



# DēLonghi Group

The Group at a glance – 2017



**KENWOOD**

**BRAUN**

***Ariete***<sup>®</sup>

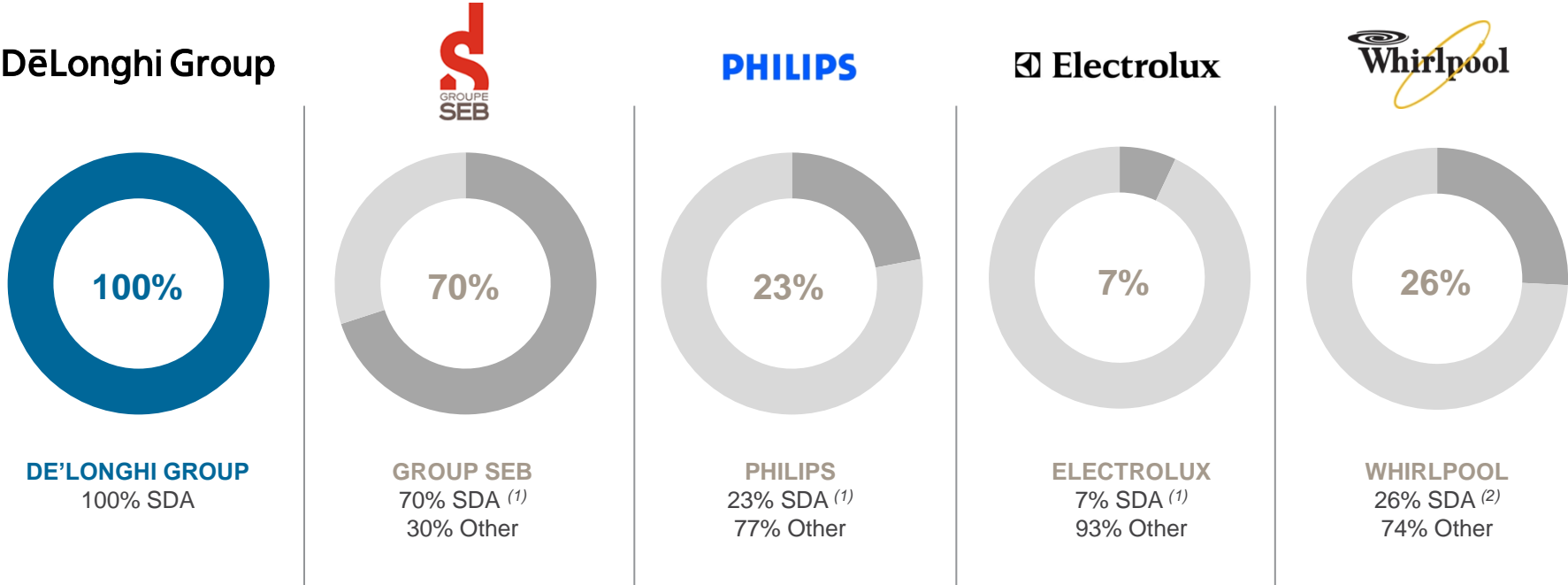
# CONTENTS

1. Group Profile
2. Value Pillars
3. Core Drivers
4. Strategic Development
5. Appendix – Quarterly Results



# GROUP PROFILE

The only listed pure-play among the leaders in Small Domestic Appliances (SDA)



Based on revenues

(1) Source: Company's 2016 annual report

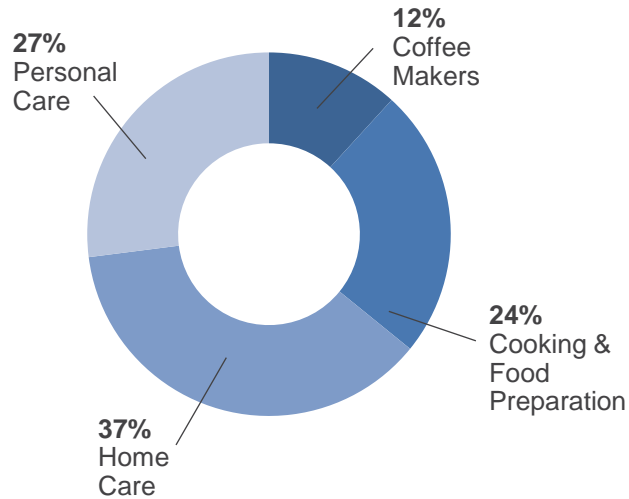
(2) Source: Company's 10-K. SDA is not disclosed separately but is assumed to represent an undisclosed portion of Whirlpool "Other" segment including Kitchen Aid, among others.

# GROUP PROFILE

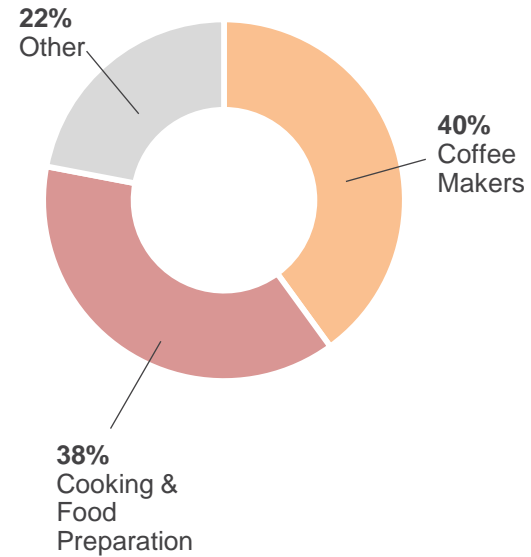
De'Longhi selective positioning in the global SDA market

Nearly **80%** of Group revenues come from **Kitchen Appliances**, namely **Coffee and Food Preparation**

World 2016 SDA market<sup>(1)</sup>  
Eur 24.7bn



De' Longhi 2016 revenues:  
Eur 1.85bn<sup>(2)</sup>



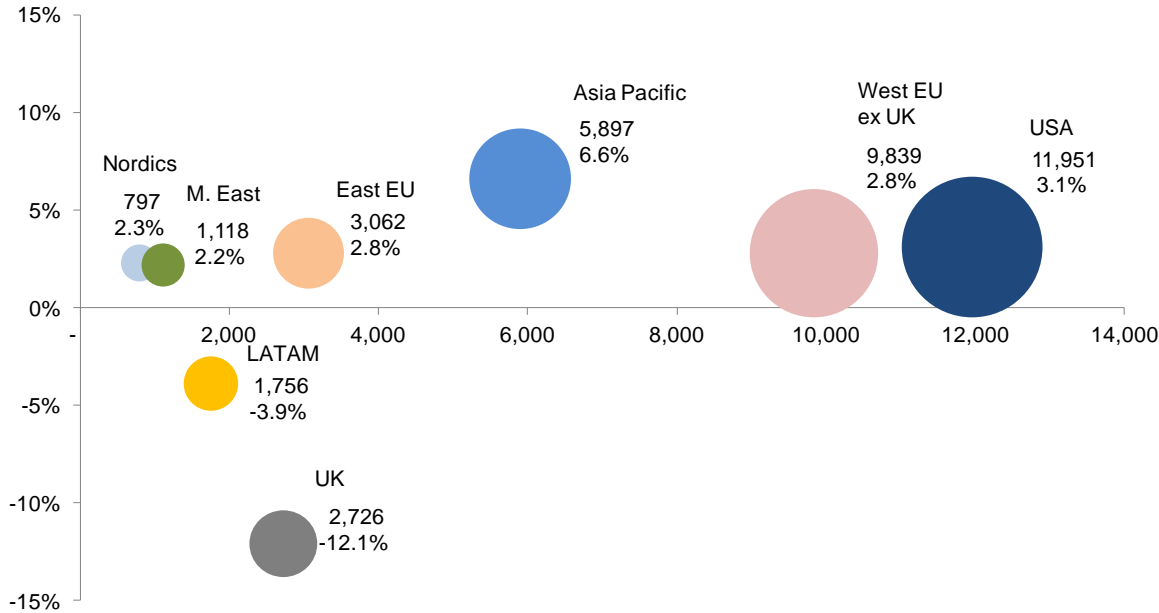
1) Internal company data, including 47 countries worldwide. Excludes US, China, India and Japan  
2) Management accounts

# GROUP PROFILE

## SDA market by geography: an opportunity for growth

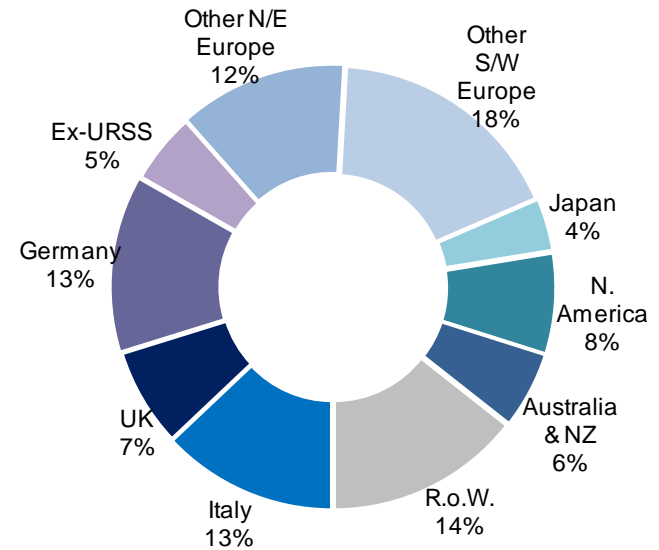
World 2016 SDA market

Sales % growth  
2016 vs 2015



Source: Internal company data. Asia Pacific does not include China and India, USA data not perfectly comparable due to different source.

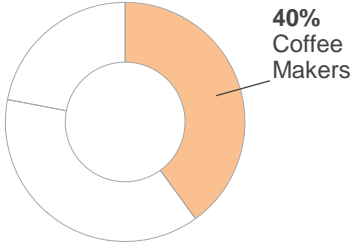
De' Longhi 2016 revenues



# GROUP PROFILE

Main competitors: coffee makers (1)

De' Longhi 2016 sales:  
Eur 1.85bn

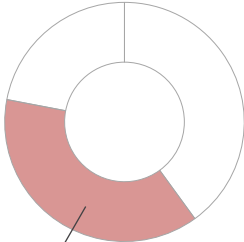


1) Based on management view. Not ranked.

# GROUP PROFILE

Main competitors: food preparation (1)

De' Longhi 2016 sales:  
Eur 1.85bn



38%  
Cooking &  
Food  
Preparation

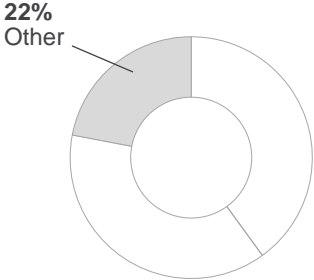


1) Based on management view. Not ranked.

