



# DēLonghi Group

## Q1 2020 results

**DēLonghi**

**KENWOOD**

**BRAUN**

**Ariete®**

## Foreword

Since Oct. 1<sup>st</sup> 2019, some contributions to customers (previously included within the financial charges section of the Profit & Loss scheme) were treated as commercial premiums, hence netting revenues. However, for comparative purposes, in some cases, the figures herein presented may be "normalized", i.e. reported on a comparable basis with those of the previous year, hence excluding the effects deriving from the change of treatment of the financial discounts.

Moreover, "normalized" figures exclude the non-recurring costs related to the COVID-19 outbreak.

# Definitions & assumptions

In this presentation:

- **Adjusted** stands for “before non recurring items and inputed costs of the stock option plan”
- **ForEx** or **FX** stand for Foreign Exchange Rates;
- “**M**” stands for million and “**bn**” stands for billion.
- **Normalized** stands for excluding the change of treatment of the financial discounts and the non-recurring costs related to the COVID-19;
- **Organic** stands for net of Foreign Exchange Rates and hedging derivatives effects;
- **Q1** stands for first quarter (January 1<sup>st</sup> – March 31<sup>st</sup>);
- **Reported** stands for official data including the application of IFRS-16 accounting standard and the change of treatment of the financial discounts.

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# How we have been acting



## Q1 2020 RESULTS

# People: our top priority

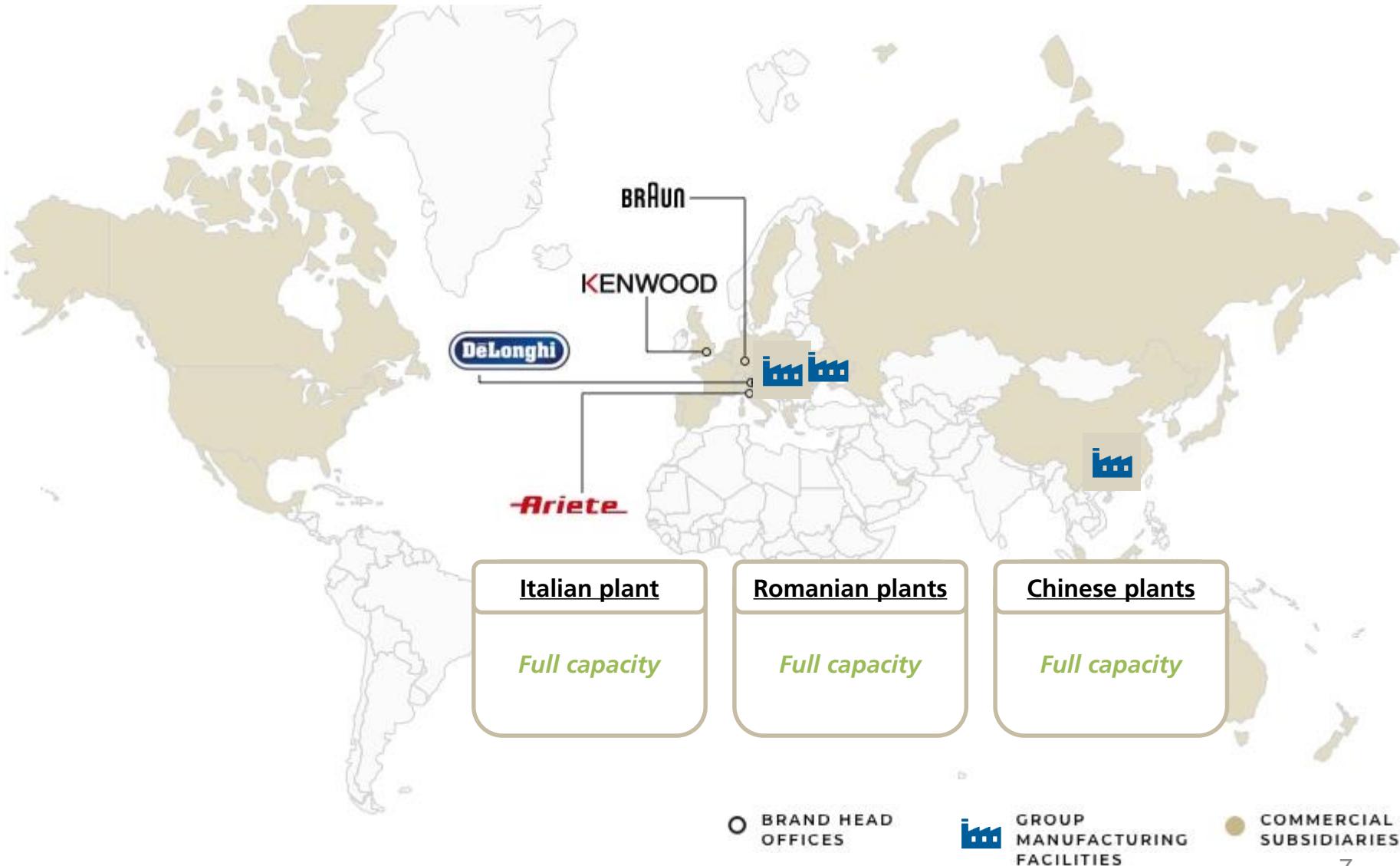
- ➡ Safeguards to protect our employees
- ➡ Flexible working practices
- ➡ Prevention measures in the workplace:
  - Wearing the surgical mask;
  - Keeping the minimum safety distance from other people;
  - Cleaning the hands frequently with the appropriate gel;
  - Keeping the desk and work tools clean;
  - Individual access to vending machines, with food to be consumed at the workplace;
  - Establishing shifts to access the canteen;
  - Replacing physical meetings with video conferences as much as possible.



