De'Longhi Group: H1 2014 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.

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Results overview

- **H1 2014 revenues were up +5.7% (+10.2% at constant currencies)**, despite a competitive market environment
- **Adverse ForEx** impact weighted also margins
  - Industrial margin was hit by Eur -20.0m FX contribution, while EBITDA was impacted by Eur -11.5m
- **By market:**
  - **Europe** delivered strong growth (+7.7% reported):
    - **North-East Europe** grew (+15.1%) driven by UK, Russia (slow 2013), Nordic Countries, Czech Republic
    - **South-West Europe** grew +3.7%, led by Spain, France, Portugal, and – to a lesser extent – Germany and Italy
  - **APA** (Asia, Pacific, Americas): flattish revenues (+0.4%) as a result of:
    - strong growth in USA, Japan, South Korea and Brazil
    - negative performance in Oceania (Australia & New Zealand), due to a combination of negative markets, comepetitive environment and AUD & NZD devaluations versus EUR
  - **MEIA** (Middle East, India, Africa) consolidated a very strong H1 2013 revenue increase (+50.6%), with a 5.8% increase, led by Saudi Arabia and Israel.

(1) Figures based on management accounts.

The Group H1 2014 results

Results overview (cont'd)

- **By product:**
  - Strong performance in kitchen machines (Kenwood brand), other kitchen appliances (Braun brand); also, positive growth for the coffee makers (led by DolceGusto, fully automatic and "pump" machines) as well as for the comfort and home care businesses

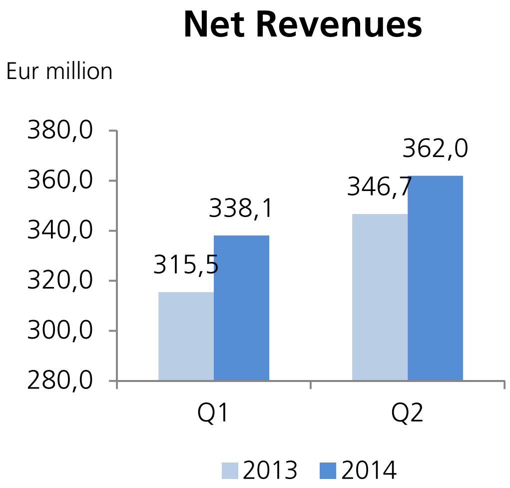
- **EBITDA and EBIT** improved in absolute value and were stable as a % of revenues:
  - lower costs for services, positive mix effect and higher volumes offset by…
  - …negative FX impact, negative price effect (due to promotions on some low-end appliances) and slightly higher non-industrial labor cost

- **Net bank debt** (Eur 9.0 million):
  - down from Eur 20.3 million at June 30th, 2013 despite Eur 59.8 million dividends paid in the period and Eur 21.8 million extraordinary investments in China and Romania

The Group H1 2014 results

Revenues and net industrial margin

EUR million	H1 2014	H1 2013	*Change H1 2014 - H1 2013*	
Sales	**700,1**	**662,2**	**37,9**	*5,7%*
Net Ind. Margin	**327,5**	**326,9**	**0,6**	*0,2%*
% of sales	*46,8%*	*49,4%*	***-260bp***	



- **Revenues** up by 5.7% in H1 2014 (+10.2% at constant exchange rates):
  - Positive performance in all macro-regions
  - Strong pick-up at Braun, after a slow start in 2013
  - Very positive developments in Russia, following a problematic 2013
- **Net industrial margin** decreased from 49.4% to 46.8% due to very negative FX impact and to a negative price effect, which more than offset positive volumes and mix effects
- On a quarterly basis, revenues were up +7.1% in Q1 (+12.0% LFL) and +4.4% in Q2 (+8.6% LFL)

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EBITDA and EBIT before non-recurring items

