DēLonghi Group

FY 2022 RESULTS

DēLonghi Group | DēLonghi KENWOOD BRAUN nutribullet Ariete

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The manager responsible for preparing the company's financial reports declares, pursuant to paragraph 2 of Article 154-bis of Legislative Decree no. 58 of February 24 1988, that the accounting information contained in this presentation corresponds to the results documented in the books, accounting and other records of the company.
Finally, it should be noted that the audit of the Group consolidated financial statements is still ongoing.





DEFINITIONS & ASSUMPTIONS

In this presentation:

- **“Adjusted”** stands for before non recurring items and notional cost of the stock option plans
- **"At constant exchange rates"** means excluding the effects of exchange rates' variations and of hedging derivatives
- **“ForEx”** or **“FX”** stand for Foreign Exchange Rates;
- **“M”** stands for million and **“bn”** stands for billion;
- **Q4** stands for fourth quarter (October 1st – December 31th);
- **12M** stands for 12 months (January 1st – December 31th);
- **“Reported”** stands for official data including the consolidation of Eversys since April 1st , 2021 (following the acquisition finalized last year).

NEW PRODUCT LAUNCHES

"IMPERFECT FOOD" CAMPAIGN

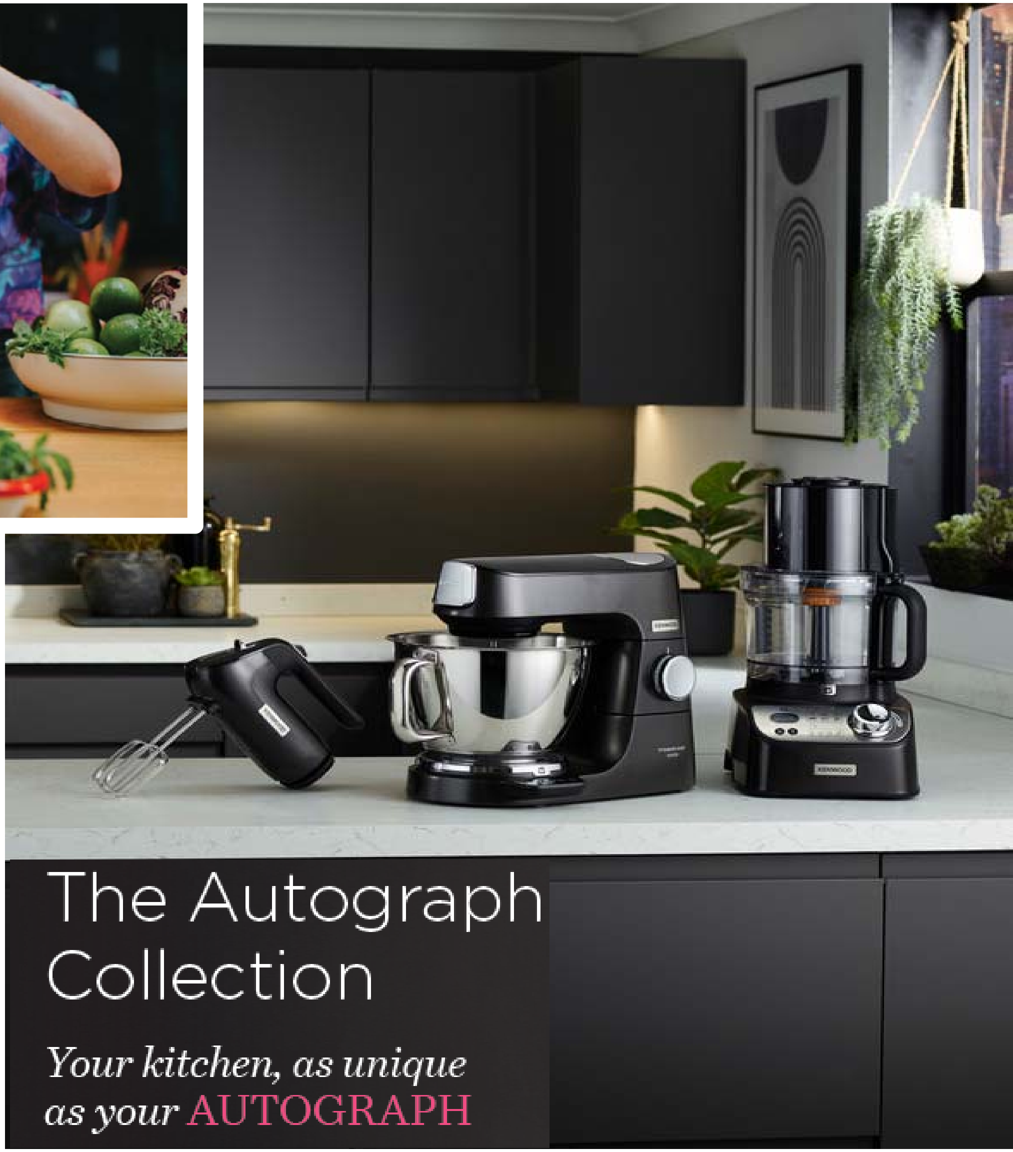
Far too much valuable food ends up in the bin

NEW PRODUCT LAUNCHES: COFFEE MAKERS

La Specialista Maestro has a technical innovation, called **Cold extraction technology**, which comes from a delicate fine-tuning between technology, tastings and sensorial analysis.

Eletta Explore is characterised by the unique innovative feature **LatteCrema Cool** unlocking 7 new automatic drinks for the first time in the category.

NEW PRODUCT LAUNCHES: COOKING & FOOD PREP.



