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## FY 2018 results

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22<sup>nd</sup> March 2019



## 2018 financial highlights

- Consolidated sales <sup>(1)</sup>: **€ 306,9 m** (+13.6% vs. 2017; +15,7% on a constant FX basis)
- Order backlog as of 31 December 2018: € 39,8 m (+11,4% vs. December 2017)
- EBITDA adjusted <sup>(2)</sup> : **€ 38,4 m** vs € 31,0 m in 2017 (+24.0%)
- Net financial debt <sup>(3)</sup>: € 63,6 m vs € 35,3 m as of December 17 and € 75,7 m as of June 18
- Net cash generation (12 months adjusted) <sup>(4)</sup> : **€ 11,0 m** (vs € 13,6 m as of December 2017)

| € Millions   | 2017   |        | 2018 <sup>(5)</sup> |        | Growth  | Growth LFL <sup>(6)</sup> |
|--|--------|--------|---------------------|--------|---------|---------------------------|
| <b>Total sales <sup>(1)</sup></b>                          | 270,0  | 100,0% | 306,9               | 100,0% | +13,6%  | 11,7%                     |
| <b>EBITDA</b>  | 29,1   | 10,8%  | 36,6                | 11,9%  | +25,9%  | 23,9%                     |
| <b>EBITDA adjusted <sup>(2)</sup></b>                      | 31,0   | 11,5%  | 38,4                | 12,5%  | +24,0%  | 22,1%                     |
| <b>Net income</b>  | 6,3    | 2,3%   | 16,1                | 5,2%   | +156,3% | 154,2%                    |
| <b>Net financial debt <sup>(3)</sup></b>                   | (35,3) |        | (63,6)              |        | +80,1%  | +44,4%                    |
| <b>Net cash generation (12 months adj.) <sup>(4)</sup></b> | 13,6   |        | 11,0                |        | (19,1%) |                           |

**€ 12,6 m**  
due to ZHT  
acquisition  
completed  
on 26/6/18

### Notes

- (1) Total sales include sales of products and other sales  
 (2) Excluding NRI  
 (3) Including put&call on minority and ZHT acquisition

- (4) See page 18 for details  
 (5) ZHT consolidated starting from 1st of July 2018  
 (6) Excluding ZHT





## 2018: strong results in H1 and H2

| € millions                       | Results by quarter |        |        |        | Results by half |        | Full year             |
|----------------------------------|--------------------|--------|--------|--------|-----------------|--------|-----------------------|
|                                  | Q1 18              | Q2 18  | Q3 18  | Q4 18  | H1 18           | H2 18  | 2018                  |
| Sales of products <sup>(1)</sup> | 68,8               | 81,9   | 75,1   | 75,9   | 150,7           | 151,0  | 301,7                 |
| Growth rate <sup>(2)</sup>       | +13,2%             | +17,2% | +13,6% | +12,1% | +15,3%          | +12,9% | +14,1% <sup>(3)</sup> |
| Order backlog                    | 40,7               | 42,5   | 42,4   | 39,8   | 42,5            | 39,8   | 39,8                  |
| Growth rate <sup>(2)</sup>       | +20,4%             | +17,4% | +4,9%  | +11,4% | +17,4%          | +11,4% | +11,4%                |
| Order intake 2018                | 73,8               | 83,7   | 75,0   | 73,3   | 157,5           | 148,3  | 305,8                 |
| Growth rate <sup>(2)</sup>       | +14,1%             | +15,8% | +6,7%  | +16,3% | +15,0%          | +11,2% | +13,1%                |

