CAREL INDUSTRIES

NEUTRAL

Sector: Industrials

Price: Eu20.45 - **Target: Eu20.00**

Signs of a Rebound: Return to Growth with Cautious Optimism

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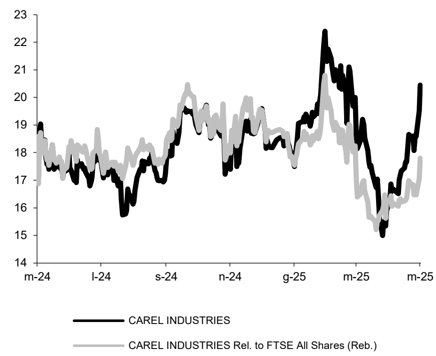
1Q revenue showed a return to growth after four consecutive quarters of decline. The refrigeration market is showing signs of improvement, with a strong recovery in the order intake, especially in the EMEA region. At the same time, momentum for data centre applications is expected to remain robust throughout the year. However, visibility remains limited, as usual, with lead times still short at 3-5 weeks. In this update, we are maintaining our estimates unchanged, except for some non-cash items affecting the bottom line. Following the strong rally in recent weeks, and with relative valuations more in line with their historical average, we reiterate our NEUTRAL view on the stock and TP of €20.

- **1Q results in line with guidance.** 1Q revenues came to €147mn (+0.7% YoY, flattish at constant ForEx), in line with our estimate and company guidance. By business segment, HVAC achieved €104mn (broadly in line QoQ and YoY), while REF was up 3% to €43mn, with a strong order intake rebound only partially reflected in quarterly revenues. By geographical market, EMEA marked a trend reversal (+1%) at €100mn; APAC was weak, as expected (€18mn, -15%), while at €27mn (+14%) NA confirmed the trend already witnessed in FY24, supported by continuing positive momentum in the data centre business. On profitability, adj. EBITDA was €27.4mn, slightly up YoY (+3%), with an 18.6% margin (18.1% on a reported basis) vs. 18.2% in 1Q24, due to an improved gross margin amid low electronic raw materials costs and the positive contribution from the expansion of digital services (i.e. Kiona EBITDA margin >25%). Net income was €10mn, lower than expected, due to higher D&A and the negative impact of exchange rates on the valuation of the put/call option on the minority stake in Kiona. Cash generation was slightly better, with net debt at €44mn (from €50mn as at YE24).
- **High single/low double-digit increase in 2Q sales**. Based on the strong 1Q order intake trend and positive market improvements across all regions, CRL expects 2Q revenues to increase in the high single-digit to low double-digit range. A more favourable market trend in EMEA, combined with a stronger performance anticipated in APAC, should support growth in the coming quarters. In the US, demand remains very solid despite tough comps, and is expected to improve further, with the data centre segment showing no signs of slowing and promising developments underway in inverter technology projects. As for the HP market, although stock levels are now normalising, demand is not expected to recover before the second half of the year.
- **Fine-tuning estimates:** we are leaving our estimates almost unchanged except for higher D&A and the inclusion of the ForEx non-cash losses recorded in 1Q. Based on 2Q25 revenue guidance, our current FY revenues forecast (+7.5% YoY) seems reasonable and more visible, implying a similar growth rate in 2H as is expected in 2Q.

Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2025E	**2026E**	**2027E**
Chg in Adj EPS	-3.0%	-2.0%	-1.2%

Next Event
2Q25 results on Aug 1st

CAREL INDUSTRIES - 12M Performance



Stock Data			
Reuters code:			CRLI.MI
Bloomberg code:			CRL IM
Performance	**1M**	**3M**	**12M**
Absolute	28.6%	-4.0%	10.1%
Relative	11.0%	-9.7%	-4.7%
12M (H/L)			22.40/15.00
3M Average Volume (th):			84.36

Shareholder Data	
No. of Ord shares (mn):	112
Total no. of shares (mn):	112
Mkt Cap Ord (Eu mn):	2,301
Total Mkt Cap (Eu mn):	2,301
Mkt Float - Ord (Eu mn):	747
Mkt Float (in %):	32.5%
Main Shareholder:	
Luigi Rossi Luciani S.a.p.a.	34.0%

Balance Sheet Data	
Book Value (Eu mn):	476
BVPS (Eu):	4.05
P/BV:	5.0
Net Financial Position (Eu mn):	-21
Enterprise Value (Eu mn):	2,409

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	650	579	622	670	719
EBITDA Adj (Eu mn)	140	105	119	133	150
Net Profit Adj (Eu mn)	80	56	63	74	88
EPS New Adj (Eu)	0.755	0.501	0.559	0.659	0.785
EPS Old Adj (Eu)	0.755	0.519	0.576	0.672	0.795
DPS (Eu)	0.201	0.165	0.141	0.173	0.211
EV/EBITDA Adj	20.3	21.8	20.2	17.8	15.5
EV/EBIT Adj	24.7	29.3	27.3	23.4	19.7
P/E Adj	27.1	40.8	36.6	31.0	26.0
Div. Yield	1.0%	0.8%	0.7%	0.8%	1.0%
Net Debt/EBITDA Adj	0.3	0.5	0.2	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 of 5.5% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the S&PMIB40 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.

Explanation of our ratings system:

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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Intermonte SIM is authorised by CONSOB to provide investment services and is listed at n° 246 in the register of brokerage firms.

As at 31 March 2025 Intermonte's Research Department covered 131 companies.

As of today Intermonte's distribution of stock ratings is as follows:

BUY:	32.59 %
OUTPERFORM:	37.78 %
NEUTRAL:	29.63 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

As at 31 March 2025 the distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (74 in total) is as follows:

BUY:	52.70 %
OUTPERFORM:	29.73 %
NEUTRAL:	17.57 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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Further information is available