



Press Release

The CAREL Industries Board of Directors has approved the consolidated results as of 30 September 2023

- Consolidated revenues of € 497.2 million, +24.0% compared to the first nine months of 2022 (excluding the impact of exchange rates the growth would have been 25.7%). On a like-for-like basis and constant exchange rate basis the growth would have been equal to +12.7%;
- Adjusted Consolidated EBITDA of € 113.0 million, corresponding to 22.7% of revenues (or to 22.3% including € 2.3 million non-recurring costs related mainly to the acquisition of Kiona and of Eurotec). The growth compared to the first nine months of 2022 equal to 28.9%;
- Consolidated net income of € 59.1 million, is +12.2% compared to the first nine months of 2022;
- Negative consolidated net financial position of € 265.3 million (compared to € 95.8 million reported on 31 December 2022), including a € 34.1 million accounting effect deriving from the application of IFRS16 and a € 184.1 million impact of the acquisitions carried out in 2023 (Eurotec and Kiona).

Brugine, 31 October 2023 - 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 30 September 2023.

Francesco Nalini, CEO of the Group, commented: *"The first nine months of 2023 closed with revenue growth of 24% or 12.7 % on a like-for-like basis and at constant exchange rates, in line with the expectations communicated in August. The result is particularly positive if we take into account, on the one hand, the comparison with the same period in 2022, which had already shown organic growth of over 20%, and on the other, a macroeconomic context characterised by a still high inflation rate in the Euro area, which along with some regulatory uncertainties is affecting the short-term growth trends of some of the applications as commercial refrigeration and heat pumps. The contribution of the newly acquired companies to total revenues was more than € 50 million, which underlines the benefits of the M&A strategy that we have pursued since the listing and which culminated, most recently, in the completion, on 31 August 2023, of the acquisition of Kiona.*

Also very positive was the trend in profitability, as measured by Adjusted EBITDA Margin, which stood at about 22.7%, thus increasing both compared to the first nine months of 2022 (21.9%) and to the first half of this year (22.1%). Even including the non-recurring costs linked to the acquisitions made during the year, profitability would still have increased. This performance resulted mainly from the unfolding of the operating leverage phenomenon, an improved product mix, and the contribution of certain price reviews carried out in recent years in order to offset the inflationary phenomenon on raw materials.

Shifting the focus to the future, in spite of a significant volatility present today on the market, the Group will proceed with conviction and enthusiasm to implement its strategy, aimed at capturing the structural medium to long term growth trends in most applications in which it operates."

Consolidated revenues

Consolidated revenues came to € 497.2 million, compared to € 401.1 million for the period ended 30 September 2022, an increase of 24.0%. Excluding the change in the scope of consolidation related to the acquisitions (€ 52.1 million) and the negative exchange rate effect (€ 6.8 million), the increase would have amounted to 12.7%.

With respect to the macroeconomic environment, the inflation rate in the Euro area declined sequentially during the quarter (from 5.3% in July to 5.2% in August and 4.3% in September), although it remained high. This prompted the ECB to continue its restrictive monetary policy course commenced in 2022 with reference rates rising to over 4.0%. The same trend was also followed by the FED,

which raised benchmark rates in a range between 5.25% and 5.50%. These initiatives are having a significant impact on growth projections, especially in the Euro area, with slowing domestic demand. Associated with this situation is a very complex geopolitical scenario: the conflict between Russia and Ukraine has recently been joined by the Israeli-Palestinian conflict.

In this context, the Group recorded a strong increase in revenues, with revenues for the July-September period increasing by 22.8% (compared to the same period of the last year) at constant exchange rates (10.4% at constant scope and exchange rates), benefiting from both internal and external growth. In terms of organic growth, the same trends already highlighted in the first half of the year continued with sustained demand in various air conditioning segments, among which stand out some applications such as data-centres and heat pumps. The growth rate of the latter, however, decelerated in the second half of the quarter due to a number of factors, both regulatory and related to the energy and macroeconomic scenario. In the refrigeration segment, the approach to the investment cycle continued to be cautious in the quarter just ended, both in food-retail and food-service segments. This timidity is largely linked to inflation, which, particularly in Europe, has caused a slowdown in consumption, and to rising interest rates that make it more expensive to renovate existing shops and open new ones.

The region that carries the greatest weight for the Group, EMEA (Europe, Middle-East, Africa), from which 70% of revenues derives, closed the first nine months of the year with an increase at constant exchange rates of 22.5% (on a like-for-like basis, growth would have been 12%): this performance benefits from both a significant contribution made from the acquisitions completed over the last 18 months and from some positive trends in HVAC already recorded over the last two years, like that of the cooling of the data-centres. In relation to high-efficiency heat pumps, as mentioned above, after a two-year period of double-digit percentage market growth, there has been a correction in recent months that mainly affected a few countries, including Germany, Poland and Italy. This is generally due to regulatory and macroeconomic factors combined with high inventory levels along the supply and distribution chain. Revenues in Refrigeration, on the other hand, were essentially at the same level as in the first nine months of 2022.

