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Informazione Regolamentata n. 2092-39-2020	Data/Ora Ricezione 10 Settembre 2020 18:07:36	MTA - Star
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Societa' : CAREL INDUSTRIES S.P.A.  
Identificativo : 136807  
Informazione  
Regolamentata  
Nome utilizzatore : CARELINDUSN03 - Grosso  
Tipologia : 1.2  
Data/Ora Ricezione : 10 Settembre 2020 18:07:36  
Data/Ora Inizio : 10 Settembre 2020 18:07:37  
Diffusione presunta  
Oggetto : CAREL - BoDs approves H1 2020 results

<i>Testo del comunicato</i>
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Vedi allegato.

## Press Release

### The CAREL Industries Board of Directors has approved the consolidated results as of 30 June 2020

- Consolidated revenues of € 161.0 million, -3.6% compared to the first six months of 2019 (-3.1% at constant exchange rates).
- Consolidated EBITDA of € 30.9 million (19.2% of revenues), -8.4% compared to the six months of 2019;
- Consolidated net income of € 16.3 million, -14.0% compared to net income in the first six months of 2019;
- Negative consolidated net financial position of € 65.3 million, compared to € 62.1 million reported on 31 December 2019.

Brugine, 10 September 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 30 June 2020.

*Francesco Nalini, Group Chief Executive Officer, commented: "We are proud to present results that, despite the unprecedented scenario we experienced in the first half of the year, are not far from those reported in 2019. This is in relation to revenues, which came in at the high end of the guidance range previously given by the Group (single-digit percent decline) and in terms of profitability, substantially in line with that recorded at 31 December 2019. This enabled considerable cash flows of approximately Euro 18 million to be generated from operating activities. These results highlight the Group's ability to react swiftly and highly effectively to exceptional adverse scenarios and the resilience assured by its diversification both at the geographical level and in terms of its business portfolio. Within such a challenging scenario, a fundamental role was played by technological mirroring, i.e. the strategic decision to replicate production processes at various facilities, which enabled production of certain product families to be relocated rapidly from plants affected by lockdown measures to their fully operational counterparts, thus reducing the inconvenience for our clients. In any event, the backlog accumulated during the lockdown was largely handled in June, and a residual part in July. Innovation, commitment and a focus on the Client will remain the key elements of our strategy in the second half of such a challenging year."*

### Consolidated Revenues

Consolidated revenues amounted to Euro 161.0 million, compared to Euro 166.9 million in the period ended 30 June 2019, marking a slight decline of 3.6% (-3.1% at equivalent exchange rates). This decline was entirely due to the effects of the lockdown in China and the shutdown of the Group's Italian production hub (located in Brugine, Padua) following the spread of the COVID-19 pandemic. The shutdown of the Italian facilities resulted in the creation of a significant backlog, primarily in March and April, which was completely resolved in June and July. The effects would have been much more negative if the Group had not reacted promptly by exploiting the particular flexibility offered by its portfolio of facilities, and in particular their location on almost all continents and the ability to produce a significant share of CAREL product platforms simultaneously at a minimum of two facilities. This made it possible to shift some production from one production site to another, thereby limiting the further expansion of the backlog beyond what in effect occurred. The exchange rate effect had a negative impact of approximately 50 basis points.

The geographical area with the greatest weight for the Group, EMEA (Europe, the Middle East and Africa), which generates approximately 70% of revenues, recorded essentially stable performances compared to the first half of 2019, despite the total and then partial shutdown of the Italian production hub. The phenomena underlying this performance, in addition to those of a logistical nature relating to the lockdown, relate mainly to a rapid expansion of CAREL's presence in Eastern Europe, which acted as a counterweight to the decline in demand in several important applications such as the automotive sector for HVAC and the HO.RE.CA. sector for refrigeration. APAC (Asia-Pacific) showed a 7.5% decline in revenues on the same period of the previous year, while also representing a sharp improvement on the first quarter of the current year (-17.5%). This was due to the recovery of the backlog accumulated during the lockdown and the strong performance in China. North America posted a decrease in revenues of 10.6%, in line with the performance in the first quarter of the year, due to natural consolidation after the robust gains recorded in 2019 (+20%), in addition to the decline in the macroeconomic scenario owing to the health emergency. Finally, South America, net of the negative

foreign exchange effects, reported a decline in revenues of 6.2%, mainly due to the negative performances achieved outside of Brazil as a result of the intensification of the COVID-19 epidemic.