# GROUP PROFILE

Main competitors: home care <sup>(1)</sup>

De' Longhi 2016 sales:  
Eur 1.85bn



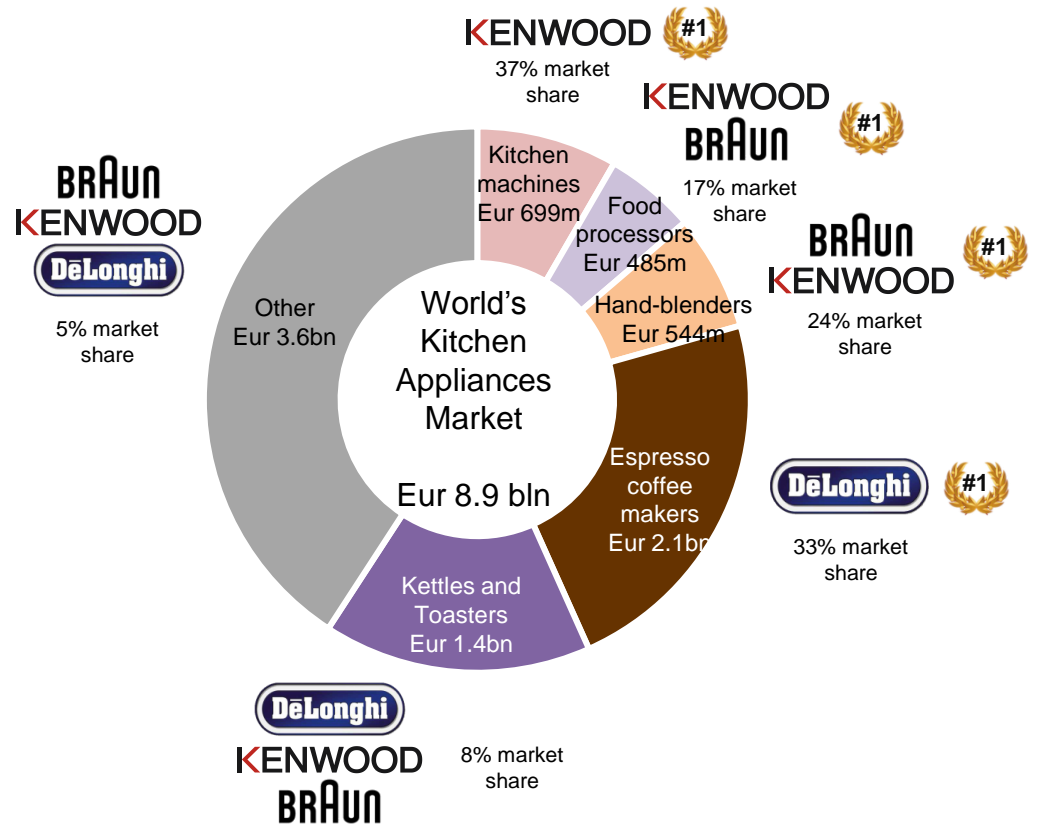
1) Based on management view. Not ranked.



# GROUP PROFILE

De'Longhi market leader:  
#1 in kitchen appliances  
worldwide <sup>(1)</sup>

De'Longhi Group brands enjoy a  
clear **global leadership** in the  
industry and its core product  
segments



(1) Internal company data, including 47 countries worldwide. Excludes US, China and India. Kettles and Toasters data panel of 39 countries.

# GROUP PROFILE

Improving product mix in favor of coffee and kitchen

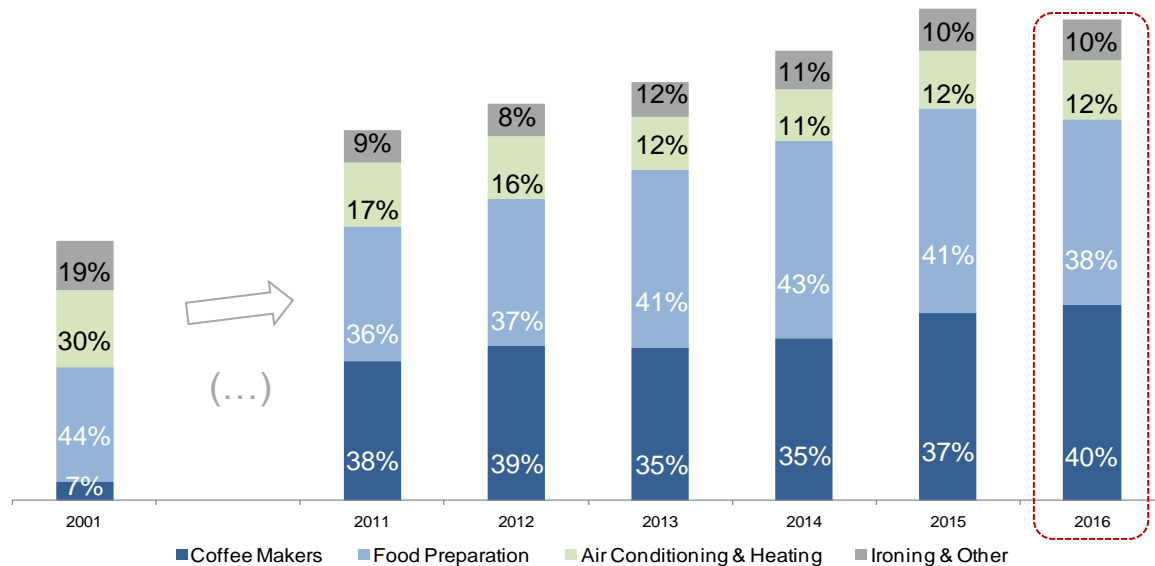
From 2001 to 2016:

Kitchen segment (coffee + food preparation) up from 51% to nearly 80%

Weather-related portable products decline from 30% to 12%

Coffee revenues from <100 Eur mln in 2001 to >700 Eur mln in 2016

De'Longhi Group revenues by product segment

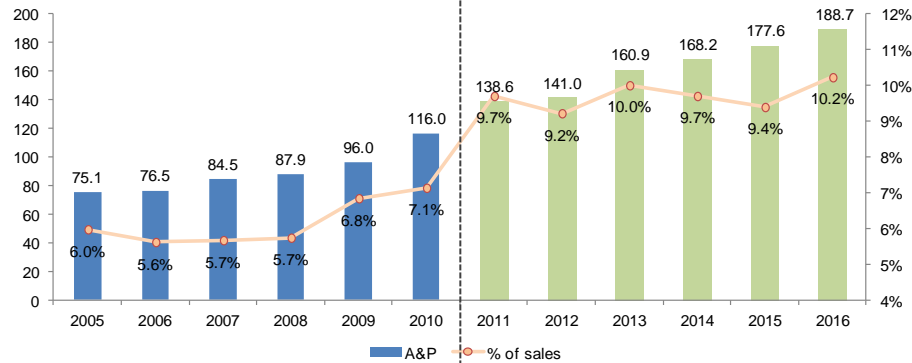


Management accounts. 2013 data restated due to the deconsolidation of the TCL joint venture

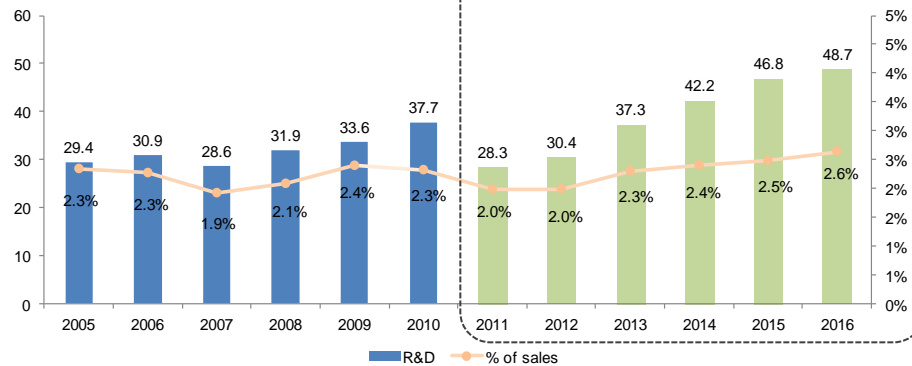
# GROUP PROFILE

A clear investment commitment over the years to retain and improve the Group's leadership position

A&P spending<sup>(1)</sup>  
Eur million

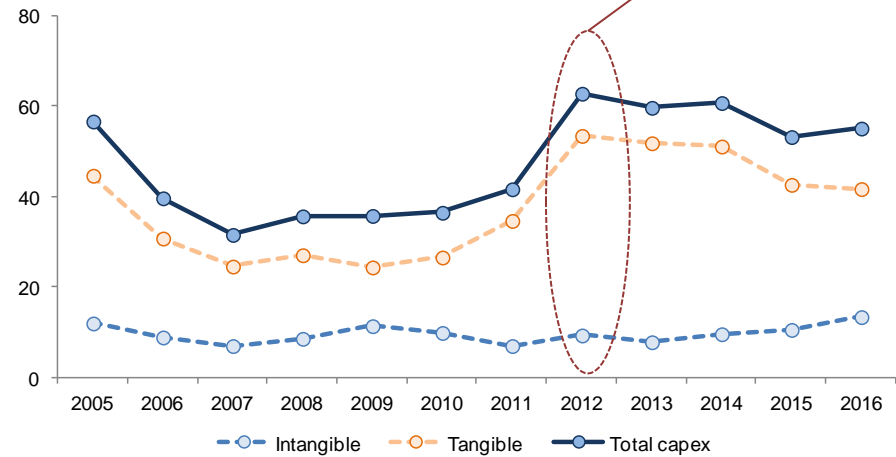


R&D spending<sup>(1)</sup>  
Eur million



De'Longhi Group  
Household only

Capex<sup>(2)</sup>  
Eur million



Peak year for capex, due to overlap of industrial investments (China, Romania)

(1) 2005-2010 data based on management accounts. 2013 figures restated for comparability due to the deconsolidation of the TCL joint venture.

