



DēLonghi Group

FY 2017 Results – March 1st, 2018



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;*
- *“M” stands for million and “bn” stands for billion;*
- *“continuing operations” is defined as the Group’s consolidation perimeter excluding NPE srl (New Procond Elettronica), following the agreement for the sale of 55% of the company, as per the press release dated 22/02/2018.*

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- FY 2017 results
- Appendix: Key P&L figures 2015-2017



FY 2017 RESULTS

Executive Summary

in 2017:

- a marked growth in volumes and revenues, in line with the management's expectations, thanks also to the increased commitment in R&D and A&P.
- **Net revenues** ⁽¹⁾ at € 1.97 bn., up by 6.6% in organic terms , with acceleration in Q4 (+ 9% organic);
- **Net industrial margin** ⁽¹⁾ at € 967.3 M, slightly down from 49.5% to 49.0% of revenues, and **Ebitda** ⁽¹⁾ (before non recurring items) up to € 309,5 M (from € 295.7 million), or 15.7% of revenues;
- **Net Income** ⁽¹⁾ up to € 179.7 M (+ 7.2%);
- **Net Financial Position** ⁽¹⁾ positive by € 250.6 M, despite € 124 M of increased cash-out for higher capex and dividends;
- **dividend** of € 1 per share, for a total of € 149.5 M, equal to a 83.9% pay-out ratio (83,2% for the "continuing operations").

(1) relating to the *continuing operations*.

FY 2017 RESULTS

Sales and Net Industrial Margin ("*continuing operations*")

<i>EUR million</i>	2017	2016	Change 2017 - 2016	
Revenues	1.972,8	1.846,7	126,1	6,8%
Net Ind. Margin	967,3	914,4	52,9	5,8%
<i>% of sales</i>	49,0%	49,5%	-50 bps	

+ 6,6 % organic,
+ 9% organic in Q4

- € 126 M of growth in revenues driven primarily by coffee makers and by Europe and Apa region;
- Net industrial margin stood almost stable (a 0.5% of revenues decline) thanks to a positive effect of mix and exchange rates partly neutralizing production costs increases and some price adjustments in selected markets.

FY 2017 RESULTS

Sales by market ("*continuing operations*")

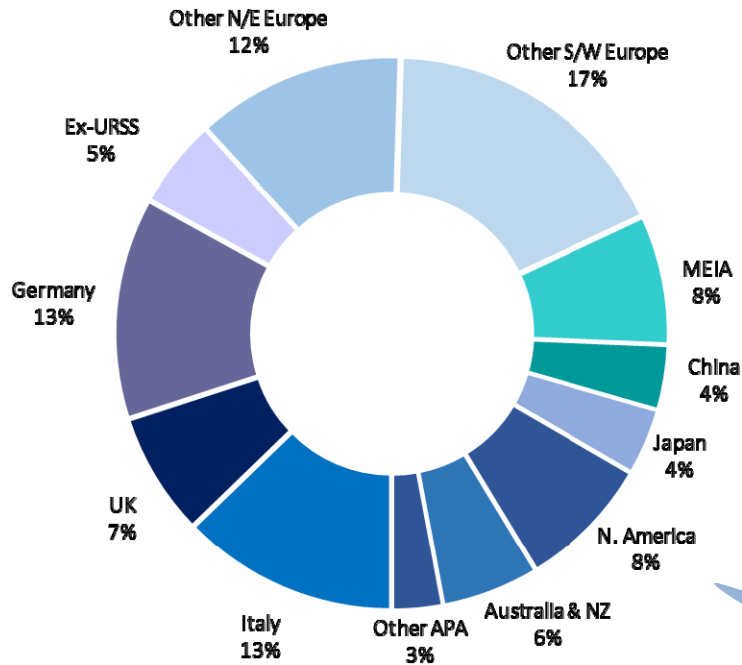
<i>EUR million</i>	2017	<i>chg. %</i>	<i>organic chg. %</i>	Q4-2017	<i>chg. %</i>	<i>organic chg. %</i>
North East Europe	513,6	12,5%	10,3%	212,9	17,1%	15,4%
South West Europe	810,7	1,3%	1,7%	302,6	1,5%	2,0%
EUROPE	1.324,2	5,4%	4,8%	515,5	7,4%	7,1%
MEIA (MiddleEast/India/Africa)	128,0	-8,8%	-7,6%	34,2	-27,6%	-22,1%
APA (Asia/Pacific/Americas)	520,6	15,7%	15,7%	184,7	19,4%	24,3%
TOTAL REVENUES	1.972,8	6,8%	6,6%	734,4	7,7%	9,0%

- Revenues' growth was rather widely spread across all European markets, the main exceptions being Italy, UK and Turkey: excluding these three countries, Europe was growing at +11.1% in the year (+9.1% organic), accelerating in Q4 (+14.6% or +13.2% organic);
- penetration of the USA & Canada markets was accelerating (+28.6%), helped by Braun and the new Nespresso distribution agreement, making the North American region the top third global market for De' Longhi.

