

# De' Longhi S.p.A.

## De' Longhi SpA creates a hub of global standing in the professional coffee machine segment through a business combination between Eversys and La Marzocco.

### SUMMARY AND GENERAL LINES

Today, agreements have been signed for a business combination between Eversys (a leading company in the production and distribution of automatic coffee machines) and La Marzocco (a leading company in the production and distribution of semi-automatic coffee machines and coffee grinders) which creates a world-class operator in the professional coffee machine industry.

The business combination between Eversys and La Marzocco represents a further acceleration of the expansion and diversification strategy of the De' Longhi Group, which sees coffee, both professional and consumer, as one of the main drivers of growth and strategic development in the medium-long term.

Both companies will remain independent and directly led by the current management, in order to guarantee managerial continuity and preserve the distinctive corporate cultures.

The transaction involves the creation of a new corporate structure controlled by De' Longhi SpA, with the related contribution of Eversys, the acquisition by De' Longhi SpA (through one of its subsidiaries) of shares (directly and/or indirectly owned) of La Marzocco International LLC ("La Marzocco" or "LM") from De Longhi Industrial S.A. and from minority shareholders, for approximately 41.2% of the share capital. The remaining shares of LM will also be contributed to the new corporate structure by the shareholders.

The transaction can be classified as a "transaction between related parties of greater importance", due to the fact that De' Longhi SpA and LM are subject to the common control of De Longhi Industrial S.A.

As such, the transaction received the prior favorable opinion of the Independent Committee, responsible for transactions with related parties of greater importance and the unanimous vote of the Board of Directors of De' Longhi SpA, with the abstention of the President Giuseppe de' Longhi and of the Directors Fabio de' Longhi and Silvia de' Longhi, in compliance with the provisions of the legislation and regulations regarding related parties.

Based on the agreements signed, the De' Longhi Group will control approximately 61.4% of the new hub, while minority shares will be held by De Longhi Industrial S.A. (approximately 26.6%) and by the current minority shareholders of LM (overall approximately 12%).

The overall net cash disbursement due by the De' Longhi Group for the acquisition of the shares from De Longhi Industrial and the minority shareholders of LM is approximately US\$ 374 million (based on forecast data and pending availability of reported data as of 31 December 2023) and in particular US\$ 200 million (for the 22% share of LM) to De Longhi Industrial and US\$ 174 million (for the 19.2% share

of LM) in aggregate to the shareholders minority interest, to be paid on the date of completion of the transaction expected within the first quarter of 2024 and subject to adjustments (if any).

This amount will be covered entirely by the own resources of the De' Longhi Group, which, as of 30 September 2023, had a positive Net Financial Position of € 326 million and gross liquidity and financial assets of € 1,246 million.

### **ECONOMIC PURPOSE OF THE TRANSACTION**

The transaction aims to create a hub in the professional coffee industry, with an expected aggregate turnover, on a pro-forma basis, of approximately € 372 million in 2023 and an adjusted Ebitda of approximately € 87 million (before synergies), which therefore represents a position of global relevance in the professional coffee machine sector.

With this transaction, La Marzocco and Eversys will be able to create synergies and cross-selling opportunities, to further strengthen their position along the entire value chain, from research and engineering to production and market development, while creating a global player able to effectively compete in a leadership position in different market segments, such as automatic machines, traditional machines and of *luxury household*, offering a variety and complementarity of products, technologies and brands.

The deal is in line with the Group's strategic guidelines, which see the further consolidation of its leadership in the world of coffee and the expansion of its presence in the professional channel among the main key drivers of development in the medium term.

### **SHAREHOLDER AGREEMENTS FOR EXIT HYPOTHESES**

The shareholdings in the new company are subject to a non-transferability period (so-called *lock-up*) of one year starting from the date of completion of the transaction, except in the cases expressly provided for by the shareholders' agreement for permitted transfers or for the exit events.

De' Longhi SpA granted De Longhi Industrial and the minority shareholders of LM the right to sell their shareholdings after a certain period. In particular, they will be able to request (i) starting from the 4th year following the closing of the transaction, the IPO of the shares of the business combination entity and (ii) starting from the 5th year following the closing of the transaction, the demerger of De' Longhi SpA through assignment of the shares of the business combination entity to the shareholders of De' Longhi SpA, De Longhi Industrial S.A. and the other minority shareholders, in proportion to their direct and indirect participation, with the aim to list the shares themselves.

Furthermore, if De Longhi Industrial and/or the minority shareholders of LM intend to sell their shares, the shareholders have a right of withdrawal.

