



Announcement

Symphony signed an agreement to purchase effectively 95% equity stake in Climate Technologies Pty Limited

Acquisition to be executed at an Enterprise Value of INR 2bn (A\$ 40 mn). The maximum valuation would be A\$ 44 mn based on the achievement of promised EBITDA

A\$ to INR exchange rate calculated as 50.19



Symphony Limited
Investor presentation, June 2018



Transaction

Acquisition to be executed at an Enterprise Value of INR 2bn (A\$ 40 million)*

100% cash offer

Financed through an optimal combination of debt
~A\$ 24 mn (~INR 121 cr) and internal cash accruals
~A\$ 15.2 mn (~INR 76 cr)

The maximum valuation is A\$ 44 mn based on achievement of EBITDA

*A\$ to INR exchange rate calculated as 50.19



Coming together of...

Symphony: The world's largest air cooler manufacturer

Climate Technologies Pty Limited: Australia's leading manufacturer of cooling and heating appliances

Aspiration

In line with Symphony's conscious 3.0 positioning

Building blocks (products and geographies) coming together

India + China + Mexico + Australia + US

Cross-knowledge sharing

Desire to build value larger than constituents



Acquisition upsides

- Immediately revenue and value accretive (no gestation)
- Reasonable valuation
- Complementary product segments
- Mutually exclusive product mix
- Tariff-neutral US strategy (local manufacture)
- Attractive combined ROCE & RNW
- Room to increase acquired company's margins
- Aggregate value > Simple sum of constituents



Funding through debt



Symphony: INR 422 cr of cash, 31 March 2018

Debt-equity ratio: Nil

Acquisition cost covered by Symphony cash resources 0.48x

Not stretching Symphony Balance Sheet

Acquisition funded by debt



- About INR 121 cr (A\$ 24 mn) acquisition funded by debt
- Debt cost below AAA / Liquid mutual fund return (net incremental treasury income)
- Debt mobilised to optimise financial efficiency, international taxation and operational discipline
- Symphony net debt-free (consolidated and standalone)
- Debt will be entirely serviced through cash flows of the target
- Australian currency debt creates a natural forex hedge

Symphony's
third
acquisition
in 10 years:
What is
different
this time

The largest acquisition by
Symphony (~ INR 201 cr)

First time Symphony has
acquired a profit-making
company with scale



Attractively priced acquisition

Acquisition at 7.33 times EBIDTA multiple and 0.70 sales multiple

Estimated PAT for 30th June 2018
INR 23 cr (A\$ 4.5 mn)

RONW 30%-plus and ROCE 18% for 2018-19
(estimate)

Enterprise Value can rise upto INR 221 cr (A\$ 44 mn) if audited EBIDTA for 2017-18 crosses INR 28 cr (A\$5.5 mn)



Overview of Symphony Limited



- World's largest air coolers company (B2C); also engaged in industrial cooling solutions (B2B)
- Global company headquartered in Ahmedabad, India
- Successful acquisition of IMPCO (Mexico) and Guangdong Symphony Keruilai Air Coolers Co. Ltd (China)
- Cash-accretive, negative-working capital company
- 50% share of organized Indian coolers market
- INR 852 cr revenues and INR 273 cr EBIDTA, 2017-18 consolidated
- Market valuation INR 9,686 cr (15 June 2018)
- Zero debt

