

# De' Longhi S.p.A.

First half 2022:  
 slowdown in revenues and margins  
 in an uncertain macro scenario.  
 Medium-term strategic lines confirmed.  
 Guidance for the year revised downwards.

The Board of Directors of De' Longhi SpA today approved the consolidated results of the first 6 months of 2022<sup>1</sup>:

- **revenues** of € 1,444.8 million, increasing by 0.9% (-2.9% at constant exchange rates);
- an **adjusted<sup>2</sup> Ebitda** of € 149.1 million, equal to 10.3% of revenues (down from 17.6% in 2021);
- an **Ebit** of € 100.3 million, equal to 6.9% of revenues (from 13.8% in 2021);
- a **net profit** of € 71.7 million, equal to 5% of revenues (it was € 171.9 million in the first half of 2021);
- a positive **net financial position** of € 55.4 million (which increases to € 132.7 million excluding non-banking components), as a result of a **free-cash-flow before dividends and acquisitions** negative in the half year for € 245.2 millions.

The **second quarter** saw revenues down by 5.8% (-10.7% at constant exchange rates) and an adjusted Ebitda of € 49 million (to 6.9% of revenues, from 16.3% in the second quarter of 2021).

The Board of Directors has also:

- as part of the *Succession Plan Policy*, adopted by the Company in compliance with the recommendations of the Corporate Governance Code, appointed the Vice-Chairman Fabio de' Longhi as Chief Executive Officer with effect from 1<sup>st</sup> September 2022, pending the identification of the new Chief Executive Officer;
- approved the Group Sustainability Report for the year 2021;
- approved the sustainability plan and the related ESG targets.

*"We are experiencing a historical moment of great uncertainty that tests the structure of the whole macro-economic system."* commented the CEO, Massimo Garavaglia. *"The positive signs highlighted in the first months of the year gradually diluted in coincidence with the evolution of the Russian-Ukrainian conflict and the consequent impacts on consumer sentiment, already undermined by recent inflationary pressures in consumer goods of primary necessity."*

*Despite the unsatisfactory performance of the last quarter, we believe that the strategy underlying the actions implemented by the Group in recent months is still correct in a medium-long term perspective. We therefore intend to continue to defend prices and push investments in innovation and communication, as the main levers that can guarantee sustainable development."*

<sup>1</sup> The economic and financial data commented refer to the new perimeter of the De' Longhi Group resulting from the recent acquisitions of Capital Brands and Eversys. The comparative data as at 30 June 2021 have been restated, as required by IFRS 3 as a result of the definitive accounting of the two business combinations mentioned above.

It should also be noted that the audit of the half-year financial report is still in progress.

<sup>2</sup> "Adjusted" stands for gross of non-recurring income / charges and the notional cost of stock option plans.

*In this 2022, we expect a persistent weakness of the markets and demand also in the second half of the year and we therefore estimate that we will be able to close the year with revenues down mid-single-digit and an adjusted Ebitda in the range of 320-340 million Euros".*

## Results summary and business review

	First Half 2022	First Half 2021	change	change %	Q2- 2022	Q2 - 2021	change	change %
<i>Eur million</i>								
Revenues	1,444.8	1,431.8	13.0	0.9%	709.3	753.1	-43.8	-5.8%
net ind. margin	696.2	721.4	-25.2	-3.5%	320.6	366.3	-45.8	-12.5%
% of revenues	48.2%	50.4%			45.2%	48.6%		
adjusted Ebitda	149.1	251.4	-102.3	-40.7%	49.0	122.7	-73.7	-60.1%
% of revenues	10.3%	17.6%			6.9%	16.3%		
Ebitda	150.5	241.0	-90.5	-37.6%	57.1	119.4	-62.3	-52.2%
% of revenues	10.4%	16.8%			8.0%	15.9%		
Ebit	100.3	197.5	-97.2	-49.2%	31.2	96.6	-65.4	-67.7%
% of revenues	6.9%	13.8%			4.4%	12.8%		
Net Profit (pertaining to the Group)	71.7	171.9	-100.2	-58.3%	21.0	96.5	-75.4	-78.2%
% of revenues	5.0%	12.0%			3.0%	12.8%		

