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Oggetto : Press release on H1 2020 financial results

<i>Testo del comunicato</i>

Vedi allegato.



The Wellness Company



The Technogym Board of Directors approved the half-yearly financial report as of June 30, 2020

TECHNOGYM: +50% HOME FITNESS

In line with the strong growth in home fitness the company accelerates digital, e-commerce and consumer marketing development with significant additional investments

Focus on profitability and cashflow generation in H1

- **CONSOLIDATED REVENUE:** Euro 222.4 million, compared to 295.3 million of the first half of 2019
- **EBITDA ADJ:** Euro 37.3 million, compared to 50.4 million of the first half of 2019
- **NET PROFIT ADJ:** Euro 11.4 million, compared to 25.2 million of the first half of 2019
- **FCF:** Euro 22,4 million with a conversion rate of 64,6% pre-tax
- **NET FINANCIAL POSITION:** positive for Euro 14.1 million as of June 2020, improved compared to 3,7 million as of December 2019 despite seasonality



The Wellness Company



Nerio Alessandri, Chairman and CEO, commented:

“2020 will go down in history as a year of strong transformation that has changed not only the economic scenario, but above all habits and lifestyles. With no doubts, psycho-physical well-being and health have risen further within people’s priority list: being healthy and in good physical shape not only helps us in prevention but makes us more performing in sport and allow us to live a better life.

In line with this trend, in the first half of 2020, Technogym achieved significant growth (+ 50%) in the Home segment, thanks to an increase in demand for home products and solutions, the quality and the level of innovation of our offering. Our “Wellness on the Go” strategy, training anytime anywhere, represents a great transformation opportunity also for fitness club, that we have always supported; as a matter of fact, thousands of fitness clubs have evolved their business model thanks to our MyWellness digital platform, to offer online training programs to their members both at home and at the club.

Today we are, more than ever, focused on the “Technogym Direct to Consumer” priority, envisaging the offer of engaging and personalised training experiences, live and on-demand, thanks to our Technogym Live platform, on equipment, mobile and TV, at home and at the gym. Consumers can thus choose their favourite trainer and training content, developed by both Technogym and fitness clubs. Technogym accelerates the consumer development with significant additional investment – on the basis of a plan that will be presented at next Board of Director’s meeting – with the goal of strengthening our leadership, our premium positioning and increase our market shares.

Even though half year revenues have been impacted by Covid, we are very confident of Technogym's growth prospects in the medium-long term: wellness services have a great potential for development and we are the only company featuring an ecosystem able to offer training experiences, for different passions and needs, in rehabilitation and fitness centers, corporate gyms, hotels and especially at home. Since ever we spread digital fitness solutions and today, thanks to artificial intelligence, we are able to offer personalised training services and products to the Technogym community in 100 countries in the world”.



The Wellness Company



Cesena (Italy), September 9th, 2020 – The Board of Directors of Technogym S.p.A. (MTA: TGYM), one of the world's leading companies in smart equipment, service and digital services for the fitness, sport and health sectors, as part of the broader wellness sector, examined and approved the consolidated half-yearly financial report as of June 30, 2020 today, drawn up in accordance with IAS/IFRS international accounting standards. In this regard, it should be noted that 2019 is the first year of implementation of IFRS 16, therefore the economic-financial results in this release are commented including the effect of this principle.

The semester was influenced by the spread of the Covid-19 pandemic and the restrictive measures prescribed by governments around the world. In this context, Technogym closed the first half of 2020 with a decrease in turnover in almost all geographical areas, partially offset by a significant growth in sales of home-consumer products and digital services.

EBITDA Adj reports a decrease in line with the revenue slowdown registered in the period. The significant reduction in operating costs, without compromising the company's strategic focus on digital and content, strategic for maintaining market leadership, allowed the company to maintain profitability level in line with the first half of the previous year.

Net financial position improves compared to December 2019. This is the result of the group's ability to generate cash, thanks to a good management of working capital, despite the impact of the lockdown and the unfavourable seasonality in the first half.

The net profit, adjusted for Patent Box and other non-recurring items, is positive but declining compared to the first half of 2019, due to the impact of the pandemic on the business and to the higher depreciation recorded in the financial statements in the period, following the significant investments of the last years.

When it comes to innovation, during 2020 the company benefited from the further spread of the Technogym Ecosystem on the market. Lockdown measures implemented in almost all countries have further pushed consumers and industry operators towards the on-the-go training strategy, that have long been a cornerstone of the Technogym offer. Over the last few months Technogym has also launched the new Mywellness app 5.0 to offer operators (fitness clubs and trainers) the possibility to stream the contents and training programs of their facility to members at home or wherever they are. Talking about new products, in July Technogym launched Excite Live, a new cardio product line with access to multiple training contents developed by Technogym or other partner clubs and has made Technogym Bike available in the main European countries, after the launch in Italy and the UK last November.

