

Press Release

The CAREL Industries Board of Directors has approved the consolidated results as of 30 September 2024

- Consolidated revenues equal to € 432.9 million, -12.9% compared to the first nine months 2023. On a like-for-like and constant exchange rate basis the decline would have been -16.4%.
- Consolidated EBITDA equal to € 78.7 million corresponding to 18.2% of revenues, -28.9% compared to the first nine months of 2023;
- Consolidated net result equal to € 39.7 million, -32.8% compared to the net result recorded in the first nine months 2023;
- Negative consolidated net financial position equal to € 84.0 million (compared to € 35.7 million as at 31 December 2023) including the accounting effect linked to the application of IFRS16 of € 31.6 million. The increase in net financial position is largely due to the acquisition of the remaining 49% of CFM share capital (€ 44.2 million);
- New organizational structure effective in 2025.

Brugine, 7 November 2024 – The Board of Directors of CAREL Industries S.p.A. ('CAREL', or the 'Company' or the 'Parent Company') met today and approved the consolidated results as of 30 September 2024.

Francesco Nalini, Group CEO, stated: "The third quarter concluded with results close to previous quarters' in terms of revenue and profitability. This continuity is mainly due to the persistent market conditions that have defined the end of 2023 and all of 2024. A complex and uncertain environment has impacted and amplified several temporary factors, closely tied to the sectors in which the Group operates. A notable issue is the destocking phenomenon, which we see as close to normalization.

In the HVAC business, the segment under the most pressure continues to be European heat pumps, as shown by recent government incentive requests in Germany. On a more positive note, sales related to the cooling of data centers were confirmed as particularly positive across regions, especially in North America where most investments in this application are concentrated. Meanwhile, the commercial sector remains negative, mainly due to lacklustre performance in Europe and China and to the de-stocking effect. In the refrigeration sector, the robust growth seen in North America continues, although European demand remains stagnant even if in a context of improving expectations.

Cash generation remains robust, covering over €20 million in investments during the first nine months of the year, as well as dividend payments and an increase in net working capital. Excluding the acquisition of the minority stake in CFM completed in the first part of the year, the net financial position would be broadly in line with that recorded at the end of 2023.

From an operational point of view, we have been working hard on a new organizational model that will be implemented starting from 1st January 2025 and will have its cornerstones in the simplification of the decision-making chain, in a renewed focus on the regions in order to bring the company even closer to customers and in the great emphasis placed on innovation.

In conclusion, 2024 has confirmed itself as a transitional year for the Group. We are, however, confident that the secular trends characterising our markets, particularly energy efficiency and the shift towards more sustainable refrigerants, remain firmly in place and will continue for decades to come. We will therefore continue to build on our technological leadership, honed over 50 years and strengthened through substantial R&D investments that consistently exceed 5% of our revenue. Our goal is to turn today's challenges into tomorrow's opportunities, striving for a CAREL that is more efficient and determined, and unwavering in its pursuit of sustainable, long-term success."

Consolidated revenues

Consolidated revenues came to € 432.9 million, compared to € 497.2 million for the period ended 30 September 2023, marking a 12.9% decrease. Net of the change in the scope of consolidation of Kiona and Eurotec (€ 17.8 million) and the marginal negative exchange rate effect, the decrease would have been 16.4%.

This decrease is primarily attributable to a contingent and non-recurring element related to the significant contribution to revenues, in the first nine months of 2023, of the disposal of the backlog accumulated in previous quarters. During this period, the shortage of electronic material had eased considerably, allowing the Group to increase the volumes produced and delivered. It is worth noting that last year's revenue for the first nine months was the highest ever recorded. Added to this is a real contraction in demand that continued in the July–September period, affecting some sectors, particularly in Europe. Within HVAC, which constitutes 71% of consolidated revenue, revenue fell by 15.2% (constant exchange rate) in the first nine months, a slight further contraction from June. This drop is attributed primarily to declining residential sector sales, continuing from the last quarter, due to a challenging market environment (as indicated by lacklustre data on applications for incentives recently published by the German government). This is linked to a series of transitory elements, including regulatory uncertainty, a persistently unfavourable dynamic in the relationship between gas and electricity prices; high interest rates; high inventory levels. With regard to the other verticals in which the Group operates, while the industrial sector was particularly buoyant, especially in the US, led by excellent growth in Data Centres, the commercial sector closed in the negative area mainly due to the very high comparative context in the first nine months of 2023.

Regarding refrigeration, which accounts for 29% of consolidated revenues and reported a decrease of –5.3% (at constant exchange rates) in the quarter, opposite trends were recorded in North America and Europe. In the former, there has been a strong upturn in investment in both food retail and food service linked to a decidedly positive macroeconomic scenario and considerable interest in more sustainable and efficient solutions, which resulted in cumulative growth close to 30%, while in EMEA there is a substantial stagnation in demand, made more pronounced in the quarter just ended due to summer closures.

