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Oggetto : CAREL - BoDs approves results as of 31
March 2022

Testo del comunicato

Vedi allegato.

Press Release

The CAREL Industries Board of Directors has approved the consolidated results as of 31 March 2022

- Consolidated revenues of € 128.9 million, +32.1% compared to the first three months of 2021 (+29.6% at constant exchange rates). On a like-for-like basis the growth would have been equal to +24.1%;
- Consolidated EBITDA of € 27.2 million (€ 2.1 million from the inclusion of CFM and Enginia in the scope of consolidation) +23.8% compared to the first three months of 2021 and corresponding to 21.1% of revenues;
- Consolidated net income of € 16.4 million, +22.8% compared to the first three months of 2021;
- Negative consolidated net financial position of € 64.9 million, including both € 9.4 million raw material stock strategic increase and € 27.0 million accounting effect deriving from IFRS16. As of 31 December 2021, the negative consolidated net financial position stood at € 57.8 million

Brugine, 12 May 2022 – 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 31 March 2022.

Francesco Nalini, CEO of the Group, commented: *"The results recorded in the first three months of 2022 are a significant record for the Group, since the recently concluded quarter has been the fifth consecutive one during which the organic revenue growth exceeded double-digit percentages. A constant development based on a strategy that has always been hinged on innovation and on the anticipation of Customer needs and in which the ability to adapt to unexpected and critical scenarios plays a fundamental role. The latter characteristic was also fundamental in this scenario, characterised by a particularly uncertain geopolitical landscape, by difficulties in the supply of commodities/electronic equipment and by the consequent generalised increase in prices. Over the past 18 months, we have implemented a number of countermeasures, including the re-design of some of our products, in order to use alternative microprocessors (chip-pivoting), purchase orders with longer terms, and a significant increase in inventory, which have added to the structural flexibility of our manufacturing facilities. All this has made it possible to satisfy a large part of the demand recorded in the niches in which the Group operates, a demand that is growing rapidly and that is sustained by secular trends, including those of sustainability, electrification and energy efficiency. The forthcoming quarters remain very challenging: at the moment, there are no visible signs of improvement in the phenomenon linked to the shortage of commodities, nor signs of a slowdown in inflation. Despite this, the Group will continue to implement the strategic guidelines that have directed its action over the past few years, pursuing its growth and development goals with courage and optimism."*

Consolidated Revenues

Consolidated revenues came to € 128.9 million, compared to € 97.6 million for the period ended 31 March 2021, an increase of 32.1%. Net of the contribution deriving from the inclusion of CFM and Enginia in the scope of consolidation, amounting to approximately € 7.8 million, and of the positive exchange rate effect, of approximately € 2.4 million, the increase would have been 21.7%.

The first quarter of the year was characterised by the same trends, both positive and negative, that had marked 2021, to which was added a strong geopolitical instability due to the conflict between Russia and Ukraine. In particular, there was a robust demand across all HVAC and refrigeration segments with a particular acceleration in certain applications, such as heat pumps, data centres and end units that can be traced back to air treatment and humidification. This demand, however, could not be fully met due to the persistent shortage of commodities and electronic equipment, which does not seem to be showing signs of improvement. This was reflected in a general increase in procurement and transport costs, which the Group responded to by increasing its price list.

The Group's most important region, EMEA (Europe, Middle East, Africa), which accounts for 72% of revenues, closed the first three months of the year with an increase of 31.6% at constant exchange rates (on a like-for-like basis, growth would have been 22.2%); this performance is based on the continuation of a generalised growth in demand, already recorded in 2021, to which are added the

particularly brilliant performances in the high-efficiency heat pump, data-centre cooling and indoor air quality sectors. Equally positive is the growth in the Refrigeration market thanks to sustained investments in Food retail, also due to regulation. Finally, performance in the “food service” segment was good.

