



# 2023 Q1 results

12<sup>th</sup> May 2023



# Executive Summary

Q1-23 in line with Q1-22 despite tough comparison  
NWC impacted by seasonality

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## Economics

- In Q1-23, sales of products grew by 3.9% (2.0% volumes and 1.9% prices)  
No material impact from FX
  - EBITDA in line with Q1-22 despite tough comparison (*EBITDA +52% in Q1-22*)
  - EBITDA growth QOQ +23.1% (Q1-23 vs Q4-22)
  - Order book at € 219 M +15.8% vs. December 2022
  - Resilient business model amid volatility in end markets
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## Financials

- Leverage at 2.1x EBITDA adj LTM, despite seasonality in NWC
  - Increase in net financial charges, mainly due to reversal of strong positive effect on P&L 2022 resulting from interest rate derivatives
  - LTM net cash generation adjusted equal to € 54.1 M
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## Strategy

- Integration of Refrion (acquired in March 2022) in progress
- ACC project in progress: first 3 production lines installed and creation of a logistic center for heat pump market
- Growth Capex in Poland and USA

# Q1-23 Financial Highlights

## Tough comparison with Q1 -22



€ millions	Q1 2022	Q1 2023	2021 FY	2022 FY	LTM
<b>Sales</b>	<b>148.8</b>	<b>151.4</b>	<b>492.0</b>	<b>618.6</b>	<b>621.2</b>
<i>Growth %</i>	39.3%	1.7%	22.6%	25.7%	
<b>EBITDA reported</b>	<b>19.2</b>	<b>19.2</b>	<b>60.8</b>	<b>75.1</b>	<b>75.1</b>
<i>EBITDA %</i>	12.9%	12.7%	12.4%	12.1%	12.1%
<b>EBITDA adjusted</b>	<b>19.9</b>	<b>19.2</b>	<b>60.8</b>	<b>78.8</b>	<b>78.1</b>
<i>EBITDA %</i>	13.3%	12.7%	12.4%	12.7%	12.6%
Net income reported	21.4	6.8	24.8	49.1	34.4
Net income adjusted	11.3	8.8	27.8	38.6	36.1
Net financial debt	177.3	161.4	121.9	142.3	161.4
<i>NFD / EBITDA adj LTM</i>	2.6x	2.1x	2.0x	1.8x	2.1x
Net worth	187.2	215.8	172.1	211.5	215.8

- In Q1-23, sales grew by 1.7% YoY mainly due tough comparison with Q1-22
- In Q1-23 EBITDA margin in line with Q1-22
- Net income in Q1-23 reduced to € 6.8 M mainly due to capital gain on Tecair sale in Q1-22, increase of net financial charges (including derivatives)
- Net financial position impacted by seasonality in NWC (mainly receivable) despite nearly flat safety stock.
- In Q1 net Cash Generation from operations equal to € 15.1 M (10% of sales)

# Q1 23 – Revenues Breakdown

## New Market Opportunities and Benefit from Diversification

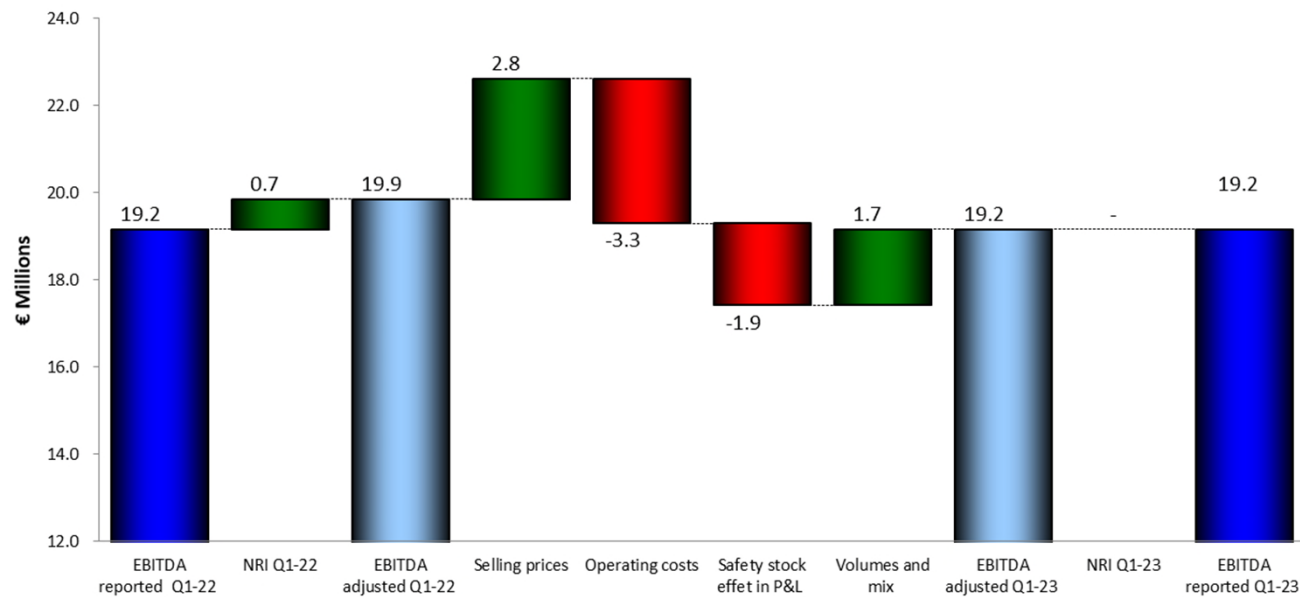


Products € 000	Q1 22	%	Q1 23	%	Δ %
Heat Exchangers	83.2	55.9%	85.9	56.7%	3.3%
Air Cooled Equipment	56.3	37.8%	61.1	40.4%	8.6%
Glass Doors	5.5	3.7%	3.6	2.4%	-35.3%
<b>Total sales of products</b>	<b>145.0</b>	<b>97.4%</b>	<b>150.6</b>	<b>99.5%</b>	<b>3.9%</b>
Other revenues	3.8	2.6%	0.8	0.5%	-78.8%
<b>Total sales</b>	<b>148.8</b>	<b>100.0%</b>	<b>151.4</b>	<b>100.0%</b>	<b>1.7%</b>

Applications € 000	Q1 22	%	Q1 23	%	Δ %
Refrigeration	81.5	54.7%	73.0	48.2%	-10.3%
Air Conditioning	27.3	18.4%	47.8	31.6%	74.8%
Special Applications	21.6	14.5%	17.6	11.6%	-18.5%
Industrial cooling	14.6	9.7%	12.2	8.0%	-16.5%
<b>Total sales of products</b>	<b>145.0</b>	<b>97.4%</b>	<b>150.6</b>	<b>99.5%</b>	<b>3.9%</b>
Other revenues	3.8	2.6%	0.8	0.5%	-78.8%
<b>Total sales</b>	<b>148.8</b>	<b>100.0%</b>	<b>151.4</b>	<b>100.0%</b>	<b>1.7%</b>

- Strong demand for heat pumps (A/C), datacenter and air conditioning
- As in Q3-22, weak market for refrigerated display cabinet (-31%), tumble dryers and HORECA
- Industrial cooling: reduction in sales -16.5%, but strong increase in order book+74.8%
- By geography: strong increase in Germany and France, weak market in Poland and Czech Republic, +13% in Italy

# EBITDA Bridge Analysis Q1-23 vs Q1-22



- EBITDA in line with Q1-22 despite tough comparison with Q1-22 (EBITDA growth in Q1-22 = +51.7%) and volatility in end markets
- One-off P&L impact from safety stock in 2022 (*not included in NRI*)

(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 31/3/2023

# FY 2022- From EBITDA to Group Net Income

EBIT adjusted – Net Income Adjusted Digitare l'equazione qui.

