DēLonghi Group

Q1-23 RESULTS

DēLonghi Group | DēLonghi KENWOOD BRAUN nutribullet Ariete

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Finally, it should be noted that 1st quarter figures are not subject to audit.





DEFINITIONS & ASSUMPTIONS

In this presentation:

- **“Adjusted”** stands for before non recurring items and notional cost of the stock option plans
- "**At constant exchange rates**" means excluding the effects of exchange rates' variations and of hedging derivatives
- **“ForEx”** or “**FX”** stand for Foreign Exchange Rates;
- “**M**” stands for million and “**bn**” stands for billion;
- **Q1** stands for first quarter (January 1st - March 31st);
- "**NWC**" stands for Net Working Capital;
- "**Capex**" stands for capital expenditures, i.e. investments in fixed assets.

NEW PRODUCT LAUNCHES: DRIP COFFEE MACHINE

Q1-23 RESULTS

TrueBrew™

- **THE IDEAL GRIND, DOSAGE AND BREW**
  Using De'Longhi's proprietary Bean Extract Technology, TrueBrew™ automatically grinds, doses, and brews each cup with precision and satisfying perfection.

- **6 BREW SIZES**
  TrueBrew™ crafts quality coffee for a more personalized experience

- **5 BREW STYLES**
  Choose between light, gold, bold, espresso-style, and over-ice, and taste a different cup every time.

- **MESS FREE / WASTE FREE**
  De'Longhi's Auto-Clean functionality eliminates messy clean-ups by disposing of coffee grounds into condensed pucks

Q1-23 HIGHLIGHTS

revenues' growth %	-18%	Revenues growth was affected by a challenging comparison vs previous years and a partial de-stocking from retailers
adjusted Ebitda % margin	12.3%	Q1 margins still higher than pre-covid period ('19 and '20), thanks to cost control and the positive price-mix.
12 months Free Cash Flow (before dividends and M&A)	167 M€	Healthy positive cash flow generation in the quarter and in the 12 months, helped also by the lower impact of WC and Capex in Q1-23
Net Financial Position	317 M€	Positive financial position, despite a challenging financial environment, offering a sound condition for M&A.

Q1-23 RESULTS

TOP LINE

(Eur million)	Q1-23	Q1-22
Revenues	**602.4**	735.5
change %	*-18.1%*	
at constant fx %	*-18.7%*	

- Q1-23 revenues were down by 18.1%, including a positive currency effect 0,6%;
- The start of the year was impacted by some already anticipated factors:
  - a challenging comparison with the extraordinary growth in the first months of the previous 2 years (respectively +59% in '21 and +5.5% in '22 on a L for L basis);
  - a partial de-stocking effect from retailers;
  - the Group's strategic decision to exit the portable air conditioning market in the US, which caused a gap of € 23.4 million in the Q1;