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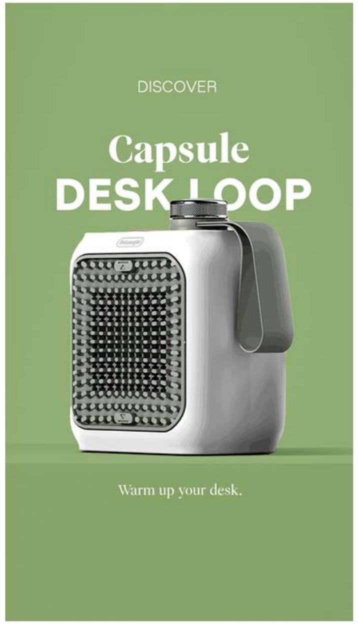
NEW PRODUCT LAUNCHES: COMFORT & HOME CARE



FY 2022 RESULTS

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THE 12 MONTHS HIGHLIGHTS

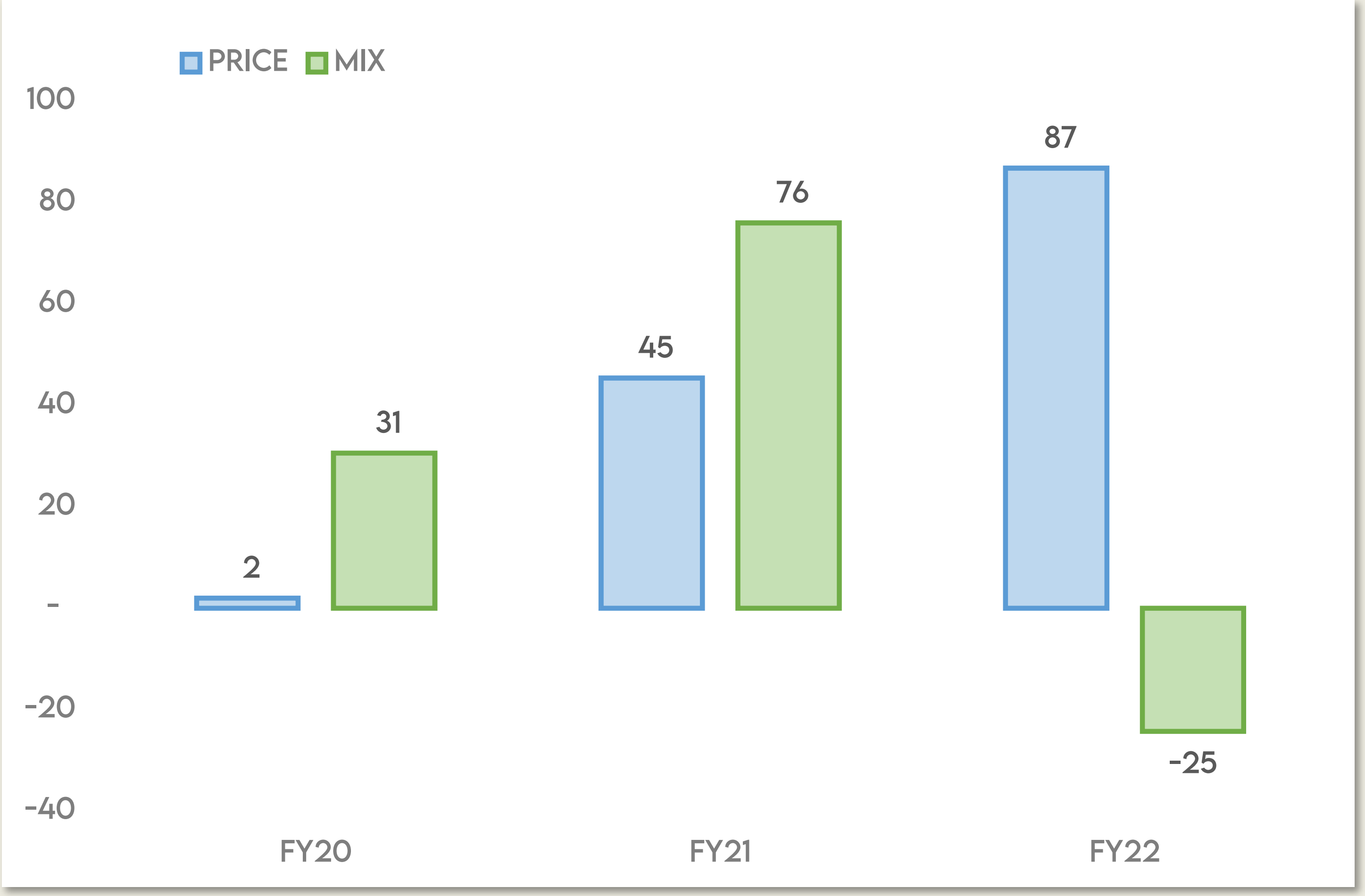
revenues' growth %	-2%	Revenues slightly lower compared to a record 2021 year, sustained by coffee and expansion in the extra-European markets
adjusted Ebitda % margin	11.5%	Down from 16%, due mainly to cost inflation, warehousing extra-costs and higher A&P investments (13.5% of sales)
12 months Free Cash Flow (before dividends and M&A)	-2 M€	Almost null cash generation due to lower margins, higher operting working capital and increased Capex
Net Financial Position	299 M€	Positive financial position, despite a challenging financial environment, offering a sound condition for M&A.

HEADWINDS AND ACTIONS

EXTERNAL HEADWINDS	ACTIONS PUT IN PLACE
COST INFLATION	PRICE INCREASES
WAREHOUSING EXTRA COSTS	INVENTORY REDUCTION
DEMAND SOFTENING	HIGHER A&P