€ millions	2021	2022	Q1-22	Q1-23
<b>EBITDA reported</b>	60.8	75.1	19.2	19.2
NRI		3.7	0.7	0.0
<b>EBITDA adjusted</b>	<b>60.8</b>	<b>78.8</b>	<b>19.9</b>	<b>19.2</b>
D&A	30.1	32.7	7.4	7.8
Gain (loss) of non current assets	(0.1)	(0.3)	(0.0)	0.0
<b>EBIT reported</b>	30.6	42.1	11.7	11.3
Capital gain		9.5	9.5	0.0
Net financial income (loss)	0.1	7.5	1.9	(3.7)
<b>EBT</b>	30.6	59.0	23.0	7.7
Income taxes	5.8	10.0	1.6	0.9
Minorities	(1.0)	(1.4)	(0.4)	(0.4)
<b>Group net profit</b>	<b>23.7</b>	<b>47.7</b>	<b>21.0</b>	<b>6.3</b>

EBIT reported	30.6	42.1	11.7	11.3
Depreciation on PPA	4.2	4.3	1.0	1.1
NRI	0.0	3.7	0.7	0.0
<b>EBIT adjusted</b>	<b>34.7</b>	<b>50.1</b>	<b>13.4</b>	<b>12.4</b>
% of sales	7.1%	8.1%	9.0%	8.2%

Net income reported	24.8	49.1	21.4	6.8
Depreciation on PPA net of tax	3.0	3.4	0.8	0.8
NRI net of tax	0.0	3.0	0.7	0.0
Gain on shareholding net of tax	0.0	(9.3)	(9.3)	0.0
Fair value of derivatives net of depr cost	0.0	(7.5)	(2.2)	1.2
<b>Net income adjusted</b>	<b>27.8</b>	<b>38.6</b>	<b>11.3</b>	<b>8.8</b>
% of sales	5.7%	6.2%	7.6%	5.8%

D&A increased due to Capex and acquisition of Refrion

In Q1-22 capital gain on Tecair divestiture

In Q1-23 reversal effect of financial income recorded in 2022 due to interest rate derivatives (*market value of IRS to cover the interest rate risk net of amortized cost*)

EBIT adjusted in line with 2022

Net income adjusted Q1-23: impacted by increase of financial costs

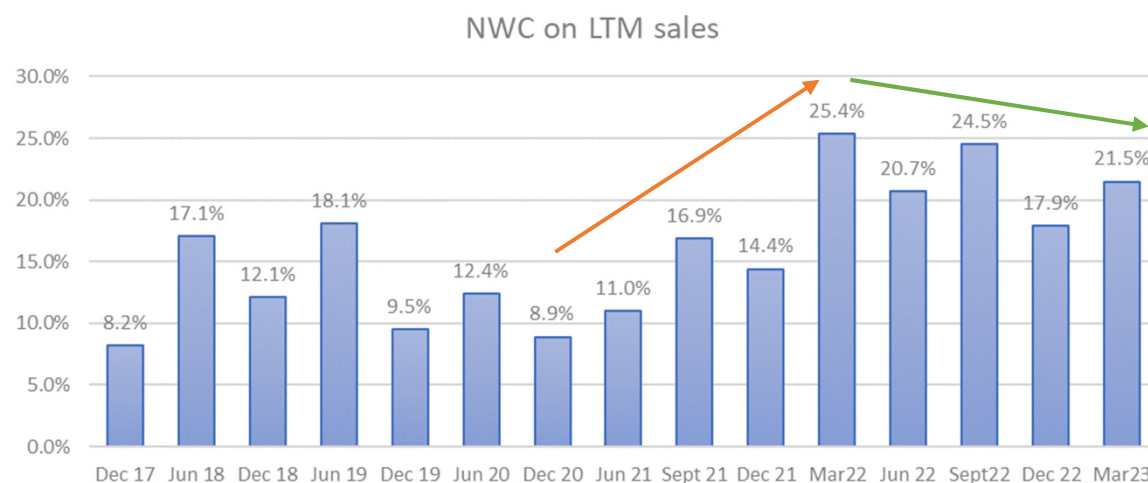
- Due to rounding, numbers presented throughout this chart may not add up precisely to the totals provided
- Source: management analysis of consolidated results as of 31/3/2023
- Adjusted net income considers the depreciation of "purchase price allocation" resulting from M&A transactions concluded in past years.

# Temporary Increase of NWC in 2022

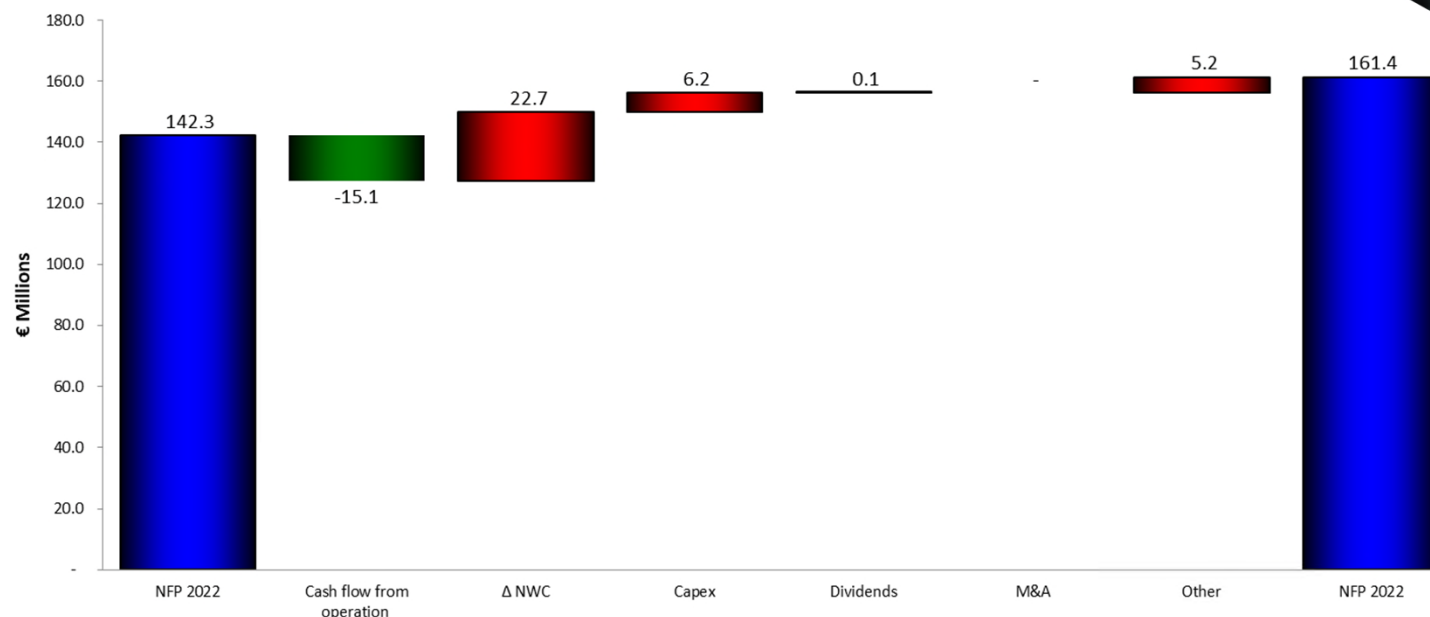
## Q4-22 already shows reduction

- Historically tight control of operating working capital
- Seasonality in operating working capital needs
- Temporary, expected increase of safety stock as of 31/12/21 (€ 14.2 M) , 30/6/22 (€ 36.4 M) and 30/9/22 (€ 39.4 M) due to uncertainty on supply chains
- As of 31/12/2022 the temporary increase of NWC is € 18.1 M
- In Q1-23 the excess working capital remained nearly flat at € 21.7 M

€ Millions	31/03/2023	Days	31/12/2022	Days	31/03/2022	Days
Stock	137.6	80	134.2	78	132.7	89
A/receivable	101.9	59	83.3	48	103.1	69
Working capital	239.4		217.5		235.8	
A/payable	105.8	91	106.6	88	100.3	88
Net working capital	133.6	77	110.9	65	135.5	91
% on net sales LTM	21.5%		17.9%		25.4%	



# Balance Sheet and Capital Allocation



- In Q1-23 cash flow from operations at 10.0% of sales
- NWC includes € 21.7 M of extraordinary safety stock (vs € 18.1 M as of 31/12/22)
- NFP decreased by € 15.9 M vs Q1-22 (from € 177.3 M in Q1-22 to €161.4 in Q1-23)
- LTM net cash generation adjusted equal to € 54.1 M
- Other: € 3.5 M of Δ other receivable / other liabilities and € 1.7 M Δ value of derivatives

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(2) Source: management analysis of consolidated results as of 30/9/2022



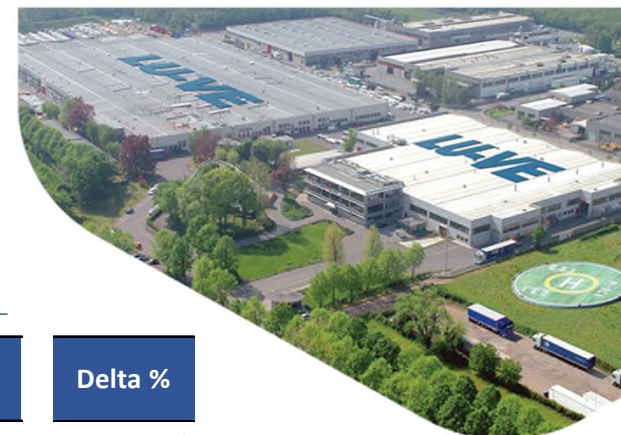
# Future Developments and Closing Remarks

