De' Longhi S.p.A.

Third quarter and 9 months 2022 slowing down but still in line with the full year guidance

The Board of Directors of De' Longhi SpA have approved today the consolidated[1] results for the first nine months of 2022:

- **revenues** of € 2,128.7 million, down by -1% (-5.4% at constant exchange rates);
- an **adjusted[2] Ebitda** of € 212 million, equal to 10% of revenues (down from 16.6%);
- a **net profit[3]** of € 99.4 million, equal to 4.7% of revenues (down from 10.8%).

In the **third quarter** the Group achieved:

- **revenues** of € 683.8 million, down by -4.7% (-10.3% at constant exchange rates);
- an **adjusted[2] Ebitda** of € 62.9 million, equal to 9.2% of revenues (down from 14.7%).

At 30 September 2022, the Group's **net financial position** was positive for € 28.8 million, down from € 425.1 million at the end of 2021, after capex for € 126.5 million and dividends distributed for € 124.5 million.

In the words of Fabio de' Longhi, Group CEO:

"The third quarter was in line with our guidance and with market expectations for the full year.

In a context of great uncertainty of the macroeconomic scenario, we have seen a demand slowdown and a consequent inventory excess that we are successfully committed to gradually bring back to normal levels, thus relieving next year from the related costs and inefficiencies. Furthermore, we have largely offset the production cost inflation with a campaign of price increases made possible by the strength of our brands and the trust granted us by consumers. Finally, from a long-term perspective, we have given continuity to the communication and marketing investments foreseen by the three-year plan and which are a solid basis for the growth in the coming years.

The indications for our core segments remain unchanged: on one hand, the secular trend in coffee, which is confirmed year after year, with potential growth still largely unexpressed; on the other hand, a deep-rooted presence in leadership positions in the nutrition and cooking world, supported by the growing role of a sustainable and healthy diet.

For the current year, we confirm our current guidance of revenues down mid-single-digit and an adjusted Ebitda in the range of € 320-340 million."

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[1] 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 September 2021 have been restated, as required by IFRS 3, as a result of the definitive accounting of the two business combinations mentioned above.
[2] "**Adjusted**" stands for gross of non-recurring income / charges and the notional cost of stock option plans.
[3] In this press release, reference is always made to the net profit pertaining to the Group.

Results summary and business review

Eur million	9 months 2022	9 months 2021	change	change %	Q3- 2022	Q3 - 2021	change	change %
Revenues	2,128.7	2,149.5	-20.8	-1.0%	683.8	717.7	-33.8	-4.7%
net ind. margin	1,015.5	1,079.7	-64.2	-5.9%	319.4	358.3	-39.0	-10.9%
% of revenues	*47.7%*	*50.2%*			*46.7%*	*49.9%*		
adjusted Ebitda	212.0	357.0	-145.0	-40.6%	62.9	105.6	-42.7	-40.5%
% of revenues	*10.0%*	*16.6%*			*9.2%*	*14.7%*		
Ebitda	217.8	344.9	-127.1	-36.9%	67.2	103.9	-36.6	-35.3%
% of revenues	*10.2%*	*16.0%*			*9.8%*	*14.5%*		
Ebit	141.2	277.2	-136.0	-49.1%	40.9	79.7	-38.8	-48.7%
% of revenues	*6.6%*	*12.9%*			*6.0%*	*11.1%*		
Net Profit (pertaining to the Group)	99.4	232.3	-132.9	-57.2%	27.7	60.5	-32.7	-54.1%
% of revenues	*4.7%*	*10.8%*			*4.1%*	*8.4%*		

general outlook

The first nine months of 2022 showed a sales trend substantially in line with the previous year, supported however by an important positive currency effect, while volumes showed a progressive slowdown, penalized by the difficult macroeconomic context.

This context, which worsened with the outbreak of the Russian-Ukrainian conflict, undermined the confidence of markets and consumers, especially in Europe and still today presents elements that are likely to persist in the coming months.

In recent quarters, companies in our sector have had to face increasing complexities, such as inflationary pressures on product costs, rising interest rates, growing expectations of an upcoming recession, the volatility of the currency markets, the increase in the level of stock at retailers and, last but not least, the challenging comparison with an extremely positive 2021.

Such a scenario required a greater commitment from the Group to support long-term growth - by keeping high investments in media and communication - and to protect margins by introducing selective price increases.

revenues

In the first nine months of 2022, revenues decreased by -1%, reaching € 2,128.7 million, with a third quarter down by 4.7% to € 683.8 million.

