H1 2020 results

15th September 2020

H1-20: navigating safely through the pandemic

Economics

- In the first two months environmental - friendly technologies drive growth of sales by +8,6% [1] and order book by +13,4% [1]
- Then Covid and lock-downs impacted top line and profitability
- In H1 sales grew by 4,3% and EBITDA reported by 7,3%

Financials

- Net working capital under strict control: 12,4% of sales vs 18,1% at June 2019
- Strong treasury position: raised € 150 M long term loans to increase financial flexibility and debt duration

Strategy

- ✓ Protecting people top priority; building resilience in unprecedented crisis
- ✓ Focus on integration of AL Air: product lines rationalization, sales organization, SAP roll-out
- ✓ Accelerated capex program nearly completed in Poland, India, and China, on track in USA

1) Like for like data – AL Air consolidated in P&L starting from 1st May 2019

Impact of Covid 19 outbreak and countermeasures
(1/2)

- LUVE followed with particular attention the developments in the Covid-19 outbreak and has adopted all the necessary control and prevention measures for the **safety and well-being of its employees**, in consultation with local authorities and union representatives, at all Group facilities
- Extensive **remote working** has been applied with great success at all offices
- At present, out of a total of about 3.200 employees, the percentage of overall Covid-19 positive cases reported by LU-VE is around **0,2%,** none of which are still infected.
- **Lockdown** was temporarily applied in Italy for two months, Russia for one week, India for two months and China for 1,5 months, up to a capacity in lockdown estimated between 50% and 55%
- Production activities gradually restarted due to customers involved in **strategic supply chains**
- The **independence of the Group's factories** from one to another also allows the transfer of production from closed factories to those in operation
- Currently, **all plants are operating** at a normal level of production, considering the extraordinary measures required to face the pandemic risks

Impact of Covid 19 outbreak and countermeasures
(2/2)

- **Resilient business model** resulting from diversification of product applications, geographical markets and production footprint (sales -10,6% LFL)
- **Strengthen relationship with key clients** offering back-up in Europe of global supply chains from low-cost countries such as India
- Minimal impact on **working capital** and support to small suppliers thanks to the strong financial structure
- **Cost actions**: LUVE is taking several measures to reduce fixed costs and labour costs, including employee furloughs. In addition, other actions taken to lower expenses include reducing travel and entertainment expenditures.
- LUVE reviewed its **capital expenditures** by delaying specific projects and the purchase of some program-related equipment without impacting the long-term strategy of the Group
- LU-VE has **solid fundamentals** underpinning the strategy adopted to decisively challenge the pandemic consequences and take advantage of opportunities during the recovery phase

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2020 financial highlights: strong first half impacted by Covid

- Consolidated sales [1]: € 194,8 M, +4,3% (5,5% at constant FX) thanks to business resilience and AL Air (-10,6% LFL)
- EBITDA reported : **11,2%** on sales, **vs 10,9% in H1 2019**
- Net financial debt [2]: € 126,2 m thank to high net cash generation in the last 12 months
- Net cash generation (12 months adjusted) [3] : + € 29,7 M
- Order book as of June 20: € 82 M , + 9% vs June 19, + 12,9% vs December 19 (LFL)

€ Millions	H1 2019 [4]		H1 2020		Growth
Total sales [1]	186,7	100,0%	194,8	100,0%	+4,3%
EBITDA	20,3	10,9%	21,8	11,2%	+7,3%
Net income	5,6	3,0%	6,0	3,1%	6,7%
Net financial debt [2]	(151,8)		(126,2)		-16,8%
Net cash generation (12 months adj.) [3]	25,5		29,7		+16,5%

Notes

(1) Total sales include sales of products and other sales

(2) Including put&call on minorities and deferred price of AL Air EX acquisition and IFRS 16 adoption

(3) See page 18 for details

(4) Al Air Ex consolidated since 1st of May 2019

Q2 impacted by Covid

€ millions	Q1	Q2	H1
Product sales	100,4	90,6	190,9
Growth rate YOY %	+23,7%	-11,8%	+3,8%
Growth rate % YOY LFL (1)	+0,0%	-20,0%	-11,3%
Order book	88,6		82,0
Growth rate YOY %	+96,4%		+9,0%
Growth rate % YOY LFL (1)	+19,3%		+9,0%

- Effects of Covid 19 lockdown from March 2020 to May 2020
- Strong organic growth rate in January and February:+8,6%, above long-term organic growth
- Healthy growth of Order Book YOY up to June 2020: +9% (LFL)
- Increase by 12,9% of order book compared to December 2019 (LFL)
- Jump of order book in Q1 due to Al Air acquisition

(1) LFL excludes the effect of Al Air acquisition completed on 30th April 2019

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Net sales breakdown by product

