H1 2019 results

26st September 2019

H1 2019 highlights

Economics

- ✓ Acquisitions and environmentally - friendly technologies drive growth: sales increased by 22.2%, organic growth +8,3%
- ✓ Profitability grew at a higher pace: EBITDA Adjusted + 40,3%, comparable EBITDA + 19,3% (LFL and excluding IFRS 16 impact)

Financials

- ✓ Increase of NFD due to Al Air acquisition (€ 61 M) and IFSR 16 (€ 17 M), partially offset by strong cash generation (€ 25,5 M adjusted in LTM)

Strategy

- ✓ Acquisition of AL Air: a quantum leap in the size of LUVE and strong increase of diversification of application segments
- ✓ Geographic expansion: strong growth in US (+39%) coupled with nearly doubled EBITDA
- ✓ Accelerated capex program on track in Poland, India, USA and China

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2019 financial highlights: strong first half

- Consolidated sales [1]: € 186,7 M, jump due to acquisitions; **sustained growth** on LFL basis + 8,3%
- EBITDA adjusted [2] : **13,6%** on sales, **+ 19,3%** on LFL basis
- Net financial debt [3]: € 151,8 m due to AL Air acquisition and IFRS 16 first time adoption
- Net cash generation (12 months adjusted) [4] : **record level** + € 25,5 M

€ Millions	H1 2018		H1 2019 [5]		Growth	Growth LFL [6]
Total sales [1]	152,8	100,0%	186,7	100,0%	+22,2%	+8,3%
EBITDA	17,1	11,2%	20,3	10,9%	+18,7%	+20,5%
EBITDA adjusted [2]	18,1	11,8%	25,4	13,6%	+40,3%	+19,3%
Net income	6,6	4,3%	6,0	3,2%	-9,1%	+21,2%
Net income adjusted [2]	7,6	5,0%	10,5	5,6%	+38,2%	+17,1%
Net financial debt [3]	(75,7)		(151,8)		+100,5%	-3,9%
Net cash generation (12 months adj.) [4]	11,0	7,2%	25,5	13,7%	+131,8%	

€ 61,0 m due to AL Air acquisition completed on 30/4/19 and € 17,0 M due to IFRS 16 adoption

Notes

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

(2) Excluding NRI

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

(4) See page 22 for details

(5) AL Air consolidated since 1st of May 2019

(6) Excluding Zyklus and AL Air acquisitions and IFRS 16 effect

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Quarterly 2019 financial results

€ millions	Q1	Q2	H1
Product sales	81,1	102,7	183,8
Growth rate %	*18,0%*	*25,2%*	*21,9%*
Growth rate % LFL (1)	*12,3%*	*4,2%*	*7,9%*
Order book	45,1		73,4
Growth rate %	*26,2%*		*80,4%*
Growth rate % LFL (1)	*23,5%*		*5,7%*

- Strong growth rate in H1 2019, above long-term organic growth
- Jump of order book due to AL Air acquisition
- Structural longer visibility of AL Air business

(1) LFL excludes the effects of Zyklus acquisition on 30th June 2018 and of AL Air on 30th April 2019

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Net sales breakdown by product

Products € 000	H1 2018	%	H1 2019	%	Δ %	Δ LFL % (1)
Heat Exchangers	91,4	59,8%	106,5	57,1%	16,6%	8,3%
Air Cooled Equipment	48,3	31,6%	66,3	35,5%	37,3%	9,2%
Glass Doors	5,4	3,5%	5,5	3,0%	2,6%	
Close Control	5,7	3,7%	5,4	2,9%	-4,5%	
Total sales of products	**150,7**	**98,7%**	**183,8**	**98,4%**	**22,0%**	**7,9%**
Other revenues	2,1	1,3%	2,9	1,6%	40,6%	
Total sales	**152,8**	**100,0%**	**186,7**	**100,0%**	**22,2%**	**8,3%**

1) Like for like data – Zyklus consolidated in P&L starting from 1st July 2018 and AL Air starting from 1St May 2019

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Net sales breakdown by application

Applications € 000	H1 2018	%	H1 2019	%	Δ %	Δ LFL % [1]
Refrigeration	93,5	61,2%	109,7	58,8%	17,3%	5,7%
Air Conditioning	24,9	16,3%	31,0	16,6%	24,4%	4,4%
Special Applications	25,8	16,9%	30,9	16,6%	19,7%	16,1%
Power Generation - Process & Others	6,5	4,2%	12,2	6,6%	88,7%	20,9%
Total sales of products	**150,7**	**98,7%**	**183,8**	**98,4%**	**22,0%**	7,9%
Other revenues	2,1	1,3%	2,9	1,6%	40,6%	
Total sales	**152,8**	**100,0%**	**186,7**	**100,0%**	**22,2%**	**8,3%**

