



# SPAFID CONNECT

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Oggetto : CAREL - BoDs approves results as of 31  
March 2020

*Testo del comunicato*

Vedi allegato.

## Press Release

### The CAREL Industries Board of Directors has approved the consolidated results as of 31 March 2020

- Consolidated revenues of € 78.7 million, -1.7% compared to the first three months of 2019.
- Consolidated EBITDA of € 14.4 million (18.2% of revenues), -8.7% compared to the first three months of 2019;
- Consolidated net income of € 7.6 million, -14.1% compared to net income in the first three months of 2019;
- Negative consolidated net financial position of € 61.9 million, in line with the € 62.1 million reported on 31 December 2019.

Brugine, 8 May 2020 – The Board of Directors of CAREL Industries S.p.A. ('CAREL' or the 'Company' or the 'Parent Company'), which met today, has approved the results as of 31 March 2020.

**Francesco Nalini, Group Chief Executive Officer, stated:** *"The first quarter of the year was characterised by the outbreak of the COVID-19 pandemic, which also led to a lockdown in various areas of China, including the temporary shutdown of the Group's plant located in Suzhou. In addition to this was the temporary shutdown of CAREL's main production hub, located in the province of Padua. Despite the negative effects due to these circumstances, which had an impact of between 6 and 7 million euros on the results for the quarter, the Group reported revenues of around 79 million euros up to 31 March 2020, substantially in line with the first quarter of 2019, demonstrating the significant resilience of its business portfolio and its production footprint. EBITDA stands at over 14 million euros, with profitability of 18.2% (EBITDA on revenues), approximately one percent lower than the profitability recorded at the end of 2019. This is mainly due to a lower effect of the operating leverage, partially offset by some discretionary cost reduction actions. On the financial front, net debt was stable compared to 31 December 2019, thanks to robust cash generation that covered both investments and the increase in working capital, the latter linked to the seasonality of trade receivables. These results prove the ability and the commitment of CAREL's women and men to react quickly to particularly challenging situations. They also represent an element of solidity and confidence, despite a year that still promises to not be easy and will likely see a slow down in global demand following the current health emergency."*

#### Consolidated Revenues

Revenues amounted to €78.7 million, compared to €80.1 million as of 31 March 2019, with a slight decrease of 1.7%.

This decrease is entirely attributable to the effects of the Chinese lockdown and the temporary shutdown of the Group's Italian production hub (located in Brugine – PD), quantifiable at around 6–7 million euros, following the spread of the COVID-19 pandemic. The effects of the various lockdowns that, starting in February, followed one after the other at different times in different geographical areas around the world could have been even more significant had the Group not promptly reacted by taking advantage of the flexibility of its plant operations, in particular: their location on almost every continent and the fact that a significant part of the CAREL product platforms can be simultaneously manufactured in at least two factories. This allowed some of production to be shifted from one plant to another, thus limiting further growth of the backlog. The existing backlog will in any case be partially reduced over the next few months. As regards the exchange rate effect, this was neutral over the quarter.

EMEA is the geographical area that recorded the largest increase in percentage terms (+2.8%) and it accounts for approximately 70% of the Group's revenues. The phenomena underlying this performance are mainly due to strong growth in the Refrigeration sector compared to 2019 and the expansion of CAREL's presence in eastern Europe. The APAC area, on the other hand, saw a 17.5% decrease, entirely attributable to the effects of the aforementioned lockdown and quantifiable as approximately 3 million euros. The Americas reported mixed trends: in South America, net of the negative effects deriving from the currency exchange rate, reported growth was 4.7%, following on from the double-digit growth recorded at the end of 2019 and with Brazil being the main contributor. North America, on the other hand, saw a 8.3% decrease in revenues due to physiological consolidation after the strong increase in 2019 (+20%), in addition to the worsening of the macro-economic situation due to the health emergency.