Several activities to keep our employees informed and connected each other (courses, videos, speeches, training, webinars).

*Stay Safe. Stay Active. Stay Together.*

# Production: diversification strategy as a strength



# Profitability: actions the Group has taken straightaway

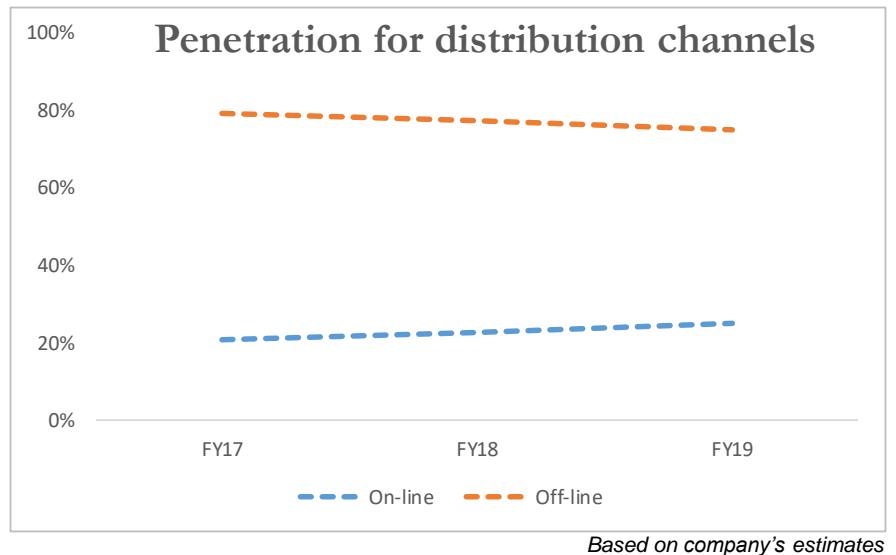
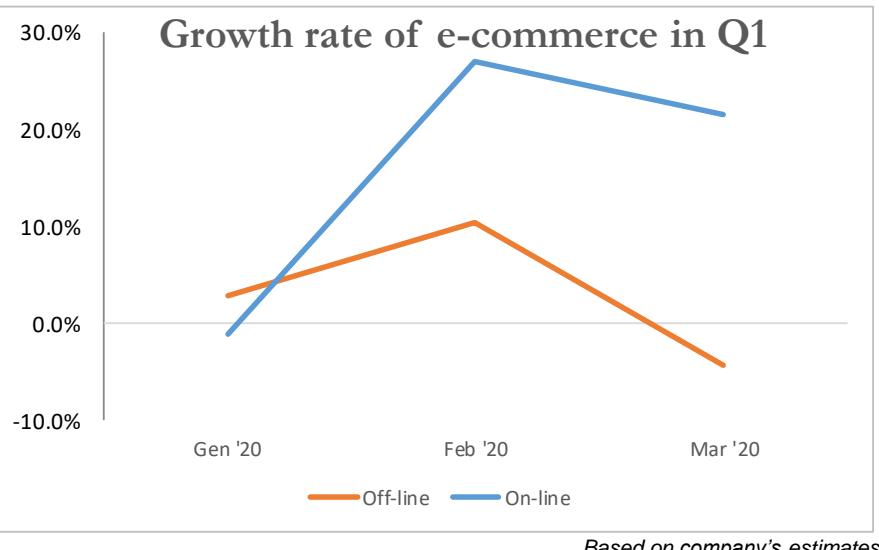
We acted immediately to mitigate the negative impacts of the Covid-19 outbreak on the business:

- new personnel hirings temporary suspended;
- other cost cuttings and savings:
  - general expenses;
  - merchandising;
  - travels and conferences;
- utilization of governmental job aid measures (like the Italian "Cassa Integrazione") in every country, wherever available, and/or days of vacation.

# Distribution: support from e-commerce

Over the last three years, the on-line sales have constantly increased their weight on our total revenues.

Both pure on-line players and the brick-and-mortar retailers have boosted their sales in the digital domain.