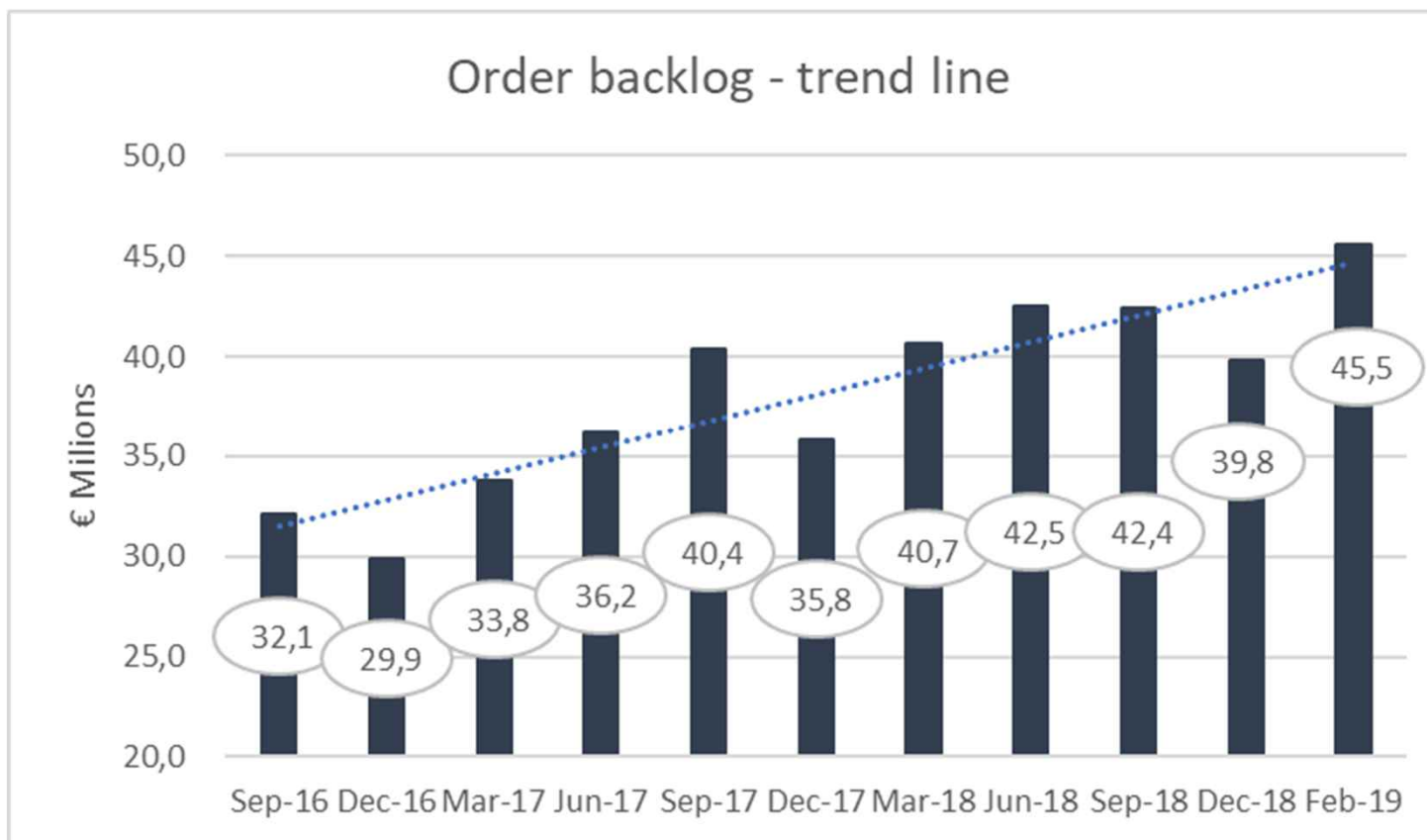
1) Sales of products excluding other revenues

2) Growth rate over the same period of previous year

3) Growth rate LFL for the full year 2018 is 12% . ZHT has been acquired at end of June 2018 and it is consolidated in the P&L starting from 1<sup>st</sup> July 2018



## Improving trend of order backlog





## Net sales breakdown by product <sup>(1)</sup>

| Products<br>€ 000              | 2017           | %             | 2018           | %             | Δ %          | Δ LFL % <sup>(2)</sup> |
|--------------------------------|----------------|---------------|----------------|---------------|--------------|------------------------|
| Heat Exchangers                | 159.301        | 59,0%         | 184.530        | 60,1%         | 15,8%        | 12,5%                  |
| Air Cooled Equipment           | 85.231         | 31,6%         | 97.189         | 31,7%         | 14,0%        |                        |
| Glass Doors                    | 9.265          | 3,4%          | 10.029         | 3,3%          | 8,2%         |                        |
| Close Control                  | 10.723         | 4,0%          | 9.953          | 3,2%          | -7,2%        |                        |
| <b>Total sales of products</b> | <b>264.520</b> | <b>98,0%</b>  | <b>301.701</b> | <b>98,3%</b>  | <b>14,1%</b> | <b>12,1%</b>           |
| Other revenues                 | 5.512          | 2,0%          | 5.168          | 1,7%          | -6,2%        |                        |
| <b>Total sales</b>             | <b>270.032</b> | <b>100,0%</b> | <b>306.869</b> | <b>100,0%</b> | <b>13,6%</b> | <b>11,7%</b>           |

(1) Actual data – ZHT consolidated in P&L starting from 1<sup>st</sup> July 2018

(2) LFL excludes ZHT



## Net sales breakdown by application <sup>(1)</sup>

| Applications<br>€ 000               | 2017           | %             | 2018           | %             | Δ %          | Δ LFL % <sup>(2)</sup> |
|-------------------------------------|----------------|---------------|----------------|---------------|--------------|------------------------|
| Refrigeration                       | 171.372        | 63,5%         | 186.030        | 60,6%         | 8,6%         | 7,3%                   |
| Air Conditioning                    | 47.223         | 17,5%         | 50.201         | 16,4%         | 6,3%         | 1,1%                   |
| Special Applications                | 37.211         | 13,8%         | 54.764         | 17,8%         | 47,2%        | 45,3%                  |
| Power Generation - Process & Others | 8.714          | 3,2%          | 10.706         | 3,5%          | 22,9%        |                        |
| <b>Total sales of products</b>      | <b>264.520</b> | <b>98,0%</b>  | <b>301.701</b> | <b>98,3%</b>  | <b>14,1%</b> | <b>12,1%</b>           |
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(1) Actual data – ZHT consolidated in P&L starting from 1<sup>st</sup> July 2018

