

PRESS RELEASE

## De' Longhi S.p.A.

### A first half 2020 with growing revenues and margins and a strong cash generation.

The Board of Directors of De' Longhi SpA today approved the results of the first half of 2020 (1):

In the half year, the Group achieved:

- revenues of € 896.6 million, up 6% (+ 6.9% at a normalized (1) level and + 6.7% at the organic (2) level);
- an adjusted (3) Ebitda of € 111.8 million, equal to 12.5% of revenues (13.2% in normalized (1) terms or an increase of +21.5%), improving from 11.6% in 2019;
- net income of € 43.1 million (adjusted (3) net income of € 47.9 million, up 6.8%), compared to last year's value of € 42.8 million.

In the second quarter, the Group achieved:

- revenues of € 503.3 million, up 7.3% (+ 8.2% at the normalized level and + 8.5% at the organic level);
- an adjusted Ebitda of € 69.6 million, equal to 13.8% of revenues (14.5% in normalized terms), improving from 13.1% in 2019;
- net income of € 32.1 million, up from € 31.4 million.

At June 30<sup>th</sup>, the net financial position was positive for € 387.9 million, thanks to a cash flow of € 282.5 million in the 12 months (€ 110.1 million since the beginning of the year). The bank NFP on the same date was € 455.7 million.

*" We are facing difficult and complex times that require us to make a significant effort both on a human and professional level" - commented Massimo Garavaglia, CEO. " In particular, in the first six months, the extraordinary commitment shown by the people of De' Longhi and our partners allowed us to overcome this great challenge promptly and stubbornly, reaffirming the great qualities of resilience and flexibility of this Group. We still feel a lot of uncertainty on the markets and visibility for the business for the next few months remains limited, also due to a highly volatile macroeconomic scenario, however we believe that the Group, for the current year, can reasonably set the goal of an organic growth in sales mid single digit, with an adjusted Ebitda improving, in value, compared to 2019.*

(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 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

| (Eur million unless otherwise specified) | 1st Half 2020 | 1st Half (Jan. 1st - June 30) |       | 2nd quarter (April 1st - June 30) |       |
|--|---------------|-------------------------------|-------|-----------------------------------|-------|
|  |               | 2020<br>"normalized"          | 2019  | 2020<br>"normalized"              | 2019  |
| <b>Revenues</b>                          | <b>896,6</b>  | <b>903,7</b>                  | 845,5 | <b>507,3</b>                      | 469,1 |
| change %                                 | 6,0%          | 6,9%                          |       | 8,2%                              |       |
| organic ch. %                            |               | 6,7%                          |       | 8,5%                              |       |
| <b>net ind. margin</b>                   | <b>436,3</b>  | <b>443,4</b>                  | 399,5 | <b>242,0</b>                      | 217,7 |
| % of revenues                            | 48,7%         | 49,1%                         | 47,2% | 47,7%                             | 46,4% |
| <b>adjusted Ebitda</b>                   | <b>111,8</b>  | <b>118,8</b>                  | 97,8  | <b>73,7</b>                       | 61,3  |
| % of revenues                            | 12,5%         | 13,2%                         | 11,6% | 14,5%                             | 13,1% |
| <b>Ebitda</b>                            | <b>105,5</b>  | <b>112,6</b>                  | 95,5  | <b>72,9</b>                       | 60,4  |
| % of revenues                            | 11,8%         | 12,5%                         | 11,3% | 14,4%                             | 12,9% |
| <b>Ebit</b>                              | <b>66,9</b>   | <b>74,0</b>                   | 58,0  | <b>53,3</b>                       | 41,4  |
| % of revenues                            | 7,5%          | 8,2%                          | 6,9%  | 10,5%                             | 8,8%  |
| <b>Net Income</b>                        | <b>43,1</b>   | <b>43,1</b>                   | 42,8  | <b>32,1</b>                       | 31,4  |
| % of revenues                            | 4,8%          | 4,8%                          | 5,1%  | 6,3%                              | 6,7%  |
| <b>adjusted Net Income</b>               | <b>47,9</b>   | <b>47,9</b>                   | 44,9  | <b>32,8</b>                       | 32,3  |
| % of revenues                            | 5,3%          | 5,3%                          | 5,3%  | 6,5%                              | 6,9%  |

