

PRESS RELEASE

De'Longhi S.p.A.

Nine months results: revenues and Ebitda recovering in the third quarter.

Today, the Board of Directors of De' Longhi SpA has approved the consolidated results as of September 30, 2019¹.

In the third quarter, the Group achieved:

- Revenues at € 458.2 million (+2.8% reported and +1.6% at organic² level);
- adjusted³ EBITDA at € 60.1 million (€ 54.9 million on a normalized¹ basis, equal to 12% of revenues and up by 3.5%);
- EBIT equal to € 38.2 million (€ 37.9 million in normalized¹ values);
- a net profit of € 29 million (€ 29.1 million in normalized¹ values, +11.9% vs. 2018).

In the nine months, the Group achieved:

- revenues up by 0.3% to € 1,303.7 million (-1.1% at organic level);
- adjusted³ EBITDA equal to € 157.9 million (€ 143.1 in normalized¹ terms, equal to 11% of revenues);
- EBIT at € 96.2 million (€ 95.4 million in normalized¹ terms, equal to 7.3% of revenues);
- a net profit of € 71.8 million (€ 72.4 million in normalized¹ terms);
- a Net Financial Position amounting to € 101.5 million as of September 30 (€ 177.5 million in normalized¹ terms, improving by € 123 million in the 12 months rolling and by € 178.3 million before dividends).

The results of the third quarter, substantially in line with the expectations and the guidance issued, were satisfactory, especially given the current international scenario. However, in light of the development opportunities offered by the evolution of the reference markets, the Company considers it essential to accelerate its marketing and communication investment plan. These incremental investments, in the order of around 1% of annual revenues, with potential dilutive impacts on margins in the shorter term, are intended to strengthen the Group's leadership in key segments and new distribution channels, supporting long-term growth.

¹ The figures herein reported include the effects of the adoption of IFRS 16 accounting standard. For comparative purposes, in some cases the figures are "**normalized**", i.e. presented on a comparable basis with those of the previous year, hence excluding the aforementioned effects deriving from the IFRS 16 adoption.

² "**Organic**" stands for at constant exchange rates and excluding the impact of derivatives.

³ "**Adjusted**" stands for before non recurring items and imputed costs of the stock options plan.

Results summary and business review

	9 months 2019	3 rd quarter 2019	9 months		3 rd quarter	
			2019 "normalized"	2018	2019 "normalized"	2018
<i>(Eur million unless specified)</i>						
Revenues	1303.7	458.2	1303.7	1300.3	458.2	445.6
change %	0.3%	2.8%	0.3%		2.8%	
organic ch. %	-1.1%	1.6%	-1.1%		1.6%	
net ind. margin	615.9	216.4	615.9	617.6	216.4	210.5
% of revenues	47.2%	47.2%	47.2%	47.5%	47.2%	47.2%
adjusted Ebitda	157.9	60.1	143.1	162.2	54.9	53.1
% of revenues	12.1%	13.1%	11.0%	12.5%	12.0%	11.9%
Ebitda	153.3	57.9	138.5	157.1	52.7	52.1
% of revenues	11.8%	12.6%	10.6%	12.1%	11.5%	11.7%
Ebit	96.2	38.2	95.4	112.9	37.9	35.0
% of revenues	7.4%	8.3%	7.3%	8.7%	8.3%	7.9%
Net Income	71.8	29.0	72.4	82.0	29.1	26.0
% of revenues	5.5%	6.3%	5.6%	6.3%	6.4%	5.8%

general outlook

The first nine months of the year showed revenues substantially in line with the previous year, despite the noticeable discontinuities occurred in the first quarter and affecting the growth path of the full year 2019. The third quarter confirmed the main organic trends of the previous quarters, with a very sound condition of coffee machines and the weakness of the cooking and food preparation segment.

revenues

In the nine months, the Group's revenues remained substantially unchanged at € 1,303.7 million, (but down 1.1% in organic terms), thanks to the recovery in sales both in second and third quarters, the latter up 2.8% to € 458.2 million (+ 1.6% in organic terms).

markets

In terms of markets, the picture we get from the first nine months is similar to the one we got in the first half: a slightly growing Europe, driven mainly by the North-Eastern area, MEIA still suffering and APA affected by the negative performance of Greater China, not fully offset by the moderate growth of the North American market. We also highlight the positive results coming from the United Kingdom and the French market.