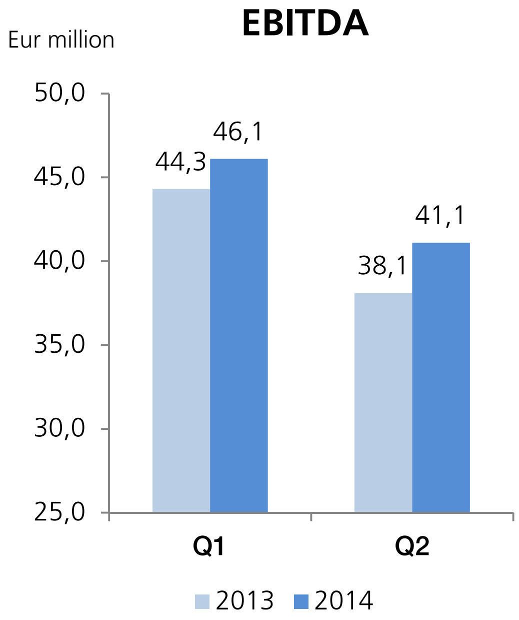
EUR million	H1 2014	H1 2013	*Change H1 2014 - H1 2013*	
EBITDA	**87,2**	**82,8**	**4,4**	*5,3%*
before non recurring items				
% of sales	*12,5%*	*12,5%*	***0bp***	
EBIT	**65,2**	**61,8**	**3,5**	*5,6%*
before non recurring items				
% of sales	*9,3%*	*9,3%*	***0bp***	

- **EBITDA before non-recurring items** was higher in absolute terms at Eur 87.2m, while it as stable as a % of revenues; a lower industrial margin was offset by lower costs for services and provisions, despite slightly higher non-industrial labor costs