Q1-23 RESULTS

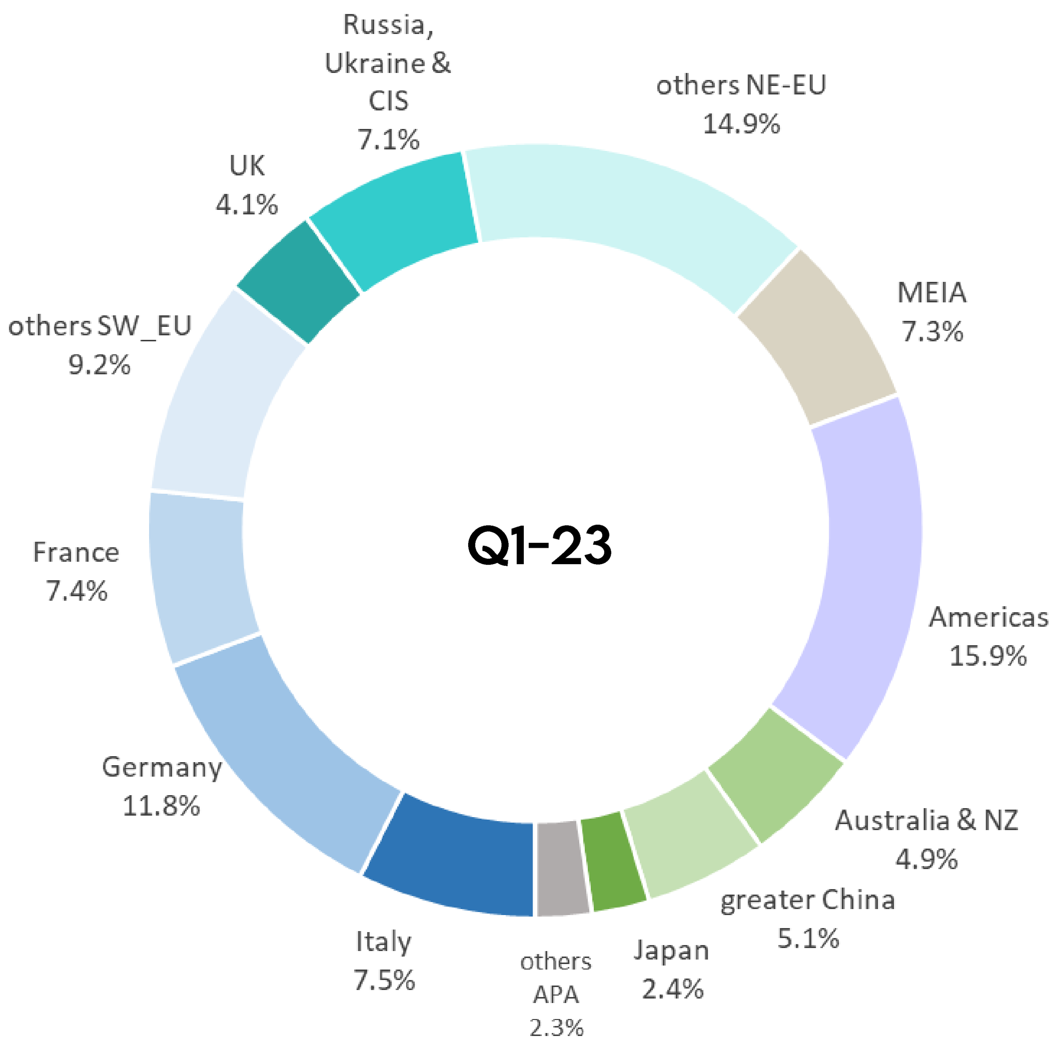
REVENUES BY REGION

EUR million	Q1-23	var. %	var. % at constant FX
South West Europe	215.8	-24.1%	-24.7%
North East Europe	157.3	-7.4%	-7.5%
EUROPE	373.2	-17.9%	-18.3%
MEIA (Middle East/India/Africa)	44.3	-25.4%	-28.2%
Americas	96.0	-27.8%	-30.6%
Asia-Pacific	89.0	0.3%	3.2%
TOTAL REVENUES	602.4	-18.1%	-18.7%

- the **South-Western Europe** area recorded a double-digit decline, with all the main markets in negative territory; in the last quarters, the European area has been strongly affected by the negative effects of the geopolitical tensions and the weakening of consumers' purchasing power caused by inflation.
- the turnover of **North-Eastern Europe** showed a decline at a mid-to-high single digit rate, in a complex and evolving macroeconomic and geopolitical scenario;
- the **MEIA area** has undergone a double-digit decline, compared with a strong growth trend achieved in the last two years;
- in the **America area**, sales performance was affected by the discontinuity relating to the exit from mobile air conditioning, which caused a gap of € 23.4 million in the Q1; net of this effect, we report a recovery in the cooking and food preparation business, thanks to the growth of Nutribullet brand products;
- finally, the **Asia Pacific region** achieved a low single digit growth at constant exchange rates, with a significant contribution from "greater China", which confirmed its sustained growth.

