Treviso, May 12, 2020

DēLonghi Group

PRESS RELEASE

# De'Longhi S.p.A.

## A first quarter with growing revenues and margins and an excellent cash generation.

Today, the Board of Directors of De' Longhi SpA has approved the consolidated results of the first quarter 2020 [(1)]:

- revenues of € 393.3 million, up 4.5% (+ 5.3% at a normalized level [(1)] and + 3.6% at an organic level [(2)]);
- a net industrial margin at 50.4% of revenues (50.8% normalized [(1)]) from 48.3% in 2019;
- an adjusted [(3)] Ebitda of € 42.1 million, equal to 10.7% of revenues (11.4% in normalized terms [(1)]), improving from 9.7% in 2019;
- an Ebit of € 17.6 million, equal to 4.5% of revenues (6.4% in normalized terms [(1)]), up from 4.4% in 2019;
- net profit of € 11 million (€ 14.4 million in normalized values [(1)], up from € 11.4 million);
- a positive net financial position of € 335 million, improving by € 191 million in the 12 months and by € 57.2 million in the quarter.

In the first quarter, the Group incurred non recurring charges of € 5.1 million, of which € 3.1 million of donations to the healthcare structures involved in the fight against the sanitary emergency and another € 1.5 million of other costs related to the pandemic.

Commented the new CEO and General Manager, Massimo Garavaglia: "*the De' Longhi Group, under the guidance of Fabio de' Longhi, has demonstrated, over all these years, to know how to grow and develop, with the great determination of all people. I am very happy to join this team and to work immediately with our teams around the world to continue the expansion process. We have a wealth of talents, technologies and product portfolio to face the challenges in the future. I want to thank the de' Longhi family and the entire Board of Directors for the support and trust shown to me.* "

*"After having achieved extraordinary results in the last decade* - said Fabio de' Longhi - *we are now showing that we are able to overcome the unexpected, thanks to the incredible spirit and dedication of our employees. As far as I am concerned, from now on, in order to further encourage the growth and success of our Group, I will devote my time and attention to innovation and non-operational growth, determining factors for the future of the Group. With this spirit, I renew my welcome to Massimo Garavaglia, manager of international experience and with a strong background, with whom I share the founding principles of this Group: teamwork, passion and integrity ".*

(1) The 2020 and 2019 figures are prepared in line with the application of the accounting standard IFRS 16. Furthermore, for comparative purposes, we may present so called "normalized" values, that is, comparable with those of the previous year, excluding the non-recurring costs connected to Covid-19 and the effects deriving from the reclassification of financial discounts (previously classified among financial charges and now included among commercial premiums and therefore netting the revenues).
(2) "organic" stands for at constant exchange rates and excluding the derivative effect.
(3) "adjusted" stands for gross of non-recurring expenses / income and of the notional cost of the stock option plan.

# Results summary and business review

| | 1st quarter * (January 1st - March 31st) | | | change | change normalized ** |
|---|---|---|---|---|---|
| | 2020 | 2020 normalized ** | 2019 | | |
| | (Eur milion unless specified) | | | | |
| Revenues | 393.3 | 396.4 | 376.4 | *16.9* | *19.9* |
| *change %* | *4.5%* | *5.3%* | | | |
| *organic ch. %* | *3.6%* | *0.0%* | | | |
| net ind. margin | 198.3 | 201.3 | 181.7 | *16.5* | *19.6* |
| *% of revenues* | *50.4%* | *50.8%* | *48.3%* | | |
| adjusted Ebitda | 42.1 | 45.2 | 36.5 | *5.6* | *8.7* |
| *% of revenues* | *10.7%* | *11.4%* | *9.7%* | | |
| Ebitda | 36.6 | 44.3 | 35.1 | *1.5* | *9.2* |
| *% of revenues* | *9.3%* | *11.2%* | *9.3%* | | |
| Ebit | 17.6 | 25.2 | 16.6 | *0.9* | *8.6* |
| *% of revenues* | *4.5%* | *6.4%* | *4.4%* | | |
| Net Income | 11.0 | 14.4 | 11.4 | *-0.4* | *3.0* |
| *% of revenues* | *2.8%* | *3.6%* | *3.0%* | | |

* All data are reported according to the IFRS 16 accounting principle.