At the level of the individual business areas, Refrigeration, net of the foreign exchange effect, was in positive territory (+1.1%): the sound performance in the Retail Food sector (supermarkets, hypermarkets and convenience stores) was partially offset by the strongly negative performance in the Food Service sector (restaurants, hotels, etc.). The result in the HVAC market was due not only to the lockdown of the Italian production hub but also to the negative performance of several industrial sectors (such as automotive), which was only partially offset by the positive trends witnessed in both the high-efficiency heat pumps segment (primarily in Northern Europe) and the data centre segment.

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

	30.06.2020	30.06.2019	Delta %	Delta fx %
HVAC revenue	105,002	110,545	-5.0%	-4.9%
REF revenue	53,837	53,864	-0.1%	1.1%
<b>Total core revenue</b>	<b>158,839</b>	<b>164,409</b>	<b>-3.4%</b>	<b>-2.9%</b>
Non-core revenue	2,129	2,495	-14.7%	-14.7%
<b>Total Revenue</b>	<b>160,968</b>	<b>166,904</b>	<b>-3.6%</b>	<b>-3.1%</b>

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

	30.06.2020	30.06.2019	Delta %	Delta fx %
EMEA	116,849	117,910	-0.9%	-0.5%
APAC	21,367	23,104	-7.5%	-6.8%
North America	19,797	22,152	-10.6%	-12.7%
South America	2,955	3,739	-20.9%	-6.2%
<b>Total Revenue</b>	<b>160,968</b>	<b>166,904</b>	<b>-3.6%</b>	<b>-3.1%</b>

### Consolidated EBITDA

Consolidated EBITDA for the first half of 2020 was a reflection of the performance at the level of revenues, amounting to Euro 30.9 million, down by 8.4% from Euro 33.7 million in the first half of 2019. The analysis of profitability – defined as the ratio of EBITDA to revenues – is more meaningful at 19.2%, essentially in line with the 19.3% recorded at the end of 2019 and up by approximately 100 basis points compared to the end of the first quarter of this year. This performance was due to the manifestation of the effects of a series of containment measures focusing on discretionary costs (marketing, travel, etc.), which offset the lack of operating leverage and the higher logistics costs tied to the pandemic.

### Consolidated Net income

The consolidated net profit of Euro 16.3 million, down by 14.0% from Euro 19.0 million in the first half of 2019, was affected by the operating results. The tax rate was approximately 23.1%, essentially in line with the same period of the previous year, reflecting the tax incentive received on Croatian production until 2019.

### Consolidated net financial position

Consolidated net financial position stood at net debt of Euro 65.3 million, in line with the Euro 62.1 million recorded at 31 December 2019. The significant cash flow generated during the period covered investments of approximately Euro 5 million, the expected increase in net working capital of approximately Euro 8.3 million (partially tied to the prudential increase in inventories following the pandemic – the ratio of net working capital to revenues was nonetheless lower than at 30 June 2019) and most of the dividends (Euro 12.0 million) on 2019 profits.

## **Business outlook**

The first six months of 2020 were characterised by the identification and spread of the new coronavirus (Covid-19), which resulted in general shutdown of production activities and severe limitations on social contact in broad geographical areas, albeit at varying times and to varying degrees. This caused a general slowdown of the global economy and various supply chain tensions across multiple sectors and markets.

The Group's results for the half year fall near the upper end of the forecast range provided in May. Together with the improvement in performance in the final months of the period and a tepid recovery of consumption, particularly in certain areas such as Europe and China, this means that it is reasonable to believe that, in the absence of flare-up of the virus and, in any event, of a deterioration of the currently existing scenario, the third quarter will see results at least in line with those recorded in the third quarter of 2019 and supports a favourable view of the second half of the year overall.

## **CONFERENCE CALL**

The results as of 30 June 2020 will be illustrated tomorrow, 11 September 2020, at 10.00 (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

## **INVESTOR RELATIONS**

Giampiero Grosso – Investor Relations Manager  
[giampiero.grosso@carel.com](mailto:giampiero.grosso@carel.com)  
+39 049 9731961

## **MEDIA RELATIONS**

Barabino & Partners  
Fabrizio Grassi  
[f.grassi@barabino.it](mailto:f.grassi@barabino.it)  
+39 392 73 92 125  
Francesco Faenza  
[f.faenza@barabino.it](mailto:f.faenza@barabino.it)  
+39 02 72 02 35 35

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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.



