March 3rd, 2015

De'Longhi Group: FY 2014 results

Disclaimer

For the purpose of providing greater details, in some cases we may refer to management accounts' figures (instead of reported figures), as expressly indicated in the footnotes of the relevant pages.

De'Longhi Group: FY 2014 results

- **FY 2014 results**

Appendix 1:

- Key P&L figures 2013-2014

FY 2014 results

Results overview

Revenues

- **FY 2014 revenues were up +6.8%, or +9.7% before Eur -46.9 million currency impact,** within a competitive market environment

Markets

- **Europe** delivered strong growth (+8.5% reported):
  - **North-East Europe** grew +16.9% driven by UK, Russia (despite a material Ruble devaluation), and other Eastern European countries
  - **South-West Europe** grew +3.8%, led by France, Iberia, Switzerland, Turkey and – to a lesser extent – Italy and Germany
- **APA** (Asia, Pacific, Americas) reported moderate growth (+0.7%) as a result of:
  - growing revenues in China, South Korea, USA and Mexico
  - weak performance in Oceania (Australia & New Zealand), due to a combination of negative markets, competitive environment and AUD & NZD devaluations versus EUR
- **MEIA** (Middle East, India, Africa) closed 2014 with a 9.0% growth versus the previous year, led by Saudi Arabia

FY 2014 results

Results overview (cont'd)

Products

- **Strong performance of food preparation**, led by kitchen machines (Kenwood brand), fryers (thanks to the newly launched De'Longhi Multifry) and also by other kitchen appliances (Braun brand)
- **Strong momentum for espresso coffee makers** led by fully automatic machines, traditional machines and by internally-manufactured capsule machines (Nespresso "Lattissima" range and "Jovia" DolceGusto)
- Home care segment benefitted from **revitalized ironing business, led by Braun-branded irons, growing at double digit**
- The comfort business recorded a slightly negative performance of heating, partially offset by a slightly positive performance of air conditioning and air treatment appliances

Margins

- **EBITDA and EBIT** improved both in absolute value and as a % of revenues despite a very negative FX impact (Eur -36m on EBITDA)
  - Strong operating leverage thanks to growing volumes and positive mix effect
  - lower costs for services and other operating costs (as a % of revenues) thanks to increasing efficiencies

Financial Position

- **Net cash position at 2014 year end of Eur 89 million**:
  - Eur 98.0 net cash generation after Eur 59.8 million dividends paid in the period and Eur 25.7 million extraordinary investments in China and Romania

FY 2014 results

Sales and net industrial margin

EUR million	FY 2014	FY 2013(1)	Change FY 2014 - FY 2013	
Sales	1,726.7	1,616.9	109.7	6.8%
Net Ind. Margin	815.7	788.2	27.5	3.5%
% of sales	*47.2%*	*48.7%*	*-151bp*	

+9.7% at constant exchange rates

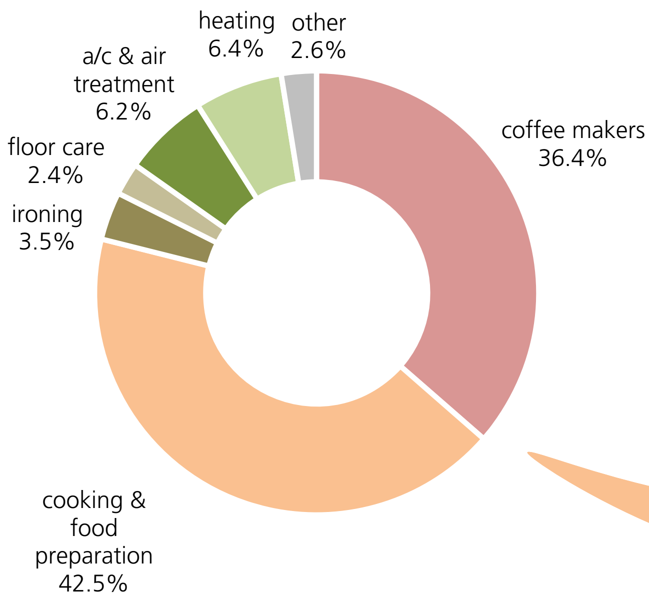
- Sales were up by 6.8% in 2014 (+9.7% at constant exchange rates)
  - Strong contribution to growth from Europe led by the North-East Europe area, up +16.9%, and MEIA (Middle East, India, Africa) which was up 9.0%, more than offsetting weakness in a few markets (Australia & New Zealand, Ukraine, Canada)
- Net industrial margin increased to €815.7m, decreasing to 47.2% from 48.7% as a percentage of revenues (margin on revenues would have been almost stable excluding a very negative foreign exchange impact)

