

Press Release

The CAREL Industries Board of Directors has approved the consolidated results as of 31 March 2021

- Consolidated revenues of € 97.6 million, +24.0% compared to the first three months of 2020 (+26.9% at constant exchange rates). +21.9% on the first three months of 2019;
- Consolidated EBITDA of € 22.0 million (22.5% of revenues), +53.2% compared to the first three months of 2020;
- Consolidated net income of € 13.3 million, +75.6% compared to the first three months of 2020;
- Negative consolidated net financial position of € 44.9 million, compared to € 49.6 million reported on 31 December 2020. Net of the accounting effect deriving from IFRS16, the consolidated net financial position stands at € 17.4 million, compared to € 21.4 at 31 December 2020

Brugine, 6 May 2021 - 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 2021.

Francesco Nalini, Managing Director of the Group, commented: "The key event of the first quarter of the year was the launch of the global COVID-19 vaccine campaign, which restored optimism by enabling a strong economic recovery, particularly in certain regions including China (Q1 2021 GDP +18.3%) and the US (Q1 2021 GDP +6.4%). In this scenario, CAREL has managed to seize significant business opportunities thanks to the consistent and continuous implementation of its strategic mainstays: customer focus, production resiliency and constant innovation. This accelerated performance in the sectors that had already seen an improvement in the second half of 2020, together with a strong recovery in those that had suffered most during the pandemic: industrial air conditioning and food service refrigeration. This resulted in the highest revenue increase in the last 10 years amounting to +26.9% at constant exchange rates, which was then reflected in an increase in EBITDA of over 50% and in profit of over 75%. The extent of these results remains largely unchanged when compared to the 2019 numbers, which were not impacted by the pandemic. However, as is always the case with CAREL, these performances are not a point of arrival but of departure, and they give us even greater enthusiasm for tackling the challenges that 2021 will bring, not least the ongoing pandemic and the shortage of raw materials that is affecting the world economy."

Consolidated revenues

Consolidated revenues amount to Euro 97.6 million, compared to Euro 78.4 million as at 31 March 2020, an increase of 24.0%. Net of the negative impact of currency exchange rates, which weighed in at around Euro 2 million, mainly due to the weakness of the US and Brazilian currencies, the increase would be +26.9%. These results take on an even more positive connotation if one considers that growth remains well above 20% even when comparing them with the revenue level recorded in the first quarter of 2019, which does not include any pandemic impact.

The performance described above is based on two main elements: the first is a generalised optimism linked to the COVID-19 worldwide vaccination campaign that started in December and January: this, together with other elements, led to a strong rebound in the economy in some key geographical areas (China and the United States) and, therefore, a generalised increase in demand; the second is once again confirmation of the Group's ability to seize significant business opportunities in particularly difficult scenarios (as happened in the first part of 2020) as well as in strong expansion scenarios such as the current one. From this point of view, it is important to emphasise that the increase is more than 20% (at constant exchange rates) in all geographical areas and in the two macro sectors "HVAC" and "Refrigeration", testifying to the flexibility and resilience of CAREL's strategy, capable of adapting to the most diverse markets and locations.

The Group's largest region, EMEA (Europe, Middle East, Africa), which accounts for 73% of revenues, closed the first quarter of 2021 with a 22.1% increase on a constant currency basis, thanks to a general acceleration in demand, to the recovery of certain industrial sectors that had been significantly impacted by the pandemic in 2020 (e.g. automotive) and to particularly strong performances in the high-efficiency heat pump and data centre cooling sectors. There was also excellent progress in refrigeration applications: a new drive

to invest in the food retail sector, also due to the European regulations on environmental sustainability, combined with a recovery in the food service sector. APAC (Asia-Pacific), which represents about 14% of the Group's revenues, shows an increase (at constant exchange rates) of 47.3% compared to the results recorded in the same period last year (and impacted by the closure of the Souzhou plant for a few million Euro). This performance is proof of the effectiveness of the strategy implemented by the Group in the region, based on a strong focus on the end customer and a broad and flexible production footprint (tripling the size of the Souzhou plant between 2018 and 2019), which has proved successful even at a time when demand is booming (Q1 2021 GDP in China +18.3%). North America, which represents approximately 11% of the Group's revenues, posted a 29.9% increase (net of foreign exchange impact). The turnaround from the 2020 poor results is due to the combination of improved execution and implementation of the Group's strategic and operational policies together with a strong upturn in the economic scenario. Finally, South America (which accounts for approximately 2% of the Group's total turnover), net of the negative currency exchange effects, recorded an increase of 62.0%, mainly due to the positive performance recorded in Brazil.

As far as the individual business areas are concerned, net of currency exchange effects, both registered increases of more than 25%. In fact, Refrigeration is up 28.4% (25.0% at actual exchange rates), benefiting from the recovery of the investment cycle in the food retail sector (supermarkets/hypermarkets/convenience stores), together with the constant increase of the global market share of Group. Positive results in the "Food service" from which some signs of recovery come. The HVAC sector also closed the first quarter of 2021 with strong positive results (+27.2% at constant exchange rates, +24.4% at current exchange rates): in addition to the acceleration of trends already seen in the second half of 2020 in certain applications (particularly high-efficiency heat pumps and data centres), there was also a recovery in the more cyclical production sectors, particularly industrial ones. On the other hand, demand in the Wellness sector is still sluggish.

