LU-VE GROUP

leadership with passion

# 2022 FY results

14th March 2023

# Executive Summary

## Strong Growth in Sales and EBITDA
## NWC starts to decrease in Q4

**Economics**

- In 2022, sales grew by 25.7% (8.9% volumes and 16.8% prices) +23.8% at constant FX (+ 22.8 LFL)
- EBITDA adjusted grew by 29.6% at € 78.8 M (12.7% of sales)
- Order book at € 189 M +4.8% vs. December 2021
- As of February 2023, the Orderbook increased by +14.5% vs dec 2022

**Financials**

- Leverage at 1.8x EBITDA adj, despite extraordinary NWC (+€ 18.1 M vs € 39.4 as of Sept 22) and M&A (+ € 14.6 M)
- Strong positive effect on P&L resulting from interest rate derivatives

**Strategy**

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

# FY 2022 - Financial Highlights
## Growth and Higher Profitability


| *€ millions* | Q4 2021 | Q4 2022 | 2021 FY | 2022 FY |
|---|---|---|---|---|
| **Sales** | **133.8** | **151.0** | **492.0** | **618.6** |
| *Growth %* | *25.8%* | *12.9%* | *22.6%* | *25.7%* |
| **EBITDA adjusted** | **15.7** | **16.8** | **60.8** | **78.8** |
| *EBITDA %* | *11.7%* | *11.1%* | *12.4%* | *12.7%* |
| Net income | **6.6** | **3.6** | 24.8 | 49.1 |
| Net financial debt | - | - | 121.9 | 142.3 |
| *NFD / EBITDA LTM* | | | *2.0x* | *1.8x* |
| Net cash generation adj. | - | - | 21.2 | 37.1 |
| Group net worth | - | - | 172.1 | 211.5 |

- In Q4-22, sales grew by 12.9% YoY
- In Q4-22 EBITDA margin in line with Q4-21
- Net income in Q4-22 reduced to € 3.6 M mainly due to NRI (mainly bonus to employee) and lower FX gains
- Net financial position impacted by an extraordinary increase in NWC (mainly safety stock) of 18.1 million euros, less than half the impact in September 2022 (39.4 million euros).
- Net income impacted by one-off gains on M&A (+ € 9.3 M) and interest rate derivatives ( + €7,5M)
- Net Cash Generation adjusted € 37.1M vs € 21.2 M in 2021 (+75.0%)

# FY 2022 – Revenues Breakdown
## New Market Opportunities and Diversification

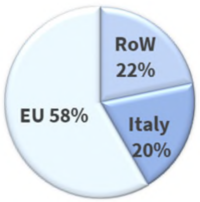
| Products € 000 | 2021 | % | 2022 | % | Δ % |
|---|---|---|---|---|---|
| Heat Exchangers | 258,5 | 52,5% | 329,2 | 53,2% | 27,4% |
| Air Cooled Equipment | 207,5 | 42,2% | 257,5 | 41,6% | 24,1% |
| Glass Doors | 17,2 | 3,5% | 18,3 | 3,0% | 6,6% |
| **Total sales of products** | **483,1** | **98,2%** | **605,0** | **97,8%** | **25,2%** |
| Other revenues | 8,9 | 1,8% | 13,6 | 2,2% | 52,4% |
| **Total sales** | **492,0** | **100,0%** | **618,6** | **100,0%** | **25,7%** |

| Applications € 000 | 2021 | % | 2022 | % | Δ % |
|---|---|---|---|---|---|
| Refrigeration | 287,6 | 58,5% | 311,8 | 50,4% | 8,4% |
| Air Conditioning | 83,4 | 17,0% | 138,7 | 22,4% | 66,3% |
| Special Applications | 71,3 | 14,5% | 92,8 | 15,0% | 30,1% |
| Industrial cooling | 40,7 | 8,2% | 61,7 | 10,0% | 51,5% |
| **Total sales of products** | **483,1** | **98,2%** | **605,0** | **97,8%** | **25,2%** |
| Other revenues | 8,9 | 1,8% | 13,6 | 2,2% | 52,4% |
| **Total sales** | **492,0** | **100,0%** | **618,6** | **100,0%** | **25,7%** |

# Sales by application and market
## Further diversification

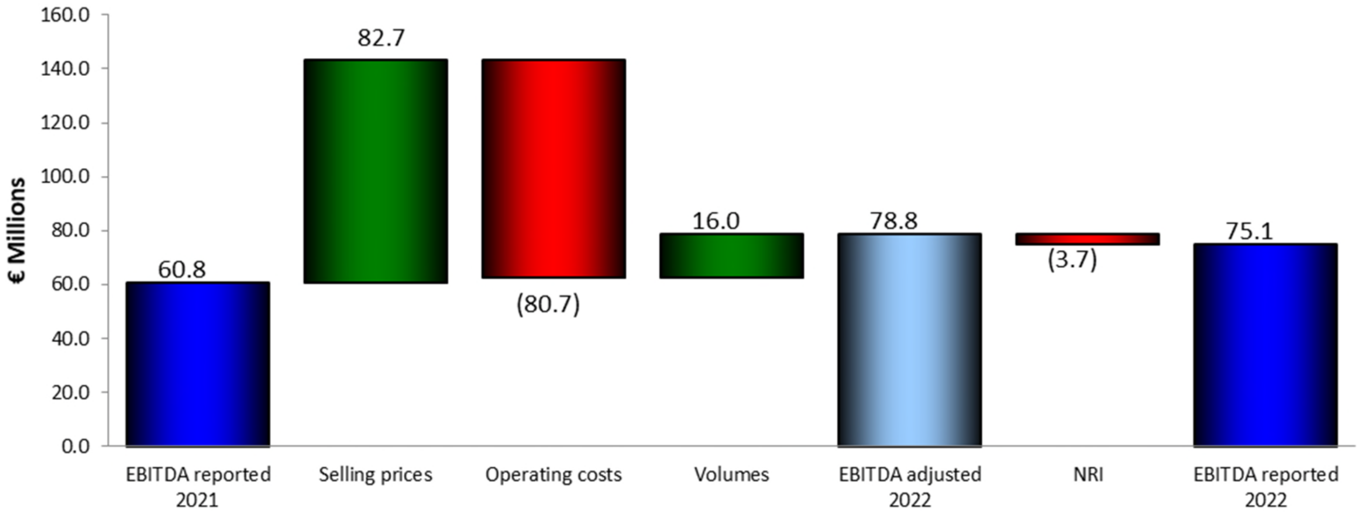
- SBU components +26%:
  - Demand led by products with low environmental impact and high energy efficiency
  - Strong demand for all application in H1 (special mention for heat pumps and mobile applications)
  - In H2 softer market for refrigerated display cabinet, tumble dryers and HORECA

- SBU cooling systems +24%:
  - Demand led by products with low environmental impact and high energy efficiency
  - Strong demand for industrial cooling(+51%), air conditioning, commercial cooling and datacenter (+21%)




- By geography:
  - +26.6% in Europe (growth mainly in Germany and Finland)
  - +77.0% in North America (second largest market after Europe)
- High customer diversification
  - Largest customer : 4.2% of total sales
  - Largest 10 customers: 31% of total sales

