



DēLonghi Group

FY 2016 Results – March 2nd, 2017



KENWOOD

BRAUN

Ariete[®]

Definitions & assumptions

In this presentation:

- *ForEx stands for Foreign Exchange Rates;*
- *Organic stands for effect net of ForEx and hedging derivatives;*
- *Q4 stands for fourth quarter;*
- *2016 organic data include NPE srl (New Procond Elettronica, see press release dated 23/09/2016).*

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- FY 2016 results
- Appendix: Key P&L figures 2014-2016



FY 2016 RESULTS

Executive Summary

in 2016:

- Despite revenue growth lagging behind last year, profitability was enhanced and cash generation was strong, allowing the Group to look at future growth (internal and external) with reasonable confidence;
- **Net revenues** at € 1.85 billion, flat in organic terms (-0.2%) or down by -2.4% in nominal terms, with acceleration in Q4 (+3.1% organic);
- **Net industrial margin** up to € 905.8 million, from 47.8% to 49.1% of revenues, and **Ebitda** (before non recurring items) up to € 295.4 million (16% of revenues);
- **Net Income** up to € 167.4 million (+12%);
- **Positive Net Financial Position** improved by € 118.8 million, at € 307.6 million, with gross **liquidity** reaching € 461.4 million;
- Proposed **dividend** of € 0.80 per share, for a total of € 119.6 million, equal to a 71.4% pay-out ratio.

FY 2016 RESULTS

Sales and Net Industrial Margin

<i>EUR million</i>	FY 2016	FY 2015	Change FY 2016 - FY 2015	
Sales	1,845.4	1,891.1	-45.7	-2.4%
Net Ind. Margin	905.8	904.6	1.2	0.1%
<i>% of sales</i>	<i>49.1%</i>	<i>47.8%</i>	<i>130bp</i>	

**-0.2% organic,
+3.1% organic in Q4**

- Sales were flat in organic terms (-0.2%) or down by -2.4% in nominal terms;
- Net industrial margin up to € 905.8m, from 47.8% to 49.1% of revenues, mostly on the back of a better product mix, price increases and lower cost of inputs.

FY 2016 RESULTS

Sales by market

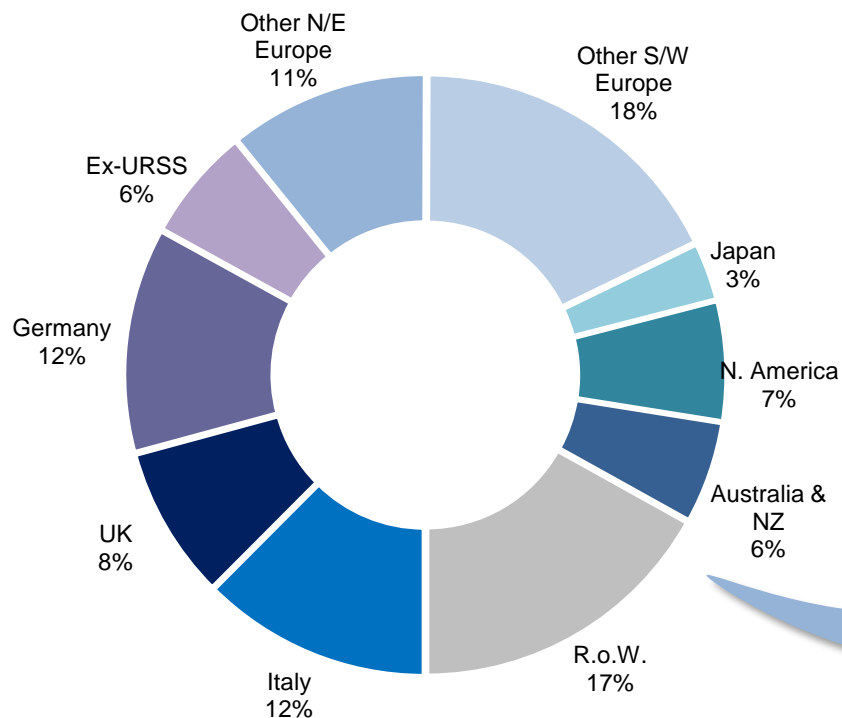
Revenues - million Euro	FY 2016	% chg.	% chg. at constant FX	Q4- 2016	var. %	% chg. at constant FX
North East Europe	459.8	-4.1%	0.6%	184.8	-4.3%	0.8%
South West Europe	804.5	0.2%	0.5%	302.0	2.4%	2.6%
EUROPE	1,264.2	-1.4%	0.6%	486.8	-0.3%	1.9%
MEIA (MiddleEast/India/Africa)	140.8	-21.8%	-20.4%	47.6	-12.4%	-12.4%
APA (Asia/Pacific/Americas)	440.4	2.7%	6.2%	151.8	13.4%	14.1%
TOTAL REVENUES	1,845.4	-2.4%	-0.2%	686.3	1.5%	3.1%

- APA outperformed, with USA, China and Hong Kong, Japan and South Korea up in the double digits; Brazil declined due to lower sales air conditioners (weather conditions); Canada, Australia and New Zealand positive as well.
- Slight organic growth in Europe, led by Germany, Italy, Austria, Spain and Portugal and despite the lower sales in Turkey, linked to the transition to the new go-to-market strategy; strong contribution by the main Eastern European markets, which offset the decline in Russia and UK.
- MEIA affected by a deteriorated consumer sentiment, coupled with higher stock levels in Saudi Arabia, UAE and Egypt, the latter also affected by import limitations and lack of hard currencies.

