

De' Longhi S.p.A.

A first quarter in line with the guidance for the year, with revenues and margins well above pre-pandemic levels, thanks to organic growth, investments and acquisitions.

The Board of Directors of De' Longhi SpA approved today the consolidated results of the first quarter of 2023:

- **revenues** of € 602.4 million, down by 18.1% (-18.7% at constant exchange rates);
- an **adjusted¹ Ebitda** of € 74.3 million, equal to 12.3% of revenues (vs. 13.6% of first quarter of 2022);
- a **net income²** of € 38.7 million, equal to 6.4% of revenues (vs. 6.9% of first quarter of 2022);
- a positive **net financial position** amounting to € 317.2 million, improving vs. both year end of 2022 (+ € 18.5 million) and end of Q1-2022³ (+€ 42.6 million).

In the words of the Chief Executive Officer 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."

¹ "Adjusted" stands for before non-recurring income/expenses and the notional cost of the stock option plan.

² In this press release, reference is always made to the net profit pertaining to the Group.

³ "Q1" stands for Quarter 1 or first quarter.

Results summary and business review

(Eur million unless otherwise specified)

	Q1 2023	Q1 2022	change	change %
Revenues	602.4	735.5	-133.1	-18.1%
net ind. margin	304.4	375.6	-71.2	-19.0%
<i>% of revenues</i>	<i>50.5%</i>	<i>51.1%</i>		
adjusted Ebitda	74.3	100.1	-25.7	-25.7%
<i>% of revenues</i>	<i>12.3%</i>	<i>13.6%</i>		
Ebitda	75.5	93.5	-17.9	-19.2%
<i>% of revenues</i>	<i>12.5%</i>	<i>12.7%</i>		
Ebit	50.1	69.1	-19.0	-27.5%
<i>% of revenues</i>	<i>8.3%</i>	<i>9.4%</i>		
Net Income*	38.7	50.6	-11.9	-23.5%
<i>% of revenues</i>	<i>6.4%</i>	<i>6.9%</i>		

* pertaining to the Group

general outlook

The first quarter of 2023 was characterized by an unfavorable and difficult to interpret geopolitical and macroeconomic situation, in continuity with the scenario encountered in the second half of 2022. Furthermore, the start of the year was impacted by some already anticipated factors, which influenced the trend of sales in this initial phase.

Specifically, we point out three main effects:

- a challenging comparison with the extraordinary growth in the first months of the previous two years (respectively +59% in 2021 and +5.5% in 2022 on a constant perimeter basis);
- a more cautious approach of some distributors, which have used these months to reduce the level of inventories (*de-stocking* effect);
- the Group's strategic decision to exit the portable air conditioning market in the United States, which had an impact of € 23.4 million in the quarter.

Despite the complexity of the scenario, the Group has continued to invest in marketing and communication activities - *in particular as regards the global coffee campaign* - in innovation - *with the launch on the North American market of the premium "drip coffee" machine True Brew* - and in margin recovery - *with a focus on costs and price stability*.

With regard to the profitability trend, it should be noted that in the quarter the impact of the increase in production costs was limited and offset by cost efficiency and containment measures.

revenues

In the first quarter of 2023, revenues were down by 18.1%, reaching € 602.4 million.

The currency component (including hedging management) made a positive contribution of 0.6 percentage points of revenue growth.

markets

As already highlighted in the past months, the European area has been affected, more than other areas, by the effects of the Russian-Ukrainian conflict and the weakening of consumers' purchasing power caused by inflation.

<i>EUR million</i>	Q1 2023	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 (MiddleEast/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%

In detail:

- **South-Western Europe** recorded a double-digit decline, with all the main markets down, compared to a first quarter of 2021 which marked a growth of more than 60% (at a constant perimeter and constant exchange rates);
- sales of **North-Eastern Europe** showed a decline at a mid-to-high single digit rate, in a context of a macroeconomic and geopolitical scenario experiencing a complex evolution;
- the **MEIA** region has undergone a double-digit decline, compared with a very strong acceleration trend in the last two years;
- in the **America** region, sales performance was affected by the discontinuity relating to the exit from mobile air conditioning business, which impacted the turnover by € 23.4 million; net of this effect, we report a recovery trend in the cooking and food preparation business, thanks to the growth of Nutribullet products;
- finally, **Asia Pacific** achieved a low single digit growth at constant exchange rates, with a significant contribution from "greater China", which confirmed its sustained growth.

product segments In terms of product segments, the difficult comparison with the extraordinary performance of the quarters of the previous two years led to a decline for all of the macro categories of the "consumer" business, including coffee as well.

