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Oggetto : CIR: results for first nine months of 2020

<i>Testo del comunicato</i>

Vedi allegato.

CIR: results for first nine months of 2020

- **Third quarter 2020 results improved, with consolidated revenues up slightly from 3Q 2019, EBITDA and EBIT showing progress and a net result (€ 10.0 million) higher than that of 3Q 2019**
- **Results for first nine months of 2020 were negatively affected by the performance of the first half which was badly hit by the economic consequences of the Covid-19 pandemic. Revenues at € 1,329.4 million (€ 1,528.0 million in first nine months of 2019). EBITDA at € 174.2 million (€ 201.8 million in the first nine months of 2019). EBIT positive at € 12.9 million (€ 66.0 million in the first nine months of 2019). Net result: -€ 20.2 million**
- **Net financial position of the parent company positive for € 384.0 million, higher than at December 31 2019 (€ 295.7 million)**

Milan, October 30 2020 – The Board of Directors of CIR S.p.A., which met today under the chairmanship of Rodolfo De Benedetti, has approved the Financial Report as of September 30 2020 presented by Chief Executive Officer Monica Mondardini.

Consolidated results

The **third quarter** of this year saw a recovery in all businesses, with consolidated revenues up by 0.7% on the revenues of the same period of 2019, EBITDA and EBIT showing progress and a net result of € 10.0 million, which was higher than in third quarter 2019.

In the social and healthcare sector, KOS reported a recovery in rehabilitation services after hospital activities resumed in a quarter with less stress on the health service in relation to the emergency caused by the Covid-19 pandemic.

In automotive components, Sogefi, thanks to its better performance than the market in terms of sales and to its cost cutting actions, closed the quarter with a positive result.

As regards the financial assets of the CIR holding company and its non-industrial subsidiaries, which were in line with their respective markets, there was a recovery in stock prices and this compensated for the losses seen in the first six months of the year.

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The results of the **first nine months** of 2020 were still affected very negatively by the first half of the year, in which all business activities suffered the effects of the circumstances that arose because of the pandemic and the particularly restrictive measures adopted.

Consolidated revenues came in at € 1,329.4 million and were down by 13% on 2019.

The consolidated gross operating margin (EBITDA) came to € 174.2 million and was 13.7% lower than the figure for the first nine months of 2019 (€ 201.8 million).

The consolidated operating result (EBIT) was € 12.9 million, down from € 66.0 million in the corresponding period of 2019, reflecting the lower EBITDA and the higher amortization after the consolidation of KOS's business in Germany, which was acquired at the end of 2019.

The net result was a loss of € 20.2 million compared to a net income figure of € 5.4 million in the same period of 2019. Compared to the first half of the year, the loss was significantly less.

KOS's business activity was affected by the public health emergency in all sectors, with a significant impact on its economic performance. In the Italian nursing homes, the focus was on the difficult management of the public health emergency and new entries were frozen for several months. During the third quarter new patients started to be accepted again and the number of guests stabilized albeit at a significantly lower occupancy rate than in 2019. In the German nursing homes the impact of the pandemic on healthcare was considerably less and therefore the reduction in the number of guests was more limited than in Italy. In the rehabilitation units the number of patients declined following the slowdown in normal hospital activity, when the health service was in a state of stress, and outpatient activities were suspended or much reduced as were diagnostic activities. However in the third quarter there was a strong recovery with an increase in services provided compared to the same period of 2019.

Revenues totalled € 468.8 million and were up by 23.7% on the same period of 2019 (but fell by 10.5% on a like-for-like basis, excluding Charleston, the group operating in Germany in the care home sector, which was acquired in October 2019). EBIT amounted to € 26.8 million down from € 44.2 million in 2019 due to the decline in the number of guests and patients in Italy because of the Covid-19 emergency and the higher costs incurred for protective equipment to counter and limit the effects of the pandemic. The net result was a positive € 4.9 million versus net income of € 23.5 million in 2019.

In September KOS signed a binding agreement with DWS Alternatives Global Limited for the sale of Medipass, excluding the businesses in India, of which KOS will retain ownership. The enterprise value agreed upon is € 169.2 million and the equity value is estimated at around €

103.0 million (net of the disbursement incurred by KOS for the acquisition of the businesses in India), plus a possible earn-out of € 2.5 million. Completion of the deal is subject to the issue of the necessary authorizations by the competent authorities and to certain waivers by third parties, which as things stand are almost completely satisfied. The deal is expected to complete by the end of November 2020 and will generate a capital gain for KOS of over € 50 million that will be recognized only at the moment of completion. The sale of Medipass is part of KOS's strategy of focusing on its core business (long-term care) in Italy and Germany.

