CAREL

CAREL INDUSTRIES S.p.A.
2019 – 9M Results

12th November 2019

Main events

Jan — **Set-up of CAREL Ukraine** in order to better manage and develop Eastern European Market.

Jan — **Appointment of the Managing Director** to better cope with day-by-day activity.

Jul — Inauguration of the **new plant in China**, three times as large as the previous one. Implementation of the first production line for the inverters in the Country.

Sep — Official coming on stream of the **enlarged plant in US.**

Sep — Further implementation of **the Carel global expansion strategy** through the acquisition of Enersol, a distributor specialized in the humidification sector, located in Canada.

9M 2019 – Highlights

In spite of a deterioration in macro-economic scenario in particular in Western Europe and China, Revenues growth rate and Profitability for the first 9M 2019 stayed close to 1H 2019

+6.0%

Org. revenues growth rate

- **Overall Revenues grew by 18.9%,** with a **positive contribution from all the geographic areas.**
- Excluding the contribution coming from Hygromatik and Recuperator, **the growth rate would have been 6.0% (against 7.3% in 1H 2019).** The difference is explained by a normalization in US growth-rate and a temporary slow-down in refrigeration sector in Europe.

20.0%

EBITDA margin

- **Overall EBITDA Margin equal to 20.0%,** basically in line with 1H 2019 (20.2%).
- Excluding the **IFRS contribution (2.9m€),** and some minor non-recurring elements, the EBITDA **margin would have been equal to 19.1%** (against 19.3% in 1H 2019).

18.8m€

FCF

- **Robust cash generation**, benefitting from positive operating results and from a **further reduction in NWC** (cash absorbed by NWC halved compared to 1H 2019).

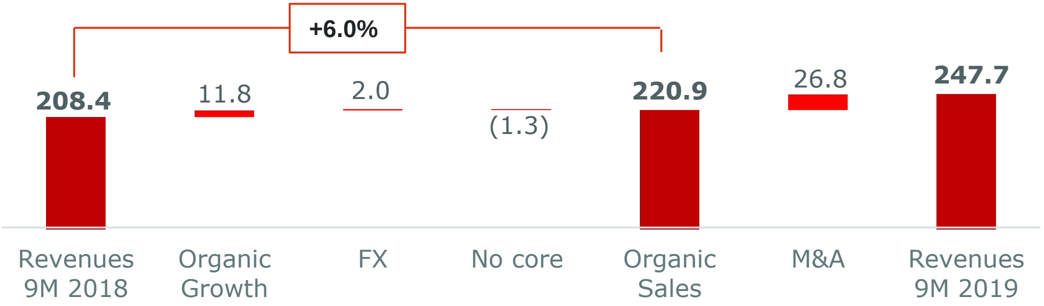
9M 2019 – Growth in economic KPIs confirmed

KPIs

m€	9M 2018	9M 2019	*Δ%*
Revenue	208.4	247.7	*18.9%*
Revenue FX Adj.	208.4	245.7	*17.9%*
Revenue (no M&A)	208.4	220.9	*6.0%*
EBITDA	38.3	49.6*	*29.6%*
EBITDA Adj.**	43.6	50.2*	*15.0%*
EBITDA Adj/Revenue	*20.9%*	*20.3%*	
Net Profit	24.8	28.3	*14.1%*
Capex	11.8	16.3	*38.1%*

**Including the contribution from Hygromatik and Recuperator equal to +5.7m€ and the impact of the adoption of IFRS 16 equal to 2.9m€*
*** 2018 EBITDA adj. for non recurring costs (5.4m€) mainly related to IPO; 2019 EBITDA adj. for non-recurring costs (0.6m€) related to IPO/M&A*

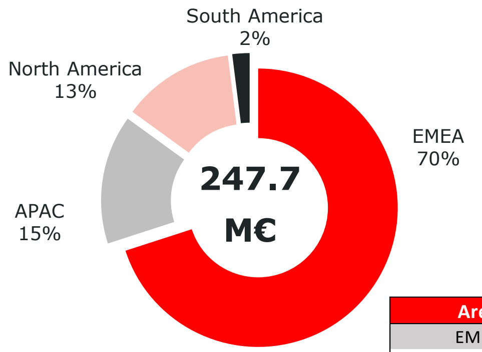
Revenues Bridge (m€)