(2) LFL excludes ZHT



## Net sales breakdown

- Strong growth of sales (+13,6%) (+11,7% LFL), mainly driven by volume **(+12%)** thanks to higher market shares
- On a constant currency basis growth of sales is + 15,7%
- Sales increase driven by growth across nearly all product lines:
  - Components SBU: +15.5% (12.4% LFL), mainly thanks to growth in “home appliances (+78.2%) and “mobile applications” + 27.6%
  - Cooling Systems SBU: +11.7% (11.7% LFL)
- Refrigeration remains core business (61%) (+8.6% in 2018), with continuous growth of project related to logistic centers based on environmental friendly refrigerants and new technologies
- Special applications (domestic appliances, mobile applications etc.) became the second largest application area overcoming Air Conditioning, for the first time in history of LUVE Group
- Italy reduces its share from 22.0% to 21,3% despite sound growth + 10,2%
- Poland becomes the main export market, followed by Germany, Russia and France
- Contrast UK: - 16.6% due to reduced capex of retailers amid Brexit uncertainty
- Excellent growth in China, Middle East, Egypt, Sweden, Austria and Czech Republic





## ZHT acquisition (USA)

- On June 26 2018 LUVE completed the acquisition of Zyklus Heat Transfer Inc (ZHT), based in Jacksonville (Texas)
- Luve acquired 100%
- ZHT is specialized on heat exchanger for the US market
- Mr. Zachary Riddleseperger – founder and 100% owner – remains as VP Operation
- Three years earn-out scheme based on EBITDA
- 2017 turnover: USD 10.3 M
- Average growth rate previous two years: 12%
- 2017 adjusted EBITDA: USD 1.7 M (16.5%)
- At December 2017 adjusted net financial debt was USD 3,4
- Price paid for 100%: USD 10 M
- 2017 EBITDA multiple paid: 7,9x
- In 2018 sales grew by 22% to USD 12.6 M with an EBITDA in H2 2018 equal to € 0.6 M

Il Sole **24 ORE**

Sbarca negli Usa e acquista  
la texana Zyklus Heat Transfer







## New plant in Poland

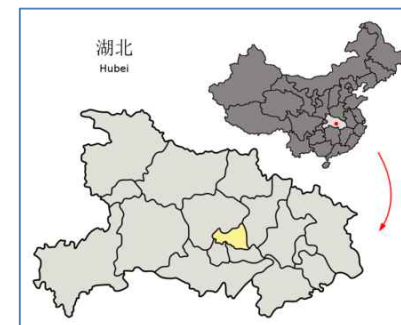
- New plant located in Gliwice, very close to the existing plant of LU-VE
- 60.000 sqm land, acquired and paid in May 2017
- Production area: 21.000 sqm covered
- € 36 M capex in 5 years:
  - 50% new machineries
  - 50% land and building
- Tax shield scheme: close to 25% of total investments
- Rationale: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





## Plant relocation in China

- The relocation from Changshu to Tianmen of the existing plant has started 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  $\approx$  - 20%
- Location closer to the main customer
- Improved internal production flow and logistic
- Tax benefit on income tax and VAT
- Production in the new plant started in March 2019





## Plant expansion 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 current surface is fully utilized with the existing turnover and the expansion programs agreed with the newly acquired clients
- 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
- The project has been approved by the local authorities and it expected to be completed by Q1 2020
- The total capex requirement is expected up to € 4.0 millions





## Strong reduction on unrealized FX exposure

- Intercompany compulsory convertible bond (CCD) from Italy to India: converted in June 2018
- Intercompany deposit on cash-pooling from Polish subsidiary strongly reduced by capex made for the new plant in Poland