Products € 000	H1 2019	%	H1 2020	%	Δ %	Δ LFL % (1)
Heat Exchangers	106,5	57,0%	91,0	46,7%	-14,5%	-14,7%
Air Cooled Equipment	66,3	35,5%	88,6	45,5%	33,6%	-8,1%
Glass Doors	5,5	3,0%	5,9	3,0%	6,9%	
Close Control	5,6	3,0%	5,4	2,8%	-3,7%	
Total sales of products	**183,9**	**98,5%**	**190,9**	**98,0%**	**3,8%**	**-11,3%**
Other revenues	2,9	1,5%	4,0	2,0%	39,5%	37,0%
Total sales	**186,7**	**100,0%**	**194,8**	**100,0%**	**4,3%**	**-10,6%**

1) Like for like data –AL Air consolidated starting from 1st May 2019

Net sales breakdown by application

Applications € 000	H1 2019	%	H1 2020	%	Δ %	Δ LFL % (1)
Refrigeration	109,5	58,6%	108,9	55,9%	-0,5%	-11,5%
Air Conditioning	31,0	16,6%	38,4	19,7%	23,7%	2,6%
Special Applications	30,7	16,5%	24,6	12,6%	-20,1%	-20,7%
Power Generation - Process & Others	12,7	6,8%	19,0	9,8%	50,1%	-21,4%
Total sales of products	**183,9**	**98,5%**	**190,9**	**98,0%**	**3,8%**	**-11,3%**
Other revenues	2,9	1,5%	4,0	2,0%	39,5%	37,0%
Total sales	**186,7**	**100,0%**	**194,8**	**100,0%**	**4,3%**	**-10,6%**

1) Like for like data –AL Air consolidated starting from 1st May 2019

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Diversification and green tech mitigate Covid impact

- Increase of sales + 4,3% thanks to full consolidation of AL Air
- On a LFL basis decrease of sales by 10,6% mainly driven by volume 10,4% due to Covid and lockdown impact
- On a constant currency basis growth of sales is 5,5% (Zloty, Czech Koruna, Ruble and Rupia)
- More substantial impact on HE (-14,5%) mainly due to lockdown in India, better results on ACE (-8,1% LFL) thanks to Poland and Finland; Refrigeration remains core business (55,9%), Air Conditioning shows sound growth +2,6% on LFL
- Italy reduces its share from 21,2 % to 17,3% mainly due to Covid and full consolidation of Al Air
- Russia becomes the primary export market (7,3%), followed by Finland, Czech Republic, France and Germany (5,8%)
- Excellent growth LFL in France, Denmark, Sweden, Russia and Slovakia

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AL Air : integration process well advanced

- Integration process started in May 2019
- Sales & marketing integration: completed
- Branding integration: completed
- Product lines integration: in progress – due by 2020 year-end
- R&D integration: in progress
- Staffing and retention: completed
- Accounting and controlling: defined a plan to SAP roll-out in the 3 AL Air plants by 2020:
  - Finland: completed by April 2020, despite lockdown
  - Italy: planned within October 2020
  - India: planned within December 2020

Profit & loss

- See EBITDA bridge analysis
- Increase of depreciation mainly due to PPA of Al Air (€0,9 M) and full consolidation of AL Air
- AL Air consolidated for 2 months in 2019
- Decrease of nominal tax rate due to lower profitability in Italy
- 2019 data restated according to IFRS 3 in relation Al Air PPA
- See net income bridge analysis

Consolidated Profit & Loss Reclassified *(000 Euro)*	**H1 19**	**Delta %**	**H1 20**	**Delta %**	**Delta %**
Sales and operating income	**186.732**	*100,0%*	**194.840**	*100,0%*	**4,3%**
Purchases of materials	(98.727)	*-52,9%*	(104.737)	*-53,8%*	
Inventory increase (decrease)	(679)	*-0,4%*	6.076	*3,1%*	
Services	(26.926)	*-14,4%*	(25.748)	*-13,2%*	
Labour cost	(38.895)	*-20,8%*	(45.968)	*-23,6%*	
Other operating costs	(1.211)	*-0,6%*	(2.689)	*-1,4%*	
Total operating costs	**(166.438)**	*-89,1%*	**(173.066)**	*-88,8%*	**4,0%**
EBITDA	**20.294**	***10,9%***	**21.774**	***11,2%***	**7,3%**
Increase (decrease) of derivatives fair value	(969)	*-0,5%*	(806)	*-0,4%*	
Depreciation	(10.737)	*-5,7%*	(13.364)	*-6,9%*	
Gain (loss) of non current assets	205	*0,1%*	26	*0,0%*	
EBIT	**8.793**	***4,7%***	**7.630**	***3,9%***	**-13,2%**
Net financial charges	(1.473)	*-0,8%*	(1.291)	*-0,7%*	
EBT	**7.320**	***3,9%***	**6.339**	***3,3%***	**-13,4%**
Income taxes	(1.735)	*-0,9%*	(378)	*-0,2%*	
Net income	**5.585**	***3,0%***	**5.961**	***3,1%***	**6,7%**
Minority interest	327		387		
Group net income	**5.258**	***2,8%***	**5.574**	***2,9%***	**6,0%**