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

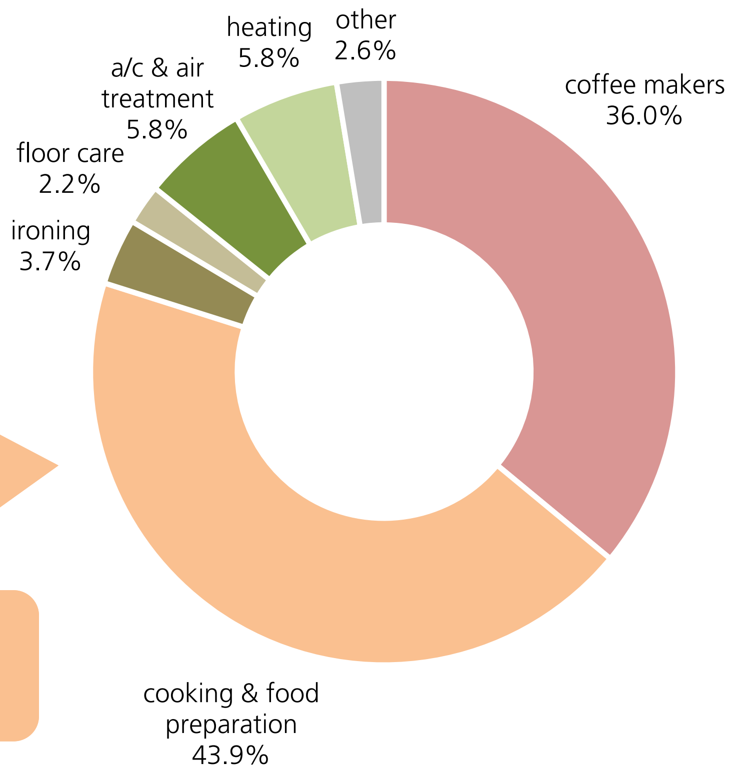
FY 2014 results

Sales' breakdown by product(1)

2013 sales breakdown by product(2)



2014 sales breakdown by product



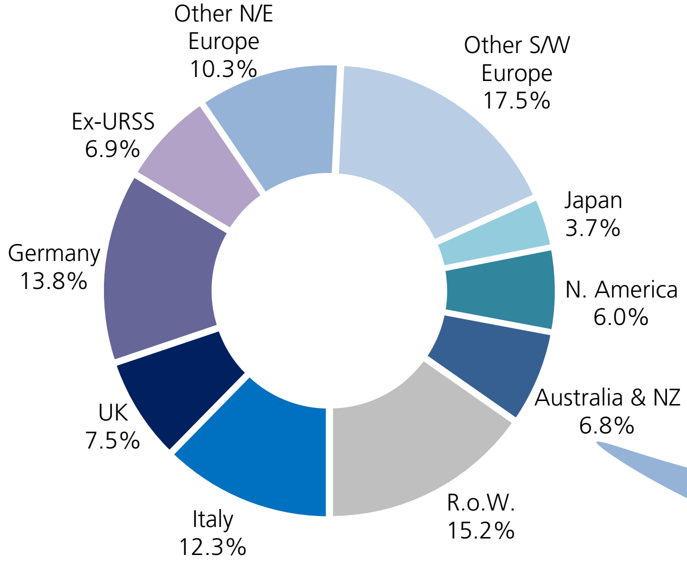
Increased contribution to sales from **core drivers**, from about **79% to 80%**

(1) Figures based on management accounts
(2) FY 2013 figures restated due to the deconsolidation of the TCL joint venture

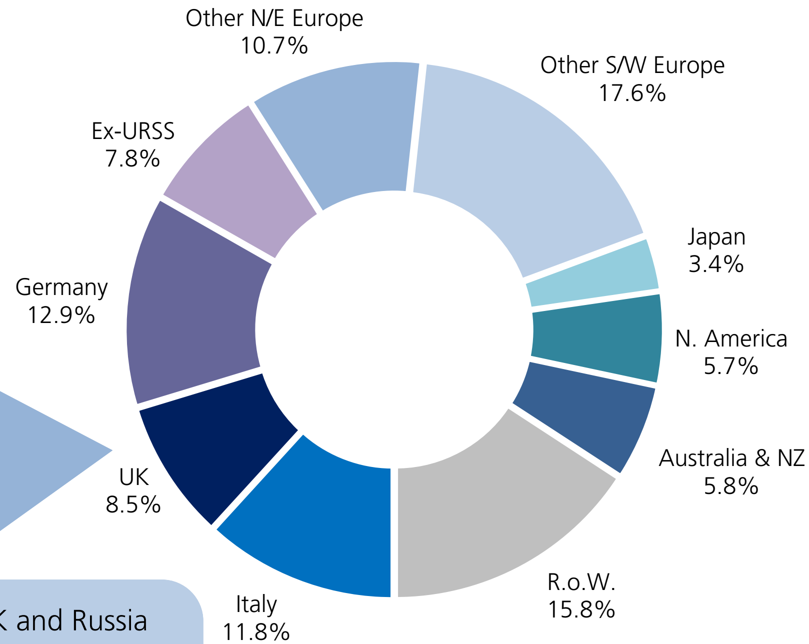
FY 2014 results

Sales' breakdown by market

2013 sales breakdown by market



2014 sales breakdown by market



- Very strong performance in UK and Russia
- More broadly, positive business trend in West and East Europe
- Still weak consumption environment in Australia and New Zealand

