| Informazione Regolamentata n. 0915-35-2020 | Data/Ora Ricezione 13 Novembre 2020 17:49:14 | MTA - Star |
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*Testo del comunicato*

Vedi allegato.

# Landi Renzo: Board of Directors approves results at September 30, 2020 and appoints a new Director, Dario Melpignano, to replace outgoing Director Anton Karl

- **In the third quarter of the year, revenues grew (+9.1% compared to the same period of the previous year) and margins rose, with Adjusted EBITDA back in a positive territory and in line with the first quarter of 2020**
- **Group's investments continued with a view to developing green mobility powered by methane, biomethane and hydrogen, forming and consolidating new partnerships with major players in the Italian energy sector, as well as with universities and research centers**
- **Gas distribution sector: the joint venture Safe&Cec recorded an increase in consolidated value production for the first nine months of the year (+14.9% compared to the same period of 2019), particularly in the third quarter (+22.4%), with positive operating margins. The Safe&Cec Group has also been awarded an important order worth over USD 1 million on the US market to supply a biomethane compression system**

- Consolidated revenues amounted to €99 million, down compared to the same period of the previous year (€137.9 million)
- Adjusted EBITDA was €4.4 million (€18.1 million at September 30, 2019), back in a positive territory in the third quarter (€2.5 million) compared to the second quarter of 2020 (negative for €1 million) and in line with the first quarter of the year (€2.9 million)
- EBITDA at €3.5 million (3.5% of revenues), compared to €17.3 million at September 30, 2019
- Negative net result at €7.9 million, compared to a net profit of €3.1 million at September 30, 2019
- Net Financial Debt at €86.1 million (€80.5 million net of the effects of the application of IFRS 16 and the fair value of financial derivatives) compared to €61.8 million at December 31, 2019

Cavriago (RE), November 13, 2020

The Board of Directors of Landi Renzo S.p.A., chaired by Stefano Landi, met today and approved the Interim Report at September 30, 2020.
Overall, the main operating indicators decreased in the first nine months of 2020 compared to the same period of the previous year due to the effects of the spread of the Covid-19 virus at global level and a different sales mix.
After a first half of the year that was severely impacted by the pandemic, in the third quarter of 2020 the Group recovered sharply both in terms of revenues (+9.1% compared to the same period of the previous year) and margins (Adjusted EBITDA at €2.5 million). The revenue recovery in the third quarter was mainly driven by the increasing order backlog of some European leading car manufacturers that have focused on LPG bifuel engines to broaden their range of ‘green’ products, thus confirming Landi Renzo as their main component provider.

"After a particularly difficult first half of the year for the entire global automotive industry, in the third quarter Landi Renzo Group benefited from a positive sales trend. Together with the prompt actions taken by management to reduce fixed costs, this trend drove a significant improvement in operating margin indicators, which, while down on the previous year, were back to positive," stated **Stefano Landi**, **Chairman of Landi Renzo S.p.A..**

"Our results for the third quarter returned to positive territory at the level of EBITDA, due to the recovery of revenues and cost containment measures. In particular, volume growth was recorded on the OEM channel and various markets of the After Market channel, bearing out the fundamental role played by gas mobility in the transport fuel mix. We are continuing to work for the future by developing innovative products and studying initiatives that we are certain will drive significant value creation for our shareholders over the short and medium term. In addition, we especially thank all our staff, who are facing this challenging year with great dedication and professionalism," stated **Cristiano Musi, Chief Executive Officer of Landi Renzo S.p.A.** "Our joint venture Safe&Cec also showed improvement across all indicators, thanks to market growth and the increasingly important role of global leader that it is playing in its sector. We also consolidated our presence in the US biomethane market by acquiring an important order to supply a full compression system for an RNG production plant in California."