- **EBIT before non-recurring items** was higher despite increased D&A (Eur +0.9 million) linked to the significant investments carried out in 2013 (e.g. Romania, China)

The Group H1 2014 results

EBITDA, EBIT and Net Profit

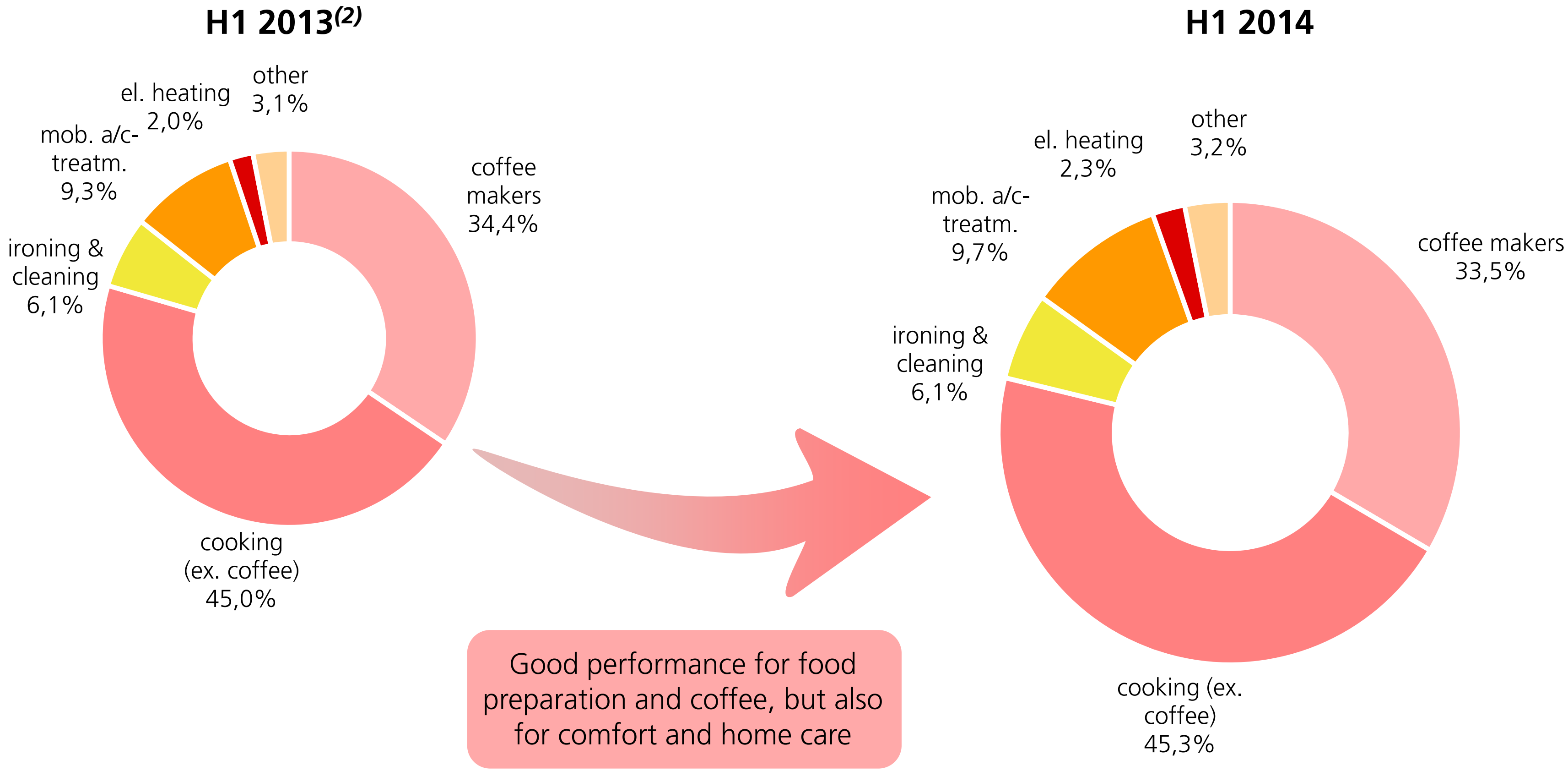
EUR million	H1 2014	H1 2013	*Change H1 2014 - H1 2013*	
EBITDA	**87,2**	**82,4**	**4,8**	*5,8%*
% of sales	*12,5%*	*12,4%*	***+10bp***	
EBIT	**65,2**	**61,3**	**3,9**	*6,3%*
% of sales	*9,3%*	*9,3%*	***+0bp***	
Net Profit pertaining to the Group	**33,0**	**31,7**	**1,3**	*4,1%*
% of sales	*4,7%*	*4,8%*	***-10bp***	