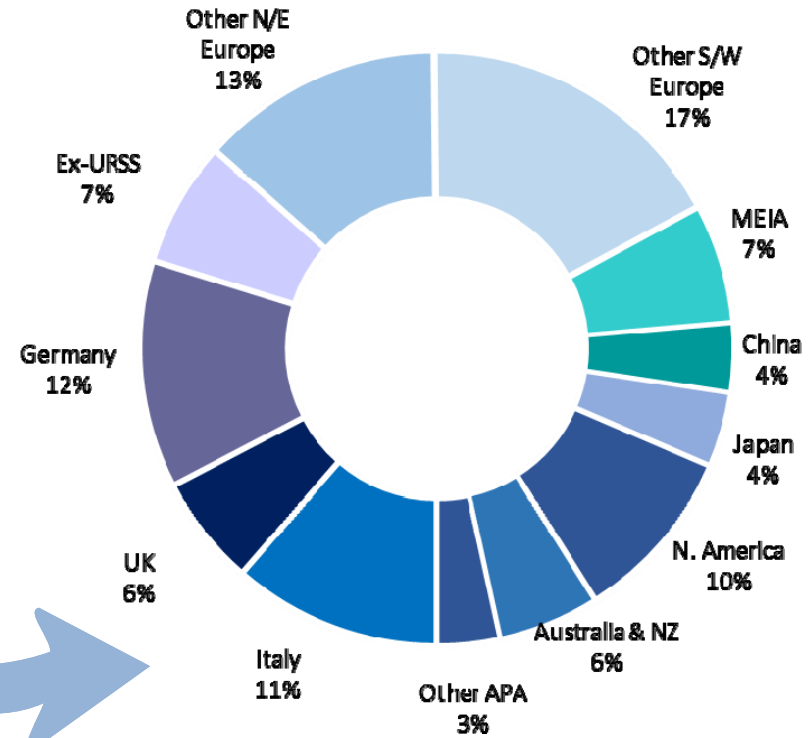
FY 2017 RESULTS

Sales breakdown by market

2016 "continuing operations" sales breakdown by market



2017 "continuing operations" sales breakdown by market

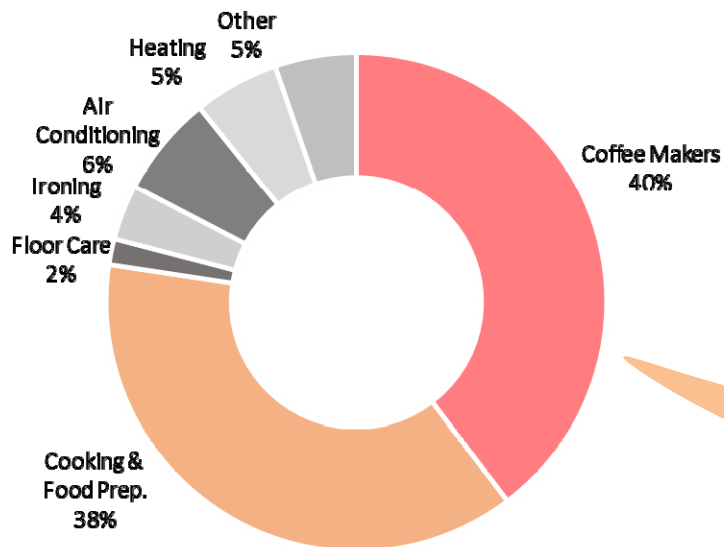


- **North America** became the third biggest market for De' Longhi;
- UK and Italy still in an unfavourable shape.