As regards the individual business areas, the aforementioned positive trend in Refrigeration, in particular in the EMEA area, is mainly due to the acceleration of investments in Q1 2020 compared to 2019. The negative performance of the HVAC area is rather unrepresentative of actual market performance, as it was strongly impacted in terms of mix by the temporary shutdown of some of the Group's plants.

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

	31/03/2020	31/03/2019	Delta %	Delta fx %
HVAC revenue	50,528	53,035	-4.7%	-4.9%
REF revenue	27,093	25,836	4.9%	5.4%
<b>Total core revenue</b>	<b>77,622</b>	<b>78,871</b>	<b>-1.6%</b>	<b>-1.6%</b>
Non-core revenue	1,118	1,226	-8.8%	-8.8%
<b>Total Revenue</b>	<b>78,740</b>	<b>80,097</b>	<b>-1.7%</b>	<b>-1.7%</b>

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

	31/03/2020	31/03/2019	Delta %	Delta fx %
EMEA	58,475	56,898	2.8%	2.9%
APAC	9,439	11,437	-17.5%	-17.3%
North America	9,110	9,934	-8.3%	-10.8%
South America	1,716	1,829	-6.2%	4.7%
<b>Total Revenue</b>	<b>78,740</b>	<b>80,097</b>	<b>-1.7%</b>	<b>-1.7%</b>

### Consolidated EBITDA

Consolidated EBITDA as of 31 March 2020 amounted to €14.4 million, down 8.7% compared to the €15.7 million recorded as of 31 March 2019. The main element that characterised this result is the absence of the positive effect of operating leverage, which did not occur in this quarter due to the lack of revenue growth. An important factor is the annualisation of the costs of new hires in 2019, which has a greater impact in the first months of the year.

In relation to profitability, considered as the ratio between EBITDA and Revenues, this stood at 18.2%, compared to the 19.5% recorded at the end of 2019. This decrease is a result of the aforementioned phenomena, and has been partly limited by the implementation of a series of measures to reduce discretionary costs (marketing, travel, etc.), which will fully produce their effects in the coming months.

### Consolidated Net income

The consolidated net result of 7.6 million euros, down 14.1% compared to the 8.9 million euros at 31 March 2019, is impacted by the operating results. The tax rate stands at around 19.3%, benefiting again this year (as well as next year) from CAREL's recognition as a "High Tech Enterprise", confirmed by the Chinese authorities at the end of 2019.

### Consolidated net financial position

The consolidated net financial position is negative at € 61.9 million, in line with the € 62.1 million recorded at 31 December 2019. The cash flow generated in the period was in fact sufficient to cover investments of € 2.4 million and a net working capital growth of 7.3 million euros. The latter is affected by the seasonal trend of trade receivables, whose average collection time (Day sales outstanding) is still lower than that recorded in Q1 2019.

## **Significant events after the end of the period**

For more information on significant events occurred after the end of the period, also in light of the possible impacts of the Covid-19 pandemic, please refer to the press releases released on 23 March 2020, 26 March 2020, 16 April 2020 and 28 April 2020, available on the Company's website at [www.carel.com](http://www.carel.com) Investor Relations/Financial Press Releases Section.

## **Business outlook**

The first months of 2020 were characterised by the outbreak of the new Coronavirus (Covid-19) and its spread outside of China, which led to a general shutdown of production activities across large geographical areas, albeit with different timing and intensity, as well as tight limits in social contacts (lockdown). This resulted in a generalised slow-down in the global economy and various tensions in the supply chain of different sectors and markets.

At the moment, there is considerable uncertainty regarding the timing of the conclusion of the health emergency and the extent of the consequences that it will have on the major world economies, and therefore it is not possible to forecast with a sufficient degree of precision the Group's full year expectations for 2020. Nonetheless, in the absence of a resurgence of the spread of the virus and therefore of new lockdowns, and in general, in the absence of a significant worsening of the current scenario, it is reasonable to expect that the second quarter of this year will be the one most affected by the pandemic, and therefore the Group's expectation is to close the first half of 2020 with a single digit decline in revenues.

