



CAREL

CAREL INDUSTRIES S.p.A. 2022 – Q1 Results

12th May 2022

Q1 2022 – Financial highlights

For the fifth consecutive quarter Carel reported a double digit revenues growth. Q1 2022 results were underpinned by a very strong demand both in HVAC and in Refrigeration, substantially confirming the acceleration reported in several applications during 2021. On top of this the positive contribution from M&A.

+32.1%
Revenues growth
rate

- Excluding the positive impact of the exchange rates, and the contribution coming from the acquisition of CFM and Enginia (~8m€) **the organic revenues growth rate reported remains above 20% (+21.7%).**
- **Such a significant growth was made possible by the ability of the company to cope with the raw material shortage scenario, which, in Q1 2022 did not show improving signals compared to the last quarters.**

21.1%
EBITDA margin

- **EBITDA margin equal to 21.1%, substantially in line with FY 2021.**
- **The positive operating leverage effects along with a moderate increase in sale prices offset higher raw materials costs due to the shortage.**

+9m€
Safety Stock

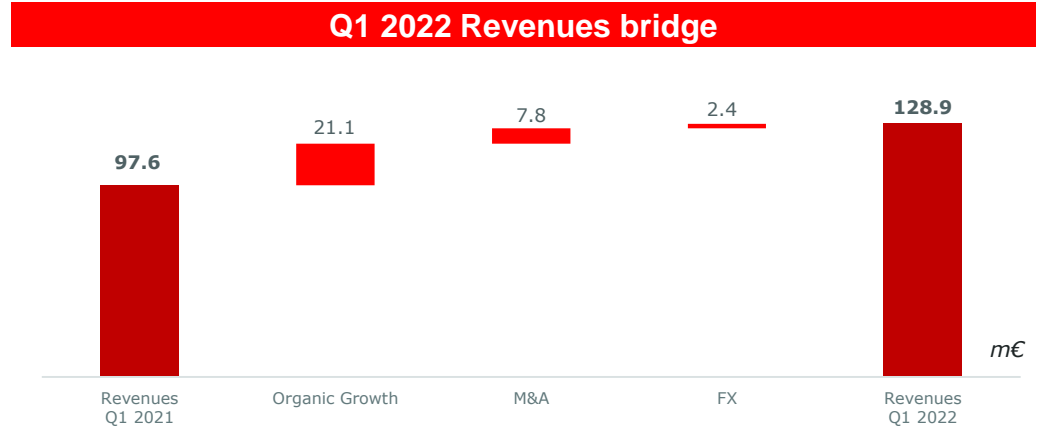
- As a part of the strategy to better face the actual and possible future shortage scenario, CAREL, as already anticipated, **increased its safety stock by ~9m€.**

Q1 2022 – Results

KPIs				
	m€	Q1 2021	Q1 2022	Δ%
Revenue		97.6	128.9⁽¹⁾	32.1%
Revenue FX Adj.		97.6	126.5	29.6%
Revenue (no M&A)		97.6	121.1	24.1%
EBITDA		22.0	27.2⁽²⁾	23.8%
<i>EBITDA/Revenue</i>		22.5%	21.1%	
Net Profit		13.3	16.4	22.8%
Capex		2.0	4.7	<i>n.r.</i>

⁽¹⁾ Including ~7.8m€ from the inclusion of CFM and Enginia in the consolidation perimeter

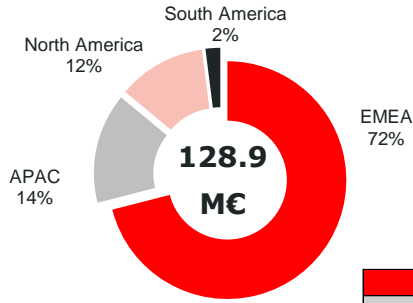
⁽²⁾ Including approx. 2.1m€ from the inclusion of CFM and Enginia in the consolidation perimeter



- **Revenue +32.1%:** In spite of the challenging scenario related to the electronic material shortage phenomenon, the company managed to grow organically above 20%, thanks to its resilience. It is worth noting that the growth rate reported in Q1 2021 was already significant (+24%)
- **EBITDA +23.8%:** The very positive results reported in revenues were reflected in the EBITDA growth rate. The company managed to recover part of the raw material cost inflation thanks to operating leverage and a number of price increases set during the last 12 months.
- **Net Profit +22.8%:** benefitting from the operating results. Tax-rate substantially aligned with expectations (20.5%)
- **Capex:** higher capex including the new plant in Croatia.

Q1 2022 – Revenue breakdowns

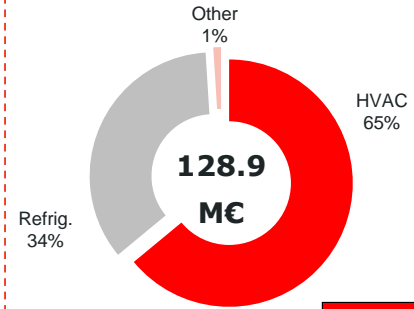
Breakdown by region



Area	Q12021	Q12022	Δ%	Δ% fx
EMEA	70.9	93.3	31.6%	31.6%
APAC	13.7	17.9	31.2%	23.1%
Americas (North)	10.9	15.2	39.3%	29.8%
Americas (South)	2.2	2.6	17.3%	7.0%
Total Revenue	97.6	128.9	32.1%	29.6%

- **EMEA** – The same growth rate trend reported in FY 2021, in one of the most important geographic areas, continue (~22% growth on a LFL basis) in spite of the raw materials shortage phenomenon.
- **APAC** – Very positive performance in China, taking also into consideration that China Q1 2022 GDP growth (+4.8%) halved compared to FY 2021 (+8.1%)
- **Americas (North)** – Even excluding M&A contribution and the positive FX impact, the growth rate reported would have been higher than 20%.
- **Americas (South)** – Growth rate partly capped by the shortage. Seasonal trend in Brazil.