(2) Pro-forma Household division figures; 2005 – 2009 data based on management accounts

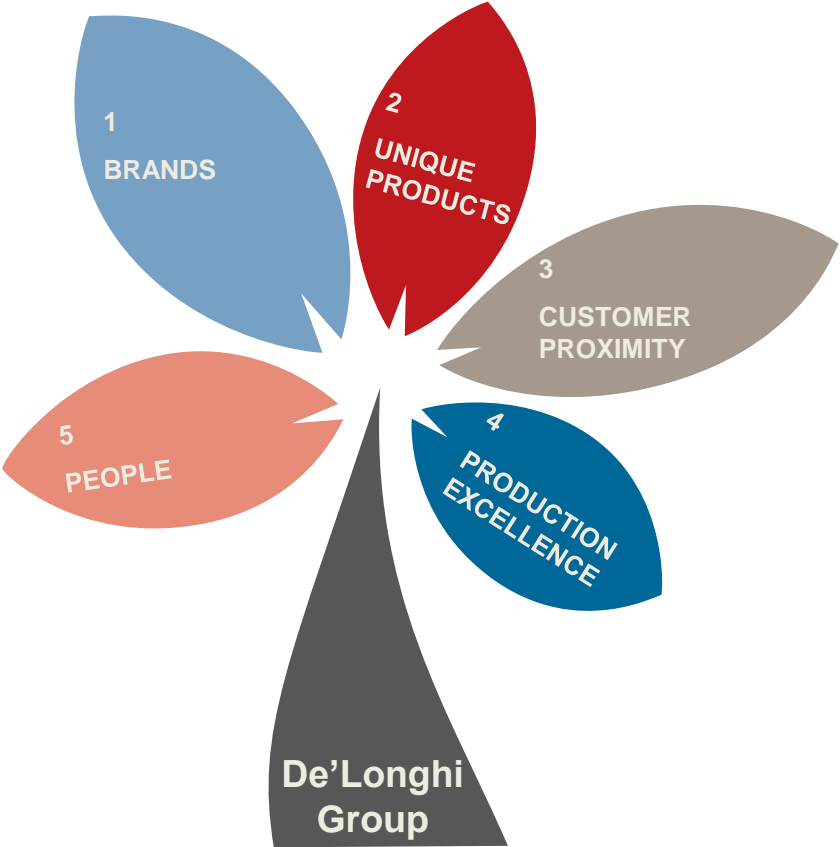
# CONTENTS

1. Group Profile
2. Value Pillars
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# VALUE PILLARS

## De'Longhi Group Value Pillars



# VALUE PILLARS

## 1. Brands



Italian Style  
Quality: Reliable  
Innovation: Performance  
Design: Distinctive



British Heritage  
Quality: Durable  
Innovation: Know how  
Design: Simple



German Heritage  
Quality: Iconic  
Innovation: Design-led  
Design: Cutting edge



Smart Solutions  
Quality: Value for money  
Innovation: Easy to use  
Design: Fun

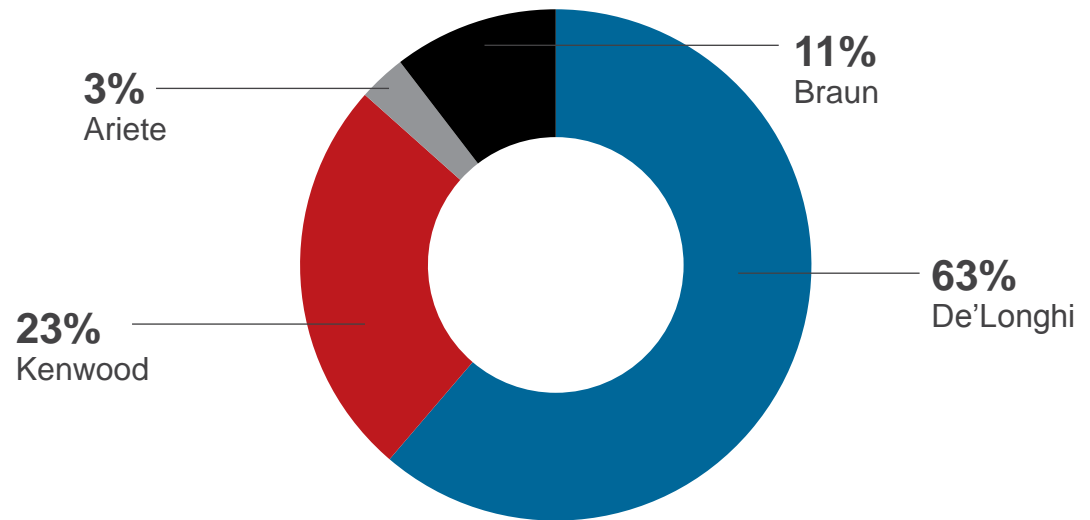
# VALUE PILLARS

## 1. Brands

A strong brand portfolio comprising **two global specialist brands** (De'Longhi and Kenwood) and **1 global generalist brand** (Braun).

Significant potential to leverage on **Braun global reach** to increase penetration speed into new markets.

De' Longhi 2016 revenues by brand <sup>(1)</sup>



(1) Management Accounts

# VALUE PILLARS

## 2. Unique products: focus on design (1)

### DE'LONGHI

PrimaDonna Elite  
Lattissima Touch



Cappuccino  
Smart



Distinta  
Collection



Eletta  
Dedica  
Autentica  
Portable Heaters  
(HX, HCX, MDH, Radia-S)



### KENWOOD

Kenwood Chef



Chef Titanium  
Chef Titanium XL



kMix Range



Chef Titanium  
Chef Titanium XL



Triblade  
System Pro



Persona Glass  
Breakfast Series



kSense  
Breakfast Series



### BRAUN

Power Blend 7  
Multi Quick MQ 9  
Multimix 5 Series



Multi Quick MQ 9  
Hand blender series



Braun house hold  
design team

Multi Quick MQ 7  
hand blender series



Care Style 3 Steam  
Generator iron series



PurAroma coffee maker  
Care Style 5 Steam  
Generator iron series



(1) Selection of the most recent awards (2015/2017) won by De'Longhi Group brands/products



# VALUE PILLARS

## 2. Unique products **PRIMADONNA ELITE**



# VALUE PILLARS

2. Unique products **Lattissima One** and *Lattissima Pro*  
— NEW —



# VALUE PILLARS

## 2. Unique products **DEDICA**



# VALUE PILLARS

## 2. Unique products: **MULTIFRY** THE MULTICOOKER



# VALUE PILLARS

## 2. Unique products Multi **Quick 9**



The best hand blender for the hardest jobs.\*

New ACTIVEBlades move up and down to easily blend the hardest foods with 40% less effort.\*

\*Compared to Braun hand blenders with non-ActiveBlade shaft.



## VALUE PILLARS

### 2. Unique products: CareStyle 7 Pro Steam Generator Iron



## VALUE PILLARS

2. Unique products: new USA product range introduced in June 2016

Braun Kitchen  
Collection is back.

**BRAUN**



# VALUE PILLARS

## 2. Unique products: Chef Titanium and Cooking Chef





# VALUE PILLARS

2. Unique products: **kCook**   
**MULTI**



# VALUE PILLARS

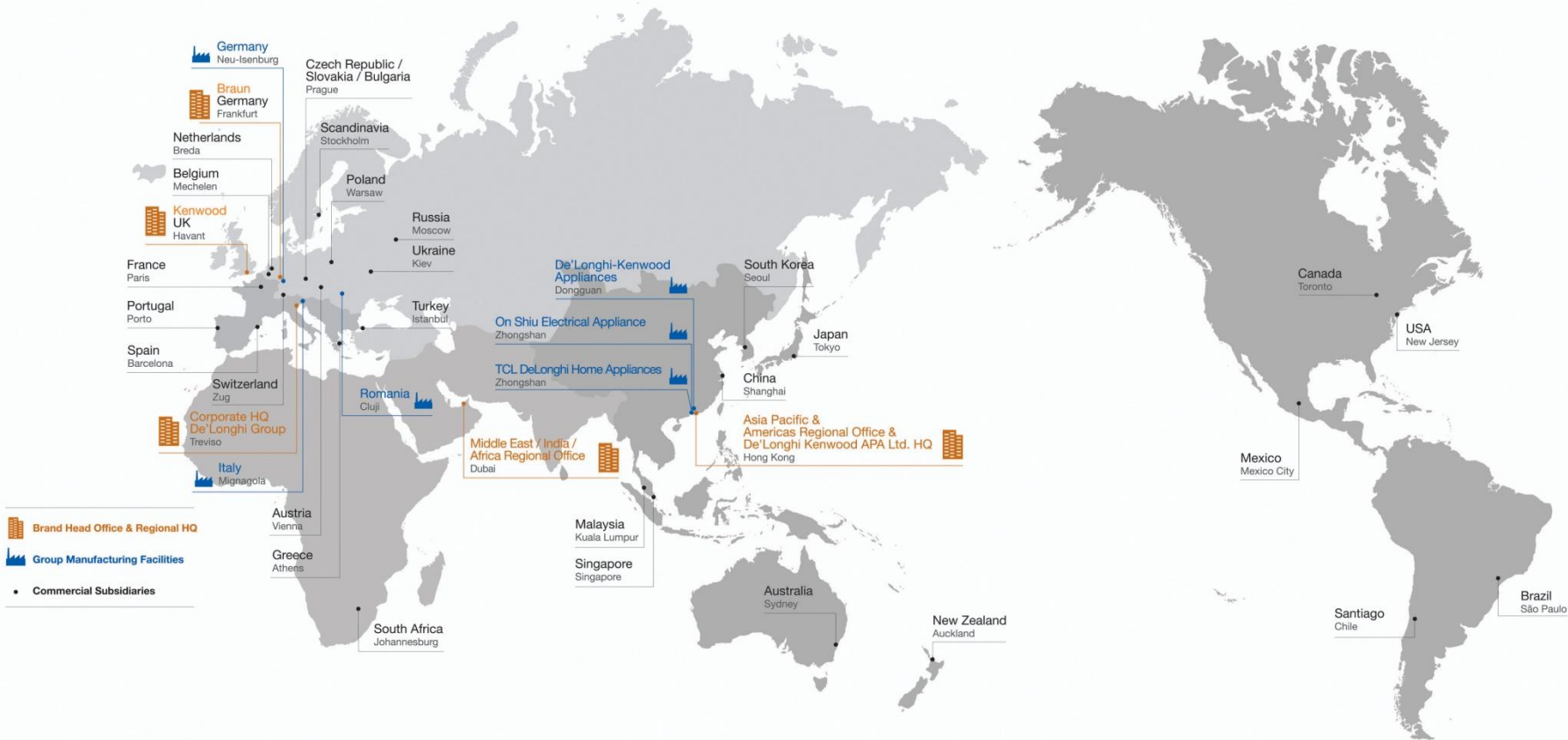
## 2. Unique products: Blend-X Pro and PureJuice



# VALUE PILLARS

## 3. Customer proximity: an extensive direct presence

Commercial subsidiaries develop their respective markets, including relationship with retailers, distribution and customer care