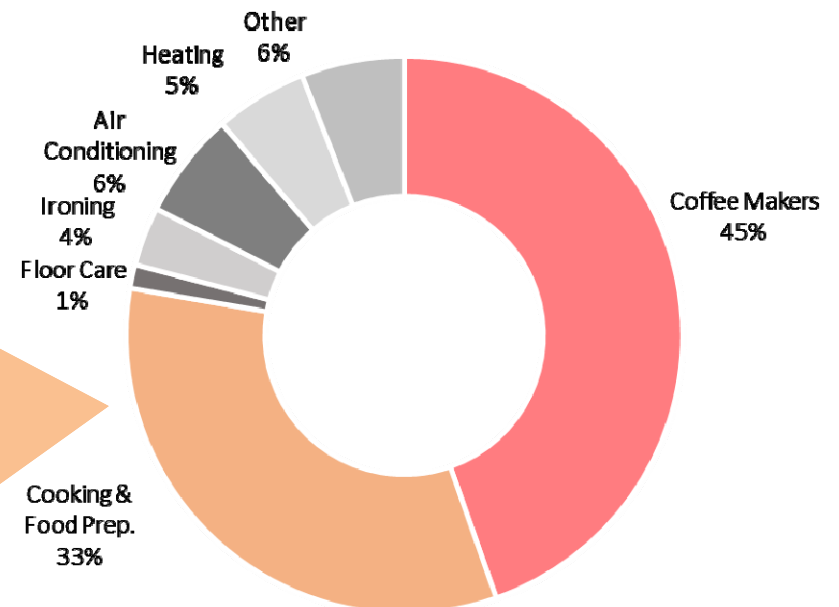
FY 2017 RESULTS

Sales' breakdown by product

2016 "continuing operations"
sales breakdown by product



2017 "continuing operations"
sales breakdown by product




- **Coffee makers**, thanks to an unrivalled growth of ca. 20%, climbed from 40% to 45% of total revenues of the Group, widening the gap with food preparation (at 33%), affected by weak markets and Kenwood's underperformance;
- **Braun's** growing pattern helped the Group to retain the leadership in **food preparation**, with an overall market share of ca. 15%, stable year on year.

FY 2017 RESULTS

Ebitda and Ebit ("*continuing operations*")

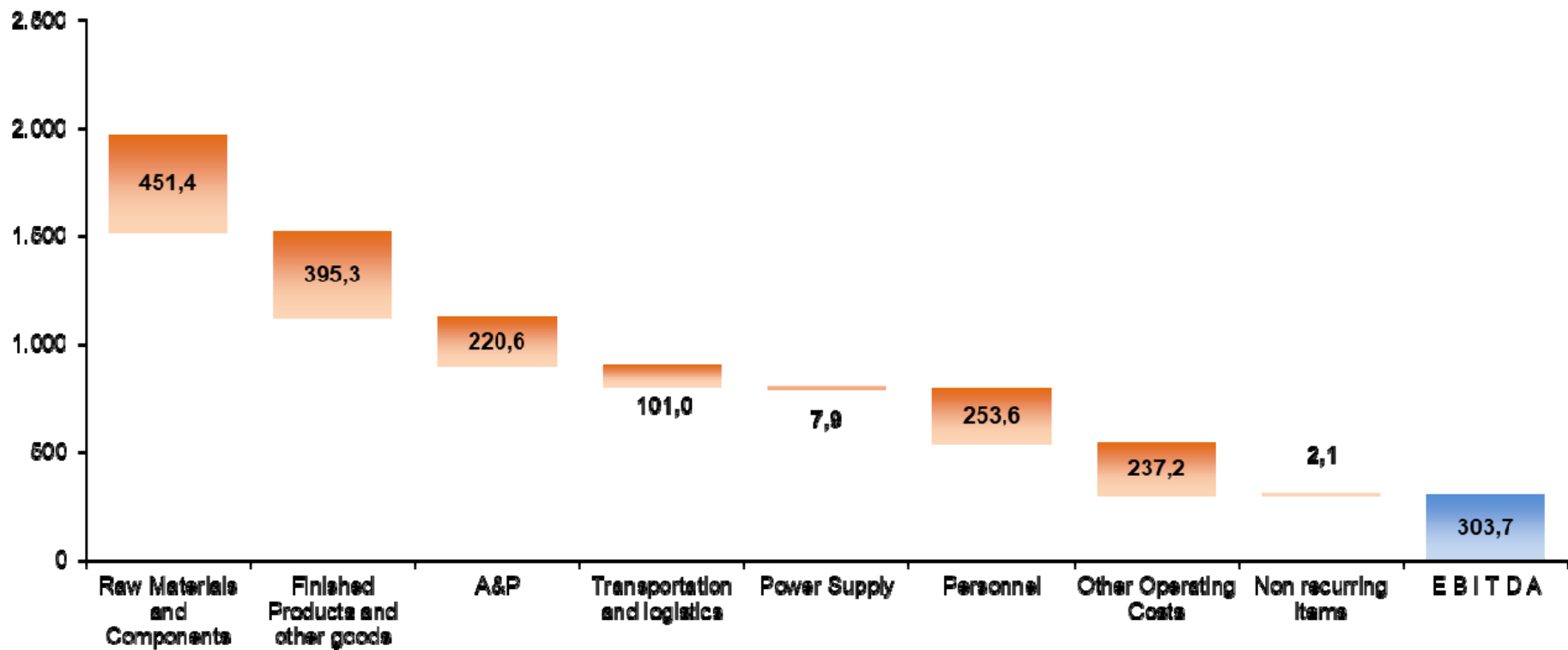
<i>EUR million</i>	2017	2016	Change 2017 - 2016	
EBITDA before non recurring items	309,5	295,7	13,8	4,7%
<i>% of sales</i>	<i>15,7%</i>	<i>16,0%</i>	- 30 bp	
EBITDA	303,7	291,9	11,8	4,0%
<i>% of sales</i>	<i>15,4%</i>	<i>15,8%</i>	- 40 bp	
EBIT	245,4	239,3	6,1	2,6%
<i>% of sales</i>	<i>12,4%</i>	<i>13,0%</i>	- 60 bp	