Strategy	<p>New program of growth capex in progress to increase production capacity:</p> <ul style="list-style-type: none"> <li>• ACC in Italy</li> <li>• The second stage of plant expansion in USA and China</li> <li>• New expansion in Poland</li> </ul>
Markets	<ul style="list-style-type: none"> <li>• Strong demand in the first half of 2022. Since Q3 softer markets in some applications</li> <li>• In Q1-23 resilient business model despite of volatility in end market</li> <li>• Uncertain trend in H2-23</li> <li>• M/L term growth sustained by secular trends</li> </ul>
M&A	<ul style="list-style-type: none"> <li>• Integration of Refrion in progress / well advanced</li> <li>• New projects on opportunistic way</li> </ul>
Financials	<ul style="list-style-type: none"> <li>• Margin improvement due to volumes, but cost inflation</li> <li>• Focus on deleverage - target NFD/EBITDA adj <math>\leq 2.0x</math>: achieved at December 2022 – in Q1-23 impacted by NWC seasonality</li> </ul>

# Annexes



# Income Statement as of 31/3/2023



Consolidated Profit & Loss Reclassified (000 Euro)	Q1-22	Delta %	Q1-23	Delta %	Delta %
<b>Sales and operating income</b>	<b>148,842</b>	100.0%	<b>151,441</b>	100.0%	<b>1.7%</b>
Purchases of materials	(97,426)	-65.5%	(80,780)	-53.3%	
Inventory increase (decrease)	19,860	13.3%	4,195	2.8%	
Services	(20,654)	-13.9%	(21,556)	-14.2%	
Labour cost	(30,720)	-20.6%	(33,337)	-22.0%	
Other operating costs	(732)	-0.5%	(799)	-0.5%	
<b>Total operating costs</b>	<b>(129,672)</b>	-87.1%	<b>(132,277)</b>	-87.3%	<b>2.0%</b>
<b>EBITDA</b>	<b>19,170</b>	12.9%	<b>19,164</b>	12.7%	<b>0.0%</b>
Depreciation	(7,443)	-5.0%	(7,849)	-5.2%	
Gain (loss) of non current assets	(36)	0.0%	18	0.0%	
<b>EBIT</b>	<b>11,691</b>	7.9%	<b>11,333</b>	7.5%	<b>-3.1%</b>
Net financial charges	1,855	1.2%	(3,662)	-2.4%	
Capital gain on shareholding	9,473	6.4%	0	0.0%	
<b>EBT</b>	<b>23,019</b>	15.5%	<b>7,671</b>	5.1%	<b>-66.7%</b>
Income taxes	(1,577)	-1.1%	(896)	-0.6%	
<b>Net income</b>	<b>21,442</b>	14.4%	<b>6,775</b>	4.5%	<b>-68.4%</b>
Minority interest	393		445		
<b>Group net income</b>	<b>21,049</b>	14.1%	<b>6,330</b>	4.2%	<b>-69.9%</b>



# Balance Sheet as of 31/3/2023

Consolidated Balance Sheet Reclassified (000 Euro)	31/12/2022	% net invested capital	31/03/2023	% net invested capital
Net intangible assets	98,474		97,089	
Net tangible assets	189,264		192,821	
Pre-paid taxes	6,992		8,478	
Financial assets	1,473		1,442	
<b>Non current assets (A)</b>	<b>296,203</b>	<b>83.7%</b>	<b>299,830</b>	<b>79.5%</b>
Inventory	134,237		137,571	
A/receivable	83,265		101,850	
Other receivables and current assets	13,273		15,220	
<b>Current assets (B)</b>	<b>230,775</b>		<b>254,641</b>	
A/payable	106,587		105,842	
Other payable and current liabilities	40,913		45,488	
<b>Current liabilities (C)</b>	<b>147,500</b>		<b>151,330</b>	
<b>Working capital (D=B-C)</b>	<b>83,275</b>	<b>23.5%</b>	<b>103,311</b>	<b>27.5%</b>
Personnel provisions	5,299		5,123	
Deferred taxes	14,955		15,137	
Risk provisions	5,492		5,632	
<b>Long term liabilities (E)</b>	<b>25,746</b>	<b>7.3%</b>	<b>25,892</b>	<b>6.9%</b>
<b>Net invested capital (A+D-E)</b>	<b>353,732</b>	<b>100.0%</b>	<b>377,249</b>	<b>100.0%</b>
Group net worth	206,748		210,863	
Minority interest	4,712		4,970	
<b>Total group net worth</b>	<b>211,460</b>	<b>59.8%</b>	<b>215,833</b>	<b>57.2%</b>
M/L term net financial position	338,014		331,047	
Short term net financial position	(195,742)		(169,631)	
<b>Net financial position</b>	<b>142,272</b>	<b>40.2%</b>	<b>161,416</b>	<b>42.8%</b>
<b>Net worth and net financial position</b>	<b>353,732</b>	<b>100.0%</b>	<b>377,249</b>	<b>100.0%</b>







# Short company profile



# Business Highlights



Business Unit	Products	% of Sales <sup>(1)</sup>	Applications	Type of Customer
Business Unit Components	Heat exchangers 	54%	<ul style="list-style-type: none"> <li>Refrigeration (food cold chain)</li> <li>Commercial air conditioning and ventilation</li> <li>Special applications (<i>whitegoods</i>, <i>"mobile applications"</i> etc.)</li> </ul>	OEM
	Glass doors for refrigerated display cabinets	3%	Refrigeration (food cold chain)	OEM
Business Unit Cooling Systems	Air-cooled equipment / Radiators 	43%	<ul style="list-style-type: none"> <li>Refrigeration (food cold chain)</li> <li>Commercial air conditioning and ventilation</li> <li>Industrial process cooling</li> <li>Power Generation</li> <li>Data centers</li> </ul>	Distributors / Installers / OEM / EPC / End users  Contractors / End users

(1) FY 2022 data on total sales of product



# Diversification to avoid cyclicality



- Diversified applications, segments and markets with **uncorrelated business cycles**
- Focus on markets with expected **high potential growth**
- Business growth **sustained by megatrends**



REFRIGERATION AND CONSERVATION OF FRESH AND PACKAGED FOOD AND FLOWERS



AIR CONDITIONING, HEAT PUMPS AND HOUSEHOLD APPLIANCES



TRANSPORTATION, TRAIN AND MOBILE AIR CONDITIONING AND REFRIGERATION



AIR CONDITIONING FOR DATA CENTERS



POWER GENERATION, OIL & GAS, STEEL-MAKING AND MINING



FRESH FOOD CONSERVATION AND PERISHABLE FOOD BLAST FREEZING



REFRIGERATION FOR COUNTERS AND DISPLAY CABINETS AND AIR CONDITIONING



GLASS DOORS, CLOSING SYSTEMS AND DIGITAL SIGNAGE SOLUTIONS

# Seculars trends increase the addressable market

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Cold chain and refrigeration



Electrification  
(heat pumps /  
district heating)



Digitalization  
(data centers, IOT)



Food safety



Decarbonization



Industrial Cooling  
and Processes



Urbanization &  
consumer habits



Global warming



Regulations (F-gas etc.)



Safety in supply chains



Air treatment & ventilation

# Secular trends increase total addressable market



Drivers and trends	What LUVÉ does
<p>Acceleration of the transition to “<b>green capex</b>” by major customers to:</p> <ul style="list-style-type: none"> <li>• Adopt refrigerants with low GWP</li> <li>• Reduce energy consumption and noise level</li> <li>• Comply with EU regulations and with similar regulations introduced in the USA, China, and other countries</li> </ul>	<ul style="list-style-type: none"> <li>• LUVÉ was a <b>first mover in green technologies</b> applied to heat exchangers</li> <li>• Currently, ≈ 50% of sales are already based on refrigerants with low GWP to stem climate change</li> <li>• New <b>Eurovent</b> certification for CO<sup>2</sup></li> <li>• ESG rating</li> </ul>
<ul style="list-style-type: none"> <li>• Electrification</li> <li>• Decarbonization</li> </ul>	<ul style="list-style-type: none"> <li>• Heat exchangers for <b>heat-pump</b> applications</li> <li>• Special application for <b>district heating</b></li> </ul>
Acceleration of digitalization	<ul style="list-style-type: none"> <li>• Focus on data center market</li> <li>• Application of IoT to all range of products</li> </ul>
The increasing value of food security, pharma storage and e-commerce	Focus on mobile applications and logistic centers
Major attention to comfort and indoor air quality in public and private buildings	Special solutions for indoor air quality optimization
Reassess international supply chains	LUVÉ production footprint provides clients with resilient supply without sacrificing competitiveness



# Track record of profitable organic growth and acquisitions



\* LU-VE was founded in October 1985  
METALLUVE was later absorbed into LU-VE  
LU-VE Changshu was substituted by LU-VE Tianmen

# Strategy

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## **Create sustainable competitive advantage through:**

- Product focus and innovation
- Technology enhancements
- Production plants efficiency and flexibility
- First mover in "green tech"

## **Reduce risk profile through:**

- Widening product applications in uncorrelated sectors
- Increasing internationalization

