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# De'Longhi Group: FY 2015 results

**DēLonghi Group**



**KENWOOD**

**BRAUN**

***Ariete***

# De'Longhi Group: FY 2015 results

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## Disclaimer

*For the purpose of providing greater details, in some cases we may refer to management accounts' figures (instead of reported figures), as expressly indicated in the footnotes of the relevant pages.*

# De'Longhi Group: FY 2015 results

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- **FY 2015 results**

Appendix 1:

- Key P&L figures 2014-2015

# FY 2015 results

## Results overview

### Revenues

- **FY 2015 revenues were up +9.5%, or +6.6% excluding € 50.1 million positive currency impact**, within a competitive market environment

### Markets

- **Europe** delivered sustained growth (+7.1% reported):
  - **South-West Europe** grew +9.8%, led by Italy, Iberia (Spain and Portugal), Austria and Switzerland
  - **North-East Europe** grew +2.9%, driven by UK as well as by several Eastern European countries (i.e. Poland, Czech Republic, Slovakia, Hungary) and despite a very unfavorable contribution from Russia and Ukraine, negatively affected also by a material devaluation of local currencies
    - Excluding Russia and Ukraine, the North-East Europe area grew by 10.9 % year over year
- **APA** (Asia, Pacific, Americas) reported a double-digit growth (+17.1%), helped by a favorable foreign exchange impact:
  - Many core markets led the growth, such as USA, Canada, China, South Korea, Brazil and Mexico
  - Oceania (Australia and New Zealand) and Japan grew at a single digit pace, while other markets were softer than in 2014 (e.g. Malaysia and Singapore)
- **MEIA** (Middle East, India, Africa) ended 2015 with a 10.1% growth versus 2014 thanks to a positive currency contribution, led by Saudi Arabia and Israel

# FY 2015 results

## Results overview (cont'd)

### Products

- **Espresso coffee makers grew double-digit**, led by fully automatic machines, manual machines and by internally-manufactured capsule machines (Nespresso “Lattissima” range and “Jovia” DolceGusto)
- **Food preparation grew low-mid single-digit**, led by fryers (thanks to the De’Longhi *Multifry* range) as well as by other small kitchen appliances such as kettles, mixers and food processors
- **Home care segment grew mid-high single-digit**, thanks to a **double-digit growth for the ironing business, led by Braun-branded ironing systems**, which compensated a decline in floor care
- **The comfort business grew double-digit**: warm weather conditions during summer led to a high double-digit growth of air conditioners sales, which more than offset a decline in heaters sales, due to a mild winter season

### Margins

- **EBITDA and EBIT improved** despite a very negative FX impact (€ -37 M on EBITDA)
  - Strong operating leverage thanks to growing volumes and positive price and mix effects
  - Lower transportation costs (as a % of revenues) helped by ramp up of Romanian plant and by lower oil price

### Financial Position

- **Net cash position at 2015 year end of €189 million**:
  - € 99.9 million net cash generation after € 61.3 million dividends paid in the period and € 53.3 million investments, of which 8.9 million are extraordinary.

# FY 2015 results

## Sales and net industrial margin

<i>EUR million</i>	FY 2015	FY 2014	<i>Change FY 2015 - FY 2014</i>	
Sales	1,891.1	1,726.7	164.4	9.5%
Net Ind. Margin	904.6	815.7	89.0	10.9%
<i>% of sales</i>	47.8%	47.2%	60bp	

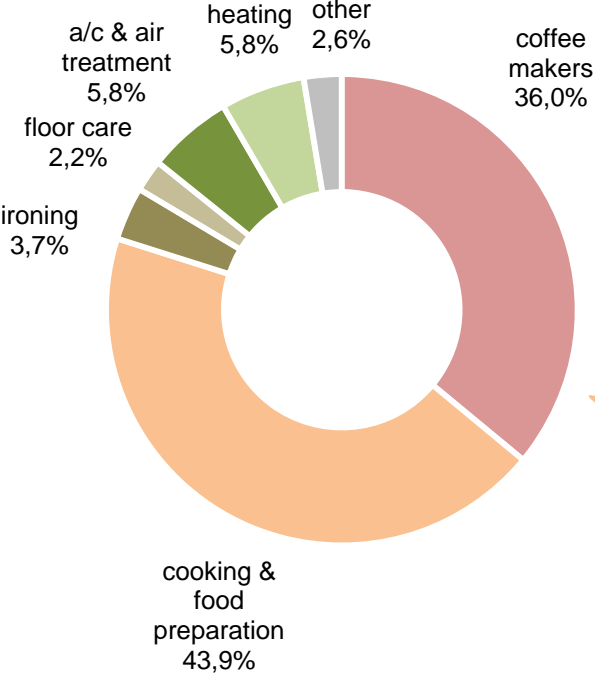
**+6.6% at constant exchange rates**

- Sales were up by 9.5% in 2015 (+6.6% at constant exchange rates)
  - Strong contribution to growth from APA (helped also by exchange rates) and Europe, led by the South-West Europe area, up +9.8%; Russia and Ukraine were down, limiting growth of the North-East Europe area (+2.9%, or +10.9 % excluding Russia and Ukraine)
  - MEIA (Middle East, India, Africa) was up 10.1%, entirely thanks to exchange rates movements
- Net industrial margin increased to € 904.6m, up from 47.2% from 47.8% as a percentage of revenues (50.3% at constant FX), thanks to volumes' expansion, a better product mix and price increases.