<i>EUR million</i>	9 months 2019	<i>chg. %</i>	<i>organic chg. %</i>	3rd Quarter 2019	<i>chg. %</i>	<i>organic chg. %</i>
North East Europe	360.0	10.0%	9.0%	134.0	9.0%	6.9%
South West Europe	510.5	-0.5%	-0.7%	176.4	6.2%	6.0%
EUROPE	870.6	3.6%	3.1%	310.4	7.4%	6.4%
APA (Asia/Pacific/Americas)	339.5	-5.1%	-7.8%	115.2	-3.6%	-4.8%
MEIA (MiddleEast/India/Africa)	93.6	-8.2%	-12.4%	32.6	-12.0%	-15.9%
TOTAL REVENUES	1,303.7	0.3%	-1.1%	458.2	2.8%	1.6%

Going into greater details, in the third quarter:

- the **South-West Europe** area achieved a rather strong and fairly homogeneous revenue growth, with double digit acceleration in France, Switzerland and the Iberian region, mainly thanks to coffee expansion;
- the **North-East Europe** area was growing at a high single digit pace, in particular supported by a bullish trend in Poland and the Czech Republic, Slovakia, Hungary and secondly in Russia, Ukraine and CIS countries; the UK market showed a healthy condition, delivering a noticeable expansion in the quarter and confirming the positive signals provided by the previous quarter;
- in negative territory the **APA** region (Asia-Pacific-Americas), declining at a mid single digit rate in organic terms, but with an expansion of turnover both in the USA, Canada and in Japan, however not enough to offset the weakness of Greater China, mainly affected by the negative development in the Nestlé / Dolce Gusto world capsule segment;
- still negative the performance of the **MEIA** (Middle East India Africa), affected by the tough environment of the main markets, namely Saudi Arabia and UAE.

products

In the quarter, the **coffee machine** segment achieved double-digit growth, increasing its weight and relevance on the Group's portfolio. The fully-automatic and manual machines have accelerated and consolidated the growth rate of the second quarter, also thanks to the positive contribution of the models Maestosa, La Specialista and Dinamica.

Capsule machines were growing double digits In the quarter, thanks to the recovery of Nespresso machines no longer hit by the discontinuities highlighted in the first quarter.

The **cooking and food preparation** segment was still declining,

although at a slower pace than in the first half of the year, being still affected by the difficulties faced by the entire sector.

Positive trend for the **ironing** and **domestic cleaning** segments, confirming the good performance of the first half of the year.

Finally, the **comfort** sector (portable air conditioners and heaters) showed a double-digit decline in the quarter, mainly due to the contraction in the heating category.

operating margins

In the nine months the **net industrial margin** stood at € 615.9 million, slightly down both in absolute terms and in percentage terms on revenues (47.2% against 47.5% in 2018), while in the quarter the margin was up in value (+ € 5.9 million) and stable as a percentage of revenues (at 47.2%).

In the nine months, the **adjusted EBITDA** amounted to € 157.9 million, equal to 12.1% of revenues (12.5% in 2018), including the positive effect of the new IFRS16 accounting standard, net of which (in "normalized" terms) it stood at € 143.1 million, down on revenues from 12.5% to 11%. However, we highlight the positive data of the third quarter, showing the normalized adjusted EBITDA slightly up both in value (from € 53.1 to € 54.9 million) and as a percentage of revenues (from 11.9% to 12%).

In the quarter, the improvement of the results were obtained thanks to both volumes and price-mix, in the face of an increase of operating costs - especially in the marketing and communication area, a slightly negative currency effect and the partial increase of duties on products manufactured in China and imported to Northern America.

The normalized **Ebitda** stood at € 138.5 million for the nine months, decreasing from 12.1% of revenues to 10.6% - while in the quarter it was substantially in line versus last year both in absolute terms (at € 52.7 million) and as a percentage of revenues (from 11.7% to 11.5%).