# VALUE PILLARS

## 4. Product excellence



## VALUE PILLARS

### 4. Product excellence: from “made in” to “made by”

Of the ca. 60% internal production,  
50% is based in Europe

Italian factory re-converted in 2007,  
high-end coffee makers

Romania operational since 2013:

- Coffee makers and Braun
- First investment plan completed in 2014,  
currently investing in further expansion
- Significant new capacity added
- Labor force efficiencies
- Reduced average time to market
- In perspective, potential for lower exposure  
to US Dollar and Chinese Renminbi



Mignagola (Treviso, Italy)



Cluji (Romania)

# VALUE PILLARS

## 4. Product excellence: from “made in” to “made by”

- Direct manufacturing presence in China
- De’ Longhi Group top-class quality standards
- Supplying approx. half of Group’s internal production



New DGDK  
(Dongguan – China)



On Shiu  
(Zhongshan – China)



TCL-DL JV 50:50  
(Zhongshan – China)

# VALUE PILLARS

## 5. Our people







CORE DRIVERS

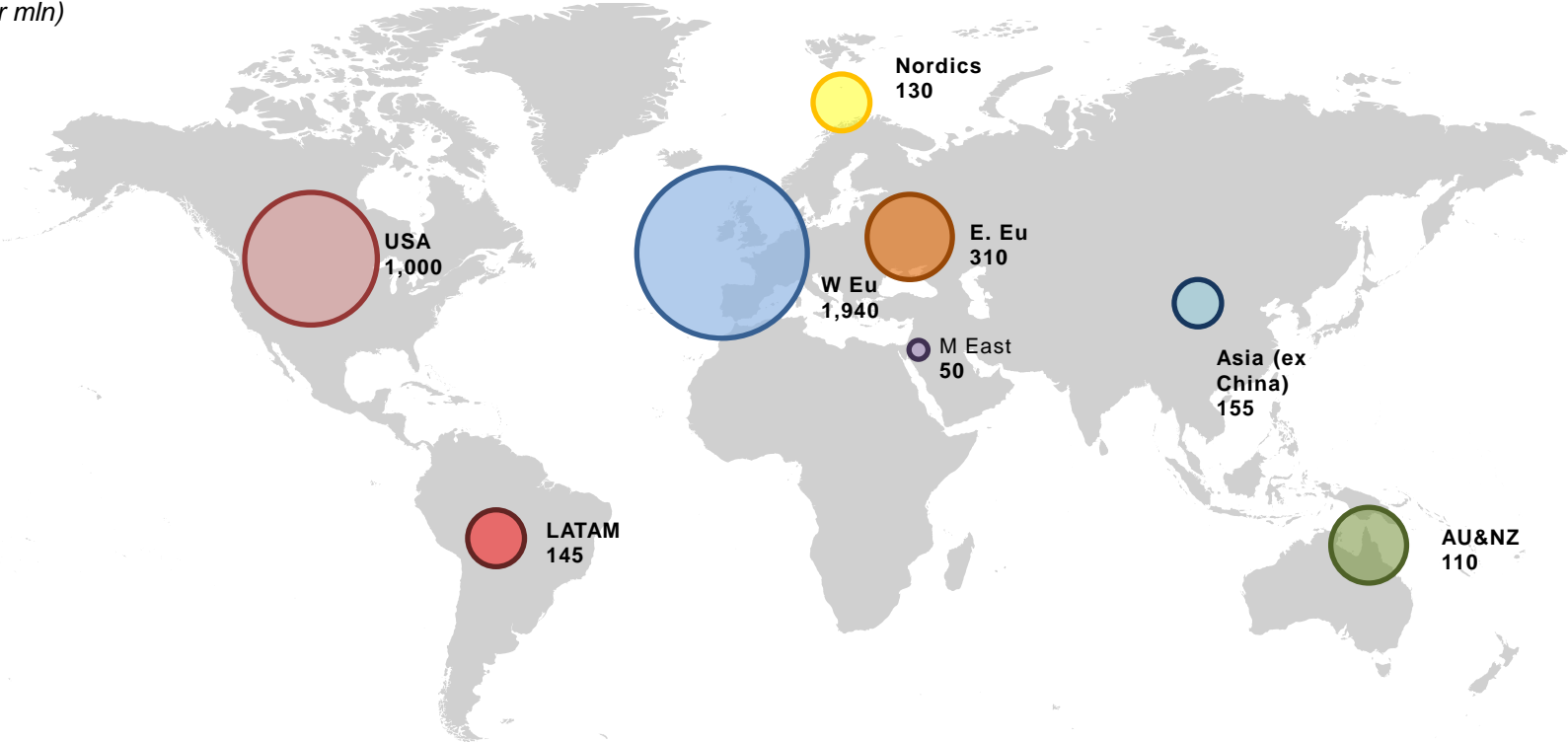
# Coffee Makers



# CORE DRIVERS

Coffee makers: 2016 market overview<sup>(1)</sup> (filter + espresso)

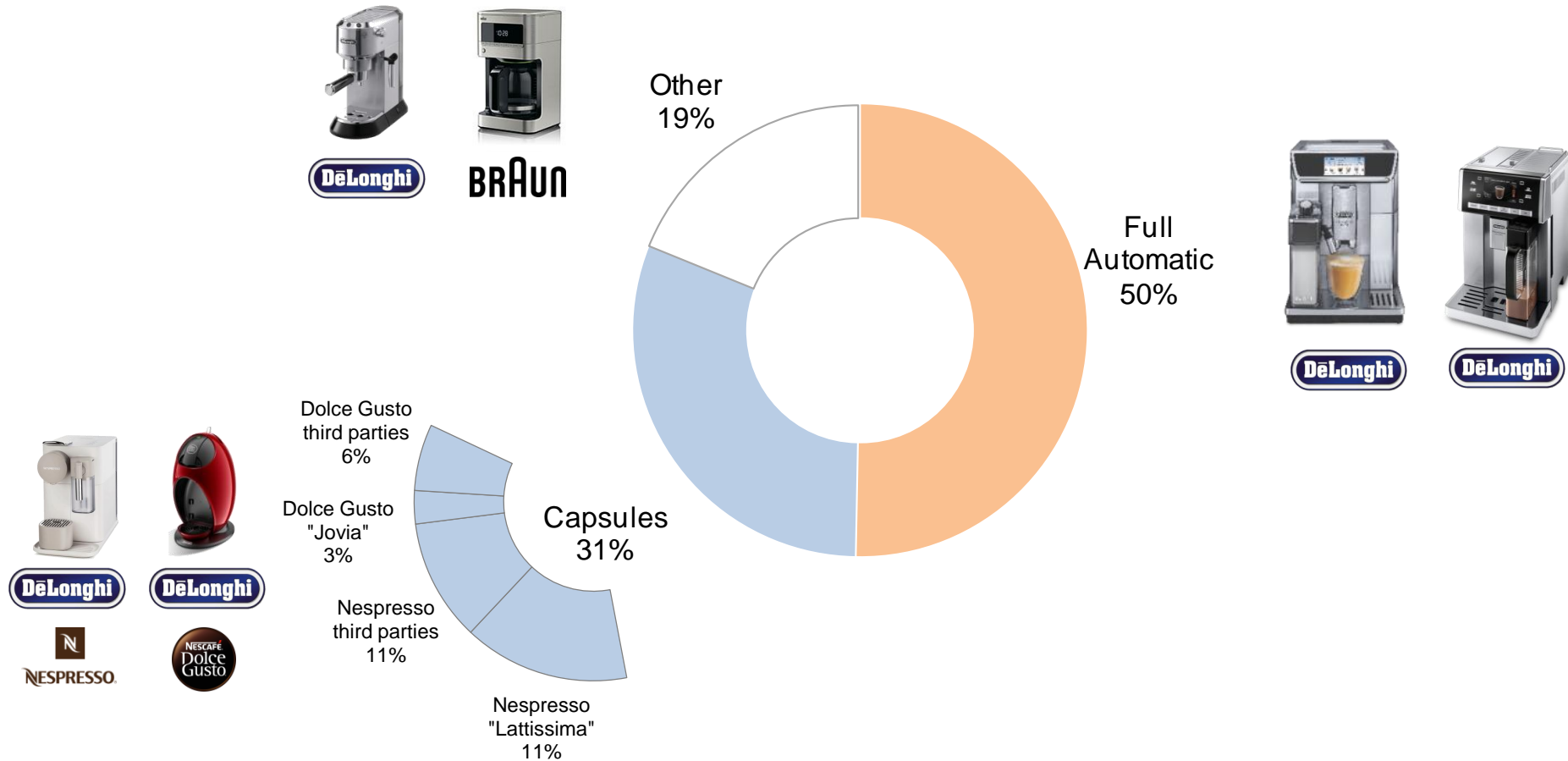
Sales (Eur mln)



Internal company data. Data shown are in value. USA data not perfectly comparable due to different sources

# CORE DRIVERS

Coffee makers: De'Longhi 2016 revenue segmentation by product family



Based on management accounts

# CORE DRIVERS

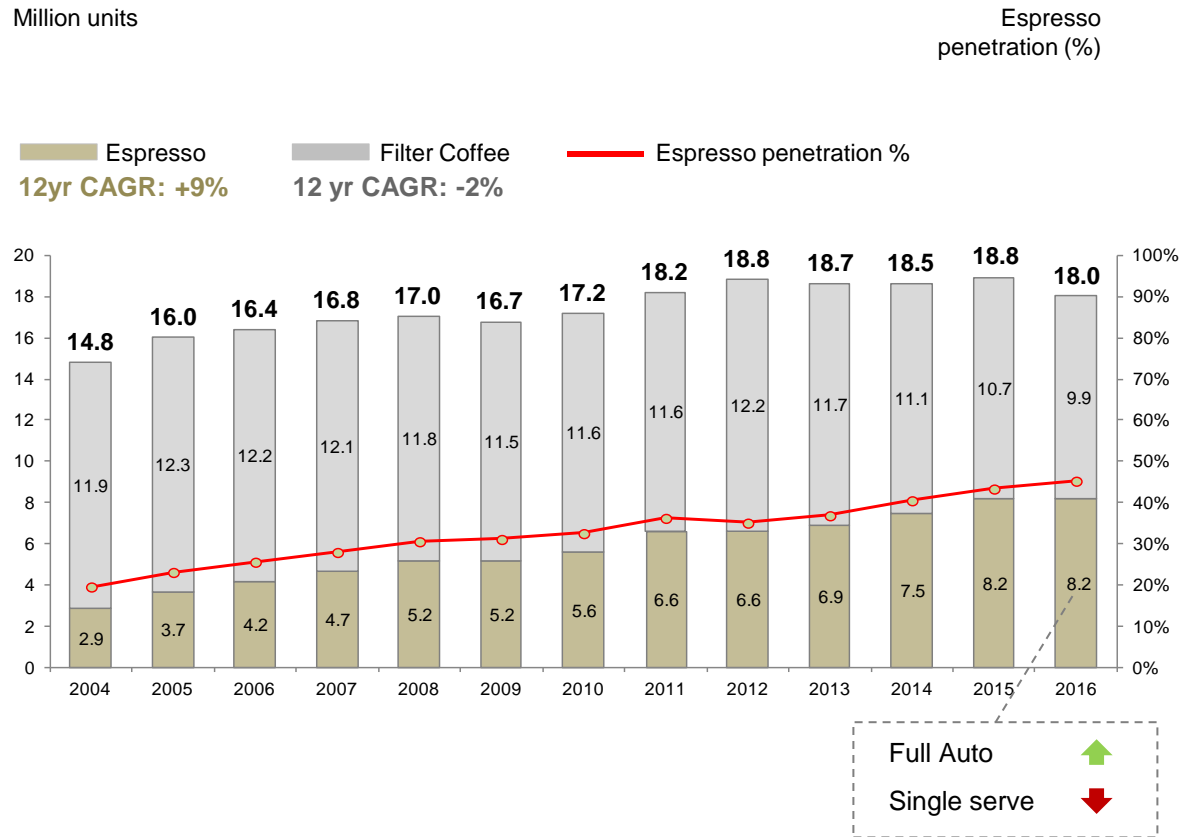
Coffee makers: plenty of room for espresso to grow