 € 13.9 M positive ForEx impact on EBITDA

- The increase in profitability generated by the organic leverage was partly re-invested in increasing R&D and A&P so as to foster the growth;
- A&P rose from 10.7% to 11.2% of revenues (+ € 22.2 M, of which 11.1 M in Q4);
- Other effects on Ebitda came from mix (positive) and prices (negative);
- Total amortization rose to € 58.2 M, on the back of the increased investments;

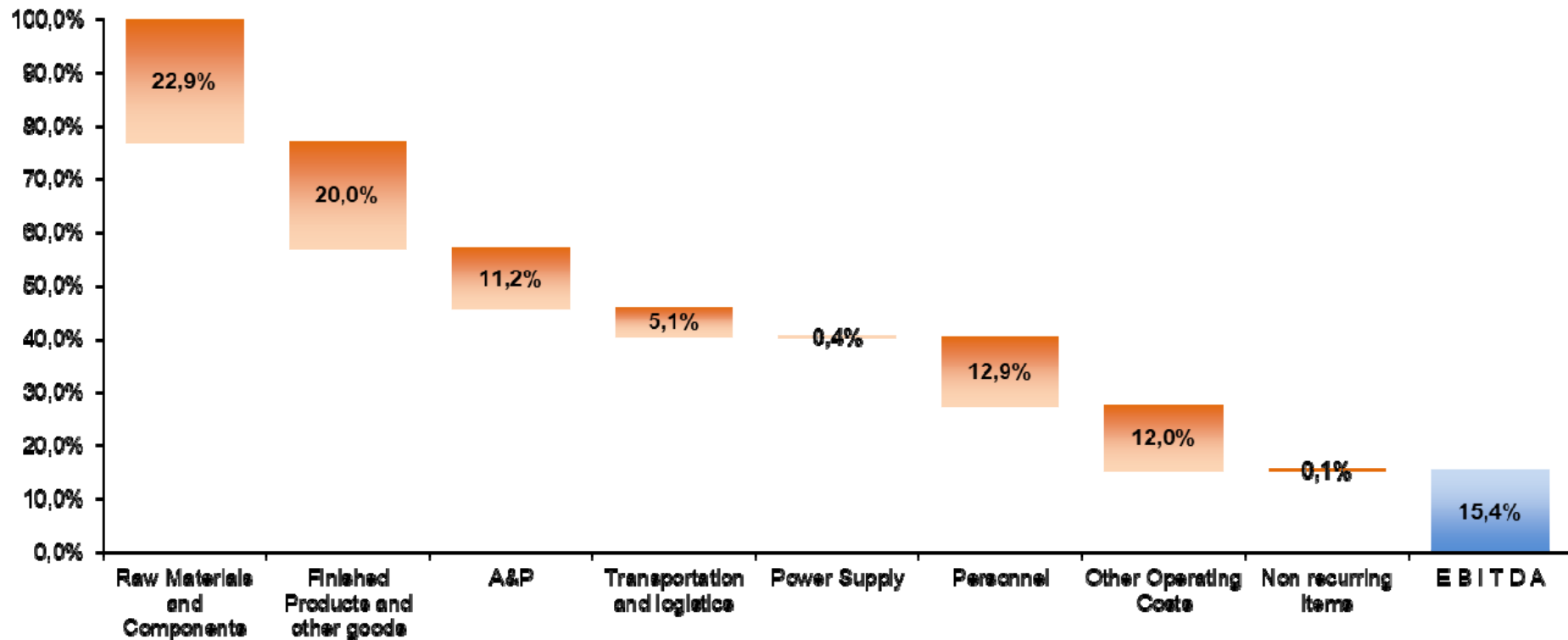
FY 2017 RESULTS

Costs contribution to 2017 EBITDA ("*continuing operations*"):
in EUR million



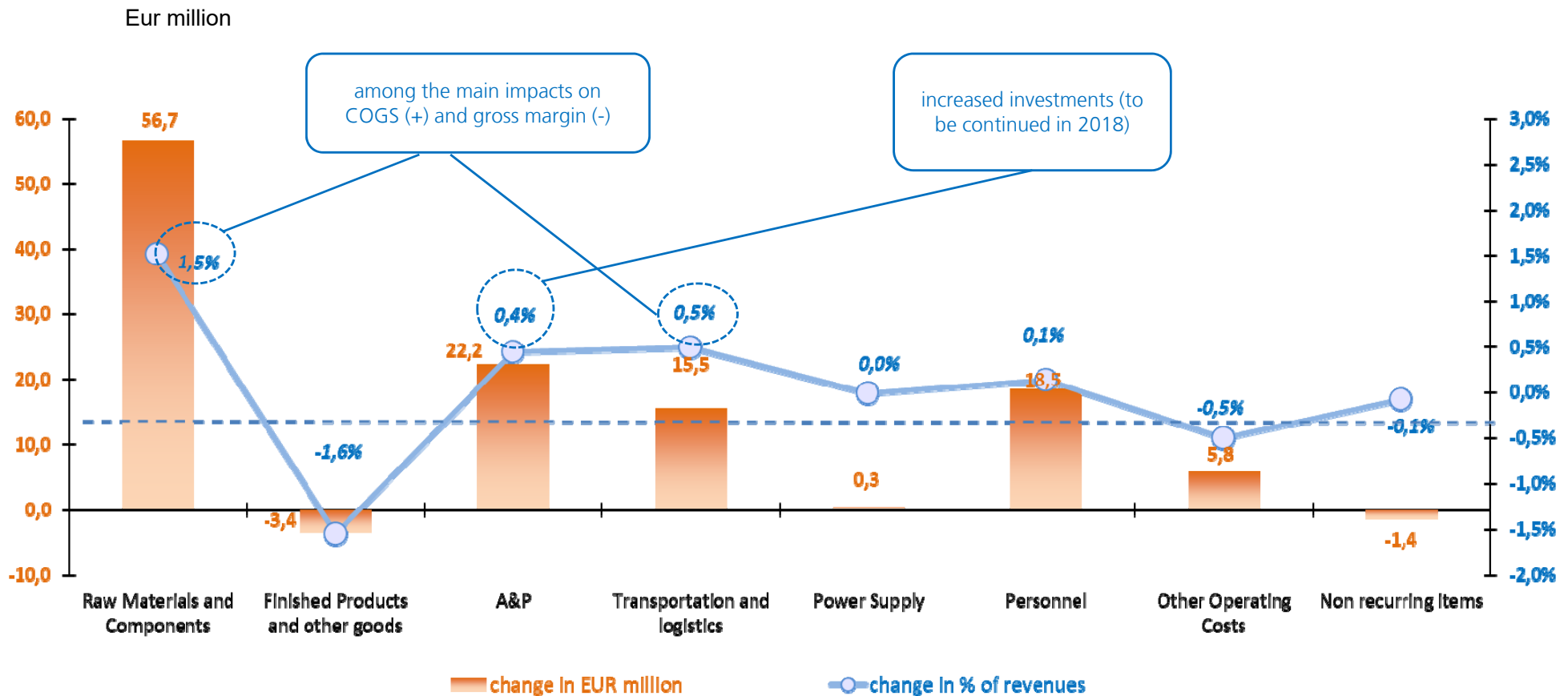
FY 2017 RESULTS

Costs contribution to 2017 EBITDA (*"continuing operations"*)
in % of revenues



FY 2017 RESULTS

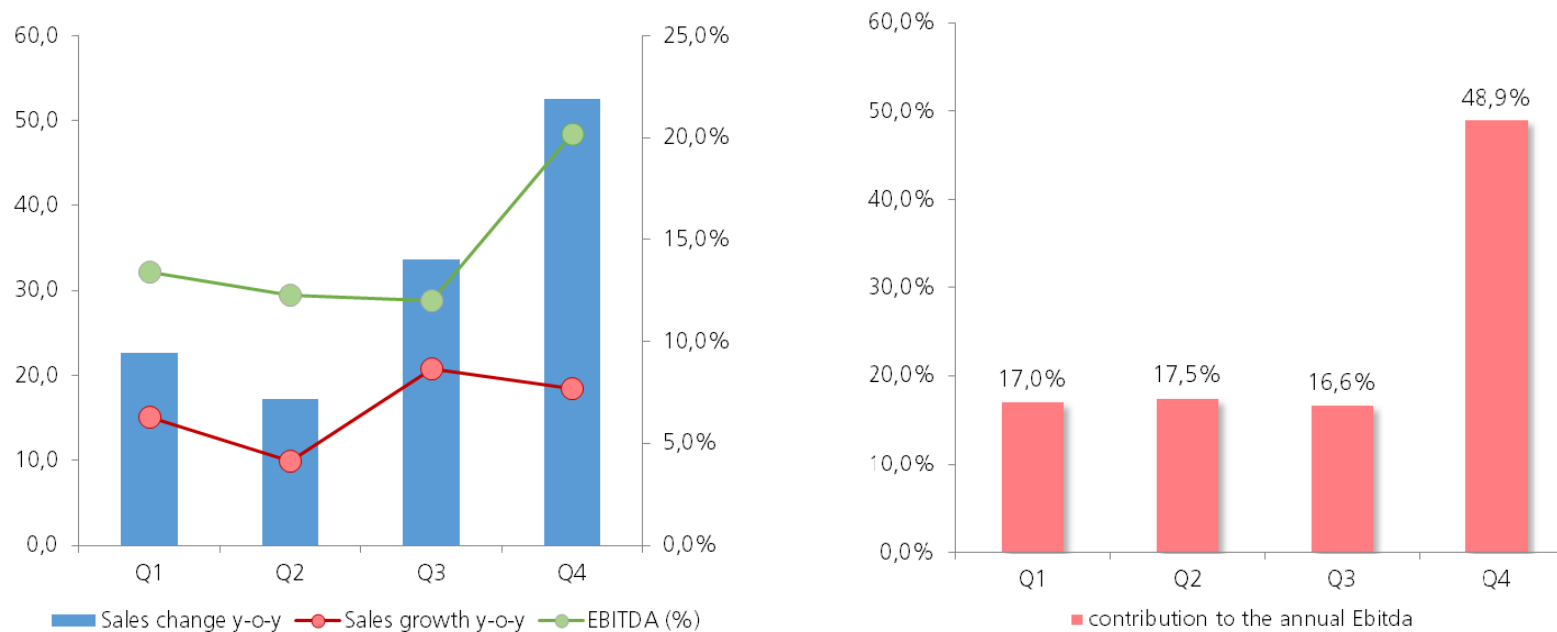
Operating costs changes 2017 vs 2016 (*"continuing operations"*)



