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Oggetto : CAREL - Klingenburg Acquisition

<i>Testo del comunicato</i>

Vedi allegato.

Press Release

CAREL acquires 100% of the share capital of Klingenburg GmbH and Klingenburg International Sp. Z.o.o.

Brugine, 02 September 2022 – CAREL Industries S.p.A. (“**CAREL**” or the “**Group**”) announces that the acquisition of 100% of the share capital of Klingenburg GmbH (and its subsidiaries) and Klingenburg International Sp. Z.o.o. (“**Klingenburg**” or the “**Klingenburg Group**”), leading producers of a wide range of products used mainly for heat recovery in ventilation and humidification systems, adiabatic cooling and air purification, was completed today.

Company profile

The Klingenburg Group, founded in 1979, is the European leader in the production and sale of rotary and plate heat exchangers, essential elements in the recovery of heat and therefore in guaranteeing significant energy savings in ventilation systems. In particular, the main advantages of rotary technology, making up most of Klingenburg’s business (and for which also benefit from product and production process patents), are associated with the ability to treat large amounts of air while maintaining compactness and high efficiency of the component. They are used in multiple applications: in addition to being used in air handling units in residential and commercial buildings, the rotary heat exchangers are widely used in various industrial processes. Klingenburg also offers solutions for humidification (mainly for indirect adiabatic cooling) and the sanitification of the air through UV technology. The sale of services in support of product solutions offered is also significant.

The companies object of the acquisition have two production facilities available, one is in Germany and one in Poland. They boast a direct commercial presence also in the United Kingdom, in Spain and in the United States. The employees at the end of 2021 were approximately 200.

In regard to financial economic data, aggregated revenues at 31 December 2021 amount to approximately Euro 39.1 million with an EBITDA of Euro 2.4 million and net cash of Euro 4.8 million.

We report that during 2019, Klingenburg GmbH underwent a restructuring process, essentially completed, that has led to the settlement of the previous debt situation and to a rationalisation of the cost structure, in addition to a growth in revenue.

Industrial rationale

The transaction rationale is attributable, first, to the implementation of one of the main cornerstones of the Group’s strategy, calling for a growth path through M&A, also through products complementary in applications of reference. Furthermore, it aims at strengthening CAREL’s positioning in the industry of air handling units, joining the acquisitions of Recuperator S.p.A. and Enginia S.r.l, completed respectively in 2018 and 2021, responding to the same logic.

The high degree of complementarity between Recuperator and Klingenburg in relation to the respective technologies of specialisation (plate exchangers for Recuperator and rotary for Klingenburg) and to the application areas will allow CAREL to develop industrial and commercial synergies, resulting in holding a top-level role in such sector, in Europe and also outside continental boundaries, confirming at the same time its ability to offer itself always more as sole supplier of complete systems of air treatment units.

The effects of the transaction also reflect positively on Klingenburg, who will benefit from an improved competitive positioning and investment capability not achievable earlier, in addition to a particularly advanced technological know-how. To this, the global footprint of the CAREL Group is added, as well as its extensive customer base, which will open new markets and new geographies with the creation of significant cross-selling opportunities. In particular, the possibility of producing in the United States would allow for an easier North American market penetration for Klingenburg products, especially suited for local market needs.



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Transaction description

The transaction, through which CAREL Industries S.p.A. takes over control of Klingenburg GmbH and Klingenburg International Sp. Z.o.o. via the acquisition of 100% of the share capital of the German and Polish companies, took place in response to an Enterprise Value of Euro 12.0 million (adjusted for approximately 2 million deferred capex). The actual cash-out will depend on the limited price adjustments that will be made, as is customary, on the actual amount of Klingenburg's net financial position and net working capital as at the closing date.

The agreement provides the buyer with contractual guarantees (and related indemnity protection) in line with market practice, as well as the use of insurance tools.

CAREL used available financial resources to pay the purchase price.

Francesco Nalini, CEO of the CAREL Group, commented: *"The transaction completed today confirms once again the ability of the Group to pursue its growth objectives through M&A with coherence and timeliness. Specifically, it represents an additional step forward towards the enrichment of the product range geared to the industry of air handling units, as well as the completion of the technologies offered in the area of heat exchangers, already partially covered with the Recuperator acquisition in 2018. Therefore, the company continually presents itself as a supplier of complete control solutions with high added value in the conditioning and refrigeration industry, with energy efficiency as one of their main characteristics."*

CAREL Industries S.p.A was assisted in the transaction by Mediobanca as financial advisor, by Studio Chiomenti as lead legal counsel, by Gleiss Lutz and Wardinski as local legal advisors and PwC in developing financial, tax, environmental, IT and cyber-security due diligence.

For further information

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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 65% of the Group's revenues in the financial year to 31 December 2021, while the refrigeration market accounted for 34% of the Group's revenues.



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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 29 subsidiaries and ten production plants located in various countries. As of 31 December 2021, 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.

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