Filter coffee machines units sold decreased over the 2004-2016 period, compared to an espresso 10yr CAGR of 9%

Out of 18m coffee machines sold in West Europe in 2016, **espresso penetration is still only at 45%** (but growing)

Outside Europe, the espresso story is only just starting

Espresso + filter coffee West Europe trend (units) <sup>(1)</sup>



(1) Internal company data

## CORE DRIVERS

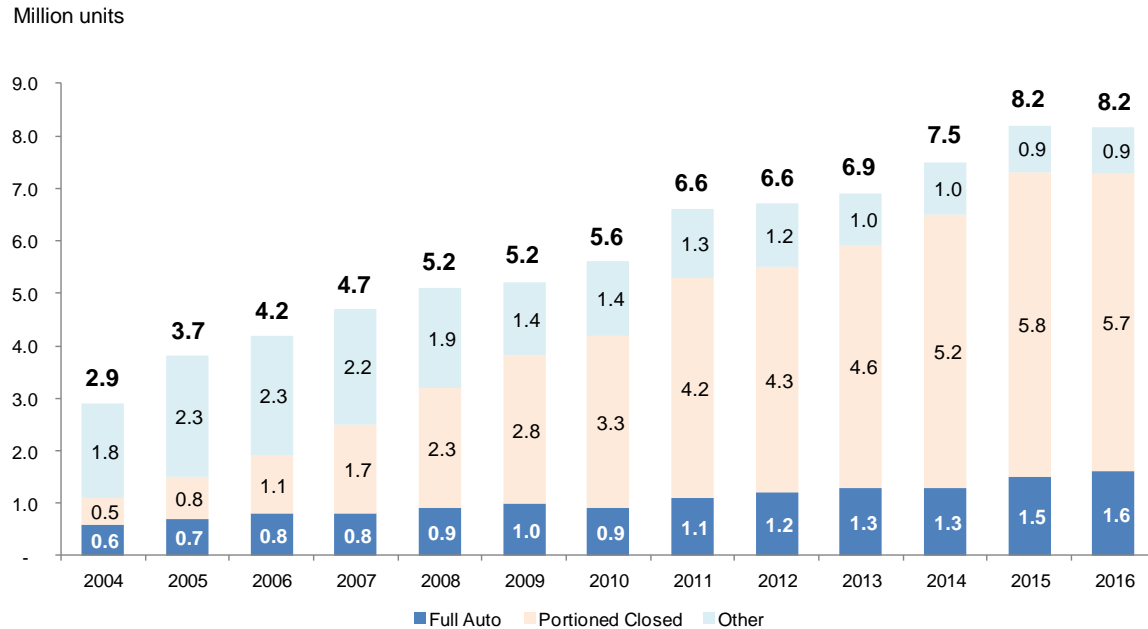
Espresso coffee makers: trading up to Full Auto

Strong growth of machines employing new technologies (capsules and fully automatic), at the expense of traditional “pump-driven” machines

Traditional espresso machines today represent only 11% of units sold, down from 62% in 2004

Overall in Western Europe, the espresso **coffee maker market has grown** materially, **nearly three times since 2004**

Espresso West Europe trend <sup>(1)</sup>  
in units



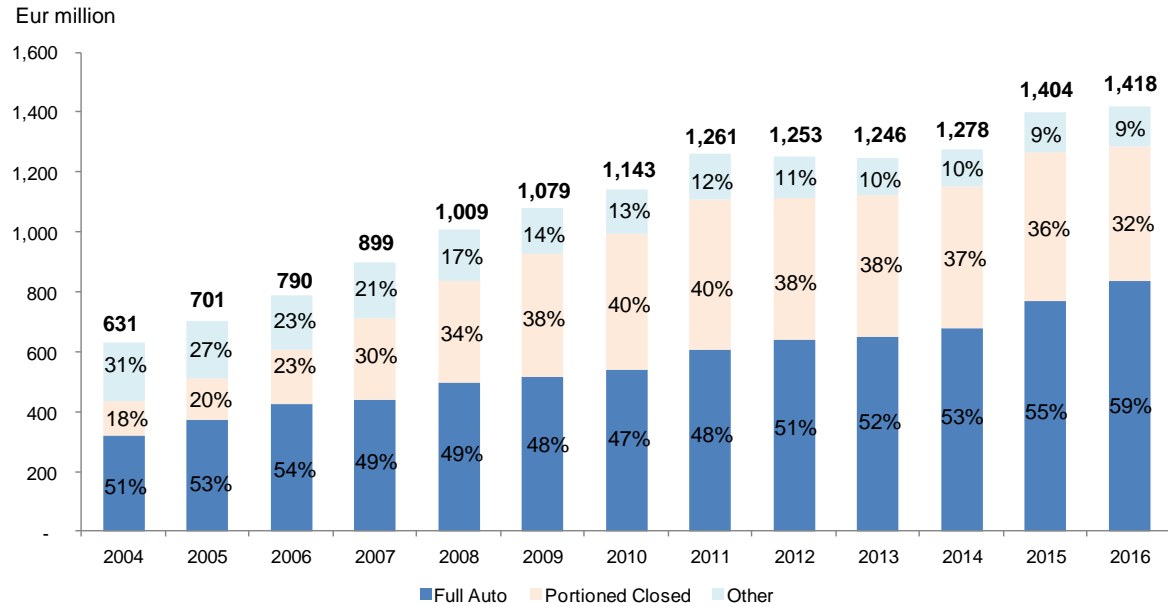
(1) Internal company data

# CORE DRIVERS

Espresso coffee makers: trading up to Full Auto

Growth is driven by new technologies in espresso - full automatic and capsule machines - with full automatic being the best performer since 2011

Espresso West Europe trend <sup>(1)</sup>  
in value



(1) Internal company data

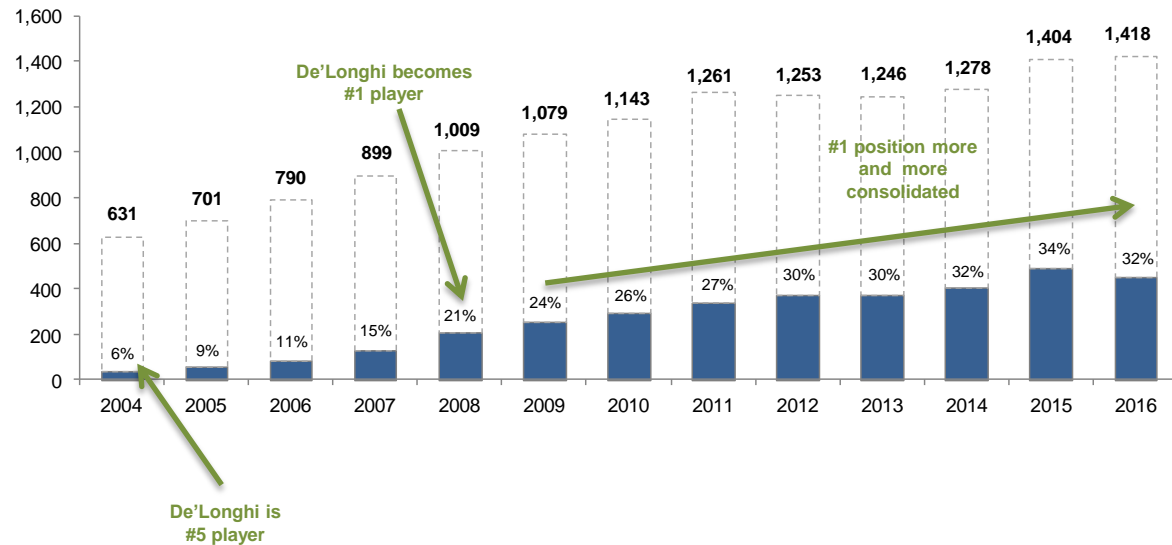
# CORE DRIVERS

Espresso coffee makers:  
De'Longhi leadership

De'Longhi has consistently been outperforming a growing market and today enjoys a **global leadership position** in consumer coffee makers (2)

Espresso West Europe trend (1)  
in value

Eur million,  
market share



(1) Internal company data  
(2) Internal company data, excluding USA

# CORE DRIVERS

## Coffee makers: market segmentation





# CORE DRIVERS

Coffee makers: espresso or not espresso?