Moving on to Sogefi, in the third quarter the automotive sector reported a definite recovery in world car production, with a decline in volumes of 3.5% compared to the same period of 2019, after the unprecedented dramatic fall experienced in the first half of the year (-33.2%) due to the effects of the spread of the Covid-19 pandemic.

In this context, Sogefi reported a positive third quarter, with revenues down by 8.1% and net income of € 5.6 million (compared to € 1.4 million in third quarter 2019), thanks to the measures put in place to counter the crisis, which enabled Sogefi to increase its contribution margin to 31% from 30.3% in 2019 and 29.5% in the second quarter, and to reduce its fixed costs by 20%, with a ratio to sales down from 17% in third quarter 2019 to 15% in 2020.

The first nine months of 2020 remain strongly affected by the first half of the year: revenues came in at € 860.6 million, down by 25.1% compared to 2019, EBITDA came to € 94.7 million versus € 130.7 million in 2019, and the period closed with a loss of € 23.2 million (net income of € 8.3 million in 2019).

In spite of the situation of the first nine months, since the beginning of the year Sogefi has acquired new contracts for a total that is estimated as being in line with previous years and with the objectives of maintaining/increasing its market share.

Regarding the financial investments of the holding company and the subsidiaries devoted to financial management, in the third quarter of 2020 asset values recovered, bringing the overall return for the nine months to breakeven, after the loss reported in the first half. Bonds and hedge funds (which account for some 85% of the portfolio) had an overall return of +1.8% while private equity and financial equity investments reported a reduction in their total fair value of 8%.

Consolidated net debt before IFRS 16 totalled € 264.0 million at September 30 2020, which was lower than at December 31 2019 (€ 327.6 million) and at June 30 2020 (€ 285.7 million). Financial payables for rights of use as per IFRS 16 came to a total of € 808.9 million at September 30 2020 and thus the total consolidated net debt was € 1,072.9 million. The payables as per IFRS 16 mainly refer to the subsidiary KOS (€ 733.5 million), which operates mainly in leased premises.

The net financial position of the parent company (including the non-industrial subsidiaries) was a positive € 384.0 million at September 30 2020, higher than at December 31 2019 (€ 295.7 million), thanks to the net cash inflow from the sale of the shareholding in GEDI Gruppo Editoriale to EXOR (with an amount of € 102.4 million received for the entire holding and the reinvestment of € 11.7 million for 5% of the same GEDI).

The equity of the Group stood at € 736.9 million at September 30 2020, down from € 770.7 million at December 31 2019. The decline was due to the loss for the period and to negative exchange rate differences resulting from the translation of the financial statements of foreign subsidiaries.

Outlook for the year

Visibility for the coming months remains limited because of the uncertainty about the effects of the evolution of the pandemic on the businesses of the group. Indeed, Europe is experiencing the second phase of the spread of the Covid-19 pandemic, with recent figures showing levels higher than during the lockdown earlier in the year. In North and South America the evolution of the pandemic remains extremely concerning. We cannot therefore rule out, as has recently been confirmed in certain countries, the possibility of the authorities issuing new restrictions on private-sector production and business activities, which would impact the activities of the group.

As far as KOS is concerned, it is expected that rehabilitation activity could consolidate the recovery seen in the third quarter, provided that there is no new freeze on regular hospital activity, while for care homes in Italy in the short term it is likely that the number of guests will remain below historical averages. At the same time care homes will continue to incur additional costs to counter the emergency. The care-home sector in Germany, which has been less affected by the pandemic in terms of level of activity and which is in any case supported financially by the public health service, should report results in line with expectations, advancing its plan for improving operations and increasing income. In this difficult environment it is expected that EBIT for the whole year will not be lower than the figure reported for the first nine months of the year.

Sogefi has factored into its forecasts for the fourth quarter the assumption that the market will be around -10%, in which it expects to be able to achieve a significantly positive EBIT for the whole year, excluding restructuring charges.

Based on the considerations regarding the group's investees, provided there is no shutdown of business or any other extraordinary event that cannot at present be predicted, the forecast is for a positive consolidated EBIT result and a significantly positive net income figure thanks to extraordinary transactions (particularly the sale of Medipass).