FY 2022 RESULTS

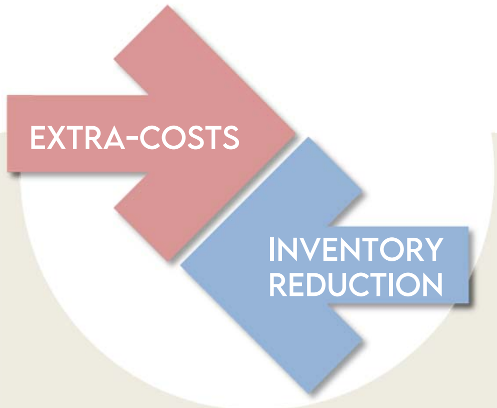
PRICE INCREASES

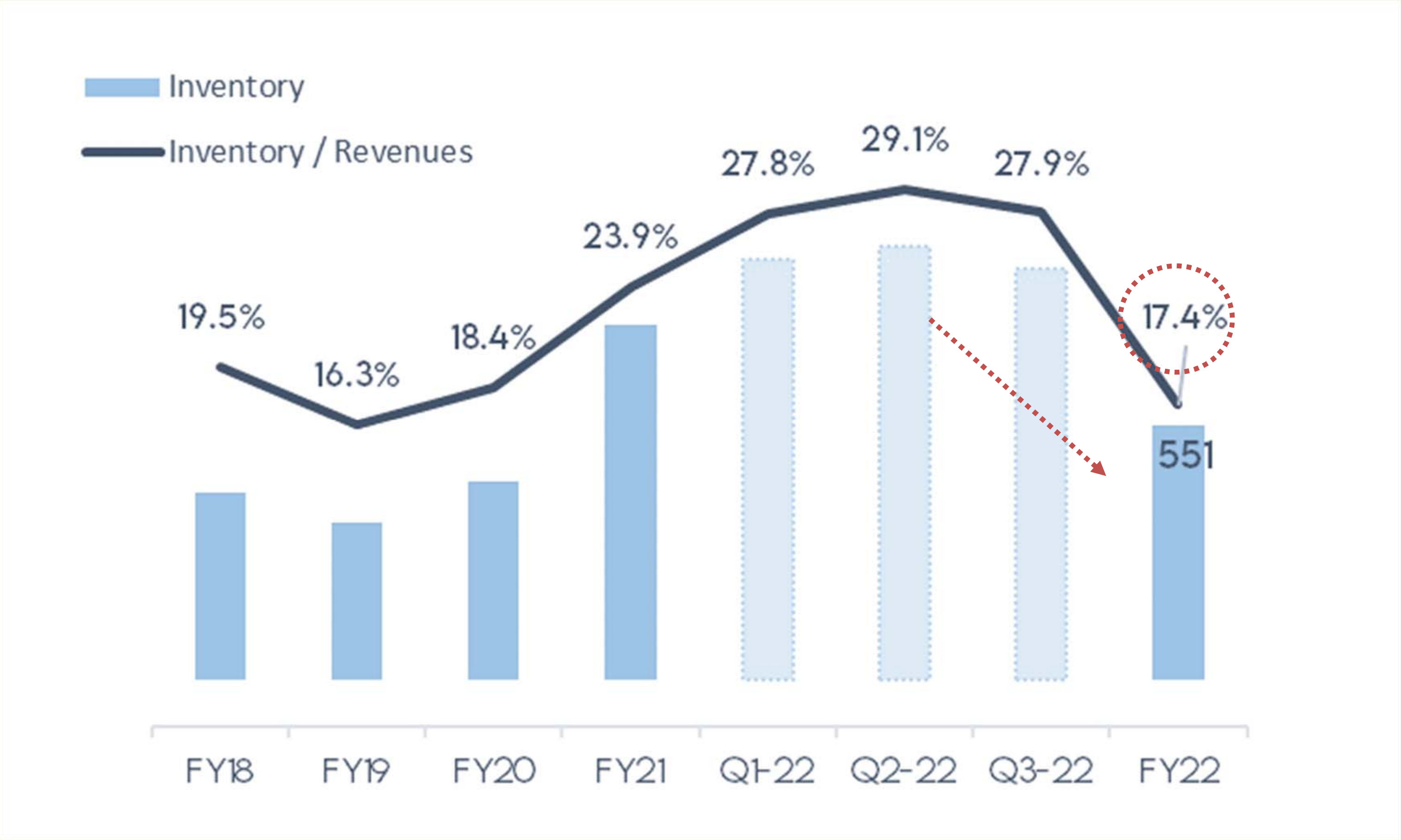


A CAREFUL STRATEGY OF SELECTIVE PRICE INCREASES TO MITIGATE THE IMPACT OF COST INFLATION AND PROTECT THE GROSS MARGIN, MARKING A DISCONTINUITY VS. PREVIOUS YEARS 2017 – 2019

FY 2022 RESULTS

INVENTORY REDUCTION





THE GROUP IMPLEMENTED EXTRAORDINARY MEASURES TO REDUCE THE LEVEL OF INVENTORY, AIMED TO ABATE THE ADDITIONAL WAREHOUSING COSTS AND THE RELATED PRODUCTION INEFFICIENCIES

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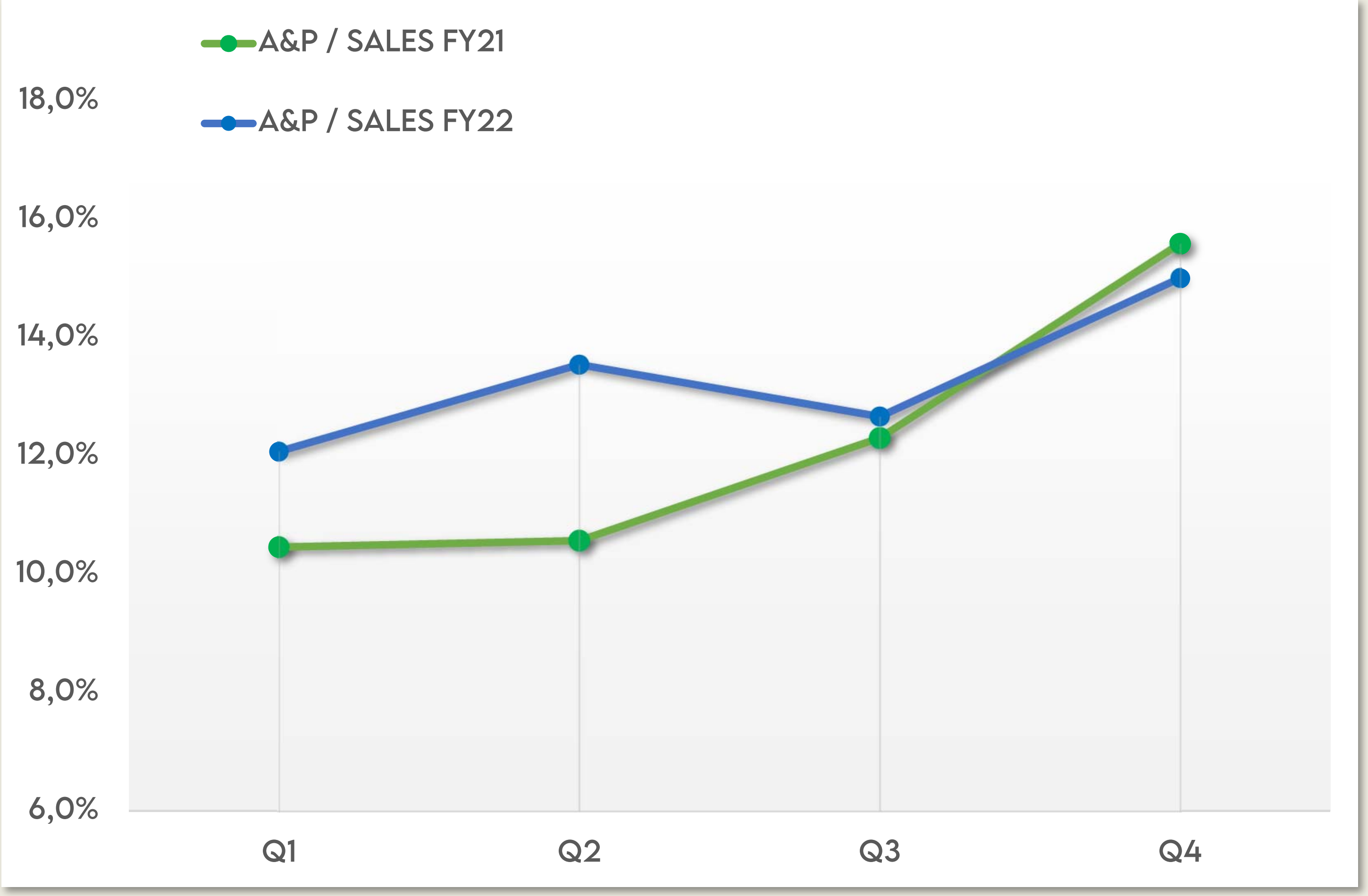
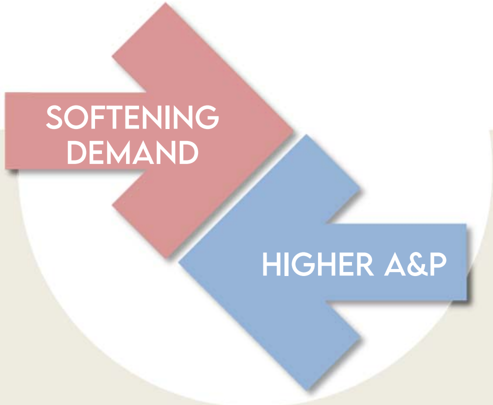
HIGHER A&P





