



CAREL

CAREL INDUSTRIES S.p.A. 2019 – FY Results

6th March 2020

Main events

-
- Jan** **Set-up of CAREL Ukraine** in order to better manage and develop Eastern European Market.
 - Jul** Inauguration of the **new plant in China**, three times as large as the previous one. Implementation of the first production line for inverters in the Country.
 - Sep** Official coming on stream of the **enlarged plant in US**.
 - Sep** Further implementation of **the global expansion strategy** through the acquisition of Enersol, a distributor specialized in the humidification sector, located in Canada.
 - Dec** Signing of the **first multi-year recurring-fee contracts for the supply of digital services to supermarket chains**.
 - 2020** Chinese Public Authorities confirmed the **“High Tech Enterprise” status for CAREL also for 2019-2021 period**.

FY 2019 – Highlights

In spite of a difficult macroeconomic scenario the company achieved a mid-single digit organic revenues growth rate and a 19.5% profitability, in line with the guidance provided in the occasion of the 9M 2019 results presentation.

+5.1%

Org. revenues
growth rate

- Overall Revenues grew by 16.8%, with a positive contribution from all the geographic areas.
- The contribution coming from Hygromatik and Recuperator was approximately 32.7m€ (overall revenues +10% compared to 2018).
- Excluding the contribution from Hygromatik and Recuperator, the growth rate would have been 5.1% (+5.9% net of the no-core sector results).

19.5%

EBITDA adj.
margin

- EBITDA adj. margin equal to 19.5%, slightly lower, as expected, compared to 9M 2019 (20.3%), due mainly to seasonal trend in costs.
- Excluding the IFRS contribution (4.0m€), the EBITDA adj. margin would have been equal to 18.3% (against 19.1% in 9M 2019).

74%

Cash Conversion
rate

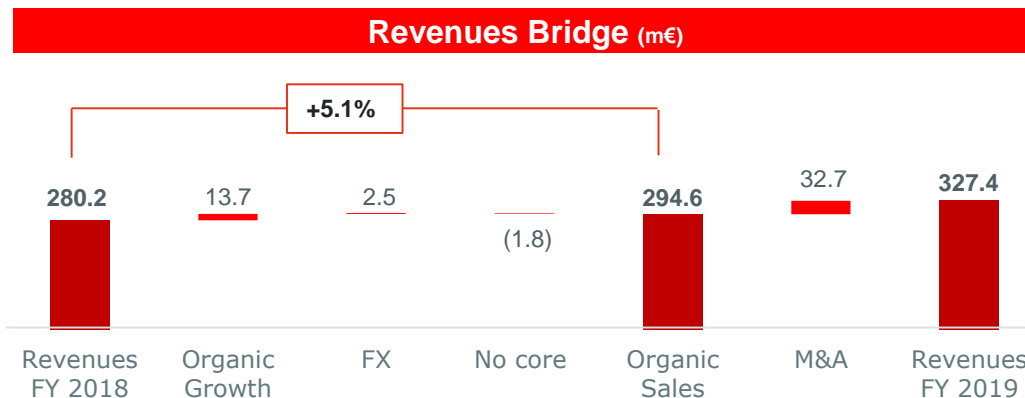
- Robust cash generation, in spite of higher capex, thanks to positive operating results and significant contribution from NWC.

FY 2019 – Growth in economic KPIs confirmed

KPIs			
m€	FY 2018	FY 2019	Δ%
Revenue	280.2	327.4	16.8%
Revenue FX Adj.	280.2	324.9	15.9%
Revenue (like for like)	280.2	294.6	5.1%
EBITDA	47.0	63.1*	34.4%
EBITDA Adj.**	55.2	63.9*	15.8%
<i>EBITDA Adj./Revenue</i>	19.7%	19.5%	
Net Profit	30.7	35.0	14.2%
Capex	18.4	23.6	27.8%

*Including the additional contribution from Hygromatik and Recuperator equal to +7.2m€ and the impact of the adoption of IFRS 16 equal to 4.0m€

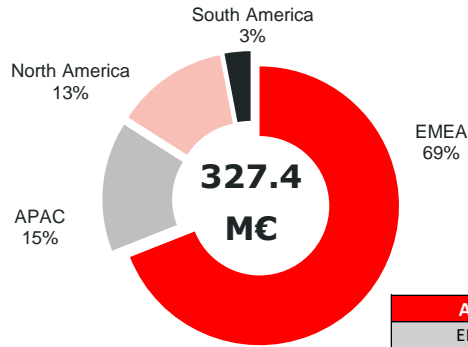
** 2018 EBITDA adj. for non-recurring costs (8.2m€) mainly related to IPO; 2019 EBITDA adj. for non-recurring costs (0.8m€) related to IPO/M&A



- **Revenue +16.8%:** The positive results in revenues are attributable both to organic growth (+13.7m€) and to the excellent results of Hygromatik and Recuperator (+32.7m€), included in the consolidation perimeter in FY 2018 only for one month.
- **EBITDA adj. +15.8%:** the growth in the top-line is substantially reflected at the EBITDA level, which includes 7.2m€ from Hygromatik and Recuperator and benefitted also from the IFRS 16 adoption (+4.0m€). EBITDA includes, as well, approx. 0.8m€ of recurring costs from IPO not present in FY 2018 and additional 0.8m€ costs related to US/China duties.
- **Net Profit 14.2%:** The contribution from Hygromatik and Recuperator partly offset higher interest charges and higher tax rate compared to 2018.
- **Capex:** International footprint expansion plan on track, resulting in a significant Capex growth.
- **Dividend:** Dividend proposal equal to 0.12€/share (+20% on 2018 dividend), with a pay-out ratio of approx. 34%