## Consolidated Financial Highlights at September 30, 2020

In the first nine months of the year, Landi Renzo Group's revenues amounted to €99,008 thousand, down compared to the same period of the previous year (€137,910 thousand). The Group's sales within the OEM channel accounted for 48.2% of total revenues in the first nine months of 2020 (38.5% at December 31, 2019), owing to the order backlog of some European leading car manufacturers that have focused on LPG bifuel engines to broaden their range of 'green' products. At September 30, 2020, revenues from sales on the After Market channel totaled €51,243 thousand, down compared to September 30, 2019 (€79,812 thousand) and chiefly referring to orders from both national and foreign wholesalers and authorized installers, which continued to be penalized by the negative effects of the pandemic and the associated significant drop in the number of conversions. In the first nine months of 2020, margins were negatively impacted by the decline in sales, the increasing ratio of OEM sales and After-Market price tensions, only partly offset by a reduction in fixed and structure costs.

Landi Renzo generated 83.8% of its revenues abroad (53.4% in Europe and 30.4% outside Europe). The spread of the pandemic has hit transversally all markets, also as a result of the increasing market interconnection within a more and more globalized context.
The breakdown of revenues by geographical area is as follows:

- Italy accounted for 16.2% of total revenues, down 38.7% (€10,116 thousand) compared to September 30, 2019 (€26,114 thousand). According to data of the association of foreign carmakers operating in Italy (UNRAE), vehicle registrations in the country in the first nine months of 2020 declined by 34.2% compared to the same period of the previous year, chiefly as a result of the spread of Covid-19, the related lockdown and the ensuing context of economic uncertainty that impacted the consumers' propensity to buy durable goods;

- the rest of Europe accounted for 53.4% (€52,898 thousand) of total sales (45.2% in the first nine months of 2019), down 15.2%, compared to the same period of the previous year, chiefly due to the closure of plants by several leading car manufacturers as a result of the lockdown imposed by the respective national governments to address the Covid-19 pandemic. Thanks to the positive effects generated on demand by the automotive business and market supporting schemes launched in the main European producing countries, the third quarter of 2020 reversed the trend, with revenues amounting to €21,024 thousand, up 66.4% compared to the same period of the previous year (€12,635 thousand). This result allowed to significantly reduce the revenue decline in this area compared to June 30, 2020 (-35.9%);

- sales in America in the first nine months of 2020 accounted for 11.4% of total revenues (16.6% for the same period of 2019), amounting to €11,295 thousand, with a 50.7% decrease compared to the same period of the previous year (€22,901 thousand). The decline was mainly attributable to the LATAM area, which continued to be sharply impacted by the pandemic, with negative effects on the respective currencies as well, and in particular on the Brazilian and Argentine currencies, which fell severely;

- the markets in Asia and the Rest of the World, which accounted for 19% of total revenues, declined (-29.1% compared to the first nine months of 2019), with sales amounting to €18,817 thousand. In the third quarter of the year, the Indian and North African markets — among the most hit by the pandemic — improved sharply, with a significant rise in sales and an increasing order backlog.

At September 30, 2020, **Adjusted EBITDA** amounted to €4,382 thousand (4.4% of revenues), net of €894 thousand non-recurring costs, compared to €18,068 thousand for the same period of the previous year (13.1% of revenues).

**EBITDA** for the first nine months of 2020 was positive at €3,488 thousand (€17,263 thousand at September 30, 2019).

**EBIT** for the reporting period was negative at €5,604 thousand (positive at €8,212 thousand at September 30, 2019), after amortization, depreciation and impairment losses totaling €9,092 thousand (€9,051 thousand at September 30, 2019), of which €1,543 thousand due to the application of IFRS 16 (€1,620 thousand at September 30, 2019).

**Financial expenses** amounted to €2,367 thousand, improving compared to the same period of the previous year (€3,178 thousand), thanks to the medium-to-long-term loan agreement entered into in June 2019 with three leading banks (BPM, in the role of mandated lead arranger and bookrunner, Intesa Sanpaolo and Unicredit) for a total amount of €65 million, subject to more favorable economic conditions.

**EBT** at September 30, 2020 was negative at €9,489 thousand (positive at €4,893 thousand at September 30, 2019), net of negative exchange rate effects amounting to €1,718 thousand, mainly of a valuation nature and associated with the impacts generated by the Covid-19 pandemic on the currencies used by the Group, in particular those of the LATAM area and Asia.

**Net Financial Debt** totaled €86,055 thousand at September 30, 2020 (€61,767 thousand at December 31, 2019), of which €5,143 thousand due to the application of IFRS 16, and €397 thousand due to the fair value of financial derivative contracts. Excluding the effects arising from the application of this standard and the fair value of derivative contracts, Net Financial Debt would have been €80,515 thousand, after €8,600 thousand investments.