FY 2014 results

EBITDA and EBIT

EUR million	FY 2014	FY 2013(1)	*Change FY 2014 - FY 2013*	
EBITDA before non recurring items	**260.1**	**241.6**	**18.5**	*7.7%*
% of sales	*15.1%*	*14.9%*	***12bp***	
EBITDA	**259.6**	**239.0**	**20.6**	*8.6%*
% of sales	*15.0%*	*14.8%*	***+25bp***	
EBIT	**212.7**	**194.3**	**18.4**	*9.5%*
% of sales	*12.3%*	*12.0%*	***+30bp***	

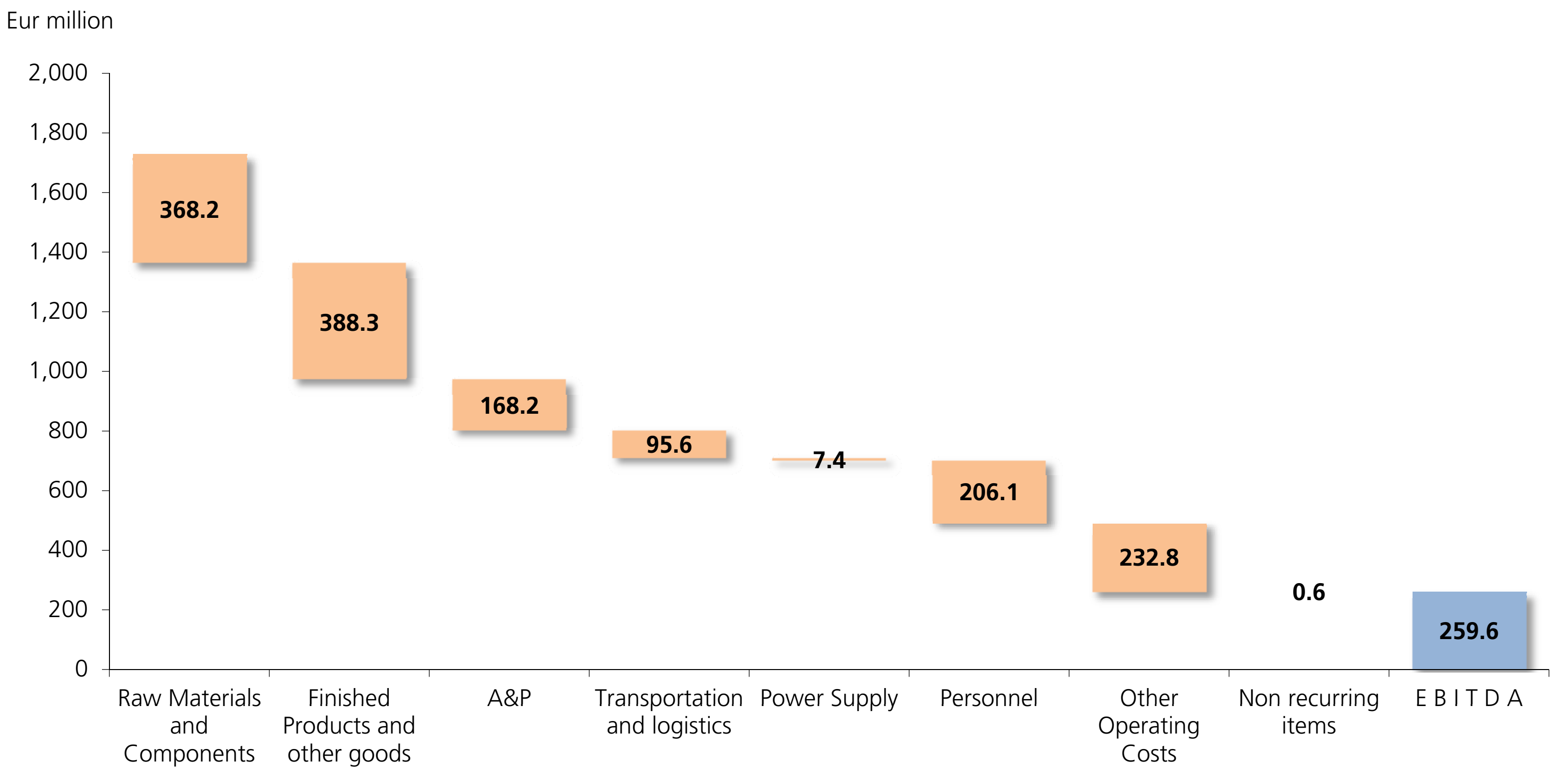
FX impact on EBITDA €-36 million

- EBITDA margin improved by 25 basis points despite a very adverse foreign exchange impact of €-36 million thanks to the improvement in operating leverage due to:
  - Improved product mix
  - Higher volumes which allowed a better absorption of fixed costs