Analysing the individual geographic areas, the region with the greatest weight for the Group, EMEA (Europe, Middle East, Africa), from which 66% of revenues derive, closed the first nine months of 2024 with a decrease at constant exchange rates of –18.4% (on a like-for-like basis, the decrease would have been approximately 23%): a general negative performance in the verticals in which the Group operates contributed to this result, with a marked decrease in heat pumps that has further worsened in the last quarter. As already mentioned, there is a significant penalty due to the comparison with 2023 which had reported robust growth in the residential sector. The general weakness of demand in Europe is due to a number of mainly macroeconomic elements (very limited GDP growth and still high interest rates) and regulatory elements (the latter partly resolved or in the process of being resolved), compounded in some segments by high inventory levels along the supply and distribution chain. Regarding this final point, it is noted that we are experiencing a gradual yet consistent normalisation.

APAC (Asia-Pacific), which accounts for approximately 14% of the Group's revenues, reports growth at constant exchange rates of 8.6% compared to as recorded in the same period of 2023. Year-over-year comparisons are challenging here too, as the first nine months of last year saw around 25% growth. Adding to this is the Chinese economy's softness, particularly in real estate, while industrial and data centre segments performed well.

Revenues from North America, which account for about 17% of the total, grew by 6.1% at constant exchange rates and benefited from excellent performance both in the HVAC sector, particularly in applications related to Data Centres cooling and other innovative industrial applications, and in the refrigeration sector, where the growing interest in solutions increasingly oriented towards the use of refrigerants with a low polluting impact, mainly natural refrigerants, is particularly positive, also following some regulatory confirmations in recent quarters. Strategically significant is the steady growth of variable-speed components (inverters and electronic expansion valves) and success in products designed for air handling units developed by Enginia. The slight slowdown over the last quarter compared to the previous one is mainly due to some order rescheduling in orders and largely resolved logistical issues. Finally, South America (which represents approximately 3% of the Group's total turnover) reports significantly growing results compared to the first nine months of 2023: the good performances recorded in Brazil were only partly confirmed in other South American countries, mainly due to the difficult macroeconomic situation.

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

	30.09.2024	30.09.2023	Delta %	Delta fx %
HVAC revenue	306,041	361,239	(15.3%)	(15.2%)
REF revenue	126,354	133,681	(5.5%)	(5.3%)
Total core revenue	432,394	494,920	(12.6%)	(12.5%)
Non-core revenue	502	2,293	(78.1%)	(78.1%)
Total Revenue	432,897	497,213	(12.9%)	(12.8%)

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

	30.09.2024	30.09.2023	Delta %	Delta fx %
EMEA	285,505	348,176	(18.0%)	(18.4%)
APAC	60,377	67,408	(10.4%)	(8.6%)
North America	75,537	71,475	5.7%	6.1%
South America	11,477	10,155	13.0%	17.7%
Total Revenue	432,897	497,213	(12.9%)	(12.8%)

Consolidated EBITDA

Consolidated EBITDA as of 30 September 2024 stood at € 78.7 million, down (-28.9%) compared to € 110.7 million recorded in the same period of 2023. Profitability, understood as the EBITDA-to-Revenue ratio, was 18.2% (22.3% as of 30 September 2023), substantially in line with the first half of this year (18.3%). These results reflect declining revenue, partly mitigated by some discretionary cost-containment measures that helped reduce overhead expenses year-over-year despite the change in consolidation scope. The resources dedicated to research and development are confirmed to be above 5% of revenues and exceed 22 million including costs and investments.

Consolidated net income

The consolidated net income of € 39.7, million, down 32.8% from € 59.1 million as at 30 September 2023, primarily reflects the operating results, while financial expenses of about € 5.3 million are offset by the capital gain related to the acquisition of the remaining 49% of CFM's share capital. The tax rate was just above 23%, slightly below the same period last year (23.8%).

Consolidated net financial position

The consolidated net financial position was negative for € 84.0 million, including the accounting effect of the application of IFRS16, equal to € 31.6 million. The increase compared to the figure recorded as of 31 December 2023 and amounting to € 35.7 million is mainly due to the acquisition of the remaining 49% of CFM's share capital (which has already been disclosed in the press release on 9 May 2024 and to which we refer for any clarifications). This is further impacted by the dividend payout of approximately € 21 million and the increase in working capital (€ 30.6 million), stemming from reduced supplier payables following a reduction in purchases and inventory dynamics. Capital expenditure were approximately € 22 million and included the cash-out for the completion of the new research laboratories at the Brugine site and the expansion of the subsidiary Klingenburg's Polish plant.