We point out that the decision to exit the American market of portable air conditioners, determined by the purpose of protecting the average profitability of the product portfolio, amounting to € 23.4 million, however bringing a benefit in terms of mix. Excluding portable air conditioning for the US market, the rest of the perimeter showed a decrease of 15.4%.

On the contrary, professional coffee, branded Eversys, showed a strong positive trend, which continued its growth trajectory at a high-double-digit rate.

operating margins Looking at the evolution of operating margins, we point out that in general they stood at improved levels compared to the first quarters of the pre-pandemic years (2019 and 2020), thanks also to price defense actions and the positive contribution of the mix, which offset the negative effect of the decline in sales volumes and the tail of cost increases of the past quarters, mainly with regard to raw materials:

- the **net industrial margin** amounted to € 304.4 million, equal to 50.5% of revenues (51.1% in 2022); together with the positive contributions of the price-mix and the recovery of transport prices, there was 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 advertisement and promotions which, while remaining constant with 2022 as a percentage of revenues (at 12.1%), decreased in value by € 15.7 million, down to € 73.1 million;
- **Ebitda** amounted to € 75.5 million, or 12.5% of revenues (12.7% in 2022);
- **Ebit** stood at € 50.1 million, equal to 8.3% of revenues (9.4% in 2022), after depreciation and amortization up by € 1 million;
- finally, the **net profit** attributable to the Group amounted to € 38.7 million, or 6.4% of revenues (6.9% in 2022).

balance sheet

	EUR million		
	31.03.2023	31.03.2022	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 N.F.P.

The Group closed the first quarter of 2023 with a positive **Net Financial Position** improving against the end of 2022 figure.

The position as at March 31st amounted to € 317.2 million, i.e. an increase of € 18.5 million in the quarter and € 42.6 million in the 12 months.

The Net Position towards banks and other lenders as at 31.3.2023 was active for € 399.2 million, improving by € 9.7 million compared to the end of 2022.

the cash flow

In the quarter, the Group was able to generate € 41.4 million in cash from current operations and working capital movements (compared to the first quarter of 2022 in which there was an absorption of € 103.8 million).

In terms of **operating working capital** (8.5% of 12-month rolling revenues), the negative change in inventories (up from the record value of € 551 million at the end of 2022, as expected by the normal economic-financial cycle) was more than counterbalanced by the positive cash generation of trade receivables and payables' management.

It should also be noted that **capital expenditures** absorbed € 19.2 million in the quarter, a clear decrease compared to last year, which recorded the disbursement for the acquisition of the new production plant in Romania.

	<i>EUR million</i>		
	3 months 2023	3 months 2022	12 months rolling (at 31.03)
Net Cash Flow	18.5	-150.5	42.6
Dividends paid	0.0	0.0	-124.5
Cash Flow from acquisitions	0.0	0.0	0.0
Free Cash Flow before dividends and acquisitions	18.5	-150.5	167.1

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.

Events occurred after the end of the period

There are no significant events following the end of the period.

Foreseeable business development and guidance

In the words of the Chief Executive Officer 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.

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Regulatory statements

The manager responsible for the preparation of the company's accounts, Stefano Biella, hereby declares, as per article 154 bis, paragraph 2, of the "Testo Unico della Finanza", that all information related to the company's accounts contained in this press release are fairly representing the accounts and the books of the company.

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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.

ANNEXES

Consolidated results of De' Longhi S.p.A.
as of March 31, 2023

1. Consolidated Income Statement

<i>Euro million</i>	31.03.2023	% of revenues	31.03.2022	% of revenues
Net Revenues	602.4	100.0%	735.5	100.0%
<i>change</i>	<i>(133.1)</i>	<i>(18.1%)</i>		
Materials consumed and other production costs (services and production payroll costs)	(298.0)	(49.5%)	(359.9)	(48.9%)
Net Industrial Margin	304.4	50.5%	375.6	51.1%
Costs for services and other operating costs	(166.1)	(27.6%)	(210.7)	(28.6%)
Labour cost (non industrial)	(63.9)	(10.6%)	(64.8)	(8.8%)
EBITDA before non recurring items and stock option plan (Adjusted Ebitda)	74.3	12.3%	100.1	13.6%
<i>change</i>	<i>(25.7)</i>	<i>(25.7%)</i>		
non recurring items / stock option plan	1.2	0.2%	(6.6)	(0.9%)
EBITDA	75.5	12.5%	93.5	12.7%
Ammortization	(25.4)	(4.2%)	(24.4)	(3.3%)
EBIT	50.1	8.3%	69.1	9.4%
<i>change</i>	<i>(19.0)</i>	<i>(27.5%)</i>		
Net financial charges	(0.6)	(0.1%)	(2.6)	(0.4%)
Profit before taxes	49.5	8.2%	66.5	9.0%
Taxes	(10.8)	(1.8%)	(15.7)	(2.1%)
Net Income	38.8	6.4%	50.8	6.9%
Net Profit /(Loss) pertaining to minorities	-	0.0%	0.2	0.0%
Net Profit /(Loss) pertaining to the Group	38.7	6.4%	50.6	6.9%