## general outlook

The first six months were characterized by a high level of uncertainty in the main markets due to the global health emergency generated by the spread of the pandemic. This difficult situation, further exacerbated by the prolonged lockdown in some countries, has generated an unprecedented shock in the dynamics of all markets.

In this context, De' Longhi has shown great adaptability, flexibility and resilience: despite the several difficulties, the Group's operating platforms have been able to supply the markets and the dedication of people has guaranteed safety in the workplace and business continuity in all locations.

After a first quarter characterized by mid single digit growth, the sales trend slowed a slowdown in April only, then promptly recovering the lost ground in the following months and accelerating compared to both last year and the first quarter.

## revenues

Revenues for the first half amounted to € 896.6 million, up 6% on 2019; at a normalized level, growth was 6.9% (6.7% organic). The second quarter saw an acceleration in revenues, which grew by 7.3% (8.2% at normalized level equal to 8.5% organic).

## markets

Looking at geographies, there has been a marked expansion in all the main regions, with the exception of the MEIA (Middle East-India-Africa), where a situation of depressed demand and purchasing power continues, mainly due to macroeconomic factors.

| <i>EUR million</i>                    | <b>Half Year<br/>2020<br/>normalized</b> | <i>chg. %</i> | <i>organic<br/>chg. %</i> | <b>Q2-2020<br/>normalized</b> | <i>chg. %</i> | <i>organic<br/>chg. %</i> |
|---------------------------------------|--|---------------|---------------------------|-------------------------------|---------------|---------------------------|
| South West Europe                     | 374.6                                    | 12.1%         | 11.8%                     | 201.0                         | 12.0%         | 11.6%                     |
| North East Europe                     | 237.5                                    | 5.1%          | 5.5%                      | 126.0                         | 6.3%          | 8.4%                      |
| <b>EUROPE</b>                         | <b>612.1</b>                             | <b>9.3%</b>   | <b>9.2%</b>               | <b>327.0</b>                  | <b>9.7%</b>   | <b>10.3%</b>              |
| <b>MEIA (MiddleEast/India/Africa)</b> | <b>44.9</b>                              | <b>-26.4%</b> | <b>-27.0%</b>             | <b>24.8</b>                   | <b>-26.5%</b> | <b>-26.5%</b>             |
| <b>APA (Asia/Pacific/Americas)</b>    | <b>246.7</b>                             | <b>10.0%</b>  | <b>9.5%</b>               | <b>155.5</b>                  | <b>13.3%</b>  | <b>13.2%</b>              |
| <b>TOTAL REVENUES</b>                 | <b>903.7</b>                             | <b>6.9%</b>   | <b>6.7%</b>               | <b>507.3</b>                  | <b>8.2%</b>   | <b>8.5%</b>               |

At a market level, on a normalized basis:

- in the half-year, **south-western Europe** achieved a double-digit growth of revenues (+11.8% organic and +11.6% organic in the quarter), supported in particular by a marked expansion of the business in Germany, France and Austria; sales were declining in Italy, mostly affected by the lockdown, but then recovering in the quarter;
- **North-Eastern Europe** also grew, with a mid single-digit performance (+ 5.5% organic), with a double-digit growth of Benelux and Scandinavia; growth in the second quarter accelerated to 8.4%;
- in the **APA (Asia-Pacific-Americas)** region, revenue growth stood at 9.5% organic, accelerating in the second quarter (+ 13.2% organic); in particular evidence were China and Hong Kong together with Australia and New Zealand, growing double-digit both in the six months and in the quarter (accelerating); USA and Canada have been growing both in the six months and in the quarter;
- finally, in continuity with the first quarter, in **MEIA (Middle East, India, Africa)** revenues declined by 27% organic in the half year and 26.5% organic in the quarter, with Saudi Arabia being the main responsible for the negative trend, partially balanced by the good performance of the United Arab Emirates.