Breakdown by sector



Sector	Q1 2021	Q1 2022	Δ%	Δ% fx
HVAC	62.9	83.5	32.8%	30.2%
Refrig.	33.9	44.1	30.2%	28.0%
Core Revenue	96.7	127.6	31.9%	29.4%
No core	0.8	1.4	54.0%	53.9%
Total Revenue	97.6	128.9	32.1%	29.6%

- **HVAC: Excellent growth** (~24% excluding M&A), driven by a strong demand across the board. The acceleration in heat pumps, Indoor air quality and data centers continued in Q1 2022.
- **Refrigeration: Even excluding the contribution coming from M&A, the growth reported in the sector would have been higher than 20%** thanks mainly to the energy efficiency/natural refrigerants trend in food retail. Good results also in Food Service.

From EBITDA to Net Profit

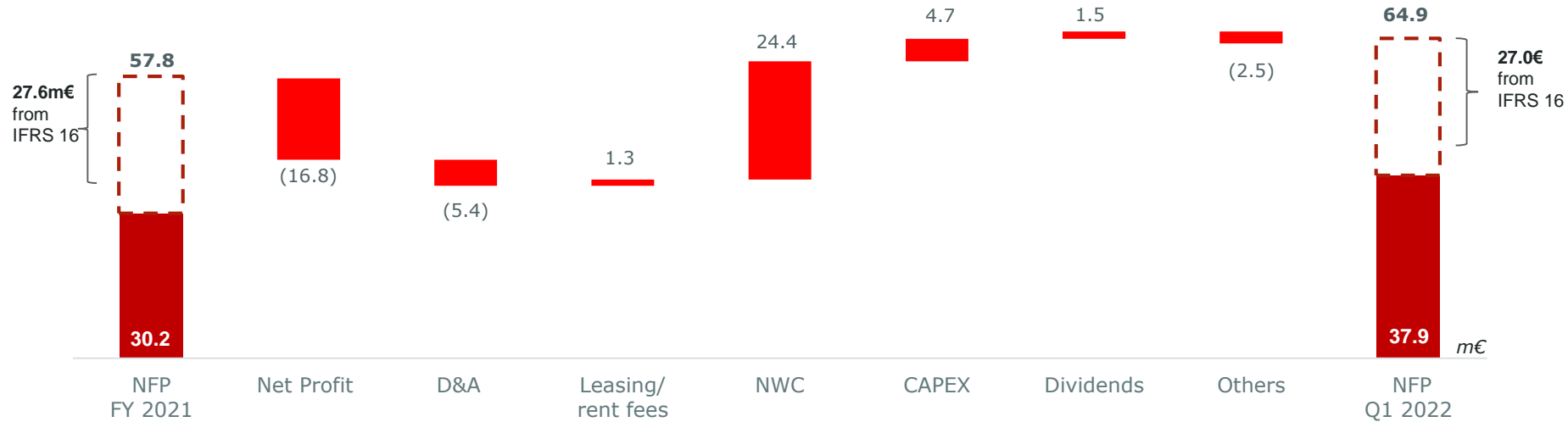
	K€	Q1 '21	Q1 '22	Δ%
EBITDA		21,995	27,234	23.8%
	D&A	-4,742	-5,414	
EBIT		17,253	21,821	26.5%
	Financial (charges)/income	-506	-585	
	FX gains/losses	-179	-79	
EBT		16,568	21,156	27.7%
	Taxes	-3,214	-4,345	
	Minorities	-7	-425	
Group net profit		13,347	16,386	22.8%

- **Higher D&A** mainly due to the purchase price allocation amortisation

- Financial charges in line with Q1 21

- **Slight tax-rate increase (20.5%)**, compared to 19.4% reported in Q1 2022 due to different country mix.

Q1 2022 – NFP Bridge



- **Robust cash generation was offset by an expected increase in NWC.**
- **ΔNWC +24.4m€:** The significant increase in NWC is mainly due to higher revenues (DSO are substantially the same compared to Q1 2021) and a strategic consolidation of the safety stock (~9m€) in order to be more resilient in such challenging raw material shortage scenario.
- Slightly less than half of the total Q1 2022 NFP is related to IFRS 16 accounting effect.

