



CAREL

CAREL INDUSTRIES S.p.A. 2020 – 9M Results

6th November 2020

9M 2020 – Highlights

The positive trends already reported at the end of Q2 2020 accelerated in Q3 2020, further mitigating the impact on revenues of the temporary lockdowns in several countries and confirming Group's ability in coping with disrupting scenarios.

+0.1%
Revenues
growth rate

- Revenues were in line with 9M 2019 (+0.1%; +1.2% constant FX) with a very positive performance in Q3 2020 (+7.7%)
- A recovery in several geographic areas and applications and company's ability to seize the opportunities offered by the market in these unprecedented times were key elements in achieving stable results compared to the same period in 2019. This, in spite of **the temporary shutdown** in the first part of the year of a significant part of CAREL's production facilities accounting for more than **60% of its total production capacity**.

19.6%
EBITDA margin

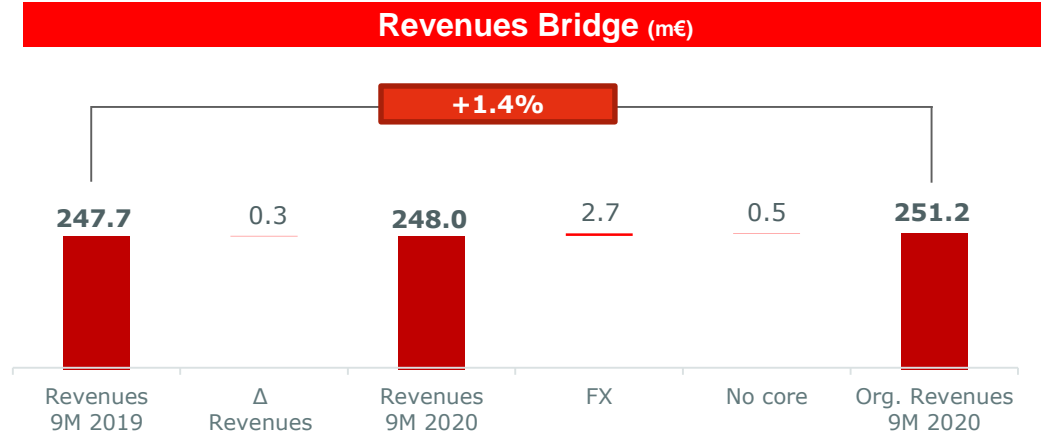
- EBITDA margin equal to 19.6%, up 40bps on H1 2020.
- The positive effect of the operating leverage in Q3 2020 along with a quick and effective implementation of a number of **initiatives to contain opex** helped limiting the effect of higher logistic expenses due to COVID-19.

~25m€
FCFE

- Robust FCFE leading to a ~13m€ reduction in NFP compared to FY 2019.

9M 2020 – Significant recovery in Q3 2020

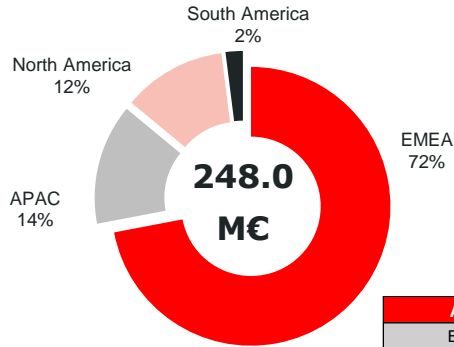
| KPIs | | | |
|-----------------------|---------|---------|-------|
| m€ | 9M 2019 | 9M 2020 | Δ% |
| Revenue | 247.7 | 248.0 | +0.1% |
| Revenue FX Adj. | 247.7 | 250.7 | +1.2% |
| EBITDA | 49.6 | 48.5 | -2.2% |
| <i>EBITDA/Revenue</i> | 20.0% | 19.6% | |
| Net Profit | 28.2 | 26.2 | -7.2% |
| Capex | 16.3 | 7.8 | n.r. |



- **Revenue +0.1%:** Significant recovery in revenues from -3.6% (in H1 2020) to +0.1% (+1.4% organic), with an improvement in all the macro-sectors (HVAC and Refrigeration) and geographical areas. The backlog accumulated in the first part of the year has been completely recovered.
- **EBITDA -2.2%:** The slight decline in EBITDA was mainly related to the increase in logistic costs due to COVID-19 pandemic and to the absence of the positive effect coming from operating leverage. In any case, the EBITDA margin improved compared both to H1 2020 and to FY 2019
- **Net Profit -7.2%:** Operating results and higher D&A resulted in lower net-profit.
- **Capex:** Capex reduction in line with expectation, as the expansion of the production footprint was completed at the end of 2019.

