

Press release

Board of Directors of Emak S.p.A.

Approved consolidated results at 30 September 2020

Further sales growth in the third quarter (+19.6%)

Revenues from sales: € 359.9 million compared to € 337 million at 30 September 2019

EBITDA adjusted (*): € 47.5 million compared to € 39.2 million at 30 September 2019

EBIT: € 30 million compared to € 20.4 million at 30 September 2019

Consolidated net income: € 15.8 million compared to € 11.6 million at 30 September 2019

Net negative financial position: € 129.9 million (€ 99.6 million net of IFRS 16 effect), compared to € 164.4 million at 30 September 2019 (€ 133 million net of IFRS 16 effect).

Bagnolo in Piano (RE), 11 November 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 nine months 2020.

CONSOLIDATED RESULTS OF FIRST NINE MONTHS 2020

In the first nine months Emak Group achieved **consolidated revenues** of € 359.9 million, compared to € 337 million of the same period of last year, an increase of 6.8%. This increase is due to the change in the scope of consolidation for 0.5%, from organic growth for 8.1%, while it is penalized by the effect of translation changes for 1.8%. After recording a slowdown in the first quarter and significant growth in the second, the positive trend in sales also continued in the third quarter with a growth of 19.6% to € 112.4 million compared to € 93.9 million in the same period of last year.

EBITDA adjusted (*) amounts to € 47.5 million (13.2% of sales) compared to € 39.2 million of the same period 2019 (11.6% of sales). The result benefited from the increase in sales volumes, the maintenance of product margins and the containment of some operating costs.

EBIT amounts to € 30 million, compared to € 20.4 million in the same period of last year. 2019 figure included devaluations for € 2.1 million.

Net income for the first nine months 2020 is equal to € 15.8 million, in spite of € 11.6 million for the same period 2019. The figure for the period benefited from lower financial charges, while it was impacted by negative currency management for € 3.2 million (positive value of € 1.2 million in 2019) due to the unfavourable trend in South American currencies and the charges deriving from the exercise of some options regarding equity investments for an amount of € 1.8 million.

Cash flow from operations (*) is € 34 million, compared to € 30 million in the first nine months 2019.

Investments in tangible and intangible assets realized in the first nine months 2020 overall amount to € 12.2 million.

Consolidated net equity at 30 September 2020 is € 219 million compared to € 211.5 million at 31 December 2019.

Net negative financial position stands at € 129.9 million compared to € 164.4 million at 30 September 2019 and € 146.9 million at 31 December 2019. Figure at 30 September 2020 includes for € 30.3 million the effect of applying the accounting standard IFRS 16 and for € 13.4 million debts for commitments relating to the purchase of residual minority interests. The figure also includes the effect of the change in the scope of consolidation for €3.5 million following the acquisition of the company Markusson

Subsequent events

Exercise of the Put option on 14.67% of Lavorwash S.p.A.

On 5 October, the subsidiary Comet S.p.A. signed the contract for the acquisition of the 14.67% shareholding in the share capital of Lavorwash S.p.A, bringing its shareholding to 98.42%.

The price paid for the acquisition of the share, defined following the exercise of the put option of the transferring shareholders, was equal to € 9,6 million.

Early exercise of option on 58% of Agres Sistemas Eletrônicos SA

On October 15, the subsidiary Tecomec S.r.l. exercised in advance the option to purchase an additional shareholding of 58% of the share capital of Agres, bringing its shareholding to 91%.

The price paid was 25.7 million Reais, equal to approximately € 3.9 million.

In the first nine months of 2020 Agres recorded a turnover of 27.4 million Reais, up by 43.3% compared to the same period of the previous year.

With this transaction, Tecomec will consolidate its presence in Brazil and will strengthen its position as a global supplier of products and solutions for precision agriculture.

Outlook

Since October, due to the resumption of infections in many countries, some restrictive measures have been reinstated which could have a negative impact on consumption.

To this day, the risk of a lasting recession persists in many sectors, also in consideration of the uncertainty over the time of evolution of the health crisis.

In this context, the governments of the main world countries are adopting further measures to support the sectors most affected by the pandemic and to encourage the recovery of the economy.

Our sector has so far proved more resilient to the impact of Covid-19, as shown by the data as of 30 September. In the month of October, the demand for all 3 segments in which the Emak Group operates continued to be very sustained with management turnover growing by around 20% compared to the same month last year.

Taking into account the good order backlog for November on one hand and the uncertainty on the evolution of the macroeconomic scenario on the other, it is estimated for the last quarter percentage increase in line with the previous nine months.

(*) 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".
- Adjusted EBITDA (EBITDA before non ordinary income and expenses): is obtained by deducting at EBITDA the impact of charges and income for litigation, expenses related to M&A transaction, and costs for staff reorganization and restructuring.
- Free cash flow from operations: calculated by adding the items "Net profit" plus "Amortization, depreciation and impairment losses", net of capital gains / losses on the realization of consolidated investments in equity.