1) Like for like data – Zyklus consolidated in P&L starting from 1st July 2018 and AL Air starting from 1St May 2019

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Net sales breakdown

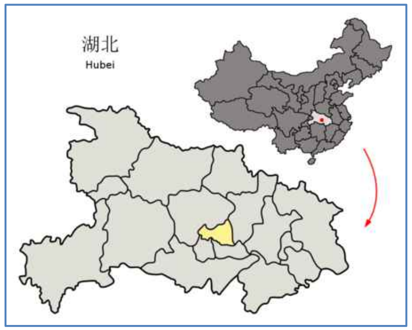
- Jump on sales + 22,2% due to acquisitions, even if AL Air is consolidated for 2 months only , with sales at € 13,6 M
- On a LFL basis the trend of strong growth of sales showed since H2 2017 continued also in H1 2019 + 8,3% LFL, mainly driven by volume (+9,2%) thanks to higher market shares
- On a constant currency basis growth of sales is 8,9% (Zloty, Swedish Krona and Ruble)
- Sales increase driven by growth nearly across all product lines (HE + 8,3%, ACE + 9,2%), with the only exception of Close Control due to delays of some projects
- Refrigeration remains core business (58,8%), with continuous trend in underweight this area of applications thanks to faster growth of other niche applications:
  - House appliances: + 41,7%
  - Components for OEM air conditioning: + 49,0%
  - Power-gen: +20,9%
- Italy reduces its share from 22,6% to 21,2% despite sound growth + 14,5%
- Germany remain the main export market, followed by Poland and Czech Republic
- Excellent growth in USA + 39% vs H2-18, China +15,6% and Saudi Arabia

New plant in Poland (P2)

- **Production started in Q1 2019 accordingly to plan**
- New plant located in Gliwice, very close to the existing one plant of LU-VE
- 60.000 sqm land, acquired and paid in May 2017
- Production area: 21.000 sqm covered
- € 36 M capex in 5 years:
  - 50% new machineries
  - 50% land and building
- Tax shield scheme: close to 25% of total investments
- Rationale: expansion of production in low-cost countries and proximity to key clients
- Share of overheads and indirect costs (admin, HR, engineering etc.) with the existing LU-VE subsidiary in Poland

Plant relocation in China

- **Production in the new plant started in March 2019 accordingly to plan**
- The relocation from Changshu to Tianmen of the existing plant has completed in Q1 2019
- Total covered surface increased from 7.000 sqm to 15.000 sqm, with possible further expansion of additional 10.000 sqm.
- Total saving of renting costs are € 1,1 M over the next 5 years (first 3 years free rental and than yearly saving of € 166 K for two years)
- Expected lower labour cost ≈ - 20%
- Location closer to the main customer
- Improved internal production flow and logistic
- Tax benefit on income tax and VAT



Plant expansion in India

- The current build up area is 11.200 sqm (2012)
- The plant was designed taking into account the opportunity to double its build up area
- The enlargement of the plant will add up to 12.000 sqm
- The new area will be used for volume expansion of the existing product portfolio of Spirotech (heat exchangers)
- The project has been approved by the local authorities, construction started in April 2019 and it expected to be completed by Q1 2020
- The capex requirement is anticipated up to € 4.0 millions

Zyklus acquisition (USA)

Il Sole 24 ORE

Sbarca negli Usa e acquista
la texana Zyklus Heat Transfer

- On June 26th, 2018 LUVE completed the acquisition of 100% of Zyklus Heat Transfer Inc (ZHT), based in Jacksonville (Texas)
- ZHT is specialized on heat exchanger for the US market
- 2017 turnover: USD 10.3 M, avg growth rate previous two years: 12%
- 2017 adjusted EBITDA: USD 1.7 M (16.5%)
- Price paid for 100%: USD 10 M, plus three years earn-out scheme based on EBITDA
- 2017 EBITDA multiple paid: 7,9x
- In H1 2019 sales grew by 39% to USD 8,5 M with an EBITDA equal to € 1,2 M, nearly doubled versus H2 2018
- Agreement signed with local industrial park: Zyklus will receive 80 K sqm of land for free, plus other allowances. The construction of an industrial building of 25 K sqm will start in October 2018, completion is expected by July 2020.
- Expected capex: € 5 M in the 2019/2021 period

Zyklus Heat Transfer, inc.

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Acquisition of Alfa Laval air heat exchanger business: overview

- On December 12th 2018, Luve signed a binding contract to acquire 100% of Alfa Laval Air Heat Exchanger business (the “AL Air”).The acquisition was completed on April 30th 2019.