9M 2020 – Revenue breakdowns

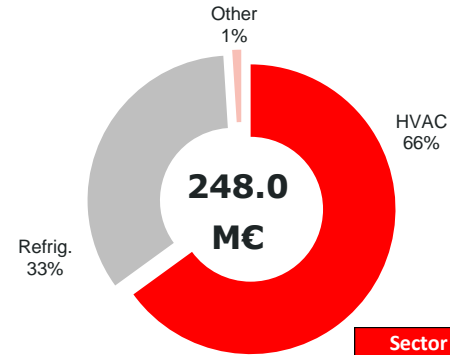
Breakdown by region



| Area | m€ | | m€ | |
|----------------------|--------------|--------------|-------------|-------------|
| | 9M 2019 | 9M 2020 | Δ% | Δ% fx |
| EMEA | 173.6 | 179.0 | 3.1% | 3.6% |
| APAC | 36.5 | 35.1 | -3.8% | -2.1% |
| Americas (North) | 31.6 | 28.8 | -9.0% | -8.9% |
| Americas (South) | 6.0 | 5.0 | -15.8% | 4.0% |
| Total Revenue | 247.7 | 248.0 | 0.1% | 1.2% |

- **EMEA** – The positive trends already indicated at the end of H1 2020 continued: constant growth in Eastern Europe and in heat pumps in Northern Europe more than offset a slow-down in specific applications.
- **APAC** – Positive performance in China substantially counterbalanced negative performance in South APAC linked to COVID-19.
- **Americas (North)** – Slight improvement compared to H1 2020.
- **Americas (South)** – Significant impact of FX – Strong performance in Brazil offset the negative results in other countries in the area.

Breakdown by sector



| Sector | m€ | | m€ | |
|----------------------|--------------|--------------|-------------|-------------|
| | 9M 2019 | 9M 2020 | Δ% | Δ% fx |
| HVAC | 163.2 | 162.8 | -0.3% | 0.5% |
| Refrig. | 80.8 | 82.0 | 1.5% | 3.4% |
| Core Revenue | 244.1 | 244.8 | 0.3% | 1.4% |
| No core | 3.6 | 3.1 | -13.9% | -13.9% |
| Total Revenue | 247.7 | 248.0 | 0.1% | 1.2% |

- **Strong recovery in HVAC** compared to H1 2020 (from -4.9% to +0.5% net of FX) thanks mainly to the positive trend in heat-pumps, data-centers and hospitals.
- **Positive performance in Refrigeration in spite of a cautious market.** Market share gain in particular in Eastern Europe and China in food-retail more than offset poor performance in the HO.RE.CA applications.

From EBITDA to Net Profit

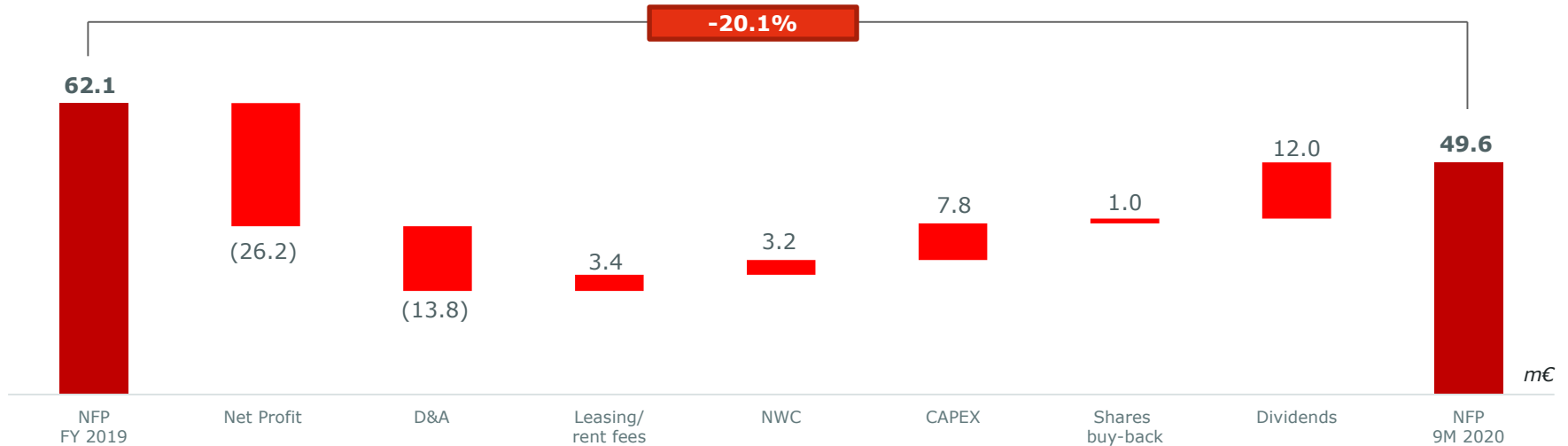
| | K€ | 9M '19 | 9M '20 | Δ% |
|------------------|-----------------------------------|---------|----------------|-------|
| EBITDA | | 49,593 | 48,523 | -2.2% |
| | <i>D&A</i> | -12,332 | -13,768 | |
| EBIT | | 37,261 | 34,755 | -6.7% |
| | <i>Financial (charges)/income</i> | -990 | -1,095 | |
| | <i>FX gains/losses</i> | -62 | 125 | |
| | <i>Companies cons. with E.M.</i> | 135 | 252 | |
| EBT | | 36,344 | 34,035 | -6.4% |
| | <i>Taxes</i> | -8,088 | -7,832 | |
| | <i>Minorities</i> | -26 | -14 | |
| Group net profit | | 28,231 | 26,190 | -7.2% |

- 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.

