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Testo del comunicato

Vedi allegato.

Press Release

CAREL signs a binding agreement to acquire c. 82.4% of Kiona share capital

Brugine, 24 July 2023 **–** On today's date, CAREL Industries S.p.A. ("**CAREL**" or the "**Group**") entered into a binding agreement to acquire a c. 82.4% stake in Kiona Holding AS ("**Kiona**" or the "**Company**"), a leading Norway-based Software as a Service ("**SaaS**") provider of prop-tech (property technologies) solutions for energy consumption optimization and building digitalization in retail & industrial refrigeration, public, commercial and multi-residential facilities.

Company profile

Headquartered in Trondheim (Norway), Kiona was formed in 2021 following the aggregation of 5 synergistic companies boasting top notch software and digital competences: IWMAC (Norway), Egain (Sweden), Cebyc (Norway), Moldeo (Sweden) and Alpha ECO (Switzerland). Today, Kiona is an advanced tech group, a leader in Northern Europe, providing comprehensive SaaS solutions to reduce the environmental footprint of refrigeration systems and buildings through the control and optimization of energy usage.

The wide range of digital solutions is aimed at the industrial and commercial refrigeration sectors, as well as multi-residential, commercial and public buildings, whether existing or newly built. Kiona is able to integrate multiple systems and technologies, regardless of the supplier and the degree of evolution, fully expressing its potential in the areas of monitoring, optimization and continuous improvement of energy efficiency. The topic is central to carbon emission reduction, in fact, globally c. 40% of electricity consumed and c. 35% of greenhouse gases are attributable to buildings. Furthermore, according to European Commission estimates, 75% of buildings (both commercial and residential) in Europe are classified as energy inefficient.

Kiona belongs to the "rule-of-40" European SaaS prop-tech solutions providers, counts 17 offices across 8 countries and employs c.150 people. Leveraging its well-established footprint in Northern-Europe, the Company already serves c. 57,000 facilities and food retail stores across Europe.

Strategic rationale

The transaction serves as a strategic move to further strengthen CAREL's positioning as a global leader in the HVAC-R industry, addressing the increasing digitalization and shift towards servitization of the sector, as Kiona is expected to materially enhance and accelerate the development of CAREL's software and digital services offering.

M&A – The acquisition of Kiona, which is one of the largest for CAREL so far, represents another important milestone towards the process of external growth, nurturing the Group's commitment to remain at the forefront of sustainable and innovative solutions. Management believes that the transaction provides new avenues for growth and development, facilitating further market penetration in the fields of technical property management along with the digital and sustainable transformation of buildings, and energy monitoring and optimization also through artificial intelligence.

Digital value proposition – Kiona's high value-added SaaS solutions are expected to bring a significant advantage to CAREL, by strengthening its capabilities to develop digital services aimed at facilitating both energy management and complex technologies in the HVAC-R field. Kiona's data driven solutions and services empower customers to proactively optimize energy consumption, reduce costs, and improve overall performances, thereby enabling customers to achieve their sustainability and financial goals. The Company's self-learning algorithms are adaptive, continuously adjusting the operation of the systems to a series of external and internal conditions of the building in order to minimize energy consumption. The success achieved by Kiona since its founding is linked not only to the effectiveness of the services offered but also to their ease of installation, which allow for excellent management of complex systems based on different technologies and architectures. The combination of Kiona's analytics capabilities with CAREL's IoT platforms and control systems specifically dedicated to HVAC-R, in which CAREL holds a significant market share, will unlock new opportunities for technological development through a platform dedicated to energy efficiency.

Human capital – With the integration of Kiona, CAREL brings on board a team of highly skilled professionals with extensive experience in software and digital service fields, with the aim of allowing the Group to further consolidate its capabilities and know-how in a critical segment such as smart systems for the digitalization and optimization of energy consumption inside buildings. Furthermore, the combination of CAREL's longstanding expertise and best practice with Kiona's cutting-edge digital competencies is expected to significantly grow the development potential of both companies, also thanks to the important scope for collaboration between their respective R&D teams. The goal is to maintain technological leadership by anticipating customer needs and expectations.