# EBITDA Bridge Analysis
## FY 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

# FY 2022- From EBITDA to Net Income

## EBIT adjusted +44 % and Net Income adjusted + 39%

| *€ millions* | 2021 | 2022 |
|---|---|---|
| **EBITDA reported** | 60.8 | 75.1 |
| *D&A* | *30.1* | *32.7* |
| *Gain (loss) of non current assets* | *(0.1)* | *(0.3)* |
| **EBIT** | 30.6 | 42.1 |
| *Capital gain* | | *9.5* |
| *Net financial income (loss)* | *0.1* | *7.5* |
| **EBT** | 30.6 | 59.0 |
| *Income taxes* | *5.8* | *10.0* |
| *Minorities* | *(1.0)* | *(1.4)* |
| **Group net profit** | **23.7** | **47.7** |
| | | |
| EBIT reported | 30.6 | 42.1 |
| Depreciation on PPA | 4.2 | 4.3 |
| NRI | 0.0 | 3.7 |
| **EBIT adjusted** | **34.7** | **50.1** |
| *% of sales* | *7.1%* | *8.1%* |
| | | |
| Net income reported | 24.8 | 49.1 |
| Depreciation on PPA net of tax | 3.0 | 3.4 |
| NRI net of tax | 0.0 | 3.0 |
| Gain on shareholding net of tax | 0.0 | (9.3) |
| Fair value of derivatives net of depr cost | 0.0 | (7.5) |
| **Net income adjusted** | **27.8** | **38.6** |
| *% of sales* | *5.7%* | *6.2%* |

- D&A increased due to Capex and acquisition of Refrion
- Capital gain on Tecnair divestiture
- Strong positive impact from financial income due to interest rate derivatives (*market value of IRS to cover the interest rate risk)* net of amortized cost impact
- EBIT adjusted increased by 100bps +44.4% vs 2021
- Net income adjusted to exclude NRI +38.9% vs 2021

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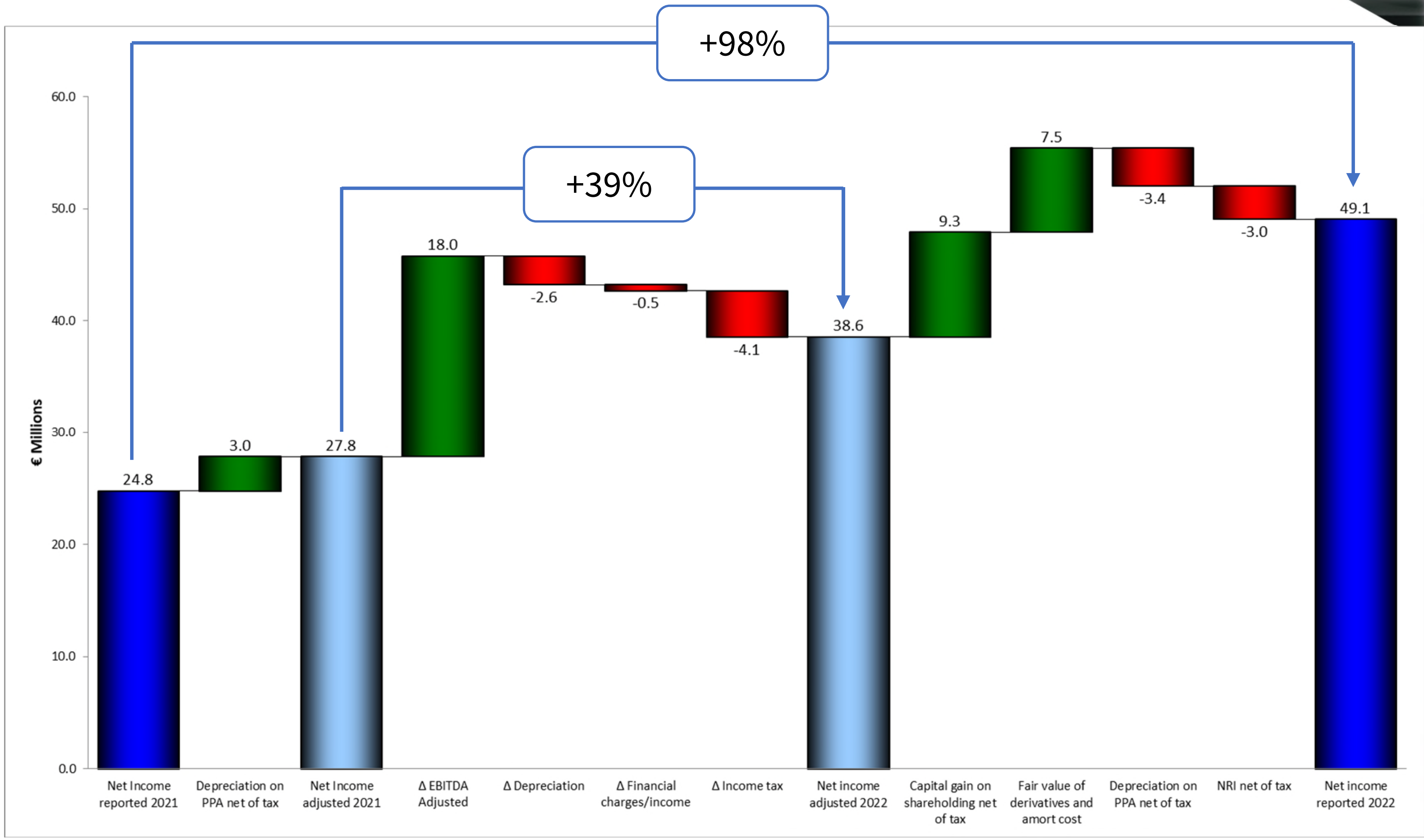
(2) Source: management analysis of consolidated results as of 31/12/2022

# Net income – Net income adjusted
# Net income bridge analysis

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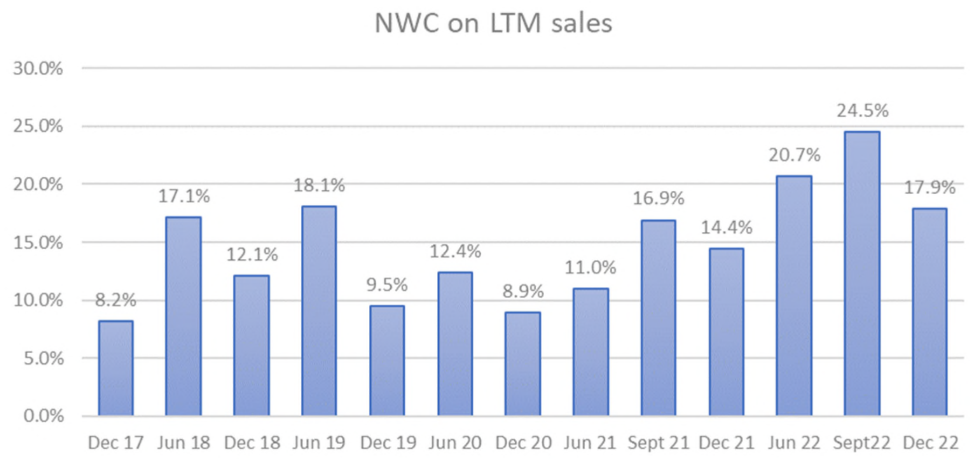
(2) Source: management analysis of consolidated results as of 31/12/2022

# 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
- As expected, in Q4-22 the temporary increase of NWC started to shrink, with a positive effect on net financial position of €21.3 M
- On LFL basis, NWC on sales = 17.5%

| € Millions | 31/12/2021 | Days | 31/12/2022 | Days |
|---|---|---|---|---|
| Stock | 111.1 | 81 | 134.2 | 78 |
| A/receivable | 74.1 | 54 | 83.3 | 48 |
| Working capital | 185.2 | | 217.5 | |
| A/payable | 114.4 | 110 | 106.6 | 88 |
| Net working capital | 70.9 | 52 | 110.9 | 65 |
| % on net sales LTM | **14.4%** | | **17.9%** | |