- **23.0% tax rate** (9M 2019 = 22.2%), due to a different mix in terms of contribution from different geographic areas and the expiration of the tax subsidy in Croatia

9M 2020 – NFP Bridge



- **20% reduction in NFP** compared to 2019 FY level thanks to **40m€ FFO**, which easily covered capex, a slight increase in NWC and dividends.
- **ΔNWC +3.2m€**: A slight increase in inventory partially offset by an improvement in DSO.
- At the end of October 2020 the Group had Cash & Cash Equivalent and available credit lines **>100m€**.

Closing Remarks

Operations

- The **backlog** accumulated during the lock-down in February and April was **completely cleared** in June and July.
- **No major issue have been reported in relations to the operating capacity of CAREL's plants;** on the contrary in China and Croatia production capacity has been increased in order to better cope with possible future lockdowns.

Demand

- **The same trends reported at the end of H1 2020 continued and even improved:** in HVAC, "high-efficiency heat pumps", "data centers" and "hospitals" performed well, while a number of the most cyclical applications continued to still suffer. In refrigeration performance was positive in "food retail" and negative in HO.RE.CA.

Initiatives

- The initiatives put in place to reduce discretionary opex enabled CAREL **to improve its EBITDA margin compared both to FY 2019 and to H1 2020.**

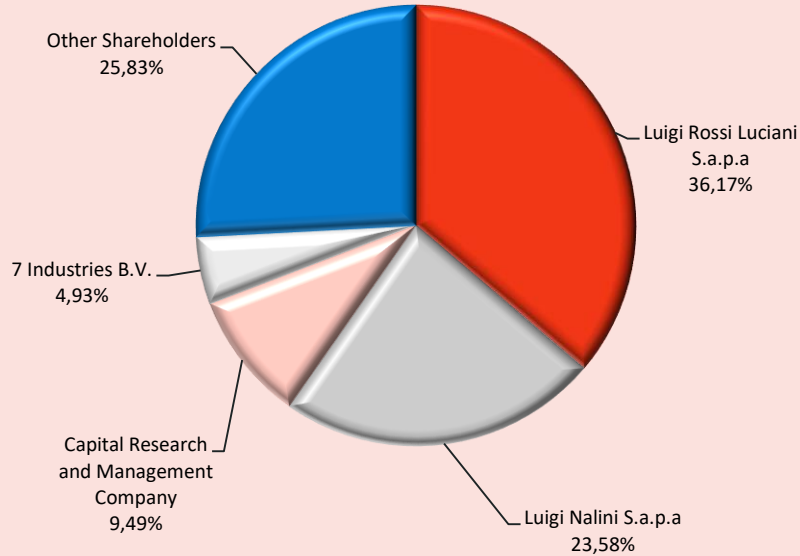
Guidance

The actual order intake is sending positive signals for the end of the year. Net of a possible sharp deterioration of the scenario due to the current resurgence of the COVID-19, in particular in Europe, the Group expects to achieve FY 2020 revenues close to FY 2019 level.

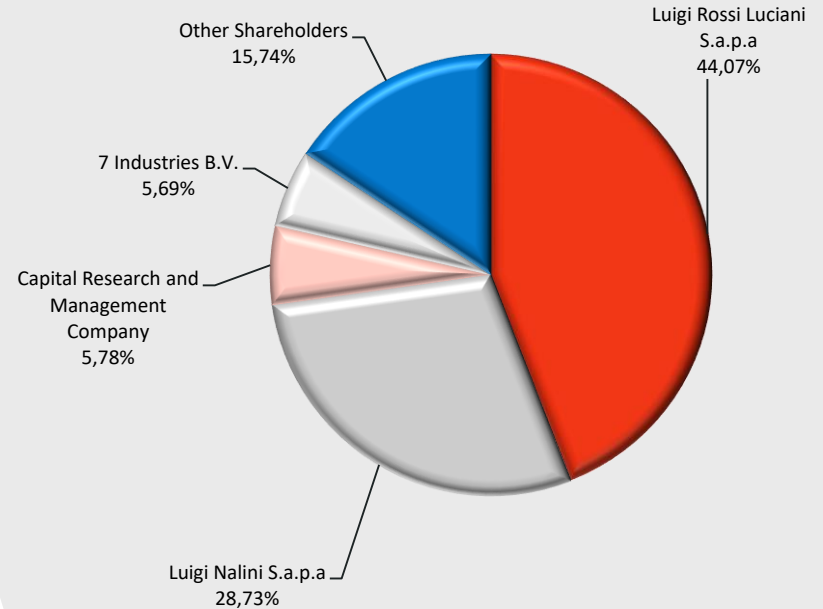
Annexes

Shareholding structure (>3% voting rights)

