



# DēLonghi Group

9 months 2018 results



**KENWOOD**

**BRAUN**

***Ariete***

### **Definitions & assumptions**

*In this presentation:*

- **Continuing Operations** identify the consolidated perimeter excluding NPE s.r.l.;
- **ForEx** or **FX** stand for Foreign Exchange Rates;
- **Organic** stands for effect net of ForEx and hedging derivatives;
- **Adjusted** stands for “before non recurring items and inputed costs of the stock option plan”
- **Q3** stands for third quarter (June 30 – September 30), **9M** stands for first nine months (January 1 – September 30), **FY** stands for full year (January 1 – December 31);
- “**M**” stands for million and “**bn**” stands for billion.



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## 9M 2018 RESULTS (*“continuing operations”*)

### HIGHLIGHTS

#### In the 9 months:

- **Revenues** up 5% to € 1,300.3 million (+ 9% organic), driven by coffee makers (+16.8% organic);
- **Adjusted EBITDA**, in organic terms, up to € 165.1 million equal to 12.3% of revenues (€ 152.6 M and 12.4% in 2017);
- **Net Financial Position** positive by € 54.5 M, after dividends of € 149.5 M;
- as expected, profitability impacted by headwinds of raw material cost, negative price effect and currency effect.

#### In Q3:

- at constant exchange rates, **adjusted EBITDA margin** improved from 12.1% to 12.4%.

## 9M 2018 RESULTS (“continuing operations”)

### SALES AND NET INDUSTRIAL MARGIN

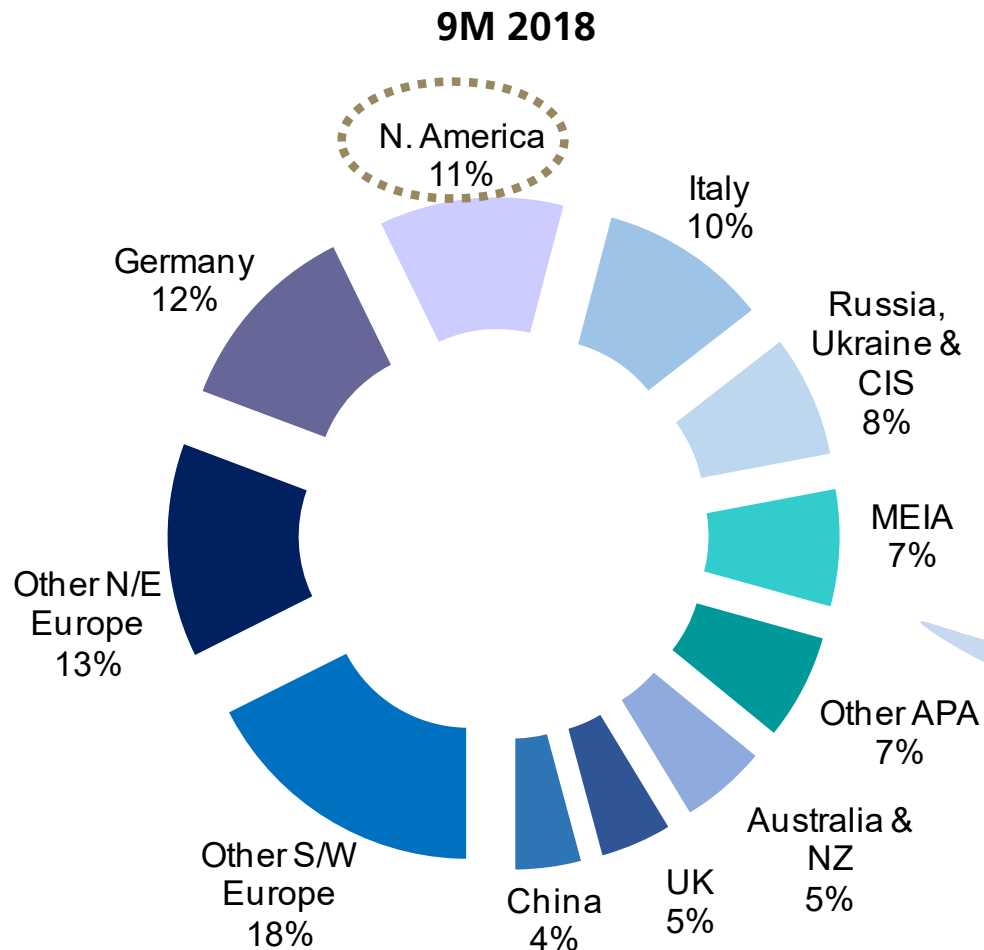
EUR million	9M-2018	9M-2017	change	change %
Revenues	1.300,3	1.238,4	62,0	5,0%
Net Ind. Margin	617,6	607,7	9,9	1,6%
% of sales	47,5%	49,1%	-1,6 pp	