INCREASED EFFORTS ON ADV. & PROMOTIONS, SPREADING THE COFFEE GLOBAL CAMPAIGN ACROSS ALL MARKETS

FY 2022 RESULTS

TOP LINE

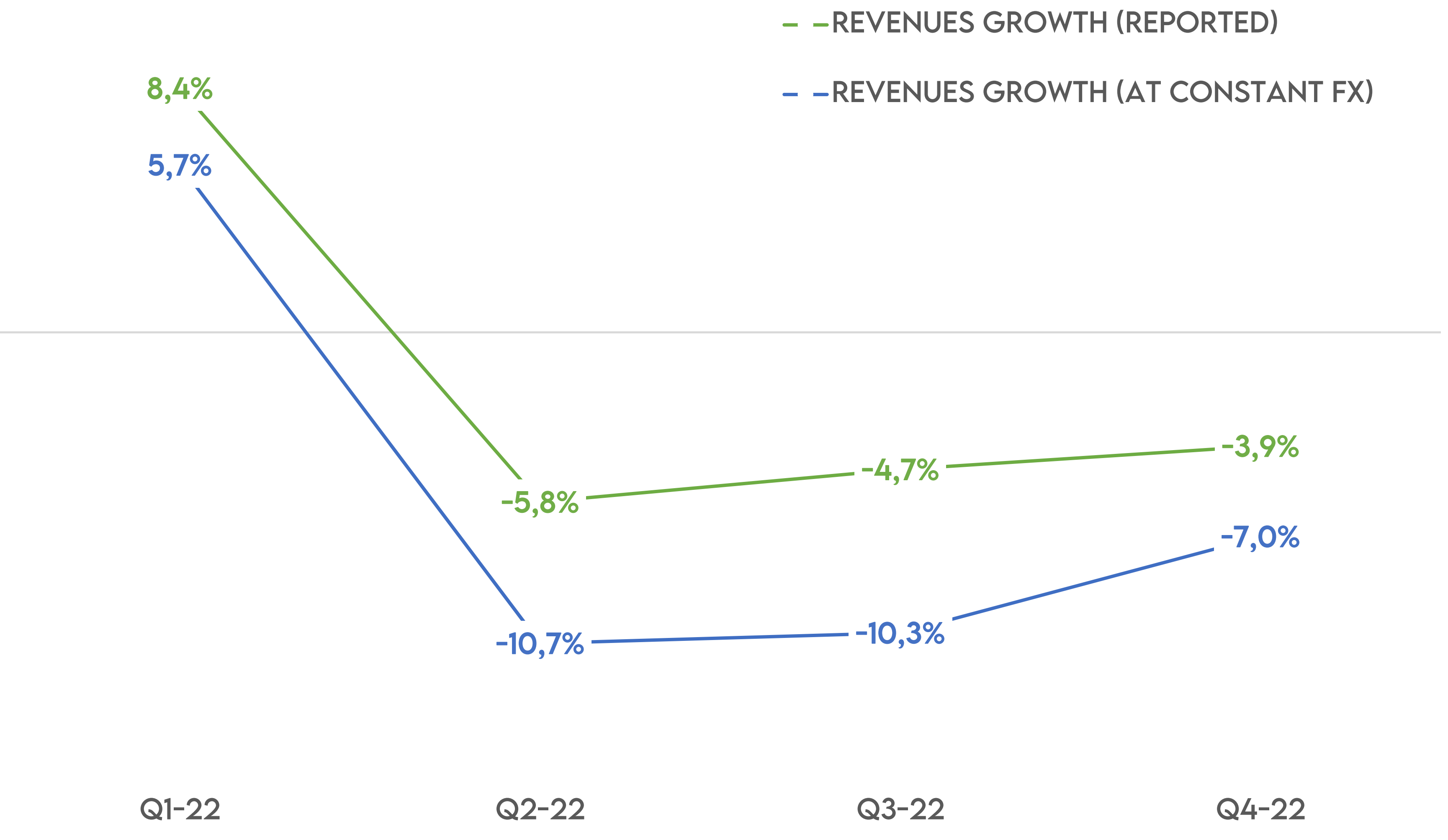
	FY 2022	FY 2021	Q4- 2022	Q4 - 2021
Revenues	3,158.4	3,221.6	1,029.8	1,072.1
change	*-63.2*		*-42.3*	
change %	*-2.0%*		*-3.9%*	

(Eur million unless otherwise specified)

- FY 2022 revenues slightly down by 2%, including a positive currency effect of 3.9%;
- the expansion of extra-European markets - all up in the 12 months (Asia Pacific, North America and Meia) - helped to offset the softening trend of European markets (down high-single-digit);
- the challenging comparison with a record 2021 year, the dramatic geopolitical scenario impacting Russia and Ukraine, together with the inflationary pressures have affected the growth, especially in the last quarters.

