



CAREL

CAREL INDUSTRIES S.p.A. 2020 – H1 Results

11th September 2020

H1 2020 – Highlights

In spite of the temporary lockdown in China (February) and the shutdown of the Italian plant (March/April), the Company managed to achieve operating results not far from what reported in H1 2019, thanks to its resiliency and the ability to promptly react to adverse scenarios.

-3.6%
Revenues
growth rate

- Revenues were down slightly on H1 2019 (-3.6%; -3.1% constant FX) but in the higher end of the guidance range given in Q1 2020.
- This performance is particularly positive taking into account **the temporary shutdown** of a significant part of CAREL's production facilities accounting for more than **60% of its total production capacity**.

19.2%
EBITDA margin

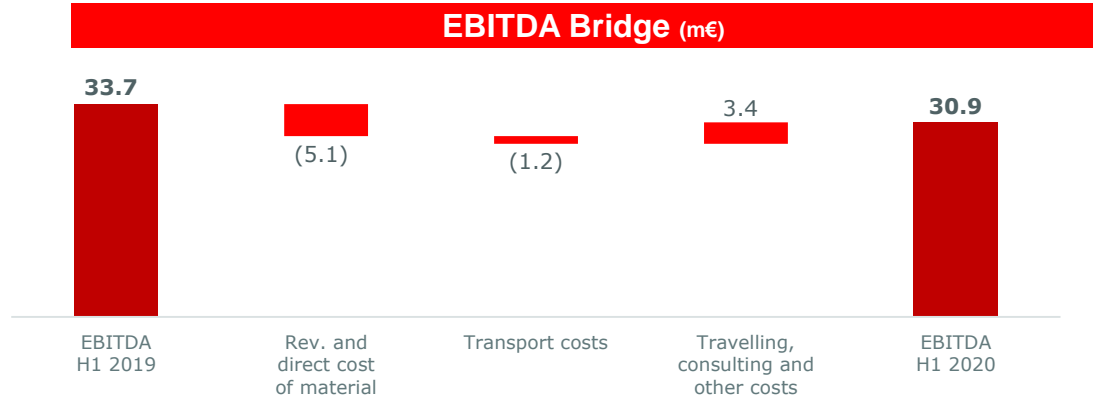
- EBITDA margin equal to 19.2%, substantially in line with FY 2019, and 100 bps higher than Q1 2020.
- The quick and effective implementation of a number of **initiatives to contain opex**, offset the absence of the positive effect of operating leverage and higher logistic expenses due to COVID-19.

~10m€
FCFE

- **Positive FCFE**, proving that the Group is able to generate cash in also in a challenging scenario

H1 2020 – COVID-19 impact has been mitigated

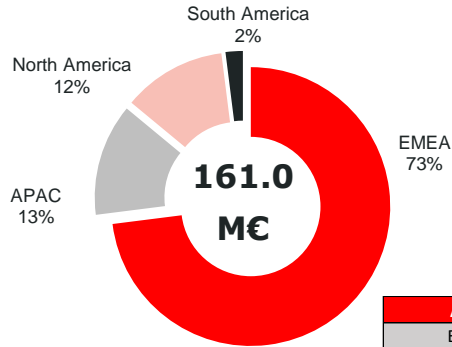
KPIs			
m€	H1 2019	H1 2020	Δ%
Revenue	166.9	161.0	-3.6%
Revenue FX Adj.	166.9	161.7	-3.1%
EBITDA	33.7	30.9	-8.4%
<i>EBITDA/Revenue</i>	20.2%	19.2%	
Net Profit	19.0	16.3	-14.0%
Capex	11.2	5.0	<i>n.r.</i>



- **Revenue -3.6%:** Revenues hit the high end of the guidance range given in May. The recovery of the backlog and the ability of the Group in coping with the lock-down in Italy and China helped to keep performance not far from the H1 2019 level.
- **EBITDA -8.4%:** The effects of lower revenues were partially offset by several initiatives to contain discretionary opex such as marketing, consulting and travel expenses. This led to a recovery in profitability, standing at 19.2%, substantially in line with what reported in FY 2019 (19.3%).
- **Net Profit -14.0%:** the decline in net profit was due to operating results (lower revenues/higher D&A).
- **Capex:** Capex reduction in line with expectation, as the expansion of the production footprint was completed at the end of 2019.

H1 2020 – Revenue breakdowns

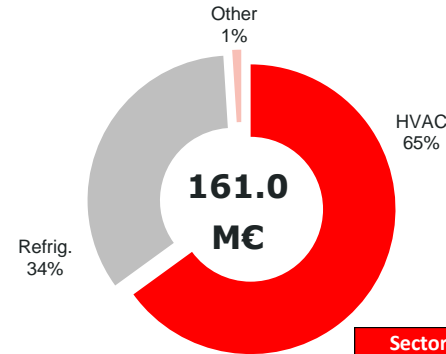
Breakdown by region



Area	m€		m€	
	H1 2019	H1 2020	Δ%	Δ% fx
EMEA	117.9	116.8	-0.9%	-0.5%
APAC	23.1	21.4	-7.5%	-6.8%
Americas (North)	22.2	19.8	-10.6%	-12.7%
Americas (South)	3.7	3.0	-20.9%	-6.2%
Total Revenue	166.9	161.0	-3.6%	-3.1%

- **EMEA** – Substantially stable results driven mainly by a constant growth in Eastern Europe and in heat pumps in Northern Europe, offsetting a slow-down in specific applications.
- **APAC** – Important recovery on Q1 2020 results thanks to good performance in China.
- **Americas North** – In line with Q1 2020 and impacted by COVID-19
- **Americas (South)** – Strong impact of FX – Positive performance in Brazil did not completely offset the performance in other countries in the area.