CAREL has paid and will continue to pay the utmost attention to the management of this phenomenon in the coming months, both by leveraging its plant resilience and by putting in place all measures needed to contain non-essential costs so as to safeguard the profitability of its businesses as far as possible. .

From a production point of view, the actions implemented during the emergency, especially at the Croatian and Chinese plants, led to overall capacity exceeding 100% of what had been planned for the year, which will further expand in the coming weeks.

## **OTHER BOARD OF DIRECTORS RESOLUTIONS**

### **Appointment of Mr. Nicola Biondo as the new director responsible for preparing the Company's financial reports (Dirigente preposto)**

The Carel Industries S.p.A. Board of Directors, subject to the favourable opinion of the Board of Statutory Auditors and in compliance with the requirements of integrity and professionalism provided for by current legislation and by the Company Bylaws, today resolved to appoint Mr Nicola Biondo as the director responsible for preparing the Company's financial reports, pursuant to art. 154-bis of the Italian Consolidated Finance Act, replacing Mr Francesco Nalini, current Group CEO who took up the same position *ad interim* on 5 March 2020, following the resignation of Mr. Giuseppe Viscovich. It is noted that Mr. Nicola Biondo had already taken up the position as Group CFO starting from 4 May 2020 and this was promptly disclosed on that same day

Mr. Nicola Biondo graduated in Economics at the University of Bologna in 1998. He has gained significant experience in the areas of administration, finance and control over a career lasting many years that began at a leading consulting and auditing company (Deloitte & Touche) and that continued at several multinational companies, some of which are listed on the Italian Stock Exchange, in roles of increasing responsibility.

A summary of his CV is available in the Corporate Governance section of the corporate website [www.carel.com](http://www.carel.com).

To the best of the Company's knowledge, Mr. Biondo does not currently hold any shares in Carel Industries S.p.A.

## **CONFERENCE CALL**

The results as of 31 March 2020 will be illustrated today, 8 May 2020, at 16.30 (CEST) during a conference call to the financial community, which will also be the subject of a webcast in listen-only mode on [www.carel.com](http://www.carel.com), Investor Relations section.

*The CFO, Nicola Biondo, 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.*

For further information

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## CAREL

The CAREL Group is a global leader in the design, production and marketing of technologically-advanced components and solutions for excellent energy efficiency in the control 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’s management, with a distinctive position in the relevant niches in those markets.

HVAC is the Group’s main market, representing 66% of the Group’s revenues in the financial year to 31 December 2019, while the refrigeration market accounted for 33% 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 position of leadership in the reference HVAC/R market niches, with special attention focused on energy efficiency, the reduction of environmental impact, 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 24 subsidiaries and nine production plants located in various countries. As of 31 December 2019, approximately 80% of the Group’s revenues was generated outside of Italy and 30% outside of EMEA (Europe, Middle East, Africa).

Original Equipment Manufacturers or OEMs – suppliers of complete units for applications in HVAC/R markets – make up the Company’s main category of customers, which the Group focuses on to build long-term relationships.

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

## Consolidated Financial Statements as of 31 March 2020

### Consolidated Statement of financial position

(€'000)	31/03/2020	31/12/2019
Property, plant and equipment	62,368	63,775
Intangible assets	90,295	90,534
Equity-accounted investments	508	536
Other non-current assets	12,896	13,111
Deferred tax assets	4,317	4,378
<b>Non-current assets</b>	<b>170,384</b>	<b>172,335</b>
Trade receivables	61,247	58,552
Inventories	48,516	48,265
Current tax assets	1,641	1,711
Other current assets	7,615	6,613
Current financial assets	160	56
Cash and cash equivalents	78,640	62,798
<b>Current assets</b>	<b>197,819</b>	<b>177,994</b>
<b>TOTAL ASSETS</b>	<b>368,203</b>	<b>350,330</b>
Equity attributable to the owners of the parent company	147,696	142,868
Equity attributable to non-controlling interests	333	353
<b>Total equity</b>	<b>148,030</b>	<b>143,220</b>
Non-current financial liabilities	93,532	86,486
Provisions for risks	1,415	1,368
Defined benefit plans	7,777	7,844
Deferred tax liabilities	10,722	10,896
<b>Non-current liabilities</b>	<b>113,446</b>	<b>106,595</b>
Current financial liabilities	47,119	38,492
Trade payables	39,359	38,200
Current tax liabilities	1,838	1,113
Provisions for risks	1,603	2,418
Other current liabilities	16,809	20,292
<b>Current liabilities</b>	<b>106,728</b>	<b>100,515</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>368,203</b>	<b>350,330</b>