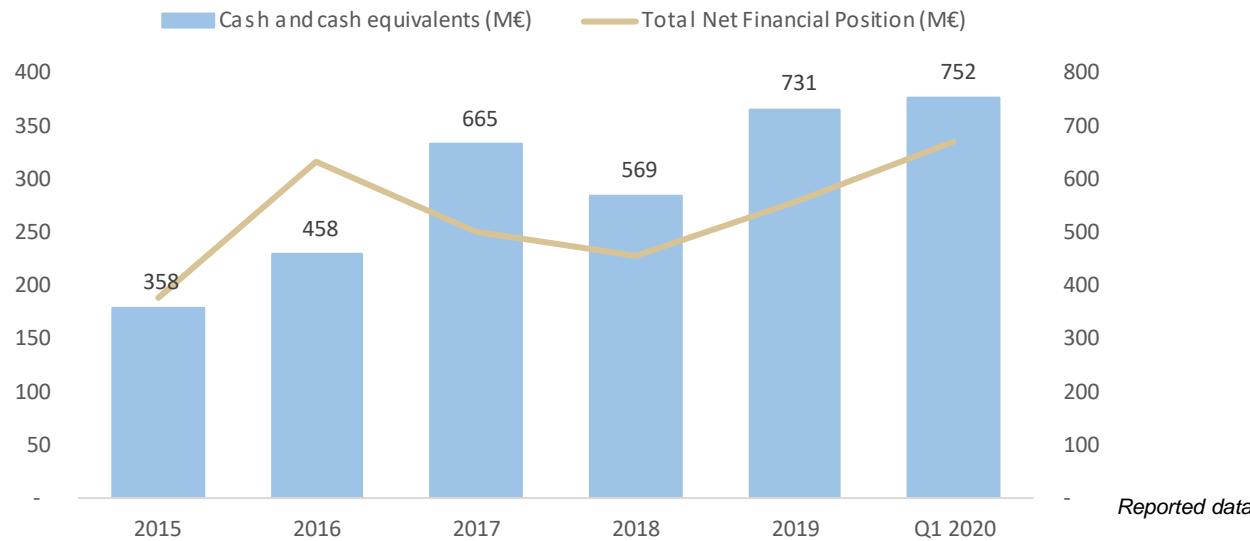


The growth of the on-line sales have shown the importance of investing into e-commerce and digital marketing.

The tug of war between e-tailers and brick&mortar will continue in the coming years and we want to support all our partners and distributors in both channels, in the best way.

# Q1 2020 RESULTS

## Liquidity: cash is king



Euro million		Q1 2020
Cash and cash equivalents		752.4
Other financial receivables		114.6
Current financial debt		-127.2
<b>Current net financial assets / (debt)</b>		<b>739.7</b>
Non current net financial assets / (debt)		-404.7
<b>Total Net Financial Position</b>		<b>335.0</b>

Over the years, the Group has maintained a healthy balance sheet, that today represents a precious shelter to sail safely across the crisis.

In order to further expand the available liquidity:

- the company has undersigned new medium term financing for 150 M€, and
- the AGM has rejected the proposal of the BoD to distribute a dividend (proposed 80 M€).

# Give back: supporting local communities

The De' Longhi Group has donated 3.1 M€ for the fight against Covid-19:

*"It is a deserved solidarity contribution - comments Giuseppe de' Longhi, Chairman of the Board – for a territory to which this company and my family feel intimately linked and the sign of a tangible presence, for what it's up to us as a company, in this moment of extreme need".*

## DēLonghi Group

Some De'Longhi employees work as volunteers in several communities.



Hospitals in Russia&Ukraine



Hospitals in Poland&Czech Rep.



Hospitals in France



Grassroots Hospital Donations

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# Highlights

### In the first quarter 2020 (in *normalized* terms):

- due to the Corona virus we have faced some complexity due to the temporary halt of the Chinese platform (then re-started) and the lockdown in many markets, but they didn't materially affect the Q1 results thanks to our prompt reaction;
- **Revenues** of € 396.4 M, up 5.3% (+4.4% organic and +4.5% in reported terms);
- **adjusted Ebitda** of € 45.2 M (€ 42.1 M in reported terms), equal to 11.4% of revenues;
- in Q1 the Group has increased the A&P spending to support the brands' leadership according to the plans.