## Performance of the Gas Distribution and Compressed Natural Gas operating business

Landi Renzo Group operates directly in the automotive sector alone, whereas in the Gas Distribution and Compressed Natural Gas it operates indirectly though Safe&Cec S.r.l., which has been classified as a joint venture for the purposes of international accounting standards (IFRS 11), and therefore consolidated using the equity method.
In the first nine months of 2020, the Gas Distribution and Compressed Natural Gas business recorded a consolidated value of production of €53,929 thousand (up 14.9% compared to September 30, 2019), Adjusted EBITDA at €3,124 thousand (€3,849 thousand at September 30, 2019) and a loss after taxes of €190 thousand (compared to a €55 thousand profit at September 30, 2019). As a result of the lockdown imposed by the Italian government, production has been temporarily halted at the Group's Italian plant. Following the spread of the Covid-19 pandemic in the LATAM area, the plants in Peru and Colombia were also closed. Conversely, production at the Canadian plant continued since said country was less affected by the epidemic. Along with the significant increase in the order backlog, this allowed the Safe&Cec Group to contain the negative effects of the pandemic and reach levels of turnover exceeding those for the same period of the previous year, thus confirming the Group’s positive performance and business solidity.
In detail, the consolidated value of production in the third quarter of 2020 amounted to €22,156 thousand, up 22.4% compared to the same period of the previous year (€18,105 thousand), with an increasing order backlog which exceeded that of the previous year.
The joint venture Safe&Cec has also been recently awarded an order worth over USD 1 million on the US market, for the supply of a full compression system for an RNG production plant in California.

## Significant events after the close of the first nine months of 2020

The following events occurred after the end of the first nine months of 2020 and up to today's date:

- In October, Anton Karl resigned, effective immediately, from the position of independent non-executive Director of Landi Renzo S.p.A. in light of his new professional responsibilities, incompatible with the commitment required to perform his role.

- At its meeting on November 13, by resolution approved by the Board of Statutory Auditors, the Board of Directors of Landi Renzo S.p.A. co-opted Dario Melpignano as independent non-executive Director, replacing outgoing director Anton Karl, pursuant to Article 2386 of the Italian Civil Code. The appointment was approved by the Board of Directors in light of the fact that the outgoing Director had been elected from the minority list submitted by Aerius Holding AG, which had nominated a single additional candidate, who has declared his intention not to serve as a Director of Landi Renzo S.p.A.. Dario Melpignano meets the independence requirements set in Article 148, paragraph 3, of Legislative Decree No. 58 of February 24, 1998 and Article 3 of the Corporate Governance Code for Listed Companies. Since 2009, Dario Melpignano has been Chief Executive Officer of Neosperience S.p.A., a company that he co-founded in 2007, listed on the AIM market. A software vendor specialized in the digital customer experience, Neosperience is ranked among the new pioneering artificial intelligence firms and stands out as major European player within this business, alongside Adobe, IBM and Microsoft. Earlier in his career, he co-founded FullSix — among the main European digital operators in the 2000s — and contributed to the creation of other innovative firms, such as: Neosurance in 2016, a spin-off from Neosperience dedicated to the insurtech sector; Bikevo in 2017, a sportech start-up dedicated to amateur cyclist training; and WizKey, specialized in legaltech for the sale of receivables, integrated with blockchain technology. His most recent initiative is the launch of a healthtech business unit, after launching the project Defeatcovid19.org, through which he provided for free the international community with access to the first machine-learning model that automates Covid-19 diagnosis using X-rays images.

## Business outlook

After a third quarter of rapidly growing sales in line with expectations, the progressive manifestation in Europe and elsewhere in the world of the feared "Phase Two" of the pandemic is stirring further uncertainty regarding international market performance, with the resulting limited visibility as to market development in the coming months. Nonetheless, it should be stressed that the current market situation is very different from that seen in the second quarter of 2020, and that no particularly significant impacts on sales forecasts and margins in the fourth quarter are currently expected.