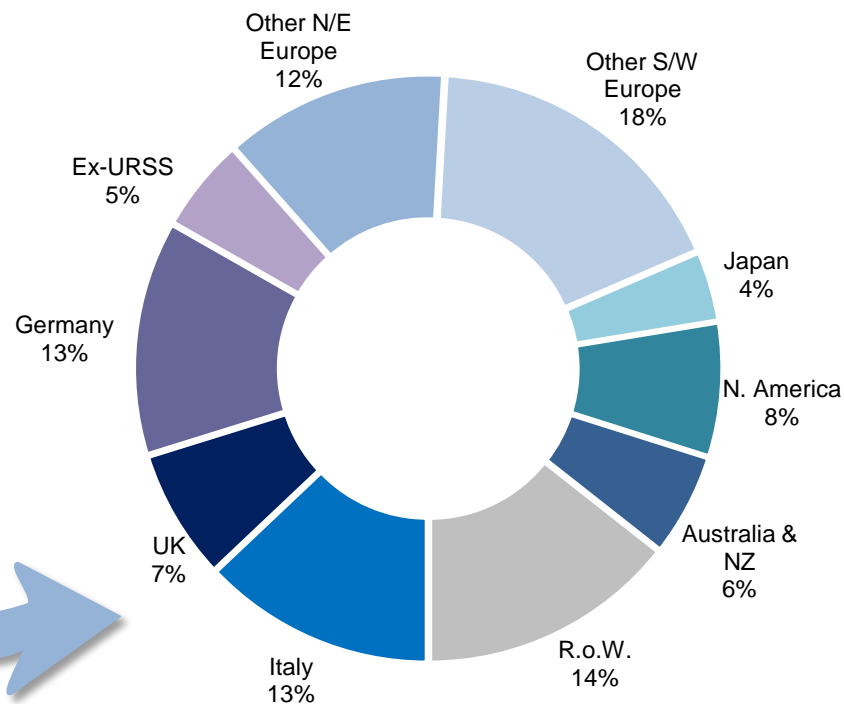
FY 2016 RESULTS

Sales breakdown by market

2015 sales breakdown by market



2016 sales breakdown by market

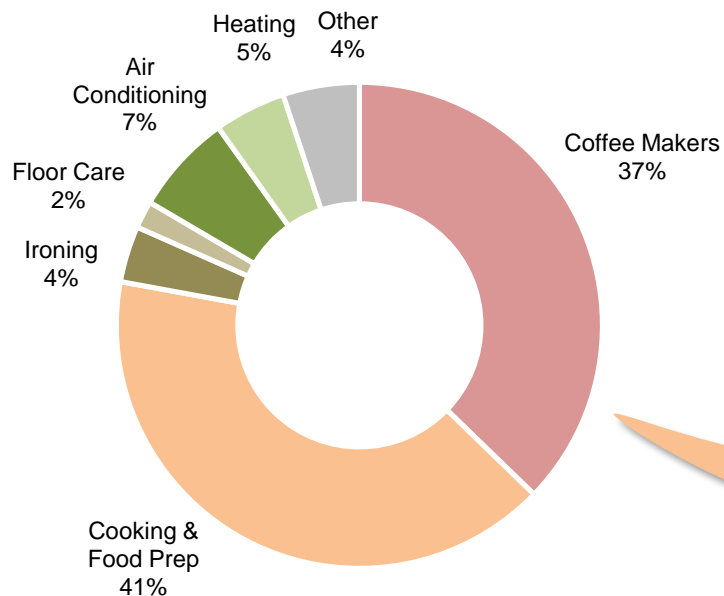


- Greater weight of North America, Germany, Italy, East Europe and China;
- Lower UK, Russia and MEIA.

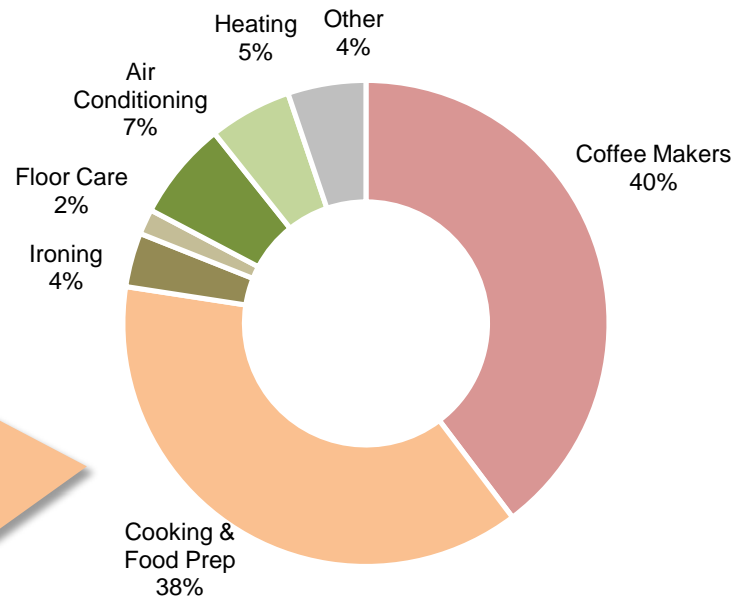
FY 2016 RESULTS

Sales' breakdown by product

2015 sales breakdown by product



2016 sales breakdown by product



- **Coffee outperformed**, with **fully automatic and manual models up at least in the high-single-digits**; lower sales of single-serve models due to challenging comparables (2015 launch of Lattissima Touch) and a more competitive end-market;
- **Lower Cooking and Food Preparation**, despite growth in Braun and Slow Juicers; category was affected by market trend in MEIA, Russia, UK and Turkey, excluding which it would have been up 1% in organic terms;
- **Comfort** products slightly up due to portable heaters, Braun **Ironing systems** up (overall Irons category down, affected by brand transition to Braun from De'Longhi).