### general outlook

The first half of 2022 ended with sales substantially in line with the first half of last year, even if this result declined differently in the two quarters, showing clear signs of weakening demand in Europe in the second. Specifically, the weakness shown by some product families in the second quarter is attributable to various elements, including:

- a challenging comparison with the extraordinary expansion of turnover last year (46% in the half year and 36% in the quarter on a like-for-like basis);
- a complex and dramatic international geopolitical situation, which inevitably worsened consumer confidence;
- a particularly adverse inflationary dynamic, which has eroded the purchasing power of consumers, as never happened in the last twenty years.

This scenario inevitably temporarily worsened the demand for goods in European markets, while in the main non-European areas the Group was able to maintain the sales trend in positive territory thanks to greater penetration and growth of coffee.

As a corollary to the above, the second quarter highlighted some specific problems - which the management attributes to factors of an extraordinary nature - which, together with the already known inflation dynamics whose transport and raw material costs, led to a marked decline in the marginality. In particular, the high level of the warehouse required a slowdown in production and higher logistics costs, influencing the profile of margins in the quarter. Furthermore, the continuation of the investment strategy in communication on the main brands of the Group led to a significant increase in spending, especially in relation to the activities related to the global campaign on coffee launched in the autumn of last year, therefore with a particularly difficult comparison in the first semester.

## revenues

In the first half of 2022, revenues grew by 0.9%, reaching € 1,444.8 million; in the second quarter, revenues fell by 5.8% to € 709.3 million.

In both the aforementioned periods, the currency effect was markedly positive, especially as regards the appreciation of the US dollar: the positive impact on revenues was equal to a 3.8% growth in the half year and 4.9% in the quarter.

As far as distribution channels are concerned, the weight of *on-line* channels increased slightly during the half year, from 20.9% to 21.4% of revenues. The weight of the Group's proprietary e-commerce platform was also growing steadily, passing from 1.6% to 2.4% of revenues.

## markets

The broad geographical diversification of the Group was able to mitigate the negative performance of the European region in the half year, thanks to the growth achieved in other geographies.

EUR million	Half Year 2022	var. %	var. % at constant FX	Q2 2022	var. %	var. % at constant FX
South West Europe	534.2	-5.3%	-5.9%	249.7	-14.0%	-14.7%
North East Europe	312.1	-14.0%	-15.4%	142.2	-21.0%	-23.9%
<b>EUROPE</b>	<b>846.3</b>	<b>-8.7%</b>	<b>-9.6%</b>	<b>391.9</b>	<b>-16.7%</b>	<b>-18.2%</b>
<b>Americas</b>	<b>289.2</b>	<b>19.4%</b>	<b>13.9%</b>	<b>156.3</b>	<b>10.2%</b>	<b>6.1%</b>
<b>MEIA (MiddleEast/India/Africa)</b>	<b>105.8</b>	<b>1.9%</b>	<b>-6.2%</b>	<b>46.4</b>	<b>-10.1%</b>	<b>-19.0%</b>
<b>Asia-Pacific</b>	<b>203.5</b>	<b>28.1%</b>	<b>12.8%</b>	<b>114.7</b>	<b>28.3%</b>	<b>7.3%</b>
<b>TOTAL REVENUES</b>	<b>1,444.8</b>	<b>0.9%</b>	<b>-2.9%</b>	<b>709.3</b>	<b>-5.8%</b>	<b>-10.7%</b>