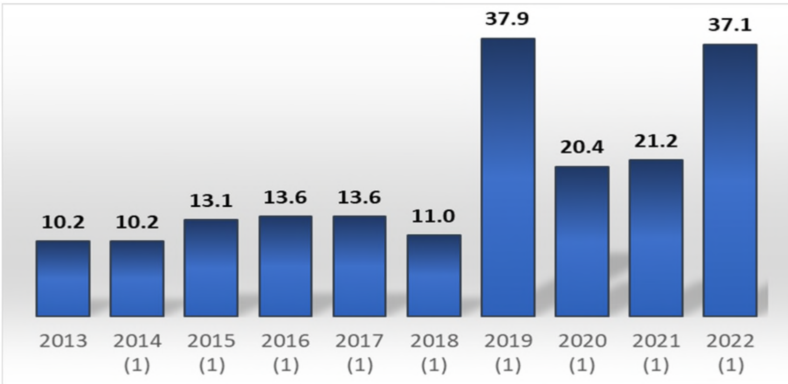


# Net cash generation adjusted
# +75% vs 2021

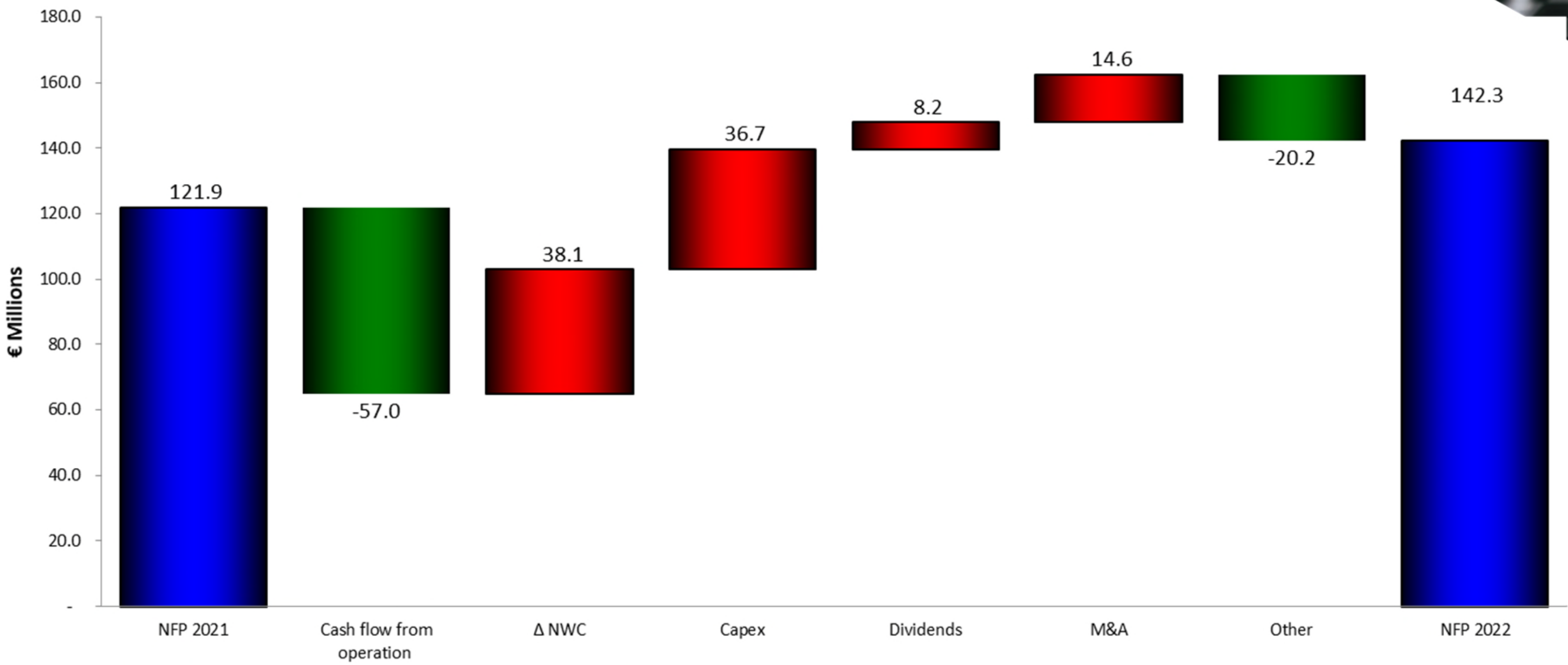
| Net cash / (net debt) | € m | |
|---|---|---|
| Net financial position as of December 2021 | ( 121.9) | |
| Net financial position as of DEcember 2022 | ( 142.3) | |
| Delta in net financial position | ( 20.4) | ( 20.4) |
| + Dividends paid in 2022 | | 8.2 |
| + Accelerated capex program | | 13.1 |
| + M&A net | | 14.6 |
| + Delta in safety stock | | 18.1 |
| + Change of IFRS 16 impact | | ( 0.2) |
| Non ricurring items | | 3.7 |
| **= Total normalized net cash flow** | | **37.1** |

- Extraordinary level in LTM up to December 2019 due to working capital reduction
- Accelerated capex program above maintenance level
- Temporary working capital increase due to higher safety stock of raw materials

LTM net cash generation adjusted 2013 - FY 22 (€ m)



# Balance Sheet and Capital Allocation




- Cash flow from operations at 9.2% of sales
- Change in NWC includes € 18.1 M of extraordinary increase mainly due to safety stock
- M&A is net of cash proceeds from Tecnair divestiture
- Other: € 11.0 M of Δ other receivable / other liabilities and € 9.2 M Δ value of derivatives

(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 30/9/2022

# Future Developments and Closing Remarks

| | |
|---|---|
| Strategy | New program of growth capex in progress to increase production capacity:<br>• ACC in Italy<br>• The second stage of plant expansion in USA and China<br>• New expansion in Poland |
| Markets | • Strong demand in the first half of 2022. Since Q3 softer markets in some applications<br>• Order book at the end of December at € 188.8 M +4.8% vs 2021<br>• Q1-23 volumes better than expected<br>• Order book as of February at € 216.2 M +14.5%<br>• M/L term growth sustained by secular trends |
| M&A | • Integration of Refrion in progress / well advanced<br>• New projects on opportunistic way |
| Financials | • Margin improvement due to volumes, but cost inflation<br>• Focus on deleverage - target NFD/EBITDA adj < = 2.0x: achieved |

# Annexes

# Income Statement as of 31/12/2022

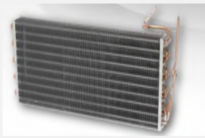

| Consolidated Profit & Loss Reclassified *(000 Euro)* | 2021 | Delta % | 2022 | Delta % | Delta % |
|---|---|---|---|---|---|
| **Sales and operating income** | **492,008** | *100.0%* | **618,612** | *100.0%* | **25.7%** |
| | | | | | |
| Purchases of materials | (309,733) | *-63.0%* | (353,637) | *-57.2%* | |
| Inventory increase (decrease) | 51,931 | *10.6%* | 20,450 | *3.3%* | |
| Services | (63,148) | *-12.8%* | (81,811) | *-13.2%* | |
| Labour cost | (106,683) | *-21.7%* | (125,552) | *-20.3%* | |
| Other operating costs | (3,534) | *-0.7%* | (2,927) | *-0.5%* | |
| **Total operating costs** | **(431,167)** | *-87.6%* | **(543,477)** | *-87.9%* | **26.0%** |
| **EBITDA** | **60,841** | ***12.4%*** | **75,135** | ***12.1%*** | **23.5%** |
| | | | | | |
| Depreciation | (30,140) | *-6.1%* | (32,729) | *-5.3%* | |
| Gain (loss) of non current assets | (147) | *0.0%* | (310) | *-0.1%* | |
| **EBIT** | **30,554** | ***6.2%*** | **42,096** | ***6.8%*** | **37.8%** |
| | | | | | |
| Net financial charges | 68 | *0.0%* | 7,467 | *1.2%* | |
| Capital gain on shareholding | | | 9,473 | *1.5%* | |
| **EBT** | **30,622** | ***6.2%*** | **59,036** | ***9.5%*** | **92.8%** |
| | | | | | |
| Income taxes | (5,847) | *-1.2%* | (9,971) | *-1.6%* | |
| **Net income** | **24,775** | ***5.0%*** | **49,065** | ***7.9%*** | **98.0%** |
| Minority interest | 1,036 | | 1,351 | | |
| **Group net income** | **23,739** | ***4.8%*** | **47,714** | ***7.7%*** | **101.0%** |

