

Press Release

The CAREL Industries Board of Directors has approved the consolidated results as of 30 September 2022

- Consolidated revenues of € 401.1 million, +29.3% compared to the first nine months of 2021 (+25.9% at constant exchange rates). On a like-for-like basis the growth would have been equal to +22.3%;
- Consolidated EBITDA of € 85.9 million (€ 4.7 million from the change in the scope of consolidation linked to a number of companies acquired in the last 18 months) +30.1% compared to the first nine months of 2021 and corresponding to 21.4% of revenues (21.9% Adjusted);
- Consolidated net income of € 52.6 million, +35.7% compared to the first nine months of 2021;
- Negative consolidated net financial position of € 73.6 million, including € 28 million accounting effect deriving from IFRS16. As of 31 December 2021, the negative consolidated net financial position stood at € 57.8 million;
- Improvement within the "MSCI ESG rating assessment" with a score equal to "AA" and "silver medal" in the ECOVADIS sustainability rating.

Brugine, 10 November 2022 – 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 2022.

Francesco Nalini, CEO of the Group, commented: "It is with great pride that I present the results of this quarter, the seventh consecutive quarter in which CAREL has recorded double-digit percentage organic revenue growth. All geographic areas and all macro-segments in which the Group is active contributed significantly to this result, once again underlining the soundness of the business portfolio as well as the ability to adapt to challenging scenarios that are difficult to foresee and constantly changing. The first nine months of the year, in fact, were impacted by a complex macroeconomic context, characterised first and foremost by the continuing shortage of electronic equipment (both precision and power), which did not allow us to express all the growth potential that the market offered. In addition, there was a sharp increase in inflation (in the Eurozone it was close to 10% in September) and more particularly in raw materials, the impact of which on profitability was, however, limited, also thanks to the positive effect of operating leverage linked to high growth rates. A positive contribution to the latter was the effort made in terms of M&A: during the year, four acquisitions were completed (Arion, Sauber, Klingenburg and Senva), two in Italy and two abroad, which will allow CAREL to act more and more as a supplier of complete control solutions with high added value and further consolidate its international profile. Also on the internal front, the Group has worked relentlessly to increase efficiency and flexibility and is continuing to implement the digitisation roadmap, achieving, among other results, a significant reduction in multi-site design and industrialisation time. For the foreseeable future, the global macroeconomic environment is still very challenging, also due to the economic slowdown caused by the restrictive monetary policies implemented by the Federal Reserve and the European Central Bank. In this context, CAREL will continue to develop the business in its niches, which present decidedly positive short and long-term trends, also linked to decarbonisation, looking to the future with optimism and providing increasingly advanced solutions that anticipate the needs of the market."

Consolidated Revenues

Consolidated revenues came to € 401.1 million, compared to € 310.3 million for the period ended 30 September 2021, an increase of 29.3%. Net of the change in the scope of consolidation related to the acquisitions made in the last 18 months in the amount of € 21.6 million, and the positive exchange rate effect of approximately € 10.3 million, the increase would have amounted to 19.0%.

The third quarter of the year was characterised by the same positive and negative macroeconomic trends as the previous quarters. However, the signs of an imminent slowdown in the global economy have become more pronounced, both due to the loss of purchasing power due to inflation, but also as a result of an increase in interest rates put in place by the European and US central

banks precisely with the aim of slowing inflation. From a point of view more closely related to the niches in which the Group operates, it is necessary to emphasise the renewed sensitivity on the part of the United States towards sustainability through the switch to refrigerant gases with a low GWP (Global Warming Potential): in September, in fact, the US Senate approved ratification of the Kigali Amendment to the Montreal Protocol, while the Environmental Protection Agency (EPA) recently proposed implementing a 40% cut of the particularly greenhouse-damaging hydrofluorocarbons (HFCs) from 2024. This trend is obviously favourable for CAREL, which also has complete and efficient control solutions for end units using natural refrigerants.

In this scenario, the Group has maintained robust growth in organic revenues thanks to the ability to take advantage of demand that remained significant across all HVAC and refrigeration segments with a particular acceleration in certain applications, such as data centres and end units that can be traced back to air treatment and humidification and heat pumps. The strong expansion of the latter, particularly in Europe, is linked both to a secular trend such as electrification and the recent REPowerEU regulation. Also for heat pumps, an increasing use of natural refrigerants (in particular propane) is already perceptible, for the management of which the Group already has complete control systems.

As in previous quarters, however, the strong demand in HVAC and refrigeration could not be fully satisfied due to the persistent shortage of raw materials and electronics. This was reflected in a continuous and general increase in procurement and transport costs, which the Group responded to through the unfolding of the effects from its previous price list increases.