* * Normalized data are sterilized from non recurring costs related to Covid-19 and from the effects of reclassification of financial discounts.

general outlook

In the first quarter we experienced a strong driving force of the business, both in terms of sales and margins, but also, later on, the spread on a national and international scale of the epidemic from Covid-19, after its initial appearance in China .

This evolution has generated in the management on the one hand a strong optimism in the resilience of the business and in the Group's ability to generate value, but on the other also the awareness that exceptional events of extraordinary gravity would have required an equally exceptional effort for a prolonged period of time .

In the first months of the year, the Group was able to accompany the growth of the business with a prompt and orderly maneuver for the implementation of the prevention measures, first in its Chinese production structures and then in the remaining international structures, with the primary objective of safeguarding the health of its employees, as evidenced in the press releases issued over the past few months.

revenues

First quarter revenues were € 393.3 million, up by 4.5% vs. 2019; at a normalized level, growth was +5.3%.
The impact of exchange rates on revenues was positive for € 3.3 million, contributing by 0.9% to the turnover’s growth.

| EUR million | Q1-2020 | chg. % | organic chg. % | Q1-2020 normalized | chg. % | organic chg. % |
|---|---|---|---|---|---|---|
| North East Europe | 111.1 | 3.4% | 2.0% | 111.4 | 3.7% | 2.4% |
| South West Europe | 171.0 | 10.5% | 10.2% | 173.7 | 12.2% | 11.9% |
| EUROPE | 282.0 | 7.6% | 6.8% | 285.1 | 8.7% | 8.0% |
| | | | | | | |
| APA (Asia/Pacific/Americas) | 91.2 | 4.8% | 3.7% | 91.2 | 4.8% | 3.7% |
| | | | | | | |
| MEIA (MiddleEast/India/Africa) | 20.0 | -26.3% | -27.6% | 20.0 | -26.3% | -27.6% |
| | | | | | | |
| TOTAL REVENUES | 393.3 | 4.5% | 3.6% | 396.4 | 5.3% | 4.4% |

markets

At a market level, on a normalized basis:

- South-western Europe grew double digit (+12.2%), with strong accelerations in Germany, France, Greece and the Iberian region, compared to which the marked decline in the Italian and Austrian markets was dystonic;

- North-Eastern Europe also grew (+3.7% and +2.4% organic), albeit with a more fragmented picture, with countries in marked progress (Russia, Ukraine and other CIS countries) and others declining with variable degree (UK, Scandinavian countries, Czech Republic);

- APA (Asia-Pacific-Americas) grew by 4.8% (3.7% organic) thanks to the progress of Northern America, Greater China, Japan, Korea, while Australia and New Zealand were impacted by a negative exchange rate effect, net of which they showed a trend in line with last year;

- finally, in a highly negative territory (-26.3% and -27.6% organic) the MEIA region (Middle East, India, Africa), which paid for the economic difficulties of the oil-producing countries and the first impacts of the outbreak in China, which led to a temporary stop of shipments from the Chinese ports to the region, with the only notable exception represented by the United Arab Emirates.

products

On a normalized basis, the first quarter delivered the strong growth of the coffee machines segment (+16.6%), in all of its main product families (fully-automated, manual machines and capsule systems) and an important positive performance of Kenwood's kitchen machines (+9%) which however is not sufficient to bring the cooking and food preparation segment into positive territory.
The other segments of comfort and home care were substantially in line with the previous year.

operating margins

Turning to margins, on a comparable basis with 2019 (normalized values), there has been a general improvement, at all levels, from the industrial margin to the net income:

- the net industrial margin was up from 48.3% to 50.8%, with savings, as a percentage of revenues, on industrial labor costs, transport and external works;

