



H1 2018 results

25st September 2018



2018 financial highlights: strong first half

- Consolidated sales ⁽¹⁾: **€ 152,8 m** (+14,9% vs. H1 17; **+16,6%** on a constant FX basis)
- Order backlog as of 30 June 2018: € 42,5 m (+17,4% vs. June 2017)
- EBITDA adjusted ⁽²⁾ : € 18,1 m vs € 14,2 m in H1 17
- Net financial debt ⁽³⁾: € 75,7 m vs € 51,1 m as of June 2017 and € 35,3 m as of Dec 2017
- Net cash generation (12 months adjusted) ⁽⁴⁾ : **€ 11,0 m** (vs 10.7 as of June 2017)

€ m	H1 2017		H1 2018		Growth
Total sales ⁽¹⁾	133,0	100,0%	152,8	100,0%	+14,9%
EBITDA	12,9	9,7%	17,1	11,2%	+32,7%
EBITDA adjusted ⁽²⁾	14,2	10,7%	18,1	11,9%	+27,6%
Net income	2,0	1,5%	6,6	4,3%	+231,3%
Net financial debt ⁽³⁾	51,1		75,7		
Net cash generation (12 months adj.) ⁽⁴⁾	10,7		11,0		+2,8%

€ 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





2018 H1 – results show an improving trend

€ millions	Q1 18	Q2 18	H1 18
Sales of products ⁽¹⁾	68,8	81,9	150,7
Growth ⁽²⁾	+13,1%	+17,2%	+15,3%
Order backlog	40,7	42,5	
Growth ⁽²⁾	+20,4%	+17,4%	

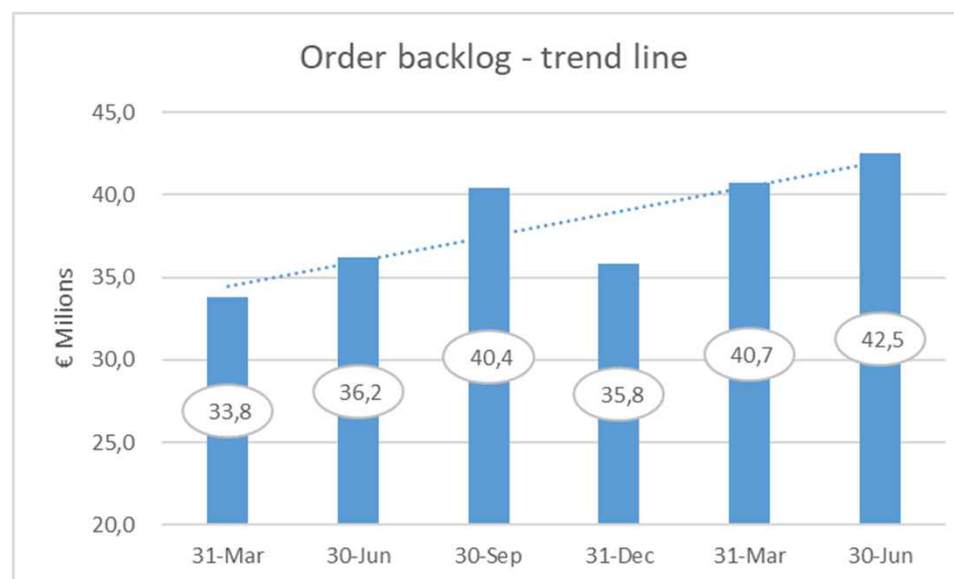
1) Sales of products excluding other revenues

2) Growth rate over the same period of previous year



Improving trend of order backlog

	2017				2018	
€ millions	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun
Order backlog	33,8	36,2	40,4	35,8	40,7	42,5
Growth (LFL) ⁽¹⁾			+25,9%	+19,7%	+20,4%	+17,4%