FY 2016 RESULTS

Ebitda and Ebit

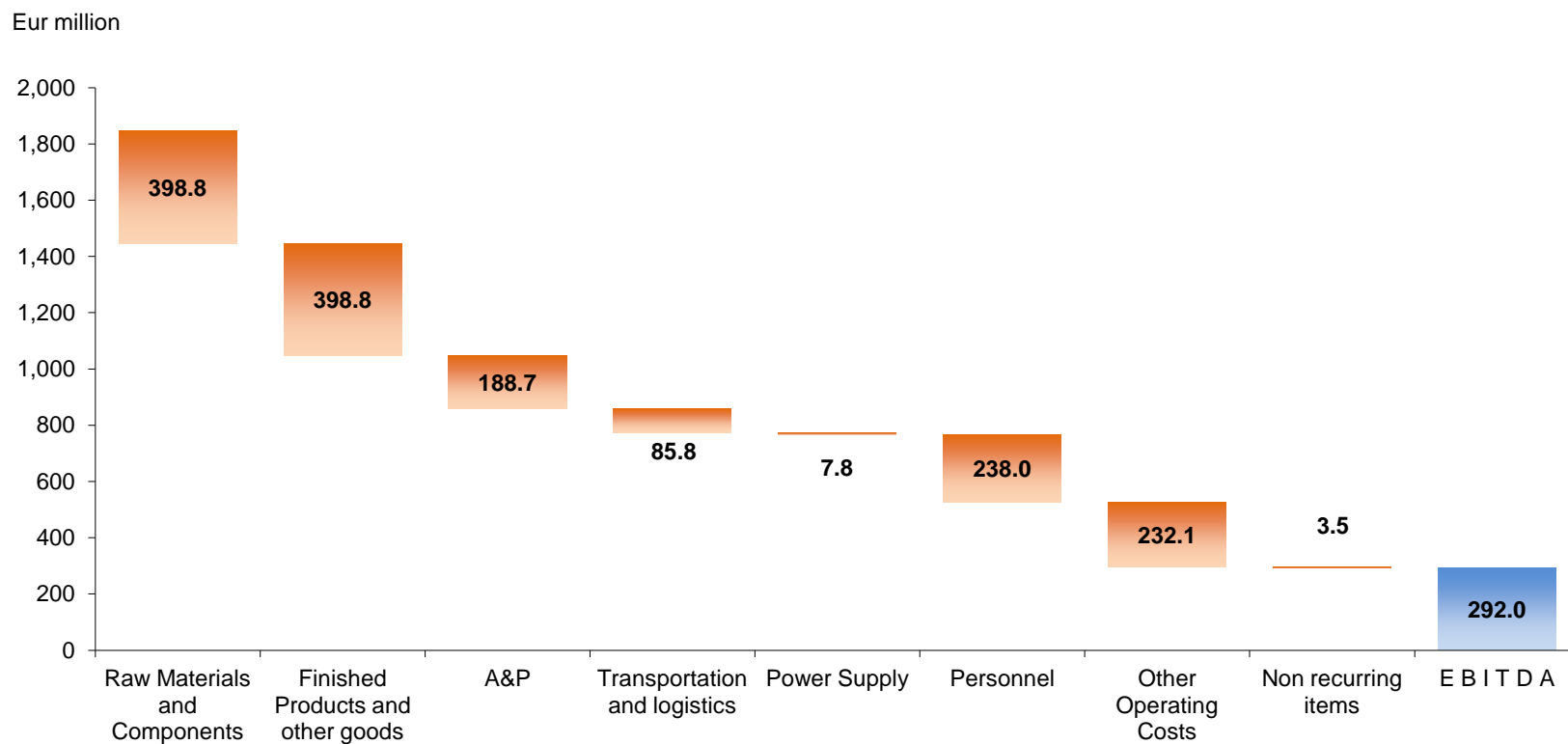
EUR million		FY 2016	FY 2015	Change FY 2016 - FY 2015	
	EBITDA	295.4	287.8	7.6	2.7%
	before non recurring items				
	% of sales	16.0%	15.2%	+80bp	
	EBITDA	292.0	285.2	6.8	2.4%
	% of sales	15.8%	15.1%	+70bp	
	EBIT	239.0	232.7	6.3	2.7%
	% of sales	13.0%	12.3%	+70bp	

FX impact on
EBITDA €33
million

- EBITDA margin before non-recurring items improved by ca. 80 basis points, despite:
- Operating leverage not fully contributing due to negative volumes;
- Rising A&P investments to support product launch and market expansion (to continue in 2017);
- Key profitability drivers were price/mix improvement, greater industrial efficiency and lower transportation and other costs.