- The AL Air was a business within Alfa Laval that manufactures air-cooled products for industrial process 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

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1) Subject to 2018 EBITDA review and post closing adjustments

AL Air : key terms

- 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 on 2019 EBITDA

- Acquisition of 100%:
  - 65% 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 (excl IFRS 16)

- P/E: 10.4x - 2018 pro-forma Net income (1)
- 42% accretive on 2018 EPS proforma

- Implied multiples including estimates of earnout (1):
  - o EBITDAx: 6.5x - 2018E EBITDA
  - o EBITx : 7,2x - 2018E EBIT

After adoption of IFRS 16 the EBITDA multiple will decrease to 6.2x

1) Based on proforma prepared by LUVE

Acquisition of Alfa Laval air heat exchanger business: transaction rationale

- Becoming the third largest player in the world in the air-cooled products.
- 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.

AL Air : integration process

- Integration process started in May 2019
- Sales & marketing integration: in progress
- Branding integration: in progress – due by 2019 year-end
- Product lines integration: working group started in September, action plan to be defined by year end
- R&D integration: in progress
- Staffing and retention: defined
- Accounting and controlling: defined a plan to SAP roll-out in the 3 AL Air plants by 2020

1) Based on proforma prepared by LUVE

Profit & loss

- See EBITDA bridge analysis
- AL Air consolidated for 2 months
- Impact of NRI mainly related to AL Air acquisition:
  - € 5,1 M on EBITDA, EBIT and EBT
  - € 4,6 M on Net income
- Increase of nominal tax rate due to non deductible NRI
- See net income bridge analysis

Consolidated Profit & Loss Reclassified *(000 Euro)*	**H1 18**	**% sales**	**H1 19**	**% sales**	**Delta %**
Sales and operating income	**152.800**	*100,0%*	**186.732**	*100,0%*	**22,2%**
Purchases of materials	(89.758)	*-58,7%*	(98.727)	*-52,9%*	
Inventory increase (decrease)	8.621	*5,6%*	(679)	*-0,4%*	
Services	(22.104)	*-14,5%*	(26.926)	*-14,4%*	
Labour cost	(31.438)	*-20,6%*	(38.895)	*-20,8%*	
Other operating costs	(1.001)	*-0,7%*	(1.212)	*-0,6%*	
Total operating costs	**(135.680)**	*-88,8%*	**(166.439)**	*-89,1%*	**22,7%**
EBITDA	**17.120**	***11,2%***	**20.293**	***10,9%***	**18,5%**
Increase (decrease) of derivatives fair value	248	*0,2%*	(969)	*-0,5%*	
Depreciation	(7.888)	*-5,2%*	(10.252)	*-5,5%*	
Gain (loss) of non current assets	103	*0,1%*	205	*0,1%*	
EBIT	**9.583**	***6,3%***	**9.277**	***5,0%***	**-3,2%**
Net financial charges	(1.675)	*-1,1%*	(1.473)	*-0,8%*	
EBT	**7.908**	***5,2%***	**7.804**	***4,2%***	**-1,3%**
Income taxes	(1.290)	*-0,8%*	(1.849)	*-1,0%*	
Net income	**6.618**	***4,3%***	**5.955**	***3,2%***	**-10,0%**
Minority interest	296		327		
Group net income	**6.322**	***4,1%***	**5.628**	***3,0%***	**-11,0%**

