



SPAFID CONNECT

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Oggetto : CIR: results for first quarter 2020

Testo del comunicato

Vedi allegato.

CIR: results for first quarter 2020

- **After first two months of growth, the quarterly results were impacted by the shutdown in March of Sogefi's production activities, by higher costs incurred by KOS to respond to the public health emergency, and by financial market turbulence, all due to the Covid-19 pandemic**
- **Revenues stable at € 531.5 million (€ 530.2 million in 1Q 2019), thanks to the extension of the perimeter in 2019 with the acquisition made in Germany in the healthcare sector**
- **EBITDA: € 66.2 million (€ 69.5 million in 1Q 2019)**
- **EBIT: € 12 million (€ 23.6 million in 1Q 2019)**
- **Net result: -€ 12.1 million**
- **Net financial position of the parent company is extremely solid: € 280.7 million (approximately € 380 million expected by end of April)**

Milan, April 24 2020 – The Board of Directors of CIR S.p.A. - Compagnie Industriali Riunite, which met today under the chairmanship of Rodolfo De Benedetti, has approved the Financial Report as of March 31 2020 presented by Chief Executive Officer Monica Mondardini.

Impact of Covid-19 on the group

At the beginning of January 2020, the WHO published news of the spread of coronavirus in China, particularly in the Wuhan district, and on January 30 declared a public health emergency at international level. During February, the virus was reported to have spread to Europe and America and by March a situation of substantial lockdown had been put in place. Italy was the first country in Europe to be invaded by the pandemic, and today is still one of the hardest hit countries, and the one that has adopted the most stringent measures to contain the spread of the virus. These measures have led to a declining trend of the phenomenon, but the conditions and the timing of the return to social interaction and economic activity are still uncertain and the country is awaiting the beginning of May for information on possible developments. Even in the other countries in which the group operates, the prospects for a return to normality are still uncertain.

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In this context, the companies of the CIR group took immediate action to protect the health of their employees, in compliance with the instructions issued by the governments of the various countries in which they operate, and implemented all the activities necessary and appropriate to manage the Covid-19 crisis and protect their sustainability.

The impact of the crisis on the businesses of the group was and continues to be significant: KOS, whose businesses are all operational except for outpatient facilities, has been operating in entirely exceptional conditions, dealing with the consequences of the exposure to the virus of individuals at whom its services are specifically directed; Sogefi, like the whole of the automotive sector, had to suspend its production activity first in China (which is today starting up again) and then in the second half of March in all regions of the world where it has a presence. Lastly, turbulence in the financial markets has led to adjustments to the value of the financial investments managed by the CIR holding company and its non-operating subsidiaries, despite the prudent profile of their investment portfolio.

Consolidated results

In the first quarter of 2020, the CIR group reported consolidated revenues of € 531.5 million, substantially unchanged from € 530.2 million in the same period of 2019. In the first quarter, KOS increased its revenues thanks to the acquisition of Charleston in Germany in 2019, while Sogefi reported a decline in revenues due to the almost total shutdown of its production activities in the second half of March.

The consolidated gross operating margin (EBITDA) came to € 66.2 million (12.5% of revenues) and was down by 5% from € 69.5 million (13.1% of revenues) in the first three months of 2019. The gross operating margin of the first two months showed an improvement in Sogefi's profitability and the Italian businesses of KOS also held up well, while in March, because of the shutdown of Sogefi's businesses and the impact of the public health emergency on the KOS group, EBITDA was lower.

The consolidated operating result (EBIT) was € 12.0 million (2.3% of revenues), down from € 23.7 million in the first quarter of 2019; the reduction reflects the trend of EBITDA and the higher level of amortization in KOS after the incorporation of Charleston.

The financial management result was affected by the generalized fall in the markets, giving rise to a negative return on the portfolio of the holding company of € 7.5 million, compared to a positive result of € 3.7 million in first quarter 2019.

