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Oggetto : CAREL - CdA approves first 9 months 2020 results

Testo del comunicato

Vedi allegato.

Press Release

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

- Consolidated revenues of € 248.0 million, +0.1% compared to the first nine months of 2019 (+1.2% at constant exchange rates).
- Consolidated EBITDA of € 48.5 million (19.6% of revenues), -2.2% compared to the nine months of 2019;
- Consolidated net income of € 26.2 million, -7.2% compared to net income in the first nine months of 2019;
- Negative consolidated net financial position of € 49.4 million, compared to € 62.1 million reported on 31 December 2019.

Brugine, 6 November 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 September 2020.

Francesco Nalini, the Group's Chief Executive Officer, commented: "The results approved today are cause for particular satisfaction for the Group because they were achieved within the extremely complex environment that came into being in 2020. Revenues entered positive territory, despite the temporary shutdown, in February and April, of two of our most important plants, in Italy and China, accounting for approximately 60% of all our production capacity. This is further proof of Carel's ability to leverage its technological, logistical and strategic characteristics to the fullest and to take advantage of important opportunities, even in less favourable scenarios. This performance reflected positively on profitability, in terms of the ratio of EBITDA to revenues, which stood at 19.6%, exceeding the levels both at the end of 2019 and in the first half of this year. This was due in part to the cost containment initiatives implemented beginning in March, the effects of which were seen primarily in the last two quarters. This earnings performance had a positive effect on the Group's financial position: net financial debt declined by approximately €13 million, a decrease of 20% compared to December 2019. As always for Carel, a milestone is never an end to a journey but a starting point, and this will also be true in this case: the Group is in fact continuing with the utmost commitment in the implementation of its strategic guidelines in order to further consolidate its development in the wake of innovation and environmental sustainability."

Consolidated Revenues

Consolidated revenues amounted to €248.0 million, compared to €247.7 million in the period ended 30 September 2019, thus remaining essentially stable compared to the same period of 2019 (+1.2% at constant exchange rates). This stability appears particularly positive in the light of the spread of the COVID-19 viral pandemic, which caused a temporary lockdown of the Chinese plant in Suzhou and the production hub in Brugine in the province of Padua, resulting in a significant backlog (cleared in June and July).

The positive results achieved at the level of revenues are due to both the particular flexibility that characterises Carel's production facilities (a significant portion of Carel's product platforms can be assembled simultaneously at a minimum of two plants) and the Group's natural resilience, based on its strong diversification in terms of geographical areas and markets served. This is in addition to its ability to take advantage of significant opportunities in extremely volatile scenarios, due in part to its impressive sales force of over 400 individuals worldwide, who undergo constant training and understand Customers' needs.

The foreign exchange effect had a negative impact of approximately €3 million.

The geographical area with the greatest weight for the Group, EMEA (Europe, Middle East and Africa), which accounts for approximately 72% of its revenues, returned to positive territory, reporting an improved performance compared to the first nine months of 2019, despite the aforementioned shutdown - initially total and then partial - of the Italian production hub. The phenomena underlying this performance, to which the third quarter of the year contributed significantly, relate to the continuation - and in some cases the acceleration - of the trends seen already at the end of the second quarter of 2020: mainly a sharp increase in Carel's presence in Eastern Europe, which offset a decline in demand in certain industrial applications and in the HO.RE.CA sector. APAC (Asia-Pacific), which accounts for approximately 14% of the Group's revenues, declined by 3.8% compared to the same period of

2019, while recovering constantly compared to its performance in the first part of this year (-17.5% in the first quarter and -7.5% in the first half of the year). This was primarily due to a favourable scenario in China, with good performances by certain sectors such as data centres and indoor air quality. North America, which accounts for approximately 12% of the Group's revenues, reported a reduction in revenues of 9.0%, a slight growth, though, compared to what reported in the first part of the year. The decline is due to natural consolidation after the sharp increase achieved in 2019 (+20%), in addition to the worsening in the macroeconomic situation linked to the pandemic, which particular regard to the food service sector. Finally, South America (which represents approximately 2% of the Group's total turnover) net of the negative foreign exchange effects, reported 4.0% growth, mainly driven by the positive performances seen in Brazil, which offset the negative results in other regions of the geographical area of reference due to the intensification of the COVID-19 epidemic.