1) Growth rate over the same period of previous year



Net sales breakdown by product ⁽¹⁾

Products € 000	H1 17	%	H1 18	%	Δ %
Heat Exchangers	81.033	60,9%	90.912	59,5%	12,2%
Air Cooled Equipment	40.307	30,3%	48.800	31,9%	21,1%
Glass Doors	4.631	3,5%	5.397	3,5%	16,5%
Close Control	4.735	3,6%	5.585	3,7%	18,0%
Total sales of products	130.706	98,2%	150.694	98,6%	15,3%
Other revenues	2.333	1,8%	2.106	1,4%	-9,7%
Total sales	133.039	100,0%	152.800	100,0%	14,9%

(1) Like for like data – ZHT consolidated in P&L starting from 1st July 2018



Net sales breakdown by application ⁽¹⁾

Applications € 000	H1 17	%	H1 18	%	Δ %
Refrigeration	84.394	63,4%	93.501	61,2%	10,8%
Air Conditioning	24.775	18,6%	25.060	16,4%	1,2%
Special Applications	18.128	13,6%	25.721	16,8%	41,9%
Power Generation - Process & Others	3.409	2,6%	6.412	4,2%	88,1%
Total sales of products	130.706	98,2%	150.694	98,6%	15,3%
Other revenues	2.333	1,8%	2.106	1,4%	-9,7%
Total sales	133.039	100,0%	152.800	100,0%	14,9%

(1) Like for like data – ZHT consolidated in P&L starting from 1st July 2018



Net sales breakdown

- Strong growth of sales (+14,9%), mainly driven by volume (+12%) thanks to higher market shares
- On a constant currency basis growth of sales is 16,6% (INR and Rubles)
- Sales increase driven by growth across all product lines (HE + 12,2%, ACE + 21,1%, Glass doors + 16,5%, CC + 18,0%)
- Refrigeration remains core business (61,2%), with continuous trend in underweight this area of applications thanks to faster growth of other niche applications:
 - House appliances: + 74%
 - Mobile applications: + 27%
 - Power-gen: +88%
- Italy reduces its share from 23,9% to 22,9% despite sound growth + 10,5%
- Germany remains the main export market, followed by Poland and Russia
- Contrast UK: - 17% due to reduced capex of retailers amid Brexit uncertainty.
- Excellent growth in China, Turkey and Egypt
- Lost opportunities in Iran due to reintroduction of sanctions.



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 last 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
- EBITDA multiple paid: 7,9x
- Price subject to full audit at 30/6/18 and 2018 EBITDA

Il Sole **24 ORE**

Sbarca negli Usa e acquista
la texana Zyklus Heat Transfer





New plant in Poland

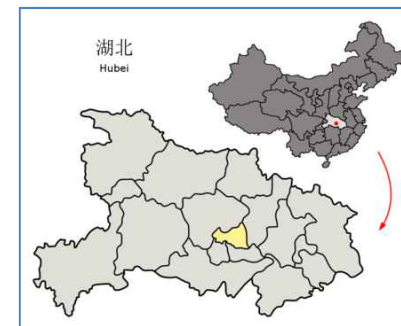
- New plant located in Gliwice, very close to the existing plant of LU-VE
- 60.000 sqm land, acquired and paid in May 2017
- Production area: 21.000 sqm covered
- € 36 M capex in 5 years:
 - 50% new machineries
 - 50% land and building
- Tax shield scheme: close to 25% of total investments
- Rationale: 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
- Progress of construction in line with the scheduled timing





Plant relocation in China

- The existing plant in China will be relocated from Changshu to Tianmen in Q1 2019
- Total covered surface will be 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)
- Lower labour cost \approx - 20%
- Location closer to the main customer
- Improved internal production flow and logistic
- Tax benefit on income tax and VAT





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 could add up to 12.000 sqm
- The new area will be used for:
 - Volume expansion of the existing product portfolio of Spirotech
 - Production of LUVE's air cooled products in India aimed to the booming food cold chain in India
- The project has been submitted to the local authorities
- The total capex requirement is expected up to € 5.0 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