## Profit & loss

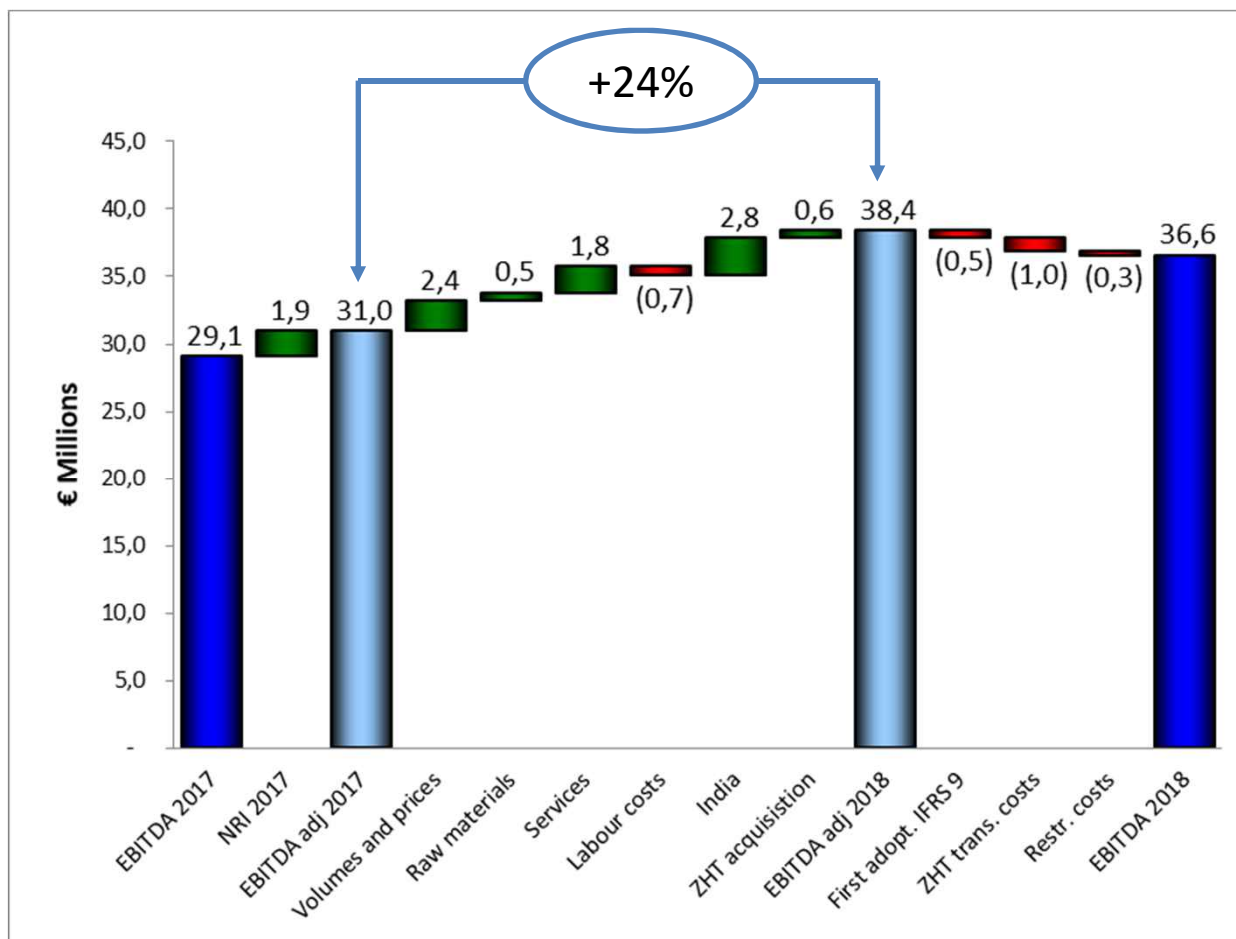
- See EBITDA bridge analysis
- Net financial charges include unrealized FX gain of € 0,1 M (€ 5.5 M loss in H1 17)
- One-off net tax benefit of € 1.4 M concerning deferred taxes
- Net income is wedged by one time costs by € 1,8 M mainly due to transaction costs for ZHT acquisition
- See net income bridge analysis

| Consolidated Profit & Loss<br>Reclassified (000 Euro) | 2017             | % sales      | 2018             | % sales      | Delta %       |
|---|------------------|--------------|------------------|--------------|---------------|
| <b>Sales and operating income</b>                     | <b>270.032</b>   | 100,0%       | <b>306.869</b>   | 100,0%       | <b>13,6%</b>  |
| Purchases of materials                                | (150.006)        | -55,6%       | (167.429)        | -54,6%       |               |
| Inventory increase (decrease)                         | 7.502            | 2,8%         | 5.643            | 1,8%         |               |
| Services  | (40.105)         | -14,9%       | (42.951)         | -14,0%       |               |
| Labour cost   | (56.280)         | -20,8%       | (62.823)         | -20,5%       |               |
| Other operating costs                                 | (2.071)          | -0,8%        | (2.707)          | -0,9%        |               |
| <b>Total operating costs</b>                          | <b>(240.960)</b> | -89,2%       | <b>(270.267)</b> | -88,1%       | <b>12,2%</b>  |
| <b>EBITDA</b>   | <b>29.072</b>    | <b>10,8%</b> | <b>36.602</b>    | <b>11,9%</b> | <b>25,9%</b>  |
| Increase (decrease) of derivatives fair value         | 170              | 0,1%         | (663)            | -0,2%        |               |
| Depreciation  | (15.143)         | -5,6%        | (16.422)         | -5,4%        |               |
| Gain (loss) of non current assets                     | 24               | 0,0%         | 213              | 0,1%         |               |
| <b>EBIT</b>   | <b>14.123</b>    | <b>5,2%</b>  | <b>19.730</b>    | <b>6,4%</b>  | <b>39,7%</b>  |
| Net financial charges                                 | (5.610)          | -2,1%        | (2.368)          | -0,8%        |               |
| <b>EBT</b>  | <b>8.513</b>     | <b>3,2%</b>  | <b>17.362</b>    | <b>5,7%</b>  | <b>103,9%</b> |
| Income taxes  | (2.234)          | -0,8%        | (1.269)          | -0,4%        |               |
| <b>Net income</b>                                     | <b>6.279</b>     | <b>2,3%</b>  | <b>16.093</b>    | <b>5,2%</b>  | <b>156,3%</b> |
| Minority interest                                     | 637              |              | 686              |              |               |
| <b>Group net income</b>                               | <b>5.642</b>     | <b>2,1%</b>  | <b>15.407</b>    | <b>5,0%</b>  | <b>173,1%</b> |