## Q1 2020 RESULTS

### The topline

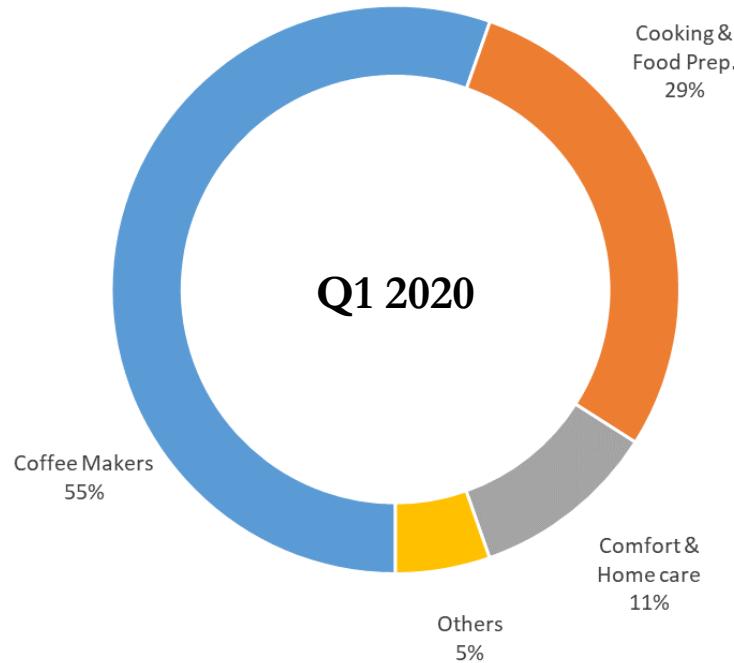
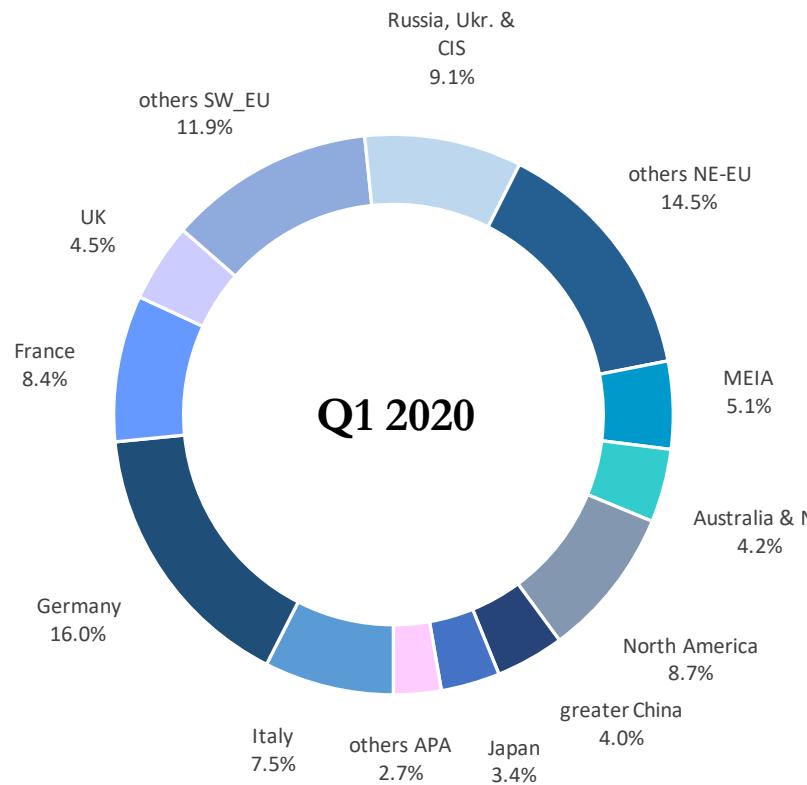
<i>reported</i>	<i>normalized</i>	<i>reported</i>
Q1 2020	Q1 2020	Q1 2019

<b>Revenues</b>	<b>393.3</b>	<b>396.4</b>	376.4
<i>change %</i>	4.5%	5.3%	
<i>organic ch. %</i>	3.6%	4.4%	

- The Q1 2020 normalized revenues grew by 5.3% (4.5% reported), mainly thanks to the double digit growth of the coffee segment;
- All regions, excepted MEIA, were in positive territory, with some countries at a double digit pace, like Germany, France, Northern America and Greater China;
- The currency effect on revenues added 0.9% of growth versus last year.

# Q1 2020 RESULTS

## Revenues by market & product



### MAIN ORGANIC UPS & DOWNS

UP DOUBLE DIGIT	Germany, France, US&Canada, China&HK
UP SINGLE DIGIT	Spain&Portugal, Russia&CIS, Japan
DOWN	Australia&NewZeland, Saudi Arabia, Italy, UK

### MAIN ORGANIC UPS & DOWNS

UP DOUBLE DIGIT	FULLAUTO, PUMP ESPRESSO, SINGLE SERVE
UP SINGLE DIGIT	KITCHEN MACHINES, IRONING
DOWN	FLOORE CARE, FOOD PROCESSORS