Normalized **Ebit** amounted to € 95.4 million (€ 112.9 million in 2018) in the first nine months and to € 37.9 million (€ 35 million in 2018) in the quarter.

financial charges

The normalized **net financial charges** decreased in the nine months from € 14 million to € 8.9 million (€ 10.3 million post IFRS 16), mainly thanks to the gains deriving from the liquidity management and from the exchange rates and hedging management.

net profit

Finally, in the nine months, the normalized **net profit** was equal to € 72.4 million, down 11.6%, but increasing by 11.9% (from € 26 million to € 29.1 million) in the third quarter.

net financial position

	30.09.2019	30.09.2019 normalized	31.12.2018	30.09.2018
	EUR million	EUR million	EUR million	EUR million
Net financial position	101.5	177.5	228.1	54.5
<i>change in the 9 months</i>	-126.6	-50.6		
<i>change in the 12 months</i>	47.0	123.0		
Bank net financial position	180.9	180.9	229.0	59.0
<i>change in the 9 months</i>	-48.1	-48.1		
<i>change in the 12 months</i>	121.9	121.9		

As for the balance sheet, we highlight a significant result in the **cash flow** generation, which, at normalized level, was equal to € 123 million in the last twelve months (negative for € 40.1 million in the previous year), supported by an operating cash flow amounting to € 173.3 million (in normalized terms). Even after neutralizing the impact of the dividend payment, the 12 months net flow improved over the previous year to € 178.3 million, vs. € 109.4 million in 2018.

This result led to a normalized **net financial position** of € 177.5 million (€ 101.5 million, after the application of IFRS 16).

Even in the nine months (from 1st January to 30th September) the normalized cash generation - although usually negative in this part of the annual cycle – improved versus the same period of the previous year: € -50.6 million against € -196.1 million (before dividends, € +4.7 million against € -46.6 million).

The negative effect on the financial position of the application from January 1st of the IFRS 16 accounting principle was equal to € 76 million.

the working capital

As regards the **net working capital**, the normalized value as at September 30th was equal to € 387.6 million, almost stable compared to the value at the same date of 2018 (+ € 1 million), while it increased by € 65.1 million compared to the 31st December, 2018. This increase is consistent with the infra-annual operating and financial cash cycle which sees the peak of absorption of working capital in the third quarter.

The ratio of working capital on rolling 12-month revenues was 18.6%, i.e. a slight improvement compared to September 2018 (19%).

Finally, the impact of the application of IFRS 16 on working capital is negligible.

Events occurred after the end of the quarter

As part of its financial strategy to support current operations and planned investments, the Group, taking advantage of the particularly favorable condition of the financial markets and in order to extend the time horizon of the current loan portfolio, has signed a new loan for € 200 million, which was disbursed in October 2019.

Foreseeable business development and *guidance*

The results of the third quarter, substantially in line with the expectations and the guidance issued, were satisfactory, especially in consideration of the current international scenario. However, in light of the development opportunities offered by the evolution of the markets, the company considers it essential to accelerate the marketing and communication investment plan. These incremental investments, in the order of around 1% of annual revenues, with potential dilutive impacts on margins in the shorter term, are intended to strengthen the Group's leadership in key segments and new distribution channels, supporting long-term growth.

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.

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ANNEXES

Consolidated results of De' Longhi S.p.A.
as of September 30, 2019

1. Consolidated Income Statement

Euro million	30.09.2019	% of revenues	30.09.2019 normalized	% of revenues	30.09.2018	% of revenues
Net Revenues	1,303.7	100.0%	1,303.7	100.0%	1,300.3	100.0%
<i>Change</i>	<i>3.4</i>	<i>0.3%</i>	<i>3.4</i>	<i>0.3%</i>		
Materials consumed and other production costs (services and production payroll costs)	(687.8)	(52.8%)	(687.8)	(52.8%)	(682.8)	(52.5%)
Net industrial margin	615.9	47.2%	615.9	47.2%	617.6	47.5%
Costs for services and other operating costs	(322.3)	(24.7%)	(337.1)	(25.9%)	(323.1)	(24.8%)
Labour cost (non industrial)	(135.7)	(10.4%)	(135.7)	(10.4%)	(132.3)	(10.2%)
Ebitda before non recurring items and stock option plan (adjusted Ebitda)	157.9	12.1%	143.1	11.0%	162.2	12.5%
<i>Change</i>	<i>(4.3)</i>	<i>(2.6%)</i>	<i>(19.1)</i>	<i>(11.8%)</i>		
Other non recurring items / stock option plan	(4.6)	(0.4%)	(4.6)	(0.4%)	(5.0)	(0.4%)
EBITDA	153.3	11.8%	138.5	10.6%	157.1	12.1%
Amortization	(57.2)	(4.4%)	(43.1)	(3.3%)	(44.2)	(3.4%)
EBIT	96.2	7.4%	95.4	7.3%	112.9	8.7%
<i>Change</i>	<i>(16.8)</i>	<i>(14.8%)</i>	<i>(17.5)</i>	<i>(15.5%)</i>		
Net financial charges	(10.3)	(0.8%)	(8.9)	(0.7%)	(14.0)	(1.1%)
Profit before taxes	85.9	6.6%	86.5	6.6%	98.9	7.6%
Taxes	(14.0)	(1.1%)	(14.0)	(1.1%)	(16.9)	(1.3%)
Net profit pertaining to the Group of the continuing operations	71.8	5.5%	72.4	5.6%	82.0	6.3%