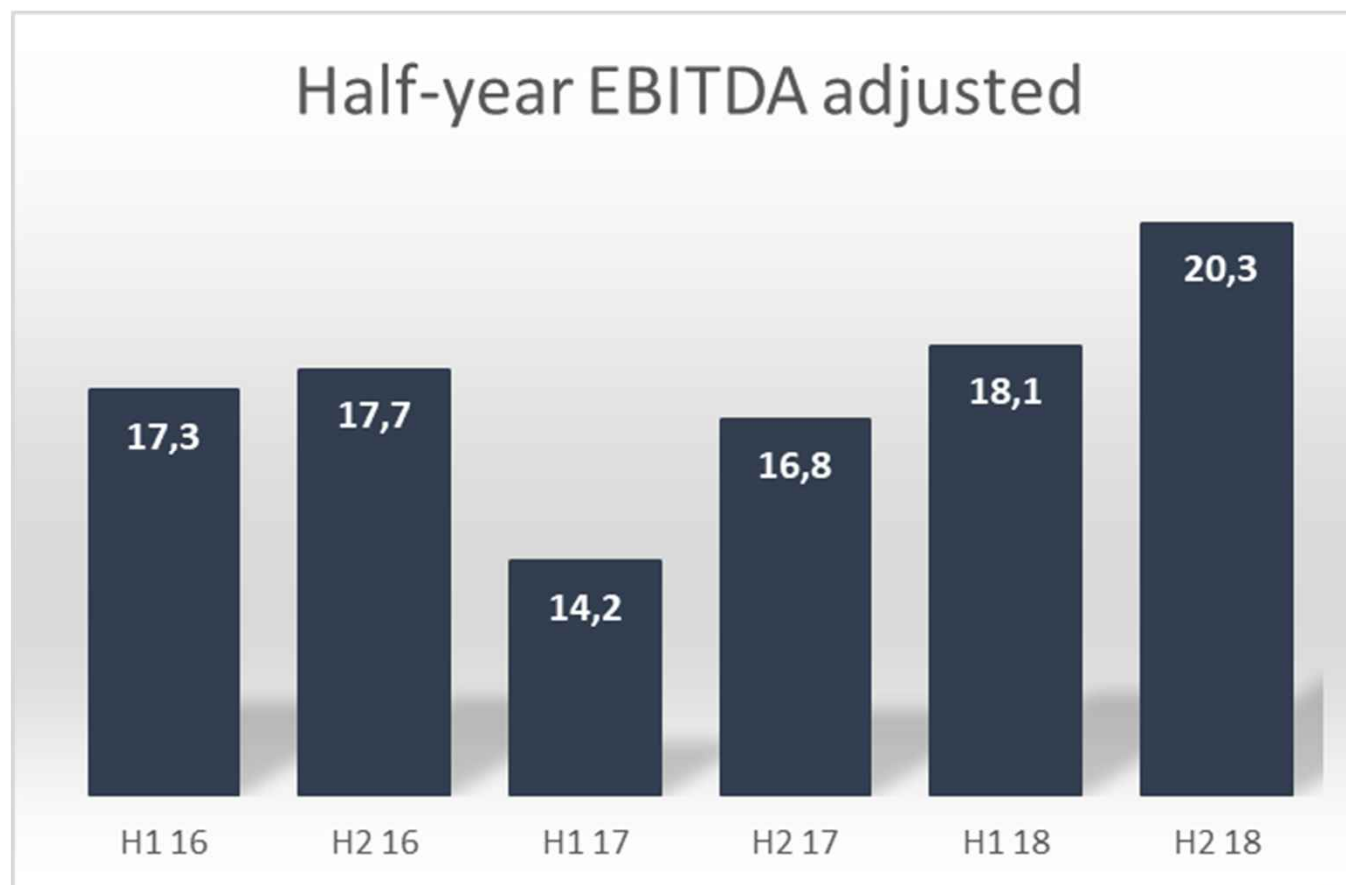
## Strong improvement of EBITDA adjusted: + 24%