## **Geographical focus**

- USA
- Asia
- Developing countries

## **Disciplined M&A activity (industrial focus and valuation)**

# LU-VE's Medium Term Value Creation Framework

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- High Single Digit growth in sales volume (organic)
- EBITDA margin toward 14/15% thanks to scale and efficiency capex
- NWC on sales: Mid Double Digit (net of extraordinary fluctuation)
- Growth capex: € 20/30 m p.a.
- Tax rate: 20-21%
- ESG targets in progress
- Capital allocation
  - NFD/EBITDA <2
  - Growth capex
  - Steady / smooth dividend policy
  - M&A: up to 3x leverage if required by strategic M&A (dry powder: € 70/80 m + target debt capacity)





# Pillars of a Sustainable Competitive Advantage



Sources	LU-VE business model
Technological Advantage	<ul style="list-style-type: none"> <li>Patent and tech innovation</li> <li>Leadership in R&amp;D: laboratories / CFD / nanotechnologies / IOT</li> </ul>
Cost advantage	<ul style="list-style-type: none"> <li>Market leadership: ca. 50% <sup>(1)</sup> of sales are in market segments where Lu-Ve is market leader</li> <li>Production plants in LCC: Poland, India, China, Russia and Czech Republic</li> <li>The highest level of capex in the sector to increase productivity, automation, product quality</li> </ul>
Switching costs	<ul style="list-style-type: none"> <li>Co-design with clients</li> <li>Long term customer cooperation: customers with more than 5 years of business relationship represent 65/70% of total sales</li> <li>Lu-Ve supplies performance critical components, but with limited cost incidence vs customers machineries/installations total costs</li> </ul>
Efficient scale	<ul style="list-style-type: none"> <li>One of the 3 largest worldwide producers of air heat exchangers</li> <li>Leader in Europe in heat exchanger</li> </ul>
Network effect	<ul style="list-style-type: none"> <li>Lu-Ve customers benefit from Lu-Ve experience in thousand of applications fields of air heat exchangers, helping them to identify specific solutions for their refrigeration/cooling problems</li> </ul>

(1) Company's estimates



OVER 600 YEARS OF EXPERIENCE  
IN HEAT EXCHANGER TECHNOLOGY





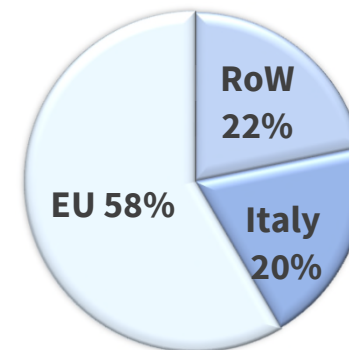
# Organization: 20 Production Units



## PRODUCTION UNITS



- Over 1.080.000 sqm. total surface area (300,000 sqm. covered)
- Over 3,605 sqm. of R&D Laboratories, and a large climatic chamber
- About 4100 employees
- LU-VE sells its products in more than 100 countries
- Diversified blue-chip customers









Breakdown of sales by geographical area (2022)


## 34 SALES COMPANIES

- AUSTRIA – VIENNA
- BENELUX – BRED-UCCL
- CHINA – TIANMEN-CHANGZHOU
- CZECH REPUBLIC - NOVOSLEDY
- DENMARK - AARHUS
- FINLAND - VANTAA
- FRANCE - LYON
- GERMANY – STUTTGART
- INDIA – NEW DELHI/PUNE
- ITALIA
- NORWAY - OSLO
- POLAND – WARSAW/GLIWICE
- RUSSIA – MOSCOW / LIPETSK
- SOUTH KOREA -SEUL
- SPAIN – MADRID
- SWEDEN - ASARUM
- UK/EIRE – LONDON/FAREHAM HANTS
- THAILAND – BANGKOK
- VIETNAM – HCM CITY
- UAE – DUBAI
- USA – JACKSONVILLE



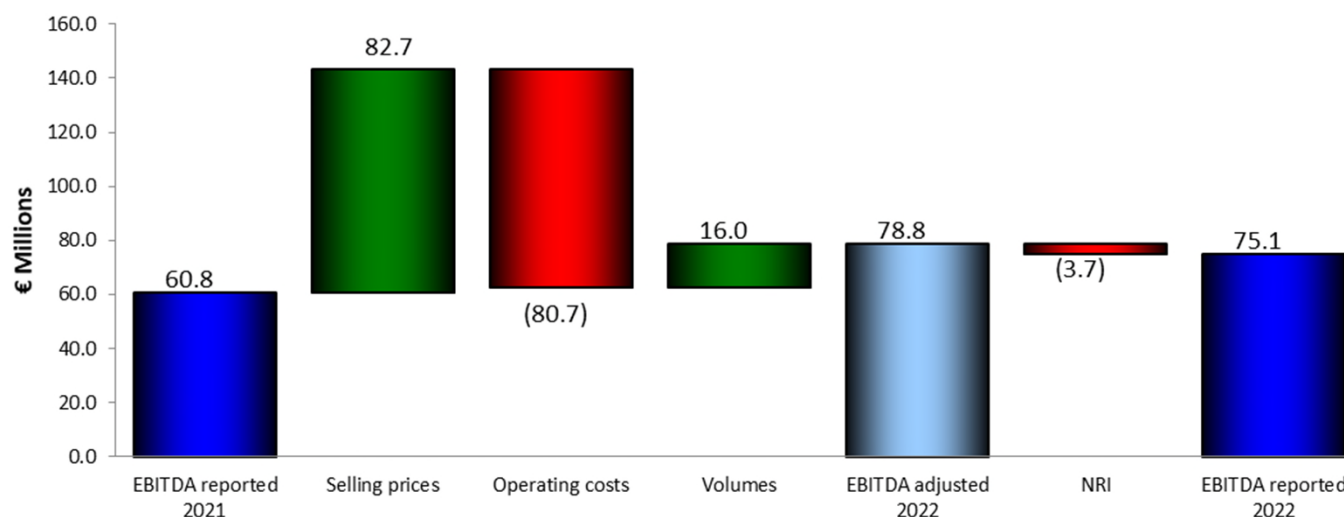
# Metal Price Impact on Profitability

Sale contract	Main application	Metal influence on product price	Metal fluctuation management
Frame contracts	Mainly in the Components SBU	Mechanical price adjustment through formulas linked to the metal publicly available quotation  Impact 	<ul style="list-style-type: none"> <li>Price adjusted through formulas linked to metal publicly available quotation (average last quarter / half a year)</li> <li>Profitability protection through systematic physical hedging (short order-to-delivery cycle)</li> </ul> Impact 
Predetermined delivery date	Project driven orders (mainly cooling system SBU: industrial application, power gen etc.)	Technology and design are the main elements of the solution offered Lower impact by metal price  Impact 	<ul style="list-style-type: none"> <li>Pricing locked-in at order intake</li> <li>Profitability protection through systematic physical hedging (long order- to-delivery cycle)</li> </ul> Impact 
Standard products	Products sold by catalogs with zero or limited customization	Higher impact of metal prices  Impact 	<ul style="list-style-type: none"> <li>Pricing managed through price lists, thus leading to some delay</li> <li>Competitive pressure may impact on the delay of price adjustment</li> <li>Hedging based on forecasted volumes rather than orders</li> </ul> Impact 

(1) Impact: hig  Low 

# The pricing power in 2022

## EBITDA adj 2022 vs 2021 + 29.6%



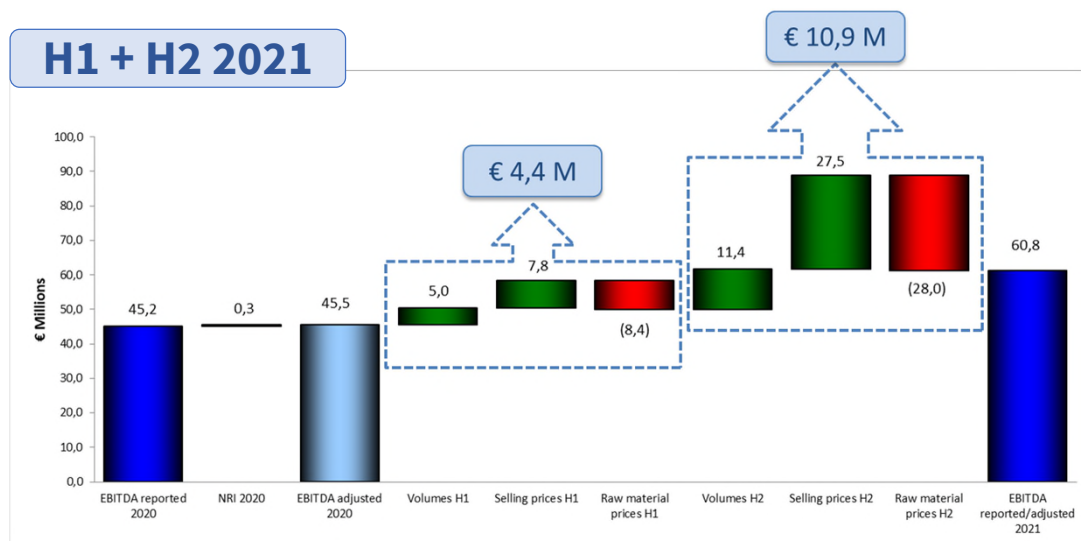
- EBITDA adjusted grew by 29.6% thanks to volumes increase and pricing power
- In 2022, non-recurring items are M&A transaction costs and extraordinary bonuses to employees (no adjustments in 2021)