FY 2022 RESULTS

REVENUES GROWTH BY QUARTER



FY 2022 RESULTS

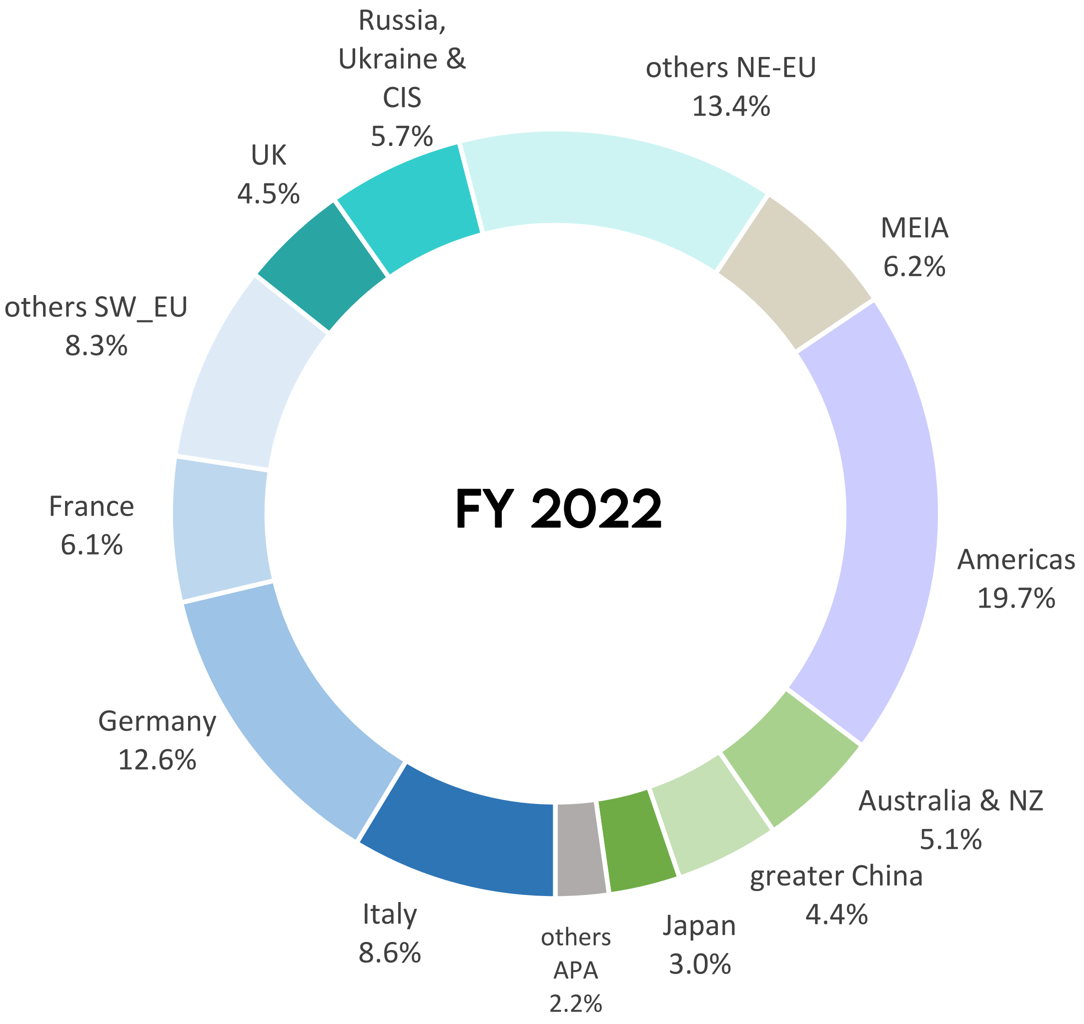
REVENUES BY REGION

EUR million	FY 2022	*var. %*	*var. % at constant FX*	Q4 2022	*var. %*	*var. % at constant FX*
South West Europe	1,127.6	*-7.5%*	*-8.3%*	366.5	*-7.4%*	*-8.2%*
North East Europe	747.0	*-12.8%*	*-14.4%*	263.6	*-15.0%*	*-15.9%*
EUROPE	1,874.6	*-9.7%*	*-10.8%*	630.1	*-10.7%*	*-11.6%*
MEIA (MiddleEast/India/Africa)	196.6	*7.9%*	*-4.1%*	41.8	*13.0%*	*1.5%*
Americas	623.4	*10.8%*	*-1.2%*	204.9	*13.7%*	*-0.9%*
Asia-Pacific	463.9	*15.9%*	*12.2%*	153.0	*2.7%*	*5.5%*
TOTAL REVENUES	3,158.4	***-2.0%***	***-5.9%***	1,029.8	***-3.9%***	***-7.0%***

- South-West Europe showed a generalized drop in consumption in the year; in Q4-22, the area had similar dynamics to the previous months, with the only exception of Germany, whose turnover was in line with 2021;
- sales in North-Eastern Europe were down, mainly due to the direct impact of the Russian-Ukrainian conflict; the rest of the area, in both periods, recorded a generalized weakness, with the exception of a few markets, such as Poland and Hungary, which instead outlined a growing trend;
- MEIA region remained in positive territory (as well as in the quarter), benefiting from a favourable currency effect and a general development in the area;
- the Americas region achieved double-digit growth over the twelve months and in the Q4, thanks to a significant acceleration in the coffee segment and supported by a positive effect of the currency component;
- the Asia Pacific region achieved a double-digit growth, thanks to the expansion of the main markets such as China and Hong Kong, Australia and New Zealand.