Today, out of the 80.000 fitness centers in the world equipped by Technogym, approximately 15.000 are connected with the Mywellness platform.

The company continues its commitment to marketing and communication activities aimed at positioning Technogym as a Premium brand in the BtoB and Prestige sector in the BtoC and at acting as a partner for end-user training, no matter about his need or location

Results of the First Half of 2020

The consolidated results have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board and approved by the European Union. In this regard, it should be noted that 2019 is the first year of implementation of IFRS 16, therefore the economic-financial results in this section are commented out including the effect of this principle.

Below we provide a brief analysis of Revenues, based on the Geographic Area and Distribution Channels, the ADJ EBITDA, the Adjusted Operating Result, the Adjusted Profit and the Net Financial Debt.

1) Revenue

The first half recorded a 24.7% decrease in turnover (-24.9% at constant exchange rates) due to the contraction in general sales volumes mainly due of pandemic related postponement of several projects on the Business to Business side. On the other hand, the growth of the Home & Consumer segment was significant (+50%). Talking about geographies, Italy reports a good performance, while turnover was down in the other geographic areas. North America is the area most impacted by the current pandemic with a decrease of 32.2% in turnover mainly due to the decision of some Key Accounts within the Club segment and operators in the Hospitality segment to postpone some investments. In Europe, continues to represent the main geographical area for the group, and reports a 24% contraction mainly due to the postponement of orders in important countries such as the UK and France. The other relevant area, Asia Pacific, shows a 26.2% slowdown in the light of the weak performances of China and Japan. Italy reports a good performance which confirms the turnover of the first half of the previous year, thanks to the postponement of some orders from 2019 to the first quarter of 2020. Negative performance are recorded in MEIA (-27.1%) and LATAM (-48.6% mainly due to Brazil impacted both by the health emergency and by the company's desire to reposition itself on the local market).

Revenues by geographic areas

(In thousands of Euro and percentage of total revenues)	Data as of June 30			
	2020	2019	2020 vs 2019	%
Europe (ex Italy)	105.956	139.393	(33.437)	(24,0%)
APAC	39.163	53.092	(13.929)	(26,2%)
North America	28.329	41.810	(13.481)	(32,2%)
Italy	25.740	25.834	(94)	(0,4%)
MEIA	17.641	24.193	(6.552)	(27,1%)
LATAM	5.619	10.940	(5.321)	(48,6%)
Total Revenues	222.448	295.261	(72.813)	(24,7%)

With regard to the performance of turnover by sales channel, it is worth noting the excellent performances generated by the channels most exposed to the growing need of at-home training solutions. In details, Retail – referring to the 9 flagship stores managed by Technogym- , recorded an increase in turnover of 27.7% and Inside Sales grew by 46.2%. Field Sales, while continuing to represent the main distribution channel for the company, was also the most impacted by the lockdown with a contraction of 32.1% over the period, while the Wholesale channel was down by 24,6% mainly due to the weak performance recorded in emerging markets. We recall how cross-fertilization between the different channels is a distinctive trait of Technogym’s direct distribution model and this has enabled the Home Fitness segment to generate a significantly higher performance over the period than indicated for the Retail and Inside Sales channels.

Revenue by distribution channels

(In thousands of Euro and percentage of total revenues)	Data as of June 30			
	2020	2019	2020 vs 2019	%
Field sales	143.174	210.994	(67.820)	(32,1%)
Wholesale	46.045	61.062	(15.017)	(24,6%)
Inside sales	28.355	19.389	8.966	46,2%
Retail	4.874	3.816	1.058	27,7%
Total Revenues	222.448	295.261	(72.813)	(24,7%)

2) EBITDA ADJ, Net operating income and Adj Net Profit for the period

EBITDA Adjusted was equal to Euro 37.3 million, down by Euro 13.1 million (-26%), compared to Euro 50.4 million in the first half of 2019. This decrease was mainly due to the significant revenue decrease in the period, but mitigated by a reduction in operating costs, which did not impact the company’s strategic development projects.

Overall, the incidence of Adjusted EBITDA on Revenues (EBITDA Adj Margin) is 16.8%, in line with the data recorded in the first half of 2019 (17.1%).