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

	31.03.2021	31.03.2020	Delta %	Delta fx %
HVAC revenue	62,867	50,528	24.4%	27.2%
REF revenue	33,874	27,093	25.0%	28.4%
Total core revenue	96,742	77,622	24.6%	27.6%
Non-core revenue	881	1,118	-21.2%	-21.1%
Total Revenue	97,623	78,740	24.0%	26.9%

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

	31.03.2021	31.03.2020	Delta %	Delta fx %
EMEA	70,858	58,475	21.2%	22.1%
APAC	13,664	9,439	44.8%	47.3%
North America	10,909	9,110	19.7%	29.9%
South America	2,191	1,716	27.7%	62.0%
Total Revenue	97,623	78,740	24.0%	26.9%

Consolidated EBITDA

Consolidated EBITDA as at 31 March 2021 amounted to Euro 22.0 million, with strong growth (+53.2%) compared to the Euro 14.3 million recorded at 31 March 2020. The excellent results in terms of revenues are reflected and doubled in percentage as a result of the effect of the operating leverage and the continuing effects of a series of measures to contain discretionary costs (marketing, travel, etc.), already implemented last year. This resulted in a profitability (EBITDA to revenue ratio) of 22.5%, up 430 basis points on the first quarter of last year (18.2%) and 280 basis points on the 2020 figure (19.7%)

Consolidated net income

Consolidated net profit amounted to Euro 13.3 million, a significant increase (+75.6%) compared to Euro 7.6 million at 30 March 2020 owing to excellent operating results. The tax rate (19.4%) remained substantially in line with that of the first quarter of last year (19.3%) while higher interest expense was recorded due to the increase in the stock of gross debt. The incidence of foreign exchange losses is also higher, due to foreign exchange losses linked to operating activities in Brazil, Croatia and China.

Consolidated net financial position

The consolidated net financial position was a negative €44.9 million, slightly down from the €49.6 million recorded at 31 December 2020. Excluding the IFRS16-related debt stock, the consolidated net financial position at 31 March 2021 would amount to Euro 17.4 million (it was Euro 21.4 million at 31 December 2020).

The dynamics affecting the net debt trend are mainly related to a robust cash generation that easily covered an increase in net working capital mainly due to the seasonality of trade receivables, higher revenues and an expected increase in inventories to better manage the global shortage of raw materials.

Investments of approximately Euro 2 million were also covered by the generation of cash for the period.

Business outlook

The first quarter of 2021 was first and foremost characterised by a general recovery in global demand due to the launch of the COVID-19 vaccine campaign, albeit with important differences depending on the geographical areas considered. However, significant uncertainties remain due to the recent evolution of infections in some countries (including Brazil and India) and the spread of multiple viral variants.

Part of the acceleration in global demand is the generalised shortage of raw materials, particularly electronics. The severity, duration and consequences of this shortage in the medium term are as yet unseen and unquantifiable, although there are obvious strains on the major commodity prices.

In any case, taking into account the excellent results achieved during the first quarter of the year and the current level of the order book, the Group believes it can close 2021 with double-digit percentage growth in consolidated revenue with a floor of +12%. This is in the absence of any significant deterioration in the current scenario, particularly in relation to the elements described above.

CONFERENCE CALL

The results as of 31 March 2021 will be illustrated today, 6 May 2021, at 16.00 (CET) 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 66% of the Group’s revenues in the financial year to 31 December 2020, while the refrigeration market accounted for 33% 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 27 subsidiaries and nine production plants located in various countries. As of 31 December 2020, 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, not subject to independent auditing, are illustrated below.

Consolidated Financial Statements as of 31 March 2021

Consolidated Statement of financial position

(€'000)	31/03/2021	31/12/2020
Property, plant and equipment	74,420	74,880
Intangible assets	88,590	89,498
Equity-accounted investments	711	724
Other non-current assets	11,345	11,311
Deferred tax assets	5,724	5,265
Non-current assets	180,790	181,678
Trade receivables	70,663	57,728
Inventories	54,661	52,012
Current tax assets	1,473	2,156
Other current assets	8,590	7,445
Current financial assets	2,041	7,540
Cash and cash equivalents	108,824	105,586
Current assets	246,251	232,468
TOTAL ASSETS	427,042	414,145
Equity attributable to the owners of the parent company	175,263	159,317
Equity attributable to non-controlling interests	311	304
Total equity	175,574	159,621
Non-current financial liabilities	108,809	113,657
Provisions for risks	1,382	1,292
Defined benefit plans	8,096	8,189
Deferred tax liabilities	10,031	10,212
Non-current liabilities	128,318	133,350
Current financial liabilities	46,983	49,080
Trade payables	47,469	43,234
Current tax liabilities	4,901	2,991
Provisions for risks	2,381	2,104
Other current liabilities	21,417	23,766
Current liabilities	123,150	121,175
TOTAL LIABILITIES AND EQUITY	427,042	414,145