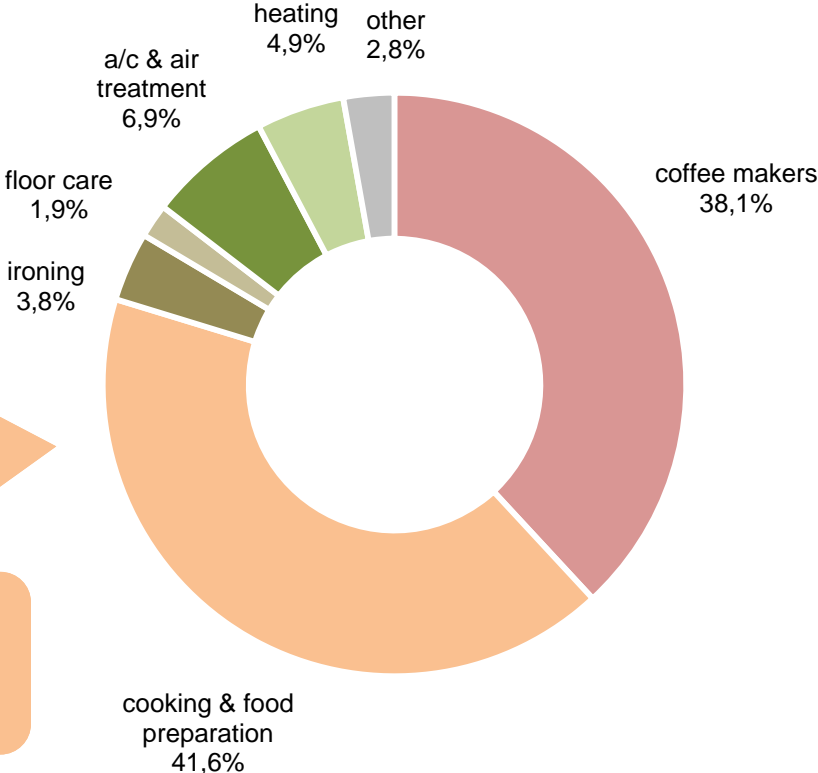
# FY 2015 results

## Sales' breakdown by product<sup>(1)</sup>

2014 sales breakdown by product



2015 sales breakdown by product



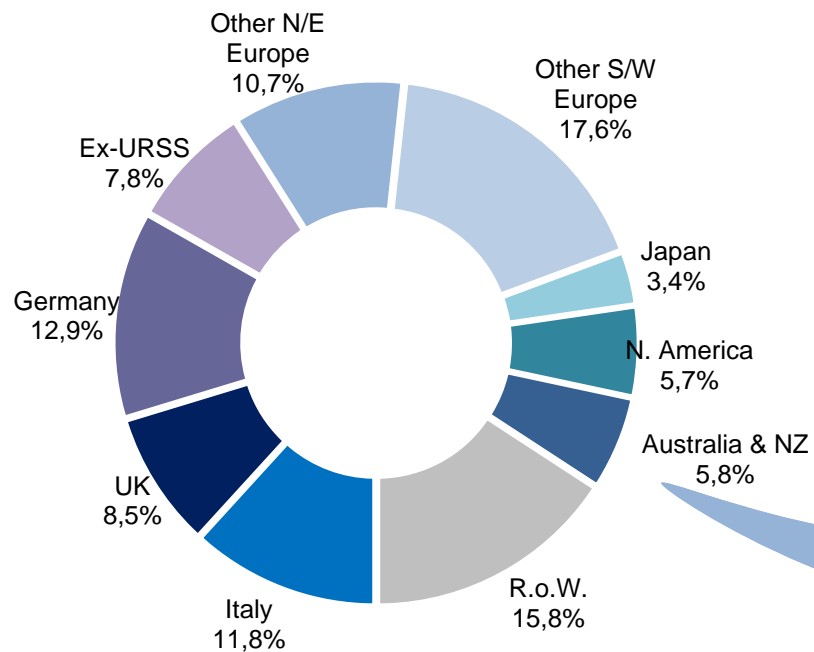
Very strong coffee makers' performance, with **core drivers** representing **80% of revenues**