In both periods analyzed, the currency effect was markedly positive, especially in relation to the appreciation of the US dollar: the positive impact on revenues was equal to a +4.4% growth in the nine months and a +5.6% % in the quarter.

markets

Similarly to the second quarter, the European area was impacted by the major slowdown, while the remaining non-European areas benefited largely from more favorable dynamics.

EUR milion	9 months 2022	*var. %*	*var. % at constant FX*	Q3 2022	*var. %*	*var. % at constant FX*
South West Europe	761.1	*-7.6%*	*-8.4%*	226.9	*-12.6%*	*-13.7%*
North East Europe	483.4	*-11.6%*	*-13.5%*	171.3	*-6.8%*	*-9.5%*
EUROPE	1,244.5	*-9.2%*	*-10.4%*	398.2	*-10.2%*	*-11.9%*
Americas	418.5	*9.4%*	*-1.6%*	129.3	*-7.9%*	*-21.2%*
MEIA	154.7	*6.6%*	*-5.4%*	48.9	*18.2%*	*1.2%*
Asia-Pacific	310.9	*23.7%*	*16.3%*	107.4	*16.2%*	*8.9%*
TOTAL REVENUES	2,128.7	*-1.0%*	*-5.4%*	683.8	*-4.7%*	*-10.3%*

In the third quarter:

- **South-West Europe** in the third quarter showed similar dynamics to the previous quarter, with a moderate weakness of the continental Europe markets, while Italy and the Iberian region showed some growth;
- in **North-Easter Europe** the negative trend continued, albeit improving, with understandable effects of the Russian-Ukrainian conflict and a direct impact of the two countries involved accounting for more than half of the slowdown in the area;
- the **MEIA** region saw a quarter of growth throughout the Middle East, driven above all by the positive currency contribution, net of which, however, sales were still in positive territory;
- the **North American area** decreased compared to last year, due to early sales of portable air conditioners in the previous months, while on the contrary there was a double-digit growth in the coffee segment, supported by a strong acceleration of full-automatic machines;
- finally, in the **Asia-Pacific** region the double-digit growth already delivered in the first half of the year continued, sustained in particular in the quarter by the significant expansion of Greater China.

product segments

As regards the evolution of product segments, the first nine months of 2022 confirm the resilience of coffee on the one hand, but on the other a marked weakness in the food preparation, while the remaining product categories also showed growth in the quarter.

Going into detail, the sector of **coffee machines** for households continued to grow supported by full-automatic and manual machines.

The **cooking and food preparation** segment confirmed the particularly difficult period of the "post-Covid" as well as the impact of the weakness in consumption.

The contribution of the **comfort** category (portable air conditioners and heaters) remained positive, even if in the third quarter air conditioning products slowed down due to early sales in the USA and a lower sell-in in Europe.

Home care (home cleaning and ironing) was in positive territory in both periods under analysis, thanks in particular to the double-digit growth of ironing in the third quarter.

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

operating margins

As to margins:

- the **net industrial margin** in the 9 months was € 1,015.5 million, down as a percentage of revenues to 47.7% from 50.2%, as an effect of the increase in product costs (raw materials, freight, transformation costs) not fully offset by price increases (equal to € 48 million in the 9 months). Even in the third quarter, the dynamics of the margin did not show trend reversals, despite greater support provided by the price component (€ 15.6 million);
- **adjusted Ebitda** in the 9 months amounted to € 212 million, equal to 10% of revenues (compared to 16.6% in 2021). This margin trend was affected by the € 32.5 million increase in investments in media and communication, which went from € 238.9 million (11.1% of revenues) to € 271.4 million (12.8% of revenues), especially in connection with the activities relating to the coffee campaign starring Brad Pitt, Ambassador of the De' Longhi brand. However, this increase was concentrated in the first two quarters, while the third quarter saw, on the contrary, a reduction of the same of € -1.7 million compared to the same quarter of 2021;
- the 9-month **Ebitda** amounted to € 217.8 million, equal to 10.2% of revenues (16% in 2021). It should be noted that non-recurring income (equal to € 4.4 million) was recognized in the quarter, mainly relating to the revision of the valuation of some assets of the Ukrainian branch, following the recovery of some credit positions;
- **Ebit** amounted to € 141.2 million, equal to 6.6% of revenues, down from 12.9% in 2021, after higher depreciation of € 8.9 million (€ 2.2 million in the quarter), resulting from the increase in investments in the last few quarters;
- finally, the **net profit** pertaining to the Group in the 9 months amounted to € 99.4 million, equal to 4.7% of revenues (10.8% of revenues in the 9 months of 2021), with a trend of decline in the third quarter substantially not dissimilar to the same quarter of 2021, although less negative in terms of comparison.

balance sheet

As to the balance sheet, we first of all highlight the sustained **investment** activity, largely concentrated on production plants, for a total of € 126.5 million in the first nine months of the year.