Q1-23 RESULTS

REVENUES BY MARKET

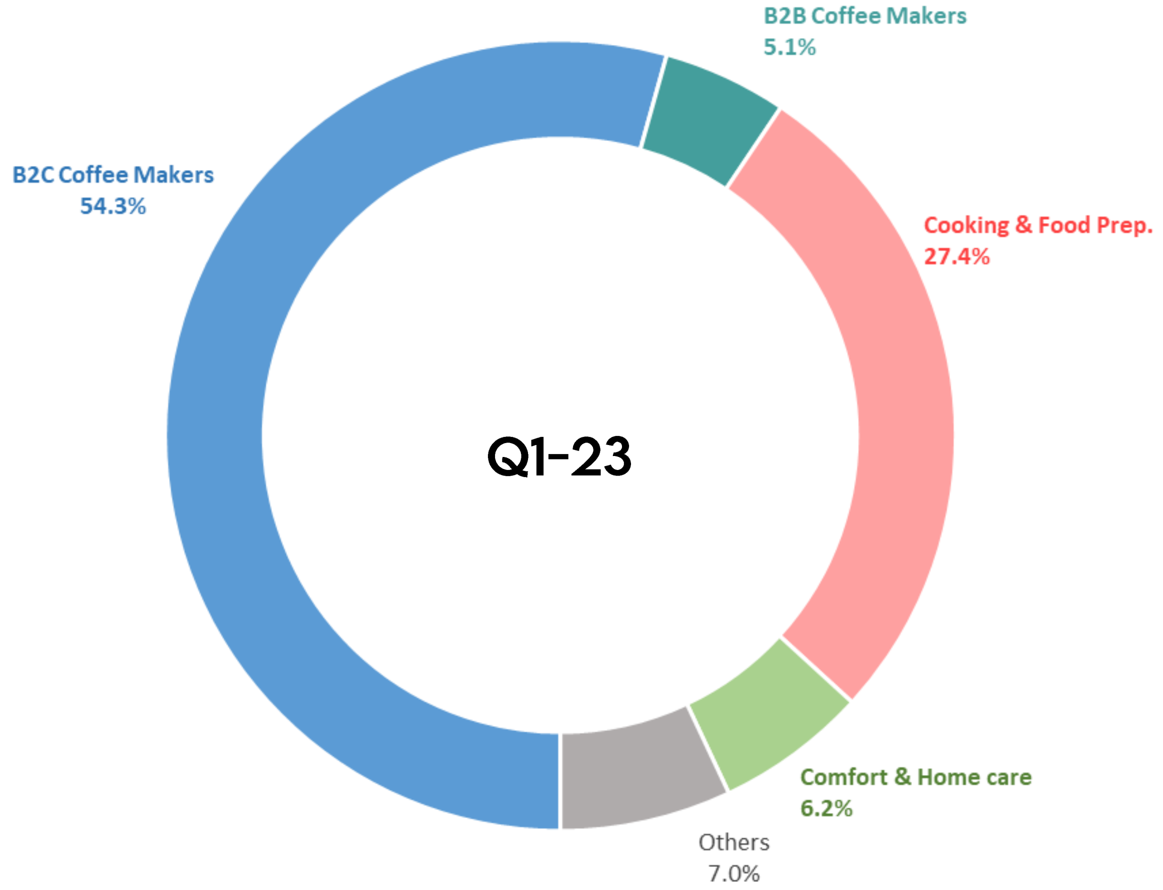


Main Ups & Downs (at constant FX)

UP double-digit	Greater China, Singapore & Malesia
UP single-digit	Korea
Down	Italy, Germany, France, UK, MEIA, Americas, Scandinavian countries

Q1-23 RESULTS

REVENUES BY PRODUCT LINE



Main Ups & Downs (at constant FX)