Business outlook

Significant geopolitical instability, evident in previous quarters, persisted in July-September 2024 due to the Russia-Ukraine conflict and the escalation of the Israel-Palestine conflict. In macroeconomic terms, the scenario continues to be not homogeneous in the geographical areas where the Group's presence is greatest: Europe, China and the United States. In Europe, while inflation has stabilised around 2.0%, interest rates remain high, although a downward trajectory consolidated through three cuts in 2024. The signals coming from China are not particularly positive as the achievement of the 5% GDP growth target is uncertain despite the robust incentives put in place by the government. Finally, in the US, economic resilience remains strong and is expected to benefit from the recent interest rate cuts by the Federal Reserve.

The Group's results at 30 September partly reflect the persistence of these scenarios and were increasingly influenced by a further increase in volatility (as demonstrated by the non-linear trend in revenues in the third quarter) which led to a decrease in visibility. In this sense, it is important to underline that a significant part of the Group's order portfolio is currently 5-10 days away, making this tool of little use for forecasting purposes.

Taking this into account and the fact that the preliminary management results of October, which are being completed and still to be refined, although very positive, do not signal a substantial and definitive deviation from the trends already present during the last nine months, the Group believes that the fourth quarter of the year will mark consolidated revenues substantially in line with those of the previous three quarters and therefore expects to close the year with consolidated revenues close to € 580 million.



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BUSINESS ORGANIZATION

On behalf of the Board of Directors of Carel Industries, the Company announces that Group Managing Director Giandomenico Lombello will retire, effective 1 January 2025.

Giandomenico has led the Company through an exceptional period of success and growth, and the Board is deeply grateful for his leadership over the past 36 years. He has been instrumental in aligning Carel's business portfolio with its mission, enhancing the Group's financial and sustainability performance.

In 2024, the Carel Leadership Team has been working hard to design the new organizational structure, which will be effective starting from January 1, 2025 and in which Francesco Nalini, in the role of CEO, will directly manage a C-suite made more agile and faster in order to reduce complexity and optimize the decision-making chain. Closeness to the Customer will be even more at the center of the corporate strategy through a greater focus on individual regional realities and finally great emphasis will be placed on innovation which will have as its objective both incremental advances and disruptive solutions.

Further details will be provided in the coming quarters.

The company would like to take this opportunity to express its gratitude for Giandomenico's thirty-year commitment, as conveyed by Luigi Rossi Luciani, Chairman of the Board of Directors and co-founder of CAREL: "We are immensely grateful to Gian for his unwavering dedication and visionary leadership. As we prepare for this transition, we remain committed to upholding the values and strategic direction that Gian has instilled in Carel."

CONFERENCE CALL

The results as of 30 September 2024 will be illustrated today, 7 November 2024, 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 73% of the Group’s revenues in the financial year to 31 December 2023, while the refrigeration market accounted for 27% 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 49 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, not subject to independent auditing, are illustrated below.

Consolidated Financial Statements as of 30 September 2024

Consolidated Statement of financial position

(€'000)	30/09/2024	31/12/2023
Property, plant and equipment	119,874	117,504
Intangible assets	376,856	383,266
Equity-accounted investments	3,995	2,216
Other non-current assets	6,889	6,868
Deferred tax assets	12,776	14,399
Non-current assets	520,390	524,254
Trade receivables	98,602	101,291
Inventories	106,734	111,722
Current tax assets	5,145	4,264
Other current assets	22,954	21,166
Current financial assets	3,671	3,697
Cash and cash equivalents	84,654	154,010
Current assets	321,760	396,150
TOTAL ASSETS	842,150	920,404
Equity attributable to the owners of the parent company	407,044	376,422
Equity attributable to non-controlling interests	6,480	19,751
Total equity	413,525	396,174
Non-current financial liabilities	118,207	147,390
Provisions for risks	5,466	5,458
Defined benefit plans	7,211	8,479
Deferred tax liabilities	27,545	28,788
Other non-current liabilities	98,103	99,566
Non-current liabilities	256,532	289,681
Current financial liabilities	54,111	45,980
Trade payables	56,185	74,931
Current tax liabilities	4,330	5,184
Provisions for risks	6,814	6,191
Other current liabilities	50,652	102,263
Current liabilities	172,093	234,549
TOTAL LIABILITIES AND EQUITY	842,150	920,404

