



---

## Acquisition of Alfa Laval Air heat exchanger business

April 30<sup>th</sup> 2019

---



## Table of contents

1. Disclaimer
2. Transaction overview
3. Alfa Laval air heat exchanger at a glance
4. Transaction strategic rationale
5. Transaction financials
6. A four years journey

**fincoil**





# 1 - Disclaimer

- This presentation has been prepared by LU-VE S.p.A. for information purposes only and for use in presentations of the Group's results and strategies.
- For further details on the LU-VE Group, reference should be made to publicly available information.
- Statements contained in this presentation, particularly the ones regarding any LU-VE Group possible or assumed future performance, are or may be forward looking statements and in this respect, they involve some risks and uncertainties.
- Any reference to past performance of the LU-VE Group shall not be taken as an indication of future performance.
- This document does not constitute an offer or invitation to purchase or subscribe for any shares and no part of it shall form the basis of or be relied upon in connection with any contract or commitment whatsoever.
- By attending and/or reading this presentation you agree to be bound by the foregoing terms.





## 2 – Transaction overview

- On December 12<sup>th</sup> 2018, Luve signed a binding contract to acquire 100% of Alfa Laval Air Heat Exchanger business (the “AL Air EX”). The acquisition was completed on April 30<sup>th</sup> 2019.
- The AL Air EX was a business within Alfa Laval that manufactures air heat exchanger solutions for industrial cooling, refrigeration and HVAC applications:
  - ✓ 2018 turnover of € 108.1 millions with an EBITDA margin of 9.5%
  - ✓ a compounded growth rate of 8.9% in the last 3 years
  - ✓ world class customers in Europe, US and India
  - ✓ strong management team with international experience
  - ✓ 3 state of the art manufacturing plants in Italy, Finland and India with ≈400 people
- Limited overlapping with LUVE’s customers/products base
- Ideal base to expand market presence in the industrial cooling and industrial refrigeration segment in Europe and to expand production in India
- Total consideration is € 67.1 M<sup>(1)</sup> - debt and cash free - equal to :
  - ✓ 6.5x 2018 EBITDA (including estimated earn-out)
  - ✓ 10,4x 2018 pro-forma Net Earnings



1) Subject to 2018 EBITDA review and post closing adjustments



### 3. The AL Air EX at a glance



**Acquisition of Artec** 

- Alfa Laval acquires Italian air heat exchanger manufacturer Artec based in Alonte




**Acquisition of Helpman** 

- Alfa Laval acquires Dutch air heat exchanger manufacturer Helpman
- Manufacturing of industrial refrigeration products
- Approx. 130 employees
- Products used in the sensitive logistical chain for food, i.e. refrigeration and temperature control (to secure product quality)
- Production moved to Italy in 2015

**Acquisition of Fincoil** 

- Alfa Laval acquires Finnish air heat exchanger manufacturer Fincoil, based in Vantaa, Finland
- World leading position in cooling of diesel power plants

**New production facility** 

- Inauguration of a new Air Unit Cooler production facility in Sarole, India
  - Assembly centre for Helpman air units in India
- Manufacturing of industrial air coolers used within the industrial refrigeration segment
- Product portfolio based on the old Helpman range



**Greenhouse initiative**

- Announcement of the Greenhouse initiative where three product groups were separated from the new organisational structure, including AL Air EX