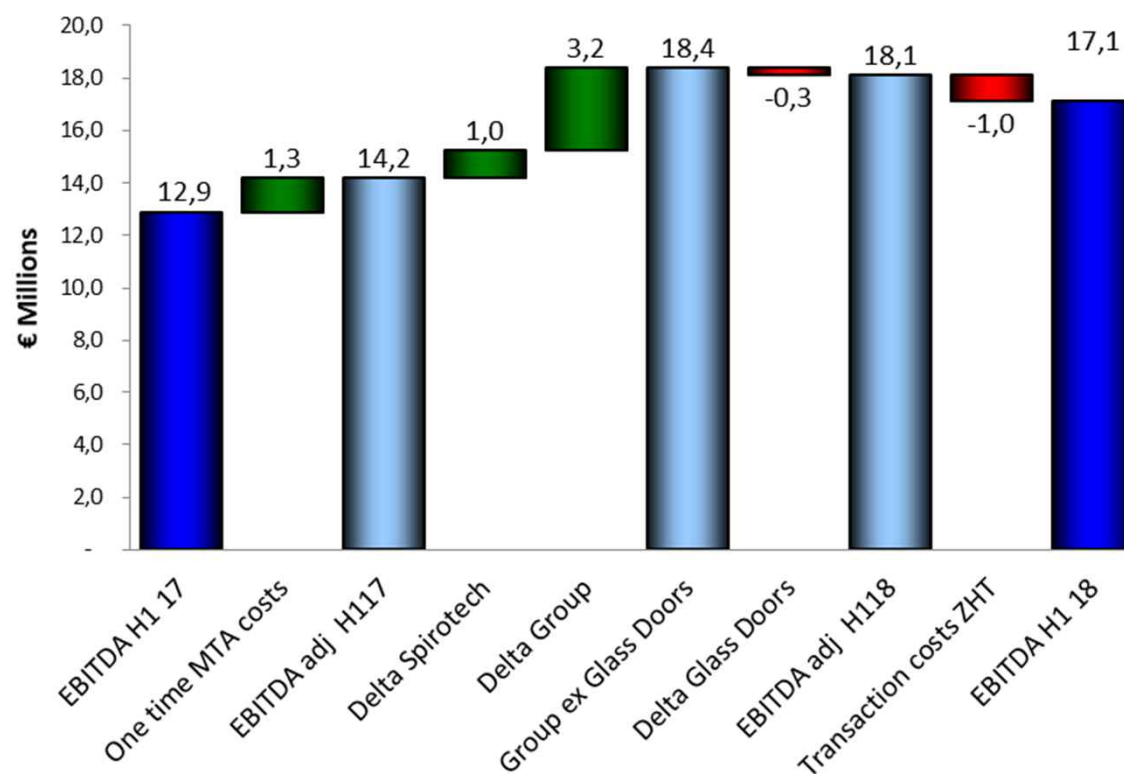
Profit & loss

- See EBITDA bridge analysis
- Net financial charges include unrealized FX gain of € 0,5 M (€ 3.8 M loss in H1 17) .
- Decrease of nominal tax rate due to non deductible unrealized FX losses in H1 2017
- Net income is wedged by one time costs by € 1,0 M due to transaction costs for ZHT acquisition
- See net income bridge analysis

Consolidated Profit & Loss Reclassified (000 Euro)	H1 2017	% sales	H1 2018	% sales	Delta %
Sales and operating income	133.039	100,0%	152.800	100,0%	14,9%
Purchases of materials	(74.745)	-56,2%	(89.758)	-58,7%	
Inventory increase (decrease)	4.086	3,1%	8.621	5,6%	
Services	(20.020)	-15,0%	(22.104)	-14,5%	
Labour cost	(28.791)	-21,6%	(31.438)	-20,6%	
Other operating costs	(672)	-0,5%	(1.001)	-0,7%	
Total operating costs	(120.142)		(135.680)		12,9%
EBITDA	12.897	9,7%	17.120	11,2%	32,7%
Increase (decrease) of derivatives fair value	119	0,1%	248	0,2%	
Depreciation	(6.967)	-5,2%	(7.888)	-5,2%	
Gain (loss) of non current assets	91	0,1%	103	0,1%	
EBIT	6.140	4,6%	9.583	6,3%	56,1%
Net financial charges	(3.622)	-2,7%	(1.675)	-1,1%	
EBT	2.518	1,9%	7.908	5,2%	214,1%
Income taxes	(520)	-0,4%	(1.290)	-0,8%	
Net income	1.998	1,5%	6.618	4,3%	231,3%
Minority interest	143	0,1%	296	0,2%	
Group net income	1.855	1,4%	6.322	4,1%	240,8%