### **NATURE OF RELATED PARTY TRANSACTION**

The Board of Directors of De' Longhi SpA attributed an overall value to the enterprise value of the transaction equal to US\$ 1,402.4 million. Such value was determined on the basis of the enterprise value attributed by the Board of Directors of De' Longhi S.p.A. to La Marzocco Group, equal to US\$ 907.7 million, and to Eversys Group, equal to US\$ 494.6 million.

The transaction is classified as a "*transaction with related parties of greater importance*", as it exceeds the relevance indexes of value and of total assets; therefore the Company will make an RPT (Related Party Transaction) Information Document available to the public, in compliance with the relevant regulatory provisions of information transparency, which will be published and made available on the corporate website of De' Longhi SpA ([www.delonghigroup.com](http://www.delonghigroup.com)) in the Investors section, within the terms of the law.

On the date of approval of the transaction, De' Longhi SpA is subject to legal control by De Longhi Industrial, which holds 53.59% of the total share capital of the De' Longhi Group. Furthermore, De Longhi Industrial indirectly controls La Marzocco, by holding, through its affiliates, 62.6% of its share capital.

For any further details and in-depth information, please refer to the explanatory document drawn up pursuant to article 5 of the Regulation adopted by Consob with resolution no. 17221 of 12 March 2010 and subsequent amendments, which, as indicated above, will be made available on the Company's website [www.delonghigroup.com](http://www.delonghigroup.com) and on the authorized storage mechanism "1Info" at the address [www.1info](http://www.1info), within the terms of the law.

The new corporate vehicle of De' Longhi SpA will have an independent board of directors that will report directly to Fabio de' Longhi, CEO of De' Longhi SpA. Furthermore, the independence, culture and distinctive character of La Marzocco will be guaranteed by the current management, who will remain in office and act as long-term shareholders.

#### **LA MARZOCCO LLC**

La Marzocco International LLC, founded in 1927, is the leading manufacturer of high-end semi-automatic espresso machines for the professional industry and the luxury consumer segment. The company serves more than 100 countries and has production based entirely in Italy. La Marzocco expects to achieve, as if within the scope of consolidation of the De' Longhi Group, a turnover of approximately € 240 million in 2023 and an adjusted Ebitda, of approximately € 56.7 million and a positive Net Financial Position of approximately € 19 million.

#### **EVERSYS**

Eversys, founded in 2009, is a rapidly growing company in the professional automatic coffee machine industry, offering one of the best "in-cup experiences" for the consumer and providing an advanced telemetry system. The De' Longhi Group acquired an initial 40% stake in 2017, then completing the acquisition of the remaining 60% in 2021. Eversys is expected to achieve a turnover of approximately € 132 million in 2023, an adjusted Ebitda, as consolidated in the De' Longhi Group, of approximately € 30 million and a Net Financial Position negative by approximately € 7.6 million.

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Fabio de' Longhi, CEO and vice-president of De' Longhi S.p.A., on the sidelines of the signing of the agreements, commented:

*"I am extremely satisfied with this transaction which creates a world leader in the professional coffee machine industry and a center of technological innovation without equal in the world of coffee."*

*In particular, I am satisfied with the full participation of the management and minority shareholders of La Marzocco in this deal, creating continuity and strengthening, to a greater extent, the worth of this project.*

*From this perspective, La Marzocco and Eversys, while continuing to maintain their distinct identities, will be able to count on the full financial and organizational support and control of the De' Longhi group. Today's transaction therefore represents a fundamental step to further consolidate our leadership in coffee, especially in the premium segment of the market, both consumer and professional, and was made possible by the robust cash generation that has characterized our Group in recent years.*

*Finally, I would like to point out that the Group, once the operation has been finalized, will still have ample financial resources and significant financial flexibility in view of future growth, as outlined by the strategic guidelines identified by the company."*

#### **ADVISORS OF THE TRANSACTION**

In the context of the transaction, Lazard acted as financial advisor to De' Longhi SpA, while White & Case covered the legal aspects and Studio Biscozzi Nobili Piazza and PwC US handled the tax aspects. The Independent Committee made use of Pedersoli Studio Legale as legal advisor and Rothschild & Co as financial advisor. Furthermore, EY collaborated for the financial and tax due diligence, as well as Anthesis for the environmental compliance due diligence. Chiomenti acted as legal advisor for De Longhi Industrial S.A.

## Contacts

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The De' Longhi Group is one of the leading players in the small domestic appliance business dedicated to the world of coffee, cooking and food preparation, air conditioning, heating and home care.

Listed since 2001 on the Italian Stock Exchange MTA, De' Longhi distributes its products, with the De' Longhi, Kenwood, Braun, Ariete, Nutribullet and Magic Bullet brands, in more than 120 markets around the world and at end 2022 had over 9,000 employees. In 2022 it reported revenues of € 3.16 billion, an adjusted EBITDA of € 362 million and a net profit of € 177 million.