FY 2019 – Revenue breakdowns

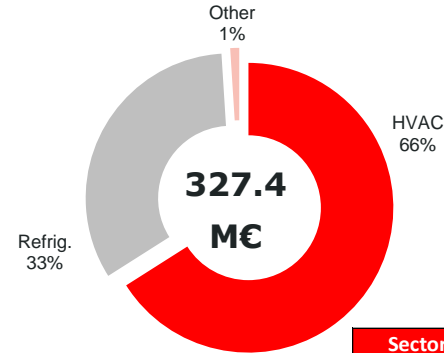
Breakdown by region



Area	FY 2018	FY 2019	Δ%	Δ% fx
EMEA	190.6	226.5	18.8%	18.9%
APAC	46.6	50.2	7.8%	6.2%
Americas (North)	35.5	42.5	19.6%	13.6%
Americas (South)	7.5	8.2	9.9%	11.1%
Total Revenue	280.2	327.4	16.8%	15.9%

- **Positive growth in all the geographic areas maintained** with very significant results in North America.
- **EMEA** – Driven mainly by the change in the scope of consolidation (Hygromatik and Recuperator).
- **APAC** – High single digit growth in spite of a non-favourable scenario, in particular in China (trade war).
- **Americas (South)** – further improvement compared to 9M 2019.

Breakdown by sector



Sector	FY 2018	FY 2019	Δ%	Δ% fx
HVAC	171.7	215.4	25.4%	24.4%
Refrig.	102.3	107.6	5.2%	4.5%
Core Revenue	274.0	322.9	17.9%	17.0%
No core	6.2	4.4	-29.3%	-29.4%
Total Revenue	280.2	327.4	16.8%	15.9%

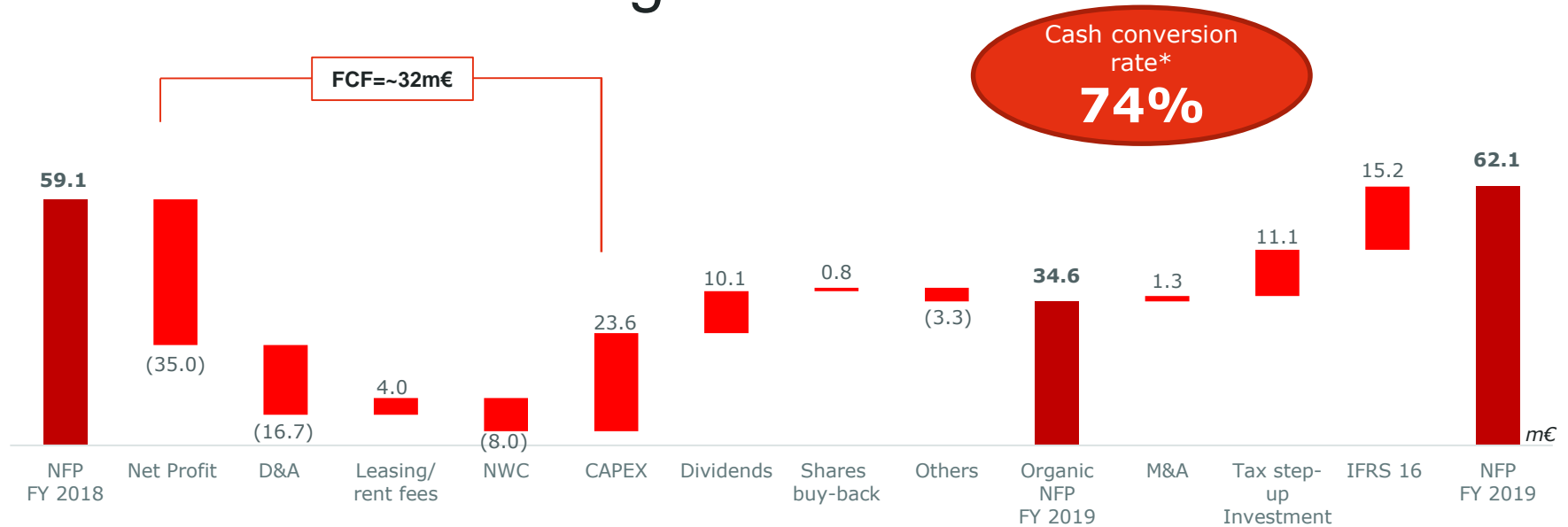
- **Strong growth in HVAC** sector driven also by the change in scope of consolidation (Hygromatik and Recuperator).
- **The negative trend in Refrigeration** sector in Europe, reported in Q2 and Q3 **reversed in Q4**.
- **Expected decline in no core revenues**, net of which the growth in the top line would have been ~1% higher.

From EBITDA to Net Profit

	K€	FY '18	FY '19	Δ%
EBITDA		46,986	63,132	34.4%
	<i>D&A</i>	-9,119	-16,769	
	<i>Impairment</i>			
EBIT		37,867	46,363	22.4%
	<i>Financial (charges)/income</i>	-136	-1,431	
	<i>FX gains/losses</i>	-352	-152	
	<i>Companies cons with e.m.</i>	15	177	
EBT		37,394	44,957	20.2%
	<i>Taxes</i>	-6,643	-9,910	
	<i>Minorities</i>	-74	-28	
Group net profit		30,678	35,019	14.2%

- Higher D&A mainly linked to: the change in scope of consolidation (~3.4m€), higher Capex in 2019 and to the **adoption of IFRS 16 (3.8m€)**.
- Higher Financial charges **due to the loans for the M&A transactions, the absence of the positive contribution coming from life insurances present in 2018 and interests for IFRS 16.**
- **22.0% tax rate**, substantially in line with 9M 2019 and with guidance. The positive effect related to confirmation of the High tech enterprise in China was offset by higher IRAP and other minor elements.