APAC (Asia-Pacific), which accounts for approximately 14% of the Group's revenues, reported growth at constant exchange rates of 23.1% compared to the results recorded in the first three months of 2021. This performance is even more significant if one takes into account that the first quarter of 2021 had already recorded a growth over the same period of the previous year of more than 40% and that in the first three months of this year Chinese GDP growth (+4.8%) was approximately half that of 2021 (+8.1%). An excellent growth in North APAC and a recovery in South APAC (the latter posting a revenue growth of close to 20%) contributed to the performance.

North American revenues, which represent approximately 12% of the total, grew by 29.4% at constant exchange rates (21.0% on a like-for-like basis), mainly due to good performance in applications related to *indoor air quality* and data-centre cooling. Lastly, South America (which accounts for about 2% of the Group's total turnover) reported a 17.3% growth (7.0% at constant exchange rate), partly limited by the electronic material shortage scenario.

As far as the individual *business* areas are concerned, the HVAC segment closed the first quarter of the year with a growth that touches 30% at constant exchange rates and that exceeds this threshold at current exchange rates. Even excluding the change of scope due to the two acquisitions made in 2021 (CFM and Enginia) and amounting to about € 5 million, the increase would still be well above 20%: all applications, in continuity with 2021, recorded significant accelerations, with even more pronounced peaks in some sectors (in particular high-efficiency heat pumps and Data Centres) and a renewed focus on solutions oriented to energy efficiency and indoor air quality. Similarly, Refrigeration showed a strong growth, +28.0% at constant exchange rates (+23% net of change in scope of consolidation). Also in this case, the trends already present in 2021 are confirmed, namely a sustained cycle of investments in the *Food retail* segment (supermarkets/hypermarkets/*convenience stores*) and the consolidation of the recovery in the “Food service” sector. Both are flanked by the Group's continued increase in global market share.

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

	31.03.2022	31.03.2021	Delta %	Delta fx %
HVAC revenue	83,479	62,867	32.8%	30.2%
REF revenue	44,113	33,874	30.2%	28.0%
Total core revenue	127,592	96,742	31.9%	29.4%
Non-core revenue	1,357	881	54.0%	53.9%
Total Revenue	128,949	97,623	32.1%	29.6%

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

	31.03.2022	31.03.2021	Delta %	Delta fx %
EMEA	93,253	70,859	31.6%	31.6%
APAC	17,932	13,665	31.2%	23.1%
North America	15,195	10,909	39.3%	29.8%
South America	2,569	2,191	17.3%	7.0%
Total Revenue	128,949	97,623	32.1%	29.6%

Consolidated EBITDA

Consolidated EBITDA for the period ended 31 March 2022 stood at € 27.2 million, up sharply (+23.8%) compared to the € 22.0 million for the same period of the previous year. Even excluding the positive contribution coming from the consolidation of Enginia and CFM (€ 2.1 million), the increase in EBITDA would be in a double-digit percentage (+14.0%). Profitability, understood as the ratio of EBITDA to Revenues, reached 21.1%, in line with the adjusted EBITDA margin reported at the end of the previous year and slightly lower than the same figure as at 31 March 2021 (22.5%): the positive effect of the operating leverage, together with some increases in sales prices made in the last twelve months, partially offset the inflationary phenomenon linked to the *shortage* of electronic equipment and greater investments linked, among others, to digitalization.

Consolidated Net income

The consolidated net income of € 16.4 million showed a significant increase (+22.8%) compared to € 13.3 million as at 31 March 2021, thanks to the excellent operating results. The tax rate (20.5%) is slightly higher than in the previous year (19.6%) due to a slightly different revenue/country mix.

Consolidated net financial position

The consolidated net financial position was negative for € 64.9 million, including the accounting effect of the application of IFRS16, equal to € 27.0 million. The increase of approximately € 7 million compared to the figure as at 31 December 2021 is mainly attributable to the fact that the robust cash generation did not fully cover the dynamics of net working capital. The growth in the latter, amounting to approximately € 24.4 million, is due first of all to the increase in receivables due to higher revenues (it should be noted that the average collection days have remained almost identical compared to Q1 2021) and to the expected and strategic increase in inventory (approximately € 9 million), in order to be better positioned to manage the current situation of shortage of commodities.