Breakdown by sector



Sector	m€		m€	
	H1 2019	H1 2020	Δ%	Δ% fx
HVAC	110.5	105.0	-5.0%	-4.9%
Refrig.	53.9	53.8	-0.1%	1.1%
Core Revenue	164.4	158.8	-3.4%	-2.9%
No core	2.5	2,1	-14.7%	-14.7%
Total Revenue	166.9	161.0	-3.6%	-3.1%

- **The trend in HVAC**, in line with Q1 2020, was impacted by the shutdown of the Italian plant and a mixed trend in demand by applications (positive: heat-pumps and data-centers; negative: automotive)
- **Net of the impact of FX, Refrigeration reported** positive results linked to a slight recovery in investments (Supermarkets), partially counterbalanced by poor performance in the HO.RE.CA applications.

From EBITDA to Net Profit

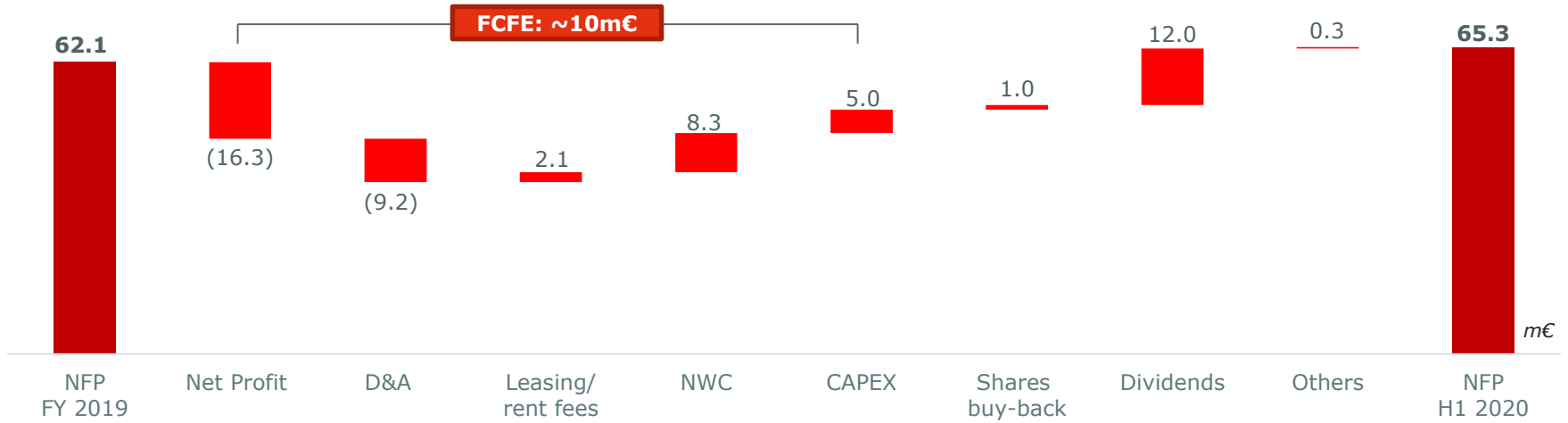
	K€	H1 '19	H1 '20	Δ%
EBITDA		33,687	30,872	-8.4%
	<i>D&A</i>	-8,143	-9,183	
EBIT		25,544	21,690	-15.1%
<i>Financial (charges)/income</i>		-682	-716	
<i>FX gains/losses</i>		-326	33	
<i>Companies cons. with E.M.</i>		136	252	
EBT		24,673	21,259	-13.8%
	<i>Taxes</i>	-5,660	-4,920	
	<i>Minorities</i>	-23	-10	
Group net profit		18,990	16,329	-14.0%

- Higher D&A mainly linked to higher Capex in 2019.

- Slightly higher financial charges **due to increased amount of loans.**
- Positive contribution from FX and company consolidated with E.M.

- **23.1% tax rate**, due to a different mix in terms of contribution from different geographic areas and the expiration of the tax subsidy in Croatia.

H1 2020 – NFP Bridge



- **NFP substantially stable** compared to 2019 FY level. **The FFO equal to 25.5m€** covered capex, the expected increase in NWC and the majority of dividends.
- **ΔNWC +8.3m€: the NWC trend** was mainly due to the prudential increase in inventory in order to better cope with possible resurgence of the COVID pandemic and to a normalization of receivables level.
- At the end of August 2020 the Group had Cash & Cash Equivalent and available credit lines for about **100m€**.