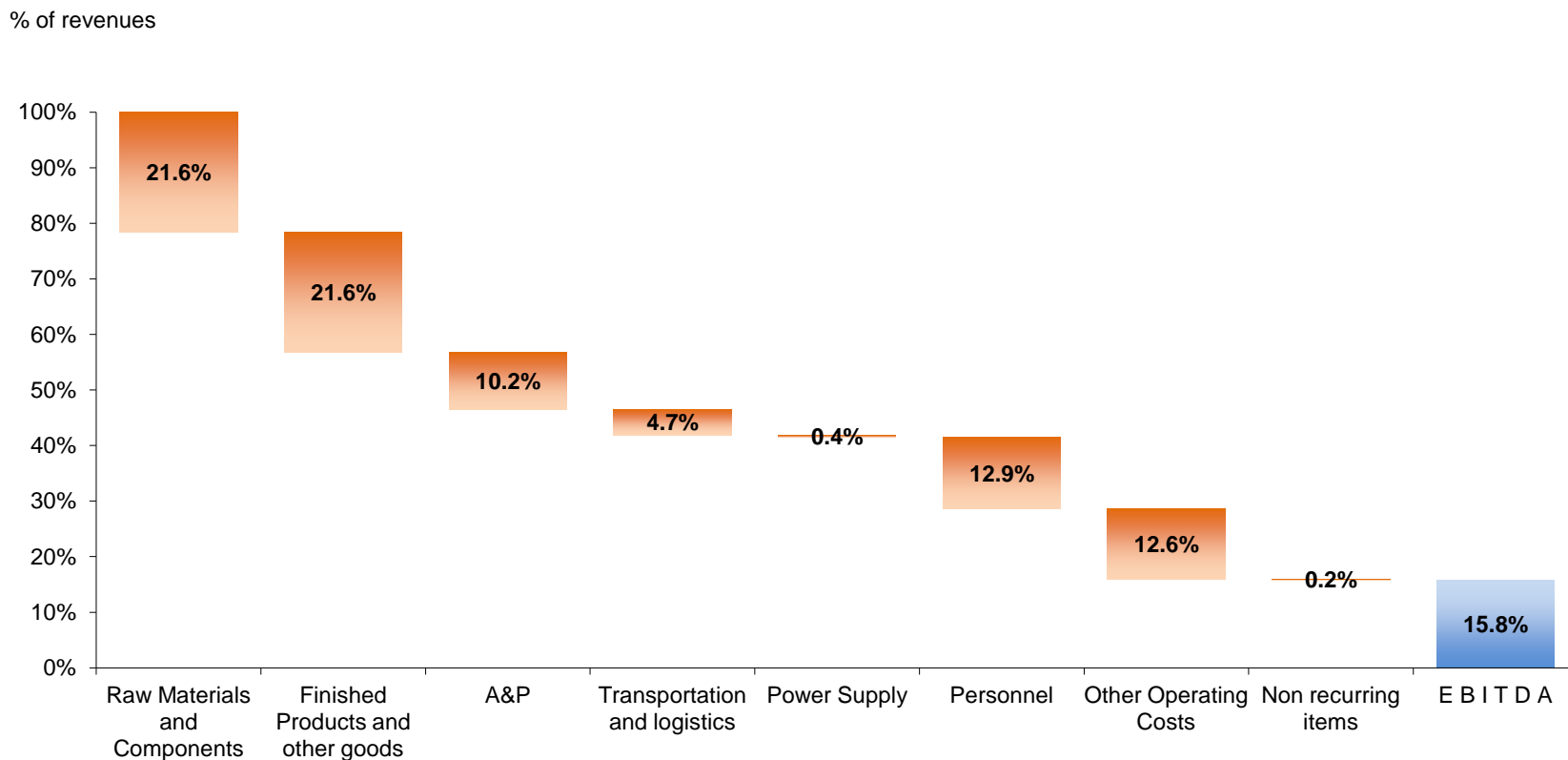
FY 2016 RESULTS

Costs contribution to 2016 EBITDA