Business outlook

The first quarter of 2022 opened under the sign of uncertainty: the expectations of a robust and general economic growth have been reduced over time due to the difficult geopolitical situation, characterised by the repercussions of the conflict between Russia and Ukraine. In addition to this, there was the presence of new COVID-19 outbreaks in some important Chinese provinces that brought new and massive lock-downs with possible negative effects on the global *supply chain*. This risks both exacerbating the scenario of *shortages* of commodities and electronic equipment that had already characterised 2021 and which, to date, has shown no signs of easing, and further fuelling the inflationary spiral.

In view of these indications, it is not yet possible or prudent to make precise forecasts for the closure of the current year. However, given the substantial continuity with 2021 of the trend in demand across the range of segments in which CAREL operates (in particular in certain segments, such as heat pumps, data centres, indoor air quality and Food retail) and the actions put in place in order to mitigate the negative effects deriving from the scenario described above, the Group believes that it will be able to report a low-to-mid double-digit percentage revenue growth in the second quarter of this year (compared with the second quarter of last year, on a like-for-like basis)

CONFERENCE CALL

The results as of 31 March 2022 will be illustrated today, 12 May 2022, at 16.00 (CEST) 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.

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.

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.

The accounting statements of the CAREL Industries Group, currently subject to independent auditing, are illustrated below.

Consolidated Financial Statements as of 31 March 2022

Consolidated Statement of financial position

(€'000)	31/03/2022	31/12/2021
Property, plant and equipment	86,541	84,403
Intangible assets	132,428	134,570
Equity-accounted investments	1,237	1,250
Other non-current assets	10,599	10,407
Deferred tax assets	7,332	7,022
Non-current assets	238,137	237,652
Trade receivables	94,002	74,455
Inventories	91,557	80,907
Current tax assets	2,489	3,886
Other current assets	13,004	9,788
Current financial assets	665	483
Cash and cash equivalents	78,817	100,625
Current assets	280,535	270,144
TOTAL ASSETS	518,672	507,796
Equity attributable to the owners of the parent company	175,038	154,952
Equity attributable to non-controlling interests	14,086	14,923
Total equity	189,125	169,875
Non-current financial liabilities	88,590	93,700
Provisions for risks	2,216	2,157
Defined benefit plans	8,761	8,612
Deferred tax liabilities	17,003	17,110
Other non-current liabilities	50,238	49,894
Non-current liabilities	166,807	171,473
Current financial liabilities	55,751	65,250
Trade payables	75,297	66,444
Current tax liabilities	4,285	4,775
Provisions for risks	1,864	1,907
Other current liabilities	25,544	28,073
Current liabilities	162,740	166,449
TOTAL LIABILITIES AND EQUITY	518,672	507,796

Consolidated Statement of profit or loss

(€'000)	31/03/2022	31/03/2021
Revenue	128,949	97,623
Other revenue	914	1,982
Costs of raw materials, consumables and goods and changes in inventories	(58,210)	(41,836)
Services	(15,935)	(11,144)
Capitalised development expenditure	132	479
Personnel expenses	(27,514)	(24,180)
Other expenses, net	(1,102)	(930)
Amortisation, depreciation and impairment losses	(5,414)	(4,742)
OPERATING PROFIT	21,821	17,253
Net financial income	(585)	(506)
Net exchange rate losses	(79)	(179)
Gain/Losses from valuation of options on minority interests	-	-
Net result from companies consolidated with Equity method	-	-
PROFIT BEFORE TAX	21,156	16,568
Income taxes	(4,345)	(3,214)
PROFIT FOR THE PERIOD	16,811	13,353
Non-controlling interests	425	7
PROFIT FOR THE PERIOD ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	16,386	13,347

Consolidated Statement of comprehensive income

(€'000)	31/03/2022	31/03/2021
Profit for the period	16,811	13,353
Items that may be subsequently reclassified to profit or loss:		
- Fair value gains (losses) on hedging derivatives net of the tax effect	486	38
- Exchange differences	3,374	2,358
Items that may not be subsequently reclassified to profit or loss:		
- Discounted benefits to employees net of fiscal effect	-	-
Comprehensive income	20,671	15,749
attributable to:		
- Owners of the parent company	19,983	15,742
- Non-controlling interests	688	8

