

Press release

## Board of Directors of Emak S.p.A.

### Approved consolidated results for the first quarter 2020

**Revenues from sales: € 118 million** compared to € 122.4 million in the first quarter 2019.

**EBITDA: € 13.9 million** compared to € 14.1 million in the first quarter 2019.

**EBIT: € 8.4 million** compared to € 9 million in the first quarter 2019.

**Consolidated net income: € 3.8 million** compared to € 6.1 million in the first quarter 2019.

**Net negative financial position: € 180.7 million** compared to € 164.4 million at 31 March 2019 and € 146.9 million at 31 December 2019.

### Approved exercise of Put option on 30% of the Cifarelli shareholding

*Bagnolo in Piano (RE), 13 May 2020* – The Board of Directors of **Emak S.p.A.**, (MTA– STAR), parent company of one of world major groups working in the sectors of outdoor power equipment, pumps and water jetting, and of the related components and accessories has approved the results for the first quarter 2020.

#### CONSOLIDATED RESULTS FOR THE FIRST QUARTER 2020

Emak Group achieved in the first quarter **consolidated revenues of € 118 million**, compared to € 122.4 million of the same period of last year, a decrease of 3.6%. This decrease is due to the negative exchange rate effect by 0.3% and an organic decrease of 3.6%, only partially offset by an increase of 0.3% deriving from the change in the consolidation area.

**EBITDA (\*)** amounts to € 13.9 million (11.8% of revenues) compared to € 14.1 million of the same period 2019 (11.6% of revenues). The result for the quarter was negatively impacted by the drop in sales volumes (following the spread of the Covid-19 virus and the operating restrictions that followed) and benefited from a positive mix and a containment of operating costs.

**EBIT** amounted to € 8.4 million, in spite of € 9 million of the same period of last year.

**Net income** for the first quarter 2020 is € 3.8 million, against € 6.1 million of the same period 2019. The result was negatively impacted by exchange rate management, which was mainly affected by the trend of South American currencies, with the recording of significant losses due to the adjustment of local debts in other currencies at the end of the period.

**Free cash flow from operations (\*)** is € 9.4 million, compared to € 11.2 million of the first quarter 2019.

**Consolidated net equity** at March 31, 2020 is € 211.6 million compared to € 211.5 million at December, 31 2019.

**Net negative financial position** stands at € 180.7 million compared to € 164.4 million at 31 March 2019 and € 146.9 million at 31 December 2019. The figure at 31 March 2020 includes the effect of applying the accounting standard IFRS 16 for €29.9 million and € 17.4 million of debts for commitments relating to the purchase of residual minority interests. The change compared to 31 December 2019 is due to the **investments in tangible and intangible assets** made during the first quarter 2020 amounting to € 3.2 million, the change in the scope of consolidation for € 3.5 million following the acquisition of Markusson, the purchase of an additional 3% stake in Agres for € 0.2 million as well as the increase in net working capital related to the seasonality of the business.

## **Outlook**

After a positive start in the first two months of the year, the effects of the pandemic starting from the month of March impacted on demand in our sector, leading to a 3.6% decrease in turnover for the Group in the first quarter.

After the end of the quarter, the progressive adoption of increasingly restrictive measures was reported, which led many countries in the world to enter into lockdown, with uncertainties about demand in the coming months.

In response to this situation, the Group adopted a timely action plan starting from March with the establishment of Covid Committees in all companies to monitor the evolution of the health emergency with the utmost attention, ensure health and safety of its collaborators in line with the measures adopted by the government authorities of the various countries, and at the same time mitigating the economic-financial impact.

In particular, the Group has focused on managing liquidity risk, applying the following strategies:

- Maintaining adequate amounts of credit lines
- Access to new funding;
- Request for suspension of repayments on loans outstanding with banks, maturing in 2020
- Increased controls to monitor the solvency of the counterparties and compliance with the contractually agreed payment deadlines
- Reduction of operating costs;
- Remodelling of the investment plan.