APAC (Asia-Pacific), which accounts for approximately 14% of the Group's revenues, reports growth at constant exchange rates of 24.7% compared to as recorded in the first nine months of 2022. These results benefited from a good performance in most of the region (India and South Korea in particular, thanks also to the disposal of the backlog), to which the contribution of the newly acquired Eurotec was added. As regards China, it is worth mentioning some business opportunities that the Group was able to seize, although there are still no clear signs of a possible economic recovery in that region.

Revenues from North America, which account for about 14% of the total, grew by 48.9% at constant exchange rates, mainly due to the contribution of the newly acquired company SENVA, active in the sensor segment, and a good performance in the HVAC segment (particularly in applications related to computer centre cooling and other innovative industrial applications). By contrast, a weak demand scenario persists in the food-service area. Looking ahead, the growing interest in food-retail towards solutions increasingly oriented towards the use of low-polluting refrigerants, mainly natural refrigerants, is particularly positive, also following some regulatory confirmations seen in the last few months. Finally, South America (which accounts for about 2% of the Group's total turnover) reported results showing slight growth compared with those of the first nine months of 2022: the good performance recorded in Brazil was partly offset by less satisfactory results in other South American countries, mainly due to the difficult macro-economic situation.

As far as the individual business areas are concerned, the HVAC segment closed the first nine months of 2023 with a growth of about 34.9% (36.4% at constant exchange rate). Even excluding the change in the scope of consolidation due to the Merger & Acquisitions, amounting to about € 48 million, the increase would still be robust, standing at about 17%: the excellent performance in the cooling of computer centres continue while a slowdown was reported in the high-efficiency heat pump market in Europe. Finally, there are still signs of stagnation in the more cyclical industrial segments, partially offset by some opportunities taken by the company in new segments such as "Battery Energy Storage Systems – BESS". Turning to the Refrigeration segment, revenues grew by about 2.9% (4.8% at constant exchange rates), mainly thanks to the contribution made by the newly-acquired Kiona. The slowdown in the investment cycle that has been affecting the segment for about a year in multiple geographic areas has shown no signs of improvement.

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

	30.09.2023	30.09.2022	Delta %	Delta fx %
HVAC revenue	361,239	267,870	34.9%	36.4%
REF revenue	133,681	129,955	2.9%	4.8%
Total core revenue	494,920	397,826	24.4%	26.1%
Non-core revenue	2,293	3,251	(29.4%)	(26.5%)
Total Revenue	497,213	401,076	24.0%	25.7%

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

	30.09.2023	30.09.2022	Delta %	Delta fx %
EMEA	348,176	284,871	22.2%	22.5%
APAC	67,408	57,641	16.9%	24.7%
North America	71,475	48,935	46.1%	48.9%
South America	10,155	9,629	5.5%	5.0%
Total Revenue	497,213	401,076	24.0%	25.7%

Consolidated EBITDA

Consolidated adjusted EBITDA for the period ended 30 September 2023 stood at € 113.0 million, up sharply (+28.9%) compared to the € 87.7 million for the first nine months of 2022. Including non-recurring costs resulting mainly from the Merger&Acquisition activity carried out in the period, reported EBITDA is equal to € 110.7 million. Profitability, defined as the ratio of adjusted EBITDA to Revenues stood at 22.7%, (22.3% including the non-recurring costs reported above), up compared to both the same period in 2022 (21.9%) and the first half of 2023 (22.1%): the positive effect of the operating leverage together with a product mix that benefited from the easing of the shortage and the deployment of some sales price increases in the last eighteen months offset the inflationary phenomenon that, although to a lesser extent than last year, is still present.

Consolidated net income

The consolidated net income of € 59.1 million shows a double-digit increase (+12.2%) compared to € 52.6 million as at 30 September 2022, thanks to the excellent operating results and the contribution from the change in the scope of consolidation. Financial expenses amounted to € 5.9 million, a significant increase over the same period last year, mainly due to notional interest related to put-call options on minority interests in some companies recently acquired by the Group. The tax rate is 23.8%. The increase compared with the first half of 2023 (22.5%) is mainly due to a different revenue/country mix and the effects of implementing changes in tax regulations in some geographies.