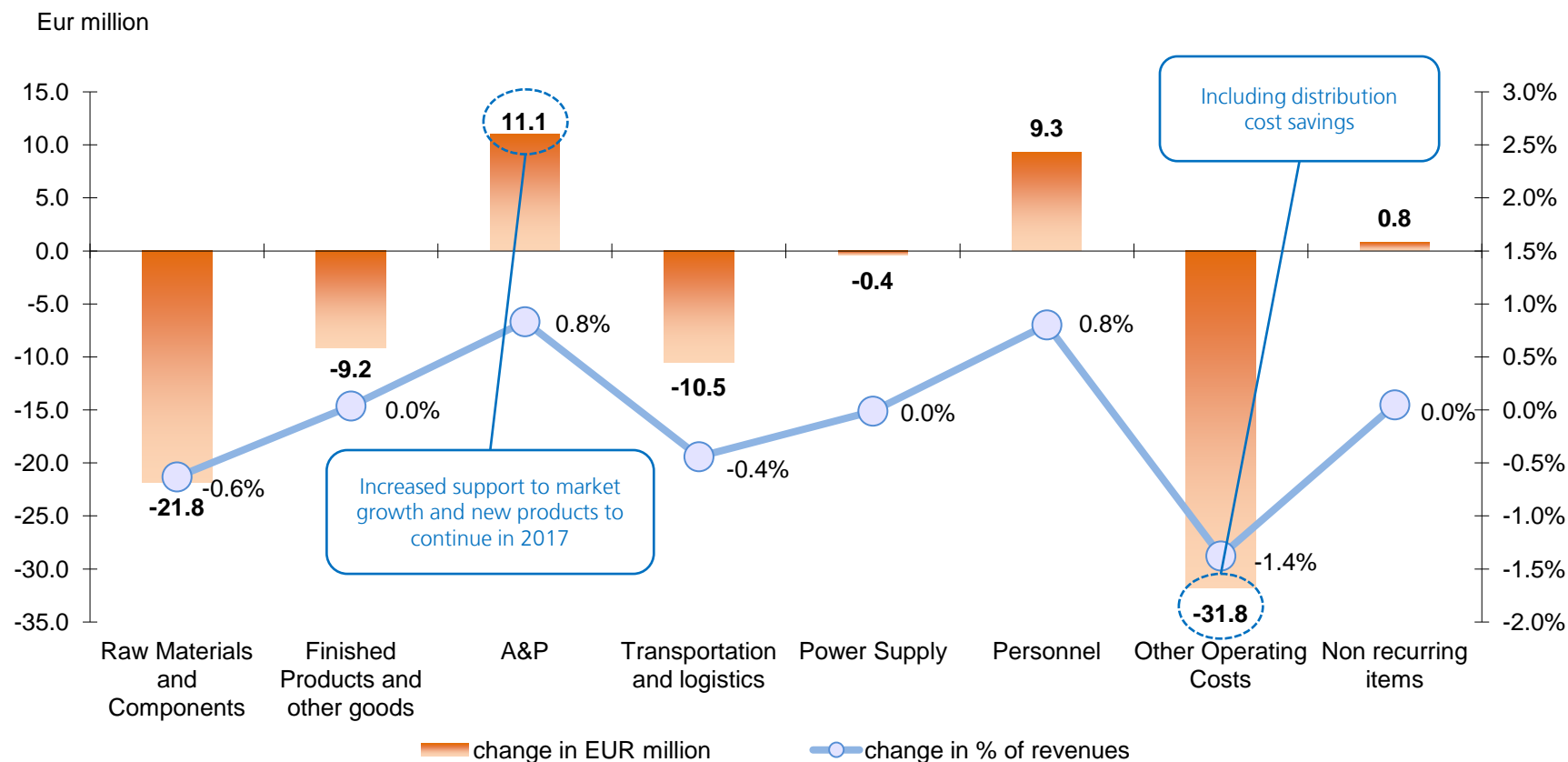
FY 2016 RESULTS

Costs contribution to 2016 EBITDA (% of revenues)