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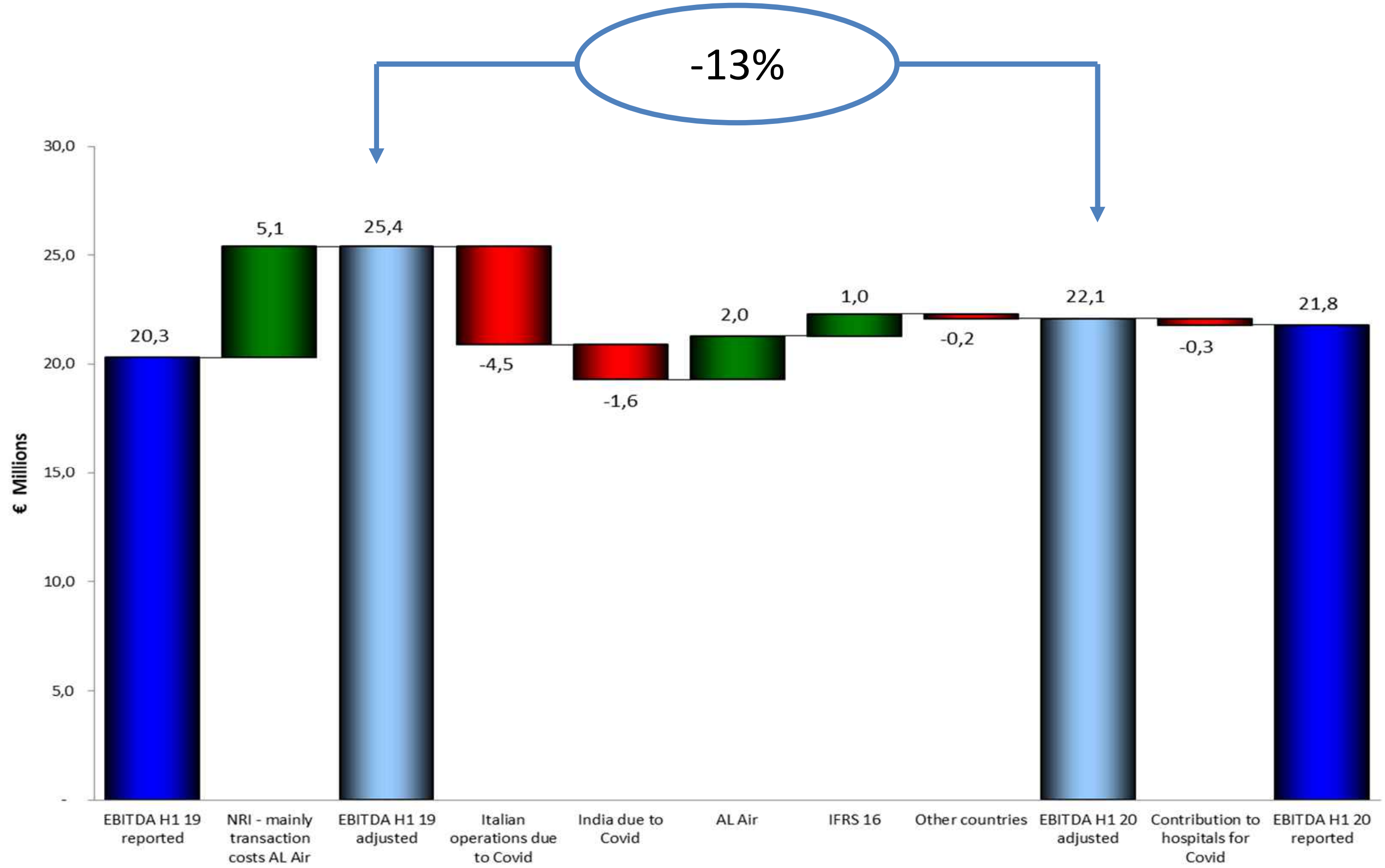