From the second half of February onwards, the financial markets experienced sharp declines both in the equity sector (between the start of the year and March 31 the S&P 500 index lost 20% and the Eurostoxx 50 index was down by 26%) and in the bond sector (with negative returns of between -5% and -15% in the various asset classes). The loss of € 7.5 million on the financial investment portfolio of the parent company CIR and its non-industrial



subsidiaries was due mainly to the adjustment to fair value of the positions held in the Equity, Hedge Fund and High Yield bond segments. The average size of the portfolio was € 383 million with a negative performance in the quarter of 1.9%, which confirms the fact that it was less volatile than the markets.

The net result was a loss of € 12.1 million versus earnings of € 4.1 million in the first quarter of 2019 (€ 5.7 million including the result of the assets held for disposal).

Consolidated net debt before IFRS 16 amounted to € 367.7 million at March 31 2020, up by € 40.1 million compared to December 31 2019 (€ 327.6 million). KOS made investments for approximately € 25 million in acquisitions and greenfield developments and Sogefi made investments in a new plant in Romania for € 4.3 million.

The net financial position of the Parent Company (including the non-industrial subsidiaries) at March 31 2020 was positive for € 280.7 million, lower than at December 31 2019 (€ 295.7 million) mainly because of the above-mentioned adjustments to the fair value of assets (€ 8.8 million), and new capitalized assets (€ 0.9 million).

Financial payables for rights of use as per IFRS 16 totalled € 789.9 million at March 31 2020 leading to overall consolidated net financial debt of € 1,157.6 million. The IFRS 16 payables refer mainly to the subsidiary KOS (€ 733.0 million) which operates mostly in leased premises (it should be noted that Charleston operates exclusively in leased properties).

The equity of the group stood at € 757.7 million at March 31 2020 versus € 770.7 million (pro-forma) at December 31 2019 and the reduction reflects the loss for the period.

Healthcare

KOS, which is controlled by CIR (59.5%) and in which F2i Healthcare has an interest, is the principal operator in Italy in the long-term care sector. The group manages 137 facilities, mainly in the centre and north of Italy and in Germany, with a total of more than 12,500 beds, and is active not only in Italy but also in India and the United Kingdom in the sector of diagnostics and oncology treatments.

In the first three months of 2020, KOS reported revenues of € 181.3 million, posting a rise of 29.2%, due to the enlargement of its perimeter thanks to the acquisition of Charleston, compared to € 140.3 million in the same period of 2019. Revenues of the businesses in Italy, the UK and India declined overall by 1.5% compared to 2019; Charleston's revenues came to € 43.1 million.

Consolidated EBITDA came in at € 35.6 million, up from € 33.1 million in 2019, with Charleston contributing € 7.7 million in the quarter. The rest of the perimeter showed a decline due to the effects of the Covid-19 pandemic on the group.



Consolidated EBIT came to € 12.3 million versus € 16.8 million reported in the first quarter of 2019. The reduction was due to a rise of € 6.8 million in amortization resulting from the change in the perimeter compared to the first quarter of 2019.

Consolidated net income was € 2.0 million compared to € 7.8 million in 2019.

At March 31 2020, KOS had net debt before IFRS16 of € 392.5 million, up from € 368.0 million at December 31 2019, after investments of € 24.7 million made in acquisitions and greenfield developments. Operating cash flow was lower than that normally generated by business activity because of the circumstances caused by the pandemic.

At March 31 2020, consolidated equity stood at € 287.8 million versus € 285.9 million at December 31 2019.

Automotive components

Sogefi is one of the main producers worldwide in the sectors of suspension, filtration, and air and cooling systems for motor vehicles, with 41 production plants in four continents. The company is controlled by CIR (56.6%) and is listed on the Stock Exchange.

Sogefi reported revenues of € 350.2 million, down by 10.2% compared to the same period of 2019. The overall decline was more limited than that reported by the market (-24.7%) thanks to the good performance of all geographical areas except China in the first two months of the year.

