



1H-2023 RESULTS PRESENTATION

5 October 2023

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Agenda

- ❑ Company at a Glance
- ❑ 1H 2023 Results & Outlook
- ❑ Achievements
- ❑ Market & Competitive Positioning
- ❑ Appendix
 - Business Overview



Marzocchi Pompe at a glance: world leader in top-performing products

Company

Marzocchi Pompe is a leading world player in the design, production and marketing of high performance external gear pumps and motors, which are used in sectors like: industrial (textile machines, machine tools, plastic injection machines, medical equipment, energy, etc.), mobile (agricultural machines, forklift trucks, etc.) and automotive (transmissions, power steering, attitude adjusters,..).

Key Success Factors

Marzocchi Pompe boasts a **wide range of products** well known for its **high performance and great reliability**, covering most of the market needs in terms of displacements and interfacing.

A key feature is the continuous investment in R&D aimed at satisfying the customer demand for high performance products.

The production of the historical brand «Marzocchi Pompe» is entirely carried out in Italy, in two locations nearby Bologna: Zola Predosa and Casalecchio di Reno, through an extremely verticalized process that allows to keep the product quality under control.

Main Consolidated Financials

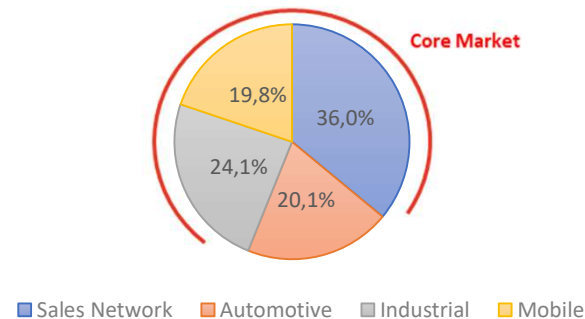
€/000	2020	2021	2022	1H 23
Net Sales	34.143	40.538	48.513	26.626
EBITDA	4.129	7.153	7.557	4.955
EBITDA Margin *	12,2%	16,4%	15,4%	18,4%
Net Income	229	1.591	1.962	2.104
Net Equity	18.444	19.796	21.400	22.386
Net Financial Debt	9.252	7.838	7.848	8.291

2022 KPI

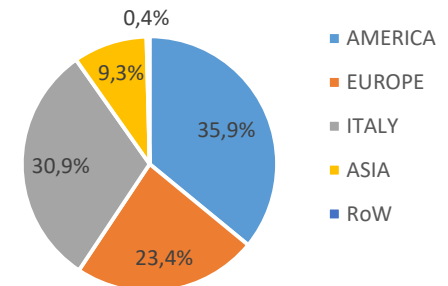
- Over 1,0 mln pumps produced
- More than 800 active clients
- Average employees number: 260

* Calculated on Sales Revenues + WIP, in 2019 net of the take or pay clause effect on automotive sales, not applicable in subsequent years

1H 2023 Revenues by Business Line



1H 2023 Revenues by geographic area



Strategy

Marzocchi Pompe aims to continue:

- **to upgrade the production plant** in order to expand its capacity and improve efficiency → widening of Zola Predosa plant is underway
- **to invest in R&D** in order to enlarge the product range, consolidating its leadership in the reference market → launch of Elika modular
- **to increase penetration on Mobile and Industrial** applications such as the forklift trucks (mobile) and plastic injection machines (ind.)
- **to develop innovative products for the Automotive market**, as witnessed by the important award from a leading world player

Shareholders & Management: full alignment of interest

TOP MANAGEMENT

Paolo MARZOCCHI

*Main Shareholder,
Executive Chairman*



Gabriele BONFIGLIOLI
CEO e General Manager



BOARD OF DIRECTORS

Paolo MARZOCCHI
Executive Chairman

Carlo MARZOCCHI TABACCHI
Vice Chairman

Gabriele BONFIGLIOLI
CEO

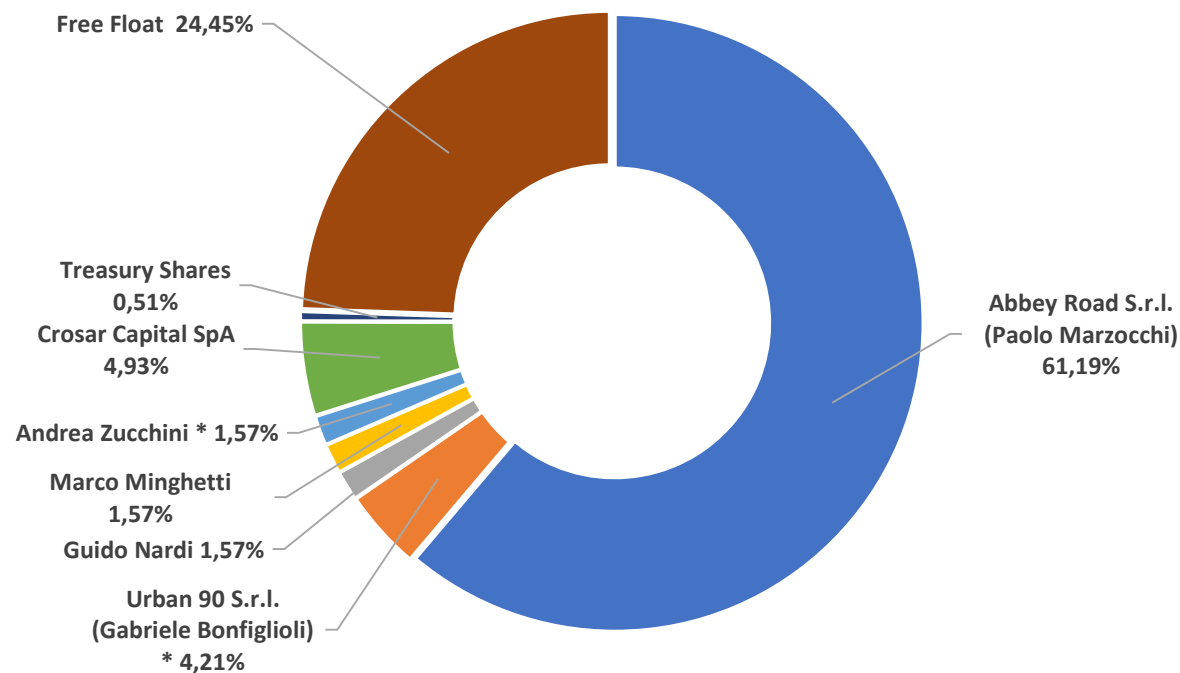
Guido NARDI
CFO, Executive Director

Valentina CAMORANI SCARPA
Board Member

Matteo TAMBURINI
Board Member

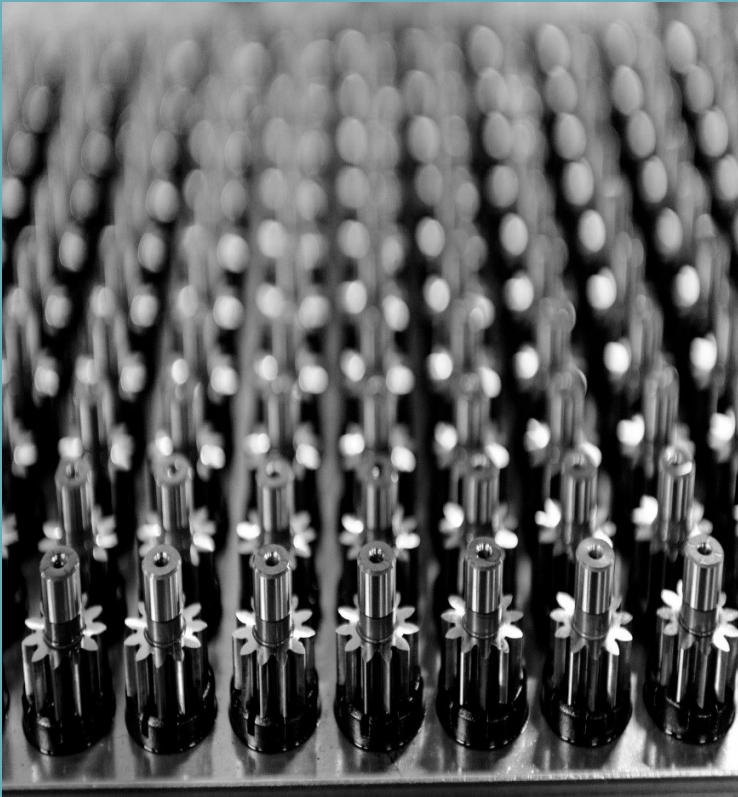
Giuseppe ZOTTOLI
Independent Board Member

SHAREHOLDERS



Note:

1. Data as at 30 September 2023
2. In July 2023 Marzocchi Pompe Key Managers - Mr Bonfiglioli and Mr Zucchini - renewed the Stability Pact until June 2026 and 2025 respectively



1H 2023 Results

1H 2023 Results: new half-year sales record & very strong margin

➤ NET SALES UP 4.4% AT EURO 26.6 MLN, +15.7% ON 2H 2022, ALLOWING FOR MARKET SHARE GAINS

THE CORE BUSINESS SALES REACHED EURO 21.3 MLN IN THE FIRST HALF OF 2023, +2.7% Y-O-Y INCREASE AND A HEALTHY +17% ON THE SECOND HALF OF 2022 THANKS A WIDER PRODUCT RANGE COUPLED WITH AN INCREASE OF PRICE LIST. THE AUTOMOTIVE SALES SATISFACTORILY GREW 11.8% Y-O-Y TO EURO 5.3 MLN, WITH A 10.9% INCREASE ON THE SECOND HALF OF 2022 DESPITE ONGOING MARKET DIFFICULTIES

➤ STRONG EBITDA MARGIN AT 18.4% (vs 15.2% in 1H 2022 AND 15.4 IN FY 2022) BENEFITED FROM SALES PRICE INCREASE AND LOWER ENERGY COSTS, MAINLY LINKED TO THE NEW PHOTOVOLTAIC SYSTEM IMPLEMENTED IN ZOLA PREDOSA PLANT