## Q1 2020 RESULTS

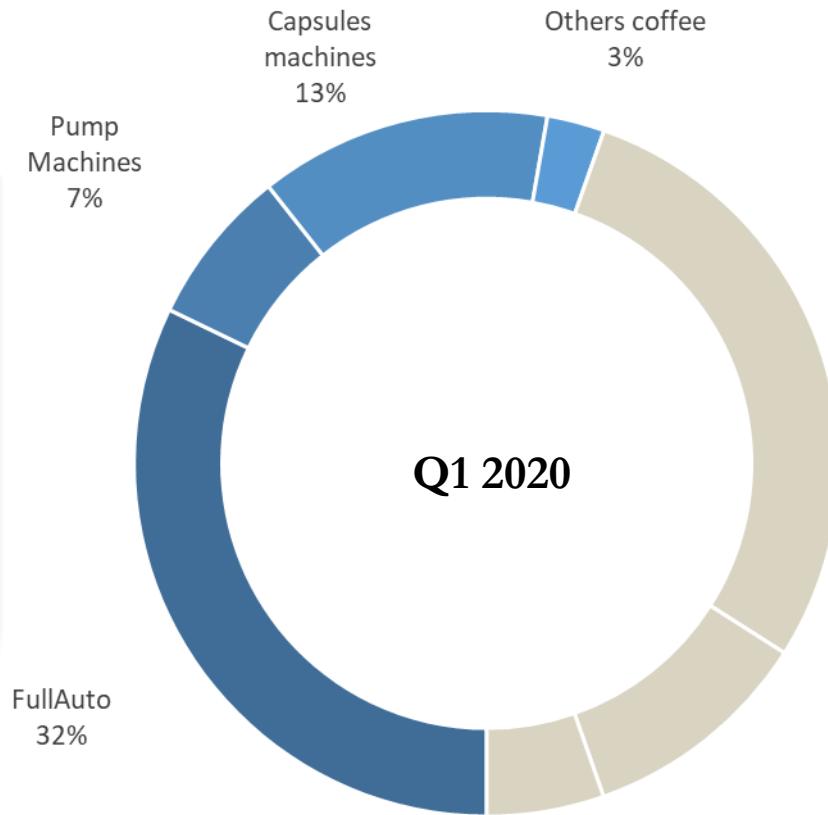
### Revenues by region

EUR million	Q1-2020	chg. %	organic chg. %	Q1-2020 normalized	chg. %	organic chg. %
North East Europe	111,1	3,4%	2,0%	111,4	3,7%	2,4%
South West Europe	171,0	10,5%	10,2%	173,7	12,2%	11,9%
<b>EUROPE</b>	<b>282,0</b>	<b>7,6%</b>	<b>6,8%</b>	<b>285,1</b>	<b>8,7%</b>	<b>8,0%</b>
APA (Asia/Pacific/Americas)	91,2	4,8%	3,7%	91,2	4,8%	3,7%
MEIA (MiddleEast/India/Africa)	20,0	-26,3%	-27,6%	20,0	-26,3%	-27,6%
<b>TOTAL REVENUES</b>	<b>393,3</b>	<b>4,5%</b>	<b>3,6%</b>	<b>396,4</b>	<b>5,3%</b>	<b>4,4%</b>

- the **South-West Europe** region expanded by 12.2%, boosted by France and Germany, combined with a good performance of Spain, Portugal and Greece; weak environment for Italy and Austria, that have faced the first effects of the lockdown;
- **North-East Europe** grew by 3.7%, supported in particular by the double digit growth of Russia, Ukraine and Cis; sluggish trends in the Scandinavian countries and Czech Republic;
- **APA** was up 4.8%, driven by a double digit expansion of Northern America and Greater China; Australia and New Zealand were negative due to the currency effect;
- **MEIA** region heavily down because of the tough local macroeconomic scenario and temporary stop of shipments from China.