- (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 31/12/2018



## Improving trend of EBITDA in the last 18 months



All data in € million

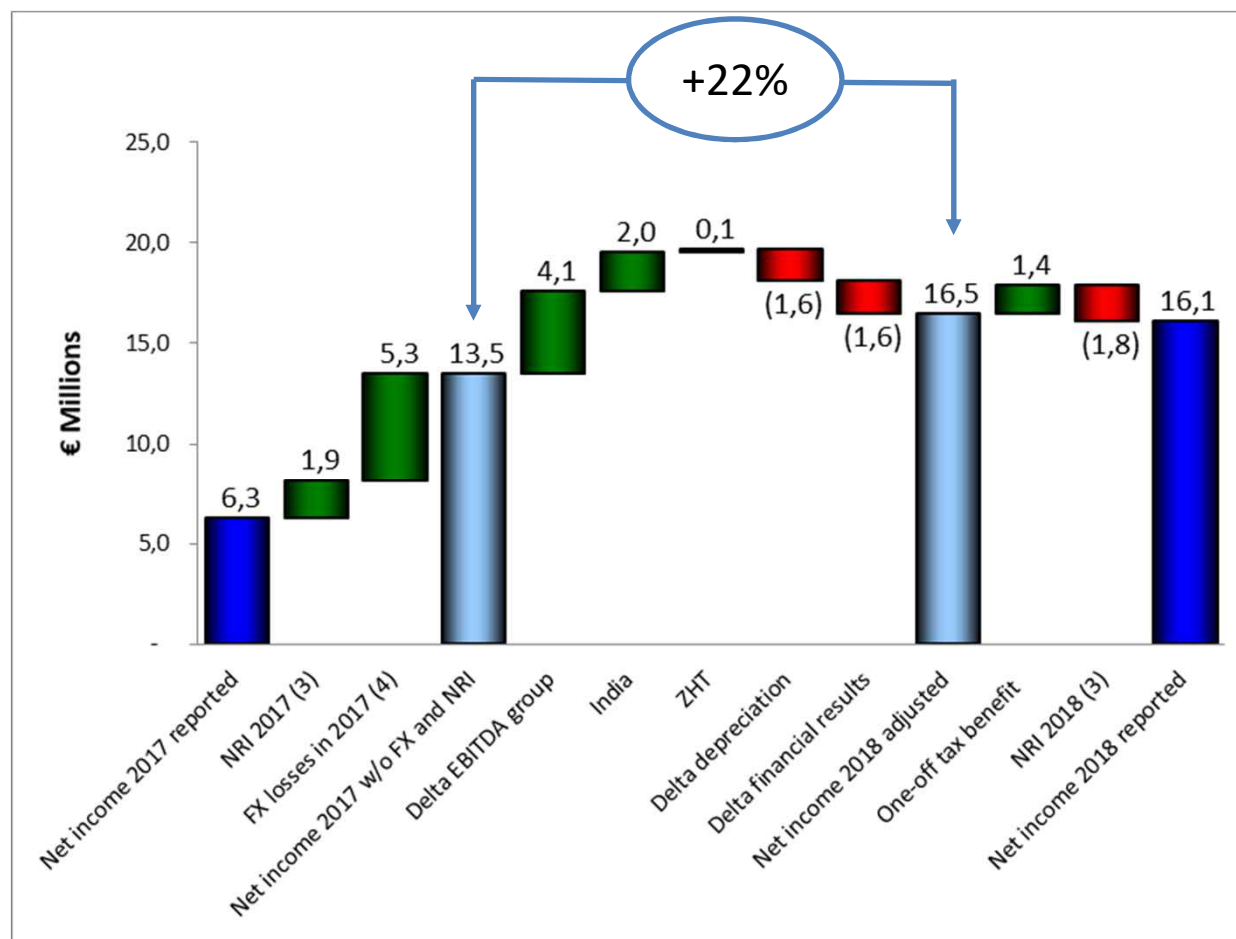
H1 2016 proforma to include Spirotech which has been acquired in October 2016

ZHT is consolidated in H2 2018, with an EBITDA of € 0,570 M





Strong improvement of Net Income adjusted: + 22%  
Strong improvement of Net Income reported: +156%



- (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 31/12/2018
- (3) Gross of tax effects
- (4) See page 12 for details



## Operational net working capital

- Tight control of operational working capital
- Seasonality in operational working capital needs
- Increasing weight of India led to increase of NWC by € 6,0 M
- New consolidation of ZHT increased NWC by € 2,0 M
- Temporary effect for € 5.5 M
- Increase of NWC due to sales volume: € 2,0 M

| € / 000                           | 2017   | Days | 2018   | Days <sup>(1)</sup> |
|-----------------------------------|--------|------|--------|---------------------|
| Stock                             | 37.988 | 51   | 44.667 | 51                  |
| A/receivable                      | 47.616 | 63   | 50.854 | 59                  |
| Operational working capital       | 85.604 |      | 95.521 |                     |
| A/payable                         | 63.405 | 120  | 57.800 | 97                  |
| Operational net working capital   | 22.199 | 30   | 37.721 | 43                  |
| % on net sales LTM <sup>(1)</sup> | 8,2%   |      | 12,1%  |                     |