+9% organic 9M,  
+7.4% organic 3Q

- The Q3 revenues grew by 5.7%, but net of the negative currency impact, the organic growth would have been +7.4%;
- the favorable growth trend of the coffee segment was confirmed, led by full-auto and manual machines;
- the net industrial margin was under pressure due to higher raw material prices (as expected), currency effects and prices repositioning in certain high-growth markets.

## 9M 2018 RESULTS (*"continuing operations"*)

### REVENUES BREAKDOWN BY MARKET



- In the 9M, at an organic level, all macro regions have grown;
- USA became the second market of the Group (after Germany).

## 9M 2018 RESULTS (“continuing operations”)

### REVENUES BREAKDOWN BY MARKET

<i>EUR million</i>	<b>9M 2018</b>	<i>chg. %</i>	<i>organic chg. %</i>	<b>3rd Q 2018</b>	<i>chg. %</i>	<i>organic chg. %</i>
South West Europe	520,6	2,5%	3,4%	168,1	-1,2%	-0,3%
North East Europe	327,2	8,8%	14,3%	123,0	8,8%	14,8%
<b>EUROPE</b>	847,8	4,8%	7,4%	291,1	2,8%	5,7%
<b>APA (Asia/Pacific/Americas)</b>	357,9	6,6%	13,0%	119,5	11,1%	10,4%
<b>MEIA (MiddleEast/India/Africa)</b>	94,6	0,8%	7,8%	35,1	13,2%	13,4%
<b>TOTAL REVENUES</b>	1.300,3	5,0%	9,0%	445,6	5,7%	7,4%

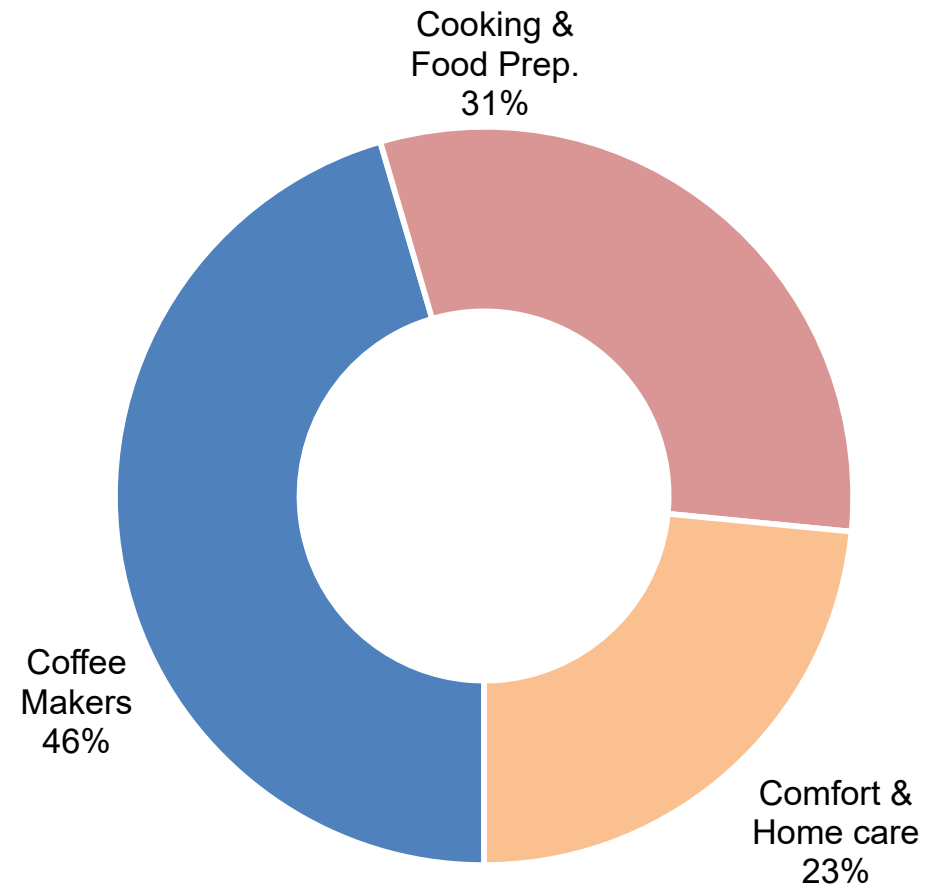
- **South-West Europe:** Germany is leading the growth, while the trend in the Mediterranean countries showed some weakness;
- **North-East Europe:** up double digit at an organic level, with strong Russia, Poland and Benelux; weakness of UK continued in Q3;
- **APA:** growing, but with a significant currency impact (> 6%); leading markets are USA-Canada, Japan and greater China;
- **MEIA:** strong recovery in Q3 – improving from previous weakness – with double digit growth.