FY 2019 – NFP Bridge



- **Net of the effects derived from M&A (Enersol), the adoption of IFRS 16 and the so-called tax step-up mechanism, the NFP would have decreased by ~25m€.**
- **FFO 51.7m€:** which easily covered higher capex (due to the deployment of the production plants expansion plan), and dividends.
- **ΔNWC -8.0m€:** NWC positive trend already reported in Q2 and Q3 further accelerated in Q4 2019. This positive results are mainly linked to an improvement in inventory management along with a decrease in DSO and in tax credits.

*Excluding the impact of IFRS 16

Focus on COVID-19

- **CAREL has 1 production plant in China**, in Suzhou, with approximately **120 blue collars**. Its production (in terms of worked hours) represents ~30% of the total for the Group.
- Due to the outbreak of the COVID-19, **production was stopped for 1 week** on the 3rd of February. On the 10th of February the production restarted with a limited number of Employees. **As of today, slightly more than half of the total employees** are working, we expect them to be 80% by mid-March.
- The Company set several countermeasures to limit the impact of this situation, such as **moving the production to other plants (~90% of CAREL products can be manufactured at least in 2 plants)**.
- **In terms of supply chain, all our “tier1” Chinese suppliers restarted the production** with an operating capacity ranging from 10% to 70%.
- The impact on Q1 2020 in terms of missing revenues can be quantified in **approximately 3-4m€**, part of which we expect to recover by YE.
- **CAREL’s Italian plants are 100% operating**, so are its Italian suppliers.

Map of China



Hubei Province: Where the Coronavirus emergency started



Jiangsu Province: Where Carel's plant is located (Suzhou)

Closing Remarks

In 2019, Carel continued to deploy consistently its strategic guidelines

Organic Growth

- Even in a non-favourable scenario, the company managed to **reach an organic mid-single digit growth in revenues**, with a **positive contribution from all the geographic areas**.
- **Completion of the production footprint expansion plan**, which will support organic growth expectations for the next 3-5 years.

M&A

- **Hygromatik and Recuperator integration process proceeded smoothly**, causing a significant increase in revenues of the two companies.
- **Acquisition of Enersol**, a Canadian distributor active mainly in the humidification sector.

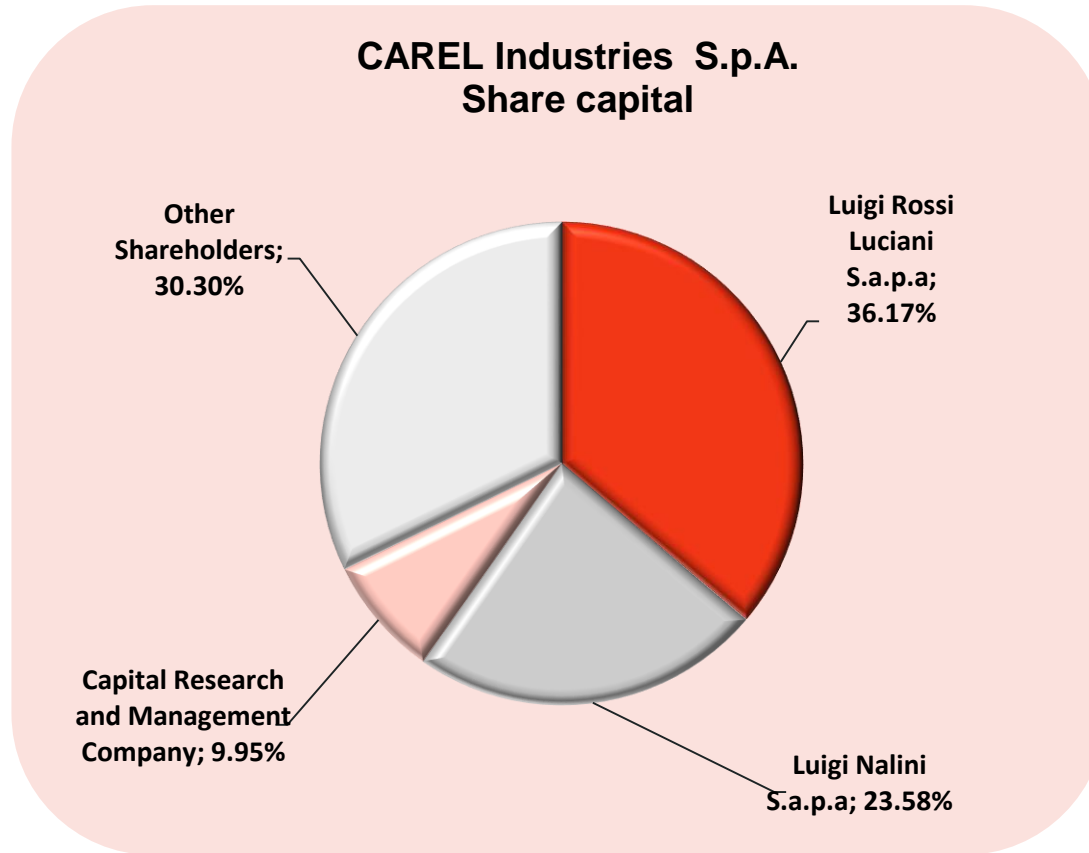
Digital Services

- In the last few months the company signed **several contracts for the supply of digital services with important supermarket chains**. Besides, at the beginning of 2020 a new department, “**After sales and Service**”, has been created, in order to better focus on the sector.

COVID-19 has limited the visibility on the magnitude of the 2020 expected revenues growth rate, which will be clearer in the next quarters. Net of possible worsening in COVID-19 scenario, we expect a growth rate acceleration in the second part of the year.