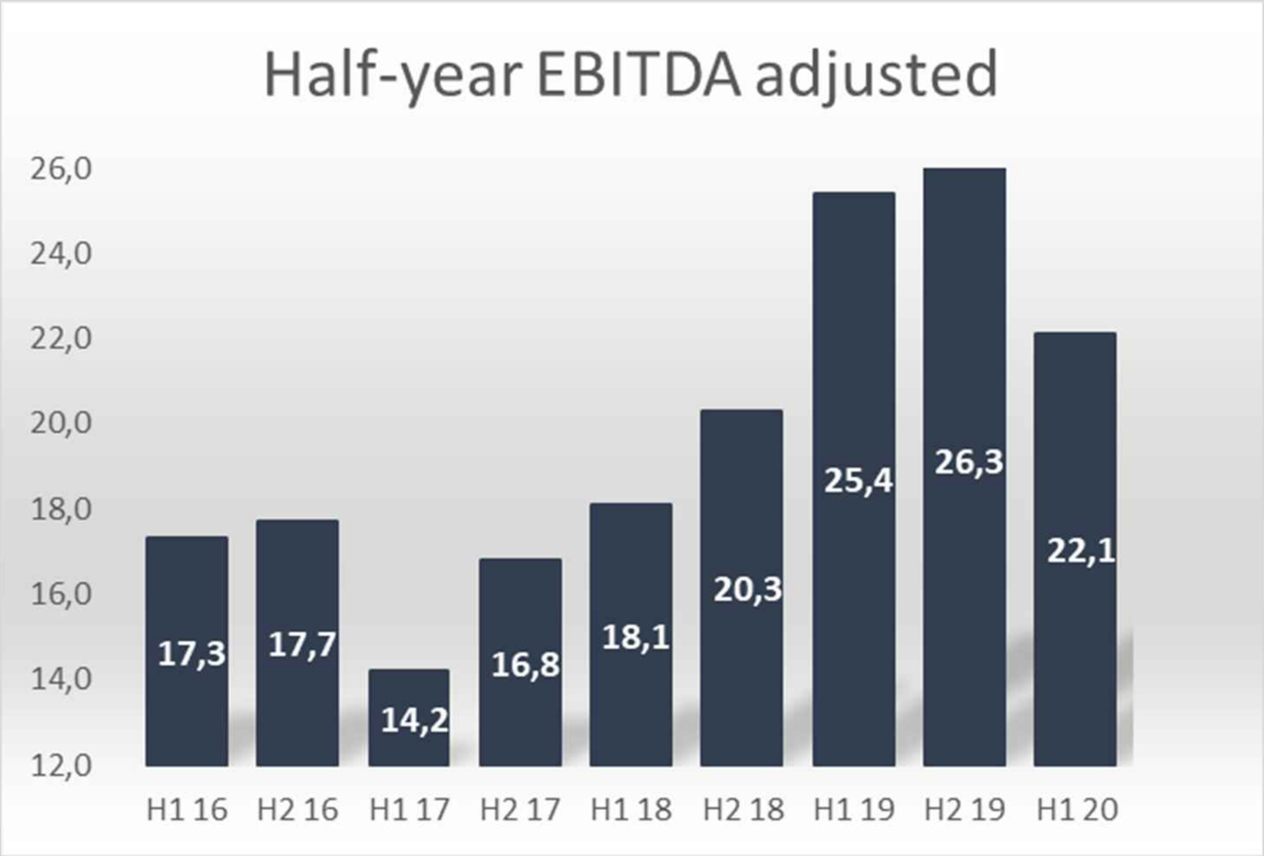
Improvement of EBITDA reported: + 7,3 %