- **EBITDA** and **EBIT** after non-recurring items were up respectively +5.8% and +6.3% versus H1 2013 figures
- By quarter, EBITDA was up both in Q1 and Q2 (by Eur 1.8m and Eur +3.0m respectively)
- **Net profit** was higher than in H1 2013 (by Eur 1.3 million), despite higher D&A and higher financial charges (linked to increased FX hedging costs)

The Group H1 2014 results

Revenues breakdown by product(1)

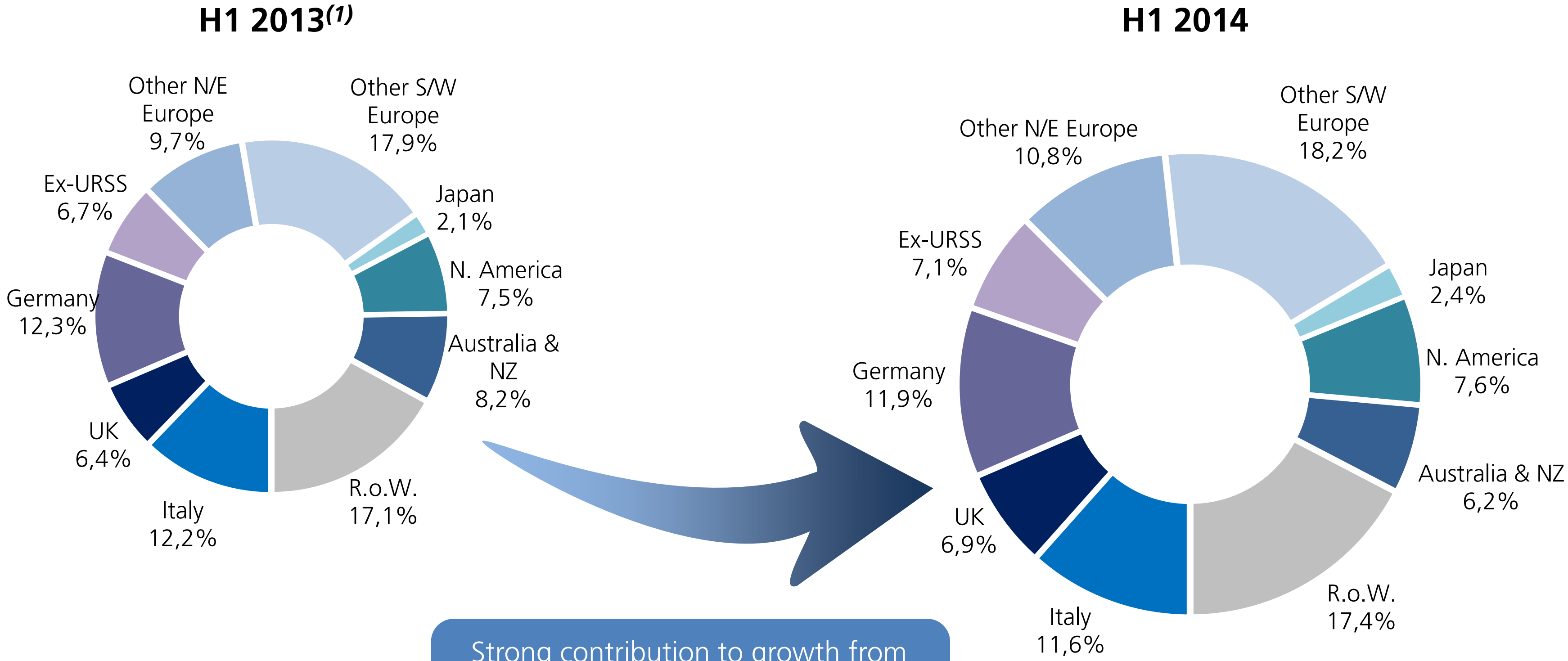


Good performance for food preparation and coffee, but also for comfort and home care

(1) Figures based on management accounts
(2) H1 2013 figures restated to exclude the De'Longhi-TCL Joint Venture from the net sales

The Group H1 2014 results

Revenues breakdown by market



Strong contribution to growth from Europe, US, Japan; very good recovery in Russia. AU&NZ still negative

(1) H1 2013 figures restated to exclude the De'Longhi-TCL Joint Venture from the net sales

The Group H1 2014 results

The net debt position

EUR million	H1 2014	FY 2013	H1 2013	*Change H1 2014 - H1 2013*
Net Working Capital	245,3	226,7	216,6	28,7
Net Equity	643,7	669,9	609,9	33,8
Net Financial Position	-65,1	-9,0	-61,7	-3,4
Net "*bank*" Financial Position (*)	-9,0	40,9	-20,3	11,3
Net Debt / Equity (x) [*Gearing*]	0,10	0,01	0,10	
N.W.C. / LTM Revenues	14,8%	14,0%	14,1%	*+70bp*