## Consolidated Statement of profit or loss

(€'000)	31/03/2020	31/03/2019
Revenue	78,740	80,097
Other revenue	649	609
Costs of raw materials, consumables and goods and changes in inventories	(33,176)	(32,880)
Services	(10,586)	(11,397)
Capitalised development expenditure	446	516
Personnel expenses	(22,047)	(20,606)
Other expenses, net	328	(621)
Amortisation, depreciation and impairment losses	(4,613)	(4,052)
<b>OPERATING PROFIT</b>	<b>9,742</b>	<b>11,666</b>
Net financial income	(335)	(266)
Net exchange rate losses	23	(435)
<b>PROFIT BEFORE TAX</b>	<b>9,430</b>	<b>10,965</b>
Income taxes	(1,822)	(2,095)
<b>PROFIT FOR THE PERIOD</b>	<b>7,608</b>	<b>8,871</b>
Non-controlling interests	6	17
<b>PROFIT FOR THE PERIOD ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY</b>	<b>7,602</b>	<b>8,854</b>

## Consolidated Statement of comprehensive income

(€'000)	31/03/2020	31/03/2019
<b>Profit for the period</b>	<b>7,608</b>	<b>8,871</b>
Items that may be subsequently reclassified to profit or loss:		
- Fair value gains (losses) on hedging derivatives net of the tax effect	(43)	(48)
- Exchange differences	(2,665)	2,417
Items that may not be subsequently reclassified to profit or loss:		
- Discounted benefits to employees net of fiscal effect	-	(695)
<b>Comprehensive income</b>	<b>4,898</b>	<b>10,545</b>
attributable to:		
- Owners of the parent company	4,916	10,521
- Non-controlling interests	(19)	24

## Earnings per share

Earnings per share (in euros)	<b>0.08</b>	<b>0.09</b>
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## Consolidated Statement of cash flows

(€'000)	31/03/2020	31/03/2019
Profit for the period	7,608	8,871
Adjustments for:		
Amortisation, depreciation and impairment losses	4,613	4,009
Accruals to/utilisations of provisions	(20)	426
Non-monetary net financial income	439	404
Taxes	(197)	-
	<b>12,443</b>	<b>13,710</b>
Changes in working capital:		
Change in trade receivables and other current assets	(4,727)	(3,600)
Change in inventories	(1,814)	32
Change in trade payables and other current liabilities	(759)	(7,344)
Change in non-current assets	(39)	(84)
Change in non-current liabilities	32	(124)
<b>Cash flows generated from operations</b>	<b>5,136</b>	<b>2,590</b>
Net interest paid	(424)	(338)
<b>Net cash flows generated by operating activities</b>	<b>4,712</b>	<b>2,252</b>
Investments in property, plant and equipment	(1,477)	(4,071)
Investments in intangible assets	(921)	(866)
Disinvestments of financial assets	-	-
Disinvestments of property, plant and equipment and intangible assets	45	91
Interest collected	67	-
Investments in equity-accounted investees	-	-
Companies acquired (net of acquired cash)	-	-
<b>Cash flows generated by (used in) investing activities</b>	<b>(2,287)</b>	<b>(4,846)</b>
Capital increases	-	-
Repurchase of treasury stocks	(268)	(695)
Dividend to Shareholders	-	-
Dividend to Minorities	-	(74)
Increase in financial liabilities	20,000	-
Decrease in financial liabilities	(4,289)	(13,304)
Decrease in financial liabilities for leasing fees	(1,136)	-
<b>Cash flows generated by (used in) financing activities</b>	<b>14,308</b>	<b>(14,073)</b>
<b>Change in cash and cash equivalents</b>	<b>16,733</b>	<b>(16,667)</b>
<b>Cash and cash equivalents - opening balance</b>	<b>62,798</b>	<b>55,319</b>
Exchange differences	(890)	971
<b>Cash and cash equivalents - initial balance (adjusted)</b>	<b>61,908</b>	<b>56,290</b>
<b>Cash and cash equivalents - closing balance</b>	<b>78,640</b>	<b>39,623</b>