FY 2017 RESULTS

Performance by quarter (*"continuing operations"*)

Eur million



- acceleration in the second half of 2017, in terms of both growth and profitability;
- even if the annual pattern of contribution to margin of each quarter was not denied, Q4 weighed more heavily than in the past;
- profitability of Q4 marked a historical record (20.4%).

FY 2017 RESULTS

EPS and dividend (*"continuing operations"*)

<i>EURmillion</i>	2017	2016	<i>Change 2017 - 2016</i>	
Net Profit pertaining to the Group	179,7	167,7	12,0	7,2%
<i>% of sales</i>	<i>9,1%</i>	<i>9,1%</i>		
EPS	1,20	1,12	0,08	7,2%
Dividend PS	1,00	0,80	0,20	25,0%
Payout ratio	83,2%	71,3%		

- increase of the pay-out ratio to an unprecedented 83.2% ;
- a total € 149.5 M dividends approved by the AGM.

FY 2017 RESULTS

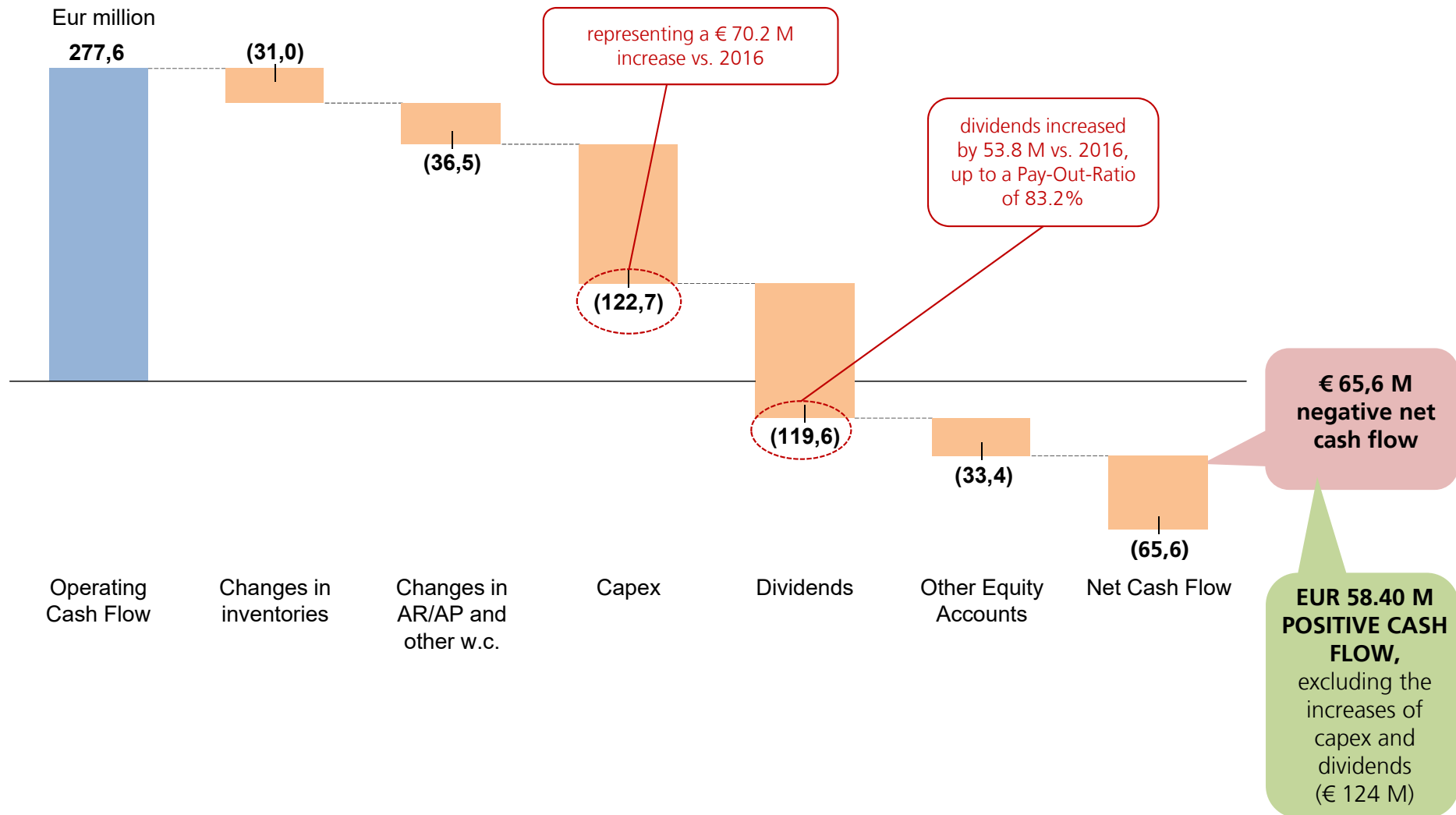
Financial position (*"continuing operations"*)