- adjusted EBITDA improved from 9.7% to 11.4% of revenues, reaching € 45.2 million. It should be noted that even including the non-recurring costs connected to Covid-19 (equal to € 4.6 million, of which € 3.1 million in donations), the margin was up on the previous year, in value and in percentage of revenues, despite the increase in spending on advertising and promotional activities (“A&P”);

- Ebitda improved from 9.3% to 11.2%; on a "reported" basis, the margin, as a percentage of revenues, was in line with last year;

- Ebit improved from 4.4% to 6.4%, reaching € 25.2 million, after amortization and depreciation of € 0.6 million;

- finally, net income increased to € 14.4 million (from € 11.4 million). In reported terms, on the contrary, net profit (€ 11 million) was down both in value and in percentage of revenues, also as a consequence of the aforementioned non-recurring costs relating to Covid-19 and higher taxes for € 4.8 millions.

financial charges

Net financial charges were € 1.5 million and € 4.5 million on a normalized basis, hence improving vs. 2019 (€ 5 million) thanks mainly to a more favorable exchange rates management.

net financial position

As to the balance sheet, the flows deriving from the good performance of operations and of net working capital were the main factors leading to an improvement in the net financial position in the quarter, even in the presence of higher investments: the net financial position thus improved by € 57.2 million, from € 277.8 to € 335 million.
Bank net financial position stood at € 396.8 million, improving by € 39.4 million in the quarter.

In the 12 months (from 1st April 2019 to 31st March 2020) the position improved by € 191 million; in particular, the cash flow before dividends (free-cash-flow before dividends) amounted to € 246.4 million.

| | 31.3.2020 | 31.12.2019 | 31.3.2019 |
|---|---|---|---|
| | *EUR million* | *EUR million* | *EUR million* |
| Net financial position | 335.0 | 277.8 | 144.0 |
| *change in the 3 months* | *57.2* | *0.0* | |
| *change in the 12 months* | *191.0* | | |

Investments incurred in the quarter were € 27.2 million (€ 12.8 million more than in the first quarter of 2019), of which more than half related to the new factory in Madaras, Romania, and to the new headquarters building in Treviso. In the 12 months, investments totaled € 85.5 million.

As to the working capital, in the quarter we highlight the sharp reduction of inventories and the positive trend in the trade receivables-payables balance (which benefited above all from a strong reduction in receivables); the ratio between net working capital and revenues improved to 12.1% from 15.2% on 31.12. 2019 and from 16.8% at the end of March 2019.

# Events occurred after the end of the quarter

As reported in our press release of 27 April, following the resolutions passed by the Shareholders' Meeting held in ordinary and extraordinary session on 22 April 2020 which approved the financial statements for year 2019, the Board of Directors has appointed the new director, Massimo Garavaglia, as CEO and General Manager of De' Longhi S.p.A., conferring on him the delegated powers. Therefore, starting from 1st May 2020, Massimo Garavaglia took over the role of CEO from Fabio de' Longhi.

As reported in our press release of April 22, the Shareholders' Meeting, held on the same date, voted against the proposal of the Board of Directors to distribute a gross ordinary dividend of Euro 0.54 per ordinary share in circulation (net of any treasury shares held in the company's portfolio) for a maximum amount of ca. € 80 million. In this regard, we remind you that on April 15 the majority shareholder, De' Longhi Industrial SA, had communicated its decision to vote against the dividend distribution proposal, motivating it with the intention of providing financial support to the De' Longhi Group at a time when the Group is called to an extraordinary commitment in light of the possible impacts on the global economy of the Covid-19 outbreak.

In this context, despite the sound and solid financial position, the Group has decided to increase the availability of liquidity, in consideration of the situation of extreme uncertainty regarding the evolution of the health emergency, through the underwriting of new medium-long term loans. As of today, new medium-long term loans have already been signed and drawn for a total amount of € 150 million.

There are no further events after the end of the quarter, other than those already communicated in our previous press releases (available at the link:
https://www.delonghigroup.com/en/investor/press-releases-and-presentations )
and for which we also refer to the interim management report.

