

Press Release

The Board of Directors of CAREL Industries approves the consolidated results as at 31 March 2019

- Consolidated revenues of EUR 80.10 million, up 19.5% compared with the first three months of 2018 (+18.4% at constant exchange rates);
- EBITDA equal to EUR 15.72 million (19.6% of revenues for the period), +18.9% compared with the first three months of 2018;
- Consolidated net result equal to EUR 8.87 million, +8.4% compared with the net result of the first three months of 2018);
- Consolidated net financial position negative at EUR 77.48 million.

Brugine, 14 May 2019 – The Board of Directors of CAREL Industries S.p.A. ('CAREL', or the 'Company' or the 'Parent Company'), which met today, approved the results as at 31 March 2019.

Francesco Nalini, Group CEO, said: "The results recorded in the first three months of 2019 are part of the path of growth that CAREL has experienced in recent years, confirming the value of the strategic guidelines that we have followed. The capacity to exploit important cross-selling and up-selling options made possible by the continuous innovation of our product platforms, together with significant commercial efforts and the contribution of the two companies acquired at the end of 2018 (Hygromatik and Recuperator) have enabled us to record an increase in revenue of close to 20%. The latter has translated into a net profit that has touched EUR 9 million with the percentage increase in the first quarter of the past year reaching 8.4%. All of this has allowed us to look at the future with optimism and with the desire to improve, which has always marked out the Group."

Revenue

Revenue totalled EUR 80.10 million compared with EUR 67.03 million as at 31 March 2018, up +19.5%.

This performance benefits from a favourable performance in all geographical areas (EMEA, Asia Pacific, North America and South America) and in all segments (HVAC and Refrigeration) thanks to a combination of cross-selling and up-selling initiatives involving existing Customers, based on continuous technological progress involving the solutions offered by the Group and courtesy of the sales force's activities in searching for new business opportunities. Added to this is the contribution from Hygromatik and Recuperator, the two companies acquired in November 2018, which stands at around EUR 8.7 million. The positive effect of exchange rates was limited at around EUR 0.7 million.

The geographical area that recorded the biggest increase both in absolute and percentage terms is the EMEA (Europe, the Middle East, Africa), also thanks to the contribution of the above-mentioned newly acquired companies, followed by Asia Pacific, which, in turn, recorded double-digit percentage growth. As far as North America is concerned, performance was limited because of the full saturation of the plant located in Pennsylvania; this phenomenon will definitely be overcome through the installation expansion project which is expected to be concluded by the end of the first half of this year. Lastly, the performance recorded in South America is improving and particularly positive if you take into account the currently unfavourable political and economic situation.

As far as the individual business areas are concerned, the very strong growth in HVAC is benefiting yet again from the effect of Hygromatik and Recuperator entering the scope of consolidation, while the performance recorded in the Refrigeration sector is mainly due to organic growth.

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

	31.03.2019	31.03.2018	Delta %	Delta fx %
HVAC revenue	53,035	41,829	26.8%	25.3%
REF revenue	25,836	23,568	9.6%	9.1%
Total core revenue	78,871	65,396	20.6%	19.5%
Non-core revenue	1,226	1,635	-25.0%	-25.1%
Total revenue	80,097	67,031	19.5%	18.4%

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

	31.03.2019	31.03.2018	Delta %	Delta fx %
EMEA	56,897	46,541	22.3%	22.6%
North America	9,933	8,823	12.6%	4.2%
South America	1,828	1,794	1.9%	4.7%
Asia Pacific	11,436	9,872	15.8%	13.7%
Net Revenue	80,097	67,031	19.5%	18.4%

EBITDA

Consolidated EBITDA as at 31 March 2019 stood at EUR 15.72 million, equivalent to 19.6% of revenue for the period, a rise of 18.9% compared with the figure of EUR 13.22 million recorded as at 31 March 2018. The main elements which supported this performance are, in addition to the growth in revenue, the contribution of Hygromatik and Recuperator (equal to around EUR 1.8 million) and the adoption of accounting standard IFRS 16 (around EUR 1.1 million). This more than offset several additional costs due to listing on the Stock Exchange which were not present in the first quarter of 2018, while the effect of exchange rates was essentially neutral.