UP double-digit
- B2B coffee makers
- Spin juicers

UP single-digit

Down
- Kitchen machines,
- Blenders,
- Comfort,
- B2C coffee

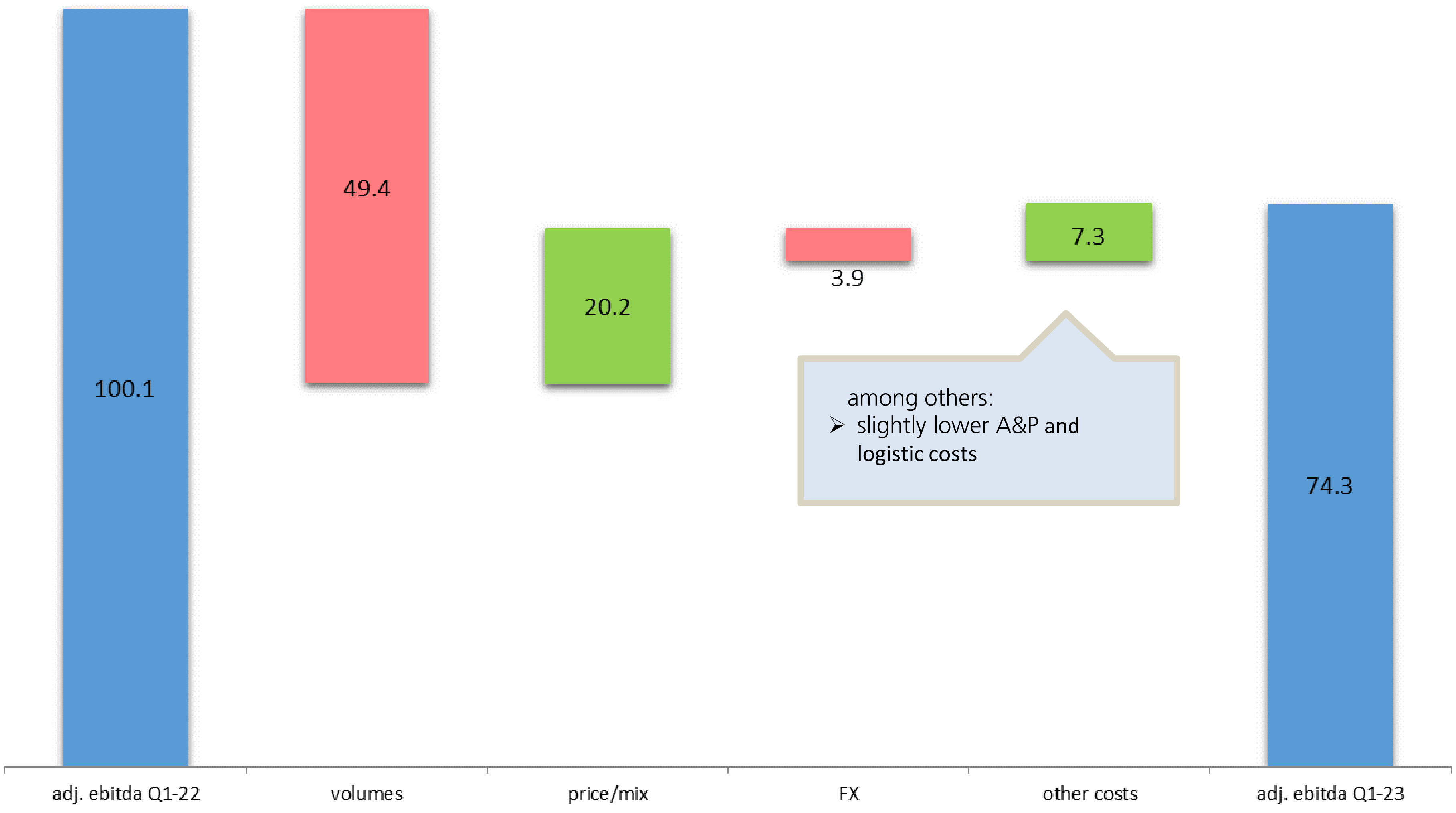
Q1-23 RESULTS

MARGINS

(Eur million)	Q1-23	Q1-22	Change %
net ind. margin	**304.4**	375.6	*-19.0%*
% of revenues	*50.5%*	*51.1%*	
adjusted Ebitda	**74.3**	100.1	*-25.7%*
% of revenues	*12.3%*	*13.6%*	
Ebitda	**75.5**	93.5	*-19.2%*
% of revenues	*12.5%*	*12.7%*	
Ebit	**50.1**	69.1	*-27.5%*
% of revenues	*8.3%*	*9.4%*	
Net Income *(pertaining to the Group)*	**38.7**	50.6	*-23.5%*
% of revenues	*6.4%*	*6.9%*	