FY 2022 RESULTS

REVENUES BY MARKET

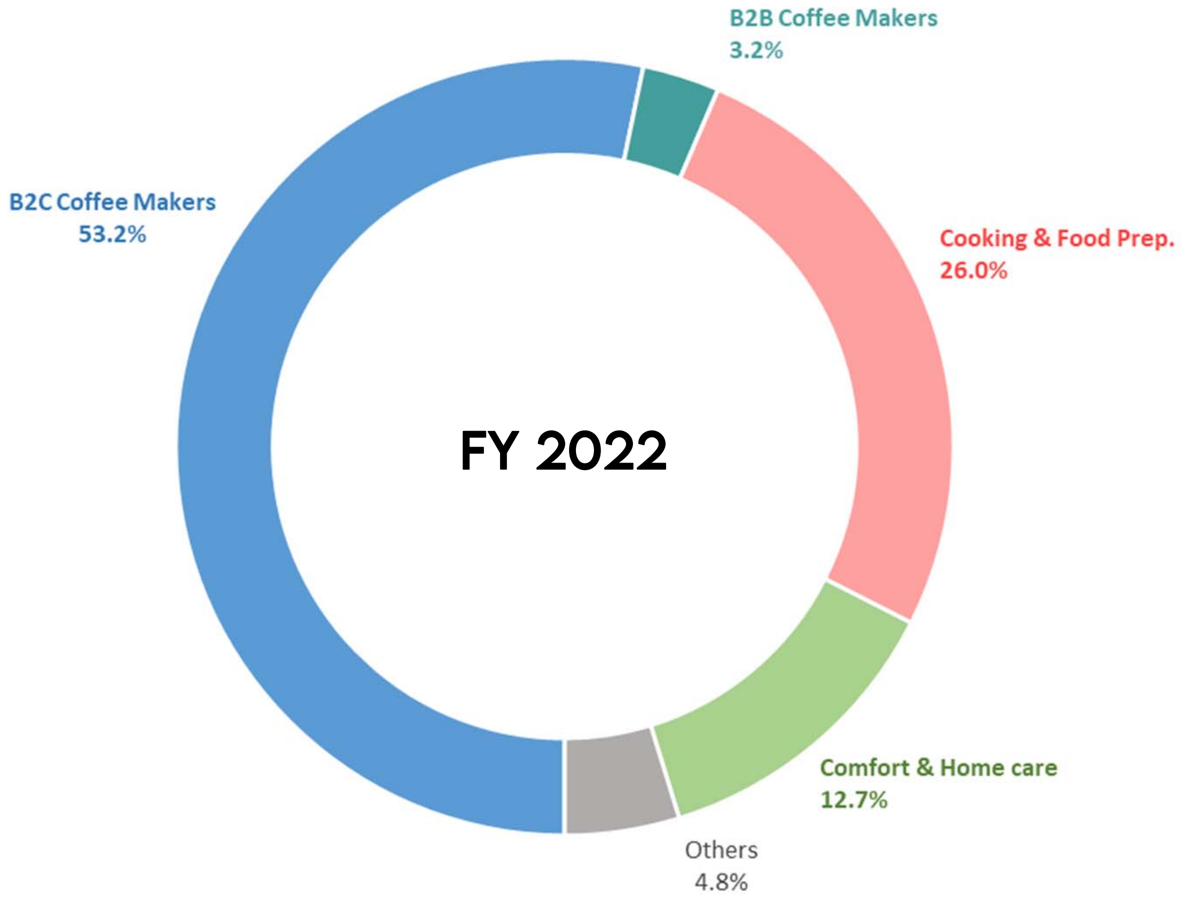


Main Ups & Downs (at constant FX)

UP double-digit	Greater China, Korea, UAE
UP single-digit	Australia & New Zeland, Japan, Iberia, Poland
Down	Italy, Germany, France, UK, Russia and CIS Scandinavian countries, Saudi Arabia

FY 2022 RESULTS

REVENUES BY PRODUCT LINE



Main Ups & Downs (at constant FX)

UP double-digit	Manual coffee makers B2B coffee makers Portable heating Air treatment Deep fryers
UP single-digit	Fullauto coffee makers
Down	Kitchen machines Blenders, Food processors Portable air conditioners Home care

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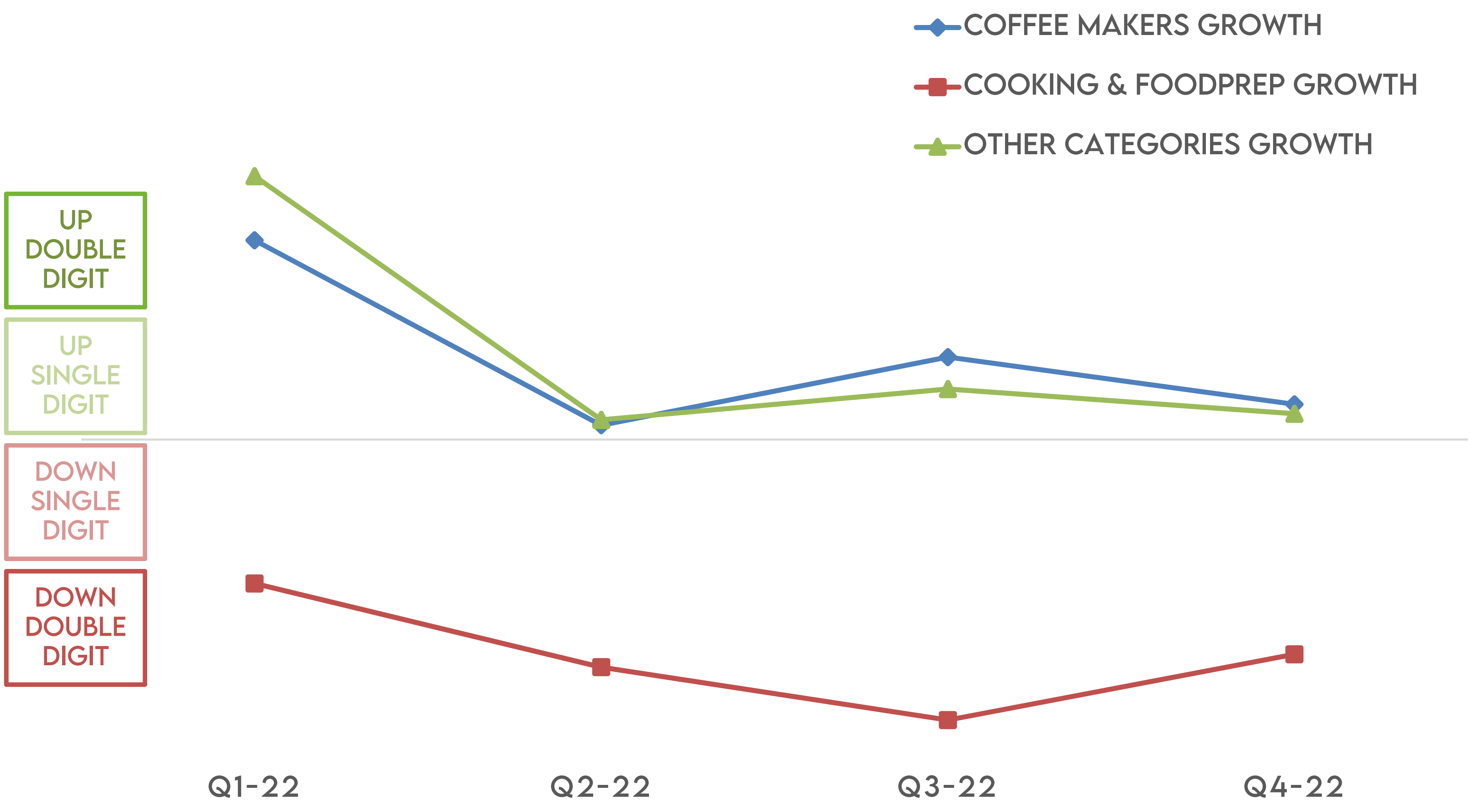
CATEGORIES GROWTH BY QUARTERS (REPORTED)