Net result

The net result of EUR 8.87 million recorded an increase of 8.4% compared with the figure of EUR 8.18 million as at 31 March 2018.

The results for the quarter, together with a particularly advantageous tax rate more than offset the greater financial expense due to the increase in financial debt associated with the M&A transactions concluded in 2018.

Consolidated net financial position

The net financial position was negative by EUR 77.48 million compared with EUR 59.13 million as at 31 December 2018.

This performance is due primarily to the accounting effect of the adoption of IFRS 16 equal to EUR 14.69 million. Excluding this the strong cash generation made it possible to cover both investments in the period, equal to around EUR 4.9 million, and a significant portion of the increase in working capital mainly linked to the seasonal trend of trade payables and receivables, while stock management improved.

Outlook

The performance recorded as at 31 March 2019 is a sign of further growth in revenue, even more pronounced following the change in the scope of consolidation thanks to the acquisition transactions concluded at the end of 2018. The implementation of the strategic guidelines which led to these results will continue in 2019 together with the implementation in full of the industrial footprint expansion plan, which is scheduled to be concluded by the end of the first half of this year.

CONFERENCE CALL

The results as at 31 March 2019 will be illustrated tomorrow, 15 May 2019, at 10.00 (CET) during a conference call to the financial community, which will also be the subject of a webcast in listen only mode at www.carel.com Investor Relations section.

The CFO, Giuseppe Viscovich, 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 leader in the design, production and global marketing of technologically advanced components and solutions for excellent energy efficiency in the control and regulation 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 management, with a distinctive position in the relevant niches in those markets.

HVAC is the main Group market, representing 61% of the Group's revenues in the financial year ended 31 December 2018, while the refrigeration market accounted for 37% 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 leadership position in the reference HVAC/R market niches, with special attention focused on energy efficiency, the reduction of the impact on the environment, 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 23 subsidiaries and nine production plants located in various countries. As of 31 December 2018, approximately 80% of the Group's revenue was generated outside of Italy and 49% outside of Western Europe.

Original Equipment Manufacturers or OEMs – suppliers of complete units for applications in the HVAC/R markets – make up the main category of the Company's customers, on which the Group focuses to build long-term relationships.

The accounting statements of the Group CAREL Industries, not subject to independent audit, are illustrated below.

Consolidated Financial Statements at 31 March 2019

Consolidated Statement of financial position

(€'000)	31.03.2019	31.12.2018
Property, plant and equipment	56,038	37,560
Intangible assets	90,055	91,126
Equity-accounted investments	335	335
Other non-current assets	2,320	2,343
Deferred tax assets	4,205	4,128
Non-current assets	152,954	135,491
Trade receivables	66,408	59,951
Inventories	54,628	54,285
Current tax assets	3,884	6,055
Other current assets	5,951	6,001
Current financial assets	72	72
Cash and cash equivalents	39,623	55,319
Current assets	170,566	181,683
TOTAL ASSETS	323,520	317,174
Equity attributable to the owners of the parent	128,589	117,992
Equity attributable to non-controlling interests	320	296
Total equity	128,909	118,288
Non-current financial liabilities	75,682	68,866
Provisions for risks	1,358	1,332
Defined benefit plans	7,383	7,333
Deferred tax liabilities	11,646	11,820
Non-current liabilities	96,070	89,351
Current financial liabilities	41,494	45,651
Trade payables	36,730	41,289
Current tax liabilities	685	1,539
Provisions for risks	1,645	1,649
Other current liabilities	17,987	19,407
Current liabilities	98,541	109,535
TOTAL LIABILITIES AND EQUITY	323,520	317,174

Consolidated Statement of profit or loss

(€'000)	31.03.2019	31.03.2018
Revenue	80,097	67,031
Other revenue	609	359
Costs of raw materials, consumables and goods and changes in inventories	(32,880)	(26,382)
Services	(11,397)	(10,691)
Capitalised development expenditure	516	275
Personnel expense	(20,606)	(17,027)
Other expense, net	(621)	(343)
Amortisation, depreciation and impairment losses	(4,052)	(1,961)
OPERATING PROFIT	11,666	11,260
Net financial income	(266)	97
Net exchange rate losses	(435)	(550)
Share of profit (loss) of equity-accounted investees	0	-
PROFIT BEFORE TAX	10,965	10,807
Income taxes	(2,095)	(2,627)
PROFIT FOR THE PERIOD	8,871	8,181
Non-controlling interests	17	10
PROFIT FOR THE PERIOD ATTRIBUTABLE TO THE OWNERS OF THE PARENT	8,854	8,171