(1) Due to rounding, numbers presented throughout this chart may not add up precisely to the totals provided
(2) Source: management analysis of consolidated results as of 30/6/2020

Improving trend of EBITDA from H1 17 to H2 19



- In H1 20 impact of Covid and lockdown
- In H1 20 volume decrease by 10,4% LFL
- Resilient business model and profitability

1) All data in € million
2) H1 2016 proforma to include Spirotech which has been acquired in October 2016
3) ZHT is consolidated since H2 2018
4) AL Air is consolidated since 1st of May 2019

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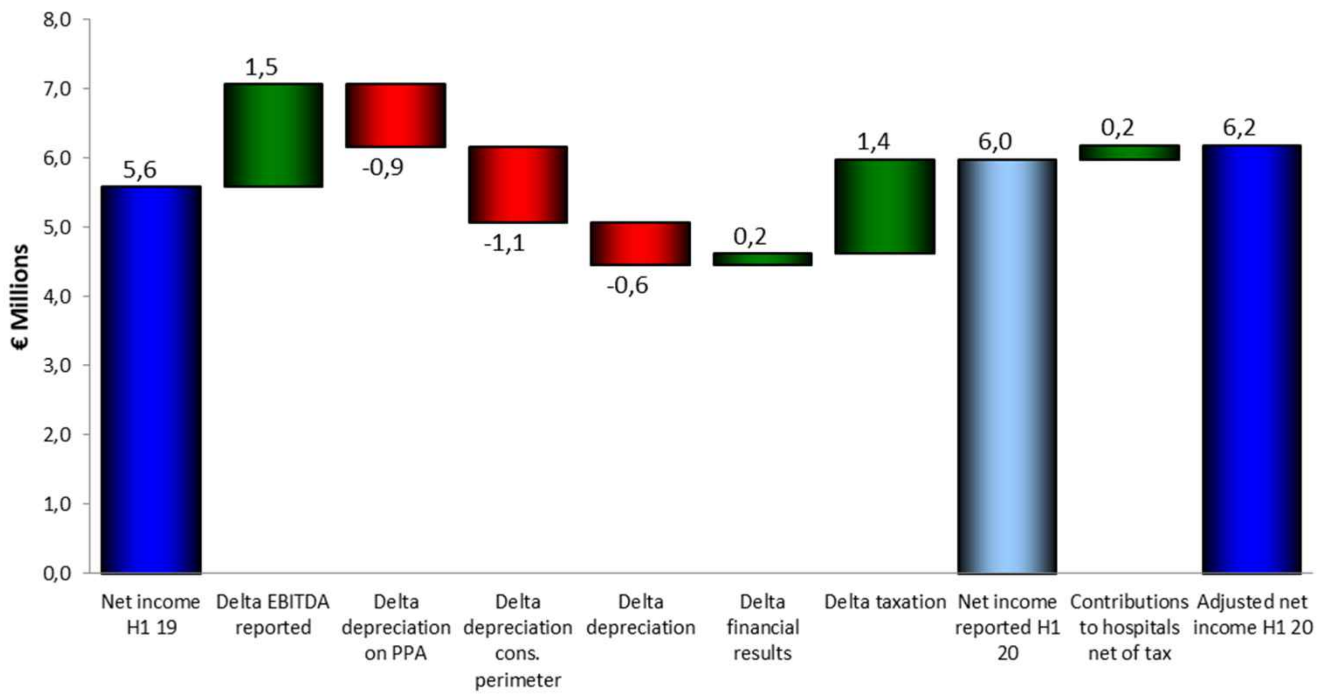
Reported Net Income in line with H1 2019



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(2) Source: management analysis of consolidated results as of 30/6/2020

Recurring profitability shows strong resilience

€ Millions	30-giu-19	30-giu-20
EBITDA reported	20,3	21,8
Non recurring items	5,1	0,3
EBITDA adjusted	**25,4**	**22,1**
EBITDA margin %	*13,6%*	*11,3%*
EBIT reported	8,8	7,6
Depreciation on PPA	1,3	2,2
Non recurring items	5,1	0,3
EBIT adjusted	**15,2**	**10,2**
EBIT margin %	*8,1%*	*5,2%*
Net Income reported	5,6	6,0
Depreciation on PPA net of tax	0,9	1,7
Non recurring items net of tax	4,5	0,2
Net income adjusted	**11,0**	**7,9**
Net Income margin %	*5,9%*	*4,0%*

- Effects of Covid 19 lockdown from March 2020 to May 2020
- Increase of PPA amortization due to full consolidation of Al Air
- In 2019 NRI mainly related to Al Air one-time costs
- In 2020 NRI related only to hospital contribution for Covid

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Balance sheet

Consolidated Balance Sheet Reclassified *(000 Euro)*	30/06/2019	% net invested capital	31/12/2019	% net invested capital	30/06/2020	% net invested capital
Net intangible assets	99.362		98.005		97.878	
Net tangible assets	159.312		163.269		158.828	
Pre-paid taxes	5.778		6.603		7.124	
Financial assets	259		219		223	
Non current assets (A)	**264.711**	**93,3%**	**268.096**	**100,6%**	**264.053**	**95,0%**
Inventory	59.683		61.812		66.260	
A/receivable	80.750		61.728		68.169	
Other receivables and current assets	11.666		16.513		19.907	
Current assets (B)	**152.099**		**140.053**		**154.336**	
A/payable	78.681		86.231		84.720	
Other payable and current liabilities	25.340		27.783		28.635	
Current liabilities (C)	**104.021**		**114.014**		**113.355**	
Working capital (D=B-C)	**48.078**	**16,9%**	**26.039**	**9,8%**	**40.981**	**14,7%**
Personnel provisions	5.717		5.491		5.555	
Deferred taxes	18.867		17.954		17.199	
Risk provisions	4.466		4.231		4.305	
Long term liabilities (E)	**29.050**	**10,2%**	**27.676**	**10,4%**	**27.059**	**9,7%**
Net invested capital (A+D-E)	**283.739**	**100,0%**	**266.459**	**100,0%**	**277.975**	**100,0%**
Group net worth	142.229		155.526		148.162	
Minority interest	3.404		3.422		3.609	
Total group net worth	**145.633**	**51,3%**	**158.948**	**59,7%**	**151.771**	**54,6%**
M/L term net financial position	164.540		155.499		260.124	
Short term net financial position	(26.434)		(47.988)		(133.920)	
Net financial position	**138.106**	**48,7%**	**107.511**	**40,3%**	**126.204**	**45,4%**
Net worth and net financial position	**283.739**	**100,0%**	**266.459**	**100,0%**	**277.975**	**100,0%**