**CAREL Industries S.p.A.
Number of shares**



**CAREL Industries S.p.A.
Voting rights**



Income statement and Balance Sheet

Income statement

| | K€ | 9M 2019 | 9M 2020 | Delta % |
|---------------------------------|----|---------------|---------------|---------------|
| Revenues | | 247,694 | 247,955 | 0.1% |
| Other revenues | | 1,963 | 2,157 | 9.9% |
| Operative costs | | (200,064) | (201,589) | 0.8% |
| EBITDA | | 49,593 | 48,523 | (2.2%) |
| Depreciation and impairments | | (12,332) | (13,768) | 11.6% |
| EBIT | | 37,261 | 34,755 | (6.7%) |
| EBT | | 36,344 | 34,035 | (6.4%) |
| Taxes | | (8,088) | (7,832) | (3.2%) |
| Net result of the period | | 28,257 | 26,204 | (7.3%) |
| Non controlling interest | | (26) | (14) | (46.5%) |
| Group net result | | 28,231 | 26,190 | (7.2%) |

Balance sheet

| | K€ | FY 2019 | 9M 2020 | Delta % |
|--------------------------------|----|----------------|----------------|---------------|
| Fixed Capital | | 167,957 | 162,630 | (3.2%) |
| Working Capital | | 45,232 | 46,097 | 1.9% |
| Employees defined benefit plan | | (7,844) | (8,083) | 3.0% |
| Net invested capital | | 205,345 | 200,643 | (2.3%) |
| Equity | | 143,220 | 151,210 | 5.6% |
| Net financial position (asset) | | 62,124 | 49,433 | (20.4%) |
| Total | | 205,345 | 200,643 | (2.3%) |

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

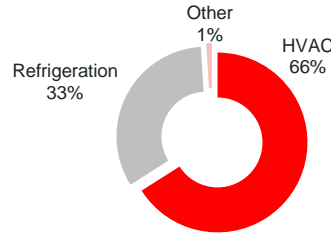
- **9 production plants** (4x Italy, Croatia, Germany, China, US and Brazil)

Key financials – 2019A

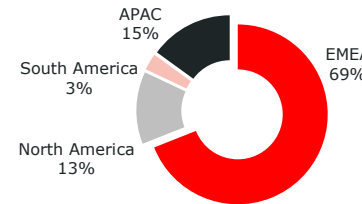
| Revenue | Adj. EBITDA | EBITDA margin | Net income |
|-------------------------------------|------------------------------------|--|------------------------|
| €327m | €64m | ~19% | €35m |
| +13% ² CAGR 2015A-19A | +14% ² CAGR 2015-19A | ~100bps Margin expansion 2015A-19A | +13% CAGR 2015A-19A |

Revenue breakdown - 2019A

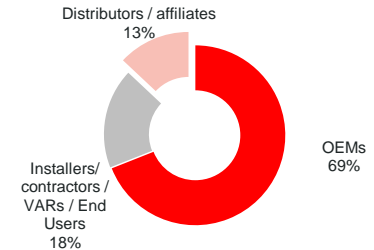
By market



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

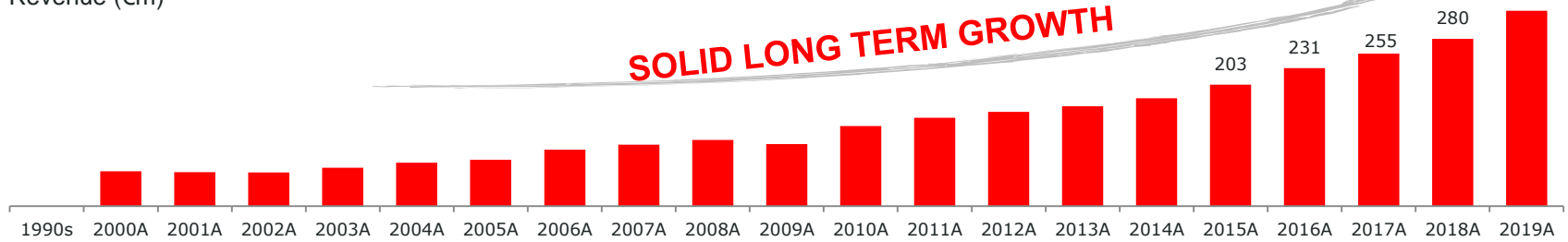
Distinctive ability to meet customers' demand for tailored integrated solutions using standard platforms

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

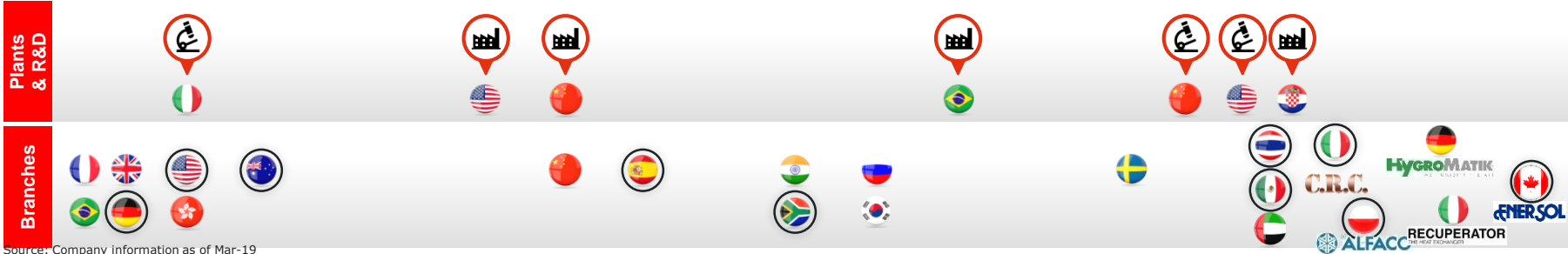


Long track record of profitable organic growth

Revenue (€m)