Consolidated Statement of profit or loss

(€'000)	31/03/2021	31/03/2020
Revenue	97,623	78,740
Other revenue	1,982	649
Costs of raw materials, consumables and goods and changes in inventories	(41,836)	(33,176)
Services	(11,144)	(10,586)
Capitalised development expenditure	479	446
Personnel expenses	(24,180)	(22,047)
Other expenses, net	(930)	328
Amortisation, depreciation and impairment losses	(4,742)	(4,613)
OPERATING PROFIT	17,253	9,742
Net financial income	(506)	(335)
Net exchange rate losses	(179)	23
Net result from companies consolidated with Equity method	-	-
PROFIT BEFORE TAX	16,568	9,430
Income taxes	(3,214)	(1,822)
PROFIT FOR THE PERIOD	13,353	7,608
Non-controlling interests	7	6
PROFIT FOR THE PERIOD ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	13,347	7,602

Consolidated Statement of comprehensive income

(€'000)	31/03/2021	31/03/2020
Profit for the period	13,353	7,608
Items that may be subsequently reclassified to profit or loss:		
- Fair value gains (losses) on hedging derivatives net of the tax effect	38	(43)
- Exchange differences	2,358	(2,665)
Items that may not be subsequently reclassified to profit or loss:		
- Discounted benefits to employees net of fiscal effect	-	-
Comprehensive income	15,749	4,898
attributable to:		
- Owners of the parent company	15,742	4,916
- Non-controlling interests	8	(19)

Earnings per share

Earnings per share (in euros)	0.13	0.08
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Consolidated Statement of cash flows

(€'000)	31/03/2021	31/03/2020
Profit for the period	13,353	7,608
Adjustments for:		
Amortisation, depreciation and impairment losses	4,742	4,613
Accruals to/utilisations of provisions	1,595	(20)
Non-monetary net income	(958)	439
Taxes	(632)	(197)
	18,100	12,443
Changes in working capital:		
Change in trade receivables and other current assets	(12,911)	(4,727)
Change in inventories	(2,802)	(1,814)
Change in trade payables and other current liabilities	3,147	(759)
Change in non-current assets	(661)	(39)
Change in non-current liabilities	566	32
Cash flows generated from operations	5,438	5,136
Net interest paid	(477)	(424)
Net cash flows generated by operating activities	4,961	4,712
Investments in property, plant and equipment	(1,362)	(1,477)
Investments in intangible assets	(594)	(921)
Disinvestments of property, plant and equipment and intangible assets	35	45
Interest collected	14	67
Investment in companies evaluated with the equity method	-	-
Industrial aggregation net of the acquired cash	-	-
Cash flows generated by (used in) investing activities	(1,908)	(2,287)
Capital increase	-	-
Repurchase of treasury stocks	-	(268)
Dividend to Shareholders	-	-
Dividend to Minorities	-	-
Disposal of current financial assets	5,500	-
Increase in financial liabilities	6,069	20,000
Decrease in financial liabilities	(10,789)	(4,289)
Decrease in financial liabilities for leasing fees	(1,277)	(1,136)
Cash flows generated by (used in) financing activities	(497)	14,308
Change in cash and cash equivalents	2,557	16,733
Cash and cash equivalents - opening balance	105,586	62,798
Exchange differences	681	(890)
Cash and cash equivalents - closing balance	108,824	78,640

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 1/1/2020	10,000	2,000	3,557	(363)	46,166	46,487	35,019	142,868	353	143,220
Owner transactions										
- Allocation of profit for the period	-	-	-	-	-	35,019	(35,019)	-	-	-
- Defined benefit plans	-	-	-	-	180	-	-	180	-	180
- Treasury shares repurchase	-	-	-	-	(268)	-	-	(268)	-	(268)
- Dividend distributions	-	-	-	-	-	-	-	-	-	(9,992)
- Change in the consolidation perimeter	-	-	-	-	-	-	-	-	-	-
Total owner transactions	10,000	2,000	3,557	(363)	46,078	81,505	-	142,780	353	143,132
- Profit for the period	-	-	-	-	-	-	7,602	7,602	6	7,608
- Other comprehensive income (expenses)	-	-	(2,640)	(43)	-	-	-	(2,685)	(25)	(2,710)
Total other comprehensive income (expenses)	-	-	(2,640)	(43)	-	-	7,602	4,916	(19)	4,898
Balance as of 31/03/2020	10,000	2,000	917	(406)	46,078	81,505	7,602	147,696	333	148,030
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)	-	-	-
- Capital increase	-	-	-	-	204	-	-	204	-	204
- Defined benefit plans	-	-	-	-	-	-	-	-	-	-
- Treasury shares repurchase	-	-	-	-	-	-	-	-	-	-
- Dividend distributions	-	-	-	-	-	-	-	-	-	-
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 expenses	-	-	2,357	38	-	-	-	2,395	1	2,396
Total other comprehensive 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