Annexes

Shareholding structure



Income statement and Balance Sheet

Income statement

	K€	FY 2018	FY 2019	Delta %
Revenues		280,220	327,358	16.8%
Other revenues		3,147	3,611	14.7%
Operative costs		(236,381)	(267,837)	13.3%
EBITDA		46,986	63,132	34.4%
Depreciation and impairments		(9,119)	(16,769)	83.9%
EBIT (Risultato Operativo)		37,867	46,363	22.4%
EBT (earn before taxes)		37,394	44,957	20.2%
Taxes		(6,643)	(9,910)	49.2%
Net result of the period		30,752	35,047	14.0%
Non controlling interest		74	28	-62.5%
Group net result		30,678	35,019	14.2%

Balance sheet

	K€	FY 2018	FY 2019	Delta %
Fixed Capital		131,364	167,957	27.9%
Working Capital		53,383	45,232	-15.3%
Employees defined benefit plan		(7,333)	(7,844)	7.0%
Net invested capital		177,414	205,345	15.7%
Equity		118,288	143,220	21.1%
Net financial position (asset)		59,125	62,124	5.1%
Total		177,414	205,345	15.7%

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%¹ of Revenues** invested in R&D

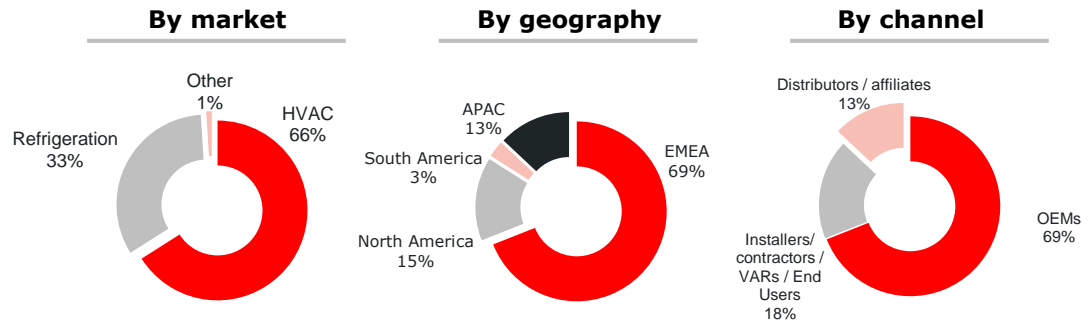
Global footprint

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

Key financials – 2019A

Revenue	Adj. EBITDA	EBITDA margin	Net income
€327m	€64m	~19%	€35m
+13% ² CAGR 2015A-19A	+14% ² CAGR 2015-19A	~100bps Margin expansion 2015A-19A	+13% CAGR 2015A-19A

Revenue breakdown - 2019A



Source: Company information as of Mar-20

Note: 1) avg. 2015A-19A; 2) Net of Hygromatik/Recuperator contribution, Revenues CAGR=9.5%, EBITDA adj. CAGR = 10.9%

Note: financial data refer to consolidated accounts of CAREL Industries S.p.a. 2015-2019 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

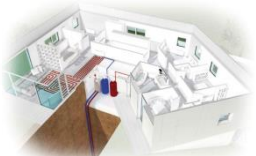


Pharma and Food



Residential

Residential



Commercial

Shopping Centers



Office Space



Recreational



Refrigeration

Food Retail

Convenience Stores



Hypermarkets



Food Service

Restaurant Chains



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

Compressors¹



BLDC compressors

Remote management, monitoring systems, IoT



Solution for local / remote management monitoring and optimization

Services



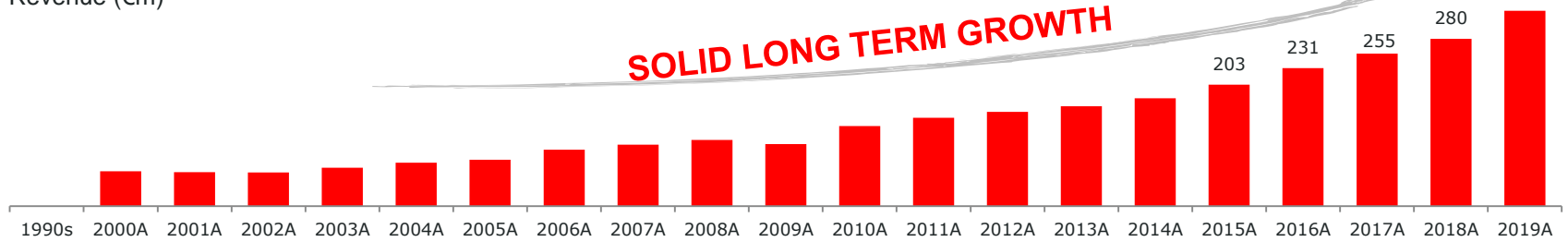
Innovative services based on the IoT capabilities

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

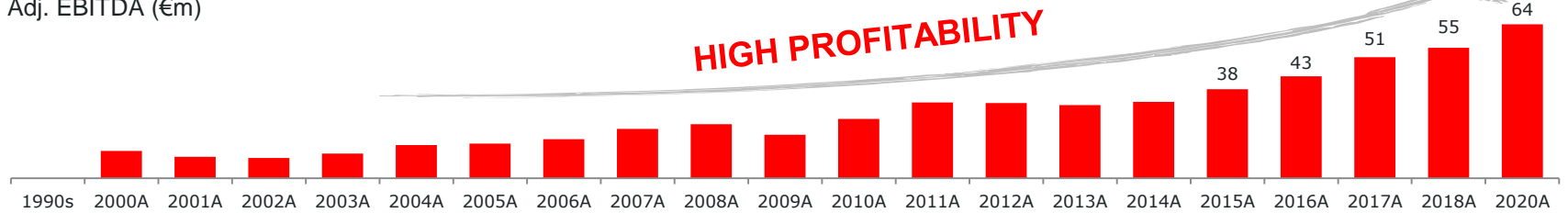
Source: Company information as of Mar-20
Note: 1) developed with partners