THE DISTINCTIVE "MAKE" APPROACH ENABLED MARZOCCHI POMPE TO INCREASE ITS MARKET SHARE IN A VERY CHALLENGING SCENARIO THANKS TO UNCHANGED DELIVERY TIMES. IN ADDITION, THE COMPANY DELIVERED TIMELY ON IMPLEMENTATION OF PRICE UPLIFT AND ENERGY SAVING MEASURES

➤ NET FINANCIAL DEBT INCREASED SLIGHTLY TO EURO 8.3 MLN (+5.6% VS. 7.8 MLN AT END-2022) DUE TO PHYSIOLOGICALLY HIGHER WORKING CAPITAL REQUIREMENTS TIED TO SALES GROWTH & AFTER THE PAYMENT OF EURO 1 MLN DIVIDENDS (FOR A DIVIDEND YIELD CLOSE TO 4%)

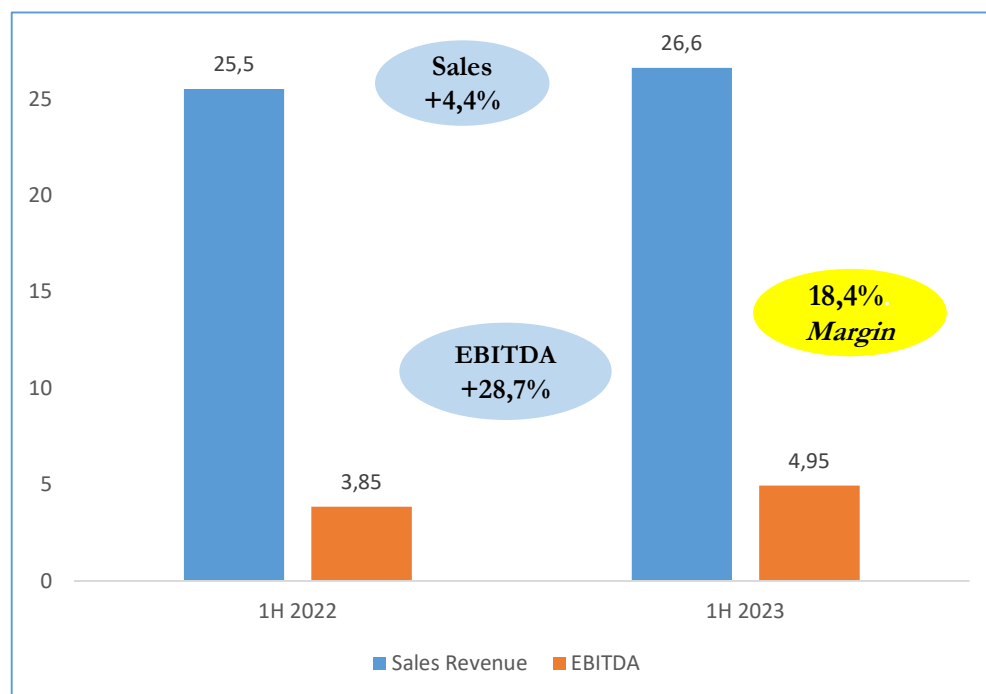
TRADITIONALLY TIGHT CONTROL ON CASH MANAGEMENT ALLOWED FOR BOOSTING MARKET PENETRATION WHILE KEEPING NET DEBT UNDER CONTROL.

➤ MARZOCCHI POMPE KEY STRENGTHS TO PUSH FURTHER SALES AND PROFITABILITY GROWTH

- RELENTLESS PRODUCT INNOVATION AS WITNESSED BY THE RECENTLY LAUNCHED "ELIKA MODULAR" THAT PUSH CUSTOMIZATION
- OPERATING FLEXIBILITY AND RELENTLESS SEARCH FOR PROCESS OPTIMIZATION, I.E. THE NEW PHOTOVOLTAIC PANELS TO SAVE ENERGY COSTS

All-time high revenues at € 26.6 mln, EBITDA margin jumped to 18.4%

Sales Revenue and EBITDA (€m)



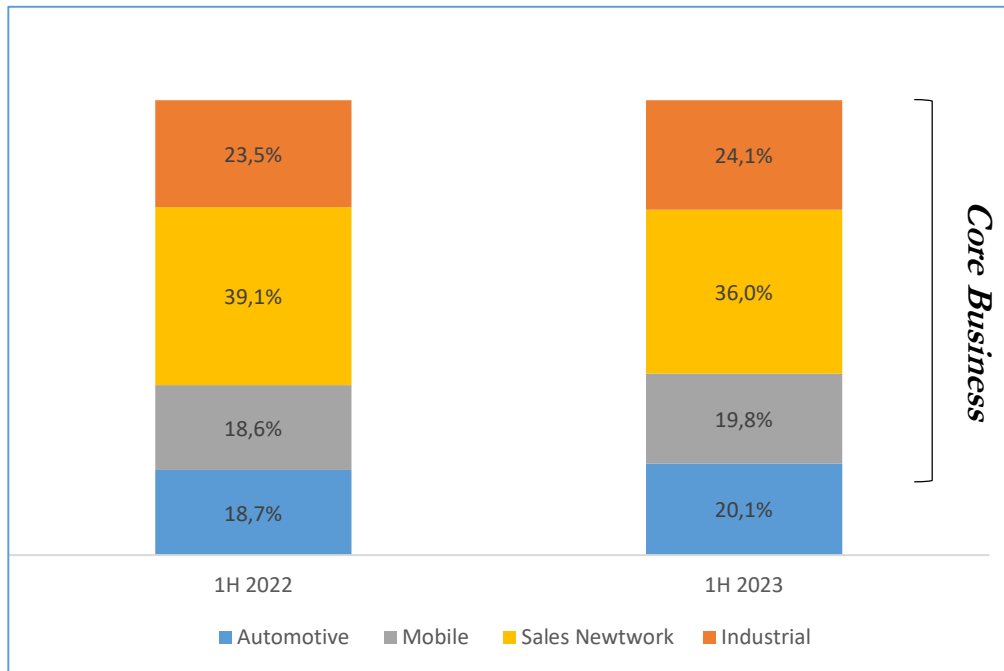
* EBITDA Margin based on Sales Revenue + WIP

Source: consolidated financial statements

- Revenues reached Euro 26.6 million in 1H-23 (+4.4%), marking once again **Marzocchi Pompe all-time high for the half-year**. A notable result especially considering that it was reached in a **less brighter market than last year**.
- **Core Business** sales accounted for Euro 21.3 million (+2.7%), while **Automotive** sales posted an excellent 11.8% rise to Euro 5.3 million in a very challenging market scenario
- **EBITDA jumped by 28.7% to Euro 4.95 million** (vs. Euro 3.85 million in 1H 2022), thanks to Marzocchi capability to increase sales prices combined with a reduction in energy costs mainly tied to the new photovoltaic panels installed in the Zola Predosa plant
- As a consequence, **EBITDA margin topped 18.4%** (from 15.2% in 1H 2022), as all the actions implemented by Marzocchi Pompe to increase profitability (**price re-negotiations with customers, improvement of process efficiency with new logistic warehouse and new photovoltaic panels** have started to bear fruit

Core Business reached 80% of revenues, Automotive sales up 11.8%

Revenue Breakdown

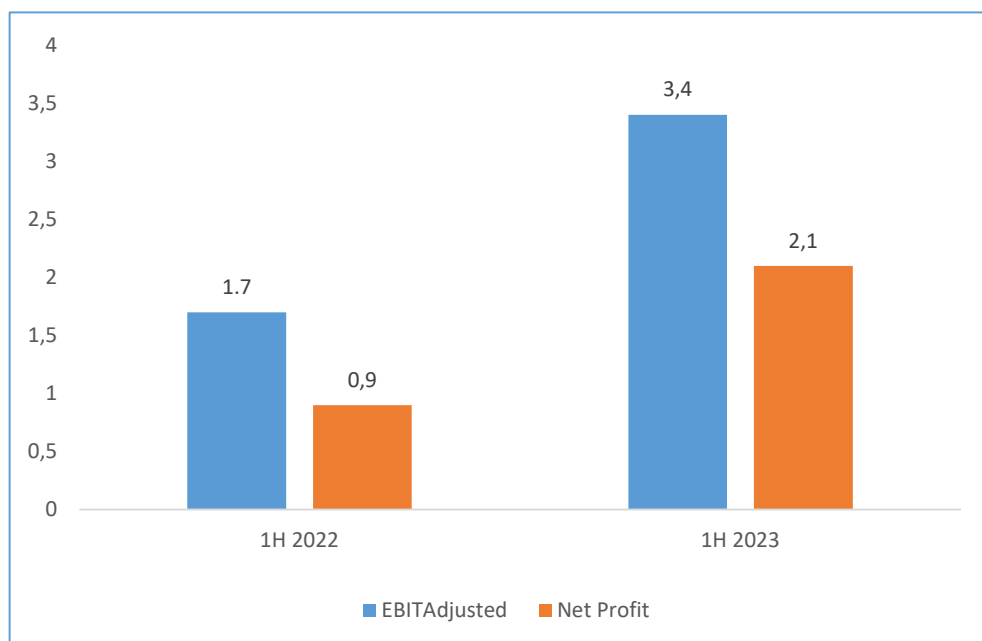


- Revenues by **Core market segments** (Sales Network, Industrial and Mobile) accounted for **80% of Total Revenues**, reaching Euro 21.3 million (+2.7% vs. 1H 2022), especially driven by Marzocchi Pompe distinctive capability to serve clients with **high performing products on a customized basis**
- Weight of **Automotive sales (+11.8% YoY)** increased slightly to **20%** vs. 18.7% in 1H 2022, witnessing Marzocchi excellent performance in such a challenging market on a global basis

Source: consolidated financial statements

Excellent Profitability growth: EBIT +142% and Net Profit +127%

EBIT Adjusted and Net Result (€m)



* EBIT Adjusted is Net of depreciation from revaluation resulting from the merger from LBO