Appointment of CIR's new Financial Reporting Officer

The Board of Directors has resolved, after receiving the favourable opinion of the Board of Statutory Auditors, to appoint Michele Cavigioli as the Officer responsible for the preparation of the company's financial and corporate statements as per the terms of Art. 154-bis of the TUF and in compliance with Art. 21 of the Company Bylaws. The appointment will take effect as from January 1 2021. Michele Cavigioli, 51, has been in CIR since 2005, has held the position of Central Finance Director since 2010 and is also responsible for relations with financial analysts and institutional investors. He is also CEO of CIR Investimenti and sits on the Board of Directors of KOS. He worked previously for McKinsey & Company, Deutsche Bank and Magnemag AG. Michele Cavigioli will take the place of the current financial reporting officer Giuseppe Gianoglio, 62, who will be leaving the group in January 2021, having chosen to retire. The Board of Directors thanks Giuseppe Gianoglio for his important contribution to the group over the past 16 years.

It should be noted that Giuseppe Gianoglio holds 488,013 CIR shares and rights resulting from Stock Grant Plans for a total of 1,359,648 Units. Michele Cavigioli holds 24,248 CIR shares and rights resulting from Stock Grant Plans for a total of 1,422,461 Units.

Resolution on periodic financial reporting

The Board of Directors has decided that as from financial year 2021 it will no longer publish interim financial reports as of March 31 and September 30, exercising the right granted by D.Lgs 25/2016 for the same reasons that inspired the Transparency II 2013/50 directive of the European Union transposed into Italian law by the above decree.

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 accounting 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 CONSOLIDATED FINANCIAL POSITION

(in thousands of euro)

ASSETS	30.09.2020	30.06.2020	31.12.2019
NON-CURRENT ASSETS	2,319,514	2,387,158	2,436,085
INTANGIBLE ASSETS	633,654	668,768	670,368
TANGIBLE ASSETS	642,117	687,881	701,188
RIGHTS OF USE	848,219	846,313	865,988
INVESTMENT PROPERTY	15,956	16,133	16,481
INVESTMENTS CONSOLIDATED USING THE EQUITY METHOD	679	679	851
OTHER EQUITY INVESTMENTS	13,566	1,872	1,863
OTHER RECEIVABLES	41,726	43,590	45,982
OTHER FINANCIAL ASSETS	60,231	56,183	67,866
DEFERRED TAX ASSETS	63,366	65,739	65,498
CURRENT ASSETS	1,133,978	1,122,196	1,055,007
INVENTORIES	119,373	120,298	119,985
TRADE RECEIVABLES	201,306	174,578	241,762
OTHER RECEIVABLES	71,398	78,968	61,029
FINANCIAL RECEIVABLES	18,740	18,788	23,135
SECURITIES	55,103	48,331	35,482
OTHER FINANCIAL ASSETS	291,121	274,400	264,278
CASH AND CASH EQUIVALENTS	376,937	406,833	309,336
ASSETS HELD FOR DISPOSAL	114,161	--	722,587
TOTAL ASSETS	3,567,653	3,509,354	4,213,679
LIABILITIES AND EQUITY	30.09.2020	30.06.2020	31.12.2019
SHAREHOLDERS' EQUITY	940,815	927,865	1,116,971
SHARE CAPITAL	625,043	625,028	345,998
RESERVES	93,194	95,036	43,355
RETAINED EARNINGS (LOSSES)	38,859	38,876	112,885
NET INCOME (LOSS) FOR THE PERIOD	(20,217)	(30,418)	(69,807)
EQUITY OF THE GROUP	736,879	728,522	432,431
MINORITY SHAREHOLDERS' EQUITY	203,936	199,343	684,540
NON-CURRENT LIABILITIES	1,607,997	1,625,664	1,801,985
BONDS	201,177	202,357	310,671
OTHER BORROWINGS	381,817	414,650	472,677
FINANCIAL PAYABLES FOR RIGHTS OF USE	776,932	768,351	786,980
OTHER PAYABLES	65,891	59,428	60,112
DEFERRED TAX LIABILITIES	62,429	59,795	56,852
PERSONNEL PROVISIONS	91,743	94,294	85,906
PROVISIONS FOR RISKS AND LOSSES	28,008	26,789	28,787
CURRENT LIABILITIES	982,865	955,825	798,080
LOANS FROM BANKS	8,312	9,884	8,455
BONDS	114,183	112,926	40,180
OTHER BORROWINGS	260,891	238,671	68,946
FINANCIAL PAYABLES FOR RIGHTS OF USE	71,472	74,982	72,065
TRADE PAYABLES	339,627	300,810	396,391
OTHER PAYABLES	145,649	172,451	153,992
PROVISIONS FOR RISKS AND LOSSES	42,731	46,101	58,051
LIABILITIES HELD FOR DISPOSAL	35,976	--	496,643
TOTAL LIABILITIES AND EQUITY	3,567,653	3,509,354	4,213,679