Consolidated Statement of profit or loss

(€'000)	30/09/2024	30/09/2023
Revenue	432,897	497,213
Other revenue	3,766	3,712
Costs of raw materials, consumables and goods and changes in inventories	(178,311)	(217,123)
Services	(59,738)	(62,535)
Capitalised development expenditure	4,310	813
Personnel expenses	(120,965)	(109,301)
Other expenses, net	(3,249)	(2,074)
Amortisation, depreciation and impairment losses	(28,579)	(23,137)
OPERATING PROFIT	50,131	87,568
Net financial income/(charges)	(5,291)	(5,919)
Net exchange rate gains/(losses)	2,397	(893)
Gains/(losses) on from FV of liabilities for options on minority stakes	3,373	-
Net results of companies consolidated with equity method	1,737	292
PROFIT BEFORE TAX	52,346	81,048
Income taxes	(12,128)	(19,325)
PROFIT FOR THE PERIOD	40,219	61,724
Non-controlling interests	495	2,645
PROFIT FOR THE PERIOD ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	39,723	59,079

Consolidated Statement of comprehensive income

(€'000)	30/09/2024	30/09/2023
Profit for the period	40,219	61,724
Items that may be subsequently reclassified to profit or loss:		
- Fair value gains (losses) on hedging derivatives net of the tax effect	(206)	(666)
- Exchange differences	(1,291)	(7,189)
Items that may not be subsequently reclassified to profit or loss:		
- Discounted benefits to employees net of fiscal effect	56	(9)
Comprehensive income	38,778	53,860
attributable to:		
- Owners of the parent company	38,122	51,622
- Non-controlling interests	657	2,239

Earnings per share

Earnings per share (in euros)	0.35	0.59
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Consolidated Statement of cash flows

(€'000)	30.09.2024	30.09.2023
Profit for the period	40,219	61,724
Adjustments for:		
Amortisation, depreciation and impairment losses	28,579	23,137
Accruals to/utilisations of provisions	9,529	5,870
Other charges/(gains)	(4,956)	7,258
Taxes	12,128	19,325
Changes in working capital:		
Change in trade receivables and other current assets	(1,670)	(12,979)
Change in inventories	(3,416)	(26,141)
Change in trade payables and other current liabilities	(22,544)	(2,315)
Change in non-current assets	21	53
Change in non-current liabilities	(1,527)	0
Cash flows generated from operations	56,363	75,931
Net interest paid	(2,894)	(3,771)
Tax paid	(13,598)	(15,940)
Net cash flows generated by operating activities	39,871	56,220
Investments in property, plant and equipment	(15,291)	(12,030)
Investments in intangible assets	(6,697)	(2,920)
Investments in financial assets	28	8,000
Disinvestments of property, plant and equipment and intangible assets	243	336
Interest collected	2,668	1,633
Industrial aggregation net of the acquired cash	-	(181,612)
Cash flows generated by (used in) investing activities	(19,048)	(186,593)
Disposal (Purchase) of minorities	(44,213)	-
Shares buy-back	-	(1,042)
Dividends to Shareholders	(21,320)	(17,999)
Dividends to minorities	(54)	(2,411)
Increase in financial liabilities	10,066	235,361
Decrease in financial liabilities	(28,976)	(63,968)
Decrease in financial liabilities for leasing fees	(6,126)	(5,413)
Cash flows generated by (used in) financing activities	(90,623)	144,528
Change in cash and cash equivalents	(69,801)	14,155
Cash and cash equivalents - opening balance	154,010	96,636
Conversion variations	445	(658)
Cash and cash equivalents - closing balance	84,654	110,133

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 1/1/2023	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)
- Dividends distribution	-	-	-	-	(17,999)	-	-	(17,999)	(1,743)	(19,742)
- Buy options on minorities	-	-	-	-	(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 income (expenses)			(6,783)	(666)	(9)			(7,458)	(406)	(7,864)
Total other comprehensive income (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
Balance as of 1/01/2024	11,250	2,000	(3,015)	393	182,307	112,544	70,942	376,422	19,752	396,174
Owner transactions										
- Allocation of profit for the period	-	250	-	-	22,770	47,922	(70,942)	-	-	-
- Dividend distribution	-	-	-	-	-	(21,374)	-	(21,374)	(54)	(21,428)
- Change in scope of consolidation	-	-	-	-	-	13,875	-	13,875	(13,875)	-
Total owner transactions	11,250	2,250	(3,015)	393	205,077	152,967	-	368,923	5,823	374,746
- Profit for the period							39,723	39,723	495	40,219
- Other comprehensive expenses			(1,453)	(206)	56			(1,601)	162	(1,439)
Total other comprehensive expenses	-	-	(1,453)	(206)	56	-	39,723	38,122	657	38,779
Balance as of 30/09/2024	11,250	2,250	(4,468)	187	205,133	152,967	39,723	407,044	6,480	413,525