Espresso  
(pressure above  
7 bar)



Coffee  
extraction  
through high  
pressure /  
low water  
temperature

Low pressure /  
drip coffee  
(pressure below  
7 bar)



Coffee  
extraction  
through high  
water  
temper-  
ature/ low  
pressure

Espresso is not just a matter of length (i.e. water quantity), it is about high pressure

## CORE DRIVERS

Coffee makers: Nestlè partnerships

De'Longhi is authorized distributor for third-party Nespresso products in more than 20 countries and it is present in more than 40 countries with the **Lattissima range**, for which it owns patented technology and exclusive manufacturing rights



The Group has also distribution rights for Nestlè Dolce Gusto machines in 18 countries worldwide, and launched an internally-manufactured model (Jovia) in September 2014

## CORE DRIVERS

Coffee makers: key growth opportunities

Attract low quality coffee drinkers to better coffee (fast trend)

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China: rapid trend, requiring significant investments

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USA: strong gourmet coffee trend with new technologies impacting all machine segments (filter and espresso)

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Convert Tea drinkers to coffee (slow trend)

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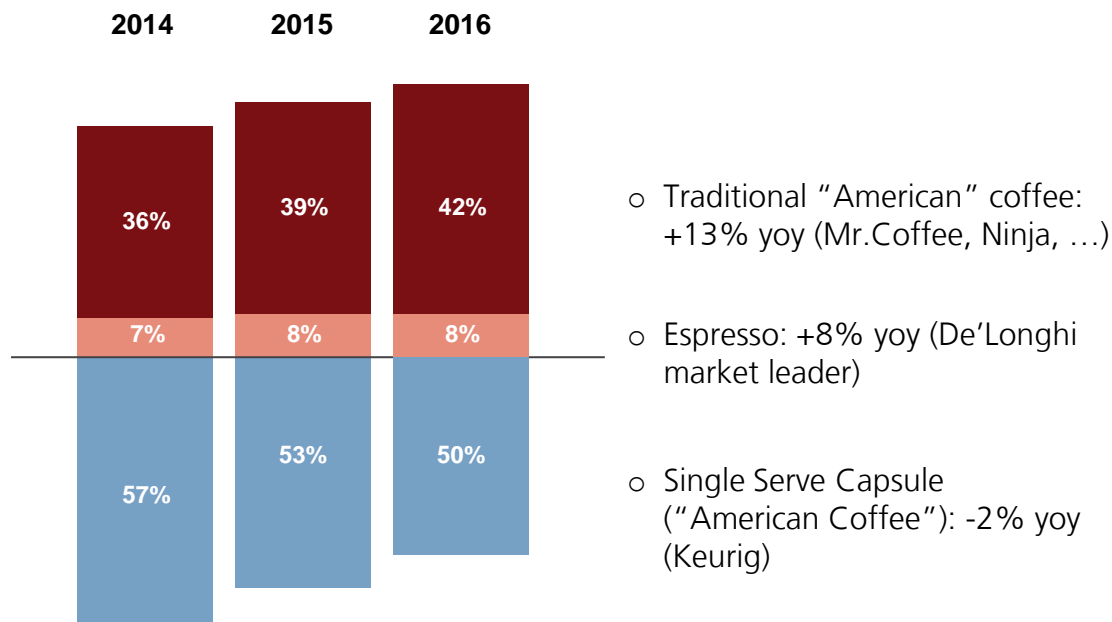


## CORE DRIVERS

Coffee makers: a close-up on the US opportunity

- Espresso continues to grow rapidly, reaching an 8% share in 2016 (in value)
- **Great potential for further flight to quality**
- Traditional (non-capsule) filter coffee still significant, at 42% of the market, and gaining ground vs. capsule

2016 US coffee makers market value: \$1.1 bln, +4% vs 2015 (1)



(1) Internal Company Data

# CORE DRIVERS



## Coffee makers: a close-up on the US opportunity

### Key achievements

- Top 2 players in the US espresso market (2016 data) are Nespresso (30% share) and De'Longhi (29% share) <sup>(1)</sup>
- From Jan 2017 De'Longhi distributes the full range of Nespresso machines, in addition to the already distributed Lattissima range
- In 2016, 4 out of the 5 best selling espresso machines are De'Longhi or Nespresso <sup>(1)</sup>



Lattissima +

### Future trends

- De'Longhi, owning the best technology in automatic milk frothing, is set to benefit from the new "gourmet coffee" trend (see Forbes article)

## Forbes

<http://onfo>

### U.S. Consumers Drinking A Latte More Coffee

[+ Comment Now](#) [+ Follow Comments](#)

According to the National Coffee Association, about 83% of U.S. adults drink coffee in one form or another. So that includes everything (...)



world's largest market for coffee, and a \$30-billion industry. Of all those consumers, about a third of them drink a "gourmet" coffee each day, meaning not just regular coffee and not even including notwithstanding, gourmet coffees like lattes and cappuccinos seem to be the kind ordered most frequently. It's neck-and-neck of which(...)

<sup>(1)</sup> Internal company data



# CORE DRIVERS

## Coffee makers USA

### Our Strategy:

- Offering the full range of coffee machines in the market
- New Opportunity from January 2017: distribution of third-party Nespresso machines



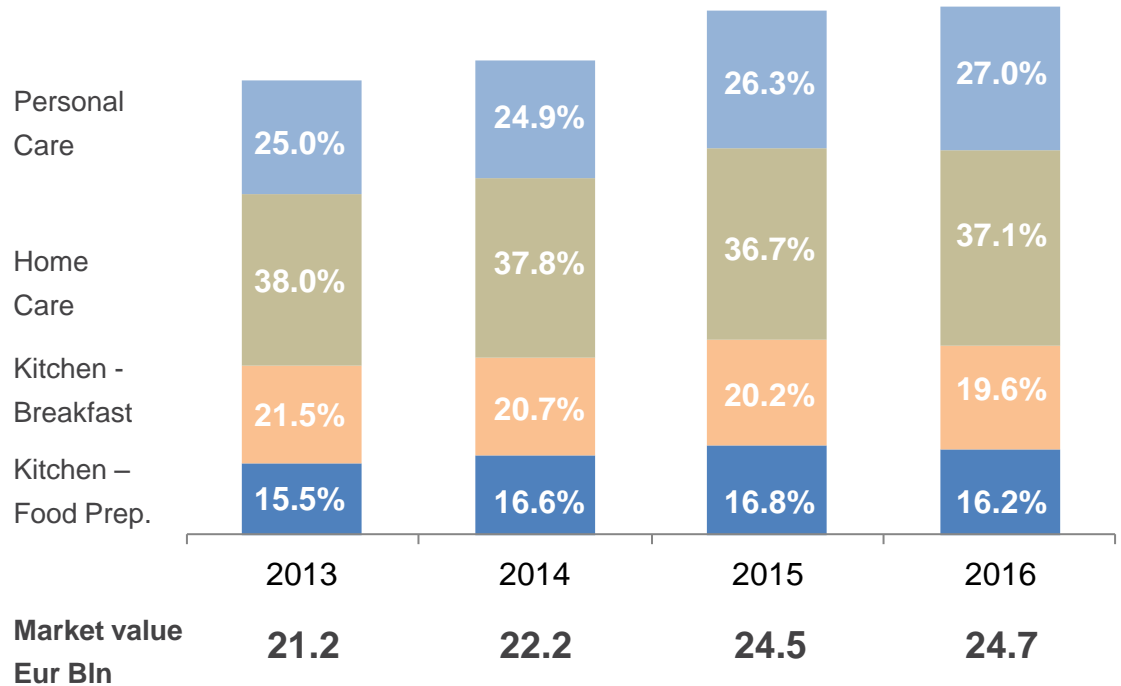


# CORE DRIVERS

## Food preparation:

- Long-term growth in food preparation reflects changing preferences and behaviors in food consumption worldwide, with key words like: Healthy, Green, Organic, Fresh, At home, Low fat.
- Cooking at home is increasingly becoming a way to develop social relationships and personal comfort.

Global SDA market by product category



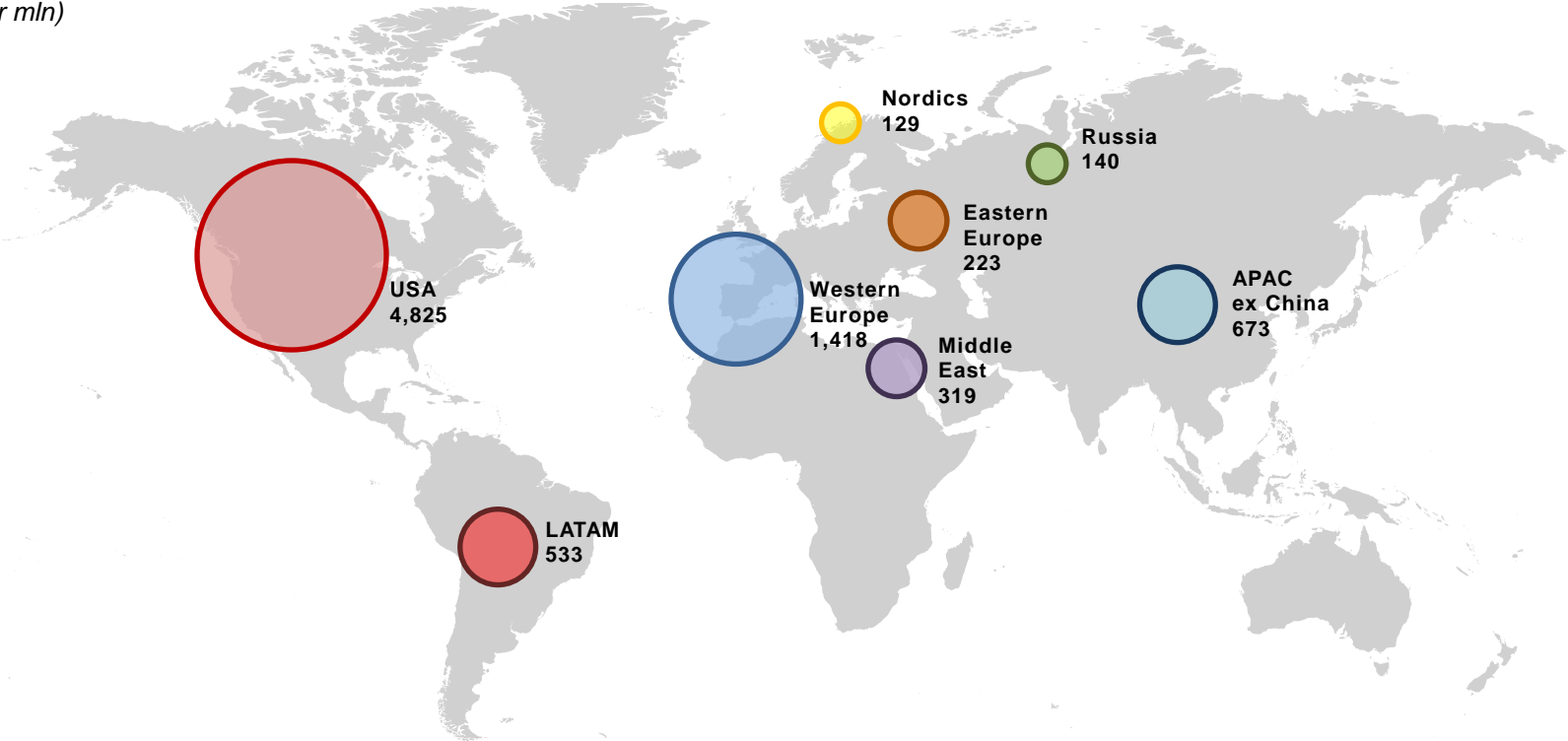
(1) Internal company data, excludes US, China and India



# CORE DRIVERS

## Food preparation: 2016 market overview<sup>(1)</sup>

Sales (Eur mln)



Source: Internal company data. Asia Pacific does not include China and India, USA data not perfectly comparable due to different source.