# Balance Sheet as of 31/12/2022

| Consolidated Balance Sheet Reclassified *(000 Euro)* | 31/12/2021 | % net invested capital | 31/12/2022 | % net invested capital |
|---|---|---|---|---|
| Net intangible assets | 90,517 | | 98,474 | |
| Net tangible assets | 167,594 | | 189,264 | |
| Pre-paid taxes | 6,509 | | 6,992 | |
| Financial assets | 236 | | 1,473 | |
| **Non current assets (A)** | **264,856** | **90.1%** | **296,203** | **83.7%** |
| Inventory | 111,077 | | 134,237 | |
| A/receivable | 74,131 | | 83,258 | |
| Other receivables and current assets | 14,233 | | 13,273 | |
| **Current assets (B)** | **199,441** | | **230,768** | |
| A/payable | 114,358 | | 106,587 | |
| Other payable and current liabilities | 30,773 | | 40,914 | |
| **Current liabilities (C)** | **145,131** | | **147,501** | |
| **Working capital (D=B-C)** | **54,310** | **18.5%** | **83,267** | **23.5%** |
| Personnel provisions | 5,770 | | 5,299 | |
| Deferred taxes | 13,909 | | 14,955 | |
| Risk provisions | 5,541 | | 5,492 | |
| **Long term liabilities (E)** | **25,220** | **8.6%** | **25,746** | **7.3%** |
| **Net invested capital (A+D-E)** | **293,946** | **100.0%** | **353,724** | **100.0%** |
| Group net worth | 167,501 | | 206,740 | |
| Minority interest | 4,586 | | 4,712 | |
| **Total group net worth** | **172,087** | **58.5%** | **211,452** | **59.8%** |
| M/L term net financial position | 213,631 | | 338,014 | |
| Short term net financial position | (91,772) | | (195,742) | |
| **Net financial position** | **121,859** | **41.5%** | **142,272** | **40.2%** |
| **Net worth and net financial position** | **293,946** | **100.0%** | **353,724** | **100.0%** |


# Short company profile

# Business Highlights

| Business Unit | Products | % of Sales (1) | Applications | Type of Customer |
|---|---|---|---|---|
| Business Unit Components | Heat exchangers  | 54% | • Refrigeration (food cold chain)<br>• Commercial air conditioning and ventilation<br>• Special applications (*whitegoods, "mobile applications"* etc.) | OEM |
| | Glass doors for refrigerated display cabinets | 3% | Refrigeration (food cold chain) | OEM |
| Business Unit Cooling Systems | Air-cooled equipment / Radiators  | 43% | • Refrigeration (food cold chain)<br>• Commercial air conditioning and ventilation<br>• Industrial process cooling<br>• Power Generation<br>• Data centers | Distributors / Installers / OEM / EPC / End users<br><br>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

- 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 LUVE does |
|---|---|
| Acceleration of the transition to "**green capex**" by major customers to:<br>• Adopt refrigerants with low GWP<br>• Reduce energy consumption and noise level<br>• Comply with EU regulations and with similar regulations introduced in the USA, China, and other countries | • LUVE was a **first mover in green technologies** applied to heat exchangers<br>• Currently, ≈ 50% of sales are already based on refrigerants with low GWP to stem climate change<br>• New **Eurovent** certification for $CO^2$<br>• ESG rating |
| • Electrification<br>• Decarbonization | • Heat exchangers for **heat-pump** applications<br>• Special application for **district heating** |
| Acceleration of digitalization | • Focus on data center market<br>• Application of IoT to all range of products |
| 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 | LUVE 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

## 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

- 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 | • Patent and tech innovation<br>• Leadership in R&D: laboratories / CFD / nanotechnologies / IOT |
| Cost advantage | • Market leadership: ca. 50% (1) of sales are in market segments where Lu-Ve is market leader<br>• Production plants in LCC: Poland, India, China, Russia and Czech Republic<br>• The highest level of capex in the sector to increase productivity, automation, product quality |
| Switching costs | • Co-design with clients<br>• Long term customer cooperation: customers with more than 5 years of business relationship represent 65/70% of total sales<br>• Lu-Ve supplies performance critical components, but with limited cost incidence vs customers machineries/installations total costs |
| Efficient scale | • One of the 3 largest worldwide producers of air heat exchangers<br>• Leader in Europe in heat exchanger |
| Network effect | • 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 |

*(1) Company's estimates*

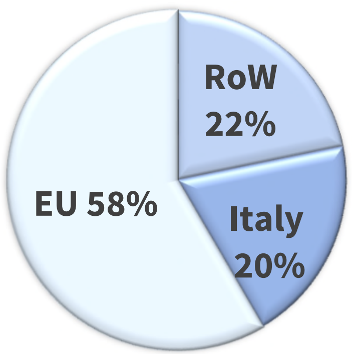

LU-VE
GROUP
leadership with passion
OVER 600 YEARS OF EXPERIENCE
IN HEAT EXCHANGER TECHNOLOGY
1924
Helpman
1928
CONTARDO
1950
Fincoil
1974
SEST
2008
Zyklus
Heat Transfer, inc.
1999
HTS
1994
SPIROTECH
1986
LU-VE
EXCHANGERS
1960
AIA
LU-VE
1977
ALFA
LU-VE

# Organization: 20 Production Units

PRODUCTION UNITS

| LU-VE COILS | LU-VE EXCHANGERS | ALFA LU-VE | AIA LU-VE | REFRION / TECNAIR LV | TGD |
|---|---|---|---|---|---|
| Czech Republic<br>Italy<br>India<br>Poland<br>Russia<br>USA | Italy<br>Poland<br>Russia<br>China | **Italy**<br>**Finland**<br>**Poland**<br>**India** | Sweden | Italy | Italy |