- **South-West Europe** in the second quarter of the year recorded a decline in turnover of 14%, taking the half-year, that began with a growing trend, into negative territory; in particular, we highlight the weakness in the quarter of some core markets, such as France, Germany, Austria and Switzerland - which in recent years had particularly benefited from the favorable context of consumption - while Italy was substantially flattish and the markets of Spain and Portugal continued growth trend;
- in **North-East Europe** the negative trend continued, with an understandable impact of the effects of the Russian-Ukrainian conflict: in general, the slowdown affected all the main countries of northern Europe, with the exception of Poland, which grew double-digit in the quarter;
- the **MEIA** region has seen varied situations in the main markets, which however resulted in a decline in the second quarter, only partially mitigated by the appreciation of the US dollar;
- sustained growth in **America**, which also maintained a positive trend in the second quarter (+ 10.2%), thanks to expansion in the coffee and comfort categories; in particular, United States and Canada are confirmed as the

Group's first market, accounting for 19.1% of total revenues in the half year compared to 15.8% in the first half of 2021;

- finally, in the **Asia Pacific** region the double-digit growth already seen in the first part of the year continued in the quarter, led by almost all the main countries in the region (Australia and New Zealand, Greater China and South Korea) as well as by significant contribution of the currency effect.

### product segments

With regard to the evolution of the product segments, the semester saw a marked weakness in the food preparation sector materialize, while the other categories were confirmed in positive territory, although in the second quarter there was a generalized weakening in almost all of the categories.

Specifically, the sector of **coffee machines for households**, which grew in the half-year, slowed down in the quarter attenuated by the strong trend of expansion of manual machines, supported by recent launches relating to the expansion of the *La Specialista* range.

The **cooking and food preparation** sector confirmed the difficulty in comparing with the extraordinary growth rates obtained in the first half of last year; this weakness is more pronounced in the core categories of Kenwood's *kitchen machines* and Braun's *hand blenders*, while some minor categories such as *deep fryers*, *spin juicers* and *toasters* remained in positive territory in the quarter.

The contribution of the **comfort** category (portable air conditioning and heating) remained positive in the half year, although the second quarter was disadvantaged by an early air conditioners sales season which took place in the first months of the half year.

**Home care** (house cleaning and ironing) was in positive territory in both periods under analysis, thanks to the recovery of ironing in the last months of the semester.

Finally, the contribution of the **professional coffee machines** sector, represented by the newly acquired Eversys - which showed a very strong growth trend - was largely positive.

### operating margins

Regarding the margins for the half year:

- the **net industrial margin** was € 696.2 million, down as a percentage of revenues to 48.2% from 50.4%, as an effect of the increase in product costs (raw materials, freight, transformation costs) not fully offset by the price-mix component;
- **adjusted Ebitda** amounted to € 149.1 million, equal to 10.3% of revenues (17.6% in the first half of 2021); this margin trend was affected by the € 34.2 million increase in investments in media and communication, which increased from € 150.6 million (10.5% of revenues) to € 184.8 (12.8% of revenues), especially in connection with the activities related to the coffee campaign starring Brad Pitt, Ambassador of the De' Longhi brand;
- **EBITDA** amounted to € 150.5 million, benefiting in the quarter from non-recurring items (equal to € 8 million) relating mainly to the revision of the valuations of assets of the Ukrainian branch, following the recovery of some credit positions;

- **Ebit** amounted to € 100.3 million, equal to 6.9% of revenues;
- finally, the **net profit** attributable to the Group was € 71.7 million, equal to 5% of revenues.

## balance sheet

As to the balance sheet level, we highlight a sustained **investment** activity, largely concentrated on the production plants, for a total of € 94.1 million in the half year.

With regard to current assets, the value of **net working capital** - equal to € 295 million at 30 June - was affected by an increase in closing inventories of € 172.3 million in the 6 months, as a consequence of the procurement actions implemented during the pandemic in order to stabilize the availability of components and finished products; these inventory values are expected to gradually decrease in the second half of the year.

The ratio of operating working capital to rolling revenues was 12.8%, compared to 7.9% as at 30 June 2021.