Closing Remarks

Q1 2022 Results

- **HVAC/Ref. scenario remains very positive in terms of demand.** Some applications continue to stand out such as heat pumps, data centers, Indoor Air Quality in HVAC and Food Retail in Refrigeration.
- **Thanks to its broad range of solutions and its resilience** CAREL managed to take advantage of this favourable scenario, mitigating the effect of raw-materials shortage and **scoring a double-digit organic growth in revenues for the fifth consecutive quarter.**

Resilience

- CAREL has already taken significant initiatives in the last 18 months to increase its resilience: **Chip-pivoting one fifth of the microprocessors embedded in its products, extending purchasing orders length, increasing safety stock, gradually increasing prices.**
- On top of this the **imminent coming on stream** of the new plant in Croatia will add **further production flexibility.**

Challenges

- The electronic material shortage phenomenon and inflation **have not shown any signs of relief/recovery** compared to 2021.
- The **current lock-down situation in Shanghai and the possible extension to Beijing** could create **further disruption in the supply chain.**

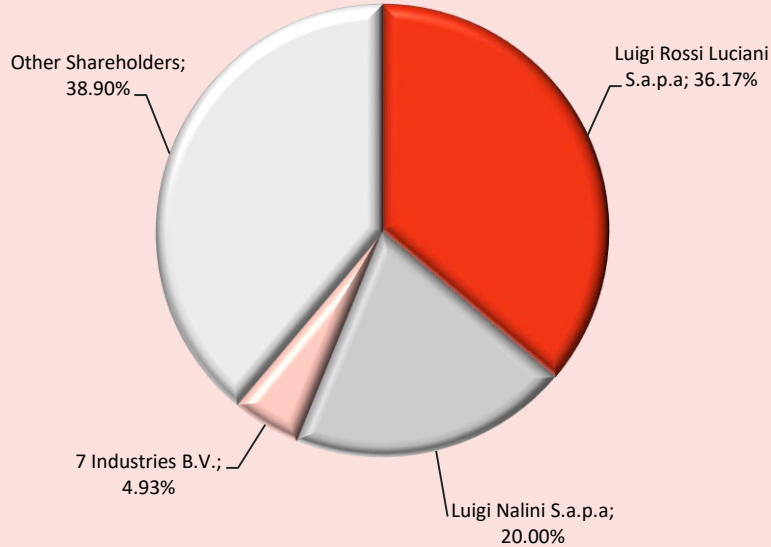
Guidance

The very positive demand scenario and the resilience shown by CAREL over time will be fundamental in coping with the above-mentioned challenges. Thanks to this, the Company expect to report also in Q2 2022 a significant growth even if with a lower magnitude than in Q1. Expectations are to report a low-to-mid double-digit growth in revenues (on a like for like – QoQ basis).

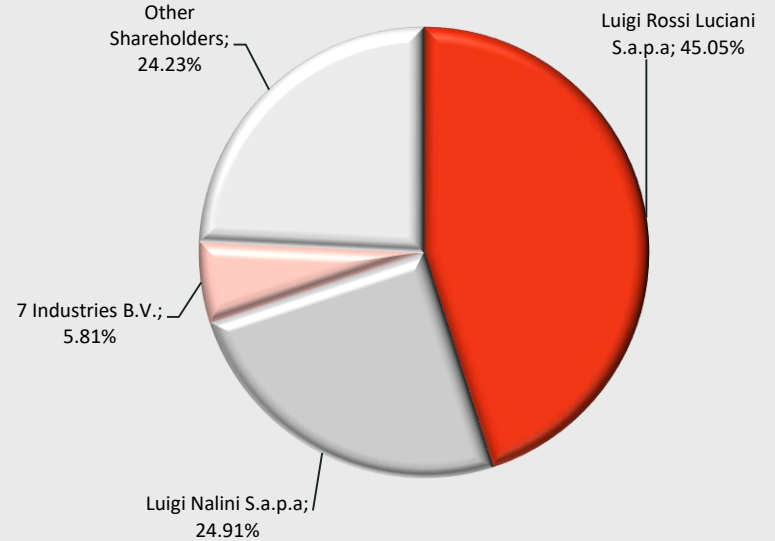
Annexes

Shareholding structure (>5% 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€	Q1 2022	Q1 2021	Delta %
Revenues		128,949	97,623	32.1%
Other revenues		914	1,982	(53.9%)
Operating costs		(102,629)	(77,610)	32.2%
EBITDA		27,234	21,995	23.8%
Depreciation and impairments		(5,414)	(4,742)	14.2%
EBIT		21,821	17,253	26.5%
EBT		21,156	16,568	27.7%
Taxes		(4,345)	(3,214)	35.2%
Net result of the period		16,811	13,353	25.9%
Non controlling interest		425	7	>100%
Group net result		16,386	13,347	22.8%

Balance sheet

	K€	Q1 2022	FY 2021	Delta %
Fixed Capital		230,805	230,630	0.1%
Working Capital		82,177	55,591	47.8%
Employees defined benefit plan		(8,761)	(8,612)	1.7%
Net invested capital		304,221	277,610	9.6%
Equity		189,125	169,875	11.3%
Non current liabilities		50,238	49,894	0.7%
Net financial position (asset)		64,859	57,841	12.1%
Total		304,221	277,610	9.6%