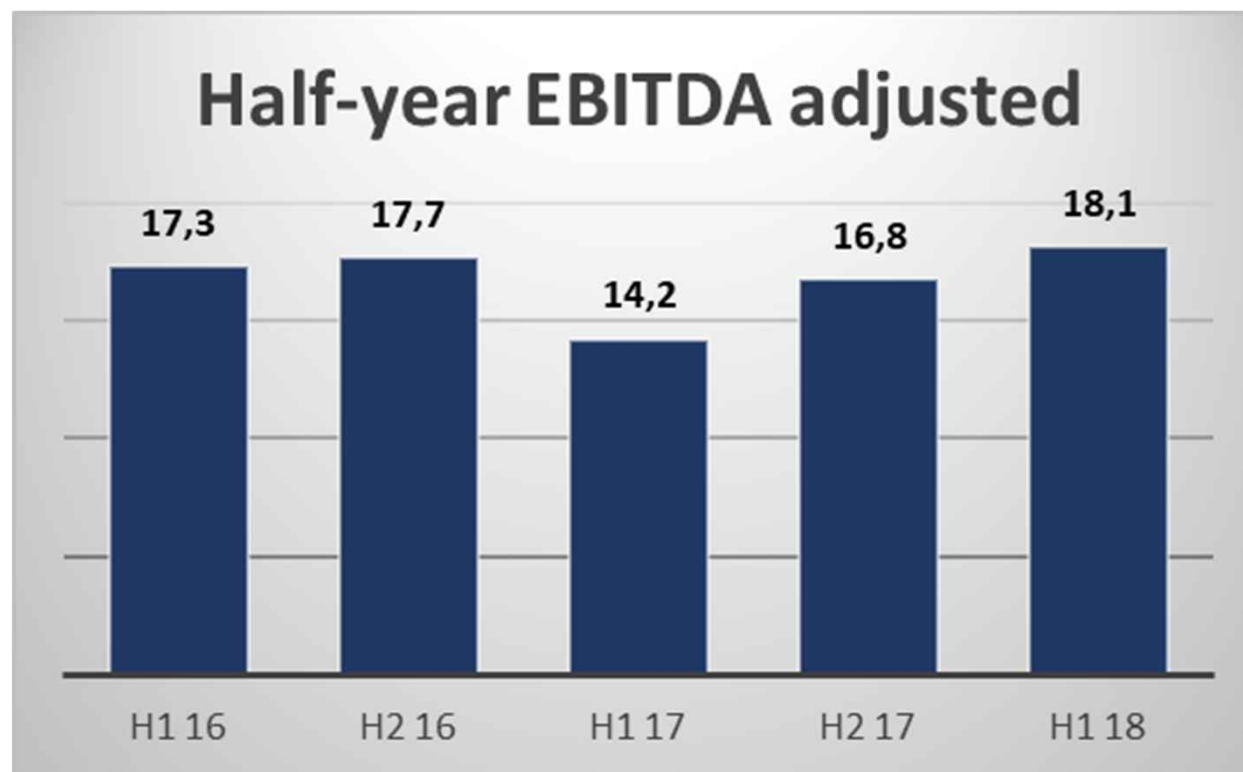
Strong improvement of EBITDA adjusted: + 27,6%



- (1) Due to rounding, numbers presented throughout this chart may not add up precisely to the totals provided
- (2) Source: management analysis of consolidated results as of 30/6/2018