EBITDA for first quarter 2020 came in at € 34.9 million, compared to € 41.3 million in the same period of 2019; profitability (EBITDA / Revenues %) was 10% and was down from 10.6% in the same period of the previous year.

EBIT came to € 3.7 million versus € 11.3 million in the first quarter of 2019. The reduction in EBIT took place in March because of the collapse in volumes, and includes the negative effect of exchange rates for € 5.3 million, mainly referring to South America.

The first quarter closed with a net loss of € 5.6 million, which compares with a net result for first quarter 2019 of € 0.2 million (€ 1.6 million including the result of businesses held for disposal).

Free Cash Flow for the first quarter of 2020 was a positive € 5.4 million versus -€ 9.1 million in 2019, thanks to a decidedly more favourable performance of working capital.

Net financial debt before IFRS 16 stood at € 256.7 million at March 31 2020 and was substantially unchanged from € 256.2 million at the end of 2019 but lower than the figure of € 262.1 million reported at March 31 2019. Including the amount of € 56.7 million resulting



from the application of IFRS 16, net debt amounted to € 313.4 million at March 31 2020, down from € 318.9 million at December 31 2019. At March 31 2020, Sogefi had credit lines of € 298 million in excess of its net debt figure, for which all the conditions have been respected and which are thus available for drawdown at a simple request.

At March 31 2020, consolidated equity, excluding minority interests, amounted to € 181.1 million (€ 188.7 million at December 31 2019).

Non-core investments

The non-core investments of the group totalled € 76.9 million at March 31 2020 (€ 74.5 million at December 31 2019).

They consisted of a diversified portfolio of funds in the private equity sector, the fair value of which was € 59.2 million at March 31 2020, and a diversified portfolio of direct minority shareholdings worth € 17.7 million at March 31 2020.

Events that have taken place since March 31 2020

In order not to prevent the operating companies of the group from accessing bank loans guaranteed by SACE, as per the terms of D.L. no. 23 of April 8 2020, to counter the effects of Covid 19, on April 20 2020 the Board of Directors of CIR decided to withdraw both the proposal to distribute a dividend of € 0.02 per share for the year 2019 and the proposal to authorize the buyback and disposal of own shares and then to postpone the ordinary and extraordinary Annual General Meeting of the Shareholders, scheduled for April 24 2020, until June 8 2020. The Board in any case reserves the right to evaluate the possibility of submitting the proposals withdrawn to a General Meeting of the Shareholders in the second half of the year, should the evolution of the current crisis permit it.

On April 23 2020 the sale was completed of CIR's 43.78% shareholding in GEDI Gruppo Editoriale to EXOR N.V.. More specifically, the sale was completed of GEDI to Giano Holding S.p.A., a newly established company wholly owned by EXOR, at a price per share of € 0.46, which corresponds to a total amount of € 102.4 million. An investment agreement was also signed by CIR, EXOR and Giano Holding, regulating the purchase by CIR, on completion of the mandatory public offer to buy GEDI shares and at the same price as that of the offer (€ 0.46), of a shareholding interest in Giano Holding representing, transparently, 5% of the issued share capital of GEDI.

Outlook for the year

In the current state of uncertainty about the evolution of the pandemic at global level and of the measures that the governments of the various countries will adopt for the recovery phase,



it is impossible to make any reliable forecasts of the impact of the Covid-19 phenomenon on the CIR group.

The evolution of Sogefi's business is particularly uncertain, given that the repercussions of the pandemic on the automotive sector have been particularly significant. The group is focused on doing all it can to manage the crisis: it has put in place actions to reduce costs and limit as far as possible outlays for current costs and investments that are not strictly necessary, it regularly assesses liquidity positions, liaising with its financial partners, and is preparing to start operating again, introducing higher safety standards for personnel and cost flexibility, in relation to volumes that will be negatively affected by circumstances for a certain period of time. Despite this, both the period of closure and the first months after business resumes will see economic losses that will also be reflected in an increase in net debt.