Growth potential – Kiona develops and delivers state-of-the-art SaaS solutions in the prop-tech space and is thus well positioned to potentially benefit from solid and long-term market tailwinds such as the increasing focus on digital services for optimizing energy consumption in buildings. The ongoing deployment of Kiona's development strategy is expected to accelerate its topline growth while achieving further margin expansion thanks to its highly scalable business model as well as its already high share of SaaS Annual Recurring Revenues ("**ARR**"). In addition, with CAREL's support, Kiona may pursue multiple avenues for potential commercial upside, such as geographical global diversification, customer base expansion, as well as additional M&A growth opportunities in a still highly fragmented market.

Value creation and synergies – The transaction is expected to enhance both companies' respective growth while also unlocking additional value creation opportunities. In fact, through the integration of Kiona, CAREL expects to expand its market share in digital services in the Nordics for both the food retail sector and the energy management systems for buildings. Kiona, by leveraging CAREL's positioning and size, supply chain strength, breadth of global distribution network and strong customer base, will reach a much broader audience and is expected to open up to new geographies and applications. In particular, the transaction aims to unlock several potential synergies, including: (i) the creation of important firepower in the software and digital services fields thanks to the combination of Kiona's and CAREL's competencies and development capabilities; (ii) the acceleration of Kiona's geographical expansion outside of the Nordics, leveraging CAREL's global channels; (iii) the enhancement of technological innovation opportunities, combining CAREL's widespread presence in HVAC-R units, as well as its deep knowledge in thermodynamics, with Kiona's software and digital value proposition; and (iv) the exploration of new applications for Kiona's solutions, e.g. indoor air quality and ventilation domains, leveraging upon CAREL's strong know-how in sensors and presence in the contracting channel.

In conclusion, the acquisition of Kiona, in particular following CAREL's recent development in the sensors sector, represents a strategic opportunity fully aligned with the long-term vision of the Group.

Transaction description

In the context of the transaction, CAREL will acquire a c. 82.4% stake in Kiona.

Each of the founder & CEO (Trond-Øystein Bjørnnes), certain key employees and two Norwegian early financial investors (the "**Reinvesting Shareholders**") will retain a significant portion (in the range of 30%) of their stake, which on an aggregate basis will account for a c. 17.6% minority stake in Kiona post-transaction, subject to a 3-years lock up period followed by a put and call option scheme.

The acquisition consideration implies a 100% Enterprise Value of NOK 2.35 billion (c. €210m[1]) on a cash-free debt-free basis, reflecting EV/Revenues multiples, typically considered as a reference valuation metric in the SaaS prop-tech space, in line with precedent transactions. Such valuation is based on the Company's targeted Revenues CAGR 2021A-2023E of ~19%, resulting in 2023 expected revenues of approximately NOK 285m (c. €25m[1]), of which c. 75% is expected to come from SaaS ARR, and a solid target EBITDA margin 2023E in the range of 20-25%.

The purchase price is based on a locked-box mechanism and takes into consideration customary adjustments including, among the others, net financial position, debt like items and normalization of the net working capital.

The envisaged governance framework entails an active involvement from the current key managers in Kiona, thus preserving continuity, ensuring an expected smooth integration process into CAREL while granting a comprehensive alignment of interests between the parties.

At closing, the transaction is expected to be entirely funded with a mix of newly committed debt facilities (entered into with Mediobanca – Banca di Credito Finanziario S.p.A. on the date hereof), existing committed credit lines and cash on hand.

Closing is expected by 3Q-2023 and is subject to obtaining required regulatory approvals and satisfaction of other customary closing conditions.

Francesco Nalini, CEO of the CAREL, commented: *"The transaction announced today represents CAREL's eleventh acquisition since its listing on the Milan stock exchange five years ago and once again confirms our ability to consistently and promptly pursue ambitious growth objectives by external means. Specifically, the acquisition of Kiona, an excellence in its reference sector with strong revenues growth and robust profitability, aligns perfectly with the Group's strategy to strengthen its position in the digital services sector oriented towards energy efficiency. Furthermore, the combination of the two companies' know-how, expertise, and human capital is expected to provide both with the opportunity to play a leading role in this market, both in Europe and overseas, opening up new business opportunities in an environment scenario where energy savings represents one of the most significant global challenges of the coming decades".*