Source: consolidated financial statements

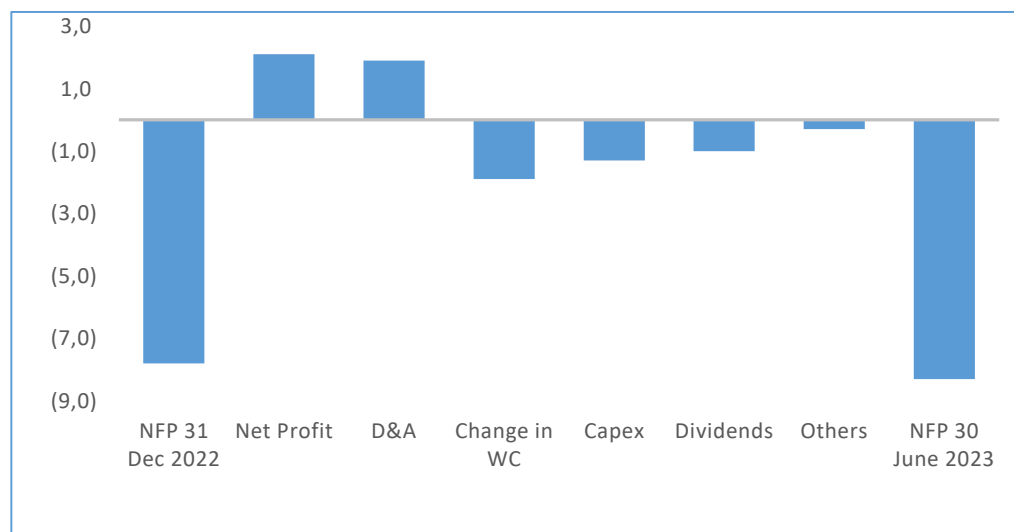
- EBIT increased by 142% Euro 3.1 million, from Euro 1.3 million at 30 June 2022, as a result of sales growth and higher cost savings

- **Adjusted EBIT**, calculated net of revaluation depreciation and amortisation resulting from the merger from LBO, amounting to Euro 0.3 million in the half-year, **doubled to Euro 3.4 million compared to Euro 1.7 million in the first half of 2022**

- In the first half of 2023 **Net Profit** jumped to **Euro 2.1 million**, with a +127% increase vs. 0.9 million at 30 June 2022. This excellent performance once again witnesses **Marzocchi Pompe capability to face challenging markets** and at the same time **to strengthen its leadership position** in the industry

Net Financial Position reflects one of Marzocchi's strong points

Net Financial Position Evolution (€m)



Change in Shareholders' Equity (€/000)

Eur 000	30-Jun-2023	31-Dec-2022
Share Capital	6,539	6,539
Share Premium reserve	6,463	6,463
Revaluation reserve	1,867	1,867
Legal reserve	1,159	1,055
Other reserves	4,129	3,259
Flow hedging transactions reserve	260	376
Profit/(loss) for the periods	2,104	1,962
Negative reserve treasury stock	(135)	(120)
Total Shareholders' Equity	22,386	21,400

Source: consolidated financial statements

- **Net Financial Debt** increased to **Euro 8.3 million** at 30 June 2023, +5.6% vs. Euro 7.8 million at 31 December 2022 due to the natural expansion of Working Capital tied to sales growth.
- NFP was however **down 17.8% on a year-on-year basis**, benefiting from cash flow generation and tight control on working capital requirements
- The **4.7% increase in Shareholders' Equity** in the first 6 months of 2023, to Euro 22.4 million, was due to Net Profit increase and take into account the **payment of Euro 1 million dividends**, for a dividend yield of 3.95%

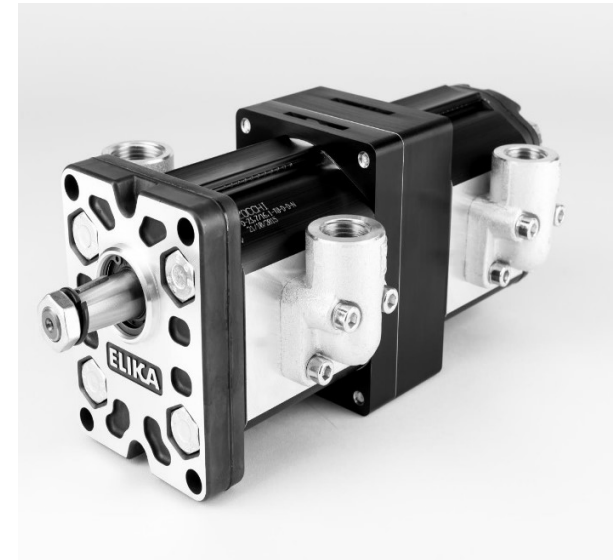


Achievements

New ELIKA “Modular” upgrades Marzocchi top-performing pump

- IN 2019 THE NEW ELIKA DEPARTMENT WAS COMPLETED THROUGH AN INVESTMENT OF MORE THAN 1 MILLION EUROS IN THE PRODUCTION SITE OF CASALECCHIO (BO)
- COVERED BY TWO PATENTS, ELIKA IS MARZOCCHI POMPE FLAGSHIP PRODUCT CHARACTERIZED BY LOW NOISE & HIGH EFFICIENCY
- THE PLANNED RANGE EXTENSION WAS BOOSTED BY:
 1. THE NEW “ELIKA 1P” AND “ELIKA K1P” PUMPS, WHICH FURTHER IMPROVE PERFORMANCES IN 2H 2021
 2. THE NEW “FTP – FLUID TRANSMISSION PUMP”, WHICH OPENS UP NEW MARKETS AND THAT WAS PRESENTED IN MARCH 2021 AT THE “VTM” IN TURIN AND IN JUNE AT THE “IVT EXPO” IN KOLN
 3. IN AUGUST 2023 THE DEVELOPMENT OF THE ELIKA MODULAR PUMPS HAS BEEN COMPLETED,
AND THEY CAN NOW BE SUPPLIED IN SEPARATE ELEMENTS, SO THAT THE CUSTOMER CAN
INDEPENDENTLY COMPOSE A MULTIPLE ELIKA PUMP ACCORDING TO HIS SPECIFIC NEEDS

"We are very pleased to have completed this first and important piece of our business plan. In 2019 we have already invested over 1 million euros, in a recently renovated area of the historic headquarters of Casalecchio (BO), a new department focused on the production of the ELIKA pump in its various versions. We want to focus on the product, with higher margins than traditional ones, which we believe may be one of our main drivers of growth for the coming years. Also, in the second half of the year we will continue to invest about half a million euros, aimed at launching new products and increasing the efficiency and productivity of our production sites." declared Gabriele Bonfiglioli, CEO of Marzocchi Pompe.



New Plant with Photovoltaic Panels, New Warehouse... more to come

STEP 1 - ENLARGEMENT & RATIONALIZATION OF PRODUCTION CAPACITY AND LOGISTICS IN ZOLA PREDOSA PLANT

- IN OCTOBER 2022 MARZOCCHI POMPE HAS PURCHASED AN INDUSTRIAL PROPERTY OF APPROX. 4800 SQUARE METRES, OF WHICH APPROX. 1800 COVERED, NEXT TO THE ZOLA PREDOSA PLANT FOR A TOTAL AMOUNT OF € 1.15 MILLION. THE NEW BUILDING ALLOWS MARZOCCHI TO INCREASE PRODUCTION CAPACITY AND IMPROVE OPERATIONAL EFFICIENCY
- IN JULY 2023 MARZOCCHI FINALIZED THE PURCHASE OF A SECOND PROPERTY OF ABOUT 3,100 SQUARE METRES, ADJACENT TO THE ZOLA PREDOSA PLANT, WHICH WILL ALLOW THE GROUP TO MOVE SOME SHIPPING WAREHOUSE ACTIVITIES CURRENTLY LOCATED IN THE CASALECCHIO FACILITY IN ORDER TO OPTIMIZE LOGISTICS AND GAIN OPERATIONAL EFFICIENCY

STEP 2 – INSTALLATION OF PHOTOVOLTAIC PANELS

- IT IS UNDER COMPLETION THE INSTALLATION OF PHOTOVOLTAIC PANELS IN THE NEW PLANT
- THIS INVESTMENT FURTHER ENHANCES MARZOCCHI COMMITMENT TOWARDS SUSTAINABILITY
- IT ALLOWS FOR IMPORTANT ENERGY COST SAVINGS AS SHOWN IN 1H 23 RESULTS
- MARZOCCHI “GREEN” APPROACH IMPLIES THAT FURTHER EXPANSION OF PRODUCTION CAPACITY WILL ENTAIL INSTALLATION OF NEW PHOTOVOLTAIC PANELS

"This is a very important step for Marzocchi Pompe, because it will allow us to start a process of space optimisation that will increase production capacity and improve operational efficiency. Furthermore, the installation of a photovoltaic system will allow, already in the short term, important energy savings and significant emission reduction, in line with the Group's ESG objectives " declared Gabriele Bonfiglioli, CEO of Marzocchi Pompe.



