



SPAFID CONNECT

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Oggetto : LANDI RENZO - 2018-2022 Strategic Plan

Testo del comunicato

Vedi allegato.

The Board of Directors Approves the 2018-2022 Strategic Plan

- **Turnaround of the automotive business**, consolidating our leadership in the passenger car segments in both the OEM and AM markets; entering the CNG and LNG Mid & Heavy Duty (M&HD) segment, which is projected to grow steadily across the world;
- **Accelerating the growth of SAFE** by investing in CNG infrastructure and the biomethane sector;
- **Focus on product innovation**, developing and boosting the efficiency of existing passenger car products as well as developing dedicated components and systems in the M&HD and Off-Road segments;
- **Return to profitability as soon as in 2018** (Euro 7 million), with an acceleration in adj. EBITDA (Euro 27 million)
- **Key 2022 financial targets**: Euro 266 million in revenues (CAGR 7% on a like-for-like basis), Euro 50 million in adj. EBITDA (19% as a proportion of revenues), Euro 35 million in EBT (+13% as a proportion of revenues), and positive net financial position totalling Euro 22 million

Cavriago (province of Reggio Emilia), 13 September 2017

Today, the Board of Directors of Landi Renzo held a meeting under the chairmanship of Stefano Landi to examine and approve the 2018-2022 five-year plan submitted by the CEO Cristiano Musi. This involves returning the Landi Group's turnover and margins in its core businesses to growth, generating cash flows and steadily reducing financial debt as soon as in 2017 and achieving a net profit as soon as in 2018—also by completing an ambitious industrial streamlining and restructuring plan.

In the first half of 2017, Landi Renzo, under the leadership of the new CEO Cristiano Musi, already began working on a turnaround plan: after successfully optimising bank debt, the company has undertaken a series of actions to improve EBITDA that started bearing fruit in the first six months of the year (Euro 6.4 million + 236% vs. 2016) and will allow to partly restore margins in terms of adj. EBITDA and cash flows as soon as in 2017. Said actions will lay the groundwork for the 2018-2022 five-year strategic plan. This involves returning to value creation, also by growing in the markets of the Automotive sector the company already operates in—steadily consolidating our position in the CNG and LNG Mid & Heavy Duty (M&HD) segment—and those served by SAFE, as well as in natural gas infrastructure and Renewable Natural Gas (RNG) or biomethane plants.

*“The new five-year Strategic Plan charts an ambitious growth path that our Group has already embarked upon in early 2017”, said **Cristiano Musi, Chief Executive Officer of Landi Renzo** - “With our cohesive management team, we confidently look forward to the future, knowing that we are evolving into an organisation capable of tackling the challenges in front of us with a new corporate culture focused on continuous improvement. Our mission is contributing to a cleaner environment and healthier air: we want to increasingly help reduce Green House Gas (GHG) emissions from well to engine by developing innovative solutions”.*

*“The turnaround of the Automotive segment” - added **Cristiano Musi** - “also involves restructuring manufacturing and operations to make them more efficient as well as requires cutting costs, streamlining and integrating the Group companies, and optimising production processes—all this in order to improve the service we provide to our global customers and create world-class hubs as well as promote a new corporate culture focused on continuous improvement, which will be one of the management levers guiding our way of working. The guidelines of our strategic plan include consolidating our leadership in the Passenger Car (PC) segment, in both the OEM and AM channels, as well as our position among the leaders in the CNG and LNG Medium & Heavy Duty (M&HD) segment, where the Group has started developing innovative components and solutions to curb emissions and improve performance, as well as solutions dedicated to the Off Road segment. We are also working on solutions that combine the benefits of electricity and RNG, especially in the case of urban transport. Another focus is to grow the business of SAFE, a leader in Italy's market for compressors and solutions for natural gas infrastructure and harnessing RNG”.*

In a market context that will be characterized, on the one hand, by the increasing necessity to significantly reduce polluting gas emissions, and on the other hand, by double-digit growth in the global circulation of vehicles (both PC and M&HD) driven by emerging economies, in addition to the growth of hybrid and electric solutions, methane (CNG, LNG and RNG) and LPG systems may, according to market sources, account for 4% to 5% of new global passenger car registrations.

Furthermore, significant investments are expected in the sector of CNG infrastructure and bio-methane production, which on a global level is likely to result in the production of approximately 8,000 new stations, in addition to investments for the production of RNG systems.

The Strategic Plan is based on three pillars:

1. Growth in the Automotive sector
2. Growth in the Infrastructure sector with the company SAFE
3. Efficiency and Innovation Process

1. Growth in the Automotive sector

Over the next few years, there will be major market opportunities in the OEM channel, representing a break from the past in the Mid & Heavy Duty segment.

The **main lines of development** defined in the Strategic Plan for the **OEM channel** are:

- **CNG Passenger Car** – In this segment Landi Renzo will have good growth opportunities with existing markets/clients and for the development of new models, with European manufacturers in particular.
- **LPG Passenger Car** – The Group will take advantage of the existing relationships with OEMs to continue covering the role of reference supplier for current and future models, with agreements already signed for the next three years.
- **Mid & Heavy Duty Vehicles** – For the Landi Group, this is the business area with the highest growth potential over the next few years, with the Far East and North America at the centre of the increasing demand. In the medium term, the Landi Group has planned the launch of innovative products in the segment, using the discontinuity caused by the entry into force of EU6 legislation in 2019-2020 as an entry opportunity. Product portfolio innovation should be accelerated by leveraging targeted technical and commercial partnerships around the world, as is already being studied.

At a global level, the Strategic Plan provides for an average growth rate of 8% in the OEM channel, driven mainly by the Mid & Heavy Duty Vehicle segment.