- **Revenue +18.9%**: The positive results in revenues are attributable both to organic growth (+11.8m€) and to the excellent results of Hygromatik and Recuperator (+26.8m€), not included in the consolidation perimeter in 9M 2018.
- **EBITDA adj. +15.0%**: the growth in the top-line is substantially reflected at the EBITDA level, which includes 5.7m€ from Hygromatik and Recuperator and benefitted also from the IFRS 16 adoption (+2.9m€). EBITDA includes as well. approx. 0.8m€ of recurring costs from IPO not present in 9M 2018 and additional 0.4m€ costs related to US/China duties.
- **Net Profit 14.1%**: Net of the ‘18-’19 non-recurring costs, the bottom-line would have been substantially stable.
- **Capex**: International footprint expansion plan on track, resulting in a significant Capex growth.

9M 2019 – Revenue breakdowns

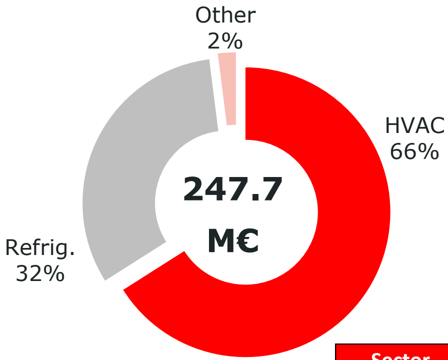
Breakdown by region



Area	9M 2018 (m€)	9M 2019 (m€)	Δ%	Δ% fx
EMEA	143.2	173.6	21.2%	21.4%
APAC	33.2	36.5	10.1%	8.6%
Americas (North)	26.3	31.6	20.1%	13.2%
Americas (South)	5.6	6.0	5.3%	5.6%
Total Revenue	**208.4**	**247.7**	**18.9%**	**17.9%**

- **Positive growth in all the geographic areas maintained** with very significant results in North America.
- **EMEA** – 1H 2019 growth rate substantially maintained in 9M 2019 in spite of a deterioration in the macro-economic scenario.
- **APAC** – Significant growth despite higher volatility in the area.
- **Americas (South)** mid-single-digit growth stemming mainly from Brazil.

Breakdown by sector



Sector	9M 2018 (m€)	9M 2019 (m€)	Δ%	Δ% fx
HVAC	126.6	163.2	29.0%	27.8%
Refrig.	77.0	80.8	5.0%	4.4%
Core Revenue	**203.5**	**244.1**	**19.9%**	**19.0%**
No core	4.9	3.6	-25.7%	-25.7%
Total Revenue	**208.4**	**247.7**	**18.9%**	**17.9%**

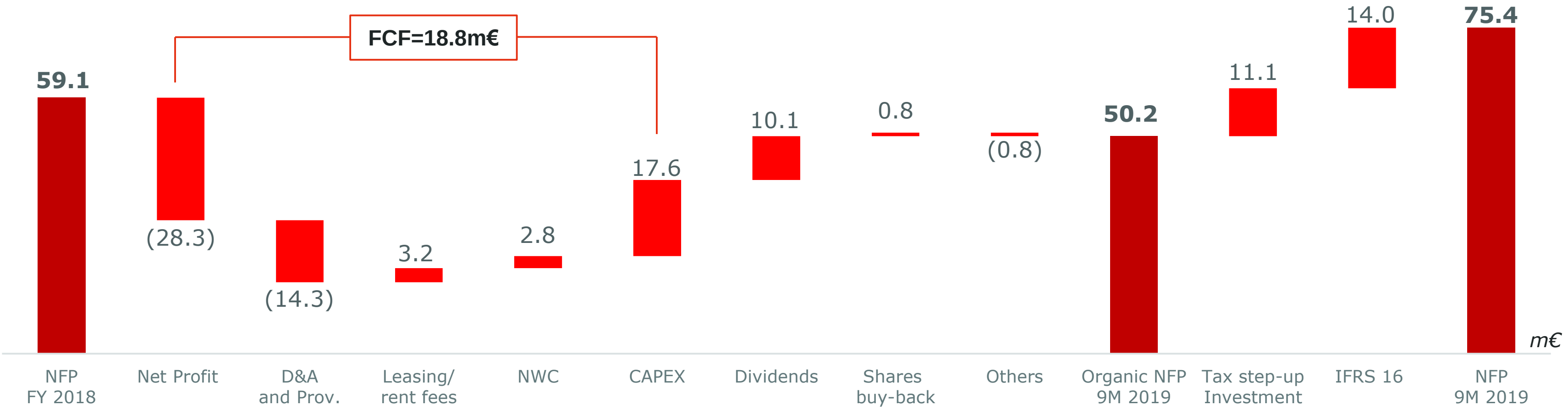
- **Strong growth in HVAC** sector driven also by the change in scope of consolidation (Hygromatik and Recuperator).
- **Temporary deceleration in refrigeration growth rate** mainly linked to the unfavorable economic scenario in Europe.
- **Expected decline in no core revenues,** net of which the growth in the top line would have been ~1% higher.