Marzocchi is present to all major global trade fairs in 2023

- ✓ **Bauma ConExpo India** – 31.01.2023
Mobile Exhibition - Hall 10, Booth L102



- ✓ **IFPE ConExpo Las Vegas** – 13.03.2023
World Mobile Exhibition – South Hall, Booth 81745

- ✓ **Hannover Messe** – 17.04.2023
World Fluid Power Exhibition – Booth H5.F18



- ✓ **Dritev Baden Baden** – 05.07.2023
Automotive Symposium - Main Hall

- ✓ **Perumin Arequipa** – 25.09.2023
Mining Exhibition – Hall 5



PTC ASIA 2023

24-27 October 2023
Shanghai New International Expo Centre
(Since)-China

- PTC - Power Transmission & Control 2023** – 24.10.2023
World Industrial Exhibition – Hall E3, Booth C2-1

- Agritechnica Hannover** – 12.11.2023
World Agriculture Exhibition – Hall 17, Booth E43



- CTI Berlin** – 05.12.2023
Automotive Symposium - Booth E7

1H 2023 Highlights & Outlook

- MARZOCCHI POMPE REPORTED RECORD HAL-YEAR RESULTS BOTH IN TERMS OF SALES AND PROFITABILITY, IN SPITE OF LESS BRIGHT MARKET VS. 2022 ON A GLOBAL BASIS.
- THE COMPANY KEEPS ON INVESTING BOTH TO IMPROVE PRODUCTION PROCESS AND EFFICIENCY AND TO EXPAND FURTHER ITS MARKET SHARE.
- IT CONTINUES TO EXPAND THE ZOLA PREDOSA PLANT, WHICH BY YEAR-END WILL ALLOW A FIRST SIGNIFICANT LOGISTICAL AND PRODUCTION OPTIMIZATION, THANKS TO THE TRANSFER OF THE SHIPPING WAREHOUSE FROM THE CASALECCHIO SITE.
- ON THE COMMERCIAL FOREFRONT, MARZOCCHI POMPE IS PARTICIPATING TO THE MAIN GLOBAL TRADE FAIRS OF THE SECTOR: BAUMA IN NEW DELHI (FEB.), CONEXPO IN LAS VEGAS (MAR.), HANNOVER MESSE (APR.), DRITEV IN BADEN BADEN (JUL.) AND FINALLY PERUMIN IN AREQUIPA (SEPT.). SHANGAI AND BERLIN WILL FOLLOW BY THE END OF 2023.
- IN AUGUST MARZOCCHI LAUNCHED THE ELIKA MODULAR PUMPS, WHICH CAN BE SUPPLIED IN SEPARATE ELEMENTS, SO THAT THE CUSTOMER CAN AUTONOMOUSLY COMPOSE A MULTIPLE ELIKA PUMP ACCORDING TO HIS SPECIFIC NEEDS. THIS RELEASE WILL FURTHER INCREASE THE LEVEL OF CUSTOMIZATION OF THE FINISHED PRODUCT, AS IS ALREADY THE CASE WITH TRADITIONAL PUMPS.
- THANKS TO ITS PROVEN FINANCIAL STRENGTH, MARZOCCHI POMPE ENJOYS CONSIDERABLE FINANCIAL AUTONOMY, WHICH ALLOWS IT TO PURSUE ITS INVESTMENT PROGRAMS TO FURTHER GROW. THE DIVERSIFICATION OF THE MARKET SEGMENTS IN WHICH THE GROUP OPERATES, SOME OF WHICH ARE EXPERIENCING SIGNIFICANT GROWTH, OFFERS THE OPPORTUNITY TO CONTINUE THE COMMERCIAL PENETRATION AIMED AT CONSOLIDATING ITS LEADERSHIP POSITION IN THE MARKET. THE RESULTS OBTAINED ALSO DURING THIS FIRST HALF OF 2023 CONFIRM THE VALIDITY OF THIS STRATEGY.



Sustainability

ESG Achievements confirm strong commitment towards Sustainability

- **Sustainability Report** — Marzocchi has started a process of analysis aimed at identifying methods and timing for this activity, in order to improve its footprint to enhance value creation

- **Marzocchi Certifications**



- **ESG Score by**



1.35



1.10



1.38



1.10

4.93 = BBB

Environmental
Policies

Ethic Code

ESG Achievements: Strong commitment towards Sustainability (2/2)

New «Green» Projects in 2023

- **Treedom Forest** — In February Marzocchi launched the creation of the “*Marzocchi Pompe Forest*”, giving away the first 300 trees to its employees
 - This project will not only bring a contribution to carbon dioxide reabsorption but, being composed of fruit trees donated to the local community (in Africa, South America and Asia), it will also have a positive impact for the latter in social terms
 - The size of Marzocchi Forest will be expanded in the years to come
- **Photovoltaic panels for the recently bought Zola Predosa Plant** - This new facility aims at increasing Marzocchi production capacity at the same time improving its operational efficiency
 - The renovation work includes the installation of photovoltaic panels to supply “green energy” to Marzocchi production processes
 - The investment has an estimated payback of 3.5 years



A brand new Security Operation Center

- In March 2022 Marzocchi Pompe, in partnership with Yarix, finalized a C SOC + Cynet project
- Marzocchi's *Cognitive Security Information Center* C SOC will operate the:
 - H24x7x365 monitoring of company networks
 - Physical and Biometric Security of last generation
- *Cynet* tasks are:
 - Monitoring & Control
 - Attack Prevention & Detection
 - Response Orchestration





Market & Competitive Positioning

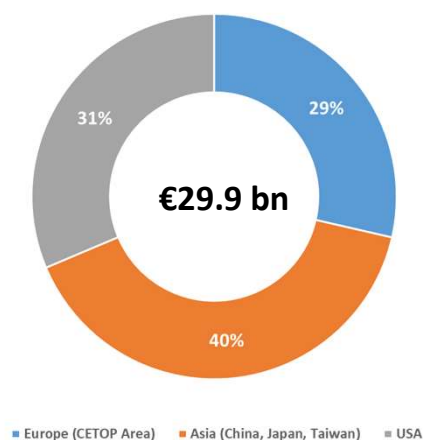
Fluid Power market and growth forecasts

The Fluid Power market is made up by the hydraulic segment and the pneumatic segment. In Asia, Europe and USA the Fluid Power *home*¹ market went from Euro 25.7 billion in 2000, to around Euro 41.5 billion in 2020 of which Euro 29.9 billion (72%) stemming from the hydraulic sector, and Euro 11.6 billion (28%) from the pneumatic sector (Source: ISC² – 2020 – International Fluid Power Statistics – date of publication: 10 December 2021).

In Italy, the Fluid Power market in 2020 was estimated to be around Euro 1.9 billion, of which Euro 1.2 billion (63%) stemming from the hydraulic sector, and Euro 0,7 billion (37%) from the pneumatic sector. (Source: Assofluid – Il Fluid Power in Italia, Rapporto di settore 2020).

Below is given a geographic breakdown of the *home* hydraulic market, estimated by ISC, and the weighted growth forecast for the hydraulic end-use markets, published by Oxford Economics.

Hydraulic market – geographic breakdown



Source: CETOP³– ISC Statistics 2020

Note (1) The *Home Market* concept is used, as explained by CETOP on the report *European Fluid Power Directory 2017/2018*, for the market estimates in order to cover all of the fluid power market, and not exclusively that segment covered by companies which are part of the organization. For statistic's sake, the country where the product was built is irrelevant, while the country where the product was sold is considered.

Note (2): ISC - International Statistics Committee project has the objective of providing comparable information on Fluid Power markets in Europe, USA and Asia.

Note (3) CETOP - *European Fluid Power Committee* – is an organization of associations present in 17 European countries and representing more than 1.000 companies operating Fluid Power, representing 80 to 90% of the country's industry, most of the times.

Hydraulic end - use markets' forecasts

Weighted growth forecasts for key fluid power end use markets						
(Annual percentage changes unless specified)						
	2020	2021	2022	2023	2024	2025
Hydraulic end-use markets						
North America	-7.8	14.7	5.3	2.8	2.6	2.2
South America	-9.7	28.7	4.9	4.6	4.1	3.3
Europe	-13.8	13.5	6.1	2.3	1.2	1.1
Asia	-3.2	11.4	6.3	3.4	2.7	2.2
Middle East and Africa	-12.8	12.8	5.1	2.9	2.5	3.4
World	-5.8	14.8	5.4	2.9	2.4	2.0

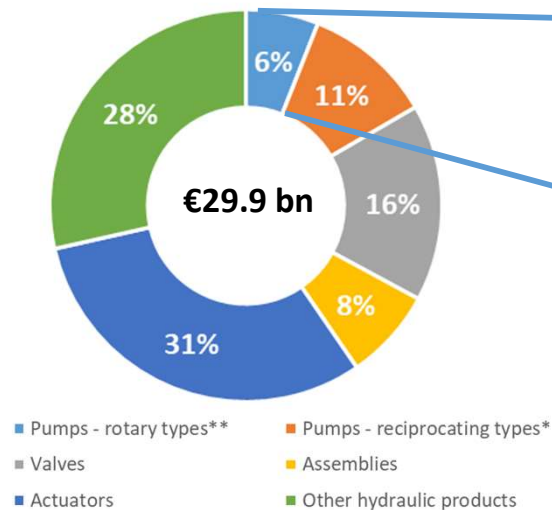
Notes: World and regional aggregates consist of the 21 countries included within the analysis

Source: Oxford Economics – National Fluid Power Association, Forecast of End-Use Markets- Winter 2021

Focus on hydraulic pumps' market

Within the Hydraulic *home*¹ market, the pumps' segment is estimated by ISC to be around Euro 4.9 billion in 2020 (17%), of which Euro 3.2 billion (11%) coming from the reciprocating pumps' segment (axial and radial piston pumps) and Euro 1.8 billion (6%) from the rotary pumps' segment (gear, vane, orbital, screw and other types of pumps). Focusing on the rotary pumps sector, in which MP operates, USA stands out as the main marketplace with around Euro 0.738 billion (41.2%) activity, followed by Asia, with Euro 0.730 billion (40.8%), and Europe with Euro 0.324 billion (18%).