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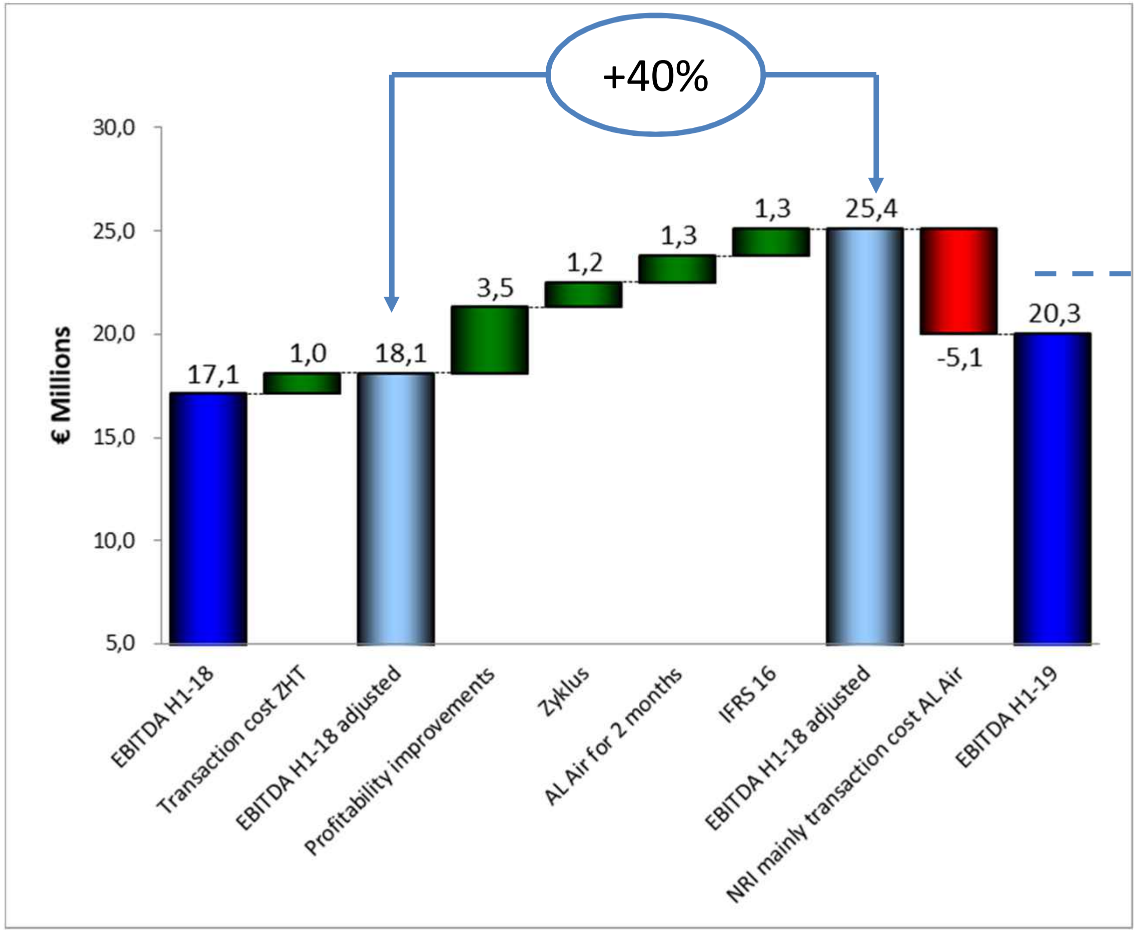
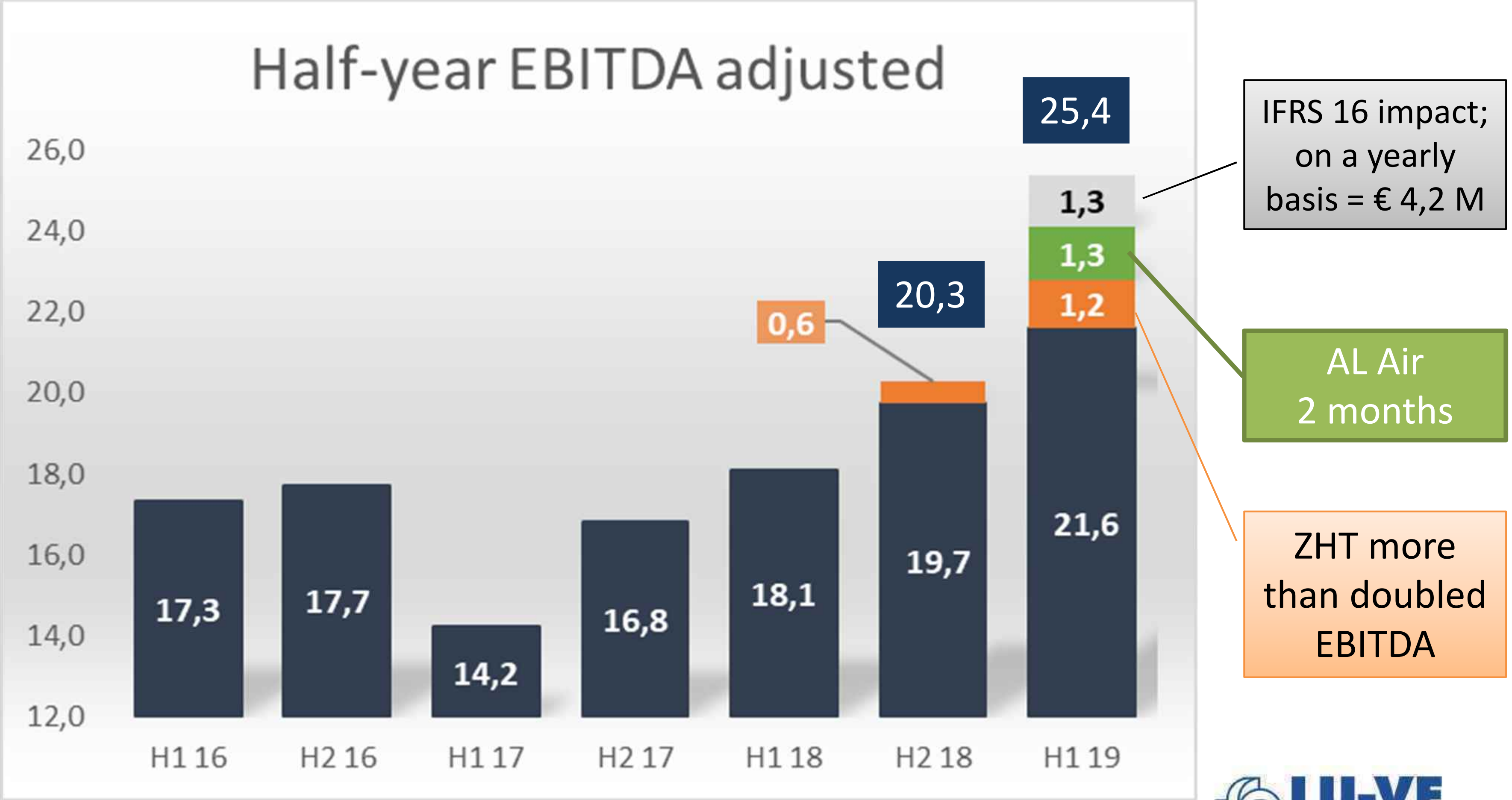
Strong improvement of EBITDA adjusted: + 19,3 % (1)