Closing Remarks

Operations

- Although **the most significant impact of the lockdown of the Italian production HUB were reported in Q2**, the Group managed to mitigate it, thanks mainly to its **“technological mirroring”** strategy in production.
- The **backlog** accumulated during the lock-down were **absorbed** for the most part in **June**, and a residual part in July.

Demand

- **Mixed trends depending on the segment/application:** in HVAC, good performance in “high-efficiency heat pumps” and “data centers” applications and poor performance in automotive and wellness sectors. In refrigeration positive performance in “food retail” and negative in HO.RE.CA.
- The fact the CAREL has a **widespread presence in several markets/segments/geographic areas** helped in mitigating the negative impacts of COVID-19.

Initiatives

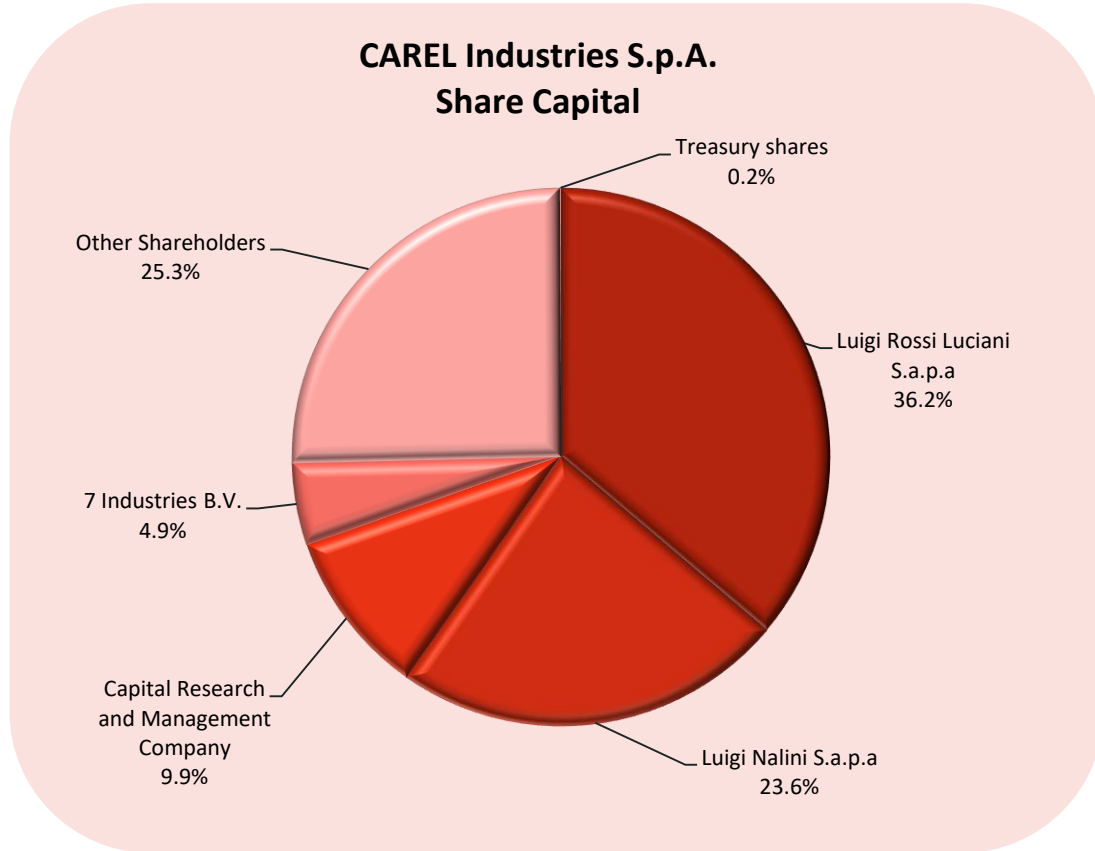
- The initiatives put in place to reduce discretionary opex fully unfolded their effects, enabling CAREL **to maintain an EBITDA margin in line with FY 2019**.

Guidance

Net of a possible deterioration of the current scenario due to a resurgence of the COVID-19, the Group expects to achieve Q3 2020 results at least in line with Q3 2019 and has a favorable view on the FY 2020 trend.

Annexes

Shareholding structure (>3%)



Income statement and Balance Sheet

Income statement

	K€	H1 2019	H1 2020	Delta %
Revenues		166,904	160,968	(3.6%)
Other revenues		1,156	1,421	23.0%
Operative costs		(134,373)	(131,517)	(2.1%)
EBITDA		33,687	30,872	(8.4%)
Depreciation and impairments		(8,143)	(9,183)	12.8%
EBIT		25,544	21,690	(15.1%)
EBT		24,673	21,259	(13.8%)
Taxes		(5,660)	(4,920)	(13.1%)
Net result of the period		19,012	16,339	(14.1%)
Non controlling interest		23	10	(55.8%)
Group net result		18,990	16,329	(14.0%)

Balance sheet

	K€	FY 2019	H1 2020	Delta %
Fixed Capital		167,957	164,557	(2.0%)
Working Capital		45,232	51,912	14.8%
Employees defined benefit plan		(7,844)	(7,964)	1.5%
Net invested capital		205,345	208,505	1.5%
Equity		143,220	143,242	0.0%
Net financial position (asset)		62,124	65,263	5.1%
Total		205,345	208,505	1.5%