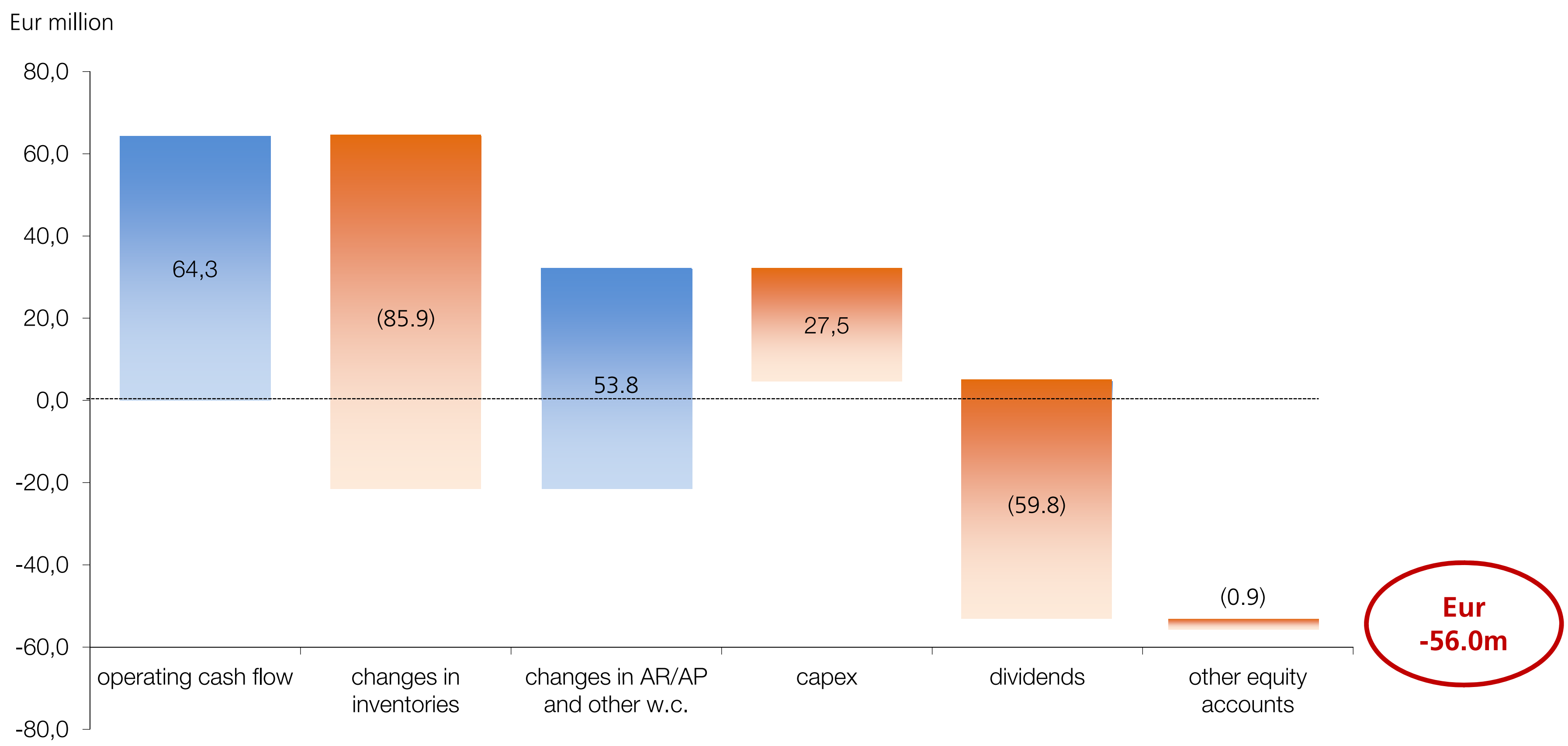
(*) *excluding non-bank liabilities*

- **Excluding non-bank liabilities worth Eur 56.1 million(1), net bank debt amounted to only Eur 9.0 million:**
  - net bank debt decreased by Eur 11.3m for the 12 months despite extraordinary industrial investments (Eur 21.8m in Romania and China), and dividends paid (Eur 59.8 million);
  - Excluding dividends and other non operating/extraordinary cash outflows, net bank debt would have improved by Eur 91.1m in the 12 months;
- Working capital to sales ratio was slightly up (from 14.1% to 14.8%) to sustain growth
- Very strong balance sheet, which leaves room to support future external growth

(1) Non-bank liabilities include: the accounting at fair value of derivatives and options, the financial debt related to an agreement on the UK pension plan and the estimated value of the potential earn-out payable to P&G