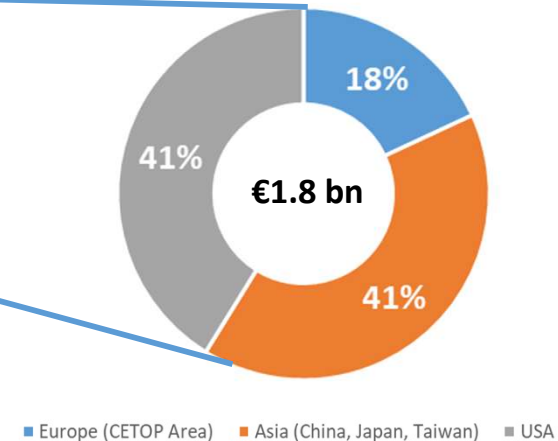
Hydraulic market - breakdown per product



* Reciprocating types: axial and radial piston; ** Rotary types: gear, vane, orbital, screw and other types

Source: CETOP³ – ISC Statistics 2020 – International Fluid Power Statistics

Rotary pumps' global market



Source: CETOP³ – ISC Statistics 2020 – International Fluid Power Statistics

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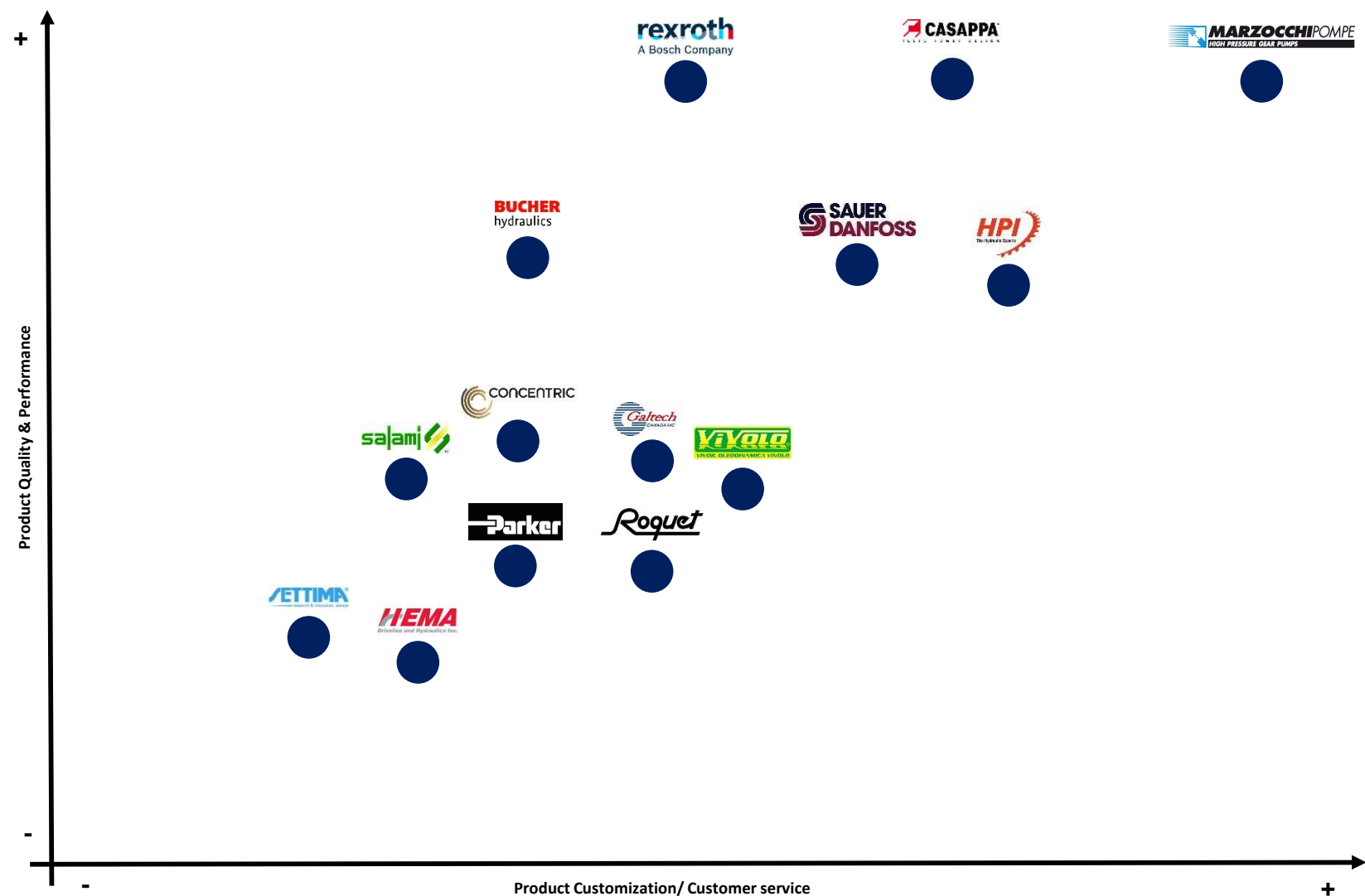
Competitive positioning

Characteristic Company	Quality & Performance	Customer service	Gear Pumps Range	Fluid Power Range	Customization	Competitiveness vs Price	Quality vs Price
Marzocchi Pompe	High	High	High	Medium - high	High	Medium	High
Bosch Rexroth	High	Medium - high	High	High	Medium - high	Medium	High
Bucher	Medium - high	Medium	Medium - high	Medium - high	Medium	Medium - high	Medium
Casappa	Medium - high	Medium	High	Medium - high	Medium - high	Medium - high	Medium - high
Concentric	Medium	Medium	Medium - high	Medium - high	Medium	Medium	Medium
Galtech/Interpump	Medium	Medium	Medium - high	Medium - high	Medium	Medium - high	Medium - high
Hema / DB	Medium - high	Medium - high	Medium	Medium - high	Medium	High	Medium - high
HPI / JTech	Medium - high	Medium - high	Medium - high	Medium - high	Medium	Medium	Medium
Parker	Medium	Medium	Medium - high	High	Medium - high	Medium - high	Medium
Roquet	Medium	Medium	Medium	Medium - high	Medium	Medium - high	Medium - high
Salami	Medium	Medium - high	Medium	Medium - high	Medium	Medium - high	Medium
Turolla/Sauer Danfoss	Medium - high	Medium - high	Medium - high	Medium - high	Medium	Medium - high	Medium - high
Settima	Medium - high	Medium - high	Medium - high	Medium - high	Medium - high	Medium - high	Medium
Vivoil	Medium	Medium	Medium - high	Medium - high	Medium	Medium	High

Source: Marzocchi Pompe SpA management estimates

Legend: High Medium - high Medium Low

Leadership in external gear pumps market



Source: Marzocchi Pompe SpA
management estimates



Back up

MP core business: manufacturing of external gear pumps and motors

- The pumps have the function of transferring the fluid from a tank to an actuator within an oil-hydraulic circuit. (for example a cylinder that drives the shovel of an excavator). This transfer from the suction circuit to the delivery circuit occurs through the rotation of the two toothed wheels (the so-called "gears") inserted in the pump body, which is realized through the coupling with an endothermic motor or an electric motor. The oil that is transferred is located between the teeth compartments of the gear wheels and the pump body. The pressure that is created in the flow circuit downstream of the pump is proportional to the load determined by use.
- MP produces external gear pumps with straight teeth with an involute profile and helical rotor pumps with a conjugate profile. Both are part of the group of pumps called "volumetric", to which vane pumps, internal gear pumps and screw pumps also belong. The piston pumps also belong to the same category, which differ from the previous ones for the alternative movement instead of the rotary one.
- The gear motor is the actuator that transforms the hydraulic energy supplied by the pump into mechanical energy, creating a rotary motion with a defined number of revolutions and supplying a certain torque to the shaft on which mechanical systems such as fans and pulleys are connected.

Range of external gear pumps and motors by MP



Automotive customization

Regarding the micro-hydraulics (displacements starting from 0.12 cc per revolution) the Company has created customizations specifically for the automotive sector based on the needs and requirements of its customers



Focus on Elika product

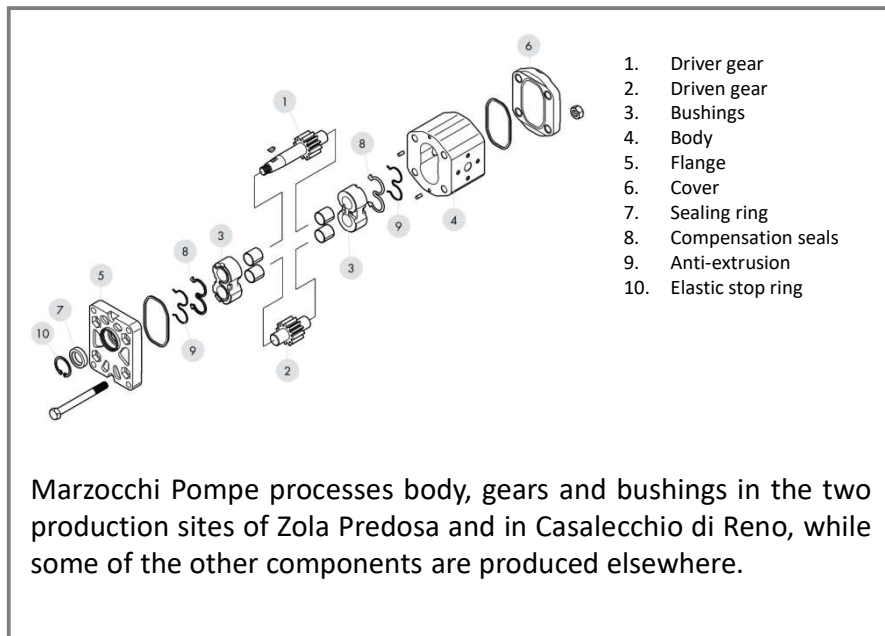
Elika is a helical toothed gear pump with a hydraulic system for balancing axial forces. It is a low noise and high efficiency product developed and patented by MP



Overview of pump composition and application examples

The pumps are composed of the following main parts: body, flange, cover and bushings in aluminium, and gears (driving and driven wheel) in steel. For some types of products, the flange and the cover can be made out of cast iron. Further components can also be integrated (for example valves), which vary depending on the type of product and customization requirements by the customer.

Basic pump components



Examples of application of MP products

Industrial

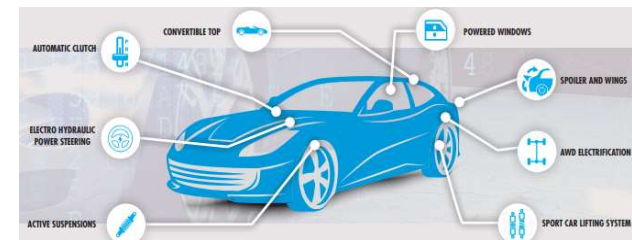


Mobile



In the mobile segment, the ELIKA product received the «Technical Reporting» award during the last Eima, one of the most important agricultural machinery fairs worldwide.