	€ Millions
Transaction cost AL Air	2,3
Fair value inventory AL Air	1,8
Start-up cost for Poland and China	1,0
Total Non Recurring Items	**5,1**

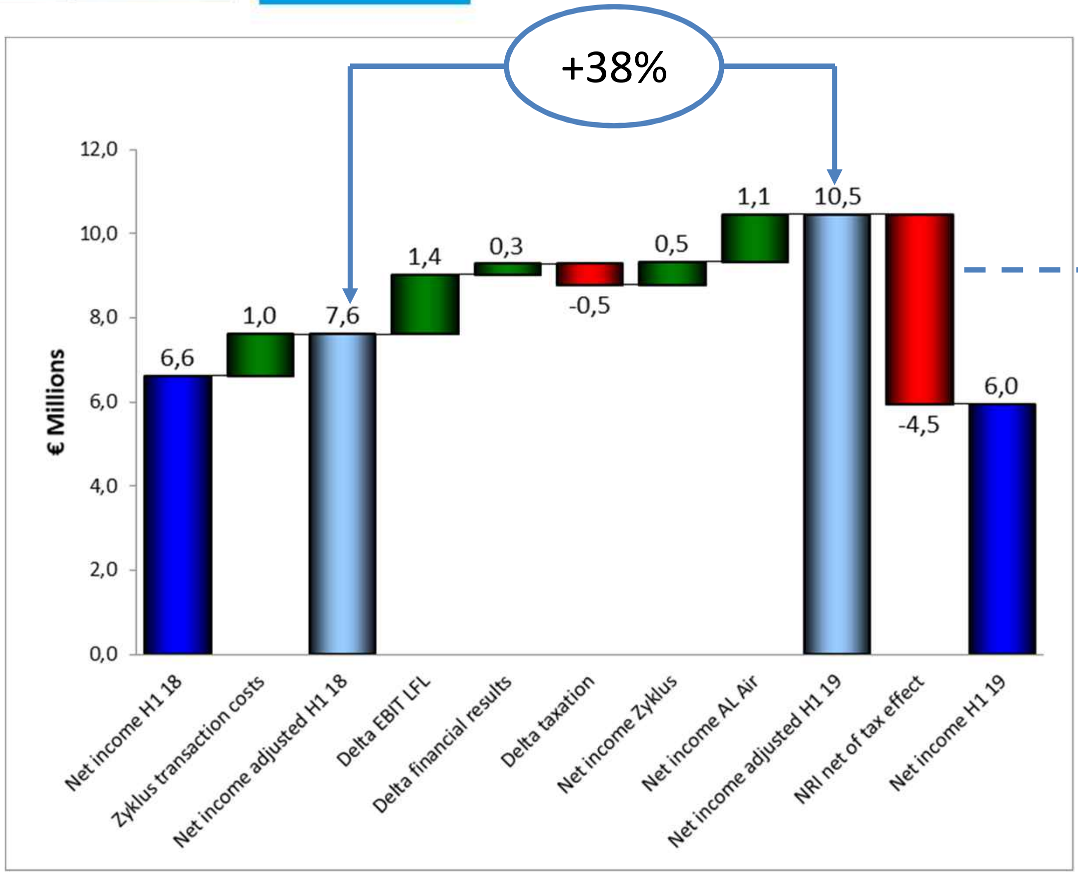
(1) Excluding effect of acquisitions and IFRS 16 adoption
(2) Due to rounding, numbers presented throughout this chart may not add up precisely to the totals provided
(3) Source: management analysis of consolidated results as of 30/6/2019