- 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

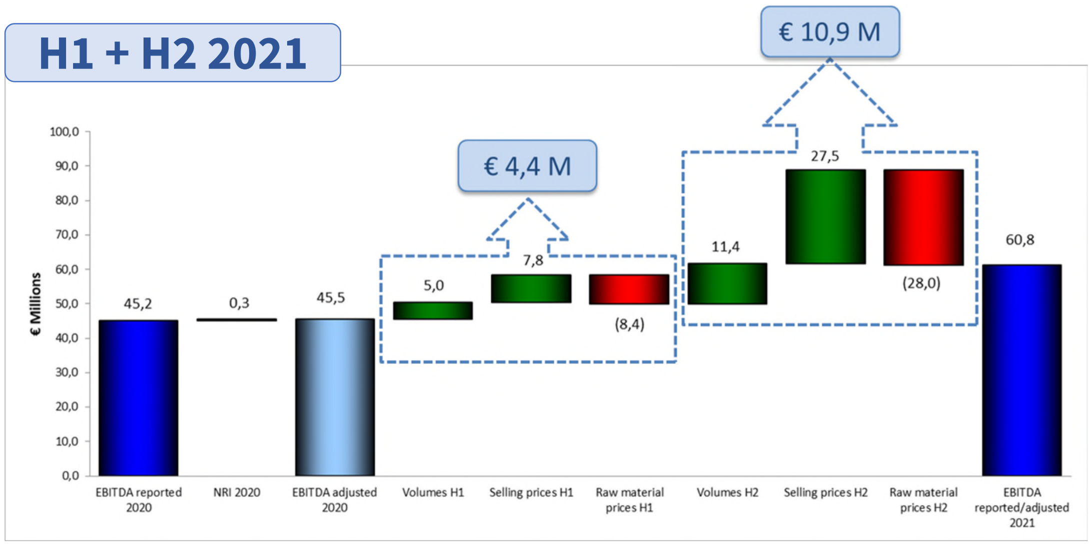
- AUSTRIA – VIENNA
- BENELUX – BREDA-UCCLE
- CHINA – TIANMEN-CHANGZHOU
- CZECH REPUBLIC - NOVOSEDLY
- DENMARK - AARHUS
- FINLAND - VANTAA
- FRANCE - LYON
- GERMANY – STUTTGART
- INDIA – NEW DELHI\PUNE
- ITALIA
- NORWAY - OSLO
- POLAND – WARSAW/GLIWICE
- RUSSIA – MOSCOW / LIPETSK
- SOUTH KOREA -SEUL
-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

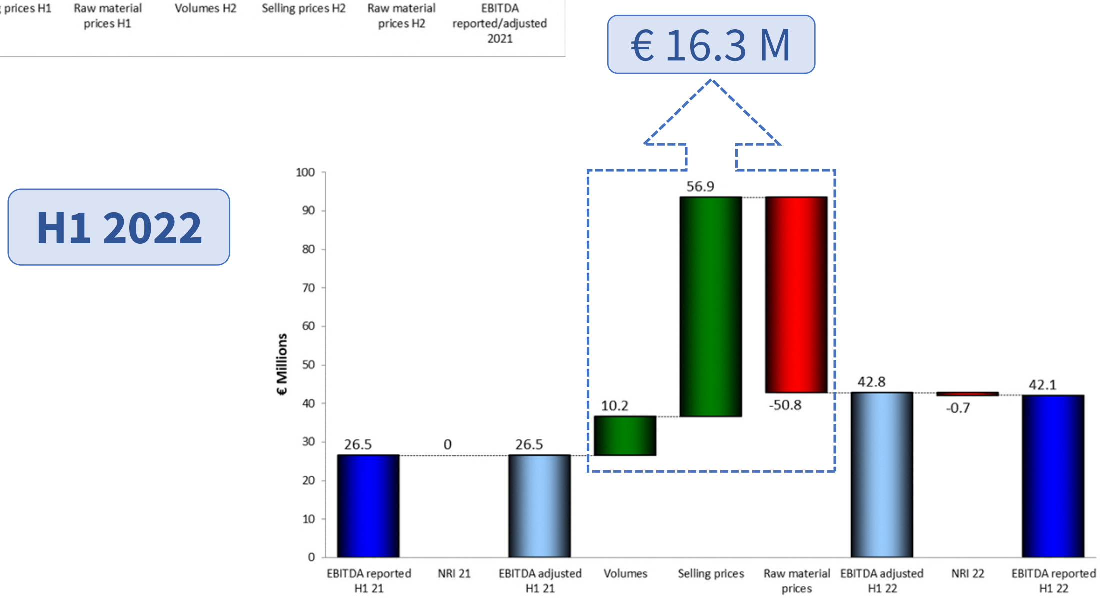
# Metal Price Impact on Profitability

| 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<br>Impact | • Price adjusted through formulas linked to metal publicly available quotation (average last quarter / half a year)<br>• Profitability protection through systematic physical hedging (short order-to-delivery cycle)<br>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<br>Impact | • Pricing locked-in at order intake<br>• Profitability protection through systematic physical hedging (long order- to-delivery cycle)<br>Impact |
| Standard products | Products sold by catalogs with zero or limited customization | Higher impact of metal prices<br>Impact | • Pricing managed through price lists, thus leading to some delay<br>• Competitive pressure may impact on the delay of price adjustment<br>• Hedging based on forecasted volumes rather than orders<br>Impact |

*(1) Impact: hig Lov*

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



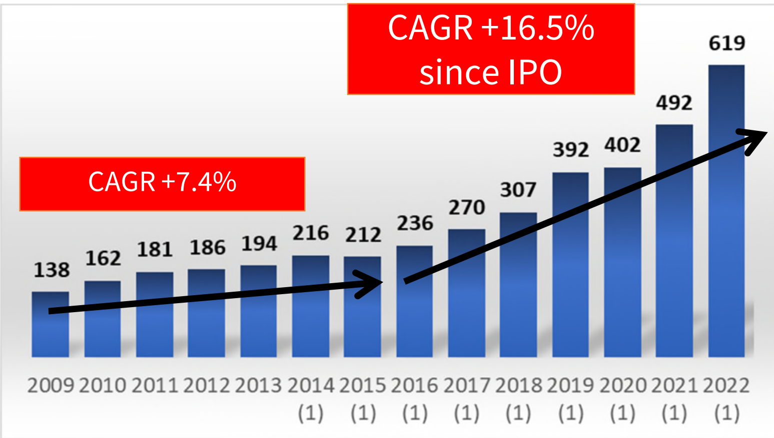



# Performance since IPO (2015)

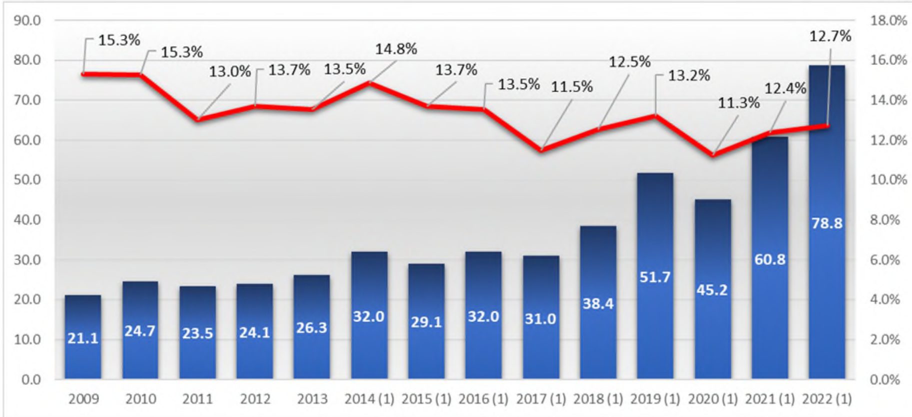
<table>
<tr><th colspan="2">Strategic targets identified since 2015</th><th>Actual results: 2015 – 2022</th></tr>
<tr><td>Organic growth (CAGR)</td><td>5/6% p.a.</td><td><table><tr><th>CAGR</th><th>Organic</th><th>Total</th></tr><tr><td>Sales</td><td>12.2%</td><td>16.5%</td></tr><tr><td>EBITDA</td><td>12.6%</td><td>17.0%</td></tr></table></td></tr>
<tr><td>NWC</td><td>Strict control</td><td>10-15% on sales<br>In 2022 temporary increase of safety stock due to uncertain supply chain</td></tr>
<tr><td>Growth Capex</td><td></td><td>€ 91 m</td></tr>
<tr><td>Geographic expansion</td><td>Asia - USA</td><td>5 new plants in Poland, China and USA<br>Doubled plant in India</td></tr>
<tr><td>Acquisitions</td><td></td><td>4 strategic acquisitions<br>€ 122 m invested</td></tr>
</table>