(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 31/12/2022

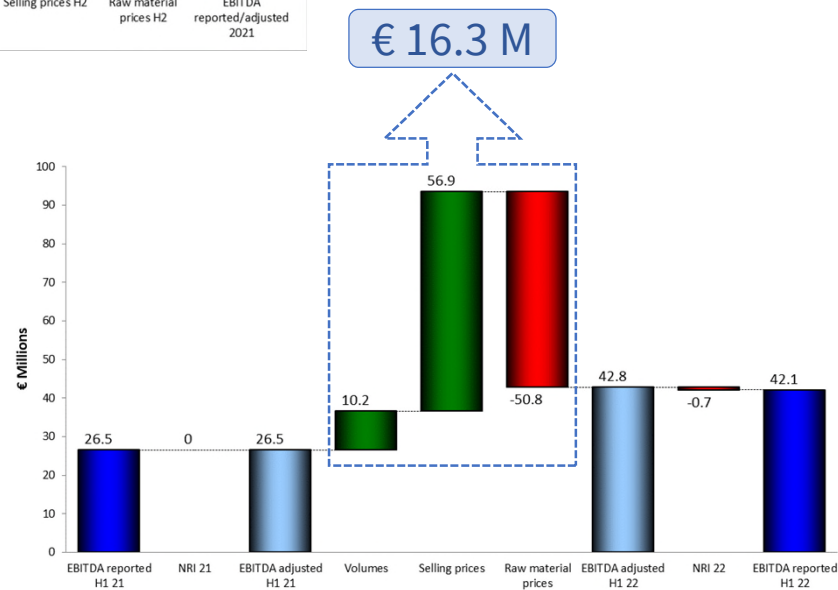
# The pricing power in 2021 and in the H1 of 2022



## H1 + H2 2021



## H1 2022





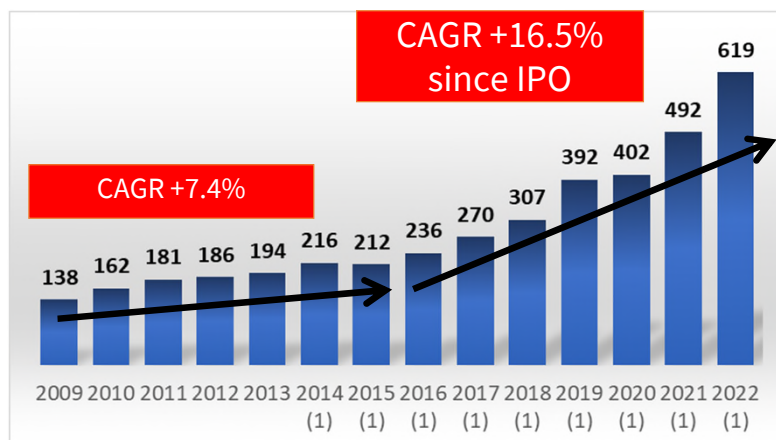
# Performance since IPO (2015)



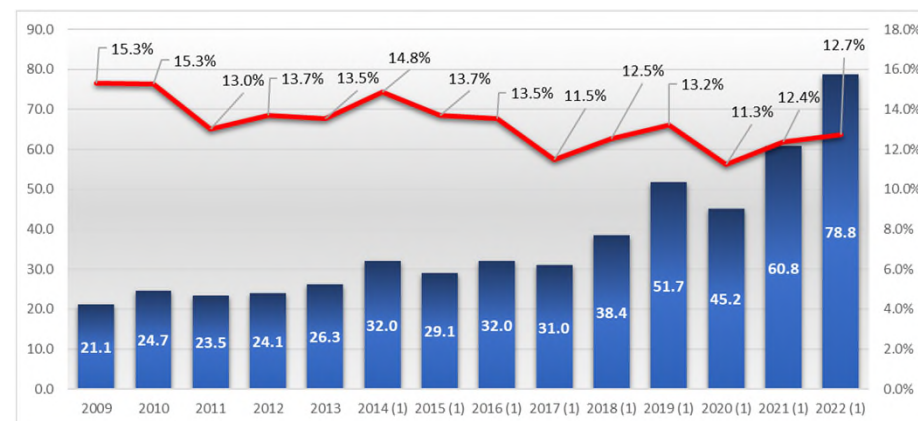
Strategic targets identified since 2015		Actual results: 2015 – 2022		
Organic growth (CAGR)	5/6% p.a.	CAGR	Organic	Total
		Sales	12.2%	16.5%
		EBITDA	12.6%	17.0%
NWC	Strict control	10-15% on sales In 2022 temporary increase of safety stock due to uncertain supply chain		
Growth Capex		€ 91 m		
Geographic expansion	Asia - USA	5 new plants in Poland, China and USA Doubled plant in India		
Acquisitions		4 strategic acquisitions € 122 m invested		