# CORE DRIVERS

Food preparation: a full array of products to capture the current trends

Kitchen Machines



**COOKING CHEF**

Hand blenders



Multi **Quick 9**

Blenders and Juicers



**BLEND-XPRO**



**PureJUICE|PRO**

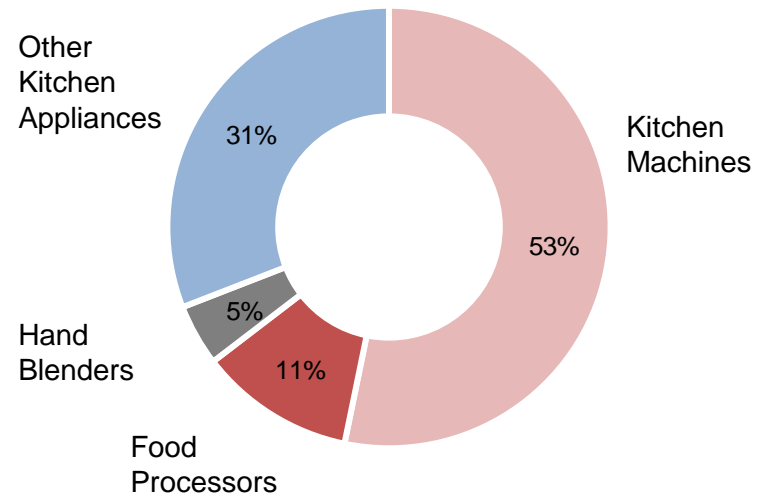
## CORE DRIVERS

Food preparation: Kenwood positioning

Kenwood pioneering innovation:

- **Cooking Chef:** innovative induction cooking technology, with premium positioning
- New cooking food processor kCook Multi (2016), making available the cooking function to a wider range of users
- New Slow Juicer and Power Blender in 2016 to tap into the fast growing emerging trends

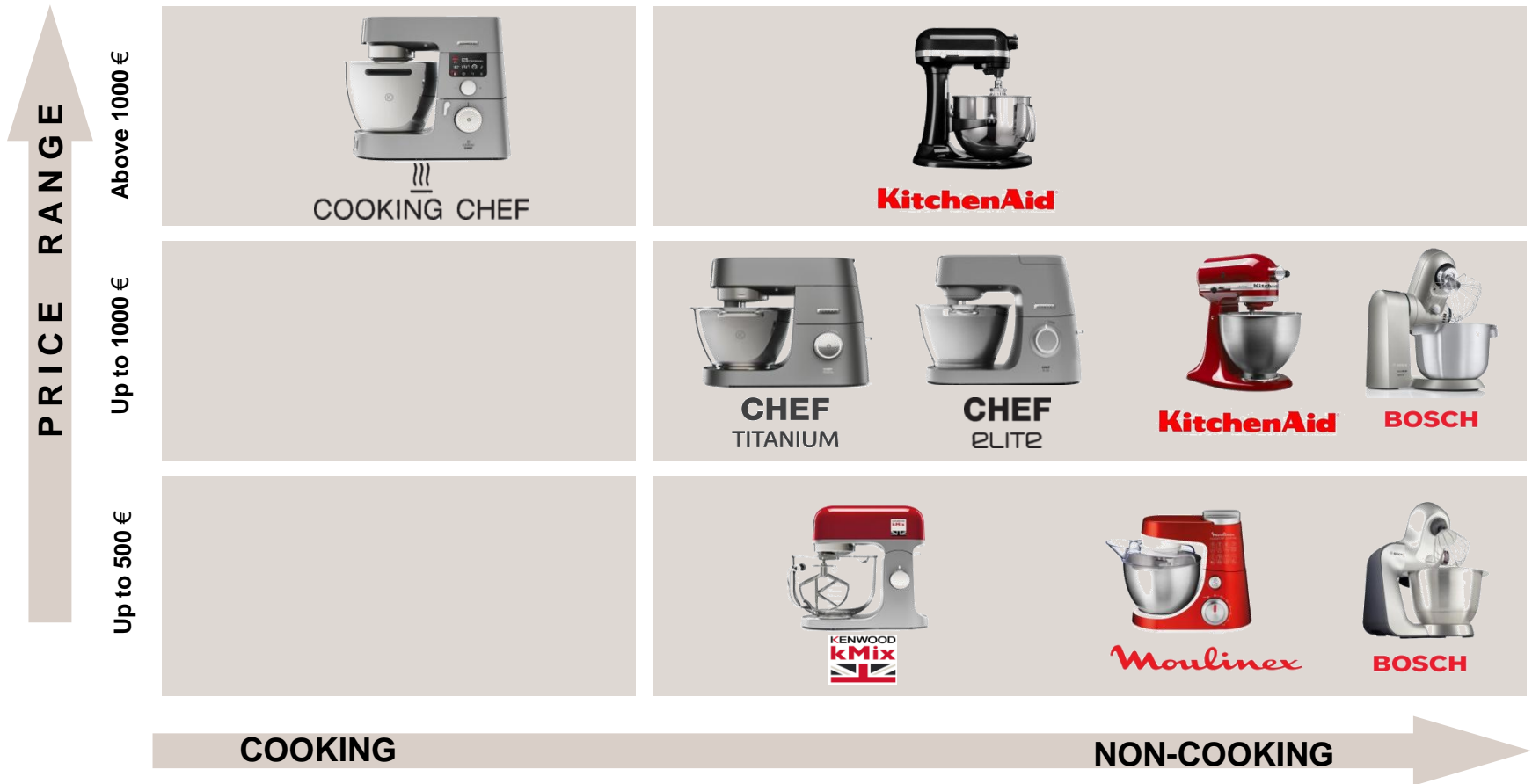
2016 Kenwood sales breakdown by product<sup>(1)</sup>



<sup>(1)</sup>Management accounts

# CORE DRIVERS

Food preparation: Kitchen Machine competitive landscape



(1) Based on 47 countries panelmarket, 2014 data as of December 31st, excluding US, China, India and Japan

# CONTENTS

1. Group Profile
2. Value Pillars
3. Core Drivers
4. Strategic Development
5. Appendix – Quarterly Results

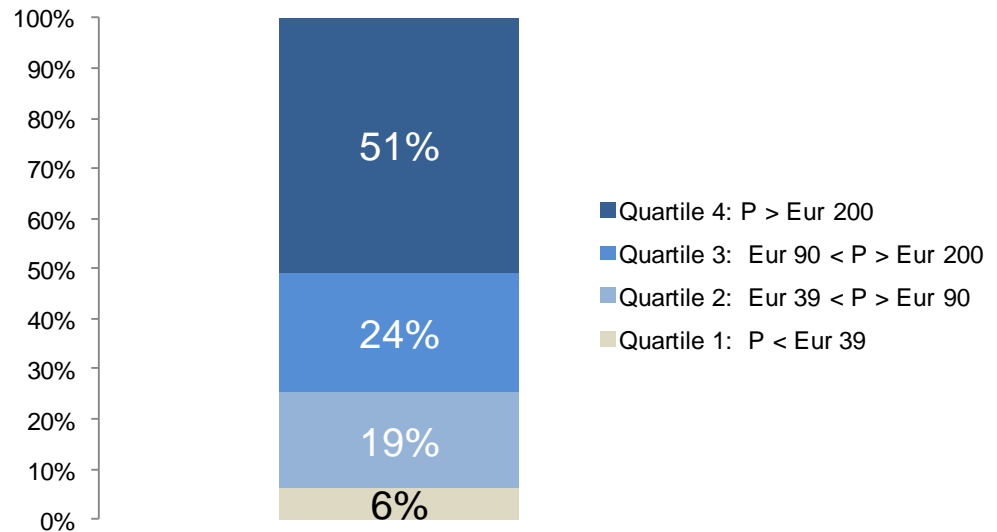


# STRATEGIC DEVELOPMENT

Competitive positioning: an unparalleled high-end profile

50% of kitchen products sales positioned in the Premium quartile (vs. main EU competitors never at ~25% for the Premium quartile on average, ranging between ~15% and ~35% )

De'Longhi world 2016 Kitchen revenues by price quartile<sup>(1)</sup>



(1) Internal company data related to kitchen sales in 47 countries panelmarket

# STRATEGIC DEVELOPMENT

Premium positioning<sup>(1)</sup>: SDA market is no exception to other sectors

	Cars	Fashion	Cons. Electronics	SDA
High End / Luxury	  	 		DeLonghi Group   
Mid/High	 	 	 	   
Mass market	 	 		   

(1) Based on management's view

## STRATEGIC DEVELOPMENT

### Braun main achievements so far

- **New products roll-out has been progressing since 2013**, with benefits from many of the new launches still to be fully reaped
- Great feedback on new product launches, with Braun products winning many awards both in 2013, 2014 and 2015
- Business plan implementation progressing, successful (re)entrance into some key markets in 2014 (France, UK, Australia) and USA in 2016
- China: growth driven by Braun and De'Longhi brands
- USA: re-launch of Braun brand in 2016 with an all-new range of hand blenders, tabletop blenders and drip coffee makers



## STRATEGIC DEVELOPMENT

USA: Braun is back with new product range introduced in June 2016

Braun Kitchen  
Collection is back.