As for KOS, the coming months will be devoted to limiting the negative impact of the spread of the Covid-19 virus and to defending the health of guests, patients and workers. After a phase of intense development activity, during the rest of the year the company will focus on the integration of the numerous acquisitions that it has made in recent times.

Regarding the investments of the parent company, the management of its financial assets remains based on prudential long-term policies. The parent company of the CIR group (together with the other non-industrial subsidiaries) has a very solid capital position with net cash and cash equivalents of € 280.7 million, which are not restricted and are not subject to any obligations. This position increased in April by € 102.4 million from the sale of the investment in GEDI.

The Executive responsible for the preparation of the Company's Financial Statements, Giuseppe Gianoglio, hereby declares, in compliance with the terms of paragraph 2 Article 154 bis of the Finance Consolidation Act (TUF), that the figures contained in this press release correspond to the results documented in the Company's accounts and general ledger.



Alternative performance indicators

Below the meaning and content are given of the “alternative performance indicators”, not envisaged by IFRS accounting standards but used in this press release to provide a better evaluation of the economic and financial performance of the CIR group.

- EBITDA (gross operating margin): an indicator of operating performance calculated by adding “amortization, depreciation and write-downs” to the “operating result”;
- Consolidated net financial debt: an indicator of the financial structure of the group; it is the algebraic sum of financial receivables, securities, other financial assets and cash and cash equivalents in current assets, of bonds, other borrowings and financial payables for rights of use in non-current liabilities, of bank borrowings, bonds, other financial payables and financial payables for rights of use in current liabilities.

Attached are the highlights from the consolidated Statement of Financial Position and Income Statement of CIR.



Statement of Financial Position

(in thousands of euro)

ASSETS	31.03.2020	31.12.2019
NON-CURRENT ASSETS	2,430,360	2,436,085
INTANGIBLE ASSETS	674,162	670,368
TANGIBLE ASSETS	703,436	701,188
RIGHTS OF USE	853,086	865,988
INVESTMENT PROPERTY	16,307	16,481
INVESTMENTS CONSOLIDATED USING THE EQUITY METHOD	851	851
OTHER EQUITY INVESTMENTS	1,872	1,863
OTHER RECEIVABLES	45,117	45,982
OTHER FINANCIAL ASSETS	70,139	67,866
DEFERRED TAX ASSETS	65,390	65,498
CURRENT ASSETS	1,033,203	1,055,007
INVENTORIES	125,337	119,985
TRADE RECEIVABLES	234,635	241,762
OTHER RECEIVABLES	80,302	61,029
FINANCIAL RECEIVABLES	23,740	23,135
SECURITIES	32,432	35,482
OTHER FINANCIAL ASSETS	263,689	264,278
CASH AND CASH EQUIVALENTS	273,068	309,336
ASSETS HELD FOR DISPOSAL	722,587	722,587
TOTAL ASSETS	4,186,150	4,213,679
LIABILITIES AND EQUITY	31.03.2020	31.12.2019
SHAREHOLDERS' EQUITY	1,101,022	1,116,971
SHARE CAPITAL	624,997	345,998
RESERVES	101,744	43,355
RETAINED EARNINGS (LOSSES)	43,068	112,885
NET INCOME (LOSS) FOR THE PERIOD	(12,150)	(69,807)
EQUITY OF THE GROUP	757,659	432,431
MINORITY SHAREHOLDERS' EQUITY	343,363	684,540
NON-CURRENT LIABILITIES	1,736,071	1,801,985
BONDS	312,897	310,671
OTHER BORROWINGS	419,268	472,677
FINANCIAL PAYABLES FOR RIGHTS OF USE	773,138	786,980
OTHER PAYABLES	61,594	60,112
DEFERRED TAX LIABILITIES	56,137	56,852
PERSONNEL PROVISIONS	85,644	85,906
PROVISIONS FOR RISKS AND LOSSES	27,393	28,787
CURRENT LIABILITIES	852,414	798,080
BANK BORROWINGS	33,217	8,455
BONDS	41,362	40,180
OTHER BORROWINGS	95,667	68,946
FINANCIAL PAYABLES FOR RIGHTS OF USE	74,932	72,065
TRADE PAYABLES	389,864	396,391
OTHER PAYABLES	162,062	153,992
PROVISIONS FOR RISKS AND LOSSES	55,310	58,051
LIABILITIES HELD FOR DISPOSAL	496,643	496,643
TOTAL LIABILITIES AND EQUITY	4,186,150	4,213,679