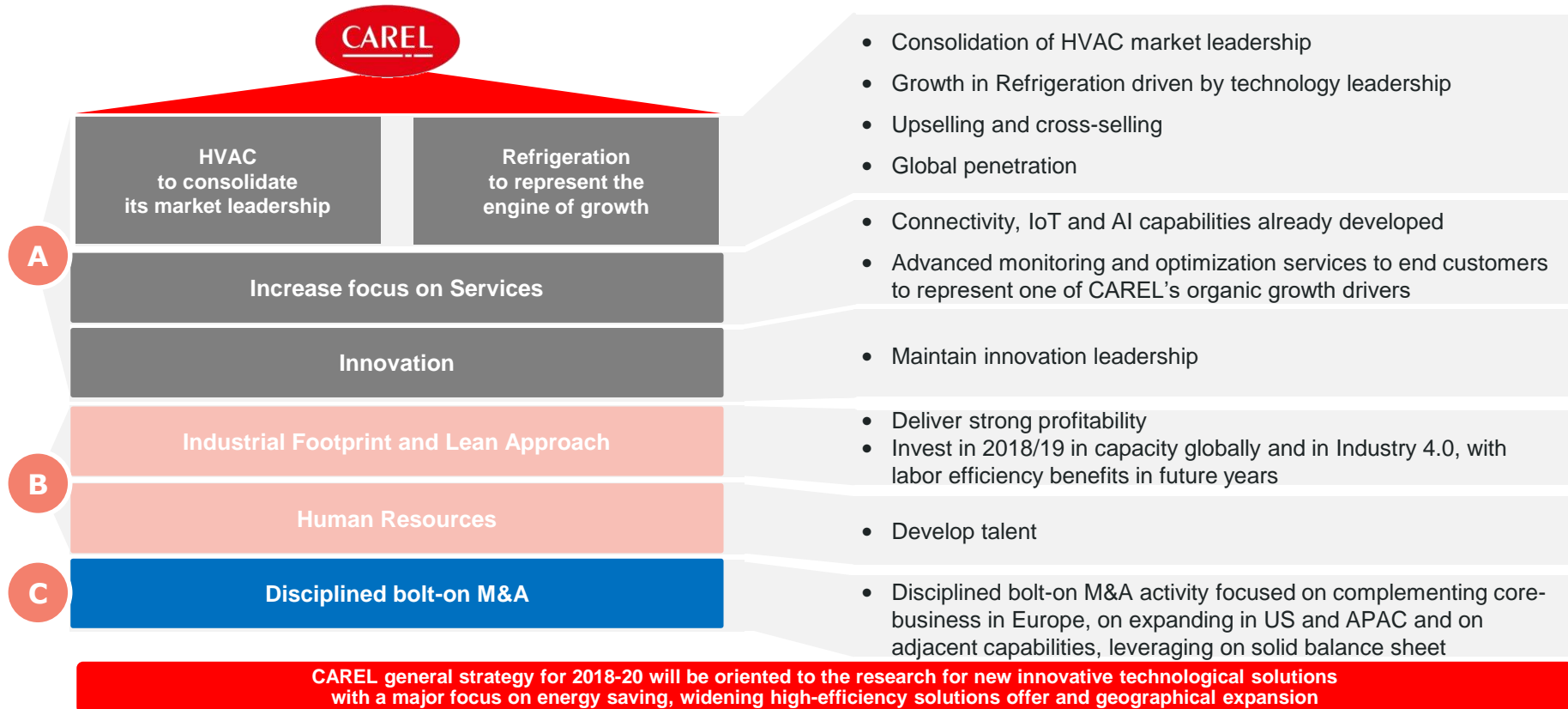


Adj. EBITDA (€m)



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.

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

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...


...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

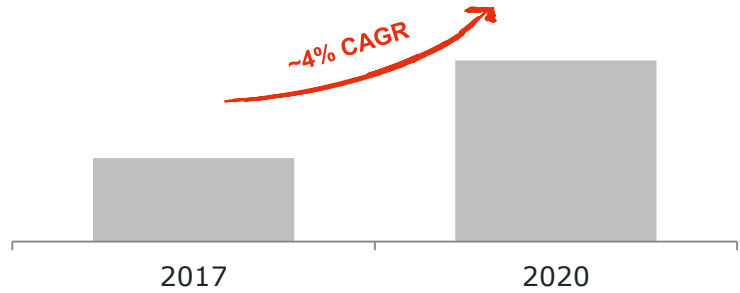
 - **ECONOMIC ACTIVITY** driving demand for HVAC/R
- 