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

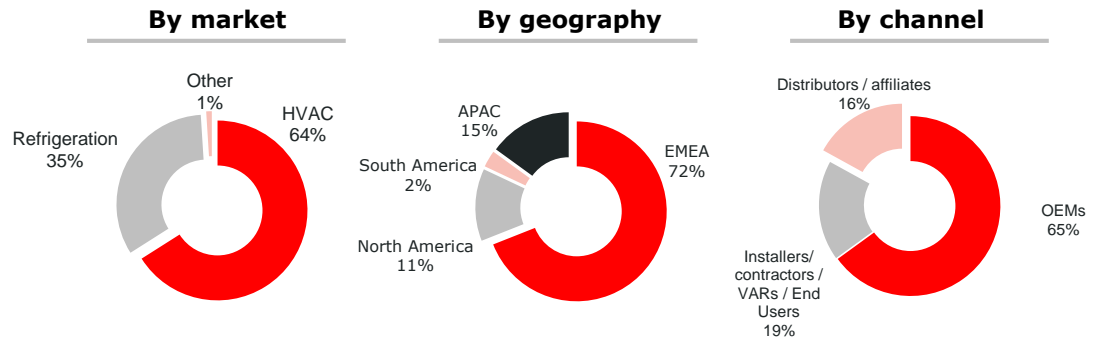
Global footprint

- **10 production plants** (5x Italy, Croatia, Germany, China, US and Brazil)

Key financials – 2021A

Revenue	EBITDA	EBITDA margin	Net income
€420m	€85m	~20.3%	€49m
+13% ² CAGR 2015A-21A	+15% CAGR 2015-21A	~180bps Margin expansion 2015A-21A	+15% CAGR 2015A-21A

Revenue breakdown - 2021A



Source: Company information as of Mar-22

Note: 1) avg. 2015A-21A; 2) Net of Enginia/CFM contribution, Revenues CAGR=12.1%

Note: financial data refer to consolidated accounts of CAREL Industries S.p.a. 2015-2021 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

Adiabatic humidifiers and evaporative coolers



Pressure water atomizers

Isothermal humidifiers



Steam production systems

Heat exchangers



Heat exchangers for AHU

Dampers



Dampers and other AHU components

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

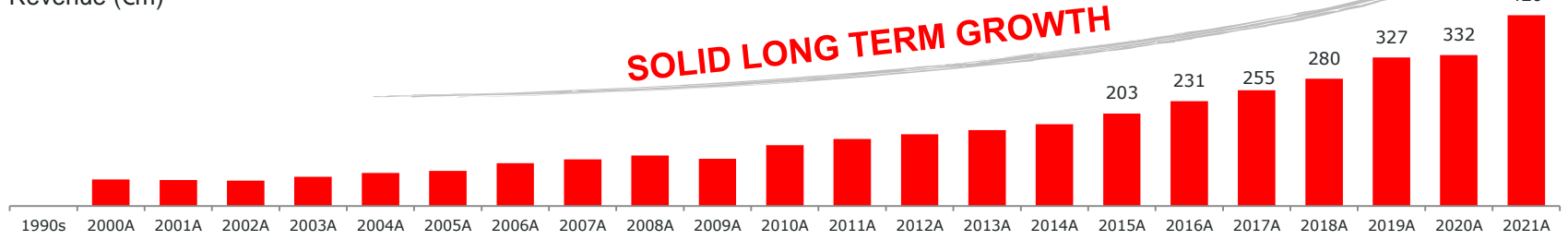
Distinctive ability to meet customers' demand for tailored integrated solutions using standard platforms

Source: Company information as of Mar-22
Note: 1) developed with partners

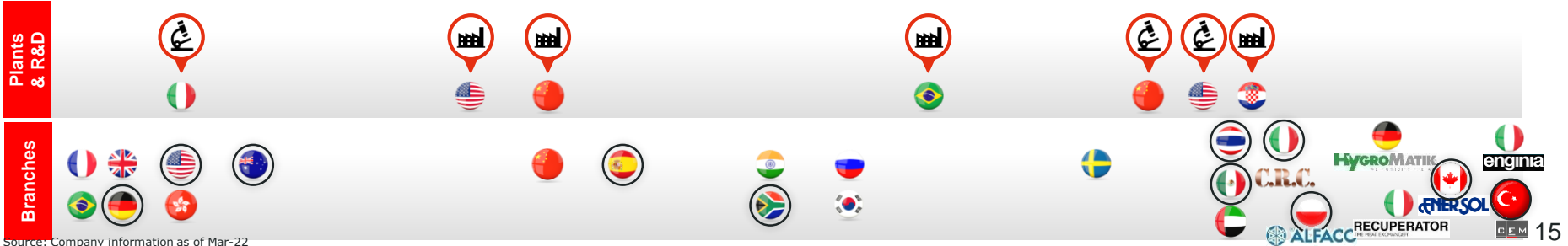


Long track record of profitable growth

Revenue (€m)

