

Press release

Board of Directors of Emak S.p.A.

Approved consolidated results at 30 September 2022: revenues up by 6%

The CEO Luigi Bartoli commented: *"The growth in turnover and the substantial maintenance of margins are reasons of satisfaction for us, especially considering the growing difficulties of the macroeconomic context and the incremental dynamics of costs that we've experienced during the year."*

Revenues from sales: € 492.3 million compared to € 464.2 million in the first nine months 2021.

EBITDA *adjusted*: € 68.7 million compared to € 69.5 million in the first nine months 2021.

EBIT: € 49.2 million compared to € 52 million in the first nine months 2021.

Consolidated net income: € 37.1 million compared to € 37.7 million in the first nine months 2021.

Net negative financial position: € 181.6 million (€ 144.2 million excluding IFRS16) compared to € 120.3 million at 30 September 2021 and € 144.3 million at 31 December 2021.

Bagnolo in Piano (RE), 11 November 2022 - The Board of Directors of **Emak S.p.A.** approved the consolidated results of the Group at 30 September 2022.

Emak Group achieved in the first nine months **consolidated revenues of € 492.3 million**, compared to € 464.2 million of the same period of last year, an increase of 6%. The improvement is due to the organic growth for 2.7%, the effect of translation changes for 2.6% and the change in the scope of consolidation for 0.7%. In the third quarter, turnover was € 124.1 million, down by 5.5% compared to € 131.3 million in the same quarter of 2021. The figure for the quarter was affected by the slowdown in sales of gardening and cleaning products, penalized by the worsening of the external scenario and by unfavourable weather conditions, in spite of a good performance recorded by products for agriculture and industrial activity .

EBITDA *adjusted* reached € 68.7 million (14% of sales) compared to € 69.5 million in the same period of 2021 (15% of sales). The 2022 figure benefited from the increase in sales and the change in the scope of consolidation, while it was affected by the higher costs of raw materials, energy and transport. At the same time, the planned actions to support the distribution network have led to an increase in promotion and advertising costs as well as travel costs.

EBIT amounted to € 49.2 million, compared to € 52 million of the same period of last year, also as a result of the higher depreciation carried out compared to the first nine months of 2021.

Net profit at 30 September 2022 is € 37.1 million, compared to € 37.7 million of the same period 2021. The result benefited from the increase in financial income, mainly linked to the valuation of interest rate hedging derivatives, and from currency management, benefiting from the revaluation of the US dollar and the Brazilian real against the Euro.

Free cash flow from operations amounted to € 56.4 million, compared to € 55.4 million in the first nine months 2021.

Investments in tangible and intangible assets realized in the first nine months 2022 amount to a total of € 13.5 million compared to € 12.3 million in the same period 2021.

Consolidated net equity at 30 September 2022 is € 292.2 million compared to € 255.9 million at 31 December 2021.

Net negative financial position stood at € 181.6 million compared to € 120.3 million at 30 September 2021 and € 144.3 million at 31 December 2021. 2022 figure includes € 37.4 million deriving from the application of the IFRS 16 accounting principle (€ 30.8 million in September 2021 and € 38.9 million in December 2021) and € 11.7 million of financial debts for the purchase of the remaining minority shareholdings (€ 6.1 million in September 2021 and € 12.3 million in December 2021). The increase in the net financial position compared to 31 December 2021 is also affected by the increase in net working capital in the first months of the year, to effectively cope with the strong market demand and difficult logistical conditions.

Outlook

During the third quarter, the expected signs of a slowdown in consumption emerged due to the continuous worsening of the macroeconomic scenario, with a consequent impact on Group sales. Thanks to the diversification of the product portfolio, the Group benefited from the positive trend of the Agriculture and Industry business lines which partially mitigated the slowdowns recorded in the Gardening and Cleaning sectors.

Based on the sales trend in October, the expectations of closing the year with a turnover higher than the record values recorded in 2021 are confirmed.

The Group, despite a particularly complex market context, has implemented activities aimed at the progressive normalization of the value of the net working capital.

Subsequent events

Acquisition of Trebol Maquinaria y Suministros S.A.

On 30 September 2022, the subsidiary Sabart S.r.l., signed a binding agreement for the purchase of control of Trebol Maquinaria y Suministros S.A., a company based in La Coruna (Spain), active in the marketing of spare parts and accessories in the Garden and Forestry. The closing of the transaction took place on 13 October at a price of approximately € 3.4 million.

In 2021, the company achieved sales of approximately € 5 million, a normalized EBITDA of approximately 13%, with a positive net financial position of approximately € 0.2 million.

The remaining share of the company, equal to 16.67%, remains owned by one of the founders of the company.

With this transaction, the Group intends to expand its direct presence in the Components & Accessories segment in one of the main markets at European level as well as to expand its spare parts catalog, further strengthening its position as a key supplier in the sector.

Start of the Buy Back plan

In execution of the shareholders' meeting resolution of April 29, 2022, starting from October 10, 2022 and until December 16, 2022, a Buyback Plan was launched for a maximum number of purchasable treasury shares of 1,000,000 (equal to approximately 0.6 % of the subscribed share capital) for a maximum value of € 1.5 million. For the implementation of the Buyback Plan, Emak has appointed Intermonete SIM S.p.A. as a specialized intermediary.