# Financial Highlights

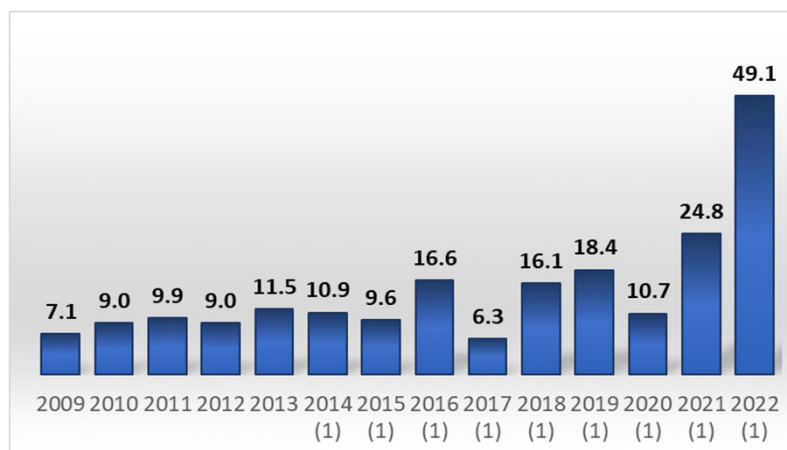
Turnover 2009-2022



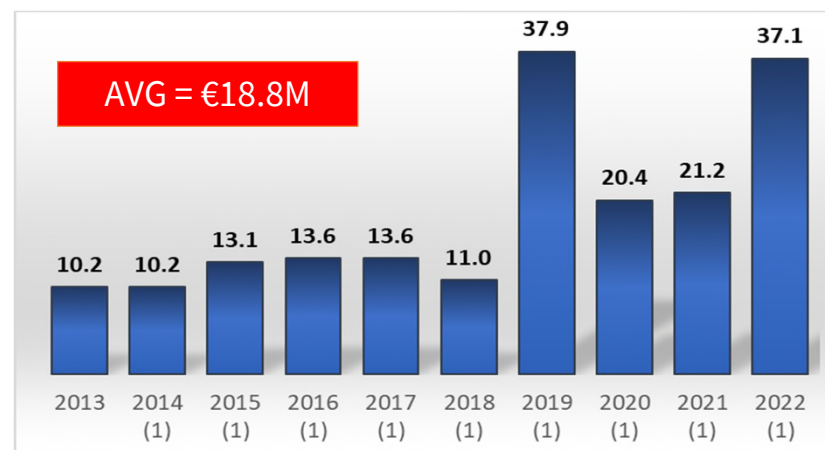
EBITDA ADJ <sup>(2)</sup> 2009-2022



Net Income 2009-2022

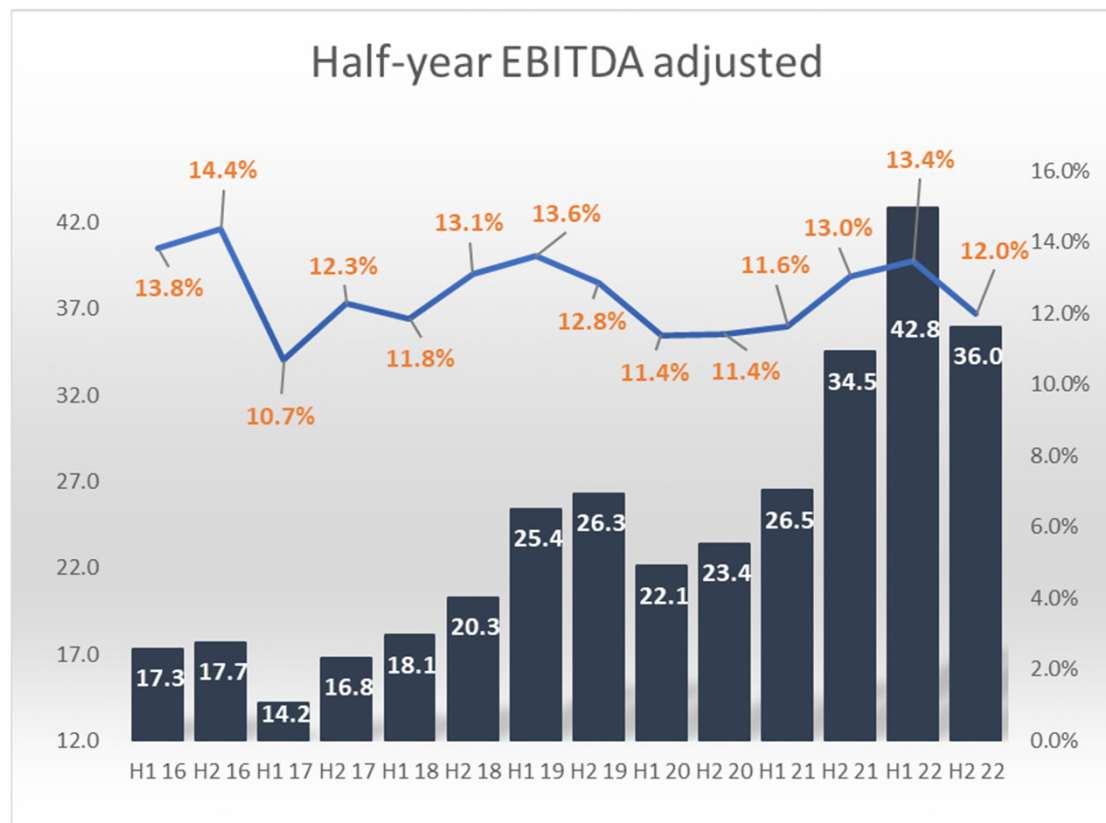


Net Cash Generation ADJ <sup>(2)</sup> 2013-2022



- All data in € millions
- (1) 2014-2022 based on IFRS – 2009-2013 based on ITA GAAP
- (2) Adjustments to exclude non-recurring items

# Resilient business model and improving profitability

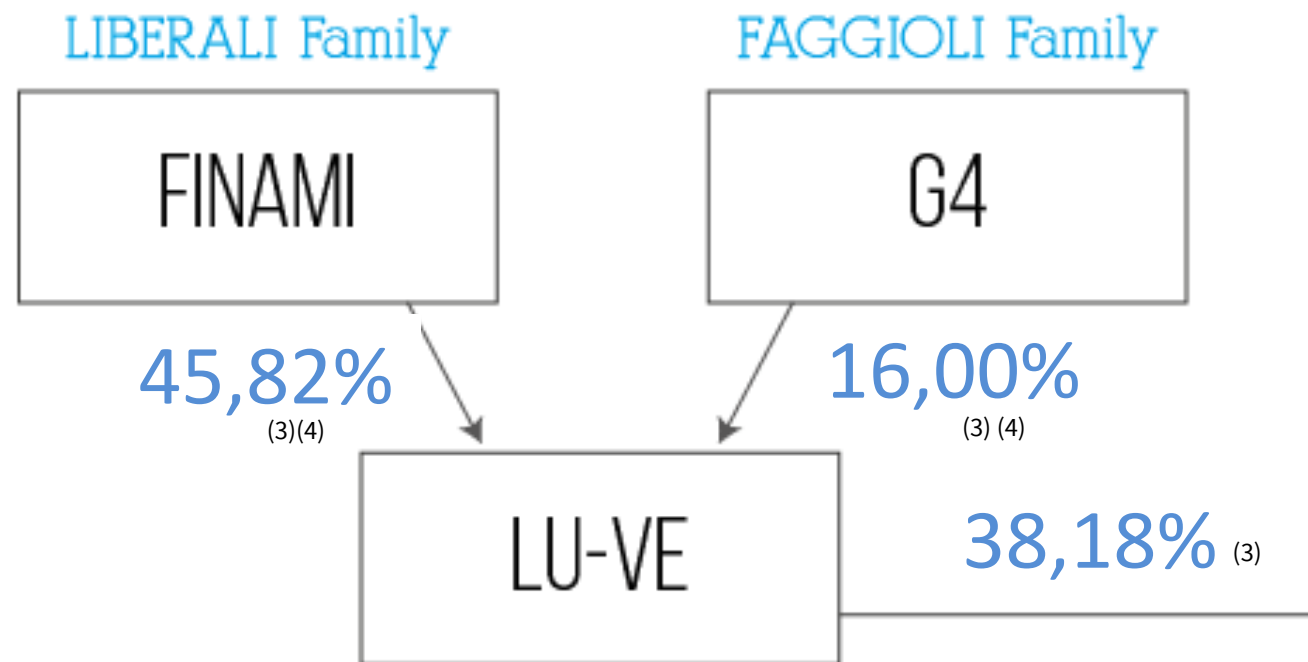


- 1) All data in € million
- 2) H1 2016 proforma to include Spirotech which has been acquired in October 2016
- 3) ZHT is consolidated since H2 2018
- 4) AL Air is consolidated since 1st of May 2019
- 5) Refrion consolidated since 1st of April 2022 – Tecair deconsolidated since 1st of April 2022

- Improving trend of EBITDA from H1 17 to H2 19
- Since H2 2019, dilutive effect on margin percentage due to lower profitability of AL AIR (≈ 125bps)
- In 2020 impact of Covid and lockdown
- In H1-20, volumes decreased by 10.4% LFL due to lockdown
- In 2021, volumes increased by 14.7%
- In 2022, volumes increased by 8.9%
- In H2-22 impact on profitability due to safety stock
- Effect on metal inflation margin 90 bps in 2021 and 160 bps in 2022)



# Shareholders Structure <sup>(1)</sup>



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

(2) Updated as of April 28<sup>th</sup>, 2023

(3) Based on number of shares

(4) Thanks to the Loyalty Share Program (2 years ownership) as of February 20<sup>th</sup>, 2022, Finami owns 50,8% of voting rights and G4 owns 14,2% of voting rights (as of 5<sup>th</sup> April 2023)

(5) Treasury shares as of 31<sup>st</sup> December 2022, 0,13% of share capital

# LU-VE presence on the Italian Stock Exchange

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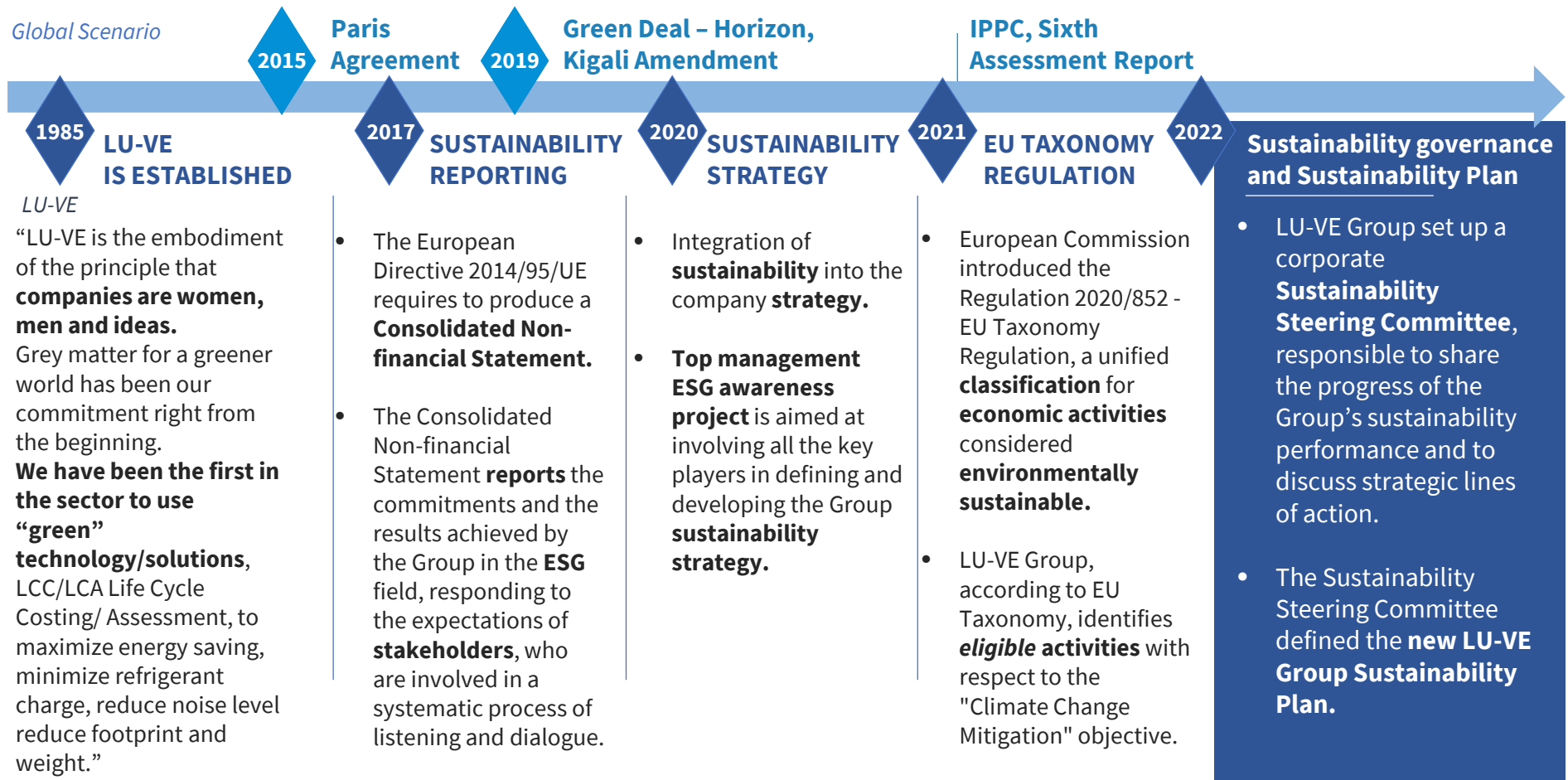