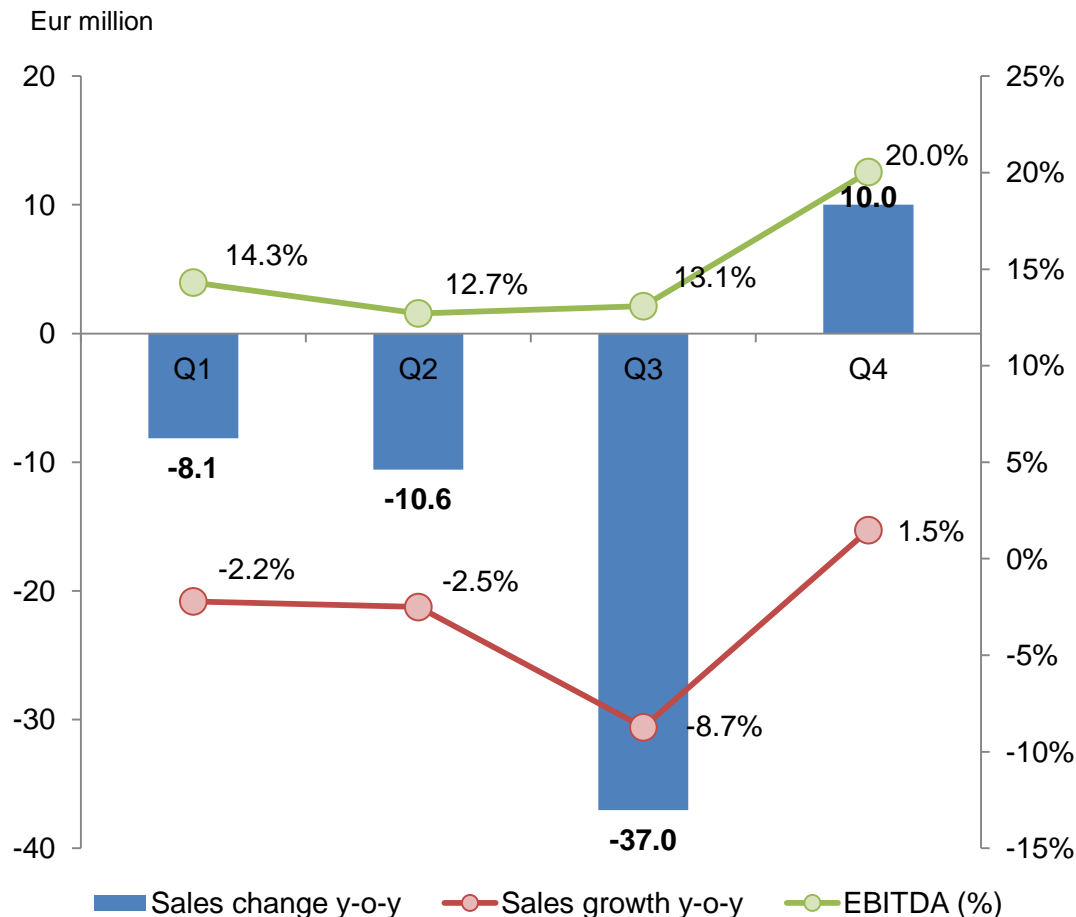
FY 2016 RESULTS

Operating costs changes 2016 vs 2015



FY 2016 RESULTS

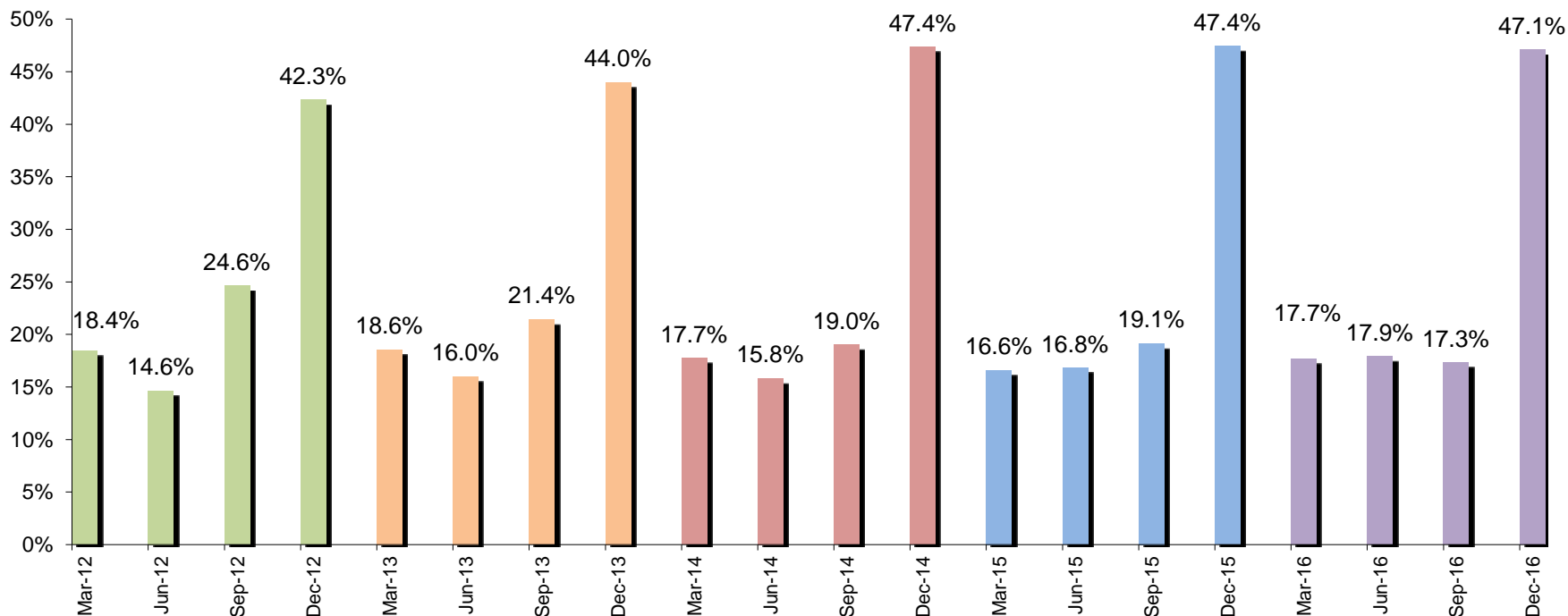
Performance by quarter



- Uneven sales growth, with an acceleration in Q4 following an exceptionally low Q3 (impacted by product and go-to-market optimization and comfort business seasonality, among other items);
- Price/mix growth and cost savings protected profitability, which matched last year's 20% Ebitda margin in Q4.

FY 2016 RESULTS

Contribution of quarters to annual EBITDA ⁽¹⁾



- Contribution to total EBITDA of each quarter varies significantly throughout the year, but the pattern is stable
- Q4 represents on average more than 40% of the FY EBITDA, while Q2 is often the weakest quarter

⁽¹⁾FY 2013 figures were restated following the deconsolidation of the TCL joint venture

FY 2016 RESULTS

EPS

<i>EUR million</i>	FY 2016	FY 2015	Change FY 2016 - FY 2015	
Net Profit	167.4	149.5	17.9	12.0%
pertaining to the Group				
% of sales	9.1%	7.9%	120bp	
EPS	1.12	1.00		12.0%
Dividend PS	0.80	0.44		81.8%
Payout ratio	71.4%	44.0%		

- Strong net profit growth, sustained by lower financial expenses and gains on fair value valuation of the earn-out due as part of the Braun perpetual licence acquisition (€15.9 million pre tax);
- Proposed dividend per share of € 0.80, representing a 71.4% payout ratio.