## products

In the first half of 2020, despite the difficulties that arose due to the pandemic, the Group achieved significant growth in the main product categories. In particular, on a normalized basis, we highlight a double-digit growth trend of coffee (supported by an expansion of full-automatic and manual machines) and a confirmation of the positive rebound of the Kenwood kitchen machines' segment (double digit growth also in the quarter) which benefited the entire food sector, stable in the half year, but growing in the quarter.

We also report a significant development in comfort products, mainly driven by an important expansion of mobile air conditioning in the last part of the half year.

On the contrary, the trend of home care products was weaker, more heavily penalized by consumers in that period.

## operating margins

Turning to margins, on a comparable basis with 2019 ("normalized"), the half year showed a marked general improvement in margins:

- **net industrial margin** stood at € 443.4 million, equal to 49.1% of sales, improving versus 47.2% of last year (47.7% in the quarter);
- **adjusted Ebitda** grew by 21.5% to € 118.8 million (€ 73.7 million in the quarter) standing at 13.2% of revenues (14.5% in the quarter), an increase of 1.6 percentage points on the same period of 2019; the increase in this margin was supported by a positive effect of volumes and price-mix, only partially eroded by an increase in some operating costs, especially advertisement and promotions in support of core brands, non-industrial labor costs and higher duties on the American market;
- **Ebitda** increased to € 112.6 million from € 95.5 million (€ 72.9 million in the quarter);
- **Ebit** improved to € 74 million (from € 58 million), reaching 8.2% of revenues (€ 53.3 million in the quarter, equal to 10.5% of revenues);
- finally, **net income** was € 43.1 million, substantially in line with last year (€ 32.1 million in the quarter, slightly up on last year). At an adjusted level, net income grew 6.8% in the half year.

## net financial position

As to the balance sheet, the net financial position amounted to € 387.9 million, i.e. an improvement of € 110.1 million compared to 31 December 2019, after investments of € 40.9 million (in the same period last year the generation of cash in comparable terms, before dividends, had been € 9.6 million).

In the 12 months (from 30 June 2019 to 30 June 2020), the net financial position improved by 282.5 million (€ 81.8 million in the generation in the previous 12 months, in comparable terms).

|                                    | at 30.06.2020 | at 31.12.2019 | at 30.06.2019 |
|------------------------------------|---------------|---------------|---------------|
|                                    | EUR million   | EUR million   | EUR million   |
| <b>Net financial position</b>      | <b>387,9</b>  | 277,8         | 105,5         |
| <i>change in the 6 months</i>      | <i>110,1</i>  |               |               |
| <i>change in the 12 months</i>     | <i>282,5</i>  |               |               |
| <b>Bank net financial position</b> | <b>455,7</b>  | 357,4         | 188,3         |
| <i>change in the 6 months</i>      | <i>98,3</i>   |               |               |
| <i>change in the 12 months</i>     | <i>267,3</i>  |               |               |

In this regard, we would like to remind you that during the first half of the year important signs of solidarity were given at a time of growing difficulty for the country system and the territory, in the face of the spread of contagion: on the

one hand, the Group Shareholders' Meeting resolved not to distribute dividends, on the other hand the Group provided financial support of € 3.1 million in favour of the local health structures involved in the fight against contagion.

### net working capital

With regard to net working capital, the value as at 30 June 2020 was € 228.4 million, down € 116 million compared to the value shown on the same date of last year. This change is mainly the result of a marked fall in inventories, a reduction in trade receivables and an increase in trade payables.