The **Net Financial Position** as at 30 June was positive for € 55.4 million, compared with € 425.1 million as at 31.12.2021 and with € 214.8 million as at 30 June last year. However, excluding the non-bank components, the Net Position was positive for € 132.7 million (€ 505.9 million at the end of 2021).

As a consequence of the above, in the first half the **cash flow before dividends and acquisitions** ("free-cash-flow") was negative for € 245.2 million.

<i>EUR million</i>	30.06.2022	30.06.2021	<i>change 12 months</i>	31.12.2021	<i>change 6 months</i>
Net working Capital	295.0	63.0	232.0	-8.6	303.6
Net Equity	1,591.5	1,383.3	208.1	1,570.6	20.9
Net Financial Position	55.4	214.8	-159.3	425.1	-369.7
Net Bank Position	132.7	299.5	-166.8	505.9	-373.2
NWC / Revenues	12.8%	7.9%	4.9%	6.2%	6.6%

<i>EUR million</i>	6 months	12 months
Net Cash Flow	-369.7	-159.3
Dividends paid	-124.5	-124.5
Free Cash Flow before dividends and acquisitions	-245.2	-34.8

It should also be noted that the Group, despite the solid financial position, as part of the strategy of consolidating the effective average duration of the debt portfolio and creating a liquidity buffer to support any temporary cash needs, has decided to increase and diversify its financial resources through some agreements for the subscription of new loans for a total of Euro 200 million and some RCF (Revolving Credit Facility) lines for a total of € 270 million.

The loans provide for a rewarding pricing mechanism that links the adjustment of the margin to the achievement of specific ESG targets.

## Events occurred after the end of the period

There are no significant events following the end of the half year period.

## Other resolutions of the Board

In today's meeting, the Board of Directors also:

- as part of the *Succession Plan Policy*, adopted by the Company in compliance with the recommendations of the Corporate Governance Code, appointed the Vice-Chairman Fabio de' Longhi as Chief Executive Officer with effect from 1<sup>st</sup> September 2022, pending the identification of the new Chief Executive Officer. Also starting from September 1st, Mr. Fabio de' Longhi was also identified, pursuant to the Corporate Governance Code, as Chief Executive Officer in charge of establishing and maintaining the internal control and risk management system of the Company and the Group;
- approved, in continuity with the publication of the Non-Financial Statement, the Sustainability Report of the Group for the year 2021; the Report is available on the Company's website, at [www.delonghigroup.com](http://www.delonghigroup.com) (section "Sustainability" - "Documents" - "2021");
- approved the sustainability plan and the related ESG targets. The targets are part of the path already undertaken by the Group to integrate sustainability into its strategy, aiming to combine growth and sustainable development and confirming the strong commitment to creating value for all its stakeholders. For the complete list of targets, please refer to the Analyst Presentation accessible on the Company's website, at [www.delonghigroup.com](http://www.delonghigroup.com) ("Investors" - "Results" - "2022" section).



## Foreseeable business development and guidance

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In the words of the CEO, Massimo Garavaglia:

*"We are experiencing a historical moment of great uncertainty that tests the structure of our economic system. The positive signs highlighted in the first months of the year gradually diluted in coincidence with the evolution of the Russian-Ukrainian conflict and the consequent impacts on consumer sentiment, already undermined by recent inflationary pressures in consumer goods of primary necessity.*

*Despite the unsatisfactory performance of the last quarter, we believe that the strategy underlying the actions implemented by the Group in recent months is still correct in a medium-long term perspective. We therefore intend to continue to defend prices and push investments in innovation and communication, as the main levers that can guarantee sustainable development.*

*In this 2022, we expect a persistent weakness of the markets and demand also in the second half of the year and we therefore estimate that we will be able to close the year with revenues down mid-single-digit and an adjusted Ebitda in the range of 320-340 million Euros".*

## Regulatory statements

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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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The De' Longhi Group is one of the leading players in the small domestic appliance business dedicated to the world of coffee, cooking and food preparation, air conditioning, heating and home care.