Improving trend of EBITDA in the last 18 months



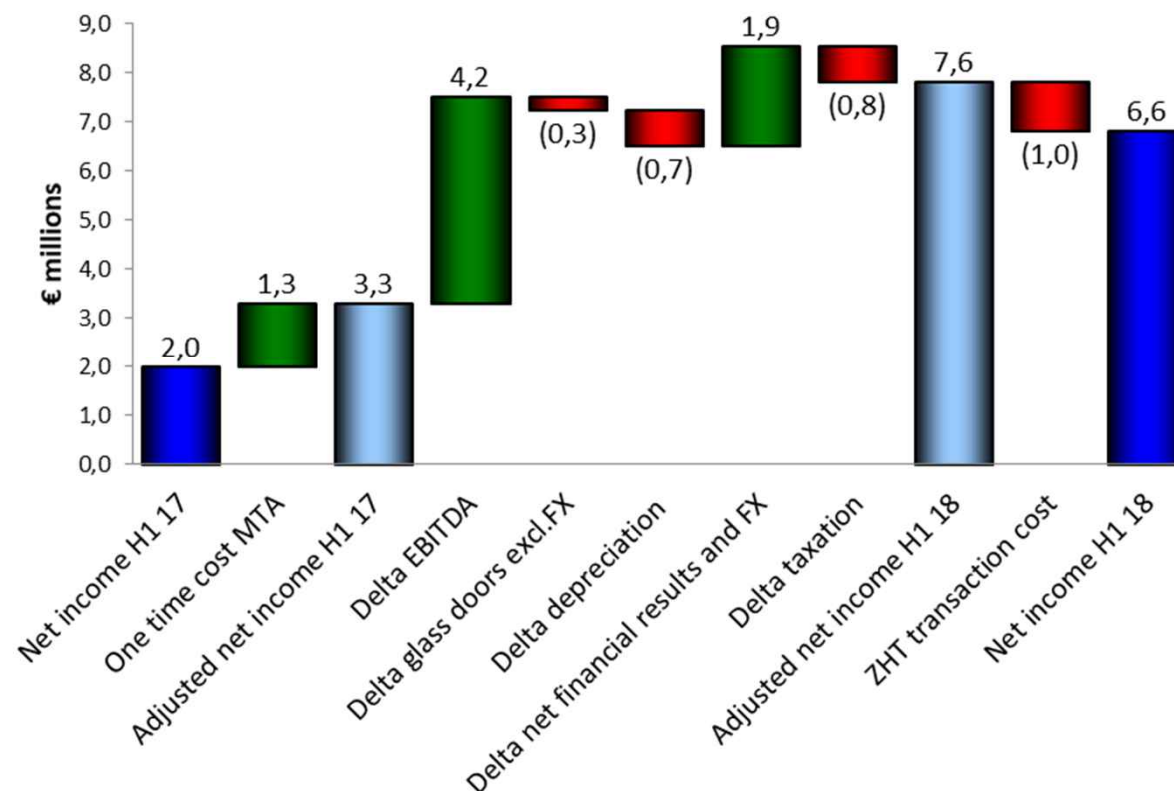
All data in € million

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

ZHT will be consolidated in H2 2018



Net income bridge analysis



(1) Due to rounding, numbers presented throughout this chart may not add up precisely to the totals provided

(2) Source: management analysis of consolidated results as of 30/6/2018



Operational net working capital

- Tight control of operational working capital
- Seasonality in operational working capital needs
- Increasing weight of India
- ZHT balance sheet consolidated as of 30/6/2018

€ / 000	30/06/2017	Days	30/06/2018	Days	30/06/2018 without ZHT	Days
Stock	34.743	49	47.679	59	45.949	57
A/receivable	53.853	75	65.923	82	64.752	80
Operational working capital	88.596		113.602		110.701	
A/payable	51.802	98	64.085	103	63.140	102
Operational net working capital	36.794	51	49.517	62	47.561	59
% on net sales LTM	14,3%		17,1%		16,4%	