INTERNET OF THINGS

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

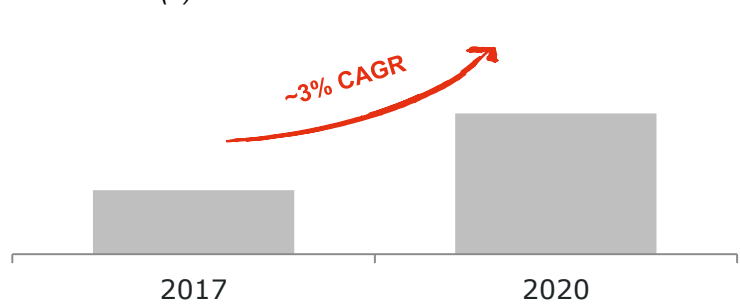
Reference HVAC Market

Market value (€m)¹



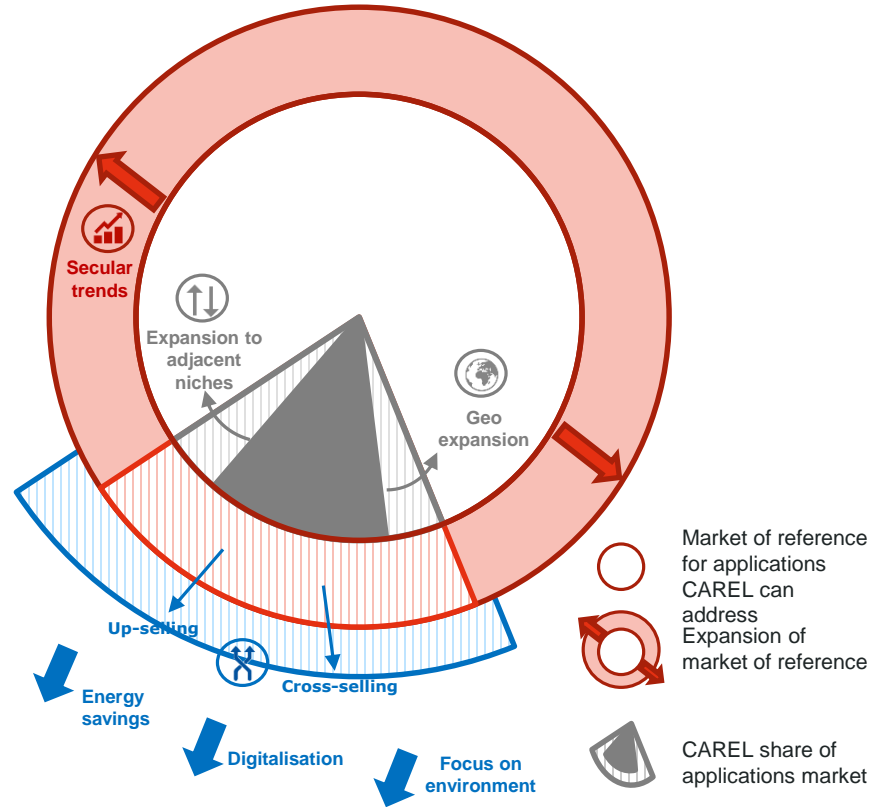
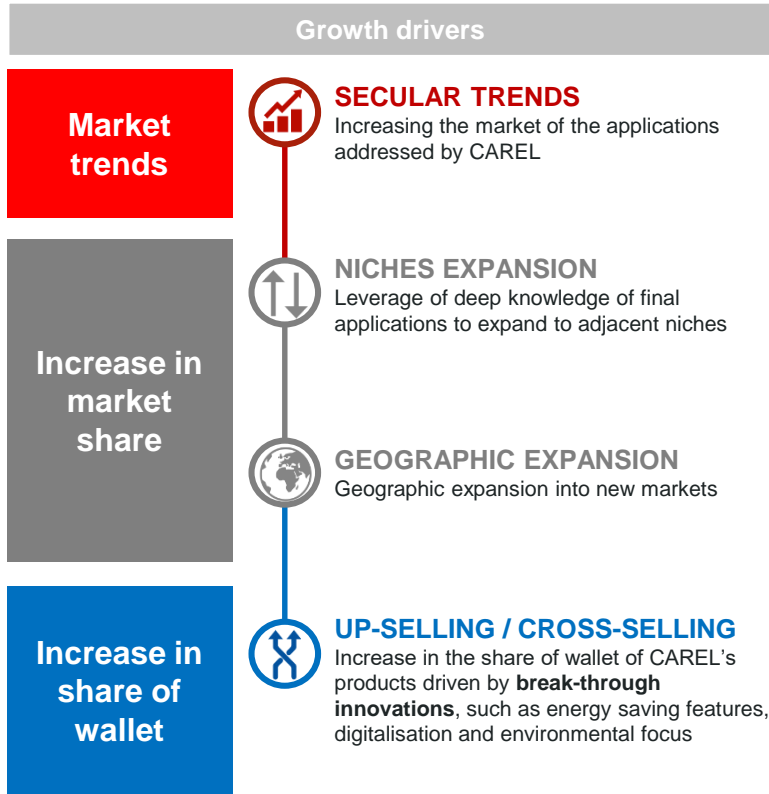
Reference Refrigeration Market