The Aftermarket channel is expected to expand at an average rate of 3% per year; the fastest-growing areas are the Far East, with China representing a market entry point for the Group, Central-South Africa, and Central and South America.

Overall, in the Automotive sector the Landi Group forecasts annual average growth of 6% over the 2018-2022 period, reaching a turnover of approximately Euro 210 million.

According to the strategic guidelines of the plan, growth in the Automotive sector will involve the complete innovation of the product portfolio in the Mid & Heavy Duty segment and major developments in the CNG Passenger Car segment. The Strategic Plan envisages significant investments, especially in the first two years (approx. Euro 20 million).

2. Growth in the infrastructure sector through the company SAFE

With strong market placement, SAFE will benefit from the development of the business in coming years thanks to greater marketing proactivity and a growing demand to be targeted with an already well-structured product portfolio, for which extensive standardization activities have been initiated in terms of cost reduction.

SAFE's revenue is expected to grow by approximately 14% per year, going from an estimated Euro 27 million in 2017 to more than Euro 55 million in 2022. Growth will follow the following strategic guidelines:

1. CNG Compressors & Package: SAFE aims to become a leader in the sector with a 7% market share.
2. RNG Components Systems: in this area SAFE's strategy is to offer complete solutions with the help of possible partnerships and a change of strategy in terms of business development.
3. Gas Recovery: in this sector SAFE intends to operate tactically with targeted investments.

3. Efficiency and R&D Processes Effectiveness Improvement

The "Excellence" Project started at the end of the last January aims at improving the Landi Group EBITDA, also to finance the development of new products both in the CNG Passenger Car and, specifically, in the Mid & Heavy Duty fields.

We have identified four areas for improvement that will yield benefits estimated to exceed Euro 13 million in 2018:

1. **Sourcing Effectiveness Improvement relevant to the direct and indirect purchase of goods and services** to decrease the purchase costs.
2. **Production Efficiency Improvement** both through the process optimization and through the production network rationalization:
 - As to the production process optimization: the first step introduced the centralization of responsibilities at Group level and initiatives of efficiency recovery were started throughout the production processes.
 - The rationalization of the production network is focused on the strategic lines leading to establish excellence production centers, exploiting some production facilities present in low-cost countries and the use of production sites close to the customers. Hence, Poland has been identified as the excellence center for the OEM products, and India and Iran for the Aftermarket - CNG products. The production site in Reggio Emilia is confirmed as the excellence center for core components of the whole product portfolio (such as: injectors, rails, ECU, etc.). Therefore, the production activities in Vicenza and the sites in Romania and Pakistan will be disused; the production sites in Argentina and the production joint venture in India will be analyzed for further actions.
 - As for the optimization of production processes, the first stage consisted in centralizing responsibilities at the Landi Group level and launching initiatives to boost efficiency across all production processes
3. **R&D Improvement and Efficacy**
 - Introduction of a "stage & gate" process allowing to define and evaluate potential innovation projects as well as the evolution of the products according to their specific strategic value and economic return, targeting investments at best as early as 2017 and launching the study of the product portfolio evolution.
4. **Organizational Redesigning**
 - The Group reorganization was carried out through a deep and detailed analysis of the present business processes, of the systems adopted and of the organization way of operation with specific reference to the connections between the central and local units.
 - The principles leading the new organization redesign aim at enhancing the efficacy and the operating efficiency by pursuing a modus operandi change passing through a more streamlined organization and more standardized processes while preserving the key core competencies that are essential to hit the Group strategic targets.

The 2018-2022 Strategic Plan also set a revision of capital allocation strategies expecting -already in 2017- the divestment from the non-core activities, the investment of resources in the development of new products and projects at higher estimated profit, and the funding of industrial restructuring operations, while reducing the debt. Specifically, after the sale of the company branch relevant to the Labs of the AVL Group, the divestment plan expected the enhancement of the Sound Group, which has already successfully completed its recovery and relaunch plan as well as the sale of some less important assets, with an anticipated estimated cash generation benefit ranging from Euro 10 to 13 million.

KEY FINANCIAL TARGETS OF THE STRATEGIC PLAN.

Below is a summary of the key financial targets of the 2018-2022 strategic plan:

- Revenues at the end of the period (2022) equal to Euro 266 million, CAGR equal to 7% (on a like-for-like basis), of which: Euro 211 million in the Automotive segment and Euro 55 million in the SAFE one;
- Target Adj. EBITDA (2022) equal to Euro 50 million (Euro 27 million in 2018 and Euro 30 million in 2019)
- Target EBT (2022) equal to Euro 35 million (Euro 10 million in 2018 and Euro 13 million in 2019)
- Target net profit (2022) equal to Euro 24 million (Euro 7 million in 2018 and Euro 9 million in 2019)
- The Net Financial Position is expected to improve over the period and reach a positive Euro 22 million at the end of 2022

To discuss the details of the Five-Year Strategic Plan, a conference call with the financial community is scheduled for tomorrow, 14 September 2017 at 14:00 (CET) - 13:00 GMT. The document supporting the conference call and the link details will be available in the Investor section of the website: www.landirenzogroup.com. At the end of the presentation, a Q & A session will follow.

This communication is also available on the Company website: www.landirenzogroup.com.it and on the storage device: www.emarketstorage.com.

This press release is a translation. The Italian version prevails

Landi Renzo is the global leader in the LPG and Methane gas components and systems for motor vehicles sector. The Company is based in Cavriago (Reggio Emilia) and has over 60 years' experience in the sector, and is renowned for the extent of its international activities in over 50 countries, with export sales of about 80%. Landi Renzo S.p.A. has been listed on the STAR segment of the MTA Market of Borsa Italiana since June 2007.

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