Improving trend of EBITDA in the last 30 months



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) ALAir EX is consolidated since 1st of May 2019

Net income bridge analysis



	€ Millions
Transaction cost AL Air	2,3
Fair value inventory AL Air	1,8
Start-up cost for Poland and China	1,0
Total Non Recurring Items	5,1
Tax saving	-0,6
Total Non Recurring Items net of tax	4,5

(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 30/6/2019

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Balance sheet

Consolidated Balance Sheet Reclassified *(000 Euro)*	30/06/2018	% net invested capital	31/12/18	% net invested capital	30/06/2019	% net invested capital
Net intangible assets	70.789		70.170		111.737	
Net tangible assets	117.442		125.061		155.114	
Pre-paid taxes	3.905		4.722		5.778	
Financial assets	1.902		2.196		259	
Non current assets (A)	**194.038**	**91,6%**	**202.149**	**96,7%**	**272.888**	**91,6%**
Inventory	47.679		44.667		59.683	
A/receivable	65.923		50.854		80.750	
Other receivables and current assets	10.539		9.472		11.666	
Current assets (B)	**124.141**		**104.993**		**152.099**	
A/payable	64.085		57.800		78.681	
Other payable and current liabilities	22.323		20.585		25.340	
Current liabilities (C)	**86.408**		**78.385**		**104.021**	
Working capital (D=B-C)	**37.733**	**17,8%**	**26.608**	**12,7%**	**48.078**	**16,1%**
Personnel provisions	4.122		4.057		5.717	
Deferred taxes	13.329		13.173		13.013	
Risk provisions	2.418		2.581		4.466	
Long term liabilities (E)	**19.869**	**9,4%**	**19.811**	**9,5%**	**23.196**	**7,8%**
Net invested capital (A+D-E)	**211.902**	**100,0%**	**208.946**	**100,0%**	**297.770**	**100,0%**
Group net worth	133.112		142.216		142.599	
Minority interest	3.084		3.170		3.404	
Total group net worth	**136.196**	**64,3%**	**145.386**	**69,6%**	**146.003**	**49,0%**
M/L term net financial position	110.165		156.303		164.540	
Short term net financial position	(34.459)		(92.743)		(12.773)	
Net financial position	**75.706**	**35,7%**	**63.560**	**30,4%**	**151.767**	**51,0%**
Net worth and net financial position	**211.902**	**100,0%**	**208.946**	**100,0%**	**297.770**	**100,0%**

- Strong financial structure: D/E = 1,0x
- Strong liquidity position to cover future commitments
- Target NFD/EBITDA ≈ 2x by 2020
- AL Air consolidated in June 19 Balance Sheet
- Impact of IFRS 16 on NFA (€ 19,4 M) and NFD (€ 17,0 M)
- Seasonal working capital needs

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Operational net working capital

- Tight control of operational working capital
- Seasonality in operational working capital needs
- Strong improvement in H1 2019 on LFL basis
- ZHT balance sheet consolidated as of 30/6/2018

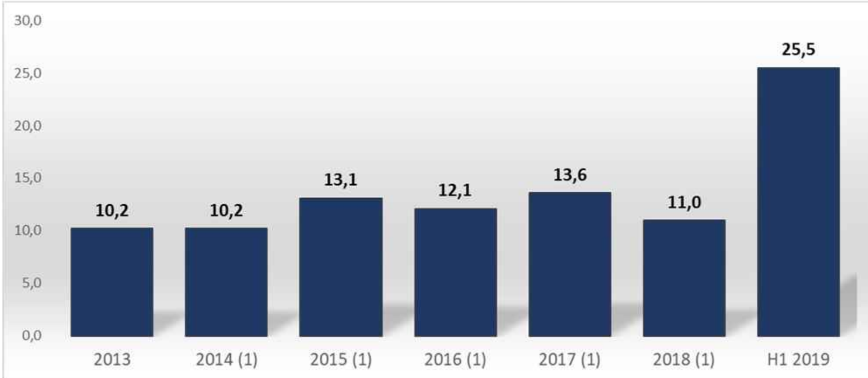
	Like for Like data					
€ Millions	30/06/2018	Days	30/06/2019	Days	30/06/2019 with AL Air EX	Days
Stock	47.679	59	44.749	49	59.683	**NM**
A/receivable	65.923	82	64.135	71	80.750	**NM**
Working capital	113.602		108.884		140.433	
A/payable	64.085	103	62.407	99	78.681	**NM**
Net working capital	49.517	62	46.477	51	61.752	**NM**
% on net sales LTM	**17,1%**		**14,2%**		**NM**	