With regard to the **net working capital** (equal to € 337.3 million at 30 September 2022), the increase of € 215.3 million in the 12 months was mainly affected by:

– an increase in inventories, whose value at the end of the quarter reached the value of € 892.1 million, i.e. € 111.7 million higher than the values at the end of September 2021, but gradually decreasing compared to the peak of € 941,5 million touched at 30 June 2022;

– a reduction in the net trade receivables-payables, resulting from a slowdown in the procurement activity for production.

Due to the aforementioned trends, the ratio of *operating* working capital to rolling revenues went up to 14.8% from 10.2% as at 30 September 2021.

EUR million	30.09.2022	30.09.2021	*change 12 months*	31.12.2021	*change 9 months*
Net working Capital	337.3	122.1	*215.3*	-8.6	*346.0*
Net Equity	1,648.0	1,462.8	*185.2*	1,570.6	*77.4*
Net Financial Position	28.8	216.1	*-187.3*	425.1	*-396.3*
Net Bank Position	115.9	301.4	*-185.5*	505.9	*-390.0*
NWC / Revenues	14.8%	10.2%	*4.6%*	6.2%	*8.6%*

EUR million	9 months	12 months	3 months (Q3)
Net Cash Flow	-396.3	-187.3	-26.6
Dividends paid	-124.5	-124.5	0.0
Free Cash Flow before dividends and acquisitions	-271.8	-62.8	-26.6

The **Net Financial Position** as at 30 September was positive by € 28.8 million, compared with € 425.1 million at 31.12.2021 and with € 216.1 million at 30 September last year. However, excluding non-banking components, the Net Position was positive by € 115.9 million (vs. € 505.9 million at the end of 2021).

As a result of the above, the **free cash flow before dividends and acquisitions** in the 9 months was negative by € 271.8 million, of which only € 26.6 million relating to the third quarter.

Events occurred after the end of the period

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

Foreseeable business development and guidance

In the words Fabio de' Longhi, Group CEO:

"The third quarter was in line with our guidance and with market expectations for the full year.

In a context of great uncertainty of the macroeconomic scenario, we have seen a demand slowdown and a consequent inventory excess that we are successfully committed to gradually bring back to normal levels, thus relieving next year from the related costs and inefficiencies. Furthermore, we have largely offset the production cost inflation with a campaign of price increases made possible by the strength of our brands and the trust granted us by consumers. Finally, from a long-term perspective, we have given continuity to the communication and marketing investments foreseen by the three-year plan and which are a solid basis for the growth in the coming years.

The indications for our core segments remain unchanged: on one hand, the secular trend in coffee, which is confirmed year after year, with potential growth still largely unexpressed; on the other hand, a deep-rooted presence in leadership positions in the nutrition and cooking world, supported by the growing role of a sustainable and healthy diet.

For the current year, we confirm our current guidance of revenues down mid-single-digit and an adjusted Ebitda in the range of € 320-340 million."

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, 2022

1. Consolidated Income Statement

Euro million	30.09.2022	% of revenues	30.09.2021	% of revenues
Net revenues	**2,128.7**	**100.0%**	**2,149.5**	**100.0%**
Change	*(20.8)*	*(1.0%)*		
Materials consumed and other production costs (services and production payroll costs)	(1,113.1)	(52.3%)	(1,069.8)	(49.8%)
Net industrial margin	**1,015.5**	**47.7%**	**1,079.7**	**50.2%**
Costs for services and other operating costs	(618.0)	(29.0%)	(545.9)	(25.4%)
Labour cost (non industrial)	(185.6)	(8.7%)	(176.9)	(8.2%)
EBITDA before non recurring items and stock option plan (Adjusted Ebitda)	**212.0**	**10.0%**	**357.0**	**16.6%**
Change	*(145.0)*	*(40.6%)*		
Other non recurring items / stock option plan	5.8	0.3%	(12.1)	(0.6%)
EBITDA	**217.8**	**10.2%**	**344.9**	**16.0%**
Amortization	(76.6)	(3.6%)	(67.7)	(3.2%)
EBIT	**141.2**	**6.6%**	**277.2**	**12.9%**
Change	*(136.0)*	*(49.1%)*		
Net Financial Charges	(7.8)	(0.4%)	18.9	0.9%
Profit before taxes	**133.4**	**6.3%**	**296.0**	**13.8%**
Taxes	(32.3)	(1.5%)	(63.2)	(2.9%)
Net Income	**101.1**	**4.8%**	**232.8**	**10.8%**
Net profit / (loss) pertaining to minorities	1.7	0.1%	0.5	0.0%
Net profit / (loss) pertaining to the Group	**99.4**	**4.7%**	**232.3**	**10.8%**