The Group H1 2014 results

The 6m cash flow performance



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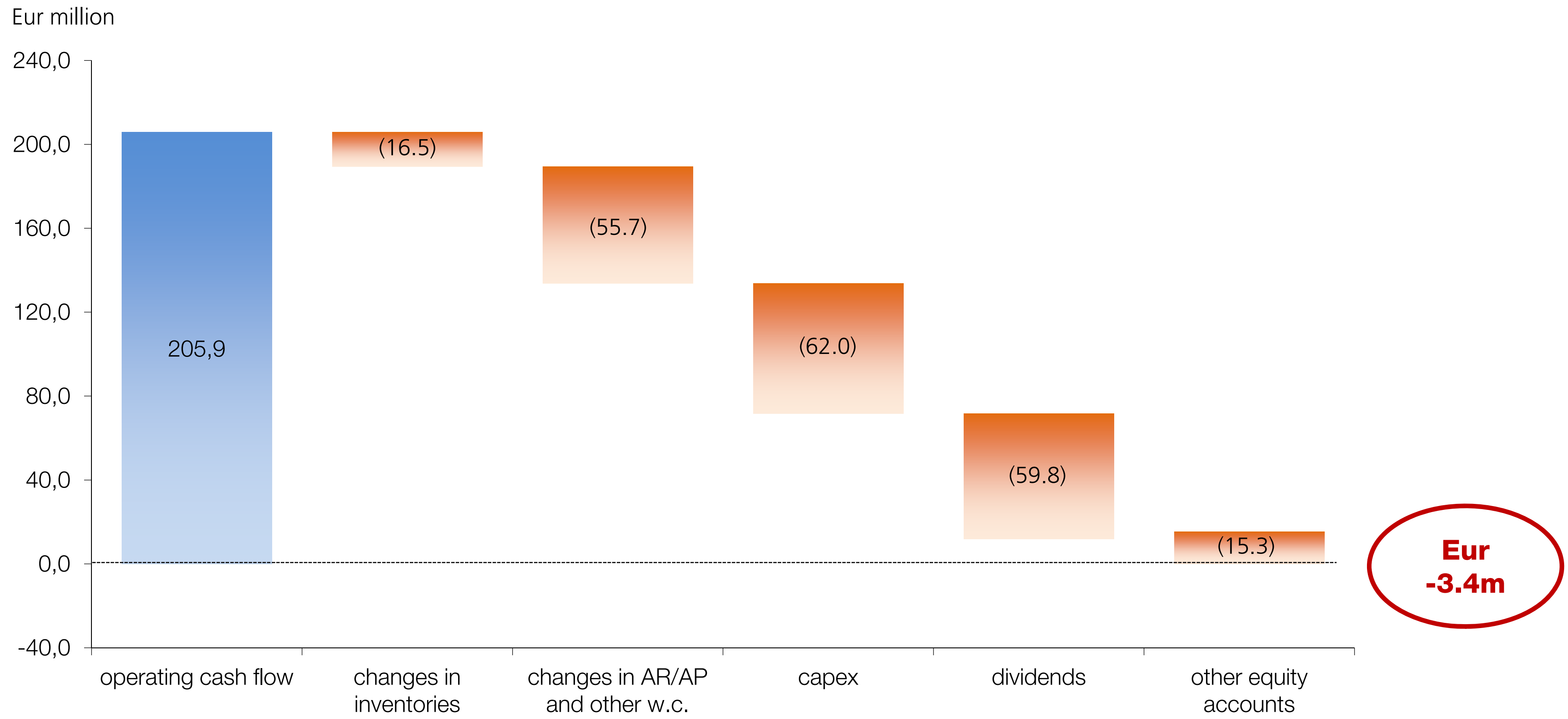
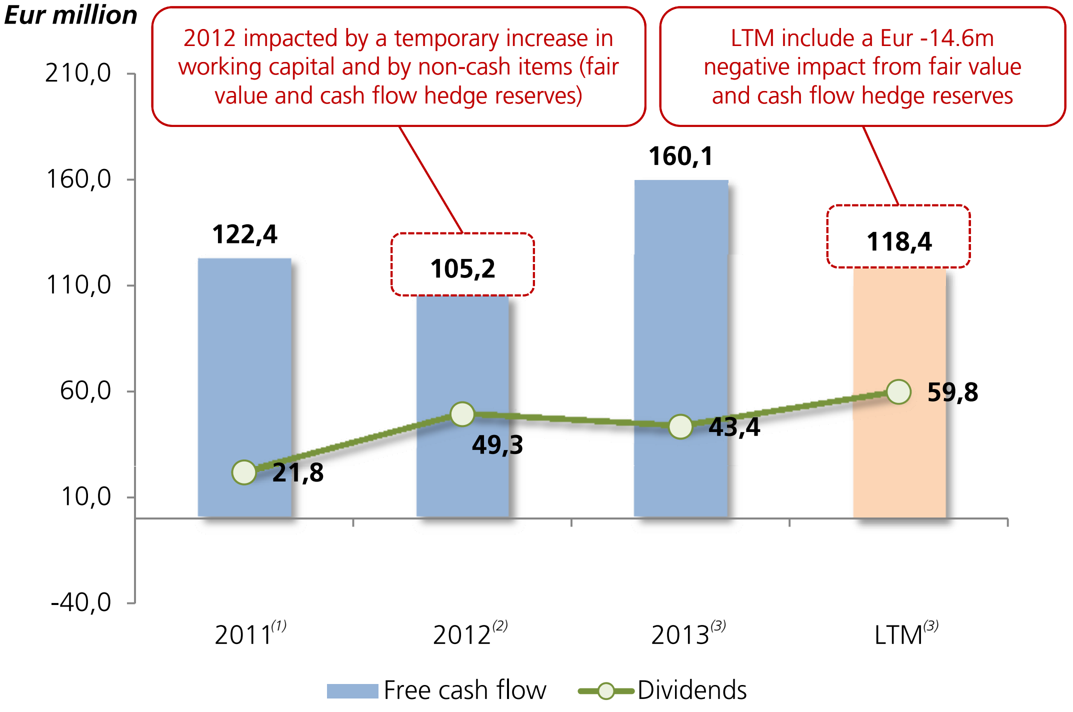
The 12m CF performance