Earnings per share

Earnings per share (in euros)	0.16	0.13
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Consolidated Statement of cash flows

(€'000)	31/03/2022	31/03/2021
Profit for the period	16,811	13,353
Adjustments for:		
Amortisation, depreciation and impairment losses	5,414	4,742
Accruals to/utilisations of provisions	1,009	1,595
Non-monetary net income (expenses)	676	(958)
Taxes	(982)	(632)
	22,928	18,100
Changes in working capital:		
Change in trade receivables and other current assets	(21,177)	(12,911)
Change in inventories	(9,706)	(2,802)
Change in trade payables and other current liabilities	6,121	3,147
Change in non-current assets	(165)	(661)
Change in non-current liabilities	567	566
Cash flows generated from operations	(1,432)	5,438
Net interest paid	(454)	(477)
Net cash flows generated by operating activities	(1,886)	4,961
Investments in property, plant and equipment	(4,233)	(1,362)
Investments in intangible assets	(422)	(594)
Investments/Disinvestments of financial assets	(67)	-
Disinvestments of property, plant and equipment and intangible assets	50	35
Interest collected	24	14
Investment in companies evaluated with the equity method	-	-
Industrial aggregation net of the acquired cash	-	-
Cash flows generated by (used in) investing activities	(4,647)	(1,908)
Capital increase	-	-
Repurchase of treasury stocks	-	-
Dividend to Shareholders	-	-
Dividend to Minorities	(1,525)	-
Investments in financial current assets	-	5,500
Increase in financial liabilities	12,000	6,069
Decrease in financial liabilities	(25,000)	(10,789)
Decrease in financial liabilities for leasing fees	(1,252)	(1,277)
Cash flows generated by (used in) financing activities	(15,777)	(497)
Change in cash and cash equivalents	(22,310)	2,557
Cash and cash equivalents - opening balance	100,625	105,586
Cash and cash equivalents - closing balance	78,817	108,824

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 1/1/2021	10,000	2,000	(2,686)	(436)	56,530	58,795	35,112	159,317	304	159,621
Owner transactions										
- Allocation of profit for the period	-	-	-	-	-	35,112	(35,112)	-	-	-
- Defined benefit plans	-	-	-	-	204	-	-	204	-	204
- Dividend distributions	-	-	-	-	-	-	-	-	-	-
- Options on minority interests acquisition	-	-	-	-	-	-	-	-	-	-
Total owner transactions	10,000	2,000	(2,686)	(436)	56,734	93,907	-	159,521	304	159,825
- Profit for the period	-	-	-	-	-	-	13,347	13,347	7	13,353
- Other comprehensive income (expenses)	-	-	2,357	38	-	-	-	2,395	1	2,396
Total other comprehensive income (expenses)	-	-	2,357	38	-	-	13,347	15,742	8	15,749
Balance as of 31/03/2021	10,000	2,000	(329)	(398)	56,735	93,907	13,347	175,263	311	175,574
Balance as of 1/1/2022	10,000	2,000	3,853	(51)	17,079	73,011	49,059	154,952	14,923	169,875
Owner transactions										
- Allocation of profit for the period	-	-	-	-	-	49,059	(49,059)	-	-	-
- Defined benefit plans	-	-	-	-	102	-	-	102	-	102
- Dividend distribution	-	-	-	-	-	-	-	-	(1,525)	(1,525)
- Options on minority interests acquisition	-	-	-	-	-	-	-	-	-	-
Total owner transactions	10,000	2,000	3,853	(51)	17,181	122,070	-	155,054	13,398	168,452
- Profit for the period	-	-	-	-	-	-	16,386	16,386	425	16,811
- Other comprehensive expenses	-	-	3,111	486	-	-	-	3,597	263	3,860
Total other comprehensive expenses	-	-	3,111	486	-	-	16,386	19,983	688	20,671
Balance as of 31/03/2022	10,000	2,000	6,964	435	17,182	122,070	16,386	175,038	14,086	189,125



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