# Revenues by product: coffee makers

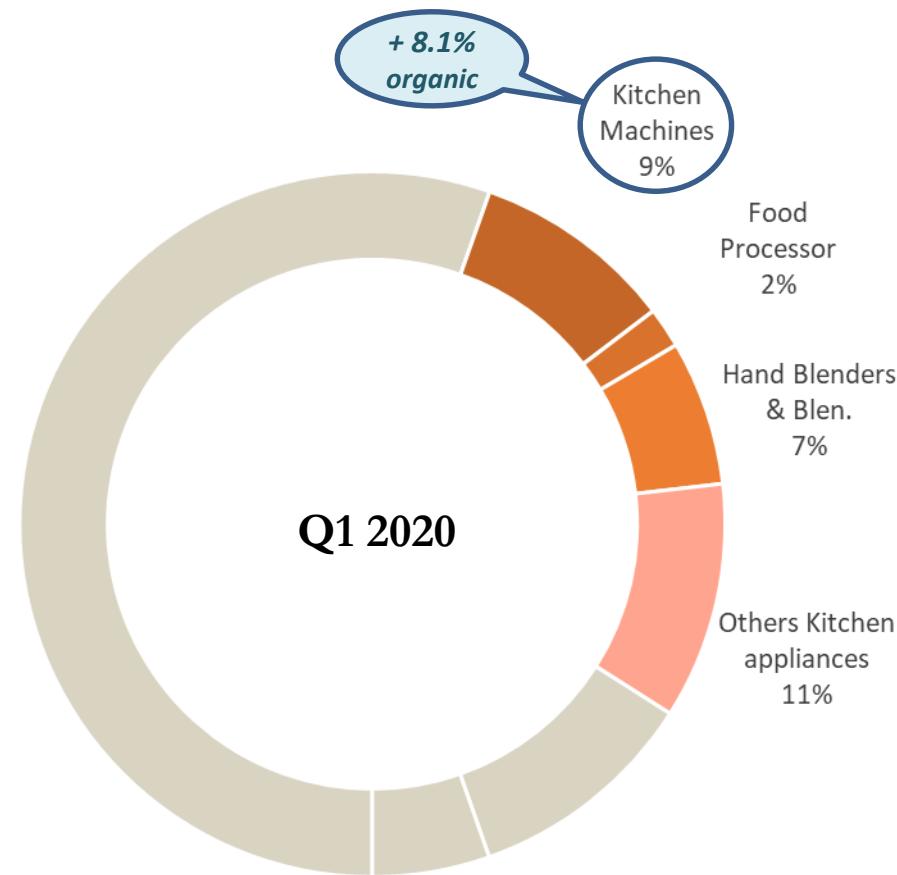
- The segment has exceeded 50% of total revenues.
- Single serve category bounced back from previous year: both Nespresso and DolceGusto products achieved a double digit growth;
- full-auto and manual coffee makers maintain an outstanding double digit growth pace.



Based on management accounts

# Revenues by product: food preparation

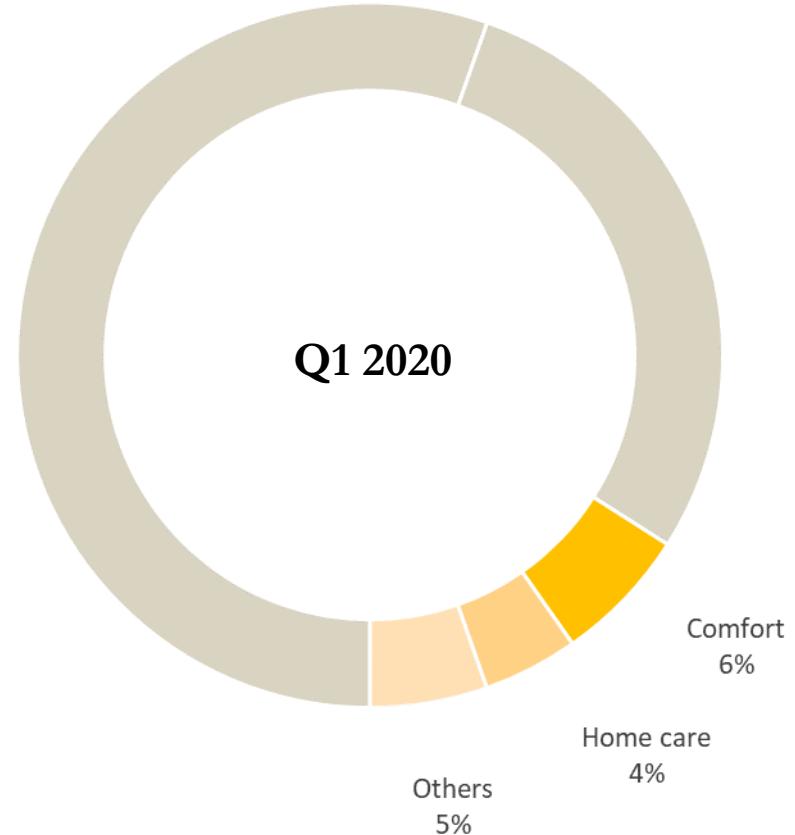
- Food preparation still down in the first months, however....
- ....positive signs coming from high single digit growth of the Kitchen machines, the main category of the segment.



Based on management accounts

# Revenues by product: comfort & home care

- Ironing systems performed well, while the floor care category has witnessed a drop in sales.
- Comfort products flat versus last year, with portable air conditioning strongly bouncing back while heating in negative territory due to the warm winter season.