## 9M 2018 RESULTS (*“continuing operations”*)

### REVENUES BREAKDOWN BY PRODUCT

- The performance of the coffee machines segment is still the pillar of the growth;
- Q3 delivered a strong bounce of the comfort category and of Braun’s ironing systems.

9M 2018 sales breakdown by product



*Based on management accounts*

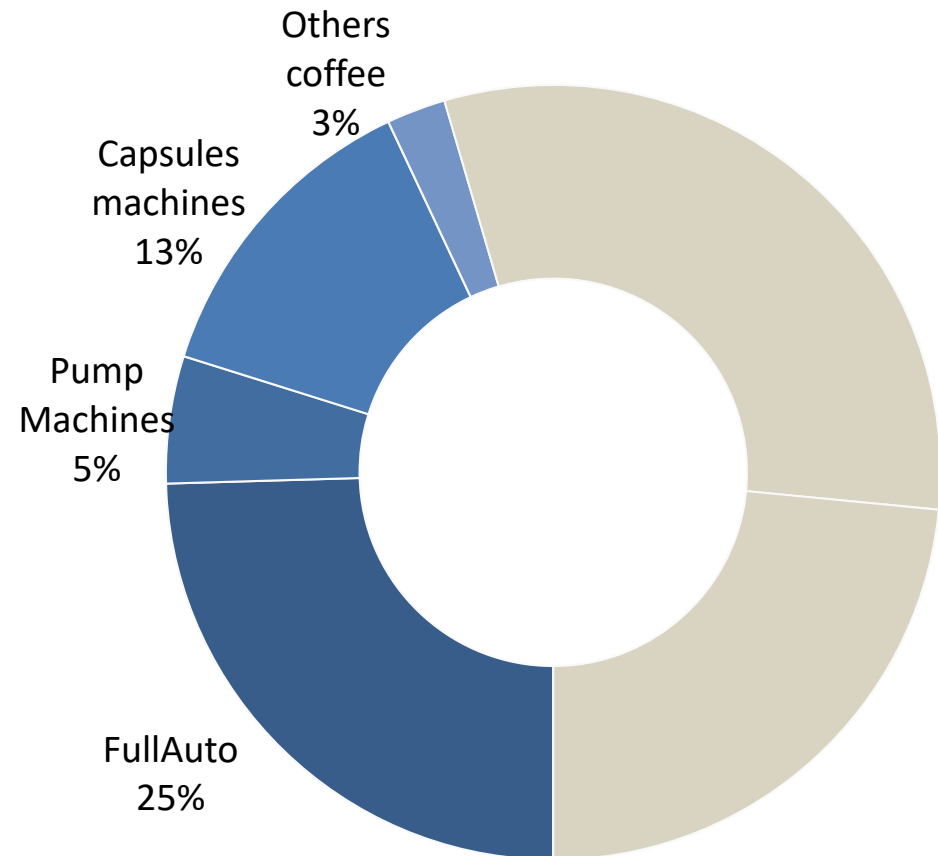


## 9M 2018 RESULTS (“continuing operations”)

### REVENUES BREAKDOWN BY PRODUCT

- In the coffee segment, all categories were growing, excepted Dolce Gusto: in organic terms:
  - full auto up double digit,
  - traditional pump and Nespresso: up high single digit;
  - Dolce Gusto: down double digit, due to increased competition in the low end.