As a ratio to revenues, net working capital declined to 10.6%, from 16.6% (in the 12 months) and from 15.2% (in the 6 months).

This figure represents the absolute minimum for the Group (post demerger of DeLclima).

## Other resolutions of the B.o.D.

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In continuity with the publication of the Non-Financial Statement, the Board of Directors, in today's meeting, also approved the Group's third Sustainability Report, relating to the financial year 2019. The publication of this document will take place in conjunction with the publication of the half year Financial Report as at 30.06.2020.

## Events occurred after the end of the quarter

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No significant events occurred after the end of the half year.

## Foreseeable business development and guidance

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The first half of the year was characterized by a higher than expected performance, thanks to the clear resilience highlighted by some product categories of which De' Longhi is the global leader, namely espresso coffee machines and kitchen machines.

These results were made possible also by the preference shown by consumers for the world of home experience in these months marked by an unprecedented crisis and which, with different degrees of evolution, in Europe and in the world, is expected to continue to persist in the second half of the year. Furthermore, part of the transformations that have taken place in the recent months in the distribution networks and in the consumer purchasing behaviour could remain as lasting traits of the markets of the future.

In this context, still marked by marked uncertainty and reduced visibility, also due to a highly volatile macroeconomic scenario, in light of the results achieved in the first half of the year, the Group believes that, for the current year, it can reasonably set the goal of an organic growth in sales mid-single digit, with an adjusted Ebitda improving in value compared to 2019.

## Regulatory statements

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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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# **ANNEXES**

**Consolidated results of De' Longhi S.p.A.**

**as of June 30, 2020**

# 1. Consolidated Income Statement

| Euro million  | 1st Half 2020 | % of revenues | 1st Half 2020 normalized | % of revenues | 1st Half 2019 | % of revenues |
|---|---------------|---------------|--------------------------|---------------|---------------|---------------|
| <b>Net Revenues</b>   | <b>896.6</b>  | <b>100.0%</b> | <b>903.7</b>             | <b>100.0%</b> | <b>845.5</b>  | <b>100.0%</b> |
| <i>change</i>   | <i>51.1</i>   | <i>6.0%</i>   | <i>58.2</i>              | <i>6.9%</i>   |               |               |
| Materials consumed and other production costs (services and production payroll costs) | (460.4)       | (51.3%)       | (460.4)                  | (50.9%)       | (446.0)       | (52.8%)       |
| <b>Net industrial margin</b>  | <b>436.3</b>  | <b>48.7%</b>  | <b>443.4</b>             | <b>49.1%</b>  | <b>399.5</b>  | <b>47.2%</b>  |
| Costs for services and other operating costs  | (228.8)       | (25.5%)       | (228.8)                  | (25.3%)       | (210.1)       | (24.8%)       |
| Labour cost (non industrial)  | (95.7)        | (10.7%)       | (95.7)                   | (10.6%)       | (91.6)        | (10.8%)       |
| <b>Ebitda before non recurring items and stock option plan (adjusted Ebitda)</b>      | <b>111.8</b>  | <b>12.5%</b>  | <b>118.8</b>             | <b>13.2%</b>  | <b>97.8</b>   | <b>11.6%</b>  |
| <i>Change</i>   | <i>14.0</i>   | <i>14.3%</i>  | <i>21.0</i>              | <i>21.5%</i>  |               |               |
| Other non recurring items / stock option plan   | (6.2)         | (0.7%)        | (6.2)                    | (0.7%)        | (2.3)         | (0.3%)        |
| <b>EBITDA</b>   | <b>105.5</b>  | <b>11.8%</b>  | <b>112.6</b>             | <b>12.5%</b>  | <b>95.5</b>   | <b>11.3%</b>  |
| Amortization  | (38.6)        | (4.3%)        | (38.6)                   | (4.3%)        | (37.5)        | (4.4%)        |
| <b>EBIT</b>   | <b>66.9</b>   | <b>7.5%</b>   | <b>74.0</b>              | <b>8.2%</b>   | <b>58.0</b>   | <b>6.9%</b>   |
| <i>Change</i>   | <i>8.9</i>    | <i>15.3%</i>  | <i>16.0</i>              | <i>27.5%</i>  |               |               |
| Net financial charges   | (1.9)         | (0.2%)        | (9.0)                    | (1.0%)        | (8.2)         | (1.0%)        |
| <b>Profit before taxes</b>  | <b>65.0</b>   | <b>7.2%</b>   | <b>65.0</b>              | <b>7.2%</b>   | <b>49.8</b>   | <b>5.9%</b>   |
| Taxes   | (21.9)        | (2.4%)        | (21.9)                   | (2.4%)        | (7.0)         | (0.8%)        |
| <b>Net profit pertaining to the Group</b>   | <b>43.1</b>   | <b>4.8%</b>   | <b>43.1</b>              | <b>4.8%</b>   | <b>42.8</b>   | <b>5.1%</b>   |