CAREL INDUSTRIES S.p.A.  
via dell'Industria, 11 - 35020 Brugine - Padova - Italy  
Phone (+39) 049 97 16 611 - Fax (+39) 049 97 16 600  
[carel.com](http://carel.com) - [carel@carel.com](mailto:carel@carel.com)

Cap. Soc. € 10.000.000 i.v.  
C.C.I.A.A. Padova Reg. Imp n. 04359090281  
Part. IVA e Cod. Fisc. 04359090281

N. Reg. Prod. Pile: IT09060P00000903  
N. Reg. Prod. AEE: IT16030000009265



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, currently subject to independent auditing, are illustrated below.

## Consolidated Financial Statements as of 30 June 2020

### Consolidated Statement of financial position

(€'000)	30/06/2020	31/12/2019
Property, plant and equipment	60,038	63,775
Intangible assets	90,863	90,534
Equity-accounted investments	781	536
Other non-current assets	12,874	13,111
Deferred tax assets	4,764	4,378
<b>Non-current assets</b>	<b>169,321</b>	<b>172,335</b>
Trade receivables	64,363	58,552
Inventories	52,964	48,265
Current tax assets	1,580	1,711
Other current assets	5,600	6,613
Current financial assets	19	56
Cash and cash equivalents	80,913	62,798
<b>Current assets</b>	<b>205,438</b>	<b>177,994</b>
<b>TOTAL ASSETS</b>	<b>374,759</b>	<b>350,330</b>
Equity attributable to the owners of the parent company	142,892	142,868
Equity attributable to non-controlling interests	350	353
<b>Total equity</b>	<b>143,242</b>	<b>143,220</b>
Non-current financial liabilities	95,192	86,486
Provisions for risks	1,194	1,368
Defined benefit plans	7,964	7,844
Deferred tax liabilities	10,573	10,896
<b>Non-current liabilities</b>	<b>114,923</b>	<b>106,595</b>
Current financial liabilities	51,003	38,492
Trade payables	40,014	38,200
Current tax liabilities	3,742	1,113
Provisions for risks	1,600	2,418
Other current liabilities	20,235	20,292
<b>Current liabilities</b>	<b>116,594</b>	<b>100,515</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>374,759</b>	<b>350,330</b>

## Consolidated Statement of profit or loss

(€'000)	30/06/2020	30/06/2019
Revenue	160,968	166,904
Other revenue	1,421	1,156
Costs of raw materials, consumables and goods and changes in inventories	(68,612)	(69,951)
Services	(20,956)	(22,726)
Capitalised development expenditure	990	1,339
Personnel expenses	(42,865)	(42,139)
Other expenses, net	(73)	(897)
Amortisation, depreciation and impairment losses	(9,183)	(8,143)
<b>OPERATING PROFIT</b>	<b>21,690</b>	<b>25,544</b>
Net financial income	(716)	(682)
Net exchange rate losses	33	(326)
Net result from companies consolidated with Equity method	252	136
<b>PROFIT BEFORE TAX</b>	<b>21,259</b>	<b>24,673</b>
Income taxes	(4,920)	(5,660)
<b>PROFIT FOR THE PERIOD</b>	<b>16,339</b>	<b>19,012</b>
Non-controlling interests	10	23
<b>PROFIT FOR THE PERIOD ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY</b>	<b>16,329</b>	<b>18,990</b>

## Consolidated Statement of comprehensive income

(€'000)	30/06/2020	30/06/2019
<b>Profit for the period</b>	<b>16,339</b>	<b>19,012</b>
Items that may be subsequently reclassified to profit or loss:		
- Fair value gains (losses) on hedging derivatives net of the tax effect	(28)	(455)
- Exchange differences	(3,696)	698
Items that may not be subsequently reclassified to profit or loss:		
- Discounted benefits to employees net of fiscal effect	(14)	(368)
<b>Comprehensive income</b>	<b>12,601</b>	<b>18,887</b>
attributable to:		
- Owners of the parent company	12,603	18,851
- Non-controlling interests	(2)	37

## Earnings per share

Earnings per share (in euros)	<b>0.16</b>	<b>0.19</b>
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## Consolidated Statement of cash flows