(1) Proposed dividend per share to be ratified by the AGM scheduled on April 11, 2017

FY 2016 RESULTS

Financial position

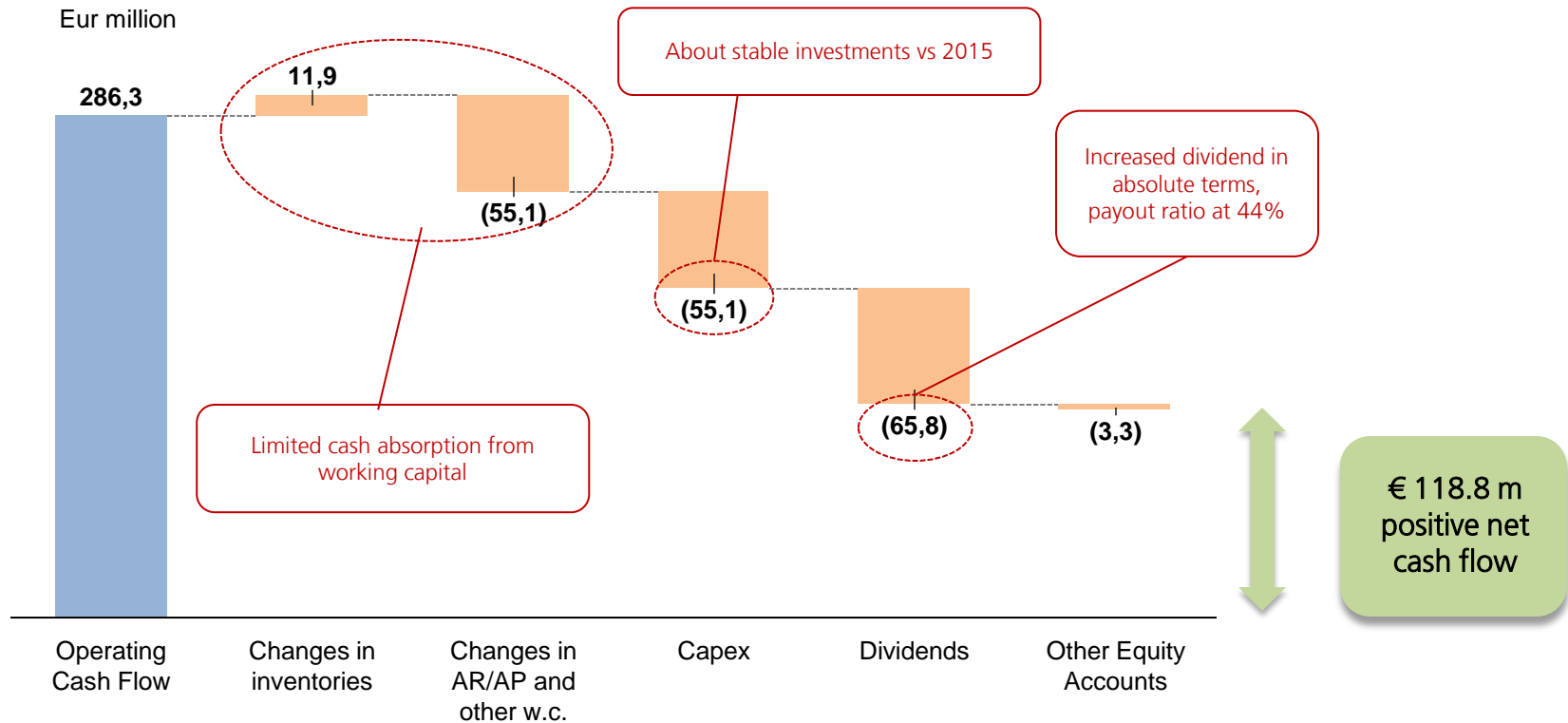
<i>EUR million</i>	FY 2016	FY 2015	Change FY 2016 - FY 2015
Net Working Capital	253.7	250.4	3.3
Net Equity (excl. Minorities)	1,010.6	902.9	107.7
Net Debt / (Net Cash)	-307.6	-188.9	-118.8
Net Debt / (Net Cash) vs banks&third party lenders⁽¹⁾	-307.5	-210.1	-97.5
Net Debt / Equity (x) [Gearing]	-0.30x	-0.21x	
Net Debt / EBITDA (x) [Leverage]	-1.05x	-0.66x	
N.W.C. / Revenues	13.8%	13.2%	
Inventory / Revenues	17.4%	17.1%	

- Very strong balance sheet and sustained cash generation even after record dividends and high capex
- Continued tight control over working capital; slight yearly increase in NWC as a percentage of sales due to negative FX impact and consolidation of NPE.

(1)Excludes fair value of derivatives, payables related to business combinations and financial payables connected to pension fund transactions.