At the level of the individual business areas, net of the foreign exchange effect, both recorded positive performances up on both the first half of the year and the first nine months of 2019. Refrigeration posted growth of 1.5% (3.4% at constant exchange rates): the increase in market share in the retail food sector (supermarkets, hypermarkets and convenience stores) more than offset the performance in the food service sector, which remains negative. HVAC narrowed the gap that had opened in the first half of the year and reported revenues essentially in line with the first nine months of 2019 (-0.3% at current exchange rates and +0.5% at constant exchange rates). This result benefited above all from the complete clearance of the backlog that had accumulated during the lockdown of the Italian production hub, in addition to the positive trend witnessed in the high-efficiency heat pumps segment (primarily in Northern Europe), the data centres segment and the hospitals segment (particularly in Eastern Europe and China for the latter). These factors counteracted the downtrend in several industrial sectors (e.g., automotive).

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

	30.09.2020	30.09.2019	Delta %	Delta fx %
HVAC revenue	162,817	163,238	-0.3%	0.5%
REF revenue	82,008	80,819	1.5%	3.4%
Total core revenue	244,825	244,057	0.3%	1.4%
Non-core revenue	3,131	3,637	-13.9%	-13.9%
Total Revenue	247,955	247,694	0.1%	1.2%

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

	30.09.2020	30.09.2019	Delta %	Delta fx %
EMEA	179,040	173,610	3.1%	3.6%
APAC	35,135	36,505	-3.8%	-2.1%
North America	28,770	31,628	-9.0%	-8.9%
South America	5,011	5,950	-15.8%	4.0%
Total Revenue	247,955	247,694	0.1%	1.2%

Consolidated EBITDA

Consolidated EBITDA for the period ended 30 September 2020 was € 48.5 million, down slightly (-2.2%) compared to the € 49.6 million recorded for the period ended 30 September 2019. The analysis of profitability, defined as the ratio of EBITDA to revenues, is particularly significant: it came to 19.6%, an increase from the 19.3% recorded in 2019, and also up by approximately 40 basis points compared to the first half of this year. This performance was due to the manifestation of the effects of a series of containment measures for discretionary costs (marketing, travel, etc.), which partially offset the absence of operating leverage and increased logistics costs related to the pandemic.

Consolidated Net income

The consolidated net profit of €26.2 million, down by 7.2% from €28.2 million for the period ended 30 September 2019, is affected by the operating results and increased depreciation and amortisation. The tax rate stood at approximately 23.0%, essentially in line with

both the first half of the year and the period ended 30 September 2019 (22.2%), and reflects the end of the tax incentive received for production in Croatia until 2019.

Consolidated net financial position

Consolidated net financial debt amounted to €49.4 million, a significant decrease from €62.1 million at 31 December 2019 (and from €65.3 million at 30 June 2020). Robust cash generation during the period more than offset investments of approximately €7.8 million, a slight increase in net working capital of approximately €3.2 million and dividends (of €12.0 million) on 2019 profits.

Business outlook

Early 2020 was dominated by the identification and spread of the coronavirus (Covid-19), which resulted in general shutdowns of economic activities and severe restrictions on social contacts across broad geographical areas, albeit at different times and with varying degrees of intensity. This caused a general slowdown of the global economy and various tensions affecting the supply chains of several sectors and markets.

The course of the epidemic has been erratic in recent months, particularly in Europe: the reduced spread of the virus in the summer months was followed by a rapid steepening of the transmission curve starting in mid-September, leading some governments to reinstate partial lockdowns and thus giving rise to a new situation of profound uncertainty.

The future course of this situation is currently not fully foreseeable. However, given the uptrend that has characterised the Group's performances in recent months and the current level of the order intake, it is considered reasonable that, in the absence of a further, significant deterioration in the currently existing scenario, revenues in fully year 2020 will be near the level recorded in 2019.