- Strong financial structure: D/E < 1,0x
- Strong liquidity position to cover future commitments
- Target NFD/EBITDA ≈ 2x achieved in 2019, then Covid
- Impact of IFRS 16 on NFA (€ 18,3 M) and NFD (€ 16,7 M)
- Seasonal working capital needs
- AL Air consolidated in June 19 Balance Sheet
- 2019 data restated according to IFRS 3 in relation Al Air PPA

Operational net working capital under strict control

- Tight control of operational working capital
- Seasonality in operational working capital needs
- Strong improvement in H1 2020 vs H1 2019, mainly from optimization of AL Air NWC

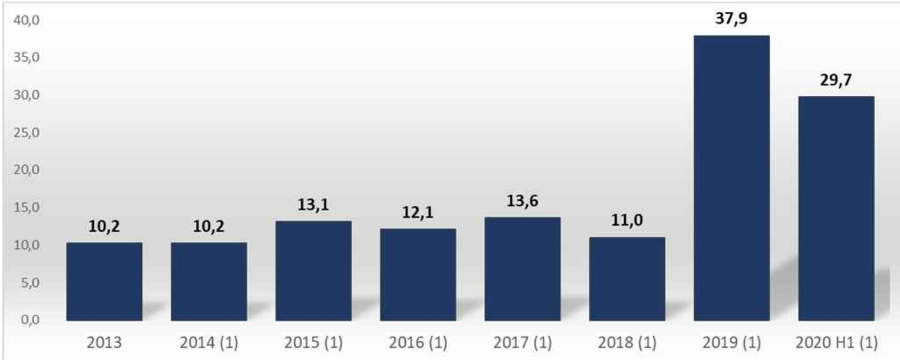
€ Millions	Like for Like data			
	30/06/2019 with AL Air	Days	30/06/2020 with AL Air	Days
Stock	59.683	63	66.260	60
A/receivable	80.750	85	68.169	61
Working capital	140.433		134.429	
A/payable	78.681	113	84.720	117
Net working capital	61.752	65	49.709	45
% on net sales LTM	**18,1%**		**12,4%**	

Net cash flow: consistently strong cash generation

Net cash / (net debt)	€ m	
Net financial position as of June 19	(151,8)	
Net financial position as of June 20	(126,2)	
Delta in net financial position	25,6	25,6
+ Dividends paid in 2020		6,4
+ Purchase of treasury stock		0,3
+ Accelerated capex program		12,0
- Discount on AL Air purchase price		(16,0)
+ Al Air transaction cost paid in H2 2019		1,7
+ IFRS 16 effect		(0,3)
= Total normalized net cash flow		**29,7**

- Extraordinary level in LTM up to December 2019 due to working capital reduction
- Accelerated capex program above maintenance level

LTM net cash generation adjusted 2013 - H1 20 (€ m)



(1) 2013 ITA GAAP – 2014-2020 IFRS

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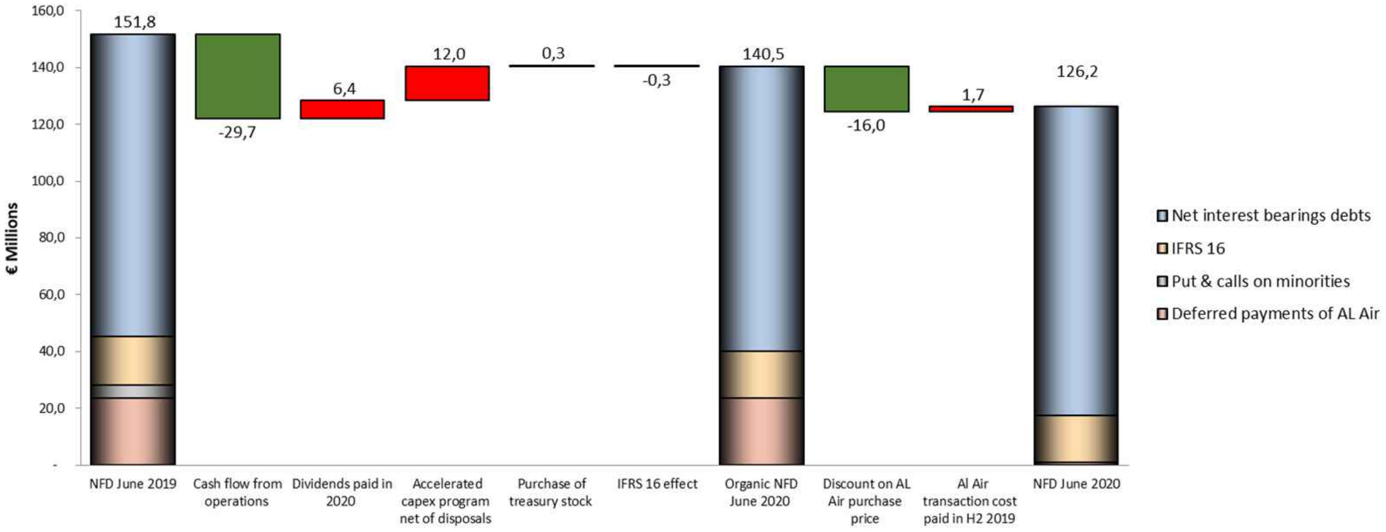
Net financial debt bridge analysis