(1) Figures based on management accounts

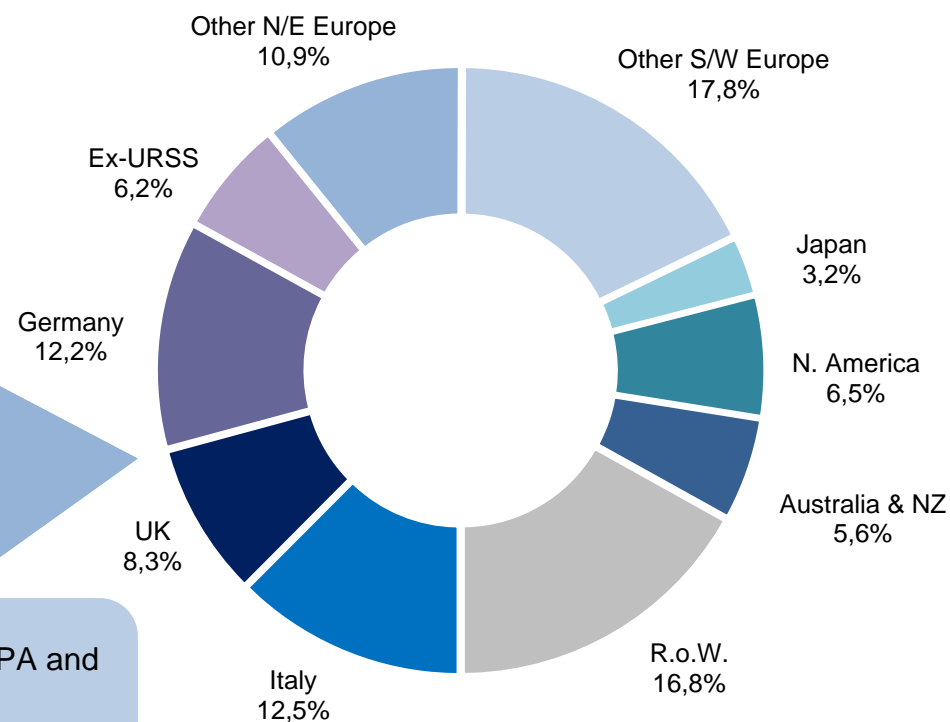
# FY 2015 results

## Sales' breakdown by market

### 2014 sales breakdown by market



### 2015 sales breakdown by market



○ Very strong performance in APA and Europe  
○ Adverse market conditions in Russia and Ukraine



# FY 2015 results

## EBITDA and EBIT

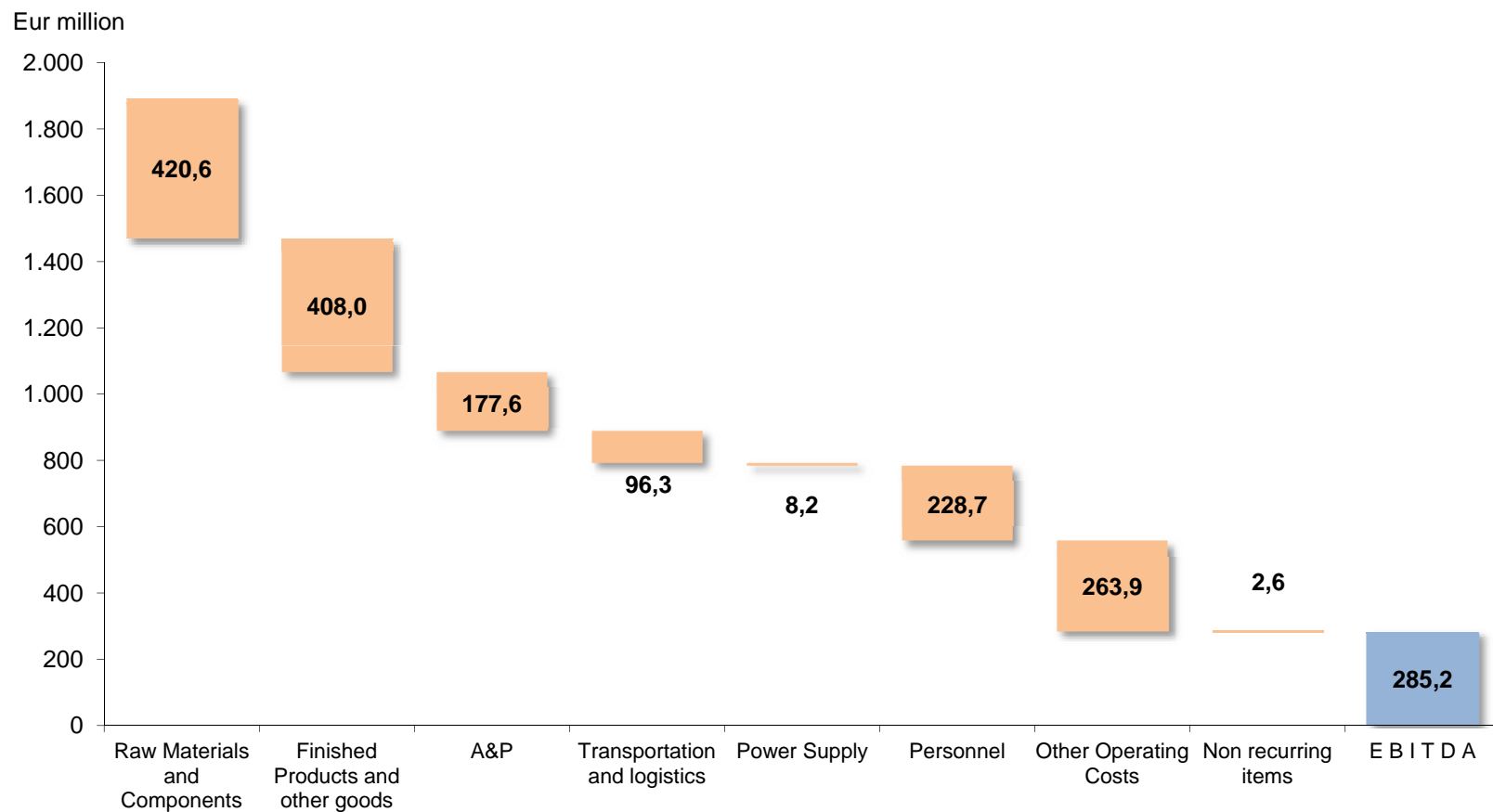
<i>EUR million</i>	FY 2015	FY 2014	<i>Change FY 2015 - FY 2014</i>	
EBITDA	287.8	260.1	27.7	10.6%
before non recurring items				
<i>% of sales</i>	15.2%	15.1%	15bp	
EBITDA	285.2	259.6	25.6	9.9%
<i>% of sales</i>	15.1%	15.0%	+5bp	
EBIT	232.7	212.7	19.9	9.4%
<i>% of sales</i>	12.3%	12.3%	-2bp	