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MARGINS

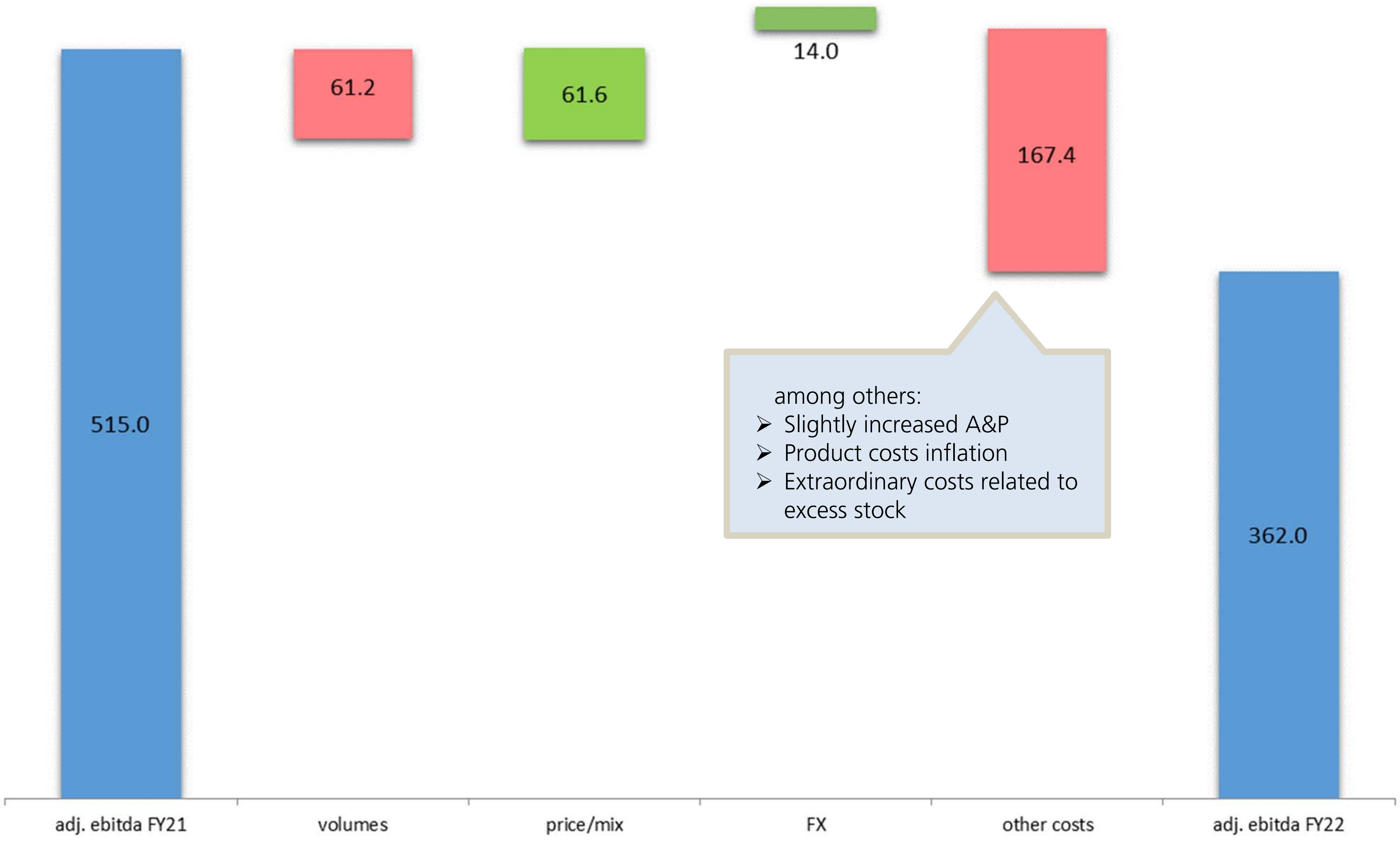
(Eur million unless otherwise specified)	FY 2022	FY 2021	*change*	*change %*
net ind. margin	1,493.3	1,600.2	*-106.8*	*-6.7%*
% of revenues	*47.3%*	*49.7%*		
adjusted Ebitda	362.0	515.0	*-153.0*	*-29.7%*
% of revenues	*11.5%*	*16.0%*		
Ebitda	369.4	480.6	*-111.2*	*-23.1%*
% of revenues	*11.7%*	*14.9%*		
Ebit	263.5	386.9	*-123.4*	*-31.9%*
% of revenues	*8.3%*	*12.0%*		
Net Income*	177.4	311.1	*-133.7*	*-43.0%*
% of revenues	*5.6%*	*9.7%*		

**pertaining to the Group*

- The **net industrial margin** percentage to sales was down due to production inefficiencies and to the increase in product costs (raw materials, logistics, transformation costs) not fully offset by the price increases (equal to 87M€ FY22);
- the **adjusted Ebitda** drop to 11.5% of revenues (from 16% in 2021) mainly due to the impact of COGS inflation, lower volumes and extra costs deriving from handling the surplus stock and from production inefficiencies.

FY 2022 RESULTS

ADJUSTED EBITDA BRIDGE FY22



FY 2022 RESULTS

BALANCE SHEET

EUR million	31.12.2022	31.12.2021	*change 12 months*
operating NWC	288.8	199.7	*89.1*
Net Equity	1,663.4	1,570.6	*92.8*
Net Financial Position	298.8	425.1	*-126.3*
Net Bank Position	389.5	505.9	*-116.4*
operating NWC / Revenues	9.1%	6.2%	*2.9%*

- Net financial position as at 31.12.2022 amounted to 299 M€, decreasing from 2021 year end, due to a negative Net Cash Flow (-126.3 M€);
- the Free Cash Flow before dividends and acquisitions for the year was almost null, due mainly to lower margins, higher Capex (-156.2 M€) and working capital absorption (-188 M€, resulting, among others, from lower trade payables not fully compensated by the reduction in trade receivables and inventories);
- the FCF before dividends and acquisitions was extremely positive in Q4 (+270 M€), thanks to the cash generation from the business and the reduction of the inventory level.