The Group's most important region, EMEA (Europe, Middle East, Africa), which accounts for 71% of revenues, closed the first nine months of the year with an increase of 26.6% at constant exchange rates (on a like-for-like basis, growth would have been 18.6%); this performance is based on the continuation of a generalised growth in demand, already recorded in 2021, to which the particularly brilliant performances in the high-efficiency heat pump, data-centre cooling and indoor air quality sectors are added. Equally positive is the growth in the Refrigeration market thanks to sustained investments in Food Retail, also due to regulation. Finally, performance in the "food service" segment was good.

APAC (Asia-Pacific), which accounts for approximately 14% of the Group's revenues, reports growth at constant exchange rates of 15.2% compared to the results recorded in the first nine months of 2021. The growth rate benefited from excellent performance of all countries on the Asian continent covered by the Group's activities, which accelerated further during the third quarter of the year. Particularly noteworthy is the South-Apac region, which recorded revenue growth of more than 25% from January to September this year.

Revenues from North America, which represent about 12% of the total, grew 30.1% at constant exchange rates (19.7% on a like-for-like basis) due mainly to good performance in applications related to *indoor air quality*, data centre cooling, an acceleration in the refrigeration sector, and more generally an excellent *execution* of the strategy in this region. Finally, South America (which accounts for about 3% of the Group's total business volume) reported growth of 56.3% at constant exchange rates, with a further strong acceleration during the third quarter due to both the seasonality of the business and to excellent performance throughout the area, especially in regions that had been most impacted by the pandemic.

As far as the individual business areas are concerned, the HVAC segment closed the first nine months of the year with growth of nearly 30% at constant exchange rates and that exceeds this threshold at current exchange rates, substantially confirming the excellent performances recorded during the first half of the year. Excluding the change of scope due to the Merger & Acquisition activities amounting to about € 19 million, the increase would still be well above 20%: all applications, in continuity with previous quarters, record significant accelerations, with even more pronounced peaks in some sectors (in particular high-efficiency heat pumps and Data Centres) and a renewed focus on solutions oriented to energy efficiency and air quality. Similarly, Refrigeration showed strong growth, +20.0% at constant exchange rates (+17% net of change in scope). Also in this case, the trends already present in the recent quarters are confirmed, namely a sustained cycle of investments in the *Food retail* segment (supermarkets/hypermarkets/convenience stores), also thanks to the transition to natural refrigerants and the consolidation of the recovery in the "Food service" sector. Both are flanked by the Group's continued increase in global market share

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

	30.09.2022	30.09.2021	Delta %	Delta fx %
HVAC revenue	266,971	200,498	33.2%	29.6%
REF revenue	130,855	106,442	22.9%	20.0%
Total core revenue	397,826	306,940	29.6%	26.2%
Non-core revenue	3,251	3,369	-3.5%	-3.7%
Total Revenue	401,076	310,309	29.3%	25.9%

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

	30.09.2022	30.09.2021	Delta %	Delta fx %
EMEA	283,348	224,112	26.4%	26.6%
APAC	57,333	46,016	24.6%	15.2%
North America	48,674	33,375	45.8%	30.1%
South America	11,722	6,806	72.2%	56.3%
Total Revenue	401,076	310,309	29.3%	25.9%

Consolidated EBITDA

Consolidated EBITDA for the period ended 30 September 2022 stood at € 85.9 million, up sharply (+30.1%) compared to € 66.0 million for the same period of the previous year. Even excluding the positive contribution from the change in the consolidation perimeter linked to the companies acquired in the last 18 months (€ 4.7 million), the increase in EBITDA would be well above 20%. Profitability, understood as the ratio of EBITDA to Revenues, stood at 21.4%, in line with the EBITDA margin recorded in June this year (21.5%) and up compared to the EBITDA margin recorded at the end of the previous year (20.3%): the positive effect of the operating leverage, together with the unfolding of some increases in sales prices made in the last twelve months, partially offset the inflationary phenomenon linked to the shortage of electronic equipment and greater investments linked, among others, to digitisation. It is worth recalling that net of non-recurring expenses related to M&A transactions and equal to about € 1.8 million, the EBITDA margin would have been 21.9%.

Consolidated Net income

The consolidated net income of € 52.6 million shows a significant increase (+35.7%) compared to € 38.8 million as at 30 September 2021, thanks to the excellent operating results and the contribution from the change in the scope of consolidation. The tax rate (20.8%) was in line with the same period last year.