[1]Based on 11.216 NOK/EUR exchange rate as of 21/07/2023

Trond-Øystein Bjørnnes, founder & CEO of Kiona, commented: *"The 50 years of CAREL's history have been all about constant innovation and striving for excellence, which are also the goals of Kiona's company culture. This shared philosophy and values, along with a focus on energy efficiency, have made the Italian Group the natural partner for our ambitious development goals. We share that our customers are at the core of everything we do, and now Kiona, together with CAREL, will be able to move forward to develop our services and products while strengthening market leadership. Together, new global opportunities will also arise that will lead to further growth for Kiona solutions and employees."*

Kent Zehetner, Chairman of Kiona, commented: *"CAREL and our Company uniquely complement each other from a business perspective. Still, most importantly, we share a resolute alignment in our mission to reduce energy waste for all our customers. In CAREL, we have found an ideal partner for our ongoing journey of growth and sustainability."*

Capital structure

It is expected that, with a view to retaining a flexible capital structure to enable CAREL to continue pursuing future growth opportunities, the next Board of Directors scheduled for August 3rd will submit for approval to the general meeting of CAREL's shareholders a proposal for a share capital increase (or a proxy – "*delega*" – to the Board of Directors to carry out such share capital increase) by way of rights offering (the "**Rights Issue**") of up to €200m (inclusive of any share premium). The share capital increase with pre-emption rights is expected to be completed indicatively by year end, subject to market conditions and obtaining the relevant regulatory authorizations.

A leading financial institution will act as Sole Global Coordinator and Bookrunner in connection with the proposed Rights Issue and has entered into a pre-underwriting agreement with the Company pursuant to which it has undertaken, on the terms and subject to the conditions set forth in the agreement in line with market practice for similar transactions, to enter into an underwriting agreement for the subscription of any newly issued shares of the Company that remain unsubscribed for at the end of the auction period of the Rights Issue.

The founding families and controlling shareholders, Luigi Rossi Luciani S.a.p.a. and Athena S.p.A., expressed their intention to support the capital increase and are expected to partially subscribe their portion of the capital increase for an overall amount of c. €50m.

CAREL was assisted in the transaction by Mediobanca as sole M&A financial advisor, by Studio Chiomenti as lead legal counsel, by Thommessen and Vinge as local legal advisors, by KPMG in performing financial, tax, IT and cyber-security due diligence, by AON in performing risk and insurance due diligence.

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Conference call to discuss the transaction

Tomorrow (Tuesday, 25/07/2023) at 15:00 CEST a presentation and a conference call for analysts and institutional investors will be hosted by the management team of CAREL.

For further information

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This press release contains statements that are, or may be deemed to be “forward-looking statement”, projections, objectives, estimates and forecasts reflecting management's current views with respect to certain future events. Forward-looking statements, projections, objectives, estimates and forecasts are generally identifiable by the use of the words “may”, “will”, “should”, “plan”, “expect”, “anticipate”, “estimate”, “believe”, “intend”, “project”, “goal”, or “target” or the negative of these words or other variations on these words or comparable terminology. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts, including, without limitation, those regarding the Company's future financial position and results of operations, including as a result of its acquisition of the Target, its strategy, plans, objectives, goals and targets and future developments in the markets where the Company or any Group company participates or is seeking to participate. Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements as a prediction of actual results: forward-looking statements may and often do differ materially from actual results. The Group's ability to achieve its projected objectives or results is dependent on many factors which are outside management's control. Actual results may differ materially from (and be more negative than) those projected or implied in the forward-looking statements. Such forward-looking information involves risks and uncertainties that could significantly affect expected results and is based on certain key assumptions.

All forward-looking statements included herein are based on information available to the Group as of the date hereof. No Group company undertakes any obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as may be required by applicable law. All subsequent written and oral forward-looking statements attributable to any Group company or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements.

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CAREL

CAREL 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 recognized brand in the HVAC and refrigeration markets (collectively, "HVAC-R") in which it operates and, in the opinion of the Group's management, with a distinctive position in the relevant niches in those markets.

HVAC is the Group's main market, representing 68% of the Group's revenues in the financial year ended 31 December 2022, while the refrigeration market accounted for 31% 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 36 branches with 15 production plants located in various countries. As of 31 December 2022, approximately 80% of the Group's revenues were 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 Group's main category of customers, which the Group focuses on to build long-term relationships.

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