#### COFFEE MAKERS



Based on management accounts

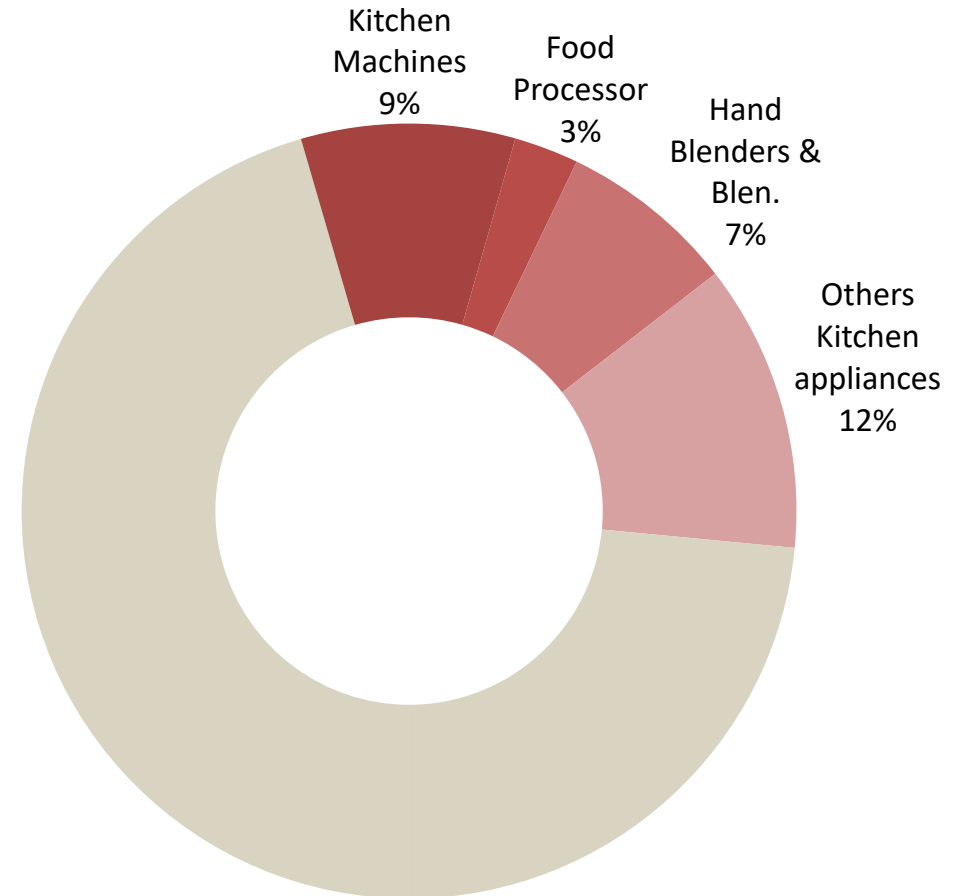
## 9M 2018 RESULTS (“continuing operations”)

### REVENUES BREAKDOWN BY PRODUCT

In organic terms:

- the whole segment was rather flattish yoy, due also the persistent weakness of the reference global market;
- handblenders of Braun and food processors were up single digit;
- Kenwood kitchen machines were back to slightly positive performance at organic level, but with still some expected volatility in the short term.