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

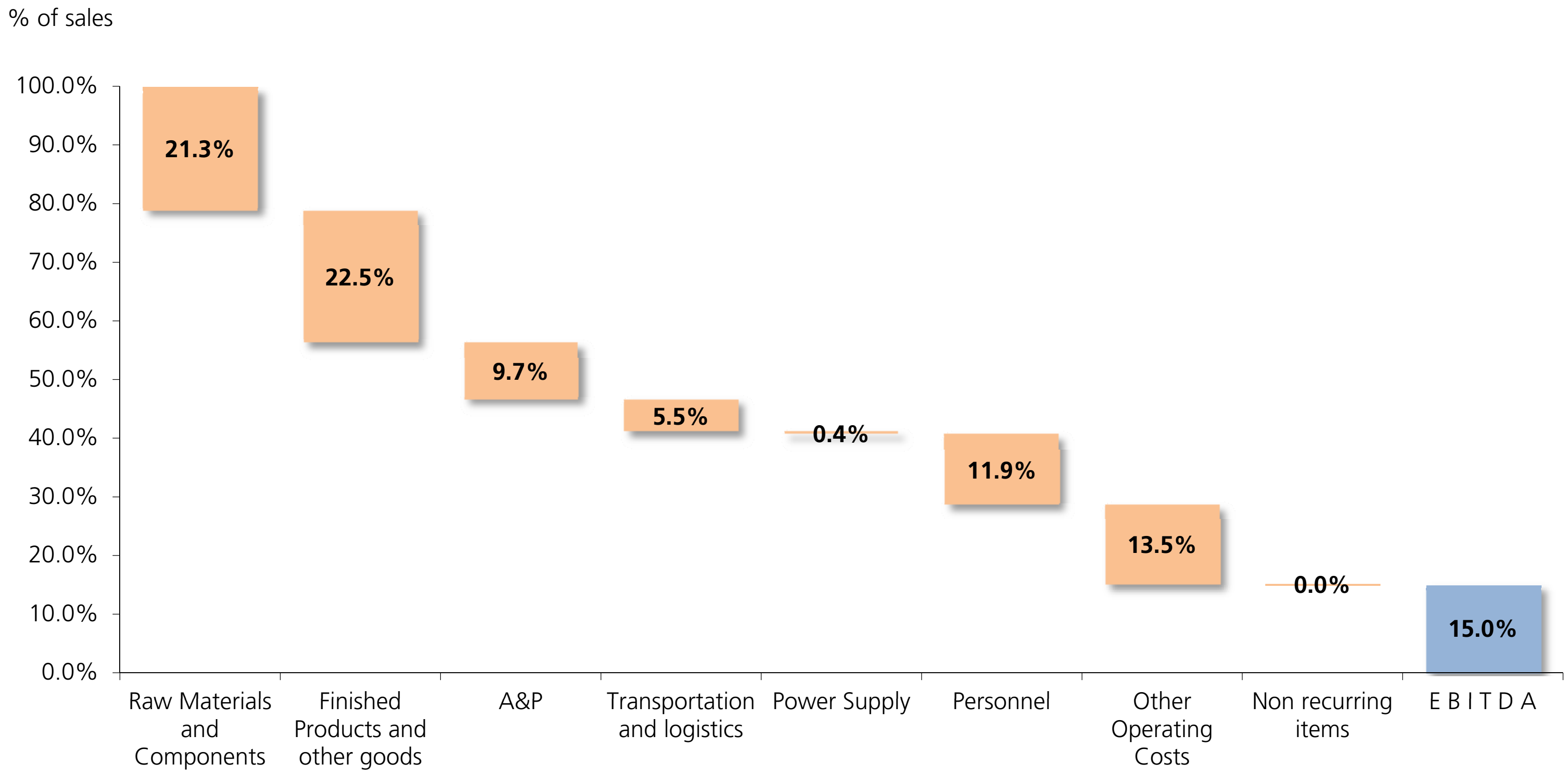
FY 2014 results

Costs contribution to 2014 EBITDA



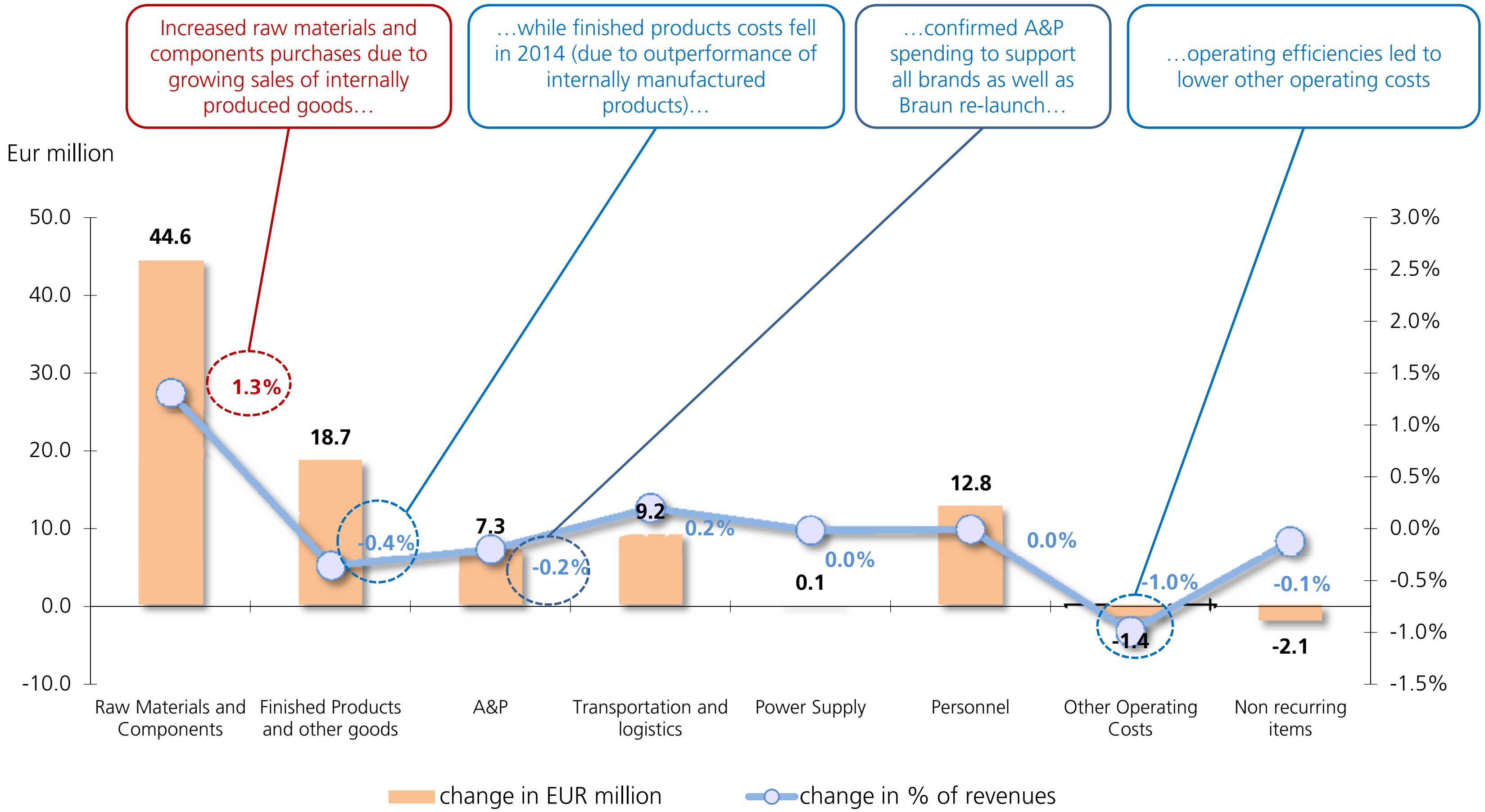
FY 2014 results