(1) In 2018 ratios are calculated taking into account 12 months of ZHT activity

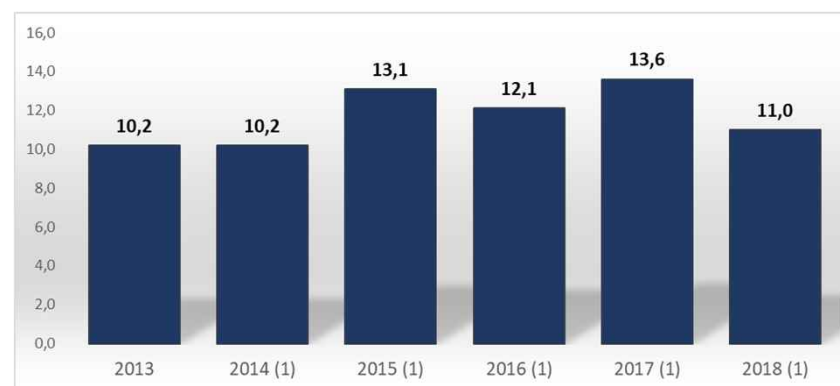


## Net cash flow

| Net cash / (net debt)                    | € m     |             |
|--|---------|-------------|
| Net financial position as of December 17 | ( 35,3) |             |
| Net financial position as of December 18 | ( 63,6) |             |
| Delta in net financial position          | ( 28,3) | ( 28,3)     |
| + Dividends paid in 2018                 |         | 5,3         |
| + Accelerated capex program              |         | 19,0        |
| - Sale of assets                         | ( 1,1)  |             |
| + Treasury stock purchase                |         | 0,2         |
| + Non recurring items                    |         | 1,3         |
| + Acquisition of ZHT                     |         | 12,6        |
| + Increase of value PUT&CALL Spirotech   |         | 2,0         |
| <b>= Total normalized net cash flow</b>  |         | <b>11,0</b> |

- Consistently strong cash generation
- Accelerated capex program above maintenance level
- Temporary impact of working capital in 2018

LTM net cash generation adjusted 2013-2018 (€ m):



(1) 2013 ITA GAAP – 2014-2018 IFRS





## Balance sheet

| Consolidated Balance Sheet<br>Reclassified (000 Euro) | 31/12/17<br>% net invested<br>capital | 31/12/18<br>% net invested<br>capital |
|---|---------------------------------------|---------------------------------------|
| Net intangible assets                                 | 62.718                                | 70.170                                |
| Net tangible assets                                   | 111.191                               | 125.061                               |
| Pre-paid taxes  | 3.359                                 | 4.722                                 |
| Financial assets                                      | 1.941                                 | 2.196                                 |
| <b>Non current assets (A)</b>                         | <b>179.209</b>                        | <b>202.149</b>                        |
|   | <b>102,3%</b>                         | <b>96,7%</b>                          |
| Inventory   | 37.988                                | 44.667                                |
| A/receivable  | 47.616                                | 50.854                                |
| Other receivables and current assets                  | 11.258                                | 9.472                                 |
| <b>Current assets (B)</b>                             | <b>96.862</b>                         | <b>104.993</b>                        |
| A/payable   | 63.405                                | 57.800                                |
| Other payable and current liabilities                 | 17.677                                | 20.585                                |
| <b>Current liabilities (C)</b>                        | <b>81.082</b>                         | <b>78.385</b>                         |
|   |                                       |                                       |
| <b>Working capital (D=B-C)</b>                        | <b>15.780</b>                         | <b>26.608</b>                         |
|   | <b>9,0%</b>                           | <b>12,7%</b>                          |
| Personnel provisions                                  | 4.047                                 | 4.057                                 |
| Deferred taxes  | 13.217                                | 13.173                                |
| Risk provisions                                       | 2.472                                 | 2.581                                 |
| <b>Long term liabilities (E)</b>                      | <b>19.736</b>                         | <b>19.811</b>                         |
|   | <b>11,3%</b>                          | <b>9,5%</b>                           |
| <b>Net invested capital (A+D-E)</b>                   | <b>175.253</b>                        | <b>208.946</b>                        |
|   | <b>100,0%</b>                         | <b>100,0%</b>                         |
| Group net worth                                       | 137.842                               | 142.216                               |
| Minority interest                                     | 2.124                                 | 3.170                                 |
| <b>Total group net worth</b>                          | <b>139.966</b>                        | <b>145.386</b>                        |
|   | <b>79,9%</b>                          | <b>69,6%</b>                          |
| M/L term net financial position                       | 115.074                               | 156.303                               |
| Short term net financial position                     | (79.787)                              | (92.743)                              |
| <b>Net financial position</b>                         | <b>35.287</b>                         | <b>63.560</b>                         |
|   | <b>20,1%</b>                          | <b>30,4%</b>                          |
| <b>Net worth and net financial position</b>           | <b>175.253</b>                        | <b>208.946</b>                        |
|   | <b>100,0%</b>                         | <b>100,0%</b>                         |

- Strong financial structure
- Debt capacity to finance acquisitions:
  - PFN / EBITDA adj = 1.66x
- Seasonal working capital needs