- the **net industrial margin** amounted to € 304.4 million, equal to 50.5% of revenues (51.1% in 2022); against the positive contributions of the price-mix and the recovery of transport prices, there is still a residual negative effect from raw materials and production inefficiencies which will have to find a full recovery in the coming months;
- **adjusted Ebitda** amounted to €74.3 million, or 12.3% of revenues (13.6% in 2022), following investments in communication and marketing which, while remaining constant with 2022 as a percentage of revenues (at 12.1%), decreased in value by € 15.7 million, settling at € 73.1 million.

ADJUSTED EBITDA BRIDGE Q1-23



Q1-23 RESULTS

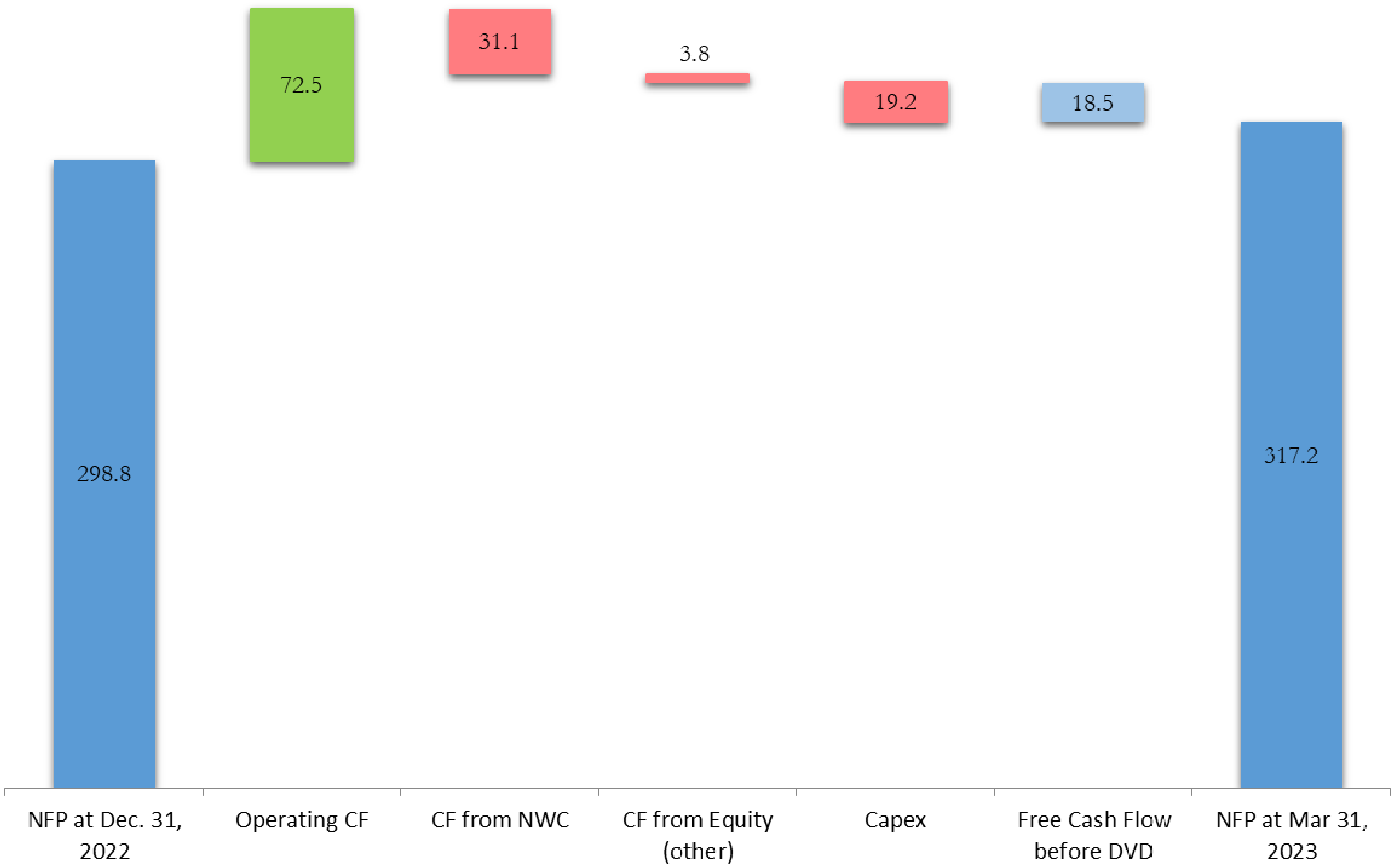
BALANCE SHEET

EUR million	31.3.2023	31.3.2022	*change (12 months)*
operating NWC	256.6	334.7	*-78.1*
Net Equity	1,682.7	1,632.3	*50.4*
Net Financial Position	317.2	274.6	*42.6*