The **Net Operating Income Adjusted** amounted to Euro 17.9 million, down by Euro 16.4 million (-47.8%) compared to Euro 34.2 million in the same period of 2019. This decrease is influenced by the decrease in sales volumes, partly offset by cost containment activities, and by higher depreciation of Euro 2.5 million compared to last year, reflecting the company’s growing focus on innovation.

Overall, the Adjusted ROS for the period was 8.0%, down from 11.6% in the first half of 2019.

Net Profit Adjusted amounted to Euro 11.4 million, down by Euro 13.8 million (-54.8%) compared to Euro 25.2 million in 2019. This trend is mainly related to the evolution of the above mentioned Operating Result.

In the half-year ended 30 June 2020, non-recurring expenses of Euro 5.3 million were recorded, mainly attributable to the impairment of the investment for Euro 2.5 million and for Euro 1 million to donations to the intensive care units of the Romagna Hospitals to cope with the health emergency. At 30 June 2019, non-recurring charges amounted to Euro 48 thousand.

3) Net Financial Position

Thanks to the cash generation recorded during the half year (Euro 22.4 million pre-tax, with a conversion rate of 64.6%) despite the pandemic and the usually unfavourable seasonality, the company has increased its net financial position to c. Euro 14.1 million (vs. Euro 3.7 million in December 2019). This result was possible thanks to careful management of working capital, implemented by the management from the first signs of the pandemic, which allowed a significant reduction in trade receivables following credit recovery actions and careful risk monitoring.

Covid 19 Update

In light of the global economic scenario connected to Covid-19, the Group has implemented a series of actions aimed at safeguarding workers health and containing the negative effects of the pandemic, in addition to the measures adopted by various governments around the world to mitigate the negative economic and financial effects. We provide below a brief summary of the main actions taken.

Digitization. The group has further accelerated the internal digital transformation and towards the market, achieving important development and growth objectives. In fact, in the context of the health emergency, the Mywellness Cloud platform was central for all operators to stay in touch with their customers and continue to develop their activities. Having a ready and structured digital ecosystem has allowed Technogym to acquire new customers and to propose its solutions in an innovative way. The acceleration recorded in recent months is comparable to what occurred in recent years. At the same time, all Technogym employees have been able to take advantage of the investments made by the Group in recent years aimed at improving processes and work, which is increasingly digitalized.

Home-Consumer. During the first half of 2020, the Group witnessed a strong growth in demand from end-users for training solutions that can also be used at home. This trend was particularly significant during the lockdown period, which unevenly spanned various parts of the world, but remained at noteworthy levels even after the return to normal activities. These results are the result of the focus that the company has always shown for the complementarity of training in the different places of life, Wellness-on-the-go, and the technological solutions developed over the years to enable the achievement of this goal.

Sales network. The sales network has concentrated on maintaining active relationships with all professional operators and above all on supporting the particularly significant growth of the Home & Consumer segment, all through a capillary management of CRM and teleselling, which has made it possible to sell in complete safety.

Production and distribution. Due to the production stoppage of the Italian factory which lasted a few weeks, some products were sold out, especially those dedicated to the consumer market; however, the logistic centers continued to operate with some limitations, not recording significant discontinuities. To date, all the backlog has been recovered and the factory is in line with the delivery schedule.

Human Resources. Following the lockdown period, where this occurred due to local legislative obligations, a strict health protocol was adopted to protect the health and safety of all employees. These protocols have allowed a gradual return to the offices in the various offices which are now



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partially operational. The Americas are an exception, where the situation currently does not allow the offices to be fully operational.

Operating costs. With regard to the management of operating costs, Technogym has intensified the simplification activities already in place and has carefully selected the strategic activities to focus on. This process made it possible to reduce the main cost items, thanks also to the renegotiations with suppliers, which allowed to record encouraging results.

Investments. Investments in technology, product innovation and digital solutions are confirmed as strategic. During the year, the necessary investments were carefully selected to ensure the continuous development of new solutions that allow the company to meet the needs of the market with innovative solutions characterized by the highest quality.

Cash management. Maximum focus was given to cash management, maximizing credit collection activities, keeping inventory levels under control and underwriting, for prudential purposes, new committed credit lines that have remained largely unused to date.

Outlook

In light of the serious economic and social impacts of the pandemic and of the continuing uncertainty about its duration and evolution among the various geographical areas in which the Group operates, it is difficult to be able to provide an accurate forecast on the economic trend of the financial year 2020. Technogym has already shown in the past a great ability to adapt to changing and adverse scenarios, like during the 2009 crisis, and also on this occasion the management has quickly undertaken all the initiatives aimed at protecting the company and its profitability, seeking at the same time to protect and continue the development of new products and solutions, aimed at allowing the company to maintain its role as leader in the field of innovation. Despite these actions, it is considered inevitable that the persistence of the pandemic impacts and the related high degree of uncertainty will negatively affect the results of the year 2020 compared to the previous year.