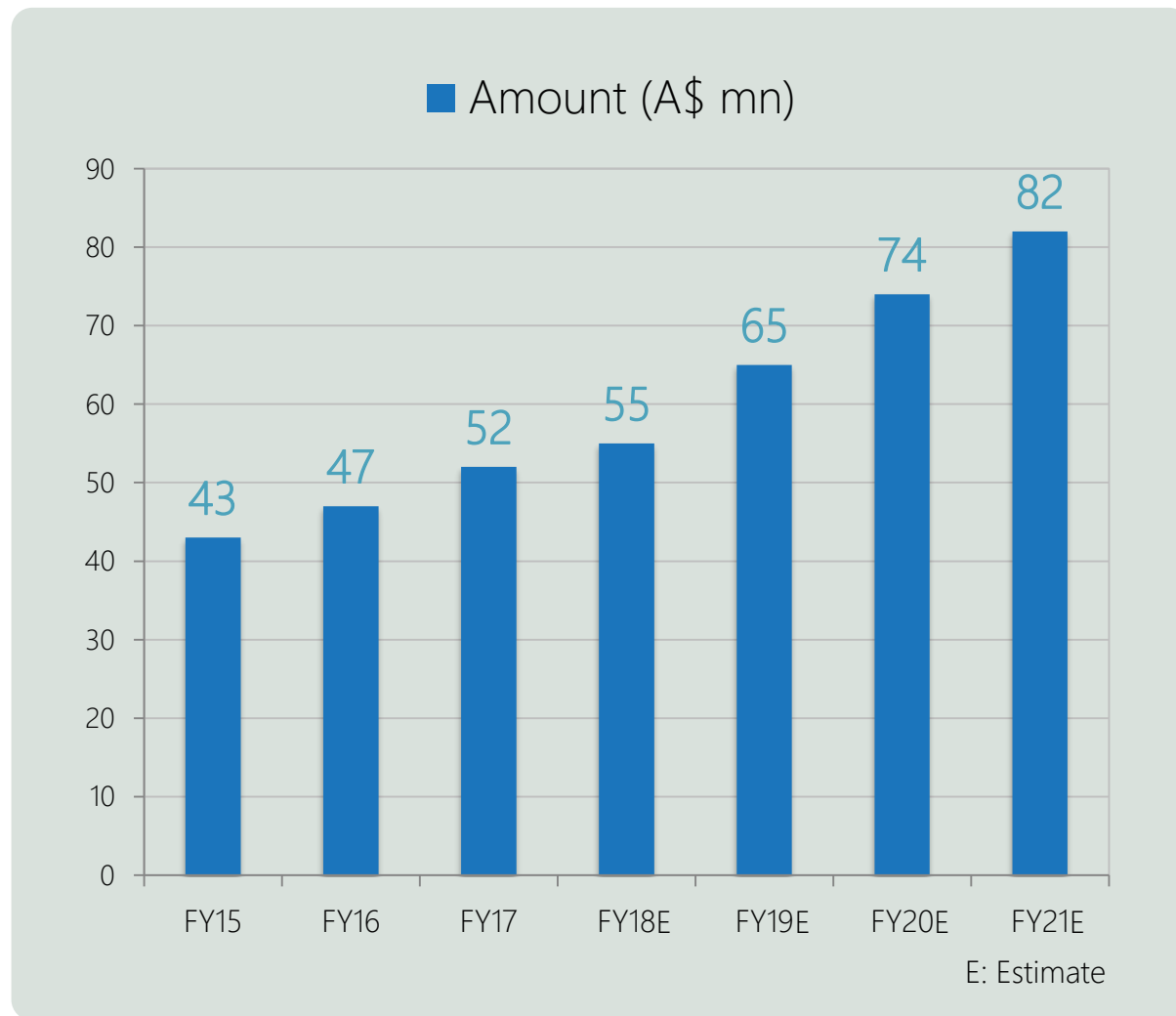
Overview of Climate Technologies



- Headquartered in Adelaide, South Australia
- Manufactures and markets evaporative air coolers, ducted gas heaters and other cooling products
- Manufacturing facility in Salisbury (South Australia) and assembly operation in Las Vegas (USA)
- 88% of revenues from Australia; 12% of revenues from USA
- Projected net sales of A\$ 55 mn and EBITDA of A\$ 5.5 mn in 2017-18 (June year-end)