Consolidated net financial position

The consolidated net financial position was negative for € 265.3 million, including the accounting effect of the application of IFRS16 in the amount of € 34.1 million and the effect of the acquisition of 82.4% of the share capital of Kiona Holding AS and of 100% of the share capital of Eurotec in the amount of € 184.1 million. The robust cash generation was also absorbed by investments in the amount of € 15.0 million, the payment of dividends for the year in the amount of € 20.4 million, and the increase in net working capital in the amount of approximately € 38 million. The dynamics of the latter can be attributed to higher trade receivables against higher revenues and to the increase in inventory, in the amount of about € 26 million, mainly related to the strategy of containing the effects of the electronics shortage and the desire to increase supply resilience.



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Business outlook

Just like during the first six months of the year, the third quarter was again characterised by strong geopolitical instability mainly due to the conflict between Russia and Ukraine and trade tensions between the US and China. In economic terms, although July, August and September saw a progressive slowdown in Euro area inflation, the latter still remains above 4%. The monetary tightening by the ECB and the FED through raising interest rates also continued. These elements are having a negative impact, especially in Europe, on current and expected growth.

In relation to the shortage of electronic material that has characterised the supply chain over recent past, the third quarter of 2023 saw a further gradual improvement, the benefits of which, however, vary according to individual segments of reference.

Turning our attention to CAREL, the performance recorded in the first nine months of the year in the HVAC market was particularly positive. In the July–September period, though, the heat pump sector, despite the presence of a solid structural trend, witnessed a deceleration in the growth due to a series of contingent factors, including: a certain regulatory opacity at the European level (linked to the lengthy process of discussion and approval of the proposals to revise Regulation (EU) No. 517/2014 on fluorinated gases, the F-gas regulation) and at the local level (again linked to the troubled process of the recently passed German regulation on building air-conditioning and the subsidy scheme for heat pumps); the often-mentioned deterioration of the macroeconomic scenario; a particularly high level of inventories of finished products along the supply chain. Turning to refrigeration, the weak trend recorded during the first half of this year essentially also characterised the third quarter.

Taking the above into account and excluding any further worsening of the economic scenario, the Group expects total revenue of approximately 646m€ for FY 2023 with a +2%/-2% variability on this central value following the significant volatility present today on the market that could lead to the postponement of some deliveries to 2024. Profitability for the whole of 2023, understood as the ratio of Adjusted EBITDA to revenue (Adjusted EBITDA margin), is expected to be between 20.5% – 21.5%.

CONFERENCE CALL

The results as of 30 September 2023 will be illustrated today, 31 October 2023, at 16.30 (Italian time) 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 68% of the Group's revenues in the financial year to 31 December 2022, while the refrigeration market accounted for 31% 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.

As of 31 December 2023 the Group operates through 36 branches including 15 production plants located in various countries, 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 30 September 2023

Consolidated Statement of financial position

(€'000)	30/09/2023	31/12/2022*
Property, plant and equipment	113,287	109,687
Intangible assets	369,346	194,428
Equity-accounted investments	1,754	1,446
Other non-current assets	9,735	9,769
Deferred tax assets	11,314	7,745
Non-current assets	505,437	323,075
Trade receivables	114,096	93,692
Inventories	130,054	106,745
Current tax assets	1,558	2,777
Other current assets	19,340	17,446
Current financial assets	4,530	12,875
Cash and cash equivalents	110,133	96,636
Current assets	379,711	330,172
TOTAL ASSETS	885,148	653,247
Equity attributable to the owners of the parent company	170,487	205,378
Equity attributable to non-controlling interests	13,826	15,868
Total equity	184,313	221,247
Non-current financial liabilities	146,518	121,392
Provisions for risks	4,875	5,577
Defined benefit plans	8,171	8,129
Deferred tax liabilities	17,247	18,242
Other non-current liabilities	145,895	76,013
Non-current liabilities	322,706	229,354
Current financial liabilities	233,468	83,960
Trade payables	77,316	77,174
Current tax liabilities	10,562	4,987
Provisions for risks	4,431	4,301
Other current liabilities	52,353	32,226
Current liabilities	378,129	202,647
TOTAL LIABILITIES AND EQUITY	885,148	653,247

*Restated

Consolidated Statement of profit or loss

(€'000)	30/09/2023	30/09/2022
Revenue	497,213	401,076
Other revenue	3,712	3,179
Costs of raw materials, consumables and goods and changes in inventories	(217,123)	(183,684)
Services	(62,535)	(49,674)
Capitalised development expenditure	813	482
Personnel expenses	(109,301)	(83,767)
Other expenses, net	(2,074)	(1,694)
Amortisation, depreciation and impairment losses	(23,137)	(17,033)
OPERATING PROFIT	87,568	68,885
Net financial income	(5,919)	(2,189)
Net exchange rate losses	(893)	(549)
Net results from companies consolidated with equity method	292	2,361
PROFIT BEFORE TAX	81,048	68,508
Income taxes	(19,325)	(14,236)
PROFIT FOR THE PERIOD	61,724	54,271
Non-controlling interests	2,645	1,635
PROFIT FOR THE PERIOD ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	59,079	52,636