Net cash flow

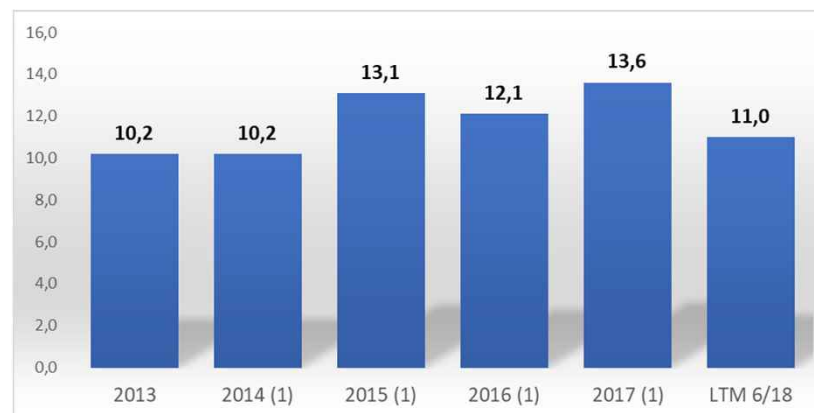
Net cash / (net debt)	€ m	
Net financial position as of June 17	(51,1)	
Net financial position as of June 18	(75,7)	
Delta in net financial position	(24,6)	(24,6)
+ Dividends paid in 2018		4,9
+ Accelerated capex program		14,3
+ One time costs for MTA		1,5
+ Treasury stock purchase		0,5
+ Temporary effect of GST India ⁽²⁾		0,5
+ Acquisition of ZHT		12,6
+ Increase of value PUT&CALL Spirotech		1,3
= Total normalized net cash flow		11,0

(1) 2013 ITA GAAP – 2014-2018 IFRS

(2) Goods and Services Tax

- Consistently strong cash generation
- Accelerated capex program above maintenance level

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





Balance sheet

Consolidated Balance Sheet Reclassified (000 Euro)	30/06/2017	% net invested capital	31/12/2017	% net invested capital	30/06/2018	% net invested capital
Net intangible assets	59.053		62.718		70.789	
Net tangible assets	107.551		111.191		117.442	
Pre-paid taxes	3.774		3.359		3.905	
Financial assets	1.991		1.941		1.902	
Non current assets (A)	172.369	92,7%	179.209	102,3%	194.038	91,6%
Inventory	34.743		37.988		47.679	
A/receivable	53.853		47.616		65.923	
Other receivables and current assets	8.711		11.258		10.539	
Current assets (B)	97.307		96.862		124.141	
A/payable	51.802		63.405		64.085	
Other payable and current liabilities	15.476		17.677		22.323	
Current liabilities (C)	67.278		81.082		86.408	
Working capital (D=B-C)	30.029	16,1%	15.780	9,0%	37.733	17,8%
Personnel provisions	3.898		4.047		4.122	
Deferred taxes	10.339		13.217		13.329	
Risk provisions	2.184		2.472		2.418	
Long term liabilities (E)	16.421	8,8%	19.736	11,3%	19.869	9,4%
Net invested capital (A+D-E)	185.977	100,0%	175.253	100,0%	211.902	100,0%
Group net worth	132.912		137.842		133.112	
Minority interest	1.967		2.124		3.084	
Total group net worth	134.879	72,5%	139.966	79,9%	136.196	64,3%
M/L term net financial position	123.678		115.074		110.165	
Short term net financial position	(72.580)		(79.787)		(34.459)	
Net financial position	51.098	27,5%	35.287	20,1%	75.706	35,7%
Net worth and net financial position	185.977	100,0%	175.253	100,0%	211.902	100,0%

- Strong financial structure
- Debt capacity to finance acquisitions:
 - PFN / LTM adj EBITDA = 2.2x
- Seasonal working capital needs