## 2. Revenues breakdown by geography

| Euro million                        | 1st Half 2020 | %             | 1st Half 2019 | %             | Change      | Change %    |
|-------------------------------------|---------------|---------------|---------------|---------------|-------------|-------------|
| EUROPE                              | 612.1         | 67.7%         | 560.2         | 66.3%         | 51.9        | 9.3%        |
| APA (Asia / Pacific / Americhe)     | 246.7         | 27.3%         | 224.3         | 26.5%         | 22.4        | 10.0%       |
| MEIA (Middle East / India / Africa) | 44.9          | 5.0%          | 61.0          | 7.2%          | (16.1)      | (26.4%)     |
| <b>Total Revenues</b>               | <b>903.7</b>  | <b>100.0%</b> | <b>845.5</b>  | <b>100.0%</b> | <b>58.2</b> | <b>6.9%</b> |

| Euro million                        | 2nd quarter 2020 | %             | 2nd quarter 2019 | %             | Change      | Change %    |
|-------------------------------------|------------------|---------------|------------------|---------------|-------------|-------------|
| EUROPE                              | 327.0            | 64.5%         | 298.0            | 63.5%         | 29.0        | 9.7%        |
| APA (Asia / Pacific / Americhe)     | 155.5            | 30.7%         | 137.3            | 29.3%         | 18.2        | 13.3%       |
| MEIA (Middle East / India / Africa) | 24.8             | 4.9%          | 33.8             | 7.2%          | (9.0)       | (26.5%)     |
| <b>Total Revenues</b>               | <b>507.3</b>     | <b>100.0%</b> | <b>469.1</b>     | <b>100.0%</b> | <b>38.2</b> | <b>8.2%</b> |

### 3. Consolidated Balance Sheet

| Euro million   | 30.06.2020     | 30.06.2019     | 31.12.2019     |
|--|----------------|----------------|----------------|
| - intangible assets                                    | 313.5          | 316.7          | 314.8          |
| - tangible assets                                      | 314.5          | 316.0          | 315.1          |
| - financial assets                                     | 32.2           | 30.6           | 30.2           |
| - deferred tax assets                                  | 49.8           | 54.0           | 47.3           |
| <b>Fixed assets</b>                                    | <b>710.0</b>   | <b>717.2</b>   | <b>707.4</b>   |
| - inventories  | 431.0          | 477.9          | 343.5          |
| - trade receivables                                    | 243.8          | 251.2          | 437.4          |
| - trade payables                                       | (366.7)        | (325.5)        | (365.8)        |
| - other net current assets / (liabilities)             | (79.8)         | (59.3)         | (96.3)         |
| <b>Net working capital</b>                             | <b>228.4</b>   | <b>344.3</b>   | <b>318.8</b>   |
| <b>Non current liabilities</b>                         | <b>(116.7)</b> | <b>(106.2)</b> | <b>(113.5)</b> |
| <b>Net capital employed</b>                            | <b>821.7</b>   | <b>955.4</b>   | <b>912.6</b>   |
| <b>Net debt / (cash)</b>                               | <b>(387.9)</b> | <b>(105.5)</b> | <b>(277.8)</b> |
| <b>Total shareholders' Equity</b>                      | <b>1,209.7</b> | <b>1,060.8</b> | <b>1,190.5</b> |
| <b>Total net debt /(cash) and shareholders' equity</b> | <b>821.7</b>   | <b>955.4</b>   | <b>912.6</b>   |