### COOKING & FOOD PREPARATION



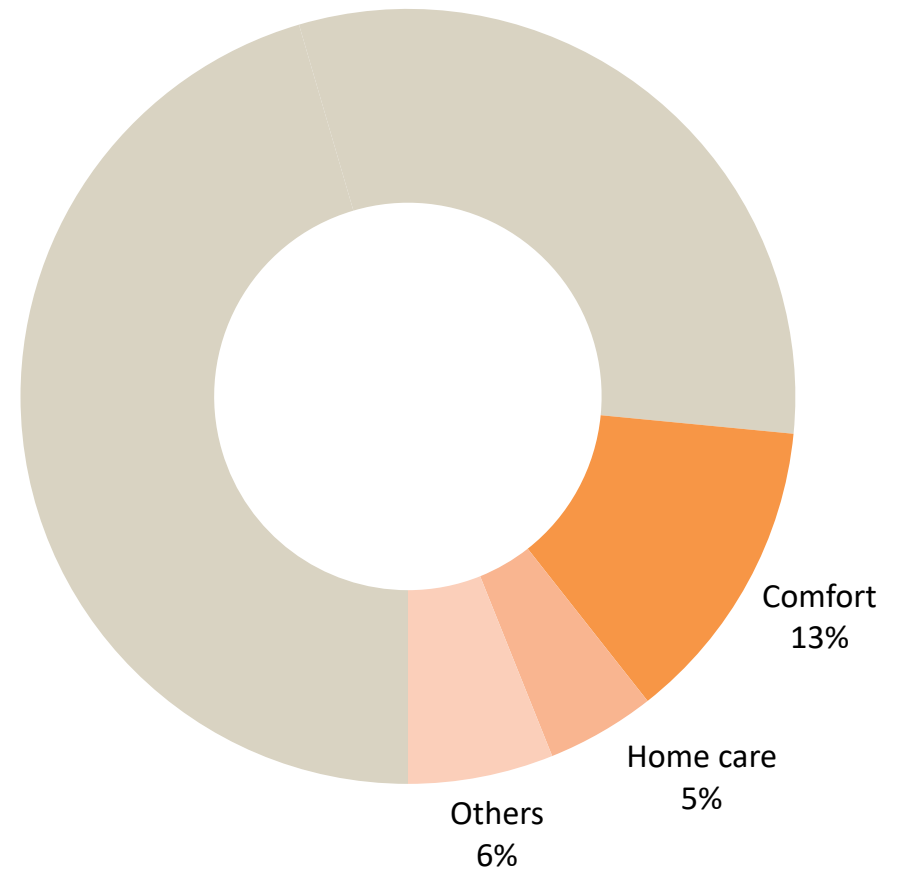
Based on management accounts

## 9M 2018 RESULTS (*“continuing operations”*)

### REVENUES BREAKDOWN BY PRODUCT

- The comfort segment (portable heating and air treatment) grew strongly, with a marked acceleration in the 3Q driven by air conditioning and treatment;
- Braun’s irons were up double digit, especially in the steam generators family which was up high double digit.

#### COMFORT & HOME CARE



*Based on management accounts*

## 9M 2018 RESULTS (“continuing operations”)

### EBITDA MARGINS AND NET PROFIT

<i>EUR million</i>	<b>9M-2018</b>	<b>9M-2017</b>	<i>change</i>	<i>change %</i>
<b>adjusted EBITDA</b>	<b>162,2</b>	<b>159,5</b>	<b>2,7</b>	<b>1,7%</b>
<i>% of sales</i>	<i>12,5%</i>	<i>12,9%</i>	<b>-0,4 pp</b>	
<b>EBITDA</b>	<b>157,1</b>	<b>155,2</b>	<b>1,9</b>	<b>1,2%</b>
<i>% of sales</i>	<i>12,1%</i>	<i>12,5%</i>	<b>-0,5 pp</b>	
<b>adjusted Net Profit</b>	<b>85,8</b>	<b>82,4</b>	<b>3,4</b>	<b>4,1%</b>
<b>Net Profit</b>	<b>82,0</b>	<b>90,8</b>	<b>-8,8</b>	<b>-9,7%</b>
<i>% of sales</i>	<i>6,3%</i>	<i>7,3%</i>	<b>-1,0 pp</b>	

- The 9 months adjusted Ebitda was up in value (162.2 M€) but declining as a margin, as a consequence of pressure on gross margin;
- Adjusted net profit amounted to ca. € 86.0 million , up by 4.1%.
- in Q3, recovery of adjusted Ebitda, growing in organic terms from 12.1% to 12.4%.