On the basis of the most recent forecast data, management estimates that in the current year revenues will decline by approximately 25% overall compared to the previous year, in line with the figure at September 30, 2020 (-28.2%), but improving sharply compared to the decline recorded in June 2020 (-41.3%). Accordingly, EBITDA is expected to further improve compared to the first nine months of the year, owing in part to the significant efficiency-enhancement measures taken by the management. Furthermore, Landi Renzo Group has access to financial resources adequate to its current needs, thanks in part to the new €21 million loan signed in July with a pool of leading Italian banks and guaranteed by SACE S.p.A. pursuant to the Liquidity Decree.

The effect of the pandemic on the joint venture SAFE&CEC was less pronounced. In fact, consolidated value of production for the first nine months of 2020 increased compared to the same period of the previous year. Despite the market uncertainty, on the basis of the most recent forecasts, the 2020 consolidated value of production is expected to improve on the previous year, driven by the significant order backlog, with profitability in terms of EBITDA in line with 2019.

*Pursuant to Article 154-bis, paragraph 2, of Italian Legislative Decree No. 58 of February 24, 1998, the Officer in charge of preparing the Company's financial statements, Paolo Cilloni, declares that the accounting information contained in this press release corresponds to the documented results, books and accounting records.*

This press release is also available on the corporate website www.landirenzogroup.com/en.

*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 the 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.

**LANDI RENZO S.p.A.**

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(thousands of Euro)

| CONSOLIDATED INCOME STATEMENT | 30/09/2020 | 30/09/2019 |
|---|---|---|
| Revenues from sales and services | 99,008 | 137,910 |
| Other revenue and income | 89 | 315 |
| Cost of raw materials, consumables and goods and change in inventories | -57,995 | -71,083 |
| Costs for services and use of third party assets | -19,972 | -27,965 |
| Personnel expenses | -16,224 | -20,169 |
| Accruals, impairment losses and other operating expenses | -1,418 | -1,745 |
| **Gross Operating Profit** | **3,488** | **17,263** |
| Amortization, depreciation and impairment losses | -9,092 | -9,051 |
| **Net Operating Profit** | **-5,604** | **8,212** |
| Financial income | 221 | 75 |
| Financial expenses | -2,367 | -3,178 |
| Exchange gains (losses) | -1,718 | -531 |
| Gains (Losses) on joint venture valuate using the equity method | -21 | 315 |
| **Profit (Loss) before tax** | **-9,489** | **4,893** |
| Taxes | 1,612 | -1,761 |
| **Net profit (loss) for the Group and minority interests, including:** | **-7,877** | **3,132** |
| Minority interests | -163 | -53 |
| Net profit (loss) for the Group | -7,714 | 3,185 |
| | | |
| **Basic earnings (loss) per share (calculated on 112,500,000 shares)** | -0.0686 | 0.0283 |
| | | |
| **Diluted earnings (loss) per share** | -0.0686 | 0.0283 |

| (thousands of Euro) | | |
|---|---|---|
| **ASSETS** | **30/09/2020** | **31/12/2019** |
| **Non-current assets** | | |
| Property, plant and equipment | 13,109 | 11,578 |
| Development expenditure | 8,976 | 8,228 |
| Goodwill | 30,094 | 30,094 |
| Other intangible assets with finite useful lives | 11,345 | 12,536 |
| Right-of-use assets | 5,010 | 6,402 |
| Investments in associated companies and joint ventures | 22,338 | 23,530 |
| Other non-current financial assets | 921 | 334 |
| Other non-current assets | 2,850 | 3,420 |
| Deferred tax assets | 10,561 | 8,704 |
| **Total non-current assets** | **105,204** | **104,826** |
| | | |
| **Current assets** | | |
| Trade receivables | 39,592 | 40,545 |
| Inventories | 41,525 | 39,774 |
| Other receivables and current assets | 7,167 | 7,337 |
| Current financial assets | 2,821 | 2,801 |
| Cash and cash equivalents | 19,821 | 22,650 |
| **Total current assets** | **110,926** | **113,107** |
| | | |
| **TOTAL ASSETS** | **216,130** | **217,933** |

