

CAREL INDUSTRIES

Sector: *Industrials*
NEUTRAL

Price: Eu22.25 - Target: Eu22.20

Back to Historical Organic Growth; Outlook Remains Positive

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Stock Rating

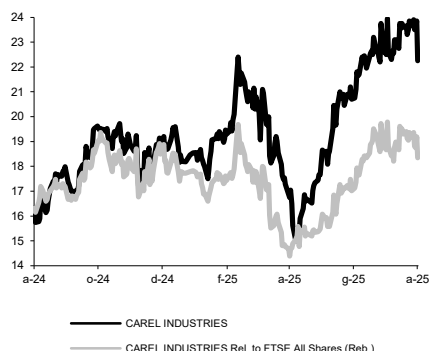
Rating: Unchanged
Target Price (Eu): from 20.00 to 22.20

	2025E	2026E	2027E
Chg in Adj EPS	1.4%	0.2%	0.1%

Next Event

3Q Results Out Nov 13th

CAREL INDUSTRIES - 12M Performance



Stock Data

Reuters code: CRLI.MI
Bloomberg code: CRL IM

Performance	1M	3M	12M
Absolute	-2.0%	26.0%	36.3%
Relative	-3.0%	19.7%	15.2%
12M (H/L)		23.95/15.00	
3M Average Volume (th):		61.25	

Shareholder Data

No. of Ord shares (mn):	112
Total no. of shares (mn):	112
Mkt Cap Ord (Eu mn):	2,503
Total Mkt Cap (Eu mn):	2,503
Mkt Float - Ord (Eu mn):	812
Mkt Float (in %):	32.5%
Main Shareholder:	
Luigi Rossi Luciani S.a.p.a.	34.0%

Balance Sheet Data

Book Value (Eu mn):	478
BVPS (Eu):	4.07
P/BV:	5.5
Net Financial Position (Eu mn):	-15
Enterprise Value (Eu mn):	2,604

2Q marked a return to double-digit growth, with the HVAC segment rebounding after five consecutive quarters of decline. While growth in the REF segment was slower than exp., a recovery is anticipated in 2H—particularly in the EMEA region. Momentum in data centre applications remains strong, with encouraging signals also from the HP and commercial HVAC segments. We are keeping our estimates broadly unchanged, with only minor upward revisions to margins and cash generation. We reiterate our NEUTRAL stance, as we believe CRL is fairly valued at current market levels, supported by strong fundamentals but still trading above its historical multiples. We are raising our TP to €22.2 (from €20) to reflect a lower WACC in our DCF-based valuation.

■ **2Q in line with guidance:** 2Q revenues came to €159mn (+9.4%/+11.5% org.), in line with our estimate and company guidance. By business segment, HVAC achieved €116mn (+15% org. +3% vs. Inte. est.), driven by an acceleration in the commercial HVAC, along with signs of recovery of HPs in Europe, and as expected, steady sustained growth in datacentres; REF was up 2% (flat QoQ) to €43mn, below our forecast (-7%), as the solid growth pursued in NA and APAC has been offset by the postponement of key projects in Western Europe. By geographical market, EMEA recorded a sequential improvement (+7%), as indicated APAC posted a sharp reversal (+12%/+16% org) fuelled by excellent results in China, while strong momentum in NA (+21%/+27% org.) continued, supported by a sustained market stance in the datacentre business and a positive performance in the commercial sector. On profitability, EBITDA was €31.7mn, up YoY (+19%), with a 19.9% margin vs. 18.3% in 2Q24 (18.6% in 1Q25), due to positive trends in raw material prices, the accretive contribution from Kiona (margin >25%), and positive operating leverage. Net income was €16.4mn, higher than expected (+12%), due to the fair value adjustment of some equity investments. Cash generation was also better, with net debt at €41mn (from €54mn as of 1Q), despite the dividend payment, mainly due to lower CapEx and optimised NWC management.

■ **High single-digit to low double-digit growth expected in 3Q.** CRL anticipates 3Q revenues to increase in the high single-digit to low double-digit range. This outlook is underpinned by a favourable market environment in the HVAC segment, following the double-digit growth in 2Q—driven primarily by HP (the best-performing sub-segment), datacentres (notable for their scale), and the commercial segment. A gradual recovery in the REF business is also expected to support revenue growth in the EMEA region. In NA, the datacentre market continues to demonstrate solid momentum, and inverter technology projects are progressing well. As for the HP, it remains too early to gauge the extent of the recovery; a partial rebound in subsidy programmes in Germany and other countries could provide upside relative to initial expectations, however. As for tariffs, the risk is limited to certain components not directly manufactured in US, with CRL planning to offset this impact through targeted price hikes. That said, exposure remains limited, affecting only a small portion of total revenues.

■ **Fine-tuning estimates.** We are leaving our revenue estimates almost unchanged except for a different mix (+HVAC/-REF), with minor changes for margin and cash generation following the 2Q release. Our FY25 revenue forecast (+7%/+9% org.) is in line with the high-end of the 3Q guidance, implying a similar pace of growth in 4Q.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	650	579	621	670	719
EBITDA Adj (Eu mn)	140	105	120	133	150
Net Profit Adj (Eu mn)	80	56	64	74	88
EPS New Adj (Eu)	0.755	0.501	0.567	0.660	0.786
EPS Old Adj (Eu)	0.755	0.501	0.559	0.659	0.785
DPS (Eu)	0.201	0.165	0.146	0.173	0.211
EV/EBITDA Adj	20.3	21.8	21.6	19.3	16.8
EV/EBIT Adj	24.7	29.3	29.1	25.3	21.4
P/E Adj	29.5	44.4	39.2	33.7	28.3
Div. Yield	0.9%	0.7%	0.7%	0.8%	0.9%
Net Debt/EBITDA Adj	0.3	0.5	0.1	0.0	0.1

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium between 5.5% - 6.0% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the FTSEIMIB40 Index, most of those on the MIDEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

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BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

NEUTRAL: stock performance expected at between +10% and - 10% compared to the market over a 12 month period;

UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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As at 4 August 2025 Intermonte's Research Department covered 134 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	32.84%
OUTPERFORM:	36.57%
NEUTRAL:	30.59%
UNDERPERFORM:	00.00%
SELL:	00.00%

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (79 in total) is as follows:

BUY:	53.16%
OUTPERFORM:	29.11%
NEUTRAL:	17.73%
UNDERPERFORM:	00.00%
SELL:	00.00%

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