Consolidated Statement of comprehensive income

(€'000)	30/09/2023	30/09/2022
Profit for the period	61,724	54,271
Items that may be subsequently reclassified to profit or loss:		
- Fair value gains (losses) on hedging derivatives net of the tax effect	(666)	1,370
- Exchange differences	(7,189)	8,282
Items that may not be subsequently reclassified to profit or loss:		
- Discounted benefits to employees net of fiscal effect	(9)	556
Comprehensive income	53,860	64,479
attributable to:		
- Owners of the parent company	51,622	62,501
- Non-controlling interests	2,239	1,978

Earnings per share

Earnings per share (in euros)	0.59	0.56
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Consolidated Statement of cash flows

(€'000)	30/09/2023	30/09/2022
Profit for the period	61,724	54,271
Adjustments for:		
Amortisation, depreciation and impairment losses	23,137	17,033
Accruals to/utilisations of provisions	5,870	2,691
Other charges/(gains)	7,258	467
Taxes	19,325	14,236
Changes in working capital:		
Change in trade receivables and other current assets	(12,979)	(23,163)
Change in inventories	(26,141)	(22,622)
Change in trade payables and other current liabilities	(2,315)	2,438
Change in non-current assets	53	(2,625)
Change in non-current liabilities	-	1,486
Cash flows generated from operations	75,931	44,211
Net interest paid	(3,771)	(1,263)
Tax paid	(15,940)	(11,587)
Net cash flows generated by operating activities	56,220	31,361
Investments in property, plant and equipment	(12,030)	(13,381)
Investments in intangible assets	(2,920)	(2,002)
Investments/Disinvestments of financial assets	8,000	(543)
Disinvestments of property, plant and equipment and intangible assets	336	71
Interest collected	1,633	67
Industrial aggregation net of the acquired cash	(181,612)	(10,934)
Cash flows generated by (used in) investing activities	(186,593)	(26,722)
Shares buy-back	(1,042)	-
Dividend to Shareholders	(17,999)	(14,995)
Dividend to Minorities	(2,411)	(2,344)
Investment in current financial assets	-	(2,812)
Increase in financial liabilities	235,361	87,420
Decrease in financial liabilities	(63,968)	(61,398)
Decrease in financial liabilities for leasing fees	(5,413)	(3,781)
Cash flows generated by (used in) financing activities	144,528	2,090
Change in cash and cash equivalents	14,155	6,729
Cash and cash equivalents - opening balance	96,636	100,625
Conversion variations	(658)	2,331
Cash and cash equivalents - closing balance	110,133	109,685



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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 1/1/2022	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	-	-	-	-	27,145	21,914	(49,059)	-	-	-
- Defined benefit plans	-	-	-	-	306			306	-	306
- Dividend distributions	-	-	-	-	(14,995)		-	(14,995)	(2,344)	(17,339)
- Minority stakes acquisition options					(3,000)			(3,000)		(3,000)
- Change in scope of consolidation	-	-	-	-		-	-	-	1,151	1,151
Total owner transactions	10,000	2,000	3,853	(51)	26,535	94,925	-	137,263	13,730	150,993
- Profit for the period							52,636	52,636	1,635	54,271
- Other comprehensive income (expenses)	-	-	7,939	1,370	556	-	-	9,865	343	10,208
Total other comprehensive income (expenses)	-	-	7,939	1,370	556	-	52,636	62,501	1,978	64,479
Balance as of 30/09/2022	10,000	2,000	11,792	1,319	27,092	94,925	52,636	199,764	15,709	215,473
Balance as of 1/1/2023	10,000	2,000	5,848	1,252	29,232	94,925	62,124	205,379	15,868	221,247
Owner transactions										
- Allocation of profit for the period	-	-	-	-	44,504	17,620	(62,124)	-	-	-
- Shares buy-back	-	-	-	-	(1,042)	-	-	(1,042)	-	(1,042)
- Dividend distribution	-	-	-	-	(17,999)		-	(17,999)	(2,411)	(20,410)
- Minority stakes acquisition options	-	-	-	-	(67,475)		-	(67,475)	-	(67,475)
- Change in scope of consolidation	-	-	-	-	-	-	-	-	(1,869)	(1,869)
Total owner transactions	10,000	2,000	5,848	1,252	(12,780)	112,544	-	118,864	11,588	130,452
- Profit for the period							59,079	59,079	2,645	61,724
- Other comprehensive expenses			(6,783)	(666)	(9)			(7,458)	(406)	(7,864)
Total other comprehensive expenses	-	-	(6,783)	(666)	(9)	-	59,079	51,622	2,239	53,861
Balance as of 30/09/2023	10,000	2,000	(935)	586	(12,789)	112,544	59,079	170,487	13,827	184,313