Costs contribution to 2014 EBITDA (% of revenues)



FY 2014 results

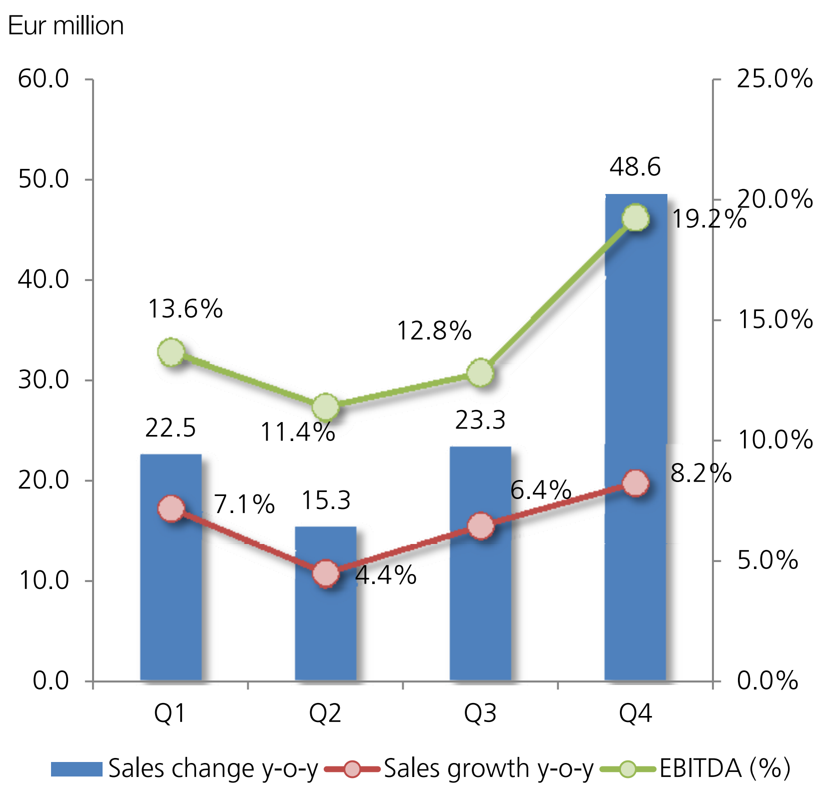
Operating costs changes 2014 *vs* 2013(1)



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

FY 2014 results

Performance by quarter[1]