2017-18 estimated figures

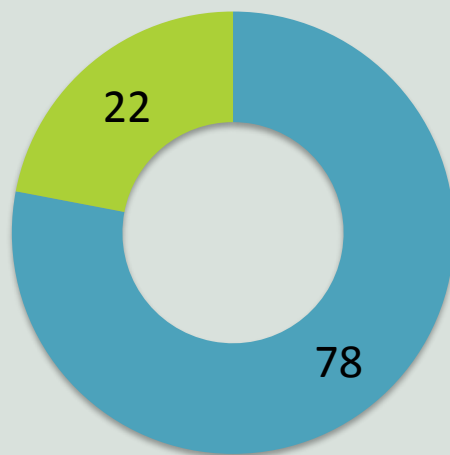
Climate Technologies' revenue outlook



Internationalisation of Symphony's revenues

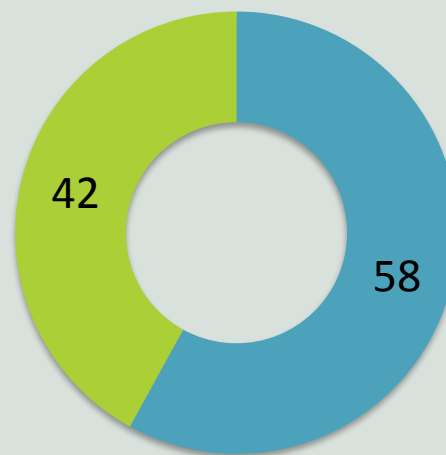


Symphony FY18



■ India ■ ROW

Symphony + CT FY18



■ India ■ ROW

What Symphony has bought into



The tangibles

- Dynamic management; profitable company
- Profitable growth: CAGR in revenues of ~9% in three years; CAGR in EBIDTA by ~130% between FY15-18E
- Projected revenue of A\$ 82 mn, 2021
- Steady or increased margins

The intangibles

- Iconic brands like Bonaire (64 years) and Celair (46 years)
- 30% and 25% market share of the domestic Australian evaporative air coolers and ducted gas heater markets respectively.
- Relationships with 40 Australian builders (added 25 in 5 years) and 50 Premier dealers
- Worked with top 3 customers across 8.3 years; 70% of top 20 direct customers across 15 years
- Multi-channel distribution network (specialized HVAC dealers, hardware retailers, trade wholesalers and others)
- US presence through Home Depot relationship (2200 stores in US, Canada and Mexico); respected as innovator by Home Depot in its business space

Acquisition impact

Immediate: Accretive for revenues, earnings and return on capital employed

Prospective: Significant long-term synergies; business-strengthening



The strong strategic fit 1

Coming together
of 2 dynamic
managements



Strategic fit for Symphony

- Complete complementary products range (EAC, refrigerated cooling, commercial convection cooling and gas heating products)
- Complementary seasons: when it is summer in India, it is winter in Australia, making it possible to sell products throughout the year (Symphony's cooling and CT's heating products)
- Deeper extension into countries with dual climates
- Immediate and deep access to new geographies (Australia and US)
- Climate Technologies' revenues 32% of Symphony revenues, 2017-18
- Immediate presence in US (largest air cooler market in the world) and Home Depot relationship (Home Depot revenues \$ 100.9 bn, 2017)

The strong strategic fit 2

Coming together
of 2 dynamic
managements



Strategic fit for Symphony

- Leverage of Keruilai competencies (product design)
- Probable extension of Symphony's IMPCO industrial cooling capability
- Insights into brand building and distribution network expansion
- Cross-share of knowledge and cross-sell of products
- Manufacturing facility in Australia and US
- Operating headroom (space, capacity, products) in Australia/US plants

The strong strategic fit

Coming together of 2 dynamic managements



For Climate Technologies

- Insights into Symphony's sector-disruptive approach
- Immediate access to Symphony's distribution network (60 countries)
- Complementary suite of Symphony products
- Symphony's global supply chain knowledge
- Symphony's global infrastructure (Mexico, China and India)
- Blend of Australian and Indian capabilities
- Increased business investments (post-acquisition)