FY 2016 RESULTS

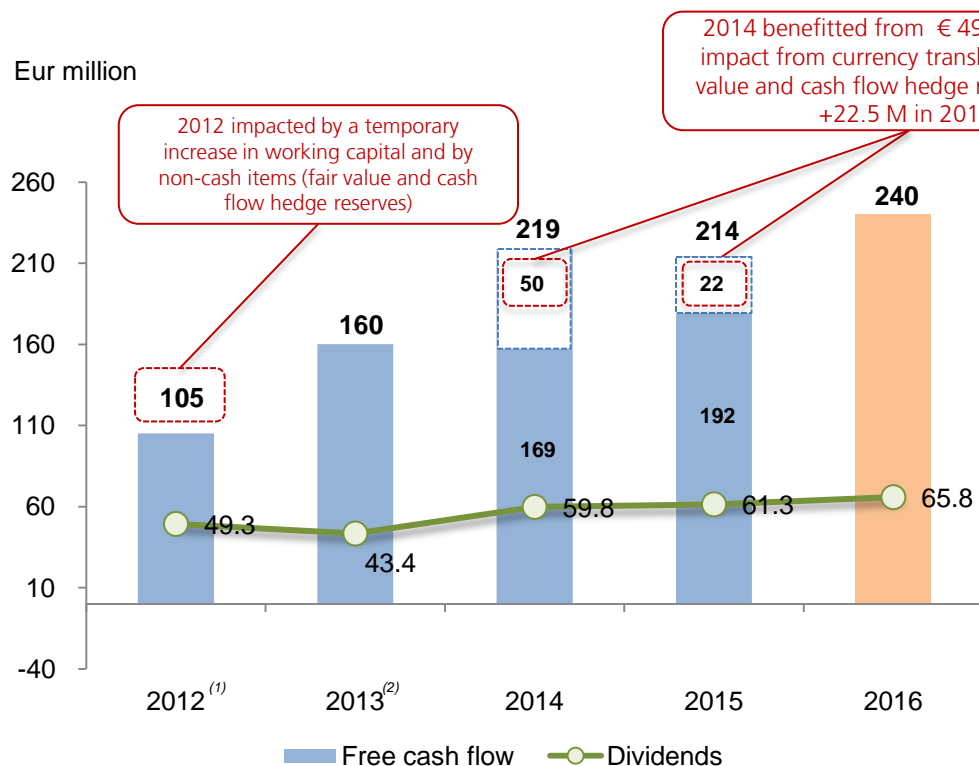
The cash flow performance



FY 2016 RESULTS

Strong free cash flow generation

Free Cash Flow performance (before dividend and capex, excluding Braun licence acquisition)



- € 240 million of cash generated in 2016 before dividends and capex;
- A growing free cash flow generation across the years, which can support a sustained dividend pay-out together with high industrial investments and M&A.

(1) Data restated for the Eur 171.8m Braun Household acquisition

(2) Data restated following the deconsolidation of the TCL joint venture

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APPENDIX

Key P&L figures 2014-2016

(Euro million)	2014					2015					2016				
	Q1-14	Q2-14	Q3-14	Q4-14	FULL YEAR	Q1-15	Q2-15	Q3-15	Q4-15	FULL YEAR	Q1-16	Q2-16	Q3-16	Q4-16	FULL YEAR
Revenues	338.1	362.0	386.8	639.8	1,726.7	368.4	422.2	424.3	676.3	1,891.1	360.3	411.6	387.2	686.3	1,845.4
% change y-o-y	7.1%	4.4%	6.4%	8.2%	6.8%	9.0%	16.6%	9.7%	5.7%	9.5%	-2.2%	-2.5%	-8.7%	1.5%	-2.4%
net industrial margin	161.0	166.4	182.9	305.3	815.7	175.2	194.3	202.8	332.4	904.6	184.3	197.5	189.9	334.1	905.8
%	47.6%	46.0%	47.3%	47.7%	47.2%	47.5%	46.0%	47.8%	49.2%	47.8%	51.1%	48.0%	49.0%	48.7%	49.1%
Ebitda (before not rec.)	46.1	41.1	49.4	123.5	260.1	47.3	48.0	54.6	137.9	287.8	51.5	55.0	51.6	137.3	295.4
%	13.6%	11.3%	12.8%	19.3%	15.1%	12.8%	11.4%	12.9%	20.4%	15.2%	14.3%	13.4%	13.3%	20.0%	16.0%
EBITDA	46.1	41.1	49.4	123.0	259.6	47.3	48.0	54.6	135.3	285.2	51.5	52.3	50.6	137.5	292.0
%	13.6%	11.4%	12.8%	19.2%	15.0%	12.8%	11.4%	12.9%	20.0%	15.1%	14.3%	12.7%	13.1%	20.0%	15.8%
EBIT	35.4	29.9	38.0	109.5	212.7	35.1	35.3	41.4	120.9	232.7	39.4	40.3	37.9	121.3	239.0
%	10.5%	8.2%	9.8%	17.1%	12.3%	9.5%	8.4%	9.8%	17.9%	12.3%	10.9%	9.8%	9.8%	17.7%	13.0%
Profit before Taxes	23.7	21.5	28.3	97.4	171.0	24.2	27.2	33.2	114.6	199.1	32.9	33.7	30.8	130.1	227.4
Taxes	(6.6)	(5.4)	(6.9)	(24.9)	(43.8)	(6.9)	(7.0)	(8.0)	(27.4)	(49.3)	(7.9)	(9.0)	(8.0)	(34.3)	(59.2)
Profit / (Loss) for the period	17.2	16.1	21.5	72.5	127.2	17.2	20.2	25.2	87.2	149.8	25.0	24.7	22.7	95.8	168.2
Profit / (Loss) pertaining to minority interests	0.1	0.2	0.2	0.2	0.7	(0.1)	0.1	0.2	0.1	0.3	0.1	0.1	0.1	0.5	0.8
Profit / (Loss) after minority interests	17.1	15.9	21.2	72.3	126.5	17.4	20.0	25.0	87.1	149.5	24.8	24.6	22.6	95.3	167.4

THANK YOU

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