Long track record of profitable organic growth

Revenue (€m)



Adj. EBITDA (€m)

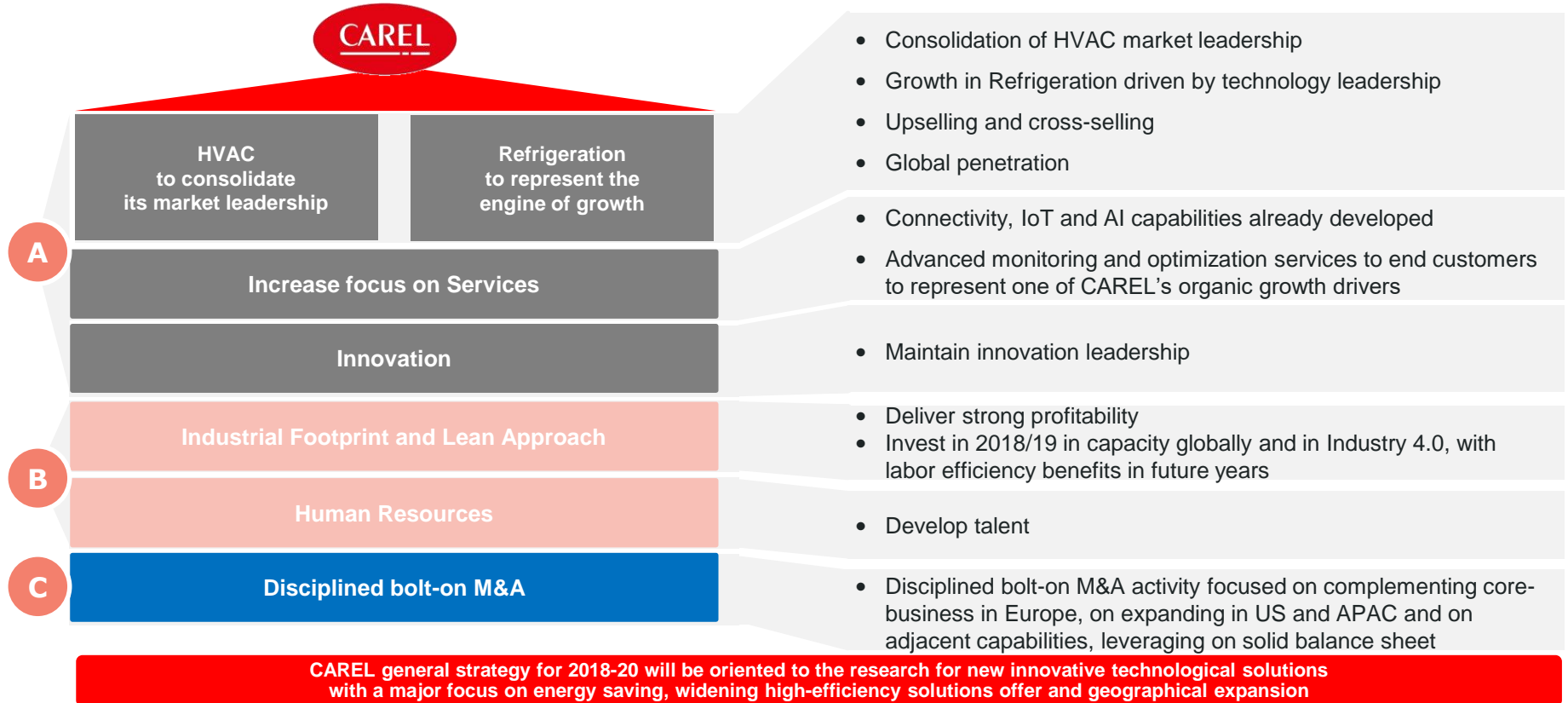


Source: Company information as of Mar-19
 Note: financial data refer to consolidated accounts of CAREL Industries S.p.a. for the period 2011A-2018A (IFRS 2015A- 2018A; ITA GAAP 2011A-2014A) and CAREL S.p.a. for the period 2000A-2010A (ITA GAAP). Comparability might be affected by change in reporting 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%¹
European market share
in *Chillers*



In Europe

SIGNIFICANT ROOM FOR
FURTHER EXPANSION

Energy efficiency and high performance are critical

46%¹
European market share
in *Roof-tops*



In Europe

BREAK-THROUGH
INNOVATIONS

-50% kWh³
HEEZ energy consumption

Requirement for tailored and customizable solutions

41%¹
market share
in *CCU for Data Centers²*



Higher efficiency⁴
Rotary DC technology

GROWING PRESENCE
Globally

Solutions accounting for a low percentage of the final equipment value

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**

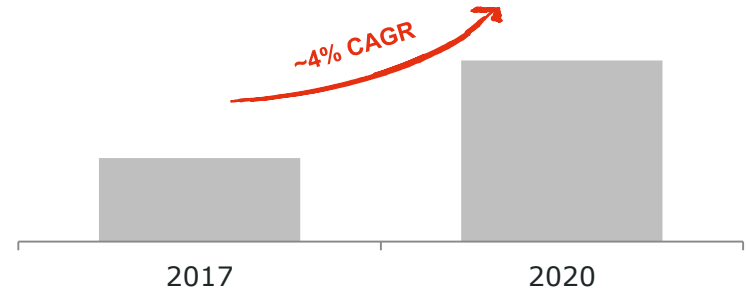
Source: Company information as of May-18, BSRIA (Mar-18), PlanetRetail (Dec-17)