Income Statement

<i>(in thousands of euro)</i>	01/01 - 31/03 2020	01/01 - 31/03 2019
REVENUES	531,481	530,207
CHANGE IN INVENTORIES	(1,371)	480
COSTS FOR THE PURCHASE OF GOODS	(204,737)	(230,516)
COSTS FOR SERVICES	(81,798)	(83,366)
PERSONNEL COSTS	(162,417)	(139,226)
OTHER OPERATING INCOME	7,987	9,381
OTHER OPERATING COSTS	(23,000)	(17,441)
AMORTIZATION, DEPRECIATION AND WRITEDOWNS	(54,174)	(45,839)
OPERATING RESULT	11,971	23,680
FINANCIAL INCOME	1,909	2,146
FINANCIAL EXPENSE	(16,272)	(12,229)
DIVIDENDS	24	14
GAINS FROM TRADING SECURITIES	2,061	1,020
LOSSES FROM TRADING SECURITIES	--	--
SHARE OF EARNINGS (LOSS) OF INVESTMENTS CONSOLIDATED USING THE EQUITY METHOD	--	--
ADJUSTMENT TO THE VALUE OF FINANCIAL ASSETS	(10,654)	1,850
RESULT BEFORE TAXES	(10,961)	16,481
INCOME TAXES	(2,586)	(7,635)
RESULT OF OPERATIONS DESTINED TO CONTINUE	(13,547)	8,846
NET INCOME/(LOSS) FROM OPERATIONS HELD FOR DISPOSAL	--	3,292
NET INCOME/(LOSS) FOR THE PERIOD INCLUDING MINORITY INTERESTS	(13,547)	12,138
- (NET INCOME) LOSS - MINORITY SHAREHOLDERS	1,397	(8,370)
- NET INCOME (LOSS) OF THE GROUP	(12,150)	3,768



Net Financial Position

<i>(in thousands of euro)</i>	31.03.2020	31.12.2019
A. CASH AND BANK DEPOSITS	273,068	309,336
B. OTHER CASH EQUIVALENTS	263,689	264,278
C. SECURITIES HELD FOR TRADING	32,432	35,482
D. CASH AND CASH EQUIVALENTS (A) + (B) + (C)	569,189	609,096
E. CURRENT FINANCIAL RECEIVABLES	23,740	23,135
F. CURRENT BANK BORROWINGS	(123,426)	(71,115)
G. BONDS ISSUED	(41,362)	(40,180)
H. CURRENT PART OF NON-CURRENT DEBT	(5,458)	(6,286)
I. FINANCIAL PAYABLES FOR RIGHTS OF USE	(74,932)	(72,065)
J. CURRENT FINANCIAL DEBT (F) + (G) + (H) + (I)	(245,178)	(189,646)
K. CURRENT NET FINANCIAL POSITION (J) + (E) + (D)	347,751	442,585
L. NON-CURRENT BANK BORROWINGS	(416,938)	(470,347)
M. BONDS ISSUED	(312,897)	(310,671)
N. OTHER NON-CURRENT PAYABLES	(2,330)	(2,330)
O. FINANCIAL PAYABLES FOR RIGHTS OF USE	(773,138)	(786,980)
P. NON-CURRENT FINANCIAL DEBT (L) + (M) + (N) + (O)	(1,505,303)	(1,570,328)
Q. NET FINANCIAL POSITION (K) + (P)	(1,157,552)	(1,127,743)

Fine Comunicato n.0097-45

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