



SPIROTECH
HEAT EXCHANGERS PVT. LTD.

Acquisition of Spirotech

September 2016



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2 – Transaction overview

- On September 18th 2016, Luve signed a binding contract to acquire 95% of Spirotech
- Spirotech is a leading and fast growing Indian producer of heat exchanger for HVAC (1) industry, home appliances and transportation:
 - ✓ turnover of € 21 (2) millions with an average EBITDA margin > 20%
 - ✓ doubled the turnover during the last 5 years
 - ✓ world class customers in Europe, US and India
 - ✓ strong management team with international experience
 - ✓ state of the art manufacturing plant with expansion opportunities
- Ideal base to expand production in India, to benefit from long term trend in creation and expansion of cold chain in India and Asia
- Total consideration (3) :
 - ✓ 7,3x FY16 EBITDA
 - ✓ 15,6x FY16 Net Earnings



3. Spirotech at a glance

- Incorporated in 1994 by Dr. Malhotra and Mr. Srinivasan
- Based in Bhiwadi (65 km south of New Delhi), Rajasthan
- Situated on 40,500 sq.m plot, 11,000 sq.m new facility (2012)
- Opportunity to double the plant
- Average 350 employees





3. Spirotech at a glance

Financial highlights FY16 - Value Drivers ⁽¹⁾

Sales	€ 21 M	<ul style="list-style-type: none"> Doubled sales in the last 5 years High growth potential thanks to: <ul style="list-style-type: none"> Existing strong pipeline of new customers Further expansion of the customer basis thanks to LUVÉ sales network
EBITDA	> 20%	<ul style="list-style-type: none"> Demonstrated ability to co-design products with highly recognized, highly demanding top customers in Europe and US High quality (defective PPM < 400), high volume production capacity (3 M coils p.a), coupled with extremely competitive production costs
Net working capital	Avg 33% sales	<ul style="list-style-type: none"> Opportunity to improve cash cycle due to synergies with LUVÉ in purchasing and logistic
Fixed assets	€ 8,5 M	<ul style="list-style-type: none"> New facility built in 2012, state of the art machineries Low maintenance capex Opportunity to double production plant High return on invested capital (> 25%)
NFD + Net Worth	€ 14,4 M	<ul style="list-style-type: none"> Positive net financial position (€ 0,8 M as of July 16) Net worth: € 15,2 M

leadership with passion



4. Transaction strategic rationale

The overall M&A strategy of LU-VE can be summarized as follows:

- IPO to raise financial resources
- Expected consolidation of the HVAC industry
- Expansion in Asia and North America

The interest in Spirotech is driven by the following:

- Expansion of Spirotech customer basis thanks to LUVÉ sales network
- Expansion in the Indian market with LUVÉ products related to the cold chain infrastructure
- Transfer of customers/products from other Group European plants based on logistic and technological evaluation
- Expansion in Middle East due do the logistic advantage



5. Transaction financials

- Closing expected by October 2016 end
- Valuation for 100%: MINR 2520 (MEUR 33,6) - based on a net cash position of 57 MINR (MEUR 0,8) as of 31/7/16 ⁽¹⁾
- Acquired 95%
- 5% kept by Managing Director (co-founder)
- Put & Call based on 3 years average performance
- Implied multiples ⁽²⁾:
 - EBITDA (FY16): 7,3x
 - P/E (FY16): 15,6x



5. Transaction financials

Impact of Acquisition on Reported Earnings per Share

	LUVE	Spirotech	Combined
Total earnings (€ 000)	9.099	2.159	11.258
Number of shares	19.539.629	2.544.805	19.539.629
Earnings per shares	€ 0,47	€ 0,85	€ 0,58
Share price	€ 9,00	€ 13,20	€ 9,00
Price / earnings ratios	19,33x	15,57x	15,62x

Based on:

Lu-Ve audit financial statement as of 31/12/15

Spirotech audit financial statement as of 31/3/2016

1 € = 75,0 INR

Acquisition price = 2520 M INR = € 33,6 M



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DAYS HAVE
YET TO BE LIVED”

NAZIM HIKMET