Consolidated net financial position

The consolidated net financial position was negative for € 73.6 million, including the accounting effect of the application of IFRS16, equal to € 28 million. The increase of approximately € 16 million compared to the figure as at 31 December 2021 is mainly attributable, in addition to the payment of dividends for 2021 equal to € 17 million and investments of € 15 million, to the dynamics of net working capital. The growth in the latter, amounting to approximately € 40 million, is due first of all to the increase in receivables due to higher revenues (it should be noted that the average collection days have remained almost identical compared to the first 9 month of 2021), and to the strategic increase in inventory (approximately € 21 million), in order to be better positioned to manage the current situation of shortage of commodities. The impact of the M&A activities for € 14 million is also worth mentioning.

Business outlook

The third quarter of 2022 saw the continuation of the same macro-trends already observed during the previous quarters, namely: 1) the persistence of the shortage of energy commodities and electronic equipment; 2) strong growth in inflation (+9.9% in September 2022 in the Euro area with further worsening forecasts for the future); 3) strong geopolitical tensions mainly due to the conflict between Russia and Ukraine; 4) the implementation by the European Central Bank and the Federal Reserve of a restrictive monetary policy with strong fears for a possible recession in the near future.

In this context, however, the Group continues to report robust revenue growth thanks to both a very positive demand trend in almost all sectors in which it operates (particularly in certain segments such as heat pumps, data centres, indoor air quality and refrigeration in supermarkets), and to the relentless and significant efforts to mitigate the effects of the electronics shortage. Considering the above and in the absence of any further worsening of the material shortage scenario, which is not foreseeable as of today, the Group believes it can close 2022 with revenue growth close to 20% (on a like-for-like basis and at current exchange rates) and a total EBITDA margin also close to 20%.



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ESG

The history of sustainability at CAREL is almost 50 years long and began with the company in 1973. Over time, technologies, needs and sensitivities have evolved, as have the objectives and the means to achieve them. Today, even more than in the past, the strategy that guides innovation within the Group has environmental sustainability as its main target. Since the listing on the stock exchange, the commitment to achieving the "sustainable success" also referred to in the corporate governance code has been further increased, and the term "sustainability" has been given a new meaning with the aim of developing all ESG (Environment; Social; Governance) aspects. The commitment and initiatives put in place over the years have been recognised and rewarded.

In particular, CAREL further increased its score in the MSCI ESG rating assessment obtaining the AA score (on a scale ranging from AAA to CCC), which places it in the Leader category, i.e. the category of companies leading their industry in managing the most significant ESG risks and opportunities.

Last October's result is the latest in a series of improvements in the MSCI ESG rating assessment. In fact, the Group made its début with a B rating in 2019, moving to BB in 2020, to A in 2021 and finally to the current AA. This progression reflects CAREL's significant commitment to improving its ESG profile, a commitment that resulted in the publication of its first multi-year sustainability plan "Driven by the future" at the end of 2021.

Also this year, the Group was awarded a silver medal by EcoVadis, the world's largest sustainability rating provider with more than 90,000 companies assessed, in more than 160 countries. The four macro parameters assessed were: Environment, Personnel and Human Rights, Ethics and Sustainable Procurement. The results of the assessment placed CAREL in the top 23% of all companies in its sector.

CONFERENCE CALL

The results as of 30 September 2022 will be illustrated today, 10 November 2022, at 18.00 (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.



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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 29 subsidiaries and ten 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.

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

Consolidated Financial Statements as of 30 September 2022

Consolidated Statement of financial position

(€'000)	30/09/2022	31/12/2021
Property, plant and equipment	99,749	84,403
Intangible assets	135,833	134,570
Equity-accounted investments	1,399	1,250
Other non-current assets	12,801	10,407
Deferred tax assets	7,989	7,022
Non-current assets	257,770	237,652
Trade receivables	104,169	74,455
Inventories	111,092	80,907
Current tax assets	2,184	3,886
Other current assets	14,617	9,788
Current financial assets	5,695	483
Cash and cash equivalents	109,685	100,625
Current assets	347,441	270,144
TOTAL ASSETS	605,211	507,796
Equity attributable to the owners of the parent company	199,764	154,952
Equity attributable to non-controlling interests	15,709	14,923
Total equity	215,473	169,875
Non-current financial liabilities	109,753	93,700
Provisions for risks	4,908	2,157
Defined benefit plans	8,495	8,612
Deferred tax liabilities	17,988	17,110
Other non-current liabilities	53,895	49,894
Non-current liabilities	195,039	171,473
Current financial liabilities	79,187	65,250
Trade payables	74,221	66,444
Current tax liabilities	7,518	4,775
Provisions for risks	1,526	1,907
Other current liabilities	32,247	28,073
Current liabilities	194,699	166,449
TOTAL LIABILITIES AND EQUITY	605,211	507,796