Listed since 2001 on the Italian Stock Exchange MTA, De' Longhi distributes its products, with the De' Longhi, Kenwood, Braun, Ariete, Nutribullet and Magic Bullet brands, in more than 120 markets around the world and has over 10,000 employees. In 2021 it reported revenues of € 3.2 billion, an adjusted EBITDA of € 515 million and a net profit of € 311 million.

# ANNEXES

## Consolidated results of De' Longhi S.p.A. as of June 30, 2022



# 1. Consolidated Income Statement

Euro millions	H1 2022	% of revenues	H1 2021	% of revenues
<b>Net revenues</b>	<b>1,444.8</b>	<b>100.0%</b>	<b>1,431.8</b>	<b>100.0%</b>
<i>Change</i>	<i>13.0</i>	<i>0.9%</i>		
Materials consumed and other production costs (services and production payroll costs)	(748.6)	(51.8%)	(710.4)	(49.6%)
<b>Net industrial margin</b>	<b>696.2</b>	<b>48.2%</b>	<b>721.4</b>	<b>50.4%</b>
Costs for services and other operating costs	(423.1)	(29.3%)	(350.1)	(24.4%)
Labour cost (non industrial)	(124.0)	(8.6%)	(120.0)	(8.4%)
<b>EBITDA before non recurring items and stock option plan (Adjusted Ebitda)</b>	<b>149.1</b>	<b>10.3%</b>	<b>251.4</b>	<b>17.6%</b>
<i>Change</i>	<i>(102.3)</i>	<i>(40.7%)</i>		
Other non recurring items / stock option plan	1.4	0.1%	(10.3)	(0.7%)
<b>EBITDA</b>	<b>150.5</b>	<b>10.4%</b>	<b>241.0</b>	<b>16.8%</b>
Amortization	(50.2)	(3.5%)	(43.5)	(3.0%)
<b>EBIT</b>	<b>100.3</b>	<b>6.9%</b>	<b>197.5</b>	<b>13.8%</b>
<i>Change</i>	<i>(97.2)</i>	<i>(49.2%)</i>		
Net Financial Charges	(2.6)	(0.2%)	19.1	1.3%
<b>Profit before taxes</b>	<b>97.7</b>	<b>6.8%</b>	<b>216.6</b>	<b>15.1%</b>
Taxes	(25.0)	(1.7%)	(44.4)	(3.1%)
<b>Net Income</b>	<b>72.7</b>	<b>5.0%</b>	<b>172.2</b>	<b>12.0%</b>
Net profit / (loss) pertaining to minorities	1.0	0.1%	0.3	0.0%
<b>Net profit / (loss) pertaining to the Group</b>	<b>71.7</b>	<b>5.0%</b>	<b>171.9</b>	<b>12.0%</b>

## 2. Revenues breakdown by geography

Euro millions	Q2 2022	%	Q2 2021	%	change	change %	change % at constant exch.rates
Europe	391.9	55.3%	470.3	62.4%	(78.4)	(16.7%)	(18.2%)
America	156.3	22.0%	141.8	18.8%	14.5	10.2%	6.1%
Asia Pacific	114.7	16.2%	89.4	11.9%	25.3	28.3%	7.3%
MEIA	46.4	6.5%	51.7	6.9%	(5.2)	(10.1%)	(19.0%)
<b>Total revenues</b>	<b>709.3</b>	<b>100.0%</b>	<b>753.1</b>	<b>100.0%</b>	<b>(43.8)</b>	<b>(5.8%)</b>	<b>(10.7%)</b>

Euro millions	H1 2022	%	H1 2021	%	change	change %	change % at constant exch.rates
Europe	846.3	58.6%	926.9	64.7%	(80.6)	(8.7%)	(9.6%)
America	289.2	20.0%	242.2	16.9%	47.0	19.4%	13.9%
Asia Pacific	203.5	14.1%	158.9	11.1%	44.6	28.1%	12.8%
MEIA	105.8	7.3%	103.8	7.3%	2.0	1.9%	(6.2%)
<b>Total revenues</b>	<b>1,444.8</b>	<b>100.0%</b>	<b>1,431.8</b>	<b>100.0%</b>	<b>13.0</b>	<b>0.9%</b>	<b>(2.9%)</b>