# Financial Highlights

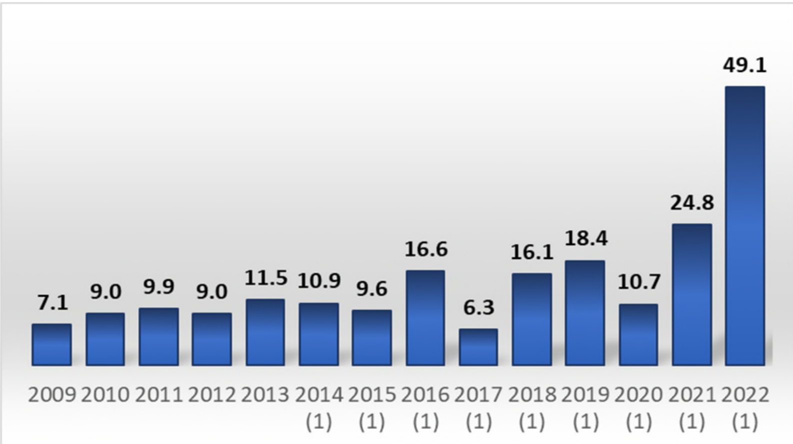
## Turnover 2009-2022



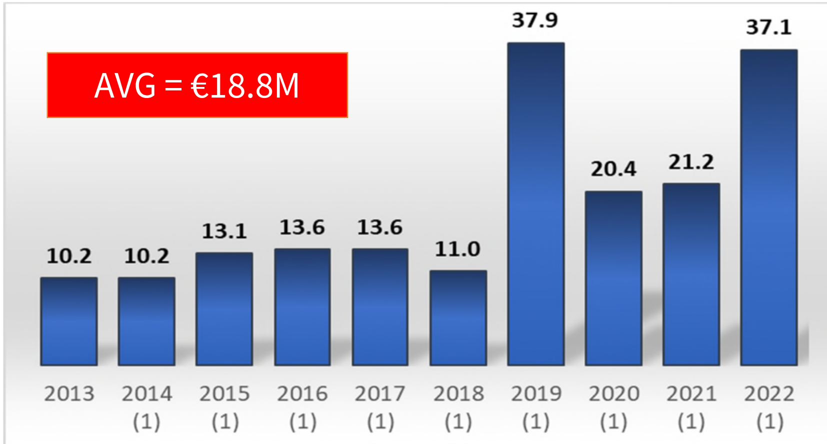

## EBITDA ADJ (2) 2009-2022




## Net Income 2009-2022

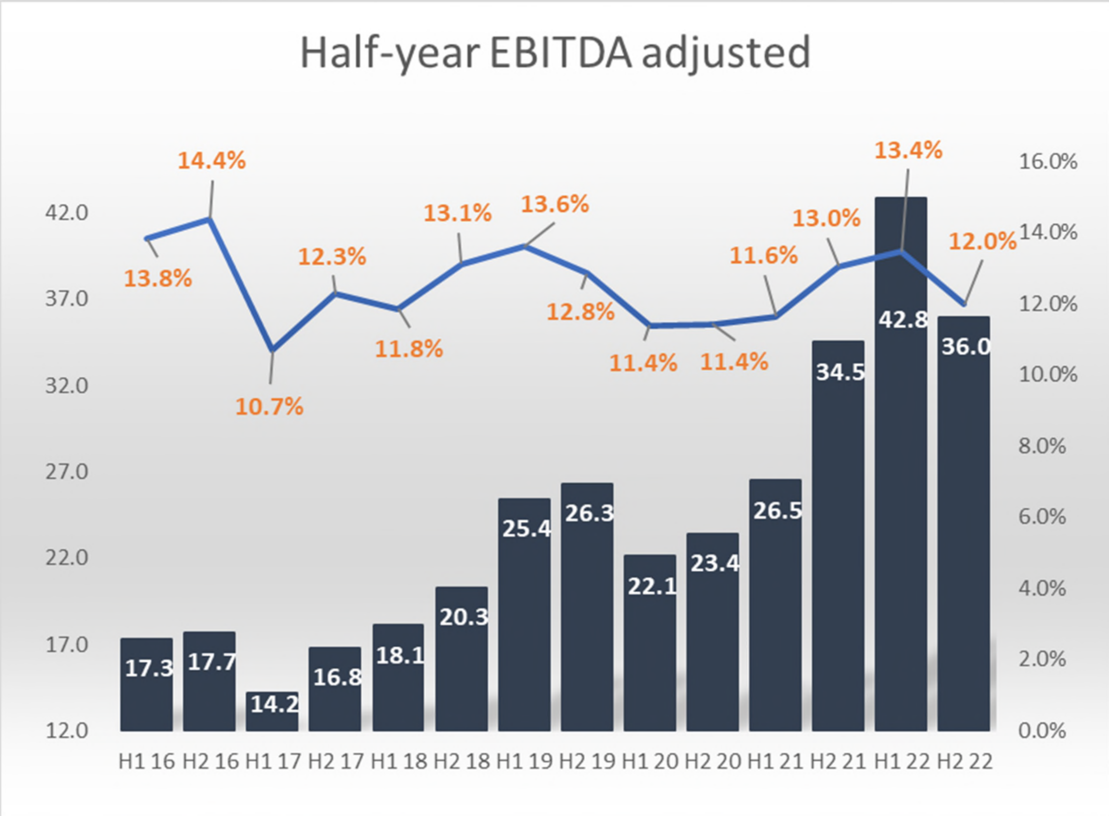



## Net Cash Generation ADJ (2) 2013-2022




- 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 – Tecnair 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 (1)


LIBERALI Family

FINAMI

45,82% (3)(4)

FAGGIOLI Family

G4

16,00% (3) (4)

LU-VE

38,18% (3)

(1) Fully diluted – post warrant conversion at end of May 2017
(2) Updated as of February 2nd, 2023
(3) Based on number of shares
(4) Thanks to the Loyalty Share Program (2 years ownership) as of February 20th, 2022, Finami owns 50,8% of voting rights and G4 owns 14,2% of voting rights
(5) Treasury shares as of September 30th, 2022, 0,13% of share capital

# LU-VE presence on the Italian Stock Exchange

AIM

9th July 2015

MTA

21st June 2017

MID Cap index

19th September 2022

STAR segment

21st September 2022

# ESG

# LU-VE Group Approach to ESG Topics

*Global Scenario*

**2015 Paris Agreement**

**2019 Green Deal – Horizon, Kigali Amendment**

**IPPC, Sixth Assessment Report**

## 1985 LU-VE IS ESTABLISHED

*LU-VE*

"LU-VE is the embodiment of the principle that **companies are women, men and ideas.** Grey matter for a greener world has been our commitment right from the beginning. **We have been the first in the sector to use "green" technology/solutions**, LCC/LCA Life Cycle Costing/ Assessment, to maximize energy saving, minimize refrigerant charge, reduce noise level reduce footprint and weight."

*Iginio Liberali, Founder of LU-VE Group*

## 2017 SUSTAINABILITY REPORTING

- The European Directive 2014/95/UE requires to produce a **Consolidated Non-financial Statement.**
- The Consolidated Non-financial Statement **reports** the commitments and the results achieved by the Group in the **ESG** field, responding to the expectations of **stakeholders**, who are involved in a systematic process of listening and dialogue.

## 2020 SUSTAINABILITY STRATEGY

- Integration of **sustainability** into the company **strategy.**
- **Top management ESG awareness project** is aimed at involving all the key players in defining and developing the Group **sustainability strategy.**

## 2021 EU TAXONOMY REGULATION

- European Commission introduced the Regulation 2020/852 - EU Taxonomy Regulation, a unified **classification** for **economic activities** considered **environmentally sustainable.**
- LU-VE Group, according to EU Taxonomy, identifies ***eligible* activities** with respect to the "Climate Change Mitigation" objective.