FX impact on EBITDA €37 million

- EBITDA margin before non-recurring items improved by 15 basis points (+5 bps as reported), despite an adverse foreign exchange impact of € -37 million, thanks to increasing volumes, price increases and positive mix effect

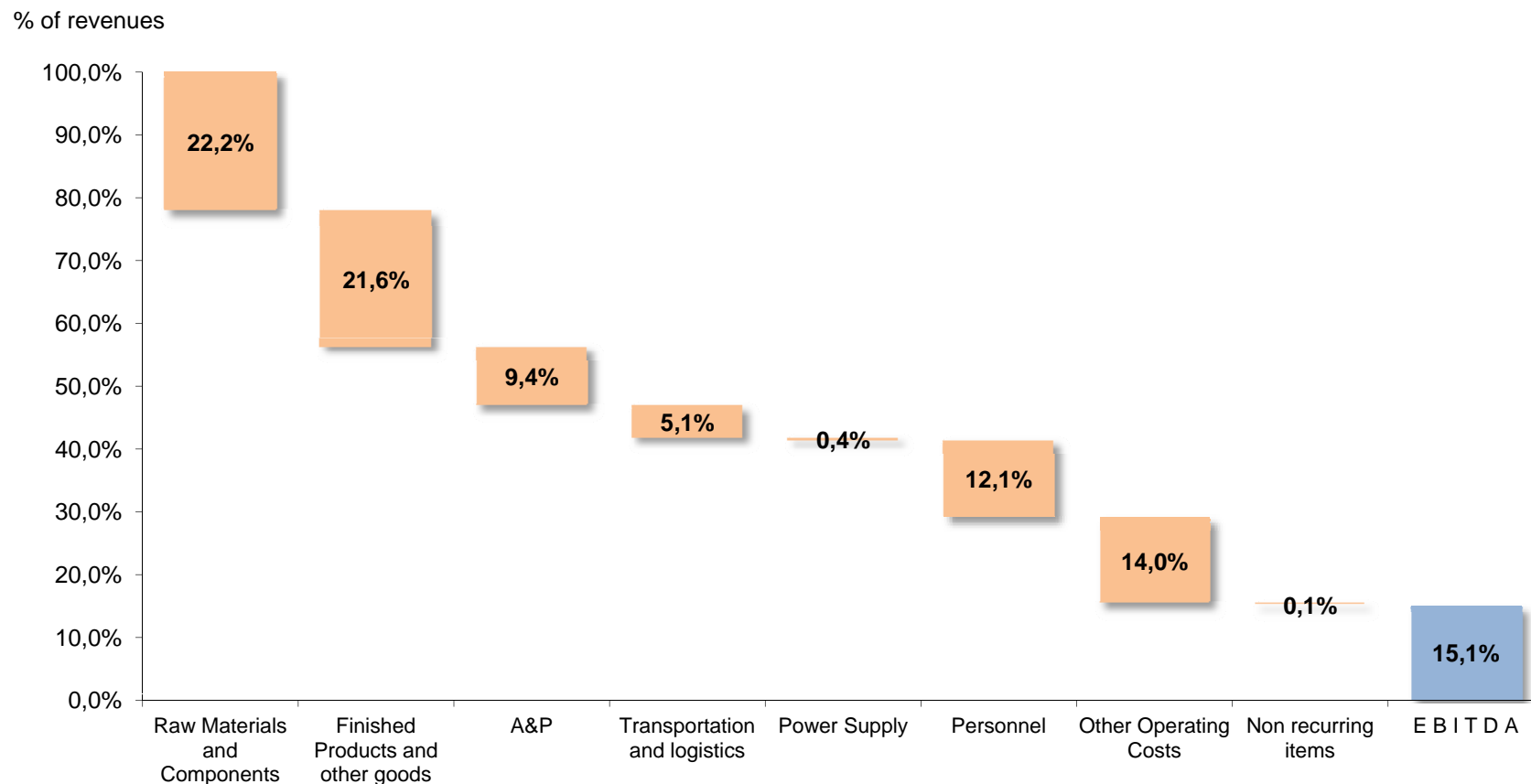
# FY 2015 results

## Costs contribution to 2015 EBITDA



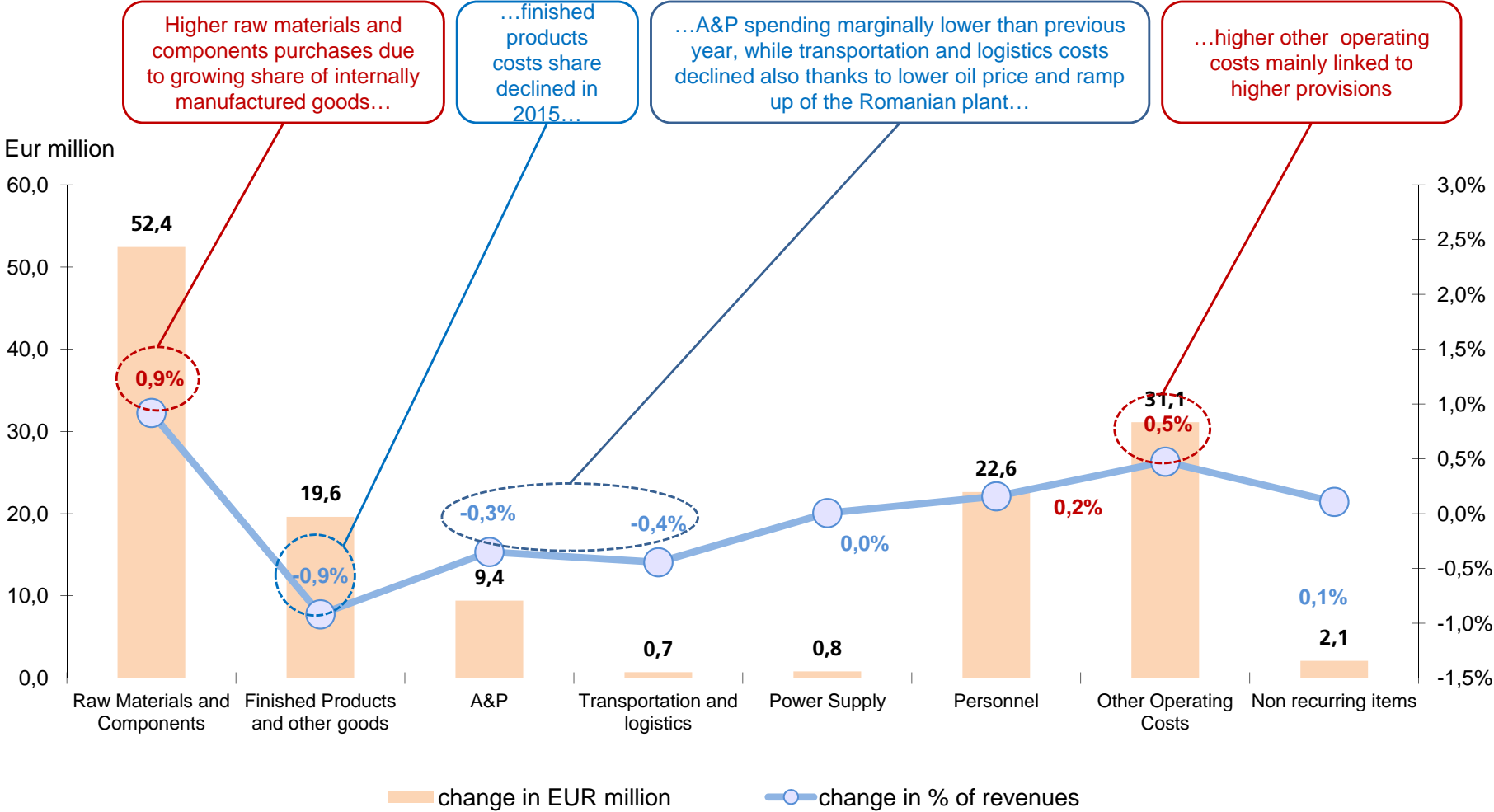
# FY 2015 results

## Costs contribution to 2015 EBITDA (% of revenues)



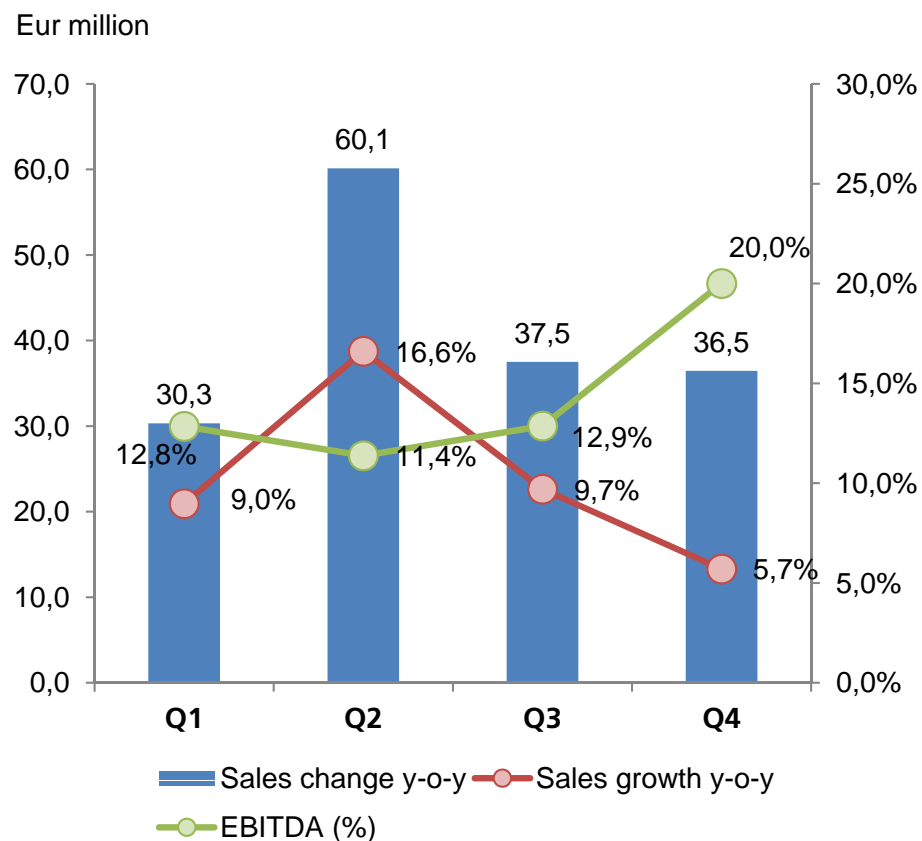
# FY 2015 results

## Operating costs changes 2015 vs 2014



# FY 2015 results

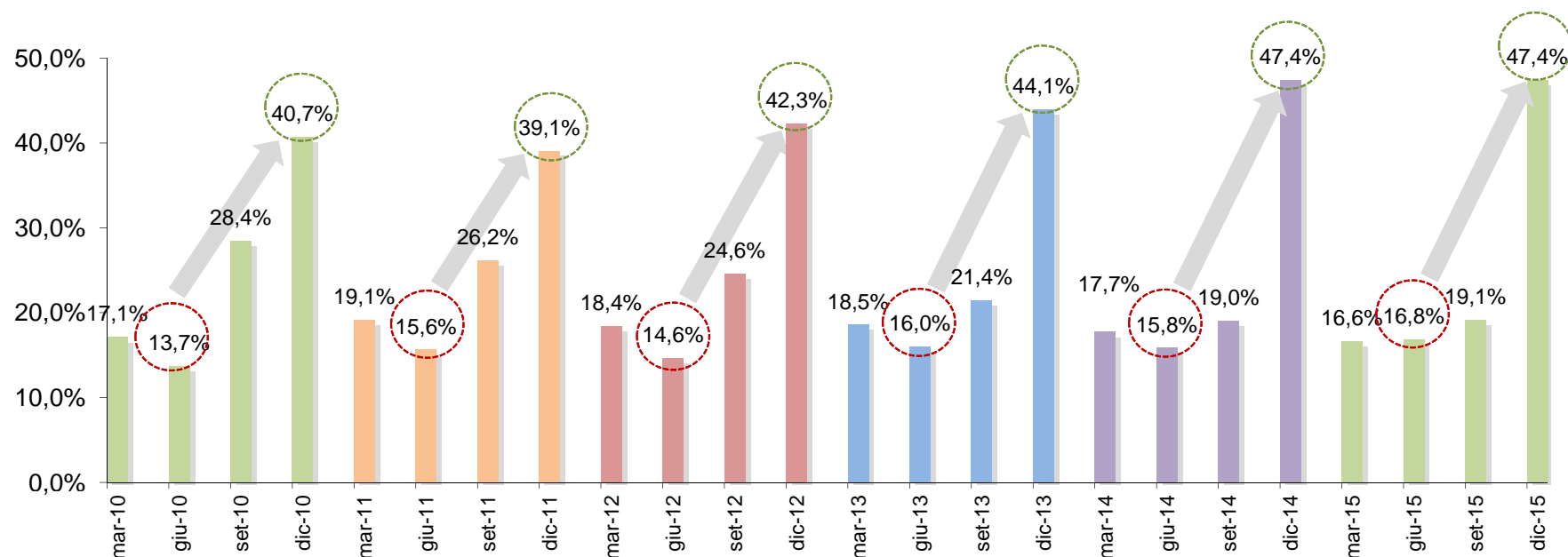
## Performance by quarter<sup>(1)</sup>



- On a quarterly basis, growth has been achieved throughout the year, with Q4 facing a more difficult comparison base