## 9M 2018 RESULTS (“continuing operations”)

### FINANCIAL POSITION AND WORKING CAPITAL

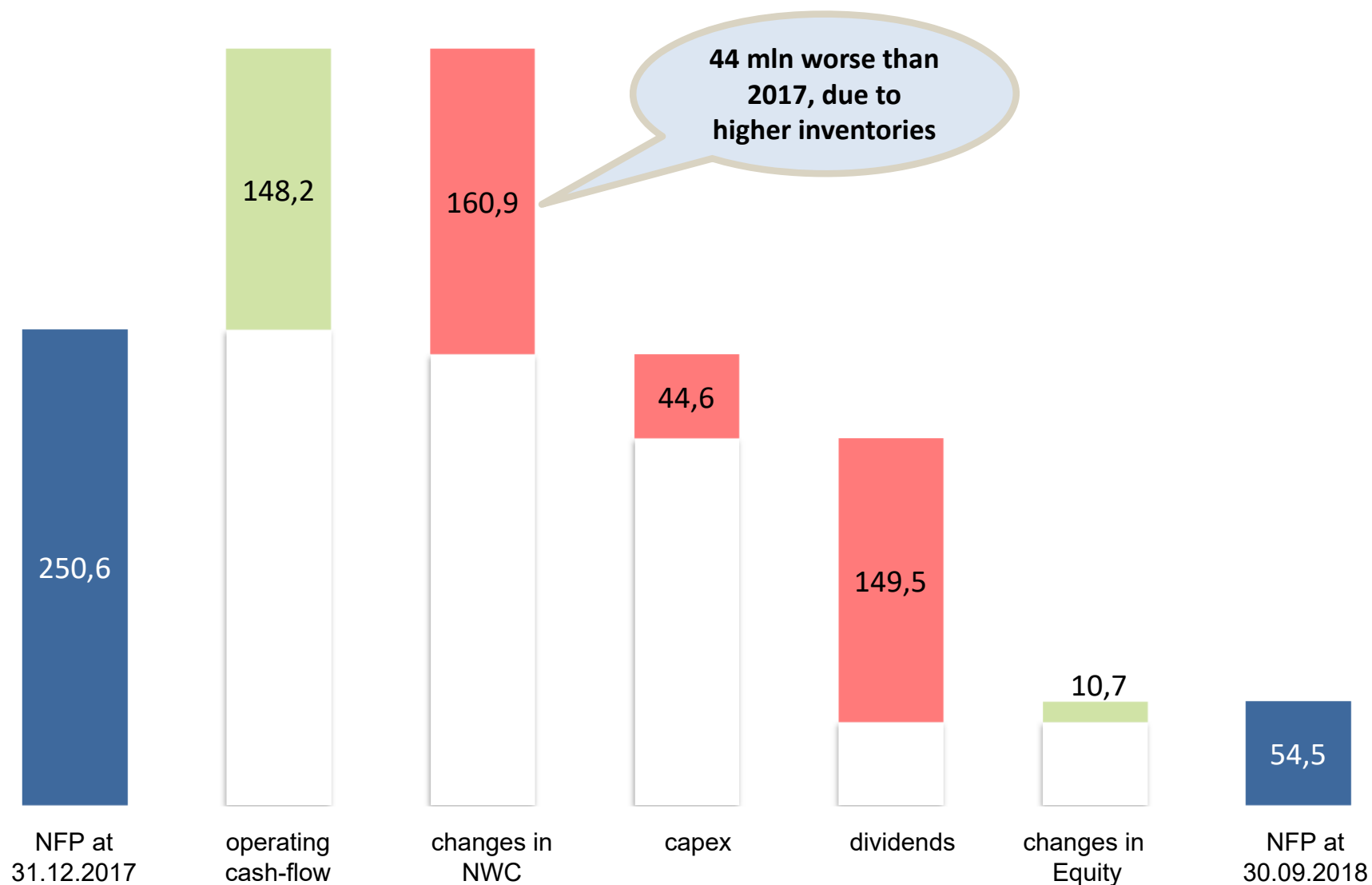
<i>EUR million</i>	Sept. 30, 2018	Sept. 30, 2017	Change	Dec. 31, 2017	Change
Net Working Capital	386,6	340,4	46,3	257,8	128,9
Net Equity	958,5	936,9	21,6	1.023,3	-64,9
Net debt / (Net cash)	-54,5	-94,6	40,1	-250,6	196,1
Net Debt / EBITDA (x) [Leverage]	-0,3	-0,6		-0,8	
N.W.C. / Revenues	19,0%	17,7%	1,3 pp	13,1%	5,9 pp

- In the 9M dividends were distributed for € 149.5 M and capex amounted to € 44.6 M, bringing the **NFP** to € 54.5 M (down from € 250.6 M at year end 2017);
- as to the **net working capital**, sustained sales growth trend and the anticipated stocking in light of the Q4 season and the impact of tariffs in USA, led to an increase in inventories, while higher A/R were offset by higher A/P.