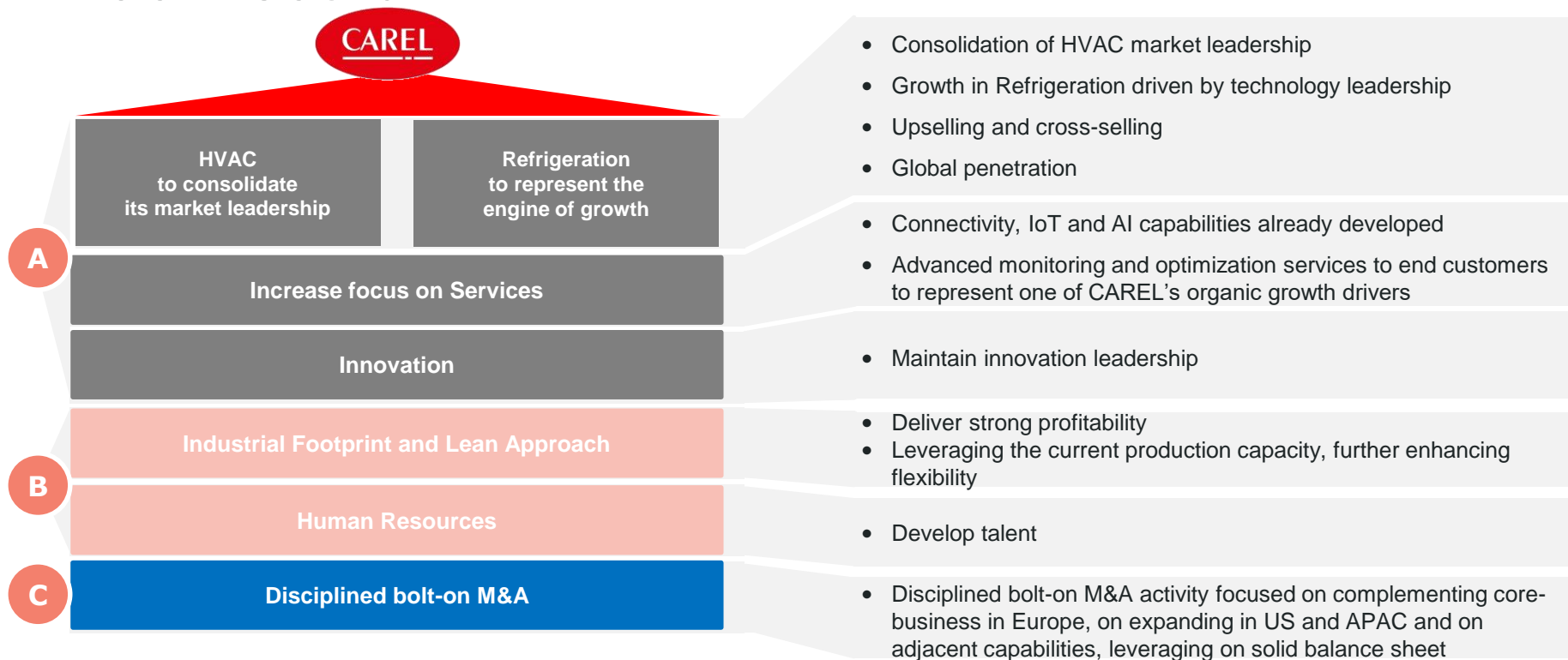


Adj. EBITDA (€m)



Source: Company information as of Mar-22
 Note: financial data refer to consolidated accounts of CAREL Industries S.p.a. for the period 2011A-2021A (IFRS 2015A- 2020A; 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



CAREL general strategy for 2020-2023 will be oriented to the research for new innovative technological solutions with a major focus on energy saving, transition to natural refrigerants, widening high-efficiency solutions offer and geographical expansion

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


Reference HVAC and refrigeration Market

- 


GROWING POPULATION

 - Improvement in **LIVING STANDARDS** increasing demand for HVAC/R
- 

CHANGE IN CONSUMER HABITS

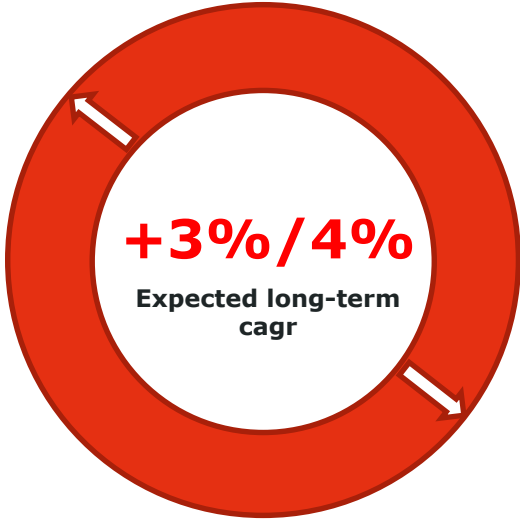
 - Focus on **WASTE REDUCTION** in food sector
 - Increase in number of convenience stores/**FRESH FOOD**
- 