Automotive



Product applications



Medical equipment

Actuators for surgical tables, diagnostic equipment, latest-generation stretchers, dental chairs: in general, for small medical equipment, where reliability and silence are necessary.



Industrial

Fixed applications (eg presses, machine tools, etc.) that require hydraulic power units with high performance levels. This sector was among the first that the company positioned itself in.



Agricultural machinery

Even in agricultural machinery there is an important evolution in terms of hydraulic systems. Increasingly high performance and low noise levels are required.

MICRO-HYDRAULICS



Micro-hydraulics

MP is specialized in the production of very low displacement pumps, which require a high technological level to obtain high efficiency standards.



Machinery and equipment for *material handling*

Even for these type of machines, very often used inside production facilities, low noise levels are increasingly required in addition to high efficiency standard.



Marine

There are many pump applications in the nautical sector: movable bulkheads, thrusters, opening and closing valves, flap drives, boarding and disembarking ladders, piloting systems.



Gardening machines

In this type of application it is essential that oil-hydraulic pumps and motors guarantee the complete absence of contamination.



Construction machinery

Extreme flexibility in terms of interface versions (shafts, ports, flanges, etc.) and very high reliability are the features required by this market.



Means of transport

Brake systems for trams and city trains as well as for airport vehicles. In a world that makes mobility an irreplaceable necessity, products that guarantee the highest level of reliability and safety are in high demand.



Municipality

Municipality issues require a very wide range of products, all with maximum reliability.



Automotive

Even in electric cars, small displacements gear pumps are increasingly used in many applications such as: powertrain, power steering, attitude regulators (with PPM of defectiveness tending to zero).



New energy sources

In these applications, such as wind and solar, the compatibility with the environment is of fundamental importance.

Technological innovation and quality standards

The Group's business model is focused on the design, production and marketing of high-performance external gear pumps and motors. The Company manufactures almost all the main components within its own production sites and uses the historical brand “Marzocchi Pompe”, which is highly recognizable in the sector.

Automated and highly innovative production process

- Technologically advanced production process with a high degree of automation
 - Strategic phases of the production process entirely managed in house
 - Internal department dedicated to the design and production of equipment and machinery for the internal production needs
 - Application of the concepts of lean production, with the aim of maximizing efficiency while minimizing stocks
-

Continuous product and process innovation

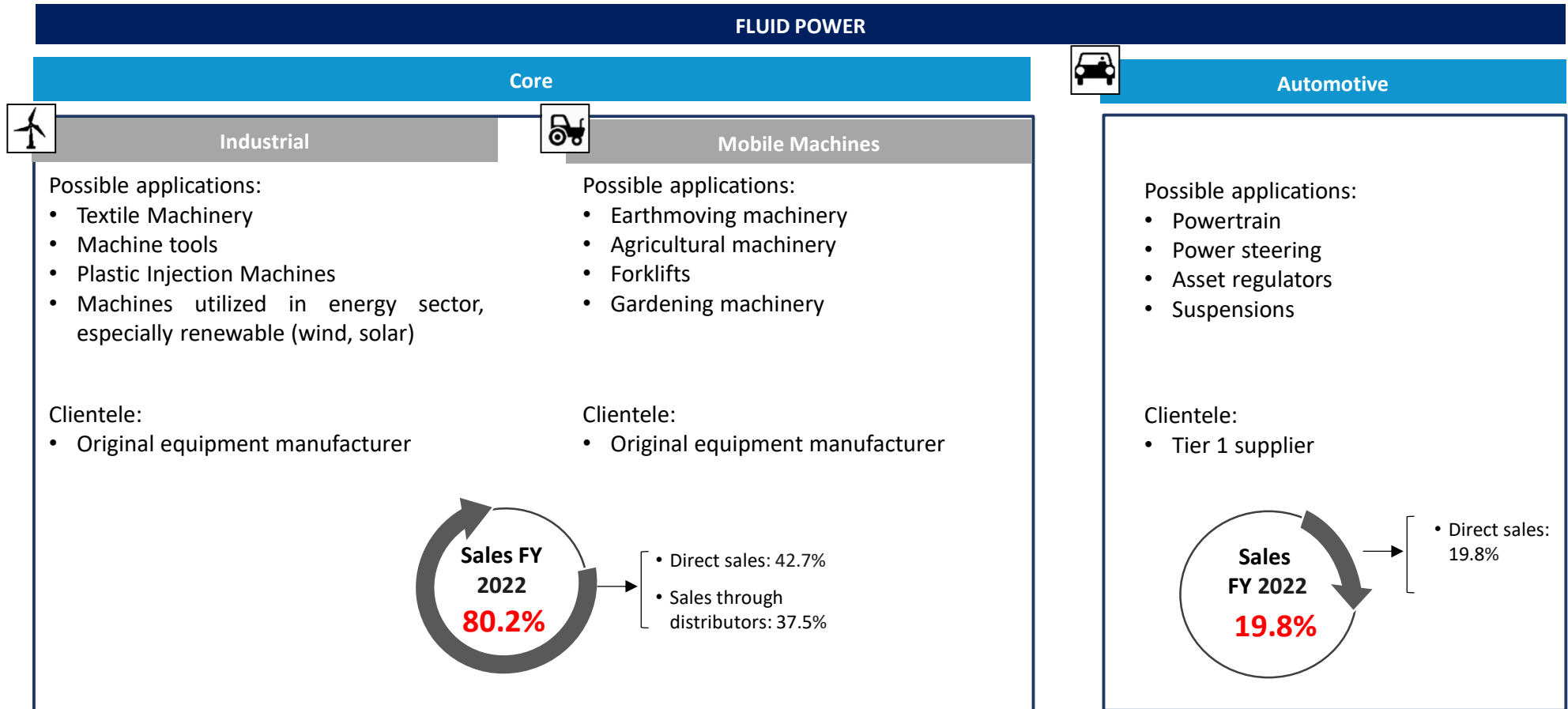
- Continuous product development to meet the increasing market requirements, in terms of silence and efficiency . In particular, the R&D activity has allowed Marzocchi Pompe to stand out for:
 - its wide range of products' cubic capacities (from 0.12 cc to 200 cc)
 - the high performances of its products, with particular reference to the micro hydraulics field (displacements starting from 0.12 cc)
 - the patented ELIKA product, low noise pump, high efficiency even at low speed and flow rate regularity due to low pulsations
-

Focus on quality and excellence

- *Made in Italy* product
- High quality standards
- IATF 16949 (formerly ISO TS) certifications (required for the supply of Automotive customers) and ISO 14001 for the plant in Zola Predosa (BO), and ISO 9001 for the plant in Casalecchio di Reno
- 100% qualified product ensured by a test carried out on specifically designed test benches

Target markets

Core market revenues include Industrial and Mobile machines applications and represent 80.2% of total 2022 revenues, including sales to distributors/*sales network*, which alone contribute to 37.5% of MP's total sales^(*)



^(*) The industrial and mobile machines sectors are served by MP both directly, through direct sales, and indirectly, through a distributors' channel/external sales network; the share of sales registered from the sales network can't be attributed to either sector, industrial or mobile machines

Main client composition

- The company benefits from a diversified client base for the Industrial and Mobile machine sectors, having their top 3 clients making up only 9.7% of sales and the top 10 representing 19.6%. The Automotive sector, on the other hand, has fewer clients making up for most of its sales. In total, the company has more than 800 active clients
- The following table reports the weight on consolidated revenues of the top 3 and 10 clients for both sectors (Industrial & Mobile and Automotive, accounting for 80.2% and 19.8% of total sales, respectively) according to the financial year's consolidated data of Dec. 31st 2022

Overview weight % top clients¹

	Industrial & Mobile ²		Automotive	
	Revenues 2022	%	Revenues 2022	%
Top 3	4.73 mln	9.7%	9.61 mln	100,0%
Top 10	9.50 mln	19.6%	9.61 mln	100,0%
Total	38.90 mln	100.0%	9.61 mln	100,0%

Note (1): Consolidated data.

Note (2): Revenues from distributors' included.

93% of automotive's revenues are made from sales to only one client, with whom MP subscribed, on October 2014, a multi-year contract expired on December 31st 2022 but **this contract has been renewed until 2034** and guarantees the supply of micro-pumps by MP, with the following clauses:

- Minimum order volume, with penalties for violation of amount
- Pre-established price, mainly based on volumes ordered
- Price-adjustment according to previously established mechanisms, based on current raw materials' prices

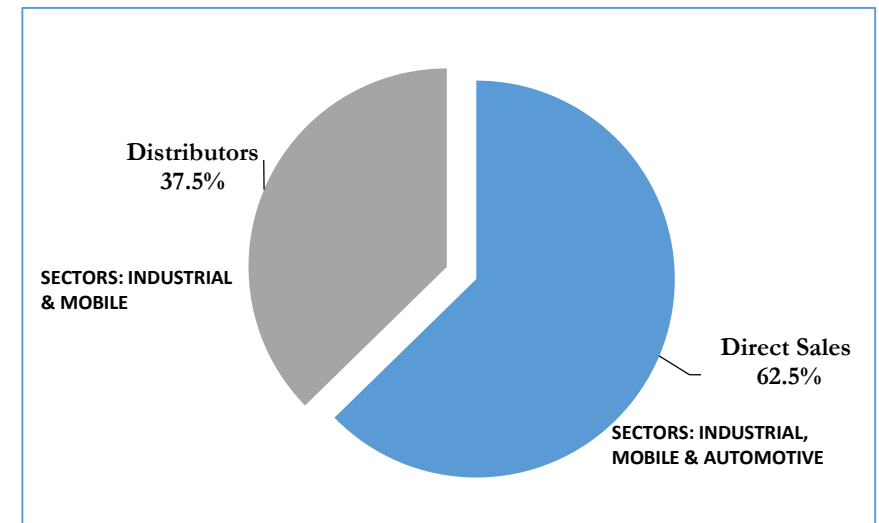
Global distribution network

Marzocchi Pompe relies on an international distribution network present in **over 50 countries**. Products are distributed through various channels, such as direct sales, distributors, sales¹, American branch operations and Chinese branch operations