## Consolidated Statement of changes in equity

	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
<i>(€'000)</i>										
<b>Balance as of 1/1/2019</b>	<b>10,000</b>	<b>2,000</b>	<b>2,660</b>	<b>(93)</b>	<b>32,950</b>	<b>39,798</b>	<b>30,678</b>	<b>117,992</b>	<b>296</b>	<b>118,288</b>
<b>Owner transactions</b>										-
- Allocation of profit for the period						30,678	(30,678)	-		-
- Share Capital increase								-		-
- Defined benefit plans					77			77		77
- Dividend distributions								-		-
- Change in consolidation scope								-		-
<b>Total owner transactions</b>	<b>10,000</b>	<b>2,000</b>	<b>2,660</b>	<b>(93)</b>	<b>33,027</b>	<b>70,476</b>	<b>-</b>	<b>118,069</b>	<b>296</b>	<b>118,365</b>
- Profit for the period							8,854	8,854	17	8,871
- Other comprehensive income (expenses)			2,410	(48)	(695)			1,667	7	1,674
<b>Total other comprehensive income (expenses)</b>	<b>-</b>	<b>-</b>	<b>2,410</b>	<b>(48)</b>	<b>(695)</b>	<b>-</b>	<b>8,854</b>	<b>10,521</b>	<b>24</b>	<b>10,547</b>
<b>Balance as of 31/3/2019</b>	<b>10,000</b>	<b>2,000</b>	<b>5,070</b>	<b>(141)</b>	<b>32,332</b>	<b>70,476</b>	<b>8,854</b>	<b>128,589</b>	<b>320</b>	<b>128,909</b>
<b>Balance as of 1/1/2020</b>	<b>10,000</b>	<b>2,000</b>	<b>3,557</b>	<b>(363)</b>	<b>46,166</b>	<b>46,487</b>	<b>35,019</b>	<b>142,868</b>	<b>353</b>	<b>143,220</b>
<b>Owner transactions</b>										-
- Allocation of profit for the period						35,019	(35,019)	-		-
- Capital increases								-		-
- Defined benefit plans					180			180		180
- Share buy-back					(268)			(268)		(268)
- Dividend distributions								-		-
- Change in consolidation scope								-		-
<b>Total owner transactions</b>	<b>10,000</b>	<b>2,000</b>	<b>3,557</b>	<b>(363)</b>	<b>46,078</b>	<b>81,505</b>	<b>-</b>	<b>142,780</b>	<b>353</b>	<b>143,132</b>
- Profit for the period							7,602	7,602	6	7,608
- Other comprehensive expenses			(2,640)	(43)	-			(2,685)	(25)	(2,710)
<b>Total other comprehensive expenses</b>	<b>-</b>	<b>-</b>	<b>(2,640)</b>	<b>(43)</b>	<b>-</b>	<b>-</b>	<b>7,602</b>	<b>4,916</b>	<b>(19)</b>	<b>4,898</b>
<b>Balance as of 31/3/2020</b>	<b>10,000</b>	<b>2,000</b>	<b>917</b>	<b>(406)</b>	<b>46,078</b>	<b>81,505</b>	<b>7,602</b>	<b>147,696</b>	<b>333</b>	<b>148,030</b>

Fine Comunicato n.2092-36

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