GLOBAL GROWTH

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

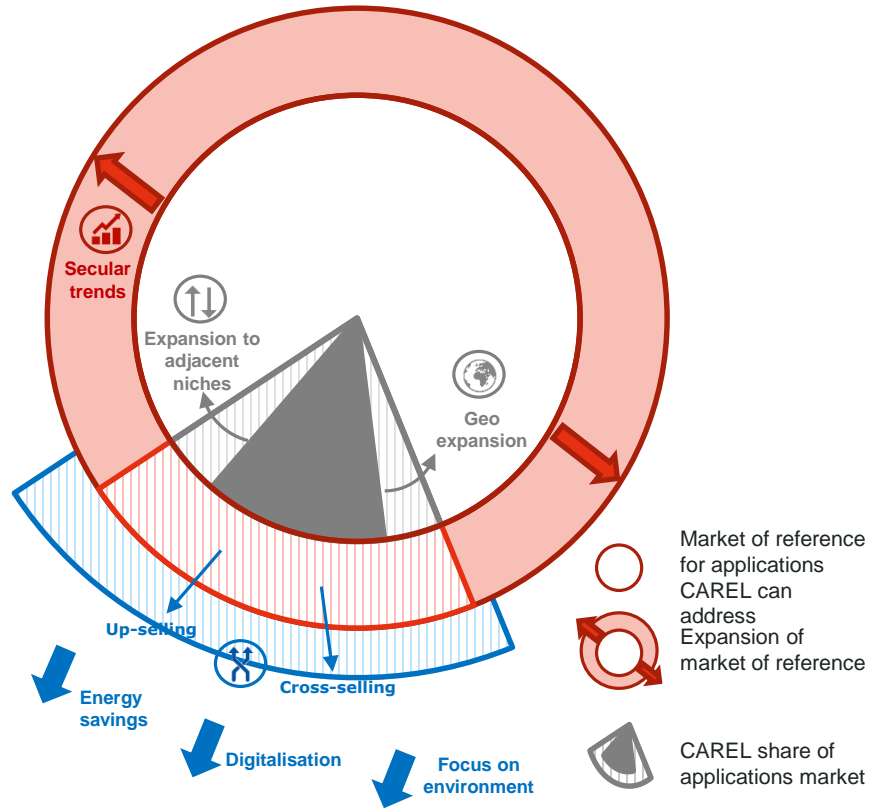
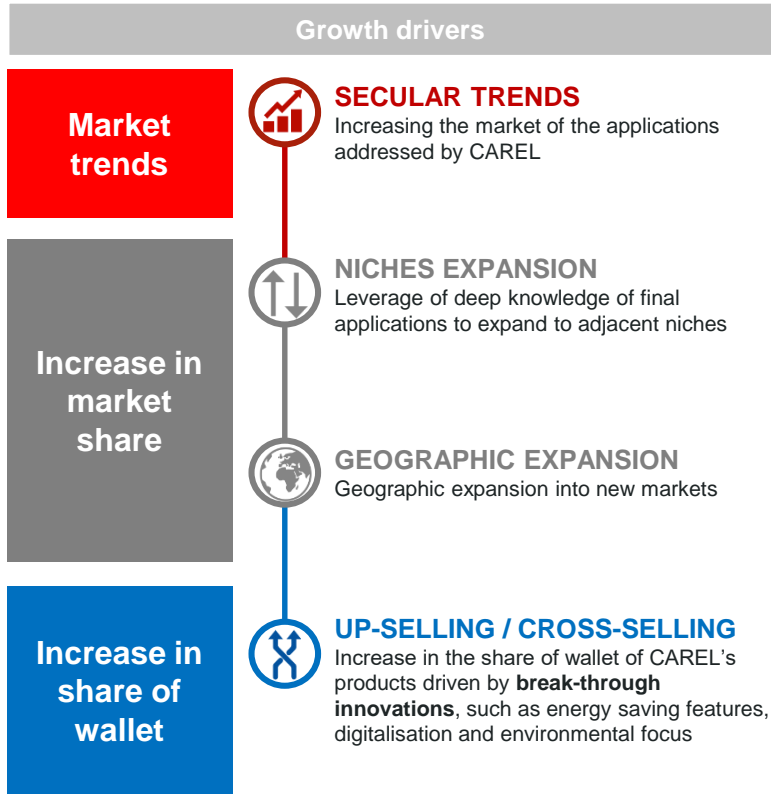
INTERNET OF THINGS

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



Source: Company information

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

APPLICA

DC Technology

μchiller

Refrigeration

Example of a **BEVERAGE COOLER**

Before

APPLICA

DC

3 Positioning and innovation capability hard to replicate

~6% OF REVENUE¹

Invested annually in R&D

~12% OF TOTAL WORKFORCE

dedicated to R&D

5 R&D CENTRES

PROPRIETARY SOFTWARE

Vast library of proprietary software modules developed over the past 15 years: **maximizing customizations and reducing time-to-market**

COMBINING 5 DOMAINS

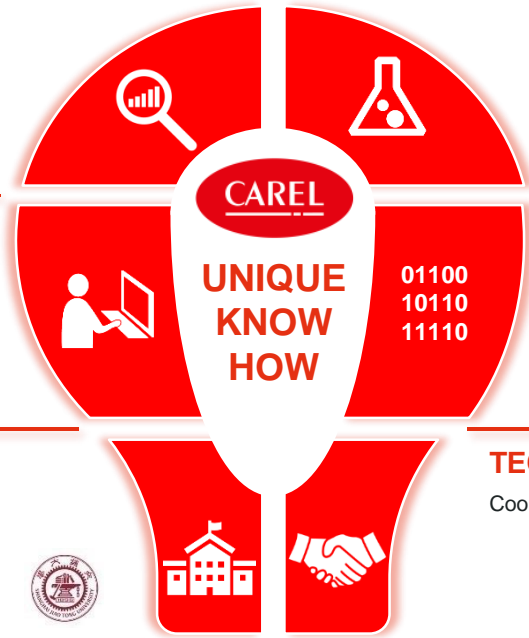
- Hardware & Firmware
- Software
- Mechanics
- Thermodynamics
- IoT