### 3. Consolidated Balance Sheet

Euro million	30.06.2022	30.06.2021	31.12.2021
- Intangible assets	906.6	842.1	867.9
- Tangible assets	441.9	361.6	389.5
- Financial assets	12.8	12.1	11.9
- Deferred tax assets	77.3	75.5	74.3
<b>Fixed assets</b>	<b>1,438.5</b>	<b>1,291.3</b>	<b>1,343.6</b>
- Inventories	941.5	634.8	769.3
- Trade receivables	224.1	298.9	366.7
- Trade payables	(751.0)	(704.3)	(936.2)
- Other net current assets / (liabilities)	(119.7)	(166.3)	(208.3)
<b>Net working capital</b>	<b>295.0</b>	<b>63.0</b>	<b>(8.6)</b>
<b>Non current liabilities</b>	<b>(197.5)</b>	<b>(185.8)</b>	<b>(189.5)</b>
<b>Net capital employed</b>	<b>1,536.1</b>	<b>1,168.6</b>	<b>1,145.5</b>
<b>Net debt / (cash)</b>	<b>(55.4)</b>	<b>(214.8)</b>	<b>(425.1)</b>
<b>Total shareholders' equity</b>	<b>1,591.5</b>	<b>1,383.3</b>	<b>1,570.6</b>
<b>Total net debt/(cash) and shareholders' equity</b>	<b>1,536.1</b>	<b>1,168.6</b>	<b>1,145.5</b>

## 4. Detailed Net Financial Position

Euro million	30.06.2022	30.06.2021	31.12.2021
Cash and cash equivalents	714.0	930.0	1.026.1
Other financial receivables	277.1	265.7	302.1
Current financial debt	(290.3)	(282.3)	(292.6)
<b>Current net financial assets / (debt)</b>	<b>700.8</b>	<b>913.4</b>	<b>1,035.6</b>
Non current net financial assets	72.8	25.0	70.5
Non current net financial debt	(718.2)	(723.7)	(681.0)
<b>Non current net financial assets /(debt)</b>	<b>(645.4)</b>	<b>(698.7)</b>	<b>(610.5)</b>
<b>Total Net Financial Position</b>	<b>55.4</b>	<b>214.8</b>	<b>425.1</b>
<i>of which:</i>			
- Net financial position versus banks and other lenders	132.7	299.5	505.9
- lease related debt	(78.7)	(76.9)	(75.9)
- Net assets /(liabilities) other than bank debt (fair value of derivatives, financial liabilities for business combinations and financial payables connected to pension funds)	1.4	(7.8)	(4.9)

## 5. Consolidated Cash Flow Statement

Euro million	30.06.2022 (6 months)	30.06.2021 (6 months)
Cash flow from operations	148.1	243.3
Cash flow from changes in working capital	(313.7)	(2.3)
<b>Cash Flow from operations and changes in working capital</b>	<b>(165.6)</b>	<b>241.1</b>
Cash flow from investments	(94.1)	(60.6)
<b>Operating cash flow</b>	<b>(259.7)</b>	<b>180.5</b>
<b>Acquisitions</b>	<b>-</b>	<b>(129.4)</b>
Dividends distributed	(124.5)	(80.8)
Cash Flow from shares buy back	-	-
Cash Flow from stock option exercise	-	4.2
Cash Flow from other changes in the Net Equity	14.5	12.3
<b>Cash flow from changes in the net equity</b>	<b>(110.0)</b>	<b>(64.3)</b>
<b>Net Cash Flow</b>	<b>(369.7)</b>	<b>(13.2)</b>
Opening Net Financial Position	425.1	228.0
<b>Closing Net Financial Position</b>	<b>55.4</b>	<b>214.8</b>