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

- **5 R&D centers** (Europe x3, China and US)
- **c. 6%¹ of Revenues** invested in R&D

Global footprint

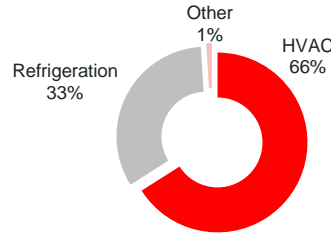
- **9 production plants** (4x Italy, Croatia, Germany, China, US and Brazil)

Key financials – 2019A

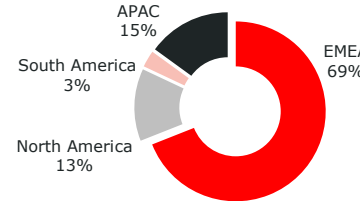
Revenue	Adj. EBITDA	EBITDA margin	Net income
€327m	€64m	~19%	€35m
+13% ² CAGR 2015A-19A	+14% ² CAGR 2015-19A	~100bps Margin expansion 2015A-19A	+13% CAGR 2015A-19A

Revenue breakdown - 2019A

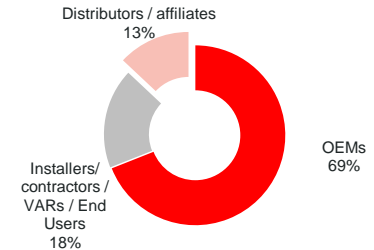
By market



By geography



By channel



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

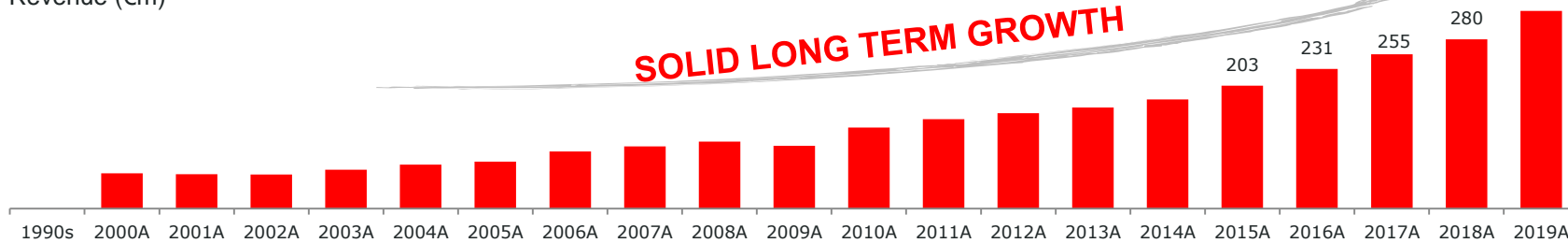
Source: Company information as of Mar-20
Note: 1) developed with partners



Long track record of profitable organic growth

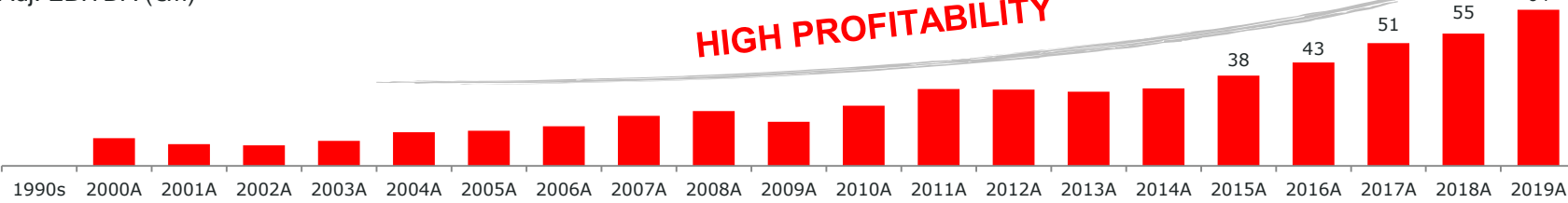


Revenue (€m)



SOLID LONG TERM GROWTH

Adj. EBITDA (€m)