Consolidated income statement

<i>(In thousands of Euro)</i>	Half year ended 30 June			
	2020	<i>of which from related parties</i>	2019	<i>of which from related parties</i>
REVENUES				
Revenues	222,044	4,177	294,602	4,675
Other revenues and income	404	104	659	90
Total revenues	222,448		295,261	
OPERATING COSTS				
Purchases and use of raw materials, work in progress and finished goods	(69,015)	(36)	(96,341)	(27)
<i>of which non-recurring income/(expenses)</i>	<i>(323)</i>		<i>(137)</i>	
Cost of services	(60,306)	(358)	(80,690)	(545)
<i>of which non-recurring income/(expenses)</i>	<i>(719)</i>		<i>(624)</i>	
Personnel expenses	(54,843)	6	(67,011)	6
<i>of which non-recurring income/(expenses)</i>	<i>(435)</i>		<i>(643)</i>	
Other operating costs	(3,916)	(7)	(2,749)	(13)
<i>of which non-recurring income/(expenses)</i>	<i>(1,091)</i>		<i>0</i>	
Share of net result from joint ventures	(2,137)		480	
<i>of which non-recurring income/(expenses)</i>	<i>(2,468)</i>		<i>-</i>	
Depreciation, amortisation and impairment losses / (write-backs)	(17,222)	(782)	(14,747)	(733)
Net provisions	(2,196)		(1,398)	
NET OPERATING INCOME	12,813		32,804	
Financial income	5,390		4,763	
Financial expenses	(6,945)	(74)	(5,788)	(71)
Net financial expenses	(1,555)		(1,025)	
Income/(expenses) from investments	261		400	
PROFIT BEFORE TAX	11,520		32,180	
Income taxes	(5,288)		(6,763)	
<i>of which non-recurrent income taxes</i>	<i>(295)</i>		<i>1,452</i>	
PROFIT/(LOSS) FOR THE PERIOD	6,232		25,416	
Profit/(loss) attributable to non-controlling interests	(164)		(129)	
Profit (loss) attributable to owners of the parent	6,068		25,287	
EARNINGS PER SHARE	0.03		0.13	

Consolidated Statement of Financial Position

<i>(In thousands of Euro)</i>	As of 30 June		As of 31 December	
	2020	<i>of which from related parties</i>	2019	<i>of which from related parties</i>
ASSETS				
Non-current assets				
Property, plant and equipment	162,554	9,240	167,919	7,135
Intangible assets	44,257		43,445	
Deferred tax assets	17,392		15,543	
Investments in joint ventures and associates	15,970		18,063	
Non-current financial assets	2,955		2,930	
Other non-current assets	52,479	0	49,590	4
TOTAL NON-CURRENT ASSETS	295,607		297,490	
Current assets				
Inventories	91,453		76,831	
Trade receivables	68,837	213	127,472	525
Current financial assets	25		84	
Financial derivative assets	-		-	
Other current assets	21,024	1,128	22,295	1,597
Cash and cash equivalents	120,582		114,413	
TOTAL CURRENT ASSETS	301,922		341,096	
TOTAL ASSETS	597,529		638,587	
EQUITY AND LIABILITIES				
Equity				
Share capital	10,066		10,050	
Share premium reserve	4,990		4,990	
Other reserves	30,509		26,923	
Retained earnings	211,568		132,827	
Profit (loss) attributable to owners of the parent	6,068		83,204	
Equity attributable to owners of the parent	263,201		257,995	
Capital and reserves attributable to non-controlling interests	2,016		1,553	
Profit (loss) attributable to non-controlling interests	164		541	
Equity attributable to non-controlling interests	2,180		2,094	
TOTAL EQUITY	265,381		260,089	
Non-current liabilities				
Non-current financial liabilities	70,098	8,270	55,996	6,420
Deferred tax liabilities	288		304	
Employee benefit obligations	3,023		3,066	
Non-current provisions for risks and charges	11,509		15,218	
Other non-current liabilities	34,902		35,058	
TOTAL NON-CURRENT LIABILITIES	119,820		109,641	
Current liabilities				
Trade payables	88,723	431	127,536	636
Current tax liabilities	8,717		5,078	
Current financial liabilities	36,409	2,088	54,823	1,439
Financial derivative liabilities	-		13	
Current provisions for risks and charges	8,254		12,718	
Other current liabilities	70,225		68,688	
TOTAL CURRENT LIABILITIES	212,328		268,857	
TOTAL EQUITY AND LIABILITIES	597,529		638,587	

