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Oggetto : CAREL - M&A - Acquisition 51% CFM

*Testo del comunicato*

Vedi allegato.

## Press Release

### CAREL signs a binding agreement to acquire 51% of the share capital of CFM Soğutma ve Otomasyon A.Ş.

*Brugine, 6 May 2021* – CAREL INDUSTRIES S.p.A. (“**CAREL**” or the “**Company**”) announces that yesterday late evening a binding agreement has been signed for the acquisition of 51% of CFM Soğutma ve Otomasyon A.Ş. (“**CFM**”), a long-standing distributor and partner in Turkey as well as a provider of digital and on-field services and complete high added value solutions dedicated to OEMs, contractors and end users in the Turkish HVAC (Heating, Ventilation and Air conditioning) and Refrigeration market.

#### Company profile

CFM's workforce, based in the 6,500 sqm Izmir facility, numbers 34 people, half of whom are part of the technical and engineering team.

With major expertise in thermodynamics, mechanics, control and connectivity, CFM offers complete solutions, starting from system design and technical support during the start-up phase of the plants up to the remote monitoring and supervision service. The offer, which is based on the proposal of the best brands and includes software development and customisation, customer training in its Academy as well as energy management services, allows CFM to stand out significantly.

CFM has created a unique business models demonstrated by its high rate of customer loyalty, its long-standing relationships with the country's main retail chains and its particularly high profitability.

A peculiar feature of CFM is also that it invoices almost all its sales in euros, thereby protecting itself from fluctuations in the local currency.

In 2020 CFM reported revenues of 14.5 million euros and EBITDA of 5.0 million euros. It is expected that at the time of the closing of the operation the net financial position will be slightly positive (net cash).

#### Industrial rationale

The transaction is aligned with two of Carel's key strategic directions:

- geographical expansion outside western Europe;
- the development of the services business, both on-field and digital.

The acquisition will allow Carel not only to establish a direct presence in the important Turkish market and to have a solid platform at the service of the development of the Middle East, but also to adopt this distinctive business model, characterised by a wide range of complementary services, and to further develop its potential in synergy with its hardware, IoT and thermodynamic competences. After having established its success in the refrigeration sector, CFM has in fact extensive growth potential for the future also in air conditioning and humidification.

#### Structure of the transaction

With this transaction, Carel takes control of the Turkish company through the acquisition of 51% of the share capital of CFM with an enterprise value for this stake of 23.1 million euros (the actual cash-out will depend on the limited price adjustments that will be made, as usual, after the completion of the closing on the basis of the actual amount of the net financial position and net working capital at the closing date). The acquisition by CAREL of the remaining 49% of CFM, the valuation of which is tied to CFM future results, is governed by a cross-option mechanism between the parties, exercisable between 2024 and 2027. This structure, in which the current management is heavily involved in the company in the medium term, ensures a complete alignment of interests during the integration period of CFM into CAREL.

The agreement provides the buyer with contractual guarantees (and related indemnity protection) in line with the best market practices.

Closing, (expected by the end of July 2021) is subject to obtaining the approval for the transaction from the local antitrust authorities and other conditions precedent that are characteristic of this type of agreement.

For the purpose of paying the purchase price, CAREL is expected to use available financial resources.



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Francesco Nalini and Murat Cem Özdemir, respectively Carel Group CEO and General Manager of CFM jointly commented: "We are delighted with this strengthening of our partnership that has lasted successfully for many years. The agreement signed today represents an important step in the development strategy of both companies. For CAREL it is in fact a significant step towards growth in the area, guaranteeing direct access to the refrigeration and HVAC markets together with a commercial and technical leader in the relevant applications. In addition, there is a strong synergy of skills in the services sector, both digital and on-field, which constitutes one of the fundamental lines of development in the Group's strategy. As far as CFM is concerned, joining the CAREL network will allow it to take advantage of important growth opportunities, as it will be able to draw on the expertise of one of the world leaders in the design and supply of air-conditioning and refrigeration control systems".

*Carel Industries SpA has been supported in the transaction by Lazard as financial advisor, by Studio Chiomenti and Gide as legal advisors, by KPMG in the development of the financial, fiscal, IT&Cyber-security due diligence.*

For more information

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#### CAREL

The Carel Group is one of the leaders in the design, manufacturing and global marketing of technologically advanced components and solutions for achieving high energy efficiency in the control and regulation of equipment and systems in the air-conditioning ("HVAC") and refrigeration markets. Carel is focused on specific vertical market niches characterised by extremely specific needs, to be met through dedicated solutions developed in-depth to meet these needs, as opposed to mass markets.

The Group designs, manufactures and markets hardware, software and algorithmic solutions aimed both at increasing the performance of the units and systems for which they are intended and saving energy, with a globally recognised brand name in the HVAC and refrigeration markets (collectively, "HVAC/R") in which it operates and, in the opinion of the Company's management, a distinctive positioning in the reference niches in these markets.

HVAC is the Group's largest market, accounting for 66% of the Group's revenue for the year ended 31 December 2020, while the refrigeration market accounted for 33% of the Group's revenue.

The Group commits significant resources to research and development ("Research and Development"), an area that is strategically important to hold its leadership position in the HVAC/R market niches, with a particular focus on energy efficiency, reducing environmental impact, trends related to the use of natural refrigerant gases, automation and remote connectivity (Internet of Things), and the development of data-driven solutions and services.

The Group operates through 27 subsidiaries and 9 manufacturing plants located in various countries. As at 31 December 2020, approximately 80% of the Group's revenues were generated outside Italy and 30% outside the EMEA (Europe, Middle East, Africa) area. Original Equipment Manufacturers or OEMs, suppliers of complete units for applications in the HVAC/R markets, constitute the Company's main customer category, on which the Group is focused to build long-term relationships.

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