

## Press Release

### CAREL signs a binding agreement to acquire 100% of SENVA

*Brugine, September 09, 2022* – On today's date CAREL Industries S.p.A. ("**CAREL**" or the "**Group**"), through a vehicle held by its subsidiary Carel USA, entered into a binding agreement to acquire the business of SENVA Inc. ("**SENV**A"), a US company located in Oregon specialising in the design and manufacture of a wide range of sensors, mainly in the air-conditioning and ventilation sectors, and with a significant presence in indoor air quality.

#### Company profile

SENV A, founded in 2007 and based in Beaverton, Oregon, United States, specialises in the design and production of a wide range of sensors, chiefly in the air-conditioning and ventilation sectors, and with a specific line dedicated to indoor air quality launched in 2021. SENVA's offerings include first and foremost a full range of products characterized by high innovation. The know-how of SENVA's engineering staff covers a variety of multiple specialties, from mechanical to software, from electronics to automation. That technical versatility has made it possible to design a wide range of products including current, pressure (wet and dry), gas leakage and humidity sensors, to name but a few. The company covers multiple sales channels, including e-commerce, with a strong presence in the building contracting space and, to a lesser extent, in the OEM (original equipment manufacturer) and distribution.

In addition to humidification, SENVA also covers numerous applications involving refrigerant circuits in air-conditioning and ventilation: chillers, rooftop units, air-handling units, etc.

The company has a production facility of about 2,500 square meters and is in the process of expanding to a new facility (including a new research laboratory) of a larger size (3,250 square meters). The employee force at the end of 2021 was approximately 65.

From a financial standpoint, SENVA's revenue in the period ended 31 December 2021 amounted to approximately USD 12.7 million, up 24% year-on-year (and more than double the amount recorded in 2016), with an EBITDA of USD 2.4 million. The significant ongoing growth trend resulted in a TTM (trailing twelve months) EBITDA estimated at USD 3.1 million for the period ended 31 August 2022.

#### Strategic rationale

The transaction is consistent with the strategy of the Group's activities in recent years, and specifically:

- **M&A** – the acquisition of SENVA is a further step towards the process of external growth through complementary products in reference applications that began in 2018. The market share gained and additional manufacturing presence in a strategic market such as North America are key elements for the support of local business development.
- **Sensors** – As in the case of Arion's acquisition (April 2022), the focus in this area is key to making products more efficient and more connected to their ecosystem, while also facilitating the activation of digital services.
- **Synergies** – Numerous synergies can be achieved through the integration of CAREL and SENVA. With regard to products, the expanded range will further reinforce the Group's vision as a single supplier of diversified solutions for the HVAC (heating, ventilation and air-conditioning) sector; the combination of CAREL's and SENVA's know-how will also lead to an increasingly sophisticated product offering (greater connectivity, innovation and customisation) and to covering a significant portion of the application niches currently served (e.g., expansion to the refrigeration sector). In addition, there are significant geographical and commercial advantages. For CAREL this is in fact the first strategic industrial acquisition in the US, and it presents obvious opportunities in terms of cross-selling in Europe/North America and opening up underserved sales channels, such as contractors. Finally, the doubling of SENVA's production capacity could also be used in the future to expand the production of CAREL-branded items.

The effects of the transaction will also positively reflect on SENVA, which will benefit from the opening to new markets in terms of geography, applications and distribution, leveraging the Group's commercial strength.

## Transaction description

In the transaction, Carel Industries S.p.A acquires all SENVA Inc.'s business through a special purpose vehicle held by Carel USA Inc., Carel Industries S.p.A.'s US subsidiary. That acquisition is valued at USD 34 million. CAREL will also make an additional payment of up to USD 4 million tied to certain EBITDA results, for a total potential acquisition value of USD 38 million. Since the transaction is on a cash and debt free basis, there are no price adjustments except for the amount of net working capital as of the date of closing.

There are also incentive mechanisms for SENVA's management (that will stay on post-acquisition) based on the results achieved until the approval of the 2025 financial statements. This structure, in which the current management is heavily involved in the medium-term future of the company, will ensure a complete alignment of interests between the target and Carel Group during the integration period.

The acquisition agreement provides the buyer with clauses and related indemnity protection in line with market practice.

Closing is expected by the end of October 2022 and is subject to the conditions precedent typical of this type of transactions.

CAREL is expected to use available financial resources to pay the purchase price.

Francesco Nalini, CEO of the CAREL Group, commented: "*We are very excited by the deal signed today because it represents our first highly strategic acquisition in the Americas and further confirms our commitment to pursuing our growth objectives through M&A – a commitment that has significantly accelerated over the last 18 months. The acquisition of SENVA underscores the Group's interest in growing and consolidating its presence in the United States, but is also part of a process of expansion in the advanced sensor sector (which we have been pursuing with the Arion transaction closed in April) that will be increasingly important in the design of energy-efficient, environmentally sustainable machines.*"

*Carel Industries S.p.A was assisted in the transaction by Fredericks Michael & Co. as financial advisor, by Raines Feldman LLP as legal advisor and by Moss Adams in conducting financial, tax, environmental, IT and cyber-security due diligence.*

For more information

## INVESTOR RELATIONS

Giampiero Grosso – Investor Relations Manager  
[giampiero.grosso@carel.com](mailto:giampiero.grosso@carel.com)  
+39 049 9731961

## MEDIA RELATIONS

Barabino & Partners  
Fabrizio Grassi  
[f.grassi@barabino.it](mailto:f.grassi@barabino.it)  
+39 392 73 92 125  
Marco Trevisan  
[m.trevisan@barabino.it](mailto:m.trevisan@barabino.it)  
+39 02 72 02 35 35

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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 INDUSTRIES S.p.A.  
via dell'Industria, 11 - 35020 Brugine - Padova - Italy  
Phone (+39) 049 97 16 611 - Fax (+39) 049 97 16 600  
[carel.com](http://carel.com) - [carel@carel.com](mailto:carel@carel.com)

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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 31 subsidiaries including 13 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.