(€'000)	30/06/2020	30/06/2019
Profit for the period	16,339	19,012
Adjustments for:		
Amortisation, depreciation and impairment losses	9,183	8,143
Accruals to/utilisations of provisions	950	998
Non-monetary net financial income	586	613
Taxes	(696)	(167)
	<b>26,362</b>	<b>28,599</b>
Changes in working capital:		
Change in trade receivables and other current assets	(5,942)	(8,286)
Change in inventories	(6,938)	1,576
Change in trade payables and other current liabilities	4,746	622
Change in non-current assets	(226)	91
Change in non-current liabilities	25	221
<b>Cash flows generated from operations</b>	<b>18,026</b>	<b>22,823</b>
Net interest paid	(943)	(785)
<b>Net cash flows generated by operating activities</b>	<b>17,083</b>	<b>22,038</b>
Investments in property, plant and equipment	(2,965)	(9,020)
Investments in intangible assets	(2,075)	(2,200)
Disinvestments of property, plant and equipment and intangible assets	94	90
Interest collected	145	158
<b>Cash flows generated by (used in) investing activities</b>	<b>(4,801)</b>	<b>(10,973)</b>
Repurchase of treasury stocks	(958)	(807)
Dividend to Shareholders	(11,980)	(9,992)
Dividend to Minorities	-	(74)
Increase in financial liabilities	38,592	40,000
Decrease in financial liabilities	(16,675)	(28,316)
Decrease in financial liabilities for leasing fees	(2,105)	(2,043)
<b>Cash flows generated by (used in) financing activities</b>	<b>6,875</b>	<b>(1,231)</b>
<b>Change in cash and cash equivalents</b>	<b>19,157</b>	<b>9,834</b>
<b>Cash and cash equivalents - opening balance</b>	<b>62,798</b>	<b>55,319</b>
Exchange differences	(1,042)	297
<b>Cash and cash equivalents - closing balance</b>	<b>80,913</b>	<b>65,450</b>



## 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
<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	-	-	-	-	23,990	6,689	(30,678)	0	-	0
- Share Capital increase	-	-	-	-	-	-	-	-	-	-
- Defined benefit plans	-	-	-	-	153	-	-	153	-	153
- Treasury shares repurchase	-	-	-	-	(807)	-	-	(807)	-	(807)
- Dividend distributions	-	-	-	-	(9,992)	-	-	(9,992)	-	(9,992)
- 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>46,293</b>	<b>46,487</b>	<b>-</b>	<b>107,346</b>	<b>296</b>	<b>107,642</b>
- Profit for the period	-	-	-	-	-	-	18,990	18,990	23	19,012
- Other comprehensive income (expenses)	-	-	684	(455)	(369)	-	-	(139)	14	(125)
<b>Total other comprehensive income (expenses)</b>	<b>-</b>	<b>-</b>	<b>684</b>	<b>(455)</b>	<b>(369)</b>	<b>-</b>	<b>18,990</b>	<b>18,851</b>	<b>37</b>	<b>18,887</b>
<b>Balance as of 30/6/2019</b>	<b>10,000</b>	<b>2,000</b>	<b>3,344</b>	<b>(548)</b>	<b>45,924</b>	<b>46,487</b>	<b>18,990</b>	<b>126,197</b>	<b>333</b>	<b>126,530</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	-	-	-	-	22,711	12,308	(35,019)	0	-	0
- Share Capital increases	-	-	-	-	-	-	-	-	-	-
- Defined benefit plans	-	-	-	-	359	-	-	359	-	359
- Treasury shares repurchase	-	-	-	-	(958)	-	-	(958)	-	(958)
- Dividend distributions	-	-	-	-	(11,980)	-	-	(11,980)	-	(11,980)
- 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>56,298</b>	<b>58,795</b>	<b>-</b>	<b>130,289</b>	<b>353</b>	<b>130,641</b>
- Profit for the period	-	-	-	-	-	-	16,329	16,329	10	16,339
- Other comprehensive expenses	-	-	(3,684)	(28)	(14)	-	-	(3,726)	(12)	(3,738)
<b>Total other comprehensive expenses</b>	<b>-</b>	<b>-</b>	<b>(3,684)</b>	<b>(28)</b>	<b>(14)</b>	<b>-</b>	<b>16,329</b>	<b>12,603</b>	<b>(2)</b>	<b>12,601</b>
<b>Balance as of 30/6/2020</b>	<b>10,000</b>	<b>2,000</b>	<b>(127)</b>	<b>(391)</b>	<b>56,285</b>	<b>58,795</b>	<b>16,329</b>	<b>142,892</b>	<b>350</b>	<b>143,242</b>

Fine Comunicato n.2092-39

Numero di Pagine: 10