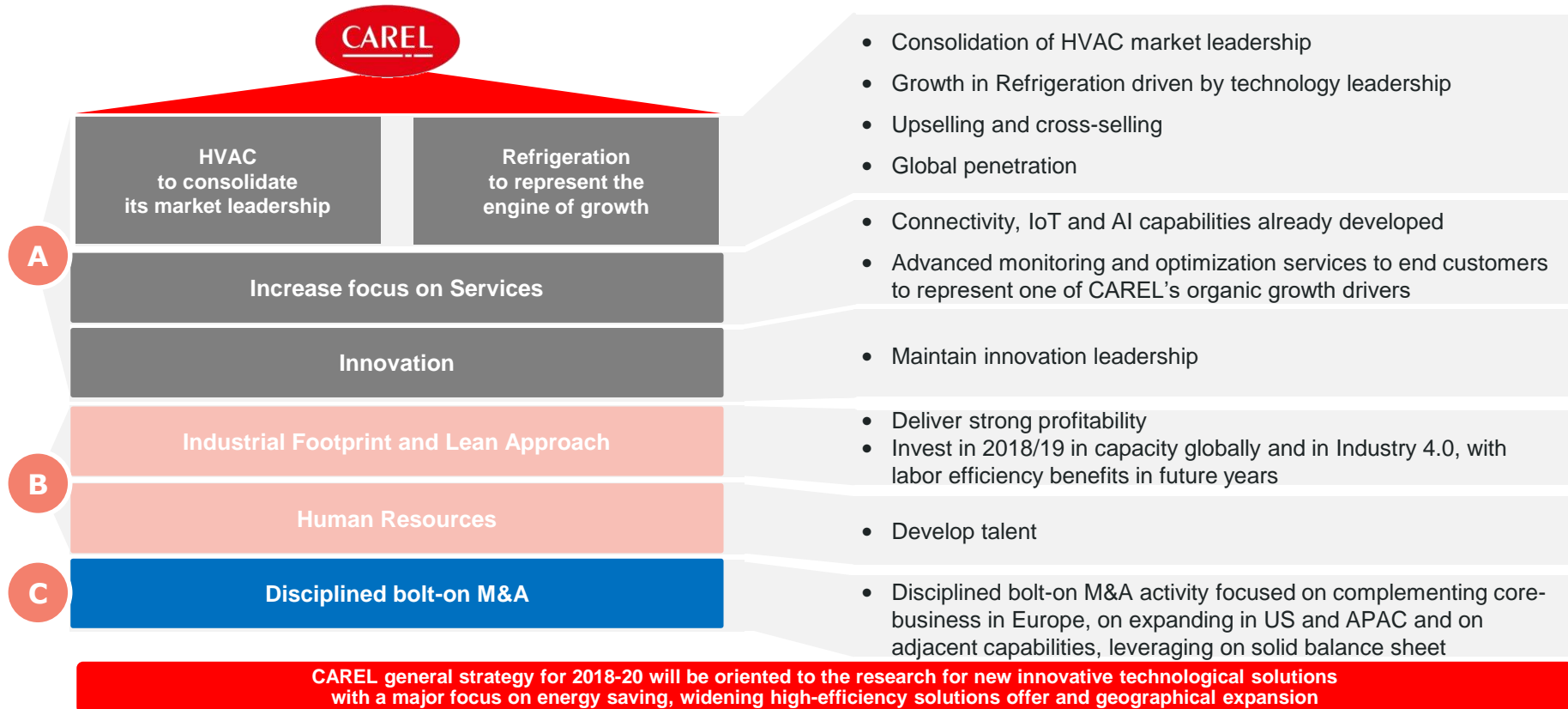
HIGH PROFITABILITY



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



Leading provider of advanced energy efficient control solution



1 High-tech leader in attractive niches of the HVAC/R industry



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

Solutions accounting for a low percentage of the final equipment value

GROWING PRESENCE
Globally

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...