2. Revenues breakdown by geography

Euro million	30.09 2019	%	30.09.2018	%	Change	Change %	Organic Change %
EUROPE	870.6	66.8%	840.5	64.6%	30.1	3.6%	3.1%
APA (Asia / Pacific / Americhe)	339.5	26.0%	357.9	27.5%	(18.4)	(5.1%)	(7.8%)
MEIA (Middle East / India / Africa)	93.6	7.2%	101.9	7.8%	(8.3)	(8.2%)	(12.4%)
Total Revenues	1,303.7	100%	1,300.3	100.0%	3.4	0.3%	(1.1%)

3. Consolidated Balance Sheet

Euro million	30.09.2019	30.09.2019 normalized	30.09.2018	31.12.2018
- intangible assets	316.5	316.5	319.2	316.9
- tangible assets	314.8	239.6	233.5	237.2
- financial assets	31.3	31.3	27.1	29.6
- deferred tax assets	60.3	60.3	42.7	36.1
Fixed assets	722.9	647.7	622.4	619.8
- inventories	515.7	515.7	519.4	404.8
- trade receivables	251.6	251.6	285.0	429.3
- trade payables	(307.0)	(307.0)	(346.5)	(419.8)
- other net current assets / (liabilities)	(72.5)	(72.7)	(71.4)	(91.8)
Net working capital	387.8	387.6	386.6	322.5
Non current liabilities	(108.6)	(108.6)	(105.1)	(104.4)
Net capital employed	1,002.1	926.7	904.0	837.8
Net debt / (cash)	(101.5)	(177.5)	(54.5)	(228.1)
Total shareholders' Equity	1,103.5	1,104.1	958.5	1,065.9
Total net debt /(cash) and shareholders' equity	1,002.1	926.7	904.0	837.8

4. Detailed Net Financial Position

Euro million	30.09.2019	30.09.2019 normalized	30.09.2018	31.12.2018
Cash and cash equivalents	464.5	464.5	400.3	569.3
Other financial receivables	54.4	54.1	49.1	54.2
Current financial debt	(141.4)	(123.3)	(132.9)	(156.1)
Current net financial assets / (debt)	377.5	395.3	316.5	467.5
Non current net financial assets / (debt)	(276.0)	(217.9)	(262.0)	(239.4)
Total Net Financial Position	101.5	177.5	54.5	228.1
<i>of which:</i>				
- Net financial position versus banks and other lenders	180.9	180.9	59.0	229.0
- lease related debt	(76.0)	-	-	-
- Net assets /(liabilities) other than bank debt (fair value of derivatives, financial liabilities for business combinations and financial payables connected to pension funds)	(3.5)	(3.5)	(4.5)	(0.9)

5. Consolidated Cash Flow Statement

Euro million	30.09.2019 (9 month)	30.09.2018 (9 months)	31.12.2018 (12 months)
Cash flow from operations	132.4	148.2	289.5
Cash flow from working capital	(85.5)	(160.9)	(111.3)
Cash flow from investments	(44.4)	(46.3)	(66.4)
Cash flow before IFRS 16 Leasing	2.5	(59.1)	111.8
Cash flow from application of IFRS 16 to leasing contracts	(76.0)	-	-
Operating cash flow	(73.5)	(59.1)	111.8
Dividends distributed	(55.3)	(149.5)	(149.5)
Cash flow from changes in <i>Fair value</i> and <i>Cash flow hedge</i> reserves	(3.1)	3.3	5.0
Cash flow from other changes in the Net Equity	5.3	9.2	10.3
Cash flow from changes in the Net Equity	(53.1)	(137.0)	(134.3)
Net Cash Flow	(126.6)	(196.1)	(22.5)
Opening Net Financial Position	228.1	250.6	250.6
Closing Net Financial Position	101.5	54.5	228.1