2. Revenues breakdown by geography

Euro million	Q3 - 2022	%	Q3 - 2021	%	change	change %	change % at constant exch.rates
Europe	398.2	58.2%	443.4	61.7%	(45.3)	(10.2%)	(11.9%)
USA & Canada	129.3	18.9%	140.4	19.6%	(11.0)	(7.9%)	(21.2%)
Asia Pacific	107.4	15.7%	92.4	12.9%	15.0	16.2%	8.9%
MEIA	48.9	7.2%	41.4	5.8%	7.5	18.2%	1.2%
Total revenues	**683.8**	**100.0%**	**717.7**	**100.0%**	**(33.8)**	**(4.7%)**	**(10.3%)**

Euro million	9 months 2022	%	9 months 2021	%	change	change %	change % at constant exch.rates
Europe	1,244.5	58.5%	1,370.4	63.7%	(125.9)	(9.2%)	(10.4%)
USA & Canada	418.5	19.6%	382.6	17.8%	36.0	9.4%	(1.6%)
Asia Pacific	310.9	14.6%	251.3	11.7%	59.6	23.7%	16.3%
MEIA	154.7	7.3%	145.2	6.8%	9.5	6.6%	(5.4%)
Total revenues	**2,128.7**	**100.0%**	**2,149.5**	**100.0%**	**(20.8)**	**(1.0%)**	**(5.4%)**

3. Consolidated Balance Sheet

Euro million	30.09.2022	30.09.2021	31.12.2021
- Intangible assets	939.7	854.5	867.9
- Tangible assets	450.2	370.8	389.5
- Financial assets	12.6	12.3	11.9
- Deferred tax assets	82.6	76.2	74.3
Fixed assets	**1,485.1**	**1,313.8**	**1,343.6**
- Inventories	892.1	780.4	769.3
- Trade receivables	158.0	274.8	366.7
- Trade payables	(577.3)	(747.1)	(936.2)
- Other net current assets / (liabilities)	(135.4)	(186.0)	(208.3)
Net working capital	**337.3**	**122.1**	**(8.6)**
Non current liabilities	**(203.3)**	**(189.1)**	**(189.5)**
Net capital employed	**1,619.2**	**1,246.7**	**1,145.5**
Net debt / (cash)	**(28.8)**	**(216.1)**	**(425.1)**
Total shareholders' equity	**1,648.0**	**1,462.8**	**1,570.6**
Total net debt/(cash) and shareholders' equity	**1,619.2**	**1,246.7**	**1,145.5**

4. Detailed Net Financial Position

Euro million	30.09.2022	30.09.2021	31.12.2021
Cash and cash equivalents	655.2	859.8	1.026.1
Other financial receivables	305.7	345.5	302.1
Current financial debt	(245.4)	(353.6)	(292.6)
Current net financial assets / (debt)	**715.5**	**851.7**	**1,035.6**
Non current net financial assets	123.8	75.2	70.5
Non current net financial debt	(810.5)	(710.8)	(681.0)
Non current net financial assets /(debt)	**(686.7)**	**(635.6)**	**(610.5)**
Total Net Financial Position	**28.8**	**216.1**	**425.1**
of which:			
- Net financial position versus banks and other lenders	*115.9*	*301.4*	*505.9*
- lease related debt	*(81.2)*	*(76.5)*	*(75.9)*
- Net assets /(liabilities) other than bank debt (fair value of derivatives. financial liabilitiesfor business combinations and financial payables connected to pension funds)	*(5.9)*	*(8.8)*	*(4.9)*

5. Consolidated Cash Flow Statement

Euro million	30.09.2022 *9 months*	30.09.2021 *9 months*	31.12.2021 *12 months*
Cash flow from operations	207.5	356.7	496.9
Cash flow from changes in working capital	(366.2)	(87.1)	5.8
Cash Flow from operations and changes in working capital	**(158.7)**	**269.6**	**502.6**
Cash flow from investments	(126.5)	(93.1)	(132.3)
Operating cash flow	**(285.2)**	**176.5**	**370.3**
Acquisitions	**-**	**(129.4)**	**(129.4)**
Dividends distributed	(124.5)	(80.8)	(80.8)
Cash Flow from stock option exercise	-	5.9	7.1
Cash Flow from other changes in the Net Equity	13.4	16.0	30.0
Cash flow from changes in the net equity	**(111.1)**	**(59.0)**	**(43.7)**
Net Cash Flow	**(396.3)**	**(11.9)**	**197.1**
Opening Net Financial Position	425.1	228.0	228.0
Closing Net Financial Position	**28.8**	**216.1**	**425.1**