**Consolidation**

**Footprint review**

- Krakow (2017)
- Potok (Feb 2018)
- Assortment control





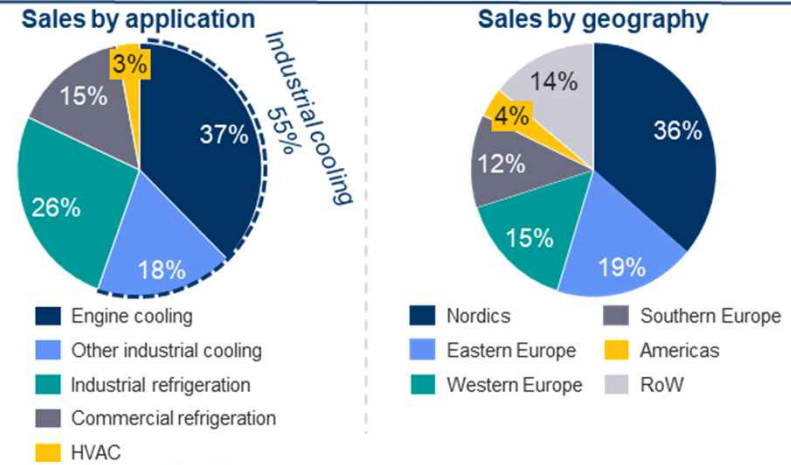
# 3. The AL Air EX at a glance

## Brief company description

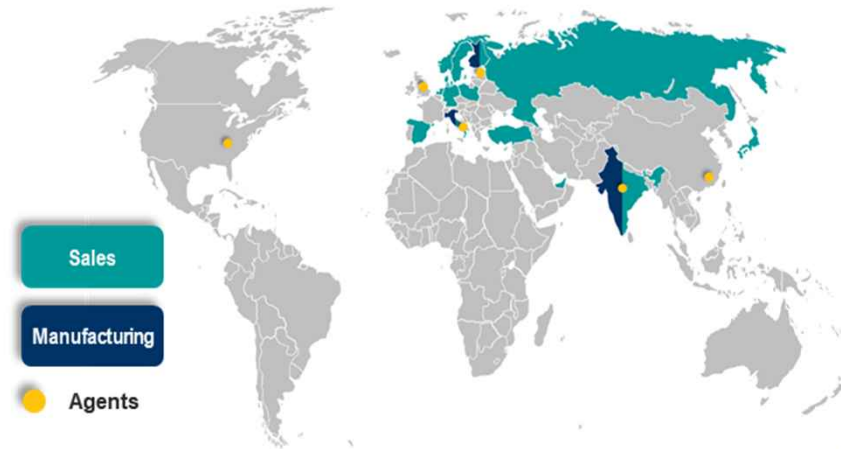
- AL Air EX is a business unit within Alfa Laval that manufactures air heat exchangers solutions for industrial cooling, refrigeration and HVAC applications
- The AL Air EX is headquartered in Alonte, Veneto region, Northern Italy, which is also the Business' main manufacturing site
  - Furthermore, manufacturing facilities are operated in Vantaa, Finland and in Sarole, India
- Industrial cooling** is by far the largest application area in terms of sales (55% of total) where engine cooling is the main revenue source
- Within the **refrigeration** segment, AL Air EX serves both the **industrial** (26% of sales) and **commercial** (15% of sales) markets
- HVAC** solutions account for approximately 3% of sales
- AL Air EX is targeting further growth within the **industrial cooling** market, maintaining current market share in engine cooling while growing within e.g. turbine cooling and electrical power converters
- Growth initiatives also include entering new markets such as the US and certain Asian markets as well as new applications like data centre cooling
- AL Air EX intends to get closer to the Nordic customers in the **industrial cooling** and **HVAC** segments by setting up a line for V-shape units in Vantaa



## Sales split by application and geography (2017)



## Geographical footprint<sup>(1)</sup>



Note: (1) Sales personnel based in one specific country in some cases also cover neighbouring countries which allows AL Air EX to serve customers in a global setting



### 3. Alonte factory - Italy



Manufacturing of dry coolers, oil coolers, condensers and unit coolers for industrial cooling, HVAC, industrial and commercial refrigeration





### 3. Vantaa factory - Finland



Manufacturing of dry coolers for industrial cooling application and HVAC







### 3. Sarole factory - India



Manufacturing of unit coolers for industrial refrigeration





### 3. The AL Air EX at a glance

#### Industrial cooling (55% of sales)

Engine cooling <i>(Motor generators)</i>	
Power converters	
Process cooling	

#### Industrial refrigeration (26% of sales)

Food processing industry	
Freezing plants	
Cold chain storage/logistic	

#### Commercial refrigeration (15% of sales)

Cold rooms	
Food preparation	
Supermarkets	

#### HVAC (3% of sales)

Heating & cooling	
Data centre cooling	
Ice rinks	





### 3. The AL Air EX at a glance



Seed Vault on Svalbard



Ice slope in Moscow





### 3. The AL Air EX at a glance

#### Financial highlights:

€ millions	AL Air EX 2017 (1)	AL Air EX 2018 (1) (2)	Growth %
Sales	96,9	108,1	11,6%
EBITDA Adj. (ex NRI)	6,9	10,3	49,5%
%	7,1%	9,5%	
EBIT Adj. (ex NRI)	5,7	9,3	63,2%
%	5,9%	8,6%	
Net Fixed assets	4,9	5,1	
TNWC	24,6	22,6	

(1) Unaudit financial statemenst

(2) Based on actual results subject to adjustments





## 4. Transaction strategic rationale

- Becoming the third largest player in the world in the air heat exchanger.
- Strengthening market position in Europe in industrial cooling business unit, achieving a leading position.
- Enlargement of product applications (engine cooling, power converter and process cooling).
- Limited customers overlapping.
- Strong management team with international experience.
- Expansion in the Indian market related to the cold chain infrastructure.
- Opportunities of synergies as result of plant specialization, marketing efforts and costs rationalization.