2. Revenues breakdown by geography

<i>Euro million</i>	1 st quarter 2023	%	1 st quarter 2022	%	change	change %	change % at constant exch. rates
Europe	373.2	62.0%	454.5	61.8%	(81.3)	(17.9%)	(18.3%)
America	96.0	15.9%	132.9	18.1%	(36.9)	(27.8%)	(30.6%)
Asia Pacific	89.0	14.8%	88.8	12.1%	0.2	0.3%	3.2%
MEIA	44.3	7.3%	59.4	8.0%	(15.1)	(25.4%)	(28.2%)
Total revenues	602.4	100.0%	735.5	100.0%	(133.1)	(18.1%)	(18.7%)

3. Consolidated Balance Sheet

<i>Euro million</i>	31.03.2023	31.03.2022	31.12.2022
- Intangible assets	880.3	875.7	891.2
- Tangible assets	440.2	423.6	448.1
- Financial assets	11.6	12.3	11.7
- Deferred tax assets	64.6	74.7	64.6
Fixed assets	1,396.7	1,386.4	1,415.6
- Inventories	615.3	912.4	550.7
- Trade receivables	171.8	280.2	278.8
- Trade payables	(530.6)	(857.9)	(540.7)
- Other net current assets / (liabilities)	(96.6)	(172.3)	(145.8)
Net working Capital	159.9	162.3	142.9
Non Current Liabilities	(191.2)	(191.0)	(194.0)
Net Capital Employed	1,365.4	1,357.7	1,364.6
Net debt / (cash)	(317.2)	(274.6)	(298.8)
Total shareholders' equity	1,682.7	1,632.3	1,663.4
Total net debt/(cash) and shareholders' equity	1,365.4	1,357.7	1,364.6

4. Detailed Net Financial Position

<i>Euro million</i>	31.03.2023	31.03.2022	31.12.2022
Cash and cash equivalents	847.5	893.8	770.2
Other financial receivables	286.2	301.3	368.4
Current financial debt	(181.7)	(324.6)	(190.5)
Current net financial assets / (debt)	952.0	870.4	948.1
Non current net financial assets	124.2	71.8	124.6
Non current net financial debt	(759.0)	(667.6)	(774.0)
Non Current net financial assets / (debt)	(634.8)	(595.8)	(649.3)
Total net financial position	317.2	274.6	298.8
<i>of which:</i>			
- Net financial position versus banks and other lenders	399.2	356.7	389.5
- lease related debt	(75.4)	(75.0)	(80.5)
- Net assets /(liabilities) other than bank debt (fair value of derivatives. financial liabilities for business combinations and financial payables connected to pension funds)	(6.5)	(7.2)	(10.2)

5. Consolidated Cash Flow Statement

<i>Euro million</i>	31.03.2023 <i>3 months</i>	31.03.2022 <i>3 months</i>	31.12.2022 <i>12 months</i>
Cash flow from operations	72.5	99.3	340.0
Cash flow from changes in working capital	(31.1)	(203.1)	(188.0)
Cash Flow from operations and changes in working capital	41.4	(103.8)	151.9
Cash flow from investments	(19.2)	(56.8)	(156.2)
Operating cash flow	22.2	(160.6)	(4.3)
Dividends distributed	-	-	(124.5)
Cash Flow from stock option exercise	-	-	3.4
Cash Flow from other changes in the Net Equity	(3.8)	10.1	(0.9)
Cash flow from changes in the net equity	(3.8)	10.1	(122.0)
Net Cash Flow	18.5	(150.5)	(126.3)
Opening Net Financial Position	298.8	425.1	425.1
Closing Net Financial Position	317.2	274.6	298.8