## 4. Detailed Net Financial Position

| Euro million  | 30.06.2020     | 30.06.2019     | 31.12.2019     |
|---|----------------|----------------|----------------|
| Cash and cash equivalents   | 877.6          | 473.3          | 731.5          |
| Other financial receivables   | 108.1          | 53.9           | 102.4          |
| Current financial debt  | (160.1)        | (144.5)        | (138.2)        |
| <b>Current net financial assets / (debt)</b>  | <b>825.5</b>   | <b>382.7</b>   | <b>695.7</b>   |
| Non current net financial assets  | 125.2          | -              | 10.7           |
| Non current net financial debt  | (562.8)        | (277.2)        | (428.6)        |
| <b>Non current net financial assets / (debt)</b>  | <b>(437.6)</b> | <b>(277.2)</b> | <b>(417.9)</b> |
| <b>Total Net Financial Position</b>   | <b>387.9</b>   | <b>105.5</b>   | <b>277.8</b>   |
| <i>of which:</i>  |                |                |                |
| - Net financial position versus banks and other lenders   | 455.7          | 188.3          | 357.4          |
| - lease related debt  | (69.5)         | (77.7)         | (74.0)         |
| - Net assets /(liabilities) other than bank debt (fair value of derivatives.<br>financial liabilities for business combinations and financial payables<br>connected to pension funds) | 1.8            | (5.2)          | (5.5)          |

## 5. Consolidated Cash Flow Statement

| Euro million  | 30.06.2020<br>(6 months) | 30.06.2019<br>(6 months) | 31.12.2019<br>(12 months) |
|---|--------------------------|--------------------------|---------------------------|
| Cash flow from operations   | 108.2                    | 88.2                     | 277.3                     |
| Cash flow from working capital  | 49.7                     | (36.2)                   | (22.3)                    |
| Cash flow from investments  | (40.9)                   | (38.3)                   | (75.8)                    |
| <b>Normalized Operating cash flow</b>   | <b>116.9</b>             | <b>13.6</b>              | <b>179.1</b>              |
| Cash flow from application of IFRS 16   | -                        | (77.0)                   | (77.0)                    |
| <b>Operating cash flow</b>  | <b>116.9</b>             | <b>(63.4)</b>            | <b>102.2</b>              |
| Dividends distributed   | -                        | (55.3)                   | (55.3)                    |
| Cash flow from changes in <i>Fair value</i> and <i>Cash flow hedge</i> reserves | 2.1                      | (2.1)                    | (1.7)                     |
| Cash Flow from shares buy back  | (14.5)                   | -                        | -                         |
| Cash Flow from stock option exercise  | 3.9                      | -                        | -                         |
| Cash flow from other changes in the Net Equity                                  | 1.8                      | (1.9)                    | 4.5                       |
| <b>Cash flow from changes in the Net Equity</b>                                 | <b>(6.8)</b>             | <b>(59.3)</b>            | <b>(52.5)</b>             |
| <b>Net Cash Flow</b>  | <b>110.1</b>             | <b>(122.7)</b>           | <b>49.7</b>               |
| Opening Net Financial Position  | 277.8                    | 228.1                    | 228.1                     |
| <b>Closing Net Financial Position</b>   | <b>387.9</b>             | <b>105.5</b>             | <b>277.8</b>              |