Purchases of treasury shares are subject to periodic communications by the company, within the times and in the manner provided for by the relevant legislation.

Alternative performance indicators

The chart below shows, in accordance with recommendation ESMA/201/1415 published on October 5, 2015, the criteria used for the construction of key performance indicators that management considers necessary to the monitoring the Group performance.

- EBITDA Adjusted - EBITDA before non-ordinary expenses and revenues: is obtained by deducting at EBITDA the impact of charges and income for litigation and grants relating to non-core management, expenses related to M&A transaction, and costs for staff reorganization and restructuring.
- 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. 5/21 of 29 April 2021).

The highlights from the consolidated accounts of the Group at 30 September 2022 are attached to the present press release.

Pursuant to the law, the interim report at 30 September 2022 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).

Roberto Bertuzzi, manager 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 2022

	OUTDOOR POWER EQUIPMENT		PUMPS AND HIGH PRESSURE WATER JETTING		COMPONENTS AND ACCESSORIES		Other not allocated / Netting		Consolidated	
€/000	30.09.2022	30.09.2021	30.09.2022	30.09.2021	30.09.2022	30.09.2021	30.09.2022	30.09.2021	30.09.2022	30.09.2021
Sales to third parties	169,594	162,963	192,540	180,581	130,131	120,694			492,265	464,238
Intersegment sales	297	275	2,829	2,259	7,977	7,905	(11,103)	(10,439)		
Revenues from sales	169,891	163,238	195,369	182,840	138,108	128,599	(11,103)	(10,439)	492,265	464,238
Ebitda	13,431	16,689	29,983	29,287	27,457	26,533	(2,414)	(2,774)	68,457	69,735
Ebitda/Total Revenues %	7.9%	10.2%	15.3%	16.0%	19.9%	20.6%			13.9%	15.0%
Ebitda before non ordinary expenses	13,490	16,762	30,061	28,677	27,539	26,800	(2,414)	(2,774)	68,676	69,465
Ebitda before non ordinary expenses/Total Revenues %	7.9%	10.3%	15.4%	15.7%	19.9%	20.8%			14.0%	15.0%
Operating result	7,315	10,616	23,666	23,665	20,623	20,541	(2,414)	(2,774)	49,190	52,048
Operating result/Total Revenues %	4.3%	6.5%	12.1%	12.9%	14.9%	16.0%			10.0%	11.2%
Net financial expenses (1)									1,207	(2,210)
Profit before taxes									50,397	49,838
Income taxes									(13,250)	(12,098)
Net profit									37,147	37,740
Net profit/Total Revenues%									7.5%	8.1%
(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	30.09.2022	31.12.2021	30.09.2022	31.12.2021	30.09.2022	31.12.2021	30.09.2022	31.12.2021	30.09.2022	31.12.2021
Net debt	18,098	6,778	115,708	96,092	47,867	41,399	(46)	0	181,627	144,269
Shareholders' Equity	192,564	186,501	102,563	83,830	75,340	63,454	(78,218)	(77,852)	292,249	255,933
Total Shareholders' Equity and Net debt	210,662	193,279	218,271	179,922	123,207	104,853	(78,264)	(77,852)	473,876	400,202
Net non-current assets (2)	125,840	128,424	100,580	95,854	55,379	53,233	(75,246)	(75,394)	206,553	202,117
Net working capital	84,822	64,855	117,691	84,068	67,828	51,620	(3,018)	(2,458)	267,323	198,085
Total net capital employed	210,662	193,279	218,271	179,922	123,207	104,853	(78,264)	(77,852)	473,876	400,202
(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	30.09.2022	31.12.2021	30.09.2022	31.12.2021	30.09.2022	31.12.2021	30.09.2022	31.12.2021	30.09.2022	31.12.2021
Number of employees at period end	747	758	870	837	631	622	9	8	2,257	2,225
OTHER INFORMATIONS	30.09.2022	30.09.2021	30.09.2022	30.09.2021	30.09.2022	30.09.2021	30.09.2022	30.06.2021	30.09.2022	30.09.2021
Amortization, depreciation and impairment losses	6,115	6,073	6,318	5,622	6,834	5,992			19,267	17,687
Investment in property, plant and equipment and in intangible assets	3,025	2,899	4,788	3,036	5,685	6,345			13,498	12,280

(*) See section "Definitions of alternative performance indicators"