OTHER BOARD OF DIRECTORS RESOLUTIONS

Implementation of the incentive plan called "Performance Shares 2018-2022", approved by CAREL Industries Shareholders' meeting on the 7th of September 2018

The Board of Directors of CAREL proceeded to identify the beneficiaries of the incentive plan for the third vesting period, 2020-2022, also establishing the "Base Number of Shares" (as defined in the regulation of the Incentive Plan and in the Information Document drawn up pursuant to art. 114bis of the TUF and published pursuant to Article 84bis of the Issuers' Regulations) for the same vesting period, 2020-2022, for a total of approximately 0.06% of CAREL share capital.

CONFERENCE CALL

The results as of 30 September 2020 will be illustrated today, 6 November 2020, at 16.00 (CET) 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, 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.



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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, currently not subject to independent auditing, are illustrated below.

Consolidated Financial Statements as of 30 September 2020

Consolidated Statement of financial position

(€'000)	30/09/2020	31/12/2019
Property, plant and equipment	59,013	63,775
Intangible assets	90,146	90,534
Equity-accounted investments	768	536
Other non-current assets	12,703	13,111
Deferred tax assets	5,264	4,378
Non-current assets	167,894	172,335
Trade receivables	64,256	58,552
Inventories	53,678	48,265
Current tax assets	1,161	1,711
Other current assets	5,307	6,613
Current financial assets	14,022	56
Cash and cash equivalents	90,068	62,798
Current assets	228,492	177,994
TOTAL ASSETS	396,385	350,330
Equity attributable to the owners of the parent company	150,879	142,868
Equity attributable to non-controlling interests	331	353
Total equity	151,210	143,220
Non-current financial liabilities	103,827	86,486
Provisions for risks	1,185	1,368
Defined benefit plans	8,083	7,844
Deferred tax liabilities	10,530	10,896
Non-current liabilities	123,626	106,595
Current financial liabilities	49,696	38,492
Trade payables	41,356	38,200
Current tax liabilities	5,751	1,113
Provisions for risks	1,602	2,418
Other current liabilities	23,143	20,292
Current liabilities	121,549	100,515
TOTAL LIABILITIES AND EQUITY	396,385	350,330

Consolidated Statement of profit or loss

(€'000)	30/09/2020	30/09/2019
Revenue	247,955	247,694
Other revenue	2,157	1,963
Costs of raw materials, consumables and goods and changes in inventories	(104,840)	(104,258)
Services	(31,150)	(34,335)
Capitalised development expenditure	1,396	1,863
Personnel expenses	(66,548)	(62,645)
Other expenses, net	(447)	(689)
Amortisation, depreciation and impairment losses	(13,768)	(12,332)
OPERATING PROFIT	34,755	37,261
Net financial income	(1,095)	(990)
Net exchange rate losses	125	(62)
Net result from companies consolidated with Equity method	252	135
PROFIT BEFORE TAX	34,035	36,344
Income taxes	(7,832)	(8,088)
PROFIT FOR THE PERIOD	26,204	28,257
Non-controlling interests	14	26
PROFIT FOR THE PERIOD ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	26,190	28,231

Consolidated Statement of comprehensive income

(€'000)	30/09/2020	30/09/2019
Profit for the period	26,204	28,257
Items that may be subsequently reclassified to profit or loss:		
- Fair value gains (losses) on hedging derivatives net of the tax effect	(99)	(551)
- Exchange differences	(5,623)	1,384
Items that may not be subsequently reclassified to profit or loss:		
- Discounted benefits to employees net of fiscal effect	(93)	(368)
Comprehensive income	20,389	28,722
attributable to:		
- Owners of the parent company	20,410	28,666
- Non-controlling interests	(21)	56

Earnings per share

Earnings per share (in euros)	0.26	0.28
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Consolidated Statement of cash flows