| (thousands of Euro) | | |
|---|---|---|
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | **30/09/2020** | **31/12/2019** |
| **Shareholders' Equity** | | |
| Share capital | 11,250 | 11,250 |
| Other reserves | 52,870 | 49,367 |
| Profit (loss) of the period | -7,714 | 6,048 |
| **Total Shareholders' Equity of the Group** | **56,406** | **66,665** |
| Minority interests | -454 | -332 |
| **TOTAL SHAREHOLDERS' EQUITY** | **55,952** | **66,333** |
| | | |
| **Non-current liabilities** | | |
| Non-current bank loans | 73,181 | 50,991 |
| Other non-current financial liabilities | 770 | 0 |
| Non-current liabilities for right-of-use | 3,227 | 4,535 |
| Provisions for risks and charges | 2,837 | 3,609 |
| Defined benefit plans for employees | 1,543 | 1,630 |
| Deferred tax liabilities | 316 | 407 |
| Liabilities for derivative financial instruments | 397 | 30 |
| **Total non-current liabilities** | **82,271** | **61,202** |
| | | |
| **Current liabilities** | | |
| Bank overdrafts and short-term loans | 28,996 | 29,460 |
| Other current financial liabilities | 210 | 210 |
| Current liabilities for right-of-use | 1,916 | 1,992 |
| Trade payables | 38,648 | 51,935 |
| Tax liabilities | 2,654 | 2,134 |
| Other current liabilities | 5,483 | 4,667 |
| **Total current liabilities** | **77,907** | **90,398** |
| | | |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | **216,130** | **217,933** |

(thousands of Euro)

| CONSOLIDATED CASH FLOWS STATEMENT | 30/09/2020 | 30/09/2019 |
|---|---|---|
| **Financial flows deriving from operating activities** | | |
| Pre-tax profit (loss) for the period | -9,489 | 4,893 |
| *Adjustments for:* | | |
| Depreciation of property, plant and equipment | 2,920 | 3,017 |
| Amortisation of intangible assets | 4,629 | 4,414 |
| Depreciation of right-of-use assets | 1,543 | 1,620 |
| Loss (profit) from disposal of tangible and intangible assets | -44 | -35 |
| Performanche share | 132 | 0 |
| Impairment loss on trade receivables | 152 | 6 |
| Net finance expenses | 3,864 | 3,634 |
| Profit (loss) attributable to investments valued using equity method | 21 | -315 |
| | **3,728** | **17,234** |
| *Changes in:* | | |
| inventories | -1,715 | -4,599 |
| trade receivables and other receivables | 1,539 | 2,472 |
| trade payables and other payables | -12,332 | -8,543 |
| provisions and employee benefits | -859 | -2,143 |
| **Cash generated from operation** | **-9,675** | **4,421** |
| Interest paid | -1,301 | -3,028 |
| Interest received | 51 | 68 |
| income taxes paid | -598 | -1,876 |
| **Net cash generated (absorbed) from operating activities** | **-11,523** | **-415** |
| **Financial flow from investment** | | |
| Proceeds from sale of property, plant and equipment | 187 | 111 |
| Purchase of property, plant and equipment | -4,589 | -1,928 |
| Purchase of intangible assets | -257 | -409 |
| Development expenditure | -3,941 | -3,678 |
| **Net cash absorbed by investment activities** | **-8,600** | **-5,904** |
| **Free Cash Flow** | **-20,123** | **-6,319** |
| **Financial flow from financing activities** | | |
| Disbursements (reimbursement) of loans to associates | -600 | -2,760 |
| Disbursements (reimbursement) of bond loan | 0 | -28,286 |
| Disbursements (reimbursement) of medium/long-term loans | 23,644 | 40,815 |
| Change in short-term bank debts | -1,168 | 533 |
| Repayment of leases IFRS 16 | -1,648 | -1,713 |
| **Net cash generated (absorbed) by financing activities** | **20,228** | **8,589** |
| **Net increase (decrease) in cash and cash equivalents** | **105** | **2,270** |
| Cash and cash equivalents as at 1 January | 22,650 | 15,075 |
| Effect of exchange rate fluctuations on cash and cash equivalents | -2,934 | 286 |
| **Cash and cash equivalents at the end of the period** | **19,821** | **17,631** |

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| Fine Comunicato n.0915-35 | Numero di Pagine: 10 |