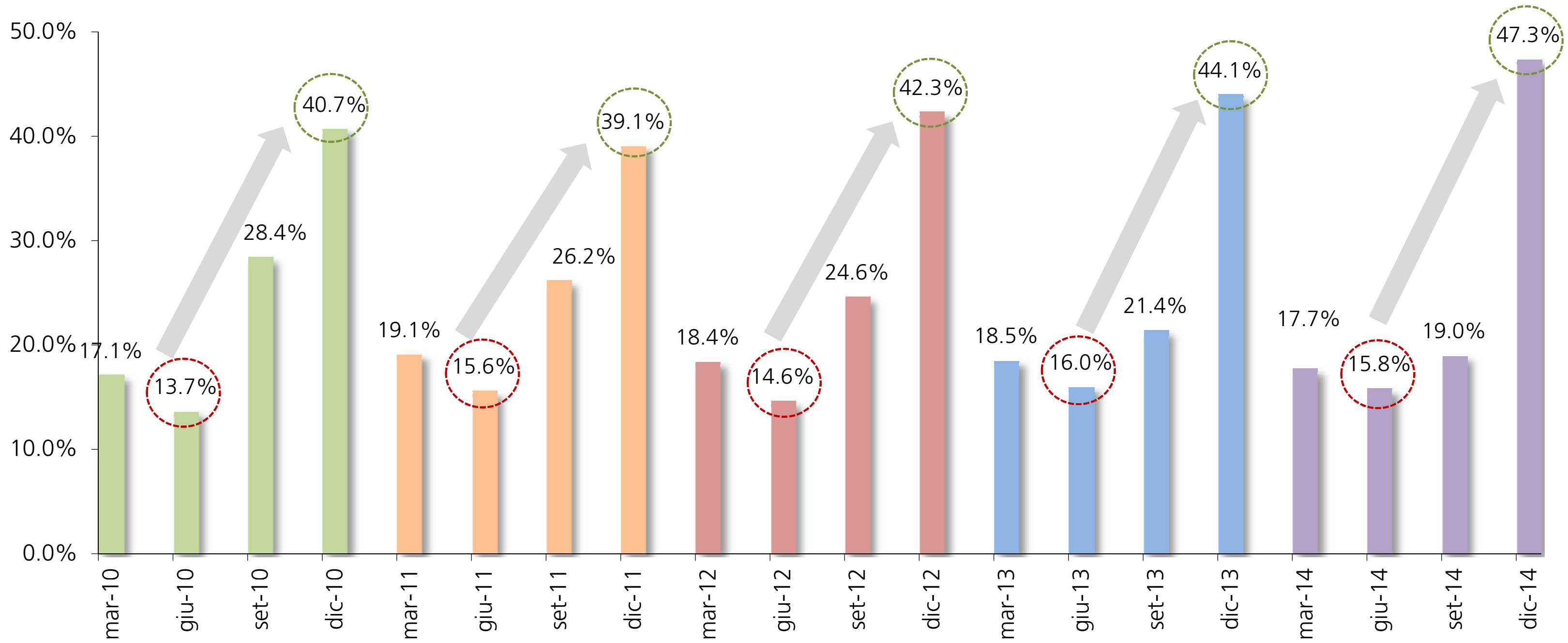


- On a quarterly basis, growth has been sustained throughout the year, and improving into Q4
- Also profitability recorded a **strong progression into Q4** thanks to an improving product mix and higher volumes (19.2% EBITDA margin in Q4)

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

FY 2014 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 the weakest quarter in terms of contribution

[1] 2010 and 2011 data are based on pro-forma unaudited figures for the Household division. FY 2013 figures were restated following the deconsolidation of the TCL joint venture

FY 2014 results

EPS

EUR million	FY 2014	FY 2013 (1)	Change FY 2014 - FY 2013	
Net Profit pertaining to the Group	**126.5**	**116.9**	**9.6**	*8.2%*
% of sales	*7.3%*	*7.2%*	***10bp***	
EPS	**0.85**	**0.78**		*8.2%*
Dividend PS	**0.41** (2)	**0.40**		*2.5%*
Payout ratio	**48.4%**	**51.1%**		

- Net profit substantially higher than 2013 despite higher financial charges mainly due to increased FX hedging costs, higher D&A and slightly higher taxes
- Proposed dividend per share Eur 0.41, 48.4% payout ratio

(1) FY 2013 figures were restated following the deconsolidation of the TCL joint venture
(2) Proposed dividend per share to be ratified by the AGM scheduled on April 14, 2015