Net cash flow

Net cash / (net debt)	€ m	
Net financial position as of June 18	(75,7)	
Net financial position as of June 19	(151,8)	
Delta in net financial position	(76,1)	(76,1)
+ Dividends paid in 2019		5,5
+ Accelerated capex program net of disposals		14,6
+ One time costs for M&A		1,5
+ Non recurring costs for China and Poland		1,0
+ IFRS 16 first time adoption		17,0
+ Acquisition of Al Air		61,0
+ Increase of value PUT&CALL Spirotech		1,0
= Total normalized net cash flow		**25,5**

- **Consistently strong cash generation**
- **Extraordinary level in LTM up to June 2019 due to working capital reduction**
- **Accelerated capex program above maintenance level**

LTM net cash generation adjusted 2013 - H1 19 (€ m)



(1) 2013 ITA GAAP – 2014-2018 IFRS
(2) IFRS 16 adoption: increase of EBITDA on yearly basis equal to € 4,2 M

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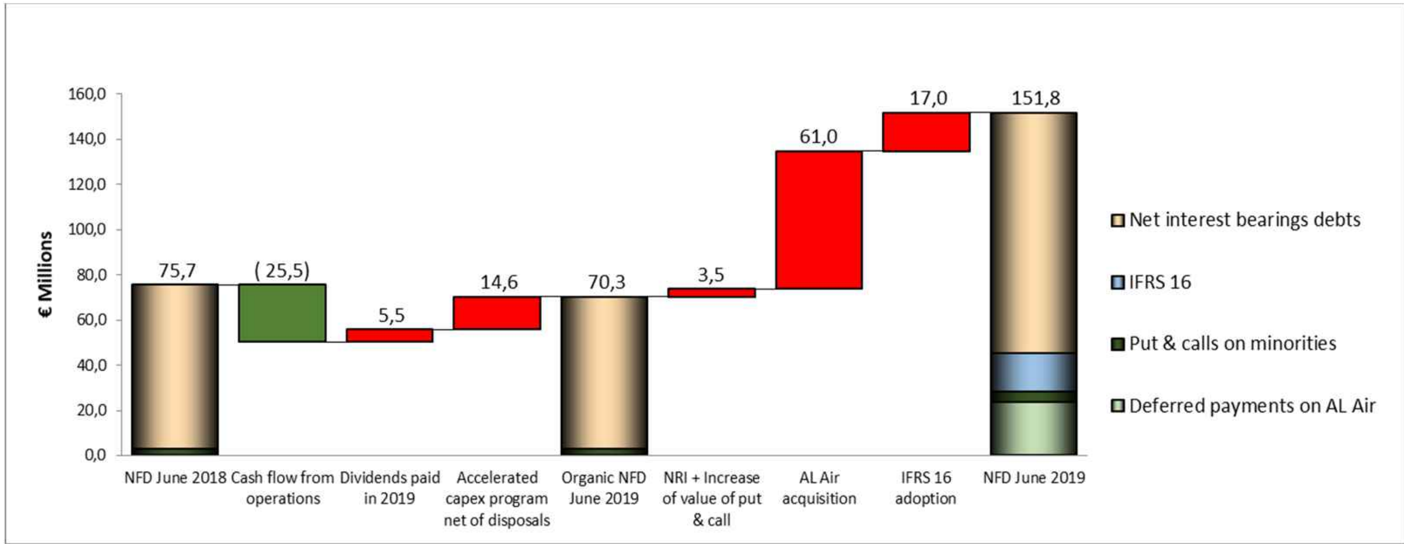
Net financial debt bridge analysis



- Strong cash generation on LTM
- IFRS 16 adoption:
  - + € 17,0 M NFD
  - + € 4,2 M EBITDA on annual basis, of which € 1,3 M in H1 19
- ZHT balance sheet consolidated as of 30/6/2018

(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 30/6/2019

LUVE: a four years journey (2015-2018)