The highlights from the consolidated accounts of the Group at 30 September 2020 are attached to the present press release.

Pursuant to the law, the interim report at 30 September 2020 and this press release are available to the public at the Company's registered office, on the company website www.emakgroup.it, in the "Investor Relations" section and on the storage mechanism eMarket Storage (www.emarketstorage.com).

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 nine months 2020

	OUTDOOR POWER EQUIPMENT		PUMPS AND HIGH PRESSURE WATER JETTING		COMPONENTS AND ACCESSORIES		Other not allocated / Netting		Consolidated	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019	30.09.2020	30.09.2019	30.09.2020	30.09.2019	30.09.2020	30.09.2019
€/000										
Sales to third parties	123,927	115,145	144,997	140,668	90,969	81,176			359,893	336,989
Intersegment sales	494	430	1,888	1,489	6,763	5,396	(9,145)	(7,315)		
Revenues from sales	124,421	115,575	146,885	142,157	97,732	86,572	(9,145)	(7,315)	359,893	336,989
Ebitda	8,481	7,148	22,940	20,654	17,002	12,796	(1,607)	(1,754)	46,816	38,844
Ebitda/Total Revenues %	6.8%	6.2%	15.6%	14.5%	17.4%	14.8%			13.0%	11.5%
Ebitda before non ordinary expenses	8,830	7,198	23,006	20,571	17,285	13,155	(1,607)	(1,754)	47,514	39,170
Ebitda before non ordinary expenses/Total Revenues %	7.1%	6.2%	15.7%	14.5%	17.7%	15.2%			13.2%	11.6%
Operating result	2,739	(500)	16,951	14,643	11,909	8,042	(1,607)	(1,754)	29,992	20,431
Operating result/Total Revenues %	2.2%	-0.4%	11.5%	10.3%	12.2%	9.3%			8.3%	6.1%
Net financial expenses (1)									(7,957)	(2,894)
Profit before taxes									22,035	17,537
Income taxes									(6,276)	(5,942)
Net profit									15,759	11,595
Net profit/Total Revenues%									4.4%	3.4%
(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										
STATEMENT OF FINANCIAL POSITION	30.09.2020	31.12.2019	30.09.2020	31.12.2019	30.09.2020	31.12.2019	30.09.2020	31.12.2019	30.09.2020	31.12.2019
Net debt	16,594	29,304	90,706	98,863	22,737	19,071	(131)	(303)	129,906	146,935
Shareholders' Equity	173,748	176,334	65,548	62,460	57,354	50,295	(77,640)	(77,557)	219,010	211,532
Total Shareholders' Equity and Net debt	190,342	205,638	156,254	161,323	80,091	69,366	(77,771)	(77,860)	348,916	358,467
Net non-current assets (2)	129,920	137,483	87,082	94,433	34,655	30,577	(75,474)	(75,504)	176,183	186,989
Net working capital	60,422	68,155	69,172	66,890	45,436	38,789	(2,297)	(2,356)	172,733	171,478
Total net capital employed	190,342	205,638	156,254	161,323	80,091	69,366	(77,771)	(77,860)	348,916	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										
OTHER STATISTICS	30.09.2020	31.12.2019	30.09.2020	31.12.2019	30.09.2020	31.12.2019	30.09.2020	31.12.2019	30.09.2020	31.12.2019
Number of employees at period end	738	743	742	731	534	506	8	8	2,022	1,988
OTHER INFORMATIONS	30.09.2020	30.09.2019	30.09.2020	30.09.2019	30.09.2020	30.09.2019	30.09.2020	30.09.2019	30.09.2020	30.09.2019
Amortization, depreciation and impairment losses	5,742	7,648	5,989	6,011	5,093	4,754			16,824	18,413
Investment in property, plant and equipment and in intangible assets	3,457	6,877	2,259	3,073	6,446	4,078			12,162	14,028

Emak Group– Consolidated income statement and comprehensive income statement

Thousand of Euro

Year 2019	CONSOLIDATED INCOME STATEMENT	3 Q 2020	3 Q 2019	9 months 2020	9 months 2019
433,953	Revenues from sales	112,397	93,948	359,893	336,989
4,668	Other operating incomes	1,082	587	2,178	2,623
854	Change in inventories	533	(7,787)	(5,246)	(5,366)
(230,213)	Raw materials, consumables and goods	(60,098)	(42,488)	(186,605)	(174,077)
(81,106)	Personnel expenses	(19,851)	(18,177)	(61,206)	(60,683)
(82,066)	Other operating costs and provisions	(20,211)	(17,987)	(62,198)	(60,642)
(24,068)	Amortization, depreciation and impairment losses	(5,673)	(5,552)	(16,824)	(18,413)
22,022	Operating result	8,179	2,544	29,992	20,431
1,370	Financial income	63	110	224	310
(5,366)	Financial expenses	(1,036)	(1,355)	(3,565)	(4,450)
766	Exchange gains and losses	(997)	514	(3,226)	1,173
89	Income from/(expenses on) equity investment	123	126	(1,390)	73
18,881	Profit before taxes	6,332	1,939	22,035	17,537
(5,755)	Income taxes	(1,485)	(812)	(6,276)	(5,942)
13,126	Net profit (A)	4,847	1,127	15,759	11,595
(177)	(Profit)/loss attributable to non controlling interests	(88)	16	(183)	(54)
12,949	Net profit attributable to the Group	4,759	1,143	15,576	11,541
0.079	Basic earnings per share	0.029	0.007	0.095	0.071
0.079	Diluted earnings per share	0.029	0.007	0.095	0.071