## 2022 Sustainability governance and Sustainability Plan

- LU-VE Group set up a corporate **Sustainability Steering Committee**, responsible to share the progress of the Group's sustainability performance and to discuss strategic lines of action.
- The Sustainability Steering Committee defined the **new LU-VE Group Sustainability Plan.**

# Social Impact of LU-VE Group solutions


## 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.

**LU-VE group commitment**

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

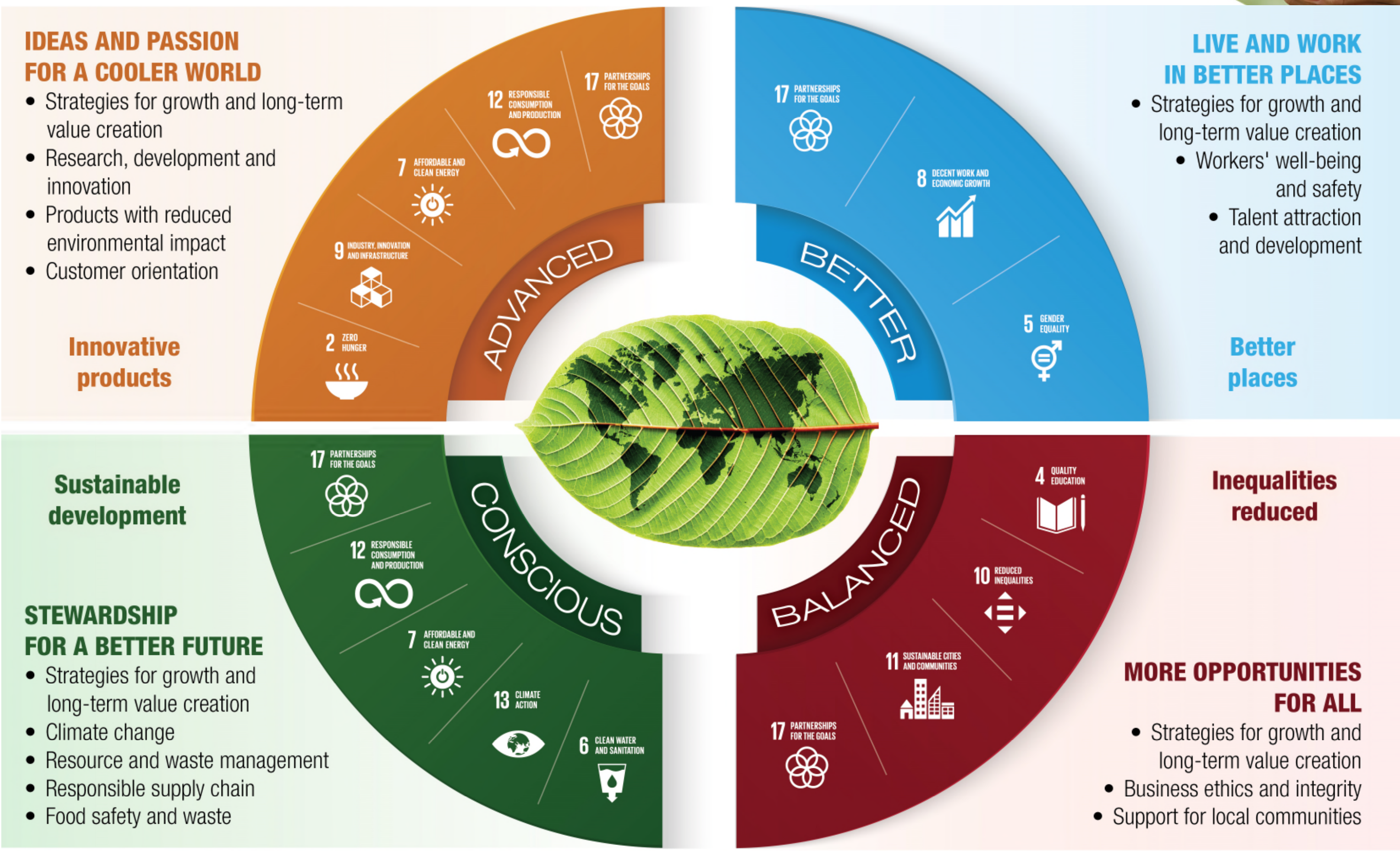
The international digitalisation process also touches on cloud computing. This strong impetus implies an increasing focus on the energy consumption of data centres, which currently account for 1% of the world total in terms of environmental sustainability.

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)**

| | GOALS | POSITIONING AND SUSTAINABILITY PLAN |
|---|---|---|
| 2025 | **Integrated sustainability of the business plan** | LU-VE Group has integrated sustainability levers and objectives into its business plan<br>• Strategies for growth and long-term value creation<br>• Corporate ethics and integrity<br>• Support for local communities<br>• Responsible supply chain |
| 2030 | **Climate neutrality** | LU-VE Group has identified actions and objectives to reduce environmental impacts along the entire value chain, from procurement to use of the product capable of increasing business competitiveness<br>• Climate change<br>• Resource and waste management<br>• Products with reduced environmental impact |
| 2025 | **High engagement** | LU-VE Group adopts forceful policies that promote the well-being of workers and the enhancement of diversity with the final goal of ensuring the worker engagement and increased productivity<br>• Workers' well-being and safety<br>• Attraction and development of talent |
| 2025 | **Products with a positive impact** | LU-VE Group develops sustainable solutions and promotes the positive impact of its products in the four business impact areas: food safety, climate well-being, energy efficiency and digital transformation<br>• Research, development and innovation<br>• Customer orientation<br>• Food safety and waste |

Advanced world · Better world · Balanced world · Conscious world · Trasversal

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.

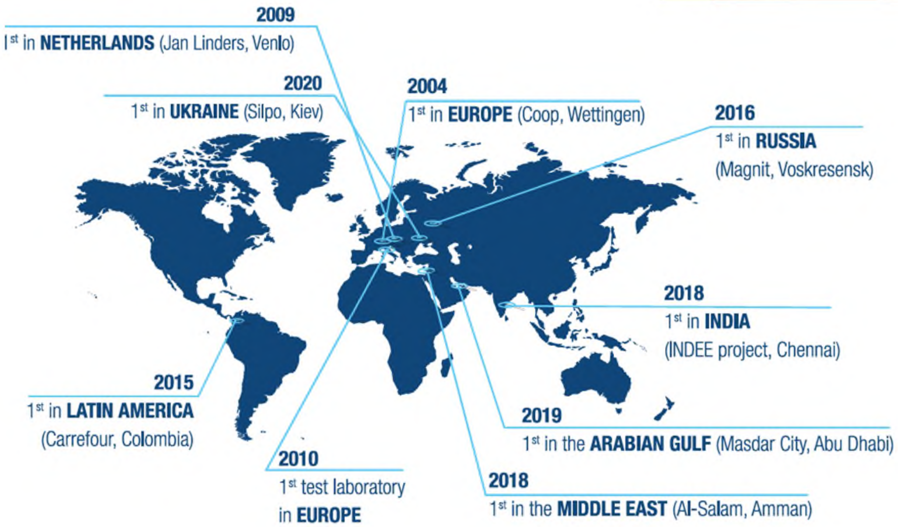
During 2022, LU-VE Group conducted a **Life Cycle Assessment** study on a specific range of air cooled products, which accounted for 1.4% of its turnover for the year in question. The results of this analysis have shown how a product using natural refrigerant fluid and a high efficiency motor, corresponding 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.