(€'000)	30/09/2020	30/09/2019*
Profit for the period	26,204	28,257
Adjustments for:		
Amortisation, depreciation and impairment losses	13,768	12,332
Accruals to/utilisations of provisions	1,296	1,928
Non-monetary net financial income	1,001	926
Taxes	(803)	(392)
(Capital gains)/losses on fixed assets disposal	-	(758)
	41,466	42,293
Changes in working capital:		
Change in trade receivables and other current assets	(5,796)	(957)
Change in inventories	(8,583)	275
Change in trade payables and other current liabilities	11,614	(2,258)
Change in non-current assets	(731)	252
Change in non-current liabilities	261	240
Cash flows generated from operations	38,231	39,845
Net interest paid	(1,415)	(1,110)
Taxes paid	-	(11,132)
Net cash flows generated by operating activities	36,816	27,603
Investments in property, plant and equipment	(4,845)	(13,264)
Investments in intangible assets	(2,996)	(3,021)
Investments in financial assets	(14,000)	-
Disinvestments of property, plant and equipment and intangible assets	74	186
Interest collected	145	233
Investment in companies evaluated with the equity method	-	(1,340)
Cash flows generated by (used in) investing activities	(21,622)	(17,206)
Repurchase of treasury stocks	(958)	(807)
Dividend to Shareholders	(11,980)	(9,992)
Dividend to Minorities	-	(74)
Increase in financial liabilities	69,618	40,000
Decrease in financial liabilities	(39,555)	(30,106)
Decrease in financial liabilities for leasing fees	(3,359)	(3,232)
Cash flows generated by (used in) financing activities	13,766	(4,210)
Change in cash and cash equivalents	28,959	6,188
Cash and cash equivalents - opening balance	62,798	55,319
Exchange differences	(1,689)	485
Cash and cash equivalents - closing balance	90,068	61,992

*To make some data as of 30 September 2019 more comparable, a certain number of items, in particular relating to taxes and interest income, have been reclassified.

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
Balance as of 1/1/2019	10,000	2,000	2,660	(93)	32,950	39,798	30,678	117,992	296	118,288
Owner transactions										
- Allocation of profit for the period	-	-	-	-	23,990	6,689	(30,678)	-	-	-
- Defined benefit plans	-	-	-	-	204	-	-	204	-	204
- Treasury shares repurchase	-	-	-	-	(807)	-	-	(807)	-	(807)
- Dividend distributions	-	-	-	-	(9,992)	-	-	(9,992)	-	(9,992)
Total owner transactions	10,000	2,000	2,660	(93)	46,344	46,487	-	107,396	296	107,692
- Profit for the period	-	-	-	-	-	-	28,231	28,231	26	28,257
- Other comprehensive income (expenses)	-	-	1,354	(551)	(369)	-	-	435	30	465
Total other comprehensive income (expenses)	-	-	1,354	(551)	(369)	-	28,231	28,666	56	28,722
Balance as of 30/9/2019	10,000	2,000	4,014	(644)	45,975	46,487	28,230	136,062	352	136,415
Balance as of 1/1/2020	10,000	2,000	3,557	(363)	46,166	46,487	35,019	142,868	353	143,220
Owner transactions										
- Allocation of profit for the period	-	-	-	-	22,711	12,308	(35,019)	-	-	-
- Defined benefit plans	-	-	-	-	539	-	-	539	-	539
- Treasury shares repurchase	-	-	-	-	(958)	-	-	(958)	-	(958)
- Dividend distributions	-	-	-	-	(11,980)	-	-	(11,980)	-	(11,980)
Total owner transactions	10,000	2,000	3,557	(363)	56,478	58,795	-	130,469	353	130,821
- Profit for the period	-	-	-	-	-	-	26,190	26,190	14	26,204
- Other comprehensive expenses	-	-	(5,588)	(99)	(93)	-	-	(5,780)	(35)	(5,815)
Total other comprehensive expenses	-	-	(5,588)	(99)	(93)	-	26,190	20,410	(21)	20,389
Balance as of 30/9/2020	10,000	2,000	(2,031)	(462)	56,386	58,795	26,190	150,879	331	151,210

Fine Comunicato n.2092-49

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