Consolidated Statement of Cash Flows

<i>(In thousands of Euro)</i>	Half year ended 30 June	
	2020	2019
Cash flows from operating activities		
Profit (loss) for the period	6,232	25,416
<i>Adjustments for:</i>	-	-
Income taxes	5,288	6,763
Income/(expenses) from investments	(261)	(400)
Financial income/(expenses)	1,555	1,025
Depreciation, amortisation and impairment losses	17,222	14,747
Net provisions	2,196	1,398
Share of net result from joint ventures	2,137	(480)
Cash flows from operations before changes in working capital	34,368	48,469
Change in inventories	(15,615)	(5,068)
Change in trade receivables	55,234	33,201
Change in trade payables	(39,458)	(17,351)
Change in other assets and liabilities	(3,992)	1,289
Income taxes paid	(5,467)	(3,362)
Net cash inflow from operations (A)	25,072	57,179
<i>of which from related parties</i>	<i>3,311</i>	<i>3,974</i>
Cash flows from investing activities		
Investments in property, plant and equipment	(2,650)	(14,033)
Disposals of property, plant and equipment	472	1,368
Investments in intangible assets	(5,985)	(7,074)
Disposals of intangible assets	56	-
Dividends from investments in joint ventures	-	1,004
Investments in subsidiaries, associates and other entities	0	-
Net cash inflow (outflow) from investing activities (B)	(8,106)	(18,736)
<i>of which from related parties</i>	<i>-</i>	<i>-</i>
Cash flows from financing activities		
Reimbursement of leasing costs (IFRS 16)	(3,392)	(2,908)
Non-current financial liabilities (including current portion)	-	863
Repayment of borrowings (including the current portion)	(6,194)	(6,253)
Net increase (decrease) of current financial liabilities	(496)	236
Dividends paid to shareholders	-	(36,181)
Payments of net financial expenses	45	(172)
Net cash inflow (outflow) from financing activities (C)	(10,037)	(44,415)
<i>of which from related parties</i>	<i>(856)</i>	<i>(804)</i>
Net increase (decrease) in cash and cash equivalents (D)=(A)+(B)+(C)	6,929	(5,972)
Cash and cash equivalents at the beginning of the year	114,413	78,503



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Net increase (decrease) in cash and cash equivalents from 1 January to 30 June	6,929	(5,972)
Effects of exchange rate differences on cash and cash equivalents	(760)	1,582
Cash and cash equivalents at the end of the period	120,582	74,113

Statement by the Executive Responsible for the preparation of Financial Reports

In accordance with article 154-bis, paragraph 2 of the Consolidated Finance Act, the executive responsible for the preparation of financial reports, Andrea Alghisi, declares that the accounting data contained in this press release is consistent with entries in the accounting books and records



The Wellness Company



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Notes to the press release

Technogym

Founded in 1983, Technogym is a world-leading international supplier of products, services and solutions in the fields of fitness and wellness. With over 2,000 employees and 14 branches in Europe, the United States, Asia, Middle East, Australia and South America, the company exports 90% of its production to over 100 countries. Technogym was the official supplier for the last seven Olympic Games: Sydney 2000, Athens 2004, Turin 2006, Beijing 2008, London 2012, Rio 2016 and PyeongChang 2018, and have just been appointed as Official Supplier of the forthcoming Tokyo 2020 Olympics.

Safe Harbor Statement

Certain statements in this press release could constitute forward-looking statements, as defined in the Private Securities Litigation Reform Act of 1995. The statements in question refer to risks, uncertainties and other factors that could lead to actual results which differ, even substantially, from those forecast. Such risks and uncertainties include, for example, the ability to manage the effects of the current uncertain international economic scenario, ability to acquire new assets and integrate them effectively, ability to forecast future economic conditions and changes in consumer preferences, ability to successfully introduce and market new products, ability to maintain an efficient distribution system, ability to achieve and manage growth, ability to negotiate and maintain favorable license agreements, currency fluctuations, changes in local conditions, ability to protect intellectual property, problems with information systems, risks associated with inventory, credit and insurance risks, changes in tax regulations, and likewise other political, economic, legal and technological factors and other risks and uncertainties already mentioned in our Consob filings. These forward-looking statements were released as at today's date and we accept no liability for updating.

Fine Comunicato n.1845-37

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