- Strong cash generation on LTM
- Discount on AL Air purchase price

(1) Due to rounding, numbers presented throughout this chart may not add up precisely to the totals provided
(2) June 2019 Net Debt as reported in 2019
(3) Source: management analysis of consolidated results as of 30/6/2020

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Lu-Ve: a Five Years Journey (2015-2019)

Growth, expansion and acquisitions

	Strategic targets identified since 2015	Actual results
Organic Growth Delivered	• Organic growth (5-6% p.a.), supported by **megatrends** • Consistently delivered high EBITDA margin • Accelerated CAPEX program • Strict control of working capital	Doubled the size of the group from €212m in 2015 to €416m in 2019(1) thanks to: • Organic growth +9% CAGR 2015-2019 • Additional €118m turnover thanks to acquisitions EBITDA organic growth = 9% Extraordinary capex = €52m (2015 - 2019) Trade NWC ≈ 10-15% of sales
Geographic Expansion Delivered	• Strong focus on emerging economies • Internationalization process • Greenfield /enlargement of existing plants	• New plant in Poland • New plant in China • New plant in US • Doubled plant in India • Sales outside Italy: 81% (vs 73% in 2015)

Acquisitions
Delivered
	• Possible targets
	  • North America
	  • Emerging economies
	  • Europe
	• Possible use of further leverage
		• Acquisitions value = €102m (2)
		• Average EBITDA multiple paid @ 7,0x
		SPIROTECH HEAT EXCHANGERS PVT. LTD.; Fincoil; Zyklus Heat Transfer, inc.; HELPMAN

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1) Based on proforma prepared by Lu-Ve 2) Including earn-out; based on final price for AL Air

New capex program in the US

- New capex program in the US to take benefit from the market transition from traditional products to more environmentally friendly products, i.e. “European style”
- Project divided into stages according to commercial developments
- New industrial building in Jacksonville (Texas):
  - up to 29.000 sqm of covered area
  - in an 80.000 sqm land, acquired and paid in 2020
- Relocation of current operations from a leased building (6.500 sqm)
- Up to € 30 M capex in 4/5 years:
  - 20% new machinery
  - 80% land and building