Net Bank Position	399.2	356.7	*42.5*
oper. NWC / Revenues	8.5%	10.2%	*-1.7%*

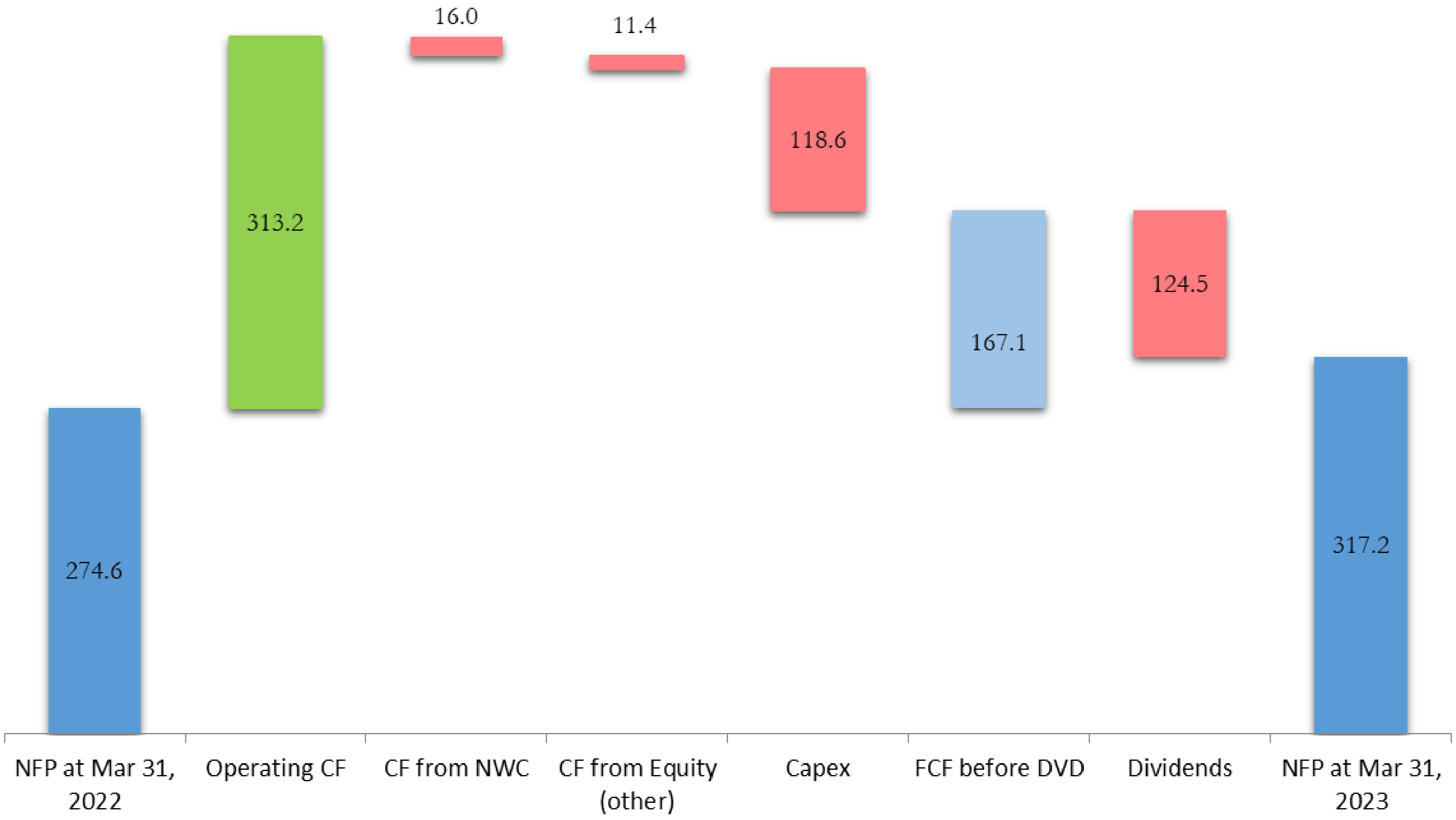
- The Group closed the first quarter of 2023 with a positive **Net Financial Position** at € 317.2 million, improving versus the figure at the end of 2022;
- the **Free Cash Flow before dividends and M&A** was equal to € 18.5 million in the quarter and € 167.1 million in the 12 months (April to March).
- In details, In terms of **operating working capital** (8.5% of 12-month rolling revenues), the negative change in inventories was more than counterbalanced by the positive cash generation of trade receivables and payables' management. It should also be noted that **capital expenditure** absorbed € 19.2 million in the quarter, a clear decrease compared to LY, which recorded the disbursement for the acquisition of the new production plant in Romania.