<i>EUR million</i>	2017	2016	<i>Change 2017 - 2016</i>
Net Working Capital	257,8	249,1	8,7
Net Equity (excluding minorities)	1.023,3	1.010,9	12,5
Net debt / (Net cash)	-250,6	-316,2	65,6
Net debt / (Net cash) vs. banks and third party lenders	271,1	314,1	-43,0
Net Debt / Equity (x) [<i>Gearing</i>]	-0,2	-0,3	
Net Debt / EBITDA (x) [<i>Leverage</i>]	-0,8	-1,1	
N.W.C. / Revenues	13,1%	13,5%	- 40 bps

- Net Cash position of € 250.6 M, despite € 124 million cash-out for increased capex and dividends;
- strong financial leverage still fully available for M&A;
- the € 149.5 M dividend, approved by the AGM, is backed by a large gross cash position (€ 665 M at 2017 year end).

FY 2017 RESULTS

The cash flow performance ("*continuing operations*")



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APPENDIX

Key P&L figures 2015-2017 (total Group)

(Euro million)	2015						2016						2016-restated						2017 (total Group)					
	Q1-15	Q2-15	HALF YEAR	Q3-15	Q4-15	FULL YEAR	Q1-16	Q2-16	HALF YEAR	Q3-16	Q4-16	FULL YEAR	Q1-16	Q2-16	HALF YEAR	Q3-16	Q4-16	FULL YEAR	Q1-17	Q2-17	HALF YEAR	Q3-17	Q4-17	FULL YEAR
Revenues	368,4	422,2	790,6	424,3	676,3	1.891,1	360,3	411,6	771,9	387,2	686,3	1.845,4	362,4	414,4	776,8	388,8	689,5	1.855,0	393,3	439,8	833,1	431,6	745,8	2.010,5
% change y-o-y	9,0%	16,6%	12,9%	9,7%	5,7%	9,5%	-2,2%	-2,5%	-2,4%	-8,7%	1,5%	-2,4%	-1,6%	-1,8%	-1,7%	-8,4%	1,9%	-1,9%	8,5%	6,1%	7,2%	11,0%	8,2%	8,4%
net industrial margin	175,2	194,3	369,4	202,8	332,4	904,6	184,3	197,5	381,8	189,9	334,1	905,8	186,4	200,3	386,7	191,5	337,2	915,4	193,0	208,8	401,7	208,4	360,8	971,0
%	47,5%	46,0%	46,7%	47,8%	49,2%	47,8%	51,1%	48,0%	49,5%	49,0%	48,7%	49,1%	51,4%	48,3%	49,8%	49,3%	48,9%	49,3%	49,1%	47,5%	48,2%	48,3%	48,4%	48,3%
Ebitda (before not rec.)	47,3	48,0	95,3	54,6	137,9	287,8	51,5	55,0	106,6	51,6	137,3	295,4	51,5	55,0	106,6	51,6	137,3	295,4	52,2	53,1	105,3	53,8	150,3	309,4
%	12,8%	11,4%	12,1%	12,9%	20,4%	15,2%	14,3%	13,4%	13,8%	13,3%	20,0%	16,0%	14,2%	13,3%	13,7%	13,3%	19,9%	15,9%	13,3%	12,1%	12,6%	12,5%	20,2%	15,4%
EBITDA	47,3	48,0	95,3	54,6	135,3	285,2	51,5	52,3	103,9	50,6	137,5	292,0	51,5	52,3	103,9	50,6	137,5	292,0	51,4	52,2	103,6	51,3	148,8	303,6
%	12,8%	11,4%	12,1%	12,9%	20,0%	15,1%	14,3%	12,7%	13,5%	13,1%	20,0%	15,8%	14,2%	12,6%	13,4%	13,0%	19,9%	15,7%	13,1%	11,9%	12,4%	11,9%	20,0%	15,1%
EBIT	35,1	35,3	70,4	41,4	120,9	232,7	39,4	40,3	79,8	37,9	121,3	239,0	39,4	40,3	79,8	37,9	121,3	239,0	38,5	37,8	76,3	35,4	132,1	243,7
%	9,5%	8,4%	8,9%	9,8%	17,9%	12,3%	10,9%	9,8%	10,3%	9,8%	17,7%	13,0%	10,9%	9,7%	10,3%	9,7%	17,6%	12,9%	9,8%	8,6%	9,2%	8,2%	17,7%	12,1%
Profit before Taxes	24,2	27,2	51,4	33,2	114,6	199,1	32,9	33,7	66,6	30,8	130,1	227,4	32,9	33,7	66,6	30,8	130,1	227,4	32,3	42,6	74,9	32,9	119,5	227,3
Taxes	(6,9)	(7,0)	(14,0)	(8,0)	(27,4)	(49,3)	(7,9)	(9,0)	(16,9)	(8,0)	(34,3)	(59,2)	(7,9)	(9,0)	(16,9)	(8,0)	(34,3)	(59,2)	(7,3)	(11,5)	(18,7)	0,4	(30,8)	(49,1)
Profit / (Loss) for the period	17,2	20,2	37,4	25,2	87,2	149,8	25,0	24,7	49,6	22,7	95,8	168,2	25,0	24,7	49,6	22,7	95,8	168,2	25,0	31,1	56,1	33,4	88,7	178,2
Profit / (Loss) pertaining to minority interests	(0,1)	0,1	(0,0)	0,2	0,1	0,3	0,1	0,1	0,2	0,1	0,5	0,8	0,1	0,1	0,2	0,1	0,5	0,8	0,0	0,0	0,0	0,0	0,0	0,0
Profit / (Loss) after minority interests	17,4	20,0	37,4	25,0	87,1	149,5	24,8	24,6	49,4	22,6	95,3	167,4	24,8	24,6	49,4	22,6	95,3	167,4	25,0	31,1	56,1	33,4	88,7	178,2
%	4,7%	4,7%	4,7%	5,9%	12,9%	7,9%	6,9%	6,0%	6,4%	5,8%	13,9%	9,1%	6,8%	5,9%	6,4%	5,8%	13,8%	9,0%	6,4%	7,1%	6,7%	7,7%	11,9%	8,9%