...supporting attractive market growth



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

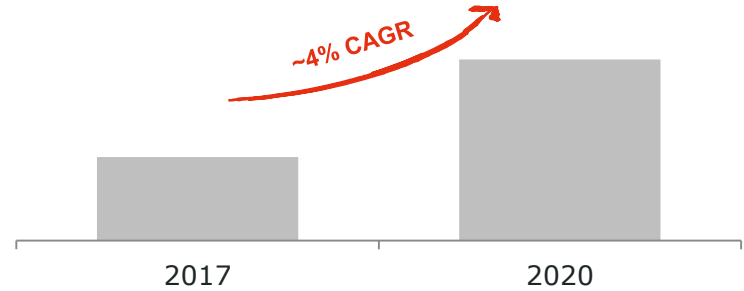


INTERNET OF THINGS

- Increasing adoption of **AUTOMATION TECHNOLOGIES** and **CONNECTED SOLUTIONS**

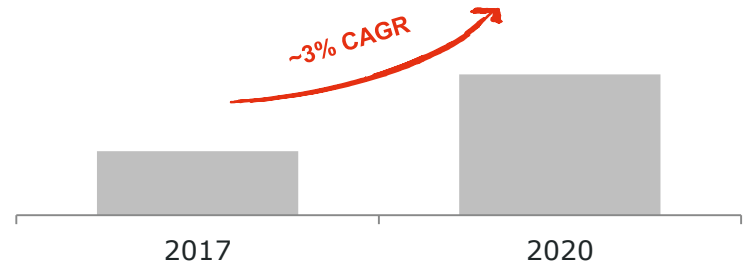
Reference HVAC Market

Market value (€m)¹



Reference Refrigeration Market

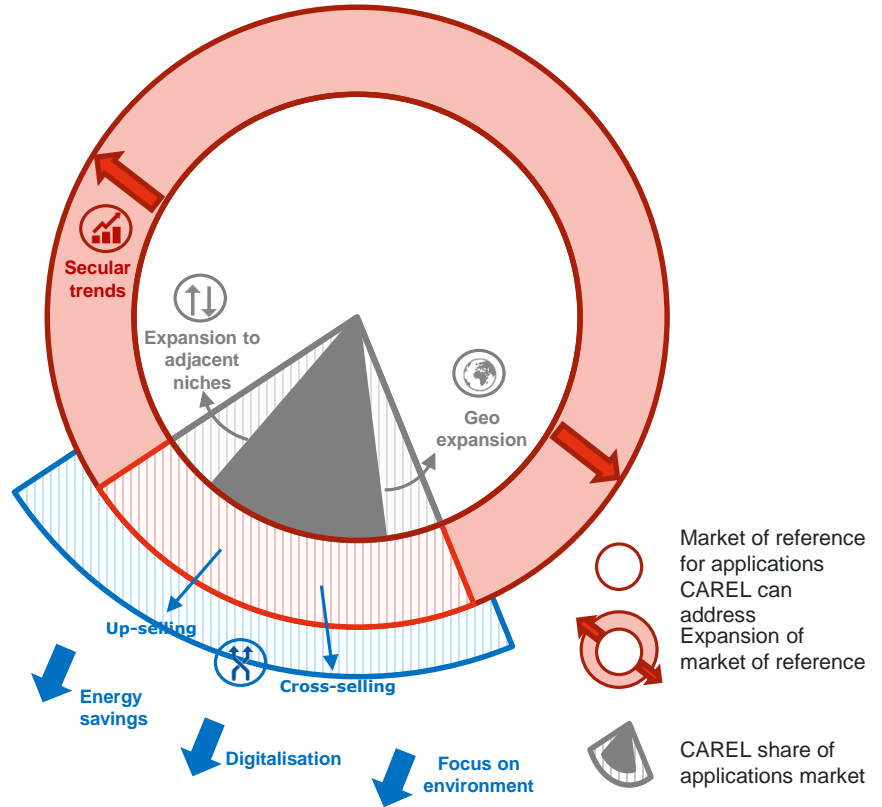
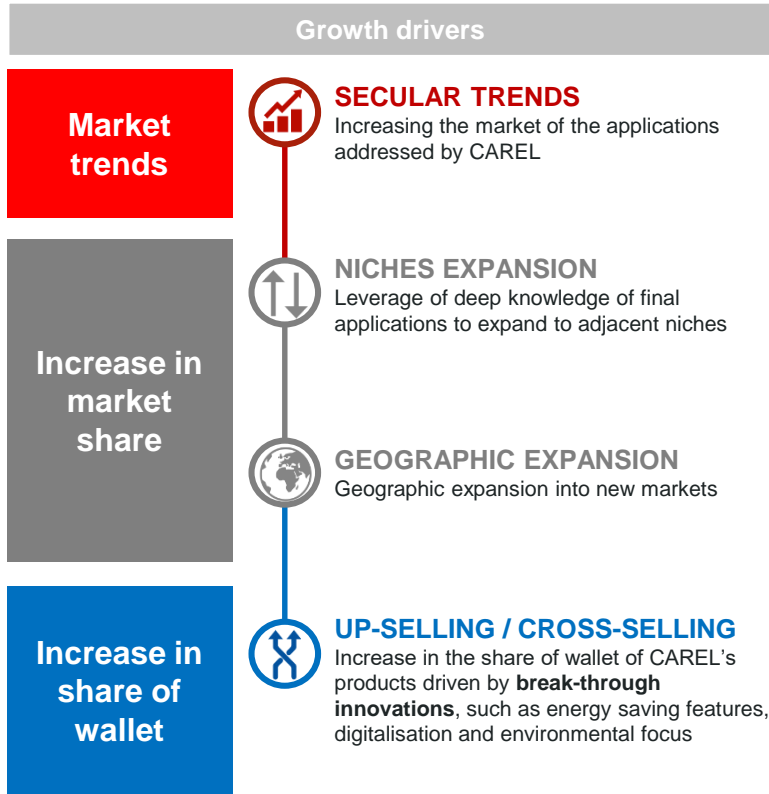
Number of outlets (#)²



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

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

DC Technology

μchiller

CAREL APPLICA

Refrigeration

Example of a **BEVERAGE COOLER**

Before

DC

Heez

CAREL APPLICA

3 Positioning and innovation capability hard to replicate

~6% OF REVENUE¹

Invested annually in R&D

13% OF TOTAL WORKFORCE

dedicated to R&D

3 R&D CENTRES

PROPRIETARY SOFTWARE

Vast library of proprietary software modules developed over the past 10 years: **maximizing customizations and reducing time-to-market**

COMBINING 5 DOMAINS

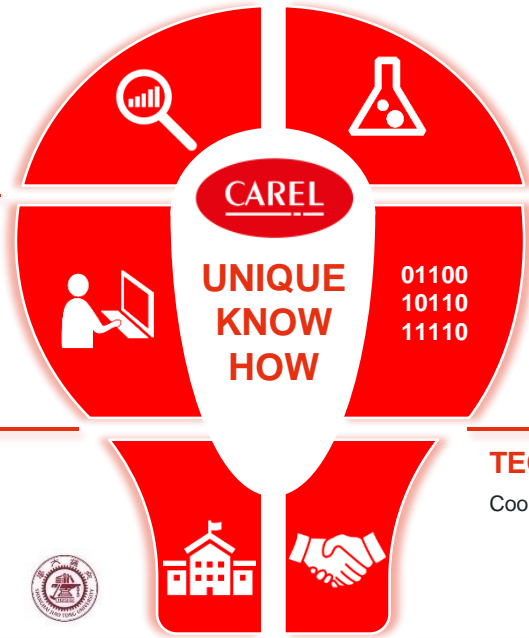
- Hardware & Firmware
- Software
- Mechanics
- Thermodynamics
- IoT