CONSOLIDATED INCOME STATEMENT

(in thousands of euro)

	01/01 - 30/09 2020	01/01 - 30/09 2019
REVENUES	1,329,385	1,527,965
CHANGE IN INVENTORIES	(9,528)	(250)
COSTS FOR THE PURCHASE OF GOODS	(503,559)	(673,140)
COSTS FOR SERVICES	(202,372)	(223,300)
PERSONNEL COSTS	(412,059)	(397,344)
OTHER OPERATING INCOME	29,797	18,540
OTHER OPERATING COSTS	(57,477)	(50,675)
AMORTIZATION, DEPRECIATION & WRITE-DOWNS	(161,294)	(135,751)
OPERATING RESULT	12,893	66,045
FINANCIAL INCOME	5,037	6,897
FINANCIAL EXPENSE	(47,607)	(36,693)
DIVIDENDS	52	41
GAINS FROM TRADING SECURITIES	4,296	1,584
LOSSES FROM TRADING SECURITIES	(329)	(2,950)
SHARE OF EARNINGS (LOSS) OF INVESTMENTS CONSOLIDATED USING THE EQUITY METHOD	(172)	--
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	(4,358)	8,697
RESULT BEFORE TAXES	(30,188)	43,621
INCOME TAXES	(4,852)	(21,692)
RESULT OF CONTINUING OPERATIONS	(35,040)	21,929
INCOME/(LOSS) FROM ASSETS HELD FOR DISPOSAL	6,835	(9,584)
NET INCOME/(LOSS) FOR THE PERIOD INCLUDING MINORITY INTERESTS	(28,205)	12,345
- (NET INCOME) LOSS OF MINORITY SHAREHOLDERS	7,988	(10,072)
- NET INCOME (LOSS) OF THE GROUP	(20,217)	2,273

CONSOLIDATED STATEMENT OF NET FINANCIAL POSITION

<i>(in thousands of euro)</i>	30.09.2020	30.06.2020	31.12.2019
A. CASH AND BANK DEPOSITS	376,937	406,833	309,336
B. OTHER CASH EQUIVALENTS	291,121	274,400	264,278
C. SECURITIES HELD FOR TRADING	55,103	48,331	35,482
D. CASH AND CASH EQUIVALENTS (A) + (B) + (C)	723,161	729,564	609,096
E. CURRENT FINANCIAL RECEIVABLES	18,740	18,788	23,135
F. CURRENT BANK BORROWINGS	(266,373)	(244,490)	(71,115)
G. BONDS ISSUED	(114,183)	(112,926)	(40,180)
H. CURRENT PART OF NON-CURRENT DEBT	(2,830)	(4,065)	(6,286)
I. FINANCIAL PAYABLES FOR RIGHTS OF USE	(71,472)	(74,982)	(72,065)
J. CURRENT FINANCIAL DEBT (F) + (G) + (H) + (I)	(454,858)	(436,463)	(189,646)
K. NET CURRENT FINANCIAL POSITION (J) + (E) + (D)	287,043	311,889	442,585
L. NON –CURRENT BANK BORROWINGS	(379,696)	(412,530)	(470,347)
M. BONDS ISSUED	(201,177)	(202,357)	(310,671)
N. OTHER NON-CURRENT BORROWINGS	(2,121)	(2,120)	(2,330)
O. FINANCIAL PAYABLES FOR RIGHTS OF USE	(776,932)	(768,351)	(786,980)
P. NON-CURRENT FINANCIAL DEBT (L) + (M) + (N) + (O)	(1,359,926)	(1,385,358)	(1,570,328)
Q. NET FINANCIAL POSITION (K) + (P)	(1,072,883)	(1,073,469)	(1,127,743)

Fine Comunicato n.0097-87

Numero di Pagine: 11