Distribution network's highlights

- Direct sales and sales through distributors, covering the global market (excluding North America and Far East), are managed by a dedicated internal salesperson, namely the Area Manager. There are currently 4 Area Managers operating:
 - 1 Area Manager for the Industrial sector
 - 1 Area Manager for the Mobile machinery sector
 - 1 Area Manager for the Distributors' operations
 - 1 Area Manager responsible for the Italian market, coordinating a network of 7 salesmen
- Direct influence on U.S. and Far East markets through the branches Marzocchi USA and Marzocchi Symbridge
- Renowned and large international network of distributors and re-sellers, selected based on their medium-high positioning, outstanding product quality, and high visibility of sold brands

2022 sales breakdown per selling channels*



*Consolidated data FY2022

Nota (1): the term "distributors" describes those subjects that purchase MP's products and then re-sell them, establishing a prolonged business relationship with the company

Investment highlights

Large target market experiencing growth

- The Hydraulic market is large, estimated to be around Euro 8.6 billion in 2020 in Europe (Source: CETOP) and Euro 1.9 billion in 2020 in Italy (Source: Assofluid)
- Evidence of upward trend of Italian hydraulic market in the 2009-2018 period, with a 15.2% decrease in production from 2019 to 2020 due to the Covid-19 pandemic

Wide range of product applications

- Countless possibilities in terms of MP pumps' and motors' applications, thanks to the company's versatility and product personalization options

Business model geared towards innovation

- Production process relies on high-tech machinery and extensive use of automation
- Internalization of strategic production process, guaranteeing constant monitoring and high-quality standards
- Continuous product innovation, as it can be seen with ELIKA, one of MP's pumps covered by two patents, which stands out for its outstanding technological level that allows it to produce low noise emissions and low pulsations, but has high efficiency

High profitability and cash flow generation

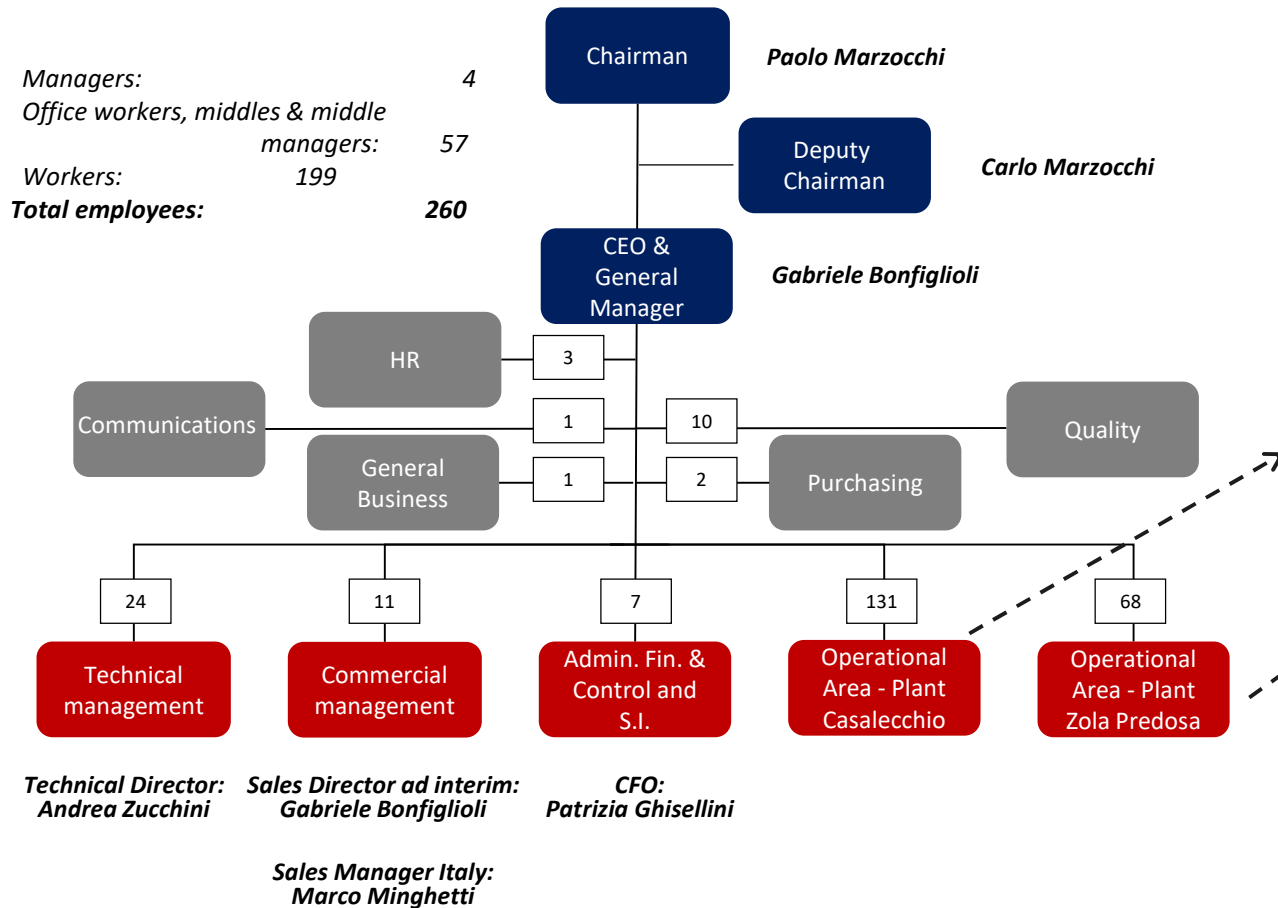
- EBITDA margin at 16.4% in 2021, strongly improved vs. 2020 (12.2%) and 2019 (14.4%), and close to the 16.9% for the period 2016-2018 (pre-Covid levels) – *2018 Adjusted*
- High net cash flow (1.4M€ in 2021) allowing for further decrease in Net Debt with a comfortable NFP/EBITDA of 1.1x

Esteemed execution capabilities

- Renowned production ability for customized products
- High standards on quality, reliability and product performance
- Highly responsive customer service, and competent assistance in pre- and post-order phases

Organizational structure and production sites

- Marzocchi Pompe can count on a team of professionals with consolidated experience. As of the 1st of January 2023 the workforce consists of **260 resources** (of which 245 are permanent employees), with an heterogeneous background of professional skills that strengthens the efficiency of the work team. The resources operate in two production sites, directly owned by the company, located in Casalecchio di Reno (BO) and Zola Predosa (BO).
- To this date, MP can be defined as a true "pocket multinational", meeting the best standards of Made in Italy and excellence.



Casalecchio di Reno (BO)



- Covered area 6.726 sqm
- Pumps produced in 2022: 525.457

- Historic and main production site dedicated to the processing of aluminium components and to the assembly and testing of non-automotive pumps

Zola Predosa (BO)

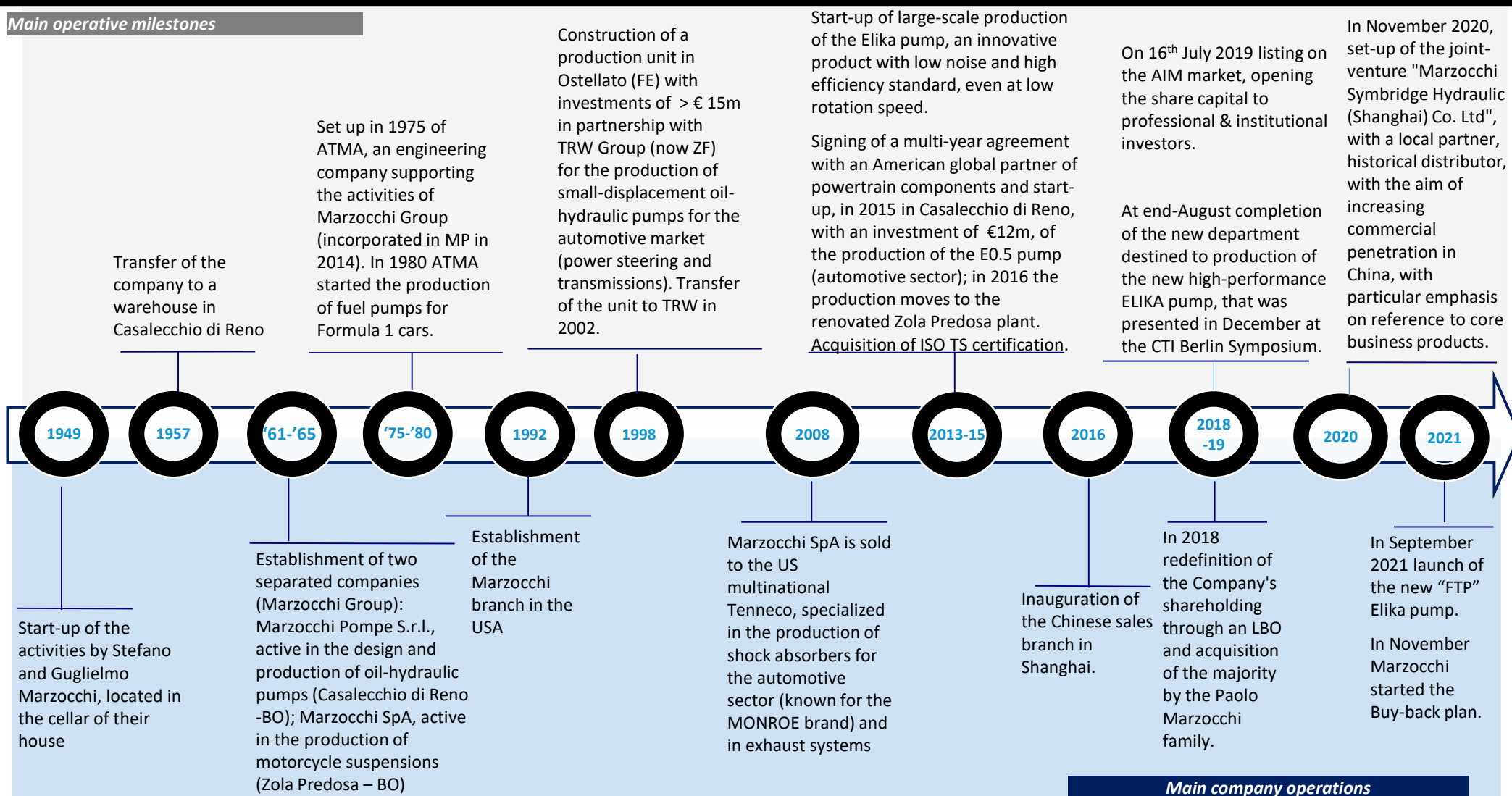


- Covered area 9.648 sqm
- Pumps produced in 2022: 487.033

- Factory dedicated to the production of gears and assembly and testing of automotive pumps