# Foreseeable business development and *guidance*

In the Group's previous press releases, given the complexity of the international scenario following the expansion of the pandemic from Covid-19, we highlighted that, with the elements in our possession, we cannot provide a guidance for the current year with sufficient reliability.
During the last few days, following the progressive loosening of the containment measures decided by the Italian government, production activity in the Italian plant was restarted and the factory returned to run at full speed at the end of last week, like all others factories of the Group.

Looking at the evolution of the second quarter, on the basis of the first trend signs of the first weeks of the quarter, we confirm the impact on sales flows of the contagion containment measures adopted by many governments, which limited social mobility and closed large part of the points of sale of the traditional distribution. The positive support that comes in this period from the e-commerce platforms, own and third parties, and from the strength of the Group's brands and core products remains confirmed

# 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.

# Contacts



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|---|---|
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# ANNEXES

## Consolidated results of De' Longhi S.p.A. as of March 31, 2020

# 1. Consolidated Income Statement

| Million Euro | 1st Quarter 2020 | % of revenues | 1st Quarter 2020 normalized | % of revenues | 1st quarter 2019 | % of revenues |
|---|---|---|---|---|---|---|
| **Net Revenues** | **393.3** | **100.0%** | **396.4** | **100.0%** | **376.4** | **100.0%** |
| *change* | *16.9* | *4.5%* | *19.9* | *5.3%* | | |
| | | | | | | |
| Materials consumed and other production costs (services and production payroll costs) | (195.0) | (49.6%) | (195.0) | (49.2%) | (194.7) | (51.7%) |
| **Net industrial margin** | **198.3** | **50.4%** | **201.3** | **50.8%** | **181.7** | **48.3%** |
| Costs for services and other operating costs | (108.5) | (27.6%) | (108.5) | (27.4%) | (98.6) | (26.2%) |
| Labour cost (non industrial) | (47.7) | (12.1%) | (47.7) | (12.0%) | (46.6) | (12.4%) |
| **Ebitda before non recurring items and stock option plan (adjusted Ebitda)** | **42.1** | **10.7%** | **45.2** | **11.4%** | **36.5** | **9.7%** |
| *Change* | *5.6* | *15.4%* | *8.7* | *23.8%* | | |
| | | | | | | |
| Other non recurring items / stock option plan | (5.5) | (1.4%) | (0.9) | (0.2%) | (1.4) | (0.4%) |
| **EBITDA** | **36.6** | **9.3%** | **44.3** | **11.2%** | **35.1** | **9.3%** |
| | | | | | | |
| Amortization | (19.1) | (4.8%) | (19.1) | (4.8%) | (18.5) | (4.9%) |
| **EBIT** | **17.6** | **4.5%** | **25.2** | **6.4%** | **16.6** | **4.4%** |
| *Change* | *0.9* | *5.7%* | *8.6* | *51.7%* | | |
| | | | | | | |
| Net financial charges | (1.5) | (0.4%) | (4.5) | (1.1%) | (5.0) | (1.3%) |
| **Profit before taxes** | **16.1** | **4.1%** | **20.7** | **5.2%** | **11.6** | **3.1%** |
| | | | | | | |
| Taxes | (5.1) | (1.3%) | (6.3) | (1.6%) | (0.2) | (0.1%) |
| **Net profit pertaining to the Group** | **11.0** | **2.8%** | **14.4** | **3.6%** | **11.4** | **3.0%** |

# 2. Revenues breakdown by geography

| Million Euro | 1st Quarter 2020 | % | 1st Quarter 2020 normalized | % | 1st Quarter 2019 | % | normalized change | normalized change % | organic normalized change % |
|---|---|---|---|---|---|---|---|---|---|
| EUROPE | 282.0 | 71.7% | 285.1 | 71.9% | 262.2 | 69.7% | 22.9 | 8.7% | 8.0% |
| APA | 91.2 | 23.2% | 91.2 | 23.0% | 87.1 | 23.1% | 4.2 | 4.8% | 3.7% |
| MEIA | 20.0 | 5.1% | 20.0 | 5.1% | 27.2 | 7.2% | (7.1) | (26.3%) | (27.6%) |
| **Total revenues** | **393.3** | **100.0%** | **396.4** | **100.0%** | **376.4** | **100.0%** | **19.9** | **5.3%** | **4.4%** |