- Despite a material foreign exchange effect, profitability was protected, **reaching 20% in Q4** thanks to a very strong product mix and to the effect of price increases

# FY 2015 results

## Contribution of quarters to annual EBITDA<sup>(1)</sup>



- Contribution to total EBITDA of each quarter varies significantly throughout the year, but the pattern is stable
- Q4 represents on average more than 40% of the FY EBITDA, while Q2 is the weakest quarter in terms of contribution

<sup>(1)</sup> 2010 and 2011 data are based on pro-forma unaudited figures for the Household division. FY 2013 figures were restated following the deconsolidation of the TCL joint venture

# FY 2015 results

## EPS

<i>EUR million</i>	FY 2015	FY 2014	<i>Change FY 2015 - FY 2014</i>	
Net Profit pertaining to the Group	149.5	126.5	23.0	18.2%
% of sales	7.9%	7.3%	58bp	
EPS	1.00	0.85		18.2%
Dividend PS	0.44 <sup>(1)</sup>	0.41		7.3%
Payout ratio	44.0% <sup>(1)</sup>	48.4%		

- Net profit substantially higher than 2014 despite higher D&A following the industrial investments carried out
- Proposed dividend per share €0.44, representing a 44.0% payout ratio

(1) Proposed dividend per share to be ratified by the AGM scheduled on April 14, 2016

# FY 2015 results

## The financial position

<i>EUR million</i>	FY 2015	FY 2014	Change FY 2015 - FY 2014
Net Working Capital	250,4	236,2	14,2
Net Equity (excl. Minorities)	902,9	783,2	119,6
Net Debt / (Net Cash)	-188,9	-89,0	-99,9
Net Debt / (Net Cash) vs banks&third party lenders <sup>(1)</sup>	-210,1	-113,2	-96,9
Net Debt / Equity (x) [ <i>Gearing</i> ]	-0,21x	-0,11x	
Net Debt / EBITDA (x) [ <i>Leverage</i> ]	-0,66x	-0,34x	
N.W.C. / Revenues	13,2%	13,7%	
Inventory / Revenues	17,1%	18,4%	