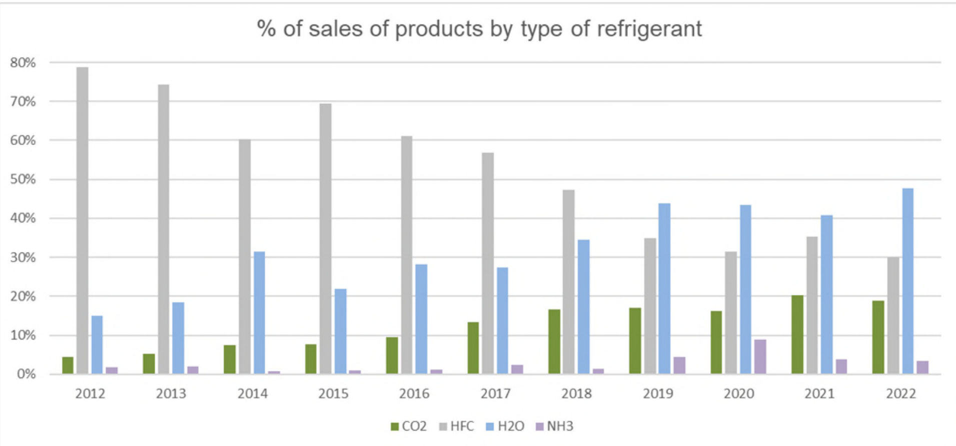
# Helping Customers Reach their Sustainability goals

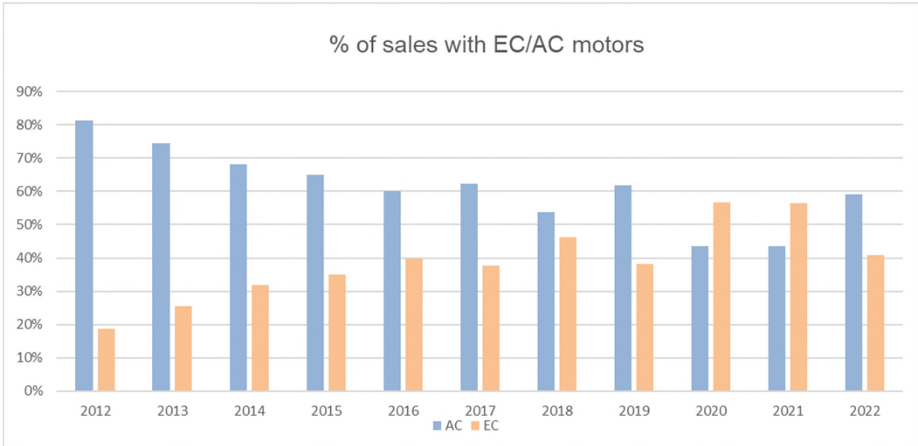
## FIRST MOVER IN GREEN TECH

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 $CO_2$**




*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 aeraulic 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)

**Four acquisitions completed**

- **Sales acquired: € 145 m [(1)]**
- **Amount invested: € 122 m [(1)]**
- **Average EBITDA multiple paid = 7.0x [(1)]**

**ACC Wanbao asset deal**

[(1)] *Including Refrion acquired on 30 March 2022*

# Refrion (Italy) (2022)

## Main financial terms

- Acquisition completed on 30th 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 29th 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

## Main financial terms

- Transaction completed on 21st 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)

- On December 12th, 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 30th, 2019 (1)

- Purchase price paid at closing amounted to €43.6m. An additional payment of €7.5m was made on April 30th, 2020.
  - 6.5x Adj. EBITDA multiple over the period 2018-2019
  - Final price agreed on February 4th, 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

1) Subject to 2018 EBITDA review and post closing adjustments

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

- 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)

- 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 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)


- 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 LUVE sales network
  - Expansion in the Indian market with LUVE 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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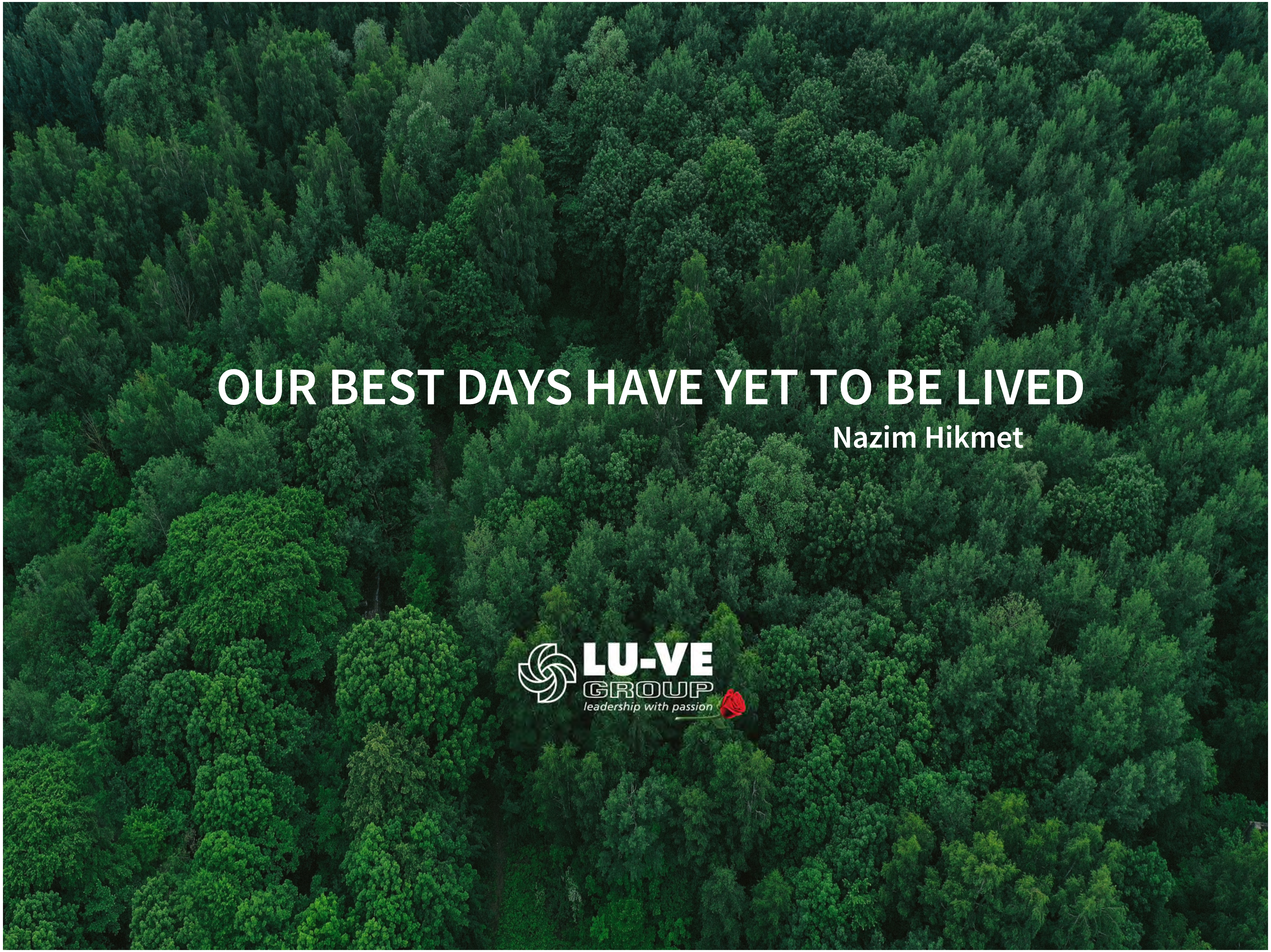
OUR BEST DAYS HAVE YET TO BE LIVED
Nazim Hikmet
LU-VE
GROUP
leadership with passion