# 3. Consolidated Balance Sheet

| Million Euro | 31.03.2020 | 31.03.2019 | 31.12.2019 |
|---|---|---|---|
| - intangible assets | 314.5 | 317.3 | 314.8 |
| - tangible assets | 320.2 | 316.9 | 315.1 |
| - financial assets | 31.4 | 30.7 | 30.2 |
| - deferred tax assets | 48.1 | 51.3 | 47.3 |
| **Fixed assets** | **714.3** | **716.1** | **707.4** |
| - inventories | 407.7 | 488.2 | 343.5 |
| - trade receivables | 220.4 | 244.8 | 437.4 |
| - trade payables | (316.8) | (337.8) | (365.8) |
| - other net current assets / (liabilities) | (54.6) | (49.6) | (96.3) |
| **Net working capital** | **256.6** | **345.5** | **318.8** |
| **Non current liabilities** | **(115.2)** | **(108.0)** | **(113.5)** |
| **Net capital employed** | **855.7** | **953.6** | **912.6** |
| **Net debt / (cash)** | **(335.0)** | **(144.0)** | **(277.8)** |
| **Total shareholders' Equity** | **1,190.7** | **1,097.6** | **1,190.5** |
| **Total net debt /(cash) and shareholders' equity** | **855.7** | **953.6** | **912.6** |

# 4. Detailed Net Financial Position

| Million Euro | 31.03.2020 | 31.03.2019 | 31.12.2019 |
|---|---|---|---|
| Cash and cash equivalents | 752.4 | 542.4 | 731.5 |
| Other financial receivables | 114.6 | 55.4 | 102.4 |
| Current financial debt | (127.2) | (153.4) | (138.2) |
| **Current net financial assets / (debt)** | **739.7** | **444.4** | **695.7** |
| **Non current net financial assets / (debt)** | **(404.7)** | **(300.5)** | **(417.9)** |
| **Total Net Financial Position** | **335.0** | **144.0** | **277.8** |
| *of which:* | | | |
| *- Net financial position versus banks and other lenders* | *396.8* | *220.8* | *357.4* |
| *- lease related debt* | *(70.7)* | *(77.9)* | *(74.0)* |
| *- Net assets /(liabilities) other than bank debt (fair value of derivatives. financial liabilitiesfor business combinations and financial payables connected to pension funds)* | *8.9* | *1.0* | *(5.5)* |

# 5. Consolidated Cash Flow Statement

| Million Euro | 31.03.2020 (3 months) | 31.03.2019 (3 months) | 31.12.2019 (12 months) |
|---|---|---|---|
| Cash flow from operations | 35.5 | 29.8 | 277.3 |
| Cash flow from working capital | 35.5 | (24.5) | (22.3) |
| Cash flow from investments | (27.2) | (14.4) | (75.8) |
| **Normalized Operating cash flow** | **43.8** | **(9.1)** | **179.1** |
| Cash flow from application of IFRS 16 | - | (80.7) | (77.0) |
| **Operating cash flow** | **43.8** | **(89.9)** | **102.2** |
| Dividends distributed | - | - | (55.3) |
| Cash flow from changes in *Fair value* and *Cash flow hedge* reserves | 7.6 | 2.5 | (1.7) |
| Cash Flow from shares buy back | (5.0) | - | - |
| Cash flow from other changes in the Net Equity | 10.9 | 3.2 | 4.5 |
| **Cash flow from changes in the Net Equity** | **13.4** | **5.7** | **(52.5)** |
| **Net Cash Flow** | **57.2** | **(84.2)** | **49.7** |
| Opening Net Financial Position | 277.8 | 228.1 | 228.1 |
| **Closing Net Financial Position** | **335.0** | **144.0** | **277.8** |