In order to support the Group's capital solidity and not to preclude the possibility of resorting to the facilitated conditions of access to credit, the Shareholders' Meeting of 29 April 2020 approved the proposals of the Board of Directors to allocate the profit for the year 2019 in reserve and to revoke the authorization to purchase and dispose of treasury shares, without renewing it.

Management believes that the application of these strategies will allow the group to better manage short-term cash needs.

As of May, the Group companies are all operational. Order entry in the first days of May is picking up.

The scenario, at present, remains influenced by the changing conditions due to the continuous evolution of the health emergency

The outlook for the year therefore remains uncertain and difficult to quantify: much will depend on the times and ways in which the different countries will emerge from the emergency and the activities will return to normal.

## **APPROVED EXERCISE OF PUT OPTION ON 30% OF THE CIFARELLI SHAREHOLDING**

The Board of Directors, also taking into account the current market context, also resolved to exercise the Put option on the participation of 30% of the share capital of Cifarelli on the basis of the provisions contained in the agreement signed on 1 August 2016. The effective exercise of the option will take place in June, once the formalities provided for in the contract have been completed. The estimated value of the option is between € 3.2 million and € 3.5 million.

## **ORGANIZATIONAL EVOLUTION OF THE OUTDOOR POWER EQUIPMENT DIVISION**

Stefano Slanzi, General Manager of the Outdoor Power Equipment division, will leave the Group as of the end of August 2020, having reached retirement age. His powers will be taken over by Luigi Bartoli, CEO of the division.

*"I want to thank Stefano for his continuous commitment and his precious contribution in all these years. I wish him the best for the future."* says Fausto Bellamico, President and CEO of the Emak Group.

## **PARTICIPATION AT VIRTUAL STAR CONFERENCE, MILAN 2020**

Top management will present the results during the meetings with the financial community at the Star Conference organized by the Italian Stock Exchange on 26 and 27 May 2020. The presentation that will be used will be available on the website of the company and the storage mechanism eMarket Storage before the event begins.

**(\*) Alternative performance indicators**

Below are presented the criteria used for the construction of key performance indicators that management considers necessary to the monitoring the Group performance.

- EBITDA: calculated by adding the items "Operating result" plus "Amortization, depreciation and impairment losses".
- FREE CASH FLOW FROM OPERATIONS: calculated by adding the items "Net profit" plus "Amortization, depreciation and impairment losses".
- NET FINANCIAL POSITION: It is obtained by adding the active financial balances and subtracting the passive financial balances, as well as identified according to the criteria of the Esma (according to Consob communication no. 6064293 of 28 July 2006).

The highlights from the consolidated accounts of the Group at March 31, 2020 are attached to the present press release.

Pursuant to the law, the interim report at March 31, 2020 and this press release are available to the public at the Company's registered office, on the company website [www.emakgroup.it](http://www.emakgroup.it), in the "Investor Relations" section and on the storage mechanism eMarket Storage ([www.emarketstorage.it](http://www.emarketstorage.it)).

Aimone Burani, the executive responsible for the preparation of the corporate accounting documents, declares and certifies in accordance with article 154 bis, paragraph 2, of the Consolidated Finance Act, that the financial statements contained in the present press release correspond to the underlying accounting documents, records and accounting entries.

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*Emak Group develops, produces and distributes a wide range of products in three business areas: (i) outdoor power equipment, which includes products for gardening, forestry and agriculture such as trimmers, lawn mowers, garden tractors, chain saws, tillers, rotary tiller; (ii) pumps and high pressure water jetting including products (a) for agriculture as centrifugal and diaphragm pumps for spraying and weeding; (b) for industry, including industrial pumps, high and high pressure systems and urban cleaning equipment; (c) for cleaning, as professional and semiprofessional high pressure washers, floor scrubbers and vacuum cleaners; (iii) components and accessories for the abovementioned sectors, the most representative of which are line and heads for trimmers, accessories for chain saws (i.e. sharpeners), guns, nozzles and valves for high pressure washers and agricultural applications, precision farming (sensors and computers).*