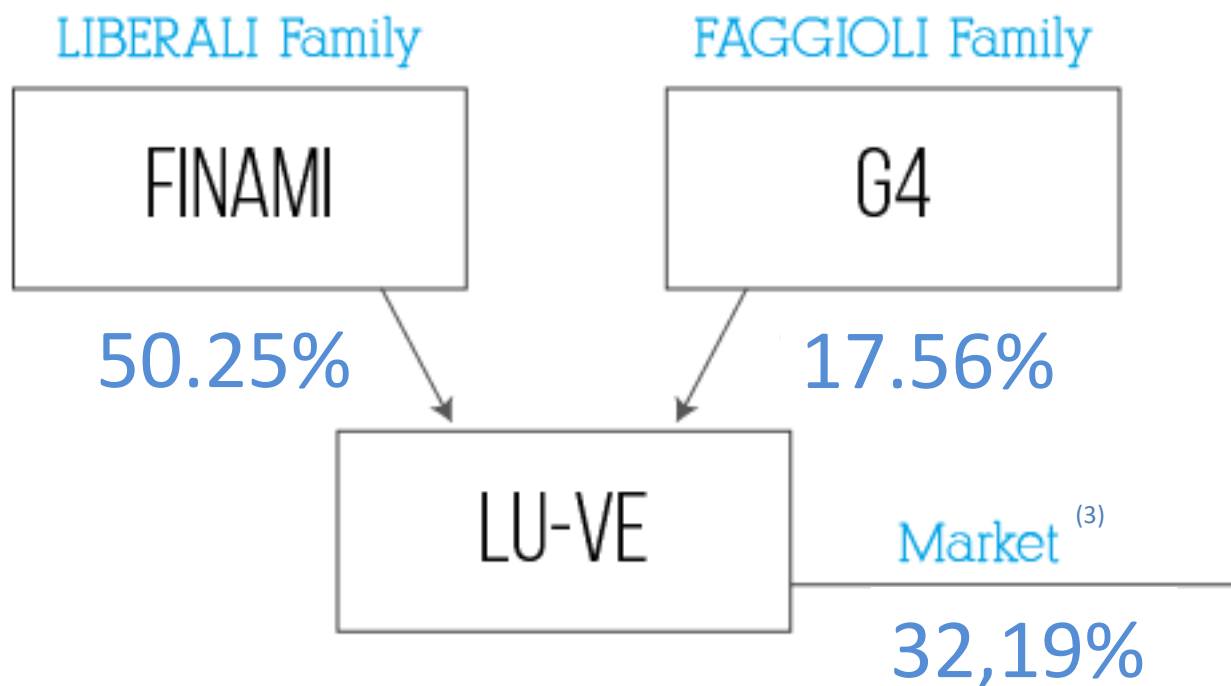
## A four years journey: 2015-2018

1. Acquisition (Oct. 2016) and integration of Spirotech **Completed**
2. Filing MTA – spring 2017 **Delivered: 21 June 2017**
3. Accelerated capex program
  - **Poland: building completed**
  - **China: building completed**
  - **India: building in progress**
4. Acquisition in US **Completed in June 2018**  
**Integration of ZHT: in progress**
5. Acquisition of Alfa Laval Heat Exchanger Air Division:  
**Announced in December 2018;**  
**closing expected within June 2019**





## Shareholder Structure <sup>(1)</sup> <sup>(2)</sup>



(1) Fully diluted – post warrant conversion at end of May 2017

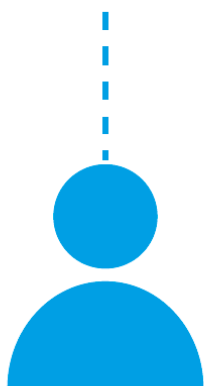
(2) Updated on October 9<sup>th</sup> 2018

(3) Treasury shares as of June 25<sup>st</sup> 2018: 0,6886%

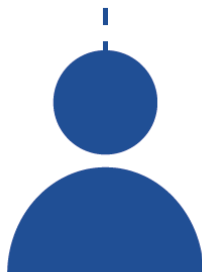


## Group structure: Management Team

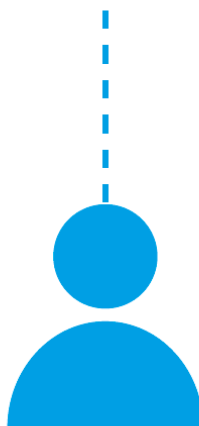
**IGINIO LIBERALI**  
PRESIDENT  
LU-VE GROUP



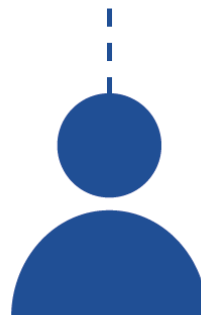
**PIERLUIGI FAGGIOLI**  
VICE PRESIDENT  
LU-VE GROUP



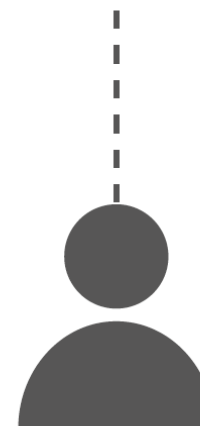
**MATTEO LIBERALI**  
MD – CEO



**MICHELE FAGGIOLI**  
MD – COO



**ELIGIO MACCHI**  
CFO







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*leadership with passion*



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**“OUR BEST  
DAYS HAVE  
YET TO BE LIVED”**

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NAZIM HIKMET