Growth, expansion and acquisitions

	Drivers of equity story (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 € 212 M in 2015 to € 421 M in 2018(1) thanks to: • Organic growth +10.2% CAGR 2015-2018 • Additional € 137 M turnover thanks to acquisitions EBITDA = + 82% in 3 years [organic = 22%] EBIT = + 112% in 3 years [organic = 16%] Extraordinary capex = 40 M (2015 - 2018) 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: 78% (vs 73% in 2015)

Acquisitions
Delivered
	• Possible targets
	    • North America
	    • Emerging economies
	    • Europe
	• Possible use of further financial leverage
		• Acquisitions value = € 116 M (2)
		• Average EBITDAx paid= 6.9x
		SPIROTECH HEAT EXCHANGERS PVT. LTD.
		Fincoil
		Zyklus Heat Transfer, inc.
		HELPMAN since 1924

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

Future developments

1.	M&A	• Integration of ZHT in progress (30/9/19, SAP) • Integration of AL Air: in progress • New projects on opportunistic way
2.	Accelerated capex program	• Poland: final steps (€ 9,5 M to be spent in 19/20) • China: step 1 completed • India: in progress (€ 4,8 M to be spent in 19/20) • US: in progress (€ 5 M to be spent in 19/21)
3.	Focus on deleverage	• Target NFD/EBITDA ≈ 2x by 2020

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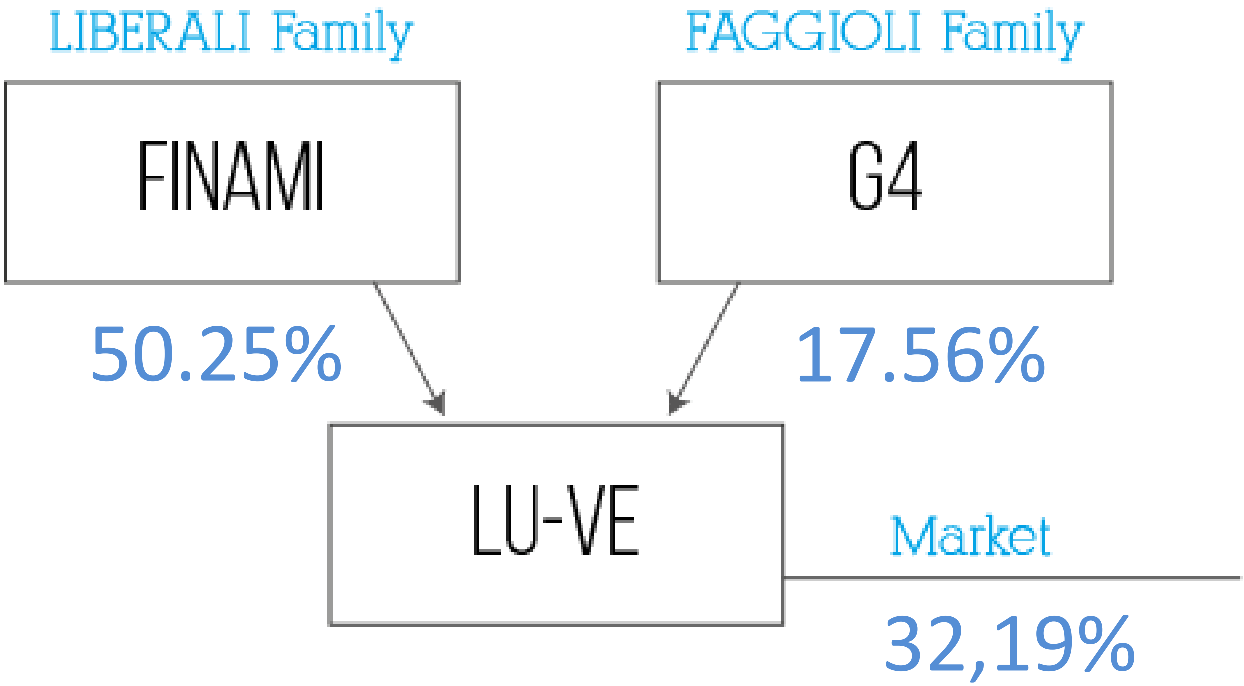
Shareholders structure (1) (2)



(1) Fully diluted – post warrant conversion at end of May 2017
(2) Updated on March 22nd 2019
(3) Treasury shares as of March 22nd 2019: 0,7093%

Group structure: Management Team

IGINIO LIBERALI
PRESIDENT
LU-VE GROUP

PIERLUIGI FAGGIOLI
VICE PRESIDENT
LU-VE GROUP

MATTEO LIBERALI
MD – CEO

MICHELE FAGGIOLI
MD – COO

ELIGIO MACCHI
CFO

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“OUR BEST DAYS HAVE YET TO BE LIVED”

NAZIM HIKMET