History

Main operative milestones



Consolidated Profit & Loss

<i>Eur 000</i>	30-Jun-23		30-Jun-22	
Sales Revenue	26,626	100%	25,502	100%
WIP changes	317		(218)	
Other revenues	511		435	
PRODUCTION VALUE	27,455		25,719	
Raw material consumption	(6,872)	(25.5%)	(6,548)	(25.9%)
Service costs	(7,225)	(26.8%)	(7,077)	(28.0%)
Costs for use of third-party goods	(185)	(0.7%)	(182)	(0.7%)
Various operating costs	(273)	(1.0%)	(224)	(0.9%)
VALUE ADDED	12,899	47.87%	11,690	46.23%
Staff costs	(7,944)	(29.5%)	(7,841)	(31.0%)
EBITDA	4,955	18.39%	3,849	15.22%
Depreciation and amortization	(1,881)	(7.0%)	(2,279)	(9.0%)
Accounting for contingencies	0	0.00%	(300)	(1.2%)
OPERTING PROFIT (EBIT)	3,074	11.41%	1,269	5.02%
Financial income and changes	(359)	(1.3%)	(23)	(0.1%)
Financial value adjustments	(27)	(0.1%)	10	0.04%
EARNINGS BEFORE TAX	2,688	9.98%	1,256	4.97%
Income tax of the year	(585)	(2.2%)	(330)	(1.3%)
NET INCOME	2.104	7.81%	926	3.66%

(National accounting standards + IAS 17)

Consolidated Balance Sheet

<i>Eur 000</i>	30-Jun-23	31-Jun-22
A) NET FIXED ASSETS	16,811	17,512
Intangible fixed assets	911	1,065
Tangible fixed assets	14,464	14,907
Financial fixed assets	1,436	1,540
B) NET WORKING CAPITAL	15,498	13,518
Inventories	14,235	14,008
Assets intended for sale	0	0
Advances from customers	(33)	(199)
Trade receivables	9,254	8,376
Other receivables	2,075	2,092
Trade payables	(5,823)	(6,671)
Other payables	(3,674)	(3,592)
Provisions for risks and charges	(1,100)	(1,454)
Other assets/liabilities	564	958
C) GROSS INVESTED CAPITAL	32,309	31,030
D) EMPLOYEE SEVERANCE PAY	(1,398)	(1,525)
E) NET INVESTED CAPITAL	30,911	29,505
Covered by		
F) NET EQUITY	(22,386)	(21,400)
G) NET FINANCIAL POSITION	(8,525)	(8,105)
Medium/long-term financial payables	(14,078)	(10,320)
Short-term financial payables	(5,352)	(4,712)
Cash and cash equivalents	10,905	6,927
H) TOTAL HEDGES	(30,911)	(29,505)

(National accounting standards + IAS 17)

Consolidated Cash Flow Statement

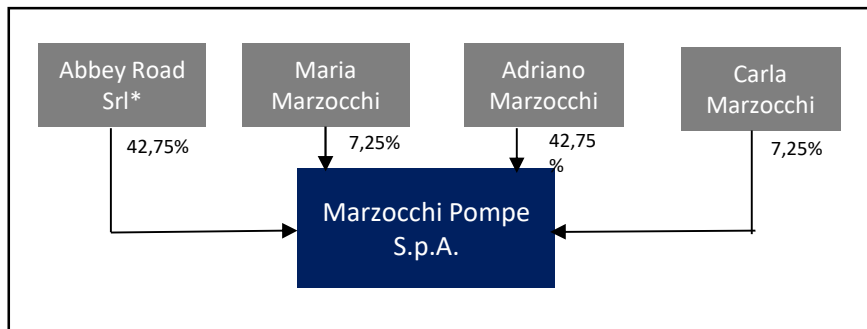
<i>Eur 000</i>	30-Jun-23	31-Dec-22	30-Jun-22
Operating profit [EBIT]	3,074	2,714	1,269
Tax effect	(585)	(618)	(330)
Change in funds	(481)	(143)	192
Provisions and write-downs	1,881	4,843	2,279
Income cash-flow	3,889	6,796	3,410
Change in working capital			
Inventories	(227)	(1,887)	(958)
Trade receivables	(1,044)	(486)	(2,976)
Other receivables	17	588	30
Payables to suppliers	(848)	(831)	(800)
Other payables	477	(562)	(164)
Changes in working capital	(1,626)	(3,178)	(4,867)
Operating Cash Flow (Free cash flow)	2,263	3,618	(1,456)
Net tangible & intangible investments	(1,283)	(3,118)	(163)
Change other fixed assets	103	101	(161)
Financial value adjustments	(27)	50	10
Cash flow from investing activity	(1,207)	(2,967)	(313)
Financial charges/income	(359)	(184)	(23)
Share capital increases/(decreases)	0	0	0
Other equity changes	(1,118)	(734)	(450)
Cash flow from financial activities	(1,477)	(918)	(473)
Net cash flow	(420)	(267)	(2,242)
Start-of-period cash or (exposure)	(8,105)	(7,838)	(7,838)
End-of-period cash or (exposure)	(8,525)	(8,105)	(10,080)
Net cash increase (decrease)	(420)	(267)	(2,242)

(National accounting standards + IAS 17)

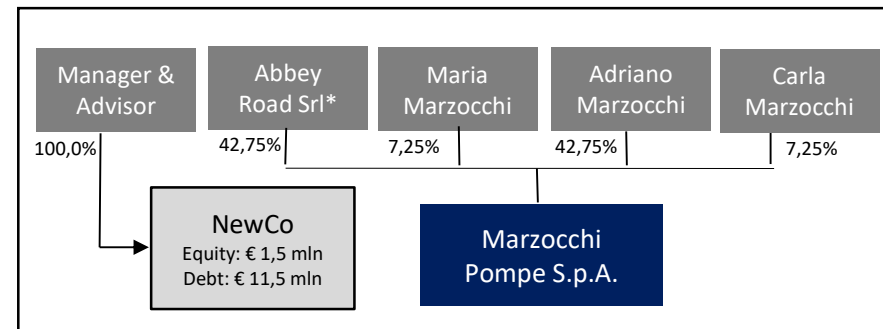
Focus on family and management Buy-out

During 2018 the company underwent a restructuring procedure that modified the shareholding structure. As of today, the company is owned by Paolo Marzocchi. The operation was completed through the creation of a financial debt with Banca di Bologna, which allowed the release of some shareholders and ease the access of a new group of shareholders formed by the company's managers and a third partner, Crosar Capital, advisor of the operation and of the subsequent IPO.

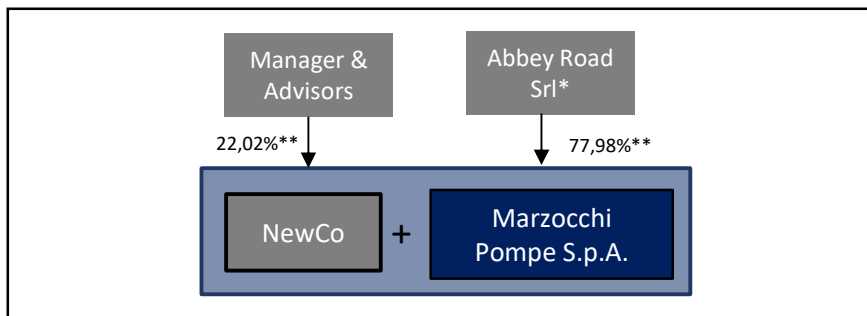
1 Shareholding Marzocchi Pompe pre-LBO



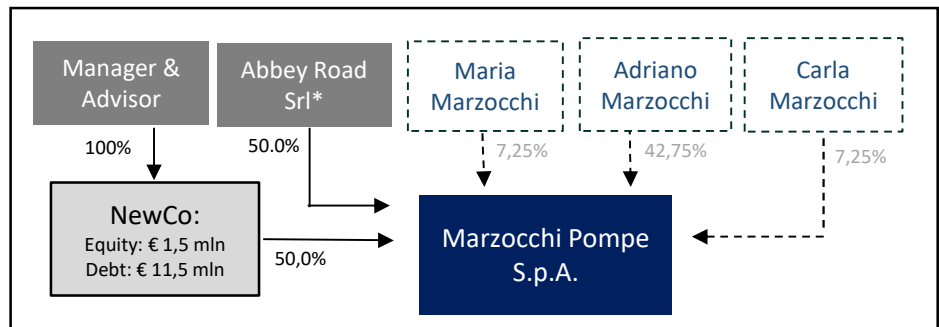
2 Management and advisor create a NewCo for the acquisition of Adriano and Carla Marzocchi's shares (42,75%+7,25%) with Euro 13 mil (Equity + Debt)



4 NewCo reverse merge into Marzocchi Pompe



3 NewCo acquires 50% of MP from Adriano and Carla Marzocchi for Euro 12,5 mil; Paolo Marzocchi acquires 7,5% of MP from Maria Marzocchi



*Abbey Road Srl is owned by Paolo Marzocchi (99,5%) and his nephew Marco Camorani Scarpa (0,5%)

** 89% of Marzocchi Pompe SpA shares is pledged to Banca of Bologna

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