FY 2014 results

The financial position

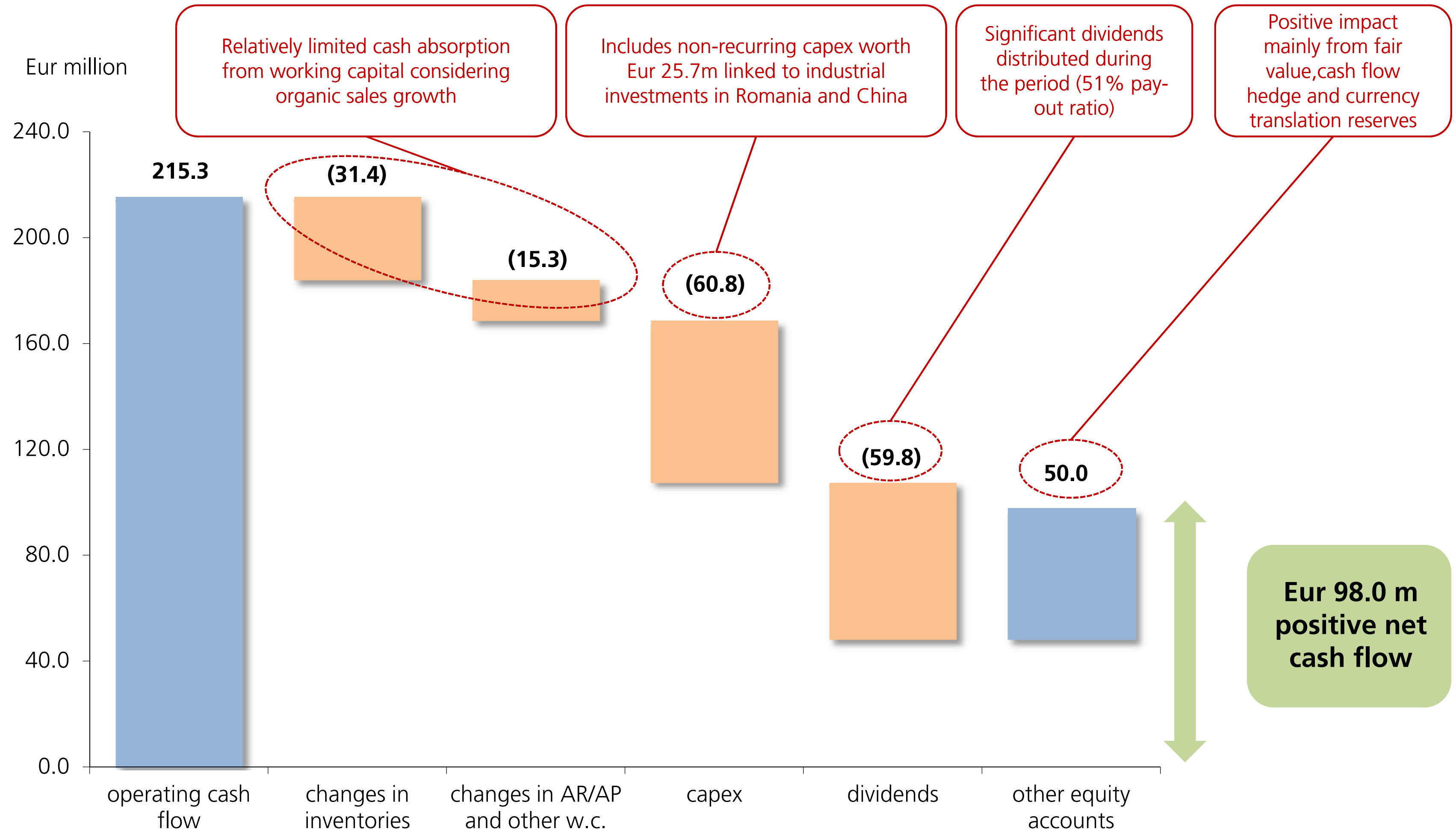
EUR million	FY 2014	FY 2013[1]	Change FY 2014 - FY 2013
Net Working Capital	236.2	226.7	9.5
Net Equity	786.1	669.9	116.2
Net Debt / (Net Cash)	-89.0	9.0	-98.0
Net Debt / (Net Cash) vs banks&third party lenders[2]	-113.2	-40.9	-72.3
Net Debt / Equity (x) [*Gearing*]	-0.11x	0.01x	
Net Debt / EBITDA (x) [*Leverage*]	-0.34x	0.04x	
N.W.C. / Revenues	13.7%	14.0%	
Inventory / Revenues	18.4%	17.4%	

- Strong balance sheet and cash generation even after record dividends and sustained capex
- **Tight control over working capital** led to a reduction of working capital to sales ratio to 13.7% from 14.0%
- Overall, a **very strong balance sheet**, back to net cash just 2 years after the Braun Household acquisition

(1) FY 2013 figures were restated following the deconsolidation of the TCL joint venture
(2) Excludes fair value of derivatives and cash flow hedge reserves, the Braun earn-out and the fari value associated with the UK pension plan