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

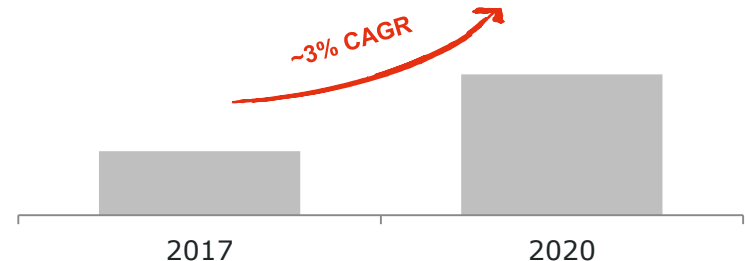
Reference HVAC Market

Market value (€m)¹

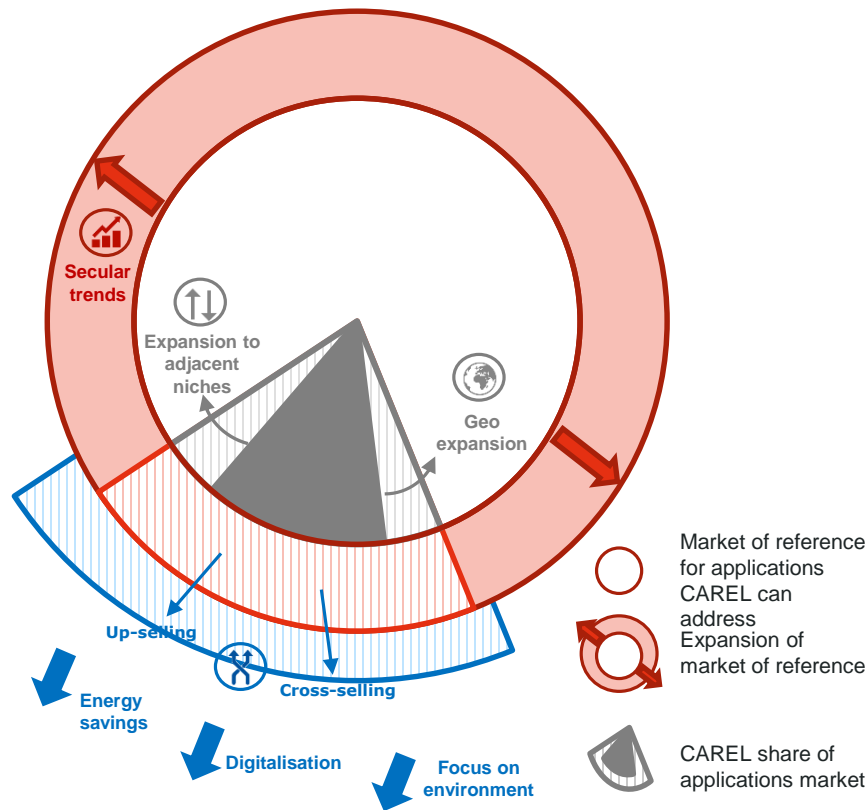
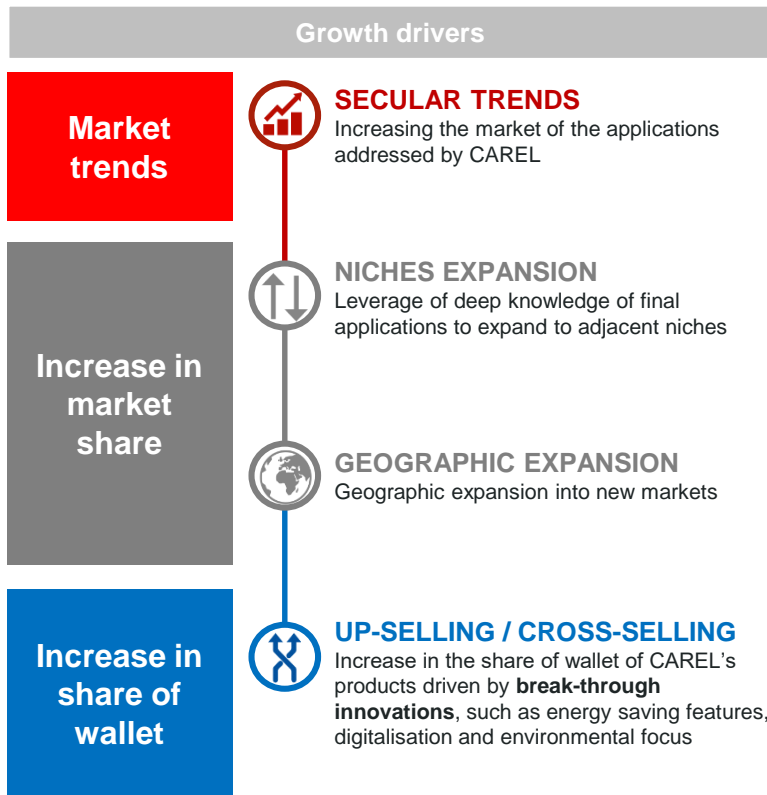


