest paid	(1,110)	(390)
Tax paid	(11,132)	-
Net cash flows generated by operating activities	27,603	16,612
Investments in property, plant and equipment	(13,264)	(9,193)
Investments in intangible assets	(3,021)	(2,595)
Disinvestments of financial assets	-	36,226
Disinvestments of property, plant and equipment and intangible assets	186	209
Interest collected	-	245
Investments in equity-accounted investees	(1,340)	-
Companies acquired (net of acquired cash)	-	(124)
Cash flows generated by (used in) investing activities	(17,438)	24,767
Capital increases	-	31
Repurchase of treasury stocks	(807)	-
Dividend to Shareholders	(9,992)	(30,000)
Dividend to Minorities	(74)	-
Increase in financial liabilities	40,000	33,166
Decrease in financial liabilities	(29,873)	(19,303)
Decrease in financial liabilities for leasing fees	(3,232)	-
Cash flows generated by (used in) financing activities	(3,978)	(16,106)
Change in cash and cash equivalents	6,188	25,273
Cash and cash equivalents - opening balance	55,319	43,900
Exchange differences	485	(531)
Cash and cash equivalents - closing balance	61,992	68,642

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 1.01.2018	10,000	2,000	3,430	33	35,195	36,294	31,117	118,068	248	118,316
Owner transactions										
- Allocation of profit for the period					27,612	3,505	(31,117)	-		-
- Share Capital increase								-	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	-	88,069	279	88,347
- Profit for the period							24,753	24,753	45	24,798
- Other comprehensive income (expense)			(1,579)	(9)	62			(1,526)	14	(1,512)
Total other comprehensive income (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
Balance at 1.01.2019	10,000	2,000	2,660	(93)	32,950	39,798	30,678	117,992	296	118,288
Owner transactions										
- Allocation of profit for the period						23,990	6,689	(30,678)	-	-
- Capital increases								-		-
- Defined benefit plans					204			204		204
- Share repurchase					(807)			(807)		(807)
- Dividend distributions					(9,992)			(9,992)		(9,992)
- Change in consolidation scope								-		-
Total owner transactions	10,000	2,000	2,660	(93)	46,344	46,487	(0)	107,396	296	107,692
- Profit for the period							28,231	28,231	26	28,257
- Other comprehensive expense			1,354	(551)	(369)			435	30	465
Total other comprehensive expense	-	-	1,354	(551)	(369)	-	28,231	28,666	56	28,722
Balance at 30.09.2019	10,000	2,000	4,014	(644)	45,975	46,487	28,230	136,062	352	136,415

Fine Comunicato n.2092-43

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