## Highlights of the consolidated financial statement broken down by operating segment for the first quarter 2020

	OUTDOOR POWER EQUIPMENT		PUMPS AND HIGH PRESSURE WATER JETTING		COMPONENTS AND ACCESSORIES		Other not allocated / Netting		Consolidated	
	31.03.2020	31.03.2019	31.03.2020	31.03.2019	31.03.2020	31.03.2019	31.03.2020	31.03.2019	31.03.2020	31.03.2019
<b>€/000</b>										
Sales to third parties	40,867	44,247	46,932	49,138	30,168	28,972			117,967	122,357
Intersegment sales	291	535	540	731	2,521	2,384	(3,352)	(3,650)		
Revenues from sales	41,158	44,782	47,472	49,869	32,689	31,356	(3,352)	(3,650)	117,967	122,357
Ebitda	1,967	3,079	6,911	7,850	5,668	4,417	(623)	(1,200)	13,923	14,146
<i>Ebitda/Total Revenues %</i>	4.8%	6.9%	14.6%	15.7%	17.3%	14.1%			11.8%	11.6%
Ebitda before non ordinary expenses	2,011	3,129	6,911	7,850	5,728	4,648	(623)	(1,200)	14,027	14,427
<i>Ebitda before non ordinary expenses/Total Revenues %</i>	4.9%	7.0%	14.6%	15.7%	17.5%	14.8%			11.9%	11.8%
Operating result	60	1,321	4,868	5,871	4,070	3,034	(623)	(1,200)	8,375	9,026
<i>Operating result/Total Revenues %</i>	0.1%	2.9%	10.3%	11.8%	12.5%	9.7%			7.1%	7.4%
Net financial expenses (1)									(2,826)	(599)
Profit before taxes									5,549	8,427
Income taxes									(1,716)	(2,339)
Net profit									3,833	6,088
<i>Net profit/Total Revenues%</i>									3.2%	5.0%
(1) Net financial expenses includes the amount of Financial income and expenses, Exchange gains and losses and the amount of the Income from equity investment										
<b>STATEMENT OF FINANCIAL POSITION</b>	<b>31.03.2020</b>	<b>31.12.2019</b>	<b>31.03.2020</b>	<b>31.12.2019</b>	<b>31.03.2020</b>	<b>31.12.2019</b>	<b>31.03.2020</b>	<b>31.12.2019</b>	<b>31.03.2020</b>	<b>31.12.2019</b>
Net debt	50,207	29,304	103,952	98,863	26,979	19,071	(429)	(303)	180,709	146,935
Shareholders' Equity	175,200	176,334	61,643	62,460	52,408	50,295	(77,631)	(77,557)	211,620	211,532
Total Shareholders' Equity and Net debt	225,407	205,638	165,595	161,323	79,387	69,366	(78,060)	(77,860)	392,329	358,467
Net non-current assets (2)	136,226	137,483	91,817	94,433	33,048	30,577	(75,477)	(75,504)	185,614	186,989
Net working capital	89,181	68,155	73,778	66,890	46,339	38,789	(2,583)	(2,356)	206,715	171,478
Total net capital employed	225,407	205,638	165,595	161,323	79,387	69,366	(78,060)	(77,860)	392,329	358,467
(2) The net non-current assets of the Outdoor Power Equipment area includes the amount of Equity investments for 76,074 thousand Euro										
<b>OTHER STATISTICS</b>	<b>31.03.2020</b>	<b>31.12.2019</b>	<b>31.03.2020</b>	<b>31.12.2019</b>	<b>31.03.2020</b>	<b>31.12.2019</b>	<b>31.03.2020</b>	<b>31.12.2019</b>	<b>31.03.2020</b>	<b>31.12.2019</b>
Number of employees at period end	737	743	727	731	551	506	8	8	2,023	1,988
<b>OTHER INFORMATIONS</b>	<b>31.03.2020</b>	<b>31.03.2019</b>	<b>31.03.2020</b>	<b>31.03.2019</b>	<b>31.03.2020</b>	<b>31.03.2019</b>	<b>31.03.2020</b>	<b>31.03.2019</b>	<b>31.03.2020</b>	<b>31.03.2019</b>
Amortization, depreciation and impairment losses	1,907	1,758	2,043	1,979	1,598	1,383			5,548	5,120
Investment in property, plant and equipment and in intangible assets	1,043	2,039	1,010	1,422	1,173	1,513			3,226	4,974