BRAUN



# STRATEGIC DEVELOPMENT

## Improving the Group's industrial footprint: update on Romania

- Further capacity expansion ongoing after Eur 40 M first investment plan being completed in 2014
- Successful roll-out of **fully automatic coffee makers assembly, production of Jovia Dolce Gusto and hand blenders of Braun**



### Key benefits from the new plant:

- Add capacity diversifying the Group's industrial footprint and maintaining a competitive cost structure
- Reduce time to market (proximity to end markets), allowing also for a more efficient inventory management
- Proportionally reduce US Dollar and Chinese Yuan exposure (due to production in China)

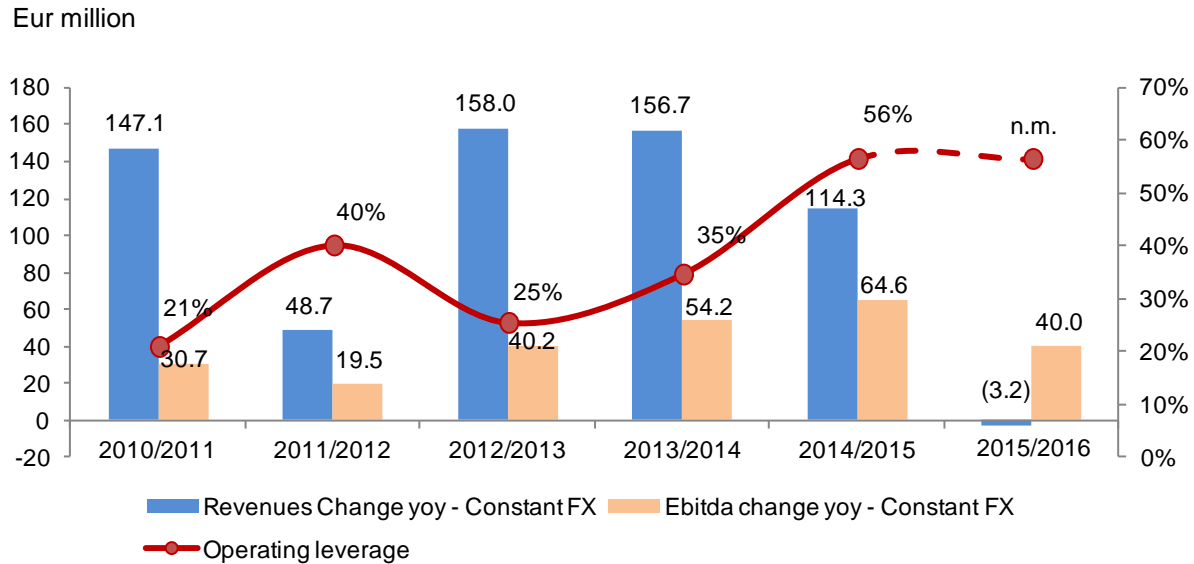
# STRATEGIC DEVELOPMENT

## Operating leverage

Operating leverage of De'Longhi P&L represents a natural protection against cost inflation pressures and adverse FX impact experienced in recent years

Over the last 6 years a **Eur 1 change in De'Longhi group sales translated into > Eur 0.30 change at the adjusted EBITDA level** at Constant FX

Revenue and Ebitda growth track record (at constant exchange rates)



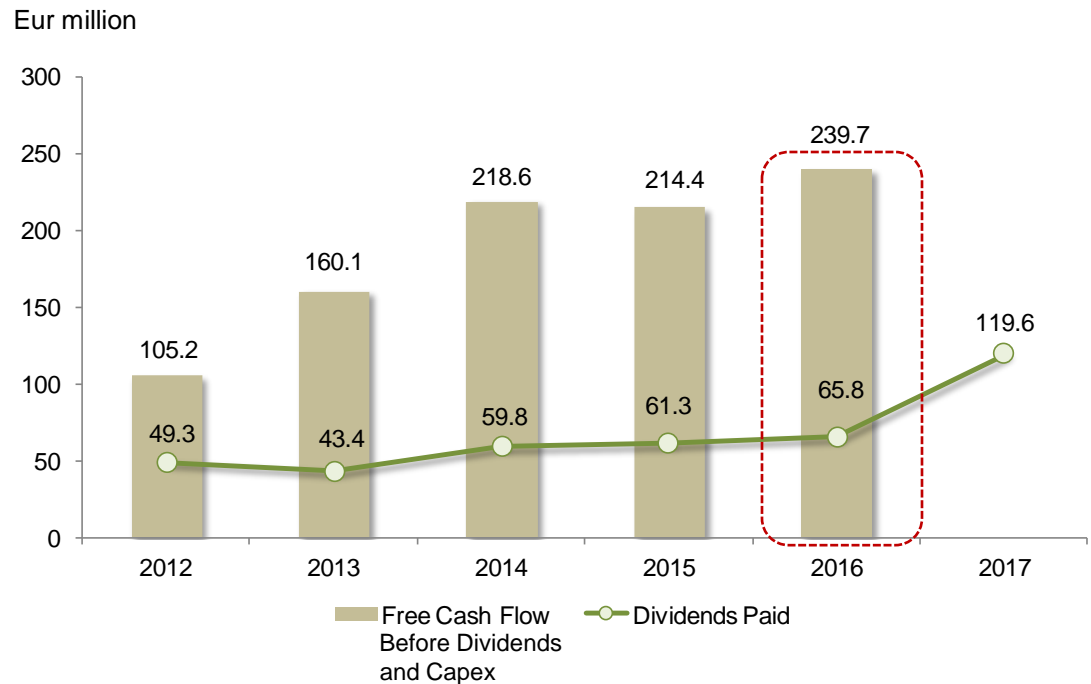
# STRATEGIC DEVELOPMENT

## Free cash flow and dividends

A strong free cash flow generation across the years, which can support a sustained dividend pay-out together with high industrial investments

Eur 239.7 million of cash generated in 2016 before dividends and capex

### Free Cash Flow performance



Data partially based on management accounts

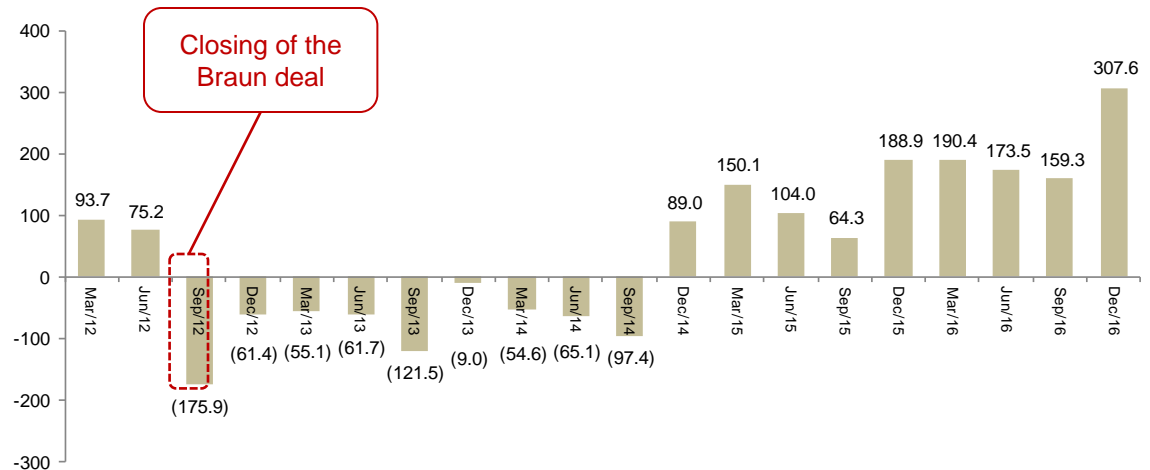
# STRATEGIC DEVELOPMENT

The financial position: from debt to cash

A strong balance sheet (growing net cash position since 2014 year end) despite significant investments (Braun, Romania, China...) and high dividends (Eur 66 million paid in 2016)

Net financial position by quarter<sup>(1)</sup>

Eur million



(1) Data partially based on management accounts

# CONTENTS

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3. Core Drivers
4. Strategic Development
5. Appendix – Quarterly Results



# APPENDIX

## Summary of quarterly results

(Euro million)	2014						2015						2016					
	Q1-14	Q2-14	HALF YEAR	Q3-14	Q4-14	FULL YEAR	Q1-15	Q2-15	HALF YEAR	Q3-15	Q4-15	FULL YEAR	Q1-16	Q2-16	HALF YEAR	Q3-15	Q4-15	FULL YEAR
Revenues	338.1	362.0	700.1	386.8	639.8	1,726.7	368.4	422.2	790.6	424.3	676.3	1,891.1	360.3	411.6	771.9	387.2	686.3	1,845.4
% change y-o-y	7.1%	4.4%	5.7%	6.4%	8.2%	6.8%	9.0%	16.6%	12.9%	9.7%	5.7%	9.5%	-2.2%	-2.5%	-2.4%	-8.7%	1.5%	-2.4%
net industrial margin	161.0	166.4	327.5	182.9	305.3	815.7	175.2	194.3	369.4	202.8	332.4	904.6	184.3	197.5	381.8	189.9	334.1	905.8
%	47.6%	46.0%	46.8%	47.3%	47.7%	47.2%	47.5%	46.0%	46.7%	47.8%	49.2%	47.8%	51.1%	48.0%	49.5%	49.0%	48.7%	49.1%
Ebitda (before not rec.)	46.1	41.1	87.2	49.4	123.5	260.1	47.3	48.0	95.3	54.6	137.9	287.8	51.5	55.0	106.6	51.6	137.3	295.4
%	13.6%	11.3%	12.5%	12.8%	19.3%	15.1%	12.8%	11.4%	12.1%	12.9%	20.4%	15.2%	14.3%	13.4%	13.8%	13.3%	20.0%	16.0%
EBITDA	46.1	41.1	87.2	49.4	123.0	259.6	47.3	48.0	95.3	54.6	135.3	285.2	51.5	52.3	103.9	50.6	137.5	292.0
%	13.6%	11.4%	12.5%	12.8%	19.2%	15.0%	12.8%	11.4%	12.1%	12.9%	20.0%	15.1%	14.3%	12.7%	13.5%	13.1%	20.0%	15.8%
EBIT	35.4	29.9	65.2	38.0	109.5	212.7	35.1	35.3	70.4	41.4	120.9	232.7	39.4	40.3	79.8	37.9	121.3	239.0
%	10.5%	8.2%	9.3%	9.8%	17.1%	12.3%	9.5%	8.4%	8.9%	9.8%	17.9%	12.3%	10.9%	9.8%	10.3%	9.8%	17.7%	13.0%
Profit before Taxes	23.7	21.5	45.3	28.3	97.4	171.0	24.2	27.2	51.4	33.2	114.6	199.1	32.9	33.7	66.6	30.8	130.1	227.4
Taxes	(6.6)	(5.4)	(12.0)	(6.9)	(24.9)	(43.8)	(6.9)	(7.0)	(14.0)	(8.0)	(27.4)	(49.3)	(7.9)	(9.0)	(16.9)	(8.0)	(34.3)	(59.2)
Profit / (Loss) for the period	17.2	16.1	33.3	21.5	72.5	127.2	17.2	20.2	37.4	25.2	87.2	149.8	25.0	24.7	49.6	22.7	95.8	168.2
Profit / (Loss) pertaining to minority interests	0.1	0.2	0.3	0.2	0.2	0.7	(0.1)	0.1	(0.0)	0.2	0.1	0.3	0.1	0.1	0.2	0.1	0.5	0.8
Profit / (Loss) after minority interests	17.1	15.9	33.0	21.2	72.3	126.5	17.4	20.0	37.4	25.0	87.1	149.5	24.8	24.6	49.4	22.6	95.3	167.4

# THANK YOU

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