RESEARCH COLLABORATION

With Tier-1 Universities and Research Institutions

TECHNOLOGICAL PARTNERS

Cooperation with technology leaders



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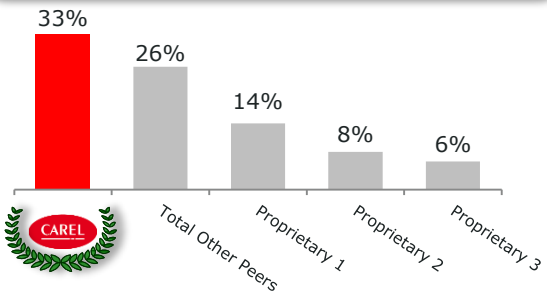
Source: Company information as of Mar-19
 Note: 1) avg. 2015A-18A

3 Leadership position in HVAC OEM premium niches...

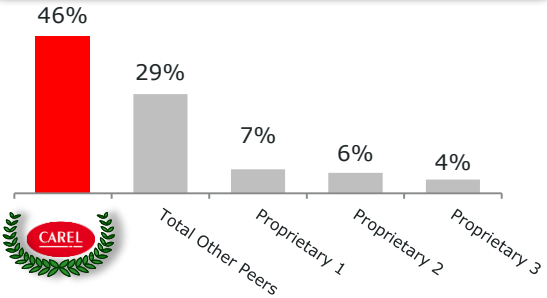
Leadership positioning in premium niches...

...with no perfect comparable

Chiller European Market Share¹



Rooftop European Market Share²

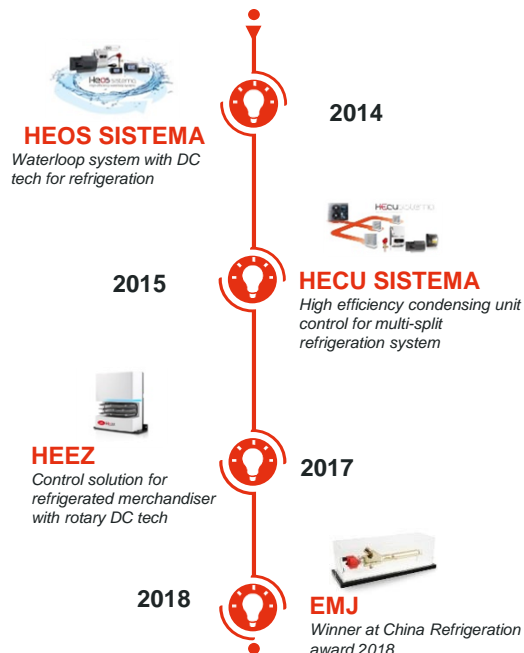


	CAREL	OEM proprietary solutions	Large diversified competitors	EM / Low cost competitors
Vertical niche approach	✓✓✓	✓✓	✓	✓✓✓
Innovation pace & knowledge of final applications	✓✓✓	✓	✓✓	✓✓
Integrated solutions	✓✓✓	✓	✓✓	✓
Global operations	✓✓✓	✓✓	✓✓✓	✓
Flexibility for tailored solutions	✓✓✓	✓✓	✓	✓✓✓
Economies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

Leveraging on HVAC experience...

...CAREL is a leader in innovation



	CAREL	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	✓✓✓	✓✓	✓

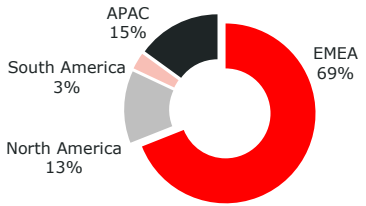
Source: Company info; Management elaborations