**Emak Group – Consolidated income statement and comprehensive income statement**

Thousand of Euro

FY 2019	CONSOLIDATED INCOME STATEMENT	1 Q 2020	1 Q 2019
<b>433,953</b>	<b>Revenues from sales</b>	<b>117,967</b>	<b>122,357</b>
4,668	Other operating incomes	541	977
854	Change in inventories	3,589	7,230
(230,213)	Raw materials, consumable and goods	(66,800)	(73,083)
(81,106)	Personnel expenses	(20,605)	(21,216)
(82,066)	Other operating costs and provisions	(20,769)	(22,119)
(24,068)	Amortization, depreciation and impairment losses	(5,548)	(5,120)
<b>22,022</b>	<b>Operating result</b>	<b>8,375</b>	<b>9,026</b>
1,370	Financial income	80	73
(5,366)	Financial expenses	(1,132)	(1,284)
766	Exchange gains and losses	(1,689)	630
89	Income from/(expenses on) equity investment	(85)	(18)
<b>18,881</b>	<b>Profit before taxes</b>	<b>5,549</b>	<b>8,427</b>
(5,755)	Income taxes	(1,716)	(2,339)
<b>13,126</b>	<b>Net profit (A)</b>	<b>3,833</b>	<b>6,088</b>
(177)	(Profit)/loss attributable to non controlling interests	39	(98)
<b>12,949</b>	<b>Net profit attributable to the Group</b>	<b>3,872</b>	<b>5,990</b>
<b>0.079</b>	<b>Basic earnings per share</b>	<b>0.024</b>	<b>0.037</b>
<b>0.079</b>	<b>Diluted earnings per share</b>	<b>0.024</b>	<b>0.037</b>
FY 2019	CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME	1 Q 2020	1 Q 2019
<b>13,126</b>	<b>Net profit (A)</b>	<b>3,833</b>	<b>6,088</b>
989	Profits/(losses) deriving from the conversion of foreign company accounts	(3,745)	2,520
(245)	Actuarial profits/(losses) deriving from defined benefit plans (*)	-	-
68	Income taxes on OCI (*)	-	-
<b>812</b>	<b>Total other components to be included in the comprehensive income statement (B)</b>	<b>(3,745)</b>	<b>2,520</b>
<b>13,938</b>	<b>Total comprehensive income for the period (A)+(B)</b>	<b>88</b>	<b>8,608</b>
(185)	Comprehensive net profit attributable to non controlling interests	191	(121)
13,753	Comprehensive net profit attributable to the Group	279	8,487