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



Refrigeration

Example of a **BEVERAGE COOLER**

Before



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



Timeline of awards (left side):

- Nov-13**: Electrolux Supplier Award
- Jan-16**: AHR Expo Innovation Award
- Apr-17**: China Refrigeration Innovation Award

Timeline of awards (right side):

- Sep-17**: World Beverage Innovation Award
- Oct-17**: RAC Cooling Industry Award
- Apr-18**: China Refrigeration Award

AWARD WINNING BUSINESS

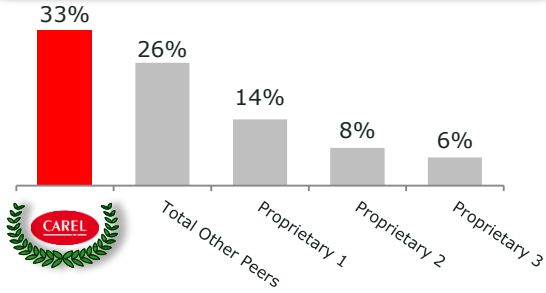
Source: Company information as of Mar-19
Note: 1) avg. 2015A-18A

3 Leadership position in HVAC OEM premium niches...

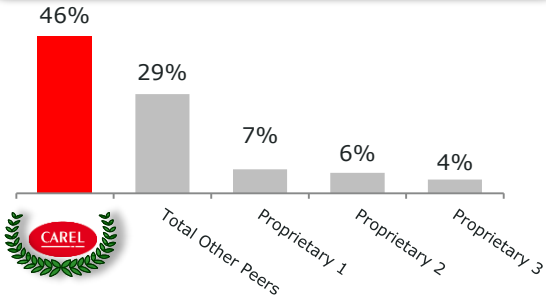
Leadership positioning in premium niches...

...with no perfect comparable

Chiller European Market Share¹



Rooftop European Market Share²

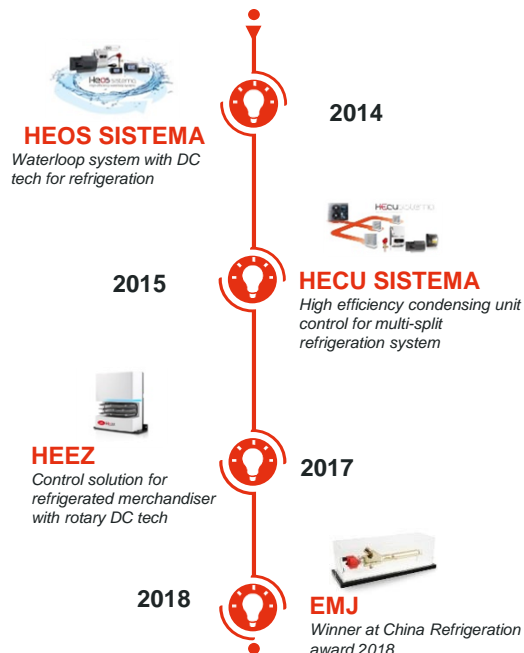


| | CAREL | OEM proprietary solutions | Large diversified competitors | EM / Low cost competitors |
|--|-------|---------------------------|-------------------------------|---------------------------|
| Vertical niche approach | ✓✓✓ | ✓✓ | ✓ | ✓✓✓ |
| Innovation pace & knowledge of final applications | ✓✓✓ | ✓ | ✓✓ | ✓✓ |
| 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 | ✓✓✓ | ✓✓ | ✓ |

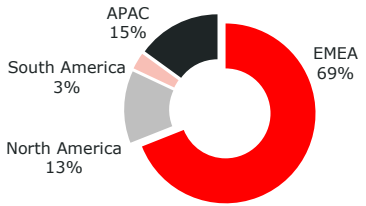
Source: Company info; Management elaborations