RESEARCH COLLABORATION

With Tier-1 Universities and Research Institutions

TECHNOLOGICAL PARTNERS

Cooperation with technology leaders



**AWARD
WINNING
BUSINESS**

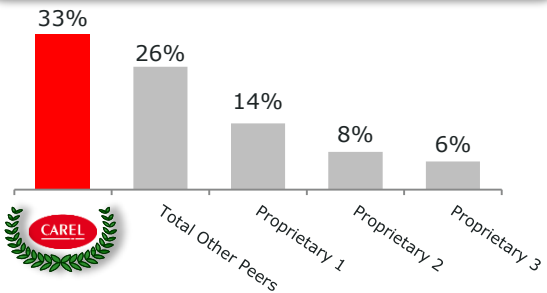
 Nov-13 Electrolux Supplier Award 	 Jan-16 AHR Expo Innovation Award 	 Apr-17 China Refrigeration Innovation Award 	 Sep-17 World Beverage Innovation Award 	 Oct-17 RAC Cooling Industry Award 	 Apr-18 China Refrigeration Award
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Source: Company information as of Mar1-22
 Note: 1) avg. 2015A-21A

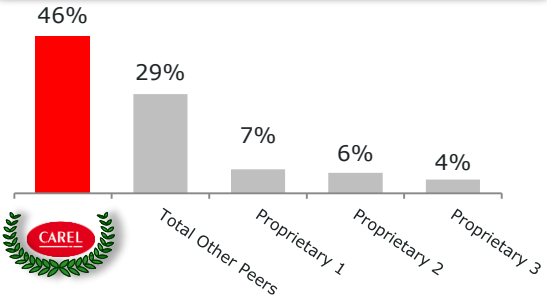
3 Leadership position in HVAC OEM premium niches...

Leadership positioning in premium niches... **...with no perfect comparable**

Chiller European Market Share¹



Rooftop European Market Share²

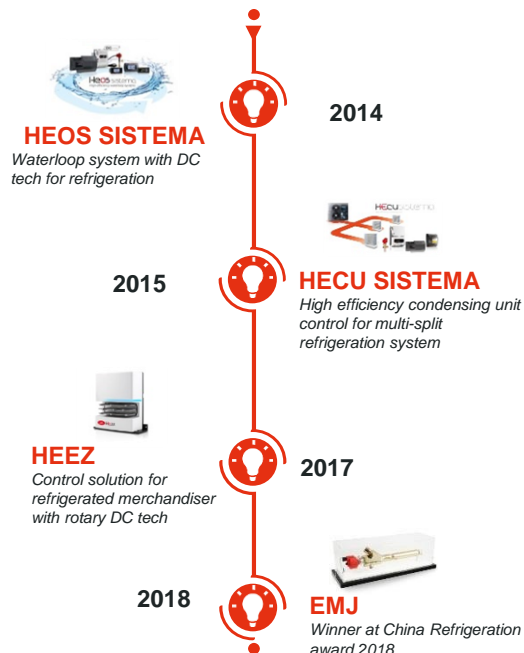


	CAREL	OEM proprietary solutions	Large diversified competitors	EM / Low cost competitors
Vertical niche approach	✓✓✓	✓✓	✓	✓✓✓
Innovation pace & knowledge of final applications	✓✓✓	✓	✓✓	✓✓
Integrated solutions	✓✓✓	✓	✓✓	✓
Global operations	✓✓✓	✓✓	✓✓✓	✓
Flexibility for tailored solutions	✓✓✓	✓✓	✓	✓✓✓
Economies 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	✓✓✓	✓✓	✓

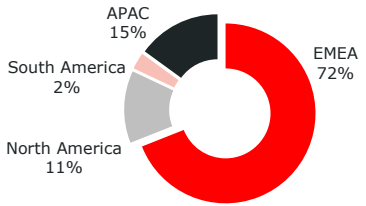
Source: Company info; Management elaborations

4 Highly efficient global operations serving locally...

GLOBAL PRODUCTION FOOTPRINT

DIRECT AND HIGHLY SKILLED SALES NETWORK

BEST POSITIONED TO CAPTURE GLOBAL GROWTH OPPORTUNITIES



Revenue 2021A breakdown by geography

Source: Company information at 31/12/2021

Region	Plants	Employees	Sales force	R&D Centre
NORTH AMERICA	1	136	65	1
WESTERN EUROPE	6	989	190	3
NORTH APAC	1	282	81	1
SOUTH AMERICA	1	48	24	0
RoEMEA	1	364	122	0
SOUTH APAC	0	46	46	0