ESG



# LU-VE Group Approach to ESG Topics



*Iginio Liberali, Founder of LU-VE Group*

# Social Impact of LU-VE Group solutions



## LU-VE group commitment

### FOOD SAFETY

Today, some three billion people lack safe and healthy food. The development of sustainable and technologically advanced cold chains is essential for the processing, storage, preservation, distribution and, ultimately, the increased availability of safe food for ever larger segments of the population.

A proper cold chain ensures safe and properly stored food and reduces food waste.

53%\*



### CLIMATE WELL-BEING

The demand for air conditioning is growing internationally due to population growth, urbanisation rates and the demand for a better quality of life, especially in the warmer areas of the world.

Indoor climate comfort in buildings is an important element of people's health and well-being and quality of life

21%\*



### ENERGY EFFICIENCY

On average, air conditioning and cooling accounts for around 15% of electricity demand globally, with peaks of up to 50%. Mitigating the resulting environmental impacts involves improving energy efficiency standards by 50% by 2030.

## LU-VE group commitment

Maximising the energy efficiency of factories, buildings and systems is crucial for protecting the planet, reducing environmental impact and improving businesses' competitiveness.

20%\*



### DIGITAL TRANSFORMATION

The international digitalisation process also touches on cloud computing. This strong impetus implies an increasing focus on the energy consumption of data centres, which currently account for 1% of the world total in terms of environmental sustainability.

Operational and efficient data centres are a prerequisite for a country's digital transformation

6%\*



\* respect Group's total turnover in 2022

# Our Vision in 4 pillars is aligned to the SDGs



**Our vision** is linked to the **material topics** that we pursue so that this vision can take shape in the real world. The **Sustainable Development Goals (SDGs)** have been defined at global level by **the United Nations** to identify global priorities for development by the end of 2030.



# Enhanced sustainability governance and the Sustainability Plan



## LU-VE GROUP SUSTAINABILITY PLAN (extract)



During 2022, the Sustainability Steering Committee defined the new **LU-VE Group Sustainability Plan 2023-2026, which was examined by the Control and Risks Committee and approved by the Board of Directors during February 2023.** The Plan defined actions to be carried out over the next three years.

In 2022 the Group strengthened its sustainability oversight by setting up a **corporate Sustainability Steering Committee**, with the participation of the CEO, the COO, the CFO, Investor Relations and the Sustainability Office. This Committee shares the progress of the Group's sustainability performance and discusses strategic lines of action, which are then submitted by the executive directors to the Board of Directors for appropriate assessments and resolutions.



# Climate Risks analysis for the Business Plan 2023-2026



## PHYSICAL CLIMATE RISKS ANALYSIS – A new quantitative analysis

- The physical climate risks were analysed taking into consideration the different future scenarios based on internationally recognised climate models based on greenhouse gas concentration pathways (Representative Concentration Pathways - RPC) developed by the **Intergovernmental Panel on Climate Change (IPCC)** with particular reference to the **RCP 2.6 and RCP 4.5 scenarios**. Considering the time frame, the simulations were performed with a **horizon up to 2035**.
- The analysis showed that the risks that will have the greatest influence on the Group are **temperature variability, intense precipitation and precipitation variability**. Vice versa, the exposure to certain other risks, e.g. drought and fire risk, are not expected to be material to the Group's operating assets.

## TRANSITION CLIMATE RISKS - Analysis update

- The various types of risk - market, technological, legal/policy and reputation - have been evaluated according to their potential impact on the business and the Group's ability to cope with them over time. As an example, market risks related to **increases in production and transport costs**, due to specific market conditions and the introduction of carbon taxes were assessed, as well as the **demand for products with less emission impact** also due to the tightening of regulations and regulations, such as the Regulation "F-Gas".

# EU Taxonomy and the eligible activities of the LU-VE Group



“A Taxonomy is a classification tool to help investors and companies **make informed investment decisions on environmentally friendly economic activities.**”

*Source: Using the Taxonomy, EU Technical Expert Group On Sustainable Finance, 2019*

## ELIGIBLE ACTIVITIES OF THE LU-VE GROUP

**LU-VE Group’s activities eligible to the EU Taxonomy, because of its contribution to the «Climate Change Mitigation» objective:**

- Heat exchangers with high energy efficiency;
- Products using CO2 as a refrigerant fluid;
- Products using other natural refrigerant fluids (hydrocarbons, ammonia, glycol water);
- Dedicated solutions for renewable energy production plants;
- Transport by motorbikes, cars and light commercial vehicles;
- Installation of renewable energy technologies;
- R&D team and laboratory.

2022 DATA	
KPI	Eligible
Turnover	50,7%
CAPEX	37,3%
OPEX	52,1%

# EU Taxonomy and the aligned activities of the LU-VE Group



**LU-VE Group undertook a series of actions to meet the *technical screening criteria* required to consider its economic activities, as well as eligible, also aligned with the requirements of EU Taxonomy.** These criteria, among other things, prescribe the presence of a third-party carbon footprint certificate in accordance with international ISO standards.

During 2022, LU-VE Group conducted a **Life Cycle Assessment** study on a specific range of air cooled products, which accounted for 1.4% of its turnover for the year in question. The carbon footprint has been certified by a third party in accordance with ISO 14067. The results of this analysis have shown how a product using natural refrigerant fluid and a high efficiency motor, corresponding to 0.7% of turnover in the reference year, throughout its entire life cycle, generates over 30% less climate altering emissions compared to an equivalent using traditional fluids and a low efficiency motor. Over the coming years the Group expects a gradual extension of the product certifications and/or environmental declarations

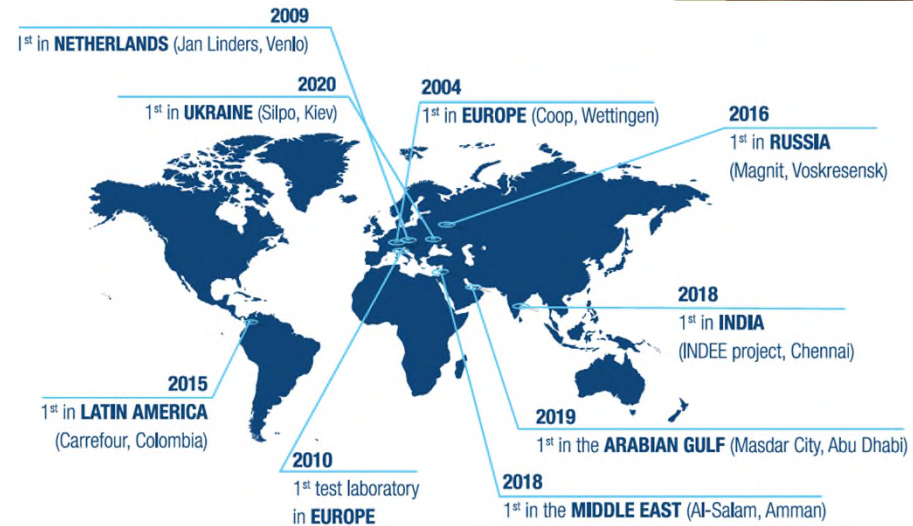
During 2022, the Group also further studied the criteria linked to the **management of chemical substances** (relative to the “Do No Significant Harm” – DNSH criterion) and began a series of assessments to establish how to manage and trace – on a voluntary and proactive basis – specific substances whose traceability is not required at regulatory level.