Year 2019	CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME	9 months 2020	9 months 2019
13,126	Net profit (A)	15,759	11,595
989	Profits/(losses) deriving from the conversion of foreign company accounts	(8,277)	1,628
(245)	Actuarial profits/(losses) deriving from defined benefit plans (*)	-	-
68	Income taxes on OCI (*)	-	-
812	Total other components to be included in the comprehensive income statement (B)	(8,277)	1,628
13,938	Total comprehensive income for the period (A)+(B)	7,482	13,223
(185)	Comprehensive net profit attributable to non controlling interests	28	(42)
13,753	Comprehensive net profit attributable to the Group	7,510	13,181

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

Emak Group – Consolidated statement of financial position

Thousand of Euro

31.12.2019	ASSETS	30.09.2020	30.09.2019
	Non-current assets		
76,591	Property, plant and equipment	75,459	76,749
20,498	Intangible assets	20,947	20,774
29,716	Rights of use	29,551	30,946
63,844	Goodwill	61,061	64,079
8	Equity investments in other companies	8	8
7,399	Equity investments in associates	2,971	7,383
8,106	Deferred tax assets	8,310	8,270
2,423	Other financial assets	1,930	2,421
63	Other assets	57	68
208,648	Total non-current assets	200,294	210,698
	Current assets		
158,336	Inventories	148,143	152,559
104,304	Trade and other receivables	112,949	105,752
5,225	Current tax receivables	5,164	4,300
465	Other financial assets	186	444
301	Derivative financial instruments	498	343
47,695	Cash and cash equivalents	102,015	49,701
316,326	Total current assets	368,955	313,099
524,974	TOTAL ASSETS	569,249	523,797

31.12.2019	SHAREHOLDERS' EQUITY AND LIABILITIES	30.09.2020	30.09.2019
	Shareholders' Equity		
209,495	Shareholders' Equity of the Group	217,005	208,754
2,037	Non-controlling interest	2,005	1,934
211,532	Total Shareholders' Equity	219,010	210,688
	Non-current liabilities		
98,153	Loans and borrowings due to banks and others lenders	134,596	109,871
25,426	Liabilities for leasing	25,396	26,464
8,337	Deferred tax liabilities	7,988	8,435
8,110	Employee benefits	7,873	8,193
2,304	Provisions for risks and charges	2,343	2,291
486	Other non-current liabilities	3,976	494
142,816	Total non-current liabilities	182,172	155,748
	Current liabilities		
90,477	Trade and other payables	86,872	69,805
4,174	Current tax liabilities	5,346	4,753
68,373	Loans and borrowings due to banks and others lenders	68,709	74,607
4,959	Liabilities for leasing	4,947	4,965
908	Derivative financial instruments	887	1,390
1,735	Provisions for risks and charges	1,306	1,841
170,626	Total current liabilities	168,067	157,361
524,974	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	569,249	523,797

Emak Group – Consolidated net financial position

Net financial position	30/09/2020	31/12/2019	30/09/2019
A. Cash and cash equivalents	102,015	47,695	49,701
B. Other cash at bank and on hand (held-to-maturity investments)	-	-	-
C. Financial instruments held for trading	-	-	-
D. Liquidity funds (A+B+C)	102,015	47,695	49,701
E. Current financial receivables	684	766	787
F. Current payables to bank	(7,503)	(13,963)	(13,609)
G. Current portion of non current indebtedness	(49,042)	(38,176)	(43,283)
H. Other current financial debts	(17,998)	(22,101)	(24,070)
I. Current financial indebtedness (F+G+H)	(74,543)	(74,240)	(80,962)
J. Current financial indebtedness, net (I+E+D)	28,156	(25,779)	(30,474)
K. Non-current payables to banks	(132,198)	(97,802)	(109,519)
L. Bonds issued	-	-	-
M. Other non-current financial debts	(27,794)	(25,777)	(26,816)
N. Non-current financial indebtedness (K+L+M)	(159,992)	(123,579)	(136,335)
O. Net financial indebtedness (ESMA) (J+N)	(131,836)	(149,358)	(166,809)
P. Non current financial receivables	1,930	2,423	2,421
Q. Net financial position (O+P)	(129,906)	(146,935)	(164,388)
			0
Effect IFRS 16	30,343	30,385	31,429
Net financial position without effect IFRS 16	(99,563)	(116,550)	(132,959)