Reference Refrigeration Market

Number of outlets (#)²



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 REVENUE¹

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

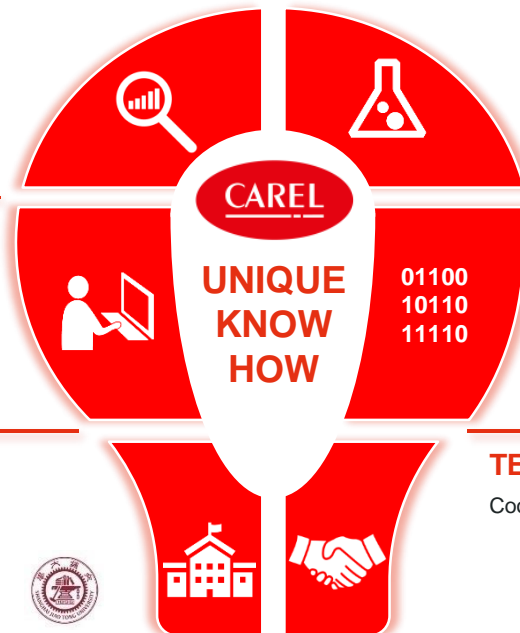
COMBINING 5 DOMAINS

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

TECHNOLOGICAL PARTNERS

Cooperation with technology leaders

TOSHIBA



CAREL

UNIQUE
KNOW
HOW

01100
10110
11110

AWARD
WINNING
BUSINESS

Nov-13
Electrolux Supplier Award

Jan-16
AHR Expo Innovation Award

Apr-17
China Refrigeration Innovation Award

Sep-17
World Beverage Innovation Award

Oct-17
RAC Cooling Industry Award

Apr-18
China Refrigeration Award

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

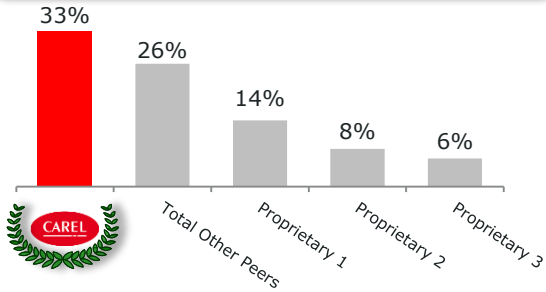


3 Leadership position in HVAC OEM premium niches...

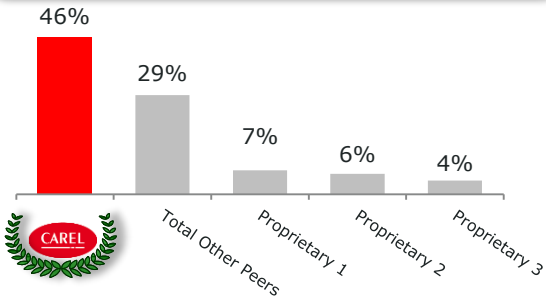
Leadership positioning in premium niches...

...with no perfect comparable

Chiller European Market Share¹



Rooftop European Market Share²



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

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

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

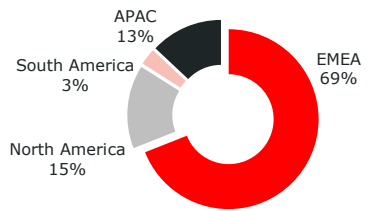
Source: Company info; Management elaborations