Consolidated Statement of comprehensive income

(€'000)	31.03.2019	31.03.2018
Profit for the period	8,871	8,181
Items that may be subsequently reclassified to profit or loss:		
- Fair value gains (losses) on hedging derivatives net of the tax effect	(48)	(8)
- Exchange differences	2,417	(279)
Items that may not be subsequently reclassified to profit or loss:		
- Treasury stocks	(695)	
Comprehensive income	10,545	7,894
attributable to:		
- Owners of the parent	10,521	7,880
- Non-controlling interests	24	14

Earnings per share

Earnings per share (in Euros)	0.09	0.08
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Consolidated Statement of cash flows

(€'000)	31.03.2019	31.03.2018
Profit for the period	8,871	8,181
Adjustments for:		
Amortisation, depreciation and impairment losses	4,009	1,961
Accruals to/utilisations of provisions	426	618
Non-monetary net financial income	404	(130)
	13,710	10,630
Changes in working capital:		
Change in trade receivables and other current assets	(3,600)	(6,252)
Change in inventories	32	(3,690)
Change in trade payables and other current liabilities	(7,344)	(29)
Change in non-current assets	(84)	(298)
Change in non-current liabilities	(124)	52
Cash flows generated from operations	2,590	413
Net interest paid	(338)	(124)
Net cash flows generated by operating activities	2,252	290
Investments in property, plant and equipment	(4,071)	(1,314)
Investments in intangible assets	(866)	(412)
Disinvestments of financial assets	-	15,258
Disinvestments of property, plant and equipment and intangible assets	91	47
Interest collected	-	62
Investments in equity-accounted investees	-	-
Business combinations net of cash acquired	-	-
Cash flows generated by (used in) investing activities	(4,846)	13,641
Acquisitions of non-controlling interests	-	-
Capital increases	-	31
Repurchase of treasury stocks	(695)	-
Dividend to Shareholders	-	-
Dividend to Minorities	(74)	-
Increase in financial liabilities	-	325
Decrease in financial liabilities	(13,304)	(11,348)
Cash flows generated by (used in) financing activities	(14,073)	(10,993)
Change in cash and cash equivalents	(16,667)	2,938
Cash and cash equivalents - opening balance	55,319	43,900
Exchange differences	971	(63)
Cash and cash equivalents - closing balance	39,623	46,776

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 at 1.01.2018	10,000	2,000	3,430	33	35,195	36,294	31,218	118,170	248	118,418
Owner transactions										-
- Allocation of profit for the period					27,612	3,606	(31,218)	0		(0)
- Share Capital increase								-	31	31
- Dividend distributions					(30,000)			(30,000)		(30,000)
- Change in consolidation scope								-		-
Total owner transactions	10,000	2,000	3,430	33	32,807	39,900	-	88,170	280	88,450
- Profit for the period							8,171	8,171	10	8,181
- Other comprehensive income (expense)			(283)	(8)				(291)	4	(287)
Total other comprehensive income (expense)	-	-	(283)	(8)	-	-	8,171	7,880	14	7,894
Balance at 31.03.2018	10,000	2,000	3,147	25	32,807	39,900	8,171	96,051	293	96,344
Balance at 1.01.2019	10,000	2,000	2,660	(93)	32,950	39,788	30,678	117,992	296	118,288
Owner transactions										
- Allocation of profit for the period						30,678	(30,678)	-		-
- Capital increases								-		-
- Defined benefit plans					77			77		77
- Dividend distributions								-		-
- Change in consolidation scope								-		-
Total owner transactions	10,000	2,000	2,660	(93)	33,027	70,476	-	118,069	296	118,365
- Profit for the period							8,854	8,854	17	8,871
- Other comprehensive expense			2,410	(48)	(695)			1,667	7	1,674
Total other comprehensive expense	-	-	2,410	(48)	(695)	-	8,854	10,521	24	10,545
Balance at 31.03.2019	10,000	2,000	5,070	(141)	32,332	70,476	8,854	128,589	320	128,909



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