(\*) Items will not be classified in the income statement

**Emak Group – Consolidated statement of financial position**

Thousand of Euro

31.12.2019	ASSETS	31.03.2020	31.03.2019
	<b>Non-current assets</b>		
76,591	Property, plant and equipment	75,171	76,902
20,498	Intangible assets	20,178	20,656
29,716	Right of use	29,081	26,760
63,844	Goodwill	64,333	66,282
8	Equity investments in other companies	8	230
7,399	Equity investments in associates	7,526	7,291
8,106	Deferred tax assets	8,256	8,887
2,423	Other financial assets	2,303	2,502
63	Other assets	62	66
<b>208,648</b>	<b>Total non-current assets</b>	<b>206,918</b>	<b>209,576</b>
	<b>Current assets</b>		
158,336	Inventories	159,518	165,268
104,304	Trade and other receivables	137,588	143,135
5,225	Current tax receivables	5,395	4,699
465	Other financial assets	375	564
301	Derivative financial instruments	857	796
47,695	Cash and cash equivalents	47,079	47,592
<b>316,326</b>	<b>Total current assets</b>	<b>350,812</b>	<b>362,054</b>
<b>524,974</b>	<b>TOTAL ASSETS</b>	<b>557,730</b>	<b>571,630</b>
31.12.2019	SHAREHOLDERS' EQUITY AND LIABILITIES	31.03.2020	31.03.2019
	<b>Shareholders' Equity</b>		
209,495	Shareholders' Equity of the Group	209,774	211,911
2,037	Non-controlling interest	1,846	2,193
<b>211,532</b>	<b>Total Shareholders' Equity</b>	<b>211,620</b>	<b>214,104</b>
	<b>Non-current liabilities</b>		
98,153	Loans and borrowings due to banks and other lenders	126,533	101,807
25,426	Liabilities for leasing	24,927	22,486
8,337	Deferred tax liabilities	8,261	8,343
8,110	Employee benefits	7,921	8,519
2,304	Provisions for risks and charges	2,340	2,218
486	Other non-current liabilities	478	511
<b>142,816</b>	<b>Total non-current liabilities</b>	<b>170,460</b>	<b>143,884</b>
	<b>Current liabilities</b>		
90,477	Trade and other payables	88,981	113,769
4,174	Current tax liabilities	5,148	6,601
68,373	Loans and borrowings due to banks and other lenders	74,051	85,862
4,959	Liabilities for leasing	4,972	4,675
908	Derivative financial instruments	840	990
1,735	Provisions for risks and charges	1,658	1,745
<b>170,626</b>	<b>Total current liabilities</b>	<b>175,650</b>	<b>213,642</b>
<b>524,974</b>	<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>557,730</b>	<b>571,630</b>

**Emak Group – Consolidated net financial position**

Net financial position (€/000)	31/03/2020	31/12/2019	31/03/2019
A. Cash and cash equivalents	47,079	47,695	47,592
B. Other cash at bank and on hand (held-to-maturity investments)	-	-	-
C. Financial instruments held for trading	-	-	-
<b>D. Liquidity funds (A+B+C)</b>	<b>47,079</b>	<b>47,695</b>	<b>47,592</b>
<b>E. Current financial receivables</b>	<b>1,232</b>	<b>766</b>	<b>1,360</b>
F. Current payables to banks	(23,488)	(13,963)	(32,346)
G. Current portion of non current indebtedness	(35,121)	(38,176)	(44,136)
H. Other current financial debts	(21,254)	(22,101)	(15,046)
<b>I. Current financial indebtedness (F+G+H)</b>	<b>(79,863)</b>	<b>(74,240)</b>	<b>(91,528)</b>
<b>J. Current financial indebtedness, net (I+E+D)</b>	<b>(31,552)</b>	<b>(25,779)</b>	<b>(42,576)</b>
K. Non-current payables to banks	(124,037)	(97,802)	(92,408)
L. Bonds issued	-	-	-
M. Other non-current financial debts	(27,423)	(25,777)	(31,884)
<b>N. Non-current financial indebtedness (K+L+M)</b>	<b>(151,460)</b>	<b>(123,579)</b>	<b>(124,292)</b>
<b>O. Net indebtedness (ESMA) (J+N)</b>	<b>(183,012)</b>	<b>(149,358)</b>	<b>(166,868)</b>
P. Non current financial receivables	2,303	2,423	2,502
<b>Q. Net financial position (O+P)</b>	<b>(180,709)</b>	<b>(146,935)</b>	<b>(164,366)</b>