Free cash flow generation

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



- A consistent free cash flow generation across the years, which can support a sustained dividend pay-out together with high industrial investments
- Eur 118.4 million of cash generated over the last 12 months (June 30, 2014- June 30, 2013) 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) Figures restated according to the new IFRS 11 – Joint arrangements, which affects the De'Longhi-TCL joint venture

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Appendix

Summary of 2012-2014 quarterly results

(Euro million)	2 0 1 2[(1)]						2 0 1 3[(2)]						2 0 1 4		
	Q1-12	Q2-12	HALF YEAR	Q3-12	Q4-12	FULL YEAR	Q1-13	Q2-13	HALF YEAR	Q3-13	Q4-13	FULL YEAR	Q1-14	Q2-14	HALF YEAR
Revenues	317.7	326.7	644.4	344.4	541.3	1,530.1	315.5	346.7	662.2	363.4	591.3	1,616.9	338.1	362.0	700.1
% change y-o-y	*10.4%*	*8.5%*	*9.4%*	*6.2%*	*4.9%*	*7.0%*	*n.c.*	*n.c.*	*n.c.*	*n.c.*	*n.c.*	*n.c.*	*7.1%*	*4.4%*	*5.7%*
net industrial margin	149.3	156.1	305.3	163.5	266.5	735.3	160.1	166.8	326.9	174.4	286.9	788.2	161.0	166.4	327.5
%	*47.0%*	*47.8%*	*47.4%*	*47.5%*	*49.2%*	*48.1%*	*50.7%*	*48.1%*	*49.4%*	*48.0%*	*48.5%*	*48.7%*	*47.6%*	*46.0%*	*46.8%*
Ebitda (before not rec.)	42.8	39.4	82.2	56.2	93.9	232.3	44.3	38.6	82.8	51.2	107.6	241.6	46.1	41.1	87.2
%	*13.5%*	*12.0%*	*12.8%*	*16.3%*	*17.4%*	*15.2%*	*14.0%*	*11.1%*	*12.5%*	*14.1%*	*18.2%*	*14.9%*	*13.6%*	*11.3%*	*12.5%*
EBITDA	41.4	32.9	74.2	55.3	95.0	224.6	44.3	38.1	82.4	51.2	105.4	239.0	46.1	41.1	87.2
%	*13.0%*	*10.1%*	*11.5%*	*16.1%*	*17.5%*	*14.7%*	*14.0%*	*11.0%*	*12.4%*	*14.1%*	*17.8%*	*14.8%*	*13.6%*	*11.4%*	*12.5%*
EBIT	33.6	24.6	58.2	46.3	84.5	189.0	33.8	27.5	61.3	40.9	92.2	194.3	35.4	29.9	65.2
%	*10.6%*	*7.5%*	*9.0%*	*13.4%*	*15.6%*	*12.3%*	*10.7%*	*7.9%*	*9.3%*	*11.2%*	*15.6%*	*12.0%*	*10.5%*	*8.2%*	*9.3%*
Profit before Taxes	30.8	13.2	44.0	38.4	72.2	154.6	25.9	18.0	43.9	32.5	80.5	157.0	23.7	21.5	45.3
Taxes	(7.9)	(3.5)	(11.4)	(7.2)	(17.1)	-35.7	(6.6)	(5.2)	(11.8)	(7.1)	(20.6)	(39.5)	(6.6)	(5.4)	(12.0)
Profit / (Loss) for the period	22.9	9.7	32.6	31.2	55.1	118.9	19.4	12.8	32.1	25.4	60.0	117.5	17.2	16.1	33.3
Profit / (Loss) pertaining to minority interests	0.2	0.1	0.2	0.1	0.1	0.5	0.2	0.2	0.4	0.2	0.0	0.6	0.1	0.2	0.3
Profit / (Loss) after minority interests	22.7	9.6	32.4	31.1	54.9	118.4	19.2	12.6	31.7	25.3	60.0	116.9	17.1	15.9	33.0

(1) Figures are not restated neither according to the new IAS 19 – employee benefits nor according to IFRS 11 – Joint arrangements (the De'Longhi – TCL joint venture is proportionally consolidated line by line)
(2) Data restated for IAS 19 and for IFRS 11 – Joint arrangements (the De'Longhi – TCL joint venture is accounted for at the equity method)

Thank you!

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