## 9M 2018 RESULTS (*"continuing operations"*)

### THE 9M CASH FLOW PERFORMANCE



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# APPENDIX

## KEY P&L FIGURES 2016-2018 («continuing operations»)

(Euro million)	2016						2017						2018			
	Q1-16	Q2-16	H1	Q3-16	Q4-16	FULL YEAR	Q1-17	Q2-17	H1	Q3-17	Q4-17	FULL YEAR	Q1-18	Q2-18	H1	Q3-18
<b>Revenues</b>	<b>362,4</b>	<b>414,4</b>	<b>776,8</b>	<b>388,0</b>	<b>681,9</b>	<b>1.846,7</b>	<b>385,1</b>	<b>431,6</b>	<b>816,7</b>	<b>421,7</b>	<b>734,4</b>	<b>1.972,8</b>	<b>402,6</b>	<b>452,1</b>	<b>854,7</b>	<b>445,6</b>
% change y-o-y							6,3%	4,2%	5,1%	8,7%	7,7%	6,8%	4,5%	4,7%	4,6%	5,7%
net industrial margin	186,4	200,3	386,7	191,0	336,7	914,4	192,3	208,8	401,1	206,9	359,3	967,3	198,0	209,0	407,1	210,5
%	51,4%	48,3%	49,8%	49,2%	49,4%	49,5%	49,9%	48,4%	49,1%	49,1%	48,9%	49,0%	49,2%	46,2%	47,6%	47,2%
<b>adjusted EBITDA</b>	<b>51,5</b>	<b>55,0</b>	<b>106,6</b>	<b>51,2</b>	<b>138,0</b>	<b>295,7</b>	<b>52,5</b>	<b>54,0</b>	<b>106,5</b>	<b>53,0</b>	<b>150,0</b>	<b>309,5</b>	<b>53,4</b>	<b>55,7</b>	<b>109,1</b>	<b>53,1</b>
%	14,2%	13,3%	13,7%	13,2%	20,2%	16,0%	13,6%	12,5%	13,0%	12,6%	20,4%	15,7%	13,3%	12,3%	12,8%	11,9%
EBITDA	51,5	52,3	103,9	50,2	137,9	291,9	51,6	53,0	104,7	50,5	148,5	303,7	52,4	52,6	105,0	52,1
%	14,2%	12,6%	13,4%	12,9%	20,2%	15,8%	13,4%	12,3%	12,8%	12,0%	20,2%	15,4%	13,0%	11,6%	12,3%	11,7%
EBIT	39,4	40,3	79,8	37,4	122,1	239,3	38,9	38,9	77,9	35,3	132,2	245,4	39,3	38,6	77,9	35,0
%	10,9%	9,7%	10,3%	9,7%	17,9%	13,0%	10,1%	9,0%	9,5%	8,4%	18,0%	12,4%	9,7%	8,5%	9,1%	7,9%
Profit before Taxes	32,9	33,7	66,6	30,3	130,9	227,8	32,9	43,7	76,6	32,9	119,8	229,2	32,2	36,6	68,8	30,0
Taxes	(7,9)	(9,0)	(16,9)	(7,9)	(34,5)	(59,3)	(7,2)	(11,9)	(19,1)	0,4	(30,8)	(49,5)	(5,8)	(7,1)	(12,9)	(4,0)
Profit / (Loss) pertaining to the Group	24,8	24,6	49,4	22,3	95,9	167,7	25,6	31,8	57,5	33,3	89,0	179,7	26,4	29,5	55,9	26,0
%	6,8%	5,9%	6,4%	5,8%	14,1%	9,1%	6,7%	7,4%	7,0%	7,9%	12,1%	9,1%	6,6%	6,5%	6,5%	5,8%

# THANK YOU

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