Q1-23 RESULTS

3 MONTHS NET CASH FLOW



12 MONTHS NET CASH FLOW



KEY TAKEAWAYS

1

The Q1-23 was characterized by an **unfavourable and complex geopolitical and macroeconomic backdrop**, in continuity with the scenario encountered in the second half of ’22.

2

The Group closed the Q1-23 with a positive **Net Financial Position improving** respect to the end of 2022 figure, thanks to lower investments and a stabilization of the working capital constituents (in particular the normalization of the inventory)

3

The Group has been able to achieve a profitability improving vs the first quarters of the pre-pandemic years (’19 and ’20). Moreover, it should be noted that in the quarter the impact of the **increase in some of the production costs was limited and offset by operating cost containment and price-mix contribution**.

4

The start of the year was **impacted by some already anticipated factors**: 1) a challenging comparison respect to the two previous years, 2) a more cautious approach from some distributors, 3) the Group's strategic decision to exit the portable air conditioning market in the United States.

FY 2023 GUIDANCE

In the words of the C.E.O., Fabio de' Longhi:

"Looking at the start of 2023, despite results impacted by an unfavorable macroeconomic context, with prudent behavior by consumers and distributors, we are satisfied with how the Group has been able to react to the many challenges and difficulties. To date, our Group can count on revenues and margins that remain well above pre-pandemic levels, thanks to organic growth, investments and acquisitions finalized in recent years: revenues for the quarter are now 60% above those of 2019 (€ 376 million in Q1-2019) and adjusted Ebitda doubled compared to € 37 million in 2019.

Let me also underline how the satisfactory trend in margins in the first quarter, compared to 2022, was made possible by all measures of cost efficiency and containment put in place in recent months and despite all the communication and marketing activities carried on, following the success of the global coffee campaign.

Looking at the following quarters, it is reasonable to assume that the comparison with the past year will gradually become less challenging, thus keeping the growth rate at sustained levels compared to the pre-pandemic years.

In this context, therefore, we confirm the guidance for the full year of revenues slightly declining vs. 2022 and an adjusted Ebitda in the range of 370-390 million Euros"

FY 2023 guidance → **REVENUES slightly down vs. 2022** + **Adjusted EBITDA in the range of 370-390 M€**

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