## 5. Transaction key financials

- Valuation for 100% at closing: **6.5x 2018 EBITDA** equal to € 67,1 Millions - debt and cash free, subject to final review of 2018 actual EBITDA and earn-out
  
- Acquisition of 100%:
  - 65% to be paid at closing
  - 15% to be paid after 12 months subject to certain conditions
  - 20% to be paid in 12 months at 6.5x 2019 EBITDA
  
- P/E: 10.4x - 2018 pro-forma Net income <sup>(1)</sup>
  
- Implied multiples including estimates of earnout <sup>(1)</sup>:
  - EBITDAX: 6.5x - 2018E EBITDA
  - EBITx : 7,2x - 2018E EBIT



## 5. Transaction financials: combined results

€ millions	LUVE 2018 Actual <sup>(2)</sup>	Proforma ZHT H1 + adj	AL Air EX 2018 E <sup>(3)</sup>	Acquisition	LUVE pro-forma 2018
Sales	306,9	5,7	108,1		420,7
EBITDA Adj. (ex NRI)	38,4	0,7	10,3		49,4
% of sales	12,5%		9,5%		11,7%
EBIT Adj. (ex NRI)	21,5	0,4	9,3		31,2
% of sales	7,0%		8,6%		7,4%
Group net income	15,4	0,1	6,5		22,0
% of sales	5,0%		6,0%		5,2%
Net financial position <sup>(1)</sup>	(63,6)		0,0	(67,1)	(130,6)
Net Financial Position/EBITDA	1,65x	1,63x			2,64x

(1) Including deferred payments of purchase price

(2) See LUVE - FY 2018 results

(3) Based on actual results - subject to adjustments based on EBITDA 2018 review and Balance Sheet at Closing

- Average cost of debt = 1.3%
- Fixed rates covered



## 5. Transaction financials

### Impact of Acquisition on Reported Earnings per Share

	LUVE <sup>(1)</sup>	AL Air EX <sup>(2)</sup>	Combined
Group net income (€ millions)	15,4	6,5	21,9
Number of shares	22.234.368		22.234.368
Earnings per shares	€ 0,69	€ 0,29	€ 0,98
Share price (29 April 2019)	€ 11,45		€ 11,45
Price / earnings ratios	16,5x	10,4x	11,6x

Based on:

1) Lu-Ve 2018 actual Net Earnings reported





2) AL Air EX: proforma estimated Net Earnings 2018





## 6. LUVE: a four years journey (2015-2018)

### Growth, expansion and acquisitions

	Drivers of equity story (2015)	Actual results
<b>Organic growth</b>  <i>Delivered</i>	<ul style="list-style-type: none"> <li>Organic growth (5-6% p.a.), supported by <b>megatrends</b></li> <li>Consistently delivered high EBITDA margin</li> <li>Accelerated CAPEX program</li> <li>Strict control of working capital</li> </ul>	<p>Doubled the size of the group from € 212 M in 2015 to € 421 M in 2018<sup>(1)</sup> thanks to:</p> <ul style="list-style-type: none"> <li>Organic growth +10.2% CAGR 2015-2018</li> <li>Additional € 137 M turnover thanks to acquisitions</li> </ul> <p>EBITDA = + 82% in 3 years [organic = 22%]            EBIT = + 112% in 3 years [organic = 16%]</p> <p>Extraordinary capex = 36 M (2015 - 2018)            Trade NWC ≈ 10-15% of sales</p>
<b>Geographic expansion</b>  <i>Delivered</i>	<ul style="list-style-type: none"> <li>Strong focus on emerging economies</li> <li>Internationalization process</li> <li>Greenfield /enlargement of existing plants</li> </ul>	<ul style="list-style-type: none"> <li>New plant in Poland</li> <li>New plant in China</li> <li>New plant in US</li> <li>Doubled plant in India</li> <li>Sales outside Italy: 82% (vs 73% in 2015)</li> </ul>
<b>Acquisitions</b>  <i>Delivered</i>	<ul style="list-style-type: none"> <li>Possible targets               <ul style="list-style-type: none"> <li>North America</li> <li>Emerging economies</li> <li>Europe</li> </ul> </li> <li>Possible use of further financial leverage</li> </ul>	<ul style="list-style-type: none"> <li>Acquisitions value = € 116 M <sup>(2)</sup></li> <li>Average EBITDAx paid= 6.9x</li> </ul> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">               HEAT EXCHANGERS PVT. LTD.           </div> <div style="text-align: center;">  </div> </div> <div style="display: flex; justify-content: space-around; align-items: center; margin-top: 10px;"> <div style="text-align: center;">               Heat Transfer, inc.           </div> <div style="text-align: center;">   <small>since 1924</small> </div> </div>

1) Based on proforma prepared by LUVE 2) Including earn-out



**LU-VE**  
**GROUP**

*leadership with passion*



---

“OUR BEST  
DAYS HAVE  
YET TO BE LIVED”

---

NAZIM HIKMET