Based on management accounts

# Q1 2020 RESULTS

## Margins

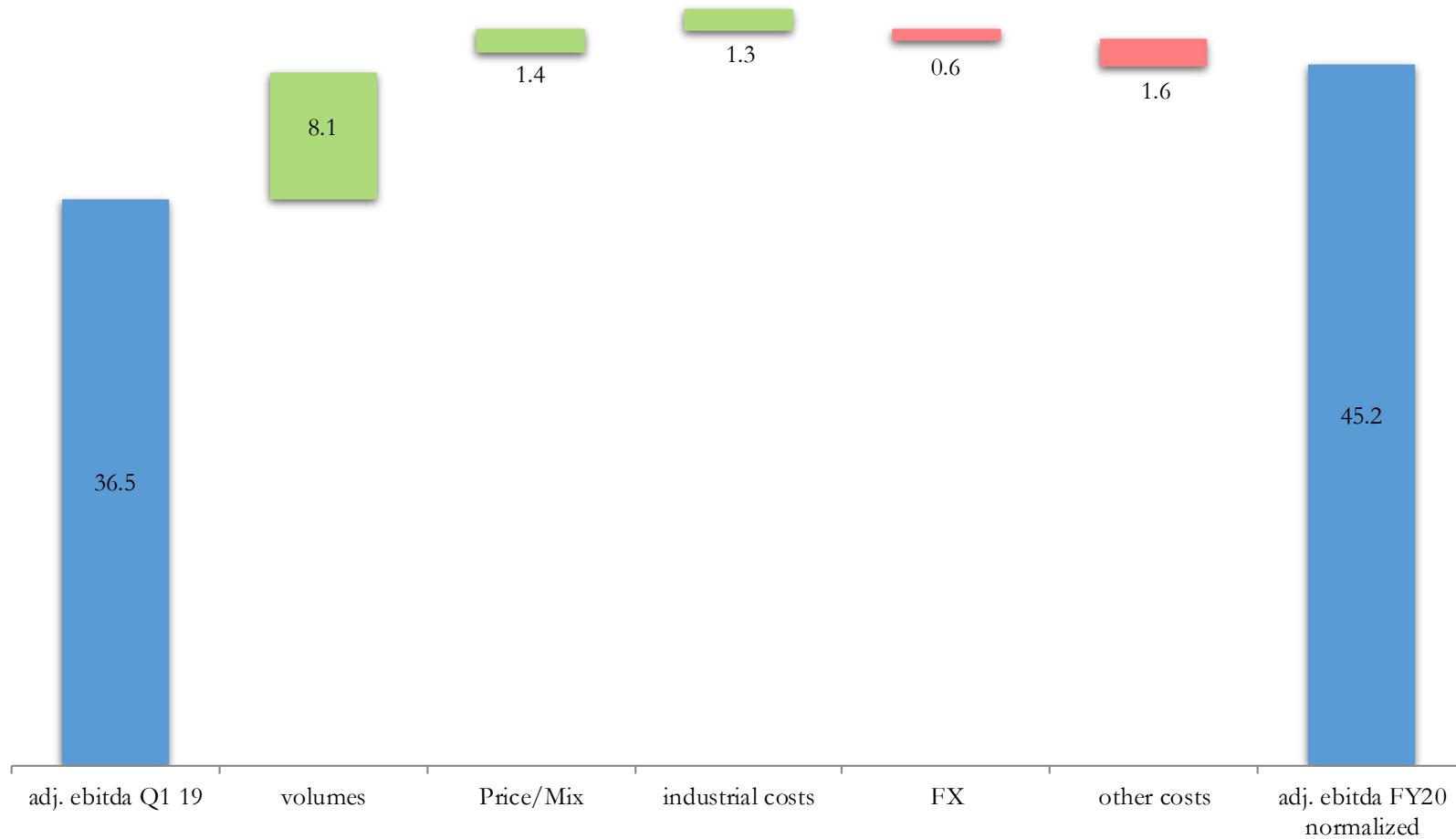
reported	normalized	reported
Q1 2020	Q1 2020	Q1 2019

net ind. margin	198.3	201.3	181.7
% of revenues	50.4%	50.8%	48.3%
adjusted Ebitda	42.1	45.2	36.5
% of revenues	10.7%	11.4%	9.7%
Ebitda	36.6	44.3	35.1
% of revenues	9.3%	11.2%	9.3%
Ebit	17.6	25.2	16.6
% of revenues	4.5%	6.4%	4.4%
Net Income	11.0	14.4	11.4
% of revenues	2.8%	3.6%	3.0%

- Ebitda margin benefited by higher volumes, a positive prix-mix and savings in the COGS;
- in Q1 the Group boosted the A&P spent, in line with the plan;
- the non recurring costs related to Covid-19 amounted to 4.6 M€, of which 3.1 M€ were donated by the Group for the fight to the outbreak and 1.5 M€ were other costs related to the outbreak;
- net income was impacted by higher tax take by 4.8 M€