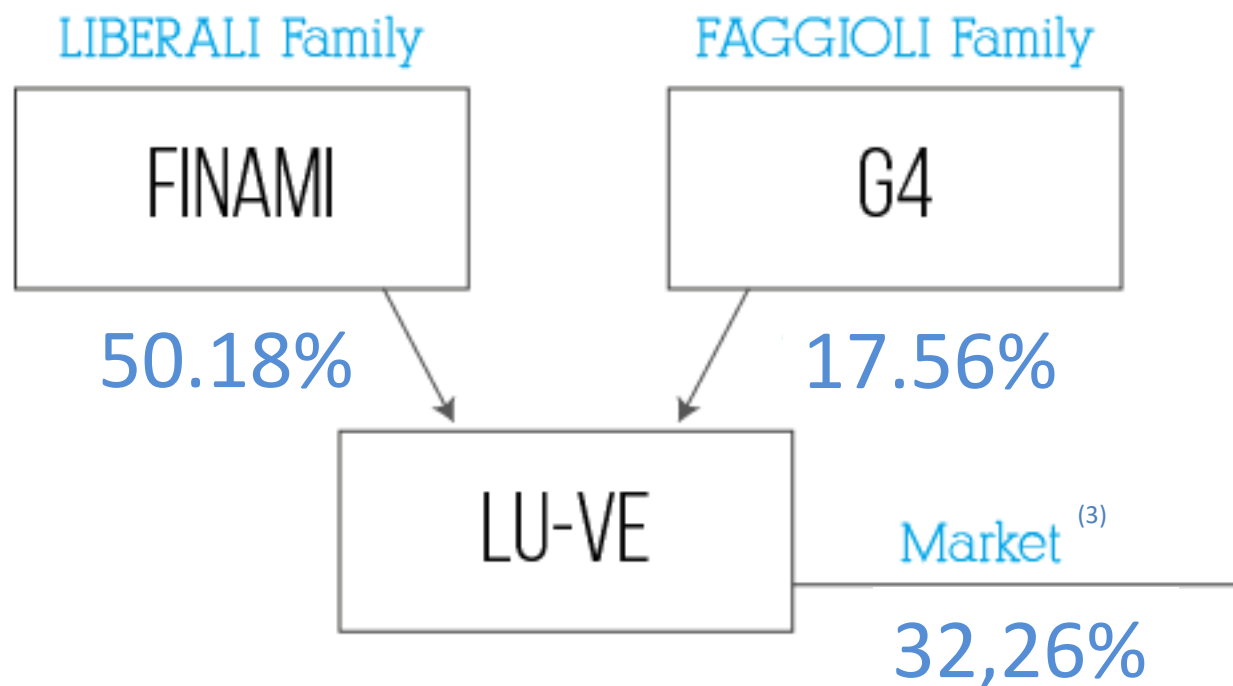


Future developments

1. Integration of Spirotech **Completed**
2. Filing MTA – spring 2017 **Delivered: 21 June 2017**
3. Accelerated capex program **In progress:**
 - Poland
 - China
 - India
4. Acquisition in US **Completed**
Integration of ZHT: in progress
5. M&A activity (about € 40/45 millions firepower)



Shareholder Structure ⁽¹⁾ ⁽²⁾



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

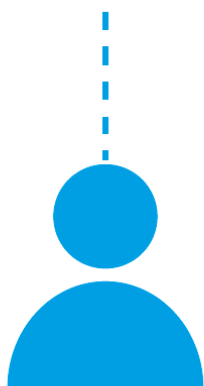
(2) Updated on August 1st 2018

(3) Treasury shares as of June 25th 2018: 0,6886%

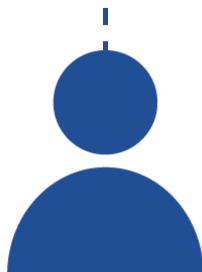


Group structure: Management Team

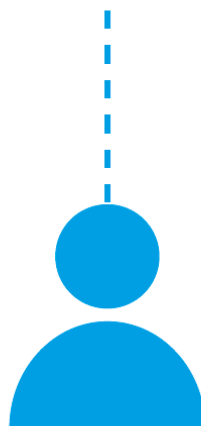
IGINIO LIBERALI
PRESIDENT
LU-VE GROUP



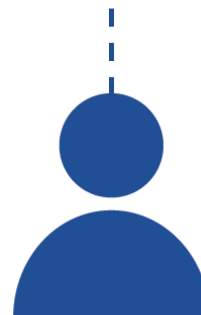
PIERLUIGI FAGGIOLI
VICE PRESIDENT
LU-VE GROUP



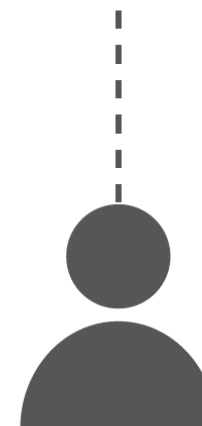
MATTEO LIBERALI
MD – CEO



MICHELE FAGGIOLI
MD – COO



ELIGIO MACCHI
CFO





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leadership with passion



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

NAZIM HIKMET