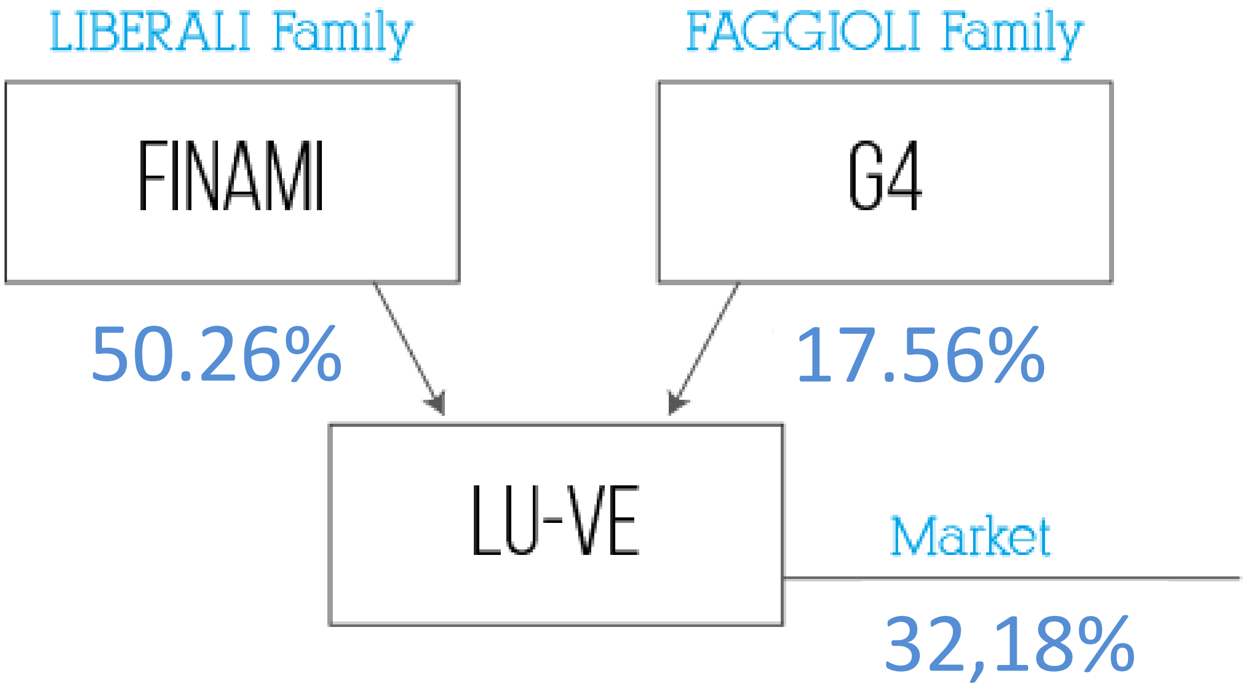
Future developments

1. M&A
   - Integration of AL Air: in progress/nearly completed
   - New projects on opportunistic way

2. Accelerated capex program
   - Poland: final steps (€ 5,0 M to be spent in 20/22)
   - China: step 1 completed
   - India: completed (€ 2,0 M to be spent in 20/21)
   - US: few months delays (€ 25 M to be spent in 20/21)

3. Focus on deleverage
   - Target NFD/EBITDA adj ≈ 2.0x achieved 1 year in advance vs plan (pre Covid)

Shareholders structure (1) (2)



(1) Fully diluted – post warrant conversion at end of May 2017
(2) Updated as of April 29th, 2020
(3) Treasury shares as of April 29th, 2020: 0,1261%

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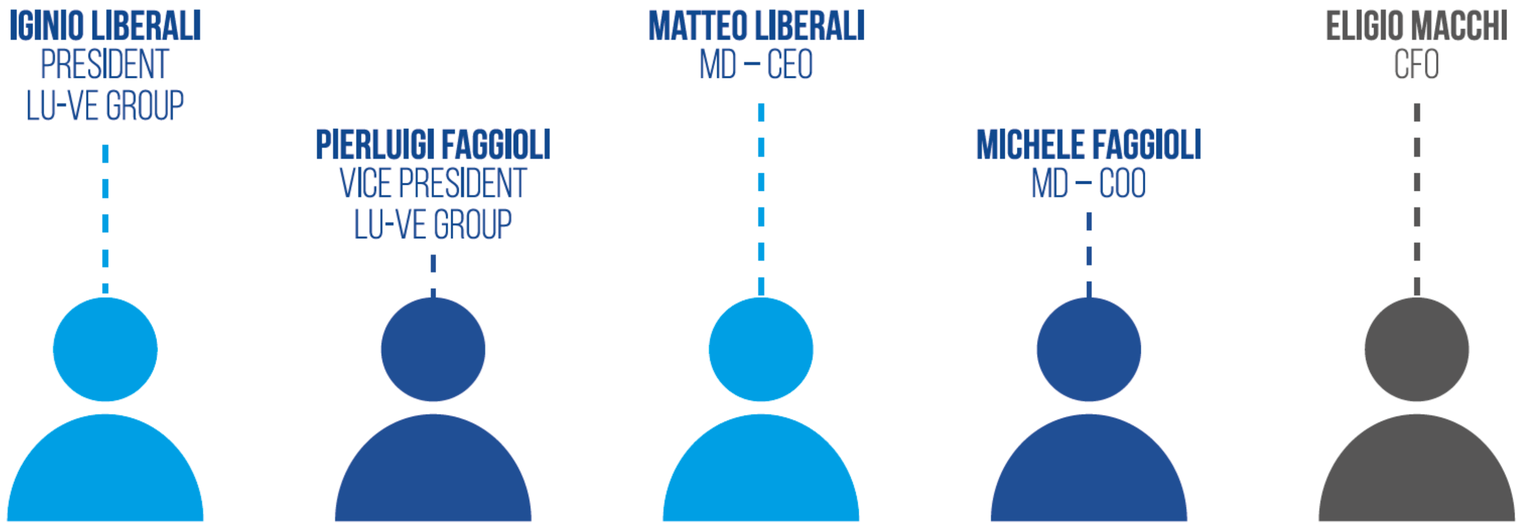
Group structure: Management Team



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NAZIM HIKMET