## Q1 2020 RESULTS

### Q1 '20 adjusted Ebitda bridge (*normalized*)



# Q1 2020 RESULTS

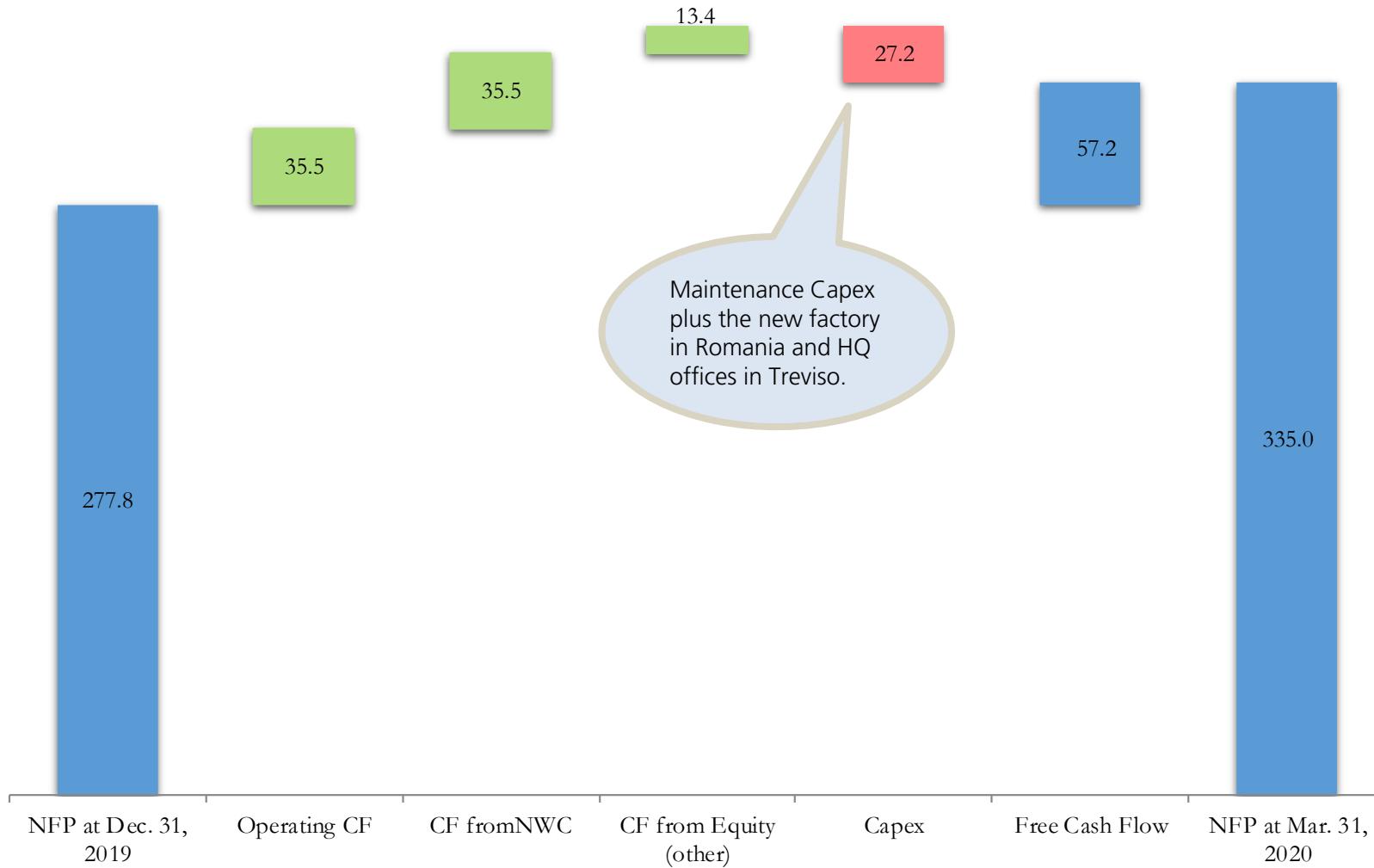
## Balance sheet

EUR million	reported	reported	Change	reported	Change
	Mar. 31, 2020	Mar. 31, 2019		Dec. 31, 2019	
<b>Net Working Capital</b>	256.6	345.5	-88.9	318.8	-62.2
<b>Net Equity</b>	1,190.7	1,097.6	93.1	1,190.5	0.2
<b>Net debt / (Net cash)</b>	-335.0	-144.0	-191.0	-277.8	-57.2
<b>N.W.C. / Revenues</b>	12.1%	16.8%	-4.7 pp	15.2%	-3.1 pp

- The net financial position as at March 31<sup>st</sup> reached € 335 M, thanks to a 57.2 M€ cash generation provided by the operating activities and the strong improvement of the net working capital (NWC);
- The free cash flow - before dividends - stood at € 246.4 M€ in the 12 months;
- The NWC decreased to € 256.6 M, improving as a percentage of revenues from 16.8% (March '19) to 12.1%, mainly thanks to the decrease of the inventory level and of the trade payables-receivables balance.

## Q1 2020 RESULTS

### The net cash flow in Q1 2020 (*reported*)



## Q1 2020 RESULTS

### The net cash flow in 12 months (*reported*)



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**THANK YOU.**

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