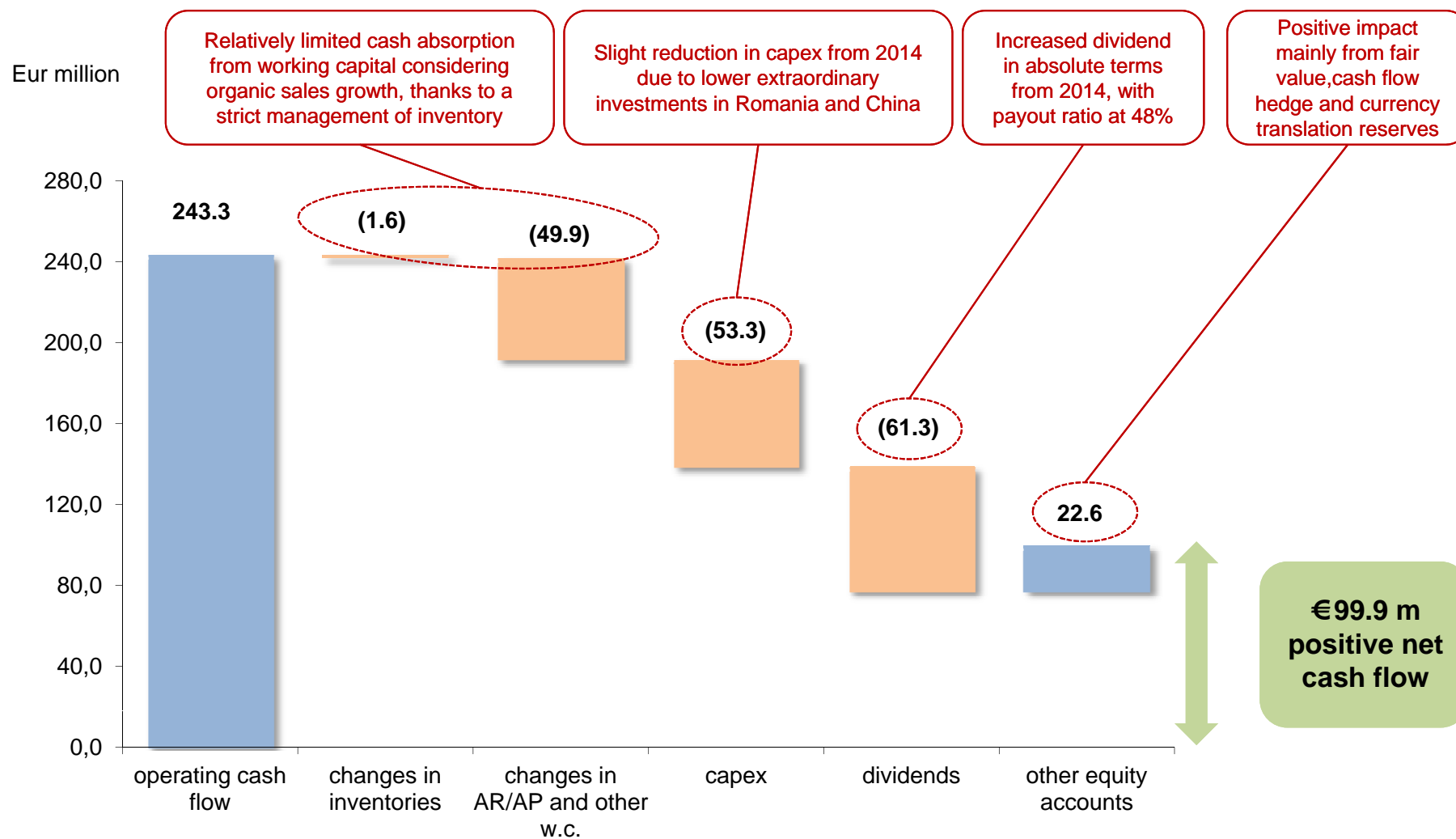
- Very strong balance sheet and sustained cash generation even after record dividends and high capex
- **Tight control over working capital** led to a continued improvement of working capital to sales ratio from 13.7% from 13.2%, despite lower recourse to securitization (outstanding amount of securitized receivables as of Dec 31st 2015 declined by € 6.8 million from end-2014)

*(1)Excludes fair value of derivatives and cash flow hedge reserves, the Braun earn-out and the fair value associated with pension plan*