4 Highly efficient global operations serving locally...

GLOBAL PRODUCTION FOOTPRINT

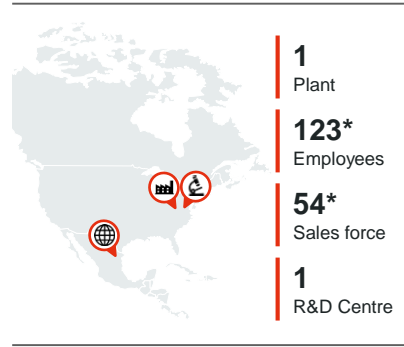
DIRECT AND HIGHLY SKILLED SALES NETWORK

BEST POSITIONED TO CAPTURE GLOBAL GROWTH OPPORTUNITIES

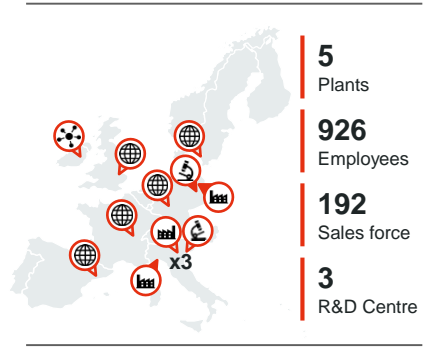


Revenue 2019A breakdown by geography

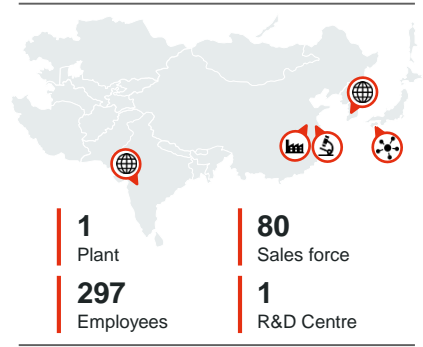
NORTH AMERICA



WESTERN EUROPE



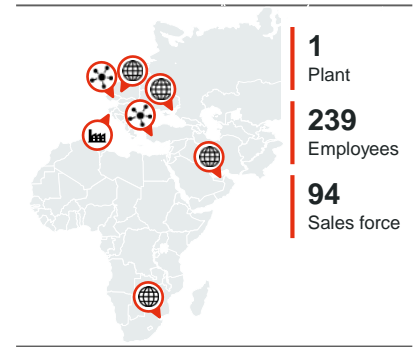
NORTH APAC



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

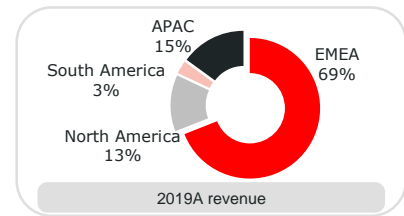
BROAD & HIGHLY DIVERSIFIED

>6,700
Customers

In **c. 100**
countries worldwide

c. 5%
from first customer¹

c. 20%
from top-15 customers²



LONG-TERM BUSINESS RELATIONSHIPS

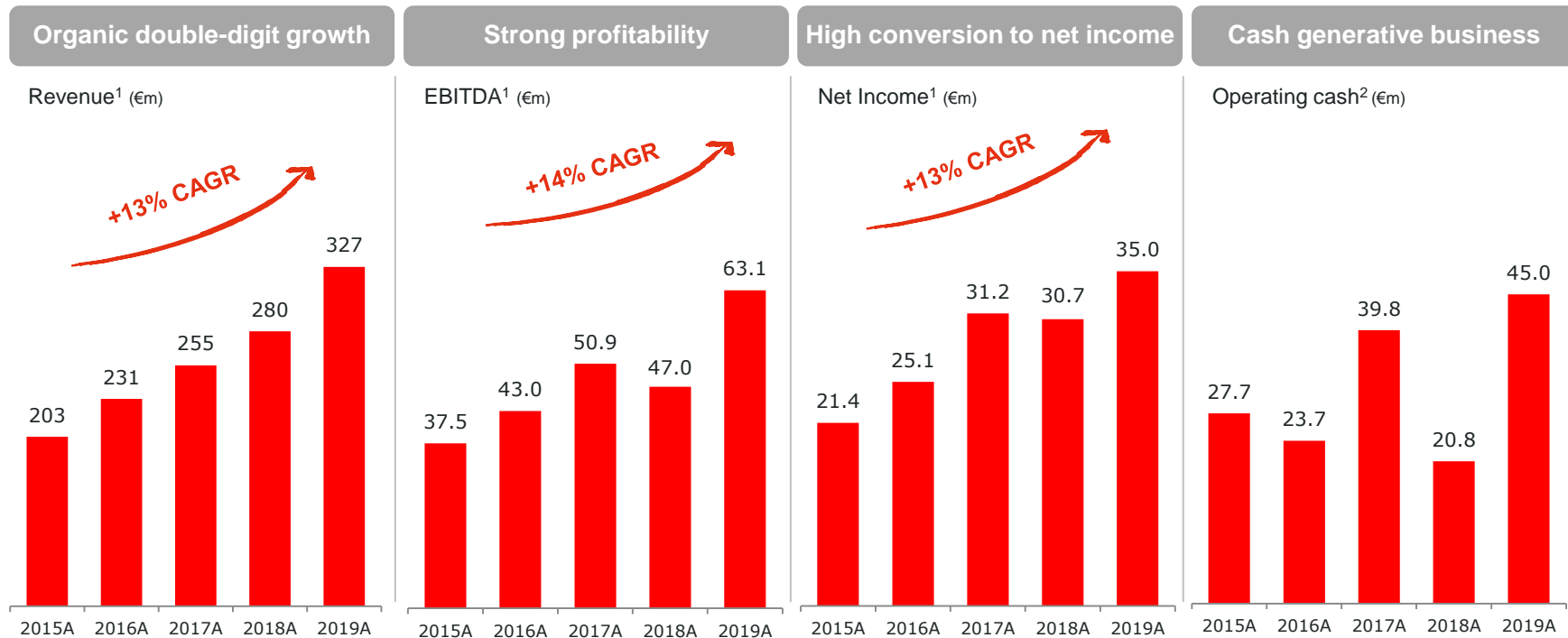
~80%
of Top Customers³
with CAREL for >10y

~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.

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