Legend: R&D centres Plants Commercial subsidiaries Affiliates

4 ...diversified blue-chip customers

GLOBAL BLUE-CHIP

HVAC

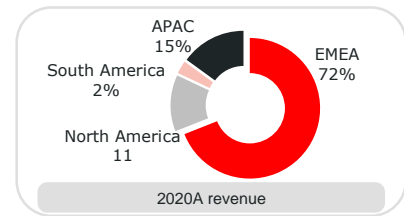
REFRIGERATION

BROAD & HIGHLY DIVERSIFIED

>10,000
Customers

In **c. 100**
countries worldwide

<4%
from first customer¹
<20%
from top-15 customers²



LONG-TERM BUSINESS RELATIONSHIPS

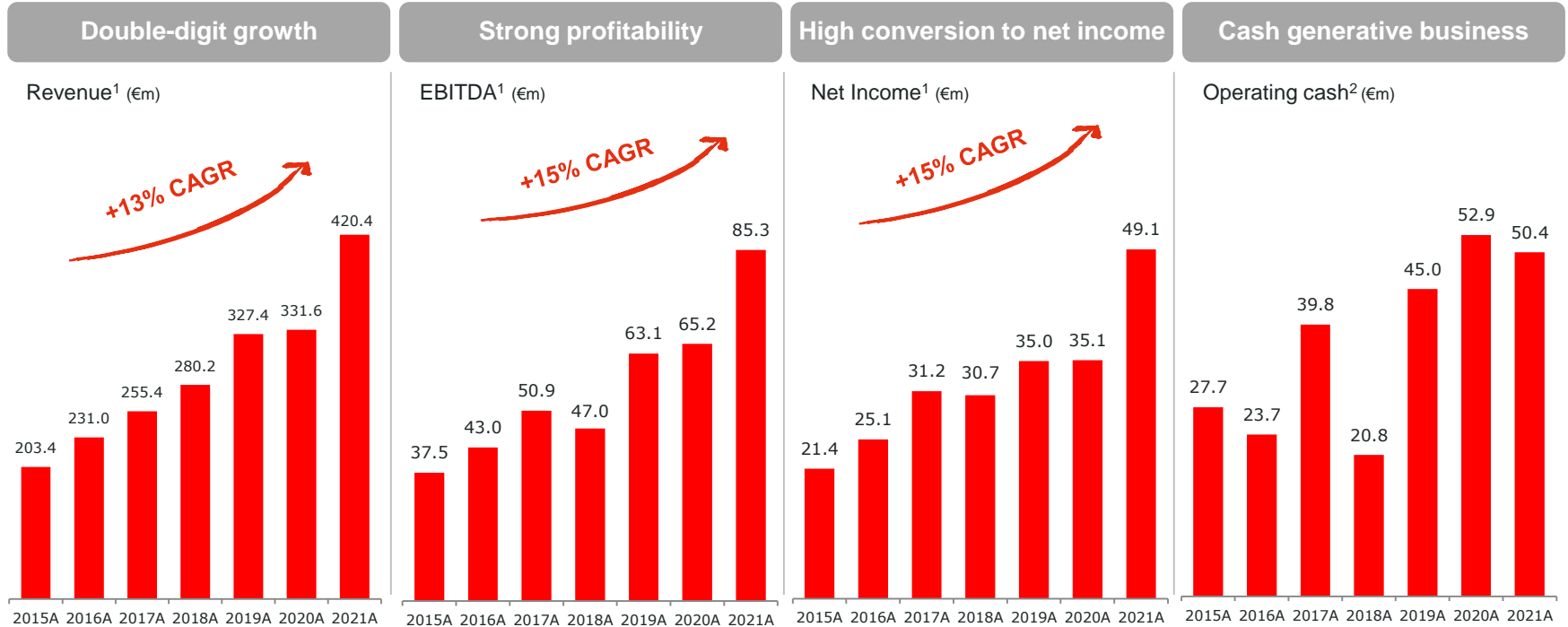
~80%
of Top Customers³
with CAREL for >10y

~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.21;
Note: 1) as% of 2021 Revenues 2) as of 2021 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-22
Note: 2015-2020 IFRS

Note: 1) Including the contribution from M&A 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 – 2021 – CFM



- **Company profile:** 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.
- **Transaction structure:** Carel takes control of CFM through the acquisition of 51% of the share capital of the company The acquisition 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.

• Key Data:

- ✓ Enterprise value (51%) = 23.1m€
- ✓ 2020 Revenues = 14.5m€
- ✓ EBITDA = 5.0m€
- ✓ Employees = ~34

• Industrial fitting:

- ✓ Bolt-on acquisition
- ✓ Footprint expansion outside Western Europe
- ✓ Strong know-how in digital and on-field services

• Financial fitting:

- ✓ ~9x EV/EBITDA
- ✓ Low impact on Carel's NFP

M&A – 2021 – Enginia



- **Company profile:** Enginia has been operating in the AHU sector since 1997 and has grown year after year to become a recognized leader, particularly as regards the manufacture production of dampers for air handling units.
- **Rationale:** expansion of the product portfolio in the HVAC market, consolidating CAREL's role as a supplier of complete solutions to manufacturers of air handling units through advanced solutions in terms of performance and energy efficiency.
- **Transaction structure:** Carel, through its subsidiary Recuperator, acquired 100% of the share capital of Enginia.



• Key Data:

- ✓ Enterprise value* = 12.4m€
- ✓ 2020 Revenues = 12.3m€
- ✓ 2020 EBITDA = 1.5m€
- ✓ Employees = 46

• Industrial fitting:

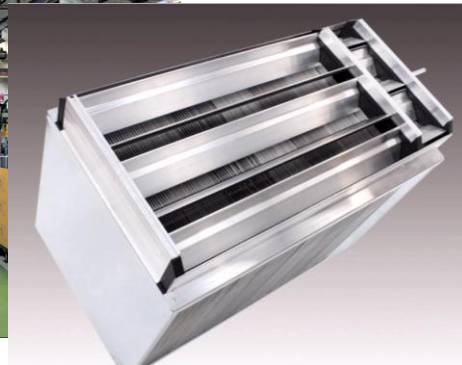
- ✓ Bolt-on acquisition
- ✓ Completing CAREL's product range for AHU
- ✓ Significant synergies with CAREL/Recuperator

• Financial fitting:

- ✓ ~8x EV/EBITDA*
- ✓ Low impact on Carel's NFP

*The transaction included the real estate complex that houses the company's headquarters, which was valued separately.

M&A – 2018 – 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 – 2018 – HygroMatik

HYGROMATIK[®]
WE HUMIDIFY THE AIR



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.

Disclaimer



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