# FY 2015 results

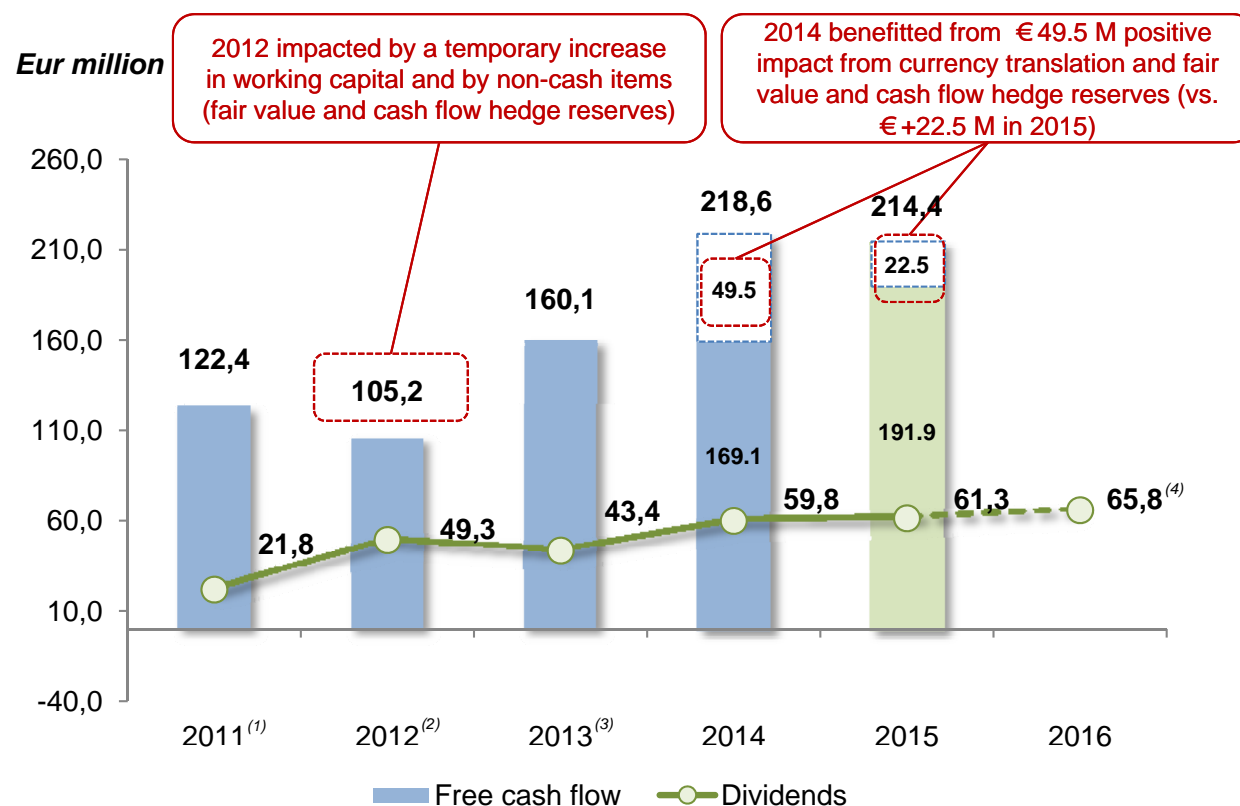
## The cash flow performance



# FY 2015 results

## Strong free cash flow generation

### Household division pro-forma Free Cash Flow performance (before dividend and capex) (excluding Braun acquisition)



- A growing free cash flow generation across the years, which can support a sustained dividend pay-out together with high industrial investments
- €214.4 million of cash generated in 2015 before dividends and capex

(1) Data restated for the Eur 150.0m capital contribution to the Professional division

(2) Data restated for the Eur 171.8m Braun Household acquisition

(3) Data restated following the deconsolidation of the TCL joint venture

(4) Dividend proposal made by the BoD to be voted at the April 14th 2016 AGM

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- FY 2015 results

Appendix 1:

- **Key P&L figures 2014-2015**

# Appendix 1

## Key P&L figures 2014-2015

	2014					2015				
	Q1-14	Q2-14	Q3-14	Q4-14	FULL YEAR	Q1-15	Q2-15	Q3-15	Q4-15	FULL YEAR
(Euro million)										
Revenues	338.1	362.0	386.8	639.8	1,726.7	368.4	422.2	424.3	676.3	1,891.1
<i>% change y-o-y</i>	7.1%	4.4%	6.4%	8.2%	6.8%	9.0%	16.6%	9.7%	5.7%	9.5%
net industrial margin	161.0	166.4	182.9	305.3	815.7	175.2	194.3	202.8	332.4	904.6
<i>%</i>	47.6%	46.0%	47.3%	47.7%	47.2%	47.5%	46.0%	47.8%	49.2%	47.8%
Ebitda (before not rec.)	46.1	41.1	49.4	123.5	260.1	47.3	48.0	54.6	137.9	287.8
<i>%</i>	13.6%	11.3%	12.8%	19.3%	15.1%	12.8%	11.4%	12.9%	20.4%	15.2%
EBITDA	46.1	41.1	49.4	123.0	259.6	47.3	48.0	54.6	135.3	285.2
<i>%</i>	13.6%	11.4%	12.8%	19.2%	15.0%	12.8%	11.4%	12.9%	20.0%	15.1%
EBIT	35.4	29.9	38.0	109.5	212.7	35.1	35.3	41.4	120.9	232.7
<i>%</i>	10.5%	8.2%	9.8%	17.1%	12.3%	9.5%	8.4%	9.8%	17.9%	12.3%
Profit before Taxes	23.7	21.5	28.3	97.4	171.0	24.2	27.2	33.2	114.6	199.1
Taxes	(6.6)	(5.4)	(6.9)	(24.9)	(43.8)	(6.9)	(7.0)	(8.0)	(27.4)	(49.3)
Profit / (Loss) for the period	17.2	16.1	21.5	72.5	127.2	17.2	20.2	25.2	87.2	149.8
Profit / (Loss) pertaining to minority interests	0.1	0.2	0.2	0.2	0.7	(0.1)	0.1	0.2	0.1	0.3
Profit / (Loss) after minority interests	17.1	15.9	21.2	72.3	126.5	17.4	20.0	25.0	87.1	149.5

# Thank you!

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