4 Highly efficient global operations serving locally...

GLOBAL PRODUCTION FOOTPRINT

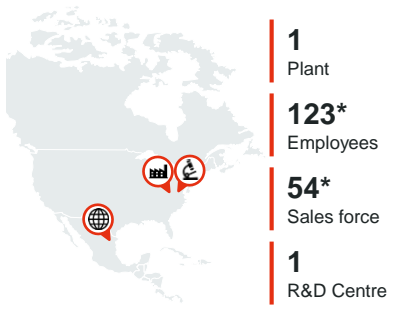
DIRECT AND HIGHLY SKILLED SALES NETWORK

BEST POSITIONED TO CAPTURE GLOBAL GROWTH OPPORTUNITIES

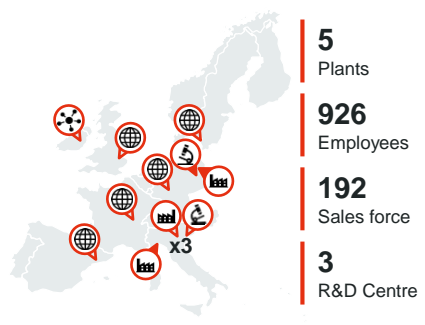


Revenue 2019A breakdown by geography

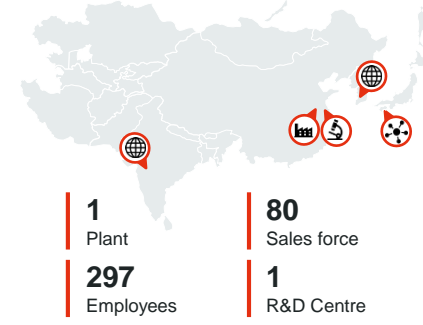
NORTH AMERICA



WESTERN EUROPE



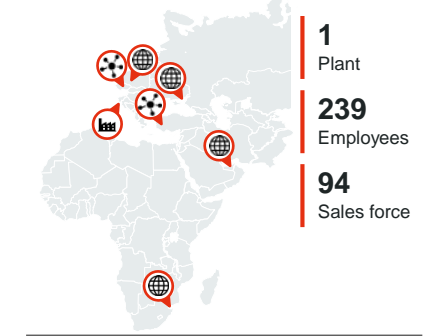
NORTH APAC



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

**GLOBAL
BLUE-CHIP**

HVAC

REFRIGERATION

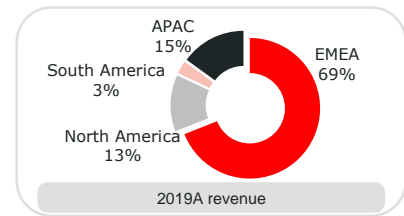
**BROAD & HIGHLY
DIVERSIFIED**

>6,700
Customers

In **c. 100**
countries worldwide

c. 5%
from first customer¹

c. 20%
from top-15 customers²



**LONG-TERM
BUSINESS
RELATIONSHIPS**

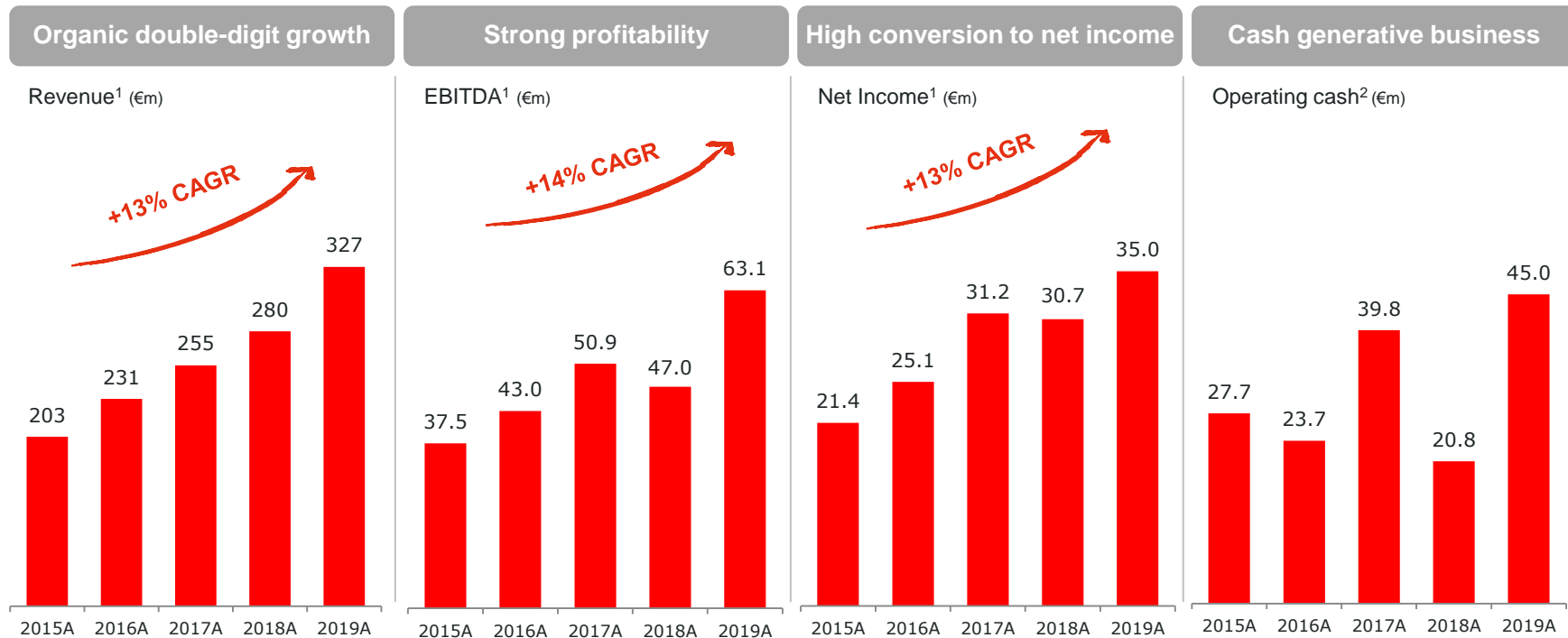
~80%
of Top Customers³
with CAREL for >10y

~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 **A** Global expansion, innovation and services



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



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.

Disclaimer



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