Consolidated Statement of profit or loss

(€'000)	30/09/2022	30/09/2021
Revenue	401,076	310,309
Other revenue	3,179	3,409
Costs of raw materials, consumables and goods and changes in inventories	(183,684)	(138,629)
Services	(49,674)	(35,855)
Capitalised development expenditure	482	1,074
Personnel expenses	(83,767)	(73,148)
Other expenses, net	(1,694)	(1,119)
Amortisation, depreciation and impairment losses	(17,033)	(15,147)
OPERATING PROFIT	68,885	50,894
Net financial income	(2,189)	(1,719)
Net exchange rate losses	(549)	(310)
Gain/Losses from valuation of options on minority interests	-	-
Net result from companies consolidated with Equity method	2,361	509
PROFIT BEFORE TAX	68,508	49,375
Income taxes	(14,236)	(10,283)
PROFIT FOR THE PERIOD	54,271	39,092
Non-controlling interests	1,635	291
PROFIT FOR THE PERIOD ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	52,636	38,801

Consolidated Statement of comprehensive income

(€'000)	30/09/2022	30/09/2021
Profit for the period	54,271	39,092
Items that may be subsequently reclassified to profit or loss:		
- Fair value gains (losses) on hedging derivatives net of the tax effect	1,370	248
- Exchange differences	8,282	4,646
Items that may not be subsequently reclassified to profit or loss:		
- Discounted benefits to employees net of fiscal effect	556	142
Comprehensive income	64,479	44,128
attributable to:		
- Owners of the parent company	62,501	43,557
- Non-controlling interests	1,978	571

Earnings per share

Earnings per share (in euros)	0.53	0.39
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Consolidated Statement of cash flows

(€'000)	30/09/2022	30/09/2021
Profit for the period	54,271	39,092
Adjustments for:		
Amortisation, depreciation and impairment losses	17,033	15,145
Accruals to/utilisations of provisions	2,691	1,955
Non-monetary net income (expenses)	467	(175)
Taxes	(1,988)	(864)
Capital (Gains)/losses on fixed assets disposal	-	(367)
Changes in working capital:		
Change in trade receivables and other current assets	(23,163)	(14,009)
Change in inventories	(22,622)	(16,474)
Change in trade payables and other current liabilities	7,075	17,137
Change in non-current assets	(2,625)	(2)
Change in non-current liabilities	1,486	(399)
Cash flows generated from operations	32,624	41,039
Net interest paid	(1,263)	(1,614)
Net cash flows generated by operating activities	31,361	39,425
Investments in property, plant and equipment	(13,381)	(11,312)
Investments in intangible assets	(2,002)	(2,463)
Investments/Disinvestments of financial assets	(543)	5,687
Disinvestments of property, plant and equipment and intangible assets	71	763
Interest collected	67	58
Industrial aggregation net of the acquired cash	(10,934)	(28,901)
Cash flows generated by (used in) investing activities	(26,722)	(36,168)
Capital increase	-	-
Repurchase of treasury stocks	-	-
Dividend to Shareholders	(14,995)	(11,988)
Dividend to Minorities	(2,344)	-
Investments in financial current assets	(2,812)	-
Increase in financial liabilities	87,420	47,436
Decrease in financial liabilities	(61,398)	(56,845)
Decrease in financial liabilities for leasing fees	(3,781)	(3,537)
Cash flows generated by (used in) financing activities	2,090	(24,934)
Change in cash and cash equivalents	6,729	(21,677)
Cash and cash equivalents - opening balance	100,625	105,586
Exchange differences	2,331	899
Cash and cash equivalents - closing balance	109,685	84,808

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 1/1/2021	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	-	-	-	-	20,896	14,216	(35,112)	-	-	-
- Defined benefit plans	-	-	-	-	613	-	-	613	-	613
- Dividend distributions	-	-	-	-	(11,988)	-	-	(11,988)	-	(11,988)
- Options on minority interests acquisition	-	-	-	-	(49,075)	-	-	(49,075)	-	(49,075)
- Change in the scope of consolidation	-	-	-	-	-	-	-	-	14,490	14,490
Total owner transactions	10,000	2,000	(2,686)	(436)	16,976	73,011	-	98,867	14,794	113,661
- Profit for the period	-	-	-	-	-	-	38,801	38,801	291	39,092
- Other comprehensive income (expenses)	-	-	4,366	248	142	-	-	4,756	280	5,036
Total other comprehensive income (expenses)	-	-	4,366	248	142	-	38,801	43,557	571	44,128
Balance as of 30/09/2021	10,000	2,000	1,680	(188)	17,119	73,011	38,801	142,424	15,365	157,788
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 distribution	-	-	-	-	(14,995)	-	-	(14,995)	(2,344)	(17,339)
- Options on minority interests acquisition	-	-	-	-	(3,000)	-	-	(3,000)	-	(3,000)
- Change in the 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 expenses	-	-	7,939	1,370	556	-	-	9,865	343	10,208
Total other comprehensive 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



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