# Helping Customers Reach their Sustainability goals

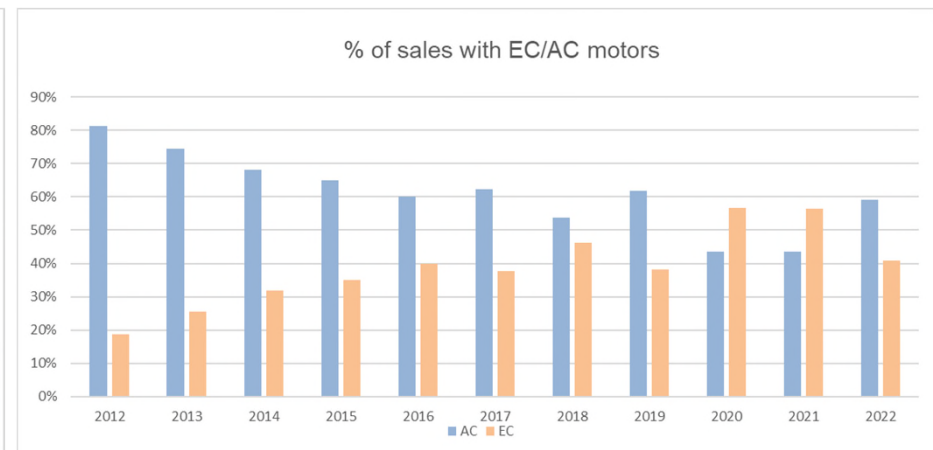
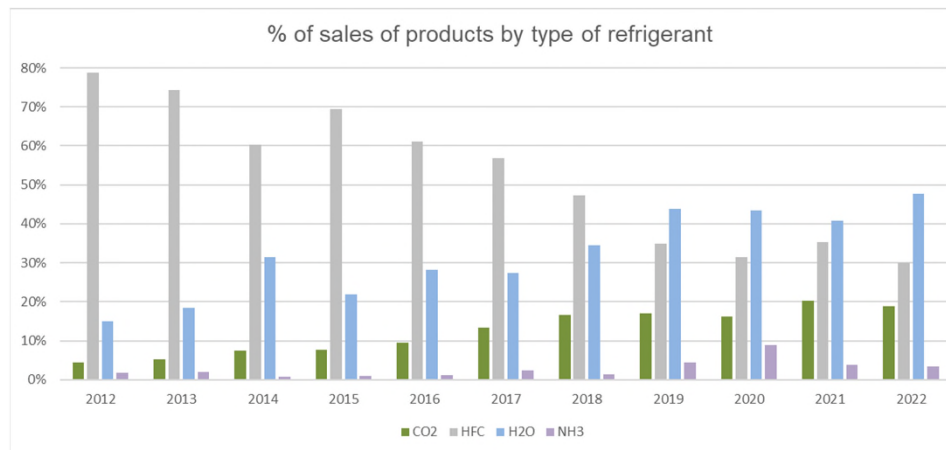


## FIRST MOVER IN GREEN TECH

Over the last 10 years, LU-VE Group's technological leadership has been strengthened thanks to the development fluids and energy-efficient motors.



LU-VE GROUP FOR CO<sub>2</sub>



The graph “% of sales with EC/AC motors” shows for 2022 a trend reversal due to the contingent lack of electronic components found in EC motors that has forced the market to opt for AC motors (that do not contain these components).



# Decarbonisation and heat pumps



- Heat pumps are a decisive element for achieving the goal of **zero “net carbon emissions”**
- LU-VE Group has designed special products to make the **best use** of heat sources for heat pumps: thus supporting this market which in 2022 recorded a **strong growth**

## HEAT PUMPS FOR DISTRICT HEATING

- LU-VE Group conducted an experimental campaign in 2022 on a variety of aerodynamic layouts of a plant in Denmark and contributed to the development of a new configuration of coolers capable of **reducing the energy consumption of the heat exchanger by up to 21%.**
- The full results were presented during the “**Gustav Lorenzen**” international conference, the most important on natural refrigerant fluids.



## HEAT PUMPS FOR RESIDENTIAL USE

- **LU-VE Group made R&D activities on seeking solutions capable of reducing the load of specific refrigerant fluids for the use of R290 when presenting the 4mm diameter tube at Chillventa 2022.**
- This innovation endows LU-VE Group products with the highest performance in terms of both yield and sustainability.



Heat pumps allow heat to be extracted from a **natural source** (air, water or ground) and make it available at the desired temperature. They also allow recovery of the residual heat, which can then be used for heating to increase the **system's efficiency**



M&A



# M&A activity (2015- 2022)

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## Four acquisitions completed

Sales acquired: € 145 m <sup>(1)</sup>

Amount invested: € 122 m <sup>(1)</sup>

Average EBITDA multiple paid = 7.0x <sup>(1)</sup>

## ACC Wanbao asset deal



<sup>(1)</sup> Including Refrion acquired on 30 March 2022

# Refrion (Italy) (2022)

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## Main financial terms

- Acquisition completed on 30<sup>th</sup> of March 2022
- Acquisition of 75%, plus put&call on the remaining 25% within 5 years
- Cash out at closing equal to € 8.1 M
- EBITDA multiple = **7,35x** average 2020/2021 adjusted EBITDA
- **Financial highlights 2021:**
  - Sales = € 26 M
  - EBITDA = € 2.7 M

## Strategic rationale

- Refrion specializes in the production and marketing of air heat exchangers with **adiabatic technology**, which enables reductions to be made in energy consumption, water consumption, and noise emissions
- Technology of heat exchangers with **oval tubes**
- Limited customer **overlapping**
- Heat exchangers for **nuclear plants**
- One of the largest **climatic test chambers** in Europe



# ACC (Italy) (2022)

## Main financial terms

- Transaction completed on 29<sup>th</sup> of July 2022
- Contracting of selected assets and employees of former ACC under receivership (based on Belluno – Italy)
- Total capex on the site up to € 9 M in 3 years
- Hiring a certain number of former blue collars of ACC, benefitting from subsidies from the Italian government



## Strategic rationale

- Access to **modern industrial plant** at cheap conditions (40.000 mq)
- **Hiring skilled people** at reduced costs
- Opportunity of rationalization of **logistic activities** of the nearby plant of LU-VE

# Tecnair LV (Italy) (2022) - Divestiture

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## Main financial terms

- Transaction completed on 21<sup>st</sup> of March 2022
- Sale to Systemair of the entire participation (80%) in Tecnair LV
- **Transfer of all the employees**
- Cash-in at closing € 12,9 M
- EBITDA multiple = 12,5x 2021 adjusted EBITDA
- **Financial highlights 2021:**
  - Sales = € 12,0 M
  - EBITDA = € 1,2 M

## Strategic rationale

- **Limited integration** with the LUVE Group
- Product range in **competition** with large customers of LUVE
- Technological developments toward **outdoor machines** for data centers
- Limited growth in the last years
- Strategic **long term supply** agreement of components with Systemair

# Acquisition of Alfa Laval Air Heat Exchanger Business: Overview (2019)

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- On December 12<sup>th</sup>, 2018, Lu-Ve signed a binding contract to acquire 100% of Alfa Laval Air Heat Exchanger division (“AL Air”) of Alfa Laval Group. The acquisition was completed on April 30<sup>th</sup>, 2019 <sup>(1)</sup>
- Purchase price paid at closing amounted to €43.6m. An additional payment of €7.5m was made on April 30<sup>th</sup>, 2020.
  - 6.5x Adj. EBITDA multiple over the period 2018-2019
  - Final price agreed on February 4<sup>th</sup>, 2020
- AL Air manufactures air-cooled products for industrial process cooling, refrigeration and HVAC applications
- In the two-year period 2018-19, AL Air reported ca. €100m sales and an EBITDA margin of 8.0% with a Sales CAGR of 8.9% over the last 3-year period
- AL Air brings to Lu-Ve Group:
  - World class customers in Europe, US and India
  - 3 state-of-the-art manufacturing plants in Italy, Finland and India with ≈400 people
  - An ideal base to expand (i) market presence in the industrial cooling and refrigeration segment in Europe and (ii) production in India

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1) Subject to 2018 EBITDA review and post closing adjustments



# Acquisition of Alfa Laval Air Heat Exchanger Business: Rationale (2019)

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- 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

# ZHT (USA) (2018)

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- On June 26, 2018, LUV 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 M
- Price paid for 100%: USD 10 M
- 2017 EBITDA multiple paid: 7,9x

Il Sole  
**24 ORE**

Sbarca negli Usa e acquista  
la texana Zyklus Heat Transfer



# Spirotech (India) (2016)

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- Binding contract to acquire 95% of Spirotech signed on 18/9/2016
- Spirotech is a leading and fast-growing Indian producer of heat exchanger for HVAC industry, home appliances and transportation:
  - turnover of € 21 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 :**
  - 7,3x FY16 EBITDA
- **Strategic rationale of the acquisition:**
  - 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

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

Nazim Hikmet