EAC product advantage

- EACs consume less electricity (upto 80% less than refrigerated cooling)
- EACs do not consume refrigerant gases
- Strengthening Symphony's future-orientation

CT's management dynamism



- Increased builder customers from 15 to 40 in 5 years
- Commissioned Nevada (US) facility in FY17
- Profitable growth: CAGR in revenues of ~9% in three years; CAGR in EBIDTA by ~130% between FY15-18E
- Tim O'Leary (CT) responsible for business turnaround as CEO from 2015
- Graduating from outsourced refrigerated products to insourced (own label)
- One-stop heating and cooling solutions company
- Research-driven (with sophisticated laboratory)
- Introduced proprietary app to control products through smartphone
- Introduced solar-powered EAC unit

Operating headroom in CT's business



- Broadbase presence across other Australian states; Victoria accounts for 50% of revenues today
- Nevada capacity semi-automated; explore complete automation
- Room to increase Nevada utilization (60-90%) and widen offerings
- Widen presence across other Big Box retailers in US
- Will strengthen presence in large addressable US market (estimated US \$ 250-300 mn or INR 1700-2000 cr)

CT is an attractive lifestyle proxy for Australia and USA



Australia

- Population growth from 22.7 mn (2012) to projected 32.4 mn (2031)
- Households increase from 9.2 mn (2016) to projected 12.7 mn (2036)

US market

- Projected increase in US population by 12% to 360 mn (2030)
- Ideal for price-sensitive customers
- Energy retailers offering rebates that often cover product cost
- 75% of all EACs sold through Big Box retailers
- EAC market estimated at 6x Australia's

How CT expects to grow its business



- Enhanced EAC offtake (greater role of innovative products)
- Increased EAC exports
- Growing revenues from value-added products
- Optimized fixed cost; superior amortization
- Increased throughput of US rooftop units
- Launch of proprietary branded refrigerated product
- Increased offtake of convection heating and cooling projects
- Organic growth of US market

How Symphony expects to grow Climate Technologies



- Retain all senior management
- Focus on business continuity
- CT's senior management team (led by Tim O' Leary) to effectively own 5% stake in CT
- Extensive access to a wider global R&D base (China)
- Wider products complement (deepening one-stop positioning)

Overview

More than just an acquisition

Sign of a company making a structural shift



Structural shift

- From cooler products to temperature control products / solutions
- From India focus to global sales footprint
- From largely India-centric manufacture to manufacture in five countries
- From a deeper market penetration to deeper cum wider approach



Symphony 3.0 blueprint

- Focus on internationalisation
- Internationalisation in sales presence, manufacturing locations, distribution networks, retail relationships, brand ownership and employees
- Combine established asset-lightness and Balance Sheet strength with global retail brands/relationships/management capabilities/innovation



Symphony: Graduating from one orbit into another



Version 2.0: 2007-2018

- Indian coolers company
- Focus on residential applications
- Largely Symphony (modest acquisitions)
- Indianization of revenues
- Mexico business not broken even
- Growing technology investments
- Asset-lightness across the Indian
- Focus on standalone cooling products

Version 3.0: 2018 onwards

- Global temperature control company
- Movement to commercial/industrial coolers
- Number of companies within one company
- Internationalization of revenues
- Mexico business turned around
- Deeper technology-driven brand
- Asset-lightness across a larger base
- Democratize cooling / heating solutions in residential / industrial spaces

Summing up



“The Climate Technologies acquisition reinforces Symphony’s commitment to sustainable growth through the progressive broad-basing of products, technologies, employees, marketing geographies and manufacturing locations, strengthening its positioning as a deeply global company.

“We believe that the acquisition also represents one of the first signs of our successful migration from Symphony 2.0 to 3.0.

“Symphony 3.0 is expected to replicate what we had successfully showcased in India on a wider and larger global platform.

“We believe that 3.0 will strengthen our aspiration to emerge as one of the most admired temperature control companies in the world.”

– **Achal Bakeri**, Chairman and Managing Director

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