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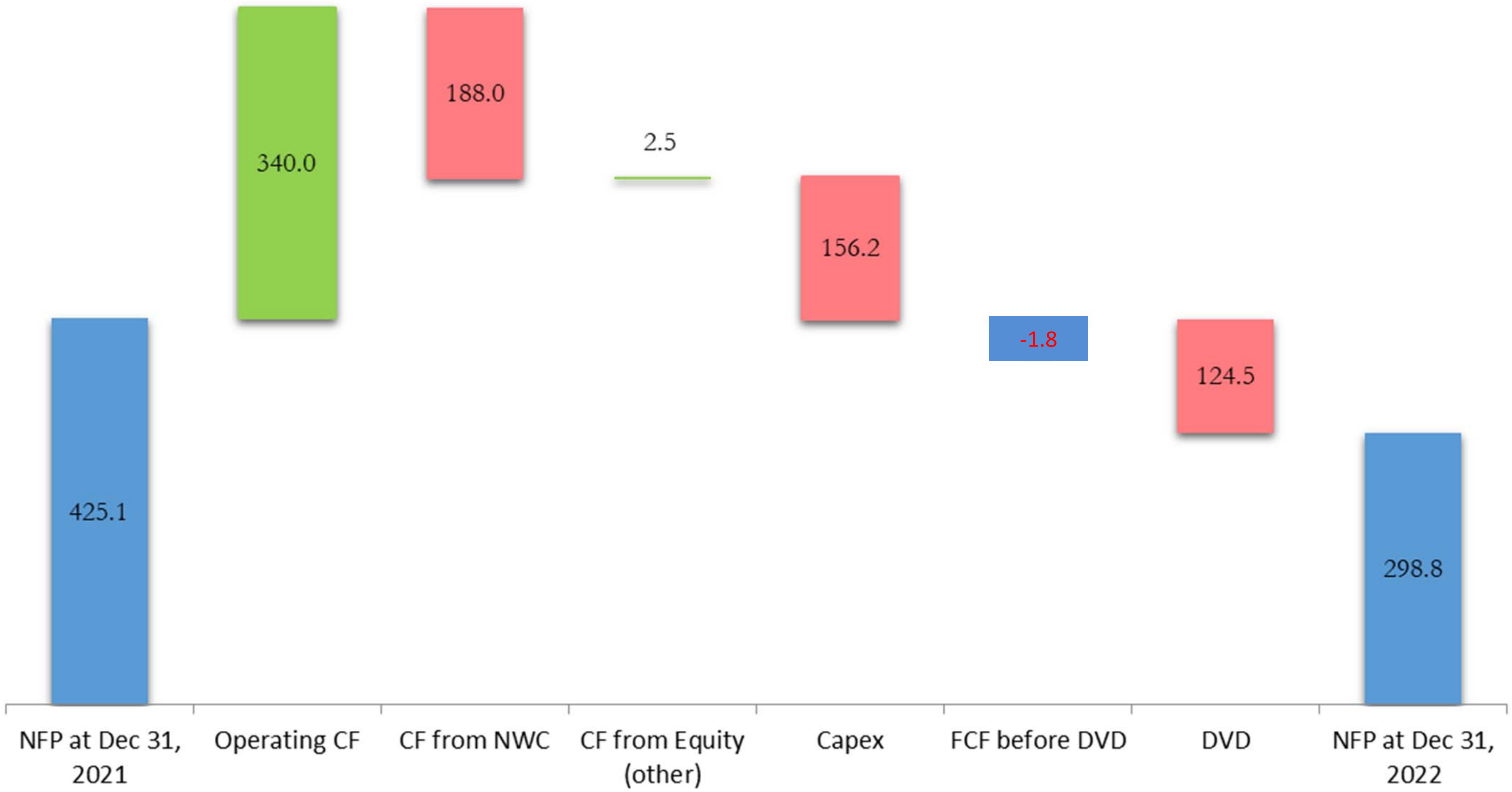
12 MONTHS NET CASH FLOW



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KEY TAKEAWAYS

1. The margins have been impacted by **rising cost inflation** and **extraordinary costs** deriving from handling the surplus stock and from production inefficiencies.

2. The uncommon level of stock has required the implementation of extraordinary measures to **reduce and stabilize the inventory**, allowing a **partial recovery of this headwind** in the coming quarters.

3. The top-line faced a **challenging comparison** vs ‘21, that recorded an extraordinary expansion (up 24% on a LFL basis), a **dramatic geopolitical situation** (impacting Russian and Ukrainian business), together with **inflationary pressures** which have eroded the consumers' purchasing power.

4. We are foreseeing a weak first half of ‘23, due to further de-stocking by retailers and our strategic decision to exit the mobile air conditioning market in the United States, together with a tough comparison of first quarter of the latest two years.

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FY 2023 GUIDANCE

In the words of the C.E.O., Fabio de' Longhi:

“In general, I am very satisfied with how the Group was able to react in the face of the extraordinarily challenging and complex scenario that arose in 2022, considering how this scenario led to a deterioration in consumer confidence and purchasing power and with what intensity it has put a strain on the management of production costs of our entire industrial sector.

The excessive accumulation of inventories in the first 9 months required the implementation of extraordinary measures aimed at bringing the warehouse under control and consequently reducing the extraordinary costs generated by production inefficiencies and stock management. The success of these actions is witnessed by the performance of margins and of the cash flow in the fourth quarter, positive by € 270 million, made possible above all by the decrease in inventories from the peak at the end of June to approx. 550 million Euro at the end of the year.

Year 2023 begins in a context not very dissimilar from the second half of 2022, which allows us to forecast a progressive improvement in the economic and consumptions' climate in the second half of the year after a difficult start, marked by a further de-stocking by the distribution whose effect will be added to the effects of our strategic choice to exit the mobile air conditioning market in the United States and of the challenging comparison with the extraordinary growth of the first months of the previous two years.

In this context, we therefore estimate that we will be able to close the year with slightly lower revenues and an adjusted Ebitda in the range of 370-390 million euros."

FY 2023 guidance

REVENUES slightly down vs. 2022 + **Adjusted EBITDA in the range of 370-390 M€**

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