4 Highly efficient global operations serving locally...

GLOBAL PRODUCTION FOOTPRINT

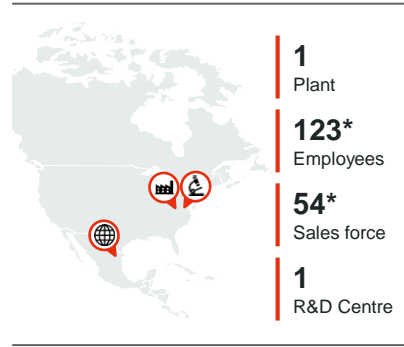
DIRECT AND HIGHLY SKILLED SALES NETWORK

BEST POSITIONED TO CAPTURE GLOBAL GROWTH OPPORTUNITIES

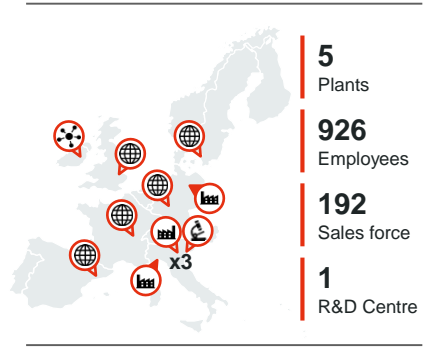


Revenue 2019A breakdown by geography

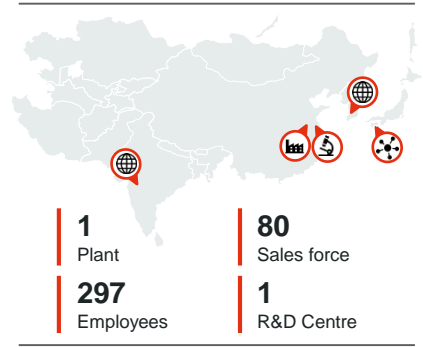
NORTH AMERICA



WESTERN EUROPE



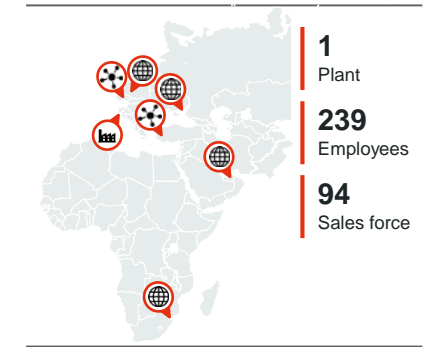
NORTH APAC



SOUTH AMERICA



RoEMEA



SOUTH APAC

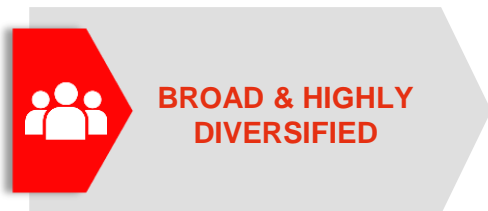
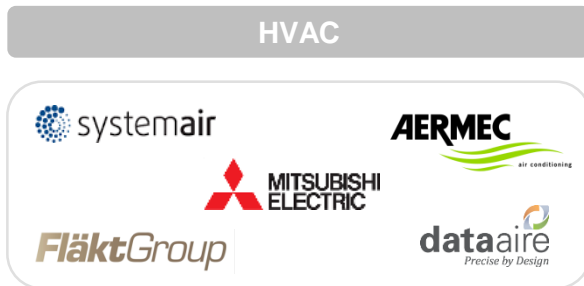
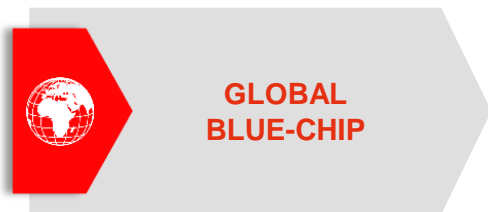


Legend: R&D centres Plants Commercial subsidiaries Affiliates

Source: Company information at 31/12/2019
* Excluding Enersol



4 ...diversified blue-chip customers

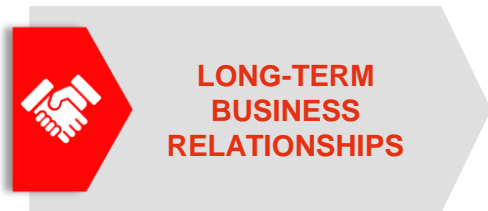
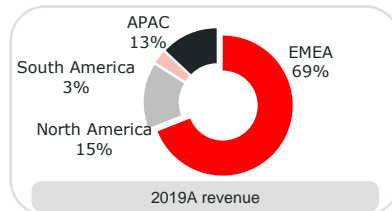


>6,700
Customers

In **c. 100**
countries worldwide

c. 5%
from first customer¹

c. 20%
from top-15 customers²



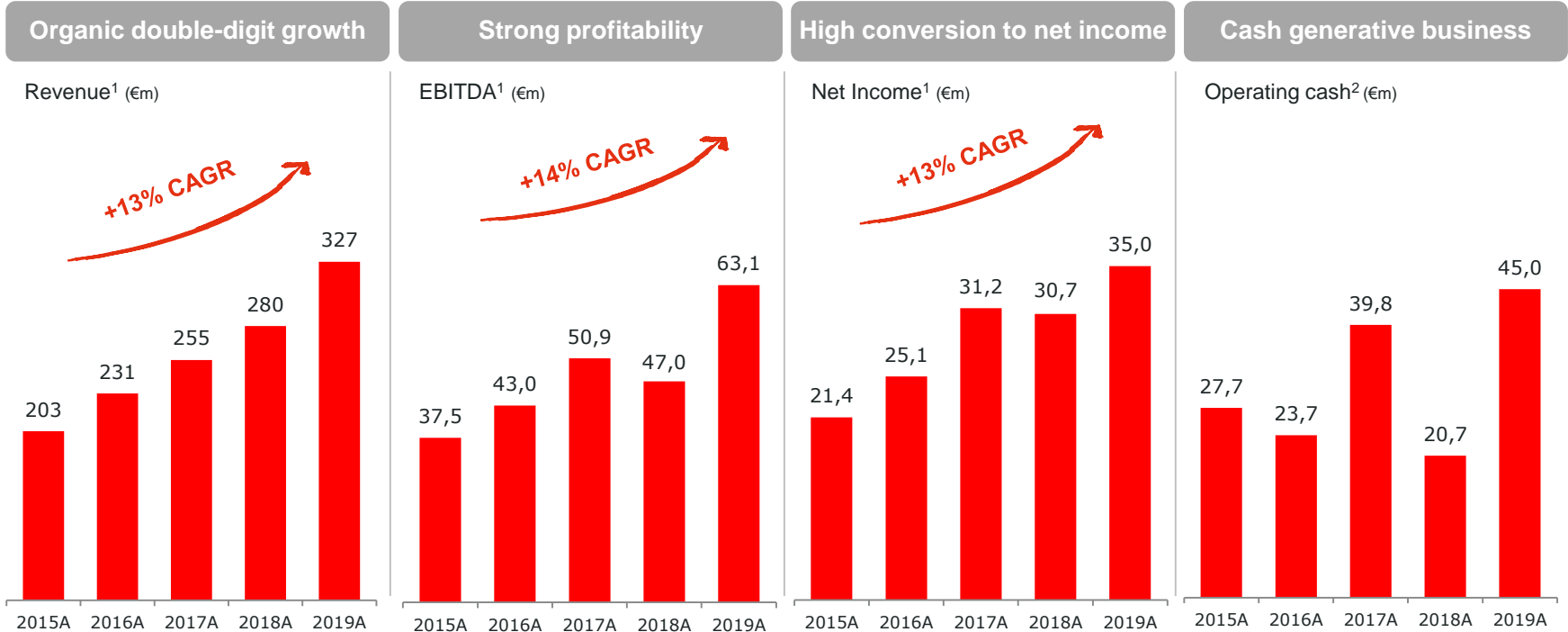
~80%
of Top Customers³
with CAREL for >10y

~70%
of Top Customers³
with CAREL for >10y

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

Source: Company information as of Dec.19;
Note: 1) as% of 2018 Revenues 2) as of 2018 revenues for each market 3) Top 40 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-20
 Note: 2015-2019 IFRS

Note: 1) Including the contribution from Hygromatik and Recuperator and the impact of the non recurring IPO Costs (~8m€ in 2018) 2) 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



• **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[®]
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.

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