From EBITDA to Net Profit

K€	9M '18	**9M '19**	Δ%
EBITDA	38,275	**49,593**	29.6%
D&A	*-6,409*	***-12,332***	
Impairment			
EBIT	31,867	**37,261**	16.9%
Financial (charges)/income	*107*	***-990***	
FX gains/losses	*-227*	***-62***	
Companies cons with e.m.	*15*	***135***	
EBT	31,762	**36,344**	14.4%
Taxes	*-6,964*	***-8,088***	
Minorities	*-45*	***-26***	
Group net profit	24,753	**28,231**	14.1%

- Higher D&A mainly linked to: the change in scope of consolidation (~3m€), to higher Capex in 2019 and to the **adoption of IFRS 16 (2.9m€).**
- 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 2018.**
- **22.3% tax rate,** substantially in line with 1H 2019 and with guidance.

9M 2019 – NFP Bridge



- **Net of the effects derived from the adoption of IFRS 16 and the so-called tax step-up mechanism*, the NFP would have decreased by ~9m€.**
- **FFO 42.6m€:** which easily covered higher capex (due to the deployment of the production plants expansion plan), the slight increase in NWC and dividends.
- **ΔNWC +2.8m€:** cash absorbed by NWC had been in constant reduction in the last 2Qs thanks to a number of phenoma including an improvement in inventory (as expected) along with a decrease in tax credits.

see next slide for further details on "Tax Step-up"

Focus on «Tax step-up»

1. CAREL paid 11.1m€ as “Tax step-up” on the excess cost related to the M&A transactions completed at the end of 2018 (Hygromatic and Recuperator). **The tax burden is calculated at a favourable tax rate of 16.0%.**

2. The advantage for the parent company consists in deducting from its taxable income the excess costs in 5 installments (starting from the second year after the tax payment). **The tax benefit of the deductable costs is at 27,9%.**

3. From an accounting point of view the amount of 11.1m€ paid rapresents a tax asset that will be debited to the P&L in 5 years starting from 2021.

4. The estimated gross tax benefit is ~19m€ in 5 years.

Closing Remarks

Even in presence of a **difficult macro-economic scenario in several geographic areas (Europe, China, South America)** Carel managed to maintain a significant growth rate in revenues and a stable profitability, **proving the resilience of its business portfolio/business model**.

Temporary deceleration in Refrigeration growth rate mainly linked to the European economic slow-down.

Strong execution delivering results:

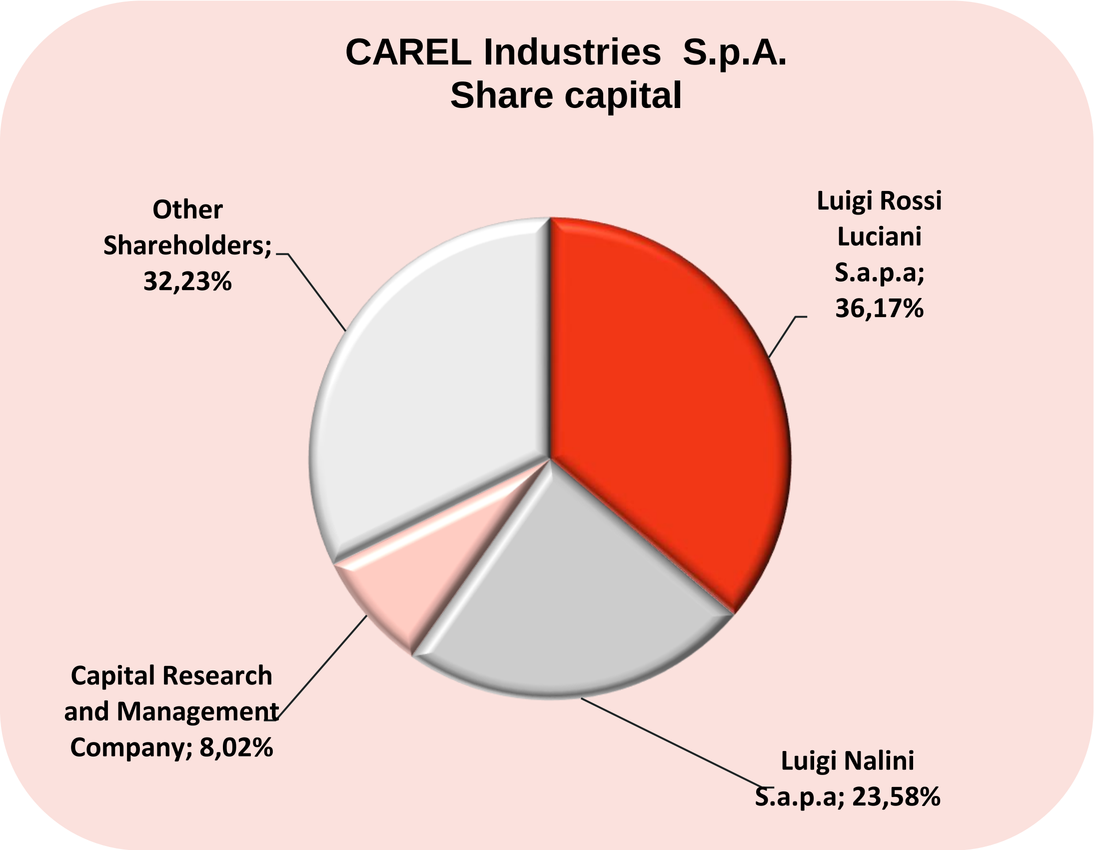
- Hygromatik and Recuperator integration process continues smoothly: **high single-digit top-line growth** of the two combined companies confirmed.
- The improvement in inventory trend is also confirmed.
- **The footprint expansion plan launched in 2018 is substantially completed.**

Taking into consideration a possible further worsening in European economic landscape and according to the current order intake level, for the FY 2019 we expect the revenues growth-rate to reach a mid-single digit and a slight reduction in profitability due to lower impact of the operating leverage.

From a mid-term/mid-cycle standpoint we don't see any change in the secular trends underlying our reference markets/applications.

Annexes

Shareholding structure



Income statement and Balance Sheet

Income statement

K€	9M 2018	9M 2019	Delta %
Revenues	208,401	247,694	18.9%
Other revenues	1,125	1,963	74.5%
Operative costs	(171,251)	(200,064)	16.8%
EBITDA	**38,275**	**49,593**	**29.6%**
Depreciation and impairments	(6,409)	(12,332)	92.4%
EBIT (Risultato Operativo)	**31,867**	**37,261**	**16.9%**
EBT (earn before taxes)	**31,762**	**36,344**	**14.4%**
Taxes	(6,964)	(8,088)	16.1%
Net result of the period	**24,798**	**28,257**	**13.9%**
Non controlling interest	(45)	(26)	-42.3%
Group net result	**24,753**	**28,231**	**14.1%**

Balance sheet

K€	FY 2018	9M 2019	Delta %
Fixed Capital	131,364	164,217	25.0%
Working Capital	53,383	55,483	3.9%
Employees defined benefit plai	(7,333)	(7,877)	7.4%
Net invested capital	**177,414**	**211,823**	**19.4%**
Equity	118,288	136,415	15.3%
Net financial position (asset)	59,125	75,408	27.5%
Total	**177,414**	**211,823**	**19.4%**

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