

De' Longhi S.p.A.

Capital Market Day: coffee drives the development and growth of the De' Longhi Group

The De' Longhi Group, on the occasion of a meeting with the financial community to be held on the morning of 28 May, will provide some indications on the main financial objectives for the three-year period 2024-2026, sharing, in continuity with what has been done over the years, strategic direction priorities.

Indications of the main financial goals¹ for the three-year period:

- The Group estimates an increase in turnover for the three-year period 2024-2026 with a CAGR at constant exchange rates of 7% to 9%, including the consolidation of La Marzocco on March 1, 2024 (equivalent to growth in the mid-single digits with constant perimeter);
- Profitability is expected to improve over three years, with adjusted Ebitda as a percentage of revenues increasing by 130-230 basis points by 2026, compared to 14.4% in 2023.;
- cash generation, before dividends and any extraordinary operations, is expected on average between €280 M and €320 M per year, after annual industrial investments (CAPEX) of approximately €150 M.

Fabio de' Longhi, vice-president and managing director, comments on the event as follows:

"I am proud and honoured to lead a Group that in 2024 celebrates its 50th anniversary since its foundation, when in 1974 my father Giuseppe de' Longhi had the courage and foresight to start this reality.

The Group, over the years, has been able to transform itself from a component manufacturer to a widely recognised global manufacturer of household appliances already in the 1980s, and today a leader in lifestyle products that bring an experience of taste and pleasure into consumers' homes.

Despite the profound changes and the complexity of the challenges we have witnessed, over the last decade, the Group has been able to strengthen its positioning on the market and consolidate investments to support growth, also through acquisitions, achieving constantly improving financial results over time.

Maintaining this vision of medium-term development, we expect that the expansion of coffee, both professional and domestic, combined with the current nutrition opportunity, can support further growth in our fundamentals over the next three years, allowing the De' Longhi Group to continue to be part of our consumers' daily lives"

The presentation used for the meeting will be made available to the public, before the start of the meeting, on the company's website at www.delonghigroup.com (section "Investors" - "Press Releases and Presentations") as well as on the mechanism of authorized storage 1info (www.1info.it). Furthermore, at the end of the meeting, an audio recording of the interventions will also be made available.

¹ Financial objectives estimated by consolidating the business combination between La Marzocco and Eversys from March 1, 2024.

Indications on the main financial objectives for the three-year period 2024 - 2026

The Group expects an increase in turnover for the three-year period 2024-2026 with a CAGR at constant exchange rates between 7% and 9%, including the consolidation of La Marzocco from 1 March 2024, as per the announcement relating to the closing of the business combination between La Marzocco and Eversys. This expectation of an increase in turnover is supported by constant perimeter expansion, in continuity with the growth trend achieved by the Group in the medium term, in the mid single digit range.

The further development and strengthening of the business will be guided by the continuation of the growth of the coffee sector, both in the world of products for domestic and professional use, as well as by the opportunities coming from the area of nutrition and food preparation. These growth dynamics will, as already highlighted over the years, be supported by product innovation and the strengthening in absolute value of investments in communication on core brands, which will still see Ambassador Brad Pitt as a protagonist in the home coffee area.

Geographies

As regards geographical evolution, the European area will be supported as in the past by the strength of the main brands in the world of coffee and nutrition, together with the opportunities for expansion in other categories such as ironing. Specifically, it is expected that the main growth drivers in the area will be the continuation of the trend of sophistication of coffee machines, together with the international development of the Nutribullet brand.

In the Americas and Asia Pacific regions, coffee is expected to see an increase in in product penetration in markets where the Group currently has a presence that is not fully expressed compared to its potential, in line with medium-term evidence, while the nutrition and food preparation sector will take advantage of the new launches to consolidate its positioning in the recent market evolution.

Product categories

Coffee, in continuity with the results achieved in the medium term, remains one of the main drivers of the company's expansion.

The Group expects a continuation of the favourable growth dynamics of the domestic coffee machine segment, thanks to the increased diffusion of espresso coffee, the greater use of machines for a growing variety of coffee-based drinks, and from greater product sophistication guided by a refined knowledge of the organoleptic characteristics. This evolution, as seen in recent years, leads many consumers to favor products that allow a "beans to cup experience" with a benefit in terms of penetration for super-automatic and semi-automatic machine models.

As regards professional coffee, the business combination between La Marzocco and Eversys will allow the teams to work on the creation of potential synergies from a commercial and industrial point of view, and operate together on the innovation front to continue to serve a market as a primary operator continually expanding.

In the food preparation area, the global nutrition movement plays an important role in the Group's future growth, thanks to a global trend that favours "easy to use" products that promote a healthier and more sustainable lifestyle.

The plan also envisages a positive contribution from the air conditioning, home care and ironing areas, thanks to product innovation in categories where our brands maintain an interesting market positioning.

Profittability

The projections regarding profitability foresee an adjusted Ebitda as a percentage of revenues for the new perimeter improving between 130 and 230 basis points in 2026, compared to the value reported at the end of last year (equal to 14.4% of turnover). This improvement is in line with the progression anticipated in the current guidance relating to 2024 and will see a potential further consolidation in the coming years based on the current market growth estimate.

Despite a macroeconomic context that is still volatile and with elements of uncertainty, the Group believes that the growth in volumes, the positive contribution of the price-mix, together with production efficiencies, will allow the achievement of the expected profitability objectives, while allowing it to further strengthen investments in media and communication on the Group's main brands.

Cashflow

In continuity with what was announced in the previous strategic plan, and in light of recent extraordinary transactions, before dividends and any acquisitions, of between €280 million and €320 million on average per year, with a level of industrial investments (Capex) around €150 million per year.

In terms of strategic use of the cash generated, the Group reiterates a strong focus on possible external growth opportunities, reconfirming its M&A strategy focused on geographical and product expansion with the aim of strengthening growth trends and the positioning of leadership on international markets. With regard to shareholder remuneration, the current dividend policy remains in place, which provides for a pay-out ratio of 40% of net profit, which can be modified in the event of significant changes in financial leverage.

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The De' Longhi Group is a global leader in the coffee machine industry, with a strong presence in both domestic (with the De'Longhi brand) and professional (associated with the recent business combination of La Marzocco and Eversys). Furthermore, the Group is among the main global players in the household appliance sector dedicated to the world of cooking, air conditioning and home care (with the brands De' Longhi, Kenwood, Braun, Ariete and NutriBullet). Listed since 2001 on the main market of the Italian Stock Exchange MTA, De' Longhi distributes its products worldwide in more than 120 markets worldwide and had over 9,000 employees at the end of 2023. In 2023, it reported revenues of €3.08 billion, an adjusted EBITDA of €444 million and a net profit of €250 million.