Emak Group– Consolidated income statement and comprehensive income statement

Thousand of Euro

Year 2021	CONSOLIDATED INCOME STATEMENT	3 Q 2022	3 Q 2021	9 months 2022	9 months 2021
588,299	Revenues from sales	124,060	131,274	492,265	464,238
5,110	Other operating incomes	1,212	1,525	3,049	3,676
48,764	Change in inventories	(701)	13,741	9,627	18,210
(354,737)	Raw materials, consumables and goods	(62,057)	(81,668)	(269,344)	(261,866)
(98,231)	Personnel expenses	(22,156)	(22,371)	(75,768)	(72,690)
(111,909)	Other operating costs and provisions	(25,864)	(26,605)	(91,372)	(81,833)
(24,392)	Amortization, depreciation and impairment losses	(6,532)	(6,028)	(19,267)	(17,687)
52,904	Operating result	7,962	9,868	49,190	52,048
1,003	Financial income	1,172	74	3,017	440
(8,611)	Financial expenses	(2,177)	(801)	(4,711)	(3,682)
589	Exchange gains and losses	654	(697)	2,901	1,032
45,885	Profit before taxes	7,611	8,444	50,397	49,838
(12,774)	Income taxes	(2,210)	(2,312)	(13,250)	(12,098)
33,111	Net profit (A)	5,401	6,132	37,147	37,740
(603)	(Profit)/loss attributable to non controlling interests	(339)	(63)	(862)	(540)
32,508	Net profit attributable to the Group	5,062	6,069	36,285	37,200
0.199	Basic earnings per share	0.031	0.037	0.222	0.227
0.199	Diluted earnings per share	0.031	0.037	0.222	0.227

Year 2021	CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME	9 months 2022	9 months 2021
33,111	Net profit (A)	37,147	37,740
8,102	Profits/(losses) deriving from the conversion of foreign company accounts	11,542	5,475
(232)	Actuarial profits/(losses) deriving from defined benefit plans (*)	-	-
65	Income taxes on OCI (*)	-	-
7,935	Total other components to be included in the comprehensive income statement (B)	11,542	5,475
41,046	Total comprehensive income for the period (A)+(B)	48,689	43,215
(641)	Comprehensive net profit attributable to non controlling interests	(1,065)	(584)
40,405	Comprehensive net profit attributable to the Group	47,624	42,631

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

Emak Group – Consolidated statement of financial position

Thousand of Euro

31.12.2021	ASSETS	30.09.2022	30.09.2021
	Non-current assets		
78,558	Property, plant and equipment	80,255	77,486
24,853	Intangible assets	24,324	21,919
37,665	Rights of use	35,958	29,781
70,634	Goodwill	75,360	68,523
8	Equity investments in other companies	8	8
10,012	Deferred tax assets	10,267	9,987
984	Other financial assets	1,133	994
59	Other assets	62	58
222,773	Total non-current assets	227,367	208,756
	Current assets		
217,316	Inventories	234,170	184,530
127,984	Trade and other receivables	131,451	128,043
10,076	Current tax receivables	8,705	7,212
72	Other financial assets	38	55
286	Derivative financial instruments	2,394	788
79,645	Cash and cash equivalents	86,185	87,183
435,379	Total current assets	462,943	407,811
658,152	TOTAL ASSETS	690,310	616,567

31.12.2021	SHAREHOLDERS' EQUITY AND LIABILITIES	30.09.2022	30.09.2021
	Shareholders' Equity		
253,183	Shareholders' Equity of the Group	288,542	255,409
2,750	Non-controlling interests	3,707	2,693
255,933	Total Shareholders' Equity	292,249	258,102
	Non-current liabilities		
115,994	Loans and borrowings due to banks and other lenders	142,871	111,171
33,111	Liabilities for leasing	31,210	25,806
7,386	Deferred tax liabilities	8,019	6,423
7,500	Employee benefits	7,455	7,454
2,590	Provisions for risks and charges	2,605	2,487
2,197	Other non-current liabilities	1,601	2,036
168,778	Total non-current liabilities	193,761	155,377
	Current liabilities		
149,222	Trade and other payables	98,691	120,914
6,182	Current tax liabilities	6,609	8,209
69,707	Loans and borrowings due to banks and other lenders	90,333	66,795
5,863	Liabilities for leasing	6,216	5,028
581	Derivative financial instruments	747	500
1,886	Provisions for risks and charges	1,704	1,642
233,441	Total current liabilities	204,300	203,088
658,152	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	690,310	616,567

Emak Group – Consolidated net financial position

(€/000)	30.09.2022	31.12.2021	30.09.2021
A. Cash	86,185	79,645	87,183
B. Cash equivalents	-	-	-
C. Other current financial assets	2,432	358	843
D. Liquidity funds (A+B+C)	88,617	80,003	88,026
E. Current financial debt	(35,493)	(19,938)	(15,637)
F. Current portion of non-current financial debt	(61,803)	(56,213)	(56,686)
G. Current financial indebtedness (E + F)	(97,296)	(76,151)	(72,323)
H. Net current financial indebtedness (G - D)	(8,679)	3,852	15,703
I. Non-current financial debt	(174,081)	(149,105)	(136,977)
J. Debt instruments	-	-	-
K. Non-current trade and other payables	-	-	-
L. Non-current financial indebtedness (I + J + K)	(174,081)	(149,105)	(136,977)
M. Total financial indebtedness (H + L) (ESMA)	(182,760)	(145,253)	(121,274)
N. Non current financial receivables	1,133	984	994
O. Net financial position (M-N)	(181,627)	(144,269)	(120,280)
Effect IFRS 16	37,426	38,974	30,834
Net financial position without effect IFRS 16	(144,201)	(105,295)	(89,446)