APPENDIX

Key P&L figures 2015-2017 ("continuing operations")

	2016-restated "continuing op."						2017 "continuing op."					
	Q1-16	Q2-16	HALF YEAR	Q3-16	Q4-16	FULL YEAR	Q1-17	Q2-17	HALF YEAR	Q3-17	Q4-17	FULL YEAR
(Euro million)												
Revenues	362,4	414,4	776,8	388,0	681,9	1.846,7	385,1	431,6	816,7	421,7	734,4	1.972,8
% change y-o-y	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	6,3%	4,2%	5,1%	8,7%	7,7%	6,8%
net industrial margin	186,4	200,3	386,7	191,0	336,7	914,4	192,3	208,8	401,1	206,9	359,3	967,3
%	51,4%	48,3%	49,8%	49,2%	49,4%	49,5%	49,9%	48,4%	49,1%	49,1%	48,9%	49,0%
Ebitda (before not rec.)	51,5	55,0	106,6	51,2	138,0	295,7	52,5	54,0	106,5	53,0	150,0	309,5
%	14,2%	13,3%	13,7%	13,2%	20,2%	16,0%	13,6%	12,5%	13,0%	12,6%	20,4%	15,7%
EBITDA	51,5	52,3	103,9	50,2	137,9	291,9	51,6	53,0	104,7	50,5	148,5	303,7
%	14,2%	12,6%	13,4%	12,9%	20,2%	15,8%	13,4%	12,3%	12,8%	12,0%	20,2%	15,4%
EBIT	39,4	40,3	79,8	37,4	122,1	239,3	38,9	38,9	77,9	35,3	132,2	245,4
%	10,9%	9,7%	10,3%	9,7%	17,9%	13,0%	10,1%	9,0%	9,5%	8,4%	18,0%	12,4%
Profit before Taxes	32,9	33,7	66,6	30,3	130,9	227,8	32,9	43,7	76,6	32,9	119,8	229,2
Taxes	(7,9)	(9,0)	(16,9)	(7,9)	(34,5)	(59,3)	(7,2)	(11,9)	(19,1)	0,4	(30,8)	(49,5)
Profit / (Loss) for the period	25,0	24,7	49,6	22,4	96,4	168,5	25,6	31,8	57,5	33,3	89,0	179,7
Profit / (Loss) pertaining to minority interests	0,1	0,1	0,2	0,1	0,5	0,8	0,0	0,0	0,0	0,0	0,0	0,0
Profit / (Loss) after minority interests	24,8	24,6	49,4	22,3	95,9	167,7	25,6	31,8	57,5	33,3	89,0	179,7
%	6,8%	5,9%	6,4%	5,8%	14,1%	9,1%	6,7%	7,4%	7,0%	7,9%	12,1%	9,1%

THANK YOU

Contacts:

Fabrizio Micheli

Director of M&A and Investor Relations

T: +39 0422 4131

investor.relations@delonghigroup.com

DēLonghi Group



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Ariete