FY 2014 results

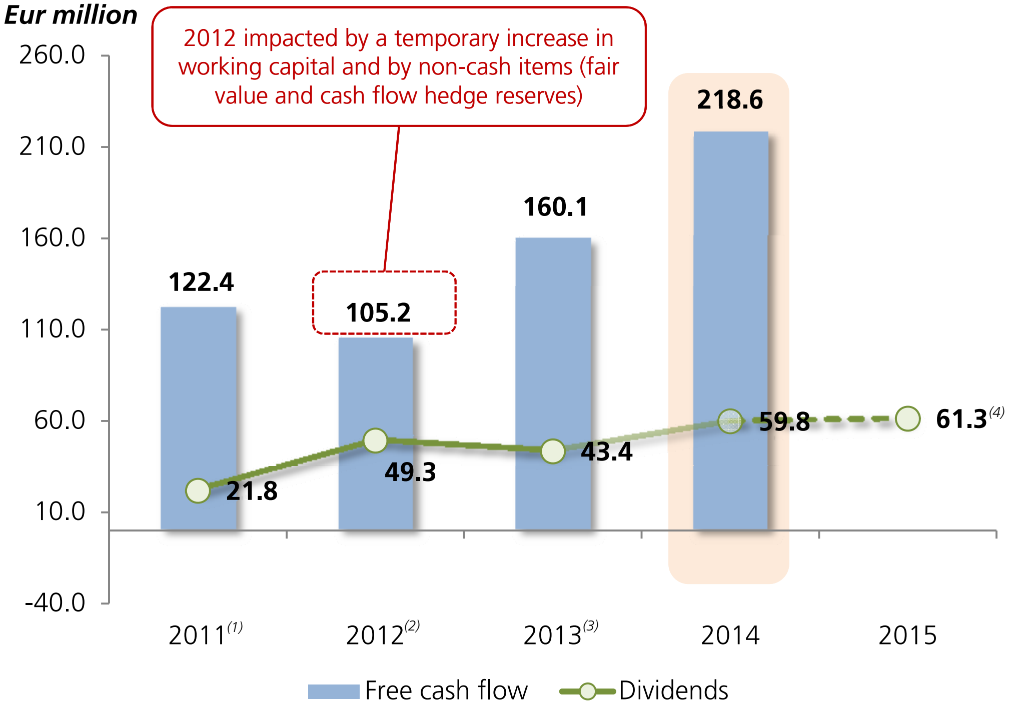
The cash flow performance



FY 2014 results

Strong free cash flow generation

Household division pro-forma Free Cash Flow performance (before dividend and capex)
(excluding Braun acquisition)



- A growing free cash flow generation across the years, which can support a sustained dividend pay-out together with high industrial investments
- Eur 218.6 million of cash generated in 2014 before dividends and capex

(1) Data restated for the Eur 150.0m capital contribution to the Professional division
(2) Data restated for the Eur 171.8m Braun Household acquisition
(3) Data restated following the deconsolidation of the TCL joint venture
(4) Dividend proposal made by the BoD to be voted at the April 14th 2015 AGM

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Appendix 1:

- **Key P&L figures 2013-2014**

Appendix 1

Key P&L figures 2013-2014

(Euro million)	2013 restated[(1)]					2 0 1 4				
	Q1-13	Q2-13	Q3-13	Q4-13	FULL YEAR	Q1-14	Q2-14	Q3-14	Q4-14	FULL YEAR
Revenues	315.5	346.7	363.4	591.3	1,616.9	338.1	362.0	386.8	639.8	1,726.7
% change y-o-y	*n.c.*	*n.c.*	*n.c.*	*n.c.*	*n.c.*	*7.1%*	*4.4%*	*6.4%*	*8.2%*	*6.8%*
net industrial margin	160.1	166.8	175.2	286.1	788.2	161.0	166.4	182.9	305.3	815.7
%	*50.7%*	*48.1%*	*48.2%*	*48.4%*	*48.7%*	*47.6%*	*46.0%*	*47.3%*	*47.7%*	*47.2%*
Ebitda (before not rec.)	44.3	38.6	51.2	107.6	241.6	46.1	41.1	49.4	123.5	260.1
%	*14.0%*	*11.1%*	*14.1%*	*18.2%*	*14.9%*	*13.6%*	*11.3%*	*12.8%*	*19.3%*	*15.1%*
EBITDA	44.3	38.1	51.2	105.4	239.0	46.1	41.1	49.4	123.0	259.6
%	*14.0%*	*11.0%*	*14.1%*	*17.8%*	*14.8%*	*13.6%*	*11.4%*	*12.8%*	*19.2%*	*15.0%*
EBIT	33.8	27.5	40.9	92.2	194.3	35.4	29.9	38.0	109.5	212.7
%	*10.7%*	*7.9%*	*11.2%*	*15.6%*	*12.0%*	*10.5%*	*8.2%*	*9.8%*	*17.1%*	*12.3%*
Profit before Taxes	25.9	18.0	32.5	80.5	157.0	23.7	21.5	28.3	97.4	171.0
Taxes	(6.6)	(5.2)	(7.1)	(20.6)	(39.5)	(6.6)	(5.4)	(6.9)	(24.9)	(43.8)
Profit / (Loss) for the period	19.4	12.8	25.4	60.0	117.5	17.2	16.1	21.5	72.5	127.2
Profit / (Loss) pertaining to minority interests	0.2	0.2	0.2	0.0	0.6	0.1	0.2	0.2	0.2	0.7
Profit / (Loss) after minority interests	19.4	12.8	25.3	60.0	117.3	17.1	15.9	21.2	72.3	126.5

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

Thank you!

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